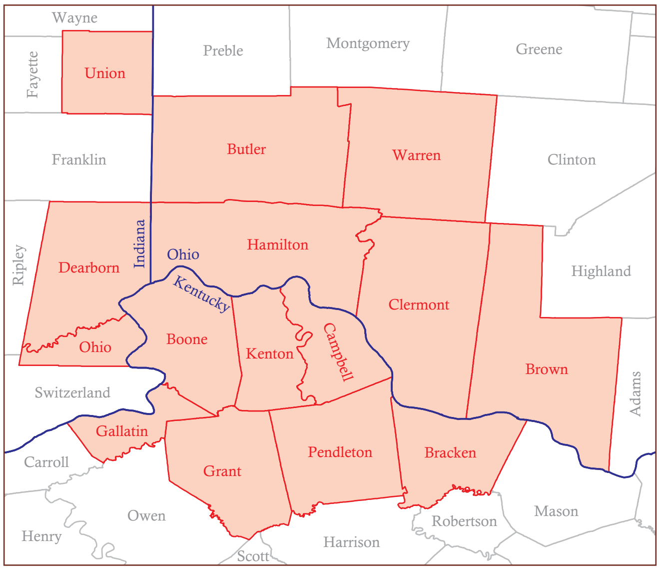
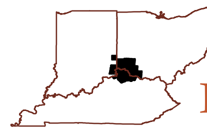
COMPREHENSIVE HOUSING MARKET ANALYSIS

Cincinnati, Ohio-Kentucky-Indiana

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2017





Housing Market Area

The Cincinnati Housing Market Area (HMA) includes 15 counties in Ohio, Kentucky, and Indiana and is coterminous with the Cincinnati, OH-KY-IN Metropolitan Statistical Area. This report divides the HMA into three submarkets: (1) the Hamilton County submarket, which includes the city of Cincinnati; (2) the Ohio Suburban submarket, which includes Brown, Butler, Clermont, and Warren Counties in Ohio; and (3) the Southwestern Counties submarket, which includes Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in Kentucky, and Dearborn, Ohio, and Union Counties in Indiana.

Summary

Economy

Economic conditions in the Cincinnati HMA continue the trend of recovery that began in 2011; in 2015, nonfarm payrolls surpassed the previous peak of 1.04 million in 2007. During the 12 months ending May 2017, nonfarm payrolls averaged 1.09 million jobs, a gain of 18,900, or 1.8 percent, compared with the same period in 2016. The unemployment rate averaged 4.2 percent during the 12 months ending May 2017, down from 4.4 percent a year earlier and lower than the 9.9 percent recorded in 2010. Table DP-1 at the end of this report provides economic and population data on the HMA.

Sales Market

Sales housing market conditions in the HMA are balanced, with the sales vacancy rate estimated at 1.5 percent, down from 2.5 percent in April 2010. During the 3-year forecast period, demand is estimated for 12,175 new homes (Table 1). The 1,620 homes currently under construction and a portion of the 37,400 other vacant housing units that may reenter the sales market will satisfy some of the demand during the forecast period.

Rental Market

The rental housing market in the HMA is currently balanced with an estimated rental vacancy rate of 7.3 percent, down from 11.8 percent in April 2010. The apartment market is slightly tight with a 3.9 percent vacancy rate, unchanged from the previous 12 months. The average rent for an apartment is $850, up $23, or 3 percent, from 1 year earlier. During the 3-year forecast period, demand is estimated for 9,525 new market-rate rental units (Table 1). The 2,450 units currently under construction will satisfy approximately one-quarter of this demand.

Market Details

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

	Cincinnati HMA		Hamilton County Submarket		Ohio Suburban Submarket		Southwestern Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	12,175	9,525	3,200	5,125	5,450	2,700	3,525	1,700
Under construction	1,620	2,450	340	1,450	940	640	340	360

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2017. A portion of the estimated 37,400 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is June 1, 2017, to June 1, 2020.

Source: Estimates by analyst

Economic Conditions

The Cincinnati HMA is a major employment center for the tri-state area of southwestern Ohio, northern Kentucky, and southeastern Indiana. During the second half of the 20th century, manufacturing declined, one of the main employment sectors in the HMA, and recent economic expansion is largely a result of growth in the education and health services, the professional and business services, and the financial activities sectors. The HMA is currently home to nine Fortune 500 companies and more than 300 foreign-owned firms.

The positive economic conditions and job growth that have occurred in the HMA since 2011 are in contrast with the conditions that existed during most of the 2000s. Nonfarm payrolls in the HMA reached a high of more than 1.01 million jobs in 2000. Following this peak, nonfarm payrolls fell by an average of 4,400 jobs, or 0.4 percent, annually during the next 2 years. A significant portion of these job losses was because of numerous layoffs among industrial machine manufacturers. Jobs in the manufacturing sector totaled 147,000 during 2000, when manufacturing was the second largest employment sector in the HMA, behind the wholesale and retail trade sector, and accounted for 14.5 percent of all nonfarm payrolls. General Electric (GE) Aviation, which laid off 500 employees during 2001 because of restructuring, was among the companies that had layoffs during this time. From the end of 2000 through 2002, manufacturing sector employment fell to 129,500 jobs, an average decrease of 8,800 jobs, or 6.1 percent, annually.

From 2003 through 2007, nonfarm payrolls expanded by an average of 7,600 jobs, or 0.7 percent, annually, to a new high of 1.04 million in 2007. The professional and business services and the education and health services sectors led job growth during this time, with average annual increases of 3,500 and 3,400, or 2.4 and 2.6 percent, respectively. Continued losses in the manufacturing sector of 1,800 jobs, or 1.4 percent, per year offset overall job gains. During the period, employment levels in the professional and business and the education and health services sectors surpassed that of manufacturing, accounting for 15.0 and 13.6 percent of all nonfarm payroll jobs, respectively. The share represented by the manufacturing sector fell to 11.6 percent. During 2008, nonfarm payrolls began a decline that lasted 3 years, as local economic conditions weakened during the national recession, and in 2009, nonfarm payrolls dropped below a million jobs for the first time since 1998. From 2008 through 2010, nonfarm payrolls decreased by an average of 20,700 jobs, or 2.0 percent, annually, to 981,600. Job losses during these 3 years were widespread, but the manufacturing and the mining, logging, and construction sectors led declines with average annual losses of 5,900 and 4,700 jobs, or 5.1 and 10.4 percent, respectively. The only employment sector to record growth from 2008 through 2010 was the education and health services sector, which grew by an average of 1,900, or 1.3 percent, annually, to reach 147,300 jobs during 2010. Economic conditions in the HMA started to recover in 2010, less than a year after the national recession ended in June 2009. From 2011 through 2015, nonfarm payrolls rose by an average of 15,900, or 1.6 percent, annually. During the period, the professional and business services sector added the most jobs with an average increase of 3,800 jobs, or 2.5 percent, annually. In addition, the manufacturing sector expanded for the first time since 1998; from 2011 through 2015, the sector grew by an average of 2,000 jobs, or 1.9 percent, annually.

The trend of solid economic growth in the HMA continued during the 12 months ending May 2017. Nonfarm payrolls in the HMA totaled 1.09 million jobs, up 18,900 jobs, or 1.8 percent, compared with the previous 12 months (Table 2). During the 12 months ending May 2017, the average unemployment rate in the HMA was 4.2 percent, down from 4.4 a year earlier. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2016.

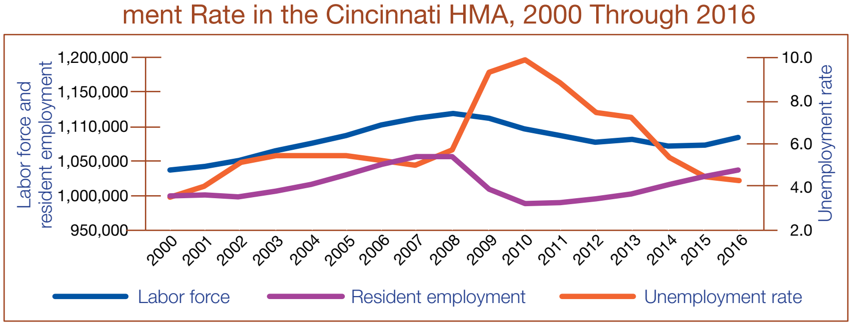
Growth during the 12 months ending May 2017 was attributed in large part to the wholesale and retail trade and the financial activities sectors, which added 4,900 and 3,700 jobs, an increase of 2.9 and 5.3 percent, respectively. Fifth Third Bancorp is the largest employer in the financial activities sector with 7,200 jobs, but U.S. Bancorp, PNC Financial Services, Huntington Bancshares,

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

	12 Months Ending		Absolute Change	Percent Change
	May 2016	May 2017		
Total nonfarm payroll jobs	1,069,900	1,088,800	18,900	1.8
Goods-producing sectors	158,100	162,400	4,300	2.7
Mining, logging, & construction	44,300	46,500	2,200	5.0
Manufacturing	113,800	115,900	2,100	1.8
Service-providing sectors	911,800	926,400	14,600	1.6
Wholesale & retail trade	167,600	172,500	4,900	2.9
Transportation & utilities	41,700	42,500	800	1.9
Information	14,000	14,300	300	2.1
Financial activities	70,400	74,100	3,700	5.3
Professional & business services	167,600	169,300	1,700	1.0
Education & health services	162,600	164,100	1,500	0.9
Leisure & hospitality	118,500	119,800	1,300	1.1
Other services	39,900	40,400	500	1.3
Government	129,500	129,500	0	0.0

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through May 2016 and May 2017.
Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Cincinnati HMA, 2000 Through 2016



Source: U.S. Bureau of Labor Statistics

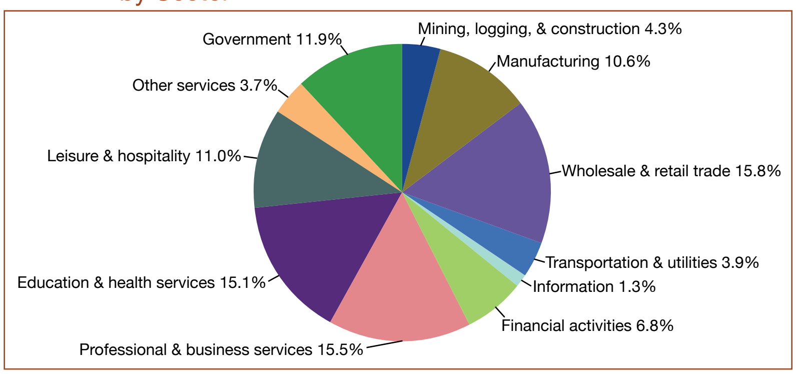
Inc., and First Financial Bank also have a strong presence in the HMA. In 2016, Barclays Bank Delaware opened a new service center in the city of Hamilton, one of the largest recent economic development projects in Ohio. The new center will provide services to credit card holders, offer payment products featuring the Barclaycard brand, and is expected to employ 1,500 workers by the end of 2018. The wholesale and retail trade sector is the largest employment sector in the HMA and accounts for nearly 16 percent of all nonfarm jobs (Figure 2). Nearly 80 percent of jobs gained in the sector during the past 12 months occurred in the retail trade subsector. The Kroger Co., the largest supermarket chain by revenue and the second largest private employer in the United States, is the largest employer in the HMA with 21,650 employees (Table 3). Earlier in 2017, the company announced plans to add 600 employees in the HMA this year.

The education and health services sector accounts for more than 15 percent of all nonfarm jobs in the HMA and has been the fastest growing sector since 2000 (Figure 3). During the 12 months ending May 2017, the sector added 1,500 jobs, a gain of 0.9 percent, to 164,100 jobs. TriHealth, Mercy Health, and St. Elizabeth Healthcare are 3 of the top 10 employers in the HMA, with 12,000, 9,000, and 8,225 employees, respectively.

During the 12 months ending May 2017, the transportation and utilities sector grew by 800 jobs, or 1.9 percent; all the growth in the sector occurred in the transportation and warehousing industry. Early in 2017, DHL Express announced the hiring of 900 new employees as a part of a $108 million hub expansion at the Cincinnati/Northern Kentucky International Airport (CVG). Following the expansion, DHL employment will exceed 3,300, up from 670 employees in 2009 (*The Cincinnati Business Courier*, 2017). The air cargo business at CVG continues to grow and play a significant role in the economic development in the HMA. FedEx Corporation, Delta Cargo, and Amazon.com, Inc. also have a significant presence at the airport.

During the 12 months ending May 2017, the manufacturing sector rose by 2,100 jobs, or 1.8 percent, as the sector continues to build on a turnaround in employment growth that has occurred since 2011. A portion of recent growth in the manufacturing sector occurred in the car manufacturing industry. The HMA is home to

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



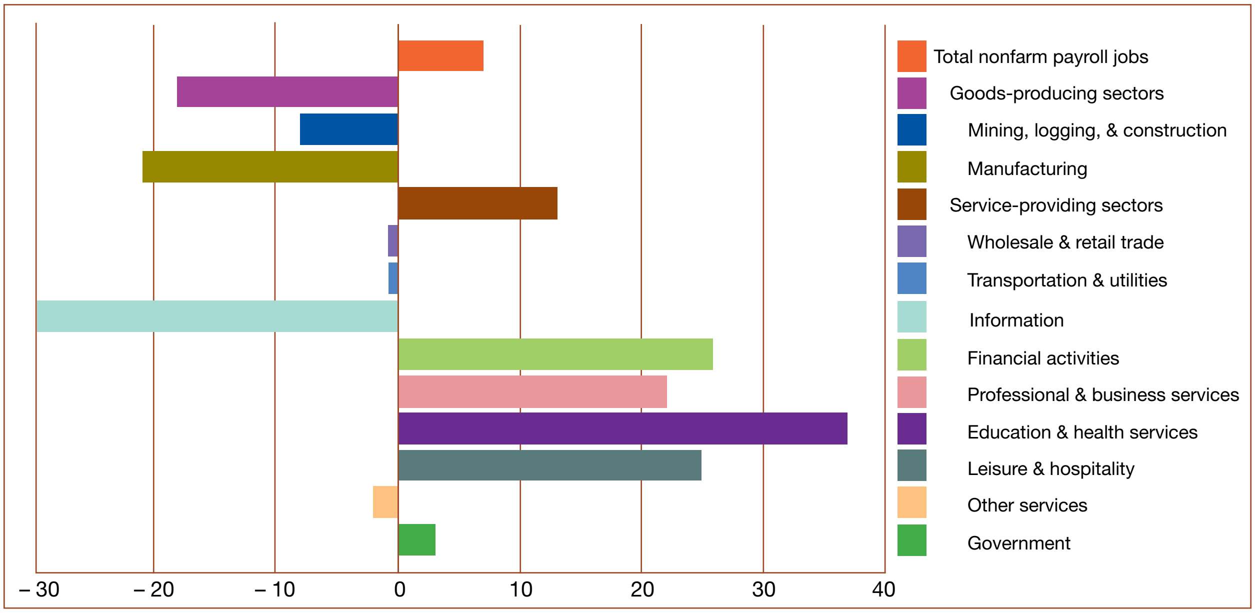
Note: Based on 12-month averages through May 2017.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Cincinnati HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kroger Co.	Wholesale & retail trade	21,650
University of Cincinnati	Government	16,025
Cincinnati Children's Hospital Medical Center	Government	15,250
UC Health	Government	12,200
TriHealth	Education & health services	12,000
Procter & Gamble	Manufacturing	10,000
Mercy Health	Education & health services	9,000
St. Elizabeth Healthcare	Education & health services	8,225
General Electric Aviation	Manufacturing	7,800
Fifth Third Bancorp	Financial activities	7,200

Note: Excludes local school districts.
Source: Cincinnati Business Courier Book of Lists*, 2016/2017*

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



Note: Current is based on 12-month averages through May 2017.
Source: U.S. Bureau of Labor Statistics

115 vehicle production and supply chain companies, employing 95,000 local workers (City of Cincinnati, Community and Economic Development). Pacific Manufacturing recently expanded its stamping plant that makes auto frames and engines and added more than 60 employees. Procter & Gamble and GE Aviation are the largest employers in the manufacturing sector and the sixth and ninth largest employers in the HMA with 10,000 and 7,800 employees, respectively. Since 2014, GE Aviation has invested $144 million in its facilities in the city of Evendale, Ohio, with an additional $500 million more expected to be invested by the end of the decade (*The Cincinnati Business Courier*, 2016).

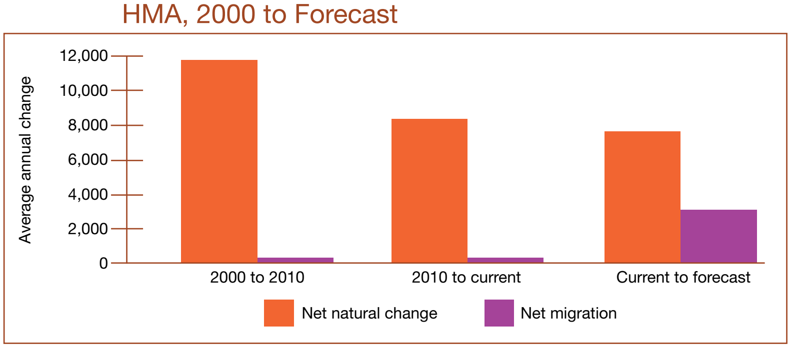
Employment in the mining, logging, and construction sector has improved substantially since the housing market crisis but remains below prerecessionary levels. During the 12 months ending May 2017, the sector added 2,200 jobs, an increase of 5.0 percent, to 46,500 jobs, nearly 10 percent below the average of 51,600 jobs in the sector from 2004 through 2007. The construction subsector accounts for more than 95 percent of jobs in the sector. In the HMA, residential construction is increasing; however, the total value of investment in construction leveled off recently.

The economic outlook for the HMA is positive. During the 3-year forecast period, the economy is expected to continue to grow, with nonfarm payrolls increasing an average of 1.4 percent annually. Expected expansions near the airport will contribute to the economic growth. Earlier in 2017, Amazon announced plans to invest $1.49 billion and bring 2,700 more new jobs, 600 of which will be full time, to establish a primary hub for Amazon Prime Air at CVG. The education and health services sector is also expected to contribute to growth during the forecast period as several expansions are scheduled to be complete or under way during the next 3 years, including TriHealth's $100 million investment to expand a cancer care facility. The construction of the new building will begin in June 2017, with expected completion by early 2019. The number of new jobs that will be added as a result of this expansion has not been disclosed.

Population and Households

Since 2010, population growth in the Cincinnati HMA has been low, despite strong economic conditions, because of slowed net natural increase (resident births minus resident deaths). The population of the HMA is currently an estimated 2.18 million, up an average of 8,575, or 0.4 percent, annually from 2.11 million in 2010; growth from 2000 to 2010 averaged 12,000, or 0.6 percent, annually. Since 2010, the HMA has been one of the fastest growing in Ohio. Available jobs and affordable housing attract people to move to the HMA. From 2010 to 2013, population growth averaged 0.3 percent annually, when net out-migration averaged 2,450 people annually. Growth has risen to an average of 0.5 percent annually since 2013 because of a shift to in-migration that has averaged 2,425 people annually. Population growth has been limited by a decline in net natural change to an average of 8,350 annually since 2010 compared with an average net natural change of 11,750 annually during the previous decade (Figure 4). Currently, 851,500 households are in the HMA, up an average of 3,700, or 0.4 percent, annually from 824,967 in 2010.

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



Notes: The current date is June 1, 2017. The forecast date is June 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Hamilton County is the largest county in the HMA and accounts for nearly 40 percent of the total HMA population, with an estimated 811,200 people. Hamilton County has recorded average growth of 1,225 people, or 0.2 percent, annually since 2010, as net out-migration has slowed to an average of 1,975 people annually. Although the rate of population growth in Hamilton County is slow this decade, it marks a significant improvement from the rate during the 2000s, when the population declined by an average of 4,300, or 0.5 percent, annually, and net out-migration averaged 7,975 people, annually. The highest out-migration from the Hamilton County submarket occurred from 2001 to 2007, when net out-migration averaged 9,925 annually, a period that generally coincided with economic expansion in the HMA. People left the county to move to the suburbs. In contrast, slower net-out migration from Hamilton County this decade largely resulted from the revitalization of downtown Cincinnati, boosted by economic growth and the popularity of urban living among millennials.

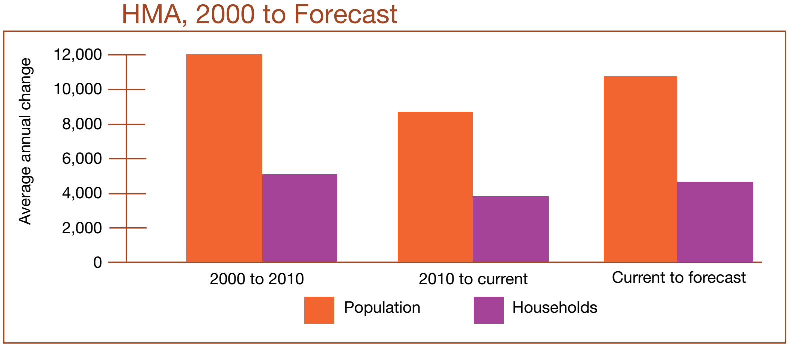
Historically, the population loss in the Hamilton County submarket was a result of a population decline in the city of Cincinnati. In 1950, population of the city peaked at 503,998 but decreased by an average of 0.9 percent annually to 296,943 in 2010. Since 2010, the city has recorded a small gain in population because of a growing economy combined with rising demand for urban living. Currently, the city of Cincinnati is the third-largest city in Ohio, with an estimated population of 298,800 (Census Bureau population estimates as of July 1).

Since the onset of suburban growth in the 1950s, population growth in the Ohio Suburban and Southwestern Counties submarkets has been faster than in Hamilton County because of stronger net in-migration. The population of the Ohio Suburban submarket is currently estimated at 857,400, an average gain of 4,800, or 0.6 percent, annually since 2010. Net in-migration to the submarket averaged 1,925 people annually and accounted for 40 percent of the population growth. Currently, fewer people in the HMA tend to move to the suburban areas because of an increasing preference to live near downtown Cincinnati. By comparison, from 2000 through 2010, the population of the submarket grew by an average of 11,150, or 1.5 percent, annually because of higher levels of in-migration from Hamilton County. Net in-migration to the Ohio Suburban submarket averaged 6,100 people annually and represented 55 percent of total population growth during the previous decade.

The Southwestern Counties submarket is the largest in terms of land area, but because much of the land is rural, it accounts for less than one-quarter of the total population of the HMA. The population of the Southwestern Counties submarket is currently estimated at 507,000, an average increase of 2,475, or 0.5 percent, annually since 2010. Net in-migration to the submarket averaged 200 people annually during this period and accounted for 8 percent of the population growth. By comparison, during the previous decade, when the submarket benefited from higher net out-migration from the Hamilton County submarket, population in Southwestern Counties submarket grew by an average of 5,100, or 1.1 percent, annually, and net in-migration accounted for 40 percent of total population growth.

During the 3-year forecast period, the population of the HMA is expected to grow by an average of 10,650, or 0.5 percent, annually (Figure 5). The population growth rate is forecast to rise slightly in the Hamilton County and the Ohio Suburban submarkets, which are expected to grow by an average of 2,300 and 6,025 people, or 0.3 and 0.7 percent, annually. In the

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



Notes: The current date is June 1, 2017. The forecast date is June 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Southwestern Counties submarket, population growth is expected to remain roughly the same, with an estimated increase of 2,425 people, or 0.5 percent, annually.

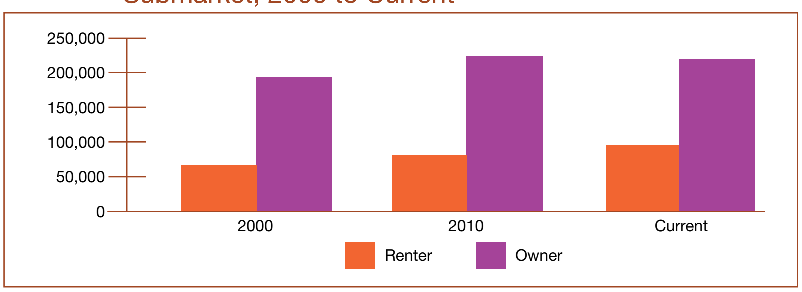
The current number of households in the Hamilton County submarket is 340,000, an average growth of 840 households, or 0.3 percent, annually since 2010. By comparison, between 2000 and 2010, the number of households in the submarket declined by an average of 1,275 households, or 0.4 percent, annually. Figure 6 shows the number of households by tenure in the Hamilton County submarket since 2000. Slower population growth in the other submarkets resulted in a noticeably lower rate of household creation. In the Ohio Suburban submarket, household growth has declined from 1.6-percent growth during the previous decade to 0.6-percent annual growth since 2010. The annual rate of growth in the Southwestern Counties submarket has fallen from 1.1 percent, from 2000 to 2010, to 0.6 percent a year since 2010. Currently, an estimated 316,900 and 194,550 households are in the Ohio Suburban and the Southwestern Counties submarkets. Figures 7 and 8 show the number of households by tenure in each submarket, respectively, since 2000.

During the next 3 years, moderate economic growth likely will contribute to a small rise in household growth in the HMA, which is expected to average 4,625 households, or 0.5 percent, annually. This growth is expected to average approximately 0.4 percent in the Hamilton County submarket, 0.7 percent in the Ohio Suburban submarket, and 0.6 percent in the Southwestern Counties submarket. Tables DP-2, DP-3, and DP-4 provide additional information about population and households in each submarket.

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

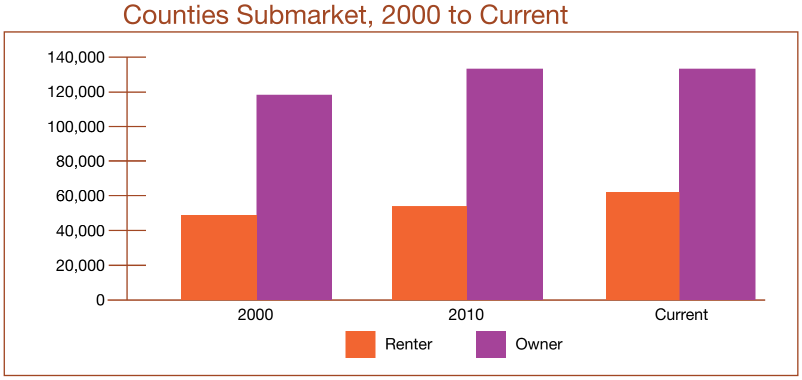
Note: The current date is June 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

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



Note: The current date is June 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

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



Note: The current date is June 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market—Hamilton County Submarket

The sales housing market in the Hamilton County submarket is currently balanced, with an estimated 1.8 percent vacancy rate, down from 3.0 percent in 2010 when the market was weak. Population growth this decade and economic recovery, combined with reduced levels of home construction, resulted in an improved sales housing market in the Cincinnati HMA. During the 12 months ending May 2017, the number of new and existing single-family homes, townhomes, and condominiums sold totaled 15,830, a 9-percent increase from the previous 12 months and more than double the recent low of 7,475 home sales in 2011. Despite the rise in home sales volume since 2011, the current homeownership rate in the Hamilton County submarket is estimated at 56.8 percent, down from 59.5 percent in 2010 because of an increased preference for rental housing. Currently, a 1.8-month supply of homes exists in the submarket, down from 2.4 months a year earlier (Cincinnati Area Board of Realtors). The month's supply of homes is more indicative of a tight market, however, the share of seriously delinquent loans and real estate owned (REO) properties, although falling, is relatively high and a negative factor in the overall condition of the housing market. In May 2017, 3.0 percent of all mortgage loans in the submarket were seriously delinquent (loans that are 90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 3.7 percent in May 2016 and below the peak level of 7.1 percent in December 2011 (CoreLogic, Inc.). Even after the recent decline, the rate of seriously delinquent mortgages and REO properties in the submarket is higher than the 2.5-percent rate for the HMA and the national average of 2.3 percent (Metrostudy, A Hanley Wood Company).

Despite a recent drop in REO sales, sales of existing homes in the submarket continue to be strong. During the 12 months ending May 2017, the sale of existing homes totaled 15,350, an increase of 1,275 sales, or 9 percent, from the previous 12 months. Currently, the number of existing home sales is 5 percent below the previous high of 16,200 homes sold during 2005. Following the peak, existing home sales decreased by an average of 1,500, or 9 percent, annually to 7,475 homes sold in 2011. Existing home sales began to rebound in 2012 and grew by an average of 2,475, or 35 percent, annually to 12,150 homes in 2013, as the local economy continued to recover from the recession. Following this rapid growth, existing home sales remained virtually unchanged in 2014; however, a lower level of out-migration from Hamilton County and easier access to credit sustained demand for single-family homes. Growth resumed in 2015, when sales rose by 1,325, or 11 percent.

The average sales price growth for existing homes in Hamilton County during the past 12 months was below the national average despite a tight inventory of homes for sale. During the 12 months ending May 2017, the average sales price of an existing home was $183,400, an increase of $7,450, or nearly 4 percent, from a year earlier; nationally, the increase exceeded 5 percent. From 2005 through 2007, the average sales price of an existing single-family home in the submarket was stable at $167,500.

During the next 2 years, the average sales price dropped by an average of $11,200, or nearly 7 percent, annually to $145,200 in 2009. While the existing home sales continued to decline in 2010, the average existing home sales price rebounded substantially, rising by $25,800, or 18 percent, to $171,000. Following this increase, the average home sales price of an existing home dropped 3 percent in 2011, only to rebound and grow 4 percent to $176,100 in 2012. The average price remained near this level through 2015.

REO sales make up a significant portion of all existing home sales in the Hamilton County submarket but are well below levels recorded following the housing crisis. The number of REO sales has decreased greatly since reaching a peak of 2,925, during 2013, at 24 percent of all existing home sales. REO sales, during the 12 months ending May 2017, totaled 1,800 sales and accounted for nearly 13 percent of all existing home sales in the submarket. The average sales price of an REO property during the 12 months ending May 2017 was $91,400, less than one-half of the average regular resale price of $192,200 but up from $76,200 in 2013. The average sales price and the volume of REO sales have a significant impact on the average sales prices of existing homes previously described.

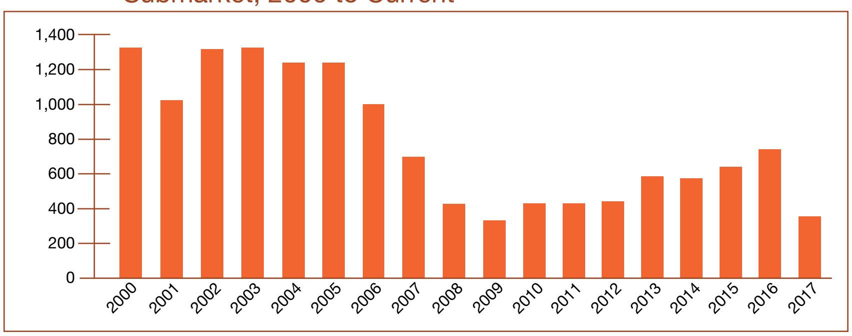
The current level of new home sales is well below the levels recorded during the mid-2000s. New home sales (including single-family homes, townhomes, and condominiums) in the Hamilton County submarket totaled 480 during the 12 months ending May 2017, an increase of 60 sales, or 14 percent, from the previous 12 months. By comparison, from 2005 through 2006, new home sales in the submarket averaged 1,700 sales annually and then decreased for the next 6 years by an average of 240 sales, or 14 percent, annually, to only 270 sales in 2012. With the improving economy, new home sales began to rise, up by an average of 80 sales, or nearly 30 percent, annually, to 420 sales in 2014, but fell 8 percent to 390 sales in 2015. A year later, new home sales grew by nearly 120 sales, or 30 percent, to 510 sales, the highest level since 2008.

During the 12 months ending May 2017, the average sales price of a new home was $357,000, up $29,750, or 9 percent, from a year ago. In 2005, the average sales price of a new home was $262,400, and the price went up by an average of $22,450, or 8 percent, annually for the next 2 years to a peak of $307,300 in 2007. Beginning in 2008, the average sales price fell for the next 3 years by an average of $23,500, or 8 percent, annually to $236,800 in 2010, reversing all prior price gains. From 2011 through 2012, the average sales price of a new home rebounded by $32,600, or 13 percent, annually, to $302,000 in 2012, but dropped 1 year later 5 percent to $287,500. As single-family construction in the submarket began to rebound in 2013, new home prices started to rise again, averaging growth of $16,300, or nearly 6 percent, annually through 2015.

Single-family construction rebounded from the low levels observed in the aftermath of the housing market crisis but is significantly below prerecessionary levels. Single-family homebuilding, as measured by the number of homes permitted, totaled 790 during the 12 months ending May 2017, up 60 homes, or 8 percent, from the previous 12 months (preliminary data).

Single-family construction peaked from 2000 through 2005, when an average of 1,250 homes were permitted annually (Figure 9). During the following 3 years, construction fell by nearly 74 percent to 330 homes in 2009 and then rebounded modestly to average 430 homes permitted from 2010 through 2012. The slowdown in out-migration, resulting from the economic recovery, led to an increase in building activity. From 2013, single-family homebuilding grew 43 percent to 750 homes permitted in 2016.

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



Notes: Includes townhomes. Current includes data through May 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

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

Price Range ($)		Units of Demand	Percent of Total
From	To		
145,000	199,999	320	10.0
200,000	249,999	480	15.0
250,000	299,999	480	15.0
300,000	349,999	640	20.0
350,000	399,999	480	15.0
400,000	499,999	320	10.0
500,000	699,999	320	10.0
700,000	and higher	160	5.0

Notes: Numbers may not add to totals because of rounding. The 340 homes currently under construction and a portion of the estimated 15,750 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is June 1, 2017, to June 1, 2020.
Source: Estimates by analyst

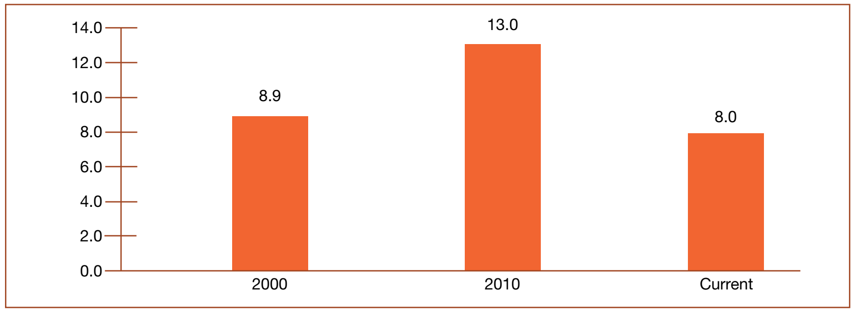
In 1996, a partnership between the Home Builders Association of Greater Cincinnati and the city of Cincinnati created the CiTiRAMA® home show to highlight new homes. In September 2017, CiTiRAMA will take place at the new Woodlawn Meadows, a development with 43 single-family lots in the Village of Woodlawn. The event will showcase six new single-family homes ranging in price from $200,000 to $375,000. The Cincinnati Center City Development Corporation (3CDC) is actively involved in revitalizing the Fountain Square, the Central Business, and Over-the-Rhine (OTR) districts in the city of Cincinnati. Since 2011, 3CDC has converted between 20 and 40 vacant units annually into renovated condominiums and townhomes. Out of 21 units currently on the market ranging in price from $175,000 to $579,900, 13 have sold, with closing pending on an additional 3 units.

Demand is forecast for 3,200 new homes in the Hamilton County submarket during the next 3 years (Table 1). The 340 homes currently under construction will meet part of the demand during the first year of the forecast period. A portion of 15,750 other vacant units may reenter the market and satisfy some of the forecast demand, which is expected to be highest for homes priced from $300,000 to $349,999 (Table 4).

Rental Market—Hamilton County Submarket

The rental housing market (including single-family homes, mobile homes, and apartments) in the Hamilton County submarket is currently balanced, with an overall estimated rental vacancy rate of 8.0 percent, down from 13.0 percent in April 2010 (Figure 10). The overall vacancy rate

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



Note: The current date is June 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

is down because of a shift from homeownership to renting, which began in the aftermath of the housing crisis, and because the ongoing preference to live in urban centers resulted in slower net out-migration from the submarket. Of renter households, 63 percent lived in single-family homes or in buildings with two, three, or four units (2015 American Community Survey [ACS]). In addition, 25 percent of all housing units were built in 1939 or earlier, and nearly 50 percent of all housing units were built prior to 1960. The age of the housing stock, combined with a high percentage of renter households that reside in buildings with fewer than five units in the structure, contributed to a substantial difference between the overall rental vacancy rate and the apartment vacancy rate, as many of these older single-family homes that are offered for rent remain vacant.

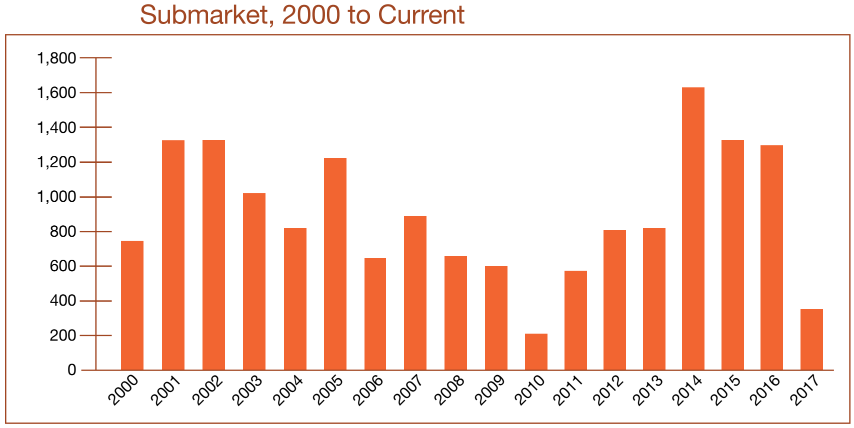
The apartment market is slightly tight with a 4.3-percent vacancy rate during May 2017, unchanged from 1 year earlier (Reis, Inc., with adjustments by the analyst). The average rent for an apartment in this submarket is currently $847, an increase of $21, or 3 percent, from a year earlier. The apartment market in the Hamilton County submarket had significant swings historically depending on economic conditions in the county and population trends. In 2000, prior to the economic downturn, the apartment vacancy rate in Hamilton County was 4.1 percent. As the economy began to lose jobs, the apartment vacancy more than doubled to 9.0 percent during 2003 and remained roughly at this level through 2005 because of out-migration and a steady pace of multifamily construction. This high rental vacancy rate caused builders to slow production, and by 2008, the apartment vacancy rate fell to 7.1 percent. In the midst of the local economic downturn in 2009, the apartment vacancy rate rose again to 8.0 percent, and rents dropped 1 percent, which was the only recorded decline in rents that decade. Since 2010, the apartment market in the Hamilton County submarket has recovered. Improving economic conditions and neighborhood revitalization efforts in the city of Cincinnati contributed to slower out-migration from the submarket and to a steady decrease in the apartment vacancy rate.

Since 2014, growing demand for apartments in downtown Cincinnati and state tax credits resulted in the highest level of multifamily construction, as measured by the number of multifamily units permitted, in the Hamilton County submarket since 2002 (Figure 11). Multifamily production slowed during the past 12 months but remains above the average historical level. Of multifamily units, 920 were permitted during the 12 months ending May 2017, a decline of 430 units, or 32 percent, from a year earlier (preliminary data). From 2014 through 2015, an average of 1,475 units were permitted annually, which is higher than the previous average 2-year peak of 1,325 units permitted annually from 2001 through 2002. Multifamily construction decreased during 2003 and 2004 an average of 21 percent annually, to 820 units permitted in 2004, but rebounded nearly 50 percent to 1,225 units permitted in 2005. Following that 1-year gain, multifamily construction decreased again but remained relatively stable, averaging 700 units permitted annually from 2006 through 2009. In response to weaker economic conditions, the number of multifamily units permitted fell precipitously to only 200 in 2010, but as the economy of the Cincinnati HMA began to recover, multifamily construction growth resumed and averaged 810 units permitted annually in 2012 and 2013.

Some of the recent developments in the submarket include Alumni Lofts, a conversion of the former School of Creative and Performing Arts into a 142-unit apartment building in the OTR district of Cincinnati. The building opened late in 2016 and has studio, one-, and two-bedroom units that rent from $869 to $2,359. In the Eden Park neighborhood of Cincinnati, a former Baldwin Piano Company factory built in the 1920s is being converted into The Baldwin, with 190 apartments. The project is scheduled to open in July 2017 and will offer one- and two-bedroom units, with rents ranging from $1,199 to $2,999.

During the 3-year forecast period, demand is estimated for 5,125 new market-rate rental-housing units (Table 1). Demand is expected to be greatest for one-bedroom units with monthly rents ranging from $1,200 to $1,399 and two-bedroom units in the $1,400-to-$1,599 price range (Table 5). A large share of rental housing demand during the next 3 years is likely to occur in and near the Cincinnati city center because of the Ohio Historic Preservation Tax Credit Program and revitalization efforts. The 1,450 units currently under construction will satisfy a portion of the demand during the next 2 years.

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



Notes: Excludes townhomes. Current includes data through May 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

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

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
850 to 1,049	130	1,000 to 1,199	450	1,200 to 1,399	450	1,500 to 1,699	260
1,050 to 1,249	210	1,200 to 1,399	720	1,400 to 1,599	720	1,700 to 1,899	410
1,250 to 1,449	130	1,400 to 1,599	450	1,600 to 1,799	450	1,900 to 2,099	260
1,450 or more	50	1,600 or more	180	1,800 or more	180	2,100 or more	100
Total	510	Total	1,800	Total	1,800	Total	1,025

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,450 units currently under construction will likely satisfy some of the estimated demand. The forecast period is June 1, 2017, to June 1, 2020.

Source: Estimates by analyst

Sales Market—Ohio Suburban Submarket

The sales housing market in the Ohio Suburban submarket is currently balanced, with an estimated vacancy rate of 1.5 percent, down from 2.0 percent during April 2010. Currently, a 2.5-month supply of homes exists, down from 2.9 months a year earlier (Cincinnati Area Board of Realtors). During the 12 months ending May 2017, the number of new and existing single-family homes, townhomes, and condominiums sold totaled 17,575, a 4-percent increase from the previous 12 months, and more than 60 percent higher than the recent low of 10,900 home sales in 2011. The submarket continues to have the highest homeownership rate in the Cincinnati HMA because of its popularity as a place to live for families with children and relative proximity to the cities of Cincinnati and Dayton. However, the homeownership rate is estimated to have fallen to 69.5 percent, down from 73.5 percent in 2010, following the trend observed elsewhere in the nation. In May 2017, 2.1 percent of all mortgage loans in the submarket were seriously delinquent or had transitioned into REO status, down from 2.7 percent in May 2016 and well below the peak level of 6.5 percent in December 2011. REO sales make up a substantial portion of all existing home sales but are well below previous levels. REO sales during the 12 months ending May 2017 totaled more than 1,700 and accounted for 11 percent of all existing home sales in the submarket. The number of REO sales has decreased greatly since reaching a peak of 2,925, or more than 26 percent of all existing home sales early in 2011. The average sales price of an REO property during the 12 months ending May 2017 was $104,500, a gain of 35 percent from $77,400 in 2013 and slightly more than one-half of the average regular resale price of $198,100.

During the 12 months ending May 2017, existing home sales (including single-family homes, townhomes, and condominiums) totaled 15,950, an increase of 570 sales, or 4 percent, from the previous 12 months. Existing homes sales in the Ohio Suburban submarket are about 4 percent below the previous peak from 2005 through 2006, when sales averaged 16,600 annually toward the end of the housing boom. Following that high, existing home sales fell by an average of 1,375, or 14 percent, annually for the next 5 years to 9,775 in 2011, as restricted credit availability in the aftermath of the housing crisis prevented many households from purchasing homes in the submarket. As economic conditions began to improve, existing home sales rose and, by 2015, totaled 15,200, an average gain of 1,350, or 14 percent, annually.

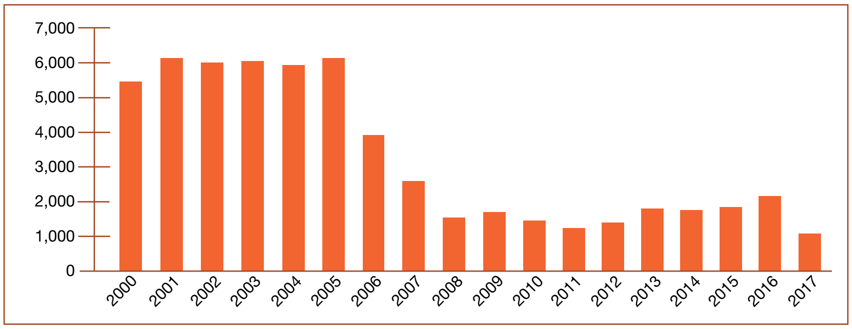
A low inventory of available homes for sale contributed to growth in the existing home sales price recently. During the 12 months ending May 2017, the average sales price of an existing home was $187,900, up $9,405, or 5 percent, from the previous 12 months, after a gain of 3 percent the previous 12 months. By comparison, from 2005 through 2007, the average sales price of an existing home remained steady, averaging $175,000. However, the following year existing home prices dropped nearly 7 percent and averaged $163,700 from 2007 through 2011. With improving market conditions, the average sales price of an existing home began to rise once more and, by 2015, reached $177,500, an average gain of $3,450, or 2 percent, annually since 2011.

Largely because of ongoing urbanization in Warren and Butler Counties, new home sales in the Ohio Suburban submarket accounted for nearly 60 percent of all new home sales in the HMA. Warren and Butler Counties represented 84 percent of new home sales in the submarket. New home sales in the submarket totaled 1,625 during the 12 months ending May 2017, up 120 sales, or 8 percent, from the previous 12 months. In 2005, new home sales totaled 5,375 and fell by an average of 610, or more than 20 percent, annually during the next 7 years, to reach a bottom of 1,075 sales during 2012. During 2013, new home sales began to grow once more and, by 2015, totaled 1,425 sales for an average increase of 120 sales, or nearly 10 percent, annually. During the 12 months ending May 2017, the average sales price for a new home in the Ohio Suburban submarket was $313,000, a decline of $10,000, or 3 percent, from the previous 12 months. The average sales price for a new home in this submarket was $263,400 in 2005 and went up $13,400, or 5 percent, to a peak of $276,800 in 2006. The new home sales price then fell by an average of $24,550, or nearly 10 percent, annually to $203,200 in 2009, when housing market conditions were weak. The price rebounded slightly in 2010 and growth continued with improving economic conditions. The average sales price of a new home rose by an average of $20,050, or 8 percent, annually, to a new peak of $323,500 during 2015.

Single-family homebuilding, as measured by the number of homes permitted, was stronger in the Ohio Suburban submarket than in the Hamilton County submarket. As with new home sales, Warren and Butler Counties led the HMA in the number of new single-family homes permitted. Together, the two counties accounted for 43 percent of the homes permitted in the HMA since 2000. During the 12 months ending May 2017, 2,450 single-family homes were permitted, up 450, or 23 percent, from the previous 12 months (preliminary data). Despite this substantial gain, single-family construction is well below levels recorded in the submarket during the early to mid-2000s. During the peak period, from 2000 through 2005, the number of single-family homes permitted averaged 6,000 annually but then fell by an average of 1,525 homes, or 37 percent, annually, from 6,175 in 2005 to 1,575 homes in

2008. Permitting activity rebounded nearly 8 percent to 1,700 homes permitted in 2009 but fell again 1 year later and stabilized from 2010 through 2012, averaging 1,375 single-family homes permitted annually, with a low of 1,250 homes permitted in 2011. Since 2012, the construction of single-family homes in the Ohio Suburban submarket has increased, with an average of 1,800 homes permitted annually from 2013 through 2015. Figure 12 shows the number of single-family homes permitted since 2000.

Figure 12. Single-Family Homes Permitted in the Ohio Suburban Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through May 2017.

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

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

Price Range ($)		Units of Demand	Percent of Total
From	To		
139,000	199,999	540	10.0
200,000	249,999	940	17.2
250,000	299,999	1,075	19.7
300,000	349,999	990	18.1
350,000	399,999	820	15.0
400,000	499,999	550	10.1
500,000	599,999	270	5.0
600,000	and higher	270	5.0

Notes: The 940 homes currently under construction and a portion of the estimated 14,400 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is June 1, 2017, to June 1, 2020.

Source: Estimates by analyst

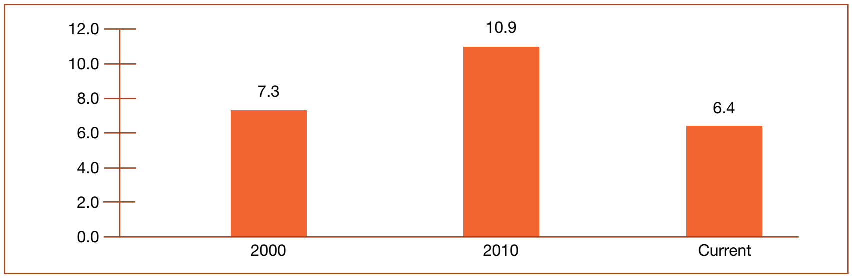
In the Ohio Suburban submarket, building continues to be most active in Warren and Butler Counties, the location of more than 80 percent of home construction in the submarket during the previous 12 months. Multiple builders add new homes in existing and new subdivisions in the submarket with most activity reported in the cities of Mason, Lebanon, and Hamilton and the townships of Liberty and West Chester. Vista Verde is the newest subdivision in Liberty Township that will offer 145 homes between 2,500 and 3,600 square feet, priced in the $300,000-to-$400,000 range. In addition, new construction is occurring in Clermont County, where eight new homes are under construction at the Estrella subdivision. The first phase of the 113-home development will consist of 29 single-family homes and is expected to be complete early in 2018. Estrella will have homes, between 1,675 and 3,325 square feet, priced from $261,000 to $387,000.

Demand is forecast for 5,450 new market-rate homes in the Ohio Suburban submarket during the next 3 years (Table 1). The 940 homes currently under construction will meet part of the demand during the first year. A portion of the 14,400 other vacant units in the submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be highest for homes priced from $250,000 to $349,999 (Table 6).

Rental Market—Ohio Suburban Submarket

The overall rental housing market in the Ohio Suburban submarket is balanced, with a current estimated rental vacancy rate of 6.4 percent, down from 10.9 percent in April 2010 (Figure 13). The limited number of multifamily units permitted earlier this decade allowed for absorption of many previously vacant units. Of all renter households, 42 percent lived in single-family homes, up from 35 percent reported in 2010 (2015 ACS).

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



Note: The current date is June 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The large number of single-family homes that are available for rent in this submarket contributes to the difference between the overall and apartment vacancy rates.

The apartment market in the Ohio Suburban submarket is tight with the apartment vacancy rate of 3.4 percent in the submarket during May 2017, down from 3.7 percent a year earlier (Reis, Inc. with adjustments by the analyst). The average asking rent in the submarket is currently $861, up $20, or 2 percent, from the previous 12 months. Despite a rise in apartment construction in the Ohio Suburban submarket from 2013 through 2016, a period of slower population growth, rent increases were modest but remained steady and, on average, exceeded rent growth during the previous decade. As multifamily construction continues to exceed renter household growth, the apartment vacancy rate in the submarket is expected to rise somewhat and become more balanced during the forecast period.

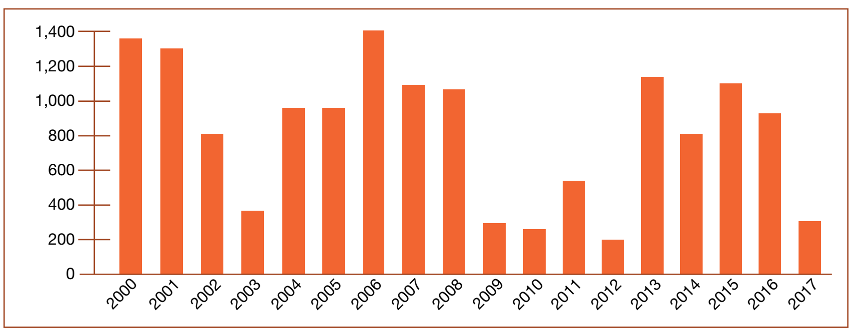
The Ohio Suburban submarket apartment market has historically followed very similar trends to the Hamilton County submarket. In 2000, the apartment vacancy rate was 4.4 percent, and the average rent was $605. By 2003, the vacancy rate had risen to 9.2 percent, and the average rent grew to $646, up $14, or more than 2 percent, annually. Then, in response to economic expansion of the Cincinnati HMA, apartment market conditions began to improve, and the vacancy rate fell to 5.9 percent in 2009, while rent increases averaged $14, or 2 percent, annually. In 2009, the apartment vacancy rate rose to 8 percent, and rents remained unchanged, as the local recession deepened, however, apartment conditions improved since 2010. The apartment vacancy decreased steadily to 2.3 percent in 2013 and then stabilized at 2.6 percent during 2014 and 2015. From 2010 through 2015, rents went up by an average of $19, or 3 percent, annually.

Multifamily construction activity, as measured by the number of multifamily units permitted, was substantially higher during the past 4 years, following a period of very low production from 2009 through 2012. During the 12 months ending May 2017, the number of multifamily units totaled 570, down by 650 units, or 51 percent, from the previous 12 months (preliminary data). By comparison, the number of multifamily units permitted averaged 1,125 annually during the peak period from 2005 through 2008, before declining an average of 51 percent annually to only 250 units permitted in 2010. Multifamily production rebounded in 2011, when 525 units were permitted, but fell the next year to only 190 multifamily units permitted in 2012. Since that low, permitting activity expanded in response to tight apartment market conditions. From 2013 through 2016, an average of 980 units were permitted annually. Figure 14 shows the number of multifamily units permitted since 2000.

Nicholas Place Apartments in the city of Middletown in Butler County was completed in the spring of 2017 and includes 216 units, with rents starting at $850 for two-bedroom units and $1,320 for three-bedroom units. Also in Butler County, Springs at Liberty Township Apartments opened in April 2017. This development consists of 288 townhome-style apartments that include studio, one-, two-, and three-bedroom units. Rents range from $902 to $1,002 for studio, $1,025 to $1,294 for one-bedroom, $1,661 to $1,701 for two-bedroom, and $1,658 to $1,891 for three-bedroom units. In Clermont County, 96 two-bedroom apartment homes are now leasing at the new Savannah Ridge by Redwood development. Individual units range in size from 1,127 to 1,281 square feet and rent for from $1,249 to $1,599 per month, respectively.

During the 3-year forecast period, demand is estimated for 2,700 new market-rate rental units in the Ohio Suburban submarket (Table 1). Demand is expected to be strongest for one-bedroom units with monthly rents ranging from $1,000 to $1,199 and for two-bedroom units with monthly rents ranging from $1,050 to $1,449 (Table 7). The 640 units currently under construction will satisfy much of the demand in the first year of the forecast period.

Figure 14. Multifamily Units Permitted in the Ohio Suburban Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through May 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

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

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
750 to 949	80	800 to 999	280	850 to 1,049	220	1,100 to 1,299	130
950 or more	55	1,000 to 1,199	320	1,050 to 1,249	320	1,300 to 1,499	130
		1,200 or more	200	1,250 to 1,449	320	1,500 to 1,699	200
				1,450 to 1,649	110	1,700 to 1,899	100
				1,650 or more	110	1,900 to 2,099	65
						2,100 or more	35
Total	130	Total	810	Total	1,075	Total	670

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 640 units currently under construction will likely satisfy some of the estimated demand. The forecast period is June 1, 2017, to June 1, 2020.
Source: Estimates by analyst

Sales Market—Southwestern Counties Submarket

The sales housing market in the Southwestern Counties submarket is currently balanced, with an estimated 1.2-percent vacancy rate, down from 2.6 percent during April 2010. During the 12 months ending May 2017, the number of new and existing home sales (including single-family, townhomes, and condominiums) totaled 9,075, a rise of 570 sales, or 7 percent, from the previous 12 months, and 66 percent above the recent low of 5,475 home sales in 2011. In addition to the economic recovery, a decline in single-family construction since the housing crisis has contributed to the improvement in sales housing market conditions. During May 2017, a 2.1-month supply of homes existed, down from 2.7 months a year earlier (Northern Kentucky Association of Realtors®). Similar to other submarkets in the Cincinnati HMA, a shift to rental tenure contributed to a decline in the homeownership rate, currently estimated at 68.2 percent, down from 71.3 percent in April 2010. In May 2017, 2.2 percent of all mortgage loans in the submarket were seriously delinquent or had transitioned into REO status, down from 2.8 percent in May 2016 and well below the peak level of 5.9 percent in January 2012. During the 12 months ending May 2017, REO sales totaled 1,075 and accounted for 13 percent of existing home sales in the submarket. By comparison, REO sales accounted for about 5 percent from 2005 through 2006 but rose to a peak of more than 24 percent of sales in 2011. Currently, the average sales price of a REO property is $92,000, nearly one-half of the average existing home sales price and up from $84,800 in 2009.

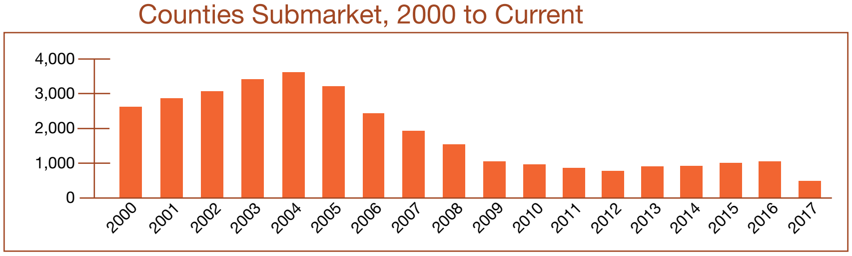
Since 2012, existing home prices have continuously risen, as the demand for homes outpaced the historically low supply. During the 12 months ending May 2017, sales of existing homes in the Southwestern Counties submarket totaled 8,350, an increase of 660 homes, or 9 percent, from the previous 12 months. Currently, the number of existing home sales is less than 4 percent of the previous average high of 8,625 homes sold from 2005 through 2006. Following the peak, existing home sales fell 45 percent to an average of 4,750 homes sold from 2010 through 2011 because of tighter lending standards. Existing home sales began to rebound in 2012 and grew by an average of 530, or 9 percent, annually to 7,350 homes in 2015, as the local economy recovered from the recession. During the 12 months ending May 2017, the average sales price of an existing home reached an all-time peak of $168,600, up $7,800, or 5 percent, from the same period a year earlier. From 2005 through 2007, in the midst of economic expansion of the HMA, the average sales price of an existing home rose by $6,650, or 9 percent, annually. During the national housing crisis, existing home prices dropped nearly 12 percent to a low of $140,100 in 2009. A year later, the average price of an existing home rebounded 9 percent to $152,400 but fell again from 2011 through 2012, by an average of $4,950, or more than 3 percent, annually, in large part due to a continued rise in volume of REO sales. Following this period of price declines, the average sales price of an existing home rose each year and, by 2015, was up to $157,500, a gain of $5,000, or more than 3 percent, annually, as economic conditions in the HMA continued to strengthen.

Despite the improving economy, current new home sales are at relatively low levels, accounting for about 8 percent of total home sales compared with a share of 21 percent during the mid-2000s. A shortage of skilled construction workers is a major obstacle preventing builders from increasing the pipeline of new single-family homes (Home Builders Association of Greater Cincinnati). During the 12 months ending May 2017, sales of new homes in the Southwestern Counties submarket totaled 720, a decrease of 90 homes, or nearly 12 percent, from the previous 12 months. New home sales peaked at 2,350 in 2005 and then fell by an average of 240 homes, or 17 percent, annually, to 640 homes in 2012. During the next 3 years, new home sales rebounded slightly and averaged 710 new homes sold annually from 2013 through 2015. During the 12 months ending May 2017, the average sales price of a new home reached a new high of $284,200, a gain of $5,550, or 2 percent, from $278,700 a year earlier. By comparison, from 2005, the price of a new home in the submarket rose by an average of $14,800, or nearly 7 percent, annually to $252,100 in 2008, before falling 20 percent to $202,700 a year later. Following that precipitous decline, new home sales prices in the submarket started to rise as the local economy began to recover from the recession. From 2010 through 2012, the average sales price of a new home went up by $4,950, or nearly 4 percent, annually, before surging by an additional 20 percent to $261,300 in 2013. A year later, a 1-percent decrease was recorded but, in 2015, growth resumed when new home sales price went up $16,800, or 7 percent, to $274,800.

Single-family homebuilding in the Southwestern Counties submarket is concentrated in the most densely populated counties of Boone and Kenton. Single-family permitting in the submarket averaged 3,325 homes permitted annually from 2002 through 2005 but decreased in each subsequent year to a low of 760 homes in 2012 (Figure 15). Following that bottom, developers responded to improving housing and economic conditions by increasing single-family construction each year, and in 2015, 985 single-family homes were permitted, an average annual increase of 10 percent from 2012. During the 12 months ending May 2017, 1,075 single-family homes were permitted, an 8-percent gain from the previous 12 months. Much of recent construction occurred in Boone and Kenton Counties, which during the 12 months ending May 2017, accounted for 16 and 13 percent of all homes permitted in the 10-county submarket.

In Boone County, construction is ongoing in the Alson Place development that consists of 51 residential lots, with 13 homes sold thus far. Home prices start at $231,000 for two-bedroom, two-bathroom homes. In Kenton County, eight new homes are available to sell at Maher Meadow development that consists of 124 lots and is nearly 70 percent built out.

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



Notes: Includes townhomes. Current includes data through May 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Prices for new homes start from $176,000 to $216,000 for two- to four-bedroom homes.

During the 3-year forecast period, demand is estimated for 3,525 new homes in the Southwestern Counties submarket (Table 1). The 340 homes currently under construction will meet part of the demand. Demand is estimated to be the greatest for single-family homes priced from $175,000 to $274,999 (Table 8). An estimated 7,225 other vacant units are currently in the inventory, a portion of which may reenter the sales market and satisfy some of the forecast demand.

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

Price Range ($)		Units of Demand	Percent of Total
From	To		
125,000	174,999	350	10.0
175,000	224,999	710	20.0
225,000	274,999	710	20.0
275,000	349,999	530	15.0
350,000	449,999	530	15.0
450,000	649,999	350	10.0
650,000	and higher	350	10.0

Notes: The 340 homes currently under construction and a portion of the estimated 7,225 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is June 1, 2017, to June 1, 2020.

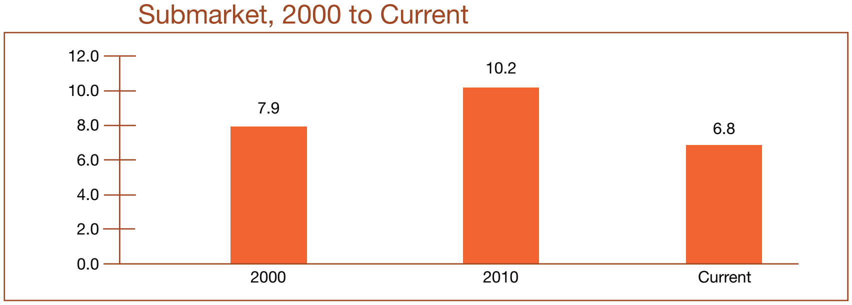
Source: Estimates by analyst

Rental Market—Southwestern Counties Submarket

The overall rental housing market in the Southwestern Counties submarket is balanced, with a current estimated rental vacancy rate of 6.8 percent, down from 10.2 percent in April 2010 (Figure 16). Despite lower population growth in the submarket since 2010, the rental market has tightened due to a trend of declining homeownership and a shift to renting. Renter households currently account for 31.8 percent of all households in the submarket, up from 28.7 percent in April 2010. Of renter households, 39 percent lived in a single-family homes, up from 34 percent reported in 2010, a similar trend as observed in other submarkets (2015 ACS).

The vacancy rate for apartments also declined as renter household formation outpaced new apartment construction. The apartment market in the Southwestern Counties submarket is tight with the apartment vacancy rate at 3.1 percent during May 2017, up from 2.7 percent a year earlier (Reis, Inc.). The average asking rent in the submarket went up from a year earlier by $27, or more than 3 percent, to $837. Previously, the apartment vacancy rate peaked at 8.2 percent in 2009, when the market was weak, but then decreased during each subsequent year to 2.6 percent in 2014, as builders remained cautious and demand rose with the improving economy. Rent growth was relatively slow from 2009 through 2014, averaging about 2 percent annually. A limited addition of new apartment units in 2014 and 2015 was likely responsible for a faster rise in rents, which averaged a nearly 4-percent rate of increase during 2015 and 2016, the highest rate of rent growth for the submarket since 2002.

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



Note: The current date is June 1, 2017.

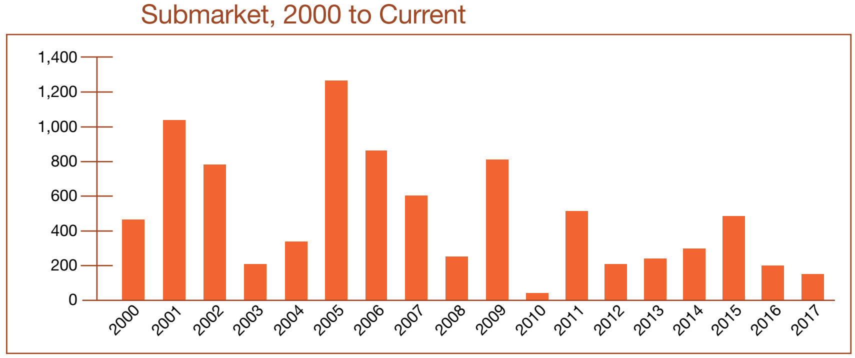
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Multifamily construction activity in the Southwestern Counties submarket has accounted for about 15 percent of total multifamily construction in the Cincinnati HMA since 2010, down from 26 percent during the past decade. During the 12 months ending May 2017, the number of multifamily units permitted totaled 450, up 40 units, or 10 percent, from the previous 12 months (preliminary data). Current production levels are only about one-third of the 1,250 units permitted during the previous peak in 2005. Following that peak, multifamily production fell by an average of 330 units, or nearly 45 percent, annually during the next 3 years to 250 in 2008. Multifamily construction in the submarket rose to 810 units in 2009, during the economic downturn, with the start of multiple projects with affordable housing units. During the next 2 years, multifamily construction fluctuated significantly, dropping to only 30 units in 2010, only to rise to 510 units a year later. From 2012 through 2014, multifamily production stabilized as the number of units permitted rose modestly each year, averaging 250 units annually. In 2015, developers responded to tight market conditions; multifamily production nearly doubled to 490 units permitted, only to decline again to 200 multifamily units permitted in 2016. Figure 17 shows the number of multifamily units permitted since 2000.

In the city of Covington, Kentucky, the 45-unit Lincoln-Grant Scholar House opened late in 2016, offering subsidized apartments for single-parent families who want to obtain a college education. The 239-unit Aqua on the Levee, the newest completed luxury development in the city of Newport, Kentucky that opened in January 2017 across the bridge from downtown Cincinnati, offers one-, two-, and three-bedroom units. Rents range from $1,200 for one-bedroom units to $3,000 for three-bedroom units.

During the 3-year forecast period, demand is expected for 1,700 new market-rate rental units in the Southwester Counties submarket (Table 1). The 360 units currently under construction will satisfy a portion of the demand in the first year. Demand is expected to be strongest for one-bedroom units with monthly rents ranging from $800 to $999 and for two-bedroom units with monthly rents ranging from $1,000 to $1,199 (Table 9).

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



Notes: Excludes townhomes. Current includes data through May 2017.

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

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

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
700 to 899	40	800 to 999	250	1,000 to 1,199	340	1,200 to 1,399	210
900 or more	40	1,000 to 1,199	180	1,200 to 1,399	240	1,400 to 1,599	150
		1,200 or more	75	1,400 or more	100	1,600 or more	65
Total	85	Total	510	Total	680	Total	420

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 360 units currently under construction will likely satisfy some of the estimated demand. The forecast period is June 1, 2017, to June 1, 2020.

Source: Estimates by analyst

Data Profiles

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	1,000,471	987,499	1,047,000	– 0.1	0.9
Unemployment rate	3.7%	9.9%	4.2%		
Nonfarm payroll jobs	1,014,500	981,600	1,089,000	– 0.3	1.6
Total population	1,994,830	2,114,580	2,176,000	0.6	0.4
Total households	774,151	824,967	851,500	0.6	0.4
Owner households	519,831	555,447	546,200	0.7	– 0.2
Percent owner	67.1%	67.3%	64.1%		
Renter households	254,320	269,520	305,300	0.6	1.8
Percent renter	32.9%	32.7%	35.9%		
Total housing units	827,548	911,097	921,300	1.0	0.2
Owner vacancy rate	1.5%	2.5%	1.5%		
Rental vacancy rate	8.3%	11.8%	7.3%		
Median Family Income	$54,800	$69,200	$71,200	2.4	0.5

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months throug May 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is June 1, 2017.

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

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	2010 to Current
Total population	845,303	802,374	811,200	– 0.5	0.2
Total households	346,790	333,945	340,000	– 0.4	0.3
Owner households	207,591	198,750	193,200	– 0.4	– 0.4
Percent owner	59.9%	59.5%	56.8%		
Renter households	139,199	135,195	146,800	– 0.3	1.2
Percent renter	40.1%	40.5%	43.2%		
Total housing units	373,393	377,364	372,100	0.1	– 0.2
Owner vacancy rate	1.4%	3.0%	1.8%		
Rental vacancy rate	8.9%	13.0%	8.0%		

Notes: Numbers may not add to totals because of rounding. The current date is June 1, 2017.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	2010 to Current
Total population	711,452	823,032	857,400	1.5	0.6
Total households	260,616	304,226	316,900	1.6	0.6
Owner households	193,750	223,560	220,400	1.4	– 0.2
Percent owner	74.3%	73.5%	69.5%		
Renter households	66,866	80,666	96,500	1.9	2.5
Percent renter	25.7%	26.5%	30.5%		
Total housing units	274,904	328,980	341,300	1.8	0.5
Owner vacancy rate	1.5%	2.0%	1.5%		
Rental vacancy rate	7.3%	10.9%	6.4%		

Notes: Numbers may not add to totals because of rounding. The current date is June 1, 2017.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	2010 to Current
Total population	438,075	489,174	507,000	1.1	0.5
Total households	166,745	186,796	194,550	1.1	0.6
Owner households	118,490	133,137	132,600	1.2	– 0.1
Percent owner	71.1%	71.3%	68.2%		
Renter households	48,255	53,659	61,950	1.1	2.0
Percent renter	28.9%	28.7%	31.8%		
Total housing units	179,251	204,753	207,900	1.3	0.2
Owner vacancy rate	1.8%	2.6%	1.2%		
Rental vacancy rate	7.9%	10.2%	6.8%		

Notes: Numbers may not add to totals because of rounding. The current date is June 1, 2017.
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: 06/1/2017—Estimates by the analyst
Forecast period: 06/1/2017–06/1/2020—
Estimates by the analyst

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

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

Other Vacant Units: In 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.

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

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_CincinnatiOH_KY_IN_17.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 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.

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