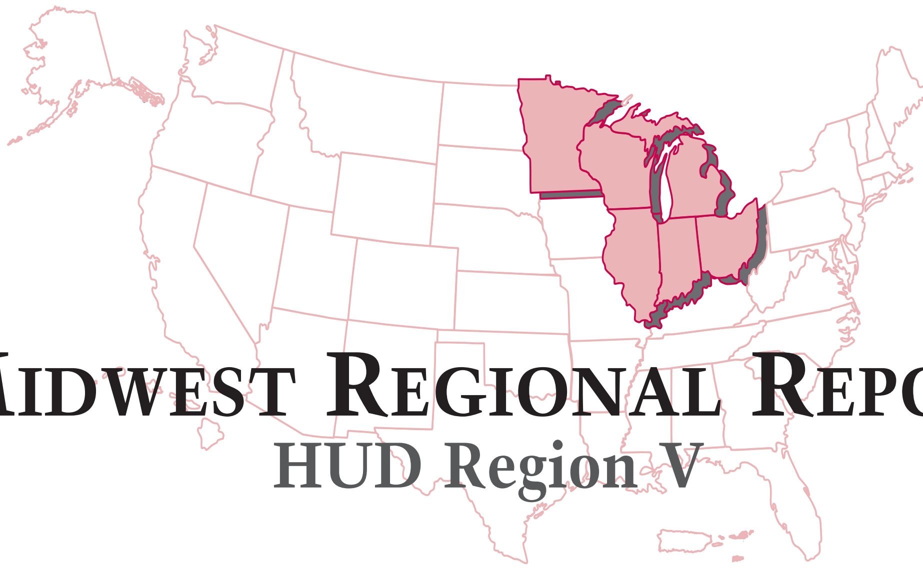
3rd Quarter 2011

U.S. Housing Market Conditions



Midwest Regional Report

HUD Region V

3rd 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.

Economic conditions in the Midwest region continued to improve during the third quarter of 2011, the third consecutive quarter of nonfarm payroll job gains. During the 12 months ending September 2011, nonfarm payrolls increased by 220,000 jobs, or by nearly 1 percent, to an average of 22.8 million jobs. Sectors reporting job gains were widespread, across both goods-producing and service-providing sectors, but were led by the professional and business services sector, which increased by 90,800 jobs, or 3.3 percent, followed by the education and health services and the manufacturing sectors, which increased by 78,600 and 69,000 jobs, or 2.2 and 2.5 percent, respectively. Nonfarm payroll declines were reported in the government, financial activities, and information sectors, which decreased by 54,400, 9,500, and 7,000 jobs, respectively, or 1.5, 0.7, and 1.9 percent. Almost 60 percent of the decline in government payrolls was at the state and local subsectors, in response to decreasing tax revenue. Each state in the Midwest region reported nonfarm payroll increases for the third consecutive quarter, led by Ohio, which added 58,500 jobs, a 1.2-percent increase, followed by Michigan and Illinois, which added 55,000 and 54,300 jobs, increases of 1.4 and 1.0 percent, respectively. In Wisconsin, Minnesota, and Indiana, increases in nonfarm payrolls totaled 23,400, 20,000, and 8,800, or 0.9, 0.8, and 0.3 percent, respectively. The unemployment rate declined in each of the six Midwest region states and in the region as a whole for the 12 months ending September 2011. For the region, the unemployment rate averaged 9.0 percent, down from an average of 10.4 percent during the previous year. By state, Minnesota reported the lowest average unemployment rate in the region, at 6.8 percent, followed by Wisconsin and Indiana, which reported average unemployment rates of 7.6 and 8.8 percent, respectively. The average unemployment rates in Ohio, Illinois, and Michigan were 9.1, 9.3, and 10.8 percent, respectively.

State and local REALTOR® associations reported soft sales housing markets, with a declining number of home sales and generally declining home sales prices. The Illinois Association of REALTORS® reported that the number of existing home sales in Illinois declined almost 11 percent, to 99,750, for the 12 months ending September 2011 compared with the number of sales in the previous 12-month period. The median home sales price in September 2011 was $136,900, almost 6 percent less than the median sales price reported in September 2010. In the Chicago metropolitan area, home sales declined 10 percent to 67,000 homes sold during the 12 months ending September 2011, while the median sales price declined 9 percent to $160,000 compared with the price during the previous 12 months. The Indiana Association of REALTORS® reported statewide sales of existing homes declined by nearly 9 percent, to 56,450, during the 12 months ending September 2011 compared with sales during the previous year. The Indiana statewide median sales price recorded in September 2011 was $113,000, representing a 2-percent increase from the median price in the previous year.

The Michigan Association of REALTORS® reported existing home sales in the state declined by more than 7 percent during the 12 months ending September 2011, to 104,400, while the average home sales price increased 2 percent, to $107,300. The Minnesota Association of REALTORS® identified a 4-percent decline in statewide home sales to 67,850 homes sold, and a nearly 7-percent decline in the median sales price to $140,000 in September 2011. According to the Ohio Association of REALTORS®, home sales in Ohio declined nearly 9 percent, to 95,450 homes sold and the average home sales price of $130,300 was 2 percent less than during the 12 months ending September 2010. In Wisconsin, the Multiple Listing Service data for the four-county Milwaukee area showed an 11-percent decline in home sales, to 11,250 homes sold, and more than a 2-percent increase in the median sales price to $168,900 during the 12 months ending September 2011. According to LPS Applied Analytics, in September 2011, the number of home mortgage loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) decreased to 487,400, or 8.0 percent of all mortgage loans recorded in the Midwest region. These data reflect an improvement from September 2010, when 506,900 mortgage loans, or 8.6 percent of the total outstanding number of mortgages, were in this status.

Although the economy in the Midwest region has improved, home sales markets remain weak and builders have adjusted new single-family home construction levels downward, as indicated by the number of building permits issued. For the region, approximately 38,650 new single-family homes were permitted during the 12 months ending September 2011, a decrease of 11 percent from the 43,400 single-family homes permitted in the previous 12 months, according to preliminary data. During the 12 months ending September 2011, single-family home construction activity declined in every state in the region except in Michigan, where the number of single-family homes permitted increased by 5 percent, to 6,200 homes, due to increasing production in the Detroit metropolitan area. The number of homes permitted decreased by 17 percent to 7,925 homes in Ohio and by 15, 14, and 13 percent, to 5,400, 5,475, and 5,350 homes, respectively, in Wisconsin, Minnesota, and Illinois. In Indiana, the decline in single-family home construction was 9 percent, to 8,300 homes permitted, during the 12 months ending September 2011.

Major metropolitan areas in the region also reported decreased single-family homebuilding activity during the 12 months ending September 2011, with the exception of Detroit, where the number of single-family homes permitted increased 26 percent, to 2,725, according to preliminary data. Elsewhere in the region, declines in single-family construction activity ranged from 4 percent in Milwaukee, to 890 homes permitted, to 22 percent in Columbus, to 2,325 homes permitted. Compared with totals for the previous year, the number of homes permitted declined by 6 percent to 3,650 homes in Indianapolis, by 11 percent to 4,025 homes in Chicago, by 12 percent to 3,575 homes in Minneapolis, by 18 percent to 2,525 homes in Cincinnati, and by 19 percent to 1,600 homes in Cleveland.

Multifamily construction activity, as measured by the number of units permitted, increased by 7 percent to 16,200 units permitted in the Midwest region during the 12 months ending September 2011, according to preliminary data. Multifamily production increased by 12 percent to 3,000 units permitted in Ohio, by 21 percent to 3,850 units in Illinois, by 24 percent to 3,300 units in Wisconsin, and by 26 percent to 1,350 units permitted in Michigan. The number of multifamily units permitted declined in Indiana and Minnesota, by 13 and 17 percent, respectively, to 2,725 and 1,950 units. Metropolitan areas in the Midwest region reported mixed construction activity for the 12 months ending September 2011, with increasing production in Chicago, Detroit, and Milwaukee, where the number of units permitted increased by 14, 22, and 45 percent, to 2,725, 660, and 980 units, respectively. The number of units permitted more than doubled, to 900, in Cincinnati and tripled, to 200, in Cleveland. The number of multifamily units permitted declined in Columbus, Minneapolis, and Indianapolis, by 1, 15, and 29 percent, respectively, to 1,600, 1,425, and 1,525 units permitted.

Rental housing market conditions were generally balanced to tight in major metropolitan areas in the Midwest region in the third quarter of 2011, and all areas showed improvement from the third quarter of 2010. The exception is the Columbus rental housing market, which, while stronger than in the third quarter of 2010, is still slightly soft, with an apartment vacancy rate of 7.7 percent, according to Reis, Inc., down from 8.9 percent a year ago. The average rent in the Columbus area rose 2 percent, to nearly $700, during the past year. In Detroit and Indianapolis, apartment conditions are balanced, with vacancy rates of 5.7 and 6.4 percent, respectively, down from 7.1 and 8.3 percent a year ago. The average rent rose 2 percent in each city, to nearly $840 in Detroit and to more than $690 in Indianapolis. In Milwaukee, apartment market conditions are tight, as the average vacancy rate decreased to 4.1 percent from 4.8 percent in the third quarter of 2010, and the average rent rose 1 percent to nearly $850, according to Reis, Inc.

In the Chicago area, according to MPF Research, apartment occupancy in the third quarter of 2011 indicated tight apartment housing conditions, with an estimated vacancy rate of 4.5 percent, down from the 6-percent rate reported in the third quarter of 2010. The average monthly rent in the Chicago area increased 5 percent, to nearly $1,150. In the Intown Chicago submarket, which includes downtown and surrounding neighborhoods, MPF Research reported the apartment vacancy rate was 5.1 percent, down from 7.5 percent in the third quarter of 2010, and the average rent increased almost 7 percent, to more than $1,600. In Minneapolis, GVA Marquette Advisors identified a tight rental housing market, with an apartment vacancy rate of 2.3 percent, down from 4.2 percent in the third quarter of 2010, and an average apartment rent that rose 2 percent, to $925. In downtown Minneapolis, the apartment market is also tight, with an apartment vacancy rate of 1 percent, down from 3.1 percent a year ago, and an average rent that rose nearly 9 percent, to $1,225.