

Multifamily Metro Outlook:

Louisville - Q1 2024

Overview:

- Lagging both the state and the nation, Louisville's economy can best be described as chugging along. Although more than half of the industries in the metro are adding jobs, with construction and manufacturing leading the way, employment growth is still struggling after growing +0.8% in the year ending Q1 2024, below the national average of 1.1%.
- However, considering many of the jobs fueling employment growth, or lack thereof, are concentrated in lower-wage industries, personal income in the metro advanced by only 3.3% in Q1 2024 according to Green Street.
- The cost of housing does not necessarily present significant headwinds for residents in Louisville. Inflationary pressures never materialized in the metro, and as such both rents and mortgage P&I housing costs are below the rest of the nation. Further, single-family housing price growth continues to top price growth among multifamily rents; in turn, the cost of renting in the metro is, relatively, a much more affordable option.

Market Strengths

- The metro's thriving transportation sector has been key to its economic recovery and will remain a bright spot through the medium term; over the past decade, industry job gains have far outstripped the national average.
- Louisville healthcare industry has become one of the major sectors in the metro. With multiple universities and research centers such as James Graham, Brown Cancer Center, Norton Healthcare and University of Louisville, the metro has generated an estimated \$80 billion in revenue as well as employed nearly 40,000 workers.

Market Weaknesses:

- Louisville's population declined for the first time on record in 2021, as the result of domestic out-migration was below average at +0.3% in 2024, below the 0.6% national average. What's more is that a waning working-age population is expected to shrink the labor pool, tighten local government budgets, and weigh on demand for services and housing.

Development:

- Close to 1,300 units were delivered to the metro in 2023 according to CoStar, which is roughly in-line with what was delivered in the prior year. However, the development in the metro has never been particularly active; even after reaching the highest level seen since 2018, barring the anomalous activity that occurred through the pandemic, with just under 4,500 units underway, construction in Louisville is akin to other metros with adjacent rural areas such as Oklahoma City, Knoxville, and Greensboro.

Outlook:

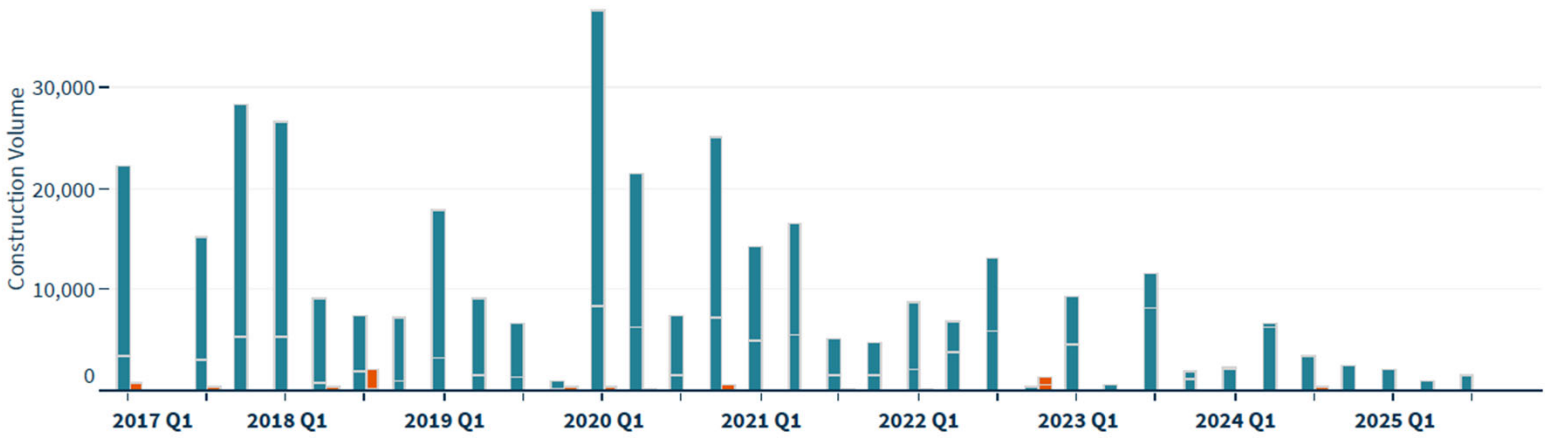
- Considering the size of the market, multifamily performance in the metro is sensitive to relatively modest changes in fundamentals; thus, the increase in supply – albeit marginal – pushed the market ever closer to easing. Vacancies have been increasing consistently since the first quarter 2022, reaching 6.0% in Q1 2024, over the national average of 5.75%. Rents in the metro were up a slight +1% in Q1 2024 – in contrast to the rest of the nation, which saw slightly more growth – to an average asking price of \$1,130. The apartment market in Louisville is okay for now, but the metro is potentially facing some modest easing should an influx of supply come online, and the national economy has several quarters of weaker growth.
- Louisville's economy is trending in the right direction but going forward will likely continue to advance at a below-average pace. Logistics and manufacturing will lead job gains, but consumer industries will probably expand slowly due to sluggish population growth and broader uncertainty. The metro should outperform the state in the longer term thanks to low business costs and key geographic advantages, but employment and personal income growth will likely trail the rest of the nation due to weaker-than-average population growth, demographics, and industry composition.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

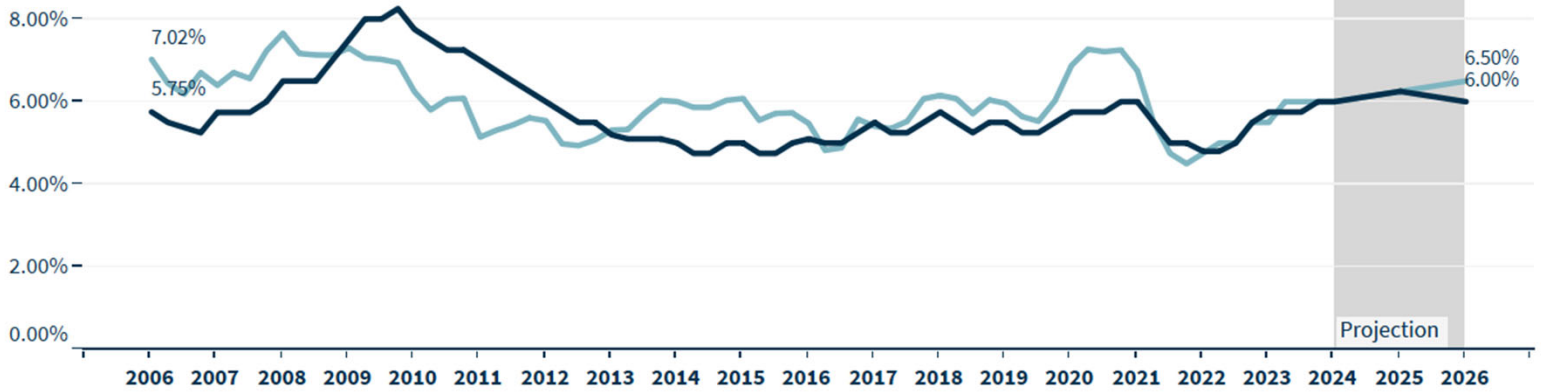
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Louisville | National

Q1 2024 Vacancy Rate:

6.00%

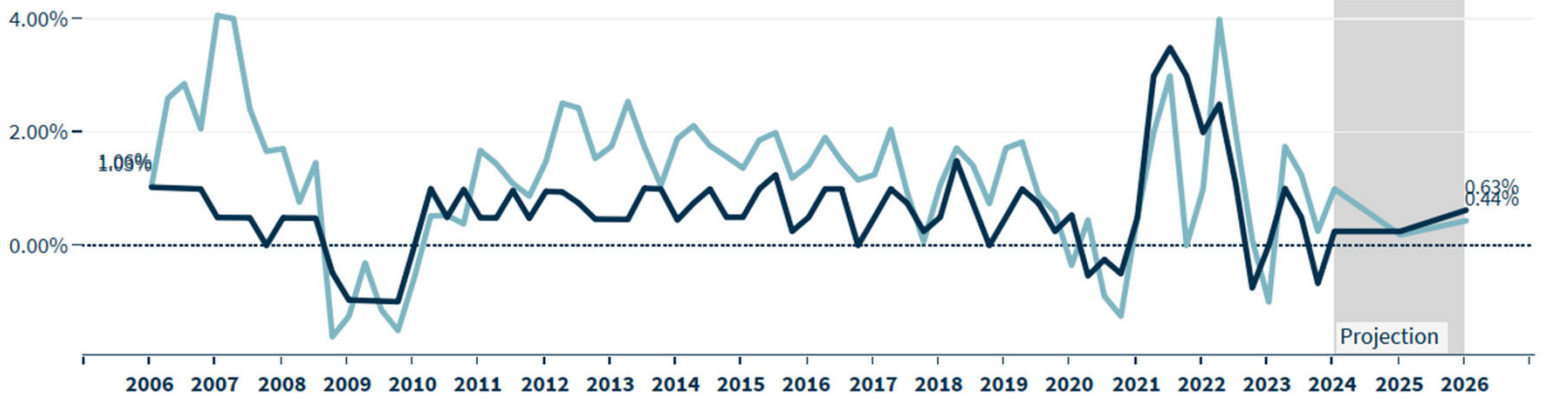


Asking Rent Growth

Louisville | National

Q1 2024 Asking Rent:

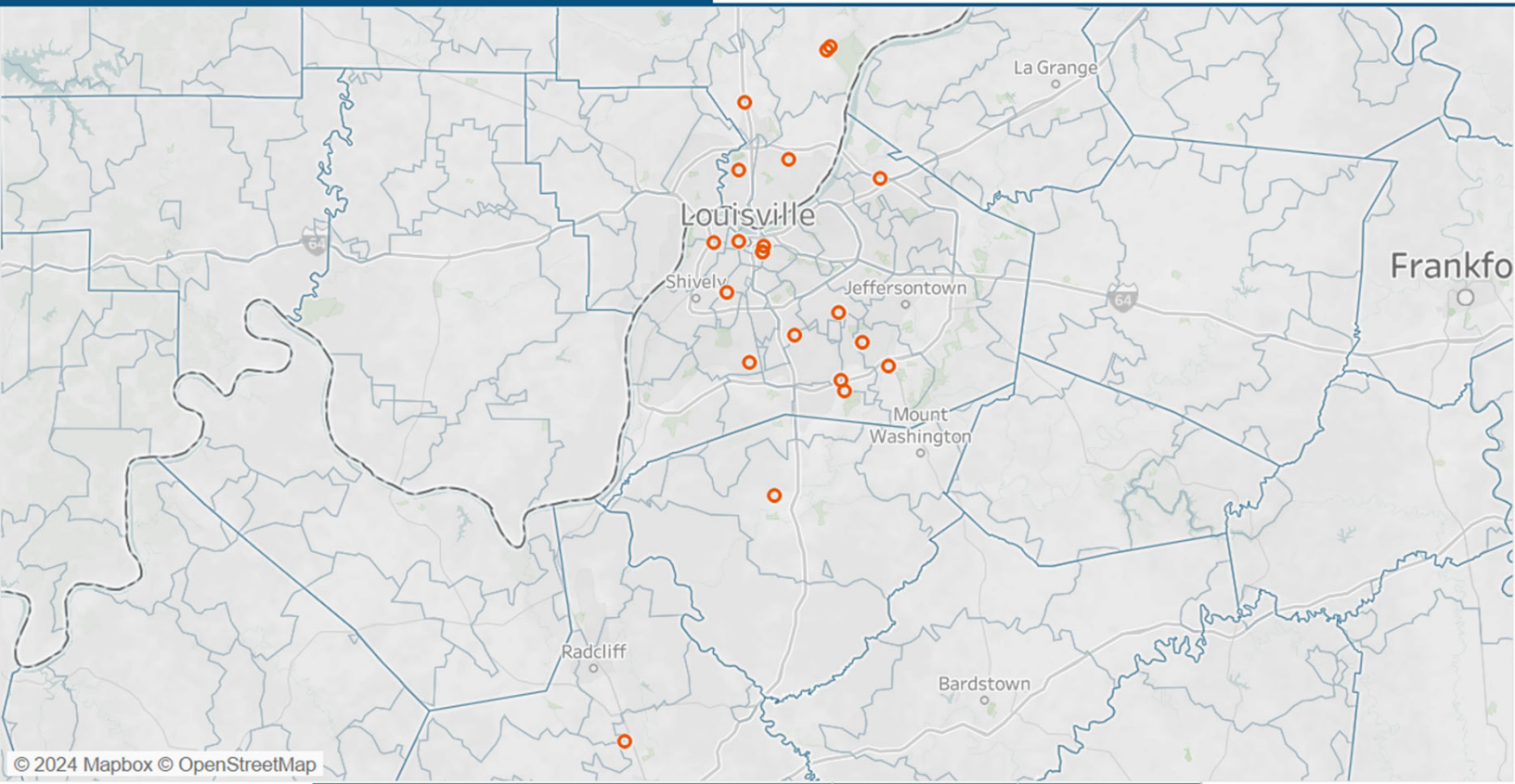
\$1,130



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Elizabethtown-Fort Knox, KY	1	216
Northeast Louisville	1	302
Northwest Louisville	5	958
South Central Louisville	5	1,296
Southeast Louisville	2	408
Southwest Louisville	7	1,033
Grand Total	21	4,213

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: Louisville Q1 2024

Multifamily Economics and Market Research Team

Caitlin Peirce, Economic and Strategic Research

Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.