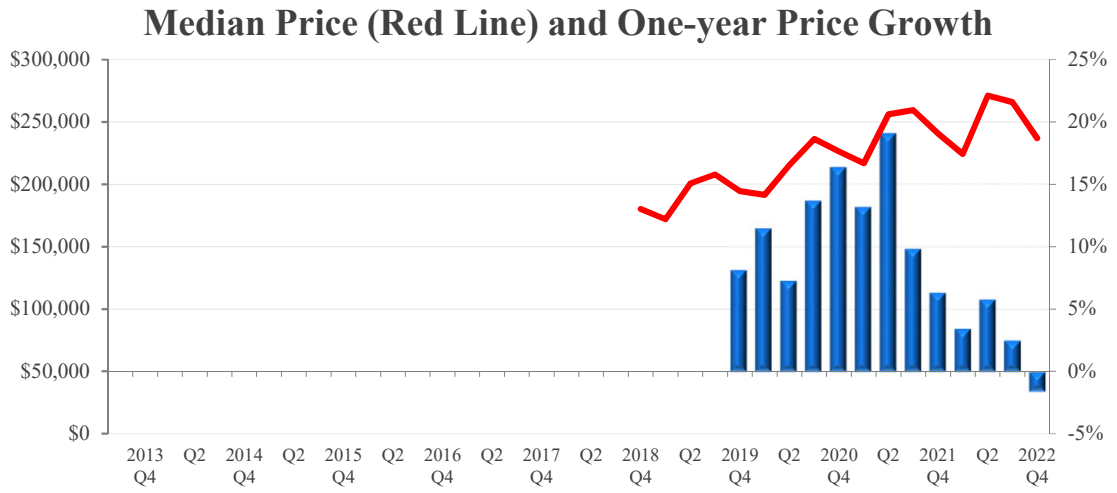
Detroit-Warren-Dearborn Area

Local Market Report, Fourth Quarter 2022

Today's Market…



Local Price Trends			
Price Activity	**Detroit**	**U.S.**	**Local Trend**
Current Median Home Price (2022 Q4)	$237,000	$372,667	Year-over-year price growth swung negative this quarter after growing last quarter
1-year (4-quarter) Appreciation (2022 Q4)	-1.6%	4.2%	
3-year (12-quarter) Appreciation (2022 Q4)	21.7%	36.9%	
3-year (12-quarter) Housing Equity Gain*	$42,300	$100,367	Information on the long-term trend is not available
7-year (28 quarters) Housing Equity Gain*	NA	$151,900	
9-year (36 quarters) Housing Equity Gain*	NA	$175,767	
*Note: Equity gain reflects price appreciation only			

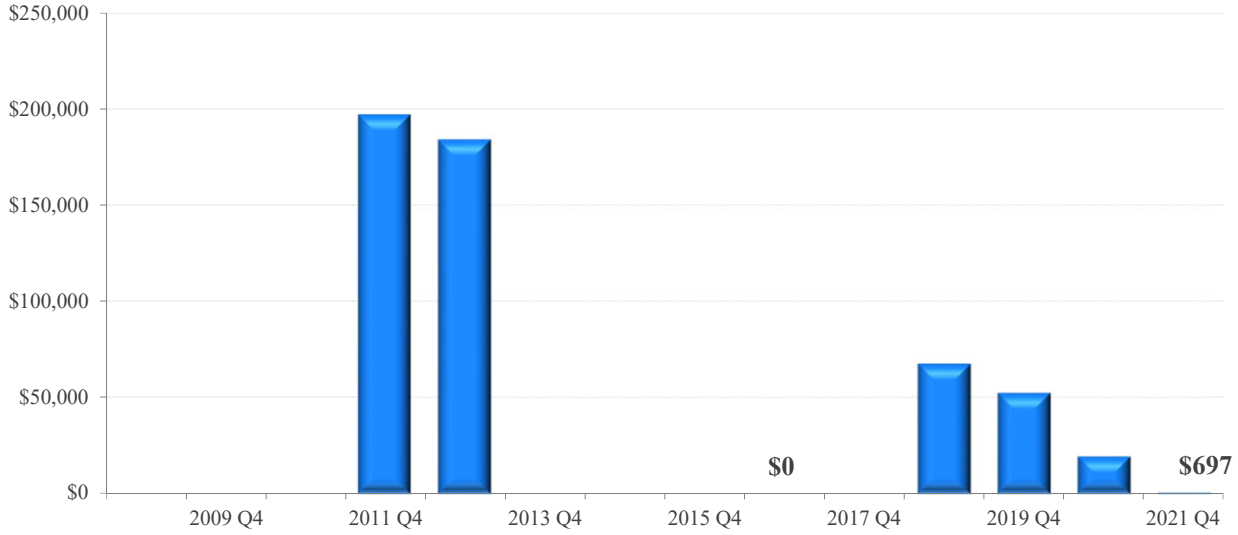
	Detroit	**U.S.**	
Conforming Loan Limit**	$726,200	$1,089,300	Most buyers in this market have access to government-backed financing
FHA Loan Limit	$472,030	$1,089,300	
Local Median to Conforming Limit Ratio	33%	not comparable	
Note: limits are current and include the changes made on January 1st 2023.			

Local NAR Leadership

The Detroit-Warren-Dearborn market is part of region 6 in the NAR governance system, which includes all of Ohio and Michigan. The 2023 NAR Regional Vice President representing region 6 is Gary Reggish.

Benefits of Ownership:
Total Equity Appreciation

Total Equity Accrued to Owner by Year and Quarter of Purchase



Total Equity Gained** through 2022 Q4 from quarter in which home was of purchased			
Price Activity	**Detroit**	**U.S.**	**Local Trend**
1-year (4-quarter)	$697	$21,777	
3-year (12-quarter)*	$52,516	$114,655	Price trends in the last three years have undercut the steady post-recession home equity growth despite owners paying down principle
5-year (20-quarter)*	NA	$147,773	
7-year (28 quarters)*	NA	$180,265	
9-year (36 quarters)*	NA	$207,943	

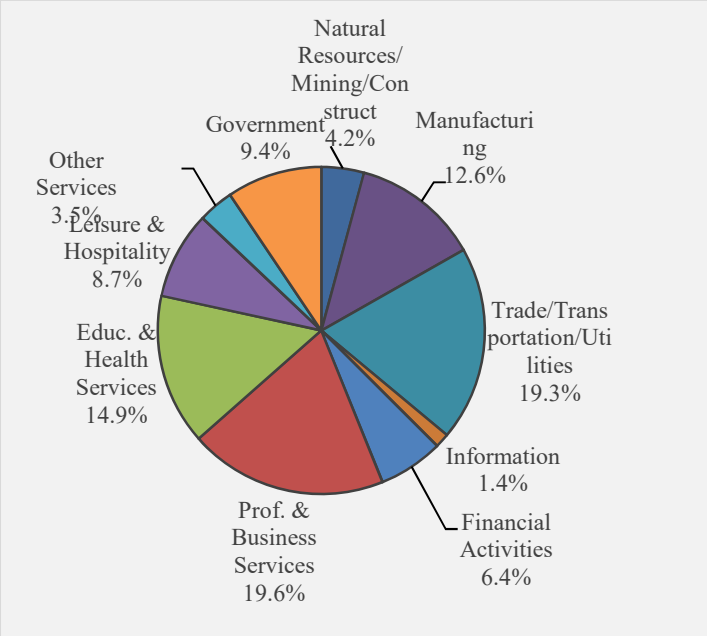
*Note: Equity gain reflects price and principle payments since purchase, prevailing 30-year fixed rate mortgage at time of purchase and a 10% downpayment. Downpayment is not included in total equity

Drivers of Local Supply and Demand…

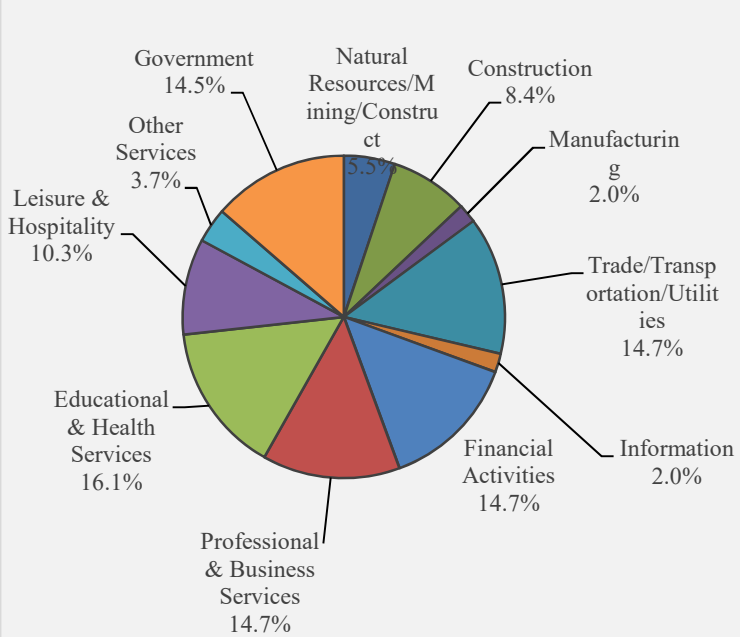
Local Economic Outlook	Detroit	U.S.	
12-month Job Change (Dec)	40,900	Not Comparable	Employment growth has eased, but remains positive
12-month Job Change (Nov)	47,600	Not Comparable	
36-month Job Change (Dec)	-37,300	Not Comparable	Unemployment in Detroit is better than the national average and improving
Current Unemployment Rate (Dec)	3.3%	3.5%	
Year-ago Unemployment Rate	4.2%	3.9%	Local employment growth is poor and needs to improve
1-year (12 month) Job Growth Rate	2.1%	4.3%	

Share of Total Employment by Industry

Detroit-Warren-Dearborn Area



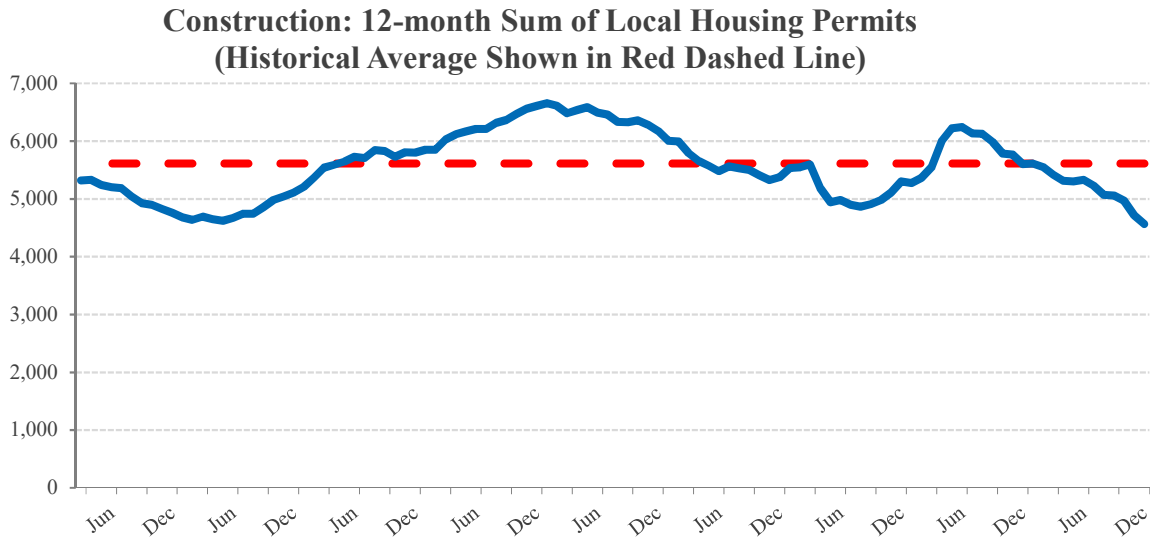
U.S.

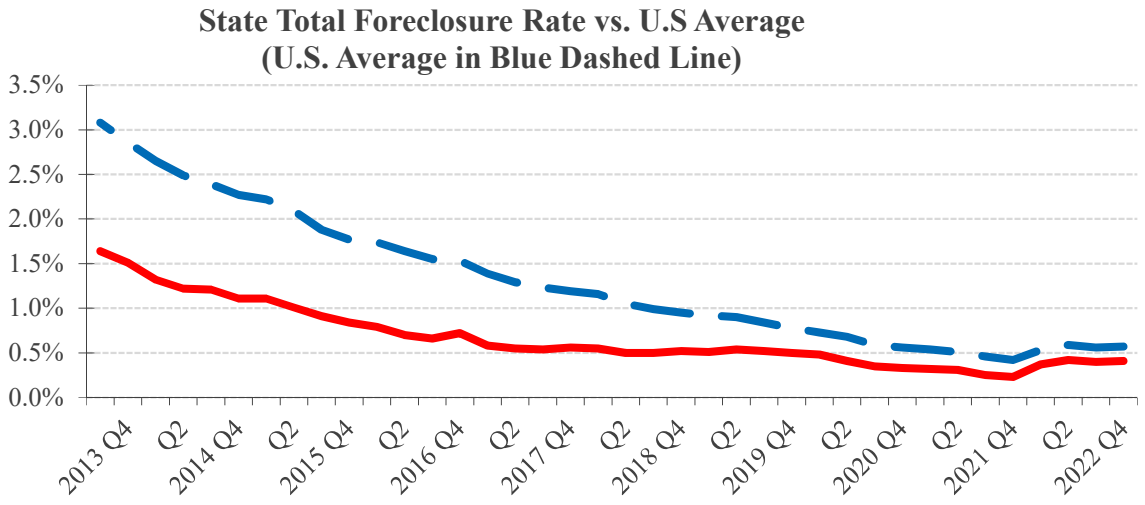


12-month Employment Change by Industry (Dec - 2022)			
Goods Producing	NA	Information	1,000
Natural Resources/Mining/Construction	2,900	Financial Activities	3,000
Natural Resources and Mining	NA	Prof. & Business Services	4,100
Construction	NA	Educ. & Health Services	3,600
Manufacturing	7,000	Leisure & Hospitality	6,900
Service Providing Excluding Government	NA	Other Services	900
Trade/Transportation/Utilities	13,300	Government	4,900

State Economic Activity Index	Michigan	U.S.	
12-month change (2022 - Dec)	3.6%	4.1%	Michigan's economy is growing, but decelerated from last month's 4.08% change and lags the rest of the nation
36-month change (2022 - Dec)	0.7%	5.4%	

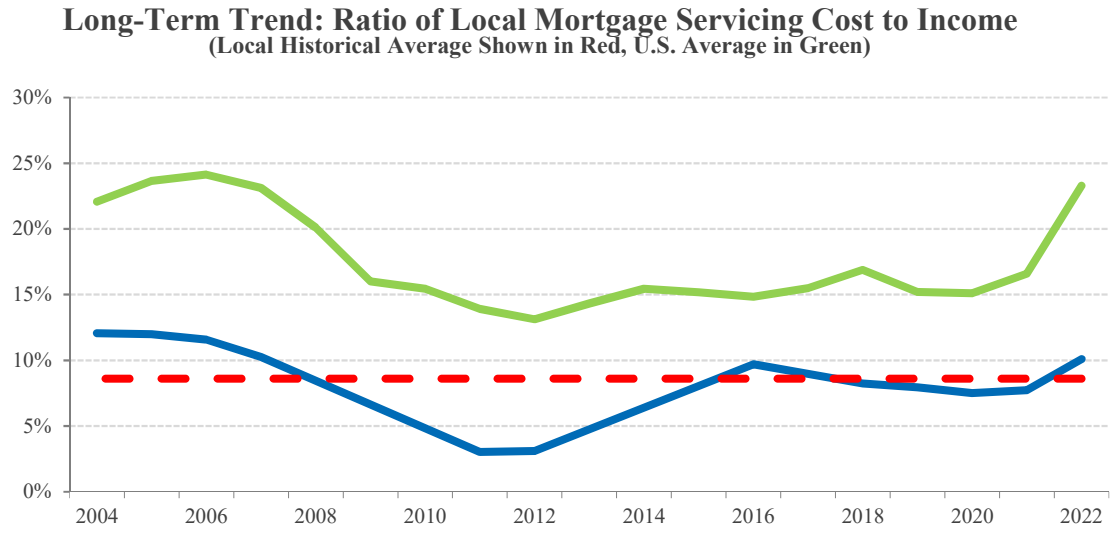
New Housing Construction			
Local Fundamentals	**Detroit**	**U.S.**	
12-month Sum of 1-unit Building Permits through Dec	4,566	not comparable	The current level of construction is 18.6% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	5,611	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with inventory more quickly
Single-Family Housing Permits (Dec) 12-month sum vs. a year ago	-18.5%	-13.2%	Construction continues to decline from last year



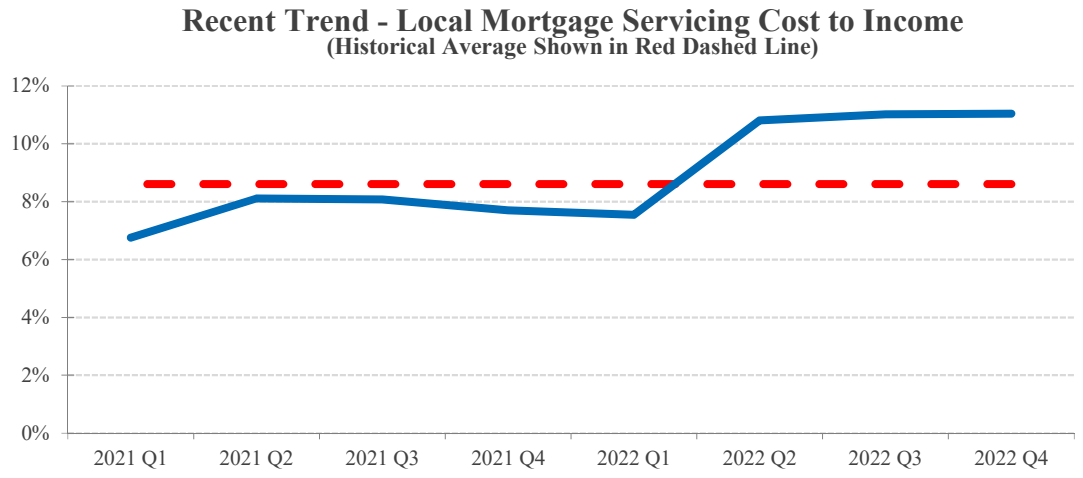


Source: Mortgage Bankers' Association

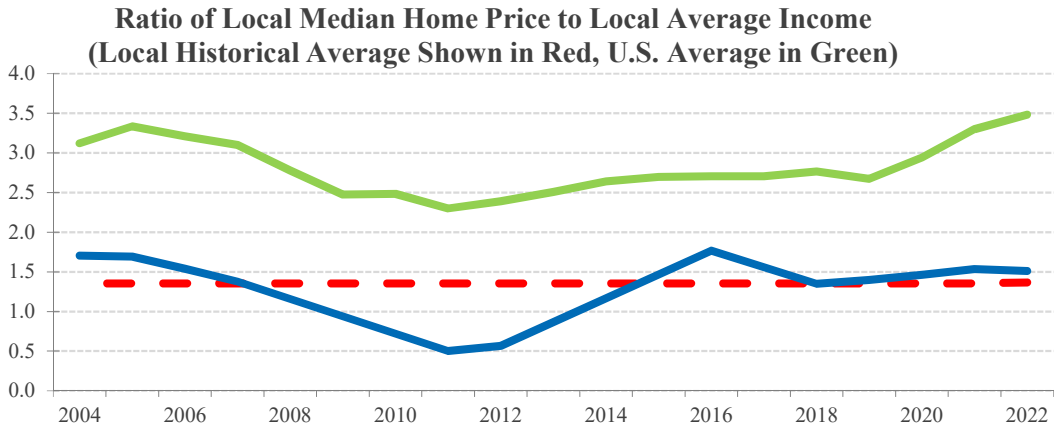
Affordability



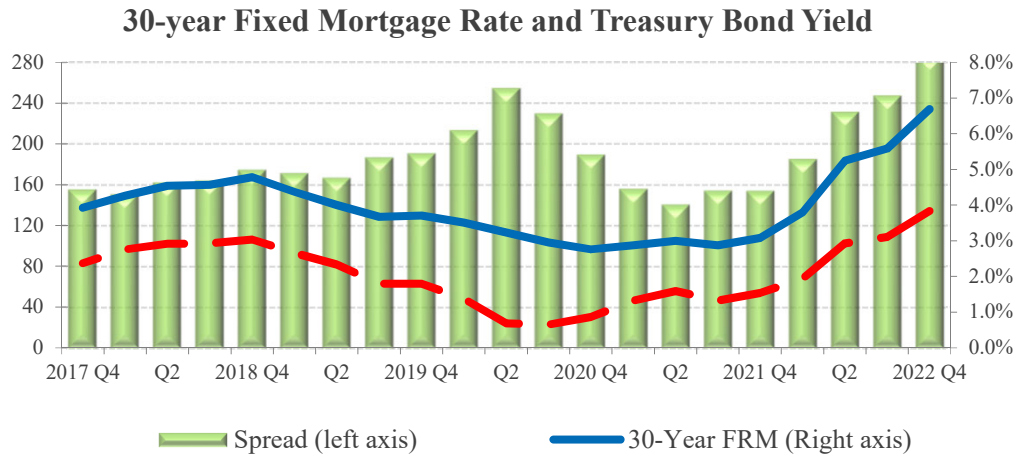
Monthly Mortgage Payment to Income	Detroit	U.S.	
Ratio for 2022	10.1%	23.3%	Weak by local standards and could weigh on demand
Ratio for 2022 Q4	11.0%	24.5%	
Historical Average	8.6%	17.8%	More affordable than most markets



Median Home Price to Income	Detroit	U.S.	
Ratio for 2022	1.5	3.5	The price-to-income ratio eased, but could be better
Ratio for 2022 Q4	1.4	3.2	
Historical Average	1.4	2.8	Affordable compared to most markets



The Mortgage Market



In the last quarter of 2022, mortgage rates surpassed twice the 7 percent threshold. According to the mortgage finance provider Freddie Mac, the 30-year fixed mortgage rate rose to 6.7 percent in Q4 2022 from 3.1 percent a year earlier. However, rates started to move down in December as inflation slowed down. For the first-time in the last couple of years, inflation rate was lower than a year ago. Prices continue to increase but slower than the previous year. As long as inflation eases, mortgage rates will continue to drop. NAR forecasts the 30-year fixed mortgage rate to average 6.1 percent in Q1 2023.

Geographic Coverage for this Report

The Detroit area referred to in this report covers the geographic area of the Detroit-Warren-Dearborn metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Lapeer County, Livingston County, Macomb County, Oakland County, St. Clair County, and Wayne County

More information on the OMB's geographic definitions can be found at https://obamawhitehouse.archives.gov/omb/bulletins_default/