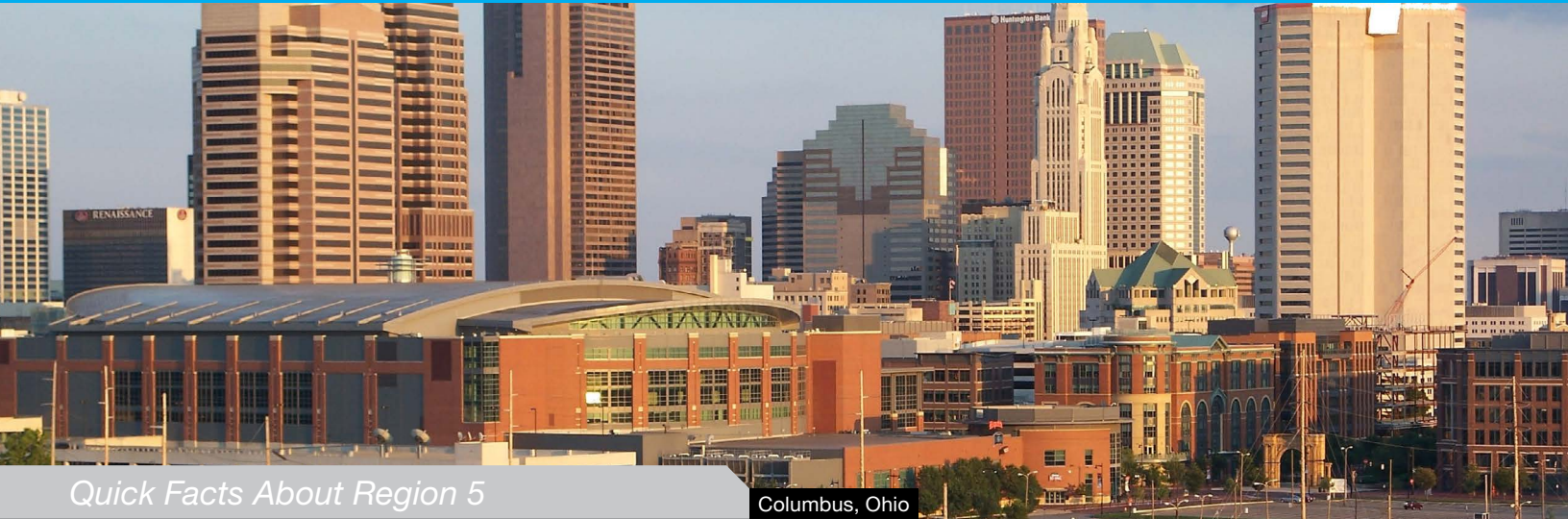


# HUD PD&R Regional Reports

## Region 5: Midwest

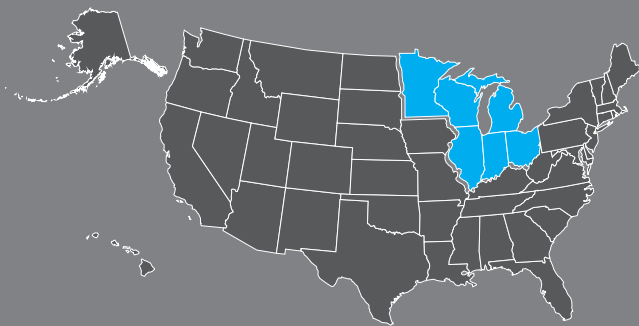


Columbus, Ohio

By EMAD Region 5 staff | 4th quarter 2016

### Quick Facts About Region 5

- **Sales market conditions—**  
Fourth quarter 2016: mixed (balanced to soft).  
Third quarter 2016: mixed (balanced to soft).  
Fourth quarter 2015: mixed (balanced to soft).
- **Apartment market conditions—**  
Fourth quarter 2016: mixed (slightly soft to tight).  
Third quarter 2016: mixed (balanced to tight).  
Fourth quarter 2015: mixed (balanced to tight).



### Overview

Economic conditions in the Midwest region strengthened, but at a slower pace during the fourth quarter of 2016 than the same quarter a year earlier; the number of jobs increased in every state in the region. Growth was the greatest in the professional and business services and the education and health services sectors, which accounted for 49 percent of job gains in the region. Overall nonfarm payroll growth was limited by declines in the manufacturing and information sectors. Sales housing market conditions in the region were unchanged, ranging from soft to balanced, and single-family homebuilding activity increased in five of the six states in the region. Apartment market conditions were balanced throughout much of the region but softened as vacancy rates rose in four of the eight major markets cited in this report, and rent growth slowed from a year earlier in five of the eight markets.

- The pace of nonfarm payroll gains during the fourth quarter of 2016 represented the slowest fourth quarter growth since 2010. Nonfarm payrolls increased to 25.01 million jobs during the fourth quarter of 2016, up 1.0 percent compared with 24.75 million jobs, or a 1.3-percent gain, during the fourth quarter of 2015.
- Home sales in the region declined 3 percent to 880,900 homes, whereas the average sales price rose 3 percent to \$175,100.

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- Single-family homebuilding activity, as measured by the number of homes permitted, increased 7 percent in the region, equivalent to the 7-percent growth nationally.
- Multifamily construction activity, as measured by the number of units permitted, rose 13 percent compared with a decline of 10 percent nationwide.

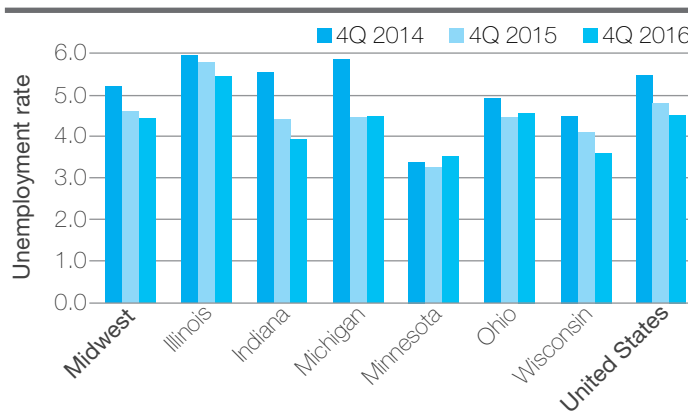
## Economic Conditions

Economic conditions in the Midwest region continued to improve, but the pace of nonfarm job gains was the slowest since the beginning of recovery from the Great Recession in the third quarter of 2010. During the fourth quarter of 2016, all six states in the region added jobs, with total nonfarm payrolls increasing by 259,400 jobs to approximately 25 million jobs, up 1.0 percent from the fourth quarter of 2015. By comparison, the national rate of nonfarm job growth was 1.5 percent. In the Midwest region, the professional and business services sector, up by 66,400, or 2.0 percent, led job growth, with the greatest gains of 24,200 and 18,400 occurring in Michigan and Illinois, respectively, in part because of additions in technology- and engineering-related industries. Jobs also notably increased by 60,700, or 1.5 percent, in the education and health services sector. All job gains in the sector occurred in the health care and social assistance subsector, which accounts for 85 percent of total sector employment. Jobs in the subsector rose in every state in the region from the fourth quarter of 2015. In Ohio, the Cleveland Clinic opened a new hospital in the city of Avon in November 2016. The \$161 million, 212,000-square-foot facility features 126 hospital rooms and is one of the most technologically advanced hospitals

in Northeast Ohio (Cleveland Clinic). The education and health services sector is expected to continue growing to service the aging population in the region.

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The unemployment rate in the Midwest region declined during each of the past 3 years; the fourth quarter rates in Indiana, Minnesota, and Wisconsin were lower than the national rate.



4Q = fourth quarter.  
Source: U.S. Bureau of Labor Statistics

### Nonfarm payrolls in 9 of the 11 sectors increased in the Midwest region during the fourth quarter of 2016.

	Fourth Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	24,750.3	25,009.7	259.4	1.0
Goods-producing sectors	4,166.8	4,170.5	3.7	0.1
Mining, logging, and construction	993.2	1,008.1	14.9	1.5
Manufacturing	3,173.7	3,162.4	- 11.3	- 0.4
Service-providing sectors	20,583.5	20,839.2	255.7	1.2
Wholesale and retail trade	3,728.2	3,745.5	17.3	0.5
Transportation and utilities	994.5	1,007.7	13.2	1.3
Information	363.7	357.9	- 5.8	- 1.6
Financial activities	1,348.0	1,368.1	20.1	1.5
Professional and business services	3,311.7	3,378.1	66.4	2.0
Education and health services	3,931.3	3,992.0	60.7	1.5
Leisure and hospitality	2,337.6	2,384.5	46.9	2.0
Other services	1,030.7	1,041.2	10.5	1.0
Government	3,537.9	3,564.1	26.2	0.7

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



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During the fourth quarter of 2016—

- Nearly one-third of all jobs gained in the region occurred in Michigan, where nonfarm payrolls rose by 85,100 jobs, or 2.0 percent, from the fourth quarter of 2015. Significant gains occurred in the professional and business services and the leisure and hospitality sectors, which expanded by 27,700 and 14,900 jobs, or 4.3 and 3.6 percent, respectively.
- In Ohio, net nonfarm payroll gains totaled 45,300, or 0.8 percent, as losses occurred in four sectors; the manufacturing sector and the mining and logging subsector fell by 2,700 and 1,800 jobs, or 1.0 and 13.0 percent, respectively. Continued workforce reductions among local steelmakers, a slowdown in drilling for gas and oil, and an upcoming layoff of 1,200 employees at the General

Motors Lordstown Complex will likely contribute to tepid job growth among the goods-producing sectors in Ohio in the near future.

- Nonfarm payrolls gains were the least in Illinois, Indiana, Minnesota, and Wisconsin, ranging from additions of 29,800 jobs in Wisconsin to 36,500 jobs in Minnesota. In Illinois, Indiana, and Ohio, the rates of nonfarm payroll growth were at their lowest since 2011.
- The unemployment rate in the region was 4.5 percent, the same rate as the current national average and down from 4.6 percent during the fourth quarter of 2015. Unemployment rates declined from the fourth quarter of 2015 in Illinois, Indiana, and Wisconsin and remained the same in Michigan.

## Sales Market Conditions

During the fourth quarter of 2016, sales housing market conditions in the Midwest region ranged from balanced to soft, unchanged from the previous year. Home sales prices continued to rise throughout the region but somewhat more slowly than a year earlier. The average home sales price for the region (including single-family homes, townhomes, and condominiums) rose 3 percent, to \$175,100, during the 12 months ending November 2016, down from a 4-percent increase during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The average home sales price in the nation rose 6 percent during the 12 months ending November 2016, up from a 5-percent increase a year earlier. Average home sales prices increased in all eight major metropolitan areas in the Midwest region, ranging from 1 percent in the Indianapolis-Carmel-Anderson metropolitan area to 13 percent in the Detroit-Warren-Dearborn metropolitan area, where for-sale inventories decreased

(CoreLogic, Inc.). Average home sales prices in the region ranged from \$146,000 in the Cleveland-Elyria metropolitan area to \$260,100 in the Chicago-Naperville-Elgin metropolitan area, all which were less than the national average of \$274,200.

During the 12 months ending November 2016, the number of home sales in the region contracted to 880,900, a 3-percent reduction, after a 9-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). By comparison, home sales nationwide decreased 5 percent during the 12 months ending November 2016 after an 8-percent increase during the previous 12-month period. Home sales fell in four of the eight major metropolitan areas in the region, ranging from a 2-percent decline in the Cincinnati and Columbus metropolitan areas to a drop of 14 percent in the Chicago-Naperville-Elgin metropolitan area, where job growth slowed. Sales growth in the remaining four metropolitan

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**The number of homes sold declined in four of eight major metropolitan areas in the Midwest region, and average sales prices increased in all eight.**

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Chicago-Naperville-Elgin, IL-IN-WI (N&E)	November	140,357	120,473	- 14	AVG	255,718	260,092	2
Cincinnati, OH-KY-IN (N&E)	November	39,998	39,339	- 2	AVG	165,714	172,035	4
Cleveland-Elyria, OH (N&E)	November	33,004	35,458	7	AVG	139,526	145,999	5
Columbus, OH (N&E)	November	37,848	37,138	- 2	AVG	186,604	190,060	2
Detroit-Warren-Dearborn, MI (N&E)	November	86,347	76,961	- 11	AVG	146,072	165,225	13
Indianapolis-Carmel-Anderson, IN (N&E)	November	49,044	49,319	1	AVG	187,199	188,624	1
Milwaukee-Waukesha-West Allis, WI (N&E)	November	23,904	25,016	5	AVG	198,993	202,264	2
Minneapolis-St. Paul-Bloomington, MN-WI (N&E)	November	67,439	68,192	1	AVG	251,289	259,437	3

AVG = average. N&E = new and existing.

Source: CoreLogic, Inc., with adjustments by the analyst

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areas ranged from 1 percent in the Indianapolis-Carmel-Anderson and the Minneapolis-St. Paul-Bloomington metropolitan areas to 7 percent in the Cleveland-Elyria metropolitan area.

Home sales declined for all sales types during the 12 months ending November 2016. The largest reduction occurred in real estate owned (REO) sales, down 26 percent, the same rate of decline as nationwide and significantly greater than the 12-percent decrease in the Midwest region during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The percentage of mortgage loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status in the region declined 0.6 percentage point to 2.5 percent in November 2016, similar to the 0.7-percentage-point national decline to 2.6 percent during November 2016. In the region, the percentage of seriously delinquent loans and REO properties declined in every state, with the greatest decrease occurring in Illinois, down 0.8 percentage point, to 3.1 percent in November 2016.

During the fourth quarter of 2016 (preliminary data)—

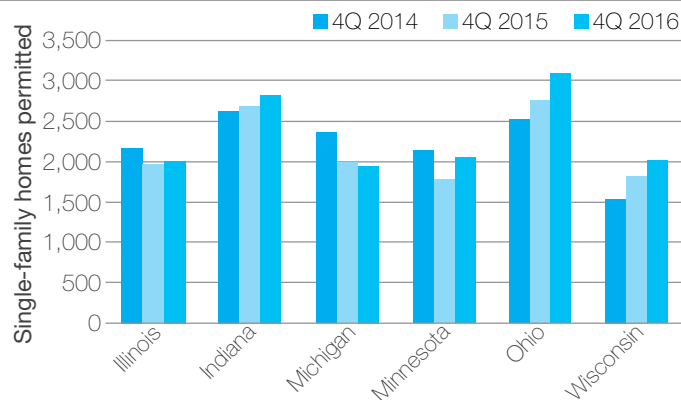
- Single-family homebuilding activity, as measured by the number of homes permitted, increased 7 percent in the region, to 13,900 homes, from a year earlier, when homebuilding declined 2 percent.
- More than one-fifth of all single-family homes permitted in the region were in Ohio, where permitting rose to 3,100, an 11-percent gain, after a 10-percent gain during the same period a year earlier.
- The fastest growth in single-family homebuilding activity was in Minnesota, where the number of units permitted increased 15

## Apartment Market Conditions

Apartment market conditions in the largest market areas in the Midwest region ranged from slightly soft to tight during the fourth quarter of 2016. Vacancy rates rose year over year in four of the eight largest metropolitan areas and were unchanged in three others. The greatest increases in vacancy rates were in the Milwaukee-Waukesha-West Allis and Cincinnati metropolitan areas, where the rates rose 0.7 and 0.5 percentage point, to 4.5 and 5.2 percent, respectively (Axiometrics, Inc.). The tight Minneapolis-St. Paul-Bloomington metropolitan area was the only one that recorded a decline in the vacancy rate, down 1.2 percentage points to 3.3 percent.

Rents continued to increase in the Midwest but at a slower pace than a year ago. During the fourth quarter of 2016, the average monthly rent increased or was unchanged in seven of the eight

In the Midwest region, single-family permitting increased in the fourth quarter of 2016 over the fourth quarter of 2015 in every state except Michigan.



4Q = fourth quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

percent, to 2,050, compared with a 17-percent reduction during the same period a year earlier. In Wisconsin, homebuilding activity grew 12 percent, to 2,025, compared with an 18-percent increase during the fourth quarter of 2015.

- Homebuilding activity rose 2 and 5 percent in Illinois and Indiana, respectively.
- Michigan was the only state in the region where single-family home permitting declined; the number of units permitted was down 3 percent, to 1,950, compared with a 16-percent reduction during the previous year.

largest metropolitan areas in the Midwest. The largest increase was in the Chicago-Naperville-Elgin metropolitan area, where average rents increased 6 percent to \$1,520, slower than the 8-percent increase a year earlier. The Cleveland-Elyria and Milwaukee-Waukesha-West Allis metropolitan areas had the second largest increases in average rents, each up 5 percent from the fourth quarter of 2015. Rents continued to rise despite the completion of more than 9,000 new apartment units in the Chicago-Naperville-Elgin metropolitan area, 1,925 new apartment units in the Milwaukee-Waukesha-West Allis metropolitan area, and 900 new apartment units in the Cleveland-Elyria metropolitan area (MPF Research, Inc.).

During the fourth quarter of 2016 (preliminary data)—

- Multifamily permitting increased 13 percent, to 12,500 units, with permitting up in every state in the region except Indiana and Ohio.

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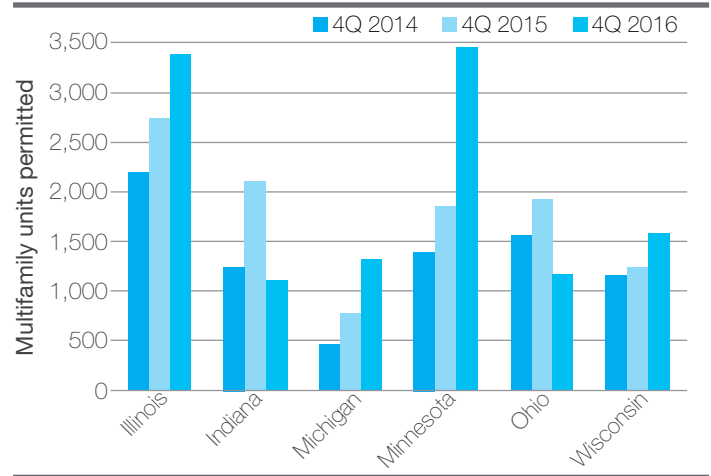




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- Indiana had a 48-percent drop in units permitted from the fourth quarter of 2015. The Indianapolis-Carmel-Anderson metropolitan area, which typically accounts for about one-half of multifamily units permitted in the state, had a decline in permitting of 52 percent from a year earlier.
- Minnesota had the largest gain, up 1,600 units, or 86 percent, from the same quarter a year ago to 3,475 units. Permitting in the Minnesota portion of the Minneapolis-St. Paul-Bloomington metropolitan area accounted for 88 percent of all multifamily units permitted in the state. The MPF Research-defined Downtown/ University market area in Minneapolis is the most active area for construction, with approximately 2,700 units currently under construction (MPF Research, Inc.).
- Multifamily permitting declined in all three of the largest metropolitan areas in Ohio—Cleveland-Elyria, Columbus, and the Ohio portion of Cincinnati—contributing to a 39-percent, or 760-unit, decline in the state compared with the number of units permitted in the fourth quarter of 2015.

Multifamily permitting activity rose in four of the six states in the Midwest region.



4Q = fourth quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

Apartment market conditions in eight of the major metropolitan areas in the Midwest region ranged from tight to slightly soft during the fourth quarter of 2016.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2015 (%)	4Q 2016 (%)	Percentage Point Change	4Q 2015 (\$)	4Q 2016 (\$)	Percent Change
Chicago-Naperville-Elgin, IL-IN-WI	Slightly soft	5.3	5.7	0.4	1,430	1,520	6
Cincinnati, OH-KY-IN	Balanced	4.7	5.2	0.5	926	966	4
Cleveland-Elyria, OH	Balanced	5.0	5.3	0.3	913	960	5
Columbus, OH	Slightly tight	4.4	4.4	0.0	848	877	3
Detroit-Warren-Dearborn, MI	Slightly tight	3.9	3.9	0.0	963	964	0
Indianapolis-Carmel-Anderson, IN	Balanced	6.8	6.8	0.0	801	830	4
Milwaukee-Waukesha-West Allis, WI	Balanced	3.8	4.5	0.7	1,084	1,135	5
Minneapolis-St. Paul-Bloomington, MN-WI	Tight	4.5	3.3	-1.2	1,356	1,345	-1

4Q = fourth quarter.  
 Sources: Market condition—HUD, PD&R Economic and Market Analysis Division; vacancy rate and average monthly rent—Axiometrics, Inc.

