



**A Housing Market
Analysis of
Mackinac Island**

Final Report

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Prepared for:

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I. INTRODUCTION

Community Research Services, LLC has been commissioned by the City of Mackinac Island to analyze and update housing trends for Mackinac Island, with a focus upon permanent rental housing alternatives for local residents and those persons and families that may wish to relocate to the Island.

This analysis will serve as an update of a prior report completed by Community Research in late 2017, which provided recommendations regarding the viability of housing options for permanent residents of Mackinac Island. With updated demographic information from the 2020 Census, as well as examination of market data from the recently constructed rental developments located on the Island, an update of the analysis is clearly warranted, with the objective to determine the market viability of additional housing alternatives for current and future residents.

No assumptions or analysis will be made regarding the separate market viability of part-time workforce housing, high-priced luxury homes (rental or owner), nor the potential for 2nd homes/vacation residences. Comments and market criteria for these segments will be included, when necessary, as part of an examination of overall housing market conditions.

A discussion of the likely target market segments that match the product types under examination will be included, using standard demographic/economic data.

The primary purpose of the following market analysis is to provide sufficient evidence that market depth and demand may or may not exist for potential housing development. No assumptions regarding site location, sponsorship, or financing options will be made, unless specifically stated within the analysis.

II. EXECUTIVE SUMMARY

The following overview highlights the major findings and conclusions reached from information collected through demographic analysis, economic observations, and primary research of the community:

- The analysis utilizes Mackinac Island as the primary market area, with no direct participation from secondary market sources from the mainland. Data is also presented for a secondary market area, that also includes St. Ignace and Mackinaw Township. Comparisons and data for Mackinac County is also presented within the analysis.
- The key target market segment includes moderate-income singles, couples, and families, employed on the Island, seeking a rental housing alternative. Some type of connection to Mackinac Island is also a primary consideration. Alternative target market considerations also include those persons seeking a homeownership option, but the lack of reasonably-priced homes makes this portion of the target market segment unlikely.
- Positive factors include the following:
 - Demographic trends reflect generally stable population totals. By 2028, the Island’s population is forecast to total 633 persons, based on ESRI forecasts. This is an increase of nearly nine percent from 2020, but is primarily due to a temporary influx of temporary workers. Households on the Island are forecast at 293 occupied units, essentially unchanged from 2020.
 - The Island’s youngest and oldest residents are forecast to increase over the next few years, while adult populations will vary little from 2020 totals. Persons age 19 and younger are forecast to increase by 36 percent from 2020 to 2028, reflecting in part the influx of workers. Senior age 65 and older are projected to increase by 25 percent over the same period.
 - Placemaking considerations are very favorable, as the community’s status and reputation as Michigan’s most popular vacation destination point.
- Impediments and other problematic considerations include:
 - Excessive pricing for most housing options, due to the prevalence of vacation/2nd homes, an insufficient number of rental housing options, and very few newly constructed housing units over the past 30 years. Some of these factors are also found in other Northern Michigan communities, but the unique circumstances found on the Island present difficult barriers to residential development. These barriers are both economic and geographic in nature, and have led to unfortunate gaps across the Island in terms of housing options.
 - A majority of the housing units on Mackinac Island are seasonal, and represent a combination of vacation homes, 2nd homes, and seasonal/recreational cottages. Just 36 percent of all housing units on Mackinac Island are occupied by permanent residents, based on the latest American Community Survey data.

- Primary findings for this analysis include:
 - The size of Mackinac Island makes even the smallest introduction of housing units into the community impactful. The introduction of any units would ideally alleviate to some degree the unmet demand potential across the community.
 - Affordability is perhaps not as great a concern regarding housing needs as availability. While pricing is clearly important, the simple lack of any choices for moderate-income residents of the community is the most striking issue. Simple supply and demand considerations will lead to pricing levels that are not reasonable for most residents.
 - An examination of the current residents at Forest Way Townhomes provides evidence of the market potential for additional units. The data provided the following information:
 - A majority of residents are long-term Mackinac Island natives, taking advantage of rental housing opportunities to remain on the Island
 - Those residents that are not native to Mackinac Island originated outside of the Straits region, despite the number of commuters that are present within St. Ignace and Mackinac City.
 - Residents of the townhomes reflect a combination of individuals who already lived on the island and workers who relocated from the mainland. Just five of the residents are from secondary market sources, with no prior connection to Mackinac Island.
 - The average household size at the townhomes is 2.42 persons, among the two-bedroom and three-bedroom units. Nine of the units are occupied by a single person. Demand potential for larger-sized units is evident among both the three-bedroom units and the degree of interest in available units.
 - An additional phase of the townhomes is under development, featuring four four-bedroom units within a duplex-type design. These units will capture the demand potential present for larger-sized families.
 - Based on our prior research of island communities within Michigan and other parts of the nation, residents of Mackinac Island make a very specific and reasoned choice to reside within the community. Isolated by water, the community is not a reasonable choice based on traditional commuting patterns, a compromise between other regions, nor a destination point among the general population for employment opportunities. This makes the choice for residing on the Island perhaps one of the more binary choices for potential residents. Similarly, multi-generation residents are already aware of the unique characteristics of the community, with many selecting to stay. It is a lack of housing choices for both scenarios (new residents and multi-generation residents) that threatens the long-term viability of the community.

The findings point to sufficient statistical support and market depth for rental development that addresses a combination of “workforce housing” and market rate target markets.

Based on the findings, additional rental development should feature the following characteristics:

Project Size: Up to 12 units

Project Type: Duplex-style townhomes with attached garages, with a minimum 1,000 square feet, with single story and two-story options

Unit mix: Two-bedroom and three-bedroom options, with some variation based on site and floor plan differences

Preliminary Pricing: \$1,200 - \$1,600

Rents do not include utilities (heat, electric, garbage)

Amenities/features: – laundry hook-ups, storage space, full kitchen with modern appliances, full bath, cable/internet ready, and sufficient closet space.

The findings also indicate a definitive demand for homeownership options, but the development potential for owner-occupied alternatives is difficult for Island residents. It is unknown, however, if new for-sale homes can be easily constructed on Mackinac Island within a reasonable price point for likely residents. Existing for-sale data such as realtor.com does not show a market for such housing options, and development trends are also void of such options, with the exception of Edgewood, sponsored by the Mackinac Island Housing Corporation, which recently constructed and sold four homes. These homes were priced at \$250,000 and were targeted for year-round Island residents employed on the Island, consisting of two-bedroom/two-bath units at 1,025 square feet.

Thus, the focus on additional rental housing options for the target market segment is perhaps the most reasonable housing solution for the near term.

These recommendations should be considered preliminary. A positive final recommendation is dependent upon the utilization of a specific marketing plan, inclusion of amenities and building design that reflects the market’s characteristics, and the presence of professional preleasing and management. Assumptions also include a positive location with sufficient visibility and access from across the Island. It is also assumed that no delays in the development process would take place that would essentially negate any marketing efforts.

Map: Mackinac Island



Aerial Photo: Mackinac Island



III. MARKET PROFILE

A typical market analysis will identify a key target market segment or segments as the primary focus for examination and market potential, taking into consideration associated demographic and economic features. For this analysis, the economic and demographic characteristics of Mackinac Island indicate a limited concentration of workforce or entry-level housing options. Prevailing housing options currently on the island are centered around high-end, single-family structures, reflective of either year-round units or seasonal/vacation homes. While a high concentration of owner-occupied households is typically welcome and reflective of a stable and moderate/higher income levels, in this case a primary concern for the island is a lack of entry level options (both owner-occupied and rental units).

The decision to relocate to the island or attempt to remain a resident of Mackinac Island is a somewhat more involved choice as compared to mainland options. A potential resident typically would demonstrate a clear economic or family-related reason to reside on the island, due to the cost of daily or occasional commuting to work. A degree of accepted isolation in terms of retail, service, or medical opportunities is assumed with such a decision. While home employment is much more feasible as compared to just a few years ago, the island's focus on tourism is perhaps somewhat less than ideal for such purposes as compared to St. Ignace or Mackinaw City.

With these unique factors under consideration, and taking into consideration the types of housing options that are not immediately found on Mackinac Island, the analysis will focus on the examination of market rate and workforce rental housing, as such options have proven successful and questions regarding continued demand for such options are of interest. The lack of moderately-priced owner-occupied housing options is also evident within the community, but addressing such options has historically been quite problematic.

This report was initiated to determine market viability for housing options for permanent residents, regardless of income or profession. Investigation of this segment indicates that the large majority of permanent residents exhibit moderate incomes, a combination of seasonal and year-round employment, and a desire to remain on the Island as a permanent resident.

As a result, the primary target market segments will include a combination of moderate-income renters, employed on the Island, with a desire to either remain residents of Mackinac Island, or to relocate to the Island as a permanent resident.

Primary and Secondary Market Area Delineation

Mackinac Island is the sole focus for this analysis and will serve as the Primary Market Area (PMA), but comparisons to nearby areas that have similar traits are often helpful to point out differences and unique housing issues. For this analysis, a Secondary Market Area (SMA) will include Mackinaw Township (Cheboygan County) and St. Ignace City (Mackinac County), as well as Mackinac Island. The combination of these areas will serve for comparison purposes only, but may enlighten the reader with differences in various demographic and economic categories. In addition, data from Mackinac County as a whole will also be presented.

While Secondary Market contributions clearly exist, it is difficult to quantify in a reasonable manner the degree of participation prior to the development of housing options. Such factors are readily determined after the development process, based on visits, various inquiries, and the eventual relocation of residents from outside of the region. Individuals and households that wish to live on Mackinac Island make a very specific and reasoned choice to reside within the community. Isolated by water, the community is not a reasonable choice based on commuting patterns, a compromise between other cities or towns, nor a destination point among the general population for employment opportunities. This makes the choice for residing on the Island perhaps one of the more binary choices for potential residents. Similarly, 2nd generation residents are already aware of the unique characteristics of the community, with many selecting to stay. It is a lack of housing choices for both scenarios (new residents and 2nd generation residents) that threatens the long-term viability of the community. Thus, the target market for new housing options on the Island is unique, relatively small, and perhaps more determined to relocate than a typical target market segment.

IV. DEMOGRAPHIC & ECONOMIC TRENDS

Economic Trends

Employment by Industry data from the American Community Survey indicates the most common industry for employed residents of the Island to work in was by far services, most of which were related to arts/entertainment spending. Retail trade employment across the market area represented 22 percent of the local labor force – much higher than most communities but not surprising in this instance.

Table: Employment by Industry

	City of <u>Mackinac Island</u>	Market <u>Area</u>	Mackinac <u>County</u>
Agriculture and Mining	2	12	152
Percent	0.4%	0.7%	3.5%
Construction	34	104	345
Percent	6.1%	6.2%	7.9%
Manufacturing	7	42	205
Percent	1.3%	2.5%	4.7%
Wholesale Trade	10	20	35
Percent	1.8%	1.2%	0.8%
Retail Trade	53	363	577
Percent	9.5%	21.7%	13.3%
Transportation & Utilities	48	117	211
Percent	8.6%	7.0%	4.9%
Information	0	7	25
Percent	0.0%	0.4%	0.6%
Finance, Insurance, & Real Estate	16	40	277
Percent	2.9%	2.4%	6.4%
<u>Services</u>	370	795	1,958
Percent	66.4%	47.8%	45.3%
Professional & Managerial Serv	31	88	203
Percent of All Services	8.4%	11.1%	10.4%
Educational & Healthcare Serv	17	149	745
Percent of All Services	4.6%	18.7%	38.0%
Arts/Entertainment Services	228	404	738
Percent of All Services	61.6%	50.8%	37.7%
Other Services	94	154	272
Percent of All Services	25.4%	19.4%	13.9%
Public Administration	17	170	564
Percent	3.1%	10.2%	13.0%

SOURCE: 2018-2022 American Community Survey, U.S. Census Bureau

Mackinac Island’s residential employment base is mostly lower-wage service and retail positions, with somewhat limited income/wage potential.

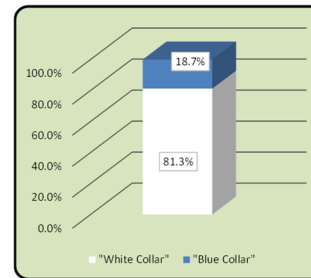
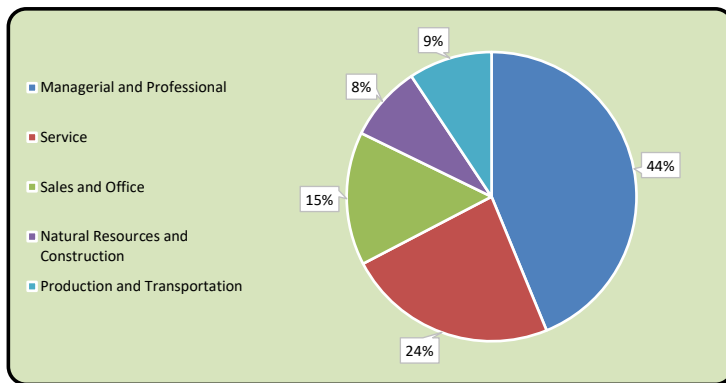
Employment by Occupation data from the American Community Survey indicates the majority of workers are employed in professional, sales, or office positions. These sectors combined totaled 81 percent of the Island’s labor force. The Island’s concentration of “blue collar” positions represents just 18 percent of the

labor force, and 19 percent across the market area. These percentages have been historically skewed toward the service and retail sectors for decades, and are not surprising, but do limit to some degree the wage/income potential of locals that are employed within these industries.

Table: Employment by Occupation

	<u>City of Mackinac Island</u>	<u>Market Area</u>	<u>Mackinac County</u>
Managerial and Professional	244	608	1,583
Percent	43.8%	36.4%	36.4%
Service	131	413	1,012
Percent	23.5%	24.7%	23.3%
Sales and Office	83	336	817
Percent	14.9%	20.1%	18.8%
Natural Resources and Construction	47	129	469
Percent	8.4%	7.7%	10.8%
Production and Transportation	52	184	468
Percent	9.3%	11.0%	10.8%

SOURCE: 2018-2022 American Community Survey, U.S. Census Bureau



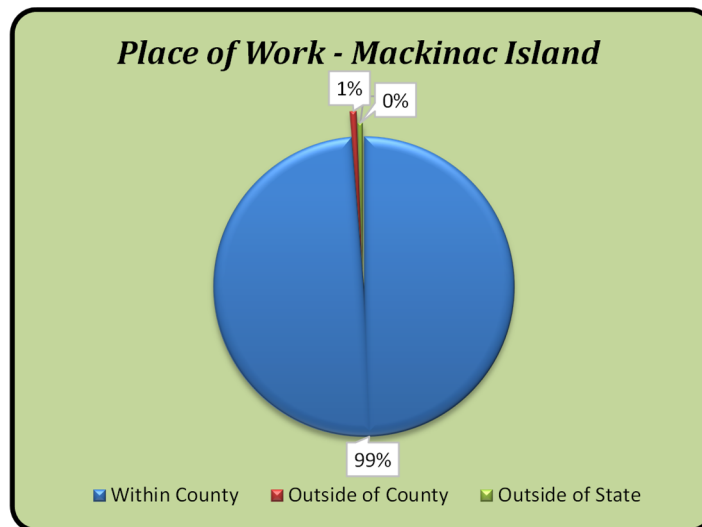
The Island’s labor force is overwhelmingly local, with virtually all of the local workers employed either on the Island or nearby in St. Ignace. It can be assumed that a significant percentage is employed on the Island. As commuting information is not available below the

county level, this is based on more on observations rather than specific data. Given the unique employment and geographic characteristics of the Island, these trends are not surprising.

Table: Employment by Place of Work

	City of Mackinac Island	Market Area	Mackinac County
Place of Work within County	545	1,503	3,253
Percent	98.7%	91.3%	75.9%
Place of Work Outside of County	4	141	1,012
Percent	0.7%	8.6%	23.6%
Place of Work Outside of State	3	3	22
Percent	0.5%	0.2%	0.5%

SOURCE: 2018-2022 American Community Survey, U.S. Census Bureau



Population Trends

The permanent population for 2020 reported on Mackinac Island was minimally impacted by the pandemic, with a recorded total of 583 persons – a nine percent increase from 2010 and reflecting efforts to stabilize the population on the island. Estimates forward from 2020 demonstrate that population reflect a nearly 10 percent increase in population totals, but after further research these totals are a reflection of temporary construction workers on the island that are within group quarters arrangements. Beyond 2028 it can be assumed that population totals for the Island would drop below 600 persons, but reflect permanent residents on the Island that are materially contributing to the local economy.

Table: Population Trends (2000 to 2028)

	City of Mackinac Island	Market Area	Mackinac County
2000 Population	523	3,848	11,943
2010 Population	492	3,525	11,113
Percent Change (2000-2010)	-5.9%	-8.4%	-6.9%
Average Annual Change (2000 to 2010)	-0.6%	-0.9%	-0.7%
2020 Population	583	3,480	10,834
Percent Change (2010-2020)	9.1%	0.8%	-1.0%
Average Annual Change (2010 to 2020)	1.7%	-0.1%	-0.3%
2023 Population Estimate	640	3,530	10,831
Percent Change (from 2020)	9.8%	1.4%	0.0%
Average Annual Change (2020 to 2023)	3.2%	0.5%	0.0%
2026 Population Forecast	636	3,507	10,729
Percent Change (from 2020)	9.1%	0.8%	-1.0%
Average Annual Change (2020 to 2026)	1.5%	0.1%	-0.2%
2028 Population Forecast	633	3,492	10,661
Percent Change (from 2020)	8.6%	0.3%	-1.6%
Average Annual Change (2020 to 2028)	1.0%	0.0%	-0.2%

SOURCE: 2000/2010/2020 Census of Population and Housing, U.S. Census Bureau; ESRI Business Analyst.

With a study subject as small as Mackinac Island, even the smallest adjustments in population require investigation. As discussed previously, this was the case for 2023 ESRI estimates that illustrated an increase of 182 persons within the group quarters population category. This has been attributed to construction workers that are employed on the Island that are housed temporarily within hotel-type structures that are not considered permanent housing options – thus the Island and Market Area exhibit a population increase without a commensurate gain in households. It is not certain how long these workers will be employed on the Island, but since housing demand is primarily determined through household counts, this increase in population totals will not impact the housing forecasts illustrated within the latter sections of this analysis.

It is assumed that these levels will decline over the next few years, but not reflect a change in the Island’s permanent population totals.

Table: Group Quarters Population (2000 to 2023)

	<u>City of Mackinac Island</u>	<u>Market Area</u>	<u>Mackinac County</u>
2000 Group Quarters	0	131	197
2010 Group Quarters	0	71	95
2020 Group Quarters	10	136	116
2023 Group Quarters Estimate	192	322	318

SOURCE: 2000/2010/2020 Census of Population and Housing, SF1, U.S. Census Bureau; ESRI

It is common to separate population totals into various age cohorts that reflect key age segments. In this analysis, this has been done as well, and include four key cohorts – Less than Age 20, Age 20 to 44, Age 45 to 65, and Age 65 and older.

The largest age cohorts in 2020 across Mackinac Island included both young adults and older adults, at 31 percent each. Seniors on the Island represented 23 percent of the 2020 total, while persons under 20 years of age accounted for just 15 percent of the total. The percentage of non-adults and seniors is clearly a reflection of the Island’s characteristics and preferences for families and seniors to reside within areas that feature more services, educational opportunities, and medical alternatives.

From forecasts by ESRI, by 2028 the Island’s population will age significantly, with the largest segment the senior age cohort (age 65 and older), representing an estimated 26 percent of the Island’s total. Such trends are found throughout northern Michigan, with the Island’s various age cohorts shifting into generally equal segments. This does not include children, as this age segment will also increase, but still remain the smallest percentage segment on the Island, representing an estimated 19 percent of the total 2028 population. The fact that the number of children is forecast to increase over the next few years may point to an increasing need for housing options suitable for larger household sizes.

For a differentiated population such as Mackinac Island, it is evident that limited housing opportunities has been problematic for many years, as the current trends do not take place overnight – it is the result of younger adults relocating off the Island, due to either a lack of housing options or reduced employment opportunities. Such trends are not unique to the Island, but are also present in communities across most of northern Michigan, with opportunities limited due to economic considerations and preferable alternatives found elsewhere.

Figure: Age Distribution – Mackinac Island (2020 to 2028)

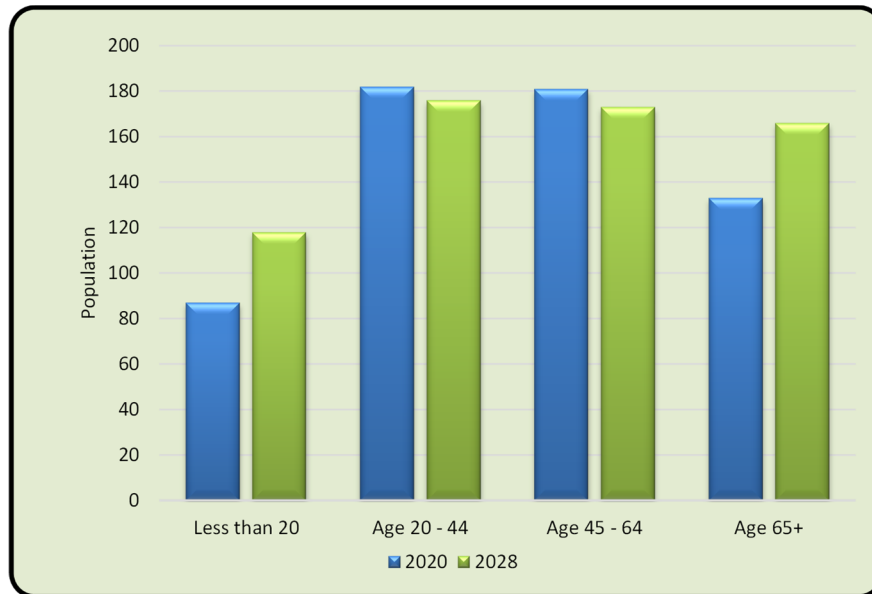


Table: Age Distribution (2020 to 2028)

	<u>City of Mackinac Island</u>	<u>Market Area</u>	<u>Mackinac County</u>
Age Less than 20 - 2020	87	601	1,997
Percent of total 2020 population	14.9%	17.3%	18.4%
Age Between 20 and 44 - 2020	182	895	2,349
Percent of total 2020 population	31.2%	25.7%	21.7%
Age Between 45 and 64 - 2020	181	1,013	3,249
Percent of total 2020 population	31.0%	29.1%	30.0%
Age 65 and Over - 2020	133	971	3,239
Percent of total 2020 population	22.8%	27.9%	29.9%
Age Less than 20 - 2028	118	593	1,851
Percent of total 2028 population	18.6%	17.0%	17.4%
Percent change (2020 to 2028)	35.6%	-1.3%	-7.3%
Average Annual Change (2020 to 2028)	1.7%	-0.1%	-0.4%
Age Between 20 and 44 - 2028	176	868	2,290
Percent of total 2028 population	27.8%	24.9%	21.5%
Percent change (2020 to 2028)	-3.3%	-3.0%	-2.5%
Average Annual Change (2020 to 2028)	-0.2%	-0.2%	-0.1%
Age Between 45 and 64 - 2028	173	937	2,970
Percent of total 2028 population	27.3%	26.8%	27.9%
Percent change (2020 to 2028)	-4.4%	-7.5%	-8.6%
Average Annual Change (2020 to 2028)	-0.3%	-0.4%	-0.5%
Age 65 and Over - 2028	166	1,094	3,550
Percent of total 2028 population	26.2%	31.3%	33.3%
Percent change (2020 to 2028)	24.8%	12.7%	9.6%
Average Annual Change (2020 to 2028)	1.2%	0.7%	0.5%

SOURCE: 2020 Census of Population and Housing, U.S. Census Bureau; ESRI Business Analyst.

Figure: Senior/Non-Senior Population Trends – Mackinac Island

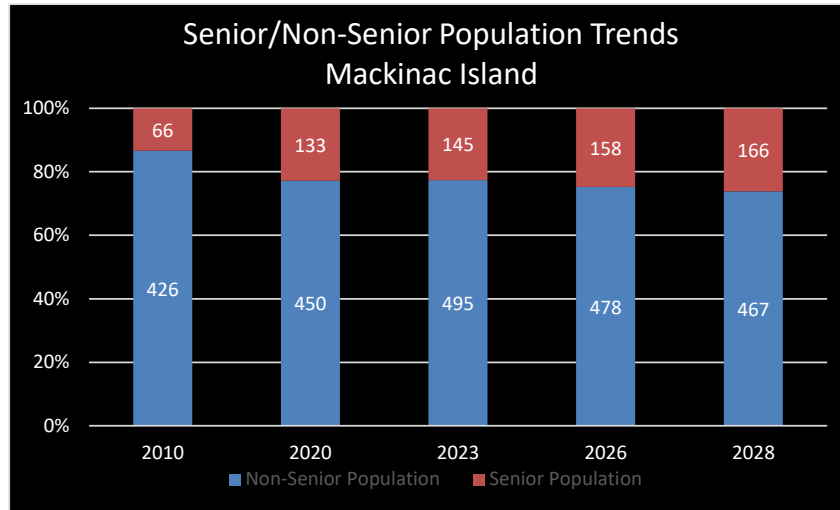


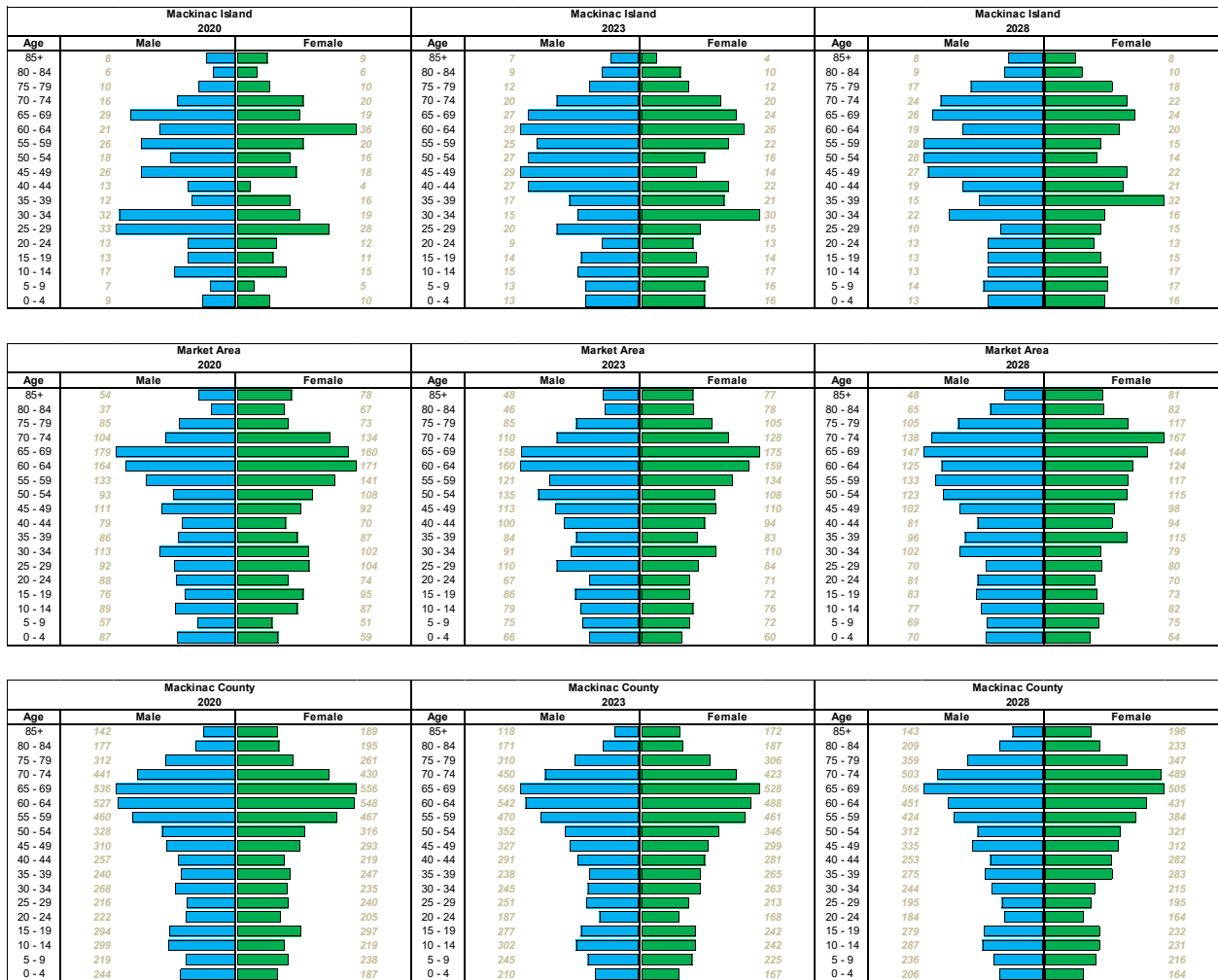
Table: Senior/Non-Senior Population Trends (2010 to 2028)

	City of Mackinac Island	Market Area	Mackinac County
2010 Non-Senior Population	426	2,801	8,626
Percent of total 2010 population	86.6%	79.5%	77.6%
2020 Non-Senior Population	450	2,509	7,595
Percent of total 2020 population	77.2%	72.1%	70.1%
Percent change (2010 to 2020)	5.6%	-10.4%	-12.0%
2023 Non-Senior Population	495	2,520	7,597
Percent of total 2023 population	77.3%	71.4%	70.1%
Percent change (2020 to 2023)	10.0%	0.4%	0.0%
2026 Non-Senior Population	478	2,447	7,305
Percent of total 2026 population	75.2%	69.8%	68.1%
Percent change (2020 to 2026)	6.3%	-2.5%	-3.8%
2028 Non-Senior Population	467	2,398	7,111
Percent of total 2028 population	73.8%	68.7%	66.7%
Percent change (2020 to 2028)	3.8%	-4.4%	-6.4%
2010 Senior Population (65 years and Over)	66	724	2,487
Percent of total 2010 population	13.4%	20.5%	22.4%
2020 Senior Population (65 years and Over)	133	971	3,239
Percent of total 2020 population	22.8%	27.9%	29.9%
Percent change (2010 to 2020)	101.5%	34.1%	30.2%
2023 Senior Population (65 years and Over)	145	1,010	3,234
Percent of total 2023 population	22.7%	28.6%	29.9%
Percent change (2020 to 2023)	9.0%	4.0%	-0.2%
2026 Senior Population (65 years and Over)	158	1,060	3,424
Percent of total 2026 population	24.8%	30.2%	31.9%
Percent change (2020 to 2026)	18.5%	9.2%	5.7%
2028 Senior Population (65 years and Over)	166	1,094	3,550
Percent of total 2028 population	26.2%	31.3%	33.3%
Percent change (2020 to 2028)	24.8%	12.7%	9.6%

SOURCE: 2010/2020 Census STF 1A/SF1, U.S. Census Bureau; ESRI Business Analyst.

Another way to illustrate the shifting age distribution found on Mackinac Island is a population pyramid. Grouped by age and sex, the ideal population distribution reflects a standard pyramid shape, with ample young adults and children supporting a smaller concentration of older adults and seniors. For the Island, as well as the entire region, the pyramid is inverted, with the largest age cohorts found among the senior segments, as illustrated within the following graphic. Such patterns are the result of decades of migration patterns that favor older adults and retirees, with significant long-time limitations for younger adults that would like to remain or relocate to the Island.

Figure: Population Pyramids – Mackinac Island/Market Area/Mackinac County



The average household size across the Island is currently estimated at 1.52 persons – well below the statewide ratio of 2.55 persons, and impacted by the number of group quarters persons currently on the Island. Adjusting for these new workers, the average household size is more likely around 2.00 persons, or similar to the 1.96 persons from 2020. Household sizes across the region are notably smaller than other sections of the state, a reflection of the large senior concentrations found within most northern Michigan communities.

Senior household sizes are generally stable, due to couples aging in place with increasingly longer lifespans. This trend is found across northern Michigan, and is not unique to the Island.

Table: Average Household Size (2000 to 2028)

	<u>City of Mackinac Island</u>	<u>Market Area</u>	<u>Mackinac County</u>
2000 Average Household Size	2.08	2.27	2.32
2010 Average Household Size	2.05	2.16	2.19
Percent Change (2000-2010)	-1.2%	-4.6%	-5.4%
2020 Average Household Size	1.96	2.04	2.13
Percent Change (2010-2020)	-4.6%	-5.8%	-3.0%
2023 Average Household Size Estimate	1.52	1.94	2.07
Percent Change (2020-2023)	-22.1%	-5.0%	-2.9%
2026 Average Household Size Forecast	1.51	1.92	2.05
Percent Change (2020-2026)	-22.7%	-5.8%	-3.8%
2028 Average Household Size Forecast	1.51	1.91	2.03
Percent Change (2020-2028)	-23.0%	-6.3%	-4.4%
SOURCE: 2000/2010/2020 Census of Population & Housing, U.S. Census Bureau; ESRI Business Analyst.			

Household Trends

Household totals on the Island do not reflect the level of increase observed within the population totals, but demonstrate the increase in households that was observed prior to 2020. This included the initial phases of the workforce housing rental development (Forest Way Townhomes). For 2028 the Island will contain an estimated 293 occupied units, which reflects essentially no change in households beyond the 2023 estimate. Slow growth in household totals is forecast for the region and Mackinac County, at approximately one percent from 2020 totals.

Table: Household Trends (2000 to 2028)

	City of Mackinac Island	Market Area	Mackinac County
2000 Households	252	1,639	5,067
2010 Households	240	1,597	5,024
Percent Change (2000-2010)	-4.8%	-2.6%	-0.8%
Average Annual Change (2000 to 2010)	-0.5%	-0.3%	-0.1%
2020 Households	293	1,641	5,040
Percent Change (2010-2020)	22.1%	2.8%	0.3%
Average Annual Change (2010 to 2020)	2.0%	0.3%	0.0%
2023 Household Estimate	294	1,657	5,090
Percent Change (2020-2023)	0.3%	1.0%	1.0%
Average Annual Change (2020 to 2023)	0.1%	0.3%	0.3%
2026 Household Forecast	293	1,659	5,089
Percent Change (2020-2026)	0.1%	1.1%	1.0%
Average Annual Change (2020 to 2026)	0.0%	0.2%	0.2%
2028 Household Forecast	293	1,660	5,089
Percent Change (2020-2028)	0.0%	1.2%	1.0%
Average Annual Change (2020 to 2028)	0.0%	0.1%	0.1%

SOURCE: 2000/2010/2020 Census of Population and Housing, U.S. Census Bureau; ESRI Business Analyst.

Data from the American Housing Survey indicates that just 36% of all housing units on Mackinac Island were occupied by a permanent resident. The Island’s housing stock is mostly seasonal and vacation structures, intended for part-time use.

One of the issues for the Island, along with most other isolated communities, is an imbalance of housing options. In this case, the Island lacks a sufficient number of available housing units that would facilitate the relocation of interested persons and families. A primary reason for this imbalance and lack of available options is that a sizable percentage of available housing units are not available for year-round occupancy – and are only used

for seasonal or recreational use. In fact, 64 percent of all housing units are not utilized for permanent housing, but are either seasonal/vacation-oriented units, according to the most recent American Community Survey data. By comparison, Mackinac County’s vacant units represent just under 50 percent of all units, while statewide figures reflect approximately 10 to 12 percent of all units vacant for various reasons. This unused housing unit total includes a wide range of seasonal homes, ranging from luxury homes on large lots to housing units that are substandard and perhaps not appropriate for year-round use. While vacant during the specific times of the year, permanent residents clearly require permanent year-round options, and continually moving every few months into a newly vacated seasonal unit is not a reasonable residential alternative.

Table: Housing Units by Occupancy Status

	City of <u>Mackinac Island</u>	Market <u>Area</u>	Mackinac <u>County</u>
Total Housing Units	957	3,144	10,572
Occupied Units	344	1,620	5,226
Percent Occupied	35.9%	51.5%	49.4%
Vacant Units:	613	1,524	5,346
For Rent	48	78	141
Rented - Not Occupied	3	3	20
For Sale	7	40	89
Sold - Not Occupied	0	0	23
Seasonal/Recreational Use	288	1,048	4,562
For Migrant Workers	87	87	87
Other Vacant	180	268	424
Percent Vacant	64.1%	48.5%	50.6%
SOURCE: 2018-2022 American Community Survey, U.S. Census Bureau			

Because of the size and unique economy on Mackinac Island, trends regarding rental housing and overall household tenure are more a reflection of the market’s inability to respond to normal demand and supply considerations than an accurate depiction of the Island’s housing needs. Between 2020 and 2023, a significant shift in occupied housing types was observed, as a combination of new rental units and the likely conversion of owner-occupied options into rental units took place. This resulted in a flip of primary tenure on the Island from majority owner-occupied (58 percent for 2020) to majority renter-occupied (62 percent estimated for 2023), as the combination of new rental units (24 units at Forest Way Townhomes) and an increasing demand for the most reasonably-priced entry level units resulted in the reported change in household characteristics.

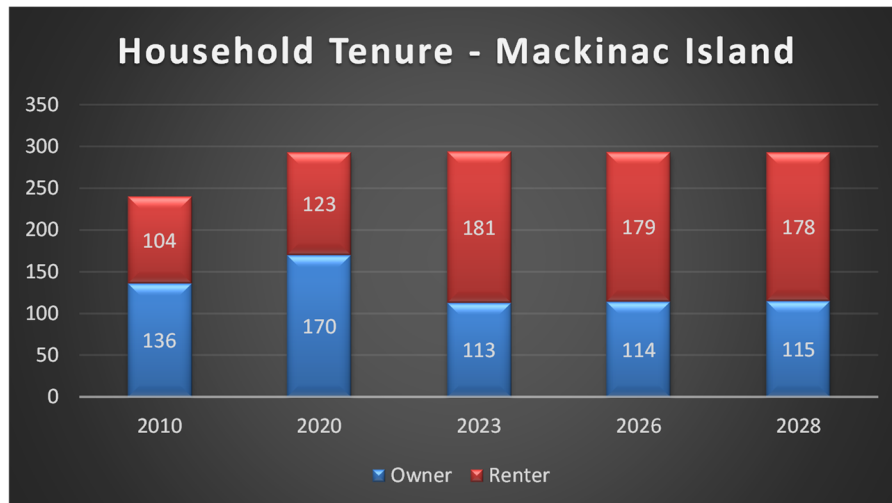
Based on housing supply data further elaborated within other sections of this report, it is clear that a demand for additional housing units is present, but prohibitive costs, limited land, and the rather small size of the Island’s market represent significant barriers to the realization of demand potential into additional housing alternatives.

Table: Households by Tenure (2010 to 2028)

	City of <u>Mackinac Island</u>	Market <u>Area</u>	Mackinac <u>County</u>
2010 Renter-Occupied Households	104	555	1,087
Percent of total 2010 households	43.3%	34.8%	21.6%
2020 Renter-Occupied Households	123	561	1,044
Percent of total 2020 households	42.0%	34.2%	20.7%
Percent change (2010 to 2020)	18.3%	1.1%	-4.0%
2023 Renter-Occupied Households	181	663	1,272
Percent of total 2023 households	61.6%	40.0%	25.0%
Percent change (2020 to 2023)	47.2%	18.2%	21.8%
2026 Renter-Occupied Households	179	664	1,258
Percent of total 2026 households	61.1%	40.0%	24.7%
Percent change (2020 to 2026)	45.7%	18.4%	20.5%
2028 Renter-Occupied Households	178	665	1,249
Percent of total 2028 households	60.8%	40.1%	24.5%
Percent change (2020 to 2028)	44.7%	18.5%	19.6%
2010 Owner-Occupied Households	136	1,042	3,937
Percent of total 2010 households	56.7%	65.2%	78.4%
2020 Owner-Occupied Households	170	1,080	3,996
Percent of total 2020 households	58.0%	65.8%	79.3%
Percent change (2010 to 2020)	25.0%	3.6%	1.5%
2023 Owner-Occupied Households	113	994	3,818
Percent of total 2023 households	38.4%	60.0%	75.0%
Percent change (2020 to 2023)	-33.5%	-8.0%	-4.5%
2026 Owner-Occupied Households	114	995	3,831
Percent of total 2026 households	38.9%	60.0%	75.3%
Percent change (2020 to 2026)	-32.8%	-7.9%	-4.1%
2028 Owner-Occupied Households	115	995	3,840
Percent of total 2028 households	39.2%	59.9%	75.5%
Percent change (2020 to 2028)	-32.4%	-7.9%	-3.9%

SOURCE: 2010/2020 Census of Population and Housing, U.S. Census Bureau; ESRI

Figure: Households by Tenure – Mackinac Island



The division of households by size clearly favors single-person households and couples, regardless of tenure. For Mackinac Island, 62 percent of occupied households on the Island were one-person or two-person households. Larger-sized households represented 38 percent of all households across the Island, with most of these within renter units. By comparison, Charlevoix County (along with most northern Michigan communities) exhibit significantly more family-oriented households with greater than two occupants per unit.

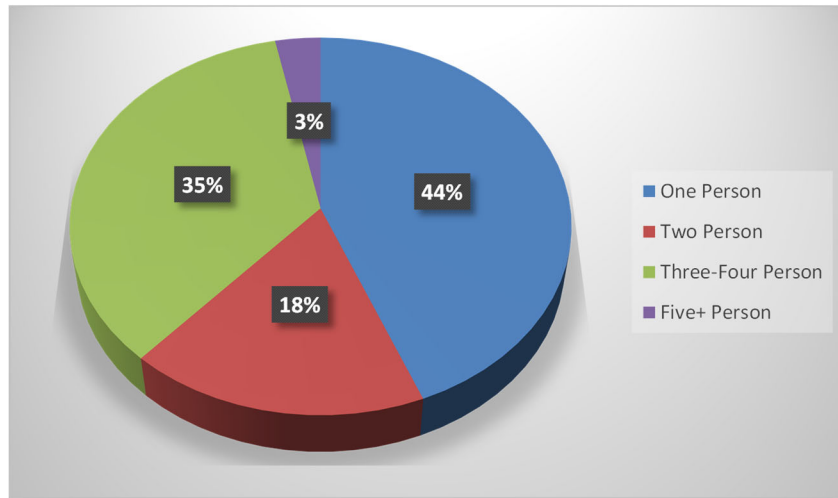
It is logical that smaller-sized units are prevalent across the Island, given the area’s population trends and limited housing development options. However, it is also possible that the greatest housing needs are within family-oriented housing options, based on the characteristics of those persons and households that may find residency on the Island most appealing. This includes both rental options as well as home-ownership alternatives, of which the Island features a significant deficiency as compared to mainland communities.

Table: Housing Unit Size Distribution

	City of Mackinac Island	Market Area	Mackinac County
One Person	151	697	1,658
Percent of total households	43.9%	43.0%	31.7%
Two Persons	61	500	2,224
Percent of total households	17.7%	30.9%	42.6%
Three or Four Persons	121	338	1,050
Percent of total households	35.2%	20.9%	20.1%
Five or More Person	11	85	294
Percent of total households	3.2%	5.2%	5.6%

SOURCE: 2018-20221 American Community Survey, U.S. Census Bureau

Figure: Households by Persons – Mackinac Island



A review of the construction year of the existing housing stock demonstrates the lack of residential units built after 2010, with minimal development activity present prior to 1990 on the Island. Development activity on the Island has been problematic for many years, due to difficulties in construction costs, lack of available property, and the unique characteristics of Mackinac Island and have historically been problematic for the construction and development of housing options for entry-level persons and families. While the figures are slightly understated (due to the construction of the townhomes), the trend is reflective of a lack of housing opportunities.

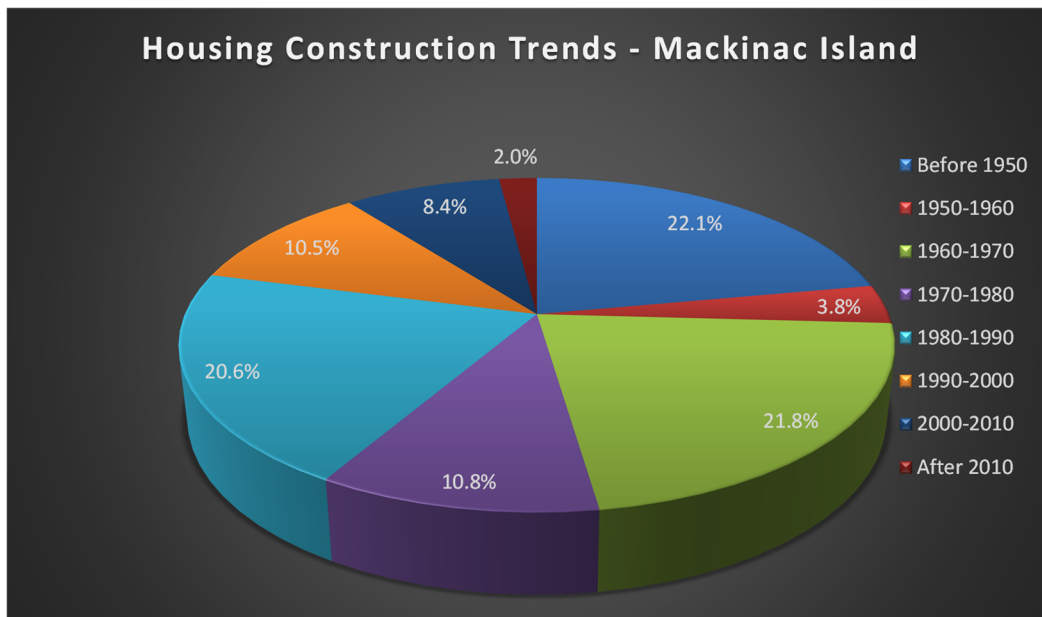


Table: Households by Year Constructed

<u>TOTAL HOUSEHOLDS</u>	<u>City of Mackinac Island</u>	<u>Market Area</u>	<u>Mackinac County</u>
Built Earlier than 1950	76	477	930
Percent of total households	22.1%	29.4%	17.8%
Built 1950 - 1959	13	222	584
Percent of total households	3.8%	13.7%	11.2%
Built 1960 - 1969	75	223	572
Percent of total households	21.8%	13.8%	10.9%
Built 1970 - 1979	37	168	799
Percent of total households	10.8%	10.4%	15.3%
Built 1980 - 1989	71	196	750
Percent of total households	20.6%	12.1%	14.4%
Built 1990 - 1999	36	188	795
Percent of total households	10.5%	11.6%	15.2%
Built 2000 - 2009	29	121	562
Percent of total households	8.4%	7.5%	10.8%
Built 2010 or Later	7	25	234
Percent of total households	2.0%	1.5%	4.5%

SOURCE: 2018-2022 American Community Survey, U.S. Census Bureau

Household Income Trends

The median household income figures for Mackinac Island area have increased significantly since 2010, and have continued to outpace the region and county trends, as indicated within the following table. Average annual increases for the Island clearly outpace those observed within other sections of northern Michigan.

At \$57,911, the 2023 median household income estimate for Mackinac Island area is a 34 percent increase from 2020. A 14 percent increase in median income was recorded across Mackinac County during the same period.

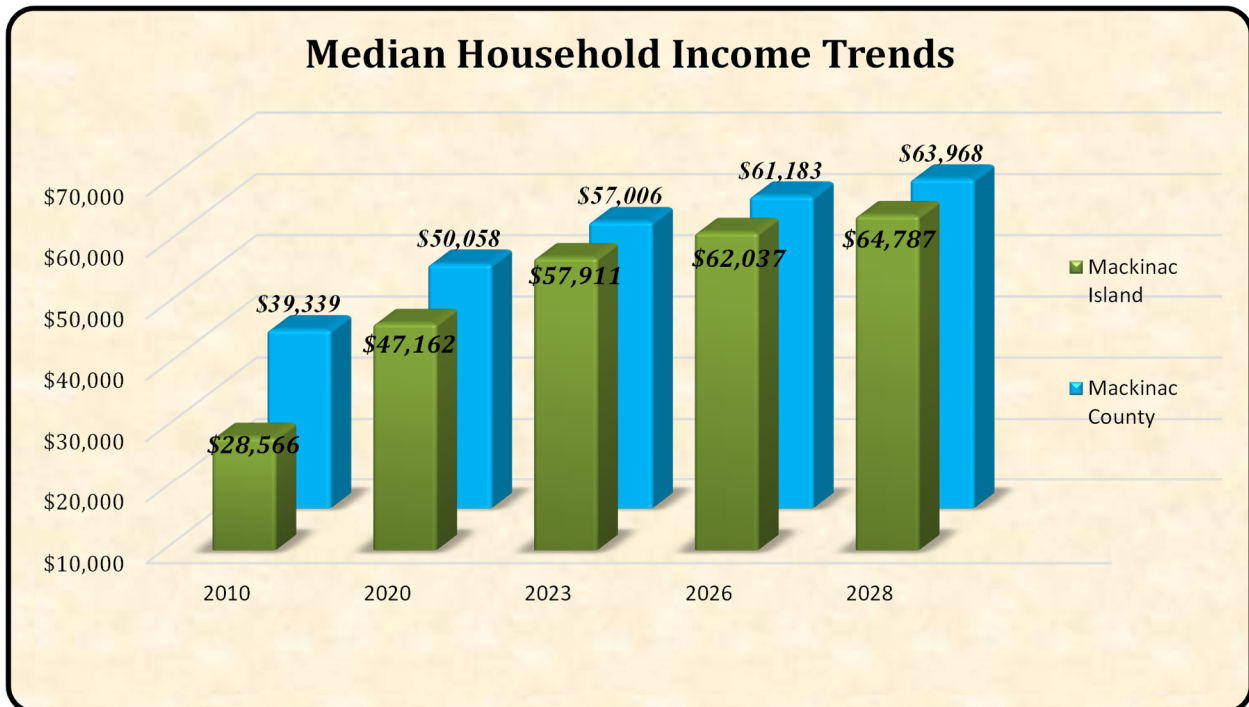
ESRI forecasts predict that incomes in the region will continue to demonstrate similar gains, with rates of growth demonstrating above average increases. By 2028 the Island’s median household income is forecast at \$64,787, reflecting an average annual increase of 5.2 percent from 2020 totals. Median income levels forecast for Mackinac County are forecast to increase at 3.1 percent annually.

Table: Median Household Incomes (2010 to 2028)

	<u>City of Mackinac Island</u>	<u>Market Area</u>	<u>Mackinac County</u>
2010 Median Household Income	\$28,566	\$38,785	\$39,339
2020 Median Household Income	\$43,125	\$47,162	\$50,058
Total percent change (2010 to 2020)	51.0%	21.6%	27.2%
Annual percent change (2010 to 2020)	4.2%	2.0%	2.4%
2023 Estimated Median Household Income	\$57,911	\$55,591	\$57,006
Total percent change (2020 to 2023)	34.3%	17.9%	13.9%
Annual percent change (2020 to 2023)	10.3%	5.6%	4.4%
2026 Forecast Median Household Income	\$62,037	\$59,685	\$61,183
Total percent change (2020 to 2026)	43.9%	26.6%	22.2%
Annual percent change (2020 to 2026)	6.2%	4.0%	3.4%
2028 Forecast Median Household Income	\$64,787	\$62,414	\$63,968
Total percent change (2020 to 2028)	50.2%	32.3%	27.8%
Annual percent change (2020 to 2028)	5.2%	3.6%	3.1%

SOURCE: 2010/2020 Census; American Comm. Srvy., U.S. Census Bureau; ESRI Business Analyst.

Figure Twelve: Median Household Incomes (2010 to 2028)



Household Income Distribution

The distribution of household income by tenure type (owner vs. renter) is illustrated in the following table and chart. Due to the small size of Mackinac Island and associated degrees of error, the distribution for the Mackinac Area (including St. Ignace and Mackinaw Township) was utilized. Two items of note are evident. One is the limited number of rental households, and the concentration of renter households at the moderate- and upper-income levels, with the exception of a notable segment at the rental subsidy level. Given the characteristics on the Island and nearby communities, this is not unexpected, and is simply a reflection of what types of housing options currently exist.

Secondly, the community’s owner households exhibit a strong upper-income component – also not necessarily unexpected, but indicative of a housing market with few moderate-income choices, regardless of whether the household would prefer a rental or homeownership option. Since the housing bubble and subsequent recession of the last decade, the rate of homeownership has fallen each year, and continues to do so. Across Michigan, younger households are delaying a home purchase for various reasons (debt load, marital status, career considerations, among others), and older households are increasingly seeking a rental housing alternative and leaving homeownership regardless of financial status or health considerations. To some extent this trend is most likely present to some degree across the Island.

Figure: Household Income Distribution by Tenure – Mackinac Island Area (2026)

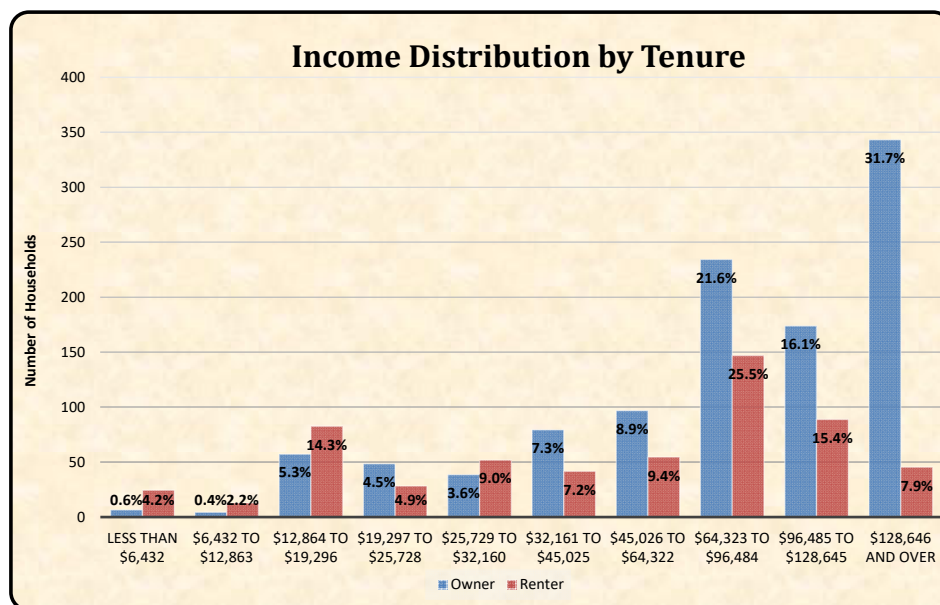


Table: Household Income Distribution by Tenure – Mackinac Island Area (2026)

	Total <u>Households</u>	Owner <u>Households</u>	Renter <u>Households</u>
Less than \$6,432	31	7	24
Percent of 2026 Households	2.0%	0.6%	4.2%
\$6,432 to \$12,863	17	4	13
Percent of 2026 Households	1.1%	0.4%	2.2%
\$12,864 to \$19,296	140	57	82
Percent of 2026 Households	8.8%	5.3%	14.3%
\$19,297 to \$25,728	76	48	28
Percent of 2026 Households	4.6%	4.5%	4.9%
\$25,729 to \$32,160	90	38	52
Percent of 2026 Households	5.7%	3.6%	9.0%
\$32,161 to \$45,025	121	79	42
Percent of 2026 Households	7.3%	7.3%	7.2%
\$45,026 to \$64,322	151	97	54
Percent of 2026 Households	9.1%	8.9%	9.4%
\$64,323 to \$96,484	381	234	147
Percent of 2026 Households	23.1%	21.6%	25.5%
\$96,485 to \$128,645	263	174	89
Percent of 2026 Households	15.8%	16.1%	15.4%
\$128,646 and Over	388	343	45
Percent of 2026 Households	22.3%	31.7%	7.9%

SOURCE: 2018-2022 American Community Survey, U.S. Census Bureau; BLS Consumer Price Index

A summary of key demographic and economic statistics for Mackinac Island is presented within the following page in an infographic format. While much of the information was previously presented, two considerations of note are worthy of mention. One, the median home values are significantly higher than most other communities. While a positive reflection of value, such levels are reflected in the Island’s typical land prices, construction costs, and home prices for available homes. As noted previously, much of the Island’s housing stock is a combination of year-round options and seasonal/vacation homes. With a lack of rental units, these prevailing values are not surprising but do represent a barrier to the development of more moderately-priced alternatives.

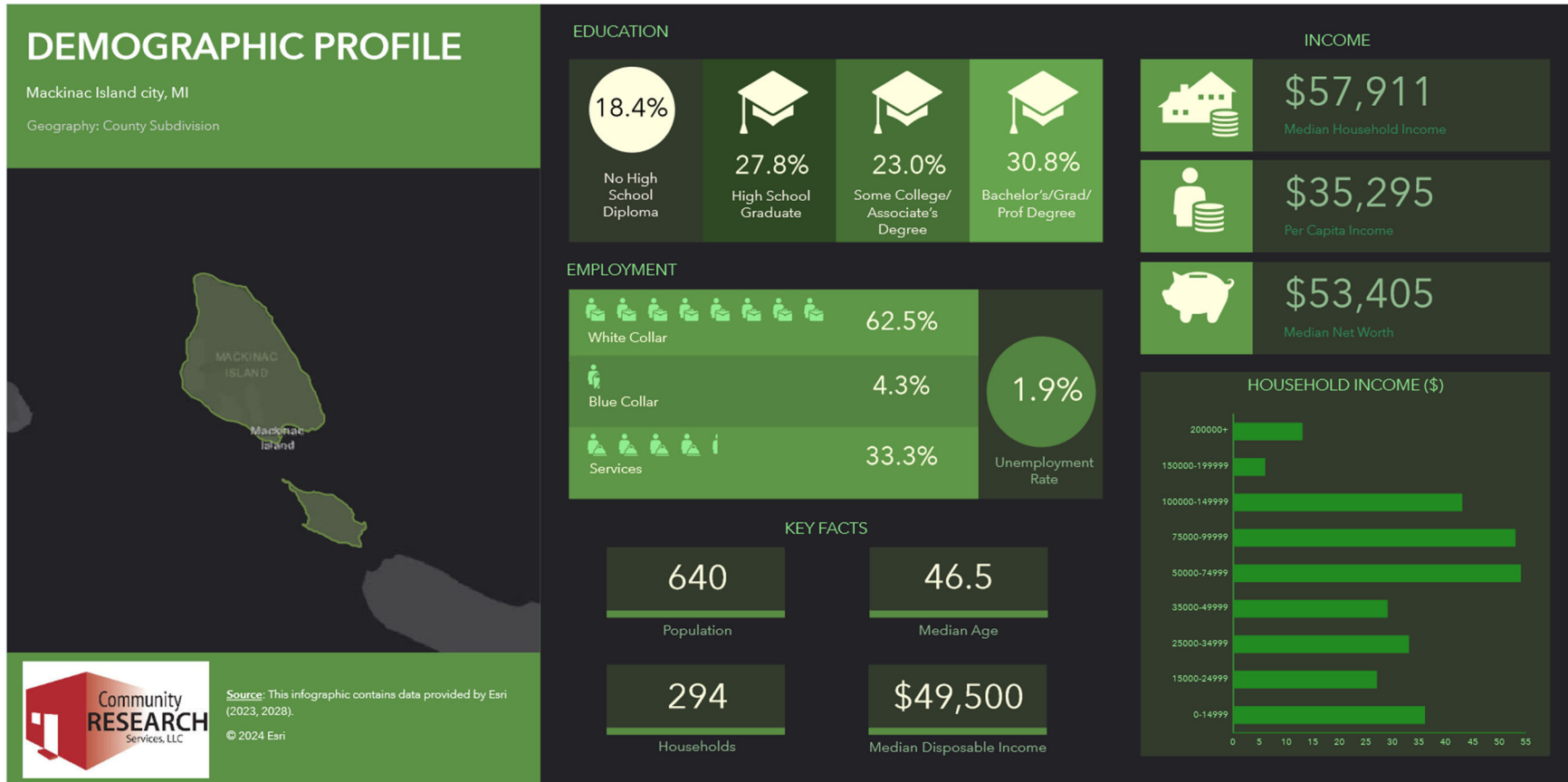
Some of this home pricing data is reflected within the affordability index, provided within the following infographics. Esri’s Housing Affordability Index measures a community’s

affordability relative to any other geographic area. An index above 100 signifies that on average, a family has more than enough income to qualify for a mortgage loan on a median-priced home, and levels below 100 indicate that price points are not commensurate with prevailing income levels, making it difficult to qualify for a home purchase. With a score of 53, the Island's housing stock is considered quite unaffordable in comparison to other communities across the nation, with a nationwide score is 91.7, down from 103.8 from 2022.

Secondly, the population's median age is estimated at 47 years for 2023 –above the statewide level and another indication of the Island's inverted population pyramid. Without an infusion of younger households and families, over the next few decades the Island will be transformed into a significantly senior-oriented community. Given the characteristics of Mackinac Island as a tourism destination, this aging in place transition may not be as impactful as other more traditional cities and towns; however, increased reliance on non-residents to fill local employment and service positions is not desirable.


Infographics: Key Demographic/Economic Data

Mackinac Island



Housing Market Characteristics

Mackinac Island city, MI
Geography: County Subdivision

 **\$438,000** ↑
Median Home Value

49% higher than Michigan which is **\$222,633**



53

Housing Affordability Index



45.4%

Percent of Income for Mortgage



177

Percent of Income for Mortgage (Index)

Age <18 **109**

Age 18-64 **386**

Age 65+ **145**

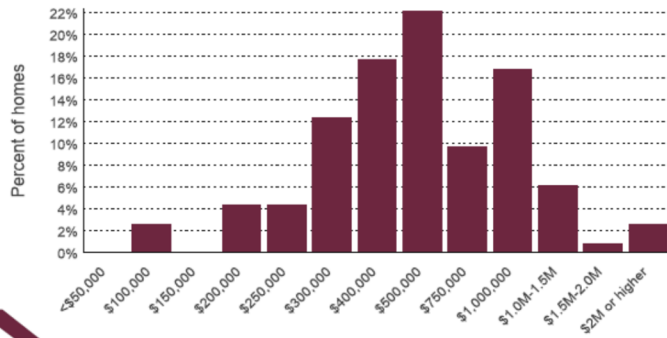
Total Pop
640

Pop Growth
2.91%

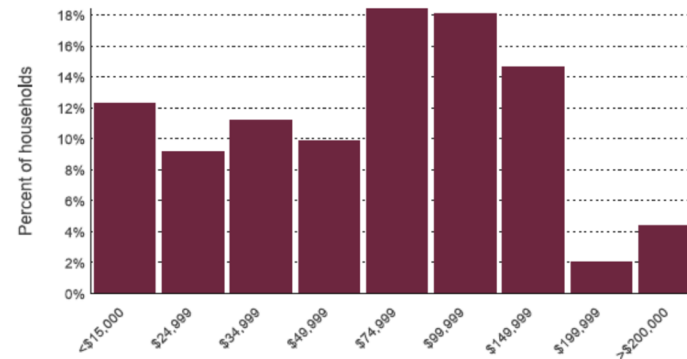
Average HH Size
2.14

Median Net Worth
\$53,405

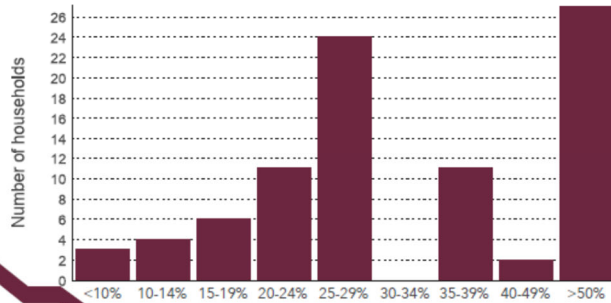
Home Value



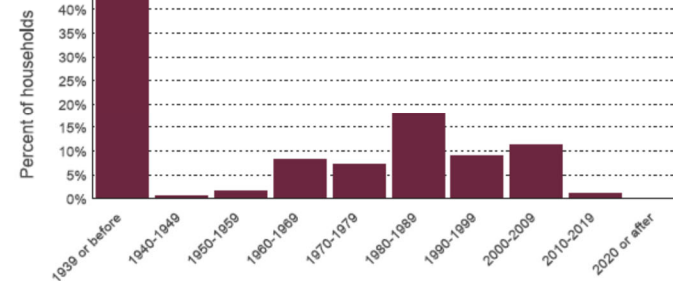
Household Income



Mortgage as % Salary



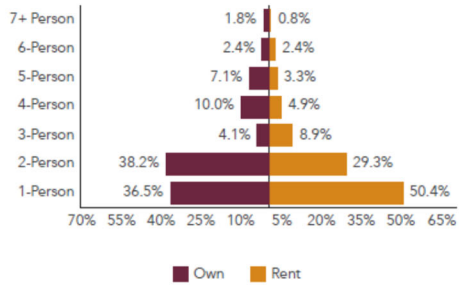
Year Property Built



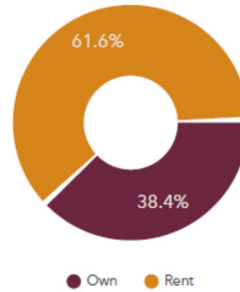
Source: This infographic contains data provided by Esri (2023), ACS (2017-2021), U.S. Census (2020). © 2024 Esri

Mackinac Island - Housing Market Analysis – September 23, 2024

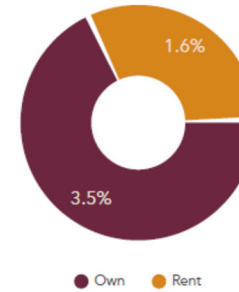
Census Housing by Size



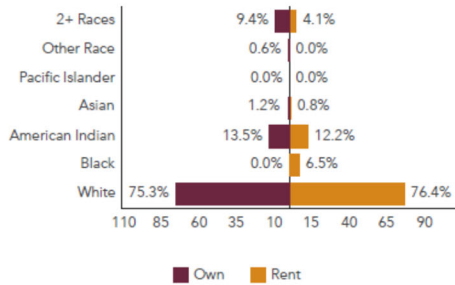
Home Ownership



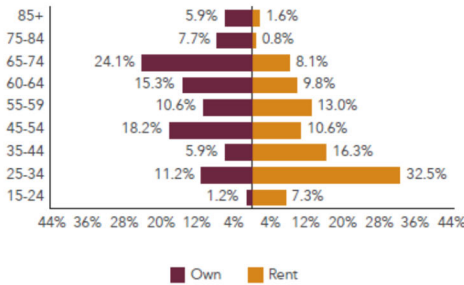
Hispanic Home Ownership



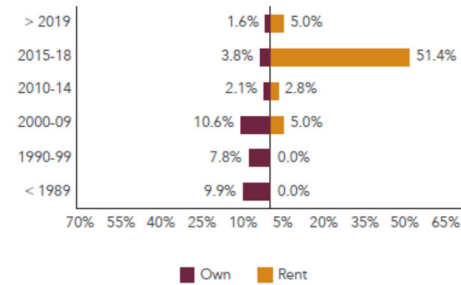
Housing by Race of Householder



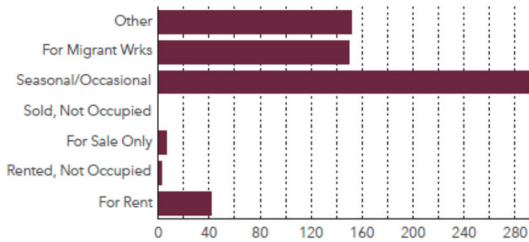
Housing by Age of Householder



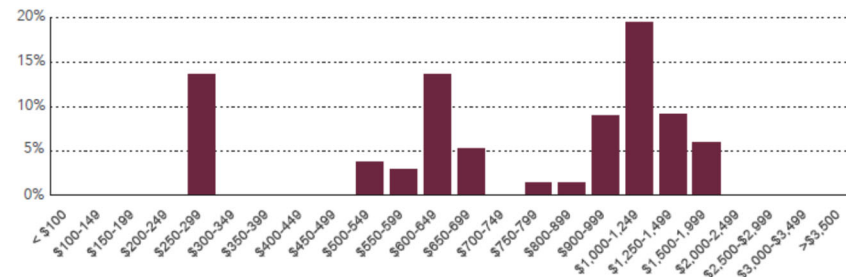
Year Householder Moved In



Vacant Housing Units (Total 643)



Gross Rent



Source: This infographic contains data provided by Esri (2023), ACS (2017-2021), U.S. Census (2020). © 2024 Esri

V: HOUSING CONDITIONS AND CHARACTERISTICS

Housing Market Characteristics

As the most notable vacation destination within Michigan, Mackinac Island has featured a housing stock that is primarily intended for seasonal use, with limited opportunities to relocate to the Island due to a combination of extremely unfavorable affordability levels, a lack of product, and the crowding out of potential rental alternatives in favor of more lucrative seasonal and temporary workforce housing. Such trends are commonly found within a resort/vacation community, and are difficult situations from a housing standpoint for local residents seeking a reasonably priced permanent housing alternative. Existing homes in many cases are geared toward part-time residents and seasonal/vacation occupants, with many of these families representing multiple generations with a presence on the Island.

As discussed previously, the latest data from the American Housing Survey indicates that just 36 percent of the total housing units on Mackinac Island are occupied units (344 total, estimated for 2022). The vast majority of remaining units are categorized as seasonal/recreational units, representing 30 percent of all housing units, or “other vacant” units, representing 19 percent of all housing units. These seasonal/recreational and “other vacant” structures represent a wide range of options with equally wide degrees of quality and age, and

Due to the unique characteristics of the local housing market, numerous barriers to entry have evolved to prevent any natural or market-based solutions that ideally serve persons that wish to reside on Mackinac Island.

may include structures that lack modern features as well as the more modern “mini-mansions” with as many as eight bedrooms and baths, located on significantly large lots. The key consideration is that both the substandard and high-end options are not available for permanent occupancy – resulting in inflated housing prices and reduced inventory available for permanent occupancy.

Coupled with the minimal construction trends over the past 30 years, available housing options for persons and families seeking to permanently reside on the Island are quite difficult to obtain.

While luxury and vacation homes are the primary focus for much of the Island’s homeownership marketplace, such options are not a focus of this analysis. The impact of these

higher-priced homes upon the target market segments of interest, however, is very worthy of mention within this section. As perhaps the most profitable portion of the Island’s housing landscape, the luxury sector continues to place pressure upon other housing alternatives, both in terms of reducing available land for development, as well lowering the already minimally low incentive for builders and developers to broaden new home opportunities for more moderate-income households.

Across Mackinac Island, just six property listings are currently for sale, according to information on www.realtor.com. Of these, just one is priced below \$1Million, making any attempt to relocate by nearly all potential residents virtually impossible. In addition to these current home listings, 14 residential lots of varying size are also for sale, according to

A review of Forest Way Townhomes indicates that the majority of residents are Mackinac Island residents that are employed within permanent, year-round occupations.

realtor.com. Pricing for these lots ranges between \$45,000 and \$169,000, with most lots well below one acre in size. While it can be assumed that such lots are appropriate for housing development, already high construction costs regardless of location are notably higher on the Island, where essentially nearly every

“brick and stick” has to be transported from the mainland.

The construction of Edgewood, located within the Harrisonville neighborhood, represents a successful collaboration of various entities to develop reasonably-priced owner-occupied housing on the Island. Cottage-style single-story units consisting of four 1,025 square feet were recently sold for \$250,000 to permanent residents of Mackinac Island that are employed within permanent occupations. The sponsor/builder of these homes was the Mackinac Island Housing Corporation. A flyer from 2023 on the Edgewood development is provided below, listing unit characteristics and features.



New Home For Sale!

One 2BR/2BA single-family home in the Edgewood community land trust for sale to **year-round, employed** Mackinac Island residents.

- ▶ 1025 sq. ft., 2 bedrooms and 2 baths
- ▶ Quiet residential location in Harrisonville
- ▶ Spacious mud room and storage space
- ▶ Dishwasher, oven, range, and refrigerator
- ▶ Washer and dryer
- ▶ Covered porch
- ▶ Cathedral ceilings in living room
- ▶ Backyard space

How to Apply

1. Review guidelines for Edgewood (email mpsych@micf.org for guidelines)
2. Fill out an application and submit to the address or email below
3. Complete homebuyer education course
4. Obtain pre-qualification for a mortgage for **\$250,000**



Call or email for more information!

P.O. Box 985 Mackinac Island, MI 49757 | 906.847.3701 | mpsych@micf.org

The 2017 report for Mackinac Island included a survey of families that would consider a housing alternative on the Island. For this analysis, it was clear that demand potential was present due to the success of Forest Way Townhomes, which features 24 apartment units that feature both two-bedroom and three-bedroom options. It was determined that an investigation into these existing residents of the townhomes would provide more pertinent information as compared to a repeated survey that was conducted in 2017.

For those persons and families seeking a rental housing option, the recent construction of Forest Way Townhomes has provided an opportunity for singles, couples, and households to

either relocate to the Island, or remain as a permanent resident of the Island. According to the management of Forest Way Townhomes, the following summary information is worthy of mention:

- The vast majority of current households consist of long-term Mackinac Island households, as illustrated within the following table:

Prior Address/Zip Code	# of Units	% of Total Units
49757 (Mackinac Island)	19	79%
Other Michigan:		
48629 (Houghton Lake)	1	4%
48891 (Vestaburg)	1	4%
48879 (St. Johns)	1	4%
Outside Michigan:		
43420 (Sandusky OH)	1	4%
55126 (Roseville MN)	1	4%

What is surprising is that no residents from the nearby communities of St. Ignace or Mackinaw City are represented. Households from these two areas would represent logical sources of potential residents, assuming workers employed on the Island would consider relocation as compared to commuting. The fact that all of the 19 Mackinac Island residents are categorized as either year-round employees (15 units) or part-time year-round employees (4 units) points to the strong level of demand that exists for housing for year-round residents. The remaining five units occupied by families who relocated from outside of the northern Michigan region also reflect households/families that require a permanent residential option. Given the demand potential that may be primarily addressed by local employers, it is entirely possible that those that reside within nearby towns are crowded out of any relocation opportunities.

- Household sizes vary from single-person occupancy to larger family sizes. Based on the bedroom sizes within the existing 24 units at the rental complex, the average household sizes are as follows:

# of BEDROOMS	HOUSEHOLD SIZE
Two-bedroom	1.77 Persons
Three-bedroom	4.33 Persons
OVERALL	2.42 Persons

The next phase of units planned at the complex will include four-bedroom units, providing much needed larger-sized rental units for families with children. This is a reflection of the number of inquiries by families that demonstrate interest in the townhomes, but require larger-sized units. Such options do not exist on the Island, and would represent an additional opportunity for families to remain on the Island, rather than being forced to relocate.

Upon review of the available data, it is evident that those Island residents seeking a moderately and reasonably priced home (owner or rental) have a greatly reduced number of options from which to choose. While it is likely that “arm’s length” transactions among family and friends take place, based on the size of the market, the availability of homes, and the extremely high prices present for luxury/vacation homes, no market mechanisms are present to address the demand potential for what is typically referred to as “workforce housing”. While such inefficient housing markets are found in many vacation/resort areas, the housing market for Mackinac Island is perhaps the most difficult (certainly within Michigan), with minimal to nonexistent options for moderately-priced homeownership seekers. On the rental housing side, only the development of Forest Way Townhomes has allowed for workforce rental housing to positively impact the demand for such options. Based on these supply factors, continued demand for additional units is clearly evident.

VI: DEMAND ANALYSIS

Statistical Demand for Rental Housing Units

Demand calculations are presented for 2023 and three-year projections for households within the target market income range, defined within three target market segments – affordable (assuming the use of federal or state subsidies to support reduced rents and applicable income restrictions), workforce (targeted for persons and households up to 120 percent of AMI), and market rate (with no income restrictions). These income-eligibility ranges overlap to some degree, due to assumptions regarding household/family size as well as likely funding sources and associated rent/income restrictions. The ranges are designated as follows:

- Affordable: \$15,000 to \$40,000
- Workforce: \$30,000 to \$80,000
- Market Rate: \$40,000 and above

Demand methodology for this analysis is based on generally-accepted characteristics, with data from U.S. Census information and income guidelines based on HUD and IRS definitions. Demand forecasts are based on household totals, rather than population totals, as the household is the primary statistic in terms of both single-person units as well as family-oriented occupied units. Briefly stated, the number of households are separated by owners and renters, and adjusted for household size (as larger-sized households would not be likely to consider smaller-sized rental units). Taking available income distribution, the number of eligible size-adjusted households are determined, and are subsequently adjusted based on the assumed annual movership rate (the percentage of households that relocate to rental housing each year). The results of these factors yield the current year demand – in this case 2023. Future demand is determined by estimating the future number of rental units that may exist in 2026, and using the income-qualified percentage to forecast the additional demand potential for 2026. The sum of these two calculations yields the future demand for rental housing. If necessary, these figures are adjusted for any new rental options that are similar to the target market segment.

For Mackinac Island, the resulting demand calculations are relatively minimal, and are indicative of the market area’s relatively small size. The resulting demand forecast is eight units for the affordable range, 10 units for the workforce range, and 17 units for the market rate range.

Please note that the income-eligibility ranges do overlap, so these demand totals would overlap as well.

Capture rates are utilized as part of this type of demand forecast to provide a reasonable assumption in regard to the number of units that should be developed. It is not reasonable to assume that all units determined by the statistical demand could be captured by the subject proposal. Within this function, two separate ratios are used to provide a conservative and time-tested estimate of market potential within a given area. One is the capture rate, which measures the percentage of demand required to absorb the number of units proposed. This ratio should not exceed 50 percent, based on generally-accepted methods of housing demand. The second ratio is the penetration rate, which measures the number of income-qualified households necessary to absorb the number of units proposed. This ratio should not exceed three to six percent, depending on the target market and other factors.

Adjustments to statistical demand are often made, based on factors that may be unique to a specific market. Certainly, the housing market on Mackinac Island is very unique, with notably greater movership ratios evident within the Forest Way Townhomes data. Likely incentives for local employers to utilize rental housing incentives are also present, along with a lack of new housing supply constructed over the past three decades – until the construction of the townhome complex.

Statistical demand forecasts using standard housing demand methodology indicates support for additional rental housing, targeting primarily workforce and market rate households.

It would appear that demand is present for additional rental units, similar to the Forest Way Townhomes, targeting workforce and market rate households. This would also include both larger-sized families as well as smaller household sizes, ranging between two-bedroom and four-bedroom options.

Demand for Owner-Occupied Housing Options

Statistical demand forecasts for homeownership analysis are rarely utilized, as the homeownership marketplace has numerous factors that are difficult to readily quantify within a simple algorithm such as the rental demand forecast. A regression analysis is typically provided for such an analysis, but Mackinac Island is clearly too small to provide this type of analysis with a high degree of confidence. However, the following information may shed light on the statistical aspects of the local homeownership market:

- Annual movership ratios for households into owner-occupied units was calculated as follows for Mackinac Island, based on the latest American Community Survey data:
 - Previous Owner into Owner-Occupied Units: 1.6 Percent (2 units)
 - Previous Renter into Owner-Occupied Units: 3.3 Percent (6 units)

Based on the number of homes currently for sale (six homes, according to Realtor.com), the demand potential from the movership data corresponds with prevailing data. What is implicit within the data is the low degree of affordability and lack of housing product available for potential residents.

Equilibrium is the balance between all demand and supply considerations. The number of homes available for sale is relatively low, but does represent an equilibrium point for the Island. The housing marketplace is clearly different compared to mainland housing markets, in which the impediments to entry are significantly reduced, allowing for the infusion of supply for multiple target market segments to reduce the prevailing price points.

- An alternative method to determine demand potential for owner-occupied housing is to utilize the absorption rate, the period of time in which a home is available for sale. Unfortunately, no homes were reported as sold by Realtor.com over the prior 90 days. Using the number of homes available for sale, the potential absorption rate can be calculated, yielding a 5.3 percent absorption rate, but given the various barriers to entry and high prices, it is difficult to make broad assumptions regarding the Island's market that would be significantly easier within a traditional marketplace.

Given the limited number of homes constructed over the past three decades, any infusion of owner-designated homes available at reasonable price points is not likely. The only potential infusion of homes available for public purchase would be the conversion of select seasonal or vacation homes to year-round use. Given the history and prevailing economic conditions of Mackinac Island, this shift in housing status is also not a realistic alternative.

Table: Statistical Demand Calculation – Rental Units

2023 Total Occupied Households	294			
2023 Owner-Occupied Households	113			
2023 Renter-Occupied Households	181			
		Affordable Range To 60% AMI	Workforce Range To 120% AMI	Total Market Rate Range
QUALIFIED-INCOME RANGE (unduplicated)				
Minimum Annual Income		\$15,000	\$30,000	\$40,000
Maximum Annual Income		\$40,000	\$80,000	and Above
DEMAND FROM EXISTING HOUSEHOLDS				
Percent Income Qualified Owner Households		16.0%	28.0%	49.2%
Percent Income Qualified Renter Households		27.8%	32.1%	52.8%
Size-Adjusted Income Qualified Owner Households		18	32	56
Size-Adjusted Income Qualified Renter Households		50	58	96
Annual Movership Rate - Owner to Renter		5.0%	5.0%	5.0%
Annual Movership Rate - Renter to Renter		15.0%	15.0%	15.0%
Total Income-Qualified Owner to Renter Movers		1	2	3
Total Income-Qualified Renter to Renter Movers		8	9	14
Total Demand from Existing Households		8	10	17
DEMAND FROM NEW RENTER HOUSEHOLDS				
Projected 2024 Renter Households	179			
Annual Change in Renter Households, 2023-2026	-1			
Percent Qualified Renter Households		27.8%	32.1%	52.8%
Total Annual Demand From New Households		(0)	(0)	(0)
TOTAL DEMAND		8	10	17
LESS: Total Comparable Units Placed in Service Since 2022		0	0	0
LESS: Total Comparable Units Proposed/Under Construction		0	0	0
TOTAL NET DEMAND		8	10	17
IDEAL NUMBER OF UNITS		3	4	8
CAPTURE RATE		36.2%	39.6%	47.6%
PENETRATION RATE		4.4%	5.2%	5.3%
Note: Totals may not sum due to rounding or differences in income ranges				
SOURCE: U.S. Census of Population and Housing, U.S. Census Bureau American Community Survey, U.S. Census Bureau ESRI Business Analyst				

VII: DATA & SOURCES

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CERTIFICATION

CONSULTANT CERTIFICATION/CERTIFICATE OF ACCURACY

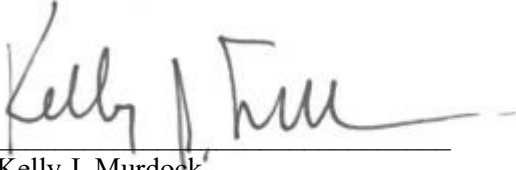
It is hereby attested to that the information in this report is true and accurate. Information gathered from other sources is considered to be reliable; however, the undersigned does not guarantee the data nor assume any liability for any errors in fact, analysis, or judgment.

While the sponsor has paid for the market research services rendered, the undersigned certifies that no fees will be collected or payments received contingent upon the success of the proposal. In addition, the undersigned further certifies that no ownership interest exists concerning the proposal.

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COMMUNITY RESEARCH SERVICES, LLC



Kelly J. Murdock

Date: September 23, 2024

RESUME AND BACKGROUND

KELLY J. MURDOCK

COMMUNITY RESEARCH SERVICES, LLC

Mr. Murdock has vast experience in the analysis of housing markets. Since 1988, he has provided market analyses and studies on single-family developments, apartment complexes, condominium proposals, and senior citizen communities. Mr. Murdock has also assisted numerous nonprofit groups and non-entitled communities with the use and regulations of the HOME program, as a technical assistance representative through the Michigan State Housing Development Authority (MSHDA). He has been featured within several published articles on housing research, and has served as a speaker at numerous housing seminars on market-related issues.

Mr. Murdock currently serves as the Managing Partner of Community Research Services, LLC (CRS). CRS was created to provide a wide variety of products and services to the affordable housing industry, ranging from market feasibility studies to development consulting. CRS provides consulting and research with for-profit firms, nonprofit organizations, as well as state and local governments.

Prior to the establishment of CRS, Mr. Murdock was the founder of Community Research Group LLC and Community Targeting Associates. Both companies provided a large degree of affordable housing research over a twelve-year period (1992 to 2004) across 31 states for over 250 clients. This included research conducted under contract with Rural Housing Service, HUD, and six state housing agencies. Previously, Mr. Murdock served as the Senior Market Analyst of Target Market Systems, the market research division of First Centrum Corporation. At TMS, Mr. Murdock was responsible for market research services for all development and management divisions of the corporation, and completed some of the first market reviews and studies within Michigan under the LIHTC program (IRS Section 42).

A graduate of Eastern Michigan University, Mr. Murdock holds a degree in Economics and Business, with a concentration in economic modeling and analysis. Mr. Murdock is a member of the Michigan Housing Council, a statewide affordable housing advocacy group. He previously served on the Council's Board of Directors. Mr. Murdock and CRS are also charter members of the National Council of Housing Market Analysts (NCHMA), an organization dedicated to the establishment of standard practices and methods in housing research across the nation. Mr. Murdock currently serves on the executive committee of NCHMA as Past Chairman, having served as the Chair for the organization during the 2020-2022 term. Mr. Murdock has been awarded the Professional Member designation by NCHMA, the highest level of membership offered by the organization.