

Detroit Real Estate: A Conversation with Tory Sheffer

Miranda Junowicz

Hi, I'm Miranda Junowicz, and this is Whereabouts, where we explore the curious ways that politics, business and culture intersect with real estate markets around the world.

In this episode of Whereabouts, we find ourselves in Detroit, the financial power base of the state of Michigan.

In the first decade of the 2000s, Michigan lost over 300,000 automotive manufacturing jobs, many of those in and around Detroit resulting in 100,000 residential foreclosures, and 30,000 home demolitions in the city. That left a city-center landscape of empty fields and abandoned houses.

It also created an opportunity.

In the last ten years, Detroit has enjoyed an incredible turnaround, fueled by private and public investment in infrastructure, housing and jobs. The Detroit of today is an eclectic landscape of historic buildings repurposed into modern office space, residential towers housing a growing population of young professionals, and urban gardens. These and more are uniting Detroit's new and old populations into vibrant communities.

My co-host today is Tory Sheffer, associate broker with Signature Sotheby's International Realty. Tory and I sat down to discuss the new face of Detroit.

Miranda

Hi, Tory, thank you for joining me today on Whereabouts.

Tory Sheffer

Yeah, definitely. Thank you for having me.

Miranda

Detroit, let's turn to the city for a moment. Just some interesting facts. Its population 670,000 people, which is a decline from year after year since the 1950s. I think it peaked at 1.9 million people. And so it's lost over a million people in the last 60 plus years. The big industry is auto. Another is Quicken Loans.

Tory

Yep.

Miranda

And Dan Gilbert, who runs that and has been doing a lot to revive the city as well. Tell me about that.

Tory

Yeah. So Quicken Loans is now the the city's largest employer. So I guess the last numbers that I saw, I think they have over 17,000 employees, and that's Quicken Loans alone. And then Dan Gilbert also has Bedrock which is his real estate company and they own and develop all kinds of commercial and residential real estate. So he owns, through Bedrock, he owns over 100 buildings downtown.

Miranda

And so is he developing commercial land, residential, a mix?

Tory

Commercial and residential, yeah. A heavy, heavy mix.

Miranda

Where is he headed with this? Is it just land is cheap in Detroit and let's kind of make a return on investment, or is this about a vision for Detroit that he has?

Tory

I think it's both. I mean, it's incredibly cheap compared to different cities. I mean, it's so incredibly cheap for him to just buy blocks and acres and acres of land, and then tear down and build whatever he needs. And then he does so much with the city. I think he's invested now, close to \$3 billion dollars. that is under development. He's starting to build more residential towers, whether they're for lease or for sale.

Miranda

Towers, high rises.

Tory

high rises. Yeah. Yeah. Which there are not a lot of residential high rises in Detroit, there will be four or five six stories, but as far as like a 10 plus story, there are really not a lot.

Miranda

And this is even in downtown Detroit.

Tory

Downtown. This is right in the heart of it.

Miranda

Okay.

Tory

So he's bringing the new new construction kind of high end. But there, you know, like last year and the year before, I think there were only a handful of condos that sold over a million, and now this year more than ever. But still very few just because there's not the inventory, there's not the buildings for it. So he's trying to create that —really create the neighborhoods where people will live and then eventually these buildings will appreciate.

Miranda

Competition for these high-end residences?

Tory

Like I mentioned, there are only a few. So a lot of the people who are buying those are primarily going to be like a professional athletes or your doctors and lawyers. Primarily people looking in that price range are going to look to the suburbs like Bloomfield Hills and Birmingham.

Miranda

A two-bedroom condo in downtown Detroit. What is the highest end that you'll pay for that?

Tory

So with some of the new development, they'll go up to \$800,000s, but some of the stuff that's been there historically is going to be like \$3- 400,000.

Miranda

Okay. So the decision is, do I want to live urban? Do I want to live outside of the city. Kind of, for the same price have a much bigger home?

Tory

Yeah, so it's a bigger home but then primarily it's kind of the neighborhood and the school; so, people with kids. So Birmingham schools are some of the top, Bloomfield Hills schools are some of the top. Cranbrook, which is in Bloomfield Hills, is one of the top private schools in the country actually.

Miranda

So if the city is working to build more residential housing and reinvigorate these inner city communities, do they have solutions for transportation?

Tory

Right now people everyone is still driving. I know that it's been a constant battle to try and find out a solution that works but they just haven't gotten there.

Miranda

In Detroit, is there a really concentrated downtown where most people are commuting to?

Tory

So Quicken Loans is right downtown. And then also, the Ilitch family is another major developer. They own Olympia Development who owns the Red Wings and they also own the Detroit Tigers. So any employees for those companies is working downtown. But then the Fords and the GMs, those are actually located in some of the cities that are outside of actual Detroit - about 20 minutes probably out from the center of Detroit.

Miranda

And so these these residential projects that are happening in downtown. Can you tell me a little bit about that?

Tory

I mean, before it was vacant land, it was just old, foreclosed houses that were becoming really dangerous places. They would go in and just tear 'em down and turn it into vacant land. And then Dan Gilbert would see an opportunity and often pay next to nothing and get tons of, you know, hundreds of millions of tax credit in order to build these new places.

Miranda

I read that in the last 15 years, Detroit had 100,000 foreclosures, which resulted in 30,000 demolitions in the city. It's very unique to imagine a city center with so much vacant land.

Tory

In Detroit where everything is, is houses, right? It's not like New York or maybe like California is more vertical. But everything is just single family houses. And then yeah, I mean a ton of them went into foreclosure, you could buy blocks and blocks of houses for like \$1 apiece, or \$2 apiece.

Miranda

And I don't know if this is related to that, or if it's its own tradition, but tell me a little bit about urban gardens in Detroit. What is that about?

Tory

Yeah, so urban gardens is another thing that kind of came up from houses being torn down, and people would start just putting a garden in the lot that was vacant next to them. And then they would have another vacant lot, put another garden in there, they would just get bigger and bigger and bigger.

Miranda

Detroit had a tradition of urban gardening that seems to have gone back further than even the more recent vacant lots. It's not just an interesting use of land, and now we talk about

carbon footprint, you can look at it from that perspective. But I imagine it also brings communities together.

Tory

Oh 100%. because then it's a thing that brings accountability and a sense of pride in these communities. So, you know, with an urban garden, whether it's in a certain neighborhood and then you have people in the community who live there, the ones taking care of it and growing everything and weeding and planting and doing whatever else is needed.

Miranda

Okay.

Tory

So they do a lot of what is called the community build. And so this is a way so these communities raise money through grants or foundations or whatever to buy the structures. And then they do a community build to install it. So some of these installations would cost, you know, 10s of thousands of dollars to hire it professionally. But then they do a community build and they'll bring out 2-300 volunteers and build this really massive park, which really improve the value of the community as well. And then those are taken care of a lot better, because the people in the community helped build it. That sense of pride.

Miranda

Sure. They're invested personally. And so these gardens are they growing food for their families? Are they selling this food?

Tory

Yeah, primarily for their families, for themselves, and then some are selling as well. So a big place to sell it would be at the Eastern market, which is kind of a massive Farmer's Market every weekend. Really an area that's taken off.

Miranda

So I've understood that there's 1,500 individual gardens in Detroit today, involving over 20,000 residents who take part in that, and some of the larger projects are forming "agri-hoods."

Tory

What they're forming is kind of these whole communities, like we talked about with people that are coming together to grow. They're able to grow these vegetables and work on these agrihoods and work on these, you know, urban farms, and then they can also go and sell the products at the Eastern Market or wherever they may sell it.

Miranda

And they're everywhere. You just kind of you're walking through a neighborhood: home, home, home, garden.

Tory

They're everywhere. Yeah, I mean, even in neighborhoods, but then even in downtown. So there's one that I know that it's right across the street from like, Little Caesars Arena, which is brand new. That's where the Detroit Red Wings play, and the Detroit Pistons play there as well.

Miranda

And so right next door to that you have some urban gardens and people out there tending their vegetables as you're walking to your hockey game.

Tory

Yep, yeah, that and that's the same thing that happened. You know, the way that Little Caesars Arena in that area was able to come about is from these foreclosed houses that were torn down and there was just, you know, they bought a couple blocks and built this whole area up. So if you actually go outside of that Little Caesars Arena where that block has been developed, there are still a lot of those houses that need to be torn down or remodeled. Whatever the case may be.

Miranda

And besides somebody like Dan Gilbert who's coming in and doing large scale projects of buying, huge swaths of land and demolishing and doing something new. Is that an interesting prospect for individual investors? Are there people looking to do that just for their own personal home?

Tory

Yes, definitely. I mean, there are a ton of people coming in, investing. It's actually bringing a lot of foreign investment which is a little bit newer for Detroit recently, because it's taken a lot longer to rebound from the crash than anyone else did. Just because we're so auto-centric and the auto industry took such a heavy hit. So it really hasn't fully rebounded from that housing crash back in '07/'08.

Miranda

And foreign investment is who? is from which countries if you know?

Tory

China.

Miranda

China.

Tory

China, yeah, primarily. I mean, we have the University of Michigan in Ann Arbor, which, you know, a ton of people are sending their kids there. And then they see cheap places to buy in Detroit and that kind of just attracts them to the area. So Ann Arbor and Detroit are completely separate, completely different. But it just brings that attention to Michigan.

Miranda

Interesting. And well, one of the big developments happening or planned for the next few years is the Ford headquarters in Dearborn.

Tory

Dearborn.

Miranda

The plans have been released and is an amazing, modern project, a lot of open spaces, a lot of green spaces.

Tory

Yeah, a lot of green spaces, a lot of green spaces on roofs. And, very modern. I mean, they're bringing in some of their autonomous cars as well, and have these cars bring the employees into, you know, the actual building. So the parking can be farther out, and there will be more green spaces and walking spaces and restaurants and things for the employees to enjoy.

Miranda

So even the car companies are just done with cars at this point.

Tory

Yeah, they're trying to keep them out. To keep everything on the outskirts and then keep it more open and walkable. You know, walkability is something that people living in Metro Detroit really haven't experienced right near downtown, near the restaurants and things like that.

Miranda

Detroit seems to be changing so much people want to live downtown. On the other hand, there's a long way to go still for downtown Detroit, sounds like.

Tory

Yes, there's still a long way to go because people are, you know, people are living out in the suburbs, and they grew up in the suburbs. So this is what they know. You know, these people are 20, 22, 23 years old.

Miranda

And so now they're moving into Detroit, but they're still kind of moving back out to the suburbs after this sort of sweet spot, I'm in my 20s, I'm hanging out, I don't have kids...

Tory

Right. While they're 20 and single. But then they get married and then they move out to Birmingham or Royal Oak or Ferndale or Berkeley or some of those areas.

Miranda

But in order to have a sustainable community, you kind of want them to be able to stay longer in Detroit. Well you're from there. What would you do? You were Mayor of Detroit, how would you create a world where these people would stay?

Tory

So I think the biggest thing is schools. So I mean, the schools in downtown Detroit are still terrible. You know, if I were Mayor of Detroit, that would be, you know, you would almost want to create an essence of people bringing in all kinds of money. Maybe force them to put something into some schools while they're buying land for nothing and getting tax credits.

Miranda

Therein lies the challenge, because normally you're using property tax to fund good schools. And here you're in a position where you have a lot of vacant space, and you're trying to change that. So you're giving tax incentives for people to develop that land. So where's the money going to come from.

Tory

Yeah, it's kind of a cycle of the money not going to where it needs to be.

Miranda

One or two great neighborhoods that you see changing that you think are really interesting right now. If you were going to relocate downtown, where would you look? What is interesting?

Tory

So there are two areas so Corktown is one that's really going to continue to boom.

Miranda

And where is that? That's just downtown?

Tory

Just downtown Detroit, yep. So Ford just purchased an old train station, which is called the Michigan Central Station. So they purchased that and I believe they're putting about \$700 million into it. And then they're going to bring all kinds of employees there.

Miranda

So they're building it as a campus for their company.

Tory

Yep. Yeah. So it's a big beautiful building. They actually sold tours of it last year, so they just bought it last year. They sold tours of it, because this building had sat vacant for decades. And then they're going to completely revamp it and make it livable and usable and put all that money into it. And then those neighborhoods right in Corktown are really going to boom.

Miranda

You see that as a mix of like nice restaurants and shops and residential and kind of really become it's own...

Tory

Yeah, a mixture of everything. So it becomes its own little ecosystem. So another area is Ferndale. So it's like if you cross 8 Mile then you're in Detroit and then you're on the other side of 8 Mile, you're in Ferndale. But between 8- and 9-Mile was like a transition from Detroit and then if you go north of 9-Mile that gets closer to Berkeley and Birmingham. That 8 Mile area historically was not great.

Miranda

Okay, and now that's?

Tory

So how it kind of started is from Birmingham. And then people got priced out of Birmingham so they went to Royal Oak. And then people started to get priced out of Royal Oak, so they went to Berkeley and Ferndale. So Ferndale is kind of the last one that's getting closer and closer to Detroit from the north. So Ferndale is really one of these areas people are buying houses, if they can find them, for like an unbelievable deal for like \$50-60,000. So that area is kind of starting to come together. It's cool to see the way that it moves and prices move and people move and where that ends up being.

Miranda

It sounds very dynamic and very interesting to watch and be part of.

Tory

Yes. It's very, very unique.

Miranda

Thank you so much for joining me today.

Tory

Thank you so much for having me.

Miranda

And thank you for listening to this episode of Whereabouts.

If you want to find out more about Detroit's real estate market, learn more about my co-host, Tory Sheffer, or listen to other episodes of Whereabouts, head to whereabouts-podcast.com.

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