

HUD PD&R Housing Market Profiles

Grand Rapids-Wyoming, Michigan

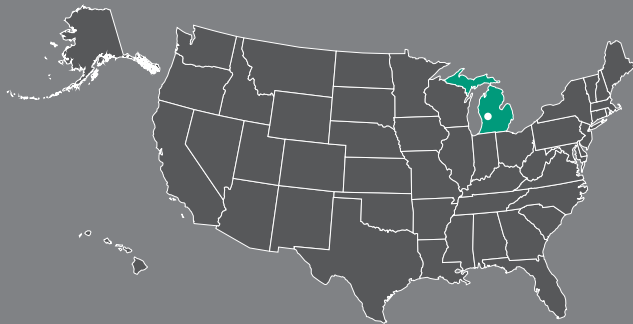


Quick Facts About Grand Rapids-Wyoming

Grand Rapids, Michigan

By Tomasz Kukawski | As of April 1, 2020

- Current sales market conditions: slightly tight
- Current rental market conditions: slightly tight
- The metropolitan area has 15 institutions of higher learning, with 10 campuses in downtown Grand Rapids. Grand Valley State University is the largest university in the metropolitan area, with 24,000 students, up from 17,500 in 2000. The university has 3,300 employees and had an annual impact of \$849 million on the local economy in 2017 (Grand Valley State University).



Overview

The Grand Rapids-Wyoming (hereafter, Grand Rapids) metropolitan area in southwestern Michigan includes the counties of Barry, Kent, Montcalm, and Ottawa, and it is coterminous with the metropolitan statistical area of the same name. Kent County is the largest and fastest growing county in the metropolitan area, with about 61 percent of the total population and approximately 64 percent of the population growth in the metropolitan area since 2010. The city of Grand Rapids, approximately 30 miles east of Lake Michigan, is the second largest city in Michigan, following Detroit, with an estimated population of 200,200 as of July 2018.

- The population of the Grand Rapids metropolitan area is estimated at 1.08 million as of April 1, 2020, representing an average increase of 6,000, or 0.6 percent, annually since 2018 (U.S. Census Bureau population estimates as of July 1 and estimates by the analyst). By comparison, the population grew by an average of 9,850, or 1.0 percent annually, from 2010 to 2018.
- Slowed net in-migration, which has averaged only 660 people a year since 2018, accounted for the recent decline in the

continued on page 2



PD&R

continued from page 1

population growth rate. By comparison, from 2010 to 2018, net in-migration to the metropolitan area averaged 3,900 people annually.

- From 2000 through 2010, population growth averaged 5,825, or 0.6 percent, annually, as net out-migration from the metropolitan area averaged 2,000 people a year.

Economic Conditions

Following strong job growth for most of the 2010s, the Grand Rapids metropolitan area lost jobs during the past year. Nonfarm payrolls in the metropolitan area declined by 600 jobs, or 0.1 percent, to nearly 562,900 during the first quarter of 2020, compared with a gain of 6,400 jobs, or 1.1 percent, a year ago. By comparison, the number of jobs in the Midwest region was unchanged during the first quarter of 2020, and the number of jobs expanded 1.3 percent nationally from a year earlier. In the aftermath of the Great Recession, job growth in the Grand Rapids metropolitan area exceeded the regional and national rates from 2010 through 2018, partly due to strong gains in the manufacturing and the education and health services sectors. During the period, nonfarm payroll growth in the metropolitan area averaged 2.6 percent annually, compared with the average growth rates of 1.1 percent and 1.4 percent annually in the Midwest region and the nation, respectively.

During the first quarter of 2020—

- The professional and business services sector led job declines in the metropolitan area with a loss of 3,300 jobs, or 4.2 percent, to 74,900, approximately 7 percent below the recent peak of 80,600 jobs in 2018. By comparison, jobs in the sector

increased an average of 2,225 jobs, 3.3 percent, annually from 2010 through 2018.

- The two other sectors with job losses were the manufacturing and the wholesale and retail trade sectors, which declined by 1,900 and 1,300 jobs, respectively, or 1.6 percent each. Automotive component manufacturer Benteler International AG laid off nearly 700 workers at its facility in Grand Rapids, which contributed to the decline in the manufacturing sector.
- Job losses in the metropolitan area were partially offset by job growth in the mining, logging, and construction; the government; and the education and health services sectors, which gained 1,600, 1,200, and 1,000 jobs, or 6.7, 2.5, and 1.1 percent, respectively. In November 2019, Michigan State University, in partnership with Health Innovation Partners, broke ground on the Doug Meijer Medical Innovation Building, the next phase of the Grand Rapids Innovation Park project, which started in 2018. The new 205,000-square-foot building is expected to open late in 2021 with new tenants, including College of Human Medicine, BAMF Health, and Spectrum Health.

continued on page 3

Nonfarm payroll declines in three sectors in the Grand Rapids metropolitan area outweighed gains in seven other sectors.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	563.5	562.9	-0.6	-0.1
Goods-Producing Sectors	143.0	142.8	-0.2	-0.1
Mining, Logging, & Construction	24.0	25.6	1.6	6.7
Manufacturing	119.0	117.1	-1.9	-1.6
Service-Providing Sectors	420.5	420.2	-0.3	-0.1
Wholesale & Retail Trade	80.4	79.1	-1.3	-1.6
Transportation & Utilities	16.3	17.1	0.8	4.9
Information	6.4	6.4	0.0	0.0
Financial Activities	26.7	27.3	0.6	2.2
Professional & Business Services	78.2	74.9	-3.3	-4.2
Education & Health Services	93.2	94.2	1.0	1.1
Leisure & Hospitality	47.9	48.6	0.7	1.5
Other Services	22.4	22.6	0.2	0.9
Government	48.9	50.1	1.2	2.5
Unemployment Rate	3.3%	2.7%		

Note: Numbers may not add to totals due to rounding.

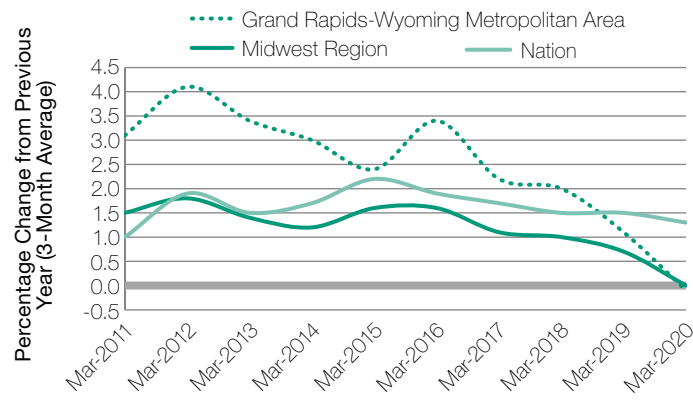
Source: U.S. Bureau of Labor Statistics



continued from page 2

- The unemployment rate declined from 3.3 percent a year ago to 2.7 percent; resident employment in the metropolitan area expanded 0.5 percent, while the labor force remained unchanged from a year earlier. The national unemployment rate averaged 4.1 percent, unchanged from the first quarter of 2019.

Nonfarm payrolls declined in the Grand Rapids metropolitan area during the past year after growing at a faster rate than the nation from 2010 through early 2019.



Note: Nonfarm payroll job growth.
Source: U.S. Bureau of Labor Statistics

The manufacturing sector, anchored around furniture production and automobile parts, is the largest payroll sector in the metropolitan area, with 117,100 jobs, or 21 percent of all nonfarm payrolls, nearly three times the national average of 8 percent. Four major firms—American Seating, Haworth Inc., Herman Miller, Inc., and Steelcase Inc.—are headquartered in the metropolitan area. Local automobile parts suppliers benefited significantly from rising numbers of car sales by major automakers in the early and mid-2010s and from 2010 through 2018, the manufacturing sector led overall job growth in the metropolitan area, increasing by an average of 3,975 jobs, or 4.1 percent, annually. New vehicle sales in the nation have been declining since 2016, however, and as the major carmakers have subsequently reduced production, the manufacturing sector in the metropolitan area has lost jobs.

Largest Employers in the Grand Rapids Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Spectrum Health	Education and Health Services	25,000
Meijer, Inc.	Wholesale and Retail Trade	10,350
Mercy Health	Education and Health Services	8,500

Note: Excludes local school districts.
Source: Moody's Analytics

Sales Market Conditions

The sales housing market in the Grand Rapids metropolitan area is currently slightly tight, with an estimated vacancy rate of 0.8 percent, down from 2.7 percent in April 2010. Improving economic conditions and net in-migration since 2010 have helped to significantly reduce the inventory of homes for sale and contributed to tighter sales market conditions. As of April 2020, the metropolitan area had a 1.7-month supply of homes for sale, including single-family homes, townhomes, and condominiums, up slightly from a 1.6-month supply in April 2019 (Grand Rapids Association of Realtors®). The supply of homes for sale has averaged less than 2 months each year since 2015 and is substantially lower than a 9.7-month supply of homes in 2010, when the market was soft. 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 is very low and declining. The rate of seriously delinquent home loans and REO properties in the Grand Rapids metropolitan area was 0.6 percent as of February 2020, down from 0.7 percent a year earlier (CoreLogic, Inc.). The current rate is lower than the 1.0-percent rate for Michigan and the 1.3-percent rate for the nation.

During the 12 months ending March 2020—

- New home sales totaled 1,275, an increase of 100 sales, or nearly 9 percent, from the previous 12 months (Metrostudy, A

Hanley Wood Company, with adjustments by the analyst). New home sales grew an average of 15 percent a year from a low of 690 new homes sold in 2012 to 1,200 homes sold in 2016. A year later, new home sales declined 4 percent to 1,150 but have since recovered to current levels.

- Regular resales declined by 350 sales, or 2 percent, to 18,150, in part because of the low inventory of homes for sale. Regular resales are currently 3 percent lower than the peak of 18,750 sales in 2018 but more than double the 7,325 homes sold in 2010.
- The average sales price for new homes declined 3 percent from the previous 12 months to \$323,000, while the average sales price for regular resales increased more than 4 percent to \$215,400. By comparison, from 2012 through 2018, new home sales prices increased an average of nearly 11 percent a year, and prices for regular resales rose an average of 5 percent annually.
- Distressed home sales, including REO home sales, declined by 120, or 18 percent, to 560, representing 3 percent of total home sales, and the average sales price was \$220,300. In 2009, distressed home sales peaked at 5,575 sales, which composed 42 percent of total sales, with an average sales price

continued on page 4



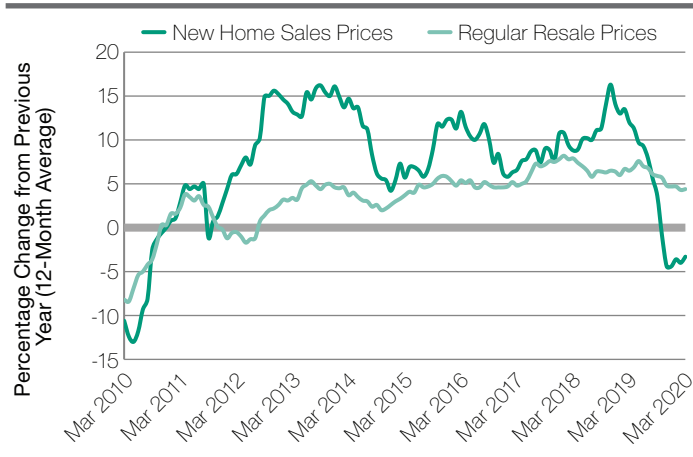
continued from page 3

of \$76,700. Distressed home sales have since declined an average of 25 percent annually.

Single-family homebuilding activity, as measured by the number of homes permitted, increased each year from 2010 through 2017 but has since moderated.

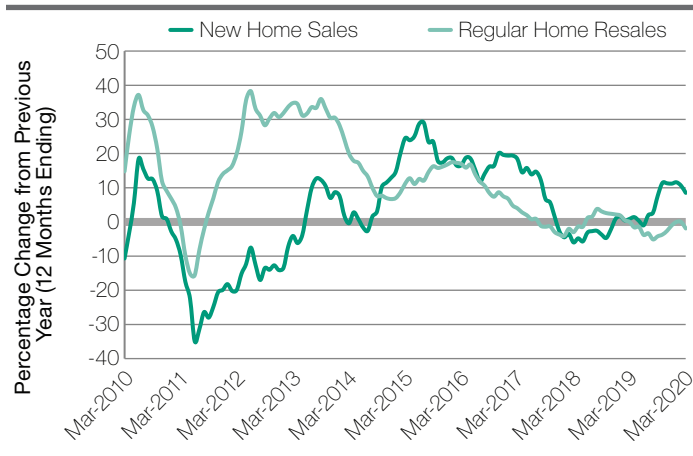
- The number of single-family homes permitted totaled 1,700 during the 12 months ending March 2020, up 3 percent from the 1,650 homes permitted a year earlier (preliminary data).

New home sales prices in the Grand Rapids metropolitan area declined during the past year, although prices for regular resales have increased since 2012.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

New home sales in the Grand Rapids metropolitan area increased during the most recent 12 months, but regular home resales declined due in part to low levels of inventory.



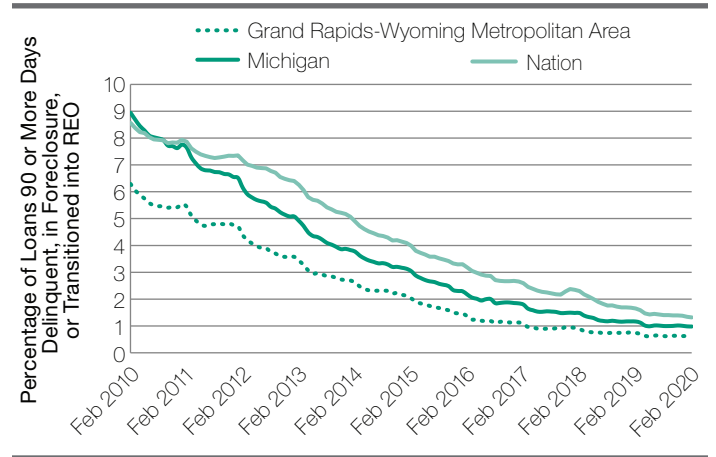
Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The current level of single-family construction is more than 50 percent higher than the low of 1,125 homes permitted in 2009 but below the recent high of 2,925 homes permitted in 2017.

- Single-family home construction averaged 2,475 homes permitted annually from 2013 through 2017, up from an average of 1,500 homes a year from 2007 through 2012, but far below the average of 4,850 each year from 2000 through 2006. An average of 2,675 single-family homes were permitted each year from 2018 through 2019.

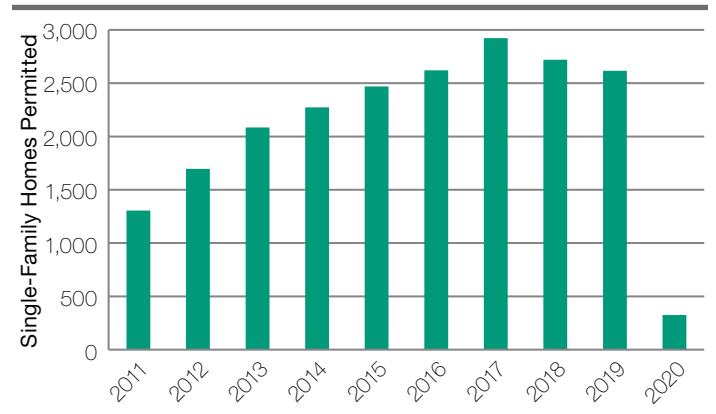
continued on page 5

Since 2010, the rate of seriously delinquent mortgages and REO properties in the Grand Rapids metropolitan area has been below both the Michigan and the national rates.



REO = real estate owned. Source: CoreLogic, Inc.

Single-family home construction has declined since 2018, which has contributed to tightening home sales market conditions in the Grand Rapids metropolitan area.



Note: Includes preliminary data from January 2019 through March 2020. Source: U.S. Census Bureau, Building Permits Survey



continued from page 4

- Approximately 95 percent of single-family homes permitted in the Grand Rapids metropolitan area during the 12 months ending March 2020 were in Kent and Ottawa Counties. The Macatawa Legends master-planned golf community, a new development in Ottawa County, features 66 single-family homes, 89 condominium villas, and 36 townhomes, with

prices ranging from \$200,000 to \$600,000. In Kent County, construction is underway on the final phase of the Saddle Ridge development that will consist of 51 new single-family homes with prices starting at \$250,000; approximately 16 vacant lots are currently available for purchase.

Apartment Market Conditions

The apartment market in the Grand Rapids metropolitan area is slightly tight, with a 4.8-percent vacancy rate during the first quarter of 2020. The average rent for an apartment was \$912, an increase of \$32, or nearly 4 percent, from the first quarter of 2019 (Reis, Inc.).

- From the first quarter of 2010 to the first quarter of 2014, the apartment market tightened significantly when the vacancy rate declined from 6.7 percent to 2.5 percent. Since then, builders have responded to tight market conditions by increasing construction and the apartment vacancy rate has trended upwards.
- During the first quarter of 2010, the average monthly rent remained unchanged at \$652. Rent growth accelerated during each of the next 8 years, however, increasing from 1 percent during the first quarter of 2011 to 6 percent during the first quarter of 2018.
- Currently, the average rents for one-, two-, and three-bedroom units in the metropolitan area are \$809, \$970, and \$1,278, respectively.
- The apartment market in downtown Grand Rapids is slightly soft, with a vacancy rate of 9.2 percent and with rents averaging \$1,230, \$1,602, and \$2,102 for one-, two-, and three-bedroom units (ALN Apartment Data, Inc.). Absorption of new apartments

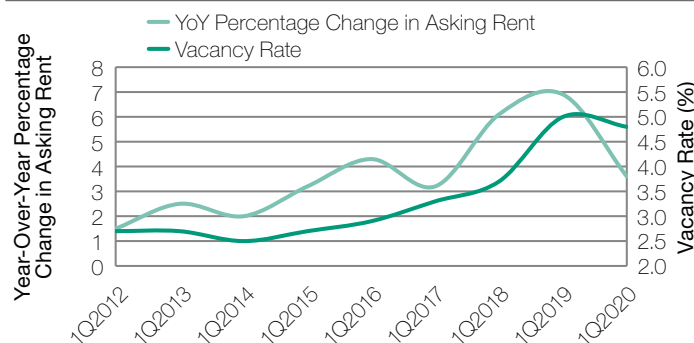
in downtown Grand Rapids has not kept up with increased apartment construction since 2015; additionally, in mid-March 2020, many college students returned to residences outside the city after local universities canceled in-person classes and moved to online instruction, contributing to softer apartment market conditions.

Multifamily construction activity in the metropolitan area, as measured by the number of multifamily units permitted, has moderated since the peak in 2016, but it remains substantially higher than the average of only 390 units a year in 2011 and 2012.

- During the 12 months ending March 2020, approximately 890 multifamily units were permitted, a 34-percent decline from the 1,350 units permitted during the previous 12 months (preliminary data, with adjustments by the analyst).
- Beginning in 2013, multifamily construction increased an average of 55 percent annually, to a recent high of 2,300 units permitted in 2016. Following the peak, however, construction activity decreased an average of 26 percent annually, to 1,250 units in 2018.
- Since 2016, approximately 43 percent of all multifamily developments in the metropolitan area have been built in the city of Grand Rapids, compared with an 18-percent share from 2011 through 2015.

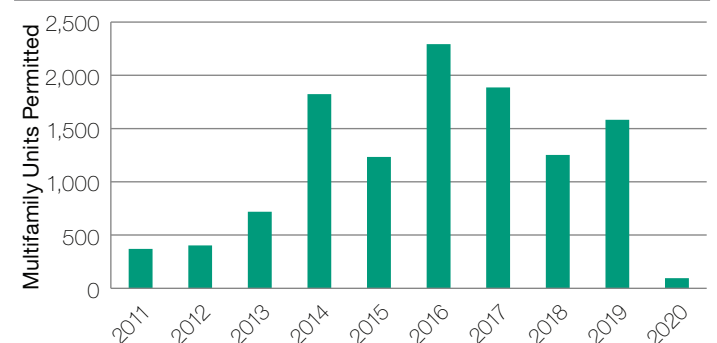
continued on page 6

The rate of rent growth in the Grand Rapids metropolitan area slowed during the first quarter of 2020, although the apartment vacancy rate decreased.



1Q = first quarter. YoY = year-over-year. Source: Reis, Inc.

Multifamily construction in the Grand Rapids metropolitan area has increased substantially since the early 2010s.



Note: Includes preliminary data from January 2019 through March 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



continued from page 5

- Recent developments include the 202-unit 601 Bond apartment building, which opened in 2019 in downtown Grand Rapids, offering one- and two-bedroom units with monthly rents starting at \$1,612 and \$1,926, respectively; the property is currently in lease up, with approximately 30 percent of units available to

rent. The 87-unit Michigan Meadows, a new for-rent townhome community currently under construction in the city of Grand Rapids, will consist of 23 buildings with monthly rents for two- and three-bedroom units starting at \$1,795 and \$2,195, respectively, when it opens in September 2020.

