

Louisville 1Q 2024 Market Report

MARKET SNAPSHOT



AVERAGE RENT
\$1,162 1Q 2024



1Q 2024 RENT CHANGE
3.9%



OCCUPANCY RATE
94.7% 1Q 2024



ANNUAL OCCUPANCY CHANGE
40 BASIS POINTS



TOTAL OPERATING EXPENSE ANNUAL CHANGE
6.4% (FEB 2024)



NET OPERATING INCOME ANNUAL CHANGE
9.4% (FEB 2024)

KEY TAKEAWAYS

- **Robust Rent Growth:** Louisville's average rent growth hovers just below 4.0%, compared to the national rate of 0.9%. The metro's affordability, steady population growth, and limited new supply have resulted in a more moderate slowdown compared to peer markets.
- **New Development in Southern Indiana:** Most new supply is concentrated in the Southern Indiana submarket, where inventory has grown 28% over five years, versus a 17% market-level increase.
- **Demand Outperforms:** Demand in Louisville has matched recent supply, stabilizing the market as of early 2024. Net absorption over the past 12 months totaled 2,500 units, 28% above the three-year pre-pandemic average.

* 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.

Supply & Demand

1Q 2024

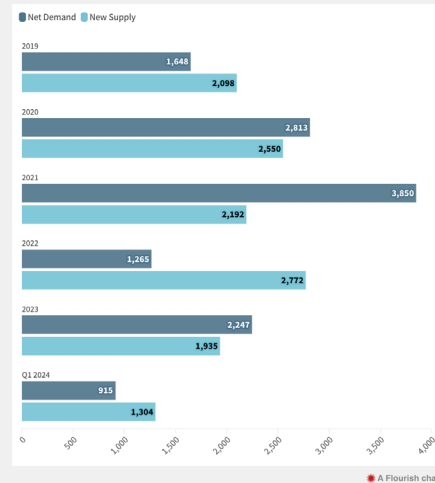


915 Units
QUARTERLY DEMAND



1,304 Units
QUARTERLY COMPLETIONS

Annual Demand Vs Completions



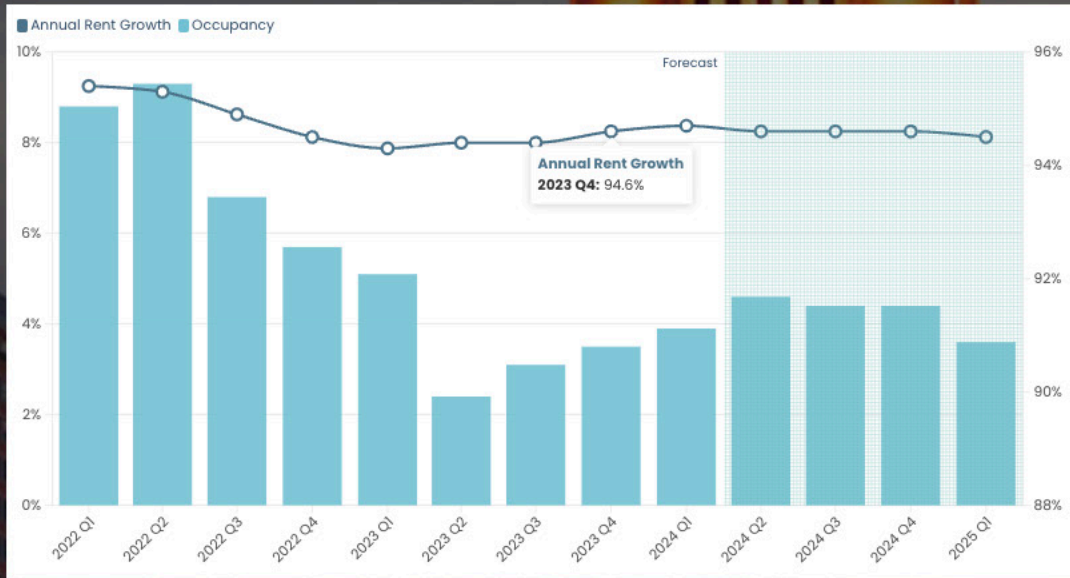
Demand Trends

In contrast to national trends, demand in Louisville has matched supply in recent months, leaving the market on firm ground as of early 2024. Over the past 12 months, net absorption has reached 2,500 units—28% above the average for the same period in the three years preceding the pandemic. As of the first quarter, the average occupancy rate stands at 94.7%, surpassing the national benchmark of 92.2%. Louisville's affordability bolsters demand, especially for mid- and lower-tier properties, where renters are most affected by rising costs. While net absorption for lower-tier properties is negative nationally, it remains positive in Louisville.

Construction Trends

In Louisville, new deliveries have reached near-record levels, with 2,700 units added to the market in the past 12 months. The majority of this new supply is concentrated in the Southern Indiana submarket, where inventory has expanded by 28% over the past five years, compared to a 17% increase at the market level. Development in Louisville is focused on areas that have seen some of the highest apartment demand in recent years. Southern Jefferson County and Southern Indiana, which include some of the fastest-growing communities in the region, together account for nearly half of all units under construction. Downtown Louisville and the East End contribute another 27% of the units currently being built.

Occupancy & Rent Trends



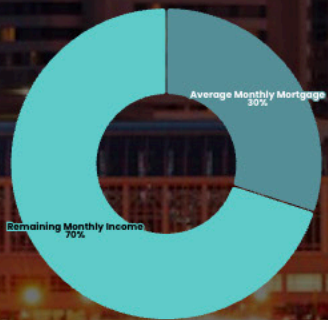
OCCUPANCY TRENDS

Net absorption in Louisville accelerated through much of 2023 and kept pace with new deliveries, maintaining a balanced occupancy rate of 94.7% compared to the national benchmark of 92.7% at the close of the first quarter of 2024. Several factors are poised to sustain strong demand for rental units in Louisville. The concentration of higher education institutions provides market stability, as students and faculty drive consistent housing demand. Moreover, significant investments from companies like Toyota and other advanced manufacturers are generating new jobs, further boosting the need for housing as employees relocate to the region. Additionally, Louisville's affordability appeals to prospective renters seeking a more economical alternative to markets with higher living costs.

RENT TRENDS

After slowing down in mid-2023, rent growth in Louisville has stabilized. While the national rent growth rate is 0.9%, Louisville's gains are hovering around 4.0%. The market's affordability, steady population growth, and relatively limited new supply over the past few years have contributed to a more gradual slowdown in rent growth compared to peer markets and the national average. In fact, rent growth in Louisville still surpasses the 10-year average of 3.4%. Submarkets with occupancy rates above the market average, like South Jefferson County, are experiencing particularly strong growth, with increases approaching 5%. Looking ahead, rent growth is expected to remain robust, with gains averaging over 3% annually for the next three years.

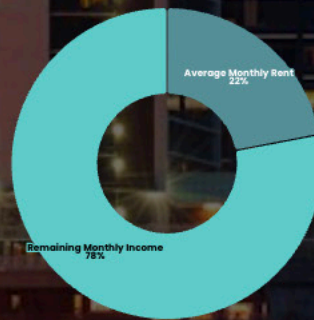
MONTHLY MORTGAGE AS A SHARE OF INCOME



\$1,596

Average Monthly Mortgage Payment

MONTHLY RENT AS A SHARE OF INCOME



\$1,162

Average Monthly Rent

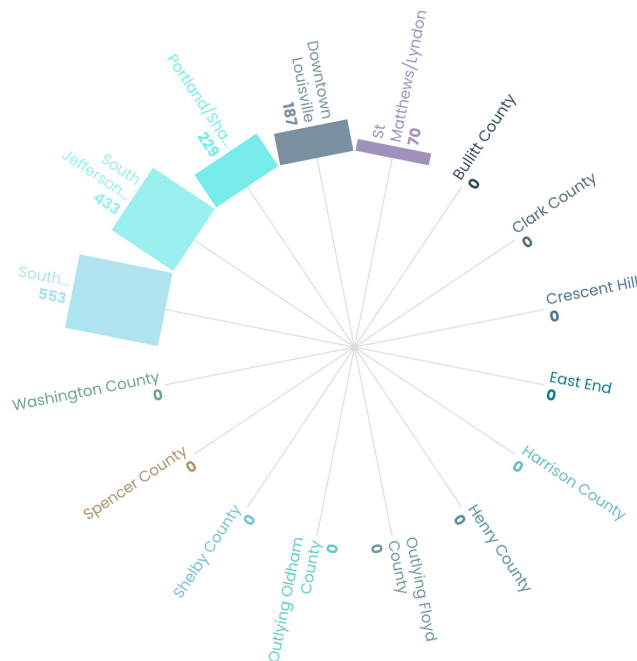
Submarket Rent & Occupancy

Submarket	Q1 2024 Occupancy	Annual Occupancy Change	Q1 2024 Effective Annual Rent Growth	Q1 2024 Effective Rent/Unit
Bullitt County	95%	-2%	4.1%	\$963
Clark County	94.8%	0.2%		
Crescent Hill	94.3%	1.9%	3.1%	\$1,199
Downtown Louisville	92%	0%	2.4%	\$1,096
East End	95.5%	0.6%	3.3%	\$1,450
Harrison County	97.1%	0.3%	1.6%	\$740
Henry County	95.6%	0.1%		
Outlying Floyd County	92.9%	0%	1.8%	\$1,177
Outlying Oldham County	98.1%	0.9%	3.1%	\$1,067
Portland/Shawnee/PRP	95.1%	0.6%	5.2%	\$961
Shelby County	98.2%	0.9%	4.4%	\$972
South Jefferson County	95.7%	0.8%	4.9%	\$1,133
Southern Indiana	92.7%	-0.9%	2.9%	\$1,090
Spencer County	98.3%	0.1%	3.9%	\$903
St Matthews/Lyndon	94.1%	0.3%	4.2%	\$1,316
Washington County	97.4%	0%	2%	\$575

A Flourish table

Submarket Construction Pipeline

Units UC Delivering In the Next 4 Quarter



A Flourish hierarchy chart

Submarket	Units UC Delivering In the Next 4 Quarters	Under Construction Units	% of Total Market Wide UC
Bullitt County	0	0	0%
Clark County	0	0	0%
Crescent Hill	0	0	0%
Downtown Louisville	187	579	14.2%
East End	0	316	7.7%
Harrison County	0	0	0%
Henry County	0	0	0%
Outlying Floyd County	0	0	0%
Outlying Oldham County	0	0	0%
Portland/Shawnee/PRP	229	232	5.7%
Shelby County	0	0	0%
South Jefferson County	433	1,382	33.9%
Southern Indiana	553	1,500	36.8%
Spencer County	0	0	0%
St Matthews/Lyndon	70	72	1.8%
Washington County	0	0	0%
Total	1,472	4,081	100%

A Flourish table

Sales Activity

As of early 2024, investment activity in Louisville remains subdued. In the past 12 months, sales volume reached just over \$170 million across 10 deals, marking the lowest total for this period since 2016. However, comparing only the first quarter of 2024 to the same period a year earlier, transaction volume quadrupled to \$26.4 million across three deals. Institutional and private REIT investor activity, which typically makes up a small portion of the market, was absent entirely over the last five quarters. Instead, the buyer profile has shifted exclusively to individual buyers. This change is reflected in the types of assets being traded, with smaller properties dominating many of the top deals in recent months.

TRANSACTION VOLUME

\$26.4M

1Q 2024 Transaction Volume

438%

Y-O-Y Change

3 YTD

Individual Transaction Count

\$140.6k*

Price Per Unit

-8.8%

Annual PPU Change

* Trailing 4Q average PPU

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

Income & Expense Analysis

Please note that the income and expense data presented in this section is sourced from third-party providers. Our firm does not provide any warranty or guarantee as to the accuracy or reliability of this information. We recommend that users exercise their own discretion and professional judgment when interpreting and utilizing this data.

Income & Expenses

— Operating Income Metrics

Income Assumptions	Value / Unit	Year Change (%)
Rental Income / Occupied Unit	\$1,143.21	7.0%
Recoverable Expenses / Occupied Unit	\$80.91	13.7%
Other Income / Occupied Unit	\$75.84	4.0%
Total Income / Occupied Unit	\$1,299.96	7.2%
Rental Income	\$1,065.87	7.7%
Recoverable Expenses	\$75.44	14.5%
Other Income	\$70.71	4.8%
Total Income	\$1,212.02	7.9%

— Operating Expense Metrics

Operating Expenses	Value / Unit	Year Change (%)
Payroll	\$126.83	6.7%
Repairs & Maintenance	\$45.55	9.3%
Leasing	\$56.86	6.1%
General	\$24.42	3.1%

Income & Expense Analysis

Please note that the income and expense data presented in this section is sourced from third-party providers. Our firm does not provide any warranty or guarantee as to the accuracy or reliability of this information. We recommend that users exercise their own discretion and professional judgment when interpreting and utilizing this data.

Marketing & Advertising	\$18.32	16.6%
Repairs & Maintenance	\$108.11	7.7%
Cleaning	\$18.01	15.6%
Roads & Grounds	\$19.00	2.0%
General	\$71.09	7.7%
Administrative	\$34.10	12.3%
Security	\$3.73	32.9%
General	\$30.37	10.1%
Management Fees	\$44.99	8.7%
Utilities	\$97.20	-1.5%
Electric	\$17.68	-5.6%
Gas	\$6.24	-28.8%
Water/Sewer	\$73.28	2.4%
Real Estate & Other Taxes	\$119.62	-3.1%
Insurance	\$50.19	42.6%
Other Operating Expenses	\$0.65	
Total Operating Expense	\$600.01	6.4%

— Net Operating Income

	Value / Unit	Year Change (%)
Net Operating Income	\$468.24	9.2%

Market Outlook

In the coming years, rent growth in Louisville is projected to remain robust, with gains averaging between 3% and 4% annually, outpacing the national average. Several factors continue to underpin strong rental demand. The concentration of higher education institutions stabilizes the market by sustaining housing demand from students and faculty. Moreover, significant investments from companies like Toyota and other advanced manufacturers are bringing new jobs to the region, further fueling the need for housing as employees relocate. Additionally, Louisville's affordability could draw prospective renters seeking more economical living compared to higher-cost markets.

Sources: Yardi Matrix; Costar; MSCI.

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



Alex Blagojevich

Executive Managing Director /
Co-Founder

alex.blagojevich@mmgrea.com



Michael Sullivan

Executive Managing Director /
Co-Founder

michael.sullivan@mmgrea.com



Nate Ulepich

Director of Revenue
Operations and National Team
Coordinator

nate.ulepich@mmgrea.com



Brett Meinzer

Managing Director

brett.meinzer@mmgrea.com



David Huey

Senior Director

david.huey@mmgrea.com



Kendall Adams

Senior Director

kendall.adams@mmgrea.com



Ryan Carter

Associate Advisor

ryan.carter@mmgrea.com



Brett Sanchez

Associate Advisor

brett.sanchez@mmgrea.com



**Thomas
Skevington**

Senior Advisor

thomas.skevington@mmgrea.com



Kyle Winston

Senior Advisor

kyle.winston@mmgrea.com



Chris Wilson

Associate Advisor

chris.wilson@mmgrea.com

