

Louisville 2024 Market Forecast

MARKET SNAPSHOT



AVERAGE RENT
\$1,124 4Q 2023
\$1,170 4Q 2024



2024 RENT CHANGE
4.1%



OCCUPANCY RATE
93.4% 4Q 2023
93.6% 4Q 2024



4Q 2024 OCCUPANCY CHANGE
+20 points



EMPLOYMENT*
691.7K 2023
697.2K 2024



UNEMPLOYMENT RATE**
3.6% 2023
4.1% 2024

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

KEY TAKEAWAYS

- Rental demand is forecasted to exceed the pace of new deliveries this year with the absorption of nearly 2,000 units, fueled by the presence of new corporate investments in the metro.
- Rent growth in the region is projected to reach 4.1% by the final quarter of 2024, buoyed by a robust leasing season anticipated for the spring and summer months.
- Southern Jefferson County and Southern Indiana, known for some of the fastest-growing communities in the Louisville area, are expected to account for approximately 48% of all units slated for completion this year.
- Canadian Solar's investment of \$800 million to build a solar photovoltaic cell plant in Jeffersonville, Indiana, is set to generate 1,200 high-tech jobs by end of 2025 and boost construction employment in 2024.

Supply & Demand

2024 FULL YEAR FORECAST

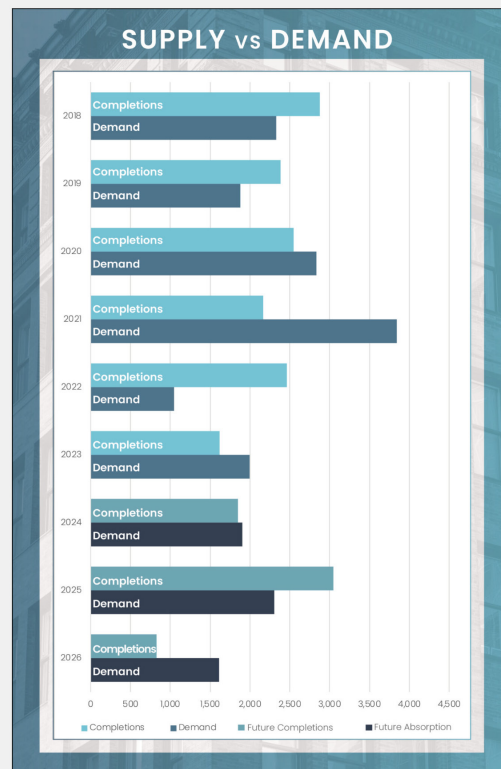


1,438 Units
 FORECASTED ABSORPTION



1,851 Units
 FORECASTED NEW SUPPLY

Annual Demand Vs Completions



Demand / Occupancy Outlook

In 2023, Louisville distinguished itself in the U.S. real estate market by exhibiting a robust demand for rental units, outperforming the national average. This dynamic market saw an impressive near doubling of the net absorption rate from 2022 to 2023, with renters absorbing approximately 2,000 units. This activity outstripped the 1,600 new units that entered the market during the same period, leading to a 10 basis-point annual increase in the average occupancy rate in the final quarter of 2023.

Looking ahead to 2024, Louisville's rental market is poised to maintain its healthy demand, driven by several key factors. The presence of numerous higher education institutions in the area underpins a consistent demand for housing from both students and faculty, lending stability to the market. Additionally, substantial investments by major corporations like Toyota and other advanced manufacturers are injecting new jobs into the region, which, in turn, bolsters housing demand as new employees relocate to the area. The forecast for net absorption remains positive, riding the momentum of a strong spring and summer leasing season. It is anticipated that net absorption will approach the 2,000-unit mark again. While the supply of new apartment units is set to increase modestly to 1,800 units this year, the demand-supply dynamics are expected to favor demand, elevating the occupancy rate by an additional 20 basis points by the final quarter of 2024.

New Supply Outlook

In 2023, the Louisville apartment market experienced a moderate decline in new unit deliveries, a notable shift following five years of elevated construction levels. Approximately 1,600 units were added to the city's apartment inventory, marking the lowest annual total since 2017 when around 1,150 units were completed. This recent decrease reflects a departure from the trend observed from 2018 through 2022, where each year saw the addition of over 2,000 units.

Looking ahead to 2024, projections indicate a slight uptick in new unit completions, with an expected total of around 1,850 units. Although this represents an increase from 2023, it remains below the high-water mark set during the preceding five years. Notably, the upcoming deliveries are set to be concentrated in areas that have seen robust demand for apartments in recent years. Southern Jefferson County and Southern Indiana, known for some of the fastest-growing communities in the Louisville area, are expected to account for approximately 48% of all units slated for completion this year. Additionally, Downtown Louisville and the East End, which are also experiencing heightened demand, are projected to comprise another 36% of the units currently under construction.

Occupancy & Rent Trends

RENT VS OWN MONTHLY PAYMENT



\$2,025

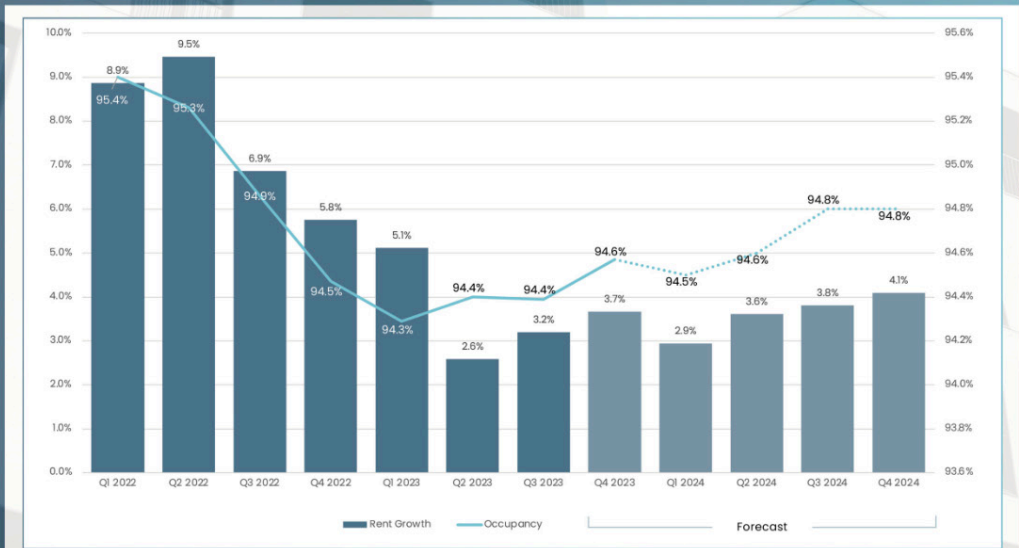
Average Monthly Mortgage Payment



\$1,124

Average Monthly Rent

RENT vs OCCUPANCY



2024 RENT TRENDS OUTLOOK

As of the fourth quarter of 2023, Louisville's rental market has demonstrated resilience, with rent growth stabilizing after a mid-year deceleration. This stability is particularly noteworthy when compared to the national average rent growth of 0.8%, with Louisville's gains hovering around 3.7%. This rate of growth not only surpasses the national average but also exceeds Louisville's own 10-year average of 3.4%. Factors contributing to this more modest deceleration in Louisville's rent growth, as opposed to peer markets and the U.S. overall, include the city's affordability, its steady population growth, and the relatively limited number of new apartment deliveries over the past year.

Looking forward, our forecast anticipates continued robustness in rent growth for Louisville. The typically slower leasing period of the first quarter may see a slight dip in rent growth, potentially falling briefly below 3.0%. However, a swift rebound is expected during the spring and summer, historically the peak seasons for apartment leasing. By the end of the year, rent growth in Louisville is projected to achieve a 4.1% annual increase, positioning it as a standout performer in the Midwest region. In terms of submarket performance, the projections suggest a closely bunched range, with figures varying narrowly between 4.1% and 4.3%. This tight band indicates a uniformly healthy market across different areas of Louisville.

Submarket Rent & Occupancy

Submarket	Q4 2023 Stabilized Occupancy	Q4 2024 Stabilized Occupancy (f)	Annual Occupancy Change (2024/2023)	Q4 2023 Average Monthly Rent	Q4 2024 Average Monthly Rent (f)	Annual Rent Change (2024/2023)
Bullitt County	95.3%	95.5%	0.2%	\$941	\$979	4.1%
Clark County	90.0%	89.3%	-0.6%	\$1,264	\$1,316	4.1%
Crescent Hill	94.3%	94.5%	0.2%	\$1,186	\$1,235	4.1%
Downtown Louisville	91.8%	91.5%	-0.3%	\$1,066	\$1,109	4.1%
East End	94.7%	94.7%	0.0%	\$1,365	\$1,421	4.1%
Harrison County	96.9%	96.9%	0.0%	\$737	\$767	4.2%
Outlying Oldham County	98.6%	98.8%	0.2%	\$1,012	\$1,054	4.2%
Portland/Shawnee/PRP	94.3%	94.3%	0.0%	\$948	\$988	4.3%
Shelby County	97.8%	97.9%	0.1%	\$948	\$987	4.1%
South Jefferson County	95.3%	95.5%	0.2%	\$1,091	\$1,135	4.0%
Southern Indiana	95.0%	95.2%	0.2%	\$1,071	\$1,116	4.3%
Spencer County	98.2%	98.3%	0.1%	\$900	\$937	4.1%
St Matthews/Lyndon	93.5%	93.8%	0.3%	\$1,282	\$1,331	3.8%
Washington County	96.6%	96.9%	0.3%	\$571	\$595	4.1%
Market	94.6%	94.8%	0.2%	\$1,124	\$1,170	4.1%

Submarket Construction Pipeline



88,067

4Q 2023 Unit Inventory



4,931

Number of Units Under Construction



1,851

Number of Units UIC Delivering

Submarket	Unit Inventory: 4Q 2023	Units Under Construction	% of Existing Inventory UC	% of Total UC	Units UC Delivering In the Next 4 Quarters
Bullitt County	1,332	0	0.0%	0.0%	0
Clark County	1,371	568	41.4%	11.5%	0
Crescent Hill	6,006	0	0.0%	0.0%	0
Downtown Louisville	8,038	650	8.1%	13.2%	367
East End	12,123	827	6.8%	16.8%	304
Harrison County	274	0	0.0%	0.0%	0
Outlying Oldham County	1,342	0	0.0%	0.0%	0
Portland/Shawnee/PRP	12,168	424	3.5%	8.6%	229
Shelby County	1,457	0	0.0%	0.0%	0
South Jefferson County	25,004	1,302	5.2%	26.4%	433
Southern Indiana	11,815	1,088	9.2%	22.1%	449
Spencer County	210	0	0.0%	0.0%	-1
St Matthews/Lyndon	6,762	72	1.1%	1.5%	70
Washington County	165	0	0.0%	0.0%	0
Market	88,067	4,931	5.6%	100.0%	1,851

Sales Activity

The year 2023 concluded with a notably subdued sales volume for conventional multifamily assets, according to preliminary data from MSCI. Despite the commonality of recording sales up until the final days of the year and the subsequent weeks taken by data services to consolidate these transactions, it appears unlikely that any late uptick in volume will significantly impact the overall trend observed. The fourth quarter of 2023 witnessed a sales volume decline to \$14.23 million, the lowest for any fourth quarter in over a decade. This downturn culminated in an annual transaction volume of \$149.9 million, spread across 8 individual asset sales. This figure represents a dramatic 82% decrease in dollar volume compared to the previous year.

A notable shift in 2023 was the almost complete absence of institutional investor, developer, and private REIT deals in the Louisville multifamily market, which, while never constituting a large portion of the buyer pool, further contributed to the market's downturn. The types of assets that did change hands last year primarily included small to medium-sized properties.

Looking forward to 2024, the Louisville apartment market may present enticing opportunities for discerning investors, especially if interest rates stabilize or decrease. The market's underlying healthy dynamics could become increasingly attractive, particularly as more reasonably priced deals start to surface. For investors with a long-term perspective, these conditions could offer promising investment avenues in the Louisville multifamily sector.

TRANSACTION VOLUME

\$149.9M

(p)

2023 Transaction Volume

-82%

Y-O-Y Change

58 YTD

Individual Transaction Count

\$146.6k*

Price Per Unit

0.2%

Annual PPU Price Change

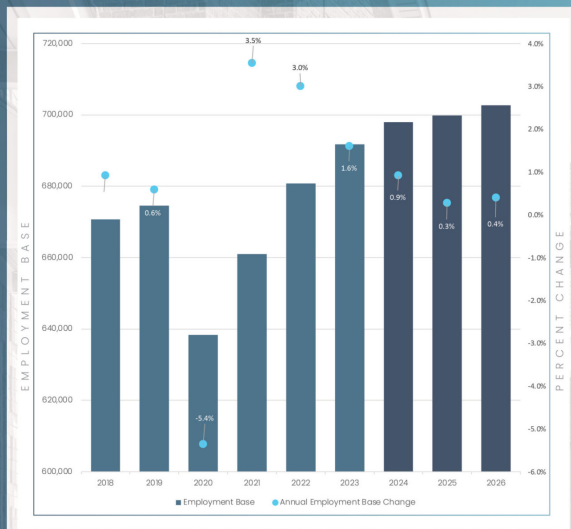
* Trailing 4Q average PPU

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

P=Preliminary

Employment Forecast

EMPLOYMENT SECTOR FORECAST



Forecasted 2024 Employment Sector Growth

Sector	Employment Change 2023 to 2024	Percent Change
Overall Employment	6,100	0.9%
Manufacturing	1,300	1.4%
Construction	1,600	5.0%
Trade, Transport, & Utilities	(100)	-0.2%
Information	100	1.1%
Financial Activities	(500)	-2.0%
Professional & Business Services	(600)	-0.8%
Education & Health Services	2,500	2.5%
Government	300	0.1%
Leisure & Hospitality Services	1,300	1.8%

Economic Outlook

The economic outlook for the Louisville metro area for 2024 indicates a period of slower yet sustained growth. The unemployment rate is expected to stabilize around 4.5%, and the region is forecasted to add approximately 6,100 jobs, a slight deceleration from the pace of 2023. A key development bolstering the local economy is the ongoing construction of Norton Healthcare's new hospital in West Louisville, which is on track for completion by the end of 2024. This project is set to significantly boost employment in the health services sector, with an anticipated to see the addition of 2,500 new positions in 2024.

The recent announcement of Canadian Solar's substantial investment in a state-of-the-art solar photovoltaic cell manufacturing plant in Jeffersonville, Indiana, represents a key economic development. This facility, backed by an investment exceeding \$800 million, is not only expected to create approximately 1,200 skilled high-tech jobs when it reaches full production by the end of 2025, but also hundreds of construction jobs throughout its development phase. In parallel, the on-going upgrades at Muhammad Ali International Airport are poised to bring a positive boost to Louisville's construction industry. This sector is forecasted to experience substantial growth, with an addition of about 1,600 jobs in 2024. These developments collectively signal a robust and diverse growth trajectory for the Louisville metropolitan area in 2024 and beyond, underpinned by significant investments in healthcare, renewable energy, and infrastructure.

Sources: Costar; Yardi Matrix; BLS; MSCI; Moody's Analytics

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



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