



MARKET SNAPSHOT: Southeast Michigan Shows Some Signs of Recovery

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By Erika Schnitzer, Managing Editor

Detroit—Although it is still struggling to some extent, downtown Detroit has shown some positive signs of slowly bottoming out, especially given the auto industry’s gradual rebound.

Though vacancy is approximately 15 percent, it has not declined as much in the first quarter of 2010 as it has during the last 20 months, Ted Verner, regional vice president of property management, The Habitat Company, which owns and/or manages 2,000 rental units throughout Detroit and Ann Arbor, tells MHN.

A huge number of foreclosures continue to have a tremendous shadow market effect, though.

Ann Arbor and Southeast Michigan, have hit bottom, however, and are beginning to recover, asserts Verner. In the Southeastern area, for example, where it’s more common to find suburban living, vacancy is closer to 10 percent.

“The market here in Southeastern Michigan is optimistic. I don’t think it’s bottomed out, but it’s not in the free-for-all it’s been,” Verner asserts.

In general, both Detroit and Ann Arbor continue to give away between a half-month to one-and-a-half months of free rent in concessions, with asking rents remaining flat and no expected increase through the end of the year.

Verner notes that, in general, “As an investment, investors have been shy about the Michigan market,” though there will be some opportunity in the future. Price-wise at least, he predicts that the rebound will be focused on downtown Detroit—though Ann Arbor will remain a relatively stable investment area because of the local schools.

Perhaps the biggest bright spot in the market stems from the fact that Michigan has begun to diversify somewhat. For example, “Hollywood has been huge. Dearborn has been a little LA because of tax breaks and affordable areas. Michigan has perfect weather for the movie industry,” Verner notes.

Regardless, the state will continue to be auto-based, with the Big Three’s rebound still having a tremendous impact on the local economy.