



**A Housing Market
Analysis of
Beaver Island**

September 15, 2023

Prepared for:

Beaver Island Community Development Corporation/Northern Homes CDC

P.O. Box 86
Boyne City, MI 49712



Prepared by:

Community Research Services, LLC

800 South US 27, #105

St. Johns, MI 48879

(517) 290-8116

kmurdock@cr-services.com

Table of Contents

I. INTRODUCTION.....	3
II. EXECUTIVE SUMMARY	5
<i>Map: Beaver Island.....</i>	<i>9</i>
III. MARKET PROFILE.....	10
PRIMARY AND SECONDARY MARKET AREA DELINEATION.....	11
IV. DEMOGRAPHIC & ECONOMIC TRENDS.....	13
ECONOMIC TRENDS	13
<i>Table: Employment by Industry</i>	<i>13</i>
<i>Table: Employment by Occupation</i>	<i>14</i>
<i>Table: Employment by Place of Work.....</i>	<i>15</i>
EMPLOYMENT TRENDS	15
<i>Figure: Area Employment Trends – Charlevoix County.....</i>	<i>16</i>
<i>Figure: Annual Change in Employment – Charlevoix County.....</i>	<i>17</i>
<i>Figure: Unemployment Rate Comparison.....</i>	<i>17</i>
<i>Table: Employment Trends (2000 to Present).....</i>	<i>18</i>
POPULATION TRENDS	19
<i>Table: Population Trends (2000 to 2021).....</i>	<i>19</i>
<i>Figure: Age Distribution – Beaver Island Area (2010 to 2028).....</i>	<i>20</i>
<i>Table: Age Distribution (2010 to 2028).....</i>	<i>21</i>
<i>Figure: Senior/Non-Senior Population Trends – Beaver Island Area</i>	<i>21</i>
<i>Table: Senior/Non-Senior Population Trends (2000 to 2028).....</i>	<i>22</i>
<i>Figure: Population Pyramid – Beaver Island Area</i>	<i>23</i>
<i>Table: Average Household Size (2000 to 2028).....</i>	<i>23</i>
HOUSEHOLD TRENDS	24
<i>Table: Household Trends (2000 to 2028)</i>	<i>24</i>
<i>Table: Housing Units by Occupancy Status</i>	<i>25</i>
<i>Table: Households by Tenure (2000 to 2028).....</i>	<i>26</i>
<i>Table: Housing Unit Size Distribution</i>	<i>27</i>
<i>Table: Households by Year Constructed.....</i>	<i>28</i>
HOUSEHOLD INCOME TRENDS	29
<i>Table: Median Household Incomes (2010 to 2028).....</i>	<i>30</i>
<i>Figure Twelve: Median Household Incomes (2010 to 2028).....</i>	<i>30</i>
HOUSEHOLD INCOME DISTRIBUTION	31
<i>Figure: Household Income Distribution by Tenure – Beaver Island Area (2026).....</i>	<i>31</i>
<i>Table: Household Income Distribution by Tenure – Beaver Island Area (2026).....</i>	<i>32</i>
<i>Infographics: Key Demographic/Economic Data</i>	<i>34</i>
V: HOUSING CONDITIONS AND CHARACTERISTICS	36
HOUSING MARKET CHARACTERISTICS	36
HOUSING SURVEY RESULTS – BEAVER ISLAND	39
VI: DEMAND ANALYSIS	41
STATISTICAL DEMAND FOR RENTAL HOUSING UNITS	41
DEMAND FOR OWNER-OCCUPIED HOUSING OPTIONS	43
<i>Table: Statistical Demand Calculation – Rental Units</i>	<i>46</i>
VII: DATA & SOURCES.....	47

BIBLIOGRAPHY..... 47
CERTIFICATION..... 48
RESUME AND BACKGROUND..... 49

I. INTRODUCTION

Community Research Services, LLC (CRS) has been commissioned by The Beaver Island Community Development Corporation and Northern Homes CDC, with funding from the Charlevoix County Community Foundation, to investigate the market conditions present for both affordable and market rate housing options for the permanent population that may wish to reside on Beaver Island. Located off the Lake Michigan coast near Charlevoix, Beaver Island is the largest freshwater island within the Great Lakes, and has a unique history regarding settlers and commercial development during the 1800s, including Mormon sects and Irish settlers that have influenced the island's development to this day. The island's population swells during the summer months, with vacationers, visitors, and part-time residents. During the winter season, population totals are notably lower, with subsequent reductions in economic activity.

CRS has been tasked to investigate the viability of various housing options, based on the current and projected market conditions, identified target market segments, and the status of prevailing and projected economic conditions. While the market conditions are measured for those that reside on Beaver Island, assumptions will also be made regarding the likely participation of households outside of the Island, found within adjacent sections of northwest lower Michigan.

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. This review will include the relative size and strength of each target market segment, individual characteristics of each target market, and the potential contribution of each segment.

A survey regarding the potential interest in housing options on the Island was also included within this analysis. A summary of findings regarding potential housing interest by both island residents and those that expressed an interest in housing will be included as part of the summary of findings and recommendations.

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 Beaver Island as the primary market area, with no direct participation from secondary market sources from Charlevoix County. Data is also presented for St. James CDP, an unincorporated section/community located in the northern tip of Beaver Island.
- Three primary target markets were examined for this analysis, including:
 - Affordable rental housing – for singles, couples, or small families of all ages, with incomes up to approximately \$45,000 (depending on family size), typically with low to moderate educational attainment, generally employed either part-time or full time within unskilled or entry-level positions within the services or hospitality sectors;
 - Workforce housing (owner and renter) – for singles, couples, or small families of all ages, with incomes up to \$60,000, with some degree of specialized training or educational attainment, employed within services or other moderate-wage sectors, or provide services in demand within the community.
 - Market rate housing (owner and renter) – for singles, couples, or small families of all ages, with incomes beginning at \$40,000 and higher, with a strong level of educational attainment, specialized training, managerial experience, or professional occupation. May also include young seniors/retirees that are able to live independently.
- Positive factors include the following:
 - Demographic trends reflect an aging population with anticipated declines among most age cohorts. By 2028, the Island’s population will total 599 persons, based on ESRI forecasts. This is a slight decline from the current year estimate. The forecast also indicates that seniors will represent the only age cohort to increase over the coming five years, mostly due to aging in place.
 - Employment trends across the community reflect the permanent population, and clearly demonstrate a local economy based in local construction jobs, service positions, followed by sales and transportation occupations. Virtually no production-oriented occupations are present on the Island.
 - Placemaking considerations are favorable, as the community’s status and reputation as a seasonal destination point and retirement alternative is positive.
- Impediments and other problematic considerations include:
 - Excessive pricing for most housing options, due to the prevalence of vacation/2nd homes, a limited number of rental housing options, and a significant slowdown in

the number of residential homes constructed over the prior decade. Some of these factors are also found in other Northwest Lower 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 a unique lack of diversity across the Island in terms of housing options.

- Development costs are somewhat prohibitive, reflecting a range of conditions that make affordable housing more difficult. These include environmental concerns, available utilities, shipping costs for materials, and prevailing price points that are prohibitive for most moderate-income households. The ability to reduce the cost of development is critical to the ability of a community to provide affordable housing.
- A majority of the housing units on Beaver Island are seasonal, and represent a combination of vacation homes, 2nd homes, and hunting/recreational cottages. Just 30 percent of all housing units on Beaver Island are occupied by permanent residents. Current home sales data also points to this imbalance, with most homes for sale at this time either representative of substandard, single-bedroom structures or high-end vacation homes located on attractive lots with shoreline views.
- Primary findings for this analysis include:
 - The size of Beaver 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.
 - Survey data collected for this analysis points to the primary housing demand among moderate and upper-income households seeking a homeownership opportunity. Secondary demand potential was also observed for the introduction of rental housing at the workforce housing and market rate income bands. The survey results provided the following information:
 - A majority of respondents demonstrating interest in local housing are Beaver Island residents
 - The most prominent household size was couples, followed by traditional families with children and single person households
 - The respondents have relatively high annual incomes, with a majority of respondents at or above \$75,000
 - Among those respondents expressing an interest in residency on Beaver Island, the large majority (70 percent) would prefer a homeownership

- option within a single-family structure. Remaining responses expressed a preference for rental housing or some similar alternative
- The collected data represents a “pent-up” demand scenario, in which the market potential does not materialize due to a lack of product, rather than insufficient demand
- Based on our prior research of island communities within Michigan and other parts of the nation, residents of Beaver 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 most immediate method to address the community’s housing needs is with a combination of homeowner and rental housing alternatives. It is hoped that the cost of such units can be reduced by various construction and development methods, and more reasonable cost points may be more attainable through a duplex-style option as compared to a single-family alternative.
- Beaver Island contains a concentration of construction positions, based on available data and information noted from the site visits. A collaboration throughout the development and leasing process with local employers would greatly enhance the viability of the proposal. This includes an understanding that rental units would be primarily intended for year-round occupancy by long-term residents, as compared to seasonal rental housing or vacation options.

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. Insufficient demand potential was determined within the strictly affordable target market, and likely federal/state financing options for this target market would be difficult based on location and project size.

Based on the preliminary findings, such a development should feature the following characteristics:

Project Size: Approximately 4 to 6 units (with additional phases possible)

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

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

Preliminary Pricing: \$1,200 - \$1,400 (Affordable/Market Rate)

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.

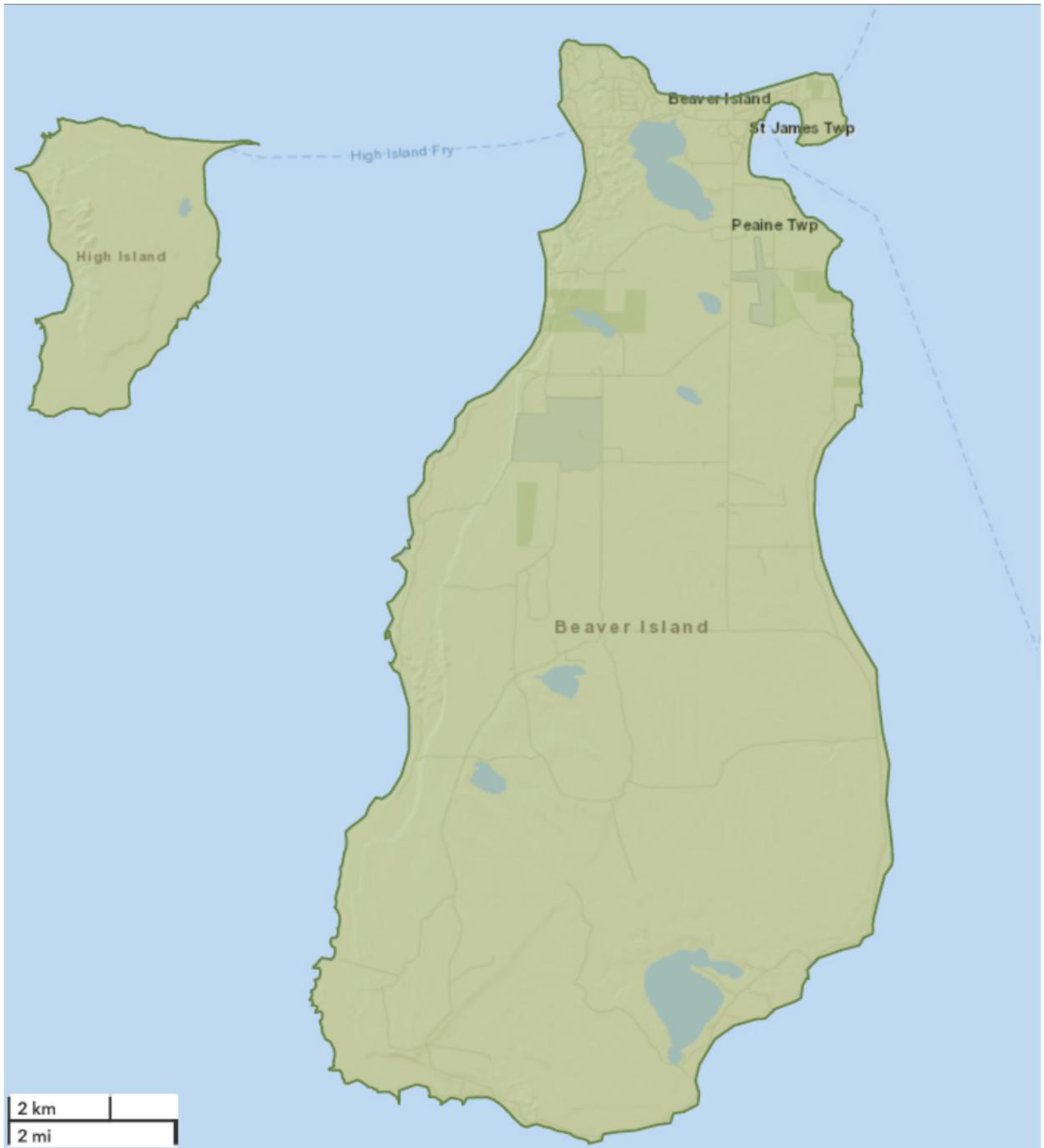
The findings also indicate a definitive demand for homeownership options. Such options for the permanent population on the Island would clearly serve those households that participated in the survey, but may not match the ideal housing alternative, assuming a single-family home on a moderately-size lot is preferable as determined within the survey results. Until the early 2010s, such options were generally being provided via the private sector. Increased housing costs, reduced development capacity across much of Michigan, economic uncertainty, and other factors have reduced the market's capacity to provide such homeownership options.

In combination with the suggested rental housing recommendation, additional duplex/townhome units could be developed nearby, with cost savings available through economies of scale and shared expenses with the rental development. Factors to consider include:

- Price points should reflect the moderate-income and upper-income levels illustrated within the survey data and overall demographic trends, with commensurate levels of amenities, indoor and outdoor features, along with enhanced unit sizes. The lack of modern homes for sale at the \$225,00 to \$350,000 levels represents a clear opportunity to serve both existing residents seeking a new housing option as well as those newly arrived households that would prefer a modern, long-term, opportunity to relocate;
- These owner-occupied units should be differentiated to some degree from the rental options, by perhaps location, added unit sizes, separate exterior features, and other characteristics that would enhance the sale prospects;
- Marketing and outreach efforts would enhance these development opportunities, and maximize potential interest by both current and potential Beaver Island residents.
- It is unknown, however, if new homes can be easily constructed on Beaver Island under such pricing levels. This analysis is a focus on housing demand, with the identification of the strongest needs for the Island. Cost considerations, while understood as clearly problematic, are hopefully not prohibitive to the point of preventing housing developments as described from taking place.

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, and 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: Beaver 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 Beaver Island indicate a limited concentration of workforce or entry-level housing options. Prevailing housing options currently on the island are centered around owner-occupied, 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 Beaver Island is a somewhat more involved choice as compared to mainland options. A potential resident must have 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 high-speed internet service has been somewhat less than ideal for such purposes as compared to Charlevoix or Traverse City. It is hoped that such factors are minimized or eliminated in the future, based on high-speed internet infrastructure initiatives currently underway.

With these unique factors under consideration, and taking into consideration the types of housing options that are not immediately found on Beaver Island, the analysis will attempt to focus on the following target market segments, based on age, income, and employment/occupation characteristics:

- Entry-level rental housing, for moderate and higher-income households, including singles, couples, and small families;
- Moderate-priced homeownership options, primarily for moderate-income households, typically composed of couples or small families, with some type of professional, managerial, or skilled occupation.

Additional examination of senior housing options and subsidized rental housing alternatives will also be reviewed as part of the analysis, but are reflective of housing segments that are not likely to reflect a prominent portion of the Island’s overall housing market.

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, permanent jobs, and a desire to remain on the Island as a permanent resident.

As a result, the target market segments listed below are not a primary focus for this analysis:

- Upper-Income households with ample resources to relocate
- Senior households that are unable to live independently
- Households seeking 2nd home or vacation homes

Primary and Secondary Market Area Delineation

Beaver Island and the surrounding smaller islands are divided into two townships within Charlevoix County – Peaine Township - the southern section of Beaver Island, and St. James Township - the northern section of Beaver Island, along with Hog Island, Garden Island, and High Island. These islands are relatively small, uninhabited, and are part of the Beaver Islands State Wildlife Research Area, managed by the State of Michigan. For this analysis, the two townships will consist of the Beaver Island Area, and reflect all of the island’s permanent residents. The northern settlement is designated the St. James Census Designated Place (CDP), recognized as a separate unincorporated community by the Census Bureau, beginning with the 2010 Census. Data for the St. James CDP will also be used for the analysis.

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 all of Charlevoix County. Despite the fact that the Beaver Island Area represents less than one percent of the county’s population, the Charlevoix area represents the nearest mainland community and a reasonable comparison for the Beaver Island community.

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.

As previously discussed, those persons and families that wish to reside within an isolated community or region (such as an island or community with limited travel options) 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, individuals or families that represent the offspring of prior residents of Beaver Island 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 the offspring of prior residents) that are problematic for the future viability of Beaver Island. 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 either services or construction, both representing 31 percent of the local labor force. Retail trade employment on the Island represented 10 percent of the local labor force, while transportation/utilities accounted for 16 percent of the local labor force.

Table: Employment by Industry

	St. James <u>CDP</u>	Beaver Island <u>Area</u>	Charlevoix <u>County</u>
Agriculture and Mining	0	4	197
Percent	0.0%	2.1%	1.6%
Construction	19	60	915
Percent	35.8%	30.9%	7.3%
Manufacturing	0	5	2,502
Percent	0.0%	2.6%	20.0%
Wholesale Trade	0	0	135
Percent	0.0%	0.0%	1.1%
Retail Trade	8	20	1,278
Percent	15.1%	10.3%	10.2%
Transportation & Utilities	1	31	486
Percent	1.9%	16.0%	3.9%
Information	0	6	91
Percent	0.0%	3.1%	0.7%
Finance, Insurance, & Real Estate	2	4	504
Percent	3.8%	2.1%	4.0%
<u>Services</u>	21	58	6,032
Percent	39.6%	30.9%	48.5%
Professional & Managerial Serv	5	12	1,051
Percent of All Services	23.8%	20.7%	17.4%
Educational & Healthcare Serv	9	27	2,694
Percent of All Services	42.9%	46.6%	44.7%
Arts/Entertainment Services	7	19	1,707
Percent of All Services	33.3%	32.8%	28.3%
Other Services	0	0	580
Percent of All Services	0.0%	0.0%	9.6%
Public Administration	2	6	397
Percent	3.8%	3.2%	3.2%

SOURCE: 2017-2021 American Community Survey, U.S. Census Bureau

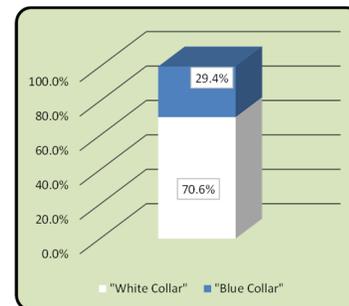
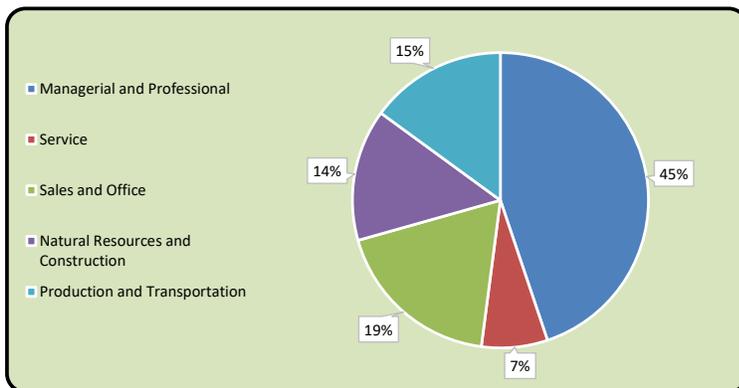
Beaver Island’s residential employment base is a combination of construction and service occupations – both of which are somewhat volatile, based on prevailing economic conditions

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 71 percent of the Island’s labor force. The Island’s concentration of “blue collar” positions represents 29 percent of the labor force. These percentages are similar to most other sections of northern Michigan.

Table: Employment by Occupation

	St. James CDP	Beaver Island Area	Charlevoix County
Managerial and Professional	24	87	4,387
Percent	45.3%	44.8%	35.0%
Service	8	14	2,504
Percent	15.1%	7.2%	20.0%
Sales and Office	13	36	2,357
Percent	24.5%	18.6%	18.8%
Natural Resources and Construction	5	28	1,214
Percent	9.4%	14.4%	9.7%
Production and Transportation	3	29	2,075
Percent	5.7%	14.9%	16.6%

SOURCE: 2017-2021 American Community Survey, U.S. Census Bureau

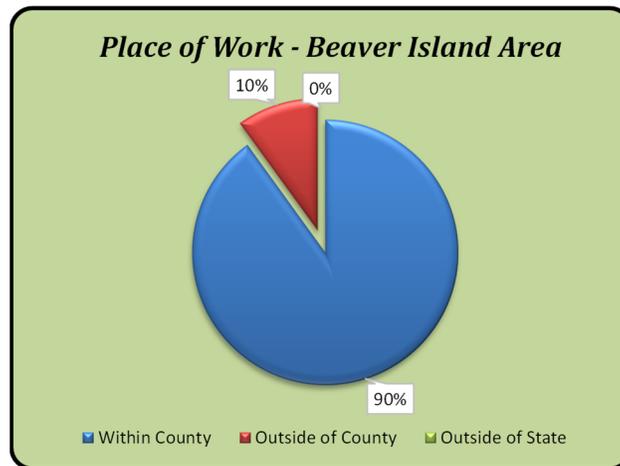


The Island’s labor force is overwhelmingly local, with 90 percent of residential workers employed within the county, with most of this total employed on the Island itself. As commuting information is not available below the county level, this is based on more on observations rather than specific data. Given the unique employment and geographic characteristics of the Island, these trends are not surprising.

Table: Employment by Place of Work

	St. James CDP	Beaver Island Area	Charlevoix County
Place of Work within County	47	172	8,411
Percent	88.7%	90.1%	68.2%
Place of Work Outside of County	6	19	3,807
Percent	11.3%	9.9%	30.9%
Place of Work Outside of State	0	0	116
Percent	0.0%	0.0%	0.9%

SOURCE: 2017-2021 American Community Survey, U.S. Census Bureau



Employment Trends

Labor and employment information from state and federal sources is only published at the county level, so island-specific information is not available; as the vast majority of residential workers are employed within Charlevoix County, a brief review of county economic conditions would be of some interest to this analysis.

For Charlevoix County, overall employment levels have declined for most of the past two decades. Since 2000, the county’s employment total has declined by nearly eight percent, with a loss of more than 1,000 workers. Much of these losses took place between 2006 and 2011 were during the latter part of the last decade, as the recession during that period inhibited expenditures on northern Michigan’s primary industries – leisure/hospitality and retail trade. Since 2020 and the pandemic, employment totals have approached pre-pandemic levels, but some individual industries have not yet recovered in terms of job totals.

Unemployment ratios for Charlevoix County on an annual basis are slowly declining from the high of 14.4 percent in 2009, with the pandemic representing a one-time shift in employment trends. The county’s annual unemployment rate for 2022 was recorded at 4.7 percent, a decline from 10.2 percent during the pandemic year of 2020. By comparison, Michigan’s 2022 unemployment rate was 4.2 percent, with the national unemployment rate reported at 3.6 percent for 2022.

For last year, the Charlevoix County employment base totaled 12,179 persons. This represented the largest total since 2019, but the size of the county’s labor force over the past two decades has slowly declined by more than 2,000 persons from the early 2000s. These trends are most likely a partial influence upon Beaver Island, particularly for those persons that do work off the Island.

Figure: Area Employment Trends – Charlevoix County

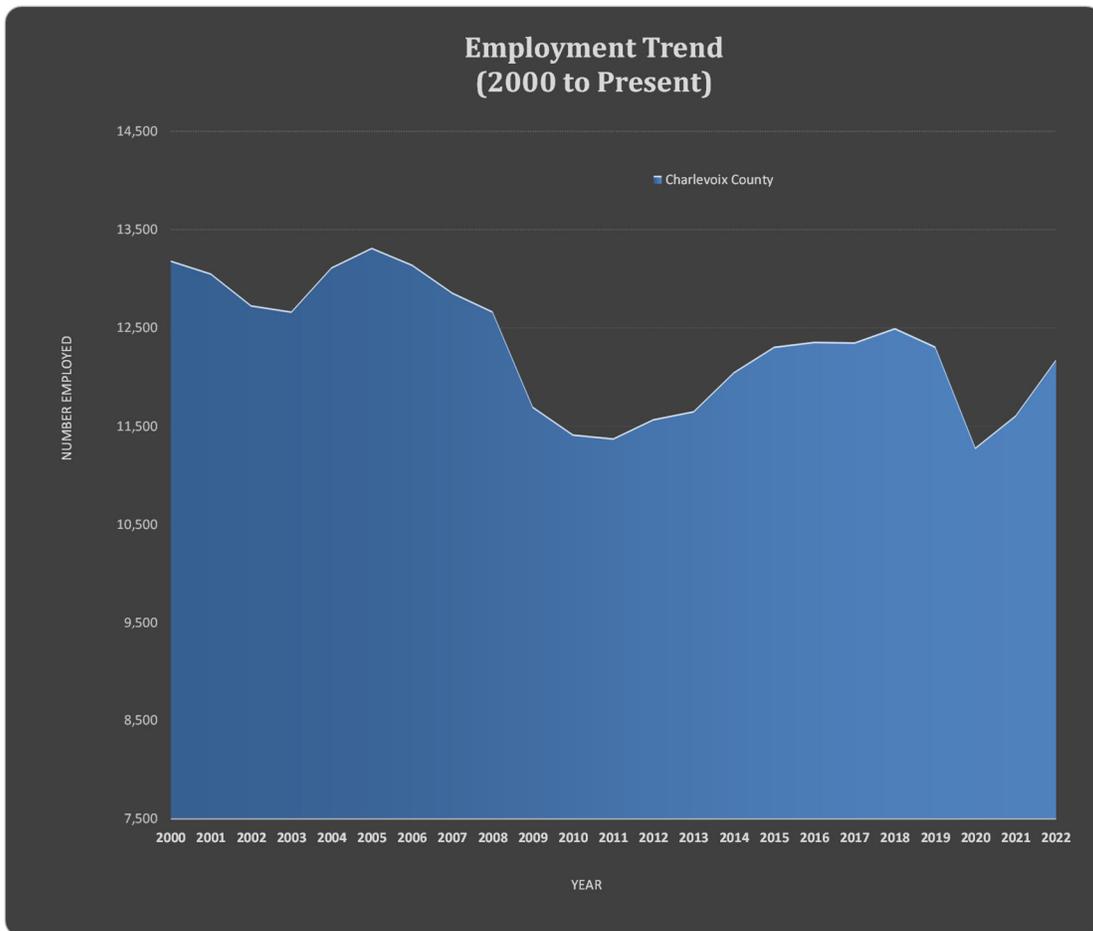


Figure: Annual Change in Employment – Charlevoix County

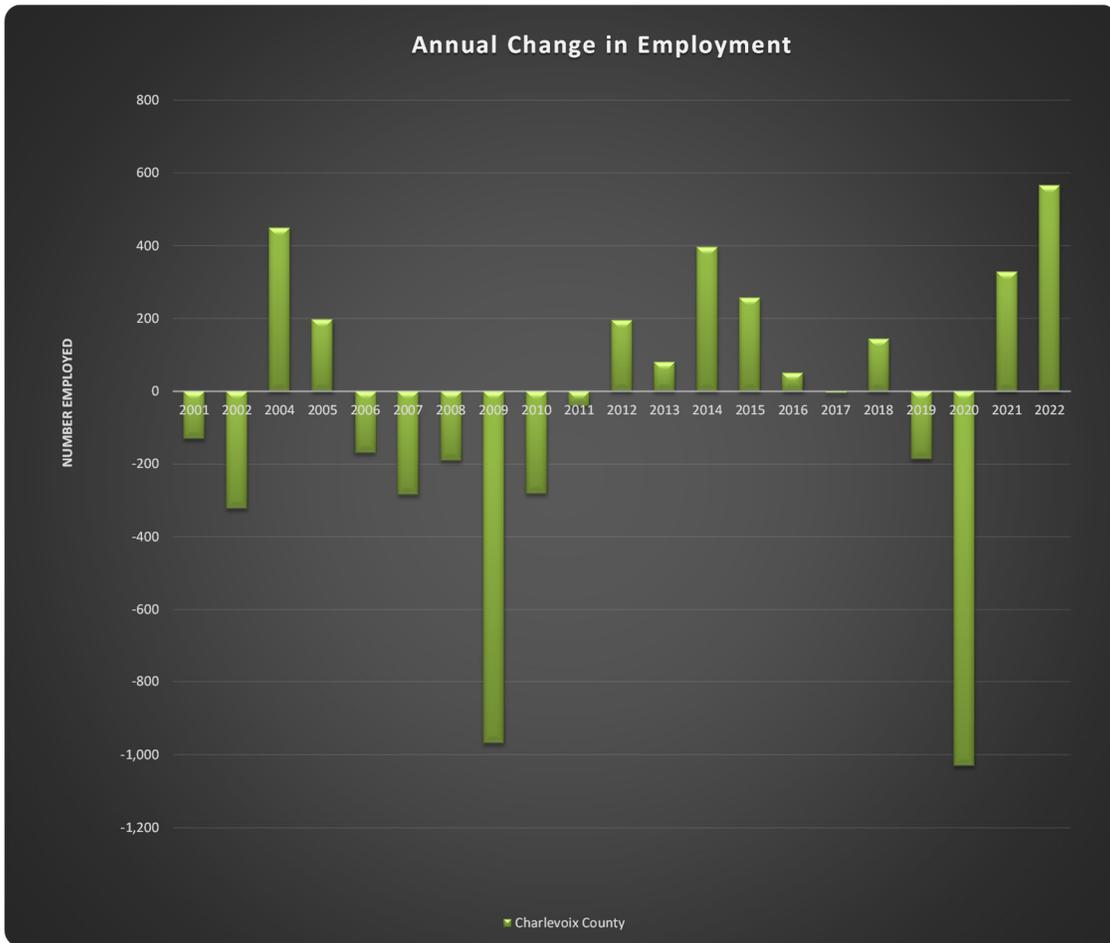


Figure: Unemployment Rate Comparison

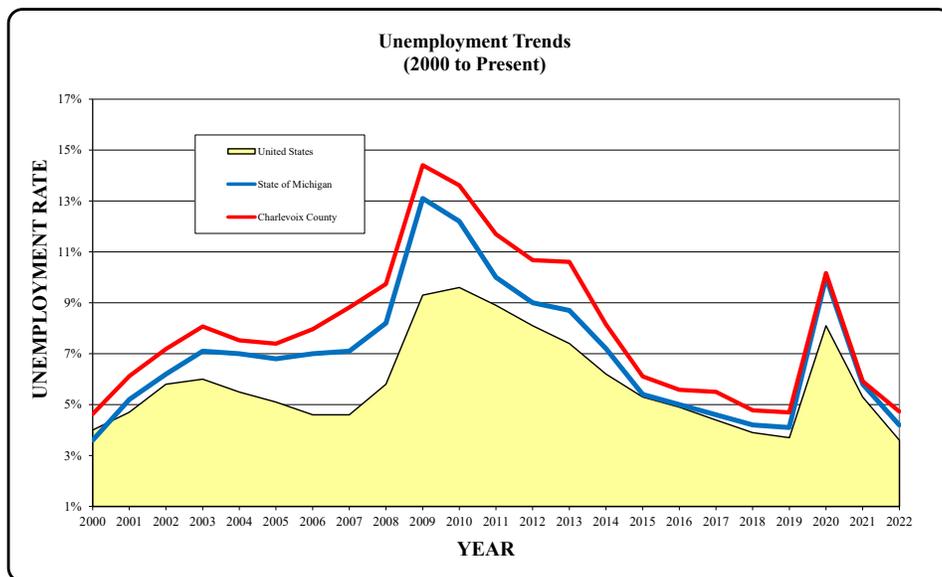


Table: Employment Trends (2000 to Present)

	Charlevoix County				State of Michigan	United States
Year	Labor Force	Number Employed	Annual Change	Unemployment Rate	Unemployment Rate	Unemployment Rate
2000	13,829	13,188	---	4.6%	3.6%	4.0%
2001	13,908	13,057	(131)	6.1%	5.2%	4.7%
2002	13,721	12,734	(323)	7.2%	6.2%	5.8%
2003	13,781	12,669	(65)	8.1%	7.1%	6.0%
2004	14,186	13,119	450	7.5%	7.0%	5.5%
2005	14,381	13,317	198	7.4%	6.8%	5.1%
2006	14,284	13,147	(170)	8.0%	7.0%	4.6%
2007	14,106	12,862	(285)	8.8%	7.1%	4.6%
2008	14,038	12,671	(191)	9.7%	8.2%	5.8%
2009	13,671	11,702	(969)	14.4%	13.1%	9.3%
2010	13,220	11,420	(282)	13.6%	12.2%	9.6%
2011	12,886	11,379	(41)	11.7%	10.0%	8.9%
2012	12,959	11,575	196	10.7%	9.0%	8.1%
2013	13,039	11,656	81	10.6%	8.7%	7.4%
2014	13,123	12,053	397	8.2%	7.2%	6.2%
2015	13,111	12,311	258	6.1%	5.4%	5.3%
2016	13,093	12,362	51	5.6%	5.0%	4.9%
2017	13,075	12,356	(6)	5.5%	4.6%	4.4%
2018	13,128	12,501	145	4.8%	4.2%	3.9%
2019	12,920	12,314	(187)	4.7%	4.1%	3.7%
2020	12,560	11,283	(1,031)	10.2%	10.0%	8.1%
2021	12,342	11,612	329	5.9%	5.8%	5.3%
2022	12,784	12,179	567	4.7%	4.2%	3.6%
Apr-22	12,165	11,525	---	5.3%	4.0%	3.6%
Apr-23	12,291	11,714	189	4.7%	2.9%	3.4%
			<u>Number</u>	<u>Percent</u>		
			Change (2000-Present):	(1,009)	-7.7%	
			Change (2000-2008):	(517)	-3.9%	
			Change (2008-Present):	(492)	-3.9%	
SOURCE: Bureau of Labor Statistics.						

Population Trends

The permanent population for 2020 reported on Beaver Island was impacted by the pandemic, with a recorded total of 525 persons – a notable decline from 2010 totals. Estimates forward from 2020 demonstrate that population totals are forecast to reflect pre-2020 totals, as pandemic-related restrictions and a desire for some individuals and families to relocate to an environment such as Beaver Island appear present. By 2028, the Island’s population is forecast at 599 persons – a sizable increase from 2020, but reflective of a slow decline over the balance of the decade. Trends for the St. James CDP reflect the Island’s patterns, with an increase from 2020 totals.

Table: Population Trends (2000 to 2021)

	St. James CDP	Beaver Island Area	Charlevoix County
2000 Population	NA	551	26,090
2010 Population	181	657	25,949
Percent Change (2000-2010)	NA	19.2%	-0.5%
Average Annual Change (2000 to 2010)	NA	1.8%	-0.1%
2020 Population	145	525	26,054
Percent Change (2010-2020)	-13.4%	-8.0%	0.7%
Average Annual Change (2010 to 2020)	-2.2%	-2.2%	0.0%
2023 Population Estimate	158	613	26,191
Percent Change (from 2020)	9.0%	16.8%	0.5%
Average Annual Change (2020 to 2022)	4.4%	8.1%	0.3%
2026 Population Forecast	157	605	26,139
Percent Change (from 2020)	8.1%	15.2%	0.3%
Average Annual Change (2020 to 2025)	1.6%	2.9%	0.1%
2028 Population Forecast	156	599	26,104
Percent Change (from 2020)	7.6%	14.1%	0.2%
Average Annual Change (2020 to 2027)	1.1%	1.9%	0.0%

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

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 cohort in 2010 across Beaver Island included persons Age 45 to 64, with 43 percent of the total population. This is also the case across Charlevoix County, as the same age segment represented 32 percent of the 2010 total.

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 38 percent of the Island’s total. Such trends are found throughout northern Michigan, but the concentration of seniors and the corresponding decline in young adults is perhaps the most difficult trend to overcome. Economic activity is best driven by a mix of household types, ideally based on a combination of primarily younger adults with children, along with a smaller but still prominent degree of older adults, followed by a concentration of seniors that does not reflect the largest age cohort. For Beaver Island, the ideal concentration of age segments is essentially inverted, with a local population dominated by older adults and seniors, as indicated within the following table.

For a differentiated population such as Beaver Island, it is evident that limited housing opportunities has been problematic for many years, as such trends as observed currently 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 found across most northern Michigan communities (as observed across all of Charlevoix County, for example), but are greatly exacerbated due to the unique characteristics of the Island.

Figure: Age Distribution – Beaver Island Area (2010 to 2028)

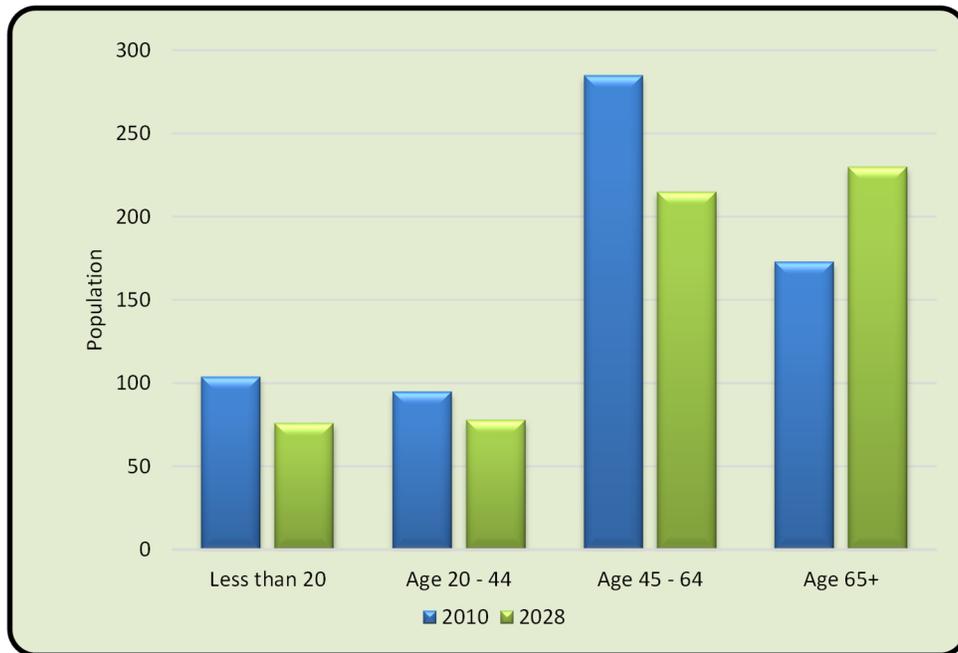


Table: Age Distribution (2010 to 2028)

	St. James	Beaver Island	Charlevoix
	<u>CDP</u>	<u>Area</u>	<u>County</u>
Age Less than 20 - 2010	28	104	6,235
Percent of total 2010 population	15.5%	15.8%	24.0%
Age Between 20 and 44 - 2010	26	95	6,562
Percent of total 2010 population	14.4%	14.5%	25.3%
Age Between 45 and 64 - 2010	79	285	8,319
Percent of total 2010 population	43.6%	43.4%	32.1%
Age 65 and Over - 2010	48	173	4,833
Percent of total 2010 population	26.5%	26.3%	18.6%
Age Less than 20 - 2028	23	76	5,185
Percent of total 2028 population	14.7%	12.7%	19.9%
Percent change (2010 to 2028)	-17.9%	-26.9%	-16.8%
Average Annual Change (2010 to 2028)	-1.1%	-1.7%	-1.0%
Age Between 20 and 44 - 2028	23	78	6,416
Percent of total 2028 population	14.7%	13.0%	24.6%
Percent change (2010 to 2028)	-11.5%	-17.9%	-2.2%
Average Annual Change (2010 to 2028)	-0.7%	-1.1%	-0.1%
Age Between 45 and 64 - 2028	56	215	6,968
Percent of total 2028 population	35.9%	35.9%	26.7%
Percent change (2010 to 2028)	-29.1%	-24.6%	-16.2%
Average Annual Change (2010 to 2028)	-1.9%	-1.6%	-1.0%
Age 65 and Over - 2028	54	230	7,535
Percent of total 2028 population	34.6%	38.4%	28.9%
Percent change (2010 to 2028)	12.5%	32.9%	55.9%
Average Annual Change (2010 to 2028)	0.7%	1.6%	2.5%

SOURCE: 2010 Census of Population and Housing, SF1, U.S. Census Bureau; ESRI Business Analyst.

Figure: Senior/Non-Senior Population Trends – Beaver Island Area

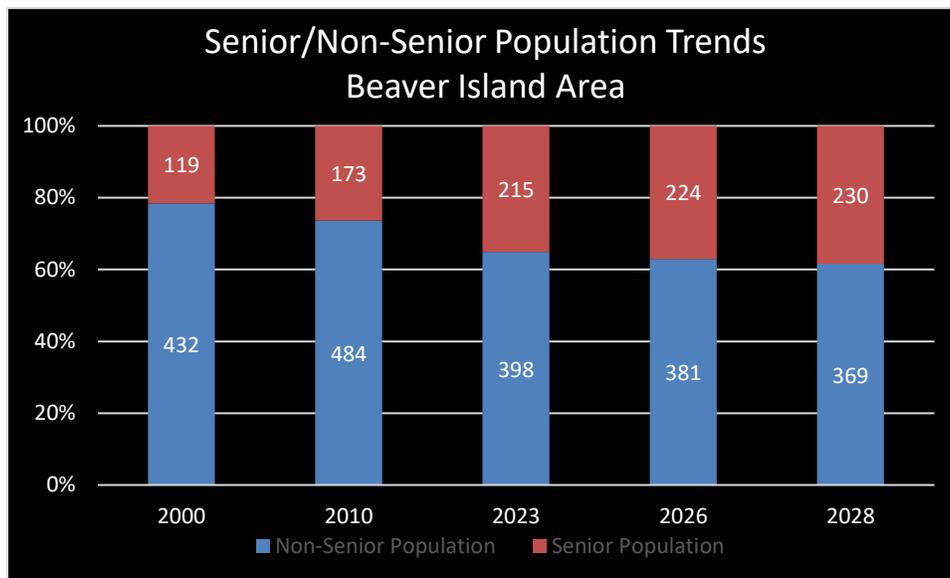


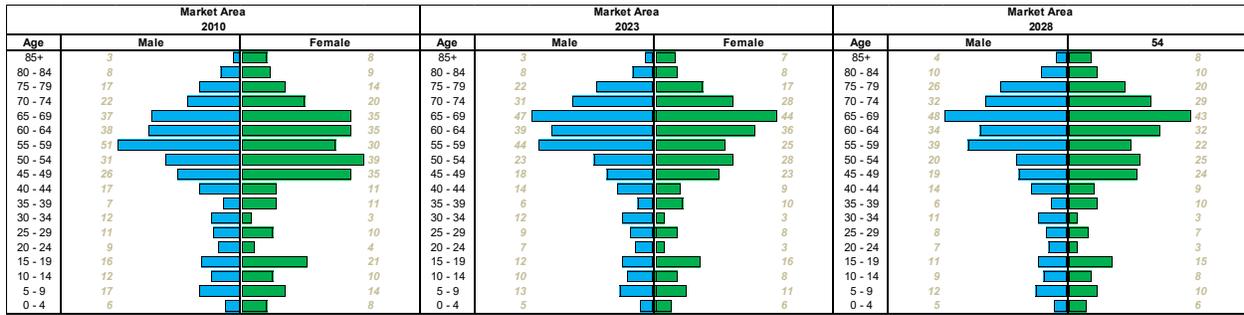
Table: Senior/Non-Senior Population Trends (2000 to 2028)

	St. James	Beaver Island	Charlevoix
	<u>CDP</u>	<u>Area</u>	<u>County</u>
2000 Non-Senior Population	NA	432	22,196
Percent of total 2000 population	---	81.9%	85.0%
2010 Non-Senior Population	133	484	21,116
Percent of total 2010 population	69.6%	71.8%	81.5%
Percent change (2000 to 2010)	NA	12.0%	-4.9%
2023 Non-Senior Population	100	398	19,511
Percent of total 2023 population	63.0%	64.4%	74.4%
Percent change (2010 to 2023)	-24.8%	-17.8%	-7.6%
2026 Non-Senior Population	101	381	18,946
Percent of total 2026 population	64.5%	63.0%	72.5%
Percent change (2010 to 2026)	-23.9%	-21.4%	-10.3%
2028 Non-Senior Population	102	369	18,569
Percent of total 2028 population	65.4%	61.6%	71.1%
Percent change (2010 to 2028)	-23.3%	-23.8%	-12.1%
2000 Senior Population (65 years and Over)	NA	119	3,894
Percent of total 2000 population	---	18.1%	15.0%
2010 Senior Population (65 years and Over)	48	173	4,833
Percent of total 2010 population	30.4%	28.2%	18.5%
Percent change (2000 to 2010)	NA	45.4%	24.1%
2023 Senior Population (65 years and Over)	58	215	6,680
Percent of total 2023 population	37.0%	35.6%	25.6%
Percent change (2010 to 2023)	20.8%	24.3%	38.2%
2026 Senior Population (65 years and Over)	56	224	7,193
Percent of total 2026 population	35.5%	37.0%	27.5%
Percent change (2010 to 2026)	15.8%	29.5%	48.8%
2028 Senior Population (65 years and Over)	54	230	7,535
Percent of total 2028 population	34.6%	38.4%	28.9%
Percent change (2010 to 2028)	12.5%	32.9%	55.9%

SOURCE: 2000-2010 Census STF 1A/SF1, U.S. Census Bureau; ESRI Business Analyst.

Another way to illustrate the problematic age distribution found on Beaver 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 Beaver Island, 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 Pyramid – Beaver Island Area



The average household size across the Island is currently estimated at 2.25 persons – well below the statewide ratio of 2.55 persons, but reflective of an increase from the prior decade. Considering the population by age data previously reviewed, this seems to indicate that an increasing number of older family-oriented households on the island have children. A trend toward larger family sizes is unusual, and contrary to most communities across northern Michigan. In the near future, household sizes will vary little from 2023 estimates, reflecting ongoing aging in place and no growth in terms of non-adult residents.

Senior household sizes are also increasing, mostly due to couples aging in place with increasingly longer lifespans. This trend is found across northern Michigan, and is not unique to Beaver Island.

Table: Average Household Size (2000 to 2028)

	St. James CDP	Beaver Island Area	Charlevoix County
2000 Average Household Size	NA	2.14	2.48
2010 Average Household Size	2.10	1.96	2.36
Percent Change (2000-2010)	---	-8.4%	-5.0%
2020 Average Household Size	2.04	1.90	2.28
Percent Change (2010-2020)	-3.0%	-2.7%	-3.2%
2023 Average Household Size Estimate	2.29	2.25	2.26
Percent Change (2020-2023)	12.1%	18.0%	-0.9%
2026 Average Household Size Forecast	2.29	2.24	2.25
Percent Change (2020-2026)	12.2%	17.7%	-1.7%
2028 Average Household Size Forecast	2.29	2.24	2.23
Percent Change (2020-2028)	12.3%	17.5%	-2.2%

SOURCE: 2000/2010 Census of Population & Housing, SF1, U.S. Census Bureau; ESRI Business Analyst.

	St. James	Beaver Island	Charlevoix
	<u>CDP</u>	<u>Area</u>	<u>County</u>
2000 Average Household Size - Age 65+	NA	1.49	1.47
2010 Average Household Size - Age 65+	1.50	1.42	1.50
Percent Change (2000-2010)	---	-4.7%	1.8%
2023 Average Household Size Estimate - Age 65+	1.81	1.72	1.53
Percent Change (2010-2023)	20.8%	21.3%	1.9%
2026 Average Household Size Forecast - Age 65+	1.81	1.73	1.53
Percent Change (2010-2026)	20.3%	0.5%	0.5%
2028 Average Household Size Forecast - Age 65+	1.80	1.73	1.53
Percent Change (2010-2028)	20.3%	0.5%	0.5%

SOURCE: 2000/2010 Census of Population & Housing, SF1, 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, which most likely indicates an influx of families with children took place after the pandemic. For 2028 the Island will contain an estimated 268 occupied units, which is a slight decline from 2020 totals. This is contrary to trends for all of Charlevoix County, in which an increase in households is anticipated over the next five years.

Table: Household Trends (2000 to 2028)

	St. James	Beaver Island	Charlevoix
	<u>CDP</u>	<u>Area</u>	<u>County</u>
2000 Households	NA	258	10,400
2010 Households	86	336	10,882
Percent Change (2000-2010)	---	30.2%	4.6%
Average Annual Change (2000 to 2010)	---	2.7%	0.5%
2020 Households	71	276	11,274
Percent Change (2010-2020)	-17.4%	-17.9%	3.6%
Average Annual Change (2010 to 2020)	-1.9%	-1.9%	0.4%
2023 Household Estimate	69	273	11,435
Percent Change (2020-2023)	-2.8%	-1.1%	1.4%
Average Annual Change (2020 to 2023)	-0.9%	-0.4%	0.5%
2026 Household Forecast	68	270	11,507
Percent Change (2020-2026)	-3.7%	-2.2%	2.1%
Average Annual Change (2020 to 2026)	-0.6%	-0.4%	0.3%
2028 Household Forecast	68	268	11,555
Percent Change (2020-2028)	-4.2%	-2.9%	2.5%
Average Annual Change (2020 to 2028)	-0.5%	-0.4%	0.3%

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

Data from the American Housing Survey indicates that just 30% of all housing units on Beaver 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 Beaver Island, along with most other isolated communities, is an imbalance of housing options. In this case, the Island lacks a sufficient number of rental 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, 67 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. Overall, nearly 70 percent of all housing units are not used by permanent residents of Beaver Island. By comparison, Charlevoix County’s vacant units represent 33 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 winter months, 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

	St. James		Charlevoix
	<u>CDP</u>	<u>PMA</u>	<u>County</u>
Total Housing Units	256	994	17,448
Occupied Units	88	301	11,769
Percent Occupied	34.4%	30.3%	67.5%
Vacant Units:	168	693	5,679
For Rent	2	2	50
Rented - Not Occupied	0	0	4
For Sale	14	15	81
Sold - Not Occupied	0	0	26
Seasonal/Recreational Use	152	670	5,003
For Migrant Workers	0	0	10
Other Vacant	0	6	505
Percent Vacant	65.6%	69.7%	32.5%

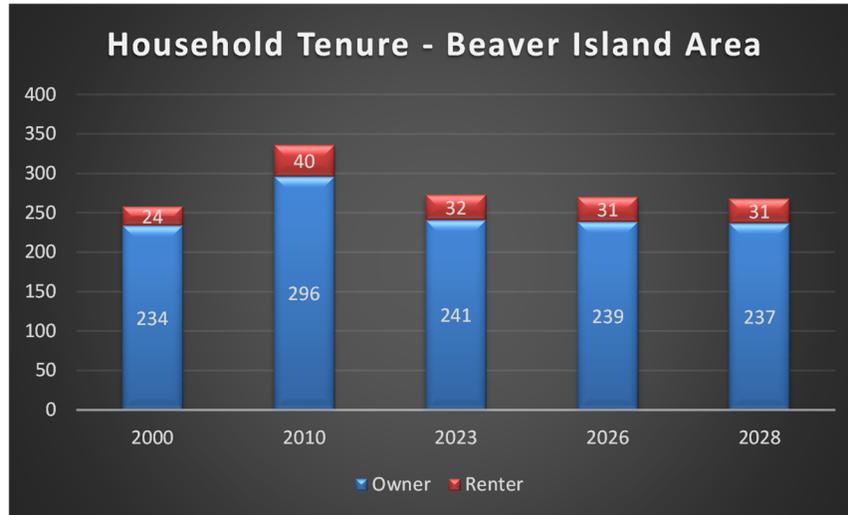
SOURCE: 2017-2021 American Community Survey, U.S. Census Bureau

Because of the size and unique economy on Beaver 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. Over the past decade, the number of occupied rental units has remained relatively low, with rental options since 2010 representing no more than 12 percent of all occupied housing units. Based on housing supply data further elaborated within other sections of this report, it is clear that a demand for additional 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 available housing alternatives.

Table: Households by Tenure (2000 to 2028)

	St. James CDP	Beaver Island Area	Charlevoix County
2000 Renter-Occupied Households	N/A	24	1,962
Percent of total 2000 households	---	9.3%	18.9%
2010 Renter-Occupied Households	10	40	2,239
Percent of total 2010 households	11.6%	11.9%	20.6%
Percent change (2000 to 2010)	---	66.7%	14.1%
2023 Renter-Occupied Households	10	32	2,079
Percent of total 2023 households	14.5%	11.7%	18.2%
Percent change (2010 to 2023)	0.0%	-20.0%	-7.1%
2026 Renter-Occupied Households	8	31	2,066
Percent of total 2026 households	12.0%	11.6%	18.0%
Percent change (2010 to 2026)	-18.0%	-21.5%	-7.7%
2028 Renter-Occupied Households	7	31	2,058
Percent of total 2028 households	10.3%	11.6%	17.8%
Percent change (2010 to 2028)	-30.0%	-22.5%	-8.1%
2000 Owner-Occupied Households	N/A	234	8,438
Percent of total 2000 households	---	90.7%	81.1%
2010 Owner-Occupied Households	76	296	8,643
Percent of total 2010 households	88.4%	88.1%	79.4%
Percent change (2000 to 2010)	---	26.5%	2.4%
2023 Owner-Occupied Households	59	241	9,356
Percent of total 2023 households	85.5%	88.3%	81.8%
Percent change (2010 to 2023)	-22.4%	-18.6%	8.2%
2026 Owner-Occupied Households	60	239	9,441
Percent of total 2026 households	88.0%	88.4%	82.0%
Percent change (2010 to 2026)	-20.8%	-19.4%	9.2%
2028 Owner-Occupied Households	61	237	9,497
Percent of total 2028 households	89.7%	88.4%	82.2%
Percent change (2010 to 2028)	-19.7%	-19.9%	9.9%

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



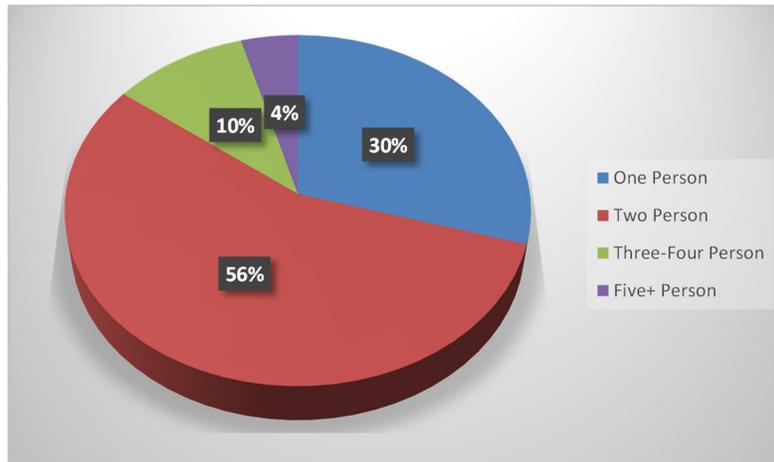
The division of households by size clearly favors single-person households and couples. For the Beaver Island Area, 30 percent of occupied households on the Island were one-person households, while two-person households accounted for 56 percent. Larger-sized households, which are essentially family-oriented households, represented just below 15 percent of all households across the Island. 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.

Table: Housing Unit Size Distribution

	St. James <u>CDP</u>	Beaver Island <u>Area</u>	Charlevoix <u>County</u>
One Person	27	89	3,170
Percent of total households	30.7%	29.6%	26.9%
Two Persons	43	168	5,247
Percent of total households	48.9%	55.8%	44.6%
Three or Four Persons	11	31	2,554
Percent of total households	12.5%	10.3%	21.7%
Five or More Person	7	13	798
Percent of total households	8.0%	4.3%	6.8%

SOURCE: 2017-2021 American Community Survey, U.S. Census Bureau

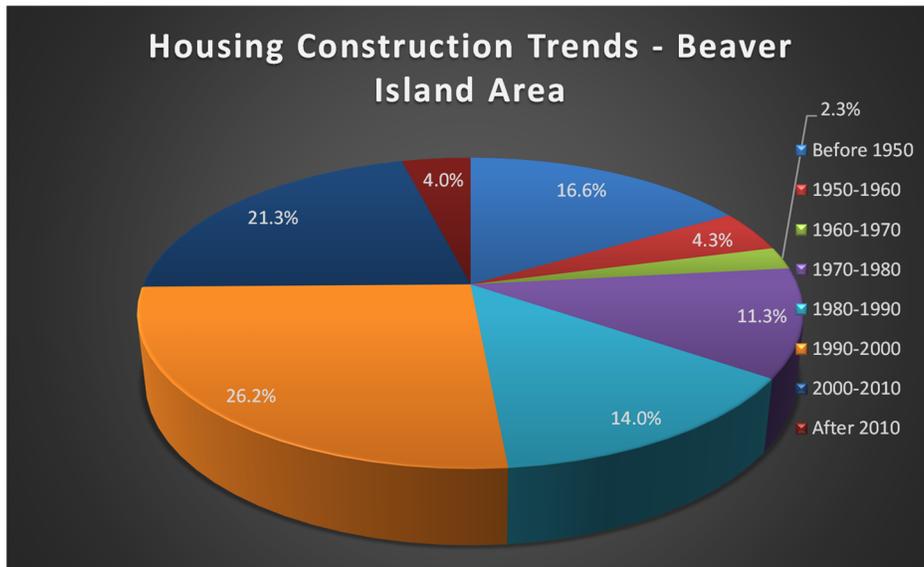


A review of the construction year of the existing housing stock demonstrates the lack of residential units built after 2010. After two decades of notable construction trends, the housing shock and recession of 2008-2009 impacted development activity, and it is clear that Beaver Island (along with most other communities across northern Michigan) experienced a significant decline in housing construction activity. These regional housing development trends only exacerbated the Island’s unique housing development difficulties, resulting in a lack of supply and housing stock imbalance.

Table: Households by Year Constructed

	St. James <u>CDP</u>	Beaver Island <u>Area</u>	Charlevoix <u>County</u>
TOTAL HOUSEHOLDS			
Built Earlier than 1950	34	50	2,270
Percent of total renter households	38.6%	16.6%	19.3%
Built 1950 - 1959	1	13	728
Percent of total renter households	1.1%	4.3%	6.2%
Built 1960 - 1969	3	7	1,043
Percent of total renter households	3.4%	2.3%	8.9%
Built 1970 - 1979	12	34	1,909
Percent of total renter households	13.6%	11.3%	16.2%
Built 1980 - 1989	8	42	1,661
Percent of total renter households	9.1%	14.0%	14.1%
Built 1990 - 1999	16	79	2,144
Percent of total renter households	18.2%	26.2%	18.2%
Built 2000 - 2009	14	64	1,494
Percent of total renter households	15.9%	21.3%	12.7%
Built 2010 or Later	0	12	520
Percent of total renter households	0.0%	4.0%	4.4%

SOURCE: 2017-2021 American Community Survey, U.S. Census Bureau



Household Income Trends

The median household income figures for the Beaver Island area have maintained pace with Charlevoix County and adjacent counties in northeast lower Michigan. In fact, the Island’s prevailing income patterns are superior to most other northern Michigan communities, many of which experienced significantly smaller income gains, resulting in stagnant income trends that did not maintain pace with prevailing inflation. Given the degree of owner-occupied households and generally older families, such trends are not surprising.

At \$69,680, the 2023 median household income estimate for the Beaver Island area is a 50 percent increase from 2010. A 44 percent increase in median income was recorded across Charlevoix County during the same period.

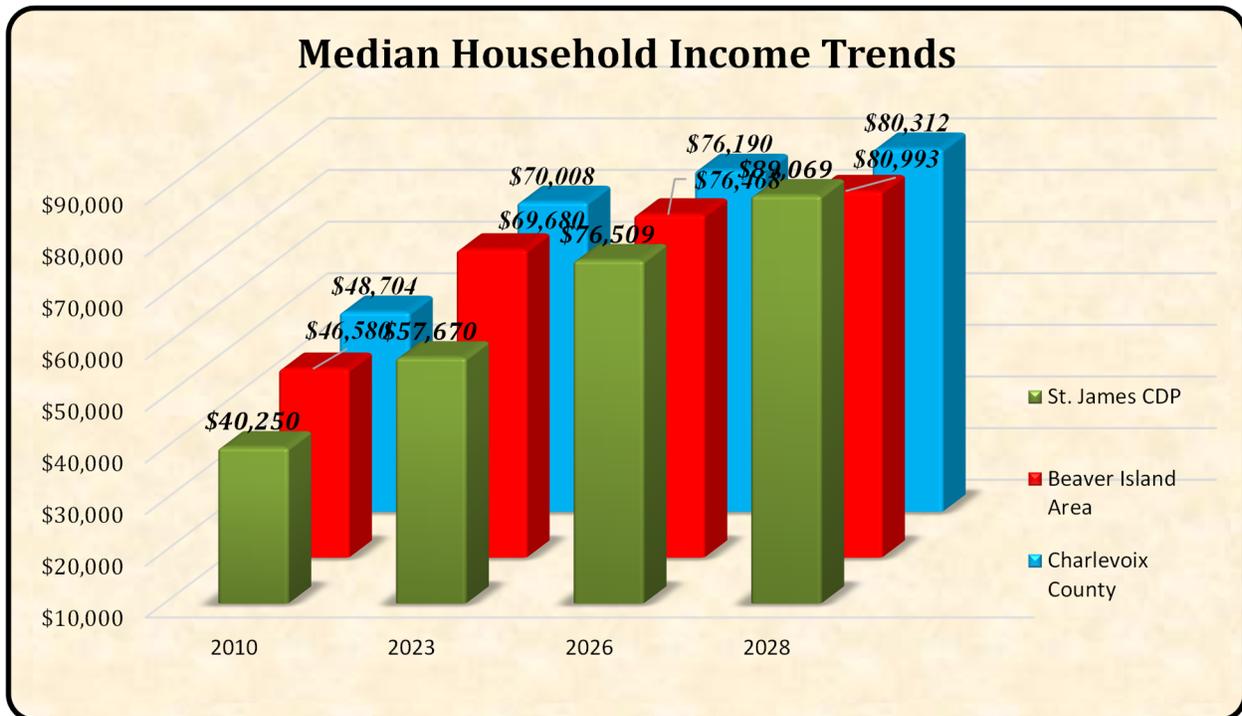
ESRI forecasts predict that incomes in the region will continue to demonstrate similar gains, but are unlikely to exceed the prevailing rate of inflation experienced over the past few years and projected for the near future. By 2028 the Island’s median household income is forecast at \$80,993, reflecting an average annual increase of 3.3 percent from 2010 totals. Median income levels forecast for Charlevoix County are forecast to increase at a similar rate. It is notable that a greater concentration of income appreciation is focused within St. James CDP, with a forecast median income for 2028 of \$89,069 (a 4.8 percent average annual increase from 2010).

Table: Median Household Incomes (2010 to 2028)

	St. James CDP	Beaver Island Area	Charlevoix County
2010 Median Household Income	\$40,250	\$46,580	\$48,704
2023 Estimated Median Household Income	\$57,670	\$69,680	\$70,008
Total percent change (2010 to 2023)	43.3%	49.6%	43.7%
Annual percent change (2010 to 2023)	3.0%	3.4%	3.1%
2026 Forecast Median Household Income	\$76,509	\$76,468	\$76,190
Total percent change (2010 to 2026)	90.1%	64.2%	56.4%
Annual percent change (2010 to 2026)	4.4%	3.4%	3.0%
2028 Forecast Median Household Income	\$89,069	\$80,993	\$80,312
Total percent change (2010 to 2028)	121.3%	73.9%	64.9%
Annual percent change (2010 to 2028)	4.8%	3.3%	3.0%

SOURCE: 2010 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. 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. Given the characteristics on the Island, this is not unexpected, and is simply a reflection of what types of housing options currently exist across the Island.

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.

One other item to note – the size of Beaver Island is relatively small in terms of total population and households, so the data collected via the American Housing Survey may exhibit a higher than typical rate of error. As a result, corresponding demand forecasts may also include a lower degree of accuracy.

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

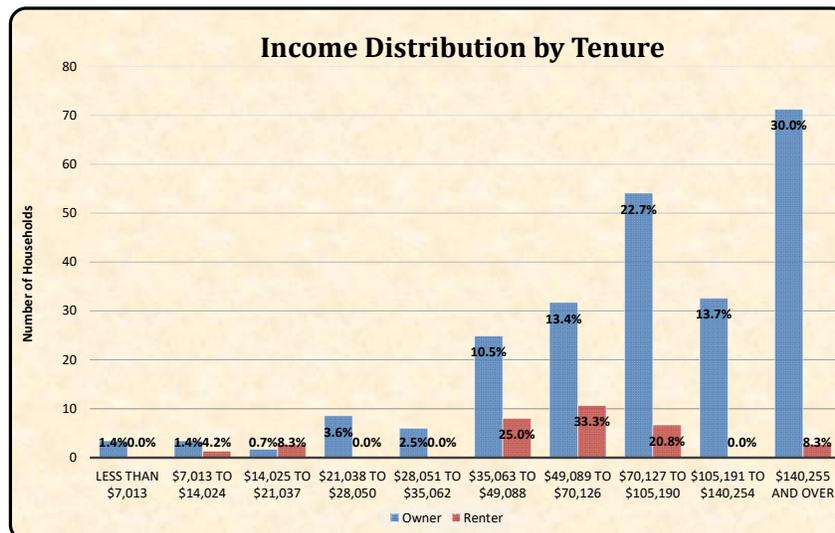


Table: Household Income Distribution by Tenure – Beaver Island Area (2026)

	Total <u>Households</u>	Owner <u>Households</u>	Renter <u>Households</u>
Less than \$7,013 Percent of 2026 Households	3 1.3%	3 1.4%	0 0.0%
\$7,013 to \$14,024 Percent of 2026 Households	5 1.7%	3 1.4%	1 4.2%
\$14,025 to \$21,037 Percent of 2026 Households	4 1.3%	2 0.7%	3 8.3%
\$21,038 to \$28,050 Percent of 2026 Households	9 3.3%	9 3.6%	0 0.0%
\$28,051 to \$35,062 Percent of 2026 Households	6 2.3%	6 2.5%	0 0.0%
\$35,063 to \$49,088 Percent of 2026 Households	33 11.6%	25 10.5%	8 25.0%
\$49,089 to \$70,126 Percent of 2026 Households	42 15.0%	32 13.4%	11 33.3%
\$70,127 to \$105,190 Percent of 2026 Households	61 22.6%	54 22.7%	7 20.8%
\$105,191 to \$140,254 Percent of 2026 Households	33 12.6%	33 13.7%	0 0.0%
\$140,255 and Over Percent of 2026 Households	74 28.2%	71 30.0%	3 8.3%

SOURCE: 2017-2021 American Community Survey, U.S. Census Bureau; BLS Consumer Price Index

A summary of key demographic and economic statistics for the Beaver Island Area 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. Given the mismatch between prevailing home values and much of the community's income levels, this score of 81 is not surprising. By comparison, the nationwide score is 91.7, down from 103.8 from 2022.

Secondly, the population's median age is estimated at 59 years for 2023 – well 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 Beaver Island Area will be transformed into a significantly senior-oriented residential option, for which the community is not ideally suited, given the limited medical and personal care services available as compared to the mainland. Ultimately, the Island will exhibit a population pyramid that would be insufficient to readily support the community's economy, employment base, and other characteristics. Without additional housing options, it will become increasingly difficult to stabilize the population at a more manageable and diverse level.

Infographics: Key Demographic/Economic Data

Beaver Island Area

DEMOGRAPHIC PROFILE

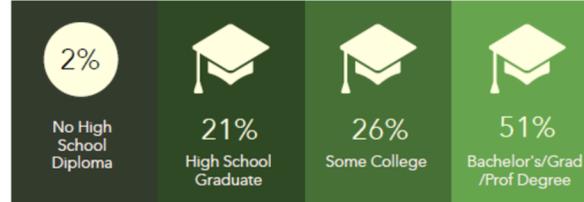
Beaver Island Area
Geography: County Subdivision



Community RESEARCH
Services, LLC

This infographic contains data provided by Esri.
The vintage of the data is 2023, 2028
© 2023 Esri

EDUCATION



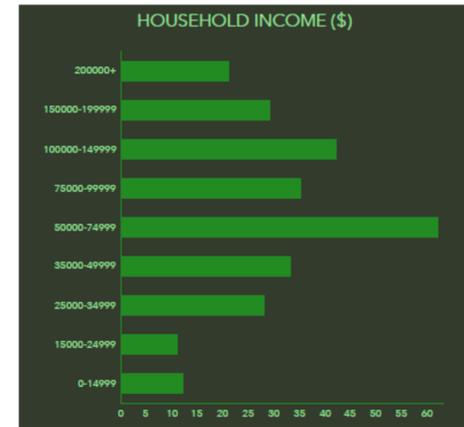
EMPLOYMENT



KEY FACTS



INCOME



Housing market characteristics

Beaver Island Area
Geography: County Subdivision

 **\$328,030 ↑**
Median Home Value

32% higher than Michigan which is **\$222,633**



81

Housing Affordability Index



28.3%

Percent of Income for Mortgage



111

Percent of Income for Mortgage (Index)

Age <18 **70**

Age 18-64 **328**

Age 65+ **215**

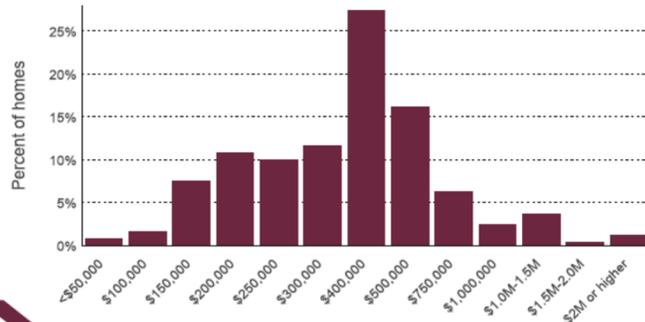
Total Pop **613**

Pop Growth **4.88%**

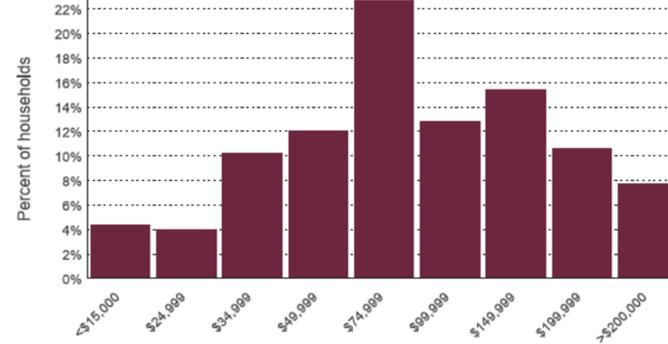
Average HH Size **2.25**

Median Net Worth **\$327,861**

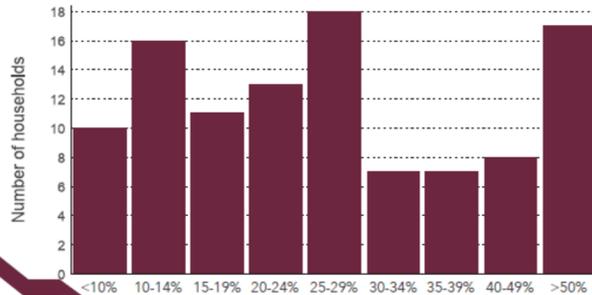
Home value



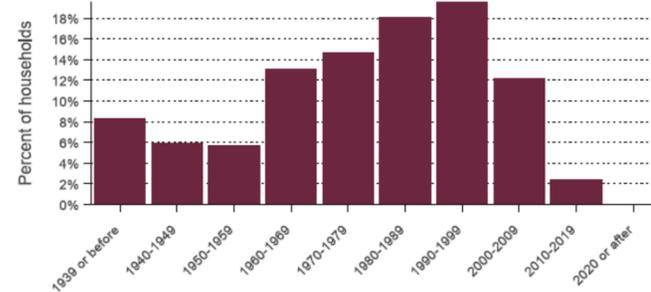
Household income



Mortgage as % salary



Year property built



Source: The data in this infographic comes from Esri, ACS, U.S. Census: 2023, 2017-2021, 2010. © 2023 Esri

V: HOUSING CONDITIONS AND CHARACTERISTICS

Housing Market Characteristics

As a somewhat isolated island community, Beaver Island’s housing stock is primarily 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 30 percent of the total housing units within the Beaver Island Area are occupied units (301 total, estimated for 2021). The vast majority of remaining units are categorized as seasonal/recreational units, representing 67 percent of all housing units (670 units, estimated for 2021). These seasonal/recreational structures represent a wide range of options with equally wide degrees of quality and age, and include such structures as hunting shacks 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. These trends are not surprising, and actually help explain to some degree the unique housing market characteristics found on Beaver Island. The key consideration is that both the substandard hunting cottages and the multi-bedroom manors are not available for permanent occupancy, but either greatly inflate housing pricing as well as shrink the size of the Island’s housing stock – all of which leads to an inflated price/low inventory housing market.

Along with the higher cost of construction commensurate with an island community, a series of barriers to entry can be identified across Beaver Island that prevent a normal housing market from taking place.

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 Beaver Island, just 17 property listings are currently for sale, according to information on www.realtor.com. Of these, a clear delineation can be seen between moderately priced units and more luxurious homes, many of which are not likely for permanent occupancy. Four of the 17 units are within a reasonable price range (\$139,900 to \$168,900); however, these

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 Beaver Island.

four structures are of minimal size (average square footage of 552 square feet – all one-bedroom homes) and exhibit little to no modern features or amenities. The remaining 13 homes for sale exhibit significantly higher price levels (average price of \$483,000), feature multiple bedroom options, significantly larger unit sizes (average of 2,170 square feet), and contain in most cases the most modern features and fixtures. The highest price listing is

for a 1,600 square foot waterfront home on a large lot, at \$850,000. Essentially the Beaver Island homeownership market only serves two segments; one segment includes moderate to upper-income families/households most likely seeking a second/vacation home, mostly found within prime locations. The other (much smaller) segment reflects lower to moderate-income singles and couples, likely purchasing a structure lacking modern features and/or in need of repairs/upgrades, located in some instances within less-than-ideal locations. Neither segment is remarkably large, but perhaps both are reflective of the minimal degree of construction on Beaver Island since 2010. With only two target market segments addressed by the current housing marketplace, those additional target markets that do not ideally match the available for-sale options are either forced into a housing mismatch or ultimately decide against residency on the Island.

In addition to these current home listings, 24 residential lots of varying size are also for sale, according to realtor.com. 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.

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, such as Mackinac Island or Grand Haven, the situation for Beaver Island (featuring a local economy with less dependence on tourism), is also similar in terms of impact, with the added costs of construction and the availability of land, among other barriers.

As discussed previously, the Island’s household ratio by tenure is overwhelmingly tilted toward homeowners, with just 12 percent of existing occupied units on the Island used as rental housing (as estimated for 2023). Such a small ratio clearly inhibits workforce housing opportunities, regardless of the occupation, as simply stated, no rental housing options are readily available. What is likely is that ad-hoc arrangements for some persons/families are made within a seasonal unit – some of which may not be suitable for year-round occupancy, or lack modern features. Others seeking to relocate to the Island are even reduced into outdoor/camping arrangements, undesired roommate alternatives, or are reluctantly forced to commute from the mainland. All of these alternatives to permanent housing are not desirable, and reduce the community’s ability to grow businesses, schools, and services.

The lack of available housing also lessens the ability of the Island to maximize the recreational and social assets that may have been a key determinant for individuals or families to relocate to Beaver Island in the first place. Placemaking features become greatly diminished when housing, along with retail options and community services, are not sufficiently supportive. Ultimately, Beaver Island competes with numerous communities across northwest Michigan for workers, businesses, and professionals. Expectations for attracting desirable persons and entities are dependent on an increasing level of community features – of which available housing is perhaps most important.

Housing Survey Results – Beaver Island

Results of the housing survey indicate a definitive preference for new home ownership options, and to a lesser extent some type of rental housing alternative. Prevailing income levels appear centered within the moderate-and-upper-income levels, with a minority within the affordable/workforce levels.

As part of this analysis, a survey of local households interested in potential residential options on Beaver Island was undertaken. Survey Monkey, one of the more prominent online survey tools, was used for the analysis. Various sources provided the link to the Survey Monkey survey, with both island residents on off-island residents participating. A total of 119 responses were recorded. Those persons that did not exhibit an interest in housing alternatives on Beaver Island were discarded with a qualifying question; those

persons that did demonstrate interest in Beaver Island housing were given the full survey, representing a total of 40 responses.

A summary of the findings includes the following:

- A large majority of respondents are Beaver Island residents – representing 76 percent of all responses. Just below 17 percent were “frequent visitors” to the island, with the remaining responses either former residents of the Island or a friend/relative of an Island resident. A reasonable combination of locals and mainland residents.
- Most response in terms of family size were couples, at 53 percent. Single person households accounted for 22 percent, with single-parent households an additional one percent. The remaining responses (25 percent) were couples with children. The average household size for 2023 is estimated at 2.25 persons, which matches well with the survey data. The number of family responses was somewhat surprising, as the degree of interest by families to relocate to the island was stronger than anticipated, given the size of the island’s population and existing household totals. However, the responses are an indication of the degree of interest by moderate/higher income households/families in homeownership opportunities, rather than workforce housing options.
- Just over half of the responses have an economic tie to Beaver Island (51 percent) – as these respondents are either employed on Beaver Island or operate a business on Beaver Island.
- Most respondents are homeowners, at 84 percent. Just five percent are renters, while the other 11 percent have other unique housing arrangements. This may point to the respondents being somewhat older than anticipated.
- Income data from the responses is skewed toward the moderate- and upper-income levels, with the largest percentage response among households with incomes greater than \$150,000. As information was reported within a range, no average or median income

figure can be determined, but the likely average level is around \$100,000 – representing the market rate rental income range and the primary owner-occupied range.

The distribution of household income was as follows:

○ Less than \$15,000:	7	6%
○ \$15,000 - \$30,000:	10	9%
○ \$30,000 - \$50,000:	17	15%
○ \$50,000 - \$75,000:	16	14%
○ \$75,000 - \$100,000:	20	18%
○ \$100,000 - \$150,000:	17	15%
○ More than \$150,000:	24	22%
○ Did Not Answer:	8	---

This response, and the subsequent question regarding preferred housing options, points to the strongest degree of interest in Beaver Island from higher-income families, rather than singles or couples with more moderate incomes. Also, just 30 percent of households are potentially income-eligible for affordable housing options, assuming some degree of financing or housing credits from the state or federal government – this actually matches relatively well with the demographic data utilized within the demand forecasts in the next section.

- A clear majority of respondents are interested in homeownership, at 70 percent. Just under 12 percent expressed a rental housing preference, with the balance providing an unsure/depends response. Much of these unsure/depends responses were tied to a condominium preference, some type of cooperative housing, senior/congregate care, or a service-oriented community typically targeting active empty nesters/seniors.
- The collected data represents a “pent-up” demand scenario, in which the market potential does not materialize due to a lack of product, rather than insufficient demand. The previously listed barriers to a stable housing market are the primary reasons for such a scenario (limited options, reduced development activity since 2010, lack of choices, unattainable price points, diminished incentives for reasonably priced housing, among others).

While responses point primarily to homeownership among higher-income families as the single largest segment, such options are present on Beaver Island and, to some degree, are potentially available for that target market segment. Workforce options (for both owners and renters) are definitely not as prevalent on Beaver Island, but are sought after by an admittedly smaller-sized target market with a perhaps stronger degree of need.

Historical and current trends will not provide a purely market-driven solution to the lack of housing for the permanent population, due to various barriers to entry, cost issues, and a luxury/vacation marketplace that provides clear market and profit-driven advantages for builders and developers.

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 100 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 \$45,000
- Workforce: \$30,000 to \$60,000
- 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 Beaver Island, the resulting demand calculations are relatively minimal, and are indicative of the market area’s relatively small size. The resulting demand forecast is just two units for the affordable range, three units for the workforce range, and seven 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.

In order for the demand function to fall within or near these acceptable ratios, the proposed units should not exceed four to six units. This assumes two units within the affordable/workforce range, and four units within the market rate range.

Adjustments to statistical demand are often made, based on factors that may be unique to a specific market. Certainly, the Beaver Island area is very unique, but unfortunately does not exhibit reasonable factors that would allow for the augmentation of the statistical demand as determined for this analysis. Factors considered, but not used for adjustments, include the following:

- 1) Unique movership adjustments – reasons for different movership ratios are often incorporated into a demand function. However, both anecdotal considerations and survey results (as summarized within the following section) do not point to any such consideration for rental housing. In fact, the movership ratio for owners moving to renters used for the analysis is likely overstated;
- 2) Additional economic factors – the opening of new employment options often spurs housing activity. No such considerations are currently present on the Island that would necessitate an adjustment in the statistical demand;
- 3) Specific incentives for relocation – outreach and recruitment for the relocation of specific persons, employees, or household types would result in additional demand potential. While some employers may make arrangements for workers, this type of activity was not widely evident to the degree that would require demand potential adjustments;

- 4) Favorable housing pricing factors – an affordable, low-cost marketplace in comparison to nearby alternatives would result in higher movership ratios, assuming no other barriers are present. Unfortunately, the Island’s marketplace exhibits relatively high price points, within a limited supply marketplace, with development costs measurably higher than nearby alternative markets – perhaps the least favorable combination of factors;
- 5) A highly aged housing stock in need of replacement – such conditions may lead to increased development activity and new housing options. Based on observations and a review of statistics regarding construction activity, while some properties may be in need of renovations/replacement, the level of activity is not sufficient to lead to sizeable gains in construction activity.

Statistical demand forecasts using standard housing demand methodology indicates minimal support for additional rental housing, targeting a wide range of target market segments.

It would appear that insufficient demand is present for a rental development with a reasonable project size for most development entities. Prior experience suggested that a minimum size of 20 to 30 units is required to attract most development entities to strongly consider such a project. However, with sufficient cost-savings within the financing and development processes, a smaller development total may be of interest. Such consideration is not factored within this analysis.

Given the small number of senior households on Beaver Island, the corresponding demand forecast for senior-designated units is insufficient, assuming standard methodology and market area considerations. The only factors that would improve the demand potential would be the utilization of a pre-approved list, recruitment of likely residents, or financial considerations that would greatly increase interest by both local residents and seniors from across other areas of northwest lower Michigan.

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 the Beaver Island Area 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 the Beaver Island Area, based on the latest American Community Survey data:
 - Previous Owner into Owner-Occupied Units: 2.0 Percent (11 units)
 - Previous Renter into Owner-Occupied Units: 2.3 Percent (1 unit)

For this data to reflect current conditions, the approximate number of homes purchased within the last year would need to total approximately 12 units, which is essentially implied with the above movership ratios.

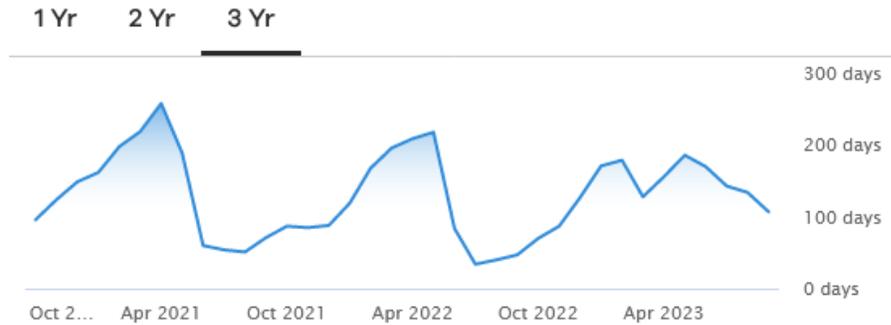
Based on the number of homes currently for sale (17 homes, according to Realtor.com), the demand potential from the movership data appears reasonable. What is complicating the market potential estimation is the extremely tight sales trends (essentially no completed sales over the past 90 days, according to the website), along with the numerous barriers to increased housing development activity.

Equilibrium is the balance between all demand and supply considerations. For Beaver Island, the relatively low available inventory that is primarily concentrated among vacation/seasonal homes for upper-income families is reflected by the higher price points. This is the equilibrium point for the Island, and 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.

It should be noted that annual movership levels for most of Michigan and surrounding states have been slowly declining over the past decade; the pandemic's influence upon these trends is not entirely known at this time, but considering the increase in workers employed at home and the "gig" economy (which assumes a household is either totally or partially supported by a series of non-traditional employment arrangements that previously would be considered more of a hobby rather than the basis of family/household income), a decrease in migration patterns would not be considered unusual. However, anecdotal information and the observed increase in population totals from 2020 to 2023 appears to demonstrate a higher, if temporary, increase in localized movership for the Island.

- Realtor.com describes the local housing market with declining sales periods, as illustrated below. The graphic from the website also includes vacant lots, so the data is a combination of homes and land purchases. The median number of days a listing has been on the marketplace is currently 107 days, well lower than the three-year high of 258 days in March 2021.

Median days on market: 107 Days



- 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 is calculated at 7.1 percent, implying a seller’s market, but given the various barriers to entry and high prices, it is difficult to make broad assumptions regarding the Beaver Island housing market that would be significantly easier within a traditional marketplace.

Very few of the occupied households on the island are considered substandard (approximately one percent, according to the latest ACS data), so it is unlikely that a sizable reduction in the number of available units will take place over the next few years. Given the limited number of homes constructed over the past 13 years, a large infusion of owner-designated homes available to the public is also not likely over the balance of the decade. The only potential infusion of homes available for public purchase would be the conversion of seasonal or vacation homes to year-round use. Given the history and prevailing economic conditions, this shift in housing status is also not a realistic alternative.

Table: Statistical Demand Calculation – Rental Units

2023 Total Occupied Households	273			
2023 Owner-Occupied Households	241			
2023 Renter-Occupied Households	32			
		Affordable Range To 60% AMI	Workforce Range To 100% AMI	Total Market Rate Range
QUALIFIED-INCOME RANGE (unduplicated)				
Minimum Annual Income		\$15,000	\$30,000	\$40,000
Maximum Annual Income		\$45,000	\$60,000	and Above
PERCENTAGE SMALL SIZED OWNER HH		86.3%	86.3%	86.3%
PERCENTAGE SMALL SIZED RENTER HH		75.0%	75.0%	75.0%
DEMAND FROM EXISTING HOUSEHOLDS				
Percent Income Qualified Owner Households		14.2%	19.2%	48.7%
Percent Income Qualified Renter Households		24.9%	42.3%	70.4%
Size-Adjusted Income Qualified Owner Households		29	40	101
Size-Adjusted Income Qualified Renter Households		6	10	17
Annual Movership Rate - Owner to Renter		5.0%	5.0%	5.0%
Annual Movership Rate - Renter to Renter		10.0%	10.0%	10.0%
Total Income-Qualified Owner to Renter Movers		1	2	5
Total Income-Qualified Renter to Renter Movers		1	1	2
Total Demand from Existing Households		2	3	7
DEMAND FROM NEW RENTER HOUSEHOLDS				
Projected 2024 Renter Households	31			
Annual Change in Renter Households, 2023-2026	0			
Percent Qualified Renter Households		24.9%	42.3%	70.4%
Total Annual Demand From New Households		(0)	(0)	(0)
TOTAL DEMAND		2	3	7
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		2	3	7
IDEAL NUMBER OF UNITS		1	2	4
CAPTURE RATE		49.2%	67.8%	60.2%
PENETRATION RATE		2.8%	4.7%	3.4%
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

BIBLIOGRAPHY

2000/2010 U.S. Census of Population and Housing, SF1/SF3, U.S. Census Bureau

2020 U.S. Census – PL 94 – 171 Redistricting Profile

2017-2021 American Housing Survey, U.S. Census Bureau and U.S. Department of Housing and Urban Development

ESRI Business Analyst Online, 2023-2028 Demographic Estimates and Projections

Thematic maps supplemental data through ESRI Business Analyst

U.S. Department of Labor, Bureau of Labor Statistics

Local housing trends/data - Realtor.com

CERTIFICATION

CONSULTANT CERTIFICATION/CERTIFICATE OF ACCURACY

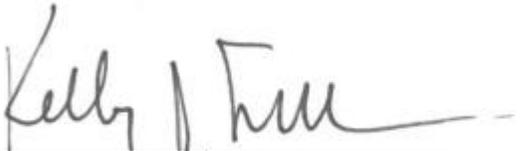
It is hereby attested to that the information in this report is true and accurate. Information gathered from other sources is considered to be reliable; however, the undersigned does not guarantee the data nor assume any liability for any errors in fact, analysis, or judgment.

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.

While the document specifies Community Research Services, LLC, the certification is always signed by the individual completing the study and attesting to the certification.



COMMUNITY RESEARCH SERVICES, LLC



Kelly J. Murdock

Date: September 15, 2023

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.