

Louisville 3Q23 Multifamily Market Report

\$1,196
AVERAGE RENT

94.2%
AVERAGE OCCUPANCY RATE

\$135.7M
YTD SALES VOLUME

3.0%
YOY RENT CHANGE

-1.6 POINTS
YOY OCCUPANCY CHANGE

5 YTD
INDIVIDUAL TRANSACTIONS

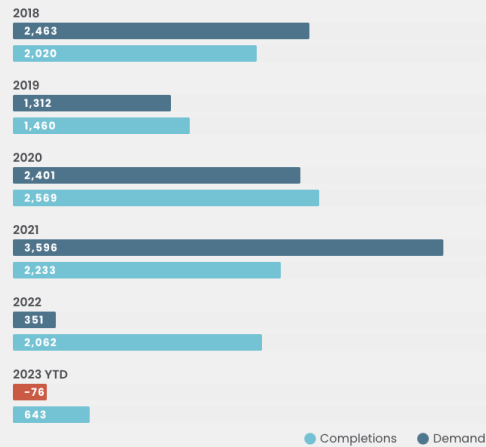
Supply & Demand

3Q23

-214 Units
QUARTERLY DEMAND
YTD: -76

85 Units
QUARTERLY COMPLETIONS
YTD: 643

Annual Demand Vs Completions



Demand Trends

- A slowdown in demand persisted in the Louisville apartment market during Q3 2023. The overall market noted net move-outs totaling 214 units for the quarter, resulting in a year-to-date net absorption figure of -76 units.
- Despite this general trend, Central Louisville served as a bright spot, recording a positive net absorption of 24 units in the same quarter. However, this gain was counterbalanced by negative net move-outs observed in Louisville's other five submarkets during the period.



Completion Trends

- The pace of new apartment completions in Louisville has been moderate, with only 85 units coming online in the 2023 calendar year. This recent activity resulted in a less than 1% expansion of the local inventory.
- For context, the annual pace of new supply in Louisville has averaged 1,983 units over the past five years, with an average annual inventory growth rate of 2.2%.



Demand Outlook

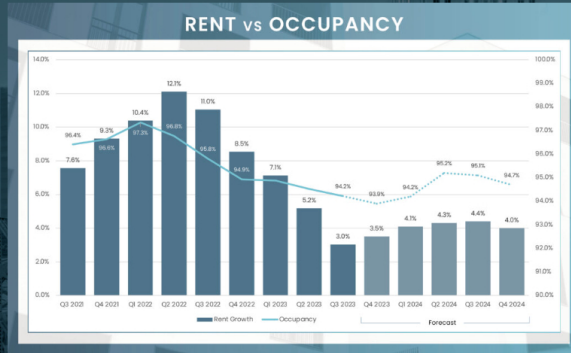
- Net absorption in the Louisville apartment market is forecasted to revert to its historical average over the upcoming four quarters.
- Demand is expected to be most concentrated in the Southwest and Southeast Louisville submarkets. Over the next four quarters, these areas are projected to see robust annual net absorption figures of 962 and 869 units, respectively.



New Supply Outlook

- Over the next four quarters, Louisville's apartment inventory is expected to grow by 1.8%, translating to an addition of 1,824 units. This rate of expansion falls under the market's five-year historical annual expansion average of 2.2%.
- The Southwest and Southeast Louisville submarkets are set to receive the majority of new unit deliveries. A combined total of 1,329 units are projected for these submarkets.

Occupancy & Rent Trends



RENT VS OWN MONTHLY PAYMENT



\$2,084

Average Monthly Mortgage Payment



\$1,196

Average Monthly Rent

*The Average mortgage payment is based off a median home sales price of \$362,100 as reported by NAR.

OCCUPANCY TRENDS

Over the past year, the occupancy rate in the Louisville apartment market declined by 1.6 percentage points, settling at 94.2% for Q3 2023. A breakdown by product class for the same quarter reveals occupancy rates of 93.9% for Class A units, 93.7% for Class B units, and a notably high 95.4% for Class C units, which have generally been the tightest in terms of occupancy over the past five years. On a submarket level, Q3 2023 occupancy was highest in South Central Louisville (95.2%) and Northwest Louisville (94.9%), while the lowest rates were recorded in Southeast Louisville (93.1%) and Southwest Louisville (93.8%). Moving forward, occupancy levels in Louisville are projected to stabilize around 95% in the coming year.

RENTAL TRENDS

In Q3 2023, the Louisville apartment market saw a 3.0% year-over-year increase in new lease rents, surpassing the pre-pandemic average annual growth of 2.6%. When examined by product class, annual effective rent change for the quarter registered at 2.8% for Class A units, 2.4% for Class B units, and a notable 4.5% for Class C units. Among submarkets, South Central Louisville led with a 5.8% annual rent change, closely followed by Southwest Louisville at 5.1%, while the weakest performances were in Northeast Louisville (0.8%) and Northwest Louisville (1.1%). With demand projected to revert to historical performance levels over the next four quarters, rent growth is expected to accelerate, falling within the higher bounds of 3.0% and the lower bounds of 4.0% for the upcoming year.

Submarket Rent & Occupancy

Show entries

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Submarket	Average Occupancy	Annual Occupancy Change	Average Monthly Rent	Annual Rent Change
Central Louisville	93.9%	-0.6%	\$1,279	3.3%
Northeast Louisville	94.3%	-1.6%	\$1,361	0.8%
Southeast Louisville	93.1%	-3.1%	\$1,212	4.9%
South Central Louisville	95.2%	-0.7%	\$1,087	5.8%
Southwest Louisville	93.8%	-1.5%	\$1,057	5.1%
Northwest Louisville	94.9%	-1.8%	\$1,037	1.1%
Louisville/Jefferson County, KY-IN	94.2%	-1.6%	\$1,196	3.0%

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Units by Submarket Delivering in 2023



3,710

Number of Units Under Construction



1,824

Number of Units UC Delivering in the Next 4 Quarters

Number of Units Under Construction

Central Louisville - 0
Northeast Louisville - 315
Southeast Louisville - 623
South Central Louisville - 701
Southwest Louisville - 1,835
Northwest Louisville - 236

Number of Units Delivering Next 4Q

Central Louisville - 0
Northeast Louisville - 28
Southeast Louisville - 623
South Central Louisville - 232
Southwest Louisville - 705
Northwest Louisville - 236

Sales Activity

Transaction dollar volume for single asset conventional multifamily trades in Louisville totaled roughly \$135.7 million through the 3rd quarter 2023, down about 80% year-over-year. Meanwhile, the number of transactions decreased about 82% compared to the same timeframe last year, with only 5 apartment properties trading hands so far in 2023. Meanwhile, the average price per unit in Las Vegas came in at roughly \$130,900, down 15% annually.

TRANSACTION VOLUME

\$135.7M

YTD Transaction Volume

-80%

Y-O-Y Change

5

Individual Transaction Count

\$130.9K*

Price Per Unit

-15%

Annual Price Change

* Trailing 4Q average PPU

* Preliminary Data from RCA - Individual transaction \$2.5M +

Economy

As of August 2023, Louisville's employment landscape showcased varied growth across multiple sectors. The manufacturing sector led the way with a robust 7.3% increase, adding 6,100 jobs, closely followed by the mining, logging, and construction sector, which grew by 6.0%. Leisure and hospitality also saw a noteworthy uptick of 3.0%. On the downside, financial activities and professional and business services contracted, losing 2,800 and 3,500 jobs, respectively. Overall, the city generated 9,400 new jobs, resulting in an employment growth rate of 1.4%. The unemployment rate stood at 3.8%, in line with the national average, underscoring a balanced job market.



9.4k

AUGUST ANNUAL JOBS CREATED



1.4%

AUGUST 2023 EMPLOYMENT GROWTH



3.8%

AUGUST 2023 UNEMPLOYMENT RATE
3.8% US RATE

Top 5 Employment Sector Annual Change



TRADE, TRANSPORTATION, AND UTILITIES



MANUFACTURING



LEISURE & HOSPITALITY



GOVERNMENT



MINING, LOGGING, AND CONSTRUCTION

Hover over icons to view data

Search:

Sector	Change from August 2022 to August 2023	Percent Change
Trade, transportation, and utilities	1,800	11%
Manufacturing	6,100	7.3%
Leisure and hospitality	2,100	3.0%
Government	700	1.0%
Mining, logging, and construction	1,900	6.0%
Education and health services	2,000	2.0%
Other services	1,000	3.9%
Information	100	1.1%
Financial activities	(2,800)	-5.8%
Professional and business services	(3,500)	-3.8%

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Cost of Living Comparison

When comparing the cost of living between Louisville, KY, and Nashville, TN, several distinctions become apparent. According to the Cost-of-Living Index, Louisville boasts a more affordable score of 94.8 compared to Nashville. Specifically, housing costs in Louisville are significantly lower, at 27.0% less than those in Nashville, making it an attractive option for homebuyers and renters alike. However, Louisville falls behind in utilities and transportation, costing 10.5% and 9.5% more, respectively. Additionally, healthcare is 12.8% less expensive in Louisville. These data points indicate that Louisville offers a relatively cost-effective living environment, albeit with higher utility and transportation expenses.

Nashville, TN vs. Louisville, KY Cost of Living Comparison
Groceries: 1.6% Less
Housing: 27.0% Less
Utilities: 10.5% More
Transportation: 9.5% More
Health: 12.8% Less

94.8

Cost of Living Index

\$2,084

Average Mortgage
(vs Average Rent: \$1,196)

89.7

Housing Index Score

104.2

Utilities Index Score

106.5

Gas Index Score

\$270,900

Median Home Sale Price
(YoY Change: -2.8%)

The "Cost of Living" index score provides a comparative assessment of the relative expense involved in maintaining a standard of living in a specific area, benchmarked against a national index score of 100.

Market Outlook

Looking ahead, the Louisville apartment market is poised for moderate expansion. With net absorption expected to return to historical levels over the next four quarters, the focus will be on Southwest and Southeast Louisville submarkets, which are projected to see the most significant demand. Meanwhile, new supply is forecasted to increase by 1.8%, falling in line with the prior five-year average. Given these dynamics, occupancy rates are anticipated to stabilize around 95%. Collectively, these factors suggest a balanced market environment where rent growth could oscillate between 3.0% and 4.0%, underlining the market's resilience and appeal to both investors and renters.

Sources: RealPage; BLS; MSCI; The Council for Community and Economic Research (C2ER)

TO GAIN FURTHER INSIGHTS INTO THE LOUISVILLE MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



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