

HUD PD&R Regional Reports

Region 5: Midwest

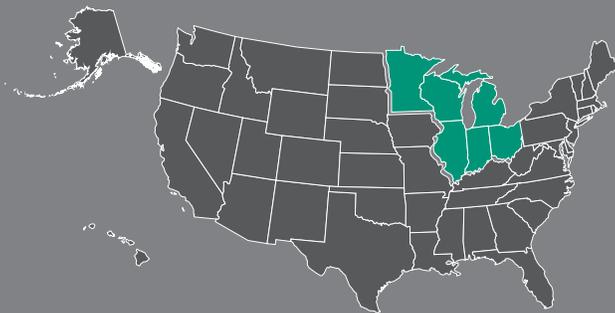


Quick Facts About Region 5

Detroit, Michigan

By Gabriel Labovitz | 1st quarter 2016

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



Overview

Economic conditions strengthened in the Midwest region during the first quarter of 2016, continuing the economic expansion that began in 2010. Sales housing market conditions are balanced to soft in the major metropolitan areas of the region, and builders, responding to continued economic growth, expanded production of single-family homes. Apartment market conditions were balanced to tight in the major metropolitan areas in the region, and the vacancy rate fell in all but one area referenced in this report. Because of continuing balanced-to-tight apartment markets, multifamily developers increased the production of new apartments nearly 37 percent in the region.

- Nonfarm payrolls expanded in every sector of the region except the information sector during the first quarter of 2016. In addition, payrolls were up from a year ago in all six states of the region, continuing a trend of uninterrupted growth since the third quarter of 2010.
- The estimated population in the Midwest region grew 0.1 percent from 2014 to 2015, to an estimated 52.28 million people, significantly below the national average rate of 0.8 percent.
- The number of homes sold in the region rose nearly 7 percent, and the average sales price grew nearly 5 percent, during the 12 months ending January 2016.
- Both single-family and multifamily construction increased during the first quarter of 2016 from a year earlier, and total residential construction grew more than 29 percent, to 19,400 units (preliminary data).



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Year-over-year nonfarm payroll job growth occurred in every Midwest region sector except the information sector during the first quarter of 2016.

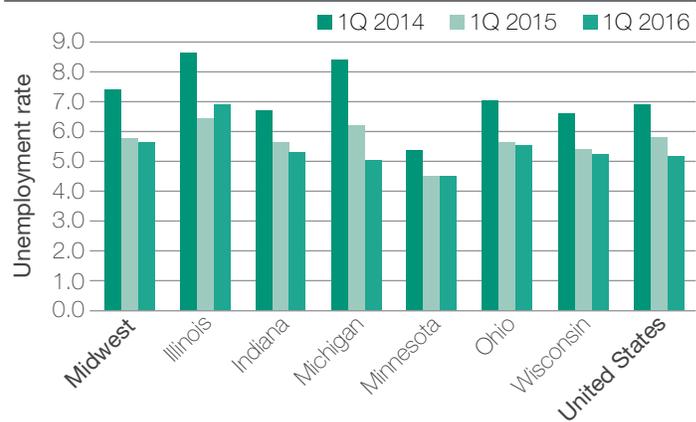
	First Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	23,857.4	24,223.5	366.1	1.5
Goods-producing sectors	3,972.5	4,020.3	47.8	1.2
Mining, logging, and construction	844.0	870.2	26.2	3.1
Manufacturing	3,128.5	3,150.1	21.6	0.7
Service-providing sectors	19,884.9	20,203.2	318.3	1.6
Wholesale and retail trade	3,571.0	3,620.7	49.7	1.4
Transportation and utilities	946.9	962.1	15.2	1.6
Information	360.1	356.9	- 3.2	- 0.9
Financial activities	1,323.2	1,344.8	21.6	1.6
Professional and business services	3,181.1	3,209.9	28.8	0.9
Education and health services	3,818.1	3,916.4	98.3	2.6
Leisure and hospitality	2,206.0	2,274.6	68.6	3.1
Other services	1,006.8	1,026.8	20.0	2.0
Government	3,471.7	3,491.0	19.3	0.6

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

Economic Conditions

Economic conditions strengthened in the Midwest region during the first quarter of 2016, as they have in every quarter since the third quarter of 2010. Nonfarm payrolls in the region grew by 366,100 jobs, or 1.5 percent, and the first quarter average of 24.22 million jobs is the highest first quarter figure since 2001. Michigan led job growth in the region with a gain of 87,700 jobs, or 2.1 percent, and was the only state in the region to exceed the national nonfarm payroll growth rate of 1.9 percent. In Ohio, nonfarm payrolls increased by 83,800 jobs, a 1.6-percent rate, and in Illinois nonfarm payrolls grew by 69,700 jobs, or 1.2 percent, the lowest rate of job growth among states in the region. The respective nonfarm payroll growth in Indiana, Minnesota, and Wisconsin was 42,100, 39,400, and 43,500 jobs, or rates of 1.4, 1.4, and 1.5 percent. The unemployment rate declined or was unchanged from a year earlier in five of the six states during the first quarter of 2016, and the regional rate decreased to 5.6 percent from 5.8 percent. The unemployment rate averaged 4.5 percent in Minnesota, unchanged from a year ago, and 5.1 percent in Michigan, a significant decline from 6.2 percent a year earlier. Minnesota and Michigan were the only states in the region with unemployment rates below the national average of 5.2 percent. In Indiana and Wisconsin, the unemployment rate was down from a year earlier, to 5.3 percent in each, and the rate in Ohio was stable at 5.6 percent. In Illinois, the rate increased 0.5 percentage

The unemployment rate declined in the Midwest region during the first quarter of 2016 and, except for an increase in Illinois, was stable or declined in every state of the region.



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

point, to 6.9 percent, the third highest rate in the nation, because the labor force in Illinois grew at a rate of nearly 2 percent and the number of employed residents increased 1.4 percent.

During the first quarter of 2016—

- Job gains in the education and health services sector, which totaled 98,300, or 2.6 percent, accounted for nearly 27 percent of all jobs added in the region. With 3.9 million jobs in the Midwest region, this sector accounts for more than 16 percent of all

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nonfarm payrolls and is the largest payroll sector. All six states in the region recorded payroll growth in the sector, ranging from an addition of 8,300 jobs in Wisconsin to an addition of 23,500 jobs in Ohio.

- The leisure and hospitality sector recorded the second largest growth, of 68,600 jobs, or 3.1 percent. Jobs in this sector increased by 21,900 in Illinois, by 17,700 in Ohio, and by 12,000 in Michigan. The Chicago-Naperville-Elgin, IL-IN-WI metropolitan area, which includes counties in three states in the region, contributed more than 30 percent of the growth in the sector, or an addition of 21,300 jobs. More than 2,250 new hotel rooms opened in and around downtown Chicago during 2015, with an additional 1,325 rooms scheduled for completion during 2016 (chicagobusiness.com).

- The information sector is the only sector in the region to contract, falling by 3,200 jobs, or 0.9 percent. Slight gains of 800 and 100 jobs in Ohio and Michigan, respectively, were insufficient to offset declines in the other four states.
- Manufacturing employment in the region increased by 21,600 jobs, or 0.7 percent, with 17,200 jobs, or nearly 80 percent of the growth, added in Michigan. By comparison, from the first quarter of 2010 through the first quarter of 2015, manufacturing sector jobs in the region grew at an average annual rate of 2.6 percent, which was higher than the 1.5-percent average annual growth rate of total nonfarm payrolls during the same period. In December 2015, General Motors Company announced the investment of more than \$350 million in facilities at Flint, Saginaw, and Grand Rapids, all in Michigan, creating or retaining more than 450 jobs.

Population

During 2015, the population of the Midwest region was estimated to be 52.28 million, up 0.1 percent from a year earlier, which was below the 0.2-percent rate of growth from 2013 to 2014 (Census Bureau population estimates as of July 1). The rate of growth from 2014 to 2015 was the lowest among the 10 HUD regions because of slower economic growth than in other regions of the country and significant domestic out-migration. Of the 6 states in the region, 4 were among the 15 slowest-growing states in the nation, and Illinois was one of 7 states in the nation where the population declined. No state in the Midwest region was among the 20 fastest-growing states in the country. Population growth in the region was due to net natural change (resident births minus resident deaths), because net migration was negative, totaling 98,900 emigrants. Domestic out-migration of 218,100 people from 2014 to 2015 more than offset international in-migration of 119,200 people.

During the 12 months ending July 1, 2015—

- The states in the Midwest region with the highest growth rates were Minnesota and Indiana, where the population increased 0.6 and 0.3 percent, slightly below the previous year's growth rates of 0.7 and 0.4 percent, respectively. Minnesota's growth of 32,450 contributed nearly one-half of the regional gain, and Minnesota was the only state in the region to record net in-migration.
- Illinois was the only state in the region to record a net decrease in population, shrinking by 22,200, or 0.2 percent, after its population declined by 7,400, or 0.1 percent, during the previous year. Net out-migration from Illinois totaled 67,550 people from 2014 to 2015, the highest number in the country and well above the net out-migration of 23,850 from New York, which reported

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Population growth in the Midwest region was 0.1 percent from 2014 to 2015, the lowest rate of all 10 HUD regions.

	Population Estimate (as of July 1)			Percent Change	
	2013	2014	2015	2013 to 2014	2014 to 2015
United States	316,427,395	318,907,401	321,418,820	0.8	0.8
Midwest	52,097,030	52,209,930	52,276,605	0.2	0.1
Illinois	12,889,580	12,882,189	12,859,995	- 0.1	- 0.2
Indiana	6,570,518	6,597,880	6,619,680	0.4	0.3
Michigan	9,900,506	9,916,306	9,922,576	0.2	0.1
Minnesota	5,420,541	5,457,125	5,489,594	0.7	0.6
Ohio	11,572,232	11,596,998	11,613,423	0.2	0.1
Wisconsin	5,743,653	5,759,432	5,771,337	0.3	0.2

Source: U.S. Census Bureau



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the next-highest level. Cook County, Illinois, the principal county of the Chicago metropolitan area, recorded a net population loss of 10,500 people after population gains averaging 10,750 people annually during the previous 5 years.

- The other three states in the region recorded population increases of 0.1 percent in Michigan and Ohio and 0.2 percent in Wisconsin. All three recorded slower growth than during the previous year, when growth rates were 0.2 percent in Michigan and Ohio and 0.3 percent in Wisconsin.

Sales Market Conditions

During the first quarter of 2016, sales housing markets in the Midwest region were mixed (balanced to soft), relatively unchanged from a year earlier. The average home sales price for the region (including single-family homes, townhomes, and condominiums) rose nearly 5 percent, to \$172,300, during the 12 months ending January 2016, after a similar 5-percent increase the year before (CoreLogic, Inc., with adjustments by the analyst). Although average home sales prices rose in each of the eight major metropolitan areas referenced in this report, the growth rate in six of the eight metropolitan areas was below the 5-percent growth rate recorded for the region. By comparison, the average home sales price rose 6 percent for the nation, to \$263,500. In the Detroit-Warren-Dearborn metropolitan area, the average home sales price rose 15 percent but, at \$152,700, was the second lowest average sales price among the major markets in the region. The average sales price in the Detroit area has grown an average of 11 percent annually since the recent low of \$89,400 recorded during the 12 months ending January 2011. In the Milwaukee-Waukesha-West Allis area, the average home sales price rose 6 percent, to \$202,100, during the 12 months ending January 2016. In the other six major metropolitan areas, average home sales prices increased 2 to 3 percent, and no major metropolitan area in the Midwest region reported an average home sales price above the national level.

During the 12 months ending January 2016, the number of homes sold in the region expanded nearly 7 percent following a 3-percent drop the year before. By comparison, home sales nationwide rose nearly 4 percent during the 12 months ending January 2016. Home sales growth was greatest in the Minneapolis-St. Paul-Bloomington area, at 18 percent, followed by increases of 10 percent in the Cleveland-Elyria and Milwaukee-Waukesha-West Allis areas and 9 percent in the Columbus area. In the Cincinnati and Chicago areas, the increases in home sales were modest—3 and 5 percent, respectively. The number of home sales fell 5 percent in the Detroit area and 1 percent in the Indianapolis-Carmel-Anderson area.

During the 12 months ending January 2016, regular resales in the region rose nearly 11 percent after a 4-percent rise the year before. New home sales were stable, down by 150 sales regionwide after a 3-percent drop a year earlier. By comparison, regular resales rose nearly 7 percent and new home sales grew 2 percent nationally during the 12 months ending January 2016. Sales of real estate owned (REO) properties declined 14 percent in the region, and short sales remained stable, increasing by approximately 85, or less than 1 percent. By comparison, both REO and short sales declined nationally, falling 13 percent and 11 percent, respectively. The percentage of seriously delinquent mortgage loans (loans that are 90 or more days delinquent or in foreclosure) and REO properties in the region declined 0.8 percentage point, to 3.1 percent, in

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Home sales increased at a higher rate, but the average sales price increased at a lower rate, in the Midwest region than in the nation.

	12 Months Ending	Number of Homes Sold			Price			
		2015	2016	Percent Change	Average or Median	2015 (\$)	2016 (\$)	Percent Change
Chicago-Naperville-Elgin (N&E)	January	129,900	136,400	5	AVG	250,800	259,500	3
Cincinnati (N&E)	January	37,850	38,950	3	AVG	162,700	167,900	3
Cleveland-Elyria (N&E)	January	30,100	33,100	10	AVG	138,100	140,700	2
Columbus (N&E)	January	34,700	37,900	9	AVG	181,700	186,100	2
Detroit-Warren-Dearborn (N&E)	January	85,750	81,650	-5	AVG	133,300	152,700	15
Indianapolis-Carmel-Anderson (N&E)	January	48,250	47,800	-1	AVG	184,800	188,800	2
Milwaukee-Waukesha-West Allis (N&E)	January	21,650	23,750	10	AVG	190,800	202,100	6
Minneapolis-St. Paul-Bloomington (N&E)	January	56,850	66,950	18	AVG	246,300	253,900	3

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

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



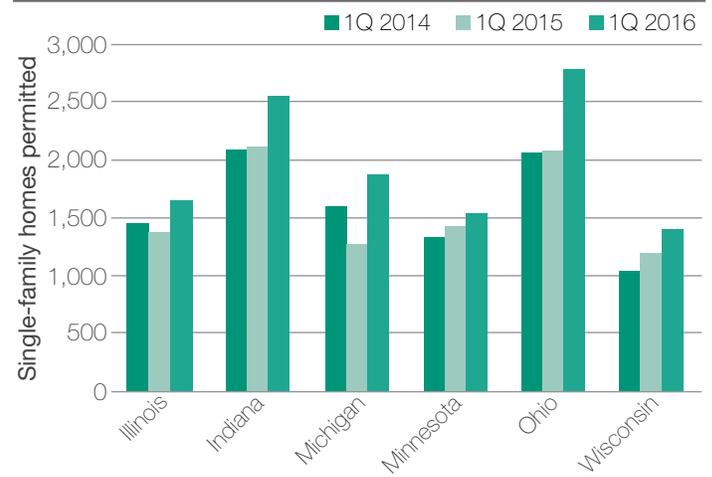
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January 2016 compared with the same 0.8-percentage-point drop for the nation, to 3.3 percent. The percentage of seriously delinquent mortgage loans decreased in every state in the region, with the greatest decline in Illinois, where the rate fell 1.2 percentage points, to 3.9 percent, in January 2016.

During the first quarter of 2016 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased nearly 25 percent in the Midwest region, to 11,800 homes, from a year earlier, when homebuilding declined 1 percent. By comparison, the number of homes permitted nationally grew nearly 12 percent during the first quarter of 2016, following a 6-percent expansion during the same period a year earlier.
- Two states, Indiana and Ohio, contributed more than 45 percent of the single-family homes permitted in the region. In Indiana, approximately 2,550 single-family homes were permitted, nearly 21 percent more than were permitted a year ago, and in Ohio, the 2,800 homes permitted were more than 34 percent above the level of permitting a year earlier.
- The largest percentage gain in single-family homes permitted was in Michigan, where the 1,875 homes permitted were more than 45 percent above the first quarter total in 2015 and were the highest first quarter total since 2,400 homes were permitted during 2007.

Single-family permitting activity increased nearly 25 percent in the Midwest region during the first quarter of 2016, with gains in each state.



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

- Every state in the region reported higher levels of single-family homebuilding activity. The number of single-family homes permitted totaled 1,425 in Wisconsin, 1,550 in Minnesota, and 1,650 in Illinois, increases of 19, 7, and 20 percent, respectively.

Apartment Market Conditions

Apartment markets in major Midwest region metropolitan areas were balanced to tight, similar to conditions reported a year ago. In seven of the eight metropolitan areas referenced in this report,

vacancy rates were lower in the first quarter of 2016 than a year earlier and, in five of the areas, the vacancy rate was below the national rate of 4.2 percent (MPF Research). Cincinnati had the

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Apartment vacancy rates declined in all but one major metropolitan area in the Midwest region during the first quarter of 2016, while average rents rose in all areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2015 (%)	1Q 2016 (%)	Percentage Point Change	1Q 2015 (\$)	1Q 2016 (\$)	Percent Change
Chicago	Balanced	4.4	4.5	0.1	1,250	1,314	5
Cincinnati	Balanced	5.7	4.2	- 1.5	812	848	4
Cleveland/Akron	Balanced	3.8	3.7	- 0.1	816	844	3
Columbus	Tight	4.8	4.4	- 0.4	788	828	5
Detroit	Tight	3.6	3.3	- 0.3	831	871	5
Indianapolis	Balanced	7.0	6.7	- 0.3	757	791	4
Milwaukee	Tight	2.9	2.7	- 0.2	948	977	3
Minneapolis-St. Paul	Tight	2.9	2.6	- 0.3	1,061	1,121	6

1Q = first quarter.
 Source: Market Condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research



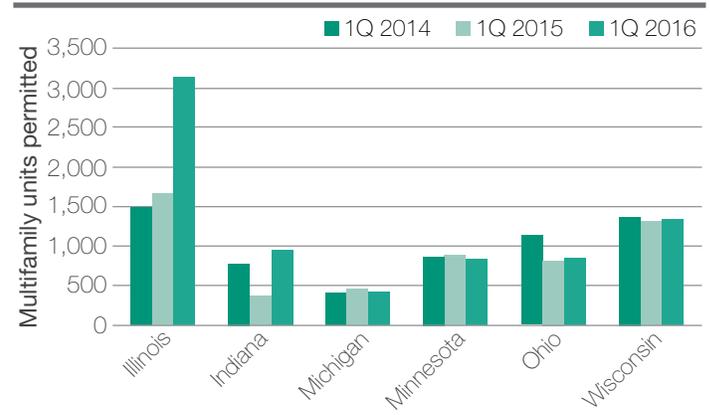
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largest decline in the apartment vacancy rate, which fell 1.5 percentage points, to 4.2 percent during the first quarter of 2016. Vacancy rate declines in the other major market areas ranged from 0.1 percentage point in Cleveland/Akron, where the rate fell to 3.7 percent, to 0.4 percentage point in Columbus, where the rate dropped to 4.4 percent. Chicago was the only major metropolitan area in the region to record a vacancy rate increase during the first quarter of 2016, to 4.5 percent from 4.4 percent a year ago, as 4,900 new units entered the market. Apartment rents in the Chicago area increased 5 percent during the past year, to \$1,314. Average apartment rents rose in all eight metropolitan areas, with growth ranging from 3 percent in Cleveland/Akron and Milwaukee to 6 percent in Minneapolis-St. Paul.

During the first quarter of 2016 (preliminary data)—

- Multifamily building activity in the Midwest region increased nearly 37 percent, to 7,550 units permitted, from 5,525 units permitted a year earlier. By comparison, the number of multifamily units permitted nationally declined 2 percent during the past year.
- The increase in multifamily permitting in the region was not distributed evenly. The number of units permitted nearly doubled in Illinois, from 1,650 during the first quarter of 2015 to 3,150 during the first quarter of 2016. Multifamily permitting in the Chicago metropolitan area (with counties in three states, including Illinois) totaled 3,050 during the first quarter of 2016, representing more than 40 percent of all multifamily units permitted in the region, up from 27 percent a year ago.
- In Indiana, the number of multifamily units permitted totaled 950, nearly 2.5 times the 380 units permitted a year earlier. The Indianapolis area contributed 260 of the state's multifamily units

Changes in multifamily permitting were mixed in the Midwest region, but activity increased significantly in Illinois because the number of units permitted more than doubled in the Chicago area.



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

permitted, slightly higher than the 200 units permitted a year ago. Smaller metropolitan areas in Indiana reported expanded multifamily permitting activity, including Evansville, where permitting increased from 4 to 130 units, and Fort Wayne, where 230 multifamily units were permitted compared with none a year earlier.

- In Ohio and Wisconsin, the number of multifamily units permitted increased 5 and 2 percent, to 860 and 1,325 units, respectively. In Michigan and Minnesota, multifamily permitting declined at rates of 9 and 7 percent, to 420 and 830 units, respectively.

