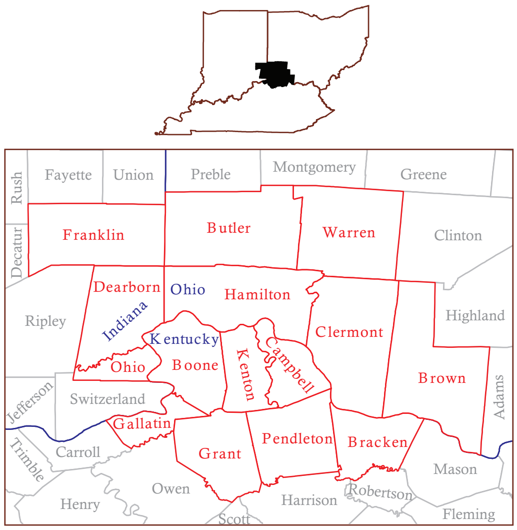
COMPREHENSIVE HOUSING MARKET ANALYSIS

Cincinnati-Middletown, Ohio-Kentucky-Indiana

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2012

PD&R



Housing Market Area

The Cincinnati-Middletown Housing Market Area (HMA) spans portions of three states: southwest Ohio, northern Kentucky, and southeast Indiana. It is coterminous with the Cincinnati-Middletown, OH-KY-IN Metropolitan Statistical Area. For purposes of this analysis, the HMA is divided into three submarkets: the Hamilton County submarket, comprising Hamilton County in Ohio, including the principal city of Cincinnati; the Northern Counties submarket, comprising Dearborn, Franklin, and Ohio Counties in Indiana and Brown, Butler, Clermont, and Warren Counties in Ohio; and the Southern Counties submarket, comprising Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in Kentucky.

Summary

Economy

Economic conditions strengthened in the Cincinnati-Middletown HMA during the 12 months ending March 2012. Nonfarm payrolls increased by 11,900 jobs, or 1.2 percent, to 993,900 jobs compared with the number of jobs recorded during the previous 12 months. Job gains were strongest in the manufacturing, the leisure and hospitality, and the professional and business services sectors. Nonfarm payroll jobs are expected to increase an average of 1.2 percent a year during the 3-year forecast period. Table DP-1, at the end of this report, provides employment data for the HMA.

Sales Market

Sales housing market conditions in the HMA are currently soft. During the 12 months ending March 2012, new and existing home sales declined 8 percent, to 29,200 homes. Demand during the 3-year forecast period is expected to total 9,025 new market-rate homes (Table 1). During the forecast period, no demand is anticipated for additional homes in the Hamilton County submarket, where approximately 130 homes are under construction. The 540 units under construction in the Northern Counties and Southern Counties submarkets and a portion of the 40,100 other vacant units in the HMA that might come back on the market will satisfy some of the expected demand.

Rental Market

The rental housing market in the HMA is currently soft, with an estimated overall rental vacancy rate of 11.4 percent, down from 11.8 percent in 2010. Net out-migration and an increased number of single-family homes in the rental inventory have kept the overall rental vacancy rate elevated. During the forecast period, demand is estimated for 370 new market-rate rental units in the Southern Counties submarket (Table 1). The available inventory will be sufficient to meet rental demand in the Hamilton County and Northern Counties submarkets, where 600 units are currently under construction.

Market Details

Table 1. Housing Demand in the Cincinnati-Middletown HMA, 3-Year Forecast, April 1, 2012 to April 1, 2015

	Cincinnati-Middletown HMA		Hamilton County Submarket		Northern Counties Submarket		Southern Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	9,025	370	0	0	5,100	0	3,925	370
Under Construction	670	600	130	60	370	540	170	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2012. A portion of the estimated 40,100 other vacant units in the HMA will likely satisfy some of the forecast demand. Includes the estimated demand for 500 mobile homes in the Northern Counties submarket and 300 mobile homes in the Southern Counties submarket.

Source: Estimates by analyst

Economic Conditions

The Cincinnati-Middletown HMA is home to nine Fortune 500 companies. Despite this strong corporate presence, the HMA was unable to avoid the national economic downturn that began in late 2007. Nonfarm payrolls, which increased by an average of 7,725 jobs, or 0.8 percent, a year from 2002 through 2007, declined by an average of 22,150 jobs, or 2.1 percent, a year from 2008 through 2010. During the 12 months ending March 2012, the economy of the HMA improved, adding 11,900 nonfarm payroll jobs, a 1.2-percent increase, to 993,900 jobs (Table 2). By comparison, nonfarm payrolls decreased by 2,300 jobs, or 0.2 percent, during the 12 months ending March 2011. Although resident employment increased in the HMA during the past 12 months, the labor force decreased, which led to a decrease in the unemployment rate. The current 12-month average unemployment rate is 8.3 percent, down from 9.3 percent during the previous 12-month period and the lowest annual rate reported since 2008. Figure 1 shows trends in the labor force, resident employment, and average unemployment rate in the HMA from 2000 through 2011.

During the past 12 months, nonfarm payrolls increased in six employment sectors, which offset the decline in the remaining five sectors. Manufacturing sector payrolls led growth in the local economy during the 12 months ending March 2012, increasing by 4,300 jobs,

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Cincinnati-Middletown HMA, by Sector

	12 Months Ending March 2011	12 Months Ending March 2012	Percent Change
Total Nonfarm Payroll Jobs	982,000	993,900	1.2
Goods Producing	140,000	145,600	4.0
Mining, Logging, & Construction	36,700	37,900	3.3
Manufacturing	103,400	107,700	4.2
Service Providing	842,000	848,300	0.7
Wholesale & Retail Trade	156,800	156,500	– 0.2
Transportation & Utilities	38,700	39,000	0.7
Information	14,100	13,900	– 1.2
Financial Activities	63,400	61,800	– 2.6
Professional & Business Services	150,000	153,500	2.3
Education & Health Services	147,700	150,500	1.9
Leisure & Hospitality	102,700	106,900	4.1
Other Services	40,500	40,300	– 0.6
Government	128,100	126,000	– 1.7

Notes: Based on 12-month averages through March 2011 and March 2012. Numbers may not add to totals because of rounding.

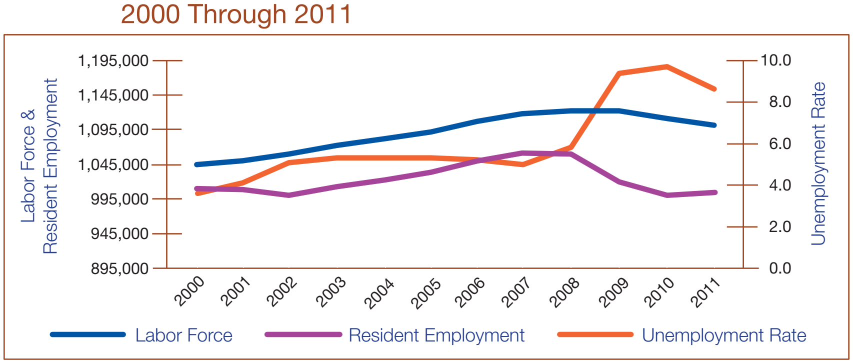
Source: U.S. Bureau of Labor Statistics

or 4.2 percent, to 107,700 jobs after declining by 1,100 jobs, or 1.1 percent, during the 12 months ending March 2011. The Cincinnati USA Partnership, which tracks investment and job creation in the region, identified the manufacturing sector as the single largest investor in capital during 2011, with a direct capital investment of approximately $463 million, or 38 percent of the total capital investment in the region, according to the Partnership. Before 2011, the last annual increase in manufacturing sector payrolls in the HMA was in 1998. Between 2000, when the sector accounted for nearly 15 percent of nonfarm payroll jobs in the area, and 2010, when the sector's share of nonfarm payrolls had declined to 10.5 percent, manufacturing sector payrolls declined by 4,450 jobs, or 4 percent, annually. Significant job gains in the sector during 2011 included 300 jobs at Intelligrated, Inc., in Butler County, and more than 500 jobs at GE Aviation, also in Butler County, which has experienced increasing orders for jet engines since 2009. Linamar Corporation, in Boone County, received tax incentives worth up to $4.5 million from the Kentucky Business Investment program to expand its operations and add 138 jobs in 2012.

The leisure and hospitality sector gained 4,200 jobs during the 12 months ending March 2012, an increase of 4.1 percent to 106,900 jobs compared with the number of jobs recorded during the previous 12 months. Hiring occurred primarily in the accommodation and food services industry; the Hamilton Journal News reported the number of restaurants in the HMA increased to a new peak of 3,900 in 2011 from 3,875 in 2010. Recent hiring at new establishments includes five restaurants at The Banks, a $2.5 billion, mixed-use development on the Ohio River in downtown Cincinnati in addition to six new restaurants expected to open by 2013. New restaurant and bar openings, including approximately eight new establishments in the past year, contributed to growth in the Over-the-Rhine neighborhood, just north of downtown Cincinnati. Ohio voters approved casino gambling in 2009, and construction is under way on the Horseshoe Casino in the Pendleton neighborhood, just northeast of downtown Cincinnati. Hiring of casino workers will begin in the fall of 2012 and is expected to total 1,700 employees by the time the casino opens in the spring of 2013.

The professional and business services and the education and health services sectors also increased, by 3,500 and 2,800 jobs, or 2.3 and 1.9 percent, respectively, during the 12 months ending March 2012. These two sectors, which account for 153,500 and 150,500 jobs, respectively, are the second and third largest employment sectors in the HMA and account for 15.4 and 15.1 percent of nonfarm payroll jobs, respectively. Figure 2 shows the share of total nonfarm payroll jobs in the HMA by sector and Figure 3 illustrates sector growth in the HMA from 2000 to the current date. The largest employment sector, wholesale and retail trade, accounts

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Cincinnati-Middletown HMA, 2000 Through 2011

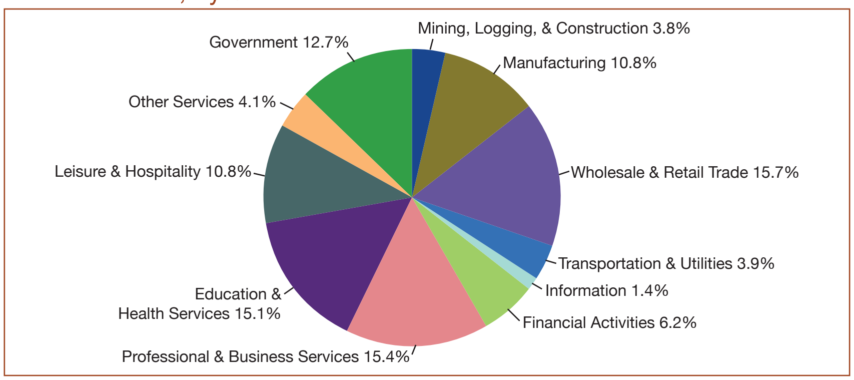


Source: U.S. Bureau of Labor Statistics

for 156,500 jobs, or 15.7 percent of nonfarm payroll jobs and includes the region's largest employer, The Kroger Co., with approximately 17,000 employees. The Kroger Co. recently announced plans to partner with Koncert IT for a knowledge-processing call center in Hamilton County. The partnership has resulted in the creation of 50 jobs, which could grow to 300 in the next 12 months. Table 3 lists the largest employers in the HMA.

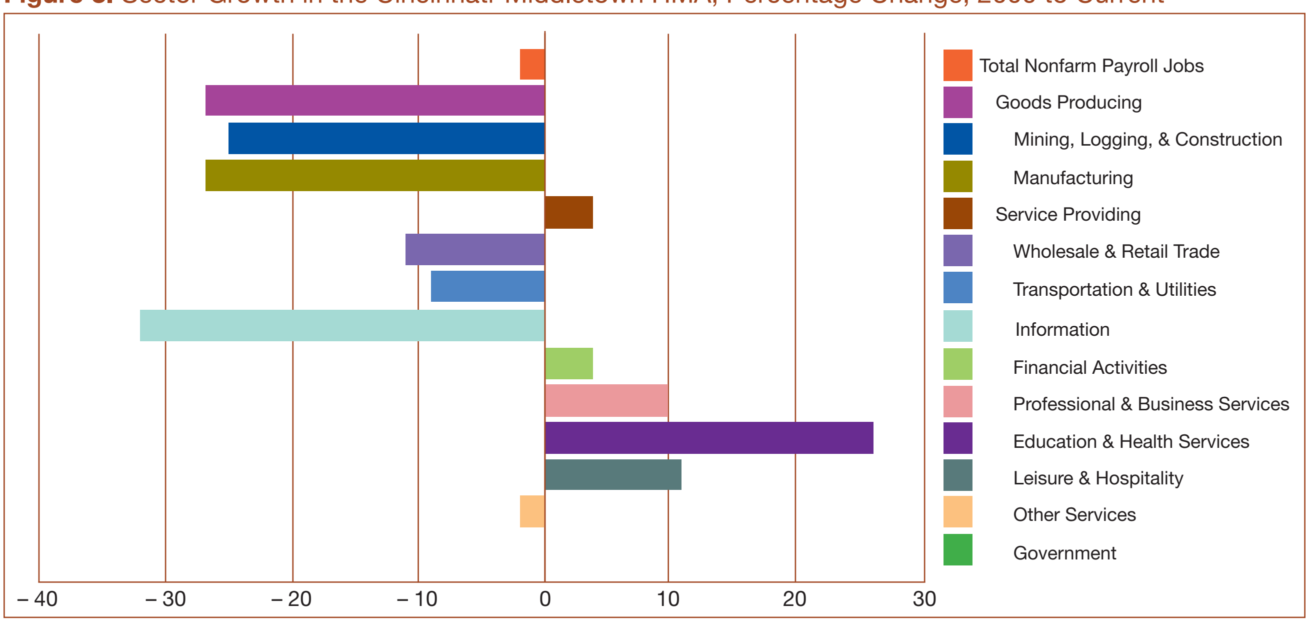
Declining employment sectors in the HMA include the government and financial activities sectors, which declined by 2,100 and 1,600 jobs or 1.6 and 2.6 percent, respectively, during the past 12 months. Among government sector job losses, federal government subsector payrolls declined by 1,200 jobs, or 6.7 percent, in the 12 months ending March 2012, after increasing by 600 jobs, or 3.5 percent, in the previous 12 months. Local sources indicate that temporary hiring by the U.S. Census Bureau for the 2010 Census likely inflated federal government subsector payrolls during the 12 months ending March 2011. Current federal government payrolls in the HMA total 16,600 jobs, about 400 fewer than the 17,000 recorded during the same 12-month period in 2009. Local government subsector payrolls in the HMA declined by 1,300 jobs, or 1.5 percent, to 83,850 jobs after declining by 2,600 jobs, or 3.0 percent, in the previous 12-month period. Local units of government in the HMA laid off employees because of declining tax revenues. Business Courier Serving Greater Cincinnati reported that Hamilton

Figure 2. Current Nonfarm Payroll Jobs in the Cincinnati-Middletown HMA, by Sector



Note: Based on 12-month averages through March 2012.
Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Cincinnati-Middletown HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through March 2012. During this period, government sector jobs showed no net change.
Source: U.S. Bureau of Labor Statistics

County needs to cut approximately $20 million from the 2013 budget, which may entail additional layoffs. The loss of Chiquita Brands L.L.C., which relocated its headquarters to Charlotte, North Carolina, resulted in the loss of 200 jobs. JPMorgan Chase & Co. closed its Cincinnati Office of Treasury and Security Services, eliminating 118 jobs. Proctor & Gamble Company announced plans to cut approximately 5,700 jobs by July 2013, including 1,600 jobs through an early retirement program. The effect on the approximately 14,000 Proctor & Gamble Company employees in the HMA is not known.

Table 3. Major Employers in the Cincinnati-Middletown HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Kroger Co.	Wholesale & Retail Trade	17,000
University of Cincinnati	Government	15,150
Proctor & Gamble Company	Manufacturing	14,000
Cincinnati Children's Hospital Medical Center	Education & Health Services	12,050
TriHealth	Education & Health Services	9,900
Mercy Health	Education & Health Services	8,550
Archdiocese of Cincinnati	Other Services	8,000
GE Aviation	Manufacturing	7,300
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	6,925
St. Elizabeth Health Center	Education & Health Services	6,850

Note: Excludes local school districts.
Source: 2011 Business Courier Book of Lists *on the City of Cincinnati ED Office Website*

During the 3-year forecast period, nonfarm payrolls are expected to increase 1.2 percent in the first year and 1.3 and 1.4 percent in the second and third years of the forecast period, respectively.

Population and Households

The population of the Cincinnati-Middletown HMA is estimated at 2.14 million as of April 1, 2012, indicating an average annual increase of approximately 0.5 percent, or 11,050, since 2000. The population increase is primarily because of net natural increase (resident births minus resident deaths) because net migration has been modest, averaging a net increase of 230 people annually from 2000 through 2010. Net migration in the HMA varied from 2000 through 2010 but was positive until 2007, averaging 730 people annually. From 2007 through 2010, net out-migration averaged 920 people annually. Net out-migration increased to 5,000 people between July 2010 and July 2011, after a 4.7-percent decline in nonfarm payrolls from 2009 through 2010, and it increased further to an estimated annual average of 6,500 people from July 2011 to April 1, 2012. Currently, approximately 37 percent of the HMA population resides in the Hamilton County submarket, down from 42 percent in 2000. The Northern Counties and Southern Counties submarkets comprise approximately 43 and 20 percent, respectively of the HMA population, up from 39 and 19 percent in 2000.

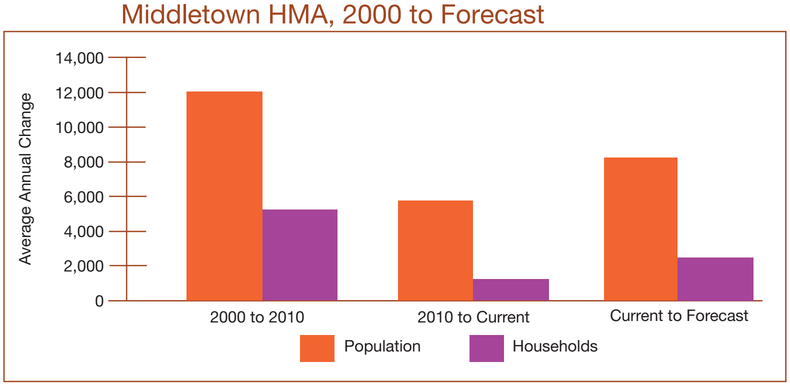
In the Hamilton County submarket, the population declined by an average of 4,300, or 0.5 percent, annually from 2000 through 2010. During the same period, the average out-migration of 7,825 people exceeded the net natural increase of 3,525 people each year. Whereas net natural increase has remained stable since 2010, out-migration has increased to an annual average of 6,775 people. The population of the

Hamilton County submarket, as of April 1, 2012, is estimated to be 797,700, a 0.3-percent decline annually since 2010. The population of the city of Cincinnati, in the Hamilton County submarket, declined by 3,425 annually from 2000 through 2010, accounting for 80 percent of the population loss in the submarket. As of April 1, 2010, the population of the city of Cincinnati was 296,943. According to data from the Internal Revenue Service, from 2004 through 2010, migration from the Hamilton County submarket into the Northern Counties and Southern Counties submarkets accounted for about 44 and 10 percent of total out-migration, respectively. Of the 46 percent of net out-migration from the Hamilton County submarket that moved outside the HMA, only 8 percent stayed in Ohio, whereas approximately 38 percent moved out of the state. Efforts are under way to revitalize downtown Cincinnati and encourage more residential population in three targeted neighborhoods: the Central Business District (CBD); Over-the-Rhine, north of the CBD; and Pendleton, to the northeast. According to Downtown Cincinnati, Inc., the population of these three neighborhoods increased more than 12 percent annually from 2007 through 2011, to an estimated 13,200.

In the Northern Counties and Southern Counties submarkets, the population increased 1.4 and 1.2 percent, respectively, annually from 2000 through 2010. In the Northern Counties submarket, in-migration was strong from 2000 through 2008, averaging 7,450 people annually, before declining to an average of 150 people a year from 2008 through April 2012. In the Southern Counties submarket, in-migration averaged 2,075 people annually from 2000 through 2008 but declined to an average of 800 people annually from 2008 through April 2012. Out-migration from the Hamilton County submarket contributed significantly to population growth in the Northern Counties and Southern Counties submarkets. When the economy started to decline in 2008, migration from Hamilton County also began to decline, because the weakening economy made the cost of moving to suburban areas prohibitive and tighter lending standards made homeownership more difficult for first-time homebuyers. Because of declining in-migration, population growth in the Northern Counties and Southern Counties submarkets has also slowed since 2010, to an average of 4,800 people, or 0.5 percent, a year to 911,900 in the Northern Counties submarket and an average of 3,250 people, or 0.8 percent, a year to 432,000 in the Southern Counties submarket. Figure 4 shows population and household growth in the HMA and Figure 5 shows the components of population change in the HMA from 2000 through the forecast period.

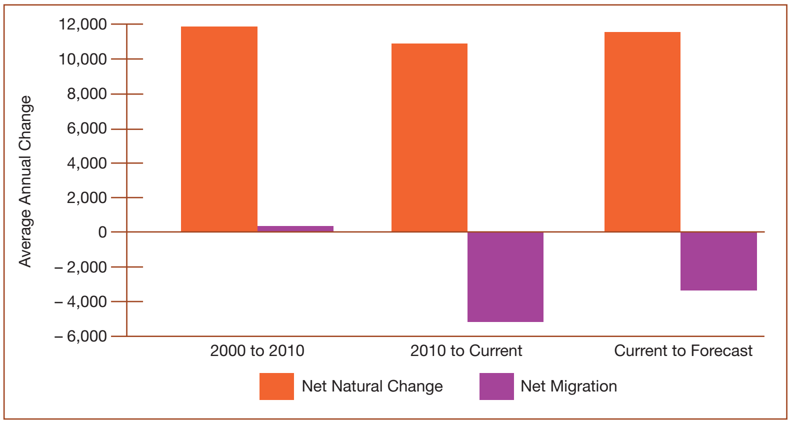
From 2000 to 2010, the number of households in the HMA increased by an average annual rate of 5,150, or 0.6 percent, to 830,608 households as of April 1, 2010. Since 2010, the

Figure 4. Population and Household Growth in the Cincinnati-Middletown HMA, 2000 to Forecast



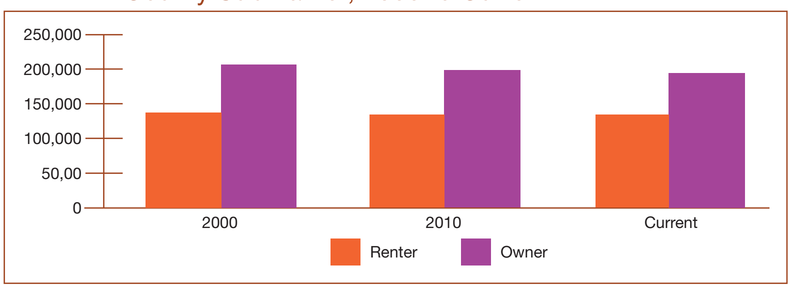
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Cincinnati-Middletown HMA, 2000 to Forecast



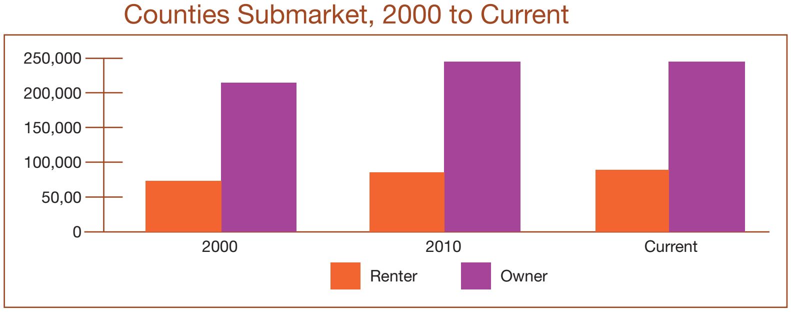
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Hamilton County Submarket, 2000 to Current



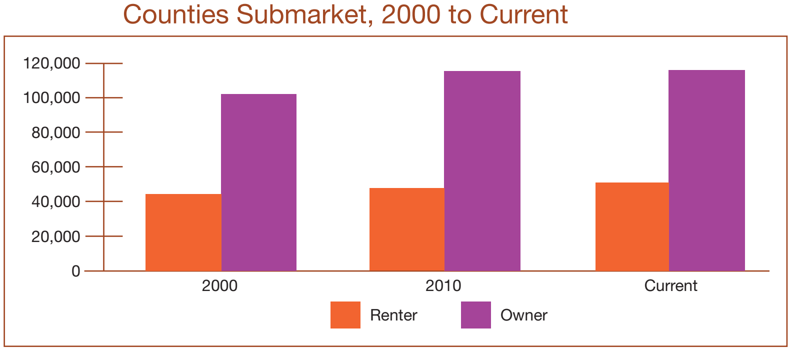
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Northern Counties Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Southern Counties Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

increase in the number of households has slowed to 1,050, or 0.1 percent, annually to 832,700 households as of the current date. Growth in the number of households slowed in the Northern Counties and Southern Counties submarkets, and the number of households declined at a slower rate in Hamilton County. Figures 6, 7, and 8 show the number of households by tenure in each submarket since 2000.

During the forecast period, the rates of population and household growth in the HMA are expected to increase modestly from those recorded between 2010 and the current date. The population is expected to increase by 8,000, or 0.4 percent, annually to 2.17 million and the number of households is expected to increase by 2,425, or 0.3 percent, annually to 840,000. In the Northern Counties submarket, the population and number of households are expected to increase 0.7 and 0.6 percent annually, respectively. In the Southern Counties submarket, annual increases in the population and number of households are expected to average 0.9 and 0.8 percent, respectively. Gains in these two submarkets are expected to offset continued population and household declines in the Hamilton County submarket of 0.3 percent annually during the next 3 years.

Housing Market Trends

Sales Market—Hamilton County Submarket

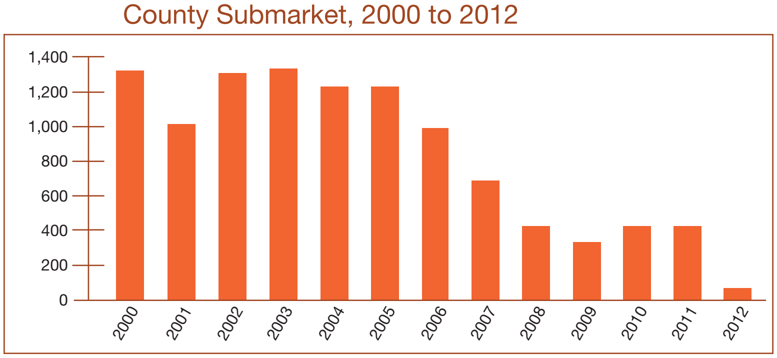
The sales housing market in the Hamilton County submarket is currently soft, with a vacancy rate of 3 percent (Table DP-2 at the end of the report), primarily because of the loss of jobs and population. According to data from Hanley Wood, LLC, sales of new and existing homes has declined, whereas the proportion of existing home sales that transitioned to REO (Real Estate Owned), which peaked in 2008, has begun to increase again. Sales of existing, nondistressed homes in the submarket totaled 14,700 in 2005 and declined 20 percent annually to 6,675 sales in 2009. Existing, nondistressed home sales totaled 5,425 during the 12 months ending March 2012, approximately 7 percent fewer than the number sold during the 12 months ending March 2011. New home sales in the submarket totaled 1,775 in 2005 and declined sharply by 32 percent annually to approximately 490 new homes sold in 2009. Since 2009, new home sales have continued to decline in the submarket, from 420 during the 12 months ending March 2011 to 310 during the 12 months ending March 2012, a 26-percent decline.

Distressed property sales account for a significant share of existing home sales in the Hamilton County submarket. Homes in this status currently account for approximately 28 percent of all home sales in the submarket, up from 9 percent in 2005, according to data from Hanley Wood, LLC. REO home sales comprised 29 percent of existing home sales in 2008. According to data from LPS Applied Analytics, the number of home loans that were 90 or more days delinquent, were in foreclosure, or transitioned to REO peaked in March 2010 at 8.6 percent of all active loans. This proportion has begun to climb again, from 7.5 percent in March 2011 to 8.1 percent in March 2012. Although the percentage of home loans in distressed status is less than in March 2010, the number of such loans is greater, indicating distressed sales will continue to affect the existing home sales market, at least in the near future.

The average sales price for existing, nondistressed homes was $187,900 during the 12 months ending March 2012, approximately 3 percent less than the average sales price during the 12 months ending March 2011. From 2005 through 2007, average sales prices for existing, nondistressed homes rose by 4 percent annually to $187,300. From 2007 through 2009, average sales prices declined slightly faster, by 7 percent annually to $162,200.

Since 2000, approximately 12 percent of the single-family homes constructed in the Cincinnati-Middletown HMA have been in the Hamilton County submarket. Single-family home construction, as measured by the number of building permits issued, slowed to an average of 390 homes permitted annually from 2008 through 2010 compared with an average of 1,150 per year from 2000 through 2007 (Figure 9).

Figure 9. Single-Family Building Permits Issued in the Hamilton County Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

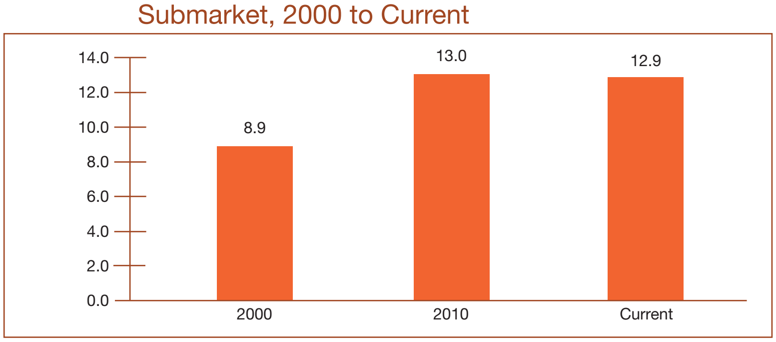
Approximately 360 homes were permitted in the submarket during the 12 months ending March 2012, a 10-percent decrease from the 12 months ending March 2011, according to preliminary data. In the city of Cincinnati, development of attached residential properties, including lofts and condominium units, were developed downtown and in the Over-the-Rhine neighborhood, where the Cincinnati Center City Development Corporation (3CDC) has spearheaded a significant redevelopment effort. Among 3CDC's projects is the 17-unit Bremen Lofts, a fully sold condominium project with an average sales price of $120,000.

During the next 3 years, no new sales housing should be constructed in the Hamilton County submarket because of expected continued out-migration. All of the demand will be met by the current supply of vacant available homes. In addition, there are an estimated 19,200 other vacant units, a portion of which may come back on the market, and approximately 130 homes currently under construction (Table 1).

Rental Market—Hamilton County Submarket

The Hamilton County submarket rental housing market is soft. The overall rental vacancy rate is currently estimated at 12.9 percent, down slightly from 13.0 percent in April 2010 (Figure 10). Although the total number of households has declined, the number of renter households is estimated to have grown slightly and the number of owner households to have declined, because some former owners who lost homes to foreclosure became renters. According to data from Reis, Inc., only the downtown Cincinnati portion of the submarket reported an increase in the vacancy rate, from 5.6 percent during the first quarter of 2011 to 6.5 percent during the first quarter of 2012, due to an estimated 430 units that entered the market during 2011. All other portions of the submarket reported reduced apartment vacancy rates from the first quarter of 2011, when vacancy rates averaged approximately 7 percent, to the first quarter of 2012, when the corresponding rate was approximately 6 percent. The average rent in the submarket increased 1 percent from the first quarter of 2011 to the first quarter of 2012, to $690, with the greatest increase in the downtown portion of the submarket, where the average rent increased 4 percent, to $810. Average rents increased 1 percent, to $750, on the north side of Cincinnati; 1 percent, to $560, in southwest Cincinnati, including Covedale and Miami Heights; and 3 percent, to $970, in northeast Cincinnati and the suburban Hamilton County communities, including Montgomery and Sharonville. Asking rents in the submarket have been increasing since the second quarter of 2011, except in downtown Cincinnati, where rents have been increasing since 2008.

Figure 10. Rental Vacancy Rates in the Hamilton County Submarket, 2000 to Current

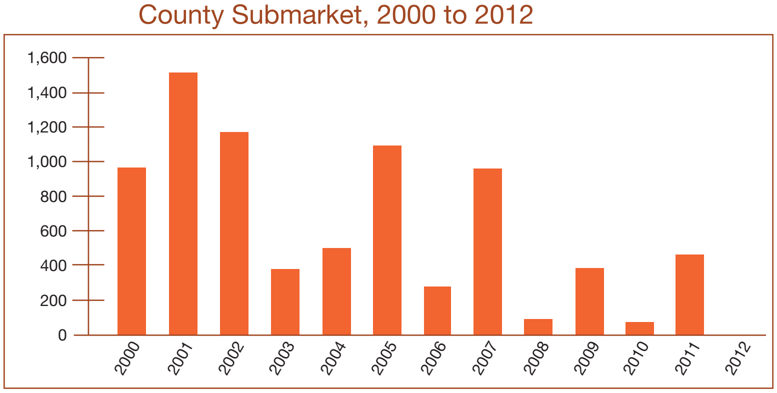


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Apartment vacancy rates have been declining in the submarket since the third quarter of 2010.

In the Hamilton County submarket, multifamily construction activity, as measured by the number of multifamily units permitted, averaged 830 units annually from 2000 through 2007 before declining to average 180 units annually between 2008 and 2010, reflecting the economic slowdown and net out-migration in the Cincinnati-Middletown HMA (Figure 11). According to preliminary data, during the 12 months ending March 2012, 330 multifamily units were permitted, reflecting a 21-percent decline from the previous 12 months. Most multifamily units permitted in the submarket were for renter occupancy. According to Economic Market Analysis Division (EMAD) estimates, approximately 53 percent of multifamily units permitted between 2000 and 2007 were for renter occupancy, a proportion that increased to 83 percent of multifamily units permitted between 2008 and the current date.

Figure 11. Multifamily Building Permits Issued in the Hamilton County Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Recent rental properties developed in the Hamilton County submarket include Current at The Banks, a rental development within a larger, mixed-use property on the Ohio River, situated between Great American Ballpark—the home of Major League Baseball's Cincinnati Reds—and Paul Brown Stadium—the home of the National Football League's Cincinnati Bengals. Current at The Banks, completed in 2011, includes 300 apartments with asking rents ranging from $1,115 to $2,135 for a studio unit, from $1,180 to $2,135 for a one-bedroom unit, and from $1,635 to $3,200 for a two-bedroom unit. Current at The Banks is fully occupied, with waiting lists for many unit types. In the Over-the-Rhine neighborhood, just north of downtown Cincinnati, 3CDC has led the revitalization of this neighborhood with commercial and residential development. Parvis Lofts, a historic rehabilitation project of 32 market-rate apartments, was completed in 2010 and is fully occupied, with asking rents ranging from $575 for a studio unit to $1,850 for a three-bedroom unit.

During the forecast period, no additional rental units should be constructed in the submarket because of the current excess rental vacancy and continued out-migration. As of April 1, 2012, an estimated 60 units are under construction in the submarket (Table 1).

Sales Market—Northern Counties Submarket

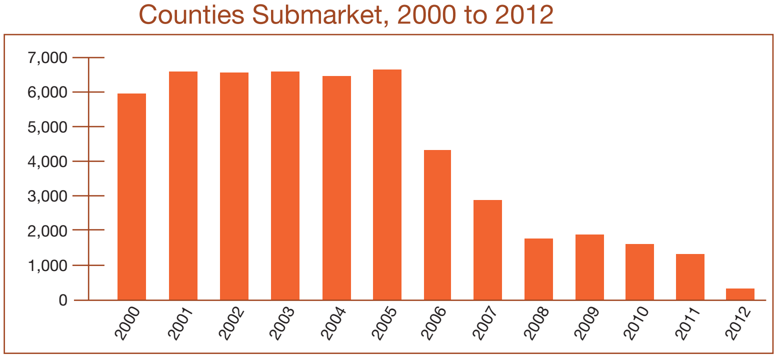
The sales housing market in the Northern Counties submarket is soft but showing signs of improvement. The current estimated sales housing vacancy rate is 1.8 percent, down from 2.0 percent in April 2010 (Table DP-3 at the end of the report). According to Hanley Wood, LLC, 7,075 existing, nondistressed single-family homes sold during the 12 months ending March 2012, approximately 3 percent fewer than the 7,250 sold during the previous 12 months. Sales of existing, nondistressed homes declined nearly 15 percent annually, from 15,900 homes sold in 2005 to 7,525 homes sold in 2010. New home sales in the submarket, which averaged 4,300 annually from 2005 through 2007, declined to average 1,800 annually from 2008 through 2010. For the 12 months ending March 2012, approximately 1,125 new homes sold, 22 percent fewer than the 1,450 sold during the previous 12 months.

As in the Hamilton County submarket, distressed homes made up an increasing share of existing home sales in the Northern Counties submarket. Of all existing home sales, distressed home sales accounted for 9 percent in 2005 and 27 percent in 2010, according to data from Hanley Wood, LLC. Of the 10,100 existing home sales recorded in the submarket during the 12 months ending March 2012, 30 percent, or 3,000, were distressed homes. According to LPS Applied Analytics, 7.6 percent of home loans were 90 or more days delinquent, were in foreclosure, or transitioned to REO, an increase from 7.2 percent in March 2011.

Although the number of existing home sales has declined and the proportion of distressed homes has increased, average existing home sales prices have remained fairly consistent in the Northern Counties submarket. From 2005 through 2008, the average sales price for an existing, nondistressed home increased from $171,300 to $178,600, or an average of 1.4 percent annually. From 2008 through 2009, as the economy began to weaken, the average price declined 5 percent, to $170,400. Since 2009, average home sales prices have remained fairly constant and averaged $171,700 for the past 12 months, a 1-percent decline from the previous 12 months. The average sales price of distressed homes in the submarket averaged $87,800 during the past 12 months, 11 percent less than during the previous 12-month period.

In the Northern Counties submarket, single-family home construction, as measured by the number of single-family building permits issued, accounted for 60 percent of all single-family permits issued in the Cincinnati-Middletown HMA from 2000 to April 1, 2012. From 2000 through 2005, an average of 6,450 homes was permitted annually in the submarket, a figure that declined 62 percent, to an average of 2,450 annually, from 2006 through 2010 (Figure 12). Because

Figure 12. Single-Family Building Permits Issued in the Northern Counties Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

the sales housing market remains soft in the submarket, builders remain cautious. During the 12 months ending March 2012, 1,325 single-family homebuilding permits were issued, a decline of approximately 9 percent from the number of permits issued in the previous 12 months, according to preliminary data. Approximately 70 percent of single-family homes permitted in the submarket since 2000 have been in Butler and Warren Counties, both in Ohio. Monroe Crossings, a new subdivision in Monroe, in Butler County, has plans to include 892 single-family lots, with approximately 450 currently sold. Eleven different builders are constructing homes starting at approximately $150,000 in Monroe Crossings.

During the next 3 years, demand is estimated for 5,100 new market-rate homes in the Northern Counties submarket, including approximately 500 mobile homes. The 370 homes currently under construction and a portion of the 13,200 other vacant units in the submarket that might come back on the market will satisfy a portion of that demand. Demand is expected to be strongest for homes priced between $200,000 and $299,999, with demand estimated at approximately 1,200 homes in the first year of the forecast period, increasing to 2,200 homes in the third year. Table 4 shows estimated demand by price range for new market-rate sales housing during the forecast period.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Northern Counties Submarket, April 1, 2012 to April 1, 2015

Price Range ($)		Units of Demand	Percent of Total
From	To		
100,000	149,999	460	10.0
150,000	199,999	460	10.0
200,000	249,999	1,150	25.0
250,000	299,999	1,150	25.0
300,000	349,999	460	10.0
350,000	399,999	460	10.0
400,000	499,999	230	5.0
500,000	and higher	230	5.0

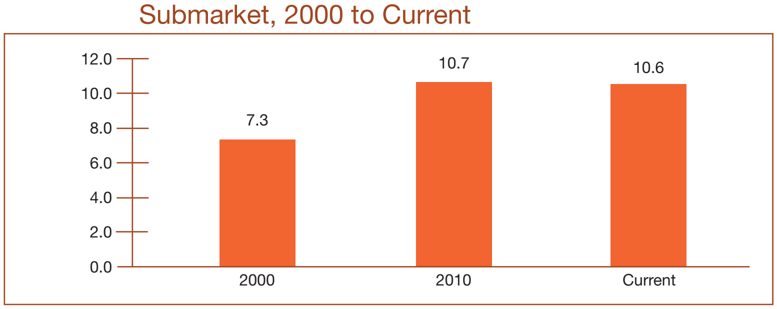
Note: The 370 homes currently under construction and a portion of the estimated 13,200 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Northern Counties Submarket

Rental housing market conditions in the Northern Counties submarket are currently soft, with a vacancy rate estimated at 10.6 percent, down from 10.7 percent in April 2010 (Figure 13). Although renter households have increased and owner households have decreased since 2010, formerly owner-occupied housing units have converted to rental occupancy, keeping the vacancy rate stable. Data from Reis, Inc., indicate the apartment market is outperforming the overall rental market. During the first quarter of 2012, the apartment vacancy rate was reported at 3.9 percent in the Reis, Inc. submarket of Butler and Warren Counties, and 4.6 percent in Clermont County, down from 5.8 and 6.1 percent, respectively, during the first quarter of 2011. During the same period, average rents increased 2 percent in the Butler and Warren Counties submarket, to $800,

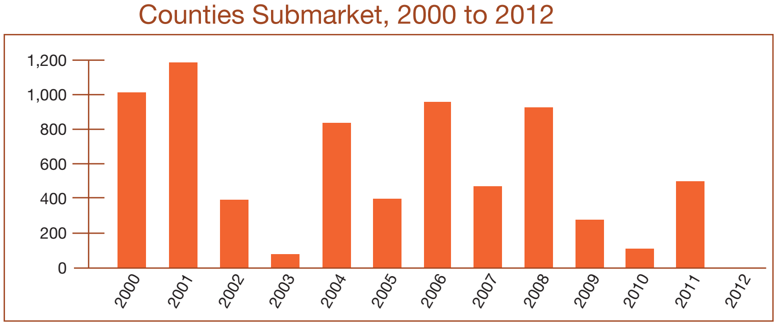
Figure 13. Rental Vacancy Rates in the Northern Counties Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst and increased 1 percent in Clermont County, to $650. Asking rents in the Northern Counties submarket have been increasing since the first quarter of 2010, and the apartment vacancy rate has been declining since the fourth quarter of 2009.

Multifamily construction activity, as measured by the number of units permitted, began to slow in 2009 in response to the weakening economy. From 2000 through 2008, an average of 700 multifamily units was permitted annually in the Northern Counties submarket, a figure that declined to 190 annually from 2009 through 2010 (Figure 14). According to preliminary data, approximately 100 multifamily units were permitted in the 12 months ending March 2011, a figure that increased significantly, to 840 units, during the 12 months ending March 2012, as developers reacted to strengthening apartment market conditions, predominately in Warren and Clermont Counties. Since 2000, approximately 90 percent of all multifamily building activity in the submarket has been in Brown, Butler, and Warren Counties, the three counties adjacent to Hamilton County. Approximately 39 percent of multifamily units permitted in the submarket since 2000 have been for owner occupancy, and local REALTORS® indicate that a number of condominium units are currently in the rental market because of soft home sales market conditions. As the sales housing market improves, some condominium units in the rental market will likely return to owner occupancy.

Figure 14. Multifamily Building Permits Issued in the Northern Counties Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

New rental development in the Northern Counties submarket includes Palmera Apartments, a 360-unit luxury apartment property in Mason, in Butler County, which began leasing in the summer of 2011. Palmera Apartments includes one-, two-, and three-bedroom apartments and townhomes with rents ranging from $860 to $1,775. Because of slow population growth and a significant number of vacant units, no additional rental unit should be constructed in the submarket during the forecast period (Table 1). An estimated 540 rental units are currently under construction.

Sales Market—Southern Counties Submarket

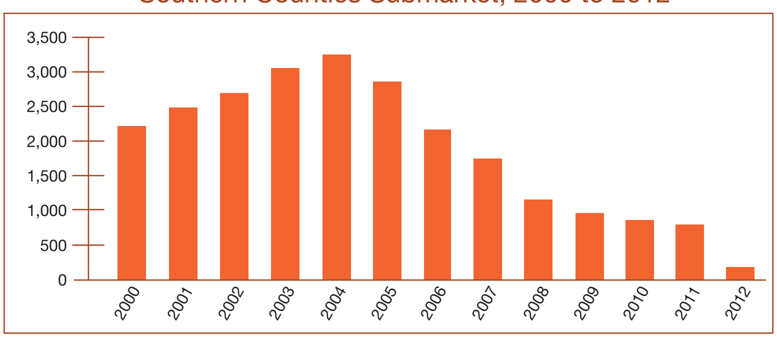
The sales housing market in the Southern Counties submarket is currently soft, with an estimated vacancy rate of 1.8 percent, down from 2.6 percent in April 2010 (Table DP-4 at the end of the report). According to data from Hanley Wood, LLC, the number of existing, nondistressed home sales declined an average of 18 percent per year from 2005 through 2009, from 8,325 in 2005 to 4,100 in 2009, and the proportion of distressed sales increased, from 4 percent in 2005 to 20 percent in 2009. New home sales in the submarket averaged 2,075 annually from 2005 through 2007, declined to 970 annually from 2008 through 2010, and totaled 630 during the 12 months ending March 2012, a 19-percent decline from the previous 12 months.

In the Northern Counties submarket, for the 12 months ending March 2012, 3,225 existing, nondistressed homes sold, an 11-percent decline from the 3,600 sold during the 12 months ending March 2011. The average sales price of existing, nondistressed homes increased nearly 6 percent annually from 2005 through 2007 and decreased 4 percent annually from 2007 through 2009, to an average of $153,300. The average sales price of an existing, nondistressed home during the 12 months ending March 2012 was $157,300, a 7-percent decline from the previous 12-month period. The average sales price for REO properties remained stable from 2005 through 2009, averaging $86,500 each year. The average REO home sales price was $87,950 during the 12 months ending March 2012, nearly 3 percent less than the average sales price during the previous 12 months. According to LPS Applied Analytics, 6.8 percent of all home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned to REO in March 2012, up from 6.2 percent in March 2011.

Single-family home construction, as measured by the number of single-family building permits issued, averaged 2,550 homes permitted annually from 2000 through 2007 before declining to average 970 from 2008 through 2010 (Figure 15). According to preliminary data, during the 12 months ending March 2012, 770 single-family homes were permitted, a 1-percent decline from the 780 single-family homes permitted in the previous 12-month period. Red Stone Village, in Boone County, currently includes 20 homes of a proposed 84, with asking prices from $276,000 to $626,000.

During the next 3 years, demand is estimated for 3,925 new market-rate homes in the Southern Counties submarket (Table 1), including 300 mobile homes. The 170 homes currently under construction and some of the estimated 7,700 other vacant units in the submarket that might return to the sales housing market will satisfy a portion of the demand. Demand is expected to be strongest for new homes in the $150,000-to-$249,999 price range and for approximately 1,000 homes in the first year of the forecast period, increasing to 1,500 homes during the third year. Table 5 shows estimated demand by price range for new market-rate sales housing during the forecast period.

Figure 15. Single-Family Building Permits Issued in the Southern Counties Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Sales Housing in the Southern Counties Submarket, April 1, 2012 to April 1, 2015

Price Range ($)		Units of Demand	Percent of Total
From	To		
100,000	149,999	540	15.0
150,000	199,999	730	20.0
200,000	249,999	730	20.0
250,000	299,999	540	15.0
300,000	349,999	360	10.0
350,000	399,999	360	10.0
400,000	499,999	180	5.0
500,000	and higher	180	5.0

Note: The 170 homes currently under construction and a portion of the estimated 7,700 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analyst

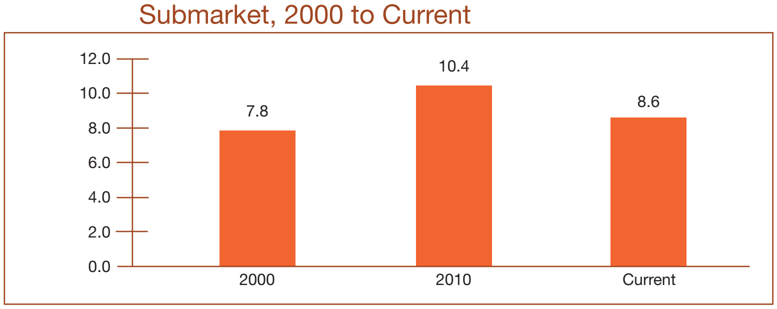
Rental Market—Southern Counties Submarket

Rental market conditions in the Southern Counties submarket are currently soft, with a rental vacancy rate of 8.6 percent, improved compared with the 2010 rental vacancy rate of 10.4 percent (Figure 16). According to data from Reis, Inc., the apartment vacancy rate in Northern Kentucky, the Reis, Inc. submarket that most closely corresponds to the submarket, was 3.4 percent in the first quarter of 2012, down from 5.1 percent in the first quarter of 2011. As in the other two submarkets, formerly owner-occupied units, both single-family homes and condominium units, have entered the rental market in response to soft home sales market conditions and have kept the overall rental vacancy rate elevated. Reis, Inc., reported that the average monthly rent increased 1 percent, to $725, in the first quarter of 2012 compared with the average rent reported during the first quarter of 2011. Asking rents in the submarket have increased since the third quarter of 2011 and the apartment vacancy rate has declined since the second quarter of 2009.

Multifamily construction activity, as measured by the number of units permitted, declined from averaging 690 units permitted annually from 2000 through 2007 to an average of 120 units permitted a year from 2008 through 2010 (Figure 17). According to preliminary data, during the 12 months ending March 2012, 95 multifamily units were permitted in the Southern Counties submarket, down 44 percent from the 170 units permitted during the previous 12-month period. From 2000 through 2007, approximately 55 percent of multifamily units permitted in the submarket were intended for owner occupancy, a proportion that has declined to 9 percent since 2008, according to EMAD estimates.

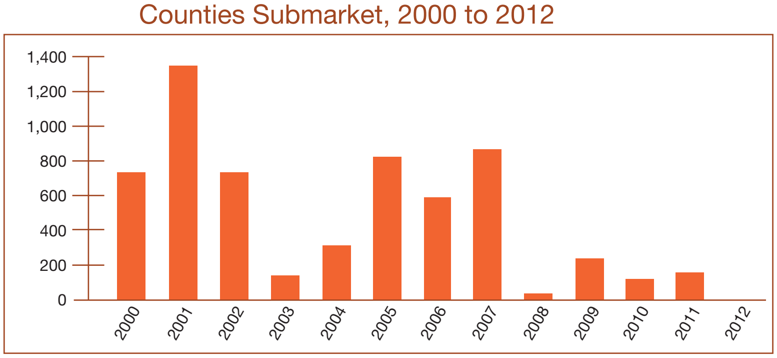
Boone, Campbell, and Kenton Counties, the three counties adjacent to the city of Cincinnati south of the Ohio River, account for nearly all of the multifamily units permitted since 2000. Apartment construction has been slow since 2007. The 282-unit Legends at Steeplechase apartments in Richwood, in Boone County, opened in 2010 and include one-, two-, and three-bedroom apartments with rents ranging from $650 to $825, $760 to $1,020, and $975 to $1,190, respectively. During the 3-year forecast period, demand is estimated for 370 new rental units. Table 6 shows forecast demand by number of bedrooms and rent level.

Figure 16. Rental Vacancy Rates in the Southern Counties Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Building Permits Issued in the Southern Counties Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Rental Housing in the Southern Counties Submarket, April 1, 2012 to April 1, 2015

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
600 to 799	25	750 to 949	45	850 to 1,049	25
800 to 999	25	950 to 1,149	45	1,050 to 1,249	25
1,000 to 1,199	25	1,150 to 1,349	35	1,250 to 1,449	20
1,200 to 1,399	15	1,350 to 1,549	35	1,450 to 1,649	20
1,400 or more	10	1,550 to 1,749	20	1,650 to 1,849	10
		1,750 or more	20	1,850 or more	10
Total	90	Total	200	Total	100

Note: Numbers may not add to totals because of rounding.

Source: Estimates by analyst

Data Profiles

Table DP-1. Cincinnati-Middletown HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total Resident Employment	1,008,627	1,001,224	1,009,000	– 0.1	0.6
Unemployment Rate	3.6%	9.6%	8.3%		
Nonfarm Payroll Jobs	1,017,400	980,800	993,900	– 0.4	1.1
Total Population	2,009,632	2,130,151	2,142,000	0.6	0.3
Total Households	779,226	830,608	832,700	0.6	0.1
Owner Households	524,132	560,209	556,500	0.7	– 0.3
Percent Owner	67.3%	67.4%	66.8%		
Renter Households	255,094	270,399	276,200	0.6	1.1
Percent Renter	32.7%	32.6%	33.2%		
Total Housing Units	833,067	917,396	921,000	1.0	0.2
Owner Vacancy Rate	1.5%	2.5%	2.2%		
Rental Vacancy Rate	8.3%	11.8%	11.4%		
Median Family Income	NA	NA	$69,500	NA	NA

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2012. Median family incomes are for 1999, 2009, and 2010.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Hamilton County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total Population	845,303	802,374	797,700	– 0.5	– 0.3
Total Households	346,790	333,945	331,100	– 0.4	– 0.4
Owner Households	207,591	198,750	194,900	– 0.4	– 1.0
Percent Owner	59.9%	59.5%	58.9%		
Rental Households	139,199	135,195	136,200	– 0.3	0.4
Percent Renter	40.1%	40.5%	41.1%		
Total Housing Units	373,393	377,364	376,400	0.1	– 0.1
Owner Vacancy Rate	1.4%	3.0%	3.0%		
Rental Vacancy Rate	8.9%	13.0%	12.9%		

Note: Numbers may not add to totals because of rounding.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Northern Counties Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total Population	785,335	902,294	911,900	1.4	0.5
Total Households	287,517	334,025	336,800	1.5	0.4
Owner Households	215,097	247,026	247,000	1.4	0.0
Percent Owner	74.8%	74.0%	73.3%		
Rental Households	72,420	86,999	89,800	1.9	1.6
Percent Renter	25.2%	26.0%	26.7%		
Total Housing Units	303,715	361,473	365,200	1.8	0.5
Owner Vacancy Rate	1.4%	2.0%	1.8%		
Rental Vacancy Rate	7.3%	10.7%	10.6%		

Note: Numbers may not add to totals because of rounding.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Southern Counties Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total Population	378,994	425,483	432,000	1.2	0.8
Total Households	144,919	162,638	164,800	1.2	0.7
Owner Households	101,444	114,433	114,600	1.2	0.1
Percent Owner	70.0%	70.4%	69.5%		
Rental Households	43,475	48,205	50,250	1.0	2.1
Percent Renter	30.0%	29.6%	30.5%		
Total Housing Units	155,959	178,559	179,300	1.4	0.2
Owner Vacancy Rate	2.0%	2.6%	1.8%		
Rental Vacancy Rate	7.8%	10.4%	8.6%		

Note: Numbers may not add to totals because of rounding.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 4/1/2012—Analyst's estimates
Forecast period: 4/1/2012–4/1/2015—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_Cincinnati-MiddletownOH-KY-IN_13.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.