The analysis presented in this report includes data from the early stages of the COVID-19 outbreak in the United States. The unprecedentedly large and rapid changes in many data series, and the similarly unprecedentedly large policy responses, make analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

# Cleveland-Elyria, Ohio

**U.S. Department of Housing and Urban Development,**
Office of Policy Development and Research

As of July 1, 2020

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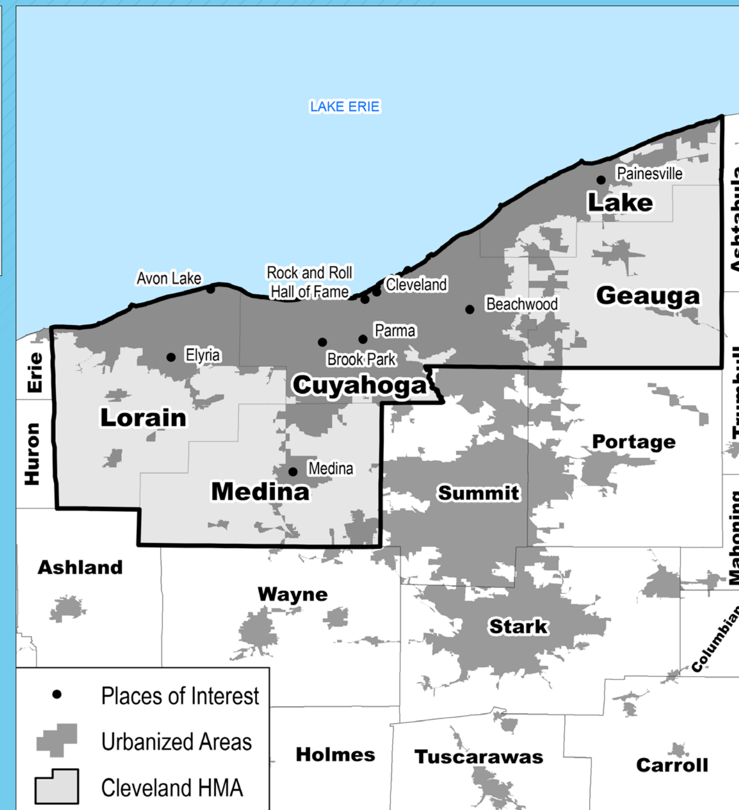


# Executive Summary

## Housing Market Area Description

The Cleveland-Elyria Housing Market Area (hereafter, Cleveland HMA) is coterminous with the Cleveland-Elyria Metropolitan Statistical Area. The HMA is composed of Cuyahoga, Geauga, Lake, Lorain, and Medina Counties. The HMA is part of the 14-county Cleveland-Elyria-Canton Combined Statistical Area, a region with approximately 3.5 million residents in northeast Ohio. The principal city of Cleveland is known for the Rock & Roll Hall of Fame museum and Playhouse Square, the largest theater district in the United States outside of New York.

The current HMA population is estimated at 2.04 million.

### Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

# Market Qualifiers

## Economy

**Weak:** The unemployment rate rose sharply, from 4.3 percent a year earlier to 7.7 percent during the 12 months ending June 2020—the highest level since 2009.

Economic activity slowed sharply in the Cleveland HMA following the implementation of the stay-at-home order in Ohio on March 23, 2020, in response to the COVID-19 pandemic. During the 12 months ending June 2020, nonfarm payrolls in the HMA declined 3.8 percent, to 1.04 million, and the leisure and hospitality sector had the most job losses. During the 3-year forecast period, nonfarm payroll growth is expected to rise to an average of 1.7 percent annually.

## Sales Market

**Balanced:** The average new and existing home sales price increased 5 percent to $181,000 during the 12 months ending June 2020.

Sales housing market conditions in the Cleveland HMA are currently balanced, with a 1.6-percent vacancy rate, down from 2.5 percent in April 2010, when conditions were soft. During the 12 months ending June 2020, total home sales were approximately 38,900, reflecting a nearly 1-percent decline from a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the forecast period, demand is estimated for 6,725 new sales units. The 920 homes under construction are expected to meet a portion of that demand during the first year of the forecast period.

## Rental Market

**Balanced:** The rental market has an estimated overall rental vacancy rate of 8.1 percent, down from 12.6 percent in 2010.

Rental housing market conditions in the HMA are balanced and the apartment market is slightly tight. The apartment vacancy rate continues to decline due in part to a gradual decrease in the number of units completed since the end of 2018. During the second quarter of 2020, the apartment vacancy rate declined 0.4 percentage point from a year earlier to 3.7 percent, and the average asking rent increased 6 percent to $976 (RealPage, Inc.). During the forecast period, demand is expected for 3,425 new rental units. The 1,250 units currently under construction will satisfy a portion of that demand.

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**3-Year Housing Demand Forecast**

| | | Sales Units HMA Total | Rental Units HMA Total |
|---|---|---|---|
| Cleveland HMA | Total Demand | 6,725 | 3,425 |
| | Under Construction | 920 | 1,250 |

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2020. The forecast period is July 1, 2020, to July 1, 2023.
Source: Estimates by the analyst

# Economic Conditions

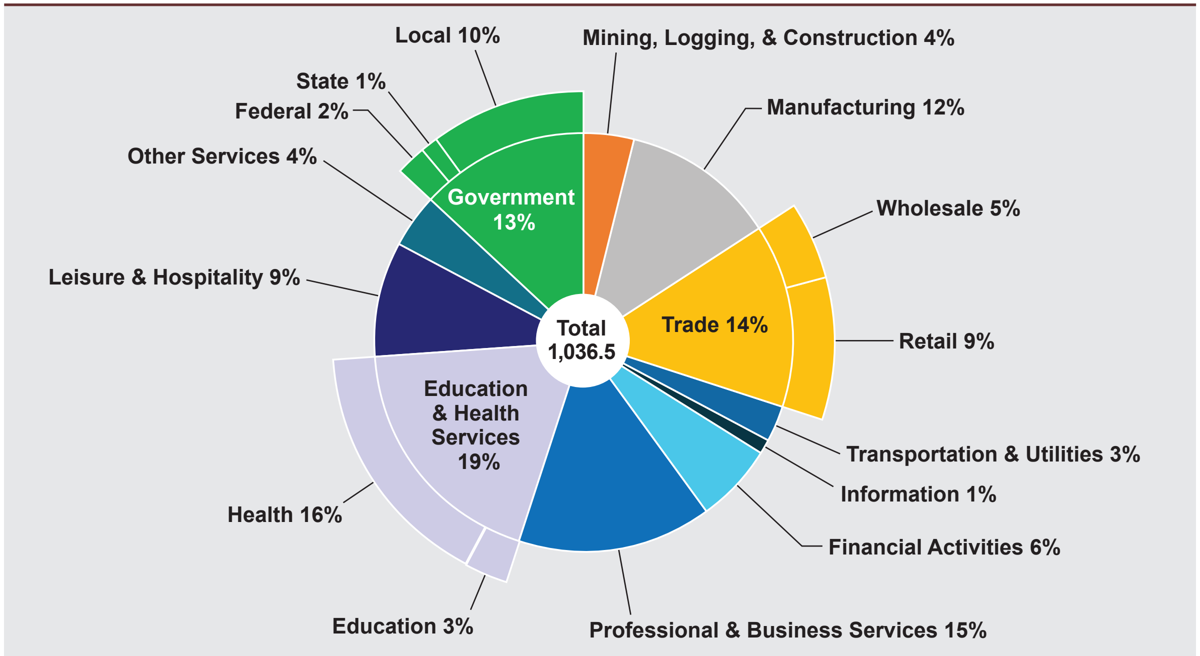
**Largest Sector:** Education and Health Services

The education and health services sector accounts for 19 percent of all nonfarm payroll jobs in the HMA (Figure 1). The Cleveland Clinic and University Hospitals are the two largest employers, with 35,950 and 17,125 employees, respectively (Table 1).

## Primary Local Economic Factors

The Cleveland HMA became a center for trade because of its location on Lake Erie and the Cuyahoga River. Manufacturing has historically been one of the main employment sectors in the HMA due to the existing transportation networks that made Cleveland an ideal place to build a factory. Major manufacturing industries in the HMA currently include steel, automobiles, and transportation equipment. Since 2000, job growth in the HMA has occurred mainly in the education and health services sector, whereas the manufacturing sector continues to play an important but smaller role in the local economy. The HMA is currently home to five Fortune 500 companies, including The Progressive Corporation, The Sherwin-Williams Company, and KeyCorp.

**Figure 1. Share of Nonfarm Payroll Jobs in the Cleveland HMA, by Sector**




Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through June 2020.
Source: U.S. Bureau of Labor Statistics

## COVID-19 Impacts

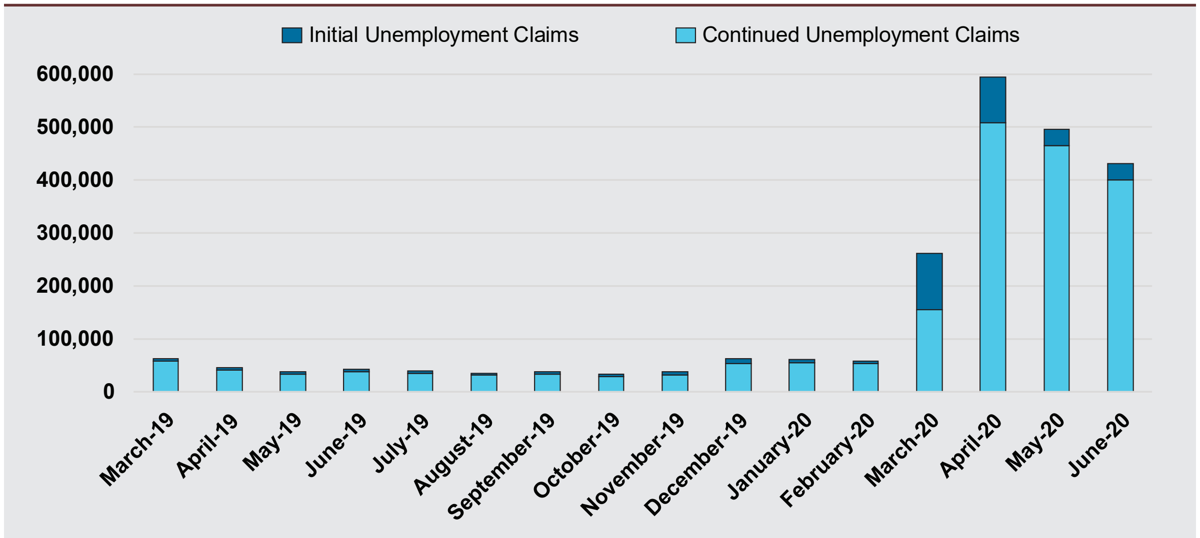
The local economy has weakened since the spring of 2020, as public health measures to limit the spread of the COVID-19 pandemic severely limited economic activity in the HMA. During April, nonfarm payroll jobs in the HMA fell by 157,800 from the number in March and the unemployment rate spiked to 22.4 percent. As the local economy began to reopen, beginning in May, jobs began to increase again and approximately 65,800 nonfarm payroll jobs—more than 40 percent of the jobs lost—were recovered by the end of June. The unemployment rate decreased to 14.0 percent, but economic conditions remain weak. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, allowed states to extend unemployment compensation to independent contractors and other workers

**Table 1. Major Employers in the Cleveland HMA**

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|---|---|---|
| Cleveland Clinic | Education & Health Services | 35,950 |
| University Hospitals | Education & Health Services | 17,125 |
| U.S. Office of Personnel Management | Government | 13,050 |
| Minute Men Staffing Services | Professional & Business Services | 12,675 |
| Group Management Services, Inc. | Professional & Business Services | 10,300 |
| The Progressive Corporation | Financial Activities | 9,875 |
| The MetroHealth System | Education & Health Services | 6,975 |
| KeyCorp | Financial Activities | 4,750 |
| Case Western Reserve University | Education & Health Services | 4,450 |
| The Sherwin-Williams Company | Manufacturing | 4,425 |

Note: Excludes local school districts.
Source: *Crain's Cleveland Business Journal*, January 2020

**Figure 2. Unemployment Claims in the Cleveland HMA**




Notes: Monthly data. Data since March 2020 include claims from independent contractors and other workers who were previously ineligible for unemployment benefits.
Source: Ohio Department of Job and Family Services

who were ordinarily ineligible for unemployment benefits. In June 2020, approximately 30,750 initial unemployment claims were filed and continued unemployment claims in the HMA totaled nearly 400,500 (Figure 2). Although the unemployment claims numbers have been declining from the high of 86,650 initial claims filed and 507,500 continued claims in April, they are still substantially higher than the 4,800 initial claims and 37,900 continued claims in June 2019 (Ohio Department of Job and Family Services).

## Current Conditions—Nonfarm Payrolls

During the 12 months ending June 2020, nonfarm payrolls in the HMA declined by 40,400 jobs, or 3.8 percent, to 1.04 million (Table 2). Those numbers are compared with a gain of 13,500 jobs, or 1.3 percent, during the previous 12 months. Job losses were widespread, with declines in 9 out of the 11 nonfarm payroll sectors. Most of the job losses occurred in the second quarter of 2020 because of layoffs related to the closures that occurred to combat the impacts of COVID-19.

Long-term growth in the leisure and hospitality sector halted because of social distancing requirements and the closure of non-essential businesses. With a sudden decline in in-person activities and an inability for most employees in the sector to work remotely, the leisure and hospitality sector declined by 11,900 jobs, or

**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Cleveland HMA, by Sector**

| | 12 Months Ending June 2019 | 12 Months Ending June 2020 | Absolute Change | Percentage Change |
|---|---|---|---|---|
| **Total Nonfarm Payroll Jobs** | **1,076.9** | **1,036.5** | **-40.4** | **-3.8** |
| **Goods-Producing Sectors** | 162.9 | 159.5 | -3.4 | -2.1 |
| Mining, Logging, & Construction | 38.8 | 39.5 | 0.7 | 1.8 |
| Manufacturing | 124.2 | 120.0 | -4.2 | -3.4 |
| **Service-Providing Sectors** | 914.0 | 877.0 | -37.0 | -4.0 |
| Wholesale & Retail Trade | 151.2 | 146.6 | -4.6 | -3.0 |
| Transportation & Utilities | 32.6 | 34.4 | 1.8 | 5.5 |
| Information | 13.6 | 13.0 | -0.6 | -4.4 |
| Financial Activities | 67.4 | 66.4 | -1.0 | -1.5 |
| Professional & Business Services | 160.5 | 152.5 | -8.0 | -5.0 |
| Education & Health Services | 205.3 | 199.1 | -6.2 | -3.0 |
| Leisure & Hospitality | 105.7 | 93.8 | -11.9 | -11.3 |
| Other Services | 39.8 | 38.1 | -1.7 | -4.3 |
| Government | 138.1 | 133.1 | -5.0 | -3.6 |

Notes: Based on 12-month averages through June 2019 and June 2020. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

11.3 percent, to 93,800—the lowest level since 2012. Hotels, restaurants, movie theaters, and sporting venues were forced to lay off employees. Approximately 1,560 workers at JACK Cleveland Casino were furloughed in April. The casino reopened in late June at 50-percent capacity.

Significant losses during the 12 months ending June 2020 occurred in the professional and business services and the education and health services sectors, which decreased by 8,000 and 6,200 jobs, or 5.0 and 3.0 percent, respectively. Because a sizable portion of employers were able to convert to remote working, demand decreased for office services, such as building support and janitorial staff. When the stay-at-home order was in effect in Ohio, medical centers in the HMA were temporarily unable to provide elective services, leading to furloughs among local healthcare providers.

Manufacturing companies in the HMA were forced to stop production earlier in 2020 in order to comply with local social distancing mandates to slow the spread of COVID-19. During the 12 months ending June, production shutdowns contributed to the decline of 4,200 jobs, or 3.4 percent, to 120,000 jobs in the manufacturing sector. Ford Motor Company (Ford) and General Motors Company operate manufacturing facilities in the HMA that reopened in May 2020 after a 2-month shutdown. In 2016, Ford invested an additional $1.5 million to enhance the production of EcoBoost engines in Cleveland Engine Plant No. 1, which employs approximately 1,600 workers in the city of Brook Park. In 2019, General Motors Company announced an $18 million investment in Parma Metal Center to upgrade existing metal press systems. Parma Metal Center employs approximately 1,100 workers. Although neither investment is expected to result in a significant addition of new jobs, the investments will contribute to the relative stability of the manufacturing sector in the HMA.

In the public sector, projected budget shortfalls prompted local governments to cut their workforce. Most of the furloughs resulted from school closures and included layoffs of noninstructional staff. During the 12 months ending June 2020, the government sector declined by 5,000 jobs, or 3.6 percent, with nearly all losses attributed to the local government subsector.

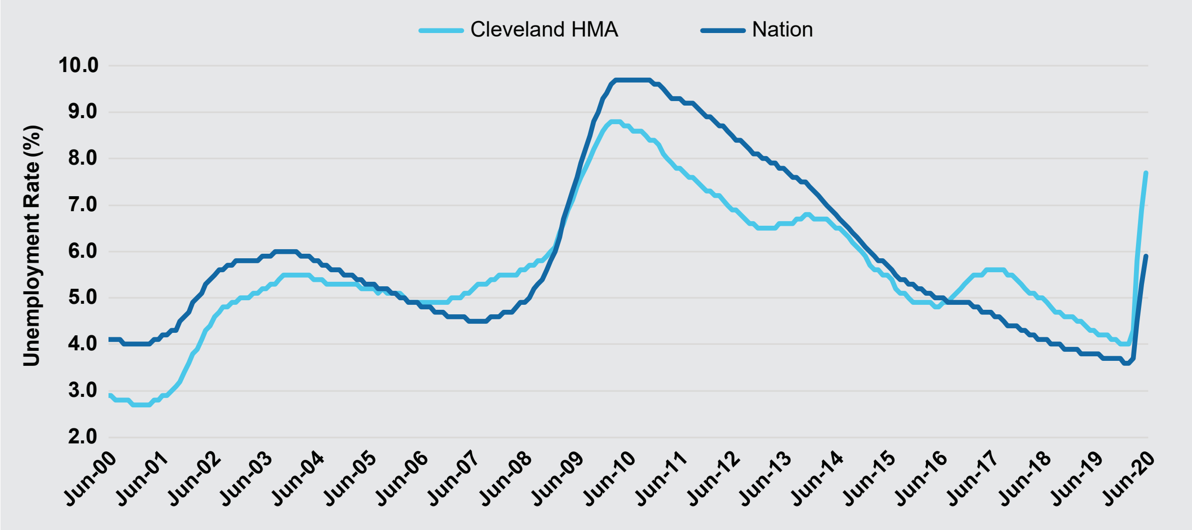
The only two sectors that added jobs during the 12 months ending June 2020 were the transportation and utilities and the mining, logging, and construction sectors. Those two sectors grew by 1,800 and 700 jobs, or 5.5 and

1.8 percent, respectively, compared with stronger gains of 2,100 and 1,400 jobs, or 6.9 and 3.7 percent, a year earlier. Construction workers and logistics and warehouse operators were designated as essential amid the COVID-19 pandemic and remained employed during the shutdown.

## Current Conditions—Unemployment

A decline in resident employment outpaced the decline in the labor force and caused a sharp spike in the unemployment rate in the HMA. During the 12 months ending June 2020, resident employment fell by 43,000, or 4.3 percent, to 956,800 and the unemployment rate rose to 7.7 percent, up from 4.3 percent a year earlier. By comparison, the unemployment rate in the HMA rose from 4.9 percent in 2006 to 8.6 percent during the Great Recession in 2009. Since then, the unemployment rate in the HMA generally followed the national trend of decline and reached a low of 4.0 percent in 2019, as labor conditions in the HMA tightened prior to the pandemic. Currently, the unemployment rate in the HMA is higher than the national average of 5.9 percent (Figure 3).

**Figure 3. 12-Month Average Unemployment Rate in the Cleveland HMA and the Nation**




Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

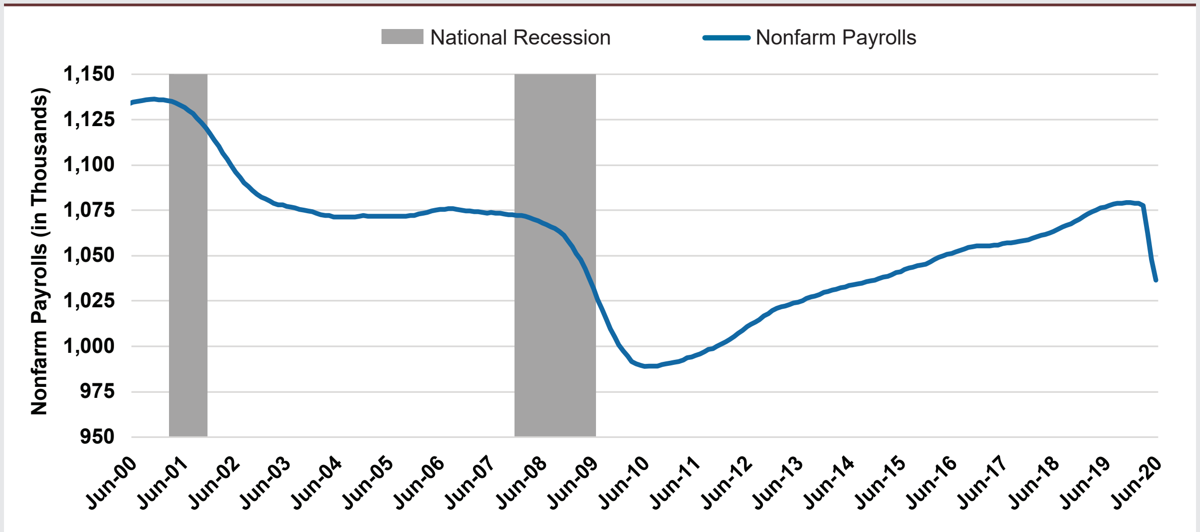
## Historical Trends: 2000 to 2004

Nonfarm payrolls in the Cleveland HMA reached a high of nearly 1.14 million during 2000. Following this peak, nonfarm payrolls declined by an average of 16,000 jobs, or 1.4 percent, annually during the next 4 years (Figure 4). Manufacturers deciding on numerous layoffs led to declining manufacturing employment, which caused a significant portion of job losses in the HMA. Jobs in the manufacturing sector totaled 195,700 during 2000, when manufacturing was the largest employment sector in the HMA and accounted for 17.2 percent of all nonfarm payrolls. By 2004, employment in the sector had fallen to 150,500 jobs, an average decline of 11,300 jobs, or 6.4 percent, annually. Early in 2002, LTV Steel Company Inc. closed, which caused the layoffs of more than 2,300 employees. The early 2000s were also a period of restructuring among domestic auto producers, who cut numerous jobs and affected manufacturing employment in the HMA.

## Historical Trends: 2005 to 2006

During 2005 and 2006, nonfarm payrolls expanded by an average of 1,500 jobs, or 0.1 percent, annually, to 1.07 million in 2006. This gain was very small compared with earlier losses. The

**Figure 4. 12-Month Average Nonfarm Payrolls in the Cleveland HMA**




Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

professional and business services and the education and health services sectors led job growth during this time, with average annual increases of 3,500 and 2,900, or 2.5 and 1.8 percent, respectively. Overall job gains were largely offset by losses in the financial activities and the manufacturing sectors. During this time, the education and health services sector became the largest employment sector in the HMA, with 16 percent of total nonfarm payroll jobs. Comparatively, manufacturing became the second largest, with a decline to 14 percent of total nonfarm payroll jobs.

## Historical Trends: 2007 to 2010

During 2007, nonfarm payrolls began a decline that lasted 4 years, with nonfarm payrolls dropping below 1 million jobs for the first time since before 1990. Beginning in 2007, nonfarm payrolls declined by an average of 21,000 jobs, or 2.0 percent, annually, to 990,900 in 2010. Job losses during these 4 years were widespread, but the manufacturing and the wholesale and retail trade sectors led declines with average annual losses of 7,800 and 4,800 jobs, or 5.7 and 3.0 percent, respectively. Ford closed two factories in the HMA during 2007 that caused layoffs of nearly 1,800 workers. In addition, the housing crisis that coincided with the Great Recession led to a reduction in construction employment during these years. From 2007 through 2010, job losses in the mining, logging, and construction sector averaged 2,500, or 6.6 percent, a year. The only employment sector to record growth during the period was the education and health services sector, which expanded by an average of 4,100, or 2.3 percent, annually. The sector reached 186,200 jobs during 2010, increasing to 19 percent of all nonfarm payroll jobs.

## Historical Trends: 2011 to 2018

The local economic recovery began in 2011 but the rate of job growth in the HMA has generally been slower than that of the Midwest region and the nation since the Great Recession. From 2011 through 2018, an average of 9,900 nonfarm payrolls, or 1.0 percent, were added annually in the HMA—slower than the average growth rates of 1.3 and 1.7 percent annually in the Midwest region and the nation, respectively. Job availability spurred population growth in Central Cleveland and led to office development and increased residential construction activity. From 2011 through 2018, the professional and business services sector, which gained an average of 3,100 jobs, or 2.2 percent, annually, led job growth in the HMA. During that period, gains in the mining, logging, and construction sector averaged 800 jobs, or 2.4 percent, a year. Horseshoe Casino Cleveland, later rebranded JACK Cleveland Casino, opened in 2012 and new hotels and restaurants opened as Cleveland prepared to host the 2016 Republican National Convention. Moreover, growth continued among local healthcare systems, partly because of increased demand from an aging population. From 2011 through 2018, the leisure and hospitality and the education and health services sectors grew by an average of 2,300 and 2,200 jobs, or 2.4 and 1.1 percent, annually. In a sharp contrast to declines during the 2000-through-2009 decade, the manufacturing sector in the HMA added jobs, partly because of an expansion in the car manufacturing industry. In 2013, Ford invested nearly $200 million and added 450 new jobs to the Cleveland area by moving production of its 2.0-liter and 2.3-liter EcoBoost engines from Valencia, Spain, to the HMA (Ford Motor Company). In 2014, Ford announced a $168 million investment to transfer the production of F-650 and F-750 trucks from Mexico to the Ohio Assembly Plant in the city of Avon Lake. The manufacturing sector added an average of 900 jobs, or 0.8 percent, annually, from 2011 through 2018.

## Employment Forecast

During the forecast period, nonfarm payrolls in the HMA are expected to increase an average of 1.7 percent, annually, as the local economy recovers from the economic downturn caused by countermeasures to slow the spread of COVID-19. Growth is expected to be highest during the first year of the forecast, as businesses are expected to rehire a plurality of previously furloughed employees. The major healthcare providers in the metropolitan area have ongoing expansions, which are expected to boost payroll growth in the education and health services sector. Major automakers have recently made investments that should keep payrolls stable in the manufacturing sector. The Cleveland Clinic expects its patient count to double by 2024 and plans to hire 1,300 additional staff to accommodate the increase. University Hospitals invested $200 million to expand the University Hospitals Ahuja Medical Center, which will add a five-floor hospital tower and a 64,000-square-foot sports medicine complex. Approximately 1,000 new jobs will be added when the project is completed in 2022.

# Population and Households

## Current Population: 2.04 million

Since 2000, population decline in the HMA has occurred mainly because of net out-migration from Cuyahoga County.

## Population Trends

The population of the Cleveland HMA as of July 1, 2020, is estimated at 2.04 million, indicating an average decrease of 3,350—or 0.2 percent—annually since 2010 (Table 3). Population decline has generally been lower since 2010, compared with the 2000s, because of comparatively stronger economic conditions. From 2000 to 2010, job losses in the manufacturing sector contributed to net out-migration that averaged 12,350 people a year. During that period, population loss in the HMA averaged 7,100, or 0.3 percent, annually (Census Bureau decennial census counts). Net natural increase (resident births minus resident deaths) during the period averaged 5,225 people a year. During the early years of economic recovery from the Great Recession, from 2010 to 2012, the population continued to decline 0.3 percent a year; net natural increase and net out-migration averaged 2,300 and 7,850 people annually (Census Bureau population estimates as of July 1). From 2012 to 2014, however, net out-migration from the HMA slowed to an average of 1,000 people a year; net natural increase remained unchanged and the population grew slightly, at an average rate of 1,300, or 0.1 percent, a year. The trend of population growth in the HMA was brief but net out-migration from the HMA continues to be below levels observed during the 2000s. Since 2014, population decline has averaged 4,100, or 0.2 percent, a year, with net out-migration averaging 4,975 people annually. At the same time, the net natural increase declined further to an average of only 870 people a year. Based on the most recent data available, nearly 30 percent of domestic migrants from the Cleveland HMA relocated to the nearby Akron and Columbus metropolitan areas in 2018 (County-to-County Migration Flows, American Community Survey [ACS] 2014–2018). Figure 5 shows components of population change in the HMA from 2000 through the forecast.

**Table 3. Cleveland HMA Population and Household Quick Facts**

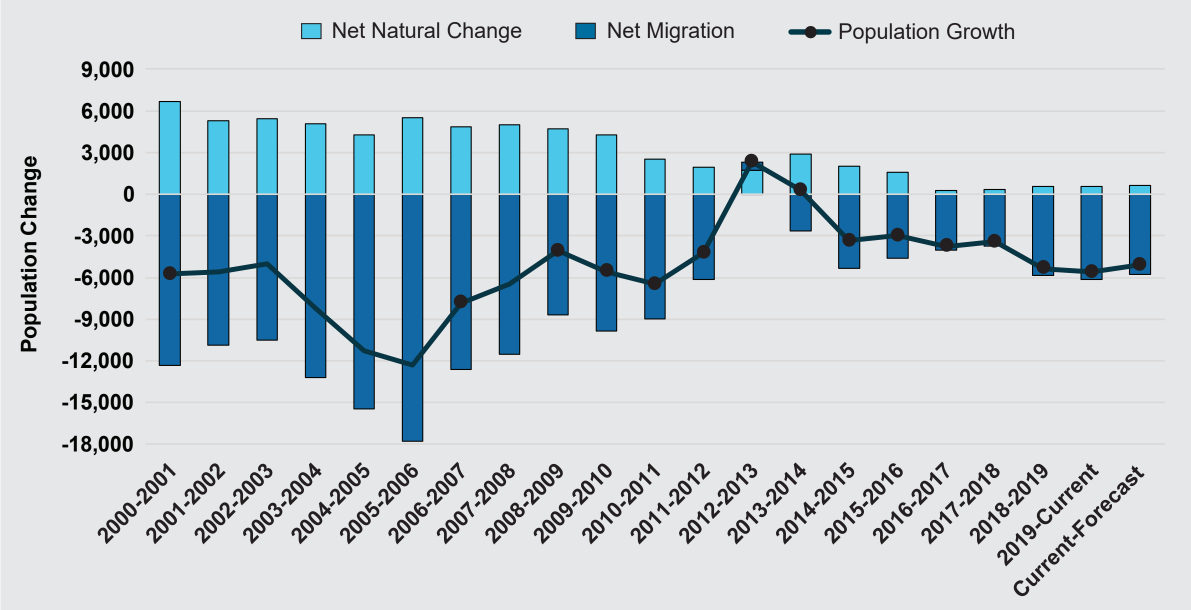
| | | 2010 | Current | Forecast |
|---|---|---|---|---|
| Population Quick Facts | Population | 2,077,240 | 2,043,000 | 2,027,000 |
| | Average Annual Change | -7,100 | -3,350 | -5,125 |
| | Percentage Change | -0.3 | -0.2 | -0.3 |
| | | 2010 | Current | Forecast |
| Household Quick Facts | Households | 854,893 | 876,000 | 878,800 |
| | Average Annual Change | 170 | 2,050 | 940 |
| | Percentage Change | 0.0 | 0.2 | 0.1 |

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (July 1, 2020) to July 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

## Population by Geography

Approximately 60 percent of the population in the HMA resides in Cuyahoga County, which currently has an estimated population of 1.23 million. The population in the county has declined by an average of 5,050, or 0.4 percent, annually since 2010, as net out-migration averaged 6,000 people a year. Net out-migration from the county has been responsible for all the population decline in the HMA since 2010, mostly due to people leaving to seek better job opportunities elsewhere. The rate of population loss in Cuyahoga County has slowed, however, from the rate recorded between 2000 and 2010; during that period, the population

**Figure 5. Components of Population Change in the Cleveland HMA, 2000 Through the Forecast**




Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (July 1, 2020) to July 1, 2023.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

decreased by an average of 11,400, or 0.8 percent, annually, and net out-migration averaged 13,800 people a year.

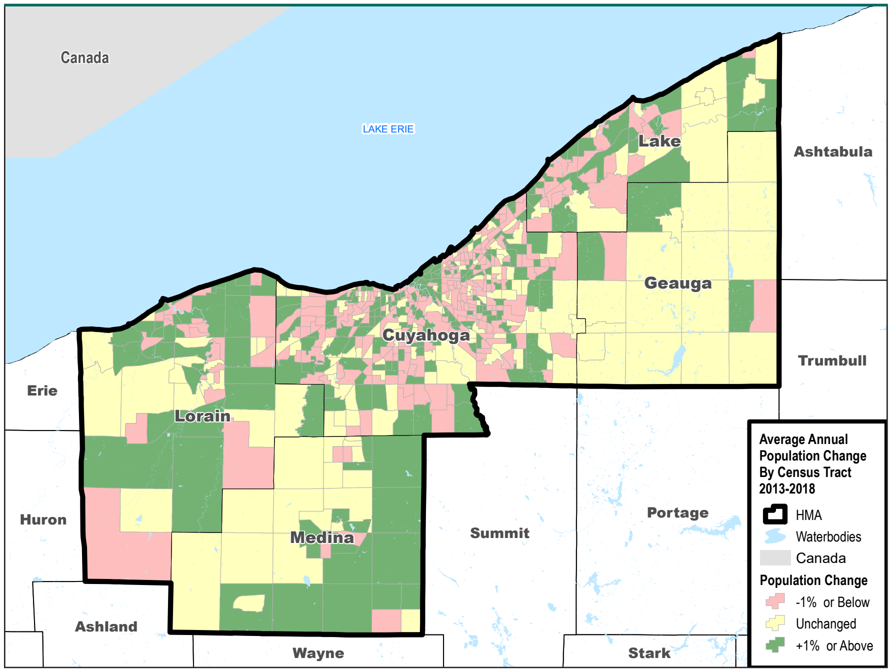
In contrast to the rest of Cuyahoga County, preference for urban living resulted in modest population growth in Central Cleveland. Following the housing crisis, efforts to remove blighted property and transition older vacant commercial buildings into modern apartments in the city of Cleveland complemented a change in consumer preference to rent and to live near the city center. In 2000, Central Cleveland had a population of 31,500, and by 2010 it rose an average of 125, or 0.4 percent, annually to 32,750 (Census Bureau decennial census counts). The Central Cleveland population is currently estimated at 40,500, an average increase of 760, or 2.1 percent, annually since 2010. A high concentration of well-paying jobs and recent infrastructure improvements make Central Cleveland an attractive place to live among millennials. Moreover, the new housing units that are under construction and expected to open during the next 3 years will provide additional housing opportunities in Central Cleveland.

To the east of Cuyahoga County, the population has remained virtually unchanged in Lake and Geauga Counties since 2010. Only two suburban counties in the HMA, Lorain and Medina, located west of Cuyahoga County, have increased population since 2010, up by an average of 920 and 800, or 0.3 and 0.5 percent, annually. By census tract, most of the fastest growing areas were also in Lorain and Medina Counties (Map 1). Among the suburban counties, Lorain County benefits the most from migration out of Cuyahoga County. Based on the most recent data available, a net flow of 2,500 people moved from Cuyahoga County to Lorain County in 2018 (County-to-County Migration Flows, ACS, 2014–2018).

## Age Cohort Trends

The population of the HMA is older than the national average. In 2019, the median age of the Cleveland HMA population was 41.4 years, compared with 38.2 years nationally (2019 ACS 1-year data). The age cohort of those 65 and older in the HMA grew from 15 percent in 2010 to nearly 19 percent of the total population in 2019 (2010 and 2019 ACS 1-year data; Figure 6). The elderly cohort grows as more adults age into their 60s and residents of the HMA age in place, incentivized by relatively affordable housing and proximity to major healthcare providers. The

**Map 1. Average Annual Population Change by Census Tract in the Cleveland HMA, 2013–2018**




Source: 2014–2018 American Community Survey 5-year data

growing share of older residents has contributed to a lower rate of net natural increase. Although the share of elderly residents has increased, the share of youth ages 19 and younger has fallen; in 2019, the share accounted for 23 percent of the total population, which is down from 26 percent in 2010. During the same period, the share of young adults ages 20 through 44 increased less than 1 percent, and the share of older working-age adults, ages 45 through 64, fell 2 percentage points to 27 percent of the total population.

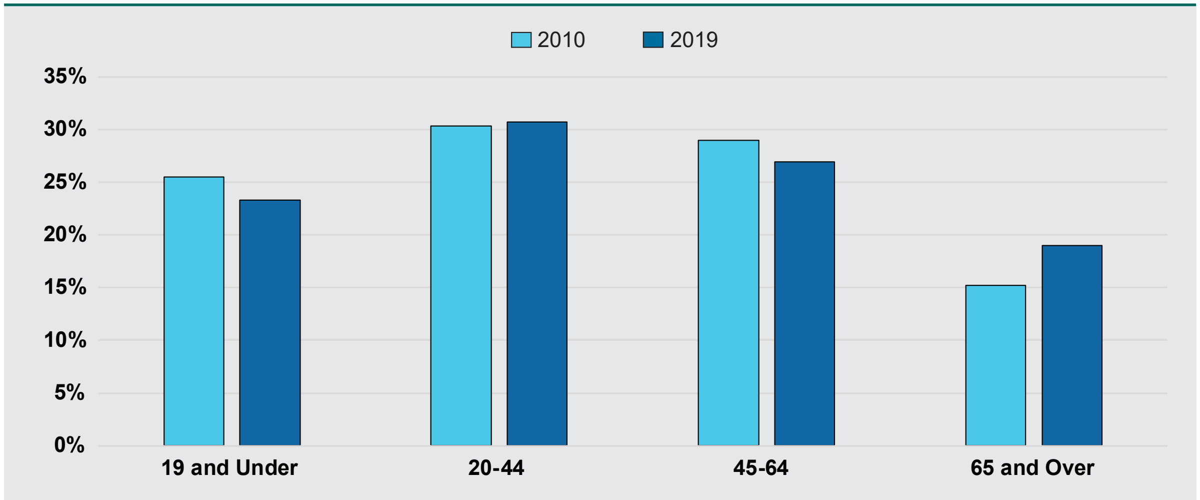
## Household Trends

The current number of households in the HMA is estimated at 876,000, reflecting an average annual increase of 2,050, or 0.2 percent, since 2010. The aging population and declining birthrates in the HMA, coupled with migration of working-age families moving out of the HMA in search of better employment opportunities elsewhere, have led to a smaller average household size. Therefore, despite the decreasing population, the number of households are gradually increasing. By comparison, the number of households in the HMA from 2000 through 2010 remained virtually unchanged. Slow economic recovery in the HMA following the housing crisis and a shift in household preference toward renting have not contributed to growth in owner-household formation since 2010. Renter households have accounted for all net household formation in the HMA since 2010. As a result, the homeownership rate has fallen to an estimated 63.6 percent as of the current date; the rate was down from 66.7 percent in 2010, which in turn was down from the 68.1-percent rate in 2000 (Figure 7).

## Forecast

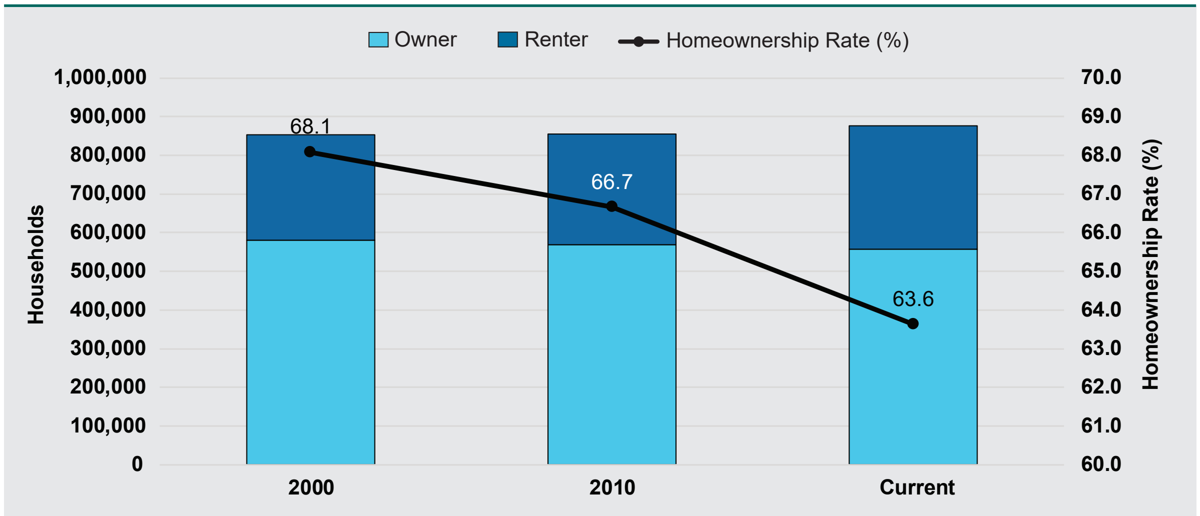
During the forecast period, expected net out-migration will contribute to continued population decline in the HMA. By July 1, 2023, the population is expected to be 2.03 million, reflecting an average annual decline of 5,125, or 0.3 percent. All of the decrease will result from continued migration out of Cuyahoga County. Similarly, household growth in the HMA is expected to slow slightly to an average annual increase of 940, or 0.1 percent, during the next 3 years, to an estimated 878,800 households by July 1, 2023.

**Figure 6. Percentage of Population by Age Range in the Cleveland HMA**




Sources: 2010 and 2019 American Community Survey, 1-year data

**Figure 7. Households by Tenure and Homeownership Rate in the Cleveland HMA**




Note: The current date is July 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

# Home Sales Market

Market Conditions: Balanced

Since 2011, home sales have increased an average of 6 percent annually and home sales prices have increased an average of 2 percent annually.

## Current Conditions

The sales housing market in the Cleveland HMA area is currently balanced, with an estimated 1.6-percent vacancy rate (Table 4), down from 2.5 percent reported in 2010. During the 12 months ending June 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 38,900, a 1-percent decrease from the number of homes sold a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Relatively affordable home prices have supported demand for homes in the HMA despite the economic contraction and net out-migration. The supply of inventory of homes for sale fell to 1.9 months during June 2020 from a 3.4-month supply in June 2019 (CoreLogic, Inc.).

## Home Sales-Regular Resale

Since the end of 2011, regular resale home sales, which exclude distressed home sales, in the HMA have increased each year as the local economy recovered from the Great Recession. A very low inventory of homes available for sale in the HMA has limited the number of sales recently, however. During the 12 months ending June 2020, regular resale home sales totaled 34,800, up by 320 homes—or 1 percent—from the number of homes sold during the previous 12 months (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, regular resale home sales activity in the HMA peaked at 34,850 homes sold during 2005 before falling precipitously by an average of 15 percent annually to 13,500 sales in 2011 (Figure 8). Sales activity began to improve steadily a year later; regular resale home sales rose an average of 14 percent annually from 2012 through 2018.

Table 4. Home Sales Quick Facts in the Cleveland HMA

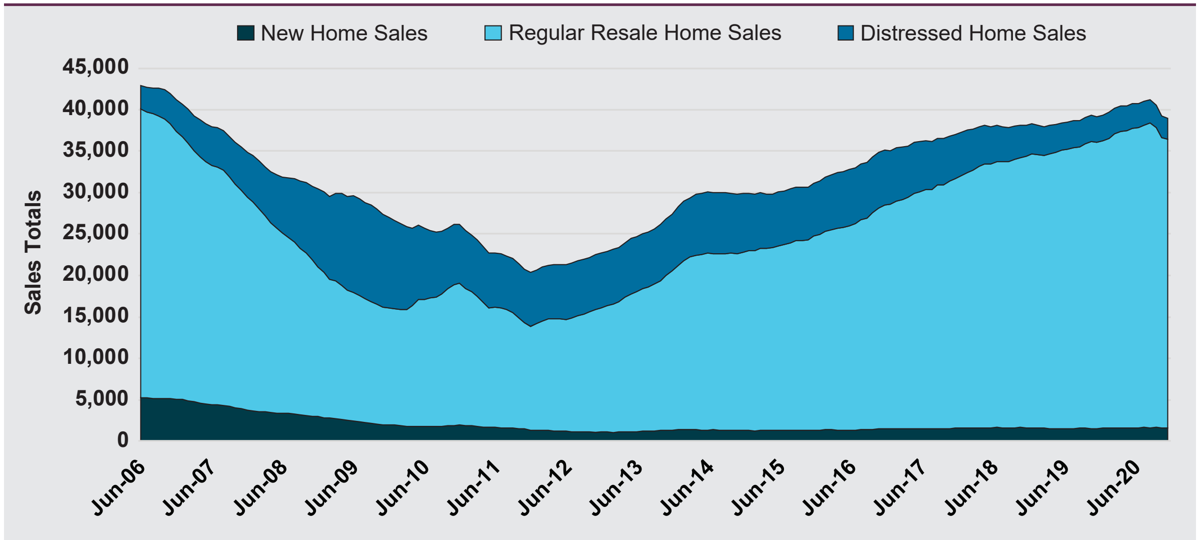
| | | Cleveland HMA | Nation |
|---|---|---|---|
| Home Sales Quick Facts | **Vacancy Rate** | 1.6% | NA |
| | **Months of Inventory** | 1.9 | 2.6 |
| | **Total Home Sales** | 38,900 | 5,684,000 |
| | 1-Year Change | -1% | -4% |
| | **New Home Sales Price** | $338,200 | $409,500 |
| | 1-Year Change | 6% | -1% |
| | **Existing Home Sales Price** | $174,200 | $317,300 |
| | 1-Year Change | 5% | 4% |
| | **Mortgage Delinquency Rate** | 4.6% | 4.0% |

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2020; and months of inventory and mortgage delinquency data are as of June 2020. The current date is July 1, 2020.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company, with adjustments by the analyst

## Home Sales-New

Following the housing crisis, recovery in the market for new homes in the HMA has been limited as a declining population has contributed to reduced demand for new housing. Since 2014, new home sales have accounted for only 4 percent of total home sales annually, well below the previous high of 12 percent in 2005. During the 12 months ending June 2020, new home sales in the HMA totaled 1,600, an increase of 40 homes, or nearly 3 percent, from the previous 12 months. By comparison, new home sales in the HMA totaled 5,275 in 2005 and then fell an average of 19 percent annually for 7 consecutive years; new home sales reached a low of 1,175 homes sold in 2012. A year later, new home sales rebounded 15 percent to 1,350 but declined more

**Figure 8. 12-Month Sales Totals by Type in the Cleveland HMA**




Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

than 3 percent to 1,300 homes sold in 2014. With the improving economy in the HMA, new home sales then started to increase again, rising an average of 8 percent annually to a recent high of 1,650 in 2017, before declining 6 percent to 1,550 new home sales in 2018.

## Delinquent Mortgages and Distressed Home Sales

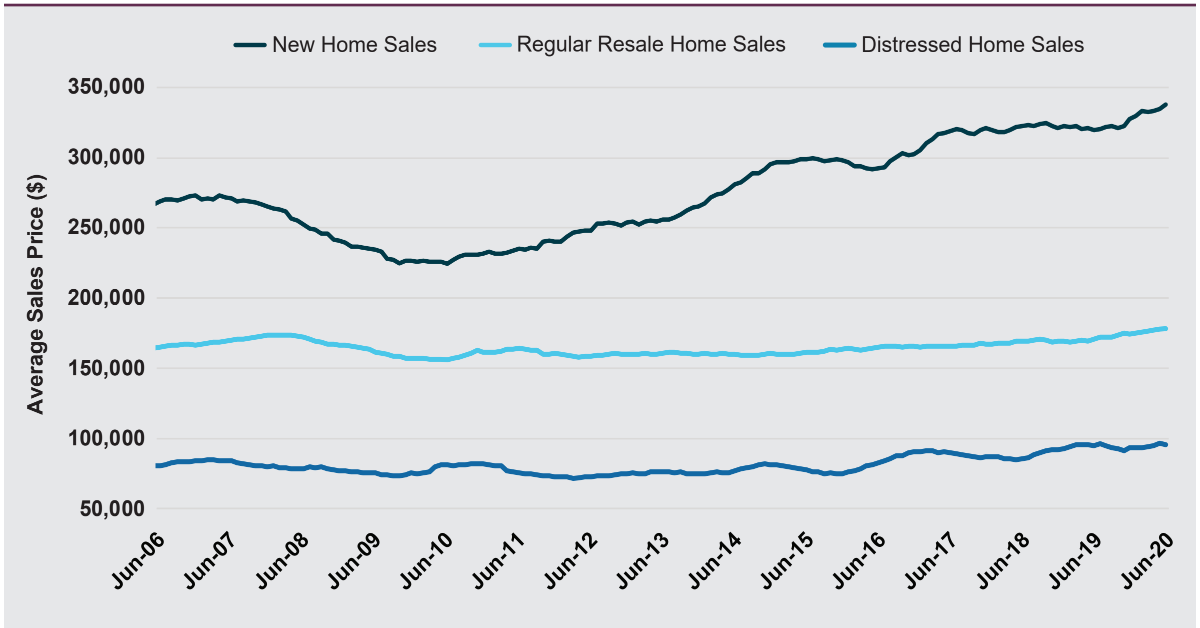
After several years of decline, the mortgage delinquency rate recently increased as job losses due to the COVID-19 pandemic affected the ability of homeowners to make their mortgage payments. In June 2020, the percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status rose to 4.6 percent, up from 2.3 percent a year earlier (CoreLogic, Inc.). By comparison, during the Great Recession, the rate reached a high of 8.5 percent and had been steadily declining each year until the most recent increase. The current rate in the HMA is higher than the 3.6-percent rate for Ohio and the 4.0-percent rate for the nation.

During the 12 months ending June 2020, REO sales in the HMA totaled 2,525, a decline of 600 home sales—or 19 percent—from a year earlier and accounted for 7 percent of existing home sales in the HMA (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, distressed home sales accounted for 8 percent of existing home sales in 2005 before rising to 43 percent during the housing crisis in 2008. Distressed home sales in the HMA have been declining each year since 2009. That trend may slow or reverse with the current elevated unemployment levels and as forbearnace plans for federally-backed mortgages under the CARES Act reach their endpoints.

## Home Sale Prices

A relatively strong home sales market with affordable housing and a low inventory of existing homes available for sale resulted in the highest increase in regular home sales prices in the HMA since 2007. During the 12 months ending June 2020, the average regular resale home sales price in the HMA rose 4 percent to a new high of $178,200 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Approximately 81 percent of homes sold during the second quarter of 2020 would have been affordable to a family earning the local median income; the HMA ranked as the 47th most affordable of 234 metropolitan areas in the nation (National Association of Home Builders/Wells Fargo Housing Opportunity Index). During the Great Recession, the average regular resale home price in the HMA fell at an average rate of 5 percent annually from $173,400 in 2007 to a low of $157,250 in 2009 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Figure 9). At the same time, the average distressed home price decreased 3 percent annually, from $79,800 to $75,100. In 2010, the average regular resale home price and the average distressed home sales price rose 3 and 9 percent respectively because demand for homes improved, and consumers took advantage of the first-time homebuyer credit under the Housing and Economic Recovery Act. Following that initial increase, existing home prices in the HMA remained virtually unchanged through 2014 as further increase could not be sustained because of slow economic growth and a declining population. From 2015 through 2018, the average regular home price growth was sluggish, averaging only 1 percent a year, but a rapidly declining inventory of REO homes resulted in an average distressed home price growth of 3 percent annually. During the 12 months ending June 2020, the average distressed home price grew 1 percent to $95,800, roughly 55 percent of the average price for an existing home in the HMA.

**Figure 9. 12-Month Average Sales Price by Type of Sale in the Cleveland HMA**



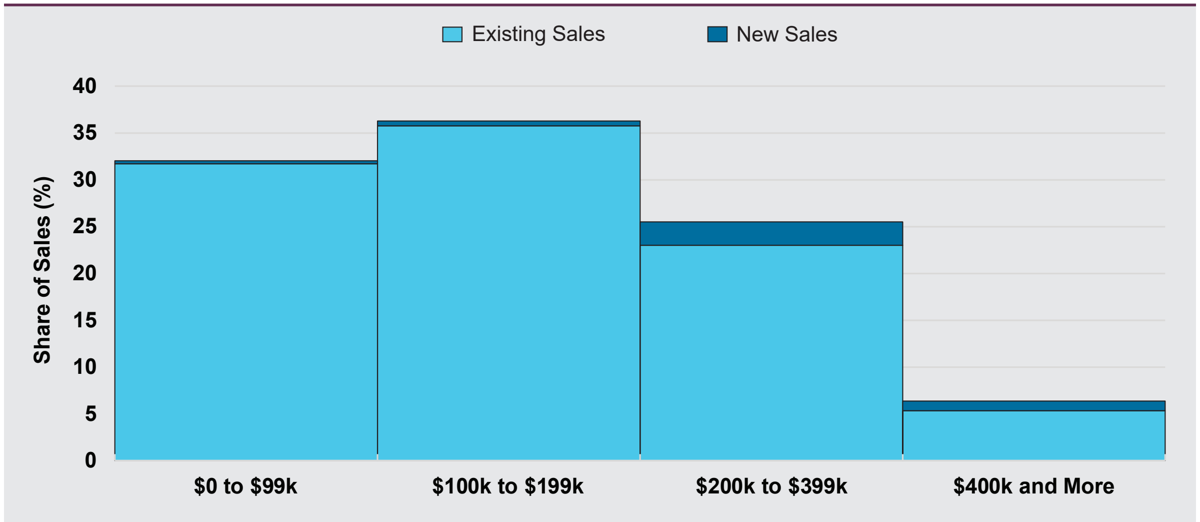

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The average sales price for a new home during the 12 months ending June 2020 was $338,200, representing a gain of $18,300, or 6 percent, from a year earlier. Approximately 60 percent of new homes sold in the price range of $200,000-to-$499,999 during that time (Figure 10). In 2006, new home sales prices averaged $273,200 and then fell an average of 6 percent annually during the economic downturn to reach a low of $226,400 in 2009. A sharp decline in the supply of new homes following the housing market crisis in the HMA and more robust household formation since 2010 have contributed to an increase in new home sales prices. The average sales price of a new home began to rise in 2010 and averaged a growth of 4 percent annually to $321,100 in 2017; the price remained roughly at this level in 2018.

## Sales Construction Activity

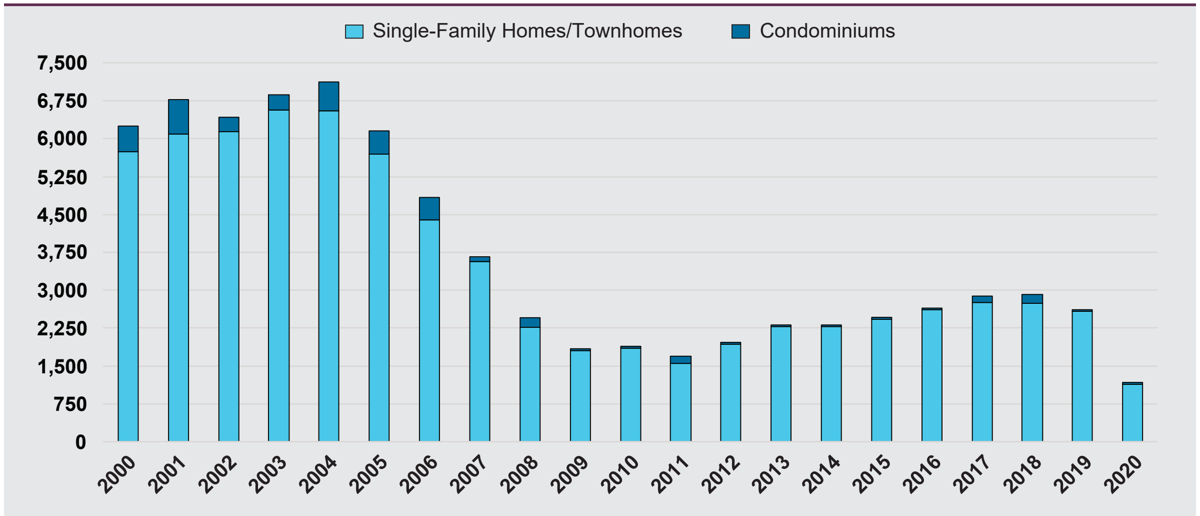
New home construction, as measured by the number of sales units permitted, has increased modestly but consistently since the lows following the Great Recession. A population decline in the HMA and a shift in household preferences from homeownership to renting, which began in the aftermath of the housing crisis, led to construction levels that are well below those in the early-to-mid 2000s. During the 12 months ending June 2020, approximately 2,775 for-sale homes were permitted, an increase of 6 percent from the 2,625 units permitted during the previous 12 months (preliminary data, with adjustments

**Figure 10. Share of Sales by Price Range During the 12 Months Ending June 2020 in the Cleveland HMA**




Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Metrostudy, A Hanley Wood Company

**Figure 11. Annual Sales Permitting Activity in the Cleveland HMA**




Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through June 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; and 2020—preliminary data and estimates by the analyst

by the analyst). The peak years for new home construction in the HMA were from 2000 through 2005, when an average of 6,600 new homes were permitted annually (Figure 11). Because of the housing crisis, the number of homes permitted declined an average of 26 percent annually from 2006 through 2009. During 2010 and 2011, construction activity remained low, at an average of 1,775 homes permitted annually, but as economic recovery from the Great Recession began, the permitting of for-sale units began to increase, averaging 2,500 homes permitted annually from 2012 through 2019.

Approximately 75 percent of new home construction in the HMA since 2010 has occurred in the suburban counties; of the new homes for sale, 31 percent were built in Lorain County, in part to accommodate migrants from Cuyahoga County. Examples of new single-family construction include the second phase of Meadows at Fairway Pines in Lake County. This phase consists of 40 lots for new three- to five-bedroom single-family homes, with prices starting at $220,000. Fairfield Estates Phase II in Lorain County is developing 45 home sites. Prices for single-family three- to five-bedroom homes in this community start at $180,000.

## Forecast

During the next 3 years, demand is expected for 6,725 new sales units in the HMA (Table 5). The

920 homes currently under construction will meet part of the demand during the first year of the forecast period. As the local economy recovers, sales demand is expected to increase each year during the forecast period.

**Table 5. Demand for New Sales Units in the Cleveland HMA During the Forecast Period**

| Sales Units | |
|---|---|
| **Demand** | 6,725 Units |
| **Under Construction** | 920 Units |

Note: The forecast period is from July 1, 2020, to July 1, 2023.
Source: Estimates by the analyst

# Rental Market

Market Conditions: Balanced

The rising demand for apartments in the Central Cleveland submarket since 2010 has balanced the overall rental market in the HMA.

## Current Conditions and Recent Trends

The rental housing market in the Cleveland HMA is currently balanced; the overall vacancy rate is estimated at 8.1 percent (Table 6). The current overall vacancy rate is down from 12.6 percent in April 2010; this decrease is due in part to population growth in Central Cleveland where many of the rental units are located, a limited number of multifamily units permitted from 2010 through 2013, and increased renter household growth following the housing crisis. In 2019, approximately 51 percent of renter households resided in single-family homes or in a building with two, three, and four units (2019 ACS 1-year data). The large number of older single-family rental homes and older apartment buildings with two to four units in the structure partially contribute to differences between the overall and apartment vacancy rates.

**Table 6. Rental and Apartment Market Quick Facts in the Cleveland HMA**

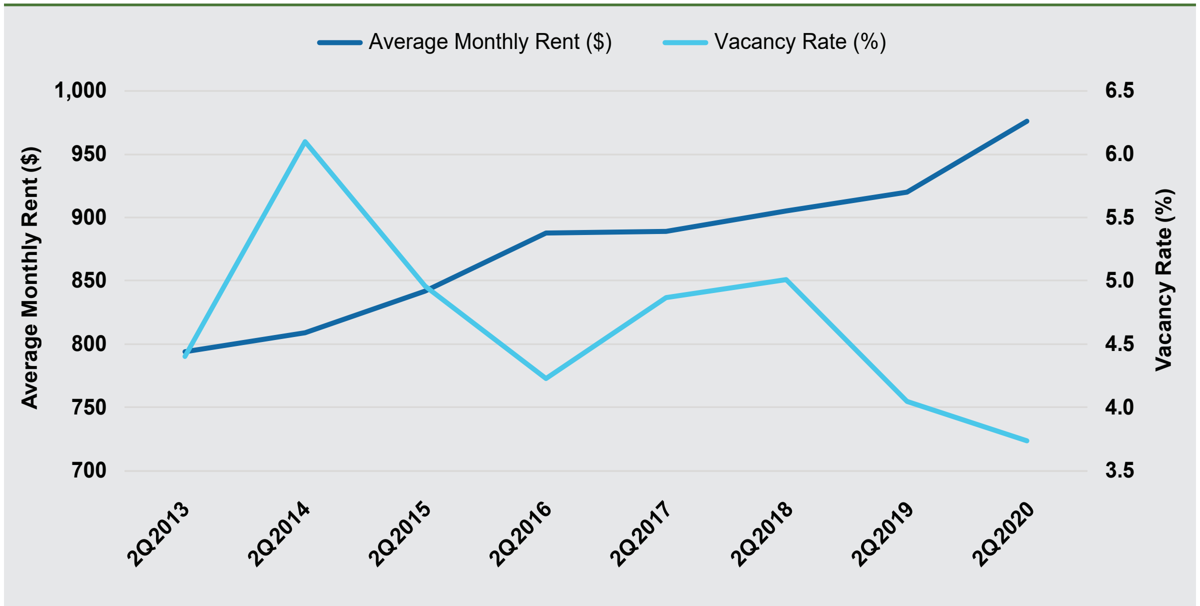
| | | 2010 (%) | Current (%) |
|---|---|---|---|
| Rental Market Quick Facts | **Rental Vacancy Rate** | 12.6 | 8.1 |
| | **Occupied Rental Units by Structure** | | |
| | Single-Family Attached & Detached | 31.6 | 33.0 |
| | Multifamily (2–4 Units) | 19.2 | 18.0 |
| | Multifamily (5+ Units) | 48.5 | 48.2 |
| | Other (Including Mobile Homes) | 0.7 | 0.7 |

| | | Current | YoY Change |
|---|---|---|---|
| Apartment Market Quick Facts | **Apartment Vacancy Rate** | 3.7 | -0.4 |
| | **Average Rent** | $976 | 6.0 |
| | Studio | $729 | 1.0 |
| | One-Bedroom | $866 | 5.0 |
| | Two-Bedroom | $1,040 | 6.0 |
| | Three-Bedroom | $1,255 | 5.0 |

YoY = year-over-year.
Notes: The current date is July 1, 2020. Percentages may not add to 100 percent due to rounding.
Sources: 2010 and 2019 American Community Survey, 1-year data; RealPage, Inc.

During the second quarter of 2020, apartment market conditions in the HMA were slightly tight, with a 3.7-percent vacancy rate compared with 4.1 percent during the second quarter of 2019 (RealPage, Inc.; Figure 12). During the same time, the average apartment rent rose 6 percent to $976. By comparison, the average rent in the HMA increased a little more than 2 percent annually from 2011 through 2018. The apartment vacancy rate reached a high of 7.7 percent in 2009 and has since started to decline, generally staying below 6.5 percent since the economic recovery started in 2011. The absorption of new Class A units remains strong. Despite the completion of more than 2,500 units since 2018, the vacancy rate among the new Class A apartments in the HMA during the second quarter of 2020 was 5.4 percent, unchanged from a year earlier, whereas the average asking rent rose nearly 7 percent to $1,415.

**Figure 12. Apartment Rents and Vacancy Rates in the Cleveland HMA**




2Q = second quarter.
Source: RealPage, Inc.

## Apartment Market Trends—Cleveland

Approximately 56 percent of all apartments that have been built in the HMA since 2010 are in the city of Cleveland. In three out of the four RealPage, Inc.-defined submarkets that encompass the city of Cleveland, vacancy rates declined during the second quarter of 2020, with the largest decline of 1 percentage point in the Central Cleveland submarket to 4.7 percent. The average rent in the submarket grew 2 percent to $1,418 and was the highest rent among all 10 market areas in the HMA. Like many city centers in the nation, Central Cleveland has benefited from a revival in the downtown area during the previous decade. Moreover, developers have an incentive to add rental apartments to the housing inventory as the Ohio and federal tax credit programs have been used extensively to convert historic office buildings and warehouses into apartments. In the West Cleveland and the Southeast Cleveland submarkets, the apartment vacancy rates fell less than 1 percentage point each to 2.9 and 5.3 percent, respectively. The average apartment rent grew 8 percent in the Southeast Cleveland submarket to $836 and 6 percent in the West Cleveland submarket to $916. In the East Cleveland submarket, the supply of new apartments outpaced demand and the apartment vacancy rate increased to 8.3 percent; the average monthly rent during the second quarter of 2020 rose 1 percent from a year earlier to $1,132—the second highest monthly rent in the HMA.

## Apartment Market Trends—Remainder

The remaining six market areas in the HMA include the rest of Cuyahoga County and the suburban counties. Apartment market conditions tightened in the Parma/Middleburg Heights and Lake County market areas where vacancy rates fell to 2.0 and 2.8 percent, respectively. The Strongsville/North Royalton/Medina and the Westlake/North Olmsted/Lorain County market areas were unchanged from the slightly tight apartment conditions a year earlier, with a vacancy rate of 3.1 percent in each market area. In the Euclid and the Beachwood/Mayfield market areas, apartment market conditions were balanced and improving. The apartment vacancy rate in the Euclid market area declined nearly 1 percentage point to 4.6 percent in the second quarter of 2020 and the apartment vacancy rate in the Beachwood/Mayfield market area fell slightly to 4.2 percent. Each of the market areas reported increases in the average asking rent.

During the second quarter of 2020 and since the second quarter of 2019, the average monthly rent growth has ranged from 3 percent in the Parma/Middleburg Heights market area to 7 percent in the Euclid market area, where the rent was the lowest at $742. The average rent in the Beachwood/Mayfield submarket rose 4 percent to $1,093 and was the highest among the remainder market areas.

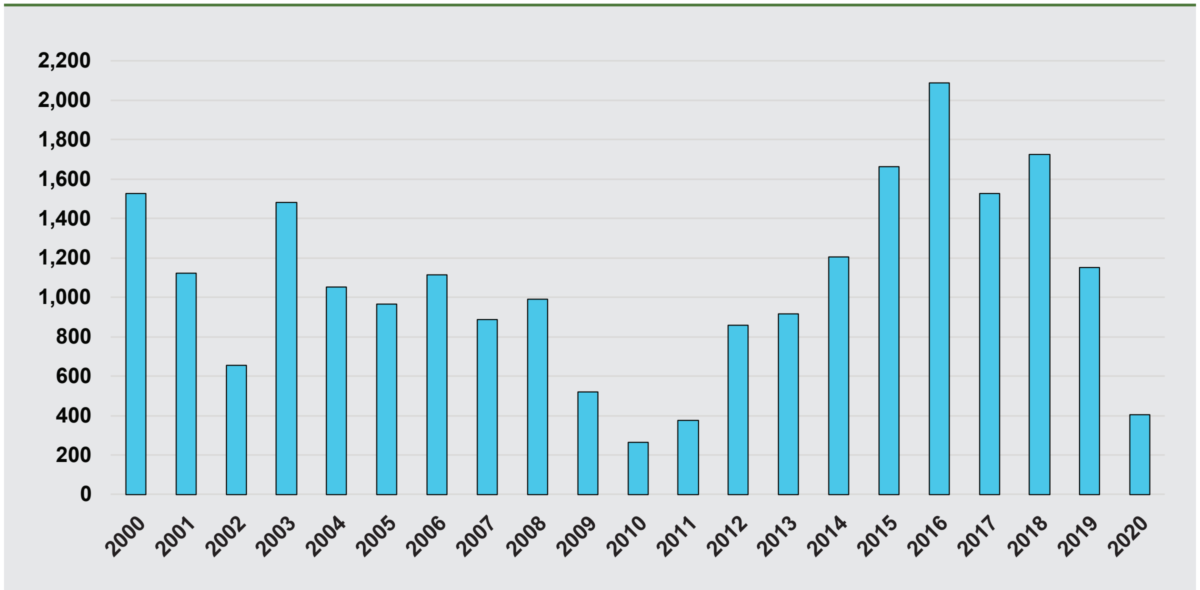
## Senior Housing

Households with adults 60 years and older account for approximately 27 percent of all renter households, up from 22 percent in 2010 (2010 and 2019 ACS 1-year data). To accommodate the growing share of senior renters, additional senior housing, including senior apartments and independent and assisted living facilities, has been built. This additional housing has accounted for 28 percent of additional rental units built since 2010. During the second quarter of 2020, demand for senior housing weakened because of concerns related to the COVID-19 pandemic. The vacancy rate among apartments restricted to households headed by seniors (including assisted living facilities and independent living facilities) increased sharply to an average of 13.4 percent, up from 8.8 percent during the same period a year earlier, and the average monthly rent increased 1 percent to $3,550 (Reis, Inc.). By comparison, from 2012 through 2018, the vacancy rate for senior apartments restricted to households headed by seniors averaged 8.2 percent.

## Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, has moderated since 2018 after a 4-year period of strong construction activity. Additionally, delays in construction starts because of the COVID-19 pandemic have contributed to the sharp decline in building activity in the past year. During the 12 months ending June 2020, approximately 980 rental units were permitted, down 46 percent from the 1,825 units permitted during the previous 12 months (preliminary data, with adjustments by the analyst). From 2000 through 2008, the construction of rental units in the HMA was relatively modest because of a population decline; an average of 1,100 rental units were permitted annually (Figure 13). Construction activity declined during the economic downturn, averaging only 390 rental units permitted annually from 2009 through 2011. During the early period of economic recovery in the HMA, rental unit construction increased from the downturn but remained subdued, averaging 890

**Figure 13. Average Annual Rental Permitting Activity in the Cleveland HMA**




Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through June 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2019 final data and estimates by the analyst; and 2020—preliminary data and estimates by the analyst

units annually during 2012 and 2013. Continued balanced market conditions gave builders the confidence to increase construction, which spiked to an average of 1,650 units permitted annually from 2014 through 2018.

Nearly 82 percent of apartments that have been constructed in the HMA since 2015 were built in Cuyahoga County, mostly in the Central Cleveland submarket (Map 2). The 163-unit complex The Athlon opened in late 2019. The development, which was converted from the Cleveland Athletic Club into an apartment complex, offers 64 one-bedroom units with rents starting at $1,250 per month and 99 two-bedroom units with rents starting at $2,100 per month. Construction was completed in November 2019 on The Beacon, the third tallest residential building in the city of Cleveland with 187 units. The building offers luxury apartments, including 123 one-bedroom units with rent starting at $2,175 per month and 64 two-bedroom units with rent starting at $2,675 per month.

## Forecast

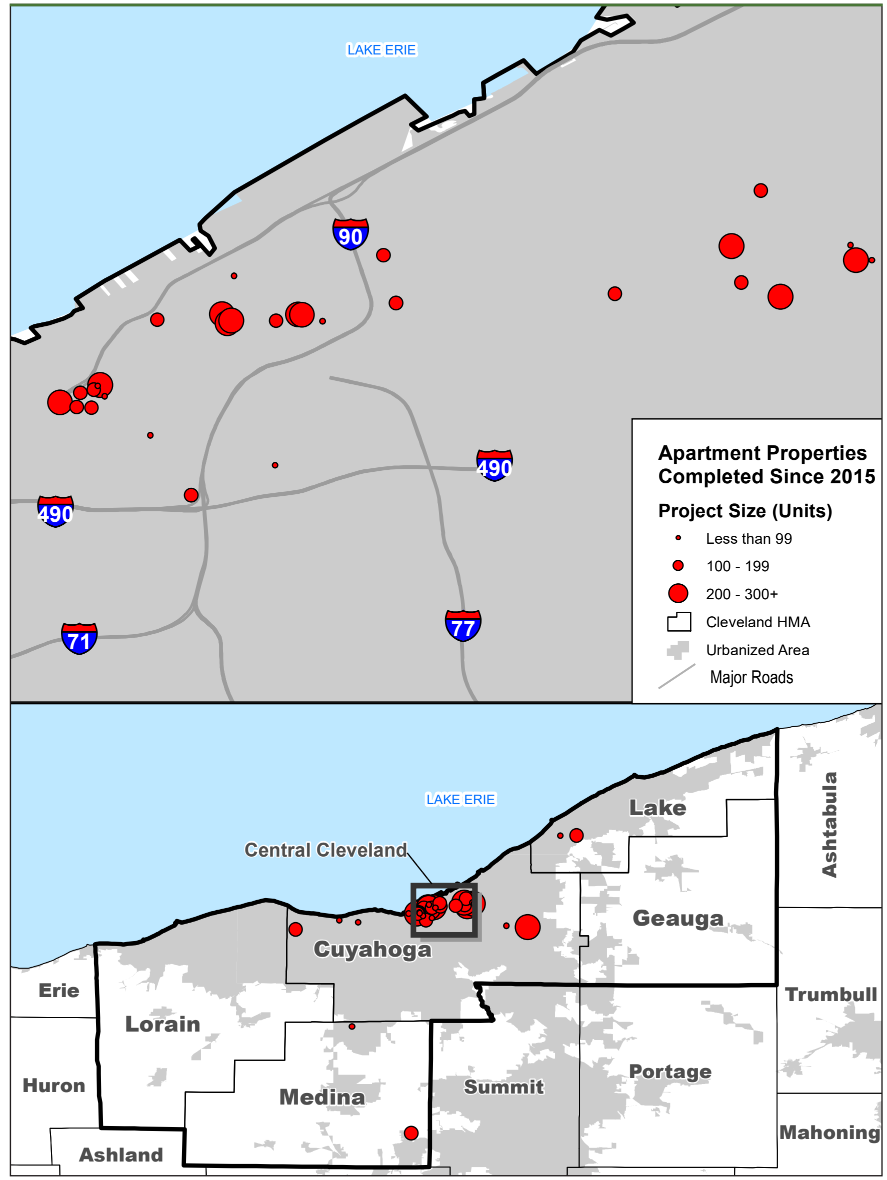
During the forecast period, demand is estimated for 3,425 new rental units in the HMA (Table 7). The 1,250 units under construction and approximately 870 additional units with construction planned to commence during the next 18 months will satisfy more than one-half of demand. Demand for new rental units is expected to be the highest in the Central Cleveland submarket.

**Table 7. Demand for New Rental Units in the Cleveland HMA During the Forecast Period**

| | Rental Units |
|---|---|
| **Demand** | 3,425 Units |
| **Under Construction** | 1,250 Units |

Note: The forecast period is July 1, 2020, to July 1, 2023.
Source: Estimates by the analyst

**Map 2. Completed Projects in the Cleveland HMA since 2015**




Source: Dodge Data & Analytics LLC

# Terminology Definitions and Notes

## A. Definitions

| | |
|---|---|
| Central Cleveland | The three ZIP Codes of 44113, 44114, and 44115—for the analytical purposes of the Economic and Market Analysis Division. |
| Demand | The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period, given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline. |
| Distressed Sales | Short sales and real estate owned (REO) sales. |
| Forecast Period | 7/1/2020–7/1/2023—Estimates by the analyst. |
| Home Sales/ Home Sales Prices | Includes single-family home, townhome, and condominium sales. |
| Midwest Region | HUD-defined Midwest region includes the states of Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin. |

| | |
|---|---|
| **Other Vacant Units** | **In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.** |
| **Rental Housing Market/Rental Vacancy Rate** | **Includes apartments and other rental units such as single-family, multifamily, and mobile homes.** |
| **Sales Units/ Rental Units Permitted** | **Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.** |
| **Senior Housing** | **Housing restricted to elderly households—typically those with a head of household aged 62 or older.** |
| **Seriously Delinquent Mortgages** | **Mortgages 90 or more days delinquent or in foreclosure.** |

## B. Notes on Geography

| | |
|---|---|
| **1.** | **The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.** |
| **2.** | **Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.** |
| **3.** | **The census tracts referenced in this report are from the 2010 Census.** |

## C. Additional Notes

| | |
|---|---|
| 1. | The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria. |
| 2. | This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department. |
| 3. | The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions. |

## D. Photo/Map Credits

| | |
|---|---|
| Cover Photo | iStock |
| Map 1 | 2014–2018 American Community Survey 5-year data |
| Map 2 | Dodge Data & Analytics LLC |

# Contact Information

Tomasz Kukawski, Economist
Chicago HUD Office
312–913–8894
tomasz.m.kukawski@hud.gov