

MARKET INSIGHTS | SUMMER 2024 | METRO DETROIT

Summer 2024



September 9, 2024

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Detroit and the surrounding region constitute a major center of commerce and global trade. Metro Detroit's economy made significant strides in the recovery of pandemic-related job losses in recent years, and the first half of 2024 brought expectations of full job recovery. Michigan is now ranked fourth nationwide for high-technology employment and is organized into 20 economic Smart Zones, five of which are in located in the metro area.

Detroit is regarded as the auto capital of the world as houses America's 'Big Three' automobile companies. Ford's Mobility Innovation District development site, the Corktown Campus, is located west of downtown Detroit. The Corktown Campus will create 5,000 jobs, 2,500 generated by Ford and 2,500 created from industry-related business partners. Also, Fiat Chrysler Automobiles' new Detroit Assembly Complex, in addition to the Jefferson North Assembly plant, will create about 5,000 new jobs.

Source: GREA Research, CoStar

Employment

Detroit-Warren-Dearborn, MI, is made up of two metropolitan divisions—separately identifiable employment centers within the greater metropolitan area. The Warren-Troy-Farmington Hills, MI, division comprises 62% of the metropolitan area's total payroll, and the Detroit-Dearborn-Livonia, MI division accounts for 38% percent of the area's employment.

Total nonfarm employment for the Detroit-Warren-Dearborn, MI, metropolitan area stood at 2,053,300 in July 2024. Overall net jobs increased by 12,800 over the year, a local rate of job gain of 0.6% compared to the 1.4% national increase. Employment in the mining, logging and construction supersector rose by 8,000 positions since July 2023, a job rate increase of 9.0% and the largest job gain among the metropolitan area's private industry supersectors. The trade, transportation and utilities sector had the second-largest net job gain with 5,000 positions, followed by education and health services with 4,000 new jobs. Both sectors had a percentage gain of 1.3%. Professional and business services was down -1.1% over the previous year with 4,200 job losses.

Metro Area Employment (Thousands)	% Δ from July 2023		
	Jul-24	Detroit	National
Total Nonfarm	2,053.30	0.6%	1.4%
Mining, Logging And Construction	971	9.0%	1.2%*
Manufacturing	251.8	-0.9%	0.2%
Trade, Transportation, and Utilities	389.6	1.3%	0.6%
Information	29.6	-4.5%	-1.2%
Financial Activities	125.5	-0.6%	0.4%
Professional and Business Services	385.3	-1.1%	0.5%
Education and Health Services	322.9	1.3%	4.1%
Leisure and Hospitality	196	0.3%	2.4%
Other Services	76.4	0.3%	1.7%
Government	179.1	2.2%	2.6%

Source: Bureau of Labor Statistics

Rental Market

Multifamily market fundamentals in Metro Detroit have historically been more stable and balanced than other U.S. markets with high population surges. Rent growth increased by 120 basis points over the past year to 3%, just shy of the 10-year average of 3.5%. Rent growth varies by location and asset class. Rent gains in the luxury apartment segment remains positive, even with the surge of deliveries in this segment in recent years. Average rent fetches \$1,950 per month in the upper-tier category, and rent growth stands at 2.8%. The Southfield, Macomb County, and Troy / Rochester areas accounted for close to 40% of the total move-ins over the past 12 months. Dearborn and Downriver were the leading growth submarkets with 5.4% and 4.7% rent growth increases, respectively. Gross Point had the sharpest decline in growth at -4.6%.

Downtown Detroit vacancy increased by 480 basis points over the past year to 19% as sizeable, market-rate luxury properties came online, and property concessions have started to increase alongside stiffer renter competition. These areas are expected to begin to balance in 2025 as the swift influx of deliveries of recent years are absorbed. Multifamily market performance is anticipated to maintain its historically steady trend in the long-term. The average vacancy rate for all apartment classes is forecasted at 7.4% for 2024, and CoStar's base case forecast predicts the upper-tier segment to reach an average vacancy of 7.4% towards the end of 2025.

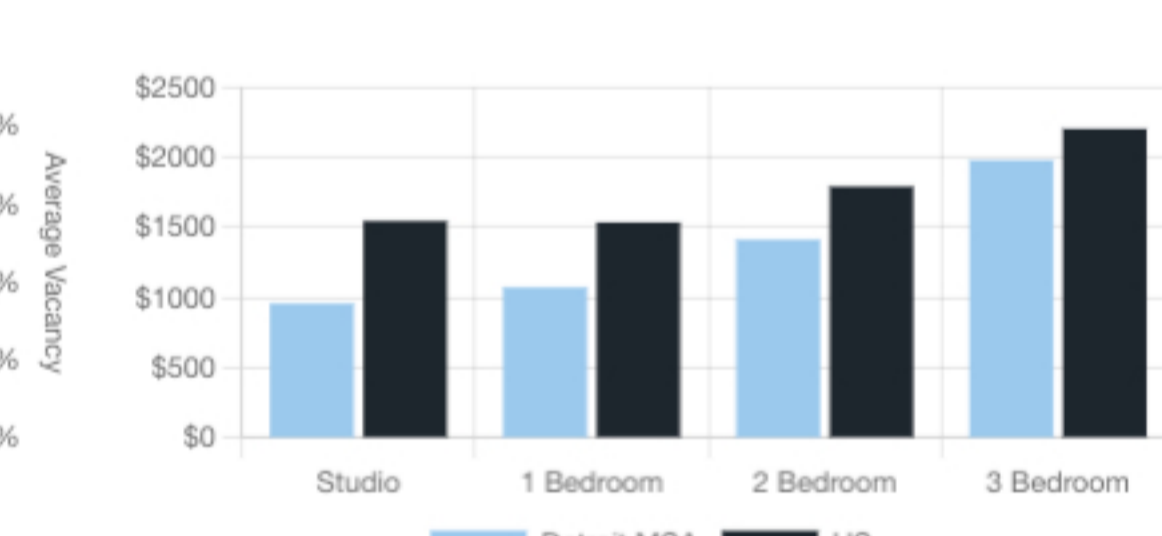


Source: CoStar

Average Rent / Vacancy



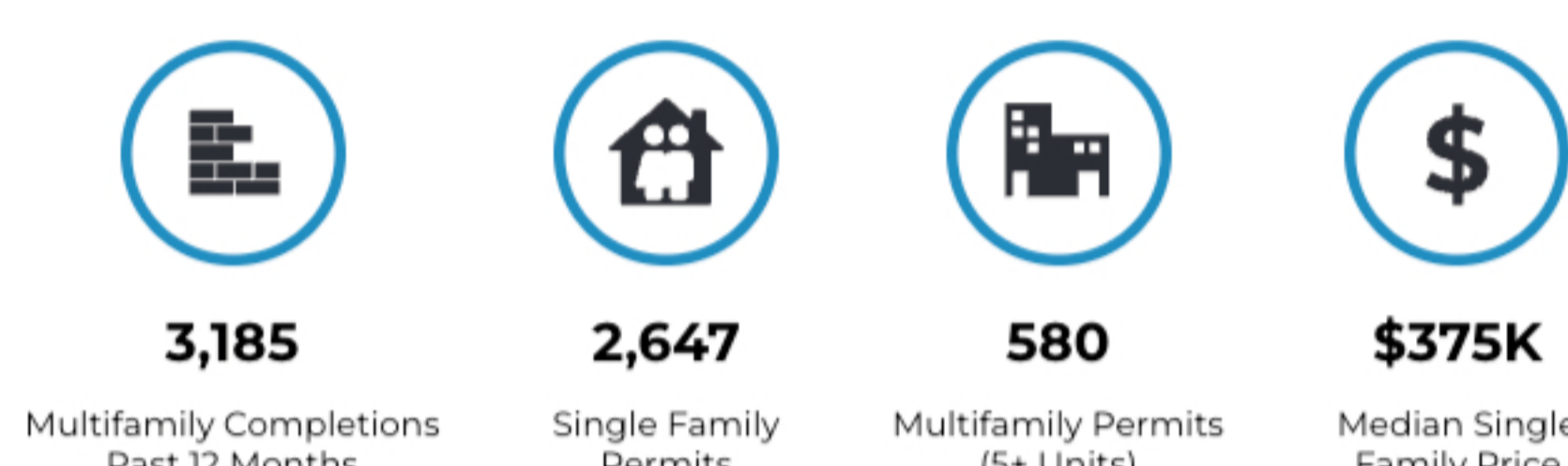
Asking Rent / Bedroom



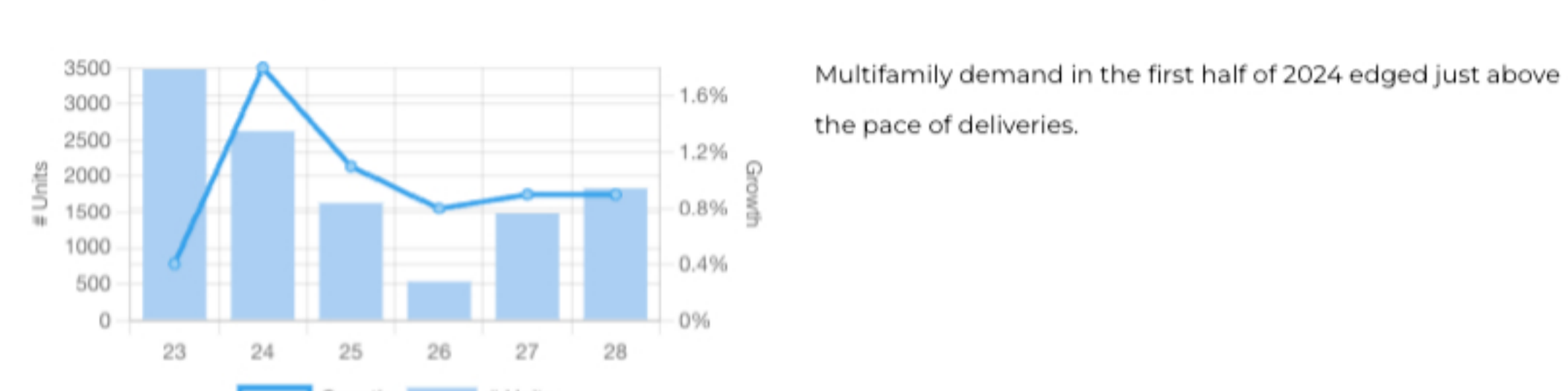
Multifamily Construction

Renter demand for newer, higher-tiered properties and the compressed inventory of newer properties sustained tightened vacancy in recent years. Nearly 3,200 units have been delivered over the past year in the Detroit metro area, a near 12-month delivery record. Inventory has increased by 5% over the past five years with approximately 14,000 units added, and the lion's share of the construction has been in the Class A and B segments.

Deliveries were heavily concentrated in Downtown Detroit, Livingston County, and Macomb County. Still, the construction pipeline is balanced with half of the 3,230 units underway classified as mid-tier, a favorable market condition as lingering inflationary pressures shifted renter demand towards more affordable properties. Nearly 40% of the metro's inventory is older than 50 years, and investment in capital improvements of existing inventory remains high.



Completions / Net Absorption



Multifamily demand in the first half of 2024 edged just above the pace of deliveries.

Units by Submarket Delivering in 2024



Submarket	Units Under Construction	% of Total UC
Birmingham / Bloomfield	369	7.8%
Dearborn	0	0.0%
Downriver	0	0.0%
Downtown Detroit	656	6.3%
East Side Detroit	18	0.4%
Farmington Hills / Novi	319	1.8%
Grosse Pointe	0	0.0%
Jefferson	0	0.0%
Lapeer County	0	0.0%
Livingston County	235	4.8%

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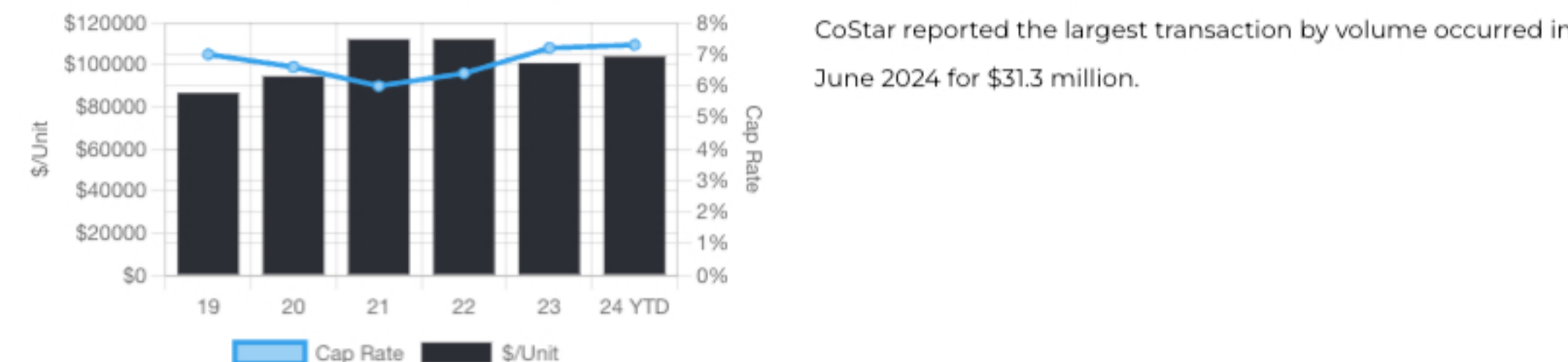
Multifamily Sales

Metro Detroit has historically been a top contender for multifamily investment in the Midwest, and annual sales volume peaked at \$2.2 billion in Q3 2022. Along with most in the nation, transaction activity in greater Detroit has steadily decreased over the past two years. Transactions amounted to \$250 million over the past year compared to the 10-year annual sales volume average of \$540 million. Local private and national investors and developers have taken center stage while many institutional investors remain on the sidelines.

While the number of recorded sales transactions has been steady (66 over the past year), sales volume has decreased, indicative of smaller properties with lower price tags trading hands. Private buyers comprised close to 80% of the metro's total transaction activity over the past 12 months, and cash buyers have had the competitive advantage due to the prolonged challenges of elevated interest rates and tightened lending standards. SG Companies, in a joint venture, purchased the 300-unit Glengarry Park Apartments in Waterford for \$104,500 per unit. Glengarry Park was constructed in 1972 and had a vacancy of 6.3% at the time of sale.



Average Sales PPU / Cap Rate



CoStar reported the largest transaction by volume occurred in June 2024 for \$31.3 million.

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