Economic Conditions

Economic conditions continue to strengthen in the Grand Rapids HMA, which has experienced 6 consecutive years of job growth since 2010. During the 12 months ending October 2016, nonfarm payrolls totaled 538,800, an increase of 14,100, or 2.7 percent, from the previous 12 months (Table 2). Nonfarm payrolls have increased by an average of 13,100, or 2.7 percent, annually since 2010. By comparison, during the same period, nonfarm payrolls have expanded an average 1.6 percent annually in Michigan and an average 1.4 percent annually in the nation.

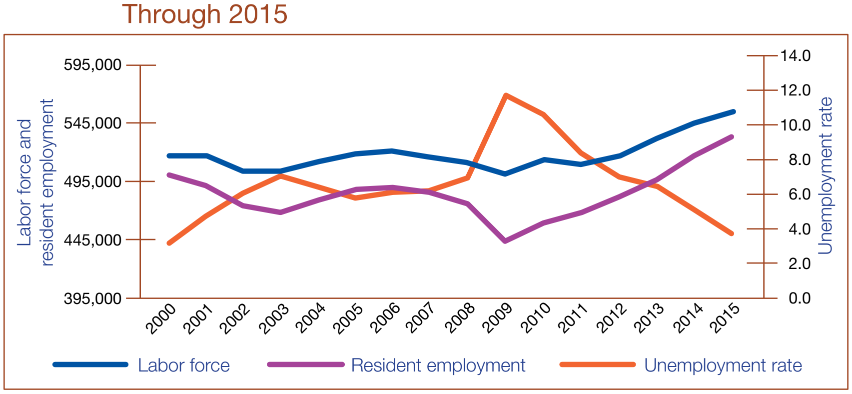
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Grand Rapids-Wyoming HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	October 2015	October 2016		
Total nonfarm payroll jobs	524,700	538,800	14,100	2.7
Goods-producing sectors	127,600	132,400	4,800	3.8
Mining, logging, & construction	20,600	21,300	700	3.4
Manufacturing	107,000	111,200	4,200	3.9
Service-providing sectors	397,100	406,300	9,200	2.3
Wholesale & retail trade	78,500	80,800	2,300	2.9
Transportation & utilities	14,800	15,000	200	1.4
Information	5,200	5,100	– 100	– 1.9
Financial activities	24,700	25,400	700	2.8
Professional & business services	75,700	76,100	400	0.5
Education & health services	84,800	87,900	3,100	3.7
Leisure & hospitality	46,100	48,100	2,000	4.3
Other services	21,400	21,900	500	2.3
Government	45,900	46,000	100	0.2

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through October 2015 and October 2016.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Grand Rapids-Wyoming HMA, 2000 Through 2015



Source: U.S. Bureau of Labor Statistics

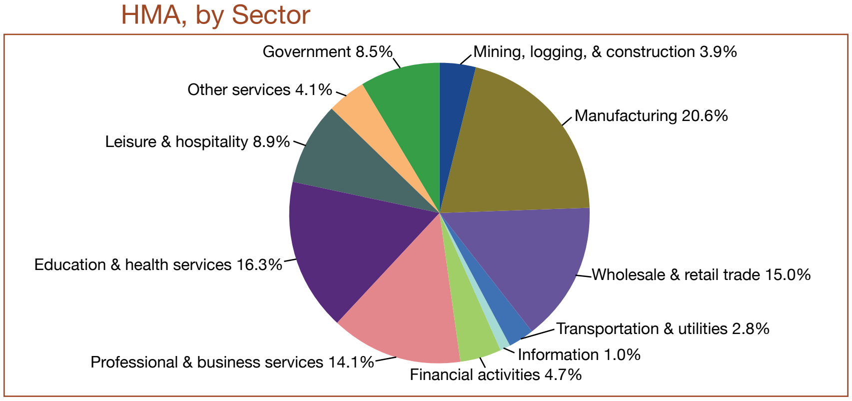
The unemployment rate in the HMA is currently 3.2 percent, down from 3.9 percent 1 year earlier and well below the 11.6-percent rate recorded during 2009. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2015.

Unlike the most recent periods of growth, economic conditions in the HMA were very weak from 2001 through 2009, when nonfarm payrolls declined by an average of 7,500, or 1.6 percent, annually. Although nonfarm payrolls declined overall during these years it was not one long steady decline, but rather two periods of decline surrounding a brief 2-year growth period. Nonfarm payrolls peaked in 2000 at 516,900 as the HMA was nearing the end of a long economic expansion in the 1990s. Following this peak, nonfarm payrolls declined for the next 3 years by an average of 9,600, or 1.9 percent, annually with job losses led by the manufacturing sector, which declined by an average of 6,700, or 5.4 percent, annually. During 2004 and 2005, the local economy expanded and nonfarm payrolls increased by an average of 3,900, or 0.8 percent, annually. Job growth was led by the professional and business services sector, which increased by an average of 2,500, or 4.1 percent, annually. During 2006, the local economy started to contract again and nonfarm payrolls declined by an average of 11,700, or 2.5 percent, annually during the next 4 years to a low of 449,100 nonfarm payroll jobs in 2009. The manufacturing sector again led job losses during the period, declining by an average of 6,500 jobs, or 6.6 percent, annually. From 2000 through 2009, the manufacturing sector was responsible for 70 percent of nonfarm payroll job losses in the HMA. Many of these job losses, especially in the latter half of the decade, were at auto parts manufacturing firms that supplied parts to the big three automakers. Chrysler Corporation and General Motors Corporation both going into bankruptcy had a ripple effect throughout the HMA's economy. The other historically important industry in the HMA, furniture manufacturing, accounted for a significant portion of the manufacturing job losses during the earlier period of contraction. 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.

Whereas the previous decade was about manufacturing job losses hurting the local economy, the most recent recovery and expansion is partly the result of the return of manufacturing sector jobs in the HMA. The manufacturing sector currently has 111,200 jobs and is the largest employment sector in the HMA, accounting for 20.6 percent of all nonfarm payroll jobs (Figure 2). The manufacturing sector led all employment sectors in job gains during the 12 months ending October 2016, increasing by 4,200 jobs, or 3.9 percent, from the previous 12 months. The manufacturing sector has also led job growth overall in the HMA since 2010, increasing by an average of 4,200, or 4.5 percent, annually. Part of the increase is due to the rising number of automotive sales nationally. The people who became unemployed due to layoffs at auto parts manufacturing companies at the end of the previous decade have been recalled to work as the economy has rebounded. Some recent expansions in the manufacturing sector include Discatal North America, Inc., an aluminum wheel manufacturer, which opened its facility in the HMA in the spring of 2016 and has already added 150 jobs of a planned 300. Mico Industries, Inc., a local metal stamping firm, recently completed an $8.2 million expansion that added 80 jobs.

The overall number of job losses in the manufacturing sector since 2000 may be slightly misleading because it includes jobs that have changed nonfarm payroll sector classification. In order for manufacturing firms to retain maximum flexibility and eliminate unnecessary costs, temporary workers who would be classified in the professional and business services sector now likely staff some manufacturing jobs. A 2011 paper by the Brookings Institution said, "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

Figure 2. Current Nonfarm Payroll Jobs in the Grand Rapids-Wyoming HMA, by Sector



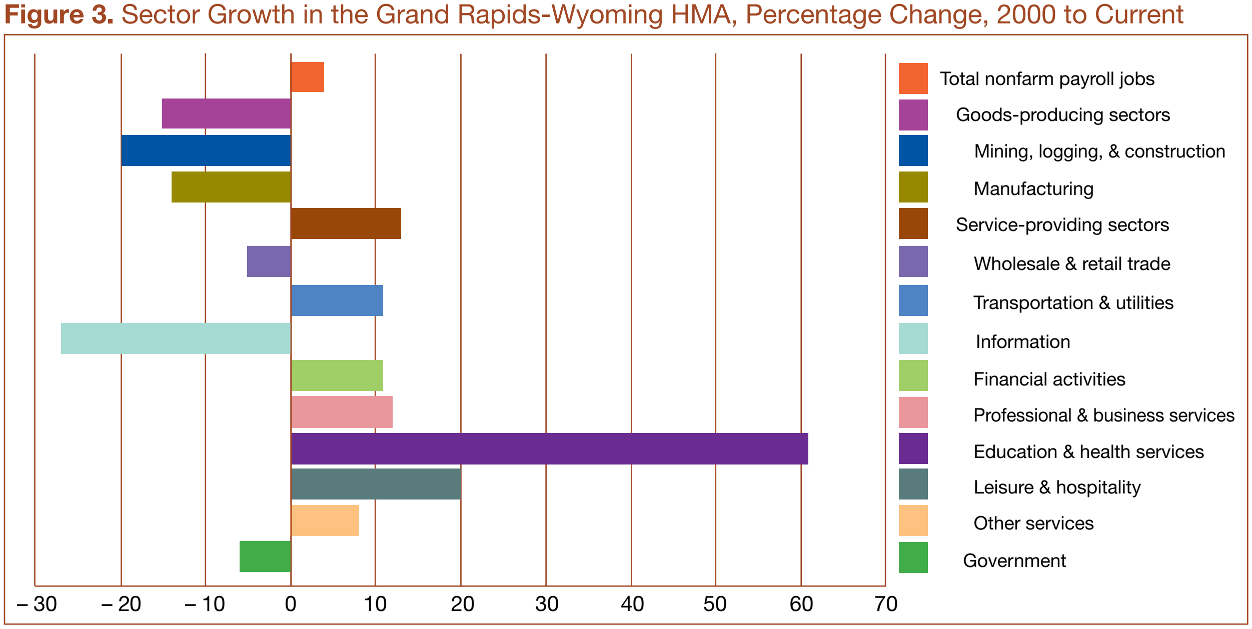
Note: Based on 12-month averages through October 2016.
Source: U.S. Bureau of Labor Statistics

they might have been doing identical work" (*Responding to Manufacturing Job Loss: What Can Economic Development Policy Do?*, The Brookings Institution, 2011). The professional and business services sector has been the second leading job growth sector in the HMA since 2010, increasing by an average of 2,500 jobs, or 3.8 percent, annually. Professional and business services was, however, one of the slower-growing sectors during the past 12 months, increasing by 400 jobs, or 0.5 percent, to 76,100 jobs.

Since 2000, the education and health services sector has led job growth in the HMA and is the only employment sector to add jobs every year (Figure 3). The education and health services sector increased in part 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 an economy with strong medical research and education components. During the 12 months ending October 2016, the education and health services sector was the second leading growth sector in the HMA, adding 3,100 jobs, or 3.7 percent, to 87,900. Since 2010, the education and health services sector has increased by an average of 2,200 jobs, or 2.8 percent, annually.

The development of the "Medical Mile," a stretch of hospitals and health research institutes along Michigan Avenue in the Hillside district, south of Interstate 196 in the city of Grand Rapids, has greatly impacted and contributed to job growth in the local economy. The Van Andel Institute, which focuses primarily on cancer research, completed construction of its $65 million building in the HMA in 2000. In 2003, Grand Valley State University (GVSU) completed work on the $32 million Cook-DeVos Center for Health Sciences and moved all of its healthcare-related education to the new location. The Meijer Heart Center, which cost $35 million to build, was completed in 2004. The facility is part of Spectrum Health

Figure 3. Sector Growth in the Grand Rapids-Wyoming HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through October 2016.
Source: U.S. Bureau of Labor Statistics

Systems, Inc., the largest employer in the HMA with 22,000 jobs (Table 3). Spectrum Health completed another expansion of its facilities in 2008 with the addition of the $78 million Lemmen-Holton Cancer Pavilion; Michigan State University (MSU) completed construction of the $90 million Secchia Center in 2010, which allowed it to nearly double the enrollment in the MSU College of Human Medicine. Health services are likely to remain a catalyst for job growth in the HMA during the next several years, as several construction projects along the Medical Mile currently are ongoing or planned. GVSU is due to begin construction on a $37.5 million expansion of its health campus in downtown Grand Rapids. In addition, MSU began construction on a biomedical research center during 2015, which should be complete by mid-2017 and would add 150 full-time jobs on completion. In addition to new medical facilities and services, the local universities also have a significant economic impact on the HMA. GVSU is the largest university in the HMA with 25,350 students, up from 17,500 in 2000. The university has nearly 3,300 employees at its Grand Rapids and Allendale campuses. According to a 2016 report issued by GVSU, the university has an annual impact of $780 million on the local economy.

The economic outlook for the HMA is positive. During the 3-year forecast period, nonfarm payroll growth is expected to moderate to a more sustainable average increase of 2.0 percent, annually, with the rate of growth slowing each successive year. Growth in the manufacturing sector is likely to mirror slowdowns at the big three automakers and will likely limit the need for further expansion at local auto parts manufacturing firms. Employment growth in the education and healthcare services is likely to remain strong, however.

Table 3. Major Employers in the Grand Rapids-Wyoming HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Spectrum Health Systems, Inc.	Education & health services	22,000
Meijer, Inc.	Wholesale & retail trade	10,350
Mercy Health	Education & health services	6,500
Amway Corporation	Manufacturing	4,000
Gentex Corporation	Manufacturing	3,900
Herman Miller, Inc.	Manufacturing	3,625
Steelcase, Inc.	Manufacturing	3,500
Grand Valley State University	Government	3,300
Magna International Inc.	Manufacturing	2,950
Lacks Enterprises, Inc.	Manufacturing	2,900

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

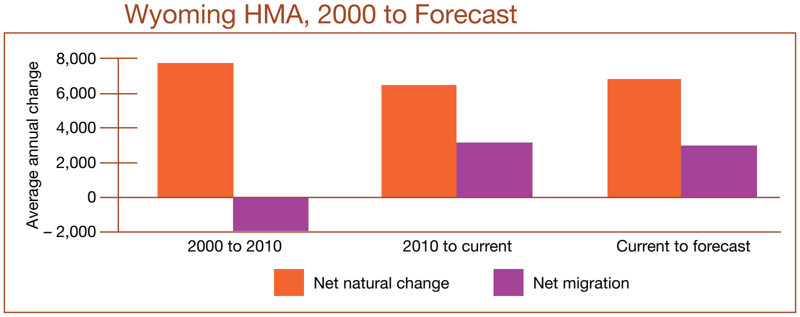
Population and Households

The Grand Rapids HMA has a population currently estimated at 1.05 million, making it the second largest MSA in the state of Michigan. Kent County, which is the fourth most populous county in Michigan, includes the city of Grand Rapids and accounts for more than 61 percent of the total population of the HMA. The recent period of economic growth in the HMA has led to an increase in the rate of population and household growth as people migrate to the HMA to fill jobs. From 2014 to 2015, the Grand Rapids MSA was the fastest-growing MSA in the state of Michigan, increasing by 9,625 people, or 0.9 percent (Census Bureau July 1 population estimates).

Since April 2010, the population of the HMA has increased by an average of 9,575, or 0.9 percent, annually, which is significantly higher than the rate of population growth from 2000 through 2010, when population growth averaged 5,825 people, or 0.6 percent, annually. Migration patterns differ significantly between the two periods. Since 2010, net in-migration has averaged 3,125 people annually (Figure 4). From April 2010 to 2015, nearly 59 percent of all net in-migration was due to international in-migration to the HMA due in part to international students coming to study in the HMA (Census Bureau July 1 population estimates).

From 2000 to 2010, the weak economic conditions in the HMA contributed to overall net out-migration, although the levels of net out-migration and subsequent population growth varied significantly. From April 2000 to July 2006, the population of the HMA increased an average of 7,350, or 0.8 percent, annually, with net out-migration averaging 530 people per year. From July 2006 to April 2010, as the local economy took a severe downturn, the rate of population growth slowed as net out-migration increased. Population growth averaged 3,275, or 0.3 percent, annually during the period as net out-migration spiked to an average of 4,225 people annually.

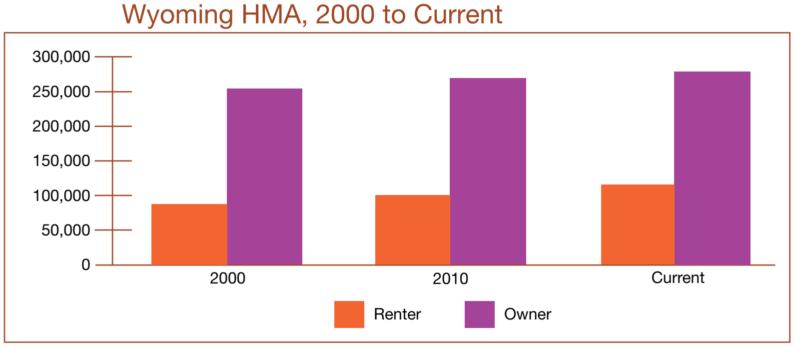
Figure 4. Components of Population Change in the Grand Rapids-Wyoming HMA, 2000 to Forecast



Notes: The current date is November 1, 2016. The forecast date is November 1, 2019.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

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



Note: The current date is November 1, 2016.

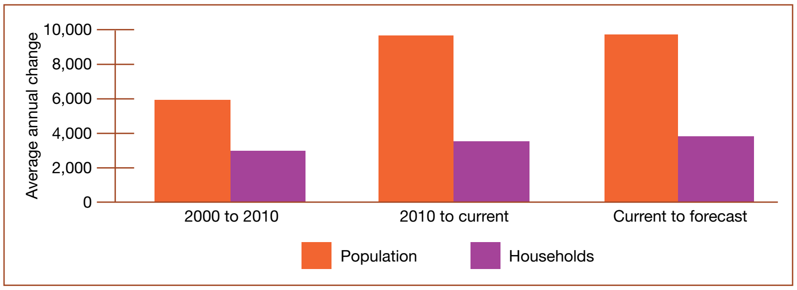
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

An estimated 390,000 households currently are in the HMA, an increase of 3,500, or 0.9 percent, annually since 2010. By comparison, household growth averaged 2,925, or 0.8 percent, annually during the previous decade. Since 2010, nearly 70 percent of all new households in the HMA have been renter households, a notably higher rate than from 2000 to 2010, when new renter households accounted for 59 percent of all new households. The increased rate of renter household formations has contributed to a drop in the homeownership rate in the HMA. Currently, 70.8 percent of all households are estimated to be owner-occupied, down from 73.3 percent in 2010, a 2.5-percentage-point decline. By comparison, the homeownership rate declined by 1.2 percentage points from 2000 to 2010. Figure 5 shows the number of households by tenure in the HMA from 2000 to the current date.

A significant factor in the increased rate of renter household formation is the increasing number of young professionals who live in the city of Grand Rapids. From 2010 to 2015, the population of the city of Grand Rapids increased by an average of

1,375, or 0.7 percent, annually. During the period, the number of people ages 25 to 34 who lived in the city of Grand Rapids increased by an average of 1,350 people each year, accounting for more than 98 percent of total population growth.

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



Notes: The current date is November 1, 2016. The forecast date is November 1, 2019.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

During the 3-year forecast period, population growth is expected to average 9,675, or 0.9 percent, annually, with household growth expected to average 3,775, or 1.0 percent, annually. Population and household growth in the HMA is likely to be strongest in Kent and Ottawa Counties during the next 3 years. It is estimated that 35 percent of the population growth is likely to occur in the city of Grand Rapids as young professionals continue to move into the city. Figure 6 shows population and household growth in the HMA from 2000 to the forecast date.

Housing Market Trends

Sales Market

The sales housing market in the Grand Rapids HMA improved significantly after being soft in 2010, but conditions are currently tight. The recent period of economic and population growth contributed to the absorption of excess inventory. The sales vacancy rate is currently estimated at 0.8 percent, down from 2.3 percent in 2010 (Table DP-1 at the end of this report). Currently, 1.6 months of inventory are on the market, which is down from 2.4 months during October 2015 and 9.7 months during 2010. The current level of available inventory is well below the peak of 13.3 months during 2008 (Grand Rapids Association of Realtors®).

During the 12 months ending October 2016, existing home sales, which include the regular resale of existing homes and real estate owned (REO) sales, totaled 20,175, an increase of 1,175, or more than 6 percent, while the average sales price increased by $10,100, or 6 percent, to $168,000 (Metrostudy, A Hanley Wood Company). In the HMA, the market is improving rapidly as the regular resale market has improved greatly, and the number of REO properties has declined sharply during the past few years. During the 12 months ending October 2016, regular resales of existing homes totaled 18,400, an increase of 1,525, or 9.0 percent, from the previous 12 months. The current level of regular resales is 4,400 homes, or 31 percent, higher than the 14,000 homes sold during 2006, the peak before the national housing crisis for regular resales in the HMA. Beginning in 2007, regular resales began to decline and by 2009 totaled only 6,200 sales, an average decline of 2,600 sales, or nearly 24 percent, annually, from 2006. Regular resales have been continuously expanding since 2010, as economic and population growth in the HMA have increased demand. During 2014, regular resales of existing homes totaled 15,000, an average increase of 1,775, or more than 19 percent, annually, from 2009.

The average sales price for regular resales during the 12 months ending October 2016 was $174,400, an increase of $7,825, or nearly 5 percent, from the previous 12 months. The average sales price has increased steadily since 2011. During 2014, the average sales price was $159,800, an average increase of $3,750, or nearly 3 percent, annually, from a low of $144,800 in 2010. Although the sales peak before the housing crisis occurred in 2006, the average sales price peaked 1 year later in 2007 at $159,600 before declining by an average of $4,950, or more than 3 percent, annually from 2008 through 2010.

Increased demand for housing has resulted in a significant reduction in the number of REO sales in the HMA. REO sales during the 12 months ending October 2016 totaled 1,775, a decline of 325 sales, or nearly 17 percent, from the previous 12-month period. REO sales, which accounted for slightly less than 9 percent of total existing home sales, reached their lowest level recorded in the HMA since 2006, when 700 REO homes sold. REO sales increased rapidly during the next 3 years and, by 2009, totaled 5,575 sales, an average increase of 1,225, or 68 percent, annually. The number of REO sales during 2009 constituted slightly more than 47 percent of all existing home sales. From 2010 through 2012, the number of REO sales declined slightly to an average of 4,700 sales annually. The number of REO sales declined rapidly as economic conditions continued to improve, however. By 2014, only 2,500 REO homes sold, which was about 14 percent of all existing home sales, an average decline of 1,100 sales, or slightly more than 27 percent, annually, from 4,600 in 2012.

The average sales price of an REO property in the HMA was $101,800 during the 12 months ending October 2016, the first time the price of a distressed property was above $100,000 because the tightening sales market has pushed all prices up. During 2009, when REO sales were at their peak, the average sales price was $76,700. Since 2009, the average sales price of an REO property has increased by $3,700, or more than 4 percent, annually. REO sales tend to push the overall average sales price of existing homes down due to many more options on the market. During 2009, REO sales caused the average sales price for all existing home sales to be more than 20 percent lower than the average sales price of a regular resale home, but during the most recent 12 months, as the number of REO properties sold has declined rapidly, the impact on sales prices was less than 4 percent.

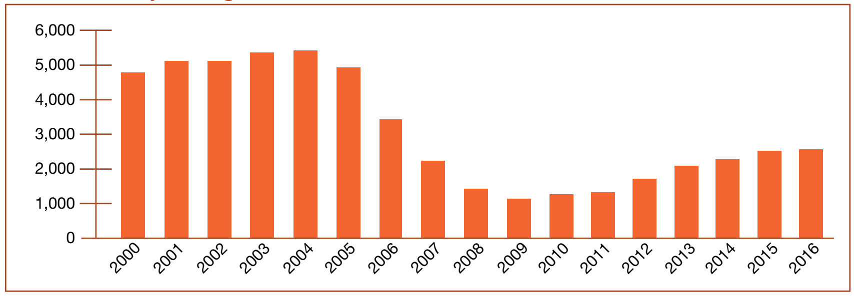
During the 12 months ending October 2016, 1,000 new homes sold in the Grand Rapids HMA, an increase of 30 sales, or more than 3 percent, from the previous 12 months. New home sales have not increased as dramatically as existing home sales due, in part, to a general shortage of construction workers. Most home builders in the HMA say they could build more new homes but do not have enough crews to satisfy all the demand for new housing. In an attempt to counteract the shortage, the Home Builders Association of Grand Rapids formed the Construction Workforce Development Alliance, a task force that will attempt to address the worker shortage and recruit new workers to the construction industry. New home sales peaked in 2005 at 3,000 sales during a 2-year period of job growth in the HMA and before the high levels of net out-migration from the HMA that began in 2006. Beginning in 2006, new home sales declined for 7 consecutive years and by 2012 totaled only 680, an average decline of 330 sales, or 19 percent, annually, from 2005. In 2013, new home sales began to increase again and by 2014 totaled 840, an average increase of 80 sales, or 11 percent, annually from 2012.

With construction of new homes constrained by a lack of construction workers in the HMA, the average sales price of a new home has increased significantly as demand has exceeded supply. The average sales price of a new home in the HMA during the 12 months ending October 2016 was $275,100, an increase of $29,400, or 12 percent, from the previous 12 months. The average sales price of a new home has been increasing since 2011 following declining prices from 2007 through 2010. New home sales prices averaged $169,500 in 2006 but by 2010 had dropped to $155,200, an average decline of $3,575, or more than 2 percent, annually. Home prices began increasing in 2011 and by 2014 averaged $222,600, an average increase of $16,800, or more than 9 percent, annually from 2010.

Single-family homebuilding, as measured by the number of single-family homes permitted, totaled 2,450 during the 12 months ending October 2016, unchanged from the previous 12 months (preliminary data). With the recent trends of economic and population growth since 2010, single-family construction has increased every year. During 2010, 1,225 single-family homes were permitted, a figure that had increased to 2,275 by 2014, an average increase of 260, or nearly 17 percent, annually. Single-family permitting activity is well below the levels of the previous decade, however. During 2000, 4,775 single-family homes were permitted, a figure that increased by an average of 160, or 3 percent, annually through 2004, when 5,400 homes were permitted. The subsequent slowdown in the local economy combined with the national economy entering a recession contributed to declining production of single-family homes during the next 5 years, however. Following the peak level of production in 2004, single-family construction declined each year to a low of only 1,125 homes permitted in 2009, an average decrease of 860, or 27 percent, annually. Figure 7 shows single-family homes permitted by year from 2000 through 2016.

Recent developments in the HMA include Saddle Ridge, a 197-home development in Kent County, which is about 80 percent built out. Home prices in the subdivision start at $260,000 for a three-bedroom home. The Cobblestones at the Ravines is a

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



Notes: Includes townhomes. Current includes data through October 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

44-home development southeast of downtown Grand Rapids. Prices for a three-bedroom home start at $190,000 in the development.

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

Price Range ($)		Units of Demand	Percent of Total
From	To		
125,000	174,999	380	4.0
175,000	199,999	1,125	12.0
200,000	249,999	2,450	26.0
250,000	299,999	2,725	29.0
300,000	399,999	1,700	18.0
400,000	499,999	840	9.0
500,000	and higher	190	2.0

Notes: The 800 homes currently under construction and a portion of the estimated 18,300 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is November 1, 2016, to November 1, 2019.

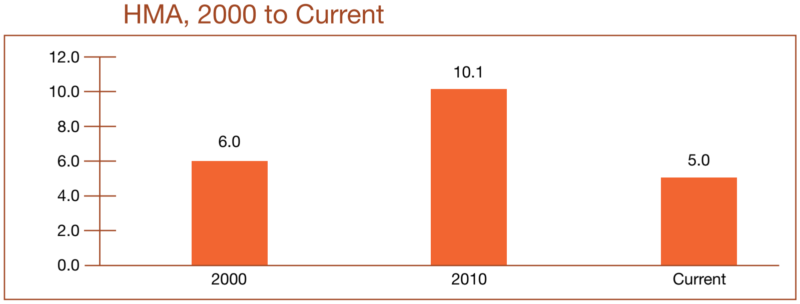
Source: Estimates by analyst

During the 3-year forecast period, with continued population and household growth, demand is expected for 9,375 new homes in the HMA (Table 1). The demand for new homes is expected to increase each year, with the majority of new home starts being in Kent or Ottawa counties. The 800 homes currently under construction and a portion of the estimated 18,300 other vacant housing units that may reenter the sales market will satisfy some of the demand during the forecast period. Demand is expected to be greatest for new homes priced between $250,000 and $299,999 (Table 4).

Rental Market

The rental housing market in the Grand Rapids HMA is currently slightly tight with an estimated vacancy rate of 5.0 percent, down significantly from the vacancy rate of 10.1 percent recorded in April 2010 (Figure 8). The strong job growth and in-migration to the HMA since 2010 has contributed to an increased rate of household formation, in combination with low levels of multifamily construction from 2008 through 2013, which allowed the previously vacant units to be absorbed.

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



Note: The current date is November 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Apartment buildings with five or more units per structure constitute nearly 45 percent of all rental units in the HMA. With apartments accounting for such a large percentage of the overall rental market, the apartment market has mirrored the trend of the overall rental market, with a significant reduction in the vacancy rate since April 2010. The apartment market is currently slightly tight with a 3.6-percent vacancy rate, which is up from 2.6 percent a year earlier but down from 6.7 percent during the first quarter of 2010. The average rent for an apartment is currently $770, an increase of $27, or nearly 4 percent, from a year earlier (Reis Inc.).

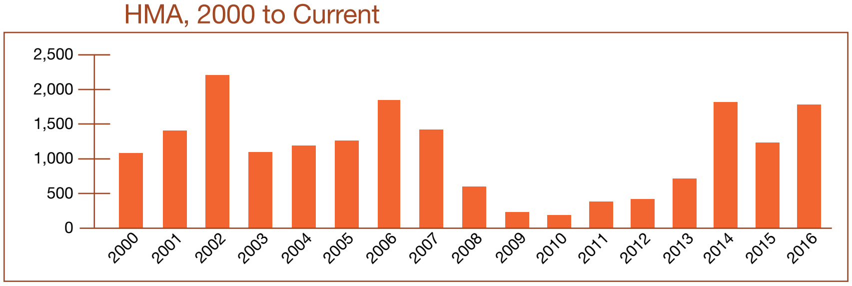
The apartment vacancy rate was at 8.6 percent during 2006 before declining to 6.0 percent during 2008; the decline in the rental vacancy rate was due in part to enrollment increasing nearly 4 percent annually during the 2006-to-2008 period at GVSU, whose students make up more than 5 percent of all renter households in the HMA. Apartment rents during the period increased by an average of $17, or nearly 3 percent, annually, to $655 in 2008. As economic conditions worsened in the HMA, the apartment vacancy rate increased to 6.8 percent in 2009, with the average rent declining slightly to $652. The rapid economic turnaround, net in-migration to the HMA, and very low levels of multifamily production from 2008 through 2010 allowed for vacant units to be absorbed in the early 2010s; by the end of 2011, the apartment vacancy rate was down to 2.9 percent. Multifamily production increased in earnest until the second half of 2013, but as a result of strong demand the apartment market remained extremely tight through 2014, with the apartment vacancy rate declining to 2.5 percent. From 2009 through 2014, apartment rents increased by an average of $14, or 2 percent, annually, and by 2014 were up to $720 in the HMA.

The economic improvements that started in 2010, along with increased net in-migration and declining vacancy rates, have contributed to an uptick in multifamily construction. During the 12 months ending October 2016, multifamily construction, as measured by the number of units permitted, totaled 1,975, an increase of 625 units, or 46 percent, from the previous 12 months. The current level of production is slightly below the peak year of 2002, when 2,200 multifamily units were permitted. Multifamily production dropped off to only 1,100 units permitted during 2003. By 2005, multifamily production had increased to 1,275 units permitted, an increase of 80 units, or 7 percent, annually. During 2006, multifamily construction totaled nearly 1,825 units permitted, which was an increase of 550, or 43 percent, from the previous year. While multifamily production was increasing from 2003 through 2006, most of the increase was attributable to the production of sales units, which increased from 290 units permitted in 2003 to 860 in 2006. Many of the multifamily units that were permitted during these years failed to sell in the midst of the housing downturn, and several of the condominium buildings converted to renter units as a result. Multifamily production declined significantly from 2007 through 2010 due to the national economic downturn. Only 190 multifamily units were permitted in 2010, an annual decline of 410 units, or 44 percent, annually from 2006. Production of multifamily housing began to increase slowly in 2011 and was up to 720 units during 2013, an average increase of 180, or 57 percent, annually from 2010. In 2014, developers finally displayed strong confidence in the market, and 1,825 units were permitted, an increase of 1,100, or more than 150 percent, from 2013. Unlike the previous runup in multifamily production from 2003 through 2006, on average, only 50 multifamily sales units were permitted annually from 2010 through 2014. Figure 9 shows the number of multifamily units permitted by year from 2000 through 2016.

Recently completed developments in the HMA include the 616 Lofts on Alabama, which consists of two buildings, with the building at 420 Alabama St. repurposing the historic Hyatt building and 421 Alabama St. being a newly constructed building. The property has 100 apartments ranging from studio to three-bedroom units. Rents at the 616 Lofts on Alabama start at $900 for a studio unit and go up to $1,900 for a three-bedroom unit. The Arena Place Apartments is a $45 million mixed-use development with 100 one- and two-bedroom apartment units. Arena Place Apartments is in downtown Grand Rapids and offers rents ranging from $1,200 to $2,245.

Continued growth in the number of renter households in the HMA is expected to contribute to demand for 4,675 new market-rate rental units during the next 3 years (Table 1). The 1,750 units currently under construction will satisfy part of that demand. Most of the demand for new rental units will be in city of Grand Rapids due to the young professionals moving to the city. Across the HMA, demand will be strongest for two-bedroom units priced from $1,375 to $1,574 per month (Table 5). Demand should decline slightly during each successive year of the 3-year forecast period as the rates of job and population growth moderate.

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



Notes: Excludes townhomes. Current includes data through October 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Grand Rapids-Wyoming 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
750 to 949	110	875 to 1,074	300	975 to 1,174	220	1,100 or more	280
950 or more	35	1,075 to 1,274	700	1,175 to 1,374	850		
		1,275 to 1,474	850	1,375 to 1,574	940		
		1,475 or more	160	1,575 or more	220		
Total	140	Total	2,025	Total	2,250	Total	280

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,750 units currently under construction will likely satisfy some of the estimated demand. The forecast period is November 1, 2016, to November 1, 2019.

Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	500,596	460,486	546,300	– 0.8	3.0
Unemployment rate	3.1%	10.4%	3.2%		
Nonfarm payroll jobs	516,900	454,200	538,800	– 1.3	3.0
Total population	930,670	988,938	1,052,000	0.6	0.9
Total households	337,666	366,997	390,000	0.8	0.9
Owner households	251,653	269,008	276,000	0.7	0.4
Percent owner	74.5%	73.3%	70.8%		
Renter households	86,013	97,989	114,000	1.3	2.3
Percent renter	25.5%	26.7%	29.2%		
Total housing units	360,632	404,627	416,600	1.2	0.4
Owner vacancy rate	1.3%	2.3%	0.8%		
Rental vacancy rate	6.0%	10.1%	5.0%		
Median Family Income	NA	NA	$64,000	NA	NA

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through October 2016. Median Family Income is for 2015. The current date is November 1, 2016.

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: 11/1/2016—Analyst's estimates
Forecast period: 11/1/2016–11/1/2019—
Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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 huduser.gov/publications/pdf/CMARtables_GrandRapids_WyomingMI_17.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 huduser.gov/portal/ushmc/chma_archive.html.