

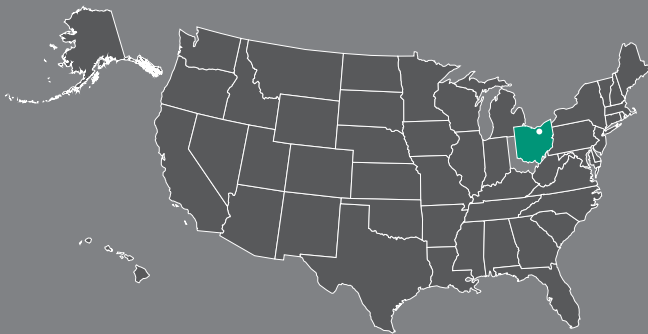
HUD PD&R Housing Market Profiles

Cleveland-Elyria, Ohio



Quick Facts About Cleveland-Elyria

- **Current sales market conditions: soft.**
- **Current apartment market conditions: tight.**
- **Tourism has become an increasingly important part of the economy in the metropolitan area since before 2000, and the leisure and hospitality sector was the second fastest growing sector during the past year. In July 2016, the city of Cleveland will host the 2016 Republican National Convention, the first time the Republican convention will be held in Cleveland since 1936. The economic impact of this event is estimated to be approximately \$200 million (CLEVELAND 2016 Host Committee).**



By Tomasz Kukawski | As of January 1, 2016

Overview

The Cleveland-Elyria (hereafter Cleveland) metropolitan area, in northeastern Ohio along the Lake Erie shore, includes Cuyahoga, Geauga, Lake, Lorrain, and Medina Counties. The metropolitan area has been transitioning during the past 25 years from a manufacturing hub to a center for health care and tourism. The principal city, Cleveland, is home to the Rock and Roll Hall of Fame and Museum, Inc., and PlayhouseSquare® Center, the largest theater district in the United States outside of New York City. In addition, the Cleveland metropolitan area hosts the National Football League Cleveland Browns, the Major League Baseball Cleveland Indians, and the National Basketball Association Cleveland Cavaliers, which combined contribute an estimated \$550 million annually to the local economy (Cuyahoga County Fiscal Officer; Greater Cleveland Partnership; Cleveland Indians; Cleveland Browns; analyst adjustment).

- As of January 1, 2016, the estimated population of the Cleveland metropolitan area is 2.07 million, virtually unchanged since 2011. Expanding economic conditions have contributed to a slowdown in net out-migration, which averaged an estimated 2,975 people annually since 2011.

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- From 2000 to 2008, job losses in the manufacturing sector contributed to net out-migration averaging 13,100 people annually, more than offsetting net natural increase of 5,300, and the population of the metropolitan area declined by 7,800, or 0.4 percent, a year (U.S. Census Bureau decennial census counts and population estimates as of July 1).
- From 2008 to 2011, net out-migration decreased to an average of 9,275 people annually because weak economic conditions from the national recession inhibited people from seeking employment elsewhere; population declined by an average of 5,575, or 0.3 percent annually.

Economic Conditions

Economic conditions have strengthened in the Cleveland metropolitan area since 2011. Nonfarm payrolls have increased by an average of 12,000, or 1.2 percent, annually and are at the highest level since 2009.

During the fourth quarter of 2015—

- Nonfarm payrolls averaged 1.07 million, an increase of 20,000, or 1.9 percent, compared with the number of jobs during the fourth quarter of 2014, including growth in 10 of 11 payroll sectors.
- Job growth was led by the education and health services sector, which increased by 6,700 jobs, or 3.4 percent. The Cleveland Clinic Health System and University Hospitals are the two largest employers in the metropolitan area, with 34,650 and 17,850 employees, respectively.
- The leisure and hospitality sector added 5,600 jobs, an increase of 5.6 percent.

- The mining, logging, and construction sector increased 6.6 percent, the greatest percentage of any sector, adding 2,400 jobs. Construction is currently under way on the \$272 million Hilton Downtown Cleveland, which is on schedule to open by July 2016. The sector also benefited from increased residential construction; multifamily permitting increased 23 percent, to 2,125 units, in 2015 (preliminary data).
- The unemployment rate declined from 5.3 to 4.0 percent, which is the lowest rate recorded in the Cleveland metropolitan area since 2002.

The education and health services sector is the largest sector in the metropolitan area and has contributed steadily to recent economic growth. From 2010 through 2014, the sector grew by an average of 2,250 jobs, or 1.2 percent, annually. The construction of the Global

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In the Cleveland area, all but one sector expanded during the 3 months ending December 2015.

	3 Months Ending		Year-Over-Year Change	
	December 2014 (thousands)	December 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,047.0	1,067.0	20.0	1.9
Goods-producing sectors	160.2	163.0	2.8	1.7
Mining, logging, and construction	36.1	38.5	2.4	6.6
Manufacturing	124.1	124.5	0.4	0.3
Service-providing sectors	886.8	904.0	17.2	1.9
Wholesale and retail trade	153.5	155.4	1.9	1.2
Transportation and utilities	29.6	30.3	0.7	2.4
Information	14.6	15.0	0.4	2.7
Financial activities	65.4	68.5	3.1	4.7
Professional and business services	150.4	147.0	-3.4	-2.3
Education and health services	197.5	204.2	6.7	3.4
Leisure and hospitality	100.4	106.0	5.6	5.6
Other services	40.1	41.0	0.9	2.2
Government	135.4	136.5	1.1	0.8
	(percent)	(percent)		
Unemployment rate	5.3	4.0		

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

Source: U.S. Bureau of Labor Statistics



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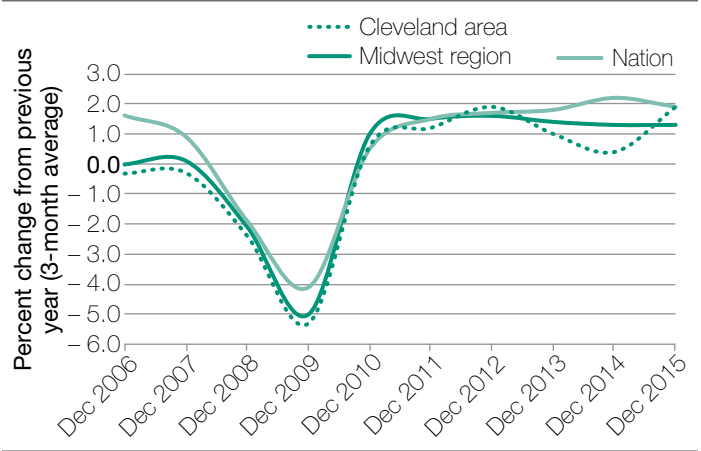
Center for Health Innovation and the FirstMerit Convention Center of Cleveland, a \$465 million joint development in the city of Cleveland, in 2013 provided an additional boost to the already expanding sector. The facility features the latest research and product development and serves as a hub for medical innovation, education, and training programs. Metropolitan-area healthcare startups lead the Midwest in attracting investment, bringing in nearly \$200 million in the past 2 years (City of Cleveland Department of Economic Development).

Largest employers in the Cleveland area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Cleveland Clinic Health System	Education and health services	34,650
University Hospitals	Education and health services	17,850
Giant Eagle, Inc.	Wholesale and retail trade	9,400

Note: Excludes local school districts.
Source: Moody's Analytics

Job growth in the Cleveland area surpassed the regional rate in mid-2015.

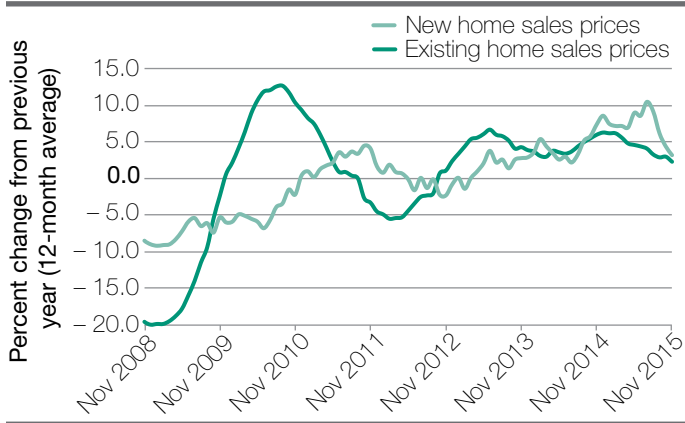


Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The sales housing market in the Cleveland metropolitan area is soft, with an estimated 2.4-percent vacancy rate, down slightly from 2.5 percent reported in 2010. The number of existing homes sold increased in 2015, reversing declines that began in July 2014, in part boosted by more real estate owned (REO) sales. The percentage of home loans in the Cleveland metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status declined from 7.1 percent in December 2014 to 6.4 percent in December 2015 (Black Knight Financial Services, Inc.). The current rate is higher than the 5.3-percent rate for Ohio and the 4.1-percent rate for the nation.

New and existing home sales prices in the Cleveland area continued increasing but at a slower pace during the 12 months ending November 2015.



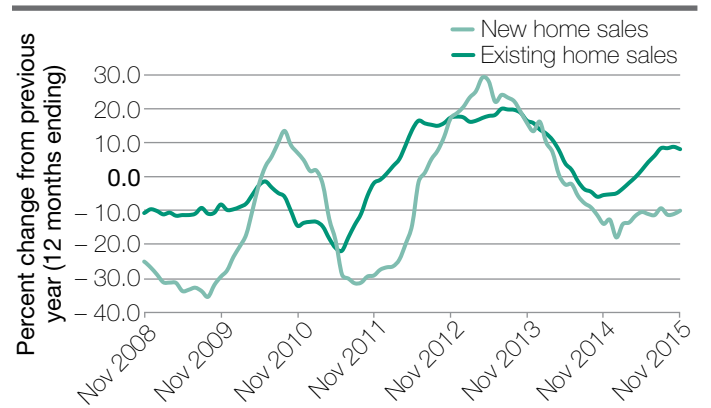
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

During the 12 months ending November 2015—

- New home sales totaled 1,425, a decline of 175 sales, or 10 percent, from the previous 12 months. New home sales are well below the average of 4,850 annually from 2001 through 2006.
- Existing home sales totaled 30,500, up 2,300 sales, or 8 percent, from the previous 12 months; REO sales rose nearly 16 percent, to 3,400. Existing home sales are below the average of 37,550 a year from 2001 through 2006 but above the average of 23,900 sales reported from 2009 through 2012.
- The average sales price for new homes was \$252,100, a 3-percent increase from the average price during the previous 12 months but down nearly 4 percent from the previous peak of \$261,700 during the 12 months ending February 2007.

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Existing home sales rebounded in April 2015, but new home sales continued to decline.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst



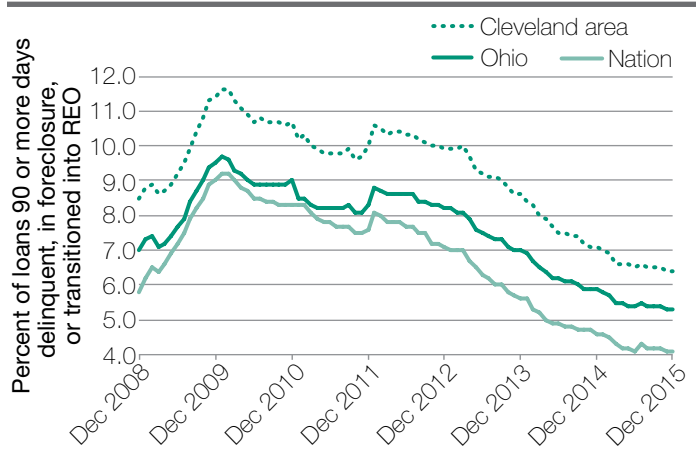
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- The average sales price for existing homes was \$136,500, an increase of 2 percent compared with the average price during the 12 months ending November 2014. The average sales price for existing homes rose an average of 4 percent a year from the end of 2011 through 2014.

Single-family home construction activity, as measured by the number of single-family homes permitted, increased during 2015 but remained well below prerecessionary levels.

- The number of single-family homes permitted increased to 2,375 during 2015, up 4 percent from the 2,275 homes permitted a year earlier (preliminary data).

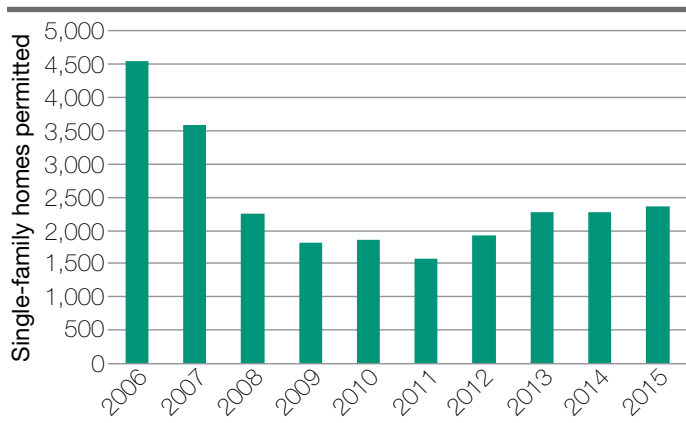
The rate of seriously delinquent mortgages and REO properties in the Cleveland area remained above the rates for Ohio and the nation but has declined significantly since 2011.



REO = real estate owned.
Source: Black Knight Financial Services, Inc.

- Single-family construction activity averaged 5,650 homes permitted annually from 2000 through 2007 before declining 65 percent to an average of 1,950 homes a year from 2008 through 2013.
- Recent developments include RiverSouth Modern Ecohomes, with 33 townhomes in the city of Fairview Park. Prices currently range from \$259,000 to \$539,000 with 12 townhomes left for sale. Construction began in 2015 on the Forest Creek subdivision in York Township, with 117 lots; the first 33 new homes are scheduled to be complete by the summer of 2016. Homes at Forest Creek will range from 1,680-square-foot, two-bedroom homes to 1,950-square-foot, four-bedroom homes, with prices starting at \$204,000.

Single-family home construction has increased with the economic recovery in the Cleveland area but remained well below the levels recorded in the mid-2000s.



Note: Includes preliminary data from January 2015 through December 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by the analyst

Apartment Market Conditions

The apartment market in the Cleveland metropolitan area is tight, with a 3.7-percent vacancy rate during the fourth quarter of 2015, down from 3.9 percent a year earlier and well below the 7.7-percent vacancy rate during the fourth quarter of 2009 (MPF Research).

Expanding economic conditions and a slowdown in net out-migration from the metropolitan area since 2011 have contributed to a decline in the apartment vacancy rate, but the higher level of multifamily permitting is expected to put upward pressure on the apartment vacancy rate.

- A total of 1,476 apartment units were added to the inventory in 2015, of which 51 percent, or 758 units, were absorbed. Construction continues on 1,415 new apartments that are expected to be delivered to the market in 2016.

- The average monthly apartment asking rent was \$838 during the fourth quarter of 2015, a nearly 4-percent increase from a year earlier after an average increase of nearly 2 percent annually from the fourth quarter of 2010 through the fourth quarter of 2014.
- The overall rental housing market is still soft, with an estimated vacancy rate of 9.6 percent (including renter-occupied single-family homes, manufactured homes, and apartment units), down from 12.6 percent in 2010.

Multifamily construction activity, as measured by the number of multifamily units permitted, has been increasing since 2011 and is currently at the highest level in 15 years.

- During 2015, approximately 2,125 multifamily units were permitted (preliminary data with adjustments by the analyst) compared with 1,725 units permitted during 2014.

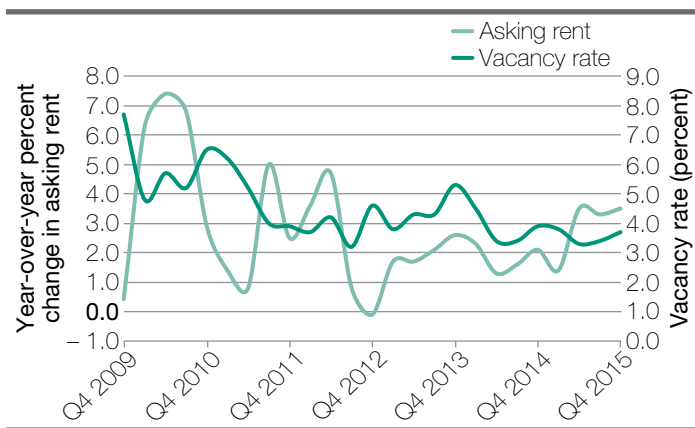
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- Multifamily construction, as measured by the number of multifamily units permitted, averaged 900 units annually from 2006 through 2012, with the exception of 2010, when multifamily construction in the metropolitan area declined to 350 units. The sudden decline in 2010 was in response to the decline in 2009 of 57,700 nonfarm payroll jobs, or nearly 5.5 percent; at the same time, the unemployment rate spiked to 8.6 percent from 6.0 percent in 2008.
- Multifamily construction averaged 1,725 units permitted a year during 2013 and 2014, as net out-migration continued to fall.

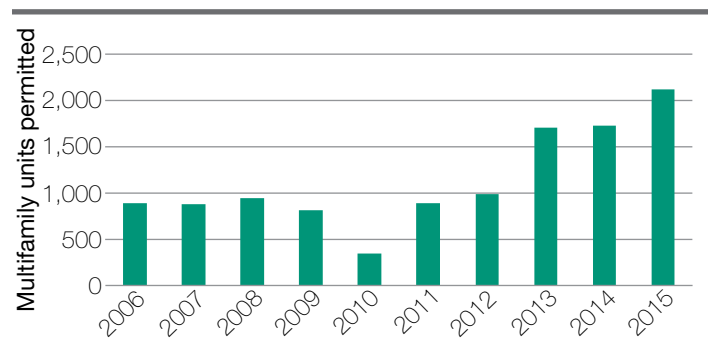
Rent increases in the Cleveland area have averaged more than 2 percent a year since the beginning of 2013.



Source: MPF Research

- Approximately 61 percent of apartments under construction in the Cleveland metropolitan area, or 1,550 units, are in Cuyahoga County, which includes the city of Cleveland. The 241-unit second phase at Flats East Bank was completed in October 2015 in downtown Cleveland. Rents start at \$1,500 for one-bedroom units, \$2,380 for two-bedroom units, and \$3,530 for three-bedroom units. Developments under construction include the 316-unit addition to Crocker Park in Westlake, which offers studio through three-bedroom luxury apartments, with rents from \$1,160 to \$3,130 per month; project completion is scheduled for early 2016.

Developers responded in 2015 to a tight rental market with the most multifamily units permitted in the Cleveland area in more than a decade.



Note: Includes preliminary data from January 2015 through December 2015. Sources: U.S. Census Bureau, Building Permits Survey; estimates by the analyst

