



*2011 Residential & Commercial  
Building Industry Economic Summit*

---



# The Louisville Real-Estate Outlook For 2011

May 24, 2011

**William R. Emmons**  
Assistant Vice President and Economist  
Division of Banking Supervision and Regulation  
Federal Reserve Bank of St. Louis  
[William.R.Emmons@stls.frb.org](mailto:William.R.Emmons@stls.frb.org)



# *The Louisville Real-Estate Outlook for 2011*



- **The Louisville Metro economy**
  - **Unemployment is falling but remains painfully high**
  - **Long-term employment trend near national average; but job creation remains the critical challenge**
- **Louisville housing market**
  - **Didn't participate in the boom, so may avoid worst of the bust**
  - **Mortgage problems are moderate compared to national averages**
- **Louisville commercial real-estate conditions**
  - **Banks wary due to weak RE performance**
  - **Office and multi-housing looking good**





## *Important Reminder*

---

- **These comments do not necessarily reflect the views of the Federal Reserve Bank of St. Louis or of the Federal Reserve System.**

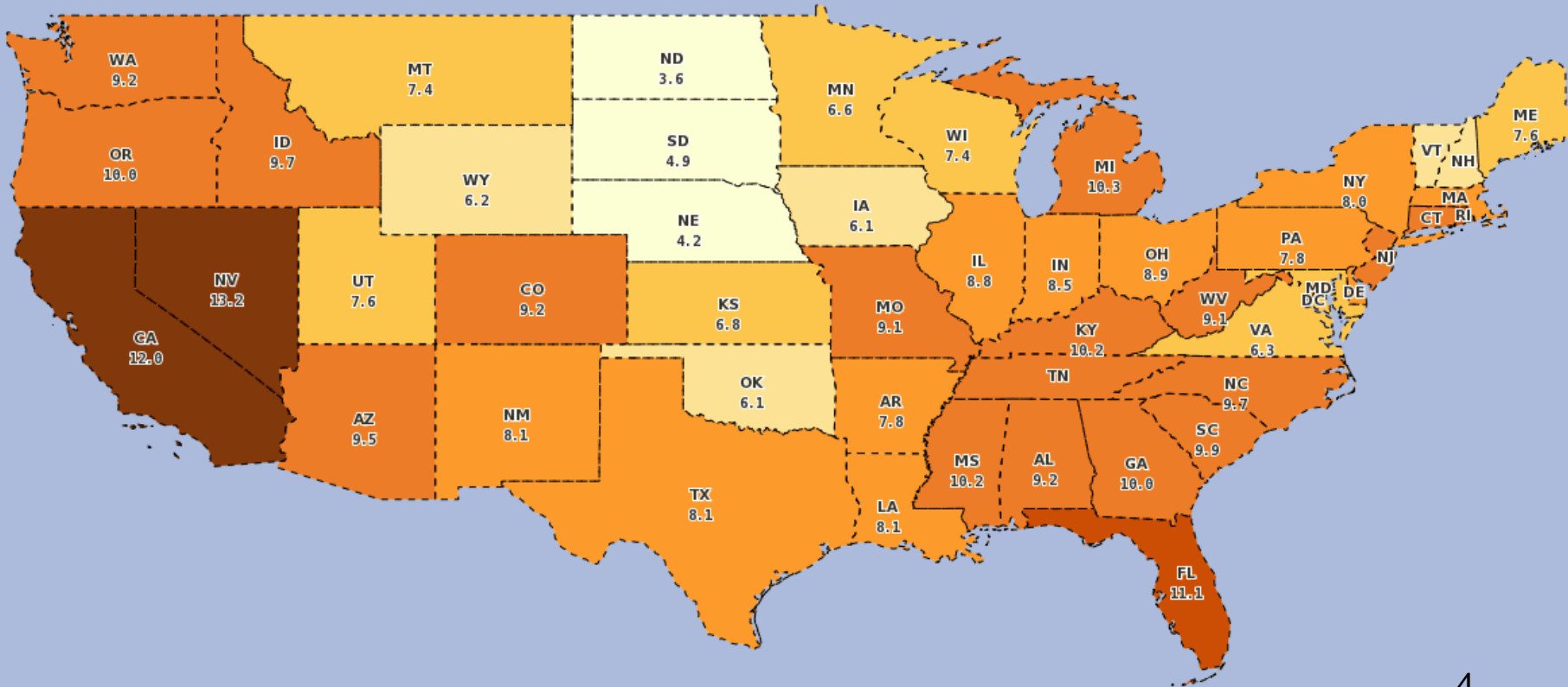


# *KY Has Fifth Highest Unemployment Rate: NV, CA, FL, MI, Tied With MS*

2011 March Unemployment Rate by State (Percent)

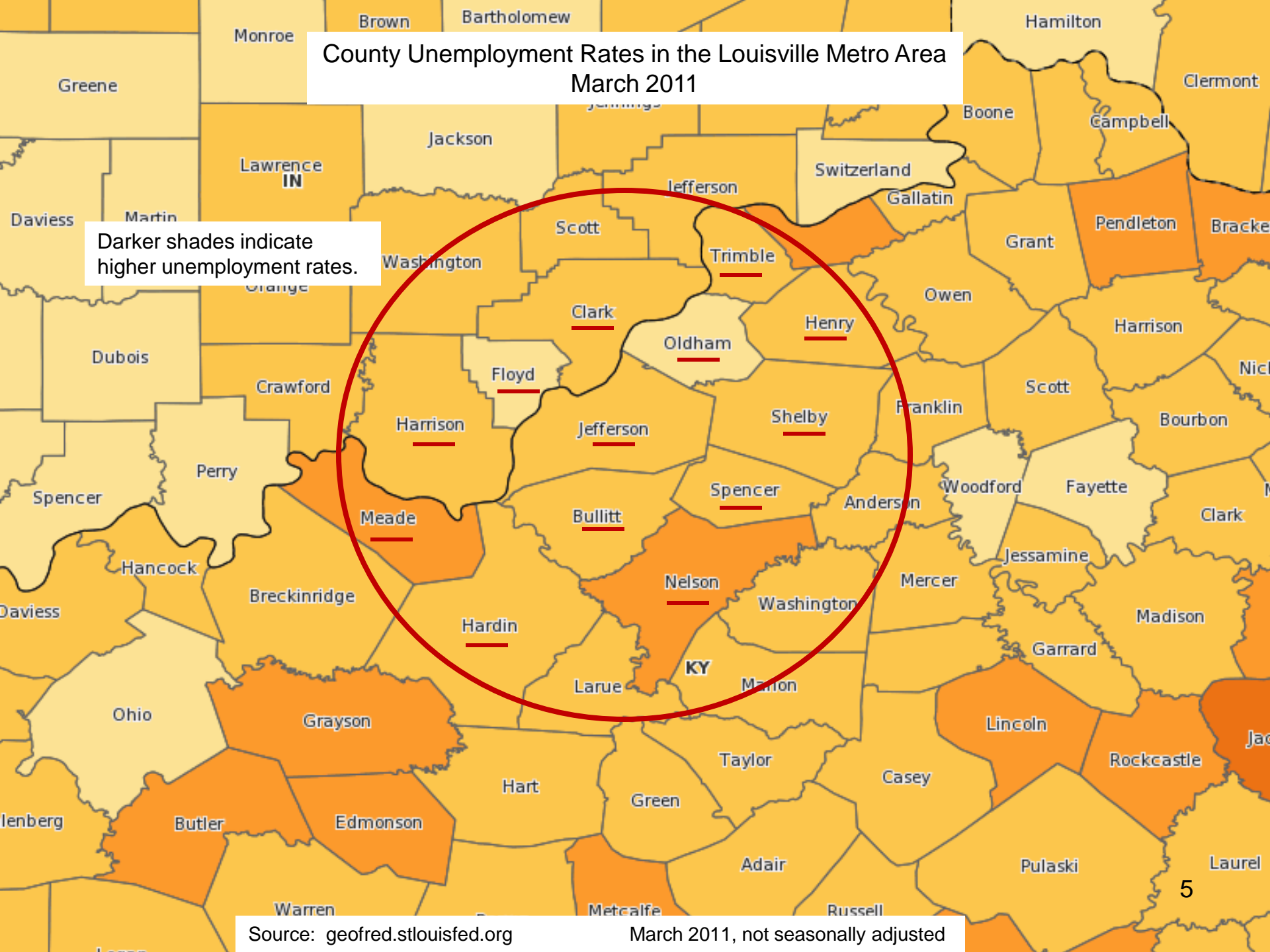
©2011, Federal Reserve Bank of St. Louis

Darker shades indicate higher unemployment rates.



# County Unemployment Rates in the Louisville Metro Area March 2011

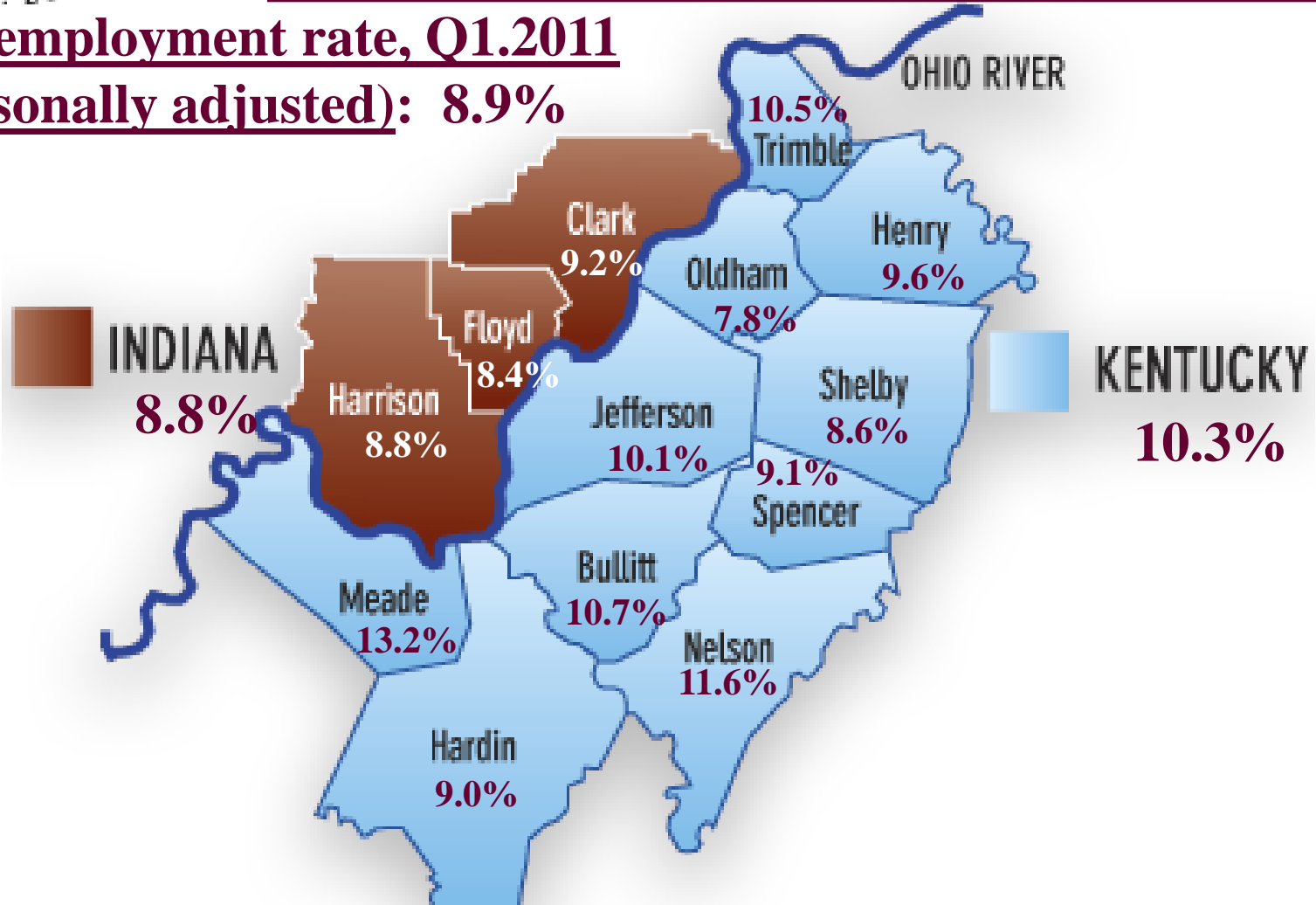
Darker shades indicate higher unemployment rates.





# *Louisville Metro Area Unemployment Rate: 9.8% (Down from 10.7% A Year Ago)*

**US unemployment rate, Q1.2011**  
**(seasonally adjusted): 8.9%**

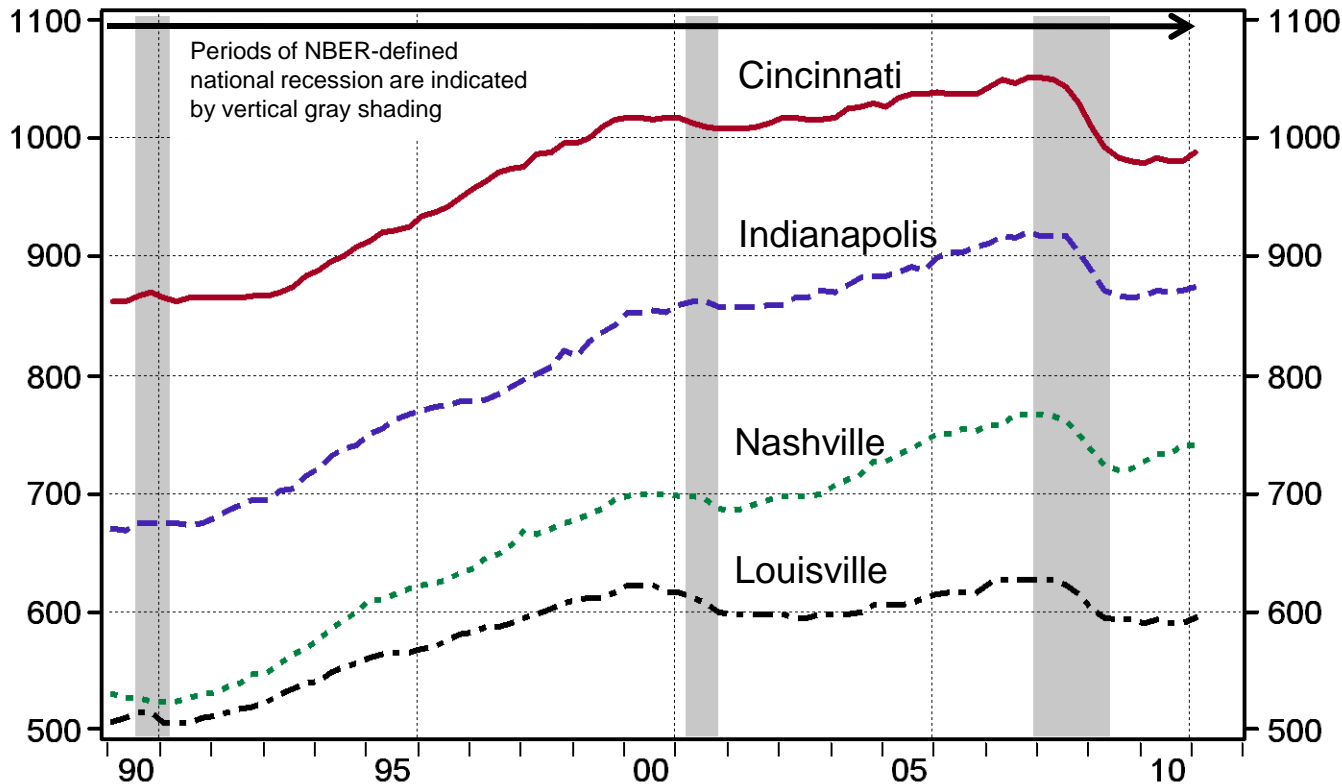




# Long-Term Louisville Employment Growth Matches US Average, Trails Some Peer Cities

Cincinnati-Middletown OH-KY-IN Nonfarm Employment  
 Indianapolis IN Nonfarm Employment  
 Nashville-Davidson-Murfreesboro TN Nonfarm Employment  
 Louisville KY-IN Nonfarm Employment

Thousands



Source: Bureau of Labor Statistics

Quarterly data through Q1.2011

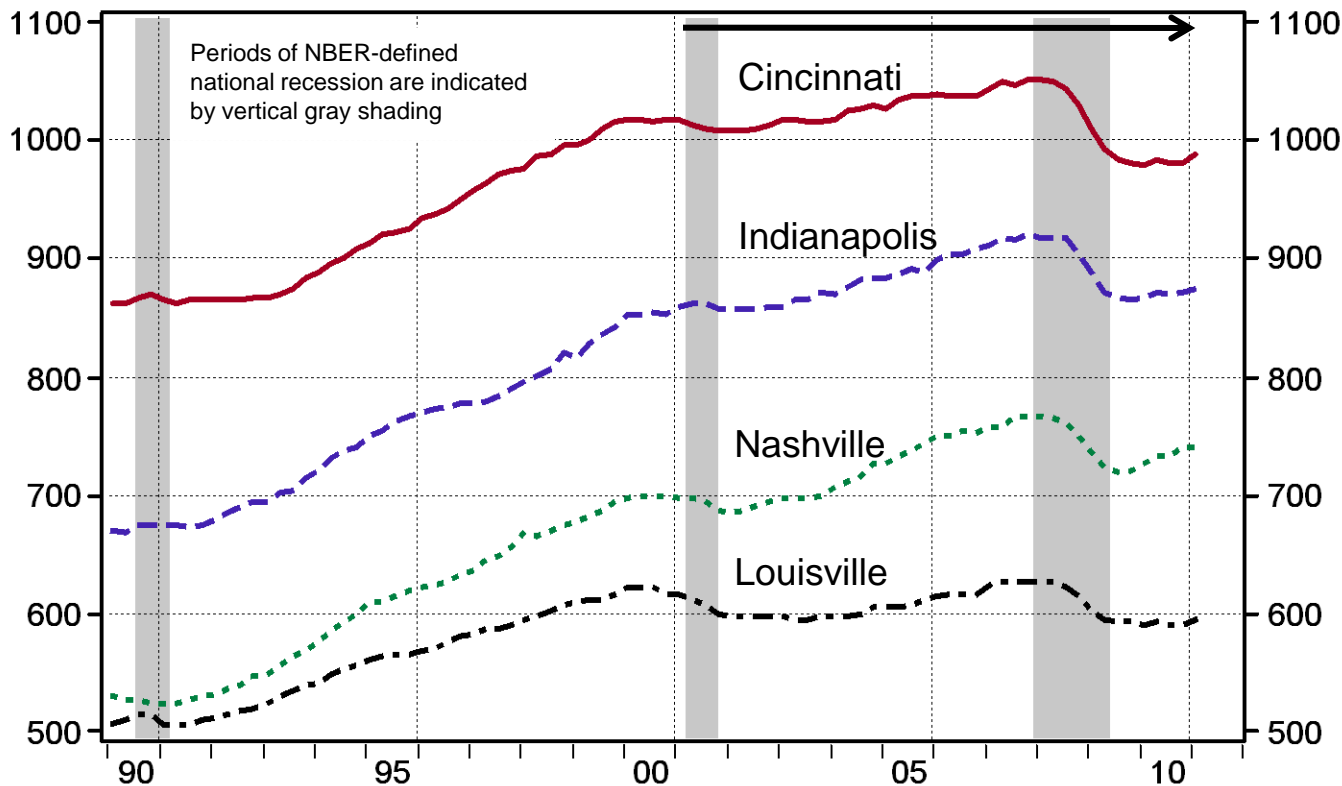
	Q1.1990- Q1.2011	Job growth (‘000)	Avg. ann. rate (%)
<b>Louisville</b>		<b>87</b>	<b>0.8</b>
Cincinnati		126	0.7
Indianapolis		204	1.3
Nashville		210	1.6
Lexington		51	1.1
Kentucky		323	1.0
Ohio		214	0.2
Indiana		289	0.5
Tennessee		438	0.9
USA		21,172	0.84



# *Louisville and the Nation Must Avoid Another Lost Decade of Employment Stagnation*

Cincinnati-Middletown OH-KY-IN Nonfarm Employment  
 Indianapolis IN Nonfarm Employment  
 Nashville-Davidson-Murfreesboro TN Nonfarm Employment  
 Louisville KY-IN Nonfarm Employment

Thousands



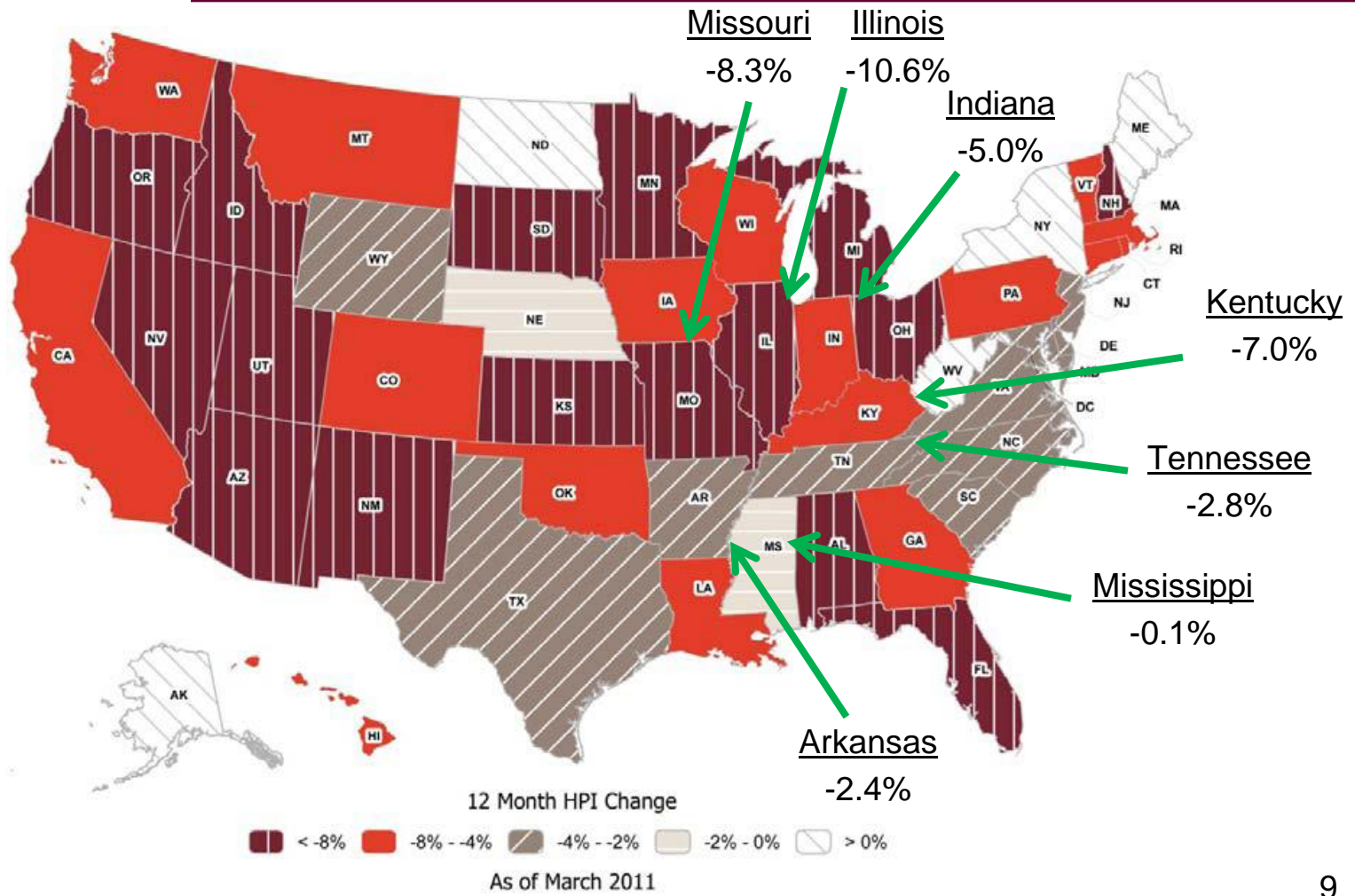
Source: Bureau of Labor Statistics

Quarterly data through Q1.2011

Q1.2001- Q1.2011	Job growth (‘000)	Avg. ann. rate (%)
<b>Louisville</b>	<b>-20</b>	<b>-0.3</b>
Cincinnati	-29	-0.3
Indianapolis	13	0.2
Nashville	42	0.6
Lexington	-4	-0.1
Kentucky	-35	-0.2
Ohio	-523	-1.0
Indiana	-158	0.2
Tennessee	-90	-0.3
USA	-1,941	-0.15



# House Prices Fell in 45 States Between March 2010 and March 2011



Source: CoreLogic HPI, 12 month change by state; single family combined series.

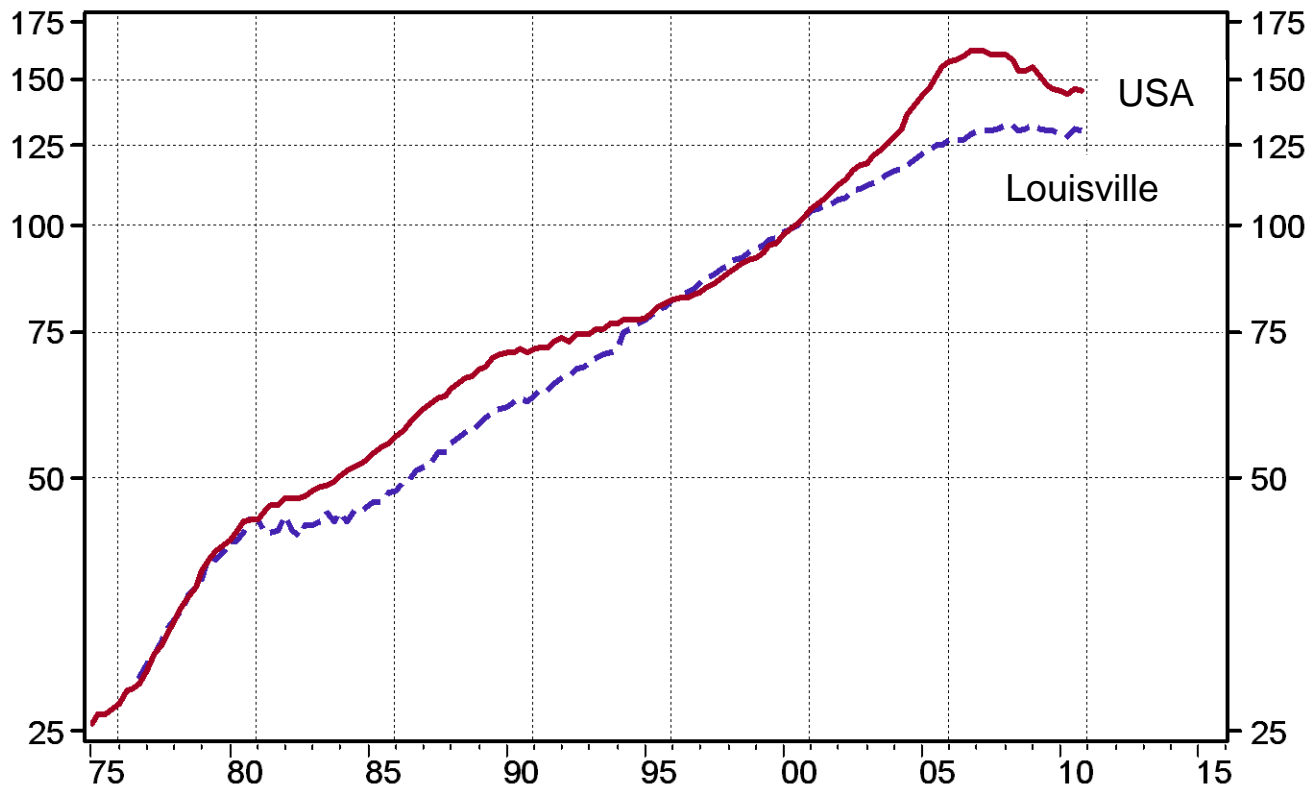


# *Louisville House Prices Generally Track the Nation; Luckily Avoided the Boom*

FHFA House Price Index for the United States  
Average level in 2000 equals 100

FHFA House Price Index for Louisville-Jefferson County, KY-IN  
Average level in 2000 equals 100

**Indexes:  
Average  
levels in  
2000 equal  
100**



Sources: Federal Housing Finance Agency /Haver Analytics Quarterly data through Q4.2010



# Louisville House Prices Have Softened, As Elsewhere

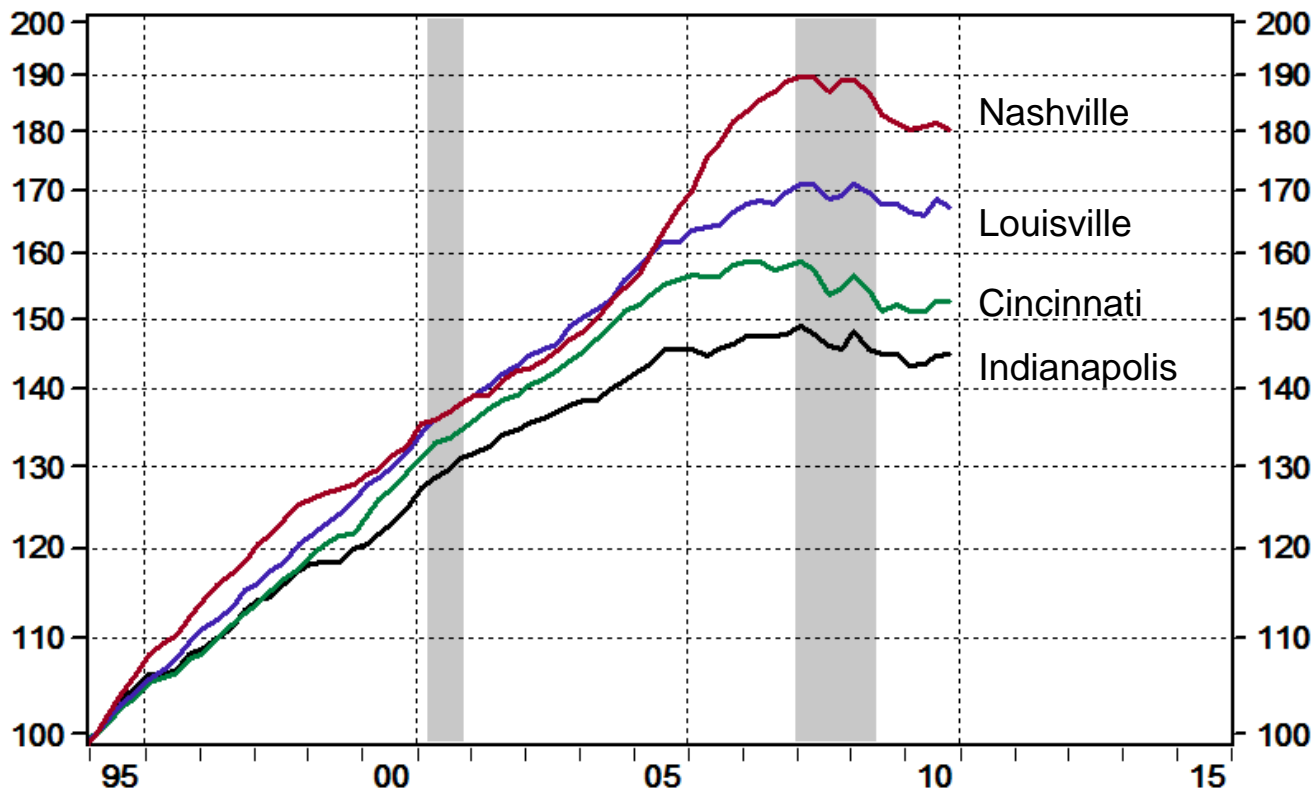
FHFA House Price Index: Nashville-Davidson-Murfreesboro, TN (Q1 1995=100)

FHFA House Price Index: Louisville-Jefferson County, KY-IN (Q1 1995=100)

FHFA House Price Index: Cincinnati-Middletown, OH-KY-IN (Q1 1995=100)

FHFA House Price Index: Indianapolis-Carmel, IN (Q1 1995=100)

Index  
levels equal  
100 in  
Q1.1995



Sources: FHFA /Haver

Quarterly data through Q4.2010

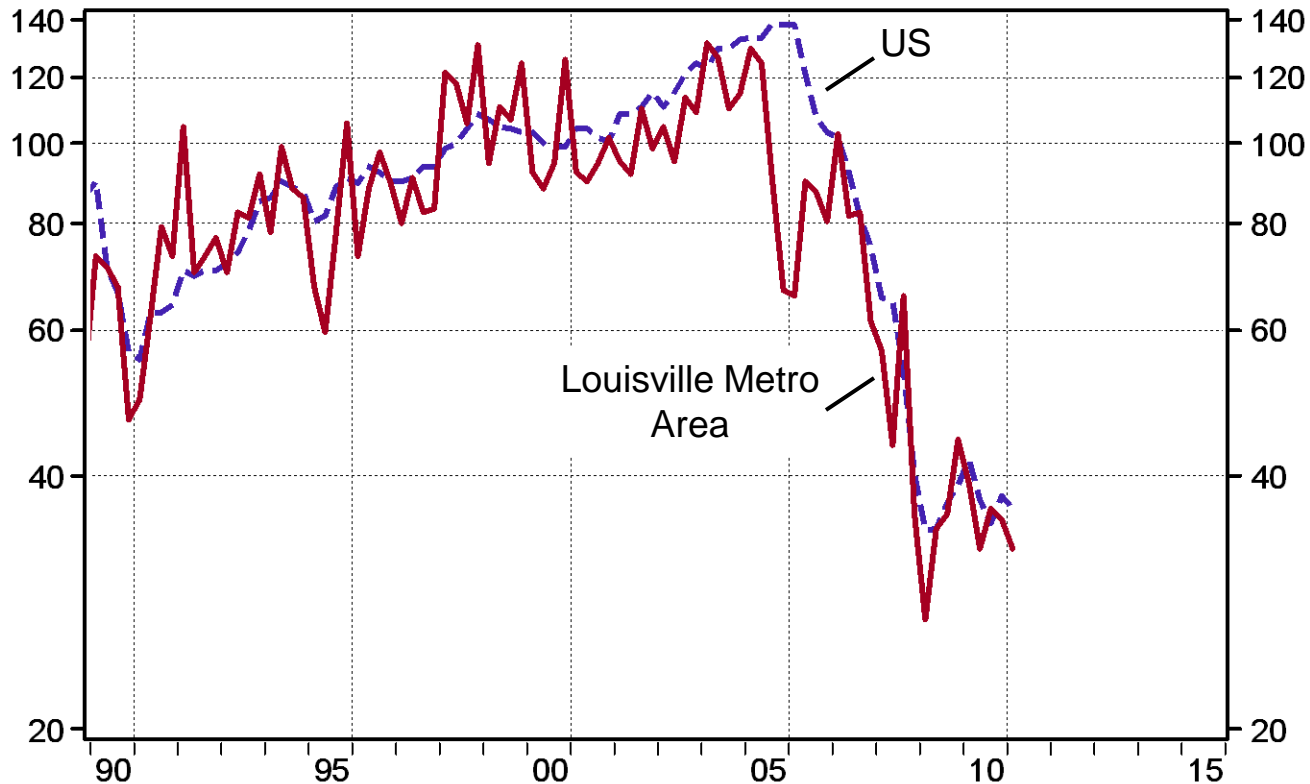


# *Louisville Building Permits Have Tracked National Trend Remarkably Well*

Private Building Permits Issued in Louisville KY-IN Metro Area  
Average level in 2000 equals 100

Private Building Permits Issued in the US  
Average level in 2000 equals 100

**Indexes:  
Average  
levels in  
2000 equal  
100**



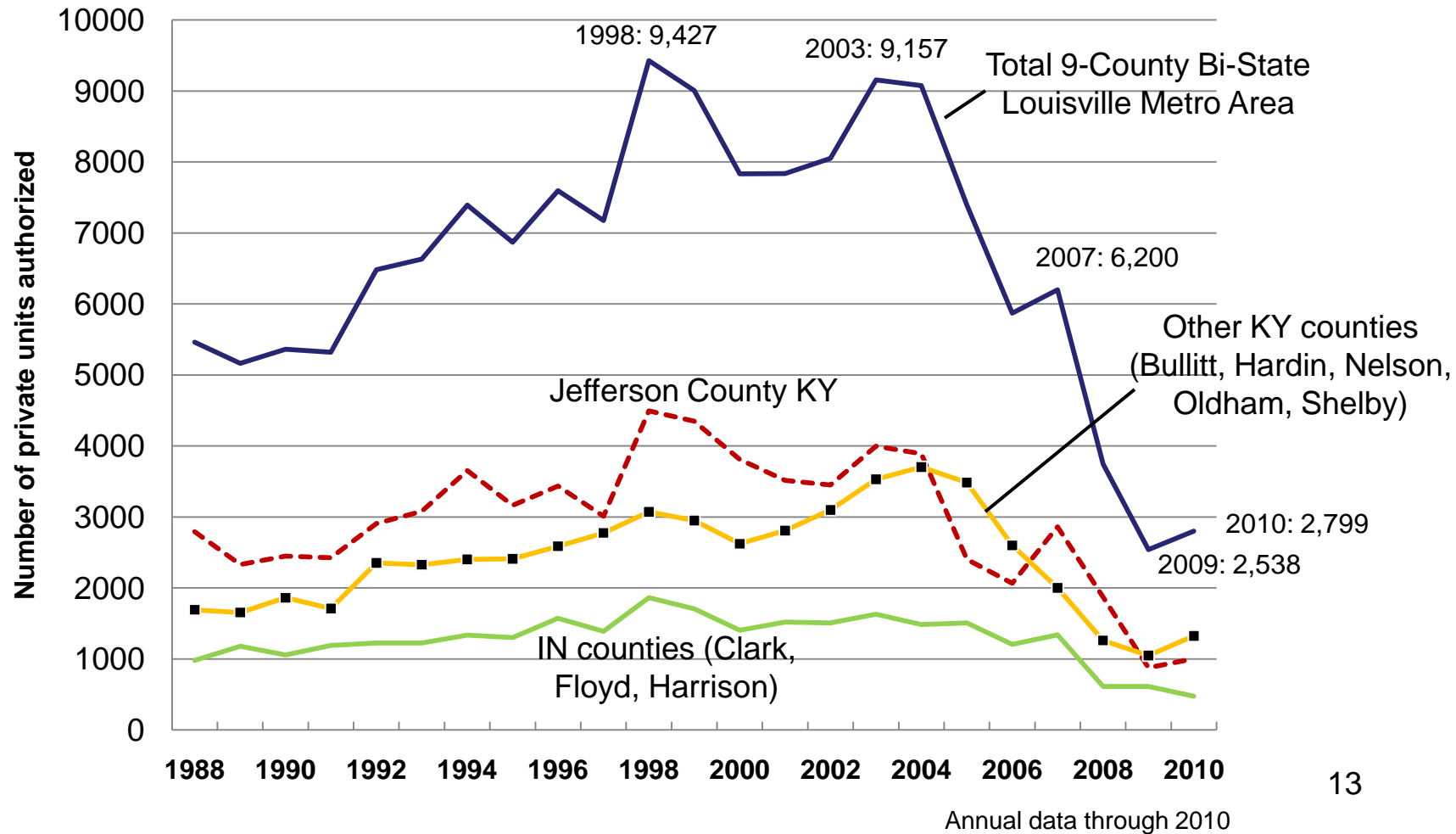
Sources: Bureau of the Census/Haver Analytics

Quarterly data through Q1.2011



# Building Permits Were Down 16 Percent in Q1.2011 Vs. Year Ago

## Private Building Permits Issued in Louisville Metro Area



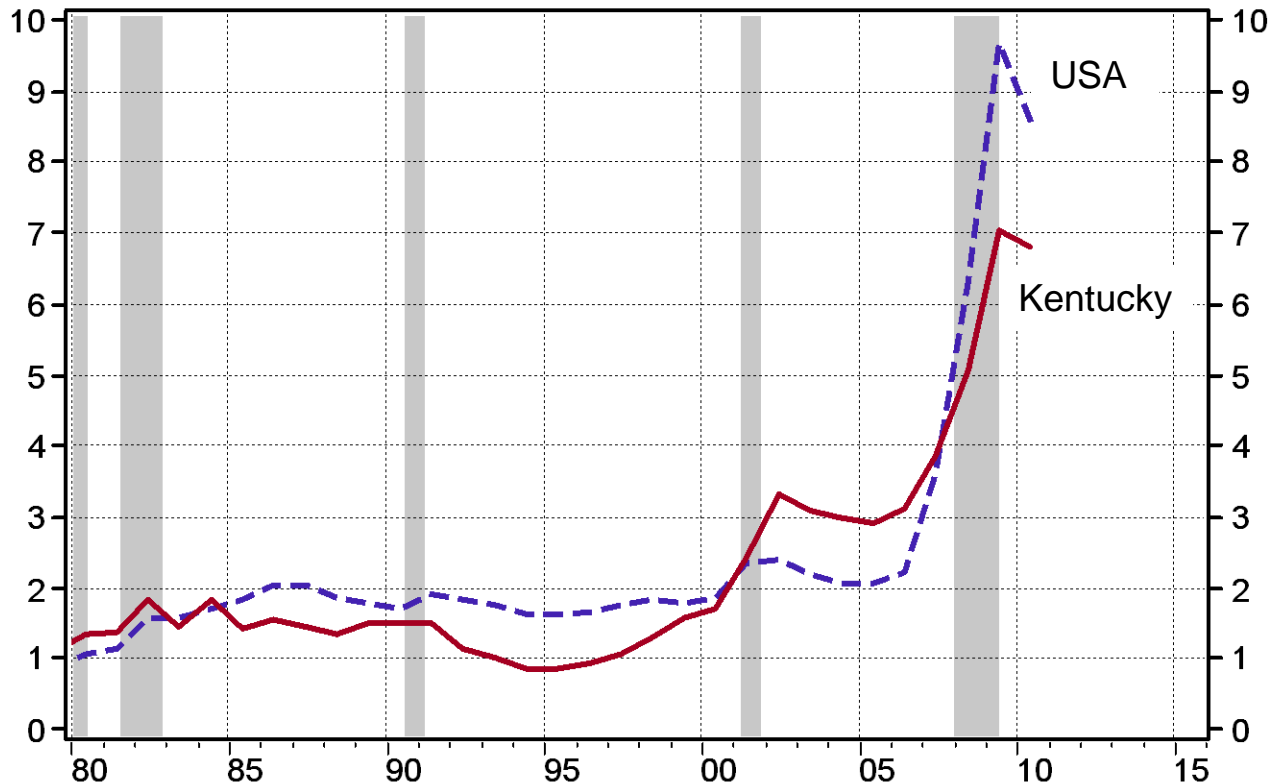


# *Serious Mortgage Delinquencies in Kentucky Significantly Below US Average*

Share of Kentucky Mortgages 90+ Days Delinquent or in Foreclosure  
Percent

Share of US Mortgages 90+ Days Delinquent or in Foreclosure  
Percent

Percent



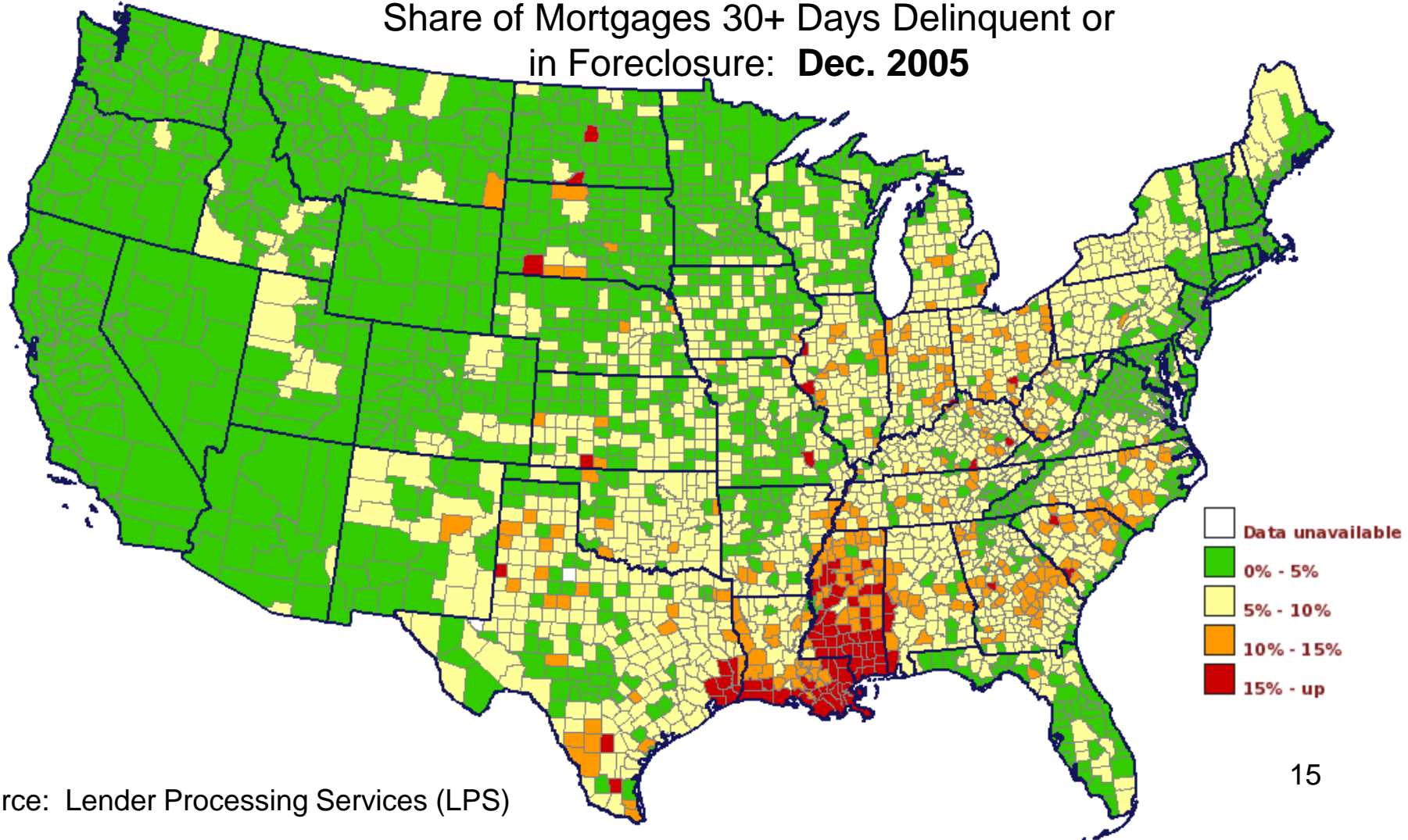
Source: Mortgage Bankers Association

Annual data through 2010



# *December 2005: Mortgage Distress By County*

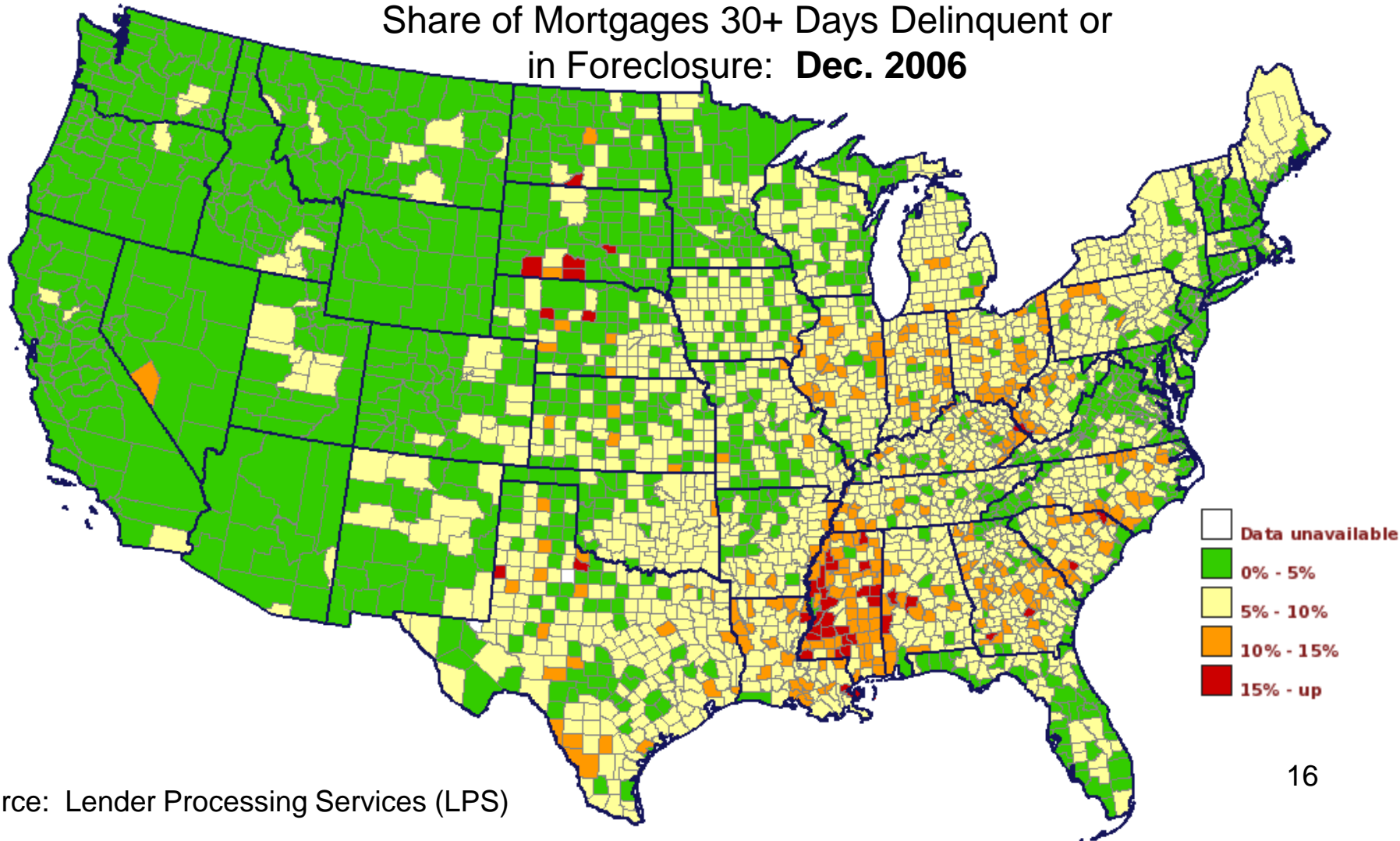
Share of Mortgages 30+ Days Delinquent or  
in Foreclosure: **Dec. 2005**





# *December 2006: Mortgage Distress By County*

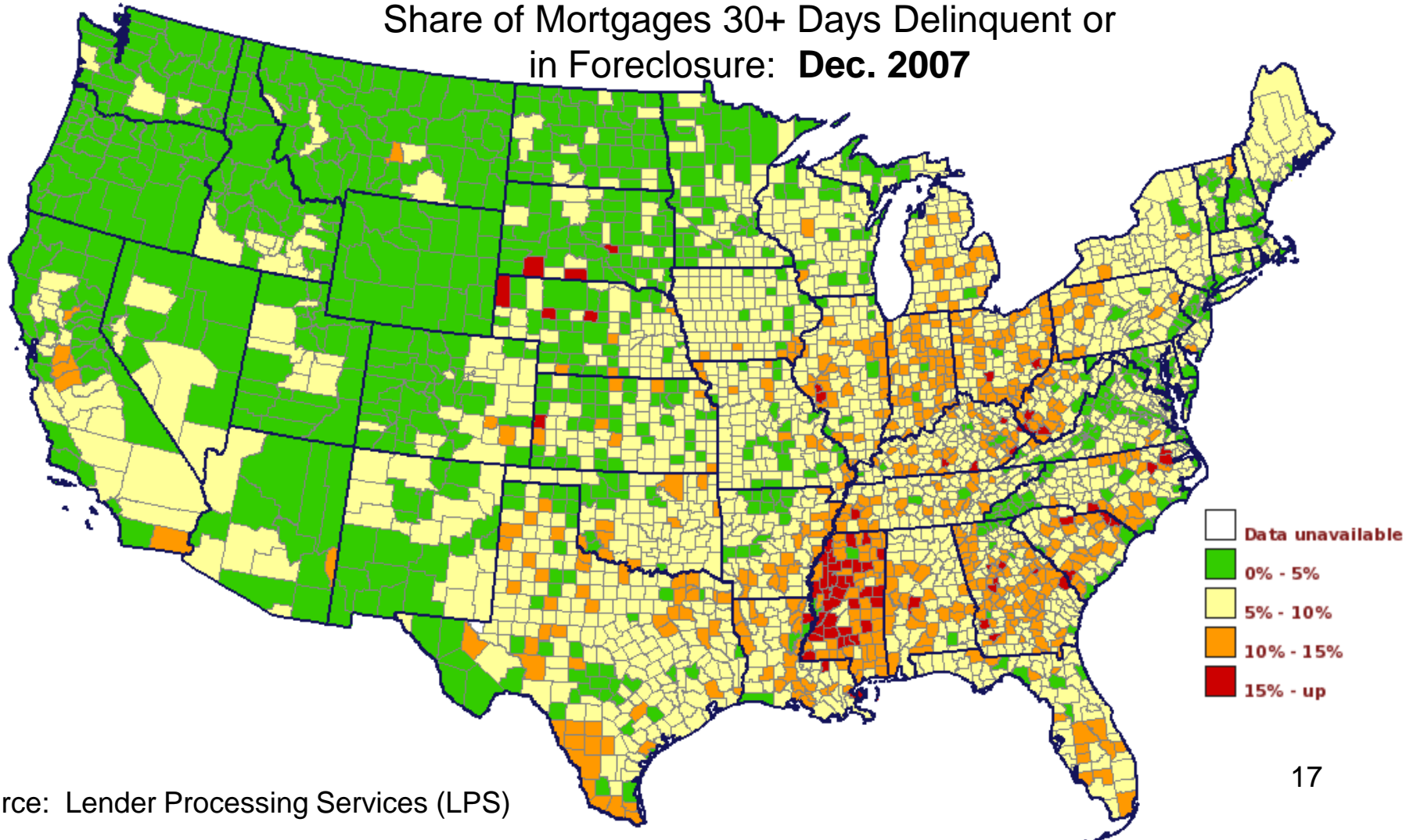
Share of Mortgages 30+ Days Delinquent or  
in Foreclosure: **Dec. 2006**





# *December 2007: Mortgage Distress By County*

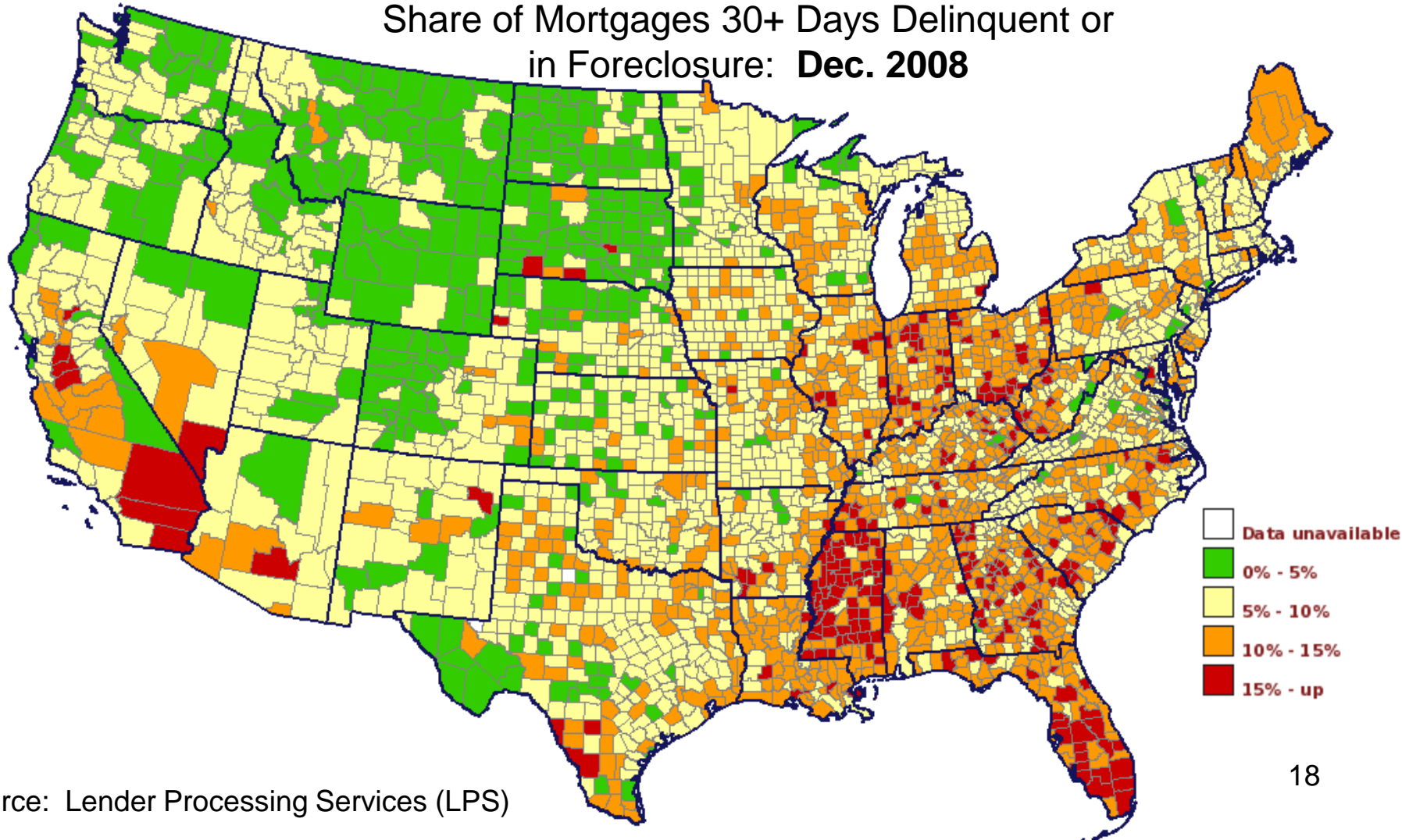
Share of Mortgages 30+ Days Delinquent or  
in Foreclosure: **Dec. 2007**





# *December 2008: Mortgage Distress By County*

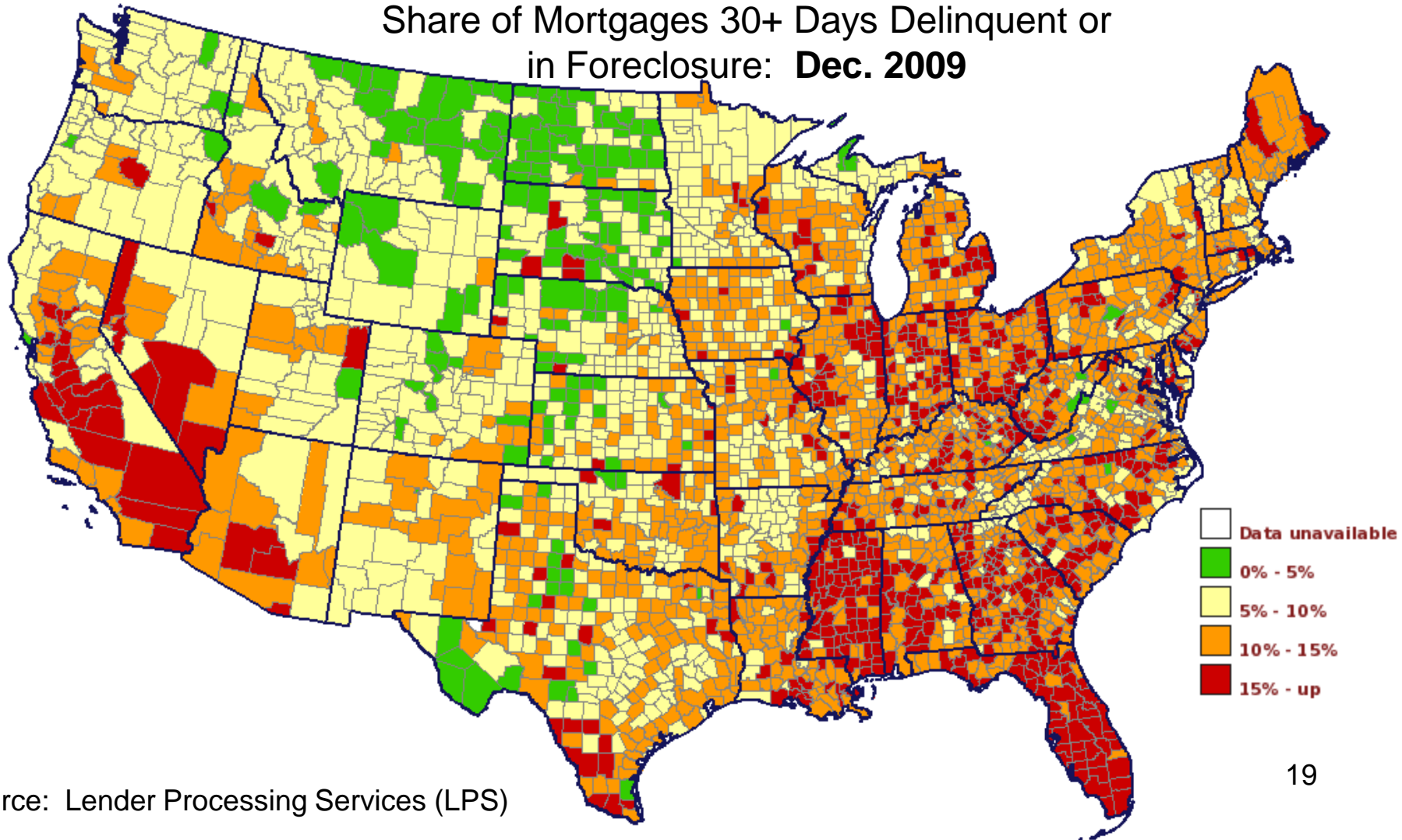
Share of Mortgages 30+ Days Delinquent or  
in Foreclosure: **Dec. 2008**





# *December 2009: Mortgage Distress By County*

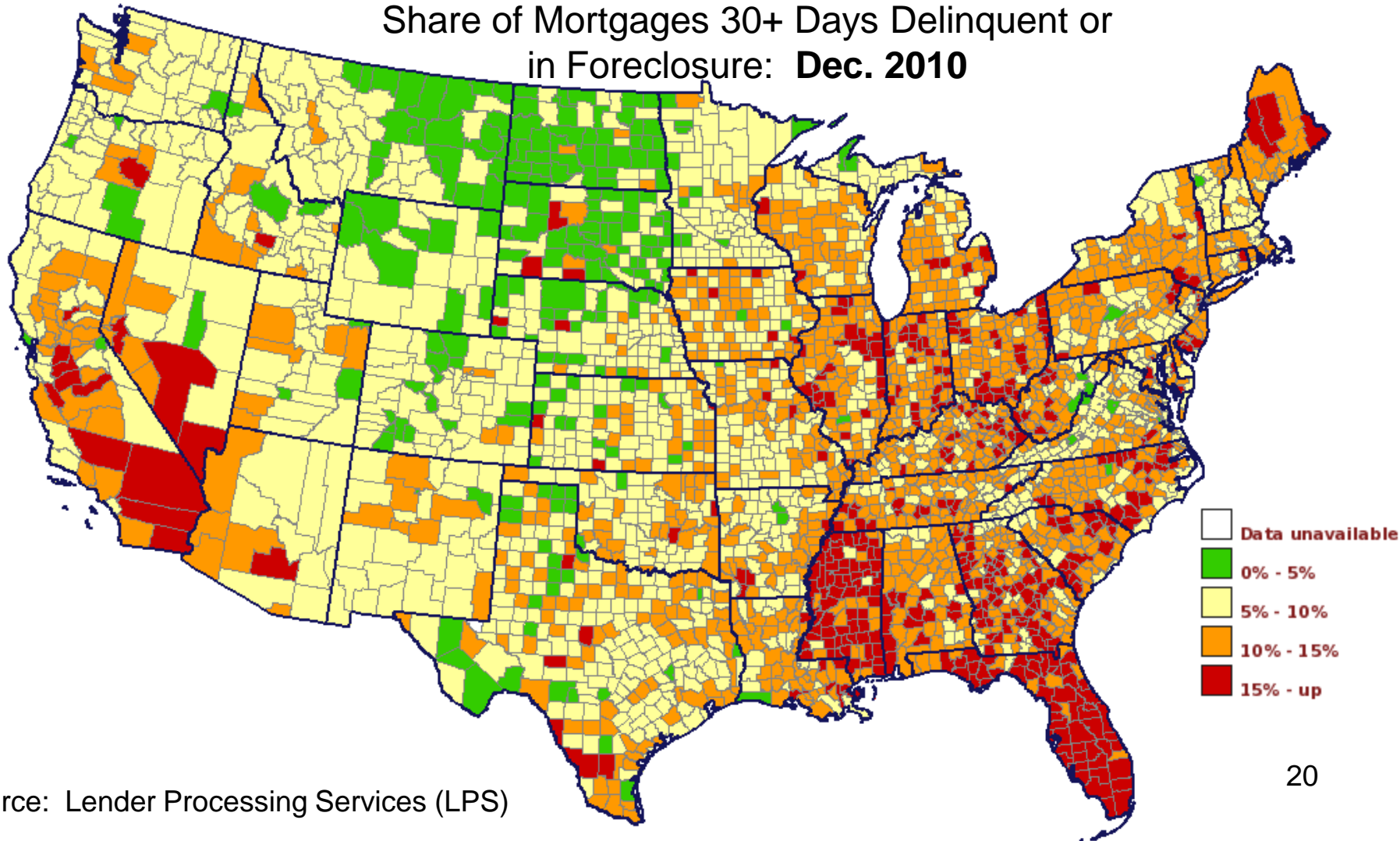
Share of Mortgages 30+ Days Delinquent or  
in Foreclosure: **Dec. 2009**





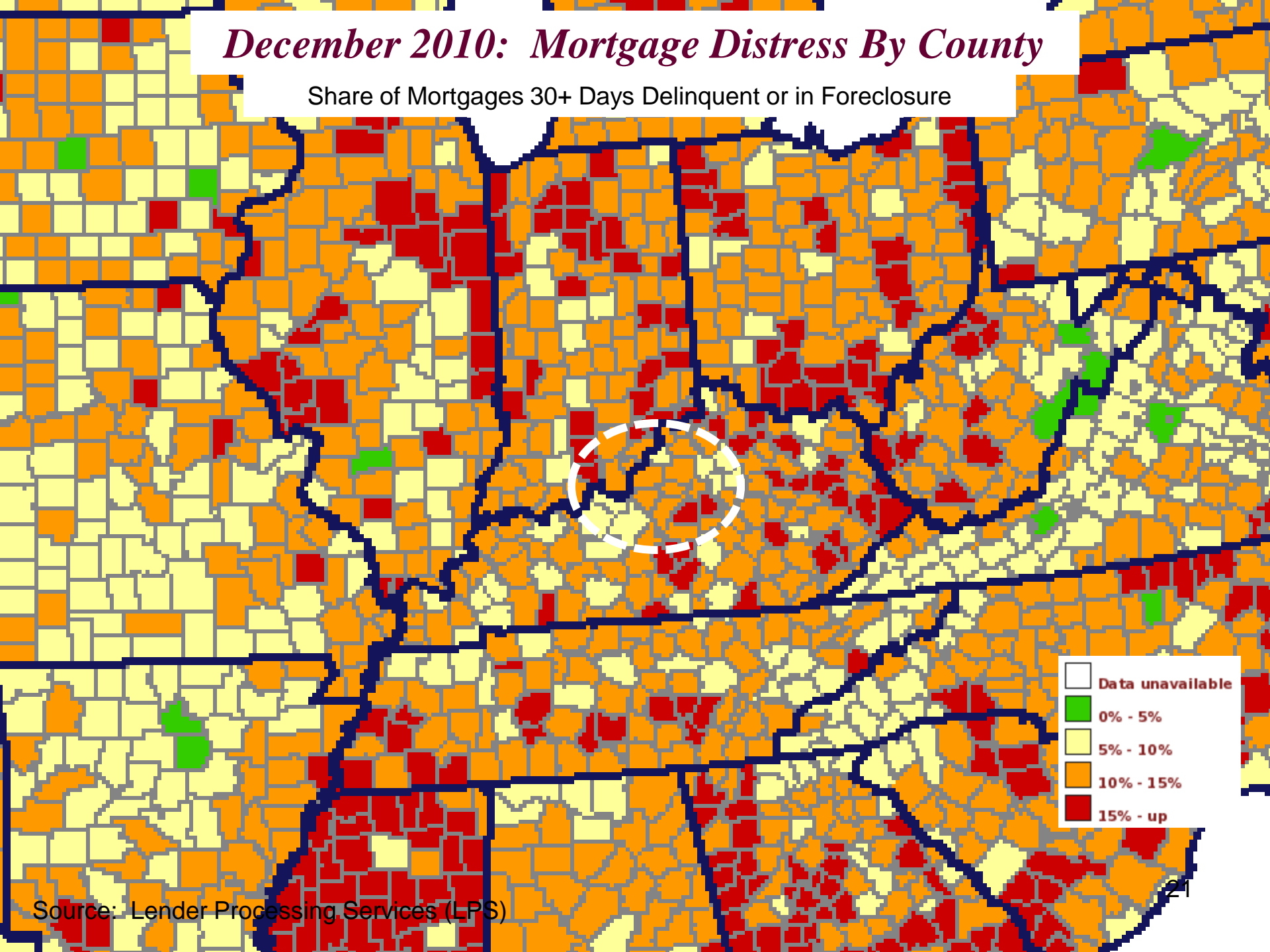
# *December 2010: Mortgage Distress By County*

Share of Mortgages 30+ Days Delinquent or  
in Foreclosure: **Dec. 2010**



# *December 2010: Mortgage Distress By County*

Share of Mortgages 30+ Days Delinquent or in Foreclosure



Source: Lender Processing Services (LPS)



# *Banks' Nationwide Real-Estate Loan Charge-Offs Are Declining...*

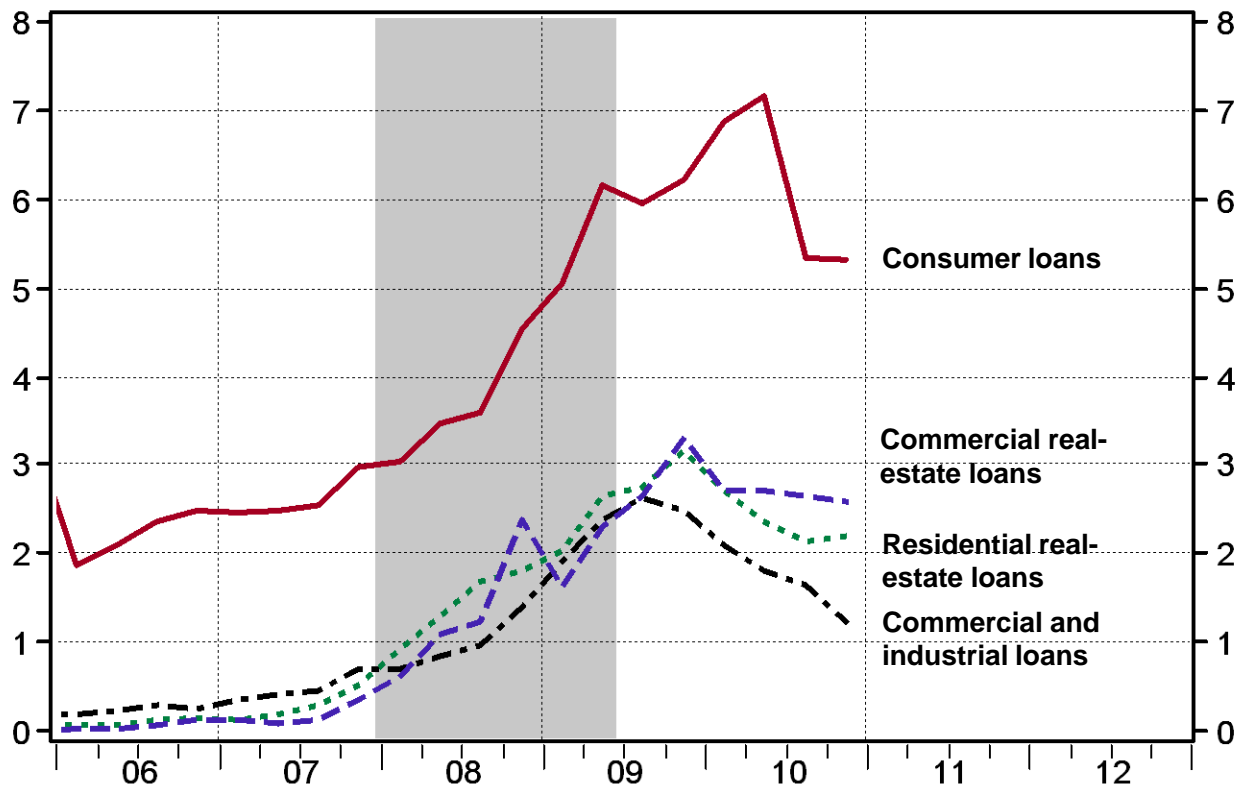
Consumer-Loan Annualized Charge-Off Rate at 100 Largest Comml Banks

Commercial Real-Estate-Loan Annualized Charge-Off Rate at 100 Largest Comml Banks

Residential Real-Estate-Loan Annualized Charge-Off Rate: 100 Largest Comml Banks

Commercial & Industrial-Loan Annualized Charge-Off Rate: 100 Largest Comml Banks

**Annualized percent charged off**



NBER recession period indicated by vertical gray shading

Sources: FRB /Haver

Quarterly data through Q4.2010



# ...But Troubled Real-Estate Loans Remain A Significant Problem

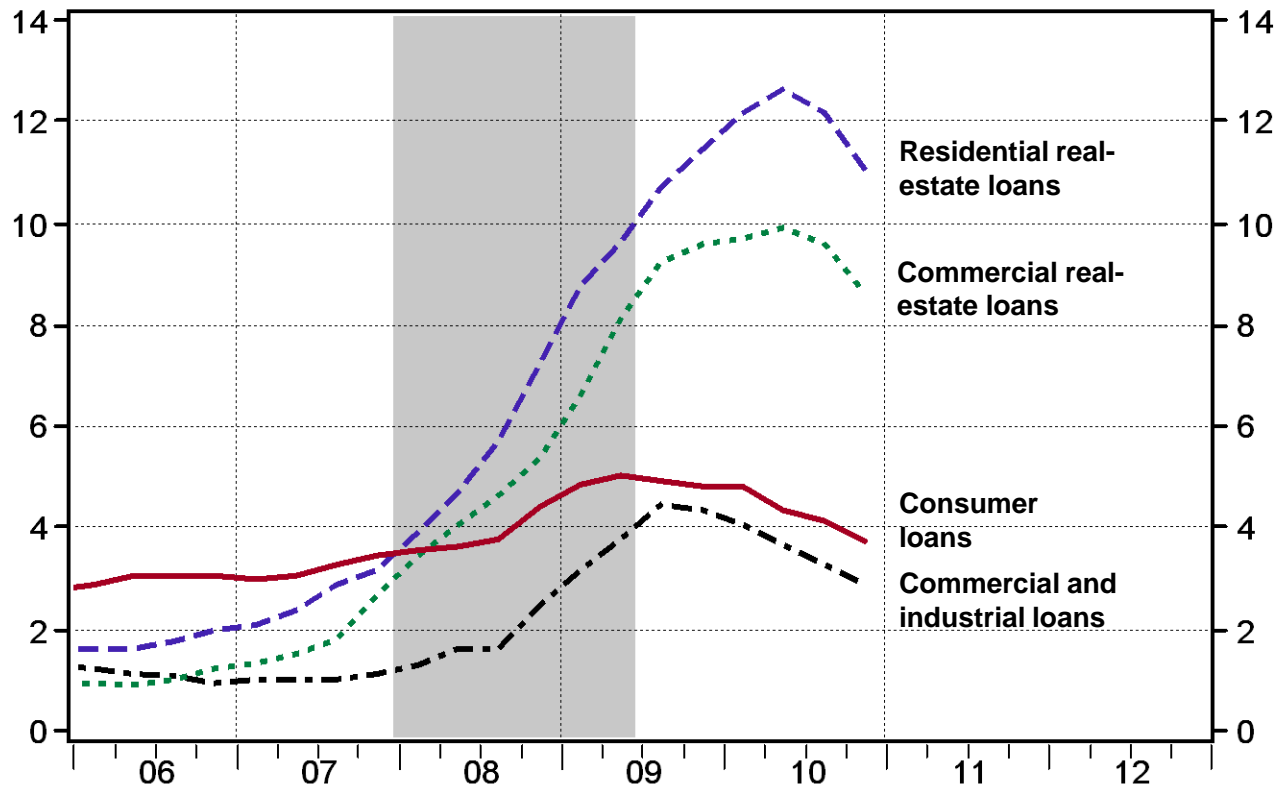
Consumer-Loan Delinquency Rate at 100 Largest Comml Banks

Residential Real-Estate-Loan Delinquency Rate at 100 Largest Comml Banks

Commercial Real-Estate-Loan Delinquency Rate at 100 Largest Comml Banks

Commercial & Industrial-Loan Delinquency Rate at 100 Largest Comml Banks

Percent delinquent



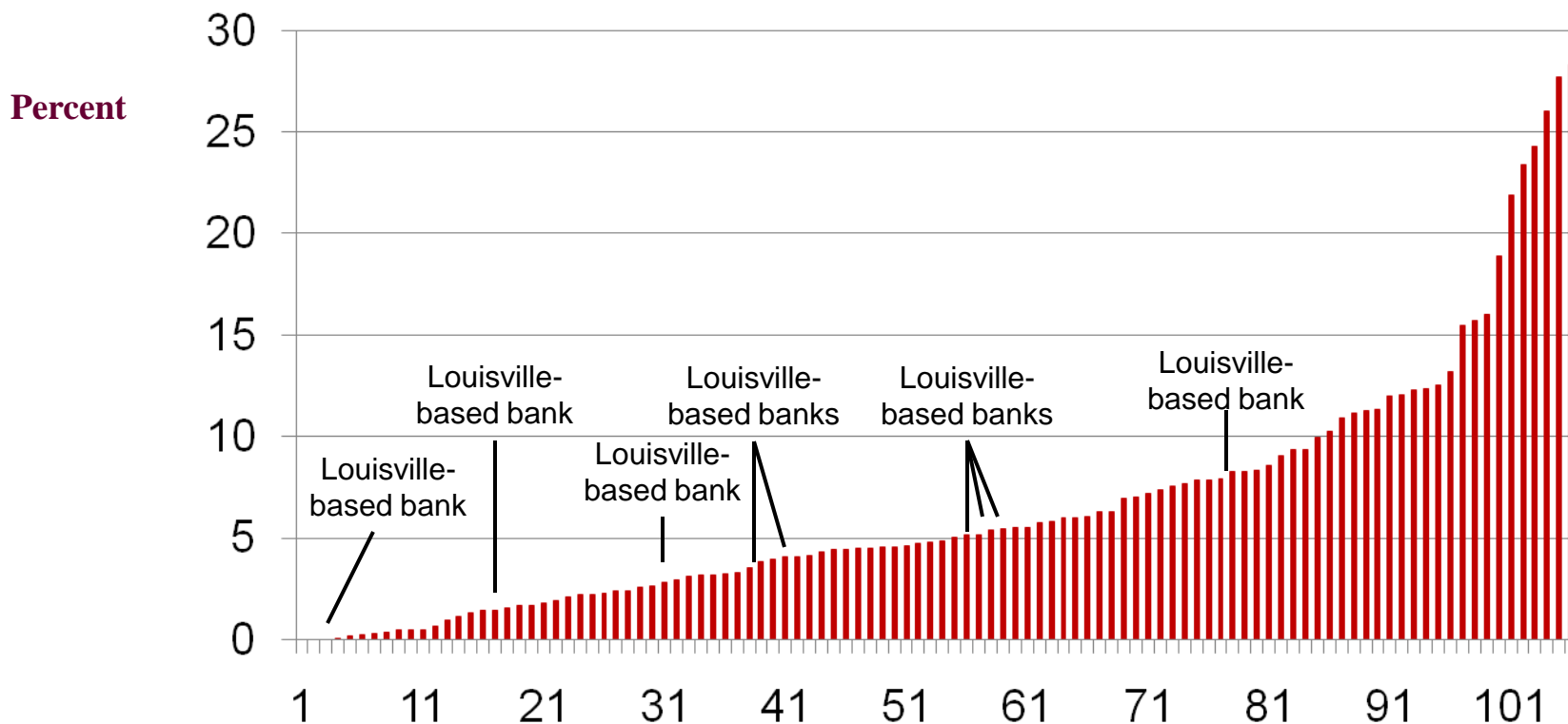
Sources: FRB /Haver

Quarterly data through Q4.2010



# Kentucky-Based Banks Face Continuing Real-Estate Pressure

Share of Problem Real-Estate Loans: Past-Due Loans + OREO as Percent of Real-Estate Loans + OREO



Kentucky-based banks ranked by share of problem real-estate loans

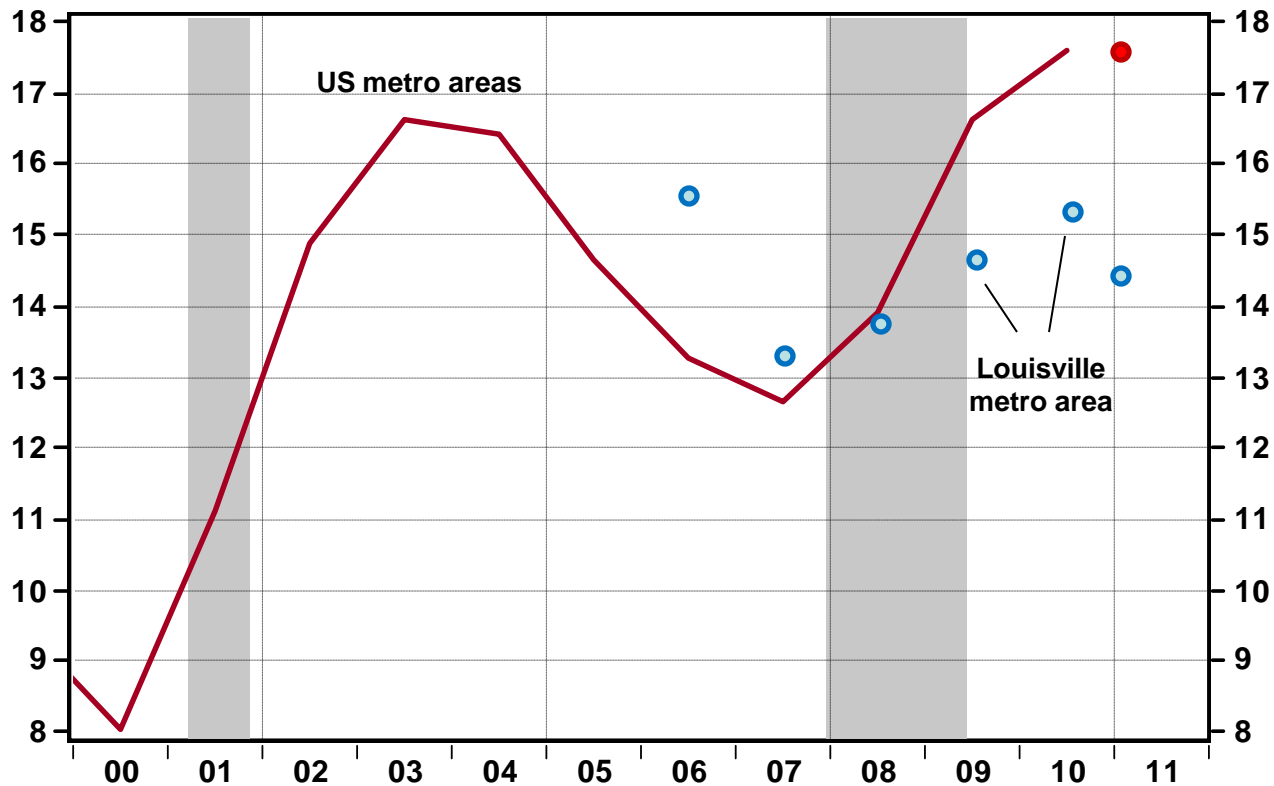


# *Louisville Office Vacancies Remain Below National Average for Metro Areas*

Nationwide Office Vacancy Rate in Metropolitan Areas

Percent

Percent



Source: CB Richard Ellis /Haver Analytics

Annual data through 2010; quarterly for Q1.2011

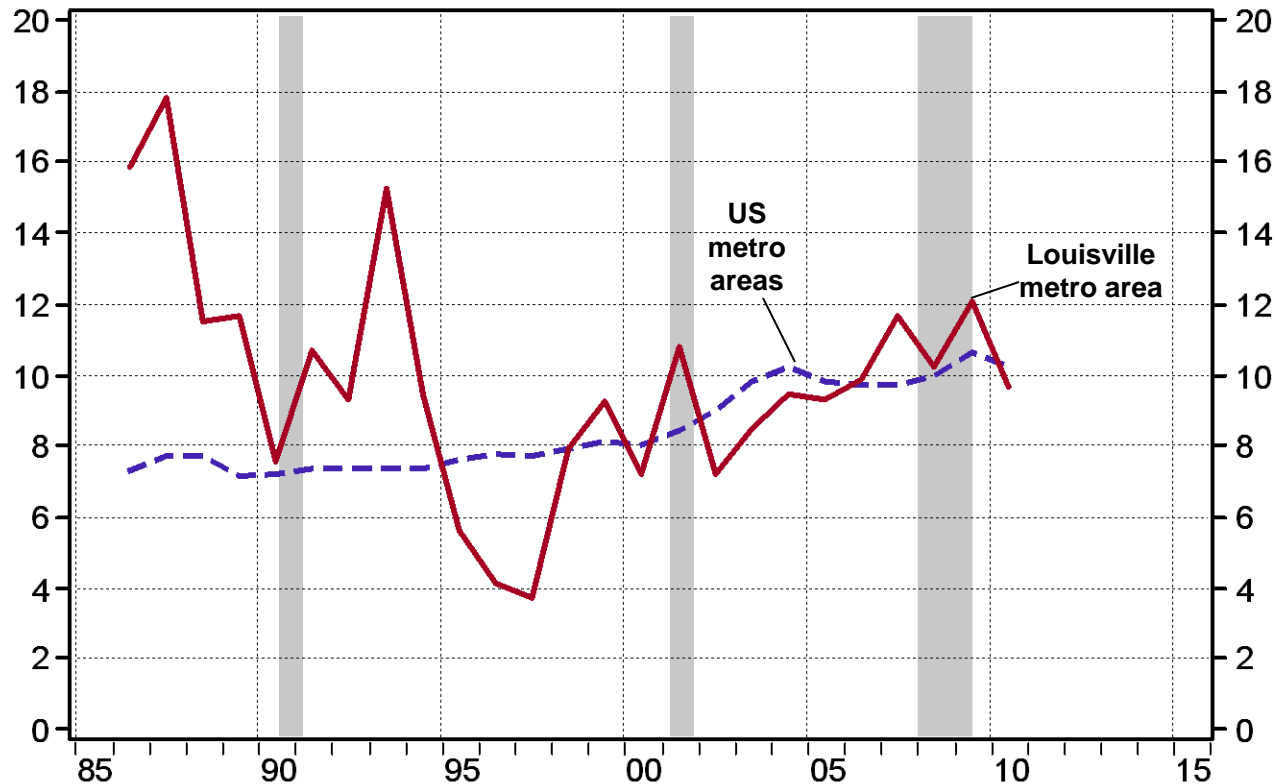


# Vacancy Rate in Louisville Rental Housing Just Under 10 Percent

Louisville Metro KY-IN Rental Vacancy Rate  
Percent

United States Rental Vacancy Rate  
Percent

Percent



Sources: Census Bureau /Haver Analytics Annual data through 2010; quarterly for Q1.2011



## *In Sum: The Louisville Real-Estate Outlook Is Improving*



- **The Louisville Metro economy faces high unemployment and slow job growth, like much of the nation**
- **Louisville didn't participate in the national housing bubble, so won't suffer as much now**
- **Louisville commercial real-estate conditions are a bit stronger than in the typical metro area**

