

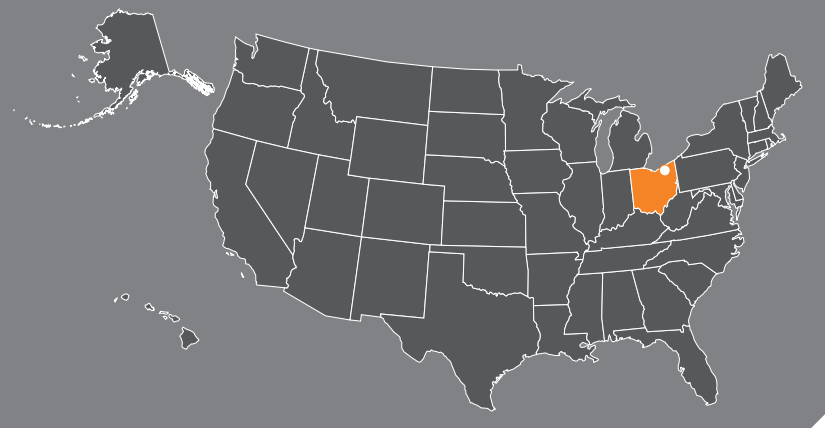
HUD PD&R Housing Market Profiles

Cleveland-Elyria, Ohio



Quick Facts About Cleveland-Elyria

- Current sales market conditions: balanced
- Current apartment market conditions: tight
- The metropolitan area is home to Cleveland Clinic, a nonprofit medical center based in the city of Cleveland, which, in addition to the main campus, includes 11 hospitals and 19 health centers in the Northeast Ohio region. In the 2022–2023 Best Hospitals ranking by *U.S. News & World Report*, Cleveland Clinic ranked as the best hospital for heart care and one of the top hospitals in the nation overall. In 2019, Cleveland Clinic had an economic impact of \$34.6 billion on the economy of the Northeast Ohio region.



Cleveland, Ohio

By Tomasz Kukawski | As of July 1, 2022

Overview

The Cleveland-Elyria (hereafter Cleveland) metropolitan area, in northeastern Ohio along the Lake Erie shore, includes Cuyahoga, Geauga, Lake, Lorain, and Medina Counties and is coterminous with the Cleveland-Elyria Metropolitan Statistical Area. The metropolitan area is part of the 16-county Northeast Ohio region, an area with approximately 3.5 million residents. Economic conditions in the Cleveland metropolitan area have strengthened during the past year as the local economy continued to recover from the downturn caused by the COVID-19 pandemic in early 2020. A shortage of for-sale housing and slower net out-migration since 2021 have contributed to the current balanced sales market conditions. Apartment market conditions are tight, and demand for new apartments continues to outweigh supply.

- As of July 1, 2022, the estimated population of the Cleveland metropolitan area is 2.07 million, representing a decline of 1,850, or 0.1 percent, since July 2021, with net out-migration and net natural increase (resident births minus resident deaths) totaling 2,350 and 500 people, respectively. During this period, international migration has likely

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increased as travel restrictions were lifted, domestic out-migration slowed because of job growth in the metropolitan area, and resident deaths declined sharply as the widespread availability of vaccines reduced COVID-19-related deaths.

- By comparison, from April 2020 to July 2021, the population of the metropolitan area declined an average of 10,050, or 0.5 percent, annually (U.S. Census Bureau decennial census count and population estimates as of July 1) because of lower levels of international in-migration, higher domestic out-migration, and net natural decline as resident deaths outweighed resident births. During that period, encompassing the early stages of the pandemic, net

out-migration and net natural decline averaged 5,125 and 4,925 people a year, respectively.

- The population of the metropolitan area is older than the national average; during 2019, the median age of the Cleveland metropolitan area population was 41.4 years, compared with 38.2 years nationally (2019 American Community Survey [ACS] 1-year data). The age cohort of those 65 and older in the metropolitan area grew from 15 percent of the total population in 2010 to nearly 19 percent of the total population in 2019 (2010 and 2019 ACS 1-year data) because more adults aged in place, incentivized in part by proximity to major healthcare providers.

Economic Conditions

The local economy is recovering from the downturn caused by the COVID-19 pandemic. Job growth has been slower compared with the rest of the nation, however, largely because of weak demographic trends in the metropolitan area. During the second quarter of 2022, nonfarm payrolls rose by 33,400 jobs, or 3.3 percent, from a year earlier, to 1.06 million jobs, compared with a gain of 75,000 jobs, or 7.9 percent, during the second quarter of 2021. By comparison, nonfarm payrolls grew 4.4 percent nationally during the second quarter of 2022. Job growth in the Cleveland metropolitan area occurred in 9 of the 11 payroll sectors, and total nonfarm payrolls are currently 2 percent below the second quarter high of 1.09 million during the second quarter of 2019, before the pandemic. The metropolitan area is home to five Fortune 500 companies, including The Progressive Corporation and The Sherwin-Williams Company.

During the second quarter of 2022 —

- The largest recovery in jobs occurred in the leisure and hospitality sector, which increased by 11,900 jobs, or 13.4 percent, to 100,900, because lower transmission levels of COVID-19 allowed for the lifting of business restrictions and increased tourism activity. Payrolls in the sector are currently 3 percent below the 104,200 jobs during the fourth quarter of 2019, before the pandemic, and 58 percent above the low of 63,700 jobs during the second quarter of 2020, after the outbreak of the pandemic. More than 24.2 million people visited downtown Cleveland during the first half of 2022, up from 6 million during the first half of 2021 (Downtown Cleveland Alliance).
- The professional and business services sector added the second most jobs, increasing by 5,700 jobs, or 3.7 percent, to 161,100, as workers returned to the office at an increasing rate and demand increased for office services, such as building support and janitorial staff. The overall office

occupancy rate in the city of Cleveland was 85.6 percent during the second quarter of 2022, up from 81.1 percent during the second quarter of 2021 (CBRE). The Sherwin-Williams Company is investing nearly \$1 billion during 2022 in the metropolitan area on expansions that include a new headquarters in downtown Cleveland and a new research and development center in the city of Brecksville (*Cleveland Business Journal*).

- The manufacturing sector (including industries related to steel, automobile, and transportation equipment production) increased by 4,500 jobs, or 3.9 percent, to 118,900; the current total is 4 percent below the previous second quarter high of 124,000 jobs in 2019. The manufacturing sector in the metropolitan area accounts for 11 percent of all nonfarm payrolls, compared with an 8-percent share nationally, and the current \$46 billion economic impact of the manufacturing industry on the Northeast Ohio region is projected to increase 8 percent annually through 2025 (Manufacturing Advocacy and Growth Network).
- The unemployment rate averaged 5.6 percent, down from 6.4 percent a year earlier, and it was substantially below the rate of 16.9 percent during the second quarter of 2020, when economic activity slowed abruptly because of the pandemic. By comparison, the nationwide unemployment rate averaged 3.5 percent during the second quarter of 2022, down from 5.8 percent a year ago and 12.9 percent during the second quarter of 2020.

The education and health services sector is the largest employment sector in the metropolitan area, with 195,000 jobs, accounting for 18 percent of all nonfarm payrolls. From 2001 through 2019, the education and health services sector accounted for the plurality of job growth in the metropolitan area. Jobs in the sector declined during the pandemic, however, and

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Nonfarm payrolls increased year over year in the Cleveland metropolitan area during the second quarter of 2022, with job gains in 9 of the 11 sectors.

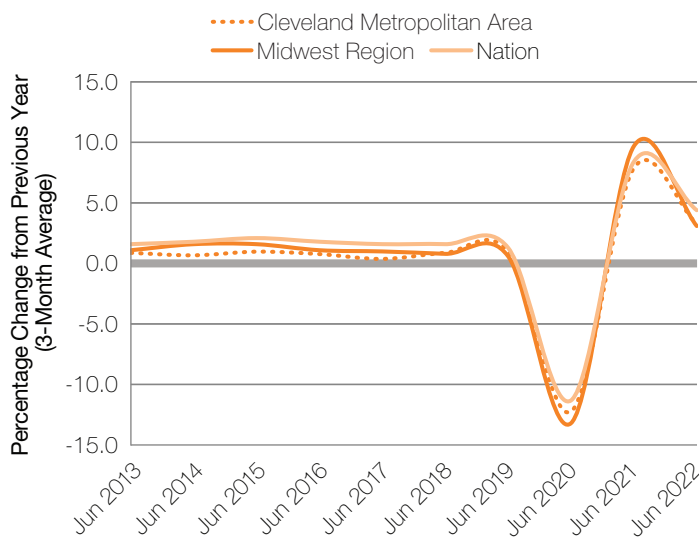
	3 Months Ending		Year-Over-Year Change	
	June 2021 (Thousands)	June 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,027.4	1,060.8	33.4	3.3
Goods-Producing Sectors	152.5	159.6	7.1	4.7
Mining, Logging, & Construction	38.1	40.6	2.5	6.6
Manufacturing	114.4	118.9	4.5	3.9
Service-Providing Sectors	874.9	901.2	26.3	3.0
Wholesale & Retail Trade	145.5	146.4	0.9	0.6
Transportation & Utilities	38.1	40.8	2.7	7.1
Information	13.0	13.9	0.9	6.9
Financial Activities	69.2	68.5	-0.7	-1.0
Professional & Business Services	155.4	161.1	5.7	3.7
Education & Health Services	196.2	195.0	-1.2	-0.6
Leisure & Hospitality	89.0	100.9	11.9	13.4
Other Services	36.9	40.8	3.9	10.6
Government	131.7	133.8	2.1	1.6
Unemployment Rate	6.4%	5.6%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

are currently 6 percent below the high of 208,300 during the fourth quarter of 2019. The education and health services sector includes the two largest private employers in the metropolitan area, Cleveland Clinic and University Hospitals, which employ 33,250 and 14,500 workers, respectively. During the second quarter of 2022, payrolls in the sector decreased by 1,200 jobs, or 0.6 percent, from a year earlier, with the entire loss

The rate of nonfarm payroll growth in the Cleveland metropolitan area during the second quarter of 2022 slowed from the same period a year earlier and was below the rate for the nation.



Source: U.S. Bureau of Labor Statistics

attributed to the decline in the nursing and residential care facilities industry. Jobs in the nursing and residential care facilities industry totaled 26,900 during the second quarter of 2022, down by 1,300 jobs, or 4.7 percent, from a year earlier. Jobs in the industry are currently 19 percent below the 33,300 jobs during the second quarter of 2019, as demand for most types of congregate senior housing fell because of higher mortality rates within nursing facilities during the pandemic. The education and health services sector is expected to recover during the next several years because of the increasing demand for health care from a growing elderly population in the metropolitan area. During the second quarter of 2022, Cleveland Clinic announced plans for a \$1.3 billion expansion, with most projects planned at the main campus in the city of Cleveland. A 1-million-square-foot Neurological Institute building, an expanded Cole Eye Institute building, and expanded research facilities are part of the proposed development, which is expected to result in the creation of 2,000 new jobs in the metropolitan area by 2026.

Largest Employers in the Cleveland Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Cleveland Clinic	Education & Health Services	33,250
University Hospitals	Education & Health Services	14,500
Office of Personnel Management	Government	11,250

Note: Excludes local school districts.

Source: *Crain's Cleveland Business*, January 2022

Sales Market Conditions

The sales housing market in the Cleveland metropolitan area is currently balanced, with an estimated 1.7-percent vacancy rate, down from 2.5 percent in 2010, when conditions were soft. During the 12 months ending June 2022, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 45,400, a 3-percent decline from the 46,650 homes sold a year earlier (Zonda). Relatively affordable home prices, compared with other large metropolitan areas in the Midwest and nationally, have supported demand, despite rising mortgage interest rates. In addition, a low supply of homes available for sale has supported balanced market conditions, despite net out-migration. The inventory of homes for sale fell to 1.3 months during June 2022 from a 1.5-month supply in June 2021 and a 3.2-month supply in June 2019, before the COVID-19 pandemic (Redfin, a national real estate brokerage). In June 2022, the percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 1.9 percent, a sharp decline from 3.4 percent a year earlier (CoreLogic, Inc.), when delinquencies rose. Delinquencies rose as more homeowners who were unable to make their mortgage payments took advantage of mortgage forbearance policies included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The current delinquency rate is higher than the 1.6-percent rate for Ohio and the 1.4-percent rate for the nation.

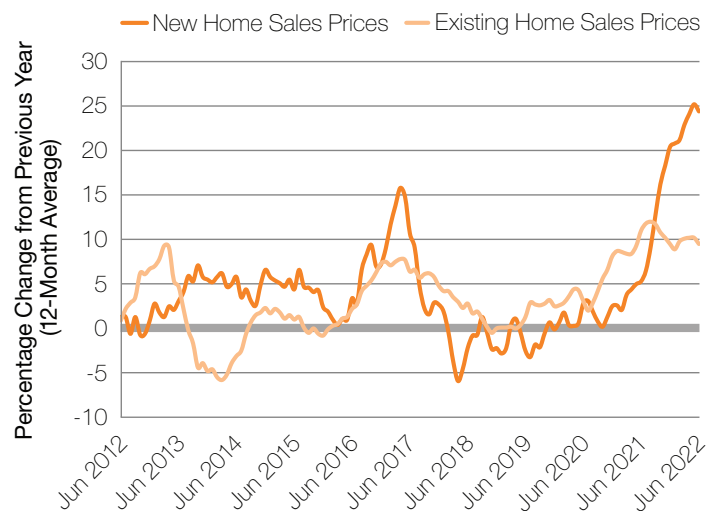
During the 12 months ending June 2022—

- Approximately 1,850 new homes were sold in the Cleveland metropolitan area, down 20 percent from the previous 12 months. New home sales generally increased from 2016 through 2020, averaging a gain of more than 4 percent a year, but they declined 14 percent from the recent high of 2,275 homes sold in 2020 to 1,950 homes sold during 2021.
- Existing home sales in the metropolitan area totaled 43,550, representing a decline of 2 percent from 1 year earlier and compared with an 11 percent increase during the 12 months ending June 2021. During the past 12 months, regular resales, which consist of existing home sales excluding REO sales, totaled 42,750, unchanged from a year earlier, whereas REO sales fell more than 50 percent to 800 homes sold.
- The average sales price for a new home rose 24 percent to a new high of \$376,000. By comparison, following an average increase of 5 percent a year from 2014 through 2017, new home sales prices in the metropolitan area fluctuated but remained relatively unchanged through 2020.
- The average sales price for existing homes rose nearly 10 percent from a year earlier to \$214,300, which followed a gain of 11 percent during the 12 months ending June 2021. By comparison, the average price for existing homes in the metropolitan area increased nearly every year from 2014 through 2019, averaging a gain of 3 percent a year.

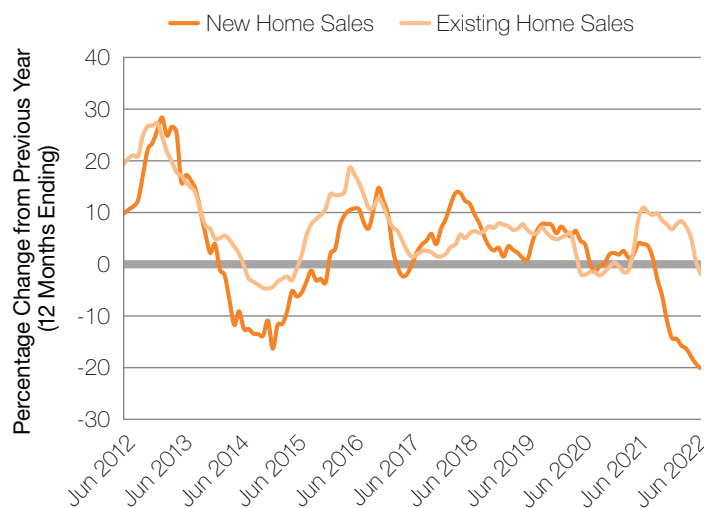
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During the past year, rising labor and material costs and the low inventory of homes available for sale contributed to strong price growth for new and existing homes in the Cleveland metropolitan area.

During the 12 months ending June 2022, new and existing home sales declined in the Cleveland metropolitan area, primarily due to rising home sales prices and mortgage interest rates.



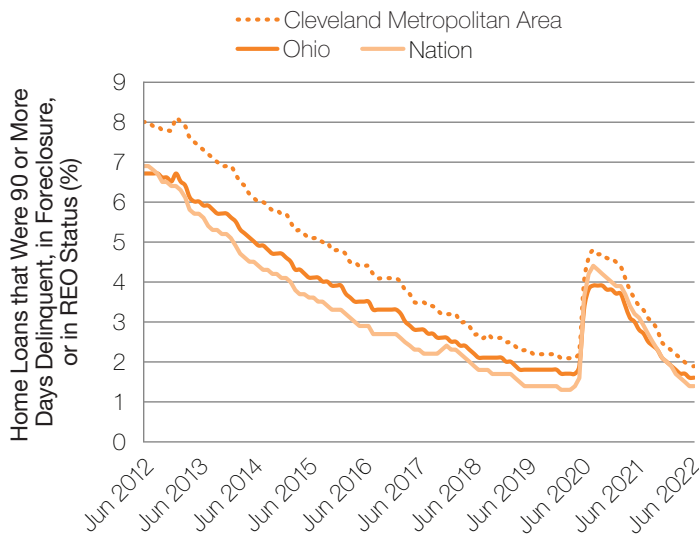
Note: Prices are for single-family homes, townhomes, and condominiums.
Source: Zonda



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Source: Zonda

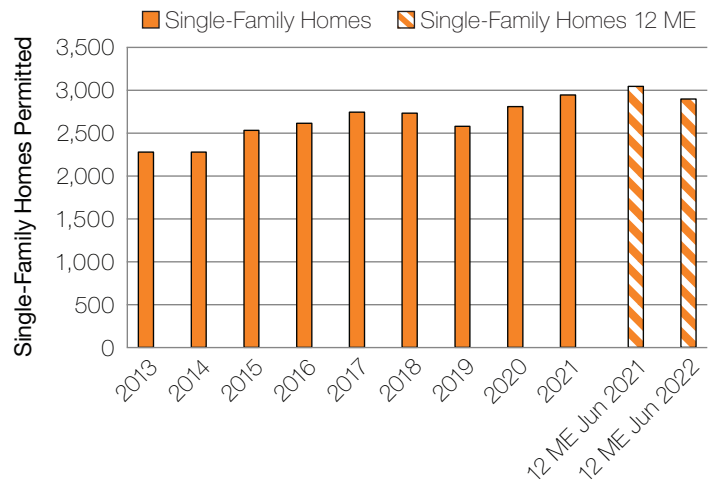
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The proportion of seriously delinquent loans and REO properties in the Cleveland metropolitan area has declined since the spike during 2020.



REO = real estate owned.
Source: CoreLogic, Inc.

Single-family homebuilding activity in the Cleveland metropolitan area slowed during the most recent 12 months after reaching a recent high during the previous 12-month period.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

New home construction, as measured by the number of single-family homes permitted, increased during 2020 and 2021 but eased during the current 12-month period, as rising mortgage interest rates curtailed demand.

- During the 12 months ending June 2022, the number of homes permitted totaled 2,900, representing a decline of 5 percent from 3,050 homes permitted during the 12 months ending June 2021 (preliminary data).
- An average of 2,675 homes were permitted each year from 2015 through 2020, up from an average of 2,000 homes permitted each year from 2008 through 2014. By comparison, an average of 5,650 homes were permitted each year from 2000 through 2007.

- During the 12 months ending June 2022, nearly 40 percent of new single-family home construction activity in the metropolitan area occurred in Lorain County, which contains the city of Elyria. Currently under construction in Elyria, 30 miles southeast of downtown Cleveland, is the second phase of Harvest Meadows, a 65-home single-family community, with three-to-five-bedroom homes with prices ranging from \$283,000 to \$342,000.
- Four Seasons at Chestnut Ridge—an active lifestyle community in Elyria targeted to households with adults aged 55 years and older—sold its final homes in early 2022. The development consists of two- to three-bedroom single-family homes, with prices ranging from \$292,000 to \$344,000.

Apartment Market Conditions

Apartment market conditions in the Cleveland metropolitan area are tight. During the second quarter of 2022, the apartment vacancy rate was 5.0 percent, down from 5.2 percent during the second quarter of 2021 (CoStar Group). Apartment market conditions were generally balanced during the mid-to-late 2010s but have tightened during the past 2 years. Economic recovery from the pandemic, slower net out-migration, and rising costs of homeownership contributed to strong demand for new apartments. During the second quarter of 2022, the average apartment rent was \$1,065, representing an increase of nearly 7 percent from \$999 during the second quarter of

2021. Nationally, the apartment vacancy rate was 5.0 percent during the second quarter of 2022, down from 5.2 percent a year earlier, and the average rent increased 9 percent from the second quarter of 2021 to \$1,638.

During the second quarter of 2022—

- The apartment vacancy rate declined in 5 of the 10 CoStar Group-defined market areas within the Cleveland metropolitan area, with the steepest decline of 4.2 percentage points in the Downtown Cleveland market area. The apartment vacancy rate in the Downtown Cleveland market area was the highest

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in the metropolitan area, at 10.7 percent, but apartment market conditions are tightening as residents feel more comfortable returning to densely populated areas.

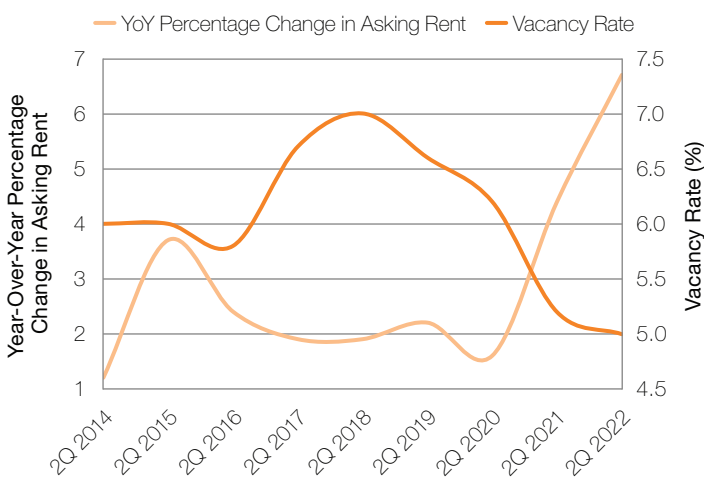
- Apartment market conditions were tight in seven of the market areas, with vacancy rates below 5.0 percent. The Brooklyn Heights and the Northeast Cleveland market areas had the lowest vacancy rates, at 2.1 and 2.4 percent, down 0.3 and 0.2 percentage points, respectively, from a year earlier.
- Average monthly rents increased in all but one market area in the Cleveland metropolitan area. The steepest increases of 12 and 11 percent, to \$1,416 and \$1,192, occurred in the Southeast Cleveland and the South Cleveland market areas, respectively, where apartment market conditions were tight, with a very limited supply of new apartment units.
- Rents grew an average of 5 percent in the West Cleveland, the Lakewood, the East Cleveland, the Northeast Cleveland, and the Downtown Cleveland market areas, where the average rent was \$753, \$895, \$896, \$1,010, and \$1,556, respectively. In the Brooklyn Heights market area, the average monthly rent during the second quarter of 2022 remained relatively unchanged from a year earlier, at \$783, despite the low apartment vacancy rate.

Multifamily construction activity, as measured by the number of units permitted, has been declining since the end of 2020, contributing to tight apartment market conditions as net out-

migration from the metropolitan area moderated following the initial impact of the COVID-19 pandemic.

- During the 12 months ending June 2022, approximately 1,525 multifamily units were permitted, compared with 1,975 units permitted during the same period a year earlier (preliminary data, with adjustments by the analyst).
- From 2014 through 2018, an average of 1,875 multifamily units were permitted annually before the rate declined to 1,200 units during 2019. Permitting increased to a new high of 2,450 units during 2020 but slowed sharply to only 880 units permitted during 2021, as net out-migration from the HMA rose during the first year of the pandemic.
- Approximately 71 percent of new apartments built in the metropolitan area since 2020 are in the city of Cleveland in Cuyahoga County. Roughly 1,325 new apartment units are under construction in the city of Cleveland, including the market-rate general occupancy City Club Apartments CBD Cleveland, which will include 304 units when complete in May 2023.
- The recently completed Euclid Grand in downtown Cleveland was converted from an office building into a mixed-use development, offering retail space and 261 apartment units. The property opened in 2021 and is nearly 70 percent occupied. Rents range from \$1,829 for a one-bedroom unit to \$2,641 for a three-bedroom unit.

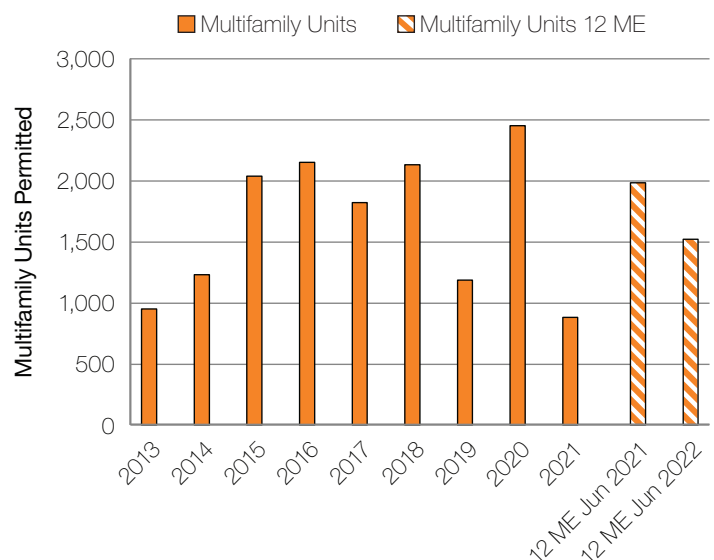
The apartment vacancy rate has declined since mid-2018, and the average rent has risen sharply during the past 2 years.



2Q = second quarter. YoY = year-over-year.

Source: CoStar Group

Multifamily construction activity in the Cleveland metropolitan area declined during the past 12 months, contributing to tight market conditions.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
CARES Act	The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The more-than-\$2 trillion in federal funding provides economic assistance in response to the public health and economic impact of COVID-19.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Decline	Resident deaths are greater than resident births.
Net Natural Increase	Resident births are greater than resident deaths.
Real Estate Owned (REO) Sales	Bank-owned properties that were sold to an unaffiliated third party.
Regular Resales	Home closings that have no ties to either new home closings (builders) or foreclosures; they were previously constructed and sold to an unaffiliated third party and include short sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1. The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.