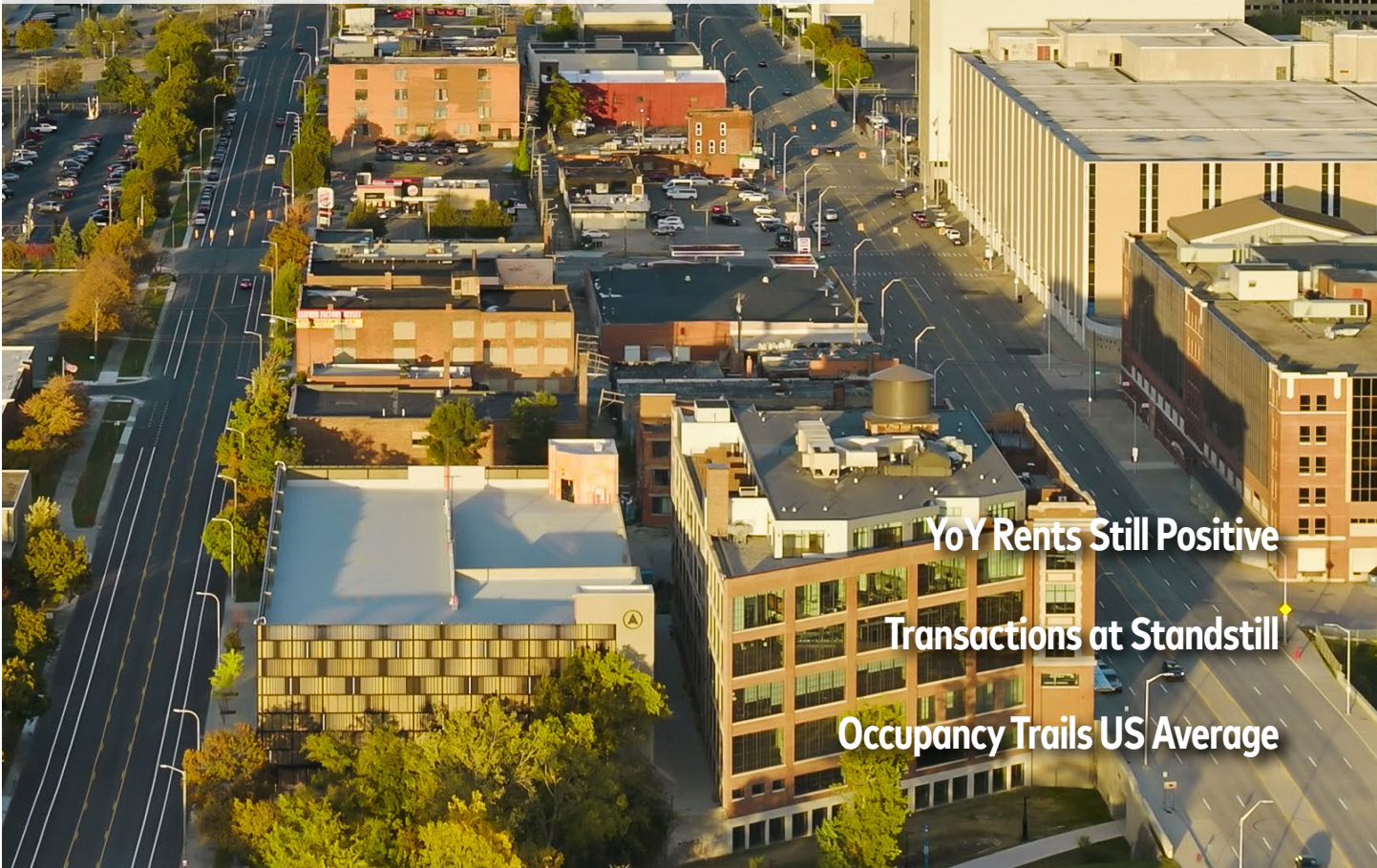


Detroit Rents Hold

March 2024



YoY Rents Still Positive

Transactions at Standstill

Occupancy Trails US Average

DETROIT MULTIFAMILY



Rental Market Stable As Nation Slows

Detroit's average rent stagnated on a trailing three-month basis through January but, at \$1,237, was still well below the U.S. average of \$1,710. On a year-over-year basis, rates in the metro were up 0.7%, remaining ahead of the nation's 0.5% rate of growth. The occupancy rate in stabilized properties was 94.4%, below the U.S. average of 94.6%.

Detroit's job market experienced a downturn during the 12 months ending in November. The metro saw a net loss of 7,300 jobs, and only four sectors managed to buck the trend. The education and health services sector added the most jobs, while at the other end of the spectrum, leisure and hospitality lost 5,900 jobs. Although the metro's unemployment rate surpassed the U.S. average of 3.7%, it remained lower than the statewide average of 4.3%. While challenges persist, Detroit is ready to continue several revitalization projects across the metro. One such project is set to open in June 2024. Ford Motor Co. plans to unveil the iconic Michigan Central Station as a pillar of its mobility campus. Another significant project in the works is The Future of Health, which is being co-developed by Henry Ford Health, Michigan State University and the Detroit Pistons.

Detroit developers had 4,923 units under construction as of January. The new-development pipeline also included some 12,700 units in the planning and permitting stages.

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Recent Detroit Transactions

Stratford Place at Brownstown



City: Brownstown Township, Mich.
Buyer: Four Corners Development
Group
Purchase Price: \$26 MM
Price per Unit: \$142,777

Northview Park

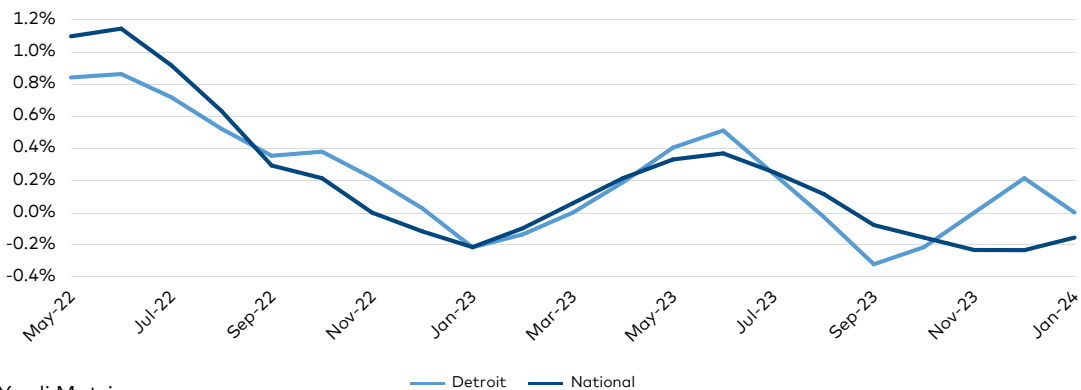


City: Sterling Heights, Mich.
Buyer: Peak Capital Partners
Purchase Price: \$21 MM
Price per Unit: \$104,000

RENT TRENDS

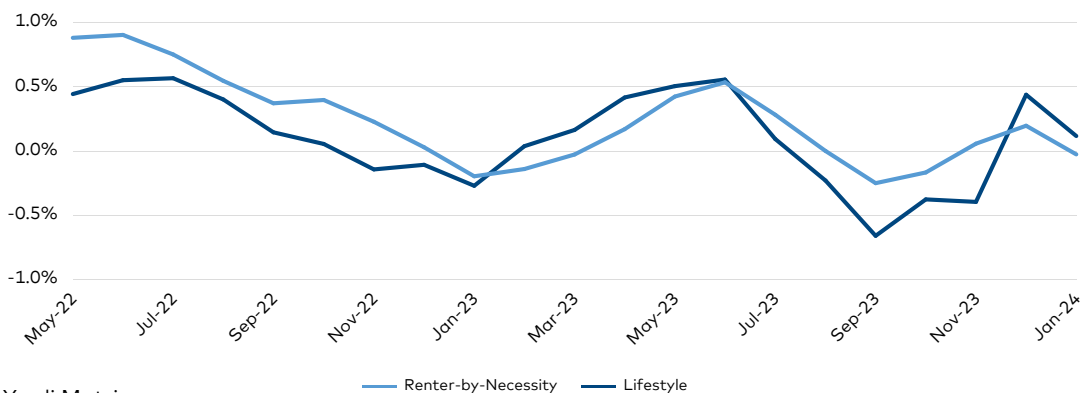
- ▶ Detroit rents remained unchanged on a trailing three-month (T3) basis through January, faring better than the U.S. average, which registered a 0.2% slide. On a year-over-year basis, rents were up 0.7%, 20 basis points above the U.S. rate.
- ▶ As of January, the metro's average rent came in at \$1,237, well below the national average of \$1,710. RBN rates mirrored the metrowide trend and remained flat on a T3 basis, stagnating at \$1,187. Lifestyle rents across the metro registered a 0.1% increase during the same period, rising to \$1,846. On a year-over-year basis, RBN figures saw a 0.8% increase, and Lifestyle rates were up 0.7%.
- ▶ As of January, Detroit's occupancy rate was down 70 basis points year-over-year, decreasing to 94.4%. The figure dropped 20 basis points below the U.S. average of 94.6%. The occupancy rate for the Lifestyle segment fell 60 basis points, to 93.7%. RBN figures had a slightly sharper decline, down 70 basis points, at 94.5%.
- ▶ On a year-over-year basis, rent growth was positive or flat in two-thirds of the 45 submarkets tracked by Yardi Matrix. The Livonia/Redford submarket stayed in the lead with the largest gains and was also the sole submarket with double-digit growth. Livonia/Redford's rents were up 11.1% year-over-year, increasing to \$1,307. Bloomfield Hills/Birmingham (up 3.4% to \$1,781) remained the priciest submarket.

Detroit vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Detroit Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ As of November, Detroit's unemployment rate stood at 3.9%, according to BLS data. The figure marked an 80-basis-point annual increase, however, on a monthly basis it improved 60 basis points. The metro's unemployment rate was above the 3.7% national figure, but marked an improvement compared to the state of Michigan, at 4.3%.
- ▶ Overall, Detroit lost 7,300 jobs during the 12-month period ending in November, with only four employment sectors recording job gains. Education and health services led growth with 5,500 jobs added, followed by government (4,500 jobs) and other services (1,600 jobs). At the other end of the spectrum, the three sectors that recorded the largest job losses were leisure and hospitality, manufacturing and professional and business services, which lost 15,300 jobs combined.
- ▶ Henry Ford Health, Michigan State University and the Detroit Pistons are seeking roughly \$300 million in tax abatements to support their \$3 billion project. The Future of Health project will include expanding the Henry Ford Hospital with the addition of a 1 million-square-foot tower, a 335,000-square-foot research center and 2,000 spaces across two parking structures. The project will also introduce 662 residential units through the construction of two new buildings and the transformation of One Ford Place.

Detroit Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	312	15.5%
90	Government	195	9.7%
80	Other Services	75	3.7%
15	Mining, Logging and Construction	85	4.2%
50	Information	29	1.4%
55	Financial Activities	122	6.0%
40	Trade, Transportation and Utilities	388	19.2%
60	Professional and Business Services	393	19.5%
30	Manufacturing	242	12.0%
70	Leisure and Hospitality	176	8.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Detroit's population lost 7,228 residents in 2022. The loss amounted to a 0.2% drop year-over-year. Overall, the metro's number of residents grew by 0.7% since 2010, when it had 4,345,978 residents.

Detroit vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Detroit	4,317,848	4,317,384	4,382,832	4,375,604

Source: U.S. Census

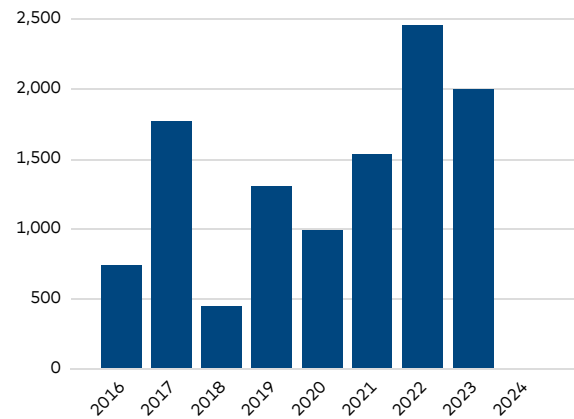
SUPPLY

- ▶ In 2023, Detroit developers completed 2,005 units, accounting for 0.9% of existing stock and lagging the national average, which stood at 2.6%. Yardi Matrix expects that in 2024, 3,121 units will come online, amounting to 1.4% of existing stock.
- ▶ In the first half of 2023, developers broke ground on 1,838 units, while in the second half construction was started on just 769 units. As of January, there were no new construction starts, however developers had 4,923 units under construction with an additional 12,700 units in the planning and permitting stages.
- ▶ Construction activity was mostly concentrated in the downtown area as well as north of the metro. The submarket with the most units underway was Detroit–Downtown with 1,311 units, followed by Rochester Hills (478 units), Detroit–Midtown (447 units) and Detroit–South (432 units).
- ▶ Detroit–Downtown’s underway pipeline had six Lifestyle projects totaling 1,081 units and a single RBN project that is also partially affordable. Pappas Financial’s 318-unit Lafayette West will have 46 units set aside for affordable housing. The property will also offer 88 condos for sale.

The developer secured a \$35 million construction loan funded by UC Funds to kick-off the mixed-use development.

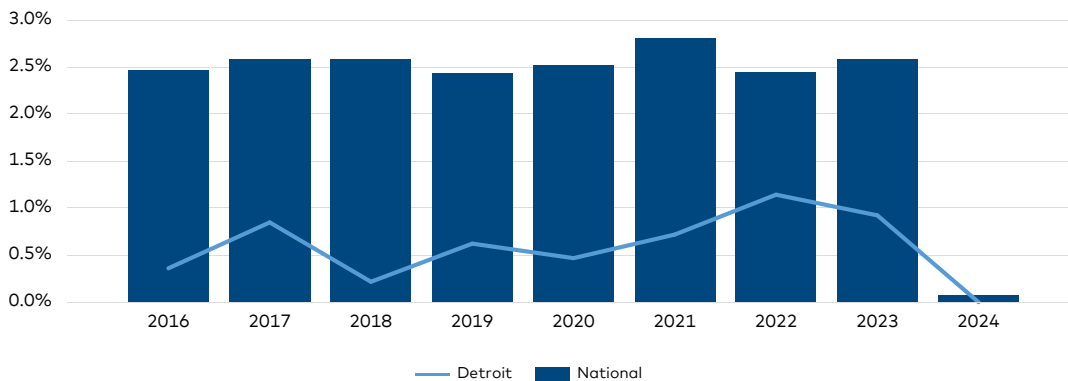
- ▶ Clinton Township–East is home to the largest fully affordable project under construction. In mid-2023, National Church Residences started construction on the 283-unit Clinton Place redevelopment. The nonprofit expects to complete the 14-building complex by mid-2025.

Detroit Completions (as of January 2024)



Source: Yardi Matrix

Detroit vs. National Completions as a Percentage of Total Stock (as of January 2024)

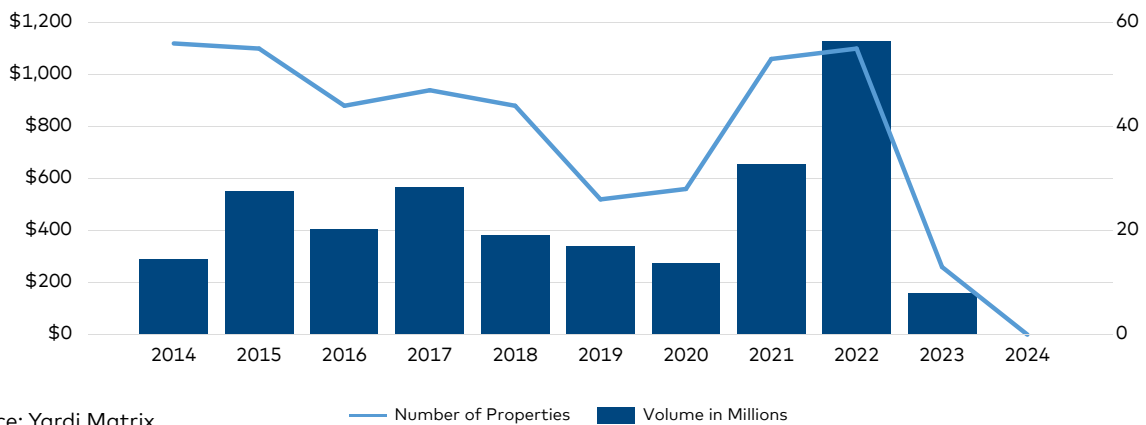


Source: Yardi Matrix

TRANSACTIONS

- ▶ In 2023, Detroit multifamily sales volume totaled \$157 million. The figure was a far cry from the \$1.1 billion that traded in 2022 as well as the \$474 million prior decade average. In 2024, sales were slow, as the lack of momentum from last year limited activity.
- ▶ In 2023, only RBN properties traded, pushing the average price per unit to \$87,633, down 35.8% compared to the previous year's \$136,476 figure. The metro's average price per unit was also well below the national average of \$185,563.
- ▶ During the previous year, Four Corners Development Group's acquisition of the 180-unit Stratford Place at Brownstown in the Woodhaven/Brownstown submarket fetched the highest per-unit price. Burton-Katzman sold the 2003-completed property for \$25.7 million or \$142,778 per unit. The buyer secured a \$19.3 million Freddie Mac loan to acquire the 36-building community.

Detroit Sales Volume and Number of Properties Sold (as of January 2024)



Source: Yardi Matrix

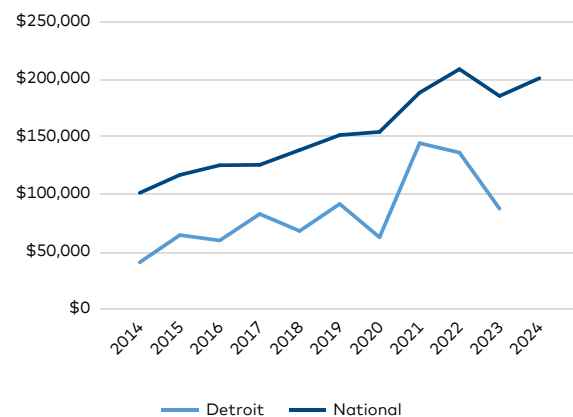
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Warren	48
Woodhaven/Brownstown	31
Sterling Heights	21
Southfield	21
Detroit-North	21
Clinton Township-West	8
Pontiac	6

Source: Yardi Matrix

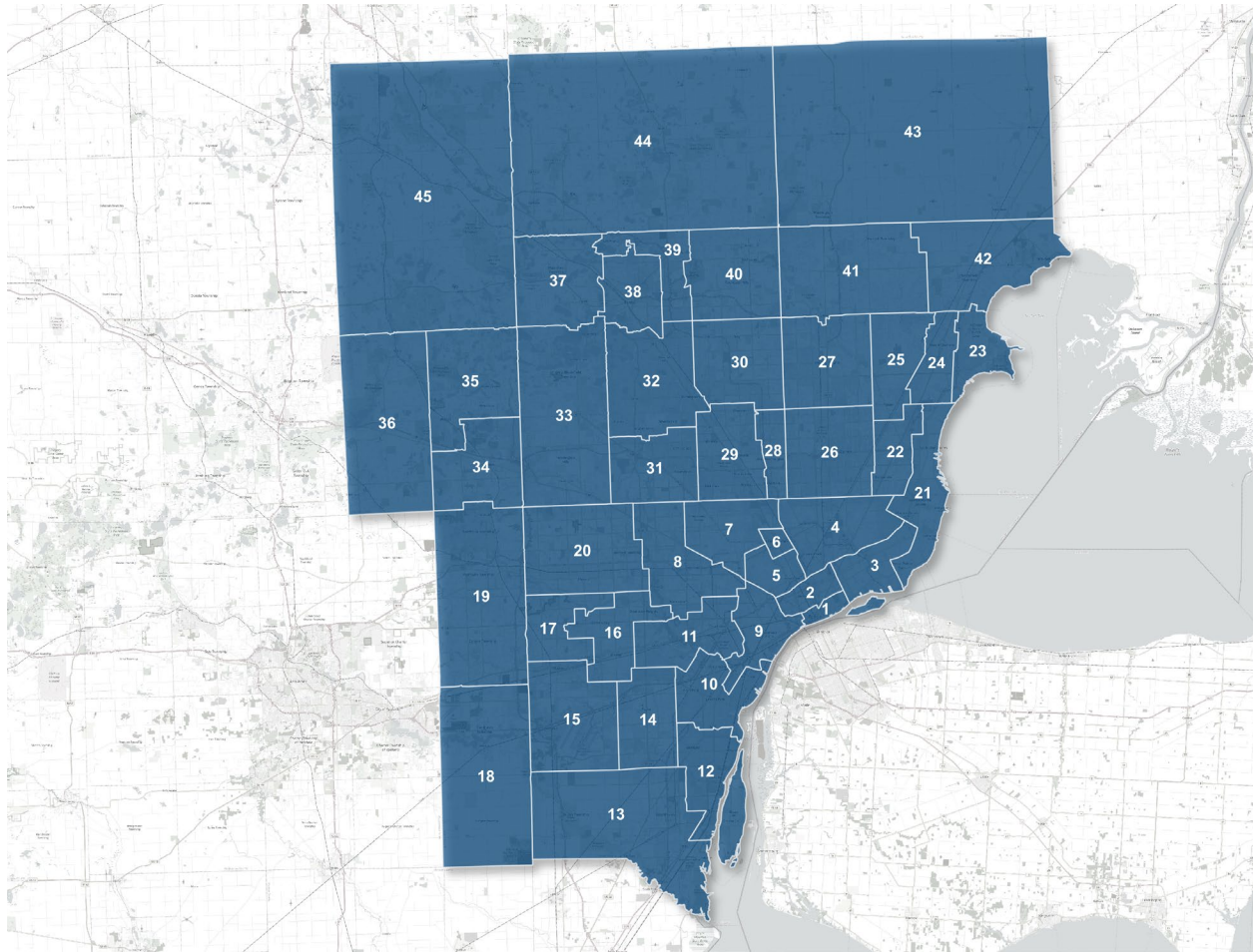
¹ From February 2023 to January 2024

Detroit vs. National Sales Price per Unit



Source: Yardi Matrix

DETROIT SUBMARKETS



Area No.	Submarket
1	Detroit–Downtown
2	Detroit–Midtown
3	Detroit–East
4	Detroit–Northeast
5	Detroit–New Center
6	Highland Park
7	Detroit–North
8	Detroit–West
9	Detroit–South
10	Lincoln Park/Melvindale
11	Dearborn
12	Southgate/Riverview
13	Woodhaven/Brownstown
14	Taylor
15	Wayne/Romulus

Area No.	Submarket
16	Dearborn Heights/Inkster
17	Westland
18	Belleville
19	Canton/Plymouth
20	Livonia/Redford
21	St. Claire Shores/Grosse Pointe
22	Roseville
23	Harrison Township
24	Clinton Township–East
25	Clinton Township–West
26	Warren
27	Sterling Heights
28	Madison Heights
29	Royal Oak/Oak Park
30	Troy

Area No.	Submarket
31	Southfield
32	Bloomfield Hills/Birmingham
33	Farmington Hills/West Bloomfield
34	Novi
35	Wixom/Walled Lake
36	South Lyon/Milford
37	Waterford
38	Pontiac
39	Auburn Hills
40	Rochester Hills
41	Shelby Township
42	Chesterfield/New Baltimore
43	Washington/Richmond
44	Clarkston/Orion
45	Holly/White Lake

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent.

Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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