



# U.S. Housing Market Conditions



## MIDWEST REGIONAL REPORT HUD Region V

### 2nd Quarter Activity

The following summary of the Midwest region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Midwest region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

Nonfarm payrolls increased in the Midwest region during the second quarter of 2012, the 6th consecutive quarterly increase in nonfarm payroll jobs. For the 12 months ending June 2012, nonfarm payrolls increased 0.9 percent to 23 million jobs, a gain of 199,100 jobs, compared with an increase of 1.1 percent, or 241,400, in the previous 12-month period. All but three sectors registered job gains; the government sector declined by 55,700 jobs, or 1.6 percent, the 11th consecutive quarter with government sector job losses. Of government sector job losses, 64 percent were from local governments. The other two sectors that declined were the leisure and hospitality and

the information sectors, which declined by 5,100 and 3,300 jobs, or 0.2 and 0.9 percent, respectively. Leading job growth was the manufacturing sector, which increased by 89,200 jobs, or 3.1 percent, buoyed by strong auto sales. Despite the recent growth in manufacturing employment, the current total payrolls of 2.9 million in this sector remain at less than 65 percent of manufacturing employment in 2000. Other gaining sectors were the professional and business services and the education and health services sectors, which increased by 86,000 and 53,700 jobs, or 3.0 and 1.5 percent, respectively. Every state in the region, except Wisconsin, added jobs during the past 12 months, led by Michigan, which gained 59,800 jobs, or 1.5 percent. Ohio and Indiana gained 54,700 and 37,200 jobs, or 1.1 and 1.3 percent, respectively, and Illinois and Minnesota gained 34,400 and 27,000 jobs, respectively, or 0.6 and 1 percent. In Wisconsin, nonfarm payrolls declined by 13,900 jobs, or 0.5 percent. Because of increased employment in the region, the average unemployment rate declined from 9.3 percent in the 12 months ending June 2011 to 8.3 percent in the 12 months ending June 2012. The unemployment rate declined in each state in the region and ranged from 5.9 percent in Minnesota to 9.4 percent in Illinois and Michigan.



As economic conditions improved, home sales markets in the Midwest region continued to strengthen, with state REALTOR® offices reporting increasing home sales and prices. The Michigan Association of REALTORS® reported that, for the 12 months ending June 2012, the number of sales increased 11 percent, to 114,500 homes, and the average home sales price increased 1 percent, to \$107,600, compared with home sales and prices during the previous 12 months. In Ohio, the number of home sales increased by 14 percent, to 104,200 sales, for the 12 months ending June 2012, and the average home sales price increased 1 percent, to \$130,900, according to data from the Ohio Association of REALTORS®. In Indiana and Minnesota, the number of home sales increased by 15 percent each, to 61,850 sales in Indiana and to 83,150 sales in Minnesota, according to their respective REALTOR® associations. The median home sales price in June 2012 increased by 3 percent in Indiana, to \$124,000, and by 10 percent in Minnesota, to \$159,900, compared with median prices in June 2011.

The Illinois Association of REALTORS® reported that, for the 12 months ending June 2012, statewide home sales increased 19 percent, to 113,400 homes sold compared with home sales during the previous 12 months. The median home sales price in June 2012 was \$155,000, approximately 3 percent higher than the median home sales price in June 2011. In the Chicago metropolitan area, home sales increased nearly 22 percent, to 77,350 homes sold for the 12 months ending June 2012, and the June 2012 median home sales price was \$183,000, 2 percent higher than the median home sales price reported in June 2011. In Wisconsin, the Greater Milwaukee Association of REALTORS® reported that home sales in the Milwaukee-Waukesha-West Allis metropolitan area increased nearly 30 percent, to 13,400 homes sold for the 12 months ending June 2012. The median home sales price in June 2012 was \$180,000, approximately 1 percent higher than the median price recorded in June 2011. According to LPS Applied Analytics, the rate of distressed home loans in the Midwest region increased slightly, although the number of distressed loans decreased. In June 2012, 8.1 percent of home loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), up from 8 percent in June 2011, while the actual number of distressed loans declined by approximately 3 percent.

With improved economic conditions and increased home sales in the Midwest region, home builders are becoming more optimistic regarding new home construction, as measured by the number of building permits issued. During the 12 months ending June 2012, 42,800 homes were permitted in the region, an 11-percent increase compared with the 38,550 homes permitted during the previous 12 months, according to preliminary data. Single-family homebuilding remains less than the average annual pace of 54,850 homes recorded from 2008 through

2010. Five of six states in the region reported an increase in the number of single-family homes permitted during the past 12 months, with Minnesota and Michigan reporting increases of 24 and 19 percent, respectively, to 6,550 and 7,300 homes permitted. In Indiana, Illinois, and Ohio the increases were 13, 10, and 3 percent, to 9,050, 5,875, and 8,425 homes, respectively. In Wisconsin, 5,575 homes were permitted during the past 12 months, unchanged from the previous 12-month period.

Multifamily construction, as measured by the number of units permitted, in the Midwest region increased 31 percent to 20,200 units during the 12 months ending June 2012, according to preliminary data. Multifamily permit data were mixed for the six states, with four states reporting increased multifamily construction activity and two states reporting decreased activity. During the 12 months ending June 2012, the number of multifamily permits issued in Ohio increased 76 percent, to 4,900, with 70 percent of the increase in the Columbus metropolitan areas. In Illinois, the increase was 47 percent, to 5,025 units, and in Minnesota and Indiana, multifamily units permitted increased by 40 and 27 percent, respectively, to 2,950 and 3,250 units. In Wisconsin and Michigan, multifamily units permitted declined, 7 and 17 percent, to 2,950 and 1,100, respectively, because permits were down in both Milwaukee and Detroit.

The rental housing markets in major metropolitan areas in the Midwest region, which are balanced to tight, have strengthened in the past year due in part to the improved economy. Each of the eight metropolitan areas surveyed reported stronger occupancy and increased rents from a year ago. In Milwaukee, the apartment market is tight, with a vacancy rate of 3.5 percent in the second quarter of 2012, down from 4 percent a year ago, according to data from Reis, Inc., and the average rent increased 2 percent, to \$860. The apartment markets in Indianapolis and Detroit for the second quarter of 2012 are balanced, with vacancy rates of 5.7 and 4.8 percent and rent increases of 3 percent in each city, to average rents of \$710 and \$860, respectively. In Columbus, the apartment market is also balanced, with a vacancy rate of 6.1 percent, down from 8 percent a year ago. The average monthly rent increased 3 percent, to \$715.

Apartment markets in Chicago, Cleveland, Cincinnati, and Minneapolis are currently tight. In the Chicago metropolitan area, the apartment vacancy rate was 4.1 percent in the second quarter of 2012, down from 5.3 percent a year ago, according to data from MPF Research, and the average rent increased 2 percent, to \$1,165. In the Loop submarket of downtown Chicago, conditions are also tight, with a vacancy rate of 4 percent in the second quarter of 2012, down from 7.3 percent during the second quarter of 2011, while rents increased 13 percent, to an average of \$1,890. Also, according to data from MPF Research, apartment vacancy rates in Cleveland and



Cincinnati are 4.2 and 4.3 percent in the second quarter of 2012, down from 5.2 and 6 percent a year ago, while rents increased 5 percent in each market, to \$785 and \$760, respectively. In the Minneapolis metropolitan area, the apartment market remains tight. GVA Marquette Advisors reported that the vacancy rate in the second

quarter of 2012 was 2.7 percent, up from 2.4 percent in the second quarter of 2011, and that the average rent rose 3 percent, to \$950. In downtown Minneapolis, conditions are also tight, with a 1.7-percent apartment vacancy rate in the second quarter of 2012, up from 1.2 percent in the previous year; the average rent rose 4 percent, to \$1,275.