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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411

August 1969

ANALYSIS OF THE
LANSING, MICHIGAN
HOUSING MARKET AREA
AS OF MARCH 1, 1969

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FHA Housing Market Analysis
Lansing, Michigan, as of March 1, 1969

Foreword

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Field Market Analysis Service as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Federal Housing Administration
Field Market Analysis Service
Washington, D. C.

FHA HOUSING MARKET ANALYSIS - LANSING, MICHIGAN
AS OF MARCH 1, 1969^{1/}

The Lansing, Michigan, Housing Market Area (HMA) is defined as including Clinton, Eaton, and Ingham Counties, Michigan. The HMA is located in south central Michigan almost midway between Detroit and Grand Rapids.

The HMA experienced rapid economic and population growth during the 1960's, primarily because of large increases in enrollment at Michigan State University and steadily growing state and local government employment. Residential construction matched household growth during most of the early and mid-1960's, but probably exceeded demographic increases in 1967, which resulted in an oversupply of housing units. A reduced volume of residential construction in 1968 resulted in a strengthening of the market by March 1969, however, and the only remaining difficulty seems to be a persistent vacancy problem in higher-priced rental units in or near the city of Lansing.

Anticipated Housing Demand

Demand for housing in the Lansing area in the next two years is based primarily on the need to provide housing for the anticipated addition of 2,900 new households a year and the need to replace an expected inventory loss of about 600 units annually. A portion of the potential demand in the Lansing area, however, should be met by the excess of vacant rental housing units now on the market and by the large number of units currently under construction. It is estimated, therefore, that there will be an annual net demand for 3,000 new nonsubsidized housing units in the Lansing HMA during the period from March 1969 to March 1971, including 2,000 single-family houses and 1,000 multifamily units. Should sufficient funds be made available, additional units could be absorbed over the next two years through the use of some form of interest rate subsidy, or other assistance, as shown below and in table II.

^{1/} Data in this analysis are supplementary to a previous FHA analysis of the area as of October 1, 1964.

Qualitative distributions of demand, presented in table I, indicate that about 54 percent of the demand for single-family units will be in the \$20,000-\$30,000 price class and that most of the multifamily demand is concentrated in the lower rent levels, primarily because the demand for higher-priced rental units can be met by vacancies in the existing inventory or by units currently under construction.

The above demand estimates are based on the assumption that future economic and population growth levels will be substantial, but somewhat lower than the record levels of the 1964-1968 period. The demand projections are not intended to be predictions of short-term construction volume, but are to be viewed as levels of construction designed to provide stability in the housing market based on long-term trends evident in the area. However, even the short-term expansion of construction volume to a level significantly above the demand estimate will hamper the maintenance of balance in supply and demand forces in the Lansing housing market, especially in the renter category.

Occupancy Potential for Subsidized Housing

Federal assistance in financing costs for new housing for low- or moderate-income families may be provided through four different programs administered by FHA--monthly rent-supplement payments, principally in rental projects financed with market-interest rate mortgages insured under Section 221(d)(3); partial payments for interest for home mortgages insured primarily under Section 235; partial payment for interest for project mortgages insured under Section 236; and below-market-interest-rate financing for project mortgages insured under Section 221(d)(3).

Household eligibility for federal subsidy programs is determined primarily by evidence that household or family income is below established limits. Some families may be alternatively eligible for assistance under more than one of these programs or under other assistance programs using federal or state support. The potentials^{1/} discussed in the following paragraphs reflect estimates adjusted to indicate housing provided or under construction under alternative FHA or other programs. It is cautioned that the occupancy potentials discussed for various programs are, therefore, not additive.^{2/}

^{1/} The occupancy potentials referred to in this analysis have been developed to reflect the capacity of the market in view of existing vacancy. The successful attainment of the calculated market for subsidized housing may well depend upon construction in suitable accessible locations, as well as upon the distribution of rents over the complete range attainable for housing under the specified programs.

^{2/} Families with incomes inadequate to purchase or rent nonsubsidized housing generally are eligible for one form or another of subsidized housing. However, little or no housing has been provided under most of the subsidized programs and absorption rates remain to be tested.

The occupancy potentials for subsidized housing in FHA programs discussed below are based upon 1969 incomes, on the occupancy of substandard housing, on estimates of the elderly population, on February 1, 1969 income limits, and on available market experience.

Section 221(d)(3). There have been 723 units built in the Lansing area under Section 221(d)(3) since 1965, including 173 units of limited-dividend housing completed in January 1969 and 550 cooperative units in two projects completed in 1965 and 1968; in addition, a project of 202 units of Section 221(d)(3) cooperative housing was under construction on March 1, 1969. If federal funds are available, a total of about 250 additional units of Section 221(d)(3) BMIR housing probably could be absorbed yearly during the next two years in the Lansing area.^{1/}

Rent-Supplement Housing. Most families eligible for rent-supplement also are eligible for public housing. To date there have been 390 units of low-rent public housing completed in the Lansing HMA, excluding a 188-unit project for the elderly which was under construction in March 1969. The occupancy potential for rent supplement housing is calculated to be 350 units a year including 75 units designed especially for the elderly. This potential does not include the 188-unit project currently under construction. About 30 percent of the families and individuals eligible for rent-supplements have incomes within the Section 236 housing income range.

Section 235, Sales Housing. Sales housing could be provided for low-to moderate-income families under Section 235, with an estimated occupancy potential of about 250 units a year during the next two years. All of the families in the potential for Section 235 housing are also part of the potential estimated below for Section 236 housing and about 20 percent have incomes within the rent-supplement range; many of these families would, however, lack the other qualifications for rent-supplement eligibility.

Section 236, Rental Housing. The annual occupancy potential in the Lansing HMA for Section 236 housing is calculated at 425 units, including 350 units for families and 75 units designed for elderly households. Approximately 20 percent of the families and 45 percent of the elderly households eligible for Section 236 housing also qualify for housing under the rent-supplement programs.

^{1/} At the present time, funds for allocation are available only from recaptures resulting from reductions, withdrawals, and cancellation of outstanding allocations.

The Sales Market

The sales market in the Lansing HMA remained in balance during most of 1967 and 1968, with a homeowner vacancy rate of about 1.3 percent and good absorption of record levels of single-family construction. New construction in the Lansing area encompassed a wide range of price classes and geographic locations, from units priced under \$23,000 in Delhi Township and the areas immediately north and west of Lansing and on small scattered locations throughout the HMA.

During the latter part of 1968, however, there were indications that demand for higher-priced new units was subsiding. Builders reported that speculatively-built homes were not being absorbed in acceptable numbers and the volume of contract construction in these price ranges was below normal. The market for units priced below \$27,500 remained strong during the early part of 1969, however, and is expected to continue to attract a growing share of the sales market during 1969 and 1970, especially in the northern and western suburbs of Lansing.

The Rental Market

The majority of the new rental projects built in the Lansing HMA during the 1965-1968 period have attained satisfactory occupancy without adversely affecting the marketability of older rental units. A persistent weakness still exists, however, in the high-rent segment of the market, including high-rise apartments in the cities of Lansing and East Lansing and a few new luxury garden-apartment complexes in the suburban portion of the HMA. Demand for luxury units in the Lansing area seems to be slightly below the supply, making the market highly competitive; a development under construction in early 1969 reports that a substantial number of its tenants were coming from older projects in similar rent ranges. Rent reductions have been common, but most projects have contract rents ranging from \$135 to \$150 per month for efficiency units to \$225 to \$300 for three-bedroom apartments.

A more balanced situation is apparent in the lower and moderate rent ranges of \$130 for one-bedroom units to \$170 for a three-bedroom apartment. Although this segment of the market may have been overbuilt in early 1968, the reduction in construction volume during 1968 brought the market into balance by early 1969. Units in this price category are typically in garden-type projects located in the western and southern suburbs of Lansing.

The strongest segment of the Lansing HMA rental market is in the university-oriented developments. Principally located to the south and east of East Lansing, these projects usually have few vacancies. Students or faculty members typically share living accommodations and monthly gross rents average about \$200 per month for a two-bedroom unit.

Economic, Demographic, and Housing Factors

Economic Factors. The Lansing economy experienced a steady employment growth of about 5,225 jobs annually during the 1961-1968 period, primarily because of its position as the state capital and the site of Michigan State University. Government employment at both the state offices and the university grew rapidly during the 1960's, which had the secondary effect of increasing employment in supporting trade and service industries. The manufacturing sector of the Lansing economy was more volatile, with declines in employment in 1961 and 1967 and sharp gains in 1962 and 1965; most of the fluctuations in employment in this category resulted from changes at Oldsmobile and Fisher Body Divisions of General Motors, which account for almost 70 percent of manufacturing employment in the area.

As shown in table III, there was an average annual increase of 5,700 jobs in total nonagricultural wage and salary employment between 1964 and 1968, including a steady growth of nonmanufacturing employment averaging 4,150 workers annually. Manufacturing employment expanded sharply from 1964 to 1966, with a 5,000 increase in 1965 and 2,200 more in 1966. Moderate losses in manufacturing employment occurred in 1967 and 1968, as reported in table III. With the expectation of only slight increases in manufacturing employment and a continuation of gains in the government, trade, and service segments, it is probable that nonagricultural wage and salary employment in the Lansing area will continue to grow at 1966-1968 rates, or about 4,500 jobs annually during the 1969-1971 forecast period.

As of March 1969, the median annual income of all families in the Lansing HMA, after deduction of federal income tax, was about \$7,575 and the median income of all renter households of two or more persons was \$6,050. By 1971, these medians will probably rise to \$7,950 and \$6,350, respectively. Detailed distributions of all families and renter households by income classes are presented in table IV.

Demographic Factors. The population of the Lansing HMA, estimated at 390,000 persons as of March 1, 1969, grew at almost 3.7 percent annually during the 1964-1969 period. The declining resident birth rate evident in the area in the mid-1960's was more than offset by the growing number of in-migrants to the HMA because of Michigan State University and the rapidly expanding economic base. In the early years of the decade, as shown in table V, population growth was more rapid than household growth because of the rapid increase in the student population at Michigan State who were not members of households. During the 1969-1971 forecast period, however, net in-migration will probably not reach 1964-1969 levels, and population is expected to increase at about 2.4 percent yearly.

The number of households in the Lansing HMA totalled 108,700 as of March 1, 1969. As seen in table V, growth in the number of households in the Lansing area generally parallels population trends as evidenced by the rapid increases of the 1964-1969 period and the slower rate of growth expected for the 1969-1971 forecast period.

Housing Factors. There were 114,500 housing units in the Lansing HMA on March 1, 1969, including 78,700 owner-occupied units, 30,000 units occupied by renters, and 5,800 vacant units (see table VII). The net addition to the housing supply of 16,500 units between October 1964 and March 1969 resulted from the completion of 18,700 new units and the loss of 2,200 units through demolition or other causes. There were 2,000 dwelling units under construction in the Lansing HMA on March 1, 1969, consisting of 500 single-family units and 1,500 multifamily units; included in the multifamily construction total were 188 units of public low-rent housing for the elderly and 202 units of Section 221(d)(3) cooperative housing.

As seen in table VI, the volume of residential building activity in the Lansing HMA reached a peak of 5,060 units in 1967. During 1968, however, the high cost of money and a slight weakening of the rental market caused the number of privately-financed multifamily authorizations to drop by over 43 percent. The level of single-family construction was unchanged and there was an increase in the number of public housing units authorized, however.

Of the 5,800 vacant housing units in the Lansing HMA on March 1, 1969, 1,000 were available for sale, 1,900 were available for rent, and 2,900 were either unsuitable or not available for occupancy. Although the homeowner vacancy rate of 1.3 percent remained unchanged during most of the 1964-1969 period, renter vacancy rates dropped considerably in the 1965-1967 period, but rose to about 6.0 percent in March 1969 because of the large volume of new multifamily units marketed during 1968 (see table VII).

Table I

Estimated Annual Demand for New Single-Family Housing
Lansing, Michigan, Housing Market Area
March 1, 1969 to March 1, 1971

<u>Sales price</u>	<u>Number of units</u>	<u>Percent of total</u>
Under \$17,500	175	9
\$17,500 - 19,999	225	11
20,000 - 22,499	325	16
22,500 - 24,999	300	15
25,000 - 29,999	450	23
30,000 - 34,999	325	16
35,000 and over	<u>200</u>	<u>10</u>
Total	2,000	100

Estimated Annual Demand for New Multifamily Housing
Lansing, Michigan, Housing Market Area
March 1, 1969 to March 1, 1971

<u>Gross monthly rent^{a/}</u>	<u>Efficiency</u>	<u>One bedroom</u>	<u>Two bedrooms</u>	<u>Three or more bedrooms</u>
\$125 - \$149	50	-	-	-
150 - 164	-	100	-	-
165 - 179	-	75	125	-
180 - 194	-	25	175	-
195 - 209	-	-	100	100
210 and over	<u>-</u>	<u>-</u>	<u>50</u>	<u>200</u>
	50	200	450	300

^{a/} Gross rent is shelter rent plus the cost of utilities.

Table II

Estimated Annual Occupancy Potential for Subsidized Housing
Lansing, Michigan, Housing Market Area
March 1, 1969 to March 1, 1971

A. Subsidized Sales Housing, Section 235

<u>Eligible family size</u>	<u>Number of Units^{a/}</u>
Four persons or less	150
Five persons or more	<u>100</u>
Total	250

B. Privately-financed Subsidized Rental Housing

<u>Unit Size</u>	<u>Rent Supplement</u>	<u>Section 236^{a/}</u>
Efficiency	50	50
One bedroom	65	75
Two bedrooms	125	160
Three bedrooms	75	100
Four or more bedrooms	<u>35</u>	<u>40</u>
Total	350	425

^{a/} All of the families eligible for Section 235 housing are also eligible for the Section 236 program. None, however, are eligible for low-rent public housing. The estimates are based upon regular income limits; the use of exception income limits within legislative authority may increase these potentials.

Table III

Labor Force Trends
Lansing, Michigan, Housing Market Area
Annual Averages, 1960-1968^{a/}

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Total labor force	<u>115,100</u>	<u>115,800</u>	<u>117,800</u>	<u>120,900</u>	<u>126,200</u>	<u>132,700</u>	<u>136,800</u>	<u>142,000</u>	<u>147,700</u>
Unemployment	4,600	8,600	5,300	5,100	4,300	2,900	3,400	3,900	4,700
Percent of labor force	4.0	7.4	4.5	4.2	3.4	2.2	2.5	2.7	3.2
Nonagricultural wage and salary emply.	<u>92,300</u>	<u>89,000</u>	<u>94,600</u>	<u>98,300</u>	<u>102,800</u>	<u>111,900</u>	<u>116,700</u>	<u>120,900</u>	<u>125,600</u>
Manufacturing	<u>29,900</u>	<u>25,500</u>	<u>29,200</u>	<u>30,000</u>	<u>32,100</u>	<u>37,100</u>	<u>39,300</u>	<u>37,800</u>	<u>38,300</u>
Durable goods	<u>27,000</u>	<u>22,600</u>	<u>26,300</u>	<u>27,100</u>	<u>29,200</u>	<u>34,000</u>	<u>35,100</u>	<u>34,300</u>	<u>35,100</u>
Metal industries	3,400	3,100	3,400	3,500	3,500	3,600	4,000	3,900	3,800
Non-electrical machinery	2,000	1,900	2,500	2,700	2,900	3,200	3,400	3,200	2,900
Transportation equipment	20,200	16,200	19,100	19,700	21,200	25,500	26,000	25,400	26,700
Other durable goods	1,400	1,400	1,300	1,200	1,600	1,700	1,700	1,800	1,800
Nondurable goods	3,000	2,900	3,000	2,900	2,900	3,100	3,200	3,400	3,200
Nonmanufacturing	<u>62,400</u>	<u>63,400</u>	<u>65,400</u>	<u>68,300</u>	<u>70,700</u>	<u>74,800</u>	<u>78,400</u>	<u>83,100</u>	<u>87,300</u>
Contract construction	4,000	4,100	3,700	4,100	4,100	4,400	4,800	5,000	5,200
Trans., commun., & utilities	3,300	3,300	3,300	3,200	3,300	3,200	3,300	3,300	3,300
Wholesale trade	2,900	2,800	2,900	3,000	3,100	3,200	3,300	3,500	3,400
Retail trade	12,600	12,800	13,400	13,900	14,400	15,100	16,000	17,000	17,600
Finance, real estate, & insurance	3,000	3,000	3,200	3,400	3,400	3,500	3,600	4,200	4,700
Service	9,400	9,500	10,300	10,700	11,500	12,200	12,600	13,300	14,400
Government	<u>27,200</u>	<u>27,900</u>	<u>28,600</u>	<u>30,100</u>	<u>31,000</u>	<u>33,100</u>	<u>34,700</u>	<u>36,900</u>	<u>38,700</u>
Federal	1,600	1,500	1,600	1,800	1,900	1,900	2,000	2,000	2,000
State	16,600	17,000	17,400	18,600	19,100	20,800	21,900	23,500	24,800
Local	9,100	9,300	9,500	9,700	10,000	10,400	10,900	11,300	11,800
All other employment ^{b/}	18,200	18,200	17,900	17,500	19,100	17,900	17,500	17,200	17,400

^{a/} Subtotals may not add to totals because of rounding.

^{b/} Includes workers involved in labor-management disputes, agricultural workers, self-employed, domestic works, and unpaid family workers.

Source: Michigan Employment Security Commission.

Table IV

Estimated Percentage Distribution of All Families
and Renter Households by Income
After Deduction of Federal Income Tax
Lansing, Michigan, Housing Market Area
1969 and 1971

<u>Income</u>	<u>1969</u>		<u>1971</u>	
	<u>All families</u>	<u>Renter households^{a/}</u>	<u>All families</u>	<u>Renter households^{a/}</u>
Under \$3,000	10	17	9	15
\$3,000 - 3,999	6	10	5	10
4,000 - 4,999	6	10	6	10
5,000 - 5,999	8	12	8	11
6,000 - 6,999	12	13	10	12
7,000 - 7,999	11	11	13	11
8,000 - 8,999	10	8	9	8
9,000 - 9,999	8	7	8	7
10,000 - 12,499	17	9	17	12
12,500 - 14,999	6	2	8	2
15,000 and over	<u>6</u>	<u>1</u>	<u>7</u>	<u>2</u>
Total	100	100	100	100
Median	\$7,575	\$6,050	\$7,950	\$6,350

^{a/} Excludes one-person renter households.

Source: Estimated by Housing Market Analyst.

Table V

Population and Household Trends
Lansing, Michigan, Housing Market Area

<u>Population</u>	April 1, 1960	October 1, 1964	March 1, 1969	March 1, 1971
In households	287,149	313,800	366,300	384,500
In group quarters	<u>11,800</u>	<u>21,200</u>	<u>23,700</u>	<u>24,500</u>
Total	298,949	335,000	390,000	409,000
Households, total	85,117	92,500	108,700	114,500

Table VI

Housing Units Authorized
By Residential Building Permits
Lansing, Michigan, Housing Market Area
1964-1968

<u>Year</u>	<u>Private units</u>			<u>Public units</u>	<u>Total</u>
	<u>Single- family</u>	<u>Multi- family</u>	<u>Total</u>		
1964	1,770	1,167	2,937	-	2,937
1965	2,033	2,161	4,194	228	4,422
1966	1,738	2,108	3,846	-	3,846
1967	2,324	2,636	4,960	100	5,060
1968	2,326	1,492	3,818	200	4,018

Source: 1960 Census of Population and Housing; estimates by the Housing Market Analyst; U.S. Bureau of the Census, C-40 Construction Reports.

Table VII

Components of the Housing Inventory
Lansing, Michigan, Housing Market Area
1960-1969

<u>Component</u>	<u>April 1960</u>	<u>October 1964</u>	<u>March 1969</u>
Total inventory	<u>91,083</u>	<u>98,000</u>	<u>114,500</u>
Occupied units	<u>85,117</u>	<u>92,500</u>	<u>108,700</u>
Owner-occupied	64,034	70,200	78,700
Percent of total occupied	75.2%	75.9%	72.4%
Renter occupied	21,083	22,300	30,000
Percent of total occupied	24.8%	24.1%	27.6%
Vacant units	<u>5,966</u>	<u>5,500</u>	<u>5,800</u>
Available	<u>2,934</u>	<u>2,400</u>	<u>2,900</u>
For sale	1,015	900	1,000
Homeowner vacancy rate	1.6%	1.3%	1.3%
For rent	1,919	1,500	1,900
Renter vacancy rate	8.3%	6.3%	6.0%
Other vacant ^{a/}	3,032	3,100	2,900

^{a/} Includes vacant units in the following categories: seasonal, dilapidated, rented or sold awaiting occupancy, and held off the market.

Sources: 1960 Census of Housing and estimates by the Housing Market Analyst.

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Analysis of the Lansing, Michigan
housing market

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