

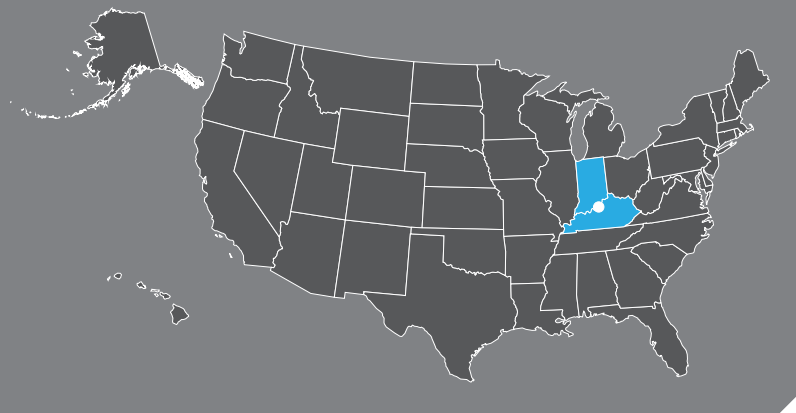
# HUD PD&R Housing Market Profiles

## Louisville, Kentucky-Indiana



### Quick Facts About Louisville

- Current sales market conditions: balanced
- Current apartment market conditions: balanced
- Tourism to the Louisville area accounts for approximately \$3.6 billion, or nearly one-fourth of the Kentucky statewide economic impact of \$14.5 billion each year (Louisville Tourism 2022 report). The annual Kentucky Derby and Kentucky Oaks horse races in early May contribute approximately \$366.8 million, and bourbon distilleries and related tourism in the Louisville area add an estimated \$261.8 million.



Louisville, Kentucky

By Katharine Jones | As of January 1, 2023

### Overview

The Ohio River bisects the Louisville, KY-IN metropolitan area (hereafter, Louisville metropolitan area), which includes Bullitt, Henry, Jefferson, Oldham, Shelby, Spencer, and Trimble Counties in northwest Kentucky and Clark, Floyd, Harrison, Scott, and Washington Counties in southeast Indiana. The city of Louisville, in Jefferson County, is the most populous city in Kentucky. In addition to being a regional center for healthcare, trade, transportation logistics, and other services, the metropolitan area is a center for automobile and appliance manufacturing and beverage processing. Population growth in the area has slowed since 2020, primarily because of declining net in-migration and also net natural change decreasing due to the effects of the COVID-19 pandemic. Residential construction increased 7 percent in 2022 compared with 2021, with a 53-percent increase in multifamily permitting more than offsetting a 19-percent decline in single-family home construction.

- The metropolitan area population is estimated at 1.32 million as of January 1, 2023. Jefferson County accounts for approximately 59 percent of the population at 779,100. Since 2010, renter households in the metropolitan area increased by an average of 2,775, or 1.6 percent, annually, outpacing

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the growth of owner households, averaging 260 annually, or 0.1 percent, and supporting demand for apartments.

- From 2013 to 2020, the population increased by 6,475, or 0.5 percent, annually before slowing to an average annual increase of 1,375, or 0.1 percent, since 2020 (U.S. Census Bureau population estimates as of July 1 and estimates by the analyst). Net in-migration averaged 3,675 people annually from 2013 to 2020, accounting for 57 percent of the population growth, and has slowed to fewer than 1,500 people annually since 2020, but it more than offset net natural decline of 110 people annually.

- Population growth in the 11 suburban counties outpaced the growth in Jefferson County. From 2013 to 2020, the suburban counties increased an average of 0.8 percent annually and have slowed to an average of 0.5 percent since then. By comparison, during the same periods, the population in Jefferson County increased an average of 0.3 percent each year from 2013 to 2020 and subsequently declined an average of 0.2 percent annually.

## Economic Conditions

The economy in the Louisville metropolitan area is strong, having fully recovered from the job losses during the short but steep recession in early 2020. During the fourth quarter of 2022, nonfarm payrolls averaged 695,800, up 24,600 jobs, or 3.7 percent, from a year earlier. By comparison, jobs during the fourth quarter of 2021 increased 2.7 percent year over year, following a 4.4-percent decrease in the fourth quarter of 2020. Nonfarm payrolls are 1.8 percent higher than levels during the fourth quarter of 2019, before the COVID-19 pandemic, a stronger increase than the 1.7-percent national average. From 2014 through 2019, fourth-quarter nonfarm payrolls in the metropolitan area increased an average of 1.6 percent annually.

During the fourth quarter of 2022 —

- The education and health services and the leisure and hospitality sectors led job growth, adding 8,300 and 5,300 jobs, or 8.5 and 8.7 percent, respectively, from a year earlier. Although the education and health services sector surpassed fourth-quarter 2019 payrolls by approximately 5 percent, the leisure and hospitality sector lagged behind the prepandemic payroll level by nearly 4 percent.
- Manufacturing jobs increased by 4,500, or 5.6 percent, from a year earlier. In late 2021, GE Appliances began a \$450 million expansion and upgrade at their headquarters and

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**During the fourth quarter of 2022, nonfarm payrolls in the Louisville metropolitan area increased in nearly all sectors compared with a year earlier.**

	3 Months Ending		Year-Over-Year Change	
	December 2021 (Thousands)	December 2022 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	671.2	695.8	24.6	3.7
Goods-Producing Sectors	110.1	115.3	5.2	4.7
Mining, Logging, & Construction	30.2	30.8	0.6	2.0
Manufacturing	79.9	84.4	4.5	5.6
Service-Providing Sectors	561.2	580.5	19.3	3.4
Wholesale & Retail Trade	94.3	94.5	0.2	0.2
Transportation & Utilities	64.6	66.0	1.4	2.2
Information	8.7	8.7	0.0	0.0
Financial Activities	48.1	47.2	-0.9	-1.9
Professional & Business Services	90.7	93.4	2.7	3.0
Education & Health Services	98.0	106.3	8.3	8.5
Leisure & Hospitality	61.1	66.4	5.3	8.7
Other Services	23.7	23.8	0.1	0.4
Government	72.1	74.3	2.2	3.1
<b>Unemployment Rate</b>	3.5%	3.0%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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manufacturing facilities in Louisville. The company plans to add 1,000 jobs through the end of 2023.

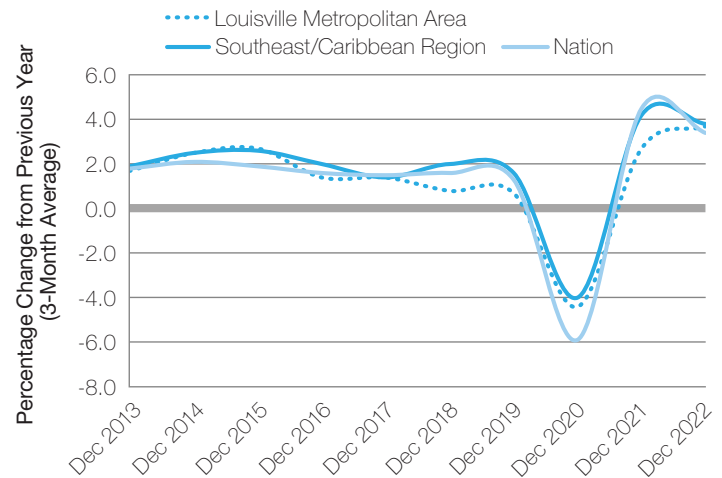
- Gains in all other sectors offset the loss of 900 jobs, or 1.9 percent, in the financial activities sector. Rising interest rates contributed to fewer mortgage and refinance applications, leading to real estate industry layoffs.
- The unemployment rate averaged 3.0 percent, down from 3.5 percent a year earlier. Resident employment growth of 2.0 percent outpaced the 1.4-percent increase in the labor force leading to the decline. Resident employment surpassed the fourth-quarter level in 2019 by 0.3 percent.

During the fourth quarter of 2022, the transportation and utilities sector added 1,400 jobs, growth of 2.2 percent compared with a year earlier. Logistics is a major industry in Louisville, with United Parcel Service, Inc. (UPS) serving as the largest employer in the metropolitan area. In November 2022, UPS broke ground on two expansion projects in the metropolitan area, with construction to be complete in late 2023 and job additions expected to continue through the next 10 years. In Bullitt County, UPS Healthcare is investing \$178.5 million to expand its global healthcare logistics and distribution facility, which will add approximately 120 jobs. In Jefferson County, UPS is expanding its Global Aviation Training Center to add four flight simulators and a new hangar at the Louisville Muhammed Ali International Airport at a cost of \$155.5 million. The expansion is expected to create more than 300 jobs.

## Sales Market Conditions

Sales market conditions are balanced, similar to a year ago, despite significant increases in interest rates and inventories of homes for sale and slower population growth and home sales. During the past year, rising mortgage interest rates suppressed demand for home sales. The average 30-year fixed rate for mortgages in the United States was 6.4 percent during the last week of December 2022, more than twice the 3.1-percent rate during the same period a year earlier (Freddie Mac). In addition, for-sale inventory increased year over year, coinciding with a drop in home sales. As of December 2022, the Louisville metropolitan area had a 2.0-month supply of homes for sale, up from 1.3 months a year earlier (Redfin, a national real estate brokerage). During 2022, approximately 29,750 new and existing homes were sold, down 16 percent from 2021 (CoreLogic, Inc., with adjustments by the analyst). The average price increased 9 percent year over year to \$266,300. The impacts of rising interest rates were most pronounced in

**Nonfarm payroll growth in the Louisville metropolitan area during 2022 was similar to job growth in the region and nation.**



Source: U.S. Bureau of Labor Statistics

## Largest Employers in the Louisville Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United Parcel Service, Inc.	Transportation & Utilities	25,100
Norton Healthcare	Education & Health Services	13,850
Ford Motor Company	Manufacturing	13,000

Note: Excludes local school districts.

Source: Greater Louisville, Inc.

recent months. During the fourth quarter of 2022, home sales decreased 32 percent from a year earlier, and price growth was slower, averaging 7 percent year over year.

- Existing home sales, including resales and distressed sales, decreased 16 percent from a year earlier during 2022 to 27,400 homes sold. The average price of an existing home increased 8 percent year over year to \$254,200.
- New home sales totaled 2,375 during 2022, down 12 percent from a year earlier, accounting for 8 percent of all homes sold. Price growth was strong for new home sales, increasing 14 percent year over year to \$406,300.
- Jefferson County accounted for approximately 58 percent of total metropolitan area home sales in 2022, with 17,400 new and existing homes sold, down 16 percent from a year earlier. The average sales price in the county, \$264,300, was less than 1 percent lower than the average for the

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metropolitan area, and the 8-percent year-over-year price gain in the county was also slightly slower than the overall price growth in the metropolitan area.

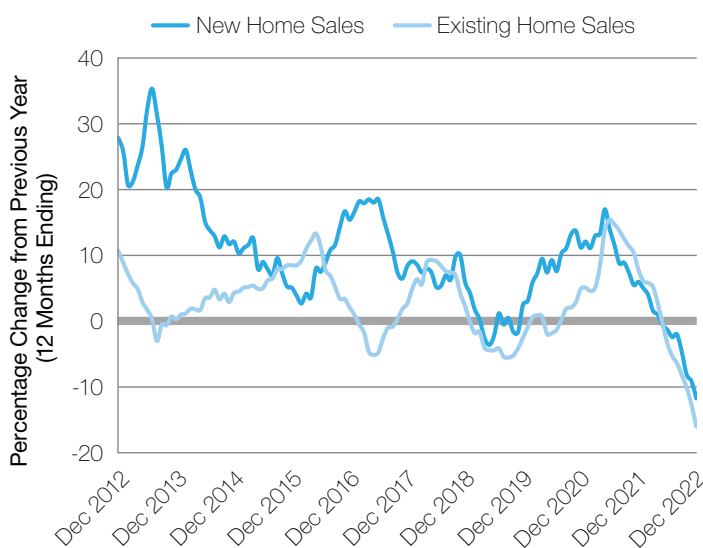
- The percentage of home loans in the metropolitan area that were seriously delinquent or had transitioned into real estate owned status declined from 2.0 percent in December 2021 to 1.4 percent in December 2022, the result of a 26-percent

reduction in mortgages that were 90 or more days delinquent (CoreLogic, Inc.). The current rate is the same as the rate for Kentucky and above the 1.2-percent rate for the nation.

Slower population growth since 2020 and rising interest rates in 2022 led to subdued demand for home sales, contributing to fewer new home starts during the past year, as measured by the number of single-family homes permitted.

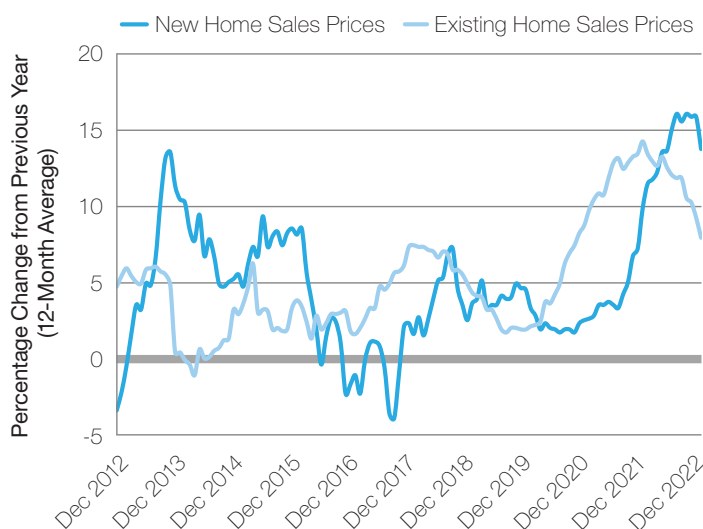
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### New and existing home sales in the Louisville metropolitan area declined in the past year.



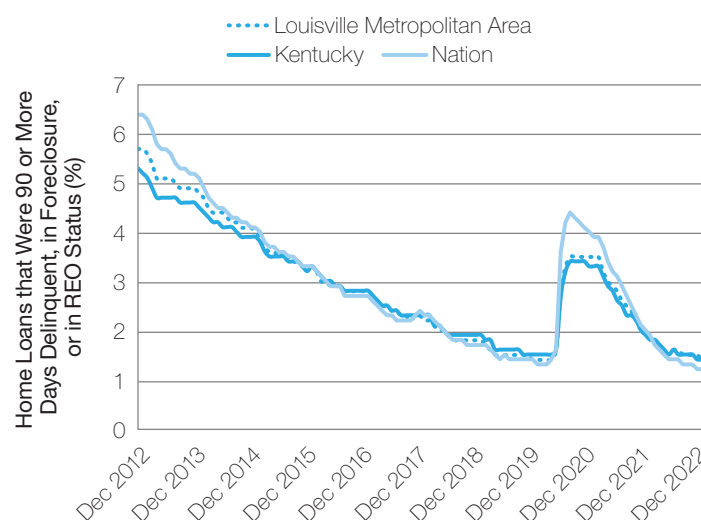
Note: Sales are for single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc.

### The increases in average sales prices for new and existing homes in the Louisville metropolitan area slowed recently but remain above historic averages.



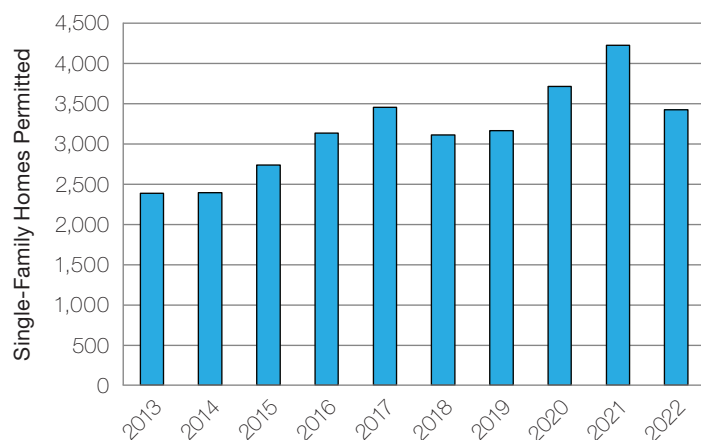
Note: Prices are for single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc.

### The percentage of home loans that are seriously delinquent or in REO status in the Louisville metropolitan area generally mirrors the national trend, but the rate was slightly higher during the fourth quarter of 2022.



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

### Single-family permitting in the Louisville metropolitan area decreased in 2022, due to rising interest rates and slower population growth.



Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst



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- During 2022, single-family permitting totaled 3,425 homes, down 19 percent from 2021 (preliminary data). Approximately 34 percent of single-family permitting occurred in Jefferson County in 2022, similar to the share in 2021.
- From 2013 through 2015, an average of 2,500 single-family homes were permitted annually, and permitting increased to an average of 3,300 homes a year from 2016 through 2020. Jefferson County accounted for 38 percent of single-family

construction in the metropolitan area from 2013 through 2019, before the share began declining in 2020.

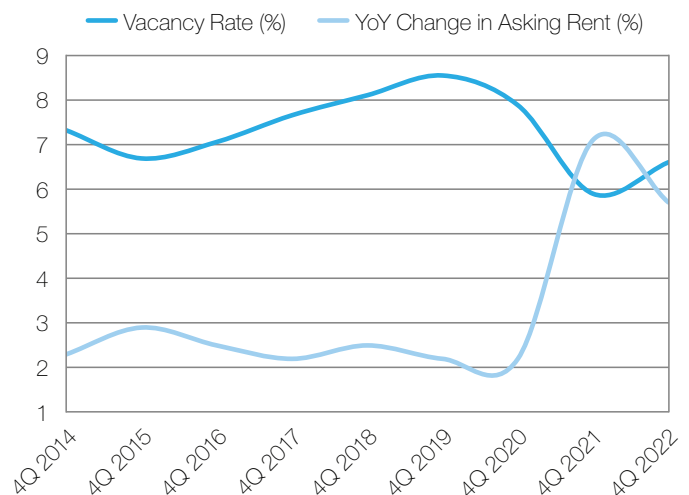
- One of the most active subdivisions for new single-family home construction is Parkside, which opened in mid-2020 near McNeely Lake Park in southeast Louisville. The subdivision has a total of 193 lots, of which 126 have sold, with home prices during the fourth quarter of 2022 starting at nearly \$208,000 for a three-bedroom home.

## Apartment Market Conditions

Apartment market conditions are currently balanced, easing slightly compared with a year ago. Strong apartment construction activity since 2017 and slowing absorption in the past year have contributed to rising vacancy rates. The apartment vacancy rate averaged 6.6 percent as of the fourth quarter of 2022, up from 5.9 percent a year earlier (CoStar Group). The average rent as of the fourth quarter of 2022 was \$1,079, up 6 percent from a year earlier. From 2014 to 2020, the fourth-quarter rent increases averaged 2 percent annually but more than doubled to a 7-percent increase in 2021, partly because the vacancy rate fell below 6.0 percent in 2021 after ranging from 6.9 to 8.5 percent from 2014 to 2020.

- Absorption of units slowed dramatically in 2022 when 790 units were absorbed, down from 4,000 units a year earlier. By comparison, from 2013 through 2017, an average of 1,100 units were absorbed annually, before absorption more than doubled to an average of 2,300 units each year from 2018 through 2020.
- Market conditions across the 16 CoStar Group-defined market areas were mixed, ranging from slightly tight to slightly soft, with vacancy rates ranging from 2.8 in the Shelby County market area to 10.1 percent in both the Outlying Floyd County and the Downtown Louisville market areas as of the fourth quarter of 2022. Most other market areas were balanced.
- The Downtown Louisville market area, which includes the central business district and the University of Louisville, accounts for approximately 9 percent of the apartment inventory in the Louisville metropolitan area but 14 percent of apartment completions during 2022. As of the fourth quarter of 2022, the average vacancy rate decreased 0.6 percentage point from a year earlier, but the average rent increased only 1 percent to \$1,059, which was the slowest rate of rent increase in the 16 market areas.
- The strongest rent growth occurred in the Outlying Oldham County market area, which also had the largest decline in the vacancy rate. The average rent increased 13 percent

### Low apartment vacancy rates in the past 2 years in the Louisville metropolitan area contributed to stronger rent growth.



4Q = fourth quarter. YoY = year-over-year.

Source: CoStar Group

year over year to \$1,001, and the vacancy rate decreased 4.1 percentage points to 4.9 percent as of the fourth quarter of 2022.

Multifamily construction, which primarily includes apartments, has been elevated since 2017, with the highest level of sustained construction activity since at least 2000. The increase in apartment construction reflected strong renter household growth since 2010.

- During 2022, approximately 3,575 multifamily units were permitted in the metropolitan area, up 53 percent from 2021 (preliminary data, with adjustments by the analyst). Previously, permitting averaged 2,500 units annually from 2013 through 2016 and increased to average 3,875 each year in 2017 and 2018, before decreasing to an average of 3,300 units a year in 2019 and 2020.
- In 2022, Jefferson County accounted for approximately 75 percent of multifamily construction in the metropolitan

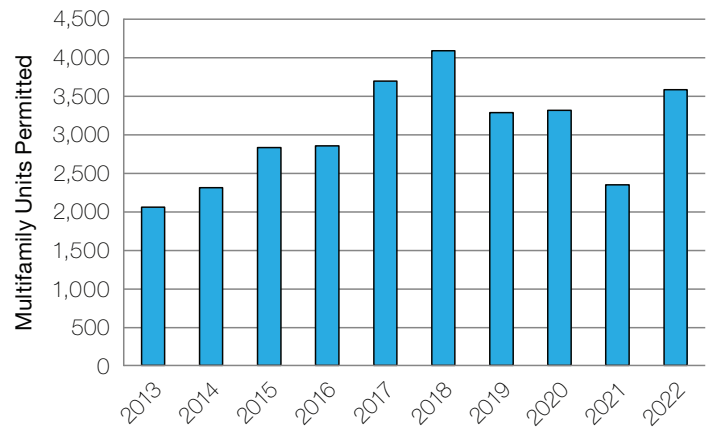
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area, with 2,675 units permitted. From 2013 through 2019, Jefferson County accounted for 86 percent of metropolitan area multifamily permitting, which decreased to average 63 percent from 2020 through 2021, partly because of a shift in housing preferences to more outlying areas during the first 2 years of the COVID-19 pandemic.

- One of the newest apartment properties in the metropolitan area is the 360-unit Lakeside Gardens, which opened in March 2022 in the city of Jeffersonville, IN, across the Ohio River from downtown Louisville. Current rents for one-, two-, and three-bedroom units start at \$1,145, \$1,345, and \$1,645, respectively.
- In the city of Louisville, construction began on the 192-unit Cedar Creek Flats apartments in March 2022. All the apartments will have two bedrooms, and completion is expected in late 2023.

**Multifamily permitting in the Louisville metropolitan area increased in 2022 but remained below the recent high levels in 2017 and 2018.**



Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

## Terminology Definitions and Notes

### A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Net Natural Decline	Resident deaths are greater than resident births.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Resales	These are home closings that have no tie to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90 or more 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.
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