HUD PD&R **Regional Reports**

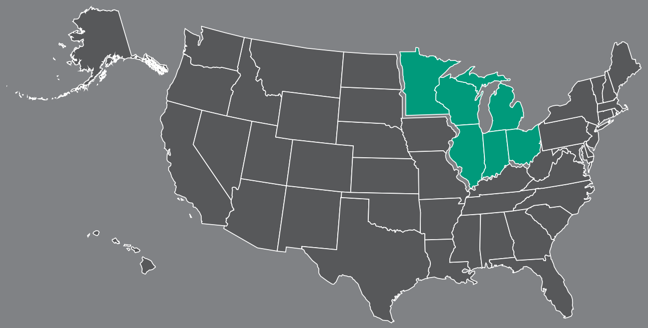
Region 5: Midwest

Akron, Ohio

Quick Facts About Region 5

- **Sales market conditions—**
  First quarter 2020: mixed (balanced to slightly tight)
  Fourth quarter 2019: balanced
  First quarter 2019: mixed (balanced to slightly tight)

- **Apartment market conditions—**
  First quarter 2020: mixed (balanced to tight)
  Fourth quarter 2019: mixed (balanced to tight)
  First quarter 2019: mixed (balanced to slightly tight)



By Gabriel A. Labovitz | 1st Quarter 2020

Overview

This report reflects market conditions as of the first quarter of 2020. Much of this period was prior to the COVID-19 outbreak in the United States and therefore most of the data in this report do not reflect the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. Initial unemployment insurance claims in the Midwest region rose by 1.09 million claims, to reach 1.12 million during the week ending March 28, 2020, compared with 30,950 claims a year earlier. HUD will continue to monitor market conditions in the region and provide an updated report reflecting conditions during the second quarter of 2020.

Economic growth in the Midwest region that began during 2010 has ended. After more than 9 years of growth, nonfarm payroll jobs in the Midwest region were mostly unchanged during the first quarter of 2020 from a year prior. The largest job growth among payroll sectors was in the education and health services sector, and the fastest-growing was the transportation and utilities sector. Among the declining sectors, the manufacturing sector reported the largest and the fastest decrease from a year earlier.

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Sales housing markets are balanced to slightly tight throughout the region, with declining home sales and increasing sales prices. Low levels of homes for sale contributed to both trends, and developers have increased production of new single-family homes. Apartment markets were balanced to tight in major metropolitan areas throughout the region, slightly tighter than a year earlier. Apartment vacancy rates fell in six of the eight major metropolitan areas included in this report, and average asking rents rose in all eight areas. Single-family home construction during the first quarter of 2020 is at the highest level since before the Great Recession, and multifamily construction, while lower than a year earlier, is at the second-highest level since before the Great Recession.

- For the first time in more than 9 years, nonfarm payroll jobs in the Midwest region did not grow appreciably. Job gains in Michigan and Wisconsin were mostly offset by declines in Illinois, Indiana, Minnesota, and Ohio.
- Population in the Midwest region increased 0.1 percent from 2018 to 2019, the same rate of growth as reported a year earlier and similar to the 0.2-percent average annual rate from 2010 to 2019. Population growth was significantly higher in the nation at 0.5 percent from 2018 to 2019, averaging 0.7 percent annually from 2010 to 2019.
- Despite relatively large levels of new residential construction of both single-family homes and multifamily units during the past 2 years, sales housing market and apartment market conditions throughout the Midwest region have maintained balanced to tight conditions.

Economic Conditions

Nonfarm payroll growth in the Midwest region was relatively flat during the first quarter of 2020 compared with the same period a year earlier. Nonfarm payrolls averaged 24.9 million jobs, an increase of just 1,900 jobs compared with job totals a year earlier, the smallest annual increase since the first quarter of 2010. Nationally, nonfarm payroll jobs grew 1.4 percent during the first quarter of 2020 compared with the same quarter a year ago. By comparison, job growth a year earlier was 0.7 percent in the Midwest region and 1.5 percent nationally. From 2009 through 2012, encompassing the initial recovery following the Great Recession, jobs increased an average of 1.4 percent annually in the Midwest region, compared with 1.2 percent annual average job growth nationally. Since 2012, national job growth has outpaced growth in the Midwest region, increasing twice as fast on average as the Midwest region.

Job gains in the Midwest region were largest in the education and health services, the transportation and utilities, and the government sectors, which grew by 47,100, 24,700, and 22,700 jobs, or 1.2, 2.3, and 0.6 percent, respectively. The education and health services sector added jobs in five of the six states in the Midwestern region, reflecting both ongoing growth in the sector and preparations for expected COVID-19 impacts. The transportation and warehousing industry contributed to all the growth in the transportation and utilities sector during the first quarter of 2020. The industry increased by 25,200 jobs, more

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During the first quarter of 2020, nonfarm payrolls in the Midwest region did not increase significantly for the first time in more than 9 years.

	First Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	24,898.5	24,900.4	1.9	0.0
Goods-Producing Sectors	4,228.5	4,202.3	-26.2	-0.6
Mining, Logging, & Construction	962.5	981.3	18.8	2.0
Manufacturing	3,266.0	3,220.9	-45.1	-1.4
Service-Providing Sectors	20,670.0	20,698.1	28.1	0.1
Wholesale & Retail Trade	3,559.7	3,529.7	-30.0	-0.8
Transportation & Utilities	1,077.9	1,102.6	24.7	2.3
Information	342.8	340.1	-2.7	-0.8
Financial Activities	1,416.2	1,427.0	10.8	0.8
Professional & Business Services	3,325.7	3,297.8	-27.9	-0.8
Education & Health Services	4,041.4	4,088.5	47.1	1.2
Leisure & Hospitality	2,380.7	2,360.0	-20.7	-0.9
Other Services	1,024.2	1,028.3	4.1	0.4
Government	3,501.5	3,524.2	22.7	0.6

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

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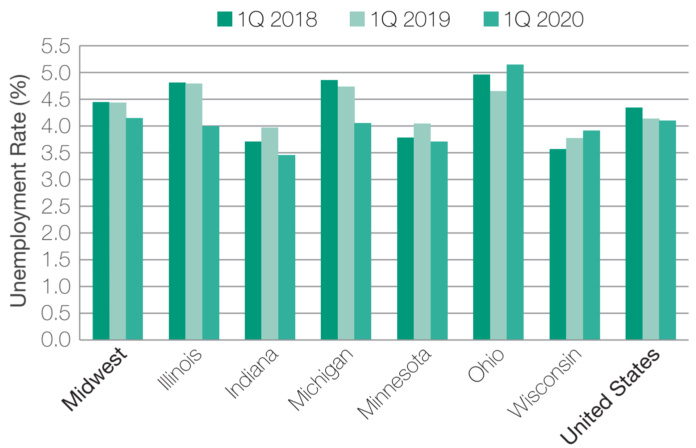
than offsetting a small decline in the utilities industry. Growth in the transportation and warehousing industry resulted from increases of 12,100 jobs in Ohio and 9,600 jobs in Michigan, gains of 5.8 and 7.2 percent, respectively. In the government sector, federal and state government jobs increased by 3,200 and 2,900 jobs, or 1.0 and 0.3 percent, respectively, and local government jobs rose by 16,600 jobs, or 0.7 percent.

The largest job declines in the Midwest region during the first quarter of 2020 occurred in the manufacturing and the wholesale and retail trade sectors, which fell by 45,100 and 30,000 jobs, or 1.4 and 0.8 percent, respectively. In the manufacturing sector, all states reported job losses, ranging from 3,200 jobs lost in Minnesota, a decline of 1.0 percent, to a loss of 15,100 jobs in Illinois, a decline of 2.6 percent. More than 80 percent of the decline in wholesale and retail trade sector jobs were among retail trade jobs, and all states reported declines.

During the first quarter of 2020—

- Only two of six Midwest region states gained jobs. In Michigan and Wisconsin, nonfarm payrolls grew by 15,900 and 11,300 jobs, respectively, or 0.4 percent each. These job gains almost equaled losses among the other four states in the region, so that regionwide job growth was stagnant.
- Job losses in the Midwest region were led by Indiana and Illinois, which reported nonfarm payroll losses of 10,400 and 6,700 jobs, or 0.3 and 0.1 percent, respectively. Smaller job losses of 5,200 and 3,000 jobs occurred in Ohio and Minnesota, or 0.3 and 0.1 percent, respectively.
- The largest nonfarm payroll job sector in the Midwest region was the education and health services sector, up from being the second largest sector in the region during the first quarter of 2010 after the government sector. Since the first quarter of 2010, the government sector fell an average of 6,900 jobs, or 0.2 percent, annually, and the education and health services sector grew by an average of 53,600 jobs, or 1.4 percent, annually.
- The unemployment rate in the Midwest region was 4.1 percent, down from 4.4 percent a year earlier. The national rate was also 4.1 percent, unchanged from a year ago. By state, unemployment rates ranged from 3.4 percent in Indiana to 5.1 percent in Ohio; four states—Illinois, Indiana, Michigan, and Minnesota—reported declining rates, while Ohio and Wisconsin reported increased rates of unemployment.
- The impacts from the COVID-19 pandemic were not fully apparent in the nonfarm payroll data, and some job sectors are expected to be more severely impacted than others in upcoming quarters. Sectors that are expected to decline further during the second quarter of 2020 include the leisure and hospitality and the wholesale and retail trade sectors. By contrast, the education and health services and the professional and business services sectors, including many jobs that can be done remotely, are expected to contract less than other sectors.

The unemployment rate fell in four of six Midwest region states, but the regional rate was slightly above the national rate during the first quarter of 2020.



1Q = first quarter.
Source: U.S. Bureau of Labor Statistics

Population

The population of the Midwest region was estimated at 52.54 million during 2019 (U.S. Census Bureau population estimates as of July 1), an increase of 49,450, or 0.1 percent, from a year earlier. Although an increase from the previous year, this increase was the second-lowest regional rate of growth among 10 HUD regions, after the New York/New Jersey region, and is well below the national growth rate of 0.5 percent. Currently, the Midwest region accounts for 16.0 percent of the national population, a ratio that has declined since July 2010, when it was 16.7 percent. Although net international in-migration into the region totaled 68,750 people from 2018 to 2019, net domestic out-migration of 138,900 people more than offset the number of international migrants. From 2010 to 2019, net out-migration from the Midwest region has averaged 61,750 people each year, and all population growth in the region has come from net natural change (resident births minus resident deaths). The population in five of six Midwest region states grew from 2018 to 2019, but the rate of growth was above the national rate only in Minnesota. Despite relatively affordable housing markets in the Midwest region, economic growth has lagged behind the national rate since 2012, contributing to below-average population growth.

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Population growth in the Midwest region remains lower than the national rate.

	Population Estimate (as of July 1)			Percentage Change	
	2017	2018	2019	2017 to 2018	2018 to 2019
United States	324,985,539	326,687,501	328,239,523	0.5	0.5
Midwest Region	52,426,086	52,492,636	52,542,063	0.1	0.1
Illinois	12,778,828	12,723,071	12,671,821	-0.4	-0.4
Indiana	6,658,078	6,695,497	6,732,219	0.6	0.5
Michigan	9,973,114	9,984,072	9,986,857	0.1	0.0
Minnesota	5,566,230	5,606,249	5,639,632	0.7	0.6
Ohio	11,659,650	11,676,341	11,689,100	0.1	0.1
Wisconsin	5,790,186	5,807,406	5,822,434	0.3	0.3

Source: U.S. Census Bureau

During the 12 months ending June 2019—

- Minnesota led the six Midwest region states in population growth, adding 33,400 people, or 0.6 percent. Although Minnesota reported the fastest growth rate in the Midwest region, it was only the 18th-fastest growing state in the country.
- Illinois, with the largest population among all states in the Midwest region, reported a decline of 51,250 people, or 0.4 percent. Only Alaska and West Virginia reported larger rates of population loss, whereas only the state of New York, which fell by 76,800 people, declined more numerically than Illinois.
- The remaining four Midwest region states had population growth, with increases ranging from minimal growth in Michigan to growth of 0.5 percent in Indiana. Net in-migration totaled 18,400 people in Indiana, the highest rate among states in the Midwest region and twice the net in-migration as reported in Minnesota, where a net total of 9,200 migrants moved to the state. In Wisconsin, net in-migration totaled 1,900 people, whereas the remaining states reported net out-migration ranging from 3,375 in Ohio to 85,800 in Illinois.
- Among 53 metropolitan areas in the United States with populations above 1.0 million, population growth in three areas in the Midwest region—Indianapolis-Carmel-Anderson, Columbus, and Minneapolis-St. Paul-Bloomington—were among the top 25 fastest-growing areas, with growth rates of 1.1, 0.9, and 0.8 percent, respectively. By contrast, the Detroit-Warren-Dearborn, Cleveland-Elyria, and Chicago-Naperville-Elgin areas were among those that declined the most, down 0.1 percent in Detroit and 0.3 percent each in Cleveland and Chicago. The decline of 25,600 people in the Chicago area trailed only Los Angeles and New York City, which decreased by 35,100 and 60,450 people, respectively.

Sales Market Conditions

Home sales market conditions in the Midwest region ranged from balanced to slightly tight during the first quarter of 2020, unchanged from conditions a year earlier. A low inventory of homes for sale and a decline in REO (real estate owned) sales contributed to fewer total home sales, while average home sales prices have risen. Available for-sale inventory in the Midwest region is low. During February 2020, there were approximately 2.2 months of supply of inventory available for sale, down from 2.6 months of supply a year earlier (CoreLogic, Inc.). Nationally, the available inventory was 2.5 months during February 2020, down from 3.0 months of supply a year earlier. Among Midwest region states, months of supply ranged from 1.6 in Minnesota and Ohio to 3.1 months in Illinois. The last time the Midwest region had a 6-month supply of available inventory was during the fall of 2012.

During the 12 months ending February 2020, home sales in the region totaled 925,800, 2 percent fewer than the sales count a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Total home sales have declined on an annual basis since late 2018. By contrast, national home sales rose 1 percent during the 12 months ending February 2020. The average home sales price in the Midwest region, for new and existing homes, was $214,600 during the 12 months ending February 2020, nearly 5 percent above the average price reported a year earlier. Nationally, average sales prices rose 3 percent during the year, to $326,100.

The average home sales price rose in each of the eight largest metropolitan areas in the region. In four of the eight areas, the increase was above the regional average increase of nearly 5 percent. The price rose the fastest in the Milwaukee-Waukesha-West Allis metropolitan area, where the average sales price increased 7 percent, to $258,900. The slowest increase was in the Chicago-Naperville-Elgin metropolitan area, rising 1 percent to $277,400. The highest average sales price among large metropolitan areas in the region was in the Minneapolis-St. Paul-Bloomington metropolitan area at $310,900, a 6-percent increase from a year earlier. Among the remaining largest metropolitan

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Although home sales fell in five of eight large metropolitan areas in the Midwest region during the 12 months ending February 2020, average sales prices rose in all eight areas.

	12 Months Ending	Number of Homes Sold			Price			
		2019	2020	Percent Change	Average	2019 ($)	2020 ($)	Percent Change
Chicago-Naperville-Elgin (N&E)	February	157,800	153,400	-3	AVG	273,700	277,400	1
Cincinnati (N&E)	February	42,550	42,950	1	AVG	202,400	211,000	4
Cleveland-Elyria (N&E)	February	35,450	37,250	5	AVG	176,800	184,500	4
Columbus (N&E)	February	40,900	41,450	1	AVG	223,900	236,500	6
Detroit-Warren-Dearborn (N&E)	February	80,900	79,350	-2	AVG	209,700	217,900	4
Indianapolis-Carmel-Anderson (N&E)	February	47,700	47,250	-1	AVG	220,900	232,100	5
Milwaukee-Waukesha-West Allis (N&E)	February	23,000	22,400	-3	AVG	241,400	258,900	7
Minneapolis-St. Paul-Bloomington (N&E)	February	71,650	71,250	-1	AVG	293,500	310,900	6

AVG = average. N&E = new and existing.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

areas in the Midwest region, the average sales price rose 4 percent each in the Cincinnati, Cleveland-Elyria, and Detroit-Warren-Dearborn metropolitan areas, to $211,000, $184,500, and $217,900, respectively. In the Indianapolis-Carmel-Anderson metropolitan area, the increase was 5 percent, to $232,100, and in the Columbus metropolitan area, the average sales price was $236,500, an increase of 6 percent.

Home sales declined in five of eight large metropolitan areas in the Midwest region, ranging from 1 percent each in the Indianapolis-Carmel-Anderson and the Minneapolis-St. Paul-Bloomington areas to 3 percent in the Chicago-Naperville-Elgin metropolitan area. Home sales rose 1 percent in the Cincinnati and the Columbus metropolitan areas, to 42,950 and 41,450 sales, respectively. In the Cleveland-Elyria area, the increase in sales was 5 percent, to 37,250 homes sold. Significant declines in REO sales contributed to the overall decrease in home sales in the Midwest region. For the region, REO home sales declined 17 percent during the 12 months ending February 2020, to 52,800 sales, or 6 percent of all existing home sales. By comparison, REO sales contributed 34 percent of all resales home sales during August and September 2009.

In February 2020, 1.3 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 1.6 percent a year earlier. Nationally, the rate was also 1.3 percent during February 2020, down from 1.7 percent a year earlier. The rate fell in every state in the region and ranged from 0.8 percent in Minnesota to 1.7 percent in Illinois and Ohio.

During the first quarter of 2020—

- In response to the current balanced to slightly tight sales housing conditions in the Midwest region, developers have increased construction of new sales housing. Single-family homebuilding in the region, as measured by the number of homes permitted, totaled 13,150 (preliminary data), 16 percent above single-family permitting a year earlier. Nationally, single-family permitting rose nearly 18 percent.
- Single-family permitting rose in all six states of the region, ranging from a 6-percent expansion in Illinois, or by 90 homes, to a 24-percent increase in Indiana, or by 630 homes. In Indiana, single-family permitting in the Indianapolis-Carmel-Anderson metropolitan area increased by 280 homes, or 20 percent, and contributed 44 percent of the statewide increase.
- Construction increased more than 7 percent annually from a recent low of 7,050 single-family homes permitted during 2011 in the Midwest region. Despite a modest decline to 11,350 homes permitted during the first quarter of 2019, single-family homes constructed during the first quarters of 2017, 2018, and the current quarter are the highest first-quarter totals since before the Great Recession.

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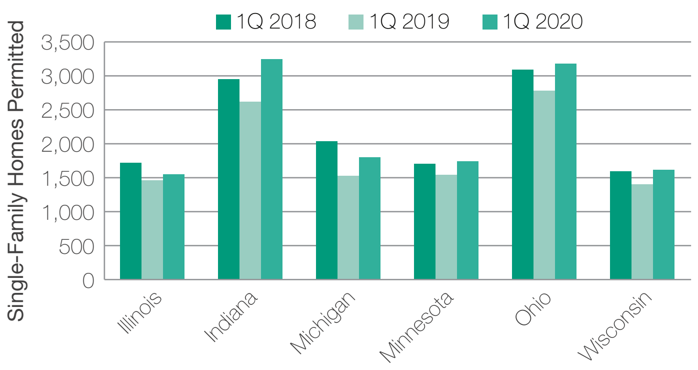
Single-family permitting rose in all six states in the Midwest region during the first quarter of 2020.



1Q = first quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

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- The share of single-family permitting has shifted due to population trends. During the first quarters from 2008 to 2020, the share of single-family homes permitted in the states of Illinois and Wisconsin fell from nearly 21 percent to less than 12 percent and from 13 to 12 percent, respectively. By contrast, at the same time, the share of single-family homes permitted in Indiana, Michigan, Minnesota, and Ohio increased.

Apartment Market Conditions

Apartment market conditions in the largest metropolitan areas of the Midwest region ranged from balanced to tight during the first quarter of 2020, unchanged from the fourth quarter of 2019. Average asking rents rose in all eight of the metropolitan areas discussed in this report, and the rent increase was above the national increase in six of the eight areas. Vacancy rates among the largest metropolitan areas in the Midwest region were low, with all but one at 5.0 percent or below. Nationally, the average rent was $1,436 during the first quarter of 2020, an increase of 4 percent, and the vacancy rate averaged 4.4 percent, down from 4.7 percent during the first quarter of 2019 (RealPage, Inc.).

In Ohio, major markets ranged from balanced to tight during the first quarter of 2020. The apartment market was balanced in the Columbus metropolitan area, where the rent rose 5 percent to $996, faster than the national increase, and the vacancy rate fell to 4.4 percent from 4.6 percent a year earlier. The vacancy rate in the Columbus area has been below 5.0 percent since 2015. Currently, there are an estimated 4,850 new apartment units under construction in the Columbus area; 36 percent of the units under construction are in the RealPage, Inc.-defined Westerville/New Albany/Delaware market area, which is north of the city of Columbus. The other two Ohio areas referenced in this report, Cincinnati and Cleveland-Elyria, had slightly tight and tight market conditions, respectively. In both of those areas, the vacancy rate was 3.7 percent, down from 4.2 and 4.5 percent a year earlier, respectively. The average rents in the Cincinnati and the Cleveland-Elyria market areas were $996 and $994, increases of 5 and 6 percent, respectively.

In the Detroit-Warren-Dearborn metropolitan area, conditions were slightly tight, and the vacancy rate rose slightly to 3.8 percent during the first quarter of 2020, up from 3.7 percent a year earlier. The average rent rose 5 percent, to $1,008, from $963 a year earlier. Currently, there are an estimated 4,775 new apartment units under construction in the metropolitan area; 29 percent of the units under construction are in the RealPage, Inc.-defined Downtown/Midtown/Rivertown market area, and 23 percent are in the Troy/Rochester Hills market area. Those two areas, which reported average rents of $1,304 and $1,109 during the first quarter of 2020, had the first- and third-highest rents of all market areas in the metropolitan area. In the Indianapolis-Carmel-Anderson metropolitan area, the apartment market is slightly tight, and the vacancy rate fell from 6.2 to 5.4 percent, while the average rent rose 5 percent, to $930. In the Milwaukee-Waukesha-West Allis metropolitan area, where conditions are also slightly tight, the vacancy rate was 3.3 percent, down slightly from 3.4 percent a year earlier, and the average rent rose 4 percent, to $1,179.

The highest average monthly asking rent among the eight largest metropolitan areas in the Midwest region was in the Chicago-Naperville-Elgin area, where the average rent was $1,546, an increase of nearly 3 percent from a year earlier. This increase was the smallest among the eight areas referenced in this report. The vacancy rate in the area fell from 5.5 to 5.0 percent. The Minneapolis-St. Paul-Bloomington metropolitan area reported the second-highest rent in the Midwest region, $1,372, an increase of

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Apartment markets in the largest metropolitan areas in the Midwest region ranged from balanced to tight during the first quarter of 2020.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2019 (%)	1Q 2020 (%)	Percentage Point Change	1Q 2019 ($)	1Q 2020 ($)	Percent Change
Chicago-Naperville-Elgin	Balanced	5.5	5.0	-0.5	1,502	1,546	3
Cincinnati	Slightly Tight	4.2	3.7	-0.5	948	996	5
Cleveland-Elyria	Tight	4.5	3.7	-0.8	890	944	6
Columbus	Balanced	4.6	4.4	-0.2	952	996	5
Detroit-Warren-Dearborn	Slightly Tight	3.7	3.8	0.1	963	1,008	5
Indianapolis-Carmel-Anderson	Slightly Tight	6.2	5.4	-0.8	884	930	5
Milwaukee-Waukesha-West Allis	Slightly Tight	3.4	3.3	-0.1	1,139	1,179	4
Minneapolis-St. Paul-Bloomington	Slightly Tight	3.2	3.6	0.4	1,311	1,372	5

1Q = first quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

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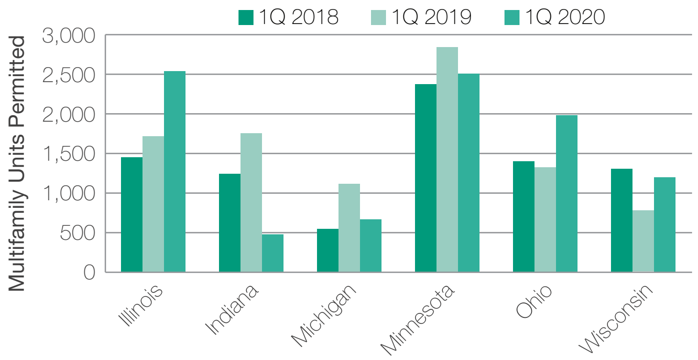
5 percent from a year earlier, and the vacancy rate rose from 3.2 percent during the first quarter of 2019 to 3.6 percent during the first quarter of 2020. There are more than 13,800 units currently under construction in the Minneapolis-St. Paul-Bloomington metropolitan area, and an average of more than 4,500 new apartments have entered the market each year since 2017.

During the first quarter of 2020—

- Multifamily construction, as measured by the number of multifamily units permitted, totaled 9,325 units (preliminary data), a decline of less than 2 percent from a year earlier. Nevertheless, the current total and the 9,500 units permitted a year earlier are the two highest counts since before the Great Recession. Nationally, multifamily permitting rose 4 percent from a year earlier.
- Multifamily permitting rose significantly in Illinois, increasing nearly 50 percent, to 2,525 units. Nearly 95 percent of the Illinois multifamily units permitted were in the nine Illinois counties within the 14-county Chicago-Naperville-Elgin metropolitan area, with Cook County contributing two-thirds of the total.
- Multifamily permitting also increased in Ohio and Wisconsin, by 650 and 420 units, or 49 and 54 percent, respectively. In Ohio, multifamily permitting in the three largest cities rose by 860 units combined, offsetting decreased construction outside of those areas. In Wisconsin, multifamily permitting fell in the Milwaukee-Waukesha-West Allis metropolitan area but was offset by increased multifamily permitting in the balance of the state.
- Multifamily permitting declined in Indiana, Michigan, and Minnesota, by 1,275, 450, and 350 units, or 73, 40, and 12 percent, respectively. The decline in multifamily permitting in Indiana was large because it was down from a peak of 1,750 units permitted during the first quarter of 2019; permitting was also below the 1,225 units permitted during the first quarters of 2017 and 2018.

Multifamily permitting in the Midwest region fell during the first quarter of 2020 compared with 2019, even as the number of units permitted rose in three of the six states.



1Q = first quarter
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey