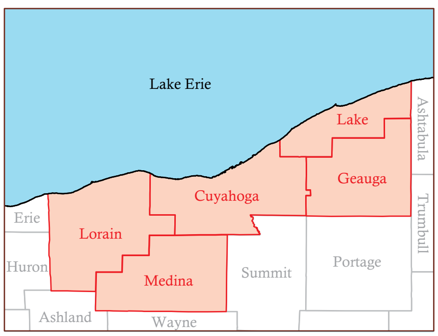
COMPREHENSIVE HOUSING MARKET ANALYSIS

Cleveland-Elyria-Mentor, Ohio

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2013

Summary

Housing Market Area



The Cleveland-Elyria-Mentor Housing Market Area (hereafter, Cleveland HMA), on the coast of Lake Erie in northeast Ohio, comprises Cuyahoga, Geauga, Lake, Lorain, and Medina Counties. The principal city, Cleveland, is home to the Rock and Roll Hall of Fame and Museum, Inc., and PlayhouseSquare®, the largest theater district in the United States outside of New York City. This report divides the HMA into the Cleveland submarket, which includes Cuyahoga County, and the Elyria-Mentor submarket, which includes the rest of the HMA.

Economy

Economic conditions in the Cleveland HMA are weak but strengthened as the moderate growth in nonfarm payroll jobs that began during the spring of 2011 continued. During the 12 months ending June 2013, nonfarm payrolls increased by 7,200 jobs, or 0.7 percent, to 1,017,600 jobs compared with the number of jobs recorded during the previous 12 months. The education and health services sector led job growth with 4,800 new jobs, a 2.5-percent increase from a year earlier. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 9,000 jobs, or 0.9 percent, annually.

Sales Market

Sales housing market conditions in the HMA are soft, with a current estimated sales vacancy rate of 2.4 percent, relatively unchanged from 2.5 percent in April 2010. During the 3-year forecast period, demand is expected for 3,000 new homes (Table 1). The 630 homes currently under construction in the HMA and a portion of the estimated 49,250 other vacant units that may reenter the sales market will satisfy some of the forecast demand.

Rental Market

Overall, rental housing market conditions in the HMA are soft, but improving, and the apartment market is tight. As a result of moderate net absorption and limited completions of apartments, the current overall renter vacancy rate declined to an estimated 10.0 percent from 12.6 percent in April 2010. During the forecast period, demand is expected for 700 new market-rate rental units (Table 1).

Table 1. Housing Demand in the Cleveland HMA,* 3-Year Forecast, July 1, 2013, to July 1, 2016

	Cleveland HMA*		Cleveland Submarket		Elyria-Mentor Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	3,000	700	0	0	3,000	700
Under construction	630	1,000	230	770	400	240

** Cleveland-Elyria-Mentor HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2013. A portion of the estimated 49,250 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Market Details

Economic Conditions

The Cleveland HMA is the economic center of northeast Ohio. Current economic conditions are weak, but have improved since 2011. During the 12 months ending June 2013, nonfarm payrolls increased by 7,200 jobs, or 0.7 percent, to 1,017,600 jobs, less than the increase of 15,400 jobs, or 1.5 percent, during the previous 12 months (Table 2). The recent job gains represent a significant improvement from the economic declines during the periods of 2001 through 2003 and 2008 through 2010. From 2001 through 2003, nonfarm payrolls decreased at an average annual rate of 20,600 jobs, or 1.8 percent, before essentially flattening from 2004 through 2007. After the onset of the most recent recession declines worsened, from 2008 through 2010, nonfarm payrolls decreased by an average of 27,100 jobs, or 2.6 percent, annually. During 2011, nonfarm payrolls began to stabilize, adding 10,100 jobs, a 1.0-percent increase. During the 12 months ending June 2013, the average unemployment rate in the HMA declined from 7.4 to 7.1 percent. The decrease in the unemployment rate, however, was attributed to a decline of nearly 8,000 people, or 0.8 percent, in the labor force, not to growth in resident employment, which declined by 3,775 workers, or 0.4 percent. Figure 1 shows labor force, resident employment, and unemployment rate trends in the HMA from 2000 through 2012.

The HMA economy has been transitioning from a manufacturing hub to a center for education and health services since 2001. During the 12 months ending June 2013, the education and health services sector added 4,800 jobs, a 2.5-percent increase to 195,800 jobs, up from a 1.3-percent increase during the previous 12 months. Growth in this sector is expected to continue as the Global Center for Health Innovation (also known as the Medical Mart) and Cleveland Convention Center, a $465 million joint development on a 1-million-square-foot campus in downtown Cleveland, is scheduled to open in 2013 (IHS Inc.). The Global Center for Health Innovation will feature single-vendor showrooms with an emphasis on technology-based products for contemporary healthcare delivery. The education and health services sector, which accounts for 19 percent of all nonfarm payrolls in the

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Cleveland HMA,* by Sector

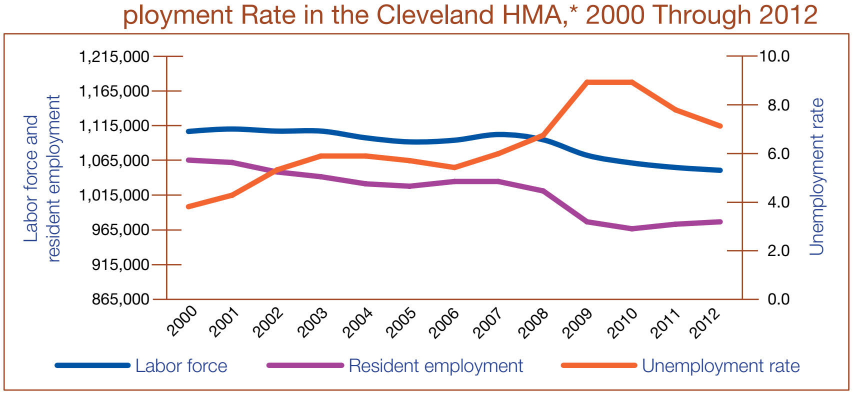
	12 Months Ending June 2012	12 Months Ending June 2013	Absolute Change	Percent Change
Total nonfarm payroll jobs	1,010,400	1,017,600	7,200	0.7
Goods-producing sectors	156,100	156,500	400	0.3
Mining, logging, & construction	33,900	33,600	– 300	– 0.9
Manufacturing	122,200	123,000	800	0.7
Service-providing sectors	854,300	861,100	6,800	0.8
Wholesale & retail trade	149,800	151,200	1,400	0.9
Transportation & utilities	29,500	29,700	200	0.7
Information	15,400	15,100	– 300	– 1.9
Financial activities	62,500	63,900	1,400	2.2
Professional & business services	142,200	141,500	– 700	– 0.5
Education & health services	191,000	195,800	4,800	2.5
Leisure & hospitality	89,300	90,700	1,400	1.6
Other services	40,400	40,900	500	1.2
Government	134,200	132,200	– 2,000	– 1.5

** Cleveland-Elyria-Mentor HMA.*

Notes: Based on 12-month averages through June 2012 and June 2013. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Cleveland HMA,* 2000 Through 2012

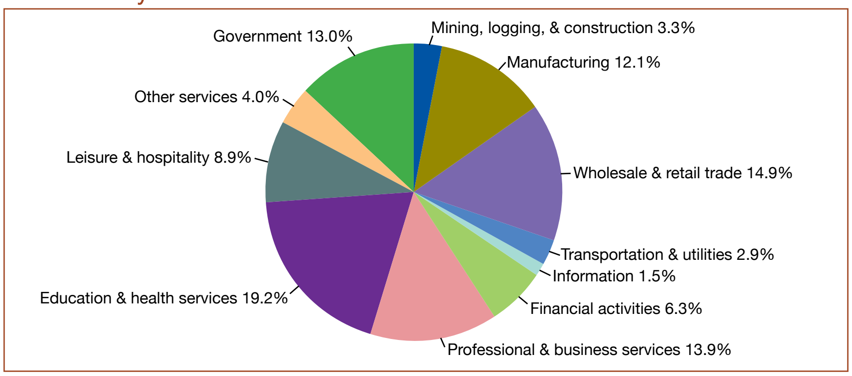


** Cleveland-Elyria-Mentor HMA.*

Source: U.S. Bureau of Labor Statistics

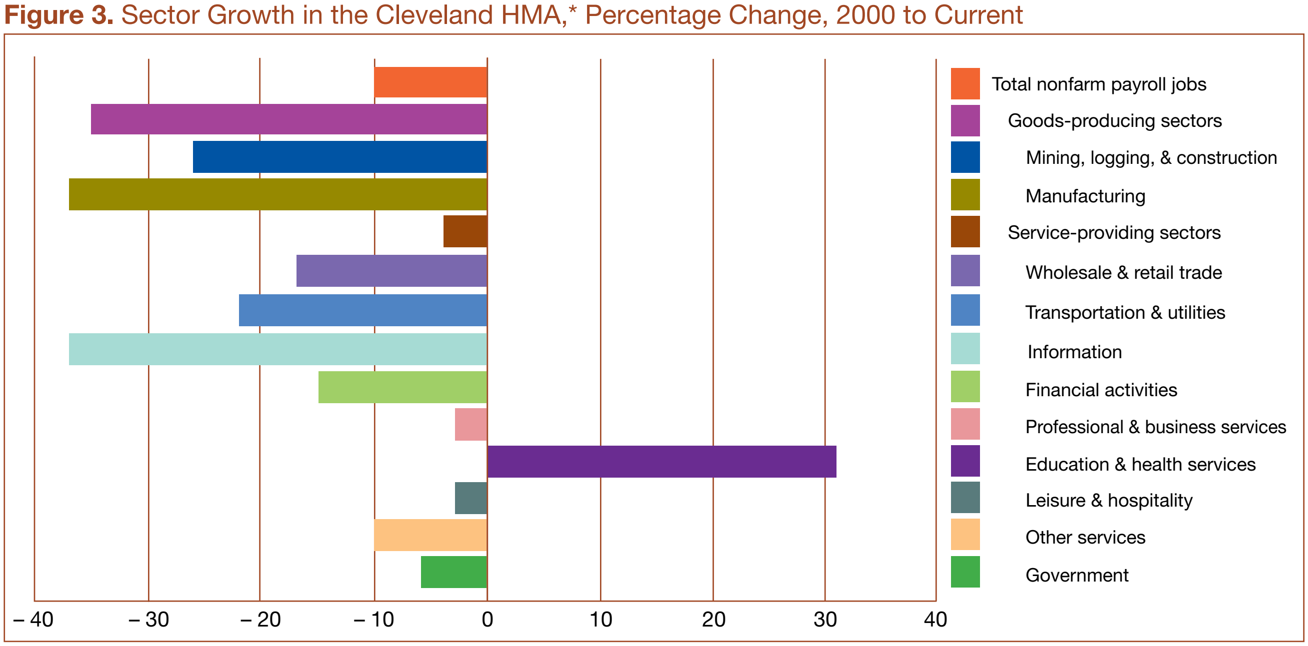
HMA, up from 13 percent in 2000, is both the largest employment sector (Figure 2) and the fastest growing sector since 2000 (Figure 3) in the HMA. The education and health services sector is the only sector in the HMA to have added jobs every year since 2000, helping to stabilize the local economy somewhat, even as job losses in other sectors were significant. From 2001 through 2003, a period when only one other sector gained jobs in the HMA, the education and health services sector expanded by 4,600 jobs, or 3.0 percent, annually. During the next 4 years, the sector again led job gains in the HMA, increasing by 2,800 jobs, or 1.7 percent, annually. From 2008 through 2010, a period when every other sector lost jobs, the education and health services sector gained an average of 4,300 jobs, or 2.4 percent, annually. Cleveland Clinic and University Hospitals are the two largest employers in the HMA, with 33,000 and 15,100 employees, respectively (Table 3). In 2010 (the most recent data available), Cleveland Clinic reported an economic impact of $10.4 billion in the northeast Ohio region, directly or indirectly supporting 81,000 jobs. For 2013–14, the hospital was nationally ranked in 21 specialties and was ranked as the top hospital in the United States for cardiology and heart surgery (*U.S. News & World Report*).

Figure 2. Current Nonfarm Payroll Jobs in the Cleveland HMA,* by Sector



** Cleveland-Elyria-Mentor HMA.*
Note: Based on 12-month averages through June 2013.
Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Cleveland HMA,* Percentage Change, 2000 to Current



** Cleveland-Elyria-Mentor HMA.*
Note: Current is based on 12-month averages through June 2013.
Source: U.S. Bureau of Labor Statistics

Although the number of jobs in the manufacturing sector has declined substantially since the mid-1990s, the sector has stabilized and begun to add jobs since 2011. During the 12 months ending June 2013, the manufacturing sector increased by 800 jobs, or 0.7 percent, to 123,000 jobs, less than the 4.6-percent increase during the previous 12 months. The job gains in the manufacturing sector during 2011 and 2012 of 3,600 and 2,900, or 3.1 and 2.4 percent, respectively, marked the first annual expansions for the sector in more than 15 years. From 2001 through 2003, the manufacturing sector lost 14,000 jobs, or 7.7 percent, annually. During the next 4 years, a period of relative stability for the Cleveland HMA, nonfarm payrolls in the sector declined by an average of 2,700 jobs, or 1.8 percent, annually. From 2008 through 2010, nearly one-third of all jobs lost in the HMA were in the manufacturing sector. Because of widespread cuts across all durable goods industries, the sector lost more than 20,000 jobs, or 14.6 percent, during 2009 alone. Since 2000, the manufacturing sector has declined 37 percent, losing more than 72,000 jobs. The transition from a manufacturing-based economy to a service-based economy has proven more difficult for the HMA than for nearby areas such as the Pittsburgh metropolitan area, which lost 31 percent of their manufacturing jobs during the same period. Although employment in the manufacturing sector in the HMA will likely never return to the levels that prevailed during the 1990s, small gains, like those since 2011, are expected to continue.

During the past year, the change in nonfarm payrolls in other sectors was mixed. During the 12 months ending July 2013, the financial activities, leisure and hospitality, and wholesale and retail trade sectors each increased by 1,400 jobs, or 2.2, 1.6, and 0.9 percent, respectively. Contributing to the gains was the Horseshoe Cleveland, a $400 million casino project that opened in the summer of 2012, adding 750 employees (IHS Inc.). The gains more than offset losses in the government and the professional and business services sectors of 2,000 and 700 jobs, or 1.5 and 0.5 percent, respectively.

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 9,000 jobs, or 0.9 percent. Job growth is expected to remain relatively steady throughout the forecast period. Although the government sector is expected to decline further, the manufacturing sector should continue to slowly expand, and most other sectors are forecast to add jobs, with the strongest gains expected in the education and health services sector.

Table 3. Major Employers in the Cleveland HMA*

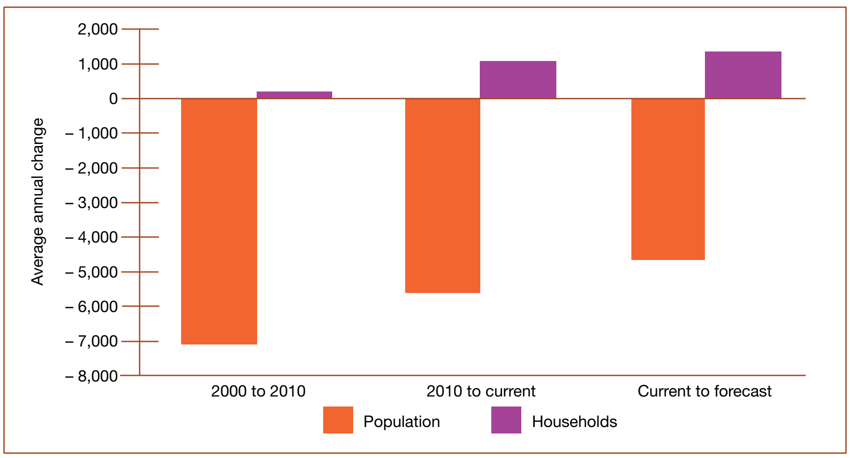
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Cleveland Clinic Health System	Education & health services	33,000
University Hospitals	Education & health services	15,100
Giant Eagle, Inc.	Wholesale & retail trade	10,400
Progressive Casualty Insurance Company	Financial activities	8,775
General Motors Company	Manufacturing	7,000
KeyCorp	Financial activities	5,975
The MetroHealth System	Education & health services	5,250
Case Western Reserve University	Education & health services	4,625
Swagelok Company	Manufacturing	3,675
Ford Motor Company	Manufacturing	3,275

** Cleveland-Elyria-Mentor HMA.*
Note: Excludes local school districts.
Source: Moody's Analytics

Population and Households

As of July 1, 2013, the estimated population of the Cleveland HMA is approximately 2.059 million, reflecting an average annual decrease of 5,600, or 0.3 percent, since April 2010. (Tables DP-1 through DP-3, at the end of this report, provide information on population growth in the HMA and in the Cleveland and Elyria-Mentor submarkets.) Weak economic conditions, in part because of the substantial declines in the manufacturing sector from 1996 through 2010, have resulted in net out-migration and population declines every year since mid-1997.

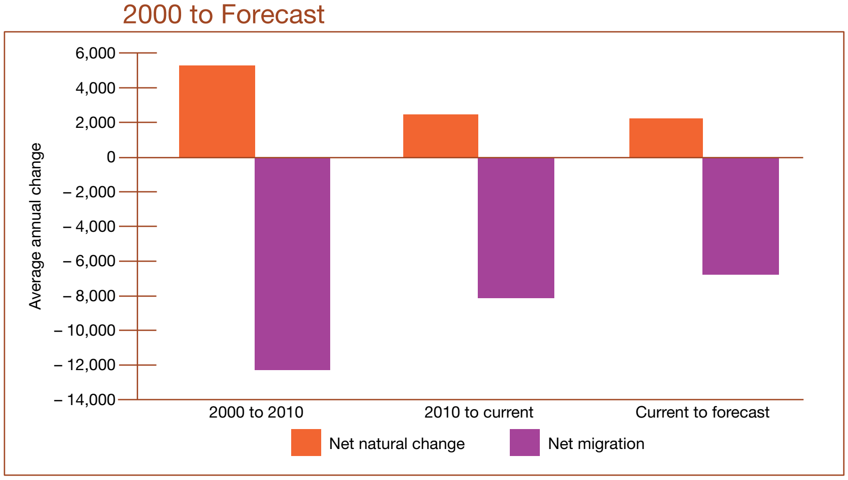
Figure 4. Population and Household Growth in the Cleveland HMA,* 2000 to Forecast



** Cleveland-Elyria-Mentor HMA.*

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

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



** Cleveland-Elyria-Mentor HMA.*

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

The rate of population loss has slowed since mid-2008, however. From mid-2000 through mid-2008, the average annual rate of net out-migration from the HMA was 13,100 people and the population declined by more than 60,000 during the 8-year period. From mid-2008 through mid-2013, the average annual rate of net out-migration from the HMA slowed to 8,325 people and the population declined by approximately 26,100 during the 5-year span. Through the forecast date, as the local economy slowly continues to improve and regains more of the jobs lost during the most recent recession, population declines (Figure 4) and net out-migration (Figure 5) are projected to slow, and the population is expected to be approximately 2.045 million by July 1, 2016.

The Cleveland submarket has accounted for all the net out-migration and population loss in the HMA since 2000 and has a current estimated population of 1.26 million, representing more than 60 percent of the HMA population. The population declines have mirrored those of the city of Cleveland, the principal city of the HMA. From April 2000 to April 2010, the population of the city of Cleveland declined from 478,403 to 396,815, reflecting an average annual decline of 8,150, or 1.9 percent (2000 Census and 2010 Census). From April 2010 to mid-2012, however, the population declines slowed to an average annual rate of 2,625 people, or 0.7 percent (Census Population Estimates and American Community Survey). From mid-2000 through mid-2008, the average annual rate of net out-migration from the Cleveland submarket was 15,050 people and the population declined by 100,000. From mid-2008 through mid-2013, the average annual rate of net out-migration from the submarket slowed to 8,050 people and the population declined by approximately 31,500. The slowing of net out-migration from the Cleveland submarket can partially be attributed to fewer people moving from the submarket to the Elyria-Mentor submarket and to the nearby Akron metropolitan area (which includes Portage and Summit Counties and is located in Ohio, southeast of the Cleveland submarket) after the financial housing crisis during the late 2000s. From 2000 through 2007, the average annual rate of net out-migration from the Cleveland submarket to the Elyria-Mentor submarket and the Akron metropolitan area was nearly 8,400 people (Internal Revenue Service). From 2008 through 2010, the average annual net out-migration rate slowed to 4,900 people. During the next 3 years, the declines in the population of the submarket are expected to slow to an average annual rate of 5,325 people, or 0.4 percent, and the population is expected to total 1.24 million by the end of the forecast period.

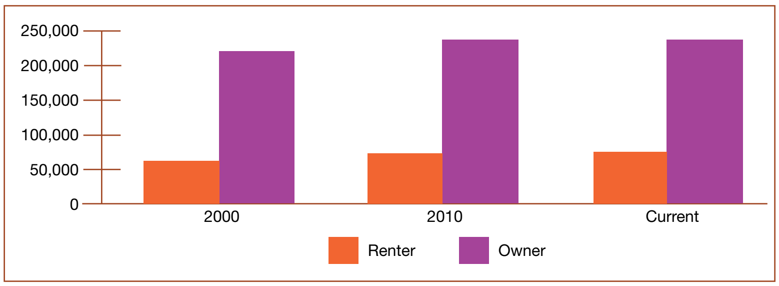
The estimated population of the Elyria-Mentor submarket currently is 799,000. By contrast with the Cleveland submarket, the Elyria-Mentor submarket has recorded overall net in-migration since 2000. From mid-2001 through mid-2006, the most significant period of population growth since 2000, the average annual rate of net in-migration to the submarket was 2,650 people, accounting for nearly one-half of the population growth during the period. From 2002 through 2006, the average annual rate of net in-migration from the Cleveland submarket to the Elyria-Mentor submarket was 6,500 people (Internal Revenue Service). From 2007 through 2010, however, the rate of net in-migration slowed to 4,250 people a year. As fewer people moved from the Cleveland submarket, net in-migration and population growth decreased in the Elyria-Mentor submarket. From mid-2006 through mid-2010, the average annual rate of net in-migration for the Elyria-Mentor submarket decreased to 650 people, representing less than one-fourth of the population growth. Since mid-2010, net out-migration has occurred at an average annual rate of 630 people. During the forecast period, net out-migration is expected to continue, but at a lower rate, and the population is expected to increase by 670 a year, or 0.1 percent, to 801,000.

Continued population losses in the HMA resulted in a decreased number of households in the Cleveland submarket and less household formation in the Elyria-Mentor submarket during recent years. The HMA has an estimated 858,400 households, with 543,700 in the Cleveland submarket and 314,700 in the Elyria-Mentor submarket. From April 2000 to April 2010, the average annual rate of household change was a loss of 2,650 households, or 0.5 percent, in the Cleveland submarket and a gain of 2,825 households, or 1.0 percent, in the Elyria-Mentor submarket. Since 2010, household declines have continued in the Cleveland submarket, albeit at a significantly slower pace, with the submarket losing an average annual rate of 420 households, or 0.1 percent. Growth in the Elyria-Mentor submarket slowed to 1,500 households, or 0.5 percent, during the same period. Owner households currently constitute an estimated 65.2 percent of all HMA households, down from 66.7 percent as reported in the 2010

Figure 6. Number of Households by Tenure in the Cleveland Submarket, 2000 to Current

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Elyria-Mentor Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Census, and down from 68.1 percent reported in the 2000 Census. In the Cleveland and Elyria-Mentor submarkets, owners currently account for an estimated 59.2 and 75.5 percent of all households, respectively, both down from 2010 and from 2000 (Figures 6 and 7). The HMA is expected to grow by 1,325 households, or 0.2 percent, annually during the 3-year forecast period, to 862,400 households. The number of households in the Cleveland submarket is expected to remain essentially unchanged, decreasing at an average annual rate of 170 households, to 543,200 households by the end of the forecast period. Growth in the Elyria-Mentor submarket is expected to level off, increasing at an average annual rate of 1,500 households, or 0.5 percent, to 319,200 households during the forecast period. Figure 4 shows population and household growth in the HMA from 2000 through the forecast period.

Housing Market Trends

Sales Market—Cleveland Submarket

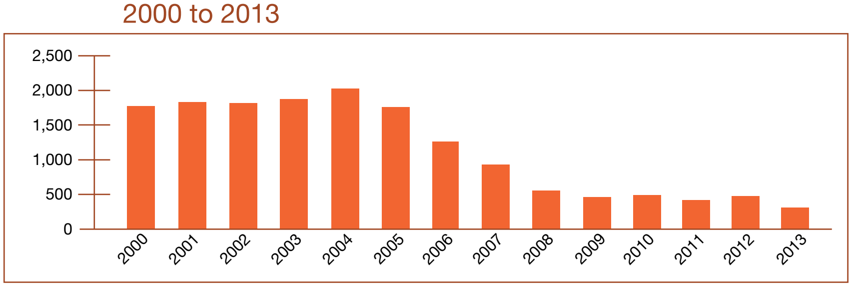
The home sales market in the Cleveland submarket is soft because of weak economic conditions and tight mortgage lending practices. The estimated sales vacancy rate currently is 2.7 percent, relatively unchanged from 2.8 percent in April 2010. During the 12 months ending June 2013, the number of new and existing single-family home sales, including townhomes, totaled 11,800, up 11 percent from the 10,650 sales recorded during the previous 12 months. (Metrostudy, A Hanley Wood Company). Despite trending upward during the past year, home sales were down 10 percent from the average annual rate of 13,050 new and existing homes sold from 2007 through 2010 and down 36 percent from the average that prevailed during 2005 through 2006, the peak period for home sales. During the 12 months ending June 2013, the average sales price for new and existing homes was $152,300, a 7-percent increase from a year earlier. By comparison, average home sales prices during the 12 months ending June 2013 are up 3 percent from the average annual rate from 2008 through 2010, but down 12 percent from 2005 through 2007, the peak period for home sales prices.

The weak economy has contributed to increased delinquencies and foreclosures in the Cleveland HMA, a significant portion of which are in the Cleveland submarket. As of June 2013, 11.0 percent of total home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 12.2 percent a year earlier (LPS Applied Analytics). The current rate for the submarket, which is coterminous with Cuyahoga County, is higher than any other county in Ohio and is more than 3 percentage points greater than any other county in the HMA. The rate compares with rates of 7.5 percent statewide, 6.6 percent for the Midwest Region, and 6.3 percent nationwide. During the 12 months ending June 2013, REO sales represented 30 percent of all existing single-family home sales in the submarket, down from 35 percent during the previous 12 months. By comparison, REO sales comprised 40 percent of all existing home sales from 2008 through 2010. The sustained high level of REO sales negatively affected overall average sales prices. During the 12 months ending June 2013, the average price for an REO sale was $70,750, nearly 60 percent less than the average non-REO sales price of $174,600.

Soft sales market conditions in the submarket resulted in historically low levels of single-family homebuilding activity, as measured by the number of homes permitted. During the 12 months ending June 2013, the number of single-family homes permitted increased to 600 compared with the 410 homes permitted during the previous 12 months (preliminary data). Builders responded to the weakening sales market by decreasing the amount of new home construction and, from 2008 through 2010, an average of 500 single-family homes were permitted annually compared with an average of 1,825 homes permitted annually during the peak period of 2000 through 2005. No significant market-rate, single-family home developments currently are under construction in the submarket. Figure 8 shows the number of single-family homes permitted in the submarket from 2000 through the current date.

During the 12 months ending June 2013, condominiums represented 12 percent of all home sales in the Cleveland submarket. During the same period, the number of new and existing condominium sales totaled 1,600, a 60-percent increase from the 1,000 sold during the previous 12 months. The number of condominium sales was up more than 30 percent from the average annual rate of 1,225 from 2007 through 2010 but was down 27 percent from 2005 through 2006, the peak period for condominium sales. During the 12 months ending June 2013, the average sales price for new and existing condominiums was $103,100, down 8 percent from $112,600 a year earlier. By comparison, the average

Figure 8. Single-Family Homes Permitted in the Cleveland Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through June 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

annual sales price during 2009 and 2010 was $122,900; during 2005 through 2008, the peak period for condominium sales prices, the average annual sales price was $136,000.

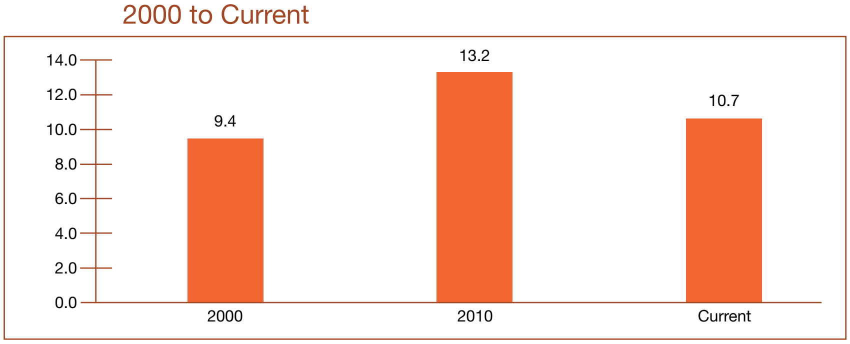
No overall net demand is expected for new market-rate homes during the 3-year forecast period (Table 1). Despite the level of vacancies in the submarket, developers successfully constructed and marketed a modest number of single-family homes in suburban municipalities, including in the cities of Strongsville and North Royalton, which are in the southern portion of the submarket. In the submarket, 230 new homes currently are under construction and the market will continue to support very modest single-family home construction in certain municipalities, but demand will not support major additions to the inventory throughout the submarket until the present surplus of sales vacancies is absorbed.

Rental Market—Cleveland Submarket

Overall rental housing market conditions in the Cleveland submarket are soft but have improved since 2010. The current overall estimated rental vacancy rate of 10.7 percent is lower than the 13.2 percent in April 2010 but is higher than the 9.4 percent in April 2000 (Figure 9). Vacancies increased during the 2000s as the population of the submarket decreased by 11,400 people a year from April 2000 to April 2010. During the past 3 years, however, the rental market improved as population losses slowed, demand for rental units increased, and the number of completions remained limited.

By contrast to the overall rental market conditions, the apartment market for more traditional apartments, or market-rate rental complexes consisting of 40 or more units, is tight. During the second quarter of 2013, the apartment vacancy rate for the Reis, Inc.-defined Cleveland metropolitan area, an area similar to the Cleveland submarket, decreased to 3.2 percent, down from 4.1 percent during the same period a year earlier. (Reis, Inc.) Vacancy rates were lowest for apartments built since 2010 and from 2000 through 2009 at 0.8 and 1.9 percent, respectively. The significant difference between vacancy rates for the overall rental market and vacancy rates for more traditional apartments stemmed from the above average proportion of rental units built before 1960. In the submarket, 56 percent of all renter-occupied units were built before 1960, which is 25 percentage points higher than the national rate (2012 American Community Survey 1-year estimates). These older renter units are usually smaller structures with fewer units that tend to have higher vacancy rates than do more traditional apartments. Average asking rents for apartments increased less than 1 percent, to $771, during the second quarter of 2013 compared with the average asking rents of a year earlier (Reis, Inc.). The most expensive areas in the submarket are Beachwood and Downtown Cleveland, with average monthly rents

Figure 9. Rental Vacancy Rates in the Cleveland Submarket, 2000 to Current

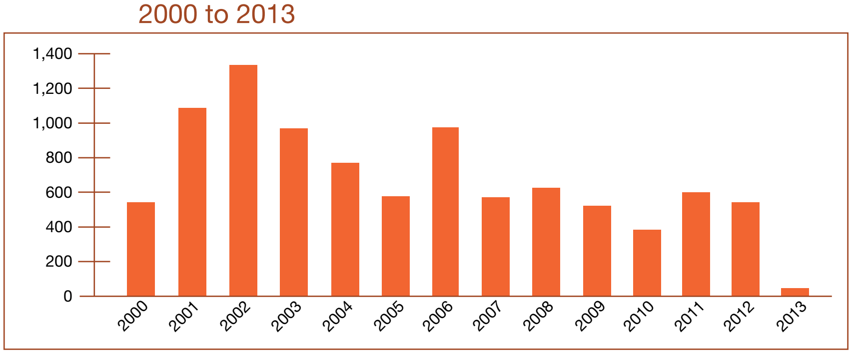


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst of $1,195 and $1,180, respectively. Average rents ranged from $685 for apartments built before 1970 to $1,560 for units built since 2010. Monthly rents averaged $558, $666, $844, and $1,060 for studio/efficiency, one-bedroom, two-bedroom, and three-bedroom units, respectively. Concessions in the apartment market are rare and, for the most part, are being offered only with contracts of at least 1 year at new developments.

Multifamily construction activity, as measured by the number of multifamily units permitted, has been minimal since 2007, but a number of apartment projects are expected to enter the market within the next 2 years. During the 12 months ending June 2013, the number of multifamily units permitted increased to 450, up from the 410 units permitted during the previous 12 months (preliminary data). By comparison, during the peak period from 2001 through 2003, an average of 1,125 units were permitted annually before permitting declined to an average annual rate of 770 units from 2004 through 2006 and 520 units a year from 2007 through 2010 (Figure 10). Condominium developments represent an estimated 5 percent of multifamily units permitted since 2010 compared with nearly 9 percent from 2007 through 2009 and more than 40 percent from 2002 through 2006. The largest new development in the Cleveland submarket (in terms of the number of units) is Commerce Park in the city of Beachwood, a 348-unit project, with an expected completion date of May 2014. The Langston is a new 318-unit community in the city of Cleveland, with buildings opening from August 2012 through August 2013. Rents for one-, two-, three-, and four-bedroom units start at $800, $1,450, $2,070, and $2,520, respectively. The Residences at Hanna, in PlayhouseSquare®, which was an adaptive reuse of the Hanna Building Annex, opens July 1, 2013, with one-bedroom units ranging from $750 to $1,300 and two-bedroom units ranging from $1,375 to $1,775. Construction in downtown Cleveland is also under way on the adaptive reuse of the 21-story East Ohio Building, a $65 million project, which is expected to add 223 apartment units to the market from July 2014 through August 2015, with rents starting at slightly less than $1,000 up to $1,800 (*Cleveland Plain Dealer*).

During the 3-year forecast period, no overall net demand is expected for rental units (Table 1). Despite the level of vacancies in the Cleveland submarket, developers successfully constructed and marketed a modest number of apartments in the Downtown, Ohio City, and Tremont neighborhoods of the city of Cleveland. The market will continue to support modest multifamily construction in these areas, but demand will not support major additions to the inventory throughout the submarket until the present surplus of rental vacancies is absorbed.

Figure 10. Multifamily Units Permitted in the Cleveland Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through June 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

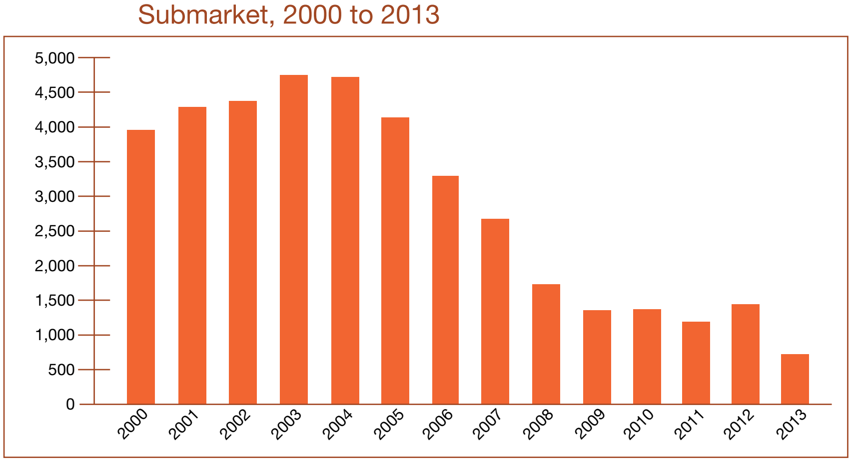
Sales Market—Elyria-Mentor Submarket

The home sales market in the Elyria-Mentor submarket is soft, but conditions are stronger than in the more urban Cleveland submarket. The estimated sales vacancy rate currently is 2.0 percent. Mirroring trends in the Cleveland submarket, the current sales vacancy rate is relatively unchanged from 2.1 percent in April 2010. During the 12 months ending June 2013, the number of new and existing single-family sales, including townhomes, totaled 8,550, up 15 percent from the 7,425 sales during the previous 12 months. Sales were up 7 percent from the average annual rate of 8,025 new and existing homes sold from 2008 through 2010 but down 30 percent from the peak period of 2005 through 2007. During the 12 months ending June 2013, the average sales price for new and existing homes was $167,300, a 3-percent increase from a year earlier. Average annual sales prices for new and existing single-family homes in the submarket are up 1 percent from the average annual price from 2008 through 2010 but down 11 percent from the peak period of 2005 through 2007. As of June 2013, 6.8 percent of total home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 7.8 percent a year earlier.

Single-family construction, as measured by the number of homes permitted, has been historically low throughout the submarket since 2007. During the 12 months ending June 2013, the number of single-family homes permitted increased to 1,525 compared with the 1,275 homes permitted during the previous 12 months (preliminary data). By comparison, during the peak period from 2000 through 2005, the number of homes permitted averaged 4,350 homes annually, decreasing to 2,975 home permitted annually during 2006 and 2007. From 2008 through 2010, the average annual rate declined further to 1,475 homes permitted. No significant market-rate, single-family home developments are currently under construction in the submarket. Figure 11 shows the number of single-family homes permitted in the submarket from 2000 through the current date. The price of a typical new single-family home in the submarket is approximately $220,000, with typical prices ranging from less than $200,000 in Lorain County to more than $300,000 in Geauga County.

During the 12 months ending June 2013, condominiums represented 10 percent of all home sales in the Elyria-Mentor submarket. During the same period, the number of new and existing condominium sales totaled 930, a 21-percent increase from the 770 sold during the previous 12 months. The number of condominium sales was up 9 percent from the average annual rate of 850 from 2007 through 2010

Figure 11. Single-Family Homes Permitted in the Elyria-Mentor Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through June 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

but was down 40 percent from 2005 through 2006, the peak period for condominium sales. During the 12 months ending June 2013, the average sales price for new and existing condominiums was $122,900, up 6 percent from $115,800 a year earlier. By comparison, the average annual sales price from 2008 through 2010 was $135,300; during 2005 through 2007, the peak period for condominium sales prices, the average annual sales price was $160,400.

During the 3-year forecast period, demand is expected for 3,000 new homes (Table 1). The 400 homes currently under construction and a portion of the 11,500 other vacant units in the submarket that may reenter the market will satisfy some of the forecast demand. Demand is estimated to be strongest toward the end of the forecast period and for single-family homes priced from $175,000 to $224,999 (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Elyria-Mentor Submarket, July 1, 2013, to July 1, 2016

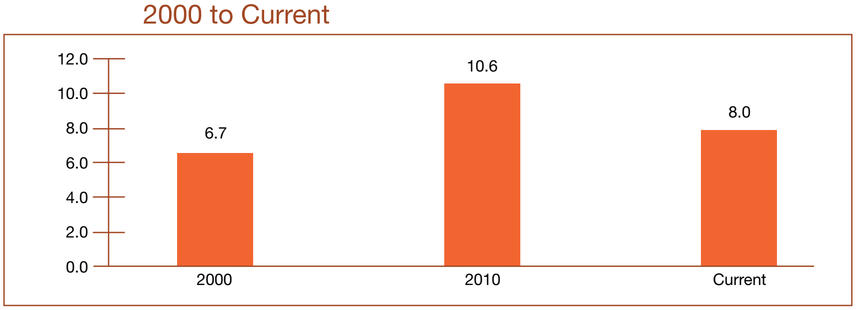
Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	174,999	450	15.0
175,000	199,999	750	25.0
200,000	224,999	750	25.0
225,000	249,999	450	15.0
250,000	299,999	300	10.0
300,000	349,999	150	5.0
350,000	and higher	150	5.0

Note: The 400 homes currently under construction and a portion of the estimated 11,500 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analyst

Rental Market—Elyria-Mentor Submarket

The overall rental housing market in the Elyria-Mentor submarket is soft but improving, with a current overall estimated rental vacancy rate of 8.0 percent, down from 10.6 percent in April 2010 (Figure 12). The market for traditional apartments is balanced to tight as a result of moderate absorption and relatively limited completions since 2010, similar to the Cleveland submarket. During the second quarter of 2013, the apartment vacancy rate in the submarket increased to 3.9 percent, up from 3.3 percent during the same period a year earlier (Axiometrics, Inc.). Despite the increase in the vacancy rate, minimal concessions currently are being offered for new rental contracts, and average rents increased 5 percent, to $885, during the second quarter of 2013 compared with the average rents recorded during the same period a year earlier.

Figure 12. Rental Vacancy Rates in the Elyria-Mentor Submarket, 2000 to Current

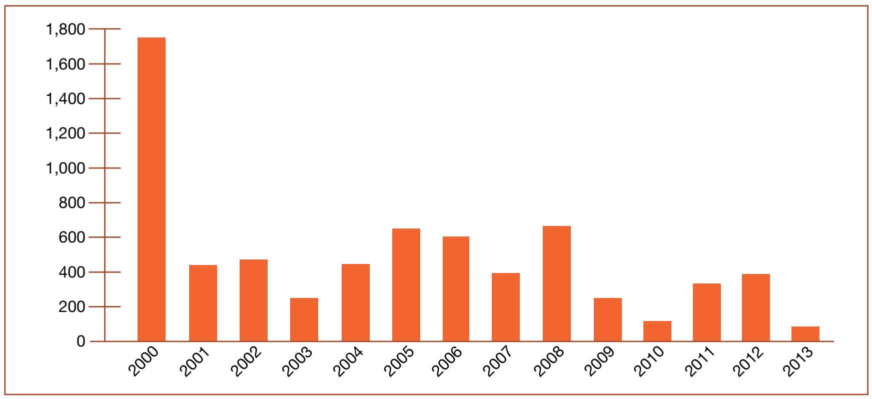


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Multifamily construction activity, as measured by the number of multifamily units permitted, has been limited since 2009, with severe declines in 2010. During the 12 months ending June 2013, the number of multifamily units permitted increased to 350 units, up from 280 units permitted during the previous 12 months (preliminary data). By comparison, the number of units permitted averaged 580 annually during the peak period of 2005 through 2008, before declining to 250 units permitted during 2009 and bottoming during 2010 at 110 units permitted (Figure 13). No significant market-rate multifamily developments currently are under construction in the Elyria-Mentor submarket.

During the 3-year forecast period, demand is estimated for 700 new market-rate rental units in the submarket (Table 1). Demand is expected to be strongest for one-bedroom units with monthly rents ranging from $800 to $1,199 and for two-bedroom units with monthly rents ranging from $1,000 to $1,399 (Table 5). The 240 units currently under construction will likely satisfy part of this demand.

Figure 13. Multifamily Units Permitted in the Elyria-Mentor Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through June 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Elyria-Mentor Submarket, July 1, 2013, to July 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
800 to 999	150	1,000 to 1,199	130	1,400 to 1,599	15
1,000 to 1,199	100	1,200 to 1,399	120	1,600 to 1,799	15
1,200 or more	30	1,400 to 1,599	80	1,800 or more	10
		1,600 or more	50		
Total	280	Total	380	Total	40

Notes: Numbers may not add to totals because of rounding. The 240 units currently under construction will likely satisfy some of the estimated demand.
Source: Estimates by analyst

Data Profiles

Table DP-1. Cleveland HMA,* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	2010 to Current
Total resident employment	1,062,856	970,053	975,100	– 0.9	0.2
Unemployment rate	3.9%	8.9%	7.1%		
Nonfarm payroll jobs	1,136,000	991,100	1,017,600	– 1.4	1.1
Total population	2,148,143	2,077,240	2,059,000	– 0.3	– 0.3
Total households	853,165	854,893	858,400	0.0	0.1
Owner households	580,872	569,864	559,400	– 0.2	– 0.6
Percent owner	68.1%	66.7%	65.2%		
Renter households	272,293	285,029	299,000	0.5	1.5
Percent renter	31.9%	33.3%	34.8%		
Total housing units	911,356	955,756	955,000	0.5	0.0
Owner vacancy rate	1.3%	2.5%	2.4%		
Rental vacancy rate	8.8%	12.6%	10.0%		
Median Family Income	$52,600	$64,800	$63,700	2.1	– 0.6

** Cleveland-Elyria-Mentor HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2013. Median Family Incomes are for 1999, 2009, and 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Cleveland Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	2010 to Current
Total population	1,393,978	1,280,122	1,260,000	– 0.8	– 0.5
Total households	571,457	545,056	543,700	– 0.5	– 0.1
Owner households	360,980	331,876	321,900	– 0.8	– 0.9
Percent owner	63.2%	60.9%	59.2%		
Rental households	210,477	213,180	221,800	0.1	1.2
Percent renter	36.8%	39.1%	40.8%		
Total housing units	616,903	621,763	617,200	0.1	– 0.2
Owner vacancy rate	1.4%	2.8%	2.7%		
Rental vacancy rate	9.4%	13.2%	10.7%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Elyria-Mentor Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	2010 to Current
Total population	754,165	797,118	799,000	0.6	0.1
Total households	281,708	309,837	314,700	1.0	0.5
Owner households	219,892	237,988	237,500	0.8	– 0.1
Percent owner	78.1%	76.8%	75.5%		
Rental households	61,816	71,849	77,200	1.5	2.2
Percent renter	21.9%	23.2%	24.5%		
Total housing units	294,453	333,993	337,800	1.3	0.3
Owner vacancy rate	1.2%	2.1%	2.0%		
Rental vacancy rate	6.7%	10.6%	8.0%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 7/1/2013—Analyst's estimates
Forecast period: 7/1/2013–7/1/2016—Analyst's estimates

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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, 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.

Building Permits: 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.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_Cleveland-Elyria-MentorOH_14.pdf.

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.