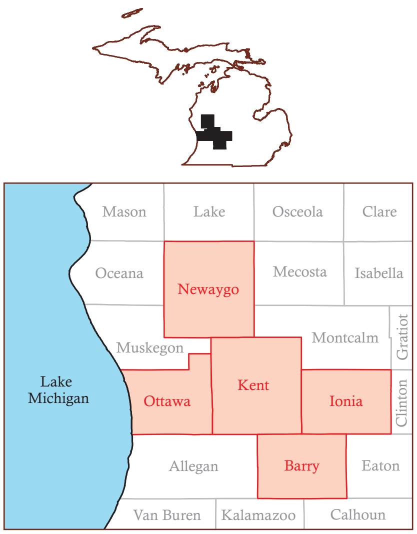
C O M P R E H E N S I V E H O U S I N G M A R K E T A N A L Y S I S

Grand Rapids, Michigan

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2014

Housing Market Area



The Grand Rapids Housing Market Area (HMA) consists of Barry, Ionia, Kent, Newaygo, and Ottawa Counties in western Michigan. The city of Grand Rapids is home to the Gerald R. Ford Presidential Library and Museum.

Market Details

Summary

Economy

The Grand Rapids HMA continued its recent economic growth that began in 2010, the longest continuous period of expansion since before 2000. Nonfarm payrolls during the 12 months ending June 2014 increased by 16,400 jobs, or 3.2 percent, to reach a new all-time peak level of 525,400 jobs, which surpasses the previous peak of 524,200 jobs in 2000. Job growth is expected to continue, but at a relatively slower rate of 2.1 percent annually, during the next 3 years. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

The sales housing market in the HMA is currently balanced. During the 12 months ending June 2014, home sales increased 22 percent, and the average sales price was up nearly 7 percent from a year earlier (Metrostudy, A Hanley Wood Company). Demand is estimated for 10,400 new homes, including 150 mobile homes, during the 3-year forecast period (Table 1). The 560 homes under construction and a portion of the estimated 21,500 other vacant units that may reenter the market will satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is currently balanced, with an estimated 5.3-percent vacancy rate, an improvement from 10.3 percent as of April 2010. The apartment market is tight, with a 2.3-percent vacancy rate, and the average rent for an apartment in the HMA is currently $710, an increase of $20, or 3 percent, from 1 year earlier. Demand is expected for 3,950 new market-rate rental units during the forecast period (Table 1). The 940 units currently under construction will meet a portion of that demand.

Table 1. Housing Demand in the Grand Rapids HMA During the Forecast Period

	Grand Rapids HMA	
	Sales Units	Rental Units
Total demand	10,400	3,950
Under construction	560	940

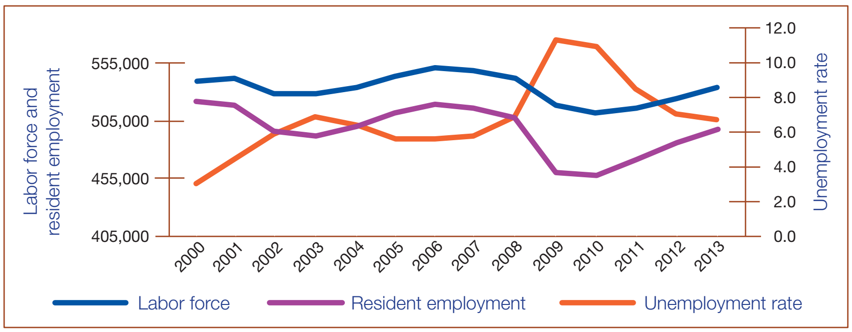
Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2014. A portion of the estimated 21,500 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand includes an estimated demand for 150 mobile homes. The forecast period is July 1, 2014, to July 1, 2017.

Source: Estimates by analyst

Economic Conditions

The economy in the Grand Rapids HMA continued the expansion that began in 2010. During the 12 months ending June 2014, nonfarm payrolls increased by 16,400 jobs, or 3.2 percent, to 525,400, from the previous 12 months. From the end of 2009 to the current date, nonfarm payrolls increased by an average of 14,200 jobs, or 2.9 percent, annually. This current expansion is the longest sustained period of growth in the HMA since before the year 2000. The current unemployment rate for the 12 months ending June 2014 is 6.1 percent, down from 6.8 percent during the 12 months ending June 2013 and down from a peak of 11.3 percent during 2009. Figure 1 shows trends in the labor force, resident employment, and unemployment rates from 2000 through 2013.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Grand Rapids HMA, 2000 Through 2013



Source: U.S. Bureau of Labor Statistics

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

	12 Months Ending		Absolute Change	Percent Change
	June 2013	June 2014		
Total nonfarm payroll jobs	509,000	525,400	16,400	3.2
Goods-producing sectors	118,300	123,800	5,500	4.6
Mining, logging, & construction	18,200	20,100	1,900	10.4
Manufacturing	100,100	103,800	3,700	3.7
Service-providing sectors	390,600	401,600	11,000	2.8
Wholesale & retail trade	69,100	70,900	1,800	2.6
Transportation & utilities	10,300	10,700	400	3.9
Information	5,000	5,100	100	2.0
Financial activities	25,000	25,200	200	0.8
Professional & business services	81,300	82,300	1,000	1.2
Education & health services	78,600	82,200	3,600	4.6
Leisure & hospitality	43,700	47,300	3,600	8.2
Other services	21,400	22,000	600	2.8
Government	49,000	48,500	– 500	– 1.0

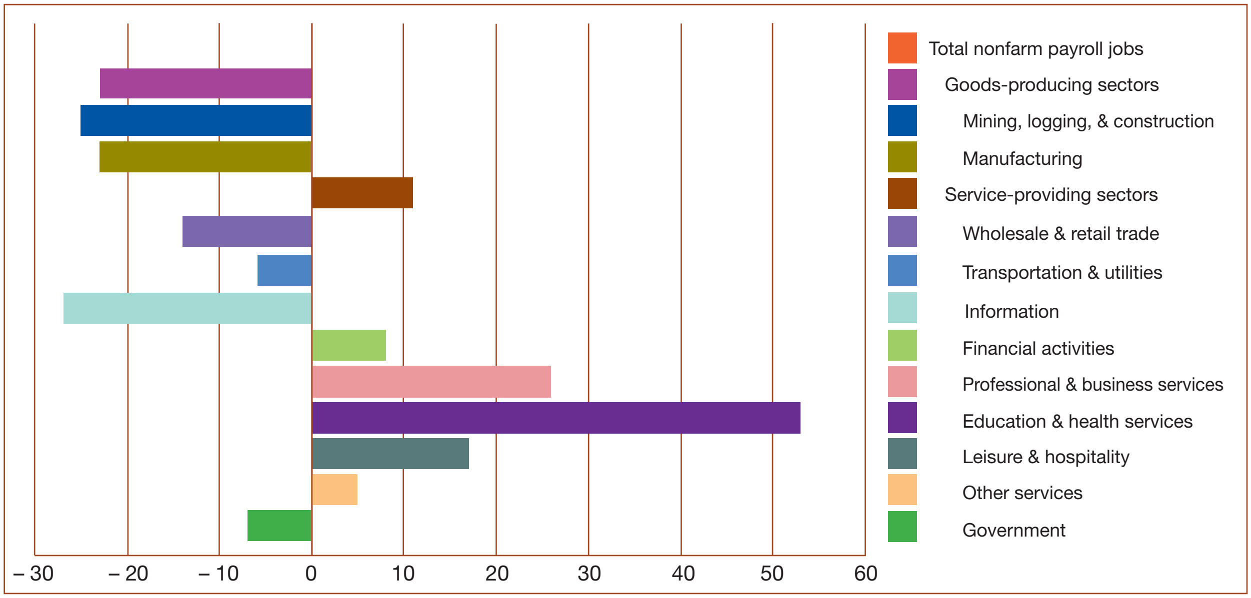
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2013 and June 2014.
Source: U.S. Bureau of Labor Statistics

Job growth in the HMA during the 12 months ending June 2014 was widespread across many sectors. The manufacturing sector led job growth, increasing by 3,700 jobs, or 3.7 percent, to 103,800 jobs, because the auto parts manufacturing industry continued to improve. The education and health services and the leisure and hospitality sectors also recorded strong growth, increasing by 3,600 jobs each, or 4.6 and 8.2 percent, respectively. The mining, logging, and construction sector had the greatest rate of increase, at 10.4 percent, or 1,900 additional jobs, to reach 20,100 jobs. Most of the job growth in this sector was in the construction subsector and was a result of increased residential and commercial building activity. The only sector in the HMA to record a decrease was the government sector, which declined by 500 jobs, or 1.0 percent, to 48,500 jobs. Table 2 shows 12-month average nonfarm payrolls by sector for the current and previous 12 months.

The recent economic growth and improving employment situation are a very positive turnaround from the conditions that existed during the 2000s, when nonfarm payrolls declined in 7 out of 10 years. Nonfarm payrolls increased by 12,800 jobs, or 2.5 percent, during 2000 to reach a high of 524,200 jobs. During the 2001-through-2003 period, nonfarm payrolls declined by an average of 9,000 jobs, or 1.7 percent, annually. Most of the job losses during those years were concentrated in the manufacturing sector, which declined by an average of 7,200 jobs, or 5.7 percent, annually, and the professional and business services sector, which declined by an average of 2,200 jobs, or 3.5 percent, annually. The HMA recorded modest employment growth during 2004 and 2005, with nonfarm payrolls increasing by an average of 3,850 jobs, or 0.8 percent, annually. Job gains were not widespread but mostly concentrated in the education and health services and the professional and business services sectors, which increased by an average of 2,100 and 2,300 jobs, or 3.4 and 3.8 percent, respectively. The manufacturing sector continued to decline but at a much slower rate of 0.7 percent, or 800 jobs, annually during this period. Beginning in 2006, nonfarm payrolls declined for 4 consecutive years, with widespread job losses across most sectors of the economy. During the 2006-through-2008 period, nonfarm payrolls declined by an average of 3,450 jobs, or 0.7 percent, annually, with most of the job losses being in the manufacturing sector, which declined by an average of 3,400 jobs, or 3.2 percent, annually. Job losses were more significant in 2009, with a decline of 32,900 jobs, or 6.7 percent. The manufacturing sector was especially hard hit during 2009, when this sector lost 16,800 jobs, or 16.6 percent, of all manufacturing employment, because domestic automobile production declined, causing a reduction in staffing at parts manufacturers in the HMA.

During the 2000s, only two employment sectors—the education and health services and other services sectors—recorded overall job growth. Employment in the other services sector increased by an average of 160 jobs, or 0.7 percent, annually from the end of 2000 through 2009, to reach 22,400 jobs; the education and health services sector gained an average of 2,100 jobs, or 3.4 percent, annually, to 72,600 jobs. The education and health services sector increased because the HMA is a regional center for healthcare services in western Michigan, and the healthcare industry is, in part, leading the transformation of the HMA economy from one heavily dependent on manufacturing to one with strong medical research and education components. Since 2000, the education and health services sector has recorded the strongest job growth of all sectors, increasing by an average of 1,950 jobs, or nearly 3 percent, annually and increasing more than 53 percent overall (Figure 2). The development of the Medical Mile, in the city of Grand Rapids, has greatly affected and contributed to job growth in the local economy. The Medical Mile is a stretch of hospitals and health research institutes along Michigan Avenue in the Grand Rapids Hillside district directly south of Interstate-196 (I-196). The Medical Mile started with the opening of the Van Andel Institute. In 2000, the Van Andel Institute, which primarily focuses on cancer research, completed construction of its $65 million building. In 2003, Grand Valley State University (GVSU) completed work on its $32 million Cook-DeVos Center for Health Sciences on the Medical Mile. With the completion of the Cook-DeVos Center, GVSU moved all its healthcare-related education to the new location. The Meijer Heart Center, which cost $35 million to build, was completed in 2004. The Meijer Heart Center is part of the Spectrum Health Systems, the largest employer in the HMA, with 19,100 employees (Table 3). In 2008, Spectrum Health Systems expanded its facilities with the addition of the $78 million Lemmen-Holton Cancer Pavilion.

Figure 2. Sector Growth in the Grand Rapids HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through June 2014. During this period, total nonfarm payrolls showed no net change.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Grand Rapids HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Spectrum Health Systems	Education & health services	19,100
Axios Inc.	Professional & business services	8,800
Meijer, Inc.	Wholesale & retail trade	7,725
Amway	Wholesale & retail trade	5,225
Johnson Controls Inc.	Manufacturing	4,050
Grand Valley State University	Government	4,000
Perrigo Company	Manufacturing	3,800
Spartan Stores Inc.	Wholesale & retail trade	3,600
Herman Miller, Inc.	Manufacturing	3,300
Steelcase Inc.	Manufacturing	3,225

Note: Excludes local school districts.
Source: The Right Place, Inc.

Adding even further to the Medical Mile, in 2010, Michigan State University (MSU) completed construction of the $90 million Secchia Center, which enabled MSU to nearly double its enrollment in the college of human medicine.

The Medical Mile area is likely to remain a catalyst for job growth in the HMA during the next several years because of the several ongoing or currently planned construction projects in that area. GVSU, which is expanding its health sciences campus, recently purchased 11 acres of land on the north side of I-196 across from the current Medical Mile area. In addition, MSU will begin construction on a biomedical research center, which has a completion date of mid-2017 and may add 150 full-time jobs when complete. The first hotel in the Medical Mile area, Hampton Inn, recently began construction of a $27 million facility. Healthcare research jobs outside the Medical Mile area are also being created. AvaSure, LLC, a medical equipment company, plans to add 100 jobs in the HMA during the next 3 years.

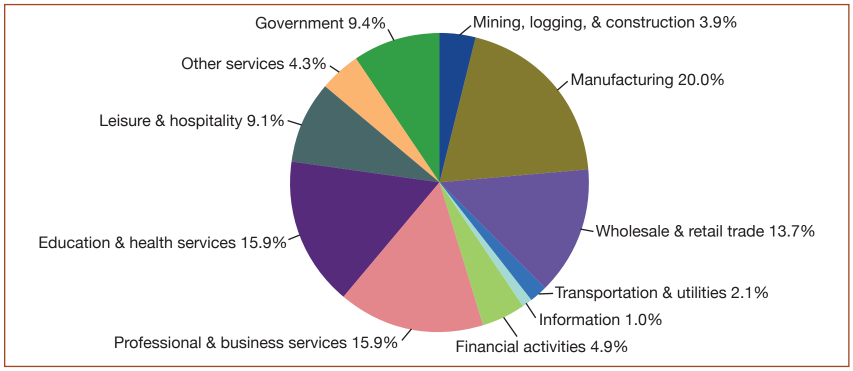
The local universities are also having an economic impact on the HMA. GVSU is the largest university in the HMA, with 24,650 students, up from 17,500 in 2000. The university also employs nearly 4,000 faculty and staff at its Grand Rapids and Allendale campuses. The university has an annual impact of $730 million on the local economy (2014 report issued by GVSU). The university is currently constructing a new $55 million science laboratory on its main campus in the city of Allendale, which will create 950 construction jobs. This project follows the recent completion of the $65 million Mary Idema Pew Library Learning and Information Commons on the Allendale campus. Development on the downtown Grand Rapids campus includes the L. William Seidman Center, a new $42 million building to house the university's school of business.

Even with the growth of the education and health services sector since 2000, the manufacturing sector still has a very large impact on the local economy. The manufacturing sector in the HMA was hit very hard during the 2000s, when the big three U.S. automakers—General Motors Company (GM), Ford Motor Company (Ford), and Chrysler Corporation (Chrysler)—faced declining sales and revenues that caused each company to cut back production. Many manufacturing jobs in the HMA related to auto parts manufacturing also were lost. In 2001, the automotive parts manufacturing industry employed 23,700 people. By 2008, this number had declined to 15,300 jobs, for an annual average decline of 1,200 jobs, or 5.3 percent. In 2009, with both GM and Chrysler filing for bankruptcy, employment in the automotive parts manufacturing industry declined by 4,475 jobs, or 29.2 percent, to 10,800 jobs. GM and Chrysler (now Fiat-Chrysler) both have exited bankruptcy reorganization, and employment in this sector has increased. In 2013, 14,950 jobs were in the auto parts manufacturing industry, an average increase 1,025 jobs, or 8.4 percent, annually since 2010.

Auto parts manufacturing is not the only industry with a large manufacturing presence in the HMA. Grand Rapids was known as "Furniture City" for many years because of the large number of furniture manufacturers in the HMA. In the early 2000s, local furniture manufacturers had numerous layoffs, which led to a decline in employment in furniture manufacturing. The furniture manufacturing industry declined by an average of 3,300 jobs, or 17.7 percent, annually; the number of jobs fell from 20,450 during 2001 to 13,850 during 2003. In 2002, Herman Miller, Inc., announced the layoff of 600 employees in the HMA. During 2003, Haworth Inc. cut 250 jobs and Steelcase Inc. announced more than 320 layoffs. The number of job losses then slowed but still continued as employment in the furniture manufacturing industry declined by an average of 450 jobs, or 3.5 percent, annually, to reach 11,150 during 2009.

Since bottoming out in 2009 at 84,400 jobs, manufacturing employment has increased by an average of 4,300 jobs, or 4.7 percent, annually, to 103,800 currently. This job number is still nearly 23 percent less than the 134,600 manufacturing jobs recorded during 2000. Despite the losses, the manufacturing sector is still the largest employment sector in the HMA, with 20 percent of all nonfarm payroll jobs. Figure 3 shows the percentage of current nonfarm payrolls in each employment

Figure 3. Current Nonfarm Payroll Jobs in the Grand Rapids HMA, by Sector



Note: Based on 12-month averages through June 2014.
Source: U.S. Bureau of Labor Statistics

sector in the HMA. A significant portion of the recent gains in the manufacturing sector was the result of the recall of previously laid-off employees from the automotive parts manufacturing companies after domestic production of automobiles started to recover.

Other industries are also adding manufacturing jobs. For example, Grand Rapids, which won the title "Beer City USA" in the 2012 and 2013 polls sponsored by Charlie Papazian, President of the Brewers Association of America, has 15 local craft beer breweries, 9 of which have opened since 2012. Founders Brewing Company recently announced a $25 million dollar expansion that will double the company's production capacity and add 50 jobs when the expansion is complete in mid-2015.

The overall number of job losses in the manufacturing sector since 2000 may be slightly misleading, because that number includes jobs that have changed nonfarm payroll sector classification. For manufacturing firms to retain maximum flexibility and to not be stuck with unnecessary costs, it is likely that temporary workers are now staffing manufacturing jobs that would now be classified in the professional and business services sector. The 2011 paper, "Responding to Manufacturing Job Loss: What Can Economic Development Policy Do?" by the Brookings Institution, explained, "Both the growth in professional and business services and the decline in manufacturing appear to have reflected manufacturing firms' new staffing practices of heightened firing of full-time employees and greater use of temporary workers as replacements into those vacated core manufacturing slots. Hired via temporary help agencies rather than the manufacturer, these new workers were then classified as temporary service workers rather than manufacturing employees, though they might have been doing identical work" (pp. 12–13). During 2000, 19,200 jobs were in the employment services industry. Since 2000, the number of jobs in this industry has increased by an average of 1,050 jobs, or nearly 4.2 percent, annually, to 33,400 during the 12 months ending June 2014. As manufacturing firms avoided hiring directly, this approach created opportunity for temporary employment agencies to expand in the HMA. Axios Inc., the second largest employer in the Grand Rapids HMA, with 8,800 employees, is one of the leading firms in supplying temporary labor to local manufacturing firms.

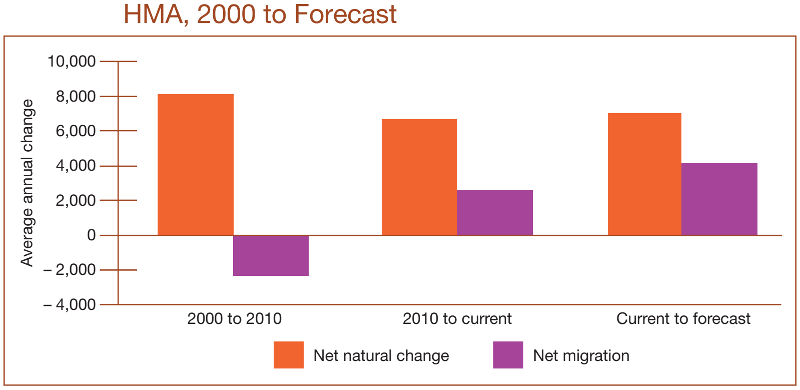
From 2000 through 2009, employment in the professional and business services sector declined by an average of 360 jobs, or 0.6 percent, annually but, since 2010, this sector has been the fastest growing sector of the economy. Nonfarm payroll jobs in the professional and business services sector increased by an average of 5,925 jobs, or 8.8 percent, annually from the end of 2009 through 2012. During the 12 months ending June 2014, employment in this sector increased by 1,000 jobs, or 1.2 percent, to 82,300 jobs.

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 11,000 jobs, or 2.1 percent, annually. Broad-based job growth is expected to continue during each of the 3 years of the forecast period but at a slower rate for each successive year, because many of the employment gains related to previously laid off manufacturing workers have already been realized. Employment growth should continue in the education and health services sector due to the expansions previously discussed. Employment in the construction subsector is also likely to increase as demand for housing increases and local home builders add workers.

Population and Households

The current population of the Grand Rapids HMA is nearly 1.08 million, representing an average increase of 9,175, or 0.9 percent, since April 2010. This most recent population growth is significantly higher than the average increase of 5,925 people, or 0.6 percent, annually between 2000 and 2010. The increased rate of population growth resulted from the net in-migration of 2,525 people a year since 2010 as the local economy expanded. By comparison, net out-migration averaged 3,325 people a year from 2002 to 2010, when the HMA lost jobs and people relocated in search of employment. Figure 4 shows the components of population change in the HMA from 2000 through the forecast period. Kent County, with a population of approximately 630,000, is the largest county in the HMA and includes the city of Grand Rapids. It accounts for slightly more than 58 percent of the HMA's total population. Kent County is also the fastest growing county in the HMA; its population has increased by an average of 6,500, or 1.1 percent, annually since April 2010. It has accounted for about 69 percent of the HMA population growth since 2010, because many young people

Figure 4. Components of Population Change in the Grand Rapids HMA, 2000 to Forecast



Notes: The current date is Juy 1, 2014. The forecast date is July 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

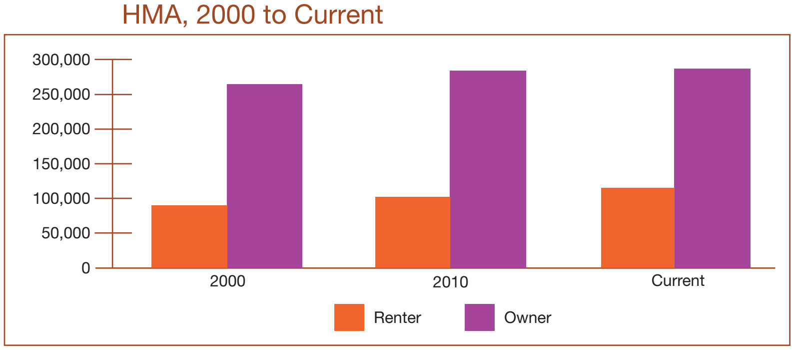
in-migrating to the HMA are choosing to live downtown in the city of Grand Rapids.

From 2000 to 2002, net in-migration to the HMA averaged 1,800 people a year (Census Bureau July 1 estimates). Although the local economy was losing jobs overall, this period of in-migration resulted from increasing enrollment at local universities and people moving into the HMA to fill jobs in the expanding education and health services sector. From 2002 to 2007, the out-migration from the HMA began as manufacturing and construction jobs continued to decline. Out-migration increased every year during this period and averaged more than 1,925 people a year. In 2008, with the onset of the national recession and further deterioration of economic conditions locally, out-migration increased and averaged 5,675 people annually from 2007 to 2010. As jobs started to return to the HMA, the trend of out-migration reversed and a net in-migration of 375 people occurred from 2010 to 2011. As job growth increased, net in-migration to the HMA increased and, since 2011, has averaged nearly 3,950 people a year.

The recent in-migration, along with a slowdown in family formation that is common during economic downturns, has changed the composition of the population growth. Net natural change (resident births minus resident deaths) averaged 8,050 people annually and accounted for all the population growth from 2000 to 2010 because of net out-migration. Since 2010, net natural change has declined to an average of 6,650 people a year and accounted for slightly more than 70 percent of all the population growth in the HMA. Economic growth in the HMA is expected to contribute to increased population growth of 11,000, or 1.0 percent, annually during the next 3 years, to reach a population of nearly 1.11 million people.

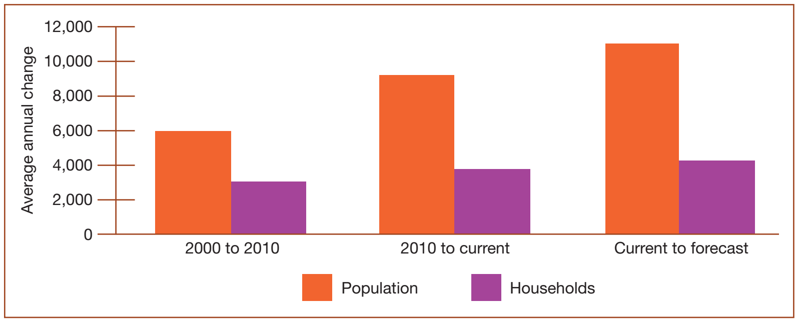
An estimated 400,000 households currently live in the Grand Rapids HMA, which represents an average increase of 3,675 households, or 0.9 percent, annually since April 2010. Between 2000 and 2010, the number of households increased by an average of 3,025, or 0.8 percent, annually. Figure 5 illustrates the number of households by tenure in the HMA for 2000, 2010, and the current date. The homeownership rate declined from 74.9 percent in 2000 to 73.6 percent in 2010 and to 71.8 percent currently as a result of weak economic and sales housing market conditions between 2000 and 2010 and the increasing number of renter households since 2010. The shift from ownership to renting expanded renter households in the HMA from 101,200 in 2010 to a current estimate of 112,700, a 2.6-percent annual increase that accounted for more than 74 percent of household growth during the period. During the next 3 years, the number of households is expected to increase by 4,200, or 1.0 percent, annually. Figure 6 shows population and household growth in the HMA from 2000 to the forecast date.

Figure 5. Number of Households by Tenure in the Grand Rapids HMA, 2000 to Current



Note: The current date is July 1, 2014.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Grand Rapids HMA, 2000 to Forecast



Notes: The current date is July 1, 2014. The forecast date is July 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

The home sales market in the Grand Rapids HMA is currently balanced, with an estimated sales vacancy rate of 1.8 percent, which is down from 2.3 percent in April 2010. The vacancy rate declined because of a sharp increase in home sales during the past 4 years, the result of improving economic conditions and population growth. The percentage of distressed mortgage loans and REO properties has also declined in the HMA. In June 2014, 2.9 percent of all mortgage loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned to REO (Real Estate Owned) status, which was down from 3.8 percent in June 2012 and well below the peak level of 8.3 percent recorded in January 2010 (Black Knight Financial Services, Inc.).

The existing single-family home sales market strengthened significantly during the 12 months ending June 2014, when existing single-family home sales increased by 1,425, or nearly 16 percent, to 10,100 homes sold (Metrostudy, A Hanley Wood Company). The average sales price of an existing single-family home increased $4,350, or nearly 3 percent, to $158,000. The sale of existing single-family homes in the HMA has increased every year since 2010, when the local economy began to improve. Before that time, when the HMA was losing jobs in the manufacturing sector, which was the HMA's employment base, home sales were declining. Existing single-family sales peaked in 2005, with 12,800 sales. From 2006 through 2009, existing single-family home sales declined by 1,800 homes, or 19 percent, annually, to 5,600 homes sold. Even with sales declining from 2005 through 2007, the average sales price increased from $147,800 in 2005 to $157,400 by 2007 for an annual average increase of $4,800, or slightly more than 3 percent, annually. In 2008, the sales price of existing single-family homes began to decline and, by 2009, averaged

$141,600, which was an average decline of $7,900, or slightly more than 5 percent, annually during 2008 and 2009. Beginning in 2010, because of improvement in the local economy and the impact from the first time homebuyer tax credit program, sales of existing single-family homes began to increase along with sales price. During 2012, 7,775 existing single-family homes sold, which was an average increase of 720 sales, or nearly 14 percent, annually from the number of sales during 2009. The sales price of existing single-family homes also increased by an average of $3,050, or 2 percent, annually during this period, to $150,800.

New single-family home sales in the HMA increased during the 12 months ending June 2014 by 70 sales, or 15 percent, to 550; the average sales price increased by $35,900, or nearly 20 percent, to $216,800. The recent large increase in new home prices is attributable, in part, to a constrained supply of new homes because not enough workers are available to build new homes. In January 2014, the Home Builders Association of Grand Rapids formed Construction Workforce Development Alliance, a task force that will attempt to address the worker shortage and recruit new workers to the construction industry. Most home builders in the Grand Rapids HMA say they could build more new homes but do not have enough crews to satisfy all the demand for new housing. With the constrained labor market, most new homes being built are those that are higher priced and more profitable. The number of sales during the 12 months ending June 2014 was nearly 63 percent below the average of 1,475 sales recorded annually during the peak years of 2005 and 2006. The average sales price of a new single-family home during 2005 and 2006 was $148,400. From 2007 to through 2011, the number of new single-family home sales declined by an average of 230 sales, or 21 percent, annually, to 410 sales in 2011; the average sales price declined by $1,300, or less than 1 percent, annually, to $142,000. In 2012, the new single-family home sales market began to improve again, with 430 sales, representing an increase of 20 sales, or nearly 5 percent; the average sales price increased by $23,200, or 16 percent, to $165,300.

Condominiums and townhomes make up a significant portion of the local sales market, but construction of new units has declined sharply since 2005. During the 12 months ending June 2014, new and existing condominium and townhome sales accounted for an estimated 13 percent of all sales in the HMA compared with 17 percent of total sales in 2005. Sales of new condominiums and townhomes totaled 120, a decline of 60 sales, or 33 percent, during the 12 months ending June 2014 compared with sales a year earlier. The average sales price of a new condominium or townhome was $214,200, which was down $2,700, or more than 1 percent. Current sales of new condominium and townhomes are well below the average from 2005 through 2007, when an average of 1,350 new condominiums or townhomes sold annually at an average sales price of $182,700.

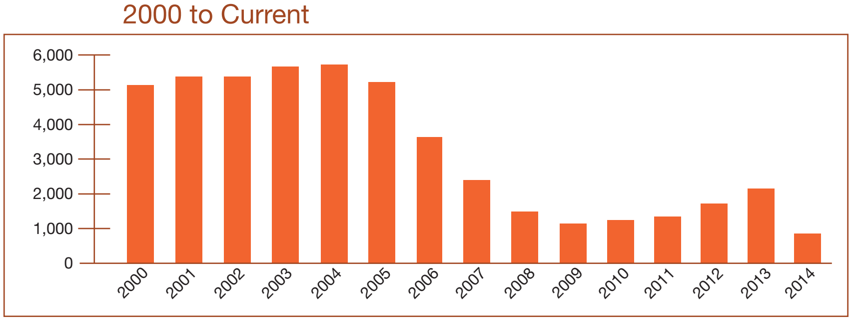
Between 2005 and 2007, more than 1,500 condominium units were permitted in the HMA. These 3 years account for more than 65 percent of the 2,300 condominium units permitted between 2000 and 2009. Some projects built had difficulty selling all the units. The River House Condominiums, which at 34 stories is the tallest building in the city of Grand Rapids and the tallest in Michigan outside of Detroit, had contracts for 140 of its 207 units before opening in 2008. The economic downturn impacted the buyers of these units and nearly 60 of the contracts were cancelled. By the end of 2012, the complex had managed to sell 198 of its 207 units. Other developers who could not sell their condominium units converted them to rental units. The Icon on Bond was a 118-unit condominium development that opened in 2007. This project sold only 4 units by 2009, when it went into foreclosure and the new management company converted the remaining units to apartments. From 2008 through 2012, the sale of new condominiums and townhomes averaged 460 a year, with an average sales price during those years of $178,900.

Sales of existing condominium and townhomes have increased recently. During the 12 months ending June 2014, sales of existing condominiums and townhomes totaled 2,400, an increase of 200, or nearly 1 percent, from the previous 12 months. The average sales price was $180,600, an increase of $10,300, or 6 percent, from the previous 12 months. The current level of sales is higher than at any time since 2005, when 1,900 existing condos and townhomes sold at an average sales price of $163,900. From 2005 through 2009, sales of existing condos and townhomes declined by an average of 190 sales, or nearly 12 percent, annually, while the average sales price remained essentially unchanged. Beginning in 2010, sales started to increase and reached 1,975 during 2012, with an average price of $166,100. During the 2010-through-2012 period, sales increased by an average of 375, or 20 percent, annually, while the average price increased by an average of $1,200, or less than 1 percent, annually. Some of these most recent sales were previously built condominium units that developers could not sell and converted to renter units; as the market improved, however, these units are reentering the sales market.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, including townhomes, totaled 1,850 during the 12 months ending June 2014 (preliminary data). The current number of homes permitted increased by 150 homes, or 7 percent, from the previous 12-month period and is up nearly 33 percent from the average of 1,375 single-family homes permitted annually from 2008 through 2012. Single-family building activity averaged 5,400 homes permitted annually from 2000 through 2005 and 3,000 during 2006 and 2007. Figure 7 shows the number of single-family homes permitted annually in the HMA since 2000.

One recent single-family home development, Brentonfield, is about 5 miles south of the city of Grand Rapids. Phase 1 of this development is nearing completion, with 70 homes built and only 13 available lots remaining. Homes ranging from 1,600 to 2,200 square feet at Brentonfield Phase 1 have

Figure 7. Single-Family Homes Permitted in the Grand Rapids HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2014.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

sold for an average price of $189,900. Phase 2 is expected to begin construction in 2015, with home prices ranging from $170,000 to $200,000. Another smaller development, Ryan Valley, which is north of the city of Grand Rapids, began construction on 19 lots in late 2013 and features home prices starting at $315,000.

During the 3-year forecast period, demand is estimated for 10,400 new homes, including an estimated 150 mobile homes (Table 1). The 560 homes currently under construction and a portion of the 21,500 other vacant units that may reenter the market will satisfy some of the demand. Demand is expected to be strongest in the $150,000-to-$199,999 price range. Table 4 illustrates estimated demand for new market-rate sales housing in the HMA by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Grand Rapids HMA During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
120,000	149,999	1,225	12.0
150,000	199,999	3,500	34.0
200,000	249,999	2,575	25.0
250,000	299,999	2,050	20.0
300,000	399,999	820	8.0
400,000	and higher	100	1.0

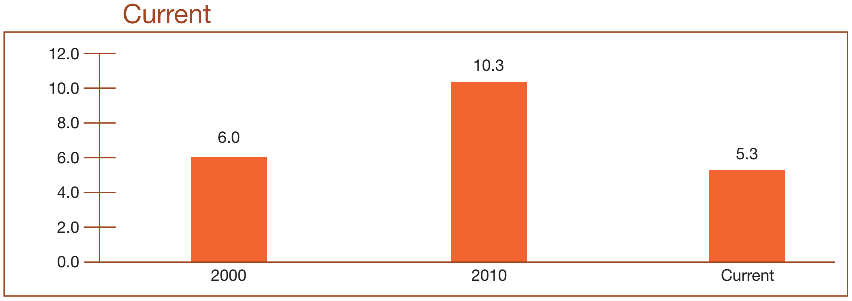
Notes: The 560 homes currently under construction and a portion of the estimated 21,500 other vacant units in the submarket will likely satisfy some of the forecast demand. Excludes the estimated demand for mobile homes. The forecast period is July 1, 2014, to July 1, 2017.

Source: Estimates by analyst

Rental Market

The rental housing market in the Grand Rapids HMA is currently balanced, with an estimated 5.3-percent vacancy rate, which is a significant improvement from the 10.3-percent vacancy rate recorded in April 2010. Figure 8 shows the vacancy rate in the HMA for 2000, 2010, and the current date. The apartment market in the HMA is tight, with a 2.3-percent vacancy rate during the second quarter of 2014 (Reis, Inc.). The apartment market has tightened significantly since the first quarter of 2010, when the vacancy rate was 6.7 percent and when people started to in-migrate to the HMA for jobs with the improving economy. The average rent for an apartment during the second quarter of 2014 was $710, an increase of $20, or 3 percent, compared with rents during the second quarter of 2013. The average rents for one-, two-, and three-bedroom units are currently $610, $760, and $1,110, respectively. The apartment market in downtown Grand Rapids is also very tight, because many young professionals have moved into the central business district since 2010. The downtown area of the city of Grand Rapids currently has a vacancy rate of 2.2 percent and an average rent of $1,300.

Figure 8. Rental Vacancy Rates in the Grand Rapids HMA, 2000 to Current

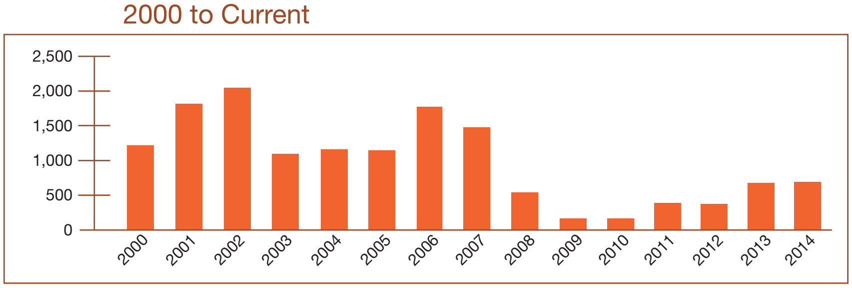


Note: The current date is July 1, 2014.

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, increased during the 12 months ending June 2014, when developers responded to tightening market conditions by increasing production. The 960 multifamily units permitted represent an increase of 470 units, or 96 percent, compared with the number of multifamily units permitted during the previous 12 months. Nearly all the recent multifamily construction has been for renter units. From 2000 through 2007, multifamily construction averaged 1,450 units permitted annually, with an average of 520, or nearly 36 percent, of all multifamily units permitted being owner-occupied units. In 2008, multifamily construction declined to 520 units permitted, with 60 of those units being owner occupied. During 2009 and 2010, multifamily construction slowed further, with an average of 170 multifamily units permitted annually; of those permits issued, an average of 35 were for owner-occupied units. During 2011 and 2012, as the local economy began improving and people started migrating into the HMA, local apartment conditions tightened, prompting increased multifamily construction. During those years, multifamily construction increased to an average of 370 units permitted annually, with owner-occupied units accounting for an average of 20 units, or about 5 percent, of all multifamily units permitted. Since 2008, all owner-occupied multifamily units have been in buildings with two, three, or four units or in existing commercial buildings that were converted to condominiums. Figure 9 shows the number of multifamily units permitted in the HMA from 2000 to the current date.

Figure 9. Multifamily Units Permitted in the Grand Rapids HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2014.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Recent developments in downtown Grand Rapids include the mixed-income developments of 26 Cherry Street apartments (45 units) and the 205 South Division Street apartments (38 units). Market-rate rents in these rehabilitated buildings are $900 and $1,375 for one- and two-bedroom units, respectively. Ridges of Cascade, a 240-unit apartment complex, began construction in early 2014. Rents at this property will range from $1,175 for a one-bedroom unit to $2,135 for a three-bedroom unit. This project is expected to be complete by the fall of 2014.

During the 3-year forecast period, demand is estimated for 3,950 new market-rate rental units (Table 1). The 940 multifamily units currently under construction will meet a portion of this demand. Slightly more than 40 percent of demand for renter units will be for two-bedroom units that rent for less than $1,375. Table 5 illustrates the estimated demand for new market-rate rental housing in the HMA by price range and bedroom size.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Grand Rapids HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
680 an higher	80	900 to 1,099	1,100	1,175 to 1,374	1,625	1,450 to 1,649	270
		1,100 to 1,299	250	1,375 to 1,574	440	1,650 to 1,849	40
		1,300 and higher	30	1,575 to 1,774	65	1,850 and higher	10
				1,775 and higher	45		
Total	80	Total	1,375	Total	2,175	Total	320

Notes: Numbers may not add to totals because of rounding. The 940 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2014, to July 1, 2017.

Source: Estimates by analyst

Data Profile

Table DP-1. Grand Rapids HMA Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	521,997	457,173	508,400	– 1.3	3.1
Unemployment rate	3.1%	10.9%	6.1%		
Nonfarm payroll jobs	524,200	466,700	525,400	– 1.2	3.4
Total population	978,796	1,037,961	1,077,000	0.6	0.9
Total households	353,792	384,115	399,700	0.8	0.9
Owner households	264,982	282,874	287,000	0.7	0.3
Percent owner	74.9%	73.6%	71.8%		
Renter households	88,810	101,241	112,700	1.3	2.6
Percent renter	25.1%	26.4%	28.2%		
Total housing units	379,940	426,259	432,600	1.2	0.3
Owner vacancy rate	1.3%	2.3%	1.8%		
Rental vacancy rate	6.0%	10.3%	5.3%		
Median Family Income	NA	$63,100	$60,300	NA	– 1.5

NA = data not avaiabe.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2014. Median Family Incomes are for 2009 and 2012. The current date is July 1, 2014.

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: 7/1/2014—Analyst's estimates
Forecast period: 7/1/2014–7/1/2017—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_GrandRapidsMI_15.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/portal/ushmc/chma_archive.html.