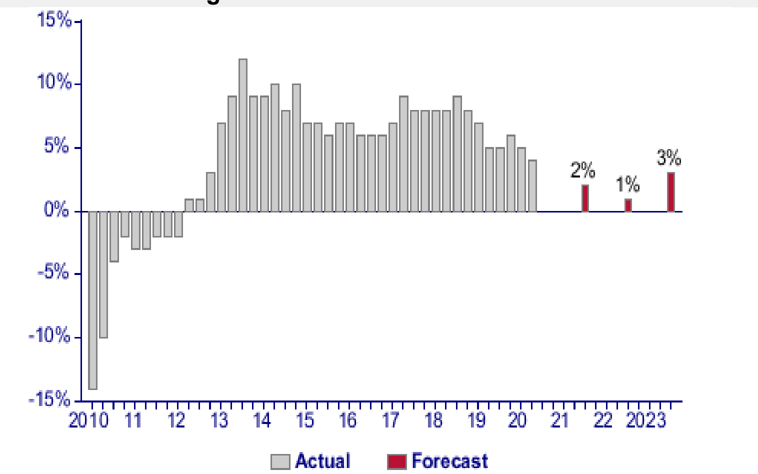
Market Summary

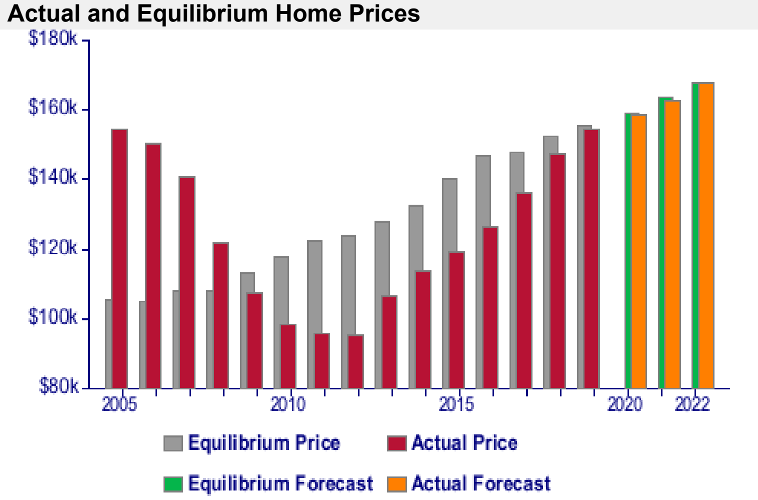
September 2020. Pre-recession job growth was poor. Job losses are worse than the national average of 7.7 percent. The job situation improved from the previous month. The economy features large healthcare and business services sectors. Covid will have lasting effects on jobs in manufacturing, retail, tourism, healthcare and government. In this market some jobs are likely to be lost for good.

Population growth has been low. Rents are high compared to home prices, presenting investment opportunities. 38 percent of housing is rented. Over the last 3 years, total income (a pressure on prices) grew 9 percent (US: 14%). Home prices rose 17 percent, 4 percent in the past year. Expect a weak housing market the next few years.

Home Price Change



Actual and Equilibrium Home Prices



Last Update: 10/26/2020

Investment Score: -1.8

LOCAL INVESTMENT RATING	
UNDER 0	DANGEROUS
0 - 3	SPECULATIVE
3.1 - 6.0	MEDIUM RISK
OVER 6	LOW RISK

Home Price Forecast

Home values for **Detroit- Livonia- Dearborn** are forecast to increase by 2 percent over the next 12 months. Nationally, prices are forecast to increase by 2.2 percent.

In the second and third year, prices are forecast to increase 1% and 3%, respectively.

County-Level Forecast

County	Year 1	Year 2	Year 3
Wayne County MI	2.5%	1.2%	3.1%

Home Price

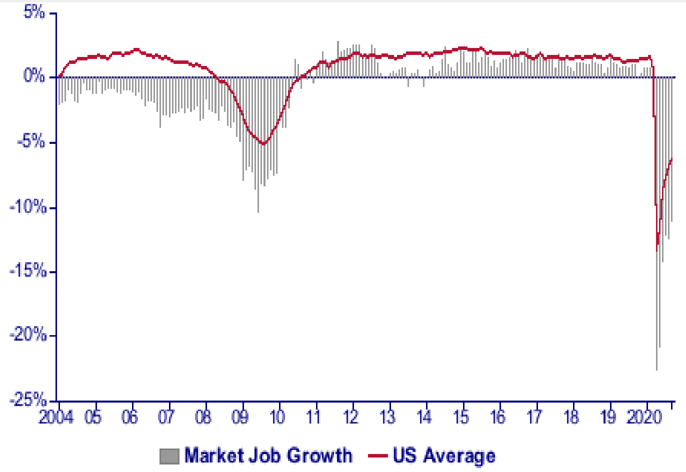
Home prices in this market peaked in Q2 2020 at $156,277. In the last 12 months, prices have gone up by 4 percent. The average home price in this market is currently $156,277.

Equilibrium Home Price

The Equilibrium Home Price in this market is currently $158,326.

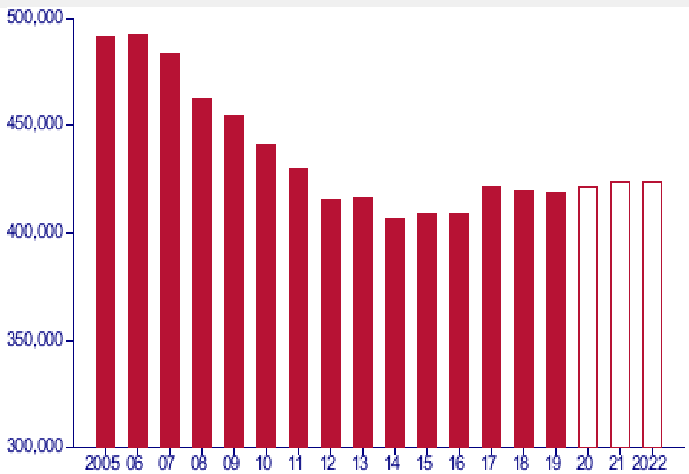
The Equilibrium Home Price shows where home prices would be in the absence of market distortions. If actual home prices rise well above the Equilibrium Prices, they ALWAYS eventually come back down.

Job Growth Rate



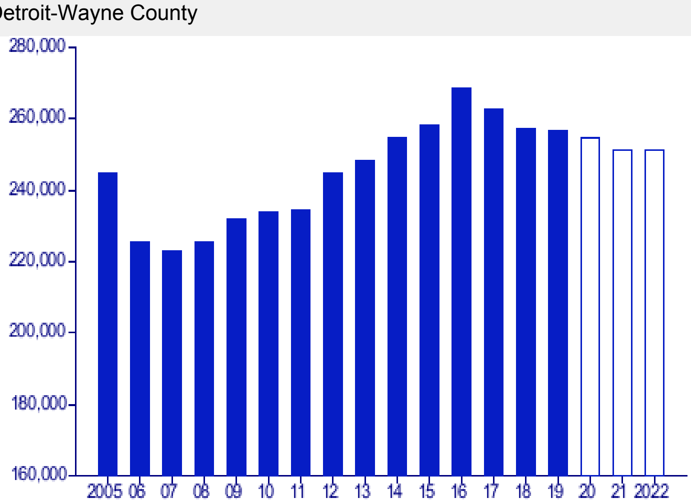
Owner-Occupied Housing Units

Detroit-Wayne County



Renter-Occupied Housing Units

Detroit-Wayne County



Job Growth

In the past 12 months, jobs in this market have fallen by 11 percent. This compares to a national decrease of 6.4 percent.

Job growth is our most immediate guide to the demand for housing. New jobs spur population in-migration while jobs regained in a recovery create new households. Investments are riskier when job growth is falling, less risky when job growth is strong.

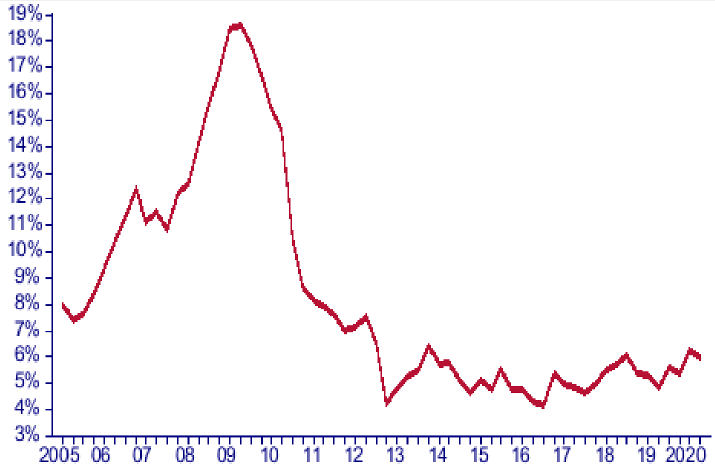
Owner-Occupied Housing Units

These include single-family homes and condos. Nationally, owner-occupancy peaked in 2005 at 69 percent and has steadily declined to less than 64 percent.

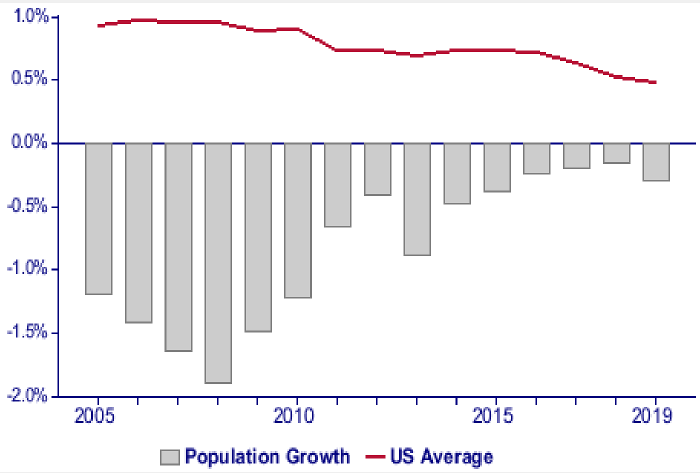
Renter-Occupied Housing Units

These include apartments and single-family homes that are rented. Demand for rentals increased in many markets as home ownership became less desirable.

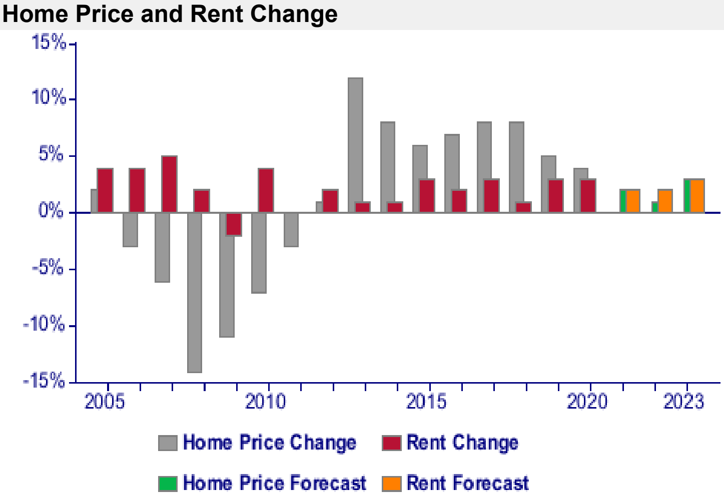
Risk-Adjusted Cap Rate



Population Growth



Home Price and Rent Change



Risk-Adjusted Cap Rate

The Risk-Adjusted Cap Rate for this market is currently 6.0 percent.

The Risk-Adjusted Capitalization Rate is used to price a rental property, based on the annual rent stream minus the annual operating expenses. The Rate incorporates both national and local economic risk. The Risk-Adjusted Cap Rate is used to estimate the value of an apartment building or single-family rental. Proposed property prices that produce a sharply lower cap rate should be scrutinized very carefully.

Population

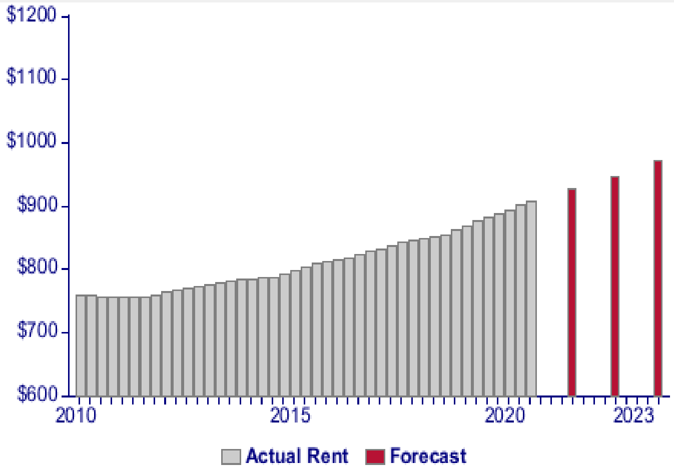
The population in this market declined 0.3% in 2019, while the US population grew 0.5%.

Population growth - or the lack of it - has the strongest effect on local demand for housing. Average population growth in the US is 1 percent per year. Investments are usually less risky in markets with above-average growth, though more risky in small markets with very high population growth.

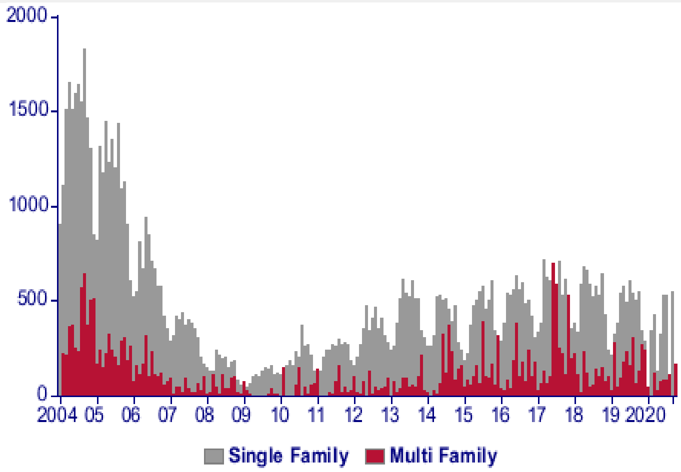
Home Prices and Rents

Home prices and rents often move in cycles but not at the same rate. Rents are more closely tied to local income, while home prices more easily respond to relatively small changes in supply and demand. Investments often are less risky in markets where home prices and rents increase slowly and steadily.

Rent per Month

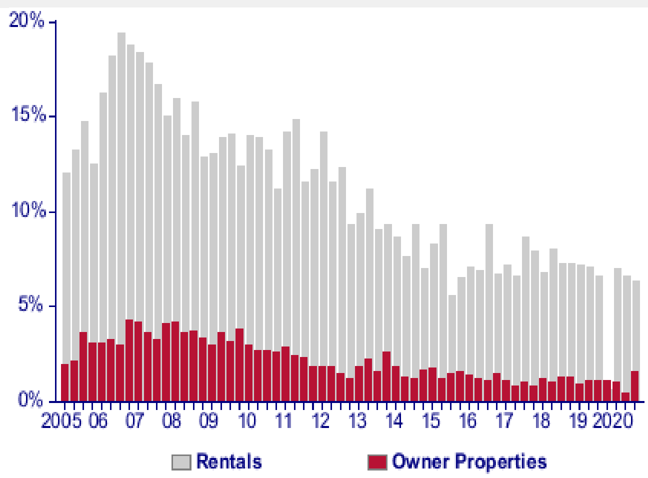


Housing Permits



Vacancy Rates

State of Michigan



Rents

We forecast rents to increase 8 percent over the next three years in this market, to an average of $971 per month.

Rents rarely decrease, but sharp job losses and falling home prices can push them down. Rents are closely related to local income. Monthly rent on average is 2 percent of local per capita income, but there is a lot of variation.

Housing Permits

Total housing permits in September 2020 were up 14 percent from last year Single family permits were up 9 percent

Vacancy Rates

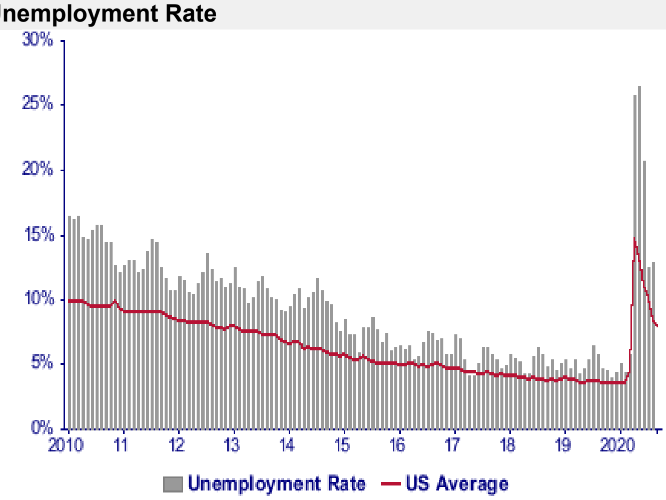
The Rental Vacancy Rate fell to 6.3 percent in Q3 2020. The Owner Vacancy Rate rose to 1.6 percent.

The survey technique used by the Census to get local vacancy rates for rentals relies heavily on large apartment landlords. It can't easily capture homes that are available for rent. Large changes from quarter to quarter in some markets can be due to survey problems rather than actual vacancies.

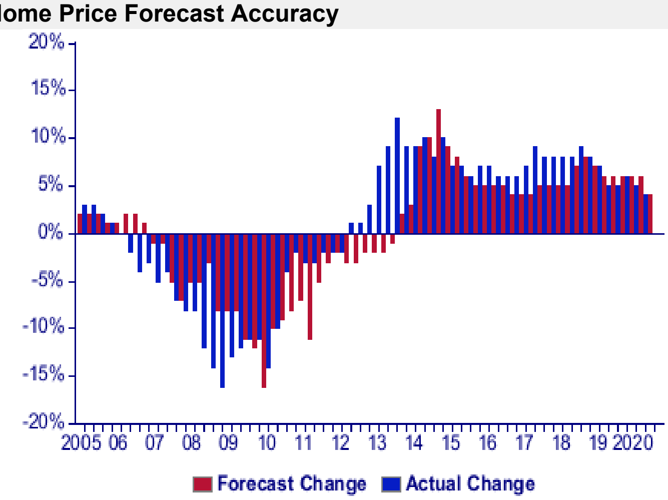
Employment by Industry

Industry	% of Total	US % of Total	Sep 2020	12-Month Job Growth	US 12-Month Job Growth
Construction/Mining	3%	5%	21,700	-9.2%	-3.7%
Manufacturing	13%	9%	89,400	-6.7%	-5.1%
Finance	5%	6%	37,700	-6.9%	-1.1%
Retail Trade	10%	11%	65,800	-3.9%	-2.8%
Business & Prof. Services	16%	14%	112,300	-11.5%	-5.8%
Health Care & Education	16%	16%	113,200	-13.6%	-4.7%
Tourism/Hotels	8%	9%	52,900	-33.3%	-21.7%
Government	12%	15%	85,100	-5.2%	-3.7%
Total	**100%**	**100%**	**689,600**	**-11.0%**	**-6.4%**

Unemployment Rate



Home Price Forecast Accuracy



Employment

Jobs were down -11.0 percent in the past year, compared to the national loss of -6.4 percent..

The concentration of jobs in various industries can reveal special investment risks. An above-average concentration of jobs in construction, manufacturing, finance or tourism indicates a greater vulnerability to economic cycles. But strong growth in these sectors means the current situation is favorable. Large health-care or government sectors often mean more stability and lower risk - but not always.

Unemployment

The Unemployment Rate in August 2020 was 12.9% versus 5.7% last year.