Housing Market Profile

Midwest • HUD Region V

Cleveland-Elyria-Mentor, Ohio

The Cleveland-Elyria-Mentor metropolitan area is located in northeastern Ohio, along the Lake Erie coast, and comprises five counties—Cuyahoga, Geauga, Lake, Lorain, and Medina. As of July 1, 2011, the population was estimated at 2.1 million, representing a decrease of 4,200, or less than 1 percent, annually from April 1, 2010, with net out-migration averaging 8,900 people annually. Between July 2005 and April 2010, the population declined by an average of 9,100 annually. Since 2005, net out-migration averaged 12,300 people annually.

Nonfarm payrolls in the metropolitan area totaled 994,600 jobs during the 12 months ending May 2011, up 5,000, or 0.5 percent, compared with the number of jobs during the same period ending May 2010. In contrast, the number of jobs declined by an average 1.6 percent annually from June 2005 to May 2010. Education and health services, the area's largest sector, led job growth during the 12 months ending May 2011, increasing by 4,175 jobs, or 2.2 percent, to 190,100. The two largest employers in the metropolitan area, Cleveland Clinic Health System and University Hospitals, contributed to the growth when they increased payrolls during the past year from 37,800 to 39,400 and 21,800 to 24,000, respectively, according to the Ohio Department of Development. The professional and business services sector, the second largest nonfarm job sector, with 131,800 jobs, increased by 3,525 jobs, or 2.7 percent. Widespread gains in the manufacturing sector resulted in an increase of 2,075 jobs, or 1.8 percent, reversing a decade-long trend of job declines in the sector that averaged 4.3 percent annually from 2000 through 2010.

A decline of 2,375 jobs, or 3.7 percent, in the financial activities sector partially offset gains in nonfarm payrolls in the metropolitan area during the 12 months ending May 2011. The mining, logging, and construction sector lost 1,875 jobs, or 5.8 percent, mostly in the construction subsector, which has declined each year since 2004 by an average of 5.6 percent annually. During the 12-month period ending May 2011, the average unemployment rate in the metropolitan area was 8.7 percent, down from a 9.3-percent rate a year earlier.

Home sales market conditions in the metropolitan area remain soft compared with the market a year earlier, despite recent job growth. Net out-migration and job declines contributed to soft conditions throughout much of the 2000s. According to Hanley Wood, LLC, new and existing single-family home sales totaled 15,100 during the 12 months ending May 2011, down by more than 5,300, or 26 percent, compared with sales a year earlier. Home sales increased by 0.7 percent during the 12-month period ending May 2010, largely because of the first-time homebuyer tax credit. During the 3-year period between June 2006 and May 2009, single-family home sales declined by an average of 14 percent annually. The average sales price for new and existing single-family homes increased by 4 percent during the 12 months ending May 2011, to $161,300, compared with a 0.7-percent increase a year earlier.

Condominium sales totaled 1,450 during the 12 months ending May 2011, down 22 percent compared with sales during the same period a year earlier. Condominium sales increased more than 1 percent during the 12-month period ending May 2010. In contrast, from 2006 through 2009, condominium sales declined by an average of 14 percent annually. During the 12 months ending May 2011, the average condominium price increased by 5 percent, to $127,500, compared with an average annual 9-percent decline during the previous two 12-month periods. According to LPS Applied Analytics, 9.8 percent of mortgages in the area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) as of May 2011. The percentage has improved from the 10.7-percent rate recorded in May 2010 but is still relatively high compared with the 8.2-percent and 7.8-percent rates recorded in May 2011 for the state of Ohio and the nation, respectively.

Soft sales market conditions prompted home builders to reduce single-family home construction in the metropolitan area. As measured by the number of single-family homebuilding permits issued, construction was down 19 percent during the 12 months ending May 2011, to 1,650 permits, based on preliminary data. During the same period ending May 2010, single-family home permits increased by 6 percent, reflecting a temporary increase in demand stemming from the first-time homebuyer tax credit. Between 2004, when permits peaked at 6,700, and 2009, single-family home permits averaged a decline of 23 percent annually.

Multifamily construction, as measured by the number of multifamily units permitted, declined by 36 percent during the 12 months ending May 2011, to 110 units, based on preliminary data. This decrease compares with a 57-percent decrease during the 12-month period ending May 2010. The number of multifamily units permitted declined by an average of 26 percent annually from 2006 through 2009. Declining condominium sales almost every year since 2006 are the primary cause of declining multifamily construction. Since 2006, almost one-half of new multifamily developments completed in the metropolitan area have consisted of condominiums, according to the McGraw-Hill Construction Pipeline database.

Rental market conditions in the metropolitan area are slightly soft but improved compared with conditions a year earlier. The overall rental vacancy rate is currently estimated at 10 percent, down from 12.5 percent in the 2010 Census. Single-family homes comprise nearly one-third of the rental market. The substantial decline in multifamily home construction and increased rental demand both contributed to improved rental market conditions. Apartment rental market conditions in the metropolitan area are currently balanced. According to Reis, Inc., the apartment rental vacancy rate during the first quarter of 2011 was 5.2 percent, down from 7 percent during the first quarter of 2010, partly because 1,600 previously vacant apartment units were absorbed. Reflecting improving rental market conditions and the decreasing vacancy rate, the average rent during the first quarter of 2011 was $700, up nearly 2 percent, compared with a 1-percent decline a year earlier. Increased enrollment at Cleveland State University (CSU) also contributed to improved rental market conditions. Enrollment at CSU, which is located in the city of Cleveland, increased 5 percent in 2010, to 17,300 students, according to the university. An estimated 8 percent of CSU students live on campus; the remaining students reside off campus. CSU students comprise an estimated 5,700 renter households, or 2 percent of renter households in the metropolitan area. A 160-unit, 500-bed student dormitory is currently under construction at CSU. The expected completion date for the $57 million project is August 2011.