

# Housing Market Profile



Southeast/Caribbean • HUD Region IV

## Louisville-Jefferson, Kentucky-Indiana

The Louisville-Jefferson metropolitan area, which consists of 13 counties in Kentucky and Indiana that are separated by the Ohio River, has a population estimated at 1,267,000 as of January 1, 2011. Since July 2009, population growth has slowed to an annualized rate of 0.4 percent, reflecting declining job opportunities in the area, compared with an average annual rate of 1 percent a year from 2005 to 2008. Humana, Inc., is the largest private employer in the area, with about 8,700 employees, followed by the United Postal Service (UPS) Worldport II and UPS Supply Chain Solutions, with about 7,350 employees combined, and Ford Motor Company, with nearly 5,100 employees. The largest public sector employer in the area is the University of Louisville, with about 6,100 employees, 22,000 students, and an annual budget of nearly \$950 million.

During 2010, average nonfarm payrolls declined by 7,100, or 1.2 percent, to 588,600 jobs. The largest payroll declines occurred in the manufacturing sector, which lost 3,500 jobs, or 5.4 percent, and in the mining, logging, and construction sector, which lost 2,600 jobs, or 8.5 percent. In December 2010, Ford Motor Company announced it would retool the Louisville Assembly Plant, furloughing 700 workers during the renovation. Ford is expecting to add 1,800 jobs at the facility when it reopens in 2011, although some jobs will be filled by furloughed workers. In addition, several other companies are investing a total of nearly \$300 million in manufacturing facilities that are expected to result in more than 1,300 new jobs by 2014.

The professional and business services and the education and health services sectors expanded by 2,300 jobs and 2,100 jobs, or 3.3 and 2.6 percent, respectively, during 2010. The education and health services sector represents about 14 percent of nonfarm payrolls in the area and is expected to continue to grow during the next several years because of recent and ongoing investments by the University of Louisville in research facilities and private-sector partnerships. Since October 2009, the university has invested \$187 million in 338,000 square feet of research laboratory space. Recently, the University of Louisville Foundation announced plans to break ground in March 2011 on a \$20 million, 160,000-square-foot first phase of the Univer-

sity of Louisville Foundation and Nucleus' Haymarket Research Park, which will provide laboratory space to develop technology and conduct scientific research. Completion of this first phase is expected in 2012; the entire project will take 30 years to complete and is expected to generate 8,700 skilled jobs in Louisville. The average unemployment rate during the 12 months ending November 2010 increased to 10.2 percent from 9.9 percent during the previous 12 months.

The sales housing market in the metropolitan area is somewhat soft because of job losses, with a current estimated vacancy rate of 2.2 percent, compared with 2.4 percent reported by the 2009 American Community Survey. According to Lender Processing Services Mortgage Performance Data, in December 2010, the number of loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the area decreased to 6.7 percent compared with 7.1 percent in 2009. The Greater Louisville Association of REALTORS® reported that, during 2010, about 10,200 new and existing single-family homes and 1,200 new and existing condominiums were sold, a decrease of 2 and 4 percent from 2009, respectively. During 2010, the median prices of new and existing single-family homes and condominiums sold increased by 4 percent to \$140,000 and 5 percent to \$124,500, respectively, compared with the prices recorded during 2009.

Homebuilding activity, as measured by the number of building permits issued, remained relatively unchanged in the metropolitan area during 2010 compared with activity in 2009 because of the softer sales market. Based on preliminary data, during the 12 months ending November 2010, about 2,100 permits were issued for single-family homes, 2 percent fewer than were issued during the previous 12-month period. Single-family homebuilding has declined by an average of 12 percent a year since the peak in 2004, when nearly 7,600 homes were permitted. From 2007 to 2009, about 3,050 single-family homes were permitted annually. New development includes Norton Commons, in northeast Jefferson County, which offers building lots for 2,100 single-family homes, with prices starting at \$359,000, and 600 townhomes, with prices starting at \$289,000.

Rental housing market conditions in the metropolitan area are balanced because of continued population growth and because no new apartments have entered the market since 2009. According to Reis, Inc., for the third quarter of 2010, the Louisville-Jefferson metropolitan area apartment vacancy rate was 5.8 percent,



down from the 7-percent rate recorded during the third quarter of 2009. For the third quarter of 2010, average rent increased by about 1 percent to \$621 compared with the rent during the third quarter of 2009. The University of Louisville housing office reports that, during the fall of 2010, the resident halls' vacancy rate was at 2 percent compared with 5 percent during the fall of 2009. Students at the University of Louisville occupy a large portion of the local rental stock; more than 17,000 students live off campus. The university offers about 4,800 dormitory beds, both on campus and privately operated off campus, and plans to add about 2,250 units by 2020, including 350 that are currently under construction. During the third quarter of 2010, the West Central submarket, as defined by Reis, Inc., where the university is located, reported an 8.8-percent apartment

vacancy rate, compared with a 9.2-percent rate recorded during the third quarter of 2009.

Based on preliminary data, during the 12 months ending November 2010, about 525 multifamily units were permitted, up from approximately 225 units permitted during the previous 12 months. In 2007, multifamily permits peaked at nearly 1,700 units, after averaging 1,150 units permitted a year between 2000 and 2006. In October 2010, construction began on a privately operated 350-bed student-housing complex located near and endorsed by the University of Louisville; completion is expected by the fall of 2011. In December 2010, the Society of St. Vincent de Paul began construction on 54 low-income housing tax credit units in Louisville, consisting of 30 apartments and 24 dormitory rooms.