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Housing Revs Up in Detroit

Yearly Increase Shows Region's Values Stabilizing, Though Nearly 43% Below Peak

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Like the recovering auto industry, Detroit's housing market is showing signs of new life.

Of the nation's 20 largest metro areas surveyed for the latest S&P/Case-Shiller Home Price index, released Tuesday, only Detroit and Washington, D.C. registered higher home prices in July than a year earlier. Detroit was up 1.2% from July 2010; Washington edged up 0.2%.

Detroit's housing market is a long way from robust, and the recent improvement is small compared with the value lost during the collapse that began in 2007. Still, there are signs that Detroit's residential real-estate values may be stabilizing—at levels comparable to 1995, and nearly 43% below their peak.

The painful shakeout in the auto industry, which hit bottom in 2009 with the bankruptcies of General Motors Co. and Chrysler Group LLC, cost the Detroit region thousands of jobs. But the restructuring helped Detroit's auto makers and earn profits at far lower sales volumes than in the past. That has translated to promises of larger profit-sharing checks for assembly-line workers, bigger bonuses for executives and more money for the surviving suppliers in the region.

Likewise, the collapse of housing values has made it easier for younger buyers, and those who have jobs, to consider buying. With Detroit area home prices so low, "the rent-ownership relationship dramatically favors buying," said Bob Walters, chief economist with Quicken Loans.

Real-estate agents say the market showed signs of recovery this spring as more buyers grew comfortable with their job prospects. "From 2004 through 2009, even though the Big Three laid off 20% of their work force, 100% of the work force was not going to buy a house," said Dan Elsea, president of brokerage services for Real Estate One in the Detroit area. "We had a total freeze on activity." But over the past six months, there has been a "burst of activity," as consumers become more confident about the auto-sector recovery, he said.

Meanwhile, the inventory of homes listed for sale at the end of August was down 29% from a year earlier, according to Real-

tor.com. That is leading to bidding wars. "Buyers are paying \$30,000 or \$40,000 above the asking price," said Ben Lang, a real-estate agent in suburban Troy. According to Realtor.com, the median asking price of a listed home in August in the Detroit area was \$93,000, compared with \$189,900 nationally.

Glenn Stewart signed a contract in July to buy a new house in Lyon Township and will move into the four-bedroom home next February. "We didn't know if home prices were going to go

any lower, and with interest rates so low, we couldn't turn our back on it," said the 49-year-old police officer. Mr. Stewart sold his Livonia home, which he bought 13 years ago, in just two weeks this past July.

It all gives the region another thing to celebrate, along with its playoff-bound Tigers in baseball and undefeated Lions in football. Still, the Detroit housing recovery remains a work in progress.

"It still feels like we are a year to a year and a half away from a fundamental turning point," said

Robert Dye, chief economist with Comerica Bank.

The Detroit region still has a large overhang of homes that are bank-owned or in some stage of foreclosure—more than 46,000, according to RealtyTrac. And homes in the city of Detroit can still be a tough sell. Ryan Cooley, of O'Connor Realty, said appraisers are still assigning low values to many Detroit houses; threatening to derail deals.

"I had a house put under contract for \$80,000," he said. "It appraised for \$30,000."



A real-estate agent outside a home for sale last month in the Detroit suburb of Bloomfield Hills.

Inching Forward

Detroit is showing some signs of recovery. S&P/Case-Shiller Home Price Indexes for July:

	20-metro composite	Detroit
CHANGE vs. June	0.9%	3.8%
vs. year ago	+4.1	1.2
vs. recent low	37	11.7
vs. recent peak	+30.9	-43.3

Source: Standard & Poor's and Fitch IBCA via Moody's Analytics