

Table 1. Housing Demand in the Cincinnati HMA During the Forecast Period

	Cincinnati HMA		Hamilton County Submarket		Northern Counties Submarket		Southern Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	10,325	8,550	1,400	3,175	5,400	3,275	3,525	2,100
Under construction	700	2,465	240	1,475	310	910	150	80

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of March 1, 2015. A portion of the estimated 35,600 other vacant units in the HMA will likely satisfy some of the forecast demand. Includes the estimated demand for 500 mobile homes in the Northern Counties submarket and 400 mobile homes in the Southern Counties submarket. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

Economic Conditions

The economy in the Cincinnati HMA is led by employment in the professional and business services, education and health services, and government sectors, but employment opportunities are also expanding in other nonfarm payroll sectors. During the past 12 months, job growth in the mining, logging, and construction, the transportation and utilities, and the manufacturing sectors has also

contributed to increased nonfarm payrolls, as nonresidential construction, warehousing and shipping, and transportation equipment manufacturing have contributed to employment growth in the HMA.

The effects of the recent national recession ended in the Cincinnati HMA during early 2011, and the area has recovered the 62,200 nonfarm payroll jobs lost from 2007 through 2010.

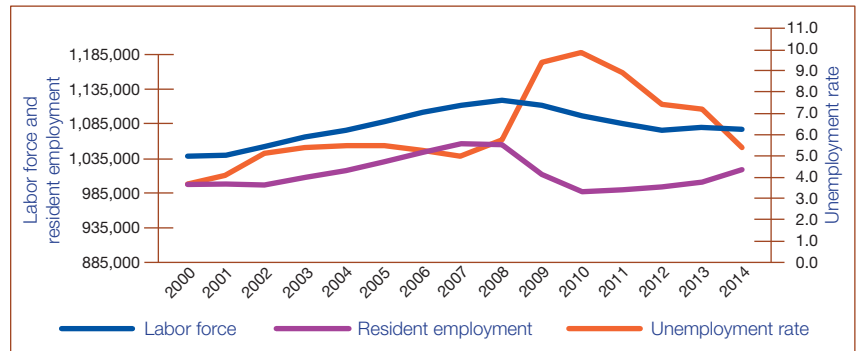
During the 12 months ending February 2015, nonfarm payrolls totaled 1.05 million jobs (Table 2), higher than the recent prerecession peak of 1.04 million jobs during 2007. The increase was 17,900 jobs, or 1.7 percent, during the past 12 months, compared with the increase of 16,800 jobs, or 1.7 percent, during the previous 12-month period. The unemployment rate in the HMA was 5.1 percent during the 12 months ending February 2015, down from 7.0 percent during the previous year. The unemployment rate averaged 9.4 percent from 2009 through 2011, and 5.4 percent from 2002 through 2008. Figure 1 shows trends in the labor

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

	12 Months Ending		Absolute Change	Percent Change
	February 2014	February 2015		
Total nonfarm payroll jobs	1,027,600	1,045,500	17,900	1.7
Goods-producing sectors	145,400	151,100	5,700	3.9
Mining, logging, & construction	38,800	41,500	2,700	7.0
Manufacturing	106,600	109,600	3,000	2.8
Service-providing sectors	882,200	894,400	12,200	1.4
Wholesale & retail trade	162,800	164,300	1,500	0.9
Transportation & utilities	38,600	40,800	2,200	5.7
Information	13,800	13,500	-300	-2.2
Financial activities	65,900	67,100	1,200	1.8
Professional & business services	163,800	168,400	4,600	2.8
Education & health services	157,000	159,100	2,100	1.3
Leisure & hospitality	111,500	113,500	2,000	1.8
Other services	39,400	39,100	-300	-0.8
Government	129,400	128,700	-700	-0.5

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through February 2014 and February 2015.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Cincinnati HMA, 2000 Through 2014

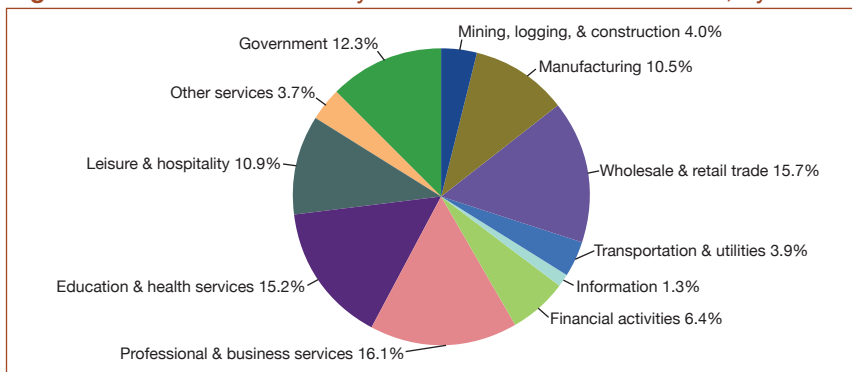
Source: U.S. Bureau of Labor Statistics

force, resident employment, and the unemployment rate from 2000 through 2014.

During 2001 and 2002, nonfarm payrolls in the Cincinnati HMA declined by 4,400 jobs annually, or 0.4 percent, to 1.01 million before a 5-year period of moderate growth, averaging 7,600 jobs added annually, or growth of 0.7 percent, from 2003 through 2007 to 1.04 million. When the national economic recession began in late 2007, the economy in the Cincinnati HMA also weakened, declining by 2,500 jobs during 2008, a 0.2-percent decline, before a significant decline of 49,900 jobs, a 4.8-percent rate of job loss, during 2009, to 991,400. Despite the fluctuations in total jobs from 2000 through 2009, the goods-producing sectors declined each year of the

decade, at a rate of 3.4 percent, or 5,800 jobs annually, primarily because of job losses in the manufacturing sector. By contrast, the service-providing sectors increased every year of the previous decade except during 2009 and 2010, after the economy in the HMA began to weaken during 2008. From 2000 through 2008, payrolls in the service-providing sectors grew by 7,300 jobs annually, or 0.9 percent, before declining by 30,000 jobs during 2009, a 3.4-percent decline, and by 3,200 jobs during 2010, a 0.4-percent decline. From 2000 through 2010, growth in the education and health services sector provided a steady base for the Cincinnati HMA, increasing each year of the decade by an average of 2,800 jobs annually, or 2.1 percent.

During the 12 months ending February 2015, the professional and business services sector added the most jobs in the HMA, increasing by 4,600 jobs, or 2.8 percent. The professional and business services sector, which accounts for more than 16 percent of nonfarm payrolls in the HMA (Figure 2), is the largest payroll sector and has been the second fastest growing sector since 2010. During the past 12 months, 50 percent of the jobs added in the sector were in the professional, scientific, and

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

Note: Based on 12-month averages through February 2015.

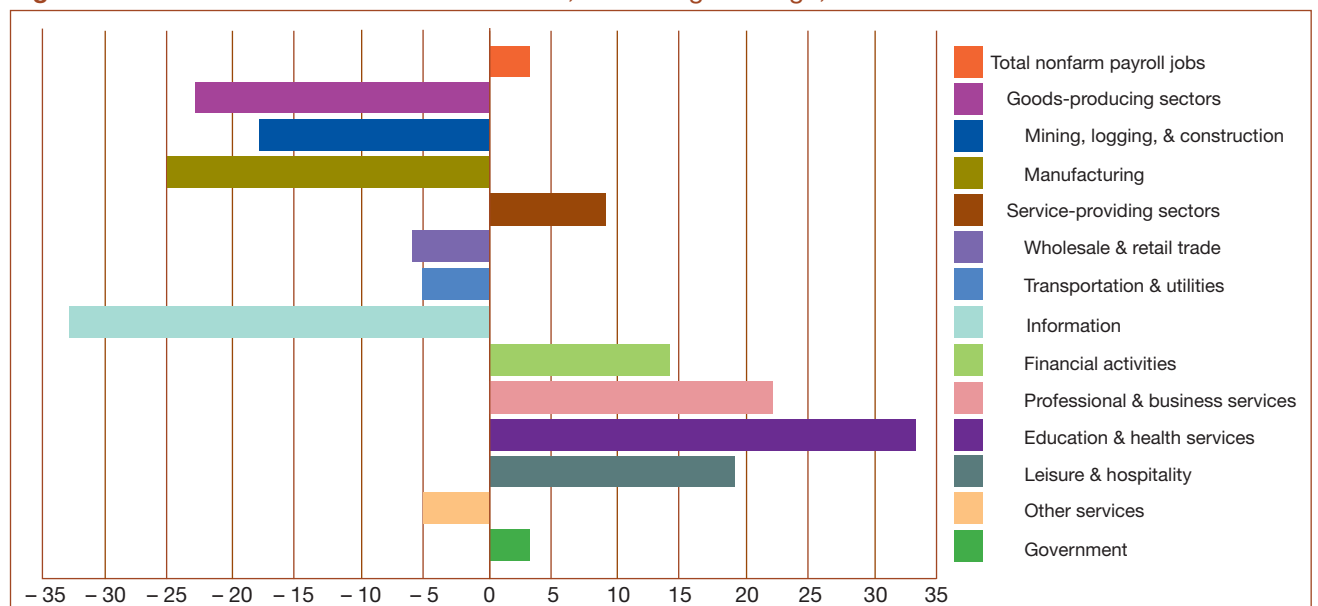
Source: U.S. Bureau of Labor Statistics

technical services industry, representing an increase of 2,300 jobs. Notable expansions in the sector include the development of GE's (General Electric's) Global Operations Center in Cincinnati, with the addition of up to 1,400 full-time jobs currently under way. GE will locate this new center in the second phase of The Banks, a mixed-use development on the northern banks of the Ohio River. Additional hiring in the professional and business services sector includes an expansion of customer service representatives by HumanaOne, with 60 new employees. HumanaOne currently has more than 2,325 employees in the Cincinnati area, up from 800 employees during 2008. The education and health services sector increased by 2,100 jobs, or 1.3 percent, during the past 12 months. Hospitals and healthcare providers have been expanding in the Cincinnati HMA for several years. Recent expansions include the opening of Coldspring Transitional Care Center in Cold Spring, Campbell County, Kentucky, which opened in November 2014 and will grow to include more than 200 jobs.

During late 2014, Premier Health opened Atrium Health Center-Mason, in Mason, Warren County, Ohio, with approximately 40 new jobs.

The manufacturing sector declined significantly during the previous decade but has increased since 2010. During 2000, the manufacturing sector was the second largest nonfarm payroll sector in the Cincinnati HMA, with 147,000 jobs, or 14.5 percent of all nonfarm payrolls. Despite 2.8-percent growth during the past 12 months, or 3,000 new jobs, and average increases of 1.6 percent annually since 2010, manufacturing has become the current sixth largest nonfarm payroll sector. From 2001 through 2010, manufacturing jobs in the HMA declined by an average of 4,400, or 3.5 percent, annually, including a loss of 12,600 jobs during 2009, a 1-year decline of 10.6 percent. Nonfarm payroll growth by sector since 2000 is shown in Figure 3. During the past 12 months, notable manufacturing expansions included ThyssenKrupp Bilstein of America, a manufacturer of shock absorbers

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



Note: Current is based on 12-month averages through February 2015.

Source: U.S. Bureau of Labor Statistics

for original-equipment automobile manufacturers and the aftermarket, which began expanding its Hamilton, Ohio plant with a \$26 million investment during 2014 and is hiring more than 200 new employees, including manufacturing and professional staff. The Cincinnati HMA includes more than 30 major automotive manufacturing plants, 115 vehicle production and supply chain companies, and 95,000 local employees (City of Cincinnati, Department of Trade and Development, 2015). During 2012, Koch Foods, Incorporated, received a property tax abatement from Fairfield, Ohio, to invest approximately \$45 million in expanding a chicken processing plant, adding approximately 400 new jobs by the end of 2015. Major manufacturing entities in the Cincinnati HMA include Proctor & Gamble and GE Aviation, the fifth and seventh largest employers in the HMA, respectively (Table 3).

In the mining, logging, and construction sector, which had the third highest job growth but the fastest rate of growth, employment increased by 2,700 jobs, or 7.0 percent, during the past 12 months; 2,100 of the jobs added were in the specialty trade contractors industry, which accounted for 78 percent of the job gains. While residential construction, as measured by the number of

units permitted, has remained generally stable for the past 2 years, non-residential construction increased strongly during the past 12 months as the local economy continued to expand (McGraw-Hill Construction Pipeline database). The value of non-residential construction, both under way and completed—including office, retail, warehouse, and hotel projects—increased 45 percent, to \$508.6 million, during the 12 months ending February 2015, from \$350.1 million during the previous year. The value of nonresidential construction projects has recovered from the average annual level of \$197.0 million in construction projects during 2009, 2010, and 2011. Employment in the mining, logging, and construction sector has increased faster than in any other nonfarm sector since 2010, with growth of 3.3 percent annually compared with 3.1 and 2.6 percent in the professional and business services and the leisure and hospitality sectors, respectively. The transportation and utilities sector reported the second largest rate of growth, of 5.7 percent, or 2,200 jobs during the past 12 months. All the reported job growth, 2,400 total jobs, was in the transportation and warehousing industry. Notable recent expansions in the transportation and warehousing industry in the HMA include the 200,000-square-foot FedEx Ground facility in Lebanon, Warren County, Ohio, which opened in the summer of 2013 with approximately 200 employees and has continued to add jobs. DHL Express has one of three global “super hubs” at the Cincinnati/Northern Kentucky International Airport and has steadily expanded its presence there, with expansions in 2012, 2013, and 2014. Since 2009, DHL has grown from 670 employees in the Cincinnati area to approximately 2,300.

Table 3. Major Employers in the Cincinnati HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Kroger Co.	Wholesale & retail trade	20,950
University of Cincinnati	Government	15,400
Cincinnati Children’s Hospital Medical Center	Government	14,950
TriHealth, Inc.	Education & health services	11,400
Proctor & Gamble	Manufacturing	11,000
UC Health	Government	10,000
GE Aviation	Manufacturing	8,675
Catholic Health Partners/Mercy Health	Education & health services	8,200
St. Elizabeth Healthcare	Education & health services	7,275
Wal-Mart Stores, Inc.	Wholesale & retail trade	6,900

Note: Excludes local school districts.

Source: Cincinnati Business Courier Book of Lists, 2015

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.6 percent annually. Job growth will continue to be strong in the manufacturing sector, as GE Aviation reports a backlog of 15,000 commercial engines slated for delivery during the next 3 years. In addition, Mitsubishi Electric Automotive America Incorporated has identified the need to fill more than 100 new jobs during 2015 and 2016. The professional and business services sector will continue growing, as GE continues to hire at its Global

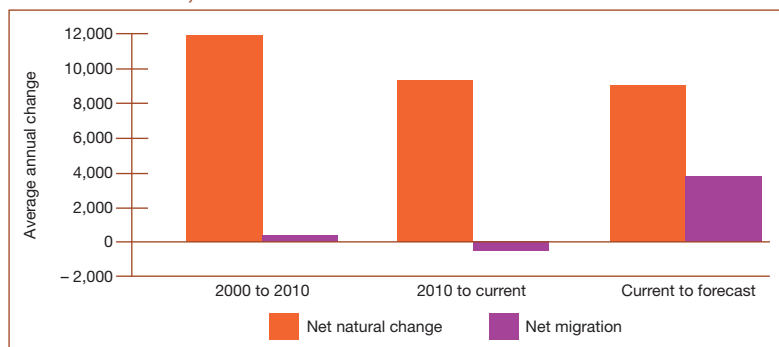
Operations Center. The education and health services sector is also expected to contribute to growth during the forecast period. Several expansions are under way or scheduled during the next 3 years in the HMA, including The Christ Hospital, which will open its Montgomery Outpatient Center in May 2015 in Montgomery, representing a \$50 million investment that is expected to employ 50 new healthcare professionals. Premier Health held a job fair in March 2015 to fill more than 500 new positions in the near future.

Population and Households

The population in the Cincinnati HMA has grown at a rate of 0.5 percent, or 10,400 annually, since 2012 (Census Bureau population estimates as of July 1), to reach a current estimate of 2.16 million as of March 1, 2015. By contrast, population growth averaged 0.3 percent annually, or 6,750 people, from 2010 to 2012. The increased rate of population growth in the HMA since 2012 is because of net in-migration, which averaged 1,375

people annually, as the local economy has continued to expand. From 2010 to 2012, net-migration was negative, averaging 2,825 people leaving the Cincinnati HMA annually, because of lingering effects of the recession, which ended during 2011. During the previous decade, population change in the metropolitan area was generally stable, and increased by 12,000 annually, or 0.6 percent, while net in-migration averaged 200 each year. Currently, nearly 38 percent of the HMA population resides in the Hamilton County submarket, down from 42 percent in 2000. The Northern Counties and Southern Counties submarkets comprise 42 and 20 percent of the HMA population, respectively, up from 39 and 19 percent in 2000. Since 2010, population growth in the HMA has averaged 8,825 people annually, or 0.4 percent, but population dynamics among the three submarkets have changed during the past 5 years. Figure 4 shows the components of

Figure 4. Components of Population Change in the Cincinnati HMA, 2000 to Forecast



Notes: The current date is March 1, 2015. The forecast date is March 1, 2018.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

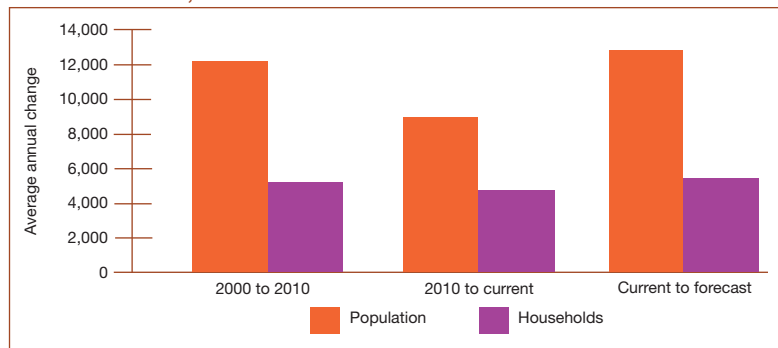
population change and Figure 5 shows population and household growth patterns from 2000 to the forecast date for the HMA.

The Hamilton County submarket, including the city of Cincinnati, had population growth of 0.2 percent, or 1,225 people annually since 2010, to a current estimate of 808,400 people. This rate is a significant difference from the average decline of 4,300 people, or 0.5 percent, each year from 2000 to 2010. The increase in population in the Hamilton County submarket is because of declining net out-migration. From April 2000 to July 2006, net out-migration averaged 9,950 people annually, far exceeding the 3,500-person annual growth from net natural change (resident births minus resident deaths), which led to a loss of population averaging 6,450 annually, or 0.8 percent. Nonfarm payrolls from 2000 to 2006 were generally stable and the unemployment rate averaged 4.9 percent, indicating that many people moving out of Hamilton County were not leaving to find work but to move to the suburbs. From 2006 to 2008, net out-migration from the Hamilton County submarket declined to average 6,500 annually, and total population loss declined to 2,525 annually. From 2008 to 2010, when the recession was

most severe in the HMA and the unemployment rate averaged 9.7 percent, out-migration continued to decline, to 2,725 people moving out of the submarket each year. Population in the city of Cincinnati, the largest city within the submarket and the HMA, has changed little from 296,900 in 2010. Population in Cincinnati declined 1.1 percent annually from 2000 to 2010 but increased 0.1 percent annually from 2010 to 2014, to 298,200.

Since 2010, the population has increased by 4,425 people, or 0.5 percent, annually in the Northern Counties submarket, to a current estimate of 908,500 people. In the Southern Counties submarket, population growth averaged 3,100 people, or 0.7 percent, annually, to a current estimate of 440,700. In the Northern Counties and Southern Counties submarkets, the population increased 1.4 and 1.2 percent, respectively, annually from 2000 to 2010, or gains of 11,600 and 4,650. In the Northern Counties submarket, Warren and Butler Counties in Ohio accounted for 77 percent of total population growth for the submarket, with annual growth rates of 3.0 and 1.0 percent, respectively. Growth was concentrated along the Interstate-71 and I-75 corridors. Net in-migration was strong in the Northern Counties submarket from 2000 to 2006, averaging 8,300 annually. Net in-migration declined to 6,100 annually from 2006 to 2007 and declined again to an average of 1,800 people annually from 2007 to 2010. In the Southern Counties submarket, population growth from 2000 to 2010 was primarily because of 3.3-percent annual growth in Boone County, or 3,275 people annually, equal to 71 percent of the submarket population growth during the decade. Net migration into the

Figure 5. Population and Household Growth in the Cincinnati HMA, 2000 to Forecast



Notes: The current date is March 1, 2015. The forecast date is March 1, 2018.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Southern Counties submarket was positive during each year of the previous decade. It averaged 1,725 annually from 2000 to 2004 and increased to 2,925 people annually from 2004 to 2006. After 2006, net in-migration into the Southern Counties submarket declined to 1,525 people annually from 2006 to 2010, generally because of decreased out-migration from Hamilton County. Since 2010, the Northern Counties and Southern Counties submarkets have grown at lower rates than during the previous decade because of a continuation of the declining rates of net in-migration reported since 2006. Net migration turned negative for 2 years in the Northern Counties submarket, from 2011 to 2013, and for 1 year in the Southern Counties submarket, from 2011 to 2012, contributing to the net out-migration

previously reported for the HMA, from 2010 to 2012. In both submarkets, net migration has again turned positive.

The number of households in the HMA increased by 5,075 annually, or 0.6 percent, from 2000 to 2010 and totaled 825,000 as of 2010. Since 2010, the number of households has increased by 4,750 annually, to 848,300, a 0.6-percent rate of growth. The annual rate of change is the same that was reported during the previous decade, but the change in households is lower because of slower population growth and a decrease in household formation, primarily from 2010 to 2012. As with population in the Cincinnati HMA, the submarket dynamics have changed. Household growth in the Hamilton County submarket has reversed declines during the previous decade, of 1,275 households annually, or 0.4 percent, and has grown from 2010 to current by 1,825 annually, a 0.5-percent rate of growth, to a current estimate of 342,900. In the Northern Counties submarket, household growth declined from 1.5-percent annual growth during the previous decade to 0.5-percent annual growth since 2010, while the rate of growth in the Southern Counties submarket was 0.8 percent annually since 2010, down from 1.2 percent during the previous decade. Currently, households are estimated to total 336,600 in the Northern Counties submarket and 168,800 in the Southern Counties submarket. Because of the continuing effects of the foreclosure crisis and lingering effects from more strict lending standards, all the net household growth since 2010, in every submarket, has been in renter households. Figures 6, 7, and 8 illustrate the number of households by tenure for each submarket.

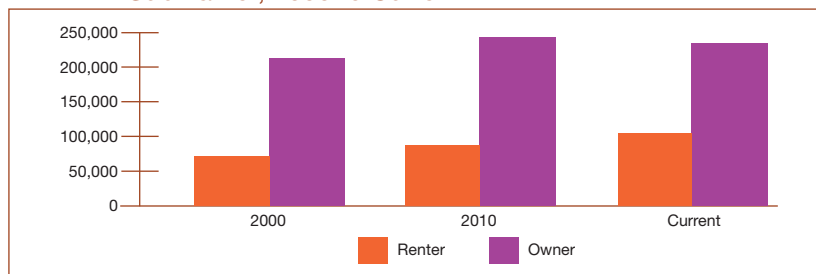
Figure 6. Number of Households by Tenure in the Hamilton County Submarket, 2000 to Current



Note: The current date is March 1, 2015.

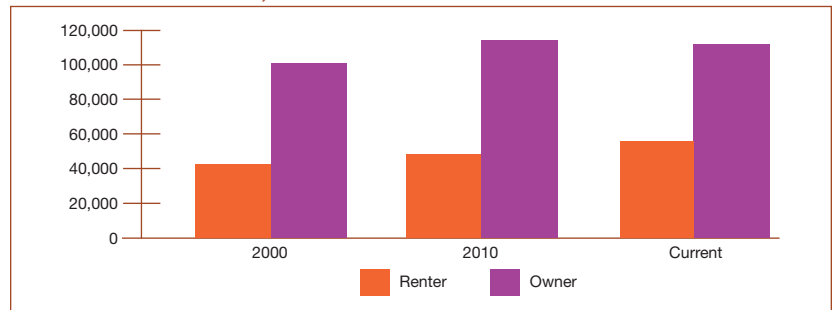
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

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



Note: The current date is March 1, 2015.

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

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

Note: The current date is March 1, 2015.

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

During the forecast period, the rate of population growth in the HMA is expected to increase modestly from the rates between 2010 and the current date because of the forecast for higher rates of employment growth. The rate of household growth will remain the same. The population in the HMA is expected to increase by 12,650, or 0.6 percent, annually, to 2.20 million and the number of households is expected to increase by 5,275, or 0.6 percent, to 864,100. All three submarkets are forecast to increase in both population

and households. In the Hamilton County submarket, growth will be 0.3 percent annually for population, to 816,600 people, and households will increase at a 0.4-percent rate, to 347,200. In the Northern Counties and Southern Counties submarkets, population will increase at rates of 0.7 and 0.8 percent, respectively, to 928,600 and 450,700 people, and households will increase at similar rates of 0.7 and 0.8 percent, respectively, to 344,200 and 172,700.

Housing Market Trends

Sales Market—Hamilton County Submarket

The sales housing market in the Hamilton County submarket is currently soft but improving, with an estimated vacancy rate of 2.8 percent, down from 3.0 percent in April 2010. During February 2015, the unsold inventory in the Hamilton County submarket was 2,650 homes, approximately 4 percent fewer than a year earlier and 23 percent fewer than the corresponding figure from February 2010 (Yahoo!-Zillow Real Estate Network). The economic recovery in the HMA and an increase

in population in the Hamilton County submarket because of declining net out-migration have helped the sales housing market improve. Continuing effects of the previous recession, effects of tighter mortgage lending standards, and a shift to rental tenure in the submarket, however, have contributed to a continued decline in the homeownership rate, currently estimated at 56.7 percent, down from 59.5 percent in April 2010.

During the 12 months ending February 2015, new and existing home sales (including single-family homes, townhomes, and condominiums) increased in the Hamilton County submarket. New home sales totaled 560 during the past 12 months, an increase of nearly 15 percent from a year earlier, and the average new home sales price was \$311,700, up \$18,200, or 6 percent, from a year earlier (CoreLogic, Inc., with adjustments by the analyst). New home sales averaged 1,425 annually from 2003 through 2006, totaled 850 during 2007 and declined 21 percent annually, to 320 new home sales during 2011. Starting in 2012, the number of new home sales began to rise, to 360 homes during 2012, an 11-percent increase from 2011, and to 510 sales during 2013, a 41-percent increase. New home sales prices increased an average of 9 percent annually, from \$230,900 during 2003 to \$299,200 during 2006, and continued to rise, reaching a peak level of \$329,600 during 2008. During 2009, the average new home sales price declined nearly 20 percent, to \$264,600, as the economy in the HMA contracted strongly that year. While the economy remained soft and mortgage lending standards tightened, the average new home sales price fell again, to an average of \$236,200 during 2010, more than 10 percent less than the 2009 average sales price. The average new home sales price began to rise during 2011, averaging \$254,500, an 8-percent increase, and increasing an additional 8 percent annually during the next 2 years, to average \$295,100 during 2013.

Existing home sales in the submarket also increased during the past 12 months, by approximately 330 sales, or nearly 3 percent, to 12,650 homes sold, and the average sales price was \$158,200, or 2 percent more than

a year earlier. Existing home sales averaged 16,350 annually from 2003 through 2006 and the average sales price rose 2 percent annually, from \$150,300 to \$159,000. Existing home sales and prices both declined during 2007, to 11,600 sales, a 24-percent drop in sales, and prices decreased 5 percent, to \$151,600. Existing home sales fell further, to an average of 8,925 annually from 2008 through 2011 as the local economy contracted and mortgage lending standards tightened. During the same time, the average sales price declined less than 1 percent annually, from \$140,300 during 2008 to \$138,500 during 2011. During 2012, the sales market for existing homes began to recover, and sales increased 21 percent, to 9,725, and the average existing home sales price increased 5 percent, to \$144,800. During 2013 and 2014, existing home sales averaged 12,400, and the average sales price was \$155,400.

In February 2015, 5.6 percent of mortgage loans in the Hamilton County submarket were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 6.6 percent a year earlier (Black Knight Financial Services, Inc.). By comparison, the rate of seriously delinquent loans and REO properties in the state of Ohio for February 2015 was 5.7 percent, down from 6.7 percent during February 2014, and the national rate was 4.5 percent during February 2015, down from 5.3 percent a year earlier. The percentage of distressed sales (REO and short sales), as a proportion of all home sales in the submarket, was less than 6 percent until 2005 and peaked at 28.5 percent during 2011. The effect that distressed home sales have on average sales prices is significant. During 2011, when

Housing Market Trends

Sales Market—Hamilton County Submarket *Continued*

distressed home sales peaked as a ratio of total resales, the average price for all resale homes was \$144,800, while the average sales price for a nondistressed home sale during 2011 was \$164,100, or more than 13 percent higher. The rate of distressed sales has remained somewhat elevated, averaging 17.4 percent during the 12 months ending February 2015, down from 25.1 percent a year earlier, and continued to depress resale home sales prices. Among all resales during the past 12 months, the average price was \$158,200, 11 percent less than the nondistressed average resale price of \$176,000 (CoreLogic, Inc., with adjustments by the analyst). By comparison, the national average rate of distressed sales to all sales also peaked during 2011, at 25.8 percent, but has declined more than in the submarket, averaging 13 percent during February 2015, down from 16.4 percent during February 2014.

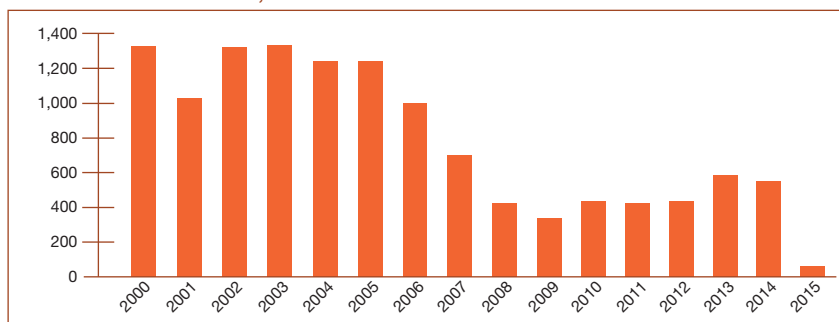
Single-family homebuilding, as measured by the number of homes permitted, increased slightly during the 12 months ending February 2015, to 560 homes permitted, up 2 percent from a year earlier (preliminary data). Single-family home permitting averaged 1,175 annually in the submarket from 2000 through 2006, declined to 690 during 2007, and then averaged 410 annually from 2008 through 2012,

reflecting the softness in the home sales markets as homebuilders slowed production (Figure 9). Although single-family homebuilding began to recover during 2013, when 580 homes were permitted, the current rate remains relatively low as homebuilders remain cautious about the market.

An estimated 240 single-family homes are currently under construction in the Hamilton County submarket. Sales began in late 2014 in Greenshire Commons, in Green Township, west of Cincinnati. Four different builders are constructing homes in a site that will include approximately 230 homes, expected to be complete during 2016, with single-family homes ranging in size from 1,925 to 5,725 square feet and priced from \$278,000 to \$382,000. The Cincinnati Center City Development Corporation has been actively involved in development in the Over-the-Rhine neighborhood, north of downtown Cincinnati, and is currently developing the third phase of Mercer Townhomes. The 12 condominium homes will complement the sold-out 12 condominium homes in the first phase. Pricing will be determined closer to the completion of the project in the fall of 2015.

Condominium sales in the Cincinnati HMA are concentrated in the Hamilton County submarket, which has accounted for more than 45 percent of HMA condominium sales since 2010 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the 12 months ending February 2015, condominium sales averaged 1,650, nearly 7 percent fewer than recorded during the previous 12-month period, while the average sales price increased 8 percent, to \$149,300. Condominium sales averaged 2,225

Figure 9. Single-Family Homes Permitted in the Hamilton County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through February 2015.

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

Housing Market Trends

Sales Market—Hamilton County Submarket Continued

annually during 2005 and 2006, declined to average 1,275 annually from 2007 through 2009, and then fell again, averaging 960 sales from 2010 through 2012, before starting to increase during 2013. The average sales price for condominiums averaged \$166,500 during 2005 and 2006, declined to \$150,200

from 2007 through 2009, and increased slightly to average \$150,500 from 2010 through 2012.

During the next 3 years, demand is expected for 1,400 new homes in the submarket (Table 1). The estimated 240 homes currently under construction and a portion of the 13,000 other vacant units in the submarket that may come back on the market will satisfy some of the demand. Demand is expected to be strongest in the second and third years of the forecast period, as the home sales market continues to recover. Demand is expected to be greatest for homes priced from \$300,000 to \$349,999. Table 4 shows the estimated demand for new market-rate sales housing in the submarket by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Hamilton County Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	140	10.0
200,000	249,999	210	15.0
250,000	299,999	210	15.0
300,000	349,999	280	20.0
350,000	399,999	210	15.0
400,000	499,999	140	10.0
500,000	699,999	140	10.0
700,000	and higher	70	5.0

Notes: The 240 homes currently under construction and a portion of the estimated 13,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

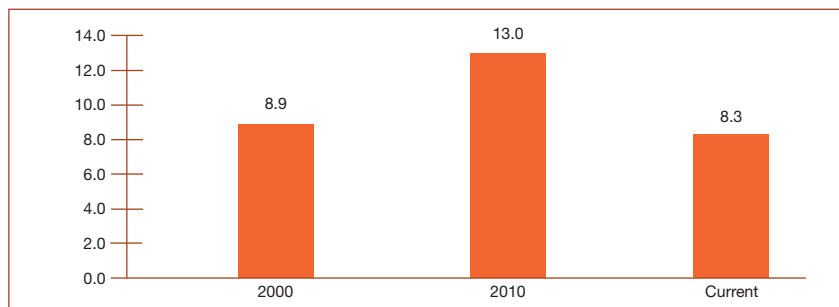
Rental Market—Hamilton County Submarket

The rental housing market in the Hamilton County submarket is soft, with an overall rental vacancy rate estimated at 8.3 percent. Rental market conditions have improved since April 2010, when the rental vacancy rate was 13.0 percent (Figure 10). The rental market was relatively soft during much of the previous decade, as population loss, along with the competitive sales housing market with low downpayment

requirements for first-time homebuyers during the mid-2000s, contributed to soft rental market conditions. Since 2010, the rental market has improved considerably, as the population in the submarket began to grow and a shift from homeownership to renting helped the rental market absorb an estimated 7,325 vacant rental units. Renter households currently account for approximately 43.3 percent of all households in the submarket, up from 40.5 percent in April 2010. Single-family rental units currently comprise an estimated 28 percent of the rental stock, compared with 17 percent in 2000, because of the effect of foreclosures and increased demand for rental units prompting conversions.

The apartment market in the Hamilton County submarket is currently balanced, with an estimated vacancy

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



Note: The current date is March 1, 2015.

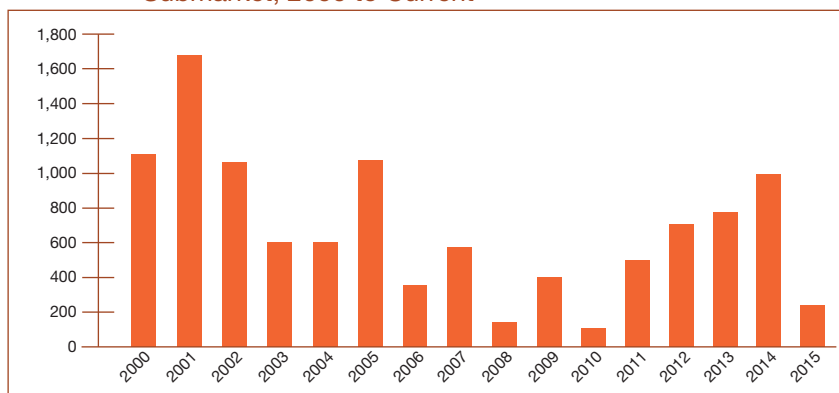
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

rate of 5.5 percent as of the first quarter of 2015, unchanged from the rate during the first quarter of 2014 (MPF Research). Vacancy rates ranged from a low of 2.8 percent in the MPF Research-defined Central Cincinnati market area, which has reported significant residential growth since 2010, to a high of 7.8 percent in the West Cincinnati area, where 72 percent of the apartment units were built before 1980. The average rent in the Hamilton County submarket was approximately \$800 per month, more than 3 percent more than the average a year earlier. The highest apartment rents in the submarket during the first quarter of 2015 were in the Central Cincinnati area, where rents averaged \$1,275, unchanged from a year earlier, and the largest annual rent increase was reported in the North Central Cincinnati and the West Cincinnati areas, where rents increased 5 percent in each market, to \$800 and \$650, respectively.

Responding to improving apartment market conditions in the Hamilton County submarket since 2010, developers have increased apartment production, as measured by the number of units permitted. During the 12 months ending February 2015, the number of multifamily units permitted

increased 31 percent, to 1,050, and an estimated 97 percent of those units permitted were apartments (preliminary data). The number of multifamily units permitted has increased each year since the recent low level of 110 units was permitted during 2010, when the economy had yet to emerge from the recent recession and access to multifamily financing was scarce (Figure 11). During 2011, 500 units were permitted, and the number of units permitted increased each successive year, to 700 units during 2012, 770 units during 2013, and 990 units during 2014. Peak production years for multifamily development during the previous decade were from the beginning of 2000 through 2005, when an average of 1,025 units were permitted annually, approximately 38 percent of which, or 390, were for condominium units rather than apartments. From 2005 through 2009, multifamily permitting declined to an average of 360 units annually, and the proportion of units intended for condominium occupancy declined to 24 percent, or fewer than 90 units annually. An estimated 1,475 units are under construction in the Hamilton County submarket, including approximately 1,000 units in the Central Cincinnati area. Currently leasing is AT580, in downtown Cincinnati, a mixed-use property with office space, retail, and 176 apartments that will be ready for occupancy in March 2015. Rents range from \$1,275 to \$3,500 per month for studio units through two-bedroom penthouse units, which will include 1,600 to 1,700 square feet. The project was reportedly 20 percent preleased in December 2014. The Enclave apartments, in Sharonville, north of Cincinnati, opened in late 2014. The Enclave includes 134 units, with one-bedroom rents from

Figure 11. Multifamily Units Permitted in the Hamilton County Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through February 2015.

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

Housing Market Trends

Rental Market—Hamilton County Submarket Continued

\$980 to \$1,020, two-bedroom rents from \$1,180 to \$1,220, and three-bedroom rents from \$1,280 to \$1,320.

During the 3-year forecast period, demand is expected for 3,175 new market-rate rental units. The 1,475 units currently under construction will

meet nearly one-half of the demand (Table 1). Given the number of units under construction, demand is expected to decrease during the second and third years. Table 5 shows the estimated demand for new market-rate rental units in the submarket by rent and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Hamilton County Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
900 to 1,099	80	900 to 1,099	280	1,150 to 1,349	280	1,250 to 1,449	160
1,100 to 1,299	130	1,100 to 1,299	440	1,350 to 1,549	440	1,450 to 1,649	250
1,300 to 1,499	80	1,300 to 1,499	280	1,550 to 1,749	280	1,650 to 1,849	160
1,500 or more	30	1,500 or more	110	1,750 or more	110	1,850 or more	65
Total	320	Total	1,100	Total	1,100	Total	630

Notes: Numbers may not add to totals because of rounding. The 1,475 units currently under construction will likely satisfy some of the estimated demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

Sales Market—Northern Counties Submarket

The sales housing market in the Northern Counties submarket is currently balanced, with an estimated vacancy rate of 1.5 percent, down from 2.0 percent in April 2010. During February 2015, the unsold inventory in the Northern Counties submarket was 3,250 homes, slightly higher than the 3,200 homes reported a year earlier but 27 percent fewer than the corresponding figure from February 2010 (Yahoo!-Zillow Real Estate Network; unsold inventory data are not available for Ohio and Union Counties in Indiana). The economic recovery in the HMA, an increase in population in the Northern Counties submarket because of increasing in-migration, and a decrease in new single-family home construction have helped the sales housing market improve. As in the Hamilton County submarket, continuing effects of the previous recession, effects of tighter mortgage lending standards, and a shift to rental tenure in the submarket

have contributed to a decline in the homeownership rate, currently estimated at 69.5 percent, down from 73.8 percent in April 2010.

During the 12 months ending February 2015, new and existing home sales (including single-family homes, townhomes, and condominiums) were mixed in the Northern Counties submarket. New home sales totaled 1,525 for the year, an increase of nearly 15 percent from a year earlier, and the average new home sales price was \$294,700, an increase of \$22,650, or 8 percent higher than a year earlier (CoreLogic, Inc., with adjustments by the analyst). New home sales in the Northern Counties submarket averaged 4,550 annually from 2003 through 2006, including a count of 5,225 during 2004, and the average sales price increased 7 percent annually, from \$226,100 during 2003 to \$277,400 during 2006. New home

sales began to decline in the Northern Counties submarket during 2007, immediately before the economy in the HMA began to soften during 2008 and coinciding with declines in net in-migration. Soft market conditions prevailed through 2010. From 2007 through 2010, new home sales averaged 1,725 annually and the average sales price declined 8 percent annually, from \$274,500 during 2007 to \$216,500 during 2010. New home sales prices began to recover during 2011, increasing 8 percent annually during 2011 through 2013, to a 2013 average of \$272,000, although sales counts remained low, averaging 1,175 annually during 2011 through 2013.

Existing home sales in the submarket remained relatively unchanged, at 13,800 homes sold, and the average sales price increased 7 percent, to \$160,200. The decline in existing home sales was because of a 33-percent decline in distressed home sales, as regular resale home sales increased 9 percent during the 12 months ending February 2015. Existing home sales averaged 19,250 from 2003 through 2006, and the average sales price rose 7 percent annually, from \$142,400 to \$161,900. Sales counts averaged 14,500 during 2007, and then averaged 10,900 annually from 2008 through 2011, while the average sales price fell 3 percent annually from 2007, to a 2011 average of \$141,900. Since 2011, average sales prices for existing homes have recovered, increasing 3 percent annually, to \$148,400, during 2013, and the number of sales has also risen, from 10,850 during 2011 to 14,100 during 2013, annual growth of 14 percent.

In February 2015, 4.8 percent of mortgage loans in the Northern Counties submarket were seriously delinquent or transitioned into REO status, down

from 5.6 percent a year earlier (Black Knight Financial Services, Inc.). By comparison, the rate of seriously delinquent loans in the state of Ohio for February 2015 was 5.7 percent, down from 6.7 percent during February 2014, and the national rate was 4.5 percent during February 2015, down from 5.3 percent a year earlier. The percentage of distressed sales (REO and short sales), as a proportion of all home sales in the submarket, was less than 5 percent until 2006 and peaked at 27.3 percent during 2011. As in the Hamilton County submarket, distressed sales have affected average sales prices in the Northern Counties submarket. During 2011, when distressed home sales peaked as a ratio of total resales, the average price for all resale homes was \$139,500, while the average sales price for nondistressed home sales during 2011 was \$156,400, or more than 12 percent higher. The rate of distressed sales has declined, averaging 13.9 percent during the 12 months ending February 2015, down from 20.1 percent a year earlier, but remains well above the prerecession levels and continues to exert pressure on home sales prices. Among all resales during the past 12 months, the average sales price was \$160,200, 6 percent less than the nondistressed average resale price of \$171,400 (CoreLogic, Inc., with adjustments by the analyst). By comparison, the national average rate of distressed sales to all sales has been lower than in the submarket. The national rate peaked during 2011, at 25.8 percent, and averaged 13.0 percent during February 2015, down from 16.4 percent during February 2014.

Single-family homebuilding in the Northern Counties submarket, as measured by the number of homes permitted, totaled 1,800 homes during

Housing Market Trends

Sales Market—Northern Counties Submarket *Continued*

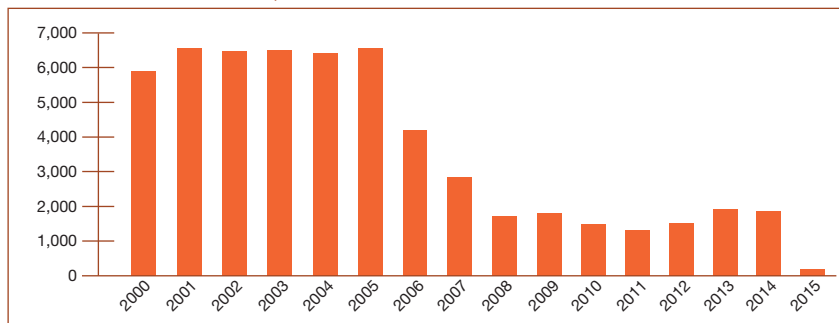
the 12 months ending February 2015, a 6-percent decline from 1,900 homes a year earlier (preliminary data). The 1,900 homes permitted during the previous 12-month period is the highest level of single-family home permitting since 2007. Single-family homes permitted averaged 6,475 from 2000 through 2005, declined to 4,225 during 2006, and declined again to 2,800 during 2007 (Figure 12). As the economy in the HMA was affected by the recent recession during 2008, the number of single-family homes permitted continued to decline, averaging 1,750 homes during 2008 and 2009, and averaged 1,450 homes from 2009 through 2012. Single-family permitting increased during 2013, to 1,875, and has remained at that level. The decline in the level of

new single-family homes permitted, although significant, has contributed to the current balanced sales housing market conditions.

New home sales, like population growth, are concentrated in Warren and Butler Counties, which combined to account for 72 percent of all new home sales in the Northern Counties submarket since January 2010 (CoreLogic, Inc., with adjustments by the analyst). During September 2014, M/I Homes began work on Roberts Homes, in Deerfield Township, Warren County, Ohio. Roberts Homes is expected to include approximately 190 homes with prices starting at \$419,000 and reaching \$549,000. Roberts Homes follows the success of Alverta, also by M/I Homes, which proved so popular that a lottery had to be established to allocate lots to interested buyers. The Groves at West Chester Village in West Chester, Butler County, Ohio, includes 37 home lots in its first phase, with single-family homes starting at \$290,000.

During the 3-year forecast period, demand is expected for 5,400 new homes (Table 1). The 310 homes currently under construction and a portion of the 15,350 other vacant units that may reenter the market will likely meet a portion of that demand. Demand is expected to be greatest for homes priced between \$200,000 and \$299,999 and to be stronger during the second and third years of the 3-year forecast period as migration into the submarket continues to recover from the recent slowdown. Table 6 shows the estimated demand for new market-rate sales housing by price.

Figure 12. Single-Family Homes Permitted in the Northern Counties Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through February 2015.

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

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Northern Counties Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	740	15.0
200,000	249,999	980	20.0
250,000	299,999	980	20.0
300,000	399,999	740	15.0
400,000	499,999	490	10.0
500,000	749,999	490	10.0
750,000	and higher	490	10.0

Notes: The 310 homes currently under construction and a portion of the estimated 15,350 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

Rental Market—Northern Counties Submarket

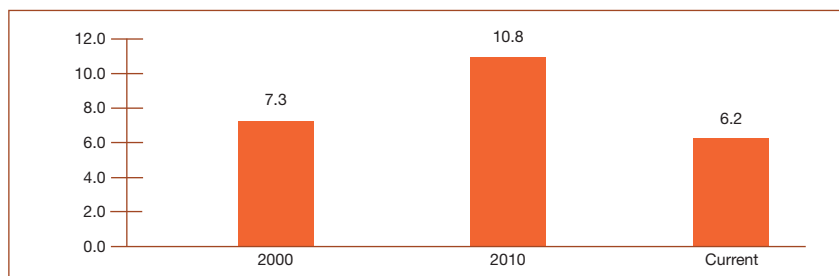
The rental housing market in the Northern Counties submarket is balanced, with an overall rental vacancy rate estimated at 6.2 percent. Rental market conditions have improved since April 2010, when the rental vacancy rate was 10.8 percent (Figure 13). Despite a propensity for ownership in the submarket, strong population growth kept the rental market relatively balanced early during the previous decade, even as homeownership increased, through approximately 2006, with low down-payment requirements for first-time homebuyers. The rental market softened after 2006, when population growth slowed. Since 2010, the rental market has improved as a general shift to renting has occurred and population growth began to increase after 2012, and the market has absorbed an estimated 3,575 vacant rental units. Renter households currently account for an estimated 30.5 percent of all households in the submarket, up from 26.2 percent in April 2010. Single-family rental units currently comprise an estimated 42 percent of the submarket's rental stock, compared with 31 percent in 2000, because of the effect of foreclosures and increased demand for rental units prompting conversions.

The apartment market in the Northern Counties submarket is currently

balanced, with an estimated vacancy rate of 5.7 percent as of the first quarter of 2015, up from 4.2 percent during the first quarter of 2014 (MPF Research). Approximately 420 new market-rate and conventional apartment units entered this submarket during the past 12 months. Vacancy rates ranged from a low of 4.3 percent in the MPF Research-defined Northeast Cincinnati/Warren County market area, which has reported significant residential growth since 2010, to a high of 6.5 percent in the Butler County area, which, although also reporting strong population growth, also has an aged apartment base, with 54 percent of apartment properties built before 1980. Among apartments built since 2000, the vacancy rate in the first quarter of 2015 was 3.1 percent. The average rent in the Northern Counties submarket was approximately \$870 per month, 1 percent higher than the average rent reported a year earlier. The highest apartment rents in the submarket during the first quarter of 2015 were in the Northeast Cincinnati/Warren County area, where rents averaged \$1,025, 3 percent higher than a year earlier, which was also the largest rent increase in the submarket.

Despite generally balanced apartment market conditions in the Northern Counties submarket, developers of new apartments have been cautious in developing new units. Multifamily production, as measured by the number of units permitted, totaled 730 units during the 12 months ending February 2015, all of which are intended for renter occupancy (preliminary data). The current level of 730 units permitted is the same level permitted during the previous 12-month period. As the

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



Note: The current date is March 1, 2015.

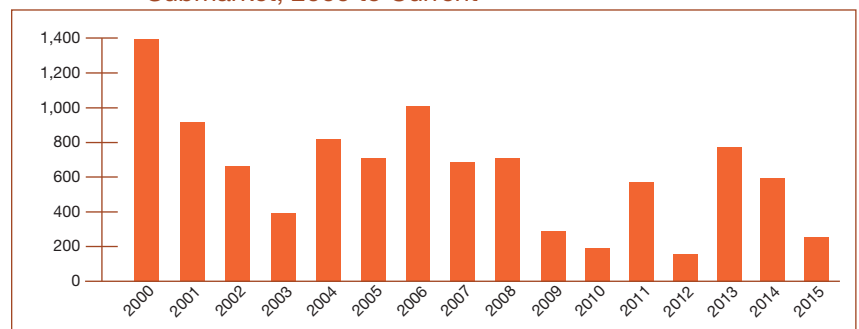
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

rental market has improved since 2010, the number of multifamily units permitted totaled 570 units during 2011, declined to 150 units permitted during 2012 and then increased to 760 units permitted during 2013 (Figure 14). During the previous decade, the number of multifamily units permitted exhibited similar volatility. From the beginning of 2000 through 2006, the number of multifamily units permitted averaged 840 units annually, including 1,375 units permitted during 2000 and 1,000 units permitted during 2006. During that time, nearly one-fourth of the units permitted were condominium units, intended for sale. Since 2006, multifamily permitting declined to average 690 annually during 2007 and 2008, and the ratio of owner units dropped to 19 percent. The economic recession reached its worst in the HMA during 2009 and 2010, and the number of units permitted fell to an average of 230 units annually during 2009 and 2010. An estimated 910 units are under construction in the Northern Counties submarket. In West Chester Township, in Butler County, the Savoy at The Streets of West Chester, in The Streets of West Chester mall, is

offering one- and two-bedroom apartments with rents of \$990 to \$1,350 for one-bedroom units and \$1,300 to \$1,625 for two-bedroom units and began leasing during the spring of 2015. In the city of Mason, in Warren County, Ohio, Latitude at Deerfield Crossing is now leasing 227 apartments, with one-bedroom units from \$925 to \$1,210 and two-bedroom units from \$1,220 to \$1,875.

During the 3-year forecast period, demand is expected for 3,275 new market-rate rental units in the Northern Counties submarket. The 910 units currently under construction will meet a portion of that demand (Table 1). Demand is expected to be strongest during the first year of the forecast period and to decrease slightly during the second and third years. Population will continue to increase in the submarket, but increasing households will likely return to homeownership as mortgage lending standards ease, as indicated by recent increases in home sales. Table 7 shows the estimated demand for new market-rate rental units in the submarket by rent and number of bedrooms.

Figure 14. Multifamily Units Permitted in the Northern Counties Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through February 2015.

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

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Northern Counties Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700 to 899	80	800 to 999	210	900 to 1,099	330	1,100 to 1,299	250
900 or more	80	1,000 to 1,199	210	1,100 to 1,299	330	1,300 to 1,499	250
		1,200 to 1,399	250	1,300 to 1,499	390	1,500 to 1,699	300
		1,400 or more	160	1,500 or more	260	1,700 or more	200
Total	160	Total	820	Total	1,325	Total	980

Notes: Numbers may not add to totals because of rounding. The 910 units currently under construction will likely satisfy some of the estimated demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

Sales Market—Southern Counties Submarket

The sales housing market in the Southern Counties submarket is currently balanced, with an estimated vacancy rate of 1.3 percent, down from 2.6 percent in April 2010. During February 2015, the unsold inventory in the Southern Counties submarket was 2,100 homes, 4 percent more than the 2,025 homes reported a year earlier but 32 percent fewer than the corresponding figure from February 2010 (Yahoo!-Zillow Real Estate Network; note that the unsold inventory data are not available for Grant and Pendleton Counties in Kentucky). Although the economic recovery in the HMA has helped the sales housing market in the Southern Counties submarket recover, population growth has been constrained, and the decrease in new single-family home construction has been a key element of the current balanced sales housing market conditions. As in the rest of the HMA, the continuing effects of the previous recession, tighter mortgage lending standards, and a shift to rental tenure in the submarket have contributed to a decline in the homeownership rate, currently estimated at 66.8 percent, down from 70.4 percent in April 2010.

During the 12 months ending February 2015, new and existing home sales were mixed in the Southern Counties

submarket. New home sales (including single-family homes, townhomes, and condominiums) declined in the Southern Counties submarket, to 750 sales, a 6-percent decline from 790 new homes sold a year earlier (CoreLogic, Inc., with adjustments by the analyst). The average new home sales price also decreased, to \$235,400, a similar 6-percent decline during the 12 months ending February 2015 compared with the average price during the previous year. New home sales averaged 2,275 annually during 2003 through 2006 before declining to 1,650 during 2007 and again to 1,275 during 2008. The average sales price for new homes rose each year from 2003 through 2008, from \$194,600 during 2003 to \$246,200 during 2008, average annual increases of 5 percent. Since 2008, new home sales averaged 890 annually during 2009 and 2010 and declined to average 750 from 2011 through 2013, the same level of sales reported during the past 12 months. After the 2008 peak, new home sales prices declined to \$197,100 during 2010, a loss of nearly 11 percent annually during 2009 and 2010. Since 2010, new home sales prices have increased to an average of \$248,000 during 2013, an average annual increase of 8 percent.

Existing home sales in the submarket increased during the past year, by approximately 630 sales, more than 8 percent, to 8,325 homes sold, and the average sales price was \$137,500, approximately 8 percent more than the average price a year earlier. Existing home sales rose from 9,050 sales annually during 2003 to 11,200 sales during 2006, 7-percent annual growth, before a drop of 21 percent during 2007, to 8,825 sales, corresponding with declining net migration into the submarket. From 2008 through 2011, existing home sales averaged 6,550 annually before increasing to an average of 7,575 sales annually during 2012 and 2013. The average sales price for existing homes in the Southern Counties submarket increased from \$115,000 during 2003 to \$132,300 during 2008, an average annual increase of 4 percent. Since 2008, the average sales price for existing homes in the submarket has been relatively stable, averaging \$126,000 annually through 2013 before the 8-percent price increase recorded during the past 12 months.

In February 2015, 4.8 percent of mortgage loans in the Southern Counties submarket were seriously delinquent or transitioned into REO status, down from 5.5 percent a year earlier (Black Knight Financial Services, Inc.). By comparison, the rate of seriously delinquent loans in the state of Kentucky for February 2015 was 4.5 percent, down from 5.1 percent during February 2014, and the national rate was 4.5 percent during February 2015, down from 5.3 percent a year earlier. The percentage of distressed sales (REO and short sales), as a proportion of all home sales in the submarket, was less than 5 percent until 2006 and peaked at 25.8 percent during 2013, 2 years after the peak values were reached in the

other two submarkets. The effect on sales prices of significant distressed home sales was slightly less in the Southern Counties submarket than in the other two submarkets, because of the relatively lower price level. During 2013, the year that distressed sales peaked as a proportion of all existing home sales in the submarket, nondistressed resale homes recorded an average sales price of \$139,700, 10 percent more than the \$127,200 average sales price for all existing homes. The rate of distressed sales has declined since 2013, averaging 17.3 percent during the 12 months ending February 2015, down from 25.5 percent a year earlier, but remains well above the prerecession levels (CoreLogic, Inc.). During the 12 months ending February 2015, nondistressed existing home sales averaged \$147,600, or 7 percent higher than the \$137,500 average sales price for all existing home sales. The national average rate of distressed sales to all sales has been lower than in the submarket. The national rate, which peaked during 2011 at 25.8 percent, averaged 13.0 percent during February 2015, down from 16.4 percent during February 2014.

Single-family homebuilding in the Southern Counties submarket, as measured by the number of homes permitted, totaled 800 during the 12 months ending February 2015, virtually unchanged from the 810 homes permitted a year earlier (preliminary data). The number of single-family homes permitted averaged 2,750 annually from 2000 through 2005, with the peak number of 3,250 homes permitted during 2004 (Figure 15). The permitting of single-family homes declined to 2,175 during 2006 and continued to fall, averaging 1,425 annually during

Housing Market Trends

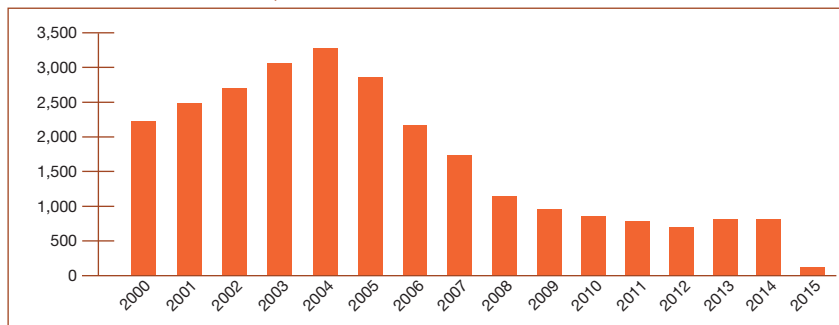
Sales Market—Southern Counties Submarket Continued

2007 and 2008, averaging 900 annually during 2009 and 2010, and averaging 740 annually during 2011 and 2012. As sales and prices began to increase during 2013, homebuilders started 810 new homes during 2013. As reported in the Northern Counties submarket, the decline in new single-family home construction, combined with the improving economy and gradual return to net in-migration, has contributed to the improving home sales market since 2010.

New home sales, like population growth, are concentrated in Boone County, and also in Kenton County, which combined to account for 83 percent of all new home sales in the Southern Counties submarket since January 2010 (CoreLogic, Inc., with adjustments by the analyst). Among new developments under way in the Southern Counties submarket, Hunter's Ridge subdivision, in Burlington, Boone County, Kentucky, includes new single-family homes from \$199,900 to \$274,900 with three and four bedrooms and has built out and sold more than 50 percent of 136 lots. In Independence, Kenton County, Kentucky, Williams Woods has new construction single-family homes with three and four bedrooms from \$239,900 to \$279,900, with nearly 80 percent of 193 home sites sold.

During the 3-year forecast period, demand is expected for 3,525 new homes (Table 1). The 150 homes currently under construction and a portion of the 7,225 other vacant units that may reenter the market will likely meet a portion of that demand. Demand is expected to be relatively consistent during the 3-year forecast period and will be greatest for homes priced from \$175,000 to \$274,999. Table 8 shows the estimated demand for new market-rate sales housing by price.

Figure 15. Single-Family Homes Permitted in the Southern Counties Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through February 2015.

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

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Southern Counties Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
125,000	174,999	470	15.0
175,000	224,999	630	20.0
225,000	274,999	630	20.0
275,000	349,999	470	15.0
350,000	449,999	470	15.0
450,000	599,999	310	10.0
600,000	and higher	160	5.0

Notes: The 150 homes currently under construction and a portion of the estimated 7,225 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

Rental Market—Southern Counties Submarket

The rental housing market in the Southern Counties submarket is balanced, with an overall rental vacancy rate estimated at 5.3 percent. Rental market conditions have improved substantially since April 2010, when

the rental vacancy rate was 10.4 percent (Figure 16). Since 2010, the rental market has tightened as a general shift to renting has occurred and as population growth began to increase after 2012, and the market has absorbed an

Housing Market Trends

Rental Market—Southern Counties Submarket *Continued*

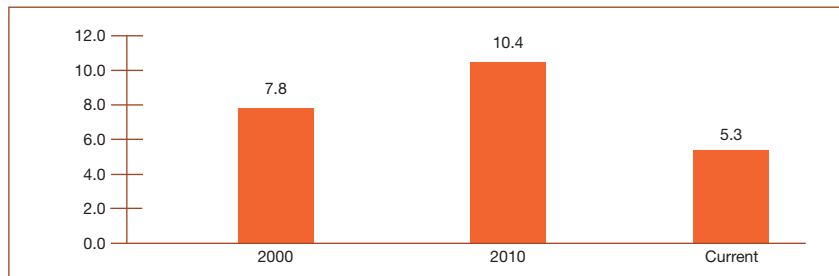
estimated 2,475 vacant rental units. Renter households currently account for an estimated 33.2 percent of all households in the submarket, up from 29.6 percent in April 2010. Single-family rental units currently comprise an estimated 33 percent of the rental stock, compared with 27 percent in 2000.

The apartment market in the Southern Counties submarket is currently balanced, with an estimated vacancy rate of 5.1 percent as of the first quarter of 2015, up from 4.9 percent during the first quarter of 2014 (MPF Research). One new apartment property with 100 units entered this submarket during the past 12 months. Vacancy rates in the two MPF Research-defined market areas of Campbell/Kenton Counties and Boone County/Erlanger were the same, 5.1 percent, during the first quarter of 2015, both up slightly, from 4.9 percent in the Campbell/Kenton

Counties area and from 4.8 percent in the Boone County/Erlanger area. The average rent in the Campbell/Kenton Counties area was \$740 during the first quarter of 2015, up less than 1 percent from a year earlier, while the average rent in the Boone County/Erlanger area was \$725, 3 percent higher than the rent reported during the first quarter of 2014. For the submarket, the average rent was approximately \$730 per month during the first quarter of 2015, 2 percent higher than the average reported a year earlier.

Despite generally balanced rental and apartment market conditions in the Southern Counties submarket, developers of new apartments have been cautious in adding new units. Multifamily production, as measured by the number of units permitted, totaled 80 during the 12 months ending February 2015, all of which are intended for renter occupancy (preliminary data). During the previous 12-month period, 110 multifamily units were permitted. The number of multifamily units permitted averaged 150 annually from 2011 through 2013, and all have been for renter occupancy (Figure 17). During the previous decade, the number of multifamily units permitted was much higher during the early years, averaging 720 units permitted annually from the beginning of 2000 through 2007, including a high of 1,025 units permitted during 2001 and a low of 160 units permitted during 2003. During 2000 and 2001, nearly one-half of the multifamily units permitted were condominium units; during 2002 and 2003, none of the multifamily units permitted were for owner occupancy. From 2003 through 2007, 62 percent of multifamily units permitted were again in

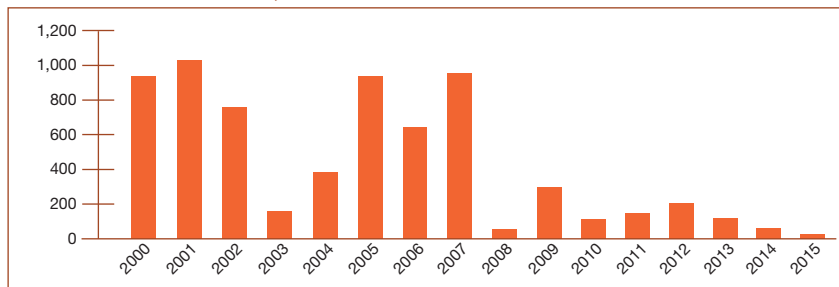
Figure 16. Rental Vacancy Rates in the Southern Counties Submarket, 2000 to Current



Note: The current date is March 1, 2015.

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

Figure 17. Multifamily Units Permitted in the Southern Counties Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through February 2015.

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

condominium developments, corresponding to the years where home sales were at the highest. After the economy weakened and the home sales market slowed, multifamily permitting in the Southern Counties submarket declined significantly, to 150 units permitted, on average, each year from 2008 through 2010, and only 4 percent of units permitted were estimated to be in condominium developments.

An estimated 80 units are under construction in the Southern Counties submarket, including the Northern Kentucky Scholar House. In the city of Newport, in Campbell County, Northern Kentucky Scholar House is a 48-unit subsidized apartment property for single parents raising children. The property, which is scheduled to open in the summer of 2015, will provide services to parents in college and to assist children to succeed in primary schooling. Also in Newport, Monmouth Row opened during the

summer of 2014 and offers 101 one- and two-bedroom apartments renting for \$1,050 to \$1,250 for one-bedroom units and \$1,450 to \$1,650 for two-bedroom units.

During the 3-year forecast period, demand is expected for 2,100 new market-rate rental units in the Southern Counties submarket. The 80 units currently under construction will meet a portion of that demand (Table 1). Demand is expected to be strongest during the first year of the forecast period and to decrease slightly during the second and third years. Population will continue to increase in the submarket, but more households will likely return to homeownership as mortgage lending standards ease, indicated by recent increases in home sales. Table 9 shows the estimated demand for new market-rate rental units in the submarket by rent and number of bedrooms.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Southern Counties Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700 to 899	55	800 to 999	320	1,000 to 1,199	420	1,200 to 1,399	260
900 or more	55	1,000 to 1,199	160	1,200 to 1,399	210	1,400 to 1,599	130
		1,200 or more	160	1,400 or more	210	1,600 or more	130
Total	110	Total	630	Total	840	Total	530

Notes: Numbers may not add to totals because of rounding. The 80 units currently under construction will likely satisfy some of the estimated demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	1,000,469	987,490	1,022,000	-0.1	0.8
Unemployment rate	3.7%	9.9%	5.1%		
Nonfarm payroll jobs	1,014,500	981,600	1,046,000	-0.3	1.5
Total population	1,994,830	2,114,580	2,158,000	0.6	0.4
Total households	774,151	824,967	848,300	0.6	0.6
Owner households	519,831	555,447	541,000	0.7	-0.5
Percent owner	67.1%	67.3%	63.8%		
Renter households	254,320	269,520	307,300	0.6	2.7
Percent renter	32.9%	32.7%	36.2%		
Total housing units	827,548	911,097	917,900	1.0	0.2
Owner vacancy rate	1.5%	2.5%	1.9%		
Rental vacancy rate	8.3%	11.8%	7.1%		
Median Family Income	NA	NA	\$68,700	NA	NA

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through February 2015. Median Family Income is for 2013. The current date is March 1, 2015.

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

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	845,303	802,374	808,400	-0.5	0.2
Total households	346,790	333,945	342,900	-0.4	0.5
Owner households	207,591	198,750	194,300	-0.4	-0.5
Percent owner	59.9%	59.5%	56.7%		
Rental households	139,199	135,195	148,600	-0.3	1.9
Percent renter	40.1%	40.5%	43.3%		
Total housing units	373,393	377,364	374,900	0.1	-0.1
Owner vacancy rate	1.4%	3.0%	2.8%		
Rental vacancy rate	8.9%	13.0%	8.3%		

Notes: Numbers may not add to totals because of rounding. The current date is March 1, 2015.

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

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	770,533	886,723	908,500	1.4	0.5
Total households	282,442	328,384	336,600	1.5	0.5
Owner households	210,796	242,264	233,900	1.4	-0.7
Percent owner	74.6%	73.8%	69.5%		
Rental households	71,646	86,120	102,700	1.9	3.6
Percent renter	25.4%	26.2%	30.5%		
Total housing units	298,196	355,174	362,300	1.8	0.4
Owner vacancy rate	1.5%	2.0%	1.5%		
Rental vacancy rate	7.3%	10.8%	6.2%		

Notes: Numbers may not add to totals because of rounding. The current date is March 1, 2015.

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

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	378,994	425,483	440,700	1.2	0.7
Total households	144,919	162,638	168,750	1.2	0.8
Owner households	101,444	114,433	112,800	1.2	- 0.3
Percent owner	70.0%	70.4%	66.8%		
Rental households	43,475	48,205	55,950	1.0	3.1
Percent renter	30.0%	29.6%	33.2%		
Total housing units	155,959	178,559	180,600	1.4	0.2
Owner vacancy rate	2.0%	2.6%	1.3%		
Rental vacancy rate	7.8%	10.4%	5.3%		

Notes: Numbers may not add to totals because of rounding. The current date is March 1, 2015.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 3/1/2015—Analyst’s estimates
 Forecast period: 3/1/2015–3/1/2018—Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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

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

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits.

As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_CincinnatiOH-KY-IN_15.pdf.

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

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

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.