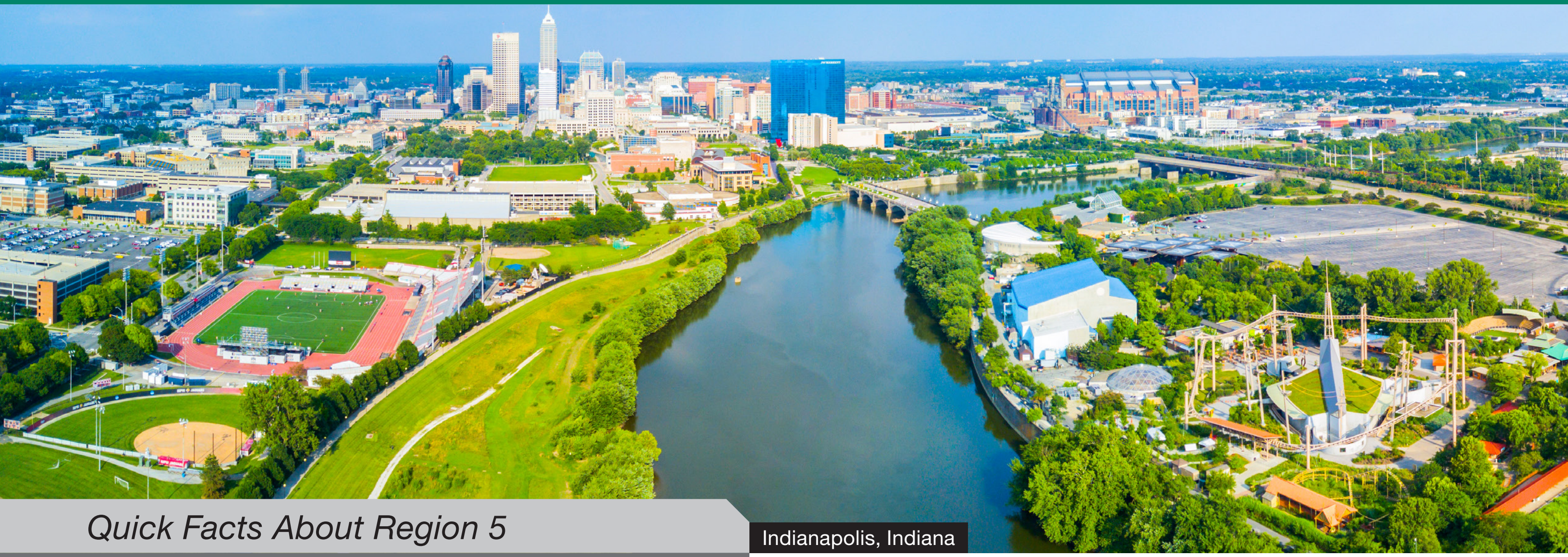
HUD PD&R Regional Reports

Region 5: Great Lakes

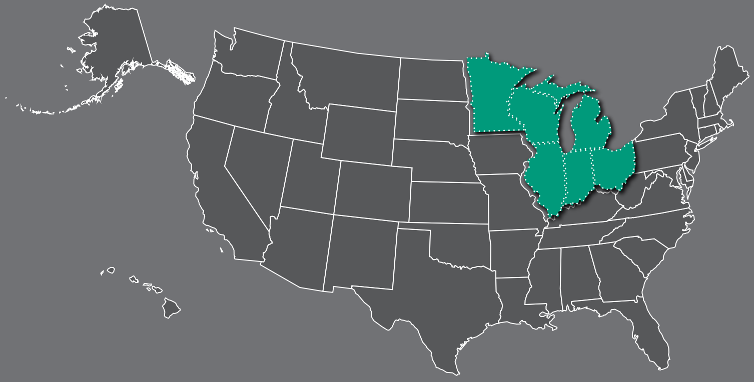


Indianapolis, Indiana

Quick Facts About Region 5

- **Sales market conditions—**
  First quarter 2024: slightly soft
  Fourth quarter 2023: slightly soft
  First quarter 2023: balanced

- **Apartment market conditions—**
  First quarter 2024: mixed (balanced to soft)
  Fourth quarter 2023: mixed (balanced to soft)
  First quarter 2023: mixed (slightly tight to slightly soft)



By Gabe Labovitz | 1st Quarter 2024

Overview

Economic conditions in the Great Lakes region improved as of the first quarter of 2024, but job growth in the region was below the national rate of growth. From the first quarter of 2020 through the first quarter of 2024, including the initial shock of the COVID-19 pandemic and impacts on economic conditions, job growth averaged 0.3 percent annually in the region compared with 1.0-percent average annual growth nationally. Job growth below the national average contributes to weak demographic trends, and the population in the region increased 0.1 percent from 2022 to 2023 compared with 0.5-percent growth nationally. The home sales market is currently slightly soft, with sharp declines in home sales compared with a year earlier. Home sales prices rose at generally modest rates. Despite these trends, the supply of homes for sale in the region is at near-historic lows. As a result, home builders plan to increase the supply of new homes for sale, with single-family building permits rising during the first quarter of 2024 from a year ago. Apartment market conditions in major metropolitan areas in the region are mixed and are generally softer than during the first quarter of 2023. High levels of new units entered these markets during the past year, exceeding absorption. Despite these trends, the average asking apartment rents in

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most of the larger metropolitan areas in the region rose faster than the national rate of growth during the past year.

- Although jobs increased in all six states in the region during the past year, the rate of job growth is slowing from the previous year and trails the national job growth rate. Below-average economic growth compared with national trends typically leads to slow population growth.
- The population increased in the region from 2022 to 2023, reversing the decline that occurred from 2021 to 2022. International in-migration increased from 2022 to 2023, rising from levels during the previous 2 years and contributing to improved population trends in the states of the region.
- Both sales and apartment market conditions in the region are softer than conditions a year earlier and similar to conditions during the fourth quarter of 2023. Construction of new homes and new apartment units is mixed, with modest increases in single-family home permitting and generally declining levels of new apartment units permitted.

Economic Conditions

Economic conditions in the Great Lakes region improved as of the first quarter of 2024 compared with the same period a year earlier. This quarter marks the 12th consecutive quarter of year-over-year job growth in the region, but the rate of job growth has slowed from the initial, post-COVID-19 recovery period. Payrolls in the region totaled 25.19 million as of the first quarter of 2024, a gain of 175,900 jobs, or 0.7 percent, compared with the first quarter of 2023. Annual job gains averaged 3.8 and 2.3 percent as of the first quarters of 2022 and 2023, respectively. From the first quarters of 2010 through 2020, immediately preceding the economic impact of the COVID-19 pandemic on the region, nonfarm payrolls rose an average of 1.0 percent annually before falling 5.5 percent from the first quarters of 2020 to 2021. The current average number of jobs in the region is the highest first quarter average on record. Nonetheless, job growth in the region typically trails the nation, for which payrolls rose 1.8 percent as of the first quarter of 2024 from a year earlier, and the current jobs total is more than 4 percent above the level as of the first quarter of 2020. By comparison, the current jobs total in the region is only 1 percent higher than during the first quarter of 2020. Job growth in the region, slower than the national average, contributes to domestic net out-migration because people move for greater economic opportunity.

As of the first quarter of 2024, the largest and fastest job gains in the region occurred in the education and health services sector, which added 132,500 jobs, or 3.3 percent, compared with the first quarter of 2023. The sector accounted for 75 percent of overall job gains in the region despite providing only 17 percent of the jobs base. The initial outbreak of the COVID-19 pandemic in the region severely affected the sector. Jobs in the education and health services sector fell by 171,800, or 4.2 percent, from the first quarters of 2020 to 2021, but sector job growth has averaged 95,500 jobs, or 2.4 percent annual growth, since then.

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Jobs grew in 7 of 11 nonfarm payroll sectors in the Great Lakes region as of the first quarter of 2024.

	First Quarter		Year-Over-Year Change	
	2023 (Thousands)	2024 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	25,014.1	25,190.0	175.9	0.7
Goods-Producing Sectors	4,255.9	4,250.9	-5.0	-0.1
Mining, Logging, & Construction	1,036.6	1,052.4	15.8	1.5
Manufacturing	3,219.3	3,198.5	-20.8	-0.6
Service-Providing Sectors	20,758.2	20,939.1	180.9	0.9
Wholesale & Retail Trade	3,555.7	3,564.0	8.3	0.2
Transportation & Utilities	1,216.6	1,217.3	0.7	0.1
Information	341.7	328.4	-13.3	-3.9
Financial Activities	1,445.7	1,431.2	-14.5	-1.0
Professional & Business Services	3,398.8	3,308.8	-90.0	-2.6
Education & Health Services	4,074.4	4,206.9	132.5	3.3
Leisure & Hospitality	2,300.9	2,336.5	35.6	1.5
Other Services	1,000.9	1,021.7	20.8	2.1
Government	3,423.5	3,524.2	100.7	2.9

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

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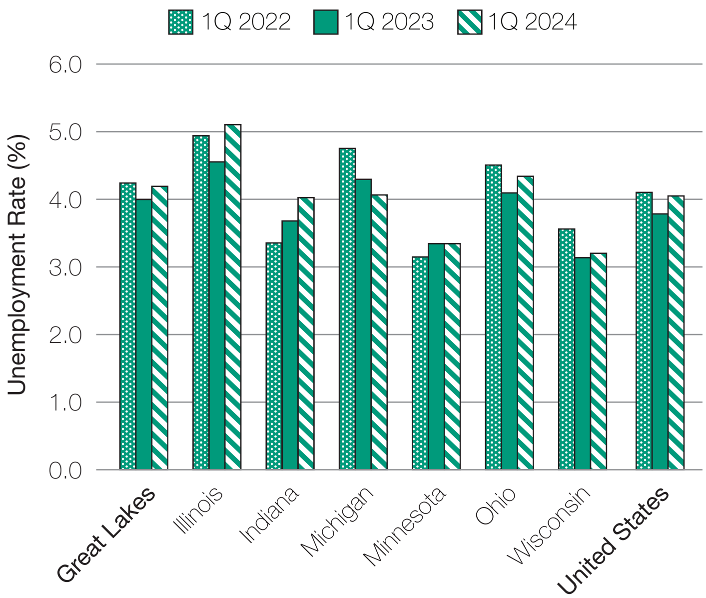
Regional jobs in the government sector increased by 100,700 jobs, or 2.9-percent growth, as of the first quarter of 2024, with two-thirds of job growth in the local government subsector, 22 percent in state government jobs, and 12 percent in federal government jobs. The fastest growing job sectors in each state of the region were in the education and health services and the government sectors. Four sectors declined, partially offsetting job gains, led by the professional and business services sector, falling by 90,000 jobs, or 2.6 percent.

The unemployment rate in the region averaged 4.2 percent during the first quarter of 2024 compared with 4.0 percent a year earlier. The unemployment rate rose in all states of the region except Michigan, where it fell to 4.1 percent from 4.3 percent a year earlier. The unemployment rates rose in the other five states and ranged from 3.2 percent in Wisconsin to 5.1 percent in Illinois. The national rate was 4.1 percent during the first quarter of 2024, up from 3.8 percent a year ago.

As of the first quarter of 2024—

- Indiana had the largest increase in nonfarm payrolls, increasing by 43,000 jobs, or 1.3 percent, which accounted for nearly one-fourth of all job gains in the region. The education and health services sector—which added 22,300 jobs, or a 4.6-percent increase—led job growth in Indiana.
- In Minnesota, payrolls grew by 40,900 jobs, or 1.4 percent, which was the largest rate of growth among states in the region. The education and health services sector outpaced overall job growth in the state, adding 23,100 jobs, or 4.1 percent.
- Payrolls increased by 31,900 and 30,200 jobs in Michigan and Ohio, 0.7- and 0.5-percent gains, respectively. In Michigan, the government sector added the most jobs, increasing by 22,800, or 3.8 percent. In Ohio, the education and health services sector added 38,000 jobs, or 4.4-percent growth.
- In Wisconsin, payrolls grew by 23,200 jobs, or 0.8 percent, with the largest gain of 9,300 jobs occurring in both the education and health services and the government sectors, equivalent to growth rates of 2.0 and 2.3 percent, respectively.
- Illinois added the fewest jobs among the states in the region, with growth of 6,800 jobs, or 0.1 percent. The largest growth was in the government sector, increasing by 25,400 jobs, or 3.6 percent. However, the loss of 42,800 jobs in the professional and business services sector, shrinking 4.5 percent year over year, more than offset gains.

Four of six states in the Great Lakes region had unemployment rates equal to or below the national average rate as of the first quarter of 2024.



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

Population

As of July 1, 2023, the population of the Great Lakes region was estimated at 52.88 million compared with 52.81 million a year earlier (U.S. Census Bureau population estimates as of July 1). From 2022 to 2023, the population in the region rose by 71,350, or 0.1 percent, trailing the national rate of 0.5 percent. The region ranked eighth among the 10 HUD regions. Despite trailing the national rate, the increase from 2022 to 2023 was the first annual population growth in the region since 2019 to 2020. From 2020 to 2021, the population in the region fell 0.3 percent, a rate that slowed to 0.2 percent from 2021 to 2022. During both of those years, resident deaths in the region and nationally were elevated because of the COVID-19 pandemic, and, as a result, net natural decline occurred. When resident deaths decreased from 2022 through 2023, the region experienced net natural increase. The other component of population change is net migration, which includes international and domestic sources. International in-migration is a crucial contributor to population growth in the region but is typically offset by domestic out-migration. Because of the COVID-19 pandemic from 2020 to 2021, international in-migration to the region was historically low, and, as a result, net out-migration occurred. Although international in-migration to the region increased strongly from 2021 to 2022, domestic net out-migration also rose. From 2022 to 2023, international in-migration to the region increased again, domestic net out-migration declined, and overall net in-migration of 44,800 people accounted for nearly 63 percent of the population increase in the region.

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The population growth rate trailed the national rate for each state in the Great Lakes region from 2022 to 2023.

	Population Estimate (as of July 1)			Percentage Change	
	2021	2022	2023	2021 to 2022	2022 to 2023
United States	332,048,977	333,271,411	334,914,895	0.4	0.5
Great Lakes Region	52,905,429	52,812,610	52,883,954	-0.2	0.1
Illinois	12,690,341	12,582,515	12,549,689	-0.8	-0.3
Indiana	6,813,798	6,832,274	6,862,199	0.3	0.4
Michigan	10,038,117	10,033,281	10,037,261	0.0	0.0
Minnesota	5,717,968	5,714,300	5,737,915	-0.1	0.4
Ohio	11,765,227	11,759,697	11,785,935	0.0	0.2
Wisconsin	5,879,978	5,890,543	5,910,955	0.2	0.3

Source: U.S. Census Bureau

From 2022 to 2023—

- The population increased in five of six states in the region, but no state exceeded the national 0.5-percent growth rate. Growth was fastest in Indiana and Minnesota at 0.4 percent for both states, which ranked 22nd and 25th among the 50 states, the District of Columbia, and Puerto Rico.
- The population increased 0.3 and 0.2 percent in Wisconsin and Ohio, respectively, and represented a reversal from population losses that occurred during the previous year in Ohio. In Wisconsin, the annual increase of 29,400 was nearly double the increase of 10,550 during the previous year.
- In Michigan, the population rose by 3,975, which was essentially stable but represented a reversal of losses of 32,500 people, or 0.3 percent, from 2020 to 2021 and 4,825 people, or no percentage change, from 2021 to 2022. Increased international in-migration contributed to the shift from a declining to a growing population in Michigan.
- In Illinois, the population fell by 32,850, or 0.3 percent. Only the states of Hawaii, Louisiana, and New York and the territory of Puerto Rico had higher rates of population loss. Of the 102 counties in Illinois, 87 are estimated to have experienced population decline. Cook County, which includes the city of Chicago, declined by 24,500, or 75 percent of the population loss statewide.

Sales Market Conditions

Sales housing market conditions in the Great Lakes region were slightly soft during the first quarter of 2024, unchanged from the fourth quarter of 2023 and softer than the first quarter of 2023. Following a brief decline in home sales during the second quarter of 2020 after the COVID-19 pandemic began, home sales rose to recent record-high levels in the region and nationally during most of 2021 and 2022, propelled by low mortgage interest rates and the shift to remote learning and work at many schools and jobsites. For context, the 30-year fixed-rate mortgage interest rate in the United States averaged 4.1 percent from April 2010 through April 2020, averaged 3.1 percent from April 2020 through April 2022, and has averaged 6.4 percent since April 2022 (Freddie Mac). Households that were not significantly affected financially during the COVID-19 pandemic took advantage of historically low mortgage interest rates to purchase or refinance homes. The increase in sales during 2021 and 2022 contributed to increased home sales prices in the region and nationally. When mortgage interest rates rose, home sales leveled off and then fell, and the growth in home prices also slowed dramatically.

Home sales fell nearly 15 percent in the region during the 12 months ending February 2024 to 820,700, following a similar 15-percent decline during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Declines in home sales occurred in all six states and ranged from a 12-percent decrease to 184,400 sales in Ohio to a 17-percent decline in Indiana to 137,000 sales. By comparison, during the 12 months ending February 2022, home sales in the region rose nearly 7 percent from a year earlier. Continued high mortgage interest rates contribute to depressing the active inventory of homes on the market because current owners may be reluctant to sell and finance new home purchases at interest rates well above their current rates, compounding the affordability challenge potential buyers face. In March 2024, the inventory of homes for sale, measured by months of supply, was 1.6 months in the region, up only slightly from 1.5 months as of March 2023 (CoreLogic, Inc.). Nationally, the supply of inventory improved more notably to 2.9 months as of March 2024 from 2.1 months as of March 2023.

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Home sales fell in all the states and large metropolitan areas of the Great Lakes region during the 12 months ending February 2024, and home sales prices rose modestly in all states except Minnesota.

	12 Months Ending	Number of Homes Sold			Price			
		2023	2024	Percent Change	Average	2023 ($)	2024 ($)	Percent Change
Illinois	February	195,300	164,900	-16	AVG	$303,000	$307,100	1
Chicago-Naperville-Elgin, IL-IN-WI	February	150,600	124,700	-17	AVG	$361,400	$367,600	2
Indiana	February	164,800	137,000	-17	AVG	$252,600	$261,000	3
Indianapolis-Carmel-Anderson, IN	February	58,100	45,650	-21	AVG	$300,900	$316,800	5
Michigan	February	182,200	155,700	-15	AVG	$229,200	$235,700	3
Detroit-Warren-Dearborn, MI	February	77,450	64,950	-16	AVG	$244,500	$249,400	2
Minnesota	February	106,000	88,650	-16	AVG	$336,200	$335,200	0
Minneapolis-St. Paul-Bloomington, MN-WI	February	67,300	55,300	-18	AVG	$398,000	$394,400	-1
Ohio	February	210,400	184,400	-12	AVG	$223,700	$231,400	3
Cincinnati, OH-KY-IN	February	41,800	34,750	-17	AVG	$269,500	$283,800	5
Cleveland-Elyria, OH	February	39,200	33,450	-15	AVG	$216,100	$223,100	3
Columbus, OH	February	40,500	34,550	-15	AVG	$321,700	$333,700	4
Wisconsin	February	104,800	90,000	-14	AVG	$263,200	$275,600	5
Milwaukee-Waukesha, WI	February	24,700	20,350	-18	AVG	$306,700	$316,500	3

AVG = average.
Notes: All figures are rounded. Data include new and existing single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Home price growth slowed sharply in the region, partly because of the substantial decline in home sales. Home prices rose modestly in five of six states in the region. However, in Minnesota, the average home price fell slightly during the 12 months ending February 2024. For the region, the average home price was $268,400 during the 12 months ending February 2024, or 2 percent above the average sales price a year earlier, following a 7-percent increase during the 12 months ending February 2023 (CoreLogic, Inc., with adjustments by the analyst.). Homes are comparatively affordable in the region. Nationally, the average sales price was $407,000 after also rising 2 percent. In the region, average home prices ranged from $231,400 in Ohio after a 3-percent gain to $335,200 in Minnesota, where the average sales price declined by $1,000. Average home prices during the 12 months ending February 2024 rose 1 percent in Illinois to $307,100; 3 percent each in Indiana and Michigan to $261,000 and $235,700, respectively; and 5 percent in Wisconsin to $275,600.

The share of seriously delinquent home loans and real estate owned (REO) properties in the region rose briefly during the economic downturn attributed to the COVID-19 pandemic but has since returned to prepandemic levels. During February 2024, the rate of seriously delinquent loans and REO properties in the region was 1.1 percent, down from 1.3 percent a year ago. By comparison, the national rate was 1.0 percent during February 2024, down from 1.2 percent a year earlier. During February 2021, the rate reached recent highs of 3.3 percent in the region and 3.9 percent nationally.

During the first quarter of 2024 (preliminary data)—

- Single-family construction, as measured by the number of homes permitted, rose 29 percent in the region to 18,600 homes, recovering the same 29-percent decline in homes permitted during the first quarter of 2023 compared with the same period during 2022. The number of homes permitted rose in each state in the region during the first quarter of 2024.

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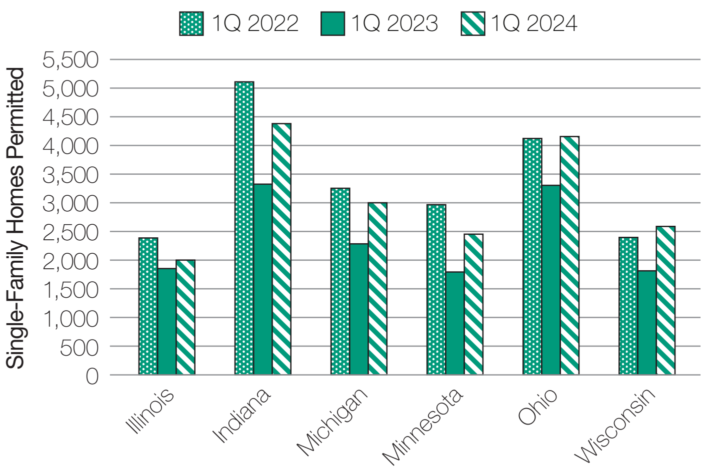
As of the first quarter of 2024, single-family home construction rose in every state of the Great Lakes region compared with a year ago.



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

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- The number of homes permitted rose 32 percent in Indiana to 4,375. An increase of 800 homes permitted in the Indianapolis metropolitan area accounted for more than three-fourths of the growth in Indiana.
- Growth in single-family home permitting was also strong in Michigan, Minnesota, Ohio, and Wisconsin, with 3,000, 2,450, 4,150, and 2,600 respective homes permitted, reflecting gains ranging from 26 percent in Ohio to 42 percent in Wisconsin. Nationally, single-family home permitting rose 23 percent during the first quarter of 2024.
- Only Illinois, where recent economic and demographic growth trends have trailed the region and nation, had single-family home permitting growth below the national rate. During the first quarter of 2024, approximately 2,000 homes were permitted in Illinois, 8-percent growth from the 1,850 homes permitted a year earlier.

Apartment Market Conditions

Apartment market conditions in the Great Lakes region during the first quarter of 2024 were mixed, ranging from balanced to soft—notably softer than conditions a year earlier. The number of units absorbed during the 12 months ending March 2024 was approximately 44,050, but units delivered totaled 70,950. As a result, apartment vacancy rates rose throughout the region, and apartment markets softened (CoStar Group). A year earlier, during the 12 months ending March 2023, only 17,300 units were absorbed in the region compared with 49,250 units delivered. As of the first quarter of 2024, an estimated 69,200 units were under construction in the region compared with 103,500 units during the first quarter of 2023. The 69,200 units currently under construction make up the lowest first quarter total since the first quarter of 2018, which may contribute to more balanced market conditions in the next 12 to 18 months.

During the past year, apartment vacancy rates rose in all eight of the largest metropolitan areas in the region. Despite higher apartment vacancy rates, two markets, the Chicago and the Milwaukee metropolitan areas, are balanced. In the Chicago metropolitan area, the apartment vacancy rate rose from 5.4 to 5.6 percent, and the average apartment rent rose 3 percent to $1,749, following a 5-percent increase the previous year (CoStar Group). During the previous 12 months, an estimated 10,900 new units were delivered in the Chicago apartment market, and absorption totaled 8,775 units. An estimated 9,700 units are under construction in the Chicago metropolitan area, the lowest first quarter level since 2015. The Milwaukee metropolitan area apartment market was also balanced as of the first quarter of 2024, with the apartment vacancy rate rising from 4.0 to 5.0 percent and the average asking rent rising 3 percent to $1,373, following a 4-percent increase the previous year. The current pipeline of units under construction in the Milwaukee metropolitan area is estimated at 3,800 units, down from 4,650 units under construction a year earlier but still higher than any other first quarter total since 2018.

Apartment markets are slightly soft in the Cincinnati metropolitan area and soft in the Cleveland and Columbus metropolitan areas. Apartment vacancy rates rose in each metropolitan area as of the first quarter of 2024, increasing between 1 and 2 percent to current respective rates of 6.9, 8.4, and 8.0 percent in the Cincinnati, Cleveland, and Columbus metropolitan areas. At the same time, rents rose 3 percent in the Cincinnati, Cleveland, and Columbus metropolitan areas to $1,233, $1,165, and $1,284,

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Apartment vacancy rates rose and rents grew modestly in all the metropolitan areas throughout the Great Lakes region as of the first quarter of 2024.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2023 (%)	1Q 2024 (%)	Percentage Point Change	1Q 2023 ($)	1Q 2024 ($)	Percent Change
Chicago-Naperville-Elgin	Balanced	5.4	5.6	0.2	1,702	1,749	3
Cincinnati	Slightly Soft	5.8	6.9	1.1	1,202	1,233	3
Cleveland-Elyria	Soft	6.8	8.4	1.6	1,128	1,165	3
Columbus	Soft	6.8	8.0	1.2	1,246	1,284	3
Detroit-Warren-Dearborn	Soft	7.4	8.1	0.7	1,228	1,257	2
Indianapolis-Carmel-Anderson	Slightly Soft	8.2	9.8	1.6	1,223	1,255	3
Milwaukee-Waukesha-West Allis	Balanced	4.0	5.0	1	1,338	1,373	3
Minneapolis-St. Paul-Bloomington	Soft	7.2	8.4	1.2	1,468	1,487	1

1Q = first quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—CoStar Group

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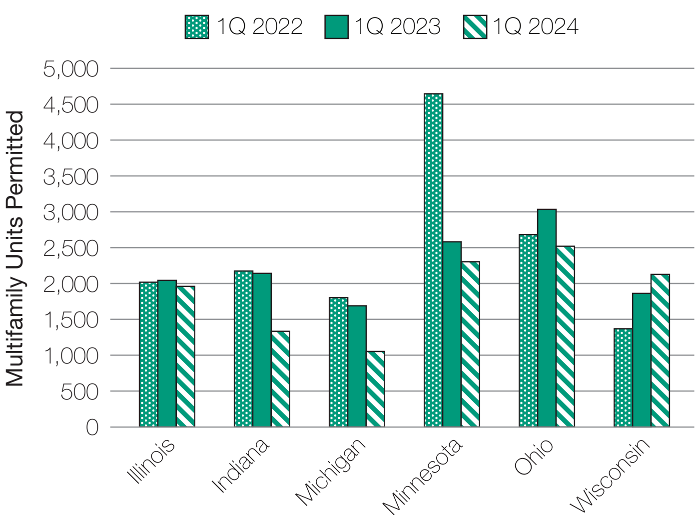
respectively, following larger increases of 6, 4, and 5 percent as of the first quarter of 2023. In each major metropolitan area in Ohio, units under construction are down from levels a year earlier but are still relatively high, and apartment markets are unlikely to tighten significantly during the next year. The Detroit and Minneapolis apartment markets are soft as of the first quarter of 2024, with apartment vacancy rates rising to 8.1 and 8.4 percent and rents rising 2 and 1 percent to $1,257 and $1,487, respectively. The number of units estimated to be under construction is below the levels from the first quarter of 2023 but still higher than the units absorbed during the previous 12 months, suggesting further softening may occur in the Detroit and Minneapolis metropolitan areas. The apartment vacancy rate in the Indianapolis metropolitan area was 9.8 percent as of the first quarter of 2024, the highest first quarter rate since 2010, and the current average asking rent rose 3 percent to $1,255. By comparison, the national apartment vacancy rate was 7.8 percent as of the first quarter of 2024, up from 6.8 percent a year earlier, and the average asking rent rose 1 percent to $1,690.

During the first quarter of 2024 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, fell 15 percent to 11,300 units, following a 9-percent decrease from the first quarters of 2022 to 2023. Nationally, the decline in multifamily units permitted was 24 percent from the first quarters of 2023 to 2024, following a small decrease of less than 1 percent from the first quarters of 2022 to 2023.
- Multifamily permitting fell in every state in the region except Wisconsin, where the 2,125 units permitted was 14 percent higher than a year earlier. The Milwaukee metropolitan area is one of two large metropolitan areas in the region in which the apartment market is currently balanced.
- Multifamily permitting declined in the other five states in the region. The sharpest decline was in Indiana, where the 1,325 units permitted were 38 percent fewer than a year earlier. The decline in units permitted in the Indianapolis metropolitan area accounted for 95 percent of the statewide decline.
- In the other four states in the region, declines ranged from 4 percent in Illinois to 1,950 units permitted to 38 percent in Michigan, where 1,050 units were permitted. Multifamily units permitted fell 11 percent in Minnesota to 2,300 units permitted and 17 percent in Ohio, where 2,525 units were permitted.

Because of softening apartment market conditions, fewer multifamily units were permitted in the Great Lakes region during the first quarter of 2024 compared with a year earlier.



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

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
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	Include resales, short sales, and real estate owned sales.
Home Sales/Home Sales Prices	Include 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.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.
Stabilized	A property is stabilized once a 90-percent or higher occupancy rate is reached, or at least 18 months pass since the property was changed from under construction to existing on the CoStar Group website.

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.