MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

COMPANION REPORT:
KEY TRENDS AND MEASURES BY PROSPERITY REGION

Michigan Homeownership Study

Understanding and Advancing Homeownership in Michigan

Produced by:
RKG Associates Inc. for MSHDA
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INTRODUCTION

This document provides a detailed analysis of the State of Michigan and twelve Prosperity Regions. The key findings from this document are the basis for strategies found in the accompanying Strategic Document. The goal of this document is to analyze each Prosperity Region to understand the nuances of the for-sale housing market and the implications for for-sale housing.

It is important to note that the Prosperity Regions in the study differ slightly from those commonly used by State of Michigan Agencies. For this study, modifications of two Prosperity Regions were made to provide greater clarity in specific housing markets. Prosperity Region Two was split into urban (Prosperity Region 2A) and rural components (Prosperity Region 2B). Prosperity Region 10 was separated into the City of Detroit (Prosperity Region 10A) and the Detroit Metropolitan Region (Prosperity Region 10B). This was done to ensure the uniqueness of specific areas was not lost amongst the regional story. The accompanying page presents a statewide map that depicts both the counties and Prosperity Regions used for this analysis.

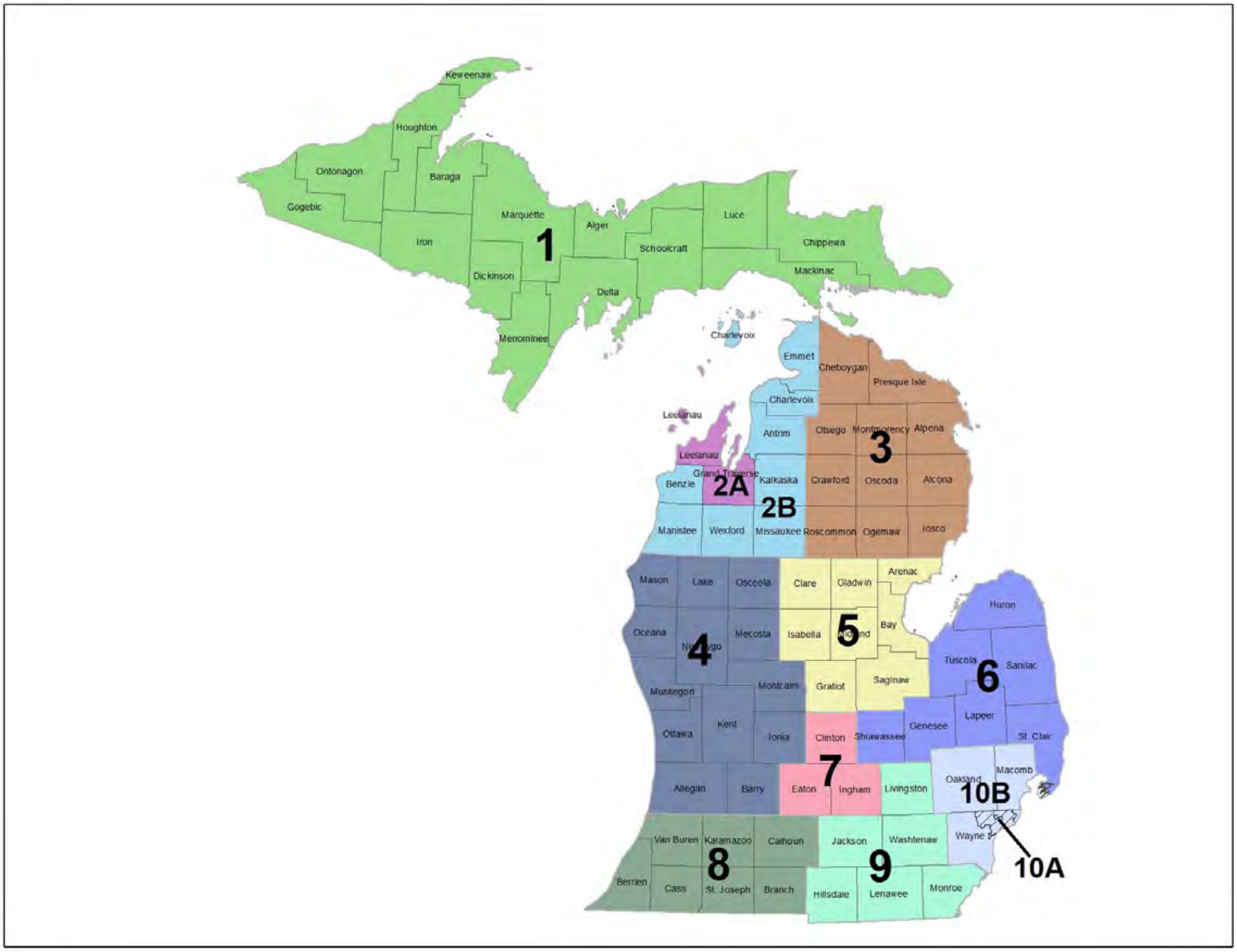
The first element of each of the Prosperity Regions reports and the statewide report is a demographic analysis. This provides demographic data related to population, households, race, ethnicity, and education. This demographic analysis helps describe the existing characteristics of each region under examination and changes that may take place in the future.

The second element of each report is an examination of socioeconomic conditions. This includes a review of household incomes, employment statistics, and projections to frame the analysis around housing affordability. As part of the assessment, housing cost burden data is examined to better understand income-constrained households and their ability to afford homes in the marketplace.

The core of each report is the housing section. This section provides a deep dive that provides information such as: housing type, age, tenure (ownership), and values. Additionally, time-series sales information for both single-family and condominium units are analyzed. This information coupled with data on pricing trends, average days on market, and the gap between selling and asking prices constitutes much of the housing analysis.

The final section is an affordability analysis across various income thresholds that provides an understanding of housing availability at various income thresholds and affordability standards. Using demographic and household income information, estimated household demand is compared to existing supply to understand gaps in the marketplace. Based on the findings from the analysis, strategies were crafted to ensure housing affordability can be better balanced across the state in the future.

Michigan Homeownership Study Prosperity Region Map



Data Sources

For the Michigan Homeownership Study, a variety of data sources related to demographic, socioeconomic, and housing conditions were used; much of which was derived from publicly available sources. The benefit of using public data is that it is freely accessible, consistent, complete, and transparent. Proprietary data was used for projections (population, household, and employment) and home sales information. The following is a list of data sources used as part of the analysis:

American Community Survey (ACS) - The ACS is an ongoing survey conducted by the Census Bureau which provides vital information on a yearly basis about the United States. The survey provides information about populations, housing, jobs and occupations, educational attainment, and other topics. This is a vital resource that provides current data for communities, municipalities, and states.

Comprehensive Housing Affordability Strategy (CHAS) – This data is a custom tabulation of ACS data from the U.S. Census Bureau provided to the Department of Housing and Urban Development (HUD). CHAS data demonstrates the extent of housing problems and housing needs, particularly for low income households. This data provides the ability to explore housing cost burden of households.

Decennial Census- Provides time-series data on population, households, and housing units, in addition to other data points. Data from the Census will be used to show historical trends.

Department of Housing and Urban Development Income Limits – Data from HUD has been obtained at the state level for the income limits used for HUD programs. The income limits helps to define the thresholds for affordable and workforce housing across the Prosperity Regions.

Multiple Listing Service (MLS) – This listing is used by real estate brokers to actively market properties. The data provides information regarding product types (single-family and condominium), pricing trends, average days on market, year built, and the gap between selling and asking prices. Data from this source informs the housing analysis regarding market conditions across all the Prosperity Regions. The Michigan Realtors provided the data used for this analysis. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

Regional Economic Models Inc. (REMI) Data – This is a proprietary data source that provides projections related to population, households, and employment. This data is a nationally recognized industry standard and provides projection data to the year 2045 in five-year increments.

To supplement quantitative data sources and provide a better understanding of the nuances found across the state, interviews were conducted with housing experts. The individuals interviewed included state officials and policy makers, developers, real estate brokers, affordable housing advocates, and community groups. These interviews provided a real-time local perspective in Michigan and were critical to pin pointing and/or confirming the most critical housing issues and needs.

Methodology

To understand housing affordability across the various regions of the state, RKG worked with the study committee to determine the appropriate Area Median Income (AMI) thresholds to use when conducting housing affordability calculations. Due to the Prosperity Regions encompassing various counties, or not geographically aligning with the Department of Housing and Urban Development (HUD) designated metropolitan areas, regional area median incomes were used. Median incomes were chosen based in part on applicable geographies defined by HUD Fair Market Rent (FMR) income limitations and household size (three-person). The selection of median incomes fell under three categories:

1. In cases where the HUD geography aligned completely with the Prosperity Region the HUD geography was used.
2. Where the HUD geography covered a major metro region and population center but did not fully encompass the Prosperity Region, the HUD geography was used.
3. In cases where a HUD metro geography did not exist, an alternative method was used. Both the median incomes and populations of the counties which make up the Prosperity Regions were examined. The selected HUD income limitation was then based on a county deemed most representative of the Prosperity Region.

The table below presents the HUD FMR geographies and median incomes applied to each region. A brief description of each of the Prosperity Regions follows.

Prosperity Regions and HUD Median Incomes

Prosperity Region	HUD FMR Geographies	Median Income
1	Marquette County	$62,900
2a	Grand Traverse County	$73,900
2b	Emmet County	$68,000
3	Otsego County	$60,600
4	Grand Rapids - Wyoming Metro	$69,900
5	Saginaw Metro	$56,500
6	Flint Metro	$57,900
7	Lansing - East Lansing Metro	$73,900
8	Kalamazoo - Portage Metro	$70,300
9	Ann Arbor Metro	$92,900
10a	City of Detroit	$32,047
10b	Detroit Metro	$70,900
State	Michigan	$67,300

Source: HUD and RKG Associates. Inc, 2018

The AMI data helps to inform purchase price affordability and is also used to compare existing supply and future demand by price segment and household income. To understand the workforce housing market, six AMI thresholds were identified by the study committee and used as part of the analysis for each study area:

- 30 percent of AMI

- 50 percent of AMI
- 80 percent of AMI
- 120 percent of AMI
- 200 percent of AMI
- Greater than 200 percent of AMI

The identified AMI thresholds are meant to capture the spectrum of workforce incomes across the state and Prosperity Regions, and are used to determine the purchasing power of households against market realities. For information about the housing situations of smaller geographic areas than Prosperity Regions, please see MSHDA's Statewide Housing Needs Assessment, which contains measures pertaining to local housing situations for 380+ specific housing markets in Michigan.

Prosperity Region 1

This Prosperity Region encompasses the entire Upper Peninsula of Michigan and has 15 counties. This geographic area is large and highly rural. Due to the rural nature of the area, HUD does not have metro region level data available; only FMR data on individual counties is available. Based on the county-wide median incomes and population data, Marquette County (population 67,000) was selected as the baseline metric for the region.

Prosperity Region 2a

Prosperity Region 2a is in the northwest corner of the state and abuts Lake Michigan. The area is rural, but also has many small towns and cities. The major population center in this area is Traverse City (population 15,500) which is both a vacation destination and a thriving community. Prosperity Region 2 is generally rural outside the immediate Traverse City area, and as such HUD does not have a metro region for any of the counties that make up the Prosperity Region. Based on the county-wide median incomes and population data, Grand Traverse County (population 90,000) will be used for the income thresholds for Prosperity Region 2a.

Prosperity Region 2b

Prosperity Region 2b is in the northwest corner of the state and abuts Lake Michigan, and surrounds Prosperity Region 2a. The area is rural with many small towns and communities. The major population center in this area is Cadillac (population 10,000) which has a few large employers. Prosperity Region 2b is highly rural, and as such HUD does not have a metro region for any of the counties that make up the region. Based on the county-wide median incomes and population data, Emmet County (population 33,000) will be used for the income thresholds for Prosperity Region 2b.

Prosperity Region 3

Located in the northeast corner of the state and abutting Lake Huron is Prosperity Region 3. The area is very rural, with many small communities along the shore of Lake Huron and sparsely populated towns scattered throughout. A major population center in this area is Gaylord (population 3,700) through which Interstate 75 passes; this community provides connectivity both north-south and east-west across the northern reaches of the state. The community is the county seat of Otsego County (population 24,000). Prosperity Region 3 is mostly rural, and as such HUD does not have a metro region for any of the counties that make up the Prosperity Region. Based on the county-wide median incomes and population data, Otsego County will be used for the income thresholds for Prosperity Region 3.

Prosperity Region 4

Like Prosperity Region 3, this region is in the western part of the state and abuts Lake Michigan; however, this region is more developed and has a larger population than Region 3. The main city in this area is Grand Rapids (population 196,000), which is a major urban center in Michigan. Since this area has a large urban center, HUD has a defined geography for the area, the Grand Rapids-Wyoming Metro Region will be used for the income thresholds for Prosperity Region 4. The metro area covers Kent County (population 629,000) which is the most populous county in Prosperity Region 4.

Prosperity Region 5

Located in the eastern part of the state and abutting Lake Huron, Prosperity Region 5 is mostly rural with a few large population centers. The main city in this area is Saginaw (population 49,000). Since this area has a somewhat large urban center, HUD has a defined geography for the area, the Saginaw Metro Region. The metro area covers Saginaw County (population 195,000) and is the most populous county in Prosperity Region 5. While the metro region does not cover the whole of the Prosperity Region, it provides a reasonable point of reference, as such will be used for the analysis.

Prosperity Region 6

Prosperity Region 6 is in the eastern part of the state and abuts Lake Huron and Canada. This region is mostly rural with a few large population centers. The main city in this area is Flint (population 97,000). Since this area has a large urban center, HUD has a defined geography for the area, the Flint Metro Region. The metro area covers Genesee County (population 413,000) and is the most populous county in Prosperity Region 6. While the metro region does not cover the whole of the Prosperity Region, it provides a reasonable point of reference, as such this metro region geography will be used for the income thresholds for Prosperity Region 6.

Prosperity Region 7

Containing the State Capital of Lansing, Prosperity Region 7 is found in the center of the state. This region is more developed and has a sizeable population. Lansing has a population of 116,000, which makes it a major city in Michigan. Since this area has a large urban center, HUD has a defined geography for the area, the Lansing-East Lansing Metro Region. The HUD metro region incorporates Clinton, Eaton, and Ingham Counties which is the totality of Prosperity Region 7 and has a population of 470,000 individuals. This metro region geography will be used for the income thresholds for Prosperity Region 7.

Prosperity Region 8

Located in the southwestern part of the state next to Indiana and abutting Lake Michigan is Prosperity Region 8. The region is more developed and has a sizeable population as compared to other parts of the state. The main city in this area is Kalamazoo with a population of 76,000. Since this area has a large urban center, HUD has a defined geography for the area, the Kalamazoo-Portage Metro Region. The HUD metro region incorporates both Kalamazoo and Van Buren Counties which have a combined population of 333,000 individuals. The HUD geography does not cover the entirety of the Prosperity Region, but it is nonetheless representative of the region and will be used for the income thresholds for Prosperity Region 8.

Prosperity Region 9

This region is in the southeastern part of the state next to Ohio and abuts Lake Erie and has a total population of nearly one million. The main city in this area is Ann Arbor (population 121,000). Since this area has a large urban center, HUD has a defined geography for the area, the Ann Arbor Metro Region. The Ann Arbor Metro Region is made up of Washtenaw County which has a population of 358,000 individuals. The HUD geography does not cover the entirety of the Prosperity Region as there are a total of six counties, but it is nonetheless representative of the region because Washtenaw County accounts for nearly one-third of the total population of the Prosperity Region. Therefore, the Ann Arbor Metro Region will be used for the income thresholds for Prosperity Region 9.

Prosperity Region 10a

Located in the southeastern portion of the state and abutting Lake St. Clair and Canada is Prosperity Region 10a. The region is made up of the City of Detroit which has a population of 673,000 and is the largest city in Michigan. Detroit is part of HUD's Detroit Metropolitan Region which is used to determine median income for the federal funding programs; however, the City of Detroit has a much lower median income than the metropolitan region. Due to the large differential, for the purposes of this study, the census determined median income for a three-person household was used for Detroit. The purpose of using the census number was to ensure a more accurate depiction of affordability.

Prosperity Region 10b

Located in the southeastern portion of the state and abutting Lake Erie and Canada is Prosperity Region 10b. This region is the commercial center of the state and has a population of nearly 3,200,000. Since this area has a large urban center, HUD has a defined geography for the area, the Detroit Metro Region. The HUD defined metro area includes the counties of Lapeer, Macomb, Oakland, St. Clair, and Wayne. While the counties of Lapeer and St. Clair are part of Prosperity Region 6 and have a combined population of 250,000 individuals; this population represents only 6 percent of the Prosperity Region 10b population and would have a negligible impact on median household incomes. As such, the Detroit Metro Region geography will be used for the income thresholds for Prosperity Region 10b.

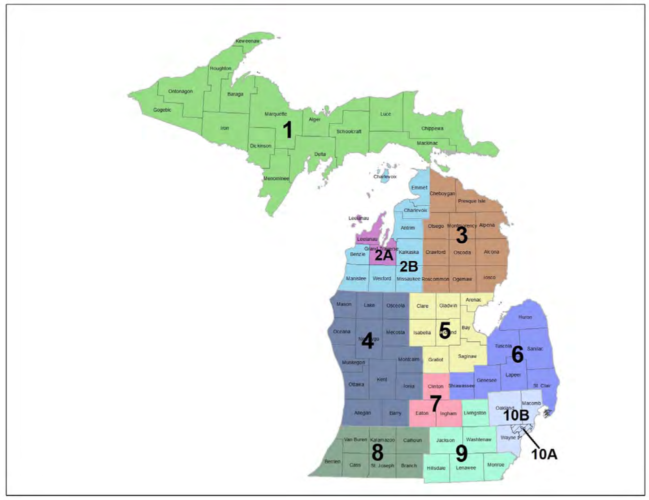
State of Michigan

For the homeownership study, the state of Michigan is used as the comparator for each of the Prosperity Regions examined. The median income thresholds are based on statewide data.

STATE OF MICHIGAN

State at a Glance

Figure 1: Map of Michigan



The State of Michigan has a history of being the epicenter of manufacturing in the United States, with local corporations such as Ford Motor Company having a transformational impact on the world. Over time, changes in the global economy resulted in a rebalancing of industries and the nature of employment. These changes have manifested themselves across the state in recent decades. The changes in employment and wages have had profound impacts on cities, townships, and counties across the state. Population and employment losses and shrinking wages hollowed out some communities that were reliant on manufacturing industries. As Michigan's economy has rebounded and shifted, many communities have seen population and income gains, which have resulted in new development driving housing prices up. Other communities have continued to see population decline and lower housing values which have created vacancy issues and a housing stock that requires rehabilitation to make it market ready.

Michigan, like many states in the Midwest, has a wide range of community types from major urban cities like Detroit, Lansing, Grand Rapids, Ann Arbor, and Kalamazoo to small rural townships across the Upper Peninsula. Employment centers are also varied in their size and location ranging from large universities and hospitals, to major manufacturing hubs, to waterfront tourism destinations. Each community and employment center is unique and brings its own set of challenges to creating housing that is affordable to those residents and employees. This document is an attempt to capture the statewide story and the nuances of each Prosperity Region. This first report focuses on the State of Michigan and the demographic changes and implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for State of Michigan, the following are key findings:

- Looking forward to the year 2045, the population of the state is projected to increase by 8 percent. Between 2015 and 2045, the largest percent growth in population occurs in residents over the age of 55, increasing by 24 percent.
- The number of households, which is an important driver of housing need, is expected to grow over both the short- and long-term. Between 2020 and 2025, households are expected to grow by 3 percent, and between 2020 and 2045, households are expected to grow by 11 percent.

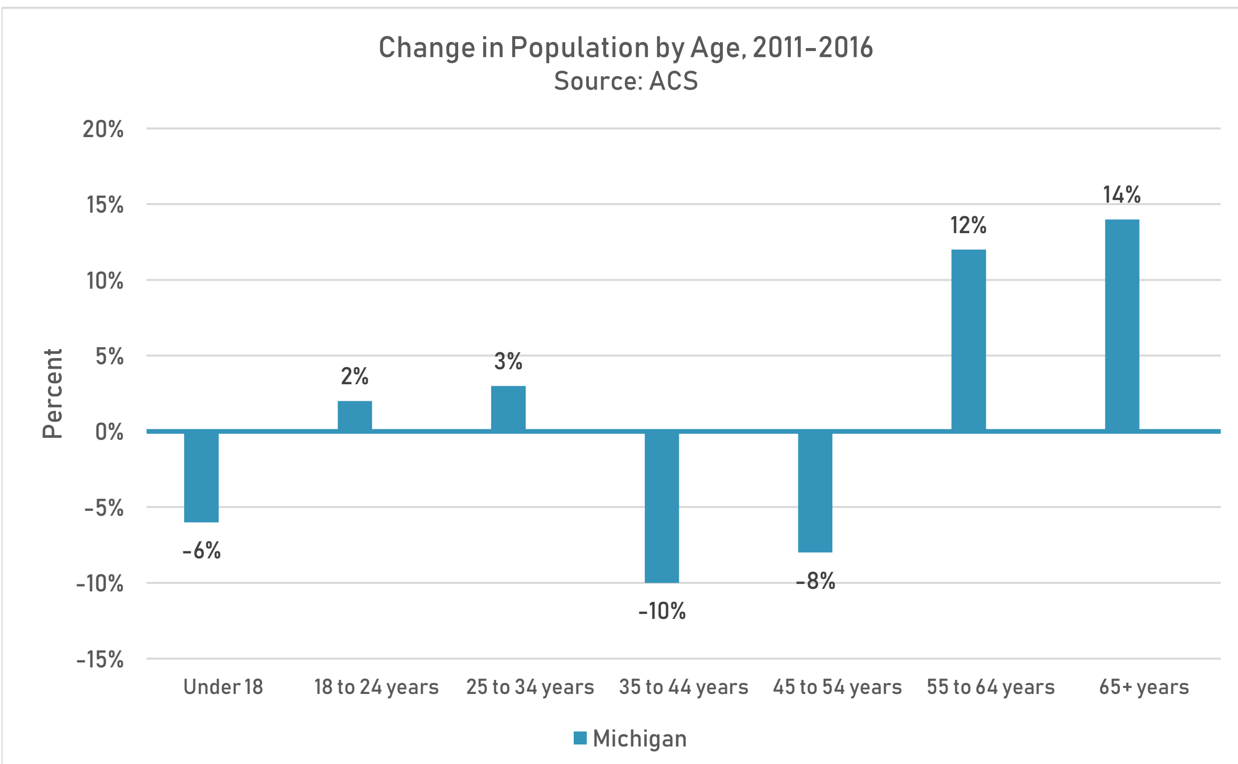
- Over the course of the next twenty-five years, employment is expected to grow by 4 percent or 245,375 jobs.
- About 5 percent, or 227,321 units, of the housing stock is classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition.
- The housing stock tends to be older, with about 37 percent of all owner-occupied housing built before 1959.
- About 38 percent of the housing units fall under $100,000 in value.
- Sales prices for single-family homes rose by 71 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $156,560. **The median sales price of a newly built home in 2017 was $307,970 which is 97 percent greater than existing units.**
- Sales prices for condominium units increased 73 percent over the last six years. The median sales price of a condominium in 2017 was $161,710; while the median sale price of a new condominium in 2017 was $276,550, a difference of 71 percent.
- The median sale price for both a single-family home and condominium in 2017 was affordable to households at or above 80 percent of Area Median Income (AMI). Households under that threshold are unable to purchase median priced single-family or condominiums units.
- The pace of new construction has slowed for single-family homes, declining by 16 percent; while condominium unit creation has increased 22 percent. Between 2012 and 2017 a total of 32,441 single-family units and 6,958 condominium units were built and sold.
- The state does not have existing capacity to absorb growth in households. **The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment**.

Demographics

POPULATION

The current population of the state is 9,909,600. In aggregate, the state experienced nearly zero population growth over the last five years.[1] A closer look at the population data shows growth rate variation amongst age cohorts. A particularly important finding is that the state is getting older, as the population of residents over the age of sixty-five grew by 14 percent over the last five years. The growth in the senior population has an impact on housing preferences, location, and availability of housing units to younger households. Along with an aging population, the state lost residents between the ages of 35 and 54, which represent households in their prime earning years and family formation. These residents are more likely to purchase homes and have disposable income to support the local economy.

Figure 2: Change in Population by Age



Looking forward over the short-term, it is projected that between 2020 and 2025 the state will experience population growth of 1 percent. The greatest gains are projected to occur between ages 35 and 44 which is a rebound from recent decreases. The senior population is expected to grow by 6

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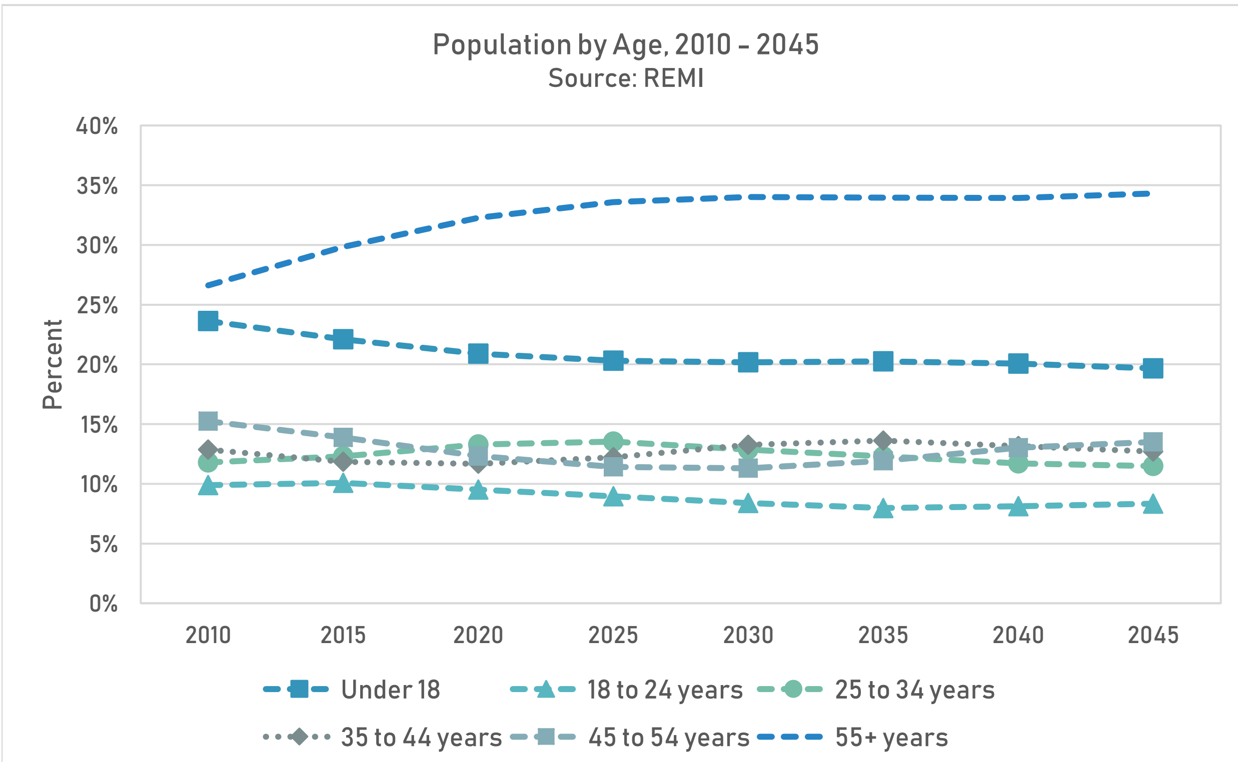
[1] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

percent.[2] In the short-term the population of 18 to 24-year-olds is expected to decline by 4 percent and this trend is expected to continue into the future with a projected 11 percent decrease by 2045.

Looking forward to the year 2045, the population of the state is projected to grow by 8 percent.[3] **Between 2015 and 2045, the largest percent growth in population occurs in seniors, increasing by 24 percent.** This continues the trend of growth in the senior population which could potentially impact the housing market if seniors age in their current home. There is the potential that senior households will hold onto their units longer which would limit turnover in the market and restrict supply.

Figure 3: Population by Age



The other population group that is expected to grow is the 35 to 44 age group, continuing the short-term trend, which is projected to grow by 15 percent. The growth in this demographic group is important because this population tends to start families, are in their prime earning years, and are looking to establish themselves for the long-term.

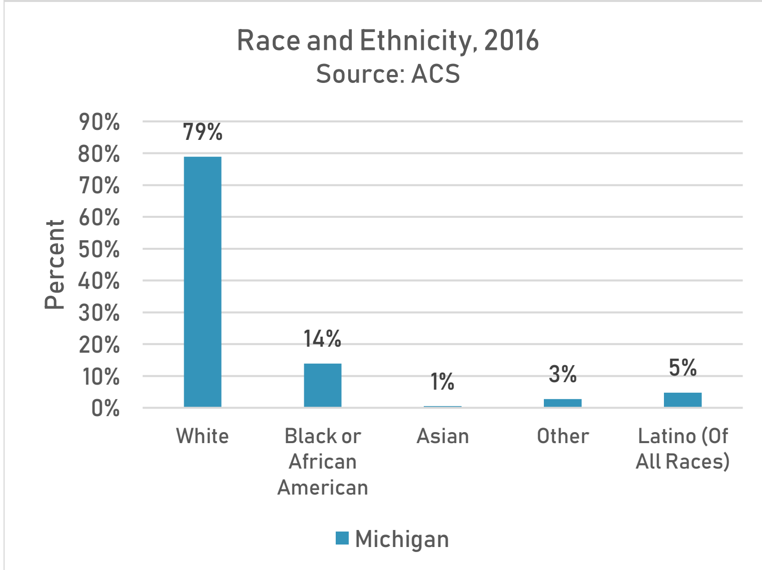
[2] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

[3] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

RACE AND ETHNICITY

Most of the residents in Michigan identify as White, accounting for nearly 79 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 10 percent from 2011 to 2016 and now accounts for 5 percent of the total population.**[4]

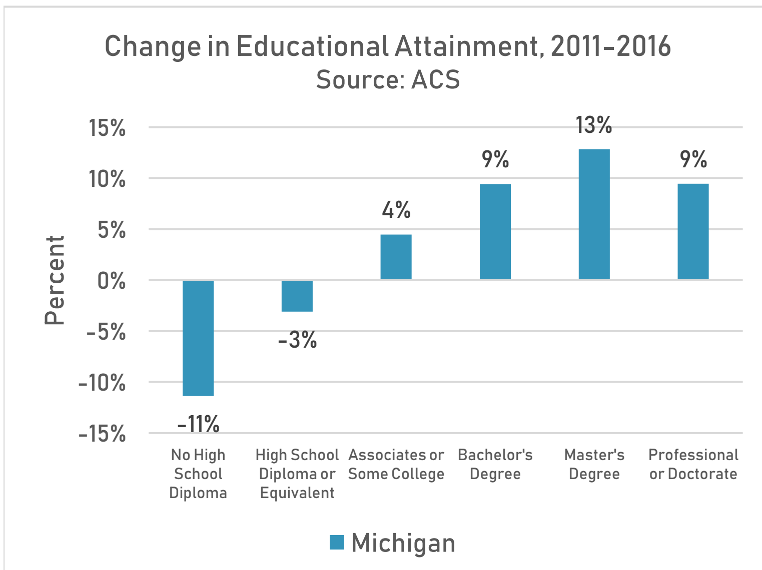
Figure 4: Race and Ethnicity



EDUCATION

One of the challenges the state faces is the percentage of working age population who have higher education. About 40% of all residents have, at most, a high school diploma, while 60 percent have some form of advanced education. The large segment of population with limited education has implications for economic advancement, as many jobs require greater amounts of education.

Figure 5: Change in Educational Attainment



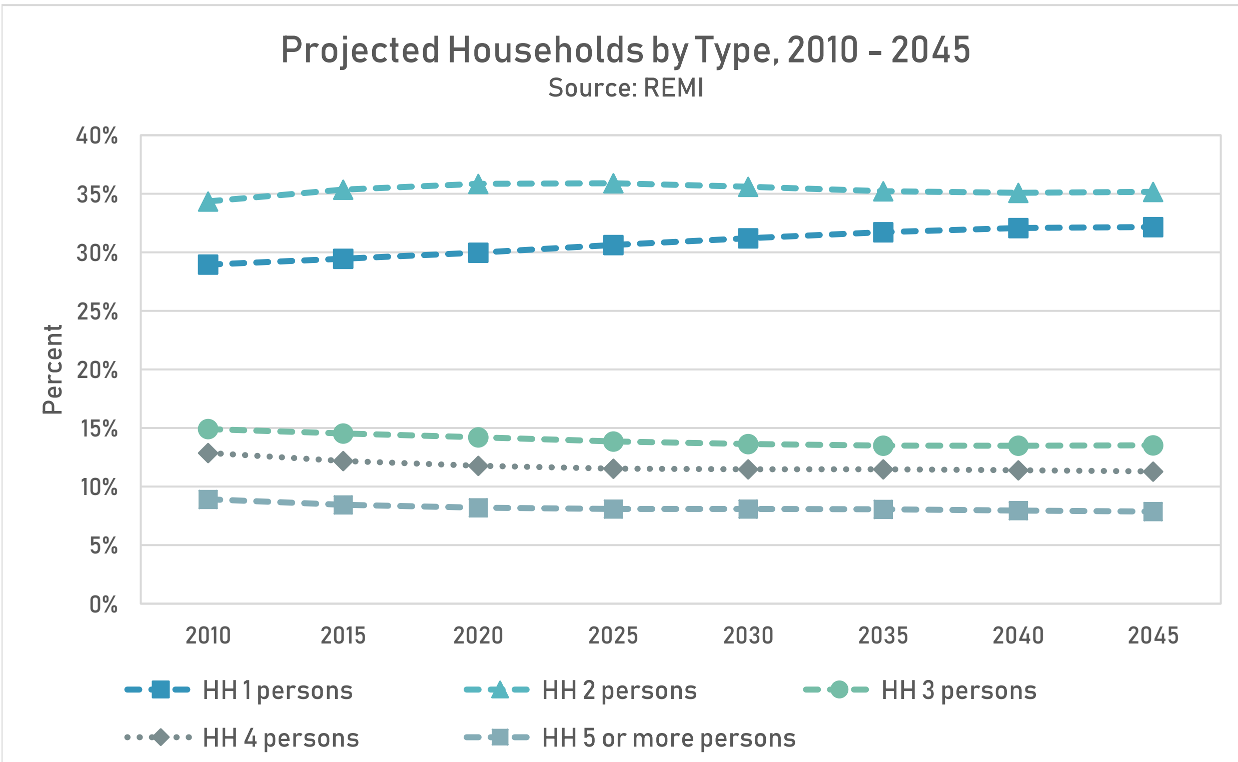
Over the last five years, a shift has occurred in the population with regards to education. More and more individuals are undertaking some form of secondary education, as the state saw an increase of 13 percent in the population of master's degree holders. Growth in the college educated population helps fill the need of employers across the state, particularly jobs requiring higher skills.

[4] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

HOUSEHOLDS

As of 2016, there were 3,860,394 households across the state.[5] Between 2011 and 2016, the state saw 1 percent growth in households which translates to 35,212 households. Looking forward, Michigan is expected to experience household growth over both the short- and long-term. **Between 2020 and 2025, households are expected to grow by 3 percent, and between 2020 and 2045, households are expected to grow by 11 percent.**[6] The overall growth in households will have an impact on the number of housing units needed to support the population of the state.

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 households of all sizes will experience modest growth of between 1 and 6 percent.[7] The longer-term trend through 2045 shows one-person households increasing by 19 percent. The state is expected to experience growth in four and five-person households of 7 percent. The growth of smaller households will have an impact on housing demand because greater numbers of units will be required to accommodate smaller households.

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[5] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

[6] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[7] REMI, Michigan Department of Transportation, and RKG Associates, 2018

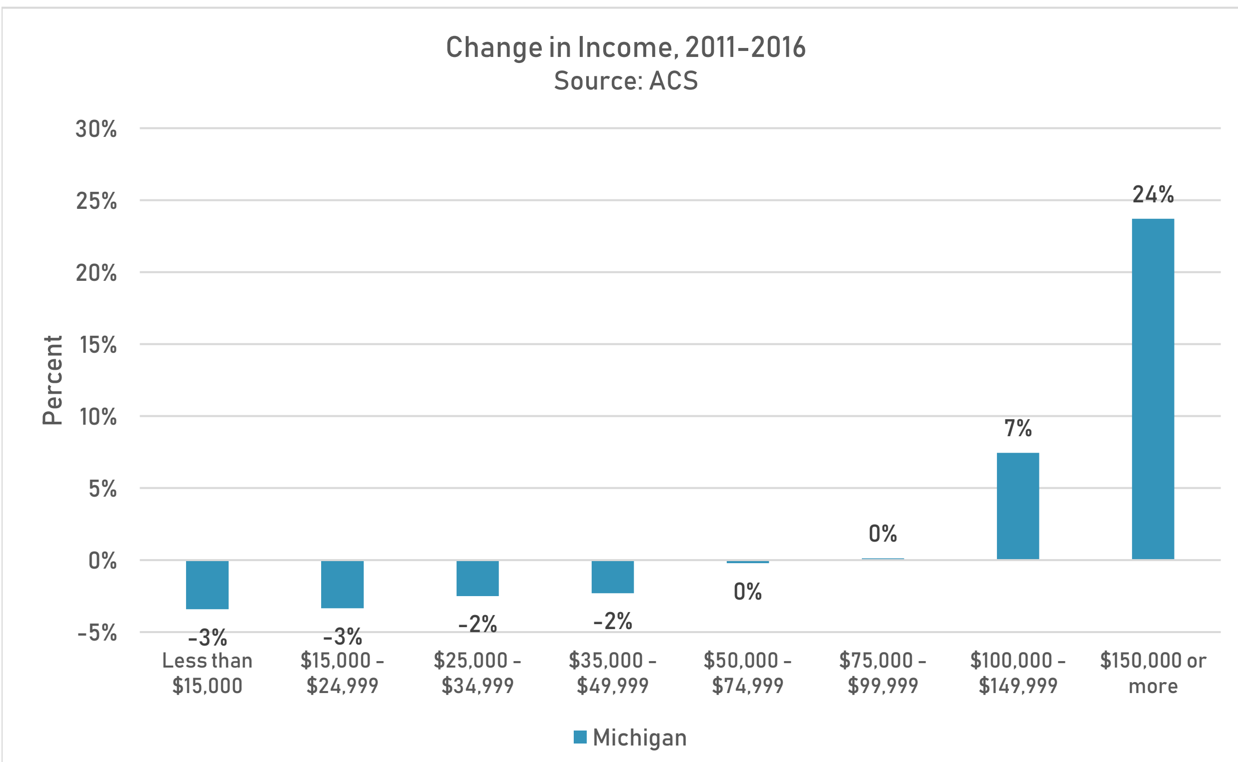
Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

From a national prospective, Michigan is a major employment center with regards to manufacturing activity. A long history of manufacturing exists in the state, and the automobile and its associated supply chain plays a big role. The state is home to many large employers such as General Motors, Ford Motor Company, Dow Chemical, Lear, Whirlpool, Meijer, Kellogg Companies, and a wide ranging system of education and healthcare anchors. Major job centers include the Detroit Metro Area, Grand Rapids, Ann Arbor, and Kalamazoo.

The state's median household income is $50,803.[8] Over the last five years, positive income growth occurred for households earning over $100,000 per year, even though this segment makes up only 20 percent of the population. The greatest growth in incomes occurred for households over $150,000 which saw an increase of 24 percent. Below $100,000 per year, households have seen a decline income. This indicates a bifurcated economy where 20 percent of the population is experiencing income growth, and 80 percent of the population is experiencing stagnation or a decline.

Figure 7: Change in Incomes



[8] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

Table 1 presents the top five industry employment sectors across the state. As a percentage of total employment, Retail Trade accounts for 10 percent of the jobs in the state.[9] The second largest employment sector is Professional and Technical Services which accounts for 7 percent. **Over the course of the next twenty-five years, employment is expected to grow by 4 percent. Projections show a gain of 245,375 jobs between 2016 and 2045.** The retail sector is expected to decline by 13 percent, but the professional services sector is expected to expand by 27 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Retail trade	573,786	496,524	-77,262	-13%
Professional, scientific, and technical services	410,793	522,755	111,961	27%
Administrative and support services	384,058	454,290	70,233	18%
Local Government	360,099	366,013	5,914	2%
Food services and drinking places	353,339	387,337	33,997	10%
All Other Industries	3,510,932	3,611,463	100,532	3%
Total	5,593,008	5,838,383	245,375	4%
Source: REMI				

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Michigan considered cost burdened or severely cost burdened. **In total, 14 percent of all homeowner households in the state are cost burdened while 10 percent are severely cost burdened.**[10] Of cost burdened households, 57 percent are at or below 80 percent of Area Median Income (AMI), with 30 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 91 percent of these households fall at or below 80 percent of AMI, and 45 percent fall at or below 30 percent of AMI.

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[9] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[10] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Housing Cost Burdened Homeowners in Michigan				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	30,295	8%	120,290	45%
>30% and <=50% AMI	75,465	19%	73,415	27%
>50% and <=80% AMI	117,520	30%	51,110	19%
>80% and <=100% AMI	62,645	16%	11,865	4%
Income >100% AMI	103,700	27%	12,260	5%
Total	389,625	100%	268,940	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units across the state increased by 12,705, which amounts to a near zero percent change.[11] At the same time, the state saw a 3 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals, demolitions, and the loss of mobile home units. Concurrent to the decline in owner units, rental housing units increased 11 percent. This section will further explore the complexities of the ownership market across the state.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[14] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family

Table 3. Housing Tenure		
Housing Tenure	Michigan	Michigan Percent
Owner-Occupied	2,732,051	60%
Renter-Occupied	1,128,343	25%
Vacant-For Rent	85,584	2%
Vacant-For Sale	83,371	2%
Vacant-Seasonal[12]	288,250	6%
Vacant-Other[13]	227,321	5%
Total	4,544,920	100%
Source: ACS 2012-2016		

[11] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[12] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

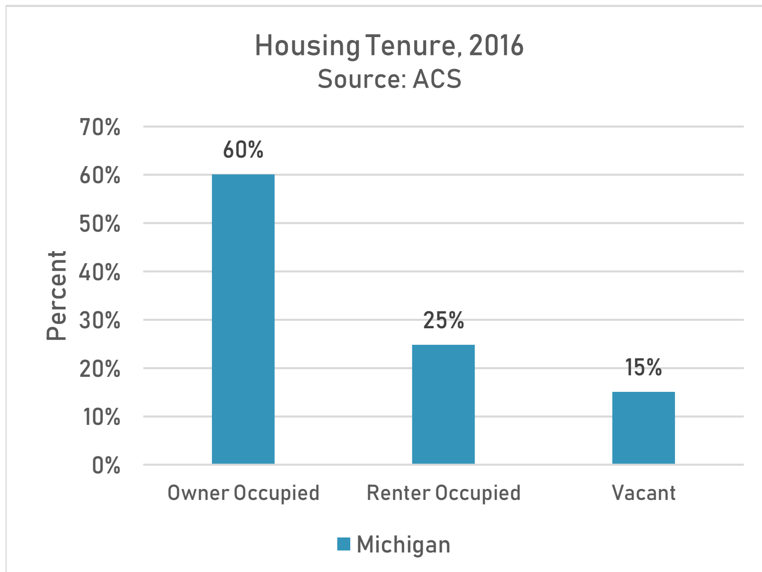
[13] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[14] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

condominiums buildings having five or more units. Of all the housing (both owner and renter) in the state, 72 percent of the residential housing stock is comprised of single-family homes.[15]

Statewide, the owner-occupied housing stock accounts for 60 percent all units. Ownership patterns are changing, **over the last five years there was a 3 percent (80,556 unit) decrease in the number of ownership units and a 11 percent (115,768 unit) increase in rental units**. Some of the decline in owner-occupied units could be the result of a drop of 56,266 single-family units going off the market, being demolished, or possibly becoming rentals, in addition to the 13,944 mobile homes which may have shifted from ownership to rental units or were entirely removed from the market.

Figure 8: Housing Tenure



Across the state, 15 percent of the housing units are classified as vacant. Digging deeper, 6 percent of all units are classified as vacant for seasonal use. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 288,250 housing units (owner and renter) that have been removed from the year-round housing market. An additional 5 percent, or 227,321 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The number of vacant units have declined over time, decreasing by 16 percent indicating that some of the vacant housing stock is being added to the rental and ownership supply.

[15] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Across the state, most of the residential building stock is comprised of single-family detached units. As of 2016, 88 percent of the owner-occupied residential stock was single-family homes.[16] The state's owner-occupied housing stock of two or more units was 6 percent and approximately 4 percent of the housing stock is classified as mobile homes. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are the result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units.

Table 4: Owner-Occupied by Units in Structure

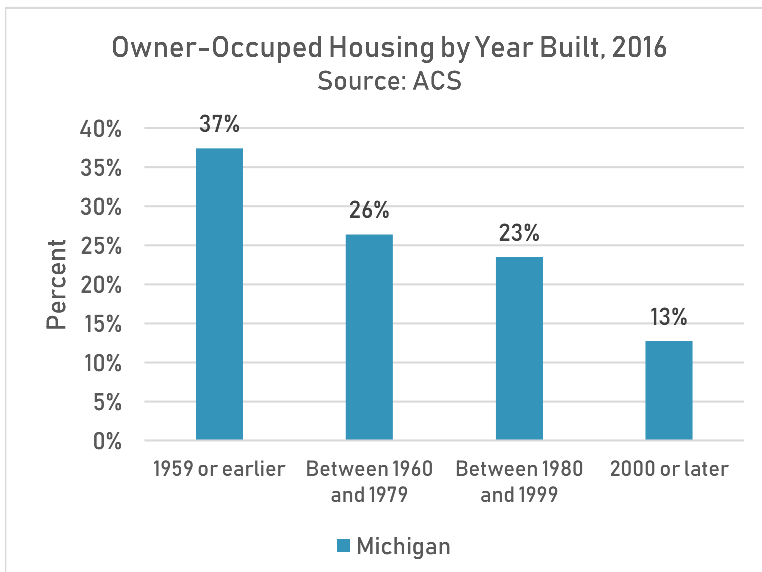
Owner-Occupied	Michigan	Michigan Percent
Single-Family	2,412,899	88%
Two or More Units	175,225	6%
Mobile Home/RV/Other	143,927	5%
Total	2,732,051	100%

Source: ACS 2012-2016

AGE OF HOUSING

The median year built of a home in Michigan is 1970.[17] **Older homes make up a significant share of the marketplace, with homes built before 1959 accounting for 37 percent of total owner-occupied units.**[18] This finding also shows how the state became an employment center during the pre and post-war period. Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

Figure 9: Owner-Occupied Housing by Year Built



[16] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

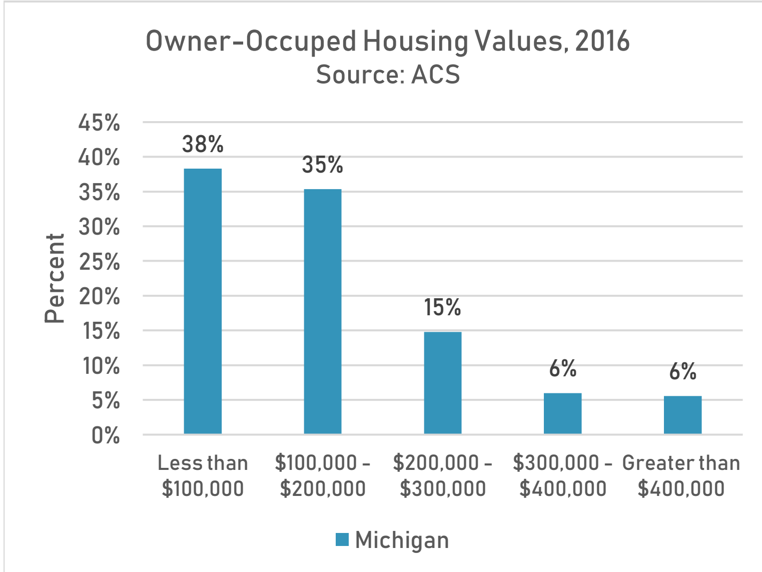
[17] ACS 2012-2016, Table B25037, and RKG Associates

[18] ACS 2012-2016, Table B25036, and RKG Associates

UNIT VALUES

Homes valued below $100,000 account for nearly 38 percent of the housing stock.[19] While homes valued at over $200,000 account 27 percent of the housing stock. This finding indicates much of the housing found across the state is lower priced; however, the consequence of lower priced housing is that it tends to need repairs or is in an area not experiencing significant market activity. The low housing values reflect the purchasing power of residents across the state and nature of the housing market.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

The state mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[20] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

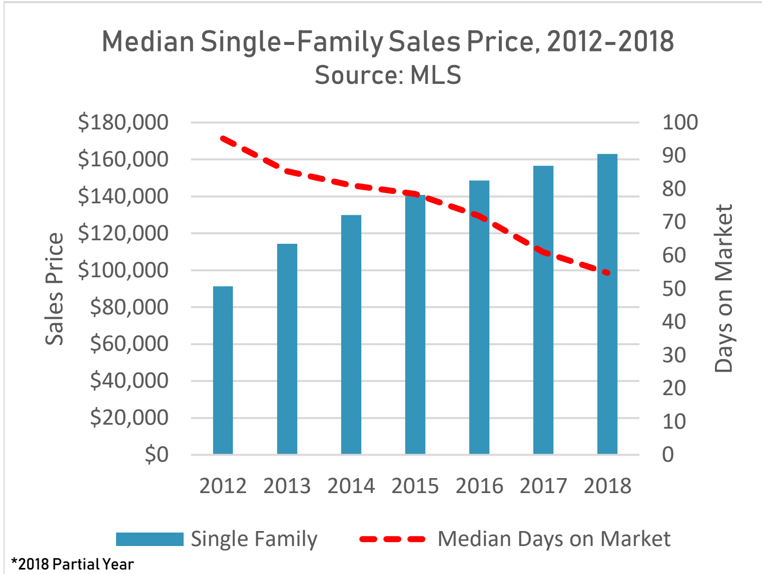
[19] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[20] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

The market for single-family homes has seen a rapid price escalation and moderate number of sales. Between 2012 and 2018, there were 907,617 sales, or an average of 129,660 sales per year.[21] **The median single-family home sales prices rose by 71 percent between 2012 and 2017**. The median sales price of a single-family home in 2017 was $156,560. The time it took to sell a home also decreased, dropping 36 percent to an average of 61 days on the market.[22]

Figure 11: Median Single-Family Sales Price



Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 57 percent of all single-family sales, and where prices have increased 75 percent over the last six years. Based on average household sizes, these homes tend to meet the needs of buyers. **At a median price of $144,200 these three-bedroom homes generally reflect the purchasing power of local buyers in the state** as the income needed to purchase this type of home is around $45,000 per year -- which is below the state's median household income.

Larger single-family homes with four- and five-bedrooms plus also experienced price appreciation. **The median sales price of a four-bedroom home increased by 38 percent to $243,080 and the price of a home with five or more bedrooms increased by 27 percent to $299,730.**[23] This market segment makes up about 29 percent of all single-family home sales.

Sales Price by Year Built

Housing prices vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $111,300 which was more than 56 percent greater than a home built between 1900 and 1950.[24] Similarly, the median sales price of a unit built between 1990 and 2010 was $219,420, which was more than 36 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

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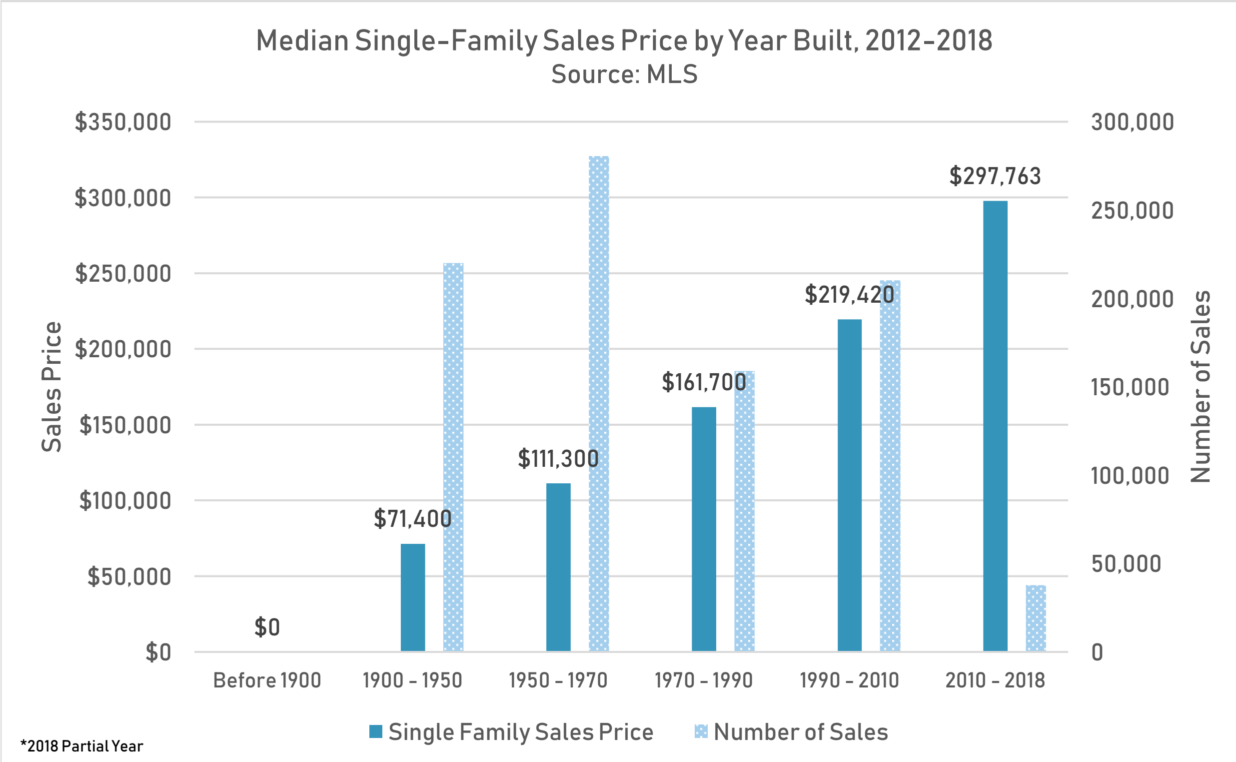
[21] Michigan Realtors 2012-2018, and RKG Associates

[22] Michigan Realtors 2012-2018, and RKG Associates

[23] Michigan Realtors 2012-2018, and RKG Associates

[24] Michigan Realtors 2012-2018, and RKG Associates

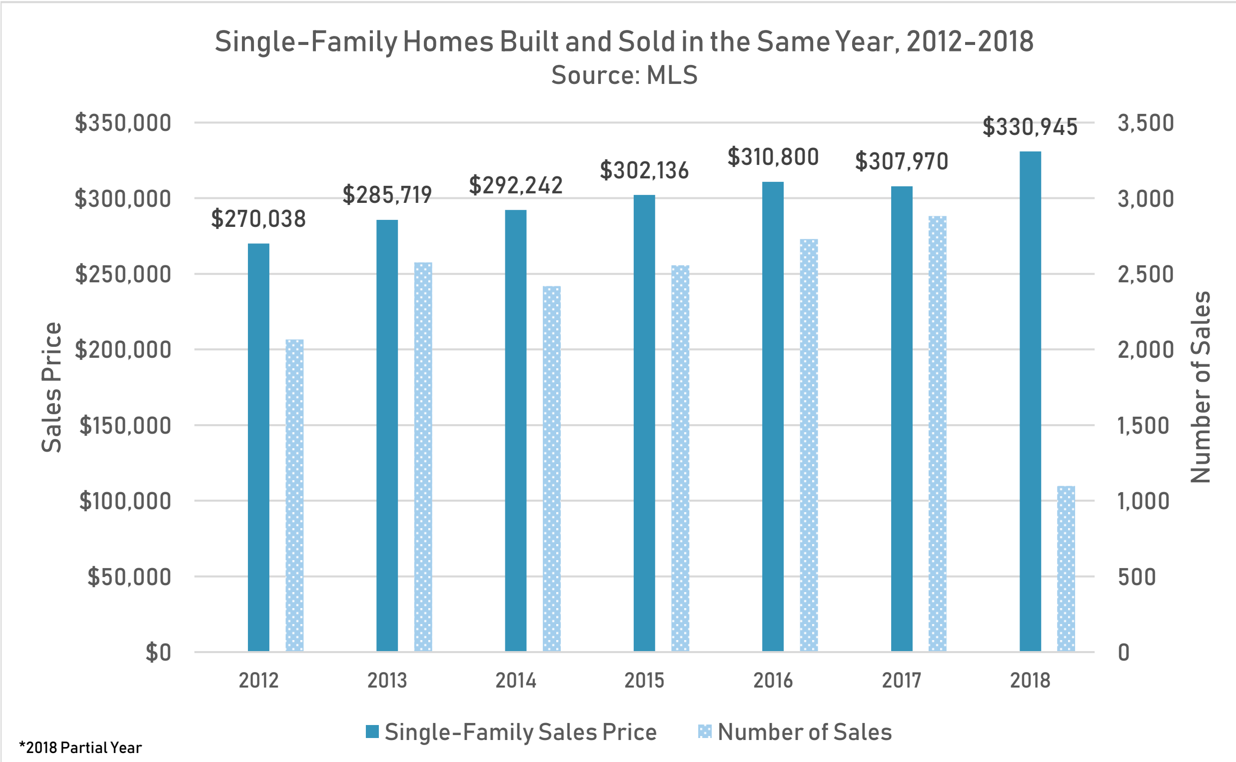
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 97 percent more than existing units. The median sales price of a new home in 2017 was $307,970 compared to $156,560 for an existing single-family home.**[25]

[25] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

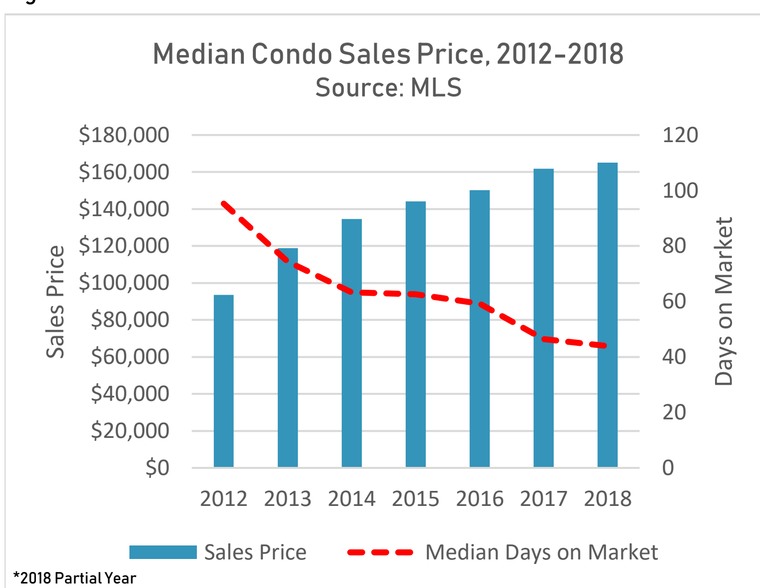
Figure 13: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

Figure 14: Median Condominium Sales Price



The market for condominiums across the state is strong and growing. Between 2012 and 2018, the state saw about 108,438 sales or an average of 15,491 sales per year. Condominium sales prices have increased 73 percent over the last

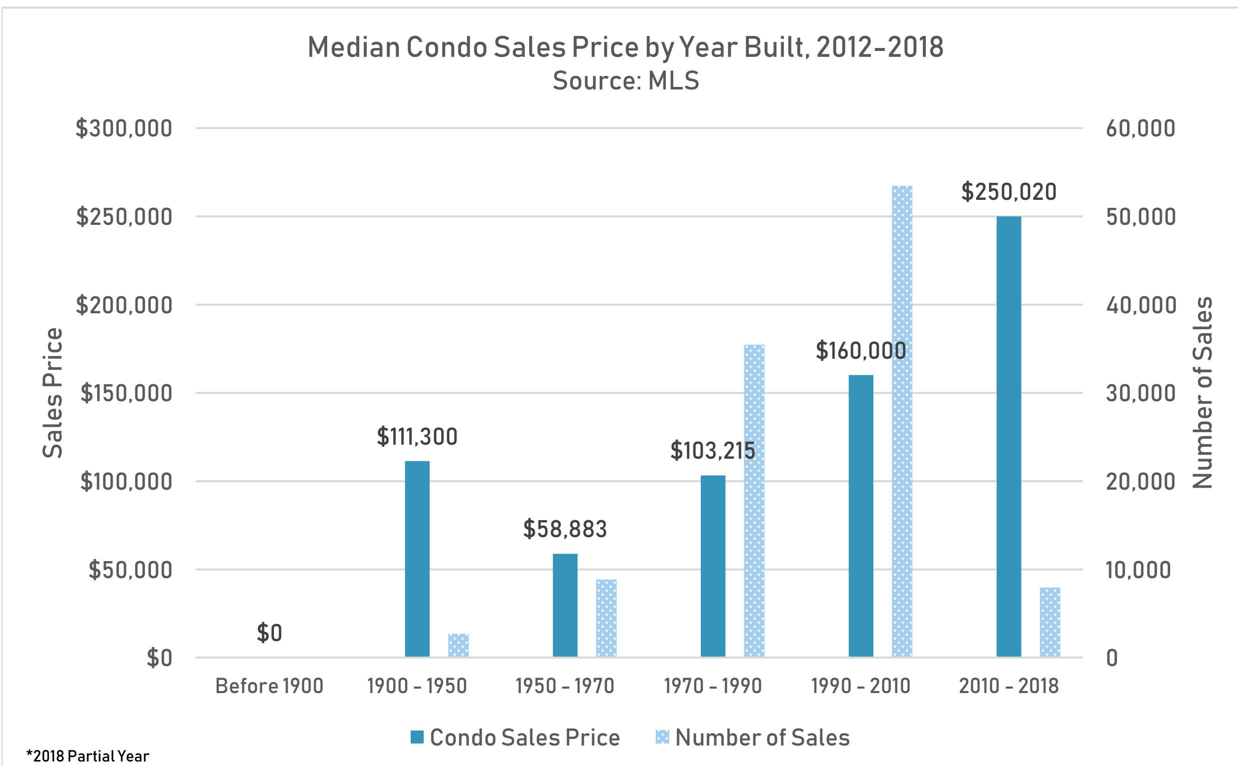
six years. The median sales price of a condominium in 2017 was $161,710, with an average of 46 days on the market. Days on market has decreased 51 percent since 2012.[26]

The prices escalations for condominiums across the state reflect the nature of demand for units. The predominate condominium type sold in the state is a two-bedroom unit, accounting for 66 percent of all condominium sales, with a median price of $147,805. For this product type, the median price has increased by 73 percent since 2012.[27] Three-bedroom condominiums, which make up 24 percent of sales, saw a price increase of 48 percent since 2012, with the median sales being $221,450 in 2017.

Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $160,000. This was about 55 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

Figure 15: Median Condominium Sales Price by Year Built



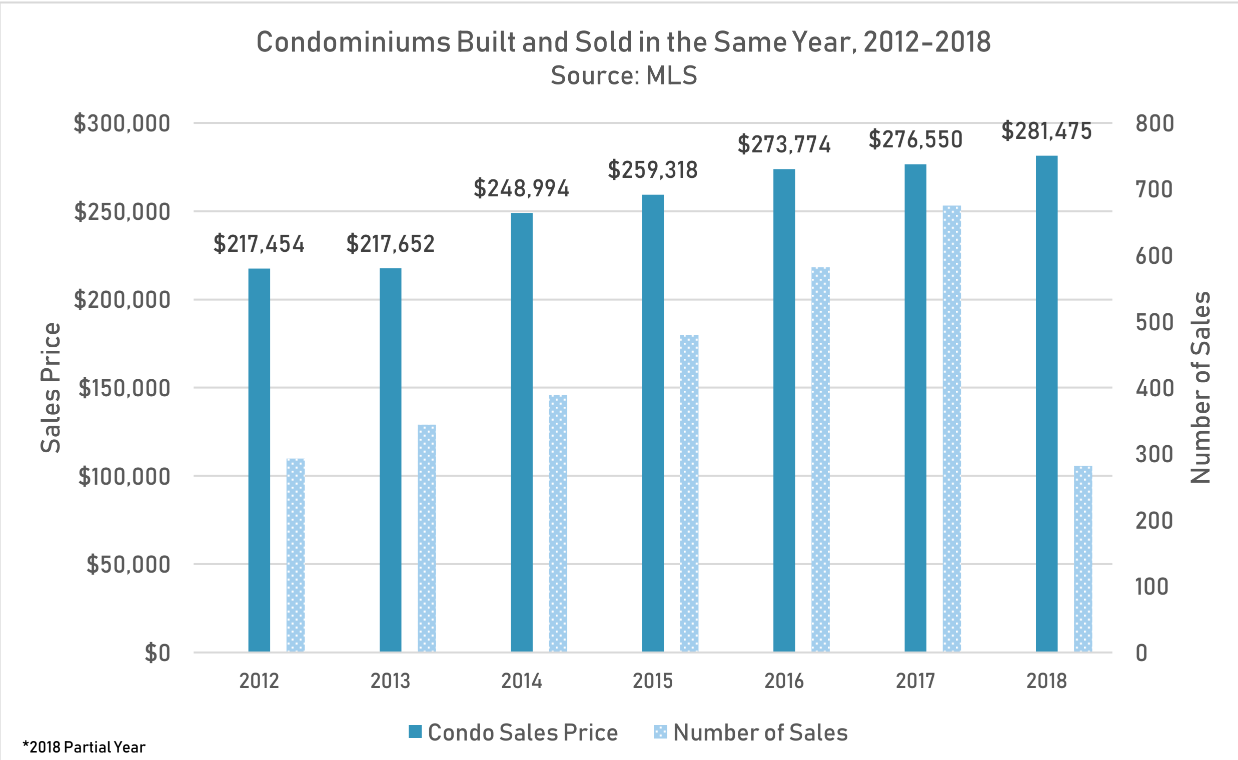
As part of the analysis to provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in

[26] Michigan Realtors 2012-2018, and RKG Associates

[27] Michigan Realtors 2012-2018, and RKG Associates

the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. **On average, a new condominium unit sold for 71 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $276,550 compared to $161,710 for an existing condo**. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. Single-family homes are the predominate type of housing, with condominium units making up a small portion of the market. This section will explore housing demand across the state by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the state and the number of owner households that fall within each category.[29] Based on the data, **about 38 percent of households fall at or below 80 percent of AMI which equates to a household income of no more than $48,450.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[28]	Number of Owner Households	Percent of Households
30% AMI	$18,150	$63,576	267,758	10%
50% AMI	$30,300	$106,135	298,130	11%
80% AMI	$48,450	$169,711	465,963	17%
120% AMI	$72,675	$254,567	541,085	20%
200% AMI	$121,125	$424,278	622,598	23%
Greater than 200% AMI	$121,126	$424,279	536,517	20%

Source: HUD, ACS, and RKG Associates

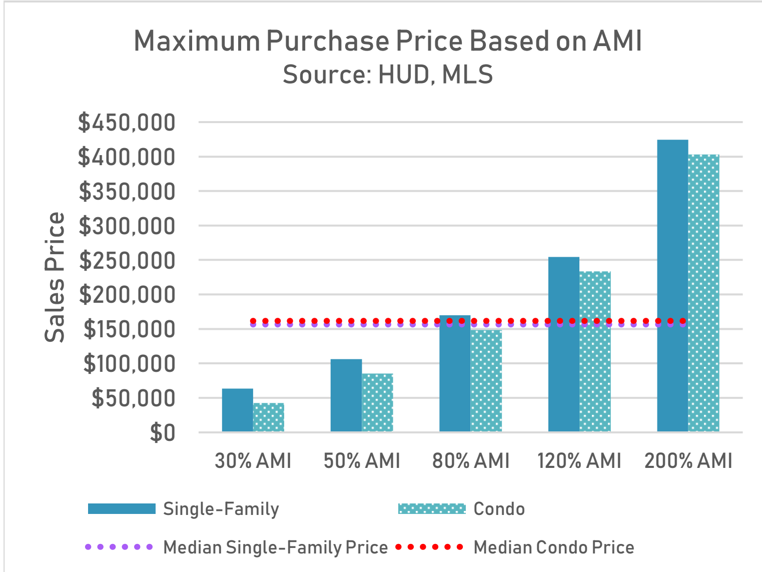
The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

[28] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[29] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of both a single-family home and condominium sold in 2017 was affordable to households at or above 80 percent of AMI.** Households below 80 percent AMI are unable to purchase median priced homes.

Figure 17: Maximum Purchase Price Based on AMI

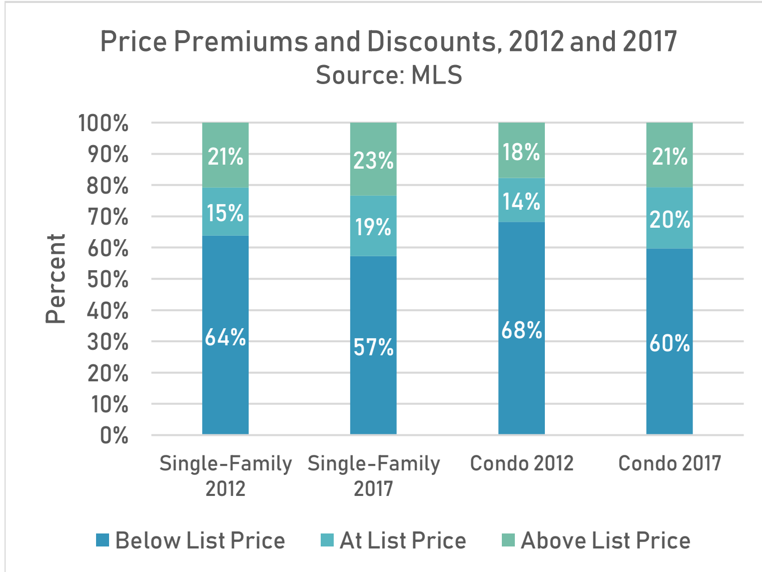


At 30 percent of AMI, a household can purchase a home at a price of around $63,000 while the median single-family price is closer to $156,560. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

Figure 18: Sales Prices of Units, 2012 - 2017



Across the state, between 2012 and 2017, the market for single-family homes slightly improved as the percentage of homes selling below list price decreased from 64 percent to 57 percent; conversely, above list price sales went from 21 percent to 23 percent, with the median above list price differential being $3,605 in 2017.[30] The condominium market saw a similar trend, with sales below list price decreasing from 68 percent to 60 percent, and above list price sales increasing from 18 percent to 21 percent, with the median above list price differential being $3,193 in 2017. The condominium market also saw an increase in sales at list price, between 2012 and 2017, with the percentage of sales rising from 14 percent to 20 percent.

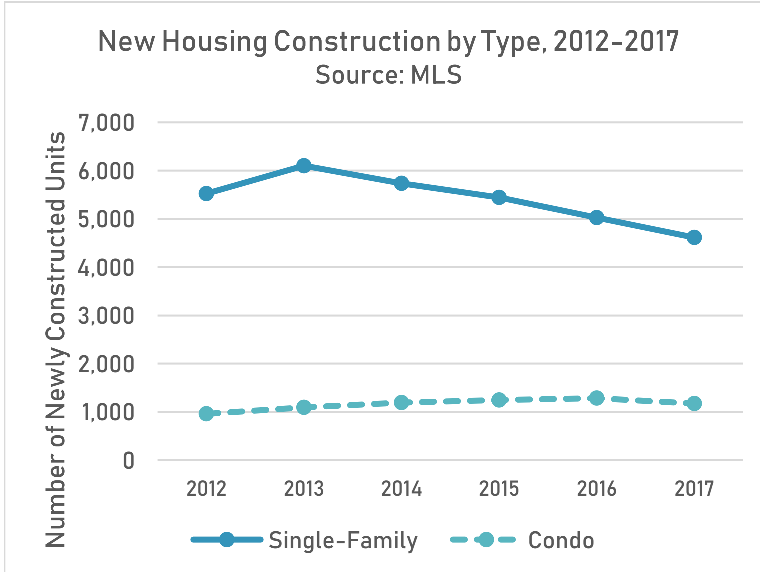
HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the state by new construction and demand absorption.

30 Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 19: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, the pace of new construction for single-family homes has slowed considerably, while the construction of condominiums has increased. **Between 2012 and 2017 a total of 32,441 single-family units and 6,958 condominium units were built.**[31] Figure 19 shows the overall trajectory of new construction across the state. **Single-family home construction saw a 16 percent decrease from 2012 to 2017, and condominium unit construction saw a 22 percent increase over the same period.** This shows that demand for condominium units have increased over time. The average square footage of a newly constructed single-family unit was nearly 2,200 square feet, while a new condominium unit was 1,600 square feet.[32] The median sales price of a single-family unit built in 2017 was $307,970, and the price of a condominium unit built in 2017 was $276,550, both of which are significantly higher than the median sales price of an existing housing unit.

HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household growth across the state is projected to continue. One of the biggest issues is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

[31] Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the state but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

[32] Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$18,150	267,758	$63,576	665,193	397,435
50% AMI	$30,300	298,130	$106,135	445,968	147,838
80% AMI	$48,450	465,963	$169,711	635,927	169,964
120% AMI	$72,675	541,085	$254,567	485,116	-55,969
200% AMI	$121,125	622,598	$424,278	363,304	-259,294
Greater than 200% AMI	$121,126	536,517	$424,279	136,543	-399,974
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. **Homes valued at under 30 percent of AMI make up most of the housing stock and are in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the state. The structures are priced lower because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $156,560 which is affordable to households at around 80 percent AMI and above.

The calculated housing unit deficit amounts to 715,237 housing units at above 120 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 7 percent of the total housing stock, which translates into 83,371 Vacant-For Sale units and 227,321 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	71%	219,881	327,114	-107,233
Rental	29%	90,811	135,099	-44,288
Total	100%	310,692	462,213	-151,521
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 71 percent of the total occupied units. Of the existing vacant units, about 310,692 could be classified as units that could one day be brought back into the ownership market. Projections forecast 462,213 new households to form in state. This translates into 327,114 owner households based on the existing owner and renter household split.[33] The gain in households has the potential to outstrip existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net deficit of 107,233 units. This indicates the state does not have existing capacity to absorb growth in households.

The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment. Future changes in household composition may further exacerbate housing demand, as one- and two-person households are expected to increase, while larger households are also expected to increase but at a slower rate. This change in household composition could drive the market towards building greater numbers of apartment and condominium units which are one- or two-bedroom units.

[33] REMI, ACS, and RKG Associates

UPPER PENINSULA PROSPERITY ALLIANCE

Region at a Glance

The Upper Peninsula Prosperity Alliance (Prosperity Region One) encompasses the entire Upper Peninsula (U.P) of Michigan and covers fifteen counties. The U.P. is known for being both large and remote. Interstate 75 is the connector to the mainland of Michigan, and Routes 2 and 28 are the main east-west transportation corridors. Due to the remoteness of the area, the population is quite small and concentrated within a few cities and towns; the vast open space makes the U.P. a destination for vacationers and outdoor enthusiasts.

Figure 1: Map of Prosperity Region One

The corollary of the U.P.'s remoteness is the general lack of economic opportunities for residents outside of the tourism economy. The scarcity of well-paying jobs has led to population stagnation, the result of this demographic change has consequences on the local housing market which acutely affects residents. This analysis will explore the changes in demographics and the implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region One, the following are key findings:

- Looking forward to the year 2045, the population of the region is projected to increase modestly by 2 percent, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent increase in population occurs in the 35 to 44 age group, increasing by 24 percent. The increase in the middle-age population cohorts can be attributed to people returning to their place of origins later in life.

- Households are expected to increase over both the short- and long-term. Between 2020 and 2025, it is expected households will grow 1 percent, and between 2020 and 2045, households are expected to increase by 2 percent. By 2045, the state is expected to grow by 11 percent.

- Over the course of the next twenty-five years, employment growth is expected to remain flat. Projections show a gain of just 309 jobs between 2016 and 2045.

- About 24 percent of the housing stock is classified as vacant where units are used for seasonal purposes. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 44,830 housing units (owner and renter) that have been removed from the year-round housing market.

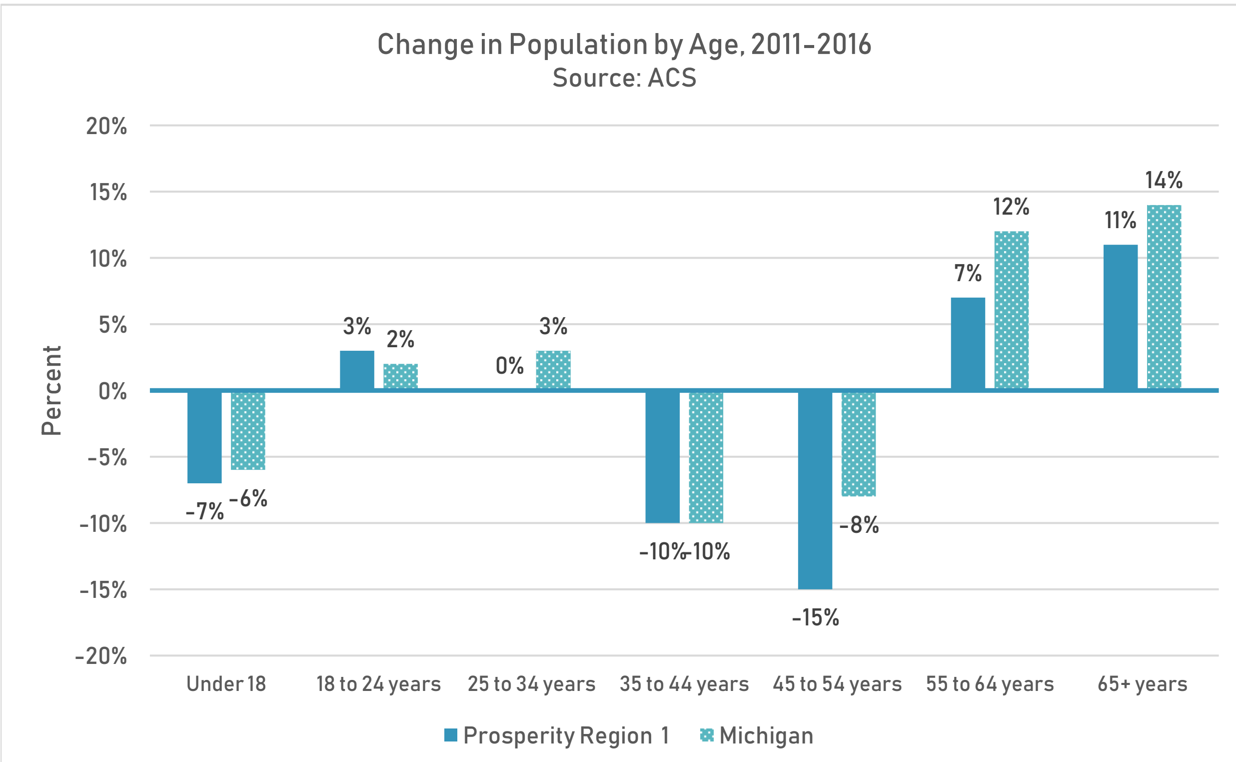
- The percentage of homes in the region valued under $100,000 is greater than the state percentage, with about 49 percent of the region's units falling under this valuation as compared to 38 percent across the state.
- The median price of an existing single-family home sold in 2017 was $102,897 which is nearly affordable to households at or above 50 percent of area median income (AMI). While the median sales price for a new single-family unit was $208,950 which is 121 percent greater than an existing unit.
- The median price of an existing condominium sold in 2017 was $242,050 which is nearly affordable to households making above 120 percent of area median income (AMI). While the median sales price for a new condominium unit was $430,738 is 71 percent greater than an existing unit.
- The pace of new construction for ownership units has drastically decreased in recent years. Between 2012 and 2017 a total of 86 single-family units and 46 condominium units were built and sold.
- Homes with values at or below 30 percent of AMI make up most of the housing stock in the region and are in oversupply; however, these homes require significant reinvestment dollars to modernize. At the same time, there is a deficit of units priced for households at 120 percent of AMI and above.
- The region has excess housing capacity to absorb the future growth in households. Renovation of existing housing stock can help rejuvenate existing neighborhoods.

Demographics

POPULATION

The current population of Prosperity Region One is 307,386 which makes it the fourth smallest region in the state. The region experienced a 2 percent population decline over the last ten years as compared to the state where no growth occurred over the same period.[34] Prosperity Region One has fallen behind the state in population growth for all age groups except residents ages 18 to 24. This age cohort increased by 3 percent while the state increased by 2 percent over the same time period.

Figure 1: Change in Population by Age



In the near-term, it is projected that between 2020 and 2025 the region is expected to grow by 1 percent, with the fastest growing age group being the 25 and 34 years.[35] Looking forward to the year 2045, the population of Prosperity Region One is projected to increase modestly by 2 percent, compared to the state which is projected to grow by 8 percent.[36] Between 2015 and 2045, the largest percent decrease in population occurs in the 18 to 24 age group, decreasing 12 percent; the loss could be attributed to the trend of young adults away from the area for educational or employment opportunities as economic circumstances change. Between 2011 and 2016 this cohort saw a modest increase, but long-term trends point towards decline. The region's senior population is also expected to decrease by 5 percent as

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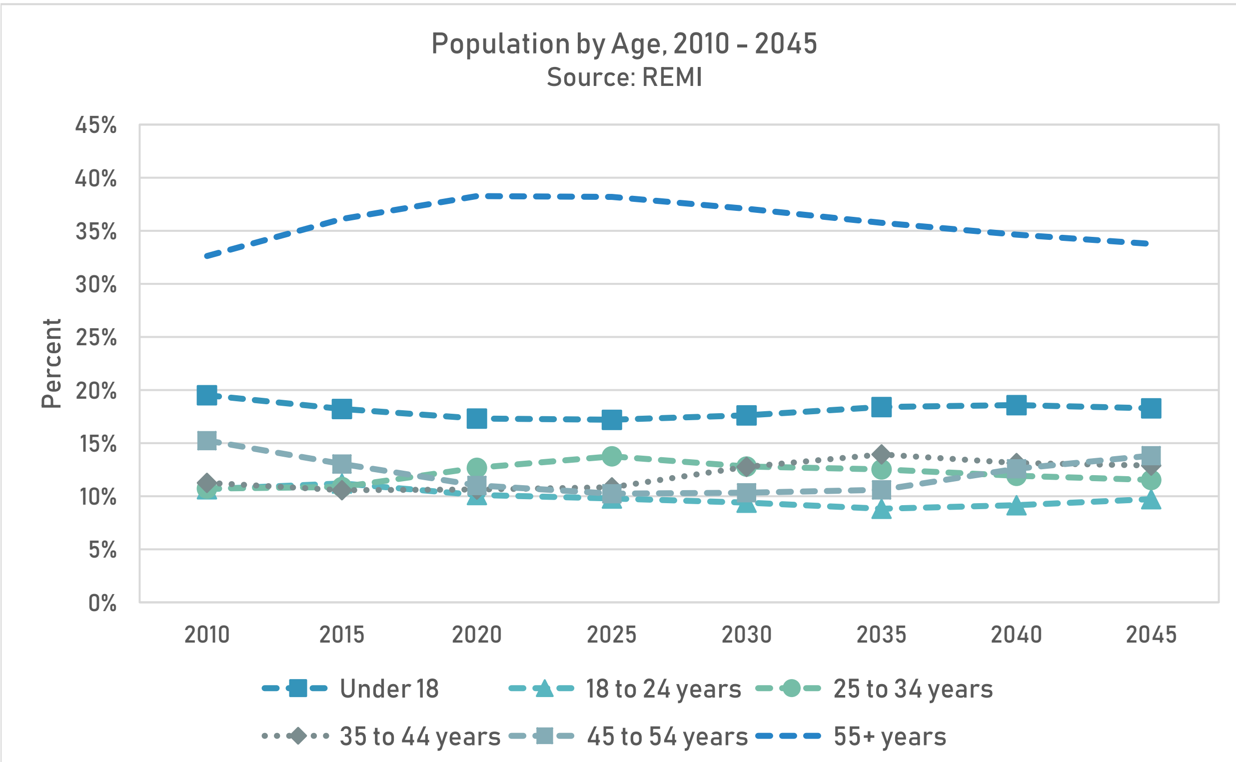
[34] ACS, Table B01001, "Age", 2012-2016, and RKG Associates

[35] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

[36] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

compared to the state which is projected to grow by 24 percent. Interestingly, in Prosperity Region One the age cohorts of 35 to 44 and 45 to 54 are expected to grow at a faster rate than the state. These two age cohorts are more likely to own a home and are in their prime earning years and contributing to the local economy.

Figure 2: Population by Age

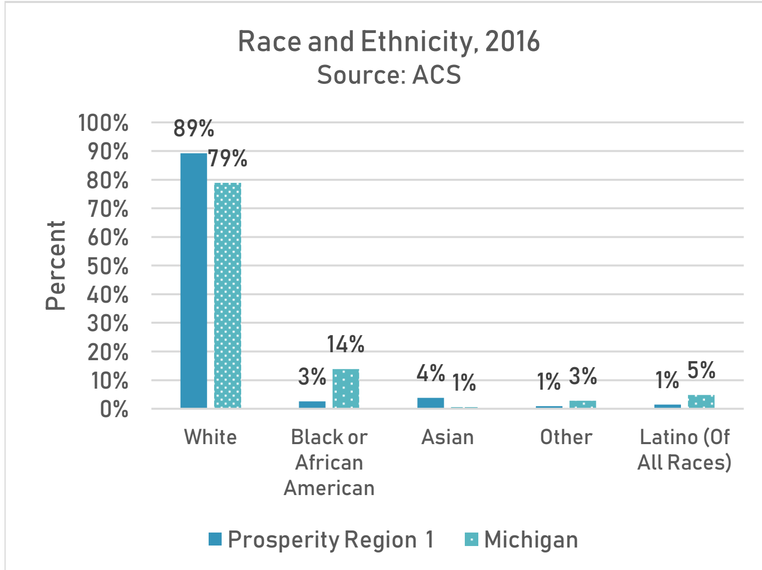


The challenge for Region One from a population perspective is multi-faceted. Overall, the population has been declining and over the next twenty-five years is projected to grow by only 2 percent. While residents ages 25 to 44 are projected to increase, those gains are being offset by losses in those under 25 and over 44. Senior households will be vacating housing units over time, leaving units empty that may or may not be filled by younger householders. The demand for new ownership units may be constrained by the limited population growth, household formation, and availability of existing housing units on the market.

RACE AND ETHNICITY

Most of the population in Prosperity Region One identifies as White, accounting for nearly 89 percent of the total. Over time, gradual changes in population diversity have taken place. This is particularly true for the percentage of the population identifying as Latino, which rose 11 percent from 2011 to 2016.[37]

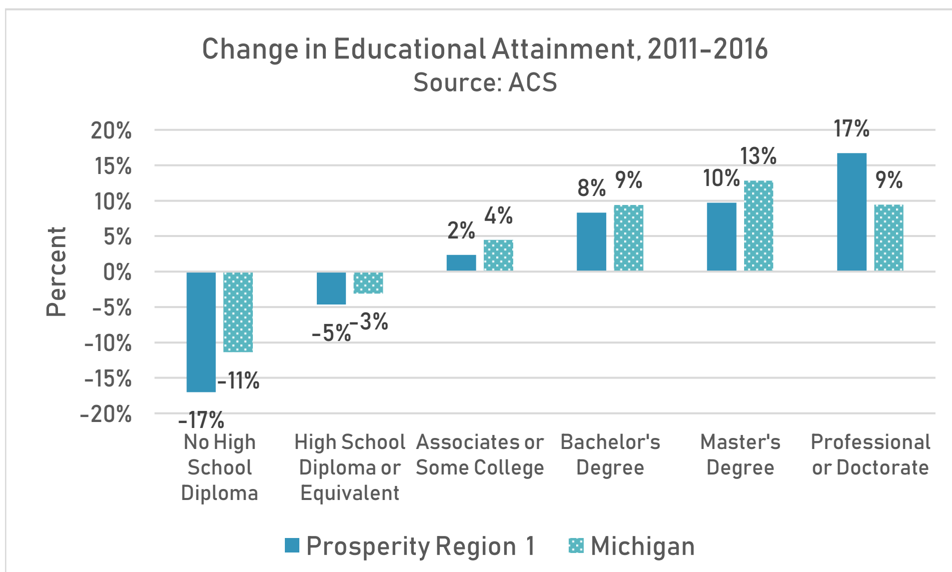
Figure 3: Race and Ethnicity



EDUCATION

The region trails the state in nearly all categories of educational attainment. One challenge for this Prosperity Region is the disproportionate number of residents with a high school diploma or less. Nearly half (45%) of all residents in this Prosperity Region have, at most, a high school diploma. This education achievement gap could have long-standing impacts on earning potential and the ability of employers in the area to find qualified employees locally. The good news is educational attainment has improved over the last five years with higher percentages of residents earning bachelor's, master's, and professional/doctorate degrees.

Figure 4: Change in Educational Attainment



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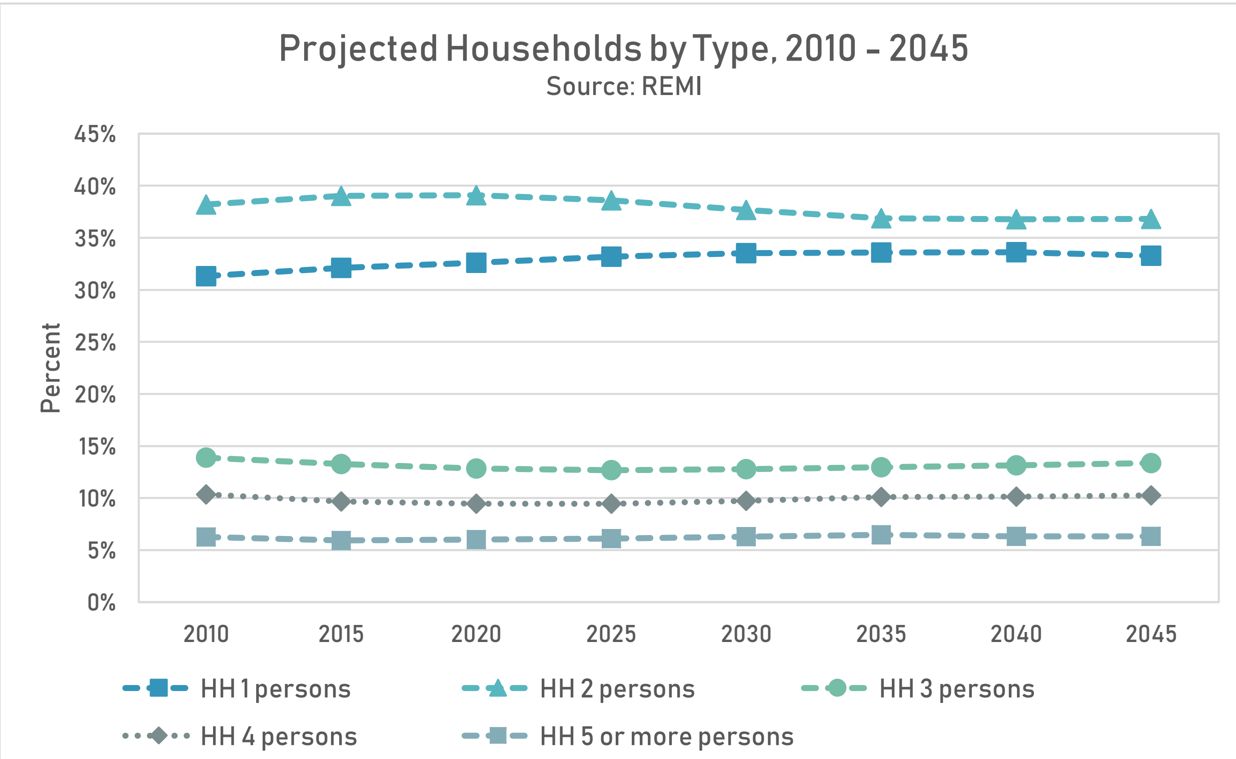
[37] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

HOUSEHOLDS

As of 2016, there were 124,411 households in this Prosperity Region.[38] Between 2011 and 2016, the number of households declined by 3,141 or 2.5 percent. This compares to the state's growth of 1 percent over the same period. Looking toward the future, **the Prosperity Region is expected to experience relatively flat household growth over both the short and long-term.** Between 2020 and 2025, households are expected to grow by 1 percent, rising from 130,815 to 131,927. The modest household growth is expected to continue well into the future, between 2020 and 2045 households are expected to increase by 2 percent, compared to the state which is expected to grow by 11 percent.[39] This mirrors growth in population for this Prosperity Region.

Figure 5: Projected Change in Households by Type



Household sizes are an important metric because it gives insight into the number of bedrooms each household may require. Households of two and below can typically manage with smaller units, while households larger than four members require a greater number of bedrooms. In the near-term, it is projected that between 2020 and 2025 households with five-or-more-persons is expected to grow by 3 percent, compared to the state growth rate of 2 percent.[40] Over the long-term, four-person households are expected to increase by 10 percent between 2020 and 2045. The growth in larger

[38] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

[39] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[40] REMI, Michigan Department of Transportation, and RKG Associates, 2018

households is driven by growth in the age cohorts of 35 to 54 where residents are in family formation years, earnings are higher, and tend to purchase larger homes.

Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

Compared to the rest of Michigan, the remote location of Prosperity Region One creates a situation where there are fewer population centers and employment prospects, and predominate industries tend to be lower wage employment sectors. There are also fewer large employers, and those that exist are in sectors such as education, government, and healthcare. Dominate industry sectors in this Prosperity Region include Local and State Government, Retail Trade, Food Services, and Construction. Several of these service-based industry sectors have relatively low paying wages contributing to a median household income across Prosperity Region One of $41,235, which is about 80 percent the state median of $50,803.[41]

Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Local Government accounts for 13 percent of jobs in the Prosperity Region.[42] The second largest employment sector is Retail Trade at 12 percent. Over the course of the next twenty-five years, employment growth across the region is expected to be flat. Projections show a gain of only 309 jobs between 2016 and 2045. That is not to say there will not be employment growth in other sectors, but those gains will be offset by losses in other sectors.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

	2016	2045	Change 2016 - 2045	Percent Change
Local Government	20,774	20,103	-670	-3%
Retail trade	18,465	15,394	-3,071	-17%
Food services and drinking places	12,056	13,002	947	8%
Construction	9,216	9,105	-112	-1%
State Government	7,780	7,451	-329	-4%
All Other Industries	87,098	90,643	3,545	4%
Total	155,388	155,697	309	0%

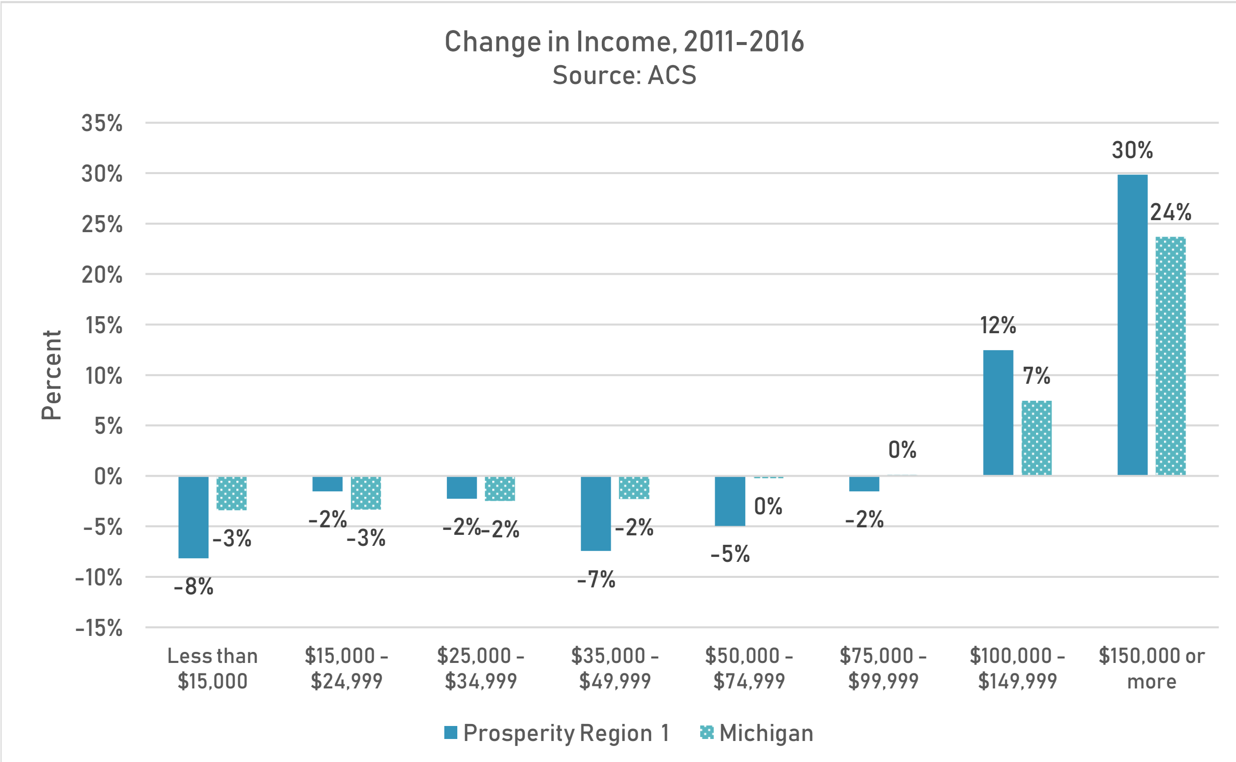
Source: REMI

Over the last five years, the number of households earning over $100,000 per year increased, although this segment only represents about 12 percent of all households in the Prosperity Region. These households could be able to enter the ownership market if not already in it today. All other income categories declined at a rate that matched or exceeded that of the state.

41 ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

42 REMI, Michigan Department of Transportation, and RKG Associates, 2018

Figure 6: Change in Incomes



HOUSING COST BURDEN

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region One considered cost burdened or severely cost burdened. In Prosperity Region One, 12 percent of the households are cost burdened and 8 percent are severely cost burdened.[43] Of cost burdened households, 68 percent are at or below 80 percent of Area Median Income (AMI), with 31 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 94 percent of these households fall at or below 80 percent of AMI, with the below 30 percent AMI category accounting for 47 percent of the total.

[43] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region One Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	1,125	10%	3,585	47%
>30% and <=50% AMI	3,180	27%	2,260	29%
>50% and <=80% AMI	3,630	31%	1,344	18%
>80% and <=100% AMI	1,615	14%	192	3%
Income >100% AMI	2,080	18%	296	4%
Total	11,630	100%	7,677	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region One increased by 300, or 0.2 percent. At the same time, the region saw a 4 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals and the loss of mobile home units. Housing, presumably rental in nature, has increased in multifamily structures with more than ten units. The number of units in these types of structures increased by over 700 units between 2011 and 2016. This section will explore the complexities of the ownership market in Prosperity Region One.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[46] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures except for multi-family condominiums typically in

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 1	Region Percent	Michigan	Michigan Percent
Owner-Occupied	93,775	51%	2,732,051	60%
Renter-Occupied	30,666	17%	1,128,343	25%
Vacant-For Rent	3,072	2%	85,584	2%
Vacant-For Sale	3,312	2%	83,371	2%
Vacant-Seasonal[44]	44,830	24%	288,250	6%
Vacant-Other[45]	8,608	5%	227,321	5%
Total	184,263	100%	4,544,920	100%
Source: ACS 2012-2016				

[44] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

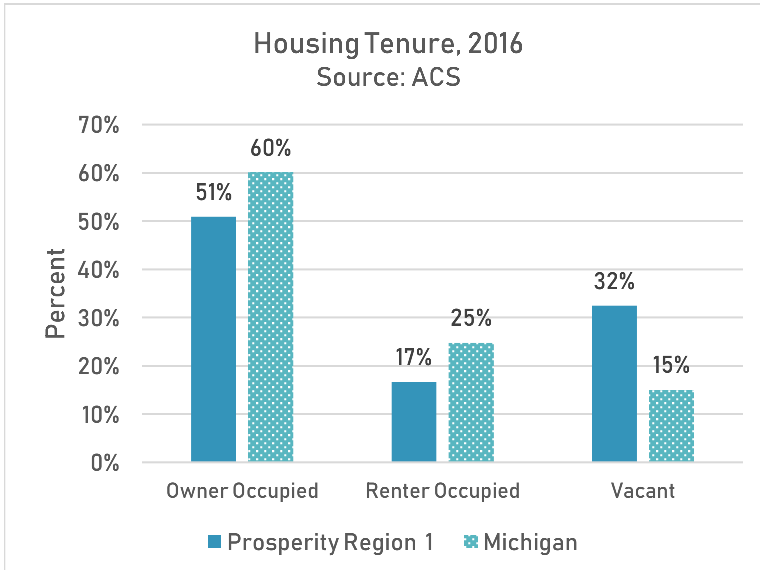
[45] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[46] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two

buildings with five or more units. In Prosperity Region One, 80 percent of the residential housing stock is comprised of single-family homes.[47]

Regionally, the owner-occupied housing stock accounts for 51 percent all units. This is lower than the statewide figure of 60 percent. Part of the reason behind the lower owner-occupied percentage is the number of vacant units as classified by the US Census. In Region One, 32 percent of the housing units are classified as vacant. Digging deeper, 24 percent of the units are classified as vacant for seasonal use. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to just under 45,000 housing units (owner and renter) that have been removed from the year-round housing market. An additional 5 percent, or 8,600 units, are classified as "other vacant" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition.

Figure 7: Housing Tenure



Ownership patterns are changing in Region One. Over the last five years there was a 4 percent decrease in the number of ownership units and a 3 percent increase in rental units. Some of the decline could be the result of nearly 1,400 mobile home units taken off the market and some transition of owner-occupied units to seasonal or migratory worker housing. There were also many new single-family and multi-family rental units added to the market, as well as conversions of existing single-family homes to rental units. What limited residential construction has occurred in Region One, has been predominately serving the rental and seasonal markets.

months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[47] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Table 4: Owner-Occupied by Units in Structure

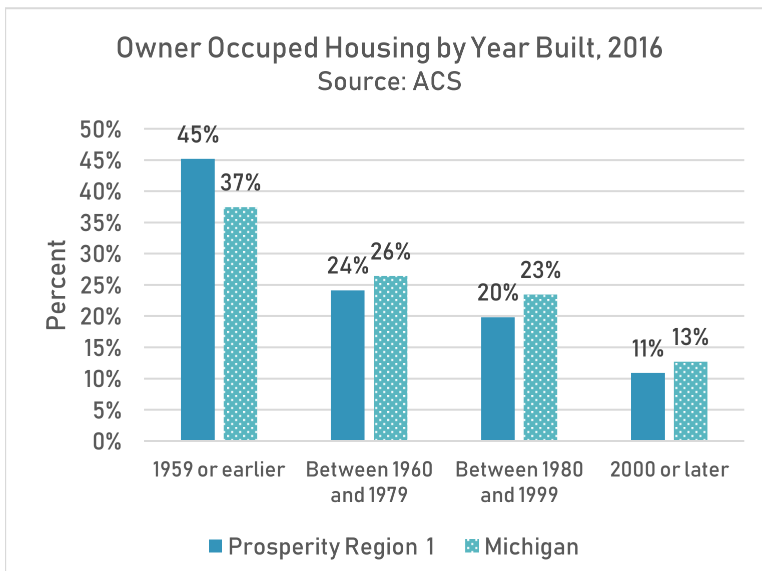
Owner-Occupied	Prosperity Region 1	Region Percent	Michigan	Michigan Percent
Single-Family	86,555	92%	2,412,899	88%
Two or More Units	1,856	2%	175,225	6%
Mobile Home/RV/Other	5,364	6%	143,927	5%
Total	93,775	100%	2,732,051	100%

Source: ACS 2012-2016

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 92 percent of the of the owner-occupied residential stock was single-family homes.[48] Prosperity Region One's owner-occupied housing stock has a smaller percentage of multi-family housing than the state, accounting for only 2 percent of the total, as compared to the state with 6 percent. As of 2016, the region had approximately 6 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years much of the growth in single-family housing has been geared toward the rental market** and conversions of existing single-family homes to renter-occupied housing have occurred.

AGE OF HOUSING

Figure 8: Owner Occupied Housing by Year Built



In Prosperity Region One, the median year built of an owner-occupied housing unit is 1968. The median year built for Michigan is 1970.[49] **The housing stock in this region is older, with about 45 percent of all owner-occupied housing built before 1959.**[50] Some of the potential challenges of an older housing stock can be deferred maintenance, design and layout not matching what the ownership market desires, and issues with non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction.

In total, about 31 percent of owner-occupied housing units across the region were built after 1980 (29,000 units), with 11 percent of the total units built after the year 2000. The percentage built after the

[48] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[49] ACS 2012-2016, Table B25037, and RKG Associates

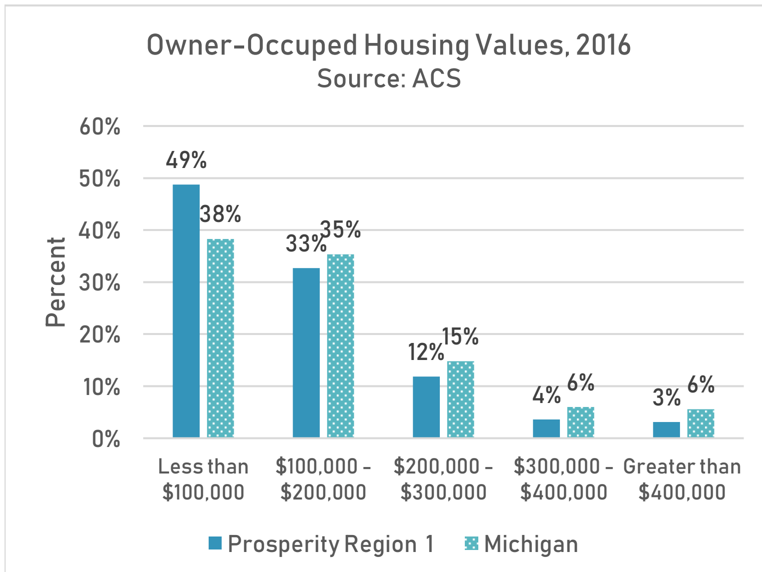
[50] ACS 2012-2016, Table B25036, and RKG Associates

year 2000, is lower than the state percentage of 13 percent. While new housing units are being constructed in this region, the majority are for renter-occupied housing. New construction and conversions speak to the demand for rental housing in the region. Population and household decline, low job growth and wages, and the seasonal nature of the market in some locations may be driving ownership rates down. This is the case across much of Michigan where statewide renter-occupied housing increased 11 percent over the last five years.

UNIT VALUES

Owner-occupied homes values in Region One are quite low with nearly 50 percent of units valued at less than $100,000. This compares to the state where 38 percent are valued under $100,000.[51] **Region One trails the state across all other home value ranges with only about 19 percent of homes valued over $200,000.** This compares to 27 percent for the state. The lower housing values across Region One may indicate a weaker market with homes that need rehabilitation and/or upgrades to meet the expectations of the market. Median income also lags other regions in Michigan which has an impact on the choice's households make on whether to rent or own.

Figure 9: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region One mirrors national trends in housing prices after the Great Recession with recovery occurring over the last seven years. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[52] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new

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[51] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[52] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

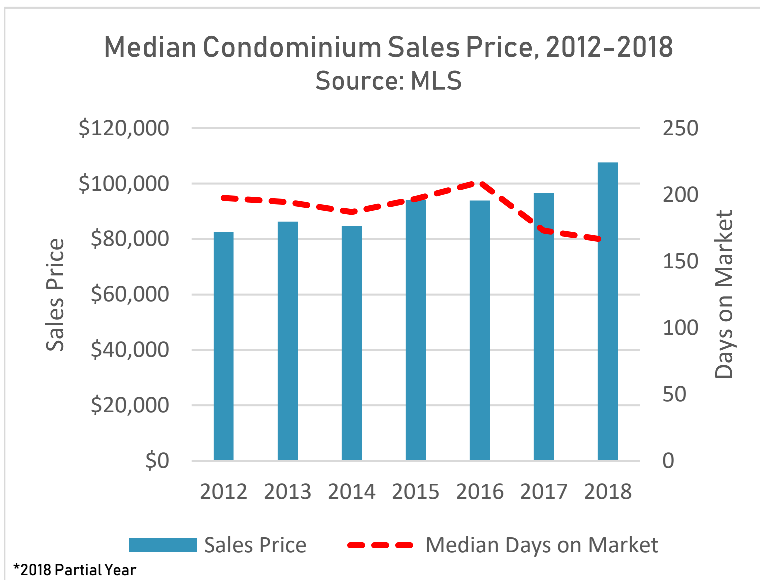
construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018.[53]

SINGLE-FAMILY HOME MARKET

The market for single-family homes across the region has improved over time but prices still fall below the statewide median. Between 2012 and 2017, the region saw nearly 14,400 sales, or an average of 2,063 sales per year. Single-family home sales prices rose by 17 percent over the last six years. The median sales price of a single-family home in 2017 was $96,753 which is in line with where nearly half of homes in the region are valued. Days on market also decreased by 12 percent but remained high at an average of 173 days.[54]

Looking more closely at the sales data, buyers tend to prefer three-bedroom homes where prices have increased 17 percent over the last six years. These homes tend to be smaller and less expensive than the newer single-family product being built in this region.[55] **At a median price of $102,897, these homes reflect the purchasing power of buyers in the region** and where current demand is for existing housing in the marketplace.

Figure 10: Median Single Family Sales Price



Sales Price by Year Built

Housing prices in Region One vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $91,800 which was more than 55 percent greater than a home built between 1900 and 1950.[56] Similarly, the median sales value of a unit built between 1990 and 2010 was $173,840 which was more than 34 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price. The size of housing units has changed over time, with the median single-family unit increasing 33 percent for homes built

[53] The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off of 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

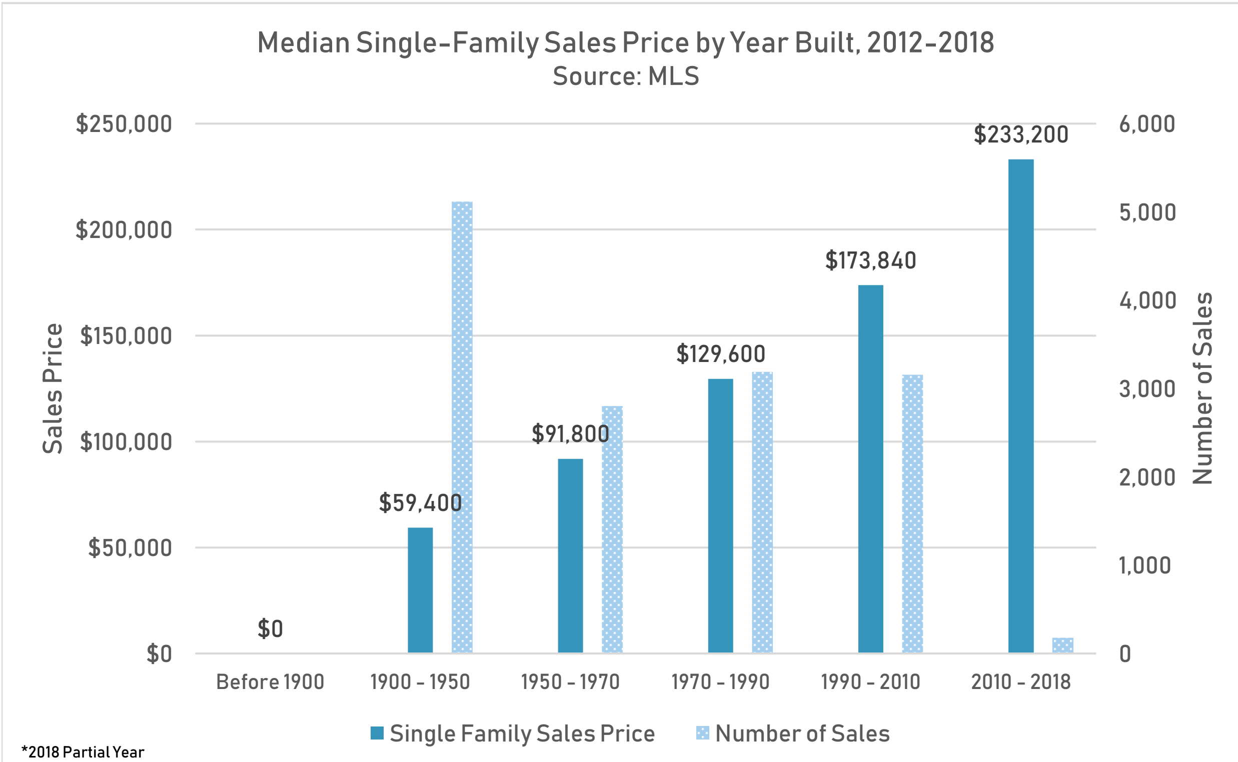
[54] Michigan Realtors 2012-2018, and RKG Associates

[55] Michigan Realtors 2012-2018, and RKG Associates

[56] Michigan Realtors 2012-2018, and RKG Associates

after 2010 when compared to homes built before 1950. In Region One, most sales were homes constructed between 1900 and 1950, which also correlates to the lowest median sale price.

Figure 11: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 121 percent more than existing units. The median sales price of a new home in 2016 was $208,950 compared to $93,975 for an existing single-family unit.**[57] This price differential is based on a very small sample size as only 86 single-family units were built and sold between the years 2012 and 2016.[58]

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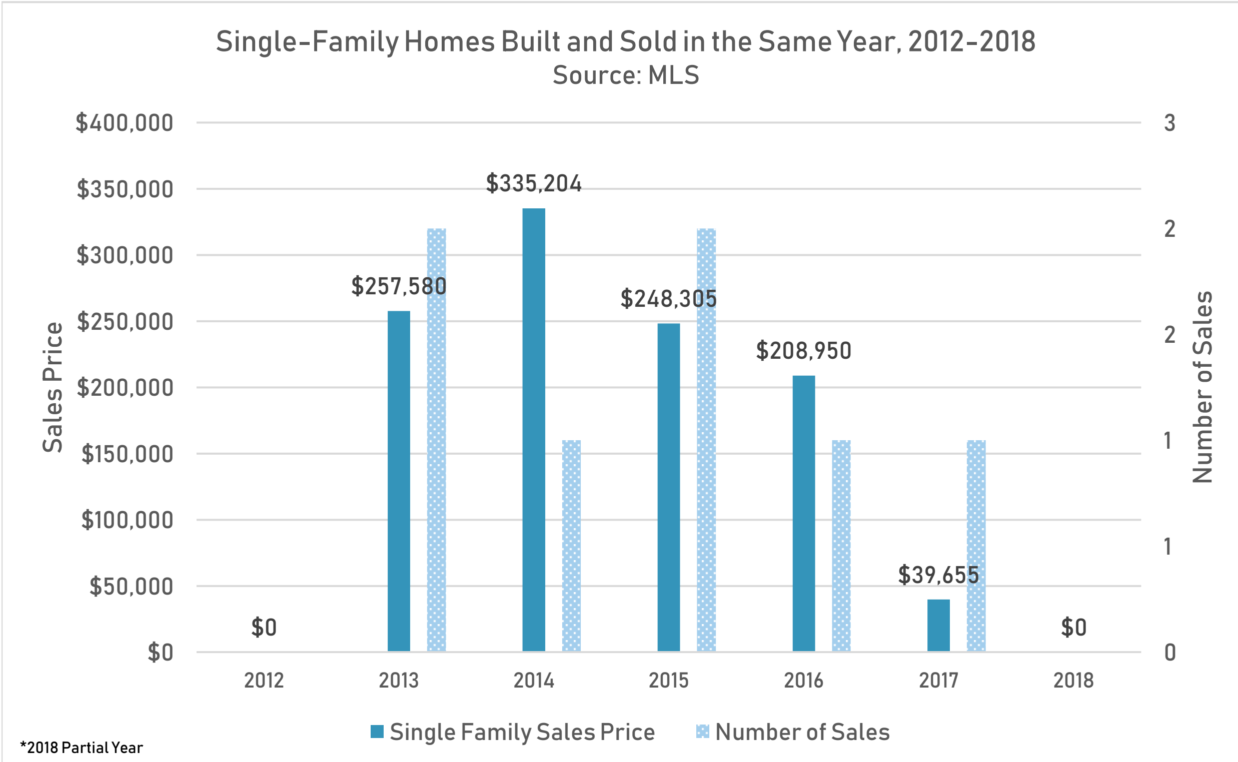
[57] 2016 sales data was used for Region One because only one sale of a new unit occurred in 2017 and 2018 at a price point well below the median sales price for new homes in previous years.

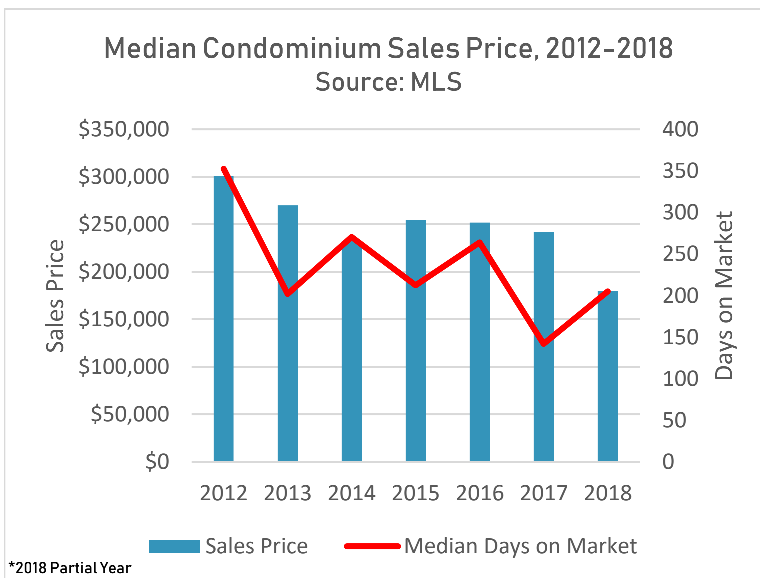
[58] Michigan Realtors 2012-2018, and RKG Associates

Figure 12: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Figure 13: Median Condominium Sales Price



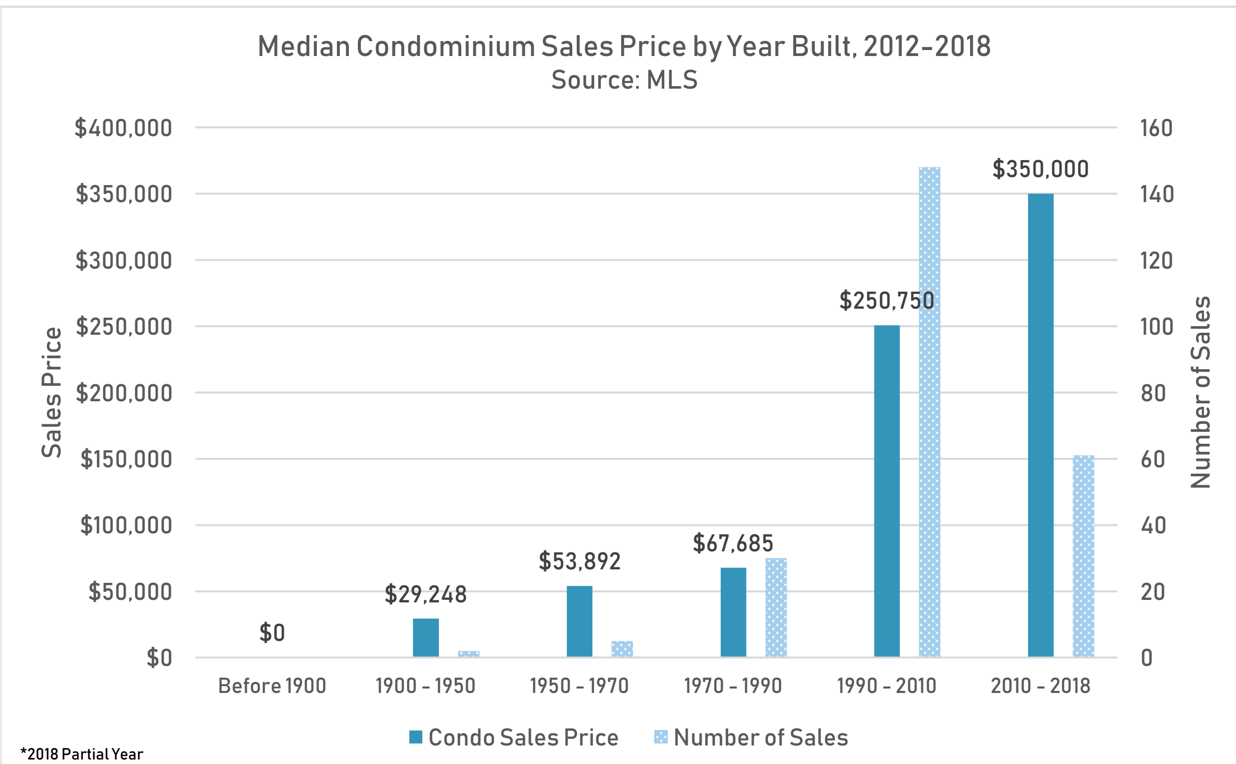
Condominiums are an important market segment of for-sale housing product. These units traditionally offer the ability to own a home, without being responsible for the external maintenance. Condominiums have shared property component; a condominium can take many forms such as: a unit in a high-rise building, a duplex/townhome development, or as a single-family home built as part of a site condominium subdivision development. The market for condominiums across the region has softened. Between 2012 and 2017, the region saw nearly 246 sales or an average of thirty-five sales per year. Condominium sales prices have dropped 19 percent over the last six years. The median sales price of a condominium in 2017 was $242,050 and was on the market for an average of 136 days. Days on market decreased 61 percent since 2012.[59]

The high prices for condos in Prosperity Region One reflect the limited supply of the product type. The predominate condominium style in the region is a three-bedroom unit, which sold for a median price of $288,400. For this product type, the median price has decreased by 4 percent since 2012, It is worth noting that the sale price for these homes is well beyond the purchasing power of the local population.

Sales Price by Year Built

Like the trends in single-family home pricing, sale prices for condos varies considerably based on the year it was built. The median sales price for a condominium unit built between 1950 and 1970 was $53,892 which was more than 84 percent higher than a unit built between 1900 and 1950.[60] The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $250,750. This was more than 270 percent greater than a unit built between 1970 and 1990. Much of the price differential relates to the condition of the unit, the size of the unit, and the amenities included in the unit.

Figure 14: Median Condominium Sales Price by Year Built



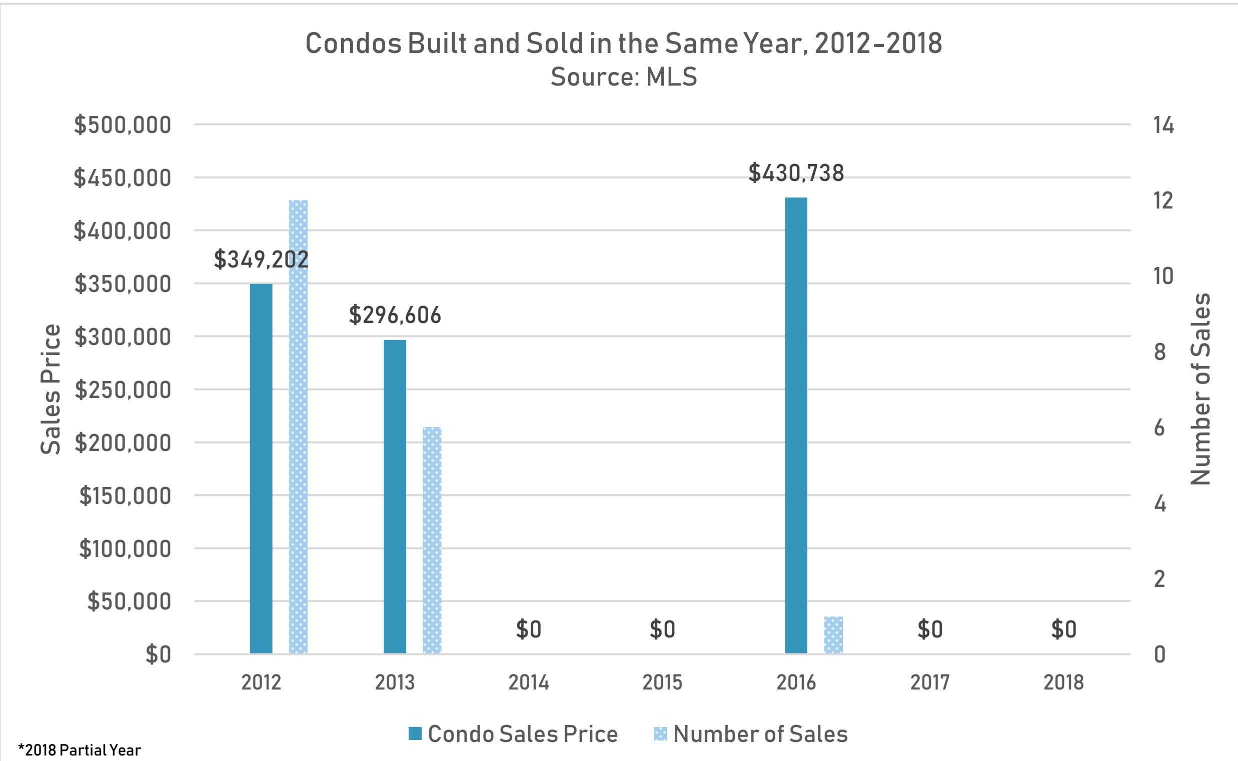
To provide a clearer understanding of the sales price differential between an existing condominium

[59] Michigan Realtors 2012-2018, and RKG Associates

[60] Michigan Realtors 2012-2018, and RKG Associates

unit and a new condominium unit, sales of condos built and sold in the same year were pulled out of the MLS data and compared to condos built in a different year than when they were sold. On average, a new condominium unit sold for 71 percent more than existing condos. The median sale price of a new condominium in 2016 was $430,738 compared to $242,050 for an existing condo. This price differential is based on a very small sample size as only one condominium unit was built and sold in 2016.[61] In general, the trend of higher sale prices based on year built holds true and is even more exaggerated when comparing brand new condos to prices of existing condos sold in the same year.

Figure 15: Condos Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population and households and changes in housing preference and product type. In more rural areas like Region One, the product type in demand tends to be focused on single-family housing units. While in urban areas a wider range of product types at greater densities can be supported This section will explore housing demand across the region by income, affordability, and pricing.

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[61] Michigan Realtors 2012-2018, and RKG Associates

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[63] Based on the data, **about 45 percent of households fall below 80% of AMI which equates to a household income of no more than $45,300.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[62]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	15,457	16%
50% AMI	$28,350	$99,305	8,615	9%
80% AMI	$45,300	$158,677	17,889	19%
120% AMI	$67,950	$238,016	19,376	21%
200% AMI	$113,250	$396,693	20,761	22%
Greater than 200% AMI	$113,251	$396,694	11,677	12%

Source: HUD, ACS, and RKG Associates

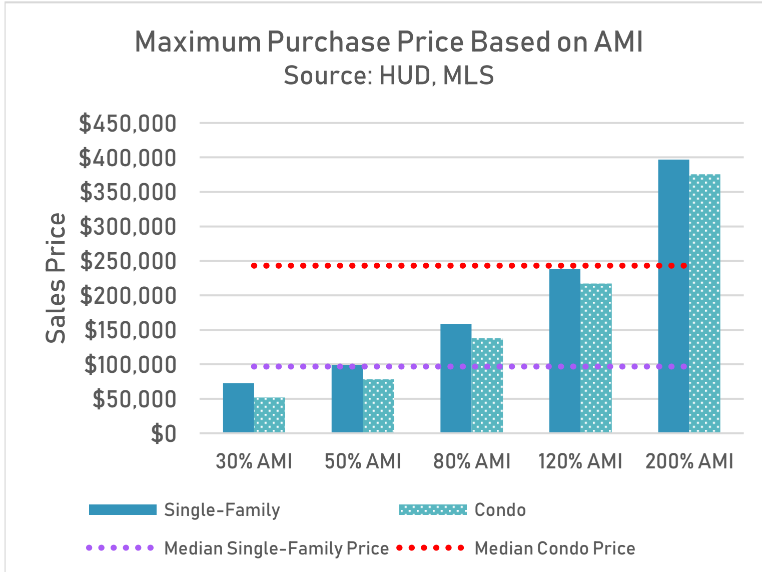
The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

[62] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent the majority of homes sales.

[63] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 16 presents the maximum purchase price of both single-family homes and condos at various AMI thresholds compared to recent sales of ownership units in 2016. **Based on this analysis, the median price of a single-family home sold in 2016 exceeded what households at the 30 and 50 percent of AMI categories could afford.** For condos, recent sale prices exceeded what households at or below 120 percent of AMI could afford. At 30% of AMI a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $97,000. Based on the data, **households at or below 50% AMI are nearly entirely priced out of the existing ownership market.**

Figure 16: Maximum Purchase Price Based on AMI

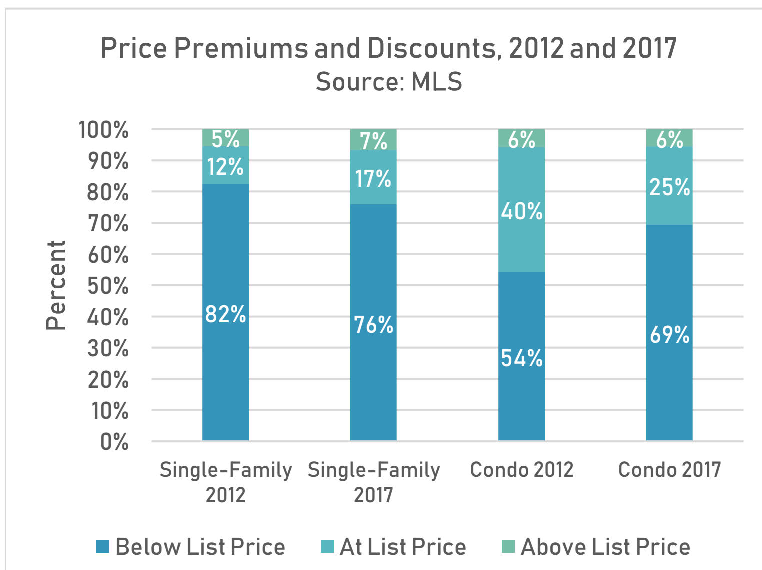


PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

In Prosperity Region One, from 2012 to 2017, the market for single-family homes improved slightly as the percentage of homes selling under list price decreased from 82 percent to 76 percent. The condominium market saw the reverse with sales below list price increasing from 54 percent to 69 percent indicating a softening in the condominium market. This change in pricing can be attributed to the relatively low number of condominium sales occurring during the period, with only 19 below list price sales in 2012 and 26 below list price sales in 2017.

Figure 17: Sales Prices of Units, 2012 - 2018



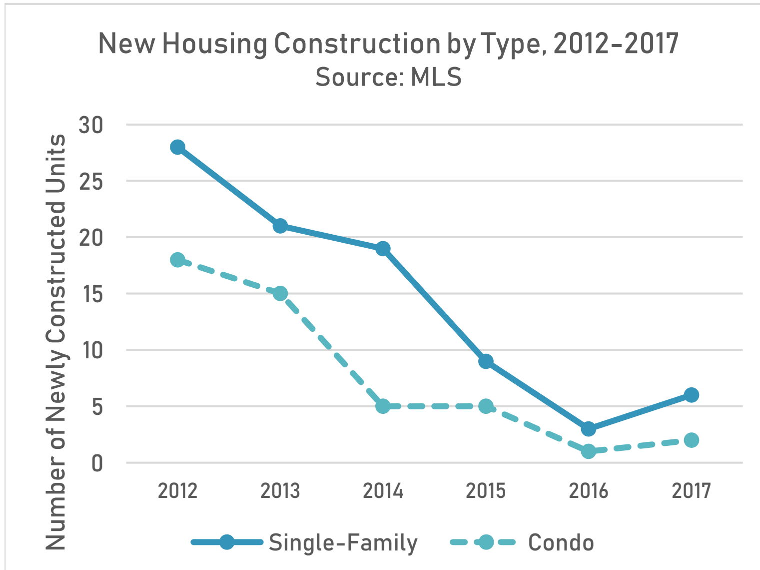
HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply typically results from an increase in demand in the market place, or across specific market segments or product types. This section will explore housing supply across the region by new construction and demand absorption.

HOUSING DEVELOPMENT

While new construction of units occurred between the period 2012 and 2017, the pace of new construction for ownership units has steadily decreased. Between 2012 and 2017 a total of 86 single-family units and 46 condominium units were built.[64] Figure 18 shows the overall decline in new construction of housing across the region. **The homes that are being built tend to be both larger and more expensive on average than the existing housing stock**. The average square footage of a newly constructed single-family home is about 1,700 square feet, and a condominium unit is about 1,500 square feet.[65] The median sales price of a single-family unit built in 2017 was $208,950, and the price of a condominium unit was $457,000, both of which are significantly higher than the median sales price of an existing housing unit.

Figure 18: New Housing Construction, 2012 - 2018



HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household growth across the region is projected to remain low. One of the biggest issues in Prosperity Region One is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number

[64] Michigan Realtors 2012-2018, and RKG Associates. RKG is using year built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

[65] Michigan Realtors 2012-2018, and RKG Associates

of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	15,457	$72,788	33,264	17,807
50% AMI	$28,350	8,615	$99,305	12,435	3,820
80% AMI	$45,300	17,889	$158,677	19,501	1,612
120% AMI	$67,950	19,376	$238,016	15,372	-4,004
200% AMI	$113,250	20,761	$396,693	10,166	-10,595
Greater than 200% AMI	$113,251	11,677	$396,694	3,037	-8,640
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. The calculated housing unit deficit amounts to 23,239 housing units at above 120% AMI. This finding does not necessarily indicate there are not enough housing units at the top-end of the market, but rather households with higher incomes are choosing to live in housing units which cost less than the maximum they could afford. Just because a household could afford more does not mean they will pay spend more.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 7 percent of the total housing stock, which translates into 3,312 Vacant-For Sale units and 8,608 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are units off the market because of issues related to ownership status, habitability, or for some other reasons; depending on the conditions and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the Vacant-Other units. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant-Other Housing Units				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-Other Units After Household Absorption
Owner	75%	6,487	1,617	4,870
Rental	25%	2,121	529	1,592
Total	100%	8,608	2,146	6,462
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 75 percent of the total occupied units in Prosperity Region One. Of the Vacant-Other units, about 6,487 could be classified as owner occupiable based on the housing tenure data. REMI projects that 2,146 new households are expected to form in the region, which translates into potentially 1,617 owner households.[66] Based on the existing Vacant-Other housing stock, there is a potential surplus of 4,870 housing units after absorbing all potential growth. This indicates that an oversupply of housing exists in the region which is a consequence of the long-term population decline.

One of the key issues related to Vacant-Other unit absorption is whether the existing structures are enough to meet the need of households regarding location, number of rooms, size, amenities, and purchase and rehabilitation costs. If Vacant-Other housing units are not marketable, then developers will continue to build new housing product which meets the needs of buyers.

[66] REMI, ACS, and RKG Associates

NORTHWEST PROSPERITY REGION - URBAN

Region at a Glance

The Northwest Prosperity Region - Urban (Prosperity Region 2a) encompasses 2 counties, Grand Traverse and Leelanau, and is found in the northwest corner of the state. In the region, the largest city is Traverse City which has a population of around 15,000 and is a major economic center. The main transportation corridors providing north-south connections are Routes 22, 31 and 37.

Figure 1: Map of Prosperity Region 2a

The region is isolated from the rest of the state, and functions more as a recreation and vacation destination. This analysis will explore demographic changes and their implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region 2a, the following are key findings:

- Looking forward to the year 2045, the population of the region is projected to increase by 21 percent, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent growth in population occurs in residents over the age of 55, increasing by 31 percent compared to the state growth rate of 24 percent.
- Households are expected to grow over both the short- and long-term. Between 2015 and 2025, households are expected to grow by 6 percent, and between 2015 and 2045, households are expected to grow by 20 percent.
- Over the course of the next twenty-five years, employment is expected to grow by 11 percent or 8,982 jobs.
- About 3 percent, or 1,694 units, of the housing stock is classified as “Vacant-Other” meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. Statewide 5 percent of the housing stock is classified as vacant other.
- The housing stock in the region tends to be younger, with about 56 percent of all owner-occupied housing built after 1980 compared to the state percentage of 36 percent.
- About 46 percent of the region’s housing units are valued at over $200,000 as compared to 27 percent across the state.

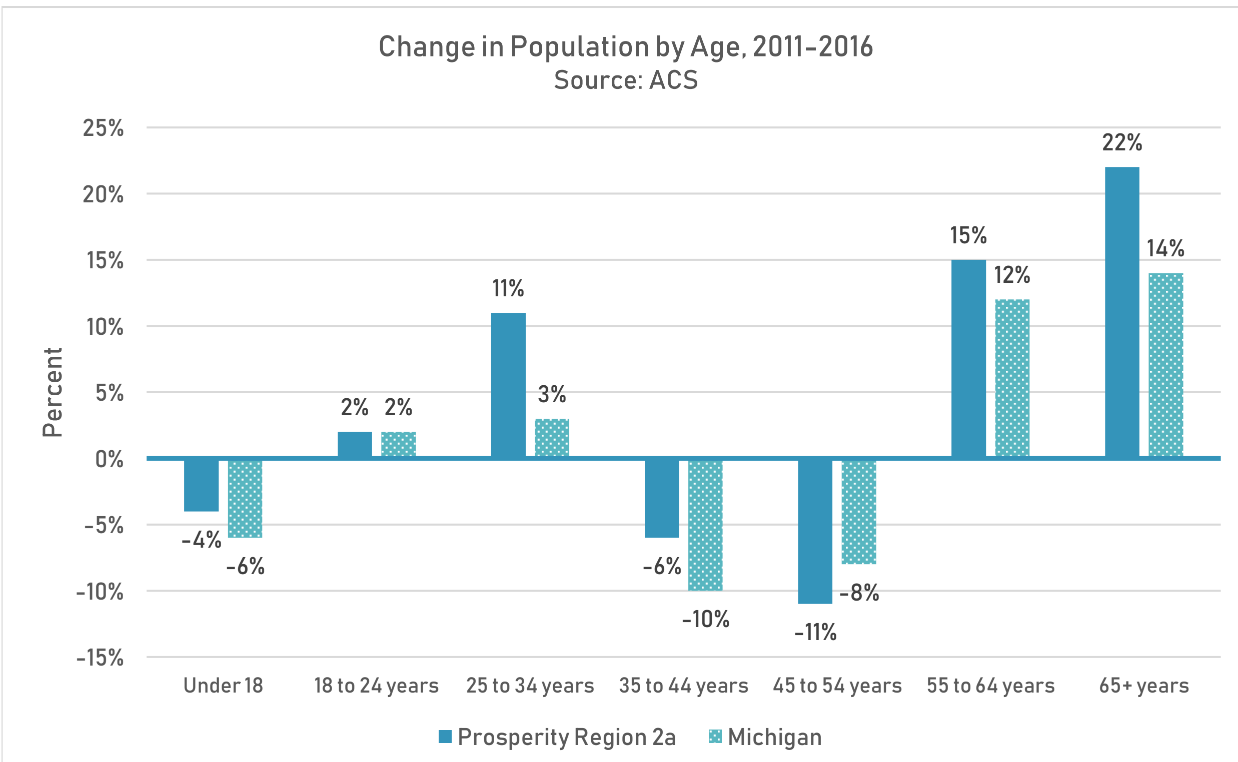
- Single-family homes sales prices rose by 43 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $251,938. The median sales price of a newly built home in 2017 was $347,625 which is 38 percent greater than existing units.
- Condominium sales prices have increased 55 percent over the last six years. The median sales price of a condominium in 2017 was $247,200; while the median sale price of a new condominium in 2017 was $359,740, a difference of 46 percent.
- The median sale price for both a single-family home and condominium in 2017 was affordable to households at or above 120 percent of Area Median Income (AMI). Households below 120 percent of AMI are unable to purchase single-family homes or condominiums priced at or above the median.
- The pace of new construction for ownership units has increased in recent years. Between 2012 and 2017 a total of 1,008 single-family units and 381 condominium units were built.
- The region does not have existing capacity to absorb growth in households. The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment of existing housing.

Demographics

POPULATION

The current population of Prosperity Region 2a is 112,479 which makes it the eighth largest region in the state. The region experienced a 4 percent population increase over the last five years as compared to the state where no growth occurred over the same period.[67] Looking deeper at the population data shows growth rate variation amongst age cohorts. A particularly important finding is that the state is getting older, as the population of residents over the age of sixty-five grew by 22 percent over the last five years. The growth in elderly population has an impact on both housing and municipal service delivery. Additionally, there was a surge of 11 percent in the 25 to 34 age group, indicating many younger individuals are relocating for professional purposes.

Figure 2: Change in Population by Age



Looking forward over the short-term, it is projected that between 2020 and 2025 the region will experience 5 percent population growth. The greatest gains are projected to occur between ages 35 and 44, with a growth of 12 percent indicating potentially greater numbers of family households.[68] Additionally, the region is expected to a 6 percent growth in residents over the age of sixty-five.

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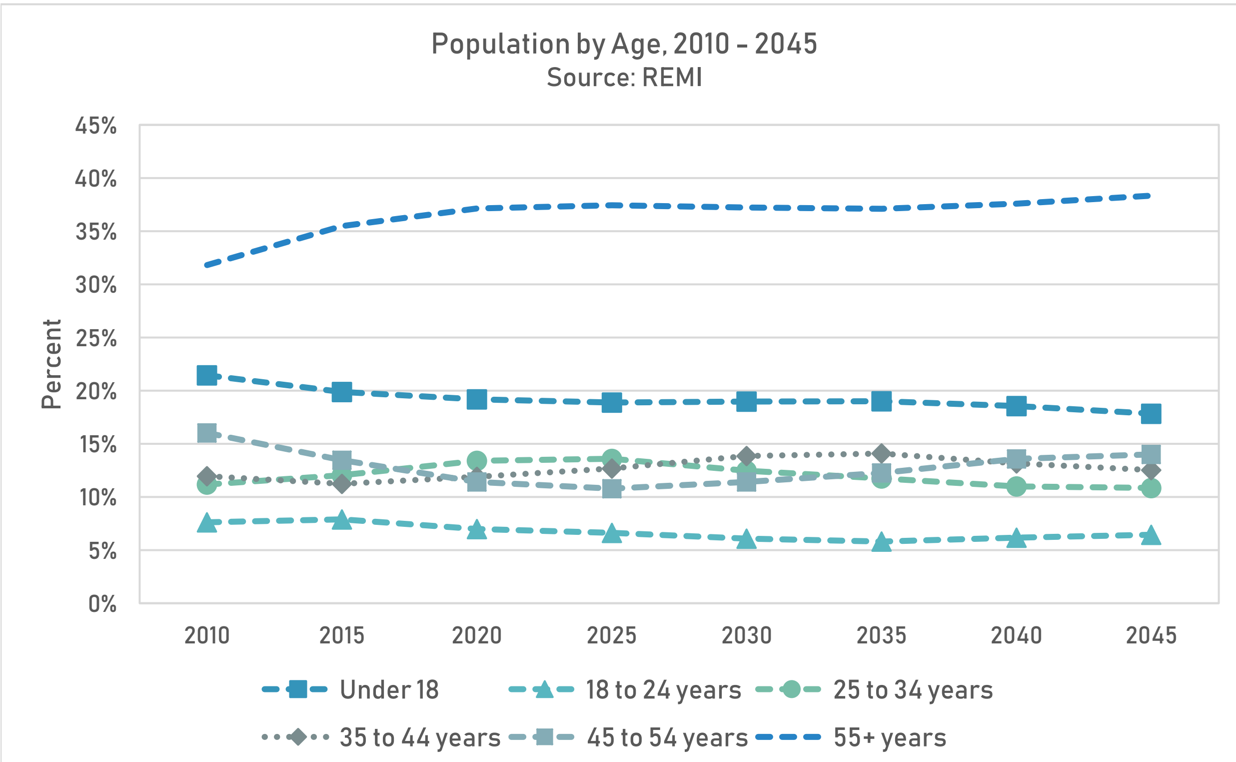
[67] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

[68] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

Looking forward to the year 2045, the population of the region is projected to grow by 21 percent, compared to the state which is projected to grow by 8 percent.[69] **Between 2015 and 2045, the largest percent growth in population occurs in seniors, increasing by 31 percent compared to the state growth rate of 24 percent.** This continues the trend of growth in senior population which could potentially impact the housing market due to seniors aging-in-place. There is the potential that senior households will hold onto their units longer which would limit turnover in the market and restrict supply.

Figure 3: Population by Age



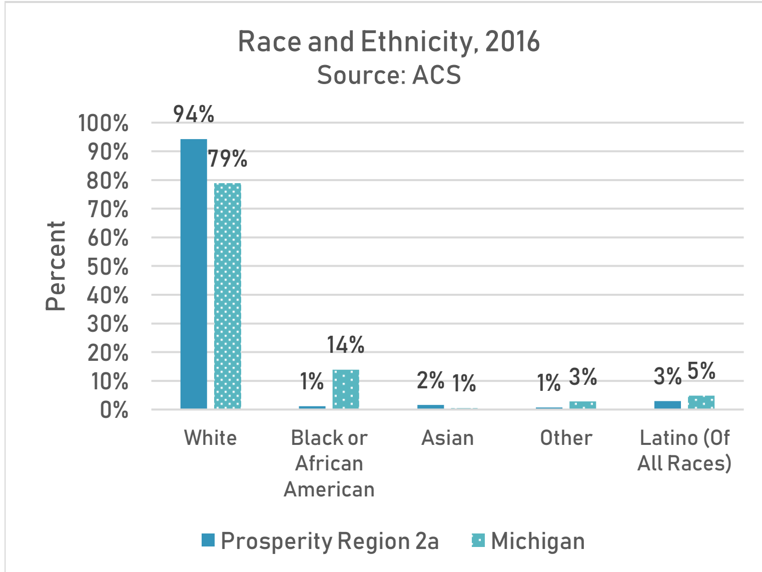
The other population group that is expected to grow is the 35 to 44 age group, which is projected to grow by 35 percent. The growth in this demographic group is important because this population tends to start families, are in their prime earning years, and are looking to establish themselves for the long-term.

[69] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

RACE AND ETHNICITY

Most of the residents in Prosperity Region 2a identify as White, accounting for nearly 94 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 19 percent from 2011 to 2016 and now accounts for 3 percent of the total population.**[70]

Figure 4: Race and Ethnicity

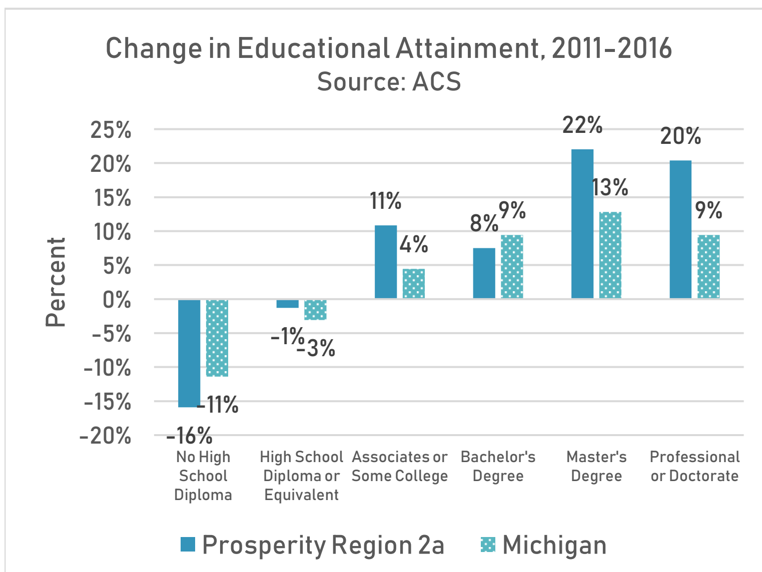


EDUCATION

One of the strengths of this region is the percentage of population that is educated beyond high school. About 31 percent of all residents have, at most, a high school diploma, while 69 percent have some form of advanced education.

The trend towards greater amounts of education is continuing as educational attainment improved over the last five years with increases in the number of residents earning bachelor's, master's, and professional degrees.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

As of 2016, there were 44,692 households in Prosperity Region 2a.[71] Between 2011 and 2016, growth in households was 2 percent, as the region saw a gain of 854 households, compared to the state's growth of 1 percent. Looking forward, **Prosperity Region 2a is expected to experience household growth over both the short- and long-term.** Between 2020 and 2025, households are expected to grow by 6 percent, and between 2020 and 2045, households are expected to grow by 20 percent. This compares to the state which is

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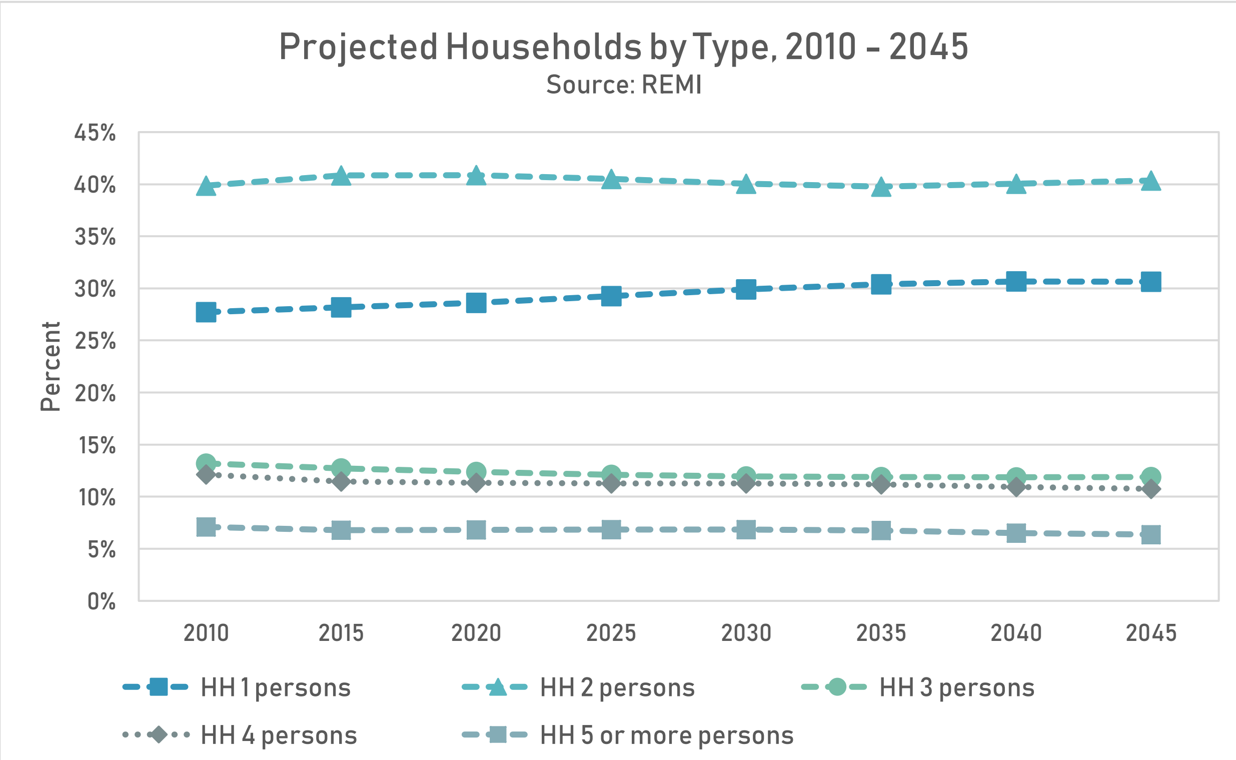
[70] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

[71] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

expected to grow by 11 percent.[72] The overall growth in households will have an impact on the number of housing units needed to support the population of the region.

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all household sizes will experience modest growth of between 4 and 8 percent.[73] The longer-term trend through 2045 shows one-person households increasing by 28 percent versus the state growth rate of 19 percent. The region is expected to experience growth in four and five-person households of 14 percent and 12 percent, respectively, which is more than the state's projected growth rate of 7 percent. The growth of both small and large households will have an impact on housing demand because greater numbers of units needed, as well as the size of units needed.

Socioeconomics

[72] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[73] REMI, Michigan Department of Transportation, and RKG Associates, 2018

INDUSTRY EMPLOYMENT & INCOMES

Compared to the rest of Michigan, Prosperity Region 2a is expanding economically. The region is a major recreation and tourism center. Employment tends to be concentrated in sectors such as retail, services, and government. Several of the large employers in the area include Munson Healthcare, Northwest Michigan College, and local government. The median household income of Prosperity Region 2a is $57,308, which is greater than the state median of $50,803.[74]

Over the last five years, positive income growth occurred across all income cohorts over $50,000, with the largest increase occurring in households making between $50,000 and $75,000 gaining nearly 15 percent, as compared to the state which saw a zero percent increase. Generally, across the region, higher incomes predominate based on the types of employment available.

Figure 7: Change in Incomes

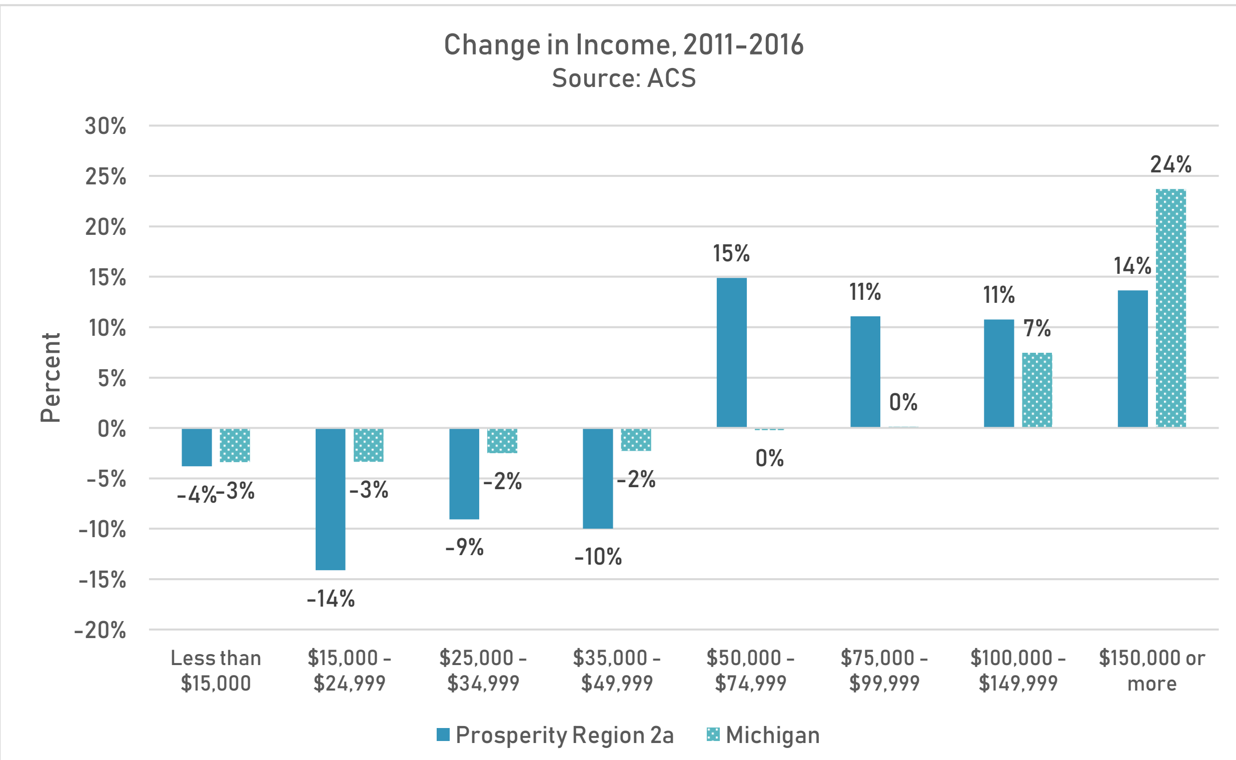


Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Retail Trade accounts for 12 percent of the jobs in the region.[75] The second largest employment sector is Local Government at 8 percent. **Over the course of the next twenty-five years, employment is expected to grow by 11 percent. Projections show a gain of 8,982 jobs between 2016**

[74] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

[75] REMI, Michigan Department of Transportation, and RKG Associates, 2018

and 2045. The retail sector is expected to decline by 7 percent, but the professional and technical services sector is expected to expand by 40 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045				
Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Retail trade	9,612	8,956	-656	-7%
Local Government	6,809	7,323	515	8%
Food services and drinking places	6,330	7,395	1,065	17%
Construction	5,004	5,046	43	1%
Professional, scientific, and technical services	4,946	6,926	1,981	40%
All Other Industries	48,960	54,995	6,035	12%
Total	81,660	90,642	8,982	11%
Source: REMI				

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region Seven considered cost burdened or severely cost burdened. In total, 16 percent of all homeowner households in the region are cost burdened while 11 percent are severely cost burdened.[76] Of cost burdened households, 52 percent are at or below 80 percent of Area Median Income (AMI), with 29 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 84 percent of these households fall at or below 80 percent of AMI, and 36 percent fall at or below 30 percent of AMI.

[76] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region 2a Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	325	6%	1,370	36%
>30% and <=50% AMI	895	17%	1,205	32%
>50% and <=80% AMI	1,550	29%	575	15%
>80% and <=100% AMI	880	16%	255	7%
Income >100% AMI	1,705	32%	355	9%
Total	5,355	100%	3,760	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region 2a increased by 1,189, which amounts to a 2 percent change.[77] Looking at the housing data for the region shows a 2 percent increase in the number of owner-occupied units and a 1 percent increase in rental housing units over the last five years. This section will further explore the complexities of the ownership market in Prosperity Region 2a.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[80] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 2a	Region Percent	Michigan	Michigan Percent
Owner-Occupied	35,059	61%	2,732,051	60%
Renter-Occupied	9,633	17%	1,128,343	25%
Vacant-For Rent	1,067	2%	85,584	2%
Vacant-For Sale	774	1%	83,371	2%
Vacant-Seasonal[78]	9,340	16%	288,250	6%
Vacant-Other[79]	1,694	3%	227,321	5%
Total	57,567	100%	4,544,920	100%
Source: ACS 2012-2016				

[77] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[78] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

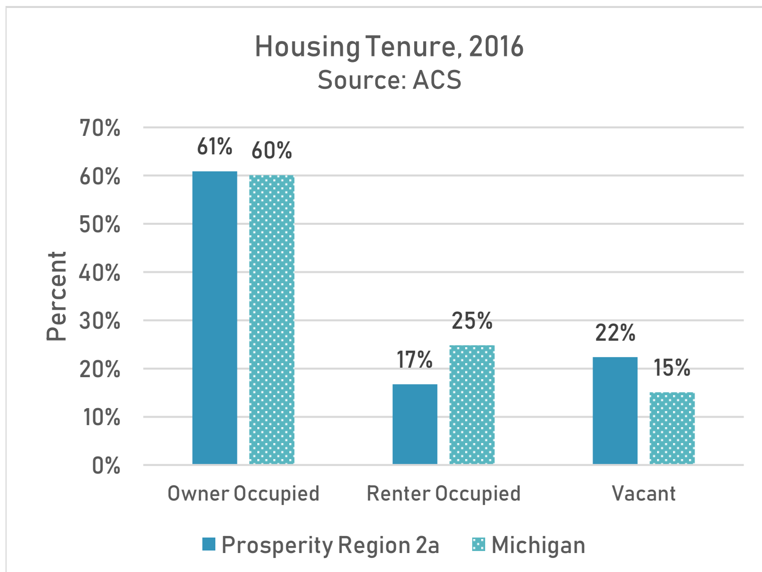
[79] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[80] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two

having five or more units. Of all the housing (both owner and renter) in Prosperity Region 2a, 77 percent of the residential housing stock is comprised of single-family homes, which is slightly more than the state percentage of 72 percent.[81]

Regionally, the owner-occupied housing stock accounts for 61 percent all units. This is slightly more than the statewide figure of 60 percent. Ownership patterns are changing in the region, over the last five years there was a 2 percent (732 unit) increase in the number of ownership units and a 1 percent (122 unit) increase in rental units. Some of the increase in owner-occupied units is a result of new construction and renovation across the region, as there was an increase of 962 single-family ownership units added to the market. Over the last few years the Traverse City area has attracted lots of investment and interest from around the state.

Figure 8: Housing Tenure



Across the region, 22 percent of the housing units are classified as vacant. Digging deeper, 16 percent of all units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 9,340 housing units (owner and renter) that have been removed from the year-round housing market. An additional 3 percent, or 1,694 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The number of vacant units have increased over time, rising by 3 percent with much of the increase classified as vacant for seasonal use, as there were 792 units added to that category over the five-year period.

months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[81] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 89 percent of the owner-occupied residential stock was single-family homes.[82] The region's owner-occupied housing stock of two or more units was 5 percent as compared to the state, accounting for 6 percent of the total. As of 2016, the region had approximately 6 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are the result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units or seasonal units.

Table 4: Owner-Occupied by Units in Structure

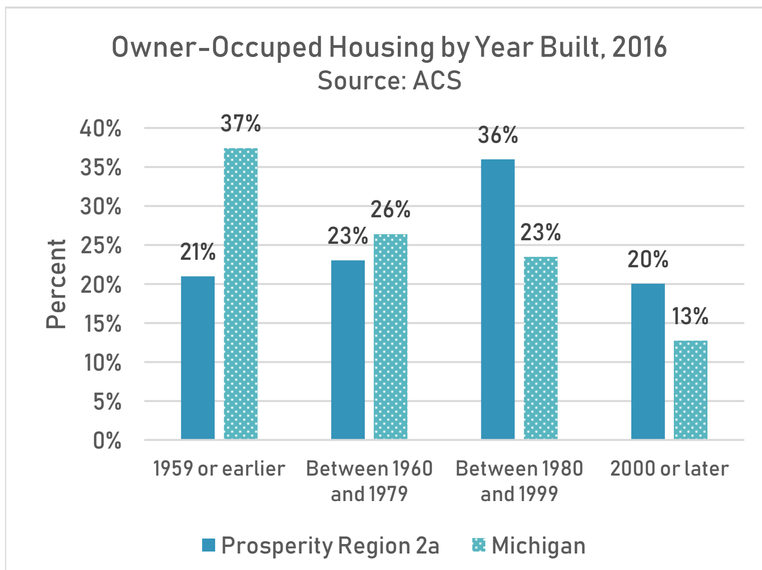
Owner-Occupied	Prosperity Region 2a	Region Percent	Michigan	Michigan Percent
Single-Family	31,105	89%	2,412,899	88%
Two or More Units	1,794	5%	175,225	6%
Mobile Home/RV/Other	2,160	6%	143,927	5%
Total	35,059	100%	2,732,051	100%

Source: ACS 2012-2016

AGE OF HOUSING

In Prosperity Region 2a, the median year built of an owner-occupied housing unit is 1984, while the median year built in Michigan is 1970.[83] About 56 percent of all owner-occupied housing was built after 1980.[84] This indicates that the region experienced growth much later that the rest of the state, this is mostly due to the region taking off as a vacation destination over the last 30 years. **Homes built between 1980 and 1999 account for 36 percent of total owner-occupied units,** this greater than the state figure of 23 percent. One of the positive outcomes from having newer housing stock is that it is modern in design, energy efficient, and tends to need less repairs. These qualities are important when selling housing units.

Figure 9: Owner-Occupied Housing by Year Built



UNIT VALUES

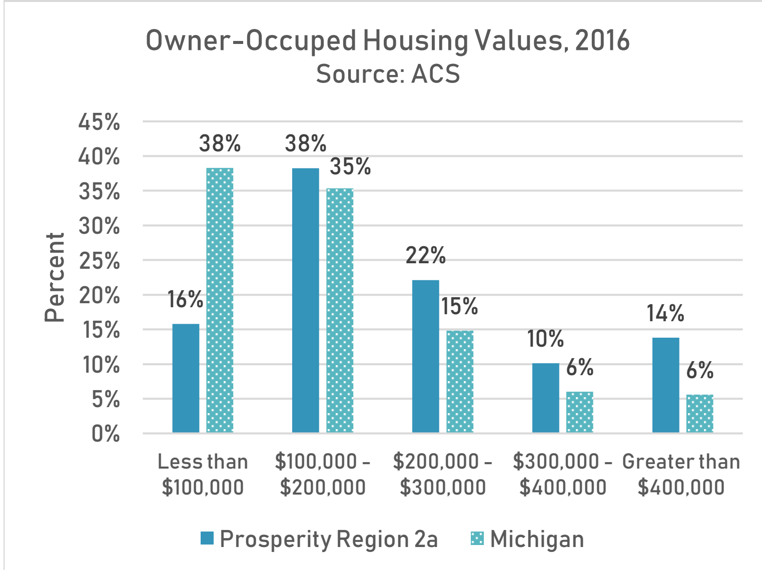
[82] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[83] ACS 2012-2016, Table B25037, and RKG Associates

[84] ACS 2012-2016, Table B25036, and RKG Associates

The percentage of homes in the region valued above $200,000 is greater than the state percentage, with about 46 percent of the region's units above this value as compared to 27 percent across the state.[85] The region's higher than average housing values reflects the purchasing power of residents and more favorable economic conditions of the region as compared to the state. The tourist economy and second home market also drive up home values. The scenic nature of the area increases home values from a desirability perspective because housing units are located near water bodies.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region 2a mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[86] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

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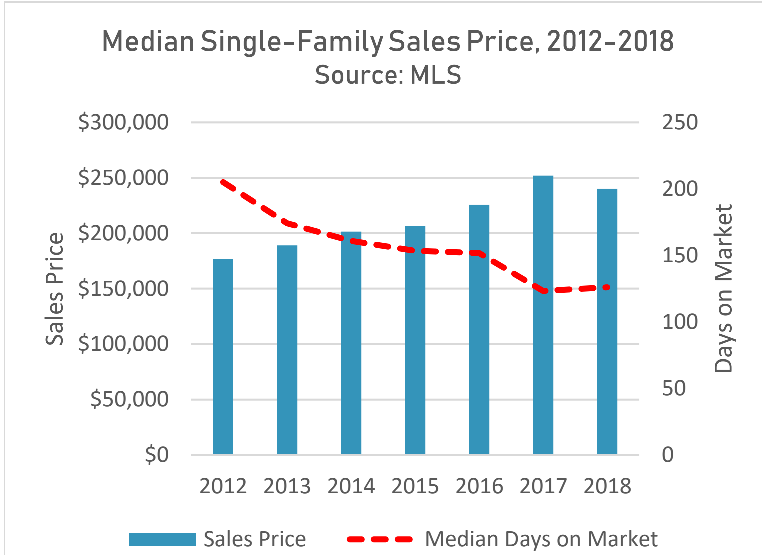
[85] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[86] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

The market for single-family homes has seen a gradual price escalation and moderate number of sales. Between 2012 and 2018, there were 12,774 sales, or an average of 1,825 sales per year.[87] The median single-family home sales prices rose by 43 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $251,938. The time it took to sell a home in Prosperity Region 2a also decreased, dropping 40 percent to an average of 123 days on the market.[88]

Figure 11: Median Single-Family Sales Price



Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 50 percent of all single-family sales, and where prices have increased 40 percent over the last six years. **At a median price of $231,544 these three-bedroom homes are generally beyond the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $70,000 per year -- which is well above the region's median household income.

Larger single-family homes with four- and five-bedrooms plus also experienced price appreciation. **The median sales price of a four-bedroom home increased by 30 percent to $334,750 and the price of a home with five or more bedrooms increased by 11 percent to $422,300.**[89] This market segment makes up about 28 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price, one exception was that median single-family sales price for a unit built between 1950 and 1970 was $192,240 which was 3 percent less than a home built between 1900 and 1950.[90] However, the median sales price of a unit built between 1990 and 2010 was $232,092 which was more than 32 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

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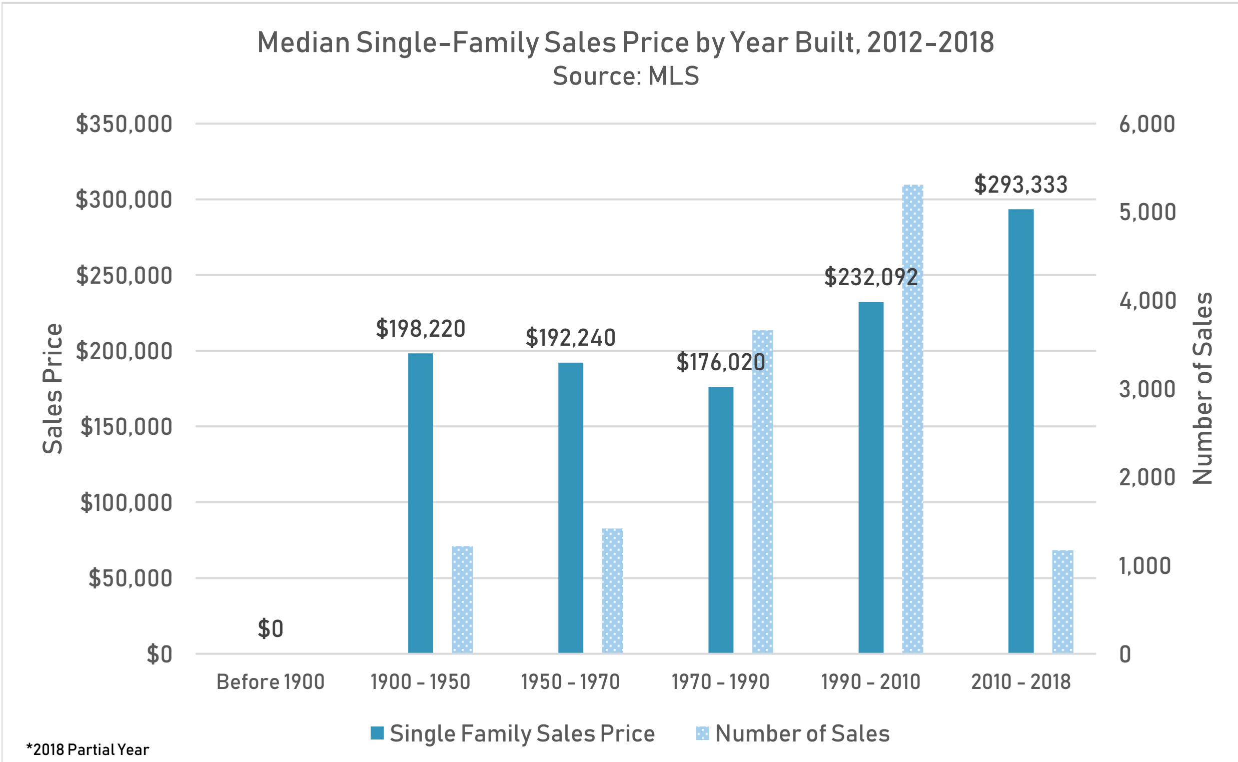
[87] Michigan Realtors 2012-2018, and RKG Associates

[88] Michigan Realtors 2012-2018, and RKG Associates

[89] Michigan Realtors 2012-2018, and RKG Associates

[90] Michigan Realtors 2012-2018, and RKG Associates

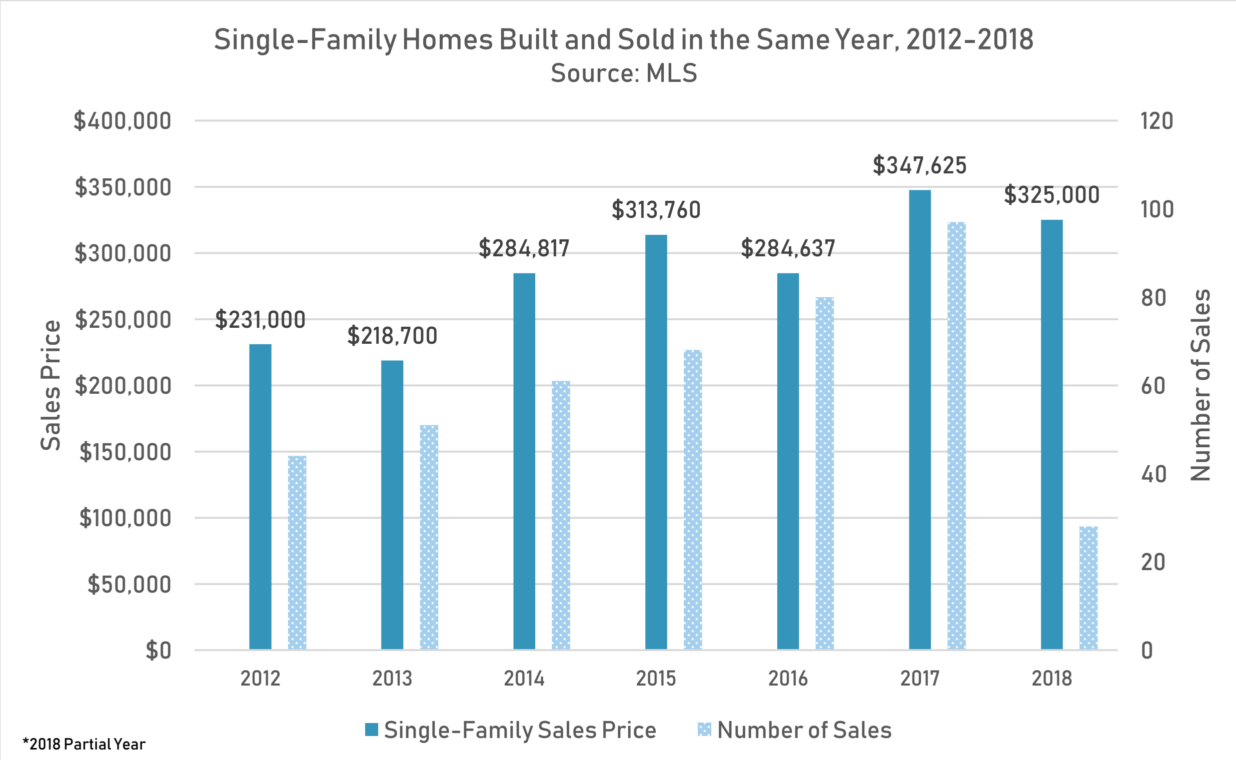
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 38 percent more than existing units. The median sales price of a new home in 2017 was $347,625 compared to $251,938 for an existing single-family home.**[91]

[91] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

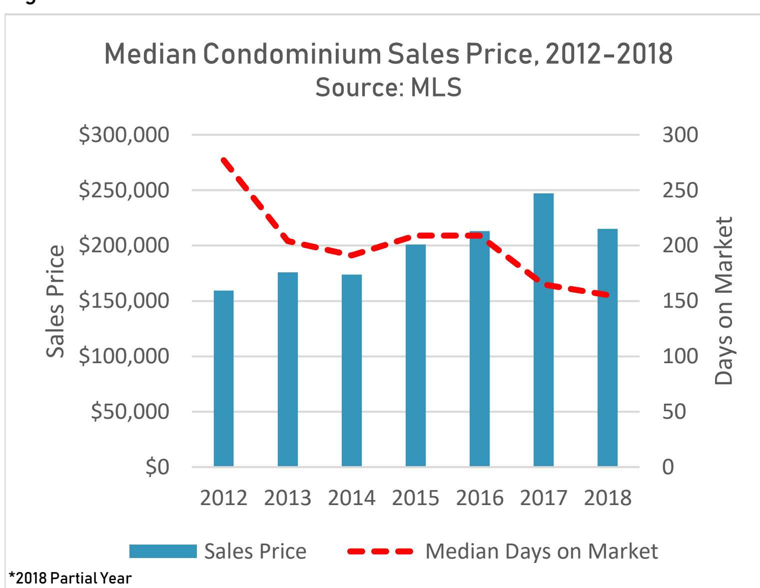
Figure 13: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

Figure 14: Median Condominium Sales Price



Between 2012 and 2018, the region saw about 2,286 sales or an average of 327 sales per year. Condominium sales prices have increased 55 percent over the last six years. The median sales price of a condominium in 2017 was

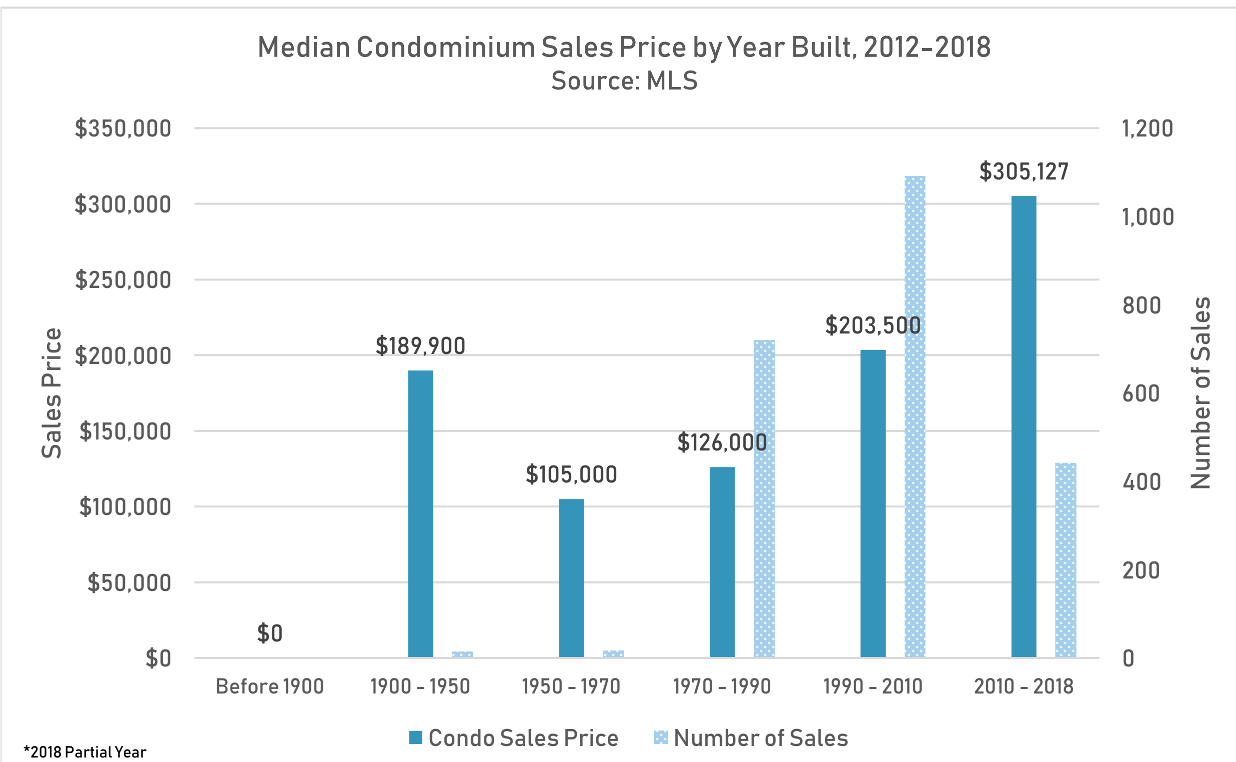
$247,200, with an average of 165 days on the market. Days on market has decreased 41 percent since 2012.[92]

The prices escalations for condominiums across the region reflect the nature of demand for units. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 54 percent of all condominium sales, with a median price of $206,000. For this product type, the median price has increased by 59 percent since 2012.[93] Three-bedroom condominiums, which make up 29 percent of sales, saw a price increase of 33 percent since 2012, with the median sales being $287,885 in 2017.

Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $203,500. This was about 62 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

Figure 15: Median Condominium Sales Price by Year Built



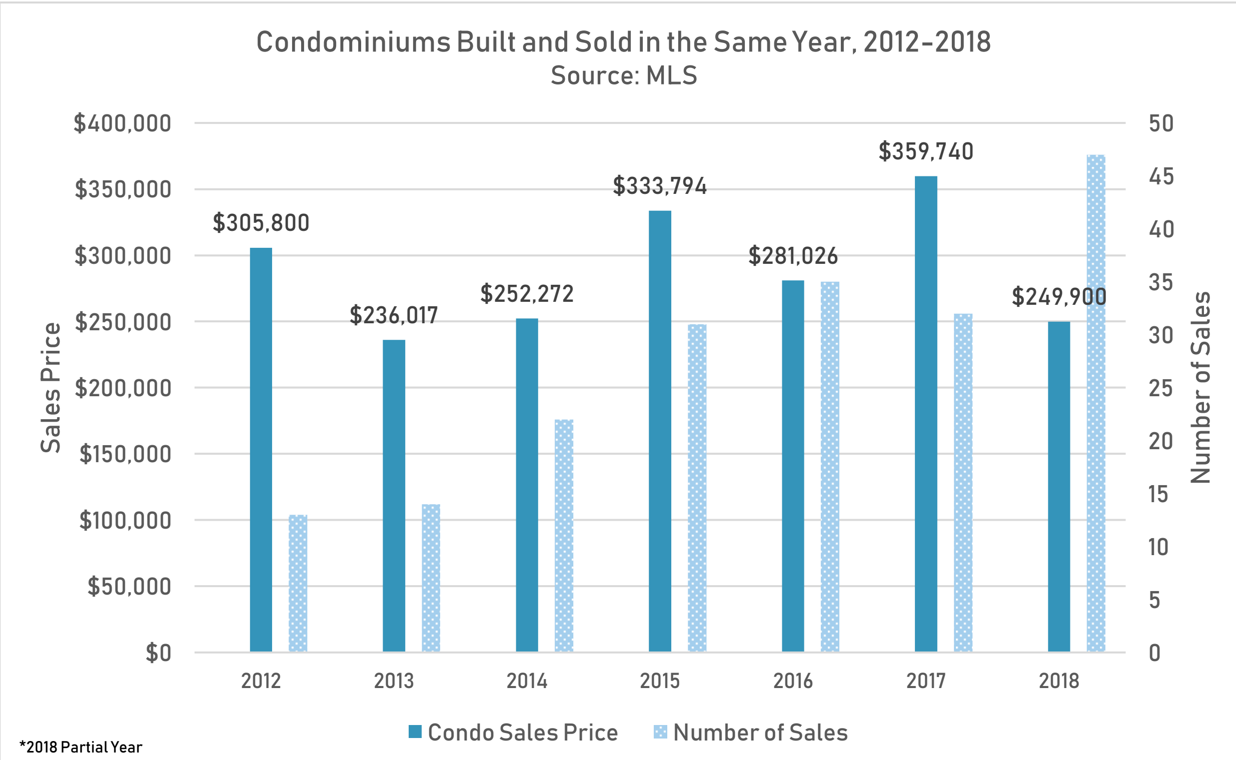
As part of the analysis to provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in

[92] Michigan Realtors 2012-2018, and RKG Associates

[93] Michigan Realtors 2012-2018, and RKG Associates

the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. **On average, a new condominium unit sold for 46 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $359,740 compared to $247,200 for an existing condo**. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In Prosperity Region 2a, the predominate housing type are single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[95] Based on the data, **about 39 percent of households fall at or below 80 percent of AMI which equates to a household income of no more than $52,850.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[94]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	3,662	10%
50% AMI	$33,050	$115,768	3,896	11%
80% AMI	$52,850	$185,124	6,171	18%
120% AMI	$79,275	$277,685	8,245	24%
200% AMI	$132,125	$462,809	7,777	22%
Greater than 200% AMI	$132,126	$462,810	5,308	15%

Source: HUD, ACS, and RKG Associates

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

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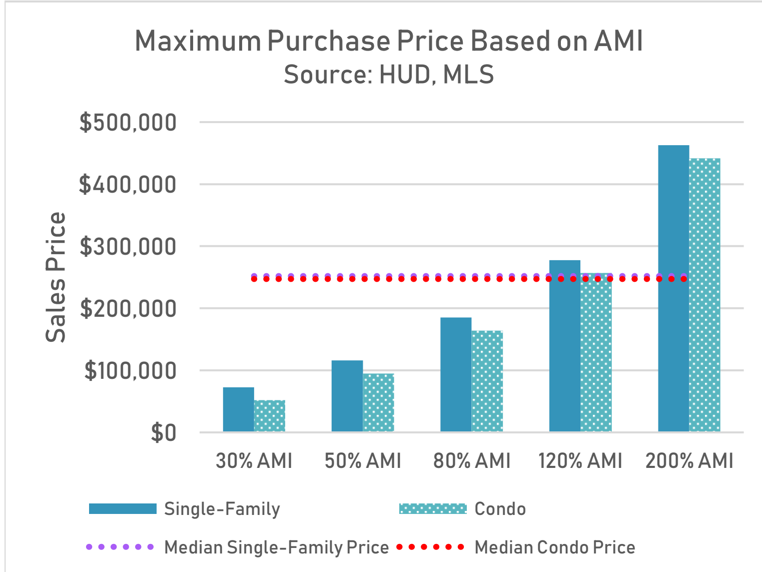
[94] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[95] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of both a single-family home and condominium sold in 2017 was affordable to households at or above 120 percent of AMI.** Households below the 120 percent AMI threshold generally are unable to afford a median priced home.

Figure 17: Maximum Purchase Price Based on AMI



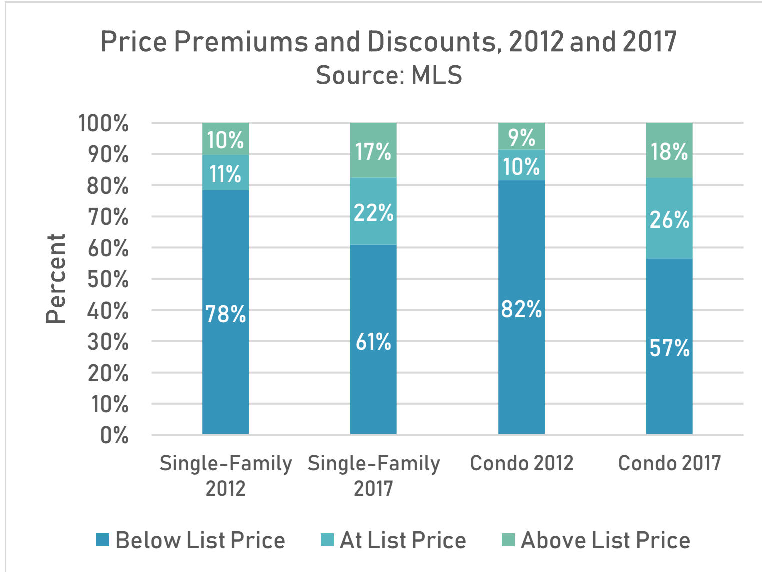
At 30 percent of AMI, a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $251,938. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

In Prosperity Region 2a, between 2012 and 2017, the market for single-family homes improved as the percentage of homes selling below list price decreased from 78 percent to 61 percent; conversely, above list price sales went from 10 percent to 17 percent, with the median above list price differential being $5,150 in 2017.[96] The condominium market saw a similar trend, with sales below list price decreasing from 82 percent to 57 percent, and above list price sales increasing from 9 percent to 18 percent, with the median above list price differential being $5,639 in 2017. The condominium market also saw an increase in sales at list price, between 2012 and 2017, with the percentage of sales rising from 10 percent to 26 percent.

Figure 18: Sales Prices of Units, 2012 - 2017



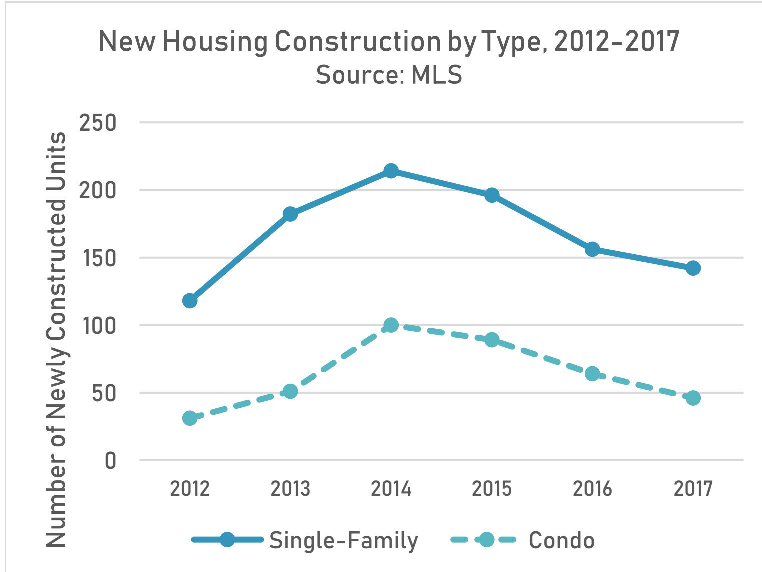
HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

[96] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 19: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, the pace of new construction for both single-family homes and condominiums has slowed considerably, with the peak construction year being 2014. **Between 2012 and 2017 a total of 1,008 single-family units and 381 condominium units were built.**[97] Figure 19 shows the overall trajectory of new construction across the region. **Single-family home construction saw a 20 percent decrease from 2012 to 2017, while condominium unit construction saw a 48 percent increase over the same period.** This shows that demand for condominium units have increased over time. The average square footage of a newly constructed single-family unit was nearly 1,600 square feet, while a new condominium unit was 1,500 square feet.[98] The median sales price of a single-family unit built in 2017 was $347,625, and the price of a condominium unit built in 2017 was $359,740, both of which are significantly higher than the median sales price of an existing housing unit.

HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household growth across the region is projected to continue. One of the biggest issues in Prosperity Region 2a is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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[97] Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

[98] Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	3,662	$72,788	4,025	363
50% AMI	$33,050	3,896	$115,768	3,476	-420
80% AMI	$52,850	6,171	$185,124	9,309	3,138
120% AMI	$79,275	8,245	$277,685	8,147	-98
200% AMI	$132,125	7,777	$462,809	6,162	-1,615
Greater than 200% AMI	$132,126	5,308	$462,810	3,940	-1,368
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 30 percent of AMI and 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI and those at 50 percent of AMI. **Homes valued at between 80 percent and 120 percent of AMI make up most of the housing stock and are generally in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are priced lower because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $144,200 which is affordable to households at around 80 percent AMI and above.

The calculated housing unit deficit amounts to 3,081 housing units at above 120 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 4 percent of the total housing stock, which translates into 774 Vacant-For Sale units and 1,694 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	78%	1,936	7,865	-5,929
Rental	22%	532	2,161	-1,629
Total	100%	2,468	10,027	-7,559
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 78 percent of the total occupied units in Prosperity Region 2a. Of the existing vacant units, about 2,468 could be classified as units that could one day be brought back into the ownership market. Projections forecast 10,027 new households to form in region. This translates into 7,865 owner households based on the existing owner and renter household split.[99] The gain in households has the potential to outstrip existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net deficit of 5,929 units. This indicates the region does not have existing capacity to absorb growth in households.

The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment. Future changes in household composition may further exacerbate housing demand, as one- and two-person households are expected to increase, while larger households are also expected to increase but at a slower rate. This change in household composition could drive the market towards building greater numbers of apartment and condominium units which are one- or two-bedroom units, in addition to larger size units.

[99] REMI, ACS, and RKG Associates

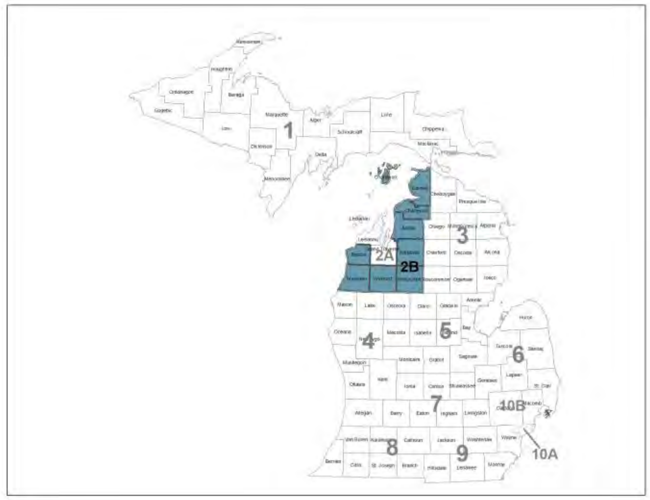
NORTHWEST PROSPERITY REGION - RURAL

Region at a Glance

The Northwest Prosperity Region - Rural (Prosperity Region 2b) encompasses 8 counties and abuts Lake Michigan. The area is mostly rural and surrounds Prosperity Region 2a. The largest city in the area is Cadillac. The major transportation corridors include Routes 115, 131, and 37.

This analysis will explore demographic changes and their implication on the existing and future housing market.

Figure 1: Map of Prosperity Region 2b



KEY FINDINGS

Based on the analysis performed for Prosperity Region 2b, the following are key findings:

- Looking forward to the year 2045, the population of the region is projected to increase by 4 percent, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent decline in population occurs in the 18 to 24 age group, decreasing by 20 percent.
- Households are expected to grow in both the short and long-term. Between 2020 and 2025, households are expected to grow by 2 percent, and between 2015 and 2045, households are expected to grow by 5 percent while the state is expected to grow 11 percent.
- Over the course of the next twenty-five years, employment is expected to grow by 2 percent or 1,616 jobs.
- About 3 percent, or 3,405 units, of the housing stock is classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. About 5 percent of the statewide housing stock is classified as Vacant-Other.
- The housing stock in region tends to be younger, with about 49 percent of all owner-occupied housing built after 1980, compared to the statewide percentage of 36 percent.
- The percentage of homes in the region valued over $400,000 is greater than the state percentage, with about 8 percent of the region's units falling over this value as compared to 6 percent across the state. About 74 percent of all the housing in the region is valued below $200,000.

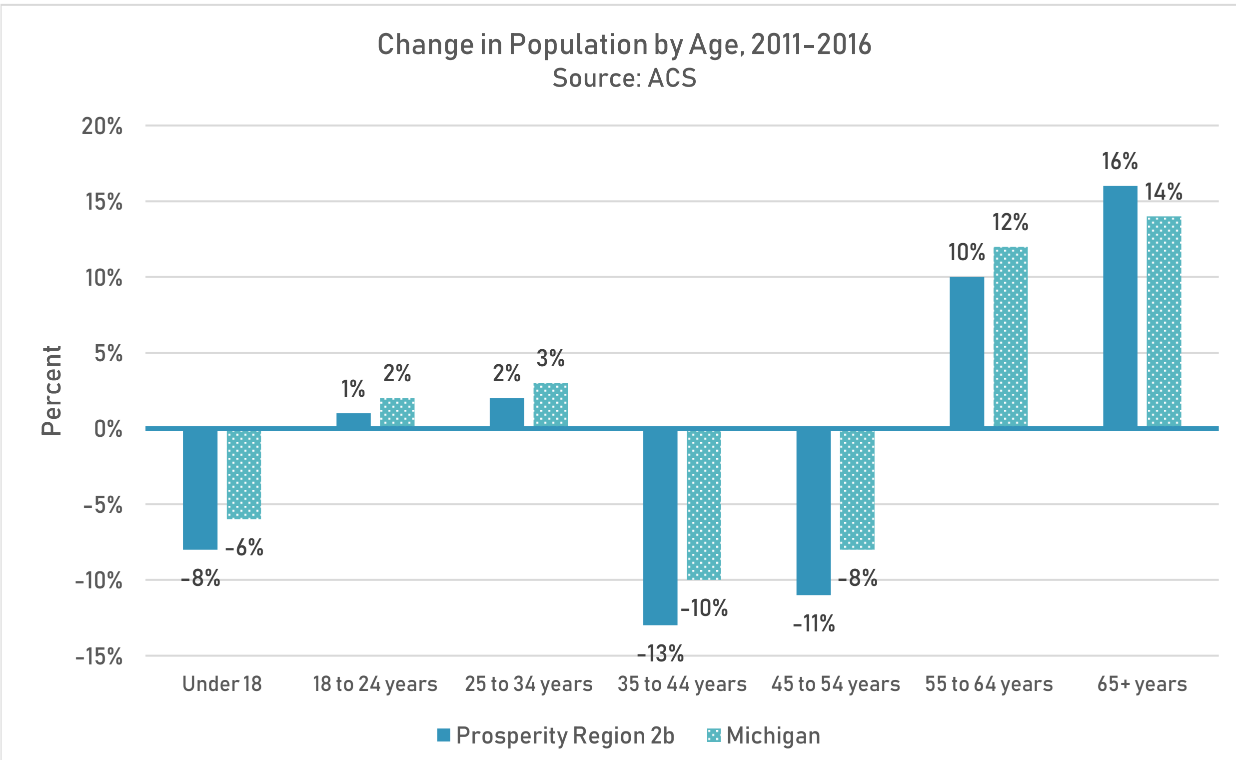
- The market for single-family homes has seen gradual price appreciation. Sales prices rose by 55 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $141,110. The median sales price of a new home in 2017 was $118,347 which is 16 percent less than existing units.
- The condominium market is modest as sales prices have increased 77 percent over the last six years. The median sales price of a condominium in 2017 was $216,043.
- The median price of a single-family home in 2017 was affordable to households making at or above 80 percent of Area Median Income (AMI), while the median condominium was affordable to households making at or above 120 percent of AMI. Households at or below 50 percent of AMI are generally priced out of the for-sale market.
- New construction for ownership units is limited, between 2012 and 2017 a total of 105 single-family units and 9 condominium units were built.
- The supply of vacant housing in the region is enough to absorb projected housing demand so long as the housing stock is habitable, well-located, and appropriately priced.

Demographics

POPULATION

The current population of Prosperity Region 2b is 189,525 which makes it the second smallest region in the state. The region experienced near zero population growth over the last five years which is like the state over the same period.[100] Prosperity Region 2b lags the state in growth across all age categories except the growth in seniors. The 65 years and old age group grew by 16 percent compared to the state growth rate of 14 percent. The region lost population between the ages of 35 and 54 over the last five years. Losses in this population cohort are detrimental because these individuals tend to purchase homes and spend disposable income on goods and services.

Figure 2: Change in Population by Age



Looking forward to the short-term, it is projected that between 2020 and 2025 the region will experience 1 percent population growth. The greatest losses are projected to occur between ages 18 and 24, with a projected loss of 5 percent. This may indicate younger residents are leaving the region for educational and employment opportunities elsewhere[101] Alternatively, the region is expected to see growth in the 35 to 44 age group, which is expected to grow by 9 percent. The attraction of middle-aged family households will help strengthen the region and reverse the previous trend of decline.

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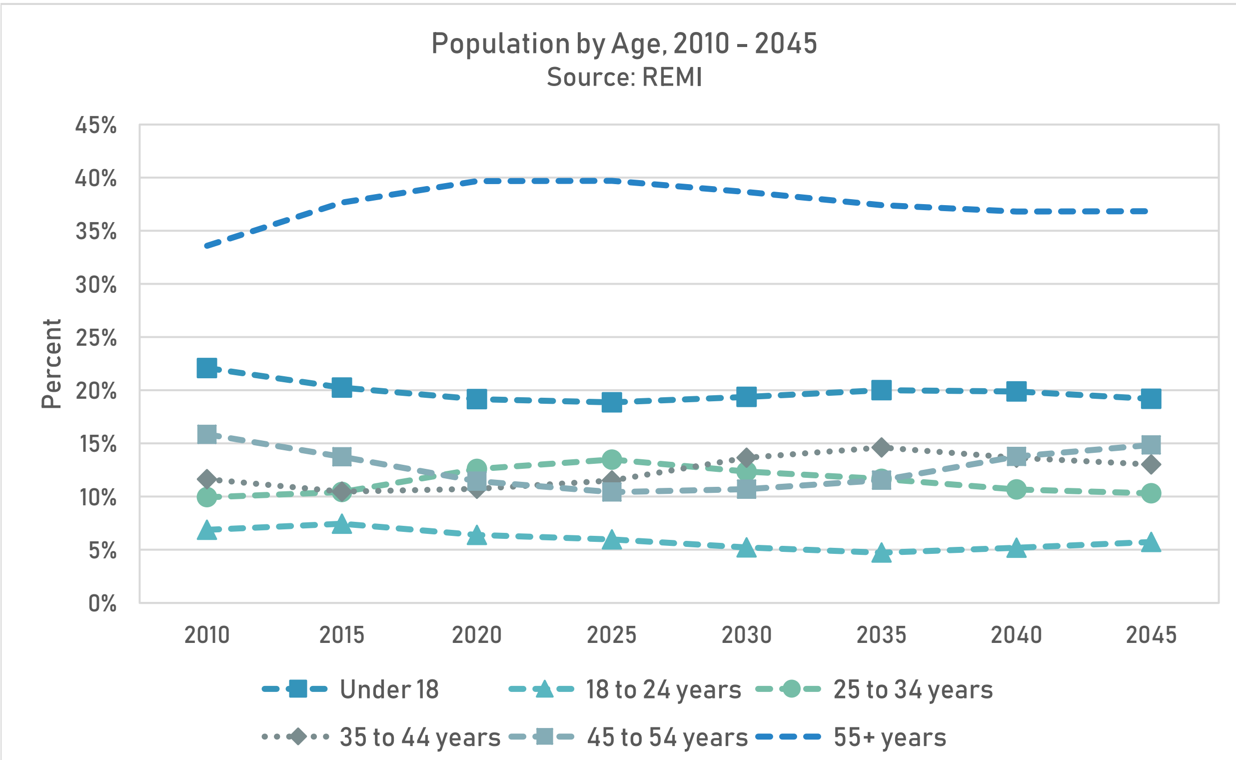
[100] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

[101] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

Looking forward to the year 2045, the population of the region is projected to increase by 4 percent, compared to the state which is projected to grow by 8 percent.[102] **Between 2015 and 2045, the largest percent decline in population occurs in the 18 to 24 age group, decreasing by 20 percent.** The decrease in this cohort can be attributed to the general trend of young people leaving the area for other opportunities; however, the decline in the region is nearly double the projected statewide decline of 11 percent.

Figure 3: Population by Age



The senior population is expected to increase by 2 percent over the long-term, compared to the state growth rate of 24 percent. Even with a lower rate of growth, increases in the senior population have an impact on the housing market as more senior households age-in-place. There is the potential that senior households will hold onto their units longer limiting turnover and restricting supply.

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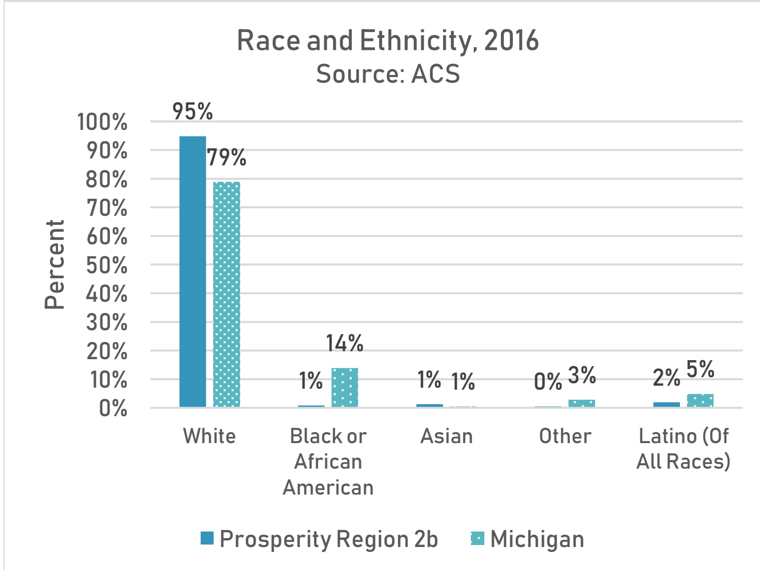
[102] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

RACE AND ETHNICITY

Most of the residents in Prosperity Region 2b identify as White, accounting for nearly 95 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 16 percent from 2011 to 2016 and now accounts for 2 percent of the total population.**[103]

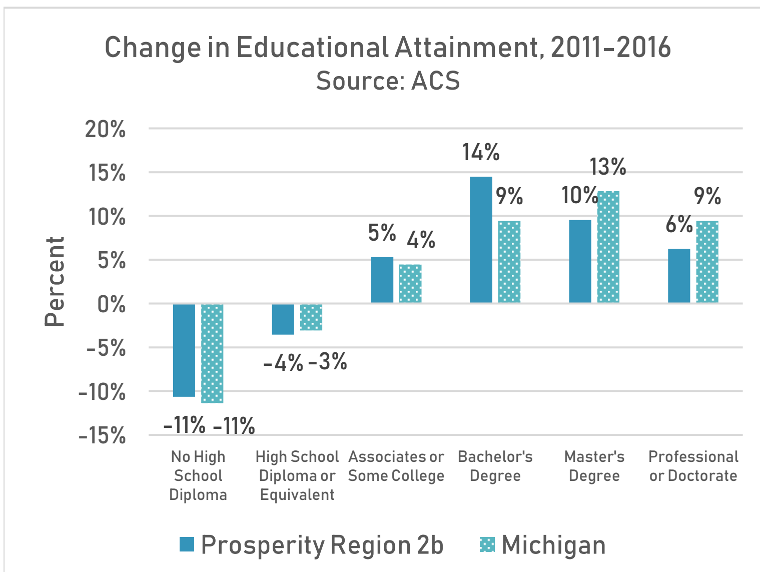
Figure 4: Race and Ethnicity



EDUCATION

One challenge for this region is the disproportionate number of residents with a high school diploma or less. About 44% of all residents have, at most, a high school diploma. This education achievement gap could have long-standing impacts on earning potential and the ability of employers in the area to find qualified employees locally. The good news is educational attainment has improved over the last five years with increases in the number of residents earning bachelor's, master's, and professional degrees, though the region still lags the state.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

As of 2016, there were 78,023 households in Prosperity Region 2b.[104] Between 2011 and 2016, the region experienced virtually no growth in households with a gain of just 95 households, compared to the state's growth rate of 1 percent. Looking forward, **Prosperity Region 2b is expected to**

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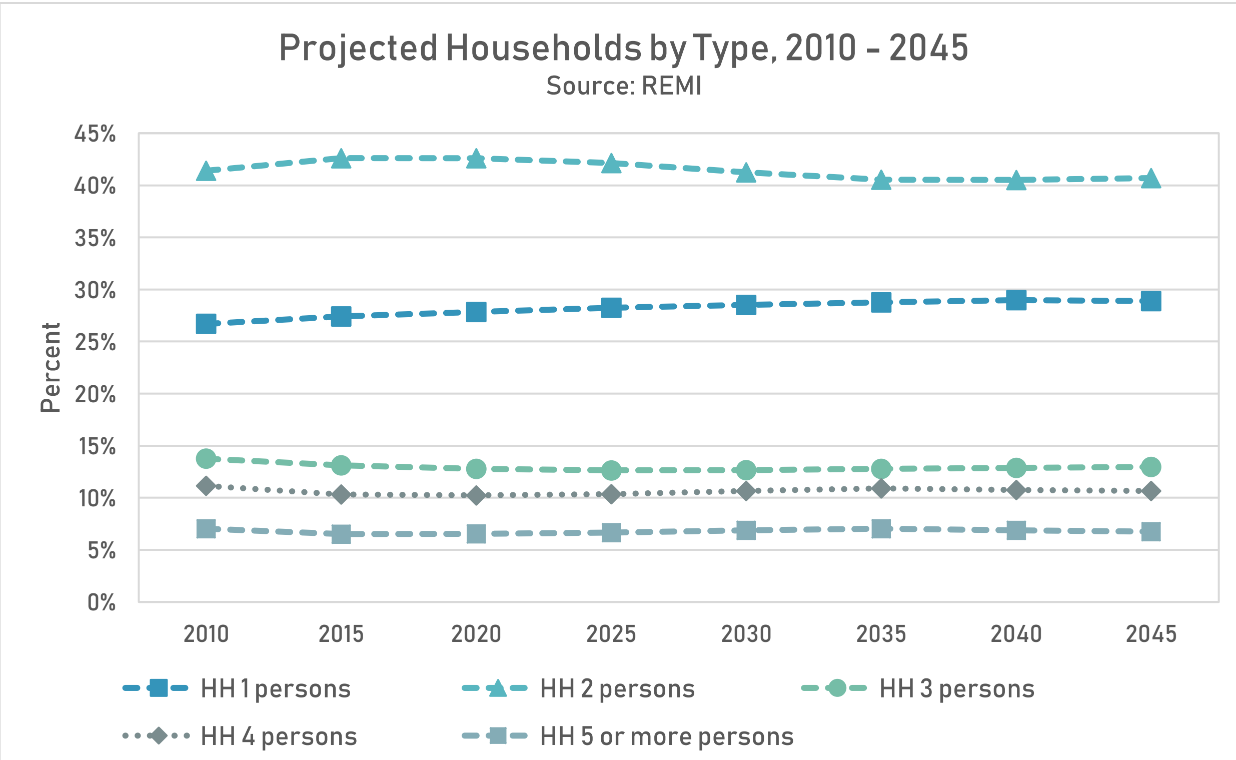
[103] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

[104] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

experience a slight increase in household growth over both the short- and long-term. Between 2020 and 2025, households are expected to grow by 2 percent, and that over the long-term, between 2020 and 2045, households are expected to grow by 5 percent, compared to the state which is expected to grow by 11 percent.[105]

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all household sizes will experience modest growth between 1 and 4 percent.[106] The longer-term trend through 2045 shows one-person households increasing by 9 percent versus the state growth rate of 19 percent. The region is expected to experience growth in four and five-person households of 9 percent and 8 percent, respectively, which is slightly more than the state's projected growth rate of 7 percent. The growth of larger households will have an impact on housing demand because of the greater numbers of bedrooms that will be required to accommodate larger household sizes.

[105] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[106] REMI, Michigan Department of Transportation, and RKG Associates, 2018

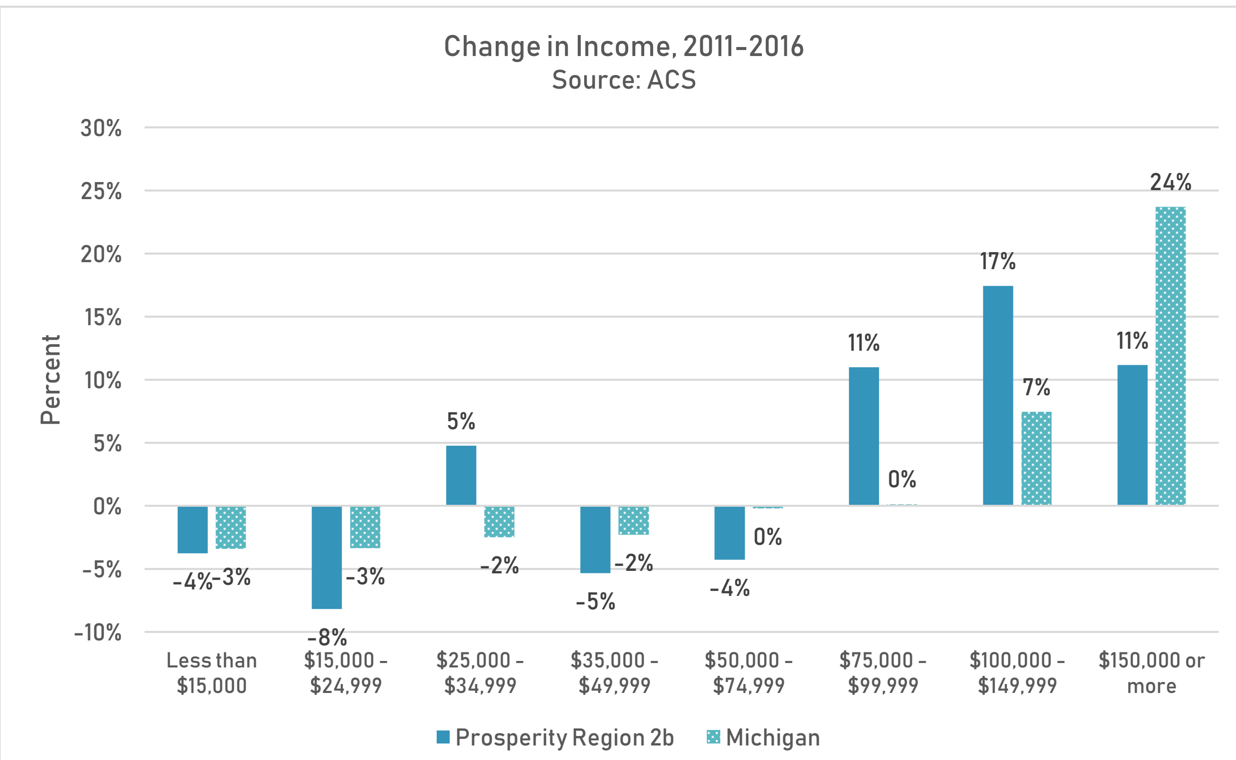
Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

Compared to the rest of Michigan, Prosperity Region 2b has fallen behind economically. Cadillac is a major city in the region, but Traverse City which is in Prosperity Region 2a is the primary economic center of northwest Michigan. There are still several large employers in Prosperity Region 2b such as Morton Salt, Cadillac Casting, and North Central Michigan College. However, much of the employment is in retail and services. The median household income of Prosperity Region 2b is $45,608, which is about 90 percent the state median of $50,803.[107]

Over the last five years, incomes decreased across nearly all income cohorts under $75,000 except for the income group of $25,000 to $34,999 which saw a rise of 5 percent. Strong income growth occurred between $75,000 and $149,000 which outpaced the state, particularly regarding the $75,000 to $99,999 group which saw an 11 percent increase. Incomes over $100,000 represent about 14 percent of all households in the region; the state's share of households earning over $100,000 was 20 percent.

Figure 7: Change in Incomes



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[107] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

In this region, retail and service industries play a significant role in employment which contributes to the lower median household income in the region. Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Retail Trade accounts for 11 percent of the jobs in the region.[108] The second largest employment sector is Local Government at 10 percent. **Over the course of the next twenty-five years, employment is expected to grow by only 2 percent. Projections show a gain of just 1,616 jobs between 2016 and 2045.** The retail sector is expected to decline by 15 percent and administrative and support services sector is projected to expand by 19 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045				
Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Retail trade	11,236	9,554	-1,682	-15%
Local Government	9,964	9,871	-93	-1%
Construction	7,021	6,660	-361	-5%
Food services and drinking places	6,312	6,930	618	10%
Administrative and support services	5,722	6,789	1,067	19%
All Other Industries	60,668	62,735	2,067	3%
Total	100,924	102,540	1,616	2%
Source: REMI				

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region 2b considered cost burdened or severely cost burdened. In total, 15 percent of all homeowner households in the region are cost burdened while 11 percent are severely cost burdened.[109] Of cost burdened households, 59 percent are at or below 80 percent of Area Median Income (AMI), with 31 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 88 percent of these households fall at or below 80 percent of AMI, and 37 percent fall at or below 30 percent of AMI.

[108] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[109] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region 2b Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	720	8%	2,480	37%
>30% and <=50% AMI	1,875	20%	1,965	30%
>50% and <=80% AMI	2,940	31%	1,410	21%
>80% and <=100% AMI	1,455	15%	290	4%
Income >100% AMI	2,400	26%	475	7%
Total	9,390	100%	6,620	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region 2b increased by 405, which amounts to a nearly zero percent change.[110] At the same time, the region saw a 1 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals, demolitions, and the loss of mobile home units. Concurrent to the decline in owner units, rental housing units increased 7 percent. This section will further explore the complexities of the ownership market in Prosperity Region 2b.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[113] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 2b	Region Percent	Michigan	Michigan Percent
Owner-Occupied	62,375	51%	2,732,051	60%
Renter-Occupied	15,648	13%	1,128,343	25%
Vacant-For Rent	1,683	1%	85,584	2%
Vacant-For Sale	2,527	2%	83,371	2%
Vacant-Seasonal[111]	36,773	30%	288,250	6%
Vacant-Other[112]	3,405	3%	227,321	5%
Total	122,411	100%	4,544,920	100%
Source: ACS 2012-2016				

[110] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[111] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

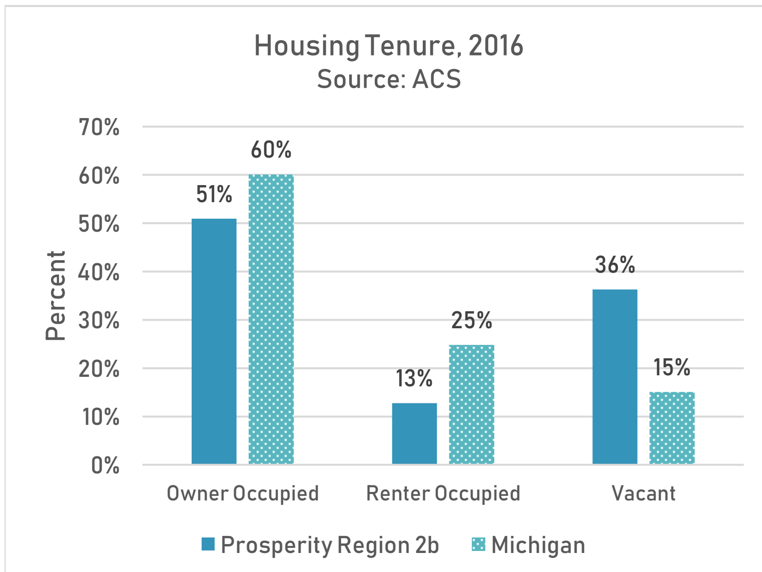
[112] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[113] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two

having five or more units. Of all the housing (both owner and renter) in Prosperity Region 2b, 79 percent of the residential housing stock is comprised of single-family homes, which is slightly more than the state percentage of 72 percent.[114]

Regionally, the owner-occupied housing stock accounts for 51 percent all units. This is lower than the statewide figure of 60 percent. Ownership patterns are changing in the region, over the last five years there was a 1 percent decrease in the number of ownership units and a 7 percent (975 unit) increase in rental units. Some of the decline in owner-occupied units could be the result of a drop of 710 single-family ownership units going off the market, being demolished, or possibly becoming rentals, in addition to the 199 mobile homes which may have shifted from ownership to rental units or were entirely removed from the market.

Figure 8: Housing Tenure



Across the region, 36 percent of the housing units are classified as vacant. Digging deeper, 30 percent of all units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 36,773 housing units (owner and renter) that have been removed from the year-round housing market. An additional 3 percent, or 3,405 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The number of vacant units have increased over time by 1 percent indicating that some of the vacant housing stock is being added to the rental supply.

months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[114] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 89 percent of the owner-occupied residential stock was single-family homes.[115] The region's owner-occupied housing stock of two or more units was 3 percent as compared to the state, accounting for 6 percent of the total. As of 2016, the region had approximately 9 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are the result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units.

Table 4: Owner-Occupied by Units in Structure

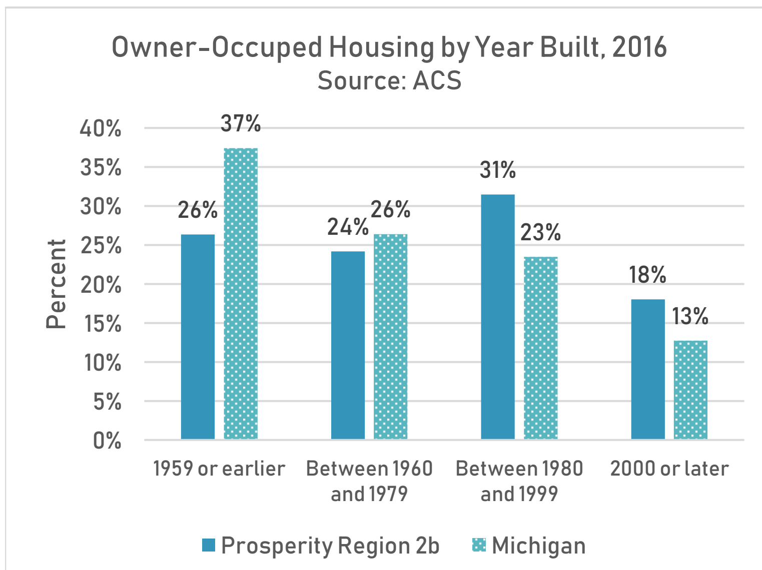
Owner-Occupied	Prosperity Region 2b	Region Percent	Michigan	Michigan Percent
Single-Family	55,275	89%	2,412,899	88%
Two or More Units	1,633	3%	175,225	6%
Mobile Home/RV/Other	5,467	9%	143,927	5%
Total	62,375	100%	2,732,051	100%

Source: ACS 2012-2016

AGE OF HOUSING

In Prosperity Region 2b, the median year built of an owner-occupied housing unit is 1981, while the median year built in Michigan is 1970.[116] **About 49 percent of all owner-occupied housing were built after 1980.**[117] Older homes make up a slight majority of the marketplace, with homes built before 1959 accounting for 26 percent of total owner-occupied units. The growth in newer homes indicates the region became attractive to households after the immediate post-war period. Since much of the housing stock in the region is newer, and issues such as general wear-and-tear, outdated systems, and zoning generally do not affect the homes just yet.

Figure 9: Owner-Occupied Housing by Year Built



[115] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

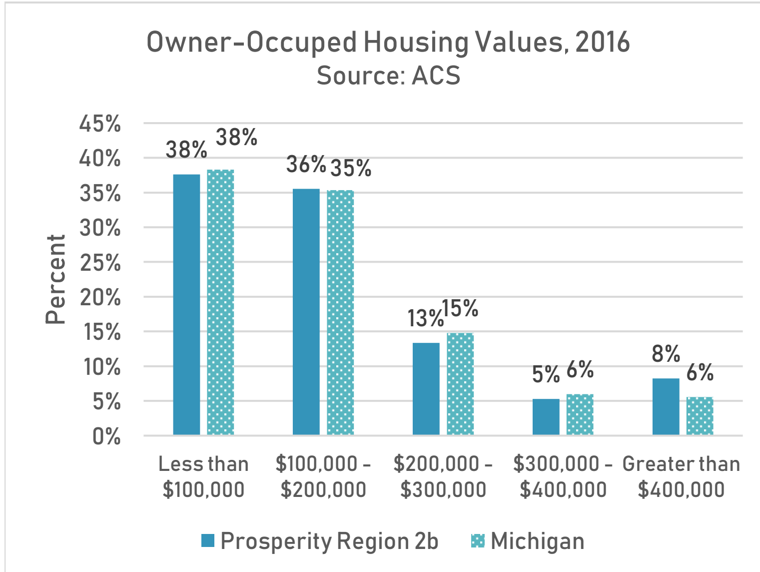
[116] ACS 2012-2016, Table B25037, and RKG Associates

[117] ACS 2012-2016, Table B25036, and RKG Associates

UNIT VALUES

Homes across the region are valued at similar rates to the state. Once exception is that **the region has a greater percentage of homes valued at over $400,000 than the state, with 8 percent compared to 6 percent.**[118] The region's housing values indicate that even though the region is rural and lacks significant employment opportunities, it is still attractive to buyers and thus driving demand. Whatever housing stock is available reflects the purchasing power of residents and broader economic conditions of the region.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region 2b mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[119] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

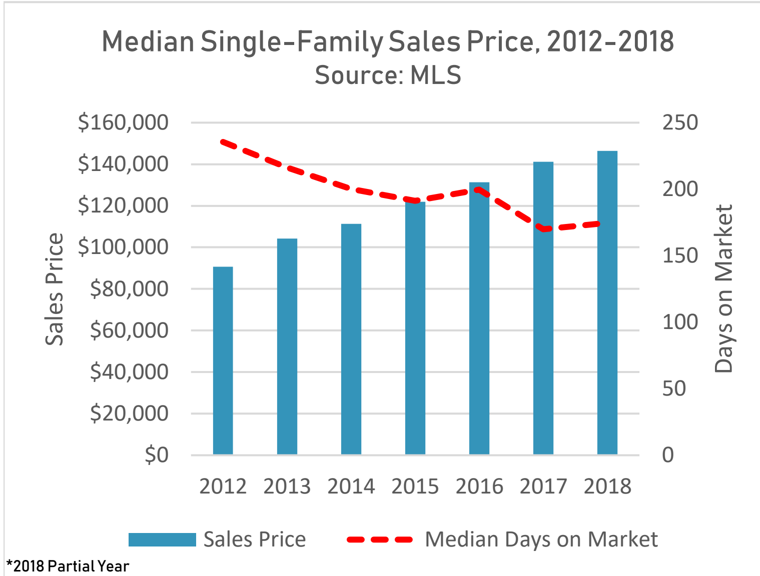
[118] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[119] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

The market for single-family homes has seen a gradual price escalation and moderate number of sales. Between 2012 and 2018, there were 11,646 sales, or an average of 1,664 sales per year.[120] The median single-family home sales prices rose by 55 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $141,110. The time it took to sell a home in Prosperity Region 2b also decreased, dropping 28 percent to an average of 170 days on the market.[121]

Figure 11: Median Single-Family Sales Price



Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 51 percent of all single-family sales, and where prices have increased 64 percent over the last six years. Based on average households' sizes, these homes tend to meet the needs of buyers. **At a median price of $144,200 these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $45,000 per year -- which is just about the region's median household income.

Larger single-family homes with four- and five-bedrooms plus also experienced price appreciation. **The median sales price of a four-bedroom home increased by 57 percent to $211,150 and the price of a home with five or more bedrooms increased by 9 percent to $260,564.**[122] This market segment makes up about 21 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $105,000 which was more than 36 percent greater than a home built between 1900 and 1950.[123] Similarly, the median sales price of a unit built between 1990 and 2010 was $149,350 which was more than 24 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical

[120] Michigan Realtors 2012-2018, and RKG Associates

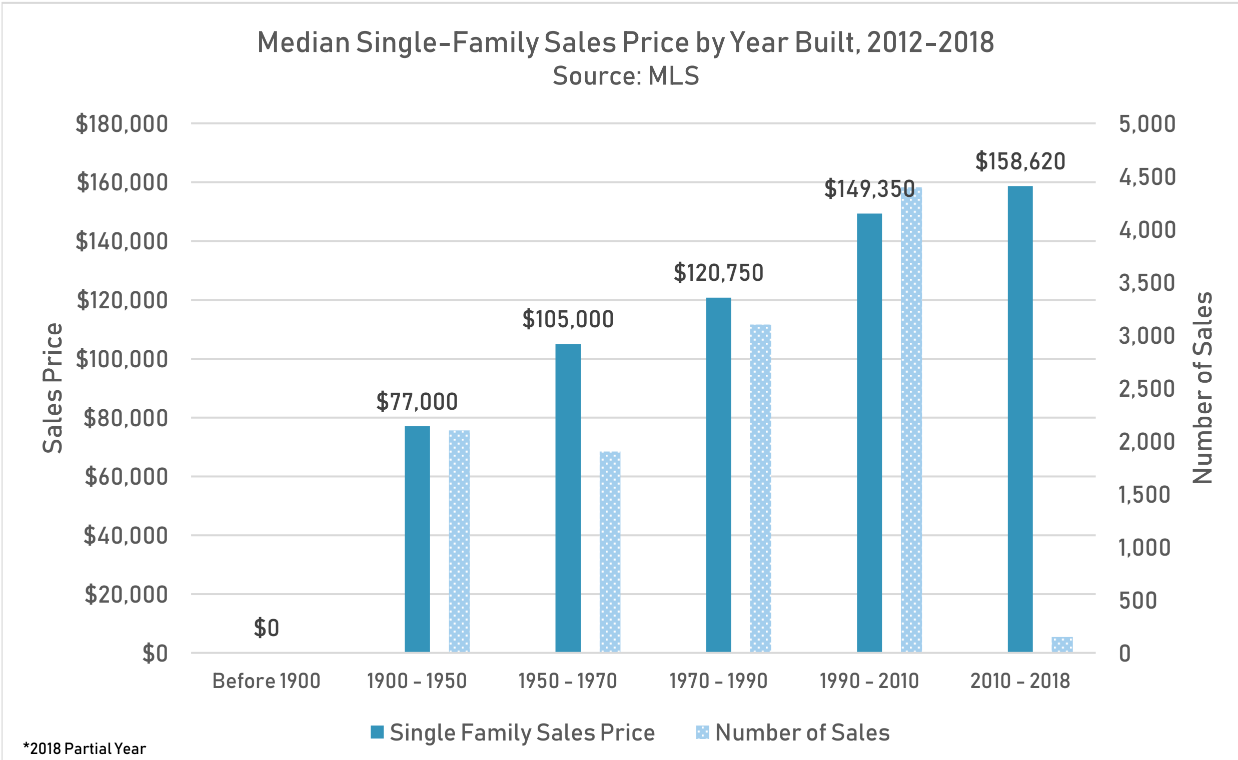
[121] Michigan Realtors 2012-2018, and RKG Associates

[122] Michigan Realtors 2012-2018, and RKG Associates

[123] Michigan Realtors 2012-2018, and RKG Associates

condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

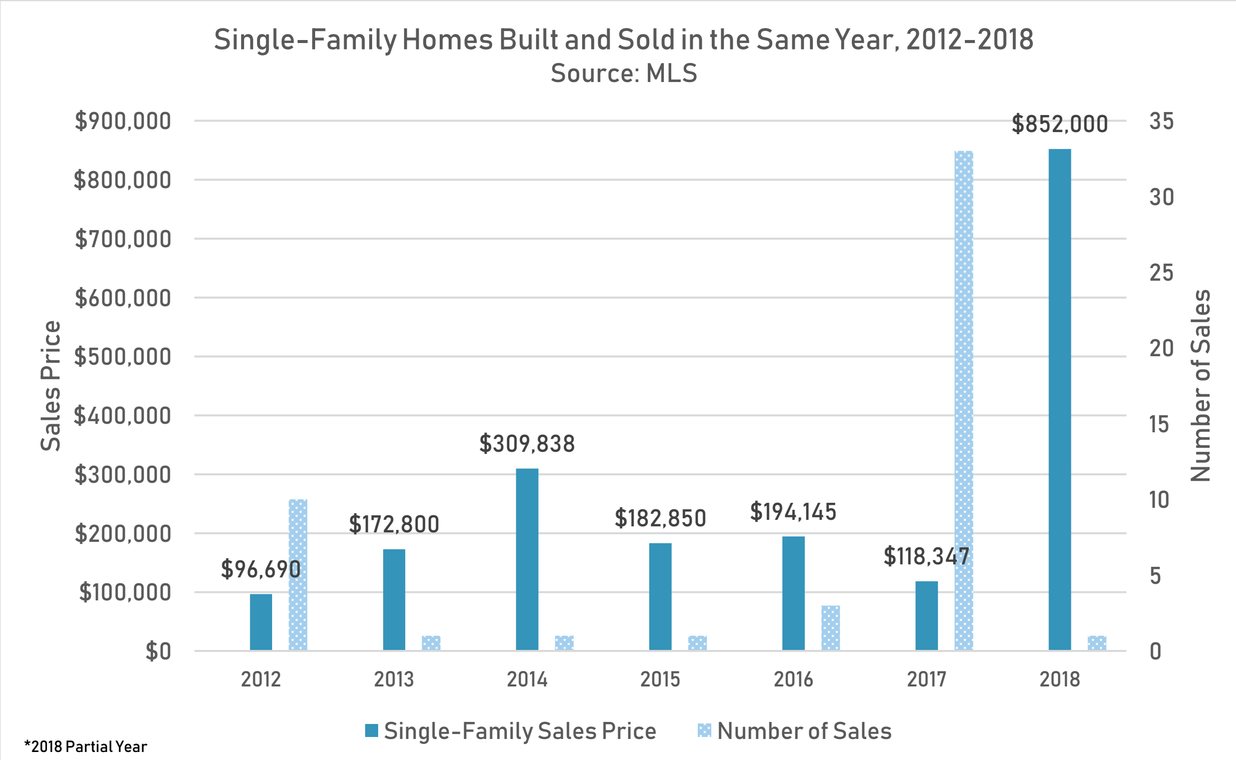
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 16 percent less than existing units. The median sales price of a new home in 2017 was $118,347 compared to $141,110 for an existing single-family home.**[124]

[124] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

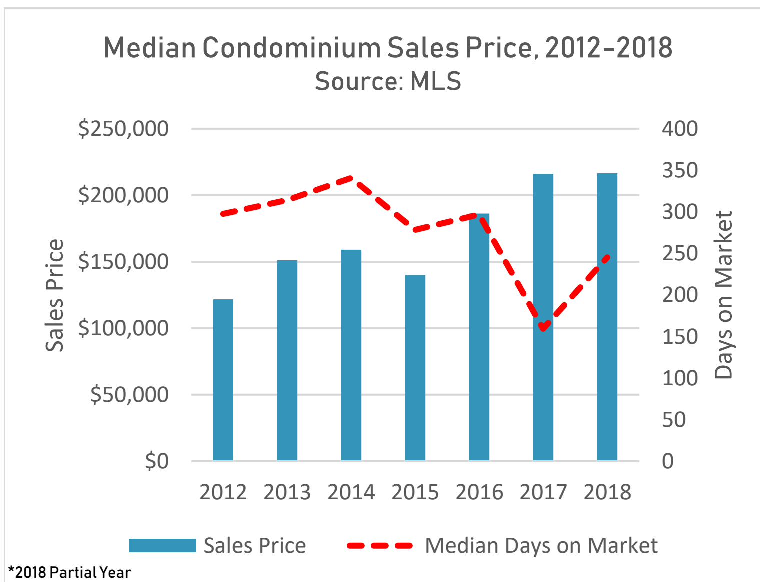
Figure 13: Single-Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

Figure 14: Median Condominium Sales Price



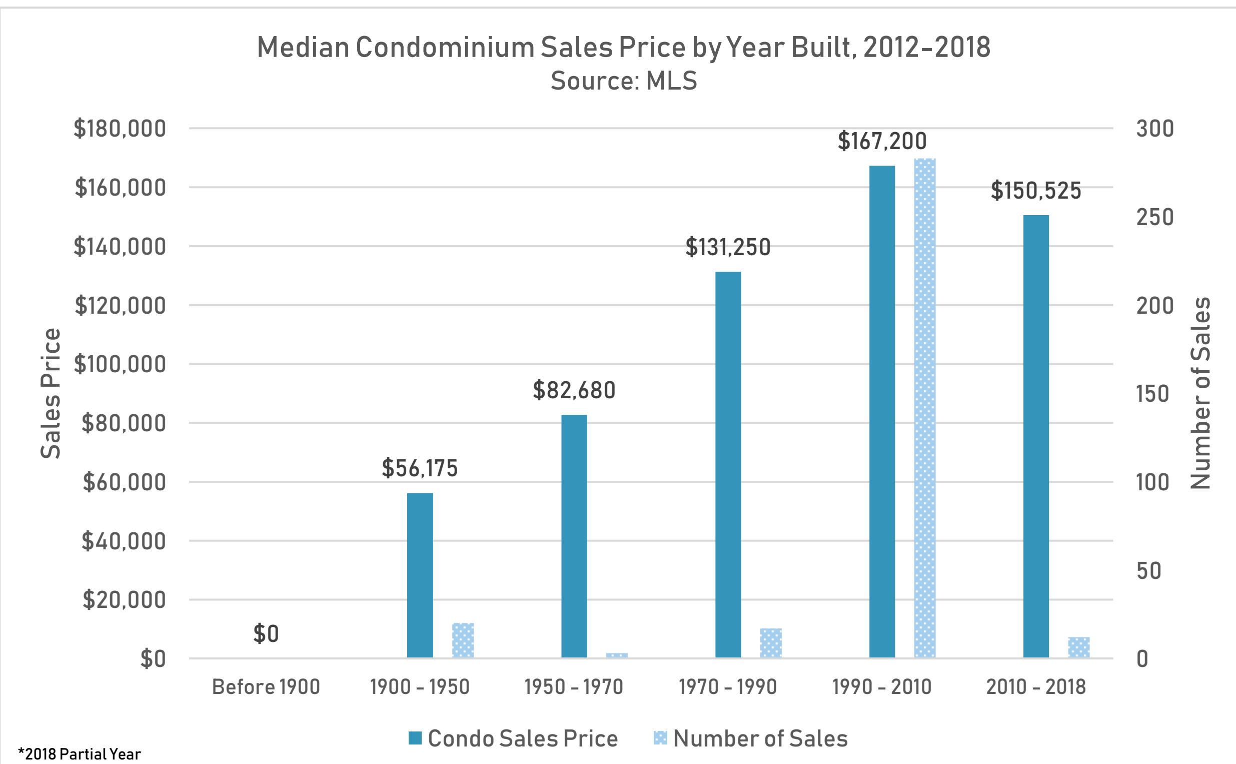
The market for condominiums across the region is modest. Between 2012 and 2018, the region saw about 335 sales or an average of 48 sales per year. Condominium sales prices have increased 77 percent over the last six years. The median sales price of a condominium in 2017 was $216,043, with an average of 159 days on market. Days on market has decreased 46 percent since 2012.[125]

The price escalation for condominiums across the region reflect the nature of demand for units. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 51 percent of all condominium sales, with a median price of $203,940. For this product type, the median price has increased by 55 percent since 2012.[126] Three-bedroom condominiums which comprise 30 percent of sales, saw a price increase of 27 percent since 2012, with a median sales price of being $267,285 in 2017.

Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $167,200. This was about 27 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

Figure 15: Median Condominium Sales Price by Year Built



To provide a clearer understanding of the price differential between an existing condominium and a new unit, sales prices for units built and sold in the same year were compared to condominiums built

[125] Michigan Realtors 2012-2018, and RKG Associates

[126] Michigan Realtors 2012-2018, and RKG Associates

in a different year than when they were sold. In the case of Prosperity Region 2B, there were no condominium units built and sold in the same year. Based on the sales price data, a total of nine condominium units were built between 2010 and 2018 and had a median sales price of $203,940 and average 1,000 square feet in size.

HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In mostly rural areas like Prosperity Region 2b, the predominate housing type are single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[128] Based on the data, **about 47 percent of households fall at or below 80 percent of AMI which equates to a household income of no more than $49,000.**

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[127]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	9,029	14%
50% AMI	$30,600	$107,186	7,326	12%
80% AMI	$49,000	$171,638	13,108	21%
120% AMI	$73,500	$257,457	13,830	22%
200% AMI	$122,500	$429,094	11,854	19%
Greater than 200% AMI	$122,501	$429,095	7,228	12%

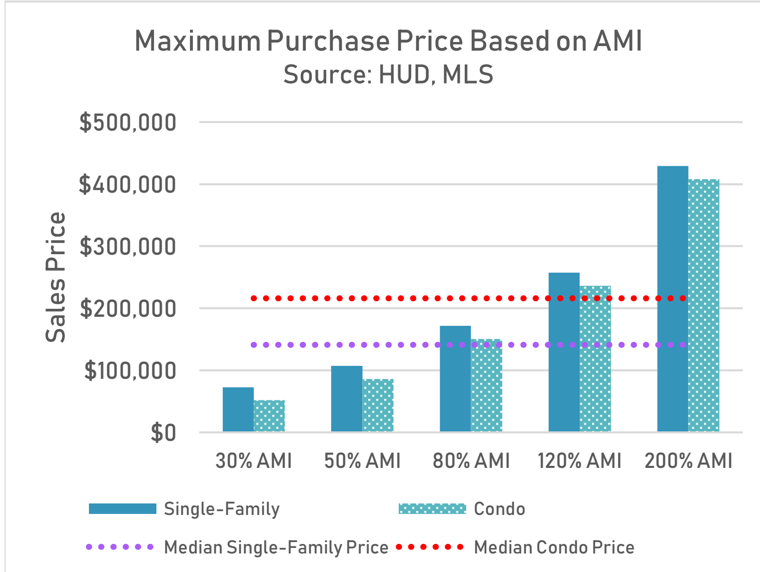
Source: HUD, ACS, and RKG Associates

[127] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[128] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 16 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of a single-family home was affordable to households making 80 percent of AMI or above; while the median price of a condominium was affordable to households making 120 percent of AMI or above.** Households at or below 50 percent AMI are unable to purchase median priced single-family homes or condominiums.

Figure 16: Maximum Purchase Price Based on AMI



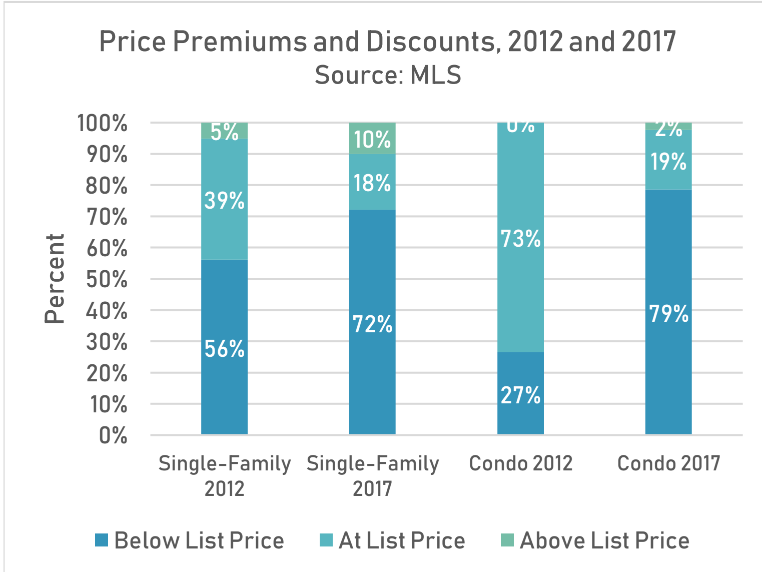
At 30 percent of AMI, a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $141,110. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

In Prosperity Region 2b, between 2012 and 2017, the market for single-family homes slightly softened as the percentage of homes selling below list price increased from 56 percent to 72 percent with the median below list price differential being $9,270 in 2017. Conversely, above list price sales went from 5 percent to 10 percent, with the median above list price differential being $2,884 in 2017.[129] The condominium market saw a similar trend, with sales below list price increasing from 27 percent to 79 percent with the median below list price differential being $10,300 in 2017. Above list price sales increased from zero percent to 2 percent, with the median above list price differential being $2,060 in 2017. The discounts offered by sellers indicates difficulty in selling housing across the region.

Figure 17: Sales Prices of Units, 2012 - 2017



HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

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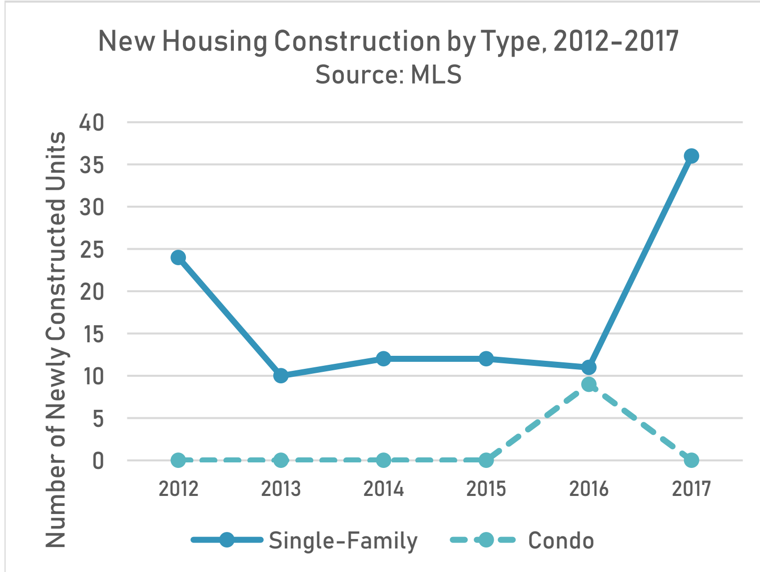
[129] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 18: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, **the pace of new construction for ownership units has been mixed in recent years. Between 2012 and 2017 a total of 105 single-family units and 9 condominium units were built.**[130] Figure 18 shows the overall trajectory of new construction across the region. Single-family home construction saw a 50 percent increase from 2012 to 2017. Based on the MLS data, there was no condominium construction in the region until 2016 when 9 units were built. The average square footage of a newly constructed single-family unit was nearly 1,700 square feet, while a new condominium unit was 1,000 square feet.[131] The median sales price of a single-family unit built in 2017 was $118,347, and the price of a condominium unit built in 2016 was $203,940, both of which are significantly higher than the median sales price of an existing housing unit.

HOUSEHOLD GROWTH AND UNIT ABSORPTION

One of the biggest issues in Prosperity Region 2b is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

[130] Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

[131] Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	9,029	$72,788	17,087	8,058
50% AMI	$30,600	7,326	$107,186	8,126	800
80% AMI	$49,000	13,108	$171,638	14,714	1,606
120% AMI	$73,500	13,830	$257,457	10,492	-3,338
200% AMI	$122,500	11,854	$429,094	7,239	-4,615
Greater than 200% AMI	$122,501	7,228	$429,095	4,717	-2,511
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. **Homes valued at under 30 percent of AMI make up most of the housing stock and are in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are lower priced because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $141,110 which is affordable to households at 80 percent AMI and above.

The calculated housing unit deficit amounts to 10,464 housing units at above 120 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 5 percent of the total housing stock, which translates into 2,527 Vacant-For Sale units and 3,405 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	80%	4,742	3,163	1,579
Rental	20%	1,190	794	396
Total	100%	5,932	3,957	1,975
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 80 percent of the total occupied units in Prosperity Region 2b. Of the existing vacant units, about 5,932 could be classified as units that could one day be brought back into the ownership market. Projections forecast 3,957 new households to form in the region, which translates into 3,163 owner households based on the existing owner and renter household split.[132] The gain in households has the potential to reduce some of the existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net surplus of 1,579 units. This indicates the region has existing capacity to absorb growth in households.

One of the key issues related to vacant unit absorption is whether the existing structures meet the need of households regarding location, number of rooms, size, amenities, and purchase and rehabilitation costs. If vacant housing units are not marketable, then developers will continue to build new housing product which meets the needs of buyers.

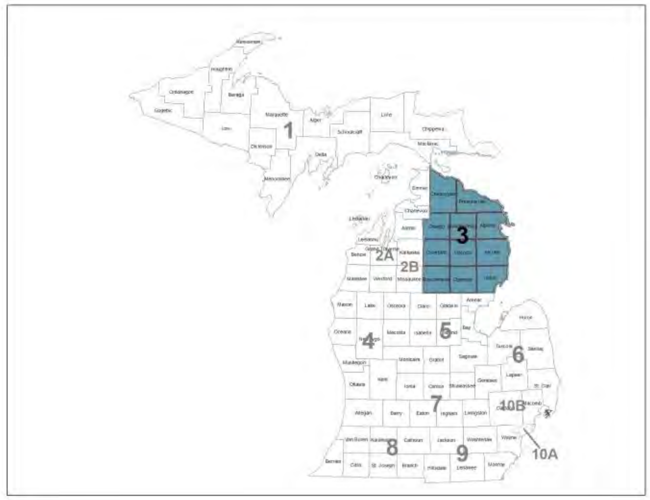
[132] REMI, ACS, and RKG Associates

NORTHEAST PROSPERITY REGION

Region at a Glance

The Northeast Prosperity Region (Prosperity Region Three) is in the northeast corner of the state and abuts Lake Huron. This region is very rural, with many small communities along the shore of Lake Huron and sparsely populated towns scattered throughout. Alpena is the major population center in the region with 10,000 residents. The primary transportation corridors providing north-south connections are Interstate 75 and Routes 23 and 65, while the main east-west corridor is Route 32.

Figure 1: Map of Prosperity Region 3



The remoteness of the area contributes a less diversified economy were few opportunities exist outside of the tourism industry. The remoteness of the region has also led to very little change in total population which has consequences for the housing market. This analysis will explore the changes in demographics and the implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region Three, the following are key findings:

- Looking forward to the year 2045, the population of the region is not projected to increase at all, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent increase in population occurs in the 35 to 44 age group, increasing by 34 percent. The increase in the middle-age population cohorts can be attributed to people returning to their place of origins later in life.

- Households are expected to decline over both the short- and long-term. Between 2020 and 2025, it is expected that no household growth will occur, and between 2020 and 2045, households are expected to decline by 3 percent.

- Over the course of the next twenty-five years, employment growth is expected to remain flat. Projections show a gain of just 143 jobs between 2015 and 2045.

- About 38 percent of the housing stock is classified as vacant where units are used for seasonal purposes. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 60,582 housing units (owner and renter) that have been removed from the year-round housing market.

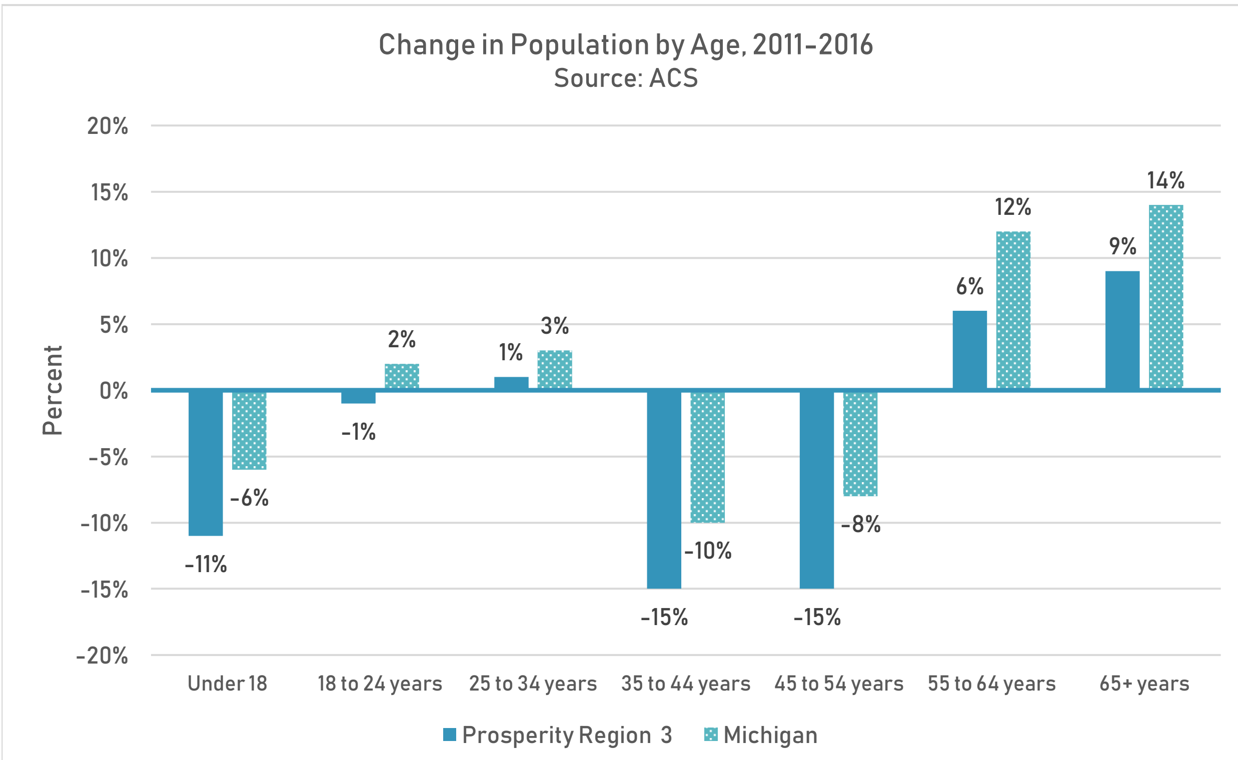
- The percentage of homes in the region valued under $100,000 is greater than the state percentage, with about 52 percent of the region's units falling under this valuation as compared to 38 percent across the state.
- The median price of an existing single-family home sold in 2017 was $92,597 which is nearly affordable to households at or above 50 percent of area median income (AMI). In contrast, the median sales price for a new single-family unit was 153 percent greater than an existing unit median sales price; however, the large differential is due to a small sample of new sales in 2017 as only 1 home was built and sold during the year.
- The pace of new construction for ownership units has drastically decreased in recent years. Between 2012 and 2017 a total of 68 single-family units and 4 condominium units were built and sold.
- Homes with values at or below 30 percent of AMI make up most of the housing stock in the region and are in oversupply; however, these homes require significant reinvestment dollars to modernize. At the same time, there is a deficit of units priced for households at 50 percent of AMI.
- The loss in households will increase the overall supply of vacant housing units, which will severely limit any potential price escalation for owners in today's market. With households leaving, the condition of vacated units may continue to deteriorate and lose value or become converted to seasonal homes and not be occupied year-round households.

Demographics

POPULATION

The current population of Prosperity Region Three is 204,029 which makes it the third smallest region in the state. The region experienced a 3 percent population decrease over the last five years as compared to the state where no growth occurred over the same period.[133] Prosperity Region Three has experienced negative growth or lagged the state across all population cohorts. The region has lost population between the ages of 35 and 54 over the last five years. This population is key for stabilizing communities, as these age groups tend to have children and are in their prime earning years.

Figure 2: Change in Population by Age



Projections show between 2020 and 2025 the region will grow by 1 percent, with the 25 to 34 age group growing the fastest at 13 percent.[134] This indicates younger households are more likely to establish roots in the region. This age group tends to be starting families and are looking for communities in which to establish themselves for the long-term.

Looking forward to the year 2045, the population of the region is not projected to increase at all compared to the state which is projected to grow by 8 percent.[135] **Between 2015 and 2045, the largest**

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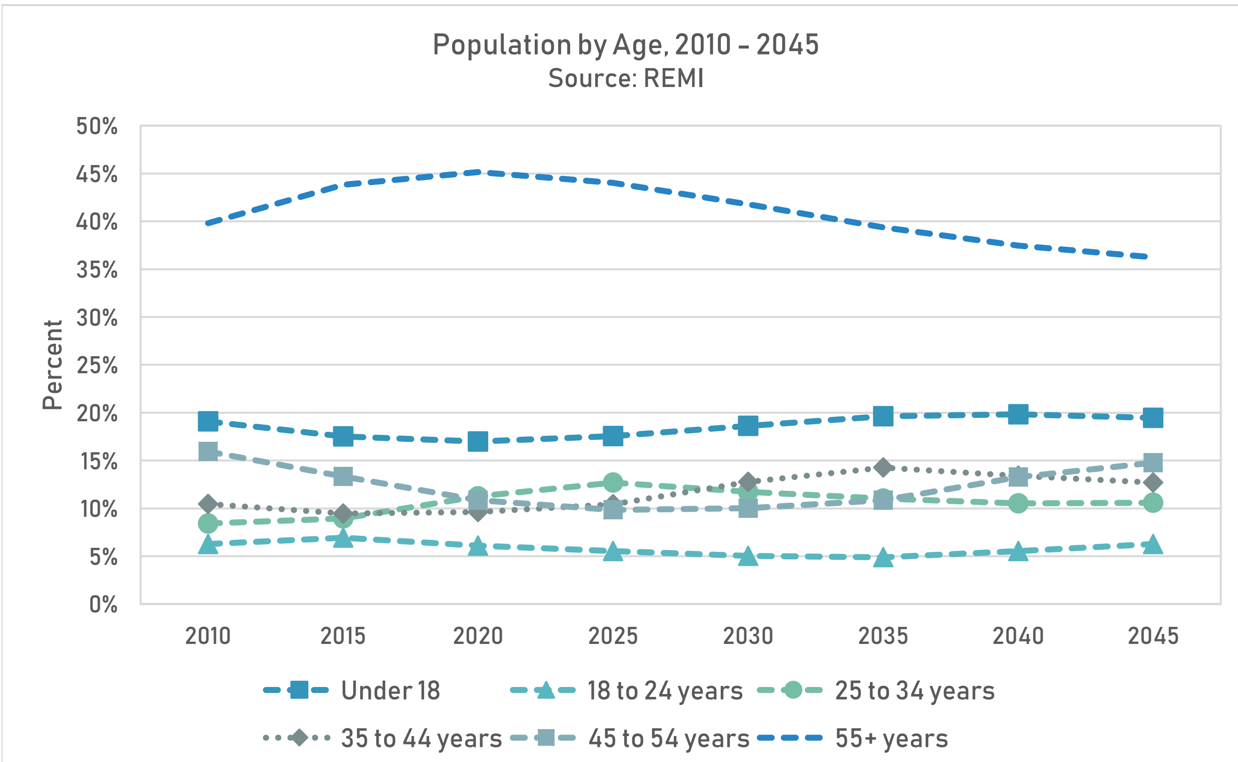
[133] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

[134] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

[135] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

percent increase in population occurs in the 35 to 44 age group, increasing by 34 percent, which is a reversal of trends of the last five years. The increase in the middle-age population cohorts can be attributed to people returning to the place of their origins later in life. This appears to be a frequent occurrence in rural localities where younger residents move away for educational or professional reasons, only to return when they are of family formation age. Complementing that finding is that fact that the second fastest growing age cohort is ages 25 to 34 which is expected to grow 19 percent, as compared to the state's rate of 1 percent. In the future it appears the region will attract a younger demographic who may be looking to purchase a home and establish roots in the region.

Figure 3: Population by Age

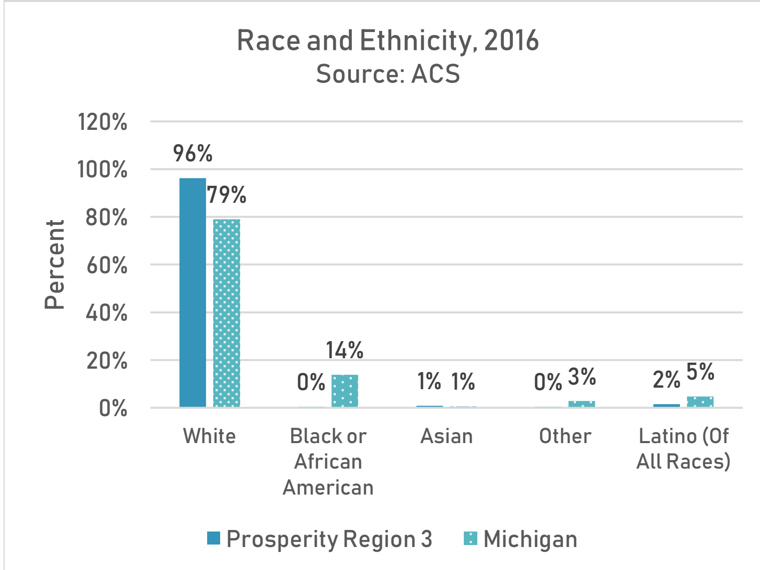


In contrast, the senior population is expected to decline by 17 percent over the long-term, compared to the state growth rate of 24 percent. The decline in senior population will have an impact on the housing market as ownership units may come on to the market. However, given the overall decline in population across the region a surplus of housing units may result as population and household losses outpace any gains from the younger population cohorts. This is likely to contribute to flat or declining home values and increased levels of vacancy.

RACE AND ETHNICITY

Most of the residents in Prosperity Region Three identify as White, accounting for nearly 96 percent of the total. Over time, gradual changes in population diversity have taken place. **The Latino population grew 26 percent from 2011 to 2016 and now accounts for 2 percent of the total population.**[136]

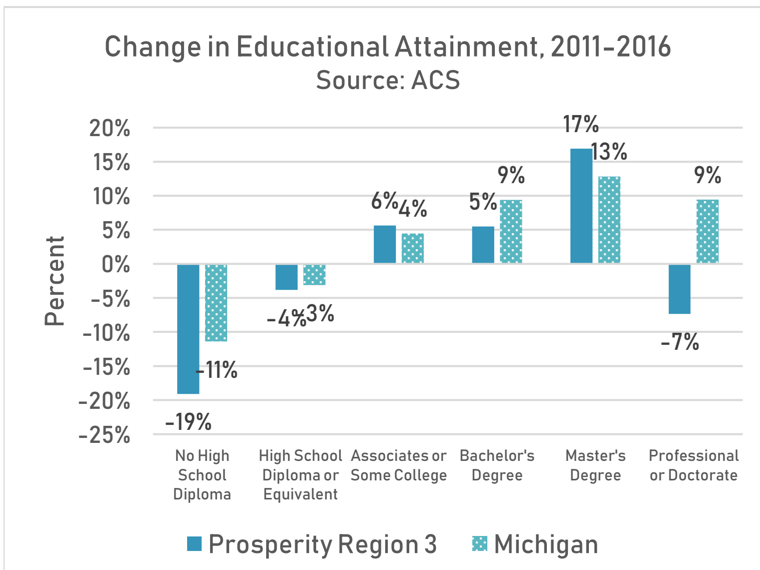
Figure 4: Race and Ethnicity



EDUCATION

One challenge for this region is the disproportionate number of residents with a high school diploma or less. About 50% of all residents have, at most, a high school diploma. This education achievement gap could have long-standing impacts on earning potential and the ability of employers in the area to find qualified employees locally. The good news is educational attainment has improved over the last five years with increases in the number of residents earning bachelor's, and master's degrees.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

As of 2016, there were 90,541 households in Prosperity Region Three.[137] Between 2011 and 2016, the number of households increased by 907 or 1 percent, and mimics the state's growth of 1 percent; the region's population has declined but households have increased indicating a change in household composition. However, looking forward, **Prosperity Region Three is expected to experience**

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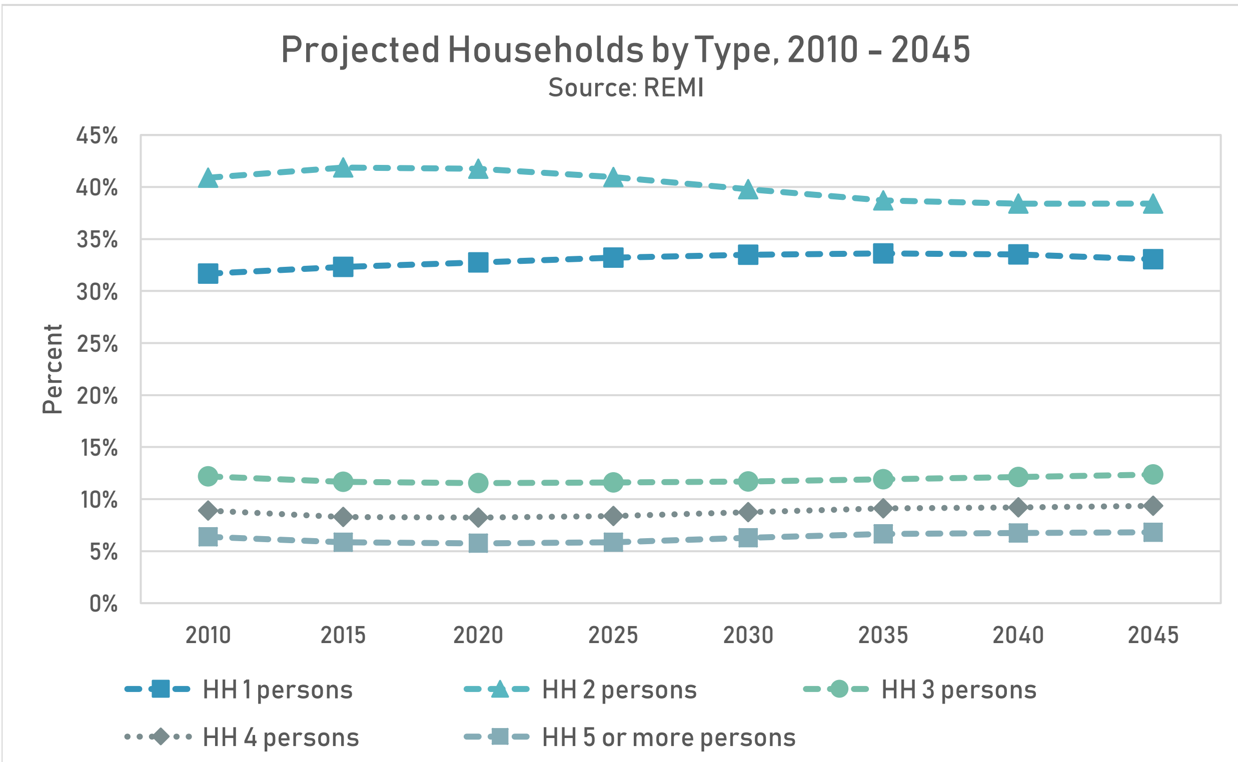
[136] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

[137] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

household decline over both the short- and long-term. Between 2020 and 2025, it is expected that zero household growth will occur, and that over the long-term households are expected to decline by 3 percent. This decline does not compare favorably to the state which his projected to grow by 11 percent.[138] The overall decline in households will have an impact on the number of housing units needed to support the population of the region. Without enough household growth, housing units will become vacant over time, or converted to seasonal rental units or second homes.

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all household sizes, except two-person households, will experience modest growth of between 1 and 2 percent.[139] The longer-term trend through 2045 shows two-person households decreasing by 10 percent versus the state growth rate of 9 percent. **The region is expected to experience growth in four and five-person households of 11 percent and 16 percent, respectively, which is much faster than the state's projected growth rate of 7 percent.** The growth in larger size households may be attributable to a growth in the 35 to 54 age group, as family formations begin to take place during

[138] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[139] REMI, Michigan Department of Transportation, and RKG Associates, 2018

this stage of life, including children. The growth of larger households will have an impact on type of housing demanded, as larger units will be required to accommodate larger household sizes.

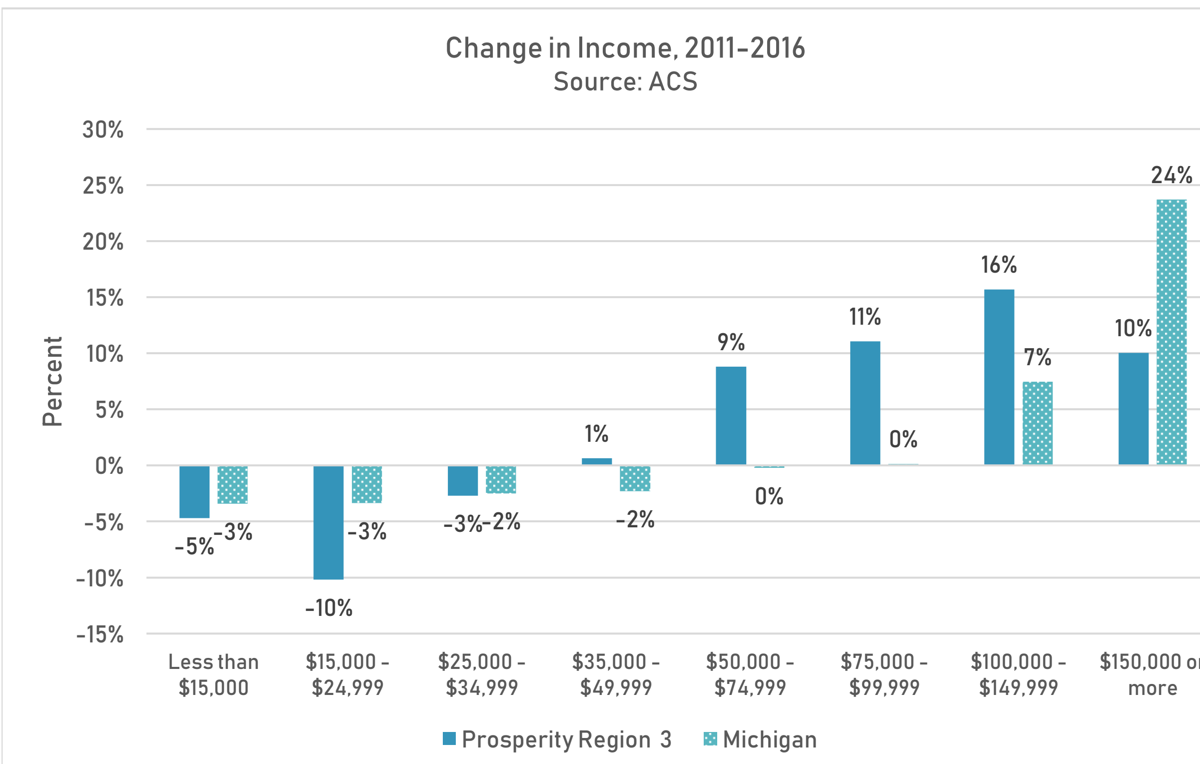
Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

Overall, Prosperity Region Three tends to fall behind the rest of Michigan economically. The region has few employment centers, and Alpena serves as the primary economic engine. There are generally less economic opportunities available given the region's rural composition, and the large employers that exist tend to be manufacturers, hospitals, and universities. The median household income of Prosperity Region Three is $38,900, which is about 77 percent of the state median of $50,803.[140]

Over the last five years, the number of households earning over $100,000 per year increased, although this segment only represents about 10 percent of all households in the region. The state's share of households earning over $100,000 was 20 percent. Some bright spots include a decline in households earning between $15,000 and $25,000, and an increase in households earning between $50,000 and $100,000. Expansions at hospitals in the region have led to higher paying employment opportunities.

Figure 7: Change in Incomes



140 ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

In this region, retail and service industries play a significant role in local economy. The large number of retail and service sector jobs contributes to a lower median income for the region. Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Retail Trade accounts for 15 percent of the jobs in the region.[141] The second largest employment sector is Local Government at 10 percent. Over the course of the next twenty-five years, there is expected to be zero employment growth. Projections show a gain of just 143 jobs between 2016 and 2045. The retail sector is expected to decline drastically by 17 percent while the healthcare services sector is projected to expand by 31 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Retail trade	13,369	11,110	-2,259	-17%
Local Government	9,036	8,580	-456	-5%
Food services and drinking places	6,873	7,469	596	9%
Construction	5,774	5,442	-332	-6%
Ambulatory health care services	4,337	5,676	1,339	31%
All other industries	51,281	52,536	1,255	2%
Total	90,671	90,814	143	0%

Source: REMI

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as “cost burdened”. Households spending more than 50 percent of their income on housing costs are considered “severely cost burdened”. These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region Three considered cost burdened or severely cost burdened. In total, 15 percent of all homeowner households in the region are cost burdened while 10 percent are severely cost burdened.[142] Of cost burdened households, 65 percent are at or below 80 percent of Area Median Income (AMI), with 32 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 94 percent of these households fall at or below 80 percent of AMI, and 51 percent fall at or below 30 percent of AMI.

[141] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[142] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region Three Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	995	9%	3,785	51%
>30% and <=50% AMI	2,615	24%	2,040	27%
>50% and <=80% AMI	3,400	32%	1,200	16%
>80% and <=100% AMI	1,725	16%	213	3%
Income >100% AMI	2,055	19%	217	3%
Total	10,790	100%	7,455	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region Three decreased modestly by 396 units.[143] At the same time, the region saw a decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals and the loss of mobile home ownership units. Concurrent to the decline in owner units, rental housing units increased 15 percent. This section will further explore the complexities of the ownership market in Prosperity Region Four.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[146] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 3	Region Percent	Michigan	Michigan Percent
Owner-Occupied	73,871	46%	2,732,051	60%
Renter-Occupied	16,670	10%	1,128,343	25%
Vacant-For Rent	1,682	1%	85,584	2%
Vacant-For Sale	3,200	2%	83,371	2%
Vacant-Seasonal[144]	60,582	38%	288,250	6%
Vacant-Other[145]	4,969	3%	227,321	5%
Total	160,974	100%	4,544,920	100%
Source: ACS 2012-2016				

[143] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[144] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

[145] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

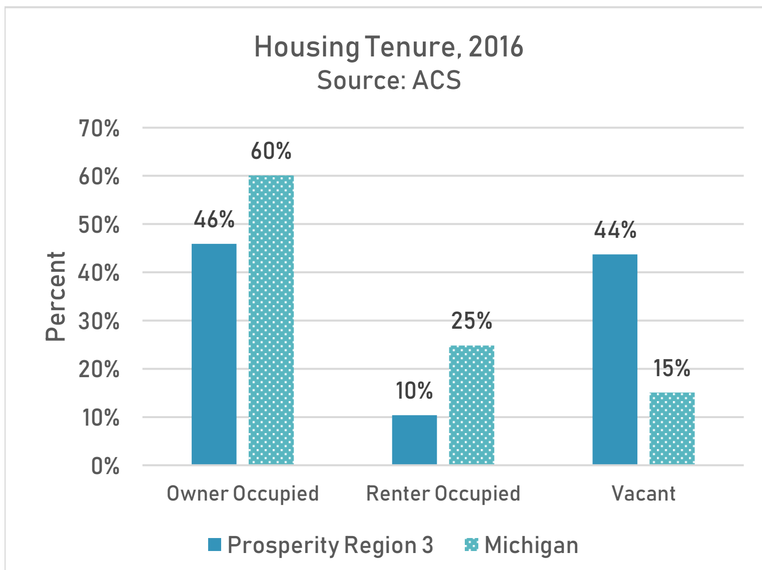
[146] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two

having five or more units. Of all the housing (both owner and renter) in Prosperity Region Three, 85 percent of the residential housing stock is comprised of single-family homes, which outpaces the state at 72 percent single-family homes.[147]

Regionally, the owner-occupied housing stock accounts for 46 percent all units. This is lower than the statewide figure of 60 percent. Part of the reason behind the lower owner-occupied percentage is the overall economy of the region, with its smaller and lower income employment base coupled with the high number of seasonal homes. Across the region, 44 percent of the housing units are classified as vacant. Digging deeper, 38 percent of all units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 60,582 housing units (owner and renter) that have been removed from the year-round housing market. An additional 3 percent, or 4,969 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition.

Ownership patterns are changing in Prosperity Region Three. Over the last five years there was a 2 percent decrease in the number of ownership units and a 15 percent (2,118 unit) increase in rental units. Some of the decline could be the result of a drop of 411 single-family ownership units going off the market and possibly becoming rentals, in addition to the 734 mobile homes which shifted from ownership to rental units. The number of vacant units have declined by 2 percent indicating that some of the vacant housing stock is being added to the rental supply.

Figure 8: Housing Tenure



months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[147] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Table 4: Owner-Occupied by Units in Structure

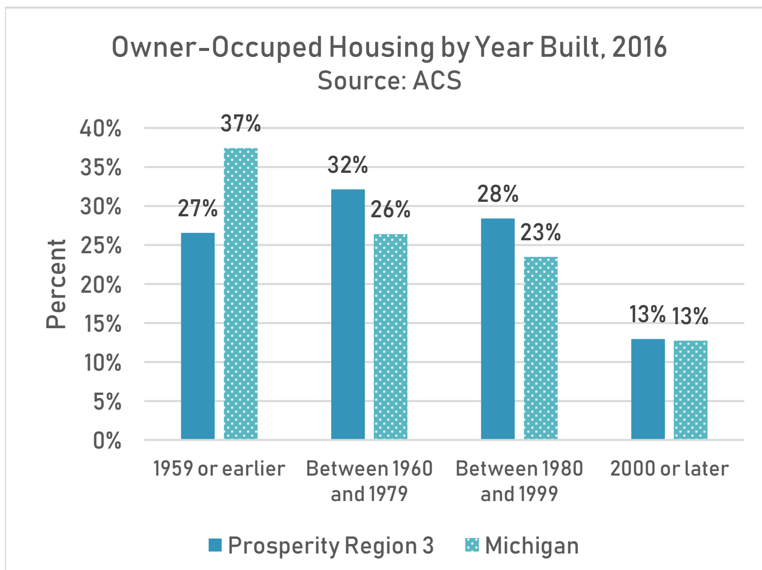
Owner-Occupied	Prosperity Region 3	Region Percent	Michigan	Michigan Percent
Single-Family	67,031	91%	2,412,899	88%
Two or More Units	1,338	2%	175,225	6%
Mobile Home/RV/Other	5,502	7%	143,927	5%
Total	73,871	100%	2,732,051	100%

Source: ACS 2012-2016

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 91 percent of the of the owner-occupied residential stock was single-family homes.[148] Prosperity Region Three's owner-occupied housing stock has a similar percentage of structures with two or more ownership units compared to the state, accounting for 2 percent of the total. As of 2016, the region had approximately 7 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units have resulted in a conversion of existing single-family homes to renter-occupied units**.

AGE OF HOUSING

Figure 9: Owner-Occupied Housing by Year Built



In Prosperity Region Three, the median year built of an owner-occupied housing unit is 1976, while the median year built in Michigan is 1970.[149] **The housing stock in this region is newer, with about 41 percent of all owner-occupied housing built after 1980.**[150] Even with a newer housing stock, older homes still make up a significant share of the marketplace, with homes built between 1960 and 1979 accounting for 32 percent of total owner-occupied units. This finding also shows how the region became an employment center during the post-war period. Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

[148] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[149] ACS 2012-2016, Table B25037, and RKG Associates

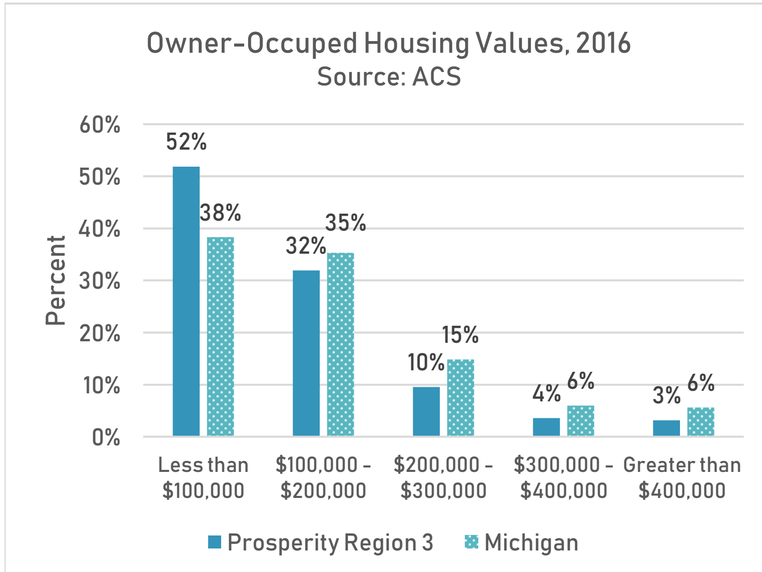
[150] ACS 2012-2016, Table B25036, and RKG Associates

In total, about 28 percent (20,979 units) of owner-occupied housing units across the region were built between 1980 and 1990, and nearly with 13 percent (9,552 units) of all units being built after the year 2000. The percentage built after the year 2000 mimics the state percentage.

UNIT VALUES

The percentage of homes in the region valued under $100,000 is greater than the state percentage, with about 52 percent of the region's units falling under this value as compared to 38 percent across the state.[151] The regions housing values trail in all other categories. The housing stock that is available is priced well below state averages and reflects the purchasing power of residents and broader economic conditions of the region.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region Three mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[152] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

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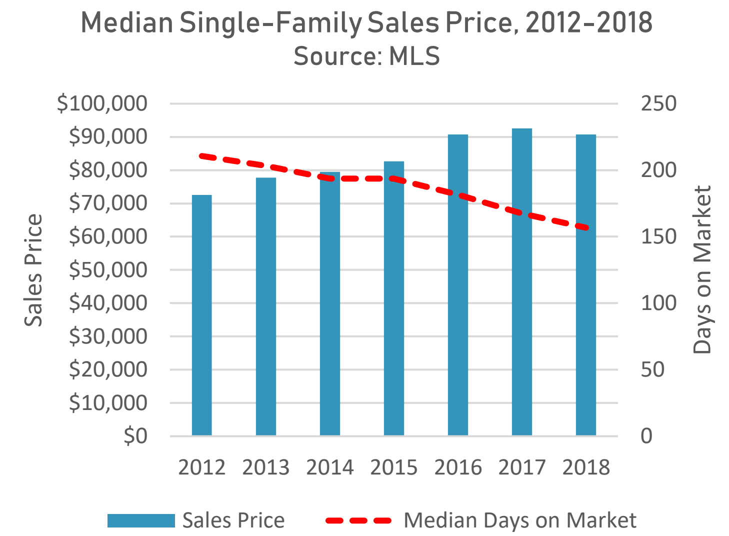
[151] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[152] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

The market for single-family homes has seen a gradual price escalation and moderate number of sales. Between 2012 and 2018, there were 17,135 sales, or an average of 2,448 sales per year.[153] The median single-family home sales prices rose by 28 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $92,597. The time it took to sell a home in Prosperity Region Three also decreased, dropping 20 percent to an average of 168 days on the market.[154]

Figure 11: Median Single-Family Sales Price



*2018 Partial Year

Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 51 percent of all single-family sales, and where prices have increased 30 percent over the last six years. Based on average household sizes, these homes tend to meet the needs of buyers. **At a median price of $105,598, these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $35,000 per year -- which is slightly less the region's median household income.

Larger single-family homes with four- and five-bedrooms also experienced price appreciation. **The median sales price of a four-bedroom home increased by 33 percent to $146,260 and the price of a five-bedroom unit increased by 11 percent to $221,450**.[155] This market segment makes up about 44 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $68,145 which was more than 11 percent greater than a home built between 1900 and 1950.[156] Similarly, the median sales price of a unit built between 1990 and 2010 was $125,475 which was more than 47 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical

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[153] Michigan Realtors 2012-2018, and RKG Associates

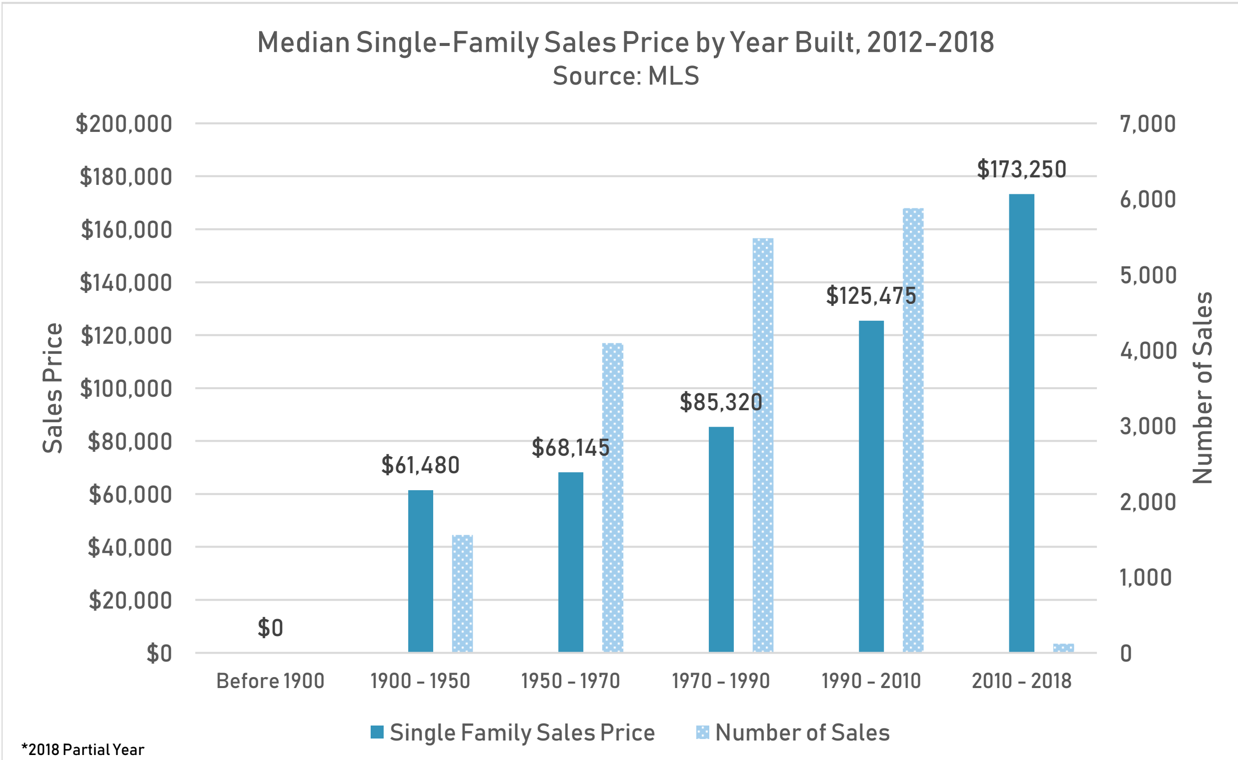
[154] Michigan Realtors 2012-2018, and RKG Associates

[155] Michigan Realtors 2012-2018, and RKG Associates

[156] Michigan Realtors 2012-2018, and RKG Associates

condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

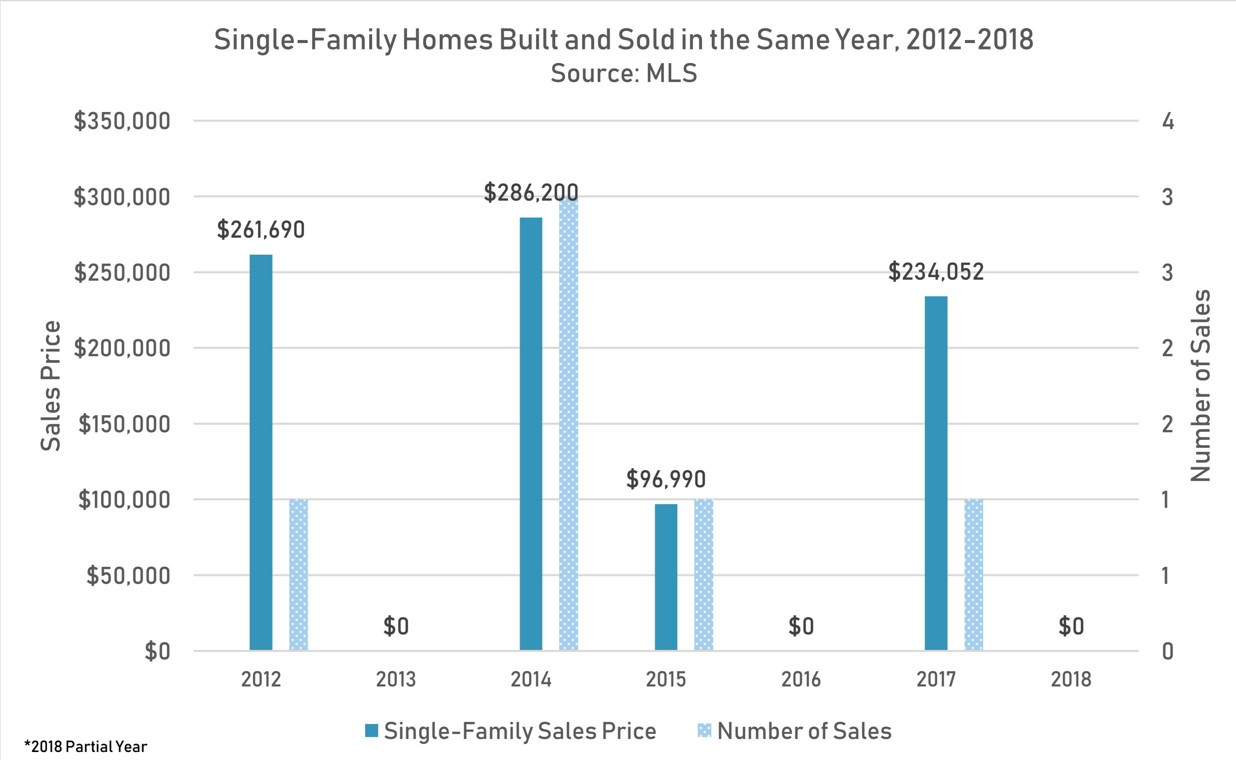
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 153 percent more than existing units. The median sales price of a new home in 2017 was $234,052 compared to $92,597 for an existing single-family home.**[157]

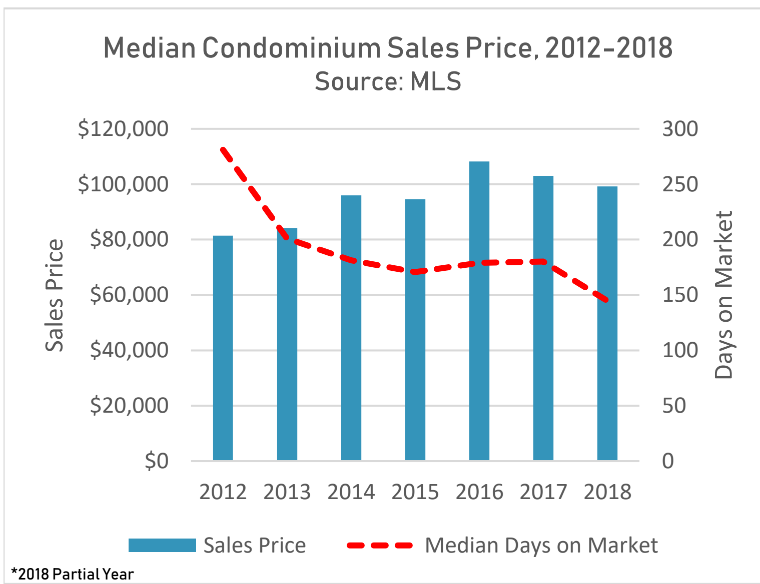
[157] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

Figure 13: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Figure 14: Median Condominium Sales Price



Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

The market for condominiums across the region is relatively weak with few numbers of sales. Between 2012 and 2018, the region saw nearly 448 sales or an average of 64 sales per year. Condominium sales prices have increased 27 percent over the last six years. The median sales price of a condominium in 2017 was $103,000, with the average days on market being 180 days. The number of days on market decreased 36 percent since 2012.[158]

The prices for condominiums across the region reflect the nature of demand. Unit prices are on average greater than single-family homes, which is a consequence of both the age and size of units. Condominiums tend to be newer with most units sold being built after 1990; in the region condominium units tend to be quite large and average about three-quarters the size of a typical single-family home. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 54 percent of all condominium sales, with a median price of $110,725. For this product type, the median price has increased by 55 percent since 2012.[159] Price points for newer condos tend to be higher because there are not as many condominium options in the region. The rural nature the region lends itself to more single-family units and mobile homes versus condos.

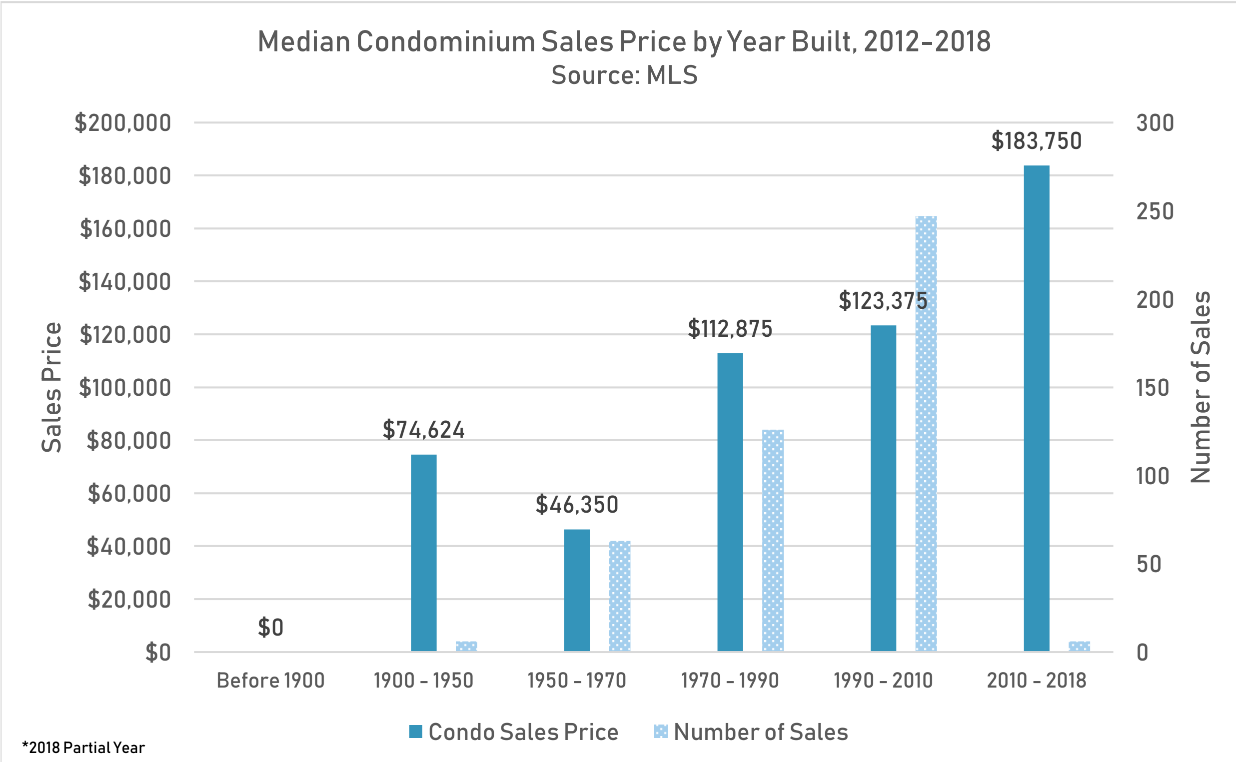
Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. Across the region, there are relatively few condominium sales, and the prices reflect that. Much of the condominium housing stock was built after 1970. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $123,375. This was about 9 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

[158] Michigan Realtors 2012-2018, and RKG Associates

[159] Michigan Realtors 2012-2018, and RKG Associates

Figure 15: Median Condominium Sales Price by Year Built



To provide a clearer understanding of the price differential between an existing condominium and a new unit, sales prices for units built and sold in the same year were compared to condominiums built in a different year than when they were sold. In the case of Prosperity Region Three, there were no condominium units built and sold in the same year. Based on the sales price data, a total of six condominium units were built between 2010 and 2018 and had a median sales price of $183,750 and average 2,000 square feet in size. This indicates that the few new condominiums built are larger than existing condominiums which on average are 1,300 square feet.

HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In rural areas like Prosperity Region Three, the predominate housing type is single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[161] Based on the data, **about 48 percent of households fall at or below 80% of AMI which equates to a household income of no more than $43,650.**

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[160]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	13,519	18%
50% AMI	$27,300	$95,627	6,682	9%
80% AMI	$43,650	$152,898	15,803	21%
120% AMI	$65,475	$229,347	15,609	21%
200% AMI	$109,125	$382,244	15,108	20%
Greater than 200% AMI	$109,126	$382,245	7,150	10%

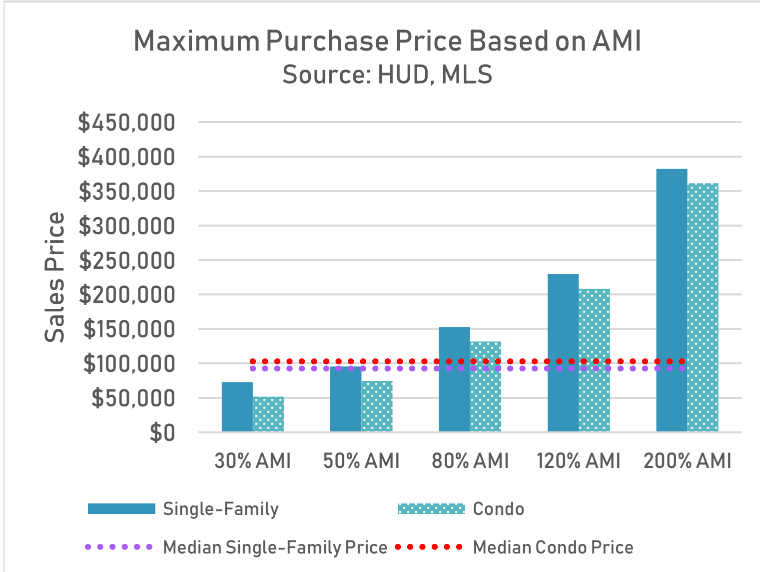
Source: HUD, ACS, and RKG Associates

[160] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[161] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 16 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of a single-family home sold in 2017 was affordable to households at or above 50 percent of AMI.** For condominiums, median sale prices were like single-family homes.

Figure 16: Maximum Purchase Price Based on AMI



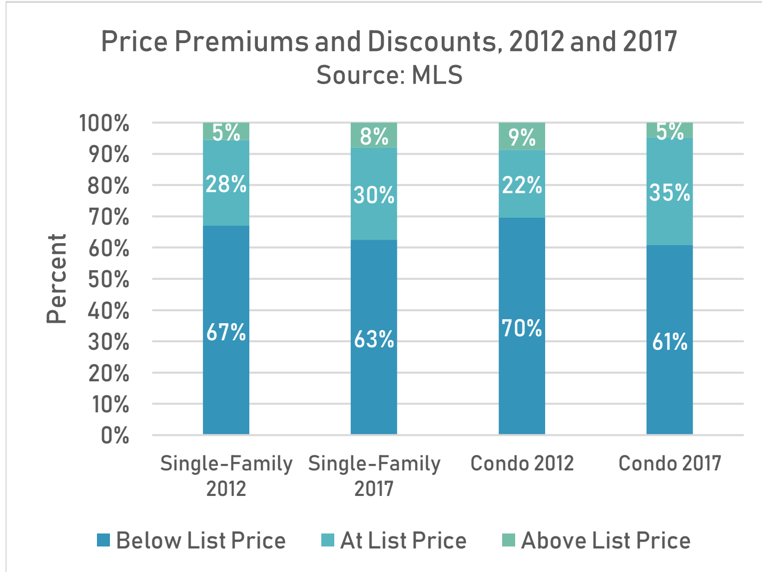
At 30 percent of AMI, a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $92,597. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

In Prosperity Region Three, between 2012 and 2017, the market for single-family homes slightly improved as the percentage of homes selling below list price decreased from 67 percent to 63 percent; conversely, above list price sales went from 5 percent to 8 percent, with the median above list price differential being $2,060 in 2017.[162] The condominium market saw a mixed trend, with sales below list price decreasing from 70 percent to 61 percent, and above list price sales decreasing from 9 percent to 5 percent. The market shifted for condominiums because at list price sales rose from 22 percent to 35 percent, indicating sellers are pricing units appropriately based on market demand.

Figure 17: Sales Prices of Units, 2012 - 2018



HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

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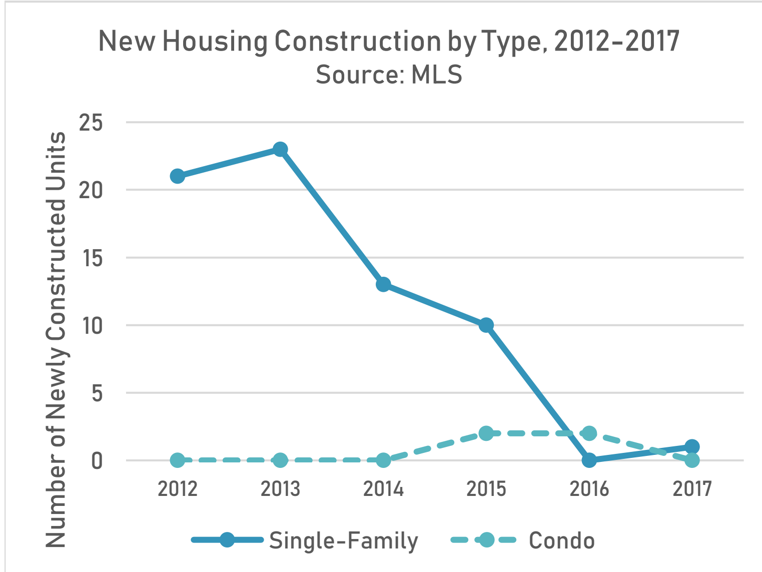
[162] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 18: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, **the pace of new construction for ownership units has drastically decreased in recent years. Between 2012 and 2017 a total of 68 single-family units and 4 condominium units were built.**[163] Figure 18 shows the overall trajectory of new construction across the region. Single-family home construction saw a drastic decline (96 percent) from 2013 to 2017, whereas condominium units saw a slight uptick in units built between 2015 and 2016. The average square footage of a newly constructed single-family and condominium unit is about 1,900 square feet.[164] The median sales price of a single-family unit built in 2017 was $234,052, and the price of a condominium unit built in 2016 was $224,603, both of which are significantly higher than the median sales price of an existing housing unit.[165]

HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household decline across the region is projected to continue. One of the biggest issues in Prosperity Region Three is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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[163] Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

[164] Michigan Realtors 2012-2018, and RKG Associates

[165] For condominium units, data from 2016 was used because it was the last year which a new unit was constructed.

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	13,519	$72,788	27,894	14,375
50% AMI	$27,300	6,682	$95,627	4,012	-2,670
80% AMI	$43,650	15,803	$152,898	20,626	4,823
120% AMI	$65,475	15,609	$229,347	11,412	-4,197
200% AMI	$109,125	15,108	$382,244	7,120	-7,988
Greater than 200% AMI	$109,126	7,150	$382,245	2,807	-4,343
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. **Homes valued at under 30 percent of AMI make up most of the housing stock and are in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are lower priced because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $92,597 which is affordable to households above 50 percent of AMI. Currently, **there is deficit of units available at 50 percent of AMI, which will ultimately drive prices upwards based on the growth in demand and lack of supply as homes priced at this level to tend to be move-in ready**; alternatively, since there is an oversupply of homes below 30 percent of AMI an opportunity exists for households at 50 percent of AMI to buy lower priced homes and engage in rehabilitation.

The calculated housing unit deficit amounts to 16,528 housing units at above 120 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 5 percent of the total housing stock, which translates into 3,200 Vacant-For Sale units and 4,969 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	82%	6,665	-1,906	8,571
Rental	18%	1,504	-430	1,934
Total	100%	8,169	-2,336	10,505
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 82 percent of the total occupied units in Prosperity Region Three. Of the existing vacant units, about 6,665 could be classified as units that could one day be brought back into the ownership market; however, REMI projects that 2,336 households are expected leave the region, which translates into 1,906 owner households based on the existing owner and renter household split.[166] The loss in households will increase the overall supply of vacant housing units, which will ultimately contribute to continued price stagnation. With households leaving, vacant units may continue to deteriorate and lose value or become converted to seasonal homes and not be occupied year-round.

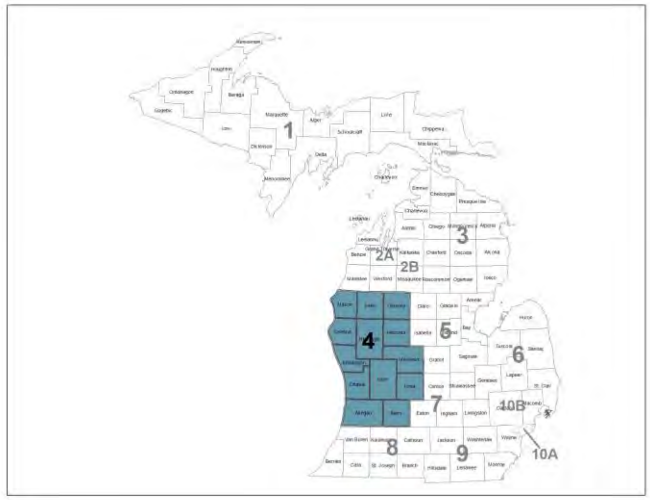
[166] REMI, ACS, and RKG Associates

WEST MICHIGAN PROSPERITY ALLIANCE

Region at a Glance

The West Michigan Prosperity Alliance (Prosperity Region Four) covers 13 counties and abuts Lake Michigan along the western portion of the state. Interstate 96 is the main east-west connector, and Routes 31 and 131 are the main north-south transportation corridors. This area encompasses a mix of community types including rural, suburban, and urban. The major urban area in the region is Grand Rapids, the second largest city in the state, which has a population of 196,000.

Figure 1: Map of Prosperity Region 4



The region has a diversified economy with employment opportunities in education, healthcare, manufacturing, and tourism sectors. In recent years, a resurgence has taken place due to changes in regional economic conditions and demographic shifts bringing people back to urban areas. This has profoundly impacted the housing market in this Prosperity Region. This analysis will explore the changes in demographics and the implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region Four, the following are key findings:

- This region is projected to continue its trend of strong growth led by an influx of younger working age residents and a growing senior population. The senior population is expected to grow by 41 percent over the next 25 years which will impact housing supply and demand.
- Over the long-term, the number of households is expected to grow by 17 percent. Household composition will also change over time, resulting in greater numbers of one- and two-person households. This change in household composition will impact the total number of new housing units needed to accommodate household growth.
- Existing single-family homes are being converted to rental housing units across the region. This is reducing the total number of ownership units available in the market.
- For households at or below 80 percent of AMI, the median price of an ownership unit is beyond their purchasing power. The housing product most frequently sold is an existing three-bedroom single-family unit which has a median sales price of $157,000. This price is well above the purchasing power of households under 80 percent of AMI.

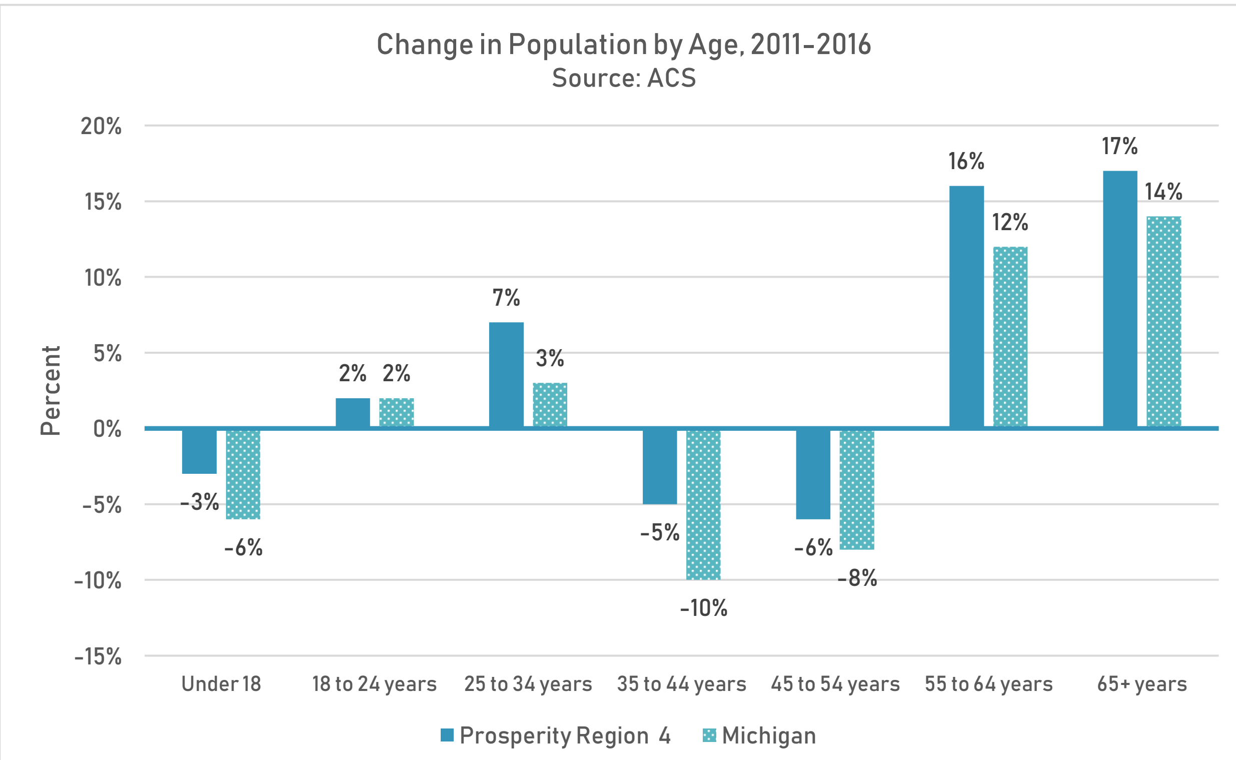
- The median sales price for a new single-family unit is 64 percent higher than an existing single-family housing unit. Prices for newly constructed ownership units are beyond the reach of households at or below the area's median income and are targeted to the top-end of the market.
- The existing housing stock is insufficient to meet future needs based on projected household growth, meaning new construction of both single-family homes and condominiums will be needed. To accommodate new construction local regulatory reform will be necessary to ensure proper integration of new units into existing neighborhoods.
- Rehabilitation of the vacant housing stock should be a priority, existing vacant units account for 5 percent of the total housing stock. Communities should incentivize housing rehabilitation in tandem with new construction through favorable financing, regulations, and zoning.

Demographics

POPULATION

The current population of Prosperity Region Four is 1,558,823 which makes it the second largest region in the state, just behind Prosperity Region 10b (Detroit Metro). The region experienced a 3 percent population increase over the last five years as compared to the state where no growth occurred over the same period.[167] Prosperity Region Four has outpaced the state in population growth for all age groups. One bright spot in the region is the growth of the 25-34-year-old population, which increased 7 percent over the last five years. This indicates that younger workers are returning to the region for employment opportunities.

Figure 2: Change in Population by Age



Looking forward, it is projected that between 2020 and 2025 the region will grow by 3 percent, with the 35 to 44 age group growing the fastest at 8 percent.[168] This indicates middle-aged households are more likely to establish roots in the region. This age group tends to have children and are looking for communities in which to establish themselves for the long-term.

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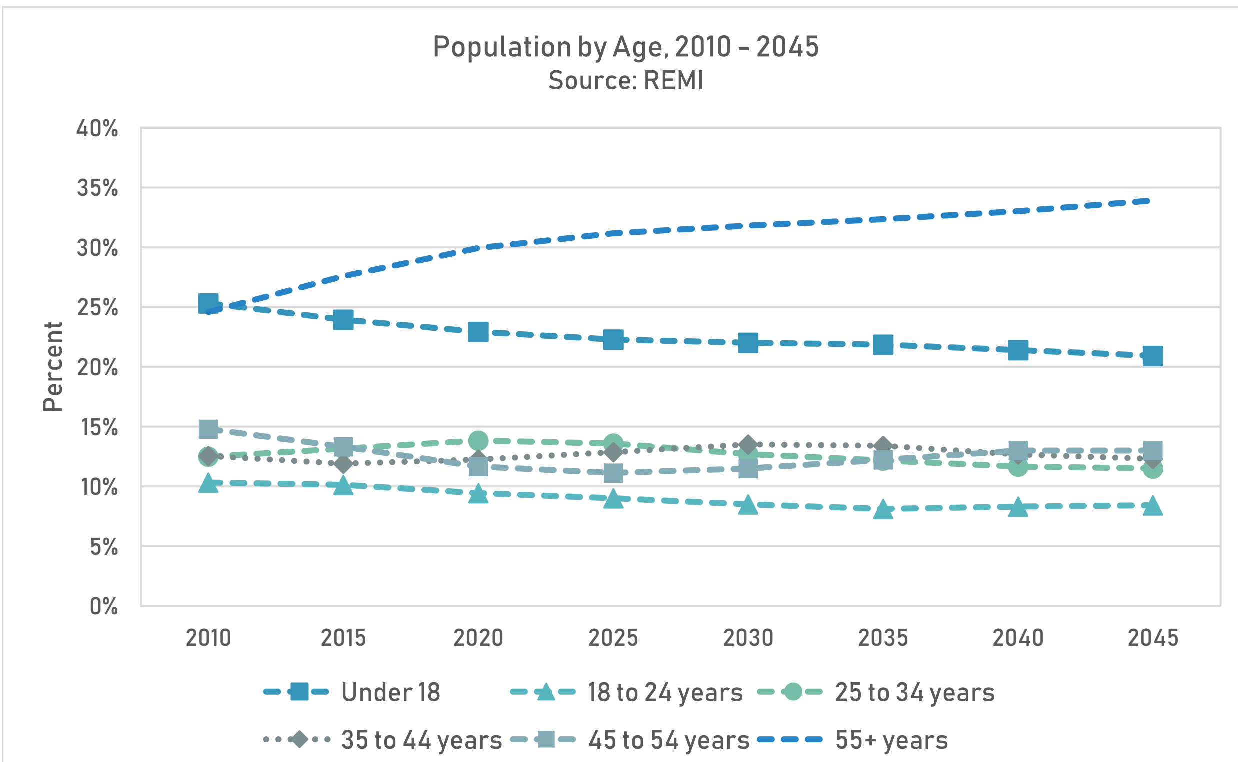
[167] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

[168] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

Looking forward to the year 2045, the population of Prosperity Region Four is projected to increase by 14 percent, compared to the state which is projected to grow by 8 percent.[169] **Between 2015 and 2045, the largest percent increase in population occurs in the 55 and older age group, increasing by 41 percent.** The increase in the older population cohorts are a result of seniors aging in place, not relocating away from the region, and generally living longer. Across the state, the senior population is expected to grow by 24 percent. The growth in senior population will have an impact on the types of housing constructed and available in the future. The second fastest growing age cohort is ages 35 to 44 which is expected to grow 18 percent, as compared to the state's rate of 8 percent. This age cohort is more likely to own a home and are in their prime earning years.

The only projected population loss occurs in the 18 to 24 age group. The region is expected to lose 5 percent of that population between 2015 and 2045, whereas the state is expected to lose 2 percent. The projected loss could be attributed to the general trend of young adults moving away from the area for educational or employment opportunities. However, there is a propensity for this age group to return later in their professional careers.

Figure 3: Population by Age

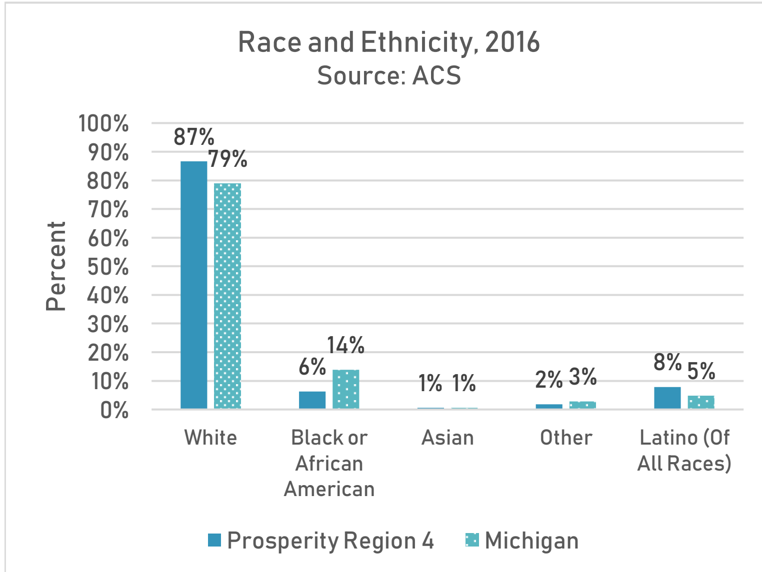


The challenges of the region from a population perspective are multi-faceted. Overall, the population is projected to increase nearly across the board. The challenge is the senior population, and how

[169] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

population pressures will manifest themselves in the housing market. The longer homes are occupied by households, the less turnover occurs in the housing market, leading to supply constraints. The demand for new ownership units will result from the population growth found in younger cohorts. If supply does not match demand, price increases will occur.

Figure 4: Race and Ethnicity



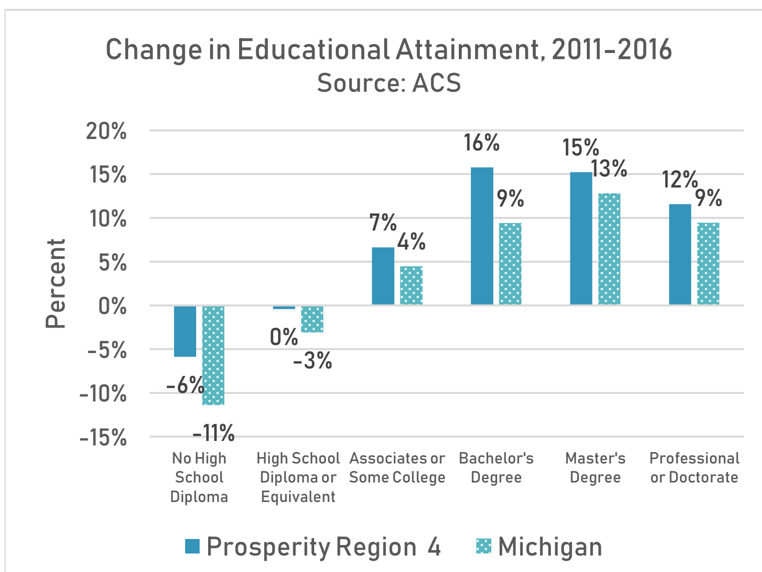
RACE AND ETHNICITY

Most of the residents in Prosperity Region Four identify as White, accounting for nearly 87 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 11 percent from 2011 to 2016 and now accounts for 8 percent of the total population.**[170]

EDUCATION

The region mimics the state in nearly all categories of educational attainment. One challenge for this region is the disproportionate number of residents with a high school diploma or less. About 41% of all residents have, at most, a high school diploma. This education achievement gap could have long-standing impacts on earning potential and the ability of employers in the area to find qualified employees locally. The good news is educational attainment has improved over the last five years with higher percentages of residents earning bachelor's, master's, and professional/doctorate degrees.

Figure 5: Change in Educational Attainment

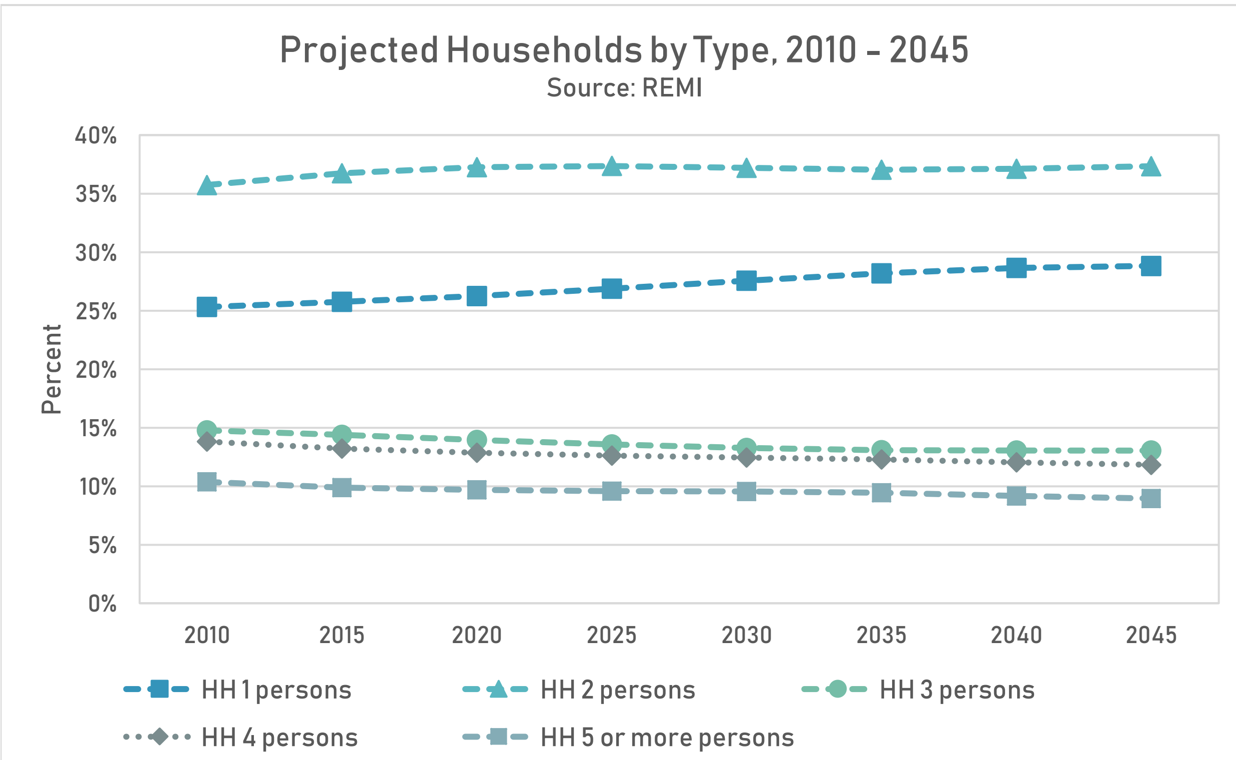


[170] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

HOUSEHOLDS

As of 2016, there were 576,853 households in Prosperity Region Four.[171] Between 2011 and 2016, the number of households increased by 9,846 or 2 percent. This compares to the state's growth of 1 percent over the same period. Looking forward, **Prosperity Region Four is expected to experience strong household growth over both the short- and long-term.** Between 2020 and 2025, households are expected to grow by 5 percent, rising from 639,632 to 670,350. The sharp household growth is expected to continue over the long-term; between 2020 and 2045 households are expected to increase by 17 percent, compared to the state which is expected to grow by 11 percent.[172] The overall growth in households will have an impact on the number of housing units needed.

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 the fastest growing cohort will be one-person households, which are expected to grow by 7 percent, compared to the state growth rate of 6 percent.[173] The longer-term trend through 2045 shows one-person households increasing by 28 percent versus the state growth rate of 19 percent. The second highest increase in household growth is projected to occur in two-person households

[171] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

[172] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[173] REMI, Michigan Department of Transportation, and RKG Associates, 2018

with a growth rate of 17 percent. The growth of one- and two-person households will have an impact on the type of housing units built to accommodate these demographic changes. The rise in smaller households will likely drive demand for smaller units (one- and two-bedrooms). Much of the existing ownership housing stock was built at an earlier time when households were larger.

Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

Compared to the rest of Michigan, Prosperity Region Four is doing well from an economic standpoint. The region has several employment centers, and Grand Rapids serves as the primary economic engine. The region is home to many manufacturing companies which have proximity to major transportation corridors. The median household income of Prosperity Region Four was $43,920, which is about 86 percent the state median of $50,803.[174]

In a region with an improving economy, one would expect incomes to be higher than the state. Over the last five years, the number of households earning over $100,000 per year increased, although this segment only represents about 19 percent of all households in the region. These households could be able to enter the ownership market if not already in it today. All other income categories declined at a rate that matched or exceeded that of the state, indicating in aggregate the region is getting wealthier.

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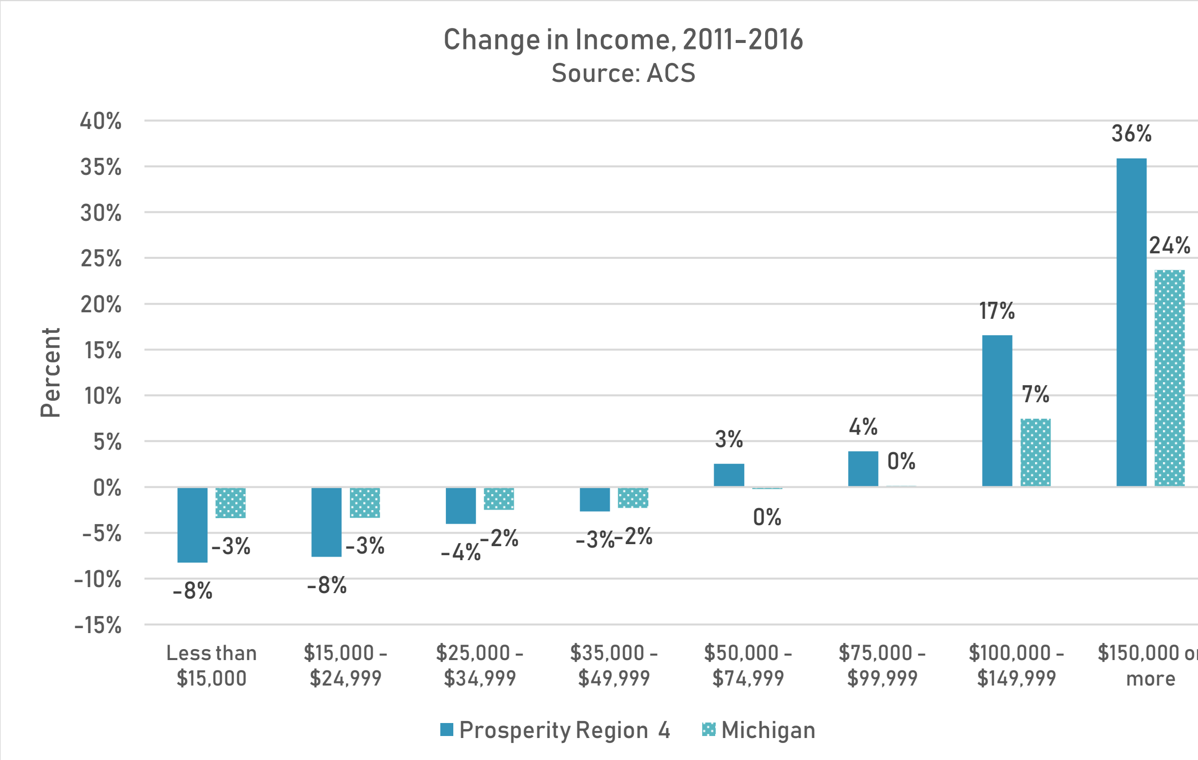
[174] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

Figure 7: Change in Incomes



In this prosperity region, retail and service industries play a significant role in employment across the region, and the large numbers of retail and service sector jobs drives down the median income of the region. Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Retail Trade accounts for 10 percent of the jobs in the region.[175] The second largest employment sector is Administrative and Support Services at 9 percent. Over the course of the next twenty-five years, employment growth across the region is expected to be roust, with an 8 percent growth rate. Projections show a gain of 78,029 jobs between 2016 and 2045. The retail sector is expected to decline by 7 percent but job losses will be offset by increases in the administrative support services sector.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Retail trade	91,962	85,271	-6,692	-7%
Administrative and support services	78,659	100,227	21,568	27%
Local government	56,097	61,113	5,016	9%
Food services and drinking places	55,753	64,625	8,872	16%
Construction	49,065	50,821	1,757	4%
All other industries	593,836	641,344	47,508	8%
Total	925,372	1,003,401	78,029	8%

[175] REMI, Michigan Department of Transportation, and RKG Associates, 2018

Source: REMI

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region Four considered cost burdened or severely cost burdened. In total, 14 percent of all homeowner households in the region are cost burdened while 8 percent are severely cost burdened.[176] Of cost burdened households, 61 percent are at or below 80 percent of Area Median Income (AMI), with 33 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 93 percent of these households fall at or below 80 percent of AMI, and 44 percent fall at or below 30 percent of AMI

Table 2. Prosperity Region Four Housing Cost Burdened Homeowners

Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	4,415	8%	15,620	44%
>30% and <=50% AMI	11,695	20%	10,405	29%
>50% and <=80% AMI	19,310	33%	6,965	20%
>80% and <=100% AMI	9,100	16%	1,445	4%
Income >100% AMI	13,410	23%	1,219	3%
Total	57,930	100%	35,654	100%

Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region Four increased by 5,295, or 1 percent.[177] At the same time, the region saw a 1 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals and the loss of mobile home units. Concurrent to the decline in owner units, rental housing units increased 10 percent. This section will further explore the complexities of the ownership market in Prosperity Region Four.

[176] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

[177] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

TENURE

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 4	Region Percent	Michigan	Michigan Percent
Owner-Occupied	427,170	64%	2,732,051	60%
Renter-Occupied	149,683	23%	1,128,343	25%
Vacant-For Rent	8,198	1%	85,584	2%
Vacant-For Sale	9,159	1%	83,371	2%
Vacant-Seasonal[178]	50,286	8%	288,250	6%
Vacant-Other[179]	20,094	3%	227,321	5%
Total	664,590	100%	4,544,920	100%
Source: ACS 2012-2016				

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[180] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings having five or more units. Of all the housing (both owner and renter) in Prosperity Region Four, 71 percent of the residential housing stock is comprised of single-family homes, which nearly mimics the state percent of 72 percent single-family homes.[181]

Regionally, the owner-occupied housing stock accounts for 64 percent all units. This is higher than the statewide figure of 60 percent. Part of the reason behind the higher owner-occupied percentage is the overall economy of the region, with its varied and growing employment base. Better economic conditions have led to a greater percentage of owner-occupied units, and fewer numbers of vacant units. Households can maintain units such that the homes retain value.

Across the region, 13 percent of the housing units are classified as vacant. Digging deeper, 8 percent of the units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 50,286 housing units (owner and renter) that have been removed from the year-round housing market. An additional 3 percent, or 20,094 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition.

[178] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

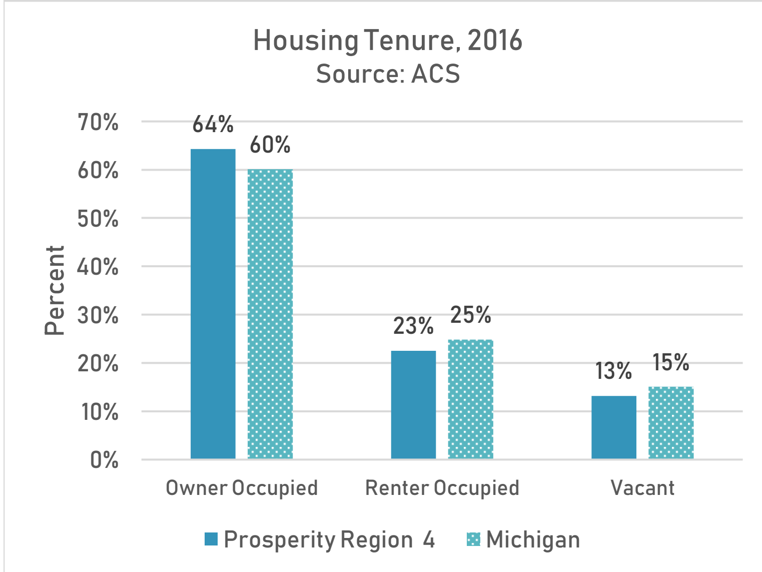
[179] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[180] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[181] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

Ownership patterns are changing in Prosperity Region Four. Over the last five years there was a 1 percent decrease in the number of ownership units and a 10 percent (13,069 unit) increase in rental units. Some of the decline could be the result of a drop of 2,180 single-family ownership units going off the market and possibly becoming rentals. There was also an increase in the number of single-family rentals and multi-family rental units added to the market. The Grand Rapids area has seen significant numbers of multi-family apartments built over the last few years.

Figure 8: Housing Tenure



OWNER-OCCUPIED BY UNITS IN STRUCTURE

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 86 percent of the of the owner-occupied residential stock was single-family homes.[182] Prosperity Region Four's owner-occupied housing stock has a similar percentage of structures with two or more ownership units compared to the state, accounting for 6 percent of the total. As of 2016, the region had approximately 8 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are a result of a shifted towards the rental market** with conversions of existing single-family homes to renter-occupied units.

Table 4: Owner-Occupied by Units in Structure

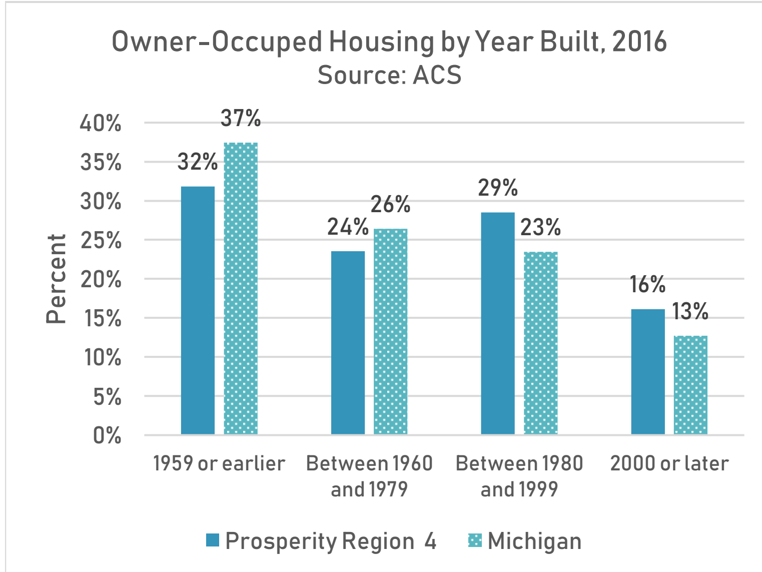
Owner-Occupied	Prosperity Region 4	Region Percent	Michigan	Michigan Percent
Single-Family	365,670	86%	2,412,899	88%
Two or More Units	27,296	6%	175,225	6%
Mobile Home/RV/Other	34,204	8%	143,927	5%
Total	427,170	100%	2,732,051	100%

Source: ACS 2012-2016

182 ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

AGE OF HOUSING

Figure 9: Owner-Occupied Housing by Year Built



In Prosperity Region Four, the median year built of an owner-occupied housing unit is 1976, while the median year built in Michigan is 1970.[183] **The housing stock in this region is newer, with about 45 percent of all owner-occupied housing built after 1980.**[184] Even with a newer housing stock, older homes still make up a significant share of the marketplace, with homes built before 1959 accounting for 32 percent of total owner-occupied units. Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

In total, about 29 percent (121,829 units) of owner-occupied housing units across the region were built between 1980 and 1990, and nearly with 16 percent (68,904 units) of all units being built after the year 2000. The percentage built after the year 2000, is greater than the state percentage of 13 percent which indicates the region experienced a brisk period of housing construction. In this region, ownership housing takes many forms to meet the need of various household types. Typical ownership units are both single-family and condominium.

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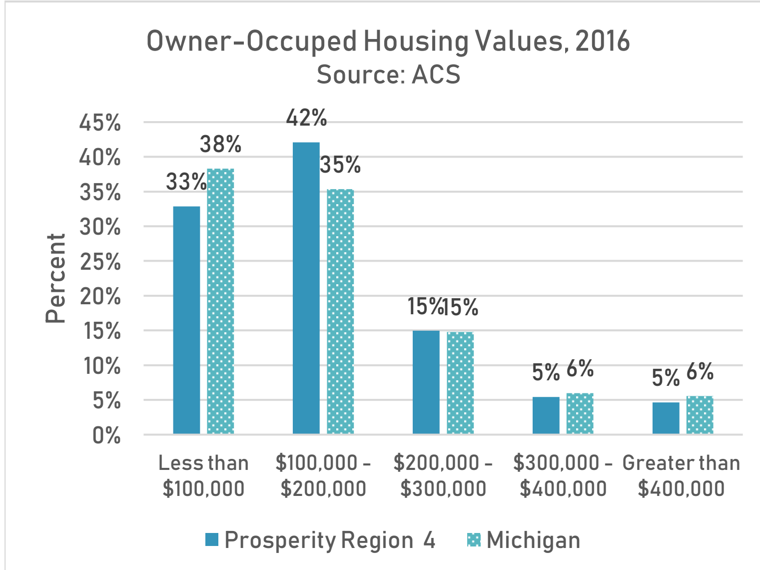
183 ACS 2012-2016, Table B25037, and RKG Associates

184 ACS 2012-2016, Table B25036, and RKG Associates

UNIT VALUES

The percentage of homes in the region valued between $100,000 and $200,000 is greater than the state percentage, with about 42 percent of the region's units falling between this valuation as compared to 35 percent across the state.[185] Prosperity Region Four also has fewer owner-occupied homes valued at under $100,000 than the state, with only 33 percent compared to the state's 38 percent. Most housing values across the region falls under the price of what is affordable to households at or below 100 percent AMI. In more urban areas, such as Grand Rapids, pricing for single-family homes tend to be higher and demand is greater because of the larger number of households vying for limited housing options. The region has seen in moderate upward shift in incomes over the last five year, especially at the upper end of the income spectrum, which can help fuel housing demand.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region Four mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[186] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

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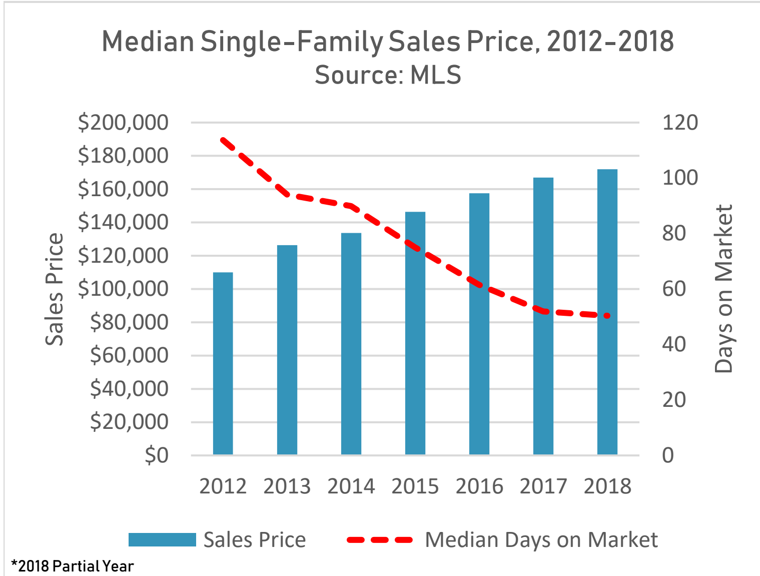
[185] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[186] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

The market for single-family homes has seen a dramatic price escalation and velocity of sales. Between 2012 and 2018, there were 127,005 sales, or an average of 18,144 sales per year.[187] The median single-family home sales prices rose by 52 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $166,860. The time it took to sell a home in Prosperity Region Four also decreased rapidly, dropping 54 percent to an average of 52 days on the market.[188]

Figure 11: Median Single-Family Sales Price



Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 53 percent of all single-family sales, and where prices have increased 16 percent over the last six years. Based on average households' sizes, these homes tend to meet the needs of buyers. **At a median price of $157,590, these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $50,000 per year -- which is slightly above the region's median household income.

Larger single-family homes with four- and five-bedrooms has seen an even greater rate of price appreciation. **The median sales price of a four-bedroom home increased by 45 percent to $216,300 and the price of a five-bedroom unit increased by 60 percent to $294,580.**[189] This market segment makes up about 31 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in Prosperity Region Four vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $128,260 which was more than 36 percent greater than a home built between 1900 and 1950.[190] Similarly, the median sales price of a unit built between 1990 and 2010 was $198,550 which was more than 26 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and

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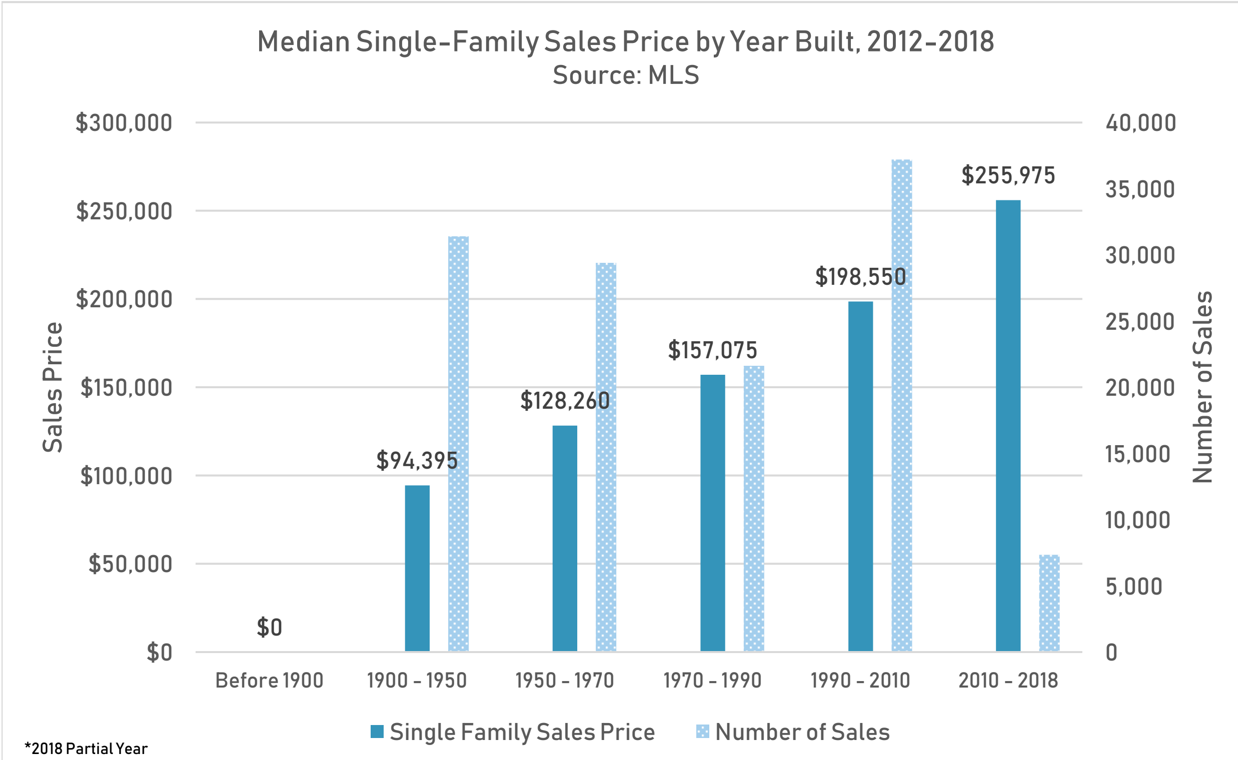
[187] Michigan Realtors 2012-2018, and RKG Associates
[188] Michigan Realtors 2012-2018, and RKG Associates
[189] Michigan Realtors 2012-2018, and RKG Associates
[190] Michigan Realtors 2012-2018, and RKG Associates

physical condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

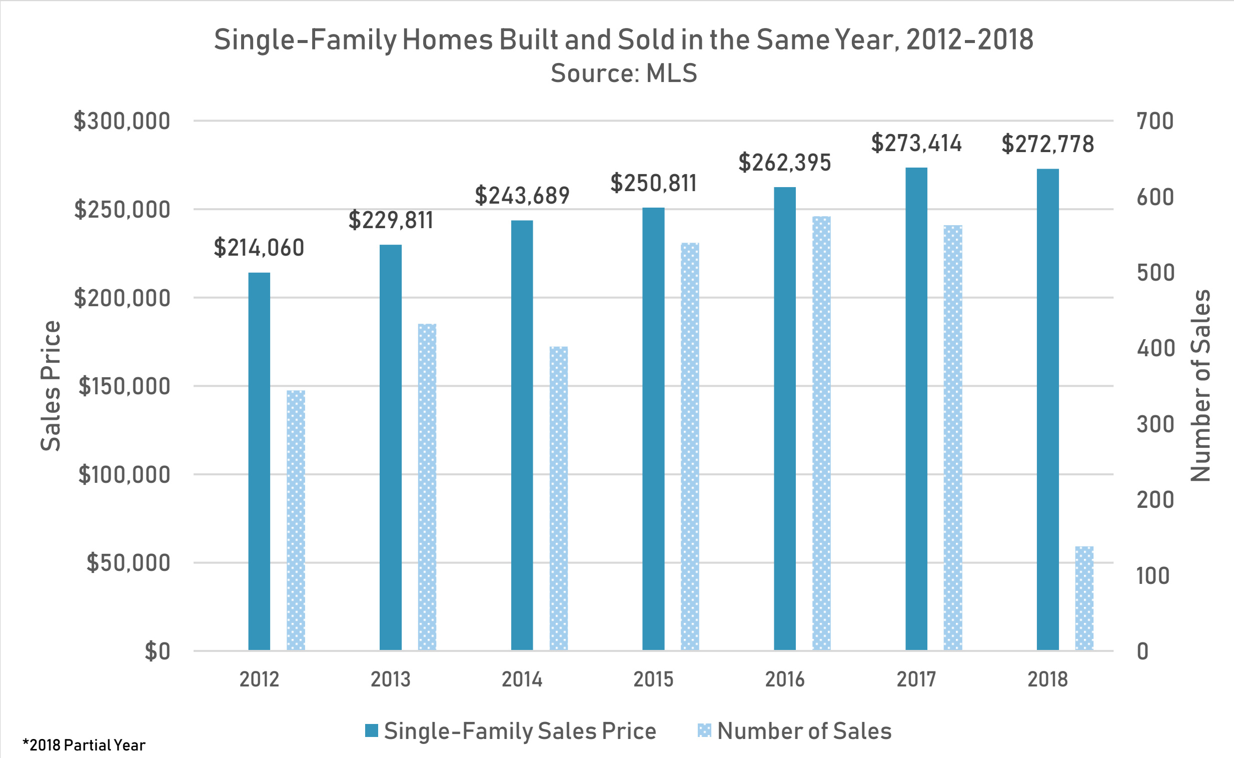
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 64 percent more than existing units. The median sales price of a new home in 2017 was $273,414 compared to $166,860 for an existing single-family home.**[191]

[191] Michigan Realtors 2012-2018, and RKG Associates

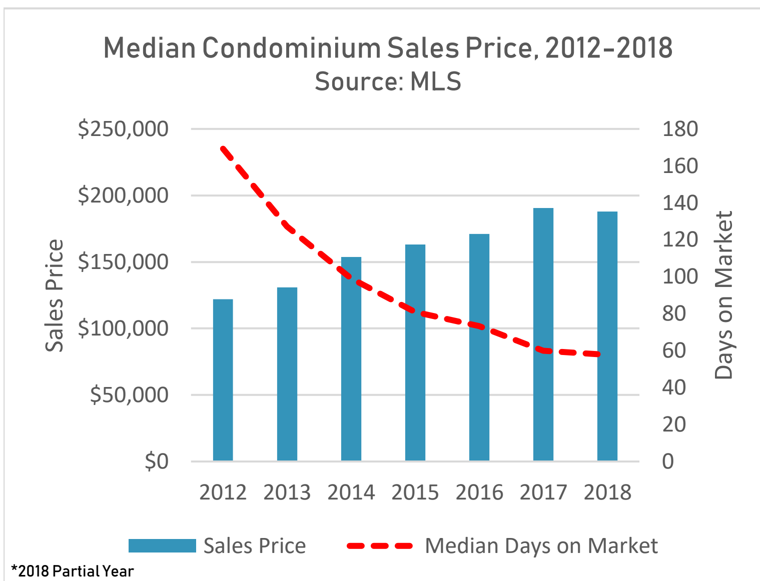
Figure 13: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

Figure 14: Median Condominium Sales Price



The market for condominiums across the region has grown. Between 2012 and 2018, the region saw nearly 13,212 sales or an average of 1,887 sales per year. Condominium sales prices have increased 56 percent over the last six years.

The median sales price of a condominium in 2017 was $190,550, with an average day on market being 60 days. The number of days on market decreased 65 percent since 2012.[192]

The high prices for condominiums in Prosperity Region Four reflect the nature of demand for units. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 60 percent of all condominium sales, with a median price of $175,100. For this product type, the median price has increased by 61 percent since 2012.[193] Developers are responding to demand from the marketplace to build condominium units. In urban markets like Grand Rapids, new condominium developments are arising in neighborhoods which are receiving private investment dollars for development.

Sales Price by Year Built

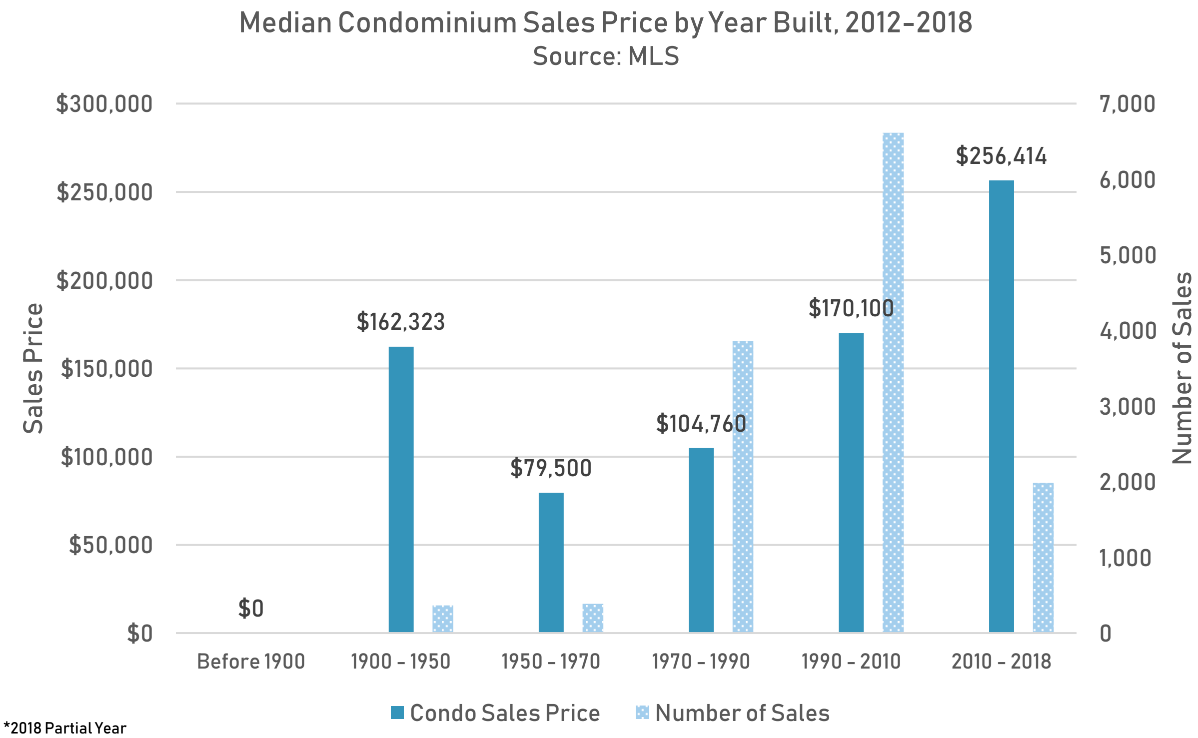
Like trends in the single-family home market, sale prices for condominiums vary considerably based on the year built. The median sales price for a condominium unit built between 1950 and 1970 was $79,500 which was 51 percent less than a unit built between 1900 and 1950.[194] The price differential between the two periods relates to condominiums being created in pre-war historical buildings and the associated value of that style of development. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $170,100. This was more than 62 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit, as many newer condominiums are being built in active urban centers.

[192] Michigan Realtors 2012-2018, and RKG Associates

[193] Michigan Realtors 2012-2018, and RKG Associates

[194] Michigan Realtors 2012-2018, and RKG Associates

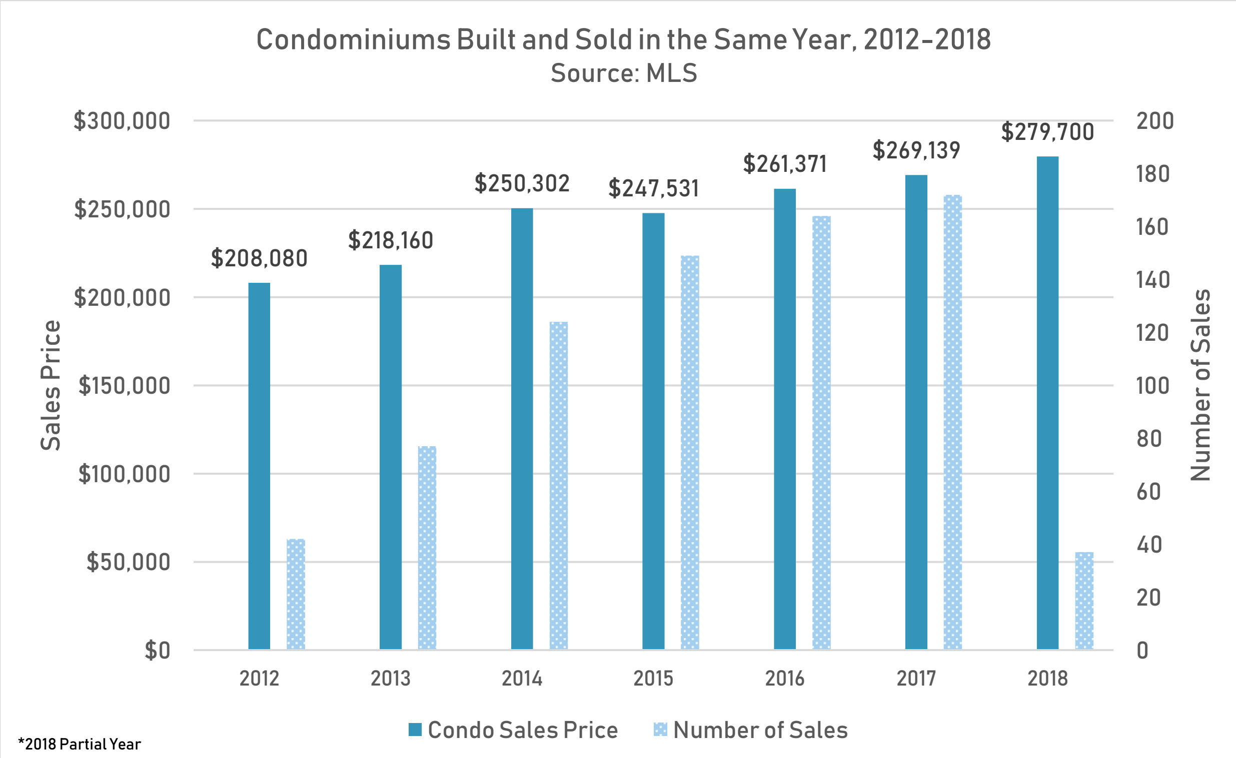
Figure 15: Median Condominium Sales Price by Year Built



*2018 Partial Year

To provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. On average, a new condominium unit sold for 41 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $269,139 compared to $190,550 for an existing condo. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In diverse areas like Prosperity Region Four, which have a mix of rural, suburban, and urban communities, the product type demanded varies. While the predominate housing type is single-family homes, condominium units are an alternative form of ownership that is in demand, especially in urban areas that can accommodate greater levels of density. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[196] Based on the data, **about 39 percent of households fall below 80% of AMI which equates to a household income of no more than $50,350.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[195]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	46,718	11%
50% AMI	$31,500	$110,339	41,591	10%
80% AMI	$50,350	$176,367	78,301	18%
120% AMI	$75,525	$264,550	94,826	22%
200% AMI	$125,875	$440,916	98,069	23%
Greater than 200% AMI	$125,876	$440,917	67,665	16%

Source: HUD, ACS, and RKG Associates

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

[195] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[196] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17: Maximum Purchase Price Based on AMI

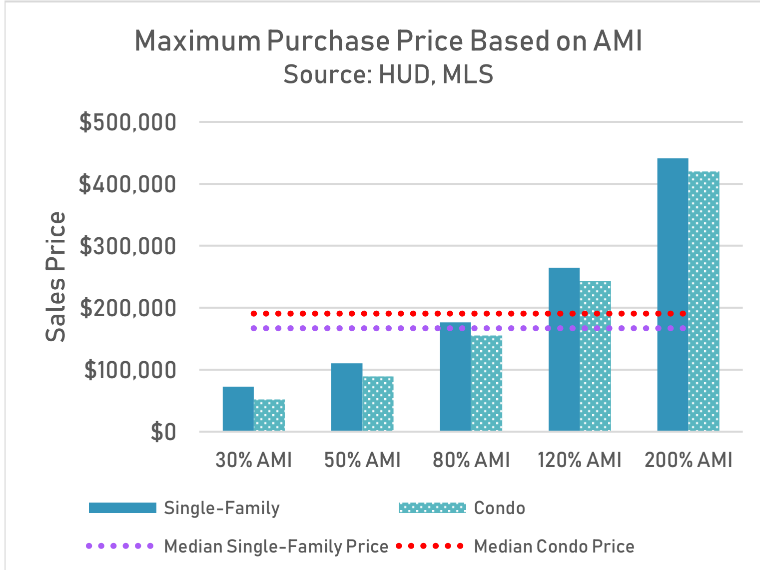


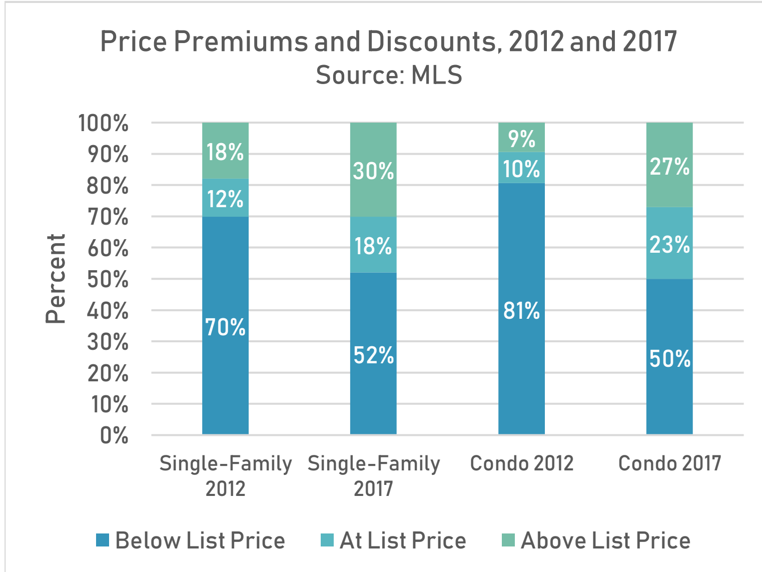
Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of a single-family home sold in 2017 exceeded what households at both the 30 and 50 percent of AMI categories could afford and is slowly approaching the maximum for households at the 80 percent of AMI level.** For condominiums, median sale prices exceeded what households at or below 80 percent of AMI.

At 30 percent of AMI, a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $166,860. While there are many homes available in the region at a price of around $73,000, the condition and location are key purchase criteria. For homes requiring rehabilitation, access to finance is problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas. Based on the data, **households below 80 percent of AMI may have a difficult time purchasing housing due to limited choices of homes that meet their price point and are move-in ready and do not require significant rehabilitation.**

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

Figure 18: Sales Prices of Units, 2012 - 2018



In Prosperity Region Four, between 2012 and 2017, the market for single-family homes improved as the percentage of homes selling under list price decreased from 70 percent to 52 percent; conversely, above list price sales went from 18 percent to 30 percent, with the median above list price differential being $4,918 in 2017.[197] The condominium market saw a similar trend, with sales below list price decreasing from 81 percent to 50 percent, and above list price sales rising from 9 percent to 27 percent. This change in pricing can be attributed to the robust demand driven by population and household growth, coupled with the purchasing power of households.

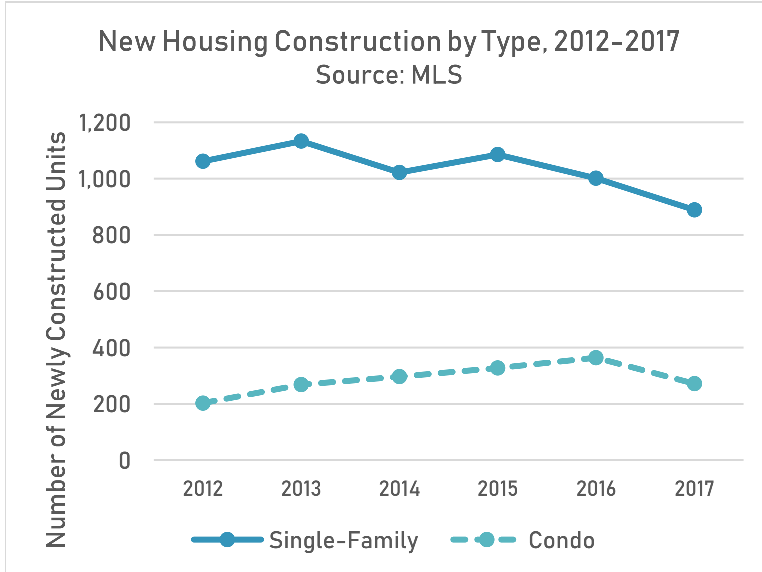
HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

[197] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 19: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, the pace of new construction for ownership units has drastically decreased in recent years. Between 2012 and 2017 a total of 6,193 single-family units and 1,732 condominium units were built.[198] Figure 19 shows the overall trajectory of new construction across the region. Both single-family and condominium units saw a drastic decline in 2017, within single-family new construction declining by 11 percent and condominium construction declining by 25 percent from the 2016. **The homes that are being built tend to be both larger and more expensive on average than the existing housing stock**. The average square footage of a newly constructed single-family home is about 2,100 square feet, and a condominium unit is about 1,700 square feet.[199] The median sales price of a single-family unit built in 2017 was $273,414, and the price of a condominium unit was $269,139, both of which are significantly higher than the median sales price of an existing housing unit.

HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household growth across the region is projected to continue. One of the biggest issues in Prosperity Region Four is the mismatch and availability of housing units that fall within AMI thresholds, which will get worse as prices for ownership units continue to rise and incomes trail. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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[198] Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

[199] Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016

AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	46,718	$72,788	102,188	55,470
50% AMI	$31,500	41,591	$110,339	59,337	17,746
80% AMI	$50,350	78,301	$176,367	122,033	43,732
120% AMI	$75,525	94,826	$264,550	77,944	-16,882
200% AMI	$125,875	98,069	$440,916	49,350	-48,719
Greater than 200% AMI	$125,876	67,665	$440,917	16,318	-51,347

Source: HUD, ACS, and RKG Associates

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. From the data, a surplus of housing exists at or below 80 percent of AMI. This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather low valued housing structures exist across the region. These housing structures may be lower priced because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes are may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $166,860 which prices out much of the below 80 percent AMI population, and results in them purchasing lower priced homes requiring significant improvements.

The calculated housing unit deficit amounts to 116,948 housing units at above 120 percent of AMI. This aligns with the previous finding that most ownership units are valued under $200,000. Due to having greater numbers of homes at that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 5 percent of the total housing stock, which translates into 9,159 Vacant-For Sale units and 20,094 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household growth between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant-Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-Other Units After Household Absorption
Owner	74%	21,662	78,477	-56,814
Rental	26%	7,591	27,499	-19,908
Total	100%	29,253	105,976	-76,723
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 74 percent of the total occupied units in Prosperity Region Four. Of the existing vacant units, about 21,662 could be classified as units that could one day be brought back into the ownership market. REMI projects that 105,976 new households are expected to form in the region, which translates into 78,477 owner households based on the existing owner and renter household split.[200] Even with the existing vacant housing stock, there is still a potential deficit of 56,814 housing units. This indicates the region lacks the existing capacity to absorb projected household growth.

The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment. Future changes in household composition may further exacerbate housing demand, as one and two-person households are expected to increase, while larger households are expected to decrease. This change in household composition could drive the market towards building greater numbers of apartment and condominium units which are one- or two-bedroom units.

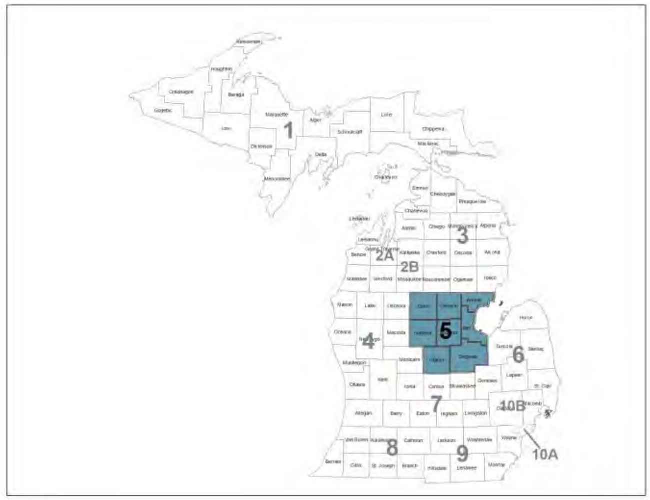
[200] REMI, ACS, and RKG Associates

EAST CENTRAL MICHIGAN PROSPERITY REGION

Region at a Glance

The East Central Prosperity Region (Prosperity Region Five) encompasses eight counties and is located around Saginaw Bay. The area is a mix of rural and urban, with many small communities found inland. Major population and employment centers include Saginaw, Bay City, and Midland. The major transportation corridors providing north-south connections are Interstate 75 and Route 52, while the main east-west corridors are Routes 10, 20, and 46.

Figure 1: Map of Prosperity Region 5



The region is not too far removed from the Detroit Metro Area, and once had a strong history of manufacturing. Over the last forty years, economic changes have impacted demographic, socioeconomic, and housing related metrics. This analysis will explore those changes and their implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region Five, the following are key findings:

- Looking forward to the year 2045, the population of the region is not projected to increase at all, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent increase in population occurs in the 35 to 44 age group, increasing by 13 percent. The increase in these middle-age population cohorts can likely be attributed to people returning to their place of origin later in life.

- Households are expected to grow over both the short- and long-term. Between 2020 and 2025, households are expected to grow by 2 percent, and between 2015 and 2045, households are expected to grow by 5 percent.

- Over the course of the next twenty-five years, employment is expected to grow by 1 percent or 3,014 jobs.

- About 3 percent, or 7,641 units, of the housing stock is classified as “Vacant-Other” meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition.

- The housing stock in the region tends to be older, with about 69 percent of all owner-occupied housing built before 1980.

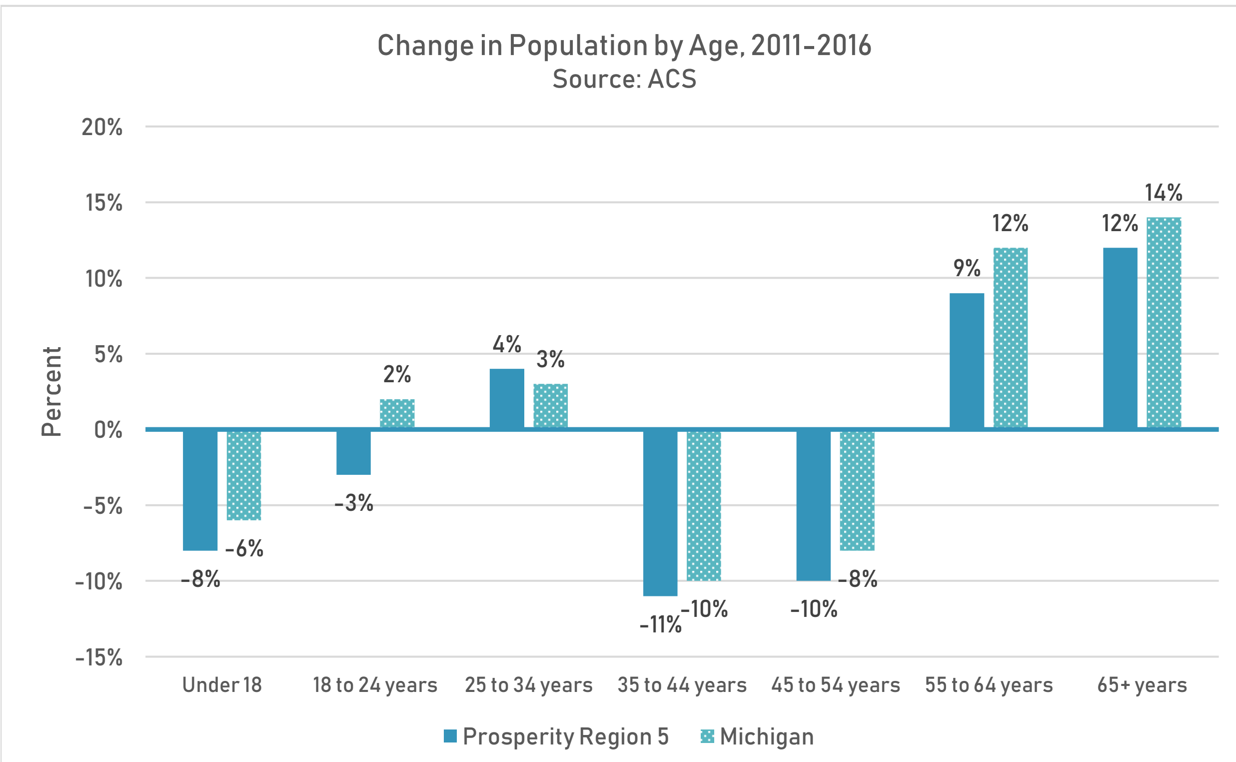
- The percentage of homes in the region valued under $100,000 is greater than the state percentage, with about 50 percent of the region's units falling under this value as compared to 38 percent across the state.
- The median sales price of a single-family home in 2017 was $93,730 which has increased 30 percent between 2012 and 2017. On average, new single-family units sold for 169 percent more than existing units with the median sales price of a new home in 2017 being $252,350.
- The condominium market has been stable. The median sales price of a condominium in 2017 was $113,300, and only increased 7 percent over the last six years. New condominium units are selling for 116 percent more than existing units. The median sale price of a new condominium in 2017 was $244,986.
- The median sale price of $93,730 for a single-family home was affordable to households earning at or above 50 percent of area median income (AMI). For condominiums, median sale prices were higher than single-family homes and therefore are affordable to households earning 80 percent of AMI and above.
- The pace of new construction for ownership units has drastically decreased in recent years. Between 2012 and 2017 a total of 742 single-family units and 153 condominium units were built; however, since 2015 the pace of construction has declined.
- The supply of vacant housing in this Prosperity Region is enough to absorb projected housing demand in the future if the housing stock is habitable, well-located, and price appropriately.

Demographics

POPULATION

The current population of Prosperity Region Five is 568,419 which makes it the eighth largest region in the state. The region experienced a 2 percent population decrease over the last five years as compared to the state where no growth occurred over the same period.[201] Prosperity Region Five has experienced negative growth or has fallen behind the state across nearly all population cohorts. The region lost population between the ages of 35 and 54 over the last five years. This population cohort can be an important component of a community, as these age groups tend to have children and are in their prime earning years.

Figure 2: Change in Population by Age



Looking forward over the short-term, it is projected that between 2020 and 2025 the region will not experience any population growth. The fastest growing cohort between that period will be the 35 to 44 age group increasing 7 percent.[202] This indicates younger households are more likely to establish roots in the region. This age group tends to be entering family formation and looking for communities in which to establish themselves for the long-term.

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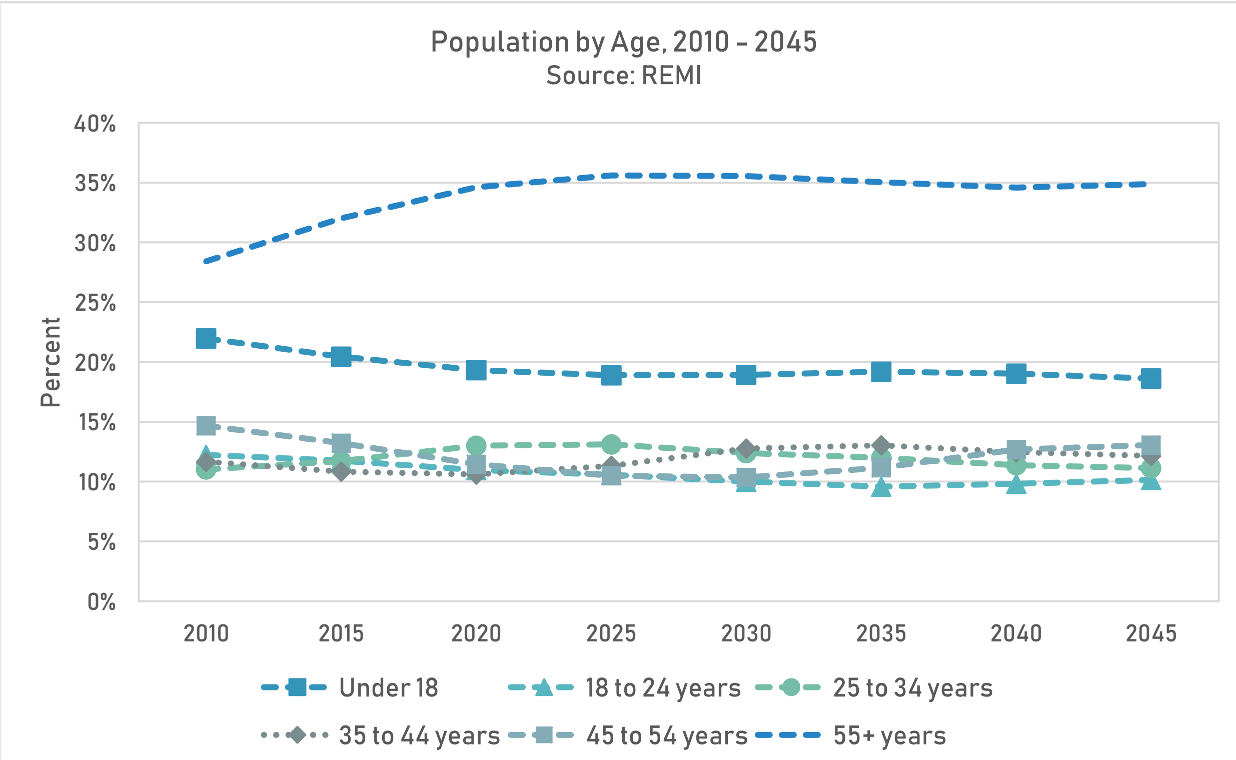
[201] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

[202] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

Looking forward to the year 2045, the population of the region is not projected to increase at all compared to the state which is projected to grow by 8 percent.[203] **Between 2015 and 2045, the largest percent increase in population occurs in the 35 to 44 age group, increasing by 13 percent.** The increase in the middle-age population cohorts is likely attributed to people returning to the place of their origin later in life. This appears to be a frequent occurrence in rural regions where younger residents move away for educational or professional reasons, only to return later in life when looking for a place to settle, work, and potentially start a family.

Figure 3: Population by Age



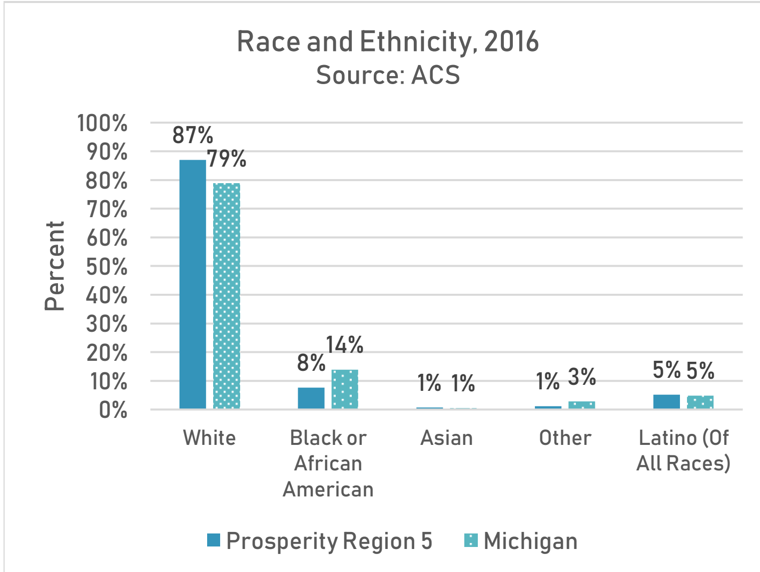
The senior population is expected to increase by 9 percent over the long-term, compared to the state growth rate of 24 percent. Even with a lower rate of growth, increases in the senior population have an impact on the housing market as more senior households age-in-place. There is the potential that senior households will hold onto their units longer limiting turnover and restricting supply.

[203] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

RACE AND ETHNICITY

Most of the residents in Prosperity Region Five identify as White, accounting for nearly 87 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 7 percent from 2011 to 2016 and now accounts for 5 percent of the total population.**[204]

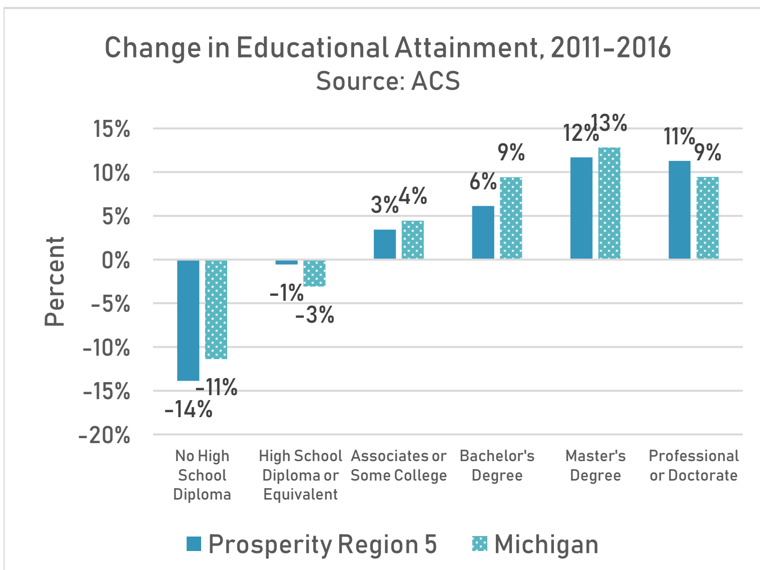
Figure 4: Race and Ethnicity



EDUCATION

One challenge for this region is the disproportionate number of residents with a high school diploma or less. About 45% of all residents have, at most, a high school diploma. This education achievement gap could have long-standing impacts on earning potential and the ability of employers in the area to find qualified employees locally. The good news is educational attainment has improved over the last five years with increases in the number of residents earning bachelor's, master's, and professional degrees.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

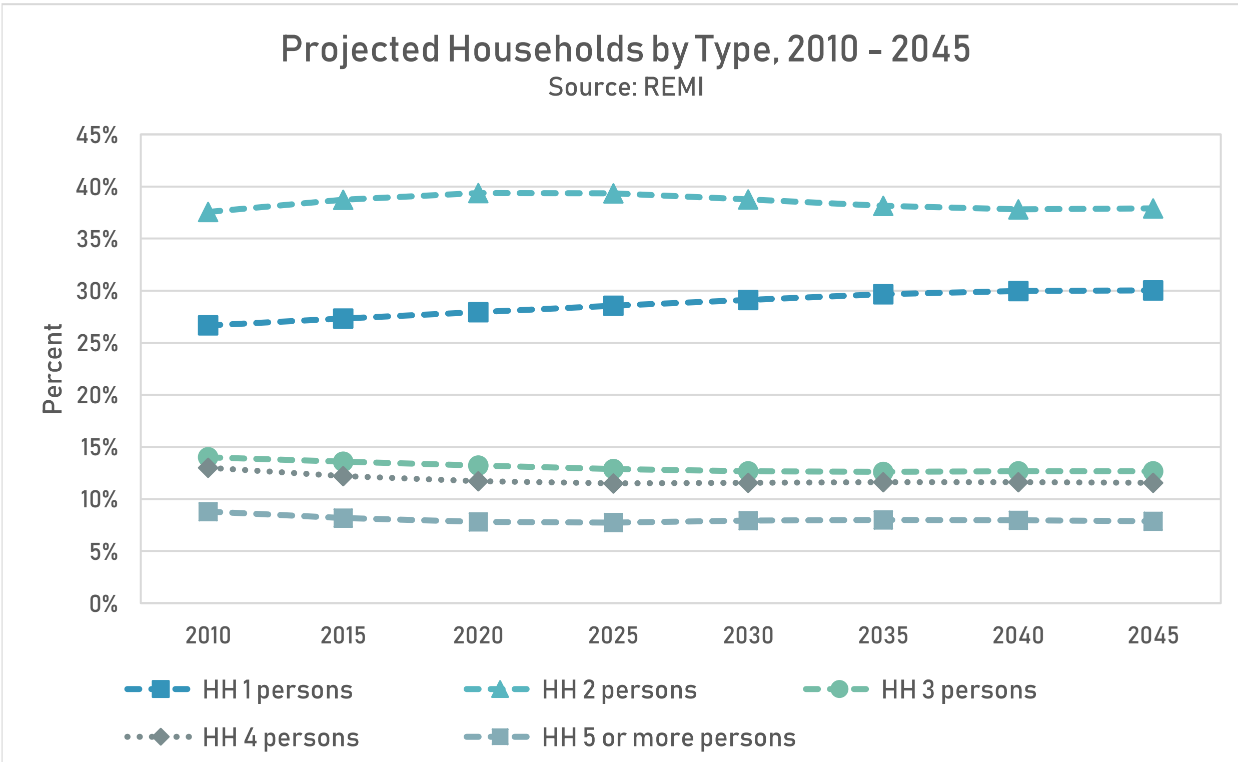
As of 2016, there were 225,102 households in Prosperity Region Five.[205] Between 2011 and 2016, the region experienced virtually no growth in households with only 126 new households, compared to the state's growth of 1 percent. Looking forward, **Prosperity Region Five is expected to experience**

[204] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

[205] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

household growth over both the short- and long-term. Between 2020 and 2025, households are expected to grow by 2 percent, and between 2020 and 2045, households are expected to grow by 5 percent. This compares to the state which is expected to grow by 11 percent.[206] The overall growth in households will have an impact on the number of housing units needed to support the population of the region.

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all household sizes, except three-person households, will experience modest growth between zero and 4 percent.[207] The longer-term trend through 2045 shows one-person households increasing by 13 percent versus the state growth rate of 19 percent. The region is expected to experience growth in four- and five-person households of 4 percent and 6 percent, respectively, which is close to the state's projected growth rate of 7 percent. The growth of smaller households will have an impact on housing demand as greater numbers of units will be required to accommodate smaller households.

[206] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[207] REMI, Michigan Department of Transportation, and RKG Associates, 2018

Socioeconomics

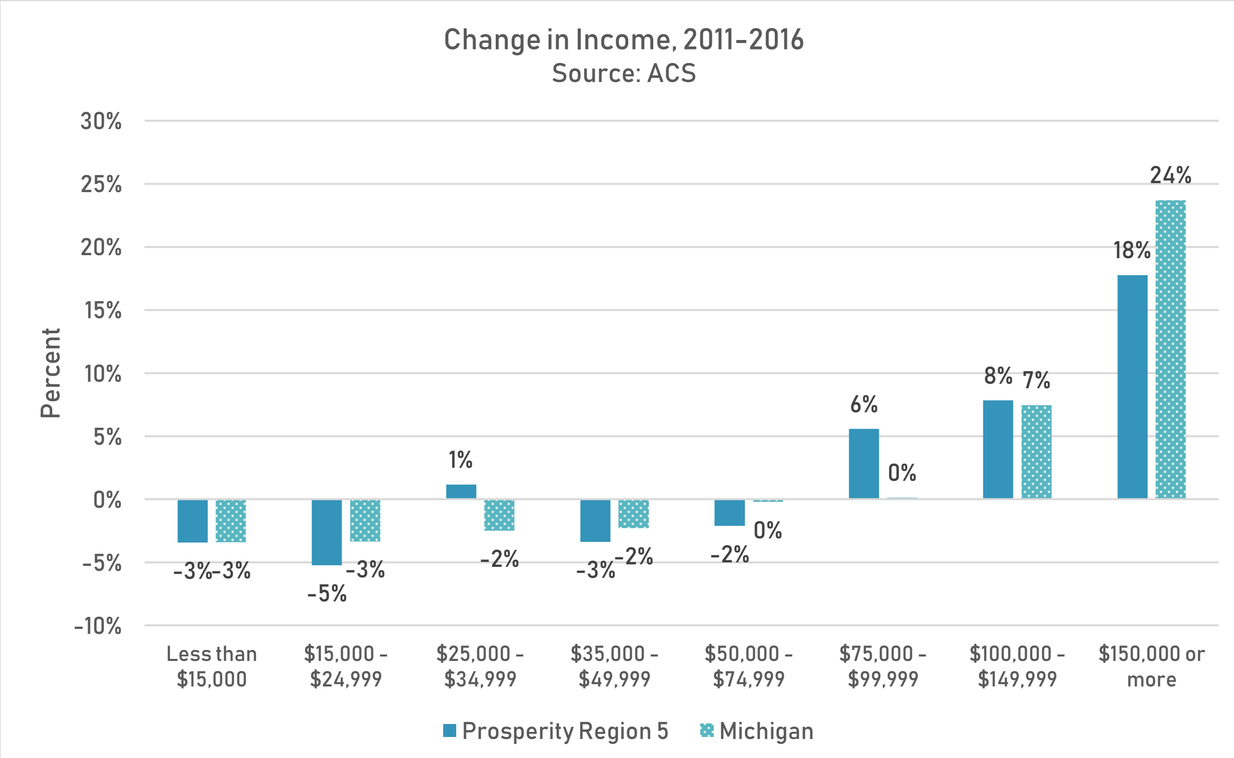
INDUSTRY EMPLOYMENT & INCOMES

There region has relatively proximity to Southeast Michigan, and historically was a manufacturing center. In the recent past de-industrialization to place in the region, which has made the area fall behind the rest of the state economically. While the communities of Saginaw, Bay City, and Midland still serve as the primary economic activity centers within the region, many smaller communities have seen local businesses disappear. Currently, the major private employers in the region tend to be in industry sectors like manufacturing, healthcare and education. Employers such as: Dow Corning, Covenant Healthcare, and Central Michigan University make the region their home. A consequence of de-industrialization is having a lower income. The median household income for Prosperity Region Five is $41,426, which is about 82 percent the state median of $50,803.[208]

Over the last five years, the number of households earning over $100,000 per year increased, although this segment only represents about 15 percent of all households in the region and grew slower than the state. The state's share of households earning over $100,000 was 20 percent. Recent changes in household income include a decline in households making between $15,000 and $25,000, and an increase in households making between $75,000 and $99,999. Improvements in the manufacturing sector and expansions and investments by hospitals in the region have contributed in part to higher wages.

[208] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

Figure 7: Change in Incomes



In this region, retail and service industries play a significant role in employment which has a corollary effect on median household income in the region. Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Retail Trade accounts for 12 percent of the jobs in the region.[209] The second largest employment sector is Local Government at 9 percent. **Over the course of the next twenty-five years, employment is expected to grow by only 1 percent. Projections show a gain of just 3,014 jobs between 2016 and 2045.** The retail sector is expected to decline by 15 percent and the healthcare services sector is projected to expand by 35 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Retail trade	34,284	29,141	-5,143	-15%
Local Government	25,124	24,825	-299	-1%
Food services and drinking places	20,572	21,893	1,321	6%
Administrative and support services	18,698	20,356	1,658	9%
Ambulatory health care services	15,004	20,296	5,291	35%
All other industries	178,602	178,787	185	0%
Total	292,284	295,298	3,014	1%

Source: REMI

Housing Cost Burden

[209] REMI, Michigan Department of Transportation, and RKG Associates, 2018

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region Five considered cost burdened or severely cost burdened. In total, 13 percent of all homeowner households in the region are cost burdened while 9 percent are severely cost burdened.[210] Of cost burdened households, 64 percent are at or below 80 percent of Area Median Income (AMI), with 33 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 93 percent of these households fall at or below 80 percent of AMI, and 48 percent fall at or below 30 percent of AMI.

Table 2. Prosperity Region Five Housing Cost Burdened Homeowners

Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	1,870	8%	7,000	48%
>30% and <=50% AMI	4,885	22%	3,865	26%
>50% and <=80% AMI	7,390	33%	2,640	18%
>80% and <=100% AMI	3,035	14%	615	4%
Income >100% AMI	5,095	23%	475	3%
Total	22,275	100%	14,595	100%

Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region Five decreased by 337, which amounts to a nearly zero percent change.[211] At the same time, the region saw a 2 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals, demolitions, and the loss of mobile home units. Concurrent to the decline in owner units, rental housing units increased 5 percent. This section will further explore the complexities of the ownership market in Prosperity Region Four.

[210] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

[211] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[214] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings having five or more units. Of all the housing (both owner and renter) in Prosperity Region Five, 75 percent of the residential housing stock is comprised of single-family homes, which is slightly more than the state percentage of 72 percent.[215]

Table 3. Housing Tenure

Housing Tenure	Prosperity Region 5	Region Percent	Michigan	Michigan Percent
Owner-Occupied	166,453	62%	2,732,051	60%
Renter-Occupied	58,649	22%	1,128,343	25%
Vacant-For Rent	4,262	2%	85,584	2%
Vacant-For Sale	7,109	3%	83,371	2%
Vacant-Seasonal[212]	22,346	8%	288,250	6%
Vacant-Other[213]	7,641	3%	227,321	5%
Total	266,460	100%	4,544,920	100%

Source: ACS 2012-2016

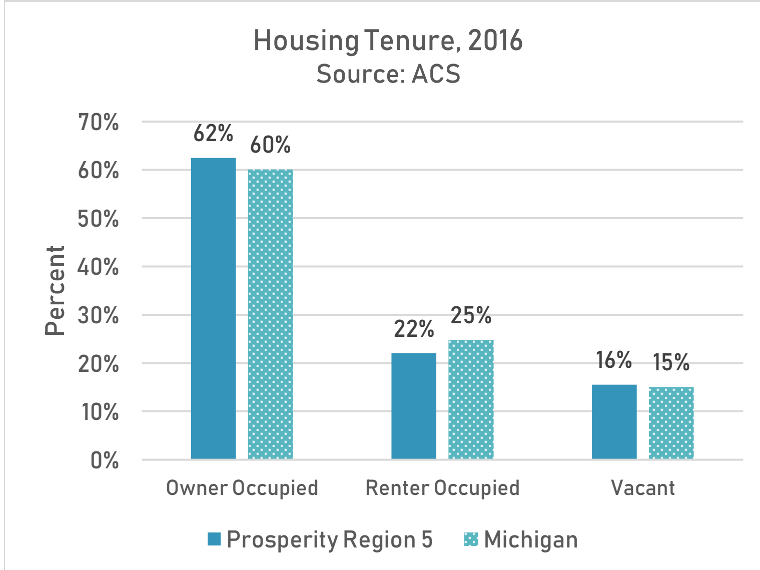
[212] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

[213] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[214] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[215] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

Figure 8: Housing Tenure



Regionally, the owner-occupied housing stock accounts for 62 percent all units. This is slightly higher than the statewide figure of 60 percent. Ownership patterns are changing in the region, over the last five years there was a 2 percent decrease in the number of ownership units and a 5 percent (2,890 unit) increase in rental units. Some of the decline in owner-occupied units could be the result of a drop of 1,579 single-family units going off the market, being demolished, or possibly becoming rentals, in addition to the 1,080 mobile homes which may have shifted from ownership to rental units or were entirely removed from the market.

Across the region, 16 percent of the housing units are classified as vacant. Digging deeper, 8 percent of all units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 22,346 housing units (owner and renter) that have been removed from the year-round housing market. An additional 3 percent, or 7,641 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The number of vacant units have declined over time, decreasing by 1 percent indicating that some of the vacant housing stock is being added to the rental supply.

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Table 4: Owner-Occupied by Units in Structure

Owner-Occupied	Prosperity Region 5	Region Percent	Michigan	Michigan Percent
Single-Family	149,623	90%	2,412,899	88%
Two or More Units	4,400	3%	175,225	6%
Mobile Home/RV/Other	12,430	7%	143,927	5%
Total	166,453	100%	2,732,051	100%

Source: ACS 2012-2016

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 90 percent of the owner-occupied residential stock was single-family homes.[216] Prosperity Region Five's owner-occupied housing stock has half the percentage of structures with two or more

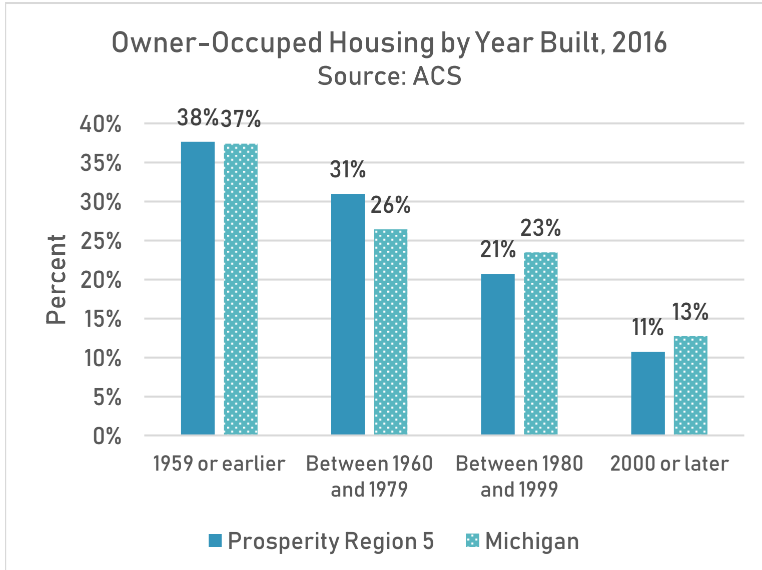
[216] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

ownership units compared to the state, accounting for 3 percent of the total. As of 2016, the region had approximately 7 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are the result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units.

AGE OF HOUSING

In Prosperity Region Five, the median year built of an owner-occupied housing unit is 1975, while the median year built in Michigan is 1970.[217] About 32 percent of all owner-occupied housing was built after 1980.[218] **Older homes still make up a significant share of the marketplace, with homes built before 1979 accounting for 69 percent of total owner-occupied units.** This finding also shows how the region became an employment center during the post-war period. Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

Figure 9: Owner-Occupied Housing by Year Built



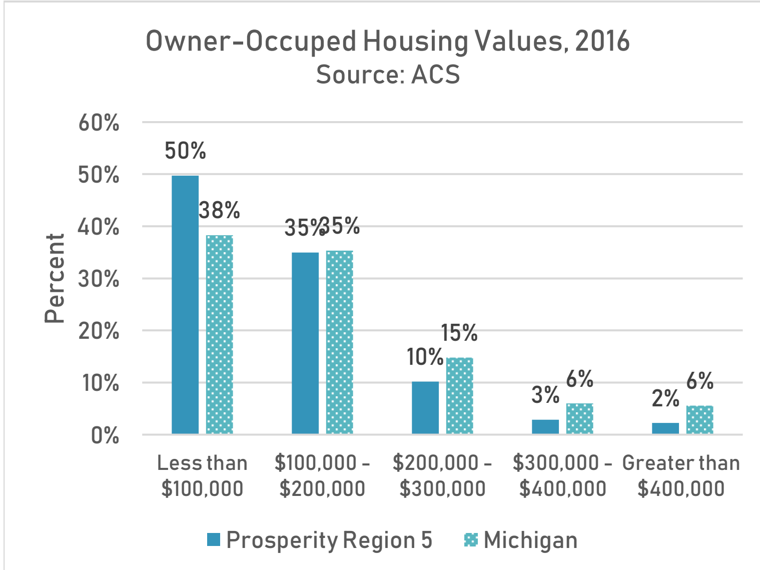
[217] ACS 2012-2016, Table B25037, and RKG Associates

[218] ACS 2012-2016, Table B25036, and RKG Associates

UNIT VALUES

The percentage of homes in the region valued under $100,000 is greater than the state percentage, with about 50 percent of the region's units falling under this value as compared to 38 percent across the state.[219] The region's housing values trail in all other categories. This indicates that what housing stock is available is priced well below state averages and reflects the purchasing power of residents and broader economic conditions of the region.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region Five mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[220] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

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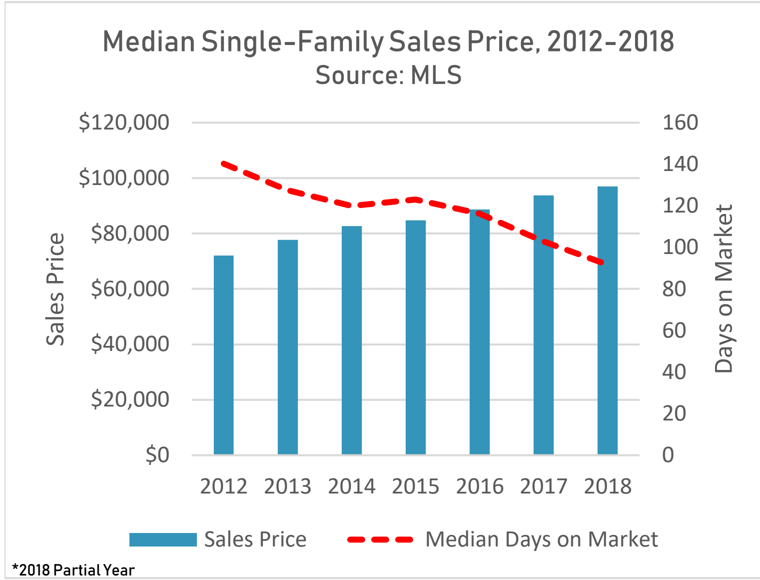
[219] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[220] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

The market for single-family homes has seen a gradual price escalation and moderate number of sales. Between 2012 and 2018, there were 57,181 sales, or an average of 8,169 sales per year.[221] The median single-family home sales prices rose by 30 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $93,730. The time it took to sell a home in Prosperity Region Five also decreased, dropping 27 percent to an average of 103 days on the market.[222]

Figure 11: Median Single-Family Sales Price



Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 61 percent of all single-family sales, and where prices have increased 25 percent over the last six years. Based on average households' sizes, these homes tend to meet the needs of buyers. **At a median price of $96,305 these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $35,000 per year -- which is less than the region's median household income.

Larger single-family homes with four- and five-bedrooms also experienced price appreciation. **The median sales price of a four-bedroom home increased by 13 percent to $139,050 and the price of a home with five or more bedrooms increased by 26 percent to $187,460.**[223] This market segment makes up about 21 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $82,400 which was more than 63 percent greater than a home built between 1900 and 1950.[224] Similarly, the median sales price of a unit built between 1990 and 2010 was $155,000 which was more than 37 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical

[221] Michigan Realtors 2012-2018, and RKG Associates

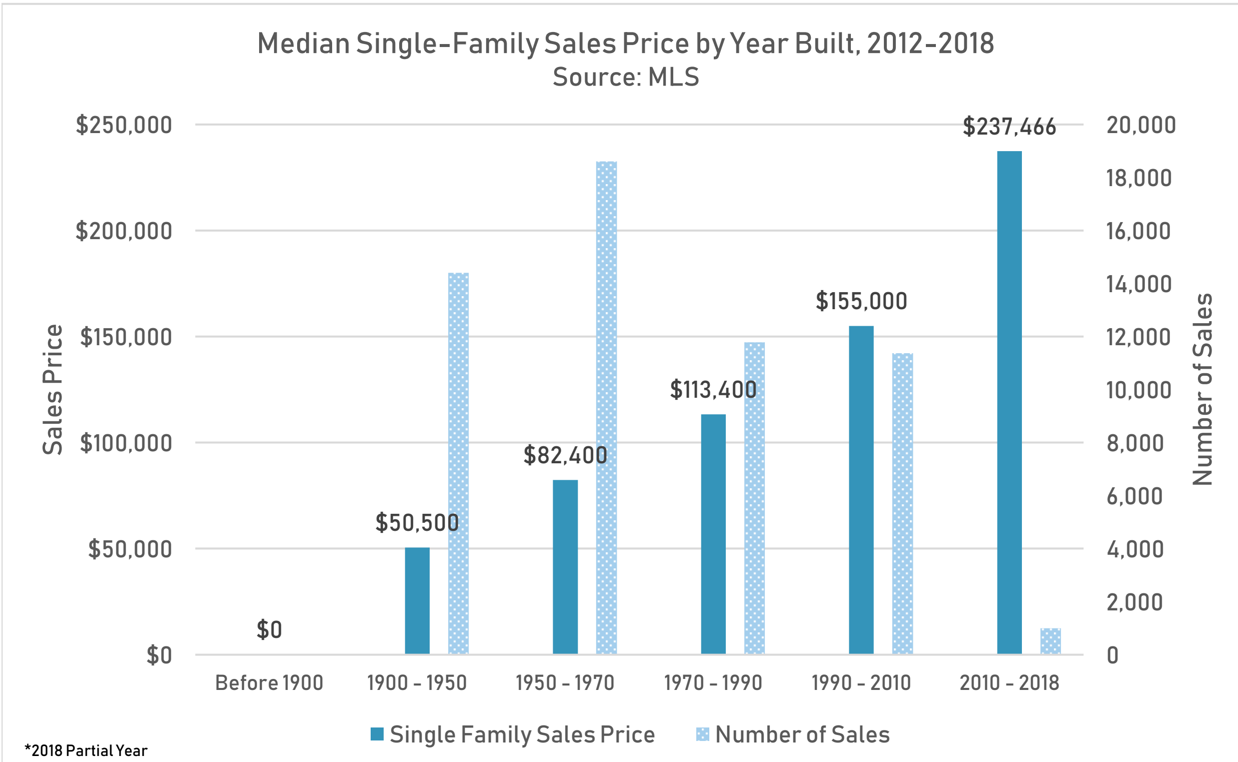
[222] Michigan Realtors 2012-2018, and RKG Associates

[223] Michigan Realtors 2012-2018, and RKG Associates

[224] Michigan Realtors 2012-2018, and RKG Associates

condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 169 percent more than existing units. The median sales price of a new home in 2017 was $252,350 compared to $93,730 for an existing single-family home.**[225]

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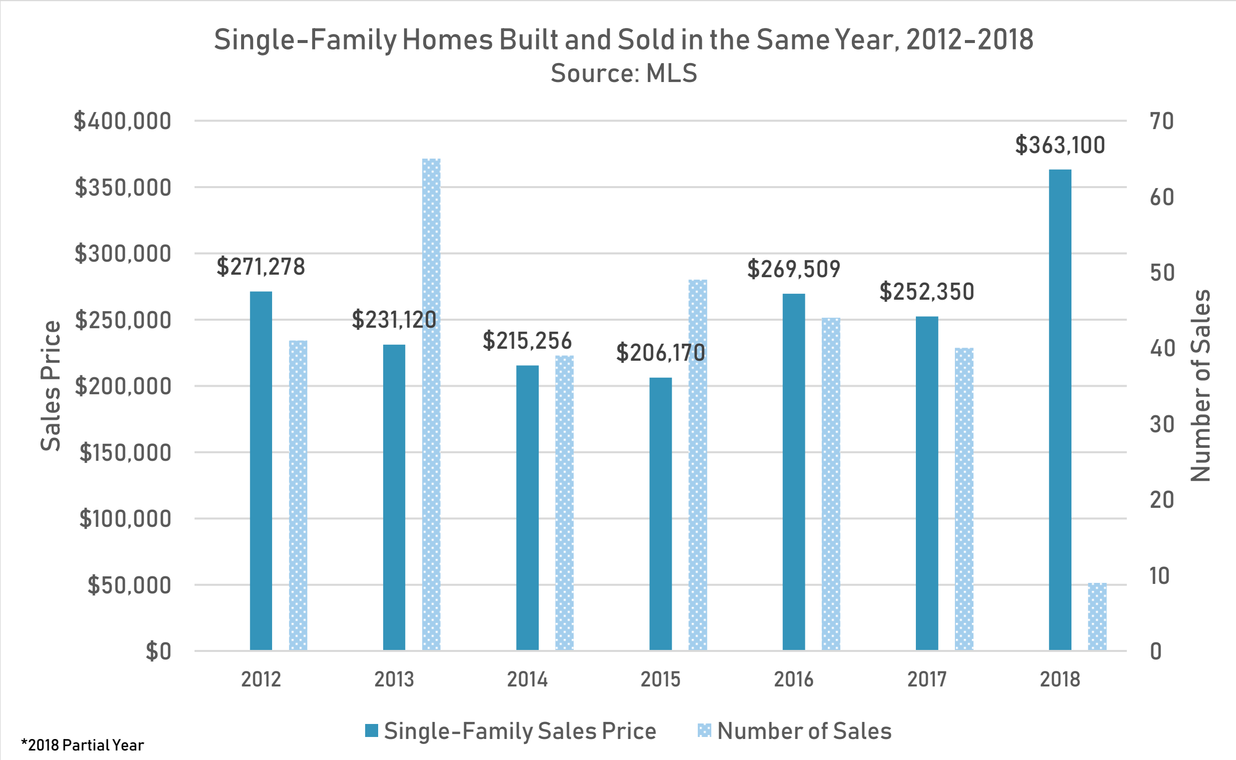
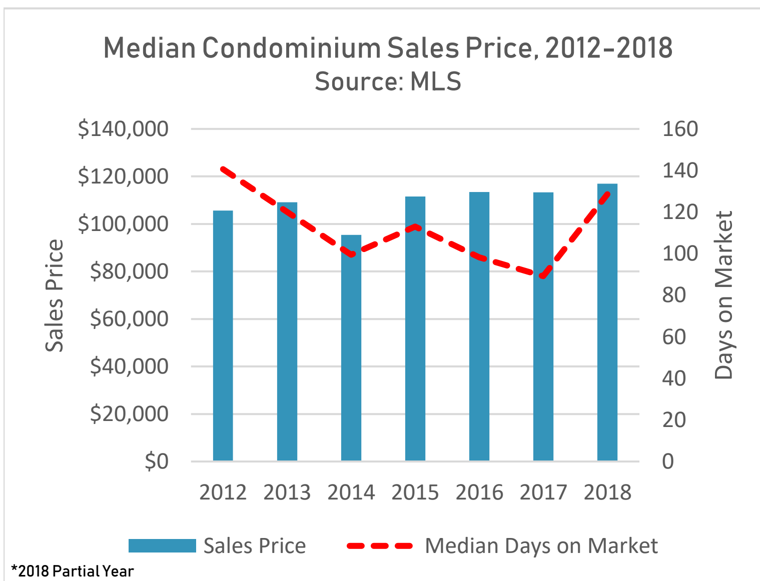
[225] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

Figure 13: Single-Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Figure 14: Median Condominium Sales Price



Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

The market for condominiums across the region is relatively weak, as there few condominium sales and units in general. Between 2012 and 2018, the region saw about 2,208 sales or an average of 315 sales per year. Condominium sales prices have increased 7 percent over the last six years. The median sales price of a condominium in 2017 was $113,300, with an average of 89 days on the market. Days on market has decreased 37 percent since 2012.[226]

The modest prices for condominiums in the region reflect both the supply and nature of demand for units. Across the region, population has declined leading to diminishing demand for housing overall; additionally, the availability, condition, and type of unit informs the buyers decision. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 59 percent of all condominium sales, with a median price of $107,120. For this product type, the median price has increased by 1 percent since 2012.[227] The rural nature of the region contributes to developers and builders not constructing as many condominium units compared to a more urban region. The market in this region has been more focused on the single-family homes than condos.

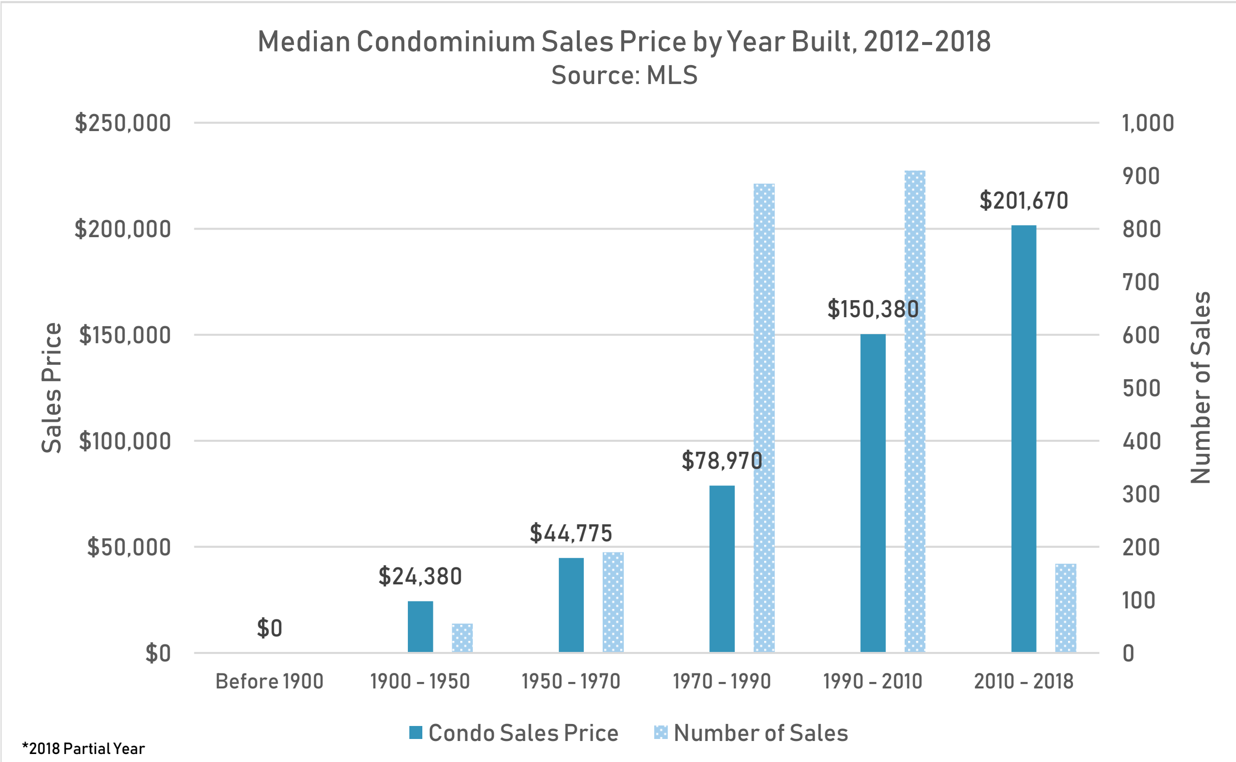
Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. Across the region, there are relatively few condominium sales, and the prices reflect that. Much of the condominium housing stock was built after 1970. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $150,380. This was about 90 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

[226] Michigan Realtors 2012-2018, and RKG Associates

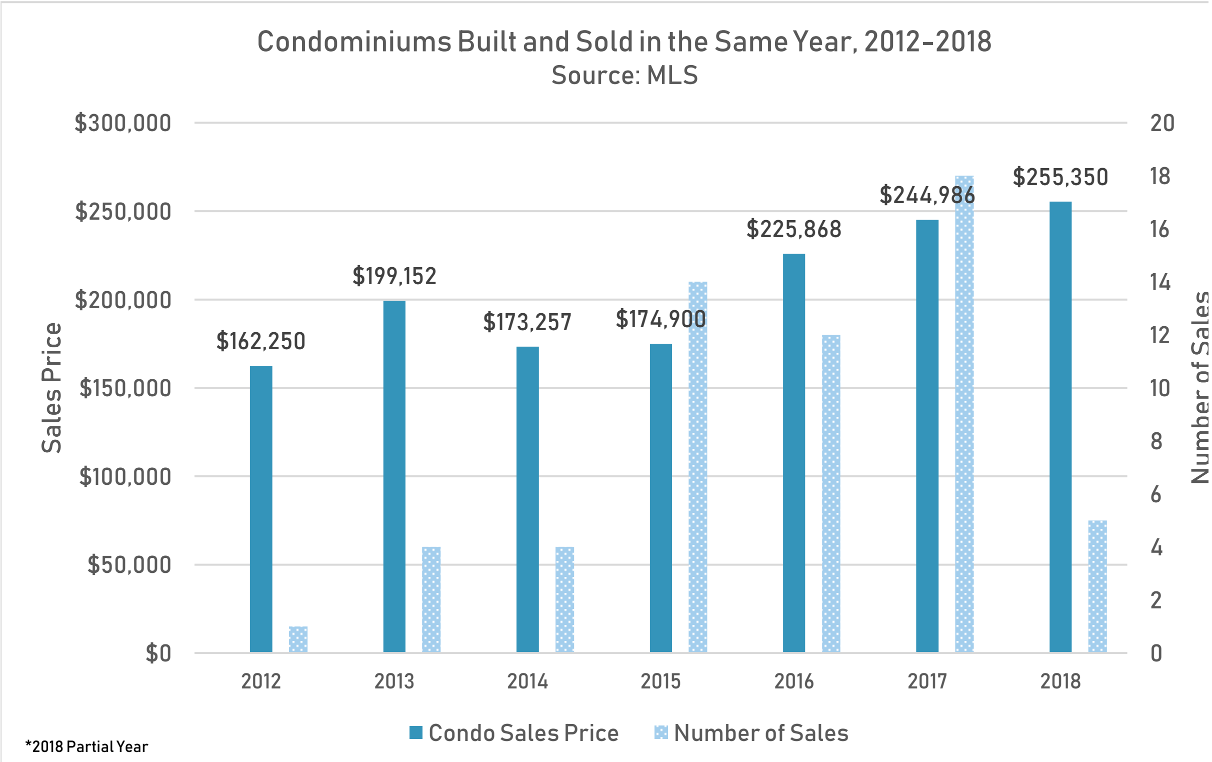
[227] Michigan Realtors 2012-2018, and RKG Associates

Figure 15: Median Condominium Sales Price by Year Built



As part of the analysis to provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. **On average, a new condominium unit sold for 116 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $244,986 compared to $113,300 for an existing condo**. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In mostly rural areas like Prosperity Region Five, the predominate housing type are single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[229] Based on the data, **about 38 percent of households fall at or below 80 percent of AMI which equates to a household income of no more than $42,300.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[228]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	24,370	15%
50% AMI	$26,450	$92,649	10,021	6%
80% AMI	$42,300	$148,169	29,140	18%
120% AMI	$63,450	$222,253	32,544	20%
200% AMI	$105,750	$370,422	41,364	25%
Greater than 200% AMI	$105,751	$370,423	29,014	17%

Source: HUD, ACS, and RKG Associates

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

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228 Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

229 The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17: Maximum Purchase Price Based on AMI

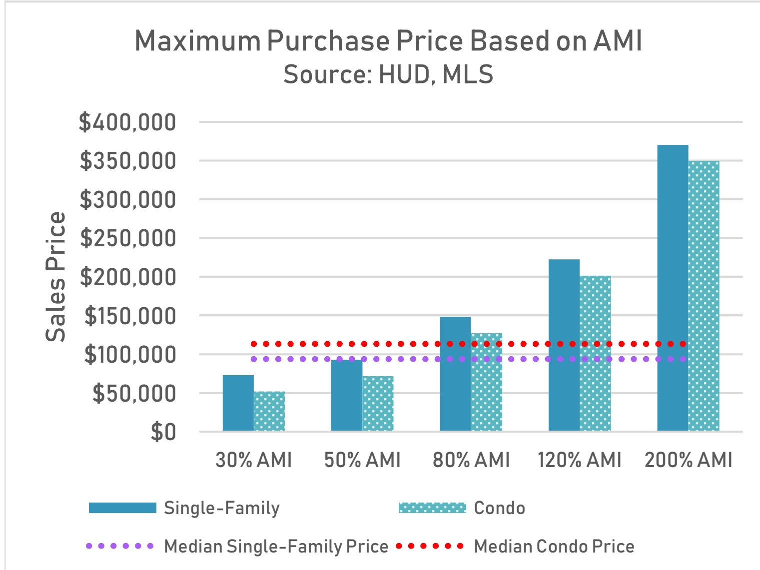


Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of a single-family home sold in 2017 was affordable to households at or above 50 percent of AMI.** For condominiums, median sale prices were higher than single-family homes and therefore tend to be more affordable to households making nearly 80 percent AMI and above.

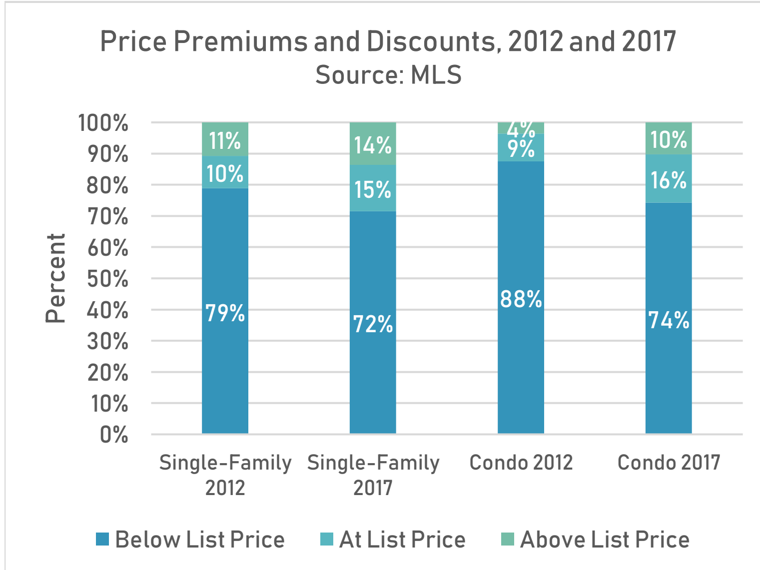
At 30 percent of AMI, a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $93,730. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

In Prosperity Region Five, between 2012 and 2017, the market for single-family homes slightly improved as the percentage of homes selling below list price decreased from 79 percent to 72 percent; conversely, above list price sales went from 11 percent to 14 percent, with the median above list price differential being $2,163 in 2017.[230] The condominium market saw a similar trend, with sales below list price decreasing from 88 percent to 74 percent, and above list price sales increasing from 4 percent to 10 percent, with the median above list price differential being $4,841 in 2017.

Figure 18: Sales Prices of Units, 2012 - 2017



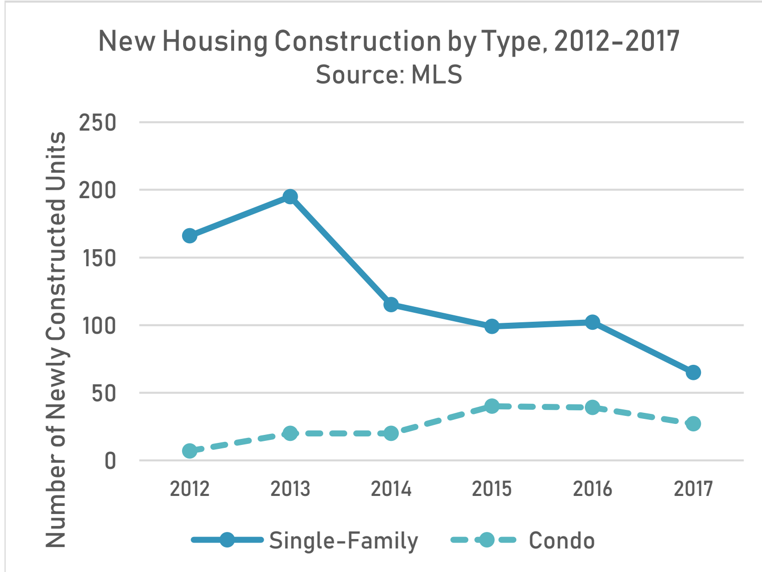
HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

[230] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 19: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, **the pace of new construction for ownership units has drastically decreased in recent years. Between 2012 and 2017 a total of 742 single-family units and 153 condominium units were built.**[231] Figure 19 shows the overall trajectory of new construction across the region. Single-family home construction saw a decline (36 percent) from 2016 to 2017, and condominium unit construction saw a similar decline of 31 percent over the same period. The average square footage of a newly constructed single-family unit was nearly 2,000 square feet, while a new condominium unit was 1,500 square feet.[232] The median sales price of a single-family unit built in 2017 was $252,350, and the price of a condominium unit built in 2017 was $244,986, both of which are significantly higher than the median sales price of an existing housing unit.

HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household decline across the region is projected to continue. One of the biggest issues in Prosperity Region Five is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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231 Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

232 Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	24,370	$72,788	60,242	35,872
50% AMI	$26,450	10,021	$92,649	10,831	810
80% AMI	$42,300	29,140	$148,169	45,886	16,746
120% AMI	$63,450	32,544	$222,253	27,759	-4,785
200% AMI	$105,750	41,364	$370,422	16,550	-24,814
Greater than 200% AMI	$105,751	29,014	$370,423	5,185	-23,829
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. **Homes valued at a price that is affordable to households earning at or below 30 percent of AMI make up most of the housing stock and are in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are priced lower because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $93,730 which is affordable to households above 50 percent AMI. Currently, there is a slight surplus of units available at 50 percent of AMI, but changes demand could result in a deficit over the long-term.

The calculated housing unit deficit amounts to 53,428 housing units at above 120 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 6 percent of the total housing stock, which translates into 7,109 Vacant-For Sale units and 7,641 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	74%	10,907	8,736	2,171
Rental	26%	3,843	3,078	765
Total	100%	14,750	11,815	2,935
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 74 percent of the total occupied units in Prosperity Region Five. Of the existing vacant units, about 10,907 could be classified as units that could one day be brought back into the ownership market. Projections forecast 11,815 new households to form in the region. This translates into 8,736 owner households based on the existing owner and renter household split.[233] The gain in households has the potential to reduce some of the existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net surplus of 2,171 units. This indicates the region has existing capacity to absorb growth in households.

One of the key issues related to vacant unit absorption is whether the existing structures meet the need of households regarding location, number of rooms, size, amenities, and purchase and rehabilitation costs. If vacant housing units are not marketable, then developers will continue to build new housing product which meets the needs of buyers.

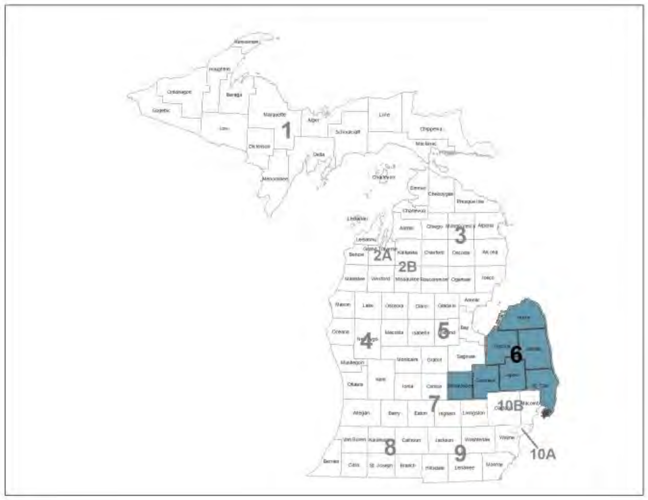
[233] REMI, ACS, and RKG Associates

EAST MICHIGAN PROSPERITY REGION

Region at a Glance

The East Prosperity Region (Prosperity Region Six) encompasses 7 counties and abuts both Saginaw Bay and Lake Huron. The area is mostly rural with a few large population and employment centers which include Flint and Port Huron. The region has an international border crossing with Canada at Port Huron. The major transportation corridors providing north-south connections are Interstates 75 and 94 and Routes 53, 24, and 25; while the main east-west corridors are Interstate 69 and Route 46.

Figure 1: Map of Prosperity Region 6



The region is not too far from the Detroit Metro Area, as the drive from Flint to Detroit takes about one hour. The region once had a strong history of manufacturing, particularly in Flint. Over the last forty years, economic changes have impacted demographic, socioeconomic, and housing related metrics. This analysis will explore those changes and their implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region Six, the following are key findings:

- Looking forward to the year 2045, the population of the region is projected to decline by 1 percent, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent decline in population occurs in the 18 to 24 age group, decreasing by 25 percent.
- Households are expected to grow in both the short and long-term. Between 2020 and 2025, households are expected to grow by 2 percent, and between 2015 and 2045, households are expected to grow by 4 percent.
- Over the course of the next twenty-five years, employment is expected to grow by 1 percent or 4,179 jobs.
- About 6 percent, or 23,670 units, of the housing stock is classified as “Vacant-Other” meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. About 5 percent of the statewide housing stock is classified as Vacant-Other.

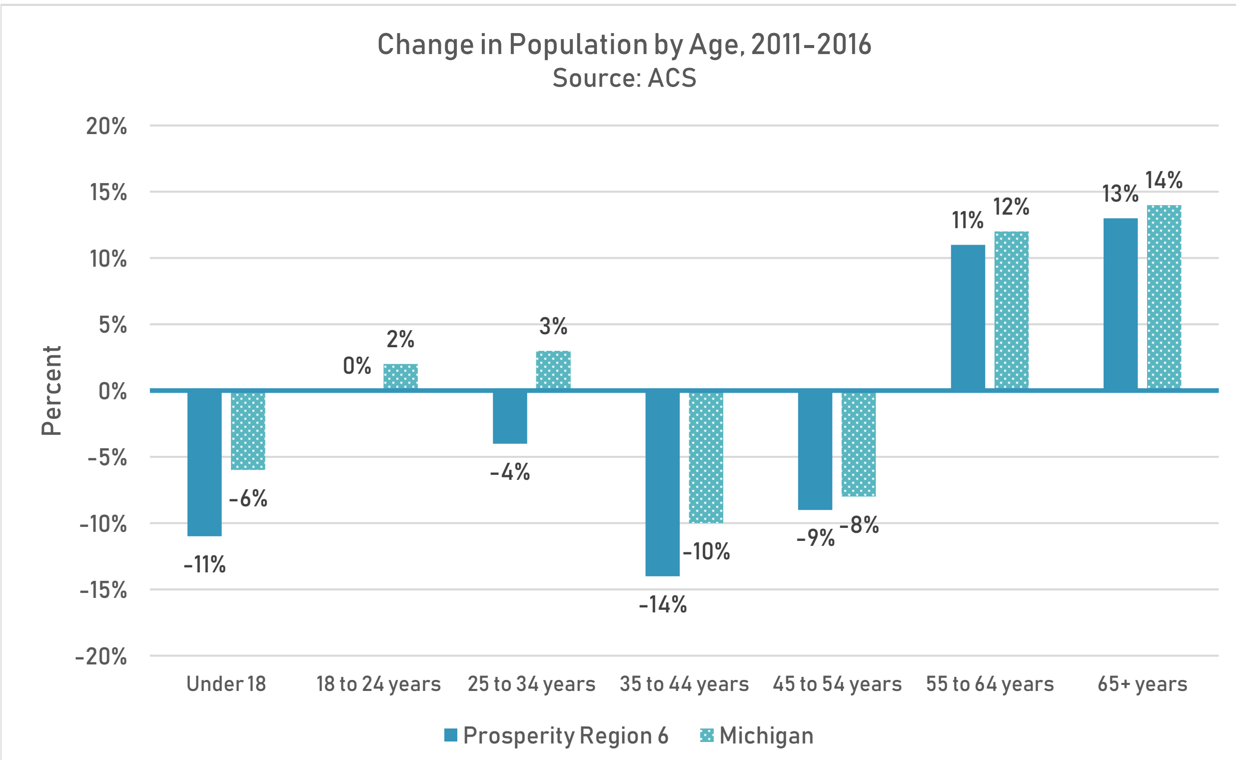
- The housing stock in region tends to be older, with about 36 percent of all owner-occupied housing built before 1959, which is like the statewide percentage of 35 percent.
- The percentage of homes in the region valued under $100,000 is greater than the state percentage, with about 48 percent of the region's units falling under this value as compared to 38 percent across the state.
- The market for single-family homes is strong. Sales prices rose by 95 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $122,570. The median sales price of a new home in 2017 was $234,750 which is 89 percent greater than existing units.
- The condominium market is robust as sales prices have increased 58 percent over the last six years. The median sales price of a condominium in 2017 was $128,647; while the median sale price of a new condominium in 2017 was $193,241, a difference of 50 percent.
- The median price of both a single-family home and condominium sold in 2017 was affordable to households at or above 80 percent of area median income (AMI). Households at or below 50 percent of AMI may find it more challenging to purchase a home that is priced above $122,570.
- The pace of new construction for ownership units has increased in recent years. Between 2012 and 2017 a total of 1,312 single-family units and 220 condominium units were built.
- The supply of vacant housing in this Prosperity Region is enough to absorb projected housing demand in the future if the housing stock is habitable, well-located, and price appropriately.

Demographics

POPULATION

The current population of Prosperity Region Six is 858,065 which makes it the fifth largest region in the state. The region experienced a 3 percent population decrease over the last five years as compared to the state where no growth occurred over the same period.[234] Prosperity Region Six has experienced negative growth or has fallen behind the state across nearly all population cohorts. The region lost population between the ages of 35 and 54 over the last five years. This population cohort can be an important component of a community, as these age groups tend to have children and are in their prime earning years.

Figure 2: Change in Population by Age



Looking forward to the short-term, it is projected that between 2020 and 2025 the region will not experience any population growth. The greatest losses are projected to occur between ages 18 and 24, with a projected loss of 9 percent. This may indicate younger residents are leaving the region for educational and employment opportunities elsewhere[235] Alternatively, the region is expected to see growth in the 25 to 34 age group, which is expected to grow by 7 percent. The attraction of young

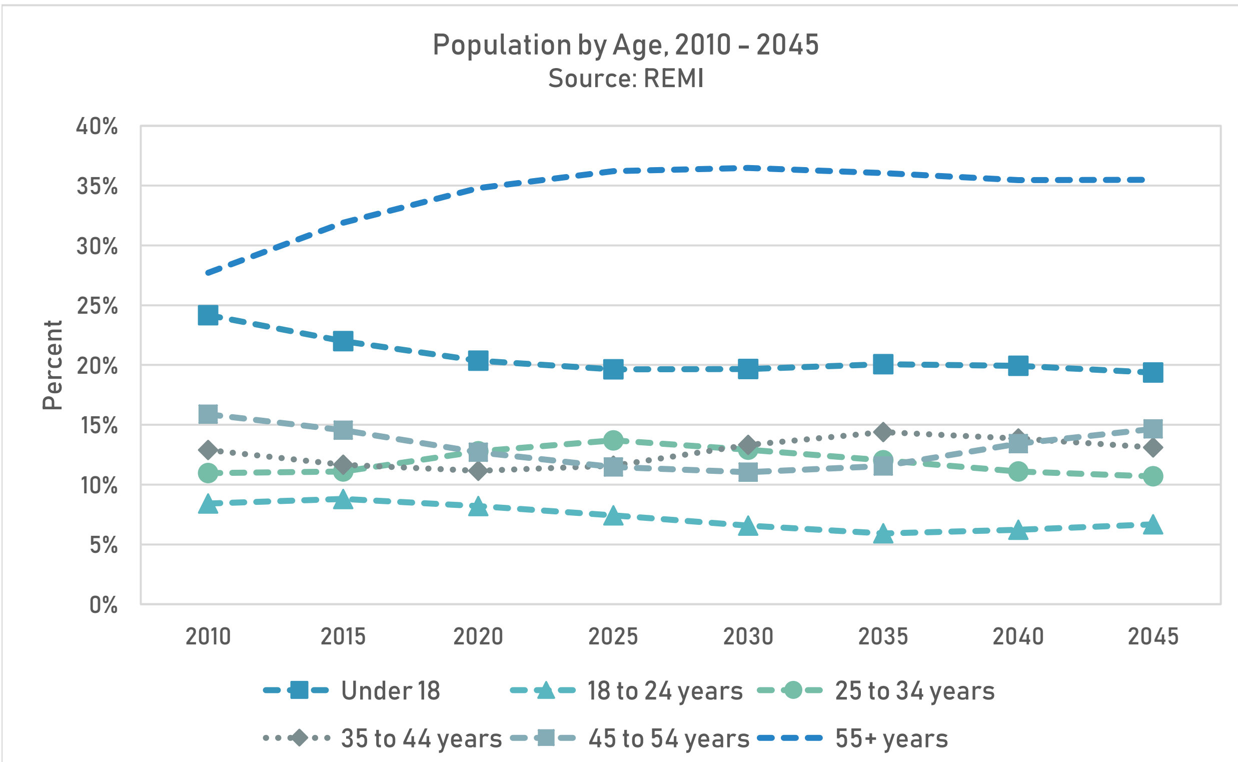
[234] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

[235] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

professionals is helpful to the region to fill job openings, purchase homes, and begin establishing longer-term roots in the region.

Looking forward to the year 2045, the population of the region is projected to decline by 1 percent., compared to the state which is projected to grow by 8 percent.[236] **Between 2015 and 2045, the largest percent decline in population occurs in the 18 to 24 age group, decreasing by 25 percent.** The decrease in this cohort can be attributed to the general trend of young people leaving the area for other opportunities; however, the decline in the region is more than double the projected statewide decline of 11 percent.

Figure 3: Population by Age



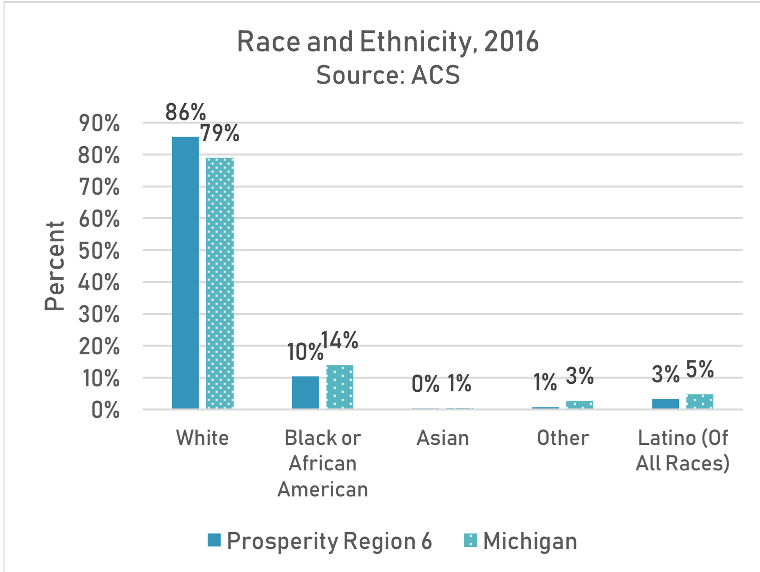
The senior population is expected to increase by 10 percent over the long-term, compared to the state growth rate of 24 percent. Even with a lower rate of growth, increases in the senior population have an impact on the housing market as more senior households age-in-place. There is the potential that senior households will hold onto their units longer limiting turnover and restricting supply.

[236] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

RACE AND ETHNICITY

Most of the residents in Prosperity Region Six identify as White, accounting for nearly 86 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 6 percent from 2011 to 2016 and now accounts for 3 percent of the total population.**[237]

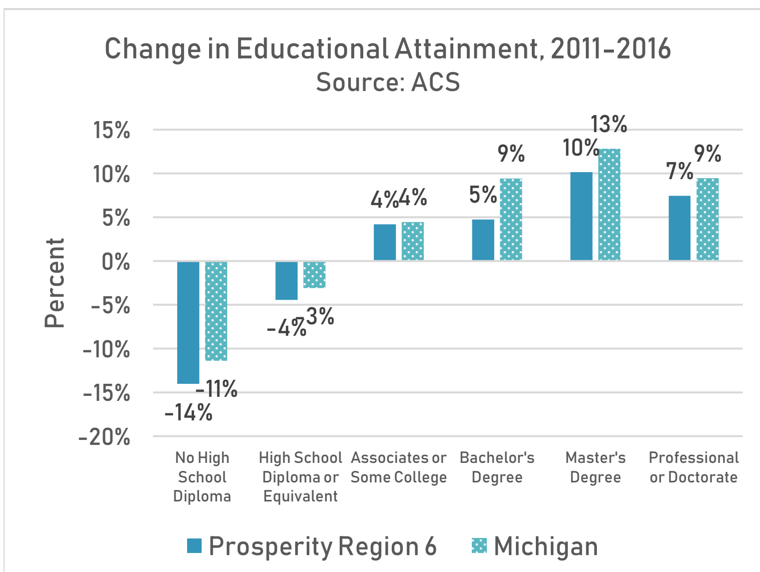
Figure 4: Race and Ethnicity



EDUCATION

One challenge for this region is the disproportionate number of residents with a high school diploma or less. About 46% of all residents have, at most, a high school diploma. This education achievement gap could have long-standing impacts on earning potential and the ability of employers in the area to find qualified employees locally. The good news is educational attainment has improved over the last five years with increases in the number of residents earning bachelor's, master's, and professional degrees, though the region still lags the state.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

As of 2016, there were 343,235 households in Prosperity Region Six.[238] Between 2011 and 2016, the region experienced virtually no growth in households with a loss of 44, compared to the state's

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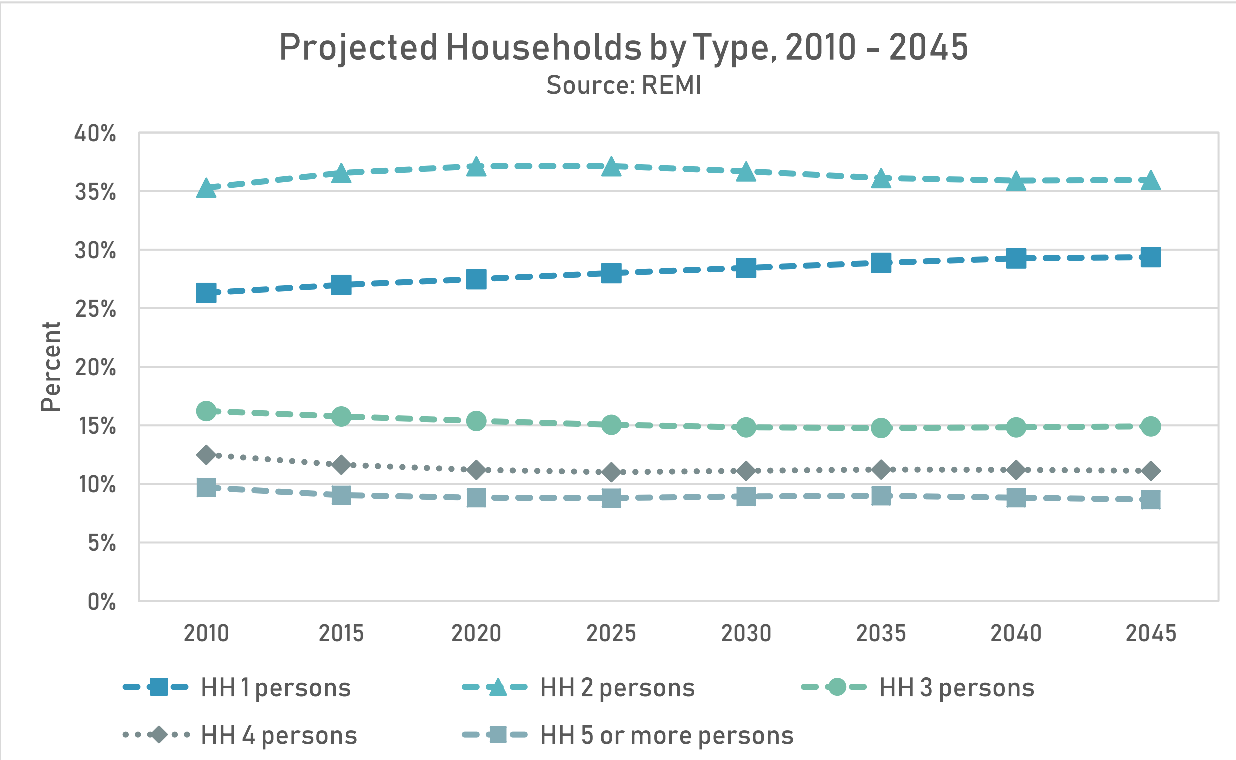
[237] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

[238] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

growth of 1 percent. Looking forward, **Prosperity Region Six is expected to experience a slight increase in household growth over both the short- and long-term.** Between 2020 and 2025, households are expected to grow by 2 percent, and that over the long-term, between 2020 and 2045, households are expected to grow by 4 percent, compared to the state which is expected to grow by 11 percent.[239]

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all households' sizes, except three-person and four-person households, will experience modest growth between 2 and 4 percent.[240] The longer-term trend through 2045 shows one-person households increasing by 11 percent versus the state growth rate of 19 percent. The region is expected to experience growth in four and five-person households of 3 percent and 2 percent, respectively, which is close to the state's projected growth rate of 7 percent. The growth of smaller households will have an impact on housing demand because greater numbers of units will be required to accommodate smaller households.

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[239] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[240] REMI, Michigan Department of Transportation, and RKG Associates, 2018

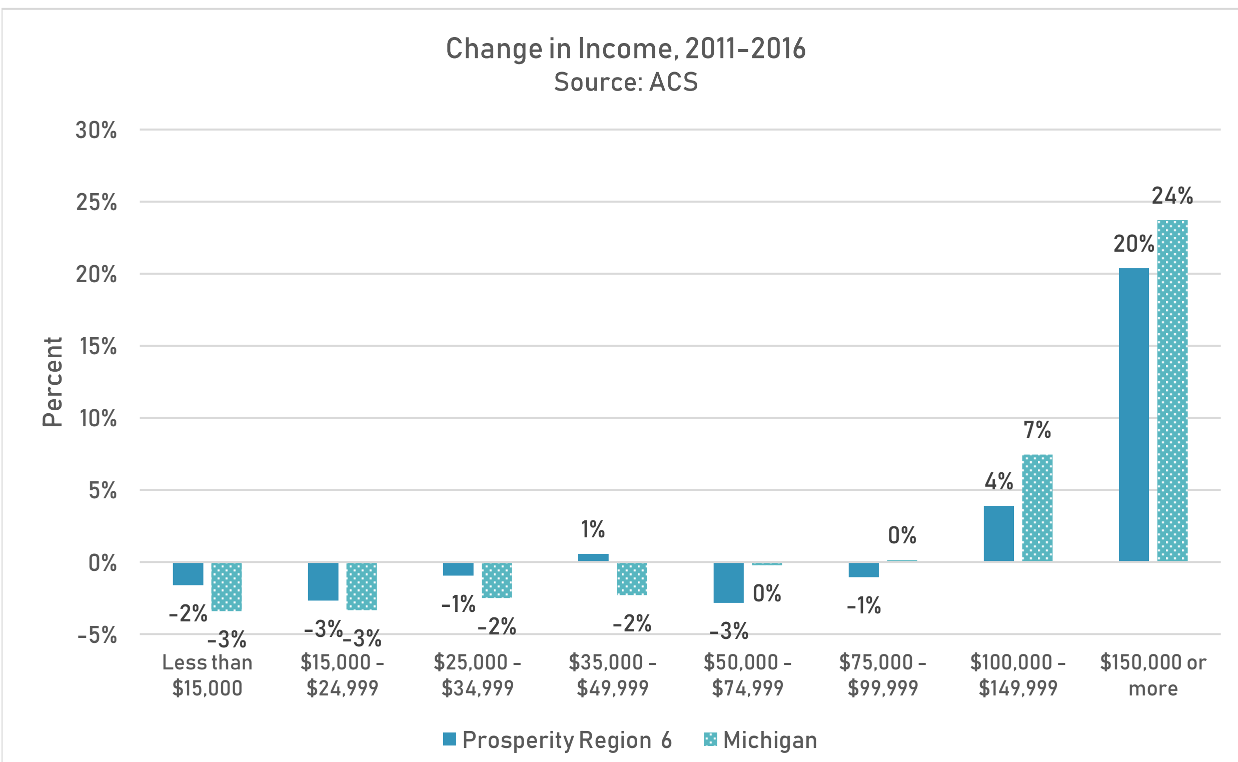
Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

Compared to the rest of Michigan, Prosperity Region Six has fallen behind economically. Flint and Port Huron serve as primary economic activity centers within the region. Additionally, the region is proximate to the Detroit Metro Area which is a jobs center for residents living in Genesee, Lapeer and St. Clair counties. There are still several large employers in the area and tend to be in industry sectors like manufacturing, healthcare, and education. The median household income of Prosperity Region Six is $44,193, which is about 87 percent the state median of $50,803.[241]

Over the last five years, incomes decreased across nearly all income cohorts. The only categories where substantial income growth occurred was in households earning over $100,000 per year. This segment only represents about 15 percent of all households in the region; the state's share of households earning over $100,000 was 20 percent. The region has struggled economically in recent years, and the growth in higher incomes is a result of larger employers such as hospitals and colleges expanding in the region.

Figure 7: Change in Incomes



[241] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

In this region, retail and service industries play a significant role in employment which has a corollary effect on median household income in the region. Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Retail Trade accounts for 12 percent of the jobs in the region.[242] The second largest employment sector is Local Government at 9 percent. **Over the course of the next twenty-five years, employment is expected to grow by only 1 percent. Projections show a gain of just 4,179 jobs between 2016 and 2045.** The retail sector is expected to decline drastically by 17 percent and the healthcare services sector is projected to expand by 40 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Retail trade	45,800	38,083	-7,717	-17%
Local Government	32,370	31,642	-729	-2%
Food services and drinking places	25,636	26,921	1,285	5%
Ambulatory health care services	22,570	31,570	9,000	40%
Administrative and support services	22,537	25,818	3,282	15%
All Other Industries	223,619	222,677	-942	0%
Total	372,532	376,710	4,179	1%

Source: REMI

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region Six considered cost burdened or severely cost burdened. In total, 12 percent of all homeowner households in the region are cost burdened while 8 percent are severely cost burdened.[243] Of cost burdened households, 68 percent are at or below 80 percent of Area Median Income (AMI), with 31 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 94 percent of these households fall at or below 80 percent of AMI, and 47 percent fall at or below 30 percent of AMI.

[242] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[243] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region Six Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	1,125	10%	3,585	47%
>30% and <=50% AMI	3,180	27%	2,260	29%
>50% and <=80% AMI	3,630	31%	1,344	18%
>80% and <=100% AMI	1,615	14%	192	3%
Income >100% AMI	2,080	18%	296	4%
Total	11,630	100%	7,677	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region Six decreased by 2,172, which amounts to a 1 percent change.[244] At the same time, the region saw a 3 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals, demolitions, and the loss of mobile home units. Concurrent to the decline in owner units, rental housing units increased 8 percent. This section will further explore the complexities of the ownership market in Prosperity Region Six.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[247] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 6	Region Percent	Michigan	Michigan Percent
Owner-Occupied	254,028	64%	2,732,051	60%
Renter-Occupied	89,207	22%	1,128,343	25%
Vacant-For Rent	7,198	2%	85,584	2%
Vacant-For Sale	7,893	2%	83,371	2%
Vacant-Seasonal[245]	15,439	4%	288,250	6%
Vacant-Other[246]	23,670	6%	227,321	5%
Total	397,435	100%	4,544,920	100%
Source: ACS 2012-2016				

[244] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[245] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

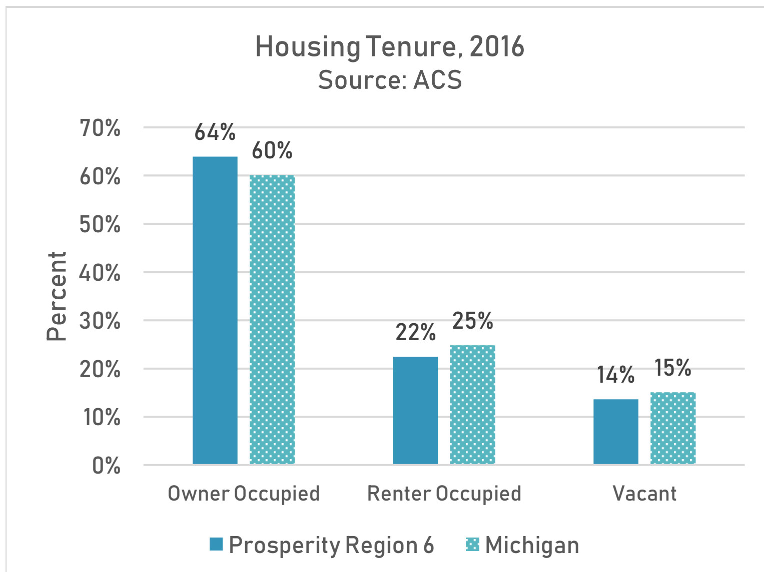
[246] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[247] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two

having five or more units. Of all the housing (both owner and renter) in Prosperity Region Six, 77 percent of the residential housing stock is comprised of single-family homes, which is slightly more than the state percentage of 72 percent.[248]

Regionally, the owner-occupied housing stock accounts for 64 percent all units. This is slightly higher than the statewide figure of 60 percent. Ownership patterns are changing in the region, over the last five years there was a 3 percent decrease in the number of ownership units and an 8 percent (6,565 unit) increase in rental units. Some of the decline in owner-occupied units could be the result of a drop of 3,218 single-family ownership units going off the market, being demolished, or possibly becoming rentals, in addition to the 2,966 mobile homes which may have shifted from ownership to rental units or were entirely removed from the market.

Figure 8: Housing Tenure



Across the region, 16 percent of the housing units are classified as vacant. Digging deeper, 4 percent of all units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 15,439 housing units (owner and renter) that have been removed from the year-round housing market. An additional 6 percent, or 23,670 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The number of vacant units have declined over time, decreasing by 4 percent indicating that some of the vacant housing stock is being added to the rental supply.

months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[248] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Table 4: Owner-Occupied by Units in Structure

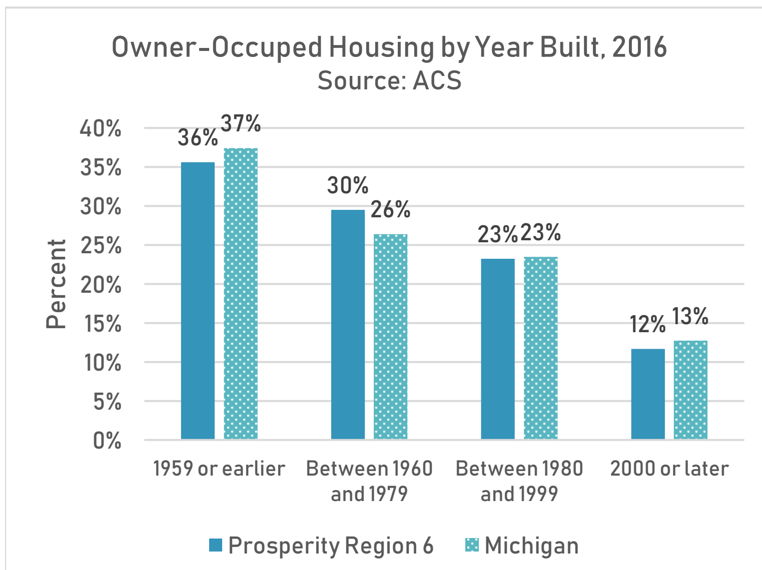
Owner-Occupied	Prosperity Region 6	Region Percent	Michigan	Michigan Percent
Single-Family	229,639	90%	2,412,899	88%
Two or More Units	9,301	4%	175,225	6%
Mobile Home/RV/Other	15,088	6%	143,927	5%
Total	254,028	100%	2,732,051	100%

Source: ACS 2012-2016

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 90 percent of the owner-occupied residential stock was single-family homes.[249] Prosperity Region Six's owner-occupied housing stock of two or more units was 4 percent as compared to the state, accounting for 6 percent of the total. As of 2016, the region had approximately 6 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are the result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units.

AGE OF HOUSING

Figure 9: Owner-Occupied Housing by Year Built



In Prosperity Region Six, the median year built of an owner-occupied housing unit is 1971, while the median year built in Michigan is 1970.[250] About 35 percent of all owner-occupied housing was built after 1980.[251] **Older homes still make up a significant share of the marketplace, with homes built before 1959 accounting for 36 percent of total owner-occupied units.** This finding also shows how the region became an employment center during the pre and post-war period. Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

[249] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

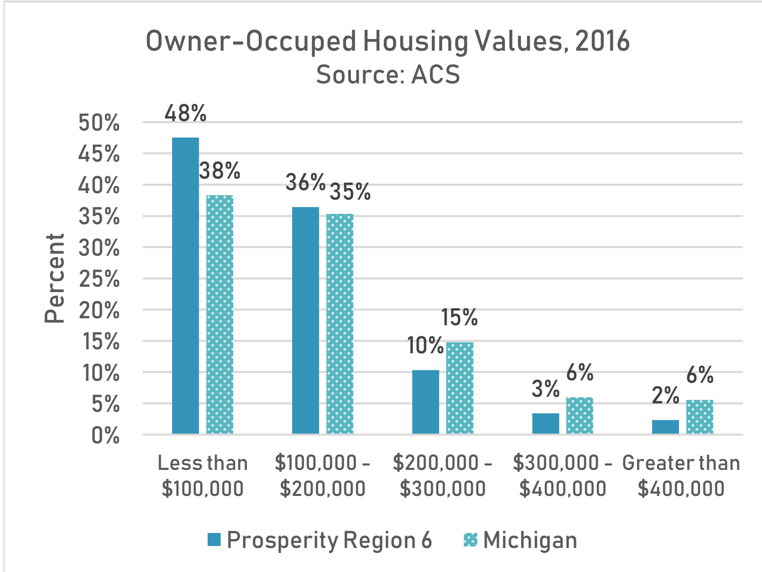
[250] ACS 2012-2016, Table B25037, and RKG Associates

[251] ACS 2012-2016, Table B25036, and RKG Associates

UNIT VALUES

The percentage of homes in the region valued under $100,000 is greater than the state percentage, with about 48 percent of the region's units falling under this value as compared to 38 percent across the state.[252] The region's housing values trail in nearly all other categories. This indicates that what housing stock is available is priced well below state averages and reflects the purchasing power of residents and broader economic conditions of the region.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region Six mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[253] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

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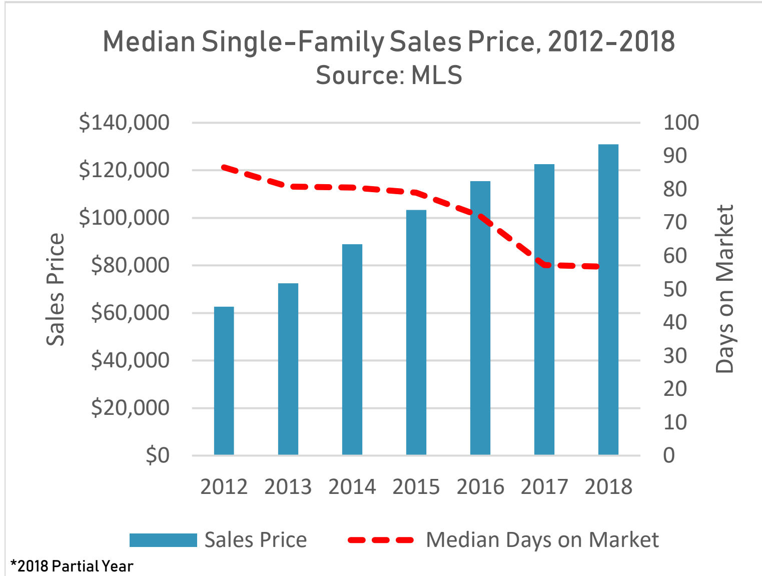
[252] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[253] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

Figure 11: Median Single-Family Sales Price



The market for single-family homes has seen a gradual price escalation and moderate number of sales. Between 2012 and 2018, there were 91,614 sales, or an average of 13,088 sales per year.[254] The median single-family home sales prices rose by 95 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was 122,570. The time it took to sell a home in Prosperity Region Six also decreased, dropping 34 percent to an average of 57 days on the market.[255]

Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 63 percent of all single-family sales, and where prices have increased 64 percent over the last six years. Based on average household sizes, these homes tend to meet the needs of buyers. **At a median price of $123,497 these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $45,000 per year -- which is nearly the region's median household income.

Larger single-family homes with four- and five-bedrooms plus also experienced price appreciation. **The median sales price of a four-bedroom home increased by 49 percent to $164,800 and the price of a home with five or more bedrooms increased by 33 percent to $192,610.**[256] This market segment makes up about 14 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $75,600 which was more than 64 percent greater than a home built between 1900 and 1950.[257] Similarly, the median sales price of a unit built between 1990 and 2010 was $169,847 which was more than 41 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical

254 Michigan Realtors 2012-2018, and RKG Associates

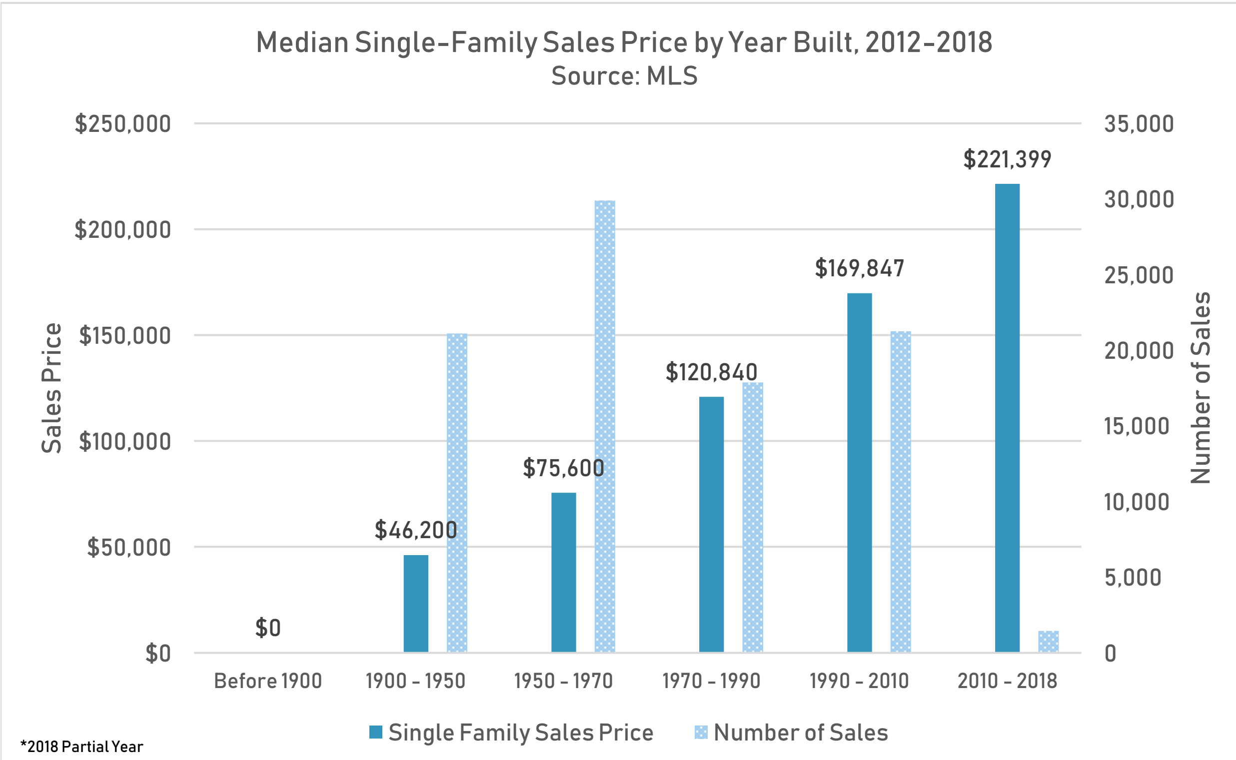
255 Michigan Realtors 2012-2018, and RKG Associates

256 Michigan Realtors 2012-2018, and RKG Associates

257 Michigan Realtors 2012-2018, and RKG Associates

condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

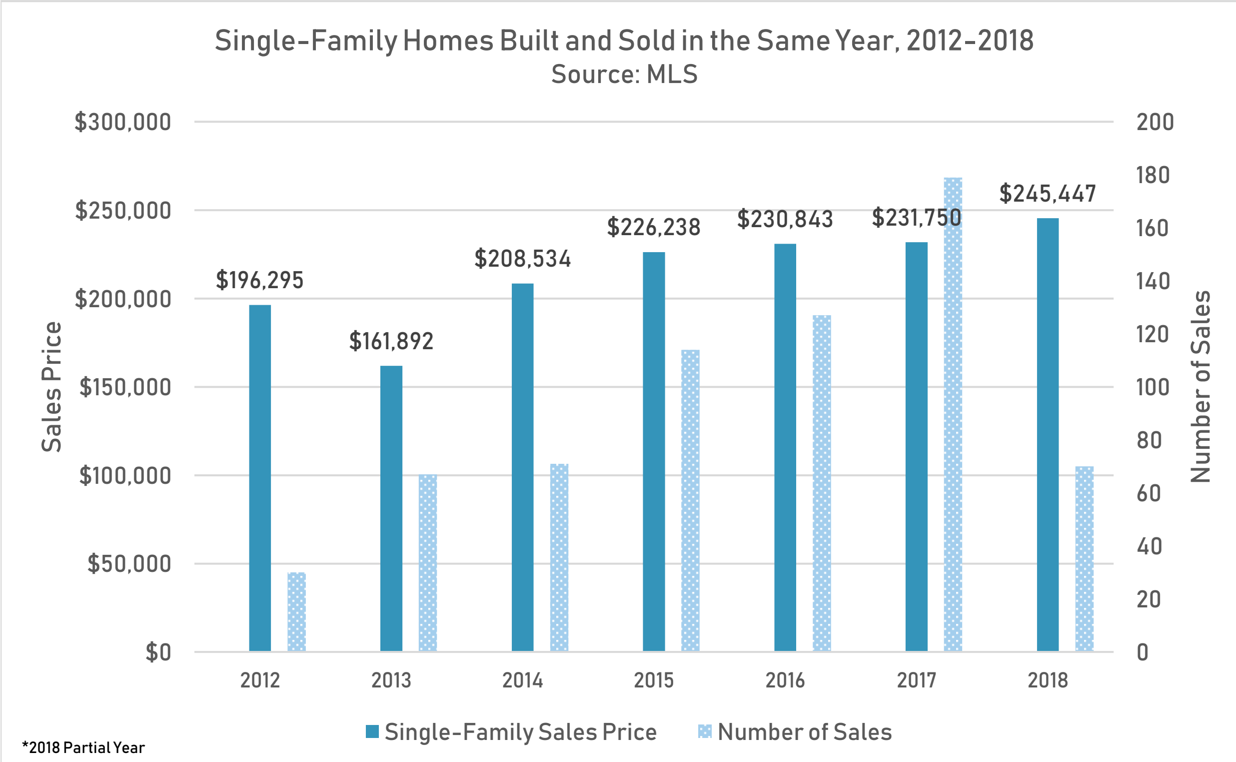
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 89 percent more than existing units. The median sales price of a new home in 2017 was $234,750 compared to $122,570 for an existing single-family home.**[258]

[258] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

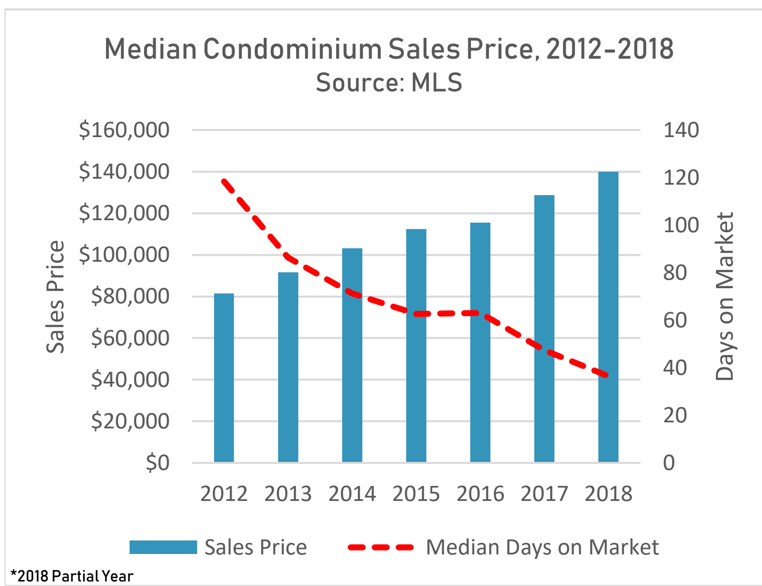
Figure 13: Single-Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

Figure 14: Median Condominium Sales Price



The market for condominiums across the region is strong and growing. Between 2012 and 2018, the region saw about 6,124 sales or an average of 875 sales per year. Condominium sales prices have increased 58 percent over the last

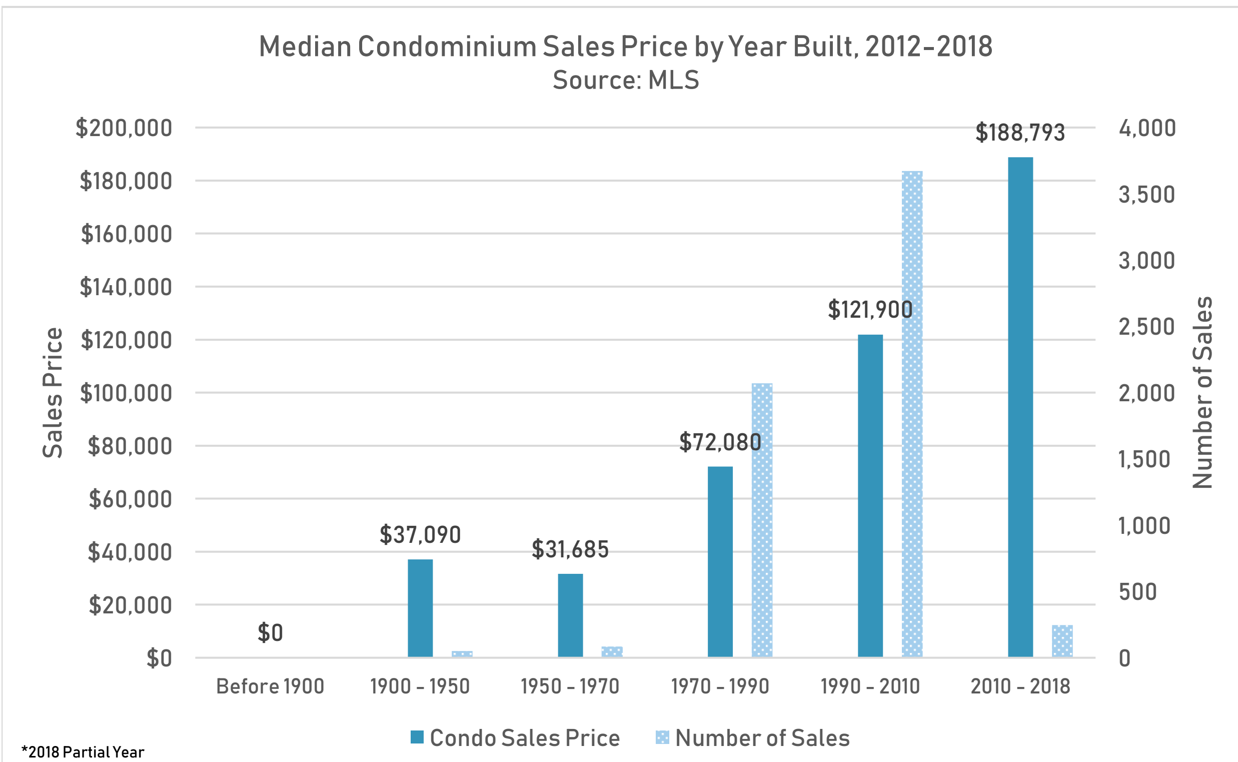
six years. The median sales price of a condominium in 2017 was $128,647, with an average of 47 days on market. Days on market has decreased 60 percent since 2012.[259]

The price escalation for condominiums across the region reflect the nature of demand for units. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 70 percent of all condominium sales, with a median price of $126,670. For this product type, the median price has increased by 60 percent since 2012.[260] One-bedroom condominiums, though only comprising 3 percent of sales, saw a drastic price increase of 173 percent since 2012, with a median sales price of being $60,101 in 2017.

Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $121,900. This was about 69 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

Figure 15: Median Condominium Sales Price by Year Built

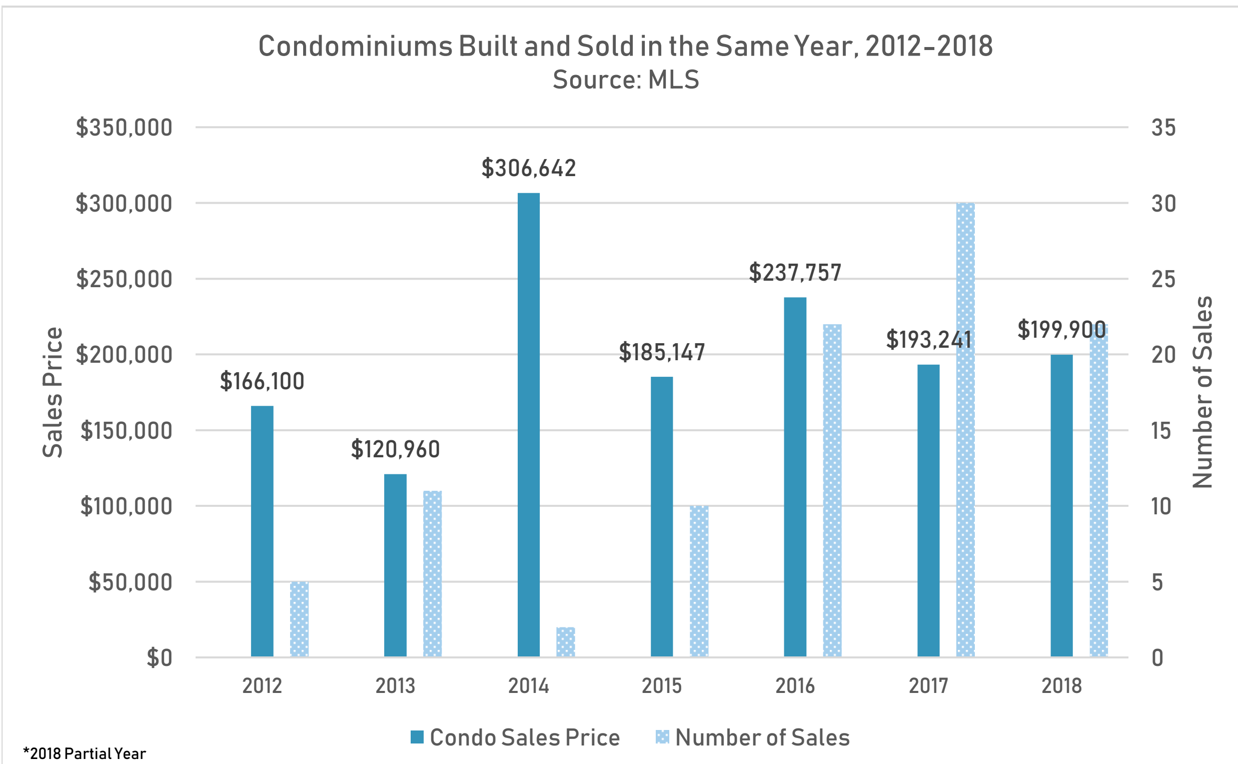


259 Michigan Realtors 2012-2018, and RKG Associates

260 Michigan Realtors 2012-2018, and RKG Associates

As part of the analysis to provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. **On average, a new condominium unit sold for 50 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $193,241 compared to $128,647 for an existing condo**. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In mostly rural areas like Prosperity Region Six, the predominate housing type are single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[262] Based on the data, **about 36 percent of households fall at or below 80 percent of AMI which equates to a household income of no more than $42,300.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[261]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	33,470	13%
50% AMI	$26,450	$92,649	14,464	6%
80% AMI	$42,300	$148,169	43,855	17%
120% AMI	$63,450	$222,253	51,314	20%
200% AMI	$105,750	$370,422	64,978	26%
Greater than 200% AMI	$105,751	$370,423	45,947	18%

Source: HUD, ACS, and RKG Associates

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

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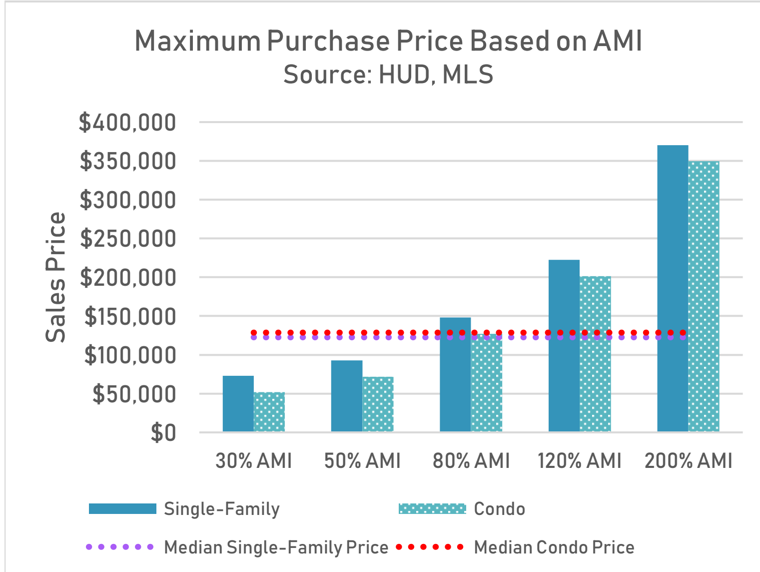
[261] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[262] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of both a single-family home and condominium sold in 2017 was affordable to households at or above 80 percent of AMI.** Households at or below 50 percent AMI are unable to purchase median priced single-family homes or condominiums.

Figure 17: Maximum Purchase Price Based on AMI

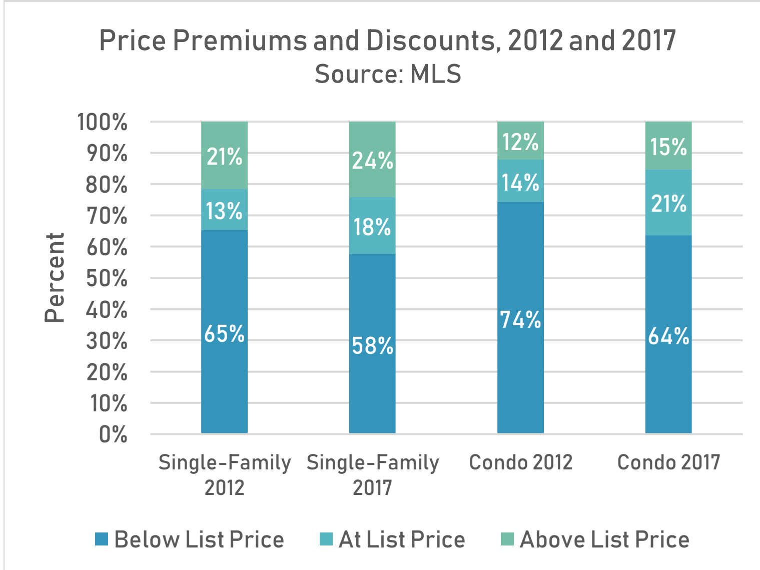


At 30 percent of AMI, a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $122,570. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

Figure 18: Sales Prices of Units, 2012 - 2017



In Prosperity Region Six, between 2012 and 2017, the market for single-family homes slightly improved as the percentage of homes selling below list price decreased from 65 percent to 58 percent; conversely, above list price sales went from 21 percent to 24 percent, with the median above list price differential being $3,079 in 2017.[263] The condominium market saw a similar trend, with sales below list price decreasing from 74 percent to 64 percent, and above list price sales increasing from 12 percent to 15 percent, with the median above list price differential being $2,961 in 2017. The condominium market also saw an increase in sales at list price, between 2012 and 2017, with the percentage of sales rising from 14 percent to 21 percent.

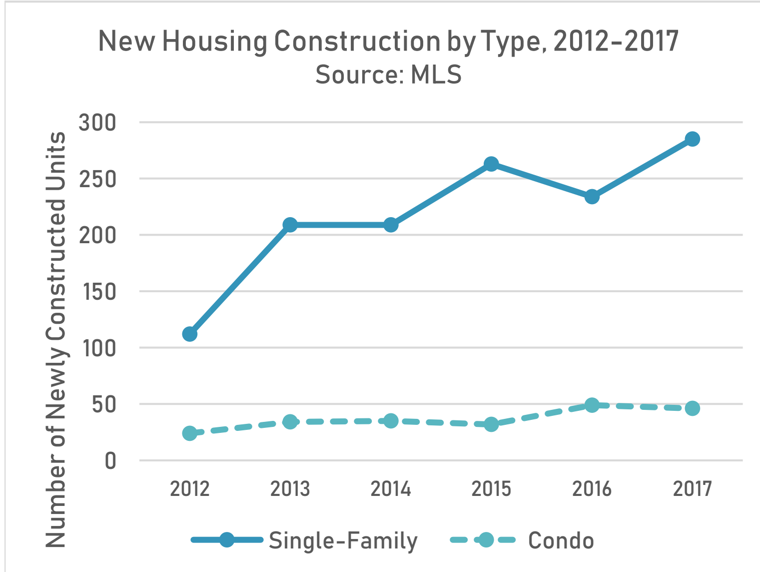
HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

[263] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 19: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, **the pace of new construction for ownership units has increased in recent years. Between 2012 and 2017 a total of 1,312 single-family units and 220 condominium units were built.**[264] Figure 19 shows the overall trajectory of new construction across the region. Single-family home construction saw a 154 percent increase from 2012 to 2017, and condominium unit construction saw a 92 percent increase over the same period. The average square footage of a newly constructed single-family unit was nearly 1,800 square feet, while a new condominium unit was 1,400 square feet.[265] The median sales price of a single-family unit built in 2017 was $231,750, and the price of a condominium unit built in 2017 was $193,241, both of which are significantly higher than the median sales price of an existing housing unit.

HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household decline across the region is projected to continue. One of the biggest issues in Prosperity Region Six is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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264 Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

265 Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	33,470	$72,788	87,859	54,389
50% AMI	$26,450	14,464	$92,649	15,796	1,332
80% AMI	$42,300	43,855	$148,169	70,710	26,855
120% AMI	$63,450	51,314	$222,253	44,635	-6,679
200% AMI	$105,750	64,978	$370,422	26,521	-38,457
Greater than 200% AMI	$105,751	45,947	$370,423	8,507	-37,440
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. **Homes valued at under 30 percent of AMI make up most of the housing stock and are in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are lower priced because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $122,570 which is affordable to households at 80 percent AMI and above. Currently, there is a slight surplus of units available at 50 percent of AMI, but changes in demand could result in a deficit over the long-term.

The calculated housing unit deficit amounts to 82,576 housing units at above 120 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 8 percent of the total housing stock, which translates into 7,893 Vacant-For Sale units and 23,670 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	74%	23,360	11,027	12,333
Rental	26%	8,203	3,872	4,331
Total	100%	31,563	14,899	16,664
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 74 percent of the total occupied units in Prosperity Region Six. Of the existing vacant units, about 14,899 could be classified as units that could one day be brought back into the ownership market. Projections forecast 14,899 new households to form in the region, which translates into 11,027 owner households based on the existing owner and renter household split.[266] The gain in households has the potential to reduce some of the existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net surplus of 12,333 units. This indicates the region has existing capacity to absorb growth in households.

One of the key issues related to vacant unit absorption is whether the existing structures meet the need of households regarding location, number of rooms, size, amenities, and purchase and rehabilitation costs. If vacant housing units are not marketable, then developers will continue to build new housing product which meets the needs of buyers.

[266] REMI, ACS, and RKG Associates

SOUTH CENTRAL PROSPERITY REGION

Region at a Glance

The South Central Prosperity Region (Prosperity Region Seven) encompasses 3 counties and is found midway between Detroit and Grand Rapids. The largest city is Lansing, the state capital, with a population of 116,000 and a major economic center. The main transportation corridors providing north-south connections are Routes 127 and 52; while the main east-west corridors are Interstates 96 and 69.

Figure 1: Map of Prosperity Region 7

The region is proximate to large employment centers such as Grand Rapids, Ann Arbor, and the Detroit Metro Area, all of which can be reached within an hour-and-half drive from Lansing. This analysis will explore demographic changes and their implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region Seven, the following are key findings:

- Looking forward to the year 2045, the population of the region is projected to increase by 15 percent, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent growth in population occurs in residents over the age of 55, increasing by 38 percent compared to the state growth rate of 24 percent.
- Households are expected to grow over both the short- and long-term. Between 2020 and 2025, households are expected to grow by 3 percent, and between 2015 and 2045, households are expected to grow by 9 percent.
- Over the course of the next twenty-five years, employment is expected to grow by 4 percent or 12,020 jobs.
- About 3 percent, or 6,875 units, of the housing stock is classified as “Vacant-Other” meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition.
- The housing stock in the region tends to be older, with about 35 percent of all owner-occupied housing built before 1959.
- About 43 percent of the region’s housing units fall between $100,000 and $200,000 in value as compared to 35 percent across the state.

- The market for single-family homes is strong. Sales prices rose by 50 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $144,200. The median sales price of a newly built home in 2017 was $293,550 which is 104 percent greater than existing units.

- The condominium market is robust. Sales prices have increased 25 percent over the last six years. The median sales price of a condominium in 2017 was $133,900; while the median sale price of a new condominium in 2017 was $275,809, a difference of 106 percent.

- The median sale price for both a single-family home and condominium in 2017 was affordable to households at or above 80 percent of Area Median Income (AMI). Households at or below 50 percent of AMI are unable to purchase single-family homes or condominiums priced at or above the median.

- The pace of new construction for ownership units has increased in recent years. Between 2012 and 2017 a total of 3,324 single-family units and 308 condominium units were built.

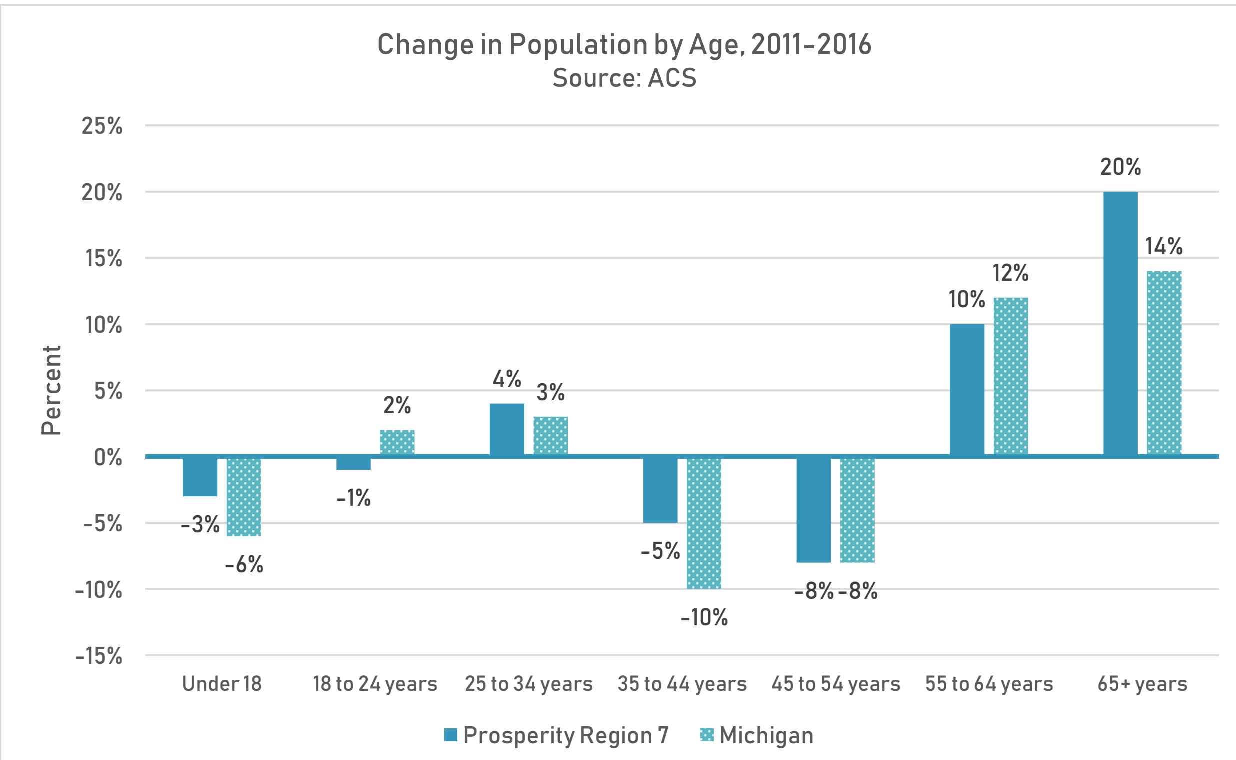
- The region does not have existing capacity to absorb growth in households. The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and offers opportunities for redevelopment of existing units.

Demographics

POPULATION

The current population of Prosperity Region Seven is 470,348 which makes it the ninth largest region in the state. The region experienced a 1 percent population increase over the last five years as compared to the state where no growth occurred over the same period.[267] Prosperity Region Seven has experienced growth across many population cohorts. A particularly important finding is that the region experienced a surge in residents over the age of sixty-five which saw an increase of 20 percent over the last five years.

Figure 2: Change in Population by Age



Looking forward over the short-term, it is projected that between 2020 and 2025 the region will experience 3 percent population growth. The greatest gains are projected to occur between ages 35 and 44, with a growth of 7 percent indicating potentially greater numbers of family households.[268] Additionally, the region is expected to a 7 percent growth in residents over the age of sixty-five.

Looking forward to the year 2045, the population of the region is projected to grow by 15 percent, compared to the state which is projected to grow by 8 percent.[269] **Between 2015 and 2045, the largest**

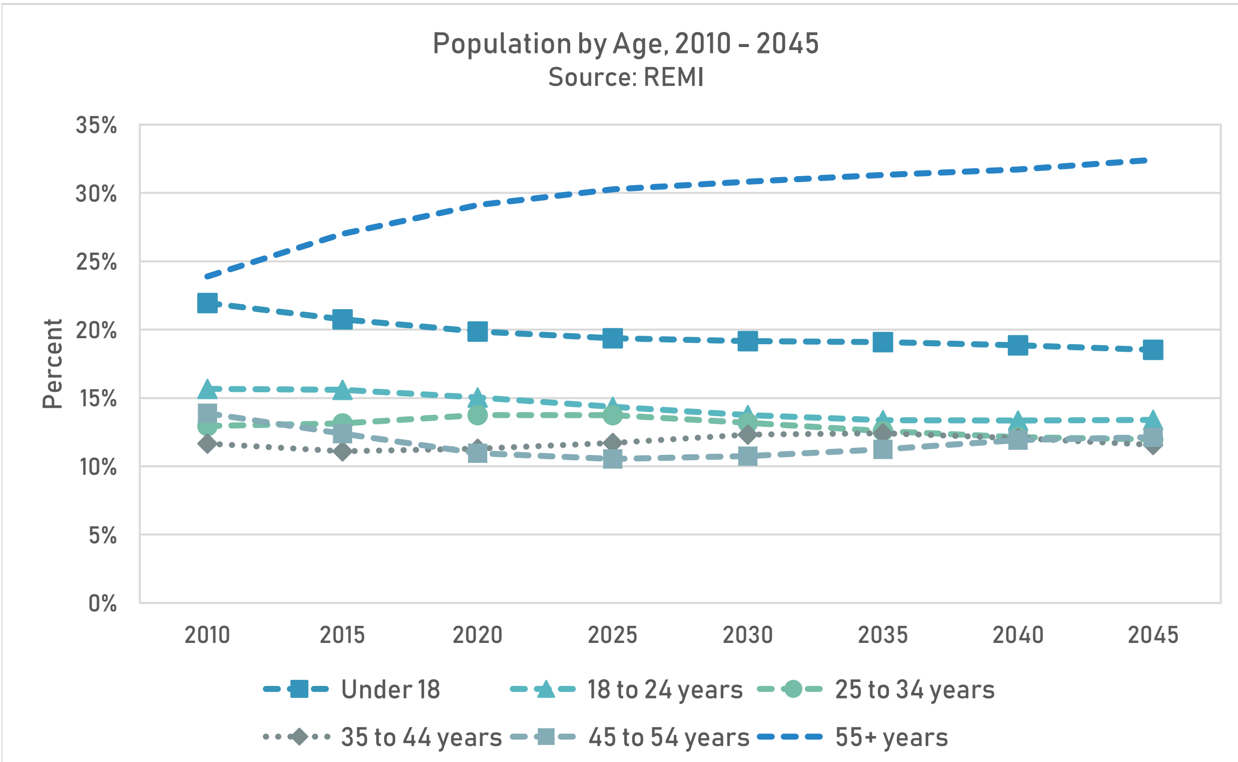
[267] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

[268] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

[269] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

percent growth in population occurs in seniors, increasing by 38 percent compared to the state growth rate of 24 percent. Even with a lower rate of growth, increases in senior population have an impact on the housing market as more senior households age-in-place. There is the potential that senior households will hold onto their units longer limiting turnover and restricting supply.

Figure 3: Population by Age

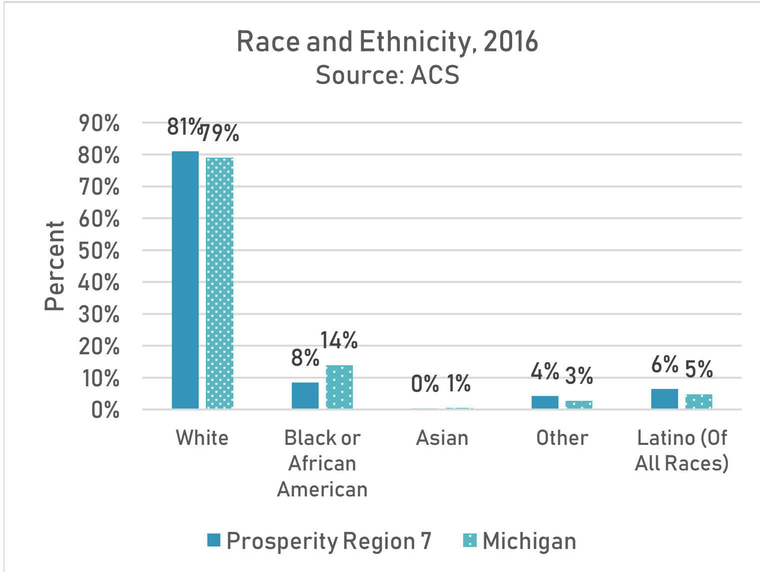


The other population group that is expected to grow is the 35 to 44 age group, which is projected to grow by 20 percent. The growth in this demographic group is important because this population tends to start families, are in their prime earning years, and are looking to establish themselves for the long-term.

RACE AND ETHNICITY

Most of the residents in Prosperity Region Seven identify as White, accounting for nearly 81 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 9 percent from 2011 to 2016 and now accounts for 6 percent of the total population.**[270]

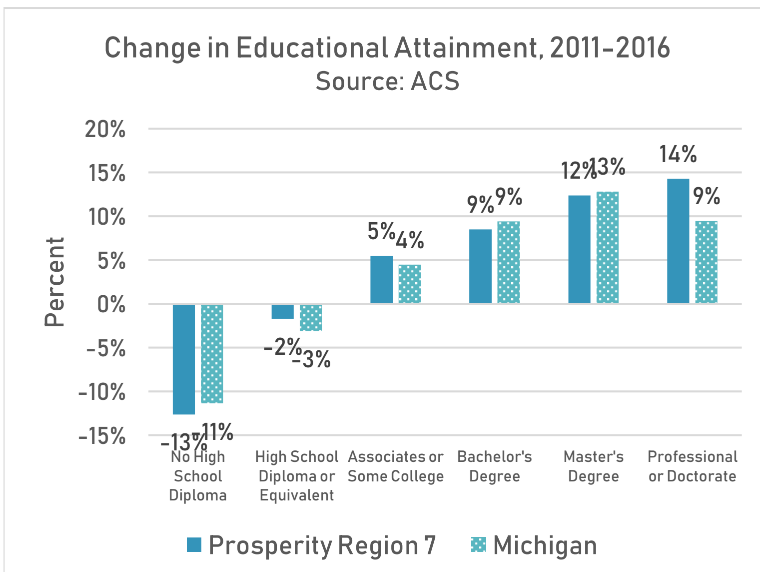
Figure 4: Race and Ethnicity



EDUCATION

One of the strengths of this region is the percentage of population that is educated beyond high school. About 32% of all residents have, at most, a high school diploma, while 68 percent have some form of advanced education. The trend towards greater amounts of education is continuing as educational attainment improved over the last five years with increases in the number of residents earning bachelor's, master's, and professional degrees.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

As of 2016, there were 183,945 households in Prosperity Region Seven.[271] Between 2011 and 2016, growth in households was 2 percent, as the region saw a gain of 3,809 households, compared to the state's growth of 1 percent. Looking forward, **Prosperity Region Seven is expected to experience household growth over both the short- and long-term.** Between 2020 and 2025, households are expected to grow by 3 percent, and

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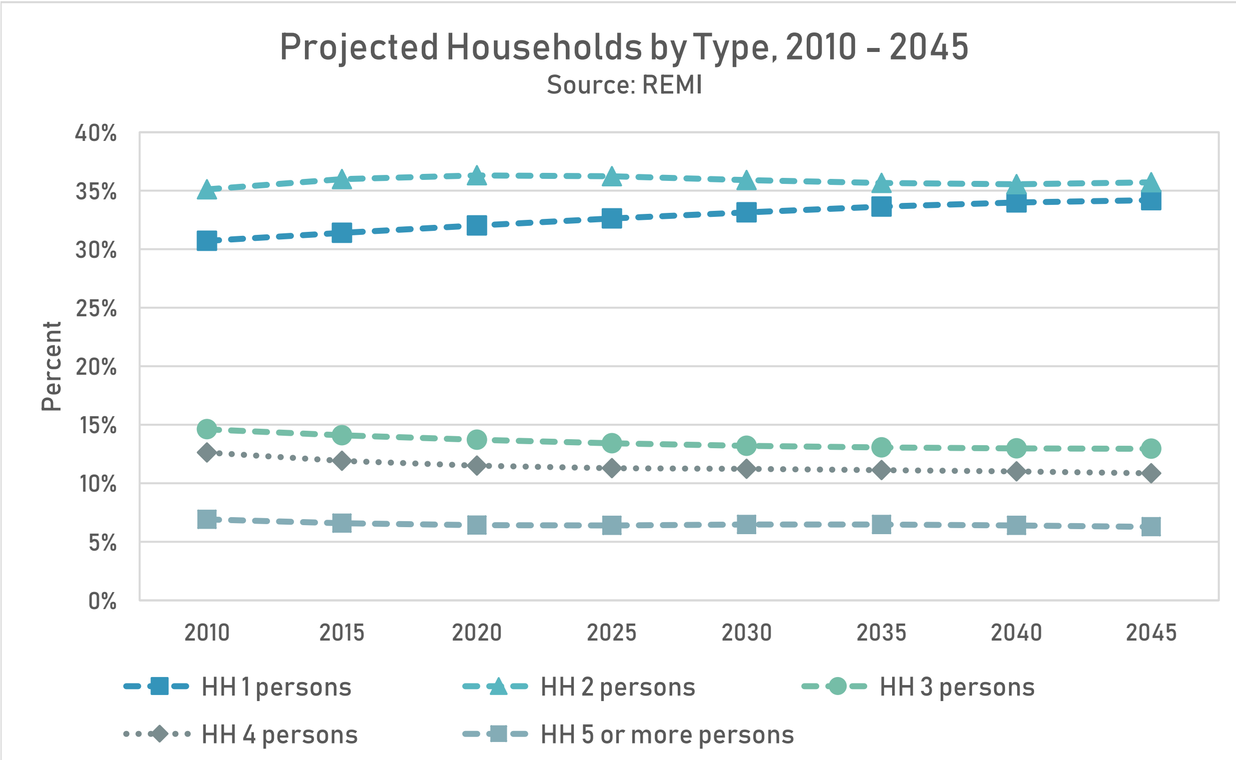
[270] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

[271] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

between 2020 and 2045, households are expected to grow by 9 percent. This compares to the state which is expected to grow by 11 percent.[272] The overall growth in households will have an impact on the number of housing units needed to support the population of the region.

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all household sizes will experience modest growth of between 2 and 5 percent.[273] The longer-term trend through 2045 shows one-person households increasing by 16 percent versus the state growth rate of 19 percent. The region is expected to experience growth in four and five-person households of 6 percent and 7 percent, respectively, which is close to the state's projected growth rate of 7 percent. The growth of smaller households will have an impact on housing demand because greater numbers of units will be required to accommodate smaller households.

Socioeconomics

[272] REMI, Michigan Department of Transportation, and RKG Associates, 2018

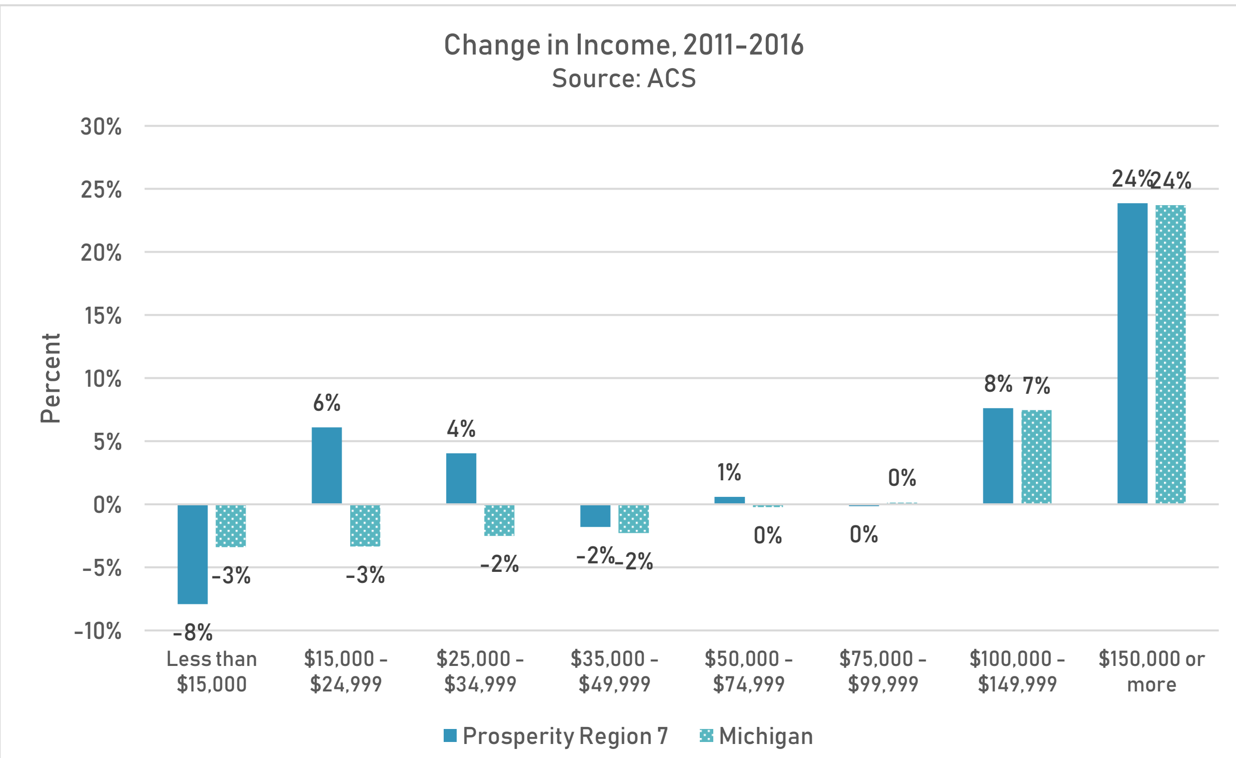
[273] REMI, Michigan Department of Transportation, and RKG Associates, 2018

INDUSTRY EMPLOYMENT & INCOMES

Compared to the rest of Michigan, Prosperity Region Seven is expanding economically. The region is a major employment and political power center, with Lansing serving as the largest city. Additionally, the region is proximate to the job centers of Grand Rapids, Ann Arbor, and the Detroit Metro Area. Employment tends to be concentrated in sectors like government, healthcare, and education. Several of the large employers in the area include the state of Michigan, Michigan State University, Sparrow Health System, and General Motors. The median household income of Prosperity Region Seven is $56,472, which is greater than the state median of $50,803.[274]

Over the last five years, positive income growth occurred across nearly all income cohorts; especially at the lower-income levels. A substantial increase in income of households earning over $100,000 per year also occurred. This segment represents about 20 percent of all households in the region, which is like the state's share of households earning over $100,000.

Figure 7: Change in Incomes



In this region, retail and service industries play a significant role in employment which has a corollary effect on median household income in the region. Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, State Government accounts for 10

[274] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

percent of the jobs in the region.[275] The second largest employment sector is Retail trade at 9 percent. **Over the course of the next twenty-five years, employment is expected to grow by 4 percent. Projections show a gain of 12,020 jobs between 2016 and 2045.** The retail sector is expected to decline by 12 percent, but the administrative services sector is expected to expand by 21 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
State Government	28,735	29,128	393	1%
Retail trade	26,178	23,006	-3,172	-12%
Local Government	18,747	19,497	750	4%
Food services and drinking places	17,203	19,025	1,823	11%
Administrative and support services	14,949	18,018	3,069	21%
All Other Industries	170,561	179,717	9,156	5%
Total	276,372	288,392	12,020	4%

Source: REMI

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region Seven considered cost burdened or severely cost burdened. In total, 13 percent of all homeowner households in the region are cost burdened while 9 percent are severely cost burdened.[276] Of cost burdened households, 52 percent are at or below 80 percent of Area Median Income (AMI), with 30 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 90 percent of these households fall at or below 80 percent of AMI, and 42 percent fall at or below 30 percent of AMI.

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[275] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[276] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region Seven Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	820	5%	4,275	42%
>30% and <=50% AMI	2,680	17%	2,875	28%
>50% and <=80% AMI	4,790	30%	1,945	19%
>80% and <=100% AMI	2,755	17%	525	5%
Income >100% AMI	4,810	30%	485	5%
Total	15,855	100%	10,105	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region Seven increased by 1,119, which amounts to a 1 percent change.[277] At the same time, the region saw a 2 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals, demolitions, and the loss of mobile home units. Concurrent to the decline in owner units, rental housing units increased 11 percent. This section will further explore the complexities of the ownership market in Prosperity Region Seven.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[280] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 7	Region Percent	Michigan	Michigan Percent
Owner-Occupied	118,447	59%	2,732,051	60%
Renter-Occupied	65,498	33%	1,128,343	25%
Vacant-For Rent	5,456	3%	85,584	2%
Vacant-For Sale	2,535	1%	83,371	2%
Vacant-Seasonal[278]	1,200	1%	288,250	6%
Vacant-Other[279]	6,857	3%	227,321	5%
Total	199,993	100%	4,544,920	100%
Source: ACS 2012-2016				

277 ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

278 Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

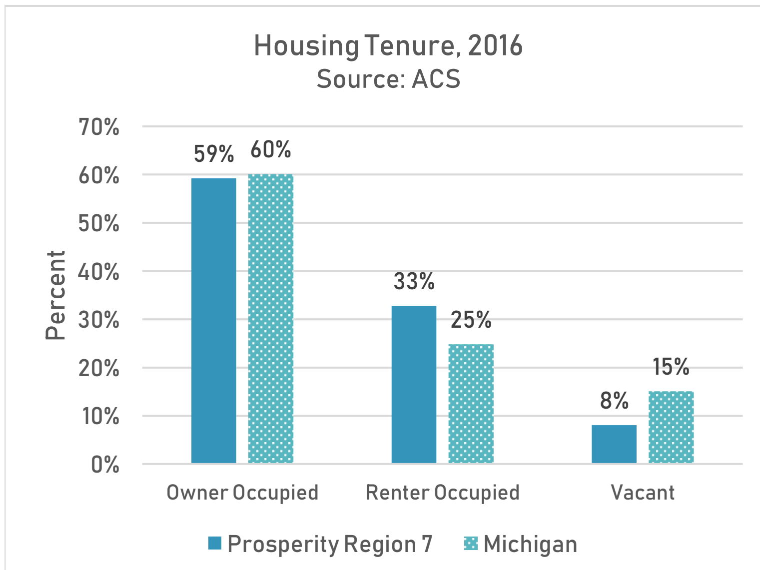
279 Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

280 According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two

having five or more units. Of all the housing (both owner and renter) in Prosperity Region Seven, 67 percent of the residential housing stock is comprised of single-family homes, which is slightly more than the state percentage of 72 percent.[281]

Regionally, the owner-occupied housing stock accounts for 59 percent all units. This is slightly less than the statewide figure of 60 percent. Ownership patterns are changing in the region, over the last five years there was a 2 percent decrease in the number of ownership units and a 11 percent (6,473 unit) increase in rental units. Some of the decline in owner-occupied units could be the result of a drop of 992 single-family units going off the market, being demolished, or possibly becoming rentals, in addition to the 901 mobile homes which may have shifted from ownership to rental units or were entirely removed from the market.

Figure 8: Housing Tenure



Across the region, 8 percent of the housing units are classified as vacant. Digging deeper, 1 percent of all units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 1,200 housing units (owner and renter) that have been removed from the year-round housing market. An additional 3 percent, or 6,857 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The number of vacant units have declined over time, decreasing by 14 percent indicating that some of the vacant housing stock is being added to the rental and ownership supply.

months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[281] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Table 4: Owner-Occupied by Units in Structure

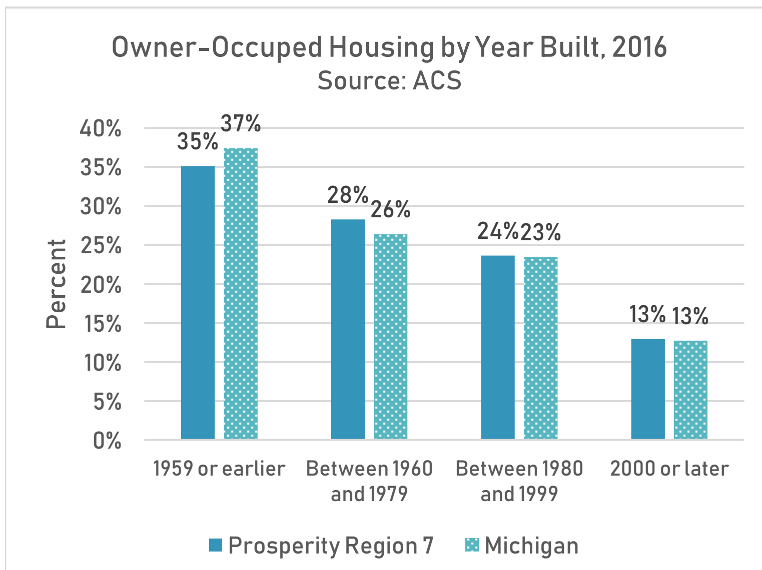
Owner-Occupied	Prosperity Region 7	Region Percent	Michigan	Michigan Percent
Single-Family	107,601	91%	2,412,899	88%
Two or More Units	6,039	5%	175,225	6%
Mobile Home/RV/Other	4,807	4%	143,927	5%
Total	118,447	100%	2,732,051	100%

Source: ACS 2012-2016

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 91 percent of the owner-occupied residential stock was single-family homes.[282] Prosperity Region Seven's owner-occupied housing stock of two or more units was 5 percent as compared to the state, accounting for 6 percent of the total. As of 2016, the region had approximately 4 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are the result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units.

AGE OF HOUSING

Figure 9: Owner-Occupied Housing by Year Built



In Prosperity Region Seven, the median year built of an owner-occupied housing unit is 1975, while the median year built in Michigan is 1970.[283] About 37 percent of all owner-occupied housing was built after 1980.[284] **Older homes still make up a significant share of the marketplace, with homes built before 1959 accounting for 35 percent of total owner-occupied units,** this however is less than the state percentage. This finding also shows how the region became an employment center during the pre and post-war period. Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

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282 ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

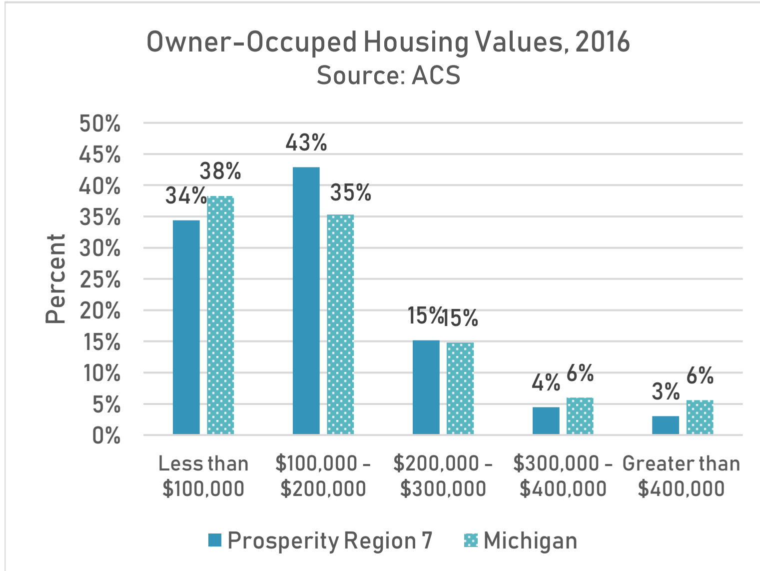
283 ACS 2012-2016, Table B25037, and RKG Associates

284 ACS 2012-2016, Table B25036, and RKG Associates

UNIT VALUES

The percentage of homes in the region valued between $100,000 and $200,000 is greater than the state percentage, with about 43 percent of the region's units falling under this value as compared to 35 percent across the state.[285] The region's higher than average housing values reflects the purchasing power of residents and more favorable economic conditions of the region as compared to the state with much of the housing stock falling between $100,000 and $300,000 in value.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region Seven mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[286] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

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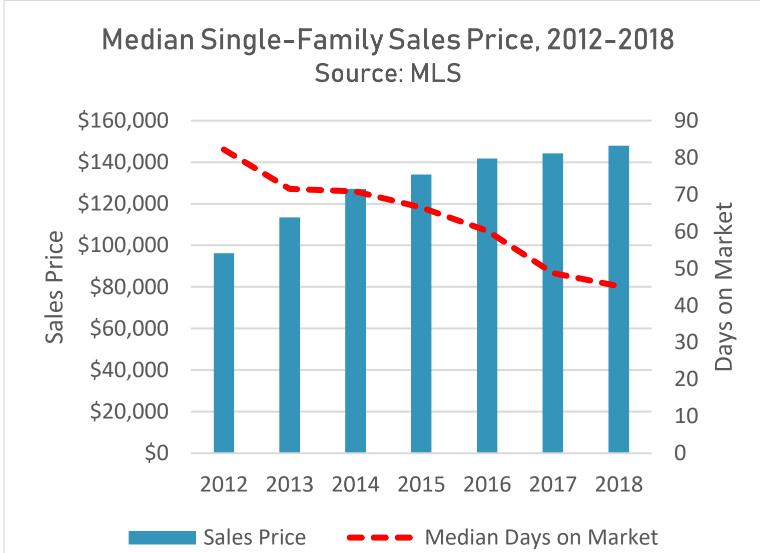
[285] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[286] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

The market for single-family homes has seen a gradual price escalation and moderate number of sales. Between 2012 and 2018, there were 69,171 sales, or an average of 9,882 sales per year.[287] The median single-family home sales prices rose by 50 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $144,200. The time it took to sell a home in Prosperity Region Seven also decreased, dropping 41 percent to an average of 49 days on the market.[288]

Figure 11: Median Single-Family Sales Price



*2018 Partial Year

Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 58 percent of all single-family sales, and where prices have increased 46 percent over the last six years. Based on average household sizes, these homes tend to meet the needs of buyers. **At a median price of $136,063 these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $45,000 per year -- which is below the region's median household income.

Larger single-family homes with four- and five-bedrooms plus also experienced price appreciation. **The median sales price of a four-bedroom home increased by 23 percent to $203,226 and the price of a home with five or more bedrooms increased by 39 percent to $283,250.**[289] This market segment makes up about 31 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $110,210 which was more than 64 percent greater than a home built between 1900 and 1950.[290] Similarly, the median sales price of a unit built between 1990 and 2010 was $205,000 which was more than 34 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical

[287] Michigan Realtors 2012-2018, and RKG Associates

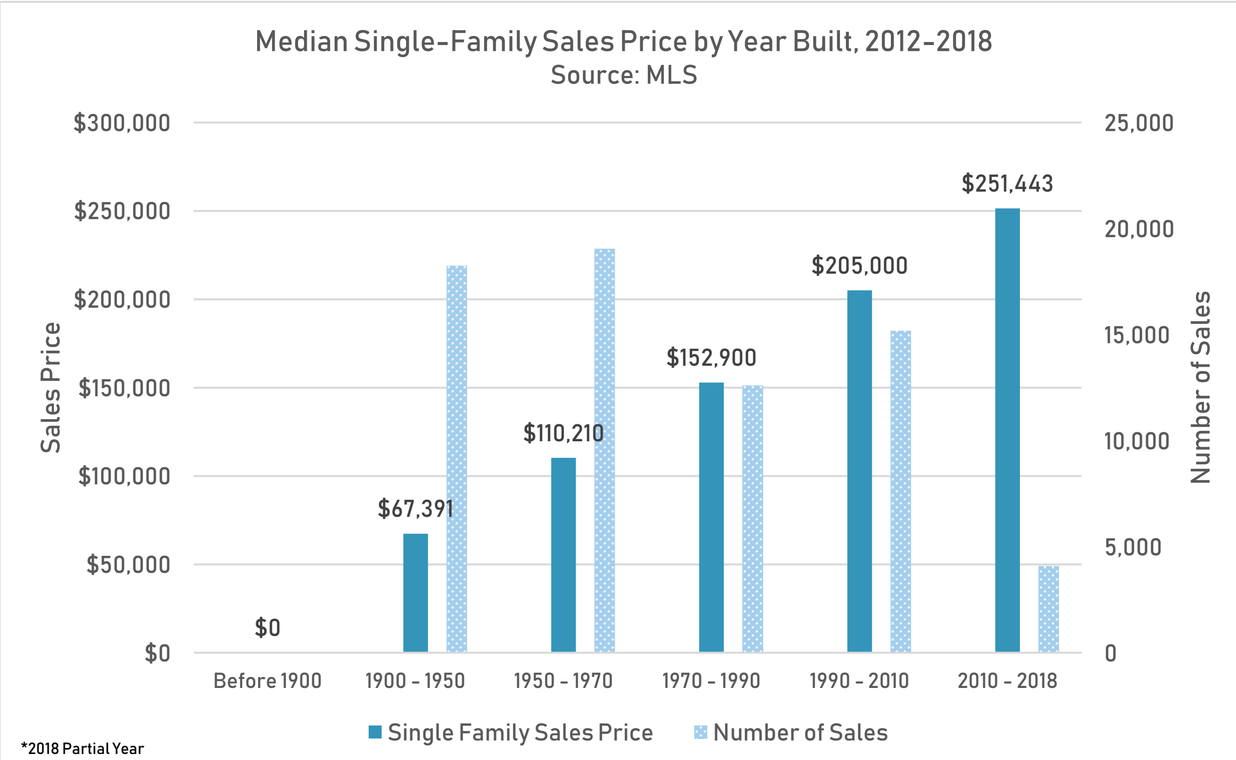
[288] Michigan Realtors 2012-2018, and RKG Associates

[289] Michigan Realtors 2012-2018, and RKG Associates

[290] Michigan Realtors 2012-2018, and RKG Associates

condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

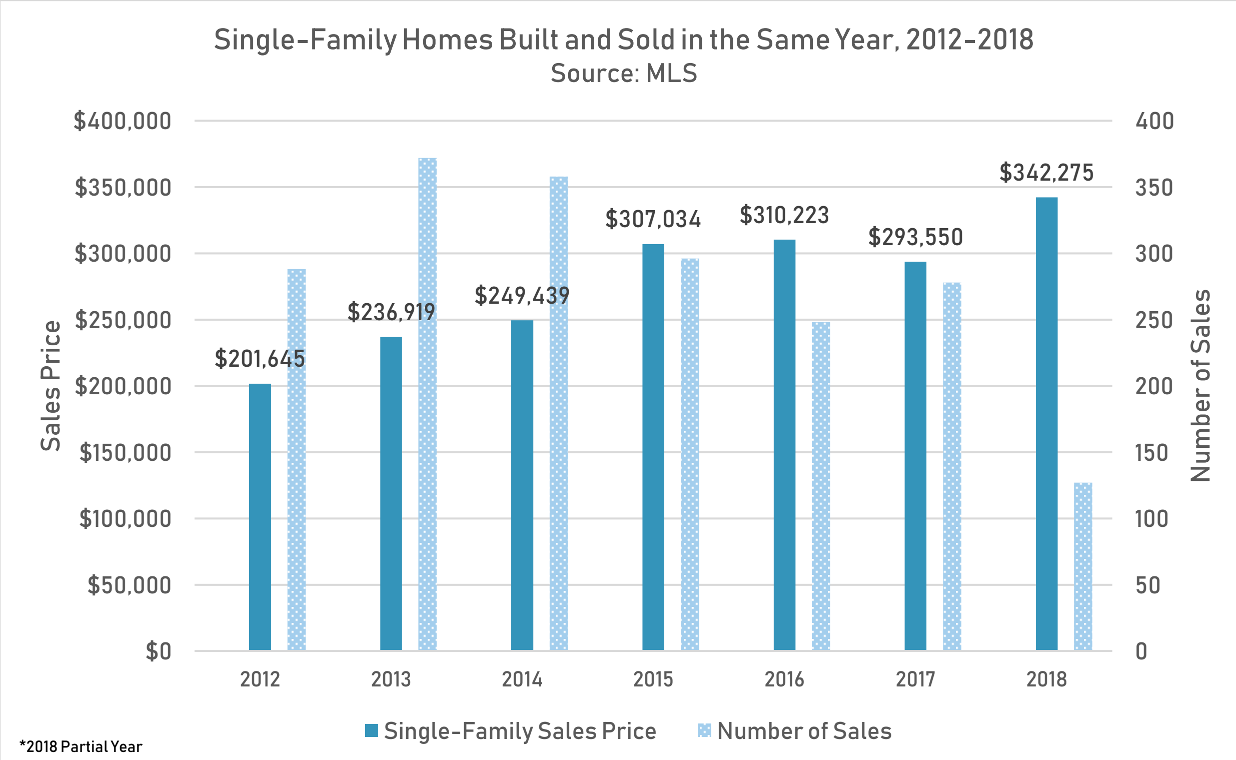
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 104 percent more than existing units. The median sales price of a new home in 2017 was $293,550 compared to $144,200 for an existing single-family home.**[291]

[291] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

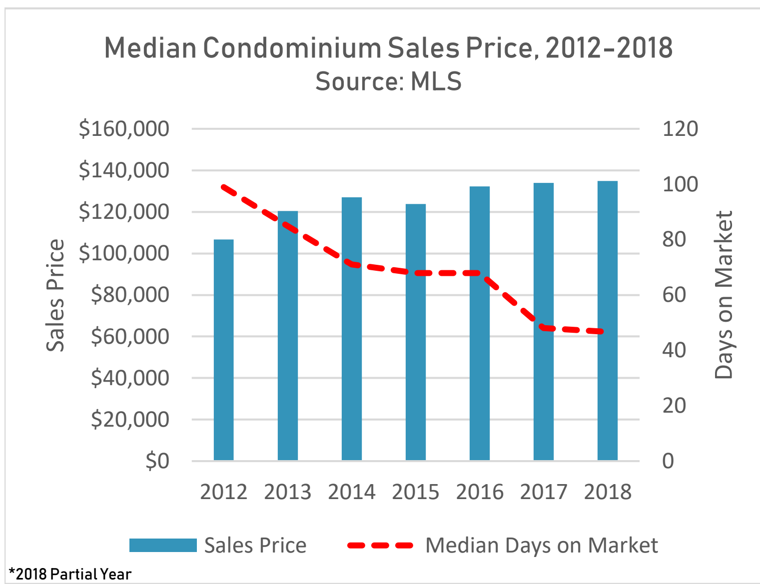
Figure 13: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

Figure 14: Median Condominium Sales Price



The market for condominiums across the region is strong and growing. Between 2012 and 2018, the region saw about 6,734 sales or an average of 962 sales per year. Condominium sales prices have increased 25 percent over the last

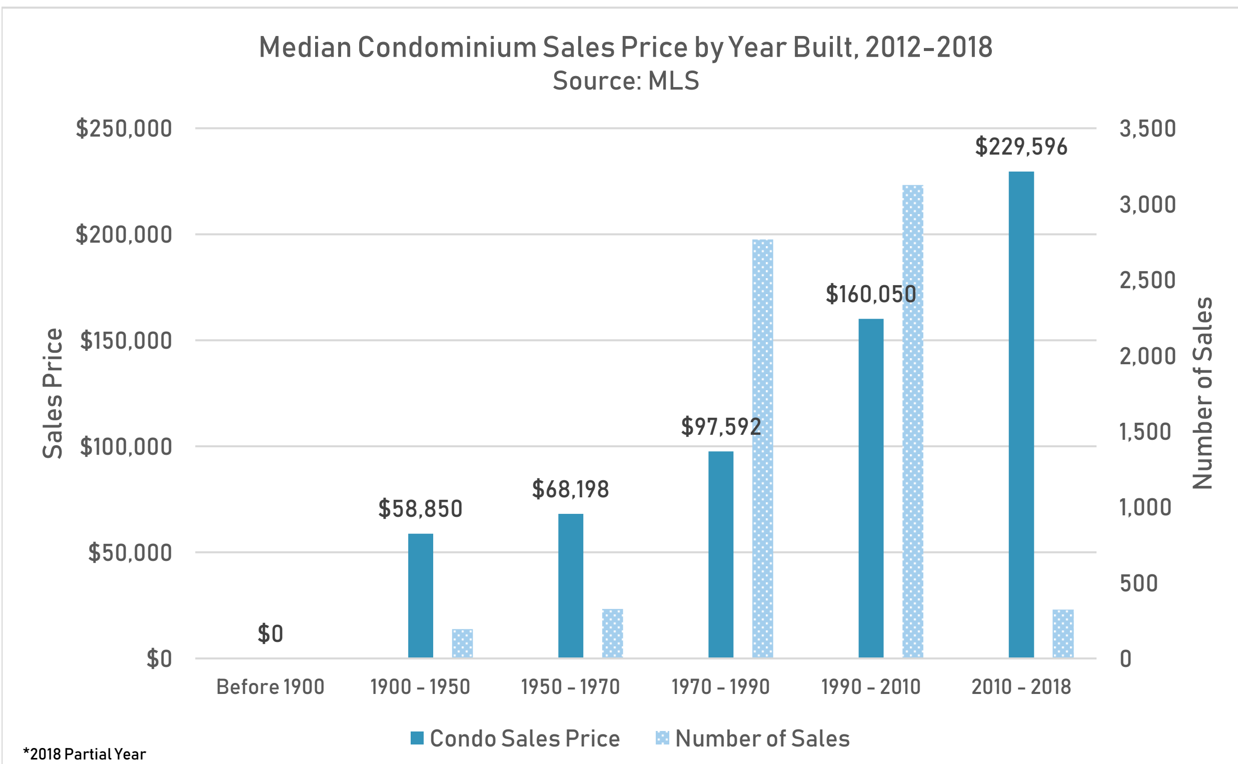
six years. The median sales price of a condominium in 2017 was $133,900, with an average of 48 days on the market. Days on market has decreased 51 percent since 2012.[292]

The prices escalations for condominiums across the region reflect the nature of demand for units. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 53 percent of all condominium sales, with a median price of $114,330. For this product type, the median price has increased by 22 percent since 2012.[293] Three-bedroom condominiums, which make up 34 percent of sales, saw a price increase of 28 percent since 2012, with the median sales being $185,400 in 2017.

Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $160,050. This was about 64 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

Figure 15: Median Condominium Sales Price by Year Built



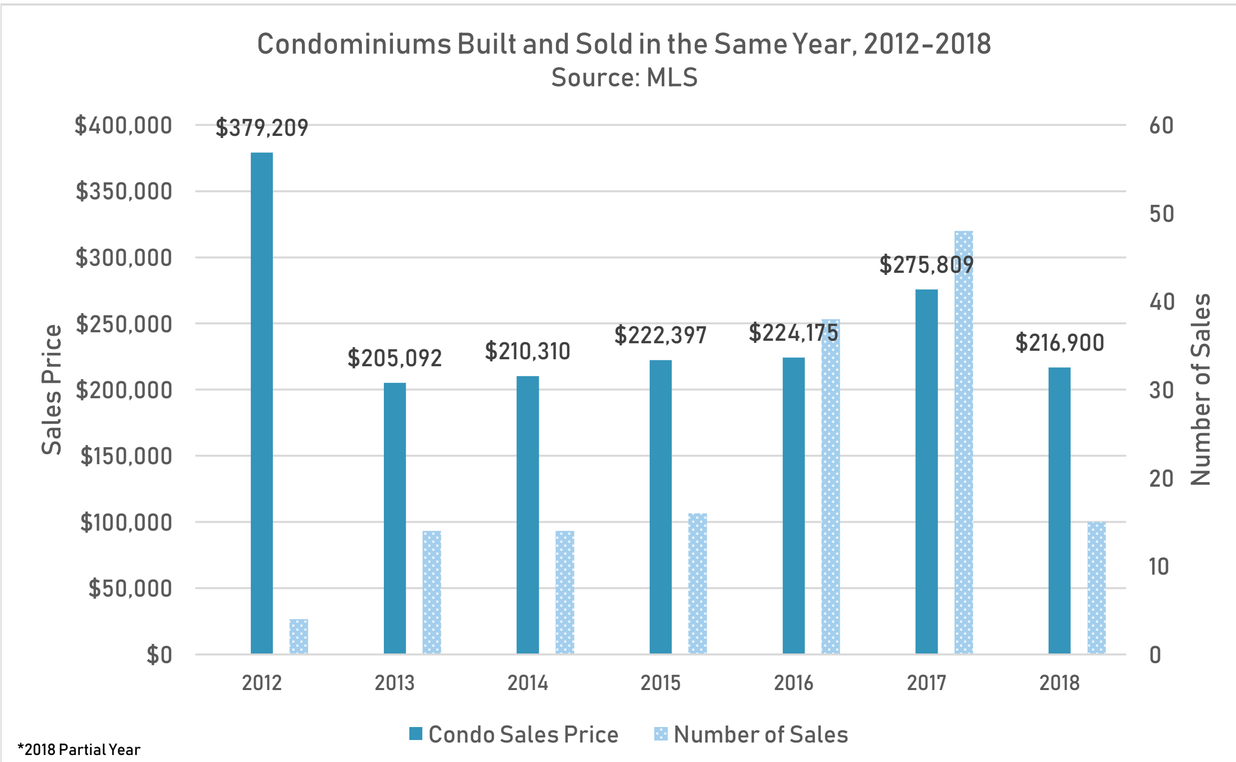
As part of the analysis to provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in

[292] Michigan Realtors 2012-2018, and RKG Associates

[293] Michigan Realtors 2012-2018, and RKG Associates

the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. **On average, a new condominium unit sold for 106 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $275,809 compared to $133,900 for an existing condo**. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In Prosperity Region Seven, the predominate housing type are single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[295] Based on the data, **about 37 percent of households fall at or below 80 percent of AMI which equates to a household income of no more than $42,300.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[294]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	10,590	9%
50% AMI	$33,300	$116,644	12,343	10%
80% AMI	$53,200	$186,350	21,090	18%
120% AMI	$79,800	$279,524	25,846	22%
200% AMI	$133,000	$465,874	28,702	24%
Greater than 200% AMI	$133,001	$465,875	19,876	17%

Source: HUD, ACS, and RKG Associates

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

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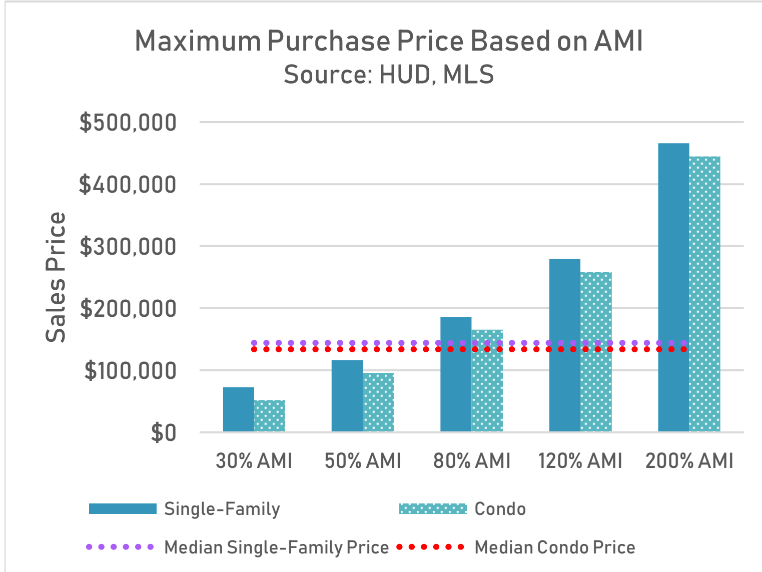
[294] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[295] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of both a single-family home and condominium sold in 2017 was affordable to households at or above 80 percent of AMI.** Households at or below 50 percent AMI are unable to purchase homes priced at or above the median for the region.

Figure 17: Maximum Purchase Price Based on AMI

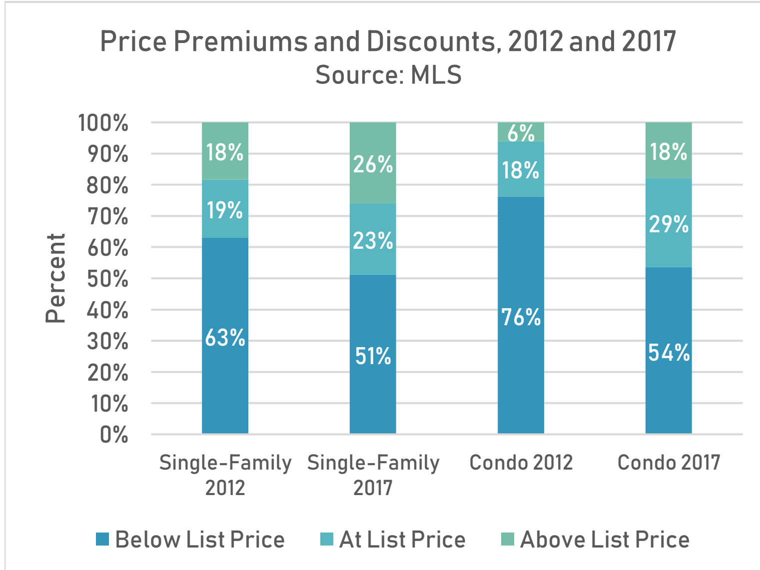


At 30 percent of AMI, a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $144,200. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

Figure 18: Sales Prices of Units, 2012 - 2017



In Prosperity Region Seven, between 2012 and 2017, the market for single-family homes slightly improved as the percentage of homes selling below list price decreased from 63 percent to 51 percent; conversely, above list price sales went from 18 percent to 26 percent, with the median above list price differential being $3,193 in 2017.[296] The condominium market saw a similar trend, with sales below list price decreasing from 76 percent to 54 percent, and above list price sales increasing from 6 percent to 18 percent, with the median above list price differential being $2,575 in 2017. The condominium market also saw an increase in sales at list price, between 2012 and 2017, with the percentage of sales rising from 18 percent to 29 percent.

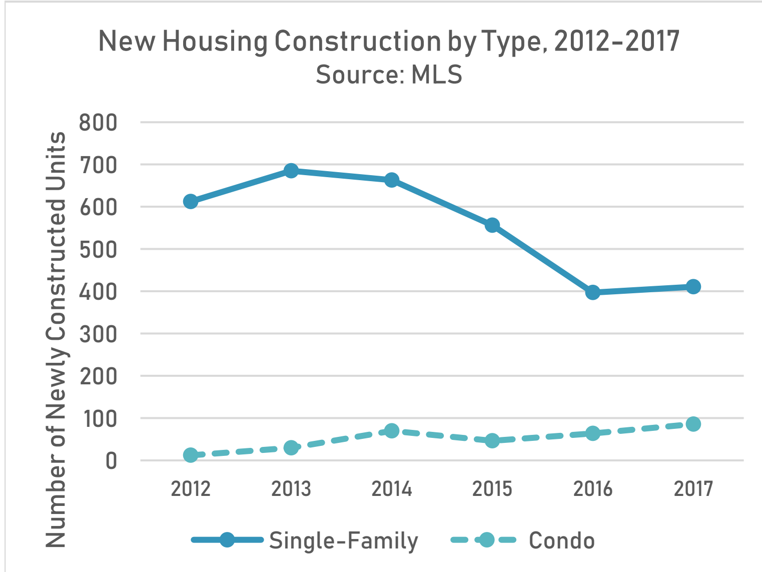
HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

[296] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 19: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, the pace of new construction for single-family homes has slowed considerably, while the construction of condominiums has increased. **Between 2012 and 2017 a total of 3,324 single-family units and 308 condominium units were built.**[297] Figure 19 shows the overall trajectory of new construction across the region. **Single-family home construction saw a 33 percent decrease from 2012 to 2017, and condominium unit construction saw a 617 percent increase over the same period.** This shows that demand for condominium units have increased over time. The average square footage of a newly constructed single-family unit was nearly 2,200 square feet, while a new condominium unit was 1,500 square feet.[298] The median sales price of a single-family unit built in 2017 was $293,550, and the price of a condominium unit built in 2017 was $275,809, both of which are significantly higher than the median sales price of an existing housing unit.

HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household growth across the region is projected to continue. One of the biggest issues in Prosperity Region Seven is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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[297] Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

[298] Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	10,590	$72,788	29,670	19,080
50% AMI	$33,300	12,343	$116,644	20,097	7,754
80% AMI	$53,200	21,090	$186,350	35,322	14,232
120% AMI	$79,800	25,846	$279,524	20,785	-5,061
200% AMI	$133,000	28,702	$465,874	10,073	-18,629
Greater than 200% AMI	$133,001	19,876	$465,875	2,500	-17,376
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. **Homes valued at under 30 percent of AMI make up most of the housing stock and are in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are priced lower because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $144,200 which is affordable to households at around 80 percent AMI and above.

The calculated housing unit deficit amounts to 41,066 housing units at above 120 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 8 percent of the total housing stock, which translates into 6,632 Vacant-For Sale units and 15,079 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	64%	6,048	21,268	-15,220
Rental	36%	3,344	11,761	-8,416
Total	100%	9,392	33,028	-23,636
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 64 percent of the total occupied units in Prosperity Region Seven. Of the existing vacant units, about 9,392 could be classified as units that could one day be brought back into the ownership market. Projections forecast 33,028 new households to form in region. This translates into 21,268 owner households based on the existing owner and renter household split.[299] The gain in households has the potential to outstrip existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net deficit of 15,220 units. This indicates the region does not have existing capacity to absorb growth in households.

The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment. Future changes in household composition may further exacerbate housing demand, as one- and two-person households are expected to increase, while larger households are expected to decrease. This change in household composition could drive the market towards building greater numbers of apartment and condominium units which are one- or two-bedroom units.

[299] REMI, ACS, and RKG Associates

SOUTHWEST PROSPERITY REGION

Region at a Glance

The Southwest Prosperity Region (Prosperity Region Eight) encompasses 7 counties and abuts both Lake Michigan and the State of Indiana. The region is located roughly halfway between Detroit and Chicago. The area is a mostly rural and has a few large population and employment centers including Kalamazoo and Battle Creek. The major transportation corridors providing north-south connections are Interstate 69 and Routes 131, 66, and 40; while the main east-west corridors are Interstate 94 and Route 60.

Figure 1: Map of Prosperity Region 8

Over the last forty years, economic changes have impacted demographic, socioeconomic, and housing related metrics. This analysis will explore those changes and their implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region Eight, the following are key findings:

- Looking forward to the year 2045, the population of the region is projected to grow by 8 percent, which is like the state. Between 2015 and 2045, the largest percent increase in population occurs in the 35 to 44 age group, increasing by 18 percent.
- Households are expected to grow over both the short and long-term. Between 2020 and 2025, households are expected to grow by 3 percent, and between 2015 and 2045, households are expected to grow by 9 percent.
- Over the course of the next twenty-five years, employment is expected to grow by 2 percent or 8,213 jobs.
- About 4 percent, or 24,674 units, of the housing stock is classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The state has 5 percent of its housing stock classified as vacant other.
- The housing stock in region tends to be older, with about 41 percent of all owner-occupied housing built before 1959. Across the state 37 percent of the housing stock was built before 1959.

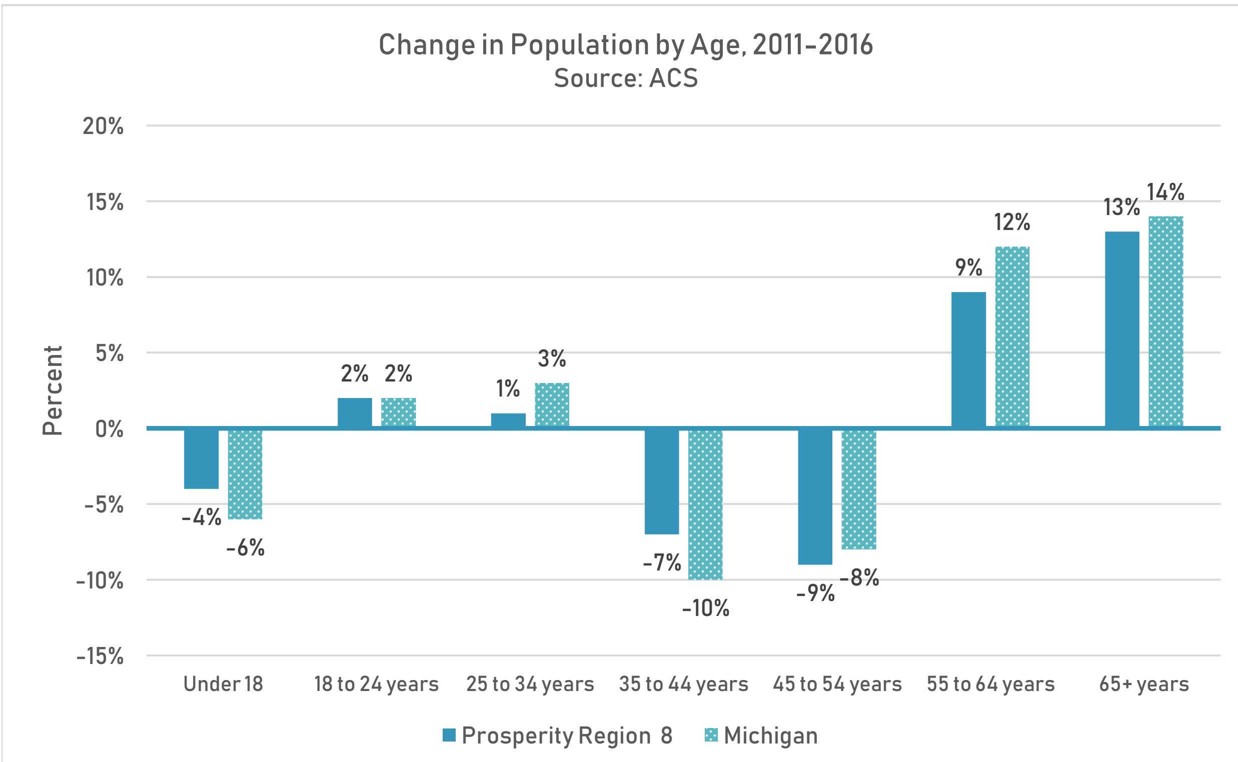
- About 38 percent of the region's housing units are priced under $100,000 which is like the state.
- The market for single-family homes is strong. Sales prices rose by 43 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $141,625. The median sales price of a new home in 2017 was $254,40 which is 80 percent greater than existing units.
- The condominium market has seen sales prices increase 23 percent over the last six years. The median sales price of a condominium in 2017 was $195,391; while the median sale price of a new condominium in 2017 was $314,068, a difference of 61 percent.
- The median price of both a single-family home and condominium sold in 2017 was affordable to households at or above 80 percent of Area Median Income (AMI).
- The pace of new construction for ownership units has increased in recent years. Between 2012 and 2017 a total of 1,983 single-family units and 379 condominium units were built.
- The region does not have existing capacity to absorb future household growth. The lack of existing housing stock indicates the need for both new residential construction and redevelopment of currently vacant properties.

Demographics

POPULATION

The current population of Prosperity Region Eight is 779,967 which makes it the sixth largest region in the state. The region experienced no population growth over the last five years, which is like that of the state.[300] Prosperity Region Eight has experienced negative growth across the same cohorts as the state. The region lost population between the ages of 35 and 54 over the last five years. This population cohort can be an important component of a community, as these age groups tend to have children and are in their prime earning years.

Figure 2: Change in Population by Age



Looking forward to the short-term, it is projected that between 2020 and 2025 the region will experience 3 percent population growth. The greatest increase is projected to occur between ages 35 and 44, with a projected gain of 6 percent. The attraction of young professionals is helpful to the region to fill job openings, purchase homes, and begin establishing longer-term roots in the region.

Looking forward to the year 2045, the population of the region is projected to grow by 8 percent, which equals the state growth rate.[301] **Between 2015 and 2045, the largest percent increase in population**

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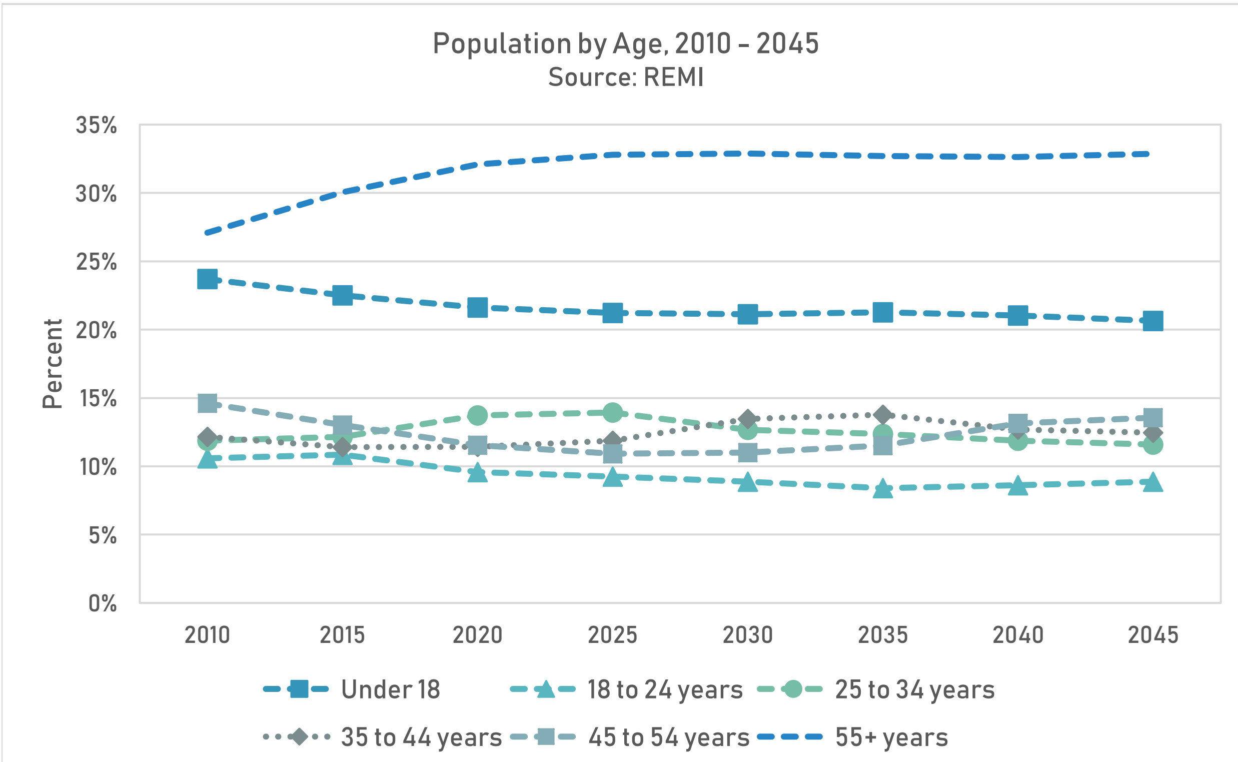
[300] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

[301] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

occurs in the 35 to 44 age group, increasing by 18 percent. The increase in this cohort can be attributed to the general trend of mid-career professionals returning to the region for jobs or coming back to the place they grew up. The largest decline is expected to occur in the age group of 18 to 24, which is projected to fall by 12 percent.

Figure 3: Population by Age

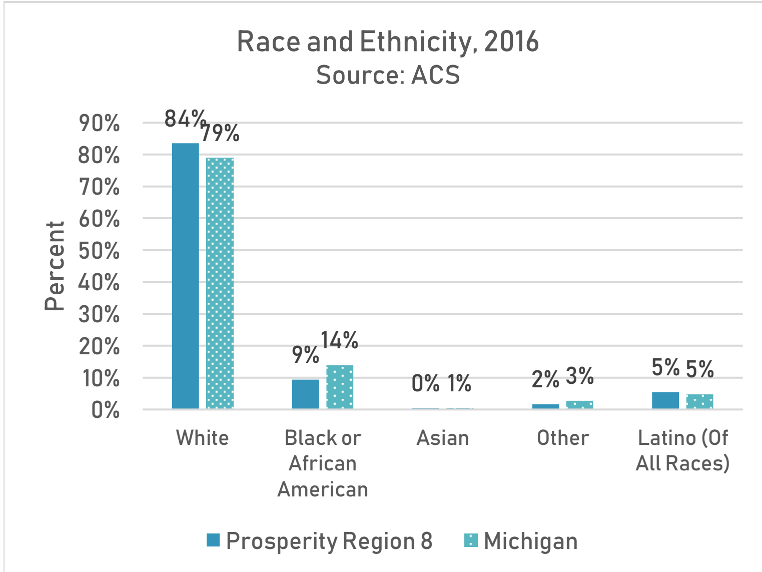


The senior population is expected to increase by 18 percent over the long-term, compared to the state growth rate of 24 percent. Even with a lower rate of growth, increases in the senior population have an impact on the housing market as more senior households age-in-place. There is the potential that senior households will hold onto their units longer limiting turnover and restricting supply.

RACE AND ETHNICITY

Most of the residents in Prosperity Region Eight identify as White, accounting for nearly 84 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 13 percent from 2011 to 2016 and now accounts for 5 percent of the total population.**[302]

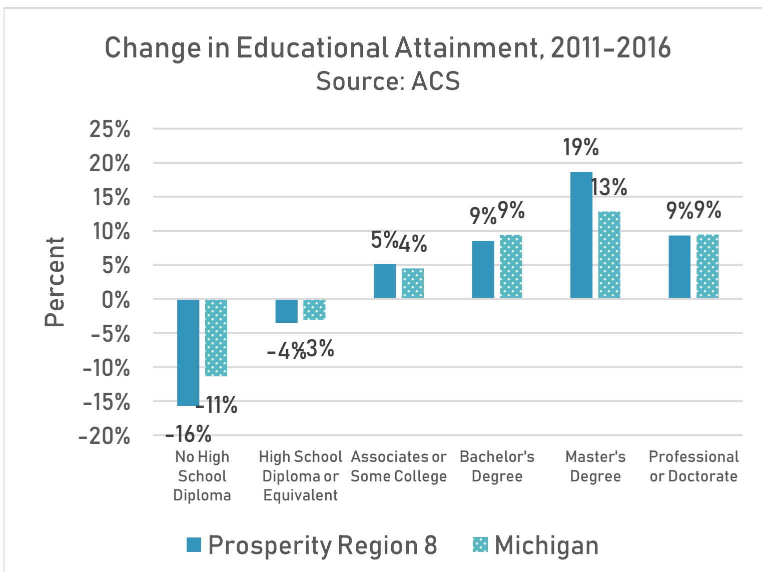
Figure 4: Race and Ethnicity



EDUCATION

One challenge for this region is the disproportionate number of residents with a high school diploma or less. About 41% of all residents have, at most, a high school diploma. This education achievement gap could have long-standing impacts on earning potential and the ability of employers in the area to find qualified employees locally. The good news is educational attainment has improved over the last five years with increases in the number of residents earning bachelor's, master's, and professional degrees, though the region still lags the state.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

As of 2016, there were 305,145 households in Prosperity Region Eight.[303] Between 2011 and 2016, the region saw a 1 percent growth in households which was the same as the state. Looking forward,

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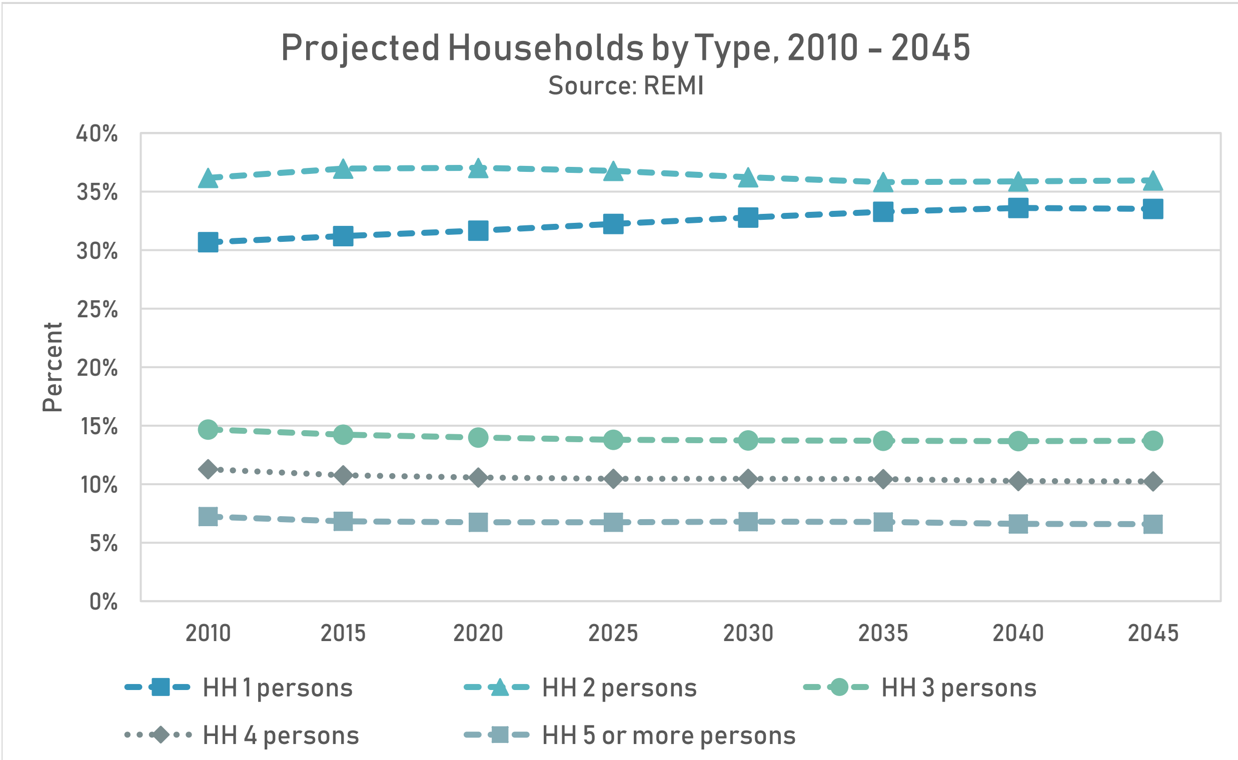
302 ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

303 ACS, Table B11001, "Households", 2012-2016, and RKG Associates

Prosperity Region Eight is expected to experience household growth over both the short- and long-term. Between 2020 and 2025, households are expected to grow by 3 percent, and between 2020 and 2045, households are expected to grow by 9 percent, compared to the state which is expected to grow by 11 percent.[304].

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all households will experience modest growth of between 2 and 5 percent, with the fastest growing being one-person households at 7 percent.[305] The longer-term trend through 2045 shows one-person households increasing by 16 percent versus the state growth rate of 19 percent. The region is expected to experience growth in four- and five-person households of 6 percent and 7 percent, respectively, which is like the state's projected growth rate of 7 percent for both categories. The growth of smaller households will have an impact on housing demand because greater numbers of units will be required to accommodate smaller households.

304 REMI, Michigan Department of Transportation, and RKG Associates, 2018

305 REMI, Michigan Department of Transportation, and RKG Associates, 2018

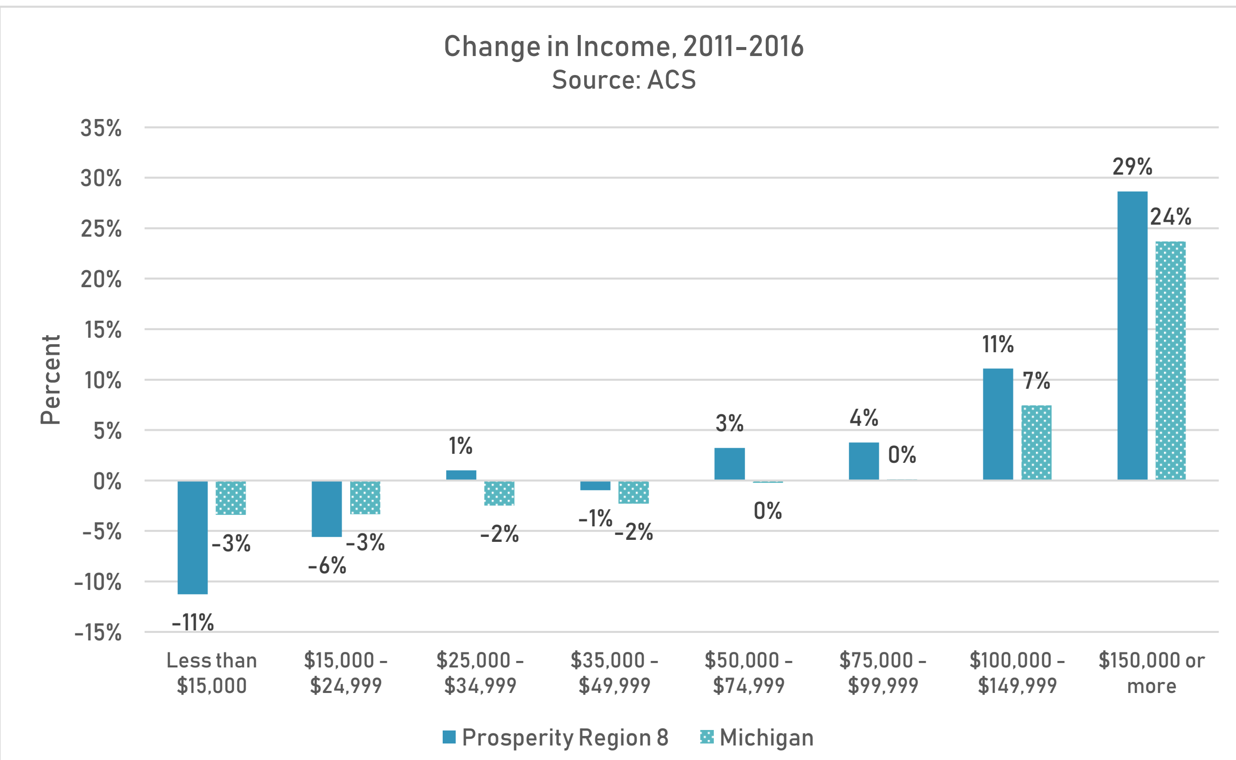
Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

Compared to the rest of Michigan, Prosperity Region Eight has fallen behind economically. Kalamazoo and Battle Creek serve as the primary economic activity centers within the region, with several large employers such as Kellogg Company, Whirlpool, Western Michigan University. The median household income of Prosperity Region Eight is $46,428, which is about 91 percent the state median of $50,803.[306]

Over the last five years, incomes decreased across nearly all income cohorts. The only categories where substantial income growth occurred was in households earning over $100,000 per year. This segment only represents about 17 percent of all households in the region; the state's share of households earning over $100,000 was 20 percent. The region has struggled economically in recent years, and the growth in higher incomes is a result of larger employers such as hospitals and colleges expanding in the region.

Figure 7: Change in Incomes



[306] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

In this region, retail and service industries play a significant role in employment which has a corollary effect on median household income in the region. Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Retail Trade accounts for 10 percent of the jobs in the region.[307] The second largest employment sector is Local Government at 8 percent. **Over the course of the next twenty-five years, employment is expected to growth by 2 percent. Projections show a gain of 8,213 jobs between 2016 and 2045.** The retail sector is expected to decline by 13 percent and the administrative and support services sector is projected to expand by 24 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Retail trade	40,439	35,013	-5,426	-13%
Local Government	33,818	34,771	954	3%
Food services and drinking places	27,618	29,939	2,322	8%
Administrative and support services	23,311	28,916	5,605	24%
Construction	18,141	17,083	-1,058	-6%
All Other Industries	256,393	262,210	5,817	2%
Retail trade	399,719	407,933	8,213	2%
Source: REMI				

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region Eight considered cost burdened or severely cost burdened. In total, 14 percent of all homeowner households in the region are cost burdened while 9 percent are severely cost burdened.[308] Of cost burdened households, 56 percent are at or below 80 percent of Area Median Income (AMI), with 32 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 90 percent of these households fall at or below 80 percent of AMI, and 41 percent fall at or below 30 percent of AMI.

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[307] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[308] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region Eight Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	1,725	6%	7,640	41%
>30% and <=50% AMI	5,615	19%	5,040	27%
>50% and <=80% AMI	9,585	32%	4,065	22%
>80% and <=100% AMI	4,790	16%	885	5%
Income >100% AMI	8,435	28%	910	5%
Total	30,150	100%	18,540	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region Eight stayed nearly the same, increasing by only 134 units.[309] At the same time, the region saw a 2 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals, demolitions, and the loss of mobile home units. Concurrent to the decline in owner units, rental housing units increased 9 percent. This section will further explore the complexities of the ownership market in Prosperity Region Eight.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[312] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 8	Region Percent	Michigan	Michigan Percent
Owner-Occupied	213,341	59%	2,732,051	60%
Renter-Occupied	91,804	26%	1,128,343	25%
Vacant-For Rent	7,485	2%	85,584	2%
Vacant-For Sale	6,632	2%	83,371	2%
Vacant-Seasonal[310]	24,674	7%	288,250	6%
Vacant-Other[311]	15,079	4%	227,321	5%
Total	359,015	100%	4,544,920	100%
Source: ACS 2012-2016				

[309] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[310] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

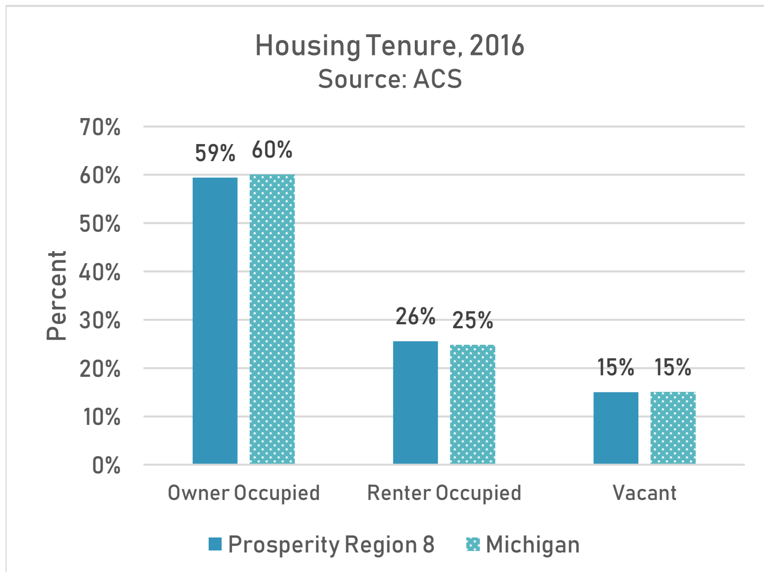
[311] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[312] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two

having five or more units. Of all the housing (both owner and renter) in Prosperity Region Eight, 73 percent of the residential housing stock is comprised of single-family homes, which is slightly more than the state percentage of 72 percent.[313]

Regionally, the owner-occupied housing stock accounts for 59 percent all units. This is slightly higher than the statewide figure of 60 percent. Ownership patterns are changing in the region, over the last five years there was a 2 percent decrease in the number of ownership units and a 9 percent (7,742 unit) increase in rental units. Some of the decline in owner-occupied units could be the result of a drop of 3,542 single-family units going off the market, being demolished, or possibly becoming rentals.

Figure 8: Housing Tenure



Across the region, 15 percent of the housing units are classified as vacant. Digging deeper, 7 percent of all units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 24,674 housing units (owner and renter) that have been removed from the year-round housing market. An additional 4 percent, or 15,079 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The number of vacant units have declined over time, decreasing by 5 percent indicating that some of the vacant housing stock is being added to the rental supply.

months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

313 ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Table 4: Owner-Occupied by Units in Structure

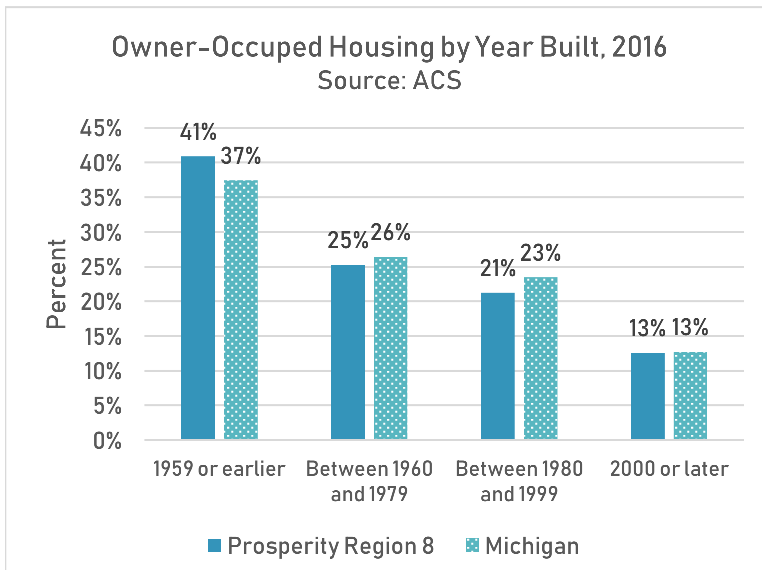
Owner-Occupied	Prosperity Region 8	Region Percent	Michigan	Michigan Percent
Single-Family	193,016	90%	2,412,899	88%
Two or More Units	6,070	3%	175,225	6%
Mobile Home/RV/Other	14,255	7%	143,927	5%
Total	213,341	100%	2,732,051	100%

Source: ACS 2012-2016

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 90 percent of the owner-occupied residential stock was single-family homes.[314] Prosperity Region Eight's owner-occupied housing stock of two or more units was 3 percent as compared to the state, accounting for 6 percent of the total. As of 2016, the region had approximately 7 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are the result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units.

AGE OF HOUSING

Figure 9: Owner-Occupied Housing by Year Built



In Prosperity Region Eight, the median year built of an owner-occupied housing unit is 1969, while the median year built in Michigan is 1970.[315] About 34 percent of all owner-occupied housing was built after 1980.[316] **Older homes still make up a significant share of the marketplace, with homes built before 1959 accounting for 41 percent of total owner-occupied units.** Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

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[314] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

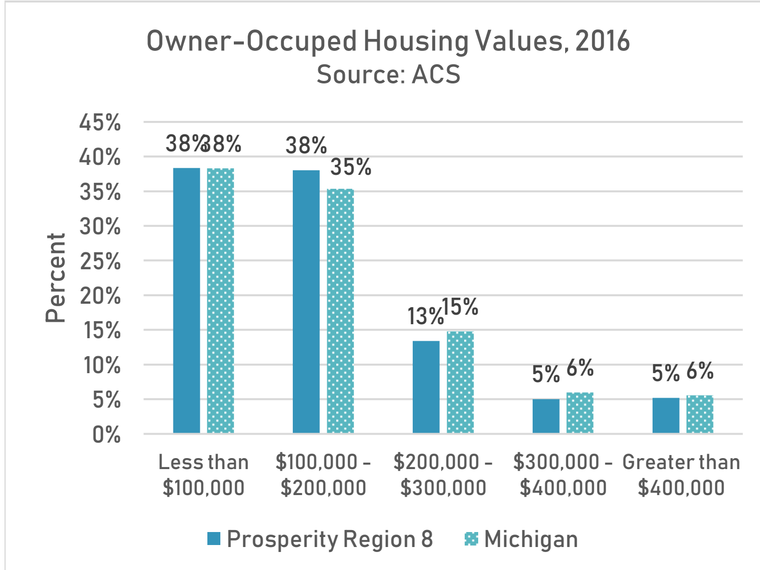
[315] ACS 2012-2016, Table B25037, and RKG Associates

[316] ACS 2012-2016, Table B25036, and RKG Associates

UNIT VALUES

The percentage of homes in the region valued under $100,000 is equal to the state percentage, with about 38 percent of the region's units falling under this value.[317] The region's housing values trail in nearly all other categories, except for the number of homes valued between $100,000 and $200,000. This indicates that what housing stock is available is priced below state averages and reflects the purchasing power of residents and broader economic conditions of the region.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region Eight mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[318] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

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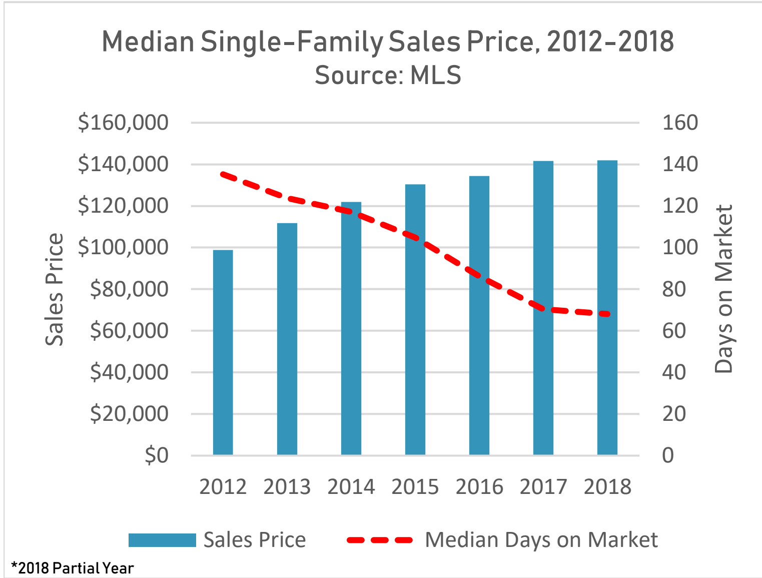
[317] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[318] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

Figure 11: Median Single-Family Sales Price



The market for single-family homes has seen a gradual price escalation and moderate number of sales. Between 2012 and 2018, there were 64,040 sales, or an average of 9,149 sales per year.[319] The median single-family home sales prices rose 43 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $141,625. The time it took to sell a home in Prosperity Region Eight also decreased, dropping 48 percent to an average of 70 days on the market.[320]

Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 50 percent of all single-family sales, and where prices have increased 64 percent over the last six years. Based on average household sizes, these homes tend to meet the needs of buyers. **At a median price of $133,900 these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $45,000 per year -- which is slightly less than the region's median household income.

Larger single-family homes with four- and five-bedrooms plus also experienced price appreciation. **The median sales price of a four-bedroom home increased by 19 percent to $195,700 and the price of a home with five or more bedrooms increased by 7 percent to $283,250.**[321] This market segment makes up about 29 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $111,300 which was more than 51 percent greater than a home built between 1900 and 1950.[322] Similarly, the median sales price of a unit built between 1990 and 2010 was $215,250 which was more than 38 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical

[319] Michigan Realtors 2012-2018, and RKG Associates

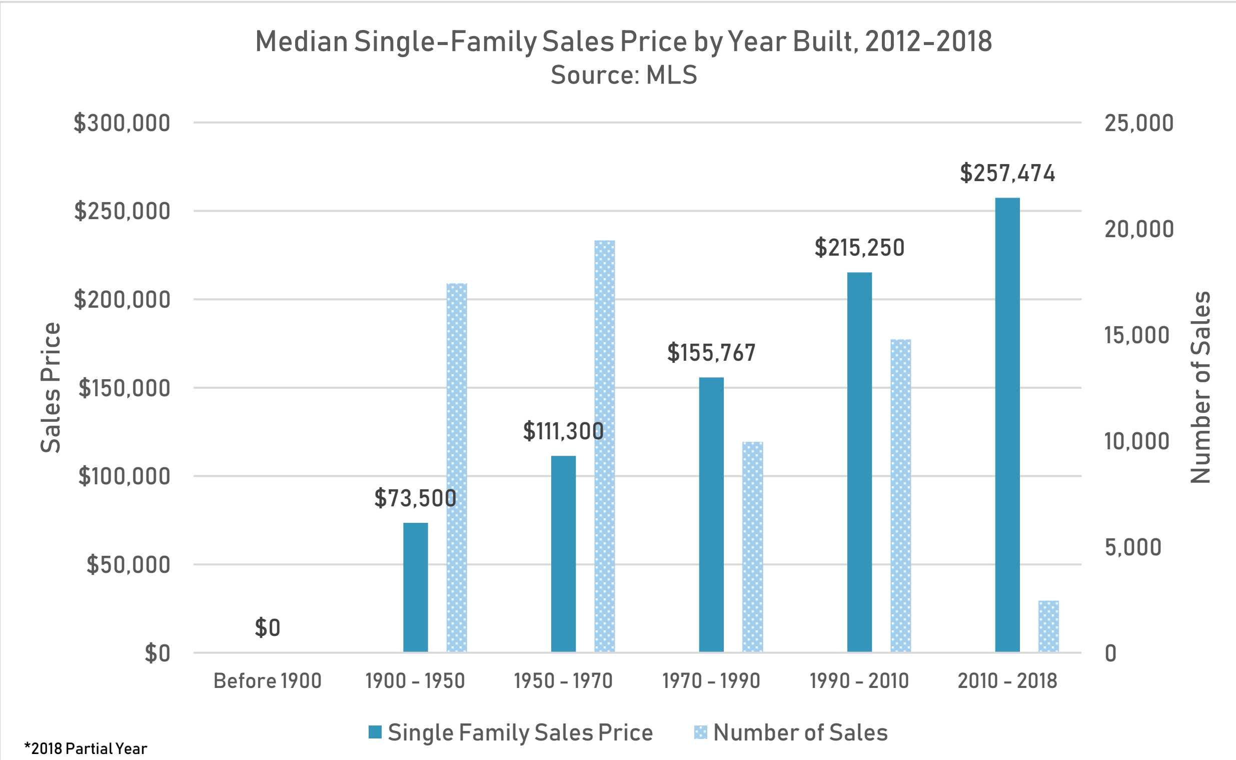
[320] Michigan Realtors 2012-2018, and RKG Associates

[321] Michigan Realtors 2012-2018, and RKG Associates

[322] Michigan Realtors 2012-2018, and RKG Associates

condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

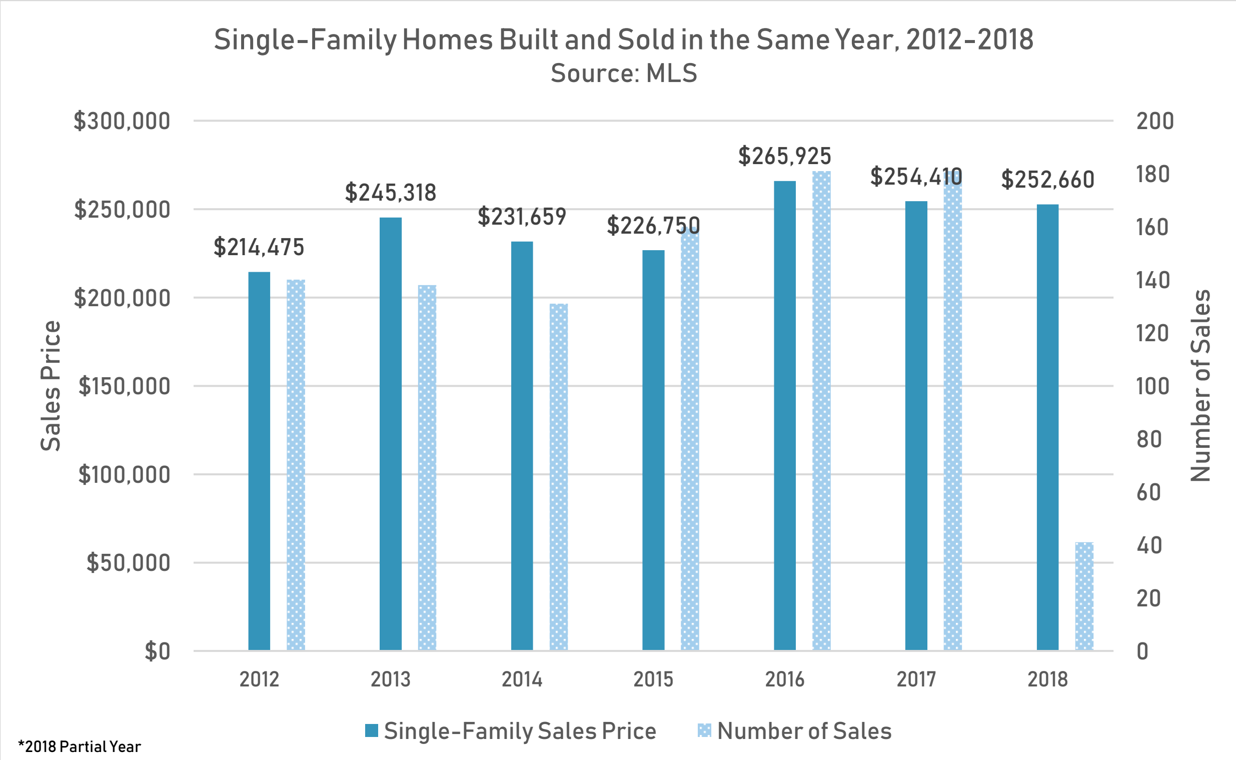
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 80 percent more than existing units. The median sales price of a new home in 2017 was $254,410 compared to $141,625 for an existing single-family home.**[323]

[323] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

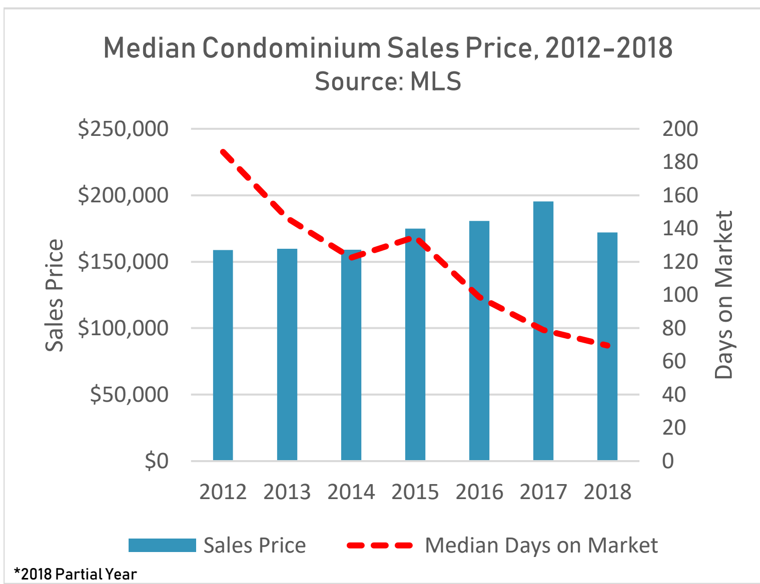
Figure 13: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

Figure 14: Median Condominium Sales Price



The market for condominiums across the region is strong and growing. Between 2012 and 2018, the region saw about 3,575 sales or an average of 511 sales per year. Condominium sales prices have increased 23 percent over the last

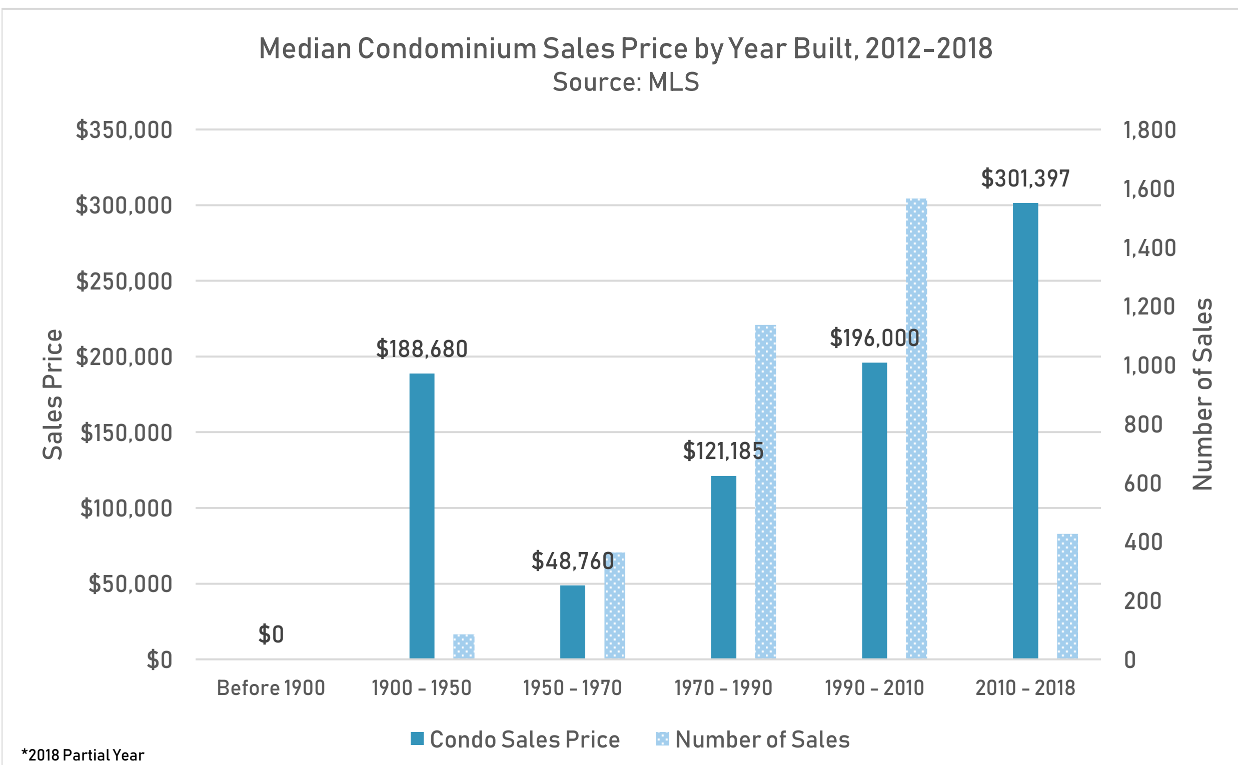
six years. The median sales price of a condominium in 2017 was $195,391, with an average of 79 days on market. Days on market has decreased 58 percent since 2012.[324]

The prices escalations for condominiums across the region reflect the nature of demand for units. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 53 percent of all condominium sales, with a median price of $154,500. For this product type, the median price has increased by 14 percent since 2012.[325] One-bedroom condominiums, though only comprising 9 percent of sales, saw a price increase of 53 percent since 2012, with a median sales price of $115,360 in 2017.

Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $196,000. This was about 62 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

Figure 15: Median Condominium Sales Price by Year Built

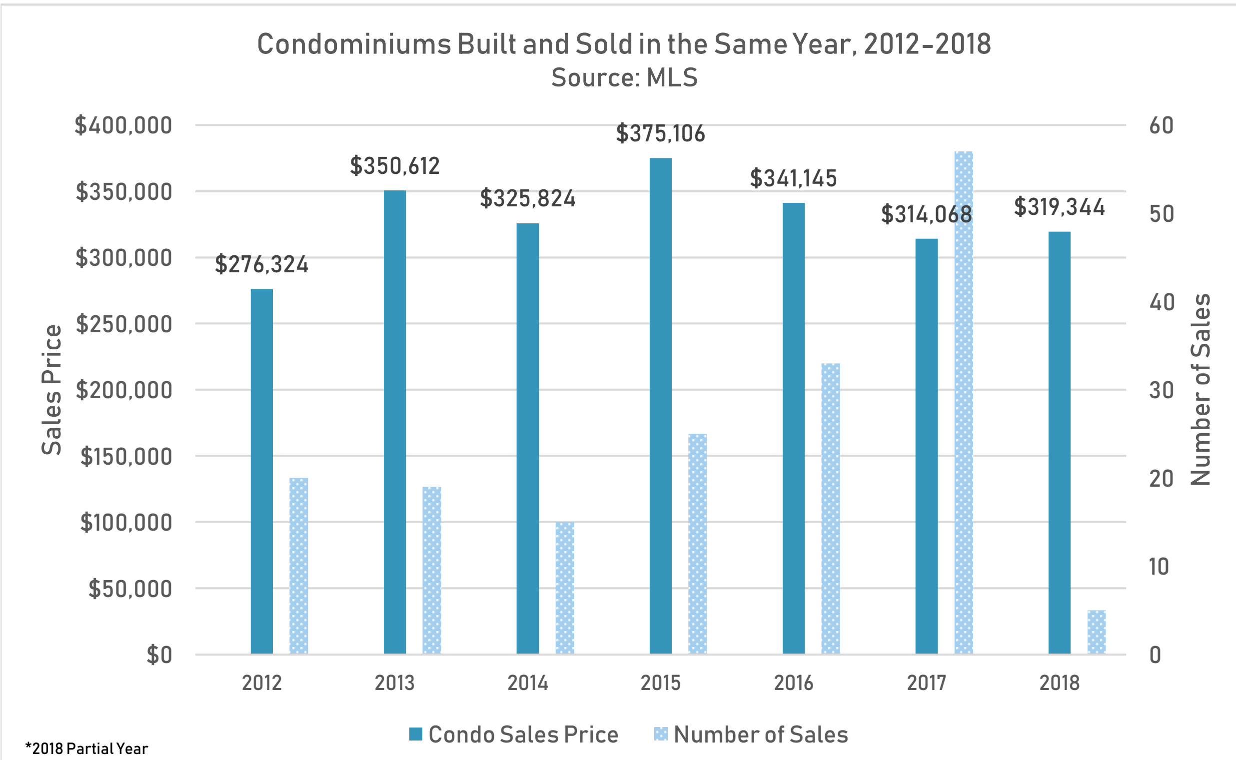


324 Michigan Realtors 2012-2018, and RKG Associates

325 Michigan Realtors 2012-2018, and RKG Associates

As part of the analysis to provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. **On average, a new condominium unit sold for 61 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $314,068 compared to $195,391 for an existing condo**. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In mostly rural areas like Prosperity Region Eight, the predominate housing type are single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[327] Based on the data, **about 41 percent of households fall at or below 80 percent of AMI which equates to a household income of no more than $49,550.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[326]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	26,006	12%
50% AMI	$31,000	$108,587	21,866	10%
80% AMI	$49,550	$173,564	40,416	19%
120% AMI	$74,325	$260,347	44,502	21%
200% AMI	$123,875	$433,911	46,724	22%
Greater than 200% AMI	$123,876	$433,912	33,827	16%

Source: HUD, ACS, and RKG Associates

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

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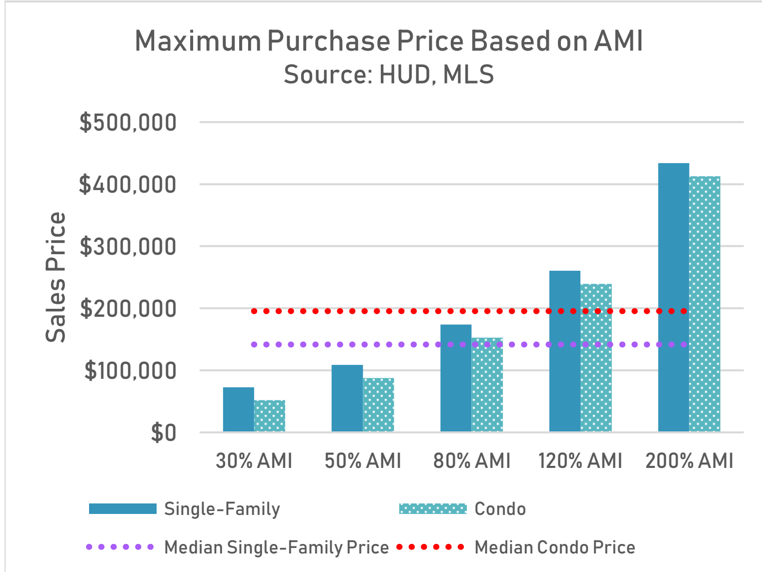
[326] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[327] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of a single-family home and condominium sold in 2017 was affordable to households at or above 80 percent of AMI; the median price of a condominium unit was greater than what an 80 percent AMI household can afford.** Households at or below 50 percent AMI are unable to purchase median priced single-family homes or condominiums.

Figure 17: Maximum Purchase Price Based on AMI

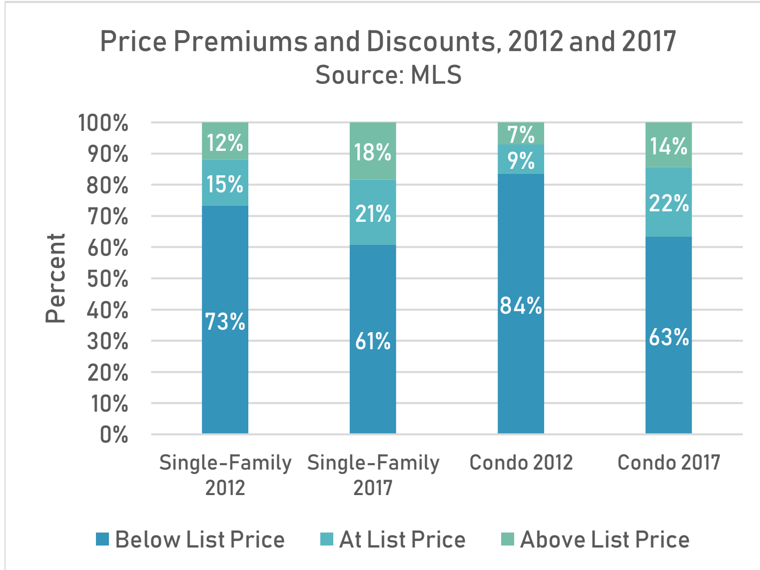


At 30 percent of AMI, a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $141,625. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

Figure 18: Sales Prices of Units, 2012 - 2017



In Prosperity Region Eight, between 2012 and 2017, the market for single-family homes slightly improved as the percentage of homes selling below list price decreased from 73 percent to 61 percent; conversely, above list price sales went from 12 percent to 18 percent, with the median above list price differential being $3,090 in 2017.[328] The condominium market saw a similar trend, with sales below list price decreasing from 84 percent to 63 percent, and above list price sales increasing from 7 percent to 14 percent, with the median above list price differential being $3,142 in 2017. The condominium market also saw an increase in sales at list price, between 2012 and 2017, with the percentage of sales rising from 9 percent to 22 percent.

HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

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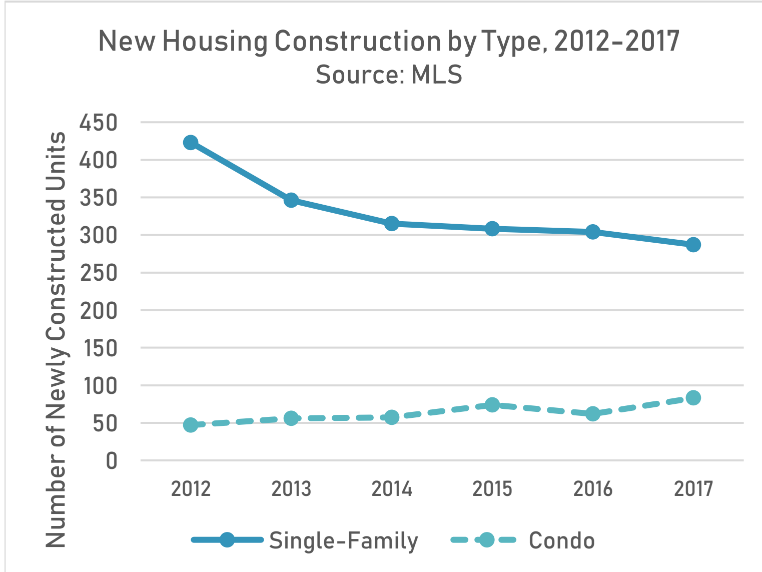
[328] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

While new construction of units occurred between the period 2012 and 2017, **the pace of new construction for ownership units has been mixed in recent years. Between 2012 and 2017 a total of 1,983 single-family units and 379 condominium units were built.**[329] Figure 19 shows the overall trajectory of new construction across the region. Single-family home construction saw a 6 percent decrease from 2012 to 2017, and condominium unit construction saw a 34 percent increase over the same period. The average square footage of a newly constructed single-family unit was nearly 2,300 square feet, while a new condominium unit was 2,100 square feet.[330] The median sales price of a single-family unit built in 2017 was $254,410, and the price of a condominium unit built in 2017 was $314,068, both of which are significantly higher than the median sales price of an existing housing unit.

Figure 19: New Housing Construction, 2012 - 2018



HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, the population and household increase across the region is projected to continue. One of the biggest issues in Prosperity Region Eight is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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[329] Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

[330] Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	26,006	$72,788	59,566	33,560
50% AMI	$31,000	21,866	$108,587	30,314	8,448
80% AMI	$49,550	40,416	$173,564	54,980	14,564
120% AMI	$74,325	44,502	$260,347	35,375	-9,127
200% AMI	$123,875	46,724	$433,911	23,393	-23,331
Greater than 200% AMI	$123,876	33,827	$433,912	9,713	-24,114
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. **Homes valued at under 30 percent of AMI make up most of the housing stock and are in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are lower priced because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $141,625 which is affordable to households with incomes greater than 50 percent of AMI.

The calculated housing unit deficit amounts to 56,572 housing units at above 120 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 6 percent of the total housing stock, which translates into 6,632 Vacant-For Sale units and 15,079 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	70%	15,179	21,292	-6,112
Rental	30%	6,532	9,162	-2,630
Total	100%	21,711	30,454	-8,743
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 70 percent of the total occupied units in Prosperity Region Eight. Of the existing vacant units, about 21,711 could be classified as units that could one day be brought back into the ownership market. Projections forecast 30,454 new households are expected to form in the region, which translates into 21,292 owner households based on the existing owner and renter household split.[331] The gain in households has the potential to outstrip existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net deficit of 6,112 units. This indicates the region does not have existing capacity to absorb growth in households.

The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment. Future changes in household composition may further exacerbate housing demand, as one- and two-person households are expected to increase, while larger households are expected to decrease. This change in household composition could drive the market towards building a larger number of apartment and condominium units which could help fill the market for one- or two-bedroom units.

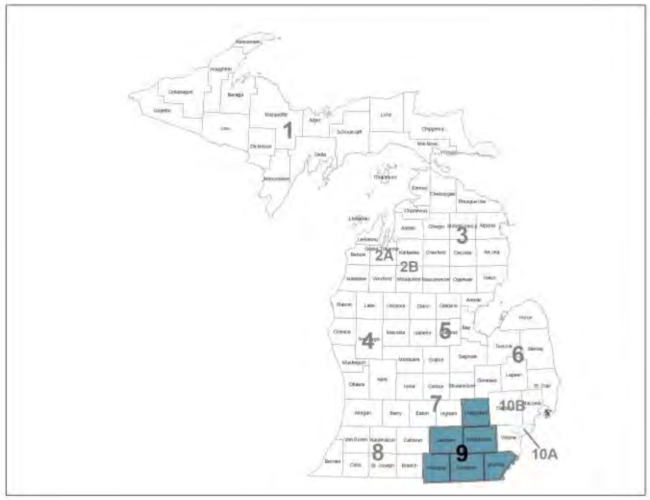
[331] REMI, ACS, and RKG Associates

SOUTHEAST MICHIGAN PROSPERITY REGION

Region at a Glance

The Southeast Michigan Prosperity Region (Prosperity Region Nine) encompasses 6 counties and is found in southeast portion of the state and abuts the Detroit Metro area and Lake Erie. The largest city is Ann Arbor with a population of 121,000. The city functions as both an educational and employment center. The main transportation corridors providing north-south connections are Interstate 75 and Routes 23 and 52; while the main east-west corridors are Interstates 94 and Routes 12 and 223.

Figure 1: Map of Prosperity Region 9



The region is not far from the Detroit Metro Area and has a robust employment base. This analysis will explore demographic changes and their implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region Nine, the following are key findings:

- Looking forward to the year 2045, the population of the region is projected to increase by 15 percent, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent growth in population occurs in seniors, increasing by 36 percent compared to the state growth rate of 24 percent.
- Households are expected to grow over both the short and long-term. Between 2020 and 2025, households are expected to grow by 5 percent, and between 2015 and 2045, households are expected to grow by 11 percent.
- Over the course of the next twenty-five years, employment is expected to grow by 8 percent or 43,565 jobs.
- About 3 percent, or 13,286 units, of the housing stock is classified as “Vacant-Other” meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition.
- The housing stock in region tends to be older, with about 31 percent of all owner-occupied housing built before 1959.
- About 21 percent of the region’s housing units fall between $200,000 and $300,000 in value as compared to 15 percent across the state.

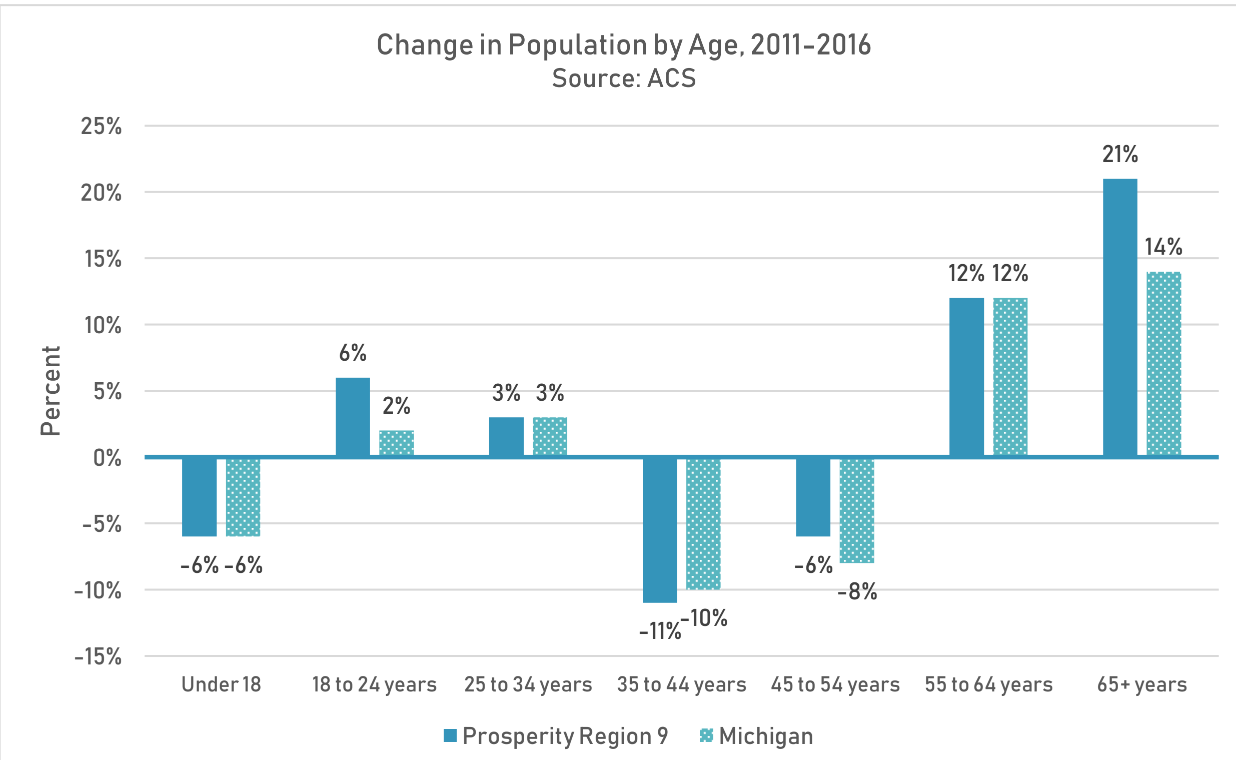
- The market for single-family homes is strong. Sales prices rose by 51 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $215,200. The median sales price of a new home in 2017 was $284,254 which is 32 percent greater than existing units.
- The condominium market is robust. Sales prices have increased 46 percent over the last six years. The median sales price of a condominium in 2017 was $194,670; while the median sale price of a new condominium in 2017 was $239,447, a 23 percent differential.
- The median price of both a single-family home and condominium sold in 2017 was affordable to households at or above 80 percent of Area Median Income (AMI). Households at or below 50 percent AMI are unable to purchase median priced single-family homes or condominiums.
- The pace of new construction for ownership units has drastically increased in recent years. Between 2012 and 2017 a total of 5,610 single-family units and 1,158 condominium units were built.
- The region does not have existing capacity to absorb growth in households. The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment.

Demographics

POPULATION

The current population of Prosperity Region Nine is 998,048 which makes it the fourth largest region in the state. The region experienced a 1 percent population increase over the last five years as compared to the state where no growth occurred over the same period.[332] Prosperity Region Nine has generally experienced growth or similar growth as the state, across nearly all population cohorts. A particularly important finding is that the region experienced a surge in senior population, especially those over 65 years old which saw an increase of 21 percent the last five years. This population is important because as they get older, they will have an impact on the housing market and inventory supply. The growth found in the 18 to 24-year-old population can be attributed to the number the universities located in the region, especially the University of Michigan which is a major anchor institution.

Figure 2: Change in Population by Age



Looking forward to the short-term, it is projected that between 2020 and 2025 the region will experience a 3 percent population growth. The greatest gains are projected to occur between ages 25 and 34, with a projected gain of 9 percent which indicates potentially a greater numbers of young

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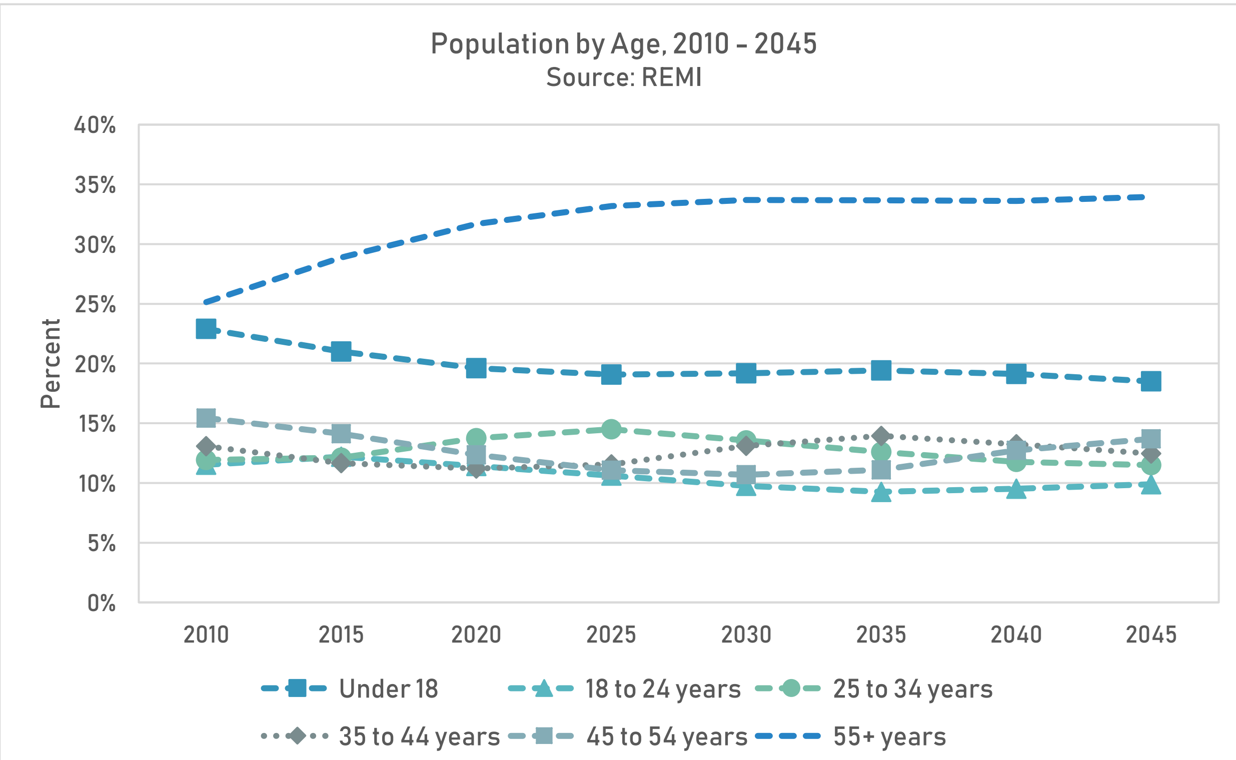
[332] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

family households.[333] Additionally, the region is expected to see an 8 percent growth in seniors, which has implications for the housing market.

Looking forward to the year 2045, the population of the region is projected to grow by 15 percent, compared to the state which is projected to grow by 8 percent.[334] **Between 2015 and 2045, the largest percent growth in population occurs in seniors, increasing by 36 percent compared to the state growth rate of 24 percent.** Increases in senior population have an impact on the housing market as more senior households age-in-place, thus constricting potential supply. Additionally, with a growing senior population, housing units are held longer which limits turnover and potential reinvestment.

Figure 3: Population by Age



The other population group that is expected to grow significantly is the 35 to 44 age group, which is projected to grow by 24 percent. The growth in this demographic group is important because this population tends to start families, are in their prime earning years, and are looking to establish themselves for the long-term.

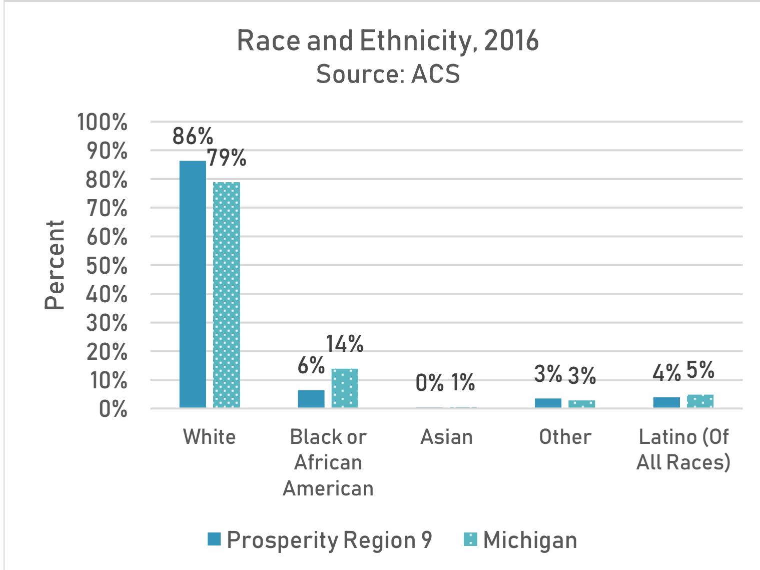
333 Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

334 Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

RACE AND ETHNICITY

Most of the residents in Prosperity Region Nine identify as White, accounting for nearly 86 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 11 percent from 2011 to 2016 and now accounts for 4 percent of the total population.**[335]

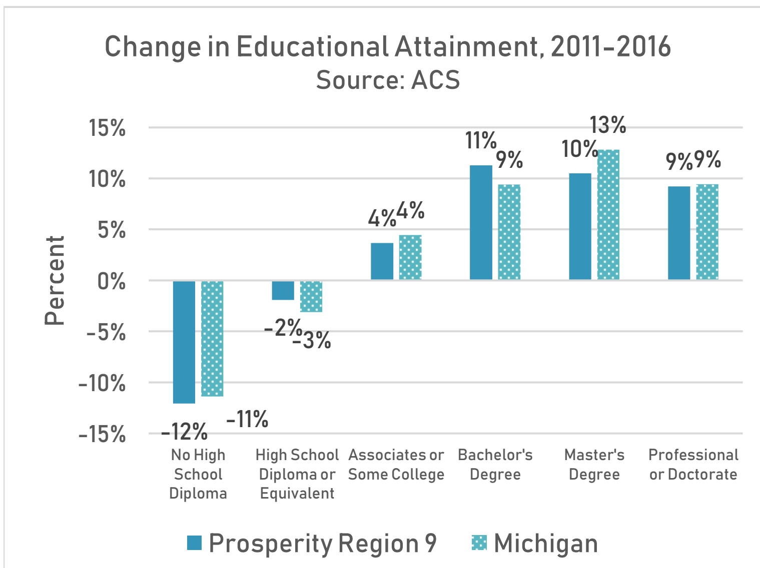
Figure 4: Race and Ethnicity



EDUCATION

One of the strengths of this region is the percentage of population that is educated beyond high school. About 35% of all residents have, at most, a high school diploma, while 65 percent have some form of advanced education. The trend towards greater amounts of education is continuing as educational attainment improved over the last five years with increases in the number of residents earning bachelor's, master's, and professional degrees.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

As of 2016, there were 383,385 households in Prosperity Region Nine.[336] Between 2011 and 2016, growth in households was 2 percent, as the region saw a gain of 8,076 households, compared to the state's growth of 1 percent. Looking forward, **Prosperity Region Nine is expected to experience household growth over both the short- and long-term.** Between 2020 and 2025, households are expected to grow by 5 percent, and over the

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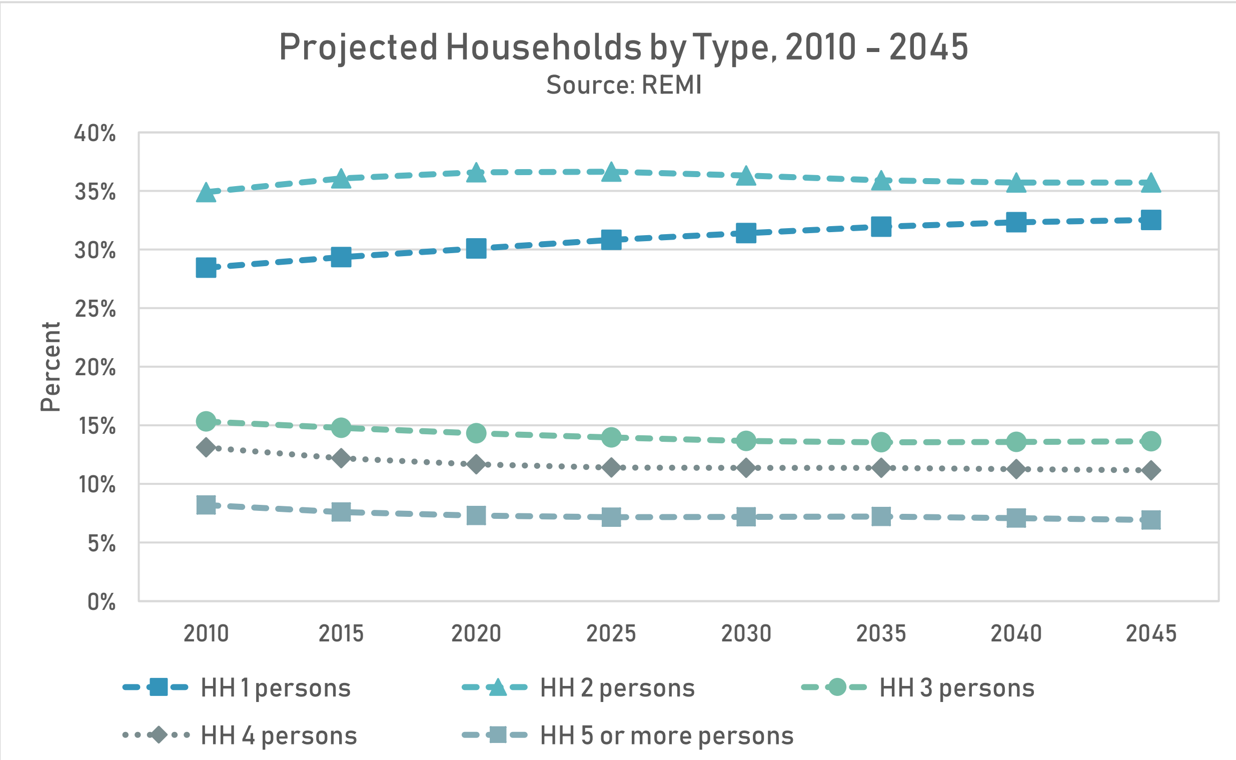
[335] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

[336] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

long-term, between 2020 and 2045, households are expected to grow by 11 percent, which is like the state growth rate.[337] The overall growth in households will have an impact on the number of housing units needed to support the population of the region.

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all households' sizes will experience modest growth of between 3 and 8 percent.[338] The longer-term trend through 2045 shows one-person households increasing by 28 percent versus the state growth rate of 19 percent. The region is expected to experience growth in four and five-person households of 13 percent and 12 percent, respectively, which is much faster than the state's projected growth rate of 7 percent. The growth of smaller households will have an impact on type of housing demanded because greater numbers of units will be required to accommodate smaller households. Growth in large households has implications for housing design and layout as more bedrooms are required to accommodate larger household sizes.

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337 REMI, Michigan Department of Transportation, and RKG Associates, 2018

338 REMI, Michigan Department of Transportation, and RKG Associates, 2018

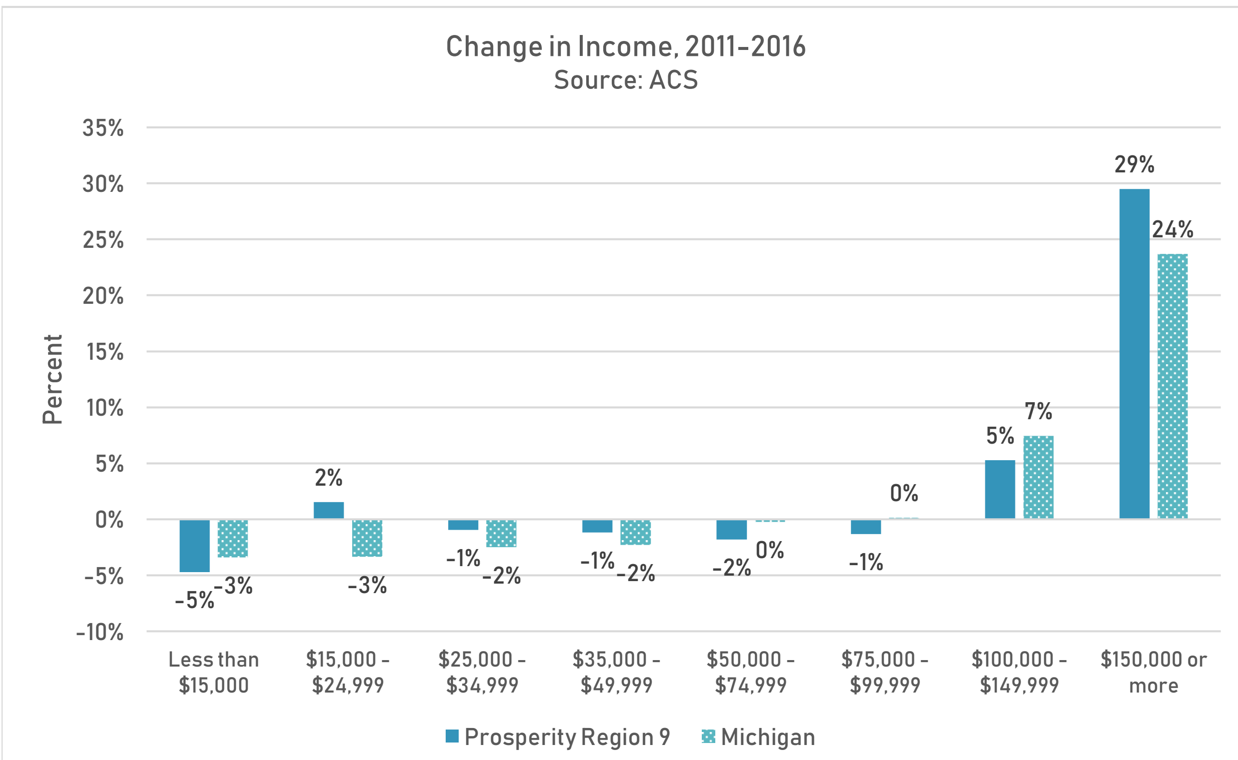
Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

Compared to the rest of Michigan, Prosperity Region Nine is expanding economically. The region is a major employment center, with Ann Arbor serving as the largest city. Additionally, the region is proximate to the Detroit Metro Area which is a jobs center. There are several large employers in the area including the universities, manufacturers, and hospitals. The median household income of Prosperity Region Nine is $53,134, which is greater than the state median of $50,803.[339]

Over the last five years, positive changes in income have occurred across nearly all income cohorts; especially at the lower-income levels. Substantial income growth occurred was in households earning over $100,000 per year. This segment represents about 26 percent of all households in the region, which is greater than the state's share of households earning over $100,000 at 20 percent. The region is economically vibrant and is expected to continue to be so in the future.

Figure 7: Change in Incomes



Across the region, retail and service industries play a significant role in employment. Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, State

[339] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

Government accounts for 12 percent of the jobs in the region.[340] The second largest employment sector is Retail trade at 10 percent. **Over the course of the next twenty-five years, there is expected to be 8 percent employment growth. Projections show a gain of 43,565 jobs between 2016 and 2045.** The retail sector is expected to decline by 10 percent, but the professional, scientific, and technical services sector is expected to expand by 30 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
State Government	65,009	73,617	8,607	13%
Retail trade	53,576	48,202	-5,374	-10%
Professional, scientific, and technical services	41,735	54,363	12,627	30%
Food services and drinking places	33,972	38,775	4,803	14%
Local Government	33,165	35,674	2,509	8%
All Other Industries	316,512	336,905	20,393	6%
Total	543,971	587,535	43,565	8%

Source: REMI

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region Nine considered cost burdened or severely cost burdened. In total, 15 percent of all homeowner households in the region are cost burdened while 9 percent are severely cost burdened.[341] Of cost burdened households, 52 percent are at or below 80 percent of Area Median Income (AMI), with 30 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 89 percent of these households fall at or below 80 percent of AMI, and 40 percent fall at or below 30 percent of AMI.

[340] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[341] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region Nine Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	2,540	6%	10,145	40%
>30% and <=50% AMI	6,520	16%	7,200	28%
>50% and <=80% AMI	11,970	30%	5,425	21%
>80% and <=100% AMI	7,000	17%	1,275	5%
Income >100% AMI	12,040	30%	1,495	6%
Total	40,070	100%	25,540	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region Nine increased by 3,873, which amounts to a 1 percent change.[342] At the same time, the region saw a 1 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals, demolitions, and the loss of mobile home ownership units. Concurrent to the decline in owner units, rental housing units increased 11 percent. This section will further explore the complexities of the ownership market in Prosperity Region Nine.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[345] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 9	Region Percent	Michigan	Michigan Percent
Owner-Occupied	275,637	65%	2,732,051	60%
Renter-Occupied	107,748	26%	1,128,343	25%
Vacant-For Rent	8,122	2%	85,584	2%
Vacant-For Sale	5,867	1%	83,371	2%
Vacant-Seasonal[343]	10,899	3%	288,250	6%
Vacant-Other[344]	13,286	3%	227,321	5%
Total	421,559	100%	4,544,920	100%
Source: ACS 2012-2016				

[342] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[343] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

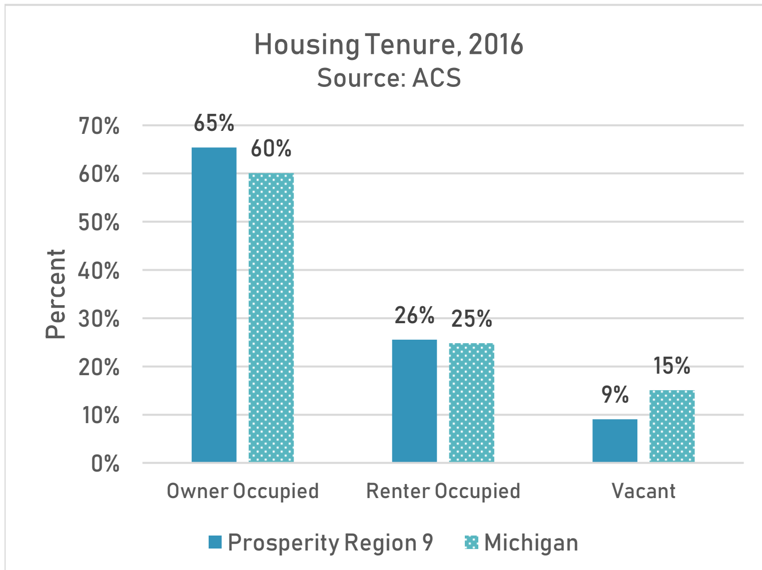
[344] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[345] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two

having five or more units. Of all the housing (both owner and renter) in Prosperity Region Nine, 71 percent of the residential housing stock is comprised of single-family homes, which is slightly less than the state percentage of 72 percent.[346]

Regionally, owner-occupied housing stock accounts for 65 percent all units. This is more than the statewide figure of 60 percent. Ownership patterns are changing in the region, over the last five years there was a 1 percent decrease in the number of ownership units and a 11 percent (10,703 unit) increase in rental units. Some of the decline could be the result of a drop of 2,559 mobile homes which may have shifted from ownership to rental or were entirely removed from the market.

Figure 8: Housing Tenure



Across the region, 9 percent of the housing units are classified as vacant. Digging deeper, 3 percent of all units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 10,899 housing units (owner and renter) that have been removed from the year-round housing market. An additional 3 percent, or 13,286 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The number of vacant units have declined over time, decreasing by 10 percent indicating that some of the vacant housing stock is being added to the rental and ownership supply.

months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[346] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 88 percent of the owner-occupied residential stock was single-family homes.[347] Prosperity Region Nine's owner-occupied housing stock is like the states percent distribution with two or more units accounting for 6 percent and mobile homes accounting for 6 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are a result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units.

Table 4: Owner-Occupied by Units in Structure

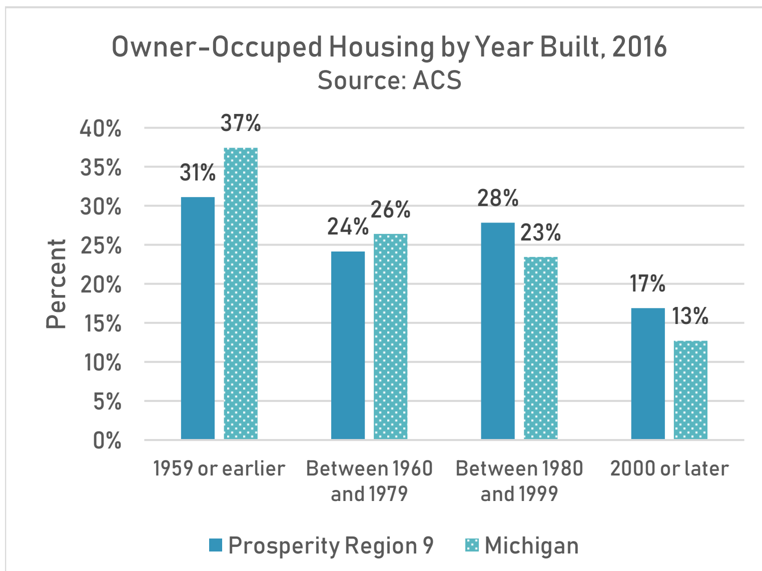
Owner-Occupied	Prosperity Region 9	Region Percent	Michigan	Michigan Percent
Single-Family	243,375	88%	2,412,899	88%
Two or More Units	16,293	6%	175,225	6%
Mobile Home/RV/Other	15,969	6%	143,927	5%
Total	275,637	100%	2,732,051	100%

Source: ACS 2012-2016

AGE OF HOUSING

In Prosperity Region Nine, the median year built of an owner-occupied housing unit is 1972, while the median year built in Michigan is 1970.[348] About 45 percent of all owner-occupied housing was built after 1980.[349] **Older homes still make up a significant share of the marketplace, with homes built before 1959 accounting for 31 percent of total owner-occupied units.** This finding also shows how the region became an employment center during the pre and post-war period. Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

Figure 9: Owner-Occupied Housing by Year Built



[347] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

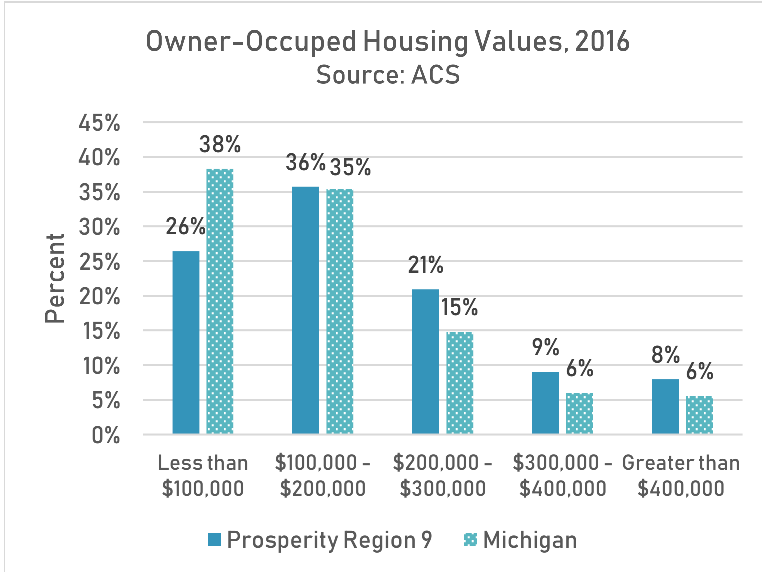
[348] ACS 2012-2016, Table B25037, and RKG Associates

[349] ACS 2012-2016, Table B25036, and RKG Associates

UNIT VALUES

The percentage of homes in the region valued between $200,000 and $300,000 is greater than the state percentage, with about 21 percent of the region's units falling under this value as compared to 15 percent across the state.[350] The region's higher than average housing values reflects the purchasing power of residents and more favorable economic conditions of the region as compared to the state.

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region Nine mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[351] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

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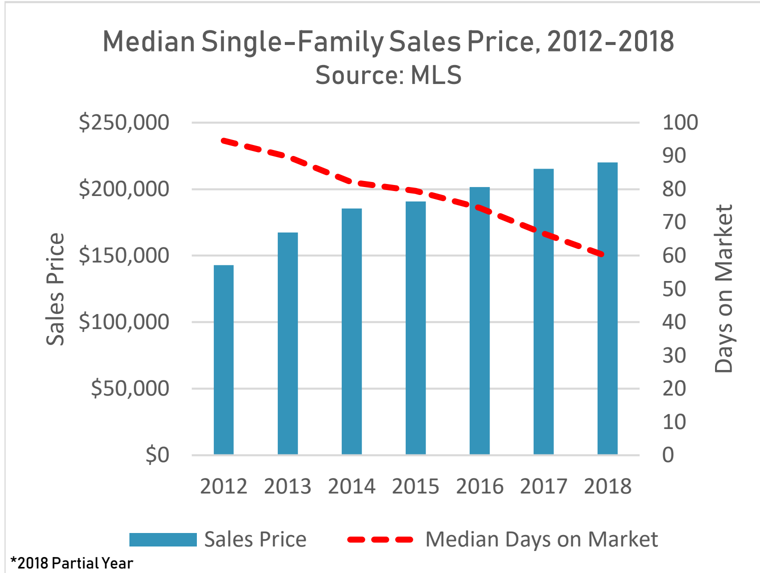
[350] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[351] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

The market for single-family homes has seen a gradual price escalation and moderate number of sales. Between 2012 and 2018, there were 125,076 sales, or an average of 17,868 sales per year.[352] The median single-family home sales prices rose by 51 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $215,200. The time it took to sell a home in Prosperity Region Nine also decreased, dropping 29 percent to an average of 67 days on the market.[353]

Figure 11: Median Single-Family Sales Price



Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 50 percent of all single-family sales, and where prices have increased 51 percent over the last six years. Based on average households' sizes, these homes tend to meet the needs of buyers. **At a median price of $187,975 these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $65,000 per year -- which is higher than the region's median household income.

Larger single-family homes with four- and five-bedrooms plus also experienced price appreciation. **The median sales price of a four-bedroom home increased by 37 percent to $288,246 and the price of five-bedroom units or greater increased by 26 percent to $359,676.**[354] This market segment makes up about 43 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $136,210 which was more than 49 percent greater than a home built between 1900 and 1950.[355] Similarly, the median sales price of a unit built between 1990 and 2010 was $237,600 which was more than 29 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical

[352] Michigan Realtors 2012-2018, and RKG Associates

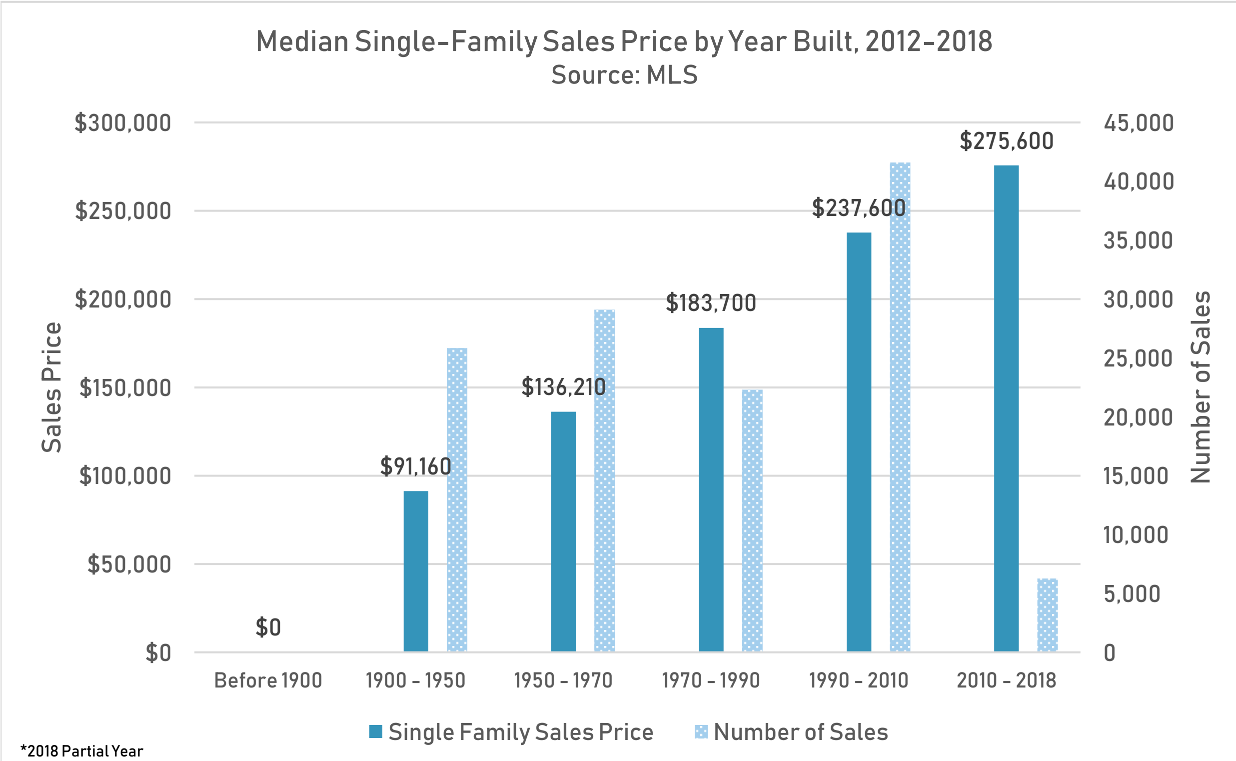
[353] Michigan Realtors 2012-2018, and RKG Associates

[354] Michigan Realtors 2012-2018, and RKG Associates

[355] Michigan Realtors 2012-2018, and RKG Associates

condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

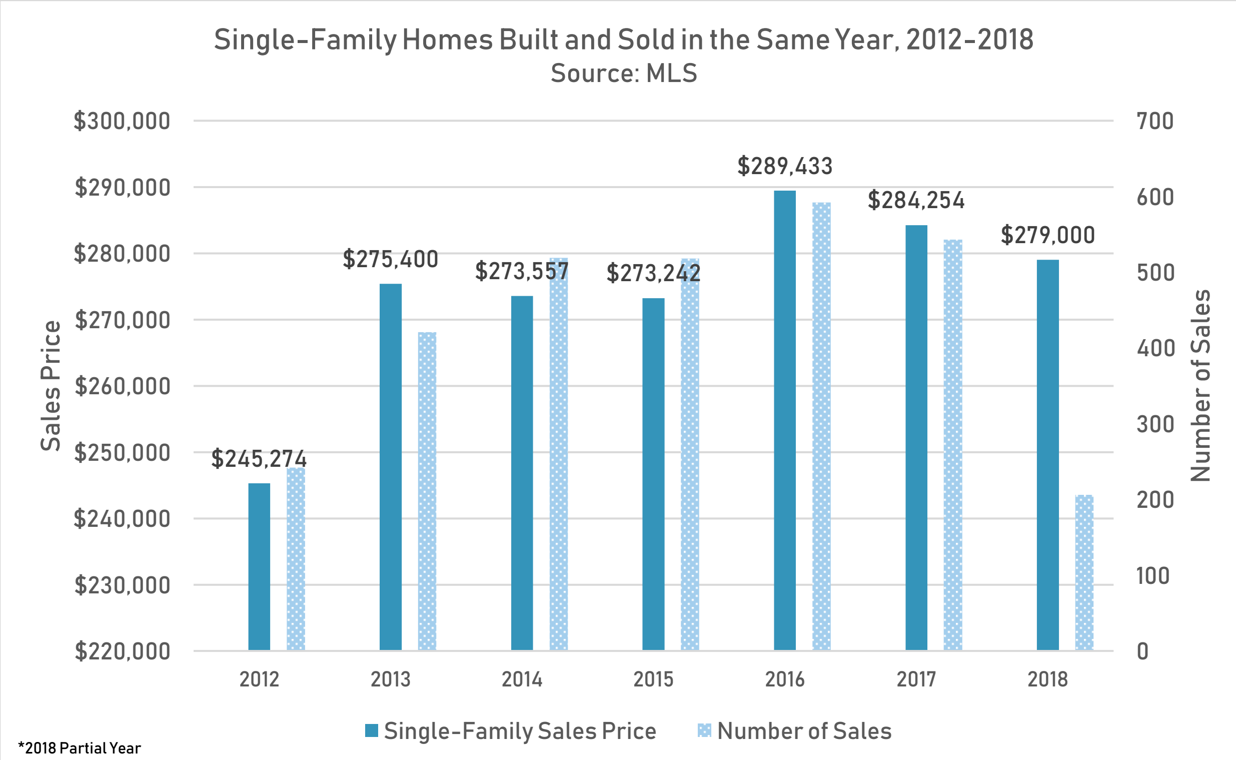
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 32 percent more than existing units. The median sales price of a new home in 2017 was $284,254 compared to $215,270 for an existing single-family home.**[356]

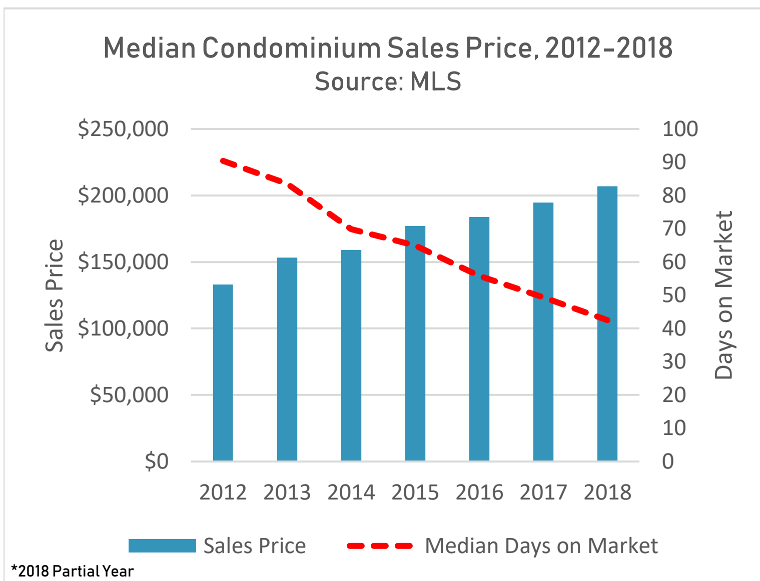
[356] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

Figure 13: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Figure 14: Median Condominium Sales Price



Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

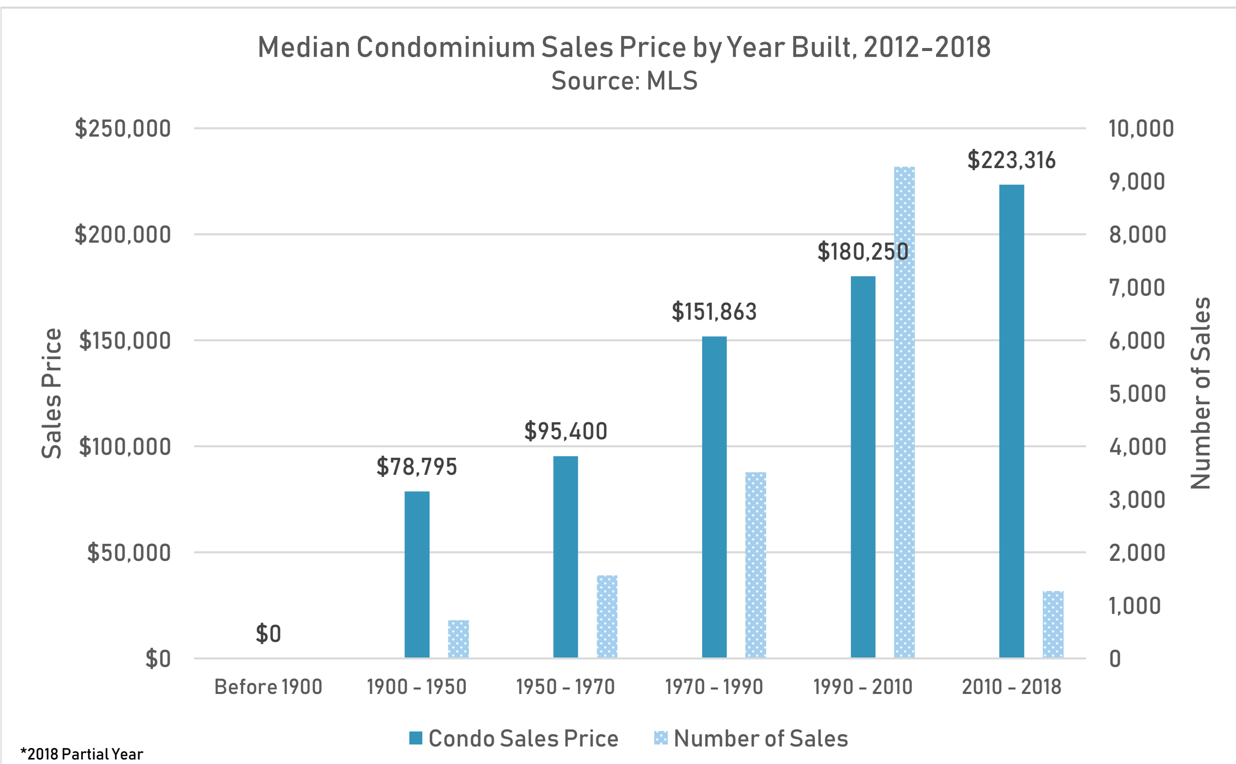
The market for condominiums across the region is strong and growing. Between 2012 and 2018, the region saw about 16,343 sales or an average of 2,335 sales per year. Condominium sales prices have increased 46 percent over the last six years. The median sales price of a condominium in 2017 was $194,670, with an average days on market being 49 days. The number of days on market decreased 45 percent since 2012.[357]

The prices escalations for condominiums across the region reflect the nature of demand for units. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 65 percent of all condominium sales, with a median price of $184,370. For this product type, the median price has increased by 60 percent since 2012.[358] Three-bedroom condominiums, which make up 24 percent of sales, saw a price increase of 49 percent since 2012, with the median sales being $270,890 in 2017.

Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $180,250. This was about 19 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

Figure 15: Median Condominium Sales Price by Year Built



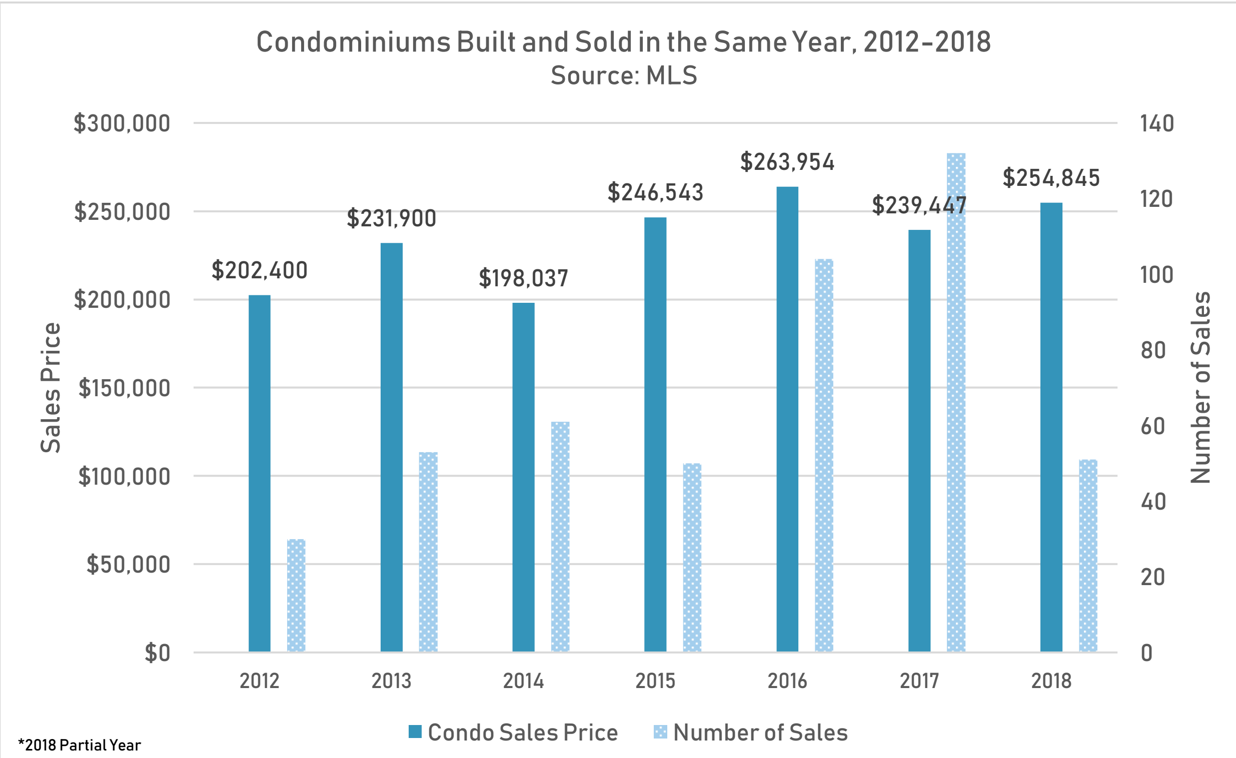
As part of the analysis to provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in

357 Michigan Realtors 2012-2018, and RKG Associates

358 Michigan Realtors 2012-2018, and RKG Associates

the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. **On average, a new condominium unit sold for 23 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $239,447 compared to $194,670for an existing condo**. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In Prosperity Region Seven, the predominate housing type are single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[360] Based on the data, **about 44 percent of households fall at or below 80% of AMI which equates to a household income of no more than $64,750.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[359]	Number of Owner Households	Percent of Households
30% AMI	$25,100	$87,921	34,415	12%
50% AMI	$41,850	$146,593	36,887	13%
80% AMI	$64,750	$226,807	50,333	18%
120% AMI	$97,125	$340,211	58,735	21%
200% AMI	$161,875	$567,018	67,920	25%
Greater than 200% AMI	$161,876	$567,019	27,347	10%

Source: HUD, ACS, and RKG Associates

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

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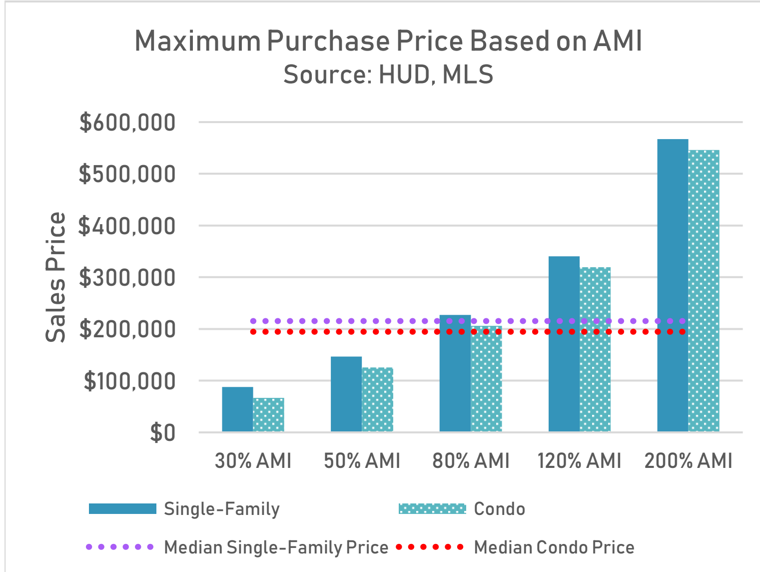
[359] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[360] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of both a single-family home and condominium sold in 2017 was affordable to households at or above 80 percent of AMI.** Households at or below 50 percent AMI are unable to purchase median priced single-family homes or condominiums.

Figure 17: Maximum Purchase Price Based on AMI

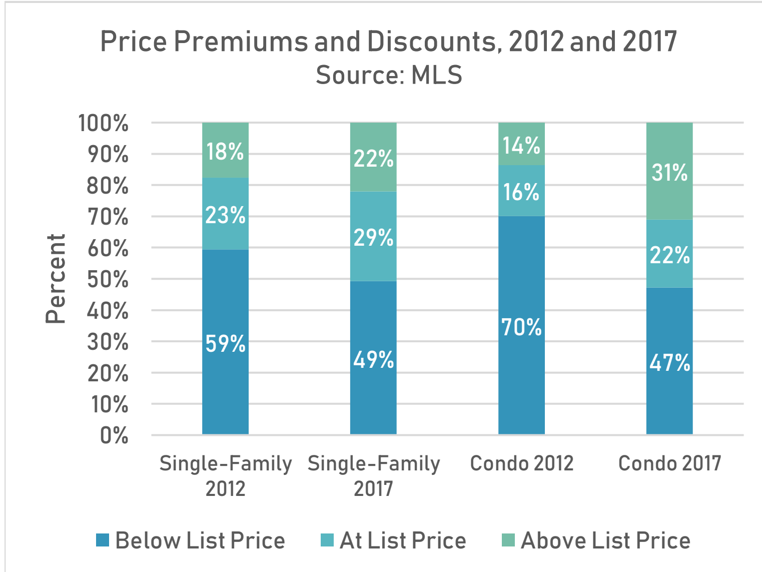


At 30 percent of AMI, a household can purchase a home at a price of around $88,000 while the median single-family price is closer to $215,270. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

Figure 18: Sales Prices of Units, 2012 - 2017



In Prosperity Region Nine, between 2012 and 2017, the market for single-family homes slightly improved as the percentage of homes selling below list price decreased from 59 percent to 49 percent; conversely, above list price sales went from 18 percent to 22 percent, with the median above list price differential being $5,150 in 2017.[361] The condominium market saw a similar trend, with sales below list price decreasing from 70 percent to 47 percent, and above list price sales increasing from 14 percent to 31 percent, with the median above list price differential being $5,150 in 2017. The condominium market also saw an increase in sales at list price, between 2012 and 2017, with the percentage of sales rising from 16 percent to 22 percent.

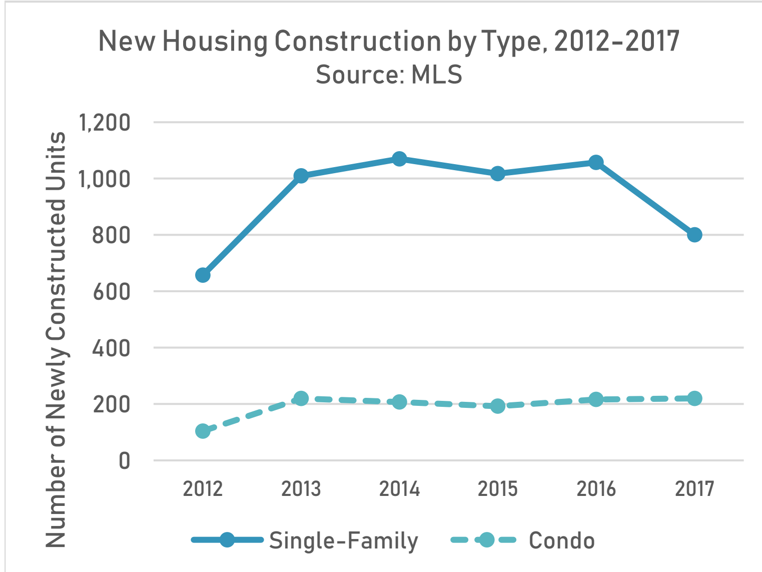
HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

[361] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 19: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, the pace of new construction for single-family homes has slowed considerably, while the construction of condominiums has increased. **Between 2012 and 2017 a total of 5,610 single-family units and 1,158 condominium units were built and sold.**[362] Figure 19 shows the overall trajectory of new construction across the region. **Single-family home construction saw a 22 percent increase from 2012 to 2017, and condominium unit construction saw a 112 percent increase over the same period.** This shows that demand for condominium units have increased over time. The average square footage of a newly constructed single-family unit was nearly 2,100 square feet, while a new condominium unit was 1,400 square feet.[363] The median sales price of a single-family unit built in 2017 was $284,254, and the price of a condominium unit built in 2017 was $239,447, both of which are significantly higher than the median sales price of an existing housing unit.

HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household decline across the region is projected to continue. One of the biggest issues in Prosperity Region Nine is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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[362] Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

[363] Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$25,100	34,415	$87,921	64,026	29,611
50% AMI	$41,850	36,887	$146,593	53,112	16,225
80% AMI	$64,750	50,333	$226,807	69,560	19,227
120% AMI	$97,125	58,735	$340,211	52,174	-6,561
200% AMI	$161,875	67,920	$567,018	32,835	-35,085
Greater than 200% AMI	$161,876	27,347	$567,019	3,930	-23,417
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 80 percent of AMI, but a large deficit for houses priced over 120 percent of AMI. **Homes valued at under 30 percent of AMI make up most of the oversupply in housing stock.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are lower priced because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $215,270 which is affordable to households at around 80 percent AMI and above.

The calculated housing unit deficit amounts to 65,063 housing units at above 120 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 8 percent of the total housing stock, which translates into 5,867 Vacant-For Sale units and 13,286 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	72%	13,770	54,265	-40,495
Rental	28%	5,383	21,212	-15,830
Total	100%	19,153	75,477	-56,324
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 72 percent of the total occupied units in Prosperity Region Nine. Of the existing vacant units, about 19,153 could be classified as units that could one day be brought back into the ownership market. REMI projects that 75,477 new households are expected to form in region, which translates into 54,265 owner households based on the existing owner and renter household split.[364] The gain in households has the potential to outstrip existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net deficit of 40,495 units. This indicates the region does not have existing capacity to absorb growth in households.

The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment. Future changes in household composition may further exacerbate housing demand, as one and two-person households are expected to increase, while larger households are expected to decrease. This change in household composition could drive the market towards building greater numbers of apartment and condominium units which are one- or two-bedroom units.

[364] REMI, ACS, and RKG Associates

CITY OF DETROIT

Region at a Glance

The City of Detroit (Prosperity Region 10a) is the most populous city in the state. It is in southeast Michigan and is part of Wayne County. The city acts as a major economic center and has a long history of manufacturing and commerce. The main transportation corridors are Interstates 75, 94, and 96.

The region is proximate to other large employment centers such as the Detroit Metro Area and Ann Arbor. This analysis will explore demographic changes and their implications on the existing and future housing market.

Figure 1: Map of Prosperity Region 10a

KEY FINDINGS

Based on the analysis performed for Prosperity Region 10a, the following are key findings:

- Looking forward to the year 2045, the population of the region is projected to increase by 6 percent, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent growth in population occurs in residents over the age of 55, increasing by 24 percent, which is in line with the state growth rate.
- Households are expected to grow over both the short- and long-term. Between 2020 and 2025, households are expected to grow by 2 percent, and between 2015 and 2045, households are expected to grow by 10 percent.
- Over the course of the next twenty-five years, employment is expected to grow by 1 percent or 3,041 jobs.
- About 22 percent, or 80,625 units, of the housing stock is classified as “Vacant-Other” meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. While the state has only 5 percent of its housing units classified as vacant other.
- The housing stock in the region tends to be older, with about 87 percent of all owner-occupied housing built before 1959, compared to the state rate of 37 percent.
- About 86 percent of the region’s housing units fall under $100,000 in value as compared to 38 percent across the state.

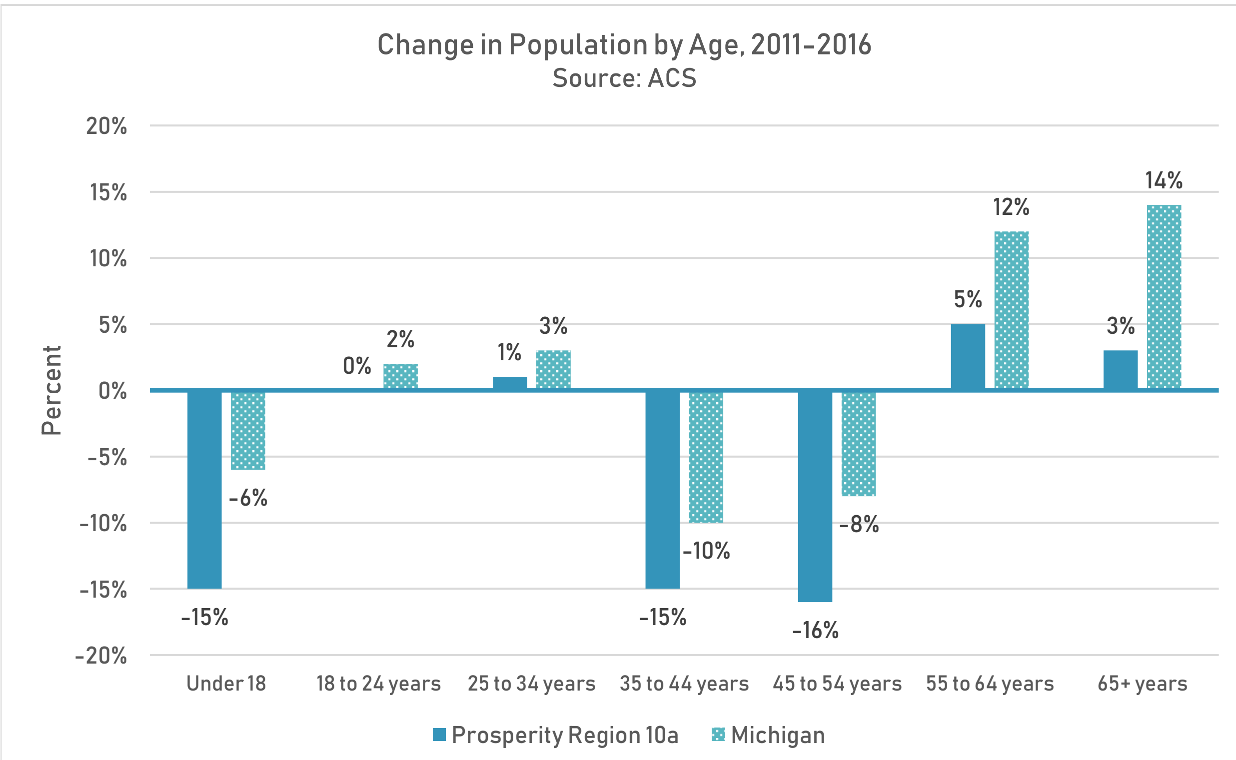
- Sales prices for single-family homes rose by 165 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $26,265. New construction of single-family was nearly non-existent.
- Sales prices of condominiums have increased 254 percent over the last six years. The median sales price of a condominium in 2017 was $213,967; while the median sale price of a new condominium in 2017 was $238,960, a difference of 12 percent.
- The median sale price of a single-family home sold in 2017 was affordable to households making 30 percent of AMI, but these homes need significant renovation as they tend to be older and in disrepair.
- The median sales price of a condominium unit in 2017 was affordable to households at or above 200 percent of AMI, indicating market demand for luxury units.
- New construction for ownership is minimal. Between 2012 and 2017 a total of 13 single-family units and 29 condominium units were built. Much of the housing being built involves renovation or adaptive reuse.
- The region has excess housing capacity to absorb the future growth in households. Renovation of existing housing stock can help rejuvenate existing neighborhoods.

Demographics

POPULATION

The current population of Prosperity Region 10a is 683,443 which makes it the sixth largest region in the state. The region experienced a 7 percent population decrease over the last five years as compared to the state where no growth occurred over the same period.[365] Across population age cohorts, the region has generally lost population or lagged the stated in growth. A particularly important finding is that the region lost population between the ages of 35 and 54, which are prime income earning, family formation, and homebuying years.

Figure 2: Change in Population by Age



Looking forward over the short-term, it is projected that between 2020 and 2025 the region will experience 1 percent decline in population. The greatest losses are expected to occur between ages 18 and 24, with a decline of 8 percent indicating greater number of the youth population will leave the region for educational and professional opportunities.[366] Additionally, the region is expected to continue to lose population between the ages of 35 and 54, seeing an overall decline of 7 percent.

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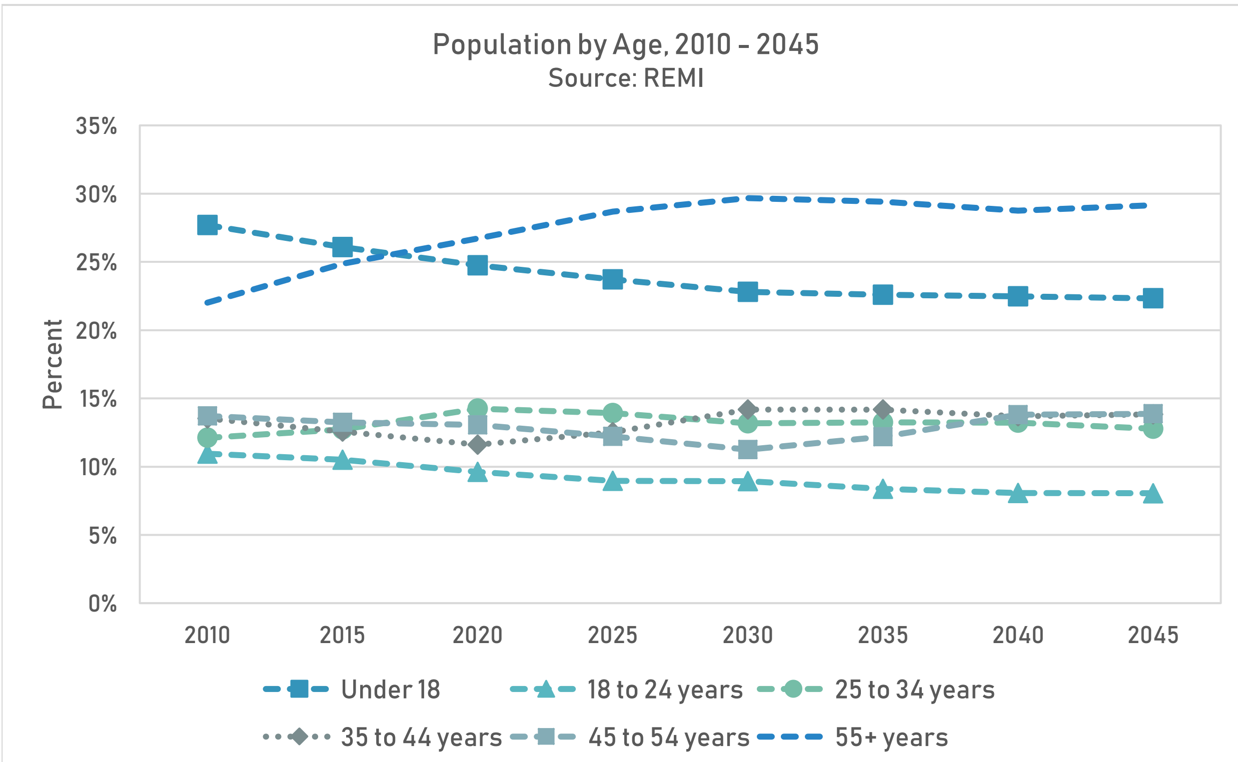
365 ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

366 Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

Looking forward to the year 2045, the population of the region is projected to grow by 6 percent, compared to the state which is projected to grow by 8 percent.[367] **Between 2015 and 2045, the largest percent growth in population occurs in seniors, increasing by 24 percent and in-line with the state growth rate of 24 percent.** Increases in senior population have an impact on the housing market as more senior households age-in-place seniors will hold onto their housing units longer which limits turnover and restricts supply.

Figure 3: Population by Age



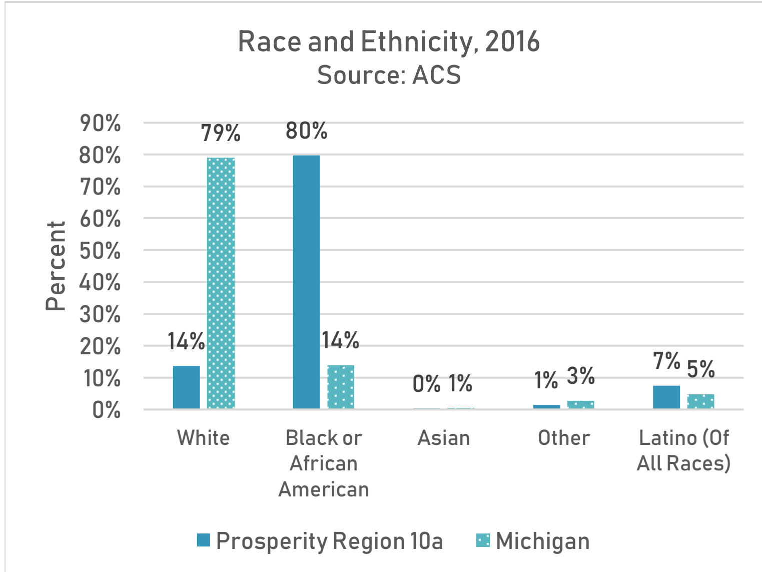
The other population group that is expected to grow is the 35 to 44 age group, which is projected to grow by 16 percent. The growth in this demographic group is important because this population tends to start families, are in their prime earning years, and are looking to establish themselves for the long-term.

[367] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

RACE AND ETHNICITY

Most of the residents in Prosperity Region 10a identify as Black, accounting for nearly 80 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 4 percent from 2011 to 2016 and now accounts for 7 percent of the total population.**[368]

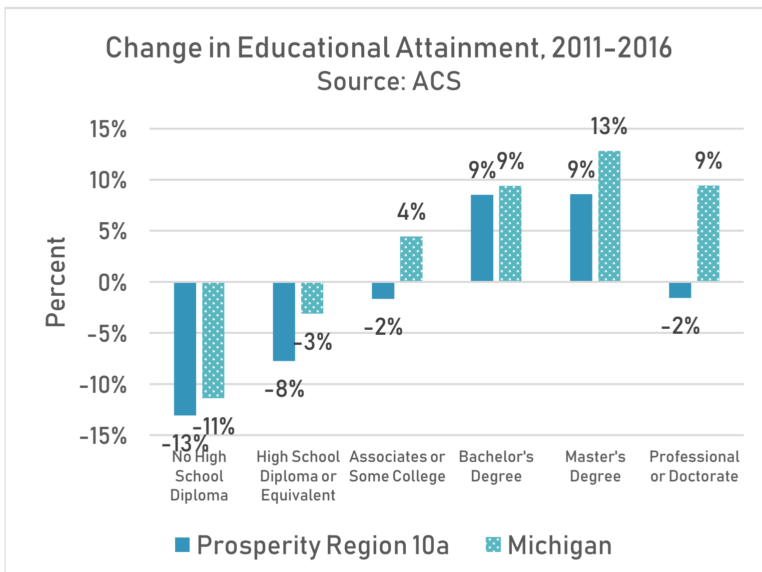
Figure 4: Race and Ethnicity



EDUCATION

One of the weaknesses of this region is the percentage of population that has an advanced degree. About 53% of all residents have, at most, a high school diploma, while 47 percent have some form of advanced education. The region trails the state in education as 60 percent of the state population some form of education beyond high school. While the region lags, there has been a trend towards greater amounts of education as educational attainment improved over the last five years with increases in the number of residents earning bachelor's and master's degrees.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

As of 2016, there were 256,958 households in Prosperity Region 10a.[369] Between 2011 and 2016, households declined by 3 percent, as the region saw a loss of 7,224 households, compared to the

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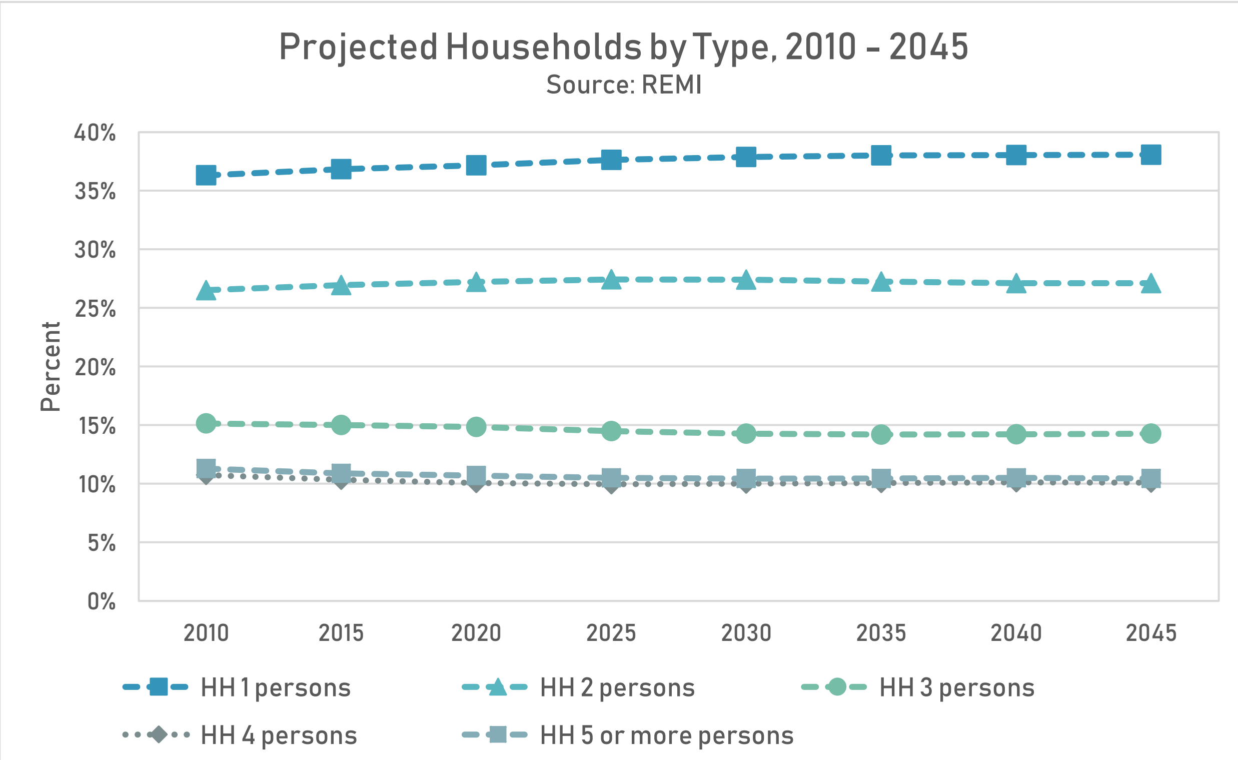
[368] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

[369] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

state's growth of 1 percent. Looking forward, Prosperity Region 10a is expected to experience household growth over both the short- and long-term. **Between 2020 and 2025, households are expected to grow by 2 percent, and between 2020 and 2045, households are expected to grow by 10 percent. This compares to the state which is expected to grow by 11 percent.**[370] The overall growth in households will have an impact on the number of housing units needed to support the population of the region.

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all household sizes will experience modest growth of between zero and 3 percent.[371] The longer-term trend through 2045 shows one-person households increasing by 20 percent versus the state growth rate of 19 percent. The region is expected to experience growth in four and five-person households of 17 percent and 14 percent, respectively, which outpaces the state's projected growth rate of 7 percent. The growth of larger households will have an impact on housing demand because larger units will be required to accommodate bigger households.

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370 REMI, Michigan Department of Transportation, and RKG Associates, 2018

371 REMI, Michigan Department of Transportation, and RKG Associates, 2018

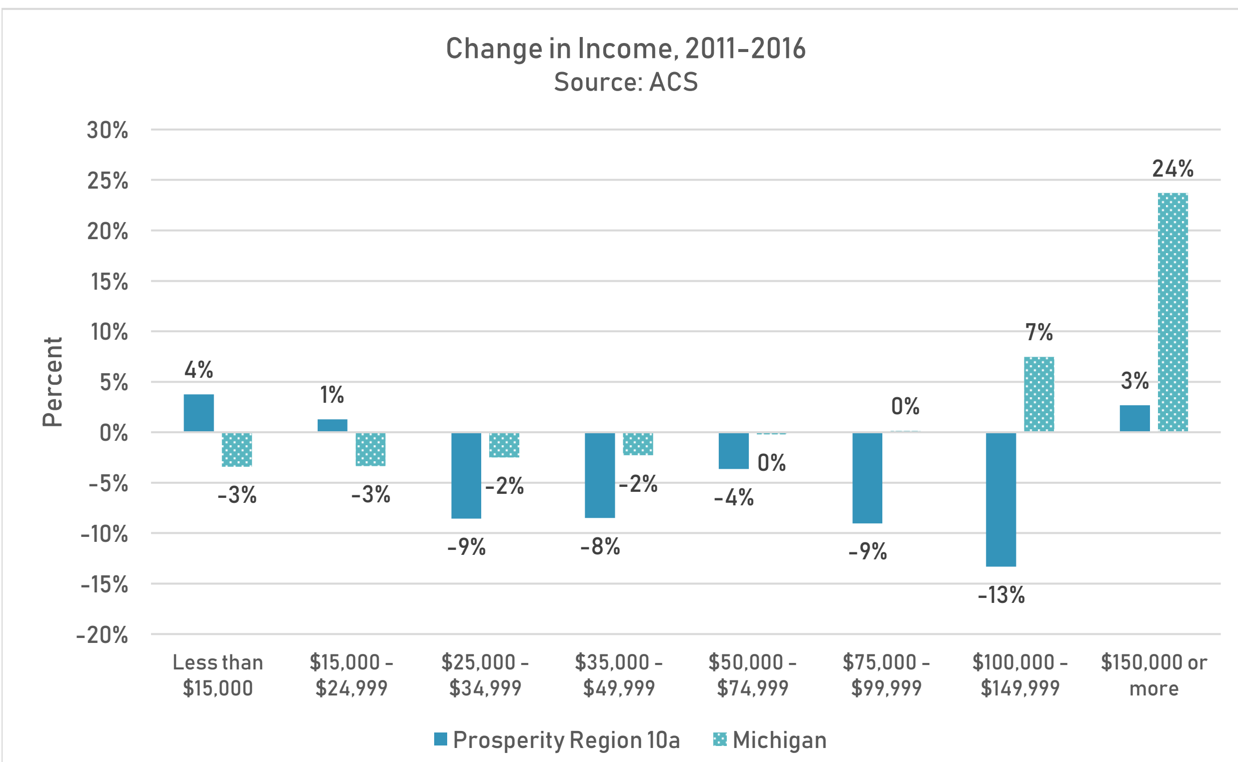
Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

Prosperity Region 10a has experienced considerable economic challenges in the past including de-industrialization and a municipal bankruptcy. The region is a major employment center, with large corporations such as General Motors, Henry Ford Health System, and Illitch Companies (owner of Little Caesars Pizza, the Detroit Red Wings and Tigers) based in Detroit. Employment tends to be concentrated in sectors like government, healthcare, and education. The median household income of Prosperity Region 10a is $26,249, which is 52 percent the state median of $50,803.[372]

Over the last five years, the region lost households across nearly all income levels, this is especially true at incomes between $25,000 and $100,000 which can be described as a typical middle-class income bracket. The impact of this loss is substantial on the vibrancy of the community, as households in these brackets have the disposable income to patronize local businesses. A substantial decrease also occurred in households earning over $100,000 per year, the segment represents about 24 percent of all households in the region, which is more than the state's share of households at 20 percent.

Figure 7: Change in Incomes



[372] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Hospitals accounts for 10 percent of the jobs in the region.[373] The second largest employment sector is Local Government at 9 percent. **Over the course of the next twenty-five years, employment is expected to grow by 1 percent. Projections show a gain of 3,041 jobs between 2016 and 2045.** The motor vehicle sector is expected to decline by 29 percent but is offset by increases in profession and administrative support services.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Hospitals	34,671	35,135	464	1%
Local Government	29,959	29,116	-843	-3%
Professional, scientific, and technical services	23,198	26,127	2,929	13%
Administrative and support services	20,156	22,106	1,951	10%
Motor vehicles, bodies & trailers, & parts mfg	16,715	11,904	-4,810	-29%
All Other Industries	223,838	227,189	3,351	1%
Total	348,536	351,577	3,041	1%

Source: REMI

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region Seven considered cost burdened or severely cost burdened. In total, 17 percent of all homeowner households in the region are cost burdened while 18 percent are severely cost burdened.[374] Of cost burdened households, 81 percent are at or below 80 percent of Area Median Income (AMI), with 30 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 97 percent of these households fall at or below 80 percent of AMI, and 65 percent fall at or below 30 percent of AMI.

[373] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[374] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region 10a Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	4,740	22%	15,000	65%
>30% and <=50% AMI	6,315	29%	5,470	24%
>50% and <=80% AMI	6,465	30%	2,120	9%
>80% and <=100% AMI	2,135	10%	360	2%
Income >100% AMI	1,950	9%	255	1%
Total	21,605	100%	23,205	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region 10a increased by 2,578, which amounts to a 1 percent change.[375] At the same time, the region saw a 13 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals, demolitions, and the loss of mobile home units. Concurrent to the decline in owner units, rental housing units increased 9 percent. This section will further explore the complexities of the ownership market in Prosperity Region 10a.

[375] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[378] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings having five or more units.

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 10a	Region Percent	Michigan	Michigan Percent
Owner-Occupied	123,808	34%	2,732,051	60%
Renter-Occupied	133,177	36%	1,128,343	25%
Vacant-For Rent	13,868	4%	85,584	2%
Vacant-For Sale	13,036	4%	83,371	2%
Vacant-Seasonal[376]	1,345	0%	288,250	6%
Vacant-Other[377]	80,625	22%	227,321	5%
Total	365,859	100%	4,544,920	100%
Source: ACS 2012-2016				

Of all the housing (both owner and renter) in Prosperity Region 10a, 66 percent of the residential housing stock is comprised of single-family homes, which is slightly less than the state percentage of 72 percent.[379]

Regionally, the owner-occupied housing stock accounts for 34 percent all units. This is significantly less than the statewide figure of 60 percent. Ownership patterns are changing in the region, over the last five years there was a 13 percent decrease in the number of ownership units and a 9 percent (11,093 unit) increase in rental units. Some of the decline in owner-occupied units could be the result of a drop of 16,949 single-family units going off the market, being demolished, or possibly becoming rentals.

Across the region, 30 percent of the housing units are classified as vacant. Seasonal units do not a play a role in the housing market in the region. About 24 percent, or 80,625 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are

[376] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

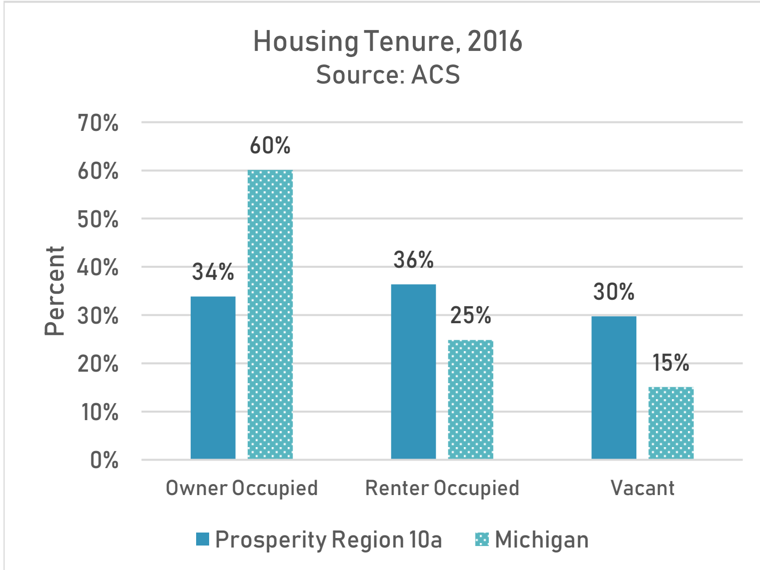
[377] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[378] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[379] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

not in a habitable condition. The number of vacant units has increased over time by 10 percent indicating that household losses have yet to subside. The large number of vacant units ultimately has an impact on housing supply and demand.

Figure 8: Housing Tenure



OWNER-OCCUPIED BY UNITS IN STRUCTURE

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 90 percent of the owner-occupied residential stock was single-family homes.[380] The owner-occupied housing stock of two or more units was 10 percent as compared to the state, accounting for 6 percent of the total. As of 2016, the region had close to zero percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are the result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units.

Table 4: Owner-Occupied by Units in Structure

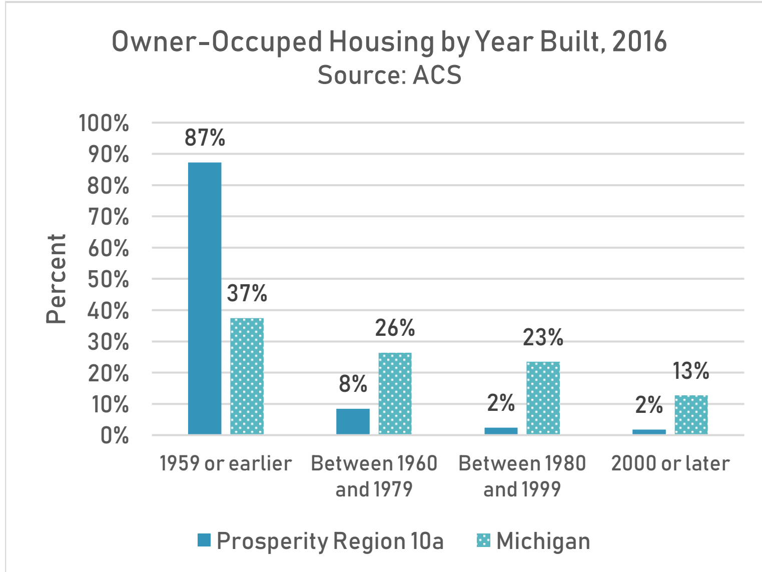
Owner-Occupied	Prosperity Region 7	Region Percent	Michigan	Michigan Percent
Single-Family	111,024	90%	2,412,899	88%
Two or More Units	12,189	10%	175,225	6%
Mobile Home/RV/Other	595	0%	143,927	5%
Total	123,808	100%	2,732,051	100%

Source: ACS 2012-2016

[380] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

AGE OF HOUSING

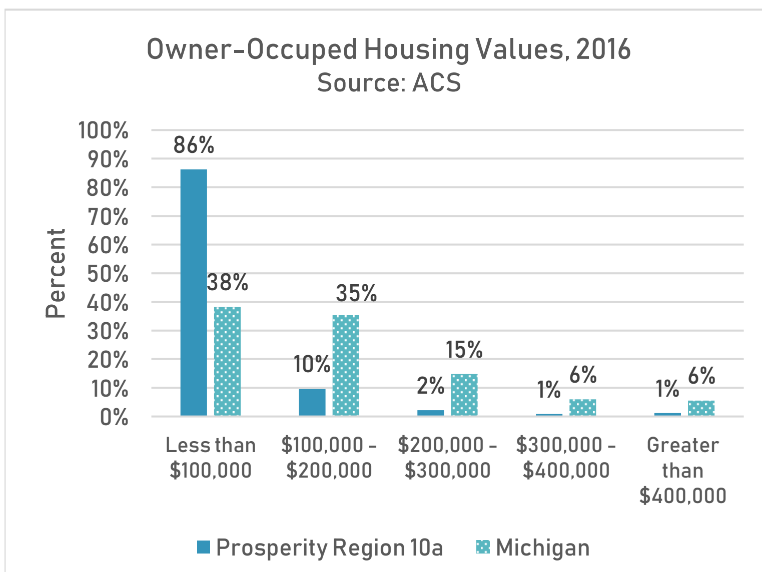
Figure 9: Owner-Occupied Housing by Year Built



In Prosperity Region 10a, the median year built of an owner-occupied housing unit is 1946, while the median year built in Michigan is 1970.[381] **About 87 percent of all owner-occupied housing was built before 1959.**[382] This finding shows how the region became an employment center during the pre and post-war period. Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

UNIT VALUES

Figure 10: Owner-Occupied Housing Values



The percentage of homes in the region valued less than $100,000 is greater than the state percentage, with about 86 percent of the region's units falling under this value as compared to 38 percent across the state.[383] The region's lower than average housing values reflects the purchasing power of residents and unfavorable economic conditions of the region as compared to the state. The lack of housing values perpetuates a cycle of disinvestment and population

381 ACS 2012-2016, Table B25037, and RKG Associates

382 ACS 2012-2016, Table B25036, and RKG Associates

383 ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

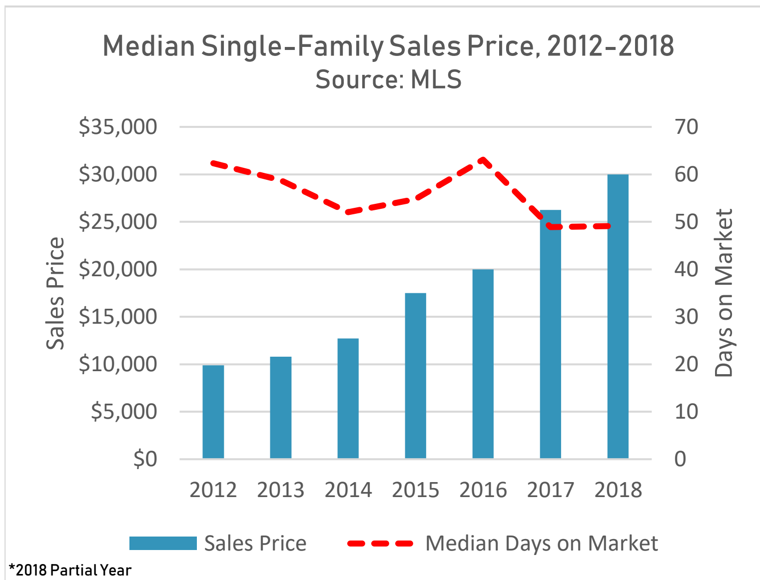
flight, as large swaths of the region have significant number of vacant and abandoned homes.

Owner-Occupied Housing Market

Prosperity Region 10a mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[384] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

SINGLE-FAMILY HOME MARKET

Figure 11: Median Single-Family Sales Price



The market for single-family homes has seen a gradual price escalation and moderate number of sales. Between 2012 and 2018, there were 27,453 sales, or an average of 3,922 sales per year.[385] The median single-family home sales prices rose by 165 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $26,265. The time it took to sell a home in Prosperity Region 10a also decreased, dropping 22 percent to an average of 49 days on the market.[386] It should be noted that homes priced at such low levels indicate the need for substantial renovation and investment, which would require spending more on renovation than the actual price of the home.

Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 72 percent of all single-family sales, and where prices have increased 160 percent over the last six

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384 Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

385 Michigan Realtors 2012-2018, and RKG Associates

386 Michigan Realtors 2012-2018, and RKG Associates

years. Based on average household sizes, these homes tend to meet the needs of buyers. **At a median price of $25,750 these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $15,000 per year -- which is below the region's median household income.

Larger single-family homes with four- and five-bedrooms plus also experienced price appreciation. **The median sales price of a four-bedroom home increased by 245 percent to $45,515 and the price of a home with five or more bedrooms increased by 239 percent to $128,750.**[387] This market segment makes up about 31 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $15,400 which was more than 5 percent greater than a home built between 1900 and 1950.[388] Similarly, the median sales price of a unit built between 1990 and 2010 was $91,010 which was more than 507 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

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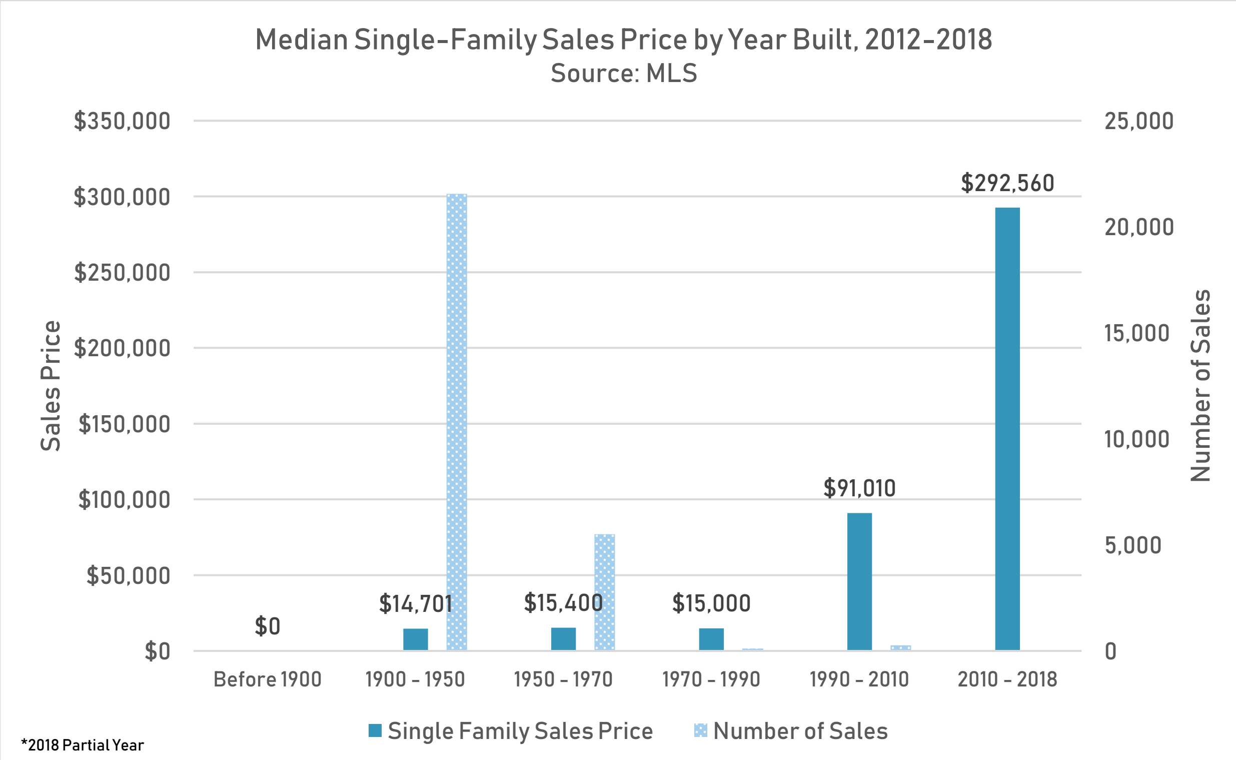
[387] Michigan Realtors 2012-2018, and RKG Associates

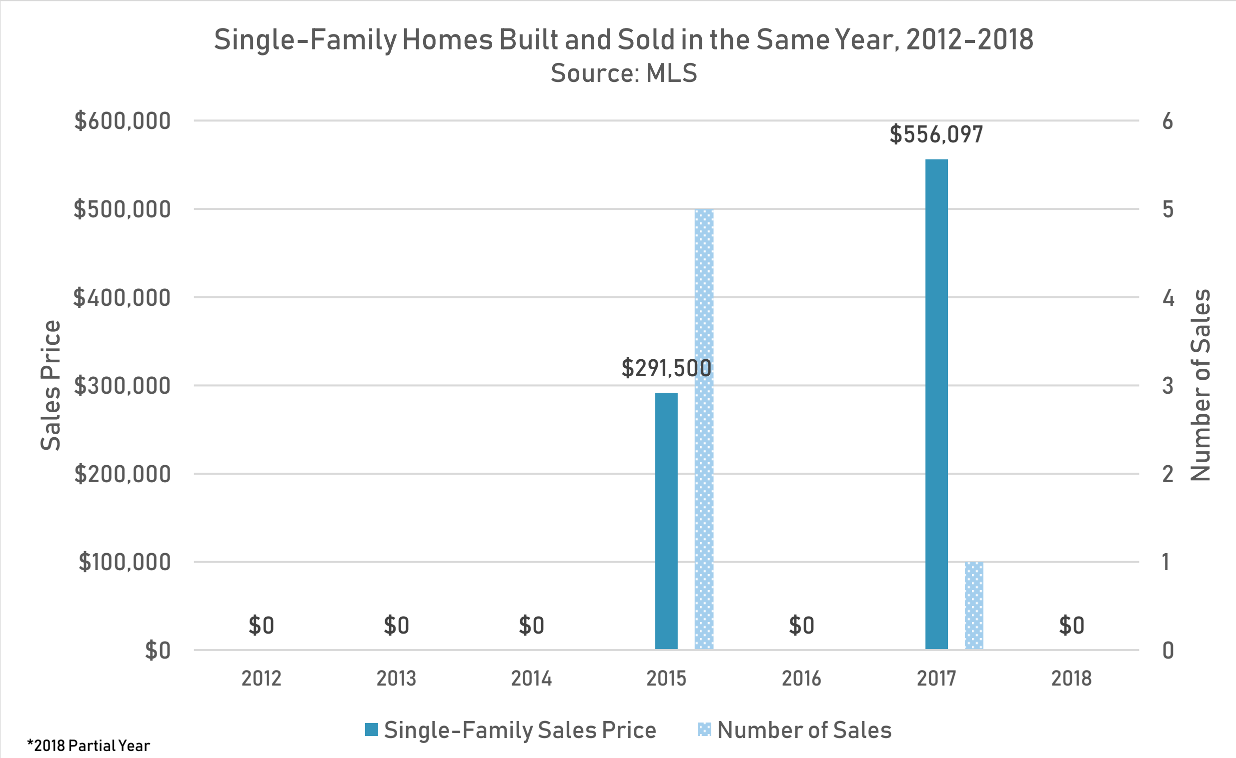
[388] Michigan Realtors 2012-2018, and RKG Associates

Figure 12: Median Single-Family Sales Price by Year Built



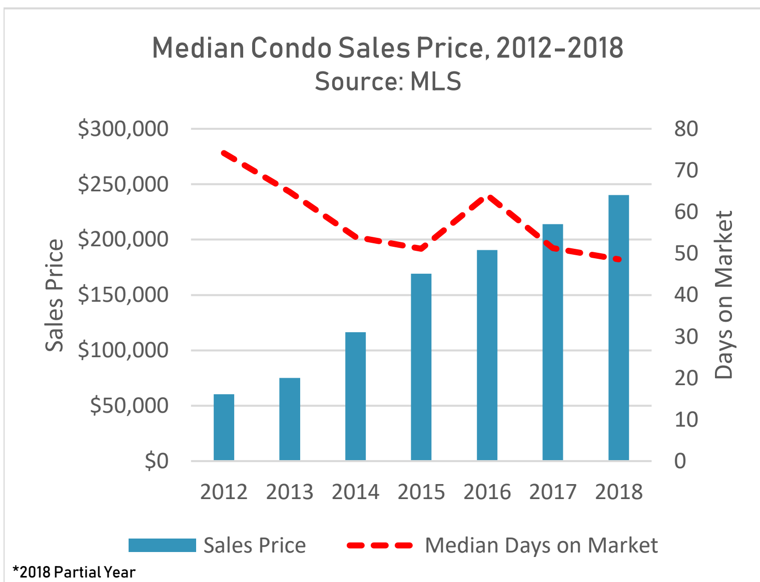
To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. In the region very few new single-family homes were built, with much of the housing construction related to renovation. In the region very few new single **on average, new single-family units sold for multiples more than existing units because of the size, finishes, and locations of units.**

Figure 13: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Figure 14: Median Condominium Sales Price



Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

The market for condominiums across the region is strong and growing. Between 2012 and 2018, the region saw about 2,152 sales or an average of 307 sales per year. Condominium sales prices have increased 254 percent over the last

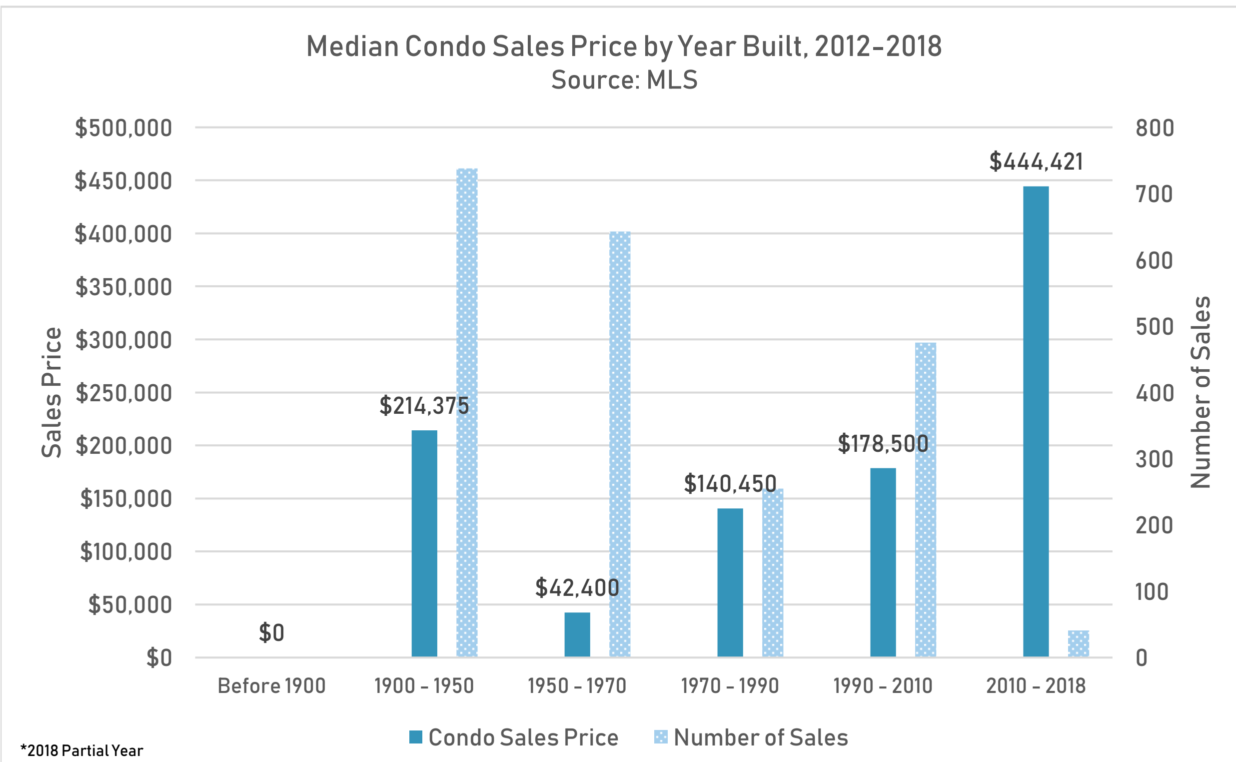
six years. The median sales price of a condominium in 2017 was $213,967, with an average of 51 days on the market. Days on market has decreased 31 percent since 2012.[389]

The prices escalations for condominiums across the region reflect the nature of demand for units. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 44 percent of all condominium sales, with a median price of $241,535. For this product type, the median price has increased by 269 percent since 2012.[390] One-bedroom condominiums, which make up 39 percent of sales, saw a price increase of 258 percent since 2012, with the median sales being $153,470 in 2017.

Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. The largest number of sales were for units built between 1900 and 1950 and had a median sales price of $214,375. These condominium units reflect adaptive reuse development within the city, as many of these condominiums were built as part of renovations of existing, and in some cases historic buildings. Units built between 1990 and 2010 sold for 27 percent more than units built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

Figure 15: Median Condominium Sales Price by Year Built

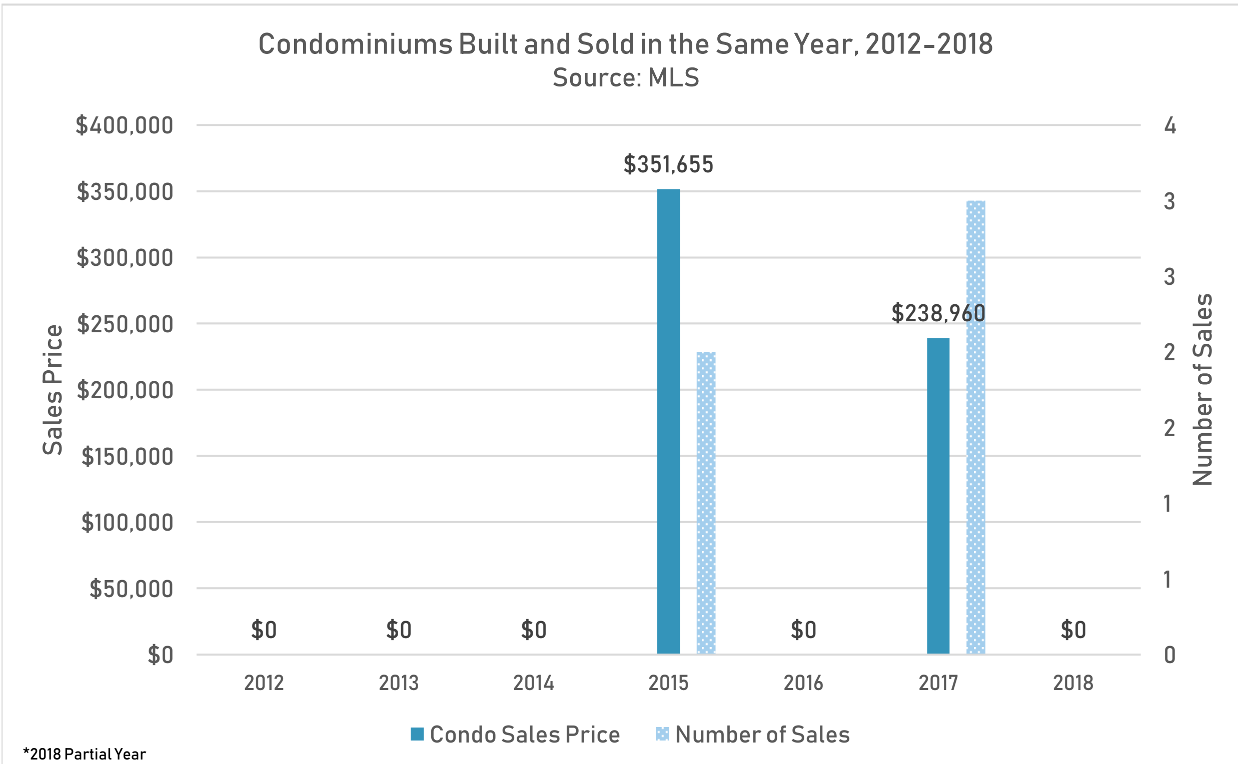


[389] Michigan Realtors 2012-2018, and RKG Associates

[390] Michigan Realtors 2012-2018, and RKG Associates

As part of the analysis to provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. **On average, a new condominium unit sold for 12 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $238,960 compared to $213,967 for an existing condo**. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In Prosperity Region 10a, the predominate housing type are single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[392] Based on the data, **about 34 percent of households fall at or below 80 percent of AMI which equates to a household income of no more than $25,638.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[391]	Number of Owner Households	Percent of Households
30% AMI	$9,614	$33,676	14,551	12%
50% AMI	$16,024	$56,127	10,826	9%
80% AMI	$25,638	$89,804	16,326	13%
120% AMI	$38,456	$134,706	19,517	16%
200% AMI	$64,094	$224,509	27,978	23%
Greater than 200% AMI	$64,095	$224,510	34,610	28%

Source: HUD, ACS, and RKG Associates

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

[391] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[392] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17: Maximum Purchase Price Based on AMI

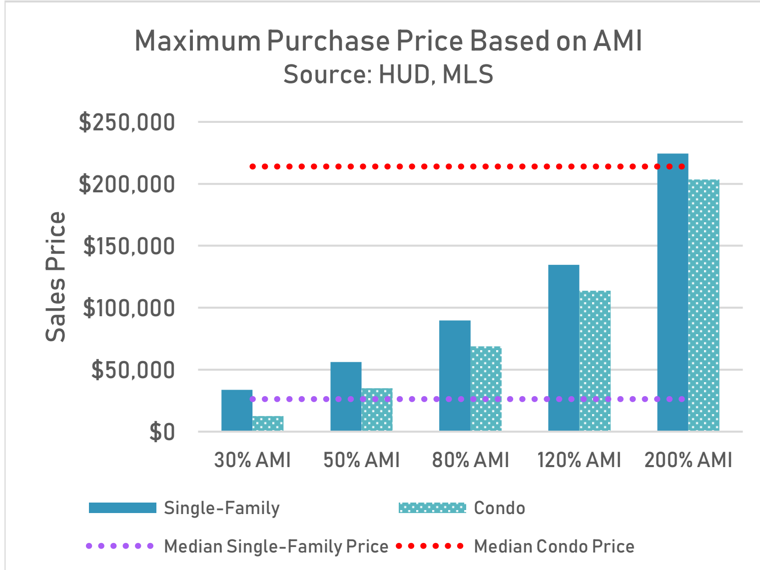


Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of a single-family home in 2017 was affordable to households making 30 percent of AMI and above.** The prices for single-family homes are low in the region because there are an overwhelming number of vacant of dilapidated structures which get sold regularly. These units require significant investment to make them livable. **The median price of condominium units was affordable to households making 200 percent AMI and above.** The high condominium prices reflect the new construction of these units, and the associated luxury finishes.

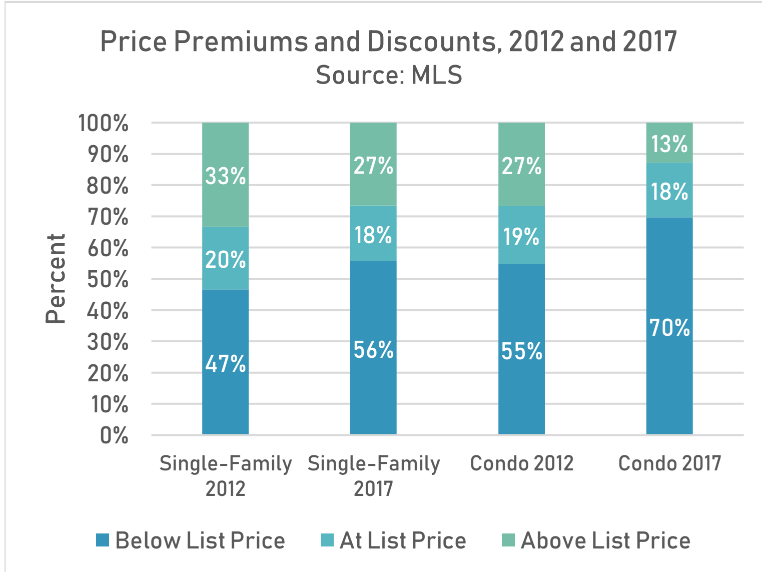
At 30 percent of AMI, a household can purchase a home at a price of around $34,000 while the median single-family price is closer to $26,265. The price differential between what is affordable and what is available shows the state of conditions homes for sale. Homes with such low sales prices tend to require significant investment on the part of homeowners to make them livable. Low-income households lack the financial capital to undertake such renovation projects. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

In Prosperity Region 10a, between 2012 and 2017, the market for single-family homes tightened as the percentage of homes selling below list price increased from 47 percent to 56 percent, and above list price sales went from 33 percent to 27 percent, with the median above list price differential being $2,575 in 2017.[393] The condominium market saw a similar trend, with sales below list price increasing from 55 percent to 70 percent, and above list price sales decreasing from 27 percent to 13 percent, with the median above list price differential being $5,150 in 2017.

Figure 18: Sales Prices of Units, 2012 - 2017



HOUSING SUPPLY

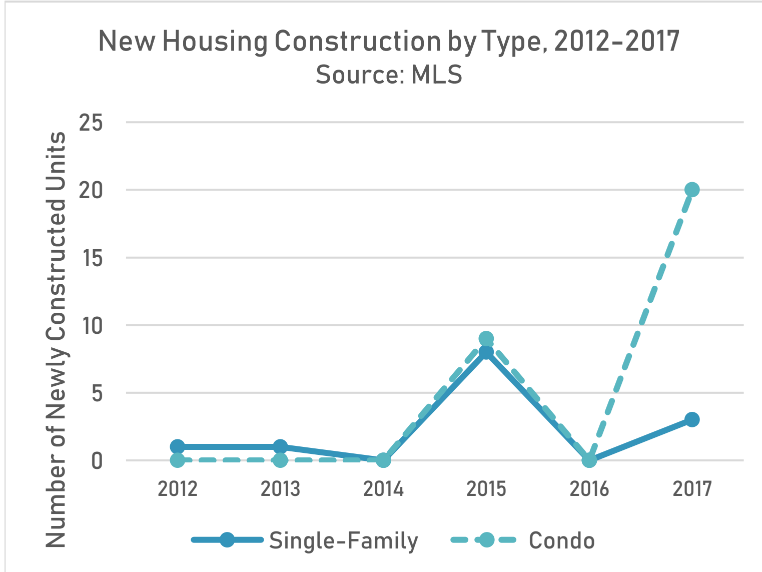
Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

[393] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

While new construction of units occurred between the period 2012 and 2017, the pace of new construction is limited. **Between 2012 and 2017 a total of 13 single-family units and 29 condominium units were built.**[394] Figure 19 shows the overall trajectory of new construction across the region. The lack of new construction in the region is a result of an already existing housing stock that is undergoing renovation. Many of the single-family homes sold in the region are in some form of disrepair and require renovation. Additionally, new condominium units that are begin built across the city tend to be adaptive reuse projects in existing buildings. The average square footage of a newly constructed single-family unit was nearly 2,700 square feet, while a new condominium unit was 1,500 square feet.[395] The median sales price of a single-family unit built in 2017 was $556,097 (small sample size as only three units built that year), and the price of a condominium unit built in 2017 was $238,960, both of which are significantly higher than the median sales price of an existing housing unit.

Figure 19: New Housing Construction, 2012 - 2018



HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household growth across the region is projected to continue. One of the biggest issues in Prosperity Region 10a is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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394 Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

395 Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$9,614	14,551	$33,676	35,968	21,417
50% AMI	$16,024	10,826	$56,127	27,245	16,419
80% AMI	$25,638	16,326	$89,804	20,625	4,299
120% AMI	$38,456	19,517	$134,706	28,153	8,636
200% AMI	$64,094	27,978	$224,509	7,349	-20,629
Greater than 200% AMI	$64,095	34,610	$224,510	4,468	-30,142
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 120 percent of AMI, but a deficit for houses priced over 200 percent of AMI. **Homes valued at under 30 percent of AMI make up most of the housing stock and are in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are priced lower because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $26,265 which is affordable to households at around 30 percent AMI and above.

The calculated housing unit deficit amounts to 50,771 housing units at and above 200 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 26 percent of the total housing stock, which translates into 13,036 Vacant-For Sale units and 80,625 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	48%	45,123	20,615	24,508
Rental	52%	48,538	22,175	26,362
Total	100%	93,661	42,791	50,870
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 48 percent of the total occupied units in the region. Of the existing vacant units, about 93,661 could be classified as units that could one day be brought back into the ownership market. Projections forecast 42,791 new households to form in region. This translates into 20,615 owner households based on the existing owner and renter household split.[396] The gain in households does not outstrip existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net surplus of 24,508 units. This indicates the region has existing capacity to absorb expected growth in households.

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[396] REMI, ACS, and RKG Associates

METROPOLITAN DETROIT REGION

Region at a Glance

The Metropolitan Detroit Region (Prosperity Region 10b) encompasses 3 counties (Wayne, Macomb, and Oakland) and surrounds the City of Detroit. For this analysis the City of Detroit was removed from the Wayne County data in order to capture the metropolitan area outside the City of Detroit. The largest cities in the region are Warren, Sterling Heights, and Dearborn all with populations of about 100,000 residents. The main transportation corridors in the area include Interstates 94, 75, and 96, and Routes 1, 10, and 24.

Figure 1: Map of Prosperity Region 10b

The region is a major employment center is home to many firms in both manufacturing firms and healthcare. This analysis will explore demographic changes and their implications on the existing and future housing market.

KEY FINDINGS

Based on the analysis performed for Prosperity Region 10b, the following are key findings:

- Looking forward to the year 2045, the population of the region is projected to increase by 6 percent, compared to the state which is projected to grow by 8 percent. Between 2015 and 2045, the largest percent growth in population occurs in residents over the age of 55, increasing by 27 percent compared to the state growth rate of 24 percent.
- Households are expected to grow over both the short- and long-term. Between 2020 and 2025, households are expected to grow by 3 percent, and between 2015 and 2045, households are expected to grow by 10 percent, while the state is expected to grow 11 percent.
- Over the course of the next twenty-five years, employment is expected to grow by 4 percent or 83,540 jobs.
- About 3 percent, or 41,393 units, of the housing stock is classified as “Vacant-Other” meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. Statewide 5 percent of the housing stock is classified as vacant other.
- The housing stock in the region tends to be older, with about 37 percent of all owner-occupied housing built before 1959, which mimics the state percentage.

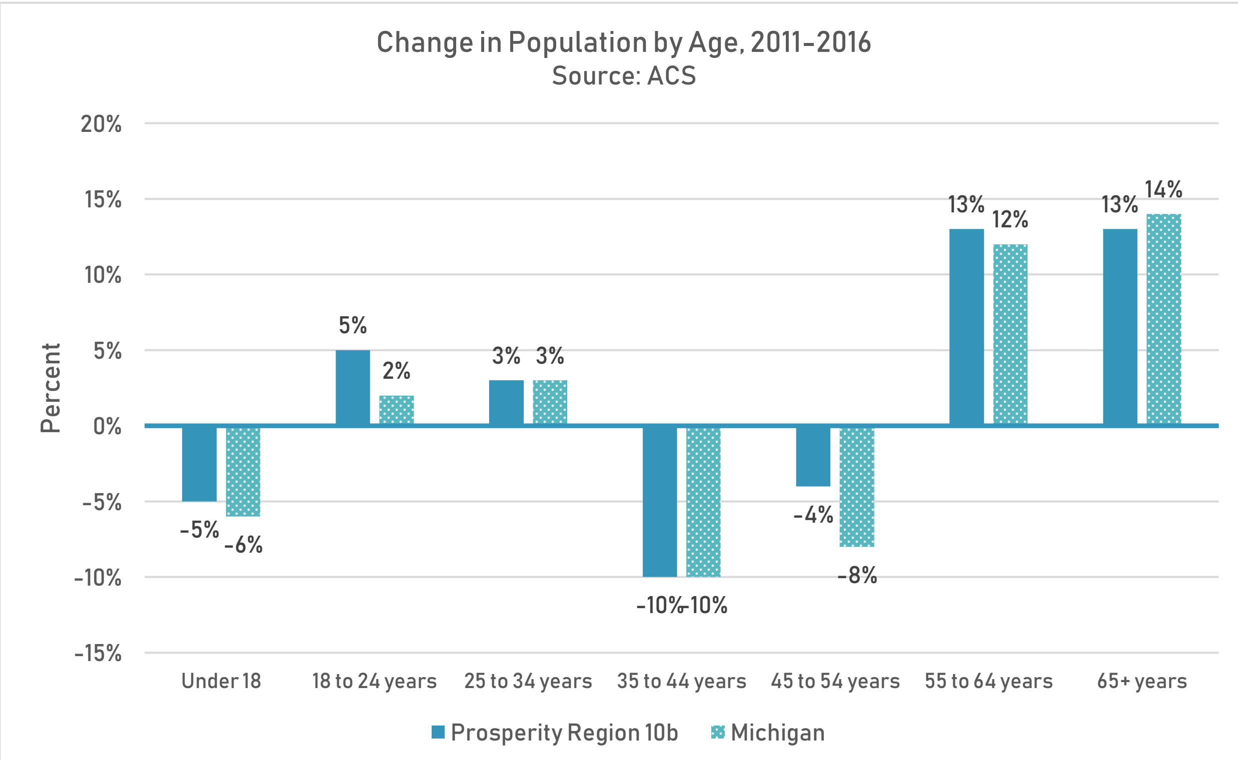
- About 34 percent of the region's housing units are valued over $200,000 as compared to 26 percent across the state.
- Sales prices for single-family homes rose by 90 percent between 2012 and 2017. The median sales price of a single-family home in 2017 was $188,490. The median sales price of a newly built home in 2017 was $391,400 which is 108 percent greater than existing units.
- Condominium sales prices increased 85 percent over the last six years. The median sales price of a condominium in 2017 was $149,350; while the median sale price of a new condominium in 2017 was $298,677, a difference of 100 percent.
- The median sale price for both a single-family home and condominium in 2017 was affordable to households at or above 80 percent of Area Median Income (AMI). Households at or below 50 percent of AMI are unable to purchase single-family homes or condominiums priced at or above the median.
- Between 2012 and 2017 a total of 11,998 single-family units and 2,537 condominium units were built. The pace of new construction for ownership units declined in recent years, with both single-family homes and condominiums experiencing respective declines of 26 and 28 percent.
- The region does not have existing capacity to absorb growth in households. The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and opportunities for redevelopment.

Demographics

POPULATION

The current population of Prosperity Region 10b is 3,179,068 which makes it the largest region in the state. The region experienced a 1 percent population increase over the last five years as compared to the state where no growth occurred over the same period.[397] Population growth across age cohorts was like the state. A particularly important finding is that the region experienced a 5 percent surge in residents between the ages of 18 and 24 over the last five years.

Figure 2: Change in Population by Age



Looking forward over the short-term, it is projected that between 2020 and 2025 the region will experience 1 percent population growth. The greatest gains are projected to occur in the senior population, growing 6 percent, and in the 35 and 44 age group with a growth of 5 percent.[398]

Looking forward to the year 2045, the population of the region is projected to grow by 6 percent, compared to the state which is projected to grow by 8 percent.[399] **Between 2015 and 2045, the largest percent growth in population occurs in seniors, increasing by 27 percent compared to the state growth rate of 24 percent.** This continues the trend of growth in senior population which could

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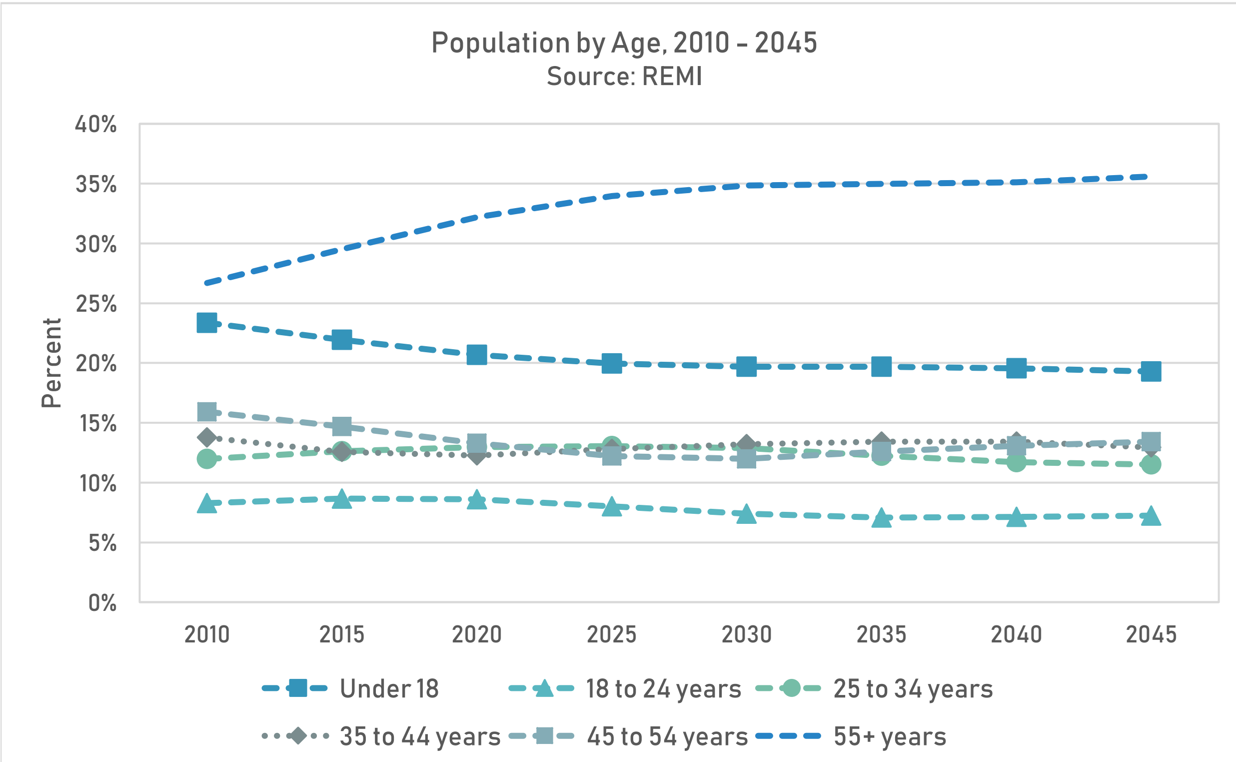
[397] ACS, Table B01001, "Age", 2007-2011, 2012-2016, and RKG Associates

[398] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

[399] Michigan Department of Transportation, REMI Projections, 2010-2045, and RKG Associates.

potentially impact the housing market due to seniors aging-in-place. There is the potential that senior households will hold onto their units longer which would limit turnover in the market and restrict supply.

Figure 3: Population by Age

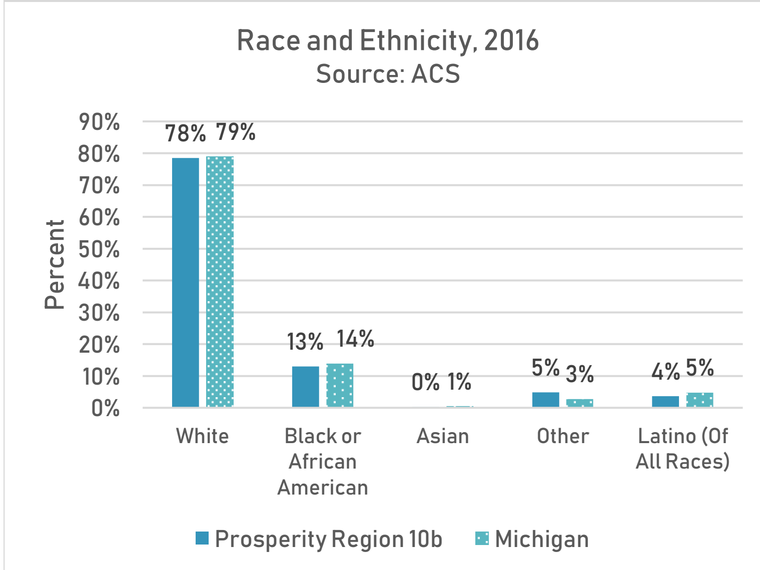


The other population group that is expected to grow is the 35 to 44 age group, which is projected to grow by 9 percent. The growth in this demographic group is important because this population tends to start families, are in their prime earning years, and are looking to establish themselves for the long-term. The region offers a variety of homeownership options.

RACE AND ETHNICITY

Most of the residents in Prosperity Region 10b identify as White, accounting for nearly 78 percent of the total. Over time, gradual changes in population diversity have taken place; **the Latino population grew 10 percent from 2011 to 2016 and now accounts for 4 percent of the total population.**[400]

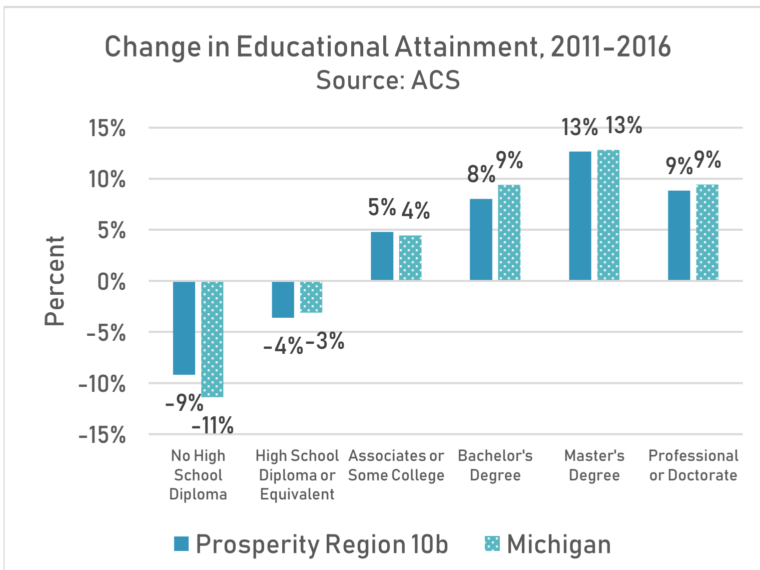
Figure 4: Race and Ethnicity



EDUCATION

One of the strengths of this region is the percentage of population that is educated beyond high school. About 35% of all residents have, at most, a high school diploma, while 65 percent have some form of advanced education. The trend towards greater amounts of education is continuing as educational attainment improved over the last five years with increases in the number of residents earning bachelor's, master's, and professional degrees.

Figure 5: Change in Educational Attainment



HOUSEHOLDS

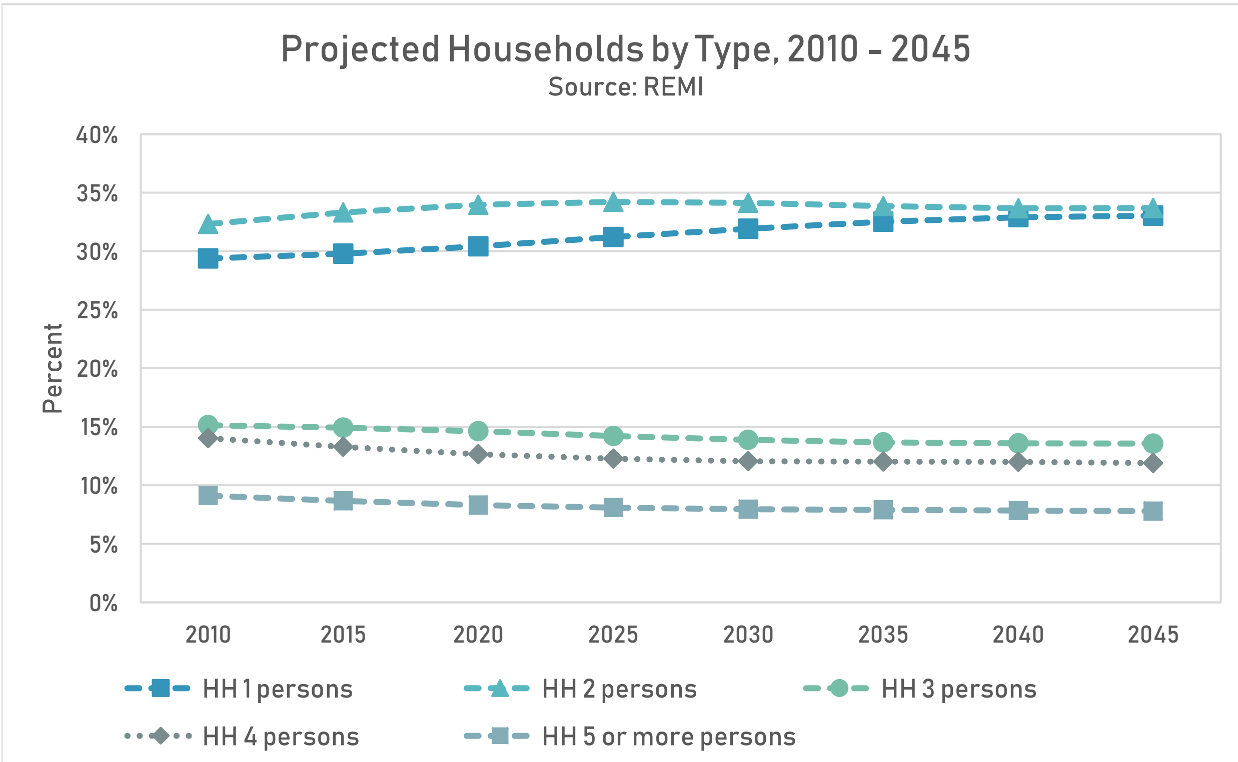
As of 2016, there were 1,248,047 households in the region.[401] Between 2011 and 2016, growth in households was 2 percent, as the region saw a gain of 18,681 households, compared to the state's growth of 1 percent. Looking forward, **Prosperity Region 10b is expected to experience household growth over both the short- and long-term.** Between 2020 and 2025, households are expected to grow by 3 percent, and between 2020 and 2045, households are

[400] ACS, Table B10003, "Ethnicity", 2007-2011 and 2012-2016, and RKG Associates

[401] ACS, Table B11001, "Households", 2012-2016, and RKG Associates

expected to grow by 10 percent. This compares to the state which is expected to grow by 11 percent.[402] The overall growth in households will have an impact on the number of housing units needed to support the population of the region.

Figure 6: Projected Change in Households by Type



Household size is an important metric because it gives insight into the number of bedrooms each household may require. Households with fewer than two people can typically manage with smaller units, while households larger than four require a greater number of bedrooms. Between 2020 and 2025 all household sizes will experience modest growth of between zero and 6 percent.[403] The longer-term trend through 2045 shows one-person households increasing by 19 percent which is the same rate as across the state. The region is expected to experience growth in four and five-person households of 3 percent, which is slower than the state's projected growth rate of 7 percent. The growth of smaller households will have an impact on housing demand because greater numbers of units will be required to accommodate smaller households.

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402 REMI, Michigan Department of Transportation, and RKG Associates, 2018

403 REMI, Michigan Department of Transportation, and RKG Associates, 2018

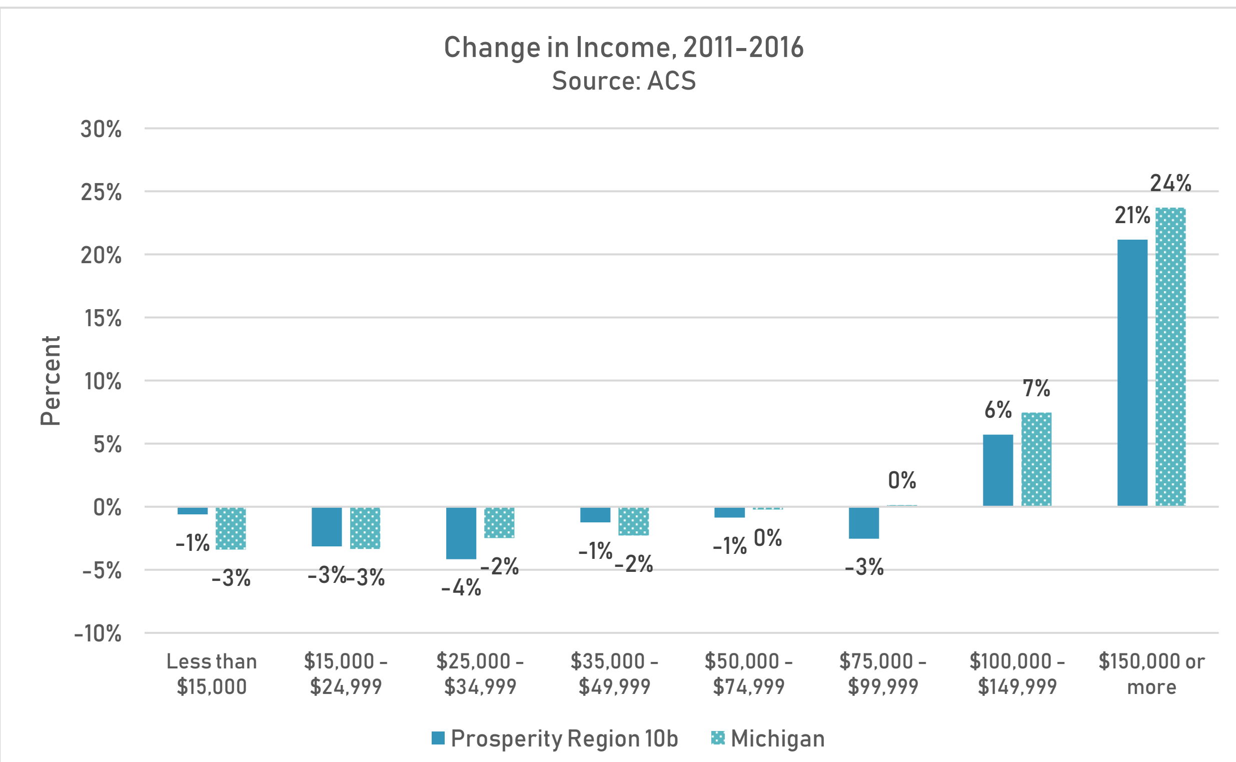
Socioeconomics

INDUSTRY EMPLOYMENT & INCOMES

Compared to the rest of Michigan, the region has a strong economic base with several employment opportunities. The large employers are concentrated in manufacturing, government, healthcare, and education. Several of the largest employers in the area include Ford Motor Company, Trinity Health, and Beaumont Health. The median household income is $55,951, which is greater than the state median of $50,803.[404]

Over the last five years, changes in income have trended like those of the state. Overall there seems to be a bifurcation of household income, with many of the lower income households seeing negative growth, and households at the higher end of the spectrum seeing greater rates of growth. A substantial increase in income of households earning over $100,000 per year also occurred. This segment represents about 27 percent of all households in the region, which is more than the state's share of households earning over $100,000 which was 20 percent. The growth at the upper end of the income spectrum in part is due to the availability of higher paying professional jobs in the both the manufacturing and healthcare sectors.

Figure 7: Change in Incomes



[404] ACS, Table B19001, "Median Households Income", 2007-2011 and 2012-2016, and RKG Associates

Table 1 presents the top five industry employment sectors across the region. As a percentage of total employment, Professional Scientific Services accounts for 11 percent of the jobs in the region.[405] The second largest employment sector is Retail Trade also at 11 percent. **Over the course of the next twenty-five years, employment is expected to grow by 4 percent. Projections show a gain of 83,540 jobs between 2016 and 2045.** The retail sector is expected to decline by 16 percent, but the Ambulatory Services sector is expected to expand by 41 percent.

Table 1. Top Five Industry Sectors and Projected Growth, 2016 -2045

Top Five Industry Sectors	2016	2045	Change 2016 - 2045	Percent Change
Professional, scientific, and technical services	228,021	292,947	64,926	28%
Retail trade	216,002	182,250	-33,752	-16%
Administrative and support services	157,664	181,209	23,546	15%
Food services and drinking places	126,194	136,132	9,938	8%
Ambulatory health care services	103,076	145,230	42,154	41%
All Other Industries	1,173,781	1,150,510	-23,271	-2%
Total	2,004,737	2,088,277	83,540	4%
Source: REMI				

Housing Cost Burden

The Department of Housing and Urban Development (HUD) classifies households spending more than 30 percent of their income on housing costs as "cost burdened". Households spending more than 50 percent of their income on housing costs are considered "severely cost burdened". These figures are calculated to determine the percentage of households that may be at risk for missed payments, foreclosure, eviction, or inability to provide for other necessities such as food, clothing, or transportation due to the amount of money being spent on housing costs.

Table 2 shows the number of homeowner households in Prosperity Region 10b considered cost burdened or severely cost burdened. In total, 14 percent of all homeowner households in the region are cost burdened while 10 percent are severely cost burdened.[406] Of cost burdened households, 52 percent are at or below 80 percent of Area Median Income (AMI), with 28 percent falling between 50 percent and 80 percent of AMI. Of the severely cost burdened households, 89 percent of these households fall at or below 80 percent of AMI, and 42 percent fall at or below 30 percent of AMI.

[405] REMI, Michigan Department of Transportation, and RKG Associates, 2018

[406] HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014), and RKG Associates, 2018

Table 2. Prosperity Region 10b Housing Cost Burdened Homeowners				
Household Income Range	Housing Cost Burden Is Greater Than 30% But Less Than or Equal To 50%		Housing Cost Burden Is Greater Than 50%	
	Est.	% of Cost Burdened	Est.	% of Severely Cost Burdened
<=30% AMI	8,500	7%	37,725	42%
>30% and <=50% AMI	22,560	18%	24,030	27%
>50% and <=80% AMI	35,330	28%	18,100	20%
>80% and <=100% AMI	21,630	17%	4,595	5%
Income >100% AMI	38,840	31%	4,910	5%
Total	126,860	100%	89,360	100%
Source: HUD, Comprehensive Housing Affordability Strategy (CHAS 2010-2014)				

Existing Housing Stock

Between 2011 and 2016, the total number of housing units in Prosperity Region 10b increased by 714, which amounts to basically no change.[407] At the same time, the region saw a 4 percent decline in the number of owner-occupied units driven by the conversion of single-family detached units to rentals, demolitions, and the loss of mobile home units. Concurrent to the decline in owner units, rental housing units increased 17 percent. This section will further explore the complexities of the ownership market in the region.

TENURE

The difference in whether a community is majority owner- or renter-occupied typically translates into the type of housing stock that is available.[410] Ownership housing stock tends to be comprised of one-, two-, or three-unit structures with multi-family condominiums buildings

Table 3. Housing Tenure				
Housing Tenure	Prosperity Region 10b	Region Percent	Michigan	Michigan Percent
Owner-Occupied	888,087	66%	2,732,051	60%
Renter-Occupied	359,960	27%	1,128,343	25%
Vacant-For Rent	23,491	2%	85,584	2%
Vacant-For Sale	21,327	2%	83,371	2%
Vacant-Seasonal[408]	10,536	1%	288,250	6%
Vacant-Other[409]	41,393	3%	227,321	5%
Total	1,344,794	100%	4,544,920	100%
Source: ACS 2012-2016				

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[407] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[408] Vacant Seasonal housing units are those intended for occupancy only during certain seasons of the year and are found primarily in resort areas. Housing units held for occupancy by migratory labor employed in farm work during the crop season are tabulated as seasonal.

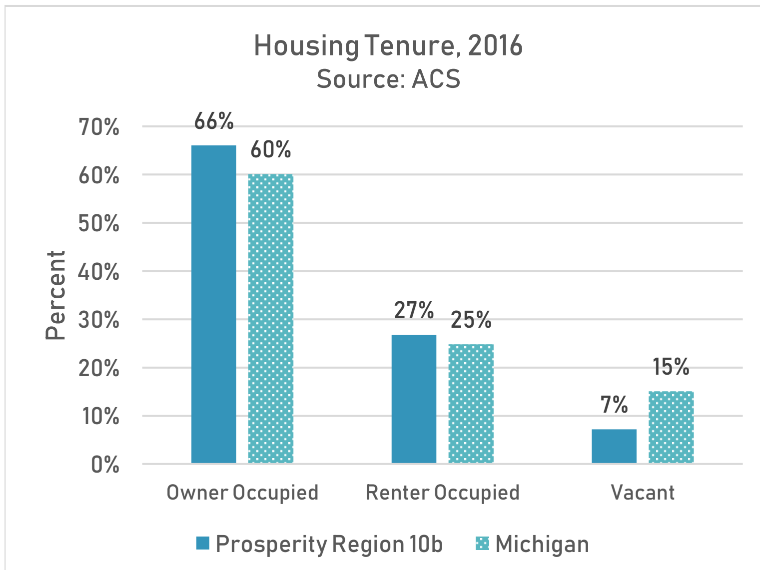
[409] Vacant Other is classified as by the Census as housing units which are vacant for reasons due to: foreclosure, personal/family reasons, legal proceedings, need for repairs or renovation, abandoned, or for some other reason.

[410] According to the ACS, a housing unit is classified as occupied if it is the current place of residence of the person or group of people living in it at the time of interview, or if the occupants are only temporarily absent from the residence for two

having five or more units. Of all the housing (both owner and renter) in Prosperity Region 10b, 70 percent of the residential housing stock is comprised of single-family homes, which is slightly less than the state percentage of 72 percent.[411]

Regionally, the owner-occupied housing stock accounts for 66 percent all units. This is more than the statewide figure of 60 percent. Ownership patterns are changing in the region, over the last five years there was a 4 percent decrease in the number of ownership units and a 17 percent (53,097 unit) increase in rental units. Some of the decline in owner-occupied units could be the result of a drop of 24,728 single-family units going off the market, being demolished, or possibly becoming rentals, in addition to the 3,026 mobile homes which may have shifted from ownership to rental units or were entirely removed from the market.

Figure 8: Housing Tenure



Across the region, 7 percent of the housing units are classified as vacant. Digging deeper, 1 percent of all units are classified as vacant for seasonal use, as compared to the state value of 6 percent. These units are not occupied year-round and may be used as second homes, vacation homes, or housing for migratory workers. This equates to 10,536 housing units (owner and renter) that have been removed from the year-round housing market. An additional 3 percent, or 41,393 units, are classified as "Vacant-Other" meaning they are being held from the market for settlement reasons, personal reasons, or are not in a habitable condition. The number of vacant units have declined over time, decreasing by 16 percent indicating that some of the vacant housing stock is being added to the rental and ownership supply.

months or less, that is, away on vacation or a business trip. For this study, year-round owner-occupied housing units were examined.

[411] ACS, Table B25024, "Units in Structure', 2012-2016, and RKG Associates

OWNER-OCCUPIED BY UNITS IN STRUCTURE

Table 4: Owner-Occupied by Units in Structure

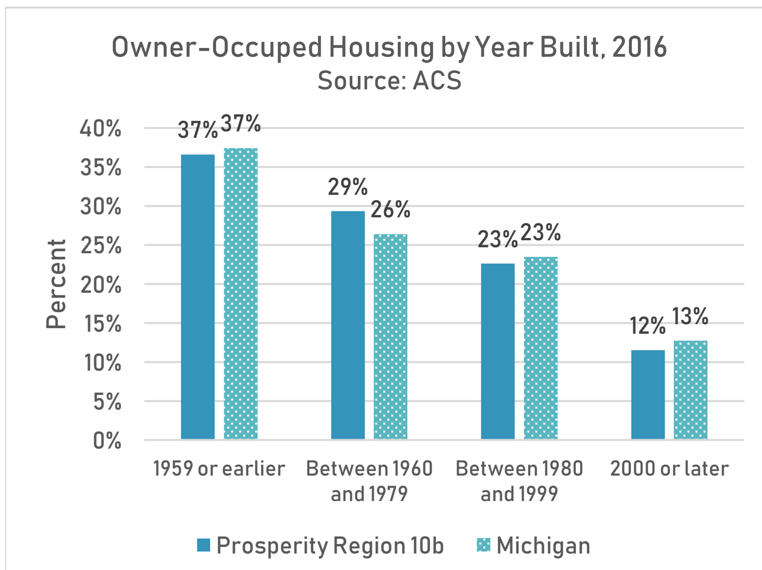
Owner-Occupied	Prosperity Region 10b	Region Percent	Michigan	Michigan Percent
Single-Family	772,985	87%	2,412,899	88%
Two or More Units	87,016	10%	175,225	6%
Mobile Home/RV/Other	28,086	3%	143,927	5%
Total	888,087	100%	2,732,051	100%

Source: ACS 2012-2016

Across the region, most of the residential building stock is comprised of single-family detached units. As of 2016, 87 percent of the owner-occupied residential stock was single-family homes.[412] The region's owner-occupied housing stock of two or more units was 10 percent as compared to the state, accounting for 6 percent of the total. As of 2016, the region had approximately 3 percent of its housing stock as mobile homes while the state had 5 percent. As was noted above, **over the last five years changes in tenure as they relate to single-family housing units, are the result of a shift towards the rental market** with conversions of existing single-family homes to renter-occupied units.

AGE OF HOUSING

Figure 9: Owner-Occupied Housing by Year Built



The region was a first ring suburb for the City of Detroit and much of the housing was built during the post-war suburbanization era. The median year built of an owner-occupied housing unit is 1960, while the median year built in Michigan is 1970.[413] About 35 percent of all owner-occupied housing were built after 1980.[414] **Older homes still make up a significant share of the marketplace, with homes built before 1959 accounting for 37 percent of total owner-occupied units,** mimics the state percentage. This finding also shows how the region became an employment center during the pre and post-war period. Some of the potential challenges of an older housing stock can be deferred maintenance, and design and layout not matching what the current ownership market desires. Regulatory issues such as non-conformity where existing structures are limited by zoning

[412] ACS, Table B25032, "Tenure by Units in Structure", 2012-2016, and RKG Associates

[413] ACS 2012-2016, Table B25037, and RKG Associates

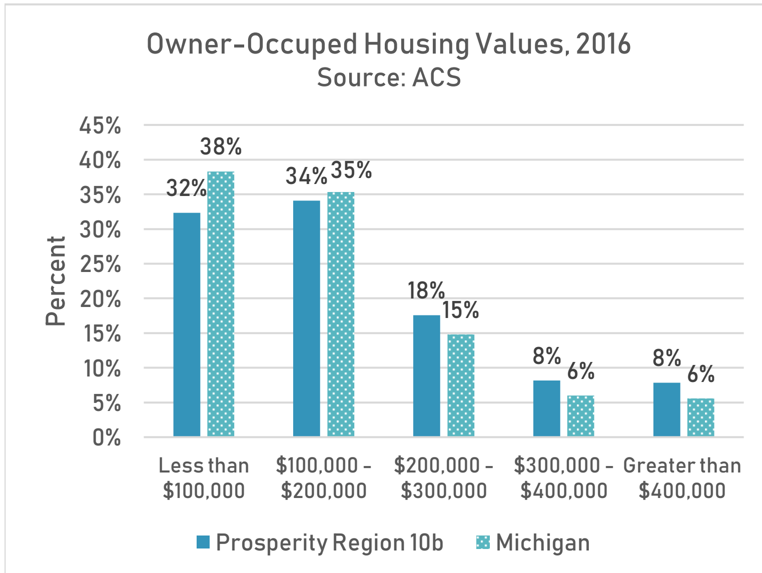
[414] ACS 2012-2016, Table B25036, and RKG Associates

regulations on additions, alterations, or reconstruction, may have an impact on property marketability.

UNIT VALUES

The percentage of homes in the region valued above $200,000 is greater than the state percentage, with about 34 percent of the region's units falling over this value as compared to 26 percent across the state.[415] The region's higher than average housing values reflect the purchasing power of residents and the favorable economic conditions of the region as compared to the state. The region has a relatively even percent distribution of homes valued at under $100,000 (32 percent), between $100,000 and $200,000 (34 percent), and above $200,000 (34 percent).

Figure 10: Owner-Occupied Housing Values



Owner-Occupied Housing Market

Prosperity Region 10b mirrors national housing price recovery trends after the Great Recession. Home prices and sales volumes on average have increased from the lows experienced during the Great Recession. The following section will explore the for-sale market for both single-family homes and condominiums.[416] An analysis of housing supply and demand will be incorporated into the larger conversation of pricing, days on market, and new construction. To provide accurate data on housing sales, Multiple Listing Service (MLS) data was compiled for the period 2012 to 2018. The available MLS data spanned between January 2012 and August 2018; however, with 2018 being a partial year the analysis is based off 2017 which was the last complete year of data. The graphs in this report include the year 2018 for the purpose of presenting trends.

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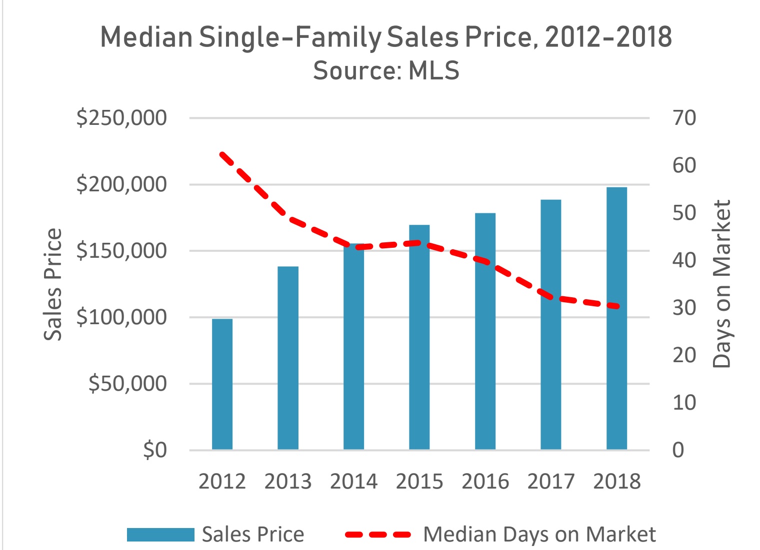
[415] ACS, Table B25075, "Occupied Unit Value", 2012-2016, and RKG Associates

[416] Condominiums are can be defined as housing units that feature a co-ownership component of shared property. In urban areas, condominium structures tend to be built and classified as multi-family. Site condominiums which are single-family detached housing units tend to be found in suburban and rural areas. The MLS data used for this study classifies site condominiums as condominium units, the implication being that in rural communities which have site condominiums, the average size and price points of these units are greater than traditional existing single-family units.

SINGLE-FAMILY HOME MARKET

The market for single-family homes has seen a both rapid price escalation and a brisk number of sales. Between 2012 and 2018, there were 290,088 sales, or an average of 41,441 sales per year.[417] The median single-family home sales prices rose by 90 percent between 2012 and 2017, with the median sales price of a single-family home in 2017 being $188,490. The time it took to sell a home in Prosperity Region 10b also decreased, dropping 48 percent to an average of 32 days on the market.[418]

Figure 11: Median Single-Family Sales Price



*2018 Partial Year

Looking more closely at the sales data, buyers tend to prefer three-bedroom homes, which made up 61 percent of all single-family sales, and where prices have increased 97 percent over the last six years. Based on average household sizes, these homes tend to meet the needs of buyers. **At a median price of $162,740 these three-bedroom homes generally reflect the purchasing power of local buyers in the region** as the income needed to purchase this type of home is around $55,000 per year -- which is slightly more than the region's median household income.

Larger single-family homes with four- and five-bedrooms plus also experienced price appreciation. **The median sales price of a four-bedroom home increased by 38 percent to $311,318 and the price of a home with five or more bedrooms increased by 36 percent to $417,665.**[419] This market segment makes up about 30 percent of all single-family home sales.

Sales Price by Year Built

Housing prices in the region vary substantially based on when the unit was constructed. Not surprisingly, the newer the unit the higher the price. The median single-family sales price for a unit built between 1950 and 1970 was $123,000 which was more than 26 percent greater than a home built between 1900 and 1950.[420] Similarly, the median sales price of a unit built between 1990 and 2010 was $285,000 which was more than 38 percent greater than a unit built between 1970 and 1990. The price differential in these homes can relate to a variety of factors such as size, layout, location, and physical

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[417] Michigan Realtors 2012-2018, and RKG Associates

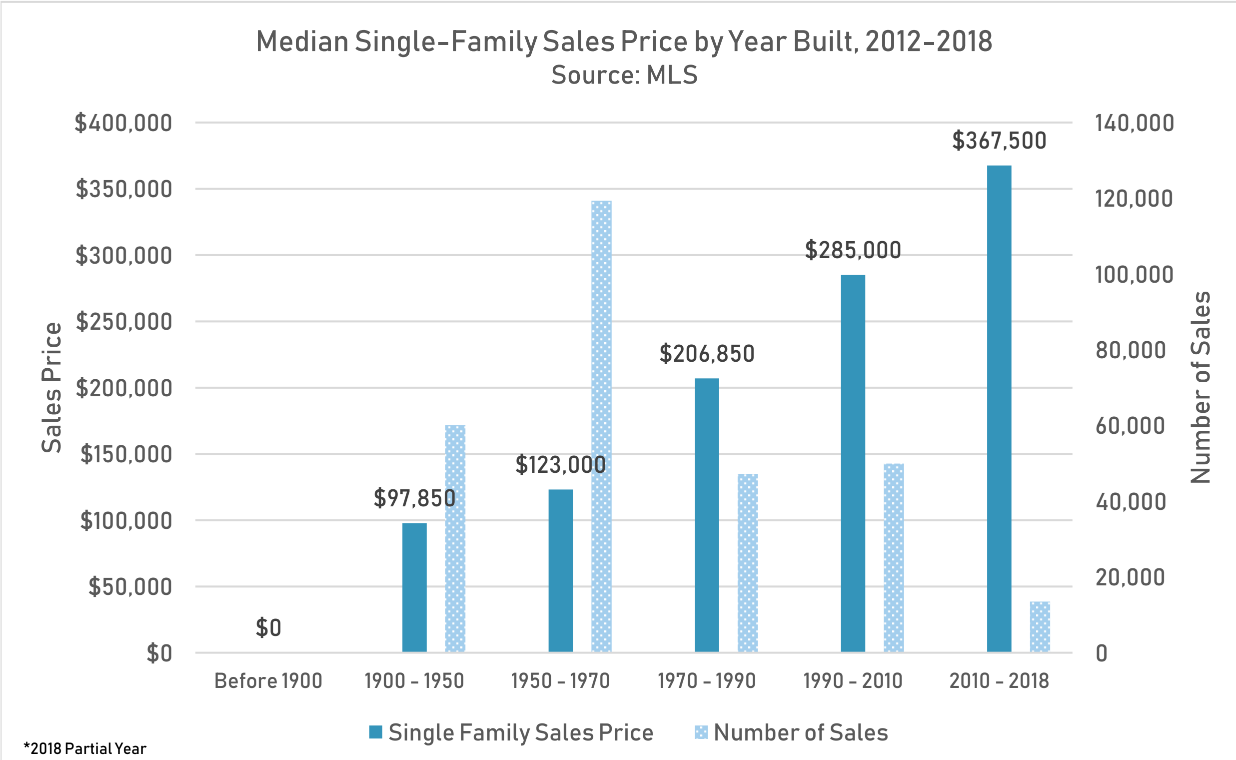
[418] Michigan Realtors 2012-2018, and RKG Associates

[419] Michigan Realtors 2012-2018, and RKG Associates

[420] Michigan Realtors 2012-2018, and RKG Associates

condition of the homes. Older structures tend to require repairs and upgrades which can decrease the sales price.

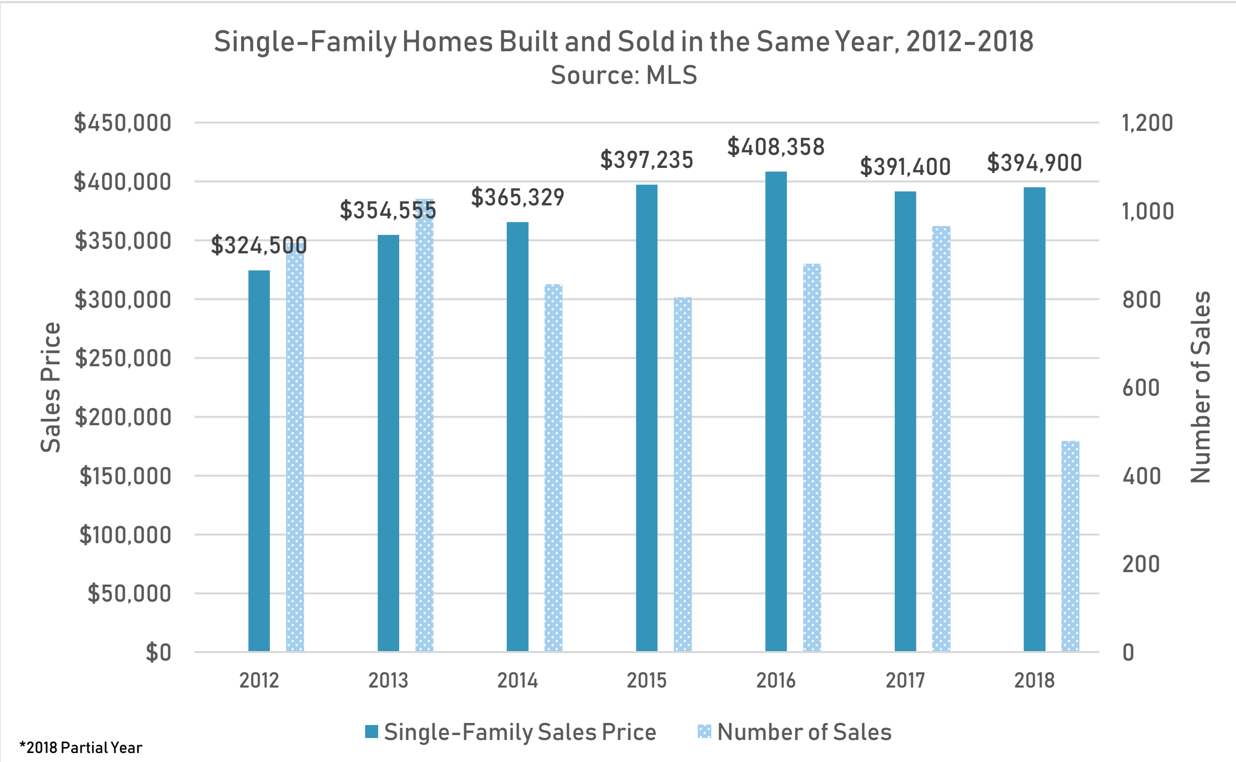
Figure 12: Median Single-Family Sales Price by Year Built



To provide a clearer understanding of the sales price differential between an existing single-family home and a new single-family home, sales of homes built and sold in the same year were pulled out of the MLS data and compared to homes built in a different year than when they were sold. **On average, new single-family units sold for 108 percent more than existing units. The median sales price of a new home in 2017 was $391,400 compared to $188,490 for an existing single-family home.**[421]

[421] Michigan Realtors 2012-2018, and RKG Associates. It should be noted that there was only one newly constructed unit built and sold in the same year during 2017 which impacts the sample size.

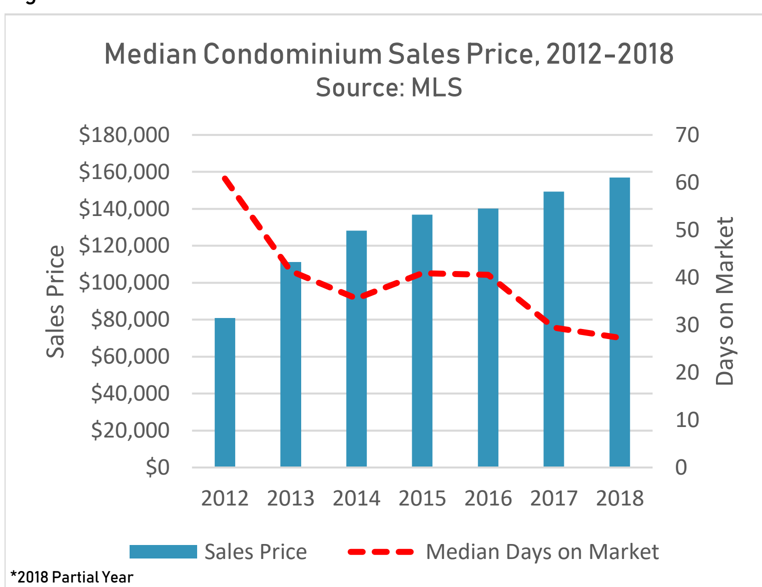
Figure 13: Single Family Homes Built and Sold in Same Year



CONDOMINIUM MARKET

Condominiums are an important component of the ownership market. These units traditionally offer the ability to own a home without being responsible for the external maintenance. Condominiums have a shared property component and can take many forms such as: a unit in a high-rise building, a duplex/townhome unit, or as a single-family home built as part of a site condominium subdivision.

Figure 14: Median Condominium Sales Price



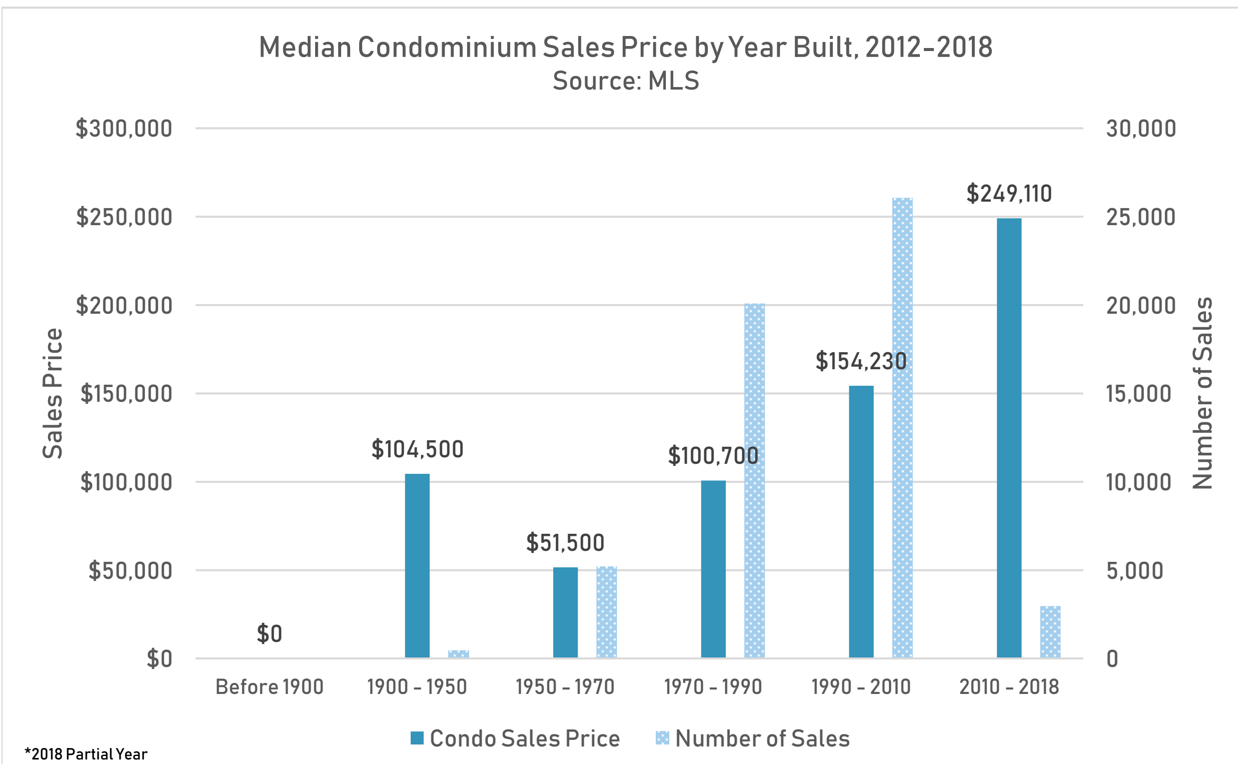
The market for condominiums across the region is strong and growing. Between 2012 and 2018, the region saw about 54,758 sales or an average of 7,823 sales per year. Condominium sales prices increased 85 percent over the last six years. The median sales price of a condominium in 2017 was $149,350, with an average of 29 days on the market. Days on market has decreased 52 percent since 2012.[422]

The price escalations for condominiums reflect the nature of demand for units. The predominate condominium type sold in the region is a two-bedroom unit, accounting for 71 percent of all condominium sales, with a median price of $139,050. For this product type, the median price increased by 83 percent since 2012.[423] Three-bedroom condominiums, which make up 21 percent of sales, saw a price increase of 53 percent since 2012, with the median sales being $225,570 in 2017.

Sales Price by Year Built

Sale prices for condominiums vary considerably based on the year built. The largest number of sales were for units built between 1990 and 2010 and had a median sales price of $154,230. This was about 53 percent greater than a unit built between 1970 and 1990. The price differential relates to the condition, size, amenities, and location of the unit.

Figure 15: Median Condominium Sales Price by Year Built



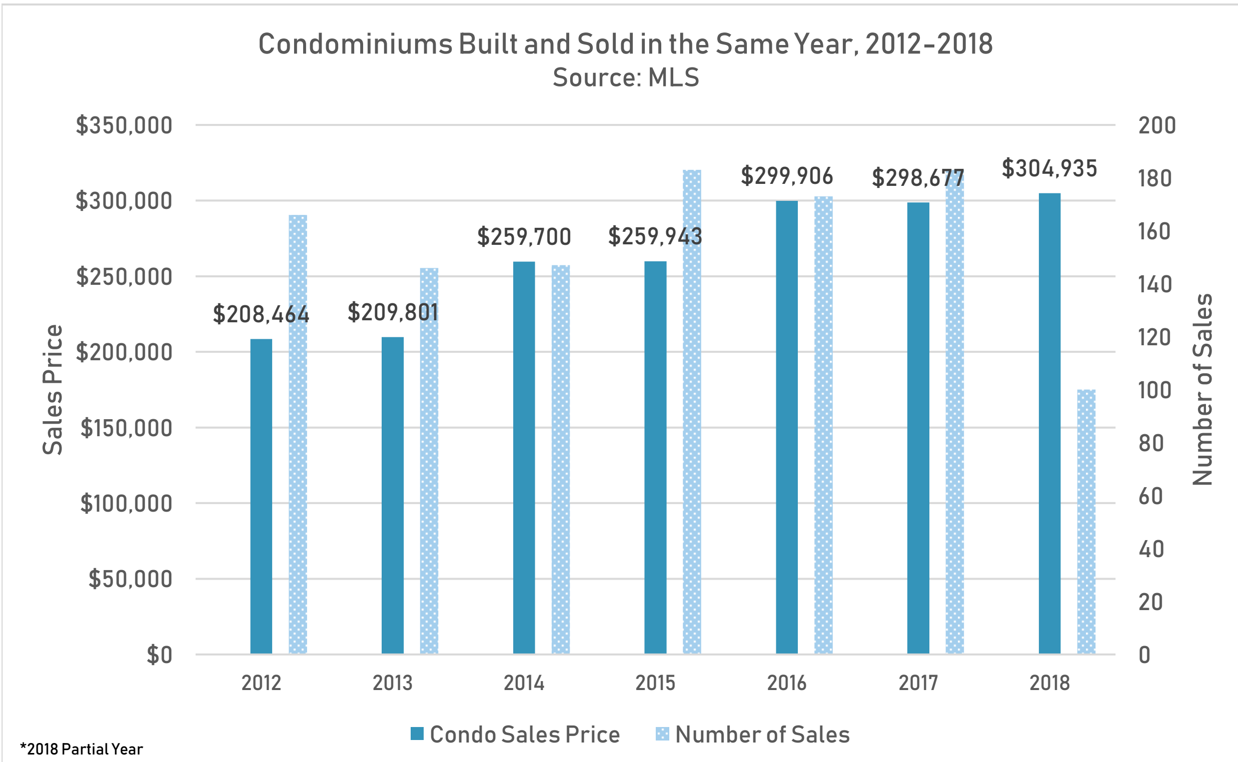
As part of the analysis to provide a clearer understanding of the sales price differential between an existing condominium unit and a new condominium unit, sales of condominiums built and sold in

[422] Michigan Realtors 2012-2018, and RKG Associates

[423] Michigan Realtors 2012-2018, and RKG Associates

the same year were pulled out of the MLS data and compared to condominiums built in a different year than when they were sold. **On average, a new condominium unit sold for 100 percent more than existing condominiums. The median sale price of a new condominium in 2017 was $298,677 compared to $149,350 for an existing condo**. In general, the trend of higher sales prices based on year built holds true and is even more exaggerated when comparing brand new condominiums to prices of existing condominiums sold in the same year.

Figure 16: Condominiums Built and Sold in Same Year



HOUSING DEMAND

Housing demand is generated by growth in population, households, and changes in housing preference and product type. In Prosperity Region 10b, the predominate housing type are single-family homes, with condominium units making up a small portion of the market. This section will explore housing demand across the region by income, affordability, and pricing.

DEMAND BY INCOME AND AFFORDABILITY

To gauge the affordability of the owner-occupied housing stock it is important to look at owner household income relative to sale prices. Table 5 presents HUD Area Median Incomes for the region and the number of owner households that fall within each category.[425] Based on the data, **about 33 percent of households fall at or below 80 percent of AMI which equates to a household income of no more than $51,050.**

Table 5: Owner Households Falling Under HUD AMI Levels

AMI Thresholds	Median Incomes	Fee Simple Home Value[424]	Number of Owner Households	Percent of Households
30% AMI	$20,780	$72,788	84,710	10%
50% AMI	$31,950	$111,915	75,339	8%
80% AMI	$51,050	$178,819	133,980	15%
120% AMI	$76,575	$268,228	165,128	19%
200% AMI	$127,625	$447,046	214,666	24%
Greater than 200% AMI	$127,626	$447,047	214,264	24%

Source: HUD, ACS, and RKG Associates

The ability for homebuyers to secure favorable financing for home purchases has been key in sustaining demand for ownership units. Various financing vehicles are available for many households, such as conventional loans, MSHDA loans, VA, USDA, and FHA products. Each of these loan products have various qualifying standards. For the purposes of this study, conventional loans with the highest standards were used to determine the maximum purchase price of a housing unit under conservative assumptions.

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[424] Under a fee simple sale, the owner's property rights are indefinite and can be freely transferred or inherited as the owner desires. Owners of single-family residences have fee simple ownership, but condominium and many townhouse owners do not, since they own only their individual unit, not the land on which the development is built. For this analysis fee simple sales were used because they represent most homes sales.

[425] The HUD 3-person household AMI was utilized for this analysis. For Prosperity Region's which contained a HUD defined Metro Area, the associated AMI was used to represent the region. The choice of HUD AMI for regions which did not have a Metro Area required an evaluation of counties making up the region to determine the most representative county to use for AMI calculations. The key metrics for this decision were population and median household incomes to ensure the chosen community served as a proxy for the region.

Figure 17: Maximum Purchase Price Based on AMI

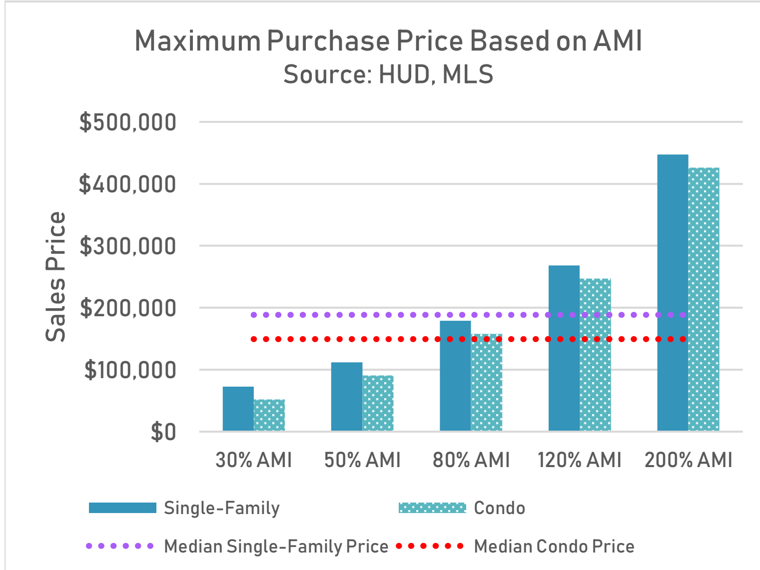


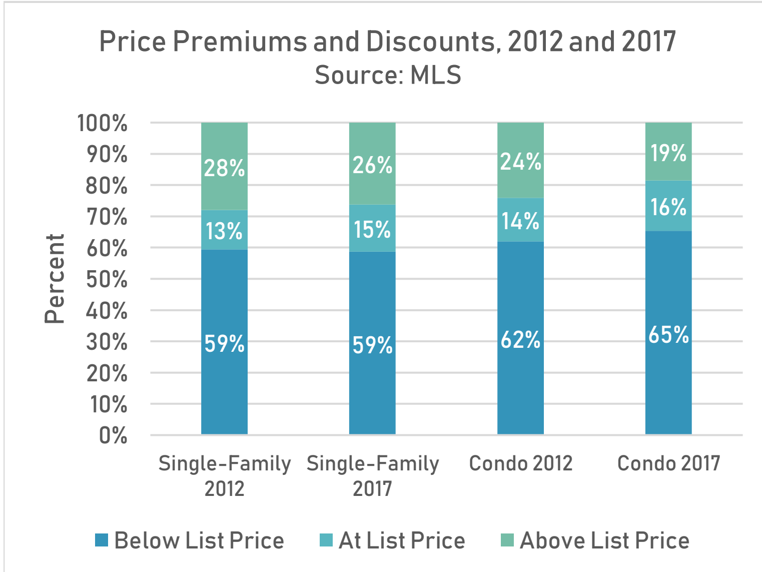
Figure 17 presents the maximum purchase price of both single-family homes and condominiums at various AMI thresholds compared to recent sales of ownership units in 2017. **Based on this analysis, the median price of both a single-family home and condominium sold in 2017 was affordable to households at or above 80 percent of AMI.** Households below 80 percent AMI are unable to purchase homes priced at or above the median for the region.

At 30 percent of AMI, a household can purchase a home at a price of around $73,000 while the median single-family price is closer to $188,490. The price differential between what is affordable and what is available creates hardship for extremely low-income households. For homes requiring rehabilitation, access to finance remains problematic for low-income households because of existing debt to income requirements, and the lack of appraisal values on renovated housing stock in rural areas.

PURCHASE DISCOUNTS AND PREMIUMS

Demand for housing can also be looked at by analyzing how many ownership units sell above, at, or below the list price. In hotter markets, it is typical to see most housing units sell above the asking price with very minimal days on market. In weaker markets, homes stay on the market longer and tend to sell below the asking price.

Figure 18: Sales Prices of Units, 2012 - 2017



In Prosperity Region 10b, between 2012 and 2017, the market for single-family homes stayed relatively consistent as the percentage of homes selling below list price remained the same at 59 percent; and above list price sales decreased slightly from 28 percent to 26 percent, with the median above list price differential being $3,605 in 2017.[426] The condominium market saw a similar trend, with sales below list price increasing from 62 percent to 65 percent, and above list price sales decreasing from 24 percent to 19 percent, with the median above list price differential being $2,575 in 2017. The condominium market also saw an increase in sales at list price, between 2012 and 2017, with the percentage of sales rising from 14 percent to 16 percent.

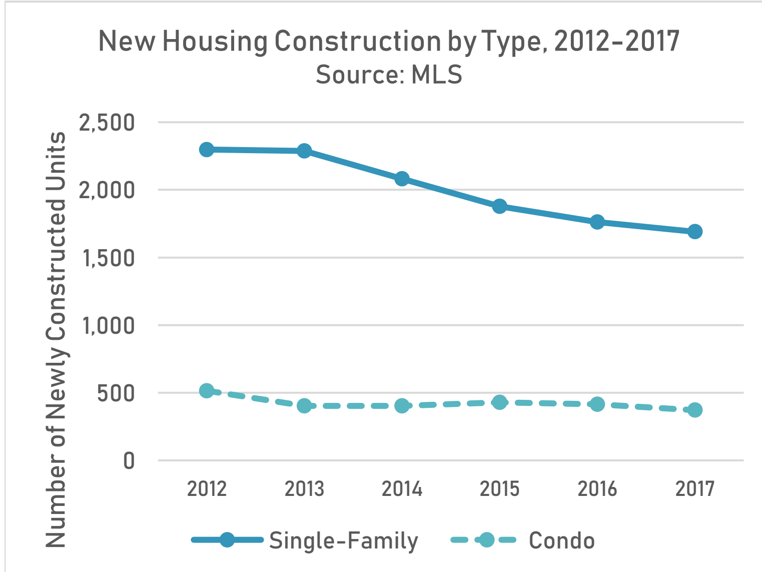
HOUSING SUPPLY

Housing supply is defined as the total available housing stock. An increase in supply is an outcome of an increase in demand, with supply coming online to meet the need of specific market segments or desired product types. This section will explore housing supply across the region by new construction and demand absorption.

[426] Michigan Realtors 2012-2018, and RKG Associates

HOUSING DEVELOPMENT

Figure 19: New Housing Construction, 2012 - 2018



While new construction of units occurred between the period 2012 and 2017, the pace of new construction for single-family homes has slowed considerably, while the construction of condominiums has remained relatively flat. **Between 2012 and 2017 a total of 11,998 single-family units and 2,537 condominium units were built.**[427] Figure 19 shows the overall trajectory of new construction across the region. **Single-family home construction saw a 26 percent decrease from 2012 to 2017, and condominium unit construction saw a 28 percent decrease over the same period.** While condominium construction has declined, over a six-year periods it remained relatively stable over the last five years. The average square footage of a newly constructed single-family unit was nearly 2,600 square feet, while a new condominium unit was 1,600 square feet.[428] The median sales price of a single-family unit built in 2017 was $391,400, and the price of a condominium unit built in 2017 was $298,677, both of which are significantly higher than the median sales price of an existing housing unit.

HOUSEHOLD GROWTH AND UNIT ABSORPTION

As mentioned earlier, population and household growth across the region is projected to continue. One of the biggest issues in Prosperity Region 10b is the mismatch and availability of housing units that fall within AMI thresholds. Table 6 calculates the surplus or deficit in owner-occupied housing units at the various AMI thresholds. To understand how household income limits the ability to purchase a home, maximum purchase prices were calculated for each AMI category for fee simple units (which would be a prototypical unit). The surplus/deficit results from the differential between the number of existing ownership households which fall under the AMI thresholds and the number of existing owner-occupied housing units which fall under the fee simple home price which corresponds to the AMI threshold.

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427 Michigan Realtors 2012-2018, and RKG Associates. RKG is using year-built data from the MLS listings as a proxy for new construction. This assumes that all housing units built were sold. RKG examined Census Building Permit Data for the region but the data does not differentiate between owner and rental housing stock built. For the purpose of this homeownership study, new construction for-sale product data gained from the MLS is deemed more appropriate.

428 Michigan Realtors 2012-2018, and RKG Associates

Table 6: Owner Households and Housing Units Falling Under HUD AMI Levels, 2016					
AMI Thresholds	Median Incomes	Number of Owner Households	Fee Simple Home Price	Owner-Occupied Units	Surplus/Deficit
30% AMI	$20,780	84,710	$72,788	209,039	124,329
50% AMI	$31,950	75,339	$111,915	115,610	40,271
80% AMI	$51,050	133,980	$178,819	203,591	69,611
120% AMI	$76,575	165,128	$268,228	168,197	3,069
200% AMI	$127,625	214,666	$447,046	137,149	-77,517
Greater than 200% AMI	$127,626	214,264	$447,047	54,501	-159,763
Source: HUD, ACS, and RKG Associates					

Table 6 shows a surplus of owner units for incomes at or below 120 percent of AMI, but a large deficit for houses priced at or above 200 percent of AMI. **Homes valued at under 30 percent of AMI make up most of the housing stock and are in oversupply.** This finding does not necessarily mean that there is an oversupply of homes which are available and affordable, but rather that low valued housing structures exist across the region. The structures are priced lower because they are in locations which are not near employment opportunities or transportation nodes. Additionally, the homes may be in various states of disrepair making them less marketable and requiring significant investment capital which low-income households lack. The median sales price for a single-family home is $188,490 which is affordable to households at 80 percent AMI and above.

The calculated housing unit deficit amounts to 237,280 housing units at above 200 percent of AMI. Due to having greater numbers of homes below that value, households at higher incomes have greater housing choice, and do not necessarily need to purchase higher priced homes. Just because a household can afford more does not mean they will spend more; the market dynamics reflect that reality because of the deficit found at higher price points.

As previously mentioned, housing units classified as Vacant-For Sale and Other account for 5 percent of the total housing stock, which translates into 21,327 Vacant-For Sale units and 41,393 Vacant-Other units. The Vacant-For Sale housing units are actively marketed properties which are in sellable condition. In contrast, Vacant-Other units are taken off the market because of issues related to ownership status, habitability, and other reasons. Depending on the condition and costs associated with rehabilitation, these units have the potential to meet some of the projected housing needs. Table 7 presents the potential household absorption capacity by the existing Vacant- For Sale and Other units against the projected household decline between 2020 and 2045. The absorption capacity is differentiated between owner and renter because Vacant-Other units could be classified in either category.

Table 7: Absorption of Vacant - For Sale and Other Housing Units, 2016 - 2045				
Housing Type	Existing Housing Tenure, 2016	Existing Vacant-For Sale and Other Units, 2016	Change in Households Between 2020-2045	Remaining Vacant-For Sale and Other Units After Household Absorption
Owner	71%	44,630	95,338	-50,707
Rental	29%	18,090	38,642	-20,553
Total	100%	62,720	133,980	-71,260
Source: REMI, ACS, and RKG Associates				

Owner-occupied housing units account for 71 percent of the total occupied units in Prosperity Region 10b. Of the existing vacant units, about 62,720 could be classified as units that could one day be brought back into the ownership market. Projections forecast 133,980 new households to form in region. This translates into 95,338 owner households based on the existing owner and renter household split.[429] The gain in households has the potential to outstrip existing vacant units; applying ownership household growth to the existing stock of vacant owner units results in a net deficit of 50,707 units. This indicates the region does not have existing capacity to absorb growth in households.

The lack of existing housing stock to absorb potential new demand indicates the need for both new residential construction and redevelopment. Future changes in household composition may further exacerbate housing demand, as one- and two-person households are expected to increase, while larger households are expected to grow modestly. This change in household composition could drive the market towards building greater numbers of apartment and condominium units which are one- or two-bedroom units.

[429] REMI, ACS, and RKG Associates