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2021 Housing Market Analysis

GROSSE POINTE, MICHIGAN

September 17, 2021

Purpose of Analysis

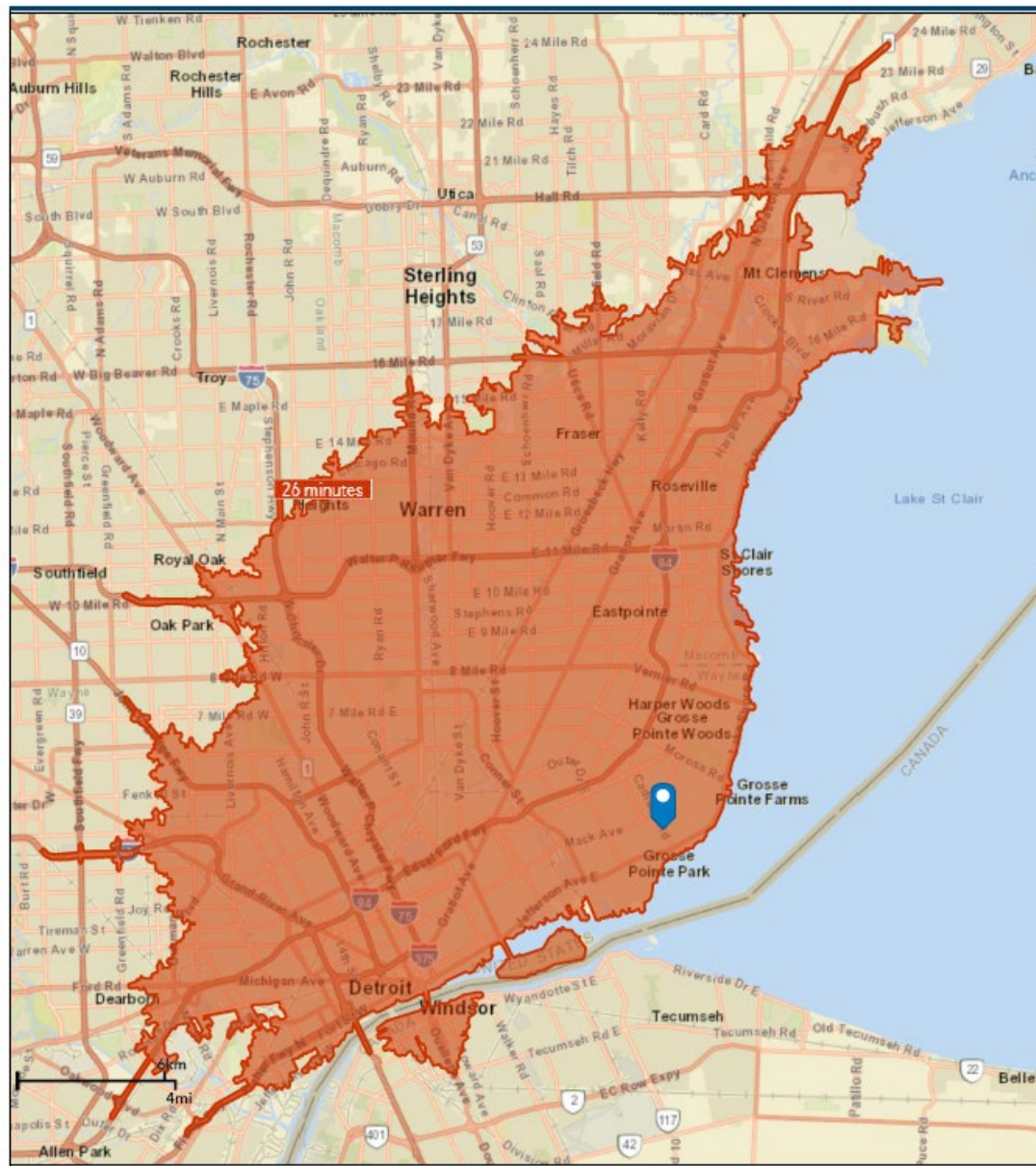
- 1. Understand the City's Housing Market**
- 2. Determine Potential Need for New Housing**
- 3. Determine Characteristics of Potential New Housing**
 - 1. Size (Number of Bedrooms)**
 - 2. Type**
 - 3. Tenure**

Methodology

- 1. Grosse Pointe Housing Market Trade Area**
 - 1. Geographic**
 - 2. Financial**
- 2. Housing Supply – City and Trade Area**
- 3. Housing Demand – City and Trade Area**
- 4. Supply vs Demand**
 - 1. Overall**
 - 2. By Unit Size (Number of Bedrooms)**

Geographic Trade Area

- 1. City Average Commute Time – 26 Minutes**
- 2. Geographic Trade Area boundary is a 26 Minute drive from the City**
- 3. Why use commute time?** Approximates the area someone could move within without changing the length of their commute. That reduces the impact of commuting as a variable in housing choice, allowing us to analyze other factors, like neighborhood desirability or unit size.



Financial Trade Area

- 1. Grosse Pointe is desirable – and therefore relatively expensive.**
- 2. “Financial Trade Area” = Households within the Geographic Trade Area with a high enough income to afford the median home in the City of Grosse Pointe.**

Financial Trade Area Calculation

Calculation Step	Assumptions/Source	Figure
Median Home Value (City of Grosse Pointe)	US Census (American Community Survey)	\$394,465
Estimated Monthly Mortgage Payment (Median Home)	3.3% Interest/30 Year Fixed	\$1,663
Necessary Annual Income to Support Mortgage	Mortgage = 20% of Monthly Income	\$99,780
Size of Financial Trade Area	Number of Households Earning Necessary Income Within Geographic Trade Area per US Census (American Community Survey)	69,704 Households

Housing Supply - Overview

	City of Grosse Pointe	Geographic Trade Area
Number of Housing Units	2,538	496,268
Change in Units Since 2010	+3.6%	-3.2%
Median Home Value	\$394,465	\$140,312
Median Monthly Rent	\$977	\$677

Housing Supply - Type

	City of Grosse Pointe		Geographic Trade Area	
	Percent	Number	Percent	Number
Single Family Detached	69.2%	1,626	66.0%	317,895
Single Family Attached (Townhouse)	12.9%	304	7.8%	38,085
Two Family (Duplex)	9.5%	224	4.8%	22,921
Small Multi-Family (3-9 Units)	5.9%	113	6.2%	35,225
Large Multi-Family (10+ Units)	3.6%	84	11.0%	64,086

Housing Supply - Tenure

	City of Grosse Pointe	Geographic Trade Area
Owner-Occupied/For Sale	80.7%	57.3%
Renter-Occupied/For Rent	19.3%	42.7%

Housing Supply – Home Value

	City of Grosse Pointe	Geographic Trade Area
Under \$100,000	3.5%	44.0%
\$200,000 - \$299,000	12.2%	34.8%
\$300,000 - \$399,000	21.7%	7.0%
\$400,000 - \$499,000	25.4%	1.6%
\$500,000+	24.0%	2.6%

Financial Trade Area Supply

	City of Grosse Pointe	Geographic Trade Area
Percentage of Housing Units Valued Over \$300,000	72.1%	11.2%
Number of Housing Units Valued Over \$300,000	1,829	55,582

Financial Trade Area Overall Supply vs Demand

Financial Trade Area Demand	Financial Trade Area Supply	Difference
69,704 households	55,582 housing units	14,122 housing units

Note: Many of the 14,122 households may not move to more expensive housing simply because they can afford it – so this analysis does not indicate that over 14,000 new luxury housing units should be built.

But there is purchasing power for new luxury housing in the market.

Housing Tenure Demand Methodology

- 1. Total Households**
- 2. Age of Householders**
- 3. Headship Rate by Age – what percentage of people in that age range are heads of a household**
- 4. Homeownership Rate by Age – what percentage of households headed by someone in that age range rent vs own**

Housing Tenure Demand (National Rates)

Age Range	Headship Rate	Homeownership Rate
20-29	39.2%	37.3%
30-39	54.3%	61.5%
40-49	56.7%	70.3%
50-59	58.5%	76.3%
60-69	63.6%	78.7%
70-79	64.4%	70.4%
80+	54.1%	60.3%

Housing Tenure Demand - City

Age Range	Owners	Renters
20-29	63	106
30-39	158	99
40-49	271	115
50-59	391	121
60-69	424	115
70-79	257	108
80+	121	80

Housing Tenure Demand - City

	Demand	Supply
Owner-Occupied	1,686	2,048
<i>Percentage</i>	<i>69.3%</i>	<i>80.7%</i>
Renter-Occupied	744	490
<i>Percentage</i>	<i>30.7%</i>	<i>19.3%</i>

This indicates potential demand for new rental housing. It also indicates that young householders in Grosse Pointe are more likely to be homeowners than in other communities.

Unit Size Supply - City

Number of Bedrooms	Number	Percentage
Studio/1	77	3.3%
2	477	20.3%
3	858	36.5%
4+	939	39.9%

Household Size - City

Households Size	Number	Percentage
1 Person	683	31.3%
2 People	704	32.7%
3 People	293	13.6%
4 or More People	472	21.9%

Average Household Size = 2.49 People

Unit Size Comparison

Household Size	Number of Households	Number of Housing Units	Number of Bedrooms
1 Person	683	77	Studio/1
2 People	704	477	2
3 People	293	858	3
4 or More People	472	939	4+

Unit Size Miss-Match

- 1. City of Grosse Pointe Population: 5,521**
- 2. Number of Bedrooms in Grosse Pointe: 7,449**
- 3. Number of Bedrooms Per Person: 1.3**
- 4. Minimum of Number of Unoccupied Bedrooms: 1,928**

The data indicates that households living in Grosse Pointe right now have more space than they need and may be interested in smaller housing units with less maintenance cost.

Conclusions

1. There is a potential demand for over 14,000 residential units that are priced at or above \$300,000 within the residential market area in and around Grosse Pointe.
2. There is a demand for an additional 254 rental units in the City of Grosse Pointe.
3. There is a higher-than-average ratio of bedrooms to residents (1.3 bedrooms per person) in Grosse Pointe, suggesting there is a market demand for smaller units with fewer bedrooms by both “empty-nesters” and young professionals.
4. This indicates market support for residential development of the former Sunrise property, and redevelopment within the Village.



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Questions/Discussion