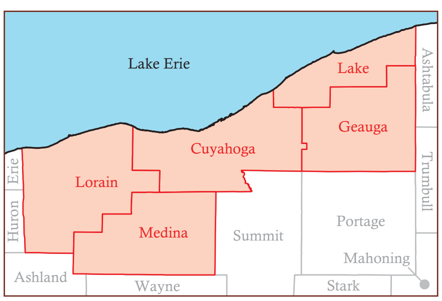
COMPREHENSIVE HOUSING MARKET ANALYSIS

Cleveland-Elyria, Ohio

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2016

PD&R

Housing Market Area



The Cleveland-Elyria Housing Market Area (hereafter, Cleveland HMA) in northeast Ohio is coterminous with the Cleveland-Elyria, OH Metropolitan Statistical Area. The HMA consists of Cuyahoga, Geauga, Lake, Lorain, and Medina Counties. The HMA is known for the Rock and Roll Hall of Fame and Museum, Inc. This report divides the HMA into the Cuyahoga County and the Suburban submarkets.

Market Details

Summary

Economy

Economic conditions in the Cleveland HMA remain positive. Nonfarm payrolls have grown since 2011, the longest job expansion in the HMA this century. Nonfarm payrolls totaled nearly 1.05 million jobs during the 12 months ending March 2016, up by 9,100, or 0.9 percent, from the previous 12 months. The current unemployment rate is 4.7 percent, down from 5.6 percent 1 year earlier and the lowest it has been in the HMA since 2000. Table DP-1 at the end of this report provides economic and population data on the HMA.

Sales Market

The sales housing market in the HMA is soft but improving, with a vacancy rate currently estimated at 2.2 percent, down from 2.5 percent in April 2010. Home sales in the HMA totaled 31,900 during the 12 months ending March 2016, up by 600, or 2 percent, from the previous 12 months. During the 3-year forecast period, demand is estimated for 6,300 new homes (Table 1). The 800 homes currently under construction in the HMA and a portion of the estimated 49,800 other vacant units that are likely to reenter the market will satisfy some of the demand.

Rental Market

The rental housing market in the HMA is slightly soft, with a renter vacancy rate of 8.7 percent, down from 12.6 percent in April 2010. The apartment market is slightly tight, with a 3.2-percent vacancy rate, up from 3.1 percent 1 year earlier. The current average rent for an apartment is $823, up by $19, or 2 percent, from 1 year earlier. During the 3-year forecast period, demand is estimated for 3,825 new rental units (Table 1). The 2,870 units currently under construction will satisfy a significant portion of that demand.

Table 1. Housing Demand in the Cleveland-Elyria HMA During the Forecast Period

	Cleveland-Elyria HMA		Cuyahoga County Submarket		Suburban Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	6,300	3,825	1,600	2,625	4,700	1,200
Under construction	800	2,870	230	2,100	570	770

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2016. A portion of the estimated 49,800 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analysts

Economic Conditions

The Cleveland HMA became a center for trade because of its location on Lake Erie and the Cuyahoga River. Manufacturing historically has been one of the main employment sectors in the HMA because of the existing transportation networks that made Cleveland an ideal place to build a factory. During the late 19th and early 20th centuries, Cleveland, as home to Standard Oil Co., Inc., was the largest oil-refining center in the world. Major manufacturing industries in the HMA currently include steel, automobiles, and transportation equipment. The HMA is home to four Fortune 500 companies.

The positive economic conditions and job growth that have occurred in the HMA since 2011 are a sharp departure from the conditions that existed through most of the 2000s. Nonfarm payrolls in the HMA reached an all-time peak of nearly 1.14 million jobs during 2000. Following that peak, nonfarm payrolls declined by an average of 16,000 jobs, or 1.4 percent, annually during the next 4 years. A significant portion of those job losses was the result of declining manufacturing employment caused by numerous layoffs among steel manufacturers in the HMA. Jobs in the manufacturing sector totaled 195,700 during 2000, when manufacturing was the largest employment sector in the HMA and accounted for 17.2 percent of all nonfarm payrolls. By 2004, manufacturing sector employment had fallen to 150,500 jobs, an average decline of 11,300 jobs, or 6.4 percent, annually. Among the companies that had layoffs during that time was LTV Steel, which laid off more than 2,300 employees during 2001, when the company went through bankruptcy and later dissolved. LTV Steel, at its peak, employed more than 15,000 people in the HMA. The early 2000s also was a period of restructuring among domestic auto producers, which cut numerous jobs, also affecting manufacturing employment in the HMA.

During 2005 and 2006, nonfarm payrolls expanded by an average of 1,500 jobs, or 0.1 percent, annually, to nearly 1.08 million jobs in 2006—a very small gain compared with the earlier losses. The professional and business services and the education and health services sectors led job growth during that time, with average annual increases of 3,500 and 2,900 jobs, or 2.5 and 1.7 percent, respectively. Overall job gains were heavily offset by losses in the manufacturing and trade sectors. During that time, the education and health services sector became the largest employment sector in the HMA, with 15.8 percent of all nonfarm payroll jobs compared with manufacturing, which declined to 13.7 percent of all nonfarm payroll jobs. During 2007, nonfarm payrolls began a decline that lasted 4 years, with nonfarm payrolls dropping below a million jobs for the first time since before 1990. From 2007 through 2010, nonfarm payrolls declined by an average of 21,000 jobs, or 2.0 percent, annually, to 990,900. Job losses during those 4 years were widespread, but the manufacturing and the mining, logging, and construction sectors led declines, with average annual losses of 7,750 and 2,500 jobs, or 5.7 and 6.6 percent, respectively. Ford Motor Company (Ford) closed two factories in the HMA during 2007, which caused layoffs of nearly 1,800 workers, and, during 2008, the ArcelorMittal steel and mining company announced 450 layoffs at its steel production facility. Job losses in the mining, logging, and construction sector were caused, in part, by the housing downturn, which led to a reduction in construction employment during those years. The only employment sector to record growth from 2007 through 2010 was the education and health services sector, which grew by an average of 4,225 jobs, or 2.4 percent, annually, to reach 187,700 jobs in 2010, increasing to 18.9 percent of all nonfarm payroll jobs.

During the 12 months ending March 2016, nonfarm payrolls totaled nearly 1.05 million jobs, up by 9,100, or 0.9 percent, from the previous 12 months (Table 2). Since 2011, nonfarm payrolls in the HMA have expanded by an average of 10,800 jobs, or 1.1 percent, annually. During the 12 months ending March 2016, the average unemployment rate in the HMA was 4.7 percent, down from 5.6 percent during the previous 12-month period. At the same time, the labor force decreased by 8,325 workers, or 0.8 percent, to nearly 1.03 million workers compared with a decline of 4,075 workers, or 0.4 percent, during the previous 12 months, which contributed to the declining unemployment rate. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2015.

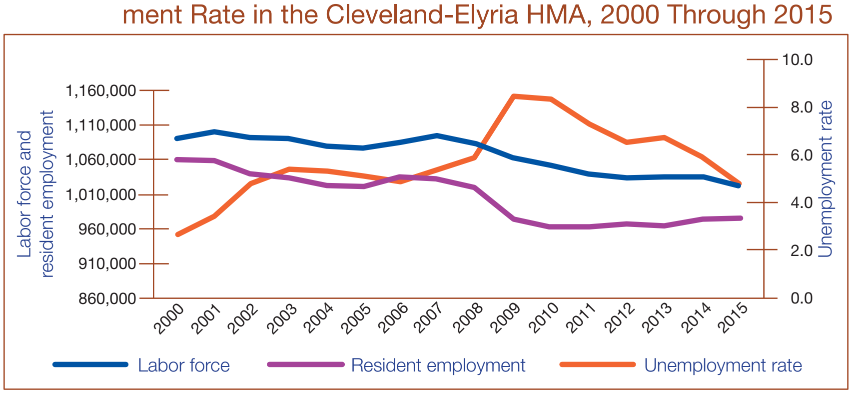
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Cleveland-Elyria HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	March 2015	March 2016		
Total nonfarm payroll jobs	1,038,700	1,047,800	9,100	0.9
Goods-producing sectors	160,400	159,000	– 1,400	– 0.9
Mining, logging, & construction	35,800	35,100	– 700	– 2.0
Manufacturing	124,600	123,900	– 700	– 0.6
Service-providing sectors	878,300	888,800	10,500	1.2
Wholesale & retail trade	152,100	153,200	1,100	0.7
Transportation & utilities	30,700	30,600	– 100	– 0.3
Information	14,500	14,200	– 300	– 2.1
Financial activities	64,700	65,200	500	0.8
Professional & business services	148,700	148,600	– 100	– 0.1
Education & health services	196,700	200,800	4,100	2.1
Leisure & hospitality	97,500	101,200	3,700	3.8
Other services	39,600	40,100	500	1.3
Government	133,800	135,000	1,200	0.9

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2015 and March 2016.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Cleveland-Elyria HMA, 2000 Through 2015

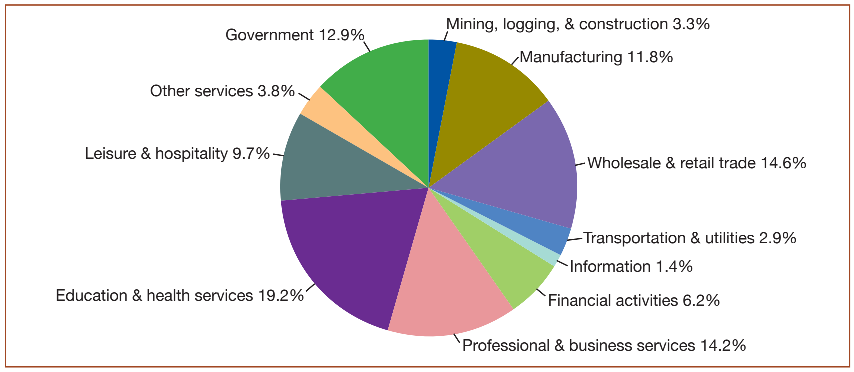


Source: U.S. Bureau of Labor Statistics

The manufacturing sector declined by 700 jobs, or less than 1.0 percent, to 123,900 jobs. That was the first year-over-year decrease in manufacturing payrolls since the sector reached a low of 116,500 jobs in 2010. Since 2011, the sector has expanded by an average of 1,400 jobs, or 1.2 percent, annually. A portion of recent growth in the manufacturing sector is attributable to an expansion in the car manufacturing industry. In 2013, Ford invested nearly $200 million and added 450 new jobs to the HMA by moving production of its 2.0-liter and 2.3-liter EcoBoost engines from Valencia, Spain, to the Cleveland Engine Plant (The Ford Motor Company). In 2014 Ford announced a $168 million investment to transfer the production of F-650 and F-750 trucks from Mexico to the Ohio Assembly Plant in Avon Lake.

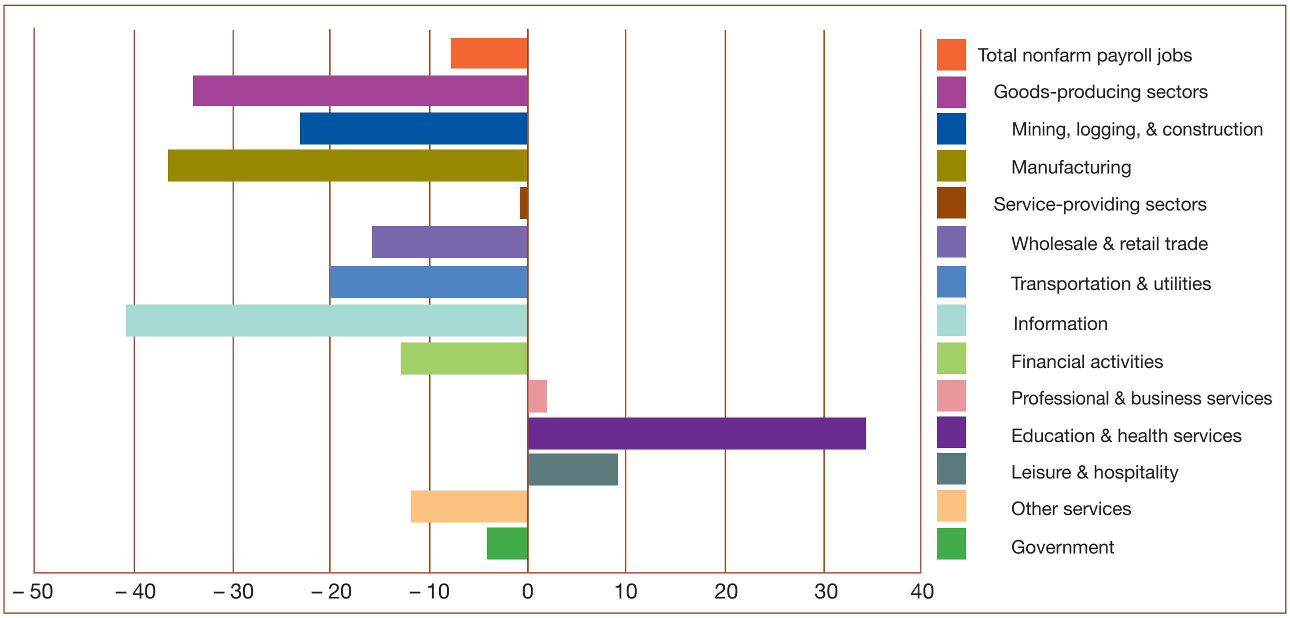
As noted previously, the education and health services sector became the largest employment sector in the HMA (Figure 2) during the early 2000s. The sector currently accounts for 19 percent of all nonfarm payroll jobs in the HMA, up from 13 percent in 2000, and has been the fastest-growing sector since 2000 (Figure 3).

Figure 2. Current Nonfarm Payroll Jobs in the Cleveland-Elyria HMA, by Sector



Note: Based on 12-month averages through March 2016.
Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Cleveland-Elyria HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through March 2016.
Source: U.S. Bureau of Labor Statistics

During the 12 months ending March 2016, the education and health services sector added 4,100 jobs, an increase of 2.1 percent, to 200,800 jobs. This sector contains the two largest employers in the HMA—Cleveland Clinic and University Hospitals, which employ 35,150 and 15,500 workers, respectively (Table 3). Growth in this sector is expected to continue, because of the business environment, resources, and infrastructure provided by the Cleveland Health-Tech Corridor (HTC), which connects Cleveland's growing downtown to the University Circle on Cleveland's east side. The HTC is a hub for research, encouraging investment and partnership in the health and technology sectors. The HTC's efforts in developing, branding, and marketing health-tech businesses resulted in more than 1,800 new jobs and $4 billion of investments since 2008 (Cleveland Health-Tech Corridor).

Table 3. Major Employers in the Cleveland-Elyria HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Cleveland Clinic	Education & health services	35,150
University Hospitals	Education & health services	15,500
U.S. Office of Personnel Management	Government	11,250
Progressive Corporation	Financial activities	8,400
Cuyahoga County	Government	7,775
City of Cleveland	Government	6,750
The MetroHealth System	Education & health services	5,825
Group Management Services	Professional & business services	4,800
KeyCorp	Financial activities	4,800
Case Western Reserve University	Education & health services	4,500

Note: Excludes local school districts.
Source: Crain's Cleveland Business

Tourism has become an increasingly important part of the economy in the HMA. The leisure and hospitality sector has been the second fastest-growing sector in the HMA since 2000. During the 12 months ending March 2016, the leisure and hospitality sector added 3,700 jobs, an increase of 3.8 percent, to 101,200 jobs. Opened in 2012, Jack Cleveland Casino in downtown Cleveland created 750 new jobs and, through 2015, reported 13.2 million visitors that led to 100,000 hotel room bookings. In July 2016, the city of Cleveland will host the 2016 Republican National Convention, the first time the Republican convention will have been held in Cleveland since 1936. The economic impact of the event is estimated to be approximately $200 million (Cleveland 2016 Host Committee). The Hilton Cleveland Downtown Hotel, the Kimpton Schofield Hotel, and the Drury Plaza Hotel Cleveland Downtown opened in 2016 and are among the 1,500 hotel rooms expected to be added in the HMA from 2016 through 2018.

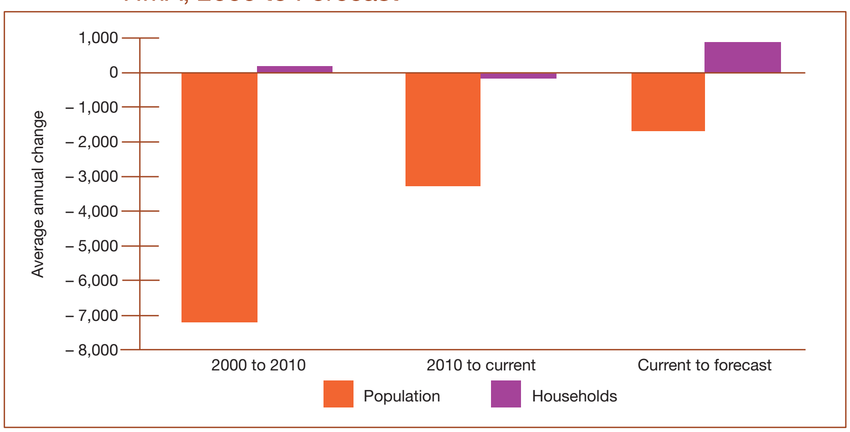
Limiting the overall economic growth was the mining, logging, and construction sector, which decreased by 700 jobs, or 2.0 percent, during the 12 months ending March 2016. The sector expanded by an average of 700 jobs, or 2.0 percent, annually, from a low of 31,600 jobs in 2011 to 35,100 jobs in the 12 months ending March 2016. Current employment in the sector is 23 percent below the peak of 45,600 jobs reported in 2000. The long-term weakening in the sector is largely a result of a declining population in the HMA and, therefore, a much smaller demand for new single-family homes. The decline in the sector that occurred during the past 12 months was caused by the completion of several large hotels and infrastructure improvements for the upcoming 2016 Republican National Convention.

During the 3-year forecast period, the economy of the HMA is expected to continue to expand slowly, with nonfarm payroll growth averaging less than 1 percent annually. Employment in most nonfarm sectors is expected to remain steady throughout the forecast period, with the largest job gains in the education and health services sector and the leisure and hospitality sector.

Population and Households

The current population of the Cleveland HMA is an estimated 2.06 million, down 0.9 percent from 2.08 million in 2010 and 4.2 percent from nearly 2.15 million in 2000. The current number of households in the HMA is 854,600, a number that is essentially unchanged from 2010. Figure 4 shows population and household growth in the HMA from 2000 to the forecast date. Most of the population loss in the HMA is the result of a declining population in the central county of Cuyahoga; although the suburbs of the HMA are growing, the city of Cleveland has lost population. Since 2000, the HMA has experienced net out-migration; from 2000 to 2010, net out-migration averaged 12,350 but, since 2010, net out-migration has slowed to an average of 5,650 people annually (Figure 5).

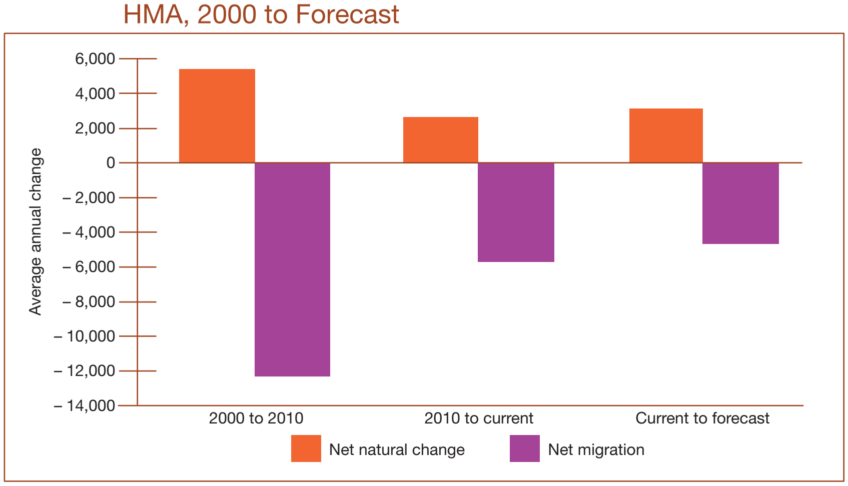
Figure 4. Population and Household Growth in the Cleveland-Elyria HMA, 2000 to Forecast



Notes: The current date is April 1, 2016. The forecast date is April 1, 2019.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

Figure 5. Components of Population Change in the Cleveland-Elyria HMA, 2000 to Forecast



Notes: The current date is April 1, 2016. The forecast date is April 1, 2019.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

The current population of Cuyahoga County, the largest county in the HMA, is estimated at nearly 1.25 million, an average decline of 4,675, or 0.4 percent, annually since 2010; net out-migration has averaged 6,100 people annually since 2010. The rate of population loss in Cuyahoga County has slowed from the rate recorded between 2000 and 2010, when the population decreased by an average of 11,400, or 0.8 percent, annually and net out-migration averaged 14,000 people annually.

The population of Cuyahoga County has been steadily declining since 1970, when the population was estimated at 1.72 million. Most of the population loss has been a result of the declining population of the city of Cleveland. The city's population peaked in 1950 at 914,808, when the city was the 7th largest in the nation, but had dropped to 388,072 by 2015, making it the 51st largest city—an average decrease of 8,175, or 1.3 percent, annually.

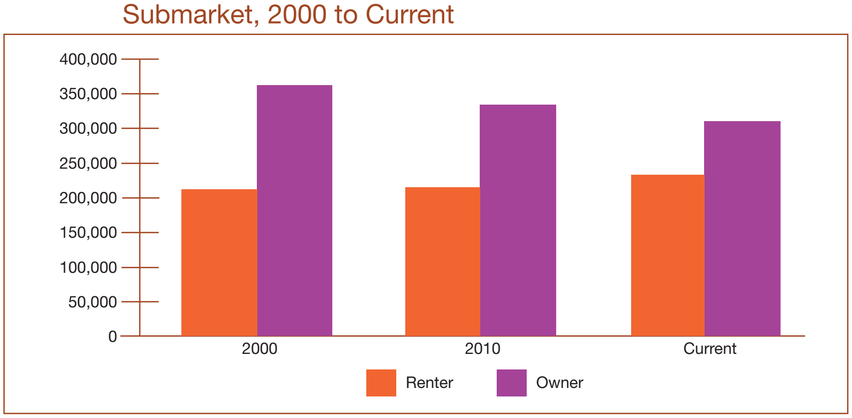
Although most areas of the city of Cleveland are losing population, the downtown area is starting to see a gain in population as urban living becomes more popular with millennials. The three ZIP Codes of 44113, 44114, and 44115—which, for the Economic and Market Analysis Division's analytical purposes, will constitute the Downtown Cleveland area (Downtown Cleveland)—are recording population growth. In 2000, Downtown Cleveland had a population of 31,500 and, by 2010, it rose to 32,750, up an average of 125, or 0.4 percent, annually. Downtown Cleveland has an estimated current population of 39,000, an average increase of 1,050, or 3.0 percent, annually since 2010. The current number of households in Downtown Cleveland is an estimated 18,050, an increase of 560 households, or 3.5 percent, annually since 2010. Population and household growth in this HMA are expected to accelerate during the next 3 years, as demand for urban living remains strong among young people and the many new housing units that are likely to enter the market during this time provide additional housing opportunities in Downtown Cleveland.

The current number of households in the Cuyahoga County submarket is 539,300, down from 545,056 in 2010, an average decline of 960 households, or 0.2 percent, annually. Between 2000 and 2010, the number of households in the submarket decreased by an average of 2,650, or 0.5 percent, annually. The current homeownership rate in Cuyahoga County is estimated at 57.2 percent, down from 60.9 percent in 2010 and 63.2 percent in 2000 (Figure 6). During the 3-year forecast period, the population of the submarket is expected to decrease by an average of 3,675, or 0.3 percent, annually, with the number of households remaining virtually unchanged.

Since 2010, nearly 30 percent of people who migrated out of the Cuyahoga County submarket have moved to the counties that constitute the Suburban submarket (Internal Revenue Service). The current population of the Suburban submarket is estimated at 806,300, an average increase of 1,525, or 0.2 percent, annually since 2010. Net in-migration to the submarket averaged 490 people annually and accounted for 32 percent of the population growth. That rate of population growth is slower than the rate from 2000 through 2010, when the population of the Suburban submarket grew by an average of 4,300, or 0.6 percent, annually as a result of higher levels of in-migration from Cuyahoga County. Net in-migration averaged 1,600 people annually and represented 37 percent of total population growth during those years.

The current number of households in the Suburban submarket is 315,350, up from 309,837 in 2010, an average increase of 920 households, or 0.3 percent, annually—a rate that is significantly lower than during the previous decade because population growth in this submarket has slowed. Between 2000 and 2010, the number of households in the submarket rose by an average of 2,825, or 1.0 percent, annually. The current homeownership rate in the Suburban submarket is 73.8 percent, down from 76.8 percent in 2010 and 78.1 percent in 2000 (Figure 7). During the forecast period,

Figure 6. Number of Households by Tenure in the Cuyahoga County Submarket, 2000 to Current

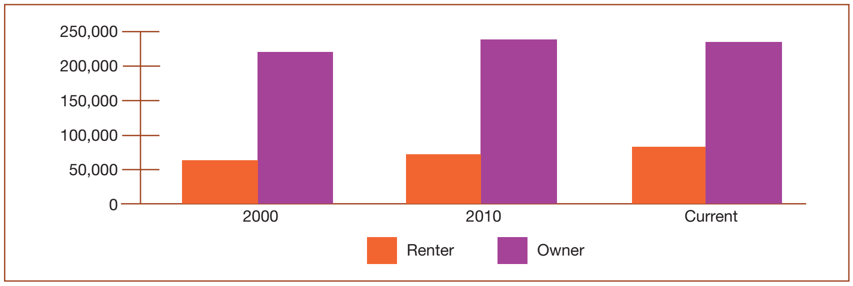


Note: The current date is April 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts the population of the submarket is expected to expand by an average of 1,800, or 0.2 percent, annually, with the number of households increasing by 1,125, or 0.4 percent, annually.

Tables DP-2 and DP-3 (at the end of this report) provide additional information about population and households in each submarket.

Figure 7. Number of Households by Tenure in the Suburban Submarket, 2000 to Current



Note: The current date is April 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

Housing Market Trends

Sales Market—Cuyahoga County Submarket

The current sales housing market in the Cuyahoga County submarket is soft, although improving, with a 2.5-percent vacancy rate, down from 2.8 percent in 2010. In March 2016, 5.5 percent of all mortgage loans in the submarket were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 6.3 percent in March 2015 and below the peak level of 10.3 percent in January 2010 (CoreLogic, Inc.). Even after the recent decline, the rate of seriously delinquent mortgages and REO properties in the submarket is higher than the national average of 3.0 percent. Cuyahoga County has very old housing stock; 30 percent of all housing units were built in 1939 or earlier, and more than 60 percent of all housing units were built before 1960 (2014 1-year American Community Survey [ACS]). The age of the housing stock, combined with a population that is in long-term decline, contributes to the high vacancy rate in this submarket. Since 2009, the state of Ohio has begun a program to remove old, vacant, and blighted housing units, which should help lower the vacancy rate. The Cuyahoga Land Bank, one of several entities receiving funding to remove blighted housing units, is leading the effort to renovate or remove abandoned houses. From 2009 through 2015, the organization renovated 1,214 houses in the submarket and demolished 3,926.

New home sales (which includes single-family homes, townhomes, and condominiums) in the submarket totaled 490 during the 12 months ending March 2016, down by 30, or more than 5 percent, from the previous 12 months (CoreLogic, Inc.). The current level of sales is well below earlier periods, because a declining population has contributed to reduced demand for new housing. New home sales in the submarket totaled 1,850 in 2000 and declined for the next 3 years by an average of 50 sales, or slightly less than 3 percent, annually, to 1,700 sales in 2003. During 2004, the number of new home sales grew by 400, or more than 24 percent, to reach an all-time peak of 2,100, after which sales fell for the next 5 years by an average of 300, or nearly 24 percent, annually, to 560 in 2009. New home sales rose during 2010 by 80, or 15 percent, as the first-time homebuyer tax credit program provided a boost to sales, but that growth was not sustained, and, in 2011, new home sales fell by 190, or nearly 30 percent, to 450. New home sales grew slightly in the submarket during 2012 and 2013 because of improving economic conditions and, by 2013, totaled 600 sales, an average increase of 75, or nearly 16 percent, annually.

During the 12 months ending March 2016, the average sales price of a new home in the submarket was $259,000, a gain of $31,000, or nearly 14 percent, from the previous 12 months. In 2000, the average sales price of a new home was $205,800, and the price rose by an average of $8,775, or nearly 4 percent, annually for the next 6 years to a peak of $258,000 in 2006. Beginning in 2007, the average sales price fell for the next 3 years by an average of $17,700, or more than 7 percent, annually, to $205,300 in 2009, reversing all the price gains since the beginning of the decade. Since 2010, new home sales prices have increased; by 2014, the average sales price of a new home had risen to $242,000, an average growth of $7,325, or more than 3 percent, annually.

During the 12 months ending March 2016, sales of existing homes in the submarket totaled 19,200, a gain of 800 homes sold, or 4 percent, from the previous 12 months. Although home sales have been increasing with the recent improvement in economic conditions, they are still below the level of sales in the early 2000s. The sale of existing homes in the submarket totaled 21,650 homes sold during 2000 and grew during the next 5 years by an average of 690 homes, or 3 percent, annually to an all-time peak of 25,100 in 2005, partly because credit for mortgage loans, nationwide, was easier to obtain. Following that peak, existing home sales fell for 6 consecutive years—as a result of the national recession and housing crisis—by an average of 1,950 homes, or 10 percent, annually to 13,350 homes sold in 2011. Existing home sales rose during the next 2 years and, by 2013, totaled 18,750 homes, an average increase of 2,700 homes sold, or nearly 19 percent, annually.

Much like existing home sales, the average existing home sales price also has been increasing recently. During the 12 months ending March 2016, the average sales price of an existing home was $126,200, a gain of $13,200, or nearly 12 percent, from the previous 12 months. In 2000, the average sales price of an existing single-family home in the submarket was $125,900, and the price increased steadily for 5 years to peak in 2005 at $144,800, an average increase of $3,775, or nearly 3 percent, annually, as easier credit fueled the home sales market. The average sales price then fell for the next 3 years by an average of $15,800, or more than 12 percent, annually to $97,350 in 2008. From the low in 2008, the average sales price of an existing home rose to

$121,600 in 2014, an average gain of $4,050, or nearly 4 percent, annually since 2008.

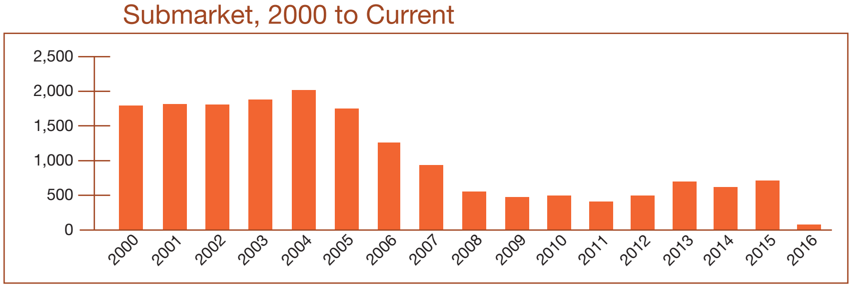
Sales of REO properties make up a significant portion of all existing home sales in the submarket but are well below previous levels. REO sales during the 12 months ending March 2016 totaled more than 2,400 homes sold and accounted for nearly 13 percent of all existing home sales in the submarket. The number of REO homes sold has decreased greatly since reaching a peak of 7,700 during 2008, at nearly 40 percent of all existing home sales. The average sales price of an REO property during the 12 months ending March 2016 was $43,600, up from $38,300 in 2008. The average sales price and the volume of REO sales have a significant effect on the average sales prices of existing homes described earlier.

Single-family homebuilding, as measured by the number of homes permitted, has remained relatively stable in the Cuyahoga County submarket during the past 3 years but is still well below the level from the early 2000s to mid-2000s. During the 12 months ending March 2016, 640 single-family homes were permitted, a decrease of 30 homes permitted, or 4 percent, from the previous 12 months (preliminary data). The peak years for single-family home construction were from 2000 through 2004, when an average of 1,850 single-family homes were permitted annually in the submarket, including a peak of 2,000 homes permitted in 2004 (Figure 8). Following that peak, single-family construction decreased steadily, and, by 2009, only 460 single-family homes were permitted, an average decline of 310 homes permitted, or slightly more than 25 percent, annually. From 2010 through 2012, single-family home construction remained relatively stable, at an average of 460 homes permitted annually, before increasing to 680 homes permitted in 2013.

Some newer developments in the submarket include The Park of Westlake, in the city of Westlake. The development, which recently broke ground, consists of 33 lots for new homes, with home prices starting at $390,000 for a three-bedroom, two-bathroom home. The Hidden Woods subdivision, in Mayfield Heights, Ohio, began construction of 34 home sites in the summer of 2013 and is nearing completion. Home prices range from $250,000 to $425,000 in that development.

Demand is forecast for 1,600 new market-rate homes in the submarket during the next 3 years (Table 1). The 230 homes currently under construction will meet part of the demand during the first year. A portion of the 36,300 other vacant units in the submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be concentrated among homes priced from $200,000 to $299,999. Table 4 shows estimated demand for new market-rate sales housing in the Cuyahoga County submarket, by price range.

Figure 8. Single-Family Homes Permitted in the Cuyahoga County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Cuyahoga County Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
130,000	199,999	140	9.0
200,000	249,999	420	26.0
250,000	299,999	470	29.0
300,000	349,999	180	11.0
350,000	399,999	160	10.0
400,000	449,999	110	7.0
450,000	499,999	80	5.0
500,000	and higher	50	3.0

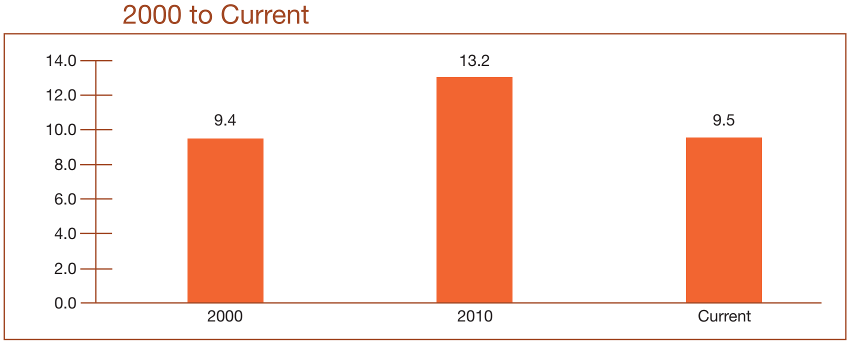
Notes: The 230 homes currently under construction and a portion of the estimated 36,300 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analysts

Rental Market—Cuyahoga County Submarket

The current rental housing market (which includes single-family homes, mobile homes, and apartment units) in the Cuyahoga County submarket is slightly soft but improving, with a 9.5-percent vacancy rate (Figure 9). The current overall vacancy rate is down from 13.2 percent in April 2010, resulting in part from population growth in Downtown Cleveland. About 51 percent of renter households lived in a single-family home or in a building with two, three, or four units (2014 1-year ACS). Also, nearly 30 percent of housing units in those buildings were vacant, resulting in a significant difference between the overall rental vacancy rate and the apartment vacancy rate (2014 1-year ACS).

Figure 9. Rental Vacancy Rates in the Cuyahoga County Submarket, 2000 to Current



Note: The current date is April 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

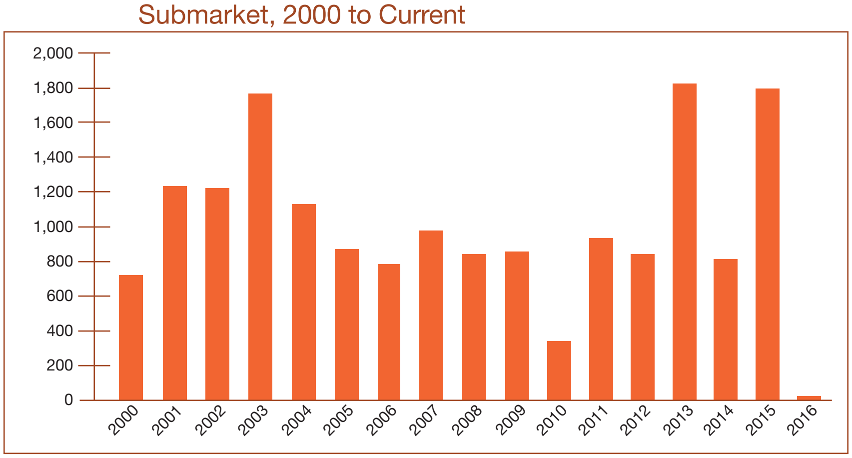
The apartment market during March 2016 is slightly tight, with a 3.3-percent vacancy rate, up slightly from 3.2 percent 1 year earlier (Reis, Inc., with adjustments by the analysts). The average rent for an apartment in this submarket during March 2016 is $822, an increase of $20, or 3 percent, from March 2015. The apartment market in the submarket has had significant swings historically, depending on economic conditions in the county. In 2000, when nonfarm payrolls were at their peak, the apartment vacancy rate in the submarket was 4.3 percent and rose to 7.5 percent during 2003, as the economy began to lose jobs. That increase in the rental vacancy rate caused developers to slow production, and, by 2007, the apartment vacancy rate fell to 5.6 percent. With the economic downturn that began in 2007, the apartment vacancy rate began to rise once more and, by 2009, had risen to 7.0 percent. The rate began to fall in response to reduced multifamily home production during 2010 and improving economic conditions since 2011 that have allowed for a considerable portion of previously vacant units to be absorbed. By 2014, the apartment market had become tight, with a vacancy rate of 2.7 percent.

Like many other city centers in the nation, Downtown Cleveland is benefiting from millennials' preference to live in the city center. The Cleveland Regional Transit Authority's (RTA's) HealthLine bus rapid transit system provides downtown residents with an easy commute to a large number of jobs in the education and health services sector, the fastest-growing employment sector in the HMA. Easily accessible sporting venues, a dynamic arts scene, and the expanding leisure and hospitality sector make Downtown Cleveland an attractive place for young adults to live. Developers also have an incentive to add rental apartments to the housing inventory, because the Ohio Historic Preservation Tax Credit program is being used extensively in Downtown Cleveland. The program allows for the rehabilitation and conversion of historic office buildings into apartments. Developers are required to keep the units as rentals for a period of at least 5 years.

Since 2013, increasing demand for apartments in Downtown Cleveland and state tax credits have resulted in the highest level of multifamily construction—as measured by the number of multifamily units permitted—in the Cuyahoga County submarket since 2003 (Figure 10). During the 12 months ending March 2016, the number of multifamily units permitted grew by 450 units, or nearly 43 percent, to 1,500 units from the previous 12 months (preliminary data). From 2013 through 2015, an average of 1,475 units were permitted annually, which is higher than the previous average 3-year peak of 1,400 units permitted annually from 2001 through 2003. Following the previous peak period, which ended in 2003, with 1,750 units permitted, multifamily construction declined an average of 24 percent annually to 770 units permitted in 2006. The rental market stabilized, and, from 2007 through 2009, the number of units permitted averaged 890 annually before declining to 340 in 2010 in response to weaker economic conditions. As the economy of the HMA began to improve, multifamily home construction began to grow, and, in 2011 and 2012, an average of 880 units were permitted annually.

The Flats at East Bank is a recently completed development in the waterfront district of Downtown Cleveland. It is a six-story building with 241 one-, two-, and three-bedroom units. Rents range from $1,550 for a one-bedroom unit to $3,900 for a three-bedroom unit. The Residences at 1717, which had been the East Ohio Building, contained office space until 2010 and was recently converted into a 223-unit apartment building. The building contains one-bedroom units that rent from $992 to $1,403 per month and two-bedroom units that rent from $1,767 to $2,769 per month.

Figure 10. Multifamily Units Permitted in the Cuyahoga County Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

During the 3-year forecast period, demand is estimated for 2,625 new rental housing units (Table 1). Demand is expected to be greatest for one-bedroom units in the $1,200-to-$1,399 and two-bedroom units in the $1,400-to-$1,599 price range (Table 5). Because of the Ohio Historic Preservation Tax Credit program and the relatively faster-growing population in Downtown Cleveland, nearly all rental housing demand during the next 3 years is likely to occur there. The 2,100 units currently under construction will satisfy the demand during the first 2 years of the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Cuyahoga County Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
750 to 949	55	800 to 999	170	1,000 to 1,199	180	1,250 to 1,449	35
950 or more	25	1,000 to 1,199	230	1,200 to 1,399	360	1,450 to 1,649	55
		1,200 to 1,399	450	1,400 to 1,599	430	1,650 to 1,849	35
		1,400 to 1,599	170	1,600 to 1,799	190	1,850 or more	15
		1,600 to 1,799	55	1,800 to 1,999	90		
		1,800 or more	55	2,000 or more	40		
Total	80	Total	1,125	Total	1,300	Total	130

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 2,100 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analysts

Sales Market—Suburban Submarket

The current sales housing market in the Suburban submarket is balanced, with a vacancy rate of 1.8 percent, down from 2.1 percent in April 2010. In March 2016, 3.8 percent of all mortgage loans in the submarket were seriously delinquent or had transitioned into REO status, down from 4.0 percent in March 2015 and well below the peak level of 6.7 percent in February 2010. Sales of REO properties make up a significant portion of all existing home sales but are well below previous levels. The number of REO homes sold during the 12 months ending March 2016 totaled more than 1,050 and accounted for nearly 10 percent of all existing home sales in the submarket. The number of REO homes sold has decreased greatly since reaching a peak of 2,200 during 2008, nearly 24 percent of all existing home sales. The average sales price of an REO property during the 12 months ending March 2016 was $75,100, a gain of 15 percent from $65,400 a year earlier.

New home sales in the submarket totaled 1,075 during the 12 months ending March 2016, down by 75 homes sold, or 7 percent, from the previous 12 months. New home sales in the submarket since 2000 have been higher than in the Cuyahoga County submarket partly because the Suburban submarket has recorded population growth during these years. In 2000, the number of new homes sold totaled 2,600 and grew by an average of 225, or nearly 8 percent, annually during the next 4 years to reach a peak of 3,500 homes sold in 2004. New home sales then declined by an average of 370 homes sold, or more than 17 percent, annually during the next 7 years, partly as a result of slower population growth and the national housing crisis, to 920 homes sold during 2011. In 2012, the number of new home sales began to grow once more and, by 2013, totaled 1,250 homes sold, for an average increase of 170 homes, or nearly 17 percent, annually.

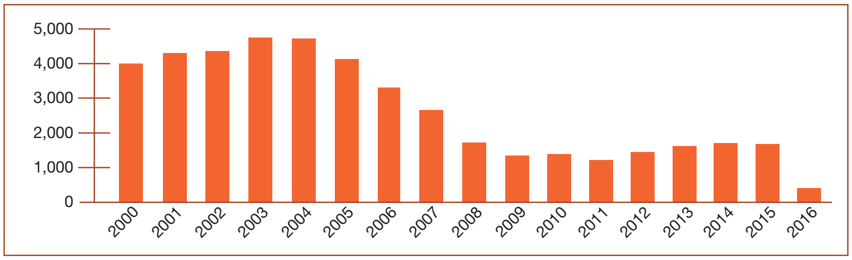
During the 12 months ending March 2016, the average sales price for a new home in the submarket was $250,000, a gain of $19,200, or more than 8 percent, from the previous 12 months. The average sales price for a new home in this submarket was $195,000 in 2000 and grew by an average of $10,150, or nearly 5 percent, annually to a peak of $255,800 in 2006. The average sales price of a new home then fell by an average of $12,750, or more than 5 percent, annually to $217,500 in 2009. From 2010 through 2012, the average sales price of a new home remained relatively flat before increasing by $3,000, or slightly more than 1 percent, to $220,300 in 2013.

During the 12 months ending March 2016, the number of existing homes sold totaled 11,100, a decline of 100 homes, or less than 1 percent, from the previous 12 months. The sale of existing homes peaked in the submarket from 2003 through 2005, with an average of 15,200 homes sold annually, before decreasing by an average of 1,375 homes, or more than 11 percent, annually for the next 5 years to 8,350 homes sold in 2010. As conditions began to improve, existing home sales rose and, by 2013, totaled 11,200 homes sold, an average gain of 950 homes, or 10 percent, annually.

During the 12 months ending March 2016, the average sales price of an existing home was $158,300, a gain of $16,000, or 11 percent, from the previous 12 months. In 2000, the average sales price of an existing home was $128,400 and, by 2007, had risen to the peak price of $163,300, an average increase of nearly $5,000, or less than 4 percent, annually. The average sales price of an existing home then fell for 4 years, however, in response to the national recession and housing crisis. In 2011, the average sales price of an existing home was $134,900, down by an average of $7,100, or slightly less than 5 percent, annually. With the economy beginning to improve, the average sales price of an existing home began to rise once more, and, by 2014, it had reached $154,500, an average increase of $6,550, or nearly 5 percent, annually since 2011.

Single-family homebuilding, as measured by the number of homes permitted, has been stronger in the Suburban submarket than in the Cuyahoga County submarket. During the 12 months ending March 2016, the number of single-family homes permitted was 1,950, a gain of 300 homes, or 18 percent, from the previous 12 months (preliminary data). The overall trend of growth and decline in the submarket mirrored closely the trend observed in the Cuyahoga County submarket. During the peak period, from 2000 through 2004, the number of single-family homes permitted averaged 4,400 annually but then fell by an average of 670 homes, or 22 percent, from 4,700 homes in 2004 to a low of 1,350 homes in 2009. Permitting activity stabilized briefly in 2010, when the number of single-family homes permitted remained unchanged from 2009, only to decline again in 2011 to 1,175. Since 2011, the construction of single-family homes in the submarket has begun to expand, with an average of 1,525 homes permitted annually from 2012 through 2013. Figure 11 shows the number of single-family homes permitted since 2000.

Figure 11. Single-Family Homes Permitted in the Suburban Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Suburban Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
136,000	199,999	470	10.0
200,000	249,999	1,125	24.0
250,000	299,999	1,325	28.0
300,000	349,999	750	16.0
350,000	399,999	520	11.0
400,000	499,999	380	8.0
500,000	and higher	140	3.0

Notes: The 570 homes currently under construction and a portion of the estimated 13,500 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analysts

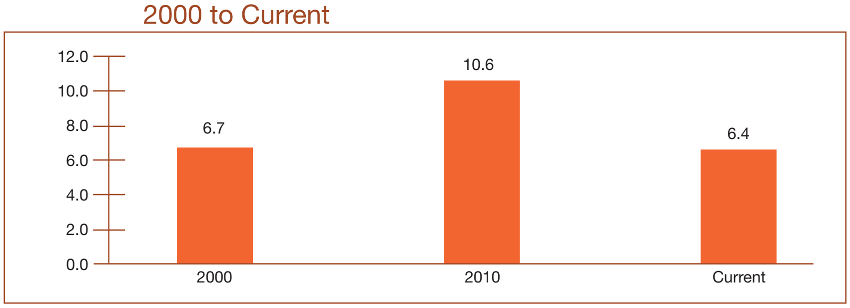
Some recent developments in the submarket include Columbia Reserve, a development in Lorain County, which is developing its final phase of 29 home sites. Home prices in this final phase start at $280,000 for a three-bedroom, two-bathroom home. The Gramercy Place subdivision, also in Lorain County, is nearing completion. This 32-lot development has one lot remaining, and home prices start at $335,000 for a three-bedroom, two-bathroom home.

Demand is forecast for 4,700 new market-rate homes in the Suburban submarket during the next 3 years (Table 1). The 570 homes currently under construction will meet part of the demand during the first year. A portion of the 13,500 other vacant units in the submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be highest for homes priced from $200,000 to $299,999 (Table 6).

Rental Market—Suburban Submarket

The overall rental housing market in the Suburban submarket is balanced, with a current estimated rental vacancy rate of 6.4 percent, down from 10.6 percent in April 2010 (Figure 12). The limited number of multifamily units permitted from 2010 through 2013 allowed for absorption of many previously vacant units. About 44 percent of all renter households live in single-family homes, up from 39 percent reported in 2010 (2014 1-year ACS). The large number of single-family homes that are available for rent in this submarket contributes to large differences between the overall and apartment vacancy rates.

Figure 12. Rental Vacancy Rates in the Suburban Submarket, 2000 to Current



Note: The current date is April 1, 2016.

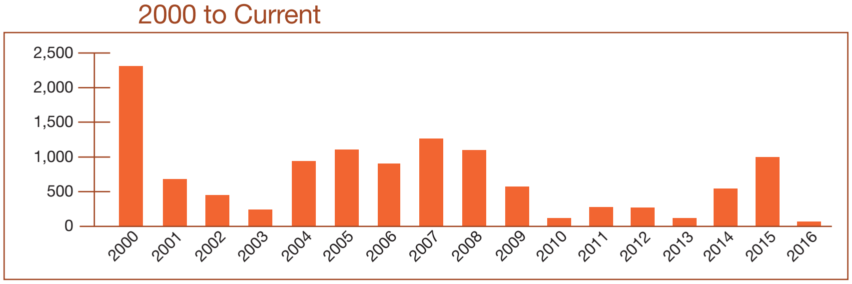
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

Unlike the overall rental market in the Suburban submarket, the apartment market is extremely tight. During

March 2016, the apartment vacancy rate in the submarket was 1.0 percent, down from 1.8 percent a year earlier (Reis, Inc.). The average asking rent in the submarket rose by $9, or more than 1 percent, to $834. Even with low vacancy rates, rent increases have been fairly modest because of slow population growth that limits demand and the availability of rental units other than apartments. An uptick in apartment construction in the submarket occurred during the past 2 years; as those units come on the market, the apartment vacancy rate in the submarket is expected to rise somewhat and become more balanced.

The apartment market in the submarket historically has followed very similar trends to the Cuyahoga County submarket. In 2000, the apartment vacancy rate was 5.6 percent and the average rent was $625. By 2003, the vacancy rate had risen to 7.4 percent and the average rent grew to $652, up $9, or more than 1 percent, annually. During 2004 and 2005, the apartment vacancy rate declined to 5.5 percent and the average rent remained unchanged at $652. Then, in response to the economic downturn, apartment market conditions began to soften and the vacancy rate rose to 7.1 percent by 2008. At the same time, rent increases averaged $23, or nearly 4 percent, annually. Since 2011, economic conditions have improved and the apartment vacancy rate has decreased steadily, reaching 2.0 percent in 2014, and average rents have risen 2 percent annually.

Figure 13. Multifamily Units Permitted in the Suburban Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Multifamily home construction activity, as measured by the number of multifamily units permitted, increased in the Suburban submarket in the past 2 years, following a period of very low production from 2009 through 2013. During the 12 months ending March 2016, the number of multifamily units permitted totaled 850, up by 220 units, or 35 percent, from the previous 12 months (preliminary data). By comparison, the number of units permitted averaged 1,075 annually during the peak period from 2005 through 2008 before declining an average of 68 percent annually to only 110 units permitted in 2010. Permitting activity expanded moderately from 2011 through 2012, when an average of 270 multifamily units were permitted, and then fell sharply to 100 units permitted in 2013. Figure 13 shows the number of multifamily units permitted since 2000.

The Residences at Chagrin Riverwalk apartments in Lake County was recently completed and includes 180 units, with one-bedroom rents ranging from $999 to $1,114 and two-bedroom rents ranging from $1,174 to $1,499. Southwick Manor in Medina County is a recently completed four-story, 54-unit affordable senior apartment building. Rents start at $523 for a one-bedroom unit and $674 for a two-bedroom unit.

During the 3-year forecast period, demand is estimated for 1,200 new market-rate rental units in the Suburban submarket (Table 1). Demand is expected to be strongest for one-bedroom units with monthly rents ranging from $850 to $1,049 and for two-bedroom units with monthly rents ranging from $1,000 to $1,199 (Table 7). The 770 units currently under construction will satisfy much of the demand for the first 2 years of the forecast period.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Suburban Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
500 or more	10	650 to 849	100	800 to 999	90	1,000 to 1,199	20
		850 to 1,049	310	1,000 to 1,199	330	1,200 to 1,399	35
		1,050 to 1,249	80	1,200 to 1,399	120	1,400 or more	15
		1,250 or more	25	1,400 or more	60		0
Total	10	Total	520	Total	600	Total	70

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 770 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analysts

Data Profiles

Table DP-1. Cleveland-Elyria HMA, Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	1,060,860	964,124	976,500	– 1.0	0.2
Unemployment rate	2.7%	8.4%	4.7%		
Nonfarm payroll jobs	1,136,000	990,900	1,048,000	– 1.4	1.1
Total population	2,148,143	2,077,240	2,058,000	– 0.3	– 0.2
Total households	853,165	854,893	854,600	0.0	0.0
Owner households	580,872	569,864	541,000	– 0.2	– 0.9
Percent owner	68.1%	66.7%	63.3%		
Renter households	272,293	285,029	313,600	0.5	1.6
Percent renter	31.9%	33.3%	36.7%		
Total housing units	911,356	955,756	946,800	0.5	– 0.2
Owner vacancy rate	1.3%	2.5%	2.2%		
Rental vacancy rate	8.8%	12.6%	8.7%		
Median Family Income	$52,600	$64,800	$62,600	2.1	– 0.7

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2016. Median Family Incomes are for 1999, 2009, and 2014. The current date is April 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Table DP-2. Cuyahoga County Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	1,393,978	1,280,122	1,252,000	– 0.8	– 0.4
Total households	571,457	545,056	539,300	– 0.5	– 0.2
Owner households	360,980	331,876	308,500	– 0.8	– 1.2
Percent owner	63.2%	60.9%	57.2%		
Renter households	210,477	213,180	230,800	0.1	1.3
Percent renter	36.8%	39.1%	42.8%		
Total housing units	616,903	621,763	608,000	0.1	– 0.4
Owner vacancy rate	1.4%	2.8%	2.5%		
Rental vacancy rate	9.4%	13.2%	9.5%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Table DP-3. Suburban Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	754,165	797,118	806,300	0.6	0.2
Total households	281,708	309,837	315,350	1.0	0.3
Owner households	219,892	237,988	232,600	0.8	– 0.4
Percent owner	78.1%	76.8%	73.8%		
Renter households	61,816	71,849	82,750	1.5	2.4
Percent renter	21.9%	23.2%	26.2%		
Total housing units	294,453	333,993	338,900	1.3	0.2
Owner vacancy rate	1.2%	2.1%	1.8%		
Rental vacancy rate	6.7%	10.6%	6.4%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 4/1/2016—Analysts' estimates
Forecast period: 4/1/2016–4/1/2019—Analysts' estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analysts, through diligent fieldwork, make an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Cleveland_ElyriaOH_16.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.