Housing Market Profile

Midwest • HUD Region V

Cincinnati-Middletown, Ohio-Kentucky-Indiana

The Cincinnati-Middletown metropolitan area, which encompasses 15 counties in the states of Ohio, Kentucky, and Indiana, is the largest metropolitan area in Ohio and the 24th largest metropolitan area in the United States. As of December 1, 2010, the population of the metropolitan area was estimated at 2.1 million, an increase of 10,750, or 0.5 percent, annually since July 2008. Because of job losses that began in 2008, population growth has slowed considerably from an average annual increase of 22,950, or 1.1 percent, recorded from July 2005 through July 2007. Approximately 40 percent of the population in the metropolitan area resides in Hamilton County, Ohio, which includes the city of Cincinnati. According to the Cincinnati USA Regional Chamber, five companies employ more than 10,000 people in the area: The Kroger Co., The University of Cincinnati, The Procter & Gamble Company, Cincinnati Children's Hospital Medical Center, and Health Alliance Greater Cincinnati.

Nonfarm payrolls in the metropolitan area began to decline in 2008, after nearly 5 years of growth. The decline continued during the 12 months ending November 2010, when total nonfarm payrolls decreased by 12,500 jobs, or 1.3 percent, to 985,700, after declining by 4.5 percent during the previous 12 months. Job losses were widespread during the 12 months ending November 2010, with non-farm payrolls declining in most sectors. The largest rates of decline occurred in the financial services and the mining, logging, and construction sectors, which fell by 5.6 and 5 percent, or 3,600 and 2,000 jobs, respectively, because construction and financing of new homes in the area slowed. The largest overall decrease occurred in the trade sector, which fell by 5,800 jobs, or 3.6 percent. The only sector to add jobs during the 12 months ending November 2010 was the education and health services sector, which grew by 2,400 jobs, or 1.7 percent. Almost all of the growth in this sector occurred within the healthcare and social assistance subsector, which accounts for 4 of the 10 largest employers in the area. Reflecting overall job losses during the 12 months ending November 2010, the unemployment rate increased from 9.1 to 9.9 percent, which is well above the average unemployment rate of 5 percent recorded from 2000 through 2008.

Sales market conditions in the Cincinnati-Middletown metropolitan area are slightly soft. The sales vacancy rate is currently estimated to be 2 percent, down slightly from the 2.3-percent rate reported in the 2009 American Community Survey. Recent job losses and tight mortgage lending standards have combined to reduce demand for single-family homes. Based on data from Terradatum, a real estate analysis company, during the 12 months ending November 2010, approximately 1,275 new and existing homes were sold in the four largest counties in the metropolitan area: Butler, Clermont, Hamilton, and Warren Counties in Ohio. This figure represents an 11-percent decline from the 1,425 homes sold during the previous 12-month period. During the 12 months ending November 2010, the median sales price declined 3 percent to $120,000 in the same four counties, and the level of unsold housing inventory increased slightly from a 9-month supply to a 10.4-month supply. According to Lender Processing Services Mortgage Performance Data for November 2010, 7.8 percent of the total loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), unchanged from the rate recorded in November 2009.

Home construction activity, as measured by the number of single-family building permits issued, declined in the area as demand for new homes remained below levels recorded earlier in the decade. In 2010, according to preliminary data, permits were issued for 2,700 single-family homes, which is a decline of 13 percent compared with the number of permits issued in 2009, and it is approximately 70 percent below the average of 8,750 homes permitted annually from 2000 through 2007. After peaking at 10,950 homes permitted in 2004, single-family home construction activity has steadily declined for 6 consecutive years. Despite the decline in homebuilding activity, several smaller subdivisions of 25 to 50 homes are currently under construction or in development in the metropolitan area. New three-bedroom, two-bathroom single-family homes start at approximately $140,000 in Cincinnati and the surrounding townships, and new two- and three-bedroom condominiums start at $100,000.

Production of new multifamily units has declined significantly since 2009 as the economy weakened and population growth slowed. According to preliminary data, in 2010, approximately 350 multifamily units, mostly apartments, were permitted, down 15 percent from the 410 units permitted in 2009. From 2000 through 2008, approximately 2,050 multifamily units were permitted annually. Condominiums account for slightly less than 15 percent of all multifamily units in the metropolitan area, which is similar to the percentage of multifamily units permitted for condominiums since 2000. Since 2008, the percentage of multifamily units intended for owner occupation has declined because the sales market has softened. Among multifamily projects currently under construction is Current @ The Banks, a 300-unit apartment complex with rents starting at $800. The complex, located at The Banks, an 18-acre mixed-use development on the Ohio River in downtown Cincinnati, is expected to be completed in the spring of 2011, along with approximately 80,000 square feet of retail space, restaurants, and parking.

The rental market in the Cincinnati-Middletown metropolitan area is currently balanced. As builders in the metropolitan area have reduced production levels in the past 2 years, the excess supply of vacant available units has begun to be absorbed, and rental market conditions have improved. According to Reis, Inc., in the third quarter of 2010, the apartment vacancy rate in the Cincinnati market area, which includes 9 of the 15 counties in the metropolitan area, was 6.9 percent, down from 7.7 percent in the third quarter of 2009. By comparison, from 2003 through 2008, apartment vacancy rates in the area averaged 8.4 percent. According to Reis, Inc., in the third quarter of 2010, the average effective apartment rent increased from approximately $670 to $680, or 1 percent, when compared with the rents recorded during the third quarter of 2009. From 2003 through 2008, effective rents increased by an average of 2 percent annually.