HUD PD&R Housing Market Profiles

Lansing-East Lansing, Michigan



- Current sales market conditions: balanced.
- Current rental market conditions: balanced.

The second-largest employer in the Lansing-East Lansing metropolitan area is Michigan State University (MSU). During the fall 2016 semester, 50,350 students from 50 states and 133 countries were enrolled at MSU, taught by 5,550 faculty and academic staff and assisted by 6,975 support staff (MSU data). MSU had a statewide economic impact of more than \$5.3 billion during 2014 (MSU data).



By Gabriel A. Labovitz | As of December 1, 2016

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 joined the union as a state in 1837. The largest employment sector in the Lansing metropolitan area is government, which accounts for 28.7 percent of nonfarm payrolls. The metropolitan area is also a regional center for health care, higher education, and the arts. During 2015, several museums, the Wharton Center for Performing Arts, and the Lansing Lugnuts Class A baseball team helped attract 4.8 million visitors to the region, which generated more than \$600 million and supported more than 11,000 jobs (Greater Lansing Convention and Visitors Bureau).

• As of December 1, 2016, the estimated population of the Lansing metropolitan area is 475,100, an average annual increase of 1,875, or 0.4 percent, since July 1, 2012. Growth was slower from April 1, 2010, through July 1, 2012, averaging 1,250 people annually, or 0.3 percent (Census Bureau decennial counts and July 1 population estimate).

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- Net out-migration averaged 540 people annually from April 1, 2010, through July 1, 2012. By contrast, since July 1, 2012, more people moved into the metropolitan area than moved away, and net in-migration averaged 190 people annually. The change in migration pattern was because of average yearly nonfarm payroll growth of 1.6 percent since 2012, more than twice the rate of nonfarm payroll growth during the 2010-to-2012 period.
- Since 2013, net in-migration has been recorded in Ingham County for the first time since the years before 2000. Population growth is occurring in and around downtown Lansing, primarily east of the capitol, with stronger growth in the city of East Lansing and in Meridian Charter Township.

Economic Conditions

Nonfarm payrolls in the Lansing metropolitan area declined in 7 of 9 years from 2000 through 2009. After the economy emerged from the recent recession during 2010, nonfarm payrolls in the metropolitan area increased 0.5 percent annually through 2012. By contrast, the growth rates in the state of Michigan, the six-state Midwest region, and the nation were 1.8, 1.4, and 1.2 percent, respectively. Since 2012, the rate of job growth in the metropolitan area has increased to 1.6 percent annually compared with rates of 1.8 percent for Michigan and the nation and 1.4 percent for the Midwest region. The current nonfarm payroll count in the metropolitan area is the highest since December 2003. During the 3 months ending November 2016-

- Nonfarm payrolls averaged 235,000, an increase of 4,400 jobs, or 1.9 percent, from a year earlier. The government sector led with a gain of 1,200 jobs.
- The manufacturing sector added 700 jobs. In the summer of 2016, General Motors Company completed a \$583 million upgrade of its Delta Township Assembly plant. The Lansing Grand River plant is also in the process of being upgraded, and the two plants combined employ approximately 6,000 workers. After record light vehicle sales in 2016, automakers are expecting a slowing of demand during 2017, and the third shift at the Lansing Grand River plant, including approximately 800 workers, is scheduled to end by the end of January 2017.

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During the 3 months ending November 2016 employment in all nonfarm payroll sectors in the Lansing area increased or remained stable from a year ago.

	3 Month	s Ending	Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	230.6	235.0	4.4	1.9
Goods-producing sectors	27.3	28.5	1.2	4.4
Mining, logging, and construction	7.2	7.6	0.4	5.6
Manufacturing	20.2	20.9	0.7	3.5
Service-providing sectors	203.2	206.5	3.3	1.6
Wholesale and retail trade	26.9	27.1	0.2	0.7
Transportation and utilities	8.8	8.9	0.1	1.1
Information	3.0	3.0	0.0	0.0
Financial activities	15.6	15.9	0.3	1.9
Professional and business services	22.5	22.5	0.0	0.0
Education and health services	30.6	31.7	1.1	3.6
Leisure and hospitality	19.4	19.7	0.3	1.5
Other services	10.1	10.2	0.1	1.0
Government	66.3	67.5	1.2	1.8
	(percent)	(percent)		
Unemployment rate	3.3	3.5		

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



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• The unemployment rate increased to 3.5 percent from 3.3 percent because the labor force grew rapidly, outpacing growth in resident employment. Despite the increase, 3.5 percent is the lowest rate recorded since 2000.

Currently under construction in the Lansing metropolitan area is the Facility for Rare Isotope Beams (FRIB) at MSU. The FRIB, scheduled to be operational in 2022, has an estimated total development cost of \$730 million: approximately \$635 million from the U.S. Department of Energy and the remaining \$95 million from MSU and the State of Michigan. MSU has the leading graduate program in nuclear physics in the nation (*U.S. News and World Report*). When operational, the facility is expected to employ more than 300 full-time researchers and staff and bring an estimated 1,000 visitors, primarily temporary researchers and support staff, to the

Largest employers in the Lansing area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Michigan	Government	14,400
Michigan State University	Government	12,500
Sparrow Health System	Government	7,000

Note: Excludes local school districts.

Source: Tri-County Regional Data Center

Sales Market Conditions

The sales housing market in the Lansing metropolitan area currently is balanced, with an estimated vacancy rate of 1.6 percent, down from 2.5 percent in April 2010. Single-family home construction, which reached a recent low of 250 homes permitted during 2009, increased somewhat but is much less than construction activity during the early 2000s. Reduced home construction activity since 2010 has enabled the sales market to absorb excess inventory. During the 12 months ending October 2016, an estimated 3.8 months of supply was in the metropolitan area sales market, up slightly from 3.6 months of supply a year earlier (CoreLogic, Inc., with adjustments by the analyst).

Improved economic conditions and the balanced sales market helped lower the levels of distressed mortgage loans in the Lansing metropolitan area. The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 2.2 percent during October 2016, down from 2.8 percent a year earlier. In Michigan, the rate was 1.9 percent, down from 2.5 percent, and for the nation, the rate was 2.6 percent, down from 3.4 percent during October 2015 (CoreLogic, Inc.). MSU campus annually. This influx of scientific talent may result in further job growth in private companies. Commercial benefits and related development have already begun; Niowave, Inc., developed a \$73 million facility in the city of Lansing during 2015 to produce medical-grade fissionable material for healthcare purposes and is in the process of adding approximately 90 employees.

Despite recent fluctuations, the nonfarm payroll growth rate in the Lansing area is currently higher than the rates for the Midwest region and the nation.



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

During the 12 months ending October 2016 (the best representative data available)—

- The number of new home sales totaled 260, nearly 3 percent more than the 250 new home sales recorded during the previous 12 months and up from the 230 new home sales averaged annually from 2010 through 2014 (CoreLogic, Inc., with adjustments by the analyst).
- The average sales price for new homes was \$219,000, nearly 23 percent above the average sales price a year earlier, which was the previous high.
- Existing home sales totaled 7,950, nearly 9 percent more than were sold during the previous 12-month period. Distressed home sales (REO and short sales) contributed to the increase, totaling 1,700, or 14 percent above the level of distressed sales a year earlier. Regular resales totaled 6,250, approximately 7 percent more than the rate of regular resales during the previous 12-month period.
- The average sales price for existing homes was \$124,300, or 6 percent more than a year earlier. Distressed sales contributed 21 percent of all existing home sales, up from 20 percent a year ago. The average sales price for a regular, nondistressed resale home was \$140,700, and the average sales price for a distressed home was \$61,650.

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Because of improving economic conditions and a strengthening sales market, home builders increased single-family home construction, as measured by the number of single-family homes permitted, from comparatively low levels recorded during the economic downturn.

- The number of single-family homes permitted during 2015 (the best representative data available) totaled 500, or 9 percent more than the 460 homes permitted during 2014.
- Single-family homebuilding averaged 260 annually during 2008 and 2009, when economic conditions in the Lansing metropol-

Because of positive economic conditions, new and existing home sales prices in the Lansing area have appreciated since late 2015 and late 2012, respectively.



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

The rate of seriously delinquent loans and REO properties in the Lansing area has declined since 2010 and is below the national rate.



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



itan area were weak. As the economy in the metropolitan area began to recover during 2010, homebuilding increased to 450 homes permitted, averaged 390 homes permitted during 2011 and 2012, and increased to 510 in 2013.

- During the height of the housing boom from 2000 through 2005, the number of single-family homes permitted averaged 1,750 annually but fell to 940 during 2006 as the sales market began to weaken.
- In East Lansing, Hawk Nest includes 76 built-out homesites in Phase IV of a neighborhood begun in 2003. Of the 76 homesites, 45 lots are being marketed, with 29 sold, and single-family homes start at \$193,500. The overall development will include more than 300 homes when all homesites are sold.

The rates of new and existing home sales in the Lansing area increased modestly during the past year.



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

Single-family permitting in the Lansing area has recovered from low levels during the recent economic downturn.



Source: U.S. Census Bureau, Building Permits Survey

Rental Market Conditions

Rental housing market conditions in the Lansing metropolitan area currently are balanced. Population growth, which has accelerated since 2012, along with a shift to renter occupancy, have helped the rental market absorb existing vacant apartment units, converted single-family homes, and newly constructed apartment units.

- The estimated vacancy rate for all rental units (including renteroccupied single-family homes, manufactured homes and multifamily rentals) in the Lansing metropolitan area is 6.0 percent as of December 1, 2016, a decrease from 9.0 percent in April 2010.
- As of July 2015, an estimated 25 percent of renter households were in single-family homes, 52 percent were in multifamily structures containing 5 to 49 units, and approximately 9 percent were in apartment properties with 50 or more units per structure (2015 American Community Survey, 1-year data).
- The apartment vacancy rate during the third quarter of 2016 was 3.6 percent, up from 3.3 percent a year earlier (Axiometrics, Inc.). Approximately 330 new apartment units entered the market during the past 12 months, nearly 38 percent more than the 240 apartment units that entered the market during the previous 12 months.
- The average monthly apartment asking rent was \$866 in the third quarter of 2016, an increase of \$47, or nearly 6 percent, from the third quarter of 2015.
- MSU has a significant effect on the rental market, but it is generally localized in the East Lansing area. Since 2010, approximately 500 new student apartments have been constructed in East





Q3 = third quarter. Source: Axiometrics, Inc.



Lansing. The university currently is constructing 1855 Place, which will include one-, two-, and four-bedroom apartments housing approximately 1,000 students and is scheduled to open for the fall 2017 semester.

Multifamily construction activity, as measured by the number of units permitted, slowed during the past year.

- During the 12 months ending November 2016, approximately 540 multifamily units were permitted, unchanged from the number permitted during the same period a year earlier (preliminary data).
- Multifamily permitting totaled 200 units during 2007; it declined during the economic downturn and the 2 years after, averaging 120 units permitted annually from 2007 through 2012, before increasing to 480 units permitted during 2013 and 300 units permitted during 2014.
- All of the 590 apartment units currently under construction are in Ingham County; one development is in the city of Lansing, and the remaining properties include two in the city of East Lansing and one in Delhi Charter Township.
- SkyVue Apartments currently is under construction in the city of Lansing on the boundary with East Lansing. The property is scheduled for completion in the fall of 2017 and offers 338 one-, two-, and four-bedroom units targeted to college students but open to the general public. One-bedroom units at SkyVue start at \$1,235, and two- and four-bedroom units offer per-bed pricing starting at \$870 and \$715, respectively. In downtown Lansing, The Outfield apartments, overlooking the Cooley Law School Stadium where the Class A Lansing Lugnuts minor league baseball team plays, opened in the spring of 2016. The Outfield includes 84 studio, one-bedroom, and two-bedroom units with rents starting at \$1,055, \$1,365, and \$1,495. The property currently is fully occupied.

Because of strong apartment market conditions, multifamily permitting in the Lansing area has increased since 2011.



Note: Includes preliminary data from January 2016 through November 2016. Source: U.S. Census Bureau, Building Permits Survey