4th Quarter 2010

U.S. Housing Market Conditions

Midwest Regional Report
HUD Region V

4th 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 remained weak during 2010, continuing a 3-year trend. During the past year, nonfarm payrolls decreased by 154,200, or 0.7 percent, to an average of 22.6 million jobs, which was much less than the loss of 1.3 million jobs, or 5.3 percent, during 2009 and was the smallest decline since the 12 months ending September 2008. Employment increased in three sectors, led by the education and health services sector, which gained 46,100 jobs, or 1.3 percent. The two other sectors with job gains were the professional and business services sector and the mining and logging sector, up 34,400 and 800 jobs, or 1.3 and 0.5 percent, respectively. During 2010, all other sectors reported job losses, led by the construction sector, which lost 61,300 jobs, or 7.3 percent, and the financial activities and manufacturing sectors, which were down 38,500 and 34,800 jobs, or 2.9 and 1.2 percent, respectively.

All six states in the region recorded decreases in nonfarm payrolls in 2010. Illinois reported the largest decline, down 83,000 jobs, or 1.5 percent. Ohio, Michigan, and Wisconsin registered declines of 73,500, 51,500, and 37,600, or losses of 1.4, 1.3, and 1.4 percent, respectively. Minnesota and Indiana both recorded job losses of less than 1 percent, with a decrease of 9,900, or 0.4 percent, in Minnesota and 8,500, or 0.3 percent, in Indiana. The average unemployment rate for the region declined slightly, from 10.3 percent in 2009 to 10.2 percent in 2010. Four states recorded lower unemployment rates, with Michigan reporting an unemployment rate of 13.1 percent, the highest in the region, although it was down from the 13.6-percent rate recorded in 2009. In Minnesota, from 2009 to 2010, the unemployment rate fell from 8.0 to 7.1 percent, in Wisconsin the rate dropped from 8.5 to 8.1 percent, and in Indiana it dropped from 10.1 to 9.9 percent. The unemployment rate rose in Illinois and Ohio, from 10.1 to 10.4 percent and from 10.2 to 10.3 percent, respectively.

The slow economy continues to disrupt home sales markets in the Midwest region. Although data on home sales and prices vary, market conditions remain slightly soft throughout most of the region. According to data from the Michigan Association of REALTORS®, in Michigan, during the 12 months ending November 2010, new and existing home sales rose approximately 7 percent, to 120,300 homes compared with the number sold during the previous 12 months; the sales level was about the same as the annual average for 2004 through 2008. For the 12-months ending November 2010, the average price increased 7 percent to $106,100. In Illinois, the home sales market is soft, with approximately 103,700 homes sold, down 4 percent from the 2009 total of 107,800 home sales, according to the Illinois Association of REALTORS®. The median sales price reported in Illinois was also down, approximately 3 percent, to $152,000. In the Chicago metropolitan area during 2010, new and existing home sales declined by approximately 1 percent, to 69,000 homes sold, and the median sales price declined almost 6 percent, to $185,000.

According to the Indiana Association of REALTORS®, in 2010, new and existing home sales in Indiana were down almost 7 percent from 2009, to 57,750 homes sold, but the average sales price increased 4 percent, to $133,000. The Ohio Association of REALTORS® reported that, in 2010, new and existing home sales decreased 4 percent compared with sales during 2009, down to 101,000 homes sold, but the average sales price increased almost 3 percent, to $132,700. In Minnesota, the Minnesota Association of REALTORS® reported an 11-percent decline in home sales, down to 66,050 sold, but a stable median sales price of $150,000. In Wisconsin, the Milwaukee-Waukesha-West Allis metropolitan area, including four counties, reported 11,500 new and existing home sales, a decrease of 13 percent from the 13,250 homes sold in 2009, according to the Greater Milwaukee Association of REALTORS®, while the median sales price increased one percent, to $176,000. According to Lender Processing Services Mortgage Performance Data, in December 2010, the number of home loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the region decreased to approximately 496,100, or 8.5 percent of all loans recorded in the region. These figures show an improvement from the 9.1-percent rate recorded in December 2009, although it is still higher than the current 8.3-percent rate for the nation.

Despite generally soft sales market conditions, single-family construction activity, as measured by the number of building permits issued, increased in the Midwest region during 2010. According to preliminary data, in 2010, 42,000 single-family permits were issued in the region, 4 percent above the number of permits issued in 2009 but 20 percent below the number issued in 2008. From 2003 through 2007 in the region, an average of 186,600 permits for single-family homes was issued annually. In 2010, all states in the region except Michigan reported single-family construction activity within 2 percent of 2009 totals, according to preliminary data. In Indiana, in 2010, construction was up 2 percent to 8,750, and, in Ohio, home construction gained 1 percent, to 9,125 homes. The construction level in Wisconsin during 2010 remained unchanged at 6,225, but in Illinois and Minnesota, home construction fell 1 and 2 percent, to 5,875 and 5,900, respectively. In Michigan, during 2010, the increase in single-family homes permitted rose 28 percent, to 6,100, but the number remains far below the 33,900 single-family homes permitted, on average, from 2003 through 2007.

Multifamily building activity, as measured by the number of units permitted, also increased in the Midwest region because of generally balanced rental market conditions in most states. In 2010, according to preliminary data, approximately 16,250 multifamily units were permitted, 36 percent more than the 11,900 units permitted in 2009, but 39 percent below the 26,550 multifamily units permitted in 2008. From 2003 through 2007, the number of multifamily units permitted averaged 54,500 annually in the region. From 2009 to 2010, all six states in the region recorded increases in multifamily units permitted, ranging from 17 percent in Wisconsin, or an increase of 2,800 units, to 124 percent in Michigan, where multifamily units permitted increased from 575 to 1,275, according to preliminary data. In Indiana, from 2009 to 2010, the number of multifamily units permitted rose 21 percent, from 2,525 to 3,050, and, in Ohio, the number of units permitted increased 29 percent, to 2,775. In Illinois and Minnesota during 2010, the increases in multifamily units permitted were 45 and 54 percent, to 3,650 and 2,700 units, respectively.

Apartment market conditions in major metropolitan areas in the Midwest region were mixed, but signs of strengthening were evident in the fourth quarter of 2010. According to Reis, Inc., in Chicago, for the fourth quarter of 2010, the apartment vacancy rate was 6 percent, down from 7 percent in 2009, but the average rent increased almost 2 percent, to $1,075, reflective of a balanced market. In Ohio, all three major metropolitan areas recorded stable or decreasing vacancy rates and increasing rents. In Columbus, the apartment market remains somewhat soft, with an estimated vacancy rate of 9 percent, the same rate recorded in 2009, and the average rent increased less than 1 percent, to $690. In Cincinnati and Cleveland, during 2010, markets were generally balanced, with apartment vacancy rates of 7 and 6 percent, respectively, down from 8 and 7 percent in 2009, but both metropolitan areas recorded increased average rents, up 1 percent, to $710 in Cincinnati and $720 in Cleveland. From the fourth quarter of 2009 to the fourth quarter of 2010, in Michigan, the apartment vacancy rate in Detroit was generally balanced, declining from 8 to 7 percent. At the same time, the average rent increased by less than 1 percent, to $830, according to Reis, Inc. In Indianapolis, for the fourth quarter of 2010, the apartment market was slightly soft, with a vacancy rate of 8 percent, down from 10 percent in 2009, and the average rent increased almost 2 percent, to $680. Milwaukee and Minneapolis both had tight markets with declining vacancy rates, down to 5 and 4 percent, respectively, but increasing rents of 1 percent each, to $840 in Milwaukee and $960 in Minneapolis.