

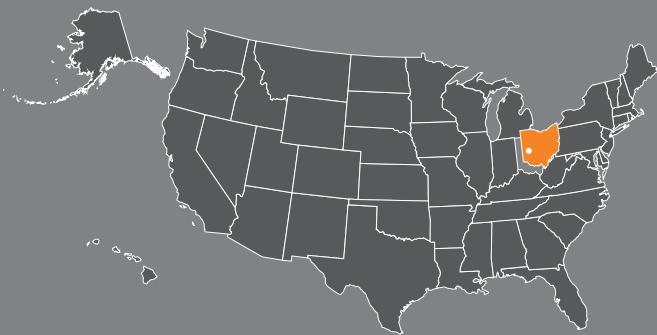
HUD PD&R Housing Market Profiles

Dayton, Ohio



Quick Facts About Dayton

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: slightly soft.**
- **The Dayton metropolitan area is home to Wright-Patterson Air Force Base (AFB), the largest single-site employer in the state of Ohio, which has a \$4.3 billion economic impact on the metropolitan area (Wright-Patterson AFB economic impact analysis, 2014). Several organizations are headquartered at Wright-Patterson AFB, including the Air Force Materiel Command, the Air Force Life Cycle Management Center, the Air Force Research Laboratory, the Air Force Installation Contracting Agency, and the National Air and Space Intelligence Center. The metropolitan area is also home to UTC Aerospace Systems, one of the largest aerospace manufacturers in southwest Ohio, which is a center for the aerospace industry.**



By Diana Villavicencio | As of June 1, 2016

Overview

Approximately 50 miles northeast of Cincinnati, the Dayton, OH Metropolitan Statistical Area (hereafter, Dayton metropolitan area) is coterminous with Greene, Miami, and Montgomery Counties and is part of the greater Miami Valley area, which consists of 14 counties in Ohio. The government sector is significant to the economy of the metropolitan area because of the presence of Wright-Patterson AFB and several colleges and universities, including Wright State University and Sinclair Community College.

- As of June 1, 2016, the estimated population of the Dayton metropolitan area is 801,100, relatively unchanged since 2014 (Census Bureau population estimates as of July 1). Average net natural increase (resident births minus resident deaths) of 1,550 people annually since 2014 has offset net out-migration of 1,275 people annually, despite improving economic conditions.
- From 2007 to 2009, job losses contributed to an average population loss of 1,475 people, or 0.2 percent, annually, because average net out-migration of 4,075 people a year exceeded net natural increase of 2,600 people a year.
- Population growth averaged 1,125 people, or 0.1 percent, a year from 2009 to 2012, as job growth from 2011 through 2012 resulted in a lower level of average net out-migration of 750 people a year. As nonfarm payrolls declined in 2013, however, net out-migration increased to 2,000 people from 2012 to 2013, and the population declined by 670, or 0.1 percent.

continued on page 2



continued from page 1

- Montgomery County, with approximately 66 of the population of the metropolitan area, accounted for nearly all the recent net

out-migration from the area. Out-migration has primarily been to neighboring Warren County, located between the Dayton and Cincinnati metropolitan areas.

Economic Conditions

After 10 years of job declines from 2001 through 2010, the economy of the Dayton metropolitan area has improved since 2011, despite a small, temporary decline in nonfarm payrolls in 2013. Nonfarm payrolls have risen an average 4,250 jobs, or 1.1 percent, a year since 2011 but have yet to surpass the peak of 424,400 jobs in 2000. Job losses in the metropolitan area from 2001 through 2010, averaging 6,400 jobs, or 1.6 percent, a year were mostly attributed to widespread reductions in the automotive parts manufacturing industry, including a General Motors Corporation (GM) plant closure in 2009, and to the effects of the 2007-to-2009 national recession.

During the 3 months ending May 2016—

- Nonfarm payrolls averaged 384,000 jobs, up 6,700 jobs, or 1.8 percent, compared with the number of jobs during the same 3-month period in 2015, because of job growth in every sector except information and other services. The rate of job growth in the metropolitan area was higher than the 1.4-percent rate for the Midwest region and identical to the rate for the nation.

- The most significant job gains were in the education and health services sector, which grew by 2,200 jobs, or 3.1 percent, to 73,100 jobs, from the same 3 months a year earlier and has been the fastest growing sector in the metropolitan area since 2000. Premier Health and Kettering Health Network, with \$1.78 and \$1.41 billion in annual revenue (*Dayton Business Journal*, June 2016), are the second and third largest employers in the area, respectively. Premier Health opened a Clinical Neuroscience Institute in the spring of 2016 and is currently investing \$1 million in renovations in its headquarters building. Expansions of the Kettering Health Network include a \$49 million cancer center at Kettering Medical Center, an \$8.7 million expansion of Sycamore Medical Center, and a \$4 million expansion of Englewood Medical Center.
- The business and professional services sector added the second most jobs, up by 1,300, or 2.6 percent, to 51,000 jobs. Growth in the sector was supported by the professional, scientific, and technical services industry, which increased by 900 jobs, or 4.0 percent.

continued on page 3

In the Dayton area, four nonfarm payroll sectors expanded more than 2.0 percent each during the 3 months ending May 2016.

	3 Months Ending		Year-Over-Year Change	
	May 2015 (thousands)	May 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	377.3	384.0	6.7	1.8
Goods-producing sectors	51.4	51.9	0.5	1.0
Mining, logging, and construction	11.8	11.9	0.1	0.8
Manufacturing	39.6	40.0	0.4	1.0
Service-providing sectors	325.9	332.2	6.3	1.9
Wholesale and retail trade	52.2	52.5	0.3	0.6
Transportation and utilities	13.0	13.1	0.1	0.8
Information	8.5	8.3	-0.2	-2.4
Financial activities	17.4	18.3	0.9	5.2
Professional and business services	49.7	51.0	1.3	2.6
Education and health services	70.9	73.1	2.2	3.1
Leisure and hospitality	37.7	38.6	0.9	2.4
Other services	13.8	13.8	0.0	0.0
Government	62.8	63.7	0.9	1.4
	(percent)	(percent)		
Unemployment rate	4.8	4.4		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



continued from page 2

- Manufacturing payrolls increased by 400 jobs, or 1.0 percent, compared with a gain of 1,100 jobs, or 2.8 percent, during the 3 months ending May 2015. The recent growth is an improvement from an average loss of 3,900 jobs, or 7.1 percent, annually from 2001 through 2010.
- The unemployment rate decreased to 4.4 percent from 4.8 percent during the same period a year earlier and was well below a high of 12.4 percent during 2010.

As a result of the presence of Wright-Patterson AFB, the Dayton metropolitan area has become a center for aerospace research and manufacturing. Orbital ATK Inc., an American aerospace manufacturer and defense industry company, is planning a \$6.5 million expansion, adding 68 new full-time employees who will develop aerospace composite antennas, radomes, and structures.

Largest employers in the Dayton area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Wright-Patterson Air Force Base	Government	27,500
Premier Health	Education and health services	13,500
Kettering Health Network	Education and health services	7,125

Note: Excludes local school districts.

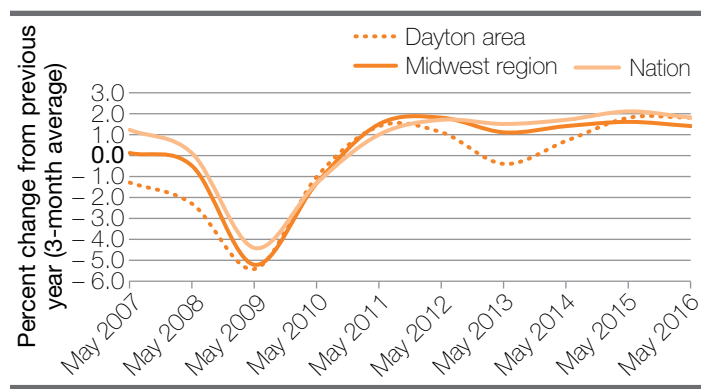
Source: 2014 Montgomery County *Comprehensive Annual Financial Report*

Sales Market Conditions

The sales housing market in the Dayton metropolitan area is currently balanced, with an estimated sales vacancy rate of 1.9 percent, down from 2.7 percent in 2010, when conditions were soft. During the 12 months ending May 2016, the number of new homes sold (including single-family homes, townhomes, and condominiums) and the average sales price of a new home rose. New home construction has been primarily focused south of the city of Dayton, in the townships of Beavercreek and Sugarcreek. Existing home sales also increased from a year ago because of an increase in regular resales, contributing to higher existing home sales prices and offsetting the decline in real estate owned (REO) sales. As sales market conditions improved, the percentage of home loans in the Dayton metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status was 3.4 percent in April 2016, down from 4.1 percent in April 2015 and well below an April 2010 high of 7.0 percent (CoreLogic, Inc.). The current rate is lower than the 3.5-percent rate for Ohio but exceeds the 2.9-percent rate for the nation. In June 2016, the state of Ohio will enact a new law that will accelerate the foreclosure process to as little as 6 months, allowing for a mortgage servicer to take possession of a property before it deteriorates, increasing the likelihood that it can be rehabilitated and sold.

The project is expected to be complete within the next 3 years, adding \$4.3 million in payrolls (*Dayton Business Journal*, 2016). Other manufacturing sector expansions include the adding of more than 500 employees at Fuyao Glass America, a subsidiary of the Chinese autoglass maker Fuyao, by 2019. The company, which currently employs approximately 1,500 people, opened a \$350 million manufacturing plant in the old GM plant in 2015.

During the 3 months ending May 2016, nonfarm payrolls in the Dayton area increased at a higher rate than in the Midwest region and at an identical rate to the nation.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

During the 12 months ending April 2016—

- New home sales rose 24 percent, or by 140 homes, to 740 homes sold compared with sales during the 12 months ending April 2015 and up 17 percent, or 110 homes, from the average of 630 homes sold annually from 2012 through 2015, when market conditions began to strengthen. Sales were also up 25 percent, or 150 homes, from the average of 590 homes sold annually from 2008 through 2011, when market conditions were weak, but remained 31 percent below the average of 1,075 homes sold in 2007, prior to the nationwide housing downturn (CoreLogic, Inc., with adjustments by the analyst).
- Existing home sales totaled 13,300, up 19 percent, or 2,100 homes, from the 11,200 homes sold during the 12 months ending April 2015 and up 33 percent, or 3,275 homes, from the average 10,025 homes sold annually from 2008 through 2011. Existing home sales remained 7 percent, or 1,000 homes, lower than the 14,300 homes sold in 2007 but were 12 percent, or 1,475 homes, greater than the average 11,825 sold annually from 2012 through 2015.

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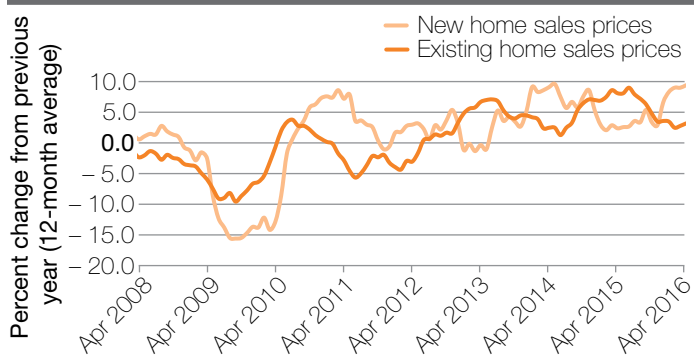
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- The average sales price for new homes rose 9 percent, to \$257,000, following a 2-percent increase during the previous 12 months. The average new home sales price has surpassed the previous peak of \$224,500 in 2007.
- The average sales price for existing homes rose 3 percent, to \$122,300, following an 8-percent increase during the 12 months ending April 2015. The average new home sales price has surpassed the pre-housing downturn level of \$114,800 in 2007.

Despite recent improvement, single-family homebuilding activity, as measured by the number of homes permitted, remains well below the level recorded in 2007, when a large number of units were permitted and market conditions began to weaken.

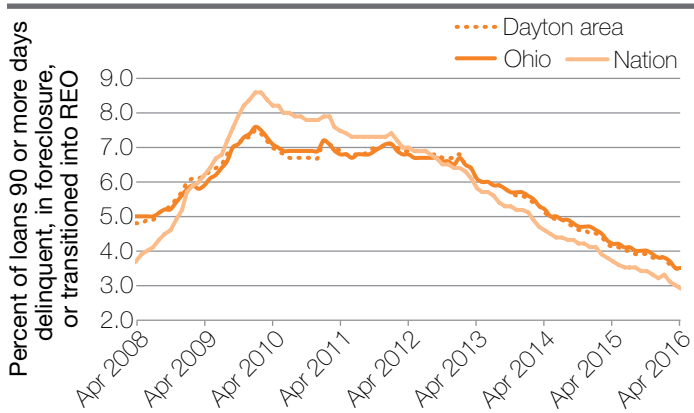
- During the 12 months ending May 2016, an estimated 840 single-family homes were permitted, up 17 percent from the 720 homes permitted during the previous 12-month period (preliminary data).

New home sales price growth in the Dayton area increased while existing home sales price growth slowed during the 3 months ending April 2016.



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

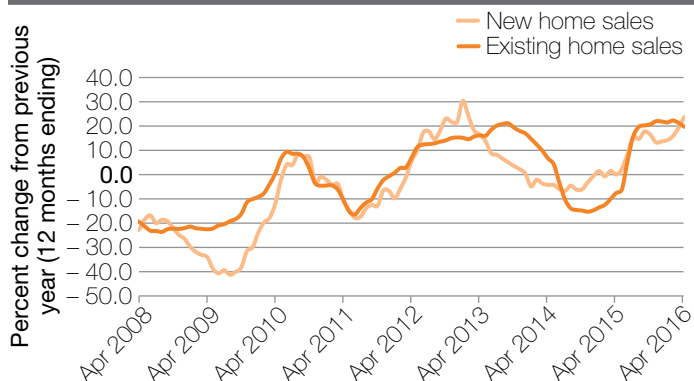
The rate of seriously delinquent loans and REO properties in the Dayton area has declined year over year since 2013.



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

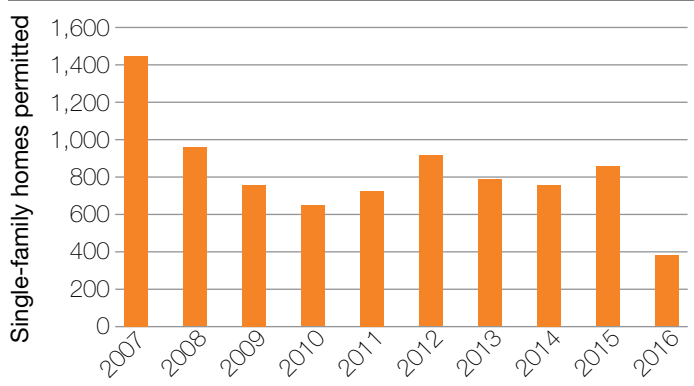
- During 2007, the number of single-family homes permitted was 1,450; construction activity declined each year, to 650 homes in 2010, before increasing to an average of 800 homes from 2011 through 2015.
- Notable new single-family home construction in the Dayton metropolitan area includes the communities of Stonehill Village in the township of Beavercreek, which has four neighborhoods—Spindletop, Steeplechase, Liberty Hill I and II, and Clairborne Greens. At buildout, Clairborne Greens will have 104 homes; 6 homes are under way, with prices starting at \$249,000 to \$379,700 for 1,927- to 5,457-square-foot single-family homes. Additional development includes The Landings in Sugarcreek in the township of Sugarcreek, with plans for 155 homes at build-out. Approximately 17 lots have sold and 26 lots are available for construction; prices start at \$260,000 for a 1,604-square-foot home.

New home sales in the Dayton area increased at a faster rate than existing home sales during the 3 months ending April 2016.



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

Single-family home permitting in the Dayton area remained below prerecessionary levels.



Note: Includes preliminary data from January 2016 through May 2016. Source: U.S. Census Bureau, Building Permits Survey



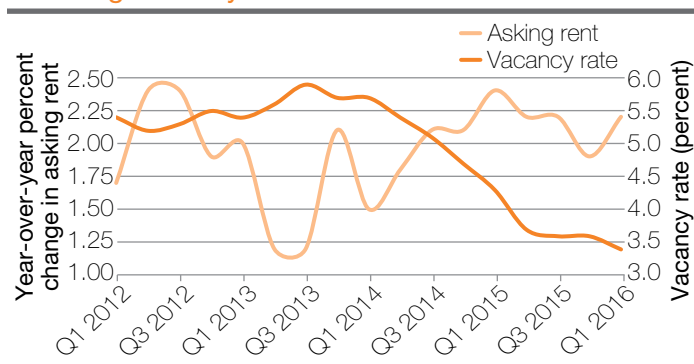
Apartment Market Conditions

The rental housing market in the Dayton metropolitan area is currently slightly soft but has improved because of job growth since 2011 and subsequently reduced net out-migration, along with a gain in the number of renter households since 2010.

- The estimated vacancy rate for all rental units (including renter-occupied single-family homes, manufactured homes, and apartment units) is 8.8 percent as of June 1, 2016, down from 12.3 percent in 2010.
- The apartment market, which represents approximately 38 percent of all rental units in the metropolitan area, up from 30 percent in 2010, had a vacancy rate of 3.4 percent in the first quarter of 2016, down from 4.3 percent a year earlier and well below the 8.6-percent rate in the first quarter of 2010 (Reis, Inc.). Apartment vacancy rates currently range from a low of 1.4 percent in the Reis, Inc.-defined South Market area to 7.7 percent in the Central Dayton area.
- The average monthly apartment asking rent was \$700 in the Dayton metropolitan area during the first quarter of 2016, a 2.2-percent increase from the first quarter of 2015. The South Market area, where recent multifamily construction has occurred in Sugarcreek, had the highest average rent during the first quarter of 2016 at \$760, a 1.7-percent increase from the first quarter of 2015.

Multifamily construction has fluctuated since 2008 due, in part, to changes in net out-migration and a surplus of single-family homes, many of which were converted to rental units. The rates of single-family home conversion and net out-migration have slowed, resulting in the absorption of excess apartment inventory since 2011.

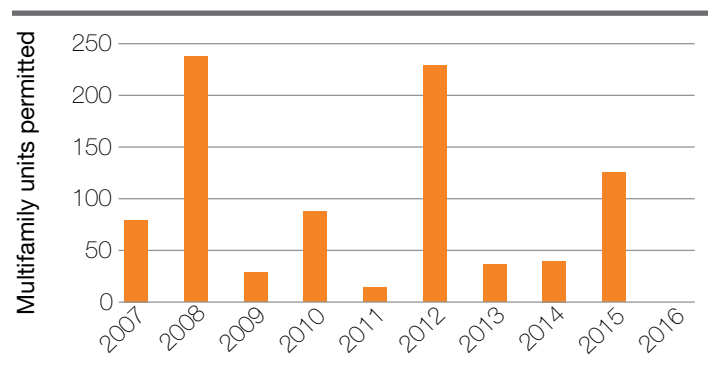
Limited new apartment construction in the Dayton area has contributed to increasing rents and a declining vacancy rate since 2011.



Source: Reis, Inc.

- During the 12 months ending May 2016, multifamily construction, as measured by the number of units permitted, totaled 100 units compared with 20 units permitted during the previous 12-month period (preliminary data).
- Multifamily construction has varied since 2008, when 240 units were permitted. From 2009 through 2011, an average of 40 units were permitted annually, increasing to 230 units in 2012 before declining to an average 70 units annually from 2013 through 2015.
- Revitalization in the downtown Dayton area since 2000 includes Fifth Third Field, a minor league baseball field that hosts the Dayton Dragons, and Riverscape MetroPark, a public park along the Miami River. These improvements have sparked the recent redevelopment of warehouses into rental housing in the downtown area.
- New construction on the \$45 million, 215-unit Water Street Apartments, along the riverfront, is expected to be complete in September 2016. Rents for studio, one-bedroom, and two-bedroom units start at \$805, \$930, and \$1,224, respectively. In addition, the Delco Lofts, a 132-unit warehouse conversion across the street from Fifth Third Field, is currently under construction. The project is expected to be complete in the spring of 2017, but rents have yet to be announced. In the township of Sugarcreek, the Waterford at Sugarcreek, a \$24 million, 231-unit apartment complex, is in the planning phase with 97 one-bedroom, 108 two-bedroom, and 26 three-bedroom units planned, ranging from 866 to 1,430 square feet and with rents expected to range from \$1,080 to \$1,590.

Multifamily construction in the Dayton area has fluctuated since 2007.



Note: Includes preliminary data from January 2016 through May 2016. Source: U.S. Census Bureau, Building Permits Survey