Real Estate

Finding a home in metro Detroit is tough. It's even tougher in top school districts.

By Nick Manes

Credit: CoStar Group Inc.

The neighborhood around Pierce Elementary School in Birmingham is highly desired by homebuyers.

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February 13, 2025 05:46 AM

Minimal inventory continues to present challenges for the Southeast Michigan housing market, and it's even more pronounced in sought-after school districts.

Housing inventory in metro Detroit and beyond has been tight for years, particularly in the wake of the super-low interest rate environment that coincided with the COVID-19 pandemic, when rates as

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"Even with a little more inventory, the communities with sought-after schools will continue to have people stay, or there's increased competition for when homes come on the market," Schneider said. "The pressure continues there at a higher pitch than some other areas."

And while some would-be buyers may choose to rent a home rather than own in the sought-after school districts, doing so comes with its own challenges.

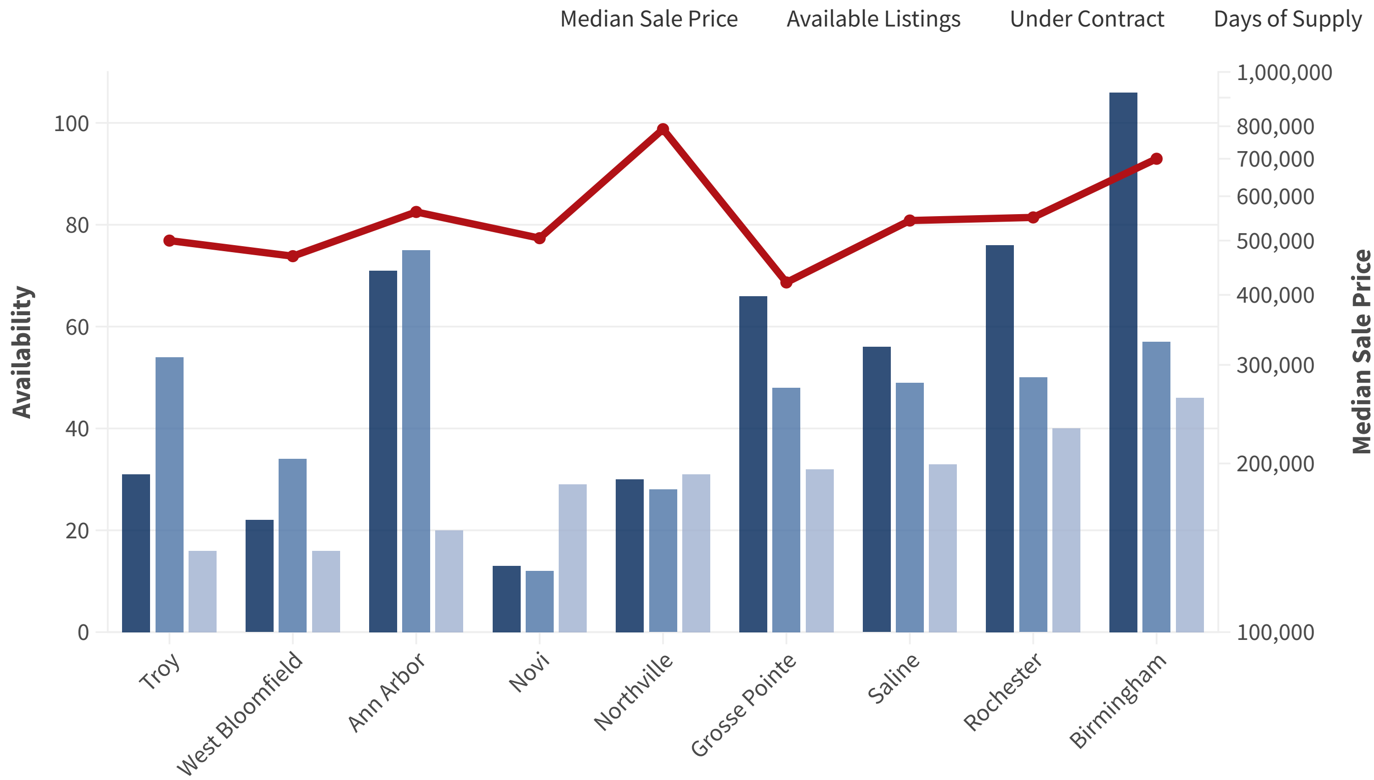
The areas seen as in demand for their highly-rated schools are spread throughout the region and stretch from the Grosse Pointes to throughout Oakland County communities such as Troy, Rochester and the Bloomfield Hills area. Other in-demand areas are along and west of I-275 including Novi, Plymouth and Northville and out to Ann Arbor.

In Oakland County, for example, the median sale price is $379,900, per the MLS data. But in the seven Oakland County communities with highest-rated schools, that price jumps to $500,000 or higher and reaches nearly $800,000 in Northville.

In essence, good schools are just one of many factors that some buyers seek when conducting a home search, according to Randy Repicky, market research manager for Real Estate One. Similar to an updated kitchen or bathroom, “buyers will pay a premium to get what they’re looking for,” Repicky said.

Fewer homes for sale

The housing market is tight in many of Southeast Michigan’s more sought-after school districts.



Source: Real Estate One

A Flourish chart

Beyond just the escalated prices for homes in the region’s highest-rated school districts, homes for sale are in short supply.

While six months of supply is the typical metric for what’s considered a “balanced” housing market, favoring neither sellers nor buyers, it’s been some time since the region has seen that much supply. Oakland County has just over 1.2 months of supply on the market, while Washtenaw has just barely

In Ann Arbor, the inventory is particularly brutal, according to veteran Keller Williams Realtor Martin Bouma. Bouma broke down the city's 20 elementary school boundaries and as of last week 25% of those schools had no homes for sale within their boundaries and 35% had just one home for sale.

"In 39 years of selling real estate, I've never seen such a lack of inventory," Bouma said of the current market. "2008 and 2009 were difficult, but this is even a tad more difficult because there's nothing to sell."

Erica Wood, a Re/Max Realtor working predominately in Troy and Rochester, echoed that sentiment, saying many homes — even those in need of work — are seeing multiple offers and selling quickly over asking price.

Parents seeking to get their children into the sought-after school districts in those communities make for the "whole reason" for the level of activity, Wood said. "It's just brutal."

Credit: Re/Max of Southeastern Michigan

This Rochester Hills home sold in December at nearly $20,000 over the asking price.

Given the current market struggles around homeownership, particularly within high-demand school districts, some would-be buyers seek to rent as another entry point for getting into a particular district.

yet to pull the trigger on any purchases, noting that the model works when you can buy many homes in a close geographical area.

Scholastic Capital homes typically rent for between $3,250 and $3,400, O'Dowd said. The investor declined to identify specific communities in Michigan where he's searching for homes, citing the fund's proprietary investment thesis.

"Across the board, the best school districts have very limited inventory," O'Dowd told Crain's. "Very limited to buy, but even less to rent."

In general, O'Dowd said he looks at a handful of metrics when determining school districts that match his investment criteria. That includes how many high school graduates are going on to college, as well as consistency.

In some cases, school district performance can move up and down by the tenure of a superintendent, he said, while others have decades of high performance.

"Those are areas that we're more interested in buying in, because we know this is going to be a really good place for the long run, and it's not going to change in the next couple of years no matter what."

At least in Washtenaw County, the state of the housing market and the lack of accessibility is a cause of significant concern for Bouma, the Ann Arbor Realtor.

There are only 71 houses for sale in the in-demand city, and the median price has eclipsed $562,000.

"I'm a little concerned because … where are the nurses, the teachers, the policemen going to live?" Bouma asked. "Because the prices are going through the roof."

By Nick Manes
Nick Manes is a reporter covering residential real estate and local mortgage companies as well as the Detroit mayoral race for Crain's Detroit Business. He previously covered finance and tech startups. He joined Crain's in 2020 after six years as a reporter at MiBiz.

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