

# Housing Market Profile

Midwest • HUD Region V



## Grand Rapids, Michigan

The Grand Rapids metropolitan area, located in southwestern Michigan, consists of Barry, Ionia, Kent, and Newaygo Counties. As of January 1, 2011, the population of the metropolitan area was estimated at 780,900, an increase of approximately 2,000, or 0.3 percent, in 2010. Since 2006, population growth has averaged 2,275, or 0.3 percent, annually, with all gains resulting from net natural change (resident births minus resident deaths), because net out-migration averaged 4,450 people annually. The leading employer in the metropolitan area is Spectrum Health, a provider of hospital and medical care, which employs 16,100 people, followed by grocery and general merchandise chain Meijer Inc., which employs 7,425 people. Grand Rapids has historically been known for furniture manufacturing. Although manufacturing employment declined in 2010, two furniture-manufacturing companies continue as major employers in the area. Steelcase Inc. and Herman Miller, Inc., rank number three and number six among top employers in the metropolitan area and employ 4,800 and 3,800 people, respectively.

During 2010, nonfarm payrolls declined by approximately 3,400, or 0.9 percent, to 359,500 jobs, which is 7 percent below the 386,800 nonfarm payroll jobs reported, on average, between 2004 and 2008. From 2006 through 2009, an average of 6,825 jobs, or 0.4 percent, was lost annually. The largest declines during 2010 were in the manufacturing sector, which lost 1,900 jobs, or 3.3 percent, including 300 manufacturing jobs lost in three mass layoffs at Steelcase Inc., Butterball Farms, and CompX Durislide. On January 12, 2011, Steelcase Inc. announced the planned closing of a plant in Kentwood, which is expected to eliminate 400 additional manufacturing jobs in the metropolitan area. The mining, logging, and construction sector and the trade sector declined by 1,200 jobs each, or 8.5 and 2.1 percent, respectively. Increases were reported in some service-providing sectors, including gains of 1,100 jobs, or 1.8 percent, in the education and health services sector, and 600 jobs, or 1.1 percent, in the professional and business services sector. Investment in healthcare services has been a priority in the metropolitan area, as reflected by the January 2011 opening of the \$286 million Helen DeVos Children's Hospital and the completion of the \$90 million Secchia Center, a medical education facility affiliated with Michigan State University. Together, these new healthcare facilities support approximately 1,125 new jobs downtown. The average

unemployment rate in the metropolitan area increased from 10.9 percent in 2009 to 11.3 percent in 2010.

The sales housing market in the Grand Rapids metropolitan area is soft, with an estimated vacancy rate of 2.7 percent as of January 1, 2011, due to the continued weak economy. According to the Grand Rapids Association of REALTORS®, in 2010, new and existing home sales declined 9 percent to 9,350 compared with the number sold in 2009; this number is well below the 13,450 sales reported annually, on average, from 2003 through 2005, the peak sales years in the decade. In 2010, the average sales price increased almost 7 percent, to \$114,700, as prices started returning to previous levels, which averaged \$153,400 between 2003 and 2005. In 2010, condominium sales increased 22 percent, to 890, compared with sales in the previous year, but the average sales price for condominiums declined 4 percent, to \$120,500. According to Lender Processing Services Mortgage Performance Data, during 2010, an average of 8.1 percent of total loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), up from an average of 7.8 percent of homes during 2009.

Despite the soft sales market in the Grand Rapids metropolitan area, single-family homebuilding activity, as measured by the number of building permits issued, increased in 2010. According to preliminary data, in 2010, approximately 860 homes were permitted, indicating an increase of almost 9 percent from the 790 homes permitted in 2009. This level of single-family home construction is significantly lower than the 1,700 homes permitted, on average, from 2006 through 2008. Newly constructed homes start at approximately \$100,000. Current developments in the metropolitan area include the Trent Ridge community in Cedar Springs, with 41 building lots and home prices starting at \$100,000, and Trail Side in Rockford, Michigan, with 41 building lots and home prices starting at \$165,700.

Reflecting the slow economy, rental development has been minimal, with no multifamily rental units permitted in 2010 and only 190 units permitted in 2009, for a continuing care retirement community. From 2006 through 2008, approximately 520 rental units were permitted annually. Completed in the fall of 2009, the 210-unit Stone Falls of Ada is a new general-occupancy rental property, with rents ranging from \$930 for a one-bedroom unit to \$1,725 for a three-bedroom unit.



Because of the lack of new supply in the market, rental market conditions are tightening but remain slightly soft. The rental vacancy rate in the Grand Rapids metropolitan area is estimated at 8.5 percent, down from 9 percent a year earlier. In the third quarter of 2010, according to Reis, Inc., the apartment market was tighter, with a vacancy rate of 5.5 percent and an average monthly rent of \$660 compared with a vacancy rate of 6.1 percent and an average monthly rent of \$655

during the third quarter of 2009. Current concessions in this market include reduced or waived security deposits and 50 to 100 percent off 1 month's rent with a 13-month lease. In downtown Grand Rapids, the rental market is tighter, with an estimated vacancy rate of approximately 5 percent. Several downtown apartment properties have opened in the past 5 years, advertising one-bedroom units from \$1,000 to \$1,300 and two-bedroom units from \$1,300 to \$1,750.