COMPREHENSIVE HOUSING MARKET ANALYSIS

Louisville, Kentucky-Indiana

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2013

Housing Market Area

The Louisville Housing Market Area (HMA) is located in northern Kentucky and southern Indiana, spanning the Ohio River. For purposes of this analysis, the HMA is divided into three submarkets: the Louisville submarket, comprising Jefferson County, Kentucky, the central county of the HMA, which includes Louisville; the Kentucky submarket, comprising the suburban Kentucky counties of Bullitt, Henry, Meade, Nelson, Oldham, Shelby, Spencer, and Trimble; and the Indiana submarket, comprising Clark, Floyd, Harrison, and Washington Counties. Although the HMA is best known as the home of the Kentucky Derby and the Louisville Slugger baseball bat, it is also a transportation logistics hub and medical research center. The HMA is the largest metropolitan area in Kentucky, with a current estimated population of 1.31 million.

Summary

Economy

Nonfarm payrolls increased by 15,300 jobs, or 2.6 percent, to 615,600 jobs during the 12 months ending March 2013. This increase followed an increase of 4,800 jobs, or 0.8 percent, during the previous 12 months. The Louisville HMA is a major transportation and distribution center, and growing worldwide demand for freight delivery services has buoyed the economy. Job gains have also been strong in the manufacturing sector. Nonfarm payrolls are expected to increase at an average of 2.4 percent annually during the next 3 years. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

Sales housing market conditions in the HMA are soft, with a current estimated vacancy rate of 2.4 percent. During the 3-year forecast period, demand is expected for 5,485 new homes in the HMA (Table 1). During the forecast period, demand is anticipated for approximately 2,800 new homes in the Louisville submarket, 2,175 new homes in the Kentucky submarket, and 510 new homes in the Indiana submarket. A portion of the estimated 19,800 other vacant units in the HMA may reenter the sales housing market and satisfy some of the forecast demand.

Rental Market

The rental housing market is soft, with an estimated overall vacancy rate of 8.4 percent. The apartment market is slightly tight, with a vacancy rate of 4.5 percent. Demand is expected for 790 new rental units in the HMA during the 3-year forecast period; all of the demand is anticipated to be in the Louisville submarket (Table 1). The 75 units under construction and the 750 additional planned completions in the Louisville submarket will likely meet most of the demand during the forecast period.

Market Details

Table 1. Housing Demand in the Louisville HMA, 3-Year Forecast, April 1, 2013, to April 1, 2016

	Louisville HMA		Louisville Submarket		Kentucky Submarket		Indiana Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	5,485	790	2,800	790	2,175	0	510	0
Under construction	250	195	100	75	100	120	50	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2013. A portion of the estimated 19,800 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Louisville HMA are improving, continuing the recovery that began in 2011. After a period of decline from 2008 through 2010, during which nonfarm payrolls fell by an average of 10,600 jobs, or 1.7 percent, annually, nonfarm payrolls recorded an average annual gain of 9,000 jobs, or 1.5 percent, in 2011 and 2012. During the 12 months ending March 2013, nonfarm payrolls increased by 15,300 jobs, or 2.6 percent, compared with a year earlier (Table 2). From 2003 to 2007, nonfarm payrolls increased by an average of 7,300 jobs, or 1.2 percent, annually. During the 12 months ending March 2013, resident employment decreased nearly 3 times faster than the labor force, which led to a decrease in the unemployment rate. The unemployment rate during the 12 months ending March 2012 averaged 8.0 percent, down from 10.2 percent the previous year; it is the lowest annual rate reported since 2008. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 to 2011.

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

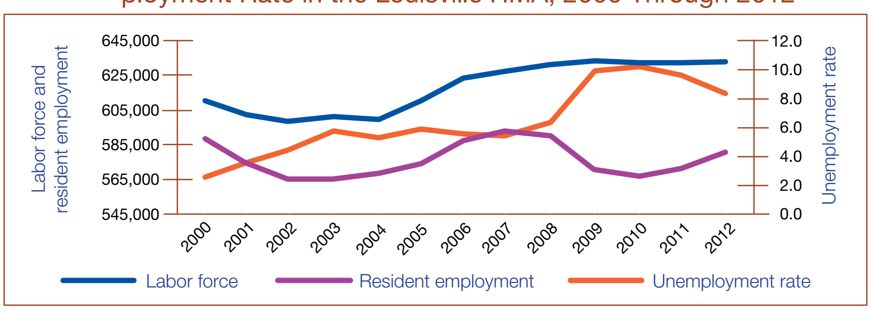
	12 Months Ending March 2012	12 Months Ending March 2013	Percent Change
Total nonfarm payroll jobs	600,300	615,600	2.6
Goods-producing sectors	90,800	97,600	7.4
Mining, logging, & construction	25,800	25,200	– 1.9
Manufacturing	65,100	72,300	11.2
Service-providing sectors	509,400	518,000	1.7
Wholesale & retail trade	89,400	91,100	1.9
Transportation & utilities	42,700	41,900	– 1.9
Information	9,400	9,600	2.1
Financial activities	40,700	41,400	1.9
Professional & business services	74,200	76,100	2.5
Education & health services	84,300	86,200	2.2
Leisure & hospitality	60,800	63,700	4.7
Other services	25,500	25,300	– 0.9
Government	82,400	82,800	0.4

Notes: Based on 12-month averages through March 2012 and March 2013. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

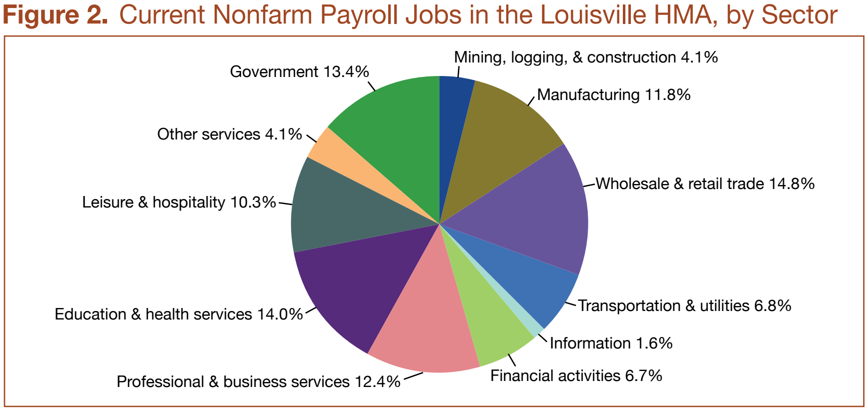
Nonfarm payrolls increased in most job sectors during the past 12 months, which more than offset small declines of less than 1,000 jobs each in the mining, logging, and construction, transportation and utilities, and other services sectors. The increases were led by gains in the manufacturing sector of 7,200 jobs, or 11.2 percent, during the 12 months ending March 2013, compared with a year earlier. Manufacturing is the fifth largest payroll sector in the HMA, accounting for 11.8 percent of total nonfarm payroll jobs. Figure 2 shows the percentage of nonfarm payrolls by sector as of the current date. General Electric (GE) constructed Appliance Park, an industrial manufacturing center, in the HMA in 1951. Employment at Appliance Park peaked at 23,000 jobs in 1973, before declining to a low of 1,900 jobs in 2011, as manufacturing jobs moved overseas. Since 2011, employment at Appliance Park has expanded, with GE investing $800 million to open new manufacturing lines. At the end of 2012, Appliance Park had 3,600 hourly employees. By the end of 2014, GE expects 75 percent of its appliance businesses revenue to come from U.S. made products, including those produced in the HMA (GE company sources). The HMA is also home to two Ford Motor Company assembly plants, the Kentucky truck plant, and the Louisville assembly plant. Increased demand for new vehicles has led to growth at these two facilities. Martinea Heavy Stamping, a manufacturer located in Shelbyville that produces parts for the Ford Escape SUV manufactured in Louisville, added 700 jobs in the early part of 2013, bringing the total workforce to 950 people.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Louisville HMA, 2000 Through 2012



Source: U.S. Bureau of Labor Statistics

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



Note: Based on 12-month averages through March 2013.
Source: U.S. Bureau of Labor Statistics

The economy of Louisville first developed through the shipping and cargo industries. The city is located at the Falls of the Ohio, in the central United States, making it an ideal location for the transfer of cargo. The Louisville HMA is home to the Worldport global airfreight hub for United Parcel Service (UPS), which is the largest fully automated package handling facility in the world, turning over 130 aircraft and processing an average of 1.6 million packages daily. The Louisville-Cincinnati area was the second largest domestic airfreight center in the United States, moving 1.2 million air tons of freight in 2011 (American Society of Civil Engineers). In addition, Louisville ranked as the fifth largest inland port in 2011, moving 9.1 million tons of cargo. The transportation and utilities sector lost 800 jobs, or 1.9 percent, during the 12 months ending March 2012. The sector, though, remained relatively stable through the national recession, averaging 42,300 jobs annually from 2007 through 2011.

Louisville is a center for the healthcare and medical sciences industries. Some of the earliest artificial heart transplants were performed in Louisville. The University of Louisville medical research campus includes the $88 million Frazier Rehab Institute and the Kentucky Spinal Cord Research Center that, during 2011, received $13.7 million in funding. During 2012, the University Medical Center partnered with KentuckyOne Health™. to bring together University Hospital and the James Graham Brown Cancer Center. The partnership includes an investment of $543.5 million during the first 5 years, including $70 million in academic and program investments. The health services subsector grew by an average of 600 jobs, or 2.7 percent, annually from 2007 through 2011, and by 700 jobs, or 2.5 percent, during the 12 months ending March 2013. The three largest employers in the HMA are United Parcel Service of America, Inc., or UPS; Humana (insurance); and Norton Healthcare, with approximately 20,250, 11,000, and 9,650 employees, respectively. Table 3 provides additional information about leading employers in the HMA.

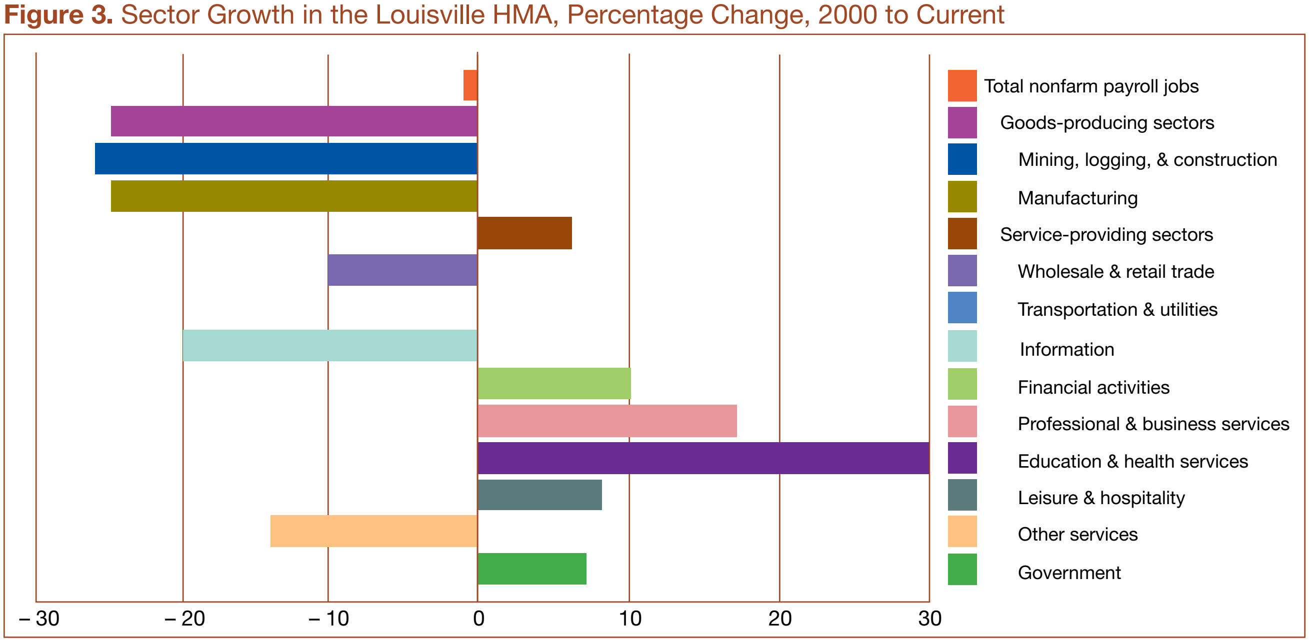
Table 3. Major Employers in the Louisville HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United Parcel Service of America, Inc.	Transportation & utilities	20,250
Humana	Professional & business services	11,000
Norton Healthcare	Education & health services	9,650
Ford Motor Company	Manufacturing	8,700
KentuckyOne Health™	Education & health services	5,900
General Electric Company	Manufacturing	5,000
Baptist Health	Education & health services	4,225
Archdiocese of Louisville	Education & health services	2,350
University of Louisville Hospital	Education & health services	2,325
Kindred Healthcare, Inc.	Education & health services	2,250

Note: Excludes local school districts.
Source: Louisville Business Journal 2013 Book of Lists *(December 2012)*

Nonfarm payrolls are expected to increase by an average of 14,350 jobs, or 2.4 percent, annually during the next 3 years. The manufacturing sector is expected to continue to recover during this time. Wilbert, Inc., an injection-molding plastics manufacturer that produces interior trim for Ford Motor Inc., is considering plans to expand in the HMA, adding 100 jobs. Figure 3 shows sector growth in the HMA from 2000 to the current date.

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



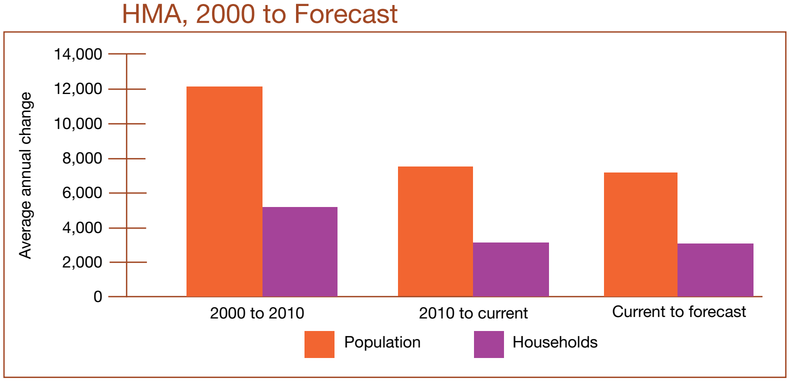
Notes: Current is based on 12-month averages through March 2013. During this period, jobs in the transportation and utilities sector showed no net change.
Source: U.S. Bureau of Labor Statistics

Population and Households

The population of the Louisville HMA is estimated at 1.31 million as of April 1, 2013, an average increase of 11,900, or 1 percent, annually since 2000. From 2008 through 2010, the population increased 0.9 percent annually compared with the growth of 1.2 percent annually from 2004 through 2007. Since 2010, population growth has continued to slow to an average of 7,475 people, or 0.6 percent, annually (Figure 4). Within the HMA, 58 percent of the population currently resides in the Louisville submarket, down from 60 percent in April 2000. The Kentucky submarket has increased to 23 from 21 percent of the total population since 2000, and the Indiana submarket stayed flat at 20 percent of the total HMA population. In the Louisville submarket, the population increased by an average of 4,750, or 0.7 percent, annually from 2000 through 2010. Since 2010, population growth has slowed slightly, to an average of 4,375 people, or 0.6 percent, annually. The population of the Kentucky submarket increased by an average of 5,050, or 1.9 percent, annually from 2000 through 2010. Since 2010, population growth has slowed to an average of 2,450 people, or 0.8 percent, annually. Finally, after an average population growth of 2,350 people, or 1 percent, annually from 2000 through 2010, population growth in the Indiana submarket has slowed to 720 people, or 0.3 percent, annually since 2010.

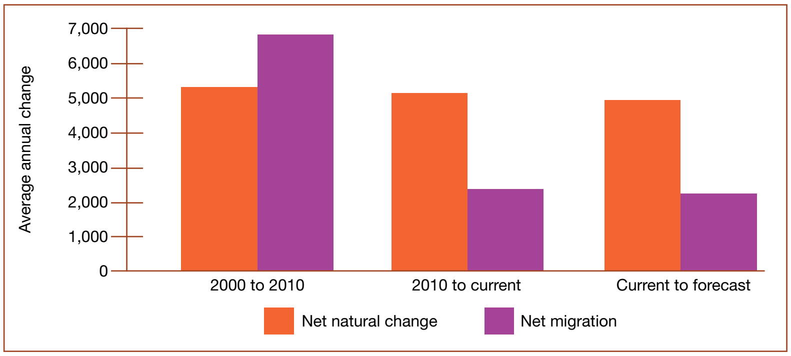
Net in-migration accounted for nearly 45 percent of the population growth in the HMA from 2000 through 2010. Net in-migration peaked at an average of 9,500 people annually during 2006 and 2007 compared with an average of 5,500 people from 2000 through 2005. In the Louisville submarket, net in-migration averaged 900 people annually from 2002 through 2005, before increasing to 3,850 people during 2006 and 2007. Beginning in 2008, net in-migration steadily declined, to 1,425 people during 2012, and is expected to average 1,600 people during the forecast period. The Kentucky submarket accounted for approximately 23 percent of the total population within the HMA in 2012, but nearly 37 percent of net in-migration during 2006 and 2007. Although overall net in-migration slowed, the share of net in-migration in the Kentucky submarket increased to approximately 70 percent of the total in the HMA during 2012, because job growth and construction moved out of the downtown area. Net in-migration in the Kentucky submarket stayed relatively flat from 2000 through 2007, averaging 4,000 people annually. Since 2008, net in-migration has steadily declined, to 725 people during 2012, and it is expected to average 900 people annually during the next 3 years. Net in-migration in the Indiana submarket averaged 2,100 people from 2005 through 2007, before reversing, with net out-migration of 350 people during 2012. Net out-migration averaging 250 people annually is expected to continue during the next 3 years.

Figure 4. Population and Household Growth in the Louisville HMA, 2000 to Forecast



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

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

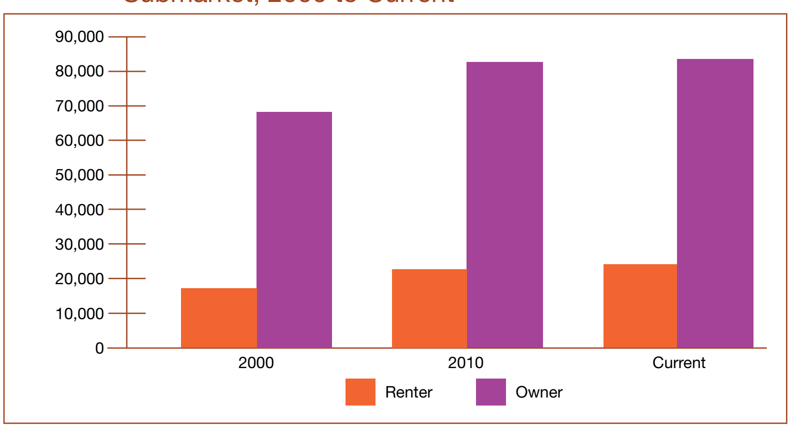


Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

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

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

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



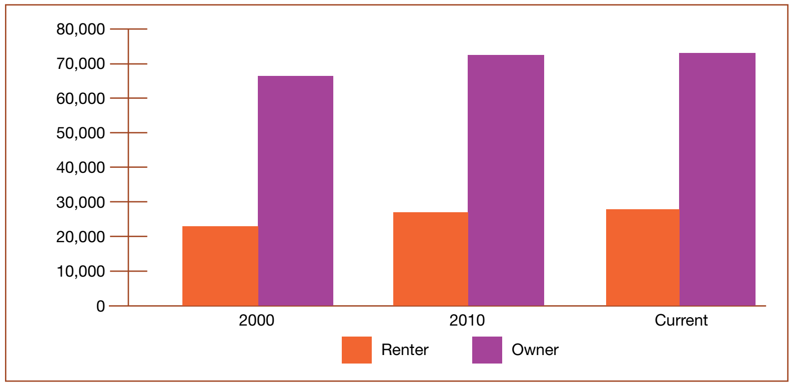
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 5 shows the components of population change in the HMA from 2000 through the forecast period.

An estimated 523,800 households currently reside in the HMA, reflecting an average annual increase of 3,200, or 0.6 percent, since 2010. By comparison, from 2000 through 2010, the number of households increased by an average of 5,200, or 1.1 percent, annually. The number of households has grown 0.6 percent in the Louisville submarket since 2010 compared with 0.7 percent from 2000 through 2010. Household growth has slowed in the Kentucky and Indiana submarkets since 2010, declining to 0.9 and 0.4 percent from 2.1 and 1.1 percent, respectively, from 2000 through 2010. Figures 6, 7, and 8 show the number of households, by tenure, in each submarket since 2000.

During the next 3 years, the population of the HMA is expected to increase by an average of 7,325, or 0.6 percent, annually, to 1.33 million and the number of households is expected to increase by 3,100, or 0.6 percent, annually, to 533,000 households. In the Louisville submarket, the population and number of households are expected to increase 0.6 and 0.7 percent, respectively. In the Kentucky submarket, the population and number of households both are expected to increase 0.7 percent. In the Indiana submarket, the population and number of households are expected to increase 0.2 and 0.1 percent, respectively, during the next 3 years.

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



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

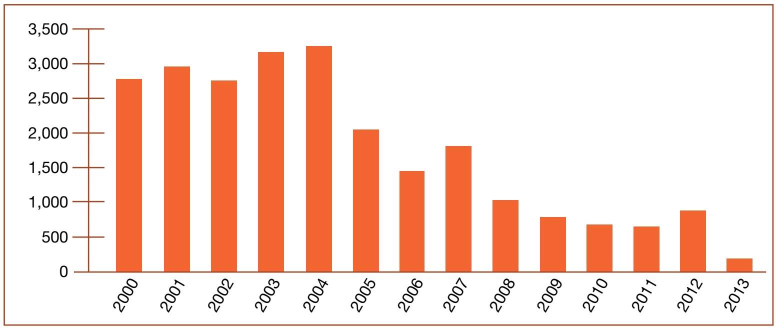
Housing Market Trends

Sales Market—Louisville Submarket

The sales housing market in the Louisville submarket is currently soft, with a 2.3-percent sales vacancy rate, down slightly from 2.5 percent in April 2010 (Table DP-2 at the end of the report). Existing home sales increased during the past 2 years, after 6 years of declines. During the 12 months ending February 2013, nearly 11,100 existing homes sold in the submarket, an increase of 780 sales, or 7.5 percent, from a year ago (Hanley Wood, LLC). Existing home sales declined by an average of 950 homes, or 7 percent, annually from 2005 through 2011, before beginning to increase by 950 homes, or 9.2 percent, in 2012. The supply of homes available for sale followed a similar trend, increasing from 4.5 months of supply in 2010, to 4.8 months in 2011, and declining to 4.4 months in 2012, (Louisville Association of REALTORS®). Existing home sales prices increased 1.7 percent from a year ago, to an average of $170,900 during the 12 months ending February 2013. This increase in home sales prices followed average annual sales price gains of 1.3 percent from 2005 through 2012. Sales of new homes totaled 600 during the 12 months ending February 2013, down 7.6 percent from a year ago, and sales prices for new homes declined 3.1 percent, to $261,400, during the same period. New homes sales declined by an average of 380 sales, or 13.0 percent, annually from 2005 through 2011, but sales prices increased 3.6 percent annually. The percentage of distressed mortgages in the HMA decreased during the past year. Of the home loans in the submarket, 6.2 percent were 90 or more days delinquent, were in foreclosure, or transitioned into REO as of January 2013, down from 6.7 percent a year ago and lower than the 7.3-percent rate recorded in January 2010 (LPS Applied Analytics).

In response to the upturn of existing home sales in the submarket, developers increased new home construction

Figure 9. Single-Family Homes Permitted in the Louisville Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through March 2013.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Louisville Submarket, April 1, 2013, to April 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
140,000	199,999	510	18.1
200,000	249,999	1,025	37.0
250,000	299,999	700	25.0
300,000	399,999	280	10.1
400,000	499,999	140	5.1
500,000	and higher	130	4.7

Note: The 100 homes currently under construction and a portion of the estimated 11,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

activity, as measured by the number of single-family homes permitted. During the 12 months ending March 2013, building permits were issued for approximately 850 single-family homes, up 25 percent from the previous 12 months (preliminary data). Single-family home construction in the submarket remains significantly less than the average of 2,975 homes permitted annually from 2000 through 2004, although the recent activity is an increase from the average of 690 homes permitted annually from 2009 through 2011 (Figure 9).

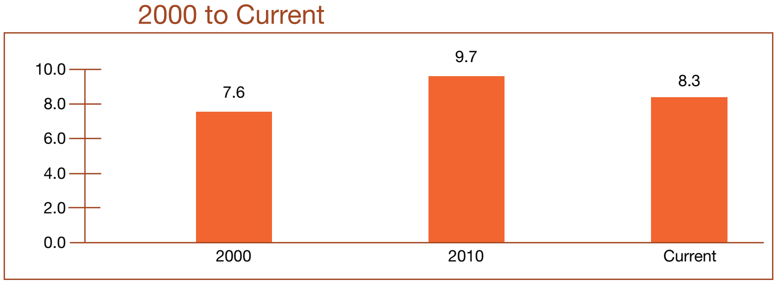
During the next 3 years, demand is expected for 2,800 new single-family homes and condominiums in the submarket (Table 1). The 100 homes currently under construction and a portion of the estimated 11,000 other vacant units in the submarket will likely satisfy part of the forecast demand. Demand is expected to be strongest for homes priced between $200,000 and $249,999 (Table 4).

Rental Market—Louisville Submarket

Rental housing market conditions in the Louisville submarket have improved since 2010 but remain soft. The current overall rental vacancy rate is estimated at 8.3 percent, down from 9.7 percent in April 2010 (Figure 10). The apartment market is slightly tight, with a vacancy rate of 4.6 percent during the fourth quarter of 2012, up from 4.4 percent a year earlier (Reis, Inc.). Asking rents for market-rate apartments averaged $685 during the fourth quarter of 2012, up 3 percent from $665 a year ago.

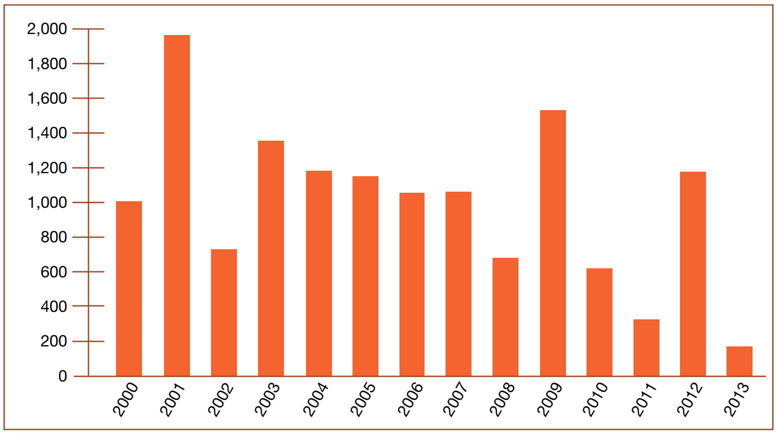
Job growth and net in-migration to the Louisville submarket is encouraging new multifamily construction activity. Multifamily construction activity, as measured by the number of units permitted, increased dramatically, to 1,150 units, during the 12 months ending March 2013, from 350 a year earlier. The recent construction increase follows other periodic spikes in multifamily permitting in the

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



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst submarket. Multifamily permitting peaked at approximately 1,975 units in 2001, followed by an average 1,025 units annually from 2002 through 2008, before increasing to 1,525 units in 2009, followed by a decline to an average of 460 units annually during 2010 and 2011 (Figure 11). Despite the virtual halt in condominium construction in many parts of the United States during the national recession, condominiums remained a significant proportion of multifamily permitting during the latter half of the past decade in the submarket. Condominium construction averaged 490 units annually from 2002 through 2008, or nearly one-half of total multifamily permitting, followed by 400 units in 2009 and an average of 250 units annually during 2010 and 2011. The continued permitting of condominium units is partly because of complications in the project approval process delaying construction of units permitted before the recession.

Figure 11. Multifamily Units Permitted in the Louisville Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through March 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Louisville Submarket, April 1, 2013, to April 1, 2016

Zero Bedrooms		One Bedroom		Two or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
750 to 949	20	900 to 1,099	95	1,350 to 1,549	90
950 to 1,149	20	1,100 to 1,299	75	1,550 to 1,749	70
1,150 to 1,349	15	1,300 to 1,499	75	1,750 to 1,949	70
1,350 to 1,549	10	1,500 to 1,699	55	1,950 to 2,149	55
1,550 or more	10	1,700 to 1,899	55	2,150 to 2,349	55
		1,900 or more	20	2,350 or more	20
Total	70	Total	380	Total	350

Notes: Numbers may not add to totals because of rounding. The 75 units currently under construction will likely satisfy some of the estimated demand.
Source: Estimates by analyst

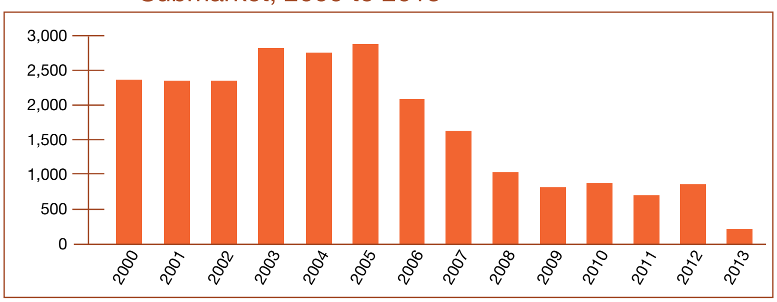
At the University of Louisville, enrollment totaled 20,950 during the fall 2011 semester, which represents 2.8 percent of the submarket population. The university housed an estimated 4,775 students on campus during the fall 2011 semester, with the remaining estimated 16,200 students living in off-campus housing. Off-campus student households represent 1.7 percent of the total renter households in the submarket. Single-room rents at university-approved, off-campus housing range from $570 to $925 monthly.

New rental developments in the submarket include Waterside at River Park Place, a 166-unit project, with 75 units still under construction. Expected rents are $750 for studio units, $900 for one-bedroom units, and $1,350 for two-bedroom units. The 75 units under construction and 750 additional planned completions are estimated to meet the projected demand of 790 new rental units in the submarket during the next 3 years (Table 1). Table 5 shows forecast demand by number of bedrooms and rent level.

Sales Market—Kentucky Submarket

The sales housing market in the Kentucky submarket is currently soft, with a 2.2-percent sales vacancy rate, down slightly from 2.3 percent in April 2010 (Table DP-3 at the end of the report). Existing home sales declined during the past 2 years, partly because existing home sales prices have declined an average of 2.1 percent annually since 2008, which discouraged owners from listing homes for sale. An estimated 9,950 homes sold in the submarket during 2012, down by 880 homes sold, or 8.2 percent, from 2011 (the most recent Hanley Wood, LLC data). During the previous 12-month period, home sales declined by 700, or 6 percent. The supply of homes available for sale, however, declined significantly, from an estimated 8.4-month supply in 2010 to 4.1 months of supply in 2012, partly because of a decrease in new active listings entering the market. Existing home sales prices decreased 1.3 percent to an average of $242,100 during 2012 compared with prices a year ago. Nevertheless, the percentage of distressed mortgages in the HMA decreased during the past year. In total, 5.7 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO as of January 2013, down from 6.3 percent a year ago and lower than the 6.7-percent rate in January 2010 (LPS Applied Analytics).

Figure 12. Single-Family Homes Permitted in the Kentucky Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through March 2013.

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

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Kentucky Submarket, April 1, 2013, to April 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
140,000	199,999	400	18.1
200,000	249,999	810	37.0
250,000	299,999	550	25.0
300,000	399,999	220	10.1
400,000	499,999	110	5.1
500,000	and higher	100	4.7

Note: The 100 homes currently under construction and a portion of the estimated 4,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

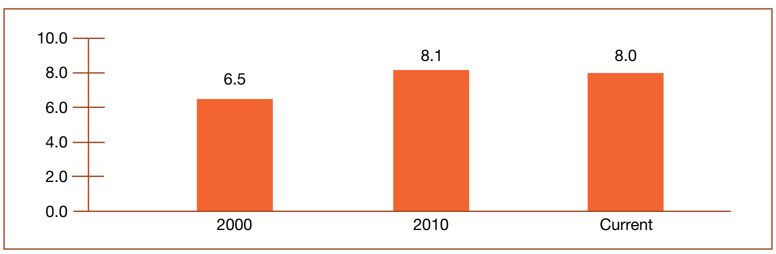
Despite the decrease in home sales in the submarket, developers increased new home construction activity, as measured by the number of single-family homes permitted. During the 12 months ending March 2013, building permits were issued for approximately 860 single-family homes, up 32 percent from the previous 12 months (preliminary data). Single-family home construction in the submarket remains significantly less than the average for 2000 through 2005, when 2,575 homes were permitted annually, although recent building activity represents an increase from the average of 830 homes permitted annually from 2008 through 2011 (Figure 12).

During the next 3 years, demand is expected for 2,175 new single-family homes in the submarket (Table 1). The 100 homes currently under construction and a portion of the estimated 4,500 other vacant units in the submarket may satisfy a portion of the estimated demand. Demand is expected to be strongest for homes priced between $200,000 and $249,999 (Table 6).

Rental Market—Kentucky Submarket

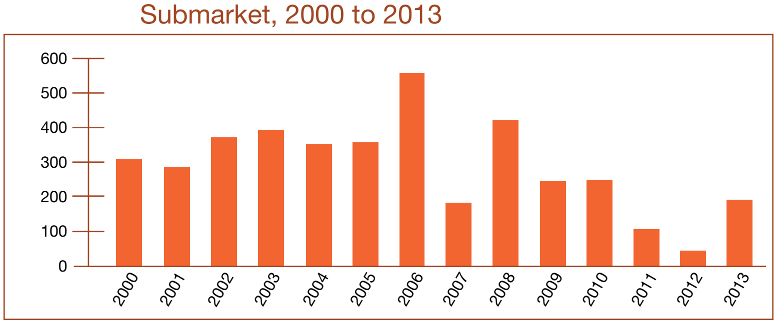
Rental housing market conditions in the Kentucky submarket have improved slightly since 2010, but conditions remain soft while excess vacant units continue to be absorbed. The overall rental vacancy rate is estimated at 8.0 percent, down from 8.1 percent in April 2010 (Figure 13). The apartment market is balanced, with a vacancy rate of 5.0 percent during the fourth quarter of 2012, down from 5.5 percent a year earlier (Axiometrics Inc.). Asking rents for market-rate apartments averaged $730 during the fourth quarter of 2012, up 4 percent from $700 a year ago.

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



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

Figure 14. Multifamily Units Permitted in the Kentucky Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through March 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Multifamily construction activity, as measured by the number of units permitted, totaled approximately 230 units during the 12 months ending March 2013, essentially unchanged from the 230 units permitted a year earlier. The 230 units permitted annually during 2011 and 2012 were nearly 35 percent lower than the average of 340 units permitted annually from 2000 through 2010 (Figure 14). The recent decline in the number of apartment units permitted is partly a response to steadily declining net in-migration to the Kentucky submarket that began in 2007. Vacancy rates declined from 6.5 percent in the fourth quarter of 2010, when 45 percent of units were offering concessions, to a 5.0-percent vacancy rate in the fourth quarter of 2012, when the number of units offering concessions fell to 6 percent (Axiometrics Inc.). As vacancy rates and units offering concessions declined, rents increased from $710 to $730 during the period.

New rental developments include The Reserves at Thomas Glen, a 192-unit project, with 120 units still under construction. Expected rents are $650 for one-bedroom units, $770 for two-bedroom units, and $900 for three-bedroom units. To allow for the current excess supply of vacant available units and the 120 market-rate apartment units currently under construction to be absorbed, no additional new market-rate rental units should be constructed in the submarket during the forecast period (Table 1).

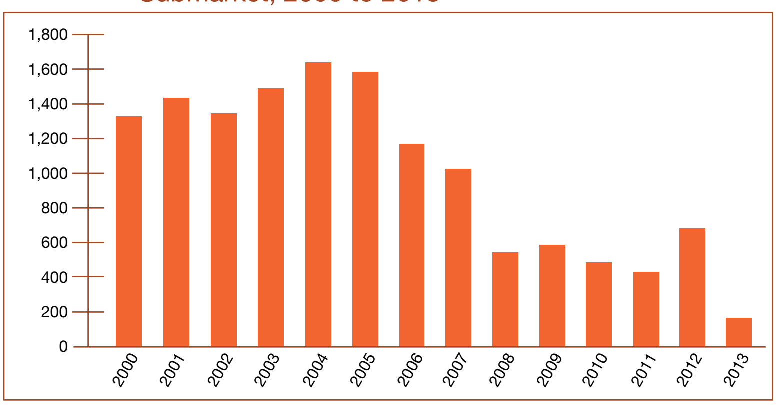
Sales Market—Indiana Submarket

The sales housing market in the Indiana submarket is soft, with a 2.7-percent sales vacancy rate, up slightly from 2.6 percent in April 2010 (Table DP-4 at the end of the report). Home sales increased during the past 2 years in the submarket, because homes in the submarket, in general, are more affordable. During 2012, 2,725 homes sold in the submarket, which is an increase of 250 homes, or 11.2 percent, annually since 2010 (Southern Indiana REALTORS® Association [see Data Definitions and Sources]). Home sales prices have increased 2.9 percent annually since 2010, to an average of $134,500 during 2012. The percentage of distressed mortgages in the submarket decreased during the past year. Of home loans in the submarket, 7.4 percent were 90 or more days delinquent, were in foreclosure, or transitioned into REO as of January 2013, down from 8.1 percent a year ago (LPS Applied Analytics).

In response to increased home sales, developers increased new home construction activity, as measured by the number of single-family homes permitted. During the 12 months ending March 2013, building permits were issued for approximately 340 single-family homes, up 70 percent from the 200 homes permitted during the previous 12 months (preliminary data). Single-family home construction in the submarket remains significantly less than the average for 2000 through 2005, when 1,475 homes were permitted annually and represents a decrease from the average of 510 homes permitted annually from 2008 through 2011, partly because net out-migration from the submarket reduced demand for new homes (Figure 15).

During the next 3 years, demand is expected for 510 new single-family homes in the submarket (Table 1). The 50 homes currently under construction and a portion of the estimated 4,275 other vacant units in the submarket will likely satisfy part of the demand. Demand is expected to be strongest for homes priced between $200,000 and $249,999 (Table 7).

Figure 15. Single-Family Homes Permitted in the Indiana Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through March 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 7. Estimated Demand for New Market-Rate Sales Housing in the Indiana Submarket, April 1, 2013, to April 1, 2016

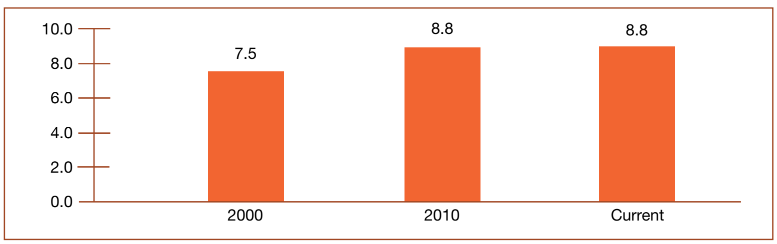
Price Range ($)		Units of Demand	Percent of Total
From	To		
140,000	199,999	90	18.1
200,000	249,999	190	37.0
250,000	299,999	130	25.0
300,000	399,999	50	10.1
400,000	499,999	25	5.1
500,000	and higher	25	4.7

Note: The 50 homes currently under construction and a portion of the estimated 4,275 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analyst

Rental Market—Indiana Submarket

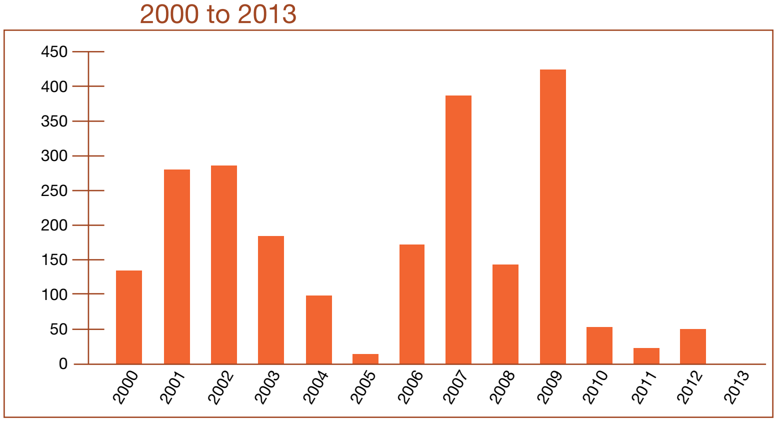
Rental housing market conditions in the Indiana submarket have remained soft since 2010, with an overall rental vacancy rate estimated at 8.8 percent (Figure 16). The apartment market is tight, with a vacancy rate of 3.5 percent during the fourth quarter of 2012, down from 4.6 percent a year earlier (Axiometrics Inc.). Asking rents for market-rate apartments averaged $615 during the fourth quarter of 2012, up from $585 a year ago and $535 during the fourth quarter of 2010.

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



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

Figure 17. Multifamily Units Permitted in the Indiana Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through March 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Multifamily construction activity, as measured by the number of units permitted, decreased to 10 units during the 12 months ending March 2013, from an average of 45 units annually from 2010 through 2012. The relatively small number of units permitted since 2010 is much lower than the average of 320 units permitted annually from 2007 through 2009, because weak overall rental market conditions hindered new development (Figure 17). Because a relatively large number of apartment units entered the submarket from 2007 through 2009, apartment vacancy rates increased to 7 percent in the fourth quarter of 2009, and concessions were offered in nearly 40 percent of units. Since the beginning of 2010, as large numbers of newly constructed apartments have been absorbed, vacancy rates have declined, reaching 4.6 percent in the fourth quarter of 2011 and 3.5 percent during the fourth quarter of 2012. The number of units offering concessions declined to 29 percent in the fourth quarter of 2011, and only 8.5 percent of units offered concessions during the fourth quarter of 2012.

Slower job growth and continued net out-migration from the submarket will hinder demand for new market-rate rental units in the submarket. To allow for the current excess supply of vacant available units to be absorbed, no additional new market-rate rental units should be constructed in the submarket during the next 3 years (Table 1).

Data Profiles

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	588,122	567,227	536,000	– 0.4	– 2.5
Unemployment rate	3.6%	10.2%	8.0%		
Nonfarm payroll jobs	620,400	593,000	615,600	– 0.5	1.7
Total population	1,161,975	1,283,566	1,306,000	1.0	0.6
Total households	462,241	514,214	523,800	1.1	0.6
Owner households	321,432	350,540	351,500	0.9	0.1
Percent owner	69.5%	68.2%	67.1%		
Renter households	140,809	163,674	172,300	1.5	1.7
Percent renter	30.5%	31.8%	32.9%		
Total housing units	492,146	559,837	567,800	1.3	0.5
Owner vacancy rate	1.5%	2.5%	2.4%		
Rental vacancy rate	7.4%	9.4%	8.4%		
Median Family Income	NA	$58,548	NA	NA	NA

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2013. Median Family Incomes are for 1999, 2009, and 2010.

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

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	693,604	741,096	754,200	0.7	0.6
Total households	287,012	309,175	314,800	0.7	0.6
Owner households	186,387	194,997	194,500	0.5	– 0.1
Percent owner	64.9%	63.1%	61.8%		
Rental households	100,625	114,178	120,300	1.3	1.8
Percent renter	35.1%	36.9%	38.2%		
Total housing units	305,835	337,616	341,400	1.0	0.4
Owner vacancy rate	1.5%	2.5%	2.3%		
Rental vacancy rate	7.6%	9.7%	8.3%		

Note: Numbers may not add to totals because of rounding.

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

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	239,528	290,034	297,400	1.9	0.8
Total households	85,786	105,270	108,000	2.1	0.9
Owner households	68,784	82,590	83,650	1.8	0.4
Percent owner	80.2%	78.5%	77.5%		
Rental households	17,002	22,680	24,350	2.9	2.4
Percent renter	19.8%	21.5%	22.5%		
Total housing units	91,158	113,723	116,500	2.2	0.8
Owner vacancy rate	1.6%	2.3%	2.2%		
Rental vacancy rate	6.5%	8.1%	8.0%		

Note: Numbers may not add to totals because of rounding.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	228,843	252,436	254,600	1.0	0.3
Total households	89,443	99,769	100,900	1.1	0.4
Owner households	66,261	72,953	73,350	1.0	0.2
Percent owner	74.1%	73.1%	72.7%		
Rental households	23,182	26,816	27,600	1.5	1.0
Percent renter	25.9%	26.9%	27.3%		
Total housing units	95,153	108,498	109,900	1.3	0.4
Owner vacancy rate	1.5%	2.6%	2.7%		
Rental vacancy rate	7.5%	8.8%	8.8%		

Note: Numbers may not add to totals because of rounding.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 04/01/2013—Analyst's estimates
Forecast period: 04/01/2013–04/01/2016—Analyst's estimates

The Louisville, KY-IN 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 December 1, 2009 (does not reflect changes defined by the OMB Bulletin dated February 28, 2013).

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

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

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

Indiana submarket home sales data: All information contained herein is provided by the Southern Indiana REALTORS® Association (SIRA) multiple listing service (MLS) for the period of January 1, 2010, through March 31, 2013. SIRA and/or the SIRA MLS does not guarantee the accuracy of information. Content maintained by the SIRA MLS may not represent all real estate information in this market.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_LouisvilleKY-IN_13.pdf.

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

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

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.