

HUD PD&R Regional Reports

Region 5: Midwest

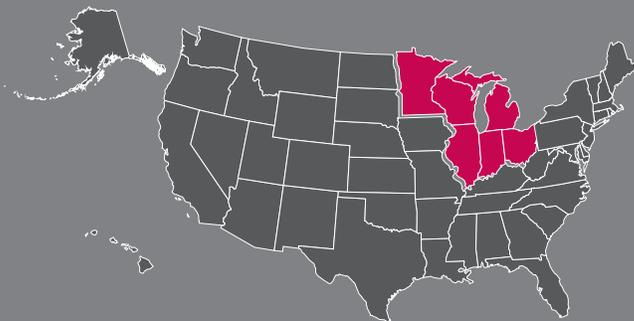


Chicago, Illinois

By Gabriel A. Labovitz | 3rd quarter 2013

Quick Facts About Region 5

- **Sales market conditions—**
Third quarter 2013: balanced.
Second quarter 2013: balanced.
Third quarter 2012: mixed (balanced to soft).
- **Apartment market conditions—**
Third quarter 2013: mixed (balanced to tight).
Second quarter 2013: mixed (balanced to tight).
Third quarter 2012: mixed (balanced to tight).



Overview

Economic conditions in the Midwest region continued the trend of recent improvement, with nonfarm payrolls increasing steadily since 2010. Employment gains were reported in every state in the region and in most nonfarm payroll sectors during the 3 months ending August 2013. Sales housing and apartment markets generally improved during the past year; sales markets were balanced, and apartment markets ranged from balanced to tight throughout the region. Home sales and sales prices increased in each of the six states in the region.

- During the 3 months ending August 2013, nonfarm payrolls increased 1.3 percent, to 23.76 million jobs, the most jobs recorded since 2008.
- During the third quarter of 2013, sales and apartment market conditions improved throughout the region and are balanced to tight, helped by job gains during the past 3 years and relatively little building activity compared with the levels recorded before the housing downturn that began in 2008.



Nonfarm payrolls increased in most sectors in the Midwest region during the 3 months ending August 2013.

	3 Months Ending August		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	23,450.4	23,759.7	309.3	1.3
Goods-producing sectors	3,973.2	3,988.5	15.3	0.4
Mining, logging, and construction	919.0	918.1	-0.9	-0.1
Manufacturing	3,054.2	3,070.4	16.2	0.5
Service-providing sectors	19,477.1	19,771.4	294.3	1.5
Wholesale and retail trade	3,547.7	3,605.0	57.3	1.6
Transportation and utilities	892.9	909.0	16.1	1.8
Information	365.2	361.7	-3.5	-1.0
Financial activities	1,325.3	1,339.0	13.7	1.0
Professional and business services	3,064.8	3,143.0	78.2	2.6
Education and health services	3,660.1	3,709.5	49.4	1.3
Leisure and hospitality	2,339.6	2,415.3	75.7	3.2
Other services	998.1	1,004.8	6.7	0.7
Government	3,283.4	3,284.1	0.7	0.0

Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1-16, 2013.
Source: U.S. Bureau of Labor Statistics

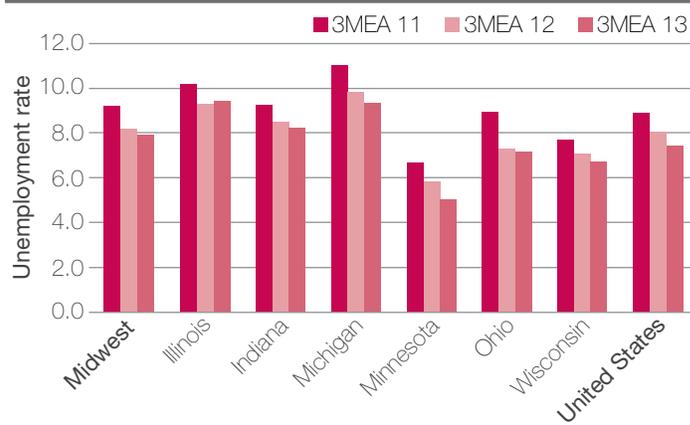
Economic Conditions

Nonfarm payroll job growth in the Midwest region, which resumed after declining from 2008 through 2010, continued during the 3 months ending August 2013, although at a lower rate than during the previous year. Nonfarm payrolls increased 1.3 percent, or by 309,300 jobs, to 23.76 million. By comparison, during the 3 months ending August 2012, nonfarm payrolls grew 1.6 percent, or by 358,400 jobs. With continued nonfarm payroll gains, the region has nearly recovered from the economic downturn, which lasted from 2008 to 2010. The number of jobs recorded during the 3 months ending August 2013 was slightly fewer than the recent peak achieved in 2008, when an average of 24.2 million jobs were reported. During the 3 months ending August 2013, job growth in the region occurred in every nonfarm sector but two; the professional and business services sector, which increased by 78,200 jobs, or 2.6 percent, led the growth, and the leisure and hospitality sector followed, with an increase, of 75,700 jobs, or 3.2 percent. The decline in the mining, logging, and construction sector, which was down 900 jobs, or 0.1 percent, occurred entirely in the construction subsector.

During the 3 months ending August 2013—

- Michigan and Minnesota, where nonfarm payrolls increased by 63,100 and 61,800 jobs, or 1.5 and 2.2 percent, respectively, led growth in the region; together, these two states accounted for more than 40 percent of the reported job growth in the region.
- Nonfarm payrolls in the other four states in the region also grew, by 58,400, 46,200, 42,900, and 37,100 jobs, or 1.0, 1.6, 1.5,

Unemployment rates declined in five of six states in the Midwest region.



3MEA = 3 months ending August.
Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1-16, 2013.
Source: U.S. Bureau of Labor Statistics

and 0.7 percent, in Illinois, Indiana, Wisconsin, and Ohio, respectively.

- The unemployment rate in the region declined to 7.9 percent from 8.2 percent during the 3 months ending August 2012.
- The unemployment rate declined in five of six states in the region. Minnesota recorded the greatest decline, of 0.8 percentage points, to 5.0 percent; Wisconsin, Ohio, Indiana, and Michigan recorded unemployment rate declines to 6.7, 7.2, 8.2, and 9.3 percent, respectively.
- Illinois was the only state in the region to report an increased unemployment rate, of 9.4 percent, up from 9.3 percent a year ago.



Sales Market Conditions

Sales housing market conditions were balanced throughout the Midwest region during the third quarter of 2013. All six states in the region reported increasing home sales and sales prices for the 12 months ending September 2013 compared with the corresponding data for the previous 12-month period (state REALTOR® organizations). Every state in the region recorded increases in home sales and sales prices. The strongest gains were in Illinois, where new and existing home sales increased 24.1 percent, to 150,300 homes sold, and the median sales price in September 2013 was \$157,000,

Single-family permitting increased in all six states in the Midwest region.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data.

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

nearly 13 percent more than the median sales price in September 2012. Indiana, Ohio, and Wisconsin also reported double-digit increases in home sales, of 17.9, 17.6, and 15.7 percent, to 75,200, 127,200, and 69,300 homes, respectively. Home sales in Minnesota and Michigan were up 7.1 and 4.4 percent, to 78,150 and 127,000 sales, respectively. Home sales prices were up 12.1 percent in Michigan, to \$121,600; 10.6 percent in Minnesota, to \$171,400; 6.7 percent in Wisconsin, to \$144,000; 6.3 percent in Ohio, to \$141,400; and 4.7 percent in Indiana, to \$121,500. Reflecting strengthening sales markets, single-family construction activity, as measured by the number of homes permitted, increased in the region during the 3 months ending August 2013 compared with the number of homes permitted the previous year.

During the 3 months ending August 2013 (preliminary data)—

- In the region, approximately 17,950 single-family homes were permitted, a 26-percent increase compared with the number permitted during the same period a year ago.
- The number of single-family homes permitted in the region during the 3 months ending August from 2004 through 2007 averaged 44,750; during the same 3 months from 2008 through 2011, the average declined to 13,150.
- More single-family homes were permitted in each state in the region; by comparison with the same 3 months in 2012, the number of homes permitted increased by 840, or 34 percent, to 3,325 in Michigan; by 680, or 28 percent, to 3,100 in Minnesota; by 650, or 24 percent, to 3,375 in Ohio; by 630, or 24 percent, to 3,250 in Indiana; by 540, or 29 percent, to 2,400 in Wisconsin; and by 410, or 20 percent, to 2,450 in Illinois.

Home sales and sales prices increased throughout the Midwest region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2012	2013	Percent Change		2012 (\$)	2013 (\$)	Percent Change
Illinois (N&E)	September	121,100	150,300	24.1	MED	139,000	157,000	12.9
Indiana (E)	September	63,800	75,200	17.9	MED	116,000	121,500	4.7
Michigan (N&E)	September	121,700	127,000	4.4	AVG	108,500	121,600	12.1
Minnesota (N&E)	September	73,000	78,150	7.1	MED	155,000	171,400	10.6
Ohio (N&E)	September	108,200	127,200	17.6	AVG	133,000	141,400	6.3
Wisconsin (E)	September	59,900	69,300	15.7	MED	135,000	144,000	6.7

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

Notes: Illinois, Michigan, Minnesota, and Ohio: N&E homes and condominiums, as reported. Indiana and Wisconsin: existing home and condominium sales. Median sales prices in Illinois, Minnesota, and Wisconsin are reported for individual months of September 2012 and 2013. Median sales prices in Indiana are reported for the 12 months ending September.

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 in major metropolitan areas in the Midwest region ranged from balanced to tight during the third quarter of 2013. Vacancy rates increased in Cincinnati, Columbus, and Cleveland, from 4.0, 3.7, and 3.2 percent, respectively, during the third quarter of 2012 to 4.3, 4.5, and 4.7 percent, respectively, during the third quarter of 2013 (MPF Research). In Chicago, the vacancy rate was 4.2 percent, the same rate reported a year earlier. The vacancy rates declined in Detroit and Minneapolis, to 4.1 and 2.2 percent from 4.3 and 4.2 percent, respectively. In Indianapolis and Milwaukee, the vacancy rates during the third quarter of 2013 were 5.8 and 3.5 percent, respectively; in Indianapolis, the rate was up from 5.6 percent a year ago, but in Milwaukee, the rate was down from 3.8 percent a year ago (Reis, Inc.). Average monthly rents increased in all but one major metropolitan area in the region from the third quarter of 2012 to the third quarter of 2013. Monthly rent increases ranged from 1 percent in Detroit, to \$813, to 4 percent each in Chicago and Cincinnati, to \$1,215 and \$784, respectively. In Columbus, the average monthly rent was stable at \$753 (MPF Research). In Indianapolis and Milwaukee, the average rent increased 2 percent each, to \$729 and \$887, respectively (Reis, Inc.).

Major metropolitan apartment markets in the Midwest region ranged from balanced to tight.

Metropolitan Area	Market Condition
Chicago	Balanced
Cincinnati	Balanced
Cleveland	Balanced
Columbus	Balanced
Detroit	Balanced
Indianapolis	Balanced
Milwaukee	Tight
Minneapolis	Tight

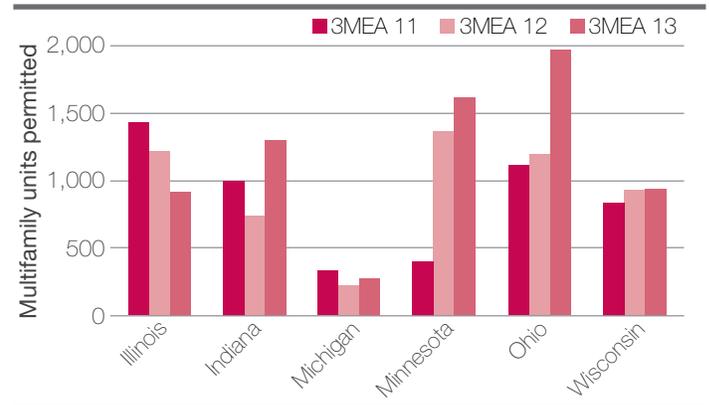
Source: HUD, PD&R, Economic and Market Analysis Division

Multifamily construction activity, as measured by the number of units permitted, increased during the 3 months ending August 2013 compared with the level reported during the same period in 2012.

During the 3 months ending August 2013 (preliminary data)—

- In the region, approximately 7,050 multifamily units were permitted, a 24-percent increase compared with the number of units permitted during the same 3 months in 2012.
- For the same 3 months, the number of multifamily units permitted in the region averaged 11,000 annually from 2005 through 2008 and 4,325 annually from 2009 through 2011.
- Multifamily permitting activity increased from the same 3 months in 2012 in five of the six states in the region, ranging from an increase of 1 percent in Wisconsin, to 950 units, to an increase of 75 percent in Indiana, to 1,300 units.
- In Illinois, the number of multifamily units permitted declined 25 percent, to 920 units, because the many multifamily units under construction in Chicago began entering the market in 2013 and will continue doing so through 2014, causing developers to be cautious in starting new development activity.

Multifamily permitting increased in every state in the Midwest region except Illinois.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data.

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

