

# HUD PD&R Regional Reports

## Region 5: Great Lakes



Chicago, Illinois

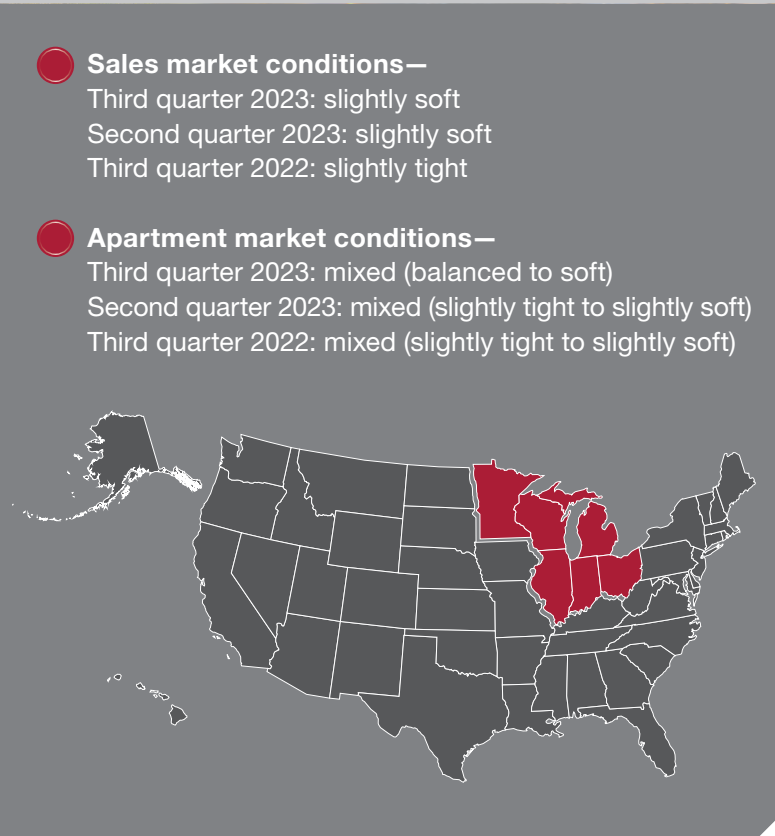
### Quick Facts About Region 5

By Gabe Labovitz | 3rd Quarter 2023

### Overview

During the third quarter of 2023, economic conditions in the Great Lakes region remained strong, but the rate of annual job growth is slowing. Nonfarm payrolls rose by 400,200 jobs, or 1.6 percent, year over year, following a larger and faster gain of 807,500 jobs, or 3.3 percent a year earlier. The current jobs total in the region, 25.59 million, is the highest third quarter total on record. Despite the growth in jobs during the past year, the 1.6-percent rate of expansion was the lowest among the 10 HUD regions and trailed the national rate of job growth of 2.1 percent. The home sales market in the region is slightly soft, and apartment markets in the region are mixed, ranging from balanced to soft. Mirroring national trends, home sales in the Great Lakes region declined sharply, with high mortgage interest contributing. Average home sales prices, although generally increasing, have slowed dramatically from the previous year. In the apartment market, a record-high level of new units was delivered in the region during the past year, which led to softening in apartment markets, paralleling the national trend. The current estimate of apartments under construction in the region is lower than the level a year earlier but still high and suggests tightening of apartment markets in the region is unlikely to occur during the next year.

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- In the Great Lakes region, the current jobs total is 0.2 percent above the total during the third quarter of 2019, before the impact of the COVID-19 pandemic and efforts to slow the spread of the virus led to widespread economic disruptions. Nationally, the current jobs total is 0.9 percent above the total during the third quarter of 2019; among 10 HUD regions, the Great Lakes region ranks ninth for job growth from the 2019 level.
- Despite declining home sales in the Great Lakes region, home builders have increased new single-family home

construction to recent record-high levels, responding to continued low levels of for-sale inventory. Some new home builders are incentivizing new home purchases by “buying down” mortgage interest rates for buyers.

- Apartment markets in the major metropolitan areas of the Great Lakes region have softened from conditions during the previous quarter and a year earlier; therefore, new apartment units being built in the region, as measured by the number of multifamily building permits issued, have fallen from the level a year earlier.

## Economic Conditions

Nonfarm payrolls rose in the Great Lakes region during the third quarter of 2023, increasing by 400,200 jobs, or 1.6 percent, from a year earlier to reach 25.59 million jobs. Jobs in the Great Lakes region have increased for 10 consecutive quarters since the brief but severe decline in jobs during 2020, when the COVID-19 pandemic began. Indiana is the state with the strongest job growth since the third quarter of 2019, where the jobs total is 0.9 percent higher. Wisconsin, Ohio, and Illinois follow, with jobs totals 0.3, 0.2, and 0.1 percent, respectively, above the jobs averaged during the third quarter of 2019. In Michigan and Minnesota, jobs totals match the average from the third quarter of 2019.

During the third quarter of 2023, job growth in the Great Lakes region was led by service-providing sectors, which combined to increase 1.8 percent, compared with 0.8 percent in the goods-producing sectors. Leading growth regionally, the education

and health services sector added 140,700 jobs, or 3.5 percent, and the leisure and hospitality sector added 112,100 jobs, or 4.6 percent; these sectors led job growth nationally, as well. Despite the increases in the region, jobs in the education and health services sector are only 65,100, or 0.4 percent, above the average during the third quarter of 2019, and the leisure and hospitality sector was 37,600 jobs, or 0.4 percent, below the average. The leisure and hospitality sector was the most significantly impacted in the Great Lakes region when the COVID-19 pandemic emerged in the United States, falling more than 22 percent from the third quarters of 2019 and 2020. By contrast, jobs in the professional and business services, the manufacturing, and the information sectors fell during the past year, declining by 15,600, 10,600, and 10,500 jobs, or declines of 0.4, 0.3, and 3.1 percent, respectively.

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### The rate of job growth in the Great Lakes region slowed during the third quarter of 2023.

	Third Quarter		Year-Over-Year Change	
	2022 (Thousands)	2023 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	25,189.9	25,590.1	400.2	1.6
Goods-Producing Sectors	4,398.8	4,431.8	33.0	0.8
Mining, Logging, & Construction	1,172.9	1,216.4	43.5	3.7
Manufacturing	3,225.9	3,215.3	-10.6	-0.3
Service-Providing Sectors	20,791.1	21,158.3	367.2	1.8
Wholesale & Retail Trade	3,567.8	3,585.2	17.4	0.5
Transportation & Utilities	1,214.5	1,224.6	10.1	0.8
Information	343.5	333.0	-10.5	-3.1
Financial Activities	1,463.4	1,472.2	8.8	0.6
Professional & Business Services	3,492.1	3,476.5	-15.6	-0.4
Education & Health Services	3,971.3	4,112.0	140.7	3.5
Leisure & Hospitality	2,458.2	2,570.3	112.1	4.6
Other Services	1,010.2	1,032.0	21.8	2.2
Government	3,270.3	3,352.6	82.3	2.5

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

Source: U.S. Bureau of Labor Statistics



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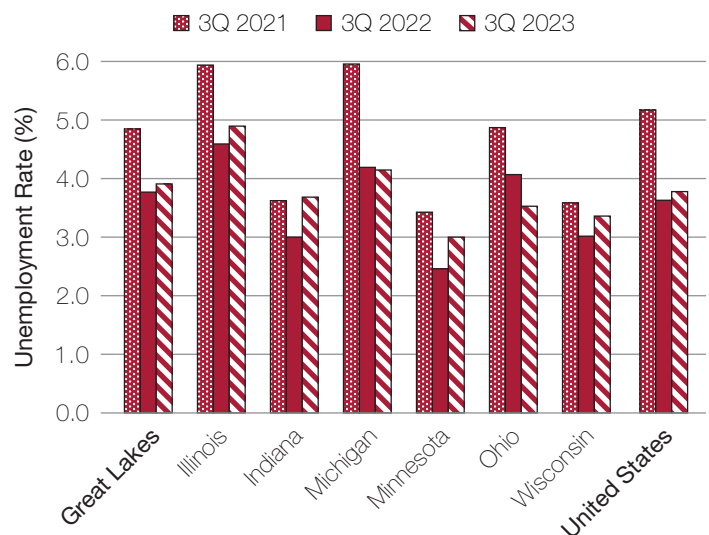
Because of continued job growth in the Great Lakes region, unemployment rates for the region and the six states are at relatively low levels. The regional unemployment rate during the third quarter of 2023 averaged 3.9 percent, up from 3.8 percent a year earlier and a 4.9-percent average during the third quarter of 2021. Unemployment rates ranged from 3.0 percent in Minnesota to 4.9 percent in Illinois. By comparison, the rate averaged 3.8 percent nationally during the third quarter of 2023, up from 3.6 percent a year earlier. The lowest unemployment rate among all states during the third quarter of 2023 was in North Dakota, at 1.6 percent, and the highest was in Nevada, where the rate was 5.6 percent.

During the third quarter of 2023—

- Ohio led states in the Great Lakes region with the largest and fastest rate of job growth, where jobs increased by 101,700, or 1.8 percentage points. Job gains were led by the leisure and hospitality and the education and health services sectors, where jobs grew by 38,100 and 37,100, with rates of growth averaging 6.7 and 4.1 percent, respectively.
- Job growth occurring in Illinois increased by 90,400 to 6.17 million jobs, or 1.5 percent. Seven sectors increased, led by growth in the education and health services and the leisure and hospitality sectors, where growth averaged 37,600 and 29,100 jobs, or 4.1 and 4.9 percent, respectively. Four sectors declined, led by a decrease of 11,800 jobs, or 1.2 percent, in the professional and business services sector, the largest jobs sector in Illinois.
- The third largest job increase in the region during the third quarter of 2023 was in Michigan, where jobs rose by 63,800, or 1.5 percent, to 4.45 million jobs. The largest increase occurred in the government sector, which rose by 19,600 jobs, or 3.4 percent.

- In Indiana and Minnesota, job growth totaled 58,000 and 48,000 jobs, or 1.8 and 1.6 percent, respectively. In both states, job growth was led by the education and health services sector, adding 12,300 jobs in Indiana, equal to 2.6 percent growth, and increasing by 21,000 jobs, or 3.8 percent, in Minnesota.
- In Wisconsin, payrolls rose by 38,200 jobs, or 1.3 percent, which was the lowest and slowest rate of increase in the region. Similar to four of the other five regional states, growth was led by the education and health services and the leisure and hospitality sectors, which added 15,100 and 10,400 jobs, or 3.3 and 3.6 percent, respectively.

### Unemployment rates rose in four of six Great Lakes region states during the third quarter of 2023.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

Sales housing market conditions in the Great Lakes region were slightly soft during the third quarter of 2023, unchanged from conditions during the previous quarter. Conditions shifted from generally balanced in early 2020 to tight through mid-2022. Increased homebuying occurred because of the COVID-19 pandemic and the shift to remote work and schooling, and low mortgage interest rates at that time spurred home purchases. Interest rates for 30-year fixed-rate mortgages, which averaged 2.9 percent during the third quarter of 2021, began to rise in early 2022 and averaged 5.6 percent during the third quarter of 2022 and 7.0 percent during the third quarter of 2023 (Freddie Mac). Increased mortgage interest rates contribute directly to declining home sales.

Home sales fell sharply during the past year. Approximately 841,700 home sales occurred in the Great Lakes region during the 12 months ending August 2023, or 22 percent fewer sales than during the previous year (CoreLogic, Inc., with adjustments by the analyst). By comparison, home sales fell 28 percent nationally from a year earlier. New home sales in the Great Lakes region fell nearly 18 percent to 43,900, and existing home sales fell more than 22 percent to 797,800. Home sales fell in each state in the Great Lakes region. Home sales declined 17 percent in Ohio to 187,100 home sales; in the remaining five states, home sales declines ranged from 24 percent in Indiana and Michigan, falling to 142,800 and 157,200 home sales, respectively, to 28 percent in Minnesota, falling to 89,750 sales.

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Despite declining home sales, the inventory of homes for sale in the Great Lakes region stayed at record-low levels. During September 2023, an approximately 1.8-month supply of homes was for sale in the Great Lakes region, down from a 2.0-month supply a year earlier (CoreLogic, Inc.). Nationally, 2.7 months of available homes were for sale during September 2023, up slightly from 2.6 months a year earlier. Increased mortgage interest rates contributed to the low level of homes for sale; mortgage holders with comparatively low interest rates are faced with increased borrowing costs for subsequent purchases and less likely to list their homes for sale.

Average home prices in the Great Lakes region states are generally at record-high levels, although the rate of price growth is slowing. For the region, the average home price during the 12 months ending August 2023 was \$263,900, an increase of 2 percent from a year earlier, following stronger growth of 10 percent during the 12 months ending August 2022. The highest average home price among regional states was in Minnesota, where the average sales price rose nearly 3 percent to \$330,500. In Illinois, the average sales price was \$302,800, and the increase from a year earlier was less than 1 percent. Home prices averaged \$267,600 and \$265,600 in Wisconsin and Indiana, representing gains of 6 percent and 11 percent, respectively. In Michigan and Ohio, average home prices were \$229,800 and \$225,000, following gains of 2 and 3 percent, respectively. Nationally, the average home price was \$399,900, an increase of nearly 1 percent from a year earlier.

Because of continued job growth, the share of seriously delinquent home loans (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status in the region fell to 1.0 percent during August 2023 from 1.4 percent during August 2022. The national rate was 1.1 percent during August 2023, down from 1.4 percent a year earlier. In the Great Lakes region states, rates ranged from 0.6 percent in Wisconsin to 1.3 percent each in Illinois and Ohio and fell in all six states, ranging from a 0.2 percentage point decline in Michigan and Wisconsin to a larger 0.5 percentage point decline in Illinois. For the Great Lakes region, the decline in seriously delinquent home loans and REO properties was primarily because the number of loans 90 or more days delinquent fell 28 percent during the past year; by contrast, loans in REO status were unchanged, and loans in foreclosure fell 12 percent.

Although sales housing market conditions in the Great Lakes region are currently slightly soft, low levels of available inventory spurred increased production in the past year.

During the third quarter of 2023 (preliminary data)—

- Home construction in the Great Lakes region, as measured by the number of single-family homes permitted, totaled 22,950, nearly 3 percent above the number of homes permitted a year earlier and the highest third quarter total since before 2010. Nationally, the increase was 6 percent.
- The number of single-family homes permitted rose in four of the six Great Lakes region states; the largest number of homes permitted was in Indiana, where the 4,750 homes

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### Home sales fell sharply throughout the Great Lakes region during the third quarter of 2023.

	12 Months Ending	Number of Homes Sold			Average	Price		
		2022	2023	Percent Change		2022 (\$)	2023 (\$)	Percent Change
Illinois	August	223,500	165,500	-26	AVG	\$301,000	\$302,800	1
Chicago-Naperville-Elgin, IL-IN-WI	August	174,500	128,300	-26	AVG	\$356,100	\$358,700	1
Indiana	August	186,800	142,800	-24	AVG	\$239,600	\$265,600	11
Indianapolis-Carmel-Anderson, IN	August	65,650	49,750	-24	AVG	\$285,600	\$324,000	13
Michigan	August	206,100	157,200	-24	AVG	\$224,500	\$229,800	2
Detroit-Warren-Dearborn, MI	August	86,650	68,200	-21	AVG	\$242,000	\$239,400	-1
Minnesota	August	124,900	89,750	-28	AVG	\$322,300	\$330,500	3
Minneapolis-St. Paul-Bloomington, MN-WI	August	79,950	55,850	-30	AVG	\$378,900	\$388,600	3
Ohio	August	225,100	187,100	-17	AVG	\$219,100	\$225,000	3
Cincinnati, OH-KY-IN	August	45,100	35,700	-21	AVG	\$261,000	\$277,600	6
Cleveland-Elyria, OH	August	41,750	34,000	-19	AVG	\$213,700	\$216,300	1
Columbus, OH	August	44,250	34,550	-22	AVG	\$307,300	\$325,200	6
Wisconsin	August	122,100	91,100	-25	AVG	\$253,000	\$267,600	6
Milwaukee-Waukesha, WI	August	28,200	21,050	-25	AVG	\$296,800	\$309,700	4

AVG = average.

Notes: Some metropolitan areas include counties in more than one state. Home sales and sales prices include new and existing homes.

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

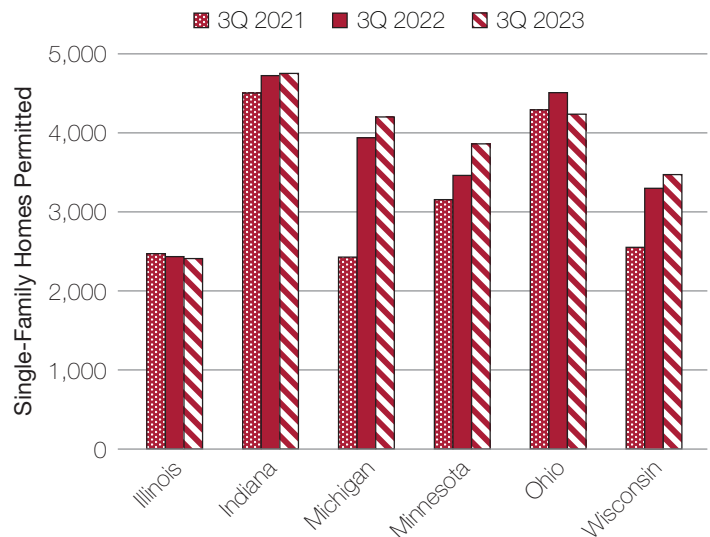


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permitted was less than 1 percent, or 25 homes, above permitting a year earlier. The largest increase in permitting was in Minnesota, where the 3,875 homes permitted were nearly 12 percent, or 400 homes, higher than a year earlier.

- In Michigan and Wisconsin, the number of homes permitted rose by 260 and 180 homes, or 7 and 5 percent, to 4,200 and 3,475 homes, respectively. In Michigan, home permitting rose in several metropolitan areas, including 190 homes, or 17 percent, in the Detroit metropolitan area. In Wisconsin, increased home permitting in the balance of the state offset a decline of 55 homes, or 12 percent, permitted in the Milwaukee metropolitan area.
- Single-family homes permitted fell in Ohio and Illinois, where 4,225 and 2,400 homes were permitted, with declines of 6 and 1 percent, respectively. In Illinois, the modest decline in homes permitted, which totaled 20, was mostly outside of the Chicago metropolitan area, where homebuilding rose slightly. In Ohio, the decline in permitting was more significant in the Cleveland-Elyria and Columbus metropolitan areas but rose by 85 homes, or nearly 10 percent, in the Cincinnati metropolitan area.

**Single-family permitting in the Great Lakes region rose during the third quarter of 2023, with increases in four of the six states in the region.**



3Q = third quarter.

Note: Based on preliminary data.

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

## Apartment Market Conditions

Apartment market conditions in the eight metropolitan areas in the region highlighted in this report are mixed, ranging from balanced to soft, having eased moderately from the previous quarter and significantly since the third quarter of 2022. Apartment absorption in the Great Lakes region totaled 30,300 units during the 12 months ending September 2023, slightly higher than the 30,000 units absorbed a year earlier (CoStar Group). New apartment deliveries in the region during the past year totaled 58,500, nearly 23 percent above the level a year earlier and the highest level on record, contributing to softening conditions. The number of units under construction in the region is high at 86,900 but is nearly 10 percent below the level from a year earlier. Apartment markets throughout the region are unlikely to tighten during the next year because of the continued high level of units under construction relative to units absorbed in the region.

During the third quarter of 2023, apartment vacancy rates, including units in lease up, increased in all eight of the major metropolitan areas referenced in this report. Although rents rose in all eight areas, rates of rent growth have slowed from a year earlier. The same trends occurred nationally; the estimated apartment vacancy rate for the nation during the third quarter of 2023 was 7.1 percent, up from 5.9 percent a year earlier, and the average asking rent rose 1 percent to \$1,668, following a 9-percent increase a year earlier (CoStar Group). In the Chicago

metropolitan area, where the apartment market is balanced, the average vacancy rate rose modestly to 5.5 percent, and the average asking rent increased more than 3 percent to \$1,699, compared with 7 percent growth a year earlier. The Chicago metropolitan area is the only area in the Great Lakes region with rents above the national average. An estimated 12,950 apartment units are currently under construction in the Chicago metropolitan area, compared with 14,900 units a year ago.

In the three largest metropolitan areas in Ohio, apartment market conditions ranged from balanced to slightly soft, and vacancy rates were 5.8, 7.0, and 7.8 percent in the Cincinnati, Cleveland, and Columbus metropolitan areas, respectively. The asking rent rose 3, 2, and 3 percent, to \$1,213, \$1,130, and \$1,246, following larger rent increases of 10, 7, and 8 percent, respectively, a year earlier in the Cincinnati, Cleveland, and Columbus metropolitan areas. Units currently under construction in the three largest metropolitan areas in Ohio declined from a year earlier in the Cincinnati and Columbus metropolitan areas and rose slightly in the Cleveland metropolitan area, although levels were higher than during the past 3 years. In the Indianapolis metropolitan area, the apartment market has softened from balanced conditions a quarter earlier. The apartment vacancy rate, which is typically higher in the Indianapolis metropolitan area than in other Great Lakes region areas, rose sharply during the past year, from 6.8 to 9.3 percent, because an estimated 4,450

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Apartment market conditions have softened from a year earlier in most major metropolitan areas in the Great Lakes region during the third quarter of 2023.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2022 (%)	3Q 2023 (%)	Percentage Point Change	3Q 2022 (\$)	3Q 2023 (\$)	Percent Change
Chicago-Naperville-Elgin, IL-IN-WI	Balanced	5.2	5.5	0.3	1,647	1,699	3
Cincinnati, OH-KY-IN	Balanced	5.2	5.8	0.6	1,172	1,213	3
Cleveland-Elyria, OH	Balanced	5.9	7.0	1.1	1,103	1,130	2
Columbus, OH	Slightly Soft	6.1	7.8	1.7	1,211	1,246	3
Detroit-Warren-Dearborn, MI	Soft	6.3	7.8	1.5	1,226	1,233	1
Indianapolis-Carmel-Anderson, IN	Slightly Soft	6.8	9.3	2.5	1,184	1,219	3
Milwaukee-Waukesha, WI	Balanced	3.8	4.3	0.5	1,283	1,320	3
Minneapolis-St. Paul-Bloomington, MN-WI	Slightly Soft	6.9	6.9	0	1,439	1,456	1

3Q = third quarter.

Note: The vacancy rate includes units in lease up.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—CoStar Group

new apartment units entered the market, a record for the area. The average asking rent in the Indianapolis metropolitan area was \$1,219, or 3 percent, above the level a year earlier, following growth of nearly 12 percent the previous year. An estimated 8,400 units are currently under construction in the Indianapolis metropolitan area, well above the average of 5,300 units during the four previous third quarters.

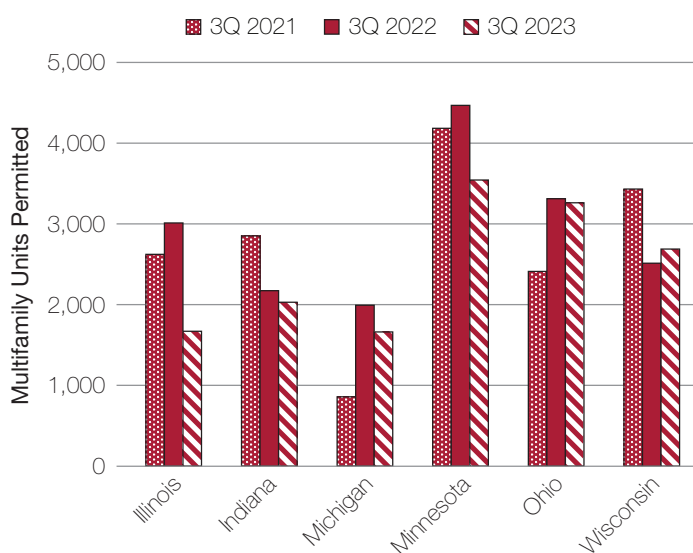
In the Detroit metropolitan area, the apartment market is currently soft, softer than during the previous quarter and a year earlier. The apartment vacancy rate in the Detroit metropolitan area increased to 7.8 percent, and the average asking rent rose less than 1 percent to \$1,233, following rent growth of more than 7 percent a year earlier. Approximately 2,575 new apartment units entered the market during the past year, although apartment absorption has been negative during the previous five quarters. An estimated 5,875 units are under construction in the Detroit area, compared with 5,250 units under construction a year earlier. Apartment markets in the Milwaukee and Minneapolis metropolitan areas are currently balanced and slightly soft, with vacancy rates of 4.3 and 6.9 percent, respectively. Average asking rents in the two areas rose 3 and 1 percent to \$1,320 and \$1,456, lower than the 6 and 3 percent growth a year earlier, respectively, and are the greatest asking rents among Great Lakes region metropolitan areas after Chicago. An estimated 4,675 new units are currently under construction in the Milwaukee area, and 13,350 new units are under construction in the Minneapolis area.

In response to softening apartment market conditions in major Great Lakes region metropolitan areas, developers have decreased construction of multifamily units during the third quarter of 2023 (preliminary data)—

- Multifamily construction in the region, as measured by the number of multifamily units permitted, fell 15 percent from a year earlier to 14,900; however, the 14,900 units permitted are the third highest third quarter rate on record, following the 17,500 units permitted during the third quarter of 2022 and 16,400 units permitted during the third quarter of 2021. Nationally, the decline in multifamily permitting during the past year was 23 percent.

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**Multifamily permitting activity fell overall in the Great Lakes region and five of the six regional states during the third quarter of 2023.**



3Q = third quarter.

Note: Based on preliminary data.

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

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- Multifamily construction fell in five of the six states in the Great Lakes region. Declines were most significant in Illinois, Minnesota, and Michigan, where third quarter permitting totaled 1,675, 3,550, and 1,675, or 45, 21, and 16 percent, respectively. Declines were reported in most of the larger metropolitan areas of each state.
- Multifamily permitting fell in Indiana and Ohio as well, where third quarter permitting totals were 2,025 and 3,275, declines of 7 and 2 percent, respectively. In Indiana, approximately 190 fewer multifamily units were permitted in the Indianapolis metropolitan area. In Ohio, permitting fell by 110 units in the Cincinnati metropolitan area, stayed unchanged in the Cleveland metropolitan area, and rose by 45 units in the Columbus metropolitan area.
- Only in Wisconsin did multifamily units permitted increase, up by 180 units, or 7 percent, to 2,700 units permitted. Modest increases in multifamily permitting in smaller areas, including Sheboygan and Oshkosh-Neenah, offset a decline of 10 units permitted in the Madison metropolitan area and a larger decline of 250 units in the Milwaukee metropolitan area.

## Terminology Definitions and Notes

### A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
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.
Existing Home Sales	Includes resales, short sales, and real estate owned (REO) sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Seriously Delinquent Mortgages	Mortgages 90 or more 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.