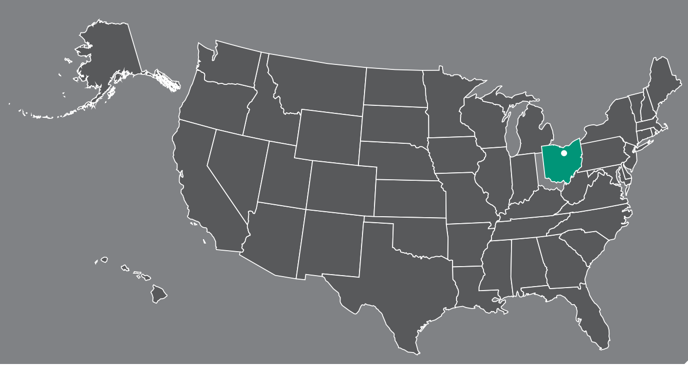
HUD PD&R **Housing Market Profiles**

Cleveland-Elyria, Ohio

Quick Facts About Cleveland-Elyria

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: slightly tight.**
- **The Cleveland Health-Tech Corridor (HTC) connects hospitals, academic centers, business incubators, health-technology companies, and investors and serves as a hub for research in biomedical, healthcare, and technology companies, promoting investment, partnership, and entrepreneurship. Since 2008, the Cleveland HTC has assisted in facilitating business expansions that have resulted in $4 billion of investment, the creation of 1,800 new jobs, and 500,000 square feet of new or renovated office and laboratory space (HTC).**



By Tomasz Kukawski | As of February 1, 2018

Overview

The Cleveland-Elyria (hereafter, Cleveland) metropolitan area is in northeastern Ohio and includes five Ohio counties (Cuyahoga, Geauga, Lake, Lorain, and Medina). The principal city, Cleveland, is the second largest city in Ohio and is home to the Rock and Roll Hall of Fame and Museum, Inc. and Playhouse Square, the largest theater district in the United States outside of New York City. Since 2000, job growth in the metropolitan area has occurred mainly in the education and health services and the leisure and hospitality sectors, and the manufacturing sector continues to play an important role in the local economy. The metropolitan area is currently home to five Fortune 500 companies, including Progressive Casualty Insurance Company, The Sherwin-Williams Company, and KeyCorp.

- As of February 1, 2018, the estimated population of the metropolitan area was 2.05 million, representing a decline of 3,000, or 0.1 percent annually, since 2011. Improving economic conditions since 2011 contributed to a slowdown in net out-migration, which averaged an estimated 5,200 people annually, less than during previous periods. Net natural increase (resident births minus resident deaths) has averaged 2,200 people a year since 2011.
- From 2000 to 2008, job losses in the manufacturing sector contributed to net out-migration averaging 13,100 people

continued on page 2

continued from page 1

annually, more than offsetting the net natural increase of 5,300. Population in the metropolitan area declined by 7,800, or 0.4 percent annually (U.S. Census Bureau decennial census counts and population estimates as of July 1).

- From 2008 to 2011, net out-migration decreased to an average of 9,275 annually, because weak economic conditions from the national recession inhibited people from seeking employment elsewhere; population declined by an average of 5,575 people, or 0.3 percent, annually.

Economic Conditions

Economic conditions slowed in the Cleveland metropolitan area after 7 consecutive years of job growth. During the 3 months ending January 2018, 3-month average nonfarm payrolls declined for the first time since 2010. During the economic recovery from 2011 through 2017, job growth in the metropolitan area averaged 9,525, or 0.9 percent, annually. By comparison, during the same period, annual job growth in two other large metropolitan areas in Ohio—Columbus and Cincinnati—averaged 2.1 and 1.3 percent, respectively. Nonfarm payrolls in the metropolitan area have not fully recovered from the average decline of 21,000 jobs, or 2.0 percent, annually from 2007 through 2010; the previous peak was 1.08 million jobs in 2006.

During the 3 months ending January 2018—

- Nonfarm payrolls averaged 1.05 million, down by 900 jobs, or 0.1 percent, compared with an increase of 4,000 jobs, or 0.4 percent a year earlier.
- The professional and business services and the education and health services sectors, which lost 1,600 and 1,500 jobs, or 1.1 and 0.7 percent, respectively, led job declines. The Cleveland Clinic and University Hospitals are the two largest employers in the metropolitan area with 41,620 and 21,750 employees, respectively.
- The leisure and hospitality sector also lost jobs, declining by 1,400 jobs, or 1.4 percent. The sector has been one of the fastest growing employment sectors in the metropolitan area since the economic recovery began in 2011.
- Job losses were partially offset by growth in the manufacturing sector, which added 3,200 jobs, an increase of 2.7 percent compared with a loss of 2,375 jobs, or 1.9 percent during the same period a year earlier. A portion of growth in the manufacturing sector since 2011 is attributable to an expansion in

continued on page 3

In the Cleveland area, only three sectors gained jobs during the 3 months ending January 2018.

	3 Months Ending		Year-Over-Year Change	
	January 2017 (thousands)	January 2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,053.1	1,052.2	– 0.9	– 0.1
Goods-producing sectors	154.9	158.0	3.1	2.0
Mining, logging, and construction	34.4	34.3	– 0.1	– 0.3
Manufacturing	120.5	123.7	3.2	2.7
Service-providing sectors	898.3	894.2	– 4.1	– 0.5
Wholesale and retail trade	154.8	154.0	– 0.8	– 0.5
Transportation and utilities	31.2	32.1	0.9	2.9
Information	14.0	13.9	– 0.1	– 0.7
Financial activities	66.1	66.7	0.6	0.9
Professional and business services	152.1	150.5	– 1.6	– 1.1
Education and health services	202.7	201.2	– 1.5	– 0.7
Leisure and hospitality	100.9	99.5	– 1.4	– 1.4
Other services	39.5	39.3	– 0.2	– 0.5
Government	136.9	136.9	0.0	0.0
	(percent)	(percent)		
Unemployment rate	5.8	5.0		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

continued from page 2

the car manufacturing industry. In 2016, Ford Motor Company, which currently employs 1,570 people in the metropolitan area, announced plans to invest $145 million and hire 150 more workers by 2020 to upgrade the Cleveland Engine Plant (Ford Motor Company).

- The unemployment rate declined from 5.8 a year ago to 5.0 percent, primarily because the labor force declined by 9,675, or 0.9 percent, compared with a gain of 7,800 in the labor force, or 0.8 percent, during the 3 months ending January 2017.

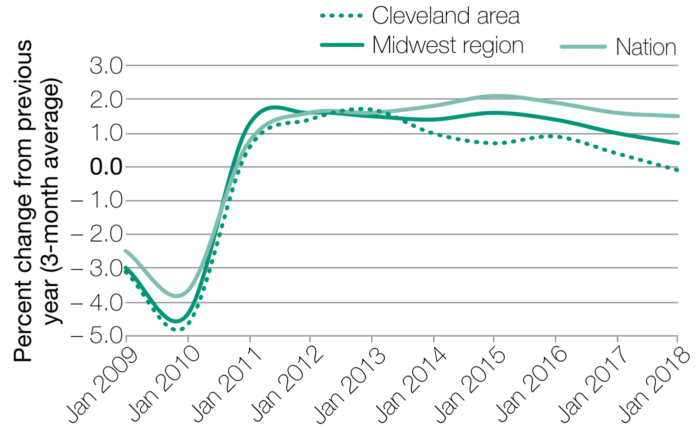
The education and health services sector is the largest employment sector in the metropolitan area, accounting for nearly 20 percent of all nonfarm jobs, up from 13 percent in 2000. Despite the decrease during the 3 months ending January 2018, the sector is expected to grow during the next several years because of efforts in the HTC and because local health systems continue to expand. Late in 2017, work began on the $855 million transformation of The MetroHealth System campus. The project is multifaceted and includes a 10-story hospital and a central utility plant. Construction of the new hospital is expected to begin in 2018. The project is expected to directly and indirectly support more than 5,600 jobs in the metropolitan area until completion in 2023 (*The Economic Impact of the MetroHealth System Campus Transformation: 2015–2023*).

Largest employers in the Cleveland area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Cleveland Clinic	Education & health services	41,620
University Hospitals	Education & health services	21,750
U.S. Office of Personnel Management	Government	14,900

Note: Excludes local school districts.
Source: *Crain's Cleveland Business Journal*, 2017

Nonfarm payroll growth has been weaker in the Cleveland area than in Ohio and the nation since 2014.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The sales market in the Cleveland metropolitan area currently is balanced, with an estimated 2.1-percent vacancy rate, down from 2.5 percent reported in 2010. During 2017, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 40,725, a 10-percent increase from the 37,050 homes sold in 2016. Substantial growth in home sales has been recorded in the metropolitan area since 2015, and the supply of inventory of homes for sale fell to 3.7 months in 2017, down from a 5.1-month supply in 2016. The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status declined from 4.1 percent in December 2016 to 3.2 percent in December 2017 (Core Logic, Inc.). The current rate is higher than the 2.6-percent rate for Ohio and the 2.4-percent rate for the nation.

- New home sales totaled 1,775 during 2017, an increase of 50 sales, or more than 2 percent from the previous 12 months. New home sales are well below the average of 4,850 homes sold annually from 2001 through 2006.
- During 2017, existing home sales totaled 38,950, up 3,650 sales, or 10 percent, from the same period a year earlier. At the same time, REO sales fell nearly 36 percent to 2,000. Existing home sales are above the average of 37,400 a year from 2001 through 2006 and well above the average of 23,850 sales reported from 2009 through 2012.
- The average sales price for new homes was $278,800 during 2017, a 2-percent increase from the average price a year earlier and nearly 30 percent above the previous peak of $216,200 during the 12 months ending July 2010.
- During 2017, the average sales price for existing homes was $145,000, an increase of 2 percent compared with the average price during 2016. The average sales price for existing homes rose an average of nearly 4 percent annually from the end of 2011 through 2017.

Slow economic growth and continued out-migration from the metropolitan area have limited the demand for new homes, and single-family home construction activity, as measured by the number of single-family homes permitted, moderated during 2017.

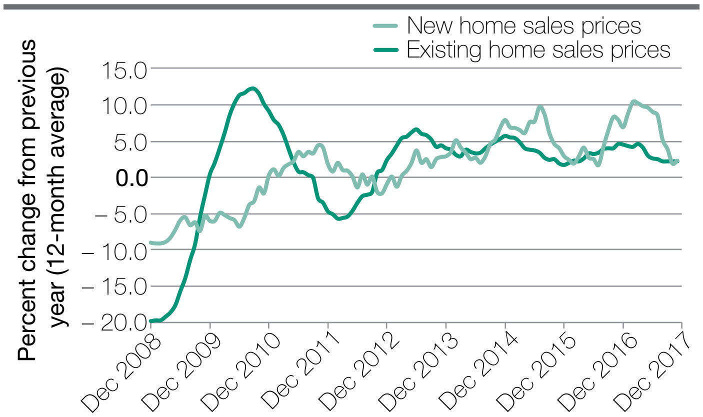
- The number of single-family homes permitted totaled 2,825 during the 12 months ending January 2018, down 8 percent from the 3,075 homes permitted a year earlier (preliminary data, with adjustments by the analyst).

continued on page 4

continued from page 3

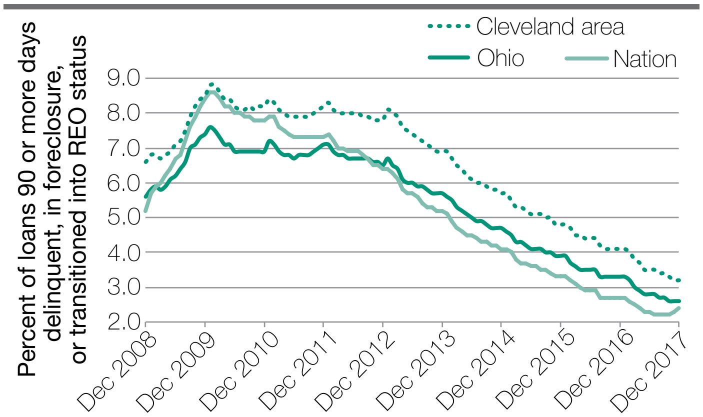
- Single-family construction activity averaged 5,650 homes permitted annually from 2000 through 2007, before declining 56 percent to an average of 1,950 homes a year from 2008 through 2013.
- In 2014, single-family construction exceeded the previous high of 2,250 in 2008 and rose for 2 more years by an average of 260 permits, or 10 percent, annually to 3,000 single-family homes permitted in 2016.

New and existing home sales prices have risen since early 2013 and late 2012, respectively, as the economic recovery continued in the Cleveland area.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

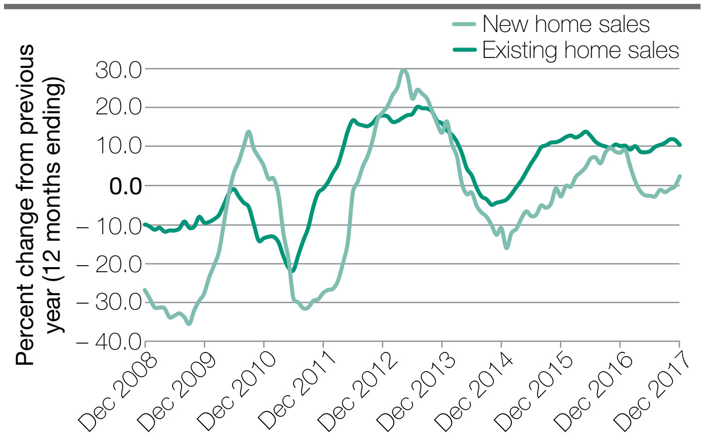
The rate of seriously delinquent mortgages and REO properties in the Cleveland area has declined significantly since 2012 but remained above the rates for Ohio and the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

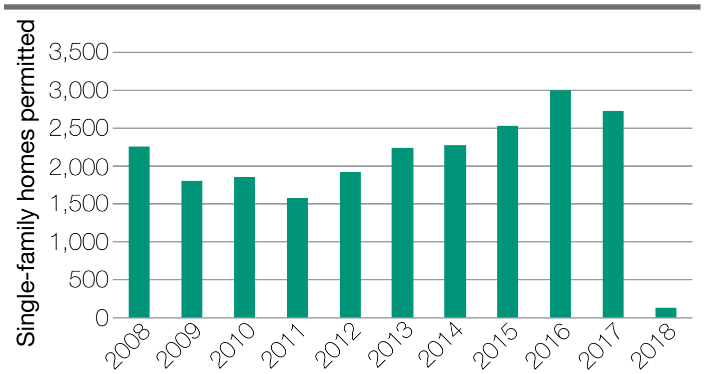
- Some newer developments include Cross Creek in Cuyahoga County. This development, which recently broke ground, consists of 54 lots for new homes, with prices starting at $220,000 for a three-bedroom, two-bathroom home. Norton Place in Lorain County is developing 26 home sites. Home prices in this community start at $386,000 for a three-bedroom, two-bath home. The Village on Maple subdivision in Lake County is nearing completion. This 45-lot development has 8 lots remaining, and home prices start at $363,000 for a three-bedroom, two-bath home.

Growth in new home sales has been difficult to sustain in the Cleveland area because of higher prices, but existing home sales have been strong since mid-2015.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

Single-family home construction in the Cleveland area moderated during 2017, following 5 consecutive years of growth.



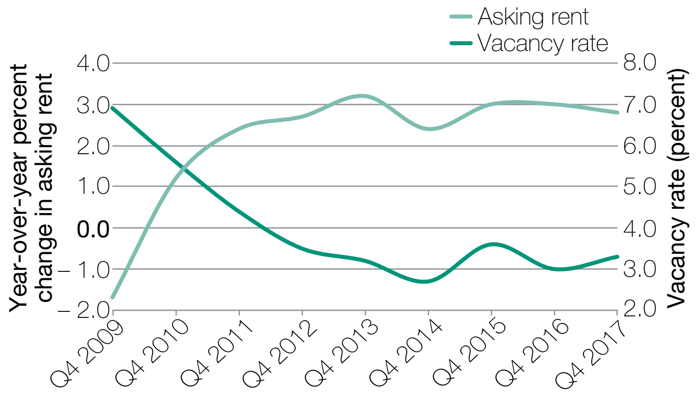
Note: Includes preliminary data from January 2017 through January 2018.
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst

Apartment Market Conditions

The apartment market in the Cleveland metropolitan area is slightly tight, with a 3.3-percent vacancy rate during the fourth quarter of 2017, up from 3.0 percent a year earlier but well below the 6.9-percent vacancy rate during the fourth quarter of 2009 (Reis, Inc.). Improving economic conditions and lower net out-migration from the metropolitan area since 2011 have contributed to a decline in the apartment vacancy rate, but increased multifamily permitting is expected to put upward pressure on the apartment vacancy rate.

- During the fourth quarter of 2017, apartment vacancy rates in the 13 Reis, Inc.-defined submarkets within the metropolitan area ranged from 1.6 percent in the North Royalton submarket to 5.6 percent in the Bay Village and the Downtown/The Flats submarkets.
- The average monthly apartment asking rent in the metropolitan area was $837 during the fourth quarter of 2017, nearly 3 percent above the rent a year earlier, after increases averaging 2 percent annually from the fourth quarter of 2010 through the fourth quarter of 2015.
- The overall rental housing market (including renter-occupied single-family homes, manufactured homes, and apartment units) is soft, with an estimated vacancy rate of 8.6 percent, down from 12.6 percent in 2010.
- Despite increased multifamily construction in the metropolitan area since 2010, apartment buildings with five or more units per structure declined to 42 percent of all rental units in 2016, down from 44 percent in 2010 (2010 and 2016 American Community Survey 1-year data). Apartment buildings represent a smaller portion of all rental units in the metropolitan area, because single-family homes continue to shift from owner to rental tenure and in 2016 accounted for 31 percent of rental units, up from 29 percent in 2010.

Rent growth in the Cleveland area has averaged more than 2 percent annually since the fourth quarter of 2011.

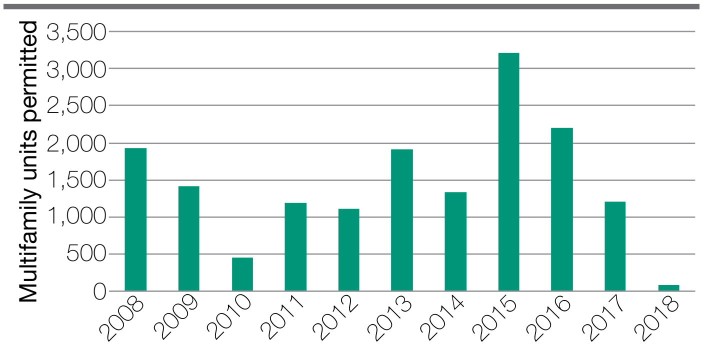


Q4 = fourth quarter.
Source: Reis, Inc.

Multifamily construction activity, as measured by the number of multifamily units permitted, has been declining since 2015, when the highest level of multifamily permitting occurred since 2000.

- During the 12 months ending January 2018, approximately 1,250 multifamily units were permitted compared with 2,300 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- From 2008 through 2010, multifamily construction, as measured by the number of multifamily units permitted, fell by an average of 740 units, or 52 percent, annually to a low of 450 units permitted in 2010. The decline occurred during weak economic conditions in the metropolitan area; in 2010, the unemployment rate spiked to 8.6 percent from 6.0 percent in 2008.
- Multifamily construction averaged 1,375 units permitted a year from 2011 through 2014 and then accelerated to 3,200 units permitted in 2015, as economic recovery was under way, and net out-migration continued to fall.
- Approximately 80 percent of apartments under construction in the metropolitan area, or 1,950 units, are in Cuyahoga County, which includes the city of Cleveland. The 98-unit Worthington Yards opened late in 2017. The development converted an old warehouse into an apartment complex, offering 64 one-bedroom units with rents ranging from $1,255 to $2,200, 32 two-bedroom units with rents from $1,895 to $2,200, and 2 three-bedroom units that rent for $2,850 and $2,925 per month. Construction was completed in January 2018 on the 281-unit The Standard, formerly a bank and office building. The building contains 200 one-bedroom units with rent starting at $1,300 and 81 two-bedroom units with rent starting at $1,500 per month.

Multifamily permitting in the Cleveland area has increased from the low level in 2010.



Note: Includes preliminary data from January 2017 through January 2018.
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst