



Detroit

MARKET INSIGHT REPORT



FALL

2023

Employment / Unemployment

Detroit and the surrounding region constitute a major center of commerce and global trade, most notably as home to America's 'Big Three' automobile companies – General Motors, Ford, and Fiat Chrysler. The Ford Motor Co. Mobility Innovation District development site, dubbed the Corktown Campus, is located west of downtown Detroit. Ford is restoring the historic Michigan Central Station train depot as the centerpiece of the project and has invested approximately \$740 million in the area over the past four years. The project marks the first substantial mixed-use expansion south of the city's central business district in years. Google, a founding member of the innovation

district, has partnered with Ford in the development of Weymo, its self-driving unit. Over 5,000 new jobs are expected to be created in the redevelopment area.

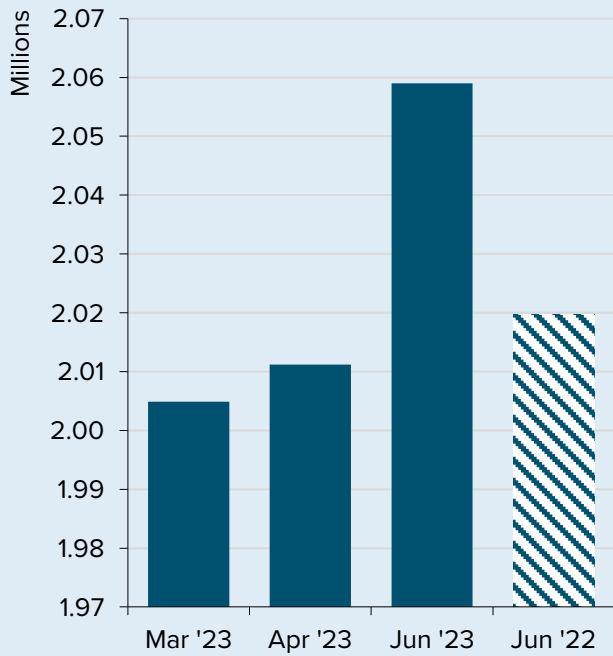
Also, Fiat Chrysler Automobiles' new Detroit Assembly Complex, in addition to the Jefferson North Assembly plant, will create a total of roughly 5,000 jobs.

The logo for GREAA (Greater Regional Economic and Activity Association) is displayed in white, bold, sans-serif capital letters. The letter 'A' is stylized with a white triangle pointing upwards from its base.

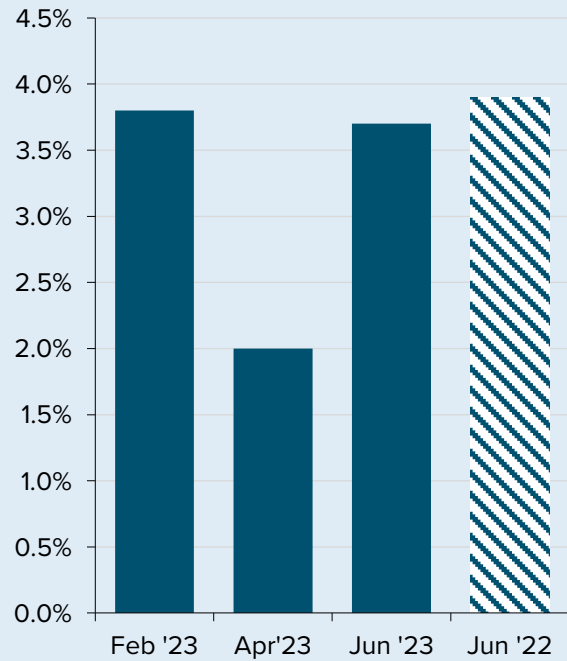
Detroit-Warren-Dearborn, MI, is made up of two metropolitan divisions—separately identifiable employment centers within the greater metropolitan area.

- Total nonfarm employment for the Detroit-Warren-Dearborn, MI, metropolitan area increased by 39,000 over the year in June, a local rate of job gain of 1.9% compared to the 2.4% national increase.
- Warren-Troy-Farmington Hills, MI, which accounted for 62% of the area's total nonfarm employment, had an employment level of 1,280,300 in June.
- The Detroit-Dearborn-Livonia, MI, division, with 38% of the metropolitan area's employment, added 18,000 jobs over the year.
 - Education and health care had the largest job gain among the metropolitan area's private-industry supersectors of 8,700 positions, a 4.6% increase Y-oY compared to the 4.2% increase on a national level.
 - The leisure and hospitality sector added 12,100 jobs over the year. As of June 2023, the sector had the highest year-over-year growth rate increase at 6.5% compared to 4.7% nationally.

Total Employment



Unemployment



Metro Area Employment (Thousands)	June 2023	% Change June 2022
Total Non-farm	2058.7	1.9%
Mining, Logging, and Construction	85.2	0.0%
Manufacturing	248.1	-1.5%
Trade, Transportation, and Utilities	383.7	0.8%
Information	29.5	0.7%
Financial Activities	124.7	-1.2%
Professional and Business Services	412.8	2.5%
Education and Health Services	313.7	4.6%
Leisure and Hospitality	198.4	6.5%
Other Services	74.2	0.3%
Government	188.4	2.7%

Sources: U.S. BLS, Current Employment Statistics

Detroit Rental Market

Like most markets across the nation, the record-setting renter demand of 2020 and 2021 slowed pace alongside inflationary pressures. From 2020 through the first half of 2022, annual rent growth escalated on par with demand for more space for working-at-home positions, particularly in submarkets farther from the city and amenity-rich 4- & 5-star developments. The second half of 2022 reflected a return of demand in the urban core as renters started to make their way back to the workplace, yet demand in urban submarkets still lingered behind suburbia.

Rent growth started to contract toward the end of 2022, and the effects of inflation and economic uncertainties have resulted in decelerated rent growth through the first half of 2023. A steady influx of new units entering the market has pressurized vacancy levels of various submarkets across the metro area. Submarkets with the highest rate of rent growth are among the most affordable areas in Metro Detroit such as Lapeer County and Uptown Detroit.



0.5%

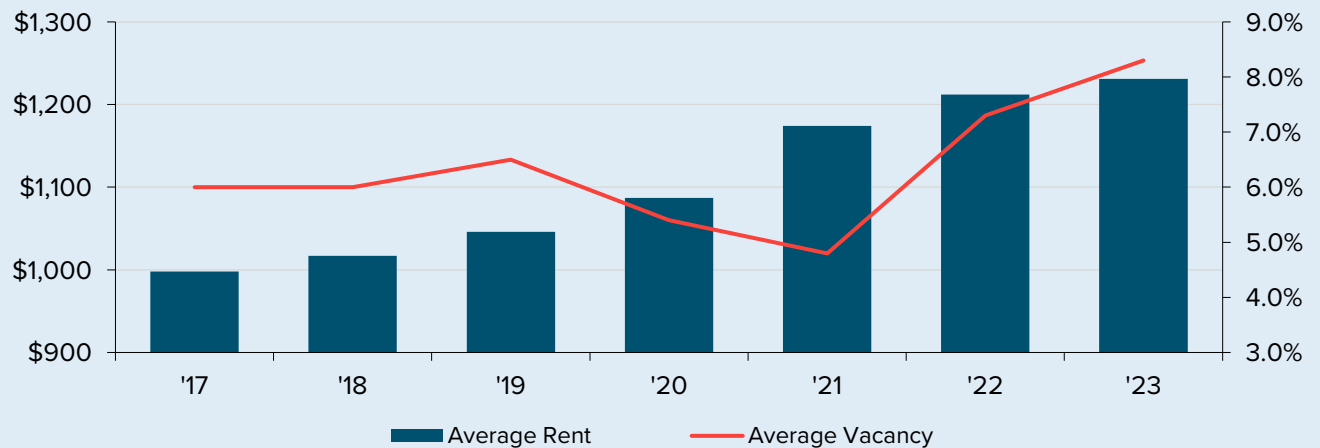
12 Month Asking Rent Growth

Year	Market Rent per SF	Vacancy Rate
YTD	\$1.34	8.3%
2022	\$1.32	7.3%
2021	\$1.27	4.8%
2020	\$1.18	5.4%
2019	\$1.13	6.5%
2018	\$1.10	6.0%
2017	\$1.07	6.0%

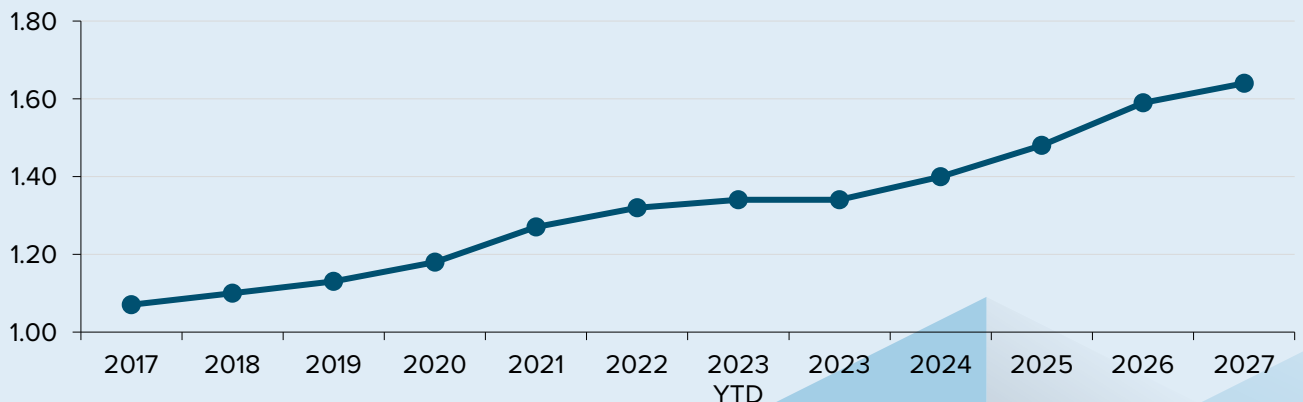
**Includes Properties in Lease-Up*

- The current average monthly rent in the Metro Detroit area is \$1,231.
- Lapeer County currently has the highest annual rent growth of 5.83% and a monthly rent average of \$930.
- Uptown Detroit recorded an annual rent growth rate of 5.0% and an average rent of \$810 per month.
- Submarkets with the highest average rents like Birmingham and downtown Detroit (\$1,855 and \$1,503 per month respectively), have reported negative rent growth.
- Rent growth is projected to level between 1% to 2% through the end of 2024 before a gradual incline.
- A steady influx of new units entering the market over the past 12 months has resulted in higher vacancy levels in various submarkets across the metro area. As of mid-2023, vacancies have increased by over 250 basis points since this time last year to 7.8%.
- Vacancy for the metro is expected to hover around the current 7.8% rate through the first half of 2024 before the start of a gradual decline.

Average Rent / Vacancy



Asking Rent / SF



Source: CoStar

Multifamily Construction

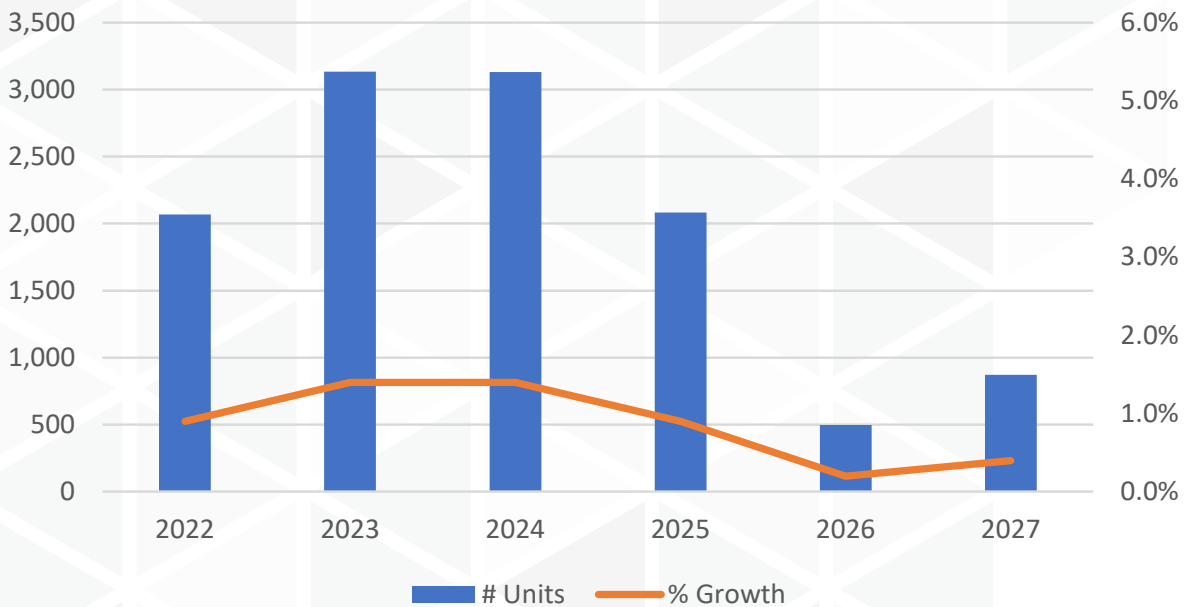
- The relatively compressed inventory of newer properties in greater Detroit has kept a tightened reign on vacancies as renter demand for newer, higher-tiered properties remains elevated.
- About 1,900 new units came online over the past 12 months with a concentration in the sub-market areas of Midtown Detroit, Troy / Rochester, and Macomb County.
- Over 11,000 units have been delivered across the metro area in the past five years, increasing inventory by approximately 5%.
- The Troy / Rochester submarket had the most units delivered since 2018 with 2,184, followed by Macomb County with 1,820.
- There are 2,900 4- and 5-star units and 2,800 3-star units currently under construction.
- Investment in capital improvements to existing inventory remains high, with nearly 85% of the area's apartments built before 2000 and about 38% of the area's inventory older than 50 years.



3,136 New Units

2023 Expected Completions
 3,128 New Units Will Follow in 2024

Supply & Demand - Inventory Growth



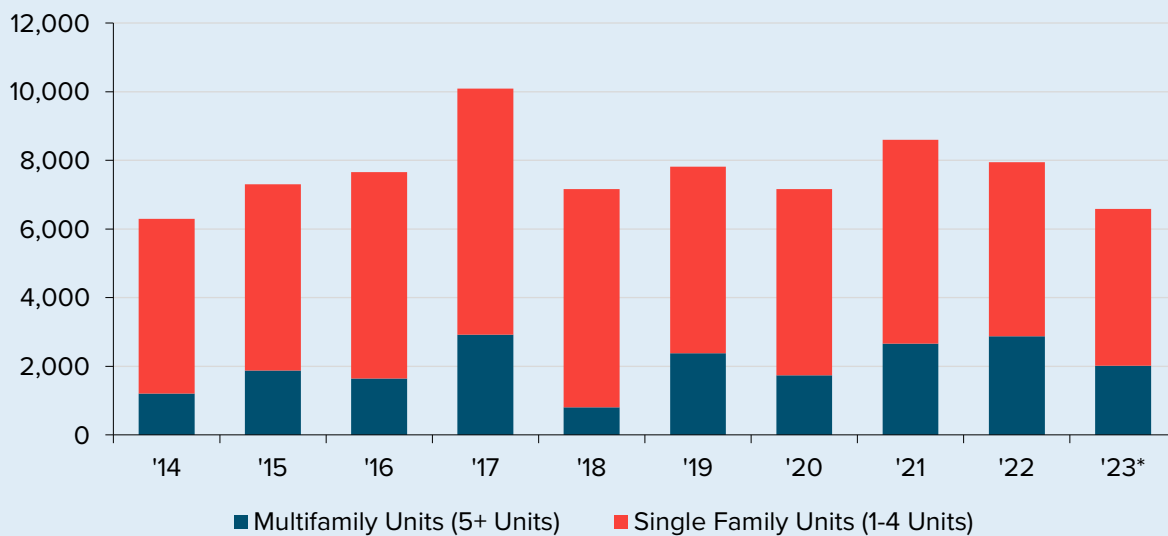
Source CoStar

Permits

- The median sale price for Metro Detroit was \$250,000, a decrease of -2.0% Y-o-Y.
- Sellers received 101.6% of the listing price.
- There were 3,839 closed sales, a decrease of 17.3% over the previous year.
- The monthly supply of inventory was 1.8.

For Metro Detroit June 2023

Total Residential Building Permits



Source: GMAR, Realcomp, GREA Research, Multifamily Includes Condos



2,018

Single Family Permits

4,564

Multifamily Permits

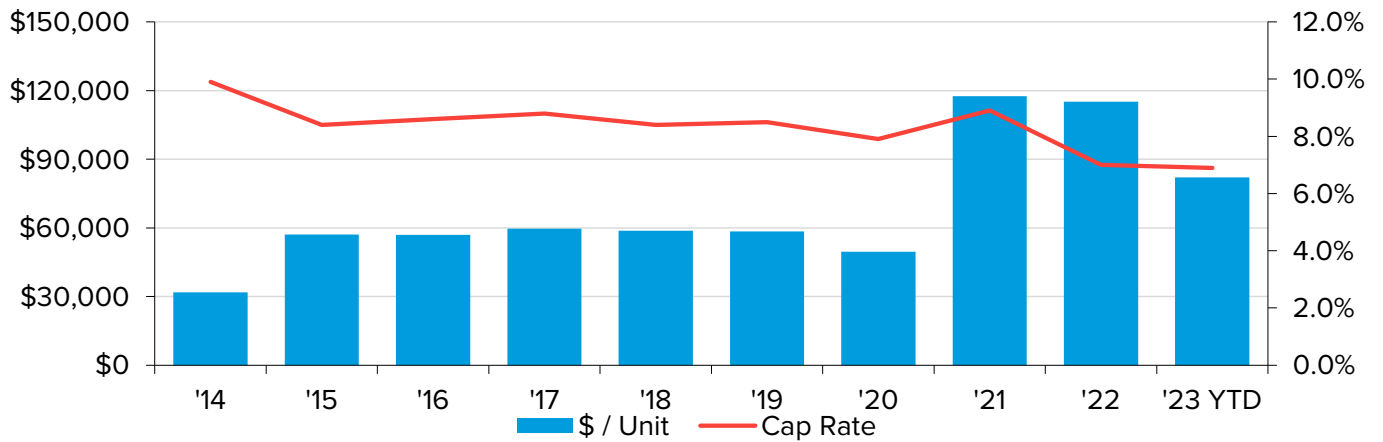


\$250K

Median Single Family Price

Multifamily Sales

Average Sales PPU / Cap Rate



Source: CoStar



\$111,231

Avg. Sold Price / Unit YTD



7.2%

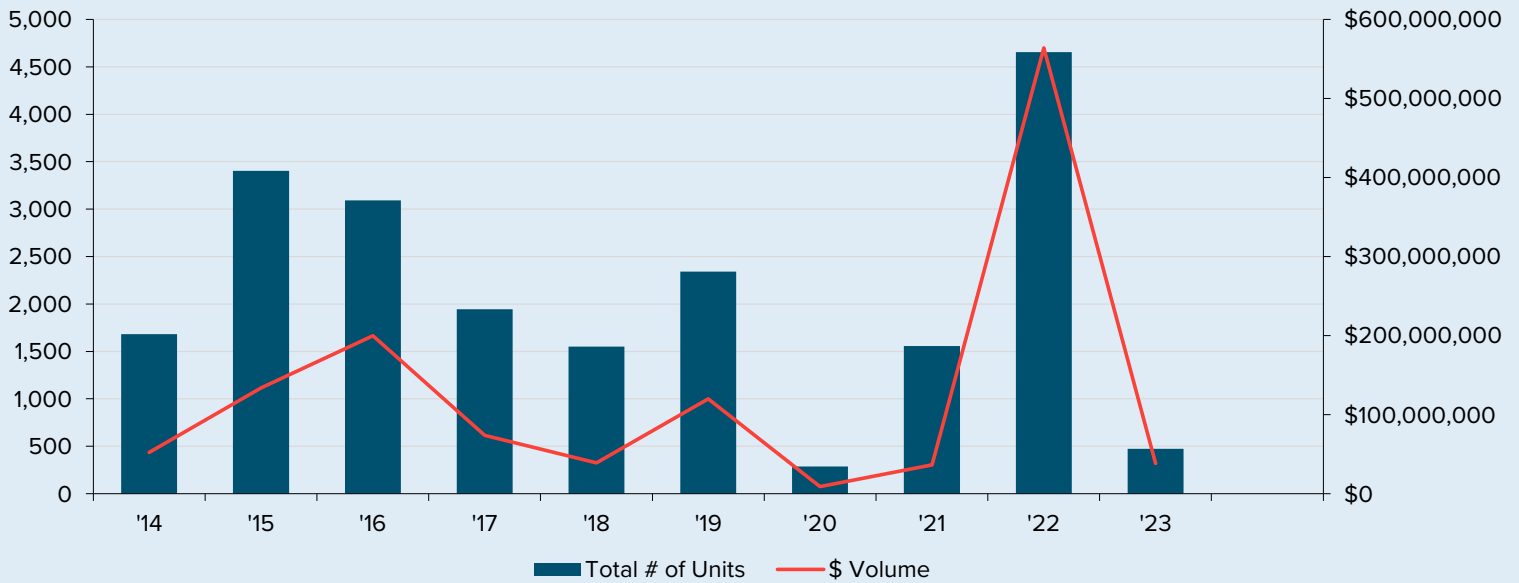
Avg. Cap Rate





\$464m
12 Month Sales Volume

Apartment Sales Transactions



Source: CoStar

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