

HUD PD&R Housing Market Profiles

Detroit-Warren-Dearborn, Michigan



Quick Facts About Detroit-Warren-Dearborn

- Current sales market conditions: balanced
- Current rental market conditions: balanced
- In 1950, the city of Detroit was the fifth-largest city in the United States as measured by population, then at 1.85 million. By 2010, the population of the city of Detroit fell to 713,800, becoming the 19th-largest city by population. Detroit is the only city in the United States to have a population peak above 1 million and subsequently fall below that level.

Detroit, Michigan

By Gabriel A. Labovitz | As of April 1, 2020

Overview

The Detroit-Warren-Dearborn, MI Metropolitan Statistical Area (hereafter, the Detroit metropolitan area) includes Lenawee, Livingston, Macomb, Oakland, St. Clair, and Wayne Counties in southeastern Michigan. Despite the significant loss of population since 1950, the city of Detroit and the Detroit metropolitan area remain the largest city and metropolitan area in the state of Michigan. The city of Detroit is a major medical center for southern Michigan and northern Ohio, which includes several hospital systems, and the education and health services sector is the second-largest employment sector in the metropolitan area after the professional and business services sector. The Detroit metropolitan area is also a major entertainment destination for the surrounding area. After the opening of the Little Caesars Arena (LCA) in 2017, with a development cost of more than \$860 million, four professional major league sports teams play in the city of Detroit. The Detroit Pistons of the National Basketball Association play at the LCA, formerly playing in suburban Auburn Hills. The Detroit Red Wings of the National Hockey League also play at the LCA, and the Detroit Tigers (Major League Baseball) and the Detroit Lions (National Football League) play at Comerica Park and Ford Field, respectively, located less than one-half mile from the LCA. This entertainment area, named The District Detroit, is

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located north of the Central Business District and has attracted residential and commercial development with an economic impact estimated at \$2.1 billion for the Detroit metropolitan area (The District Detroit).

- As of April 1, 2020, the population of the Detroit metropolitan area is essentially stable and estimated at 4.33 million, representing an annual average decline of 1,700 people since 2017 (U.S. Census Bureau population estimates as of July 1). By contrast, from 2010 to 2017, the population rose by an average of 4,150, or 0.1 percent, annually.
- The population grew through 2017 due to job expansion in the Detroit metropolitan area, which averaged 2.0 percent annually

from 2010 through 2017, compared with the national rate of job growth, which averaged 1.7 percent annually. By contrast, since 2017, nonfarm payrolls fell slightly in the Detroit metropolitan area, declining an average of 0.1 percent annually, while national payrolls rose 0.6 percent annually on average.

- The largest county in the Detroit metropolitan area by population is Wayne County, which includes the city of Detroit and accounts for approximately 40 percent of the total population in the metropolitan area. Three counties in the six-county area had increased population from 2010 to 2019, led by Livingston County, which grew 0.7 percent annually, followed by Oakland and Macomb Counties, which expanded 0.5 and 0.4 percent annually, respectively.

Economy

Economic conditions in the Detroit metropolitan area are currently weak, reflecting slower job growth since 2017. Despite strong job growth in the area from 2010 to 2017, current nonfarm payroll jobs remain below the pre-recession peak of 2.23 million jobs averaged during 2000. During the first quarter of 2020, nonfarm payrolls rose 0.4 percent from a year earlier and averaged 2.02 million jobs, following faster growth of 0.8 percent during the first quarter of 2019. Five job sectors increased during the past year, and six sectors declined. Economic growth in the Detroit metropolitan area has been supported by the transportation and utilities sector since

2010, because jobs in this sector rose an average of 4.1 percent, or 2,600 jobs, annually from 2010 through 2017, and accelerated to growth averaging 8.0 percent, or 6,300 jobs, annually from 2017 to the current date.

During the first quarter of 2020—

- The strongest rate of growth in the Detroit metropolitan area was in the transportation and utilities sector, which added 7,400 jobs, or growth of 9.1 percent. Among recent job expansions in this sector, Penske Logistics—part of Penske Truck Leasing

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Strong growth in the transportation and utilities and the education and health services sectors offset declines in six other sectors during the first quarter of 2020, leading to nonfarm payroll growth in the Detroit metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	2,015.4	2,023.7	8.3	0.4
Goods-Producing Sectors	326.9	327.9	1.0	0.3
Mining, Logging, & Construction	68.1	71.6	3.5	5.1
Manufacturing	258.8	256.3	-2.5	-1.0
Service-Providing Sectors	1,688.5	1,695.8	7.3	0.4
Wholesale & Retail Trade	294.0	291.4	-2.6	-0.9
Transportation & Utilities	81.6	89.0	7.4	9.1
Information	26.9	26.1	-0.8	-3.0
Financial Activities	118.6	120.6	2.0	1.7
Professional & Business Services	391.8	390.1	-1.7	-0.4
Education & Health Services	316.2	322.1	5.9	1.9
Leisure & Hospitality	195.1	191.1	-4.0	-2.1
Other Services	74.6	73.6	-1.0	-1.3
Government	189.7	191.8	2.1	1.1
Unemployment Rate	4.7%	4.3%		

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

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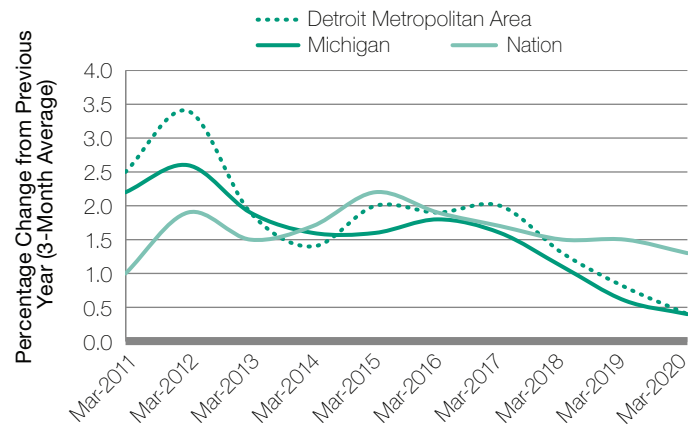
Co., L.P.—opened a fresh distribution center in Romulus, Wayne County, in June 2019 to serve the distribution needs of The Kroger Co., adding 400 jobs.

- The education and health services sector added 5,900 jobs, or growth of 1.9 percent, following slower growth of 0.5 percent a year earlier. The sector has grown steadily, averaging 1.2 percent annually since 2010.
- Declining sectors were led by the leisure and hospitality sector, which fell by 4,000 jobs, or 2.1 percent, followed by the wholesale and retail trade sector, which fell by 2,600 jobs, or 0.9 percent. Executive Order 2020-5, issued by the governor of Michigan and effective March 13, 2020, prohibited gatherings of more than 250 people and ordered the closure of non-critical retail establishments in the state.
- The unemployment rate averaged 4.3 percent, down from 4.7 percent a year earlier, because resident employment grew significantly faster than the labor force during the past year.

The city of Detroit and the Detroit metropolitan area are typically associated with manufacturing, with a focus on automobile manufacturing. During the first quarter of 2010, 10.1 percent of all nonfarm payrolls in the Detroit metropolitan area were manufacturing sector jobs, and 2.6 percent were in the motor vehicle parts (MVP) manufacturing industry. Nationally, manufacturing jobs contributed 8.8 percent of nonfarm payroll jobs during the first quarter of 2010, and MVP manufacturing industry jobs were 0.3 percent of all jobs. The concentration for these manufacturing jobs increased in the Detroit metropolitan area to current levels of 12.6 and 3.8 percent for total manufacturing and MVP manufacturing, respectively, but stayed mostly stable nationally. When economic recovery following the Great Recession began during 2010, demand for automobiles was at near-record-low levels of 11.6 million but rose to a recent high level of 17.5 million during 2016. Demand has gradually declined to 17.0 million during 2019. During 2019, the three automotive producers, currently the largest private employers in the Detroit metropolitan area, made commitments to invest in automobile production capacity in the metropolitan area. The commitment from Fiat

Chrysler Automobiles N.V. to invest \$1.6 billion in a new plant on Mack Avenue, located in the East Side area of the city of Detroit, is expected to result in up to 4,500 new jobs beginning in late 2020. Ford Motor Company and General Motors Company. have also committed to multi-billion-dollar investments in new and existing design and production facilities in the area.

After emerging from the Great Recession during 2010, the annual rate of job growth in the Detroit metropolitan area exceeded the national rate, on average, from 2011 through 2017, before slowing.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Detroit Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Ford Motor Company	Manufacturing	46,000
Fiat Chrysler Automobiles N.V.	Manufacturing	34,450
General Motors Company	Manufacturing	32,770

Note: Excludes local school districts.

Source: Crain's Detroit Business 2020 Book of Lists

Sales Market Conditions

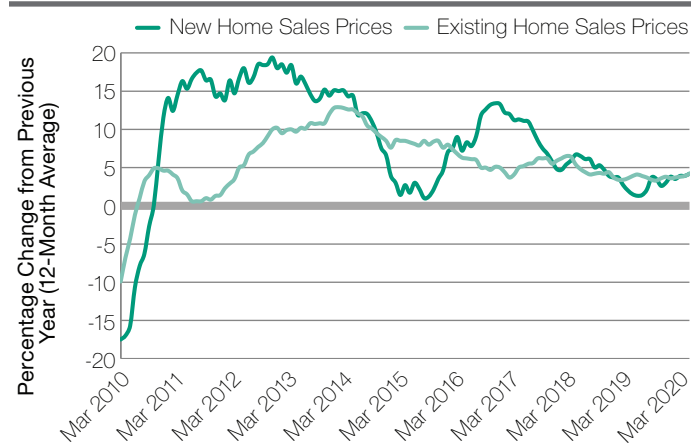
The home sales market in the Detroit metropolitan area is currently balanced, with an estimated vacancy rate of 1.5 percent, down from 2.6 percent during April 2010. During the 12 months ending March 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 75,850, down nearly 6 percent from a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Sales are constrained, at least in part, by a lack of available inventory. As of March 2020, there are 2.8 months of supply of homes available on the market in the Detroit metropolitan area, down from 3.2 months of supply a year earlier, and significantly below the 8.3 months of supply

available during March 2010 (CoreLogic, Inc.). During the 12 months ending March 2020, new and existing condominium sales totaled 13,750, or 11 percent fewer sales than a year earlier, and comprised slightly more than 18 percent of all home sales in the Detroit metropolitan area, down from 19 percent of all sales a year ago (Metrostudy, A Hanley Wood Company). The average sales price for a condominium during the 12 months ending March 2020 was \$232,300, slightly less than the \$233,600 average sales price during the previous 12-month period. As of February 2020, 1.0 percent of home loans in the Detroit metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure)

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Average new and existing home sales prices in the Detroit metropolitan area have increased, year over year, since 2010.



Note: Includes single-family homes, townhomes, and condominiums.

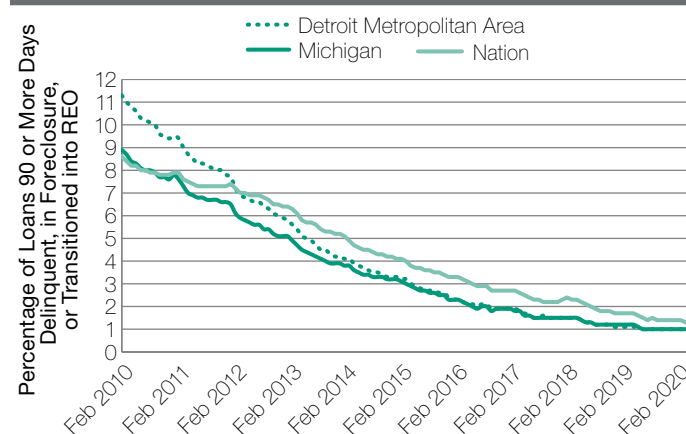
Source: Metrostudy, A Hanley Wood Company

or had transitioned into real estate owned (REO) status, the same rate as for the state of Michigan, but below the national rate of 1.3 percent (CoreLogic, Inc.). During February 2019, the rate of seriously delinquent mortgages in the Detroit metropolitan area was 1.1 percent; for the state of Michigan and the nation, the rates were 1.2 and 1.7 percent, respectively.

During the 12 months ending March 2020—

- New home sales totaled 2,975, nearly 5 percent below the 3,125 new home sales a year earlier. Since a recent low level of 1,925 sales during 2011, new home sales have expanded modestly, increasing an average of nearly 8 percent annually to a recent high level of 3,250 sales during 2018.
- Existing home sales totaled 72,850, down nearly 6 percent from 77,250 sales a year earlier. Following a post-recession low total of 72,450 sales during 2011, sales increased nearly 5 percent annually from 2011 to 82,650 during 2014, before falling less than 1 percent annually, to average 81,900 sales during 2017.
- New home sales prices, by contrast to sales, are at record-high levels. The average new home sales price during the 12 months ending March 2020 was \$407,300, more than 4 percent above the average new home sales price a year earlier. At the same time, nationally, the average new home sales price was \$417,000, an increase of 1 percent from the average a year earlier.
- As with average new home sales prices, average sales prices for existing homes in the Detroit metropolitan area are also at record-highs and averaged \$210,700, more than 4 percent above the average sales price a year earlier. Nationally, average sales prices for existing home sales rose 5 percent, to \$318,900.

The rate of seriously delinquent mortgages and REO properties in the Detroit metropolitan area decreased to below the national average during 2012 and has remained below the national average.



REO = real estate owned.

Source: CoreLogic, Inc.

Year-over-year new and existing home sales totals in the Detroit metropolitan area have been volatile, and current sales totals represent declines from the previous year.



Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company

After reaching a recent peak during 2017, when recent population and job growth peaked, single-family home construction, as measured by the number of single-family homes permitted, has declined modestly.

- During the 12 months ending March 2020, permits were issued for 5,475 new single-family homes, 4 percent fewer than were issued a year earlier (preliminary data). Since 2017, when 6,850 single-family home permits were issued, permitting has slowed, averaging 13 percent annual declines through 2019.

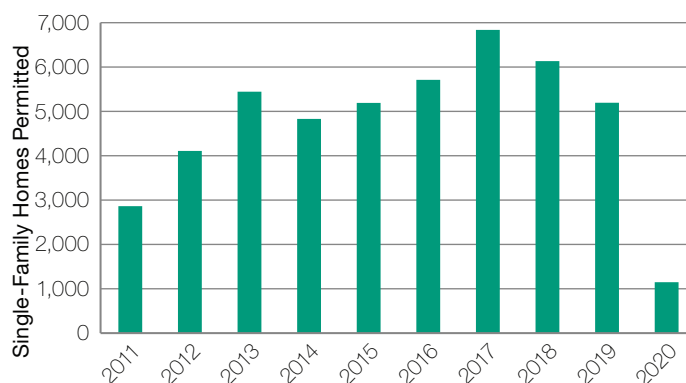
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- From a recent low level of 1,250 single-family homes permitted during 2009, permitting rose nearly 24 percent annually, to 6,850 homes permitted during 2017. Strengthening economic conditions and modest population growth through 2017 spurred increased single-family home construction.
- During the 12 months ending March 2020, nearly 39 percent of single-family homes permitted in the Detroit metropolitan area were in Oakland County, nearly 25 percent were in Macomb County, and the ratio in Wayne County was nearly 17 percent, similar to permitting during the previous 12 months. By contrast, from 2010 through 2017, Oakland and Macomb Counties had higher portions of single-family home permitting; nearly 42 percent of the total were in Oakland County and 28 percent were in Macomb County, while the ratio was similar in Wayne County, and fewer homes were permitted in Livingston County.
- In Farmington Hills in Oakland County, Forest at Wooddale includes 18 single-family home sites, with 17 sold and homes under construction, starting in the upper-\$400,000s. In Sterling Heights, in central Macomb County, Woodland Hills is a new

neighborhood with single-family homes starting at \$339,900 and includes 58 home sites in a proposed first phase.

Since peaking in 2017, single-family home permitting in the Detroit metropolitan area has declined.



Note: Includes preliminary data from January 2020 through March 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst.

Apartment Market Conditions

Apartment market conditions in the Detroit metropolitan area are currently balanced and have tightened considerably since 2010 when conditions were soft, due to the economic recovery in the area that led to improved demographic trends through 2017. Since 2010, there has also been a shift in tenure preference from owner to renter, although this shift has moderated since 2016. During 2010, the homeownership rate in the Detroit metropolitan area was 71.2 percent. This rate declined steadily to 67.6 percent during 2016 and has since increased to 69.1 percent during 2018 (American Community Survey, 1-year estimates). The apartment vacancy rate in the Detroit metropolitan area was 3.8 percent during the first quarter of 2020, similar to the 3.7 percent rate a year earlier, despite the addition of nearly 930 new apartment units during the year (RealPage, Inc.).

During the first quarter of 2020—

- Apartment vacancy rates rose in 7 of 14 RealPage, Inc.-defined market areas compared with rates a year earlier; despite this trend, all market areas had balanced to tight apartment market conditions. The lowest vacancy rate was in the Pontiac/Waterford/Auburn Hills area in Oakland County, where the rate was 2.6 percent, down from 3.1 percent a year earlier, and the highest vacancy rate was in the Downtown/Midtown/Rivertown market area in downtown Detroit, with a rate of 6.5 percent, compared with 4.5 percent a year earlier.
- The average asking rent in the Detroit metropolitan area was \$1,008, nearly 5 percent above the average asking rent during

the first quarter of 2019. By contrast, nationally, the average asking rent was \$1,427, or 4 percent above the asking rent a year earlier.

- The highest rents among RealPage, Inc.-defined market areas were in the Downtown/Midtown/Rivertown, the Farmington Hills/West Bloomfield, and the Troy/Rochester Hills market areas, where the rents were \$1,304, \$1,209, and \$1,109, increases of 3 percent, 1 percent, and unchanged from a year earlier, respectively. The Downtown/Midtown/Rivertown area is in the city of Detroit and encompasses the District Detroit area, while the Farmington Hills/West Bloomfield and the Troy/Rochester Hills market areas are in suburban Oakland County.
- More than 18 percent of units in the Detroit metropolitan area were offering concessions compared with 11 percent of units offering concessions a year earlier. The average concession is low, however, valued at less than 1-month free rent.

Because apartment market conditions have been mostly balanced since 2010, developers have generally increased apartment production, as measured by multifamily units permitted in the Detroit metropolitan area.

- Nearly 2,100 multifamily units were permitted in the Detroit metropolitan area during the 12 months ending March 2020, significantly above the 1,225 units permitted a year earlier (preliminary data). By contrast, the 3,250 units permitted during 2017 was the highest recent multifamily permitting total since before the Great Recession.

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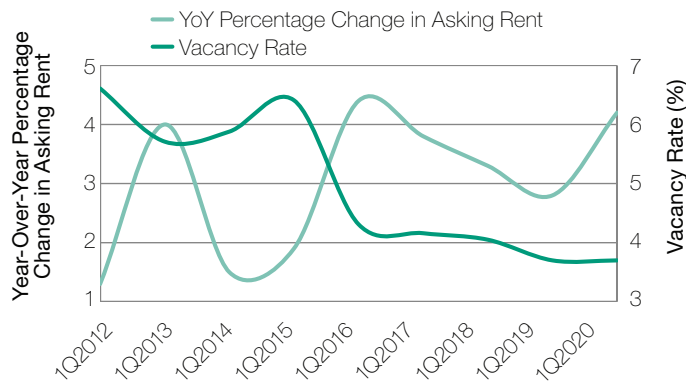
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- Approximately 8 percent of multifamily units permitted during the 12 months ending March 2020 were condominiums, up from 6 percent during the previous 12 months. During 2017, approximately 17 percent of the multifamily units permitted were condominiums.
- During the Great Recession and the immediate aftermath, multifamily permitting was very low, averaging 440 units permitted annually from 2009 through 2012, including only 70 units permitted during 2009. As the economic recovery in the Detroit metropolitan area progressed, permitting rose from 420 units permitted during 2012 to the 3,250 units permitted during 2017, annual growth averaging more than 50 percent, or 560 units, annually.
- The three most populous counties in the six-county metropolitan area—Wayne, Oakland, and Macomb Counties—predominate in multifamily units permitted. During the 12 months ending March 2020, 44 percent of multifamily units permitted were in Macomb County, 38 percent were in Wayne

County, and 10 percent were in Oakland County. From 2010 through 2017, 37 percent of all multifamily units permitted were in Wayne County, 32 percent were in Oakland County, and 26 percent were in Macomb County.

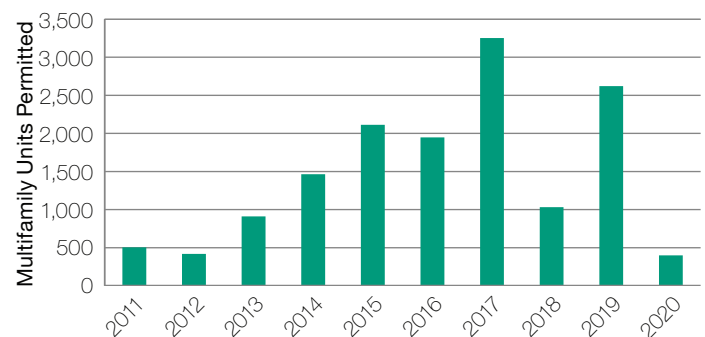
- Among recent new construction, The Farwell opened during the summer of 2019 in the Downtown/Midtown/Rivertown market area of Detroit and includes 82 units in a historic former office building. Rents for studio, one-, and two-bedroom units range from \$900 to \$2,500, with no units currently available for rent. City Flats apartments in Rochester Hills, Oakland County, is a new construction apartment property that opened early in 2020 with 52 one- and two-bedroom apartments and rents ranging from \$1,496 to \$2,750.
- There are currently an estimated 4,775 apartment units under construction in the Detroit metropolitan area, with 1,400 of these units in the Downtown/Midtown/Rivertown market area of Detroit. An additional 1,125 units are under construction in the Troy/Rochester Hills market area.

Apartment vacancy rates in the Detroit metropolitan area have been below 5 percent since 2015.



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

Despite fluctuating, multifamily permitting in the Detroit metropolitan area has generally increased since 2012, reaching a recent peak during 2017.



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