

# Housing Market Profile

Midwest • HUD Region V



## Detroit-Warren-Livonia, Michigan

The Detroit-Warren-Livonia metropolitan area, consisting of six counties (Lapeer, Livingston, Macomb, Oakland, St. Clair, and Wayne) in southeastern Michigan, is a manufacturing hub with a historic emphasis on transportation equipment manufacturing. The largest private-sector employers in the metropolitan area are Ford Motor Company, General Motors Corporation, and Chrysler Group LLC, with 44,000, 20,800, and 19,900 employees, respectively. As of January 1, 2010, the population of the metropolitan area is estimated at 4.4 million, a decrease of approximately 30,250, or 1 percent, compared with the estimated population a year earlier. Wayne County includes the city of Detroit and accounts for 43 percent of the total population in the metropolitan area.

During 2009, nonfarm employment in the metropolitan area averaged 1.76 million jobs, a decrease of 141,000 jobs, or 7.4 percent, compared with the annual average in 2008. Declines in nonfarm employment have occurred at an average rate of 2.3 percent annually since 2000, when employment averaged 2.2 million jobs. During 2009, the manufacturing sector declined by 56,600 jobs, or 19 percent, from the previous year; manufacturing employment has decreased by slightly more than one-half since 2000. More than 10 percent of the manufacturing jobs lost in 2009 resulted from plant closings at General Motors, Chrysler and at direct suppliers associated with the automobile industry. The professional and business services sector declined by 43,400 jobs, or 13 percent, from the previous year. The only sector to grow in 2009 was the education and health services sector, increasing by 1,200 jobs, or 0.4 percent, compared with the number of jobs in 2008. Leading employers in the education and health services sector include Henry Ford Health System and Beaumont Hospitals, with 18,300 and 15,300 employees, respectively. Wayne State University (WSU) is the largest post-secondary educational institution in the metropolitan area with a total of 32,000 students enrolled at its main and satellite campuses. According to WSU, the university has an estimated economic impact of more than \$1 billion annually and employs more than 8,100 people. Future job growth is expected from the more than 100 companies based in the metropolitan area who are involved in alternative energy. The presence of existing renewable-energy companies and a surplus of

manufacturing space have led to other major projects in the metropolitan area. In June 2009, General Electric announced plans for a \$100 million renewable-energy center in Van Buren Township, approximately 25 miles west of Detroit. The facility, currently in a startup phase, is expected to employ up to 1,100 people in 3 to 5 years.

Sales market conditions in the metropolitan area are currently soft and have been since 2004, partly due to job losses and subsequent population declines. According to data from the Michigan Association of REALTORS®, annual home sales activity totaled 50,200 in 2004 and declined annually through 2008. During 2009, approximately 51,500 existing homes were sold in the Detroit-Warren-Livonia metropolitan area, representing a 17-percent increase compared with the 44,200 homes sold in 2008. Significant home sales price declines and recent homebuyer tax credit programs have led to increased home sales in the metropolitan area. The average sales price of an existing home in 2009 was \$90,100, representing a 17-percent decline from the \$108,100 reported in 2008. Since 2003, the average sales price has declined by 53 percent from \$192,000. In 2009, sales prices declined in all areas that report to the Michigan Association of REALTORS®, with average prices ranging from \$12,500 in the city of Detroit to \$148,700 in Livingston County.

In response to a soft sales market, developers in the Detroit-Warren-Livonia metropolitan area have decreased construction activity for single-family homes, as measured by the number of building permits issued. Based on preliminary data, during 2009, 1,275 single-family homes were permitted, representing a 35-percent decline compared with the number of homes permitted during 2008. Between 2003 and 2007, an average of 11,750 single-family homes were permitted annually in the metropolitan area. Newly constructed homes range in price from approximately \$135,000 for a three-bedroom home in Lapeer County, up to \$175,000 in both Oakland and Livingston Counties.

In the city of Detroit, new loft-style housing, often in rehabilitated factory or warehouse structures, is concentrated in the downtown central business district and Midtown, near WSU. Midtown loft conversions include the Crystal Lofts that opened in late 2008, with units for sale starting at approximately \$250,000 and rents starting at \$1,300. Other mixed-use and loft developments in Midtown have homes starting at \$150,000 and increasing to nearly \$1 million for luxury loft properties. In downtown Detroit, the newly refurbished Book Cadillac Hotel opened in 2008 as The



Westin Book Cadillac Detroit, with 453 guest rooms on the lower floors, and 66 loft and condominium homes on the upper floors. Renovations at the historic Book Cadillac totaled approximately \$200 million. Although approximately 60 of the 66 residential units were presold, with prices starting at \$160,000, most of the buyers did not close on these homes. About one-half of the homes are currently occupied and are evenly split between owners and renters.

The rental housing market in the Detroit-Warren-Livonia metropolitan area is soft. As of January 1, 2010, the overall rental vacancy rate is estimated at 10 percent, down from 10.6 percent reported as of July 1, 2008, by the Census Bureau. The apartment market is balanced, with a vacancy rate of 7.6 percent reported in the third quarter of 2009, up from 6.6 percent in the third quarter of 2008, according to data from Reis, Inc. Apartment vacancy rates in the third quarter of 2009 range from 6.9 percent in the Downriver/South Wayne

County submarket to 10.3 percent in the Downtown submarket. The average monthly asking rent for the third quarter of 2009 for the metropolitan area was \$830, down slightly from \$840 in the third quarter of 2008, according to data from Reis, Inc. The current average asking rent is \$880 in the Downtown submarket, \$1,030 in Farmington Hills, and \$720 in Downriver/South Wayne County.

Multifamily construction activity, as measured by the number of units permitted, has declined significantly in the metropolitan area during 2009. According to preliminary data, during 2009, approximately 80 multifamily units were permitted, 88 percent fewer than the 680 multifamily units permitted in 2008. In the 5 years ending 2007, the annual number of multifamily units permitted averaged 2,525, down from an average of 3,550 multifamily permits issued annually from 2000 through 2004.