

DETROIT MI

Multifamily Report

BERKADIA[®]

a Berkshire Hathaway and Jefferies Financial Group company



DETROIT, MI EMPLOYMENT

Jobs Added / Lost

LAST 12 MONTHS

305,700
↑ 19.2%

NEXT 12 MONTHS*

80,200
↑ 4.2%

Unemployment

MID-YEAR 2021

4.6%
↓ 1,800 BPS YOY

MID-YEAR 2022*

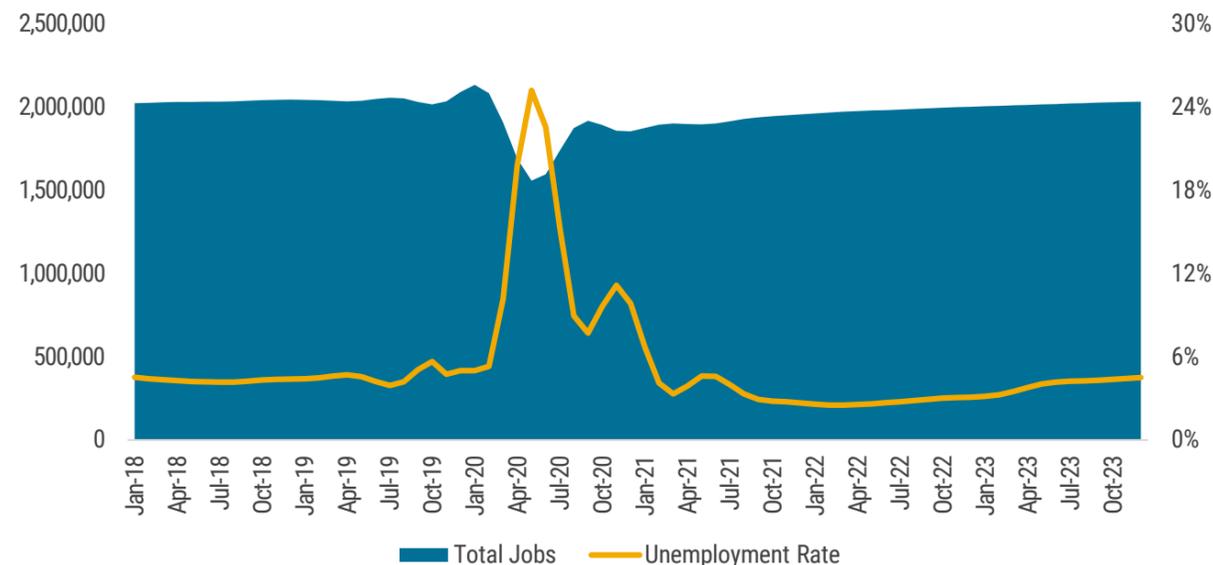
2.7%
↓ 190 BPS YOY

*Projected

Economic recovery from the COVID-19 pandemic is underway in the Detroit metro area. Employers created or restored 305,700 jobs in the 12 months ending in June 2021, a 19.2% annual increase. In the metro's largest employment sector, professional and business services, employers hired or recalled 58,500 workers, an 18.2% annual gain. Meanwhile, employment expanded 19.1% as 59,500 new positions were filled in the trade, transportation, and utilities sector. The sector will be boosted as Amazon.com Inc.'s plans to hire 2,000 workers this year in five different locations in the metro area that include a new, 823,000-square-foot fulfillment center in Detroit, fulfillment centers in Hazel Park and Huron Township, a robotics fulfillment center in Pontiac, and a sort center in Plymouth.

Manufacturing industry employment grew 29.1% since June 2020 with 52,300 new or reinstated jobs. These positions included 3,850 workers at the new Fiat Chrysler Automobiles N.V. Detroit Assembly Complex, which will eventually employ another 1,100 workers. In the next few years, General Motors will fill 2,200 jobs when the Factory ZERO electric truck manufacturing plant in Hamtramck is fully operational. While businesses in the manufacturing industry employ 12% of the metro workforce, wages generated from manufacturing account for 17% of total wages in the metro area.

Employment Trends



SOURCE: MOODY'S ANALYTICS

Who's Hiring?

TRADE, TRANSPORTATION, & UTILITIES INDUSTRY



20%
OF ALL JOBS IN THE METRO

\$40,400
AVERAGE ANNUAL SALARY

Top Trade, Transportation, & Utilities Employers

Walmart

4,600 JOBS

amazon

2,000 JOBS

meijer

2,000 JOBS

In The News

Amazon plans to create 2,000 jobs in Metro Detroit

New Magna electric Hummer plant to fill 300 jobs

GM to create 2,200 jobs at its Factory ZERO plant

Clearcover to hire 300 high-paid workers in Detroit

Cadillac Stamping could bring 450 jobs to Detroit

Ford Ion Park electric battery plant to employ 200 workers



DETROIT, MI

DELIVERIES & ABSORPTION

2021 Units*

DELIVERED

2,253

ABSORBED

1,037

2022 Units*

DELIVERED

2,839

ABSORBED

1,923

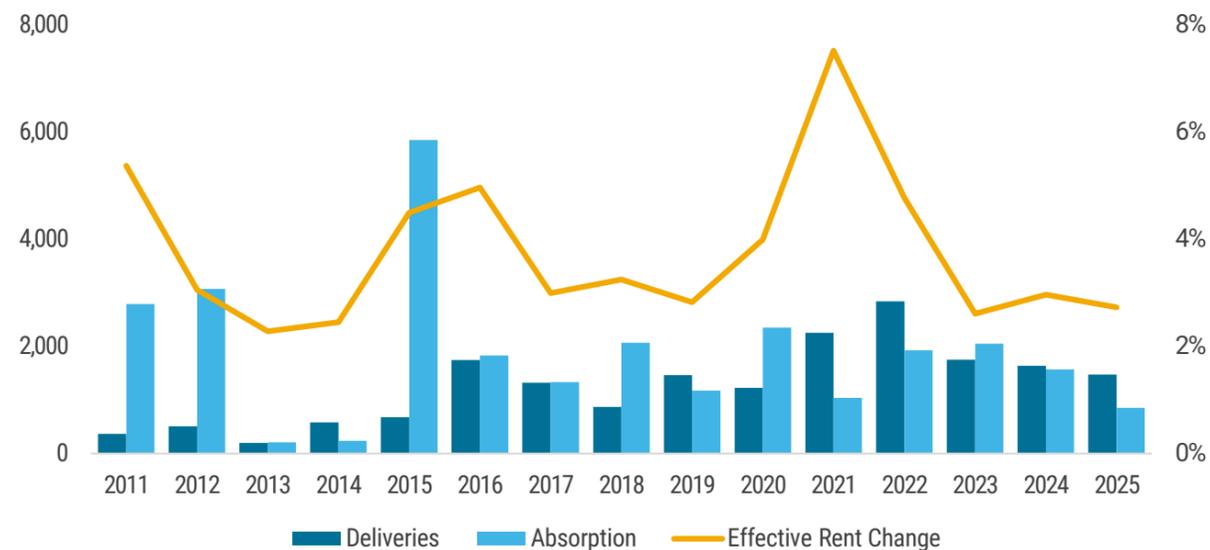
*Projected

Net apartment absorption in the metro area totaled 4,833 units in the last four quarters, considerably higher than the annual average of 2,450 net units absorbed from 2015 to 2019. Most of the apartment leasing activity in the last four quarters occurred in the third quarter of 2020 as a portion of renters sought more affordable accommodations while the unemployment rate peaked at 25.2%. Leasing activity began normalizing over the next three quarters as the economy continued to improve. The 1,600 deliveries in the last four quarters trailed demand. As of mid-2021, builders had 4,627 apartment units under construction in the metro area. More than 2,700 of these units are scheduled for delivery during the next four quarters. Approximately 27% of the new inventory through

mid-2022 will emerge in the Troy/Rochester Hills submarket, where apartment demand has outpaced deliveries in seven of the last 10 years.

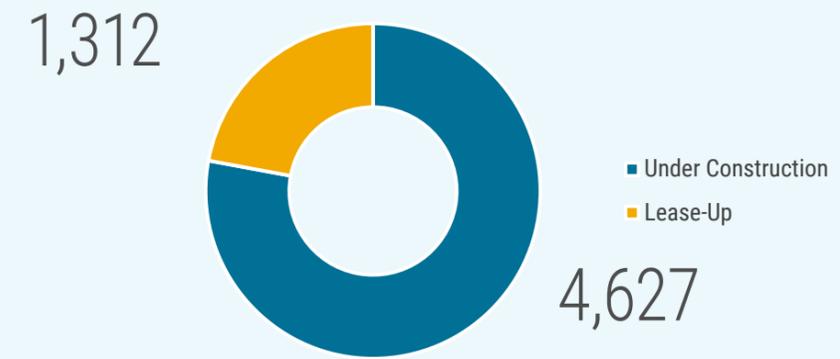
From 2023 to 2025, 4,858 units are projected to be delivered in the metro area, ranging from a high of 1,748 units in 2023 to a low of 1,475 units in 2025. During that three-year period, approximately 29% of the metro's new inventory will emerge in the Downtown/Midtown/Rivertown submarket, reflecting developers' long-term confidence in the multifamily market in the metro's urban core where more than \$2 billion of investments were under construction or completed since 2019.

Deliveries, Absorption, & Effective Rent Change

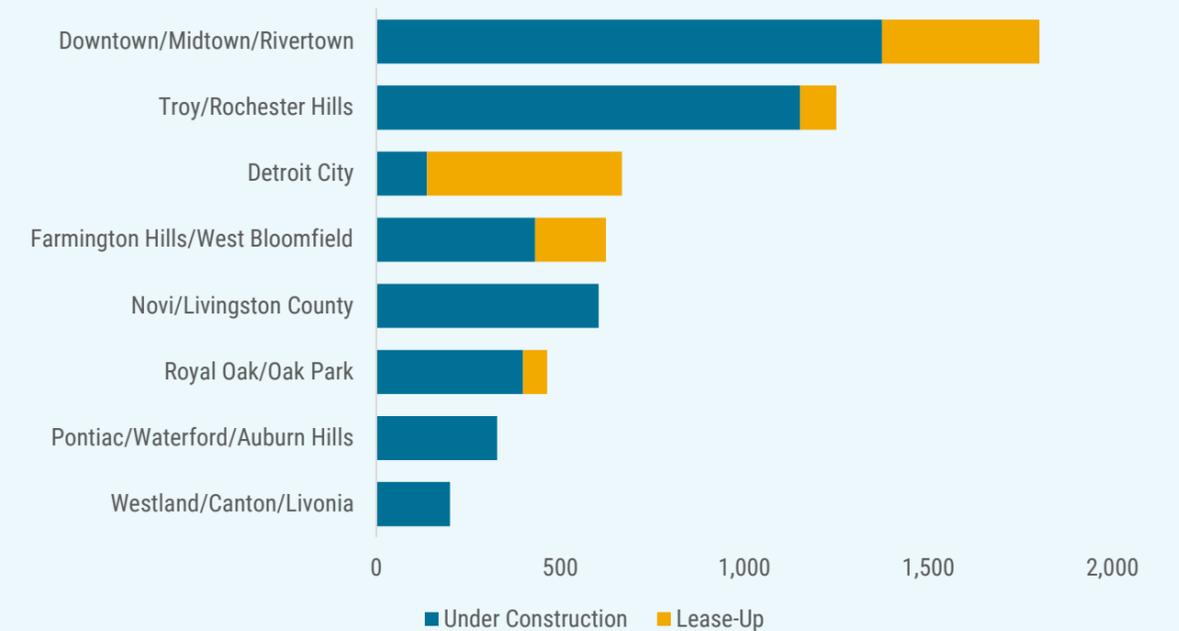


SOURCE: REALPAGE

Market Pipeline



Top 10 Submarket Pipelines



For a complete list of properties in the pipeline, [CLICK HERE](#)



DETROIT, MI

RENT & OCCUPANCY

Effective Rent

2Q 2021

\$1,059

↑ 6.2% YOY

Occupancy

2Q 2021

97.3%

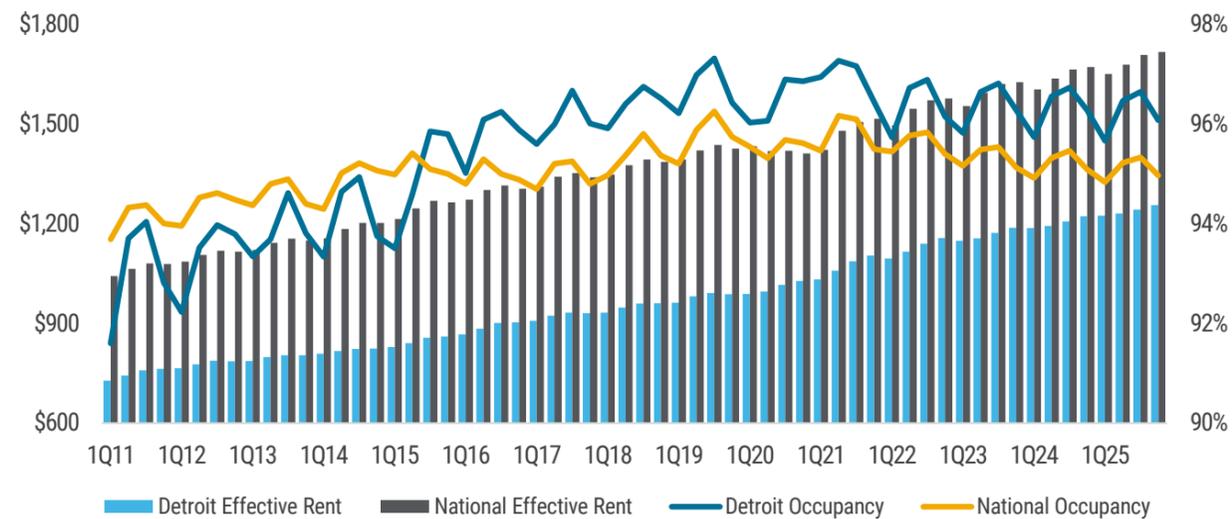
↑ 120 BPS YOY

Average apartment occupancy in the Detroit metro area was 96.1% in the second quarter of 2020 as the effects of the onset of the pandemic caused a drop in the rate. Elevated apartment demand in the third quarter pushed up occupancy to 96.9%, and the rate stayed at 96.9% for two additional quarters as leasing activity remained comparable to deliveries. Economic recovery spurred greater apartment demand in the second quarter of 2021, resulting in 97.3% average occupancy metrowide.

Healthy leasing activity during the last four quarters generated exceptional year-over-year rent growth in most of the submarkets in the metro area. The exception was the 0.5% annual increase in effective rent in the highly competitive

Downtown/Midtown/Rivertown apartment submarket where inventory has expanded 12% in the last five years. Metrowide, average effective rent increased 6.2% year over year to \$1,059 per month, driven by rent appreciation among Class B and C apartments. Effective rent decreased 1.8% among Class A apartments during the last four quarters, in part due to competition prompted by the proliferation of upper-tier apartments in the metro area during the last few years. Additionally, the small leap to homeownership was a persistent temptation among some higher-income renters.

Detroit vs. National Effective Rent & Occupancy



SOURCE: REALPAGE

Submarket Performance

SUBMARKET NAME	2Q21 OCCUPANCY	YOY (BPS)	2Q21 EFFECTIVE RENT	YOY
Clinton Township/St. Clair County	98.5%	220	\$1,010	8.8%
Dearborn/Dearborn Heights	95.0%	40	\$1,158	6.8%
Detroit City	96.9%	200	\$835	4.5%
Downtown/Midtown/Rivertown	93.6%	-60	\$1,306	0.5%
Farmington Hills/West Bloomfield	97.2%	160	\$1,326	8.7%
Novi/Livingston County	98.6%	220	\$1,175	8.8%
Pontiac/Waterford/Auburn Hills	98.3%	110	\$1,057	9.5%
Royal Oak/Oak Park	97.4%	130	\$1,030	1.8%
South Wayne County	97.2%	60	\$966	8.2%
Southfield	96.8%	-50	\$1,105	3.9%
Sterling Heights/Shelby Township	98.6%	140	\$1,089	7.6%
Troy/Rochester Hills	96.6%	-10	\$1,262	6.4%
Warren/Roseville	98.7%	310	\$866	4.4%
Westland/Canton/Livonia	97.6%	100	\$1,051	6.2%



DETROIT, MI

POPULATION & MIGRATION

2021 Residents*

4,312,300

↓ 0.1% YOY

2022 Residents*

4,306,800

↓ 0.1% YOY

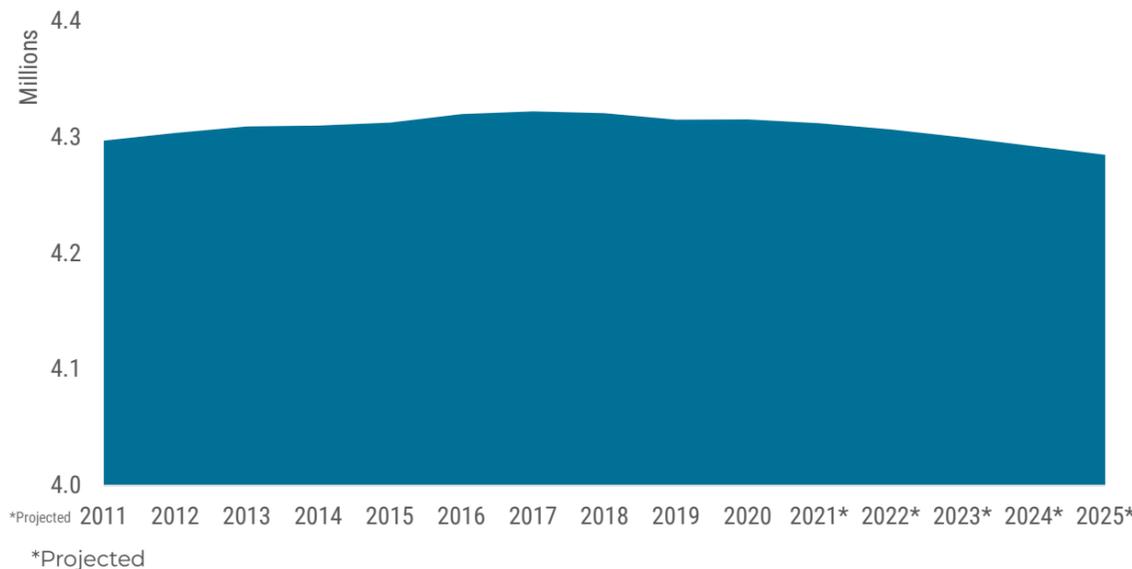
*Projected

The Detroit metro area had 4.3 million residents in 2020, nearly unchanged from 2019. The long-term economic transition from manufacturing to services and the flight of Midwest residents to warmer Sunbelt cities resulted in a 3.3% decrease in population in Greater Detroit since the 20-year peak in May 2001. The metro area's broad socioeconomic environment means apartment rents vary widely, with the average effective rent in the Downtown/Midtown/Rivertown submarket commanding a 23% premium over average effective rent in the rest of the metro area. Many suburban options exist for urban core households that are seeking lower rent. During the pandemic, approximately 35,720 residents left Detroit's urban center; of these, 76% moved to lower-rent suburbs in the metro area. About

12% of the residents departing the metro's urban core gravitated to other large metro areas out of state—some with a lower cost of living and some with a higher cost. Approximately the same percentage of residents leaving inner Detroit relocated to smaller metropolitan areas.

Over the next five years, Moody's projects a 0.7% dip in population metrowide, while household formation is forecast to rise 1.9%. This seeming contradiction is explained by the projected shrinking of household size from 2.50 persons in 2020 to 2.43 persons in 2025.

Detroit Population



SOURCE: MOODY'S ANALYTICS

Urban Migration During the Pandemic

2Q 2020 - 1Q 2021



SOURCE: FEDERAL RESERVE BANK OF CLEVELAND



DETROIT, MI SALES

2021 Year to Date*



VOLUME

\$72.5M



PRICE PER UNIT (AVG)

\$176,377



TRANSACTIONS

4



CAP RATE (AVG)

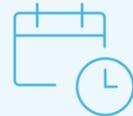
6.1%

What's Trading?*



UNITS (AVG)

196



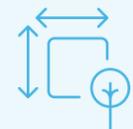
YEAR BUILT (AVG)

1940's



BUILDINGS (AVG)

4



ACRES (AVG)

9.23

*\$10M+
SOURCE: REAL CAPITAL ANALYTICS

Top Buyers**

BUYER	LOCATION
JRK Property Holdings	Los Angeles, CA
Pepper Pike Capital Partners	Orange, OH
Solomon Organization	Chatham, NJ
DP Assets	Detroit, MI
Highgate Capital Group	Chicago, IL

Top Sellers**

SELLER	LOCATION
Hayman Company	Southfield, MI
Fairfield Residential	San Diego, CA
Village Green	Farmington, MI
Alcort Realty Group Inc	Agawam, MA
Berger Realty Group	Southfield, MI

**Past 24 Months



DETROIT, MI SALES

\$10+ Million Transactions



VILLAGE GREEN OF SOUTHGATE*

Southgate, MI

UNITS	YEAR BUILT
488	1969
PRICE / UNIT	SALES PRICE
\$77,972	\$38,100,000



KINGS POINTE*

Warren, MI

UNITS	YEAR BUILT
170	1966
PRICE / UNIT	SALES PRICE
\$82,353	\$14,000,000



E&B BREWERY LOFTS

Detroit, MI

UNITS	YEAR BUILT
23	1891
PRICE / UNIT	SALES PRICE
\$447,826	\$10,300,000



HINES PARK PLACE

Plymouth, MI

UNITS	YEAR BUILT
104	1966
PRICE / UNIT	SALES PRICE
\$97,356	\$10,100,000

*BERKADIA TRANSACTION

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Sources: RealPage; Moody's Analytics; Real Capital Analytics; Federal Reserve Bank of Cleveland

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