

# DETROIT, MI MULTIFAMILY REPORT

2023 | MIDYEAR

**BERKADIA**<sup>®</sup>





## Jobs Added / Lost

### LAST 12 MONTHS

21,100

↑ 1.1%

### NEXT 12 MONTHS\*

11,200

↑ 0.6%

## Unemployment

### MIDYEAR 2023

3.4%

↓ 10 BPS YOY

### MIDYEAR 2024\*

4.7%

↑ 140 BPS YOY

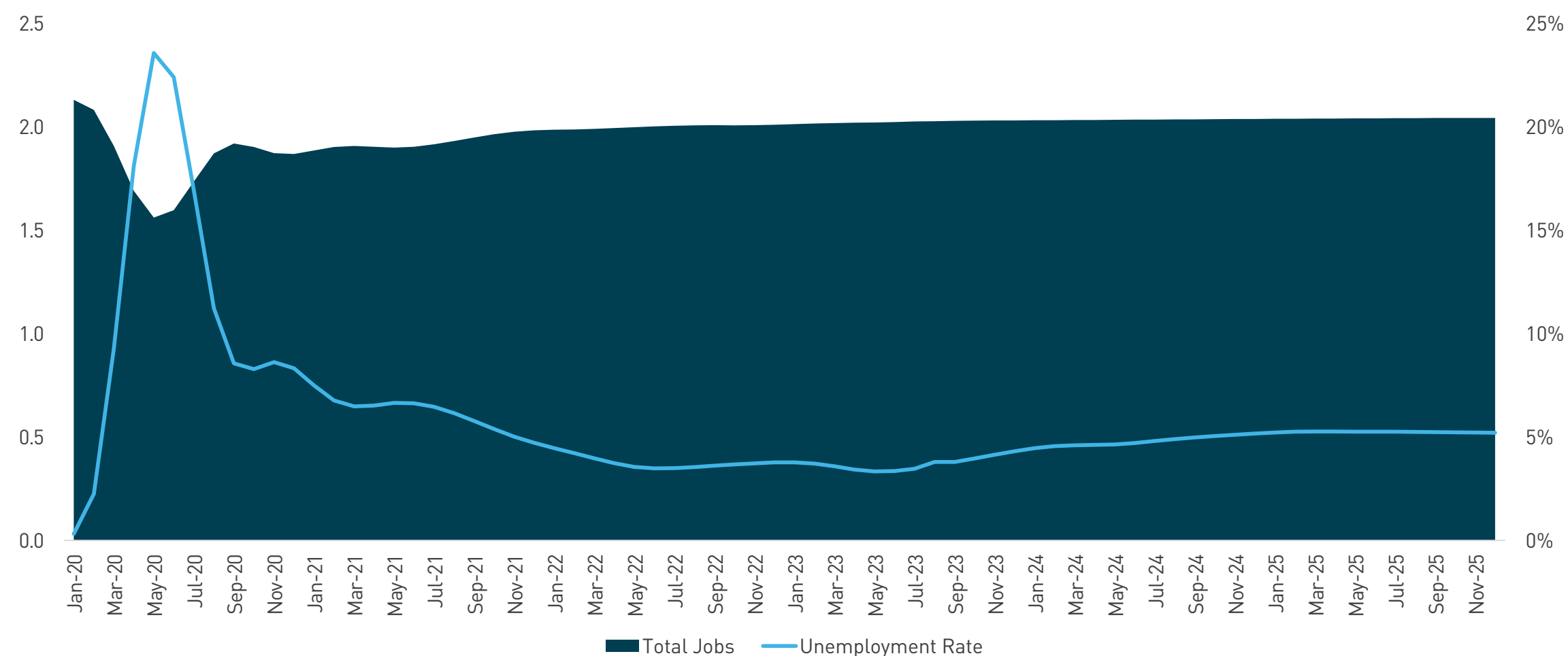
\*Projected

# DETROIT, MI EMPLOYMENT

Employers in the Detroit metropolitan area had more than 2 million workers on their payrolls in June 2023, a 1.1% increase from one year earlier. Compared to the January 2020 pre-pandemic peak in employment, staffing levels in June 2023 reflected complete recovery in the information, the mining, logging, and construction, and the professional and business services sectors. By year-end 2023, the professional and business services sector is expected to lead job gains, with 6,900 net new positions filled year over year. This increase in headcount is part of the continuing diversification of Detroit's economy away from an emphasis in manufacturing. The private education and services sector is also anticipated to

grow significantly in 2023. Henry Ford Health and Detroit Pistons owner Tom Gores are partnering to build a mixed-use development around a massive medical center that will boost local healthcare payrolls. In February 2023, the two parties announced a joint venture to develop the \$2.5 billion medical/mixed-use community at New Center in Midtown Detroit. While there is no released timetable for construction, the community will house an 877-bed hospital and research facility. In a separate development, the University of Michigan has committed \$800 million over the next eight years to expand operations in Michigan following their merger with Sparrow Health in April 2023.

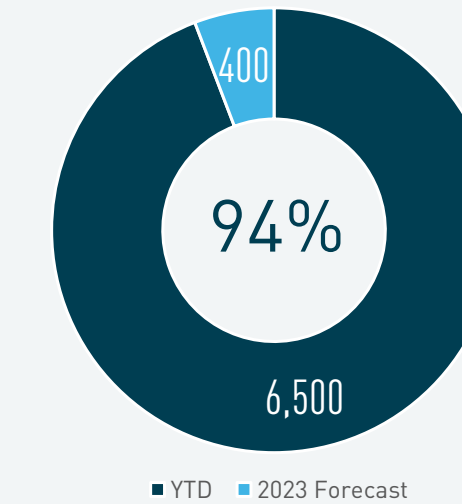
## Employment Trends



Source: Moody's Analytics

## Who's Hiring?

### PROFESSIONAL & BUSINESS SERVICES INDUSTRY



20%  
OF ALL JOBS IN THE METRO

\$87,300  
AVERAGE ANNUAL SALARY

## Top Professional & Business Services Employers

**Ilitch Holdings, Inc.** 5,000 JOBS

**America's Back Office** 3,500 JOBS  
Your Turn-Key HR Solution

**VERICAST / VALASSIS** 800 JOBS

## In The News

- ONE to build \$1.6B battery cell manufacturing plant in Van Buren Township
- Supplier Magna wins GM account that will create 880 jobs
- Sterling Heights Lakeside Mall \$1B redevelopment to support thousands of new jobs upon completion



# DETROIT, MI

## DELIVERIES & ABSORPTION

2023 Units\*

**DELIVERIES**

2,539

**ABSORPTION**

398

2024 Units\*

**DELIVERIES**

4,279

**ABSORPTION**

5,678

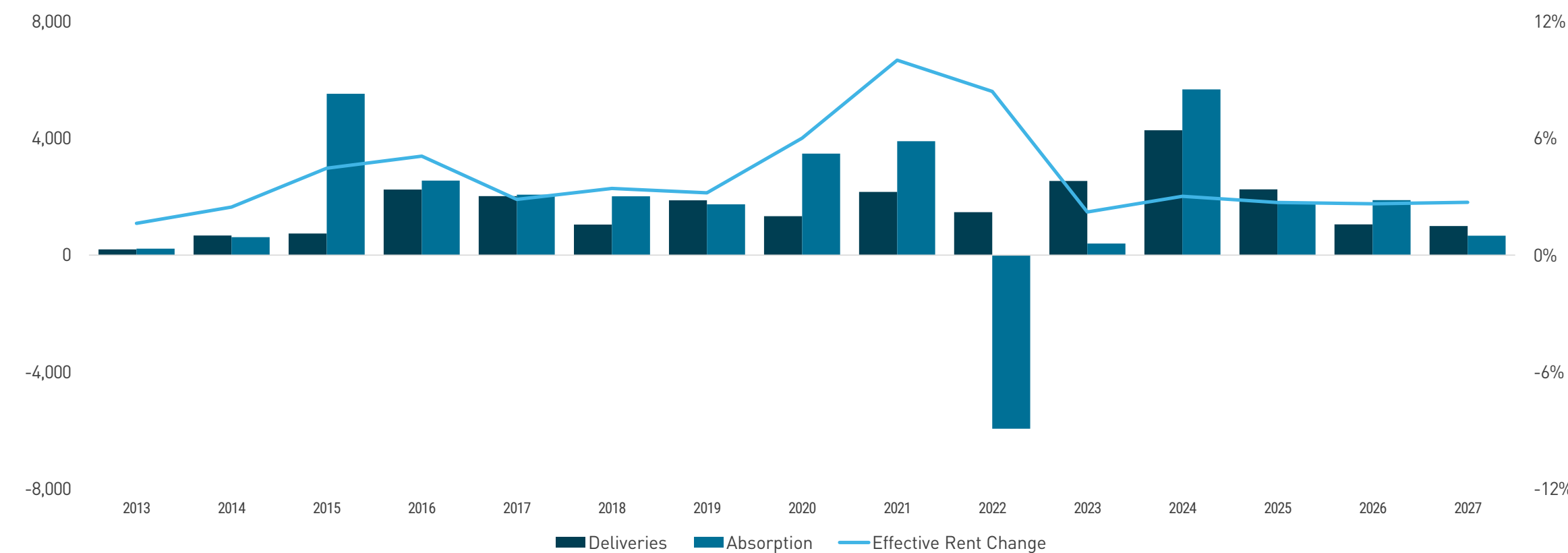
\*Projected

Like many parts of the U.S., apartment demand in the Detroit metro area dropped off in the last four quarters, spurred by the impact of rapidly rising rents and inflation on households. Apartment leasing activity is expected to rise in the near term since the rates of rent growth and inflation have slowed. Net absorption in the Detroit metro area is projected to be positive in the last half of 2023, and because of the addition of attractive new apartment stock, net absorption could exceed 5,600 units in 2024. The long-term outlook for apartment demand is healthy in the Detroit metro area, supported by historical leasing activity that outpaced deliveries by about 16%. Much of multifamily's appeal has to do with the metro area's single-family housing stock that is considerably older

than the national average. Many households would rather rent a more modern apartment without the concern for maintaining an aging home.

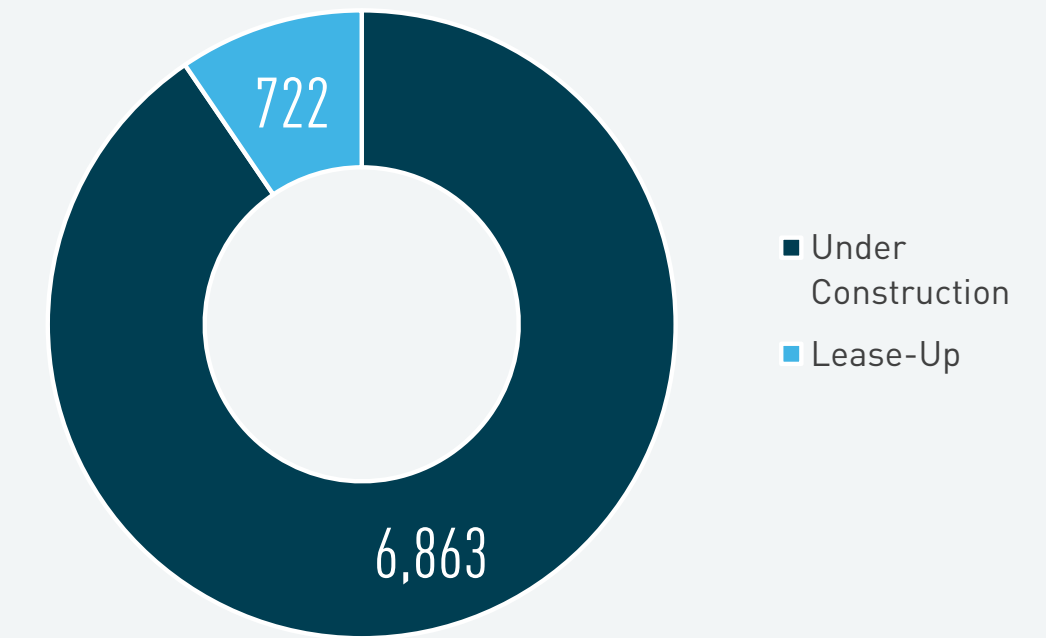
In the second quarter of 2023, nearly 7,600 apartment units were under construction or in the lease-up stage. Heightened deliveries are expected in 2023 and 2024, as builders work through projects delayed by labor shortages or supply chain issues. Based on the number of multifamily projects underway, completions in 2025 are expected to subside significantly from 2024.

### Deliveries, Absorption, & Effective Rent Change

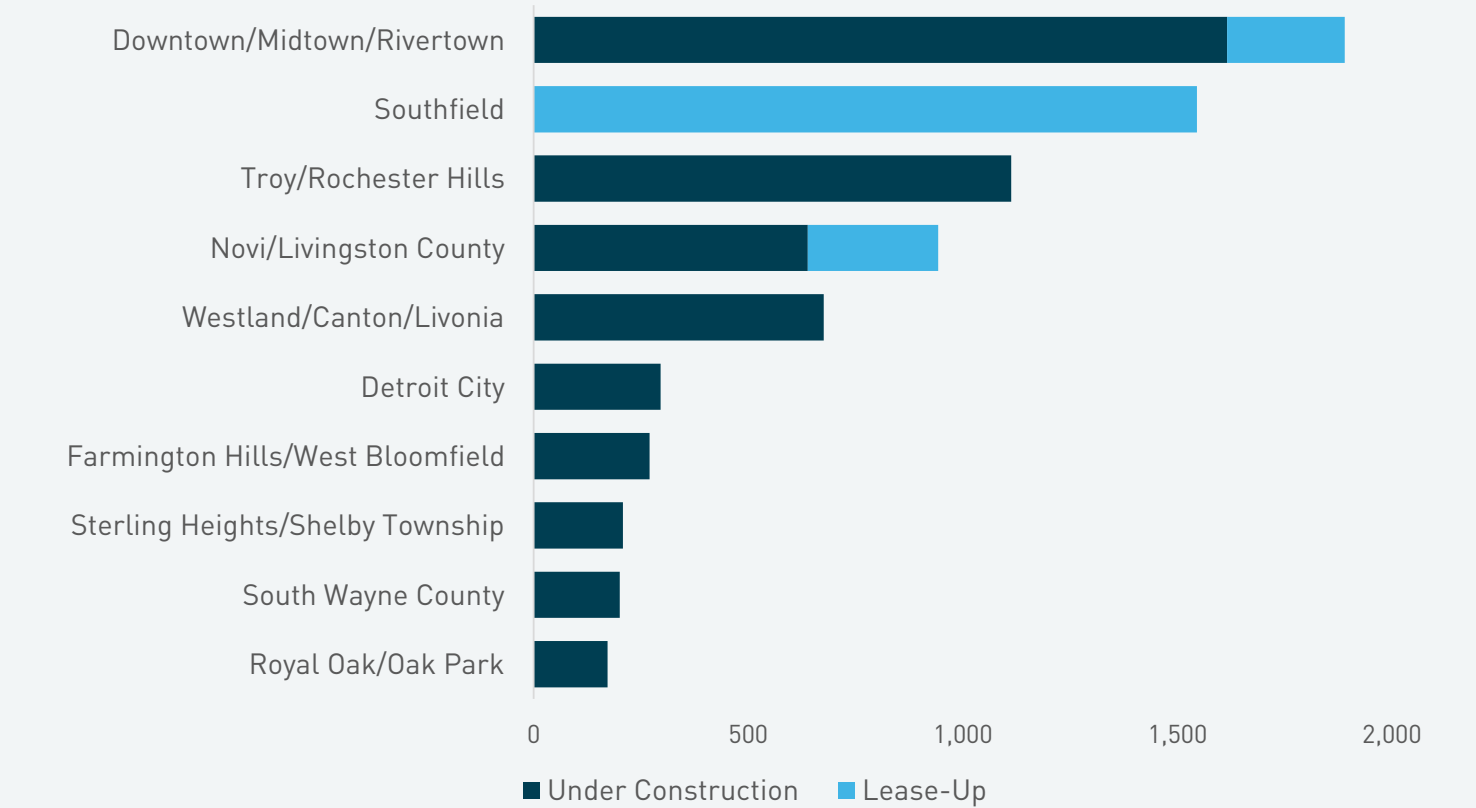


Source: RealPage

### Market Pipeline



### Top Submarket Pipelines

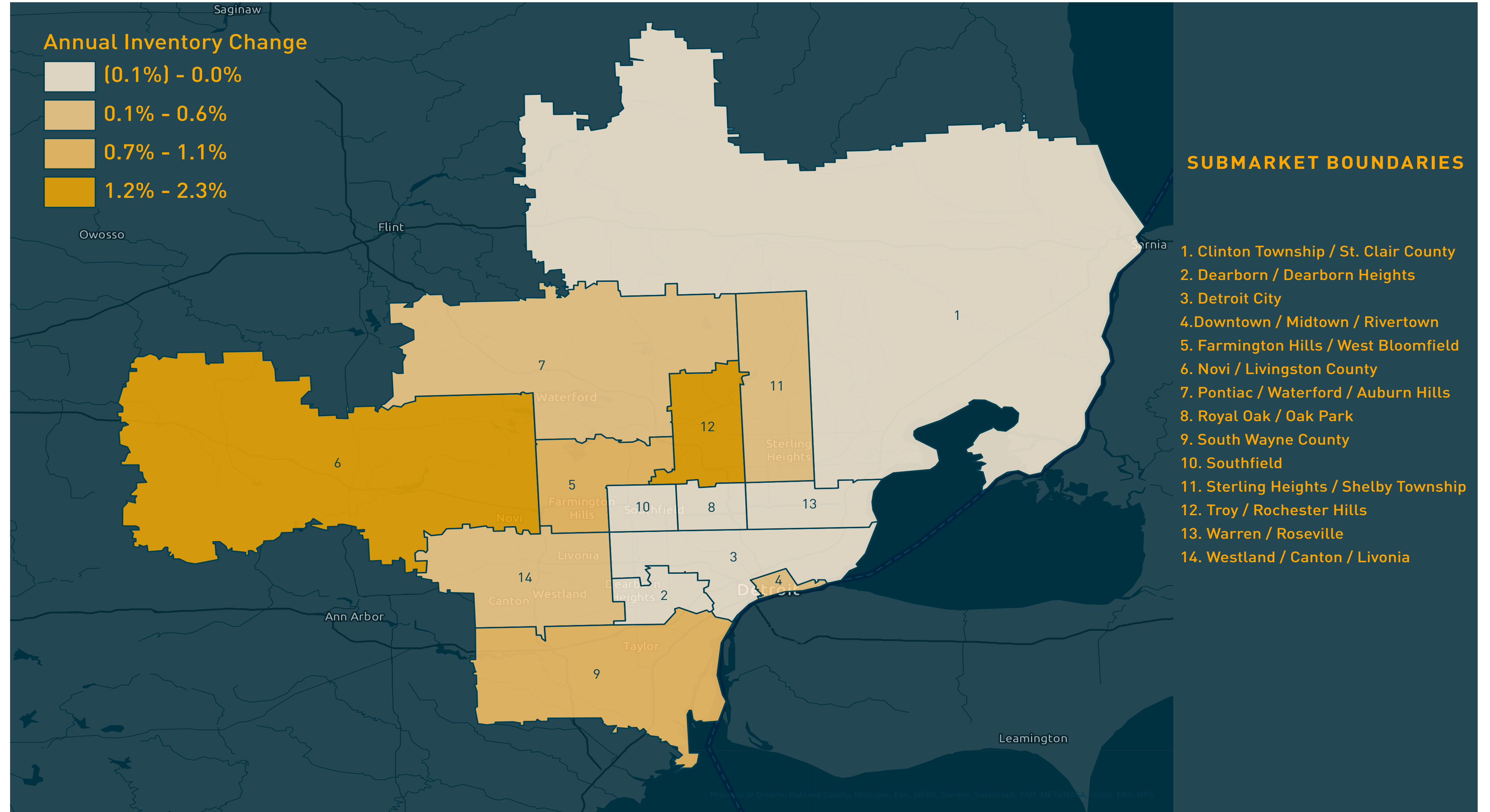




## DETROIT, MI

# SUBMARKET ANNUAL INVENTORY CHANGE

Multifamily developers continued to favor submarkets with oversized office use—specifically the Downtown/Midtown/Rivertown and Troy/Rochester Hills submarkets, which are expected to compose 52% of metrowide apartment deliveries in 2023. Six multifamily developments with a total of 1,616 units are underway in the Downtown/Midtown/Rivertown submarket, including the 153-unit The Exchange, in lease-up. Additionally, the 250-unit apartment complex at the Former Hudson’s site will open to great fanfare in the first quarter of 2024. This premier, 58-story building will be a major element in the continuing transformation of the Woodward Corridor skyline. Six apartment communities are also under construction in the Troy/Rochester Hills submarket. Three of the communities are in the lease-up stage. All six of these multifamily developments total 1,113 units.





# DETROIT, MI RENT & OCCUPANCY

## Effective Rent

**Q2 2023**  
\$1,278  
↑ 3.3% YOY

## Occupancy

**Q2 2023**  
94.7%  
↓ 300 BPS YOY

The pandemic altered Detroit metro apartment demand in 2020 as many renters working from home gravitated to larger, often more affordable apartments in the suburbs. In 2021, metrowide occupancy rose as some renters returned to the urban core and overall renter mobility increased alongside easing pandemic-induced restrictions. From early-2022 to mid-2023, Detroit metro occupancy decreased—spurred by tepid apartment demand amid heightened apartment rents and inflation. In the last half of 2023, rent growth and inflation are projected to subside from the 2022 highs. Furthermore, a simultaneous increase in apartment deliveries is expected in the near term. This environment is anticipated to drive

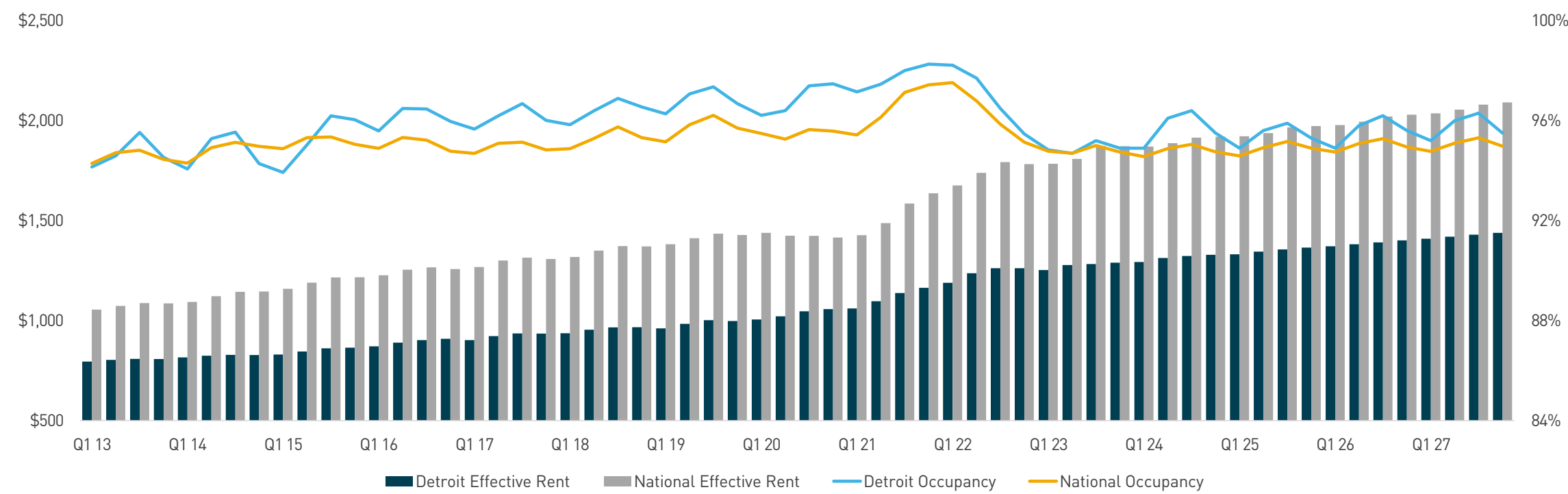
apartment demand and keep occupancy at 94.7% or higher through at least the next several quarters.

To value-conscious renters, metro Detroit's \$1,278 average monthly effective rent in the second quarter of 2023 was appealing compared to the two other large metros in the northern Midwest: Chicago and Minneapolis-St. Paul. In Chicago, monthly effective rent averaged \$1,932 in mid-2023, while average effective rent in the Twin Cities was \$1,536 per month. In fact, the two most desirable submarkets in the Detroit metro area, Troy/Rochester Hills and Farmington Hills/West Bloomfield, had lower average effective rents than both Chicago and Minneapolis-St. Paul.

## Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Clinton Township/St. Clair County	94.9%	-340	\$1,165	5.2%
Dearborn/Dearborn Heights	93.3%	-230	\$1,362	9.5%
Detroit City	89.9%	-460	\$1,198	13.2%
Downtown/Midtown/Rivertown	93.0%	-350	\$1,489	6.8%
Farmington Hills/West Bloomfield	95.5%	-210	\$1,483	0.9%
Novi/Livingston County	96.9%	-180	\$1,369	0.4%
Pontiac/Waterford/Auburn Hills	95.8%	-260	\$1,243	2.6%
Royal Oak/Oak Park	92.7%	-520	\$1,279	4.4%
Southfield	93.0%	-400	\$1,238	2.8%
South Wayne County	95.4%	-210	\$1,075	0.2%
Sterling Heights/Shelby Township	94.5%	-340	\$1,269	1.9%
Troy/Rochester Hills	94.4%	-290	\$1,518	3.8%
Warren/Roseville	94.7%	-390	\$996	5.7%
Westland/Canton/Livonia	94.8%	-340	\$1,225	2.7%

## Detroit vs. National Effective Rent & Occupancy



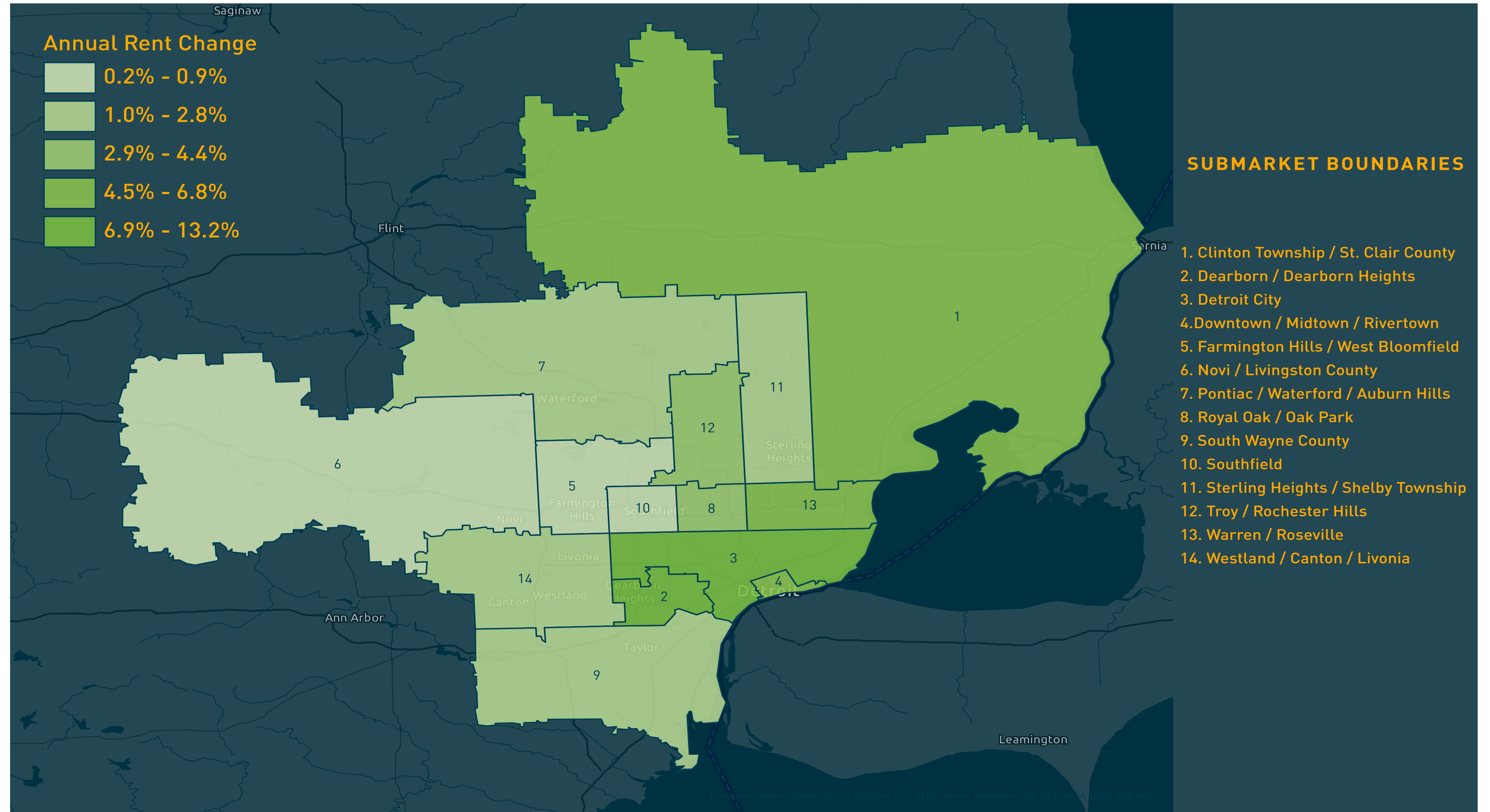
Source: RealPage



## DETROIT, MI

# SUBMARKET ANNUAL RENT CHANGE

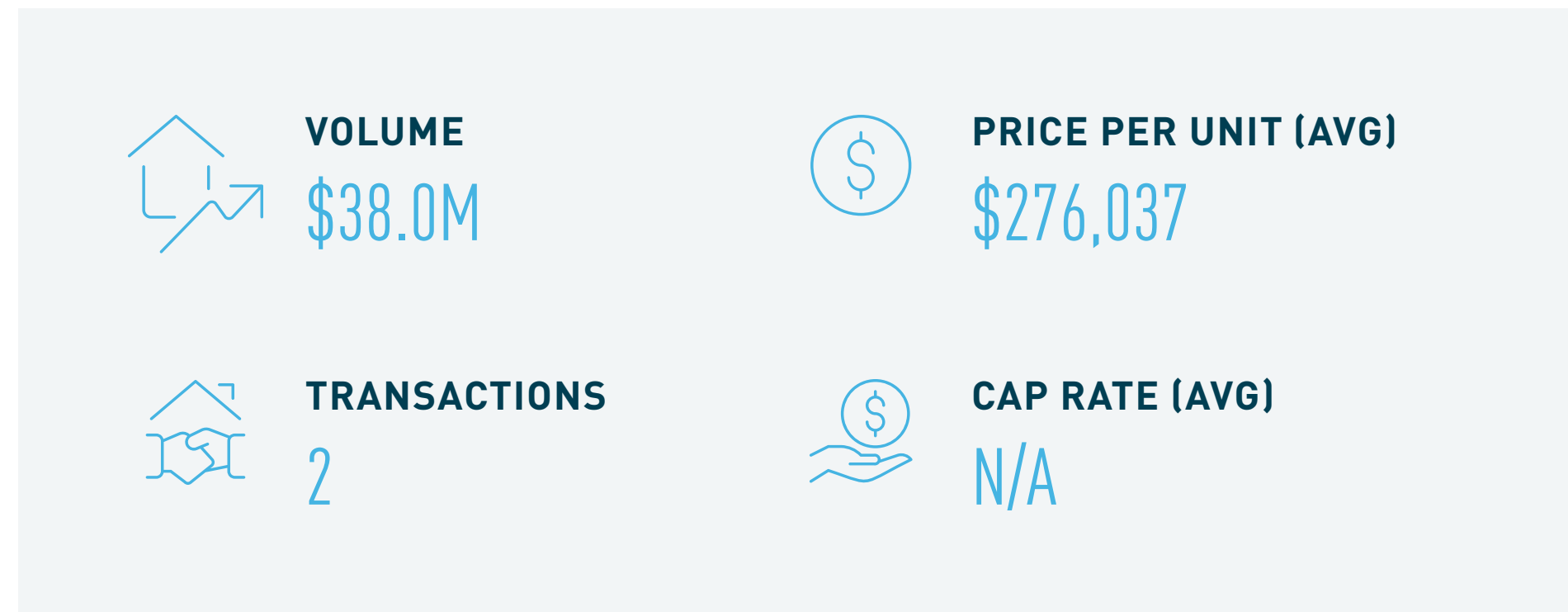
Rent growth was strong in the Downtown/Midtown/Rivertown and Detroit City submarkets in the last year, where operators implemented 6.8% and 13.2% annual effective rent increases, respectively, through June 2023. This growth was mostly attributed to renters who renewed their leases, as net apartment absorption was negative in both areas during the most recent four-quarter period. This demand trend is expected to change. Numerous exciting capital projects are underway in Downtown and Midtown Detroit and should entice renters to the urban core when completed. These projects include the \$1.4 billion redevelopment at the Hudson's site and Ford Motor Company's \$950 million investment in Michigan Central in Corktown. These developments and others in the inner core are expected to drive apartment demand—and by extension, rent growth—in the Downtown/Midtown/Rivertown and Detroit City submarkets in both the near term and the long term.





# DETROIT, MI SALES

2023 Year to Date\*



What's Trading?\*



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

Top Buyers\*\*

BUYER	LOCATION
Lightstone	New York, NY
DP Assets	Detroit, MI
The Solomon Organization	Chatham, NJ
Moshe Mendlowitz	Lakewood, NJ
Pepper Pike Capital Partners	Orange, OH

Top Sellers\*\*

SELLER	LOCATION
Hartman and Tyner Inc.	Southfield, MI
Lightstone	New York, NY
Pepper Pike Capital Partners	Orange, OH
Real Estate Service Solutions Co.	Southfield, MI
Moceri Companies	Auburn Hills, MI

\*\*Past 24 Months

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

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