

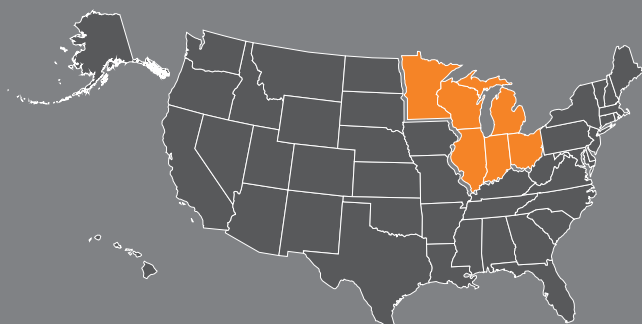
HUD PD&R Regional Reports

Region 5: Midwest



Quick Facts About Region 5

- **Sales market conditions—**
Second quarter 2013: balanced.
First quarter 2013: balanced.
Second quarter 2012: balanced.
- **Apartment market conditions—**
Second quarter 2013: mixed (balanced to tight).
First quarter 2013: mixed (balanced to tight).
Second quarter 2012: mixed (balanced to tight).



By Gabriel A. Labovitz | 2nd quarter 2013

Overview

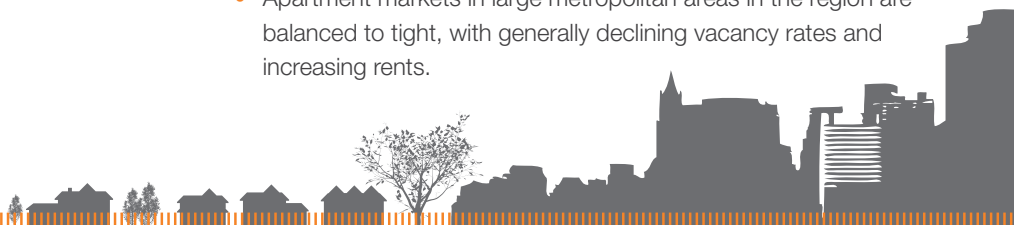
The economic recovery in the Midwest region continued into its third year; the region has added nearly 897,000 jobs since the second quarter of 2010. Despite these job gains, employment in the region remains nearly 776,000 jobs less than the second quarter 2007 peak of 24.5 million jobs. Sales and rental housing markets continued to strengthen and are balanced and mixed, respectively. Home sales prices and apartment rents increased in most metropolitan areas in the region. Home sales prices, although increasing, generally remain less than recent highs.

During the second quarter of 2013—

- Economic conditions continued to improve in the region, with nonfarm payroll gains reported in most sectors and in each state in the region.
- Sales markets are currently balanced in all six states in the region, with increasing sales and prices.
- Apartment markets in large metropolitan areas in the region are balanced to tight, with generally declining vacancy rates and increasing rents.



PD&R



Nonfarm payrolls increased in the Midwest region during the second quarter of 2013, continuing the trend of growth for more than 2 years.

	Second Quarter		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	23,472.0	23,683.9	212.0	0.9
Goods-producing sectors	3,892.1	3,910.5	18.4	0.5
Mining, logging, and construction	872.6	854.5	- 18.1	- 2.1
Manufacturing	3,019.6	3,056.0	36.4	1.2
Service-providing sectors	19,579.8	19,773.4	193.6	1.0
Wholesale and retail trade	3,525.1	3,560.9	35.9	1.0
Transportation and utilities	893.7	904.0	10.3	1.2
Information	364.0	359.7	- 4.4	- 1.2
Financial activities	1,312.3	1,325.9	13.6	1.0
Professional and business services	3,044.6	3,094.2	49.6	1.6
Education and health services	3,691.6	3,751.9	60.3	1.6
Leisure and hospitality	2,262.9	2,316.5	53.6	2.4
Other services	991.6	995.2	3.6	0.4
Government	3,494.1	3,465.3	- 28.9	- 0.8

Source: U.S. Bureau of Labor Statistics

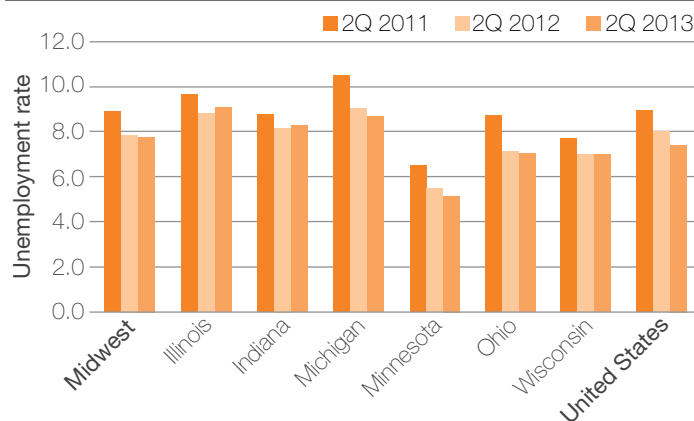
Economic Conditions

Nonfarm payrolls in the Midwest region averaged 23.68 million jobs during the second quarter of 2013, up 212,000 jobs, or 0.9 percent, from the same period during 2012. Job gains were widespread, as employment increased in every sector but three—the government, the mining, logging, and construction, and the information sectors. The education and health services sector led gains, followed by the leisure and hospitality and the professional and business services sectors. The unemployment rate during the second quarter of 2013 was 7.8 percent, unchanged from a year ago because the labor force increased at a similar rate as resident employment.

During the second quarter of 2013—

- The education and health services sector led growth among nonfarm payroll sectors, increasing by 60,300 jobs, or 1.6 percent. The leisure and hospitality and the professional and business services sectors added 53,600 and 49,600 jobs, increases of 2.4 and 1.6 percent, respectively.
- Each of the six states in the region reported increased nonfarm payrolls, ranging from a gain of 11,100 jobs, or 0.4 percent, in Wisconsin to a gain of 52,700 jobs, or 0.9 percent, in Illinois. In Ohio, Indiana, Minnesota, and Michigan, nonfarm payrolls increased by 16,100, 40,800, 42,400, and 48,800 jobs, or 0.3, 1.4, 1.5, and 1.2 percent, respectively.
- The government sector declined by 28,900 jobs, or 0.8 percent. The mining, logging, and construction sector declined by 18,100 jobs, or 2.1 percent, because a decline in construction subsector

The unemployment rate remained stable in the Midwest region, but trends were mixed among the states.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

payrolls offset a slight increase in the mining and logging subsector. Jobs in the information sector declined by 4,400, or 1.2 percent.

- Although all three levels of government shared the decline in government payrolls, local government subsector payrolls declined 0.7 percent, or by 17,200 jobs—60 percent of the loss in the sector.
- Trends in the unemployment rate varied by state, decreasing in Michigan, Minnesota, and Ohio, to 8.7, 5.2, and 7.0 percent, respectively, but increasing in Illinois and Indiana, to 9.1 and 8.3 percent, respectively. In Illinois, resident employment and the labor force both declined, whereas in Indiana both increased. The unemployment rate was unchanged in Wisconsin, at 7.0 percent.

Sales Market Conditions

Continued positive economic conditions and low mortgage interest rates helped the sales housing market in the Midwest region remain balanced, with increasing homes sales and prices in all six states in the region. Home sales rose 22.5 and 16.5 percent in Illinois and Indiana, to 139,400 and 72,100 homes sold, respectively, during the 12 months ending June 2013 compared with the number of sales recorded during the same period a year earlier. The number of homes sold increased 15.8, 14.8, 5.5, and 4.9 percent, to 66,350, 120,600, 126,200, and 75,350, respectively, in Wisconsin, Ohio, Michigan, and Minnesota. The median sales price during June 2013 increased 13.8 percent in Minnesota, to \$185,000, compared with the median sales price during June 2012. Median sales prices increased 12.3, 9.7, and 5.6 percent in Wisconsin, Illinois, and Indiana, to \$159,000, \$170,000, and \$131,000, respectively, during the same period. In Michigan and Ohio, average home sales prices for the 12 months ending June 2013 rose 9.3 and 6.5 percent, to \$117,100 and \$139,300, respectively, compared with the average prices recorded during the previous 12-month period.

Improving economic conditions also contributed to improvement in the status of home mortgages in the region. As of June 2013, 6.6 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 June 2012 (LPS Applied Analytics). This rate compares with a national rate of 6.3 percent as of June 2013, down from 7.7 percent during June 2012. The percentage of home loans in distress ranged from 3.5 percent in Minnesota to 8.8 percent in Illinois. The rates were 5.4, 5.8, 6.7, and 7.5 percent in Michigan, Wisconsin, Indiana, and Ohio, respectively, and the rate declined in each state from June 2012.

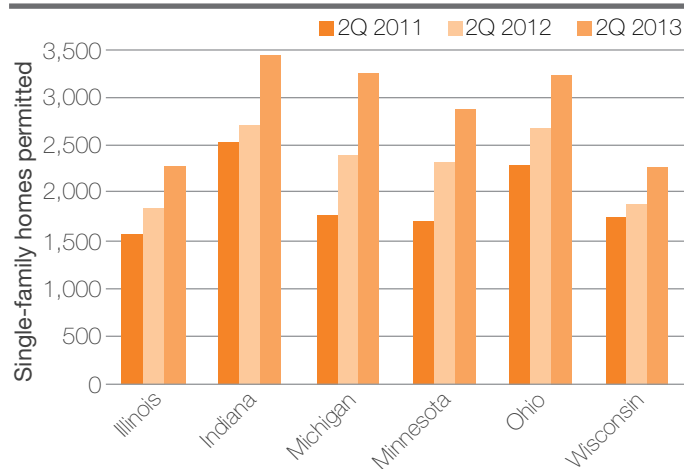
Based on preliminary data, during the second quarter of 2013—

- In response to strengthening sales markets, home builders increased the construction of single-family homes in the region

nearly 26 percent, to 17,350 homes permitted, from 13,800 a year ago. The number of single-family homes permitted averaged 51,150 during the second quarters from 2000 through 2007 but declined to average 13,450 annually during the second quarters from 2008 through 2011.

- Single-family home permitting increased in each state in the region, from a 21-percent increase in Ohio and Wisconsin, to 3,250 and 2,275 homes, respectively, to a 36-percent increase in Michigan, to 3,250 homes.
- In Illinois and Minnesota, the number of single-family homes permitted increased 24 percent, to 2,275 and 2,875 homes, respectively. In Indiana, the rate of increase was 28 percent, to 3,450 homes permitted.

Every state in the Midwest region recorded modest to strong gains in single-family building permits.



2Q = second quarter.

Note: Based on preliminary data.

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

Home sales and prices increased 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)	June	113,748	139,392	22.5	MED	155,000	170,000	9.7
Indiana (E)	June	61,860	72,080	16.5	MED	124,000	131,000	5.6
Michigan (N&E)	June	119,582	126,175	5.5	AVG	107,100	117,100	9.3
Minnesota (N&E)	June	71,834	75,339	4.9	MED	162,600	185,000	13.8
Ohio (N&E)	June	105,098	120,639	14.8	AVG	130,700	139,300	6.5
Wisconsin (E)	June	57,304	66,371	15.8	MED	142,000	159,500	12.3

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

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

Apartment Market Conditions

Apartment markets in the larger metropolitan areas of the Midwest region were mixed (balanced to tight) during the second quarter of 2013 and generally tighter than they were a year ago. The only metropolitan area to register an increased vacancy rate was Indianapolis, where the vacancy rate in the second quarter of 2013 was 6.0 percent, up from 5.7 percent a year ago, but the average rent increased 2 percent, to \$726 (Reis, Inc.). In Ohio, the vacancy rates in Cincinnati, Cleveland, and Columbus were 3.5, 3.2, and 4.8 percent, down from 4.7, 4.1, and 6.1 percent, respectively, a year ago (Reis, Inc.). Average rents rose 2 percent in Cincinnati and Cleveland, to \$754 and \$771, respectively, and the average rent rose 3 percent in Columbus, to \$734. In Detroit, the vacancy rate was reported to be 4.0 percent, down from 4.8 percent a year ago, and the average rent rose 2 percent, to \$875. In Milwaukee, the vacancy rate was 3.4 percent, down slightly from 3.5 percent a year ago, and the average rent rose 2 percent, to \$882 (Reis, Inc.). In Chicago and Minneapolis, the average second quarter 2013 vacancy rates were 3.6 and 2.1 percent, respectively, down from 4.1 and 2.4 percent, respectively, a year ago. The average rent rose 2 percent in Chicago, to \$1,126, and 3 percent in Minneapolis, to \$1,027 (Reis, Inc.).

Metropolitan apartment markets in the Midwest region maintained balanced to tight conditions.

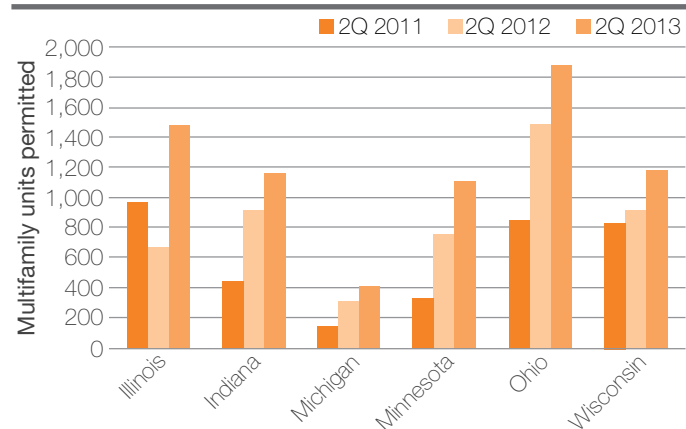
Metropolitan Area	Market Condition
Chicago	Tight
Cincinnati	Tight
Cleveland	Tight
Columbus	Balanced
Detroit	Balanced
Indianapolis	Balanced
Milwaukee	Tight
Minneapolis	Tight

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

Multifamily construction, as measured by the number of units permitted, increased in each of the six states in the region to more than double the level of permitting activity reported from 2009 through 2011. Based on preliminary data, during the second quarter of 2013—

- Multifamily construction in the region increased 43 percent, to 7,225 units, compared with the number of units permitted a year ago. An average of 12,650 multifamily units were permitted during the second quarters from 2000 through 2008, but an average of only 3,575 units were permitted during the second quarters from 2009 through 2011.
- All six states in the region reported multifamily permitting increases from the second quarter of 2012. The number of multifamily units permitted more than doubled in Illinois, to 1,475, and increased 47 and 41 percent, respectively, in Minnesota and Indiana, to 1,100 and 1,175, respectively.
- The number of multifamily units permitted increased 26, 29, and 33 percent in Ohio, Wisconsin, and Michigan, to 1,875, 1,175, and 410 units, respectively.

Multifamily building permitting increased in every Midwest region state in response to strong apartment markets.



2Q = second quarter.

Note: Based on preliminary data.

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