

# HUD PD&R Regional Reports

## Region V: Midwest



### Quick Facts About Region V

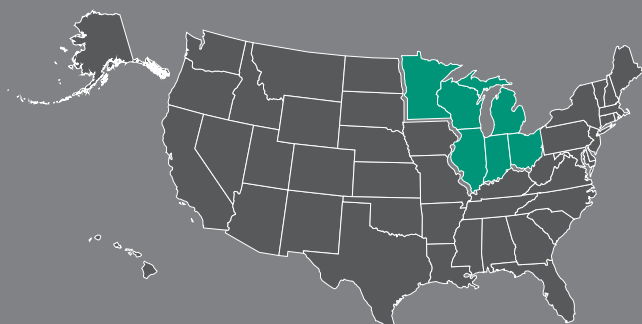
By Gabriel A. Labovitz | 1st quarter 2013

#### Sales market conditions—

First quarter 2013: balanced.  
Fourth quarter 2012: balanced.  
First quarter 2012: slightly soft.

#### Rental market conditions—

First quarter 2013: mixed (balanced to tight).  
Fourth quarter 2012: tight.  
First quarter 2012: slightly tight.



### Overview

The economic recovery in the Midwest region is entering its third year; the region has added more than 648,000 jobs since the first quarter of 2011. Despite these job gains, the region remains nearly 760,000 jobs below the first-quarter peak of 23.9 million jobs recorded in 2007. Sales and rental housing markets in the region are recovering from recent weakness and are considered balanced and mixed, respectively. Home sales prices and apartment rents increased during the past year but remain below recent historic levels.

During the first quarter of 2013—

- Economic conditions continued to improve in the region.
- Sales markets are currently balanced in all six states in the region, with increasing sales numbers and prices.
- Apartment markets in large metropolitan areas are mixed, with generally declining vacancy rates and increasing rents.



PD&R

## Nonfarm payrolls are trending up, but construction jobs are still lagging in the Midwest region.

	First Quarter		3-Month Change (2012–13)	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	22,876.4	23,116.4	240.0	1.0
Goods-producing sectors	3,726.6	3,758.9	32.3	0.9
Mining, logging, and construction	759.3	736.8	-22.5	-3.0
Manufacturing	2,967.3	3,022.1	54.8	1.8
Service-providing sectors	19,149.7	19,357.5	207.8	1.1
Wholesale and retail trade	3,462.4	3,501.5	39.1	1.1
Transportation and utilities	883.4	895.7	12.3	1.4
Information	362.7	361.2	-1.5	-0.4
Financial activities	1,295.5	1,310.0	14.5	1.1
Professional and business services	2,944.0	2,991.1	47.1	1.6
Education and health services	3,671.8	3,736.6	64.8	1.8
Leisure and hospitality	2,069.8	2,107.4	37.6	1.8
Other services	974.2	981.7	7.5	0.8
Government	3,485.9	3,472.3	-13.6	-0.4

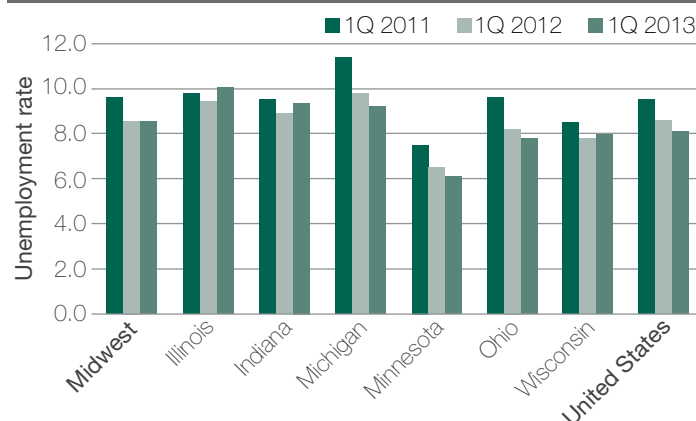
Source: U.S. Bureau of Labor Statistics

## Economic Conditions

Nonfarm payrolls in the Midwest region averaged 23.1 million jobs during the 3 months ending March 2013, up 240,000 jobs, or 1 percent, from the same period during 2012. The first quarter of 2013 was the 11th consecutive quarter of nonfarm payroll gains in the region. Job gains were widespread, as every sector but three reported increased employment. The education and health services sector led gains, followed by the manufacturing and the professional and business services sectors. The mining, logging, and construction, the government, and the information sectors reported job losses. The unemployment rate during the first quarter of 2013 in the region was 8.6 percent, unchanged from a year ago because an increasing labor force offset modest gains in resident employment.

- The education and health services sector added 64,800 jobs, a 1.8-percent increase; the manufacturing sector increased by 54,800 jobs, or 1.8 percent; and the professional and business services sector increased by 47,100 jobs, or 1.6 percent.
- Each of the six states in the region reported increased nonfarm payrolls, ranging from a gain of 22,500 jobs, or 0.4 percent, in Ohio to a gain of 55,800 jobs, or 1 percent, in Illinois. In Wisconsin, Michigan, Indiana, and Minnesota, nonfarm payrolls increased by 23,000, 41,600, 45,200, and 51,900 jobs, or 0.9, 1.1, 1.6, and 2.0 percent, respectively.
- The mining, logging, and construction sector declined by 22,500 jobs, or 3 percent, entirely because of a decrease in construction subsector employment. Jobs in the government sector

## State unemployment rates are down from 2011 and mixed relative to 2012 in the Midwest region.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

decreased by 13,600, or 0.4 percent, because a slight increase in state government subsector employment was not sufficient to offset the 5,300 and 10,600 jobs lost in the federal government and local government subsectors, respectively.

- Manufacturing sector employment in the region, which declined each year from 2000 through 2010, has increased at a rate of 3 percent annually since 2011.
- Trends in unemployment rates varied by state, decreasing in Michigan, Minnesota, and Ohio to 9.2, 6.1, and 7.8 percent, respectively, but increasing in Illinois, Indiana, and Wisconsin to 10.0, 9.3, and 8.0 percent, respectively.

## Sales Market Conditions

The sales housing market is currently balanced, with increasing sales numbers and prices in each of the six states in the Midwest region. Improving economic conditions and continued low mortgage interest rates are helping the sales market in the region. The number of home sales rose 6.5 percent each in Michigan and Minnesota, to 122,800 and 86,400 sales, respectively, during the 12 months ending March 2013 compared with the number of sales recorded during the same period a year earlier. The number of sales increased 13.4, 15.3, 19.0, and 22.5 percent, to 115,200, 68,750, 63,950, and 132,900 sales, respectively, in Ohio, Indiana, Wisconsin, and Illinois. Sales prices also increased in each of the six states in the region. In Illinois and Indiana, median sales prices increased 3.6 and 4.0 percent, to \$135,000 and \$118,000, respectively. In Ohio, Michigan, and Minnesota, the average sales price increased 6.0, 8.8, and 9.5 percent, to \$136,300, \$113,500, and \$184,900, respectively. In Wisconsin, the median sales price increased 9.7 percent, to \$134,900.

As of March 2013, 7.3 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 8.1 percent of home loans during March 2012 (LPS Applied Analytics). This rate compares with a national rate of 7.0 percent as of March 2013, down from 7.8 percent during March 2012. The percentage of home loans in distress ranged from 3.9 percent in Minnesota to 9.7 percent in Illinois. The rates were 5.9, 6.3, 7.3, and 8.1 percent in Michigan, Wisconsin, Indiana, and Ohio, respectively, and the rate declined in each state compared with the figures from March 2012.

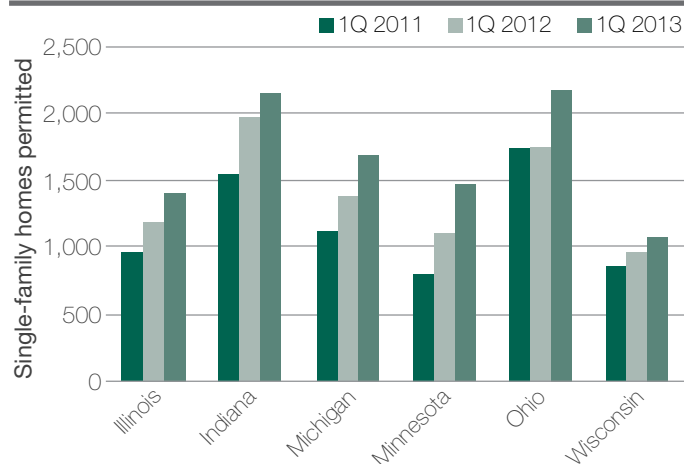
Based on preliminary data, during the first quarter of 2013—

- In response to improving sales markets, home builders increased the construction of single-family homes in the region nearly 20 percent, to 10,000 homes permitted, from 8,350 a year ago.

The number of single-family homes permitted averaged 31,250 during the first quarters from 2000 through 2008 and declined to average 7,375 annually during the first quarters from 2009 through 2011.

- Single-family home permitting increased in each state in the region, ranging from a 10-percent increase in Indiana, to 2,150 homes, to a 35-percent increase in Minnesota, to 1,475 homes.
- In Wisconsin, the number of single-family homes permitted increased 12 percent, to 1,075 homes. Illinois, Michigan, and Ohio reported rates of increase of 19, 22, and 25 percent, to 1,400, 1,700, and 2,175 homes permitted, respectively.

### Single-family building permitting is increasing in the Midwest region.



1Q = first quarter.

Note: Based on preliminary data.

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

### Home sales markets are improving in every state in the Midwest region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2012	2013	Percent Change		2012 (\$)	2013 (\$)	Percent Change
Illinois (N&E)	March	108,475	132,921	22.5	MED	130,250	135,000	3.6
Indiana (E)	March	59,607	68,746	15.3	MED	113,500	118,000	4.0
Michigan (N&E)	March	115,317	122,830	6.5	AVG	104,330	113,465	8.8
Minnesota (N&E)	March	81,172	86,418	6.5	AVG	168,869	184,942	9.5
Ohio (N&E)	March	101,524	115,172	13.4	AVG	128,609	136,269	6.0
Wisconsin (E)	March	53,727	63,936	19.0	MED	123,000	134,500	9.7

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

Note: Median prices for Illinois and Wisconsin are for the month of March.

Sources: Illinois Association of REALTORS®; Indiana Association of REALTORS®; Michigan Association of REALTORS®; Minnesota Association of REALTORS®; Ohio Association of REALTORS®; Wisconsin REALTORS® Association

## Rental Market Conditions

Apartment markets in the larger metropolitan areas of the Midwest region were mixed (balanced to tight) during the first quarter of 2013 and generally tighter than they were a year ago. In Ohio, the vacancy rates in Cincinnati, Cleveland and Columbus were 3.9, 3.3, and 5.0 percent, down from 4.9, 4.1, and 6.4 percent, respectively, a year ago (Reis, Inc.). Average rents rose 3 percent in each market, to \$750, \$770, and \$738, respectively. In Detroit and Milwaukee, apartment markets were tight, with vacancy rates of 4.2 and 3.7 percent, respectively, down from 5.1 percent in Detroit and unchanged in Milwaukee. Average rents rose 3 percent in Detroit, to \$870, and 2 percent in Milwaukee, to \$880. In Indianapolis, the apartment vacancy rate increased to 5.8 percent during the first quarter of 2013 from 5.6 percent a year ago, and the average rent increased 3 percent, to \$720. Apartment markets are tight in both Chicago and Minneapolis. The apartment vacancy rate was 4.8 percent in Chicago as of the first quarter of 2013, up slightly from 4.7 percent a year ago (MPF Research). In Minneapolis, the apartment vacancy rate was 2.8 percent, the same as a year ago. The average rent rose 4 percent in each market, to \$1,200 in Chicago and \$1,000 in Minneapolis.

### Metropolitan apartment markets in the Midwest region range from balanced to tight.

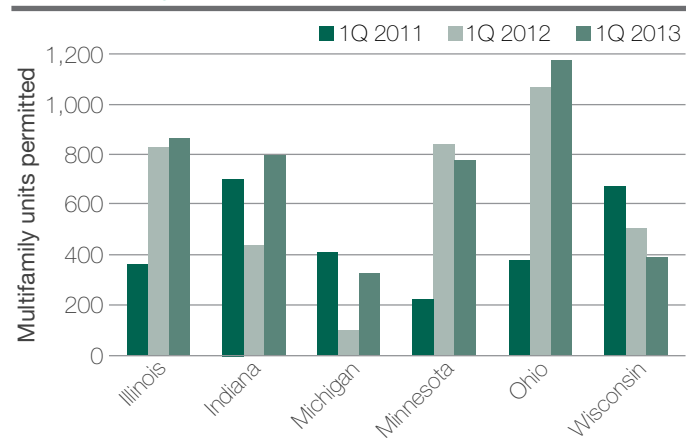
Metropolitan Area	Market Condition
Chicago	Tight
Cincinnati	Tight
Cleveland	Tight
Columbus	Balanced
Detroit	Balanced
Milwaukee	Tight
Minneapolis	Tight

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

Multifamily construction, as measured by the number of units permitted, is mixed in the six states in the region and remains significantly below recent historic trends. Based on preliminary data, during the first quarter of 2013—

- Multifamily construction in the Midwest region increased nearly 15 percent, to 4,350 units, compared with the number of units permitted a year ago.
- An average of 10,100 multifamily units were permitted annually during the first quarters from 2000 through 2008, which declined to an average of 2,450 units permitted annually during the first quarters from 2009 through 2011.
- Increased multifamily permitting was reported in four states. In Illinois, the number of units permitted rose 4 percent, to 860 units, and in Ohio, the number of units permitted rose 10 percent, to 1,175. Indiana multifamily permitting nearly doubled, from 440 to 800 units, and Michigan multifamily permitting tripled, albeit to only 330 units.
- In Minnesota and Wisconsin, the number of multifamily units permitted declined 8 and 22 percent, to 780 and 390 units, respectively.

### Multifamily building permit trends are mixed in the Midwest region.



1Q = first quarter.

Note: Based on preliminary data.

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