

**HOUSING
SECOND DRAFT**

HOUSING

Across Michigan and the country, we are in a housing crisis. Home construction has not returned to pre-Great Recession levels, which means that for at least a decade, we have experienced the compounding effects of a housing shortage. In Michigan, it is predicted that by 2045 there will be a shortage of 150,000 units.¹ On top of that, the COVID-19 pandemic disrupted the economy, pushing Michigan housing market into a state of precarity as labor and materials become more expensive.

The undersupply of housing benefits existing homeowners and disadvantages newcomers to the market. For existing homeowners, there is increased demand and competition for their homes, which drives up the prices. They can benefit from the equity gained in this investment which they can roll into their next home. However, because so few new units have been built, they may be stuck in these homes, as they wait to downsize somewhere in their community. For newcomers to the market, low vacancy rates and skyrocketing housing prices are far out of reach for moderate income earners, such as young professional or single income earners. They stay in their rentals longer or bid up the cost of older homes that were once attainable to lower-income households. Rents increase as a result of increased competition, leaving renters less opportunity to save for a down payment on a home. Many households are in less than ideal housing situations when it comes to finding the price, type, and location that fits their lifestyle.

THE CURRENT STATE OF NOVI'S HOUSING MARKET

This section of the plan summarizes the existing conditions and current trends of Novi's housing market. To effectively present a snapshot of the city's housing market, the analysis in this section is organized into four categories: Housing Supply, The Homeowner's Market, The Renter's Market, and Housing Diversity. While the housing data and trends are folded into this larger framework, it is important to acknowledge that some data relate to many components of the housing market; for instance, household income *and* housing type impact housing value. Wherever possible such links between data in different categories in this section have been explained. Detailed data tables can be found in the **section xx** of the appendix.

¹ "Zoning Reform in Michigan: What Can You Do Now?" Michigan Association of Planning, Spring Institute, May 2022.

HOUSING SUPPLY

Novi’s housing stock is growing but the housing demand outpaces supply.

- » In 2020, Novi recorded a total of 27,380 housing units—a 13% increase since 2010; given the population grew by 20% in the same period, the growth of housing units has been relatively slow.
- » Though largest in terms of number of housing units among the surrounding communities, Novi experienced a slower rate of increase in housing units than Lyon Township and Wixom. [Fig xx]
- » Over the past two decades, the highest number of building permits were issued between 2000 and 2005 (3,188); since then, only half the number of permits has been issued within a five-year time period. [Fig xx]
- » However, according to data from the Home Builders Association of Southeast Michigan, Novi issued the highest number of single-family residential permits in Oakland County in 2020.²
- » Approximately 230 housing units are under construction and about 1,015 are proposed.³
- » Though the new constructions indicates a forthcoming increase in housing supply, the distribution across housing typologies, tenure type, and cost will determine how well these new and proposed units match housing demand.

Fig xx: Housing Units Growth Rate, 2010–2020

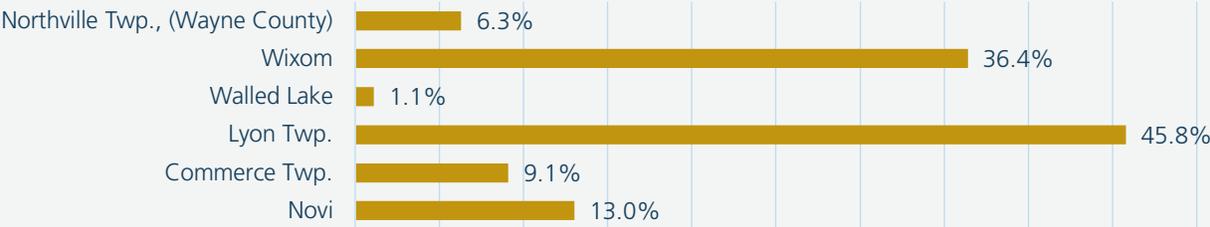
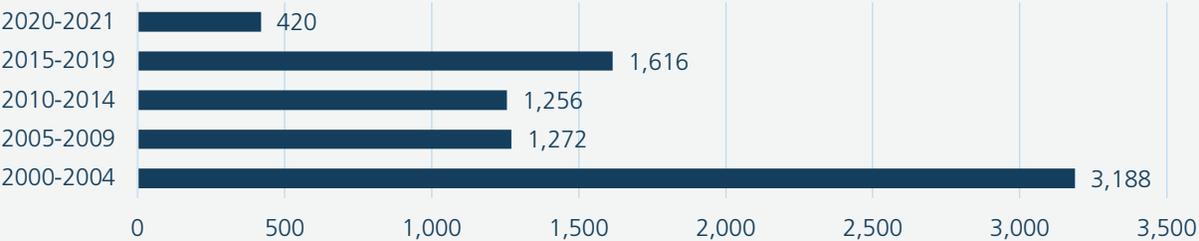


Fig xx: Building Permits, 2000–2021



² Cavitt, Mark. “Michigan Home Construction at 14-Year High, but Increased Costs, Labor Shortage, and Unpredictable Supply Chain Hampering Industry.” The Oakland Press. The Oakland Press, November 7, 2021. <https://www.theoaklandpress.com/2021/11/07/michigan-residential-construction-at-14-year-high-but-increased-costs-and-unpredictable-supply-chain-hampering-industry/>.

³ City of Novi, <https://cityofnovi.org/services/community-development/development-projects-in-process>

THE HOMEOWNER’S MARKET

Rising home values, due to a regional housing shortage, makes homeownership challenging, especially for low to moderate income households.

- » With a slight increase from 2010 (62%), owner-occupied housing units still account for a majority (64%) of occupied units.
- » Novi boasts a low vacancy rate of about 5%, indicating a strong housing market. However, only 4% of all vacant properties are in the market pending sale as opposed to 21.9% in 2010; while the decrease in homeowner vacancy rate is promising, it also indicates a need to increase the supply in this category to cater to the growing demand.⁴
- » According to the Department of Housing and Urban Development (HUD), cost-burdened households are those who spend more than 30% of their income on housing; of Novi’s owner-occupied housing units, 67% have mortgage payments and nearly 20% of those households are cost burdened. [Fig xx]
- » The average sale price increased by almost 80% to \$457,440 over the last decade which is attainable for less than half the city’s households earning approximately 1.4 times the Area Median Income (AMI).^{5,6}

Fig xx: Housing Units Growth Rate, 2010–2020

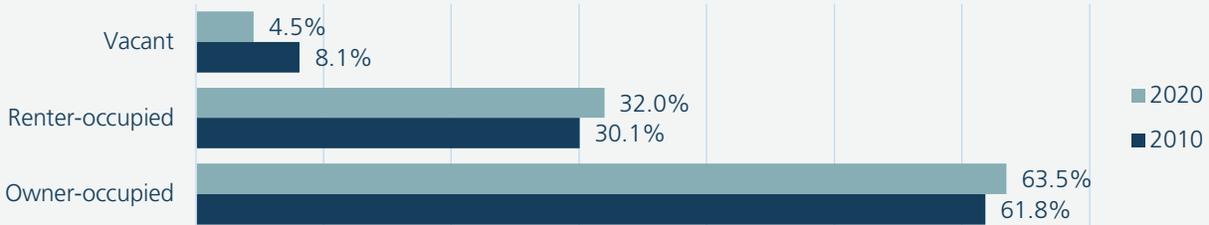
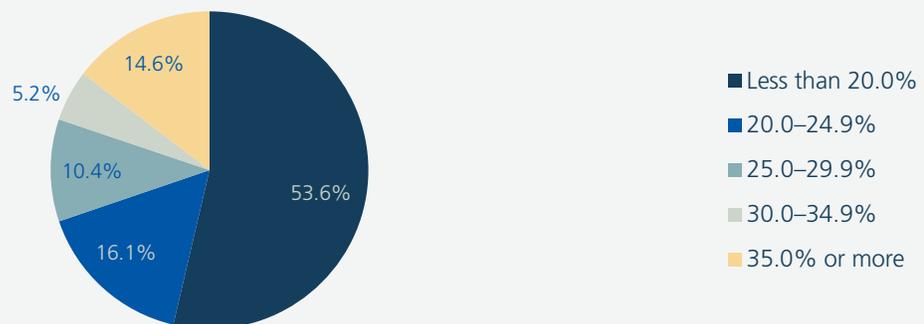


Fig xx: Cost Burdened Homeowner Households, 2019



⁴ American Community Survey, 2016-2020 5-Year Estimates.

⁵ City of Novi, Sales Data

⁶ Calculation based on HUD’s cost burden criteria

THE RENTER MARKET

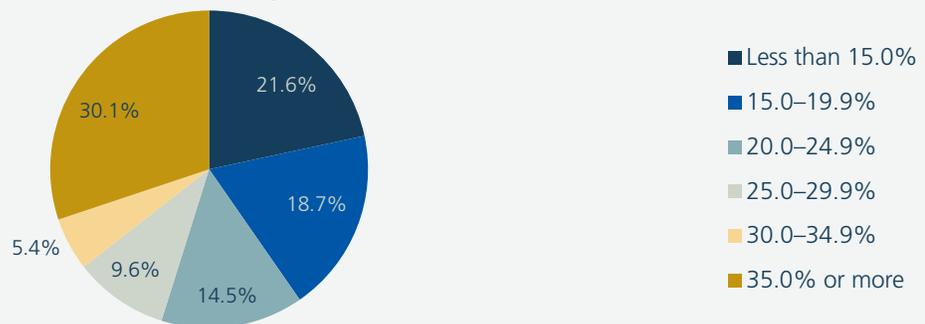
The spillover effects of a tight homeowner market, create higher demand for rentals, increasing rents and making them a less affordable option.

- » Renter-occupied housing units account for 32% of Novi’s occupied housing units. [Fig xx]
- » The surrounding townships have a considerably larger share of homeowners than renters, reiterating shifting preferences for rental units in cities compared to townships.
- » Of Novi’s vacant housing units, about 50% are available for rent likely due to Novi’s high percentage of immigrants who may be a floating population opting for shorter leases.⁷
- » The increasing demand for rental units drives up the rent; the average rent on a 1,100 square feet unit in Novi is \$1,736.⁸
- » Of Novi’s renter-occupied housing units, over one-third (35%) are cost burdened. [Fig xx]
- » Over three quarters of the city’s rental communities are built prior to the 2000s and the average rent on these units is \$1,413 indicating that even the older rental properties may not be accessible for the moderate- and lower-income population.

Fig xx: Average Rent



Fig xx: Cost Burdened Renter Households, 2019



⁷ American Community Survey, 2016-2020 5-Year Estimates.

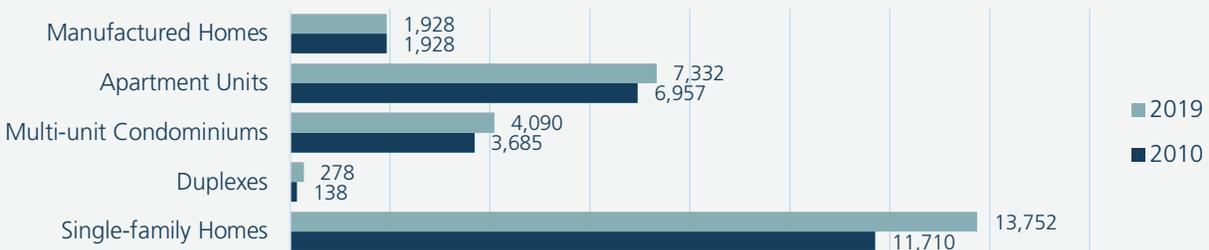
⁸ City of Novi,

HOUSING DIVERSITY

Novi supports a diverse array of housing typologies across housing tenures; with several new builds and proposals underway, Novi’s housing stock is further diversifying to cater to the growing housing demand.

- » Approximately one half of Novi’s housing stock consists of 1-unit detached structures (commonly known as single-family homes); while only 1% of all units consist of two-family units, 140 units of this typology have been added over the past decade. [Fig xx]
- » Unlike many Michigan communities, over 40% of Novi’s housing stock higher density multi-unit condominiums and apartment units. [Fig xx, Map xx]
- » Novi also houses several mobile home parks which account for about 7% of all units [Fig xx]
- » Of the 230 housing units under construction about 65% are detached single-family units.⁹
- » The proposed housing developments in the Novi, with approximately 1,015 housing units, constitute a wide spectrum of typologies including duplexes, townhomes, apartments, condominiums, and mixed-use units.¹⁰ [Fig xx]
- » The existing housing stock in Novi is diverse and It is evident that the city is actively diversifying the housing typologies; to further improve the affordability and accessibility it will be critical to adapt and match the current and upcoming housing stock across the income spectrum and tenure categories.

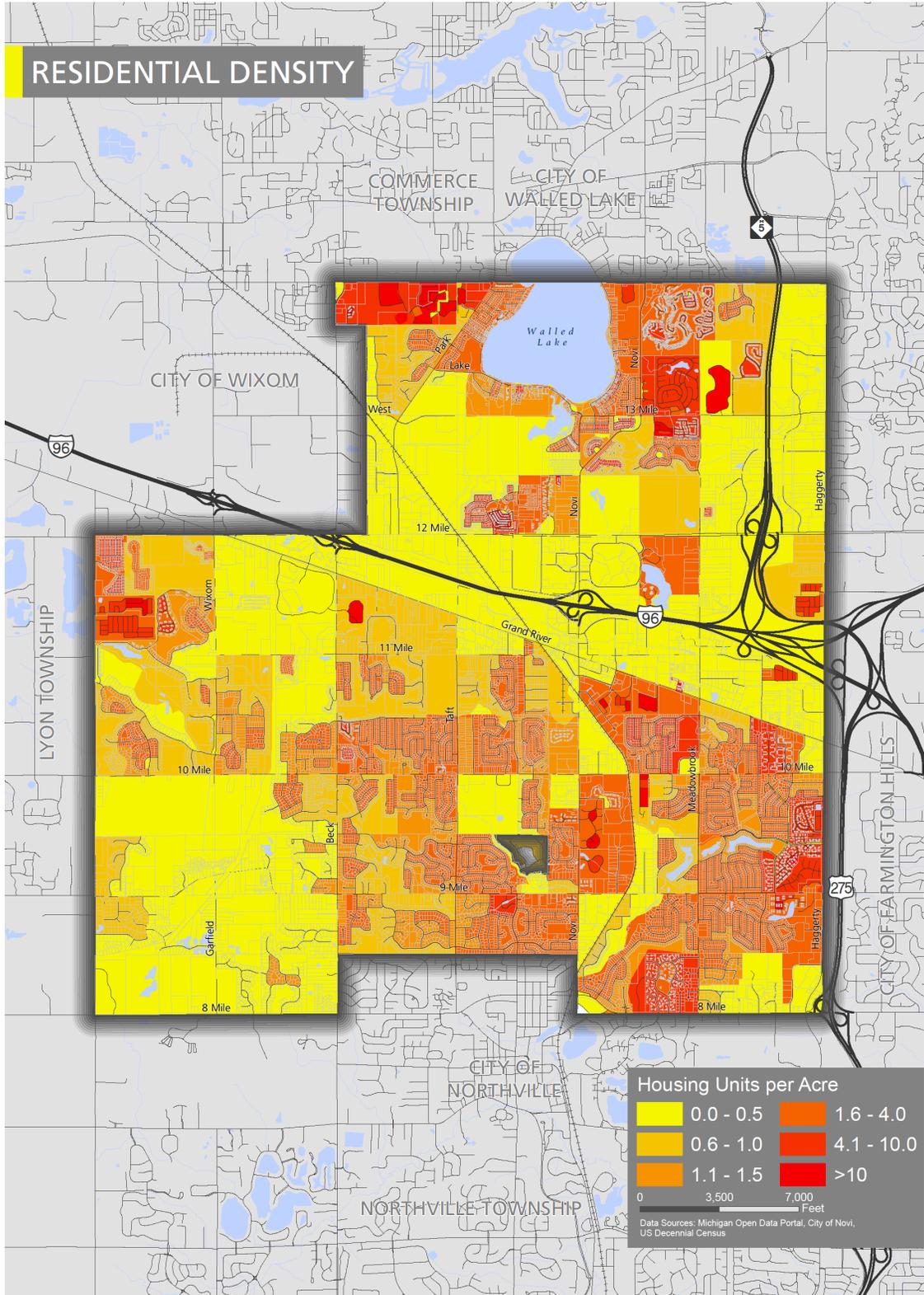
Fig xx: Housing Diversity, 2010–2019



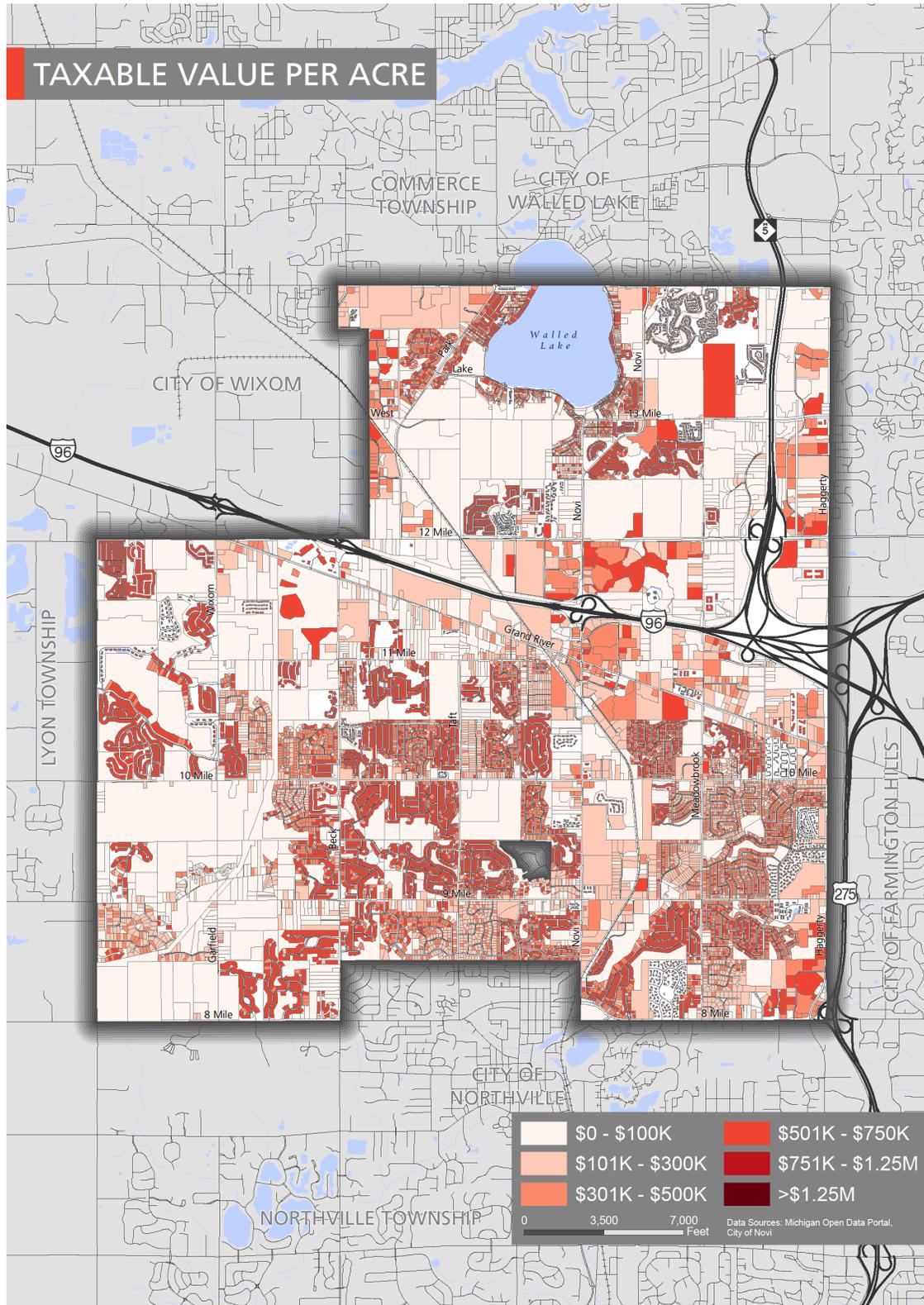
⁹ City of Novi, <https://cityofnovi.org/services/community-development/development-projects-in-process>

¹⁰ Ibid

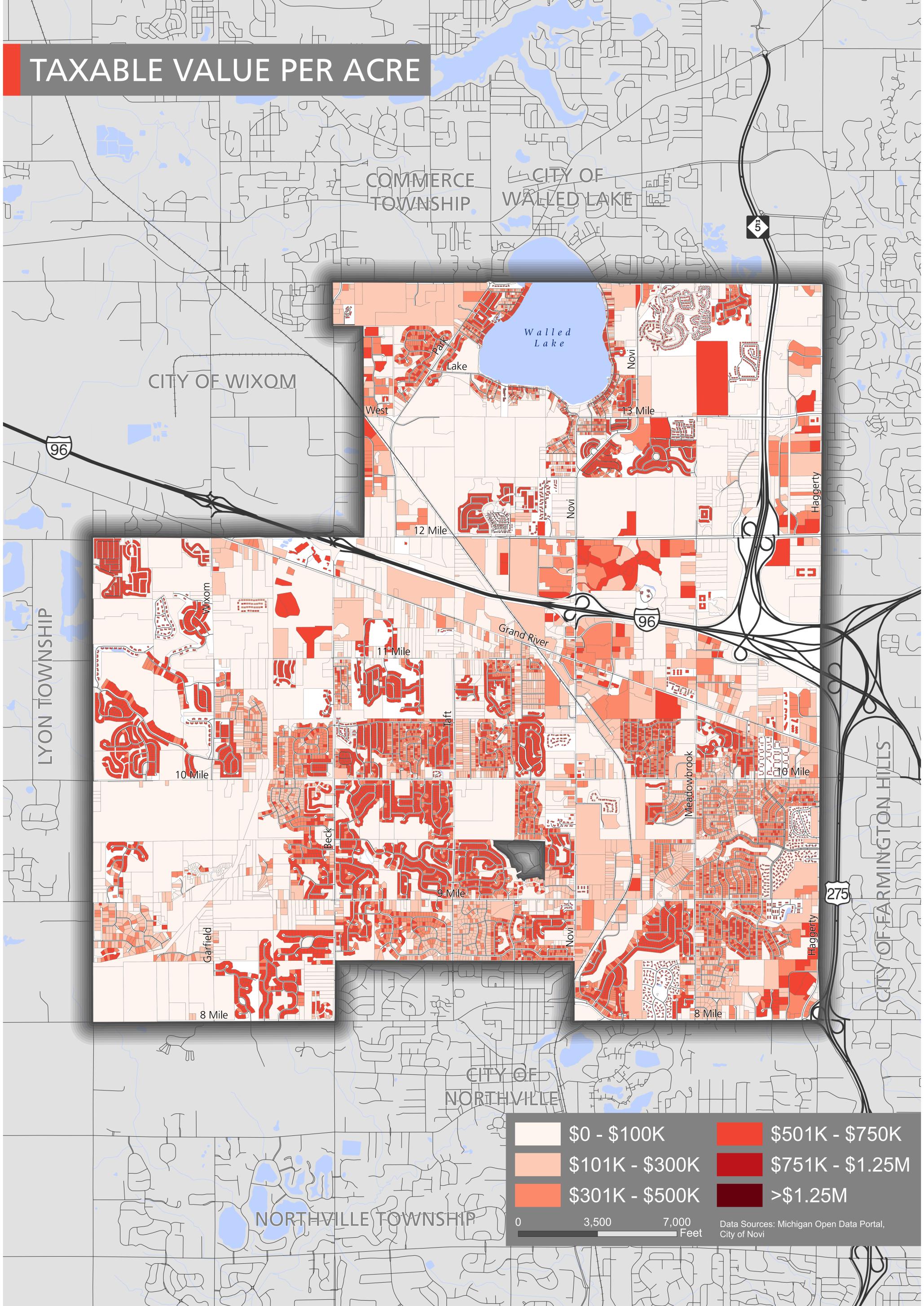
Map xx: Residential Density



Map xx: Taxable Value per Acre



TAXABLE VALUE PER ACRE



COMMERCE TOWNSHIP

CITY OF WALLED LAKE

CITY OF WIXOM

LYON TOWNSHIP

CITY OF FARMINGTON HILLS

CITY OF NORTHVILLE

NORTHVILLE TOWNSHIP

\$0 - \$100K	\$501K - \$750K
\$101K - \$300K	\$751K - \$1.25M
\$301K - \$500K	>\$1.25M



Data Sources: Michigan Open Data Portal, City of Novi