



U.S. Housing Market Conditions



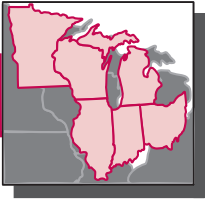
MIDWEST REGIONAL REPORT HUD Region V

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 2012, the seventh consecutive quarterly increase in nonfarm payroll jobs. During the 12 months ending September 2012, nonfarm payrolls averaged 23.1 million jobs, up 212,500 jobs, or nearly 1 percent, compared with nonfarm payrolls during the previous 12 months. Job gains were widespread and led by the manufacturing sector, which was up 87,300 jobs, or 3 percent, to nearly 3 million jobs after an increase of 97,600 jobs, or 4 percent, in the previous 12 months and by contrast to annual declines from 2000 through 2010. Also during the past 12 months, the professional and business services and the education and health services

sectors increased by 84,600 and 56,100 jobs, or 2.9 and 1.6 percent, respectively. The government sector lost 37,900 jobs, a 1.1-percent decrease, to 3.5 million; 85 percent of the losses were in the local government subsector. The construction subsector and the leisure and hospitality sector also declined during the past 12 months, by 3,500 and 1,700 jobs, or 0.4 and 0.1 percent, respectively. During the same period, five of the six Midwest region states reported nonfarm payroll increases, led by Ohio, which added 67,400 jobs, a 1.3-percent increase, followed by Michigan and Indiana, which grew by 55,400 and 48,500 jobs, or 1.4 and 1.7 percent, respectively. Illinois and Minnesota added 33,200 and 26,900 jobs, increases of 0.6 and 1.0 percent, respectively. Wisconsin reported a decrease of 18,900 jobs, or 0.7 percent. 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 2012. For the region, the unemployment rate averaged 8.0 percent, down from an average of 9.1 percent during the previous year. By state, Minnesota reported the lowest average unemployment rate in the region, 5.8 percent, followed by Wisconsin and Ohio, which reported average unemployment rates of 7.0 and 7.5 percent, respectively. The average unemployment rates in Indiana, Michigan, and Illinois were 8.4, 9.0, and 9.1 percent, respectively.



Home sales markets in the Midwest region strengthened as state and local REALTOR® associations reported an increasing number of home sales and, in general, increasing home sales prices. The Illinois Association of REALTORS® reported that the number of existing home sales in Illinois increased nearly 20 percent, to 119,900 homes sold, for the 12 months ending September 2012 compared with the number of sales in the previous 12-month period. The median Illinois home sales price in September 2012 was \$139,000, approximately 2 percent higher than the median home sales price reported in September 2011. In the Chicago metropolitan area, during the 12 months ending September 2012, the number of existing home sales increased nearly 24 percent, to 82,750 homes sold, and the median sales price was \$160,000, the same price as reported in September 2011. The Indiana Association of REALTORS® reported that the statewide number of existing home sales increased 13 percent, to 63,800 homes sold, during the 12 months ending September 2012 compared with sales during the previous year. The Indiana statewide average home sales price for the 12 months ending September 2012 was \$138,400, a 2-percent increase from the average price during the previous 12-month period.

The Michigan Association of REALTORS® reported that the number of existing home sales in the state increased nearly 9 percent, to 119,400, during the 12 months ending September 2012, and the average home sales price increased nearly 4 percent, to \$108,900. The Minnesota Association of REALTORS® identified a 9-percent increase in statewide number of home sales, to 82,650 homes sold, and a 3-percent increase in the average home sales price, to \$176,300, for the 12 months ending September 2012 compared with the corresponding data recorded during the previous year. According to the Ohio Association of REALTORS®, the number of home sales in Ohio increased nearly 12 percent, to 107,700, and the average home sales price increased 2 percent, to \$133,000, during the same period. In Wisconsin, the multiple listing service for the four-county Milwaukee metropolitan area showed a 26-percent increase in home sales, to 14,200, and a nearly 4-percent decline in the average home sales price, to \$192,900, during the 12 months ending September 2012. Foreclosures are declining but continue to be an issue in the region. According to LPS Applied Analytics, as of September 2012, 7.8 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 8.0 percent of home loans in September 2011. By state, the rate ranged from 4.4 percent in Minnesota to 10.4 percent in Illinois.

The improving economy and sales housing markets in the Midwest region contributed to home builders increasing single-family home construction, as measured by the number of homes permitted, during the past 12 months. For the region, approximately 45,400 new single-family homes were permitted during the 12 months ending

September 2012, up 17 percent compared with the 38,750 single-family homes permitted during the previous 12 months, according to preliminary data. During the past 12 months, single-family home construction activity increased in each state in the region, including 30 percent in Minnesota, to 7,150 homes permitted, and 27 percent in Michigan, to 7,925 homes permitted. In Illinois, the increase was 20 percent, to 6,400 homes, and in Ohio, Indiana, and Wisconsin the increases were 12, 11, and 8 percent, to 8,850, 9,200, and 5,850 homes, respectively.

The major metropolitan areas in the region also reported increased single-family homebuilding activity during the 12 months ending September 2012. In Minneapolis and Detroit, single-family construction activity increased 41 and 40 percent, to 5,025 and 3,825 homes permitted, respectively, according to preliminary data. In Chicago, the increase was 30 percent, to 5,200 homes, and in Cleveland and Columbus, construction activity increased 13 percent each, to 1,800 homes in Cleveland and to 2,650 homes in Columbus. Elsewhere in the region, increases in single-family construction activity were less than 5 percent each in Cincinnati, Indianapolis, and Milwaukee, to 2,575, 3,825, and 960, respectively.

Multifamily construction activity, as measured by the number of units permitted, increased 34 percent, to 21,850 units permitted, in the Midwest region during the 12 months ending September 2012, according to preliminary data. Multifamily production declined 3, 11, and 13 percent, to 2,675, 2,975, and 1,100 units, in Indiana, Wisconsin, and Michigan, respectively. Multifamily construction increased 33 percent, to 5,250 units, in Illinois; 72 percent, to 5,150 units, in Ohio; and more than 100 percent, to 4,700 units, in Minnesota. In Chicago, the number of multifamily units permitted increased 54 percent, to 4,275, and in Cleveland, the number of multifamily units permitted increased 71 percent, to 340. The number of multifamily units permitted more than doubled in Columbus and Minneapolis, to 3,675 and 3,900 units, respectively. By contrast, declines in the number of multifamily units permitted ranged from 23 to 40 percent in Cincinnati, Detroit, Indianapolis, and Milwaukee, where 600, 460, 910, and 680 units were permitted, respectively.

Apartment market conditions improved in all the major metropolitan areas in the Midwest region in the third quarter of 2012, and they were generally balanced to tight. The exception was the still slightly soft Columbus apartment market, with a vacancy rate of 5.9 percent, down from 7.7 percent a year ago, according to Reis, Inc., and an average rent that rose 3 percent, to \$720. Apartment housing markets in Cincinnati, Detroit, and Indianapolis are balanced, with vacancy rates of 4.6, 4.7, and 5.6 percent, respectively, down from 5.7, 5.7, and 6.4 percent a year ago. Rents rose 2 percent in Cincinnati, to \$740, and 3 percent in both Detroit and Indianapolis, to \$840 and \$690, respectively. In Cleveland, the apartment market



is tight, with a vacancy rate of 3.9 percent, down from 4.8 percent a year ago, and an average rent that increased 2 percent, to \$760.

According to MPF Research, the apartment vacancy rate in the Chicago area in the third quarter of 2012 was 4.2 percent, reflecting a balanced to tight market, and the average rent increased 5 percent, to \$1,170. The Loop

submarket was balanced, with an apartment vacancy rate of 5.1 percent, down from 6.4 percent a year ago, and an average rent that increased nearly 9 percent, to \$1,875. In Minneapolis, the market is tight, with a third quarter apartment vacancy rate of 2.4 percent and an average rent of \$990, nearly 3 percent more than a year ago, according to MPF Research.