1st Quarter 2012

U.S. Housing Market Conditions

Midwest Regional Report
HUD Region V

1st Quarter Activity

The following summary of the Midwest region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Midwest region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

In the Midwest region, employment levels increased during the first quarter of 2012, the fifth consecutive quarterly increase in nonfarm payroll jobs. For the 12 months ending March 2012, nonfarm payrolls gained more than 218,000 jobs, or 1 percent, to an average of 23 million jobs compared with an increase of 138,000 jobs, or 0.6 percent, in the previous 12-month period. Every sector but two registered job gains; the government and information sectors declined by 74,300 and 5,000 jobs, or 2.1 and 1.4 percent, respectively. Of the jobs lost in the government sector, 53 percent were at the local level, 32 percent were at the federal level, and 15 percent were at the state level. The professional and business services sector, which increased by 98,000 jobs, or 3.4 percent, led employment gains in the region, followed by the manufacturing and the education and health services sectors, which increased by 93,300 and 52,200 jobs, or 3.3 and 1.5 percent, respectively. Every state except Wisconsin added jobs during the past 12 months, led by Michigan, which gained 65,300 jobs, or 1.7 percent. Ohio and Illinois gained 49,000 and 42,200 jobs, or 1.0 and 0.8 percent, respectively, and Indiana and Minnesota gained 33,200 and 31,500 jobs, respectively, or 1.2 percent each. Wisconsin nonfarm payrolls declined by 3,200 jobs, or 0.1 percent. Because of increased employment, the average unemployment rate for the 12 months ending March 2012 was 8.6 percent, down from the 9.6-percent rate recorded for the 12 months ending March 2011. The unemployment rate, which dropped in each of the six Midwest region states, ranged from 6.2 percent in Minnesota to 9.8 percent in Michigan.

As economic conditions improved, home sales markets in the Midwest region continued to strengthen, with state REALTOR® offices reporting increasing sales and mixed sales prices. The Michigan Association of REALTORS® reported that, for the 12 months ending March 2012, sales increased 3 percent, to 109,600 homes, and the average sales price decreased slightly, to $106,000. In Indiana, home sales increased 5 percent, to 59,600, and the median sales price increased 1 percent, to $113,500, according to the Indiana Association of REALTORS®. The Minnesota Association of REALTORS® reported that, for the 12 months ending February 2012 (the latest data available), home sales in the state increased nearly 4 percent, to 80,900, and the median sales price in February 2012 was $124,000, up 1 percent compared with the median sales price reported in February 2011.

The Ohio Association of REALTORS® reported that, for the 12 months ending March 2012, home sales increased 2 percent, to 100,200, and the average sales price declined 2 percent, to $129,000. In Wisconsin, the Greater Milwaukee Association of REALTORS® reported that home sales increased nearly 9 percent, to 12,300 for the 12 months ending March 2012 in the four-county Milwaukee-Waukesha-West Allis metropolitan area. During the same period, the median home sales price was $163,000, a 6-percent decline from the median price in the previous 12-month period. The Illinois Association of REALTORS® reported that, for the 12 months ending March 2012, statewide home sales increased 6 percent, to 107,400, compared with home sales during the previous 12-month period, and the median home sales price in March 2012 was $130,000, the same as in March 2011. In the Chicago metropolitan area, home sales increased 8 percent, to 72,900, and the median sales price in March 2012 was $151,900, 4 percent lower than in March 2011. According to LPS Applied Analytics, distressed loan rates continue to decline in the region. In March 2012, 8.1 percent of home loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 8.2 percent in March 2011. The corresponding national figure in March 2012 was 7.8 percent.

With improved economic conditions in the Midwest region, home builders appeared cautiously optimistic regarding new single-family home construction, as measured by the number of building permits issued. During the 12 months ending March 2012, 40,500 homes were permitted in the region, a 2-percent increase compared with the 39,700 homes permitted during the previous 12 months, according to preliminary data. Single-family homebuilding remains less than the average annual pace of 54,850 homes recorded from 2008 through 2010. Two states in the region reported declining single-family home permitting during the past 12 months; Ohio permits declined 7 percent, to 8,025 homes permitted, and Wisconsin permits declined 8 percent, to 5,425 homes permitted. The number of single-family homes permitted increased 1 percent, to 5,600 homes, in Illinois and 7 percent, to 5,950 homes, in Minnesota. In Indiana and Michigan, single-family homes permitted increased 9 and 10 percent, to 8,825 and 6,650 homes, respectively.

Multifamily construction, as measured by the number of units permitted, increased 13 percent, to 18,850 units permitted in the Midwest region, for the 12 months ending March 2012, according to preliminary data. Multifamily permit data were mixed for the six states, with two states reporting increased multifamily construction activity and four states reporting decreased activity. During the 12 months ending March 2012, the number of multifamily permits issued in Illinois increased 55 percent, to 5,350 units; an increase of almost 1,000 units in the Chicago metropolitan area contributed to the state total. In Ohio, the number of multifamily units permitted was up 61 percent, to 4,425, during the 12 months ending March 2012. Increases of 500 and 1,175 units, respectively, in Cincinnati and Columbus accounted for the statewide increase. The number of multifamily units permitted decreased 2, 7, 15, and 43 percent, or by 50, 210, 460, and 640 units, respectively, in Minnesota, Wisconsin, Indiana, and Michigan.

Rental housing market conditions in major metropolitan areas in the Midwest region are balanced to tight, with each of the eight metropolitan areas surveyed reporting stronger occupancy and increasing rents from a year ago. Improved economic conditions contributed to strengthened rental markets in the region. In Detroit and Indianapolis, where apartment market conditions are balanced, Reis, Inc., reported vacancy rates of 5.1 and 5.6 percent, respectively, in the first quarter of 2012, down from 6.6 and 7.5 percent, respectively, in the first quarter of 2011. Average rents rose 2 percent in each metropolitan area, to $850 and $700, respectively. In Milwaukee, the rental market is tight, with an apartment vacancy rate of 3.7 percent, down from 4.2 percent a year ago, and the average monthly rent rose 2 percent, to $860. In Ohio, according to Reis, Inc., during the first quarter of 2012, the apartment vacancy rates in Cleveland and Columbus were 4.1 and 6.4 percent, down from 5.2 and 8.6 percent, respectively, a year ago, reflecting balanced market conditions. The average rents in Cleveland and Columbus rose 2 percent each, to $750 and $710, respectively.

The apartment market in Chicago is balanced to tight. In the Chicago metropolitan area, MPF Research reported that, in the first quarter of 2012, the apartment vacancy rate was 4.7 percent, down from 6.2 percent a year ago, and the average rent increased 2 percent, to $1,150. In the Chicago Loop, the apartment vacancy rate was 5 percent, down from 9.3 percent a year ago, and the average rent rose more than 8 percent, to $1,800. In the Minneapolis metropolitan area, where the apartment market has been tight for more than 2 years, GVA Marquette Advisors reported the apartment vacancy rate was 2.8 percent, down from 3.1 percent a year ago, and the average rent rose 2 percent, to $935. In downtown Minneapolis, the apartment vacancy rate is 1.9 percent, down from 3.5 percent in the first quarter of 2011, and the average rent increased 1 percent, to $1,275.