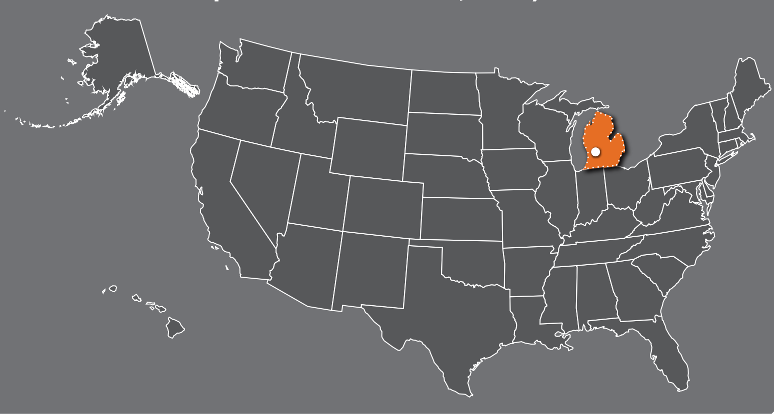
HUD PD&R Housing Market Profiles

Grand Rapids-Wyoming, Michigan

Grand Rapids, Michigan

Quick Facts About Grand Rapids

- **Current sales market conditions: tight**
- **Current rental market conditions: slightly tight**
- **Grand Rapids is historically known as America's Furniture City because of the large concentration of furniture manufacturers in the region during the early 20th century. The manufacturing sector is the leading employment sector in the Grand Rapids metropolitan area, accounting for 19 percent of all jobs. Manufacturers are 5 of the top 10 employers in the metropolitan area and exported approximately $5.7 billion worth of goods during 2022, up from $5.2 billion during 2019 (The Right Place Greater Grand Rapids Overview 2021, 2024).**



By Abram Olivas | As of June 1, 2024

Overview

The Grand Rapids-Wyoming, Michigan Metropolitan Statistical Area (hereafter, Grand Rapids metropolitan area) includes Barry, Kent, Montcalm, and Ottawa Counties in western Michigan. Near the confluence of Interstates 196 and 96, Kent County contains the central city of Grand Rapids and is the most populous county in the metropolitan area and fourth most populous in the state. The city of Grand Rapids historically developed as a center for the manufacture and export of goods and furniture, partly because of nearby access to ports along Lake Michigan and its central location in the Great Lakes region approximately 175 miles from both Chicago and Detroit. Although the furniture industry has diminished in size, the manufacturing sector has grown significantly since 2010, accounting for 111,200 jobs supported by automotive, industrial, and medical equipment manufacturing. The economy of the metropolitan area has continued to expand in the past year, although at a slower rate than the previous 2 years of relatively rapid nonfarm payroll growth.

The home sales market in the metropolitan area is currently tight because constrained for-sale inventory has contributed to rising home sales prices despite a significant decline in sales

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activity. The rental market is slightly tight, easing from tight conditions during the past 2 years. Vacancy rates are relatively low, and average rents continue to increase at a moderate rate.

- As of June 1, 2024, the population of the metropolitan area was estimated at 1.10 million, representing an average increase of approximately 5,225, or 0.5 percent, annually since 2018 (U.S. Census Bureau population estimates as of July 1; current estimate by the analyst). The rate of population growth during the period from 2010 to 2018 was approximately double, with an average increase of 10,350 people, or 1.0 percent, annually. From 2018 to 2019, net in-migration fell to 1,500, approximately 35 percent of the average level of net in-migration from 2014 to 2018.
- From 2018 to 2023, slowing nonfarm payroll growth and the general decline in migration around the nation due to the COVID-19 pandemic led to a lower level of net in-migration to the metropolitan area, averaging 1,100 people annually (Census Bureau population estimates as of July 1). The pandemic significantly increased mortality rates in the metropolitan area, dropping net natural increase from 4,650 during 2019 to 2,650 during both 2020 and 2021 before recovering gradually during the next 2 years.
- Since 2020, the formation of smaller households has contributed to an increase in home sales and apartment absorption despite slowing population growth. The rate of household formation averaged 4,125, or 1.0 percent, annually since 2020, a slight increase from the household growth averaging 4,025, or 1.0 percent, annually from 2010 to 2020.

Economic Conditions

Economic conditions in the Grand Rapids metropolitan area are stable following 3 years of relatively strong job increases. However, the rate of nonfarm payroll growth in the past year slowed below the average rate from 2015 through 2019, when jobs increased by an average of 11,200, or 2.1 percent, annually. Following the COVID-19-related economic downturn, the metropolitan area recovered all the jobs lost during 2020 by 2022. As of the 3 months ending May 2024, nonfarm payrolls were 3.2 percent greater than the average during the 3 months ending May 2019 before the pandemic, a faster rate of growth than the average of the Great Lakes region, which exceeded the prepandemic jobs count by 1.3 percent as of the 3 months ending May 2024. Although nonfarm payroll growth has occurred in 6 of the 11 nonfarm payroll sectors as of the 3 months ending May 2024, growth has been concentrated in the education and health services sector, followed by the mining, logging, and construction sector.

As of the 3 months ending May 2024—

- Nonfarm payrolls averaged 587,200, reflecting an increase of 1,600 jobs, or 0.3 percent, from a year earlier, a significantly lower annual gain than as of the 3 months

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Nonfarm payroll growth in the Grand Rapids metropolitan area occurred in 6 of the 11 employment sectors as of the 3 months ending May 2024.

	3 Months Ending		Year-Over-Year Change	
	May 2023 (Thousands)	May 2024 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	585.6	587.2	1.6	0.3
Goods-Producing Sectors	143.2	141.2	-2.0	-1.4
Mining, Logging, & Construction	27.7	30.0	2.3	8.3
Manufacturing	115.6	111.2	-4.4	-3.8
Service-Providing Sectors	442.4	446.0	3.6	0.8
Wholesale & Retail Trade	84.8	86.1	1.3	1.5
Transportation & Utilities	18.8	18.7	-0.1	-0.5
Information	6.9	6.7	-0.2	-2.9
Financial Activities	28.0	27.2	-0.8	-2.9
Professional & Business Services	80.0	79.0	-1.0	-1.3
Education & Health Services	97.5	100.9	3.4	3.5
Leisure & Hospitality	51.3	51.8	0.5	1.0
Other Services	24.1	24.3	0.2	0.8
Government	51.0	51.3	0.3	0.6
Unemployment Rate	3.1%	3.1%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

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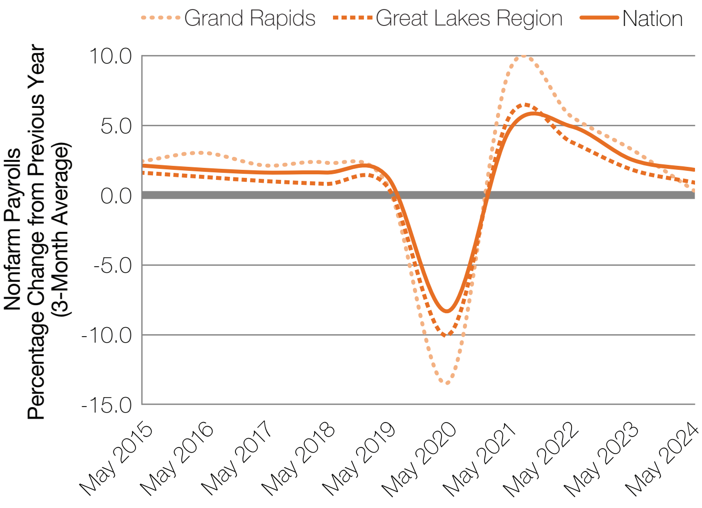
ending May 2023, when nonfarm payrolls increased by 18,400 jobs, or 3.2 percent, from a year earlier.

- The education and health services sector led gains, adding 3,400 jobs and representing a 3.5-percent increase from a year earlier. That increase was a faster rate of growth than during the period from 2015 through 2019, when the sector grew by an average of 2.4 percent annually, partly because of recent hospital expansions.
- The sector with the most job losses was the manufacturing sector, falling by 4,400 jobs, or 3.8 percent, from a year earlier, partly because of a decline in the auto parts and furniture manufacturing industries. Except for the pandemic-related economic downturn during 2020, the manufacturing sector has not had a net decline in jobs since at least 2010.
- The unemployment rate in the metropolitan area averaged 3.1 percent, unchanged from a year earlier and down from 3.4 percent as of the 3 months ending May 2022. From 2016 through 2019, the unemployment rate averaged 3.3 percent annually. The unemployment rate in the metropolitan area has consistently been below the national rate, which averaged 4.2 percent annually from 2016 through 2019 and 3.9 percent as of the 3 months ending May 2024.

In the Grand Rapids metropolitan area, job growth as of the 3 months ending May 2024 has slowed below the average rate from 2016 through 2019.



Source: U.S. Bureau of Labor Statistics

The metropolitan area is a regional center for healthcare because of the large concentration of hospitals and healthcare providers, such as Corewell Health and Mercy Health, two of the three largest employers. The education and health services sector accounted for 100,900 jobs, or 17 percent of all nonfarm payrolls, in the metropolitan area as of the 3 months ending May 2024, an increase of 3,400 jobs, or 3.5 percent, from a year earlier. In the past 2 years, Corewell Health has invested $260 million in new outpatient care facilities in Kent County, with several projects completed in late 2023. Trinity Health opened a new behavioral health center in Grand Rapids in early 2024.

Largest Employers in the Grand Rapids Metropolitan Area

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

Note: Excludes local school districts.
Sources: The Right Place Greater Grand Rapids Overview 2024; Kent County Financial Overview 2024

Sales Market Conditions

The home sales market in the Grand Rapids metropolitan area is currently tight, easing from very tight conditions during the previous 3 years because home sales price growth has slowed, and the amount of for-sale inventory has increased. The home sales vacancy rate is currently estimated at 0.5 percent, down from 0.9 percent as of April 2020, when conditions were balanced. Following a period of elevated sales activity from 2021 through 2022, total home sales during the 12 months ending May 2024 fell to 15,900, 30 percent below the average annual level from 2016 through 2019 (CoreLogic, Inc.). Home sales have fallen, partly because of higher mortgage interest rates increasing sharply during 2022 and relatively high levels of home price growth since 2020, decreasing affordability for potential buyers. From 2021 through 2023, tight home sales market conditions led to year-over-year home price growth averaging 13 percent annually. Home price growth as of the 12 months ending May 2024 has fallen to 7 percent, below the average annual 8-percent rate of increase from 2016 through 2019, but the rate is slightly higher than the national average of 6 percent during the past 12 months. The active for-sale listing count increased during the past 2 years. However, it is still less than one-half the average level of listings during 2019. Slowing single-family construction has also contributed to higher home prices. The rate 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 status as of May 2024 was approximately unchanged from a year earlier at 0.5 percent, the lowest level on record and down from 0.7 percent as of May 2022. The May 2024 rate was lower than the state and national rates of 0.7 and 0.9 percent, respectively.

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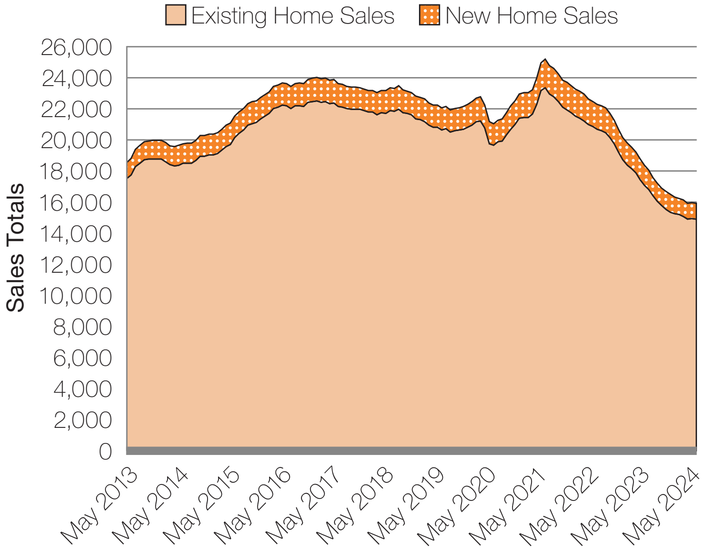
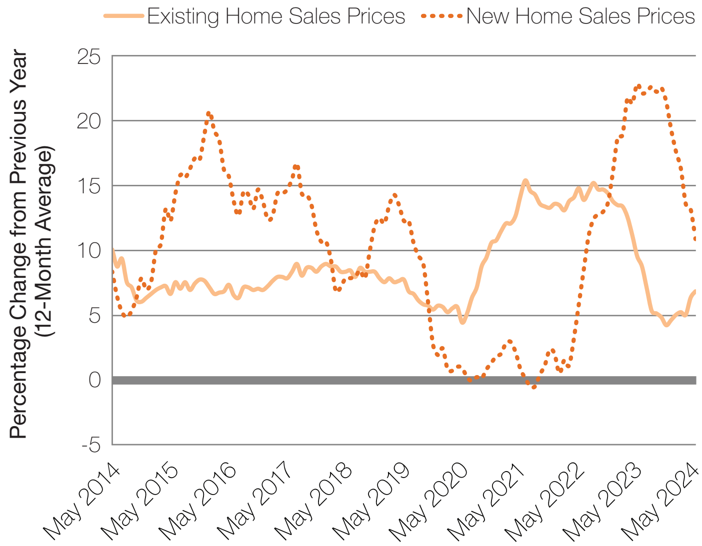
During the past year, total home sales in the Grand Rapids metropolitan area fell to the lowest annual total since 2013.



Note: Sales are for single-family homes, townhomes, condominiums, or any combination.
Source: CoreLogic, Inc.

Year-over-year price growth in the Grand Rapids metropolitan area for existing home sales reached highs over 15 percent during the 2021 to 2023 period.



Note: Prices are for single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

During the 12 months ending May 2024—

- Existing home sales, which made up approximately 94 percent of all sales in the metropolitan area, decreased by 2,175 sales, or 13 percent, from a year earlier to 14,900. That decline was slower than during the 12 months ending May 2023, when existing home sales fell by 3,750, or 18 percent, from a year earlier. Home affordability and demand have been constrained by rapid increases in home prices and interest rates for 30-year fixed-rate mortgages, which rose sharply beginning in 2022—from historic lows of less than 3 percent in 2021 to more than 6 percent since 2023.
- New home sales totaled 1,025, a 20-percent decline of 250 sales from a year earlier and down from the decline of 340 sales, or 21 percent, as of the 12 months ending May 2023. New home sales have shifted toward larger and more expensive homes, with 32 percent of new homes sold selling for more than $500,000, up from 28 percent during the 12 months ending May 2023 (Zonda).
- The average sales price for an existing home was $316,500, up $20,100, or 7 percent, from a year earlier, following a 10-percent increase of $25,700 during the 12 months ending May 2023.
- The active for-sale inventory count increased by 100 homes, or 9 percent, to 1,300 during May 2024, slowing from the 17-percent increase of 180 homes listed as of May 2023.

The current number of home listings is still significantly fewer than the active for-sale inventory count during May 2020, which totaled 2,975 before falling to a low of 1,150 during May 2022, when sales market conditions were very tight.

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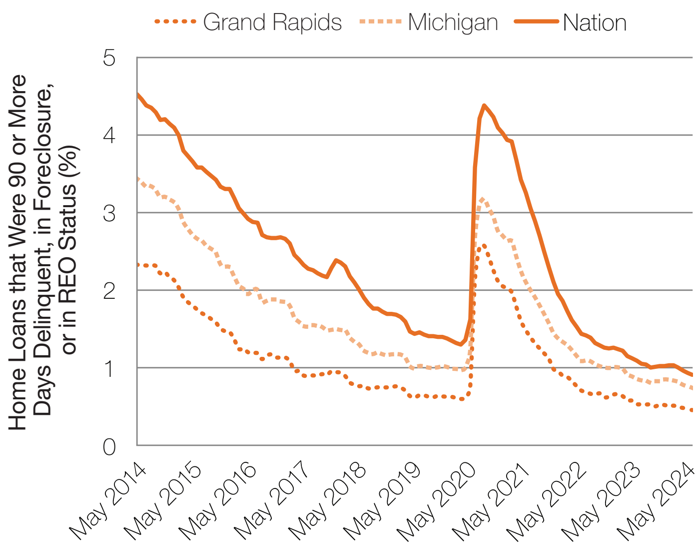
As of May 2024, the rate of seriously delinquent home loans and REO properties in the Grand Rapids metropolitan area fell to the lowest rate in more than 10 years.



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

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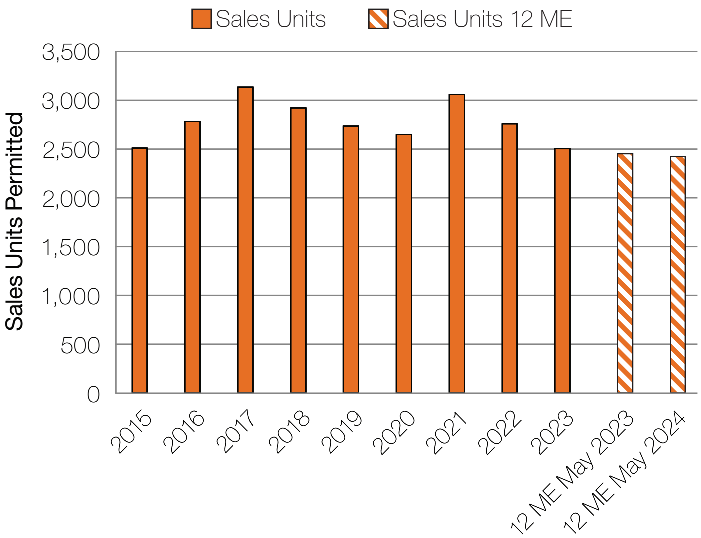
Sales unit construction activity—as measured by the number of single-family homes, townhomes, and condominiums permitted—decreased each of the past 3 years from a recent peak of 3,050 homes during 2021.

- The number of homes permitted during the 12 months ending May 2024 totaled 2,425, a slight decrease of 1 percent from the same 12-month period a year earlier (preliminary data, with adjustments by the analyst). The number of sales units permitted from 2020 through 2023 averaged 2,750 annually, reflecting a 5-percent decrease from the level of building activity from 2016 through 2019, when the number of homes permitted averaged 2,900.
- From 2021 through 2023, the distribution of home sales construction activity in the metropolitan area has increased in Ottawa County bordering Lake Michigan, accounting for 41 percent of the homes permitted since 2020. Ottawa County has also accounted for 57 percent of population growth in the metropolitan area since 2020, up from 34 percent during the previous decade, partly because homes in the county were generally more affordable than in neighboring Kent County (Census Bureau population estimates as of July 1; CoreLogic, Inc.).
- The Villas at Spring Lake Country Club is a built-to-suit single-family subdivision in Spring Lake Township in Ottawa County, approximately 30 miles west of the city of Grand Rapids. The subdivision began construction on three phases of homes in 2020. With the first two complete, the third phase will consist of 36 homes once finished. Currently, 10 plots are available for construction, 23 plots have been sold, and two homes are move-in ready. The subdivision will include 86 homes at full buildout, with prices for custom 1,550- to 2,550-square-foot homes listed between $445,000 and $540,000, respectively.

Sales unit permitting in the Grand Rapids metropolitan area averaged 2,775 annually from 2015 through 2023.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2015–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Rental Market Conditions

Rental housing market conditions in the Grand Rapids metropolitan area are slightly tight, easing from the tight conditions of 2021 and 2022 as multifamily construction activity has increased. The current estimated overall vacancy rate—including single-family homes, mobile homes, and apartments—is estimated at 5.9 percent, down from 6.2 percent as of April 2020, when rental market conditions were balanced. Approximately 47 percent of renter households in the metropolitan area lived in single-family homes or structures with two, three, or four units during 2022, down slightly from 49 percent during 2019 (2019–2022 American Community Survey [ACS] 1-year data) partly because of rental units moving into the for-sale market as home values rose. The average rate of apartment rent growth slowed during the past 2 years, following year-over-year growth that averaged 9 percent during 2021 and 2022, when conditions were tight.

- Apartment market conditions as of the second quarter of 2024 were also slightly tight, with a vacancy rate of 6.2 percent, up from 5.0 percent a year earlier (CoStar Group). The apartment vacancy rate was slightly higher than the overall rental market because the inventory of apartment units has increased since 2020, with units that began construction during 2022 and 2023 entering the market.
- As of the second quarter of 2024, the average apartment rent in the metropolitan area was $1,420, reflecting an increase of $50, or more than 3 percent, from a year earlier, approximately the same level of year-over-year rent growth as of the second quarter of 2023. Year-over-year second quarter rent growth averaged 4 percent annually from 2016 through 2020 because the level of apartment construction generally kept up with the rate of absorption.
- The average rent for a professionally managed, single-family detached home with three bedrooms was $1,691 as of the second quarter of 2024, an increase of $180, or 12 percent, from a year earlier (CoreLogic, Inc., with adjustments by the analyst). By comparison, the average rent increased by $110, or 8 percent, as of the second quarter of 2023.

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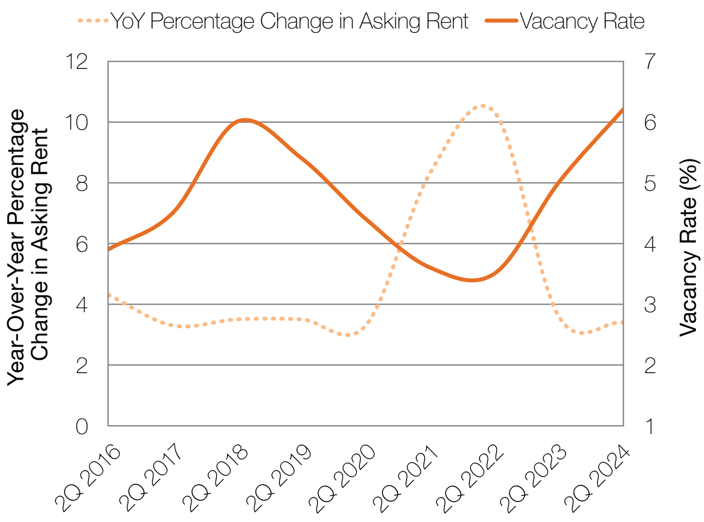
Single-family detached homes made up approximately 19 percent of all occupied rental units in the metropolitan area during 2022 (2022 ACS 1-year data), less than the national average of 25 percent.

- CoStar Group-defined Class B/C apartments, which are typically older and have fewer onsite amenities than Class A apartments, make up approximately 88 percent of the apartment inventory in the metropolitan area and have a lower vacancy rate than the overall apartment market. As of the second quarter of 2024, the vacancy rate for Class B/C apartments was 5.9 percent, up from 5.1 percent a year earlier. Rents averaged $1,371, approximately $50 less than the overall apartment market.

Rental construction activity, as measured by the number of rental units permitted, has slowed during the past 12 months following 2 years of increasing building activity.

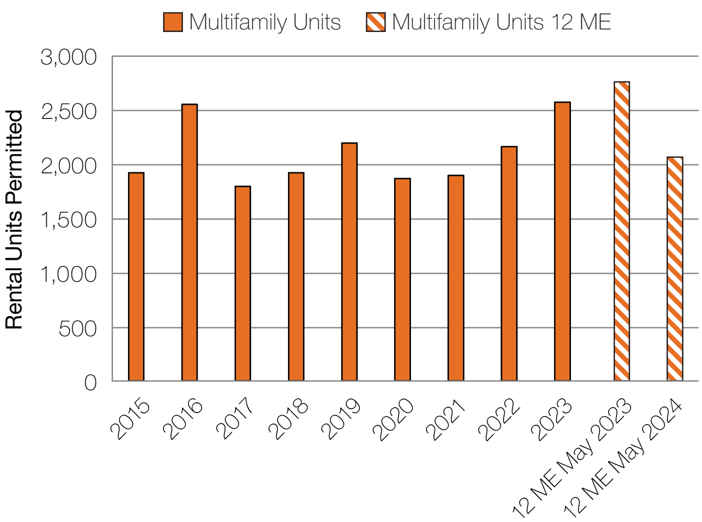
- During the 12 months ending May 2024, rental permitting totaled 2,075 units, a decrease of 700 units, or 25 percent, from the previous 12 months as developers responded to rising vacancy rates. An estimated 3,450 units are currently under construction.
- The most recent peak in rental building activity occurred during 2023, with an estimated 2,575 units permitted—a 19-percent increase of 410 units from the year before and well above the average of 1,925 units permitted annually from 2017 through 2021.
- Since 2020, approximately 78 percent of all rental development in the metropolitan area has occurred in Kent County—which includes the city of Grand Rapids—up slightly from 76 percent during the previous decade. Village East of Ada, a 92-unit apartment development, completed construction in January 2024 approximately 10 miles east of downtown Grand Rapids. Rents for available two-bedroom units are listed at $2,445.
- Savannah at Waterford Village Apartments, a townhome-style multifamily development in Kent County, is under construction, with 250 units to be complete during the third quarter of 2024. Fifty units are currently available, with rents ranging from $1,895 to $2,815 for one- to three-bedroom units.

From 2022 to 2024, average rent growth in the Grand Rapids metropolitan area has slowed as vacancy rates have increased.



2Q = second quarter. YoY = year-over-year.
Source: CoStar Group

Rental building activity in the Grand Rapids metropolitan area increased each year from 2020 through 2023.



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Sources: U.S. Census Bureau, Building Permits Survey; 2015–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The change in occupancy over a given period. Lease renewals are not factored into absorption unless the renewal includes the occupancy of additional space. (In that case, the additional space would be counted in absorption.) Pre-leasing of space in non-existing buildings (e.g., Proposed, Under Construction, Under Renovation) is not counted in absorption until the actual move-in date.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Includes resales, short sales, and real estate owned sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Interest Rates	Refers to average 30-year fixed-rate mortgage interest rates in the United States.
Net Natural Increase	Resident births are greater than resident deaths.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.
Stabilized	A property is stabilized once the occupancy rate has reached 90 percent or higher or at least 18 months have passed since the property was changed from “under construction” to “existing” on the CoStar Group website.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.