

Housing Market Profile



Midwest • HUD Region V

Detroit-Warren-Livonia, Michigan

Located in southeast Michigan, the Detroit-Warren-Livonia metropolitan area includes Lapeer, Livingston, Macomb, Oakland, St. Clair, and Wayne Counties. As of October 1, 2011, the estimated population was 4.3 million, a decrease of approximately 24,400, or 0.6 percent, during the past 12 months, representing a slower decline than the 44,300-person decrease in the previous 12 months. The last year that population growth occurred in the area was 2003, with an increase of approximately 760 people. Between 2004 and 2009, the population declined by approximately 25,750, or 0.6 percent, annually, with all population loss due to out-migration, approximately one-third of which resulted from people leaving Michigan rather than moving elsewhere within the state. The metropolitan area is considered the birthplace of the automotive assembly line and is the headquarters for the General Motors Company, Ford Motor Company, and Chrysler Group LLC. Ford Motor Company, General Motors Company, and the Henry Ford Health System are the largest employers in the area with 38,000, 25,900, and 18,400 employees, respectively.

The economy in the Detroit-Warren-Livonia metropolitan area is weak but showing signs of recovery. For the 12 months ending September 2011, nonfarm payroll jobs averaged 1.74 million, an increase of 0.9 percent, or 15,000 jobs, from the 1.73 million nonfarm payroll jobs reported in September 2010. This increase compares with a decline of 61,200 jobs, or 3.4 percent, a year earlier. Between 2001 and 2009, nonfarm payrolls declined by an average of 50,400 jobs annually, from 2.14 million jobs in 2001 to 1.74 million in 2009. Most nonfarm payroll sectors gained jobs during the 12 months ending September 2011. Leading growth sectors were the manufacturing, professional and business services, and mining, logging and construction sectors with respective increases of 11,700, 11,200, and 3,600 jobs, or 6.3, 3.7, and 7.2 percent. The General Motors Company announced plans to hire up to 2,500 workers in Hamtramck in Wayne County in late 2011 and 2012, and the Ford Motor Company announced an \$850 million investment in Michigan facilities that is expected to produce up to 900 hourly and 300 salaried positions, primarily in three plants in the metropolitan area between 2011 and 2013.

Job declines during the 12 months ending September 2011 were all in the service-providing sectors and included the government, leisure and hospitality, and other services sectors, which declined by 10,800, 2,700, and 1,100 jobs, respectively, or by 5.1, 1.6, and 1.3 percent. Nearly 70 percent of the decline in government employment was in local government as local governments respond to diminished revenues. Reflecting overall job gains, the 12-month average unemployment rate dropped from 14.6 percent in September 2010 to 12.1 percent in September 2011.

The Detroit-Warren-Livonia home sales market is currently soft, although home sales figures have stabilized after declining from the peak of 69,650 homes sold in 2005. Based on data from Hanley Wood, LLC, the number of existing, nondistressed, single-family and attached home sales in the area totaled approximately 25,100 homes during the 12 months ending August 2011, an increase of 1 percent compared with the 24,750 homes sold during the same period a year earlier but nearly 36 percent fewer homes than the 39,050 home sales reported, on average, from 2006 through 2008. During the 12 months ending August 2011, the average home sales price of existing single-family homes increased nearly 1 percent, to \$153,800, 11 percent less than the \$172,700 average sales price reported from 2006 through 2008. In the city of Detroit, the number of existing, nondistressed, single-family and attached home sales increased nearly 2 percent, to 1,975 homes sold during the 12 months ending August 2011, while the average home sales price declined by 3 percent, to \$116,500. According to LPS Applied Analytics, as of September 2011, 9.4 percent of total loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 11.4 percent in September 2010. This rate is higher than the 8.1-percent state rate and the 7.7-percent national rate.

The number of new single-family homes sold in the Detroit-Warren-Livonia metropolitan area totaled 1,950 during the 12 months ending August 2011, a decrease of 9 percent from the 2,150 sold in the previous 12-month period and nearly 69 percent fewer homes than the average number of new homes sold annually from 2006 through 2008. The average home sales price for new single-family homes increased by 10 percent, to \$193,100, which is less than the \$214,500 average sales price for newly constructed homes reported from 2006 through 2008.

Builders have begun increasing the production of new homes in the area following declines in 2008 and 2009. According to the Southeastern Michigan Council of Governments (SEMCOG), approximately 3,025 single-family



homebuilding permits were issued in the metropolitan area during the 12 months ending September 2011, an increase of nearly 40 percent from the 2,175 homes permitted a year earlier. This rate is down from an average of 4,800 homes permitted annually from 2006 through 2008 and 17,050 homes permitted annually from 2001 through 2005.

During the 12 months ending September 2011, rental housing construction, as measured by the number of units permitted, increased to 480 units compared with 120 units permitted during the same time a year earlier, according to data from SEMCOG. The number of units permitted is nearly 18 percent less than the 590 units permitted, on average, from 2006 through 2008 and 71 percent less than the annual average of 1,650 units permitted from 2001 through 2005.

The overall rental housing market in the Detroit-Warren-Livonia metropolitan area is currently soft, with an estimated rental vacancy rate of 12 percent, down slightly from the 12.8-percent rate reported in the 2010 Census. Single-family homes that have become available for rent

due to the soft sales housing market have contributed to the high rental vacancy rate. The apartment rental market was stronger during the second quarter of 2011 than was the overall rental market, especially in the two largest suburban counties. Conditions are tight in Macomb County, to the north of Detroit, with an apartment vacancy rate of 4.9 percent, down from 6.9 percent a year ago, according to Reis, Inc. The asking rent in Macomb County, where the city of Warren is located, was \$753, up 1 percent from the previous year. In Oakland County, which is north of Detroit and west of Macomb County and which includes Pontiac as its largest city, apartment market conditions are also tight, with an estimated vacancy rate of 4.8 percent, down from the 6.8-percent rate recorded in the second quarter of 2010. The asking rent in Oakland County increased nearly 2 percent from the second quarter of 2010, to \$997 per month. The downtown Detroit rental housing submarket is currently soft, with a vacancy rate of 9.2 percent, down from the 10.9-percent rate recorded a year ago; the average asking rent of \$900 is up 4 percent from the \$865 average asking rent in the second quarter of 2010.