

# HUD PD&R Housing Market Profiles

## Cleveland-Elyria, Ohio



### Quick Facts About Cleveland-Elyria

By Tomasz Kukawski | As of March 1, 2020

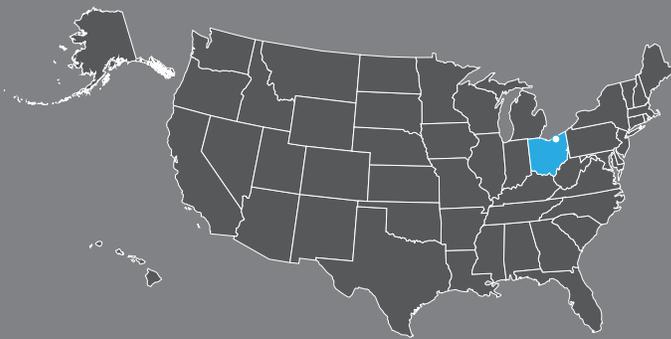
- **Current sales market conditions: balanced**
- **Current apartment market conditions: slightly tight**
- **The Ohio Historic Preservation Tax Credit Program has played an important role in revitalization efforts in the metropolitan area by attracting private investment to preserve and rehabilitate historical buildings that resulted in the creation of new housing. During 2019, the program leveraged more than \$2.8 billion in private investments in the metropolitan area for commercial and residential developments, including 74 completed developments and 41 developments currently underway or approved for rehabilitation.**

### Overview

The Cleveland-Elyria (hereafter, Cleveland) metropolitan area is on the coast of Lake Erie in northeastern Ohio and includes five counties: Cuyahoga, Geauga, Lake, Lorain, and Medina Counties. The principal city, Cleveland, is the second-largest city in Ohio and is home to the Rock and Roll Hall of Fame museum and Playhouse Square, the largest theater district in the United States outside New York City. The metropolitan area is transitioning from a manufacturing hub to a center for education and health services. The Cleveland Clinic and University Hospitals are the two largest employers in the metropolitan area, with 35,935 and 17,125 employees, respectively. In 2016, Cleveland Clinic had an economic impact of \$17.8 billion statewide and directly or indirectly supported 119,000 jobs (Cleveland Clinic). The metropolitan area is currently home to five Fortune 500 companies, including The Progressive Corporation, The Sherwin-Williams Company, and KeyCorp.

- The population of the Cleveland metropolitan area is estimated at 2.04 million as of March 1, 2020, representing an average decline of 3,275, or 0.2 percent, annually since April 2010.

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- The population fell an average 0.3 percent annually from 2010 to 2012, then recorded a slight gain that averaged 0.1 percent annually until 2014 (U.S. Census Bureau population estimates as of July 1). Since 2014, the population has been declining an average of 0.2 percent a year.

- Approximately 60 percent of the population in the metropolitan area resides in Cuyahoga County; average net out-migration of 5,875 people annually from Cuyahoga County was responsible for all the population decrease in the metropolitan area since 2010, mostly due to people leaving to seek better job opportunities elsewhere.

## Economic Conditions

The rate of job growth in the Cleveland metropolitan area has generally been slower than that of the Midwest region and the nation since the Great Recession. Economic conditions in the metropolitan area are currently weak. During the 3 months ending February 2020, nonfarm payrolls in the metropolitan area declined by 1,100 jobs, or 0.1 percent, to nearly 1.07 million, compared with a gain of 7,775 jobs, or 0.7 percent, during the same period a year earlier. From 2011 through 2018, the rate of job growth in the metropolitan area averaged 1.0 percent, or 9,900 jobs, annually—slower than the average growth rates of 1.3 and 1.7 percent annually in the Midwest region and for the nation, respectively.

During the 3 months ending February 2020—

- The professional and business services and the government sectors—which lost 3,100 and 2,400 jobs, or 2.0 and 1.7 percent, respectively—led job declines. In the government sector, the local government subsector decreased by 2,400 jobs. By comparison, the loss of approximately 100 jobs in

the state government subsector was offset by a similar gain in the federal government subsector.

- The manufacturing sector (including industries related to steel, automobile, and transportation equipment production) declined by 2,200 jobs, or 1.8 percent, to 122,000—down nearly 2 percent from the postrecession high of 124,300 during 2015. Reduced national demand for new vehicles, especially small passenger cars, contributed to job declines in the sector; new vehicle sales in the nation declined more than 2 percent from 2015 through 2019 (U.S. Bureau of Economic Analysis).
- The leisure and hospitality sector gained 3,600 jobs, or 3.6 percent, to a current total of 105,000 jobs. The sector has been one of the fastest growing employment sectors in the metropolitan area since the economic recovery from the Great Recession began in 2011. In 2019, four new hotels were completed in the metropolitan area, adding 412 new rooms to the hotel inventory.

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### During the 3 months ending February 2020, nonfarm payroll losses outweighed gains in the Cleveland metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	February 2019 (Thousands)	February 2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	1,067.6	1,066.5	-1.1	-0.1
Goods-Producing Sectors	160.1	159.9	-0.2	-0.1
Mining, Logging, & Construction	35.9	37.9	2.0	5.6
Manufacturing	124.2	122.0	-2.2	-1.8
Service-Providing Sectors	907.5	906.6	-0.9	-0.1
Wholesale & Retail Trade	151.5	150.4	-1.1	-0.7
Transportation & Utilities	33.7	36.1	2.4	7.1
Information	13.6	13.2	-0.4	-2.9
Financial Activities	67.1	66.3	-0.8	-1.2
Professional & Business Services	157.5	154.4	-3.1	-2.0
Education & Health Services	205.3	205.4	0.1	0.0
Leisure & Hospitality	101.4	105.0	3.6	3.6
Other Services	39.6	40.5	0.9	2.3
Government	137.7	135.3	-2.4	-1.7
<b>Unemployment Rate</b>	4.5%	4.4%		

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



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- The unemployment rate declined from 4.5 percent a year ago to 4.4 percent currently, primarily because the labor force decreased by 6,300, or 0.6 percent, compared with a gain of 5,375, or 0.5 percent growth, a year earlier.

The education and health services sector is the largest employment sector in the metropolitan area, with 205,400 jobs, accounting for 19 percent of all nonfarm payrolls. During the 3 months ending February 2020, nonfarm payrolls in the sector remained nearly unchanged. The education and health services sector is expected to grow during the next several years, as local healthcare systems respond to increased demand from a growing elderly population. The Cleveland Clinic expects its patient count to double by 2024 and plans to hire 1,300 additional staff. University Hospitals invested \$200 million to

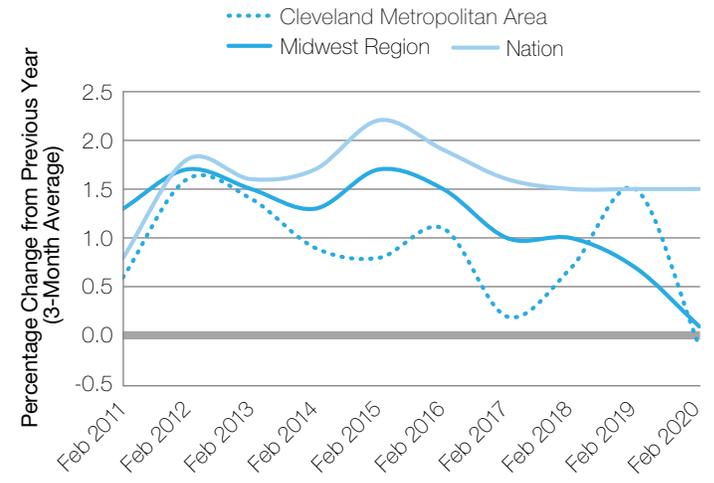
expand its Ahuja Medical Center, which will add a five-floor hospital tower and a 64,000-square-foot sports medicine complex. Approximately 1,000 new jobs will be added when the project is complete in 2022.

### Largest Employers in the Cleveland Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Cleveland Clinic	Education & Health Services	35,935
University Hospitals	Education & Health Services	17,125
U.S. Office of Personnel Management	Government	13,040

Note: Excludes local school districts.  
Source: *Crain's Cleveland Business Journal*, January 2020

### Nonfarm payrolls declined in the Cleveland metropolitan area after 9 consecutive years of job growth.

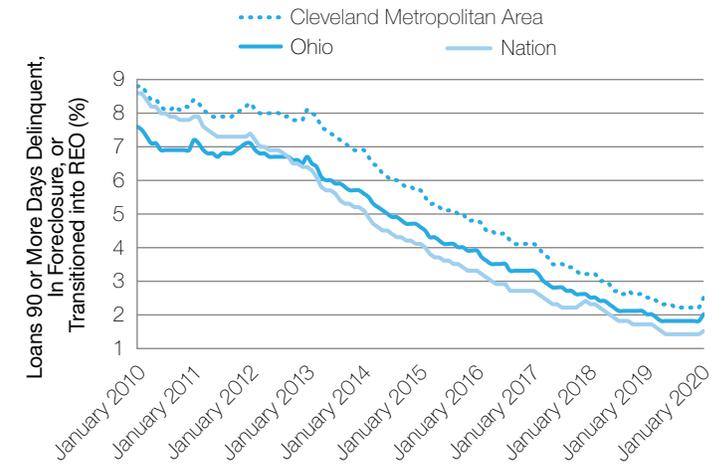


Note: Nonfarm payroll job growth.  
Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

The sales housing market in the Cleveland metropolitan area is currently balanced, with an estimated 1.9-percent vacancy rate, down from 2.5 percent reported in 2010. During the 12 months ending February 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 40,600, a 5-percent increase from the 38,700 homes sold a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Relatively affordable home prices have supported demand for homes in the metropolitan area despite the economic contraction and net out-migration. The supply of inventory of homes for sale fell to 1.9 months during February 2020 from a 3.1-month supply in February 2019 (CoreLogic, Inc.). In January 2020, 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 remained unchanged from a year earlier, at 2.5 percent (CoreLogic, Inc.). The current rate is higher than the 2.0-percent rate for Ohio and the 1.5-percent rate for the nation.

### The rate of seriously delinquent mortgages and REO properties has declined significantly in the Cleveland metropolitan area since the early 2010s but continues to be higher than the rate for the Midwest region and the nation.



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

During the 12 months ending February 2020—

- New home sales totaled 1,600—an increase of 60 sales, or nearly 4 percent, from the previous 12 months. New home

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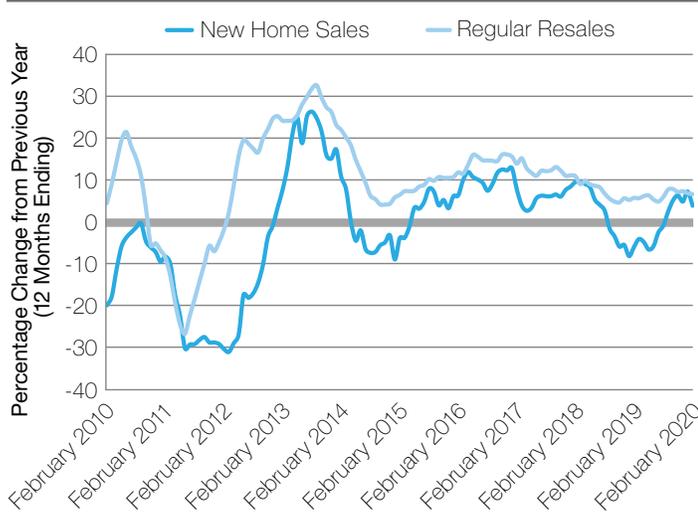
sales grew an average of 6 percent a year, from a low of 1,175 new home sales during 2011 to a recent high of 1,650 in 2017.

- Regular resales totaled 36,200—up 2,275 sales, or nearly 7 percent, from the same period a year earlier. At the same time, REO sales fell more than 13 percent to 2,800 homes sold. Existing home sales were above the average of 15,150 homes sold annually from 2008 through 2012.
- The average sales price for new homes was \$332,600, representing an increase of nearly 4 percent from the average price a year earlier. By comparison, new home sales prices in the metropolitan area rose an average of nearly 5 percent annually from 2011 through 2017.
- The average price for regular resale houses was \$175,900, an increase of 4 percent compared with the average price a year earlier. The average sales price for resale homes has risen an average of nearly 2 percent annually since 2014.

Despite continued net out-migration from the metropolitan area, relatively low home prices and mortgage interest rates have supported the demand for new homes and single-family home construction activity, as measured by the number of single-family homes permitted.

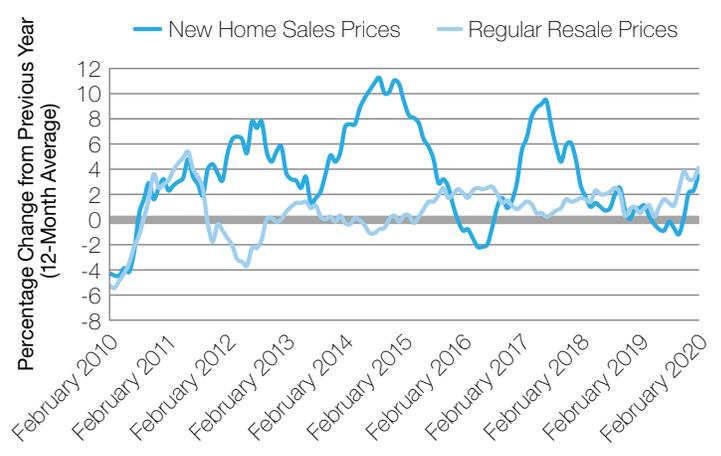
- The number of single-family homes permitted totaled 2,525 during the 12 months ending February 2020, down 5 percent from the 2,675 homes permitted a year earlier (preliminary data, with adjustments by the analyst).

**Regular resales in the Cleveland metropolitan area continue to increase at a moderate pace, and new home sales have started to increase since September 2019.**



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

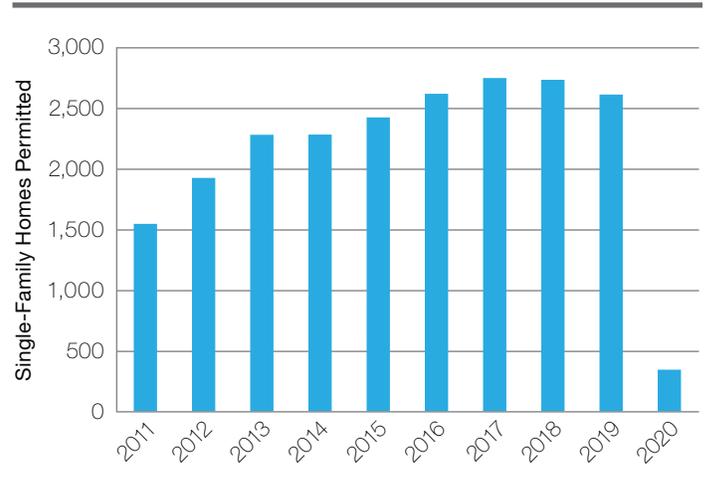
**During the 12 months ending February 2020, prices for new homes and regular resales in the Cleveland metropolitan area increased at a similar rate.**



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

- Since reaching a low of 1,550 homes permitted in 2011, single-family construction increased an average of 10 percent annually, to 2,750 homes permitted during 2017.
- Recent developments include the second phase of Meadows at Fairway Pines in Lake County. This phase consists of 40 lots for new three- to five-bedroom single-family homes, with prices starting at \$220,000. Fairfield Estates Phase II in Lorain County is developing 45 home sites. Prices for single-family three- to five-bedroom homes in this community start at \$180,000.

**Single-family homebuilding in the Cleveland metropolitan area averaged more than 2,500 units annually from 2016 through 2019.**



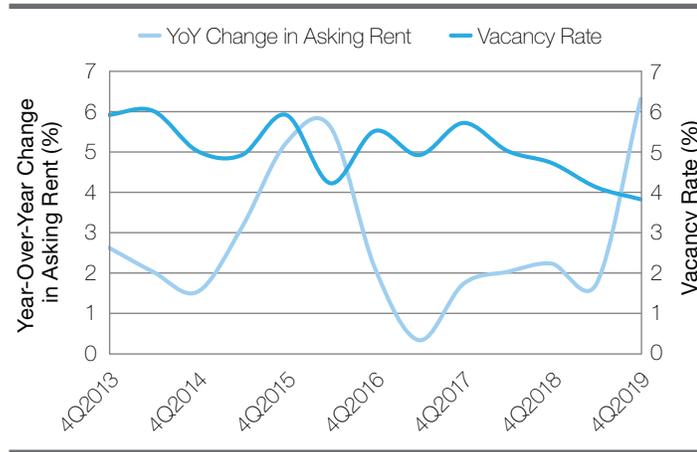
Note: Includes preliminary data from January 2019 through February 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



## Apartment Market Conditions

The apartment market in the Cleveland metropolitan area is slightly tight, with a 3.8-percent vacancy rate during the fourth quarter of 2019, down from 4.7 percent a year earlier and well below the 7.7-percent vacancy rate during the fourth quarter of 2009 (RealPage, Inc.). A slowdown in multifamily construction activity has contributed to decreased vacancy rates, despite continued population declines. Weakening economic conditions and net out-migration from the metropolitan area are expected to put upward pressure on the apartment vacancy rate during the next 2 years.

### Rent growth in the Cleveland metropolitan area has accelerated since mid-2019, while the apartment vacancy rate has continued to decline.



4Q = fourth quarter. YoY = year-over-year.  
Source: RealPage, Inc.

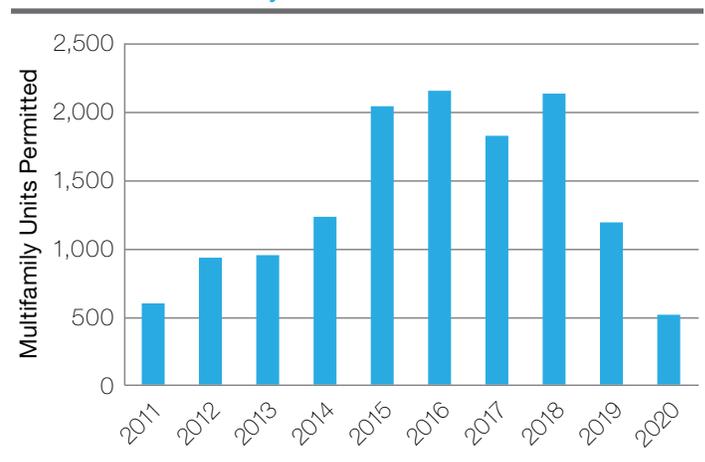
- During the fourth quarter of 2019, apartment vacancy rates in the 10 RealPage, Inc.-defined market areas within the Cleveland metropolitan area ranged from 1.9 percent in the Parma/Middleburg Heights market area to 7.4 percent in the Central Cleveland market area.
- The average monthly apartment asking rent in the metropolitan area was \$959 during the fourth quarter of 2019, a 6-percent increase from a year earlier. By contrast, rent growth averaged 2 percent annually from the fourth quarter of 2010 through the fourth quarter of 2018.
- Each of the market areas in the metropolitan area reported increases in average asking rent. During the fourth quarter of 2019, the average rent in the Central Cleveland market area grew 2 percent to \$1,374 and was the highest rent among all areas. Rent growth during the fourth quarter of 2019 ranged from 1 percent to \$781 in the Southeast Cleveland market area to 8 percent in the West Cleveland market area, where the average rent was \$894.

- The overall rental housing market (including renter-occupied single-family homes, manufactured homes, and apartment units) is balanced, with an estimated vacancy rate of 8.0 percent, down from 12.6 percent in 2010.

Multifamily construction activity, as measured by the number of multifamily units permitted, has moderated since 2018 after a 4-year period of high multifamily construction.

- During the 12 months ending February 2020, approximately 1,500 multifamily units were permitted, compared with 1,875 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- Multifamily construction rose by an average of 360 units, or 36 percent, annually from 2012 through 2015. Construction activity remained high, averaging 2,025 units annually during the 4-year period through 2018.
- 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 163-unit Athlon opened late in 2019. The development, which was converted from the Cleveland Athletic Club into an apartment complex, offers 64 one-bedroom units with rents starting at \$1,250 and 99 two-bedroom units with rents starting at \$2,100 per month. Construction was completed in November 2019 on the 187-unit The Beacon, the third tallest residential building in the city of Cleveland. The building offers luxury apartments, including 123 one-bedroom units with rent starting at \$2,175 and 64 two-bedroom units with rent starting at \$2,675 per month.

### Multifamily construction in the Cleveland metropolitan area moderated in 2019 after 4 years of strong construction activity.



Note: Includes preliminary data from January 2019 through February 2020.  
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

