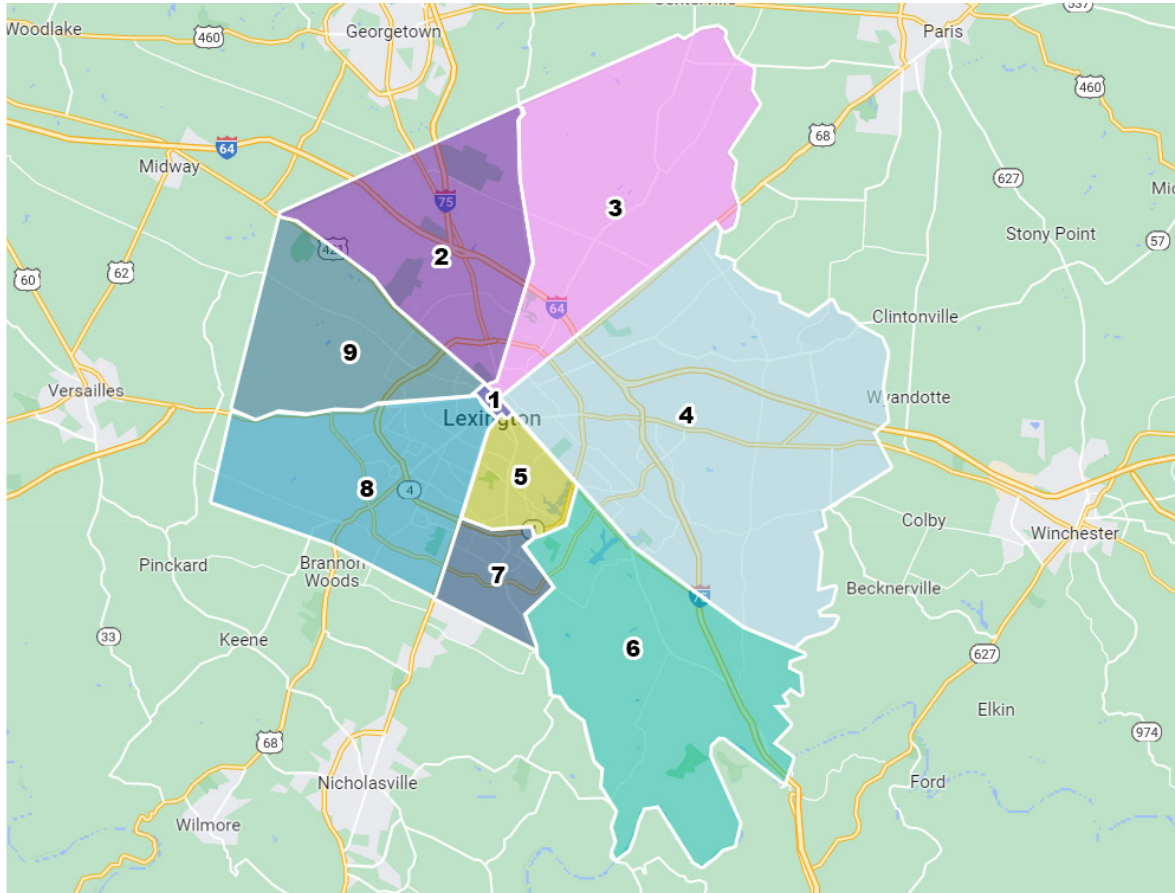


MARKET INSIGHT

LEXINGTON, KENTUCKY MULTIFAMILY REPORT | FOURTH QUARTER 2023



The Cushman & Wakefield | Commercial Kentucky Multifamily Research & Sales Team provides in-depth coverage of the Lexington Metropolitan Statistical Area. In addition to analyzing multifamily rent and sale trends, these reports examine employment data, key economic announcements, and development pipeline news.



IN THIS EDITION



- ▶ AREA 1: Downtown
- ▶ AREA 2: North
- ▶ AREA 3: Northeast
- ▶ AREA 4: East
- ▶ AREA 5: South Central
- ▶ AREA 6: Southeast
- ▶ AREA 7: South
- ▶ AREA 8: Southwest
- ▶ AREA 9: West



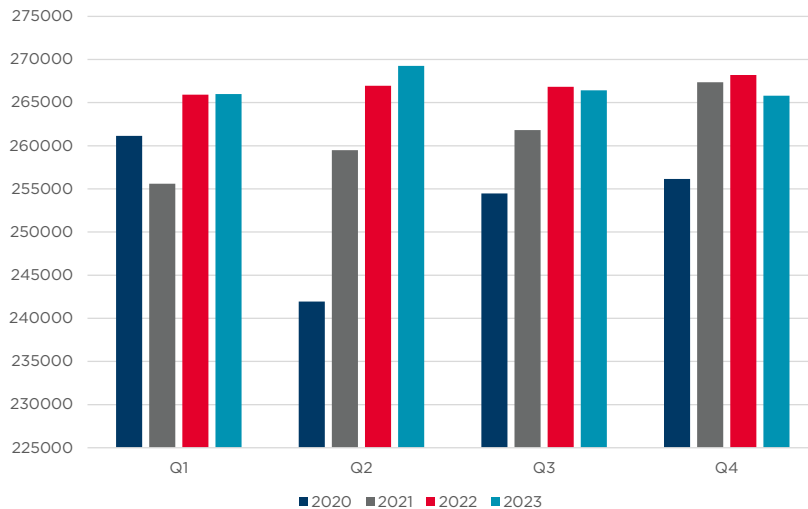
LEXINGTON METRO AREA

EMPLOYMENT & UNEMPLOYMENT TRENDS

As of the end of December 2023, unemployment rates in the Lexington area were 3.1%, which is down from 3.7% in June 2023. Seasonal employment may skew this number. Nevertheless, Lexington's unemployment rate was lower than the national average, which was 3.7% for the same period.

LEXINGTON JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS



Source: Bureau of Labor Statistics

JOB GROWTH & UNEMPLOYMENT RATE

-0.89%
% YOY

Average Q4 **employment** decreased by 2,383 jobs.

+50
BPS YOY

Average Q4 **unemployment** increased to 3.1%.

Source: Bureau of Labor Statistics

LEXINGTON ACCOLADES

2023 Rankings for Lexington include:

- #2** Best Run City in America
- #3** Safest City in America
- #6** Best City for New College Grads
- #9** Most Diverse Metro Economy in the U.S.
- #19** Best College Town in America

ECONOMIC EXPANSION

The following are select announcements from fourth quarter 2023:

- ✓ Kentucky bourbon brand, **RD1 Spirits**, announced plans for a \$4.8M distillery, serving as the anchor tenant in The Commons, Lexington's newest entertainment district.
- ✓ **Webasto Roof Systems**, a global market leader of panoramic runroofs, announced plans for a \$25.6M investment in Fayette County, creating 120 jobs.
- ✓ **Lexington Sporting Club Complex**, \$82M home to Lexington's new soccer team, is expected to be completed in late 2024. The stadium and youth soccer field complex will be located just off of I-75 along Athens-Boonesboro Road.

	Q4 2022	Q2 2023	Q4 2023
MSA EMPLOYMENT (% Change)	-0.25%	1.1%	-1.28%
MSA UNEMPLOYMENT RATE (%)	2.6%	3.2%	3.1%

Source: Bureau of Labor Statistics



SUBMARKET OVERVIEW

Occupancy rates are currently sitting at 95.5%, which is up 20 bps from Q2 2023. This is the lowest occupancy level since March 2022.

According to REIS, over the past twelve months, asking rents have risen 1.5%. December's increase of 0.2% brings the aggregate quarterly total down to 0.9%. Over the next eight quarters, asking rents are expected to rise by 2.3%.

95.5%

Average Occupancy

increase of 0.2% from 6/2023

3.7%

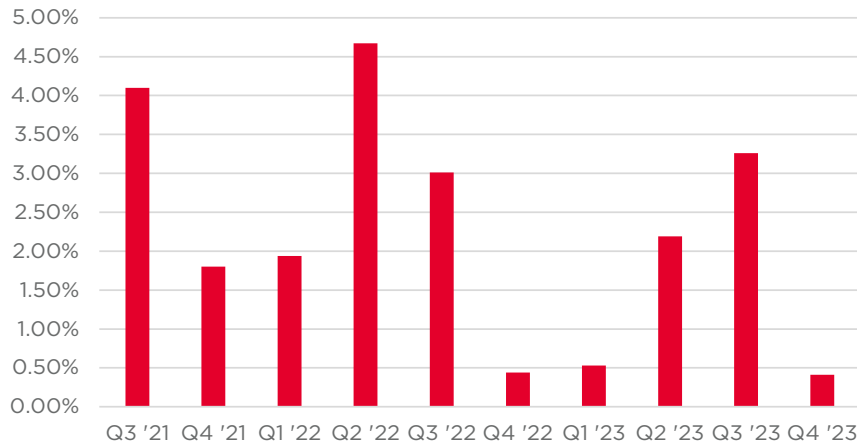
Average Rental Rate Increase

from 6/2023

HISTORICAL METRO RENT GROWTH RATES

Overall average rents for 1 BR units are at \$947/mo. with average rents for 2 BR units at \$1,233/mo. Average rents decreased 0.41% during the quarter, with 1 BR units down from \$986 and 2 BR units down from \$1,482 compared to Q2 2023. The overall average rental rate for the market is \$1,210 compared to \$1,167 in Q2 2023.

LEXINGTON RENT GROWTH RATES



Sources: Yardi Matrix / REIS

DEVELOPMENT / INVENTORY

350 units were completed in the last 12 months in the Lexington area. An additional 1,961 units are under construction and 374 are planned throughout the Metro Lexington area.

A recent Fayette County Housing Demand study forecasts household growth to yield an overall demand of 22,780 new housing units by 2025 - at least 6,275 of them multifamily.

DEMOGRAPHIC FUNDAMENTALS

The Lexington Metro population is projected to grow by 21% between 2015 and 2040.

POPULATION



2000:	408,469
2010:	472,099
2018:	512,516
2023:	545,588

PERCENT RENTER HOUSEHOLDS



2000:	37.5%
2010:	39.7%
2018:	41.1%
2023:	40.8%

MEDIAN HOUSEHOLD INCOME



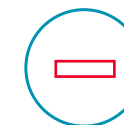
2000:	\$40,642
2010:	\$47,432
2018:	\$55,150
2023:	\$65,262

MULTIFAMILY FORECAST

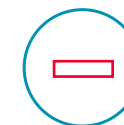
The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY



PIPELINE % GROWTH

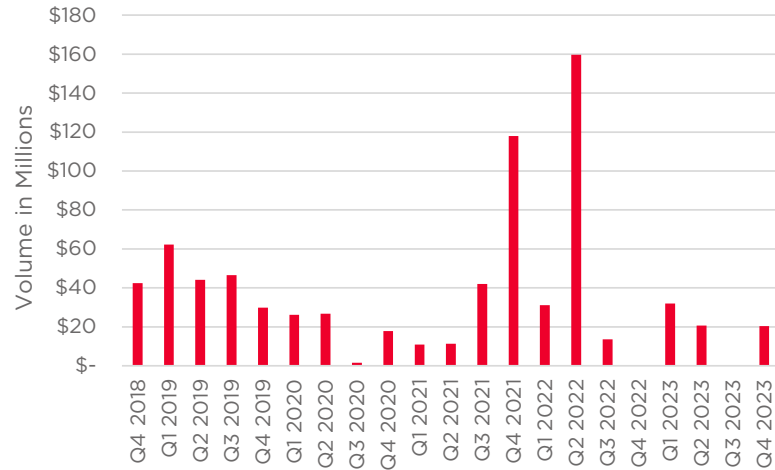
Forecast is 12-month outlook



INVESTMENT ACTIVITY

Multifamily investment activity in the Lexington MSA has slowed since Q2 2023. There was only 1 new transaction compared to Q2 2023 where there were 7 transactions recorded. However, compared to Q4 2022, activity is up from zero transactions.

HISTORICAL SALES VOLUME



Source: Cushman & Wakefield | Commercial Kentucky Research



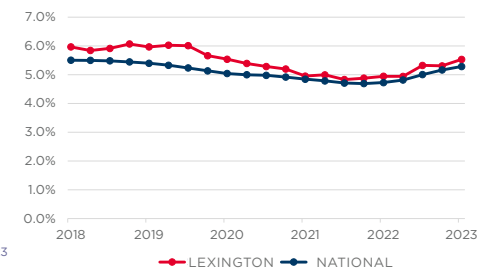
PRICING & CAP RATES



CHANGE IN SALES (YOY)
LEXINGTON



AVERAGE CAP RATE



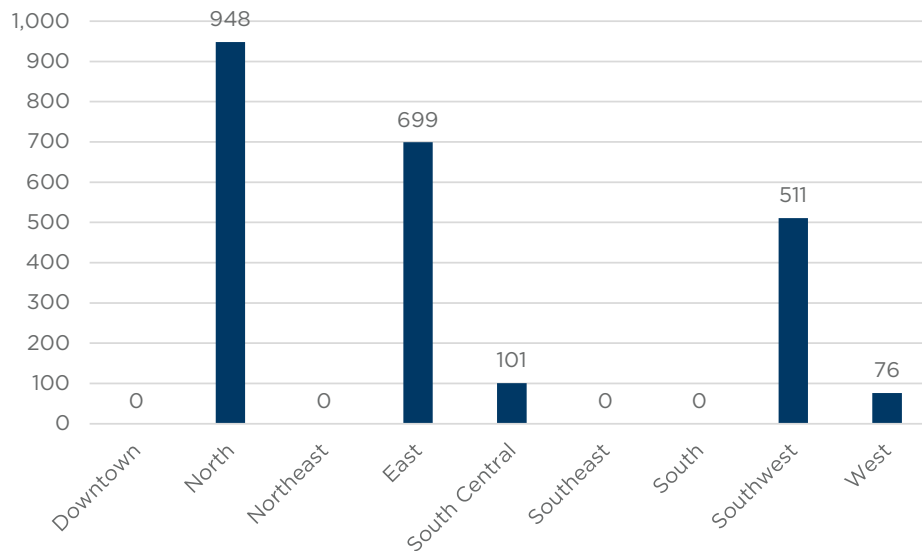
Source: Real Capital Analytics



SUBMARKET OVERVIEW



UNITS PLANNED/UNDER CONSTRUCTION BY SUBMARKET



Source: Yardi Matrix

SELECT MSA NEWS

- **The University of Kentucky** broke ground on a \$380M Health Education Building, the largest in the school's academic history. Totaling over 50,000 sf, the building will house programs in the colleges of Medicine, Public Health, Health Sciences and Nursing as well as the Center for Interprofessional and Community Health Education. The facility is expected to open in 2026.
- Lexington received \$22M in federal funding from the **Safe Streets and Roads for All Grant** that will be used to address safety concerns and reconstruct critical roadways along the New Circle Road corridor on the north side.
- A new 12-acre affordable housing development is planned for the former Transylvania University baseball complex. Several developers including **AU Associates, Habitat for Humanity, Urban League of Lexington and Winterwood** have agreed to develop homes, apartments and possibly townhouses on the property. The development is pending closure of the land and a re-zoning process before construction can begin.



About Cushman & Wakefield

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