

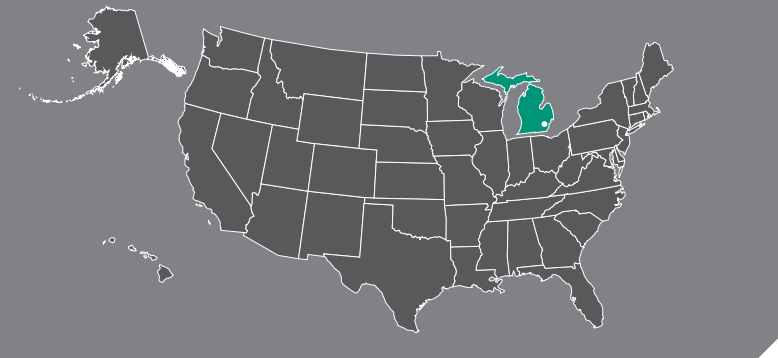
HUD PD&R Housing Market Profiles

Detroit-Warren-Dearborn, Michigan



Quick Facts About Detroit-Warren-Dearborn

- **Current sales market conditions: soft but improving.**
- **Current apartment market conditions: balanced.**
- **The city of Detroit became the largest American city to declare bankruptcy when it filed in July 2013 with outstanding debt estimated at \$18 billion. Negotiations with creditors are ongoing.**



By Gabriel A. Labovitz | As of February 1, 2014

Overview

The Detroit-Warren-Dearborn (hereafter, Detroit) metropolitan area in southeast Michigan includes six counties that together account for more than 43 percent of the population in the state of Michigan. Wayne County, which includes the city of Detroit, includes approximately 42 percent of the Detroit metropolitan area population.

- As of February 1, 2014, the estimated population of the metropolitan area was 4.31 million, which represents an average annual increase of 2,625, or 0.1 percent, since April 2010.
- Population growth is entirely the result of net natural increase (resident births minus resident deaths), as net migration remains negative; however, out-migration from the metropolitan area has fallen to an average of 7,625 people annually since 2010, much improved from the out-migration of 34,450 people reported annually between 2000 and 2010 as the economy has strengthened during the past 3 years.
- The city of Detroit, which reported a population loss of 23,750 people, or 2.8 percent, annually from 2000 through 2010, reported a lesser annual population decline of 10,050 people, or 1.4 percent, from 2010 to July 2013 (Southeast Michigan Council of Governments).



Expansion by automobile manufacturers led to increased manufacturing employment in the Detroit area.

	3 Months Ending		Year-Over-Year Change	
	January 2013 (thousands)	January 2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,851.0	1,863.3	12.3	0.7
Goods-producing sectors	278.9	288.5	9.6	3.4
Mining, logging, and construction	55.5	54.8	-0.7	-1.3
Manufacturing	223.4	233.7	10.3	4.6
Service-providing sectors	1,572.1	1,574.7	2.6	0.2
Wholesale and retail trade	291.2	291.1	-0.1	0.0
Transportation and utilities	60.8	62.9	2.1	3.5
Information	26.6	27.1	0.5	1.9
Financial activities	100.6	99.4	-1.2	-1.2
Professional and business services	352.2	361.9	9.7	2.8
Education and health services	298.0	297.2	-0.8	-0.3
Leisure and hospitality	173.8	169.6	-4.2	-2.4
Other services	76.3	77.1	0.8	1.0
Government	192.7	188.4	-4.3	-2.2
	(percent)	(percent)		
Unemployment rate	9.9	8.3		

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

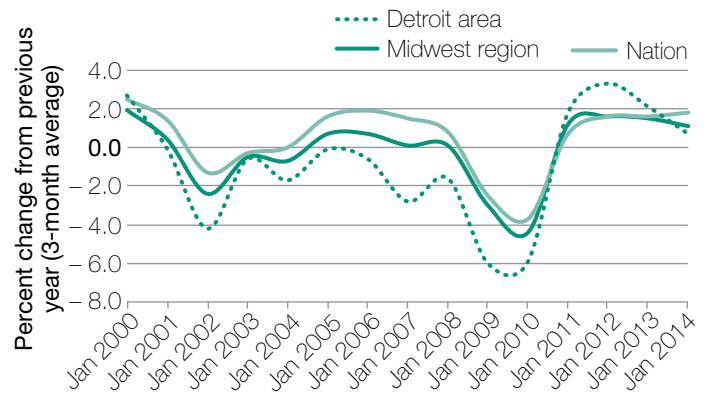
Economic Conditions

During the 3 months ending January 2014, nonfarm payrolls in the Detroit metropolitan area increased by 12,300 jobs, or 0.7 percent, which is less than the growth of 37,200 jobs, or 2.1 percent, reported during the 3 months ending January 2013; by comparison, nonfarm payrolls declined each year from 2000 through 2010, averaging a loss of 46,700 jobs, or 2.4 percent, annually.

- During the 3 months ending January 2014, the manufacturing sector in the metropolitan area increased by 10,300 jobs, or 4.6 percent, the fourth consecutive year of increasing employment. Manufacturing sector payrolls declined by an average of 23,200 jobs, or 8.1 percent, annually from 2000 through 2009 before starting to increase in 2010.
- One of the largest employers in the metropolitan area, General Motors Company, announced in December 2013 that it would invest more than \$600 million at the Romulus Powertrain Operations facility and the Detroit-Hamtramck Assembly plant, both in Wayne County, which are expected to result in the creation or retention of more than 700 jobs.
- The government sector reported the greatest decline, of 4,300 jobs, or 2.2 percent, during the 3 months ending January 2014, with local government subsector employment accounting for 60 percent of job losses in the sector.

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The economy of the Detroit area has exhibited greater volatility than the economies of the Midwest region and the nation.



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	44,000
Chrysler Group LLC	Manufacturing	29,000
General Motors Company	Manufacturing	26,850

Note: Excludes local school districts.
Source: Crain's Detroit Business



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- The unemployment rate in the metropolitan area, which peaked at 15.0 percent in 2009, was 8.3 percent during the 3 months ending January 2014, down from 9.9 percent during the 3 months ending January 2013.

The M-1 Rail streetcar transit system is being constructed along Woodward Avenue from Larned Street in downtown Detroit through

West Grand Boulevard in the New Center/North End neighborhoods. The initial 3.3-mile leg is projected to cost \$137 million, which includes \$25 million from the U.S. Department of Transportation. Groundbreaking is anticipated in the spring of 2014, and the first passengers may begin riding in early 2016. Preliminary estimates are for an economic impact of \$500 million to \$1 billion (<http://m-1rail.com>).

Sales Market Conditions

Sales housing market conditions in the Detroit metropolitan area are currently soft but improving. The current estimated sales vacancy rate is 2.1 percent, down from 2.5 percent in April 2010. The economic recovery during the past 4 years led to an increase in new and existing home sales and prices in the metropolitan area. Foreclosures have also declined, and the percentage of home loans that were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) has been less than the national average since September 2012 (Black Knight Financial Services, Inc.).

- New home sales (including single-family homes, townhomes, and condominiums) averaged 2,650 during 2013, up nearly 36 percent from 2012, and the average new home sales price was \$286,900, a gain of 15 percent from 2012. New home sales averaged 9,875 annually from 2005 through 2007 before declining to an average of 2,350 homes sold annually from 2008 through 2011 (Metrostudy, A Hanley Wood Company).
- Existing home sales (including single-family homes, townhomes, and condominiums) averaged 80,400 during 2013, or 5 percent more than during 2012, and the average sales price for existing

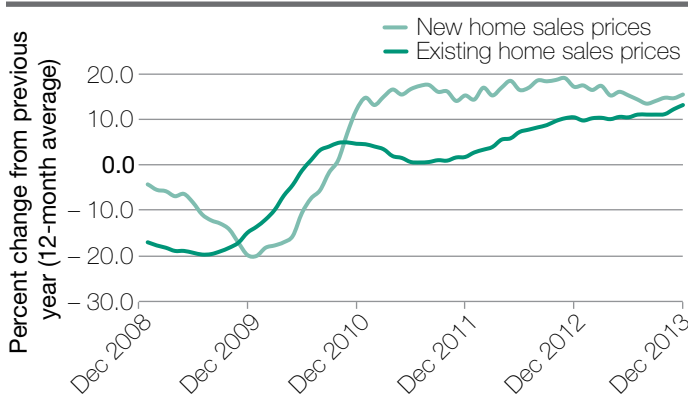
homes was \$151,100, up 13 percent from 2012. Existing home sales were stable from 2005 through 2011, averaging 68,400 annually.

- REO home sales activity is a significant part of existing home sales activity, accounting for 43 percent of existing home sales during 2013. Approximately 10 percent of existing home sales were REO sales during 2005, a ratio that peaked at 70 percent during 2009. During 2013, the average sales price for an REO home was \$92,050, or about one-half of the average sales price for nondistressed existing homes.
- As of February 2014, 4.6 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned to REO, down from 6.5 percent a year earlier. By comparison, the distressed loan percentages for Michigan and the United States in February 2014 were 4.5 and 5.3 percent, respectively (Black Knight Financial Services, Inc.).

Single-family homebuilding, as measured by the number of homes permitted, declined significantly during the economic downturn from 2006 through 2009 before beginning to increase in 2010. The strengthening economy and improving new home sales and prices

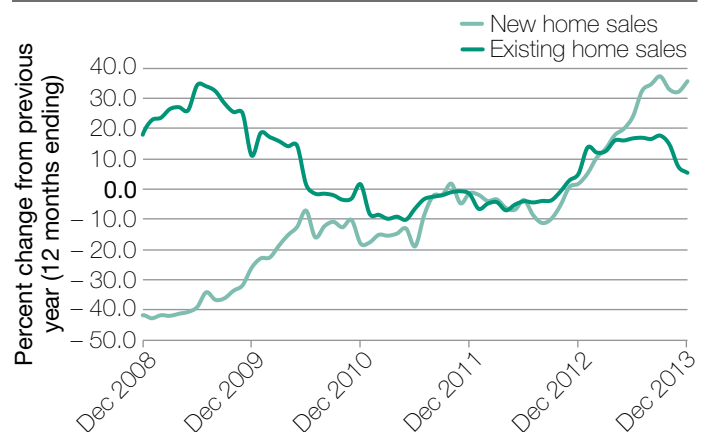
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The change in new and existing home sales prices in the Detroit area became positive during the second half of 2010, as economic conditions improved.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

The year-over-year change in new and existing home sales in the Detroit area turned positive in late 2012.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

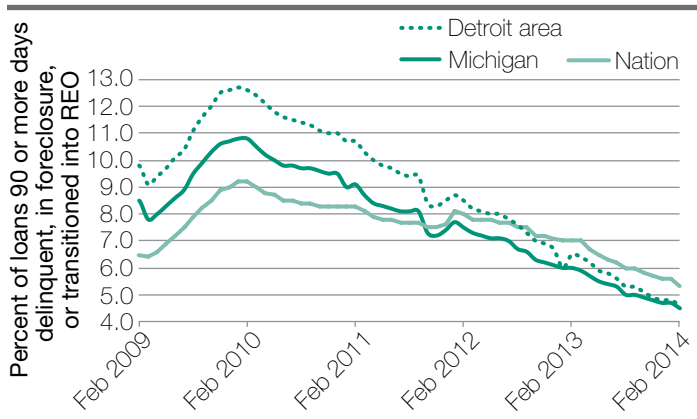


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encouraged homebuilders to increase production, with 870 new homes permitted during the 3 months ending January 2014, 13 percent more than during the 3 months ending January 2013.

- In the Detroit metropolitan area, single-family home permitting peaked from 2001 through 2005, when an average of 12,100 homes were permitted annually, before declining to averages of 4,475 homes permitted annually during 2006 and 2007 and 1,950 homes permitted annually from 2008 through 2011.

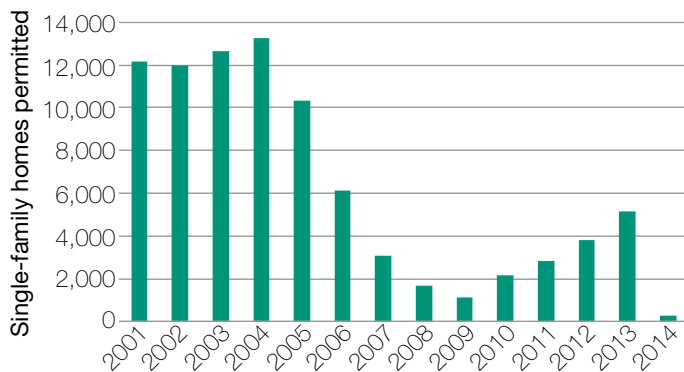
Improving economic conditions have contributed to a decrease in the distressed loan percentage in the Detroit area, which dipped below the national average in September 2012.



REO = Real Estate Owned.
Source: Black Knight Financial Services, Inc.

- Oakland County led the six counties in the metropolitan area in homebuilding. The 410 homes permitted in the county during the 3 months ending January 2014 were 11 percent more than during the 3 months ending January 2013 and accounted for 47 percent of the total homes permitted in the metropolitan area.
- In the city of Detroit, most construction of sales housing is of multifamily units. Only 32 single-family homes were permitted during 2013, or 17 percent of the 186 sales homes permitted, and only 4 single-family homes received permits during 2012, or 11 percent of the 36 sales homes permitted, the lowest level of sales housing permitted since 1991.

As the economy of the Detroit area has improved, single-family homebuilding activity has increased, but builders remain cautious.



Note: Includes preliminary data from January 2013 through January 2014.
Sources: Southeast Michigan Council of Governments; U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Detroit metropolitan area are currently balanced. During the fourth quarter of 2013, the average apartment vacancy rate was 4.4 percent, down from 4.7 percent a year earlier (MPF Research). Strengthening apartment market conditions in the metropolitan area are a result of a gradually increasing population, improving economic conditions, and an increased propensity to rent, partially as a result of stricter home mortgage lending conditions.

During the fourth quarter of 2013—

- The apartment vacancy rate in MPF Research-defined market areas ranged from 2.7 percent in Royal Oak/Oak Park (in Oakland County) to 11.3 percent in the city of Detroit. The greatest annual decrease in apartment vacancy occurred in the Novi/Livingston County area, where the vacancy rate declined from 5.8 percent during the fourth quarter of 2012 to 2.9 percent during the fourth quarter of 2013.

- The average apartment rent in the Detroit metropolitan area was \$812 during the fourth quarter of 2013, unchanged from a year earlier; the market areas with the highest rents were Farmington Hills/West Bloomfield and Troy/Rochester Hills, both in Oakland County, at \$981 and \$947, respectively.
- Monthly rents in the metropolitan area averaged \$586, \$696, \$866, and \$1,163 for efficiency, one-bedroom, two-bedroom, and three-bedroom units, respectively. The average rents for efficiency and one-bedroom units increased 4 and 2 percent, respectively, from the fourth quarter of 2012 to the fourth quarter of 2013, while the average rent for two- and three-bedroom units declined less than 1 percent each.
- Concessions are currently offered by approximately 9 percent of apartment properties in the metropolitan area, down from 14 percent of apartment properties a year earlier. The average concession in the market is one-half month's to one month's rent free, or a waived security deposit, with a 12-month lease.

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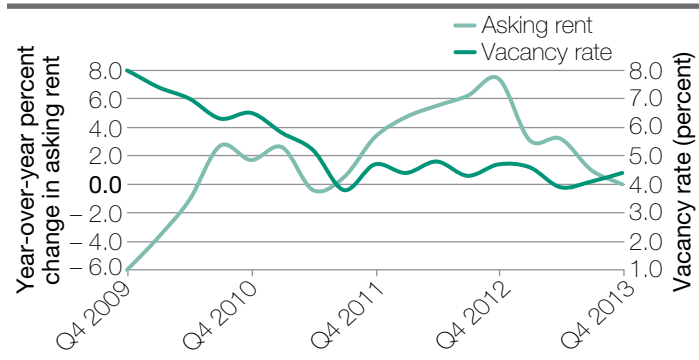


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Despite the improving apartment market conditions, developers remain cautious in new apartment construction, as measured by the number of units permitted, which remains low.

- Approximately 810 apartment units were permitted during 2013, 54 percent more than the 520 units permitted during 2012; these figures represent 57 and 51 percent of all multifamily units permitted during 2013 and 2012, respectively.
- The number of apartments permitted in the Detroit metropolitan area averaged 1,850 annually from 2001 through 2004 but declined to 560 annually from 2005 through 2011. From 2000 through 2007, apartments represented only 25 percent of all multifamily units permitted, a ratio that increased to 57 percent from 2007 through 2013 as developers recognized the increased propensity to rent.

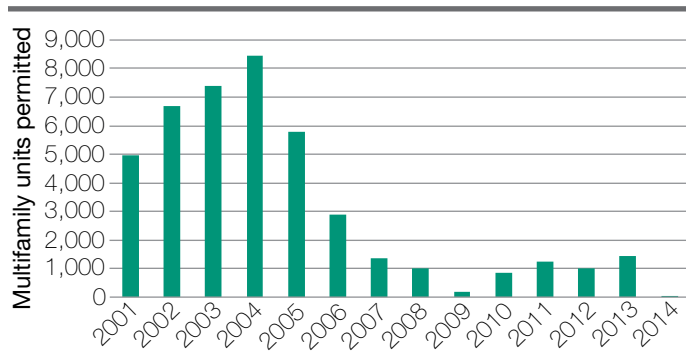
Apartment markets in the Detroit area have been balanced since 2010, coinciding with increasing numbers of renter households.



Source: MPP Research

- Approximately 300 independent- and assisted-living units are under construction in Macomb County; 400 units, including independent living, assisted living, and nursing home beds, are under construction or recently opened in Oakland County; and nearly 400 units for seniors are under construction or recently opened in suburban Wayne County, including The Rivers Grosse Pointe, which is a continuing care retirement community expected to open in the summer of 2014 (Economic and Market Analysis Division estimates). The David Whitney Building, a historic skyscraper in downtown Detroit, is undergoing a substantial, \$86 million rehabilitation into 105 market-rate apartments and a 135-unit boutique hotel. The David Whitney Building is expected to reopen in the fall of 2014. Rents are not yet set. This project follows the successful rehabilitation of the David Broderick Tower, which, when granted its certificate of occupancy in late 2012, was 100 percent leased.

Multifamily construction remained low in the Detroit area, despite improving economic and market conditions.



Note: Includes preliminary data from January 2013 through January 2014. Sources: Southeast Michigan Council of Governments; U.S. Census Bureau, Building Permits Survey

