

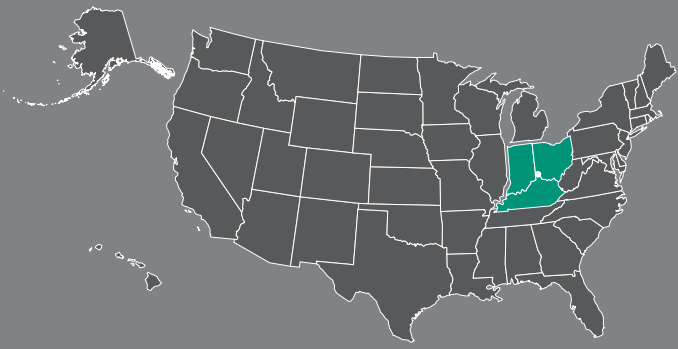
# HUD PD&R Housing Market Profiles

## Cincinnati-Middletown, Ohio-Kentucky-Indiana



### Quick Facts About Cincinnati-Middletown

- **Current sales market conditions: soft.**
- **Current rental market conditions: soft.**
- **Nonfarm payrolls remain below the level reported before the economic downturn that began in 2008.**



By Gabriel A. Labovitz | As of March 1, 2013

### Overview

The Cincinnati-Middletown metropolitan area includes 15 counties surrounding the Ohio River: 5 counties in southwestern Ohio, 7 counties in Kentucky, and 3 counties in Indiana. The city of Cincinnati is the headquarters of The Kroger Co., Proctor & Gamble Company, and Macy's, Inc., and it hosts two major-league sports teams, the Cincinnati Bengals (National Football League) and the Cincinnati Reds (Major League Baseball). The metropolitan area is home to the University of Cincinnati, Xavier University, Miami University, and Northern Kentucky University.

- As of March 1, 2013, the population was estimated at 2.15 million.
- Since 2008, the population has increased annually by 8,625, or 0.4 percent, all of which is attributed to net natural change (resident births minus resident deaths), because net migration has been negative since 2008.
- Between 2003 and 2008, population growth averaged 12,800 people, or 0.6 percent, annually; net natural change accounted for approximately 95 percent of the population growth during this time; net migration was positive, as approximately 570 more people moved into the metropolitan area than moved away each year.



### Nonfarm payrolls by sector in the Cincinnati area

	3 Months Ending		3-Month Change (2012-13)	
	February 2012 (thousands)	February 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	988.9	994.3	5.4	0.5
Goods-producing sectors	141.4	139.7	- 1.7	- 1.2
Mining, logging, and construction	36.4	34.0	- 2.4	- 6.6
Manufacturing	105.0	105.6	0.6	0.6
Service-providing sectors	847.5	854.7	7.2	0.8
Wholesale and retail trade	158.7	157.0	- 1.7	- 1.1
Transportation and utilities	41.0	41.0	0.0	0.0
Information	13.9	13.7	- 0.2	- 1.4
Financial activities	63.7	63.0	- 0.7	- 1.1
Professional and business services	157.0	163.9	6.9	4.4
Education and health services	149.8	152.4	2.6	1.7
Leisure and hospitality	98.9	100.9	2.0	2.0
Other services	38.0	37.8	- 0.2	- 0.5
Government	126.6	124.9	- 1.7	- 1.3

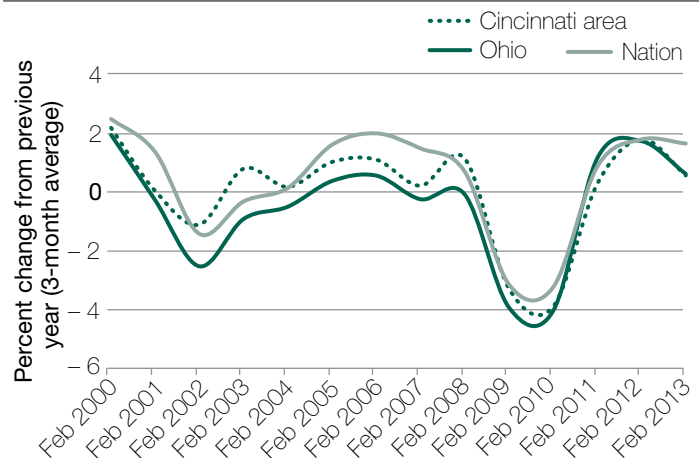
Source: U.S. Bureau of Labor Statistics

## Economic Conditions

During the first quarter of 2013, nonfarm payrolls in the Cincinnati-Middletown metropolitan area continued to recover from a 2-year decline between 2008 and 2010.

- Nonfarm payrolls averaged 994,300 jobs during the 3 months ending February 2013, up 5,400, or 0.5 percent, during the 3 months ending February 2012. Gains were widespread, led by an increase of 4.4 percent, or 6,900 jobs, in the professional and business services sector, the largest employment sector in the metropolitan area.
- The Northern Kentucky Tri-County Economic Development Corporation identified 24 business expansions or relocations that contributed nearly 6,300 jobs to the metropolitan area during 2012.
- Horseshoe Casino Cincinnati, which opened in March 2013, began hiring and training workers in 2012, contributing to expansion in the leisure and hospitality sector. Employment at the casino is expected to reach 1,700 by the summer of 2013.
- The unemployment rate averaged 7.3 percent during the 3 months ending February 2013, down from 8.1 percent a year ago, and the number of employed people grew by 4,975, or 0.5 percent, during the same period.

### Nonfarm payroll growth in the Cincinnati area dipped below the national rate but remained positive.



Source: U.S. Bureau of Labor Statistics

### Largest employers in the Cincinnati area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Kroger Co.	Wholesale and retail trade	17,000
University of Cincinnati	Government	15,150
Proctor & Gamble Company	Manufacturing	14,000

Note: Excludes local school districts.

Source: 2011 Business Courier Book of Lists from Cincinnati Ohio Economic Development website



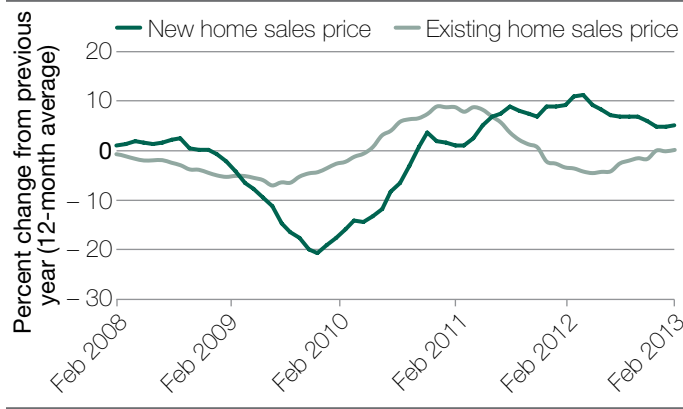
## Sales Market Conditions

The Cincinnati-Middletown metropolitan area home sales market is currently soft, with an estimated vacancy rate of 2.4 percent. Based on data from Hanley Wood, LLC, existing home sales, including single-family homes, townhomes, and condominiums, totaled approximately 19,300 homes sold during 2012, an increase of nearly 13 percent compared with the number of existing home sales during 2011. The average sales price of existing homes declined slightly, from \$160,700 in 2011 to \$160,000 in 2012. New home sales, which totaled 2,100 homes sold during 2011, declined nearly 11 percent, to 1,875 homes sold during 2012; the average sales price increased 4 percent, to \$246,600. The sale of REO (Real Estate Owned) homes represented 21 percent of all home sales during 2012, down from 24 percent during 2011.

- Existing home sales averaged 29,650 annually from 2005 through 2007 and declined to average 19,300 annually from 2008 through 2010.
- New home sales averaged 7,850 annually from 2005 through 2007 and declined to average 3,275 annually from 2008 through 2010.
- The average sales price for new homes has not recovered to the levels recorded during the 2005-through-2008 period, when it averaged \$259,900. In 2009 and 2010, the average new home sales price was \$216,100.
- Sales of condominiums, both new and existing, averaged 4,450 units sold annually from 2005 through 2007 and decreased to

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### New home sales prices are up slightly, but existing home sales prices remain flat in the Cincinnati area.



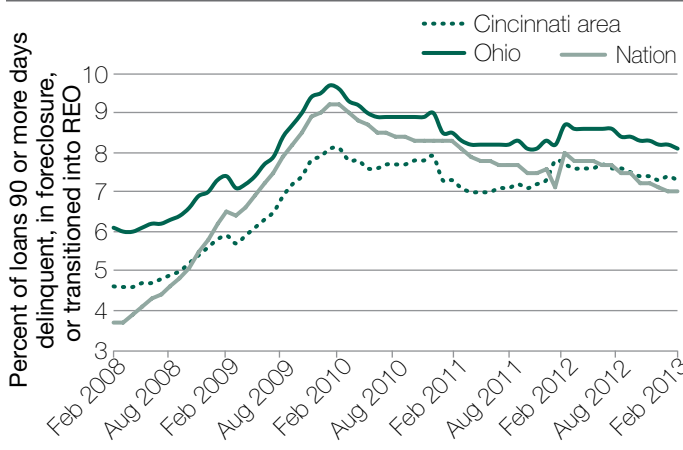
Note: Includes single-family homes, townhomes, and condominiums. Source: Hanley Wood, LLC

### Existing home sales are improving, but new home sales remain slow in the Cincinnati area.



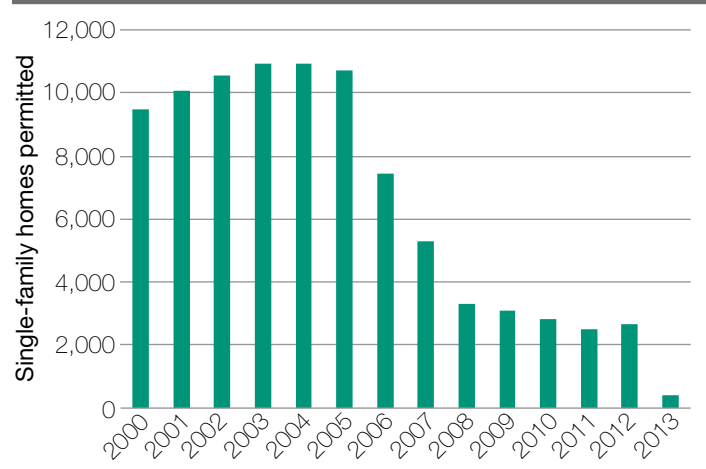
Source: Hanley Wood, LLC

### In the Cincinnati area, 7.3 percent of loans are distressed, down from 7.7 percent a year ago.



REO = Real Estate Owned. Source: LPS Applied Analytics

### Single-family building activity has remained low in the Cincinnati area since 2008.



Note: Includes data through February 2013. Source: U.S. Census Bureau, Building Permits Survey



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average 2,550 units sold annually from 2008 through 2010. In 2011, sales of 2,050 condominiums were reported, and sales increased 7 percent, to 2,200 condominiums sold, in 2012. The average sales price of a condominium decreased 6 percent, to \$117,900, during 2012.

New single-family home construction, as measured by the number of homes permitted, has remained at low levels since 2008.

- Based on preliminary data, building permits were issued for 580 single-family homes during the 3-month period ending February 2012, up from 440 homes permitted a year ago.
- From 2003 through 2007, building permits were issued for an average of 2,275 single-family homes each quarter, whereas, from 2008 through 2010, an average of 780 homes were permitted each quarter.

## Rental Market Conditions

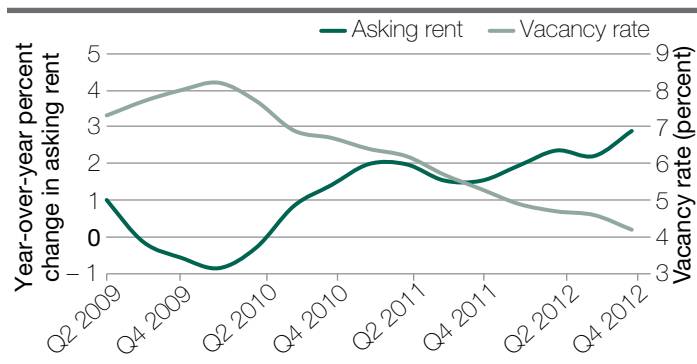
The rental housing market in the Cincinnati-Middletown metropolitan area is currently soft, with an overall vacancy rate estimated at 10.9 percent, down from 11.8 percent in April 2010.

- The apartment market, which is typically tighter than the overall rental market, is balanced to tight. According to Reis, Inc., the estimated vacancy rate was 4.2 percent as of the fourth quarter of 2012, down from 5.3 percent a year ago. Approximately 45 percent of the rental stock is in apartment buildings with five or more units.
- Average rents increased 2.9 percent, from \$727 in the fourth quarter of 2011 to \$748 in the fourth quarter of 2012.
- In downtown Cincinnati, the apartment market was balanced, with a vacancy rate of 5.4 percent during the fourth quarter of 2012, down from 6.4 percent during the fourth quarter of 2011.

Multifamily construction activity, as measured by the number of units permitted, is down compared with previous levels but increased during the most recent 3-month period.

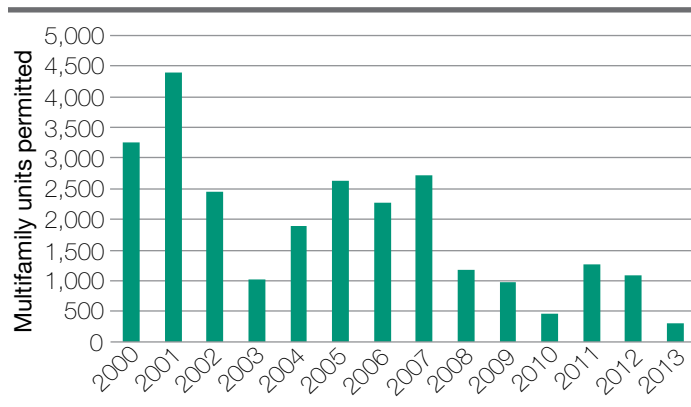
- From 2004 through 2007, an average of 590 multifamily units were permitted each quarter, a figure that declined to an average of 220 units permitted each quarter from 2008 through 2010. During the 3 months ending February 2013, approximately 390 multifamily units were permitted, up from the 290 units permitted during the 3 months ending February 2012.
- From 2004 through 2007, an estimated 50 percent of multifamily units permitted in the metropolitan area were intended for owner occupancy. Since 2008, only 20 percent of multifamily units permitted have been intended for owner occupancy.
- The Banks, a luxury rental property on Cincinnati's riverfront that opened in 2011, recently announced a second phase of residential and commercial development, which will add approximately 300 rental units to its existing 300 apartments. It is scheduled to begin construction in the spring of 2013.

### Apartment market fundamentals remain strong in the Cincinnati area.



Source: Reis, Inc.

### Multifamily building activity has remained low since 2008 in the Cincinnati area.



Note: Includes data through February 2013.

Sources: U.S. Census Bureau, Building Permits Survey; CBRE-EA Pipeline

