HUD PD&R **Regional Reports**

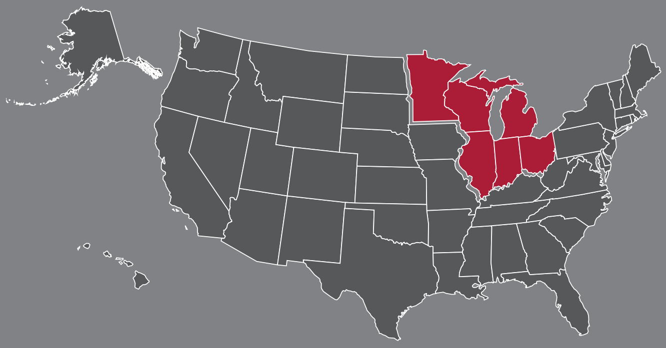
Region 5: Midwest

Columbus, Ohio

Quick Facts About Region 5

- **Sales market conditions—**
  Third quarter 2019: balanced
  Second quarter 2019: balanced
  Third quarter 2018: balanced

- **Apartment market conditions—**
  Third quarter 2019: mixed (balanced to tight)
  Second quarter 2019: mixed (balanced to tight)
  Third quarter 2018: mixed (balanced to tight)



By Sam Young | 3rd Quarter 2019

Overview

The economic expansion in the Midwest region that began in 2010 continued in the third quarter of 2019, although the rate of job growth moderated. Additions in Illinois and Ohio, which combined to contribute more than 56 percent of the region's job gains, led the growth of nonfarm payrolls, which grew in every state in the region. Sales housing market conditions were balanced during the third quarter of 2019. Home sales fell in all eight metropolitan areas referenced in this report, and in most cases average home sales prices rose faster than the national rate of home sales price growth. Apartment markets in major metropolitan areas throughout the region were balanced to tight, unchanged from a year earlier, although conditions tightened slightly in six of the eight metropolitan areas referenced in this report. During the past year, a significant number of new apartments have been completed in the larger metropolitan markets in the region, continuing a trend that generally began in 2014 and is expected to continue because many more units are currently under construction. During the third quarter of 2019, new housing production, as measured by units permitted, changed only slightly from the previous year; single-family permitting declined more than 2 percent, while multifamily permitting rose 6 percent.

- During the third quarter of 2019, nonfarm payrolls rose 0.7 percent from a year ago, the slowest growth rate since the

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third quarter of 2010 when growth was 0.5 percent. Additionally, the rate of job growth in the Midwest region trailed the national rate of 1.5 percent.

- Total home sales in the region fell nearly 6 percent during the 12 months ending August 2019, largely because of steep declines in distressed home sales (real estate owned [REO] and short sales) that fell nearly 24 percent. Additionally, regular resales and new construction sales declined 4 and 9 percent, respectively.
- New apartment production is concentrated in "downtown" areas of the major metropolitan areas in the Midwest region. Among the eight major metropolitan areas referenced in this report, the percentage of new apartments that opened during the past 12 months, located in RealPage, Inc.-defined "central/downtown" areas, ranged from 18 percent in the Cleveland-Elyria metropolitan area to 32 percent in the Columbus metropolitan area.

Economic Conditions

Year-over-year growth in nonfarm payrolls in the Midwest region slowed during the third quarter of 2019 to 0.7 percent, compared with 0.8- and 0.9-percent growth during the previous quarter and year, respectively. Nonfarm payrolls rose by 178,700 jobs to reach 25.4 million and are more than 4 percent above the previous third-quarter high of 24.4 million jobs in 2007. Payrolls in the goods-producing sectors rose 0.3 percent. Job growth in the mining, logging, and construction sector rose at a faster rate than total nonfarm payrolls and more than offset the decline of 5,500 jobs in the manufacturing sector. Job losses in the manufacturing sector were concentrated in Wisconsin, where sector payrolls fell by 6,200 jobs during the third quarter of 2019 compared with a year earlier. The leisure and hospitality and the transportation and utilities sectors were the fastest growing in the Midwest region during the past year, growing 2.4 and 2.3 percent and adding 62,700 and 24,600 jobs, respectively.

Each of the six states in the region added jobs during the third quarter of 2019; Illinois had the largest and fastest increase of 65,700 jobs, or 1.1 percent. In Ohio and Michigan, jobs rose by 34,600 and 24,400, respectively, or 0.6 percent each, whereas the increases in Indiana, Minnesota, and Wisconsin were 33,800, 10,900, and 9,300 jobs, or 1.1, 0.4, and 0.3 percent, respectively. As companies struggle to fill jobs in much of the region, the unemployment rate during the third quarter of 2019 was 3.8 percent, unchanged from a year earlier and nearly equal to the historically low average of 3.7 reached during the third quarter of 2000. By comparison, the national unemployment rate during the third quarter of 2019 was 3.7 percent, down from 3.9 percent a year earlier. In the region, unemployment rates declined in three of the six states. Two of the states with the lowest unemployment rates, Minnesota and Wisconsin, had increases from the previous year, to 2.9 and 3.2 percent, respectively. The unemployment rate in Michigan also increased, to 4.3 percent from 4.1 percent a year ago. In the other three states, unemployment rates declined to 3.9, 3.2, and 4.3 percent, in Illinois, Indiana, and Ohio, respectively.

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Expanding payrolls in 8 out of 11 sectors supported job growth in the Midwest region during the third quarter of 2019.

	Third Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	25,259.3	25,438.0	178.7	0.7
Goods-Producing Sectors	4,392.4	4,405.4	13.0	0.3
Mining, Logging, & Construction	1,115.3	1,133.8	18.5	1.7
Manufacturing	3,277.1	3,271.6	-5.5	-0.2
Service-Providing Sectors	20,866.9	21,032.7	165.8	0.8
Wholesale & Retail Trade	3,647.3	3,632.9	-14.4	-0.4
Transportation & Utilities	1,061.6	1,086.2	24.6	2.3
Information	347.9	342.2	-5.7	-1.6
Financial Activities	1,418.0	1,427.9	9.9	0.7
Professional & Business Services	3,417.6	3,439.8	22.2	0.6
Education & Health Services	3,987.8	4,027.4	39.6	1.0
Leisure & Hospitality	2,594.2	2,656.9	62.7	2.4
Other Services	1,040.0	1,046.0	6.0	0.6
Government	3,352.5	3,373.3	20.8	0.6

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

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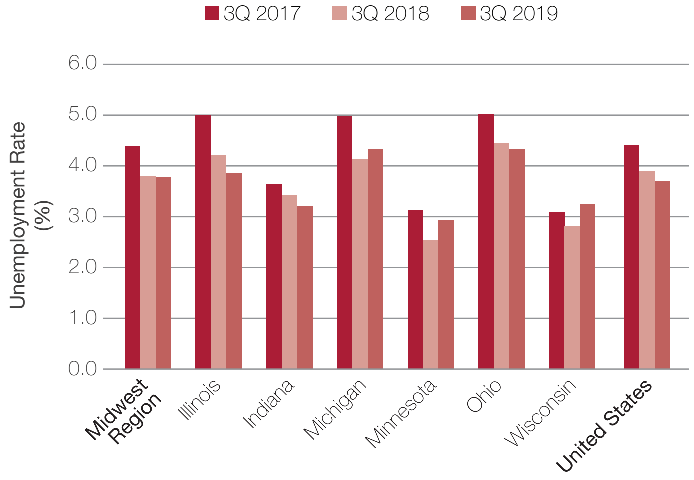
During the third quarter of 2019 —

- The leisure and hospitality sector added the most jobs, increasing by 62,700 jobs, or 2.4 percent. Nearly 22 percent of all sector gains in the region were concentrated in the Chicago-Naperville-Elgin metropolitan area, where 8 new hotels opened during 2018 and 10 more are currently under construction and expected to open during 2019 and 2020.
- The education and health services sector added the next highest number of jobs, 39,600, or 1.0-percent growth. Strong gains of 21,100 and 15,000 jobs, or 4.5 and 1.6 percent, in Indiana and Illinois, offset declines in Michigan and Minnesota of 9,600 and 400 jobs, respectively. Three hospital systems in Michigan—Ascension Health, Detroit Medical Center, and Beaumont Health—laid off about 1,125 staff during the past several months. Some Michigan hospitals are concerned about the financial impact of lower reimbursements to medical providers from no-fault insurance changes approved by the Michigan legislature.
- The transportation and utilities sector grew 2.3 percent, the second-highest rate of growth in the region, but slower than the 2.9-percent increase a year earlier. Growth varied in the region, ranging from an increase of 11,000 jobs, or 3.5 percent, in Illinois, to a decline of 1,400 jobs, or 1.3 percent, in Minnesota.
- In Wisconsin, manufacturing payrolls fell by 6,200 jobs, or 1.3 percent. The decline in Wisconsin was partially due to a loss of 5,900 jobs in the durable goods industry. The value of exported manufactured commodities from Wisconsin fell nearly 7 percent from August 2018 to August 2019 compared with a 2-percent decline nationally (U.S. Census Bureau).
- The information sector had the fastest job decline in the Midwest region, falling by 5,700 jobs, or 1.6 percent. Since 2010, information sector jobs in the Midwest region have decreased by a cumulative 28,100 jobs and are currently 8.0 percent below the total during the third quarter of 2010.

The unemployment rate fell in three states and rose in three states in the Midwest region during the third quarter of 2019.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions in the Midwest region were balanced in the third quarter of 2019. Fewer distressed home sales and a relatively low inventory of homes for sale contributed to rising home sales prices. During the 12 months ending August 2019, the average sales price for new and existing single-family homes, townhomes, and condominiums in the region rose 4 percent from a year earlier to $199,000, compared with a 5-percent increase during the previous year (CoreLogic, Inc., with adjustments by the analyst). By comparison, the average national home sales price rose 3 percent to $298,600 during the 12 months ending August 2019 following a 5-percent gain a year earlier. Average home sales prices rose in all eight major metropolitan areas referenced in this report, and seven recorded increases that equaled or exceeded the national rate. Average home sales prices rose the most in the Indianapolis-Carmel-Anderson metropolitan area, gaining 7 percent, to $219,200. Home sales prices rose 6 percent each in the Cincinnati, Columbus, and Detroit-Warren-Dearborn metropolitan areas during the 12 months ending August 2019, to $198,900, $220,900, and $188,000, respectively. The average sales price in the Minneapolis-St. Paul-Bloomington metropolitan area was $302,200, the highest among major metropolitan areas in the Midwest region. It was slightly higher than in the Chicago-Naperville-Elgin metropolitan area, where the average sales price rose 1 percent, to $280,500, the lowest rate of growth among metropolitan areas in this report. Increases in the remaining metropolitan areas were 3 percent, to $159,300 in the Cleveland-Elyria metropolitan area, and 4 percent in the Milwaukee-Waukesha-West Allis metropolitan area, where the average sales price was $228,700.

New and existing home sales in the region declined during the 12 months ending August 2019, to 963,000, down from 1.02 million during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Home sales fell in all eight large metropolitan areas referenced in this report, ranging from declines of less than 1 percent in the Cleveland-Elyria metropolitan area to 11 percent in the Detroit-Warren-Dearborn metropolitan area, which has the second lowest average home sales price among

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Home sales fell or were relatively unchanged while home sales prices rose in large metropolitan areas throughout the Midwest region during the 12 months ending August 2019.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2018	2019	Percent Change		2018 ($)	2019 ($)	Percent Change
Chicago-Naperville-Elgin (N&E)	August	155,600	146,000	-6	AVG	276,500	280,500	1
Cincinnati (N&E)	August	47,800	44,500	-7	AVG	188,100	198,900	6
Cleveland-Elyria (N&E)	August	42,300	42,100	0	AVG	154,800	159,300	3
Columbus (N&E)	August	44,200	42,900	-3	AVG	208,300	220,900	6
Detroit-Warren-Dearborn (N&E)	August	91,500	81,500	-11	AVG	177,500	188,000	6
Indianapolis-Carmel-Anderson (N&E)	August	58,400	54,500	-7	AVG	204,600	219,200	7
Milwaukee-Waukesha-West Allis (N&E)	August	26,900	25,000	-7	AVG	220,300	228,700	4
Minneapolis-St. Paul-Bloomington (N&E)	August	74,800	70,200	-6	AVG	287,500	302,200	5

AVG = average. N&E = new and existing.
Source: CoreLogic, Inc., with adjustments by the analyst

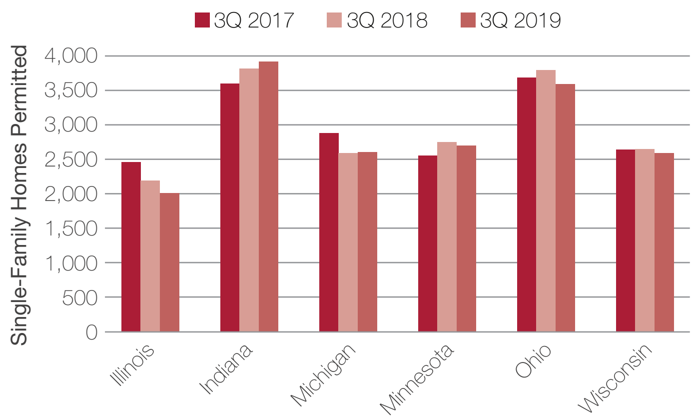
the major metropolitan areas in the Midwest region. Home sales declined 7 percent each in the Cincinnati, Indianapolis-Carmel-Anderson, and Milwaukee-Waukesha-West Allis metropolitan areas, to 44,500, 54,500, and 25,000 sales, respectively. The Chicago-Naperville-Elgin and the Minneapolis-St. Paul-Bloomington areas, two of the most expensive markets in the region, had home sales declines of 6 percent each, to 146,000 and 70,200 sales, respectively. Home sales declined 3 percent in the Columbus metropolitan area and remained relatively unchanged in the Cleveland-Elyria area. Besides relatively low levels of for-sale inventory in much of the region, decreasing distressed home sales have impacted total home sales counts. For the region, real estate owned (REO) and short sales declined 26 and 6 percent, respectively, and rates of decline were in the double-digits in each metropolitan area referenced in this report. By contrast, regular resales fell more than 4 percent across the region and fell in seven of the eight metropolitan areas referenced in this report.

In August 2019, 1.4 percent of home loans in the Midwest region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 1.6 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and REO properties fell in each state in the region and ranged from 0.8 percent in Minnesota to 1.8 percent each in Illinois and Ohio. By comparison, the national rate was 1.4 percent during August 2019.

During the third quarter of 2019 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, fell 2 percent, to 17,450, following a decline of less than 1 percent a year earlier. By comparison, national single-family homebuilding activity rose more than 4 percent, following a 5-percent gain a year earlier.
- Despite the net decline, single-family permitting rose in two of the Midwest region states; in Michigan and Indiana, single-family permitting rose less than 1 percent and nearly 3 percent, to 2,600 and 3,925 homes, respectively. In Michigan, an increase of 40 homes in the Detroit-Warren-Dearborn metropolitan area was partly offset by small declines in the Ann Arbor and Saginaw metropolitan areas. Gains in Indiana were supported by an increase of 40 homes in the Indianapolis-Carmel-Anderson metropolitan area.
- Declines in single-family permitting were pronounced in Ohio and Illinois and contributed to the regionwide drop, falling 5 and 8 percent, to 3,600 and 2,025 homes, respectively. In Illinois, nearly two-thirds of the decline was in the Illinois counties of the Chicago-Naperville-Elgin metropolitan area. Similarly, approximately 65 percent of the decline in single-family permitting in Ohio occurred in the Columbus metropolitan area.
- In the remaining states in the Midwest region, declines in single-family permitting were more moderate, falling approximately 2 percent each in Minnesota and Wisconsin, to 2,700 and 2,600 homes, respectively.

Single-family permitting declined in the Midwest region during the third quarter of 2019, with permitting down in all states except Michigan and Indiana.



3Q = third quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the largest metropolitan areas in the Midwest region were balanced to tight during the third quarter of 2019, unchanged from a year earlier, but generally tighter than the previous quarter. Despite significant new apartment completions during the past year, apartment vacancy rates fell in six of the eight major metropolitan areas referenced in this report, and average monthly rents rose in all eight areas. Despite a moderation in nonfarm payroll job growth, absorption of new apartment properties remains strong.

The largest decline in apartment vacancy rates in the region occurred in the Cincinnati metropolitan area, where the rate fell from 3.8 to 2.7 percent (RealPage, Inc.). Smaller declines of 0.5 percentage point each were reported in the Indianapolis-Carmel-Anderson and Milwaukee-Waukesha-West Allis metropolitan areas, where apartment vacancy rates during the third quarter of 2019 were 4.4 and 2.7 percent, respectively. The vacancy rate fell 0.6 percentage point each in the Chicago-Naperville-Elgin and Detroit-Warren-Dearborn metropolitan areas, and 0.8 percentage point in the Cleveland-Elyria metropolitan area. The vacancy rate rose in the Minneapolis-St. Paul-Bloomington and Columbus metropolitan areas, with increases of 0.1 and 0.2 percentage point, respectively, to 2.5 and 3.6 percent. The national apartment vacancy rate during the third quarter of 2019 was 3.6 percent, down from 4.1 percent a year earlier.

Average monthly rents rose in all the major metropolitan areas referenced in this report; in four of those areas, the rent increased faster than the national average of 5 percent. The largest rent increase was in the Cincinnati metropolitan area, where average rents rose 7 percent, to $965. Nearly 1,300 new apartment units opened during the past year in the metropolitan area, 65 percent of which were in the RealPage, Inc.-defined Central Cincinnati and Southeast Cincinnati market areas. Rents in the Chicago-Naperville-Elgin, Minneapolis-St. Paul-Bloomington, and Indianapolis-Carmel-Anderson metropolitan areas rose 6 percent each, to $1,539, $1,334, and $917, respectively. In the Milwaukee-Waukesha-West Allis metropolitan area, rent rose 5 percent to $1,155. Rent increases were more modest elsewhere in the Midwest region, rising 4 percent in the Columbus metropolitan area, to $968, and 3 percent each in the Detroit-Warren-Dearborn and Cleveland metropolitan areas, to $991 and $927, respectively. Average rents in the Chicago-Naperville-Elgin metropolitan area are the highest in the Midwest region; significant new apartment construction has been occurring in the market areas of The Loop, Far Northwest Chicago Suburbs, and Lake County/Kenosha areas, where approximately 2,275, 1,100, and 1,125 new apartments, respectively, have entered the markets during the past year. Asking rents in these three areas averaged $2,322, $1,165, and $1,185, respectively, during the third quarter of 2019.

Significant numbers of new apartments are under construction in major metropolitan areas in the Midwest region, led by Chicago-Naperville-Elgin, where approximately 8,800 new apartments are expected to enter the market during the next 12 months (RealPage, Inc.). In the Minneapolis-St. Paul-Bloomington metropolitan area, an estimated 7,200 new apartments are under construction, 2,850 in the Columbus metropolitan area, and approximately 2,250 each in the Indianapolis-Carmel-Anderson and the Milwaukee-Waukesha-West Allis metropolitan areas. These additions may cause apartment market conditions in the Midwest region to soften in the next 12 months.

During the third quarter of 2019 (preliminary data)—

- Multifamily permitting in the Midwest region rose more than 6 percent, to 11,200 units, following a rise of more than 2 percent during the previous year. By contrast, national multifamily permitting rose more than 21 percent from the third quarter of 2018 to the third quarter of 2019, following a decline of 4 percent a year earlier.

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Average rents rose and vacancy rates fell or remained relatively unchanged in all eight large metropolitan areas in the Midwest region.

	Market Condition	Vacancy Rate 3Q 2018 (%)	Vacancy Rate 3Q 2019 (%)	Vacancy Rate Percentage Point Change	Average Monthly Rent 3Q 2018 ($)	Average Monthly Rent 3Q 2019 ($)	Average Monthly Rent Percent Change
Chicago-Naperville-Elgin	Balanced	4.8	4.2	-0.6	1,449	1,539	6
Cincinnati	Tight	3.8	2.7	-1.1	905	965	7
Cleveland-Elyria	Balanced	4.6	3.8	-0.8	897	927	3
Columbus	Slightly Tight	3.4	3.6	0.2	933	968	4
Detroit-Warren-Dearborn	Tight	3.1	2.5	-0.6	959	991	3
Indianapolis-Carmel-Anderson	Slightly Tight	4.9	4.4	-0.5	869	917	6
Milwaukee-Waukesha-West Allis	Tight	3.2	2.7	-0.5	1,097	1,155	5
Minneapolis-St. Paul-Bloomington	Tight	2.4	2.5	0.1	1,260	1,334	6

3Q = third quarter.
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

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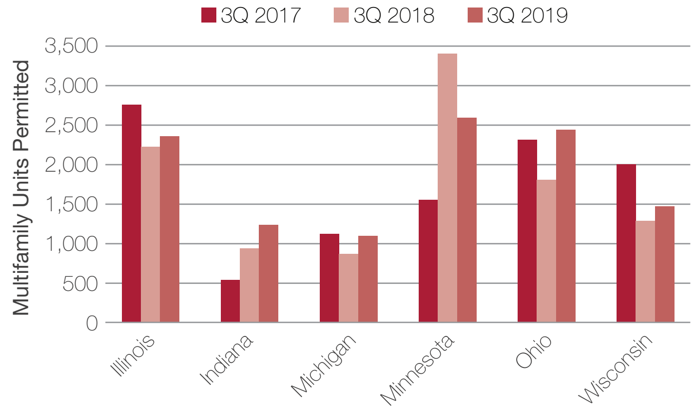
- The increase in multifamily permitting in the Midwest region was primarily because multifamily units permitted in Ohio increased 35 percent. Nearly three-fourths of the statewide increase was concentrated in the Columbus metropolitan area, where permitting rose to 1,825 units from 1,350 units a year earlier.
- Increases in multifamily permitting were more moderate in four states of the Midwest region, ranging from 6 percent in Illinois to 31 percent in Indiana, to 2,350 and 1,225 units, respectively. Gains of 15 and 26 percent in Wisconsin and Michigan, to 1,475 and 1,100 units, respectively, were led by increases in the Madison and Detroit-Warren-Dearborn metropolitan areas.
- The only state in the Midwest region with a decline in multifamily permitting was Minnesota, falling nearly 24 percent to 2,600 units permitted. Nearly 70 percent of the decline was concentrated in the Rochester metropolitan area, which fell from 690 units to 130 units permitted. Additionally, a small decline of 130 units, or 5 percent, was recorded in the Minneapolis-St. Paul-Bloomington metropolitan area.

Multifamily permitting rose year over year in the Midwest region, supported by an increasing number of units permitted in five of the six states.



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