

# HUD PD&R Housing Market Profiles

## Louisville/Jefferson County, Kentucky-Indiana



### Quick Facts About Louisville

Louisville, Kentucky

By Katharine Jones | As of May 1, 2020

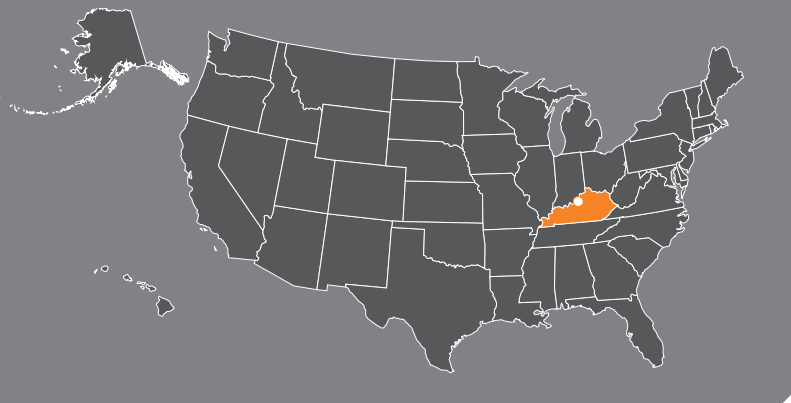
- **Current sales market conditions: balanced**
- **Current apartment market conditions: balanced**
- **Nearly one-third of the bourbon distilleries in Kentucky are located in the Louisville metropolitan area, including Brown-Forman Corporation, Jim Beam Brands Co., and Heaven Hill Distilleries, Inc. The bourbon industry has an estimated economic impact of \$8.6 billion on the state of Kentucky (2019 Kentucky Distillers Association report).**

### Overview

The Louisville/Jefferson County, KY-IN Metropolitan Statistical Area (hereafter, Louisville metropolitan area) consists of Bullitt, Henry, Jefferson, Oldham, Shelby, Spencer, and Trimble Counties in northwestern Kentucky and Clark, Floyd, Harrison, Scott, and Washington Counties in southern Indiana. Its central location in the eastern part of the United States and proximity to the Ohio River make the metropolitan area a hub for international and domestic shipping. Worldport, the worldwide air hub for United Parcel Service, Inc. (UPS), the largest employer in the metropolitan area, is at the Louisville International Airport. As the largest fully automated package handling facility in the world, Worldport processes an average of 2 million packages a day, and it has the capacity to handle double that rate during periods of surging demand for shipping, such as during the December holidays and the recent COVID-19 pandemic (UPS). In September 2019, UPS announced a \$750 million expansion that will add 1,000 jobs over the next 7 years.

- Approximately 1.30 million people reside in the Louisville metropolitan area. Nearly 60 percent of the population lives in Jefferson County, Kentucky, which includes the city of Louisville.

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- Population growth averaged 7,750, or 0.6 percent, annually from 2010 to 2017, then slowed to an average of 3,075, or 0.2 percent, a year since 2018 (U.S. Census Bureau population estimates as of July 1 and estimates by the analyst). The slower population growth since 2017 primarily resulted from less net in-migration due to slower job growth in recent years. Net in-migration averaged 4,125 people a year from 2010 to 2017 but slowed to an average of 325 people annually since 2018.
- The Cincinnati, OH-KY-IN metropolitan area, approximately 100 miles to the northeast, contributed the largest net share of people moving into the Louisville metropolitan area from 2013 to 2017, with approximately 620 people annually (Metro Area-to-Metro Area Migration Flows, 2013–2017 American Community Survey). During the same time, the largest net share of residents leaving the Louisville metropolitan area moved to the Elizabethtown-Fort Knox, KY metropolitan area, just southwest of Louisville, which gained about 850 people annually.

## Economy

Job growth was strong following the Great Recession but has slowed in recent years. From 2012 through 2016, total nonfarm payrolls increased by an average of 14,000 jobs, or 2.3 percent, a year. From 2017 to 2019, however, the rate of growth declined by more than one-half, with nonfarm payrolls increasing by an average of 6,000 jobs, or 0.8 percent, annually. During the 3 months ending April 2020, total nonfarm payrolls declined by 34,500 jobs, or 5.2 percent, compared with the same period a year earlier. Payroll declines were directly attributable to interventions taken to slow the spread of COVID-19. On March 6, 2020, the governor of Kentucky declared a state of emergency, and all nonessential businesses were closed by March 26, 2020. Although many offices were able to convert to remote working, the closures had a disproportionate impact on manufacturing,

certain areas of health care, retail trade, restaurants, hotels, and other industries, which rely heavily upon in-person work or customer interactions. Some nonessential businesses were able to gradually reopen beginning April 27, with most businesses and events expected to reopen with added safety precautions by the end of June 2020.

During the 3 months ending April 2020—

- The manufacturing sector decreased by 8,200 jobs, or 9.9 percent, from a year earlier to average 74,800 jobs. The second largest employer in the Louisville metropolitan area, Ford Motor Company, operates two automotive manufacturing plants in the area; the plants were shuttered for 2 months beginning in mid-March to comply with local

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### Nonfarm payrolls in the Louisville metropolitan area declined in 10 of the 11 sectors.

	3 Months Ending		Year-Over-Year Change	
	April 2019 (Thousands)	April 2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	669.6	635.1	-34.5	-5.2
Goods-Producing Sectors	112.0	103.2	-8.8	-7.9
Mining, Logging, & Construction	29.0	28.4	-0.6	-2.1
Manufacturing	83.0	74.8	-8.2	-9.9
Service-Providing Sectors	557.6	531.8	-25.8	-4.6
Wholesale & Retail Trade	93.3	89.9	-3.4	-3.6
Transportation & Utilities	55.1	53.7	-1.4	-2.5
Information	9.2	8.6	-0.6	-6.5
Financial Activities	46.3	47.3	1.0	2.2
Professional & Business Services	85.3	85.1	-0.2	-0.2
Education & Health Services	99.3	94.6	-4.7	-4.7
Leisure & Hospitality	68.9	55.7	-13.2	-19.2
Other Services	25.4	23.8	-1.6	-6.3
Government	74.8	73.2	-1.6	-2.1
<b>Unemployment Rate</b>	3.9%	8.0%		

Note: Numbers may not add to totals due to rounding.  
Source: U.S. Bureau of Labor Statistics



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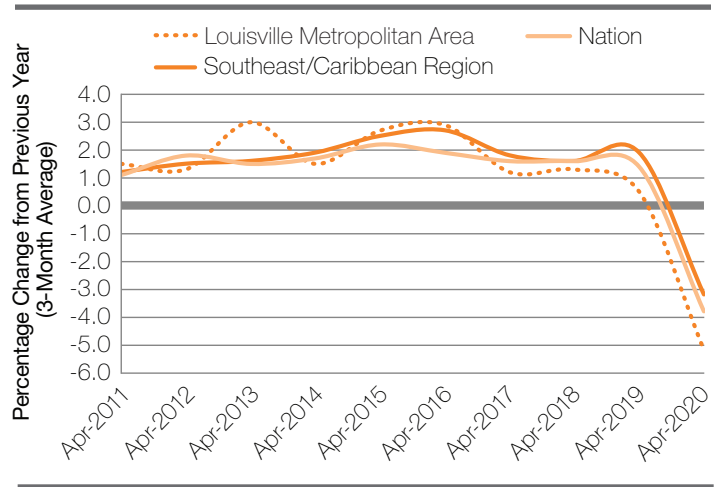
countermeasures enacted to slow the spread of COVID-19—temporarily laying off 12,500 workers. Production resumed in mid-May but with only about two-thirds of the staffing levels.

- The education and health services sector decreased by 4,700 jobs, or 4.7 percent, compared with a year earlier. The decline is at least partly due to the cancellations of elective surgeries and nonemergency appointments at hospitals and other medical centers such as vision, dental, and general practitioner offices. Dental offices were among the first businesses allowed to reopen beginning April 27.
- Partially offsetting losses, the financial activities sector was the only sector to add jobs, increasing by 1,000 jobs, or 2.2 percent, compared with the same period a year earlier. Financial services firm Computershare, Inc. is nearing the end of an expansion, adding 850 jobs in downtown Louisville between 2016 and 2020.
- The spike in job losses contributed to the elevated unemployment rate, which was 8.0 percent—more than double the 3.9-percent rate a year earlier.

The tourism industry in the Louisville metropolitan area was severely affected by the interventions to slow the spread of COVID-19. The leisure and hospitality sector, which accounted for 10 percent of total nonfarm payrolls a year ago, lost 13,200 jobs, or 19.2 percent, to average 55,700 jobs during the 3 months ending April 2020—accounting for less than 9 percent of total nonfarm payrolls. During March 2020, approximately one-half of the hotels in downtown Louisville closed, laying off thousands of workers; all plan to reopen in the summer of 2020. More than 24 million visitors annually contribute to tourism having a direct economic impact of \$1.6 billion on the metropolitan area (Louisville Tourism). Nearly 25 percent of that economic impact results from the Kentucky Derby Festival, which spans approximately 70 events during the month leading up to the Kentucky Derby—a horse race at Churchill Downs held annually in early May—including the largest firework show in North

America, a marathon, a parade, and galas. The festival and derby had an estimated economic impact of \$373 million on the Louisville metropolitan area in 2019 and was expected to surpass \$410 million in 2020. The Kentucky Derby and most of the festival events were rescheduled to late summer 2020 to comply with social-distancing measures recommended to slow the spread of COVID-19.

### Countermeasures to combat COVID-19 reversed years of job growth, with losses in the Louisville metropolitan area outpacing those of the region and the nation.



Source: U.S. Bureau of Labor Statistics

### Largest Employers in the Louisville Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United Parcel Service, Inc.	Transportation & Utilities	21,233
Ford Motor Company	Manufacturing	12,600
Norton Healthcare	Education & Health Services	12,247

Note: Excludes local school districts.  
Source: 2019 Business First

## Sales Market Conditions

The home sales market is currently balanced, with a 1.4-percent vacancy rate, down from 2.5 percent in 2010, when the market was soft. The inventory of homes listed for sale is low; in April 2020, an estimated 2.1-month supply of for-sale inventory was available, down slightly from a 2.3-month supply a year earlier but well below the 7.1 months of supply in 2012, when the home sales market was still recovering from soft market conditions (Redfin). In addition, 23 percent of homes sold during April 2020 sold above list price, which was unchanged from a year earlier but more than double the 11 percent share in April 2012.

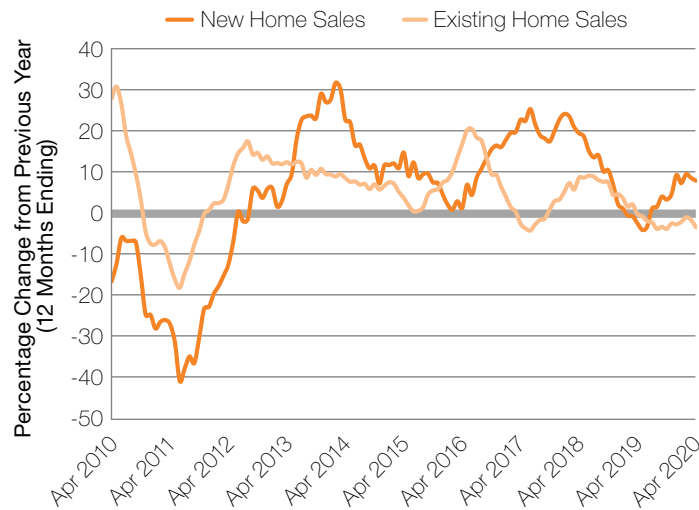
Improvements in the home sales market have contributed to the decline in distressed mortgages in the Louisville metropolitan area. During February 2020, approximately 1.4 percent of home loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or had transitioned to real estate owned (REO) status, down from 1.7 percent a year earlier and similar to the national rate of 1.3 percent (CoreLogic, Inc.). Distressed mortgages had previously peaked in the metropolitan area at 6.5 percent of home loans in January 2010.

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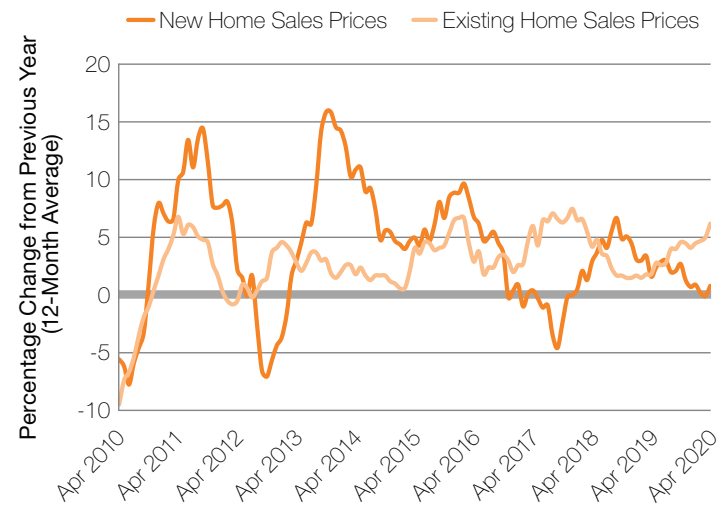
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The rate of new home sales in the Louisville metropolitan area outpaced that of existing home sales, which declined in the past year.



Note: Home sales include single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

In the Louisville metropolitan area, existing home sales prices increased at a faster rate than new home sales prices during the past year.



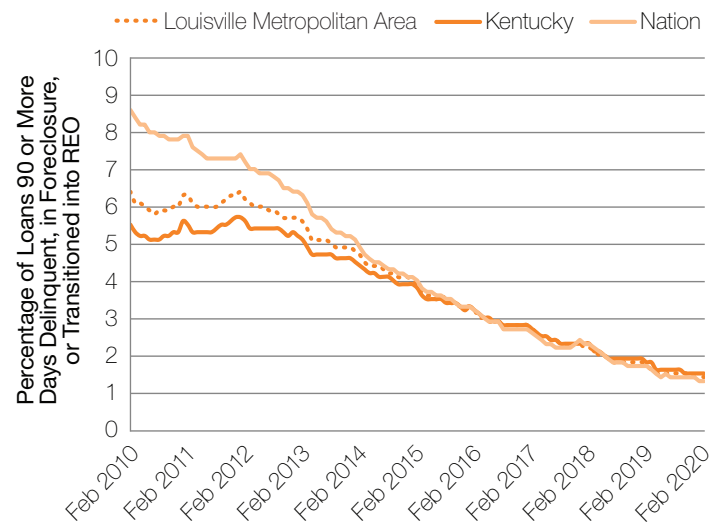
Note: Home sales include single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

During the 12 months ending April 2020—

- Approximately 23,850 existing homes (including regular resale and REO single-family homes, townhomes, and condominiums) sold, down nearly 4 percent from a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Slower population growth and weaker economic conditions decreased the demand for home sales.
- The average price of an existing home increased 6 percent from a year earlier, to nearly \$216,000.
- New home sales, which account for approximately 7 percent of all home sales, increased nearly 8 percent from a year earlier, to 1,825 homes sold.
- The average sales price of a new home is 60 percent higher than that of an existing home and increased nearly 1 percent from a year ago to \$347,200. By comparison, from 2010 through 2017, when population growth was stronger and the economy was recovering from the Great Recession, the average price of a new home increased at an average annual rate of more than 4 percent.

New home construction, as measured by the number of single-family homes permitted, in the Louisville metropolitan area has been elevated since 2015 despite the slowdown in population growth beginning in 2018. Nearly 60 percent of the 3,150 homes built in the metropolitan area during 2019 were in Clark County,

The percentage of home loans in the Louisville metropolitan area that are 90 or more days delinquent, in foreclosure, or recently transitioned to REO have been similar to the statewide and national rates since 2015.



REO = real estate owned. Source: CoreLogic, Inc.

Indiana, and Jefferson County, Kentucky, which include the cities of Jeffersonville and Louisville, respectively. Jeffersonville, Indiana, is directly across the Ohio River from Louisville.

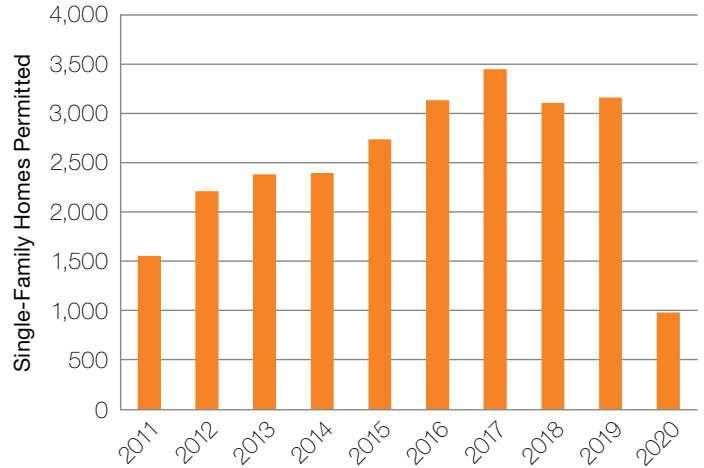
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- During the 12 months ending April 2020, nearly 3,125 single-family homes were permitted in the Louisville metropolitan area, up 1 percent from the same period a year earlier (preliminary data).
- From 2015 through 2019, an average of nearly 3,125 single-family homes were permitted annually, up from the average of approximately 2,050 single-family homes permitted each year from 2010 through 2014.
- The Heritage Creek subdivision opened in 2019 and is one of the most active new subdivisions in southeastern Jefferson County. In 2019, 49 homes sold, and an additional 9 homes were sold during the first 4 months of 2020. The starting price in the subdivision is \$215,000 for a home with two bedrooms.
- The Vista Hills subdivision in eastern Jefferson County is newly opened, with the first 4 of 24 homes currently under construction. The price of a home in the subdivision starts at \$275,000, and homes have two to four bedrooms.

Single-family homebuilding has been elevated since 2015 in the Louisville metropolitan area.



Note: Includes preliminary data from January 2020 through March 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions are balanced. First-quarter apartment vacancy rates have ranged from 4.8 to 6.1 percent since 2012 (RealPage, Inc.). During the same period, average annual rent growth ranged from about 1 to 7 percent. From 2015 to 2017, a period of strong population growth, apartment absorption averaged 1,600 units a year but has since slowed to 1,200 units a year, mainly due to the slower population growth in the past 3 years.

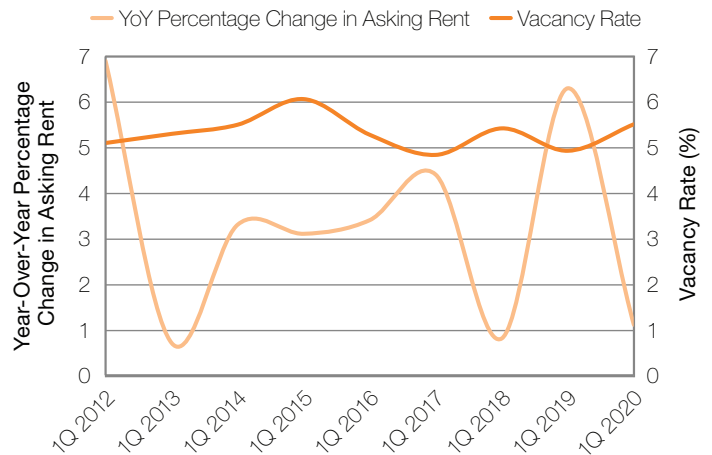
During the first quarter of 2020—

- The average apartment vacancy rate in the Louisville metropolitan area was 5.5 percent, up from 4.9 percent a year earlier, and the average monthly rent increased 1 percent to \$898.
- Apartment vacancy rates increased in all six of the Real Page Inc.-defined market areas in the metropolitan area compared with rates during the first quarter of 2019. The Northwest Louisville market area—which includes Jeffersonville, Indiana—had the lowest vacancy rate of 4.4 percent, up from 3.7 percent a year earlier. The Central Louisville market area had the highest vacancy rate, at 6.6 percent, and also the largest increase, with vacancies up from 5.7 percent a year earlier.
- Rent growth occurred in three of the market areas during the past year, all in the market areas with the lowest rents. The strongest rent growth occurred in the Northwest Louisville market area, which increased 4 percent, to average \$805. Rents in the Southwest Louisville and South Central market areas were up 2 and 3 percent, respectively, to \$811 and \$770.

- Rents declined in three market areas compared with a year earlier. The average rent declined by nearly 1 percent each in the Central Louisville, Southeast Louisville, and Northeast Louisville market areas, to \$1,035, \$1,032, and \$929, respectively. The Central Louisville and Southeast Louisville market areas have the highest average rents in the metropolitan area, in part because most new construction in those areas has been high-rent luxury apartments.

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Despite a relatively stable apartment vacancy rate in the Louisville metropolitan area since 2012, apartment rent growth varied widely, ranging from less than 1 percent to nearly 7 percent a year.



1Q = first quarter. YoY = year-over-year. Source: RealPage, Inc.



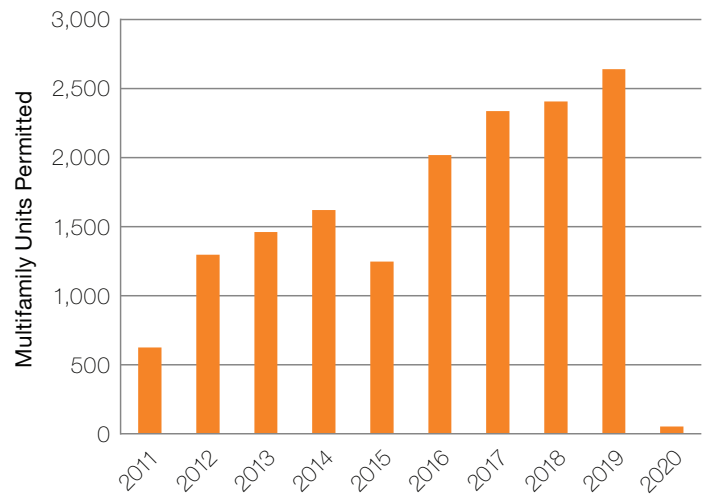
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Apartment construction, as measured by the number of multifamily units permitted, declined during the past year, as builders responded to the decreased demand that resulted from slower population growth since 2017. During the 12 months ending April 2020, approximately 1,825 multifamily units were permitted, down nearly 25 percent from the 2,400 units permitted during the previous 12-month period (preliminary data).

- Apartment construction averaged about 1,400 units a year from 2012 through 2015 and increased to an average of 2,350 units annually from 2016 through 2019 despite the slower population growth during most of that period.
- During 2019, more than 80 percent of apartment construction occurred in Jefferson County, Kentucky.
- One of the recently completed apartments in downtown Louisville, The Baxter apartments, opened in September 2019 with 261 units. Rents for the studio, one-bedroom, and two-bedroom units range from \$1,079 to \$2,038.
- The 408-unit Avoca Ridge apartments are underway in the city of Louisville. Construction began in the spring of 2019, and the development is expected to open in late 2021.
- The 758-unit Beecher Terrace apartment development, in the Russell neighborhood west of downtown Louisville, is undergoing redevelopment. The original apartments were demolished, and construction has begun on 620 replacement mixed-income apartment units and 20 for-

sale homes for income-qualified households. Approximately 400 units are currently underway, and the first units are expected to be completed in the fall of 2020, with completion of the entire project in 2025.

**Multifamily permitting in the Louisville metropolitan area has generally increased since economic recovery from the Great Recession began in 2011.**



Note: Includes preliminary data from January 2020 through March 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

