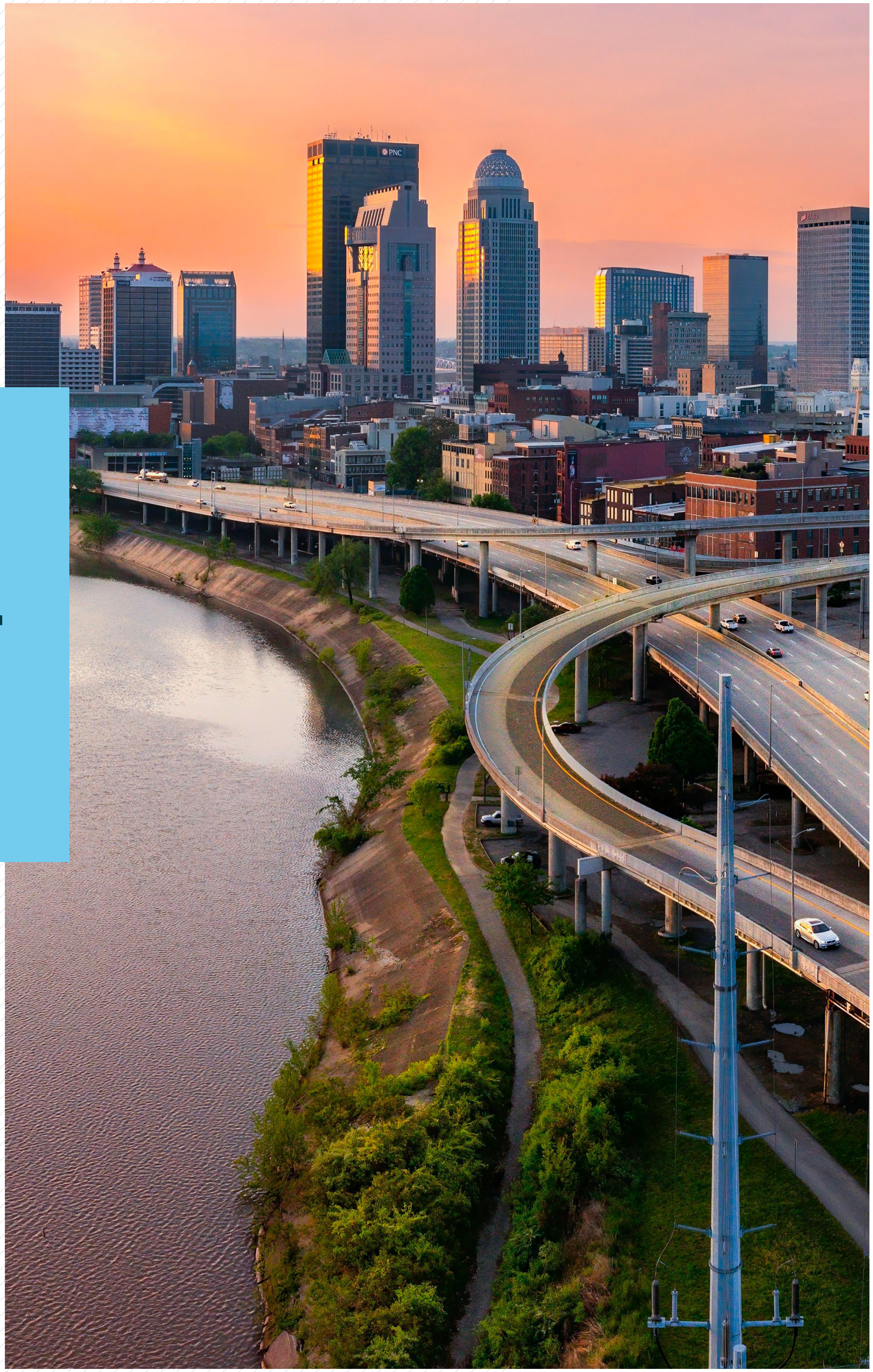
COMPREHENSIVE HOUSING MARKET ANALYSIS

Louisville, Kentucky-Indiana



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

As of May 1, 2023

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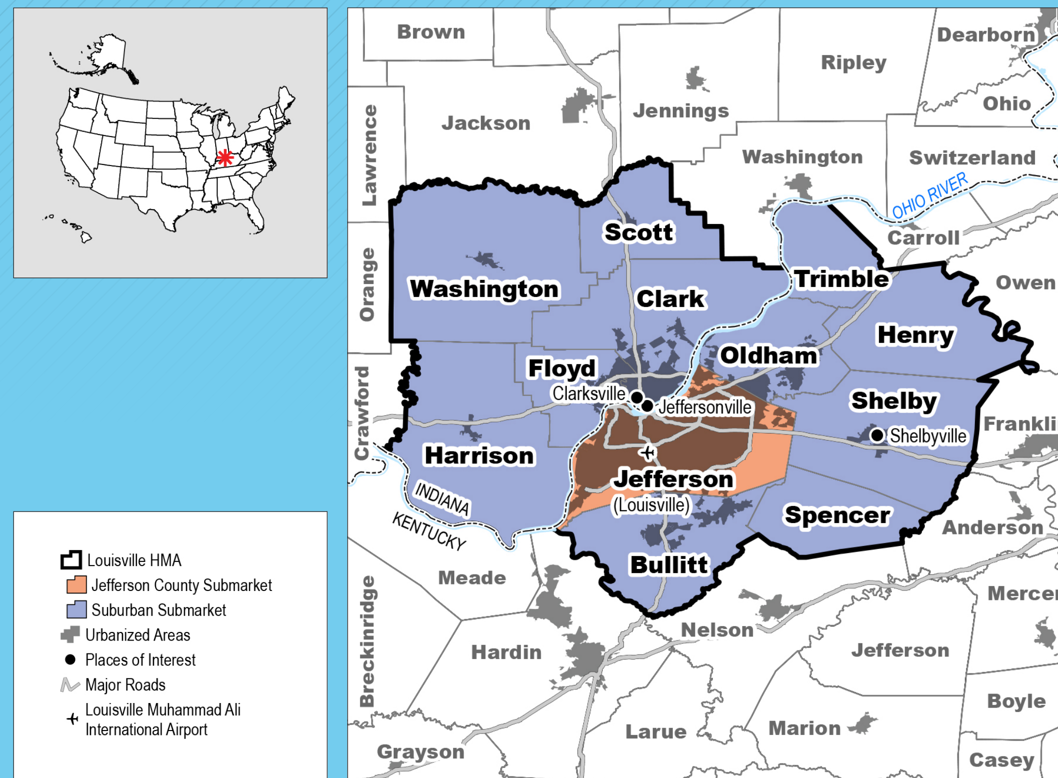
Executive Summary

Housing Market Area Description

The Louisville, Kentucky-Indiana Housing Market Area (hereafter, Louisville HMA) is coterminous with the Louisville-Jefferson County, KY-IN Metropolitan Statistical Area in northwestern Kentucky and southeast Indiana and is bisected by the Ohio River. For purposes of this report, the HMA is divided into two submarkets: the Jefferson County submarket, which includes the city of Louisville in Kentucky; and the Suburban submarket, made up of Clark, Floyd, Harrison, Scott, and Washington Counties in Indiana and Bullitt, Henry, Oldham, Shelby, Spencer, and Trimble Counties in Kentucky.

The current population of the HMA is estimated at 1.32 million.

Significant bourbon distilling led to the recognition of the HMA as a bourbon-tasting destination. The Bourbon Trail, a tour beginning in Louisville, covers a collection of 18 distilleries throughout Central Kentucky. Bulleit Distilling Company, Heaven Hill Distillery, James B. Beam Distilling Company, and many other distilleries in the HMA are included as tour stops. In addition to bourbon tourism, the HMA is famed for horse racing, with thoroughbred racing at Churchill Downs. Kentucky Derby Week, a week of festivities and horse races culminating with the Kentucky Derby on the first Saturday in May, attracts approximately 155,000 visitors and has an estimated $400 million annual economic impact on the Louisville HMA (University of Louisville).



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 in the Louisville HMA surpassed 2019 levels by 1.5 percent during the 12 months ending April 2023.

During the 12 months ending April 2023, nonfarm payrolls increased from a year earlier by 16,400 jobs, or 2.5 percent, to 684,900 jobs. Job growth slowed from the 4.5-percent gains a year earlier as the economy in the Louisville HMA shifted from recovery to expansion. The unemployment rate during the 12 months ending April 2023 was 3.4 percent, down from 3.9 percent a year earlier and the lowest level since at least 2000. However, slow population growth since 2020 contributed to the labor force and resident employment lagging 2019 levels before the impacts of the COVID-19 pandemic. During the next 3 years, jobs are expected to increase to 721,500 jobs, an average annual increase of 1.8 percent.

Sales Market

Slightly Tight: The inventory of homes for sale has been low since the early to mid-2010s.

As of May 1, 2023, the home sales market in the HMA had an estimated sales vacancy rate of 1.5 percent, compared with 2.5 percent in 2010. Mortgage interest rates are at the highest level in more than 20 years, which has tempered home sales, but sustained demand is keeping price growth strong. During the 12 months ending April 2023, home sales totaled 27,750, down 21 percent from a year earlier, but the average sales price increased 7 percent to $269,900. During the 3-year forecast period, demand is expected for 9,350 new homes; the 1,250 homes under construction are expected to meet a portion of the demand. Approximately two-thirds of the demand will be in the Suburban submarket.

Rental Market

Balanced: The rental vacancy rate was 8.2 percent as of May 1, 2023, down from 8.4 and 9.4 percent in 2020 and 2010, respectively.

Rental construction increased 28 percent during the 12 months ending April 2023 to nearly 3,625 rental units permitted. The 49-percent increase in the Jefferson County submarket more than offset the 14-percent decline in the Suburban submarket during the same period. The apartment market is also balanced; vacancy rates rose year over year in the apartment market from 5.6 to 7.3 percent as of the first quarter of 2023, which contributed to a moderate 5-percent annual rent growth, down from 9 percent as of the first quarter of 2022 (CoStar Group). During the forecast period, demand is expected for 6,350 rental units. The 4,650 units under construction are expected to meet demand during the first 2 years. Jefferson County accounts for 61 percent of the demand and 75 percent of the units already under construction.

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3-Year Housing Demand Forecast

	Sales Units			Rental Units		
	Louisville HMA Total	Jefferson County Submarket	Suburban Submarket	Louisville HMA Total	Jefferson County Submarket	Suburban Submarket
Total Demand	9,350	3,225	6,125	6,350	3,875	2,475
Under Construction	1,250	450	800	4,650	3,500	1,150

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2023. The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Education and Health Services

From 2011 through 2019, growth in the manufacturing sector averaged 3.5 percent a year in the Louisville HMA, nearly triple the average annual national rate of 1.2 percent in the same period.

Primary Local Economic Factors

The city of Louisville, coterminous with Jefferson County in Kentucky, is the largest city in the Commonwealth and the economic center of the HMA. The HMA is known for manufacturing, tourism, logistics, and healthcare. Significant automobile and appliance manufacturing occurs in the HMA, with Ford Motor Company and GE Appliances, a Haier Company (hereafter, GE), among the largest employers (Table 1). Ford Motor Company established its first assembly plant in the HMA in 1916 and is currently the fourth largest employer, with 13,000 workers between the Kentucky Truck Plant and the Ford Louisville Assembly Plant. GE is located at Appliance Park, a 750-acre business park in Louisville that opened in 1951 and includes the national headquarters for the company and manufacturing facilities for refrigerators, washing machines, dryers, and dishwashers. In 2021, the company announced it will add 1,000 jobs at Appliance Park through 2023.

Table 1. Major Employers in the Louisville HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United Parcel Service, Inc.	Transportation & Utilities	25,150
Norton Healthcare, Inc.	Education & Health Services	14,400
UofL Health Inc.	Government	13,200
Ford Motor Company	Manufacturing	13,000
Humana Inc.	Financial Activities	11,250
Baptist Healthcare System Inc.	Education & Health Services	9,025
Walmart Inc.	Wholesale & Retail Trade	8,600
GE Appliances, a Haier Company	Manufacturing	8,100
University of Louisville	Government	6,575
Louisville/Jefferson County Metro Government	Government	5,700

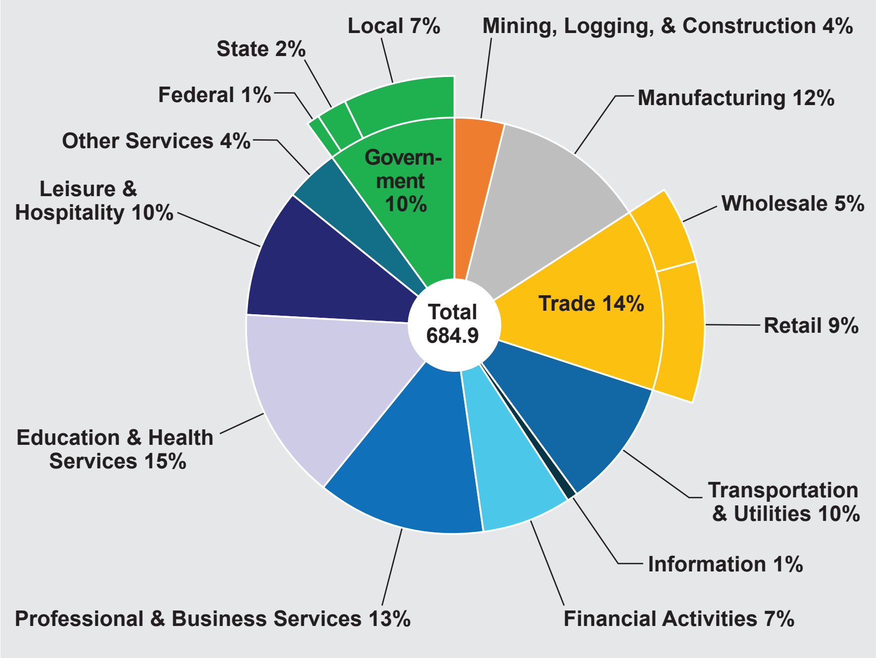
Note: Excludes local school districts.
Source: *Louisville Business First*, 2022

Tourism, especially to the downtown Louisville area, supports the local economy. Approximately 16.4 million visitors travel to Louisville annually (Louisville Tourism). The downtown Louisville Urban Bourbon District is expanding in 2023 with the addition of the Buzzard's Roost Whiskey Row Experience and Bardstown Bourbon Company tasting room. Tourism to Louisville generates approximately $3.4 billion in economic impact to the Commonwealth of Kentucky annually, accounting for more than 23 percent of the statewide impact of tourism; approximately 12 percent of the annual impact of tourism on the HMA occurs during Kentucky Derby Week.

United Parcel Service, Inc. (UPS) is the largest employer in the HMA, with approximately 25,150 workers (*Louisville Business First*). UPS is the largest package delivery company in the world and operates a hub at the Louisville Muhammad Ali International Airport and distribution centers throughout the HMA. UPS contributes an average of $300 million annually to the Kentucky economy (2019 UPS economic analysis impact report).

Three of the ten largest employers in the HMA are medical providers, establishing Louisville as a regional healthcare center. The HMA healthcare providers are anchored by Norton Healthcare, Inc., UofL Health Inc., and Baptist Healthcare System, Inc. The three healthcare systems are ranked among the top six in Kentucky (U.S. News & World Report Best Regional Hospitals, 2022–2023). Norton Healthcare, Inc. is building a new hospital on the west end of Louisville and is expected to open in 2024 with 200 jobs. The large presence of healthcare providers has contributed to the education and health services sector accounting for 15 percent of total nonfarm payrolls and making it the largest sector (Figure 1).

Figure 1. Share of Nonfarm Payroll Jobs in the Louisville HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through April 2023.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Nonfarm Payrolls

Nonfarm payrolls in the Louisville HMA have fully recovered from the job losses incurred in early 2020 resulting from the countermeasures to slow the spread of COVID-19; however, recovery has not been equal across sectors. During the 12 months ending April 2023, nonfarm payrolls averaged 684,900 jobs, up by 16,400 jobs, or 2.5 percent, from a year earlier (Table 2). By comparison, the

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

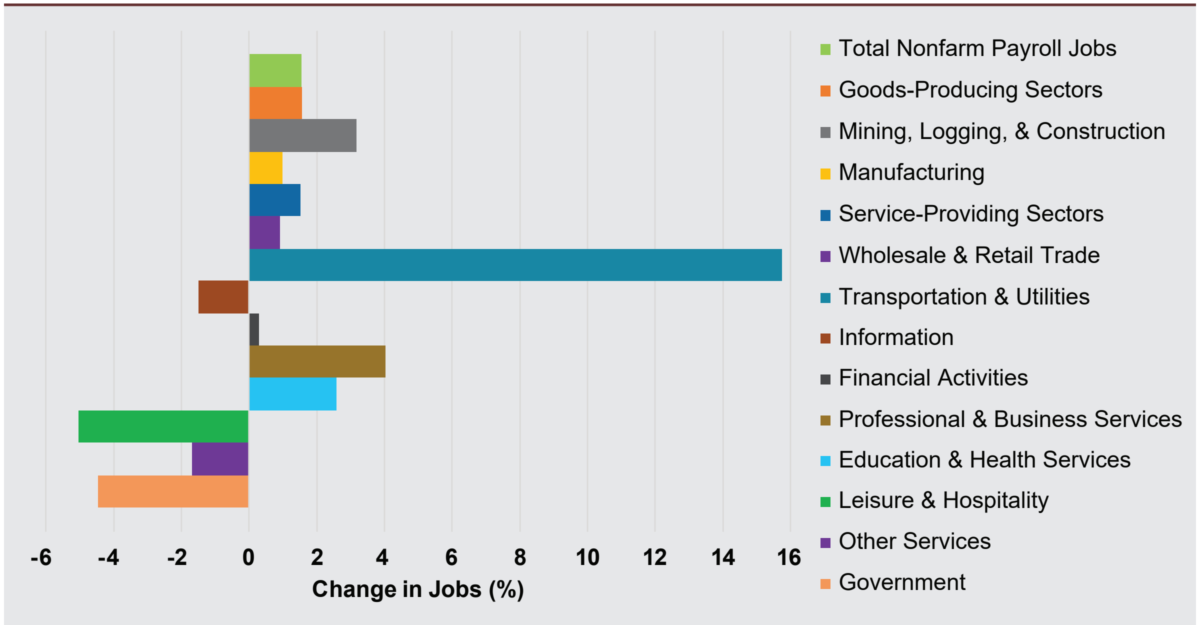
	12 Months Ending April 2022	12 Months Ending April 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**668.5**	**684.9**	**16.4**	**2.5**
Goods-Producing Sectors	110.4	114.6	4.2	3.8
Mining, Logging, & Construction	29.6	30.6	1.0	3.4
Manufacturing	80.7	83.9	3.2	4.0
Service-Providing Sectors	558.1	570.4	12.3	2.2
Wholesale & Retail Trade	93.5	95.0	1.5	1.6
Transportation & Utilities	62.7	66.0	3.3	5.3
Information	8.5	8.9	0.4	4.7
Financial Activities	48.6	47.0	-1.6	-3.3
Professional & Business Services	89.5	90.5	1.0	1.1
Education & Health Services	97.6	99.8	2.2	2.3
Leisure & Hospitality	62.6	67.0	4.4	7.0
Other Services	24.1	25.5	1.4	5.8
Government	71.2	70.8	-0.4	-0.6

Notes: Based on 12-month averages through April 2022 and April 2023. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

12-month average nonfarm payrolls in April 2022 increased by 29,100 jobs, or 4.5 percent from a year earlier, following the 4.2 percent decrease during the 12 months ending April 2021. The number of jobs lost was recovered in 2022, and during the 12 months ending April 2023, nonfarm payrolls exceeded 2019 levels by 1.5 percent. During the 12 months ending April 2023, the leisure and hospitality sector led job growth in numerical growth and rate of gains, adding 4,400 jobs, or 7.0 percent, from a year earlier; however, because this sector was hardest hit during the recession, payrolls are 5.0 percent below 2019 levels. The transportation and utilities sector also had strong growth, up by 3,300 jobs, or 5.3 percent, from a year earlier. The transportation and utilities sector, already bolstered by the UPS hub in the HMA, was further strengthened by the growing tendencies of consumers toward online purchases, a trend that accelerated during the COVID-19 pandemic. Since the pandemic, the sector has been the fastest growing, having increased nearly 16 percent over 2019 levels (Figure 2).

The manufacturing sector added 3,200 jobs, or 4.0 percent, year over year. At 83,900 jobs, the manufacturing sector is at its highest level since 2002. Following pandemic-related business closures and social distancing efforts in 2020, initial sector recovery was hampered by supply chain issues in 2021. Therefore, although total nonfarm payroll gains slowed from a year earlier as the economy transitioned from recovery to expansion, manufacturing sector growth during the current 12-month period accelerated from the gain of 2,000 jobs, or 2.5 percent, during the 12 months ending April 2022 and jobs in this sector are 1.0 percent higher than in 2019. In late 2022, Ford Motor Company announced that the Kentucky Truck Plant began an expansion that will produce the 2023 Ford F-Series Super Duty truck beginning in May 2023, adding 500 jobs. Partially offsetting nonfarm payroll gains, the financial activities sector declined in the past year. Although the sector is approximately 0.3 percent above 2019 levels, rising mortgage interest rates since 2021 contributed to fewer loan refinancing and mortgage applications, resulting in layoffs in related real estate industries. During the 12 months ending April 2023, the financial activities sector shed 1,600 jobs, or 3.3 percent, from a year earlier to 47,000 jobs.

Figure 2. Sector Growth in the Louisville HMA, 2020 to Current



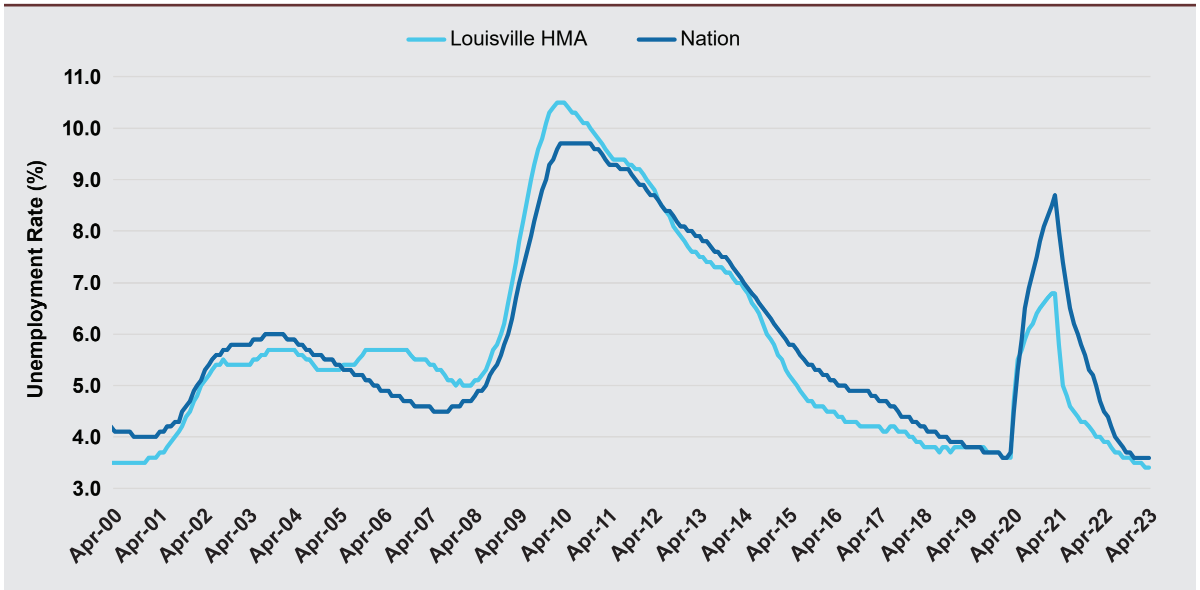
Note: The current date is May 1, 2023.
Source: U.S. Bureau of Labor Statistics

Like the leisure and hospitality sector, other sectors have not fully recovered from the impacts of the recession in early 2020. Despite sector growth in the past year, the information and the other services sectors are 1.5 and 1.7 percent, respectively, below 2019 levels. In addition, the government sector is 4.5 percent lower than in 2019, having declined in the past year. During the 12 months ending April 2023, the sector decreased by 400 jobs, or 0.6 percent. State government payrolls were down by 100 jobs, or less than 1 percent, from a year earlier. As of the fall 2022 semester, employment at the University of Louisville (UofL) increased 2 percent from a year earlier, despite an approximately 1-percent decline in enrollment. The operating budget increased 15 percent year over year to $1.5 billion; however, the endowment and federal research funds decreased a combined 13 percent. One-half of the declines occurred in the local government subsector, causing many departments to be understaffed. The staffing shortages are widespread; in March 2023, the Louisville/Jefferson County Metro Government hosted a job fair to fill nearly 1,900 vacancies across all departments.

Current Conditions—Unemployment

The labor market is currently tight, with the unemployment rate at its lowest level since at least 2000. During the 12 months ending April 2023, the unemployment rate was 3.4 percent, down from 3.9 percent a year earlier and below the 3.7-percent rate in 2019 (Figure 3) before numerous businesses temporarily closed and laid off workers due to the pandemic. The decline in the past year occurred because resident employment increased by 4,200 jobs, or 0.7 percent, which outpaced the overall growth in the labor force of 700 jobs, or 0.1 percent. Nevertheless, net out-migration occurring from 2020 to 2021 and a wave of retirements during the pandemic contributed to fewer workers than before, leading to labor shortages. Nationally, an estimated 2.6 million people retired during the pandemic beyond the expected long-run trend (Federal Reserve Bank of St. Louis); thus, the labor force and resident employment in the Louisville HMA are currently 0.8 and 0.6 percent below 2019 levels, respectively.

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



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

Economic Periods of Significance

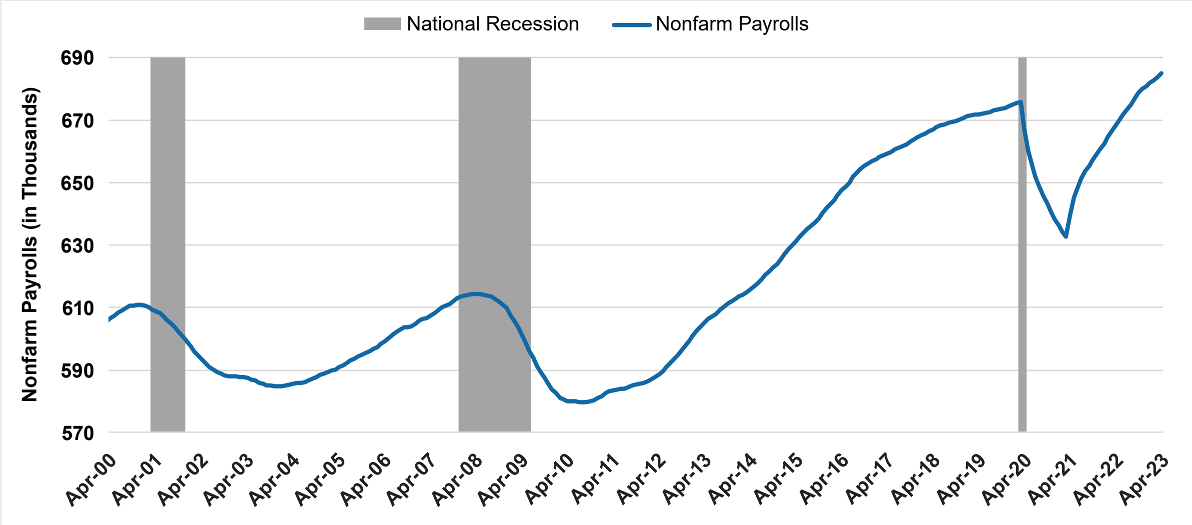
2000 Through 2007

After peaking at 610,900 jobs in 2000, the economy in the Louisville HMA contracted (Figure 4). From 2001 through 2003, the local economy shed an average of 8,700 jobs, or 1.4 percent, annually. During this period, 9 of the 11 sectors lost jobs, with manufacturing leading declines and accounting for 54 percent of the losses, down an average of 4,700 jobs, or 5.2 percent, each year. Recovery began in 2004, although the HMA would not surpass 2000 nonfarm payroll levels until 2007. From 2004 through 2007, the economy added an average of 7,200 jobs, or 1.2 percent, annually. The professional and business services and the transportation and utilities sectors led growth, adding an average of 2,400 and 1,800 jobs, respectively, or 3.5 and 4.7 percent, each year. Partially offsetting payroll gains, the manufacturing sector continued losing jobs but at a slower rate. Sector jobs declined by an average of 1,400 jobs, or 1.8 percent, a year.

2008 Through 2010

The Great Recession impacted the HMA with 3 years of job losses from 2008 through 2010. Nonfarm payrolls decreased by an average of 10,800 jobs, or 1.8 percent, a year. By comparison, the nation averaged an annual decline of 1.9 percent during the same period. The goods-producing sectors accounted for nearly two-thirds of job losses in the HMA.

Figure 4. 12-Month Average Nonfarm Payrolls in the Louisville HMA



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

Declines in the manufacturing sector accelerated from the previous period, down an average of 4,800 jobs, or 6.8 percent, each year. In addition, the mining, logging, and construction sector decreased by an average of 2,300 jobs, or 7.9 percent, a year, as softening sales and rental markets coupled with tightening lending standards contributed to a marked slowdown in residential construction. The education and health services sector and the government sector added jobs, partially offsetting losses in the HMA and averaging 1,800 and 900 jobs, respectively, or 2.3 and 1.1 percent, each year.

2011 Through 2019

Initial recovery from the Great Recession was sluggish but was bolstered in 2012 by plans to onshore manufacturing jobs. Nonfarm payrolls in 2011 increased 0.8 percent and spiked 2.4 percent in 2012. Reversing the declines of the previous decade, the manufacturing sector added 6,600 jobs in 2012, or 10.6 percent growth, which accounted for 48 percent of total nonfarm payroll gains. In 2012, the Ford Louisville Assembly Plant began production of the Escape, adding approximately 1,800 jobs. In addition, area suppliers added approximately 900 jobs to support production. Also in 2012, GE added 1,000 production workers and 500 engineers in the HMA. Job growth moderated, and from 2013 through 2019, nonfarm payrolls increased by an average of 10,700 jobs, or 1.7 percent, annually. The transportation and utilities sector and the manufacturing sector led job growth, adding an average of 2,200 and 2,100 jobs each year, or 4.5 and 2.8 percent, respectively. In 2014, the HMA recovered the number of jobs lost during the Great Recession, comparable to the national recovery.

2020

Nine years of economic expansion ended in 2020 with the onset of the global pandemic. The short but severe downturn resulted in a loss of 36,200 jobs, or 5.4 percent, in the HMA during 2020. The leisure and hospitality sector accounted for 42 percent of job losses that year, decreasing by 15,100 jobs, or 21.4 percent. Although 9 of the 11 sectors shed jobs during the year, the transportation and utilities sector and the financial activities sector added jobs. The transportation and utilities sector added 2,600 jobs, or 4.6 percent, to support the increased preferences for e-commerce during the pandemic. Historically low interest rates and many households preferring to purchase homes that better accommodated space for remote work led to a surge in homebuying and refinancing, supporting the addition of 400 jobs, or 0.9 percent, in the financial activities sector.

Commuting Patterns and Geography of Jobs

Workers living in the area fulfill most of the jobs in the Louisville HMA, but some commuting occurs in and out of the HMA. In 2020, approximately 79 percent of people who worked in the Louisville HMA also lived in the HMA (Census Bureau, OnTheMap). The remaining 21 percent of people working in the HMA commuted from elsewhere, primarily from the nearby Elizabethtown-Fort Knox, KY Metropolitan Statistical Area and the Lexington-Fayette, KY Metropolitan Statistical Area (hereafter, Lexington-Fayette metropolitan area). Of the workers living in the HMA, 15 percent traveled outside of the HMA to work, with the Lexington-Fayette metropolitan area as the most common destination.

The city of Louisville is the economic center of the HMA, including most major employers. Jobs in the Jefferson County submarket account for approximately 72 percent of HMA area jobs (Table 3). In the Suburban submarket, large employers include retailers with multiple locations, such as Walmart Inc. and The Kroger Company; community healthcare centers; Amazon.com, Inc. fulfillment centers; and some manufacturing plants.

Table 3. Current Estimated Percent Share of Nonfarm Payrolls in the Louisville HMA, by Submarket

Jefferson County Submarket	72
Suburban Submarket	28

Sources: U.S. Bureau of Labor Statistics; estimates by the analyst

Forecast

During the next three years, nonfarm payrolls in the HMA are expected to increase an average of 1.8 percent a year to approximately 721,500 jobs. The transportation and utilities sector is expected to continue to lead job growth in the HMA. In November 2022, UPS broke ground on two expansion projects in the HMA, with construction expected to be complete in late 2023 and job additions expected to continue through the next 10 years. In Bullitt County, UPS is expanding its global healthcare logistics and distribution facility, which will add approximately 120 jobs, and in Jefferson County, the Global Aviation Training Center will add more than 300 jobs with the addition of four flight simulators and a new hangar at the Louisville Muhammad Ali International Airport.

Population and Households

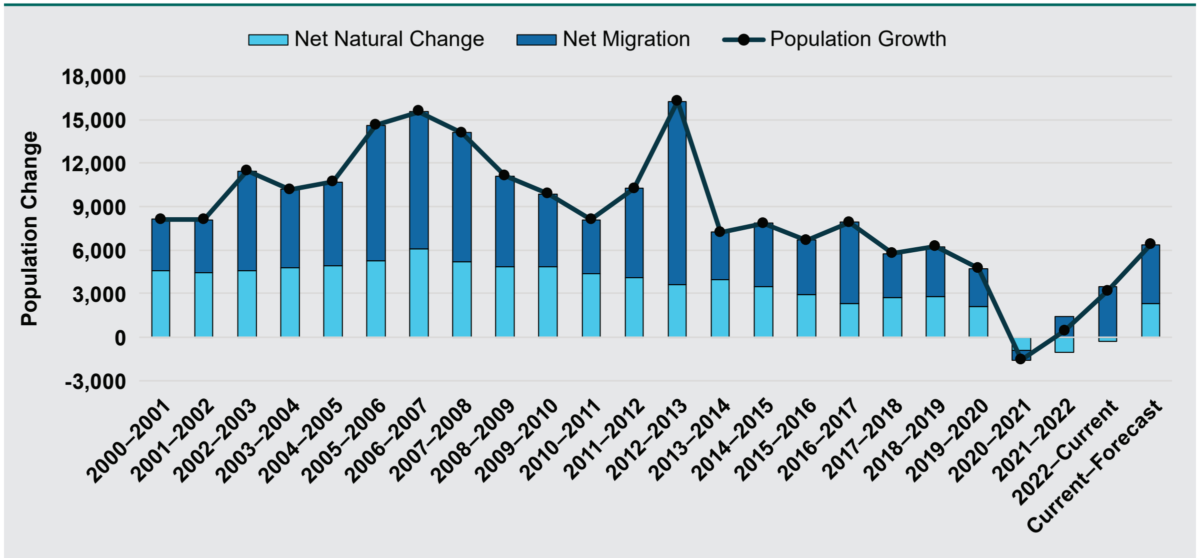
Current Population: 1.32 Million

The population in the Louisville HMA has increased every year since 2001, except for one year of decline in 2020.

Population Trends in the HMA

Population growth was strongest during the 2000s and early 2010s before slowing considerably in the mid- to late 2010s, despite the economic expansion. From 2000 to 2012, population growth fluctuated, increasing by an average of 11,050 people, or 0.9 percent, annually (Census Bureau decennial counts and population estimates as of July 1). Although net natural increase was at its highest level, averaging 4,850 people a year, net in-migration contributed more to population growth, averaging 6,200 people a year, or 56 percent of the population growth. From 2012 to 2013, population growth spiked (Figure 5) in response to the rapid growth in the manufacturing sector during that time. The population increased by 16,250, or 1.3 percent, representing the strongest year of growth. Net in-migration surged to 12,650, more than double the average annual level from the previous period, accounting for 78 percent of the population growth. As job gains moderated, population growth also stabilized. From 2013 to 2020, the population increased by an average of 6,800, or 0.5 percent, a year. Net in-migration slowed to an average of 3,800 annually, which was 56 percent of the population growth, whereas net natural increase averaged 3,000. Map 1 shows population growth in the HMA from 2010 to 2020 by census tract. The HMA had a single year of population decline during the early stages of the pandemic because of heavy job losses and universities switching to online courses. From 2020 to 2021, the population decreased by 820, or 0.1 percent, due to both net natural decrease and net out-migration; deaths attributed to COVID-19 contributed to elevated deaths in the HMA and people moved away because of expanded remote work opportunities, seeking jobs elsewhere, or returning home after colleges and universities converted to online learning. Net natural decrease averaged 710 people annually, outpacing the net out-migration averaging 110 people a year. Since 2021, population growth has remained relatively subdued. The population increased by an average of 1,650, or 0.1 percent, annually. Net natural decrease continued as COVID-19-related deaths remained elevated, but migration trends reversed to net in-migration averaging 2,350 people annually. About 4,650 deaths have been attributed to COVID-19 in the HMA since early 2020 (*New York Times*).

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

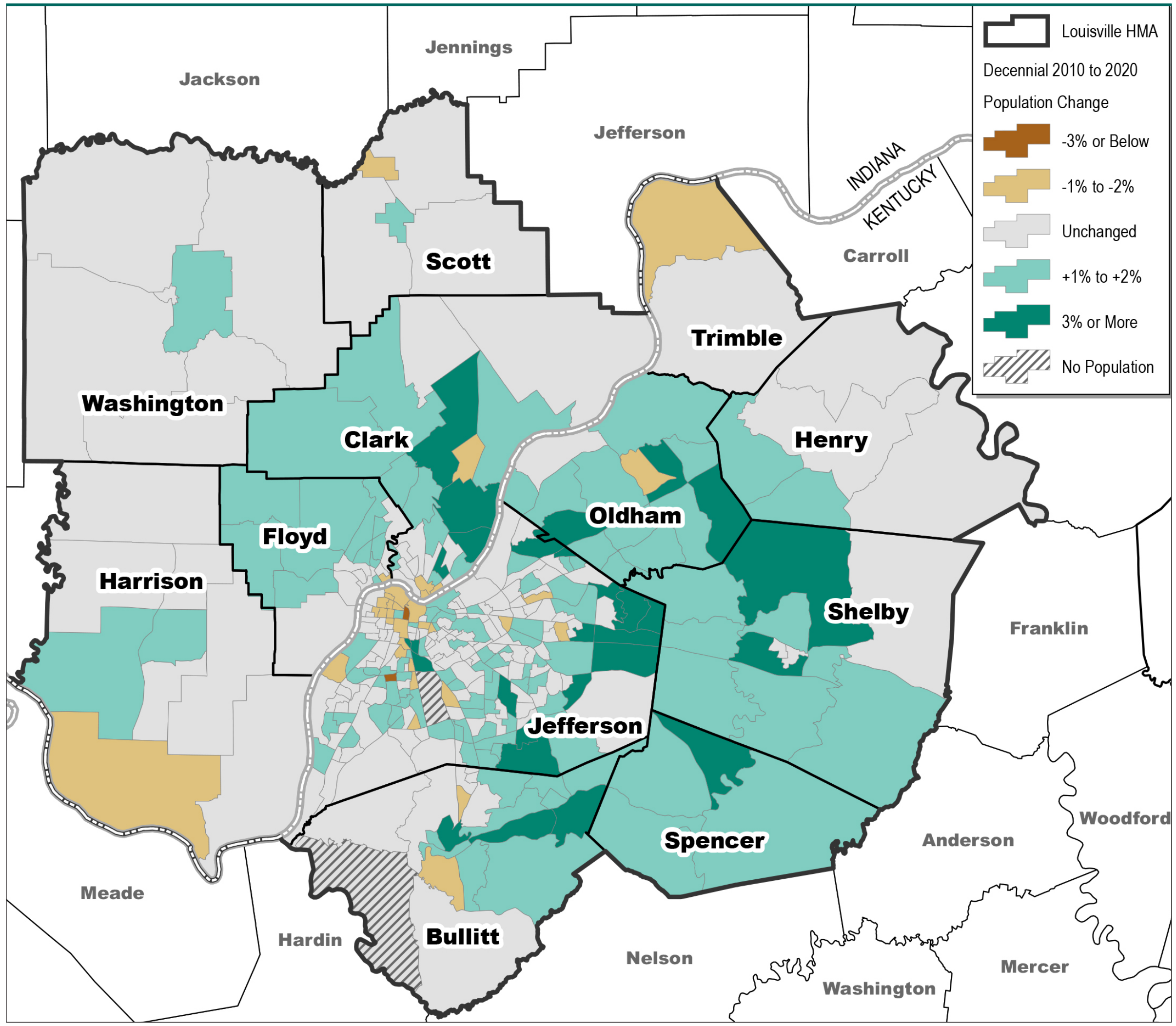


Notes: Data displayed are average annual totals. The forecast period is the current date (May 1, 2023) to May 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Population Trends in the Jefferson County Submarket

The Jefferson County submarket accounts for approximately 59 percent of the HMA population (Figure 6) and is estimated at 772,900 as of May 1, 2023. This submarket has had significant swings in migration since 2000, with residents moving into the Suburban submarket, where land is more available for development. In addition, during the 12 months ending April 2023, the price of a new home was 11 percent higher in the Jefferson County submarket than in the Suburban submarket. From 2000 to 2006, the population in the Jefferson County submarket increased by an average of 3,450, or 0.5 percent, a year. Net in-migration averaged 575 people a year, and population growth was primarily due to net natural increase, which averaged 2,875 people annually. Despite generally weak economic conditions with the Great Recession and initial recovery, population growth in the submarket accelerated from 2006 to 2012, primarily because lending standards tightened, diminishing the incentive to move to and purchase a home in the suburbs, and net in-migration to the Jefferson County submarket increased. The population increased by an average of 6,650 annually, or 0.9 percent, and net in-migration accounted for 53 percent of the population growth. The burst in migration from 2012 to 2013 occurred primarily in the Jefferson County submarket, where the

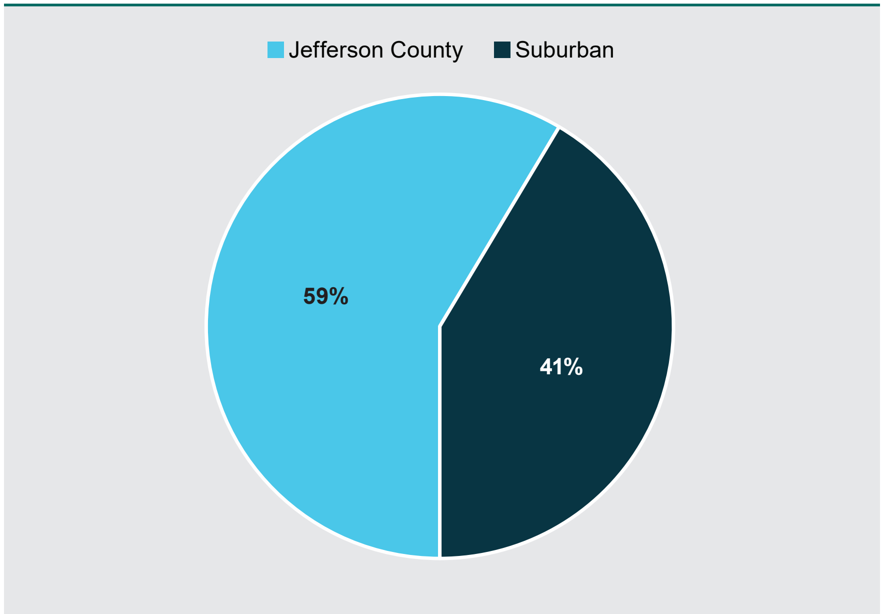
Map 1. Average Annual Population Change by Census Tract in the Louisville HMA



Source: 2009–2013 and 2014–2018 American Community Survey 5-year data

Ford and GE plants are located. The population increased by an average of 11,650, or 1.5 percent, annually, including net in-migration of 9,125 people, which was 72 percent of the total in-migration into the HMA. Population growth has slowed dramatically since 2013, with slower net natural increase and migration. From 2013 to 2017, the population increased by an average of 3,125, or 0.4 percent a year, with 68 percent of the growth occurring from net natural increase. From 2017 to 2020, growth slowed further, averaging 1,375 a year, or 0.2 percent, and all the growth stemmed from net natural increase. During the period, early changes in international migration policies and later pandemic-related international travel restrictions resulted in net out-migration, averaging 480 people annually. Approximately 28 percent of the net out-migration from the Jefferson County submarket moved to the Suburban submarket, primarily to Kentucky counties (2016–2020 American Community Survey [ACS] County-to-County migration flows). Since 2020, net out-migration accelerated to an average of 2,950 people annually due to limited international migration, movement to the suburbs for more space, and historically low interest rates in 2020 and early 2021, which encouraged many people to buy homes. In addition, the elevated deaths from the COVID-19 pandemic contributed to net natural decrease averaging 325 people a year. The total population decline averaged 3,275, or 0.4 percent, annually.

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



Source: Estimates by the analyst

Population Trends in the Suburban Submarket

The Suburban submarket, which accounts for 41 percent of the population in the HMA and includes some urbanized portions of counties and rural farmland, is estimated to have a population of 547,400. Population growth in this submarket has been generally stronger and has benefited considerably from migration out of the Jefferson County submarket. From 2000 to 2008, the population increased by an average of 7,175, or 1.6 percent, annually, with net in-migration accounting for an average of 5,250 people a year, 73 percent of the submarket population growth; net natural increase averaged 1,925 a year. Growth slowed during the Great Recession and early recovery, and this sustained period was the only time when population growth was slower in the Suburban submarket than in the Jefferson County submarket. The population in the Suburban submarket increased by an average of 3,625, or 0.7 percent, annually from 2008 to 2012, and the average net in-migration of 1,925 people contributed 53 percent of the population growth. Net in-migration increased as the economy in the Louisville HMA recovered and transitioned to expansion until the most recent downturn in early 2020. From 2012 to 2020, the population increased by an average of 4,400, or 0.9 percent, a year. Net in-migration averaged 3,400 people a year, which was 77 percent of the population growth, and net natural increase declined to an average of 1,000 a year. Since 2020, the Suburban submarket endured the only period of net natural decrease, due to the elevated deaths from the pandemic, but also the strongest net in-migration since before the Great Recession. Overall population growth slowed slightly from the previous period, averaging 3,925, or 0.7 percent, annually. Net natural decrease averaged 375 people a year, more than offset by net in-migration increasing to an average of 4,300 people annually.

University of Louisville Student Population

UofL, located in the Jefferson County submarket, is the largest university in the HMA in terms of student enrollment. Enrolled students at the university account for less than 3 percent of the submarket population, and student enrollment at UofL has been declining since 2020. Approximately 23,050 students were enrolled during the fall 2022 semester, down 1 percent from the previous school year and down less than 1 percent from 2020. UofL attributed the decline to the national trend of fewer births, reducing the pool of the college-aged population. In the Jefferson County submarket, the population aged 18 to 24 years old, which includes the traditional college ages, decreased from an estimated 67,550 in 2010 to 66,300 in 2021 (ACS 1-year data).

Household Trends

Since 2010, households in the HMA have increased slightly faster than population growth, a trend that was consistent within both submarkets. Approximately 541,650 households reside in the HMA, which is an average annual increase of 3,475, or 0.7 percent, since 2010 (Table 4). Like the population, household growth slowed following the 2000s; from 2000 to 2010, households increased by an average of 4,875, or 1.0 percent. The Jefferson County submarket, with 329,300 households, accounts for approximately 61 percent of households in the HMA. Households in the submarket increased by an average of 1,550, or 0.5 percent, each year since 2010, slower than the average annual increase of 2,225, or 0.7 percent, from 2000 to 2010. Household growth was stronger in the Suburban submarket, doubling the rate of growth in the Jefferson County submarket. The Suburban submarket includes approximately 212,350 households, with an average annual increase of 1,925, or 1.0 percent, each year since 2010, compared with the average increase of 2,650, or 1.5 percent, annually from 2000 to 2010.

Table 4. Louisville HMA Population and Household Quick Facts

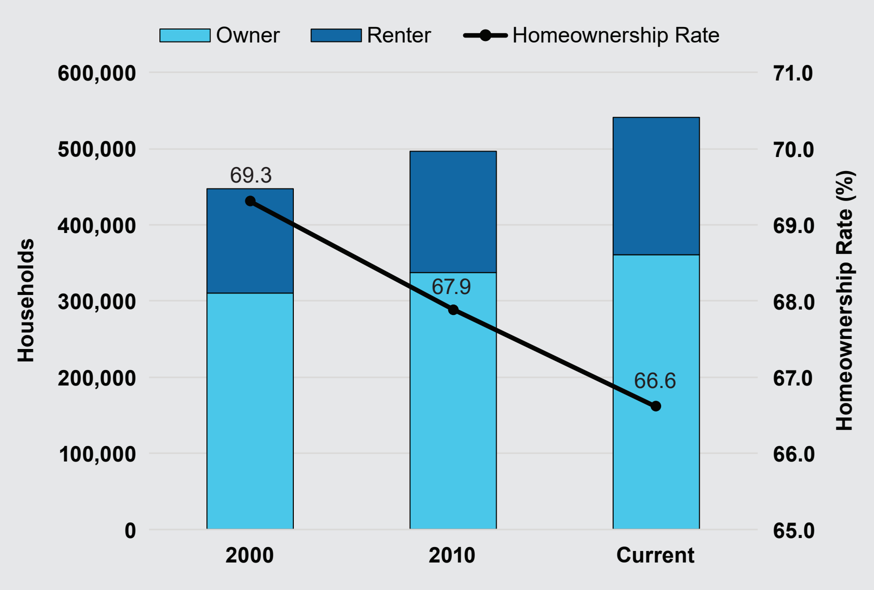
		2010	Current	Forecast
Population Quick Facts	**Population**	1,235,708	1,320,300	1,339,400
	Average Annual Change	11,450	6,450	6,375
	Percentage Change	1.0	0.5	0.5
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	496,314	541,650	551,100
	Average Annual Change	4,875	3,475	3,150
	Percentage Change	1.0	0.7	0.6

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is the current date (May 1, 2023) to May 1, 2026.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Households by Tenure

The homeownership rate has been steadily declining in the HMA since 2000. The homeownership rate is currently 66.6 percent, down from 67.9 percent in 2010 and 69.3 percent in 2000 (Figure 7). Approximately 360,800 owner

Figure 7. Households by Tenure and Homeownership Rate in the Louisville HMA



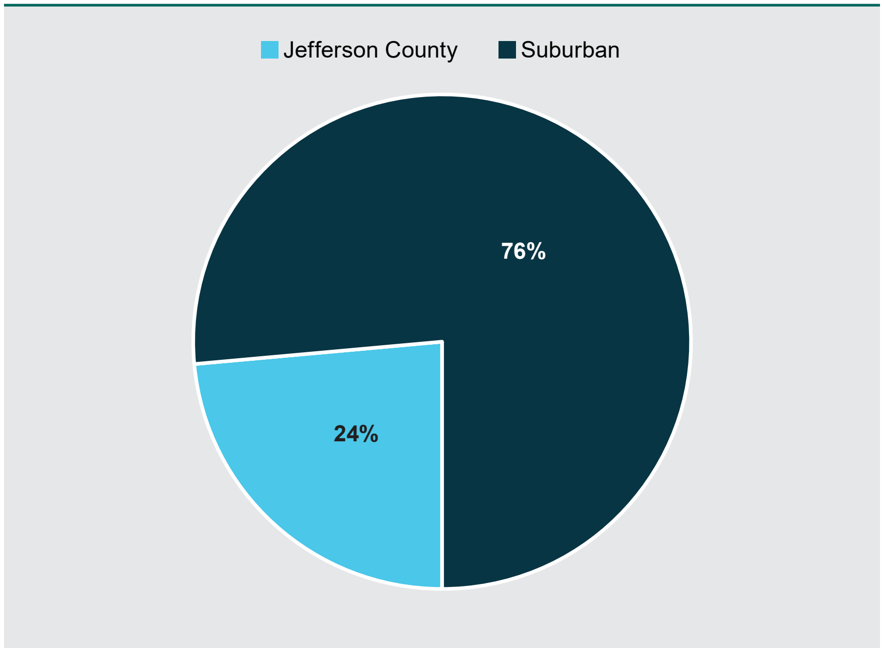
Note: The current date is May 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

households reside in the HMA, compared with 180,850 renter households. In the Jefferson County submarket, renter households increased at a faster rate than owner households, contributing to a lower homeownership rate than the HMA average, at 60.4 percent. Renter household growth, averaging 1.0 percent annually since 2010, outpaced owner households, which have increased by an average of 300, or 0.2 percent, each year. Conversely, in the Suburban submarket, owner households increased at a faster rate than renter households and contributed to the 76.2-percent homeownership rate. Since 2010, owner and renter households increased each year by averages of 1,525 and 400, or 1.0 and 0.8 percent, respectively.

Forecast

During the next 3 years, the population and number of households in the HMA are expected to increase by averages of 6,375 and 3,150, or 0.5 and 0.6 percent, each year to 1.34 million and 551,100, respectively. Population growth in the Suburban submarket will be much stronger than in the Jefferson County submarket (Figure 8). The population in the Jefferson County submarket is expected to increase by an average of 1,500, or 0.2 percent, annually to 777,400, compared with the average annual increase of 4,875, or 0.9 percent, annually to 562,000 in the Suburban submarket. Enrollment at UofL is expected to decline as a part of the longer trend of fewer births since the Great Recession, resulting in fewer college-aged students. Migration from the Jefferson County submarket to the Suburban submarket is expected to continue but will be much lower than the strong trends during the pandemic. The elevated deaths from the pandemic are expected to subside, contributing to net natural increase. Households in the Jefferson County and Suburban submarkets are expected to increase by averages of 1,000, or 0.3 percent, and 2,150, or 1.0 percent, a year to 332,300 and 218,800, respectively.

Figure 8. Share of Forecast Population Growth by Submarket



Source: Estimates by the analyst

Home Sales Market

Sales Market—Louisville HMA

Market Conditions: Slightly Tight

The inventory of homes for sale increased year over year to 1.4 months in April 2023 (CoreLogic, Inc.) but has remained well below 6.0 months since 2014.

Current Conditions

The home sales market in the Louisville HMA is currently slightly tight, with an estimated vacancy rate of 1.5 percent (Table 5), down from 2.5 percent in April 2010, when conditions were soft, and higher than the 1.3 percent rate in 2020. The sales vacancy rate has decreased since 2010 because of a combination of lower levels of homebuilding activity compared with the previous decade and stronger economic growth. Historically low interest rates in 2020 and 2021 contributed to tight market conditions, resulting in relatively low interest payments, which enabled more qualified buyers to afford the monthly payments. The average 30-year fixed-rate mortgage as of April each year increased from a low of 3.1 in 2021 to 5.0 percent in 2022 and 6.3 percent in 2023 (Freddie Mac). The average April rate in 2023 was at its highest level since 7.0 percent in 2002. Although interest rates have been rising since 2021, sales market conditions remain slightly tight because economic conditions have improved from the disruption of early 2020, and the inventory of homes available for sale is still low in the HMA as borrowers who locked in low mortgage rates during the pandemic are relunctant to move. During April 2023, the HMA had 1.4 months of available for-sale inventory, up from 1.3 months of supply a year earlier and 1.2 months in April 2021 (CoreLogic, Inc.). Those inventories of homes for sale are below the 2.7-month supply in 2019, when the market was also slightly tight, and the 10.1 months of available inventory in April 2010. The HMA has remained below 6.0 months of supply since the 6.2-month supply in April 2014. The current months of supply of for-sale inventory in the HMA is lower than the national inventory, which increased to 2.6 months in April 2023 from 1.7 months in April 2022.

Although continued demand amid low supply has contributed to upward pressure on home sales prices, the rate of increase has moderated, and home sales have decreased because of rising mortgage interest rates and slower population growth. During the 12 months ending April 2023, the average home sales price rose 7 percent to $269,900, slowing from the 13-percent increase during the same period a year earlier (CoreLogic, Inc., with adjustments by the analyst). Home sales decreased 21 percent year over year during the 12 months ending April 2023 to 27,750 homes sold, compared with a 3-percent increase during the previous 12-month period. Recent sales market trends reflect slower increases in average sales prices and steeper declines in home sales from the rising interest rates. The average home sales price as of the 3 months ending April 2023 rose 5 percent year over year compared with an increase of 12 percent during the same period a year earlier. Home sales declined 24 percent from the same period a year earlier compared with a 2-percent decrease as of the 3 months ending April 2022.

Table 5. Home Sales Quick Facts in the Louisville HMA

		Louisville HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.5%	NA
	Months of Inventory	1.4	2.6
	Total Home Sales	27,750	5,760,000
	1-Year Change	-21%	-26%
	New Home Sales Price	$416,100	$505,400
	1-Year Change	12%	11%
	Existing Home Sales Price	$256,300	$424,600
	1-Year Change	6%	4%
	Mortgage Delinquency Rate	1.3%	1.1%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2023; and months of inventory and mortgage delinquency data are as of April 2023. The current date is May 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

Forecast

During the next 3 years, demand is expected for 9,350 homes (Table 6). Demand will be distributed evenly throughout each year, and the 1,250 homes under construction will meet a portion of the demand. Approximately 66 percent of the demand will be in the Suburban submarket because of stronger population growth and higher homeownership rates.

Table 6. Demand for New Sales Units in the Louisville HMA During the Forecast Period

	Sales Units
Demand	9,350 Units
Under Construction	1,250 Units

Note: The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Sales Market—Jefferson County Submarket

Market Conditions: Slightly Tight

The inventory of homes for sale has remained below levels considered balanced since 2012 and has continued to support price growth in home sales.

Current Conditions

Sales market conditions in the Jefferson County submarket are slightly tight, with an estimated sales vacancy rate of 1.6 percent (Table 7), up from 1.5 percent in 2020 and down from 2.5 percent in 2010, when the market was soft. Net out-migration since the late 2010s and rising interest rates since 2021 have subdued demand and contributed to the increasing inventory of homes for sale, although the inventory remains historically low. As of April 2023, the submarket had a 1.3-month supply of for-sale inventory, up from 1.2 months a year earlier (CoreLogic, Inc.). By comparison, the submarket had 2.1 months of supply in April 2020 and 9.4 months in 2010. The April supply of homes in the submarket has remained below 6.0 months since the 7.9-month supply in April 2012.

Table 7. Home Sales Quick Facts in the Jefferson County Submarket

		Jefferson County Submarket	Louisville HMA
Home Sales Quick Facts	**Vacancy Rate**	1.6%	1.5%
	Months of Inventory	1.3	1.4
	Total Home Sales	15,900	27,750
	1-Year Change	-22%	-21%
	New Home Sales Price	$438,900	$416,100
	1-Year Change	13%	12%
	Existing Home Sales Price	$256,300	$256,300
	1-Year Change	6%	6%
	Mortgage Delinquency Rate	1.3%	1.3%

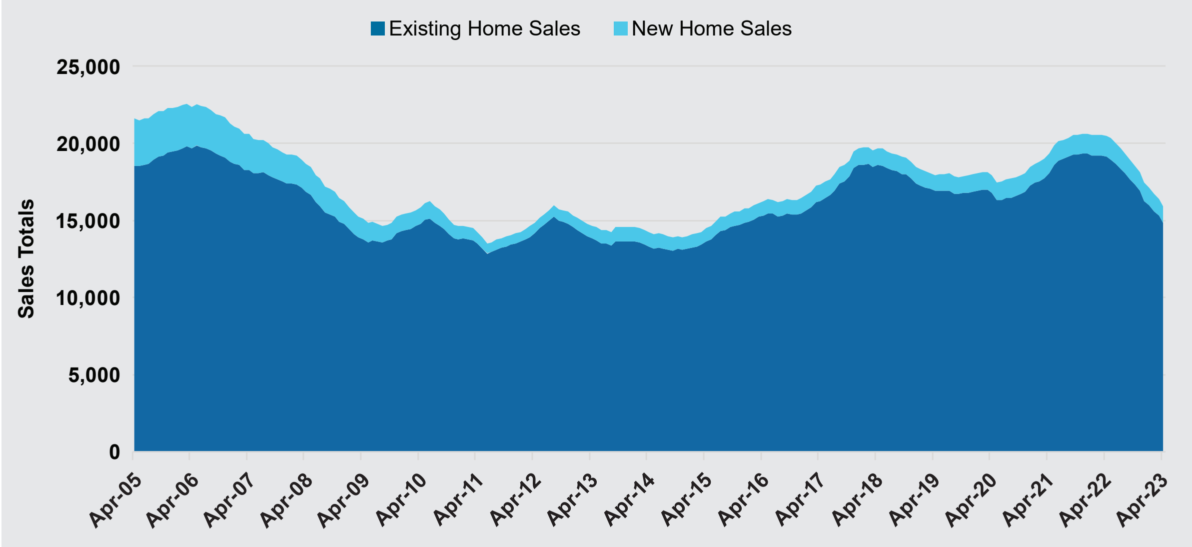
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2023; and months of inventory and mortgage delinquency data are as of April 2023. The current date is May 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

Current Home Sales and Prices

Population decline since 2020 and rising interest rates are suppressing demand for home sales while supply remains low. During the 12 months ending April 2023, new and existing home sales totaled 15,900 homes in the Jefferson County submarket, down 22 percent from a year earlier and compared with a 4-percent increase the previous year (CoreLogic, Inc., with adjustments by the analyst; Figure 9). The average home sales price during the 12 months ending April 2023 was $268,700, up 7 percent from a year earlier, which was below the 10-percent growth during the previous 12-month period (Figure 10). New home sales accounted for 7 percent of total homes during the past 12 months. New home sales decreased 19 percent to 1,100 during the 12 months ending April 2023, compared with a 5-percent increase a year earlier, and the average price for a new home increased 13 percent to $438,900, compared with an 11-percent increase a year earlier. The increase in average new home sales prices outpaced existing sales price growth. The average existing home price increased 6 percent to $256,300 compared with a 10-percent increase a year earlier, whereas existing home sales decreased 23 percent to 14,800 homes compared with a gain of 6 percent a year earlier. Distressed sales accounted for less than 2 percent of existing home sales during the 12 months ending April 2023, up from 1 percent a year earlier but down from a peak of 16 percent during the 12 months ending August 2009.

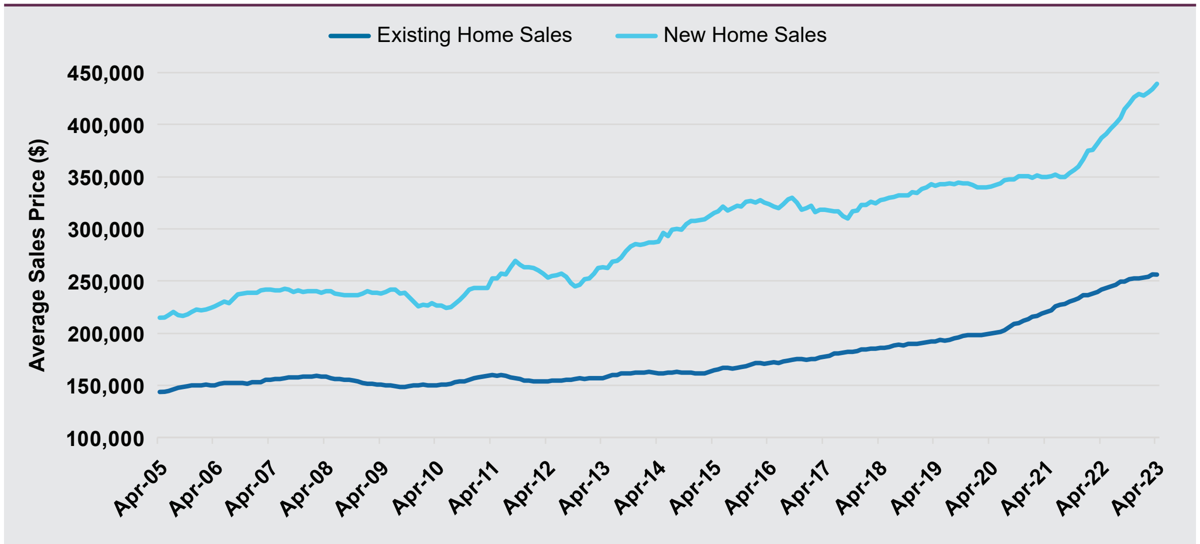
The impact of the rising mortgage interest rates on home prices and sales has been more pronounced in recent months. As of the 3 months ending April 2023, the average price of new and existing homes increased 6 percent from a year ago compared with a 12-percent year-over-year increase as of the 3 months ending April 2022. The slowdown in prices was strongest among existing home sales. Existing and new home sale prices increased 4 and 9 percent, respectively, year over year, compared with 12 and 15 percent a year earlier. As of the 3 months ending April 2023, new and existing home sales declined 27 percent compared with a 1-percent decline during the same period a year earlier. The steepest decline was in existing sales. New home sales decreased 15 percent as of the most recent 3 months, and existing home sales decreased 28 percent. During the 3 months ending April 2023,

Figure 9. 12-Month Sales Totals by Type in the Jefferson County Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

Figure 10. 12-Month Average Sales Price by Type of Sale in the Jefferson County Submarket



Source: CoreLogic, Inc., with adjustments by the analyst distressed sales accounted for 2 percent of existing home sales, up from 1 percent during the 3 months ending April 2022.

Home Sales Trends

Total home sales peaked in 2006, when approximately 21,300 homes sold; 12 percent were new home sales. Home sales declined an average of 10 percent annually through 2009 due to the national housing crisis. From 2009 through 2014, home sales averaged 14,700 a year. Softness in the housing markets and economic weakness surrounding the Great Recession contributed to fewer new home sales; new homes accounted for less than 6 percent of total home sales. Home sales in the Jefferson County submarket increased as economic conditions improved. From 2015 through 2019, home sales increased an average of 5 percent annually, which accelerated to a 7-percent average annual increase from 2020 through 2021 until rising interest rates tempered demand. Slow population growth transitioned to a brief period of population decline during the pandemic, keeping demand for new homes subdued. New home sales accounted for approximately 6 percent of home sales consistently from 2015 through 2022.

Home Sale Price Trends

The average price for new and existing homes in the Jefferson County submarket gradually increased through 2016, and prices began increasing sharply in 2017. Market conditions ranging from balanced to soft and elevated inventory of homes for sale initially kept price growth subdued. From 2006 through 2016, the average price of a home increased a modest 1 percent annually to $183,300. As the population increased and the inventory of homes for sale decreased, price growth accelerated. From 2017 through 2019, the average price of a home increased 4 percent annually, which doubled to an average annual increase of 8 percent from 2020 through 2022—when the inventory decreased to low levels—to $264,200. Contrary to trends during the past 12 months, the price growth for new home sales and resales was generally the same from 2005 until 2022.

REO Sales and Delinquent Mortgages

The number of home loans in the Jefferson County submarket that were seriously delinquent or had transitioned into real estate owned (REO) status has decreased to levels similar to 2000. In April 2023, 1.3 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 1.6 percent a year earlier and below the 6.4-percent peak in January 2010 (CoreLogic, Inc.). For context, during 2000, monthly rates ranged from 0.9 to 1.3 percent. During the downturn in early 2020, weakened economic conditions made it more difficult for many homeowners to stay current on their mortgage payments, and a large number of home mortgages were placed in forbearance. By August 2020, the percentage of home loans that were seriously delinquent or had transitioned into REO status reached a recent peak of 3.7 percent. The economic recovery and expansion that followed contributed to the decrease in the percentage of seriously delinquent mortgages and REO properties in April 2023 compared with a year earlier. Although the number of delinquent mortgages decreased 19 percent from a year earlier, foreclosures increased 19 percent during the same period. Local and federal policies protecting some homeowners from foreclosure during the pandemic expired, contributing to the increase in foreclosures in the past year, despite the overall decline in the rate of seriously delinquent loans and REO properties.

Sales Construction

Construction of homes intended for sale, as measured by the number of homes permitted in the Jefferson County submarket, has been low since the late 2000s (see building permits). The Jefferson County submarket has had slower population growth and stronger renter growth compared with the Suburban submarket. From 2000 through 2007, an average of 3,075 homes were permitted annually (Figure 11), accounting for approximately 47 percent of the construction of homes for sale in the HMA. Construction plummeted to an average of 900 homes permitted each year from 2008 through 2016.

Permitting increased 47 percent to an average of 1,325 homes annually from 2017 through 2022, despite periods of slower population growth and population loss. During the 12 months ending April 2023, 940 homes were permitted, down from 1,350 homes a year earlier.

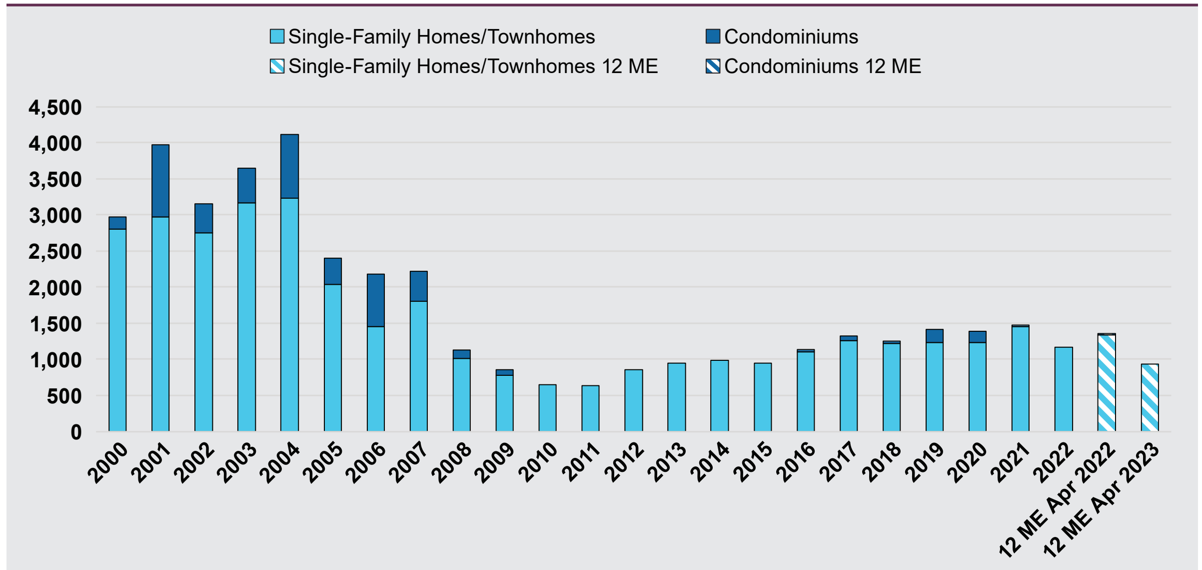
Examples of New Construction Sales Homes

Construction of homes for sale in the Jefferson County submarket typically occurs in residential areas outside the urban center of the city of Louisville. One of the more active subdivisions in Jefferson County is Cedar Creek, which opened in 2020 near McNeely Lake Park and has sold 162 of the 267 planned lots. Prices start at approximately $265,900 for a three-bedroom home.

Forecast

During the next 3 years, demand is expected for 3,225 new homes in the Jefferson County submarket (Table 8). The 450 homes under construction will meet a portion of the demand. Demand is expected to be steady throughout the forecast.

Figure 11. Annual Sales Permitting Activity in the Jefferson County Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 8. Demand for New Sales Units in the Jefferson County Submarket During the Forecast Period

	Sales Units
Demand	3,225 Units
Under Construction	450 Units

Note: The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Sales Market—Suburban Submarket

Market Conditions: Slightly Tight

The sales vacancy rate of 1.3 percent as of May 1, 2023, was down from 2.5 percent in 2010.

Current Conditions

Sales market conditions in the Suburban submarket are slightly tight, with an estimated sales vacancy rate of 1.3 percent, up from 1.2 percent in 2020 and down from 2.5 percent in 2010, when the market was soft. Low levels of inventory and relatively strong population growth have contributed to slightly tight conditions, but rising interest rates since 2021 have tempered demand. As of April 2023, the submarket had 1.8 months of supply of for-sale inventory (Table 9), up from 1.4 a year earlier (CoreLogic, Inc.). For context, the submarket had 2.3 months of supply in April 2020 and 13.6 months in 2010 and has remained below 6.0 months of supply since the 6.1 months of supply in April 2015.

Current Home Sales and Prices

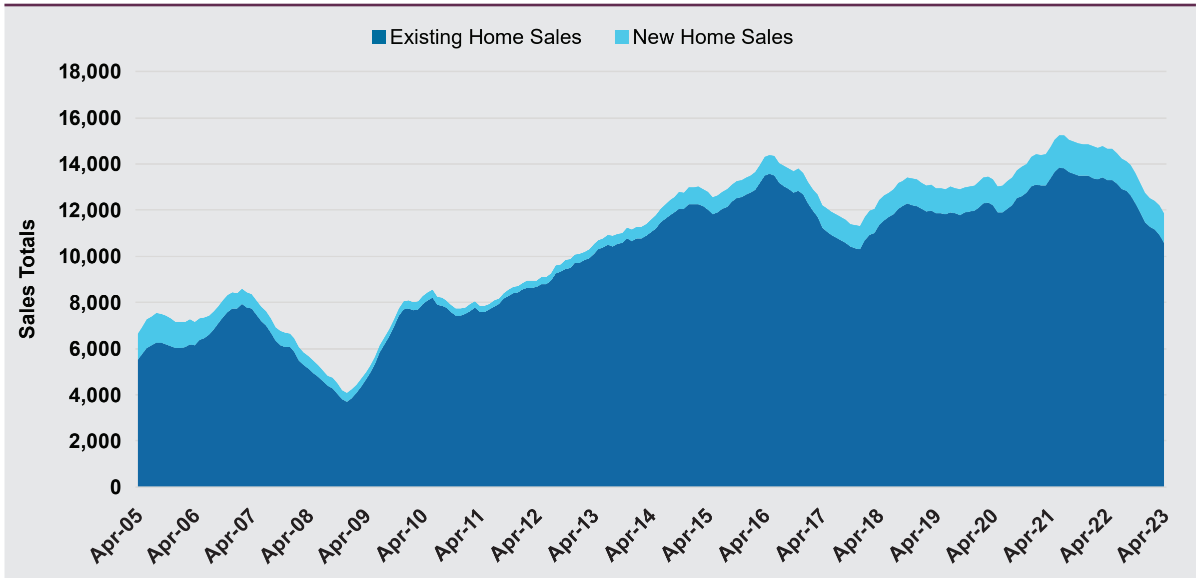
During the 12 months ending April 2023, new and existing home sales in the Suburban submarket totaled 11,850 homes (CoreLogic, Inc., with adjustments by the analyst; Figure 12). That number was down 19 percent compared with a

Table 9. Home Sales Quick Facts in the Suburban Submarket

Home Sales Quick Facts		Suburban Submarket	Louisville HMA
	Vacancy Rate	1.3%	1.5%
	Months of Inventory	1.8	1.4
	Total Home Sales	11,850	27,750
	1-Year Change	-19%	-21%
	New Home Sales Price	$396,800	$416,100
	1-Year Change	11%	12%
	Existing Home Sales Price	$256,400	$256,300
	1-Year Change	5%	6%
	Mortgage Delinquency Rate	1.3%	1.3%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2023; and months of inventory and mortgage delinquency data are as of April 2023. The current date is May 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

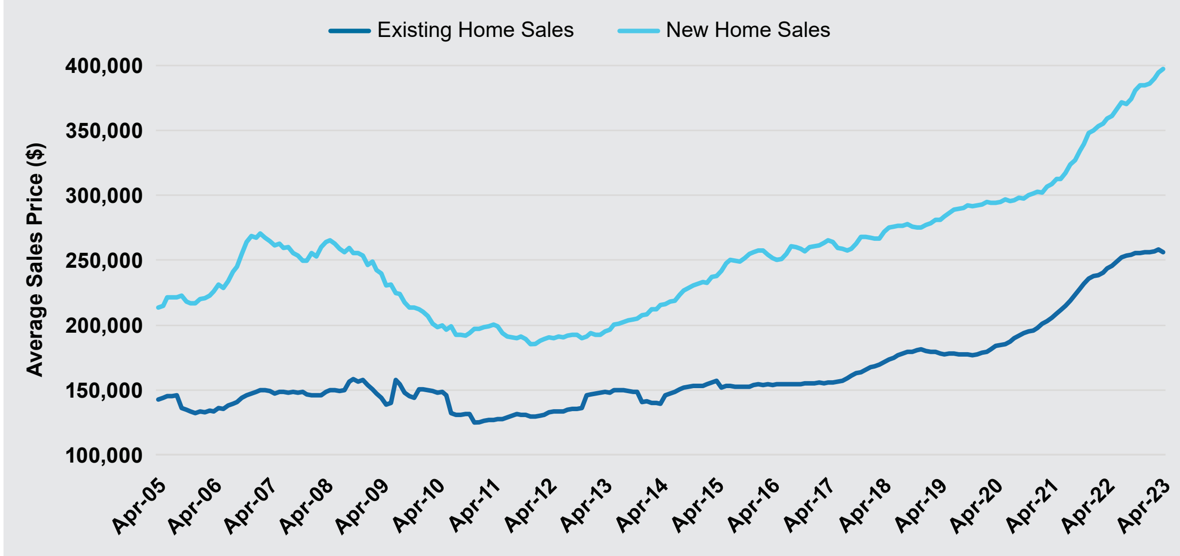
Figure 12. 12-Month Sales Totals by Type in the Suburban Submarket



Source: CoreLogic, Inc., with adjustments by the analyst year earlier, when home sales decreased less than 1 percent from the previous year. The average home sales price during the 12 months ending April 2023 was $271,400, up 7 percent from a year earlier but slower than the 18-percent increase during the 12 months ending April 2022. The low inventory of homes for sale placed upward pressure on home prices, contributing to strong increases in the average home price during the past 2 years. Although new home sales accounted for 11 percent of total homes during the 12 months ending April 2023, sales decreased 6 percent year over year to 1,275 sales compared with a 1-percent decrease during the previous 12-month period. The average price for a new home increased 11 percent to $396,800 compared with a 16-percent increase a year ago (Figure 13). The increase in average new home sales prices outpaced existing sales prices. The average existing home price increased 5 percent to $256,400 compared with a 19-percent increase a year earlier, and existing home sales decreased 20 percent to 10,600 homes compared with a decline of less than 1 percent a year earlier. Distressed sales accounted for 2 percent of existing home sales during the 12 months ending April 2023, up from 1 percent during the 12 months ending April 2022 but down from a 16-percent peak during the 12 months ending August 2009.

The recent rising mortgage interest rates have resulted in slower price growth and home sales declining at a much faster pace. As of the 3 months ending April 2023, the average price of new and existing homes was up 3 percent from a year ago compared with a 13-percent increase as of the 3 months ending April 2022. As of the 3 months ending April 2023, total home sales were down 20 percent compared with a 3-percent decline as of the same period a year earlier. New home sales increased 5 percent as of the past 3 months, and existing home sales decreased 23 percent. As of the 3 months ending April 2023, distressed sales accounted for 3 percent of existing home sales, up from 2 percent as of the same period a year ago.

Figure 13. 12-Month Average Sales Price by Type of Sale in the Suburban Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

Home Sales Trends

Population growth in the Suburban submarket contributed to growing home sales through the mid-2010s. Home sales in the submarket were at the lowest level in 2008, with 4,050 new and existing homes sold. New home sales totaled 370 and accounted for 9 percent of total home sales. From 2009 through 2016, home sales increased an average of 16 percent annually to 13,600 homes sold. Although new home sales increased to an average of 960 sales annually during the period, the overall improvement of economic conditions and increased population growth in the latter years of the period increased all home sales, and the share of new home sales decreased to 7 percent of total sales. From 2017 through 2022, home sales averaged 13,300 sales annually. New home sales more than doubled from the previous period to an average of 1,200 sales annually, accounting for 9 percent of all home sales.

Home Sale Price Trends

The average price for new and existing homes in the submarket gradually increased through 2016, and prices began increasing sharply in 2017. From 2006 to 2016, the average price of a home increased a modest 1 percent annually to $162,500. As the population increased and the inventory of homes for sale decreased, price growth accelerated. From 2017 through 2019, the average price of a home increased 5 percent annually, more than doubling to an average annual increase of 13 percent to $268,800 from 2020 through 2022, when migration to the submarket during the pandemic surged, increasing demand for homes. During the 2010s, the price growth of new home sales generally mirrored resales, but from 2020 through 2022, the average price of a resale home outpaced new home price growth, with resale home prices increasing an average of 13 percent annually compared with 10-percent average annual increases in new home prices. This trend has since reversed, with price growth during the past 12 months stronger in new home sales than resale sales.

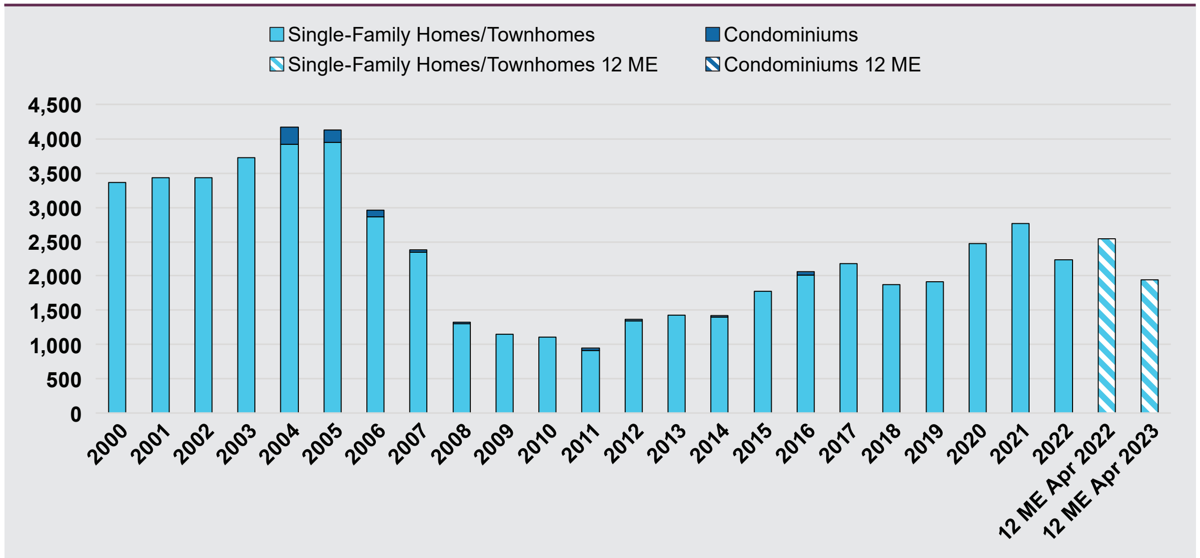
Delinquent Mortgages and Real Estate Owned Properties

The Suburban submarket has similar rates of seriously delinquent and REO properties to those in the Jefferson County submarket. In April 2023, 1.3 percent of home loans in the Suburban submarket were seriously delinquent or had transitioned into REO status, down from 1.7 percent a year earlier and below the 6.6-percent peak in January 2012 (CoreLogic, Inc.). The percentage of seriously delinquent mortgages and REO properties in the Suburban submarket increased significantly during the early stages of the COVID-19 pandemic. By October 2020, the percentage reached a recent peak of 3.4 percent. Economic recovery and expansion following the downturn in early 2020 contributed to the decrease in the percentage of seriously delinquent mortgages and REO properties in April 2023 compared with a year earlier; nevertheless, foreclosures increased as local and federal policies that protected some homeowners from foreclosure during the pandemic expired. The 24-percent decline in the number of delinquent mortgages more than offset the 39-percent increase (from a much smaller base) in foreclosures during the 12 months ending April 2023.

Sales Construction

Homebuilding activity was strong in the early 2000s but has since been much lower. Migration from the Jefferson County submarket by people seeking home ownership contributed to the elevated construction. From 2000 through 2005, an average of 3,700 homes were permitted annually (Figure 14). As the housing

Figure 14. Annual Sales Permitting Activity in the Suburban Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

market softened and population growth slowed, the number of homes permitted decreased an average of 530 units, or 22 percent, annually from 2006 to 950 homes in 2011. As the economy in the Louisville HMA recovered, additional vacancies from the housing crisis were absorbed, and net in-migration increased from the previous period causing demand for new homes and construction to increase. From 2012 through 2017, the number of new homes permitted increased by an average of 210 units, or 15 percent, annually. From 2018 through 2022, construction was at the highest level since the 2000s, averaging 2,250 homes permitted annually. During the 12 months ending April 2023, 1,950 homes were permitted, down 24 percent from the same period a year earlier.

Examples of New Construction Sales Homes

The majority of home construction in the Suburban submarket occurs on the Indiana side, with approximately 52 percent of for-sale home construction. Clark, Bullitt, and Oldham Counties accounted for the largest shares of construction in the submarket during the 12 months ending April 2023, with shares of 29, 17, and 15 percent, respectively. In Jeffersonville, Indiana, the Ellingsworth Commons subdivision opened in early 2019. Approximately 230 of the 500 lots have sold, with the price for a two-bedroom home starting at $248,900. The Old Heritage subdivision opened in Shelbyville, Kentucky, in the spring of 2021. Of nearly 360 homes planned, fewer than 90 have been sold. The starting price for a home with three bedrooms starts at approximately $257,000.

Forecast

During the 3-year forecast period, demand is expected for 6,125 new homes in the Suburban submarket (Table 10). The 800 homes under construction will meet a portion of the demand during the first year. Demand is expected to be steady each year, supported by job growth in the HMA and population growth in the submarket.

Table 10. Demand for New Sales Units in the Suburban Submarket During the Forecast Period

	Sales Units
Demand	6,125 Units
Under Construction	800 Units

Note: The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Rental Market

Rental Market—Louisville HMA

Market Conditions: Balanced

As of the first quarter of 2023, the apartment vacancy rate was 7.3 percent, and the average rent increased 5 percent from a year earlier to $1,105 (CoStar Group).

Current Conditions and Recent Trends

The overall rental market in the Louisville HMA is balanced, with an estimated 8.2-percent vacancy rate, down from 9.4 percent in April 2010 (Table 11) and 8.4 percent in April 2020. The plurality of renter households lives in apartments. In 2021, 40 percent lived in multifamily buildings with five or more units, typically apartments; 36 percent lived in single-family homes; 22 percent lived in multifamily buildings with four or fewer units; and the remaining 2 percent lived in mobile homes or other housing units (2021 ACS 1-year data). Apartment market conditions in the HMA are also balanced. As of the first quarter of 2023, the apartment vacancy rate was 7.3 percent, up from 5.6 percent as of the first quarter of 2022 (CoStar Group). The recent vacancy rate is down from the 9.0-percent rate during the first quarter of 2020, which was exceptionally high because 2,850 units were completed during the previous 12 months. As measured in the first quarter of 2023, apartment rents rose 5 percent year over year to $1,105 compared with a 9-percent increase as of the first quarter of 2022 and a 3-percent increase as of the same quarter in 2020. Nationally, the apartment vacancy rate was 6.7 percent in the first quarter of 2023, up from 5.1 percent a year earlier, and the rent averaged $1,641, up 2 percent from a year earlier.

Table 11. Rental and Apartment Market Quick Facts in the Louisville HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	9.4	8.2
			2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached		36
	Multifamily (2–4 Units)		22
	Multifamily (5+ Units)		40
	Other (Including Mobile Homes)		2
		1Q 2023	**YoY Change**
Apartment Market Quick Facts	**Apartment Vacancy Rate**	7.3	1.7
	Average Rent	$1,105	5%
	Studio	$844	2%
	One-Bedroom	$994	5%
	Two-Bedroom	$1,141	5%
	Three-Bedroom	$1,396	4%

1Q = first quarter. YoY = year-over-year.
Notes: The current date is May 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2021 American Community Survey, 1-year data; apartment data—CoStar Group

Forecast

During the next 3 years, demand is estimated for 6,350 rental units (Table 12). The 4,650 units under construction will satisfy the demand during the first 2 years of the forecast period. Continued economic and household growth is expected to support rental demand; demand is expected to be steady throughout the forecast. With larger shares of renter households and renter household growth, the Jefferson County submarket will account for approximately 61 percent of renter demand; however, 75 percent of the units already under construction are in that submarket.

Table 12. Demand for New Rental Units in the Louisville HMA During the Forecast Period

	Rental Units
Demand	6,350 Units
Under Construction	4,650 Units

Note: The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Rental Market—Jefferson County Submarket

Market Conditions: Balanced

The rental vacancy rate was 8.4 percent as of May 1, 2023, down from 9.7 percent in 2010 and 9.1 percent in 2020.

Current Conditions and Recent Trends

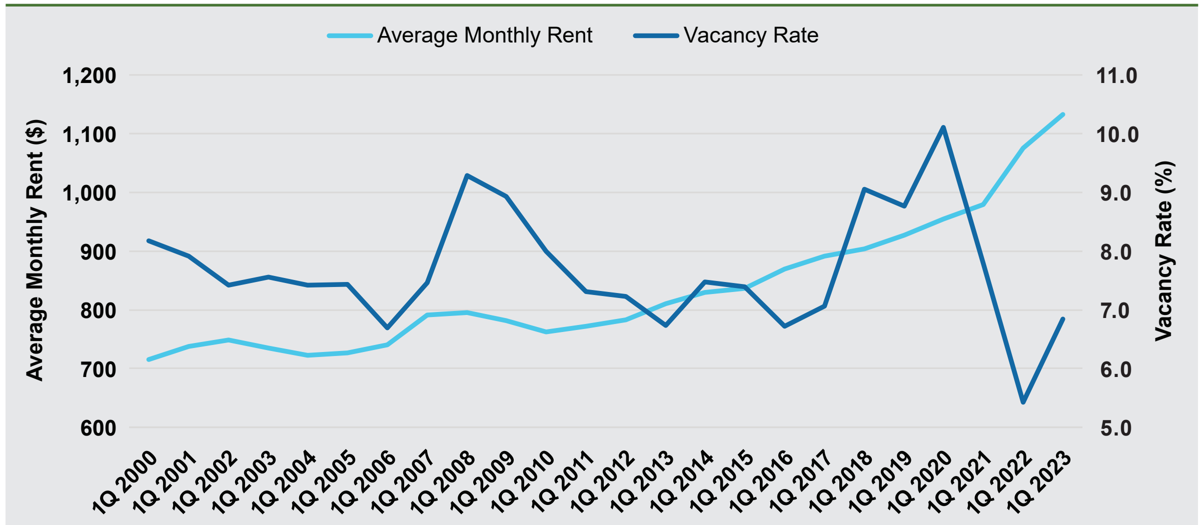
Jefferson County accounts for 72 percent of renter households in the HMA. The overall rental market in the Jefferson County submarket is balanced, with an estimated 8.4-percent vacancy rate, down from 9.7 percent in April 2010 (Table 13) and 9.1 percent in April 2020. The plurality of renter households lives in apartments. In 2021, 43 percent lived in multifamily buildings with five or more units, 33 percent lived in single-family homes, 22 percent lived in multifamily buildings with four or fewer units, and the remaining 1 percent lived in mobile homes or other housing units (2021 ACS 1-year data). Apartment market conditions in the submarket are also balanced. As of the first quarter of 2023, the apartment vacancy rate was 6.8 percent, up from 5.4 percent as of the first quarter of 2022 (CoStar Group). As measured in the first quarter of 2023, apartment rents rose 5 percent year over year to $1,133 (Figure 15) compared with a 10-percent annual increase as of the first quarter of 2022.

Table 13. Rental and Apartment Market Quick Facts in the Jefferson County Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	9.7	8.4
			2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached		33
	Multifamily (2–4 Units)		22
	Multifamily (5+ Units)		43
	Other (Including Mobile Homes)		1
		1Q 2023	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	6.8	1.4
	Average Rent	$1,133	5%
	Studio	$846	2%
	One-Bedroom	$1,016	6%
	Two-Bedroom	$1,181	5%
	Three-Bedroom	$1,443	5%

1Q = first quarter. YoY = year-over-year.
Notes: The current date is May 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2021 American Community Survey, 1-year data; apartment data—CoStar Group

Figure 15. Apartment Rents and Vacancy Rates in the Jefferson County Submarket



1Q = first quarter.
Source: CoStar Group

Apartment Market Historical Trends

Apartment rents increased slowly but steadily in the Jefferson County submarket since 2010, despite fluctuations in the vacancy rate. The average rent measured in the first quarter increased an average of 2 percent annually from 2011 to 2021, which included the recovery from the Great Recession, the subsequent expansion, and the early years of the COVID-19 pandemic. From 2011 to 2017, the first quarter vacancy rates ranged from 6.7 percent in 2013 and 2016 to 7.5 percent in 2014. The first quarter vacancy rate increased in 2018 due to net out-migration from the submarket and continued because of a sharp increase in rental construction activity. The first quarter vacancy rate was elevated from 2018 to 2021, peaking in 2020 at 10.1 percent, which was the highest first quarter vacancy rate since at least 2000. Social distancing measures implemented during the early stages of the COVID-19 pandemic, along with supply chain constraints and labor shortages, contributed to extended construction times and delayed completions. Although construction of new units slowed from a peak in 2018, construction was still generally elevated compared with historical trends. The longer construction times limited the number of new units added to the rental supply; meanwhile, absorption was strong during the period and contributed to the sharp decline in the first quarter apartment vacancy rate from 2020 to 2022. In 2020 and 2021, an average of 2,700 units were absorbed each year, up from an average of 1,750 units annually in 2018 and 2019. Concurrently, the number of new units that were completed in the submarket averaged 1,500 a year in 2020 and 2021, down from an average of 2,350 each year in 2018 and 2019.

Apartment Market Conditions by Geography

Market conditions are generally balanced across the Jefferson County submarket. Among the six CoStar Group-defined market areas, the vacancy rate ranged from 5.6 percent in the Portland/Shawnee/PRP market area to 8.7 percent in the Crescent Hill market area as of the first quarter of 2023. Five of the six market areas had increasing vacancy rates from a year earlier. The Downtown Louisville market area was the only market area that had a decreasing vacancy rate year over year, down from 9.4 percent—which was the highest vacancy rate in the submarket during the first quarter of 2022—to 8.6 percent. Average rent growth across the submarket ranged from 2 percent in the Downtown Louisville market area to 6 percent in the South Jefferson County market area. The South Jefferson County market area is the largest in the submarket, accounting for approximately 36 percent of the inventory, and the rent averaged $1,060 as of the first quarter of 2023. The East End market area accounts for approximately 17 percent of the submarket inventory and has the highest rents, averaging $1,372, up 5 percent from a year earlier.

Student Housing

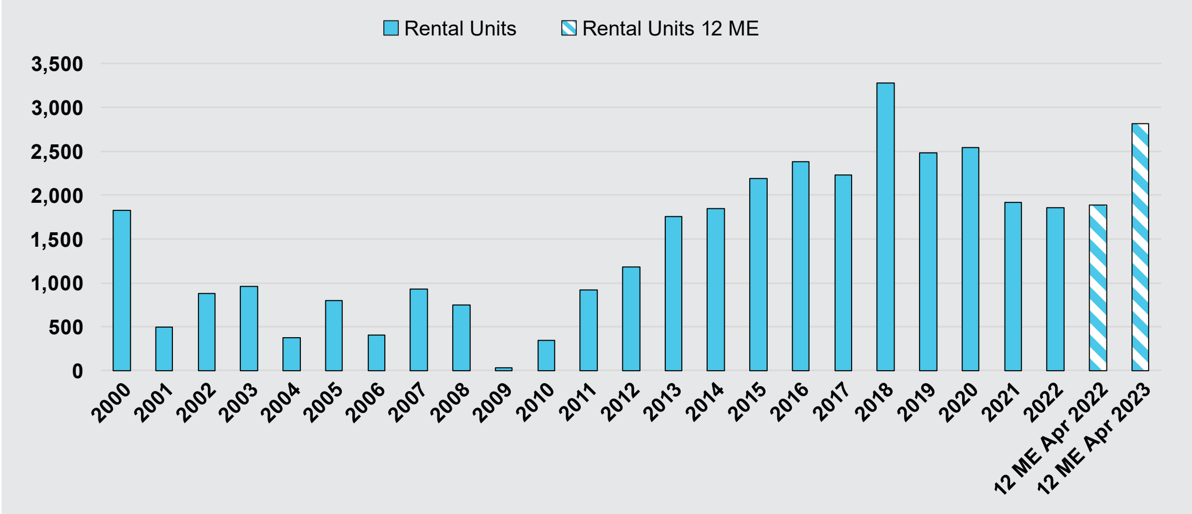
Students at UofL impact the rental market surrounding the university. The university area, which includes portions of the CoStar Group-defined Downtown Louisville and Crescent Hill market areas, has stabilized since significant softening in early 2020 due to the transition of schools to online courses in response to the pandemic. As of the first quarter of 2023, the vacancy rate was 7.5 percent, up from 7.1 percent a year earlier and well below the 12.8 percent in the second quarter of 2020. The average rent as of the first quarter of 2023 was $908, up 6 percent from a year earlier. Although the average rent around the university is lower than the average rent for the submarket, rent growth in the past year was slightly faster. The annual rent growth as measured in the first quarter of 2023 was the fastest rate since 7 percent in 2018. On campus, the university has added three dormitories with a total of nearly 1,050 beds since 2020, which more than offset the demolition of two dormitories with 550 beds. These recent additions to campus and expected declines in enrollment are expected to reduce demand in the surrounding rental market.

Rental Construction

Rental construction in the Jefferson County submarket, as measured by the number of rental units permitted, increased since the Great Recession and remains elevated, despite the net out-migration from the submarket. From 2000 through 2008, an average of 820 rental units were permitted annually

(Figure 16). Construction decreased to a low of 30 units permitted in 2009 but increased by an average of 360 units annually to a peak of 3,275 units permitted in 2018. Rising vacancy rates, significantly slower population growth, and increasing interest rates since 2021 contributed to slower construction, although levels were still elevated compared with the 2000s. From 2019 through 2022, an average of 2,200 rental units were permitted annually. The construction of multifamily buildings for rent with two-to-four units per building more than doubled from the 2000 to 2010 period to the 2011 to 2021 period, contributing to the increased share of these smaller multifamily buildings in the share of rental inventory. Despite ongoing headwinds, including high interest rates and population loss, construction increased in the past year. During the 12 months ending April 2023, approximately 2,800 rental units were permitted, up 49 percent from the previous 12 months.

Figure 16. Annual Rental Permitting Activity in the Jefferson County Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Examples of Recent Rental Construction

Apartment construction in the Jefferson County submarket spreads throughout the county, with construction in the downtown urban core and outlying residential neighborhoods. In downtown Louisville, the 137-unit Martin on Main is nearly complete. Construction began on the property in late 2021 and completion is expected in May 2023. The monthly rents for studio, one-bedroom, and two-bedroom units will start at $1,320, $1,510, and $2,085, respectively. Three apartment developments are under construction in the Fairdale neighborhood in southern Jefferson County, the largest of which is the 240-unit Newtown Woods. Construction began in February 2022 and is expected to be complete in August 2023. The apartments are preleasing with monthly rents for the one-, two-, and three-bedroom units starting at $1,179, $1,429, and $1,595, respectively.

Forecast

Demand for rental units during the next 3 years is estimated at 3,875 units in the Jefferson County submarket (Table 14). Demand is expected to be steady throughout the forecast. The 3,500 units already under construction will satisfy the vast majority of the demand. Therefore, developers should not plan for additional units to come online until the second half of the third year of the forecast or later.

Table 14. Demand for New Rental Units in the Jefferson County Submarket During the Forecast Period

	Rental Units
Demand	3,875 Units
Under Construction	3,500 Units

Note: The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Rental Market—Suburban Submarket

Market Conditions: Balanced

Slightly soft apartment market conditions due to elevated construction since 2020 have offset overall tight rental market conditions with low vacancy rates in the single-family rental market.

Current Conditions and Recent Trends

The overall rental market in the Suburban submarket is balanced, with an estimated 7.6-percent vacancy rate, down from 8.4 percent in April 2010 (Table 15) and up from 6.8 percent in April 2020. Although overall rental market conditions are balanced, trends are different depending on the type of rental unit. Single-family rental market conditions are tight, whereas apartment market conditions are slightly soft, with rising vacancy rates due to a rapid increase in apartment construction since 2020 that exceeded population growth. As of the first quarter of 2023, the apartment vacancy rate was 9.1 percent, which is the highest first quarter vacancy rate since at least 2000, up from 6.2 percent as of the first quarter of 2022 (CoStar Group; Figure 17). As measured in the first quarter of 2023, apartment rents rose 4 percent year over year to $996, compared with a 7-percent increase as of the first quarter of 2022.

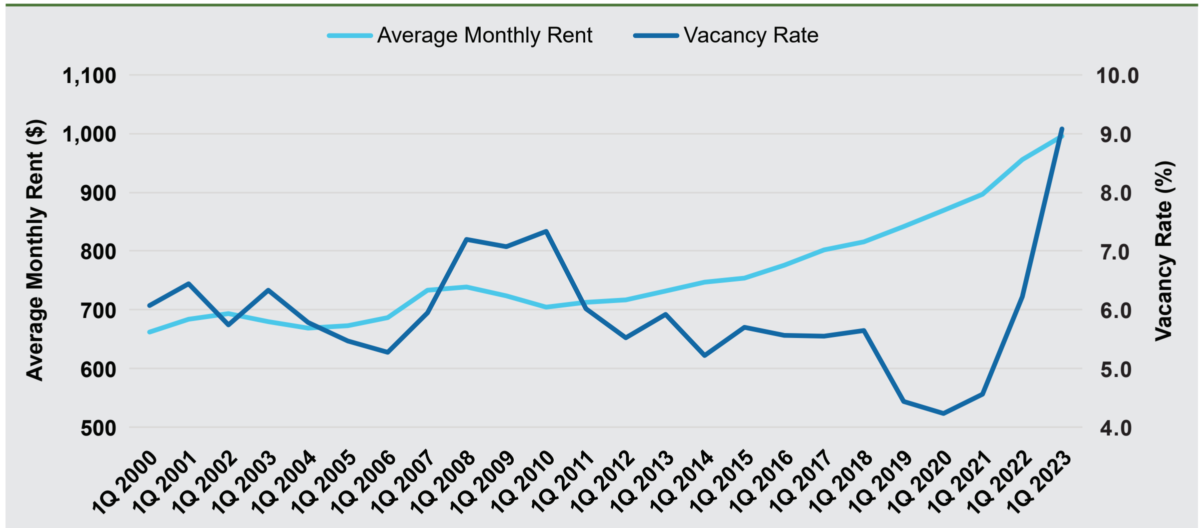
Table 15. Rental and Apartment Market Quick Facts in the Suburban Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	8.4	7.6
			2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached		44
	Multifamily (2–4 Units)		19
	Multifamily (5+ Units)		30
	Other (Including Mobile Homes)		6

		1Q 2023	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	9.1	2.9
	Average Rent	$996	4%
	Studio	$829	1%
	One-Bedroom	$882	4%
	Two-Bedroom	$1,007	4%
	Three-Bedroom	$1,252	4%

1Q = first quarter. YoY = year-over-year.
Notes: The current date is May 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2021 American Community Survey, 1-year data; apartment data—CoStar Group

Figure 17. Apartment Rents and Vacancy Rates in the Suburban Submarket



1Q = first quarter.
Source: CoStar Group

Apartment Market Historical Trends

Rent growth in the Suburban submarket started slow following the Great Recession but then accelerated. Population growth was initially slower than the Jefferson County submarket during the Great Recession and initial recovery phase but then quickly surpassed it, and the growing population contributed to increased demand for apartments in the Suburban submarket. From 2011 to 2015, the average first quarter rent increased 1 percent a year. The vacancy rate peaked at 7.3 percent in 2010 and generally declined, with fluctuations, to 5.7 percent in 2015. The first quarter vacancy rate was generally steady through 2018, and then dropped to a 4.2-percent low in 2020 before increasing to 4.6 percent in 2021. Although direct impacts from the pandemic had not yet begun, migration from Jefferson County to the Suburban submarket contributed to the decline, coupled with relatively low levels of apartment construction. The rent growth from 2016 to 2021 accelerated from the previous period, averaging an increase of 3 percent annually.

Apartment Market Conditions by Geography

Market conditions in the 10 CoStar Group-defined market areas in the Suburban submarket ranged from soft to slightly tight as of the first quarter of 2023. The average vacancy rate ranged from a low of 1.9 percent in the Spencer County market area to 24.3 percent in the Clark County market area. In the Clark County market area, the completion of 560 apartment units increased the inventory by 52 percent and caused the vacancy rate to spike from 4.7 percent in the first quarter of 2022. Average rent increases ranged from 2 percent in the Clark County and Harrison County market areas to 12 percent in the Outlying Floyd County market area. The average rent in the Clark County market area is the highest in the Suburban submarket at $1,252. The Southern Indiana market area accounts for approximately 61 percent of the submarket apartment inventory. The vacancy rate was 9.8 percent as of the first quarter of 2023, up from 7.2 percent a year earlier, and the average rent increased 4 percent year over year to $1,002.

Single-Family Rental Market

The plurality of renters in the Suburban submarket resides in single-family homes, although this trend is decreasing as renters increasingly shift to living in multifamily buildings. Increased apartment construction provides more options as the inventory expands and provides an alternative to tight conditions in the single-family home market. Single-family homes for rent often include amenities typically unavailable in apartments, such as yards. In 2021, approximately 44 percent of renters lived in single-family homes (ACS 1-year data). The single-family rental market is tight, with vacancy rates lower than the average apartment rates. The vacancy rate for professionally managed single-family three-bedroom rental homes in April 2023 ranged from 0.9 percent in Harrison and Henry Counties to 2.6 percent in Scott County (CoreLogic, Inc.). By comparison, a year earlier, the vacancy rates ranged from 1.0 percent in Bullitt, Oldham, Spencer, and Trimble Counties to 2.8 percent in Scott County. Year-over-year rent growth varied from a 3-percent decline in Trimble County to a 22-percent increase in Bullitt County as of April 2023. Of the 11 counties in the submarket, 2 had rent declines and 4 had double-digit increases in rents from a year earlier. In April 2023, the average rent for a three-bedroom home ranged from $957 in Trimble County to $1,701 in Shelby County.

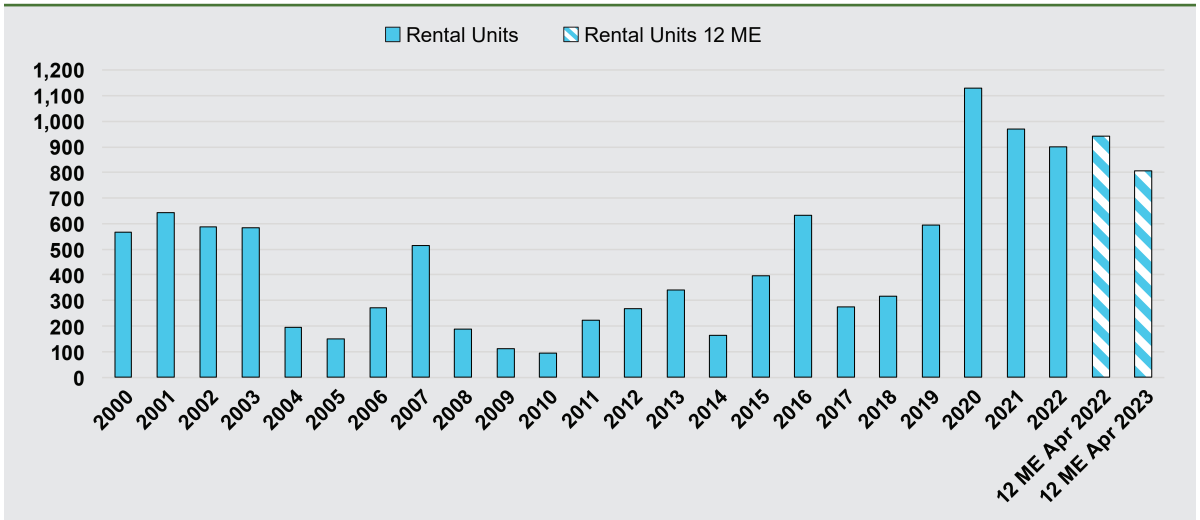
Rental Construction

Rental construction in the Suburban submarket surged in 2020 and has remained elevated, despite declines in the past year. From 2000 through 2007, an average of 440 rental units were permitted annually (Figure 18). Softening apartment market conditions—including generally rising vacancy rates and declining rents from 2008 to 2010 because of the weakened economy in the Louisville HMA during the Great Recession—contributed to a slowdown in apartment construction. Rental permitting slowed to an average of 200 units annually from 2008 through 2014. From 2015 through 2019, when net in-migration was increasing after the HMA recovered from the Great Recession, permitting more than doubled to average 440 units annually, similar to the early 2000s. From 2020 through 2022, permitting spiked to an average of 1,000 units a year, partly in response to the decreasing vacancy rates among apartments from 2018 to 2020. During the 12 months ending April 2023, 810 rental units were permitted, down 14 percent from the previous period but still higher than any year in the 2000s and 2010s.

Examples of Recent Rental Construction

Recent apartment construction in the Suburban submarket is largely in the Indiana counties, which accounted for 94 percent of the new apartment units permitted in the submarket during the 12 months ending April 2023. The largest share was in Clark County, Indiana, which accounted for approximately 87 percent of the apartments permitted in the submarket. In Jeffersonville, Indiana, the 360-unit Lakeside Gardens apartments opened in March 2022. Rents for one-, two-, and three-bedroom units start at $1,195, $1,420, and $1,670, respectively. The property is in lease up and had a 42-percent vacancy rate as of the first quarter of 2023 (CoStar Group). In Clarksville, Indiana, the 200-unit Current 812 apartments began construction in April 2022 and are expected to open in November 2023.

Figure 18. Annual Rental Permitting Activity in the Suburban Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 2,475 rental units in the Suburban submarket (Table 16). Demand is expected to be steady throughout the 3 years, and the 1,150 units under construction will meet demand through the first half of the second year. Demand will be strongest in the urbanized areas of the submarket, especially the Indiana suburbs near bridges connecting to job centers in downtown Louisville.

Table 16. Demand for New Rental Units in the Suburban Submarket During the Forecast Period

	Rental Units
Demand	2,475 Units
Under Construction	1,150 Units

Note: The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resale sales, short sales, and REO sales.
Forecast Period	May 1, 2023–May 1, 2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Decrease	Resident deaths are greater than resident births.
Net Natural Increase	Resident births are greater than resident deaths.

Other Vacant Units	**In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.**
Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units such as single-family homes, multifamily units, and mobile homes.**
Resales	**These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.**
Seriously Delinquent Mortgages	**Mortgages 90 or more days delinquent or in foreclosure.**

B. Notes on Geography

1.	**The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.**
2.	**The 2021 ACS data for the Louisville/Jefferson County IN-KY metropolitan statistical area include Clark County, IN; Floyd County, IN; Harrison County, IN; Washington County, IN; Bullitt County, KY; Henry County, KY; Jefferson County, KY; Oldham County, KY; Shelby County, KY; Spencer County, KY.**
3.	**Urbanized areas are defined using the U.S. Census Bureau’s 2010 Census Urban and Rural Classification and the Urban Area Criteria.**
4.	**The census tracts referenced in this report are from the 2010 and 2020 Census.**

C. Additional Notes

1.	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.
2.	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.

D. Photo/Map Credits

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