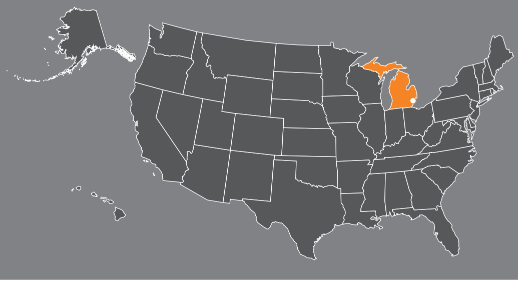
HUD PD&R **Housing Market Profiles**

Detroit-Dearborn-Livonia, Michigan

Detroit, Michigan

Quick Facts About Detroit

- **Current sales market conditions: balanced**
- **Current apartment market conditions: slightly tight**
- **The leisure and hospitality sector has a noteworthy effect on the local economy. With the 2017 completion of the up-to-22,000-seat and more-than-$860 million Little Caesars Arena in the city of Detroit, the Detroit Pistons of the National Basketball Association debuted as the fourth professional sports team to play in the metropolitan division. The city of Detroit is also home to the Detroit Lions of the National Football League, the Detroit Red Wings of the National Hockey League, and the Detroit Tigers Major League Baseball team. The four teams play within one-half mile of each other in the downtown entertainment area—The District Detroit—which has spurred residential and commercial development nearby.**



By Diana Villavicencio | As of June 1, 2020

Overview

The Detroit-Dearborn-Livonia (hereafter, Detroit) metropolitan division, along the U.S.-Canada border in southeastern Michigan, is coterminous with Wayne County. Wayne County is home to approximately 17 percent of the total population in Michigan and is the most populous county in the state. The Detroit metropolitan division economy had been expanding from 2011 through early 2020, mostly because of increasing manufacturing jobs. When the World Health Organization declared COVID-19 a pandemic on March 11, 2020, government responses to combat the pandemic—including a statewide shelter-in-place order effective April 1—negatively affected economic conditions in the Detroit metropolitan division. As a result, the economic expansion ended, and net out-migration increased. The sales market and apartment market conditions, however, remained balanced and slightly tight, respectively.

- As of June 1, 2020, the estimated population of the Detroit metropolitan division was 1.75 million—a decrease of 4,650, or 0.3 percent, since July 2019. During the period, net out-migration grew slightly to 9,050 people, partly due to contracting economic conditions, whereas net natural increase (resident births minus resident deaths) averaged 4,400 people.

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- From 2015 to 2019, the population declined by an annual average of 3,875, or 0.2 percent, because relatively strong job growth contributed to slower net out-migration, averaging 8,725 people a year, and net natural increase averaged 4,850 people annually. From 2011 to 2015—a period that included modest job growth—net out-migration averaged 15,050 people annually, and net natural increase was relatively high, averaging 5,475 people a year, resulting in population loss averaging 9,575 people, or 0.5 percent, annually.
- The city of Detroit has been losing population every year since 1950 when it was the fifth most populated city in the United States at 1.85 million. With an estimated 670,000 residents, the city is currently ranked 24th nationally but remains the largest city in Michigan and accounts for nearly 40 percent of the total population in the metropolitan division.

Economic Conditions

Following an average increase of 1.2 percent annually in nonfarm payroll jobs from 2011 through 2015 in the Detroit metropolitan division, nonfarm payroll growth accelerated slightly to an average growth of 1.4 percent a year from 2015 through 2018. During the 3 months ending May 2020, nonfarm payrolls declined 14.7 percent, or by 113,300 jobs, from the same period a year ago to 655,800 jobs—down from a year-over-year 0.9-percent gain during the 3 months ending May 2019. Nonfarm payrolls in Michigan and the nation declined by 14.3 and 8.2 percent, respectively, during the 3 months ending May 2020, compared with the same period a year ago.

During the 3 months ending May 2020—

- Jobs declined in every nonfarm payroll sector for the first time since before 2000 in the Detroit metropolitan division; similarly, jobs declined in every sector in the state of Michigan and the nation.
- Due to the COVID-19 pandemic effects, job losses in the metropolitan division were highest in the leisure and hospitality sector, which declined by 32,300 jobs, or 40.5 percent, to 47,400 jobs—the lowest number of jobs since before 1990. During the period, the accommodation and food services industry accounted for nearly 85 percent of those losses in the sector, and the arts, entertainment, and recreation industry accounted for the remainder of those losses.
- The professional and business services and the education and health services sectors—the two largest payroll sectors in the metropolitan division, accounting for more than one-third of all nonfarm payrolls combined—contracted by 15,700 and 15,600 jobs, or 12.4 and 11.8 percent, respectively. During the period, the transportation and utilities sector decreased by 2,300 jobs, or 4.5 percent; at an annual growth rate of 4.8 percent, the sector had been the fastest growing sector in the metropolitan division from 2011 through 2019.

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All 11 sectors in the Detroit metropolitan division lost jobs during the 3 months ending May 2020.

	3 Months Ending		Year-Over-Year Change	
	May 2019 (Thousands)	May 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	769.1	655.8	-113.3	-14.7
Goods-Producing Sectors	117.3	89.1	-28.2	-24.0
Mining, Logging, & Construction	21.6	16.6	-5.0	-23.1
Manufacturing	95.7	72.5	-23.2	-24.2
Service-Providing Sectors	651.8	566.7	-85.1	-13.1
Wholesale & Retail Trade	97.4	87.4	-10.0	-10.3
Transportation & Utilities	51.4	49.1	-2.3	-4.5
Information	6.7	6.4	-0.3	-4.5
Financial Activities	39.3	37.7	-1.6	-4.1
Professional & Business Services	127.0	111.3	-15.7	-12.4
Education & Health Services	132.0	116.4	-15.6	-11.8
Leisure & Hospitality	79.7	47.4	-32.3	-40.5
Other Services	28.4	23.5	-4.9	-17.3
Government	89.8	87.5	-2.3	-2.6
Unemployment Rate	4.8%	18.7%		

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

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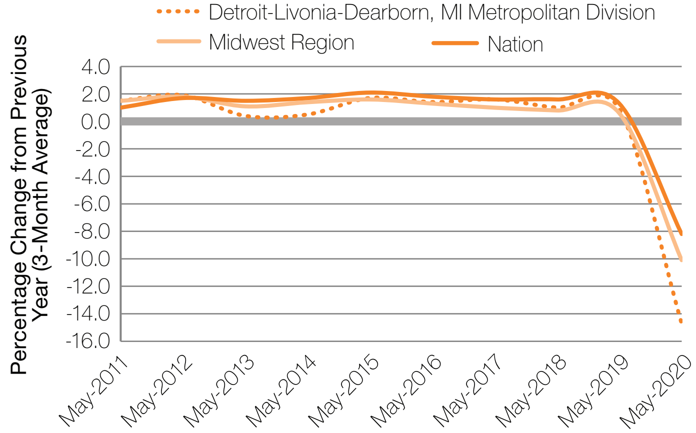
- The average unemployment rate in the Detroit metropolitan division soared to 18.7 percent from 4.8 percent during the same period a year earlier. The current unemployment rate is higher than the 10.6-percent rate for the nation.

With 72,500 jobs, or 11 percent of total nonfarm payrolls during the 3 months ending May 2020, the manufacturing sector is an important part of the Detroit metropolitan division economy because of the motor vehicle and motor vehicle parts manufacturing industries. By comparison, the manufacturing sector accounts for nearly 9 percent of nonfarm payrolls in the nation. The city of Detroit is known as Motor City because Henry Ford modernized automobile production using an assembly line at the Ford Motor Company in Detroit in 1913. Currently, the Ford Motor Company is the largest employer in the metropolitan division. During the 3 months ending May 2020, the manufacturing sector lost 23,200 jobs, or 24.2 percent. The reduction in jobs is mostly because manufacturing companies temporarily shut down factories to limit the spread of COVID-19. During the 3 months ending May 2020, domestic automobile production declined to 210,100 from 654,400 during the previous year and down from the recent high of 1.18 million during the same 3-month period in 2013 (Bureau of Economic Analysis). By comparison, from 2011 through 2019, the manufacturing sector added the most jobs of any sector, up an average 2,900 jobs, or 3.6 percent, a year. During the period, jobs in the motor vehicle and motor vehicle parts manufacturing industries grew by an average of 1,975 jobs, or 5.4 percent, annually, to 46,950 (Quarterly Census of Employment and Wages). During 2019, motor vehicle and motor vehicle parts manufacturing jobs were nearly six times more prevalent in the metropolitan division than nationally.

During the 3 months ending May 2020, the rate of job loss in the Detroit metropolitan division was greater than the respective rates for the Midwest region and the nation.



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

Largest Employers in the Detroit Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Ford Motor Company	Manufacturing	41,000
Rock Ventures LLC	Financial	17,900
Henry Ford Health System	Education & Health Services	16,200

Note: Excludes local school districts.
Source: Wayne County 2019 Comprehensive Annual Financial Report

Sales Market Conditions

The home sales market in the Detroit metropolitan division is currently balanced, with an estimated vacancy rate of 2.0 percent as of June 1, 2020—down from 2.9 percent during April 2010, when conditions were soft. The home sales market has generally been balanced since 2015, partly because of slower population loss and declining levels of available inventory. As of May 2020, the metropolitan division had a 2.7-month supply of available-for-sale inventory—down from 3.5 months a year ago and well below the 8.1-month supply in May 2010 (CoreLogic, Inc.). By comparison, the nation had a 2.5-month supply of for-sale inventory as of May 2020—down from both the 3.3-month supply in May 2019 and 8.3-month supply in May 2010. Part of the recent decrease in the available supply of for-sale homes in the metropolitan division is because social distancing orders caused some sellers to take their home off the market or postpone listing. The percentage of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the metropolitan division peaked at 14.8 percent during April 2010, compared with a peak of 8.4 percent for the nation during the same month (CoreLogic, Inc.). As of April 2020, the metropolitan division rate was 1.6 percent—up from 1.5 percent a year earlier and higher than the 1.4-percent rate for the nation.

During the 12 months ending March 2020—

- New single-family home and townhome sales totaled approximately 290—up by 30 homes, or 7 percent, compared with a 23-percent increase during the 12 months ending March 2019 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). At the same time, the average sales price rose 4 percent to $426,800, compared with an increase of less than 1 percent during the previous year.
- Approximately 26,400 existing single-family homes and townhomes sold in the metropolitan division—down by 1,200 homes, or 4 percent, from the same period a year earlier.

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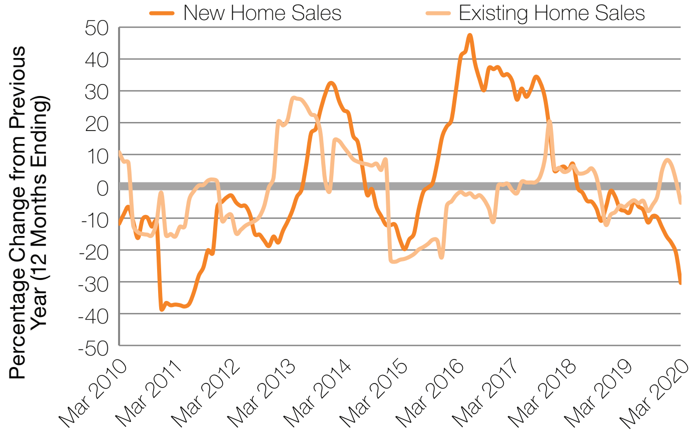
During the 12 months ending March 2020, both new and existing home sales slowed in the Detroit metropolitan division.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

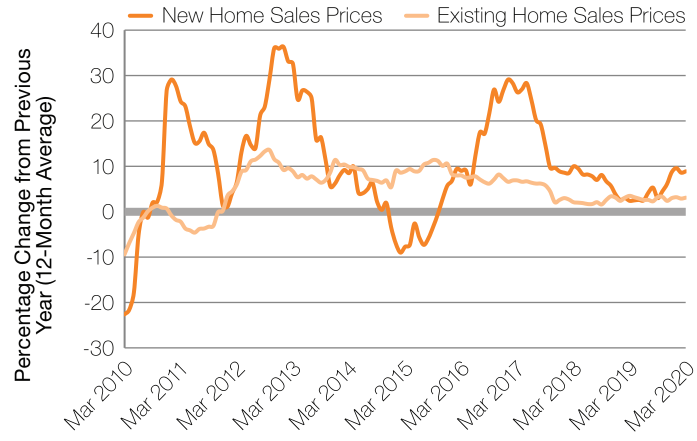
The decline in existing home sales was due to a decrease in regular resale and REO home sales, which declined 5 and 2 percent, respectively.

- The existing home sales price averaged $157,900—a 3-percent increase from the average existing home sales price a year earlier and nearly 70 percent higher than the low average of $94,400 during 2010, when lower-priced REO sales accounted for nearly 80 percent of total existing sales.
- New and existing condominium sales totaled 2,175, or 21 percent fewer sales than a year earlier, and accounted for nearly 8 percent of all home sales in the Detroit metropolitan division—down from 9 percent of all sales a year ago. The average sales price for a condominium during the 12 months ending March 2020 was $169,900—up more than 2 percent from the $166,200 average sales price during the 12 months ending March 2019.

Previously expanding economic conditions, reduced population loss, and declining levels of available inventory contributed to generally increasing home construction activity—as measured by the number of single-family homes permitted—from 2012 through 2017; activity has moderated since then.

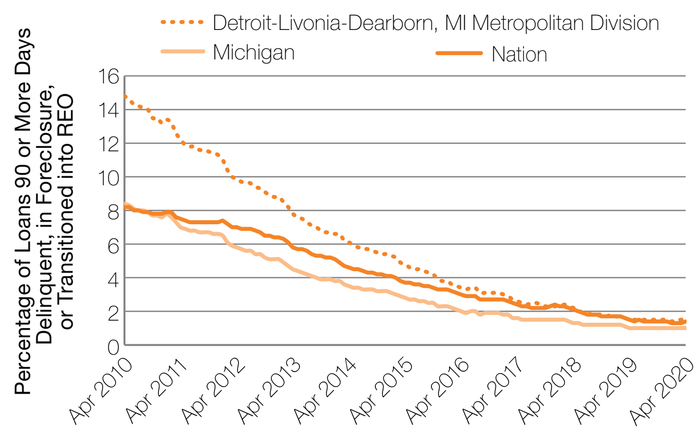
- During the 12 months ending April 2020, 860 new single-family homes were permitted, 11 percent fewer than were issued a year earlier (preliminary data). By comparison, from 2012 through 2017, the number of single-family homes permitted increased an average 16 percent a year, to reach 1,175 homes, but slowed an average 15 percent a year through 2019, to 850 homes permitted.

New home sales prices in the Detroit metropolitan division have increased since November 2015, and existing home sales have increased since December 2011.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The rate of seriously delinquent mortgages and REO properties has declined significantly in the Detroit metropolitan division since the early 2010s but is currently slightly above the national rate.



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

- Approximately 98 percent of single-family home construction in the metropolitan division during the 12 months ending April 2020 occurred outside the city of Detroit, partly because demand in the city of Detroit is strongest amongst singles and couples without children, who typically seek urban lifestyles in multifamily dwellings. More than 30 percent of that single-family construction occurred in Charter Township of Canton, including

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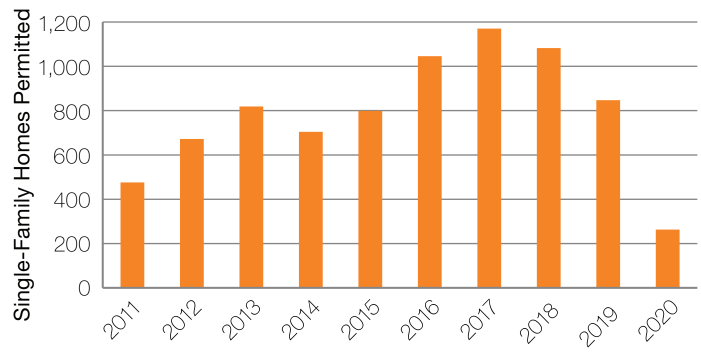
at the River Hill Ridge subdivision with 186 homes completed and 190 expected at build-out; prices start at $364,000 for two-bedroom homes.

- Five condominium properties with a total of 180 units are currently under construction in the metropolitan division. By contrast to patterns in single-family home development, nearly 60 percent of current condominium construction is occurring in the city of Detroit, where prices are higher. One of those condominium developments is Bagley 10, a 10-unit property with three-bedroom units priced between $599,000 and $725,000.

Single-family home permitting in the Detroit metropolitan division increased each year from 2015 through 2017 but has since moderated.



Note: Includes preliminary data from January 2020 through April 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

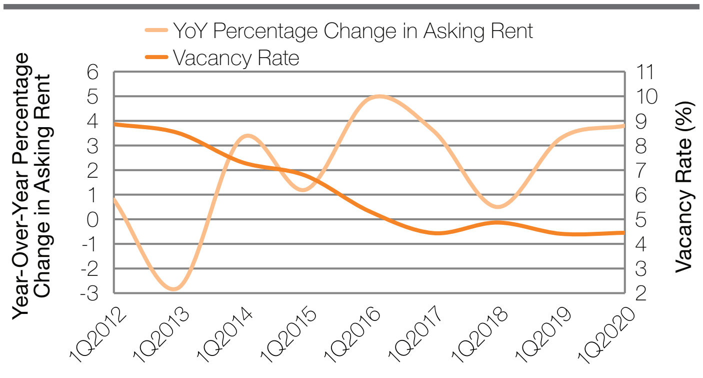
Apartment Market Conditions

Apartment market conditions in the Detroit metropolitan division are currently slightly tight and have tightened since 2010 when conditions were soft. Despite relatively high levels of multifamily construction, previous job growth, reduced population loss through July 2019, and declining levels of available-for-sale inventory have contributed to rental household growth.

During the first quarter of 2020—

- The apartment vacancy rate in the metropolitan division was 4.2 percent, unchanged from the first quarter of 2019 and below the 4.4-percent rate for the nation (RealPage, Inc.). The metropolitan division includes five RealPage, Inc.-defined market areas (hereafter, market areas); the apartment vacancy rate fell in two of those market areas and remained unchanged or increased in the remaining three.
- The average apartment rent increased nearly 3 percent, to $994, in the Detroit metropolitan division from the same quarter in 2019, and the rent increased in all five market areas; at the same time, the average rent nationally increased 4 percent, to $1,436 (RealPage, Inc.). The largest increase in the average apartment rent occurred in the Westland/Canton/Livonia market area—up 6 percent, to $948—but the vacancy rate remained unchanged from the previous year at 3.1 percent.
- With a decline of 2.3-percentage points to 4.8 percent, the largest decline in the apartment vacancy rate occurred in the Dearborn/Dearborn Heights market area where the apartment stock was the oldest (built, on average, in 1971) and the average apartment rent was the second highest at $1,074. The largest increase in the vacancy rate occurred in the Detroit City market area—up 1.5-percentage points to 5.0 percent; the average rent in the market area was the lowest of the five market areas that make up the metropolitan division, at $771, reflecting a 3-percent increase from the previous year.
- In the Downtown/Midtown/Rivertown market area, where the largest proportion of new apartment construction occurred in the most recent 12 months, the vacancy rate increased 1.3-percentage points to 6.0 percent—the highest of the market areas. At the same time, the average apartment rent increased the least—up slightly more than 1 percent—but was the highest in the metropolitan division at $1,249.

The apartment vacancy rate has generally declined in the Detroit metropolitan division despite an elevated level of apartment construction since 2015.



1Q = first quarter. YoY = year-over-year.
Source: RealPage, Inc.

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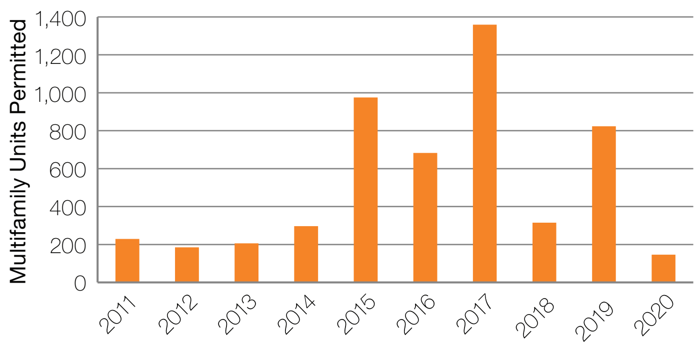
Multifamily home construction, as measured by the number of multifamily units permitted, began increasing in 2013, to reach a recent peak in 2017. Construction has slowed recently but remains elevated compared with levels from 2011 through 2014.

- During the 12 months ending April 2020, approximately 790 multifamily units were permitted in the metropolitan division, nearly doubling the 410 units permitted during the same period 1 year earlier (preliminary data). Nearly one-half of multifamily units permitted during the most recent 12 months were in the city of Detroit.
- From 2011 through 2014, when economic conditions improved, an average of 230 multifamily units were permitted annually, and the number subsequently increased, to an average of 830 units a year, during 2015 and 2016. During 2017, permitting increased to 1,350 units before decreasing to an average of 570 units a year during 2018 and 2019.
- During the 12 months ending April 2020, nearly 30 percent of multifamily units permitted were condominiums—up from an average of 8 percent a year from 2015 through 2019; from 2011 through 2014, no condominiums were permitted.
- As of June 1, 2020, an estimated 990 apartment units are under construction in the Detroit metropolitan division, 530 of which are in the Downtown/Midtown/Rivertown market area. An additional 390 units are under construction in the Detroit City market area.
- Currently under construction in the Downtown/Midtown/Rivertown market area as of June 1, 2020, one-half mile south from The District Detroit, is the 150-unit Hudson apartments, one of the largest properties under way. When complete in 2023, the property will be the second tallest building in the city and will feature a luxury hotel and office, event, and retail space.

Multifamily permitting activity in the Detroit metropolitan division peaked in 2017.



Note: Includes preliminary data from January 2020 through April 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst