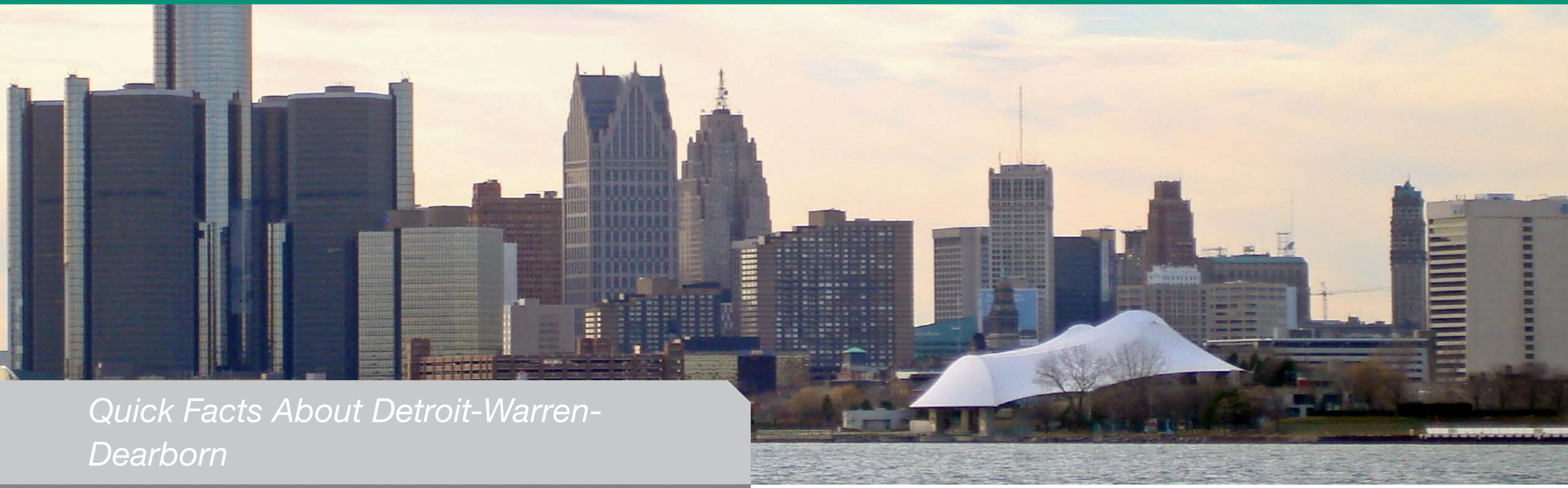
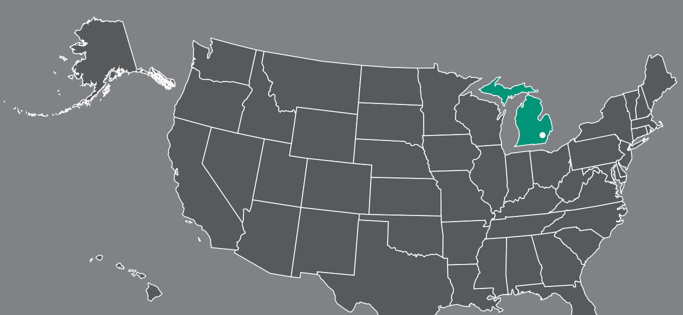
HUD PD&R **Housing Market Profiles**

Detroit-Warren-Dearborn, Michigan



Quick Facts About Detroit-Warren-Dearborn

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **The city of Detroit became the largest municipal bankruptcy in U.S. history, by debt and population affected, when it filed under Chapter 9 during 2013. After negotiations with creditors, the city exited bankruptcy in December 2014 and has since posted three consecutive balanced budgets. The General Motors Company (formerly the General Motors Corporation) and FCA US, LLC (formerly Chrysler), two of the four largest employers in the Detroit metropolitan area, each filed for Chapter 11 bankruptcy and emerged during 2009.**



By Gabe Labovitz | As of February 1, 2018

Overview

The Detroit-Warren-Dearborn (hereafter, Detroit) metropolitan area is coterminous with the Detroit-Warren-Dearborn, MI Metropolitan Statistical Area. It includes six counties in southeastern Michigan—Lapeer, Livingston, Macomb, Oakland, St. Clair, and Wayne Counties. Wayne County includes the city of Detroit. The first mile of paved concrete road in the nation was installed on Woodward Avenue in Detroit in 1909, slightly north of the Ford Model T plant. Henry Ford produced his first automobile in Detroit in 1896, and currently three of the four largest employers in the metropolitan area are Ford Motor Company, General Motors, and FCA US. As of September 2017, the metropolitan area had a concentration of jobs in the transportation equipment manufacturing industry more than five times the national average, and jobs in this industry rose an average of 5.3 percent annually from a recent low of 74,950 jobs during 2010 to 102,300 jobs during 2016 (Quarterly Census of Employment and Wages). Following the recent recession, U.S. vehicle sales increased until setting consecutive sales records during 2015 and 2016, before slowing during 2017 (*USA Today*).

- The current population of the metropolitan area is estimated at 4.30 million, representing an increase of 2,175, or 0.1 percent growth annually since 2011. By contrast, from 2006 to 2011, population in the metropolitan area fell by 24,500, or 0.6 percent annually (U.S. Census Bureau population estimates as of July 1).

continued on page 2

continued from page 1

- From 2006 to 2011, net out-migration averaged 38,950 people annually, while nonfarm payroll jobs fell by 47,200, or 2.4 percent annually. After the economy in the metropolitan area began to recover during 2011, net out-migration fell to an average of 7,350 people annually, primarily because nonfarm payrolls expanded by an average of 47,000, or 2.5 percent annually.
- Since the recent economic recovery leading to population growth began during 2011, Livingston and Macomb Counties have recorded the highest rate of population growth, averaging 0.7 and 0.6 percent, annually, respectively, of the 6 counties. Wayne County, including the city of Detroit, lost population at an average annual rate of only 0.6 percent. From 2006 to 2011, the rate of population loss in Wayne County was 1.4 percent annually.
- Population growth, together with economic development, has been occurring in the city of Detroit. Four zip codes that generally comprise the Downtown, Midtown, and New Center areas, encompassing Woodward Avenue, have recorded population growth of 2.8 percent annually from 2011 to 2016 (2007–2011 and 2012–2016 American Community Survey 5-year data).

Economic Conditions

During the 2000s, the economy of the Detroit metropolitan area declined each year, as nonfarm payrolls fell by an average of 2.4 percent annually compared with a national average annual decline of 0.1 percent. Since 2010, jobs have increased more rapidly in the metropolitan area than nationally, averaging 1.9-percent annual growth compared with 1.6-percent average annual growth nationally. Since 2010, the goods-producing sectors expanded 4.8 percent annually in the metropolitan area. Nationally, job growth in the goods-producing sectors rose 1.7 percent annually. The unemployment rate averaged 4.3 percent during the 3 months ending January 2018, down from 5.0 percent a year earlier.

During the 3 months ending January 2018—

- Nonfarm payrolls increased by an average of 18,700 jobs, or 0.9 percent. This increase is one-half of the number and rate of job growth during the previous year, when nonfarm payrolls expanded by 38,500 jobs, or 2.0 percent growth. Currently, nonfarm payrolls in the metropolitan area average 2.01 million jobs.
- All nonfarm payroll job sectors except one expanded. The leisure and hospitality sector led growth, adding 7,100 jobs, or growth of 3.7 percent following 5,300 jobs added a year earlier, or growth of 2.8 percent. New hotels that have opened or are

continued on page 3

Despite slowing nonfarm payroll job growth in the Detroit area, all sectors except the information sector increased during the past year.

	3 Months Ending		Year-Over-Year Change	
	January 2017 (thousands)	January 2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,993.7	2,012.4	18.7	0.9
Goods-producing sectors	320.0	323.9	3.9	1.2
Mining, logging, and construction	67.5	70.6	3.1	4.6
Manufacturing	252.5	253.3	0.8	0.3
Service-providing sectors	1,673.7	1,688.5	14.8	0.9
Wholesale and retail trade	302.5	303.5	1.0	0.3
Transportation and utilities	70.4	72.0	1.6	2.3
Information	27.8	26.9	– 0.9	– 3.2
Financial activities	113.8	116.5	2.7	2.4
Professional and business services	391.1	392.3	1.2	0.3
Education and health services	312.7	314.0	1.3	0.4
Leisure and hospitality	192.3	199.4	7.1	3.7
Other services	75.6	75.8	0.2	0.3
Government	187.5	188.2	0.7	0.4
	(percent)	(percent)		
Unemployment rate	5.0	4.3		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

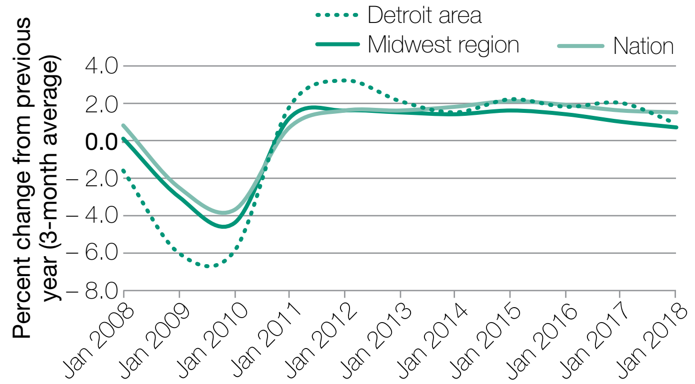
continued from page 2

under construction in the metropolitan area include the Shinola Hotel (130 rooms, opening fall of 2018), The Siren Hotel (106 rooms, opened March 2018), and the Element Detroit hotel (110 rooms, opening summer of 2018). During 2017, greater downtown Detroit had 378 restaurants, up from 301 in 2013, growth of nearly 6 percent annually (Detroit Economic Growth Corporation).

- The mining, logging, and construction sector was the fastest-growing sector, increasing 4.6 percent with 3,100 jobs created during the year. These jobs are almost entirely in the construction subsector because of significant development activity. Along with increased residential development, discussed in the following sections, nonresidential starts, by estimated construction value, totaled $391 million in 2015, $1.24 billion in 2016, and $772 million in 2017 and contributed to growth of construction jobs (McGraw-Hill Construction Pipeline database).
- One sector declined during the past year; the information sector lost 900 jobs, or a loss of 3.2 percent. Despite growth of 700 jobs or 0.4 percent during the past year, the government sector has declined sharply since 2010, falling by an average of 3,200 jobs annually, or 1.6 percent annual losses. Nearly all of the decline, 97 percent, was job losses in the local government sub-sector, as economic impacts from the recent recession continue to affect tax revenues for local communities.
- Growth is not confined to downtown Detroit. Early in 2018, Oakland County announced brownfield redevelopment of more than 300 acres of contaminated or obsolete property; more than $270 million in new investment is expected to create 1,900 new jobs. Recent job announcements in Macomb County include an investment of $40 million by Amazon.com, Inc. to create a logistics optimization center in Shelby Township, which is expected to create more than 1,000 new jobs.

The District Detroit, including 50 blocks in both the Downtown and Midtown areas, includes more than $2 billion in existing, under construction, and planned development. The Little Caesars Arena (LCA) opened in September 2017, with a cost of more than $860 million, and is home to the Detroit Pistons basketball team and the Detroit Red Wings hockey team. With the opening of LCA, Detroit is the only city in the United States with four major professional

The rate of nonfarm payroll growth in the Detroit area dropped during the past year, after registering higher average annual gains than the nation from 2010 through 2017.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Detroit area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Ford Motor Company	Manufacturing	52,175
General Motors Company	Manufacturing	47,400
Beaumont Health	Education & health services	46,350

Note: Excludes local school districts.
Source: Crain's Detroit *Book of Lists*, December 2017

sports teams playing in one central area; Comerica Park, where the Detroit Tigers play baseball, and Ford Field, where the Detroit Lions play football, are within four blocks of the LCA. In December 2017, construction began on the site of the former Hudson's Department Store in the Downtown neighborhood, slightly south of The District Detroit. The yet-unnamed tower will include 1 million square feet for office, retail, and residential uses, with an estimated construction cost of $900 million. When complete, it will be the tallest building in the state of Michigan at more than 800 feet. This development is important in Detroit, because when the Hudson's Department Store was imploded in 1998, after more than 15 years vacant, it was a highly visible symbol of economic decline for the city and the metropolitan area.

Sales Market Conditions

Sales housing market conditions in the Detroit metropolitan area are currently balanced, with an overall estimated vacancy rate of 1.5 percent compared with 2.6 percent in April 2010, when conditions were soft. The inventory of homes for sale represents approximately 2.0 months of supply in January 2018, down from 2.7 months a year earlier and 7.1 month's supply in 2010 (CoreLogic, Inc., with adjustments by the analyst). During the 12 months ending November 2017, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 91,800, or more than 8 percent above the 84,750 home sales recorded a year earlier. At the same time, the average sales price was $167,900, or 3 percent higher than the $162,500 sales price averaged during the 12 months ending November 2016.

continued on page 4

continued from page 3

Total home sales in the metropolitan area reached a recent low of 64,650 during 2008. Sales rose nearly 12 percent to 72,150 sales during 2009, but nearly the entire increase in home sales during 2009 was comprised of REO or short sales. During 2009, REO and short sales were 61 percent of all home sales in the metropolitan area. During 2009, the average sales price for all home sales also bottomed out, reaching a recent low of $82,100. Since 2009, the average sales price has recovered, gaining an average of 10 percent annually, and the current value of $167,900 surpasses the prerecession high of $167,100 during 2003.

During the 12 months ending November 2017—

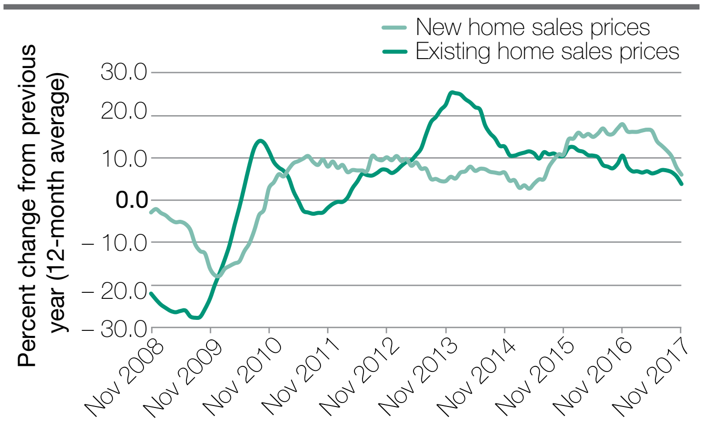
- New home sales remained stable, totaling 3,900, the same number of new sales recorded a year earlier. The average new home sales price, by contrast, rose 6 percent to $321,800. New home sales in the metropolitan area averaged 11,850 sales annually from 2002 through 2005, the recent high level, and then declined to an average of 1,750 sales annually during 2009 and 2010. New home sales prices, by contrast, are significantly higher than prerecession values, which reached a previous peak of $222,300 during 2006.
- All existing sales, including distressed sales, totaled 87,950, or nearly 9 percent more than the sales count a year earlier. At the same time, distressed sales fell nearly 9 percent, while regular resales (excluding distressed) increased more than 12 percent and totaled 74,750, the highest annual total since 2005. For all existing sales, the average sales price was $162,000, nearly 4 percent higher than a year earlier. For regular resales, the average sales price was $181,700, or 3 percent higher than a year earlier.
- The rate of seriously delinquent loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties was 1.5 percent in November 2017, down from 1.9 percent a year earlier. The rate of seriously delinquent loans and REO properties reached 11.3 percent during January and February 2010, following weak economic conditions during 2009 when the unemployment rate peaked at 15.1 percent.

continued on page 5

New and existing home sales in the Detroit area have slowed since increasing strongly from 2011 through 2014.

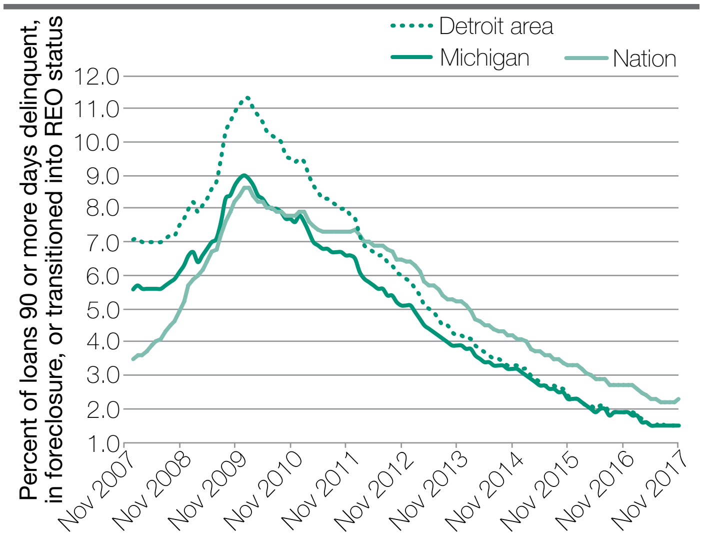
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Home sales prices in the Detroit area have been generally increasing since 2011, when the economic recovery began.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent loans and properties in REO status in the Detroit area declined below the national rate.



REO = real estate owned.
Source: CoreLogic, Inc.

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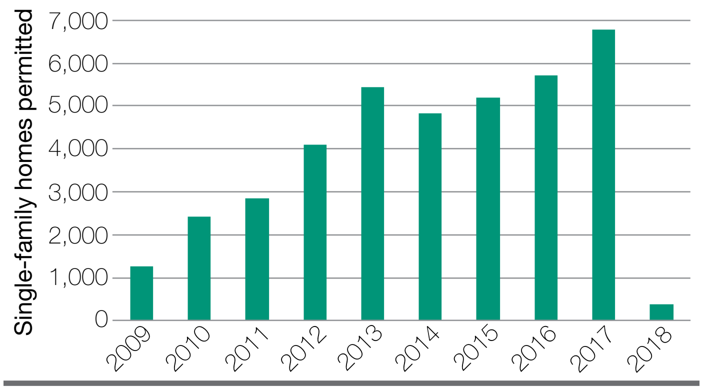
Because of the economic recovery in the metropolitan area, along with improved population trends and a balanced sales housing market, builders increased the production of single-family homes, as measured by the number of homes permitted.

- During the 12 months ending January 2018, single-family home permitting rose 18 percent to 6,800 homes permitted, from 5,775 homes permitted a year earlier (preliminary data). Since a low of 1,250 homes were permitted during 2009, single-family home construction has increased nearly 27 percent annually to 5,200 homes permitted during 2015.
- By comparison, single-family homes permitted averaged 15,300 annually from 2000 through 2005. Homes permitted declined rapidly in the metropolitan area, falling an average of 45 percent annually from 2005 through 2009, when the recent low level of permitting occurred.
- In Detroit, the Brush Park development, located in the Midtown neighborhood north of downtown, City Modern will include over 400 sales and rental units when completed, as market conditions allow. Sales units include 104 carriage homes and townhomes, starting at $423,700 and $536,450, respectively; approximately 70 of the 104 homes are sold.
- The Forest at Wooddale, in Farmington Hills in Oakland County, includes 18 lots for custom and model single-family homes with three and four bedrooms, priced from $458,900. Currently, four lots are sold with home construction under way. In Macomb County, Maplewood Estates includes 38 single-family homesites, with three- and four-bedroom homes starting at $269,900.

Single-family permitting activity in the Detroit area has recovered since a recent low in homes permitted during 2009.



Note: Includes preliminary data from January 2017 through January 2018.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Detroit metropolitan area are currently balanced and have been balanced since the economic recovery began during 2011. The apartment vacancy rate in the metropolitan area was 3.8 percent during the fourth quarter of 2017, slightly below the 3.9-percent rate a year earlier, and the asking rent rose 3 percent to $944 (RealPage, Inc.). Renter household growth in the metropolitan area has occurred because of an increased propensity to rent among new and existing households, the continued economic recovery in the region, and a decline in net out-migration, primarily since 2011.

During the fourth quarter of 2017—

- The apartment vacancy rate declined in 8 of the 14 RealPage, Inc.-defined market areas within the metropolitan area, and rates ranged from 2.2 percent in the Novi/Livingston County area to 8.8 percent in the Dearborn/Dearborn Heights area. The vacancy rate rose the most in the Dearborn/Dearborn Heights area, from 5.0 percent a year earlier. The increased vacancy rate was primarily because of softness among Class C apartments, in which the vacancy rate rose from 9.4 percent in the fourth quarter of 2016 to 17.8 percent in the fourth quarter of 2017.
- The vacancy rate in the Downtown/Midtown/Rivertown area was 3.8 percent, slightly below the 3.9-percent rate reported a year earlier. The average rent in the Downtown/Midtown/Rivertown area was $1,177, the highest rent among all areas, and the increase from a year earlier, nearly 10 percent, was the largest increase reported. More than 1,050 new apartment units entered the market in the Downtown/Midtown/Rivertown area during the past year, representing two-thirds of the new apartments to enter the market in the larger metropolitan area.

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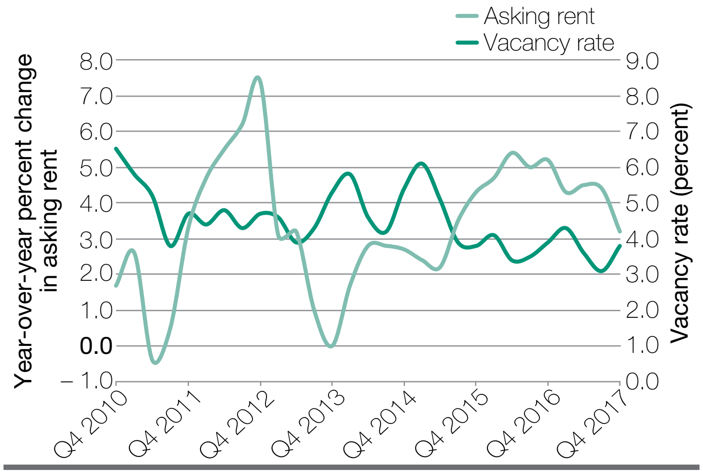
Apartment market conditions in the Detroit area have been balanced to slightly tight since 2013 despite increasing multifamily production levels.



Q4 = fourth quarter.
Source: RealPage, Inc.

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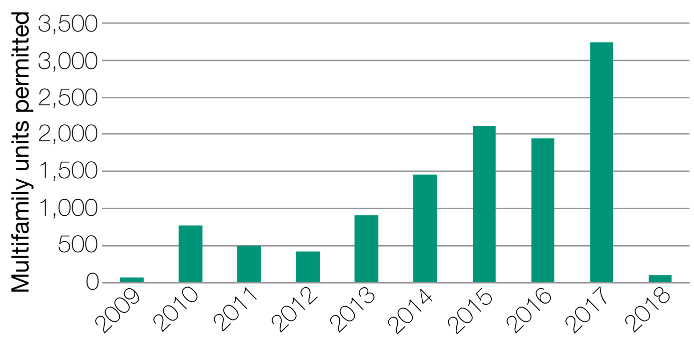
- The next highest average asking rents were in the Farmington Hills/West Bloomfield and Troy/Rochester Hills areas, both in Oakland County, where asking rents averaged $1,156 and $1,124, respectively. Compared with average rents a year earlier, the increase was less than 1 percent in the Farmington Hills/West Bloomfield area and 3 percent in the Troy/Rochester Hills area.
- Each of the 14 RealPage, Inc.-defined areas in the metropolitan area reported increases in average asking rent. Units offering concessions throughout the metropolitan area declined from nearly 19 percent of units during the fourth quarter of 2016 to 13 percent of units during the fourth quarter of 2017.

Multifamily construction, as measured by the number of units permitted, totaled 3,300 during the 12 months ending January 2018, nearly 80 percent more than the units permitted a year earlier (preliminary data). Multifamily units permitted have increased nearly each year since only 70 units were permitted during 2009, when the metropolitan area reached the bottom of the recent economic recession and the unemployment rate peaked at 15.1 percent. Since 2009, the number of multifamily units permitted has risen an average of 75 percent annually through 2015. Also since 2009, approximately 7 percent of multifamily units permitted are estimated to be for owner occupancy. By contrast, from 2005 through 2009, multifamily units intended for owner occupancy totaled 55 percent of all multifamily units permitted.

- Currently, an estimated 2,775 multifamily units are under construction in the metropolitan area, more than one-half of which are in the Downtown/Midtown/Rivertown area as defined by RealPage, Inc. Since 2011, approximately 55 percent of multifamily units permitted in the metropolitan area have been in Wayne County, most of them in the Downtown/Midtown/Rivertown area.
- Approximately 800 units, or 30 percent of the total units under construction, are in Oakland County. Since 2011, approximately 40 percent of multifamily units permitted in the metropolitan area have been in Oakland County.

Multifamily construction in the Detroit area has increased significantly since a low of 70 units were permitted during 2009 at the depth of the recent recession.



Note: Includes preliminary data from January 2017 through January 2018.
Source: U.S. Census Bureau, Building Permits Survey

- Orleans Landing Apartments opened in the summer of 2017, approximately one-half mile east of Downtown Detroit, and includes 278 one- and two-bedroom units, 20 percent of which include income and rent restrictions. Market-rate apartments at Orleans Landing advertise rents of $1,450 to $2,500 for one-bedroom units and $1,900 to $3,000 for two-bedroom units. Arena Lofts, nearly adjacent to the LCA in the District Detroit area in Midtown, includes 153 one- and two-bedroom apartments, scheduled for completion during 2018.
- In response to new, primarily market-rate apartment development in Detroit, the city established a fund of $50 million, expected to leverage an additional $200 million in resources, with a goal of preserving 10,000 existing affordable housing units in the city and developing 2,000 new affordable rental units.
- In Oakland County, Spring Haven Apartments in Southfield opened in 2017 and includes approximately 105 one- and two-bedroom units with rents starting at $1,995 and $2,095, respectively. In Milford, also in Oakland County, The Marquette is currently under construction and includes 100 one- and two-bedroom units, expected to begin leasing in the fall of 2018.