

2022 MID-YEAR

# DETROIT MI

## Multifamily Report

**BERKADIA**<sup>®</sup>

a Berkshire Hathaway and Jefferies Financial Group company





## Jobs Added / Lost

### LAST 12 MONTHS

93,100

↑ 4.9%

### NEXT 12 MONTHS\*

34,300

↑ 1.7%

## Unemployment

### MID-YEAR 2022

4.3%

↓ 240 BPS YOY

### MID-YEAR 2023\*

4.4%

↑ 10 BPS YOY

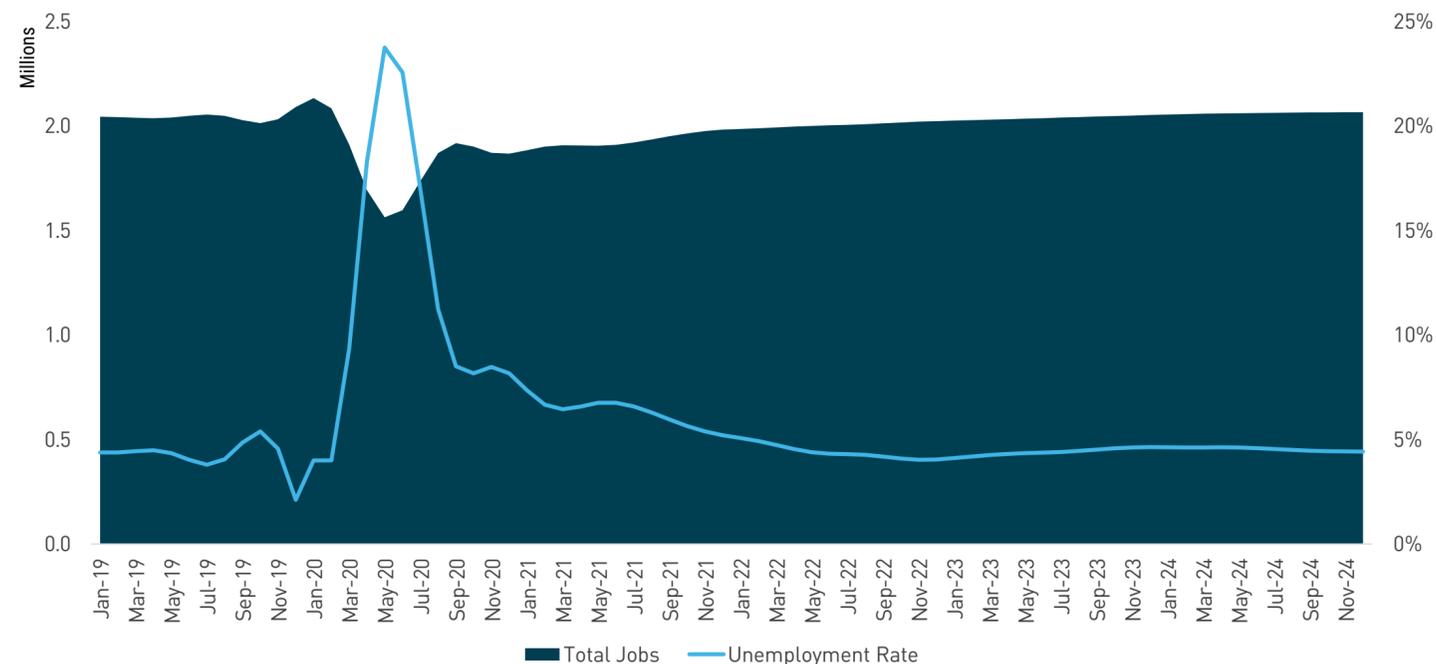
\*Projected

# DETROIT, MI EMPLOYMENT

Detroit's diverse economy continued to rebound from the pandemic-driven downturn. Transformative changes and opportunities will emerge in the region's automobile manufacturing industry in the coming years. The manufacturing sector showed significant growth, as a net 21,600 jobs were filled or reinstated annually through June 2022. Over the next several years, the region's manufacturing sector will be boosted by the automotive industry's transition to electric vehicle production. Ford Motor Company recently announced a \$2 billion investment in local facilities to revamp to electric vehicle manufacturing, eventually resulting in 3,200 new jobs in southeast Michigan. General Motors Company plans to

invest \$7 billion to enable the company to ramp up to the production of 600,000 electric pickups annually. Overall, just over 2 million residents were employed in the Detroit metro area in June 2022, up 4.9% from one year earlier. June 2022 employment revealed a healthy recovery in the white-collar job segments: mid-year employment in the information industry reached 97.1% of peak, pre-pandemic staffing in January 2020, and complete employment recovery was achieved in the financial activities sector. Continued job growth is anticipated in the Detroit metro area this year. Moody's forecasts 20,000 net new jobs filled by year-end, a 1.0% increase from mid-2022.

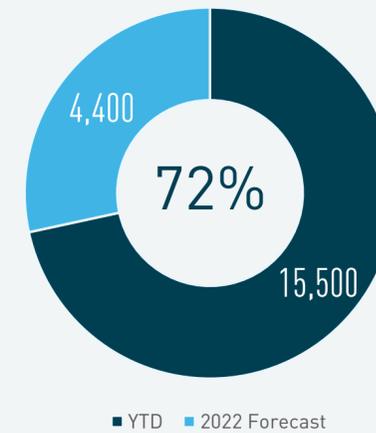
## Employment Trends



SOURCE: Moody's Analytics

## Who's Hiring?

### TRADE, TRANSPORTATION, & UTILITIES INDUSTRY



19%  
OF ALL JOBS IN THE METRO

\$43,400  
AVERAGE ANNUAL SALARY

## Top Trade, Transportation, & Utilities Employers

<b>DTE Energy</b>	3,600 JOBS
	3,600 JOBS
	2,000 JOBS

## In The News

- [Detroit center for innovation coming to District Detroit](#)
- [Ford Motor Co. investing \\$2B, filling 3,200 jobs in southeast Michigan](#)
- [General Motors Co. investing \\$7B in southeast Michigan for expanded production of electric pickups](#)



# DETROIT, MI DELIVERIES & ABSORPTION

2022 Units\*

**DELIVERIES**

1,611

**ABSORPTION**

-1,867

2023 Units\*

**DELIVERIES**

2,404

**ABSORPTION**

1,859

\*Projected

Multifamily developers completed 2,251 apartment units in the four-quarter period ending in the second quarter of 2022. Approximately 25% of the new stock was in the Troy/Rochester Hills submarket, as progress was made on the 386-unit Uptown Square; meanwhile, the 286-unit ZEN City Center and the 108-unit The Phoenix apartment communities were completed. Most of the recent deliveries and the developments underway are Class A properties. New apartment communities filled quickly over the last several quarters. Of the 11 apartment communities completed since the beginning of 2021, seven reached stabilization by mid-2022; four of them

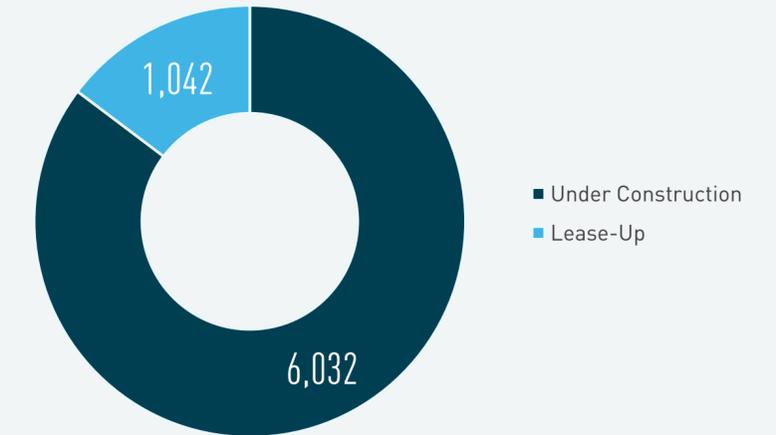
were 100% leased. Over the next four quarters, just over 1,500 units are scheduled for delivery metrowide. The majority will be in the inner core Downtown/Midtown/Rivertown submarket and the desirable suburbs in the Troy/Rochester Hills submarket. Across the metro area, 64 multifamily developments were in various stages of the planning process; only five of those properties with a combined total of 2,050 units are expected to be completed in the next three years. Nine of the planned multifamily developments represent a total of 1,047 units, and if built, will be strategically situated along Woodward Avenue, a key commuter route leading to the urban core.

## Deliveries, Absorption, & Effective Rent Change

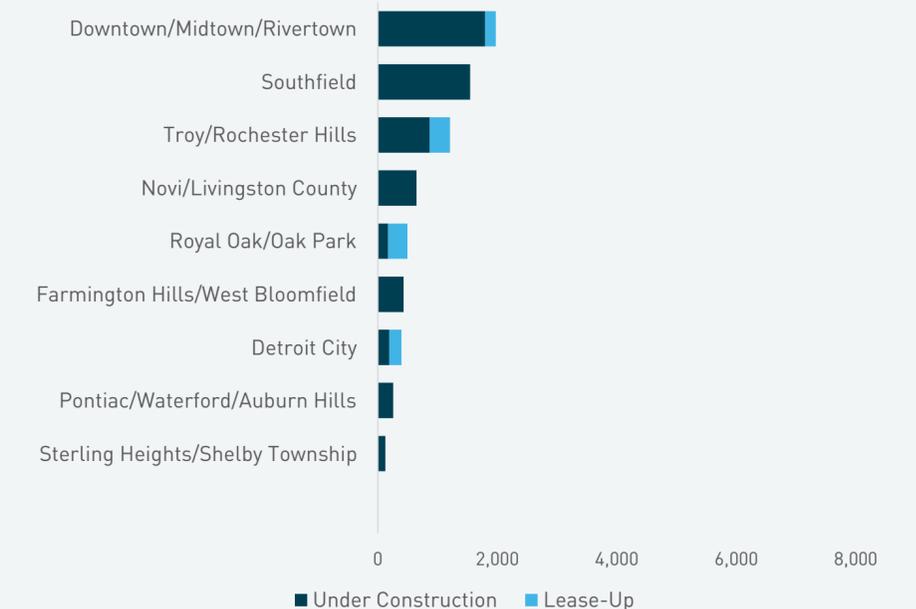


Source: RealPage

## Market Pipeline



## Top Submarket Pipelines

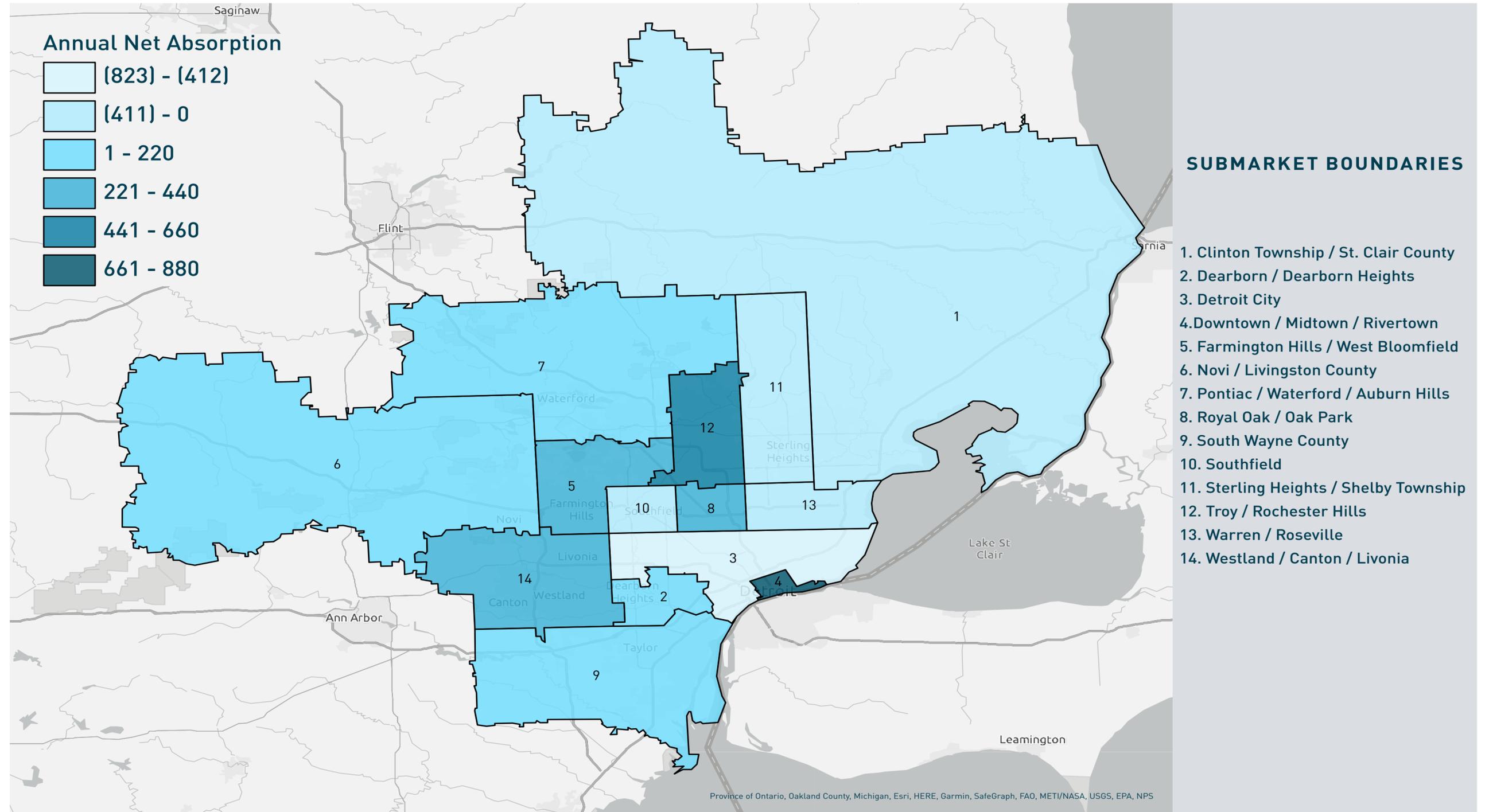




## DETROIT, MI

# SUBMARKET ANNUAL ABSORPTION

The Downtown/Midtown/Rivertown submarket led the other 13 submarkets in net apartment absorption over the last year. From mid-2021 through mid-2022, net apartment absorption totaled 880 units in the Downtown/Midtown/Rivertown submarket. The demand was driven in part by the addition of 276 new apartments in the last four quarters and the thousands of jobs added among the large, office-using tenants in the urban core as payrolls expanded in the white-collar job sectors. Leasing activity was also brisk in the Troy/Rochester Hills submarket. A net 638 apartments were absorbed in the submarket since mid-2021, while developers delivered 562 new apartment units. The new apartment inventory, along with Troy's reputation as one of the best suburbs to live in the metro area, fueled apartment demand.





# DETROIT, MI RENT & OCCUPANCY

## Effective Rent

2Q 2022

\$1,201

↑ 9.7% YOY

## Occupancy

2Q 2022

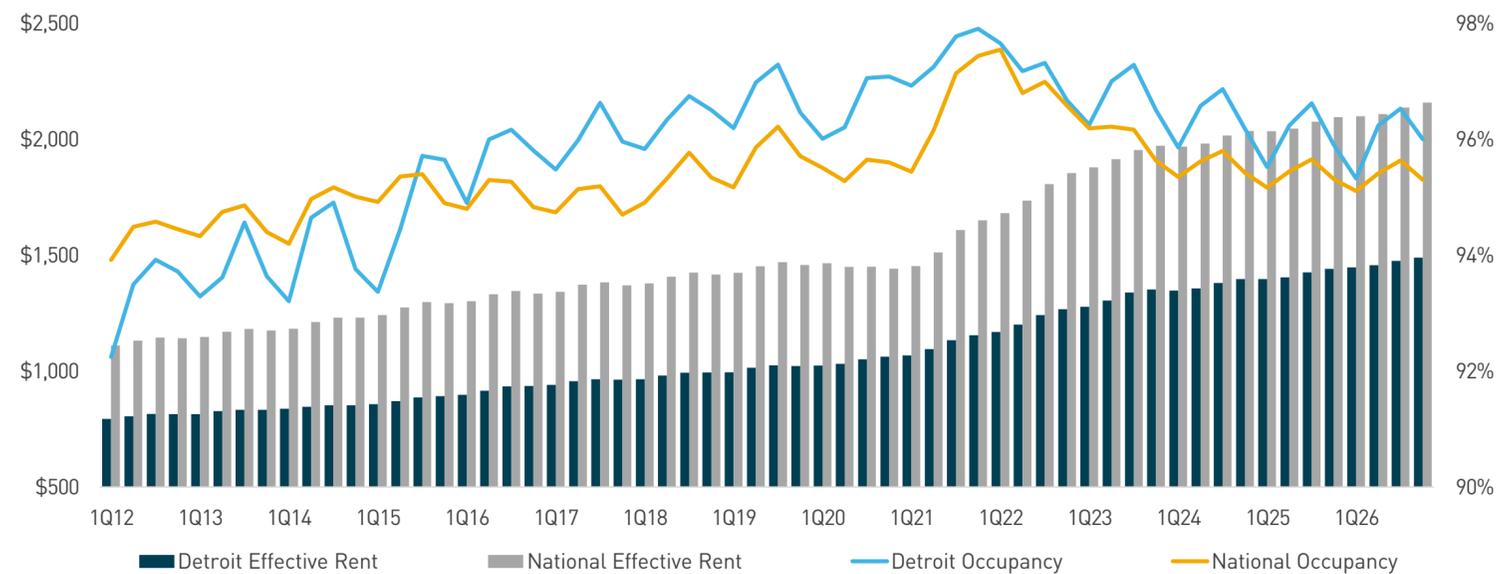
97.2%

↓ 10 BPS YOY

The recovering economy and leasing activity among appealing, new apartment communities enabled healthy rent growth in the last year. Since mid-2021, average effective apartment rent increased 9.7% to \$1,201 per month in the second quarter of 2022. The 2,251 apartments completed during that period outpaced net absorption of 1,979 units, resulting in a 10-basis-point, year-over-year dip in occupancy to 97.2% in the second quarter of 2022. At 96.8%, Class A apartment occupancy trailed the overall occupancy rate, though increased at a faster annual pace than Class B and C units. The rate of increase was attributed to the growing number of

highly paid, technical workers who preferred amenity-rich apartments over the typically much older selection of single-family homes to rent or buy. Another growing trend is the appeal of larger apartments, spurred by the increased demand for home office space that began during the pandemic. Prior to the pandemic, the metro's occupancy rate among three-bedroom apartments was about 200 basis points lower than the rate among one- and two-bedroom units. By the second quarter of 2022, the occupancy rate at three-bedroom apartments was about 100 basis points higher than one- and two-bedroom units.

## Detroit vs. National Effective Rent & Occupancy



Source: RealPage

## Submarket Performance

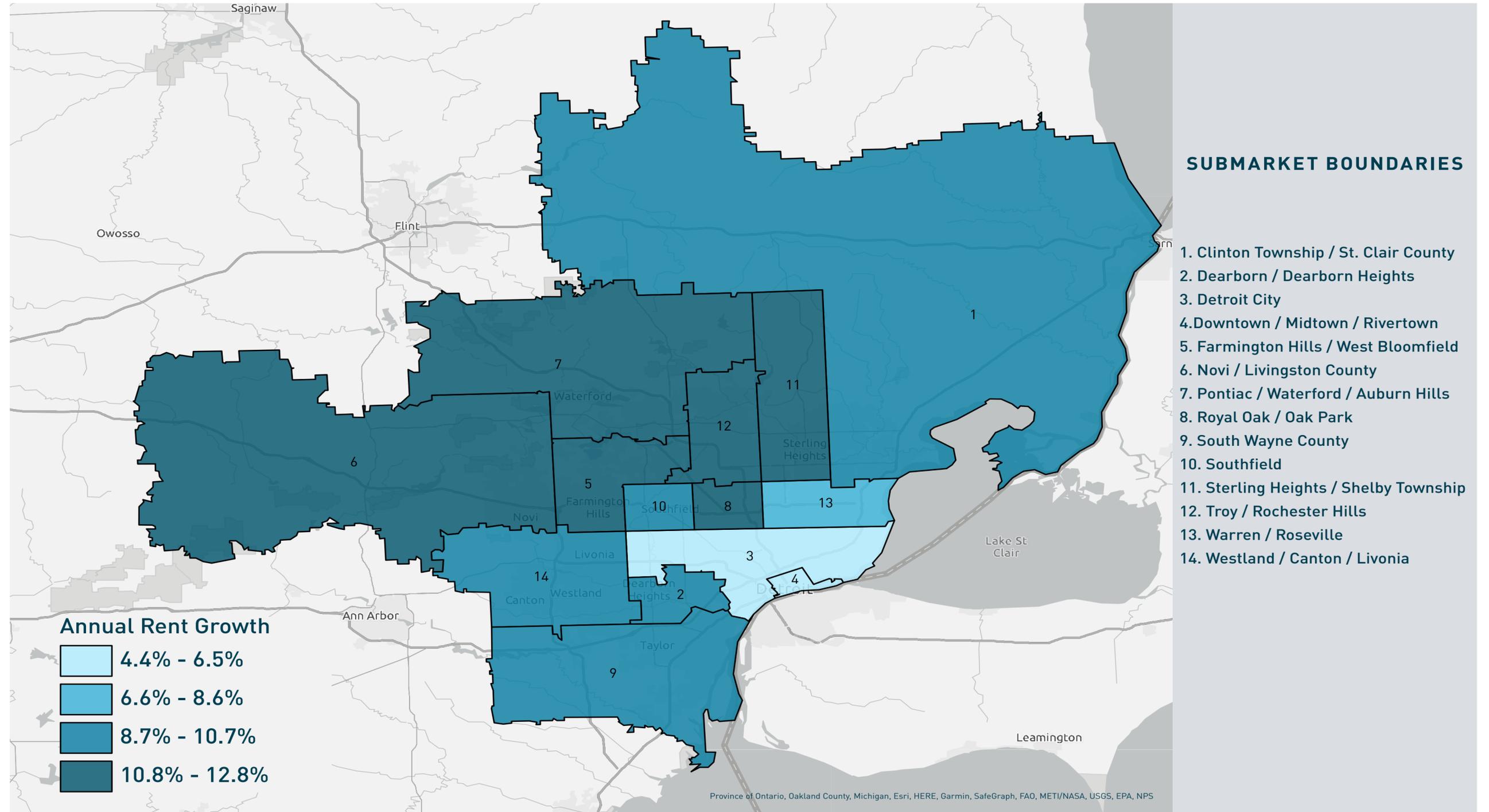
SUBMARKET NAME	2Q22 OCCUPANCY	YOY (BPS)	2Q22 EFFECTIVE RENT	YOY
Clinton Township/St. Clair County	98.3%	-20	\$1,106	9.0%
Dearborn/Dearborn Heights	95.6%	60	\$1,244	9.8%
Detroit City	94.6%	-230	\$1,028	5.6%
Downtown/Midtown/Rivertown	96.5%	310	\$1,387	4.4%
Farmington Hills/West Bloomfield	97.6%	40	\$1,473	10.9%
Novi/Livingston County	98.5%	-10	\$1,363	11.7%
Pontiac/Waterford/Auburn Hills	98.3%	-10	\$1,209	12.2%
Royal Oak/Oak Park	97.9%	60	\$1,224	11.8%
South Wayne County	97.3%	20	\$1,063	10.3%
Southfield	96.5%	-30	\$1,211	10.7%
Sterling Heights/Shelby Township	97.9%	-80	\$1,238	12.8%
Troy/Rochester Hills	97.3%	60	\$1,467	12.3%
Warren/Roseville	98.6%	-10	\$943	8.1%
Westland/Canton/Livonia	97.8%	20	\$1,189	10.7%



## DETROIT, MI

# SUBMARKET ANNUAL RENT CHANGE

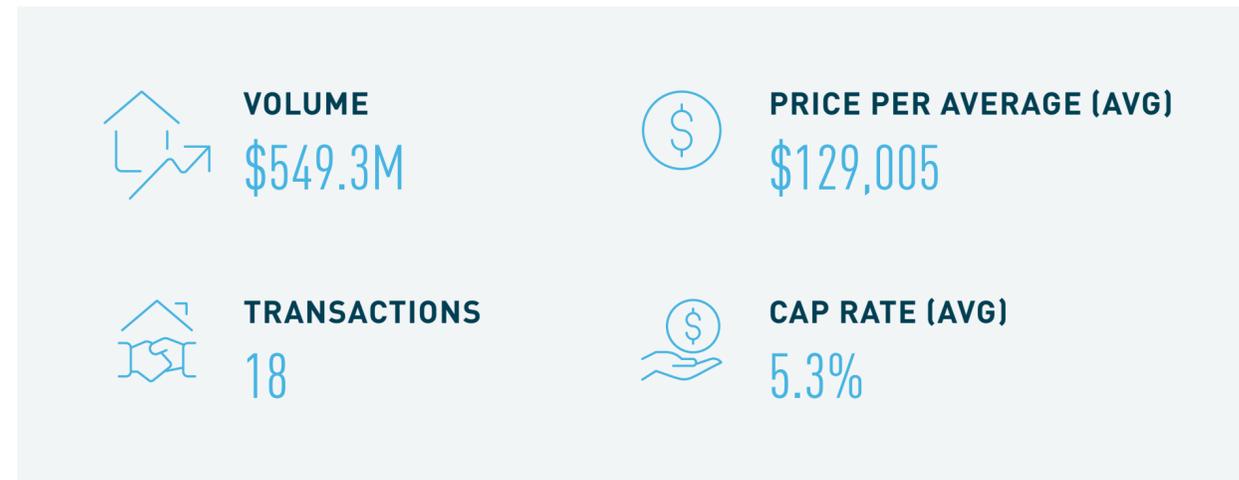
The highest rates of rent growth in the last year in the Detroit area were in six adjoining submarkets in Oakland County, Livingston County, and western Macomb County. The annual rates of increase ranged from 10.9% in the Farmington Hills/West Bloomfield submarket to 12.8% in the Sterling Heights/Shelby Township. The higher cost of living in the two highest-rent submarkets in the metro area—Farmington Hills/West Bloomfield and Troy/Rochester Hills—did not dissuade renters from paying more each month for an apartment lease. These submarkets have an exceptional quality of life and are home to 10 major companies, each with at least 1,000 local employees. The urban core, the Downtown/Midtown/Rivertown submarket, had a 4.4% annual rate of rent growth in the second quarter of 2022—the lowest in the metro area—though this increase was greater than the submarket’s average annual increase of 3.4% from 2012 through 2021.



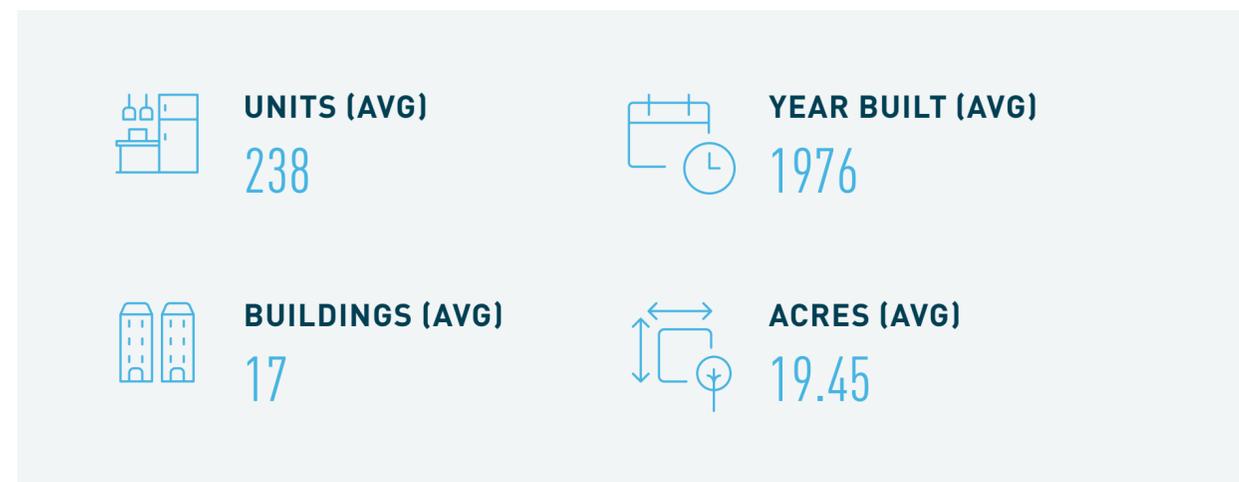


# DETROIT, MI SALES

2022 Year to Date\*



What's Trading?\*



Source: Real Capital Analytics  
\*\$10m+

Top Buyers\*\*

BUYER	LOCATION
Lightstone Group	New York, NY
DP Assets	Detroit, MI
Solomon Organization	Chatham, NJ
Moshe Mendlowitz	Lakewood, NJ
Andover RE Partners	Boca Raton, FL

Top Sellers\*\*

SELLER	LOCATION
Hartman and Tyner Inc	Southfield, MI
Pepper Pike Capital Partners	Orange, OH
Moceri Cos	Auburn Hills, MI
RESSCO	Southfield, MI
Lightstone Group	New York, NY

\*\*Past 24 Months

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Sources: RealPage; Moody's Analytics; Real Capital Analytics

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