

**Keys Unlock Dreams:**

**Detroit Profile**

*Urban Institute*



## About the Urban Institute

The nonprofit Urban Institute is a leading research organization dedicated to developing evidence-based insights that improve people's lives and strengthen communities. For 50 years, Urban has been the trusted source for rigorous analysis of complex social and economic issues; strategic advice to policymakers, philanthropists, and practitioners; and new, promising ideas that expand opportunities for all. Our work inspires effective decisions that advance fairness and enhance the well-being of people and places.

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## About the Keys Unlock Dreams Initiative

Keys Unlock Dreams is a nationwide initiative led by the National Fair Housing Alliance (NFHA) to advance policies that expand equal housing opportunities and provide consumers with the resources and information they need to make homeownership a reality.

Homeownership has always been at the heart of the American dream and provides secure and stable environments for families to build generational wealth. Yet today's housing and financial markets have not served everyone well. Some communities are enriched with resources, like bank branches, healthcare facilities, well-resourced schools, healthy food centers, green spaces, and other important amenities. Unfortunately, other neighborhoods, largely communities of color and urban and rural areas, lack these critical resources. Many areas lack affordable housing options.

For millions of people of color around the nation, homeownership still remains a dream. To address these inequities, the goals of Keys Unlock Dreams are to:

- Remove structural barriers that perpetuate racial inequality;
- Expand affordable and fair housing options;
- Prevent an unbalanced recovery from the COVID-19 pandemic;
- Empower consumers and stakeholders with critical information and resources; and
- Help close the racial wealth and homeownership gaps.

The initiative's theory of change is to influence the way policy happens at the local, regional, and federal levels by providing tools, information, and support as well as building coalitions to generate solutions that create equitable opportunities for vulnerable groups. This entails supporting and urging the development of programs and policies that dismantle and disrupt current systems that perpetuate inequality and replacing them with structures that create and promote fair and equitable access to housing and financial services and products.

Offering an innovative approach, it also seeks to effectuate changes in jurisdictions' Consolidated Plans, Assessments of Fair Housing, and Community Health Needs Assessments; ensure these plans are data-driven with up-to-date analyses; and encourage jurisdictions and communities to assess infrastructure, health, housing, finance, environment, economic, and education structures from racial equity and fair housing lens.

The Urban Institute is a partner in the initiative, conducting foundational research in its focus cities. Urban's Five Point Framework for Reducing the Racial Homeownership Gap also provides an implementation framework based on this work:

- Advancing policy solutions at the local level
- Tackling housing supply constraints and affordability
- Promoting an equitable and accessible housing finance system
- Furthering outreach and counseling for renters and mortgage-ready millennials
- Focusing on sustainable homeownership and preservation

This first profile report in support of Keys Unlocks Dreams is for the Detroit market. It is intended as a first step to informing local housing policies with a profile of homeownership barriers and opportunities, offering an evidence-based framework for policymakers and for stakeholders such as consumers and the myriad housing market industry constituents as they seek to affirmatively further fair housing to close racial homeownership and wealth gaps.

## Executive Summary

This chartbook provides a comprehensive overview of racial disparities in the housing market in the City of Detroit and its metropolitan area. The charts demonstrate that Black households have significantly lower homeownership rates and Black homeowners live in lower-priced homes relative to other race and ethnic groups. The chartbook includes information on household socioeconomic characteristics, mortgage and credit, home prices, and housing supply in Detroit that are all related to the lower Black homeownership rate and housing wealth in the region.

It will be news to very few that the racial and ethnic composition of the City of Detroit is substantially different from the Detroit region—its Metropolitan Statistical Area or MSA—as a whole. The City population is more than 89 percent non-white, while the non-white population for the MSA is just greater than one-third. Not surprisingly, Black-white residential segregation is even higher in the region as a whole than compared to just the City.

These are important facts to keep in mind when absorbing how hard Detroit was hit by the Great Recession caused by the Financial Crisis of 2007-2010. Unlike the nation data, household incomes and home values in Detroit have still not fully recovered to the level they were before the Great Recession. The homeownership rate in the City declined from 56 percent in years 2005-2009 to 47 percent in years 2015-2019. While the homeownership rate of the MSA dropped more than the nation's between these two periods, in the years 2015-2019 it was still 5 percentage points higher—and 22 percentage points higher than in the City.

Except for Hispanic households, homeownership rates in the City have dropped continuously for all races and ethnic groups since the 2005-2009 period. The greatest drop was among Asian households. However, Asian households, only comprise 1.7 percent of the City population and their homeownership rate is twice as high in the MSA compared to the City. Meanwhile, the Black homeownership rate in the MSA (42 percent) is lower there than in the City (45 percent), indicating that Black households are struggling to become homeowners at both geographies.

A greater share of households in the City are housing-cost burdened (i.e., paying more than 30 percent of their income for housing expenses) compared to the MSA, especially among renters (59 percent). But Black households comprised the highest levels of cost-burdened households in both the City (31 percent of owners and 61 percent of renters) as well as in the MSA (29 percent of owners and 56 percent of renters).

The COVID Pandemic is exacerbating these challenges. Black homeowners and renters in the MSA are more behind on their mortgage and rent payment amidst the pandemic compared to white, Hispanic, and other households, which could also negatively impact the future of Black homeownership.

Home prices in Detroit were hit hard in the wake of the 2008 housing bust, losing significantly more value than the US market as a whole. Average home values in the City remain below peak value by 43 percent. In the MSA, home values have recovered for all race and ethnic groups during the last 10 years, but Black households still have the lowest median home values, showing that even among homeowners there are substantial disparities in housing wealth.

Housing supply has also fallen since the Great Recession and has become a major barrier to accessing homeownership. The number of units slowly grew in the recovery in the years after but dipped when the pandemic hit the nation. This is similar to the national trend. Housing inventory has dropped amidst the pandemic as the shortage continued while demand went up and mortgage rates fell—all while Millennials are entering their prime home-buying ages. Between January 2018 and May 2021, housing inventories fell by 31 percent in the nation, 15 percent in the City of, and 21 percent in its MSA, according to Zillow. The annual inventory per household rate was the lowest in the City, with homes selling faster in 2020 and 2021 than in years past. The housing stock in the City is also significantly older than the region as a whole, and Black households are more likely to live in older homes.

Among those seeking to attain homeownership, 46 percent of mortgage applicants in the City were denied, compared to 21 percent of those in the MSA. Denial rates were highest for Black and Hispanic applicants. More than 50 percent of Black mortgage applicants were denied in the City and close to 40 percent were denied in the MSA. Credit history was the most frequently mentioned reason for mortgage denial – more than 50 percent of denials of Black applicants in the City 44 percent in the MSA were due to credit history.

Black consumers have the lowest median credit score in both the nation and Detroit MSA. The median VantageScore in January 2021 of Black consumers was 629 in the US and 609 in the Detroit MSA, compared to 726 and 733 for white consumers in the US and Detroit MSA, respectively. As credit is found to be the major reason for mortgage denial among Black applicants, improving credit and considering alternative ways to evaluate credit will be necessary to increase Black homeownership.

When it comes to moving the needle on Black homeownership in Detroit, one place to look is among the “mortgage-ready” population, which is defined by Freddie Mac as borrowers age 45 or younger who do not have a mortgage but have the credit characteristics to qualify for one. In the Detroit MSA, as of January 2021, there were

close to 500,000 mortgage-ready consumers, of whom 60,000 are Black. This 18 percent share of Black mortgage-ready consumers in the MSA is lower than the nation's 22 percent share, which can be explained by the differences in credit scores and incomes.

However, because homes are less expensive in Detroit, a greater share of the mortgage-ready population can afford to buy median price homes, especially with the current low interest rate. Assuming a 2.9-percent mortgage rate, 76 percent of the mortgage-ready Black population can afford a mortgage compared to 45 percent in the nation as a whole. Additionally, Freddie Mac shows that it takes less time for Black mortgage-ready consumers to save for 3 percent down in the Detroit metro area (1.72 years) than the nation (2.71 years). These numbers show a glimpse of hope, despite numerous challenges, to increase black homeownership and housing wealth in Detroit with the right sets of actions in place.

## About the Data

This report uses multiple datasets, including American Community Survey, Property Records, Home Mortgage Disclosure Act, Black Knight, Building Permit Survey, and Census Pulse. We also obtain credit characteristics and history data by race and ethnicity from Freddie Mac and housing inventory data from Zillow. Being aware that small sample size could lead to statistical inaccuracy, especially at the city level, we use the 5-year American Community Survey data instead of the 1-year data.

## About Detroit

### Population and Households

The City of Detroit had a population of 670,052 with 267,139 households according to the 2019 American Community Survey. It comprised about 16 percent of the population (4,319,629) and households (1,720,610) of the Detroit Metropolitan Statistical Area (MSA).

The Detroit-Warren-Dearborn MSA is the 14th-largest in the US but has experienced small population growth (about half a percent) since the 2010 census. Detroit is the largest city in the State of Michigan and constitutes part of the state's largest metro area. It also shares an international border with Canada, and has one of the largest metropolitan economies in the US with 17 Fortune 500 companies. The MSA has six counties and its urbanized area covers parts of Macomb, Oakland, and Wayne (the latter of which includes the City of Detroit). The Canadian city of Windsor, Ontario, and its suburbs are just south across the Detroit River and have strong economic linkages.

### Map of Detroit



Source: Google Maps



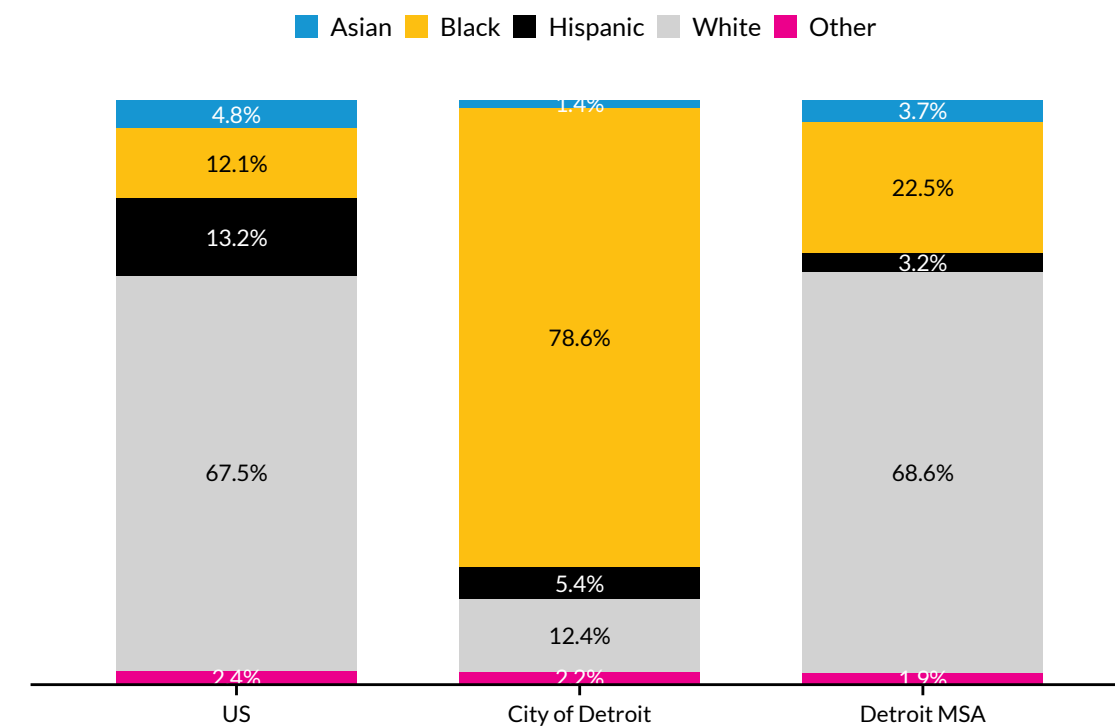
## Race and Segregation in City

Like many American cities, the City of Detroit has endured its share of population loss, disinvestment, and gentrification. The housing and financial crisis in the late 2000s hit Detroit particularly hard, culminating in bankruptcy in 2013. The population and racial composition of the City began shifting in the late 1960s after reaching a peak of 1.8 million residents in 1950, spurred by the Great Migration and an influx of European immigrants. Racial tensions brought about by civil rights expansions – and subsequent increases in homeownership for Black individuals – coupled with the slowing of the postwar industrial boom, exacerbated white flight. Between the 1950 and 2010 Census, Detroit lost 95 percent of its white residents, also losing its place in the top 10 most populous cities along with a significant portion of tax revenue and commercial enterprise.

Detroit's story began changing again in 2015. An unprecedented amount of corporate and nonprofit sector investment and a robust municipal marketing effort positioned parts of the City as an ideal location for young (mostly white) professionals, tech specialists, and creatives. Blocks of foreclosed properties and blight gave way to craft breweries, bike shops, and yoga studios. Much of the investment centered around a small section of downtown now known as "7.2," referring to the number of square miles it inhabits. This shift isn't controversial so much for the displacement of residents, but for highlighting the lack of investment in the remaining 134.8 square miles of the City. There is a stark difference in the revitalization felt in the 7.2 and disintegration in the outlying areas. While lauded by many, this revitalization was criticized by others for deepening racial and economic disparities.

The racial composition of the City of Detroit is substantially different from the Detroit MSA. In the City, more than 77 percent of the population is Black. This share is significantly higher than the nation and MSA, where the Black population accounts for 12.3 percent and 22.5 percent, respectively. The City population is more than 89 percent non-white, while the non-white population for the MSA is just greater than one-third (34 percent).

### Racial Composition Comparison

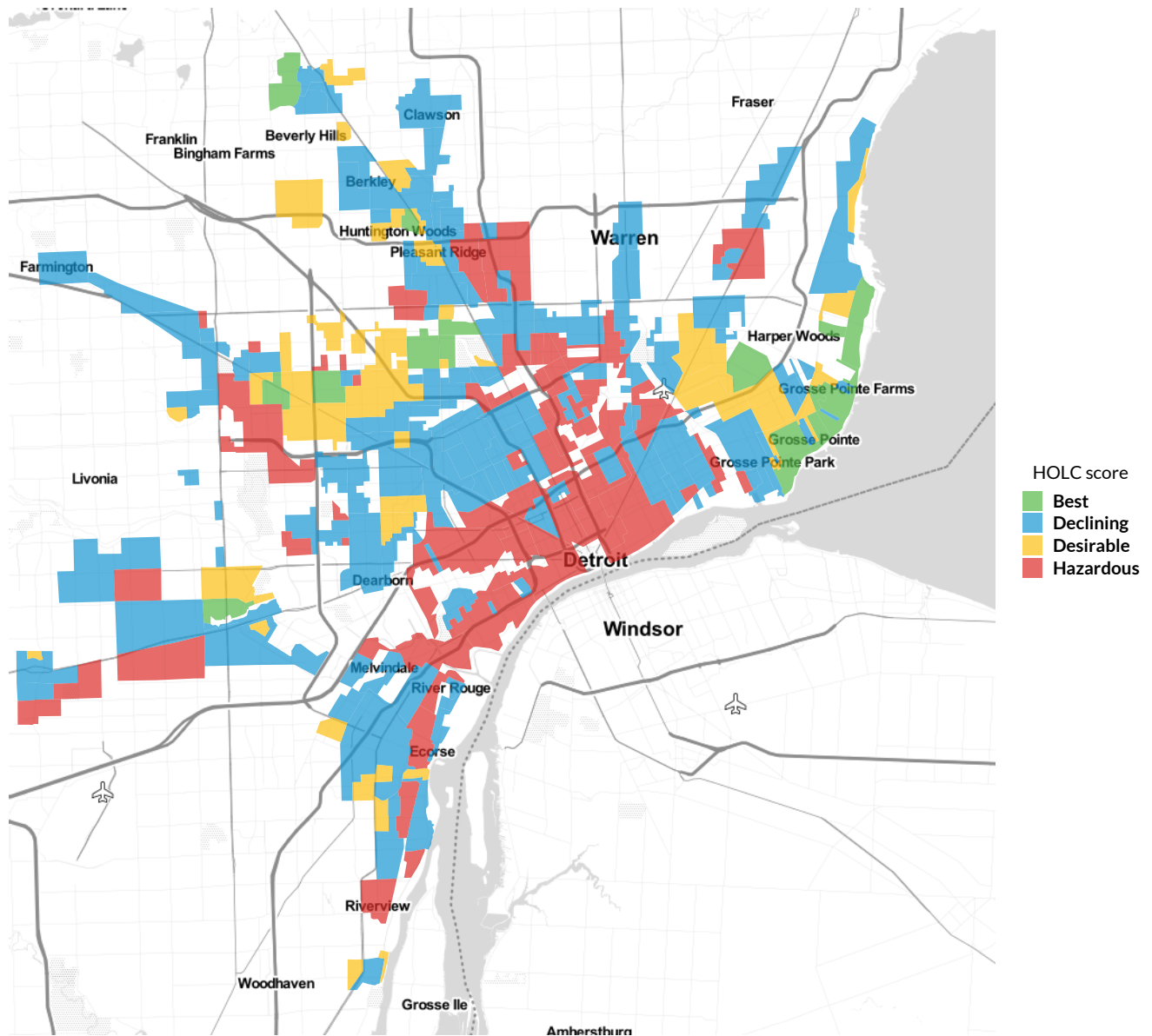


Source: 2015-19 American Community Survey

## Neighborhood Racial Segregation

The City of Detroit was one of around 150 cities to have Home Owners' Loan Corporation (HOLC) "Residential Security" rankings in the pre-suburbanization surge in the 1930s, which are mapped below. Much research has been done on the relationship between HOLC grades and race, a term now known as redlining, which denied neighborhoods of color access to credit for home purchases.

### Historical HOLC Scoring Map: Detroit MSA

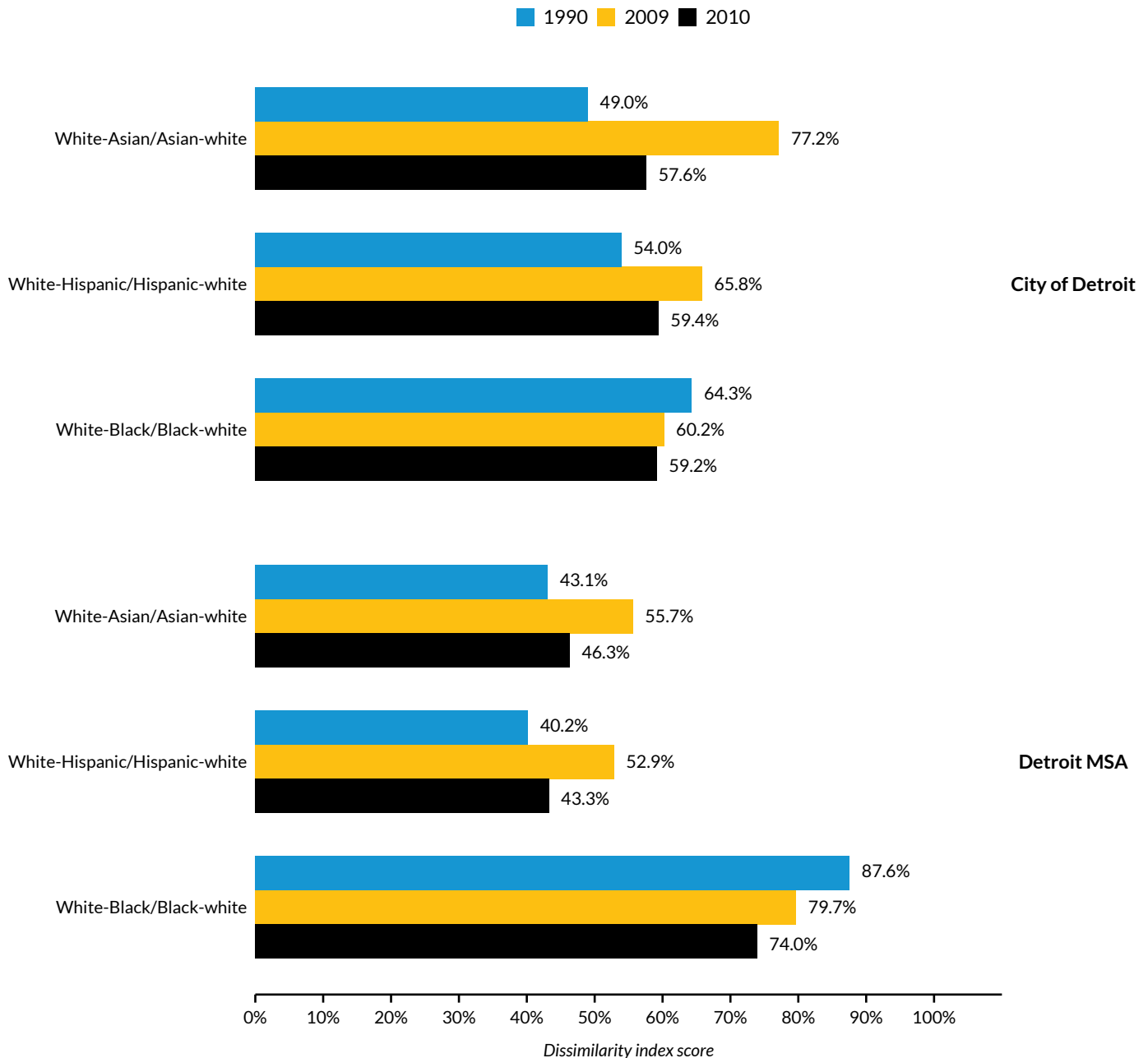


Source: Mapping Inequality, University of Richmond

## Neighborhood Racial Segregation (Continued)

The dissimilarity index measures whether one particular group is distributed across census tracts in an area in the same way as another group. A high value indicates that the two groups tend to live in different tracts. For example, in the City of Detroit in 2010, 59 percent of Blacks would need to move to a different neighborhood for Black and white peoples to be equally distributed across neighborhoods. The Black-white racial segregation in Detroit remains large, although there has been some improvement overtime. The dissimilarity between Black and white, and Hispanic and white populations increases significantly when you expand the coverage to the MSA due to the significant white population in suburban Detroit.

### Dissimilarity Index Comparison



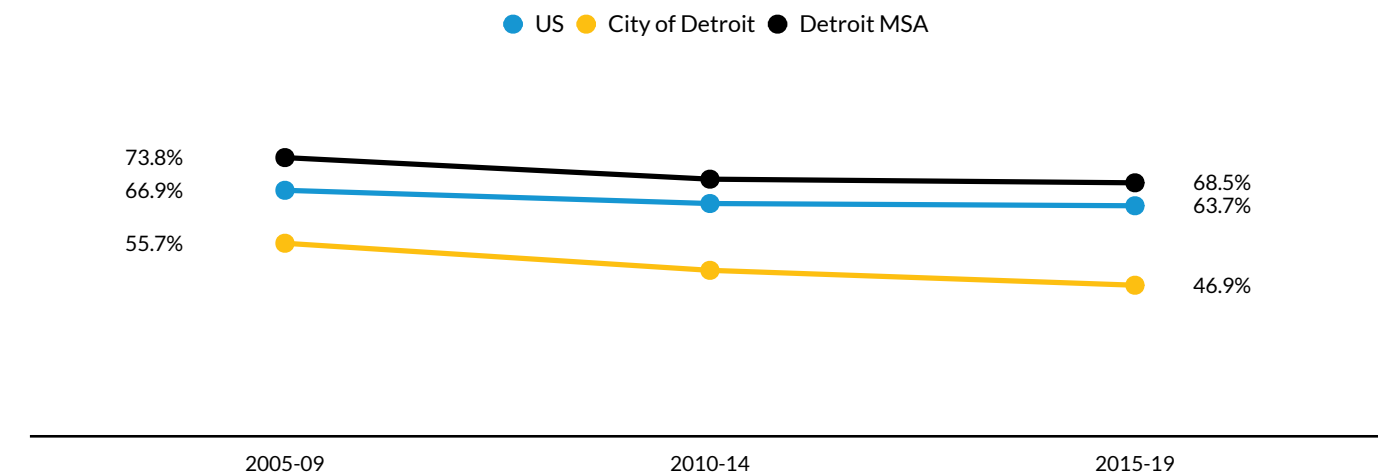
Source: Brown University: Diversity & Disparity

## Household Characteristics

### Homeownership Rate

In recent years, the homeownership rate has dropped since the time period between 2005 and 2009. The City of Detroit experienced the greatest decline in homeownership rate, from 56 percent between 2005 and 2009 to 47 percent between 2015 and 2019. While the homeownership rate in the Detroit MSA has dropped more than the nation's between these two periods, in the years from 2015 to 2019, it was still 5 percentage points higher than the national rate, and 22 percentage points higher than in the City.

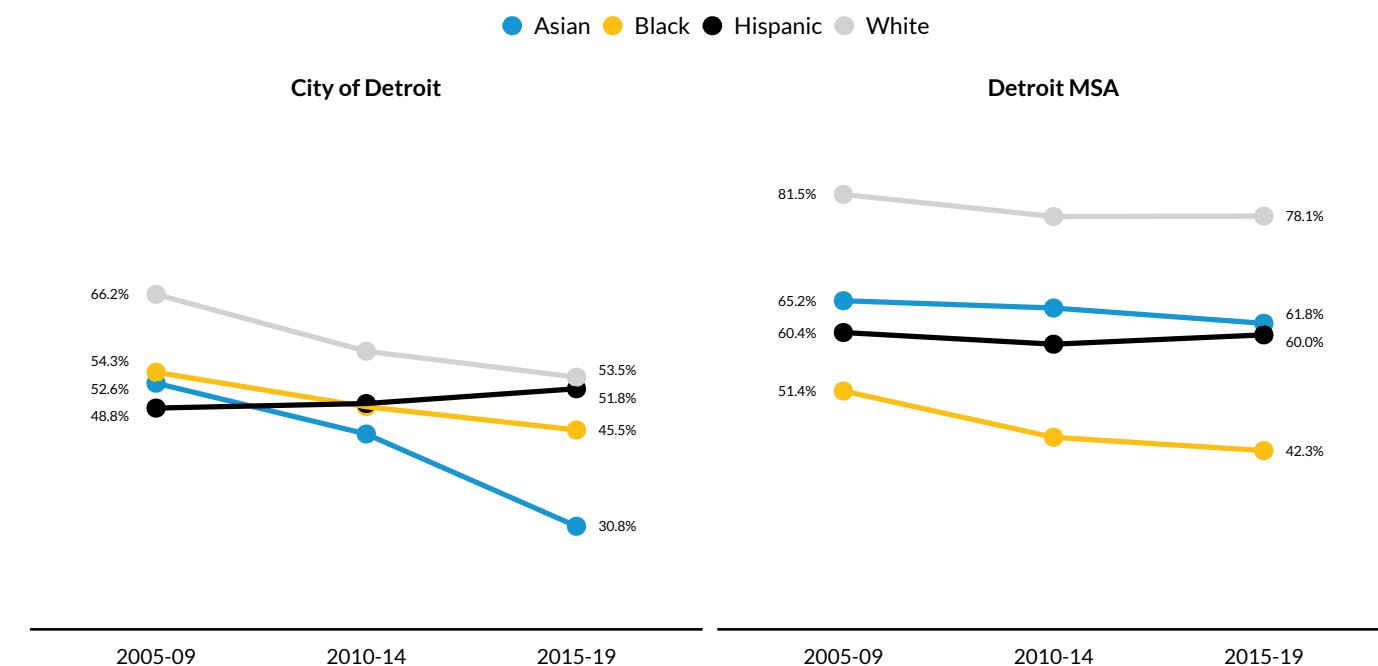
### Homeownership Rate Comparison



Source: American Community Survey

Except for Hispanic households, the homeownership rate of all race and ethnic groups in the City of Detroit has dropped continuously over the three time periods. The greatest drop was among the Asian households, but Asians account for less than 2 percent of the City population and their homeownership rate is twice as high in the whole metro area where most Asian households reside. On the other hand, the Black homeownership rate in the Detroit MSA is lower than that in the City, showing that Black households are struggling to become homeowners in both geographies.

### Homeownership Rate by Race & Ethnicity

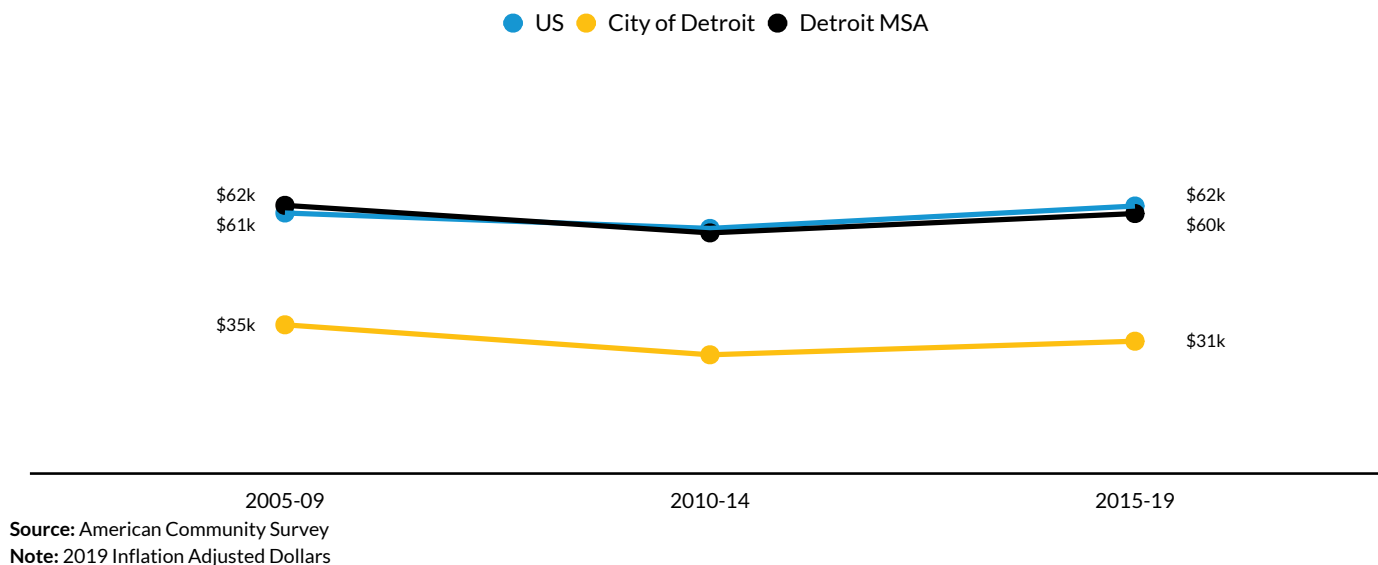


Source: American Community Survey

## Household Income

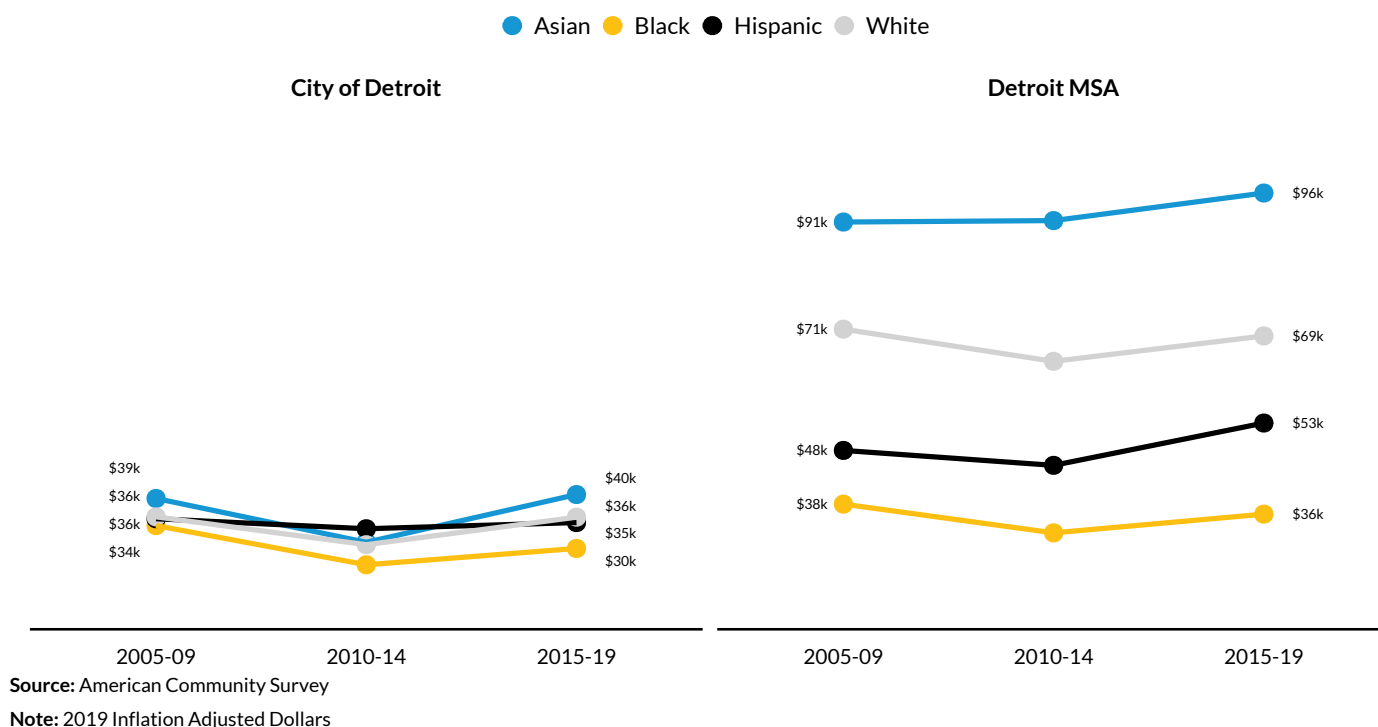
The median household income dropped following the Great Recession but has recovered since. However, while the median household income in the US between the years 2015 and 2019 fully recovered and exceeded the levels between 2005 and 2009, the most recent median household income for both the City of Detroit and the MSA is still lower than what it was. Additionally, the median household income in the City of Detroit is only half of that in the MSA.

### Median Household Income Comparison



There are noticeable disparities among race and ethnicity in the median household income in both the City of Detroit and the Detroit MSA, and the gap is much wider in the MSA than in the City. In both areas, Black households have the lowest median household income: \$30,000 in the City, and \$36,366 in the MSA.

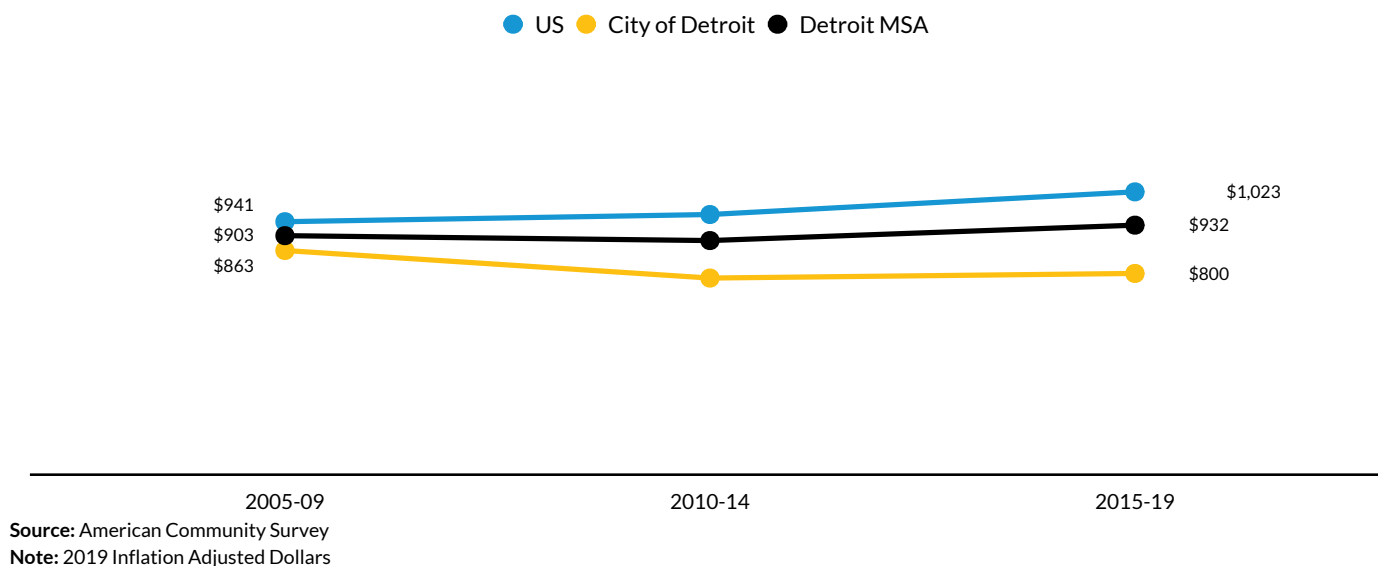
### Median Household Income by Race & Ethnicity



## Gross Rent

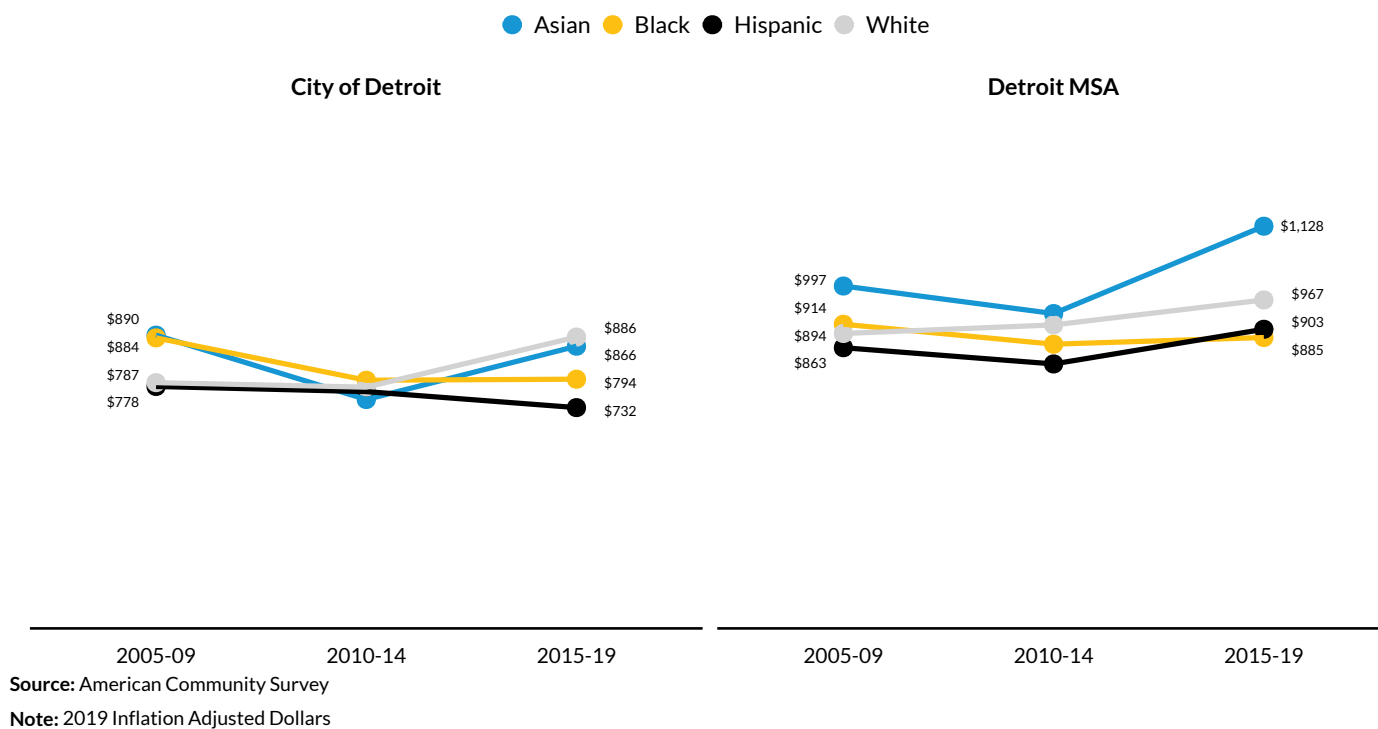
Gross rent adds utility payment to contract rent. Median gross rent is lower in the City of Detroit than the MSA or nation. However, compared to the home value gaps (page 22), the median rent gap across the three geographies is much smaller. The median gross rent in the City between the years 2015 and 2019 was \$800, \$132 lower than the MSA and \$223 lower than the national figure.

## Median Rent Comparison



There are also racial and ethnic disparities in the median rent for both the City and MSA, but the gap is smaller relative to other figures in this report. In the City, between 2015 and 2019, Hispanic households paid the lowest median rent of \$732, while in the MSA, Black households paid the lowest median rent of \$885.

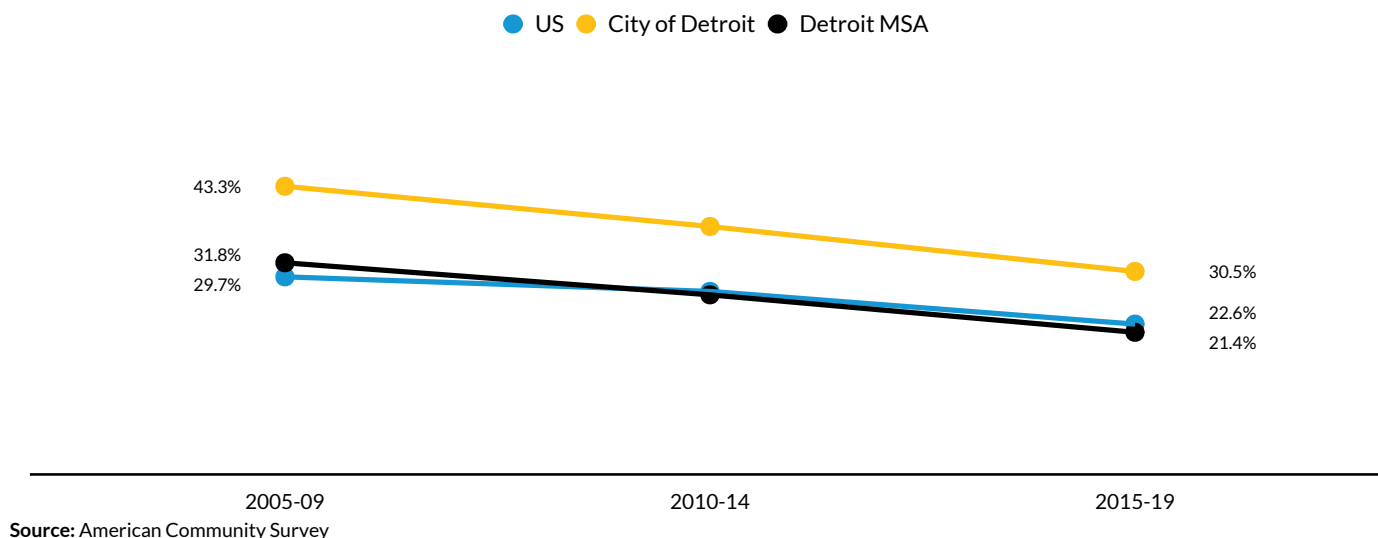
## Median Rent by Race & Ethnicity



## Housing Cost Burden - Homeowners

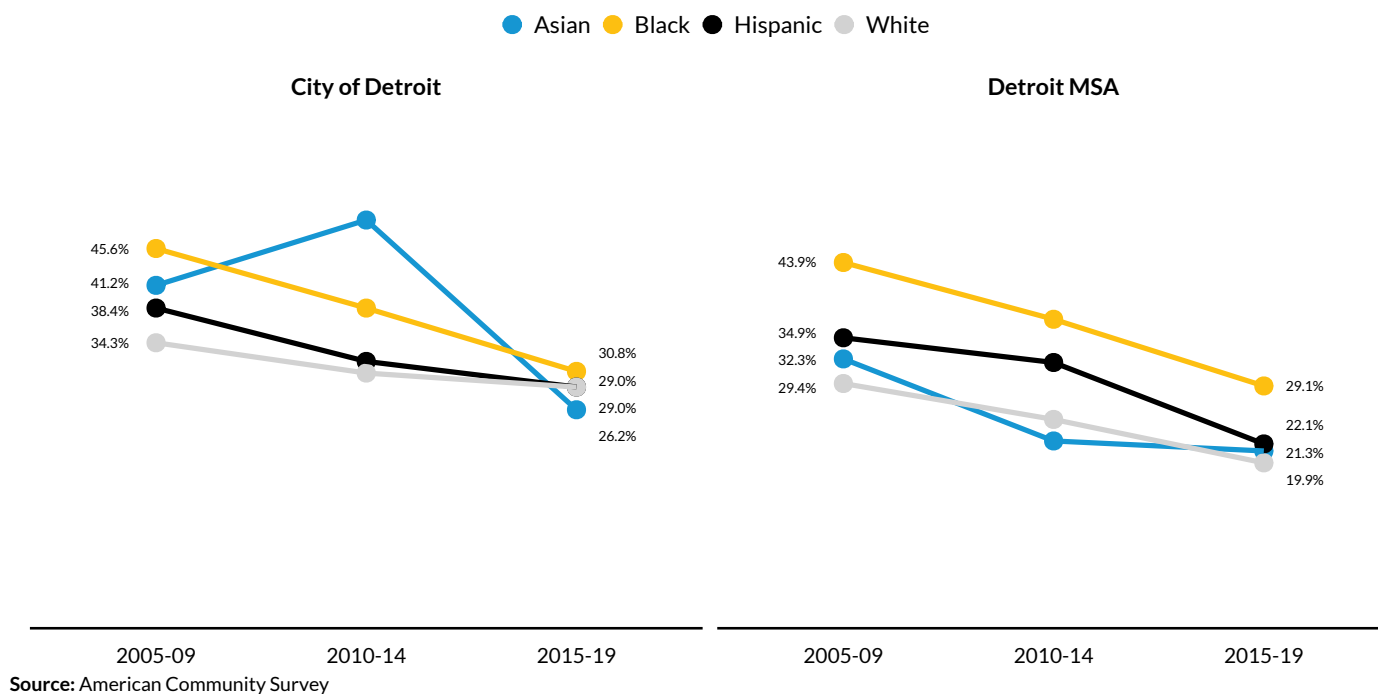
The housing-cost burden for homeowners is measured by the share of monthly payment for housing - which includes mortgage payment, property taxes, insurance, and utility payment - over monthly household income. If this number exceeds 30 percent, then the household is assumed to be housing-cost burdened. The share of housing cost burdened homeowners has dropped with the decline in the mortgage interest rate over time. Nevertheless, slightly less than one-third of the homeowners in the City of Detroit are housing-cost burdened, 8 percentage points higher than the share in the US, and 10 percentage points higher than the share in the Detroit MSA.

### Housing Cost Burden Comparison: Homeowners



In the City, the share of housing-cost burdened households does not differ much by race and ethnicity. In the MSA, Black households are more likely to experience housing cost burden than other households. Overall, the housing cost burden for homeowners has dropped for all race and ethnic groups in both areas.

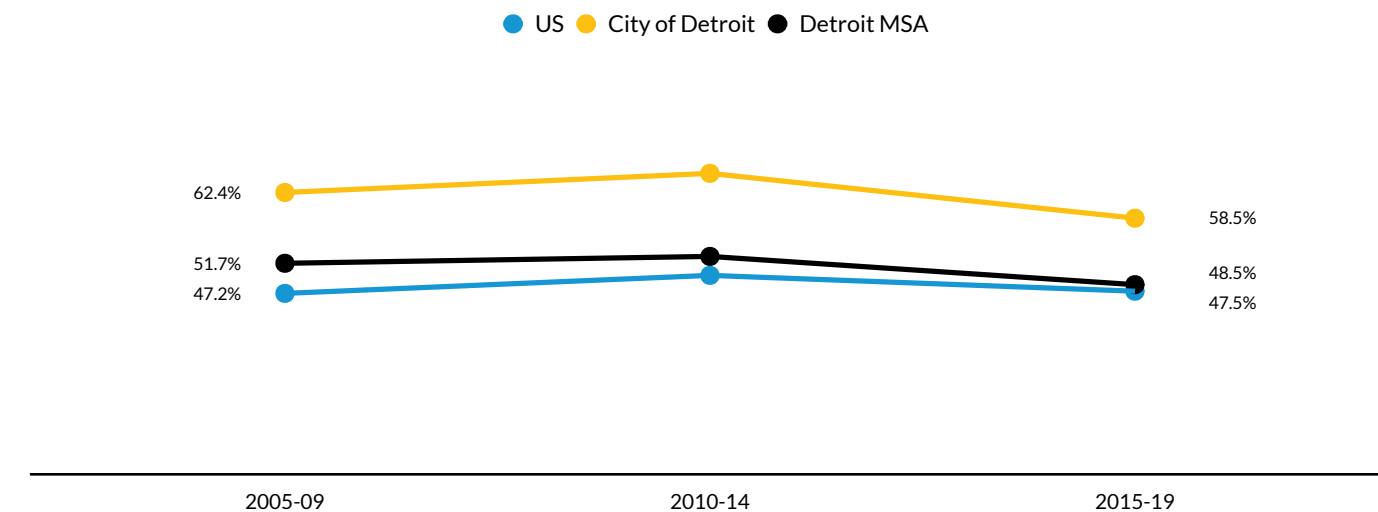
### Own Burden by Race & Ethnicity



## Housing Cost Burden - Renters

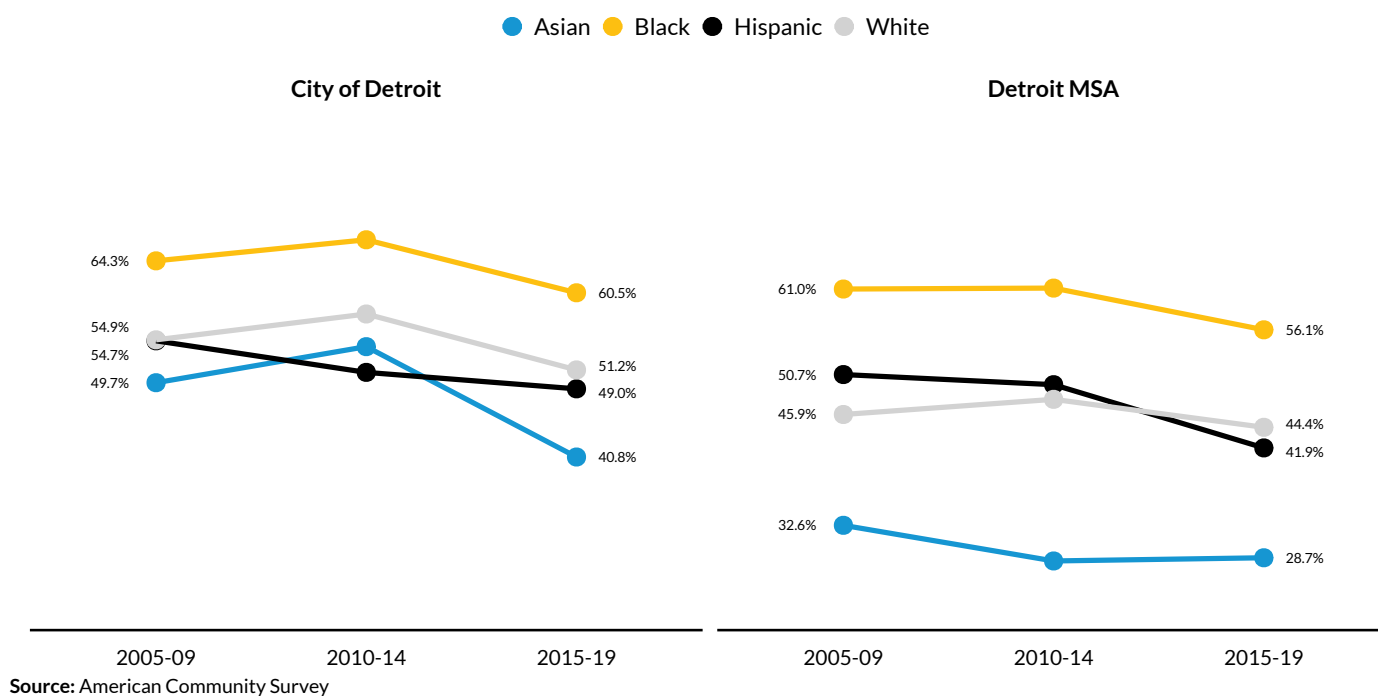
Housing-cost burdened households for renters are those who pay more than 30 percent of their income on rent. The share of housing-cost burdened renters has not changed much over time and is substantially higher compared to homeowners. In the City of Detroit, where the rents have continuously fallen over time, the percentage of rent burden households has decreased the most. Still, the City has the greatest share of rent-burdened households among the three comparison geographies. Additionally, the City has the lowest homeownership rate. This indicates that the overall share of housing cost burdened households in the City of Detroit is substantially higher than in the MSA and the nation as a whole.

### Housing Cost Burden Comparison: Renters



A higher share of Black renters in both the City of Detroit and the Detroit MSA are rent burdened, reflecting their relatively lower income. Between the years 2015 and 2019, about 61 percent of Black renters in the City of Detroit and 56 percent of those in the Detroit MSA were rent burdened.

### Rent Burden by Race & Ethnicity

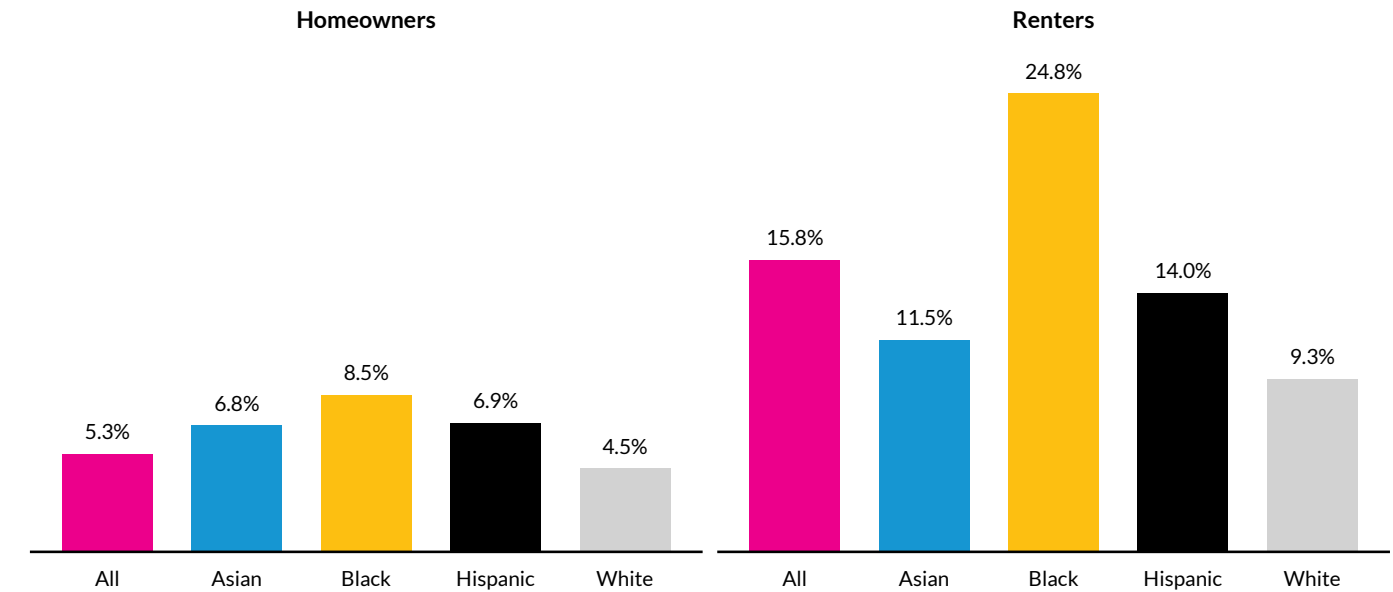




## Housing Payment Amidst COVID-19 Pandemic

In the Detroit MSA, 8 percent of Black homeowner households said they were not caught up on their mortgage payment and 25 percent of Black renter households said they were behind on rent between October 28, 2020 and March 29, 2021. Unfortunately, these numbers are not available for the City of Detroit, where they are likely to be worse. The racial disparities in the housing payment amidst the pandemic raise concern that the existing gaps in homeownership, housing wealth, and housing cost burdens are likely to increase in the future if we don't act with appropriate policies and strategies.

### % Not Caught Up on Mortgage or Rent Payment: Detroit MSA



Source: Census Pulse: October 28, 2020 - March 29, 2021

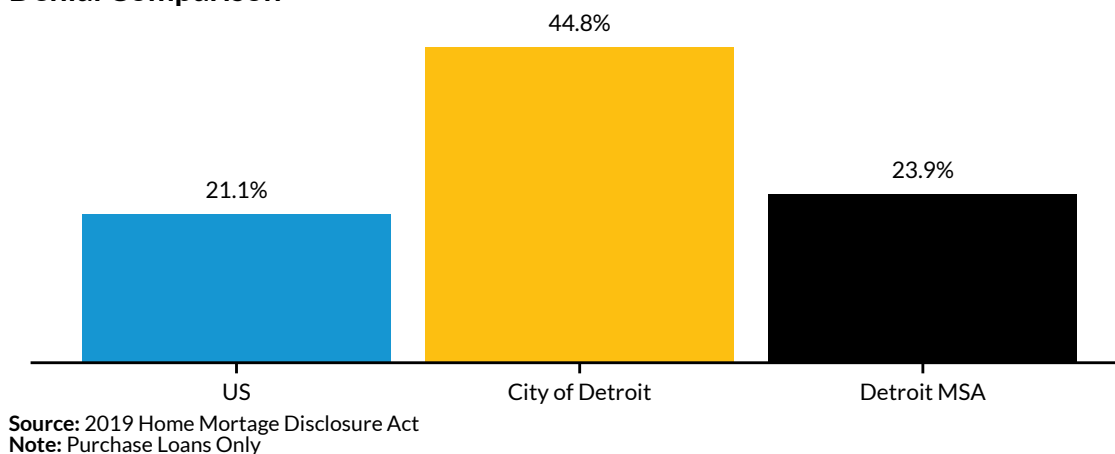
Note: Bi-weekly Census data was aggregated to increase the sample size.

## Mortgage and Credit

### Denial Rates

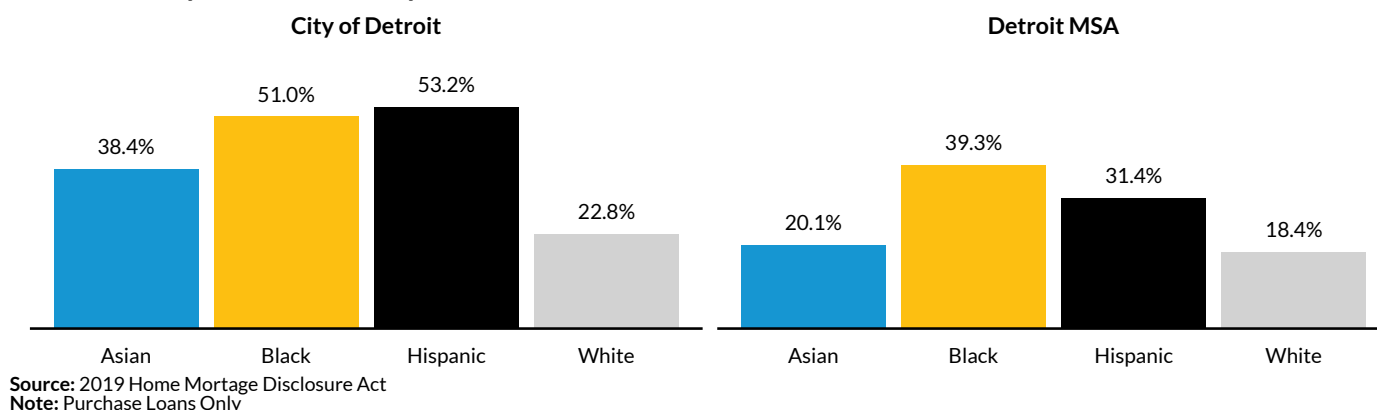
In 2019, 46 percent of borrowers who applied to purchase a home in the City of Detroit were denied getting a mortgage. By comparison, the mortgage denial rate was 21 percent in the US and 24 percent in the Detroit MSA.

#### Denial Comparison



Black homebuyers in both the City and the MSA were more likely to get their mortgage application rejected. More than half of the Black mortgage applicants in the City of Detroit and almost 40 percent of the mortgage applicants in the Detroit MSA were denied.

#### Denial Rate by Race & Ethnicity



Among denied mortgages, (1) credit history, (2) debt-to-income ratio, and (3) collateral were the three frequently mentioned reasons for the denial. For Black households, more than 51 percent of denial in the City of Detroit and 46 percent in the Detroit MSA were denied because of their credit history.

Table 1 - Reason for Denial

Reason	City of Detroit				Detroit MSA			
	Asian	Black	Hispanic	White	Asian	Black	Hispanic	White
Credit History	34.6%	51.2%	50.8%	24.5%	23.3%	45.9%	44.0%	30.5%
DTI ratio	26.9%	14.0%	14.8%	19.1%	35.9%	18.5%	20.7%	27.9%
Collateral	26.9%	17.9%	16.9%	30.4%	19.5%	17.9%	16.5%	19.2%

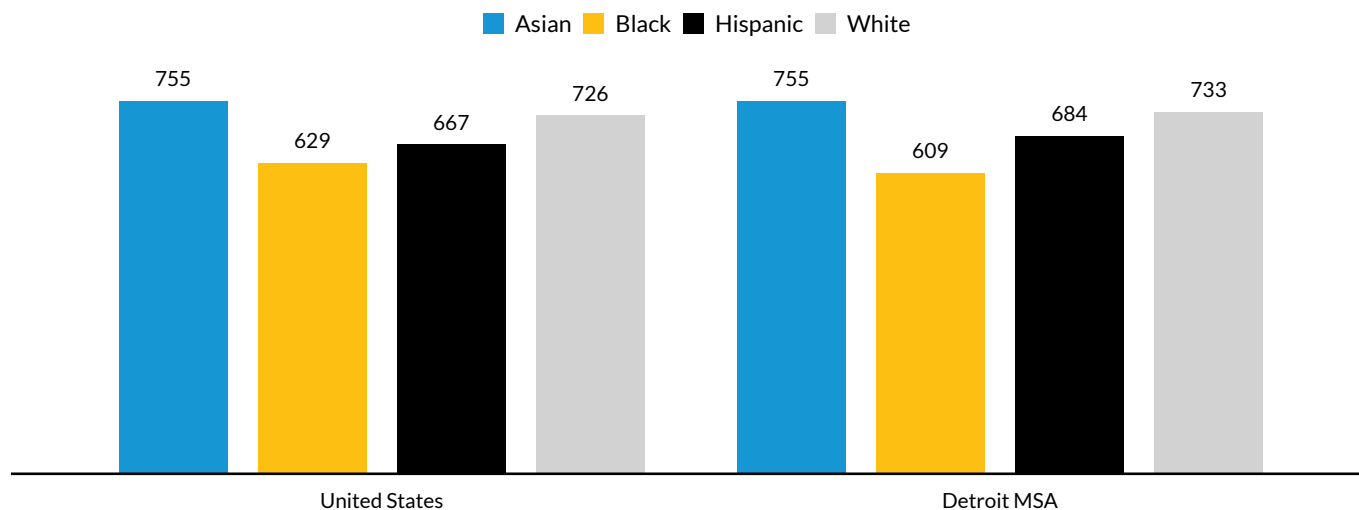
Source: 2019 Home Mortgage Disclosure Act

Note: Purchase Loans Only

## Credit Score by Race and Ethnicity

Black consumers have the lowest median credit score in both the nation and Detroit MSA. The January 2021 median Vantage score of Black consumers in the US was 629 and 609 in Detroit MSA, compared to 726 and 733 for white consumers in the US and Detroit MSA, respectively.

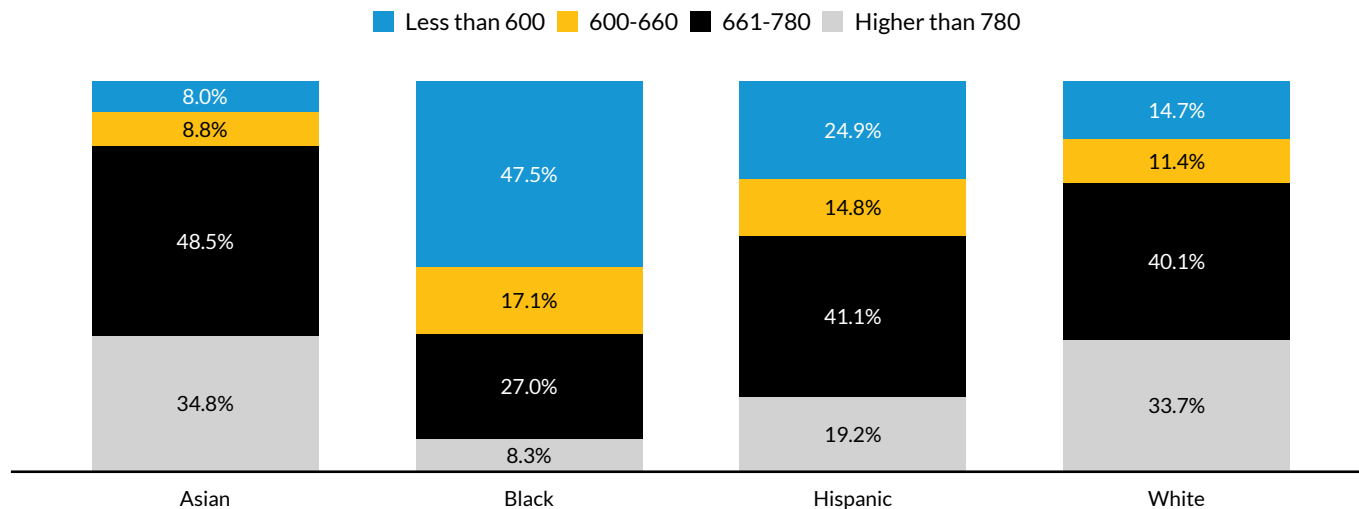
### Credit Score Comparison



Source: 2021 Vantage Score obtained from Freddie Mac

In the Detroit MSA, close to half of Black consumers have a Vantage score less than 600, the highest among all race and ethnic groups. Credit is the most frequently mentioned reason for mortgage denial, and it is concerning that so many Black consumers have a significantly lower credit score.

### Credit Score by Race & Ethnicity: Detroit MSA

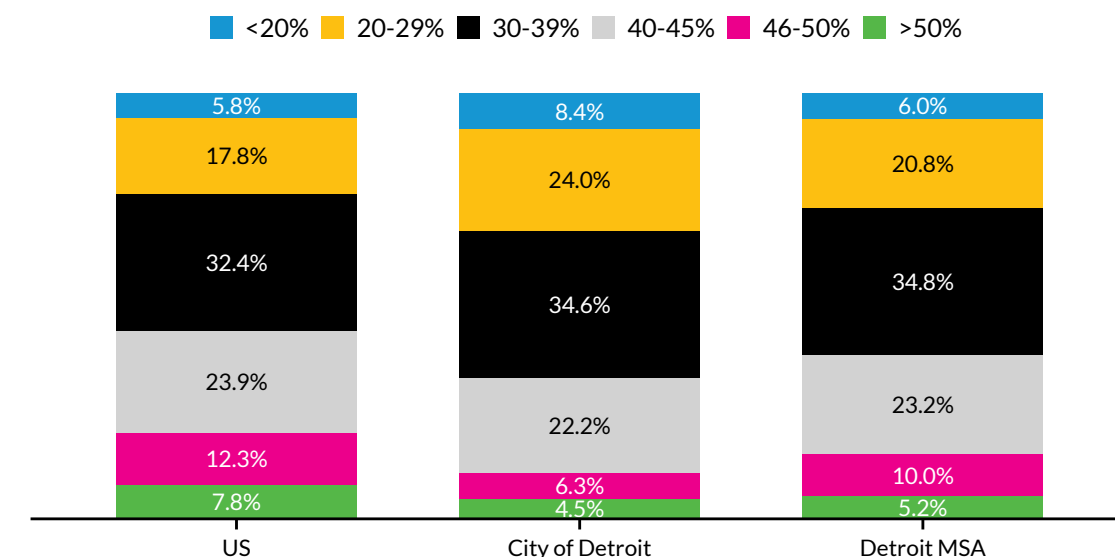


Source: 2021 Vantage Score obtained from Freddie Mac

## Debt to Income Ratio

The share of borrowers with a high debt-to-income (DTI) ratio in the City of Detroit is slightly lower than in the MSA and the US as a whole. About 34 percent of homebuyers in the City, 36 percent in the MSA, and 41 percent in the US had a DTI ratio of 40 percent or higher. This is mainly because the property values in the City of Detroit are substantially lower than the other two geographic comparison areas.

### DTI Distribution Comparison

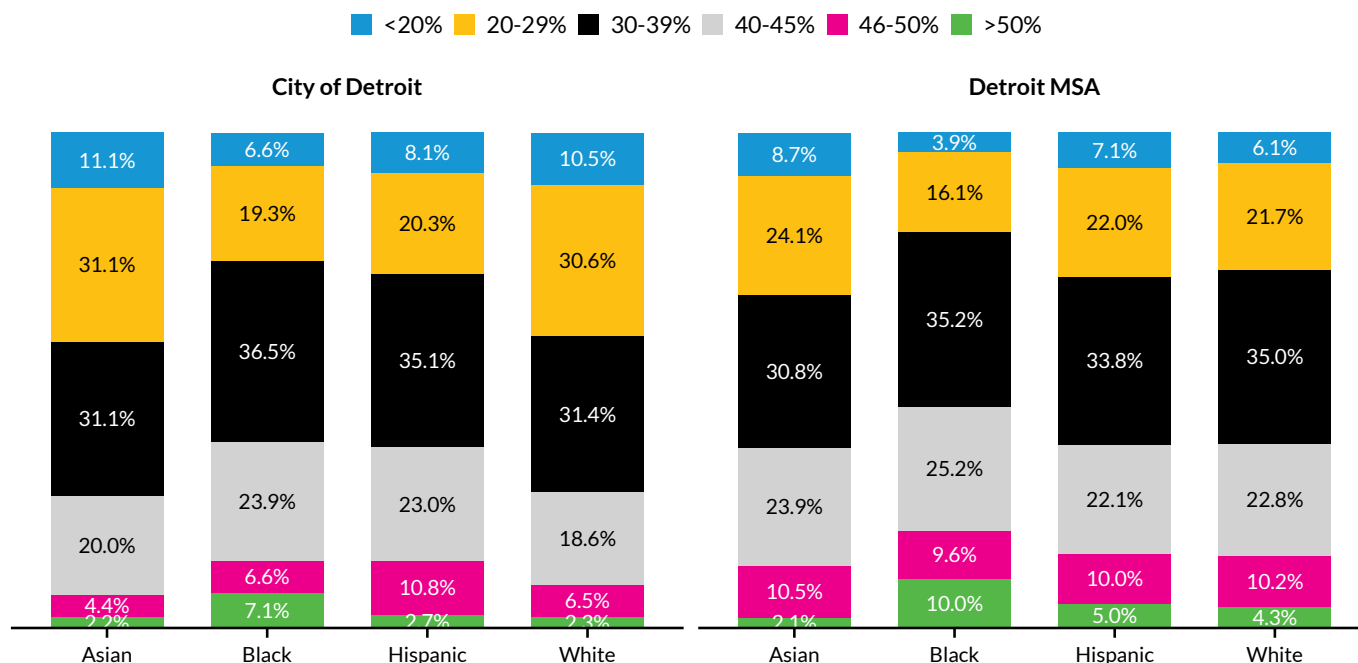


Source: 2019 Home Mortgage Disclosure Act

Note: Purchase Loans Only

Despite low property values, Black borrowers in Detroit, on average, have high debt-to-income (DTI) ratios reflecting their lower income. In both the City and MSA, Black homebuyers have the highest share of DTI ratios above 40 percent across all race and ethnic groups. The share of DTI ratios over 40 percent in the City is lower at 39 percent, compared to the MSA at 45 percent.

### DTI Distribution by Race & Ethnicity



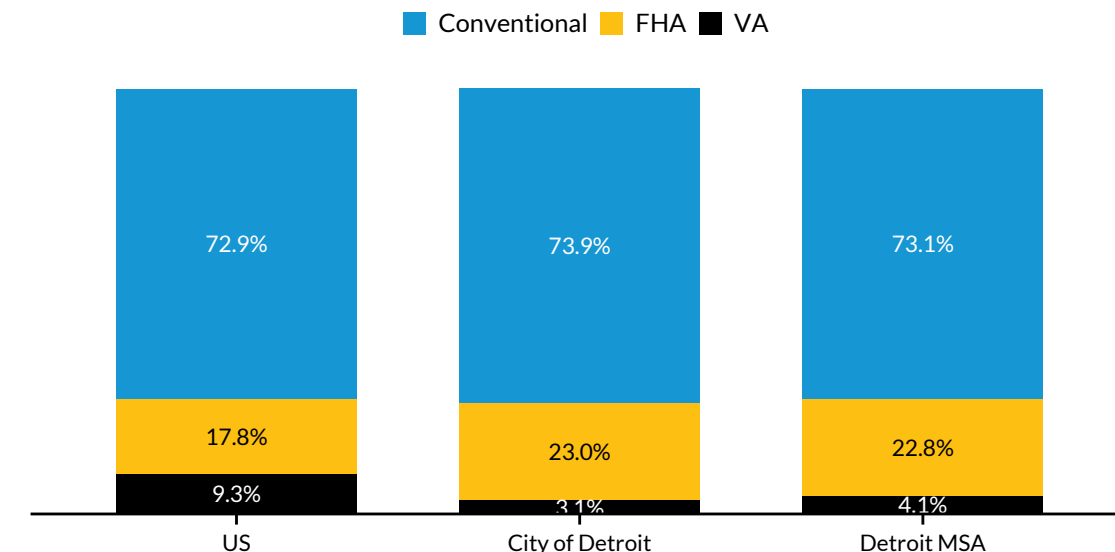
Source: 2019 Home Mortgage Disclosure Act

Note: Purchase Loans Only

## Loan Channel

Among those who purchased homes in 2019, a higher share of borrowers in the City of Detroit and the MSA used FHA loans compared to those in the US. The share of conventional loans was similar in all three regions, while the share of VA loans was higher nationally.

### Loan Channel Comparison

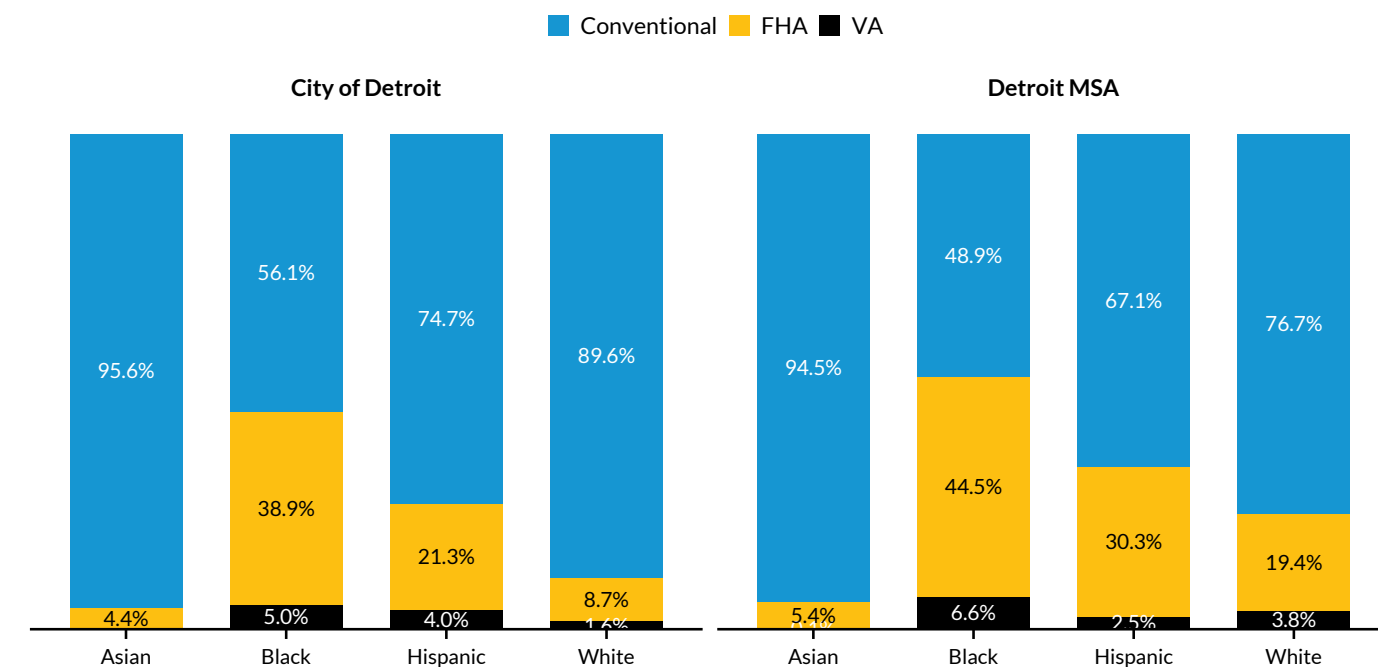


Source: 2019 Home Mortgage Disclosure Act

Note: Purchase Loans Only

In both the City of Detroit and the MSA, FHA loans account for a higher share of loan channel composition for Black households compared to any other race group. In 2019, the FHA share of loans for Black households is 31 percent in the City of Detroit, and 37 percent in the Detroit MSA.

### Loan Channel by Race & Ethnicity



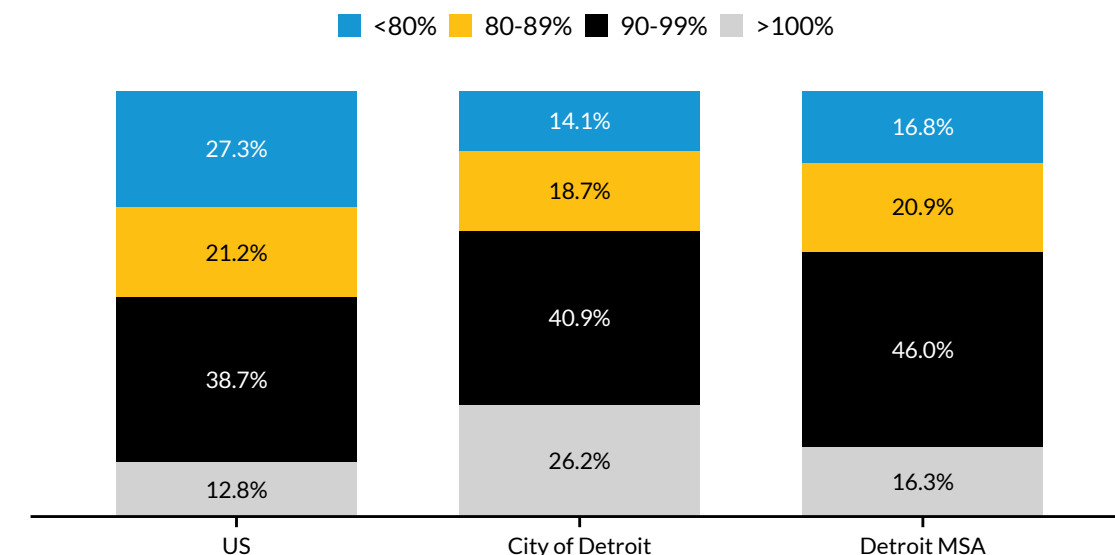
Source: 2019 Home Mortgage Disclosure Act

Note: Purchase Loans Only

## Loan to Value Ratio

Homebuyers in the City purchased homes with a higher loan-to-value (LTV) ratio. About 47 percent of households have an LTV of 90 percent and above, compared to 38 percent in the MSA, and 36 percent in the US as a whole. A higher LTV is associated with greater risk and takes a longer time to build wealth for homeowners who put less equity down at the time of purchase.

### LTV Distribution Comparison

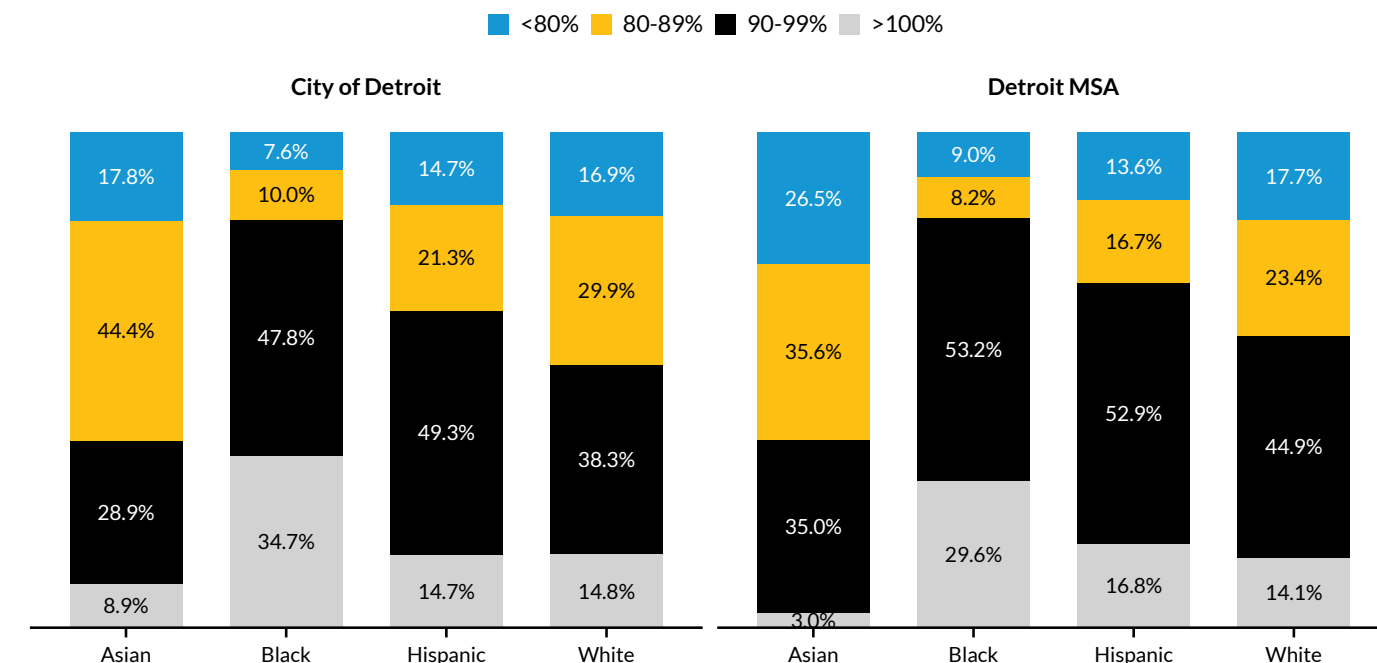


Source: 2019 Home Mortgage Disclosure Act

Note: Purchase Loans Only

Black homebuyers have higher loan-to-value (LTV) ratios compared to other race and ethnic groups in the US. The share of Black borrowers with LTV ratios of 90 percent and above is 56 percent in the City, and 61 percent in the MSA. These shares above 90 percent are significantly higher compared to the shares for white borrowers, at 38 percent in the City, and 36 percent in the MSA.

### LTV Distribution by Race & Ethnicity



Source: 2019 Home Mortgage Disclosure Act

Note: Purchase Loans Only

## Mortgage Ready

The mortgage-ready population, calculated by Freddie Mac, includes borrowers age 45 or younger who do not have a mortgage but have the credit characteristics to qualify for one. Freddie uses credit scores, debt-to-income ratio, and delinquency histories to estimate this number. As of January 2021, the mortgage-ready population in the US housing market was about 41 million, of which 3.4 million were Black. In the Detroit MSA, the mortgage-ready population is close to 500,000, of whom 60,000 are Black.

**Table 2 - Mortgage Ready Count by Race and Ethnicity**

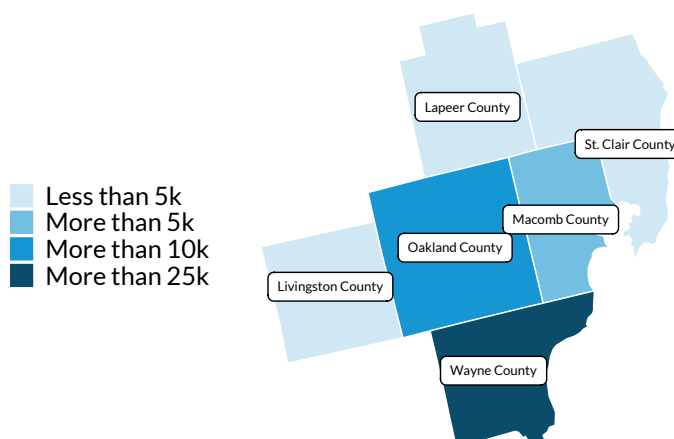
	Asian	Black	Hispanic	White	Other	Total
Detroit MSA	64,197	60,490	27,162	313,029	32,849	497,727
United States	4,995,056	3,404,153	8,260,804	23,440,086	988,013	41,088,112

Source: 2021 Vantage Score obtained from Freddie Mac

Note: Purchase Loans Only

In the Detroit MSA, the mortgage-ready Black population is concentrated in Wayne county, comprising about half the region's Blacks consumers.

## Size of 'Mortgage Ready' Black Population by County



Source: 2021 Vantage Score obtained from Freddie Mac

A lower share of Black consumers is mortgage-ready than other races and ethnicities. This share is even lower in Detroit (18 percent) compared to the nation (22 percent). This is consistent with the lower credit scores and incomes among the Black population living in Detroit. Despite the lower share of mortgage-ready people in the Detroit MSA, there is a higher share of those who can afford a mortgage among the mortgage-ready population. For example, nationally, 45 percent of mortgage-ready Black consumers can afford median-priced homes assuming a 2.9 percent mortgage rate, compared to 76 percent in Detroit. This is because the home prices are much lower in Detroit MSA compared to the nation. Also, due to lower home prices, the number of years it takes to save for 3 percent downpayment is shorter in the Detroit MSA compared to the nation. In Detroit, it would take about 1.72 years for a mortgage-ready Black borrower to save 3 percent down payment, compared to 2.71 years for the national figure.

**Table 3 - Time for Down Payment by Race and Ethnicity**

Race & Ethnicity	% Mortgage Ready		Affordability 2.9% Mortgage Rate		Years to Save 3% Downpayment	
	United States	Detroit MSA	United States	Detroit MSA	United States	Detroit MSA
Asian	60.8%	63.4%	34.0%	79.8%	3.59	1.77
Black	21.8%	18.1%	45.2%	76.4%	2.71	1.72
Hispanic	34.1%	37.8%	27.7%	74.9%	3.74	1.78
White	35.9%	37.4%	51.5%	73.5%	2.46	1.79

Source: 2019 Home Mortgage Disclosure Act

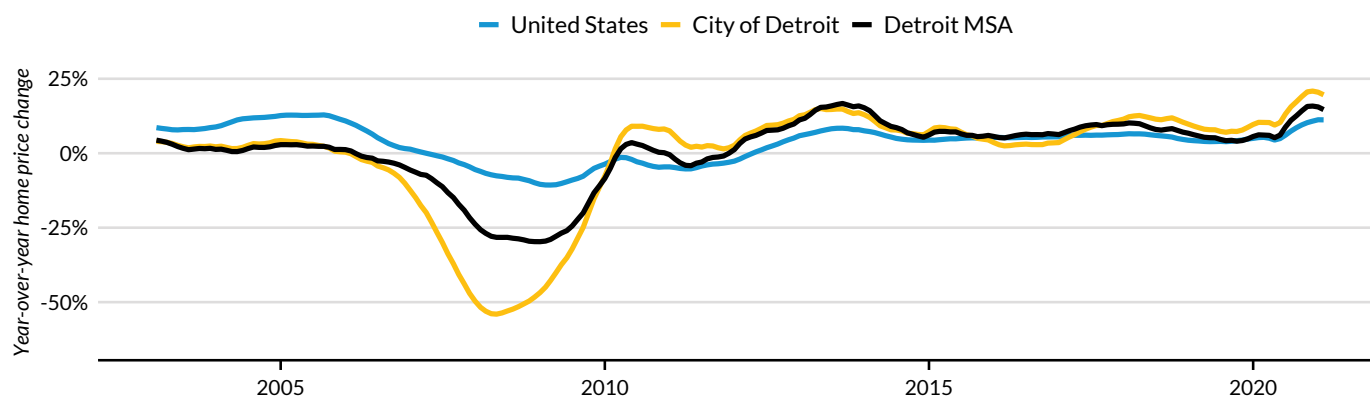
Note: Purchase Loans Only

## Home Prices

### House Price Appreciation

Home prices in Detroit were hit hard in the wake of the 2008 housing bust, losing significantly more value than the US market as a whole.

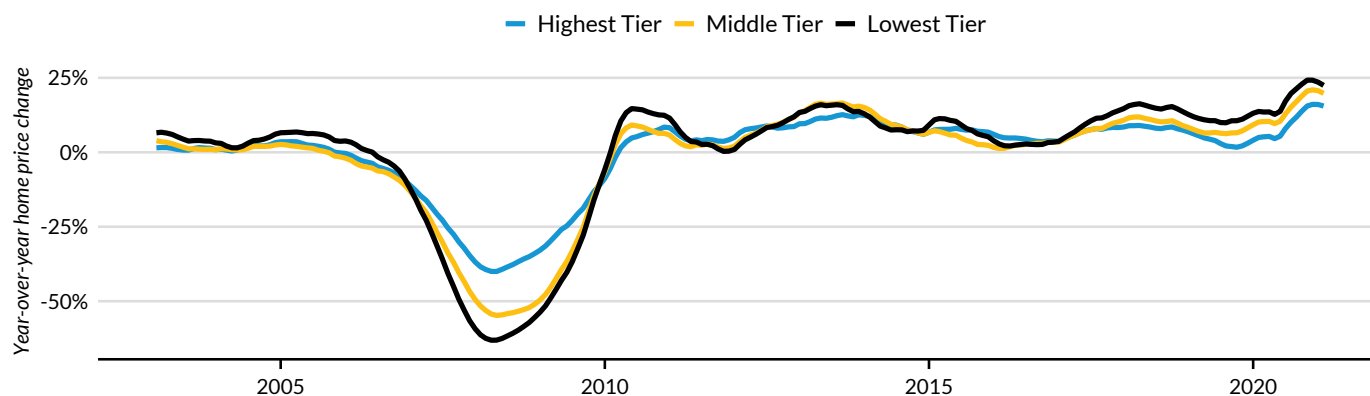
### Year-over-year Price Changes



Source: Black Knight

In the City of Detroit, the homes prices for those in the lowest price tier – bottom 20 percentile – dropped the most during the Great Recession. However, in more recent years, these homes show higher appreciation rate as new home prices rise because of the higher development costs.

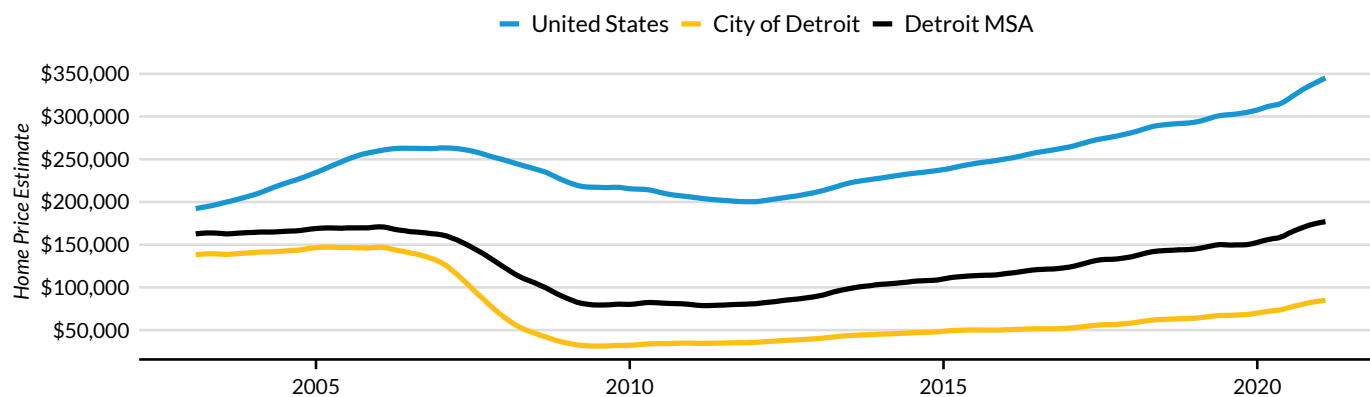
### Year-over-year Price Changes by Price Tier: City of Detroit



Source: Black Knight

Nationally, average home prices are 29 percent above where they were during the prior peak, however average home values in the City remain below peak value by 43 percent, though prices are up 166 percent from their nadir.

### Average Home Price Estimate



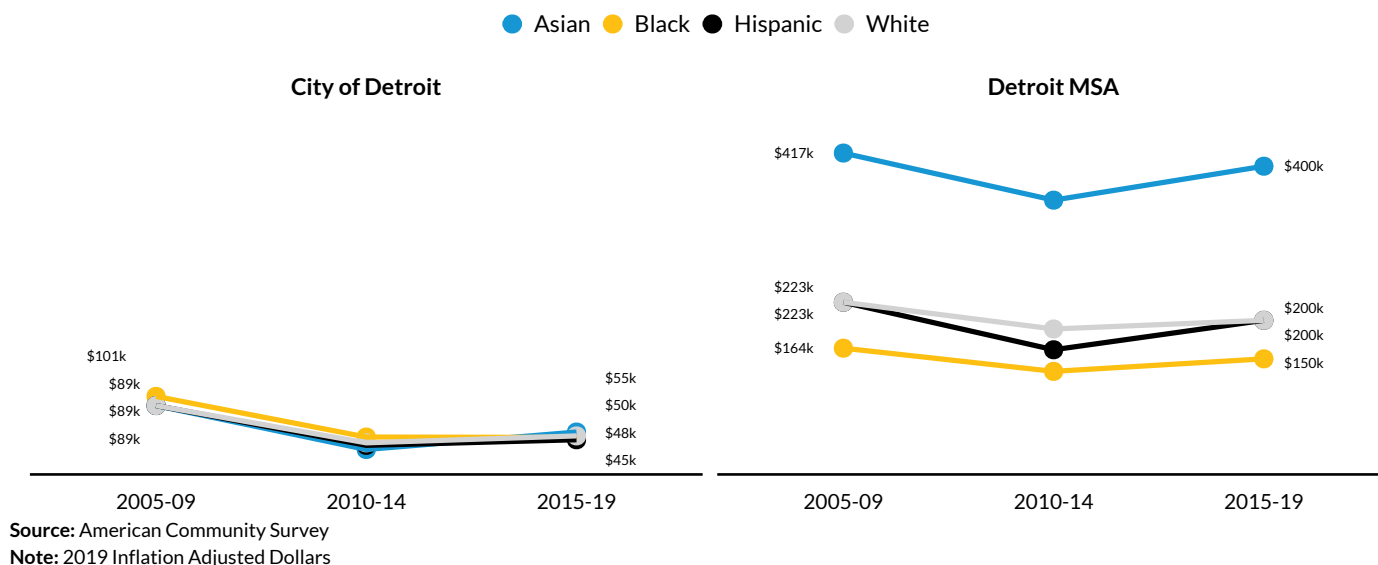
Source: Black Knight



## Home Values by Households

As home prices fell significantly in the City of Detroit following the Great Recession, the median home value for all race and ethnic groups dropped significantly as well. While median home values for other race and ethnic groups have gone up in the years 2015 to 2019 compared to 2010 to 2014, the median home value for Black households slightly dropped further. In the Detroit MSA, home values have recovered for all race and ethnic groups during the last 10 years, but Black households still have the lowest median home values, showing that even among homeowners there are substantial disparities in housing wealth.

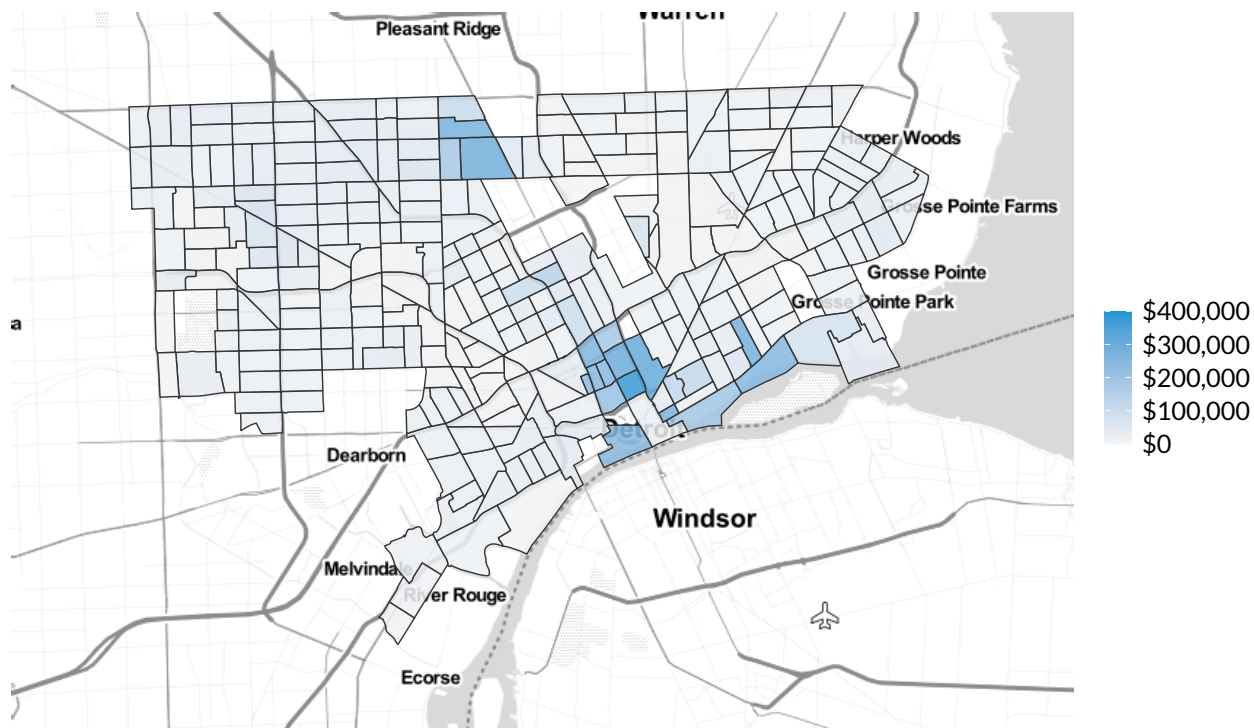
### Median Household Value by Race & Ethnicity



## Home Values by Neighborhoods

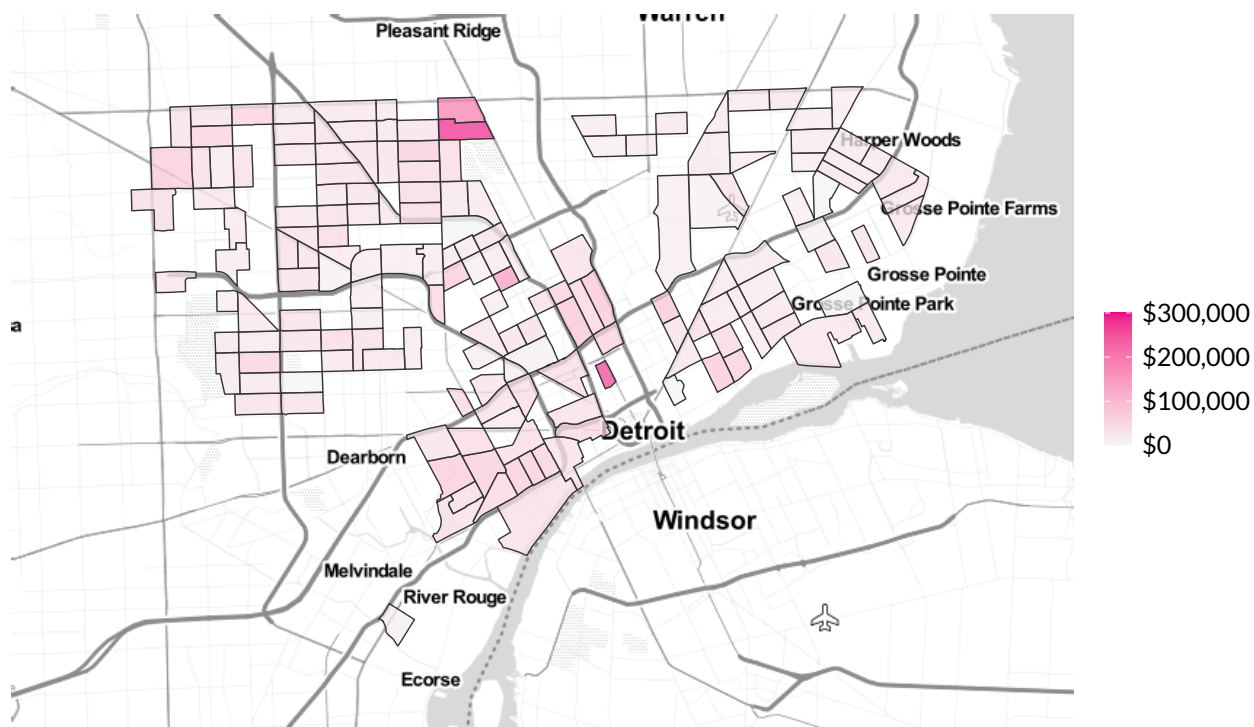
In terms of market valuation, the distributions of single-family homes and duplexes are in line with each other. The highest-value homes are concentrated around Downtown and the riverfront, as well as around Palmer Park west of Woodward, near the boundary with suburban Ferndale.

### Mean Market Value of Single Family Homes, Tract Level: City of Detroit



Source: Property Records

### Mean Market Value of Duplexes, Tract Level: City of Detroit



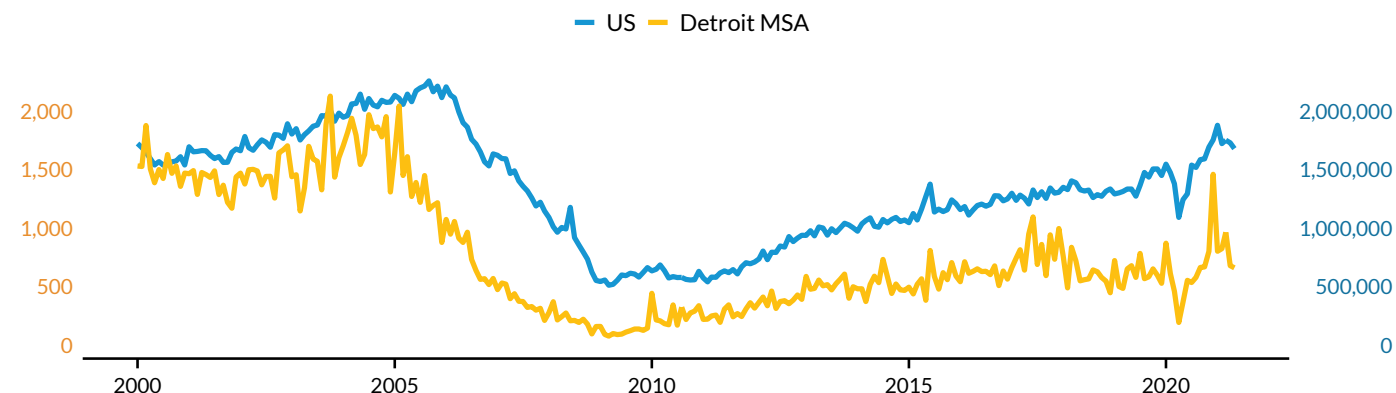
Source: Property Records

## Housing Supply

### Building Permits

The US has experienced significant housing supply shortages in the past decade. New supply has been slow despite the growing population. In the Detroit MSA, the number of new private housing units authorized by building permits has dropped significantly following the Great Recession. This number slowly recovered since, but dipped when the COVID-19 pandemic hit the nation. The numbers have gone up in recent months but are still considerably lower than in the years before the Great Recession. This is similar to the national trend.

### New Housing Units Authorized by Building Permits



Source: Census Bureau

### Housing Inventory

Housing inventory has dropped amidst the pandemic, as the housing shortage continued while demand increased as mortgage rates dropped and Millennials entered their prime home-buying ages. Between January 2018 and May 2021, housing inventory dropped 31 percent in the US, 15 percent in the City of Detroit, and 21 percent in Detroit MSA. The annual inventory per household was the lowest in the City compared to the MSA and nationally.

Table 4 - Changes in Housing Inventory

Timeframe	United States	City of Detroit	Detroit MSA
Jan 2018-May 2021	-30.9%	-15.5%	-21.2%

Source: Zillow

Note: Purchase Loans Only

Table 5 - Inventory Per Households

Year	United States	City of Detroit	Detroit MSA
2018	16.0%	10.1%	13.0%
2019	16.1%	11.7%	14.3%
2020	13.5%	10.3%	11.9%

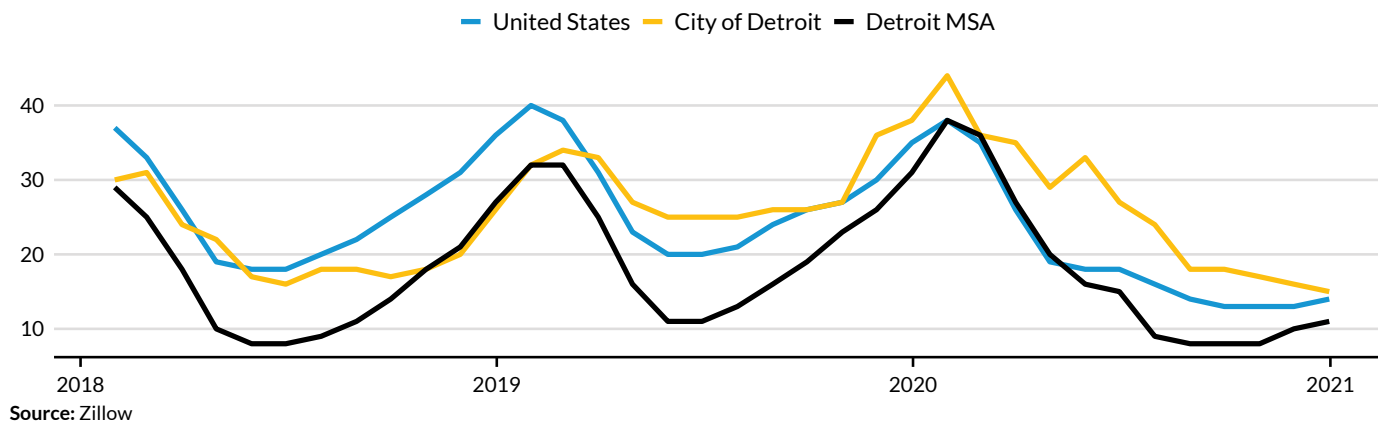
Source: Zillow

Note: Purchase Loans Only

## Days to Pending

Homes are selling faster in 2020 and 2021 than in past years. In other years, average days pending dropped during the first half of the year and then went up, reflecting the seasonal differences in market activity. However, in 2020 the average days pending continued to decline throughout the year.

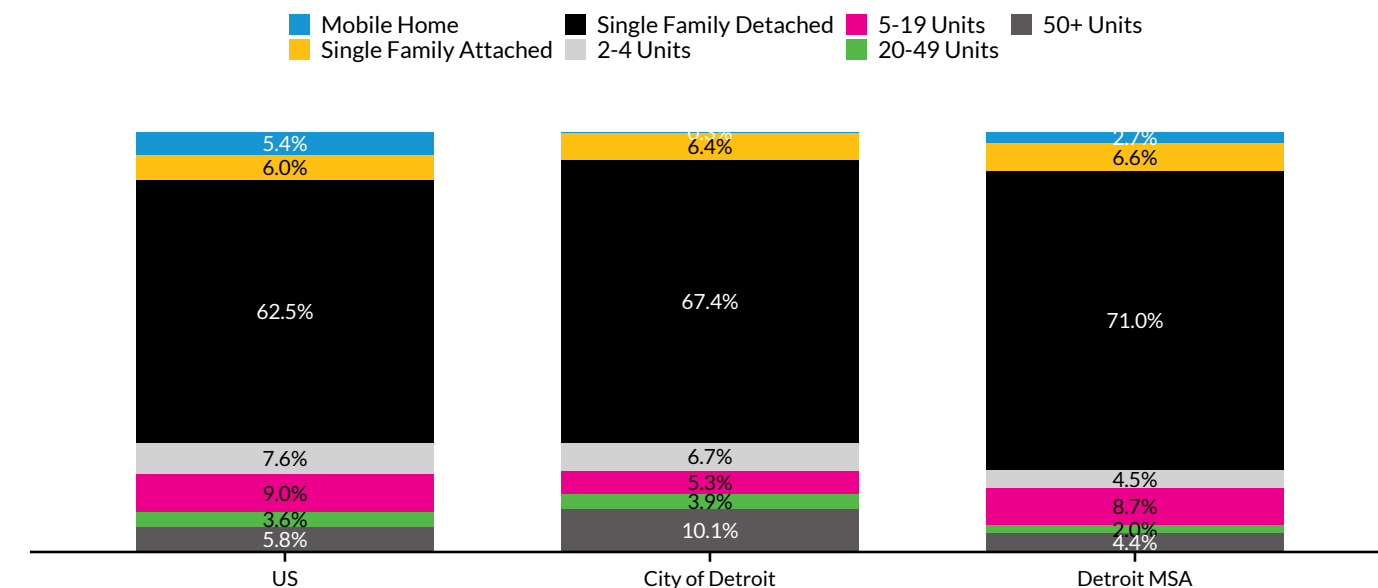
### Days to Pending Comparison



## Housing Type

Similar to the nationwide composition of housing structure types, households in both the City and MSA largely live in single-family units. Among those living in multi-family units, a significant proportion of households in the City, primarily renters, reside in large-scale buildings with 50 or more units, which make up around 10 percent of the overall composition. In the MSA, buildings with 5-19 units make up the largest share of multi-family units and account for around 9 percent of the overall composition.

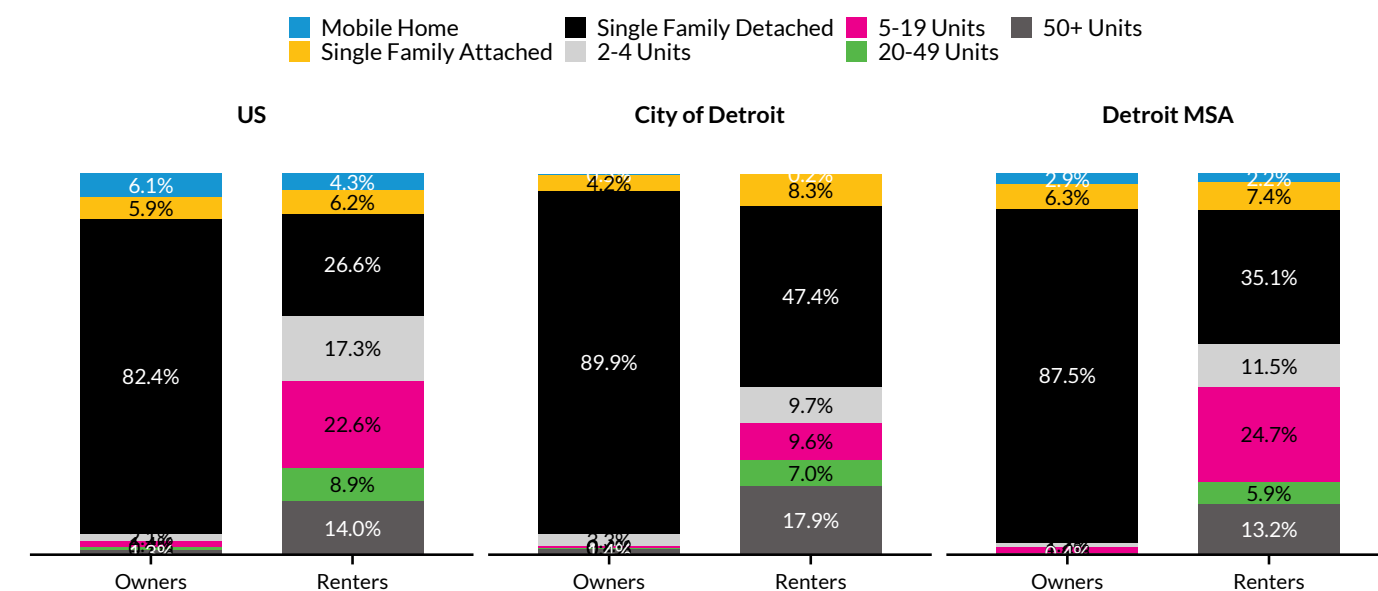
## Housing Structure Type Comparison



Source: 2015-19 American Community Survey

The most common property types in Detroit are single-family, condominiums, and duplexes. Single-family housing dominates the entire residential market, consisting of 96 percent of the market share. Neighborhoods comprised of more than 80 percent of Black households have a lower share of condominiums and greater share of duplexes.

## Housing Structure Type: Owners & Renters



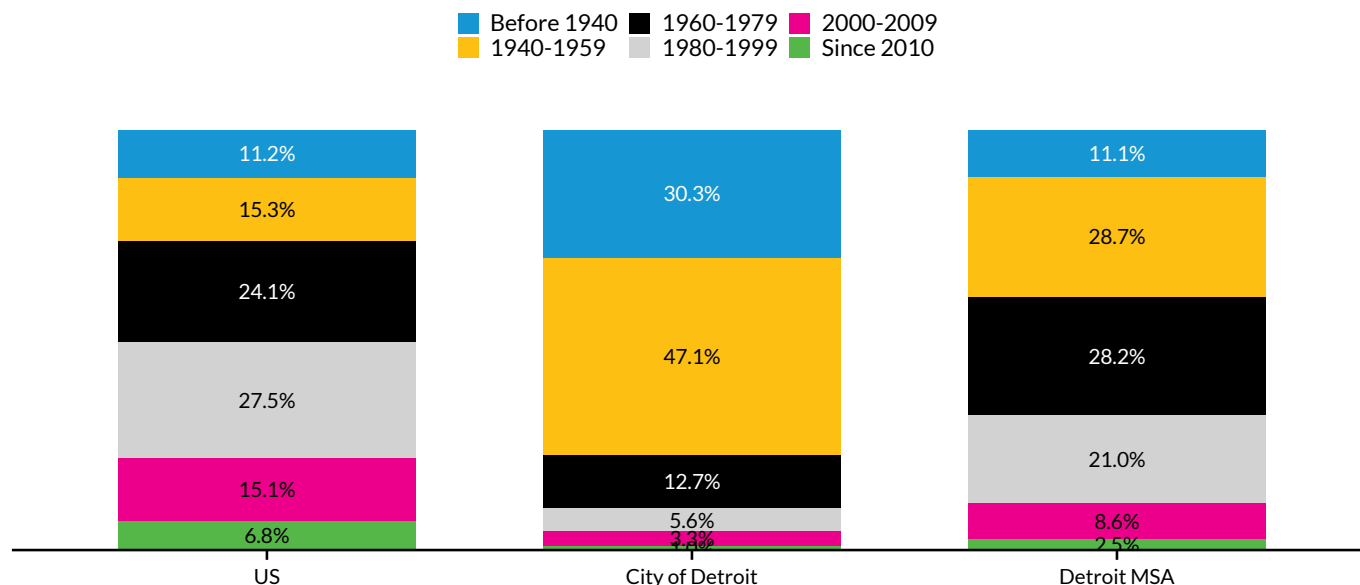
Source: 2015-19 American Community Survey

## Age of Housing

Compared to the overall composition of the nation, households in both the City of Detroit and the MSA are living in older homes, with a higher share of homes built before 1980. Nationwide, only 53 percent of households live in homes built before 1980, compared to 90 percent in the City of Detroit and 68 percent in the MSA.

While new construction has slowed dramatically across the nation since the Great Recession, Detroit's share of households built since 2010 is much lower than nationwide. Only 1 percent of households living in the City reside in homes built since 2010, compared to 3 percent in the MSA and 7 percent nationally.

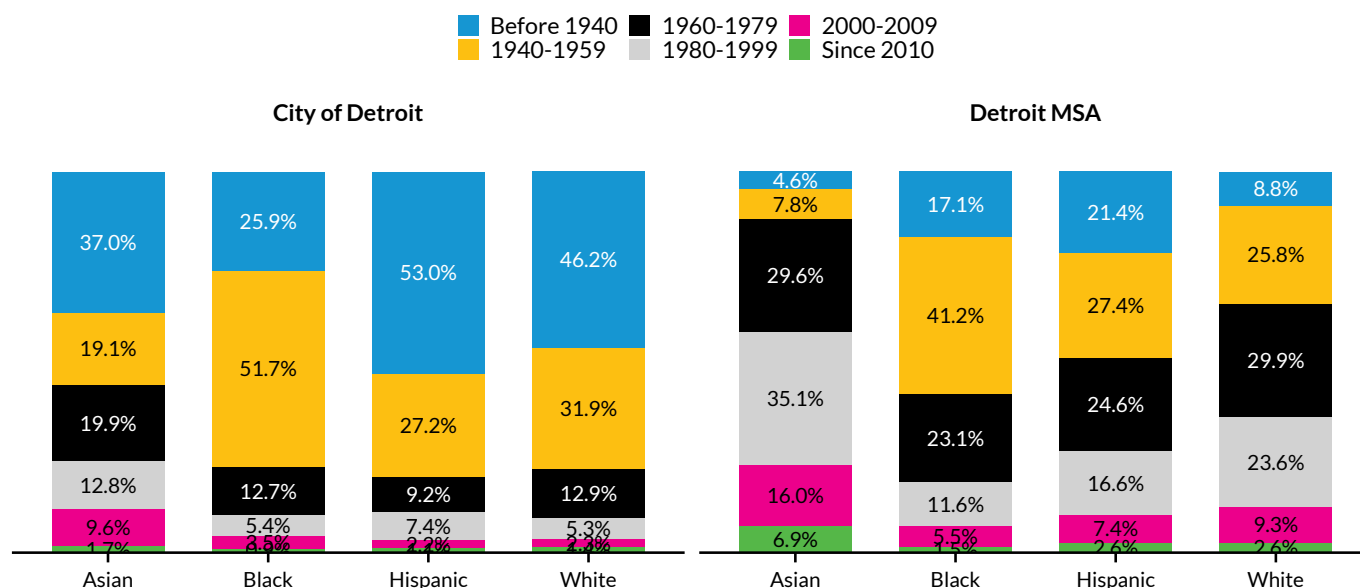
## Year Built Comparison



Source: 2015-19 American Community Survey

In both the City and MSA, greater shares of Black households are living in homes built prior to 1960 compared to other races. In the MSA, 58 percent of Black households are living in homes built prior to 1960 compared to only 39 percent of white households. Some 50 percent of Hispanic households and 61 percent of white households are living in homes built after 2000.

## Year Built Composition by Race & Ethnicity



Source: 2015-19 American Community Survey

## Conclusion

This report, in support of the Keys Unlocks Dreams Initiative for the Detroit market, is intended as a first step toward informing local housing policies with a profile of homeownership barriers and opportunities. It offers an evidence-based framework for policymakers and stakeholders—such as consumers and the myriad housing market industry constituents—as they seek to further fair housing and close racial homeownership and wealth gaps.

The Urban Institute seeks to contribute the research to inform policy changes, new products and programs, education and outreach campaigns, and other partnerships for action. This work can help remove structural barriers that perpetuate inequality, expand affordable and fair housing options, prevent an unbalanced recovery from the COVID-19 pandemic, empower consumers and stakeholders with critical information and resources, and help close the racial wealth and homeownership gaps in the United States. We look forward to engaging on the data and on ideas for solutions in each of the places the Keys initiative takes us in support of this work.