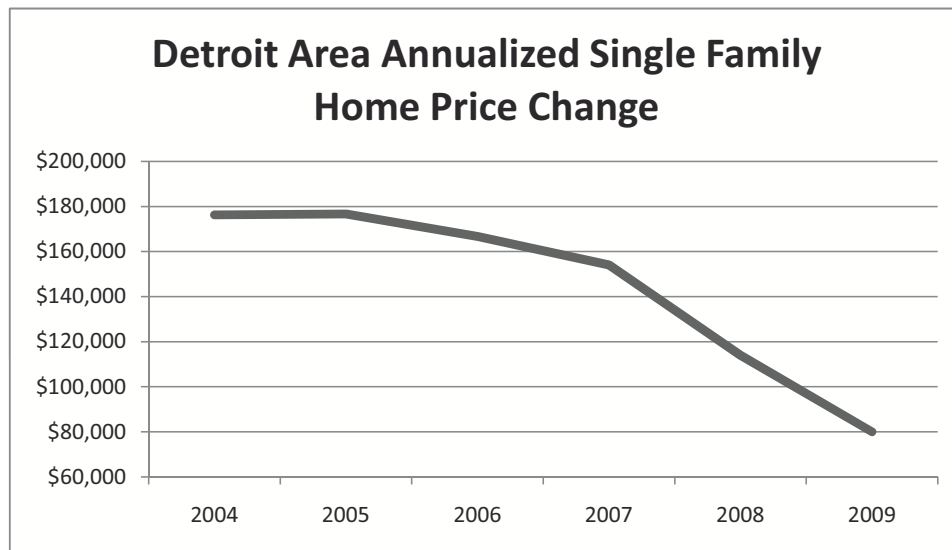


METRO DETROIT MICHIGAN MARKET

They call us the “poster child” for the downtrodden real estate market the rest of the country is currently experiencing. To say it’s a rough market here is the understatement of the decade. Sure other markets have had it pretty rough over the past two years, but I’m not sure anyone could argue that they have suffered as much as or as long as we have.

The last time we experienced stable prices was in 2005 and since then prices have literally taken a “nosedive”. Median sale prices have declined a whopping 55% since 2005. The graph included here gives a clear picture of where we started and where we are at present. The analysis looks at sales of single-family homes in the three most populous counties in the state, Wayne, Oakland and Macomb which surround the City of Detroit. However, it does not include the City of Detroit where prices dropped a crushing 88% since 2005.



A more recent analysis of the entire Detroit area indicates an average annualized rate of decline of 30%. This rate was extracted from all segments of our market including the City of Detroit; therefore, it should be understood that not all segments were impacted in the same way. Some areas still saw dramatic declines, some stabilized, and others even saw an increase in price from a year ago.

Our employment numbers are staggering. In 2000, the state had roughly 600,000 manufacturing jobs and more than half of those jobs were eliminated. As of October 2009, the unemployment rate in the Detroit Metropolitan area stood at 16.7% up 78% from October 2008. This is the highest unemployment rate of any major metropolitan area in the country.

Excluding housing over \$1 million, which makes up only a small portion of our market now, inventory levels have dropped from 14.7% a year ago to 8.4% today. The major contributors we can thank for our current “improved” situation are the banks which liquidated a large number of foreclosures in the early spring and summer of 2009, the \$8,000 federal tax credit for first-time home-buyers, and historically low interest rates. The decline in inventory levels is an encouraging trend; however, let’s not forget that prices dropped 55% from 2005, so we still have a long way to go.

Other encouraging news is that our foreclosure rate dropped this year. Although rates are still at record highs compared to the rest of the country. Michigan ranks 8th in the nation.

DETROIT MICHIGAN MARKET *continued*

STATISTICAL SNAPSHOT			
	January 2010	1 Year Ago	Change
Unemployment	16.7%	9.4%	78%
Months of Supply	8.4%	14.7%	-43%
Annualized Sales Volume	39,310	35,372	10%
Annualized Median Sales Price	\$49,000	\$70,000	-30%
Average Days on Market	265	255	4%

Looking Forward

Newspaper headlines tell us that the worst may be behind us. That's great news but we have such a deep hole to dig ourselves out of that it could be a while before they can honestly say things are looking good in Metro Detroit. The employment picture is bleak. Without adding jobs or without government sponsored programs like tax incentives for home buyers, mortgage modification programs, extended unemployment benefits, and low interest rates market stagnation could occur or worse, prices could continue to drop and inventory levels could return to higher levels.

MARKET AT A GLANCE	
Economic Climate	Poor
New Construction	Low
REO Activity	High
Supply	Down
Demand	Low
Market Direction	Moderating
Market Mood	Poor



For additional or more current information on the residential market in the Metro Detroit area, visit www.rac.net and select "The RAC Report," or contact any of the following RAC members:

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