Is Detroit a Real Estate Investors Dream in 2021?

The rental real estate market in Detroit is “wacky” right now, which is just the thing real estate investors want to hear. [Demand for single-family rentals](https://www.clickondetroit.com/news/local/2020/09/15/expert-calls-detroit-housing-rental-market-kind-of-wacky-right-now/) is skyrocketing, and the median price of a single-family home in Detroit is well below $100K, offering an amazing opportunity for rental property with solid yields and cash flow.

The Motor City has been fabled in song and story for its innovation and work ethic, yet the decline of the domestic auto industry and the devastating effects of 2008 had some questioning whether Detroit could make a comeback.

The verdict? Detroit real estate investing has attracted many new investors, especially those who know where to look and prioritize quality property management.

With high-end retailers like Whole Foods moving in, and high tech stalwarts like Microsoft, Google, and Pinterest opening offices, Detroit’s future is looking bright. That’s good news for the housing industry and good news for investors.

Real Estate Market

Northern Michigan’s housing market is “on fire”, according to [The Detroit News](https://www.detroitnews.com/story/business/2020/12/17/northern-michigan-housing-market-on-fire-amid-pandemic/6419546002/). The real estate market is helping to fuel the red hot market, with the median list price of a single-family home in Detroit well below $100,000.

Opportunistic real estate investors may find Detroit the perfect market to acquire very affordable rental housing for all cash, then refinance at a later date. As [The Wall Street Journal](https://www.wsj.com/articles/a-broken-mortgage-market-strands-detroits-black-residents-11603984218) reports, lack of credit is making it hard for local residents to buy a home. That may be one reason why almost half of the households in Detroit rent rather than own.

**Key Market Stats:**

* Zillow Home Value Index ([ZHVI](https://www.zillow.com/detroit-mi/home-values/)) for Detroit is $43,113 through November 2020.
* Home values in Detroit increased by 12.0% last year and are projected to grow by another 12.2% during the next 12 months.
* Over the last five years home values in Detroit increased by over 92%.
* Median listing price of a single-family home in Detroit is $65,000 based on the most recent report from [Realtor.com](https://www.realtor.com/realestateandhomes-search/Detroit_MI/overview) (Nov. 2020).
* Median list price per square foot for a home in Detroit is $58.
* Days on market (median) is 79.
* Median selling price of a single-family home in Detroit is $60,000.
* Sale-to-list price ratio is 95.05%, meaning that homes in Detroit are selling for 4.95% below the asking price on average.
* Of the 175 neighborhoods in Detroit, the most expensive neighborhood to buy a home is Brush Park where the median listing price is $464,900.
* Most affordable neighborhood in Detroit to buy a home is Franklin Park where the median listing price is $35,000.

Strong Renters’ Market

The rental market in Detroit is “kind of wacky right now.” But that’s a very good thing for real estate investors thinking about buying single-family rental property in Detroit. According to [ClickOnDetroit.com](https://www.clickondetroit.com/news/local/2020/09/15/expert-calls-detroit-housing-rental-market-kind-of-wacky-right-now/), single-family rentals are skyrocketing, as tenants leave apartments to rent a home they can call their own.

**Key Market Stats:**

* Median rent in Detroit is $983 per month for a 3-bedroom home, based on the most recent research from [Zumper](https://www.zumper.com/rent-research/detroit-mi) (Jan. 2021).
* Rents in Detroit have increased by 16% year-over-year.
* Over the past three years average rents in Detroit have grown by nearly 23%.
* Renter-occupied households in Detroit account for 44% of the total occupied housing units in the metropolitan area.
* Millennials and Generation Z make up 38% of the population in Detroit.
* Most affordable neighborhoods in Detroit for renters include St. Jean, Coleman A. Young International Airport area, and Chene where rents go for less than $615 per month.
* Most expensive neighborhoods in Detroit for renters include Downtown Detroit, Macomb, and University where rents can go as high as $3,000 per month.

Excerpt from Jeff Rhode, Roofstock 1/29/2021

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