



MARKET AT A GLANCE



OCCUPANCY RATE **94.2%**
Down **20 bps** since 3Q16



ASKING RENT **\$871**
Up **3.0%** since 3Q16

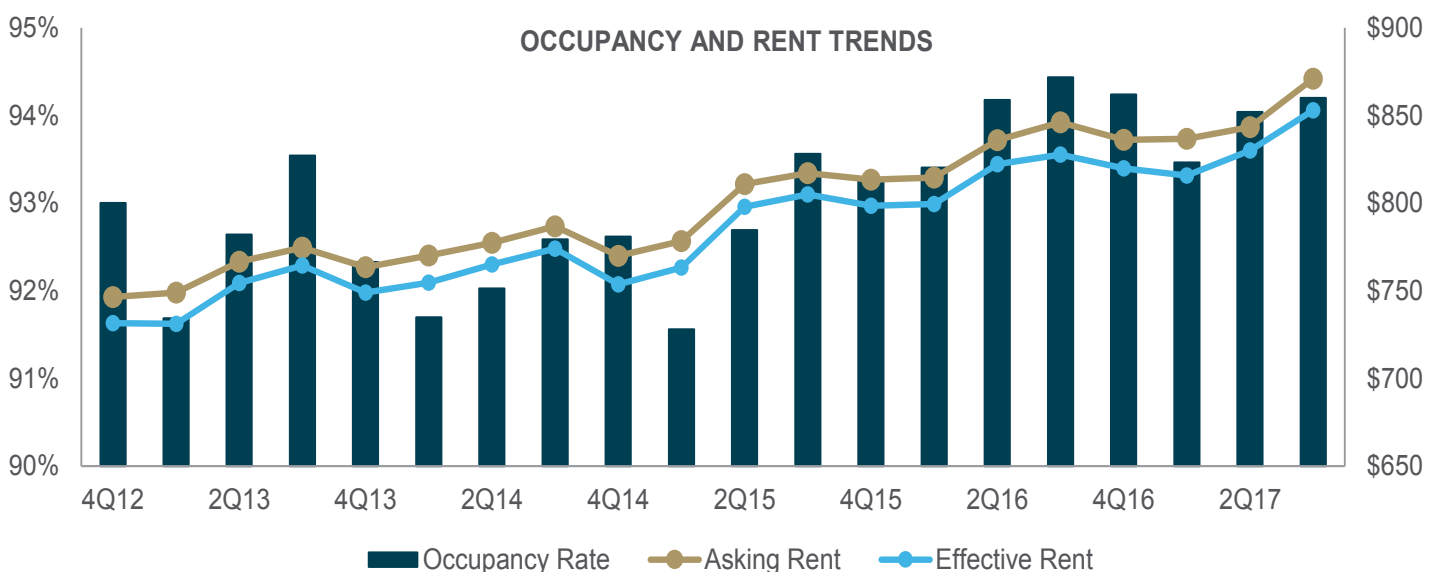


CONCESSIONS **2.1%**
Up **60 bps** since 3Q16

OCCUPANCY AND RENT TRENDS

OPERATORS ADVANCE RENTS AS APARTMENT OCCUPANCY ELEVATED

Multifamily developers ramped up construction activity to meet rising rental demand across the Lexington metropolitan area. Apartment inventory expanded by 347 units during the last three months, the highest quarterly deliveries in four years. All the additions were focused in the neighboring submarkets of Scott County, West Fayette County, and East Fayette County. A 306-unit community in West Fayette County was the largest property to come online, with the final phase completed in the third quarter. Even with the rise in apartment inventory growth, healthy leasing activity pushed metrowide occupancy up 20 basis points from June to 94.2% in September. Residents were attracted to the new inventory, with Scott County leading absorption for the metro during the last three months. Expanding concessions across Greater Lexington also contributed to the robust rental demand as operators expanded average concessions 50 basis points to 2.1% of asking rent. At the same time, asking rent advanced on average 3.3% to \$871 per month in September. In Scott County, asking rent advanced 0.8% to \$922 per month, while concessions held at an average of 1.5% of asking rent.



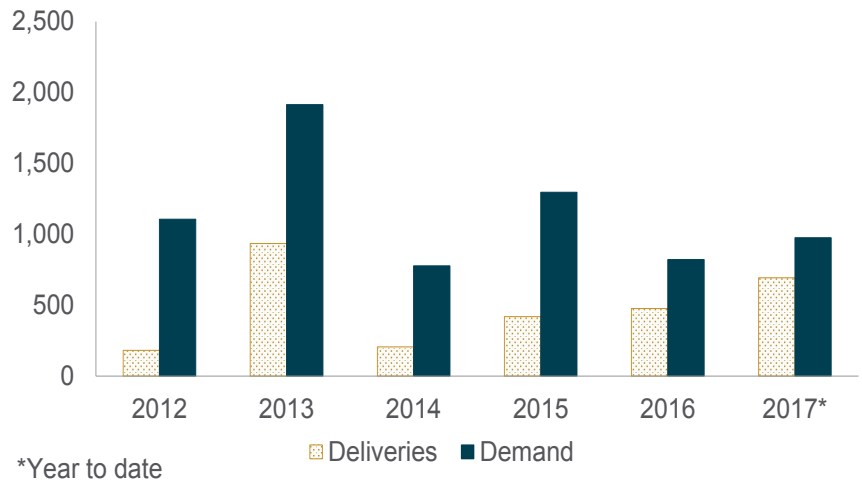
DELIVERIES AND DEMAND



DELIVERIES 694
Units YTD



NET ABSORPTION 976
Units YTD



ECONOMIC TRENDS

2016 **UNEMPLOYMENT*** 2017
3.5% **60 BPS CHANGE** 4.1%

2016 **EMPLOYMENT*** 2017
277.2k **1.4% CHANGE** 281.0k

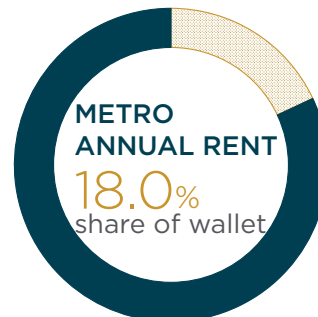
2016 **EXISTING SFH SALES**** 2017
9.4k **-7.4% CHANGE** 8.7k

2016 **MEDIAN SFH PRICE**** 2017
\$153.1k **5.9% CHANGE** \$162.2k

2016 **10-YEAR TREASURY**** 2017
1.63% **60 BPS CHANGE** 2.20%

Underpinning healthy rental demand in the Lexington metropolitan area was steady job creation. Total nonfarm employment expanded 1.4% in the 12-month period through August 2017, matching the national average growth at the same time. Lexington payrolls increased annually since 2010, capped by 3,800 new positions metrowide since August 2016. Job creation in the professional and business services sector provided a significant boost to the local economy, growing by 3,400 net workers for an 8.5% increase year over year. Hiring was also robust in the government segment with 1,000 personnel recruited for a 1.9% expansion. Overall growth was tamped down by 1,300 positions eliminated in the leisure and hospitality sector, which contracted 4.2% annually. Even with more employment opportunities, jobless claims rose during the last year. At 4.1% in August 2017, the unemployment rate was 60 basis points higher than one year prior. Also in the last 12 months, the median household income advanced 3.1% to \$57,836 in August 2017.

*August; **September



SUBMARKET BREAKDOWN

SUBMARKET NAME	OCCUPANCY		AVG RENT INCREASE		AVG RENT		NET ABSORPTION		DELIVERED UNITS	
	3Q16	3Q17	3Q16	3Q17	3Q16	3Q17	3Q17	ANNUAL	3Q17	ANNUAL
East Fayette County	96.7%	96.1%	2.9%	2.7%	\$856	\$879	82	146	87	190
Jessamine County	98.3%	97.5%	4.4%	4.5%	\$683	\$714	11	-10	0	0
North Circle	92.7%	93.0%	4.2%	4.4%	\$730	\$762	5	42	0	0
Scott County	96.2%	96.1%	3.2%	4.7%	\$881	\$922	125	220	150	231
South Circle	94.8%	95.9%	3.7%	-0.1%	\$830	\$829	57	57	0	0
West Fayette County	93.6%	92.9%	3.0%	1.8%	\$840	\$856	95	263	110	358
TOTALS	94.4%	94.2%	3.5%	3.0%	\$846	\$871	375	717	347	779



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