

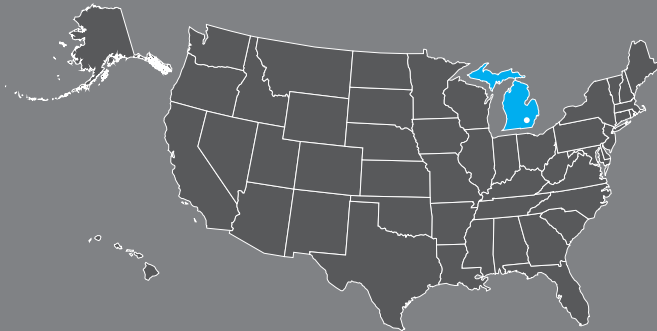
HUD PD&R Housing Market Profiles

Ann Arbor, Michigan



Quick Facts About Ann Arbor

- **Current sales market conditions: tight.**
- **Current rental market conditions: slightly tight.**
- **The University of Michigan (UM), the University of Michigan Medical Center (UMMC), and Eastern Michigan University (EMU) are 3 of the 10 largest employers in the Ann Arbor metropolitan area. Combined, UM, UMMC, and EMU employ more than 30,800 people and have a total enrollment of 65,300 students. UM, the larger of the two universities, has a capital budget with more than \$1.6 billion of expenditures and is expecting to receive \$3.9 billion in research funding for the 2015–16 academic year (University of Michigan).**



By Marissa Dolin | As of October 1, 2015

Overview

The Ann Arbor metropolitan area is coterminous with Washtenaw County, Michigan, 45 miles west of Detroit along Interstate 94. The city of Ann Arbor is the largest city in the metropolitan area and the location of UM, which was ranked in the top 30 universities in the nation in 2015 according to *U.S. News and World Report*. Companies such as Toyota Motor Corporation, General Motors Company, Google Inc., and Johnson & Johnson have facilities in the metropolitan area to use the skilled resident workforce.

- As of October 1, 2015, the estimated population of the Ann Arbor metropolitan area is 359,700, an average annual increase of 0.8 percent, or 2,750, since April 2010.
- From 2000 to 2005, population growth in the metropolitan area averaged 3,675 people, or 1.1 percent, annually. During that period, net in-migration averaged 1,300 people, accounting for 35 percent of population growth.
- From 2005 to 2010 the population grew more slowly, at an average annual increase of 540, or 0.2 percent, with net out-migration averaging 1,525 people annually. A large portion of net out-migration occurred from 2007 to 2008, when 5,700 people moved out of the metropolitan area. The closure of a Pfizer Inc. research facility and employee transfers led to the elevated out-migration.



Job growth occurred in all but three sectors in the Ann Arbor area during the 3 months ending September 2015.

	3 Months Ending		Year-Over-Year Change	
	September 2014 (thousands)	September 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	205.9	207.7	1.8	0.9
Goods-producing sectors	18.3	18.2	-0.1	-0.5
Mining, logging, and construction	4.3	4.1	-0.2	-4.7
Manufacturing	14.0	14.1	0.1	0.7
Service-providing sectors	187.6	189.6	2.0	1.1
Wholesale and retail trade	21.3	22.4	1.1	5.2
Transportation and utilities	3.4	3.5	0.1	2.9
Information	5.0	5.1	0.1	2.0
Financial activities	7.8	7.9	0.1	1.3
Professional and business services	27.0	27.3	0.3	1.1
Education and health services	25.8	26.3	0.5	1.9
Leisure and hospitality	16.8	16.5	-0.3	-1.8
Other services	6.7	6.7	0.0	0.0
Government	73.7	73.8	0.1	0.1
	(percent)	(percent)		
Unemployment rate	5.3	3.8		

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

Economic Conditions

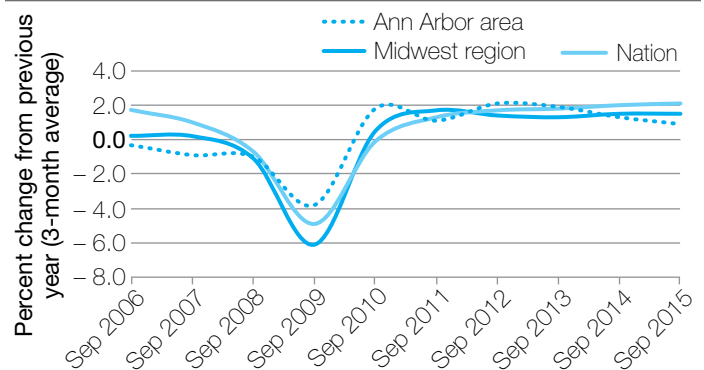
Economic conditions in the Ann Arbor metropolitan area have strengthened since 2010. Unlike the national trend, the area recorded a net loss of jobs from 2001 through 2009. After a spike in nonfarm payrolls in 2001, jobs declined through 2003, then recorded small gains through 2005 but again declined before the national recession. The Ann Arbor metropolitan area has continued a transition that began more than 25 years ago from a manufacturing center to one better known for its public universities, research and development, and healthcare services.

During the 3 months ending September 2015—

- Nonfarm payrolls averaged 207,700 jobs, an increase of 1,800 jobs, or 0.9 percent, compared with the number of jobs during the same 3-month period in 2014, resulting from growth in 8 of the 11 sectors.
- The wholesale and retail trade sector increased by 1,100 jobs, which was the largest increase out of all the sectors, because of growth in the retail trade subsector. Menards, Lucky's Market, Shinola, Belle Tire, and Family Dollar have all opened stores in the metropolitan area in 2015.
- The education and health services sector had the second largest number of job gains, increasing by 500 jobs, or 1.9 percent.

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Nonfarm payrolls in the Ann Arbor area have grown at a slower rate than in the Midwest and the nation since late 2014.



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

Largest employers in the Ann Arbor area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Michigan Medical Center	Government	18,200
University of Michigan	Government	10,900
Trinity Health	Education and health services	5,850

Note: Excludes local school districts.
Source: Ann Arbor SPARK, January 2015

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Growth in this sector is partly attributable to the expansion of Trinity Health facilities during the past year, including a new cancer care center, dental clinic, and urgent care center.

- The state government subsector continued the job growth trend that has been occurring for more than 15 years, with the addition of 100 jobs, or 0.1 percent. The completion of a \$55 million renovation to the health sciences library and the opening of two new dormitories on the UM campus in August 2015 supported growth in the subsector.
- Job losses occurred only in the leisure and hospitality and the mining, logging, and construction sectors, which decreased by 300 and 200 jobs, or 1.8 and 4.7 percent, respectively, from the

3 months ending September 2014. A decline in single-family home construction may have caused some of the decline in mining, logging, and construction sector jobs.

The automotive research and development industry is an important part of the local economy. Growth in the professional and business services sector was partly supported by the \$126 million expansion of the Toyota Technical Center, which broke ground in June 2015 and is expected to transfer 335 employees to the Ann Arbor metropolitan area after it is completed in 2016. In addition, both General Motors and UM built or expanded their driverless car testing facilities in the past year. Job gains are expected; however, no official announcements have been made.

Sales Market Conditions

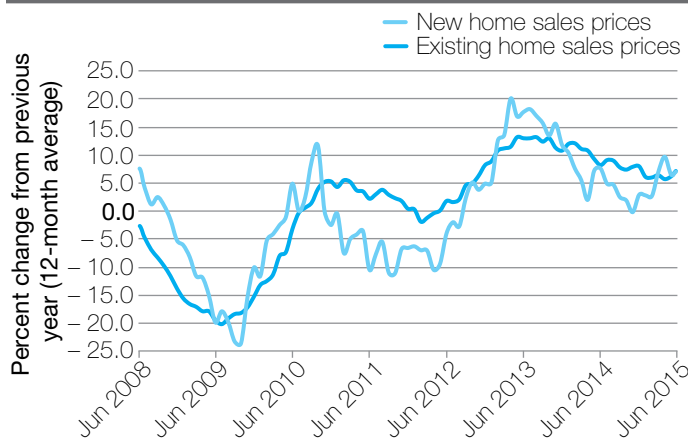
The sales housing market in the Ann Arbor metropolitan area is currently tight, with an estimated sales vacancy rate of 1.2 percent, a decrease from 2.1 percent in 2010. New and existing home sales (including single-family homes, townhomes, and condominiums) are up from the previous lows recorded during the housing crisis but have not increased to the peak levels recorded in the mid-2000s. As the home sales market improved from soft conditions from 2006 through 2011, the average new home sales price surpassed its pre-recession peak and the average sales price for existing homes almost fully recovered. Improved economic conditions and a tighter home sales market also led to a decline in the rate of seriously delinquent (90 or more days delinquent or in the foreclosure process) home loans and real estate owned (REO) properties. The percentage

of home loans in the Ann Arbor metropolitan area that were seriously delinquent or had transitioned into REO status declined from 2.0 percent in September 2014 to 1.8 percent in September 2015 (Black Knight Financial Services, Inc.). The current rate is lower than the 3.5-percent rate for Michigan and the 4.2-percent rate for the nation.

During the 12 months ending June 2015—

- Existing home sales totaled 5,150, an increase of 180 homes sold, or 4 percent more than the 4,975 homes sold during the 12-month period ending June 2014 and up 35 percent from the average of 3,825 homes sold annually from 2009 through 2011, when the market was soft. The increase in existing home sales resulted from growth in regular resales, up by 12 percent. Growth in regular resales was partly offset by declines of 33 and 46 percent, respectively, in the number of REO and short sales (CoreLogic, Inc., with adjustments by the analyst).

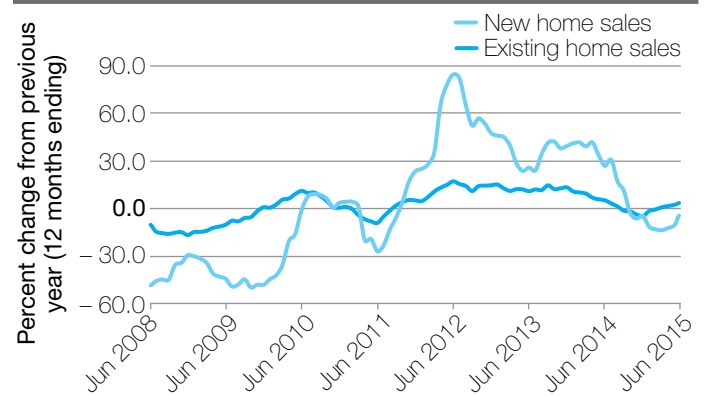
Declining REO and short sales have contributed to increased home prices in the Ann Arbor area since 2012.



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

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Home sales increased from 2011 through 2014 in the Ann Arbor area but fell recently because of low levels of inventory.



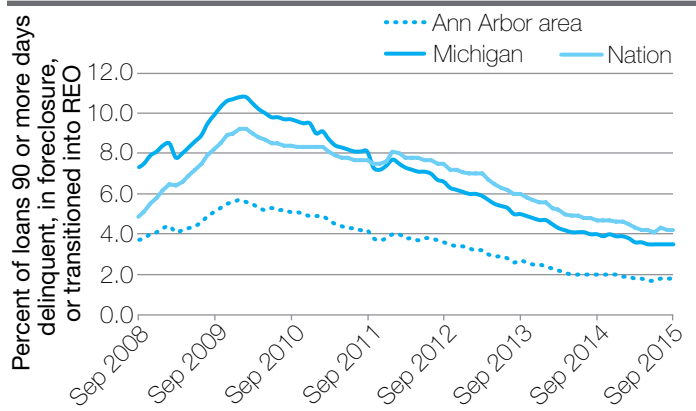
Note: Includes single-family homes, townhomes, and condominiums.
 Source: CoreLogic, Inc., with adjustments by the analyst



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- New home sales totaled 360 homes sold, down from the 380 homes sold during the 12 months ending June 2014 but up from the average of 160 homes sold annually from 2009 through 2011. Sales are significantly below the average of 1,350 homes sold annually from 2001 through 2006.
- The average sales price for existing homes was \$238,800, an increase of \$16,400, or 7 percent, compared with the average price during the 12 months ending June 2014. Part of the reason for the increase in the existing home sales price was the large decline in the number of REO and short sales, which hamper sales prices. The sales price for REO and short sales averaged \$100,000 or more below the price of a regular resale. The average sales price for all existing homes is only \$4,200 below the peak existing home sales price in 2006 and is \$69,600 above the low in 2009.
- The average sales price for new homes was \$278,300, an increase of \$18,600, or 7 percent, compared with the average price during the previous 12 months. The average new home sales price is 30 percent above the low of \$214,700 in 2011 and 1 percent higher than the previous peak of \$276,400 in 2007.

The share of seriously delinquent loans and REO properties in the Ann Arbor area was below both the Michigan and national rates.

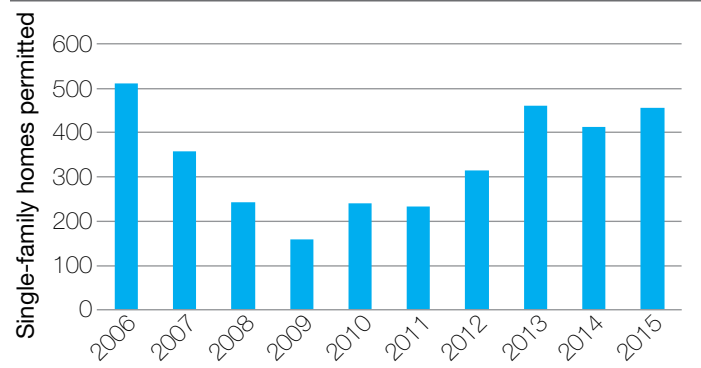


REO = real estate owned.
Source: Black Knight Financial Services, Inc.

Single-family home construction activity, as measured by the number of single-family homes permitted, increased during the 12 months ending September 2015 but remained below prerecessionary levels.

- The number of single-family homes permitted increased to 440 during the 12 months ending September 2015 compared with 390 homes permitted a year earlier (preliminary data).
- Single-family home construction declined steadily from 2006 through 2009 by an average of 120 homes a year, to a low of 160 homes permitted in 2009.
- Single-family home construction has increased since 2009 but remains below prerecessionary levels in the mid-2000s.
- The Westridge of Dexter subdivision, a 223-lot single-family development, is currently 90 percent sold. Prices for these homes range from \$260,000 to \$400,000. In Superior Township, east of the city of Ann Arbor, the 32-unit luxury home community Woodlands of Geddes Glen is under construction, with 16 homes currently sold and prices ranging from \$800,000 to \$1.1 million. Out of the eight subdivisions under construction in the metropolitan area, only three offer homes starting at less than \$300,000 (Yahoo!-Zillow Real Estate Network).

Single-family home permitting has increased since 2009 in the Ann Arbor area but remained below prerecessionary levels.



Note: Includes permits through September 2015.
Source: Southeast Michigan Council of Governments

Rental Market Conditions

Rental housing market conditions in the Ann Arbor metropolitan area have been tight since 2010 but began to soften in the first quarter of 2015 as multifamily construction caught up to market demand. In downtown Ann Arbor, near UM, 1,060 apartments were completed between 2012 and the fall of 2015 (Ann Arbor Downtown Development Authority). Construction in this neighborhood accounted for approximately two-thirds of all multifamily units permitted between 2011 and 2014.

- The estimated vacancy rate for all rental units (including single-family homes, manufactured homes, and apartment units) is 3.3 percent as of October 1, 2015, a decrease from 7.8 percent in 2010.
- The apartment market is slightly tight, with a 4.1-percent vacancy rate in the third quarter of 2015, an increase from 3.5 percent a year earlier (Axiometrics Inc.).

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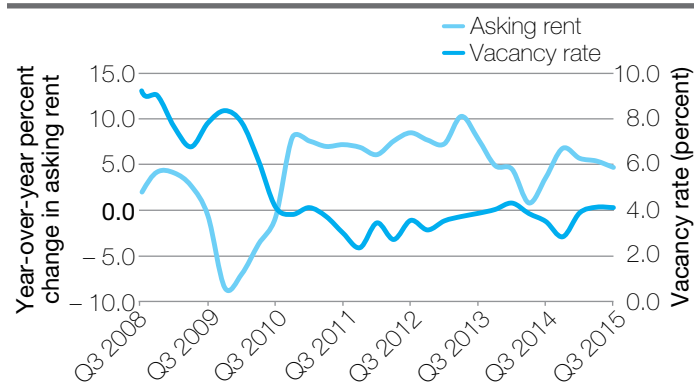
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- The average monthly apartment rent was \$1,080 in the third quarter of 2015, an increase of \$37, or nearly 5 percent, from the third quarter of 2014.

Multifamily construction activity, as measured by the number of multifamily units permitted, increased for the fourth consecutive year and is at the highest level since 2005. An increase in rental demand beginning in 2010, along with a zoning policy change in 2012 that allowed taller, denser buildings in downtown Ann Arbor, led to the increase in multifamily construction.

- Multifamily construction, as measured by the number of multifamily units permitted, fluctuated from 2006 through 2010, but the average remained low at about 210 units permitted a year.

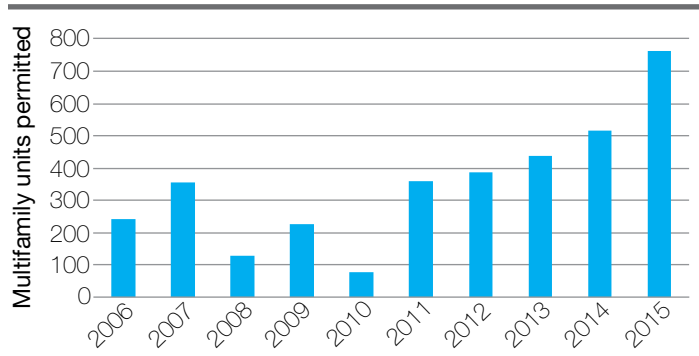
Rents have grown and vacancy rates have remained low in the Ann Arbor area since 2010.



Source: Axiometrics Inc.

- Since 2010, the number of multifamily units permitted has increased each year and averaged 430 units permitted from 2011 through 2014. The increase was partly in response to a zoning change in downtown Ann Arbor and an increase in rental demand from students, recent graduates, and retirees.
- During the 12 months ending September 2015, approximately 760 multifamily units were permitted compared with 390 units permitted during the same period a year ago.
- Foundry Lofts, a 216-unit student-targeted building, is expected to be complete in early 2016, with rents starting at \$1,099 per bedroom in a four-bedroom unit. The 192-unit Centerra Pointe was completed in the fall of 2015 with rents that range from \$1,680 to \$1,790 for a one-bedroom unit and from \$1,910 to \$2,040 for a two-bedroom unit.

Multifamily permitting since 2011 has been greater than in the mid-2000s in the Ann Arbor area because of increased rental demand and land use policy changes.



Note: Includes permits through September 2015.
Source: Southeast Michigan Council of Governments

