REAL SIGNS OF RECOVERY BLOOM ACROSS MICHIGAN
Jobs, home sales, spending all on rise

By Katherine Yung and Greta Guest
Free Press Business Writers

Like the first buds of spring, signs of an economic recovery are popping up all over metro Detroit and the state.

In Oakland County, economic development officials are swamped with new business investment projects, which are up 70% from last year's levels.

Attendance at the job seeking support group at St. Andrew Catholic Church in Rochester has dropped so much that the bimonthly meetings now occur only once every quarter.

And for the first time in five years, the Detroit Red Wings sold out all 41 of their home games during the regular season, and they didn't lower ticket prices.

"Things are looking pretty good right now," said John Evans, president of Evans Distribution Systems, an 83-year old logistics company in Melvindale whose business nearly ground to a halt during the recession.

Evans has reason to be optimistic. From rising home sales to a sharp drop-off in first-time filings for unemployment benefits, the economic data clearly show that Michigan's economy has left its darkest days behind, thanks in large part to the comeback of the Detroit automakers.

In interviews with the Free Press, a variety of business owners, economists and others said things are getting a little better, but there's a long way to go before the damage wrought by the great recession is completely repaired.

"The glass is getting fuller, but it's still a lot
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SUSAN TOMPOR
OUTLOOK'S UPEAT, BUT NOT AS GOOD AS BEFORE MELTDOWN
BUSINESS, 1C
emptier than we would like," said Charles Ballard, an economist at Michigan State University.

The recovery has not yet reached the nearly 400,000 unemployed Michiganders, empty office buildings, shuttered auto factories and the closed dealerships that dot the landscape. At the United Way for Southeastern Michigan, calls for assistance with utilities, food and other basic services were up 4% in the first quarter. And across the state, many businesses are barely hanging on.

But for the first time in several years, signs of hope have emerged in two key areas: housing and employment.

**Real estate revives**

The local real estate market has had its twists and turns in recent years, but there's a growing feeling that it has turned a corner. Southfield-based Real Estate One declared Macomb County a seller's market last week. And metro Detroit ranked first in CoreLogic's ranking of most improved housing markets in terms of rising sales and falling delinquencies.

Home prices in metro Detroit have been posting year-over-year increases every month since last July, according to S&P/Case-Shiller data. However, prices aren't soaring yet. They've been bouncing along the bottom for the past couple of years at about 30% off from 2000 levels.

The situation has benefited Michiganders such as Chip and Julie Vandlen, 36-and-27-year-old working professionals. They're moving into a larger home at a fraction of the traditional market cost.

Julie, a surgical nurse, and Chip, a sales representative, moved from a Royal Oak bungalow to a Beverly Hills colonial and doubled their home size. Their new home, which is nearly 2,600 square feet with four bedrooms and two bathrooms, was listed for $320,000, and they paid $300,000. They plan to rent out their 1,000-square-foot Royal Oak home until the market improves.

Derek Bauer, an associate broker for Real Estate One in West Bloomfield, said the Vandlens represent a lot of buyers these days. They are move-up buyers who have been waiting for the right time, he said. With home prices still affordable and record-low interest rates, demand is increasing in many neighborhoods.

"The economic uncertainty seems to be going away for most people," Bauer said. "There are so many opportunities out there for both buyers and sellers. Sellers think they have to give it away to get rid of it. That's not the case anymore."

**Fewer foreclosures**

The inventory of homes for sale has fallen so much that despite the low prices indicating a buyer's market, it's really a seller's market in many areas, according to first-quarter data from Real Estate One. A seller's market is defined as having less than a three-months supply of homes available for sale at the current sales pace.

Real estate agents are now calling homeowners in subdivisions where their clients want to live to find out whether they would consider selling, Bauer said.

What's stalling many people from listing their homes for sale is that they owe more on the mortgage than the current market would bring. According to CoreLogic, about 35% of homes with mortgages — or 480,075 — are underwater in Michigan.

That's only a slight improvement from the 38.5% of homes with mortgages — or 532,774 — that were underwater two years ago.

But the low inventory has spurred some new home building in the region, and housing starts in southeast Michigan were up 47% to 741 in the first quarter, according to Housing Consultants of Clarkston. That's the most activity in five years, but just a fraction of the pre-recession levels.

Good signs now that could improve the housing market down the road are fewer foreclosure filings and a drop in the mortgage delinquency rates. Also, banks are approving more short sales, which are less costly than foreclosures for lenders, homeowners and communities.

"Is it a good market? No. I would describe it as neutral," said Dennis Capozza, a real estate and finance professor at the University of Michigan. "The worst is definitely over."

Capozza's research indicates that the risk of homeowners defaulting on newly originated mortgages is at its lowest level in seven years.

John Moore, an economist and associate professor of finance and economics at Walsh College, said the local recovery in housing will be driven by the fortunes of the auto companies, which are showing some positive trends.

"While the job market is starting to trend up in Michigan, I think it is going to be slow-paced," he said. "The Detroit market will be fine. We just have to be patient."

Things are picking up on the commercial front as well, largely because of the automakers' revival. A report from Marcus & Millichap forecasts that "office users will absorb the most space since 2005" this year.

Steve Ranger, property manager for Cedar Management Co. based in Bloomfield Hills, said showing and leasing activity is up in the six office and retail properties the company manages.

"Over the last six months, we have probably seen as much activity as we saw in the previous three years," Ranger said. "People believe things are turning around."

**Hiring turnaround**

Michigan's job market also is improving as plant closures have slowed to a trickle and automakers and their suppliers are rebuilding their staffs. The state's unemployment rate has gradually declined to 8.5% after reaching a high of 14.2% in August 2009. Many companies are facing a shortage of engineers, software
developers and other technical talent.

In Farmington Hills, Jervis B. Webb, a material handling systems manufacturer, has openings for 30 engineers. The company held a private job fair earlier this month and has been trying to lure back engineers who left the state. It also set up a mentoring program for new hires.

In Melvindale, as sales rebounded, Evans Distribution Systems has increased its workforce to about 500 from a low of 250 in late 2008. The family-owned company, which relies on the auto industry for about half its business, is struggling to find long-haul truck drivers it needs.

And in Ann Arbor, where the unemployment rate dipped to 5.4% in February, Google has added several dozen new sales and service employees so far this year, with more hiring expected in coming months.

Years until full recovery

Economists warn that it will take many years before the state’s job market fully recovers. Ballard, the MU economist, notes that 150,000 jobs have been added since employment in the state reached a low point at the end of 2009. But that’s just 17% of the 860,100 jobs that were eliminated from April 2000 through the end of 2009.

And with nearly 400,000 Michiganders searching for work, there are not enough jobs for every skill level.

“It’s tough,” said Westland resident Rick Essa, who has been unemployed since March 2009. “Nobody’s hiring. I can’t find any

thing.”

The 53-year-old has only been invited to five interviews since he was laid off from an Office Depot warehouse job. He doesn’t see the job market getting any better and is relying on food assistance from the state after running out of unemployment benefits last year.

Ed Kainz, a career coach and co-chair of the St. Andrew Career Mentoring Ministry in Rochester, has a different perspective. He has noticed more optimism among the job seekers who attend the ministry’s now-quarterly support group meetings because they are seeing others get hired.

“Before, people would come in and their faces were drawn. You could sense the hopelessness,” he said. “Now, even if they are out of work, there is a sense of hope.”

Pickup in spending

The state’s job growth and the resurgence of Detroit’s auto industry is boosting the broader economy, lifting spending at some retailers, restaurants and other businesses.

At Buddy’s Pizza, which has nine restaurants in metro Detroit, business has been on the upswing since the end of 2009, said Robert Jacobs, the chain’s owner.

“A lot of people feel more secure because of the auto industry,” he said. “But they don’t feel great.”

Buddy’s is still getting tons of job applications, and employee turnover remains low.

Rottermond Jewelers, which has stores in Milford and Brighton, has seen an uptick in sales compared with a year or two ago, said Dean Rottermond, the company’s founder and one of its owners. After adding a few lower-priced jewelry lines in recent years, he’s now looking to bring in more upscale items.

But business has yet to return to the pre-recession days when frequent purchases of large diamond earrings and bracelets were the norm.

At the Fairlane Town Center in Dearborn, retailers have enjoyed rising sales since January despite high gas prices, said Catherine O’Malley, the mall’s general manager. New stores have opened, such as Love Culture and Charming Charlie’s, and Forever 21 expanded from 14,000 square feet to 31,000 square feet. Retailers “major concern is, ‘Is this a bubble that may burst?’” O’Malley said. “They are positive, but cautious.”

The return to stronger economic growth can’t come soon enough for Brenda Stumbo and other municipal officials around the state. The supervisor of Ypsilanti Township is still battling the blight caused by a steady stream of home foreclosures in her community. And so far, no serious plans have emerged to redevelop General Motors’ former Willow Run plant, which closed at the end of 2010.

But Stumbo has seen a few encouraging signs of commercial activity, such as new restaurants moving in and company expansions.

“I do see a ray of hope,” she said. “But we need jobs for our people.”

CONTACT KATHERINE YOUNG: 313-222-8763
OR KYUNG@FREEPRESS.COM

WHAT’S YOUR ECONOMIC IQ?
1) Which state was Michigan’s unemployment rate in March? A. 9.2% B. 8.7% C. 8.2% D. 13.7%
2) If you sold your house in the city of Detroit for the median price now, how much would you need to buy a basic model Ford Focus that goes for $16,545? A. 36.545 B. $16,545
3) How fast did Michigan’s economy grow in 2010? A. 2.5% B. 3% C. Did not grow D. 1% 18%
4) Without help from consumers spending their paychecks, what would happen to the U.S. economy? A. It would need an emergency manager B. No one would notice C. It would be like someone taking two thirds of your pie away D. It would thrive anyway
5) What was the annual inflation rate for southeast Michigan in February? A. 0.7% B. 2.1% C. 5.7% D. 3.9%
6) How high did Michigan’s unemployment rate climb during the recession? A. 16.7% B. 11.2% C. Too high to count D. 14.6%
7) How many houses in Michigan are considered underwater, when more is owed on the mortgage than the house is worth on the current market? A. 612,000 B. 304,000 C. 400,000 D. 950,000
8) What was Michigan’s per capita personal income in 2011? A. $41,065 B. $36,533 C. $37,275 D. $46,704
9) How many Michiganders were unemployed in March? A. 207,000 B. 232,000 C. 400,000 D. 450,000
10) The median price of a house for sale in metro Detroit last month was? A. $166,050 B. $199,000 C. $175,665 D. $181,534
11) Detroit Metro home prices are what percentage below their 2007 levels? A. 31% B. 56%
12) Which automaker’s rank-and-file workers saw the biggest profit-sharing checks based on 2011 performance? A. Toyota B. Chrysler C. General Motors D. Ford
Answers: 1C, 2A, 3A, 4C, 5D, 6B, 7A, 8C, 9A, 10A, 11B, 12C

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ECONOMIC INDICATORS SHOWING SIGNS OF RECOVERY

HOUSING

Housing indicators have shown some positive signs lately, including an eight-month streak of year-over-year increases in home prices and buyers snapping up houses faster. Low inventories are to blame for some bidding wars over the best properties that are in move-in ready condition. Many real estate agents report being busier now than they were a year ago as the auto companies add jobs, creating more demand for housing.

HOME PRICES

Metro Detroit home prices have stayed about 30% below 2000 levels the past two years, according to the S&P/Case-Shiller home prices indices.

DAYS ON MARKET

Farmington Hills-based multiple listing service Realcomp reported the average house in metro Detroit sold in 85 days. It's the shortest duration in more than two years, indicating a rise in demand.

HOME SALES

Home sales rose slightly in March, compared with a year ago, according to Realcomp data. Sales are constrained by a dwindling number of available homes for sale in metro Detroit.

EMPLOYMENT

The state still has a long way to go to repair the damage wrought by the worst recession since the Great Depression, but Michigan's job market is getting better; confidence is returning as auto suppliers are desperate to hire engineers, and many businesses are reporting better sales.

FEWER MICHIGANDERS APPLYING FOR JOBLESS BENEFITS

First-time claims for unemployment insurance have plummeted 62% since the start of the year.

TURNOVER FOR THE STATE'S COFFERS

After two years of decline, state tax collections in Michigan increased for fiscal year 2011.

BIG LAYOFFS TAPERING OFF

The number and scope of mass layoffs and plant closings in Michigan has significantly decreased.

UNEMPLOYMENT IN MICHIGAN

(based on seasonally adjusted)

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