

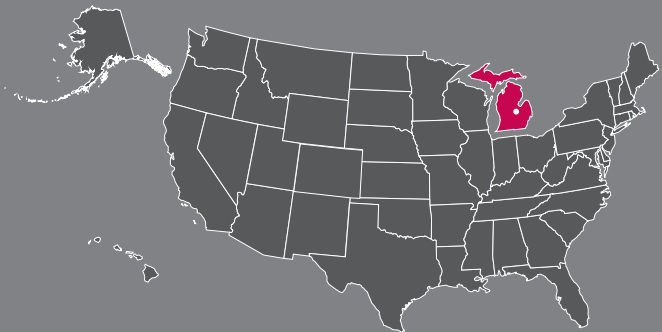
HUD PD&R Housing Market Profiles

Saginaw-Midland-Bay City, Michigan



Quick Facts About Saginaw-Midland-Bay City

- Current sales market conditions: slightly soft.
- Current rental market conditions: slightly soft.
- The education and health services sector is the largest nonfarm payroll sector in the three-county area, accounting for nearly 20 percent of nonfarm payroll jobs. During 2000, the sector was the third largest and accounted for 14 percent of nonfarm payrolls. Large employers in this sector include Covenant HealthCare, MidMichigan Health, and McLaren Health Care.



By Gabe Labovitz | As of October 1, 2017

Overview

The Saginaw-Midland-Bay City, MI Combined Statistical Area (hereafter, Saginaw area) includes three one-county metropolitan statistical areas (MSAs)—the Saginaw, Midland, and Bay City, MI MSAs. Bay City is a port on Saginaw Bay (Lake Huron) and was an important lumbering and milling center during the 19th and early 20th centuries, and Saginaw was an important manufacturing center with significant automobile and automobile parts manufacturing and assembly businesses. Because of this economic history, the Saginaw area has a significant concentration of special tool, die, jig, and fixture manufacturing. As of March 2017, Saginaw County has more than 16 times, and Bay County has nearly 7 times the concentration, respectively, of such jobs than the nation (Quarterly Census of Employment and Wages). Midland County, because of the presence of The Dow Chemical Company and E. I. Du Pont De Nemours and Company, has more than 18 times the national concentration of jobs in chemical manufacturing and includes the highest per capita concentration of people with Ph.D. degrees in the nation (Midland Tomorrow).

- As of October 1, 2017, the estimated population of the Saginaw area is 378,700, following population losses averaging 1,975 people annually, or 0.5 percent, since July 1, 2012. From July 1, 2012, to the current date, net out-migration from the Saginaw area averaged 2,150 people annually. By contrast, from March 1, 2010 to July 1, 2012, population loss in the Saginaw area averaged 1,075 people annually, and net out-migration averaged 1,500 people. Although the Saginaw area

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- emerged from the recent recession during 2010, job growth, which averaged 1.5 percent annually from 2010 to 2012, fell to an annual average of 0.4 percent since 2012.
- Net out-migration averaged 1,500 annually from 2000 to 2004 and increased to average 2,625 people annually from 2004 to 2010. Similarly, nonfarm payrolls fell 1.4 percent annually from 2000 through 2004, increasing to annual declines of 1.6 percent from 2004 through 2009.

- From 2010 to 2015, more people moved from the Saginaw area to the nearby MSAs of Flint and Detroit-Warren-Dearborn, because nonfarm payrolls grew faster in those MSAs than in Saginaw during that period. By contrast, in 2010, more people moved into the Saginaw area from those MSAs, because the economic recovery in the Flint and Detroit areas did not begin until 2011 (Internal Revenue Service migration data).

Economic Conditions

Economic conditions in the Saginaw area began to improve during 2010, following 9 years of nonfarm payroll losses averaging 2,500, or 1.5 percent, annually. From 2000 through 2006, jobs declined 1.1 percent, or 1,950 annually. From 2007 through 2009, the decline increased to 3.1 percent, or 5,100 jobs lost annually. Since bottoming out in 2009, nonfarm payrolls in the Saginaw area have increased an average of 0.5 percent annually. This growth rate is below the 1.3 and 1.5 percent rates of growth in the Midwest region and the nation, respectively, during the same time. Because of this modest rate of job growth, the current nonfarm payroll total of 163,200 jobs remains 8 percent below the most recent high of 177,400 jobs for the 3 months ending September 2000 and 0.4 percent below the 163,800 jobs averaged during the 3 months

ending September 2007. By contrast, payrolls in the Midwest region are currently more than 3 percent above the 2007 count. For the nation, the economy surpassed the September 2007 payroll count in September 2014, and the current 3-month average of 146.6 million jobs is more than 6 percent above the number of jobs in September 2007.

During the 3 months ending September 2017—

- Nonfarm payrolls in the Saginaw area averaged 163,200 jobs, an increase of 400 jobs, or 0.2 percent, compared with the jobs total averaged during the same 3-month period in 2016. The goods-producing and the service-providing sectors increased during the past year.

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Nonfarm payrolls in the Saginaw area grew 0.2 percent during the 3 months ending September 2017, with growth in both the goods-producing and the service-providing sectors.

	3 Months Ending		Year-Over-Year Change	
	September 2016 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	162.8	163.2	0.4	0.2
Goods-producing sectors	29.9	30.0	0.1	0.3
Mining, logging, and construction	5.9	5.9	0.0	0.0
Manufacturing	24.0	24.1	0.1	0.4
Service-providing sectors	132.9	133.2	0.3	0.2
Wholesale and retail trade	25.9	25.9	0.0	0.0
Transportation and utilities	3.8	3.7	-0.1	-2.6
Information	2.9	2.9	0.0	0.0
Financial activities	5.6	5.6	0.0	0.0
Professional and business services	21.9	21.8	-0.1	-0.5
Education and health services	31.1	31.2	0.1	0.3
Leisure and hospitality	16.7	16.8	0.1	0.6
Other services	6.7	6.8	0.1	1.5
Government	18.3	18.5	0.2	1.1
	(percent)	(percent)		
Unemployment rate	5.1	5.3		

Note: Numbers may not add to totals because of rounding.
Sources: U.S. Bureau of Labor Statistics; estimates by the analyst



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- Five payroll sectors gained, but only one sector added more than 100 jobs. The government sector gained 200 jobs, a 1.1-percent increase. Job growth was at the state and federal government levels and offset a modest decline in local government jobs.
- Four other payroll sectors added 100 jobs each—manufacturing, education and health services, leisure and hospitality, and other services. Gains of 100 jobs in each of these sectors resulted in growth rates ranging from 0.3 percent in the education and health services sector to 1.5 percent in the other services sector.
- Job gains in the manufacturing sector include up to 200 new production workers in Saginaw County at Nexteer Automotive Group, Ltd., with hiring that began in August 2017 to produce automotive steering and driveline parts. In the education and health services sector, McLaren Health Care opened a new medical office in Bay City in July 2017. MidMichigan Health announced plans for a new \$57 million facility in Midland, scheduled to break ground in the fall of 2017; additional jobs that may be added have yet to be announced.
- The unemployment rate averaged 5.3 percent, up from 5.1 percent a year earlier. Both labor force and resident employment declined during the past year, with a larger drop in resident employment leading to the higher unemployment rate. The

unemployment rate in the Saginaw area for the 3 months ending September peaked at 12.1 percent during 2009 and averaged 8.5 percent for the same 3-month periods from 2010 through 2015.

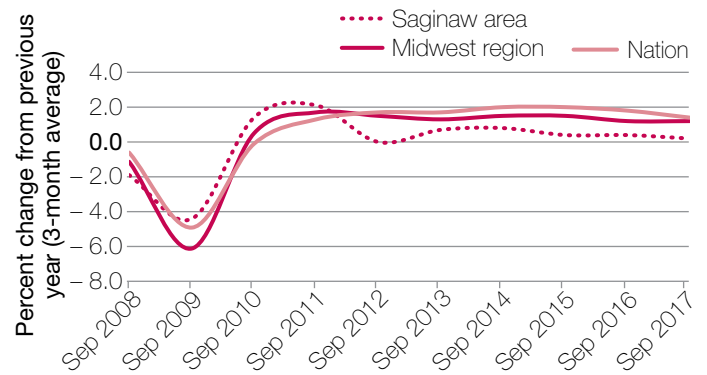
Dow Chemical was founded in Midland, Michigan in 1897. Dow Chemical merged with Du Pont in 2017 and is now DowDuPont, with an estimated market capitalization of \$130 billion. DowDuPont is the largest employer in the Saginaw area, with approximately 7,950 employees. In the summer of 2017, DowDuPont opened its new Global Dow Center in the city of Midland and broke ground on a new Innovation Center, with an estimated construction cost of \$100 million dollars in Bay County. On completion, DowDuPont expects to hire 100 new researchers for the facility, joining more than 1,100 researchers at other DowDuPont sites in the Saginaw area, some of whom will move to the Innovation Center. In May 2017, DowDuPont announced plans to fill 140 new manufacturing jobs at its Michigan Operations plant in Midland, and hiring for these jobs is ongoing.

Job growth has been slower in the Saginaw area than in the Midwest region and the nation since late 2012, reversing the 2009-through-2011 trend.

Largest employers in the Saginaw area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
DowDuPont	Manufacturing	7,950
Nexteer Automotive Group, Ltd.	Manufacturing	5,200
MidMichigan Health	Government	4,600

Note: Excludes local school districts.
Source: Saginaw Future, Inc., 2017



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

Sales Market Conditions

Sales housing market conditions in the Saginaw area are currently slightly soft with an estimated vacancy rate of 1.7 percent, down from 2.2 percent in 2010. Modest economic growth since 2009, along with fewer homes built, allowed for the absorption of some excess for-sale inventory. During August 2017, an estimated 3.8 months of supply of homes were for sale in the Saginaw area, down from 4.7 months a year earlier and 7.9 months during August 2010 (CoreLogic, Inc., with adjustments by the analyst). Despite the improving home sales market, the rate of seriously delinquent loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties has not fallen as rapidly as the rates in the state of Michigan and the nation, due in part to the slower

recovery in the Saginaw area. As of August 2017, the proportion of home loans in the Saginaw area that were seriously delinquent or had transitioned into REO status was 2.4 percent, down from 2.9 percent a year earlier. At the same time, the rates for Michigan and the nation were 1.5 and 2.2 percent respectively, both lower than the rates of 1.8 and 2.7 percent during August 2016 (CoreLogic, Inc.).

During the 12 months ending August 2017—

- Approximately 110 new home sales were recorded in the Saginaw area, 16 percent more new home sales than recorded during the previous 12 months ending August 2016. New home sales in the Saginaw area averaged 380 from 2002 through 2005, fell to an annual average of 210 sales during 2006 and

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2007, and further to an average of 140 sales annually from 2007 through 2014 (CoreLogic, Inc., with adjustments by the analyst).

- Despite modest sales counts in the Saginaw area, average sales prices for new homes exceed averages during the economic downturn. The average new home sales price during the 12 months ending August 2017 was \$170,000, less than 1 percent below the average a year earlier but down an average of 1 percent annually from 2012. New home sales prices averaged \$163,000 from 2005 through 2007, declined to average \$152,400 from 2007 through 2011, and reached a recent peak of \$181,900 during 2012.
- Existing home sales totaled 5,575, more than 8 percent above sales during the previous year. This increase was predominately among regular (nondistressed) resales, because REO sales fell

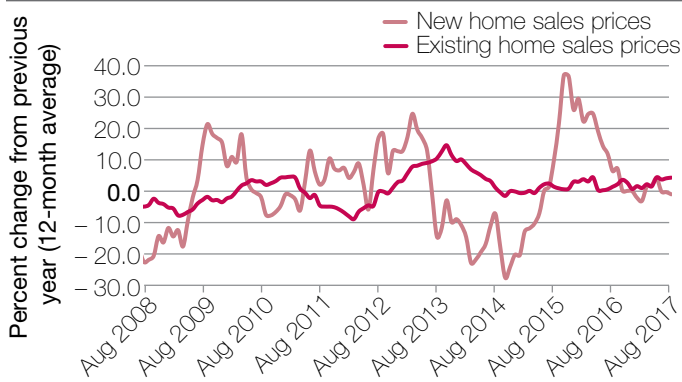
43 percent from 1,400 to 800, and short sales, which totaled 110, were less than one-half the 240 sales recorded a year ago.

- The average resale price was \$118,500, the highest annual rate recently recorded and more than 4 percent higher than the average price of \$113,600 during the previous 12-month period. The average REO and short sales prices during the 12 months ending August 2017 were \$35,750 and \$89,500, respectively, and steep declines in the number of these sales types contributed to the increased price for all resale homes in the Saginaw area. After a recent low of \$98,150 during 2011, resales prices rose an average of nearly 4 percent annually to \$113,800 during 2015.

Single-family homebuilding activity, as measured by the number of homes permitted, has been relatively stable since 2010 and below much higher counts early in the past decade.

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Because of lower sales totals, average new home sales prices were more volatile than average existing home sales prices in the Saginaw area.



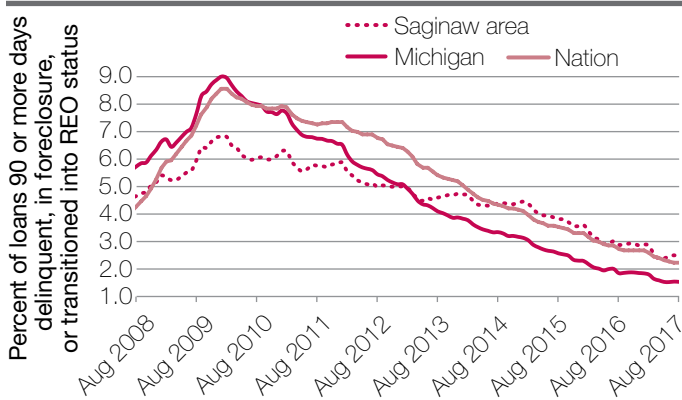
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

New home sales in the Saginaw area increased during 2017, and existing home sales have risen since 2013.



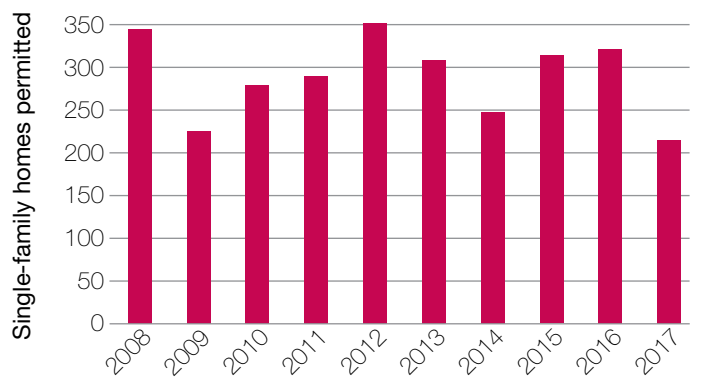
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

The percentage of seriously delinquent loans and REO properties in the Saginaw area had been below the national and state rates but have declined at a slower pace since 2012.



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

Single-family home permitting in the Saginaw area has been relatively steady since the area emerged from the recent recession during 2010.



Note: Includes preliminary data from January 2017 through September 2017. Source: U.S. Census Bureau, Building Permits Survey



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- The number of single-family homes permitted declined more than 6 percent during the 12 months ending September 2017 to 300, down from 320 homes permitted a year earlier (preliminary data).
- Single-family home construction activity peaked early in the past decade when an average of 1,150 homes were permitted annually from 2000 through 2004. After the number of homes permitted fell to 980 during 2005, construction activity continued to drop an average of 30 percent annually to a recent low of 230 homes permitted during 2009. Since 2009, single-family homes permitted have varied and averaged 300 annually through 2015.

- New home construction is mostly in the city of Midland and near suburban areas around the city. In northern Saginaw County, including Saginaw Charter Township, and Bay County, development is occurring in western Bay County townships such as Frankenlust, Monitor, and Williams.
- In the city of Midland, the Boulder Creek development includes 51 homes in its first phase, with approximately 35 sold. Prices start at \$309,000.

Rental Market Conditions

The rental housing market in the Saginaw area currently is slightly soft. The estimated vacancy rate for all rental units (including renter-occupied single-family homes, manufactured homes, and apartment units) was 7.2 percent as of October 1, 2017. Renter household growth since 2010 has helped occupancy improve. Increased demand for rental units and residual effects from the recent economic downturn also led to the conversion of single-family homes from owner occupancy into rental tenure.

- From July 1, 2010 to July 1, 2016, the percentage of renter households in single-family homes in the Saginaw area rose from 41 to more than 44 percent. At the same time, because of increased apartment production, the percentage of renter households in apartment properties with more than five units per building also rose from 37 to 39 percent (2010 and 2016 American Community Survey 1-year data).
- The apartment market is currently balanced, with a 3.8 percent vacancy rate in the third quarter of 2017, down from 4.1 percent

a year earlier (Saginaw and Bay counties only, Reis, Inc.). In Midland County, the apartment market is slightly soft primarily because of a new apartment property with 137 units that opened during the past year.

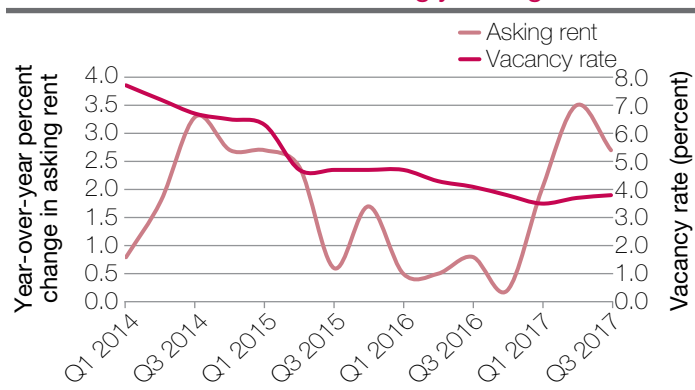
- The average apartment asking rent, also in Saginaw and Bay counties only, was \$675 in the third quarter of 2017, an increase of \$18, or nearly 3 percent from a year earlier.

Multifamily construction activity, as measured by the number of multifamily units permitted, declined during the past year following 7 years of increasing production.

- During the 12 months ending September 2017, approximately 130 multifamily units were permitted compared with 380 units permitted during the previous 12-month period (preliminary data).
- Since a low of two multifamily units were permitted during 2008, multifamily construction has increased, averaging 30 units permitted annually during 2009 and 2010. As economic conditions

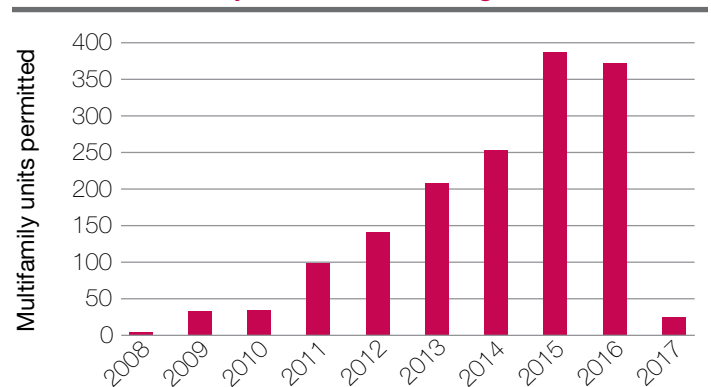
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The vacancy rate has declined steadily in the Saginaw area since 2014; the average rent has risen since 2014 and increased strongly during 2017.



Q1 = first quarter. Q3 = third quarter.
Source: Reis, Inc.

Multifamily permitting in the Saginaw area has increased steadily since a low during 2008.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey



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- improved, permitting increased to 100 units during 2011 and then rose an average of approximately 40 percent annually to a recent high of 390 units permitted during 2015.
- Since 2010, approximately 39 percent of multifamily units permitted have been general occupancy, market-rate apartment development, 36 percent have been reserved for senior occupancy, and 21 percent have been condominium developments.
 - Recently completed apartments in Saginaw County include a 66-unit addition to the existing campus at New Hope Valley retirement community for independent elderly households, with rents from \$2,000 to \$3,800 a month. Meals and services are available for separate purchase. Brooks Estates Apartments in Midland opened in the winter of 2016 and offers 137 one- and two-bedroom units with current rents starting at \$797 and \$997, respectively.

