

Housing Market Profile

Midwest • HUD Region V



Cleveland, Ohio

The Cleveland metropolitan area consists of five counties—Cuyahoga, Geauga, Lake, Lorain, and Medina—located in northeast Ohio on the coast of Lake Erie. The region is a center for technology, aerospace industries, health services, and education. Cleveland State University, which has 1,640 faculty and staff and an enrollment of more than 16,000 students, has an estimated \$420 million annual impact on the Cleveland metropolitan area economy, according to the university. Cleveland is also home to Case Western Reserve University, which has nearly 6,000 faculty and staff and 10,000 students. As of April 1, 2010, the population of the metropolitan area was estimated at 2.1 million, a decrease of 3,200, or less than 1 percent, compared with the population as of April 1, 2009. During the same period, the population declined in the city of Cleveland by 70,750, or 1.0 percent.

Nonfarm employment in the metropolitan area increased by 1,000 jobs a year, or about 1 percent annually, from 2004 to 2006, when the number of jobs peaked at 1,075,000. The economy began to lose jobs in the first quarter of 2007, and, during the 12-month period ending February 2010, nonfarm employment averaged 994,500 jobs, a loss of 57,000 jobs, or 5.7 percent, compared with nonfarm employment during the previous 12 months. Three employment sectors accounted for most of the jobs losses. The largest decline was in the manufacturing sector, which recorded a loss of 20,400 jobs, or 15 percent, attributable to job losses in transportation equipment and fabricated metal product manufacturing. The professional and business services sector lost 12,400 jobs, or 8.8 percent. The construction industry recorded the largest percentage decline, 16.3 percent, or 6,200 jobs, which resulted from the decline in housing production.

Despite the overall decrease in nonfarm employment during the past 12 months, the education and health services sector increased by 2.7 percent, or 4,900 jobs, as a result of local hospital expansion. This sector includes the two leading employers in the area: Cleveland Clinic Health System, with more than 23,700 employees, and University Hospitals, with 17,100 workers. University Hospitals is currently constructing a \$229 million cancer hospital, which is scheduled to open in May 2011. Cleveland Clinic Health System is building specialty clinics and hospitals, which are valued at nearly \$1 billion and are expected to open in 2011. Construction employment is expected to

increase because the Ohio Department of Transportation has initiated a \$450 million Cleveland Innerbelt Modernization Plan, involving the reconstruction of portions of U.S. Interstate 71 (I-71), I-77, and I-90. During the 12-month period ending February 2010, the average unemployment rate in the metropolitan area was 8.8 percent, an increase from the 6.6-percent rate recorded during the previous 12-month period.

Due to a contracting economy and a slightly declining population, the sales housing market in the Cleveland metropolitan area is soft, with an estimated 3.0-percent vacancy rate. According to the Northern Ohio Regional Multiple Listing Service, during the 12 months ending March 2010, the number of new and existing single-family homes sold decreased by 6 percent to 16,800 homes compared with 17,800 homes sold a year earlier. During the 12 months ending March 2010, existing condominium sales remained flat at 1,720 units. The average sales price of new and existing homes increased to \$135,000 during the 12 months ending March 2010, up nearly 4 percent compared with \$130,000 for the same period a year earlier. The average sales price of new and existing condominiums decreased to \$117,200, or 6 percent, compared with \$124,800 during the previous 12-month period. The inventory of unsold new homes decreased from approximately 15,475 in February 2009 to 14,840 in February 2010; it had been as high 25,500 in July 2008.

Due to the large inventory of unsold homes, builders have reduced single-family home construction, as measured by the number of building permits issued. Based on preliminary data for the 12 months ending February 2010, the number of homes permitted totaled 1,775, a 15-percent decrease from the 2,100 homes permitted during the same period a year earlier. New home construction has steadily declined from the peak level of 6,725 single-family homes permitted in 2004.

Multifamily construction in the Cleveland metropolitan area has also slowed in response to declining demand resulting from employment and population declines. The increased availability of condominium and single-family homes for rent has also shifted some occupancy away from apartments. For the 12 months ending February 2010, 275 multifamily units were permitted, compared with the 335 units permitted during the same period a year earlier, based on preliminary data. According to Reis, Inc., 205 units, or 75 percent of the 275 multifamily units under construction at the end of 2009, were intended for rental occupancy. From 2002 to 2006, an average of 640 multifamily units a year was added to the rental inventory.



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U.S. Housing Market Conditions
3rd Quarter 2010

The limited rental development during the past 2 years has helped maintain balanced rental market conditions in the metropolitan area. Based on preliminary first quarter 2010 data from REIS, Inc., the apartment vacancy rate for the metropolitan area was 7.0 percent, up from 6.6 percent a year earlier. The average rent in the Cleveland area declined by nearly 1 percent from the first quarter of 2009 to the first quarter of

2010. In 2009, the average asking apartment rent was approximately \$530 for a one-bedroom unit, \$620 for a two-bedroom unit, and \$795 for a three-bedroom unit. The Flats and Warehouse District, a submarket in downtown Cleveland with newer upscale apartments, had the highest vacancy rate of any submarket in the metropolitan area, at 11 percent in 2009, up from 7.3 percent in 2008.