

# HUD PD&R Regional Reports

## Region 5: Midwest

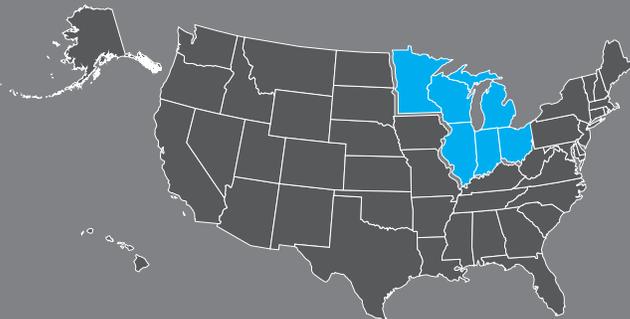


### Quick Facts About Region 5

Milwaukee, Wisconsin

By Donald Darling | 4th quarter 2015

- **Sales market conditions—**  
Fourth quarter 2015: mixed (balanced to soft).  
Third quarter 2015: mixed (balanced to soft).  
Fourth quarter 2014: mixed (balanced to soft).
- **Apartment market conditions—**  
Fourth quarter 2015: mixed (balanced to tight).  
Third quarter 2015: mixed (balanced to tight).  
Fourth quarter 2014: mixed (balanced to tight).



## Overview

Economic conditions in the Midwest region strengthened during the fourth quarter of 2015, continuing a growth trend that began in the third quarter of 2010. Sales housing market conditions in the major metropolitan areas in the region remained balanced to soft, and single-family homebuilding activity remained relatively steady. Apartment market conditions were tight or slightly tight in most of the major metropolitan areas in the Midwest region, except for balanced conditions in Indianapolis, and vacancy rates were down from a year ago in nearly all the major markets, despite significant apartment construction.

During the fourth quarter of 2015—

- Nonfarm payrolls were up from a year ago in nearly every sector in the region; in addition, payrolls were up from a year ago in all six states in the region, continuing a trend of uninterrupted year-over-year job growth in every state since the third quarter of 2010.
- The number of homes sold in the region rose 5 percent, and average homes sales prices were up 4 percent, slightly below the 6-percent rate for the nation.
- Multifamily construction activity (as measured by the number of units permitted) increased 33 percent as builders responded to increasing demand for rental units. This gain more than offset a 3-percent decline in single-family permitting, resulting in an increase in total residential building activity of 2,300 units, or 11 percent.



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Year-over-year job gains occurred in 9 of 11 sectors in the Midwest region during the fourth quarter of 2015.

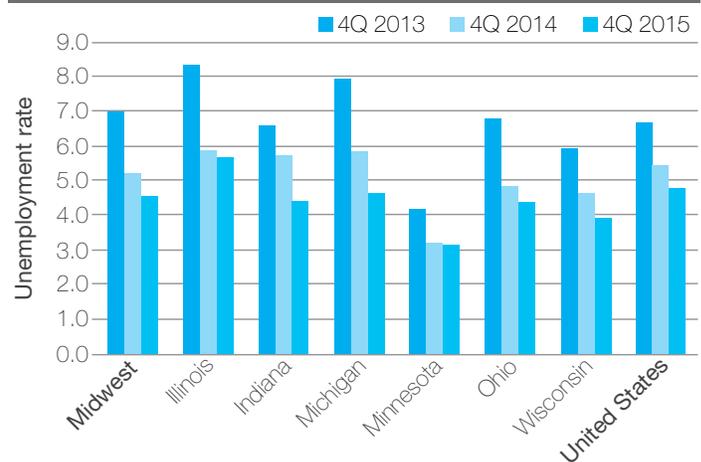
	Fourth Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	24,367.8	24,679.4	311.6	1.3
Goods-producing sectors	4,094.0	4,141.4	47.4	1.2
Mining, logging, and construction	954.2	965.8	11.6	1.2
Manufacturing	3,139.8	3,175.6	35.8	1.1
Service-providing sectors	20,273.8	20,537.9	264.1	1.3
Wholesale and retail trade	3,689.7	3,716.4	26.7	0.7
Transportation and utilities	955.7	982.2	26.5	2.8
Information	363.9	363.9	0.0	0.0
Financial activities	1,325.5	1,345.8	20.3	1.5
Professional and business services	3,283.9	3,332.9	49.0	1.5
Education and health services	3,841.9	3,931.9	90.0	2.3
Leisure and hospitality	2,277.7	2,324.8	47.1	2.1
Other services	1,011.3	1,017.9	6.6	0.7
Government	3,524.1	3,522.1	- 2.0	- 0.1

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

## Economic Conditions

Economic conditions continued to strengthen in the Midwest region during the fourth quarter of 2015, as the current economic expansion entered its sixth year. Nonfarm payroll jobs have posted continuous year-over-year gains since the third quarter of 2010. Since the beginning of the current expansion, more than 2 million jobs have been added in the region, a cumulative increase of 9.0 percent. During the fourth quarter of 2015, nonfarm payrolls rose by 311,600 jobs, or 1.3 percent, to approximately 24.68 million jobs. Michigan, Ohio, and Indiana led growth in the region, with gains of 80,800, 78,400, and 61,000 jobs, respectively. The 2.0-percent rate of growth in Indiana exceeded the 1.9-percent national rate of nonfarm payroll growth; Michigan equaled the national rate, and the job growth rate in Ohio was lower, at 1.5 percent. Nonfarm payrolls grew 1.2 percent in both Wisconsin and Minnesota, which added 34,500 and 34,300 jobs, respectively. In Illinois, jobs increased by 22,600, or 0.4 percent; the gain in the Chicago metropolitan division (counties in only Illinois) of 43,200 jobs offset a loss of 20,600 jobs in Illinois counties outside of the Chicago metropolitan area. Every state in the region except Minnesota recorded a lower unemployment rate than in the fourth quarter of 2014. In Minnesota, the rate remained unchanged at 3.2 percent, well below the averages for the region of 4.6 percent and for the nation of 4.8 percent.

Year-over-year unemployment rates fell during the fourth quarter of 2015 in every state in the Midwest region except Minnesota, where the rate remained 3.2 percent.



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

During the fourth quarter of 2015—

- A gain of 90,000 jobs, or 2.3 percent, in the education and health services sector led growth and accounted for nearly 30 percent of all jobs added in the region. Additions in the sector were spread throughout the states, ranging from 10,700 and 11,000 jobs in Illinois and Minnesota, respectively, to 18,500 jobs in Michigan and 20,200 jobs in Ohio.

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- The professional and businesses services sector added 49,000 jobs in the region, up 1.5 percent. Although payrolls in the sector declined by 1,600 jobs, or 1 percent, in Indiana, that loss was offset by gains in all other states, led by increases in Michigan and Illinois of 16,900 and 13,500 jobs, respectively.
- The leisure and hospitality sector increased by 47,100 jobs, or 2.1 percent, in the region, with Ohio and Indiana adding the most jobs, 13,800 and 11,100, respectively; these gains offset a loss of 600 leisure and hospitality sector jobs in Wisconsin.
- Government was the only sector to record a loss for the region as a whole, with payrolls in the sector decreasing by 2,000 jobs, or 0.1 percent. Gains in Indiana and Ohio of 6,500 and 1,600 jobs, respectively, were offset by losses in the other four states.
- In the mining, logging, and construction sector, a gain of 16,500 jobs, or 1.8 percent, in the construction subsector more than offset a loss of 4,900 jobs, or 9.1 percent, in the mining and logging subsector; every state in the region recorded declines in the mining and logging subsector because of lower oil prices.

## Sales Market Conditions

During the fourth quarter of 2015, sales housing markets in the major metropolitan areas in the Midwest region were balanced to soft, unchanged from the conditions of a year earlier. Continued economic growth has contributed to rising home sales prices in most of the region since 2012. Home sales prices (including single-family homes, townhomes, and condominiums) in the region averaged \$170,500 during the 12 months ending November 2015, an increase of 4 percent from a year earlier after a 6-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). By comparison, the average home sales price for the nation rose 6 percent, to \$262,300, during the 12 months ending November 2015, following 5-percent growth a year earlier. The average sales price rose in all eight major metropolitan areas from a year earlier, with increases ranging from 2 percent in several metropolitan areas to 10 percent in the Detroit metropolitan area. The average sales price of \$145,600 in Detroit was up 70 percent from the most recent low point of \$85,600 in 2012, as the home sales market recovered from high foreclosure rates and the downward pressure caused by distressed home sales (short sales and sales of real estate owned [REO] homes). In the Indianapolis

metropolitan area, the only major metropolitan area in the region in which the home sales price has posted year-over-year increases every quarter since 2010, the average sales price was up 2 percent.

During the 12 months ending November 2015, the number of homes sold in the region increased 5 percent from a year earlier, following a decline of 5 percent during the 12 months ending November 2014. Home sales also increased in most of the major metropolitan areas in the region. In Indianapolis and Detroit, however, sales were down 2 and 4 percent, respectively, during the 12 months ending November 2015 compared with sales a year earlier. Home sales were up less than 1 percent in the Cincinnati metropolitan area. In Chicago, the gain of 4 percent followed a decline of 6 percent during the 12 months ending November 2014 but followed gains of 25 percent each for the 12 months ending November 2013 and 2012. Home sales during the 12 months ending November 2015 increased 7 percent in the Cleveland, Columbus, and Milwaukee metropolitan areas and 13 percent in the Minneapolis metropolitan area. For the region overall, sales of existing homes (excluding distressed home sales) increased 6 percent, offsetting a decrease in new home sales

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**In the Midwest region, home sales increased in all major metropolitan areas except Detroit and Indianapolis; home sales prices were up in all major metropolitan areas.**

	12 Months Ending	Number of Homes Sold			Price			
		2014	2015	Percent Change	Average or Median	2014 (\$)	2015 (\$)	Percent Change
Chicago-Naperville-Elgin (N&E)	November	129,700	135,050	4	AVG	251,450	256,900	2
Cincinnati (N&E)	November	37,400	37,600	1	AVG	161,900	165,700	2
Cleveland-Elyria (N&E)	November	29,800	31,950	7	AVG	137,700	139,800	2
Columbus (N&E)	November	34,150	36,650	7	AVG	180,300	185,800	3
Detroit-Warren-Dearborn (N&E)	November	85,500	82,200	-4	AVG	132,500	145,600	10
Indianapolis-Carmel-Anderson (N&E)	November	48,550	47,500	-2	AVG	185,100	189,200	2
Milwaukee-Waukesha-West Allis (N&E)	November	21,500	23,100	7	AVG	190,300	198,800	4
Minneapolis-St. Paul-Bloomington (N&E)	November	56,900	64,200	13	AVG	244,900	252,600	3

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

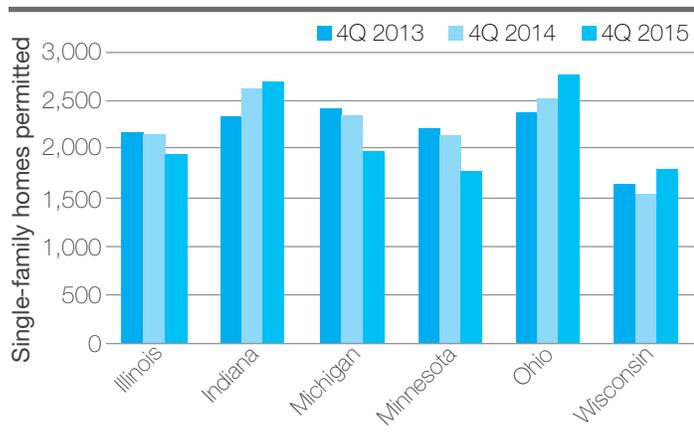
Source: CoreLogic, Inc., with adjustments by the analyst



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of 4 percent during the 12 months ending November 2015. During the same period, distressed sales dropped due to a decline in the distressed inventory. During the 12 months ending November 2015, REO and short sales fell 15 and 2 percent, respectively, compared with decreases of 29 and 31 percent during the previous 12-month period. By comparison, the number of REO sales nationwide fell 13 percent during the 12 months ending November 2015, and short sales fell 12 percent. 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 0.6 percentage point from December 2014, to 4.2 percent in December 2015, compared with a decline of 0.5 percentage point, to 4.1 percent, for the

### Single-family permitting activity in the Midwest region during the fourth quarter of 2015 was up in three states and down in three states.



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

nation (Black Knight Financial Services, Inc.). The rate fell in every state in the region, with the greatest decrease in Illinois, where the rate declined 0.9 percentage point to 5.0 percent in December 2015. In Minnesota, the rate declined 0.4 percentage point to 2.2 percent, among the lowest of any state in the nation.

During the fourth quarter of 2015 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, totaled 13,000 homes in the region, down 350 homes, or 3 percent, from a year earlier, when homebuilding had increased by 150, or 1 percent. Balanced sales markets have resulted in relatively stable single-family homebuilding activity during the past 3 years.
- Indiana and Ohio each accounted for approximately 21 percent of the single-family homes permitted in the region. The 2,800 single-family homes permitted in Ohio and the 2,700 permitted in Indiana were 10 and 3 percent more, respectively, than the number of homes permitted during the fourth quarter of 2014. The number of homes permitted also increased 18 percent in Wisconsin, to 1,800 homes, following a decline of 7 percent a year earlier.
- Single-family permitting was down in Illinois, Michigan, and Minnesota, by 10, 16, and 17 percent, respectively, to 1,950, 2,000, and 1,850 homes permitted.
- Single-family permitting in the portion of the Chicago metropolitan area in Illinois totaled 2,650 homes, or 97 percent of the homes permitted in Illinois during the quarter, up from 90 percent in 2013. In the Minneapolis metropolitan area within Minnesota, the 1,600 homes permitted represented 91 percent of the single-family homes permitted in the entire state, up from 78 percent in 2013.

## Apartment Market Conditions

Apartment markets were tight or slightly tight in seven of the eight major metropolitan areas included in this report, and five of the eight had apartment vacancy rates below the national average of 4.1 percent during the fourth quarter of 2015. Conditions were balanced in Indianapolis, with a vacancy rate of 6.9 percent. Declines in apartment vacancy rates were recorded in all metropolitan areas in the Midwest region but Indianapolis and Columbus, where the rate remained unchanged. The decreases ranged from 0.2 percentage point in the tight Cleveland and Milwaukee metropolitan area apartment markets, to 3.7 and 2.8 percent, respectively, to 0.8 percentage point in Detroit, also tight at 2.7 percent. Vacancy rates in the Chicago and Cincinnati metropolitan areas declined by 0.4 percentage point, to 3.8 and 4.5 percent, respectively. The apartment vacancy rate in Indianapolis, although unchanged from a year

earlier, was down 1.8 percentage points from the fourth quarter of 2013; in the Columbus metropolitan area, the rate of 4.5 percent was unchanged from the fourth quarters of 2014 and 2013. Average rents rose throughout the region, ranging from 3 percent in Cincinnati, Cleveland, and Milwaukee to 6 percent in Minneapolis-St. Paul (MPF Research).

During the fourth quarter of 2015 (preliminary data)—

- Multifamily building activity in the region rose 33 percent from a year earlier, to 10,700 units permitted. The high permitting levels are in response to the continued tightening in the metropolitan apartment markets. By comparison, the number of units permitted nationally fell 13 percent from the third quarter of 2014 after a 4-percent gain during the same period a year earlier.

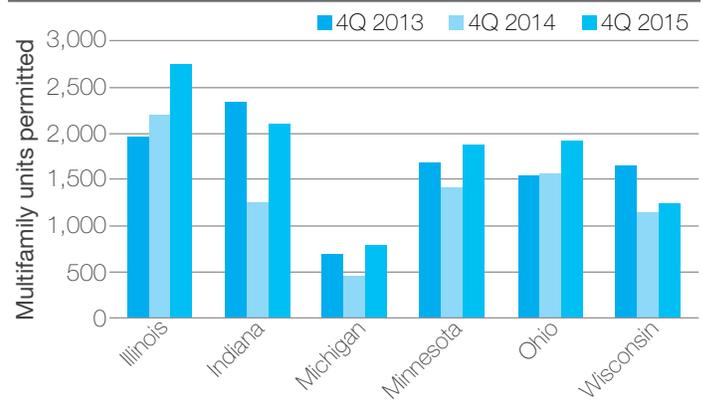
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- Multifamily permitting activity rose in every state in the region. In Wisconsin, multifamily permitting was up 8 percent, to 1,250 units. Other gains ranged from 22 and 25 percent in Ohio and Illinois, respectively, to 69 and 72 percent, respectively, in Indiana and Michigan; in Minnesota, the increase was 33 percent.
- As with the single-family permitting, 97 percent of the multifamily units permitted in Illinois were in the Chicago metropolitan area counties in Illinois, where the 2,650 units permitted was up 36 percent from a year ago; in 2014, the number of multifamily units permitted in Chicago accounted for 89 percent of the units permitted in Illinois. In the Minneapolis metropolitan area counties in Minnesota, the 1,450 multifamily units permitted represented 77 percent of all multifamily units permitted in the state, up from 63 percent in the fourth quarter of 2014 and a gain of 64 percent from the 900 units permitted during the fourth quarter of 2014. Given these construction levels, apartment market conditions may begin to ease in the Chicago and Minneapolis metropolitan areas in the next 1 to 2 years as the units enter the market.

The number of multifamily units permitted increased from the fourth quarter of 2014 to the fourth quarter of 2015 in every state in the Midwest region.



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

In the major metropolitan areas of the Midwest region, apartment vacancy rates declined or remained relatively unchanged in the fourth quarter of 2015, but average rents rose from 3 to 6 percent.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2014 (%)	4Q 2015 (%)	Percentage Point Change	4Q 2014 (\$)	4Q 2015 (\$)	Percent Change
Chicago	Tight	4.2	3.8	-0.4	1,245	1,309	5
Cincinnati	Slightly tight	4.9	4.5	-0.4	812	837	3
Cleveland/Akron	Tight	3.9	3.7	-0.2	810	838	3
Columbus	Slightly tight	4.5	4.5	0.0	787	822	4
Detroit	Tight	3.5	2.7	-0.8	827	861	4
Indianapolis	Balanced	6.9	6.9	0.0	753	786	4
Milwaukee	Tight	3.0	2.8	-0.2	937	965	3
Minneapolis-St. Paul	Tight	2.7	2.9	0.2	1,167	1,241	6

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

