

COMPREHENSIVE HOUSING MARKET ANALYSIS

Evansville, Indiana-Kentucky

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

As of July 1, 2019



Share on:

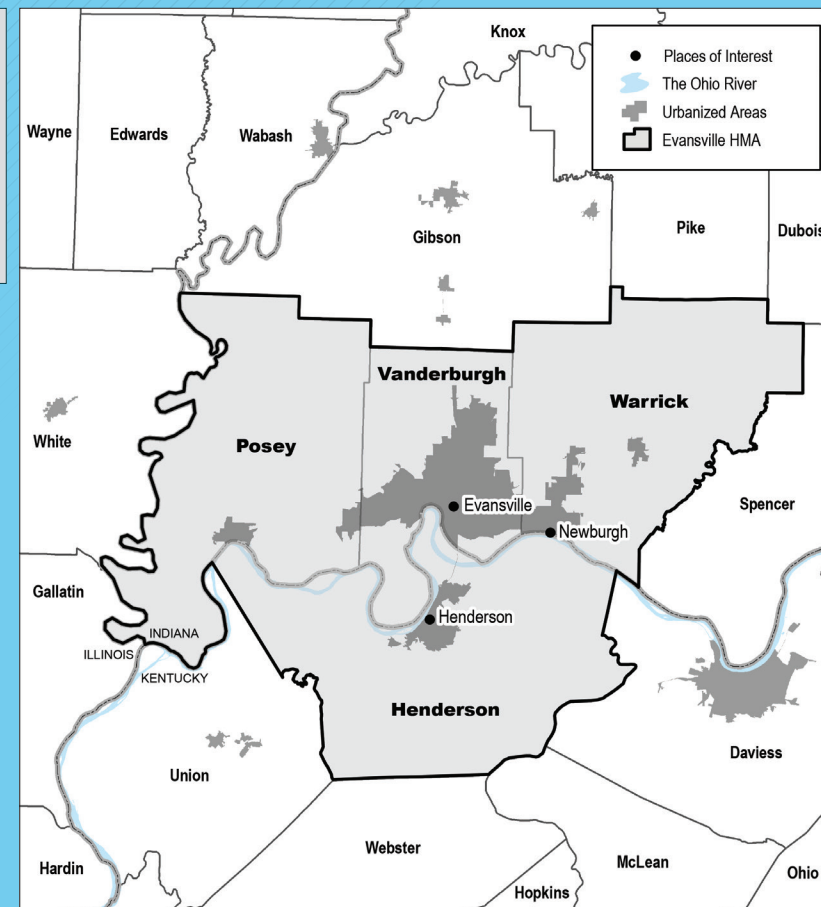


Executive Summary

Housing Market Area Description

The Evansville Housing Market Area (HMA) in southwestern Indiana and northwestern Kentucky is coterminous with the Evansville, IN-KY Metropolitan Statistical Area and consists of Vanderburgh, Warrick, and Posey Counties in Indiana and Henderson County in Kentucky. Traditionally a manufacturing and transportation hub, the HMA is developing as a center for health care. The city of Evansville is the largest in the HMA, the third largest in Indiana, and serves as the commercial, cultural, and medical center for approximately 911,000 people in southwestern Indiana and parts of Illinois and Kentucky (Economic Development Coalition of Southwest Indiana).

The population of the HMA is estimated at 314,500, as of July 1, 2019.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Strong: Nonfarm payrolls increased 1.3 percent during the 12 months ending June 2019.

Economic conditions in the Evansville HMA are currently strong, but the rate of job growth has moderated during the previous 12 months. Nonfarm payroll jobs averaged 164,100 during the 12 months ending June 2019, reflecting an increase of 2,000 jobs, or 1.3 percent, from the same time a year earlier. The current rate of job growth is down from 1.8 percent during the 12 months ending June 2018 but is slightly higher than an average annual growth of 1.2 percent from 2014 through 2017. The unemployment rate remained unchanged from a year earlier averaging 3.2 percent during the 12 months ending June 2019. During the 3-year forecast period, nonfarm payroll growth is expected to slow further and average 0.9 percent annually.

Sales Market



Balanced: Home sales remained unchanged during the 12 months ending June 2019, compared with the national decline of more than 2 percent.

The overall sales vacancy rate is estimated at 1.9 percent, down from 2.3 percent in 2010. During the 12 months ending June 2019, home sales in the HMA totaled 7,625, unchanged, from a year earlier, while the average home sales price rose 3 percent to a new high of \$170,600. During the 3-year forecast period, demand is estimated for 1,500 new homes for sale. The 240 homes under construction are expected to meet a portion of demand during the first year of the forecast period.

Rental Market



Balanced: Annual apartment rent growth has averaged nearly 4 percent since the end of 2016.

The overall rental housing market is balanced, with a current rental vacancy rate estimated at 7.5 percent, down from 11.2 percent in 2010. The apartment market is slightly tight, with a vacancy rate of 4.3 percent during the second quarter of 2019, down from 4.8 percent a year earlier (Reis, Inc.). Average apartment rents increased more than 4 percent during the second quarter of 2019. During the forecast period, demand is expected for 650 rental units. The 190 units under construction and the approximately 60 units expected to start construction later in 2019 will satisfy a portion of this demand.

TABLE OF CONTENTS

Economic Conditions	4
Population and Households	8
Home Sales Market Conditions	11
Rental Market Conditions	15
Terminology Definitions and Notes	19

3-Year Housing Demand Forecast

	Sales Units	Rental Units
Evansville HMA		
Total Demand	1,500	650
Under Construction	240	190

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2019. The forecast period is July 1, 2019, to July 1, 2022.

Source: Estimates by the analyst



Economic Conditions

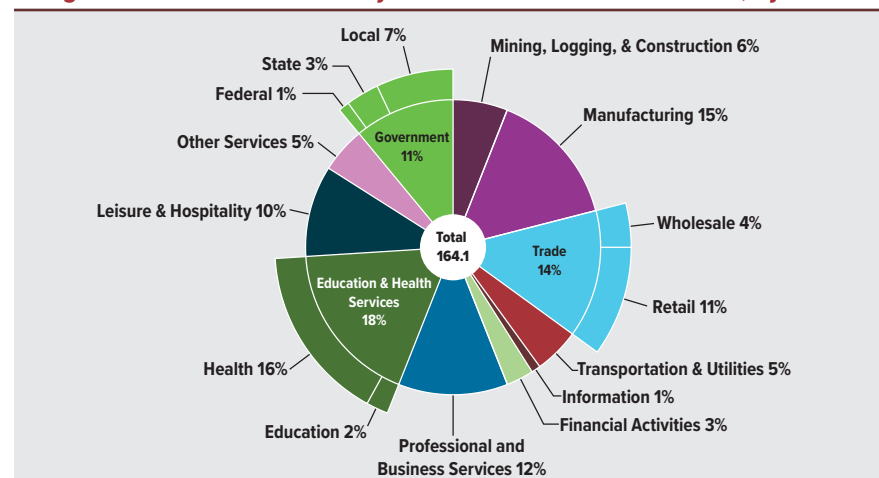
Largest sector: Education and Health Services

The manufacturing sector currently accounts for 15 percent of total nonfarm payrolls in the HMA, nearly twice the national average of approximately 9 percent.

Primary Local Economic Factors

During the 20th century, economic activity in the Evansville HMA had been centered around manufacturing; however, the education and health services sector overtook the manufacturing sector as the largest employment sector by 2008. Recent public and private investments in medical facilities led by the Indiana University School of Medicine totaled more than \$100 million, including the opening of the Stone Family Center for Health Sciences in 2018 that created

Figure 1. Current Nonfarm Payroll Jobs in the Evansville HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on the 12-month moving average through June 2019.

Source: U.S. Bureau of Labor Statistics

100 new jobs. In addition, a new medical clinic is scheduled to be completed in early 2020. Both projects have been designed to create a hub for health-sciences education in the HMA. The manufacturing sector, anchored around the production of automobile parts, chemicals, and plastics for export, is the second largest employment sector in the HMA (Figure 1) and continues to be an important part of the local economy.

Current Conditions—Nonfarm Payrolls

During the 12 months ending June 2019, nonfarm payrolls increased by 2,000 jobs, or 1.3 percent, following a gain of 2,900 jobs, or 1.8 percent, a year earlier (Table 1). Even though the rate of job growth slowed recently, largely due to

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

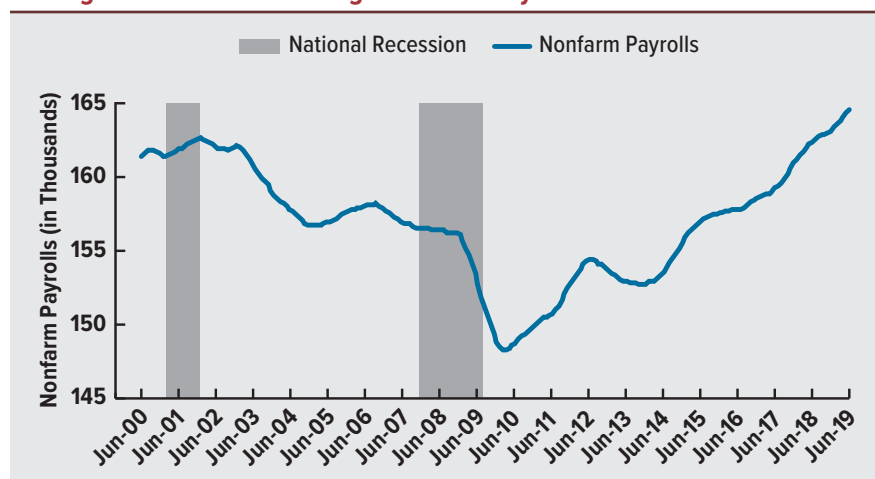
	12 Months Ending June 2018	12 Months Ending June 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	162.0	164.1	2.0	1.3
Goods-Producing Sectors	33.7	34.0	0.3	0.9
Mining, Logging, & Construction	10.7	10.0	-0.6	-5.7
Manufacturing	23.0	23.9	0.9	3.9
Service-Providing Sectors	128.3	130.1	1.8	1.4
Wholesale & Retail Trade	23.6	23.7	0.1	0.5
Transportation & Utilities	7.7	7.9	0.2	2.8
Information	1.5	1.5	0.0	-1.6
Financial Activities	5.3	5.4	0.2	2.8
Professional & Business Services	19.8	20.0	0.2	1.0
Education & Health Services	29.0	29.1	0.1	0.4
Leisure & Hospitality	16.3	16.2	-0.1	-0.4
Other Services	8.1	8.5	0.4	5.0
Government	17.1	17.8	0.6	3.6

Notes: Based on 12-month averages through June 2018 and June 2019. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

uncertainty about global trade growth, current payroll jobs, at 164,100, reached the highest level since the previous peak of 162,300 jobs in 2001 (Figure 2). The manufacturing and the government sectors led job growth during the 12 months ending June 2019, with gains of 900 and 600 jobs, or 3.9 and 3.6 percent, respectively. Recent developments in the manufacturing sector include the \$180 million expansion of the petrochemical-producing plant at SABIC completed in 2017 that resulted in the creation of 50 new jobs through 2018. The increase in the government sector was because of a rise in the state and local government workforces, up by 400 and 200 jobs, respectively. With approximately 2,425 employees, the University of Southern Indiana is the largest employer in the sector; approximately 8,950 students were enrolled at the university in 2018, down from 10,700 students in 2010.

Figure 2. 12-Month Average Nonfarm Payrolls in the Evansville HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

The education and health services sector is the largest nonfarm payroll sector in the HMA, with 29,100 jobs, making up 18 percent of nonfarm payrolls. The sector includes the two largest employers: Deaconess Health System, Inc. and St. Vincent Evansville, with 6,600 and 3,100 employees, respectively (Table 2). During the 12 months ending June 2019, the education and health services sector grew by 100 jobs, or 0.4 percent, following a decline of 100 jobs, or 0.4 percent a year earlier.

Table 2. Major Employers in the Evansville HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Deaconess Health System, Inc.	Education & Health Services	6,600
St. Vincent Evansville	Education & Health Services	3,100
Berry Global Inc.	Manufacturing	2,700
University of Southern Indiana	Government	2,425
Skanska AB	Mining, Logging, & Construction	1,650
TJ Maxx	Wholesale & Retail Trade	1,525
ALCOA Corporation	Manufacturing	1,500
Koch Enterprises, Inc.	Manufacturing	1,200
Vectren Corporation	Transportation & Utilities	1,200
SABIC (Saudi Basic Industries Corporation)	Manufacturing	1,200

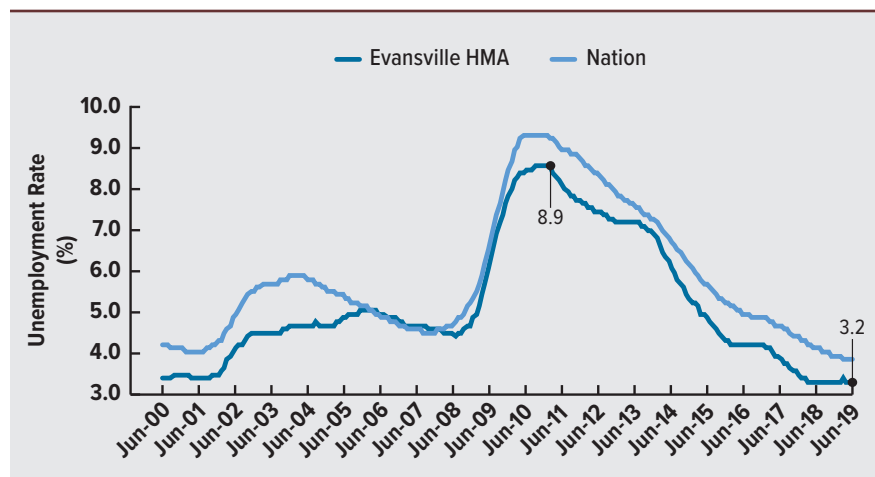
Note: Excludes local school districts.

Sources: Economy.com, 2017; Economic Development Coalition of Southwest Indiana, 2019

Current Conditions—Unemployment

During the 12 months ending June 2019, the average unemployment rate in the HMA was 3.2 percent, unchanged from a year earlier and below the previous peak of 8.9 percent in 2010 (Figure 3). The unemployment rate in the HMA remained unchanged because employment growth was on par with growth in the labor force. By comparison, during the 12 months ending June 2019, the national unemployment rate was 3.8 percent, a decline from 4.1 percent a year earlier.

Figure 3. 12-Month Average Unemployment Rate in the Evansville HMA and the Nation



Source: U.S. Bureau of Labor Statistics

Historic Trends

2001 Through 2009

Nonfarm payrolls in the Evansville HMA reached a peak of 162,300 jobs during 2001 and declined an average of 1,800 jobs, or 1.1 percent, annually during the next 3 years. By comparison, nonfarm payrolls in the nation remained nearly unchanged from 2002 through 2004. In the Evansville HMA, a significant portion of job losses was the result of a decline in manufacturing employment caused by numerous layoffs by auto parts and durable goods producers. Jobs in the manufacturing sector totaled 31,000 during 2001, when manufacturing was the largest employment sector in the HMA and accounted for 19 percent of all nonfarm payrolls. By 2009, manufacturing sector employment had fallen to 22,000, an average decline of 1,100 jobs, or 4.2 percent, annually. Among the

companies that had layoffs during that time was Whirlpool Corporation, which laid off more than 1,000 employees during 2009, when the company closed its plant in the city of Evansville. At its peak in the 1970s, Whirlpool Corporation employed more than 10,000 in the HMA. Additionally, a period of restructuring among domestic auto parts producers occurred during the early 2000s, which led to numerous manufacturing job cuts, including those in the HMA.

Nonfarm payrolls stabilized from 2005 through 2008, with an average annual decline of only 100 jobs, or 0.1 percent, annually. Continued declines in the manufacturing sector were nearly offset by substantial gains in the education and health services sector, which added an average of 800 jobs, or 3.1 percent, annually. Largely because of the national housing boom, the professional and business services and the mining, logging, and construction sectors rose by an average of 300 and 100 jobs, or 1.7 and 0.7 percent, annually, respectively. Increases in both sectors represented a sharp turnaround from the 2002-to-2004 period when the professional and business services and the mining, logging, and construction sectors lost an average of 400 and 300 jobs, or 2.6 and 2.3 percent, annually, respectively.

The plurality of jobs lost in the nation during the Great Recession occurred in 2009, and the Evansville HMA was no exception. In 2009, nonfarm payrolls fell by 6,700 jobs, or 4.3 percent. The manufacturing and the mining, logging, and construction sectors lost an average of 2,500 and 2,000 jobs, or 10.2 and 17.7 percent, respectively. The education and health services sector was the only sector to expand in 2009, adding 500 jobs, or 1.9 percent.

2010 Through 2012

Economic recovery in the HMA began in 2010, and nonfarm payrolls rose by an average of 1,500 jobs, or 1.0 percent, annually through 2012. By comparison, the national rate of nonfarm payroll growth during the same period averaged 0.7 percent a year. In the HMA, the professional and business services and the

government sectors led job growth with average gains of 800 and 500 jobs, or 4.6 and 2.9 percent, annually, respectively. Approximately 80 percent of job gains in the government sector occurred in the local government subsector.

2013

While economic growth in the nation continued, economic conditions worsened in the HMA in 2013. Nonfarm payrolls decreased by 900 jobs, or 0.6 percent. The leading growth sectors from 2010 to 2012 declined the most in 2013; the professional and business services and the government sectors fell by 800 and 700 jobs, or 4.2 and 4.0 percent, respectively. These job losses were partially offset by growth in the education and health services sector, which gained 400 jobs, or 1.5 percent. In 2013, Deaconess Health System, Inc. opened a new health clinic and a new urgent care facility in the city of Evansville, contributing to job growth in the sector. Among the goods-producing sectors, a gain of 300 jobs in the manufacturing sector was offset by a loss of 300 jobs in the mining, logging, and construction sector.

2014 Through 2017

Economic recovery in the HMA resumed by 2014, and nonfarm payrolls grew by an average of 1,900, or 1.2 percent, annually from 2014 through 2017. By comparison, nonfarm payrolls increased an average of 1.8 percent in the nation during the same period. Job growth in the HMA was widespread, with the highest gains in the education and health services sector, which increased by an average of 600 jobs, or 2.1 percent, annually. Despite slower population growth, residential construction in the HMA started to increase in 2013. Improving home sales and mortgage lending led to job increases in the professional and business services and the mining, logging, and construction sectors which, from 2014 through 2017, grew by an average of 300 and 200 jobs, or 1.7 and 2.1 percent, annually, respectively.

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 0.9 percent. Labor shortages will limit job growth, and the expectation is for slower nonfarm payroll increases. Several manufacturers are currently working on expanding their operations in the HMA, including an \$18.5 million expansion by molding and casting producer, PBTT which is expected to create approximately 100 jobs by 2020, and a \$14.9 million expansion by EnCom Polymers, which is expected to add 56 new jobs by 2021. Headquartered in Evansville, Berry Global Inc. manufactures plastic packaging products. In 2018, the company invested \$70 million to expand its Evansville manufacturing facility, and employment at Berry Global Inc. is expected to increase by 150 jobs by the end of 2019.



Population and Households

Current Population: 314,500

Since 2010, population growth in the HMA has occurred mainly because of net natural change (resident births minus resident deaths).

Population Trends

The population of the Evansville HMA as of July 1, 2019 is estimated at 314,500, representing an average increase of 320, or 0.1 percent, annually since April 2010 (Table 3). Despite weak economic conditions throughout most of the 2000s, population growth in the HMA remained slow but steady, averaging 1,525, or 0.5 percent, annually from 2000 to 2010 (U.S. Census Bureau). Net in-migration during that period averaged 580 people annually, while net natural change averaged an increase of 950 people annually. Slow economic recovery from the Great Recession through 2012 and economic stagnation in 2013 resulted in a sharp slowdown of people moving to the HMA. From 2010 to 2014, population growth slowed to 790 people, or 0.3 percent, annually; net in-migration fell sharply to 140 people annually, while net natural change slowed to an average of 650 people annually, largely because of the rising share of older residents in the HMA. Since 2014, discouraged by weak local economic conditions, people began to move out of the HMA to seek better job opportunities elsewhere. Population growth in the HMA has halted because average net out-migration of 460 people a year more than offset net natural change, which averaged 380 people annually (Figure 4).

Age Cohort Trends

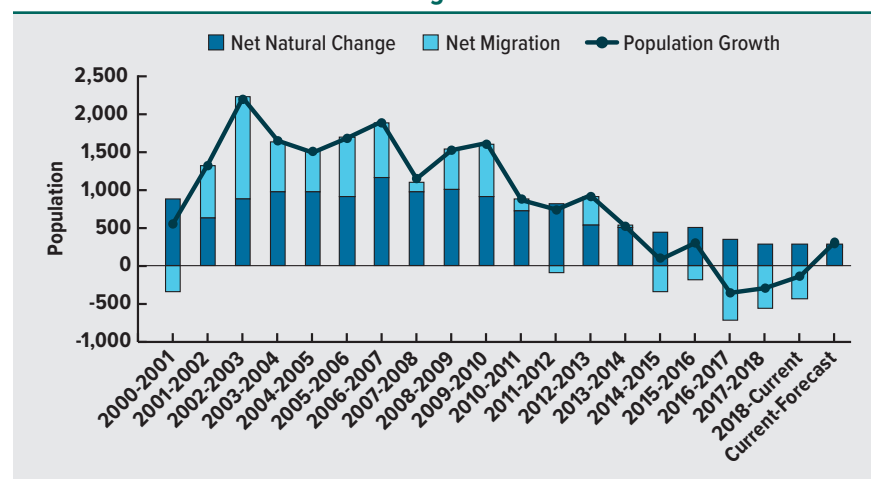
The largest age cohort in the HMA in 2017 was residents 20 to 44 years of age, representing approximately 32 percent of the total population, a share nearly unchanged since 2010 (American Community Survey [ACS] 5-year data). The

Table 3. Evansville HMA Population and Household Quick Facts

	2010	Current	Forecast
Population Quick Facts	Population	311,552	314,500
	Average Annual Change	1,525	320
	Percentage Change	0.5	0.1
Household Quick Facts	Households	125,835	128,600
	Average Annual Change	750	300
	Percentage Change	0.6	0.2

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

Figure 4. Components of Population Change in the Evansville HMA, 2000 Through the Forecast



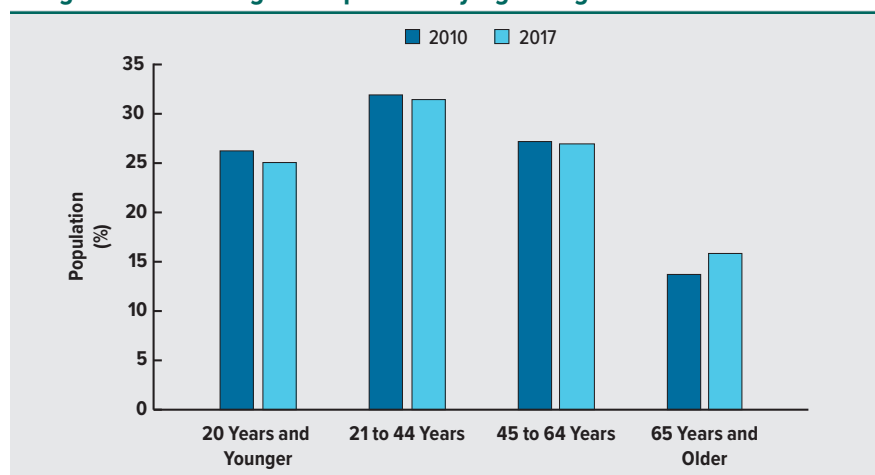
Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from July 1, 2019 (the current date), to July 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

age cohort of those 65 and older was the only age group in the HMA to have meaningfully increased and accounted for 16 percent of the HMA population in 2017, up from 14 percent in 2010 (Figure 5).

Household Trends

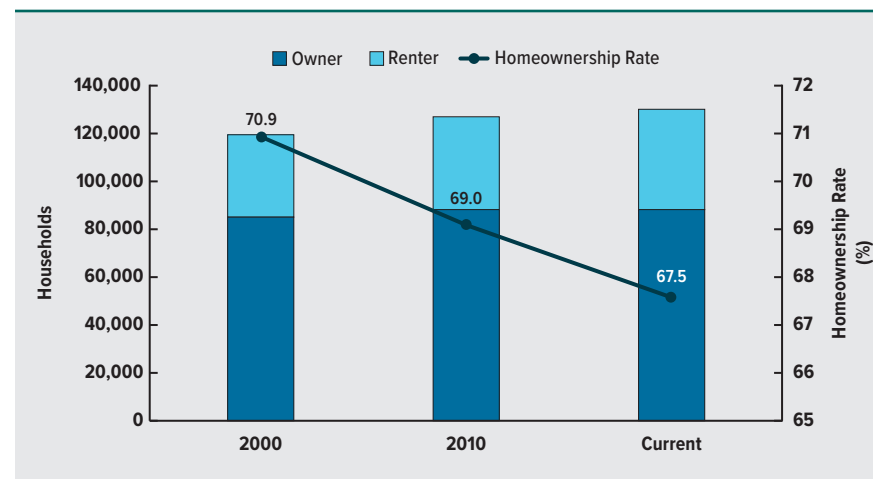
Like population growth, household growth in the HMA since 2010 has been slower than during the 2000s. The current number of households in the HMA is estimated at 128,600, reflecting an average annual increase of 300, or 0.2 percent, since 2010. By comparison, from 2000 to 2010, household growth averaged 750, or 0.6 percent, annually. Slow economic recovery in the HMA following the housing crisis and a shift in household preference toward renting stymied growth in owner household formation. Renter households have accounted for all net household formation since 2010, compared with 61 percent during the 2000s. As a result, the homeownership rate fell to an estimated 67.5 percent as of the current date, down from 69.0 percent in 2010 and 70.9 percent in 2000 (Figure 6).

Figure 5. Percentage of Population by Age Range in the Evansville HMA



Source: 2010 and 2017 American Community Survey, 5-year data

Figure 6. Households by Tenure and Homeownership Rate in the Evansville HMA



Note: The current date is July 1, 2019.

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

Forecast

During the 3-year forecast period, continued economic expansion is not expected to meaningfully affect the rate of population growth in the HMA. While the availability of well-paying jobs will likely end the recent trend of net out-migration, the rising share of older residents is expected to further diminish growth from net natural change. Population growth is expected to remain nearly unchanged, with the population reaching 315,400 by June 2022, reflecting an average increase of 310, or 0.1 percent, annually. Households are estimated to increase during the 3-year forecast period by an average of 300, or 0.2 percent, a year, reaching 129,500 households.

Home Sales Market Conditions

Market Conditions: Balanced

New home sales in the HMA generally follow overall home sales trends and have accounted for only 4 percent of all home sales since 2012, compared with approximately 9 percent nationally.

Current Conditions

The sales housing market in the Evansville HMA is currently balanced, with an estimated 1.9-percent vacancy rate (Table 4), down from 2.3 percent in 2010. Reduced levels of home construction in the aftermath of the housing crisis that began in 2007 contributed to the absorption of excess inventory since 2010, despite slow population growth. As of June 2019, a 2.9-month supply of existing for-sale housing was available in the HMA, down from a 3.8-month supply a year earlier (Southwest Indiana Association of Realtors®).

Home Sales and Prices

Despite weaker population growth since 2010, stronger economic conditions in the HMA have contributed to more robust home sales activity in the HMA compared with the mid-to-late 2000s. From 2006 through 2007, home sales averaged 5,525 before declining 20 percent to 4,650 during 2008 as economic conditions in the HMA worsened (Figure 7). During 2006, the average home sales price in the HMA was \$144,400 and rose less than 1 percent through 2007 (Figure 8). With declining home sales in 2008, the average home sales price fell nearly 27 percent that year to a low of \$107,100. A brief recovery in sales occurred from 2009 through 2010 with the implementation of the first-time homebuyer tax credit program, and home sales averaged 5,225 sales a year, reflecting an average annual increase of 8 percent. During the same period, the average price of a home increased an average of 20 percent annually to \$154,000 in 2010. In 2011, home sales and home sales prices, however, fell 20 and 13 percent,

Table 4. Home Sales Quick Facts in the Evansville HMA

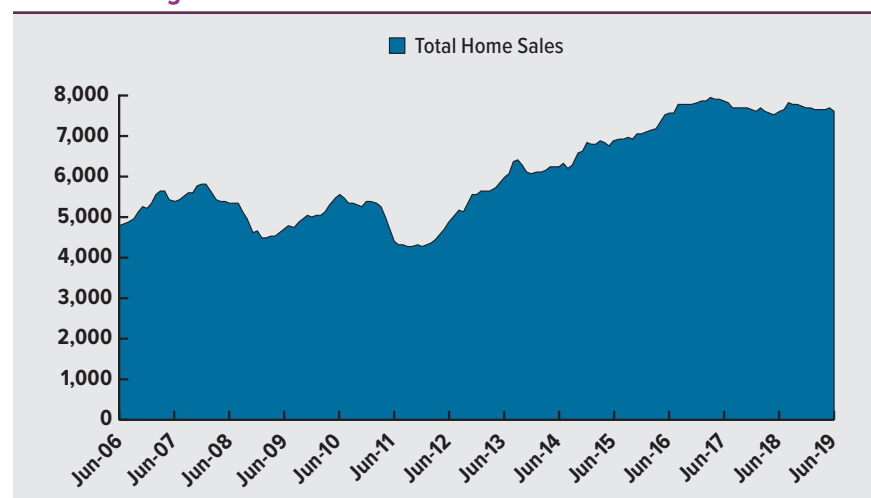
	Evansville HMA	Nation
Vacancy Rate	1.9%	NA
Months of Inventory	2.9	3.3
Total Home Sales	7,625	5,774,000
1-Year Change	0.0%	-2.4%
Average Home Sales Price	\$170,600	\$321,200
1-Year Change	3%	2%
Mortgage Delinquency Rate	2.0%	1.4%

NA = data not available.

Notes: The vacancy rate is as of the current date (July 1, 2019); home sales and prices are for the 12 months ending June 2019; and months of inventory and mortgage delinquency data are as of June 2019.

Sources: Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Southwest Indiana Association of Realtors®

Figure 7. 12-Month Home Sales in the Evansville HMA

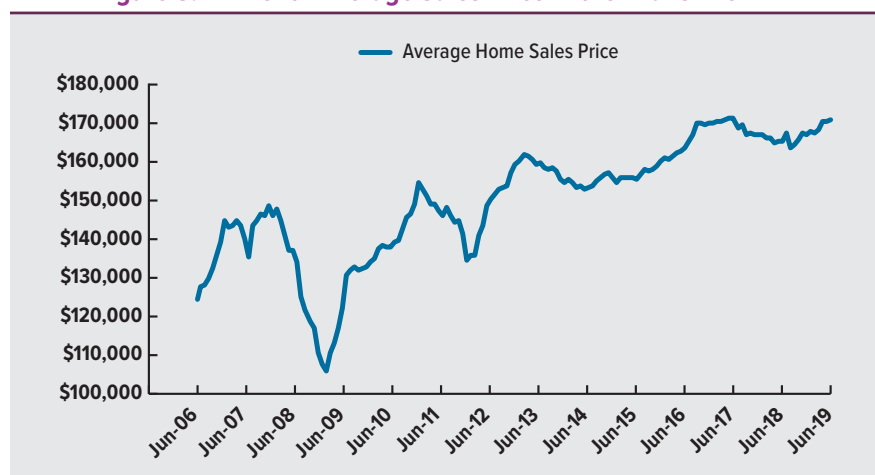


Note: Data include sales of single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

respectively, to a low of 4,300 homes sold and a price of \$134,200. Real estate owned (REO) sales, as a proportion of all homes sales in the HMA, rose from 6 percent in 2006 to 19 percent in 2011, when the average sales price of an REO property was \$90,750, roughly 36 percent below the average traditional resale price of \$137,800. The increase in relatively lower priced distressed sales contributed to the decline in the average home sales price.

Figure 8. 12-Month Average Sales Price in the Evansville HMA



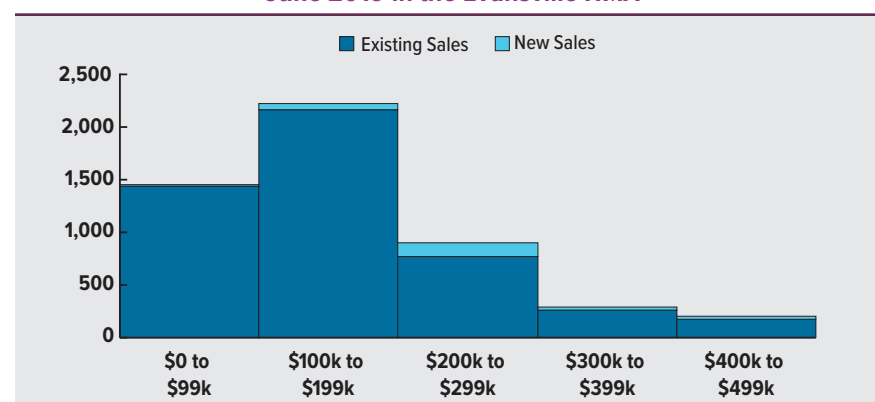
Note: Data include sales of single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

As the local economic conditions continued to improve, home sales began to increase in 2012 at an average of 13 percent each year to a recent high of 7,825 homes sold in 2016. Home sales price gains in the HMA averaged 5 percent annually from 2012 through 2016 and reached a recent peak of \$169,500 in 2016 before declining nearly 2 percent in 2017. Home sales also moderated, falling 2 percent to 7,675 sales in 2017 and have remained approximately at this level since. During the 12 months ending June 2019, home sales totaled 7,625, unchanged from the previous 12 months. By comparison, home sales in the nation decreased more than 2 percent during the same period. During the 12

months ending June 2019, the average home sales price in the HMA rose more than 3 percent, to a new high of \$170,600, which followed a 3-percent decline a year earlier. REO sales during the 12 months ending June 2019 accounted for 5 percent of existing home sales in the HMA, and currently the average sales price of an REO property is \$96,300, nearly 44 percent below the average home sales price. During the past 12 months, sales were greatest among homes priced from \$100,000 to \$199,000 (Figure 9).

Figure 9. Share of Sales by Price Range During the 12 Months Ending June 2019 in the Evansville HMA



Source: Metrostudy, A Hanley Wood Company

Delinquent Mortgages

As of June 2019, approximately 2.0 percent of all mortgage loans in the HMA were seriously delinquent or had transitioned into REO status, down sharply from 2.4 percent in June 2018 (CoreLogic, Inc.). The current rate is higher than the 1.4-percent rate for the nation. The rate of seriously delinquent home loans and REO properties in the HMA has fallen since the beginning of 2012 when it peaked at 5.7 percent in January 2012. By comparison, nationwide, delinquencies reached a high of 8.6 percent in February 2010.

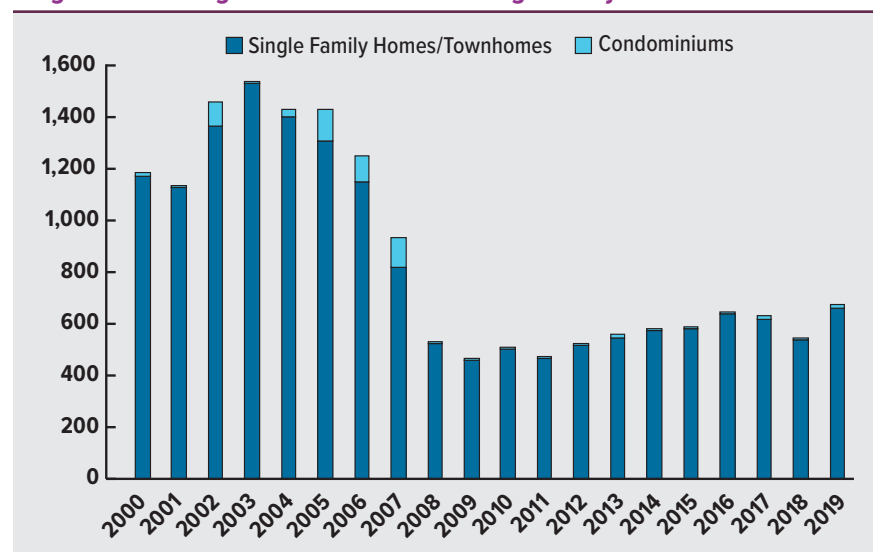
Sales Construction Activity

A slow pace of household formation in the HMA since 2010 has contributed to modest but steady sales construction activity, as measured by the number of single-family homes, townhomes, and condominiums permitted, because available vacant homes continue to satisfy a portion of demand. During the 12 months ending June 2019, sales construction activity totaled 600, up 13 percent from the previous 12 months (preliminary data with adjustments by the analyst). Sales construction activity averaged 1,350 homes permitted annually from 2000 through 2005, before declining by an average of 26 percent a year during 2006 and 2007, with the onset of the housing crisis (Figure 10). A total of 930 homes were permitted in 2007. As economic conditions in the HMA deteriorated, permitting activity fell more than 40 percent a year later and averaged 500 homes permitted annually from 2008 through 2012, before rising modestly to an average of 600 homes permitted annually from 2013 through 2017.

New Construction

New home construction is mostly occurring in Warrick County near the town of Newburgh and in Vanderburgh County, north of the city of Evansville. Denton Homes Inc. is adding 51 four- and five-bedroom, single-family homes at the Windham Estates community in northern Evansville. As of July 1, approximately 55 percent of those lots have been sold, with home prices starting at \$425,000. Redevelopment initiatives in the city of Evansville resulting from Promise Zone designation of several areas in the city by the federal government have helped low-income families purchase homes. Earlier in 2019, Habitat for Humanity

Figure 10. Average Annual Sales Permitting Activity in the Evansville HMA



Notes: Permitting activity includes single-family homes, townhomes, and condominiums. 2019 includes data through June 2019.

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

completed 14 single-family homes in the Bayard Park neighborhood, and funding has been provided for approximately 20 new homes to be built in the Jacobsville neighborhood by 2024. Single-family homes built by Habitat for Humanity range in price from \$85,000 to \$125,000.

Forecast

During the next 3 years, demand is expected for 1,500 new sales units in the HMA (Table 5). The 240 homes currently under construction will meet part of the demand during the first year of the 3-year forecast period. Sales demand is expected to remain stable during the 3-year forecast period and be greatest for new homes priced between \$200,000 and \$299,999.

**Table 5. Demand for New Sales Units in the Evansville HMA
During the Forecast Period**

Sales Units	
Demand	1,500 Units
Under Construction	240 Units

Note: The forecast period is July 1, 2019, to July 1, 2022.

Source: Estimates by the analyst



Rental Market Conditions

Market Conditions: Balanced

Apartments in the HMA represented approximately 40 percent of all rental units in 2017, down from 44 percent in 2010 (2010 and 2017 ACS 5-year data).

Current Conditions and Recent Trends

Rental housing market conditions in the Evansville HMA are currently balanced and have improved since 2010. The vacancy rate for all rental units (including single-family homes, mobile homes, and apartments) is currently estimated at 7.5 percent, down from 11.2 percent in 2010 when the market was soft (Table 6). During the 2000s, weak economic conditions and the housing crisis led to the softening of rental market conditions after a large supply of unsold homes became available as rental units. Since 2010, increased numbers of renter households and low levels of multifamily construction relative to the 2000s have contributed to current balanced rental market conditions.

Apartment Market Trends

The apartment market in the HMA is currently slightly tight with a 4.3-percent vacancy rate during the second quarter of 2019, down from 4.8 percent a year earlier (Reis, Inc.). The average rent for an apartment is currently \$708, a gain of \$24, or nearly 4 percent, from the second quarter of 2018 (Figure 11). In 2009, newly constructed apartments were unabsorbed as the economic downturn intensified and the apartment vacancy rate in the HMA spiked to 9.3 percent, whereas the average monthly rent rose less than 1 percent. As apartment construction continued to decline, and the absorption of previously vacant units increased, the apartment vacancy rate started to fall and reached 6.5 percent in 2011. Despite slower household formation during the early 2010s, the apartment market remained relatively balanced with the vacancy stable through 2015, and

Table 6. Rental Market Quick Facts in the Evansville HMA

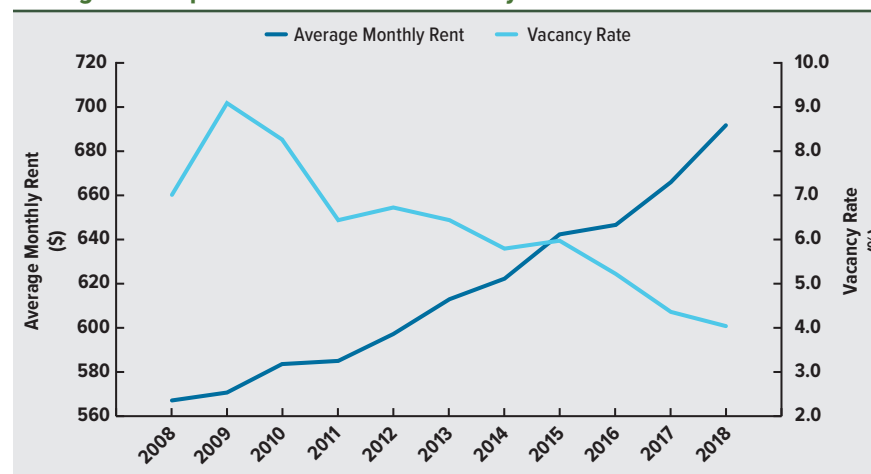
Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	11.2	7.5
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	35	37
	Multifamily (2–4 Units)	17	20
	Multifamily (5+ Units)	44	40
	Other (Including Mobile Homes)	4	3
		Current	YoY Change
	Apartment Vacancy Rate	4.3%	-1.5
	Average Rent	\$708	4%

YoY = year over year.

Notes: The current date is July 1, 2019. Current data for “occupied rental units by structure” are 2017 American Community Survey, 5-year data, the most recent data available.

Sources: American Community Survey, 5-year data; apartment data—Reis, Inc.

Figure 11. Apartment Rents and Vacancy Rates in the Evansville HMA



Source: Reis, Inc. (annual data)

the average rent growth increased to more than 2 percent annually. Improving economic conditions following the resumption of economic growth in 2014 led to tighter apartment market conditions even as more units were added to the inventory. The apartment vacancy rate declined each year since the end of 2015 to a low of 3.9 percent in 2018. After stalling in 2016 with an increase of less than 1 percent, the average apartment rent in the HMA grew by an average of nearly 4 percent annually, from 2017 through 2018.

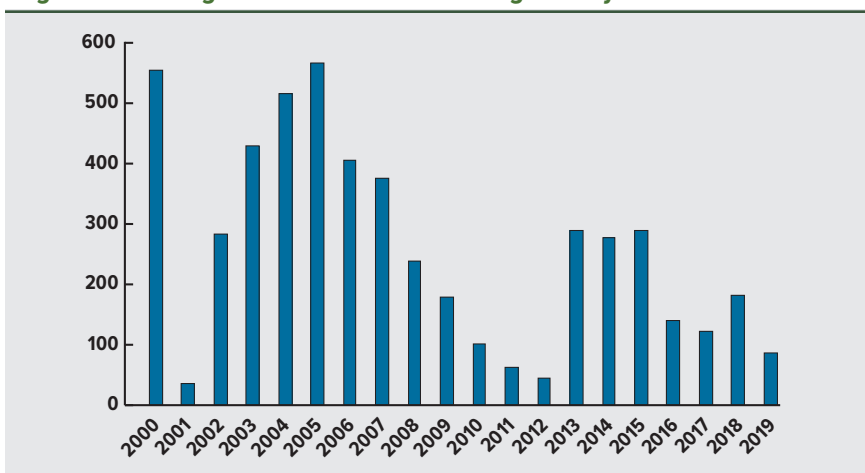
Single-Family Homes for Rent

Single-family homes for rent represent a significant portion of all rental units in the HMA and provide a substitute for larger apartments. In 2017, 37 percent of renter households lived in single-family homes, up from 35 percent in 2010 (2010 and 2017 ACS 5-year data). In June 2019, the vacancy rate among professionally managed three-bedroom single-family homes for rent was 3.2 percent, with an average monthly rent of \$1,009, up 16 percent from a year earlier (CoreLogic, Inc.).

Rental Construction Activity

Slow population growth in the HMA since 2010 has resulted in limited construction of new rental units. During the 12 months ending June 2019, approximately 100 rental units were permitted, compared with approximately 60 units during the previous 12 months (preliminary data with adjustments by the analyst). Following a peak of 580 rental units permitted in 2005, permitting in the HMA fell for 7 consecutive years by an average of 75 units, or 31 percent, annually to a low of only 40 rental units permitted in 2012 (Figure 12). A year later, continued balanced market conditions gave builders confidence to increase construction, which averaged 290 rental units from 2013 through 2015. Following that increase, construction activity decreased by an average of 85 units, or 35 percent annually from 2016 through 2017. A total of 120 units were permitted in 2017.

Figure 12. Average Annual Rental Permitting Activity in the Evansville HMA



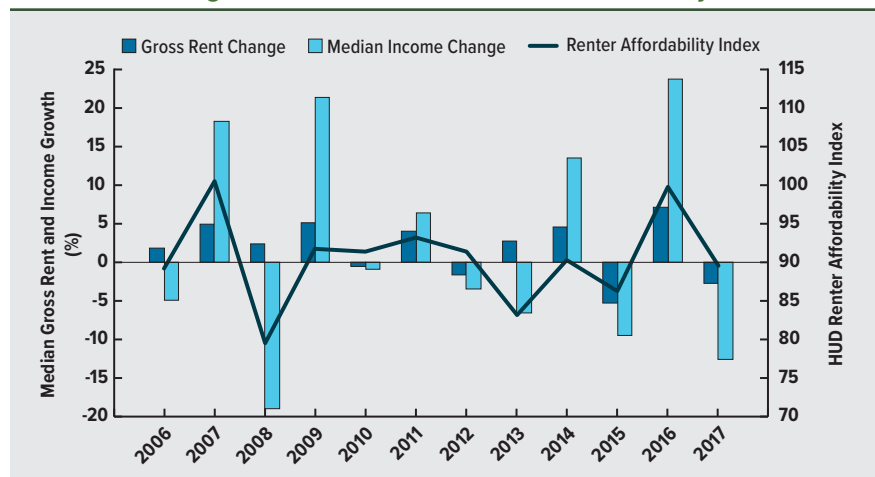
Notes: Includes apartments and units intended for rental occupancy. 2019 includes data through June 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

Housing Affordability: Rental

Rental housing is affordable relative to income in the Evansville HMA. The median gross monthly rent in the HMA has generally followed slow income growth. The median gross monthly rent in the HMA rose 9 percent from \$670 in 2010 to \$732 in 2017. During the same period, the median household income for renters increased 7 percent from \$26,800 to \$29,280. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental units, remained little changed since 2010, despite modest year-to-year volatility. The index was 89.6 during 2017, down from a recent peak of 100.1 a year earlier and above the low of 79.1 during the economic downturn in 2008. Figure 13 compares year-to-year change in

median gross rent (including single-family homes, apartments, and mobile homes for rent) to the respective change in the median gross income.

Figure 13. Evansville HMA Rental Affordability



Source: American Community Survey, 1-year data for Vanderburgh County, IN

During the 2012-through-2016 period, an estimated 23.3 percent of all renter households in the HMA were cost burdened, spending between 30 and 49 percent of their income on rent, while 20.9 percent were severely cost burdened, spending more than 50 percent of income towards rent (Table 7). By comparison, nationwide, 22.0 and 23.8 percent of renter households were cost burdened and severely cost burdened, respectively. For renter households with incomes less than 50 percent of the Area Median Family Income (AMFI), 31.4 percent were cost burdened and 42.6 percent were severely cost burdened. Nationwide, a smaller proportion of households were cost burdened—25.7 percent—while the share of severely cost-burdened renter households was higher at 50.2 percent.

Table 7. Percentage of Cost Burdened Renter Households by Income in the Evansville HMA and the Nation, 2012–2016

	Cost Burdened: 30–49 Percent of Income Towards Rent		Severely Cost Burdened: More than 50 Percent of Income Towards Rent	
	Evansville HMA	Nation	Evansville HMA	Nation
Renter Households with Income <50% HAMFI	31.4	25.7	42.6	50.2
Total Renter Households	23.3	22.0	20.9	23.8

HAMFI = HUD Area Median Family Income.

Note: “Cost-burdened” households spend between 30–49 percent of their income on rent and “severely cost-burdened” households spend over 50 percent of their income on rent.

Sources: Consolidated Planning/CHAS Data; 2012–2016 American Community Survey, 5-year estimates (huduser.gov)

The Low Income Housing Tax Credit program (LIHTC) is the primary source of funding for new affordable rental housing in the nation. Since 2010, approximately 2,175 LIHTC units were placed in service in the Evansville HMA (an average of about 223 units each year), with 94 percent of those units reserved for households with incomes at or below 60 percent of the AMFI (Indiana Housing and Community Development Authority, Kentucky Housing Corporation). By comparison, from 2000 through 2009, 1,350 new LIHTC units were placed in service in the HMA (an average of almost 135 units each year), with 95 percent of units reserved for households with incomes at or below 60 percent of AMFI. The most recently completed LIHTC property in the HMA is the 32-unit Women’s Addiction Recovery Manor Phase II that was placed in service in 2016.

In addition to LIHTC, income-eligible residents may qualify for housing choice vouchers (HCV) through the local public housing agency (PHA) or project-based rental assistance (PBRA). PHAs within the HMA managed approximately 3,210

HCVs in 2018 (Table 8); waitlists are closed until further notice. Within the HMA, nearly 2,075 units are subsidized through PBRA and other programs. The number of households that are receiving federal rental assistance in the HMA has declined 12 percent since 2010, compared with a 5-percent rise nationwide.

Table 8. Picture of Subsidized Households, 2018

	Evansville HMA	Evansville HMA Change Since 2010 (%)	National Count	National Change Since 2010 (%)
Total Assisted Households (2018)	5,280	-11.9	4,650,853	5.0
Total Housing Voucher Households (2018)	3,211	16.3	2,264,047	11.0
Average HCV Tenant Monthly Contribution	\$297	-4.0	\$370	0.8
Average Monthly HUD Subsidy	\$490	-1.0	\$753	-4.5

HCV = housing choice voucher.

Note: Dollar changes are inflation adjusted using the Consumer Price Index for All Urban consumers (CPI-U).

Source: Assisted Housing: National and Local (huduser.gov)

New Rental Construction

In May 2018, the income-restricted Garfield Commons development opened in the city of Evansville, adding 47 affordable units to the rental inventory. The property, which offers one-, two-, and three-bedroom units for households earning 80 percent or less of the Area Median Income, is currently 94-percent occupied. Monthly rents vary based on tenant household income. The 144-unit Post House in downtown Evansville is currently under construction. The mixed-use, general occupancy property will offer market-rate studio, one-, and two-bedroom units with the ground-level reserved for non-residential use. The property is expected to open early in 2020; monthly rents have not been announced yet.

Forecast

During the 3-year forecast period, demand is estimated for 650 new rental units in the HMA (Table 9). The 190 units under construction and the 60 additional planned completions will meet a portion of this demand.

Table 9. Demand for New Rental Units in the Evansville HMA During the Forecast Period

Rental Units	
Demand	650 Units
Under Construction	190 Units

Note: The forecast period is from July 1, 2019, to July 1, 2022.

Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Forecast Period	7/1/2019–7/1/2022—Estimates by the analyst
Home Sales/ Home Sales Prices	Includes new and existing single-family home, townhome, and condominium sales.
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 this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes.
Distressed Sales	Short sales and real estate owned (REO) sales.



Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
HUD Rental Affordability Index	Rental affordability index values below 100 indicate that the median income of renter households in the HMA is sufficient to qualify for the median-priced rental units.
Cost Burdened	Spending more than 30 percent of household income on housing costs.
Low-Income Housing Tax Credit (LIHTC)	Housing typically restricted to residents with a household income at, or below, 60 percent of area median income (AMI). Examples include, but are not limited to, public housing, Section 8 housing, and low-income housing tax credit (LIHTC) housing.

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 February 28, 2013.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.
Cover Photo	iStock Photography

Contact Information

Tomasz Kukawski, Economist
 Chicago HUD Regional Office
 312-913-8894
tomasz.m.kukawski@hud.gov

