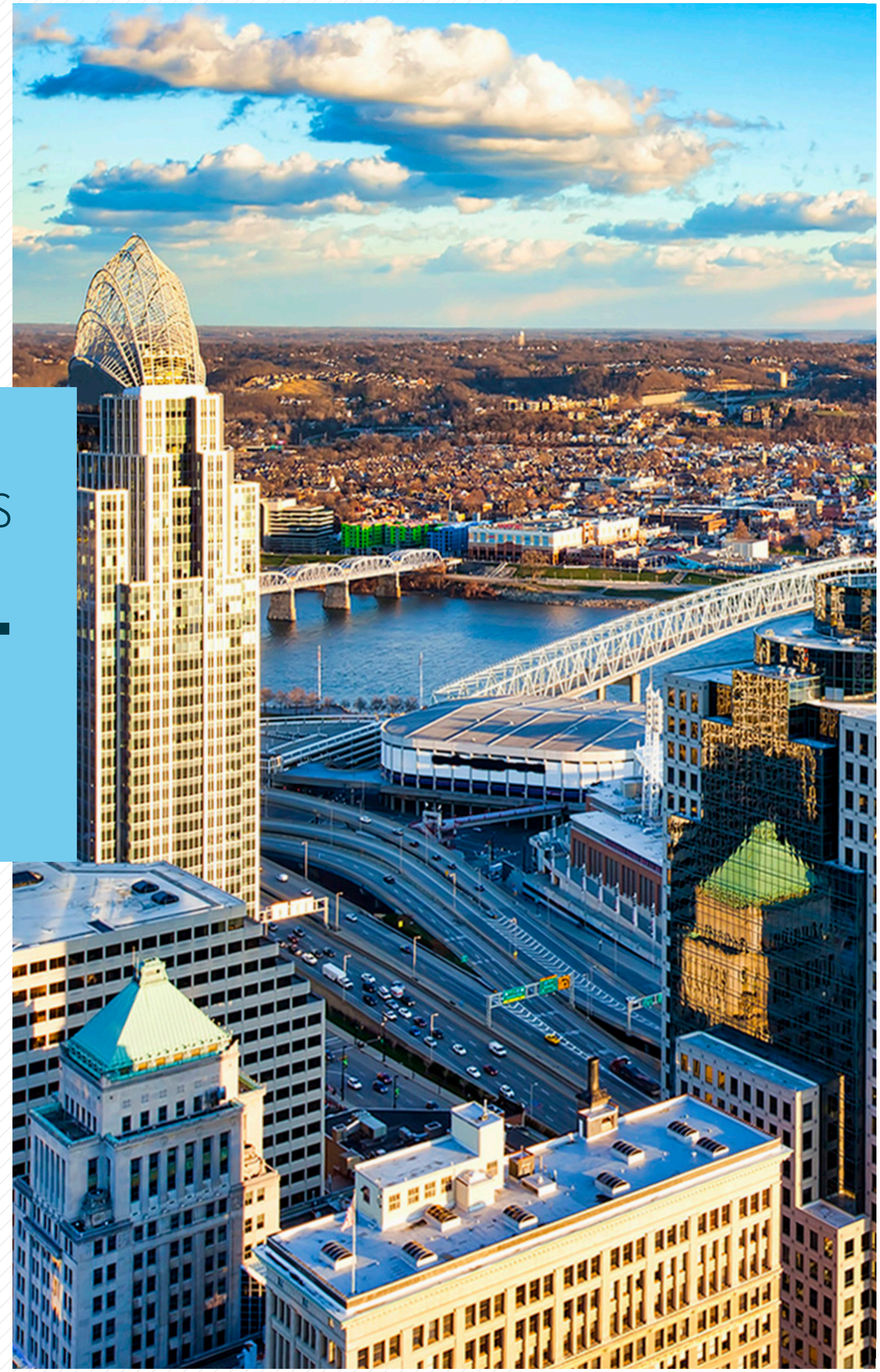
The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of government policies to counteract the disruption. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.



COMPREHENSIVE HOUSING MARKET ANALYSIS

Cincinnati, Ohio-Kentucky-Indiana

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of October 1, 2019

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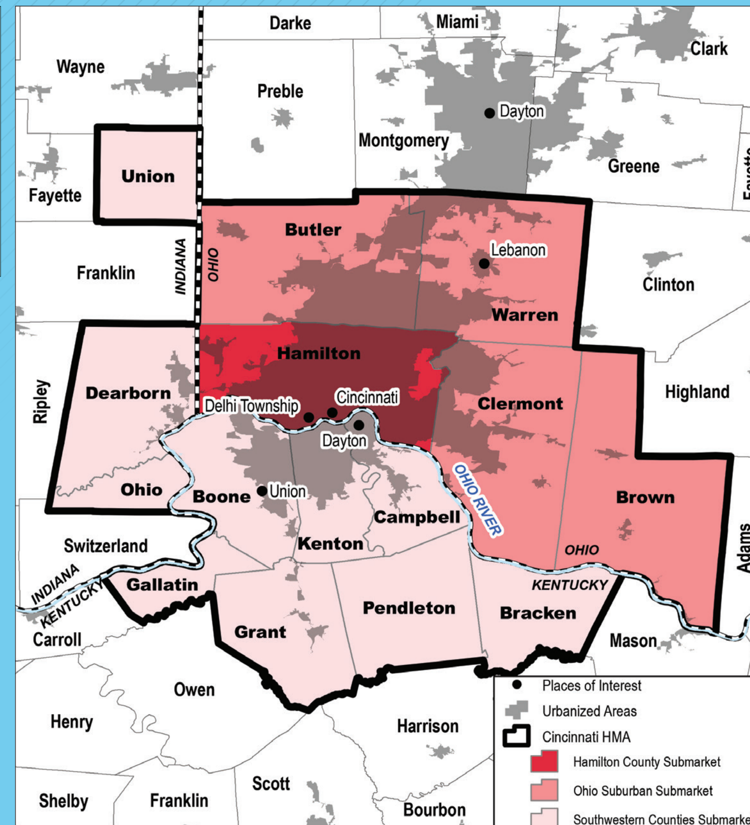

Executive Summary

Housing Market Area Description

The Cincinnati Housing Market Area (HMA), bisected by the Ohio River, includes 15 counties in Ohio, Kentucky, and Indiana and is coterminous with the Cincinnati, OH-KY-IN Metropolitan Statistical Area. For the purposes of this analysis, the HMA is divided into three submarkets. The Hamilton County submarket is coterminous with Hamilton County in Ohio and includes the city of Cincinnati. The Ohio Suburban submarket is coterminous with Brown, Butler, Clermont, and Warren Counties in Ohio. The Southwestern Counties submarket includes Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in Kentucky and Dearborn, Union, and Ohio Counties in Indiana.

The current population of the HMA is estimated at 2.20 million.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Job growth averaged 1.8-percent during the 12 months ending September 2019.

Total nonfarm payrolls in the Cincinnati HMA have increased each year since 2011 (Figure 1), and growth recently accelerated. During the 12 months ending September 2019, total nonfarm payrolls grew 1.8 percent, or by 20,400 jobs, to 1.13 million jobs, compared with a 1.2-percent, or 13,100-job increase during the 12 months ending September 2018. Nonfarm payrolls increased in 7 of the 11 payroll sectors during the most recent 12 months, with the professional and business services and the education and health services sectors, combined, adding the most jobs. The economy is expected to continue expanding during the 3-year forecast period, with nonfarm payrolls increasing by an average of 19,300 jobs, or 1.7 percent, a year.

Sales Market

Balanced: The average new and existing home sales price increased 2 percent during the 12 months ending September 2019.

Sales housing market conditions in the Cincinnati HMA are currently balanced, with a 1.5-percent vacancy rate, down from 2.5 percent in April 2010, when conditions were soft. During the 12 months ending September 2019, approximately 39,200 new and existing homes sold, representing a decrease of 1,150 homes, or 3 percent, from a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Demand is expected for 13,775 new homes during the forecast period. The estimated 1,530 homes currently under construction will satisfy part of the demand.

Rental Market

Balanced: Renter households currently account for 35.5 percent of all households in the HMA, up from 32.7 percent in 2010.

The overall rental market in the HMA is currently balanced, with an estimated 7.0-percent vacancy rate, down from 11.8 percent in April 2010. Similar conditions exist in all three submarkets, with rental vacancy rates ranging from 6.3 to 7.6 percent. The apartment market in the HMA is slightly tight, with a 3.9-percent vacancy rate during the third quarter of 2019, down from 4.5 percent during the third quarter of 2018 (Reis, Inc.). During the 3-year forecast period, demand is estimated for 8,050 units; the 3,510 units currently under construction will satisfy a portion of that demand.

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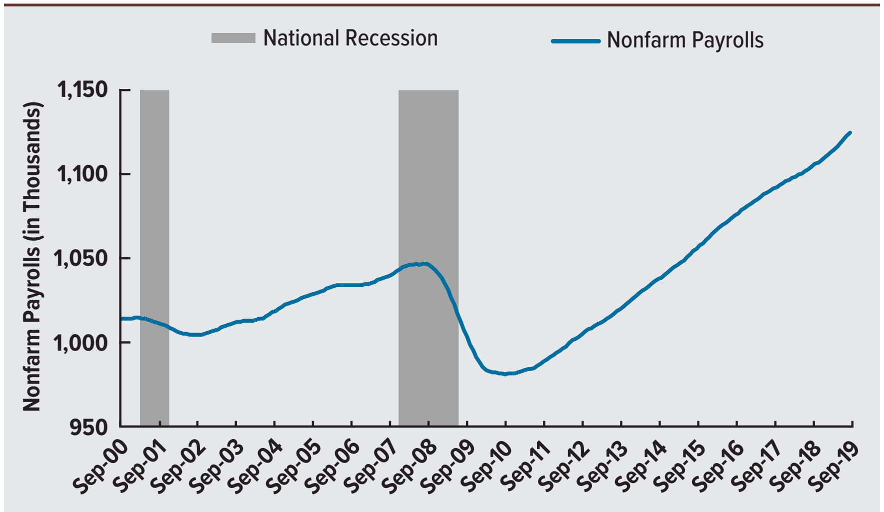
3-Year Housing Demand Forecast

		Sales Units	Rental Units
Hamilton County Submarket	Total Demand	2,975	4,575
	Under Construction	300	2,250
Ohio Suburban Submarket	Total Demand	7,275	2,050
	Under Construction	830	410
Southwestern Counties Submarket	Total Demand	3,525	1,425
	Under Construction	400	850
Cincinnati HMA	Total Demand	13,775	8,050
	Under Construction	1,530	3,510

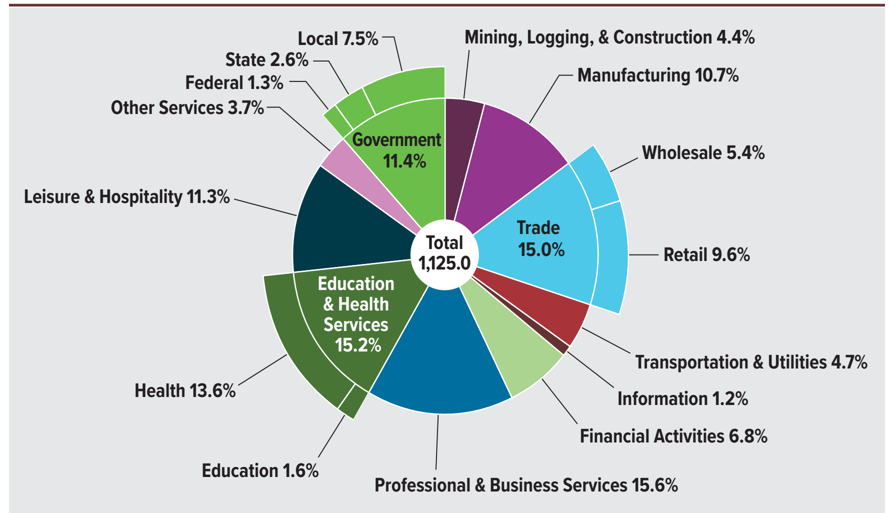
Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2019. The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Figure 1. 12-Month Average Nonfarm Payrolls in the Cincinnati HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Figure 2. Share of Nonfarm Payroll Jobs in the Cincinnati HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through September 2019.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

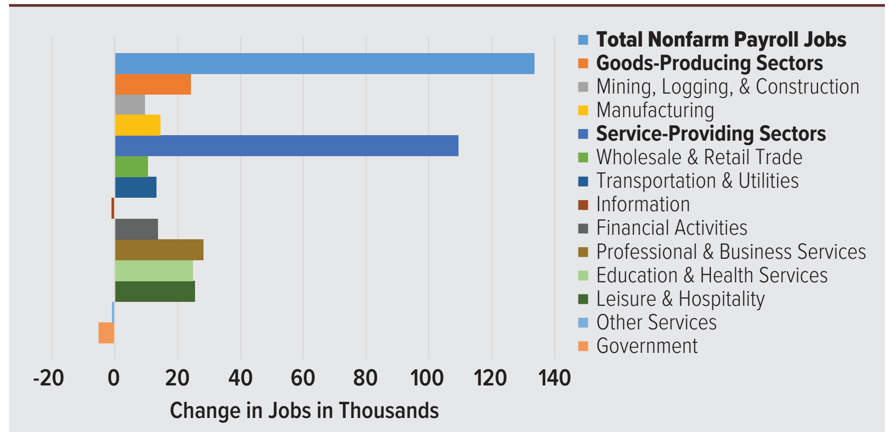
Largest Sector: Professional and Business Services

> The professional and business services sector accounts for nearly 16 percent of all nonfarm payroll jobs in the HMA and has added the most jobs of any sector since 2010 (Figures 2 and 3).

Primary Local Economic Factors

The HMA was established as a trade hub in the early 1800s, largely because of its location on the Ohio River, when the introduction of steamboats and the construction of railroads provided more rapid access to goods, including pork. During the 19th century, steamboat manufacturing and meat processing were important to the local economy; the city of Cincinnati was the pork-packing center of the United States. During the end of the 20th and the beginning of

Figure 3. Sector Growth in the Cincinnati HMA, 2010 to Current



Note: The current date is October 1, 2019.
Source: U.S. Bureau of Labor Statistics

the 21st century, the wholesale and retail trade and the manufacturing sectors lost jobs because of increased foreign competition, but the sectors remain an important part of the local economy today. Currently, 3 of the top 10 employers in the HMA, including Kroger Co., Procter & Gamble Co., and General Electric (GE) Aviation, are in these two sectors (Table 1).

Table 1. Major Employers in the Cincinnati HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kroger Co.	Wholesale & Retail Trade	21,250
University of Cincinnati	Government	16,000
Cincinnati Children's Hospital Medical Center	Education & Health Services	15,300
UCHealth	Government	12,000
TriHealth	Education & Health Services	12,000
Procter & Gamble Co.	Wholesale & Retail Trade	10,700
Mercy Health Partners	Education & Health Services	9,000
Fifth Third Bancorp	Financial Activities	8,800
St. Elizabeth Healthcare	Education & Health Services	8,225
GE Aviation	Manufacturing	7,400

Note: Excludes local school districts.
Source: Moody's Analytics

Since the 2000s, the education and health services and the professional and business services sectors have added the most jobs and have become the two largest sectors in the HMA. The HMA is home to Cincinnati Children's Hospital Medical Center, which is ranked number three of the best children's hospitals in the nation, behind Boston Children's Hospital and Children's Hospital of Philadelphia, according to the annual U.S. News Best Children's Hospitals Honor Roll (*U.S. News and World Report* 2019–20 Best Children's Hospitals). The HMA is also home to eight Fortune 500 companies headquartered in the HMA, including Kroger Co., which is ranked 20th on the list. The concentration of corporate headquarters affects the professional and business services sector the most.

Current Conditions—Nonfarm Payrolls

Economic growth in the HMA accelerated during the 12 months ending September 2019, surpassing job growth in the nation. Nonfarm payrolls in the HMA totaled 1.13 million jobs, up 20,400 jobs, or 1.8 percent (Table 2), exceeding the national growth rate of 1.6 percent. By comparison, payrolls increased by 13,100 jobs, or 1.2 percent, during the 12 months ending September 2018, at the same time the national growth rate was 1.6 percent. During the 12 months ending September 2019, job gains in the HMA were led by the professional and business services and the education and health services sectors, which rose by 5,500 and 4,600 jobs, or 3.2 and 2.8 percent, respectively. Other notable job growth in the HMA occurred in the manufacturing and the leisure and hospitality sectors, which added a combined total of 5,600 jobs. Recent job growth in these sectors is described in the Economic Sectors of Significance section below.

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Cincinnati HMA, by Sector

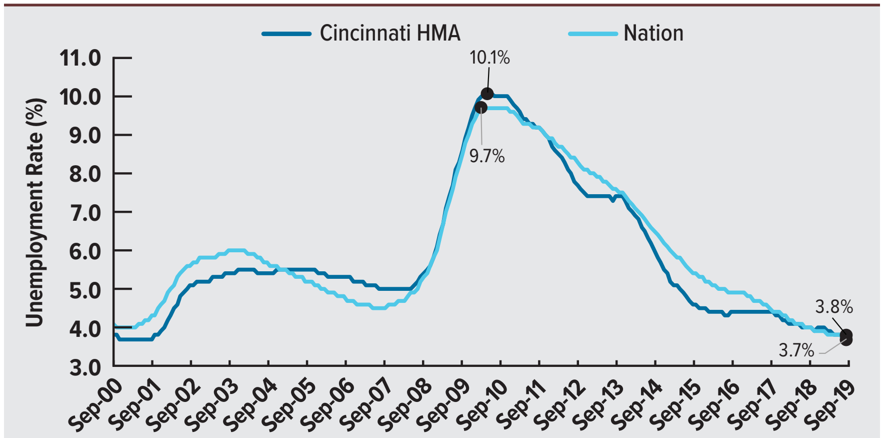
	12 Months Ending September 2018	12 Months Ending September 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,104.6**	**1,125.0**	**20.4**	**1.8**
Goods-Producing Sectors	165.5	170.1	4.6	2.8
Mining, Logging, & Construction	47.6	49.3	1.7	3.6
Manufacturing	117.9	120.8	2.9	2.5
Service-Providing Sectors	939.0	954.9	15.9	1.7
Wholesale & Retail Trade	168.9	168.9	0.0	0.0
Transportation & Utilities	49.4	52.4	3.0	6.1
Information	13.9	13.8	-0.1	-0.7
Financial Activities	74.0	76.6	2.6	3.5
Professional & Business Services	169.9	175.4	5.5	3.2
Education & Health Services	166.0	170.6	4.6	2.8
Leisure & Hospitality	124.8	127.5	2.7	2.2
Other Services	42.2	41.8	-0.4	-0.9
Government	130.0	128.1	-1.9	-1.5

Notes: Based on 12-month averages through September 2018 and September 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Unemployment

During the past 12 months, the average unemployment rate decreased primarily because resident employment growth outpaced labor force growth. The unemployment rate was 3.8 percent during the 12 months ending September 2019, down from 4.0 percent during the 12 months ending September 2018, and below the recent peak of 10.1 percent during the 12 months ending May 2010 when the local economy was contracting (Figure 4). Nationally, the unemployment rate was 3.7 percent during the 12 months ending September 2019, down from 4.0 percent a year earlier, and down from the peak of 9.7 percent during the 12 months ending March 2010.

Figure 4. 12-Month Average Unemployment Rate in the Cincinnati HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Nonfarm Payroll Trends—Overview

From 2001 through 2017, the economy of the Cincinnati HMA generally followed national economic trends, but periods of job growth were less pronounced in the HMA. From 2001 through 2002, nonfarm payrolls in the HMA declined by an average of 4,400 jobs, or 0.4 percent, annually, compared with an average annual loss of 0.5 percent nationally. During the period, 6 of the 11 sectors in the HMA lost jobs, including the manufacturing and the wholesale and retail trade sectors, which declined by averages of 8,800 and 2,000, or 6.2 and 1.2 percent, annually, respectively. GE Aviation was among the companies that had layoffs during this period, reducing its workforce by 500 employees in 2001 because of restructuring.

Job growth resumed during the subsequent 5 years, increasing by an average of 7,600 jobs, or 0.7 percent, annually to reach 1.04 million jobs in 2007; during the 5-year period, jobs in the nation grew an average of 1.1 percent annually. The professional and business services and the education and health services sectors led job growth in the HMA during the period, with average increases of 3,500 and 3,400 jobs, or 2.4 and 2.6 percent, annually, respectively. The employment services and the health care and social assistance industries added the most jobs in each sector, increasing by an average of 2,000 and 2,800 jobs, or 7.2 and 2.4 percent, annually, respectively. Continued losses in the manufacturing and the wholesale and retail trade sectors averaged 1,800 and 100 jobs, or 1.4 percent and less than 1.0 percent, a year, respectively, which partially offset some of these job gains.

When jobs declined nationally by an average of 1.9 percent annually from 2008 through 2010, a result of the Great Recession, job losses in the HMA averaged 20,700 jobs, or 2.0 percent, a year. Job losses during the 3-year period were widespread, but the manufacturing sector led declines with an average loss of 5,800 jobs, or 5.1 percent, annually. The wholesale and retail trade and the mining, logging, and construction sectors followed with average losses of 4,700 jobs each, or 2.8 and 10.4 percent, annually, respectively. From 2008 through 2010, the education and health services sector was the only sector to add jobs, increasing by an average of 1,900, or 1.3 percent, annually.

Economic conditions improved significantly from 2011 through 2017, but nonfarm payroll growth in the HMA lagged behind the national average. During the 7-year period, nonfarm payrolls in the HMA increased by an average of 16,200 jobs, or 1.6 percent, annually, compared with an average 1.7 percent annual growth rate nationwide. Within the HMA, 9 of the 11 sectors added jobs, with the largest gains occurring in the leisure and hospitality, the professional and business services, and the education and health services sectors, which grew by averages of 3,000, 2,900, and 2,500 jobs, or 2.7, 1.8, and 1.6 percent, annually, respectively. The manufacturing sector also added jobs during the period (job growth in the sector is described in the Economic Sectors of Significance section below). The information and the government sectors had no job growth during the period, each down 0.2 percent, annually. Job losses from 2011 through 2017 in the government sector included an average annual decrease of 400 jobs, or 2.2 percent, at the federal level; at the same time, the state government subsector added an average of 200 jobs, or 0.7 percent, and the local government subsector remained unchanged.

Economic Sectors of Significance

Professional and Business Services

The professional and business services sector began adding jobs in 2010 before overall nonfarm payroll growth in the HMA resumed in 2011 and has added more jobs than any other sector since 2011. Since 2010, the sector increased by an average of 2,900 jobs, or 1.8 percent, annually, to a current level of 175,400 jobs. As a result, the sector surpassed the wholesale and retail trade sector in 2012 to become the largest payroll sector in the HMA. In July 2018, the Kroger Co. opened a second headquarters in downtown Cincinnati, moving 600 existing jobs from other parts of the HMA, with the total number of jobs at the new headquarters expected to exceed 1,000 by 2021. By comparison, the sector grew by an average of 900 jobs, or 0.6 percent, a year from 2000 through 2009, partly because growth was offset by a 200- and an 11,400-job reduction, or 0.1 and 7.2 percent, in 2001 and 2009, respectively.

Education and Health Services

The education and health services sector, with 170,600 jobs, accounted for more than 15 percent of nonfarm payrolls during the 12 months ending September 2019. Nearly 90 percent of the jobs in the sector are in the healthcare and social assistance industry. The sector has been the fastest-growing payroll sector in the HMA since 2001, and it is the only sector with consecutive annual job gains each year since 2001. Overall, the sector increased by an average of 2,700 jobs, or 1.9 percent, annually since 2001, surpassing the wholesale and retail trade sector in 2019 to become the second largest payroll sector in the HMA. Since 2001, the healthcare and social assistance industry increased an average of 2,400 jobs, or 1.9 percent, annually. Eastgate Medical Center, a $21 million, 78,000-square-foot medical center that includes Mercy Health Partners, was completed in May 2019 in Union Township, adding 850 medical jobs.

Wholesale and Retail Trade

During the 12 months ending September 2019, the wholesale and retail trade sector remained unchanged, compared with an increase of 900 jobs, or 0.5 percent, during the previous 12 months. This is the first time the sector has not added jobs since 2011, mainly because of a 1,000-job, or a 0.9 percent decline, in the retail trade subsector; Charlotte Russe Holdings Corp., a women's clothing retailer, closed five stores in the HMA in the spring of 2019. Despite the recent stagnation, the wholesale and retail trade sector is the third-largest nonfarm payroll sector in the HMA, with 168,900 jobs, or 15 percent of total nonfarm payrolls. The Kroger Co. is the largest employer in the HMA with 21,250 employees, and it is the largest supermarket chain by revenue and the second largest private employer in the United States (after Walmart, Inc.). In September 2019, the Kroger Co. opened the first downtown Cincinnati store in a half-century. The 50,000-square-foot store is on the bottom two floors of a $90 million, 18-story apartment tower, the 1010 On The Rhine, which opens in November 2019.

Manufacturing

During the 12 months ending September 2019, manufacturing sector payrolls rose by 2,900 jobs, or 2.5 percent, up from the 2,000 jobs added or 1.8 percent annual growth from 2011 through 2018. The 120,800 jobs in the sector accounted for nearly 11 percent of all nonfarm payroll jobs in the HMA. Since 2004, GE Aviation has invested more than $500 million into its headquarters facilities in the city of Evendale, Ohio (GE Aviation, 2019). In June 2019, IndiGo, an India-based airline, ordered more than $20 billion in LEAP-1A engines from CFM International Inc., a joint company between GE Aviation and Safran Aircraft Engines; this is the largest single order in aviation history.

Leisure and Hospitality

The leisure and hospitality sector has a noteworthy effect on the local economy because Cincinnati is home to three professional sports teams, including the Major League Baseball team, the Cincinnati Reds; National Football League team, the Cincinnati Bengals; and FC Cincinnati of Major League Soccer (MLS), which debuted in 2016. Since 2011, the sector has grown by an average of 2,900 jobs, or 2.6 percent, annually, to 127,500, just below gains in the professional and business services sector. Two-thirds of the growth in the sector occurred in the accommodations and food services industry, and the remainder occurred in the arts, entertainment, and recreation industry. Completion of the 26,000 seat, $250 million stadium for FC Cincinnati in March 2021 will contribute to job growth in the leisure and hospitality sector.

Employment Forecast

During the 3-year forecast period, nonfarm payroll growth is expected to continue in the HMA, averaging 19,300 jobs, or 1.7 percent, annually. Job growth is expected to be highest in the first year of the forecast period and moderate through the third year. Strong job growth is expected to continue in the education and health services and the professional and business services sectors, and growth is expected to also occur in the leisure and hospitality sector. A $650 million, 600,000-square-foot expansion of Cincinnati Children's Hospital Medical Center is scheduled to be completed during the first quarter of 2022. Next door to the hospital, a $49 million expansion at a Ronald McDonald House, which houses families of sick children, will double in size and in the number of beds; it is expected to be complete in early 2020. Additional job growth is also expected in the transportation and utilities sector because Amazon.com, Inc. broke ground on a new $1.5 billion Prime Air hub at Cincinnati/Northern Kentucky International Airport (CVG). When the 3-million-square-foot hub opens in 2021, more than 2,000 new jobs are expected; this project will likely maintain CVG as the fastest-growing cargo airport in the nation, a position established in 2016 (CVG Airport, 2019).

Population and Households

Current Population: 2.20 million

HMA population growth has decelerated since 2010, despite strong economic expansion, because net natural increase has slowed in the three submarkets and net in-migration to the Ohio Suburban and Southwestern Counties submarkets slowed.

Population Trends

Cincinnati HMA

Population growth trends have generally countered economic conditions in the HMA since 2000. During the previous decade, the local economic downturn from 2001 through 2002, and the deeper contraction from 2008 through 2010 had relatively minor effects on population growth in the HMA. From 2000 to 2010, the population increased by an average of 12,000, or 0.6 percent, annually (Table 3). During the period, net natural increase averaged 11,750 people annually and accounted for nearly 98 percent of the population growth (Figure 5). Although economic conditions in the HMA began improving, greater employment opportunities outside of the HMA contributed to average net out-migration of 3,000 people annually from 2010 to 2012. This net out-migration, combined with a reduced net natural increase averaging 9,100 people a year, caused population growth to slow to an average of 6,100 people, or 0.3 percent, annually from 2010 to 2012. The HMA population has risen by an average of 10,250, or 0.5 percent, annually since 2012, to 2.20 million as of October 1, 2019, due to net in-migration that has averaged 2,950 people annually. Since 2012, net natural increase averaged 7,300 people annually, accounting for 71 percent of population growth.

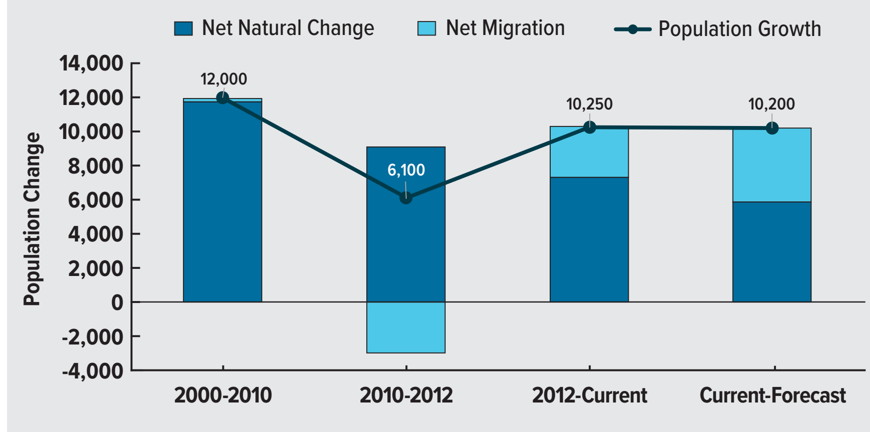
Table 3. Cincinnati HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	2,114,580	2,203,000	2,233,000
	Average Annual Change	12,000	9,275	10,200
	Percentage Change	0.6	0.4	0.5

Household Quick Facts		2010	Current	Forecast
	Households	824,967	867,300	881,700
	Average Annual Change	5,075	4,450	4,825
	Percentage Change	0.6	0.5	0.6

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Cincinnati HMA, 2000 Through the Forecast

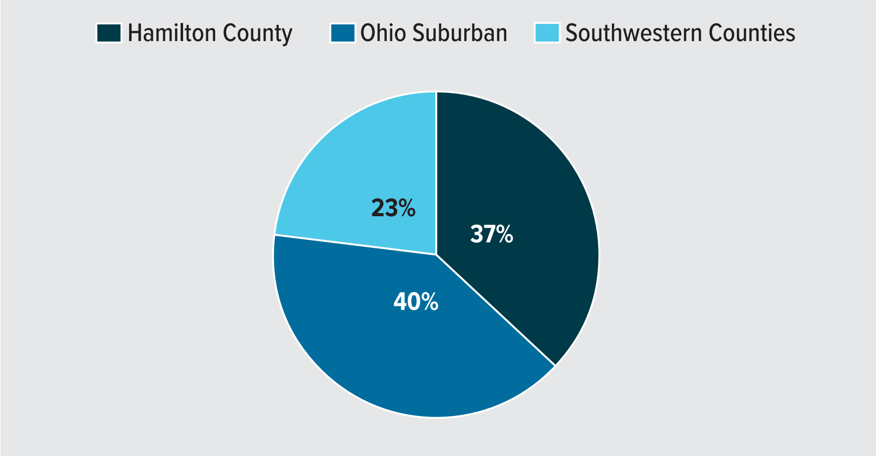


Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Hamilton County Submarket

The Hamilton County submarket is the most populated county in the HMA, accounting for 37 percent of the total HMA population (Figure 6), with an estimated 819,800 people as of October 1, 2019. Since 2012, the population of the submarket increased by an average of 2,400 people, or 0.3 percent, annually; changing migration patterns since 2012 contributed to the population growth. Since 2012, net out-migration slowed to an average of 450 people annually; at the same time, net natural increase slowed to an average of 2,850

Figure 6. Current Population in the Cincinnati HMA, by Submarket



Source: Estimates by the analyst

people a year. Slower net-out migration from the submarket partly resulted from the revitalization of downtown Cincinnati, boosted by economic growth and the popularity of urban living. From 2000 to 2010, net out-migration from the submarket averaged 7,975 people annually, exceeding the 3,675-person annual gain from net natural increase, which led to population loss averaging 4,300 people, or 0.5 percent, annually. From 2010 to 2012, net out-migration from the submarket declined to an average of 3,400 people annually, and the population remained nearly unchanged because net natural increase averaged approximately the same amount. Population loss in the submarket from 2000 to 2012 was mostly because the city of Cincinnati was losing population.

Population growth in the Hamilton County submarket has been slower than in the Ohio Suburban and Southwestern Counties submarkets since people began leaving the city of Cincinnati during the onset of suburban growth in the 1950s. In 1950, the population of the city of Cincinnati peaked at 503,998 but decreased an average of 0.9 percent annually to 296,000 in 2011. From 2012 to 2018, the population of the city of Cincinnati grew an average of 0.3 percent annually because of job growth and a rising demand for urban living. As of 2018, the city of Cincinnati was the third-largest city in Ohio, behind Columbus and Cleveland, with an estimated population of 302,600 (2018 American Community Survey [ACS] 1-year estimates).

Ohio Suburbs Submarket

The Ohio Suburban submarket is the most populated of the three submarkets in the HMA, with an estimated population of 870,200 as of October 1, 2019, reflecting an average gain of 4,975, or 0.6 percent, annually since 2010. During this time, net in-migration to the submarket averaged 2,325 people annually and accounted for 47 percent of the growth. Recent growth trends reflect a slowdown compared with the 2000 to 2010 period because of an increasing preference to live in or near downtown Cincinnati. From 2000 through 2010, the population of the submarket grew by an average of 11,150 people, or 1.5 percent, annually because of higher levels of in-migration from Hamilton County and higher levels of net natural increase. During the decade, net in-migration to the Ohio Suburban submarket averaged 6,100 people annually and accounted for 55 percent of total population growth.

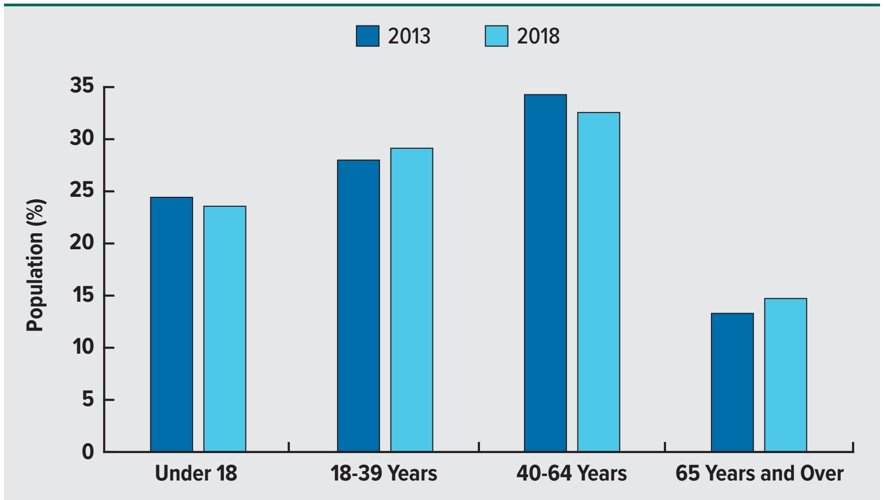
Southwestern Counties Submarket

The Southwestern Counties submarket is the largest in terms of land area, but because much of the land is rural, the submarket accounts for less than one-third of the total population of the HMA. As of October 1, 2019, the population of the submarket was estimated at 512,700, representing an average increase of 2,475 people, or 0.5 percent, annually since 2010. Net in-migration to the submarket averaged 380 people annually during this period and accounted for 15 percent of population growth. By comparison, during the previous decade, when the submarket benefited from higher net in-migration, the population in the Southwestern Counties submarket grew by an average of 5,100 people, or 1.1 percent, annually, and net in-migration accounted for 40 percent of total population growth.

Age Cohort Trends

Overall population growth in the HMA from 2013 through 2018 occurred mostly among people aged 18 to 39 years. This age cohort increased by an average of 7,475 people, or 1.2 percent, a year (ACS 1-year estimates). During the same period, the portion of the population aged 18 years and younger decreased by an average of 1,300 people, or 0.2 percent, annually. The cohort aged 40 to 64 years decreased by an average of 4,250 people, or 0.6 percent, a year. The retirement age portion of the population, generally defined as residents aged 65 and older, was the fastest-growing age cohort in percentage terms, up 2.5 percent or by an average of 7,375 people annually during the period. Access to healthcare services attracted retirees from outside the HMA and incentivized current residents to retire in place. The slowing of net natural increase in the HMA is tied, in part, to an increasing number of people at or above retirement age. During 2018, the population aged 65 years and older accounted for 15 percent of the population, up from 13 percent in 2013 (Figure 7).

Figure 7. Population by Age Range in the Cincinnati HMA

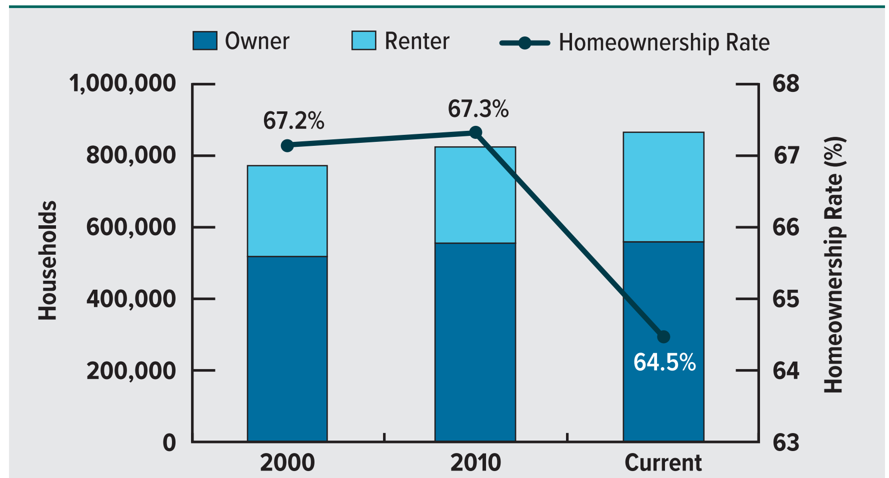


Source: U.S. Census Bureau

Household Trends

An estimated 867,300 households resided in the Cincinnati HMA as of October 1, 2019, up by an average of 4,450 households, or 0.5 percent, annually since 2010. The current homeownership rate is estimated at 64.5 percent, down from 67.3 percent in 2010 (Figure 8). The homeownership rate declined since 2010 largely because renter households accounted for 92 percent of household growth since 2010. By comparison, renter households accounted for only 30 percent of additional households in the 2000s. The current estimated number of households in the Hamilton County submarket is 344,900, up an average of 1,150 households, or 0.3 percent, annually since 2010, which is in contrast with the average decrease of 1,275 households, or 0.4 percent, annually from 2000 through 2010. Slower population growth since 2010 in the other submarkets resulted in a noticeably lower rate of household creation in the Ohio Suburban and the Southwestern Counties submarkets. In the Ohio Suburban submarket, household growth declined from an average annual increase of 1.6-percent from 2000 to 2010, to 0.7-percent average annual growth since 2010. The annual rate of household growth in the Southwestern Counties submarket fell from an average 1.1 percent during the 2000 to 2010 period, to an average of 0.5 percent a year since 2010. Currently, an estimated 326,500 and 195,800 households are in the Ohio Suburban and the Southwestern Counties submarkets, respectively.

Figure 8. Households by Tenure and Homeownership Rate in the Cincinnati HMA

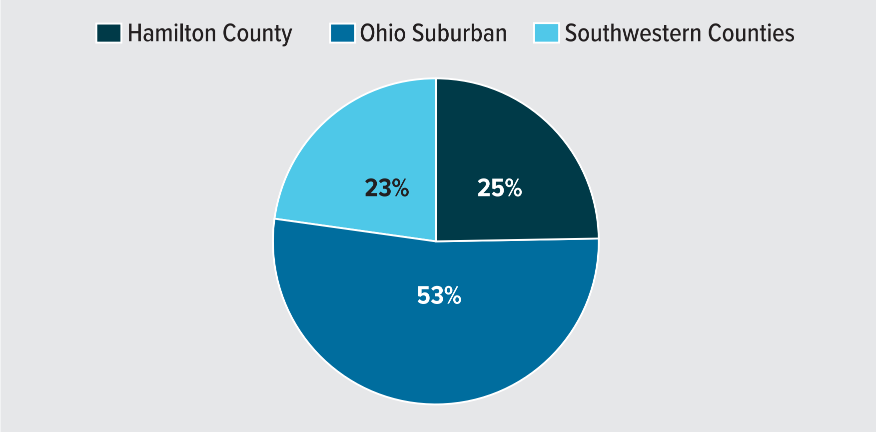


Note: The current date is October 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Population and Household Growth Forecast

During the 3-year forecast period, the population of the Cincinnati HMA is expected to increase by an average of 10,200 people, or 0.5 percent, annually, reaching 2.23 million by October 1, 2022. Net in-migration is expected to account for 42 percent of the growth during the forecast period, as people continue to move to the HMA for work opportunities. Population growth in the Hamilton County submarket is expected to continue at the average annual rate of 0.3 percent a year from 2012 to current, because net out-migration is expected to shift to net in-migration at the same time that net natural increase continues to slow. Population growth in the Ohio Suburban and the Southwestern Counties submarkets is expected to remain relatively unchanged, compared with the 2010 to current period, with estimated increases of 0.6 and 0.5 percent annually, respectively. The Ohio Suburban submarket is expected to make up the largest share of population growth of the three submarkets during the forecast period because of continued tendency to live in "New Urban" planned areas, which are generally built with walkable blocks and streets, housing and shopping in close proximity, and accessible public spaces (Figure 9).

Figure 9. Share of Forecast Population Growth in the Cincinnati HMA, by Submarket



Source: Estimates by the analyst

During the next 3 years, continued economic growth will contribute to a small rise in household growth in the HMA, which is expected to average 4,825 households, or 0.6 percent, annually, reaching 881,700 households by October 1, 2022. This growth is estimated to average approximately 0.4 percent annually in the Hamilton County submarket, to approximately 349,000 households; 0.7 percent annually in the Ohio Suburban submarket, to 333,900 households; and 0.5 percent annually in the Southwestern Counties submarket, to 198,800 households.

Home Sales Market Conditions

Sales Market—Cincinnati HMA

Market Conditions: Balanced

Since 2012, average home sales increased an average of 8 percent annually, and home sales prices increased an average of 3 percent annually.

Current Conditions

The home sales market in the Cincinnati HMA is currently balanced, with an estimated 1.5 percent vacancy rate, down from 2.5 percent in April 2010 when the market was soft (Table 4). During September 2019, the HMA had 2.0 months of available for-sale inventory, down from 2.5 months a year earlier and below a recent peak of 8.8 months of available inventory in 2010 (CoreLogic, Inc.). Sales market conditions were generally balanced in the early 2000s, but they began to soften in 2006 and softened further with the onset of the Great Recession and the subsequent housing market downturn. Conditions remained soft through 2011, but economic growth, a modest improvement in population growth, and a decline in new homebuilding activity helped strengthen the market. Since 2012, conditions have remained balanced, and average home sales and sales prices have increased.

Table 4. Home Sales Quick Facts in the Cincinnati HMA

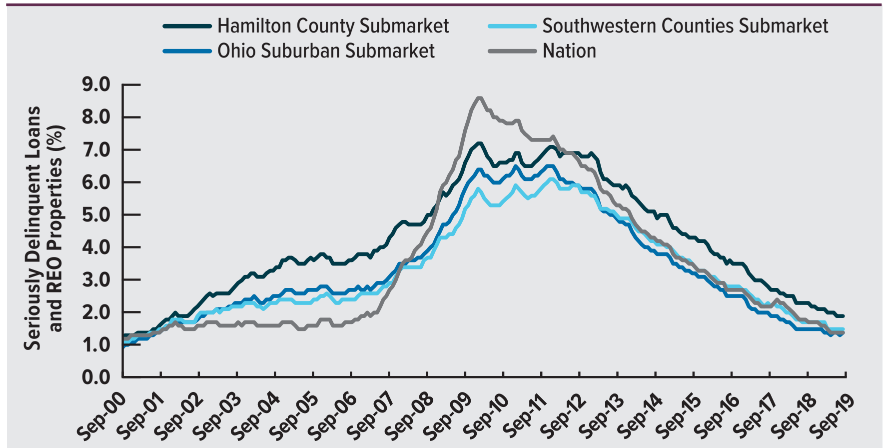
		Cincinnati HMA	Nation
Home Sales Quick Facts	Vacancy Rate	1.5%	NA
	Months of Inventory	2.0	3.2
	Total Home Sales	39,200	6,114,000
	1-Year Change	-3%	-5%
	New Home Sales Price	$355,300	$384,600
	1-Year Change	4%	2%
	Existing Home Sales Price	$196,800	$294,500
	1-Year Change	5%	3%
	Mortgage Delinquency Rate	1.6%	1.4%

NA = data not available.
Notes: The vacancy rate is as of the current date (October 1, 2019). Home sales and prices are for the 12 months ending September 2019. Months of inventory and mortgage delinquency data are as of September 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

REO Sales and Delinquent Mortgages

The national housing market downturn had a less significant effect on the HMA sales market than the nation in terms of the percentage of seriously delinquent mortgage loans and real estate owned (REO) properties in 2010, but the rate is currently slightly elevated compared with the national rate. The rate of seriously delinquent mortgage loans and REO properties peaked at 6.5 percent in the HMA in January and February 2010, compared with the 8.6-percent peak rate in the nation during the same months (CoreLogic, Inc.). As of September 2019, the rate in the HMA was 1.6 percent, down from 1.8 percent a year ago; that proportion is above the 1.4 percent rate for the nation. The rate is currently slightly elevated in the HMA because the Hamilton County submarket sales market has improved at a slower pace than the other submarkets. Figure 10 shows the rates of seriously delinquent mortgage loans and REO properties in each of the three submarkets.

Figure 10. Rate of Seriously Delinquent Loans and REO Properties in the Cincinnati HMA Submarkets and the Nation

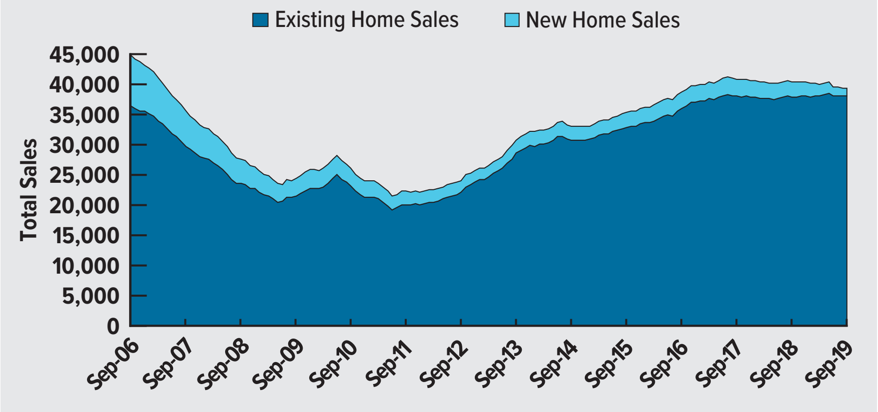


Note: REO = real estate owned.
Source: CoreLogic, Inc.

Home Sales

Although sales market conditions have improved in the Cincinnati HMA, home sales (which includes new and existing homes) have been constrained compared with the previous decade. The recent constraint is partly because population growth has not returned to previous levels, existing inventory is generally low, and a shortage of skilled workers has limited the construction of new homes. Home sales in the HMA totaled 39,200 sales during the 12 months ending September 2019, which was a decline of less than 3 percent from a year ago, compared with the 1 percent decrease during the same period a year earlier (Figure 11; Metrostudy, A Hanley Wood Company). From 2012 through 2017, a period that also included economic expansion in the HMA, home sales increased an average 11 percent a year, to 40,650 sales. Despite this increase, home sales are below the peak of 44,850 homes sold during the 12 months ending September 2006.

Figure 11. 12-Month Total Home Sales by Type in the Cincinnati HMA

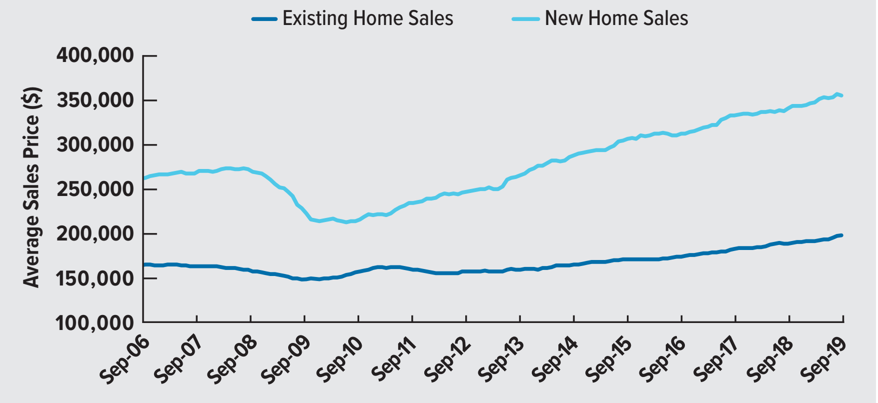


Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

Home Sales Prices

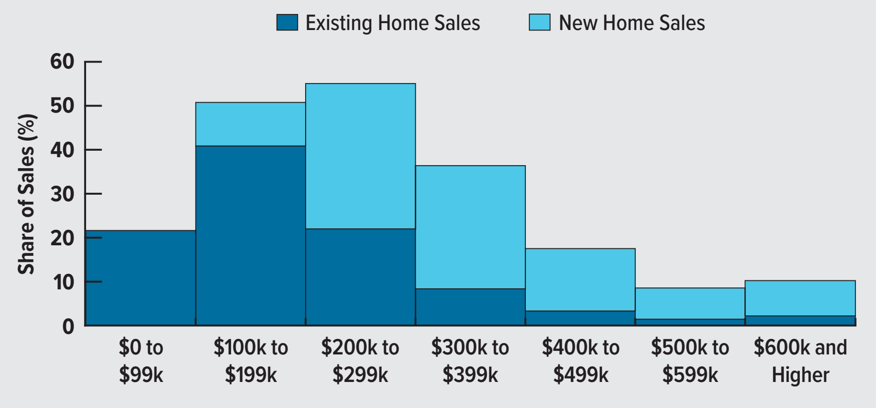
Home sales prices in the HMA have generally increased since 2012 (Figure 12). From 2012 through 2017, the average home sales price increased an average of 3 percent annually (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2019, the average sales price of a home in the Cincinnati HMA was $203,300, an increase of more than 2 percent from a year ago. During the past 12 months, approximately 61 percent of all home sales in the HMA were in the $100,000 to $299,999 price range, and 20 percent were below $100,000 (Figure 13).

Figure 12. 12-Month Average Home Sales Price by Type of Sale in the Cincinnati HMA



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

Figure 13. Share of Home Sales by Price Range During the 12 Months Ending September 2019 in the Cincinnati HMA

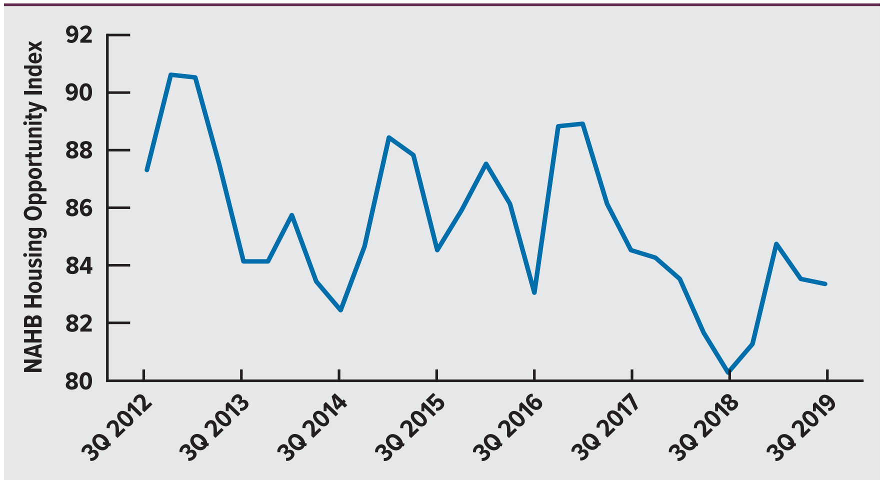


Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

Housing Affordability

Homeownership in the Cincinnati HMA is generally affordable, although the affordability of buying a home in the HMA has trended downwards since the early 2010s, when more distressed homes were on the market during the foreclosure crisis. Many of those homes have since been sold, putting upward pressure on sales prices despite only moderate income growth in the HMA. The National Association of Home Builders' (NAHB) and Wells Fargo Housing Opportunity Index (HOI) for the HMA was 83.3 during the third quarter of 2019, up from 80.2 during the third quarter of 2018 (Figure 14). The recent increase was likely because the gap between median income growth and median home price growth contracted. During the third quarter of 2019, median income and median home price increased 4 and 7 percent, respectively, compared with 5 and 13 percent, respectively, during the third quarter of 2018. By comparison, the median home price in the HMA increased 33 percent from the fourth quarter of 2012 through the fourth quarter of 2017, as compared to a cumulative increase of only 5 percent for the median income during the same period.

Figure 14. Cincinnati HMA Housing Opportunity Index



3Q = third quarter. NAHB = National Association of Home Builders.
Sources: NAHB; Wells Fargo

During the third quarter of 2019, according to the HOI, the Cincinnati HMA was more affordable than 191, or 81 percent, of the 237 ranked metropolitan areas in the nation. Despite the recent increase in affordability, the HOI is below the high of 90.6 reached during the fourth quarter of 2012, when a relatively large number of distressed homes for sale placed downward pressure on home prices. During the fourth quarter of 2012, for-sale housing in the HMA was more affordable than 197, or 83 percent, of the ranked metropolitan areas in the nation. The absorption of distressed properties has contributed to the decline in affordability as home prices in the HMA have increased at a faster rate than income since the early 2010s.

Forecast

During the next 3 years, demand is expected for an estimated 13,775 new homes in the HMA (Table 5). The 1,530 homes currently under construction will satisfy a portion of the demand. Most of the demand will be for new homes priced from $200,000 and $299,999, and this demand will occur mostly in the Ohio Suburban submarket because of ongoing construction of "New Urban"-style planned communities. Demand is anticipated to decrease each year of the forecast as job gains and population growth stabilize.

Table 5. Demand for New Home Sales Units in the Cincinnati HMA During the Forecast Period

Sales Units	
Demand	13,775 Units
Under Construction	1,530 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Sales Market—Hamilton County Submarket

Current Conditions

The sales housing market in the Hamilton County submarket is currently slightly tight, with an estimated 1.6-percent vacancy rate, down from 3.0 percent in 2010 when the market was soft (Table 6). During September 2019, the

Table 6. Home Sales Quick Facts in the Hamilton County Submarket

Home Sales Quick Facts		Hamilton County Submarket	Cincinnati HMA
	Vacancy Rate	1.6%	1.5%
	Months of Inventory	2.1	2.0
	Total Home Sales	15,350	39,200
	1-Year Change	-3%	-3%
	New Home Sales Price	$461,100	$355,300
	1-Year Change	23%	4%
	Existing Home Sales Price	$199,000	$196,800
	1-Year Change	5%	5%
	Mortgage Delinquency Rate	1.9%	1.6%

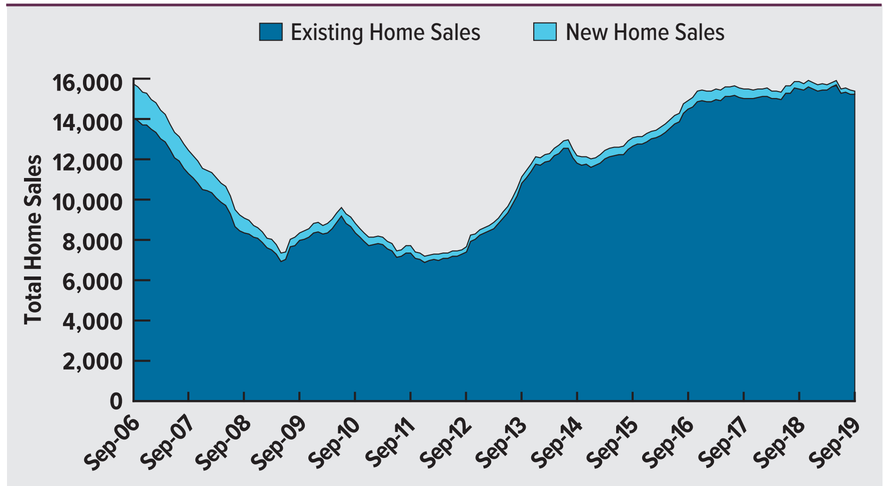
Notes: The vacancy rate is as of the current date (October 1, 2019). Home sales and prices are for the 12 months ending September 2019. Months of inventory and mortgage delinquency data are as of September 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

submarket had 2.1 months of available for-sale inventory, down from 2.6 months a year earlier, and down from the 8.5-month peak in 2010. Despite improved sales market conditions, the homeownership rate in the submarket declined 2.8 percentage points to 56.7 percent since 2010; homeownership in the submarket has historically been the lowest in the HMA because of a stronger preference to rent. Large-scale, single-family residential construction in the Hamilton County submarket is more limited than the other submarkets because it is almost completely built out. New construction primarily occurs as a result of redevelopment and infill, particularly in the city of Cincinnati.

Existing Home Sales and Prices

Existing home sales in the Hamilton County submarket have increased from the number of homes sold during the local housing market downturn and are above the 14,050 homes sold during the 12 months ending September 2006, when home lending standards were more lenient and new home sales were higher (Figure 15). In response to tighter mortgage lending standards and the local economic downturn, existing home sales declined an average

Figure 15. 12-Month Total Home Sales by Type in the Hamilton County Submarket

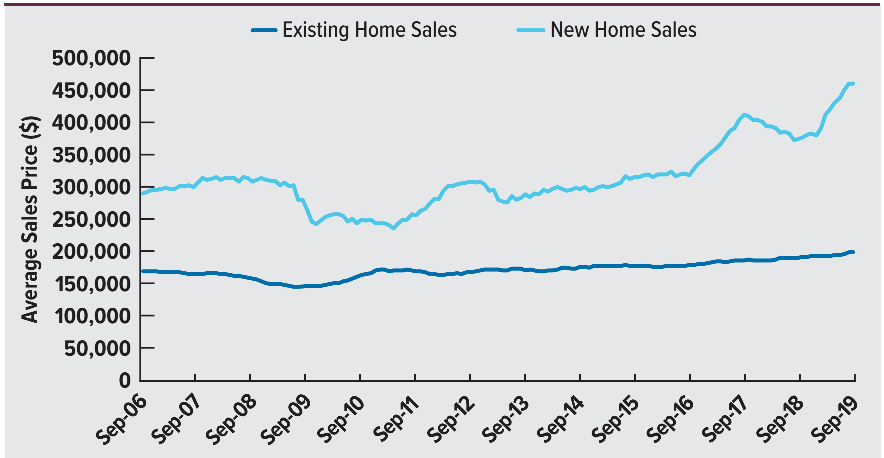


Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

of 13 percent annually, to 6,875 homes sold in 2011. The sales market in the Hamilton County submarket began improving in 2012, and sales increased at an average annual rate of 12 percent, from 2012 through 2018 to 15,450 sales. During the 12 months ending September 2019, 15,200 existing homes were sold, down 2 percent from the same period 1 year ago but comprising 99 percent of total sales in the submarket.

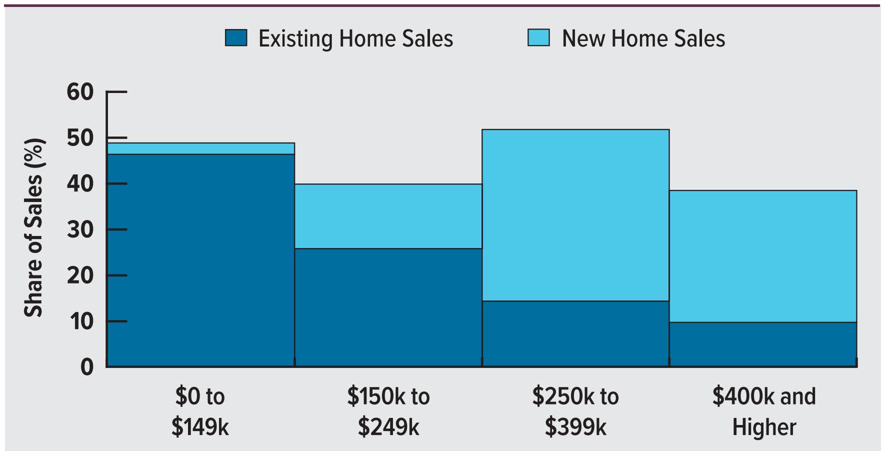
From the 12 months ending September 2006, when the average existing home sales price was $169,900 through 2018, existing home sales prices generally increased an average of 1 percent annually (Figure 16). During the 12 months ending September 2019, the average existing home sales price grew 5 percent to $199,000. Approximately 11 percent of existing sales were priced above $400,000 during the 12 months ending September 2019 (Figure 17), making this submarket the most expensive for existing home sales, despite an elevated proportion of seriously delinquent mortgage loans and REO properties, which put downward pressure on the average sale price.

Figure 16. 12-Month Average Home Sales Price by Type of Sale in the Hamilton County Submarket



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

Figure 17. Share of Home Sales by Price Range During the 12 Months Ending September 2019 in the Hamilton County Submarket



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

New Home Sales and Prices

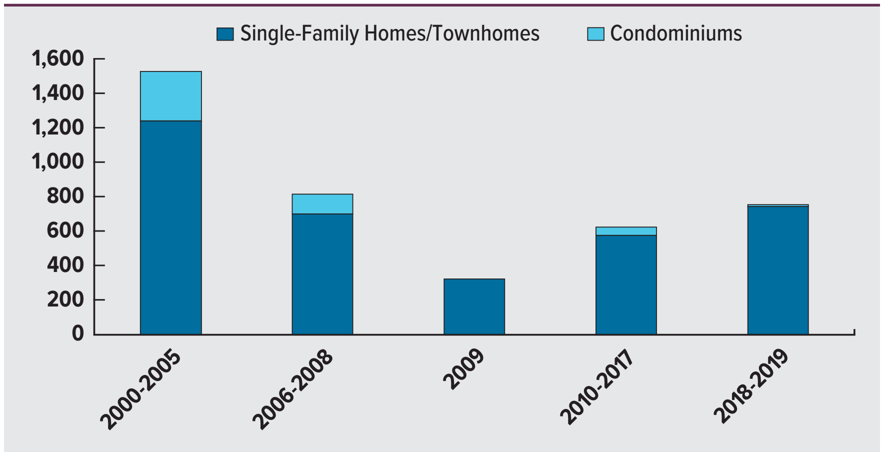
Unlike existing home sales, new home sales in the Hamilton County submarket peaked during the 12 months ending September 2006, at 1,675 homes sold, and comprised 11 percent of home sales. New home sales declined each of the 6 subsequent years, by an average of 26 percent annually, to 260 homes sold in 2012. New home sales rose to an average of 400 sales annually from 2013 through 2018, when net out-migration slowed, but during the 12 months ending September 2019, approximately 150 new homes sold, down 59 percent from the same 12-month period 1 year ago.

The average new home sales price has generally trended upward since 2011, with a decline in 2018. During the 12 months ending September 2019, the average sales price of a new home increased 23 percent to $461,100, offsetting an average decrease of 9 percent during the 12 months ending September 2018. At 35 percent, the submarket had the highest proportion of new homes priced at or above $400,000 during the 12 months ending September 2019. Before that, the average new home sales price remained relatively unchanged from 2007 through 2010, partly because of decreased home sales demand, and then increased by an average of 7 percent a year from 2011 through 2017 to $404,700.

Sales Permit Activity

Homebuilding activity, as measured by the number of single-family homes, townhomes, and condominiums (hereafter, homes) permitted, has increased since 2010, but fewer new homes have been permitted compared with the early-to-mid 2000s (Figure 18). From 2000 through 2005, before the Great Recession and national housing crisis, an average of 1,525 homes were permitted annually. In response to the local economic contraction and housing market downturn, the number of homes permitted decreased to an average of 810 homes annually from 2006 through 2008, before declining further to 330 homes permitted during 2009. By 2010, production began to increase again, and from 2010 through 2017, a period when net out-migration was slowing, an average of 630 homes were permitted annually. During the 12 months ending September 2019, 710 homes were permitted, down from 790 homes permitted during the previous year (preliminary data, with adjustments by the analyst).

Figure 18. Average Annual Home Sales Permitting Activity in the Hamilton County Submarket



Note: Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

From 2000 through 2009, approximately 17 percent of all homes permitted in the submarket were condominiums, but since 2010, that proportion has dropped to 6 percent. The submarket still has the highest proportion of condominium construction in the HMA, partly because of more limited developable land and a desire to live in urban centers.

New Construction

Most new home construction in the Hamilton County submarket has occurred in the city of Cincinnati and in nearby suburban areas. In the downtown and Over-the-Rhine (OTR) neighborhoods of Cincinnati, over $1 billion has been invested in redevelopment and new construction since 2004, including the $7.2 million Rennen & Beecher Flats, an 18-unit mixed-use condominium property in OTR completed in January 2019. Prices start in the mid-$200,000s for a 750 square-foot, one-bedroom condominium. There are several single-family home subdivisions underway in areas near, but outside of, the city of Cincinnati. To the west of the city of Cincinnati, in Delhi Township along the Ohio River on a former golf course, the first phase of Greenside Estates began construction in March 2019. Approximately 31 single-family homes are expected at buildout in 2021, and prices will start at $399,000 for a two-bedroom home.

Forecast

During the next 3 years, demand is estimated for 2,975 new homes in the Hamilton County submarket (Table 7). Demand is likely to be strongest in the first year and is likely to decline slightly each subsequent year. The 300 units currently under construction will satisfy a portion of this demand. Condominium construction is likely to occur in the city of Cincinnati, and homebuilding is expected to occur outside the city limits.

Table 7. Demand for New Home Sales Units in the Hamilton County Submarket During the Forecast Period

	Sales Units
Demand	2,975 Units
Under Construction	300 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Sales Market—Ohio Suburban Submarket

Current Conditions

The sales housing market in the Ohio Suburban submarket is currently balanced, with an estimated vacancy rate of 1.5 percent, down from 2.0 percent in April 2010 (Table 8). The homeownership rate in the submarket declined from 73.5 percent in 2010 to a current estimate of 69.6 percent, the same rate as in the Southwestern Counties submarket. The submarket has generally had the highest homeownership rate in the HMA because of its central location between the cities of Cincinnati and Dayton, both in Ohio, and the availability of developable land. Although new home sales in the submarket have been subdued since the end of the housing market crisis, existing home sales surpassed prerecession levels during the 12 months ending August 2017 but have since declined; average home sales prices have surpassed prerecession levels.

Table 8. Home Sales Quick Facts in the Ohio Suburban Submarket

		Ohio Suburban Submarket	Cincinnati HMA
Home Sales Quick Facts	Vacancy Rate	1.5%	1.5%
	Months of Inventory	NA	2.0
	Total Home Sales	14,900	39,200
	1-Year Change	-5%	-3%
	New Home Sales Price	$370,600	$355,300
	1-Year Change	6%	4%
	Existing Home Sales Price	$199,700	$196,800
	1-Year Change	4%	5%
	Mortgage Delinquency Rate	1.4%	1.6%

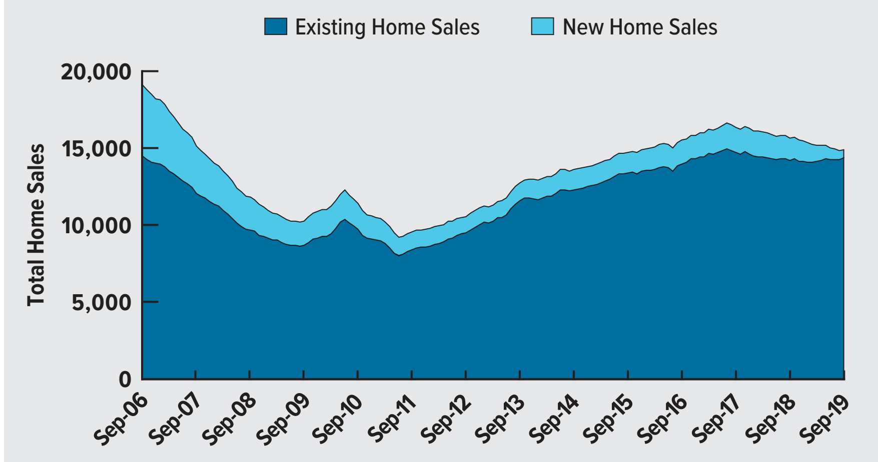
NA = data not available.
Notes: The vacancy rate is as of the current date (October 1, 2019). Home sales and prices are for the 12 months ending September 2019. Months of inventory and mortgage delinquency data are as of September 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Existing Home Sales and Prices

Existing home sales in the submarket increased an average of 1,000 homes, or 9 percent, annually from 2012 through 2017, to 14,600 home sales, but growth slowed during the most recent 24 months (Figure 19) as the low for-sale inventory limits sales growth. During the 12 months ending September 2019, 14,350 existing homes sold, a 1-percent increase compared with a 4-percent decline 1 year earlier. Despite the recent slowdown, existing home sales account for 96 percent of all homes sold in the submarket. By comparison, from 2007 through 2011, existing home sales generally decreased an average of 9 percent annually, after peaking at 14,500 homes sold during the 12 months ending September 2006.

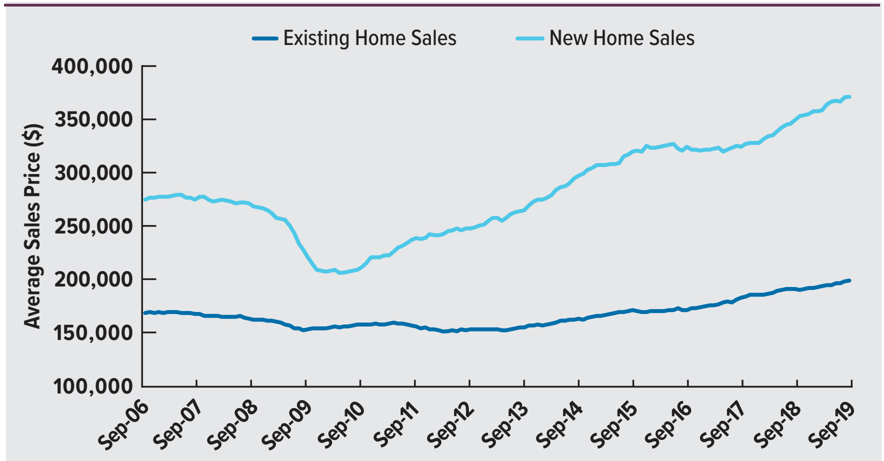
Existing home sale prices generally trended up from 2006 through 2017, increasing an average of $1,700, or 1 percent, a year, and growth was faster during the most recent 24 months (Figure 20). During the 12 months ending September 2019, prices increased 4 percent, to $199,700, compared with the 5 percent increase 1 year ago. This submarket had the lowest proportion of existing home sales below $250,000, at 74 percent (Figure 21), partly because the submarket has the lowest percentage of seriously delinquent mortgage loans and REO properties, which negatively affect average home sales prices.

Figure 19. 12-Month Total Home Sales by Type in the Ohio Suburban Submarket



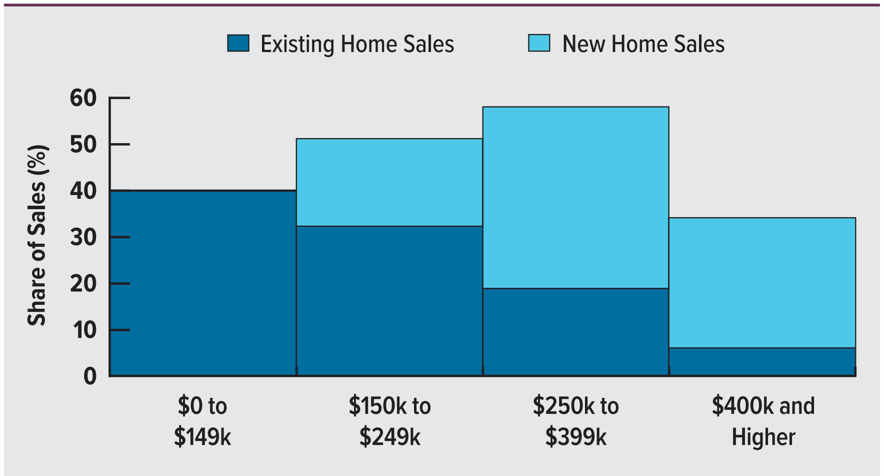
Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

Figure 20. 12-Month Average Home Sales Price by Type of Sale in the Ohio Suburban Submarket



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

Figure 21. Share of Home Sales by Price Range During the 12 Months Ending September 2019 in the Ohio Suburban Submarket



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

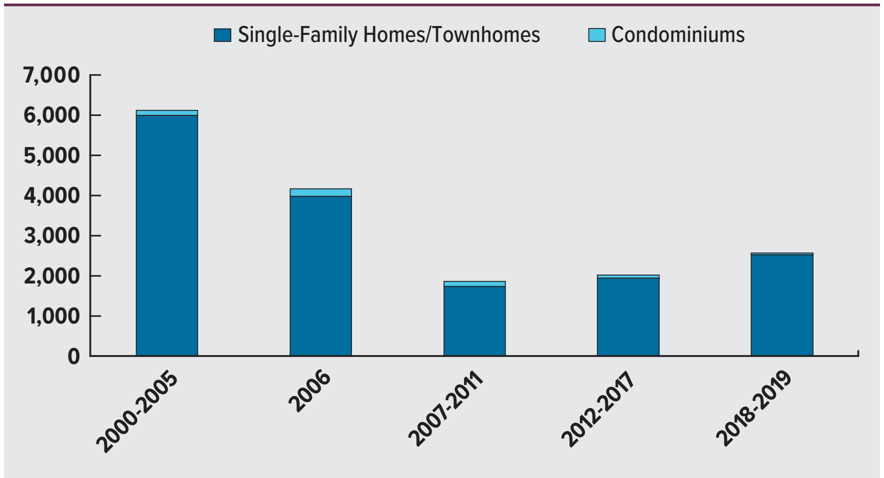
New Home Sales and Prices

New homes sales began increasing in 2013, albeit at a moderate level, but the rate has slowed in the most recent 24 months; as a result, new home sales are below the 4,625 homes sold during the 12 months ending September 2006, when new home sales accounted for 24 percent of total sales. From 2013 through 2017, new home sales averaged 1,425 annually. During the 12 months ending September 2019, approximately 530 new homes sold, down 64 percent from the 1,475 new homes sold during the previous 12 months. Even with the recent slowdown in sales, new home sales in the submarket accounted for 44 percent of all new home sales in the Cincinnati HMA—the same proportion as the Southwestern Counties submarket. Warren County accounted for 75 percent of new home sales in the submarket, largely because of ongoing demand for housing in "New Urban"-style planned communities. During the 12 months ending September 2019, prices were at the highest level since 2005 at $370,600, a 6 percent increase from the previous year. During the 12 months ending September 2019, 22 and 33 percent of all new homes sold in the submarket were below $250,000 and above $400,000, respectively.

Sales Permit Activity

Home sales building activity has increased since 2012, but it has been at relatively low levels since the late 2000s compared with the early-to-mid 2000s (Figure 22). From 2000 through 2005, strong population growth and a higher tendency for homeownership contributed to an average of 6,100 homes permitted annually. Permitting of homes fell to 4,150 in 2006 and declined further to an average of 1,850 homes permitted from 2007 through 2011. Home sales building activity increased only moderately from 2012 through 2017, averaging 2,000 homes annually because of slowed population growth and a lower tendency to own. During the 12 months ending September 2019, 2,475 homes were permitted, compared with the 2,500 homes permitted during the previous 12-month period (preliminary data, with adjustments by the analyst).

Figure 22. Average Annual Home Sales Permitting Activity in the Ohio Suburban Submarket



Note: Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

Since 2000, condominium construction has been relatively low, accounting for approximately 3 percent of total sales permit activity.

New Construction

During the 12 months ending September 2019, nearly one-half of new home construction in the submarket occurred in Warren County. Several subdivisions are currently underway, including the Shaker Run community in the city of Lebanon. Since construction began in 2005, approximately 700 homes have been sold, and 1,300 are expected at buildout. Prices start at $279,900 for a two- or three-bedroom home. Also, under construction is the first phase of the 1,230-acre Union Village "New Urban" planned community in the city of Lebanon, which will increase walkability and provide a wide range of housing types and nearby jobs. The subdivision is halfway between the cities of Cincinnati and Dayton, Ohio. The first phase will be comprised of 89 single-family homes, with 4,500 homes expected at buildout during the next 20 to 30 years. The community is adjacent to a $15 million, 109-acre sports park that is also under construction and the recently completed Otterbein Lebanon SeniorLife Community.

Forecast

During the next 3 years, demand is estimated for 7,275 new sales units in the Ohio Suburban submarket, and demand is expected to be the highest of the three submarkets because of its central location to the cities of Cincinnati and Dayton, Ohio (Table 9). The 830 homes currently under construction will meet a portion of that demand. The sales demand is forecast to be equally distributed each year during the 3-year period due to expected stable household growth.

Table 9. Demand for New Home Sales Units in the Ohio Suburban Submarket During the Forecast Period

	Sales Units
Demand	7,275 Units
Under Construction	830 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Sales Market— Southwestern Counties Submarket

Current Conditions

Sales market conditions in the Southwestern Counties submarket are slightly tight, with the estimated sales vacancy rate currently at 1.4 percent, down from 2.6 percent in April 2010 (Table 10). Despite slowed population growth in the submarket compared with the previous decade, a decrease in the number of homes built has allowed unsold inventory to be absorbed. Partly as a result of the reduction in new home construction, new home sales are relatively low, and existing home sales are at the highest level since the 12 months ending September 2006. The average sales prices for new and existing homes are also at their highest levels since the 12 months ending September 2006.

Table 10. Home Sales Quick Facts in the Southwestern Counties Submarket

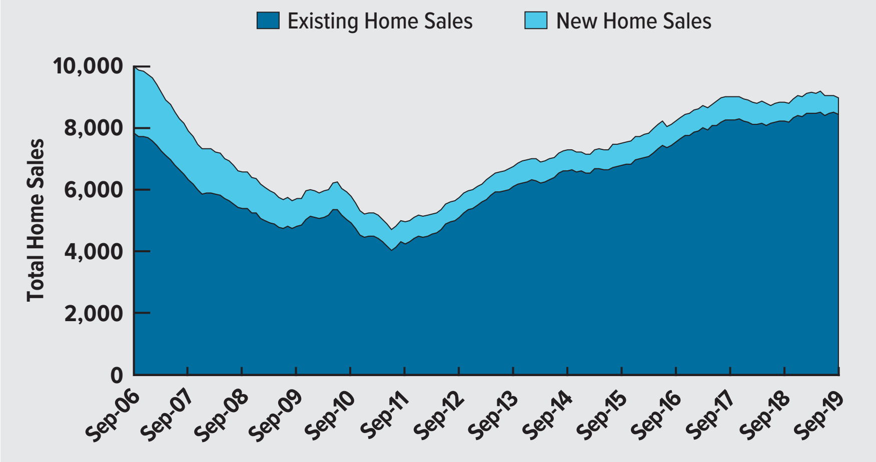
		Southwestern Counties Submarket	Cincinnati HMA
Home Sales Quick Facts	**Vacancy Rate**	1.4%	1.5%
	Months of Inventory	NA	2.0
	Total Home Sales	8,975	39,200
	1-Year Change	2%	-3%
	New Home Sales Price	$311,100	$355,300
	1-Year Change	4%	4%
	Existing Home Sales Price	$187,900	$196,800
	1-Year Change	5%	5%
	Mortgage Delinquency Rate	1.5%	1.6%

NA = data not available.
Notes: The vacancy rate is as of the current date (October 1, 2019). Home sales and prices are for the 12 months ending September 2019. Months of inventory and mortgage delinquency data are as of September 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Existing Home Sales and Prices

Although existing home sales are at their highest level, the rate of growth slowed recently (Figure 23). For context, during the 12 months ending September 2006, approximately 7,850 existing homes were sold, and sales

Figure 23. 12-Month Total Home Sales by Type in the Southwestern Counties Submarket

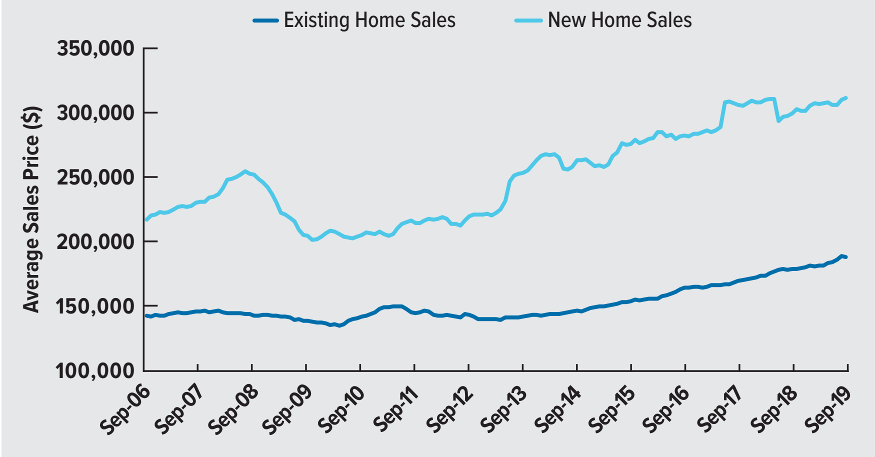


Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

decreased an average of 13 percent annually from 2006 through 2010 to 4,450 existing home sales. From 2011 through 2017, however, existing homes sales increased an average of 9 percent annually, reaching 8,225 existing home sales in 2017. During the 12 months ending September 2019, existing homes sales increased 3 percent to 8,450 homes sold, compared with the 12 months ending September 2018, accounting for 94 percent of total sales.

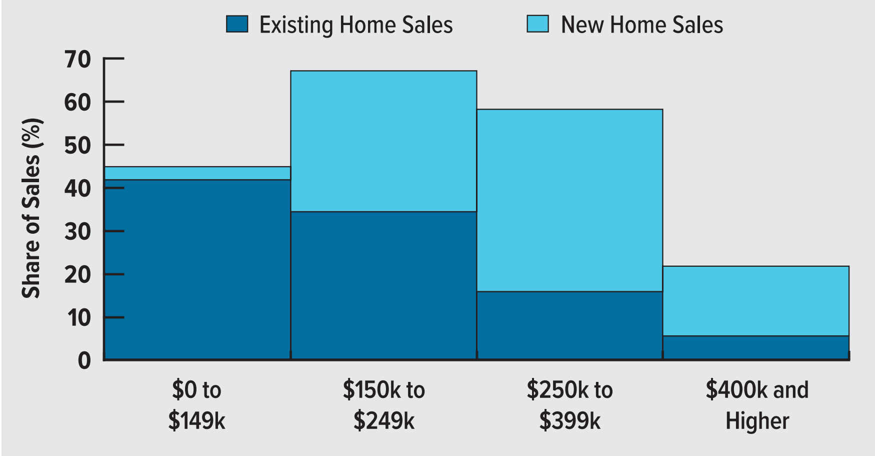
The average existing home sales price in the submarket increased an average of 4 percent annually from 2013 through 2018, and the rate accelerated recently as the market continues to tighten (Figure 24). During the 12 months ending September 2019, the average existing home sales price increased 5 percent, to $187,900. Despite the increase, the submarket is the most affordable for an existing home in the HMA, with 78 percent of existing home sales prices below $250,000 (Figure 25). The current home sales price in the HMA is 40 percent higher than the recent low of $134,500 during the 12 months ending April 2010, when an elevated level of REO sales negatively affected the average sales

Figure 24. 12-Month Average Home Sales Price by Type of Sale in the Southwestern Counties Submarket



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

Figure 25. Share of Home Sales by Price Range During the 12 Months Ending September 2019 in the Southwestern Counties Submarket



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

price in the submarket. The rate of seriously delinquent mortgage loans and REO properties was 5.4 percent in the submarket in April 2010 (CoreLogic, Inc.); as of September 2019, the rate was 1.5 percent.

New Home Sales and Prices

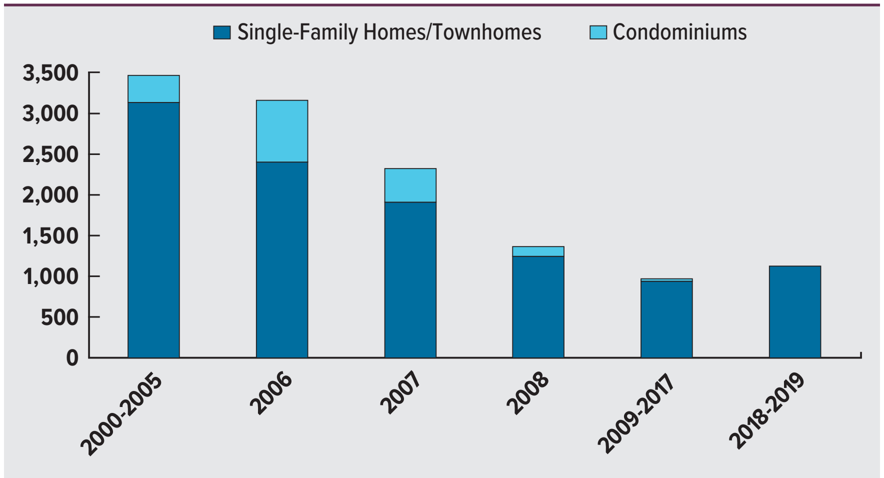
In the Southwestern Counties submarket, new home sales peaked at 2,175 homes sold during the 12 months ending September 2006, when new home sales accounted for 22 percent of total home sales. New home sales declined each of the 6 subsequent years, by an average of 230 homes, or 18 percent, to 610 homes sold in 2012. From 2013 through 2018, an average of 690 new homes sold annually before slowing to 530 homes sold during the 12 months ending September 2019; new home sales in the submarket account for 44 percent of new home sales in the HMA.

The average new home sales price increased nearly every year from 2007 through 2017, averaging 3 percent annually, except in 2009, when the price declined 16 percent, partly because of decreased home sales demand. During the 12 months ending September 2019, the average sales price of a new home was $311,100, reflecting an increase of 4 percent to offset the 2-percent decline during the 12 months ending September 2018. Even with the increase, only 17 percent of new home sales prices in the submarket were above $400,000; 38 percent were priced below $250,000.

Sales Permit Activity

Since 2008, home sales building activity in the Southwestern Counties submarket has remained below the levels of the early-to-mid 2000s (Figure 26). From 2000 through 2005, an average of 3,475 homes were permitted annually. Permitting of homes fell to 3,175 in 2006, and declined further by an average of 900 homes, or 34 percent, annually, to 1,375 in 2008. From 2009 through 2017, homebuilding activity was subdued at an average of 960 homes a year, partly because of slower population growth. During the 12 months ending September 2019, 1,075 homes were permitted, down from the 1,125 homes permitted during the same 12-month period a year earlier (preliminary data, with adjustments by the analyst). From 2000 through 2008, approximately 12 percent of home sales building activity was for condominiums; that proportion has declined to 2 percent since 2009 because of decreasing homeownership trends.

Figure 26. Average Annual Home Sales Permitting Activity in the Southwestern Counties Submarket



Note: Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

New Construction

New home construction in the 10-county Southwestern Counties submarket during the 12 months ending September 2019 was concentrated in the most densely populated counties: Boone, Campbell, and Kenton Counties, along the Ohio River. These accounted for 80 percent of new home construction in the submarket. In Boone County, home construction was widespread, but notable new construction occurred in the Triple Crown Country Club neighborhood in the city of Union in Kentucky. Although prices start at $250,000 in the Triple Crown Country Club neighborhood, in the newest community, Citation Pointe, there are 24 new lots available for construction with single-family homes starting at $400,000.

Forecast

During the 3-year forecast period, demand is estimated for 3,525 homes (Table 11). The 400 homes currently under construction will satisfy a portion of this demand. Single-family home construction is expected to occur along the Ohio River, closer to the city of Cincinnati, on the Riverfront Commons Trail, in Dayton, Kentucky.

Table 11. Demand for New Home Sales Units in the Southwestern Counties Submarket During the Forecast Period

	Sales Units
Demand	3,525 Units
Under Construction	400 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Rental Market Conditions
Rental Market—Cincinnati HMA

Market Conditions: Balanced

During the third quarter of 2019, apartment rents increased 4 percent, and the vacancy rate decreased 0.6 percentage point.

Current Conditions and Recent Trends

The overall rental market in the Cincinnati HMA is balanced, with an estimated 7.0-percent vacancy rate, down from 11.8 percent in April 2010 when conditions were soft (Table 12). The vacancy rate declined partly because of a shift from homeownership to renting which began during the housing crisis, but also because of an ongoing preference to live in urban centers, where a large proportion of the rental inventory in the HMA is located. Renter households currently account for 35.5 percent of all households in the HMA, up from 32.7 percent in 2010. Approximately 33 percent of renter households in the HMA lived in single-family homes as of 2018, down from 34 percent in 2013 (ACS 1-year data). Additionally, 19 percent of all renter households in the HMA lived in buildings with two to four units, compared with 21 percent in 2013. Multifamily buildings with five or more units, typically apartments, accounted for 46 percent of all occupied rental units in the HMA in 2018, up from 44 percent in 2013. In addition, 18 percent of all housing units were built in 1939 or earlier, and 34 percent of all housing units were built prior to 1960. Nationally, 12 percent of all housing units were built in 1939 or earlier, and 27 percent of all housing units were built prior to 1960. The smaller proportion of renter households residing in buildings with fewer than five units in the structure, combined with the high average age of the housing stock compared with the nation, contribute to a substantial difference between the overall rental vacancy rate and the apartment vacancy rate, with many of the single-family homes and units in two- to four-unit buildings that are offered for rent remaining vacant.

Table 12. Rental and Apartment Market Quick Facts in the Cincinnati HMA

		2013 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	NA	7.0
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	34	33
	Multifamily (2–4 Units)	21	19
	Multifamily (5+ Units)	44	46
	Other (Including Mobile Homes)	2	2

		Current	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	3.9%	-0.6
	Average Rent	$944	3.6%
	Studio	$741	1.9%
	One-Bedroom	$830	3.0%
	Two-Bedroom	$972	2.1%
	Three-Bedroom	$1,295	3.7%

NA = data not available. YoY = year-over-year.
Notes: The current date is October 1, 2019. Percentages may not add to 100 due to rounding.
Sources: 2013 and 2018 American Community Survey, 1-year data; Reis, Inc.

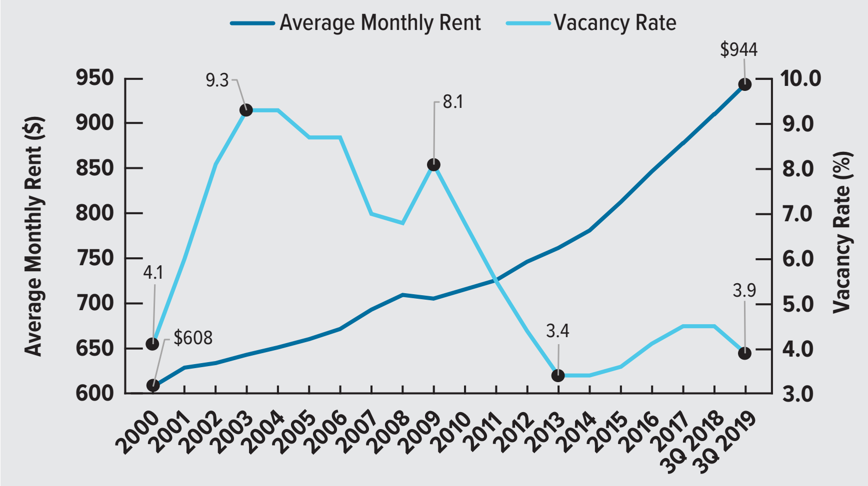
Apartment Market Conditions

The apartment market in the Cincinnati HMA is currently slightly tight and has generally been tightening since the mid-to-late 2000s. During the third quarter of 2019, the apartment vacancy rate was 3.9 percent, down from 4.5 percent during the third quarter of 2018 (Figure 27), and below the 4.7-percent rate for the nation (Reis, Inc.). The average apartment rent in the HMA increased by $33, or 4 percent, to $944 during the third quarter of 2019 from a year earlier; nationally, the average rent also increased 4 percent, to $1,488.

Housing Affordability: Rental

The rental market in the Cincinnati HMA is affordable despite a decrease in affordability in 2018, when rent growth outpaced income growth. Affordability is above the 2014 level, after the economic expansion began in the HMA. From 2014 to 2018, the median income for renter households in the HMA rose 18 percent, from $30,040 in 2014 to $36,093 in 2018. During the same time, the median gross monthly rent increased 13 percent, from $751 to $850. As a result,

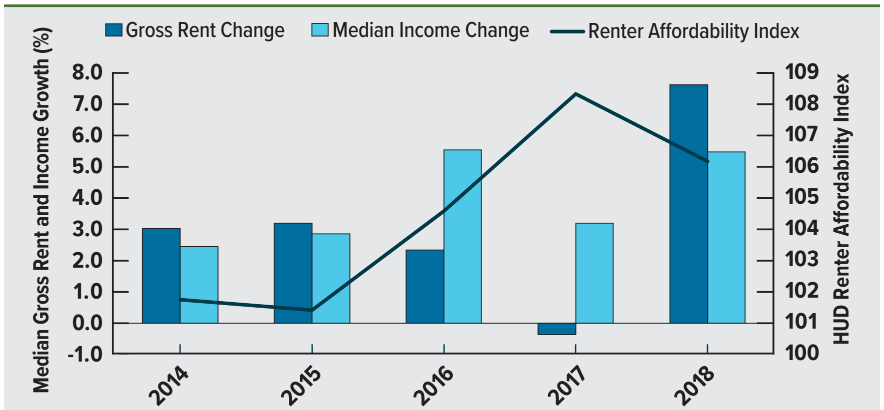
Figure 27. Apartment Rents and Vacancy Rates in the Cincinnati HMA



3Q = third quarter.
Source: Reis, Inc.

the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, trended upward (Figure 28). The index was 106 during 2018, up from 101.7 in 2014.

Figure 28. Cincinnati HMA Rental Affordability



Note: Rental affordability is for the larger Cincinnati Metropolitan Statistical Area.
Source: American Community Survey, 1-year data

Forecast

During the 3-year forecast period, demand is estimated for 8,050 new rental units; the 3,510 units currently under construction will satisfy a portion of that demand (Table 13). Demand is expected to slow during the second and third years of the forecast, as job gains and population growth moderate, but demand will remain elevated compared to the 2010-to-current period because household growth is expected to be higher. Significant rental demand is likely to continue in areas where construction is underway, including in areas near and in the city of Cincinnati, along the Ohio River, and in areas near the Dayton, Ohio metropolitan area. Map 1 shows apartments and senior housing currently under construction.

Table 13. Demand for New Rental Units in the Cincinnati HMA During the Forecast Period

	Rental Units
Demand	8,050 Units
Under Construction	3,510 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Rental Market—Hamilton County Submarket

Current Conditions and Recent Trends

The rental housing market in the Hamilton County submarket is currently balanced, with an overall estimated rental vacancy rate of 7.6 percent, down from 13.0 percent in April 2010 when conditions were soft (Table 14). Low levels of apartment construction from 2008 through 2013, and slowed net out-migration in the submarket since 2012, have contributed to an improvement of market conditions. Of renter households, 29 percent live in single-family homes, whereas 21 percent of all renter households live in buildings with two, three, or four units, and 49 percent live in buildings with five or more units (2018 ACS 1-year estimates).

Map 1. Cincinnati HMA Units Under Construction

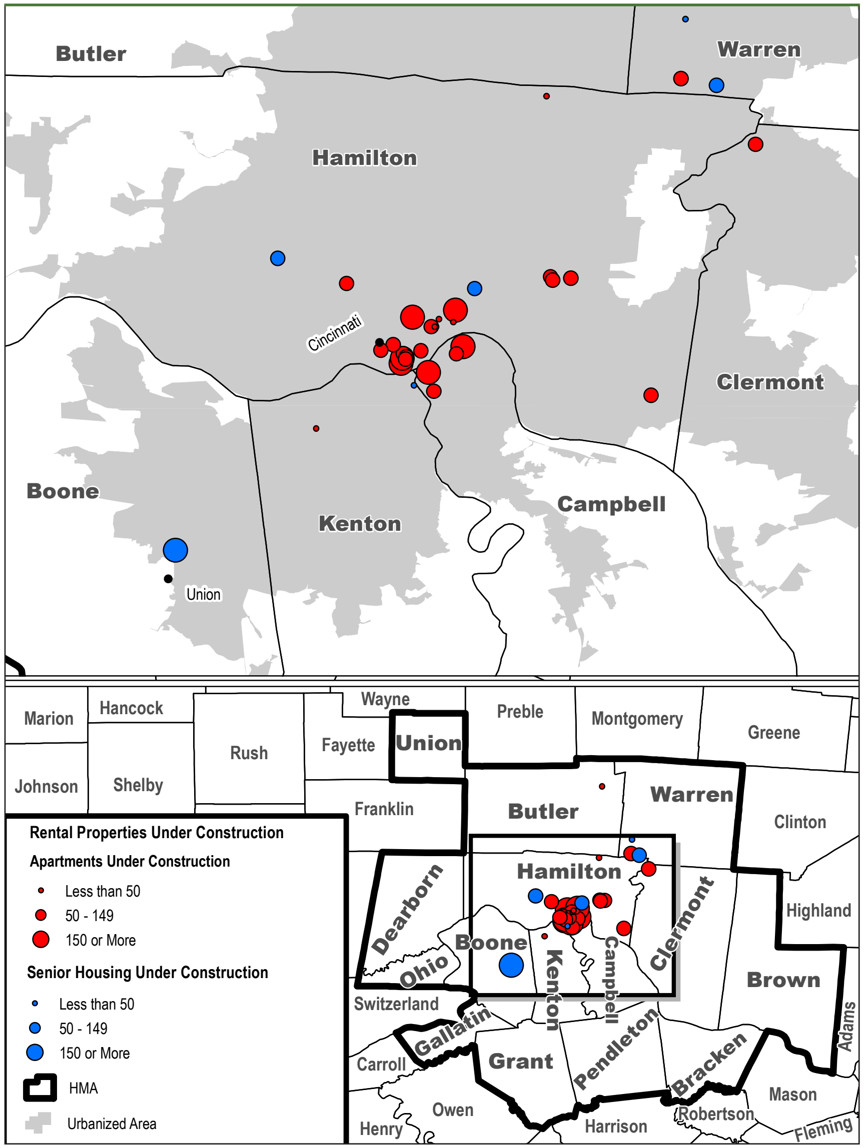


Table 14. Rental and Apartment Market Quick Facts in the Hamilton County Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	13.0	7.6
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	27	29
	Multifamily (2–4 Units)	26	21
	Multifamily (5+ Units)	47	49
	Other (Including Mobile Homes)	0	0
		Current	**YoY Change**
Apartment Market Quick Facts	Apartment Vacancy Rate	4.0%	-.5
	Average Rent	$950	3.0%

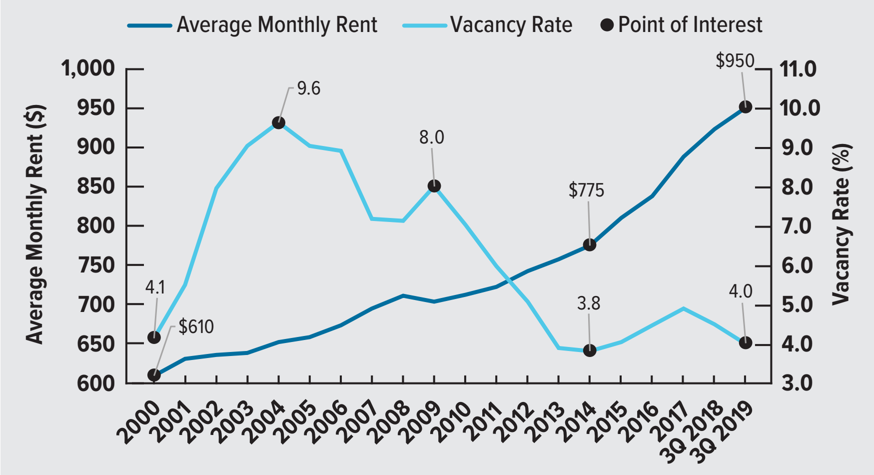
YoY = year-over-year.
Notes: The current date is October 1, 2019. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2018 American Community Survey, 1-year data; Reis, Inc.

Apartment Market Conditions

The apartment market is slightly tight and has generally been tightening since the mid-2000s. During the third quarter of 2019, the apartment vacancy rate was 4.0 percent, down from 4.5 percent during the third quarter of 2018 (Figure 29). The average apartment rent in the Hamilton County submarket increased by $28, or 3 percent, to $950 during the third quarter of 2019 from a year earlier.

Among the seven Reis, Inc.-defined market areas that comprise the Hamilton County submarket, the vacancy rate fell in four areas and remained unchanged or increased in three areas during the third quarter of 2019. The largest decline in apartment vacancy rates in the submarket occurred in the Downtown Cincinnati market area, where renter housing demand is strong, falling 1.9 percentage points to 5.6 percent. Despite the decline, the rate is the highest among market areas in the submarket, partly because of a high concentration of newly completed apartments. The average rent in the Downtown Cincinnati market area was $1,235, approximately 2 percent, or $23 below the average rent in the most expensive market area (the Northeast market area) which is

Figure 29. Apartment Rents and Vacancy Rates in the Hamilton County Submarket



3Q = third quarter.
Source: Reis, Inc.

adjacent to the Ohio Suburban submarket and had an average rent of $1,258. During the third quarter of 2019, the vacancy rate in the Northeast market area decreased 0.1 percentage point to 3.9 percent. Generally, areas to the east of Downtown Cincinnati tend to have higher rents, whereas areas to the west and just north are less expensive. A smaller decline of 1.4 percentage points occurred in the Highway 27/127 market area, where the apartment vacancy rate during the third quarter of 2019 was 3.5 percent; this was the market area with the second lowest vacancy rate, partly because it is the area with the second lowest rent, at an average of $722. During the third quarter of 2019, the vacancy rate fell 0.3 and 0.1 percentage points to 3.6 and 4.4 percent, respectively, in the Southeast and Southwest market areas, where the rents averaged $1,022 and $649. The vacancy rate remained unchanged from a year earlier in the North market area, at 1.8 percent, where the rent averaged $886. The vacancy rate only increased in the Blue Ash/Amberley market area, up by 0.6 percentage point to 4.5 percent; this was likely because the average rent increased 7 percent during the third quarter of 2019, to $992.

From 2000 through 2004, when readily available access to mortgage credit contributed to a higher propensity for homeownership and apartment permitting was relatively steady, the apartment vacancy rate in the submarket increased from 4.1 to 9.6 percent; the average rent increased 2 percent annually during the period. From 2005 through 2014, in response to the housing crisis, apartment construction was steady before dropping to low levels, but demand for apartments increased, and the apartment vacancy rate declined nearly every year to reach a low of 3.8 percent in 2014. From 2001 through 2014, the average rent increased at a relatively steady pace, up 2 percent annually, to $775. The vacancy rate from 2015 through 2017 fluctuated only slightly, as very high levels of apartment construction were met by slowing net out-migration, particularly in the city of Cincinnati, where neighborhood revitalization efforts attracted renters with a preference to live in urban centers. During the 2015 through 2017 period, apartment rent growth accelerated, increasing by an average 5 percent annually, to $887.

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, began increasing in 2011 to reach a peak in 2017. Construction has slowed recently, but it remains elevated compared with levels in the 2000s (Figure 30). During the 12 months ending September 2019, approximately 990 rental units were permitted, down 43 percent from the previous year (preliminary data, with adjustments by the analyst). From 2000 through 2007, an average of 590 rental units were permitted annually, before decreasing to an average of 80 units permitted annually from 2008 through 2010, in response to the local economic contraction and higher levels of net out-migration. By 2011, production began to increase again, and from 2011 through 2017, rental construction activity increased an average of 220 units, or 49 percent, a year, to 1,600 units in 2017.

New Construction

Approximately 94 percent of rental units under construction in the Hamilton County submarket are apartments, with 86 percent of those units being constructed in the city of Cincinnati. One of the largest properties under construction is 4th and Race, a 264-unit mixed-use apartment tower in downtown

Figure 30. Average Annual Rental Permitting Activity in the Hamilton County Submarket

Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

Cincinnati. When complete in September 2020, the property will offer studio, one-, and two-bedroom units with monthly rents starting at $1,512, $1,620, and $2,670, respectively. The Provident Apartments is also currently under construction in downtown Cincinnati, located in a former bank building. When the 165-unit property is complete in June 2020, rents for studios, one-, and two-bedroom units will start at $1,037, $1,117, and $2,117, respectively. Although developers are responding to demand for housing from the growing aging population, only 6 percent of units under construction in the submarket, or 140 units, are senior housing units; the 140 units in two properties are located outside downtown Cincinnati in northwestern and northeastern suburbs.

Forecast

During the 3-year forecast period, demand is estimated for 4,575 units (Table 15). The 2,250 units under construction will satisfy a portion of this demand. Another portion of demand will likely be satisfied by planned completions in the OTR because 17 residential and nonresidential projects won Ohio State Historic Preservation Tax Credits in the neighborhood. One project is a mixed-use, mixed-income apartment property, with 40 percent of the residential units expected to rent at 50-to-80 percent of the area median income; construction dates and the number of units to be built have not been released. Demand is expected to decrease each year of the forecast, as job gains and population growth moderate. Demand in the submarket will be higher during the forecast period, compared with the 2010-to-current period, because households are expected to increase at a higher rate and because of an ongoing tendency to live in urban areas.

Table 15. Demand for New Rental Units in the Hamilton County Submarket During the Forecast Period

	Rental Units
Demand	4,575 Units
Under Construction	2,250 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Rental Market—Ohio Suburban Submarket

Current Conditions and Recent Trends

Overall rental market conditions are currently balanced in the Ohio Suburban submarket. The vacancy rate for all rental units is estimated at 6.3 percent, down from 10.9 percent in April 2010 when conditions were soft (Table 16). Rental market conditions were soft during the early-to-mid 2000s, when homeownership in the submarket was strongest, but rental construction activity was the highest. The submarket began to transition toward balanced, and these balanced conditions are attributed partly to a steady increase in rental construction and increasing preferences toward renting. Renter households currently account for 30.4 percent of all households in the submarket, up from 26.5 percent during 2010.

Table 16. Rental and Apartment Market Quick Facts in the Ohio Suburban Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	10.9	6.3

Apartment Market Quick Facts		Current	YoY Change
	Apartment Vacancy Rate	3.6%	-0.5
	Average Rent	$940	4.8%

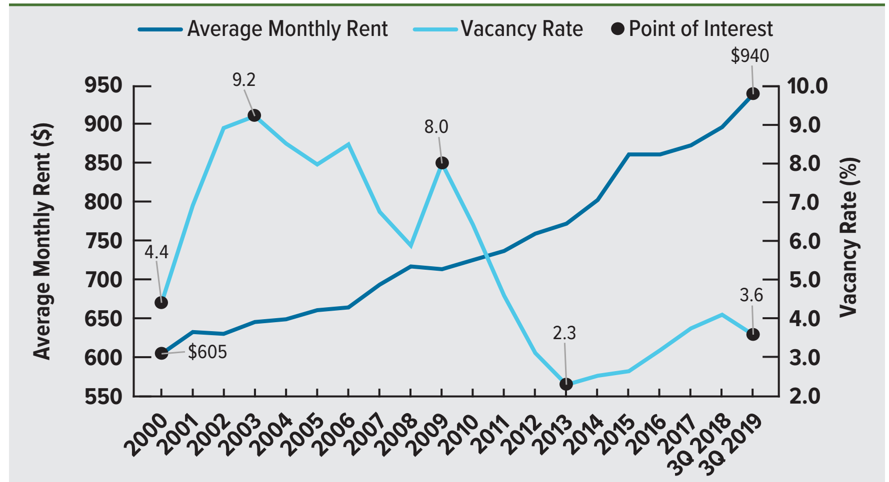
YoY = year-over-year.
Notes: The current date is October 1, 2019. Percentages may not add to 100 due to rounding.
Source: Estimates by the analyst

Apartment Market Conditions

The apartment market is tight and has generally been tightening since 2004, similar to trends in the Hamilton County submarket. From 2000 through 2003, when readily available access to mortgage credit contributed to a higher propensity for homeownership, the apartment vacancy rate in the submarket increased 4.8 percentage points from 4.4 to 9.2 percent (Figure 31). Although the apartment vacancy rate generally declined from 2004 to a low of 2.3 percent in 2013, the rate rose to 8.0 percent in 2009, when the local economic recession deepened. During the 13-year period, from 2000 through 2013, rents increased from $605 to $772, up an average 2 percent, a year. From 2014 through 2017, a period that included increased apartment construction, the vacancy rate increased again from 2.5 to 3.8 percent. During the third quarter of 2019, the apartment vacancy rate was 3.6 percent, down from 4.1 percent during the third quarter of 2018. Although the apartment market vacancy rate is higher than in 2013, partly because of higher levels of construction, the market is likely to remain tight because rental construction activity slowed recently. Since 2014, the average apartment rent in the Ohio Suburban submarket increased by an average of $29, or 4 percent, a year, to $940.

Among the two Reis, Inc.-defined market areas that comprise the Ohio Suburban submarket, vacancy rates declined and average rents increased. The largest decline in the vacancy rate occurred in the Butler/Warren County market area, down by 0.6 percentage point. Even with this decline, the third-quarter 2019 rate of 4.3 percent in the market area was the higher vacancy rate among the two areas. The area is an attractive place for residents of the Ohio Suburban submarket because it is between the cities of Cincinnati and Dayton, Ohio. During the same period, the vacancy rate in the Clermont County market area decreased 0.2 percentage point to 2.4 percent. The highest rent in the submarket was in the Butler/Warren County market area, where the asking rent increased 4 percent to $1,009. The average rent increased more quickly in the Clermont County market area, rising 6 percent to $818.

Figure 31. Apartment Rents and Vacancy Rates in the Ohio Suburban Submarket

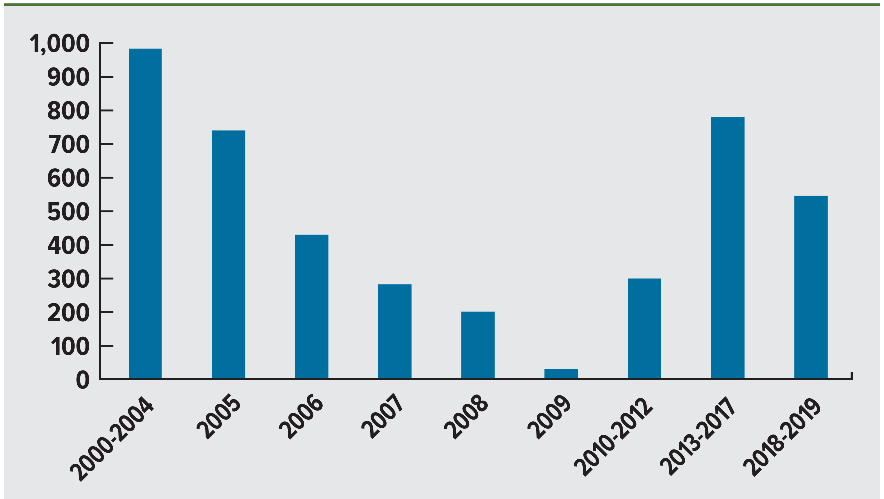


3Q = third quarter.
Source: Reis, Inc.

Rental Construction Activity

Since 2013, rental construction activity in the submarket, as measured by the number of rental units permitted, has been relatively higher, but average levels have not surpassed construction activity during the early-to-mid period of the previous decade when population growth was higher. From 2000 through 2004, permitting averaged 980 rental units annually, before permitting decreased each of the next 5 years (Figure 32). From 2005 through 2009,

Figure 32. Average Annual Rental Permitting Activity in the Ohio Suburban Submarket



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

permitting declined by an average of 230 units, or 52 percent, a year, to a low of 30 units in 2009. Rental construction activity hovered at an average of 300 units annually from 2010 through 2012, before rental permitting increased to an average of 780 units annually from 2013 through 2017. During the 12 months ending September 2019, 380 units were permitted, down 29 percent from the 540 units permitted during the 12 months ending September 2018 (preliminary data, with adjustments by the analyst).

New Construction

Similar to the sales housing market, most apartment construction in the Ohio Suburban submarket is occurring in Warren County, with permitting accounting for nearly two-thirds of construction in the submarket during the 12 months ending September 2019. The first phase of The District at Deerfield, a 28-acre mixed-use development in Deerfield Township, is currently underway, including One Deerfield, a 240-unit apartment complex that is expected to be complete in early 2020. The second phase will include restaurants, retail, and entertainment, and will be adjacent to the $14-million Mercy Health–Cincinnati medical center that opened July 2019, employing approximately 40 people. The remaining 170 units under construction include two developments intended for retirees to account for the growing population over 65 years of age; the two properties are also in Warren County. In the city of Loveland, Deerfield Springs Retirement Community will feature 130 senior apartment units when it opens in February 2020.

Forecast

During the next 3 years, demand is estimated for 2,050 new rental units (Table 17). The 410 units currently under construction will satisfy a portion of that demand. Demand is likely to be similar to the 2010 to current period because population and households are expected to increase at the same average annual rate as since 2010. Building activity is expected to be concentrated in Warren County, near downtown Cincinnati and the city of Dayton, Ohio.

Table 17. Demand for New Rental Units in the Ohio Suburban Submarket During the Forecast Period

	Rental Units
Demand	2,050 Units
Under Construction	410 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Rental Market—Southwestern Counties Submarket

Current Conditions and Recent Trends

The overall rental housing market in the Southwestern Counties submarket is currently balanced, with an estimated 6.7-percent vacancy rate, down from 10.2 percent in April 2010 when conditions were soft (Table 18). Although

Table 18. Rental and Apartment Market Quick Facts in the Southwestern Counties Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	10.2	6.7

Apartment Market Quick Facts		Current	YoY Change
	Apartment Vacancy Rate	4.3%	-1.0
	Average Rent	$925	3.4%
	Studio	$642	1.3%
	One-Bedroom	$793	2.9%
	Two-Bedroom	$949	2.4%
	Three-Bedroom	$1,241	3.3%

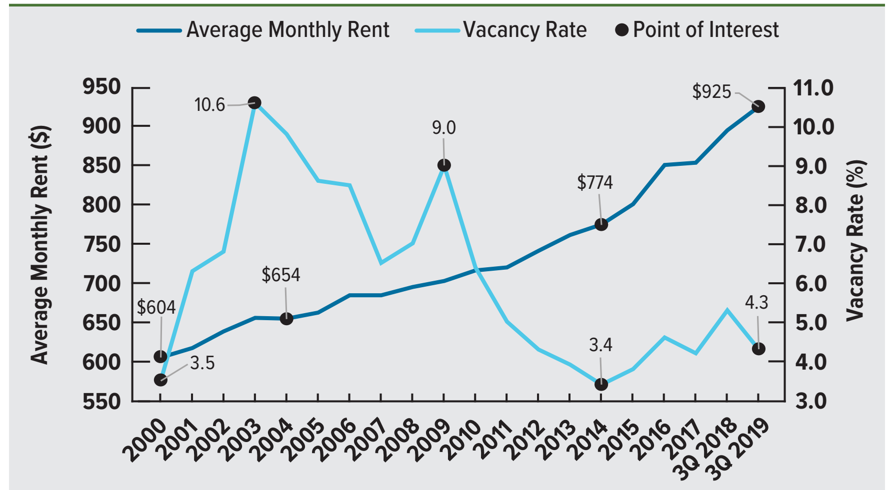
YoY = year-over-year.
Notes: The current date is October 1, 2019. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2018 American Community Survey, 1-year data; Reis, Inc.

the submarket has the same percentage of renter households as the Ohio Suburban Counties submarket, at 30.4 percent, and is the least urbanized of the submarkets in the HMA, a higher portion of dense rental unit construction is occurring in the counties of the submarket that are adjacent to the Ohio River, across from the city of Cincinnati.

Apartment Market Conditions

The vacancy rate for apartments also declined as renter household formation outpaced new apartment construction. The apartment market in the Southwestern Counties submarket is currently slightly tight, with a 4.3-percent vacancy rate during the third quarter of 2019, down from 5.3 percent a year earlier (Figure 33). The average apartment rent in the Southwestern Counties submarket increased by $30, or 3 percent, to $925 during the third quarter of 2019 from a year earlier; rents in this submarket are the lowest in the HMA. During the third quarter of 2019, rents for all unit types, including studios, one-, two-, and three-bedroom units, increased to averages of $642, $793, $949, and $1,241, respectively.

Figure 33. Apartment Rents and Vacancy Rates in the Southwestern Counties Submarket



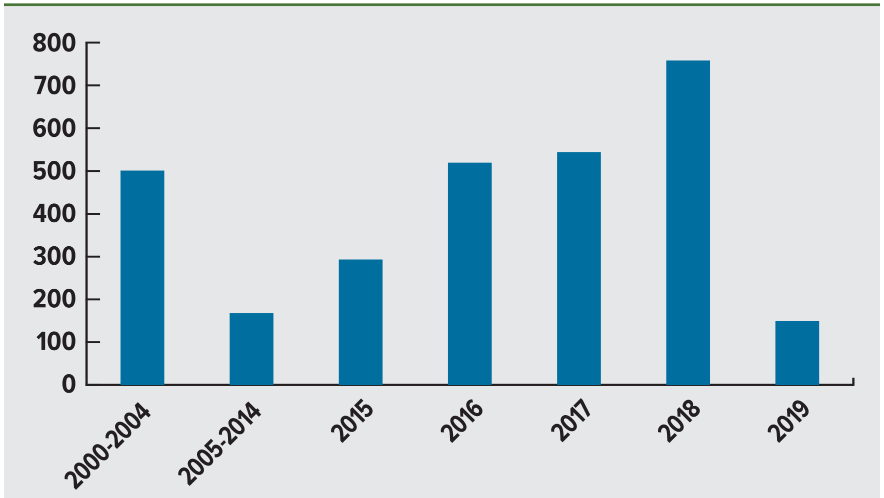
3Q = third quarter.
Source: Reis, Inc.

From 2000 through 2003, when there was a greater propensity for homeownership and a relatively large number of rental unit permits were issued, the apartment vacancy rate increased from 3.5 to 10.6 percent. At the same time, the average rent increased 2 percent a year, to $655 in 2003. The vacancy rate declined nearly every year from 2004 through 2014 to a low of 3.4 percent, despite a spike in the apartment vacancy rate in 2009 when the HMA was losing jobs. Relatively low new apartment construction from 2005 through 2014 was likely responsible for generally continuous declines in the vacancy rate. From 2015 through 2017, a period that included increasing levels of apartment construction, the apartment vacancy rate increased to 4.6 percent in 2016, but declined to 4.2 percent in 2017. Despite fluctuations in the apartment vacancy rate from 2004 through 2017, the average rent consistently increased, up an average of $14, or 2 percent, a year to $853.

Rental Construction Activity

After 10 years of relatively low rental construction activity in the submarket, construction, as measured by the number of rental units permitted, increased every year from 2015 through 2018 (Figure 34). For context, from 2000

Figure 34. Average Annual Rental Permitting Activity in the Southwestern Counties Submarket



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

through 2004, an average of 500 rental units were permitted annually, before decreasing to an average of 170 units permitted a year from 2005 through 2014. With a preference to rent and comparatively strong economic conditions, rental construction activity increased an average of 160 units a year from 2015 to 2018, rising to 750 units, the highest level since 2000. Developers responded to the high levels of construction and slowed their building activity to 360 units permitted during the 12 months ending September 2019, down from the 500 units permitted during the same period 1 year earlier (preliminary data, with adjustments by the analyst).

New Construction

Approximately 650 apartment units are under construction in the Southwestern Counties submarket, and all are in Campbell and Kenton Counties, including the 76-unit Gateway Flats at Manhattan Harbour Apartments and the 263-unit Tapestry on the River, on the Riverfront Commons Trail in Dayton, Kentucky, just across the river from downtown Cincinnati. When complete in spring of 2020, the former will offer one- and two-bedroom units with monthly rents as yet unannounced; the latter will feature one-, two-, and three-bedroom units with rents starting at $1,125, $1,470, and $2,320, respectively, when it opens November 2019. There are 200 senior housing units under construction in the submarket. The 162-unit StoryPoint of Union is an independent-living facility in the city of Union that is expected to be completed in January 2020; rents have yet to be announced.

Forecast

During the 3-year forecast period, demand is estimated for 1,425 new rental units (Table 19). The 850 units currently under construction will satisfy a significant portion of the demand. Demand is expected to slow each year of the forecast period, but it will likely increase at a similar rate to the 2010 to current period because population and households will grow at the same annual rate. Building activity is expected to be concentrated in Campbell and Kenton Counties, across the Ohio River, because of their proximity to the city of Cincinnati.

Table 19. Demand for New Rental Units in the Southwestern Counties Submarket During the Forecast Period

	Rental Units
Demand	1,425 Units
Under Construction	850 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Sales	Regular resale and distressed sales.
Forecast Period	10/1/2019–10/1/2022—Estimates by the analyst
Homebuilding Activity/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.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.

Net Natural Increase	Resident births minus resident deaths.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Senior Housing	Housing units limited to residence by older adults, typically age 55 and older. Properties classified as senior apartments, independent living facilities, continuing care retirement communities, or assisted living are considered senior housing.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.
Cover Photo	iStock

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