

## Housing needs and related data in Grand Rapids and Kent County.

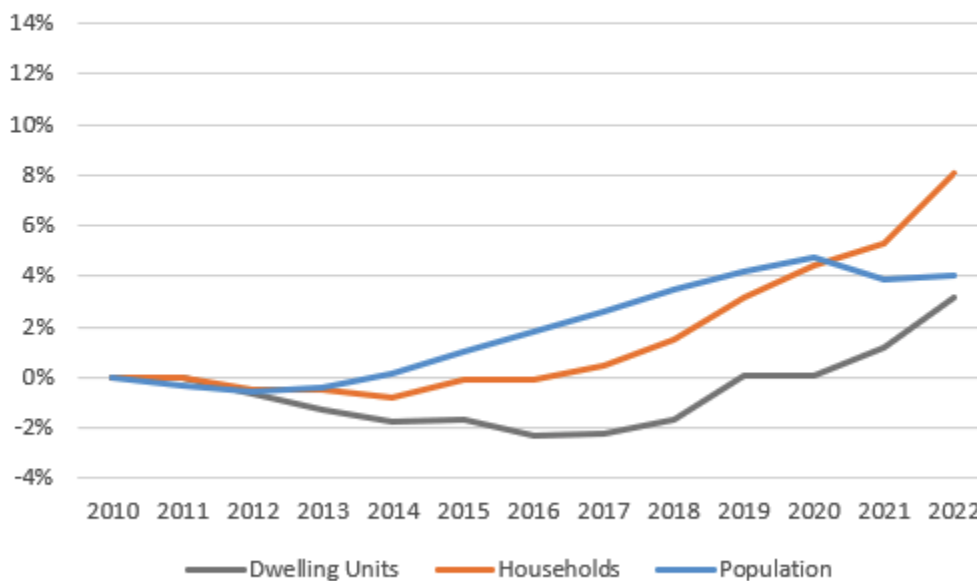
There has been some conversation in the community in recent months about changes in the data trends that have not perfectly aligned with the projections of the Bowen National Research Housing Needs Assessment. Specifically, there have been questions about the recent decline in overall population in the City of Grand Rapids (population decreased slightly between 2019 and 2023 census estimates), and whether this decline in overall population should be taken as a signal that new housing is no longer needed.

Overall population is one of several factors which influence how much housing is needed. Other factors include local and regional job growth, regional construction patterns, commuting patterns, work-from-home trends, and household growth. None of these factors are predictive on their own, but taken together, they can provide a reasonable estimate of needs. The Bowen National Research housing needs assessment used all of these factors to create its Housing Gap Estimates published in 2022.

One specific indicator which may explain the recent decline in population while pressure for additional housing continues unabated is growth in the number of households compared to the growth in population and the growth in total dwelling units.

## Grand Rapids population increased faster than dwelling units

*Percent change based on levels in 2010*



*Source: 2010 – 2022 American Community Survey DP10 and B01003*

During the period between 2010 and 2022, the overall population in Grand Rapids increased by a total of about 4%. This 12-year growth includes the slight decline that has occurred over the last couple of years. However, over the same period of time, the number of households in Grand Rapids increased by just over 8% and the number of dwelling units increased by only 3%. Most notably, the period between 2021 and 2022 showed the sharpest increase in households<sup>1</sup>.

Despite a three year time period that shows a clear dip in population, the gap between new household formations in the City and new housing units created remains stark. Grand Rapids will likely need several years of robust housing development to make up the difference - even if the overall population remains stagnant.

### **Why would the population decline while the number of households has grown?**

It's important to understand the demographic trends that underlie these seemingly contradictory data points.

- 1) Baby Boomers are currently the largest cohort of homeowners in the City of Grand Rapids. The youngest members of this generation will be turning 60 years old this year. The vast majority of these homeowners no longer have children living at home. Meanwhile, they are still a major force in the housing market among single family homes in the City. And, while they once had an average of 3.6 people per household living with them, the Boomer generation is now living in households with an average of just 1.4 people per household. They are consuming the same amount of homes but with far fewer people per home<sup>2</sup>.

Secondarily, despite the majority of this generation having reached the age of retirement - or approaching it very soon - relatively few are inclined to downsize their living arrangements. This is especially true in the current environment of high interest rates and historically low housing supply. Many Boomers purchased homes for well under \$150,000 in the City and have had interest rates in the low 3% range for the last 8-10 years. Attempting to sell their homes and downsize now would likely result in less home for much more money. It simply doesn't make a lot of financial sense for this generation to downsize at this stage of the market.

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<sup>1</sup> US Census Bureau. American Community Survey. Grand Rapids City, Michigan. United States Census Bureau. Accessed January 22, 2024.

<sup>2</sup> Botros, Alena. Boomers' dominance of the housing market is so complete that empty nesters own twice as many large homes as millennials with kids, Redfin analysis reveals. Fortune, January 16, 2024. <https://fortune.com/2024/01/16/redfin-baby-boomers-empty-nesters-millennials-housing-market/>

Finally, Baby Boomers over the age of 65 have a longer life expectancy than any generation before them. This generation is far less inclined to seek assisted living or other types of group homes until they are in their 80s or early 90s. It is very likely that this generation will continue to be a significant force in the single family home market for at least another decade and they will likely continue to have more wealth than younger generations<sup>3</sup>.

- 2) Millennials are now the second largest generation in U.S. history and the youngest members of this generation will be 28 years old in 2024. The vast majority of this generation has finally moved out of their parent's homes, but many are waiting much longer than previous generations to start families and have children. In fact, the marriage rate among young adults has fallen from 61% among Boomers to just 44% among millennials<sup>4</sup>. The households formed by millennials are also much smaller, on average, than previous generations.

Overall, the millennial generation prefers living in locations that are more walkable and more urban when compared to older generations. This is especially true among more highly educated millennials who also tend to be higher earners<sup>5</sup>. This often means that, as prices increase in a given neighborhood, it is often smaller and more affluent households who are more capable of affording those price increases when compared to larger households with more children.

Secondary to this is the matter of access to perceived quality education. Numerous studies have shown that families with children often make locational choices based on local school rankings. Those with the income to afford the best quality education, often locate in those districts with higher ranking schools<sup>6</sup>. While Grand Rapids Public Schools has some very high performing schools within its district, on average, it does not rank as well as some of its suburban counterparts<sup>7</sup>. This may be driving some families with children into those higher ranking suburban districts.

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<sup>3</sup> Gavin, Kara. Most Older Adults Want to Age in Place. University of Michigan. 2022.

<https://news.umich.edu/most-older-adults-want-to-age-in-place-but-many-havent-taken-steps-to-help-them-do-so/>

<sup>4</sup> Statista - Share of Americans married between the ages of 23 and 38.

<https://www.statista.com/statistics/318927/percentage-of-americans-whe-were-married-between-age-18-32-by-generation/>

<sup>5</sup> Choi, Jung, Zhu, Jun, Goodman, Laurie. Millennial Homeownership - Why is it so low and how can we increase it? Urban Institute. July 2018. [https://www.urban.org/sites/default/files/publication/98729/millennial\\_homeownership.pdf](https://www.urban.org/sites/default/files/publication/98729/millennial_homeownership.pdf)

<sup>6</sup> Goldstein, Adam and Hastings, Orestes. "Buying In - Positional Competition, schools, income, Inequality, and Housing Consumption." Sociological Science. 2019.

[https://sociologicalscience.com/download/vol-6/may/SocSci\\_v6\\_416to445.pdf](https://sociologicalscience.com/download/vol-6/may/SocSci_v6_416to445.pdf)

<sup>7</sup> "Best Michigan Elementary Schools. U.S. News & World Report. 2023.

<https://www.usnews.com/education/k12/elementary-schools/michigan>

This leads to an important exploration of what is fueling gentrification in the City of Grand Rapids, where it is most likely to occur, and how the City might be able to reduce its influence. In a recent study published by the New York University Furman Center, Looking at new research, the analysis reaffirms the finding of past studies that new construction can drive rents down — at least across entire cities or regions. Furthermore, *“one of the clearest illustrations of new housing’s positive impact on a region is looking at its chain effect: Building new housing can set off other moves from building to building that quickly free up units for lower-income renters, new studies show.”*<sup>8</sup>

Similar research has been compiled and analyzed by the Urban Institute. Their research has found conclusive evidence that *“high housing costs—resulting from a lack of available housing—cause affluent buyers to look for homes in low- and moderate-income neighborhoods. That means cities’ housing supply can determine how fast gentrification may occur. Boosting the supply of housing can slow the pace of new buyers moving into lower-income neighborhoods.”*<sup>9</sup>

Finally, examining the somewhat unique characteristics of Grand Rapids reveals a mixed picture, but one that is not dissimilar to other midwestern cities. In another 2020 study by the Urban Institute, researchers noted several large rust belt cities that recorded simultaneous population decline and household growth<sup>10</sup>. What they found was that there are specific neighborhoods with a high demand for housing due to the amenities in that area. If adequate supply is not available for the types of households in search of housing, that high demand for the neighborhood will spillover into adjacent neighborhoods and create more powerful symptoms of gentrification. This effect was most pronounced where high income neighborhoods with strong amenities were located in close proximity to low income neighborhoods. These higher income neighborhoods also tend to be the neighborhoods where NIMBY sentiment is strongest<sup>11</sup>.

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<sup>8</sup> Holder, Sarah. “No, Really. Building More Housing Can Combat Rising Rents.” Bloomberg, City Lab. November 20, 2023. <https://www.bloomberg.com/news/articles/2023-11-20/does-building-new-housing-cause-gentrification>

<sup>9</sup> Goodman, Laurie. Seidman, Ellen. Zhu, Jun. “To Understand the Pace of a Cities Gentrification, Look at Its Housing Supply.” Urban Institute. June 2020.

<sup>10</sup> Treskon, Mark. “Cities Losing Population Could Still Be Gaining Households”. Urban Institute. January 2020.

<sup>11</sup> Einstein, Katherine Levine. Palmer, Maxwell. Glick, David. “Who Participates in Local Government? Evidence from Meeting Minutes.” Boston University. 2017