

HUD PD&R Housing Market Profiles

Lansing-East Lansing, Michigan

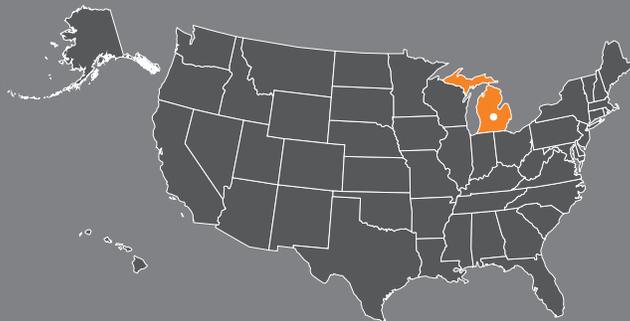


Quick Facts About Lansing-East Lansing

Lansing, Michigan

By Gabriel A. Labovitz | As of May 1, 2020

- Current sales market conditions: slightly tight
- Current apartment market conditions: slightly tight
- The government sector is the largest jobs sector in the Lansing-East Lansing metropolitan area and includes the three largest employers in the area. Michigan State University (MSU) is the second-largest employer in the area. As of 2018, MSU had an estimated statewide economic impact of approximately \$5.8 billion (MSU data).



Overview

The Lansing-East Lansing, MI Metropolitan Statistical Area (hereafter, the Lansing metropolitan area) includes Clinton, Eaton, and Ingham Counties in south-central Michigan. The city of Lansing, in Ingham County, has been the state capital of Michigan since 1847, succeeding Detroit 10 years after Michigan became a state in 1837. The Lansing area includes a number of tourist attractions, including the Lansing Lugnuts—a minor-league baseball team associated with the Toronto Blue Jays—and the Wharton Center for Performing Arts at MSU. Tourism generates approximately \$682 million in economic activity and supports approximately 11,000 local jobs (Greater Lansing Convention and Visitors Bureau).

- As of May 1, 2020, the population of the Lansing metropolitan area is estimated at 483,900. The population has grown each year since 2010, with the largest growth rate averaging 0.8 percent annually from 2015 to 2017, a period that coincided with job growth above the national rate (U.S. Census Bureau population estimates as of July 1).
- Of the three counties that compose the Lansing metropolitan area, Clinton County has had the highest population growth

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since 2010, increasing an average of 0.6 percent annually, to a current estimated population of 79,950. Since 2010, Ingham and Eaton Counties grew at average annual rates of 0.4 and 0.3 percent, respectively, to current populations estimated at 293,200 and 110,800.

- The largest community by population in the metropolitan area is Lansing, with a population of 116,699, followed by East

Lansing, with a population of 48,374, and Meridian Charter Township, with a population of 42,604 (2014–2018 American Community Survey [ACS] 5-year data).

- From 2010 to 2018, the community in the metropolitan area that grew the most was Meridian Charter Township, which increased by an average of 370 residents, or nearly 1 percent annually.

Economic Conditions

Economic conditions in the Lansing metropolitan area began to recover during 2010, and although nonfarm payrolls surpassed job levels reached prior to the local impact of the Great Recession during 2008, they remain below the level of jobs reported during 2000. Since 2010, job growth has been volatile and has trailed the national rate, except for a 2-year period from April 2016 through April 2018. Starting in March 2020, the state of Michigan took measures to help slow the spread of COVID-19, including enforcing social distancing and the temporary closure of many drinking and dining establishments. These interventions resulted in a decline in nonfarm payrolls during the most recent 3-month period. Although the full impact of these interventions is not yet known, the state is set to start easing restrictions in June 2020, which could help mitigate some of the recent job losses.

During the 3 months ending April 2020—

- Nonfarm payroll jobs totaled 223,600, a decline of 16,000 jobs, or 6.7 percent, from the total a year earlier. By contrast, during the 3 months ending April 2019, nonfarm payroll jobs rose by 1,800 jobs, or 0.8 percent.

- The information sector was the only jobs sector to add jobs, increasing by 100 jobs, or 3.6 percent, compared with a year ago. The financial activities and the government sectors each reported no change in employment. These sectors are characterized by jobs that are often done individually and online, which easily transitioned to a telework model.
- By contrast, the eight remaining jobs sectors all declined, with the largest declines in sectors that often require physical presence and interpersonal contact. The leisure and hospitality sector fell the most, contracting by 4,300 jobs, or more than 22 percent, followed by the other services and manufacturing sectors, which declined by 3,600 and 3,200 jobs, or 35 percent and 16 percent, respectively.
- The unemployment rate averaged 8.0 percent, more than double the 3.4-percent unemployment rate reported a year ago, partly as a result of economic disruptions related to the interventions taken to slow the spread of COVID-19.

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Nonfarm payrolls fell in 8 of 11 jobs sectors in the Lansing metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	April 2019 (Thousands)	April 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	239.6	223.6	-16.0	-6.7
Goods-Producing Sectors	27.5	23.5	-4.0	-14.5
Mining, Logging, & Construction	7.5	6.7	-0.8	-10.7
Manufacturing	20.0	16.8	-3.2	-16.0
Service-Providing Sectors	212.1	200.2	-11.9	-5.6
Wholesale & Retail Trade	27.9	26.1	-1.8	-6.5
Transportation & Utilities	8.6	7.9	-0.7	-8.1
Information	2.8	2.9	0.1	3.6
Financial Activities	16.8	16.8	0.0	0.0
Professional & Business Services	24.5	22.0	-2.5	-10.2
Education & Health Services	32.8	31.4	-1.4	-4.3
Leisure & Hospitality	19.2	14.9	-4.3	-22.4
Other Services	10.2	6.6	-3.6	-35.3
Government	69.3	69.3	0.0	0.0
Unemployment Rate	3.4%	8.0%		

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

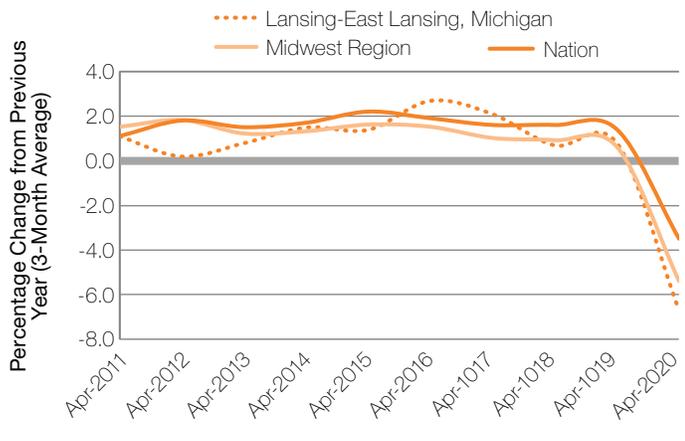
Source: U.S. Bureau of Labor Statistics



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The government sector, which accounts for 69,300 jobs, or 31 percent of all nonfarm payrolls in the Lansing metropolitan area, provides a vital source of employment in the metropolitan area,

The current decline in nonfarm payrolls in the Lansing metropolitan area is more severe than declines reported in the Midwest region or the nation.



Source: U.S. Bureau of Labor Statistics

and it is typically insulated from volatility in the business cycle. The State of Michigan is the largest employer in the area, with an estimated 14,390 employees. The interventions taken to slow the spread of COVID-19 are expected to decrease tax revenues. To mitigate part of the shortfall, the State of Michigan announced in early May plans to require mandatory furlough days for most state employees—one day per each two-week pay period through July 25. This measure is expected to save the state approximately \$80 million. Exempt from this requirement are various state employees considered critical to the state response to the COVID-19 pandemic. State workers will be enrolled in a federal workshare program to provide a partial reimbursement for lost wages. Nevertheless, the reduction in state payrolls is likely to have negative impacts on the economy in the area.

Largest Employers in the Lansing Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Michigan	Government	14,390
Michigan State University	Government	10,253
Sparrow Health System	Government	7,600

Note: Excludes local school districts.

Source: Lansing Economic Area Partnership

Sales Market Conditions

Sales housing market conditions in the Lansing metropolitan area are currently slightly tight, primarily because of a relatively low supply of homes for sale. As of April 2020, there was an estimated 2.6-month supply of homes for sale, down from a 6.6-month supply a year earlier and far lower than the peak supply of 14.0 months during April 2012 (Redfin). The sales vacancy rate is estimated at 1.0 percent, down from 2.5 percent during April 2010. New home construction, as measured by the number of single-family homes permitted, is significantly below levels reported during the previous decade. Coupled with moderately higher population growth, these factors contributed to the currently slightly tight sales housing market conditions. Total home sales, including new and existing homes, fell 4 percent during the 12 months ending April 2020. At the same time, the average sales price rose 10 percent, primarily because of the low inventory of homes for sale (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The share 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 has returned to pre-recession levels, equaling 1.2 percent of all mortgage loans, down from 1.3 percent a year earlier. By contrast, for the nation, 1.3 percent of all mortgage loans were seriously delinquent, down from 1.7 percent a year earlier.

During the 12 months ending April 2020—

- New home sales totaled 160, or 4 percent fewer than the number of new home sales a year ago. New home sales were mostly steady from 2010 through 2018, averaging 180 sales annually, including a slight increase to an average of 190 new home sales during 2015 and 2016.
- Existing home sales totaled 7,325, or 4 percent less than the 7,600 sales recorded a year earlier. Existing home sales rose an average of 6 percent annually, up from a low of 4,975 sales in 2011 to 7,425 sales during the 12 months ending April 2018.
- The average new home sales price was \$302,000, nearly 4 percent below the average sales price a year earlier. Despite the decline during the past year, the current average new home sales price is nearly double the average price of \$154,600 recorded during the 12 months ending April 2010, the recent low price.
- The average existing home sales price was \$179,800, up 11 percent from a year earlier. The current average existing home sales price is approximately 67 percent above the recent low price reported during the 12 months ending April 2011.

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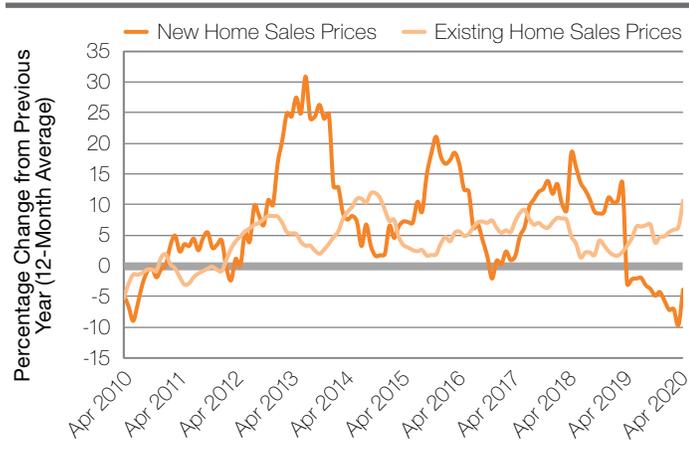


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Single-family home construction, as measured by the number of single-family homes permitted, has been mostly steady since 2012, but well above the level of single-family permitting from 2009 through 2012.

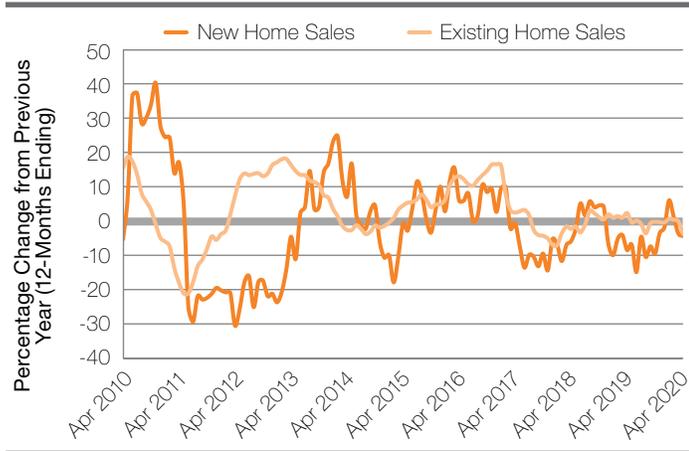
- During the 12 months ending April 2020, approximately 390 single-family homes were permitted, slightly more than the 380 homes permitted a year earlier (preliminary data). From 2013 through 2018, an average of 490 single-family homes were permitted annually, compared with an average of 330 homes permitted annually from 2008 through 2012.

New home sale prices have declined during the past year in the Lansing metropolitan area and existing home sales prices have increased.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

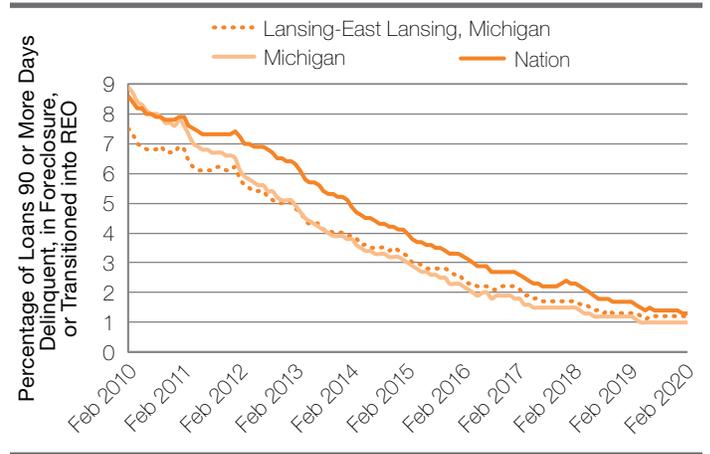
Sales of new and existing homes in the Lansing metropolitan area have fluctuated less since 2016 than from 2010 through 2015.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

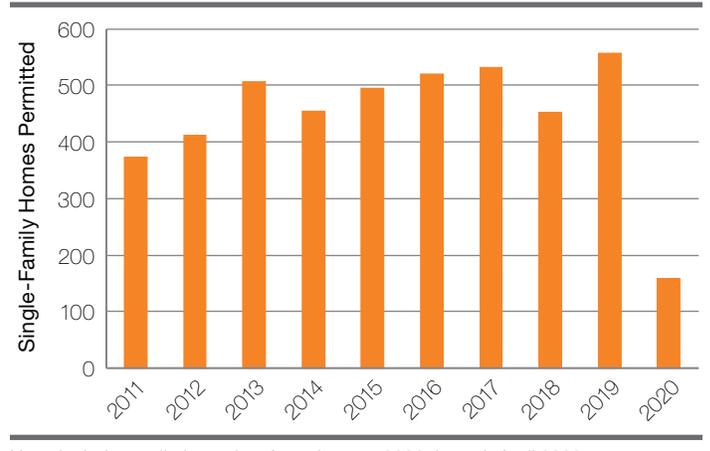
- Since 2014, approximately one-half of all single-family homes permitted in the Lansing metropolitan area have been in Ingham County and 28 percent have been in Clinton County—similar to the distribution of new home permitting from 2011 through 2013.
- In the city of Dewitt, in Clinton County, Crouner Farms is a new neighborhood with 124 home sites, 76 of which have been sold. Homes can be custom-designed or designed from customizable models and start at \$424,900.

The rate of seriously delinquent mortgages and REO properties in the Lansing metropolitan area has been below the national rate since 2010.



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

Single-family home permitting in the Lansing metropolitan area was relatively stable from 2012 through 2018.



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

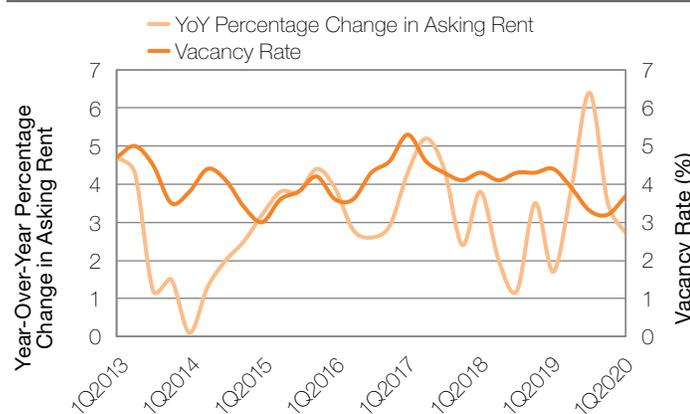


Apartment Market Conditions

Apartment market conditions in the Lansing metropolitan area are currently slightly tight, compared with balanced conditions during 2010. Conditions have tightened since 2010, primarily because of relatively stronger population growth, particularly from 2015 to 2017, that outpaced new apartment production. Renter households living in single-family housing units declined from 36 percent of all renter households during 2010 to 33 percent of all renter households during 2018 (ACS 1-year data).

- During the first quarter of 2020, the apartment vacancy rate in the Lansing metropolitan area was 3.7 percent, down from 4.4 percent a year earlier (RealPage, Inc.). Since 2010, the vacancy rate for the area has been above 5 percent in only three quarters, indicative of balanced to slightly tight apartment market conditions.
- Of the three RealPage, Inc.-defined market areas, the highest vacancy rate was 4.0 percent in the Lansing market area, down from 4.8 percent a year ago. During the same time, both the East Lansing and Outer Lansing market areas reported 3.4-percent vacancy rates, down from 4.2 and up from 3.1 percent a year ago, respectively.
- The average asking rent in the Lansing metropolitan area during the first quarter of 2020 was \$912, up almost 3 percent from a year ago.
- The highest asking rent in the metropolitan area was \$972 in the Outer Lansing market area, up almost 12 percent from a year ago. The respective average rents in the Lansing and East Lansing market areas were \$841, up 2 percent from a year ago, and \$970, relatively stable compared with a year ago.

Apartment rents have grown in the Lansing metropolitan area since 2012, coinciding with the apartment vacancy rate below 5 percent.



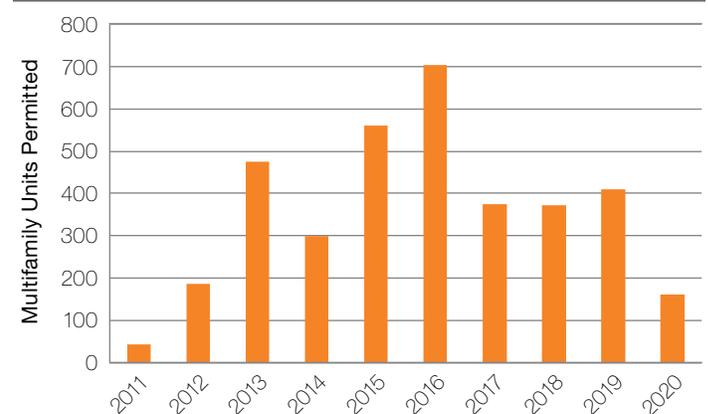
1Q = first quarter. YoY = year-over-year.
Source: RealPage, Inc.

New apartment development, as measured by the number of multifamily units permitted, has modestly lagged population growth since 2010, resulting in slightly tighter conditions than previously. Since 2017, 51 percent of apartment development in the metropolitan area was in East Lansing, up from 36 percent from 2010 through 2016.

- During the 12 months ending April 2020, an estimated 450 new multifamily units were permitted, approximately 12 percent below the 510 units permitted a year earlier (preliminary data and estimates by the analyst).
- Recently, multifamily development peaked during 2015 and 2016 when 560 and 700 new units were permitted, respectively. These years coincided with job growth in the Lansing metropolitan area that exceeded the national rate of growth and with relatively strong population growth in the area.
- Multifamily development fell to an annual average of 370 units permitted during 2017 and 2018. This drop allowed the market to absorb units that came online during 2016 and 2017, and since 2013, the apartment vacancy rate in the Lansing metropolitan area was only above 5 percent for one quarter during 2017.
- Ingham County typically has the highest level of multifamily development, including all the units permitted during the 12 months ending April 2020. From 2014 through 2018, an estimated 80 percent of all multifamily units permitted in the Lansing metropolitan area were in Ingham County.
- Metro Place Apartments, recently completed in downtown Lansing, includes 147 units, with studio, one-, and two-

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Multifamily permitting in the Lansing metropolitan area has declined from a recent peak during 2016.



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



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bedroom unit rents starting at \$890, \$1,100, and \$1,330, respectively. New rental housing targeting students includes Skyvue apartments in Lansing, which opened in 2017 and includes one-, two-, three-, and four-bedroom apartments with rent charged by the bedroom, and Landmark on Grand River, which opened in 2018 and includes 273 units with studio, one-, and two-bedroom units.

- New student apartments are currently under construction in East Lansing, tentatively named “The Abbott.” The Abbott will have 218 units with 363 bedrooms and commercial space on the ground floor. Construction is scheduled to be finished in the winter of 2020; rents have not yet been disclosed.

