

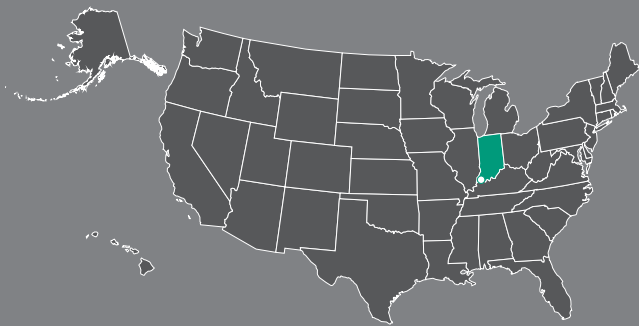
# HUD PD&R Housing Market Profiles

## Evansville, Indiana-Kentucky



### Quick Facts About Evansville

- Current sales market conditions: balanced
- Current rental market conditions: balanced
- The Evansville metropolitan area serves as the commercial, cultural, and medical center for approximately 911,000 people in southwestern Indiana and parts of Illinois and Kentucky (Economic Development Coalition of Southwest Indiana). Recent public and private investments in medical facilities led by the Indiana University School of Medicine, that include Stone Family Center for Health Sciences, opened in 2018, and a new medical research facility scheduled to be completed early in 2020, were designed to create a hub for health sciences education in the metropolitan area and the tristate region.



By Tomasz Kukawski | As of June 1, 2019

### Overview

The Evansville, IN-KY Metropolitan Statistical Area (hereafter, the Evansville metropolitan area) consists of Posey, Vanderburgh, and Warrick Counties in southwestern Indiana and Henderson County in western Kentucky. The city of Evansville, along the banks of the Ohio River, is the largest city in the metropolitan area and third largest in the state of Indiana. Historically, economic activity in the metropolitan area has been centered around the manufacturing industry; however, the fast-growing healthcare industry has contributed to the education and health services sector, overtaking the manufacturing sector as the largest in the metropolitan area during 2008.

- As of June 1, 2019, the estimated population of the Evansville metropolitan area is 314,500, relatively unchanged from the 311,552 reported in 2010. Since 2010, net out-migration averaged 180 people annually, and net natural increase (resident births minus resident deaths) averaged 500 people annually.
- During the 2000s, the metropolitan area recorded small but steady population growth because of net in-migration that averaged 590 people annually and stronger net natural increase that averaged 950 people annually. As a result, from 2000 to 2010, the population grew by an average of 1,525, or 0.5 percent, a year.

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- Since 2010, net in-migration to the metropolitan area that averaged 120 people annually from 2010 to 2014 switched to net out-migration averaging 450 people annually since 2015. The loss of 800 manufacturing jobs in 2016, largely

because of the closure of a smelting plant at Alcoa Corporation, has contributed to overall out-migration, as people left the metropolitan area to pursue job opportunities elsewhere.

## Economic Conditions

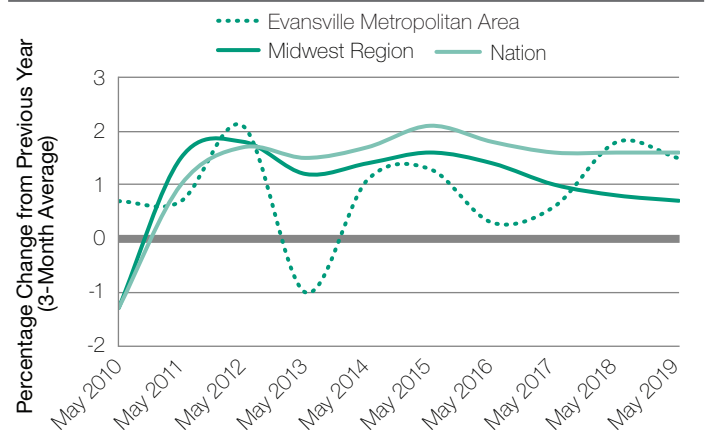
The economic recovery from the impacts of the Great Recession in the Evansville metropolitan area was slow and inconsistent until mid-2018 when the local economy began to outperform the Midwest region. In 2019, nonfarm payrolls in the metropolitan area surpassed the previous high of 162,300 recorded in 2001. During the 3 months ending May 2019, nonfarm payrolls in the Evansville metropolitan area averaged 164,200, an increase of 2,400, or 1.5 percent, from the same 3 months a year earlier. By comparison, following a decline of 900, or 0.6 percent, in 2013, nonfarm payrolls rose an average of 1,875, or 1.2 percent, annually from 2014 through 2017.

During the 3 months ending May 2019—

- The education and health services sector added the most jobs, up by 1,300, an expansion of 4.6 percent. The sector, currently with 29,600 jobs, includes the two largest employers in the metropolitan area: Deaconess Health System, Inc. and St. Vincent Evansville, with 6,600 and 3,100 jobs, respectively.

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### Nonfarm payroll growth in the Evansville metropolitan area lagged growth in the region and the nation from mid-2013 to mid-2018.



Note: Nonfarm payroll job growth.  
Source: U.S. Bureau of Labor Statistics

### The education and health services sector was the main contributor to recent nonfarm payroll growth in the Evansville metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	May 2018 (Thousands)	May 2019 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	161.8	164.2	2.4	1.5
Goods-Producing Sectors	34.1	33.6	-0.5	-1.5
Mining, Logging, & Construction	10.7	9.7	-1.0	-9.3
Manufacturing	23.3	23.9	0.6	2.6
Service-Providing Sectors	127.7	130.6	2.9	2.3
Wholesale & Retail Trade	23.4	23.6	0.2	0.9
Transportation & Utilities	7.5	7.7	0.2	2.7
Information	1.5	1.5	0.0	0.0
Financial Activities	5.4	5.4	0.0	0.0
Professional & Business Services	19.6	19.8	0.2	1.0
Education & Health Services	28.3	29.6	1.3	4.6
Leisure & Hospitality	16.2	16.2	0.0	0.0
Other Services	8.4	8.6	0.2	2.4
Government	17.4	18.2	0.8	4.6
	<b>(Percent)</b>	<b>(Percent)</b>		
Unemployment Rate	3.1	3.0		

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



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- Substantial growth also occurred in the government sector, which gained 800 jobs, or 4.6 percent, with the state and local government subsectors adding 500 and 300 jobs, respectively. With approximately 2,425 employees, the University of Southern Indiana is the largest employer in the sector; approximately 8,950 students were enrolled at the university in 2018, down from 10,700 students in 2010.
- Overall nonfarm payroll growth in the metropolitan area was limited by job losses in the mining, logging, and construction sector, which decreased by 1,000, or 9.3 percent. Job decline in the sector occurred in large part because construction jobs declined with the completion of several large commercial projects in 2018, including the Stone Family Center for Health Sciences and the Double Tree Hotel by Hilton in downtown Evansville.
- The unemployment rate was 3.0 percent, down slightly from 3.1 percent during the same period a year earlier and is currently below the national rate of 3.5 percent. The unemployment rate in the metropolitan area has declined each year since the high of 8.9 percent in 2010.

The manufacturing sector, anchored around the production of automobile parts, chemicals, and plastics, is the second largest employment sector in the metropolitan area and continues to be an important part of the local economy. During the 3 months ending May 2019, employment in the manufacturing sector totaled 23,900 jobs, reflecting a gain of 600 jobs, or 2.6 percent, from a year earlier. The current level of manufacturing jobs accounts for nearly 15 percent of total nonfarm payrolls in the metropolitan area, nearly twice the national average of 8.5 percent. By comparison, in 2000, jobs in the manufacturing sector in the Evansville metropolitan area represented 20

percent of all nonfarm payrolls; the share declined to less than 14 percent in 2011 when jobs in the sector reached a low of 21,100. Job growth in the sector is expected to continue with the \$70 million expansion of the Berry Global downtown Evansville manufacturing facility that will create 150 entry-level manufacturing and skilled trade positions by 2020. The company is a producer of plastic packaging products and is headquartered in the city of Evansville. Several other manufacturers are currently expanding their operations in the metropolitan area, including an \$18.5-million expansion by molding and casting producer PBTT that is expected to create 102 jobs by 2020 and a \$14.9-million expansion by EnCom Polymers that is expected to add 56 new jobs by 2021. Also, worth noting is the \$600-million expansion of the Toyota Motor Manufacturing, Indiana, Inc. automobile factory scheduled to begin in the fall of 2019. The investment to increase capacity production for Highlander SUVs will create 400 new jobs. Because the Toyota factory is located outside the metropolitan area, payrolls in the manufacturing sectors will not be directly affected; however, the expansion is expected to have an indirect positive economic effect on the metropolitan area because approximately 75 percent of the 5,400 workers currently employed at the plant reside in the Evansville metropolitan area.

### Largest Employers in the Evansville Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Deaconess Health System, Inc.	Education & Health Services	6,600
St. Vincent Evansville	Education & Health Services	3,100
Berry Global, Inc.	Manufacturing	2,700

Note: Excludes local school districts.  
Source: Economic Development Coalition of Southwest Indiana, 2019

## Sales Market Conditions

The sales housing market in the Evansville metropolitan area is currently balanced, with an estimated 1.9-percent vacancy rate, down from 2.3 percent in 2010. During the 12 months ending April 2019, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 7,650, nearly unchanged from the 7,600 homes sold during the previous 12 months. The for-sale inventory of single-family homes, townhomes, and condominiums in the metropolitan area was 3.3 months in May 2019, slightly below the 3.5-month supply in May 2018 (Southwest Indiana Association of Realtors®). The percentage of home loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into

real estate owned (REO) status declined from 2.5 percent in April 2018 to 2.0 percent in April 2019 (CoreLogic, Inc.). The current rate is higher than the 1.7-percent rate for the state of Indiana and the 1.5-percent rate for the nation.

During the 12 months ending April 2019—

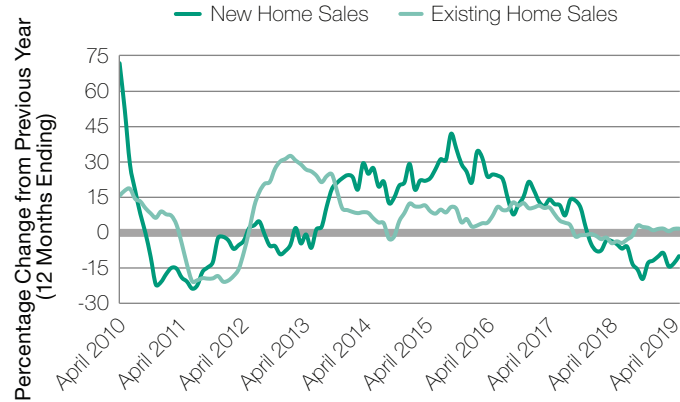
- New home sales totaled 330, a decline of 40 homes, or more than 10 percent, from the previous 12 months. New home sales are 15 percent below the previous high of 390 homes sold in 2016 and account for only 4 percent of all homes sold in the metropolitan area.

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In the Evansville metropolitan area, sales of new homes have been declining since late 2017, but existing home sales have been increasing slowly since August 2018.



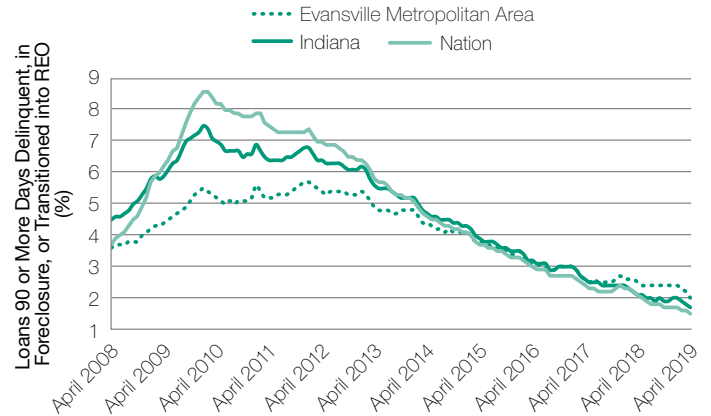
Note: Sales for single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

- Existing home sales (including regular resales, short sales, and REO sales) totaled 7,325, an increase of 100, or more than 1 percent, from the same period a year earlier. By comparison, existing home sales remained relatively unchanged from 2008 through 2011, averaging 4,650 sales annually, and then rose an average of 12 percent annually to a recent high of 7,425 sales in 2016.
- The average sales price of a new home was \$263,800, a 7-percent increase from the average price a year earlier and 40 percent above the previous low of \$157,700 during 2009.
- The average sales price for an existing home was \$164,900, an increase of nearly 4 percent compared with the average price during the previous 12 months. The average sales price for existing homes peaked at \$165,500 in 2016, after rising an average of 5 percent annually from the recent low of \$132,000 in 2011.

A stagnant population in the metropolitan area since 2010 has contributed to modest but steady single-family construction activity, as measured by the number of single-family homes permitted, because available vacant homes continue to satisfy a portion of demand.

- The number of single-family homes permitted totaled 590 during the 12 months ending April 2019, up 9 percent from the 540 home permitted a year earlier (preliminary data).

The proportion of seriously delinquent mortgages and REO properties in the Evansville metropolitan area has decreased substantially since 2011 but is higher than the rates for both the nation and the state.



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

- Single-family home construction activity averaged 1,300 homes permitted annually from 2000 through 2006, before declining to 820 homes permitted in 2007.
- Single-family home construction fell further to an average of 490 homes permitted annually from 2008 through

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The gap between the growth in new and existing home prices in the Evansville metropolitan area has narrowed since mid-2018.



Note: Prices for single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

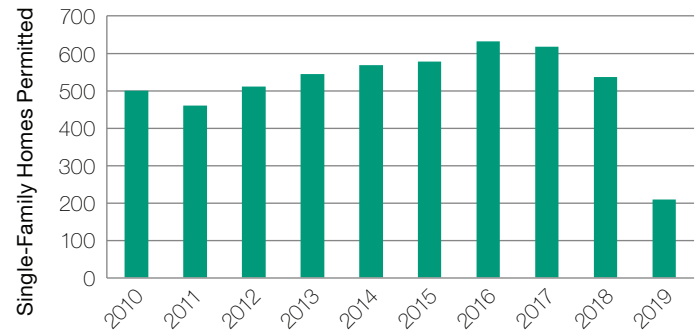


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2012 before rising modestly to an average of 590 homes permitted annually from 2013 through 2017.

- New home construction is mostly occurring in Warrick County and in Vanderburgh County, north of the city of Evansville. Denton Homes Inc. is adding 51 four- and five-bedroom single-family homes at the Windham Estates community in northern Evansville. As of June 1, approximately 55 percent of lots have been sold, with home prices starting at \$425,000.
- Redevelopment initiatives in the city of Evansville resulting from Promise Zone designation of several areas in the city by the federal government have helped low-income families purchase homes. Earlier in 2019, Habitat for Humanity completed 14 single-family homes in the Bayard Park neighborhood, and funding has been provided for approximately 20 new homes to be built in the Jacobsville neighborhood by 2024. Single-family homes built by Habitat for Humanity range in price from \$85,000 to \$125,000.

Following 5 years of modest growth, single-family home permitting in the Evansville metropolitan area peaked in 2016 and has been slowly declining each year since.



Note: Includes preliminary data from January 2019 through April 2019. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

## Rental Market Conditions

Rental housing market conditions in the Evansville metropolitan area are currently balanced and have tightened since 2010 when the market was soft. Low levels of multifamily construction from 2010 through 2015 and increased numbers of renter households since 2010 have contributed to current balanced rental market conditions.

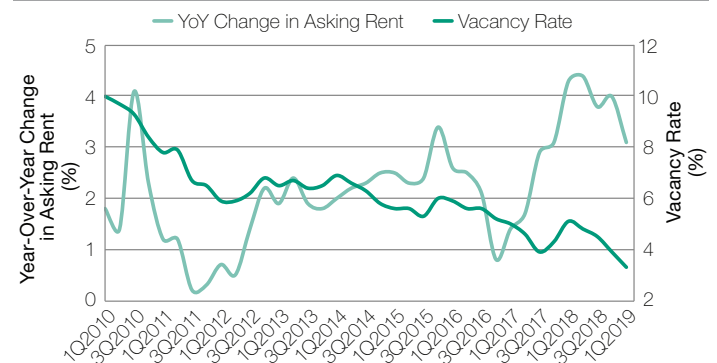
- The estimated vacancy rate for all rental units (including single-family homes, mobile homes, and apartments) was 7.5 percent as of June 1, 2019, a decline from 11.2 percent in 2010.
- The apartment market, which represents 40 percent of all rental units, is slightly tight, with a 3.3-percent vacancy rate as of the first quarter of 2019, down from 5.1 percent a year earlier and from a recent peak of 10.0 percent in 2010 (Reis, Inc.). The apartment vacancy rate declined despite a modest increase in the number of units completed since the end of 2015.
- The average monthly apartment asking rent was \$699 as of the first quarter of 2019, an increase of \$21, or 3 percent, from the first quarter of 2018. By comparison, from 2010 through 2017, the average monthly rents in the metropolitan area rose by 2 percent annually.
- Single-family rentals consist of approximately 37 percent of the rental housing supply in the Evansville metropolitan area. The vacancy rate for professionally managed three-bedroom single-family homes for rent was 3.5 percent in April 2019, unchanged from a year earlier, while the average monthly rent rose nearly 7 percent from April 2018 to \$953 (CoreLogic, Inc.).

Multifamily construction activity, as measured by the number of multifamily units permitted, has increased since 2015, with most construction occurring in or near the federal Promise Zone designated areas.

- During the 12 months ending May 2019, approximately 140 multifamily units were permitted, relatively unchanged from the number permitted during the previous 12-month period (preliminary data with adjustments by the analyst).

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Rent growth in the Evansville metropolitan area has accelerated since 2016, primarily due to a rise in construction of new apartment units, but the apartment vacancy rate continues to decline.



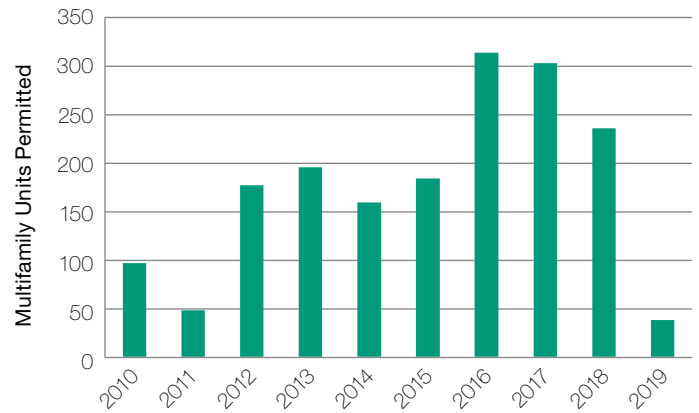
1Q = first quarter. 3Q = third quarter. YoY = year-over-year. Source: Reis, Inc.



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- Because of slow economic growth, limited by continued job losses in the manufacturing sector, multifamily construction in the metropolitan area averaged only 70 units annually from 2010 through 2011.
- From 2012 through 2015, multifamily construction averaged 180 units annually and then increased to an average of 310 units permitted in 2016 and 2017, the recent peak level of construction.
- In May 2018, the income-restricted Garfield Commons development opened in the city of Evansville adding 47 affordable units to the rental inventory. The property, which offers one-, two-, and three-bedroom units for households making 80 percent or less of the Area Median Income, is currently 94-percent occupied. Monthly rents vary based on tenant household income.
- The 144-unit Post House in downtown Evansville is currently under construction. The mixed-use, general occupancy, property will offer studio, one-, and two-bedroom units with the ground-level reserved for non-residential use. The property is expected to open early in 2020; monthly rents have not been announced yet.

Multifamily permitting in the Evansville metropolitan area spiked in 2016 but moderated in 2018.



Note: Includes preliminary data from January 2019 through April 2019.  
 Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

