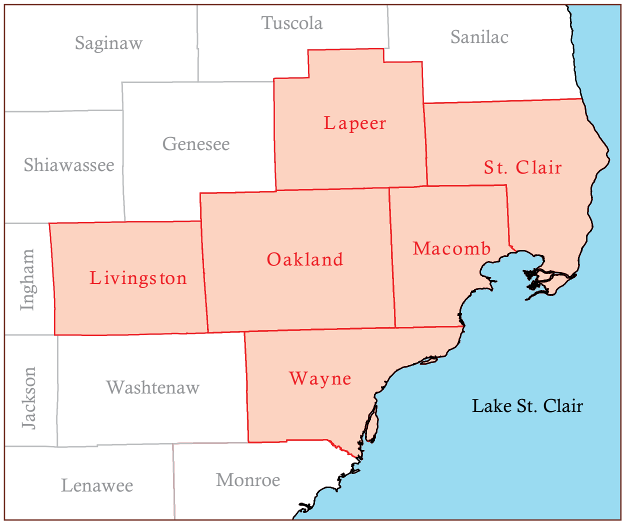
COMPREHENSIVE HOUSING MARKET ANALYSIS

Detroit-Warren-Dearborn, Michigan

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2016



Housing Market Area

The Detroit-Warren-Dearborn Housing Market Area (hereafter, the Detroit HMA) is coterminous with the Detroit-Warren-Dearborn, MI Metropolitan Statistical Area and includes six counties in southeastern Michigan. For purposes of this analysis, the HMA is divided into three submarkets: (1) the Wayne County submarket, which includes the principal city of Detroit; (2) the Northwestern Counties submarket, which includes Livingston and Oakland Counties; and (3) the Northeastern Counties submarket, which includes Lapeer, Macomb, and St. Clair Counties.

Summary

Economy

Economic conditions in the Detroit HMA have improved for 6 consecutive years, but jobs remain below the previous high, which occurred in 2000. The HMA had lost jobs each year from 2000 through 2010. During the 12 months ending June 2016, nonfarm payrolls averaged 1.96 million, a gain of 37,300 jobs, or 1.9 percent, following growth of 38,400 jobs, or 2.0 percent, during the 12 months ending June 2015. During the next 3 years, nonfarm payrolls are expected to increase an average 1.7 percent annually. The unemployment rate averaged 5.6 percent during the most recent 12 months, below the 7.1-percent rate a year earlier and the lowest average rate since 2001.

Sales Market

The sales housing market in the HMA is soft but improving, with relatively low levels of new home construction and improving economic conditions contributing to absorption of excess inventory since 2011. The sales vacancy rate currently is estimated at 2.0 percent, down from 2.6 percent in April 2010. Home sales in the HMA totaled 82,800 during the 12 months ending May 2016, down by 3,100 sales, or 4 percent, from the previous 12 months. During the 3-year forecast period, demand is estimated for 10,400 new homes (Table 1). The 2,365 homes currently under construction and a portion of the 131,000 other vacant units that may reenter the market will satisfy some of the demand.

Rental Market

The rental housing market in the HMA is balanced, with an estimated overall rental vacancy rate of 5.8 percent, down from 12.9 percent in April 2010. The apartment market is tight, with a vacancy rate of 2.8 percent during the second quarter of 2016, unchanged from a year earlier (MPF Research). The current average rent for an apartment is

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$882, up by $37, or 4 percent, from the previous year. During the 3-year forecast period, demand is estimated for 12,550 new market-rate rental units (Table 1). The 2,835 units currently under construction will satisfy a portion of that demand.

Table 1. Housing Demand in the Detroit HMA* During the Forecast Period

	Detroit HMA*		Wayne County Submarket		Northwestern Counties Submarket		Northeastern Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	10,400	12,550	450	5,525	6,675	4,450	3,275	2,575
Under construction	2,365	2,835	390	1,450	1,125	1,125	850	260

** Detroit-Warren-Dearborn HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2016. A portion of the estimated 131,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand includes an estimated demand for 1,500 mobile homes. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Detroit HMA improved significantly during the past 6 years; however, the HMA has yet to completely recover from 10 consecutive years of job losses, from 2000 to 2010. During the 12 months ending June 2016, nonfarm payroll jobs expanded by 37,300, or 1.9 percent, following an increase of 38,400 jobs, or 2.0 percent, during the previous 12-month period (Table 2). The professional and business services sector registered the largest growth during the 12 months ending June 2016, at 13,500 jobs, or 3.5 percent, followed by the education and health services sector, with growth of 6,100 jobs, or 2.0 percent. Currently, 1.96 million nonfarm payroll jobs are in the HMA, 11 percent below the previous high of 2.20 million in 2000. Since 2011, nonfarm payrolls have risen at an annual average rate of 39,900 jobs, or 2.2 percent. Job growth was led by the professional and business services, the manufacturing, and the education and health services sectors, which gained 14,600, 11,100, and 4,000 jobs, or annual growth rates of 4.2, 5.5, and 1.4 percent, respectively. The unemployment rate in the HMA was 5.6 percent during the 12 months ending June 2016, down from 7.1 percent during the previous 12 months and well below the high of 15.1 percent in 2009. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2015.

Manufacturing, particularly associated with automobiles, has historically been a critical element in the economy of the HMA. Since 1990, the highest level of employment in the manufacturing sector and the transportation equipment manufacturing industry had been during 2000,

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Detroit HMA,* by Sector

	12 Months Ending June 2015	12 Months Ending June 2016	Absolute Change	Percent Change
Total nonfarm payroll jobs	1,918,400	1,955,700	37,300	1.9
Goods-producing sectors	298,800	305,400	6,600	2.2
Mining, logging, & construction	64,300	65,800	1,500	2.3
Manufacturing	234,500	239,600	5,100	2.2
Service-providing sectors	1,619,600	1,650,300	30,700	1.9
Wholesale & retail trade	292,800	294,600	1,800	0.6
Transportation & utilities	65,200	65,600	400	0.6
Information	27,700	27,600	– 100	– 0.4
Financial activities	105,600	110,200	4,600	4.4
Professional & business services	381,200	394,700	13,500	3.5
Education & health services	301,000	307,100	6,100	2.0
Leisure & hospitality	186,400	192,300	5,900	3.2
Other services	76,500	77,300	800	1.0
Government	183,400	180,900	– 2,500	– 1.4

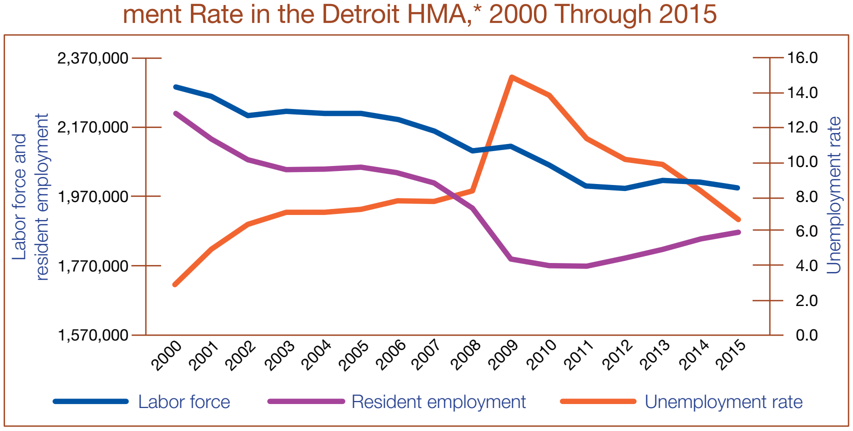
** Detroit-Warren-Dearborn HMA.*
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2015 and June 2016.
Source: U.S. Bureau of Labor Statistics

when manufacturing employment totaled 380,900 workers, including 169,300 workers in transportation equipment manufacturing. The manufacturing sector lost a significant number of jobs during the 2000s but has added jobs each year since 2010. Although all but one sector in the HMA lost jobs from 2001 through 2009, losses were most acute in the manufacturing sector. During the period, manufacturing jobs declined 8.3 percent, or by 23,000 jobs, annually. Because of that decline, the sector shrank from the second largest nonfarm payroll sector in the HMA during 2000, representing more than 17 percent of nonfarm payrolls, to the fifth largest during 2009, at 10 percent of nonfarm payrolls.

Transportation equipment manufacturing, which accounts for more than 41 percent of manufacturing jobs in the Detroit HMA (as opposed to 13 percent for the nation), contributed significantly to the losses. Employment in the transportation equipment manufacturing industry fell from 169,300 jobs during 2000 to 67,200 jobs during 2009 and represented nearly one-half of the total job losses in the sector. From 2005 through 2011, 11 automotive and automotive parts manufacturing plants closed in the HMA, or 20 percent of all U.S. automotive plant closures during that time. Including counties adjacent to the six-county HMA, the 22-percent figure rises to 33 percent of all domestic automotive manufacturing plant closings.

During 2009, General Motors Corporation and the Chrysler

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Detroit HMA,* 2000 Through 2015



** Detroit-Warren-Dearborn HMA.*
Source: U.S. Bureau of Labor Statistics

Corporation, both automobile manufacturers and two of the three largest employers in the HMA (Table 3), entered bankruptcy and restructured their corporations. In part because of those restructurings, as well as higher demand for automobiles, the manufacturing sector has registered the fastest rate of expansion of all nonfarm payroll sectors in the HMA since 2011, growing an average of 5.5 percent annually. By comparison, during the same period, the manufacturing employment rate for the nation increased an average of only 1.2 percent annually.

Since 2014, sales of automobiles and light trucks have exceeded 16 million SAAR (seasonally adjusted annual rate), the highest rates recorded since 2006, which has contributed to investment and hiring by the three largest employers in the HMA: Ford Motor Company; FCA US, LLC (Fiat Chrysler Automobiles, formerly the Chrysler Corporation); and General Motors. Since 2014, at least 1,650 automotive assembly jobs have been created or retained at plants in the HMA owned by the three automakers, as a result of more than $6 billion in facility investments.

Manufacturing-sector jobs have strong secondary effects on the economy. Every dollar in final sales of manufactured products supports $1.33 in output from other sectors—the largest multiplier value of any sector (Manufacturing Institute). Further, manufacturing jobs support employment in other sectors. During 2011, the 12 million national manufacturing-sector jobs supported approximately 5.5 million jobs in other nonfarm payroll sectors, with the largest influence on the professional and business services sector (www.themanufacturinginstitute.org).

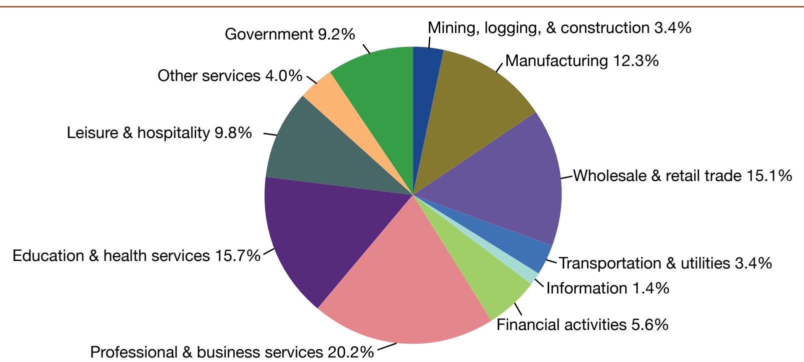
The professional and business services sector currently is the largest sector in the HMA, at 394,700 jobs, or 20.2 percent of total nonfarm payrolls (Figure 2). The sector has benefited significantly from several recent relocations and expansions and has added an average 14,600 jobs, an increase of 4.2 percent, annually since 2011. During 2010, Quicken Loans moved its headquarters from Livonia, in Wayne County, to the city of Detroit. Since that time, Rock Ventures LLC—a holding company that includes Quicken Loans, Greektown Casino Hotel, Bedrock Real Estate Services, and Rock Investments LLC—has invested more

Table 3. Major Employers in the Detroit HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Ford Motor Company	Manufacturing	44,600
FCA US, LLC	Manufacturing	33,650
General Motors Company	Manufacturing	32,350
Beaumont Health System	Education & health services	22,250
U.S. Government	Government	18,700
Henry Ford Health System	Education & health services	17,350
Ilitch Companies	Leisure & hospitality	16,550
Trinity Health	Education & health services	14,250
Rock Ventures LLC	Financial activities	13,450
Ascension Michigan	Education & health services	11,300

** Detroit-Warren-Dearborn HMA.*
Note: Excludes local school districts.
Source: Crain's Detroit Business, *December 2015*

Figure 2. Current Nonfarm Payroll Jobs in the Detroit HMA,* by Sector



** Detroit-Warren-Dearborn HMA.*
Note: Based on 12-month averages through June 2016.
Source: U.S. Bureau of Labor Statistics

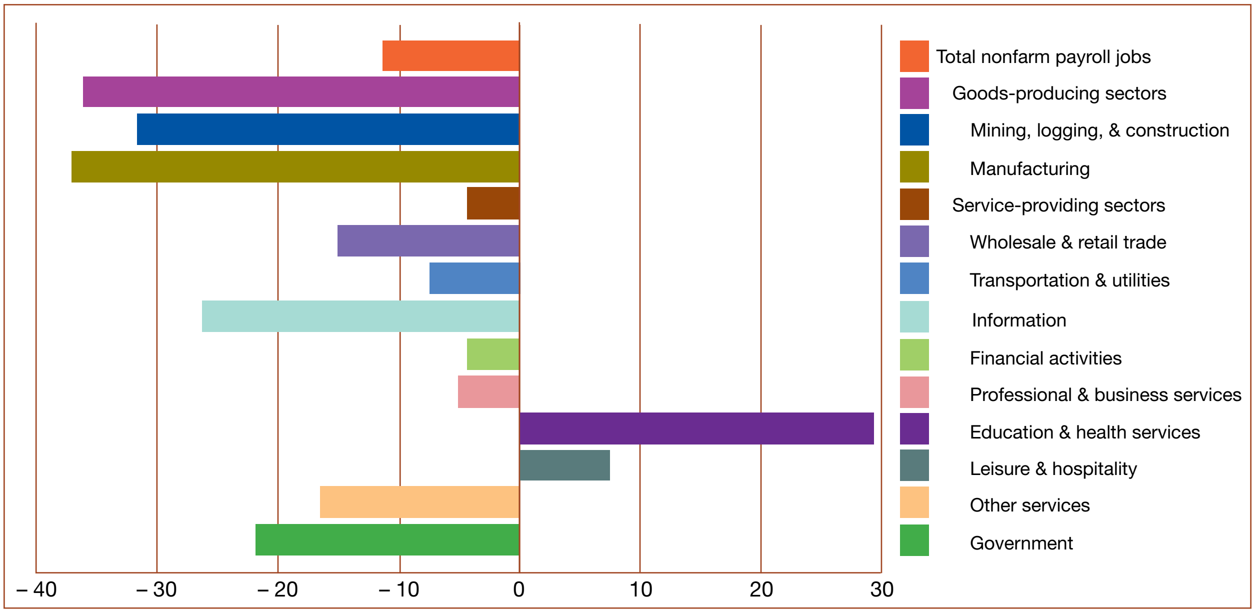
than $2 billion in purchasing and rehabilitating properties in the city of Detroit. The company employed 14,250 people in the city of Detroit as of January 2016, up from 9,200 employees in 2013.

During 2009, General Electric developed a $175 million Advanced Manufacturing and Software Technology Center (AMSTC) in Van Buren Township in Wayne County. General Electric is planning to add approximately 350 jobs, predominately in engineering and software development, to the 100 currently at the facility. Amazon.com, with approximately 100 jobs in the city of Detroit during 2015, announced plans to double that staff count by 2017, developing a technology hub in downtown Detroit. General Motors, which operates the GM Technical Center in Warren, in Macomb County, has filled approximately 1,400 new engineering and information technology positions at that location since May 2015 while undertaking a $1 billion renovation at the campus, to be completed by 2018.

Nonfarm payrolls in the HMA decreased every year from 2001 through 2010. Annual job losses during the decade were not uniform, however, and in 8 of the 10 years, manufacturing sector jobs led the decline. From 2001 through 2002, nonfarm payrolls fell 2.7 percent, or by 57,700 jobs, annually and from 2003 through 2007, when the national economy expanded 1.1 percent annually, nonfarm payrolls in the Detroit HMA continued to decrease but at a lower rate of 1.2 percent annually, or 25,000 jobs. From 2008 through 2010, when the national economy contracted, job losses in the HMA increased dramatically. Nonfarm payrolls in the HMA fell by an average of 75,400 jobs, or 4.0 percent, annually, including a single-year loss during 2009 of 157,700 jobs, or 8.3 percent. In the nation, nonfarm payroll losses from 2008 through 2010 averaged 1.9 percent annually, and, in the state of Michigan, the loss averaged 3.3 percent. The decline in manufacturing employment in the HMA during that time was 10.2 percent, or 22,600 jobs, annually; in the nation and in the state of Michigan, it was 6.0 and 8.5 percent, respectively. The professional and business services sector recorded the next-largest annual contraction of 16,400 jobs, or 4.7 percent, annually. Figure 3 shows nonfarm payroll growth by sector since 2000. Despite the ending of job declines in the spring of 2010, the city of Detroit was declared bankrupt in December 2013; it emerged from bankruptcy a year later, in December 2014. Since then, the city has developed its third consecutive budget that is either balanced or in surplus.

The education and health services sector was the only sector in the HMA to add jobs each year during the 2000s, expanding by an average of 4,700 jobs, or 1.8 percent, annually from 2001 through 2010. Nearly 77 percent of that growth was in the healthcare and social assistance industry. The HMA includes several major research and teaching hospitals, including the Detroit Medical Center, the Karmanos Cancer Institute (affiliated with Wayne State University), and the Wayne State University hospitals, all located in midtown Detroit, approximately 1.5 miles north of downtown Detroit. In addition, major suburban healthcare systems include Trinity Health, Beaumont Health System, and Saint John Providence Health System.

Figure 3. Sector Growth in the Detroit HMA,* Percentage Change, 2000 to Current



** Detroit-Warren-Dearborn HMA.*
Note: Current is based on 12-month averages through June 2016.
Source: U.S. Bureau of Labor Statistics

The Detroit arena district, between downtown and midtown Detroit, currently is under construction. The centerpiece of the district is a new arena for the National Hockey League Red Wings, scheduled to be complete for the opening of the 2017 hockey season, at a cost of more than $600 million. Olympia Development, owned by the Ilitch Companies—which also owns the Detroit Red Wings—is developing the new arena. An estimated $600 million in additional investment, including 350 to 400 hotel rooms and 800 to 1,000 new housing units, is being developed or is expected to be developed in the area surrounding the new arena. Linking downtown to midtown and bisecting the arena district is the 3.3-mile streetcar officially named the M-1 Line but now called the QLINE. The QLINE is expected to be operational in 2017, at a development cost of $140 million, and is estimated to spur more than $3 billion in associated development during the next 10 years (www.m-1rail.com).

During the 3-year forecast period, nonfarm payrolls are expected to expand an average of 1.7 percent annually. The professional and business services sector will continue to grow, as General Electric hires engineering staff for its AMSTC in Van Buren Township. In the summer of 2015, General Motors, proceeding with its $1 billion effort at its Tech Center in Warren, expects to hire approximately 1,100 more technical staff, adding to the 1,400 hired in the past few years and bringing employment at the Tech Center to approximately 21,000. During the summer of 2016, German automotive powertrain design company FEV Group announced plans to develop a new North American headquarters facility in Auburn Hills, in Oakland County, and hire an additional 250 workers to its current staff of 500. New construction of the Children's Hospital of Michigan, at the Detroit Medical Center campus in midtown Detroit, is a $155 million investment scheduled for completion in 2017. In suburban Royal Oak, in Oakland County, Beaumont Hospital's new emergency center, at a cost of nearly $121 million, will also be complete by 2017. Employment estimates for those new facilities are not yet available. Manufacturing-sector jobs are not likely to grow significantly; industry analysts are forecasting a slight downturn in U.S. automobile and light truck sales. No industry contractions or layoffs are currently forecast, however. Tables DP-1 through DP-4 at the end of this report provide economic and population data for the HMA and each submarket.

Population and Households

The population in the Detroit HMA has increased at a rate of 0.1 percent, or by 3,125, annually since 2011 (Census Bureau population estimates as of July 1), to 4.30 million people as of July 1, 2016. The current period of population growth is the first recorded in the HMA since 2000 and is occurring because the economy in the HMA has improved at a faster rate than the national economy, resulting in slowed net out-migration. Since 2011, net out-migration has averaged 7,425 people annually, significantly below the 34,500 average during the previous decade.

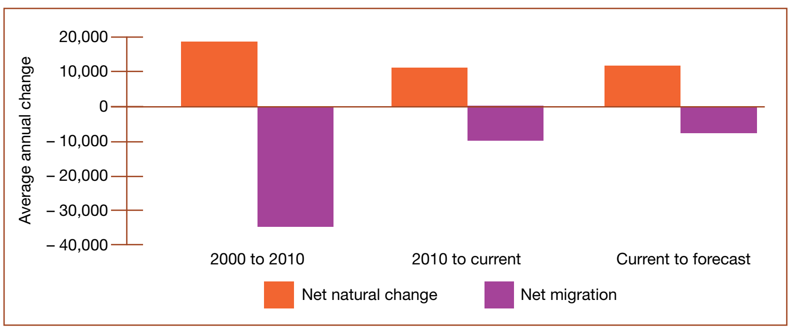
Before nonfarm payrolls began to increase in 2011, the HMA had registered job losses each year from 2001 through 2010, which contributed to population loss caused by net out-migration. From 2001 to 2004, the population fell by 5,325, or 0.1 percent, annually, as net out-migration averaged 26,150 people annually. From 2004 to 2008, nonfarm payrolls expanded nationally but fell each year in the HMA, contributing to increased net out-migration, because people left the HMA for improved job opportunities. The population of the HMA dropped an average 0.6 percent annually during that period, as an average net natural increase (resident births minus resident deaths) of 17,700 people was insufficient to offset average net out-migration that had expanded to 44,300 people annually. When the national economy began to contract in the late 2000s, net out-migration from the HMA lessened because nationwide job losses and growth in the number of homeowners in negative-equity positions made relocating to find work less attractive. After reaching a high of 53,100 from 2007 to 2008, net out-migration fell to an average of 30,500 people annually from 2008 to 2011, and the rate of population loss fell to 0.4 percent annually. Net natural change also decreased during the period to an average of 13,150 people annually. Figure 4 shows the components of population change, and Figure 5 shows population and household growth patterns from 2000 to the forecast date for the HMA.

The Wayne County submarket, including the city of Detroit, currently constitutes an estimated 41 percent of the population of the HMA, down from 42 percent in 2010 and 46 percent in 2000. The Northwestern Counties and Northeastern Counties submarkets currently account for 33 and 26 percent, respectively, of the population of the HMA, both up from 2010 ratios of 32 and 25 percent and 2000 figures of 30 and 23 percent, respectively.

In the Wayne County submarket, where net migration and population growth have been negative every year since 2000, net out-migration averaged 26,950 people annually from 2000 to 2003, and the population declined 0.8 percent, or by 16,950. From 2003 to 2008, including the early part of the national recession that began in 2007, net out-migration increased to an average of 36,700 people annually, leading to population losses of 28,200 people, or 1.4 percent, annually. From 2008 to 2012, net out-migration fell nearly one-third, to average 24,500 people annually, and the rate of population loss also slowed to 1.0 percent, or by 18,150 people. Since 2012, because of continued economic growth and population gains, primarily in certain neighborhoods in the city of Detroit, the rate of population decline has dropped again to 0.7 percent, or by 9,400 people, annually. The current population in the Wayne County submarket is estimated at 1.76 million, down from 1.82 million in 2000.

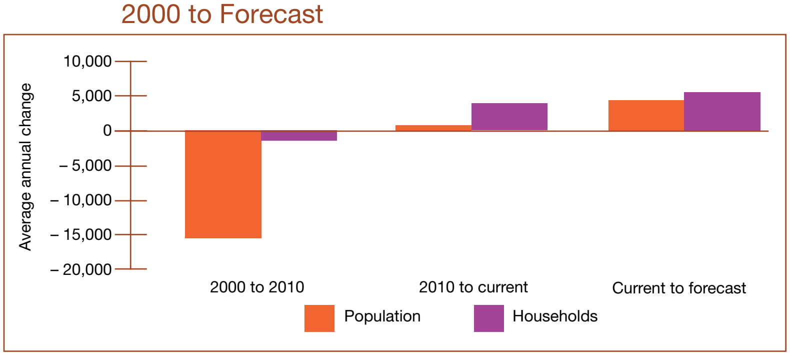
In the Northwestern Counties submarket, population growth has been positive in all but 2 years since 2000. From 2000 to 2004, net out-migration averaged 1,200 people annually and population grew at a 0.5-percent annual rate, or by 6,575 a year, because net natural increase was larger than net out-migration. From 2004 to 2007, when the HMA lost jobs but the national economy expanded, net out-migration increased to 5,475 people annually, and population growth remained positive but fell to 900 annually, or 0.1 percent. From 2007 to 2013, encompassing the national recession and the current recovery, net out-migration from the submarket slowed each year and turned positive in 2010, leading to average net in-migration of 1,500 people for the 6-year period, and population growth registered 0.4 percent, or 5,900 people annually. Since 2013, the rate of net in-migration has averaged 1,700 people annually in the submarket because relatively more out-migration has been occurring from the Wayne County submarket, and growth maintained a 0.4-percent annual average rate. The current population in

Figure 4. Components of Population Change in the Detroit HMA,* 2000 to Forecast



** Detroit-Warren-Dearborn HMA.*
Notes: The current date is July 1, 2016. The forecast date is July 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Detroit HMA,* 2000 to Forecast



** Detroit-Warren-Dearborn HMA.*
Notes: The current date is July 1, 2016. The forecast date is July 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

the Northwestern Counties submarket is estimated at 1.43 million, up from 1.38 million in 2000.

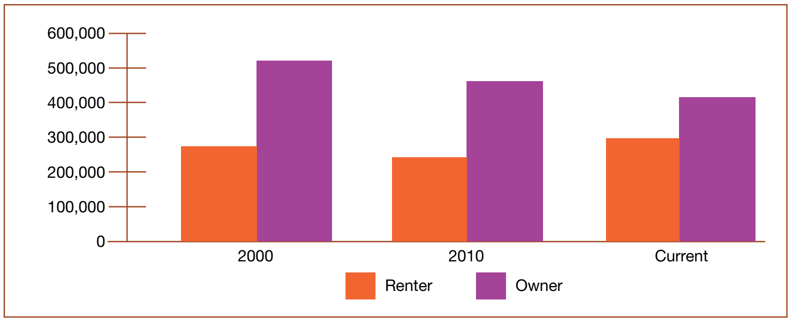
In the Northeastern Counties submarket, the population has expanded in all but 3 years since 2000. From 2000 to 2004, net in-migration averaged 6,025 people annually, and population growth averaged 1.0 percent, the highest rate among the three submarkets, primarily because of generally more affordable housing than in the Northwestern Counties submarket. This submarket also is, generally, closer to the economic centers of Wayne County and the city of Detroit. From 2004 to 2009, net out-migration averaged 1,350 people annually, and population growth declined to 0.2 percent, or 1,850 people—still the highest rate of any submarket during that time. From 2009 to 2013, including the onset of the economic recovery in the HMA, net in-migration averaged 1,575 people annually, and the population growth rate rose to 0.3 percent, or 3,000 people, annually. Since 2013, because of the ongoing economic recovery in the HMA, net in-migration has increased to 2,375 annually, and population growth has risen to a rate of 0.5 percent, or 3,675 people. The population of the Northeastern Counties submarket currently is estimated to be 1.12 million, up from 1.09 million in 2000.

Recent population change in the HMA has been highly associated with economic improvement, particularly in the Wayne County submarket. Estimates by the Census Bureau, from 2011 through 2014, indicate that the five ZIP Codes in the Wayne County submarket that registered the greatest growth during that time were in the city of Detroit, in the midtown and downtown neighborhoods (2007–2011 and 2010–2014 American Community Survey 5-year data). That area, where economic activity is concentrated and new housing development is occurring, has registered population growth of 0.8 percent annually since 2010, to 63,650 currently. Countering that growth, 9 of the 10 ZIP Codes in the Wayne County submarket that registered the greatest declines from 2011 to 2014, averaging 4.1-percent annual losses, were also in the city of Detroit, in neighborhoods farther from the downtown core of the city.

During the 3-year forecast period, the rate of population growth in the Detroit HMA is expected to increase modestly, by 4,325 people, or 0.1 percent, annually to a forecast population of 4.32 million. In the Wayne County submarket, the forecast population change will remain negative, at 0.2 percent, or a decline of 3,675 people, the lowest annual declines since before 2000, leading to a forecast population of 1.74 million. In the Northwestern Counties and Northeastern Counties submarkets, the population will increase by respective totals of 5,000 and 3,000 annually, equal to 0.3 percent growth in each submarket, to forecast populations of 1.45 million and 1.12 million, respectively.

The number of households in the HMA increased by 3,300 annually, to 1.70 million, as of the current date, up 0.2 percent from 1.68 million in 2010. The number of households in the HMA had declined by an average of 1,475, or 0.1 percent, annually from 2000 to 2010. The number of households has grown faster than population since 2010 because of increased household formation and smaller households—households undoubled, and young adults moved

Figure 6. Number of Households by Tenure in the Wayne County Submarket, 2000 to Current

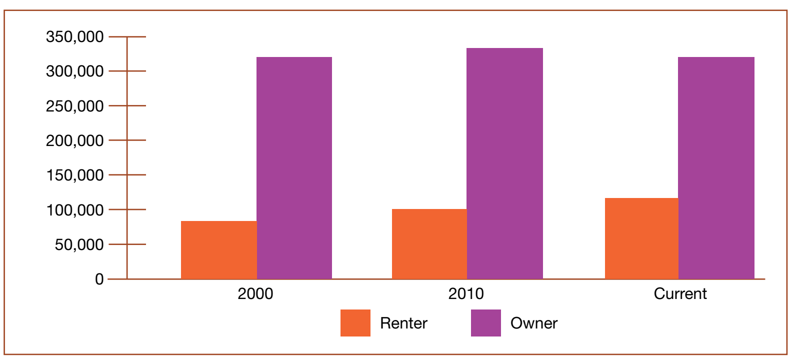


Note: The current date is July 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Northwestern Counties Submarket, 2000 to Current

Note: The current date is July 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Northeastern Counties Submarket, 2000 to Current



Note: The current date is July 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

from their parents' homes as the economy provided increasing job opportunities. In the Wayne County submarket, the number of households decreased sharply from 2000 to 2010, by 6,575, or 0.9 percent, annually. As with population, the number of households in the Wayne County submarket has declined at a much lower 0.3 percent, or by 2,425, annually, since 2010. Annual household growth rates since 2010 have been 0.7 percent in the Northwestern Counties submarket and 0.4 percent in the Northeastern Counties submarket, or 4,150 and 1,675 households. By comparison, from 2000 to 2010, households in the Northwestern Counties and Northeastern Counties submarkets grew at rates of 0.5 and 0.6 percent, respectively, or by 2,450 and 2,625 households, annually. The Wayne County submarket currently has an estimated 687,600 households, and the Northwestern Counties and Northeastern Counties submarkets have household counts of 577,000 and 438,700. Figures 6, 7, and 8 illustrate the number of households by tenure for each submarket.

The number of households in the HMA is expected to increase by 5,075, or 0.3 percent, annually, to a forecast 1.72 million. Household growth in the Wayne County submarket is expected to be negligible and reach 687,700 households, slightly above the current total. Households in the Northwestern Counties and Northeastern Counties submarkets will expand at annual rates of 0.5 and 0.4 percent, respectively, equal to growth of 3,100 and 1,600 households annually and forecast totals of 586,300 households in the Northwestern Counties submarket and 443,500 households in the Northeastern Counties submarket.

Housing Market Trends

Sales Market—Wayne County Submarket

The sales housing market in the Wayne County submarket currently is soft, with an estimated vacancy rate of 2.9 percent, unchanged from the rate reported in April 2010. In April 2016, the unsold inventory in the submarket was 5,425 homes, equivalent to approximately 4 months of supply and nearly 8 percent fewer than a year earlier and 45 percent fewer than in April 2010 (CoreLogic, Inc.). Despite the improving economy in the HMA, the slowing rate of population loss, and the decline in unsold inventory in the submarket, the sales market remains soft, primarily because of a switch to renter tenure among households in the submarket. Since 2010, total households in the submarket declined by 2,425, or 0.3 percent, annually, but owner households declined at a faster rate of 1.7 percent, or 7,325 annually. An estimated 29,400 previously owner-occupied units in the submarket have been converted to rental units since 2010, as the homeownership rate for the submarket declined from 64.7 percent in 2010 to 59.5 percent currently. Also important to note is that the city of Detroit, primarily through the use of the federal Hardest Hit Fund program, has demolished more than 10,450 homes since 2014. The housing stock in the submarket is relatively old, with approximately 22 percent of all housing units built in 1939 or before, and 63 percent built before 1960 (2014 American Community Survey 1-year data). By comparison, in the state of Michigan, 16 percent of housing units were built in 1939 or before and 39 percent were built before 1960, whereas the national rates were 13 and 29 percent, respectively.

During the 12 months ending April 2016 (the most recent data available), new home sales (including single-family homes, townhomes, and condominiums) in the submarket totaled 790, down 8 percent from 870 new home sales recorded during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). The average new home sales price was $232,900, a 29-percent increase from the average price a year earlier and the highest average sales price recorded since 2001. Local sources suggest that many new homes in the submarket are being built as a result of custom orders and not as speculative construction, contributing to the increased average sales prices. New home sales grew steadily from 2000 through 2005, averaging gains of 24 percent annually, to the recent peak of 3,750 sales during 2005. New home sales declined 41 percent annually for the next 3 years, to 760 sales during 2008. From 2009 through 2012, new home sales averaged 500 annually. They increased modestly during 2013 and 2014 but remained generally low, averaging 880 sales.

New home sales prices have recovered faster than the number of sales since the economic recovery began because development has been more prevalent at the high end of the market. From an average of $227,600 during 2000, new home sales prices declined an average of 2 percent annually, to $197,400, during 2008. During 2009, when the economy in the HMA recorded the largest nonfarm payroll decline, the average new home sales price fell nearly 24 percent, to $151,000, before declining 2 percent during 2010, to a low of

$147,400. During the next 4 years, average new home sales prices rose an average of nearly 5 percent annually, to $177,600 during 2014.

Existing home sales in the submarket did not contract as severely as new home sales, but the proportion of existing home sales that are distressed has remained higher in the Wayne County submarket than in the other submarkets. During the 12 months ending April 2016, existing home sales in the submarket totaled 34,400, a decline of 7 percent from a year earlier. The average sales price of $120,100 was nearly 37 percent higher than the $87,900 during the previous 12 months ending April 2015. Existing home sales in the submarket averaged 38,700 sales each year from 2000 through 2005 before declining to average 32,900 sales annually from 2006 through 2010. After a 3-year period when existing home sales grew nearly 10 percent each year, to 40,550 sales during 2013, sales then dropped 7 percent, to 37,900 during 2014. Sales prices for existing homes averaged $116,400 from 2000 through 2005 before falling 19 percent annually, to a recent low of $50,200 during 2009. Existing home sales prices remained low as the economic recovery began, averaging $54,800 annually from 2010 through 2012, before increasing 21 percent annually for the next 2 years, to $81,750 during 2014. The current average sales price of $120,100 remains 2 percent below the previous high of $122,600 during 2003.

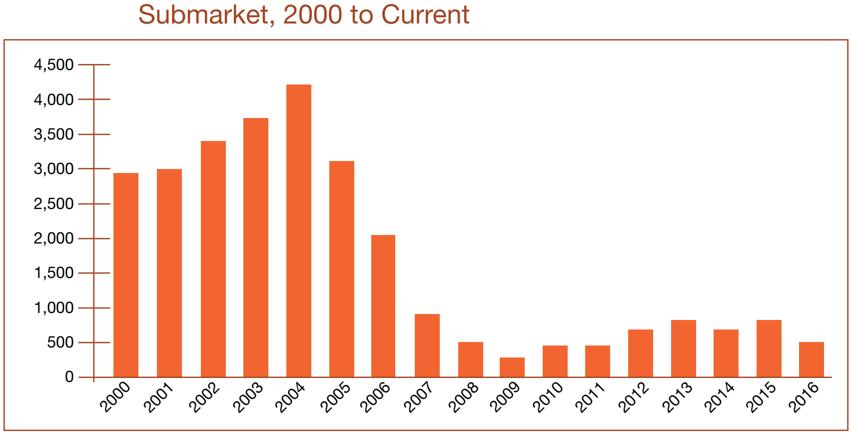
Condominium sales in the submarket contributed nearly 25 percent of the HMA total sales for condominiums from 2004 through 2009, a proportion that increased slightly, to 27 percent, from 2009 through 2015 (Metrostudy, A Hanley Wood Company). During 2015, sales of condominiums totaled 3,325, a decline of 21 percent from the 4,200 condominiums sold during 2014, but the average sales price of $152,500 was 8 percent higher than the average sales price recorded during 2014.

In June 2016, 3.9 percent of mortgage loans in the submarket were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 4.5 percent during June 2015 and from a high of 15.7 percent in 2010. By comparison, the rate of seriously delinquent loans and REO properties in the state of Michigan for June 2016 was 2.2 percent, down from 2.7 percent a year earlier and from a high of 9.0 percent in 2010. The national rate was 3.0 percent in June 2016, down from 3.6 percent in June 2015 and from a high of 8.6 percent in 2010. Distressed sales (REO and short sales) as a proportion of all existing home sales rose sharply to 36 percent during 2007, almost double the rate recorded during 2006. The rate of distressed sales compared with all existing sales peaked at 65.9 percent during 2009 before falling in each subsequent year, to 46.2 percent in 2014. During the 12 months ending April 2016, nearly 40 percent of all existing home sales were distressed, down from 44 percent during the previous 12 months. During 2009, when distressed sales peaked as a percentage of all existing sales, the average sales price of all existing home sales was $50,200 compared with the average sales price of $82,550 for regular resales. During the 12 months ending April 2016, because of the relatively lower ratio of distressed sales—in particular

REO sales—the average sales price for all resales was $120,100, or 8 percent less than the average price of $129,300 for regular resales.

Single-family homebuilding, as measured by the number of homes permitted, expanded during the 12 months ending June 2016 to 920 homes permitted, 28 percent more than were permitted during the previous 12 months (preliminary data). From 2000 through 2006, an average 3,200 single-family homes were permitted annually (Figure 9). During 2007, approximately 920 homes were permitted, and as the national economy entered the recession in December 2007 and the economic contraction affected the Detroit HMA, single-family home permitting continued to drop. During 2008, 520 homes were permitted, and, during 2009, when the economy in the HMA was at its lowest, only 260 single-family homes were permitted. Nonfarm payrolls in the HMA fell slightly during 2010 before beginning to increase, but barriers to purchasing in the sales housing market, including more stringent underwriting standards and higher downpayment requirements, caused developers to limit new home construction. Single-family homes permitted averaged 470 annually during 2010 and 2011 and grew modestly, to an average of 750 annually from 2011 through 2015. The 920 homes permitted during the most recent 12 months is the highest total since the 1,325 homes permitted during the 12 months ending June 2007.

Figure 9. Single-Family Homes Permitted in the Wayne County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

An estimated 390 single-family homes and condominium units currently are under construction in the Wayne County submarket. In Canton, Sheldon Estates includes single-family homes with three and four bedrooms and two-and-one-half baths, with prices starting at $347,900. The first phase of 50 homes currently is for sale, with 92 total lots planned. In Brush Park, just north of downtown Detroit, Bedrock Real Estate Services, the development arm of Rock Financial, will soon break ground on a new development that will include approximately 100 homes for sale, including duplexes and carriage houses, as well as 300 rental units. Although prices are not yet known, most of the units will be on the high end for the submarket, with 20 percent of the units reserved for affordable housing. The first units are expected to be complete in the summer of 2017, with overall completion scheduled for the summer of 2019.

During the next 3 years, demand is expected for approximately 450 new homes in the submarket (Table 1). All of the demand will be satisfied by new mobile homes and the 390 homes currently under construction. In addition, a portion of the 86,000 other vacant units in the submarket may come back on the market and satisfy a portion of the demand. To prevent prolonging the current soft market conditions, no additional new market-rate homes should be added to the stock during the 3-year forecast period. If economic and demographic trends continue as expected, construction of new single-family homes should begin again during the third year of the forecast period, with the homes coming on the market after the forecast period.

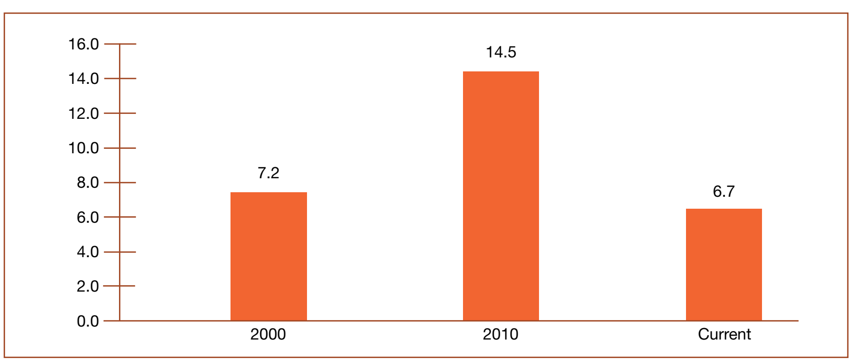
Rental Market—Wayne County Submarket

The rental housing market in the Wayne County submarket currently is slightly soft to balanced, with an overall vacancy rate of 6.7 percent, down from 14.5 percent in April 2010 (Figure 10). Lower net out-migration since 2013 and a growing propensity among households to rent have resulted in the absorption of excess vacant units in the submarket, despite apartment production increases. In addition, the demolition of approximately 10,450 homes since 2014 in the city of Detroit, many of which were likely in the rental market, also has contributed to the improvement in the rental market. Single-family rentals account for an estimated 42 percent of the occupied rental stock, up from 31 percent in 2000, as a combination of high foreclosure rates and stronger rental demand has prompted the shift of sales properties to rental units.

The apartment market in the submarket currently is tight, with an estimated vacancy rate of 3.1 percent as of the second quarter of 2016, down from 3.4 percent a year earlier (MPF Research). Low levels of multifamily permitting from 2007 through 2013 have contributed to the relatively tighter occupancy levels in apartment units compared with the overall rental market in the submarket. Vacancy rates dropped in three of the five MPF Research-defined market areas, ranging from 1.9 percent in the MPF Research-defined Downtown-Midtown-Rivertown area to a high of 5.3 percent in the Detroit City area. The average apartment rent in the submarket was estimated at $860 during the second quarter of 2016, up 5 percent from the second quarter of 2015 and the largest gain recorded of the three submarkets. Average rents during the second quarter of 2016 ranged from $732 in the Detroit City area to $1,008 in the Downtown-Midtown-Rivertown area, where the largest rent increase of 10 percent also occurred. Like many other MSAs in the Midwest region—and nationally—certain downtown areas in Detroit are benefiting from a return of population to inner cities. The Downtown-Midtown-Rivertown area, where population is increasing at an estimated 3.2-percent rate, is one such area.

Responding to improved demographic trends in the submarket and improving economic conditions in the Detroit HMA, developers have

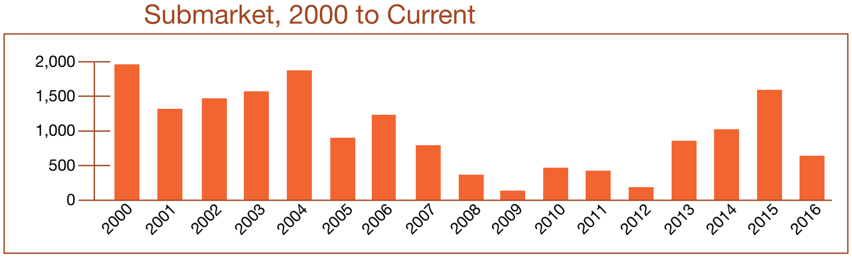
Figure 10. Rental Vacancy Rates in the Wayne County Submarket, 2000 to Current



Note: The current date is July 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

expanded multifamily production since 2013 (Figure 11). During the 12 months ending June 2016, the number of multifamily units permitted in the submarket rose 11 percent, to 1,425, compared with the number permitted a year earlier, 85 percent of which were in the city of Detroit and 6 percent of which were condominium units intended for owner occupancy. Multifamily permitting averaged 910 units annually during 2013 and 2014 before increasing to the current level, and two-thirds of those units were in the city of Detroit. The number of multifamily units permitted in the submarket averaged 1,625 annually from 2000 through 2004, and approximately 32 percent were in the city of Detroit. The number of multifamily units permitted fell to an average of 950 units annually during 2005, 2006, and 2007, and 75 percent of the units permitted were in the city of Detroit, including 740 units considered affordable or mixed income, financed with low-income housing tax credits (LIHTCs) from the state of Michigan. From 2008 through 2012, nearly one-half of the multifamily units permitted were intended for senior occupancy, one-third were financed using LIHTCs, and 10 percent were condominium units intended for owner occupancy. By estimated tenure of units permitted, from 2000 through 2004, approximately 44 percent of multifamily units permitted in the submarket were intended as condominium units, for owner occupancy, a proportion that dropped to 20 percent from 2005 through 2012. During 2013 and 2014, multifamily condominium production for owner occupancy was minimal, estimated at less than 2 percent of units permitted.

Figure 11. Multifamily Units Permitted in the Wayne County Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

An estimated 1,450 multifamily rental units currently are under construction in the submarket. Orleans Landing includes 278 units northeast of downtown Detroit and is scheduled to open in early 2017, with preliminary rents of $1,399 for one-bedroom units and $1,700 for two-bedroom units. The Strathmore, which opened in the spring of 2016 in midtown Detroit, approximately 1.5 miles north of downtown and only three blocks from the Children's Hospital of Michigan, includes 129 one- and two-bedroom units, with rents from $950 and $1,400, respectively. In Taylor, in suburban Wayne County, Heritage Park Senior Village opened in late 2015 and includes 76 one-bedroom units for low-income seniors.

During the forecast period, demand is expected for 5,525 new market-rate rental units in the Wayne County submarket (Table 1). The 1,450 units currently under construction will meet a portion of that demand. Demand is expected to remain stable throughout the forecast period, with continued economic growth and a propensity among new households to rent maintaining the current trend of demand for new apartments. Table 4 shows the estimated demand for new market-rate rental units in the submarket by rent and number of bedrooms.

Table 4. Estimated Demand for New Market-Rate Rental Housing in the Wayne County Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
650 to 849	110	850 to 1,049	660	1,000 to 1,199	770	1,200 to 1,399	660
850 to 1,049	110	1,050 to 1,249	660	1,200 to 1,399	770	1,400 to 1,599	660
1,050 or more	55	1,250 or more	330	1,400 or more	390	1,600 or more	330
Total	280	Total	1,650	Total	1,925	Total	1,650

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,450 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

Sales Market—Northwestern Counties Submarket

The sales housing market in the Northwestern Counties submarket currently is balanced, with an estimated vacancy rate of 1.0 percent, down from 2.4 percent in April 2010. In April 2016, the unsold inventory in the submarket was 5,125 homes, or 3.0 months of supply and 9 percent fewer than a year earlier, and 51 percent below the 10,600 homes recorded during June 2010 (CoreLogic, Inc.). Improving economic conditions in the Detroit HMA and a growing population have contributed to the sales housing market improvement in the submarket since 2010. In addition, REO and short sales have declined as a proportion of all existing home sales in the submarket and thus are not putting significant pressure on sales prices. Decreasing homeownership, as a result of barriers to home purchases including higher downpayment requirements and more stringent underwriting requirements, has limited new home development, however. The homeownership rate currently is estimated at 71.3 percent, down from 74.1 percent in April 2010.

During the 12 months ending April 2016, new home sales (including single-family homes, townhomes, and condominiums) in the submarket totaled 1,875, unchanged from the previous 12 months. The average new home sales price during the past 12 months was $306,600, 10 percent higher than the average of $279,200 recorded during the 12 months ending April 2015. From 2002 through 2005, new home sales averaged 4,900 annually before dropping to 3,100 during 2006. The number of new home sales fell 45 percent to 1,700 during 2007 and by 48 percent to 880 in 2008, when the national economy contracted strongly, negatively affecting the economy in the Detroit HMA. New home sales reached their recent low during 2009, when 580 sales were recorded, but expanded each year from 2010 through 2014 by an average of 27 percent annually. New home sales prices, by contrast, recovered more quickly and have surpassed their previous high. Average sales prices for new homes in the submarket were fairly steady from 2002 through 2008, averaging $236,400 during that 6-year period and peaking at $261,000 during 2006. Even though new home sales prices began to fall during 2007, the steepest drop occurred later. During 2009, when the economy in the HMA was at its weakest, the average new home sales price recorded its most recent annual decline, falling more than 16 percent to $197,700. New home sales prices grew an average of 7 percent during the next 5 years, reaching $277,100 during 2014, higher than in any prerecession year.

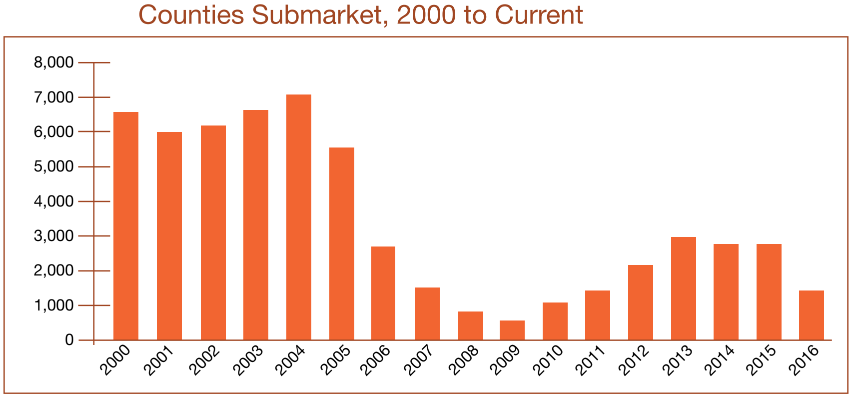
Existing home sales in the submarket totaled 26,850, approximately 4 percent more than during the previous 12 months ending April 2015, and the average sales price of $226,600 was 11 percent higher than it was during the previous 12-month period. From the recent high of 32,700 during 2003, existing home sales fell more than 15 percent annually to a recent low of 16,950 sales during 2007 before beginning to increase. Generally, existing home sales stabilized and gained, even though new home sales continued to fall; homebuyers were choosing less-expensive existing homes over new homes. In addition, the average sales prices for existing homes continued to fall in this submarket through 2009, the peak year for distressed sales in the submarket. Existing sales began to recover after 2007 but have not reached prerecession highs. From 2007 through 2012, existing home sales rose nearly 8 percent annually to 24,600 sales during 2012 and then averaged 26,000 sales during 2013 and 2014. Average sales prices for existing homes in the submarket rose from $209,800 during 2003 to $224,400 during 2005 and 2006 before dropping when the economy faltered. From 2007 through 2009, average sales prices dropped 21 percent annually to the recent low of $126,500 during 2009. From 2010 through 2014, the growth in average sales prices averaged 10 percent annually to $199,600 during 2014, and only in the past 12 months has the current average sales price of $226,600 matched the previous, prerecession high from 2005.

Condominium sales in the Northwestern Counties submarket are predominately occurring in southern Oakland County, the nearest county to the city of Detroit. From 2004 through 2009, condominium sales in the submarket accounted for 46 percent of all condominium sales in the Detroit HMA, a rate that declined slightly to 45 percent from 2009 through 2015. During 2015, the 6,150 condominium sales recorded, at an average sales price of $234,500, represented a drop of 4 percent in the number of sales, whereas the average sales price grew 4 percent compared with figures for 2014.

In May 2016, 1.2 percent of mortgage loans in the submarket were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 1.7 percent during May 2015. By comparison, the rate of seriously delinquent loans and REO properties in the state of Michigan for May 2016 was 1.9 percent, down from 2.7 percent a year earlier, and the national rate was 2.9 percent in May 2016, also down, from 3.6 percent in May 2015. The percentage of distressed sales (REO and short sales) as a proportion of all existing home sales began to increase sharply during 2007, when it averaged nearly 24 percent—more than double the rate recorded during 2006. The rate of distressed sales compared with all existing sales peaked at 64 percent during August 2009, and during the 12 months ending April 2016, nearly 11 percent of all existing home sales were distressed, down from nearly 14 percent a year ago. During 2009, when the rate of distressed sales to all existing sales averaged 57 percent for the year, the average sales price of all existing home sales was $126,400 compared with the average sales price for regular resales (which exclude distressed sales) of $162,900. During the 12 months ending April 2016, because of the relatively lower ratio of distressed sales below 11 percent, in particular REO sales, the average sales price for all resales was $229,500, the same as for regular resales.

Single-family permitting in the submarket has grown significantly since the recession. New home construction remains well below prerecession levels, however. As measured by the number of homes permitted, single-family homebuilding grew 11 percent to 2,925 homes during the 12 months ending June 2016 (preliminary data). From 2000 through 2005, single-family homes permitted averaged 6,300 annually (Figure 12). The number of homes permitted declined by more than 50 percent during 2006 to 2,675, fell 44 percent during 2007 to 1,475, and continued to drop as the economy contracted, reaching a recent low of 540 homes during 2009. Since 2010, the number of homes permitted in the submarket has risen by an average of 60 percent annually to 2,175 homes permitted during 2012, then further, averaging 2,825 homes permitted annually during 2013 and 2014.

Figure 12. Single-Family Homes Permitted in the Northwestern Counties Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

An estimated 1,125 single-family homes, townhomes, and condominiums currently are under construction in the Northwestern Counties submarket. In South Lyon, in Oakland County, Rathmor Park includes two phases of single-family homes, totaling 99 homesites, with three- and four-bedroom homes starting at $444,900. In Royal Oak, also in Oakland County, 33 on Harrison is a new-construction condominium development with 33 units, all with two bedrooms and two bathrooms, priced from $255,900. Two of the 10 units in the first phase have been sold.

During the next 3 years, demand is expected for 6,675 new homes in the submarket, including an estimated 500 mobile homes (Table 1). The estimated 1,125 homes under construction and a portion of the 23,000 other vacant units in the submarket that may come back on the market will satisfy some of the demand. Demand is expected to be stronger during years 2 and 3 of the 3-year forecast period, as the sales housing market continues to recover. Demand is expected to be greatest for homes priced from $300,000 to $499,999. Table 5 shows the estimated demand for new market-rate sales housing in the submarket, by price range.

Table 5. Estimated Demand for New Market-Rate Sales Housing in the Northwestern Counties Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
200,000	299,999	930	15.0
300,000	399,999	1,550	25.0
400,000	499,999	1,550	25.0
500,000	749,999	1,225	20.0
750,000	and higher	930	15.0

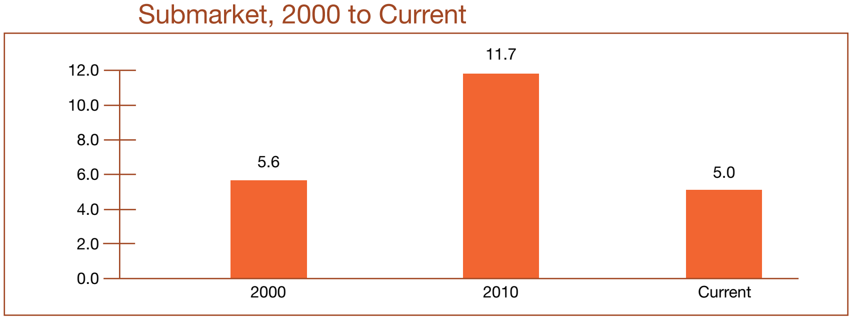
Notes: The 1,125 homes currently under construction and a portion of the estimated 23,000 other vacant units in the submarket will likely satisfy some of the forecast demand. Demand for 500 mobile homes during the forecast period is excluded from this table. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

Rental Market—Northwestern Counties Submarket

The rental housing market in the Northwestern Counties submarket currently is balanced, with an overall estimated vacancy rate of 5.0 percent, down from 11.7 percent in April 2010 (Figure 13). Despite expanded apartment production since 2012, population growth and a stronger propensity among households to rent have helped the absorption of excess vacant units in the submarket. Renter households currently account for 28.7 percent of all households in the submarket, up from 25.9 percent in April 2010. Single-family rental units account for an estimated 29 percent of the occupied rental stock, up from 18 percent in 2000 because of the effect of foreclosures and increased rental demand.

Figure 13. Rental Vacancy Rates in the Northwestern Counties Submarket, 2000 to Current



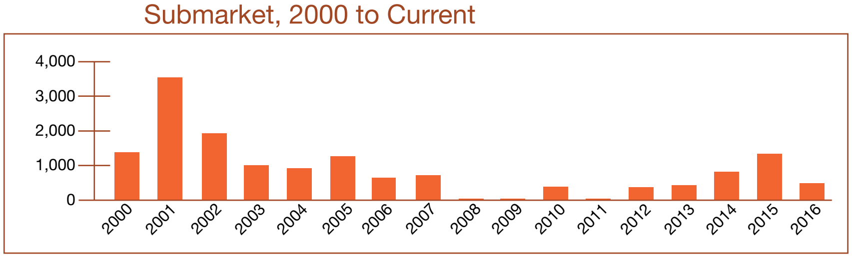
Note: The current date is July 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The apartment market in the submarket currently is tight, with an estimated vacancy rate of 2.4 percent as of the second quarter of 2016, down from 2.7 percent a year earlier (MPF Research). Continuing effects of the home foreclosure crisis, resulting in single-family homes shifting to rental tenure, likely contribute to the higher vacancy rate in the overall rental market, which includes single-family homes. Apartment vacancy rates ranged from 1.9 percent in the MPF Research-defined Farmington Hills-West Bloomfield market area to a high of 3.4 percent in the Southfield area, and vacancy rates declined in five MPF Research-defined areas and increased in two from a year ago. The average apartment rent in the Northwestern Counties submarket was estimated at $933 during the second quarter of 2016, the highest level among the three submarkets in the Detroit HMA and a gain of 4 percent from the second quarter of 2015. Average rents during the second quarter of 2016 ranged from $809 in the Pontiac-Waterford-Auburn Hills area to $1,071 in the Farmington Hills-West Bloomfield area. The largest increase during the past year was in the Pontiac-Waterford-Auburn Hills area, where the rent increased 5 percent.

Responding to improved demographic trends in the submarket, improving economic conditions in the HMA, and tight apartment market conditions, developers have increased multifamily home production in the submarket. During the 12 months ending June 2016, the number of multifamily units permitted in the submarket increased 11 percent, to 1,175, compared with the number permitted a year earlier; 95 percent of those units are in Oakland County, and 10 percent are condominium units intended for owner occupancy. The number of multifamily units permitted in the submarket averaged 1,675 annually from 2000 through 2005, including 3,550 units permitted during 2001; approximately 80 percent were in Oakland County, and an estimated 55 percent were permitted as condominiums for owner occupancy (Figure 14). The number of multifamily units permitted declined to average 690 units annually during 2006 and 2007; 96 percent were in Oakland County, and the owner-intended portion fell to less than one-half. As the economy in the nation and the HMA weakened considerably, the number of multifamily units permitted fell to 17 during 2008 and 13 during 2009, then increased to 410 units permitted during 2010, all rental and all in Oakland County, then fell again to 17 rental units permitted in 2011. Starting in 2012, multifamily production expanded as developers responded to the continued economic improvement and accelerating population growth. Multifamily home production increased from 2012 to 2014, growing by an average of 47 percent annually to 790 units permitted during 2014; 97 percent were in Oakland County, and 9 percent were estimated for owner occupancy.

Figure 14. Multifamily Units Permitted in the Northwestern Counties Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

An estimated 1,125 multifamily rental units currently are under construction in the submarket. Eight55 South Main opened in early summer 2016 in Royal Oak, in Oakland County, approximately 2 miles north of the city of Detroit. The project includes 48 one- and two-bedroom units, with rents starting at $1,802 and $2,265, respectively. In Southfield, also in Oakland County, 42 West recently opened, with 114 one-, two-, and three-bedroom units, with rents starting at $1,325, $1,400, and $2,175, respectively.

During the 3-year forecast period, demand is expected for 4,450 new market-rate rental units in the Northwestern Counties submarket (Table 1). The 1,125 units currently under construction will meet a portion of that demand. Demand is expected to remain stable throughout the forecast period, as continued economic growth and demographic trends and a continuing preference for rental housing among new households maintain the current trend of demand for new apartments. Table 6 shows the estimated demand for new market-rate rental units in the submarket by rent and number of bedrooms.

Table 6. Estimated Demand for New Market-Rate Rental Housing in the Northwestern Counties Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
800 to 999	400	1,000 to 1,199	540	1,200 to 1,399	400
1,000 to 1,199	400	1,200 to 1,399	540	1,400 to 1,599	400
1,200 to 1,399	270	1,400 to 1,599	360	1,600 to 1,799	270
1,400 or more	270	1,600 or more	360	1,800 or more	270
Total	1,350	Total	1,775	Total	1,350

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,125 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

Sales Market—Northeastern Counties Submarket

The sales housing market in the Northeastern Counties submarket currently is slightly soft, with an estimated vacancy rate of 2.0 percent, down from 2.3 percent in April 2010. In April 2016, the unsold inventory in the submarket was 4,250 homes, or 3.2 months of supply—nearly 15 percent less than a year earlier and 49 percent less than in June 2010 (CoreLogic, Inc.). Improved economic conditions and a reduction in new homes built in the submarket have helped sales housing conditions improve, but declining demand and population growth below previous levels have limited new home construction. The home ownership rate is estimated at 73.4 percent as of July 2016, down from 77.1 percent in April 2010.

New home sales in the submarket totaled 1,050 during the 12 months ending April 2016, approximately 15 percent fewer than the 1,225 new home sales recorded a year earlier. The average sales price for new homes during the past year was $237,500, or 16 percent higher than the average sales price recorded a year ago. New home sales were fairly steady, averaging 3,550 annually from 2000 through 2005 and, as in the other two submarkets, began to decline during 2006. In 2006, new home sales in the submarket fell to 2,450, a 27-percent decline, and then fell 48 percent, to 840 sales in 2007. New home sales continued to fall for 2 additional years, reaching their recent lowest value of 520 during 2010. The number of new home sales began to increase during 2011 and expanded by an average of 24 percent annually, to 1,225 new sales during 2014, but they have declined since. By contrast, average sales prices for new homes in the submarket have recovered more strongly and surpassed the prerecession peak value in 2014. Average new home sales prices were mostly steady from 2000 through 2006, averaging $190,500 and with a high value during 2005 of $200,700. The decline in new home sales prices was less severe in this submarket than it was in the other two submarkets, partly because homes prices did not appreciate as much in this submarket before the recession. During 2006, the average new home sales price fell 3 percent, to $195,700, and then declined by an average of 6 percent annually for the next 3 years, to the recent low of $155,900 during 2009.

Average new home sales prices increased at a rate of 6 percent annually from 2010 through 2014, when the average price was $200,700.

Existing home sales in the submarket totaled 20,250 during the 12 months ending April 2016, more than 4 percent higher than the 19,450 sales recorded a year earlier. The average sales price for an existing home during the most recent 12 months was 13 percent higher than it had been during the 12 months ending April 2015, at $142,700, but remains less than the prerecession high of $163,300 during 2005. Existing home sales in the submarket declined an average of 11 percent annually from 2001 through 2007, from 26,000 sales in 2001 to 12,650 in 2007. The decline in home sales in this submarket generally is attributable to demographic and economic changes. Although the population in the submarket increased each year during the period, the rate of increase was declining while nonfarm payrolls in the Detroit HMA also declined each year. Existing home sales increased an average of 8 percent annually from 2008 to 2013 but dipped slightly to 19,100 in 2014 before increasing to the 20,050 sales recorded during the most recent 12-month period. Sales prices for existing homes in the submarket, after peaking in 2005, fell an average of 12 percent annually, to $111,800 during 2008, then dropped again, to an average of $84,850 from 2009 through 2011. Population growth in this submarket had dropped to zero during 2008 and was then negative until 2010, when it started to grow again, but at a slower rate than it had before the recession. The slowed population growth, combined with more stringent underwriting standards and increased downpayment requirements, resulted in severely diminished sales demand, reflected in the comparatively slower growth in home sales and average sales prices, neither of which have recovered to prerecession levels. Since 2011, average sales prices for existing homes have increased an average of 13 percent annually, to the current average of $142,700.

Condominium sales in the Northeastern Counties submarket are predominately in Macomb County, which is closer to the city of Detroit than are the other counties in the submarket. Condominium sales in the submarket have been consistent, averaging 29 percent of all condominium sales recorded in the Detroit HMA from 2004 through 2015. During 2015, approximately 3,875 condominium sales were recorded in the submarket, a gain of 1 percent over the sales total during 2014, and the average sales price declined 3 percent, to $156,400.

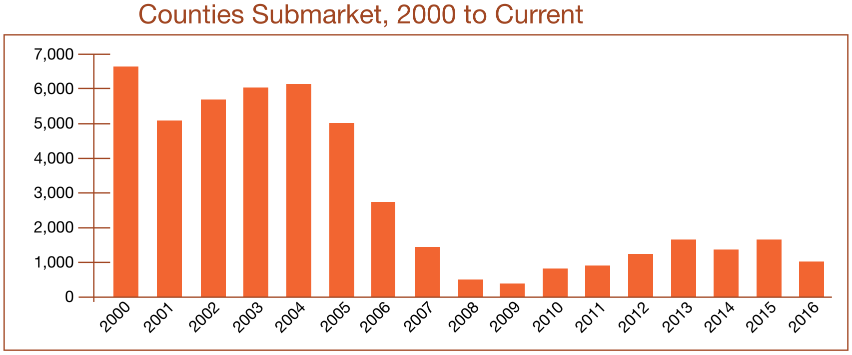
In May 2016, 1.7 percent of mortgage loans in the submarket were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 2.3 percent during May 2015. By comparison, the rate of seriously delinquent loans and REO properties in the state of Michigan for May 2016 was 1.9 percent, down from 2.7 percent a year earlier; and the national rate was 2.9 percent in May 2016, also down, from 3.6 percent in May 2015. The percentage of distressed sales (REO and short sales) as a proportion of all existing home sales began to increase sharply during 2007, when it averaged more than 23 percent—more than double the rate recorded during 2006. The rate of distressed sales compared with all existing sales peaked at 60 percent during September 2009. During the 12 months ending May 2016, approximately 15 percent of all existing home sales were distressed, down from 17 percent a year ago. During 2009, when the percentage of distressed sales as a proportion of all existing sales averaged 58 percent, the average sales price of all existing home sales was $84,300 compared with the average sales price for regular resales of $104,300. During the 12 months ending May 2016, because of the relatively lower ratio of distressed sales—in particular REO sales—the average price for all resales was $145,100, similar to the average price for regular resales of $148,700.

Single-family homebuilding, as measured by the number of homes permitted, increased strongly during the past 12 months, to 1,950 homes, up 40 percent from the 1,400 homes permitted a year earlier (preliminary data). Home builders in the submarket are responding to improved economic and demographic conditions, but the magnitude of the current increase is also the result of a downturn in single-family home permitting that occurred during 2014. Single-family home permitting was relatively stable in the submarket from 2000 through 2005, averaging 5,750 homes permitted annually (Figure 15). Permitting activity in the submarket dropped significantly beginning in 2005, falling 45 percent annually to the recent low of 460 homes permitted during 2009. Since 2010, the number of homes permitted has increased from the low levels recorded during the period of economic decline, with 1,675 homes permitted in 2013 and 1,400 in 2014.

An estimated 850 single-family homes, townhomes, and condominiums currently are under construction in the submarket. In Macomb Township, in central Macomb County, Lake Arrowhead is beginning sales of 40 new single-family homes with three and four bedrooms and two-and-one-half bathrooms, with prices starting at $277,900. Also in Macomb Township, the 50 duplex condominium homes at Legacy Estates are more than 90 percent sold, with the remaining two- and three-bedroom homes starting at $249,665.

During the 3-year forecast period, demand is expected for 3,275 new homes in the Northeastern Counties submarket (Table 1), including an estimated demand for 500 mobile homes. The estimated 850 homes currently under construction and a portion of the 22,000 other vacant units in the submarket that may come back on the market will satisfy some of the demand. Demand will be greatest during the second and third years of the forecast period, as the sales housing market in the Detroit HMA continues to strengthen. Demand is expected to be greatest for homes priced between $250,000 and $449,999. Table 7 shows the estimated demand for new market-rate sales housing in the submarket by price range.

Figure 15. Single-Family Homes Permitted in the Northeastern Counties Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 7. Estimated Demand for New Market-Rate Sales Housing in the Northeastern Counties Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	249,999	420	15.0
250,000	349,999	700	25.0
350,000	449,999	700	25.0
450,000	549,999	560	20.0
550,000	and higher	420	15.0

Notes: The 850 homes currently under construction and a portion of the estimated 22,000 other vacant units in the submarket will likely satisfy some of the forecast demand. Demand for 500 mobile homes during the forecast period is excluded from this table. The forecast period is July 1, 2016, to July 1, 2019.

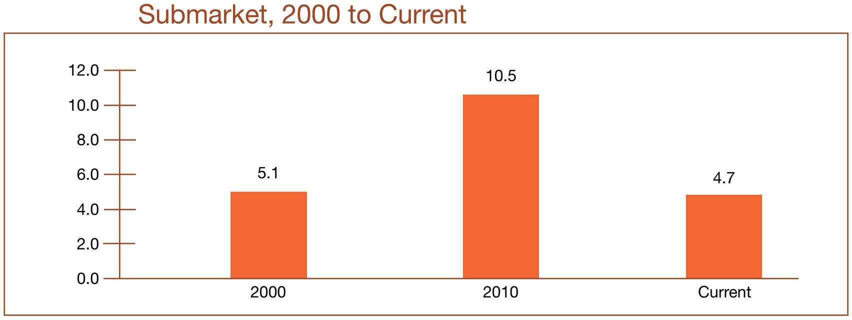
Source: Estimates by analyst

Rental Market—Northeastern Counties Submarket

The rental housing market in the Northeastern Counties submarket currently is balanced, with an overall estimated vacancy rate of 4.7 percent, down from 10.5 percent in April 2010 (Figure 16). The apartment market is tight, as continuing effects of the housing crisis—resulting in foreclosed homes—likely contributes to the higher vacancy rate in the overall rental market, including single-family homes. Apartment production in the submarket has generally increased since 2013 but has been less significant than in the other two submarkets. Increased population, a growing propensity among households to rent, and comparatively low levels of multifamily home permitting in the late 2000s and early 2010s has led to the absorption of excess vacant rental units and the current balanced condition. Rental households currently account for 26.6 percent of all households in the submarket, up from 22.9 percent in April 2010 but the lowest rate among the three submarkets in the HMA. Since 2010, the number of households has increased by 1,675, or 0.4 percent, annually but the number of rental households grew by 2,975, or 2.8 percent, annually, offsetting declines of owner households. Single-family rental units account for an estimated 35 percent of the occupied rental stock, up from 20 percent in 2000, because of the effect of foreclosures and increased rental demand, prompting conversions of sales properties to rental units.

The apartment market in the submarket is currently tight, with an estimated vacancy rate of 2.8 percent as of the second quarter of 2016, down from 2.9 percent a year earlier (MPF Research). Apartment vacancy rates ranged from 2.5 percent in the MPF Research-defined Sterling Heights-Shelby Township market

Figure 16. Rental Vacancy Rates in the Northeastern Counties Submarket, 2000 to Current

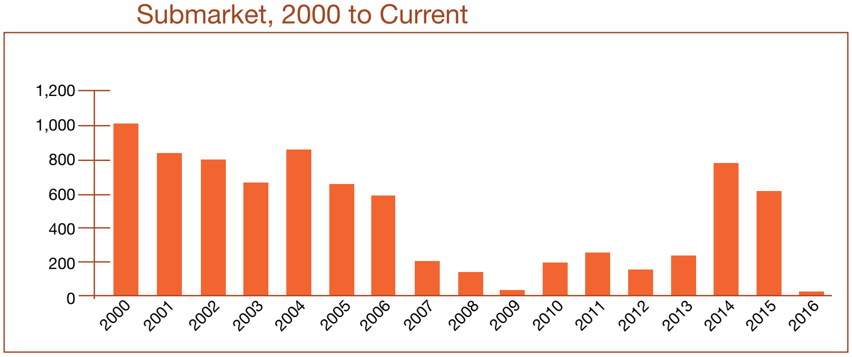


Note: The current date is July 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst area to a high of 3.0 percent in the Warren-Roseville area, and vacancy rates declined in two MPF Research-defined areas and increased in one. The average apartment rent in the submarket was estimated at $812 during the second quarter of 2016, a gain of nearly 4 percent from the second quarter of 2015. Average rents during the second quarter of 2016 were $752 in the Warren-Roseville area, $800 in the Clinton Township-St. Clair County area, and $885 in the Sterling Heights-Shelby Township area, an increase of 3.9, 4.6, and 6.1 percent, respectively.

As a result of improved demographic and economic trends and tight apartment market conditions in the submarket, developers significantly increased multifamily home production in the submarket during 2014 and 2015. During the 12 months ending June 2016, the number of multifamily units permitted in the submarket totaled 350, down 46 percent from the 650 units permitted during the 12 months ending June 2015. All the 350 units permitted during the past 12 months are in Macomb County, and all are intended for renter occupancy, approximately 50 percent of those for seniors. From 2010 through 2013, multifamily permitting in the submarket averaged 210 units annually, with 75 percent in Macomb County and nearly all for senior occupancy (Figure 17). During the previous decade, multifamily construction in the submarket averaged 780 units annually from 2000 through 2006, approximately 80 percent of which were in Macomb County and 18 percent in St. Clair County, and nearly 40 percent were permitted as condominium units for owner occupancy. From 2006 through 2010, the number of multifamily units permitted declined to average 140 annually, approximately 60 percent of which were smaller developments in duplex, triplex, or quad configurations primarily built for renter occupancy in Macomb and St. Clair Counties.

Figure 17. Multifamily Units Permitted in the Northeastern Counties Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

An estimated 260 multifamily rental units are currently under construction in the submarket. Encore Townhomes, with 80 units in Utica, in Macomb County, includes two- and three-bedroom townhomes with garages, with rents starting at $1,395. Montclair at Partridge Creek is a rental townhome complex in Clinton Township, in Macomb County, that began construction on the first phase of 100 units in the winter of 2015 and is scheduled to begin occupancy in the summer of 2016. Montclair's townhomes, with attached garages, have proposed rents of $1,500 for two-bedroom units and $1,850 for three-bedroom units. The development is expected to eventually include more than 600 units.

During the 3-year forecast period, demand is expected for 2,575 new market-rate rental units in the Northeastern Counties submarket (Table 1). The 260 units currently under construction will meet a portion of that demand. Demand is expected to remain stable throughout the forecast period, as continued economic growth and demographic trends and a continuing preference for rental housing among new households maintains the current trend of demand for new apartments. Table 8 shows the estimated demand for new market-rate rental units in the submarket by rent and number of bedrooms.

Table 8. Estimated Demand for New Market-Rate Rental Housing in the Northeastern Counties Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
750 to 949	310	900 to 1,099	410	1,100 to 1,299	310
950 to 1,149	310	1,100 to 1,299	410	1,300 to 1,499	310
1,150 or more	150	1,300 or more	210	1,500 or more	150
Total	770	Total	1,025	Total	770

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 260 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

Data Profiles

Table DP-1. Detroit HMA* Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	2,216,021	1,772,626	1,909,000	– 2.2	1.4
Unemployment rate	3.4%	13.9%	5.6%		
Nonfarm payroll jobs	2,202,900	1,736,200	1,956,000	– 2.4	2.2
Total population	4,452,557	4,296,250	4,303,000	– 0.4	0.0
Total households	1,696,943	1,682,111	1,702,800	– 0.1	0.2
Owner households	1,232,190	1,193,402	1,142,000	– 0.3	– 0.7
Percent owner	72.6%	70.9%	67.1%		
Renter households	464,753	488,709	560,800	0.5	2.2
Percent renter	27.4%	29.1%	32.9%		
Total housing units	1,797,185	1,886,537	1,892,000	0.5	0.0
Owner vacancy rate	1.3%	2.6%	2.0%		
Rental vacancy rate	6.4%	12.9%	5.8%		
Median Family Income	$60,500	$71,000	$64,600	1.6	– 1.9

** Detroit-Warren-Dearborn HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2016. Median Family Incomes are for 1999, 2000, and 2014. The current date is July 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Wayne County Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	2,061,162	1,820,584	1,755,000	– 1.2	– 0.6
Total households	768,440	702,749	687,600	– 0.9	– 0.3
Owner households	511,837	454,706	408,900	– 1.2	– 1.7
Percent owner	66.6%	64.7%	59.5%		
Rental households	256,603	248,043	278,700	– 0.3	1.9
Percent renter	33.4%	35.3%	40.5%		
Total housing units	826,145	821,693	805,800	– 0.1	– 0.3
Owner vacancy rate	1.4%	2.9%	2.9%		
Rental vacancy rate	7.2%	14.5%	6.7%		

Notes: Numbers may not add to totals because of rounding. The current date is July 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Northwestern Counties Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	1,351,107	1,383,329	1,433,000	0.2	0.6
Total households	526,499	551,078	577,000	0.5	0.7
Owner households	400,882	408,491	411,500	0.2	0.1
Percent owner	76.1%	74.1%	71.3%		
Rental households	125,617	142,587	165,500	1.3	2.4
Percent renter	23.9%	25.9%	28.7%		
Total housing units	550,925	600,064	612,900	0.9	0.3
Owner vacancy rate	1.2%	2.4%	1.0%		
Rental vacancy rate	5.6%	11.7%	5.0%		

Notes: Numbers may not add to totals because of rounding. The current date is July 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Northeastern Counties Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	1,040,288	1,092,337	1,115,000	0.5	0.3
Total households	402,004	428,284	438,700	0.6	0.4
Owner households	319,471	330,205	322,000	0.3	– 0.4
Percent owner	79.5%	77.1%	73.4%		
Rental households	82,533	98,079	116,700	1.7	2.8
Percent renter	20.5%	22.9%	26.6%		
Total housing units	420,115	464,780	473,000	1.0	0.3
Owner vacancy rate	1.3%	2.3%	2.0%		
Rental vacancy rate	5.1%	10.5%	4.7%		

Notes: Numbers may not add to totals because of rounding. The current date is July 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 7/1/2016—Analyst's estimates
Forecast period: 7/1/2016–7/1/2019—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_DetroitWarrenDearbornMI_16.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.