

HUD PD&R Regional Reports

Region 5: Midwest



Quick Facts About Region 5

Cleveland, Ohio

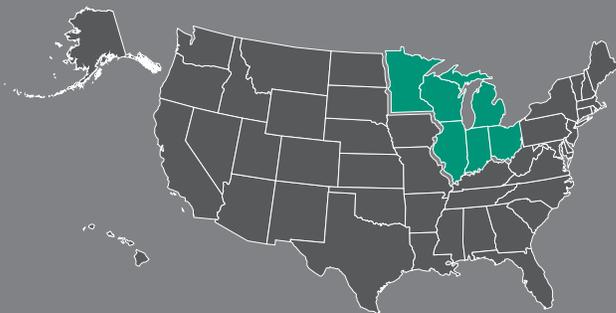
By Gabriel A. Labovitz | 1st quarter 2014

● Sales market conditions—

First quarter 2014: balanced.
Fourth quarter 2013: balanced.
First quarter 2013: balanced.

● Apartment market conditions—

First quarter 2014: balanced.
Fourth quarter 2013: mixed (balanced to tight).
First quarter 2013: mixed (balanced to tight).



Overview

Nonfarm payrolls in the Midwest region grew 1.0 percent during the first quarter of 2014, less than the growth of 1.3 percent during the first quarter of 2013. Sales housing markets remained balanced, with increasing home sales prices reported in every state in the region, but with mixed sales totals. Construction of new single-family homes declined slightly during the first quarter of 2014 compared with the number of homes permitted during the first quarter of 2013, as builders remained cautious about adding too many homes. In response to tightening apartment markets in many major metropolitan areas in the region, developers increased production of multifamily units in every state except Michigan, where the number of multifamily units permitted declined slightly.

- During the 12 months ending July 1, 2013, the population of the region rose 0.3 percent, slightly higher than the 0.2-percent rate reported a year earlier.
- Homeownership rates in the six Midwest region states were mixed during the first quarter of 2014, increasing in three states and decreasing in three; homeownership rates ranged from 67.3 percent in Illinois to 73.3 in Minnesota.
- Balanced apartment market conditions prevailed in every major metropolitan area in the region except in Minneapolis, where the apartment market has been tight since 2010.



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Job growth has continued in the Midwest region since 2010, with gains in most sectors.

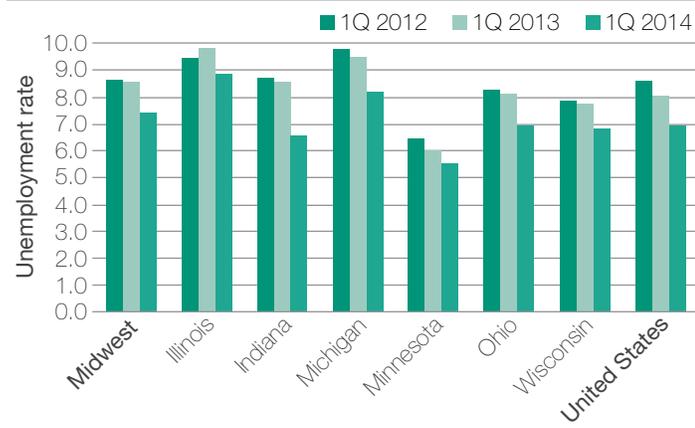
	First Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	23,190.4	23,425.7	235.3	1.0
Goods-producing sectors	3,789.7	3,843.3	53.6	1.4
Mining, logging, and construction	769.9	779.1	9.2	1.2
Manufacturing	3,019.9	3,064.2	44.3	1.5
Service-providing sectors	19,400.7	19,582.4	181.7	0.9
Wholesale and retail trade	3,489.2	3,514.7	25.5	0.7
Transportation and utilities	896.4	903.0	6.6	0.7
Information	363.6	360.8	- 2.8	- 0.8
Financial activities	1,311.5	1,308.1	- 3.4	- 0.3
Professional and business services	3,024.4	3,101.5	77.1	2.5
Education and health services	3,726.1	3,763.6	37.5	1.0
Leisure and hospitality	2,122.7	2,151.9	29.2	1.4
Other services	996.0	1,007.7	11.7	1.2
Government	3,470.8	3,470.9	0.1	0.0

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

Economic Conditions

The economy of the Midwest region continued its 4-year expansion during the first quarter of 2014. Nonfarm payrolls in the region averaged 23.4 million jobs, an increase of 235,300, or 1.0 percent, from a year ago. By comparison, nonfarm payrolls grew 1.3 percent during the first quarter of 2013 from the first quarter of 2012. Every nonfarm payroll sector except two reported job gains during the

The unemployment rate declined in every state in the Midwest region during the first quarter of 2014; three state rates were at or below the national average.



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

first quarter of 2014, led by the professional and business services sector, which increased by 77,100 jobs, or 2.5 percent. Gains in Illinois and Ohio accounted for more than 60 percent of the regional increase in the professional and business services sector. Employment in the manufacturing and the education and health services sectors also grew significantly, with increases of 44,300 and 37,500 jobs, or 1.5 and 1.0 percent, respectively. Michigan and Indiana led manufacturing sector growth, with job gains of 16,100 and 12,600 jobs, or 3.0 and 2.6 percent, respectively. Early forecasts suggest automobile sales in the United States this year may reach 16.5 million, the most annual sales since 2006 (Autodata Solutions, Inc.). Manufacturing is a crucial employment component in the region; in late February 2014, the Obama Administration announced that Chicago and Detroit would be among the sites of eight new manufacturing institutes to be developed across the country as part of the National Network for Manufacturing Innovation. Each institute will serve as a regional hub, bridging the gap between applied research and product development by bringing together companies, universities, other academic and training institutions, and federal agencies to coinvest in key technology areas that encourage investment and production in the United States. The focus in Detroit will be on light-weight and modern metals manufacturing; in Chicago, the emphasis will be on digital manufacturing. The federal government will fund each institute with approximately \$70 million, to be matched by local and private investments.

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During the first quarter of 2014—

- All six Midwest region states reported increasing nonfarm payrolls, led by Ohio and Minnesota, where nonfarm payrolls were up 54,000 and 46,000 jobs, or 1.1 and 1.7 percent, respectively.
- Nonfarm payrolls grew by 41,200 jobs, or 1.4 percent, in Indiana and by 36,400 jobs, or 1.3 percent, in Wisconsin. Jobs were up by 32,300 and 25,300, or 0.6 percent each, in Illinois and Michigan.

- Unemployment rates declined in each state in the region, but the regional unemployment rate of 7.4 percent remains above the national average of 6.9 percent; the state rates ranged from 5.5 percent in Minnesota to 8.9 percent in Illinois.
- The largest employment sector in the region was the education and health services sector, which accounted for 16.1 percent of all nonfarm jobs; during the first quarter of 2000, this sector was the fifth largest and provided 11.6 percent of nonfarm payrolls in the region.

Population

The population of the Midwest region increased to 52.1 million, or 0.3 percent from July 2012 to July 2013, slightly higher than the 0.2-percent growth rate reported from 2011 to 2012. Although the growth rate increased, the Midwest region remains the slowest growing of HUD's 10 regions. Population growth in the region is entirely because of net natural change (resident births minus resident deaths), which totaled 183,800 people, offsetting net out-migration estimated at 41,000 people. Net in-migration to the region was entirely international, as an estimated 88,450 international immigrants settled in the region, more than offset by 129,400 domestic emigrants who left the region.

During the 12 months ending July 1, 2013—

- The population of the Midwest region accounted for 16.5 percent of the national population; the proportion was 16.6 percent in July 2012 and 16.8 percent in April 2010.

- Of new international arrivals to the region, 31 percent settled in Illinois, 20 percent settled in Michigan, and 18 percent in Ohio.
- Offsetting international in-migration, domestic migration was negative in each of the six states. A net of approximately 67,300 residents of Illinois moved out of the state from July 2012 to July 2013, accounting for more than 50 percent of domestic net out-migration from the region; by comparison, approximately 1,150 and 1,175 net state residents moved out of Minnesota and Indiana, respectively.
- All six states reported increasing populations from July 2012 to July 2013; Minnesota reported the highest rate of increase, 0.8 percent, and Illinois and Michigan reported 0.1-percent increases.

Population increases trailed the national average in every state in the Midwest region except Minnesota.

	Population Estimate (as of July 1)			Percent Change	
	2011	2012	2013	2011 to 2012	2012 to 2013
United States	311,582,564	313,873,685	316,128,839	0.7	0.7
Midwest	51,852,560	51,945,724	52,082,560	0.2	0.3
Illinois	12,855,970	12,868,192	12,882,135	0.1	0.1
Indiana	6,516,336	6,537,782	6,570,902	0.3	0.5
Michigan	9,874,589	9,882,519	9,895,622	0.1	0.1
Minnesota	5,347,108	5,379,646	5,420,380	0.6	0.8
Ohio	11,549,772	11,553,031	11,570,808	0.0	0.2
Wisconsin	5,708,785	5,724,554	5,742,713	0.3	0.3

Source: U.S. Census Bureau

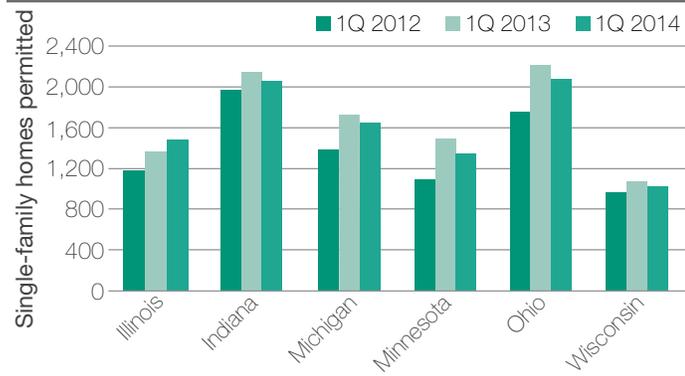


Sales Market Conditions

Sales housing market conditions in the Midwest region are balanced, similar to the conditions reported during the first quarter of 2013. Home sales increased in every state except Michigan, and sales prices were up in every state. In March 2014, 5.4 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 7.3 percent a year ago (Black Knight Financial Services, Inc.). The rate of distressed home loans in the region is slightly above the national rate, which was 5.2 percent in March 2014, down from 7.0 percent a year earlier.

In the Chicago metropolitan area, including nine Illinois counties, new and existing home sales increased 17 percent, to 109,200

Midwest region builders showed caution with new single-family construction, and the number of homes permitted declined slightly.



1Q = first quarter.

Note: Based on preliminary data.

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

home sales, during the 12 months ending March 2014. The median home sales price during March 2014 was \$175,000, or 13 percent higher than a year earlier (Illinois Association of REALTORS®). In Ohio, the three major metropolitan areas each reported increasing home sales and average home sales prices during the 12 months ending March, 2014. Home sales rose 13 percent in Cincinnati, to 22,300, and increased 11 percent each in Cleveland and Columbus, to 40,950 and 25,900, respectively. Average home sales prices were up 6 percent in Cincinnati, to \$167,200, and up 5 percent each in Cleveland and Columbus, to \$136,100 and \$177,000, respectively (Ohio Association of REALTORS®). In Indianapolis, home sales increased 10 percent during the 12 months ending March 2014, to 29,650, and the median home sales price in March 2014 was \$134,200, or 6 percent more than during March 2013 (Metropolitan Indianapolis Board of REALTORS®).

During the first quarter of 2014 (preliminary data)—

- In the region, 9,625 single-family homes were permitted, 4 percent fewer than the 10,000 homes permitted during the first quarter of 2013. By comparison, the number of single-family homes permitted in the Midwest region averaged 7,625 annually during the first quarters from 2009 through 2011.
- In Illinois, the number of single-family homes permitted increased to 1,475, up 8 percent, after increasing 16 percent from the first quarter of 2012 to the first quarter of 2013.
- The number of single-family homes permitted declined in all other states, ranging from 4 percent each in Indiana and Wisconsin, to 2,050 and 1,025 homes permitted, respectively, to 10 percent in Minnesota, to 1,350 homes permitted.

Sales markets were balanced in Midwest region states, with increasing sales in all but Michigan and increasing prices in every state.

	12 Months Ending	Number of Homes Sold			Price			
		2013	2014	Percent Change	Average or Median	2013 (\$)	2014 (\$)	Percent Change
Illinois (N&E)	March	132,400	149,800	13	MED	134,900	148,000	10
Indiana (E)	March	68,750	74,200	8	MED	118,000	123,500	5
Michigan (N&E)	March	125,400	123,100	-2	AVG	113,300	126,000	11
Minnesota (N&E)	March	74,300	76,350	3	MED	160,000	168,500	5
Ohio (N&E)	March	115,900	127,900	10	AVG	136,500	143,300	5
Wisconsin (E)	March	64,050	68,700	7	MED	134,000	136,500	2

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

Notes: Includes condominiums. Median sales prices in Illinois, Minnesota, and Wisconsin are reported for March 2013 and 2014.

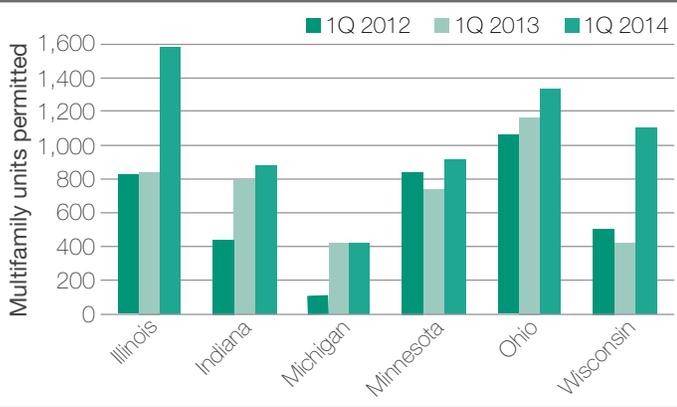
Sources: Illinois Association of REALTORS®; Indiana Association of REALTORS®; Michigan Association of REALTORS®; Minnesota Association of REALTORS®; Ohio Association of REALTORS®; Wisconsin REALTORS® Association



Apartment Market Conditions

Apartment market conditions were balanced in the major metropolitan areas in the Midwest region during the first quarter of 2014, with the exception of Minneapolis, where the apartment market has been tight since 2010. The vacancy rate in Minneapolis declined from 2.8 percent during the first quarter of 2013 to 2.7 percent during the first quarter of 2014 as the market absorbed approximately 5,600 units during the 12 months ending March 2014; an additional 6,500 units are forecast to enter the market during the

Developers responded to ongoing balanced-to-tight market conditions with increased multifamily permitting activity in the Midwest region.



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

next 12 months. Vacancy rates increased in Chicago, Cleveland, and Columbus by 0.3, 0.5, and 0.6 percentage points, to 5.1, 4.5, and 5.5 percent, respectively. In the Chicago metropolitan area, approximately 4,875 new apartment units were completed during the 12 months ending March 2014, most of which have been leased. An additional 6,500 units are forecast to enter the market in the next 12 months (McGraw-Hill Construction Pipeline database). Average monthly apartment rents were up in every major metropolitan area surveyed, with gains ranging from 1 to 3 percent.

During the first quarter of 2014 (preliminary data)—

- Approximately 6,225 multifamily units were permitted in the region, 42 percent more than during the first quarter of 2013. By comparison, the number of multifamily units permitted in the region averaged 10,500 during the first quarters from 2000 through 2007 and averaged 3,375 during the first quarters from 2008 through 2012.
- The number of multifamily units permitted was up in every state except Michigan, where multifamily permitting remained relatively unchanged.
- In Illinois, 740 more units were permitted than during the first quarter of 2013, an increase of 87 percent, including 700 more units in the Chicago metropolitan area.
- In Wisconsin, 1,100 units were permitted, more than double the 2013 first quarter total, but only about one-half of the increase was in the Milwaukee metropolitan area.

Apartment market conditions in major market areas in the Midwest region ranged from balanced to tight, with mixed vacancy changes and increasing rents.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2013 (%)	1Q 2014 (%)	Percentage Point Change	1Q 2013 (\$)	1Q 2014 (\$)	Percent Change
Chicago	Balanced	4.8	5.1	0.3	1,190	1,206	1
Cincinnati	Balanced	5.4	5.0	-0.4	773	796	3
Cleveland	Balanced	4.0	4.5	0.5	783	807	3
Columbus	Balanced	4.9	5.5	0.6	746	769	3
Detroit	Balanced	4.6	4.4	-0.2	803	817	2
Indianapolis	Balanced	6.1	6.1	0.0	722	742	3
Minneapolis	Tight	2.8	2.7	-0.1	1,004	1,023	2

1Q = first quarter.
 Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research; Reis, Inc.

