HUD PD&R **Regional Reports**

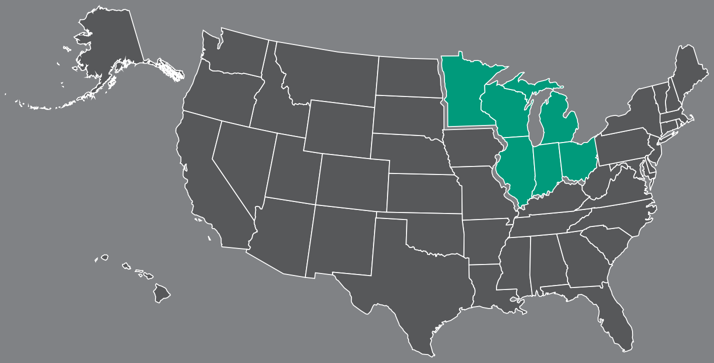
Region 5: Midwest

Milwaukee, Wisconsin

Quick Facts About Region 5

- **Sales market conditions—**
  First quarter 2021: mixed (slightly tight to tight)
  Fourth quarter 2020: mixed (slightly tight to tight)
  First quarter 2020: mixed (balanced to slightly tight)

- **Apartment market conditions—**
  First quarter 2021: mixed (slightly soft to tight)
  Fourth quarter 2020: mixed (slightly soft to tight)
  First quarter 2020: mixed (balanced to tight)



By Gabriel A. Labovitz | 1st Quarter 2021

Overview

The economy of the Midwest region continued to recover from the impacts of the COVID-19 pandemic that began during March 2020. Various measures intended to slow the spread of the virus were instituted throughout the region in mid-March 2020; the economy contracted sharply as a result. During April 2020, nonfarm payrolls in the Midwest region plummeted, declining by nearly 3.7 million jobs, or 14.7 percent. As of March 2021, nearly 2.4 million, or 65 percent, of those jobs had been recovered (monthly data; nonseasonally adjusted). Despite the introduction of the COVID-19 vaccines, case counts during the first quarter of 2021 are above case counts reported during the second and third quarters of 2020 but below fourth quarter 2020 levels. Sales housing market conditions in the region are slightly tight to tight. Existing home sales have recovered to levels before the Great Recession, although new home sales are historically low, with a lack of available inventory a contributing factor. Apartment markets in the largest metropolitan areas of the Midwest region were mixed, ranging from slightly soft to tight, unchanged from the fourth quarter of 2020, and softer than conditions a year earlier. In the two highest-cost apartment markets in the Midwest region, average rents declined while rents rose in the other six markets (RealPage, Inc.).

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- Vaccinations are now available to everyone over age 16 in the Midwest region, and restrictions on social activity have loosened, contributing to the ongoing recovery of jobs.
- Both single-family and multifamily permitting are at the highest annual first-quarter levels since before the Great Recession.
- The population of the Midwest region increased by approximately 135,000 people annually from 2010 to 2020, or 0.3 percent annual growth. Among the 10 HUD regions, the Midwest region grew the slowest from 2010 to 2020, after registering the second-slowest growth rate during the previous decade.

Economic Conditions

Economic conditions in the Midwest region contracted sharply during the first quarter of 2021 compared with a year earlier. The World Health Organization declared the COVID-19 virus a pandemic in March of 2020. The first quarter of 2020 was the last quarter with employment data unaffected by COVID-19—before efforts to contain the virus were widely adopted—leading to significant job losses. However, the rate of job growth was slowing in the Midwest region before the onset of the pandemic; from 2010 through 2017, nonfarm jobs increased 1.3 percent annually, and from 2017 through 2019, that rate of growth fell to 0.6 percent annually. During the first quarter of 2021, nonfarm payrolls totaled 23.39 million jobs, a decline of 6.2 percent, or 1.54 million jobs, compared with a year earlier; nationally, nonfarm payrolls declined 5.4 percent. Year-over-year job losses in the Midwest region are slowing; job losses were 6.8 percent during the fourth quarter of 2020, 7.4 percent during the third quarter, and 13.2 percent during the second quarter. All payroll sectors in the region declined during the first quarter of 2021 except the transportation and utilities sector, which added 20,900 jobs, or 1.9 percent. Growth in this sector has been significantly faster than overall nonfarm payroll growth since the first quarter of 2010 and is driven by increased online shopping, development of warehouses throughout the region, and delivery of purchases. By contrast, during the first quarter of 2021, the wholesale and retail trade sector in the Midwest region contracted by 97,800 jobs, or 2.8 percent, compared with a year earlier.

The leisure and hospitality sector, which currently includes an estimated 1.83 million jobs in the region, fell by 544,300 jobs, or 22.9 percent, compared with a year earlier. The current job count in the leisure and hospitality sector represents a recovery of nearly 310,000 jobs since the second quarter of 2020. Many establishments from this sector were required to close during the past year, primarily bars and restaurants, but museums, theaters, and music venues, considered "non-critical," were also closed. Currently, throughout the Midwest region, these establishments are reopening to varying degrees and at varying capacities, but bars and restaurants are reporting difficulty in finding workers—many of whom have likely taken jobs in

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Nonfarm payrolls fell in all but one sector in the Midwest region during the first quarter of 2021.

	First Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payroll Jobs	24,935.3	23,393.5	-1,541.8	-6.2
Goods-Producing Sectors	4,197.4	4,009.8	-187.6	-4.5
Mining, Logging, & Construction	982.1	946.5	-35.6	-3.6
Manufacturing	3,215.3	3,063.3	-152.0	-4.7
Service-Providing Sectors	20,737.9	19,383.7	-1,354.2	-6.5
Wholesale & Retail Trade	3,528.5	3,430.7	-97.8	-2.8
Transportation & Utilities	1,110.3	1,131.2	20.9	1.9
Information	337.5	307.4	-30.1	-8.9
Financial Activities	1,433.0	1,410.2	-22.8	-1.6
Professional & Business Services	3,313.6	3,162.4	-151.2	-4.6
Education & Health Services	4,092.0	3,881.2	-210.8	-5.2
Leisure & Hospitality	2,371.8	1,827.5	-544.3	-22.9
Other Services	1,018.8	921.7	-97.1	-9.5
Government	3,532.3	3,311.4	-220.9	-6.3

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

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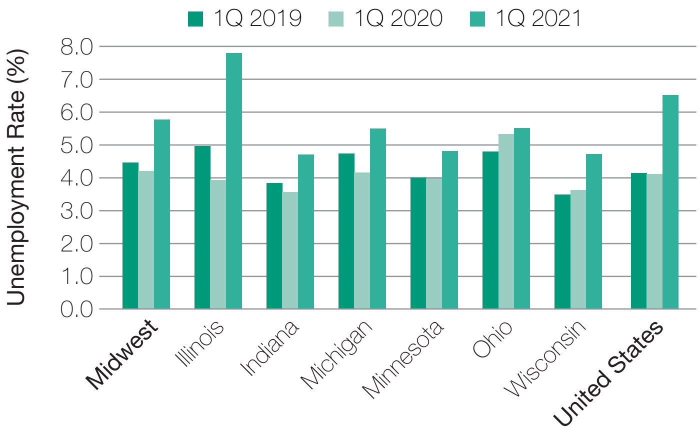
different industries. Among the remaining jobs sectors, the largest declines were in the government and the education and health services sectors, which fell by 220,900 and 210,800 jobs, or 6.3 and 5.2 percent, respectively.

During the first quarter of 2021—

- Each state in the Midwest region lost jobs. In numerical terms, the largest job loss was in Illinois, which lost 427,800 jobs, or 7.1 percent. In percentage terms, Michigan declined the most, losing 340,400 jobs, or 7.8 percent. Indiana reported both the smallest job losses and the slowest rate of decline, down by 129,000 jobs, or 4.1 percent.
- Jobs in the manufacturing sector in the Midwest region declined by 152,000, or 4.7 percent. There may be continued declines during the next year because of shortages of computer chips needed in automobile manufacturing, which has led to temporary shutdowns in several automobile manufacturing plants.
- Weekly unemployment claims are at comparatively low levels; initial claims, representing people newly unemployed, totaled 112,600 during the week ending March 27, 2021—the lowest level since the week ending October 3, 2020. Continuing claims totaled 792,000 during the week ending March 27, 2021, which is the lowest figure since the week ending March 28, 2020, during the beginning of the pandemic and before significant economic dislocations occurred.
- The unemployment rate for the Midwest region averaged 5.8 percent, compared with 4.2 percent a year earlier, and below the national unemployment rate of 6.5 percent, up from 4.1 percent a year earlier. By state, average unemployment rates ranged from 4.7 percent in both Indiana and Wisconsin to 7.8 percent in Illinois; Illinois was the only state in the Midwest region where the unemployment rate was above the national average.
- An estimated 51 percent of the population age 16 and over has received at least one dose of the COVID-19 vaccine in the Midwest region, compared with approximately 50 percent nationally. As more of the population is vaccinated, restrictions on social gathering and activity may be loosened, leading to continued recovery in economic activity.

Unemployment rates rose in all six Midwest region states during the first quarter of 2021; the rate exceeded the national rate in Illinois only.



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

Population

As of April 1, 2020, the population of the Midwest region was 53.08 million people, reflecting an average annual increase of 0.3 percent since April 1, 2010, and the same annual rate of growth recorded from April 1, 2000, to April 1, 2010. By contrast, the national population rose 0.7 percent annually, on average, from 2010 to 2020, following growth averaging 0.9 percent annually from 2000 to 2010. Among ten HUD regions, the Midwest region reported the slowest population growth rate from 2010 to 2020 and the second slowest population growth rate during the previous decade. By contrast, the population in the Rocky Mountain region increased the fastest among 10 HUD regions during both decades. Differences in population growth among the 10 HUD regions are primarily because of economic performance. From 2010 to 2020, nonfarm payrolls in the Midwest region increased an average of 1.1 percent annually, below the national average of 1.5 percent annually. During the previous decade, nonfarm payrolls declined an average of 0.9 percent annually in the Midwest region while remaining stable nationally. Economic growth below the national average discourages in-migration; the Midwest region relies on international net in-migration to partially offset population loss from domestic net out-migration.

- From April 1, 2010, to April 1, 2020, three of six states in the Midwest region ranked among the 10 slowest growing states in the nation: Illinois, Michigan, and Ohio ranked third, fifth, and sixth, after the population declined slightly in Illinois and grew an average of 0.2 percent annually in both Michigan and Ohio. Only West Virginia and Mississippi reported population growth below the rate in Illinois.
- By contrast, Minnesota reported the fastest rate of population growth among Midwest region states from 2010 to 2020, increasing an average of 0.7 percent annually and ranking 19th among the states. Indiana and Wisconsin grew the

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While the population in the nation grew at a slower rate from 2010 to 2020 than during the previous decade, rates of population growth for Midwest region states were mixed.

	Resident Population (as of April 1)			Percentage Change	
	2000	2010	2020	2000 to 2010	2010 to 2020
United States	285,230,516	312,471,327	334,735,155	0.9	0.7
Midwest Region	50,074,516	51,725,489	53,075,027	0.3	0.3
Illinois	12,419,293	12,830,632	12,812,508	0.3	0.0
Indiana	6,080,485	6,483,802	6,785,528	0.6	0.5
Michigan	9,938,444	9,883,640	10,077,331	-0.1	0.2
Minnesota	4,919,479	5,303,925	5,706,494	0.8	0.7
Ohio	11,353,140	11,536,504	11,799,448	0.2	0.2
Wisconsin	5,363,675	5,686,986	5,893,718	0.6	0.4

Source: U.S. Census Bureau

next-fastest among states in the region, increasing at average rates of 0.5 and 0.4 percent, and ranking 29th and 34th in the nation, respectively.

- From 2019 to 2020, the population in the Midwest region fell by 51,700 people, compared with growth averaging 100,800 people annually from 2010 to 2016; from 2016 to 2019, population growth averaged 63,200 people annually (population estimates as of July 1).
- Population change decreased significantly from 2019 to 2020 because of declines in births, increased deaths, and a strong contraction of migration. The decline in births was almost 7 percent during the period from 2019 to 2020 compared with births reported from 2010 to 2011. During the same periods, deaths in the Midwest region were up more than 15 percent from 2019 to 2020 compared with deaths reported from 2010 to 2011.
- International net in-migration totaled 52,600 from 2019 to 2020, a 55-percent decline from the recent peak level from 2015 to 2016. Domestic net out-migration from the Midwest region averaged 162,600 annually from 2010 to 2020. Nationally, international net in-migration into the United States, which peaked recently at 1.07 million people from 2015 to 2016, fell to 477,000 from 2019 to 2020, a decline of more than 55 percent, primarily because of international travel restrictions due to the COVID-19 pandemic.

Sales Market Conditions

Sales housing markets in the Midwest region ranged from slightly tight to tight, unchanged from conditions reported during the previous quarter and slightly tighter than a year earlier. The number of home sales declined in four of the six states in the Midwest region, and prices rose sharply in all six, resulting from a low and declining inventory of homes for sale. Historically low levels of for-sale inventory contributed to declines in home sales, and potential home sellers may be reluctant to list their homes for sale if they are not confident in their ability to buy a replacement home. Although builders have increased single-family home production since the first quarter of 2019, new supply has failed to keep up with demand. Increasing costs for land, supplies, and workers have contributed to the current shortage of homes for sale.

The inventory of homes for sale in the Midwest region has been declining since 2011, when more than 10 months of supply was available (CoreLogic, Inc.). In late 2012, the supply of homes for sale fell below 6 months, which is typically considered balanced. In March 2021, there was an estimated 1.1-month supply of homes for sale, down from a 2.4 month supply a year earlier. Nationally, trends were similar; a 1.4-month supply of homes was for sale during March 2021, down from a 2.7-month supply a year earlier. As of March 2021, the supply of homes for sale in the Midwest region ranged from 0.8 months in Michigan and Ohio to 1.5 months in Illinois and Wisconsin.

Home sales (including new and existing homes) in the Midwest region reached a recent peak during the first quarter of 2020, when 82,500 homes sold, the highest sales total since before the Great Recession (Zonda, with adjustments by the analyst). During the 12 months ending February 2021, 77,250 homes sold, down 6 percent from a year earlier. New home sales fell nearly 4 percent to 3,450 sales during the same period, and existing home sales declined more than 6 percent to 73,800. Real estate owned (REO) sales have been declining since 2013, when a recent peak of 16,250 REO sales was reported, resulting from the foreclosure crisis following the Great Recession. During the 12 months ending February 2021, approximately 2,950 REO homes sold, nearly 39 percent below

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During the first quarter of 2021, home sales declined in most Midwest region states, and average sales prices rose strongly throughout the region.

	12 Months Ending	Number of Homes Sold 2020	Number of Homes Sold 2021	Number of Homes Sold Percent Change	Average	Price 2020 ($)	Price 2021 ($)	Price Percent Change
Illinois	February	205,900	191,622	-7	AVG	$244,285	$267,073	9
Chicago-Naperville-Elgin, IL-IN-WI	February	155,818	145,860	-6	AVG	$274,163	$308,761	13
Indiana	February	161,371	155,413	-4	AVG	$179,399	$213,587	19
Indianapolis-Carmel-Anderson, IN	February	48,050	48,672	1	AVG	$212,033	$247,268	17
Michigan	February	163,126	148,164	-9	AVG	$200,459	$219,448	9
Detroit-Warren-Dearborn, MI	February	81,261	71,830	-12	AVG	$216,808	$238,689	10
Minnesota	February	112,857	115,156	2	AVG	$267,708	$285,079	6
Minneapolis-St. Paul-Bloomington, MN-WI	February	72,439	72,496	0	AVG	$310,091	$333,574	8
Ohio	February	229,268	190,470	-17	AVG	$178,285	$196,568	10
Cincinnati, OH-KY-IN	February	44,223	37,583	-15	AVG	$211,614	$227,459	7
Cleveland-Elyria, OH	February	37,658	29,151	-23	AVG	$184,498	$205,092	11
Columbus, OH	February	41,938	38,240	-9	AVG	$236,888	$266,540	13
Wisconsin	February	114,942	126,033	10	AVG	$205,224	$221,682	8
Milwaukee-Waukesha, WI	February	23,081	24,070	4	AVG	$258,410	$286,422	11

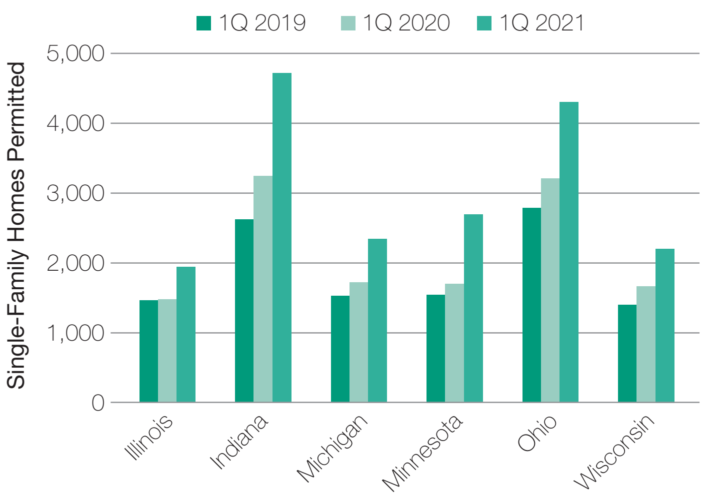
AVG = average.
Notes: Some metropolitan areas include counties in more than one state. Home sales and prices include new and existing homes.
Source: Zonda, with adjustments by the analyst

the level of sales a year earlier and accounting for 4 percent of all existing home sales in the region. By contrast, REO home sales represented nearly one-fourth of all existing home sales during 2013. Home sales by state were mixed; sales increased 10 percent in Wisconsin and 2 percent in Minnesota and fell by rates ranging from 4 percent in Indiana to a 17-percent decline in Ohio.

The average home sales (including new and existing homes) price in the region was $232,100 during the 12 months ending February 2021, nearly 11-percent above the average price a year earlier and a record-high for the region (Zonda, with adjustments by the analyst). New and existing home sales prices averaged $375,300 and $225,100, respectively, up 2 and 12 percent from a year ago. Average home sales prices rose in each state of the Midwest region during the 12 months ending February 2021, ranging from 8 percent in Wisconsin to 19 percent in Indiana. Despite the large increase in average sales prices in Indiana during the past year, the average sales price of $213,600 is the second-lowest among the six states in the region, above only Ohio, where the average sales price was $196,600.

The rate of seriously delinquent mortgage loans (loans 90 or more days delinquent or in foreclosure) and REO (real estate owned) properties in the Midwest region rose during the past year, from 1.3 percent in February 2020 to 3.3 percent in February 2021 (CoreLogic, Inc.). Nationally, the rate was

Slightly tight to tight sales housing market conditions in the Midwest region contributed to increased homebuilding during the first quarter of 2021.



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

3.9 percent during February 2021, compared with 1.3 percent a year ago. All states in the region reported increases in the rate from a year ago, ranging from 2.1 percent in Wisconsin to 4.3 percent in Illinois. Provisions in the Coronavirus Aid, Relief,

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and Economic Security (CARES) Act, which was enacted in March 2020, placed a moratorium on foreclosures of homes with federally backed mortgages, which likely kept rates from increasing further.

During the first quarter of 2021 (preliminary data)—

- In the Midwest region, the number of single-family homes permitted totaled 18,200, an increase of nearly 40 percent from a year earlier. By contrast, single-family home permitting rose nearly 26 percent nationally.
- Each state in the Midwest region reported significant gains in single-family permitting compared with a year ago, ranging from a 30-percent increase in Illinois to a 58-percent increase in Minnesota. The most homes permitted were in Indiana, where 4,725 homes were permitted, and in Ohio, where 4,300 homes were permitted; the level of single-family homes permitted in each state during the first quarter of 2021 was the highest level since before the Great Recession.
- Indiana and Ohio typically provide the largest contribution to regionwide single-family home permitting, accounting for 23 and 25 percent of all single-family homes permitted in the region, respectively. Despite being the most populous state in the Midwest region, Illinois contributed less than 11 percent of single-family homes permitted during the first quarter of 2021, the lowest among six Midwest region states, due to slower economic growth and a declining population.
- In the past year, the composition of residential development shifted toward single-family home construction in the Midwest region and nationally. During the first quarter of 2019, only 54 percent of residential building permits issued were for single-family homes; during the first quarter of 2021, that proportion was 65 percent. Nationally, single-family homes were approximately 61 percent of residential permitting during the first quarter of 2019, a proportion that rose to 66 percent during the first quarter of 2021.

Apartment Market Conditions

Apartment market conditions in the eight largest metropolitan areas in the Midwest region were slightly soft to tight, unchanged from the fourth quarter of 2020, and weaker than conditions a year earlier. Apartment vacancy rates rose in five of the eight metropolitan areas, and average rents rose in six. The two metropolitan areas with the highest average rents—Chicago-Naperville-Elgin, IL-IN-WI and Minneapolis-St. Paul-Bloomington, MN-WI—reported rent declines during the past year. Multifamily construction activity, as measured by building permits issued, was up slightly for the region and mixed among the six states.

Apartment vacancy rates during the first quarter of 2021 among the eight largest metropolitan areas in the region ranged from 2.8 percent in the Detroit-Warren-Dearborn area to 5.9 percent in the Chicago-Naperville-Elgin area (RealPage, Inc.). The vacancy rate fell in the Cleveland-Elyria, the Detroit-Warren-Dearborn, and the Indianapolis-Carmel-Anderson metropolitan areas and increased in the other five. The metropolitan areas reporting the largest vacancy increase were the Chicago-Naperville-Elgin and the Minneapolis-St. Paul-Bloomington areas. Nationally, the average apartment vacancy rate was 4.5 percent during the first quarter of 2021, compared with 4.4 percent a year earlier.

Despite year-over-year apartment rents falling 4 and 1 percent during the first quarter of 2021 in the Chicago-Naperville-Elgin and the Minneapolis-St. Paul-Bloomington metropolitan areas, respectively, those areas still retained the highest rents in the region at $1,520 and $1,360 (RealPage, Inc.). Average rents rose in the remaining six metropolitan areas highlighted in this report, ranging from a 3.0-percent increase to $1,034 in the Cincinnati metropolitan area to an increase of 5.5 percent in the Detroit-Warren-Dearborn metropolitan area to $1,060. Nationally, the average apartment rent was $1,441 during the first quarter of 2021, unchanged from a year earlier. During late March 2021, an estimated 12 percent of renter households in the Midwest region were behind on their rent, compared with 14 percent nationally (U.S. Census Household Pulse Survey, week 27). The U.S. Centers for Disease Control and Prevention issued an order halting eviction for nonpayment of rent for eligible households through June 30, 2021; that order has since been stricken down in U.S. District Court but remains in place pending the results of an appeal. Illinois and Minnesota have statewide eviction moratoriums that offer various levels of protection to affected renter households, but renter evictions may increase in the four states that do not offer such protection.

Vacancy rate and rent trends diverge when looking at a more granular geographic level, such as downtown areas versus more suburban areas. Each of the eight largest metropolitan areas in the region has RealPage, Inc.-defined submarket areas, including those representing the downtown areas. The market areas that encompass the eight downtowns reported a combined 8.7 percent vacancy rate during the first quarter of 2021, well above the 5.6 percent rate a year earlier; by contrast, in the suburban balance of the eight metropolitan areas, the

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Average apartment rents fell in the two highest-cost metropolitan areas in the Midwest region during the first quarter of 2021, and the vacancy rate rose the most in the same two high-rent market areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2020 (%)	1Q 2021 (%)	Percentage Point Change	1Q 2020 ($)	1Q 2021 ($)	Percent Change
Chicago-Naperville-Elgin	Slightly Soft	5.0	5.9	0.9	1,581	1,520	-3.9
Cincinnati	Slightly Tight	3.5	3.9	0.4	1,004	1,034	3.0
Cleveland-Elyria	Tight	3.8	3.7	-0.1	970	1,006	3.7
Columbus	Tight	4.3	4.4	0.1	1,001	1,046	4.5
Detroit-Warren-Dearborn	Tight	3.7	2.8	-0.9	1,005	1,060	5.5
Indianapolis-Carmel-Anderson	Slightly Tight	5.4	4.8	-0.6	939	970	3.3
Milwaukee-Waukesha-West Allis	Slightly Tight	3.3	3.7	0.4	1,185	1,235	4.2
Minneapolis-St. Paul-Bloomington	Slightly Soft	3.5	4.6	1.1	1,373	1,360	-0.9

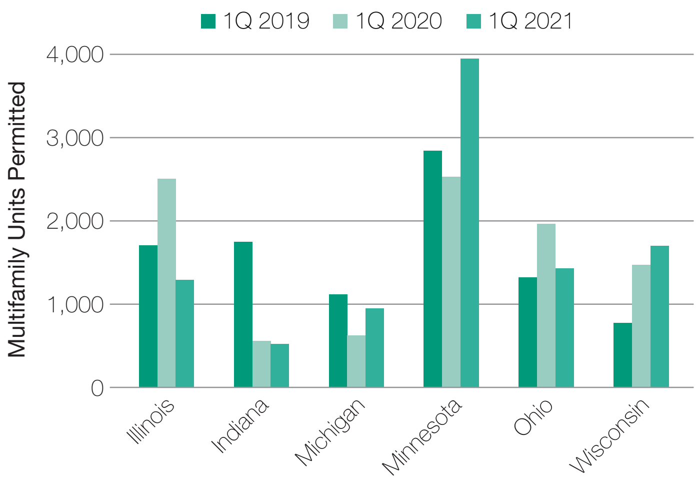
1Q = first quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

vacancy rate was 4.0 percent, down slightly from 4.1 percent a year earlier. At the same time, the average apartment rent in the eight downtown areas was $1,840, nearly 7-percent below the average rent a year earlier; in the suburban market areas, the average rent rose more than 3 percent, to $1,123. It seems likely the trend toward remote working among many workers contributed to renter households moving from downtowns to suburban locations with lower rents due to the COVID-19 pandemic.

During the first quarter of 2021 (preliminary data)—

- Multifamily construction in the Midwest region, as measured by the number of multifamily units permitted, rose nearly 2 percent from the first quarter of 2020 to 9,825 units. Nationally, multifamily construction rose more than 14 percent during the first quarter of 2021 compared with a year ago.
- In the eight largest metropolitan areas in the Midwest region highlighted in this report, multifamily construction totaled 8,125 units, or 5 percent more units permitted than a year earlier. Multifamily construction in the eight largest metropolitan areas constituted nearly 83 percent of all multifamily construction in the region. By contrast, from the first quarter of 2012 through the first quarter of 2015, multifamily construction in the eight largest metropolitan areas averaged 64 percent of the regionwide total.
- Multifamily construction by state varied greatly; in Illinois and Ohio, multifamily construction fell 49 and 27 percent, respectively, and was offset by increased construction in Michigan and Minnesota, where permitting rose 52 and 56 percent, respectively. Most of the decline in multifamily construction in Illinois was in the Chicago-Naperville-Joliet IL-IN-WI metropolitan area; most of the increase in Minnesota was in the Minneapolis-St. Paul-Bloomington MN-WI metropolitan area.
- Despite the recent decline of multifamily units permitted in the Chicago-Naperville-Joliet metropolitan area during the past year, and the increase reported in the Minneapolis-St. Paul-Bloomington metropolitan area, an average of 1,600 multifamily units were permitted in each of those metropolitan areas during the first quarter of the past 10 years. The metropolitan area with the next-largest number of multifamily units permitted during the first quarter of the past 10 years, on average, was the Columbus metropolitan area, where 820 units, on average, were permitted.

During the first quarter of 2021, multifamily permitting was mixed in Midwest region states because of some softening markets compared with a year earlier.



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Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey