

# Primer on Detroit Housing Affordability

JUNE 4, 2025

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*The views expressed here do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.*

# Presentation Structure: Focus on Affordability

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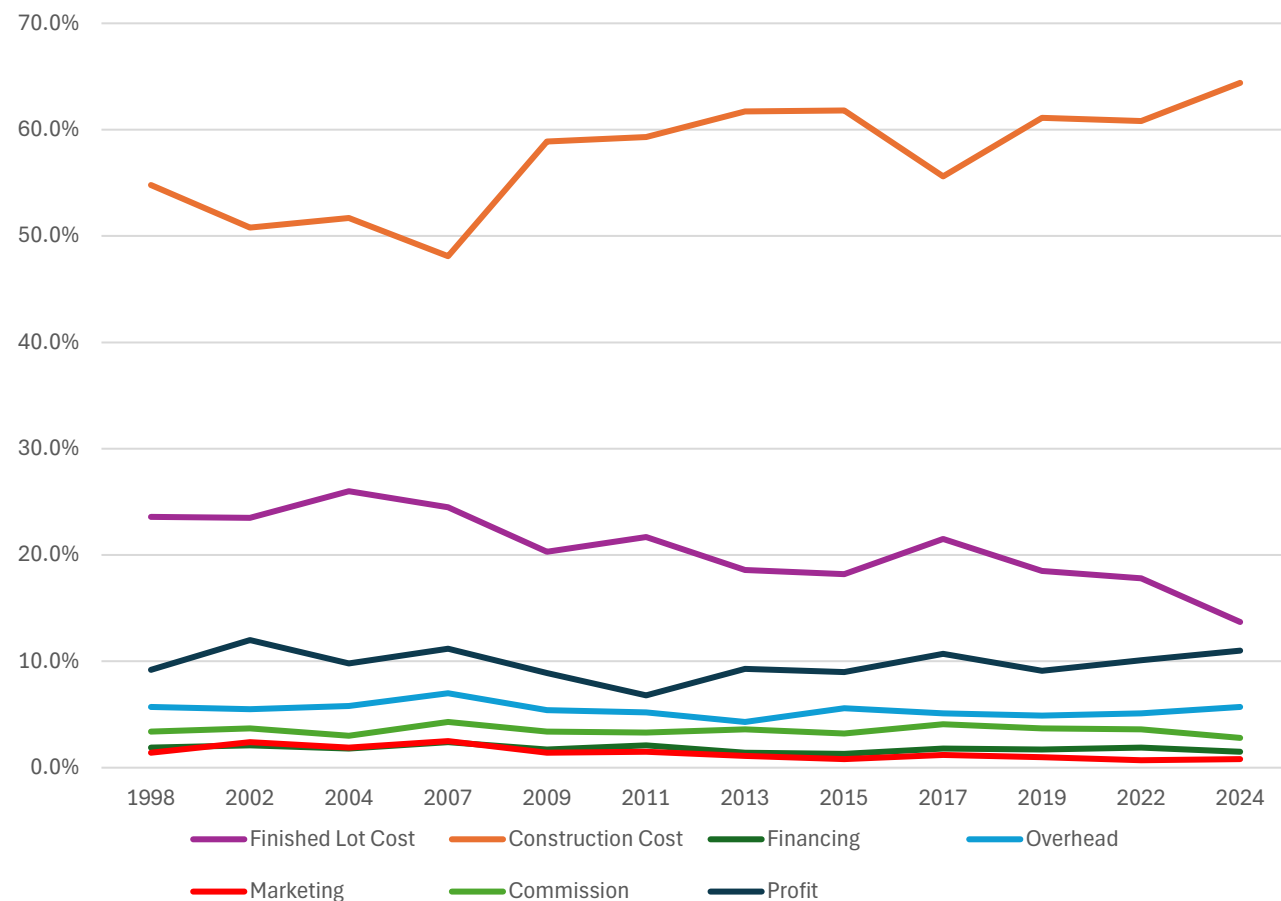
- National trends in construction costs and home prices
- Local trends in construction projects
- Some analysis of local home values and rents
- The competitiveness of the local housing market
- Other variables that should be thought about when thinking of affordable housing

# Construction Trends

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# New Construction Cost Breakdown

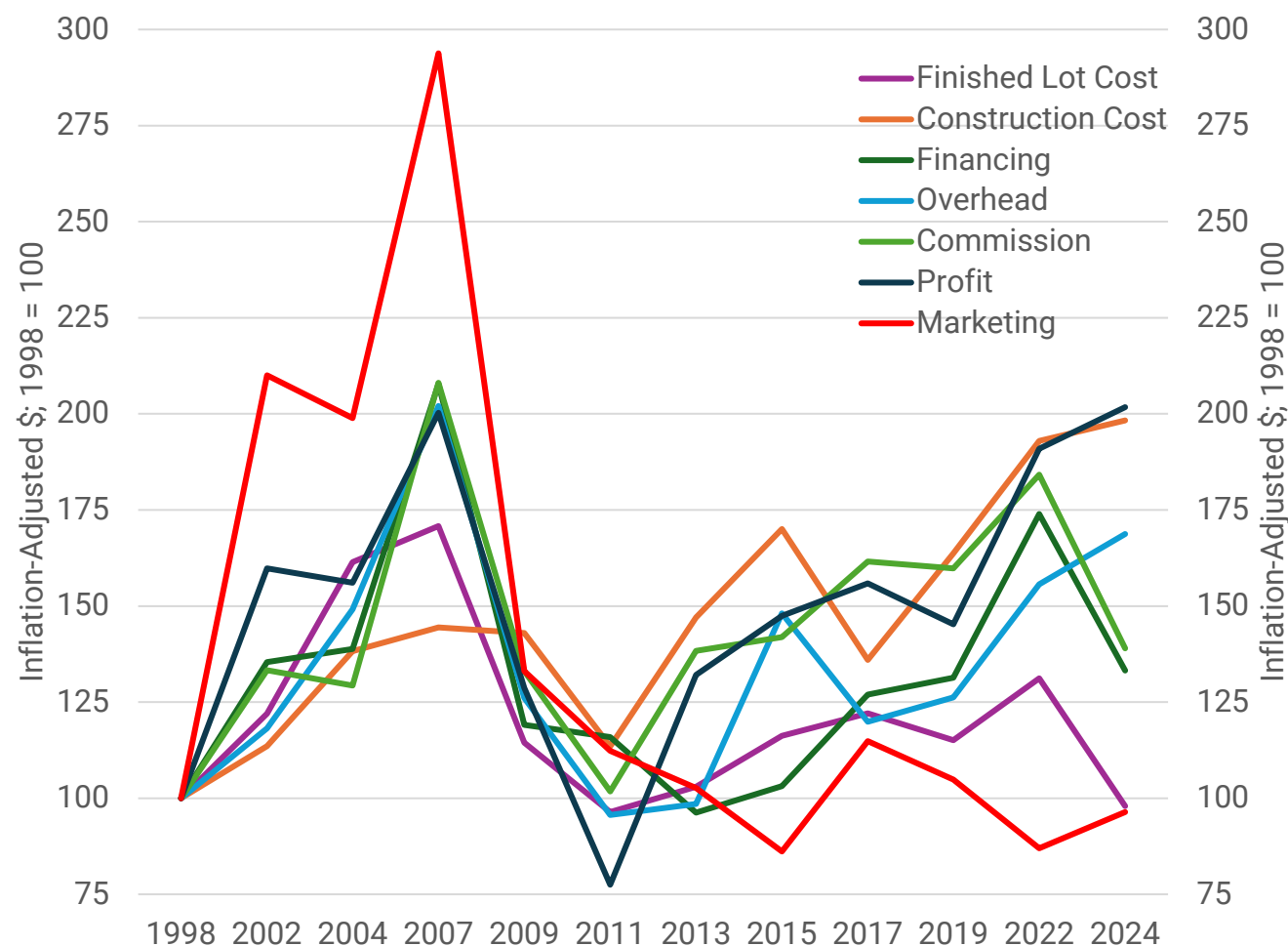
- Construction costs have made up the highest proportion of total new construction costs for decades



Source: [special-study-cost-of-constructing-a-home-2024-january-2025.pdf](#)

# Inflation-Adjusted Construction Cost Breakdown

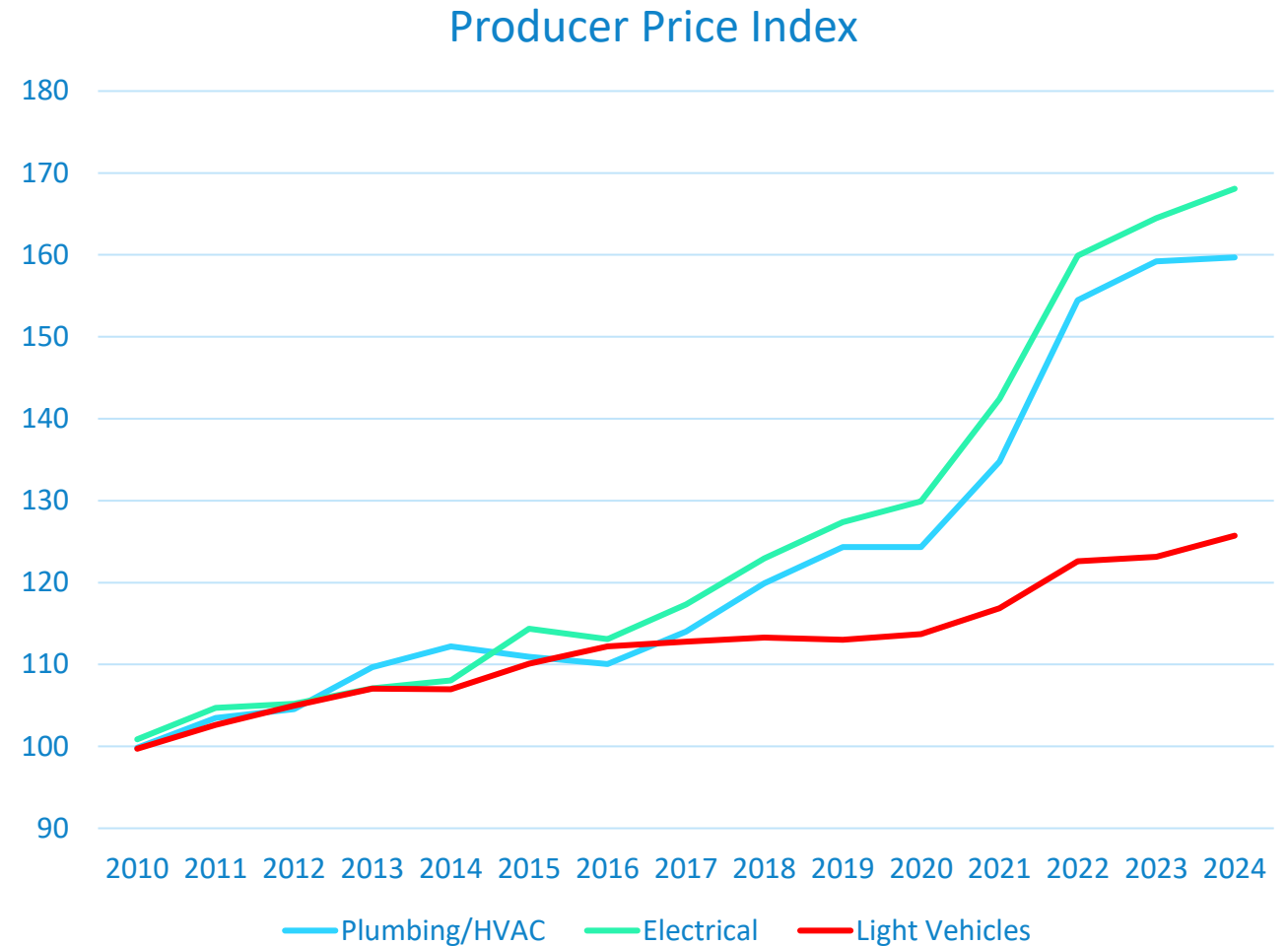
- Adjusted for inflation, construction costs have doubled in the last 25+ years
- Even with its post-Great Recession dip, margin levels have doubled as well despite ongoing cost pressures



Source: Author's calculations using data from the Bureau of Economic Analysis and [special-study-cost-of-constructing-a-home-2024-january-2025.pdf](#)

# Producer Prices: Net Output of Select Industries

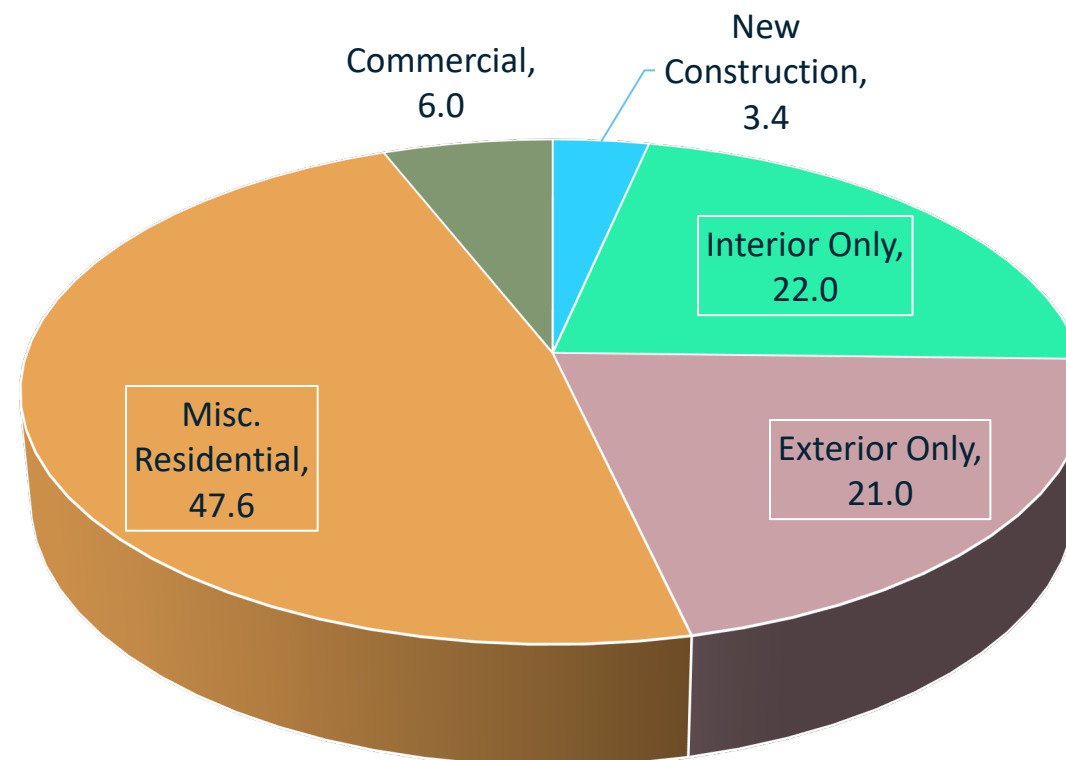
- In the homebuilders' survey, plumbing, HVAC, and electrical costs have each increased their cost share.



Source: Author's calculations using data from the Census Bureau and Haver Analytics

# Detroit Construction Permits 2023-Present

- Miscellaneous residential permits are a mix of interior/exterior projects on the same house so they can't be separated
- The total number of permits was 12,000+



Source: Author's calculations using data from CoreLogic

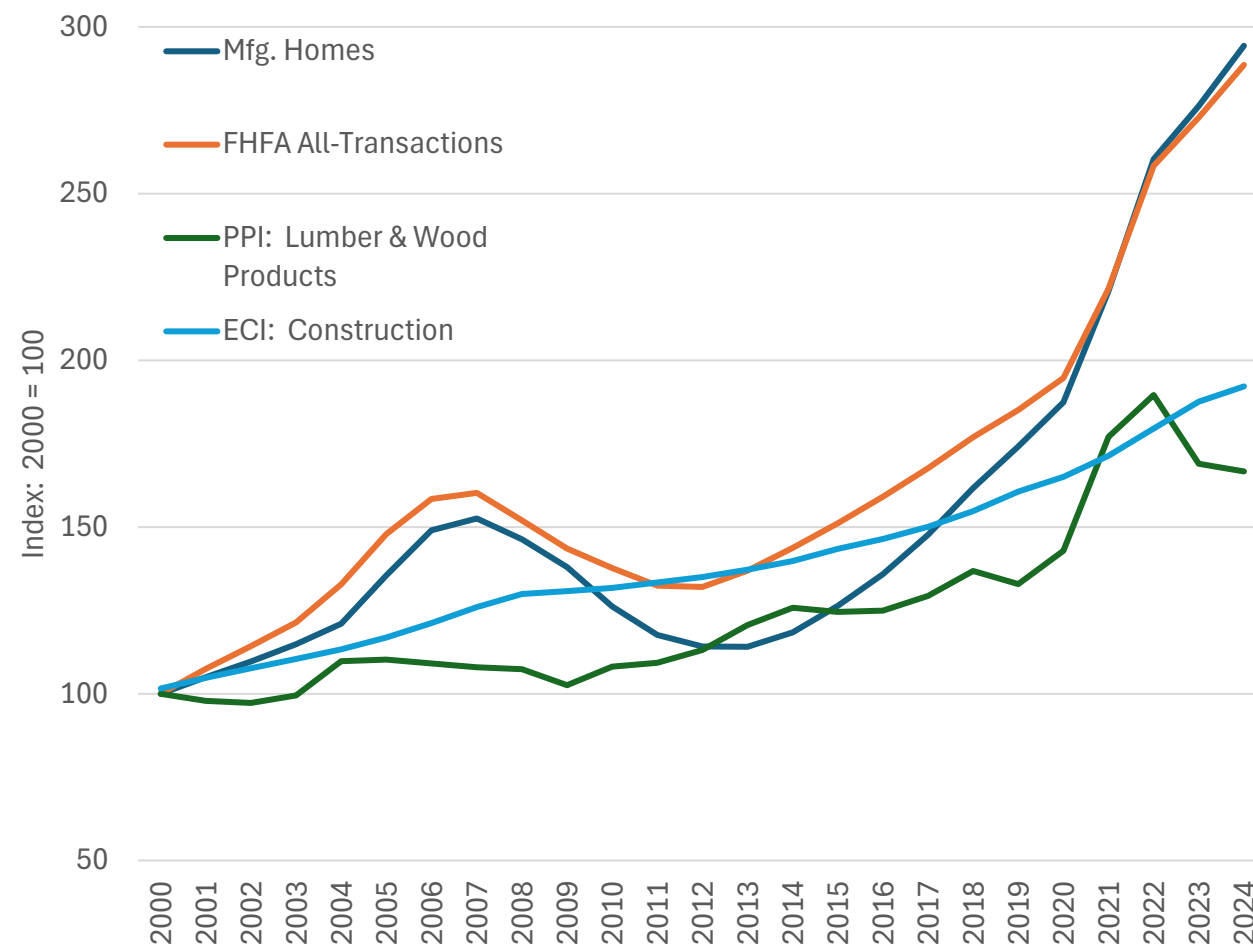
# Broad Pricing Trends in Housing

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# Housing-Related Price Indexes

- Thought to be a less expensive alternative, manufactured home values have kept pace with the increase in all housing transactions (including appraisals)



Source: Author's calculations using data from the FHFA and Census Bureau

State  
All

Region Type  
Place/City

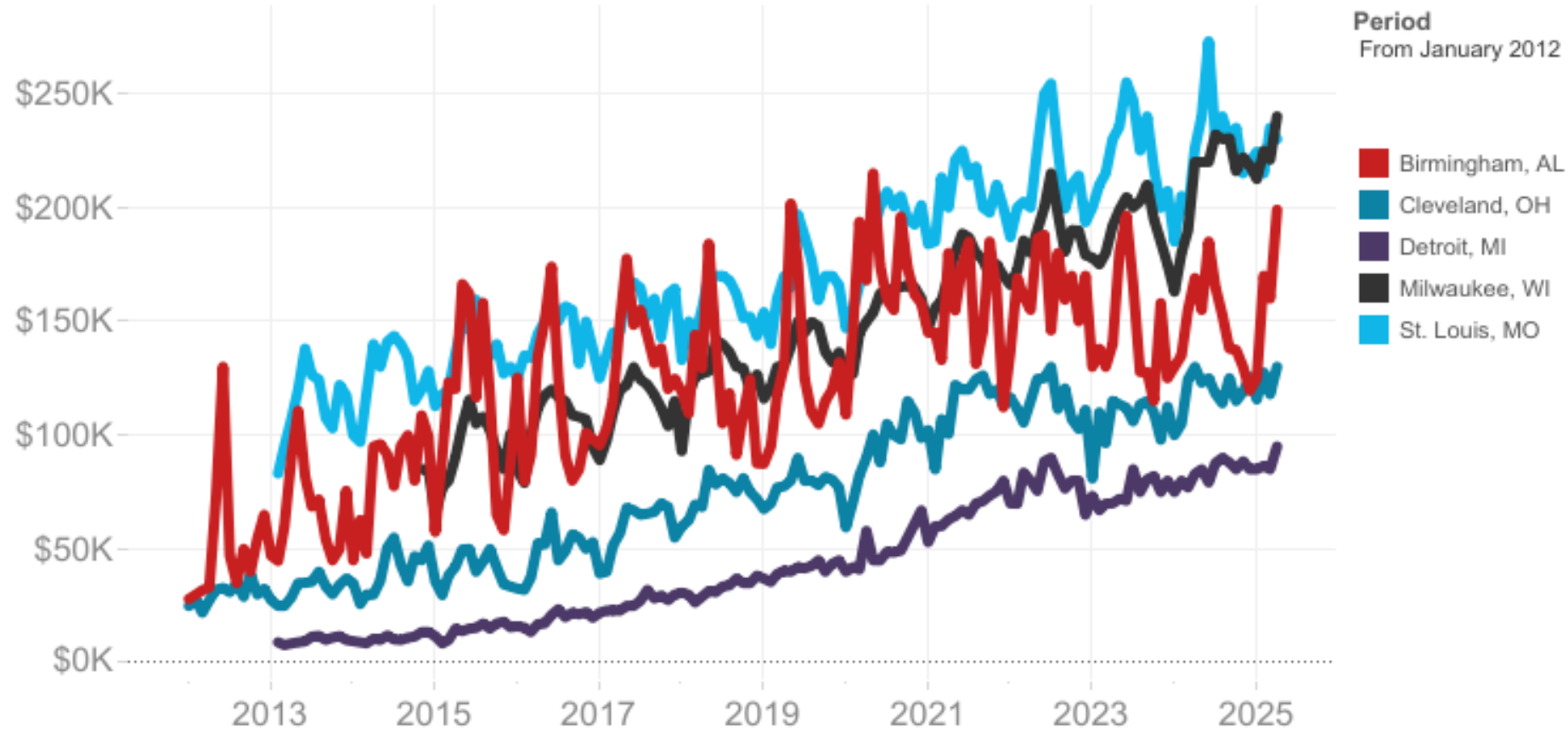
Region  
Multiple values

Property Type  
Single Family Residenti..

Show Values As  
Value

Seasonally Adjusted  
False

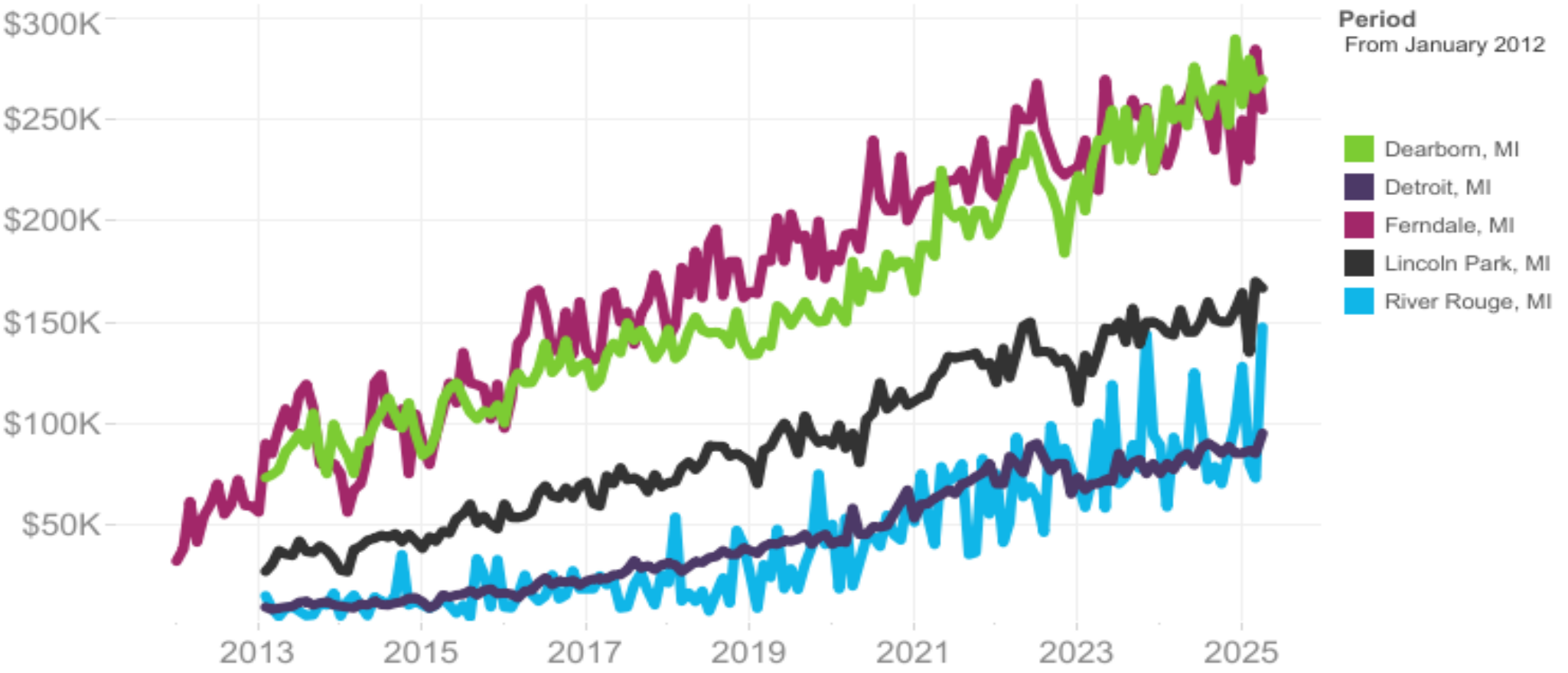
## Median Sale Price



REDFIN

State: All      Region Type: Place/City      Region: Multiple values      Property Type: Single Family Residenti..      Show Values As: Value      Seasonally Adjusted: False

# Median Sale Price

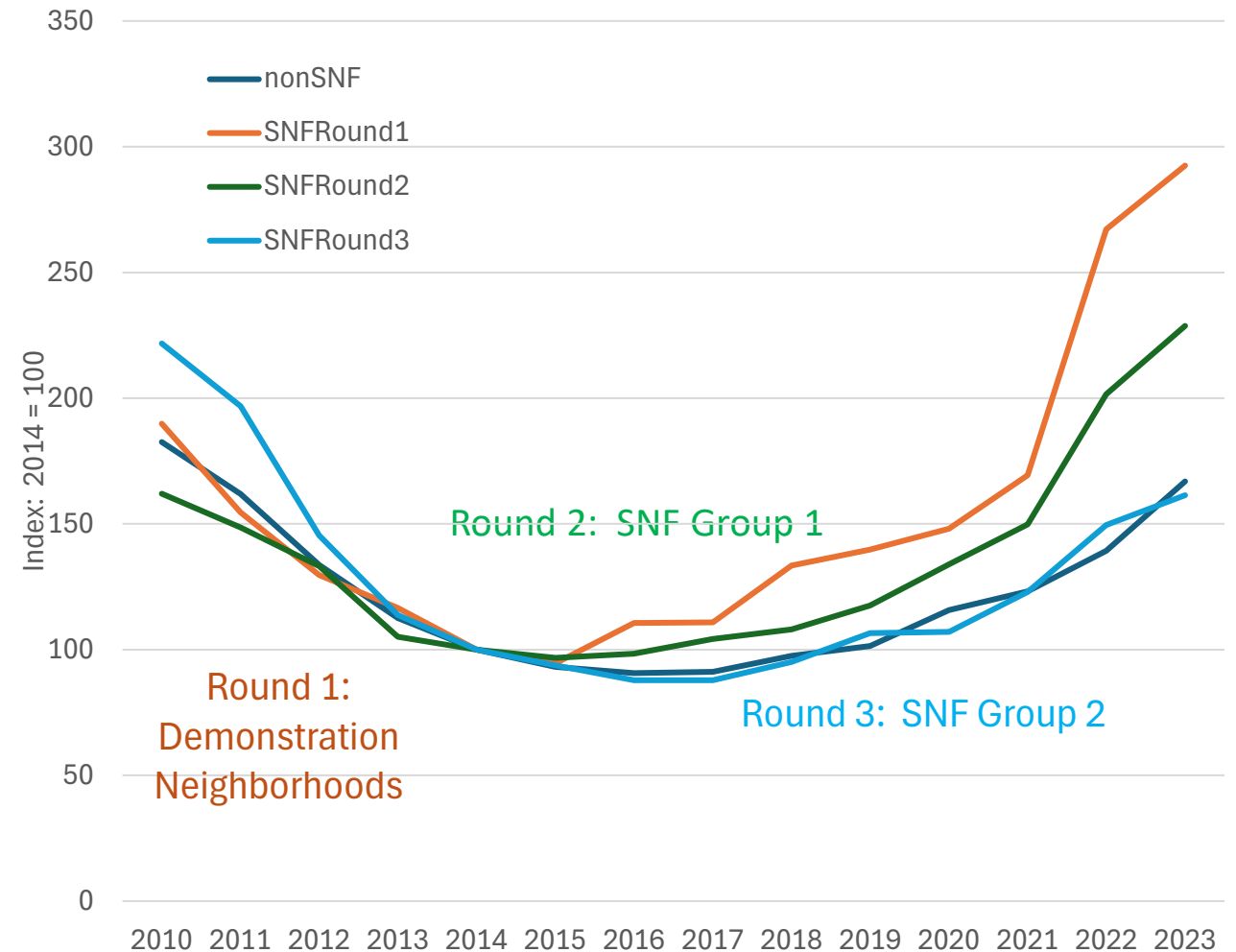


# Trends in Detroit Home Values and Rents

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# Detroit Median Home Values by Select Grouping

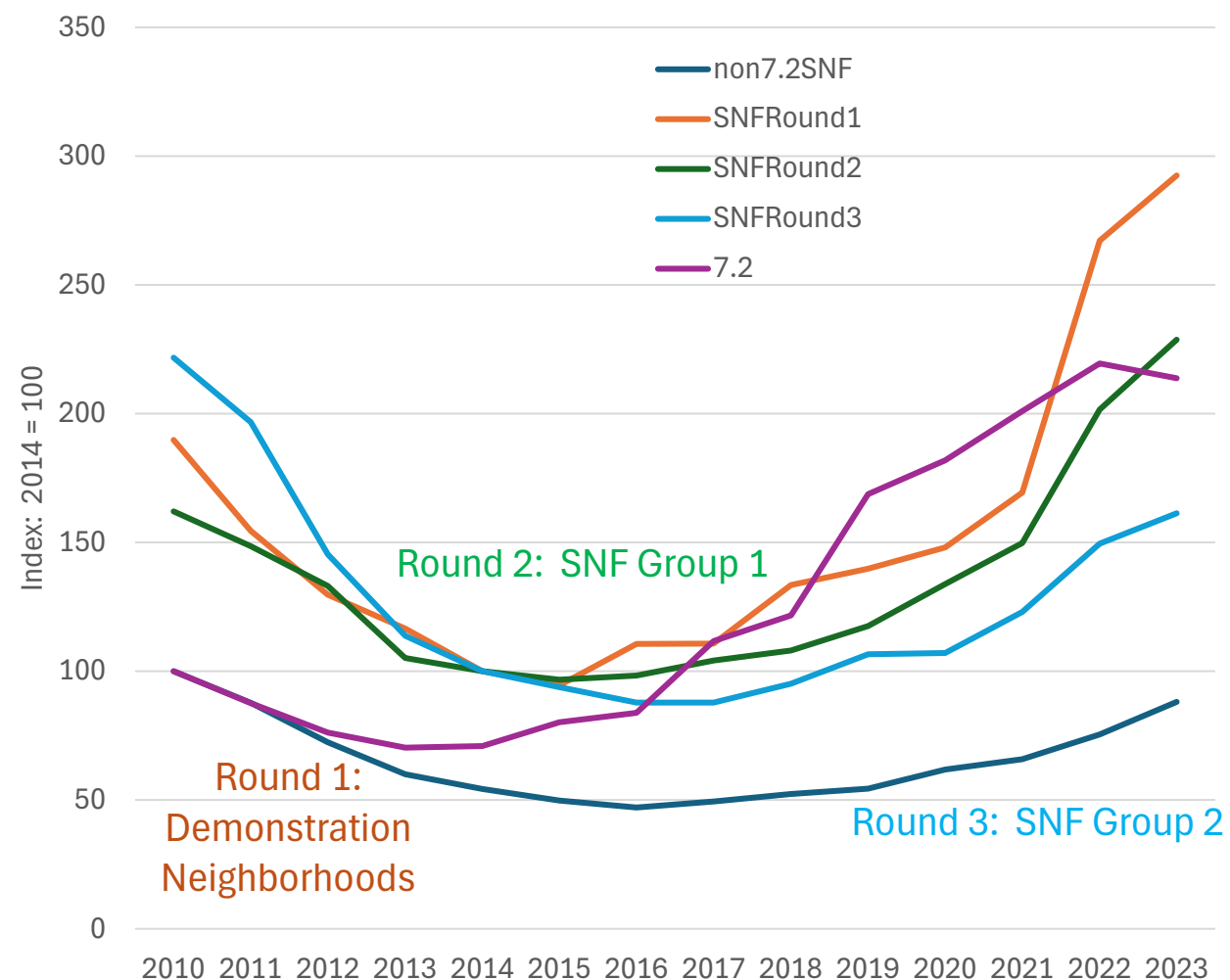
- The differences in non-SNF and SNF are somewhat clear.
- Can I break this down even more?



Source: Author's Calculations using 5-Year ACS Estimates

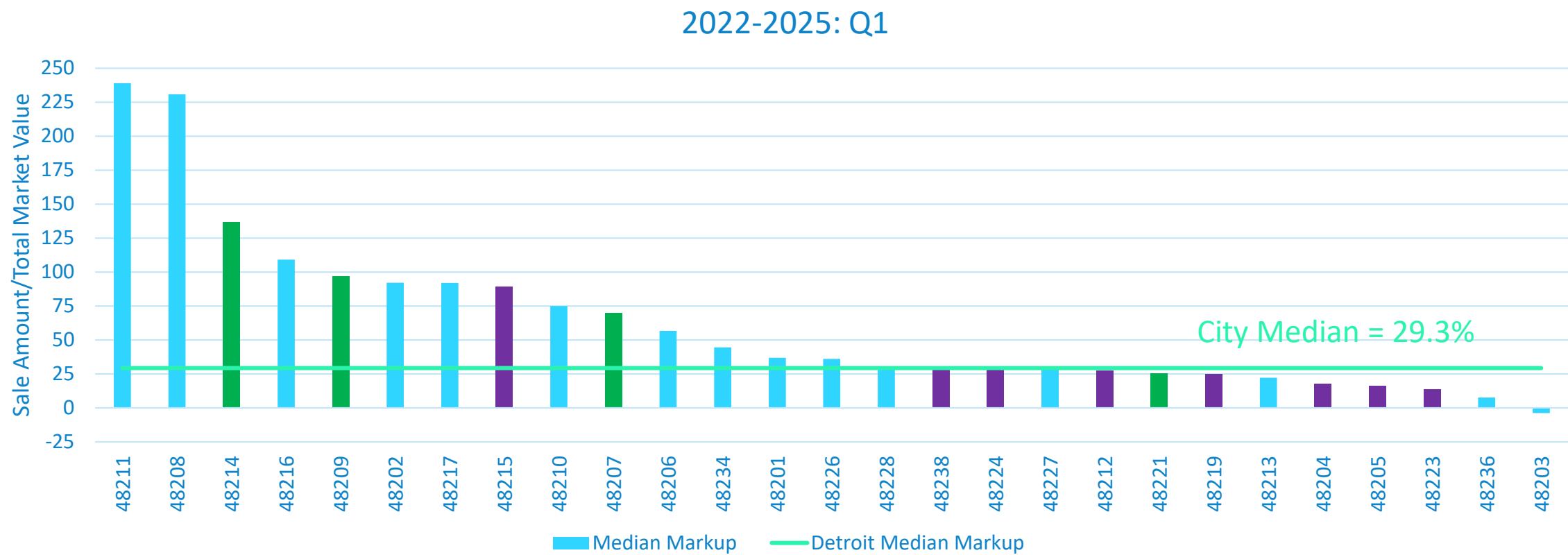
# Let's Separate the 7.2 Out From Non-SNF Neighborhoods

- Still Median Home Values
- The “Two Detroit” story comes out more here



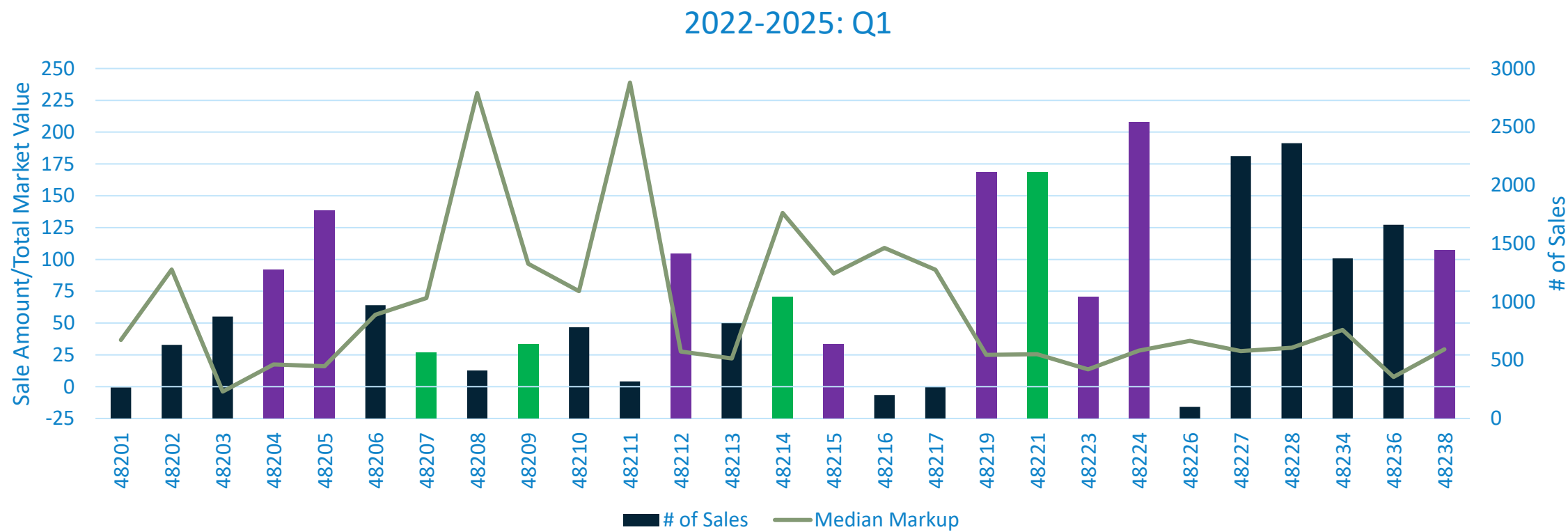
Source: Author's Calculations using 5-Year ACS Estimates

# Detroit Housing Median Markups by Zip Code



- Total market value is equal to the total assessed value
- Almost half of Detroit's zip codes have median housing markups lower than the city median

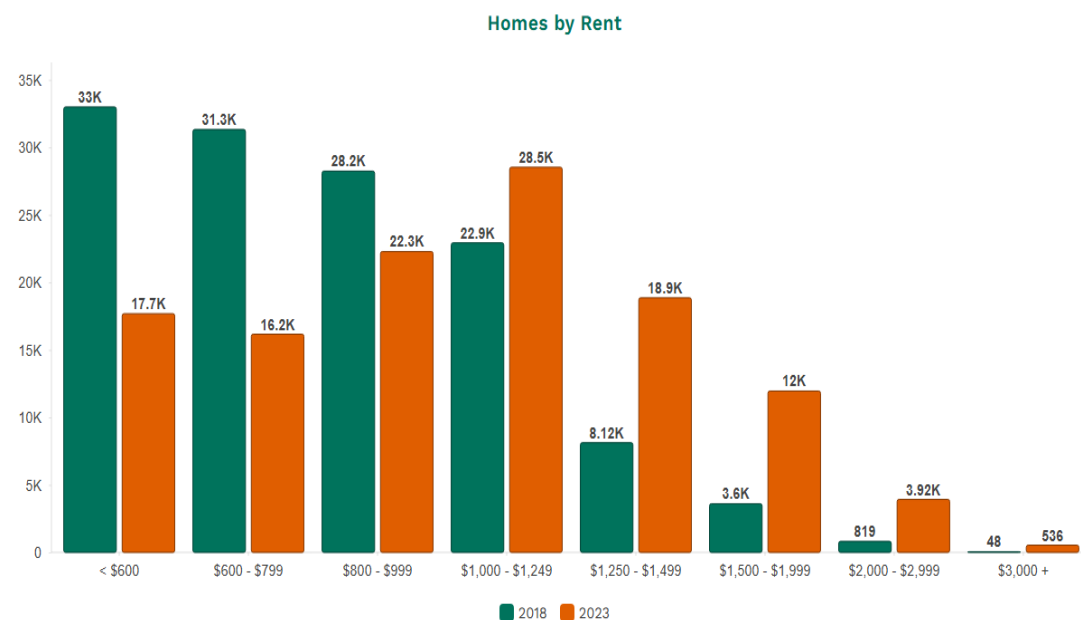
# Detroit Housing Median Markups by Zip Code



- Zip codes with higher sales levels have lower markups and vice-versa
- Is the difference between SNF groupings related to inventory?

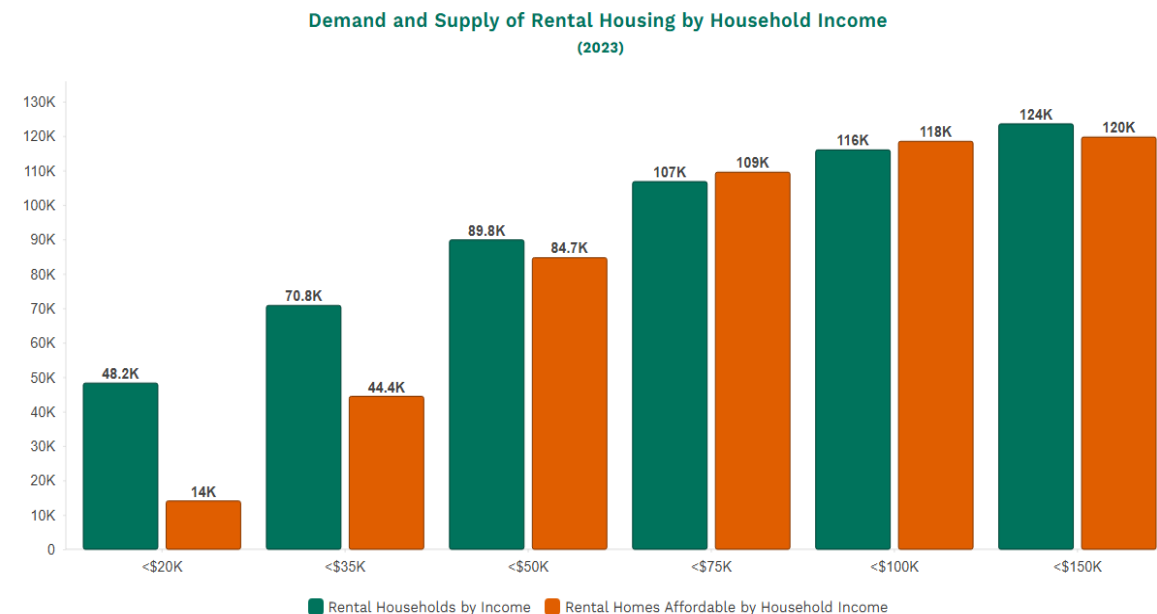


# MI Housing Data Portal: Rental Housing



Source: American Community Survey (ACS), US Census Bureau

Dollar values are nominal.

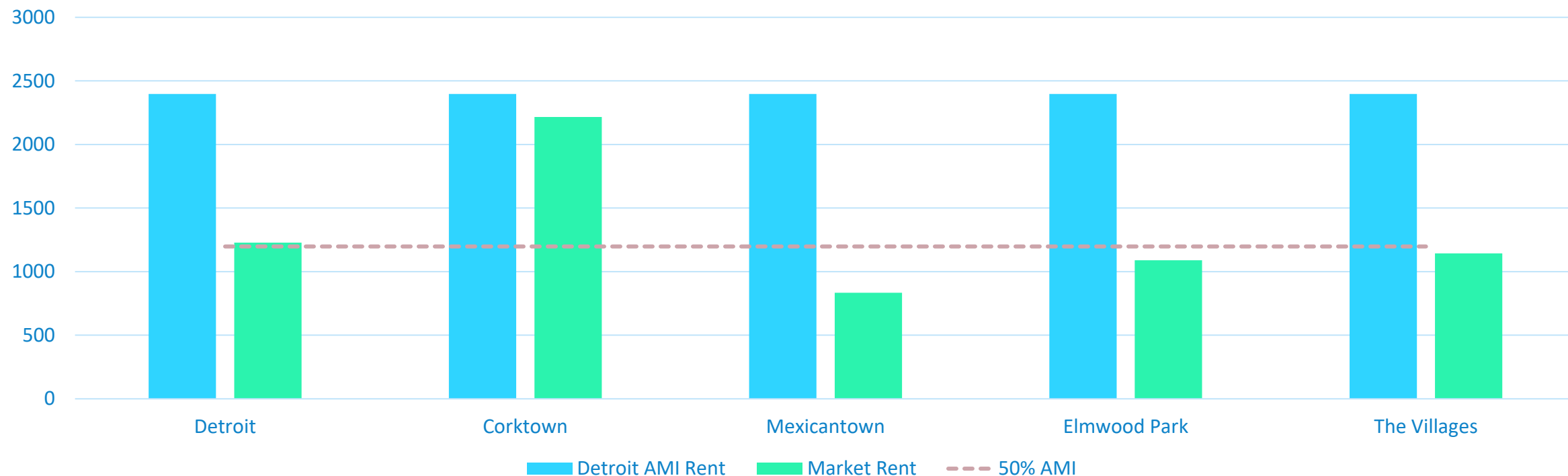


Source: American Community Survey (ACS), US Census Bureau

- The median home rent jumped from 2018 to 2023, going above \$1000
- That's increased the shortage of affordable rental housing for relatively lower income earners.

# Select Detroit Rents vs. Area Median Income

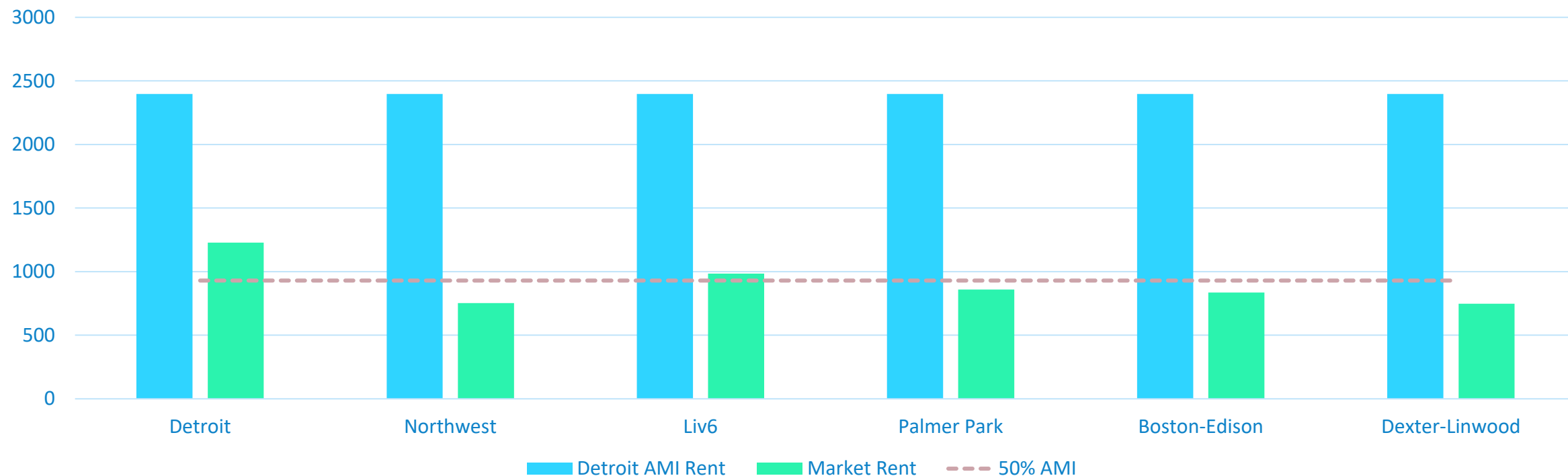
## 3 Bedroom, 4 Person Household



- From a developer's point-of-view, Corktown makes sense with its high rents
- Even though there's healthy demand in the other areas, market rent levels complicate things.

# More Detroit Rents vs. Area Median Income

## 1 Bedroom, 2 Person Household



- The math works a little better for developers in this segment.

# Zeroing in on Detroit Affordability

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# What about ALICE?

- When looking at metrics such as population loss, demographics, and other city characteristics, Detroit’s affordability metrics compare well with its peers

Southwest Detroit		Central Cleveland
54%	Full-Time Household Survival (1 Adult, 1 Child)	56%
57/47/53	White/Black/Hispanic Household Survival Split	65/41/44
30%	Burdened by Ownership	39%
59%	Burdened by Rent	59%

Source: ALICE Threshold 2022; ACS PUMS 2021

# Detroit Compares Well With.....

- The mystery location has a higher percentage of residents with health insurance.
- And better access to grocery stores and high-speed internet than Detroit

Eastside Detroit		
62%	Full-Time Household Survival (1 Adult, 1 Child)	59%
74/55/95	White/Black/Hispanic Household Split	60/0/47
25%	Unemployed and Below the ALICE Threshold	7%
36%	Burdened by Ownership	46%
62%	Burdened by Rent	57%

Source: ALICE Threshold 2022; ACS PUMS 2021

# Detroit Compares Well With.....

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Eastside Detroit		Benzie, Leelanau, Traverse City, Manistee
62%	Full-Time Household Survival (1 Adult, 1 Child)	59%
74/55/95	White/Black/Hispanic Household Split	60/0/47
25%	Unemployed and Below the ALICE Threshold	7%
36%	Burdened by Ownership	46%
62%	Burdened by Rent	57%

Source: ALICE Threshold 2022; ACS PUMS 2021

# Housing Affordability Notes

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- Detroit has a low home price-to-income ratio among large cities.
- However, 32% of Detroit mortgage holders spend more than 30% of their income on housing
- That percentage is higher than:
  - Columbus, Indianapolis, Minneapolis, Milwaukee
  - But also Nashville, Austin, and Jacksonville!
  - Oh, and Seattle and Portland.

Source: <https://constructioncoverage.com/research/cities-with-highest-home-price-to-income-ratios>



# Home Insurance Cost Comparisons (2022)

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- 48221 (Bagley, Sherwood Forest): \$2,592 vs. 48220 (Ferndale): \$1,248
- 48217 (Boynton): \$1,473 vs. 48122 (Melvindale): \$1,070
- 48228 (Grand River, Barton-McFarland, Aviation, Warrendale): \$1,988
- 48126 (Dearborn): \$1,532
- 48219 (Northwest): \$2,020 vs. 48240 (Redford): \$1,236
- 48234 (Butler, Pershing, Farwell, Conant Gardens): \$2,034
- 48091 (Warren): \$1,168
- 48205 (Mapleridge, Regent Park): \$2,115 vs. 48225 (Harper Woods): \$1,500

Source:

[https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fhome.treasury.gov%2Fsystem%2Ffiles%2F311%2FSupporting Underlying Metrics and Disclaimer for Analyses of US Homeowners Insurance Markets 2018-2022.xlsx&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fhome.treasury.gov%2Fsystem%2Ffiles%2F311%2FSupporting%20Underlying%20Metrics%20and%20Disclaimer%20for%20Analyses%20of%20US%20Homeowners%20Insurance%20Markets%202018-2022.xlsx&wdOrigin=BROWSELINK)

# Summary: The Math is Challenging

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- Construction costs will likely continue to trend higher
- Detroit has “affordable” home values that are unaffordable for many of its residents
  - That includes rents
  - And it includes home insurance costs
- Tough math on new multifamily projects
- Investments in neighborhoods have made a difference in home values
- So how can we make it work for everyone?