DETROIT, MI
MULTIFAMILY REPORT

2024 | MID-YEAR

BERKADIA®

Jobs Added / Lost*

LAST 12 MONTHS

6,600

0.3%

Unemployment*

JUNE 2024

4.1%

70 BPS YOY

**Seasonally Adjusted*

DETROIT, MI

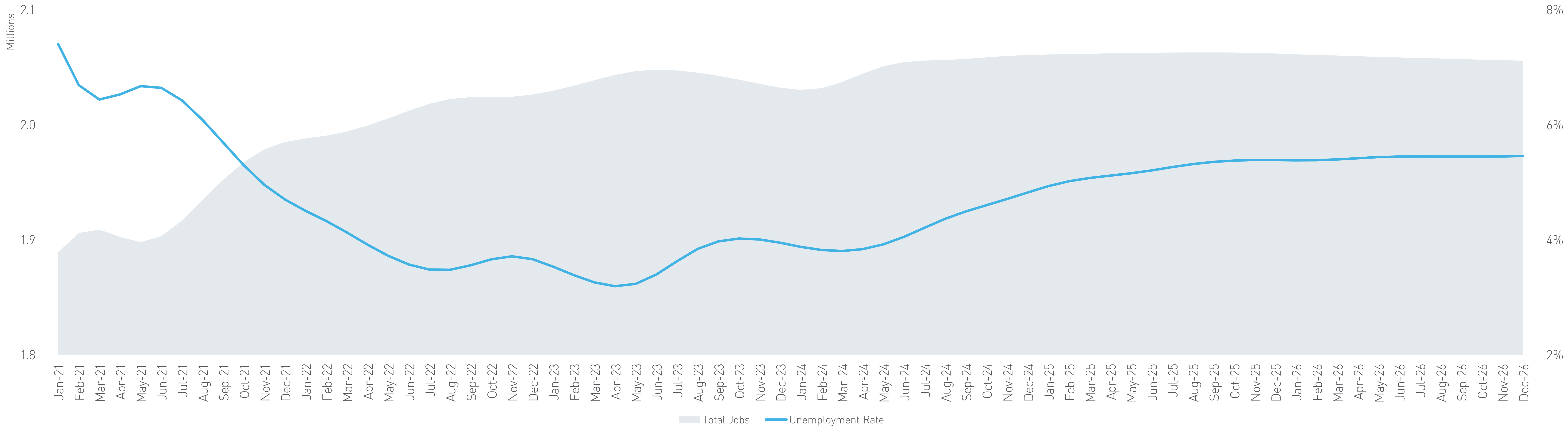
EMPLOYMENT

Businesses and institutions in the private education and healthcare, the trade, transportation, and utilities, and the construction sectors were the key contributors to job growth in the Detroit metro area in the last 12 months. Employment gains in these sectors were partially offset by losses in the manufacturing and white-collar segments of the economy. The greatest rate of annual growth—8.3%, resulting in 6,900 new jobs—was in the construction industry, which was supported by major projects that included the General Motors Company's expansion at the Lake Orion Plant, GM's electric vehicle parts facility in Auburn Hills, and Our Next Energy's battery plant in Van Buren Township. In the trade, transportation, and utilities sector, 4,200 net new jobs were added since mid-2023, a 1.1% gain. The sector was supported in part by rising U.S.–Canadian trade. From May 2023 through May 2024, the value of imports and exports passing through the Detroit border crossing with Canada totaled $172.1 billion, a 6.7% increase from the corresponding period one year earlier. In the private education and healthcare sector, payrolls expanded 2.4% with 7,500 net new jobs. Major projects planned or underway, including the Henry Ford Behavioral Hospital in West Bloomfield, Trinity Health Livingston Hospital in Livingston County, and a $3 billion expansion at Henry Ford Health Hospital in Detroit, bode well for long-term employment in the area's healthcare industry.

In the News

- Detroit City Council approves $3 billion expansion at Henry Ford Hospital
- GM Lake Orion Plant expansion to finish in late 2025, creating 2,350 jobs
- GM to open EV parts plant in late 2024 and employ 1,000 workers

Employment Trends



Source: Moody's Analytics

2024 YEAR TO DATE

DELIVERIES
1,907 UNITS

ABSORPTION
1,948 UNITS

2024 TOTAL*

DELIVERIES
3,840 UNITS

ABSORPTION
4,003 UNITS

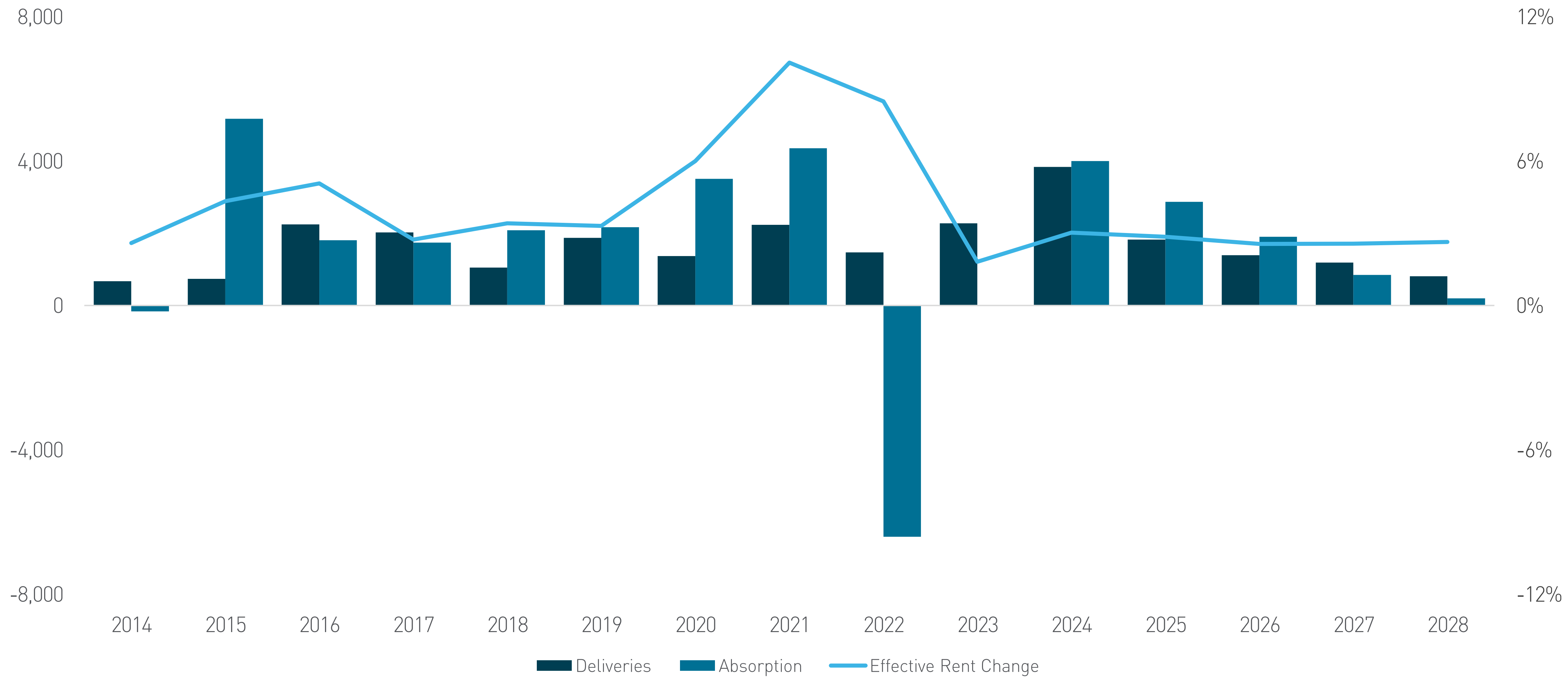
Projected

DETROIT, MI

DELIVERIES & ABSORPTION

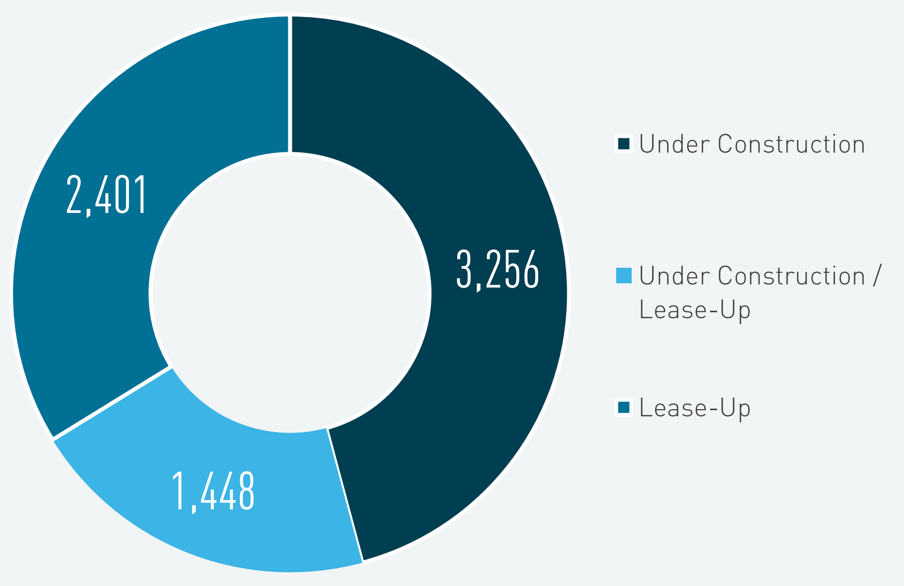
Builders delivered 3,424 apartment units in the four quarters ending in the second quarter of 2024. Developers favored three areas: the Downtown/Midtown/Rivertown submarket, the side-by-side Sterling Heights/Shelby Township and the Troy/Rochester Hills submarkets, and the adjoining Westland/Canton/Livonia and the Novi/Livingston County submarkets. The Downtown/Midtown/Rivertown submarket has historically been an easy choice for developers because of the abundance of major employers, nightlife, and entertainment destinations in the urban core. The Sterling Heights/Shelby Township and Troy/Rochester Hills submarkets are known for their numerous employment hubs and high quality of life. The Westland/Canton/Livonia and Novi/Livingston County submarkets offer developers plenty of wide-open spaces for new apartment communities, a characteristic missing in the more densely populated parts of the metro. In these submarkets mentioned above, a net 2,807 apartments were absorbed from the second quarter of 2023 through the second quarter of 2024, an outsized share of the 3,231 net apartments absorbed metrowide. Of these five submarkets, four were in the suburbs. Some of the healthy leasing activity in these outlying submarkets suggested that a portion of office workers were still engaged in a hybrid work arrangement with their employers, and preferred larger, lower-rent apartments more common to the suburbs.

Deliveries, Absorption, & Effective Rent Change

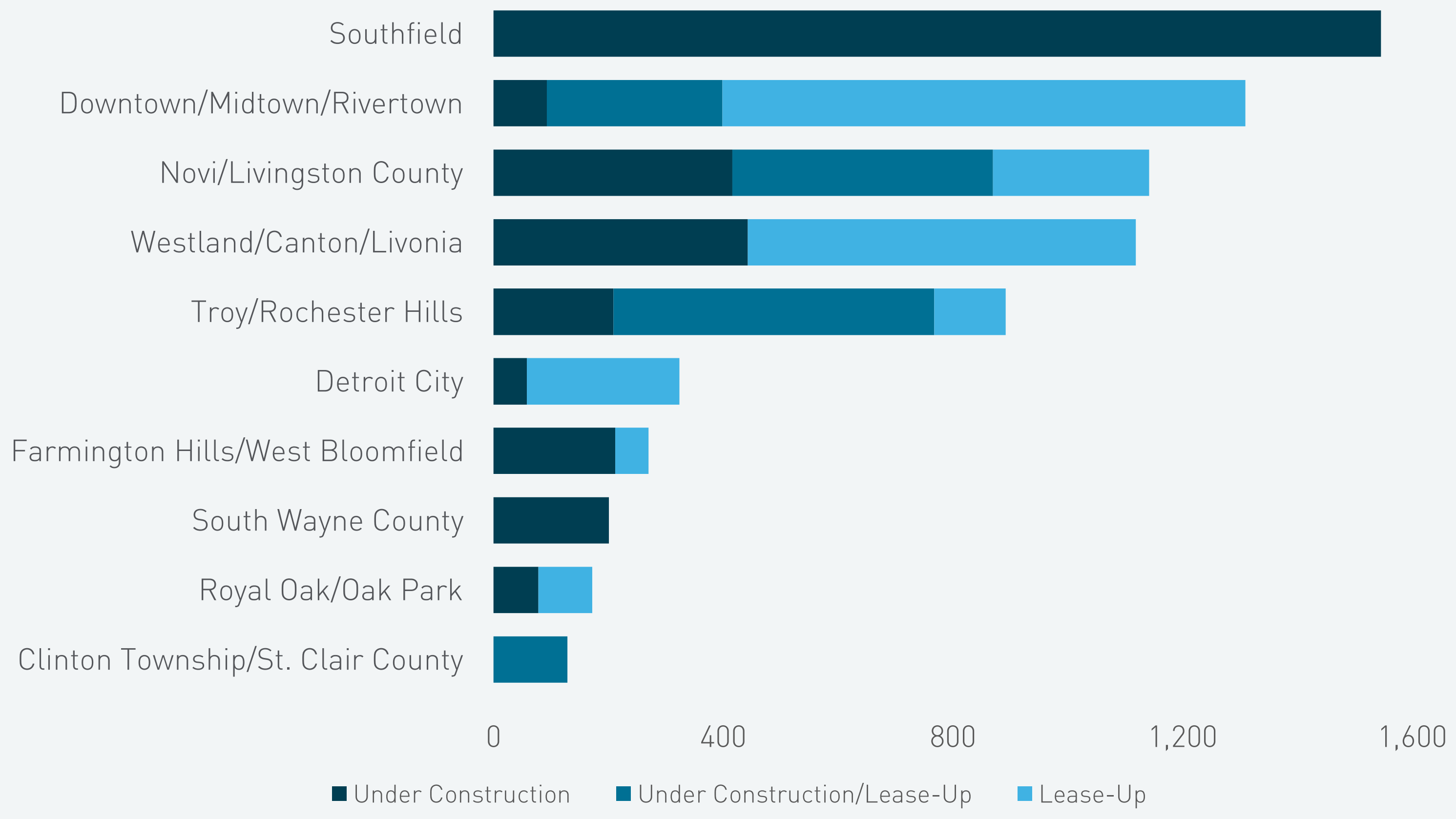


Source: RealPage

Market Pipeline



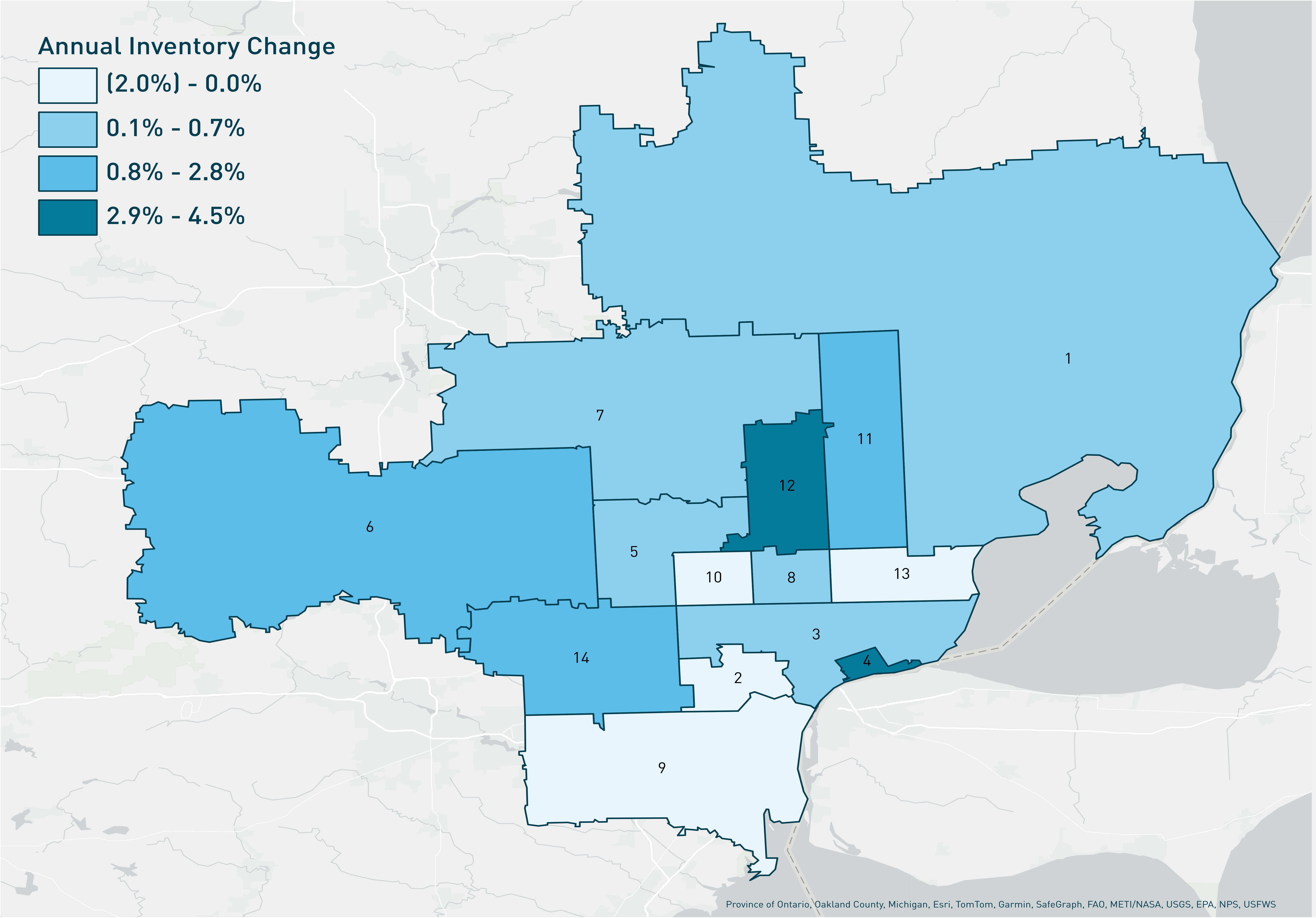
Top Submarket Pipelines



Just over 4,700 apartment units in the Detroit metro area were in the construction or lease-up phase as of the second quarter of 2024. Of these, approximately 3,300 units are expected to come online by mid-2025. The largest recipient of new apartments will be the Southfield submarket. By the end of the first quarter of 2025, the 1,546-unit Northland City Center I mid-rise apartment community will be completed. In the Novi/Livingston County submarket, five apartment developments ranging in size from 136 to 217 units will be finished by mid-2025. Located just east of Downtown Detroit, residents at the 306-unit, Class A Lafayette West apartment community will have convenient access to the city's urban amenities and be within walking distance of historic Lafayette Park. Lafayette West is currently in lease-up, and the final units are scheduled for completion in December 2024.

DETROIT, MI

SUBMARKET MID-YEAR 2024 ANNUAL INVENTORY CHANGE



SUBMARKET BOUNDARIES

1. Clinton Township / St. Clair County
2. Dearborn / Dearborn Heights
3. Detroit City
4.Downtown / Midtown / Rivertown
5. Farmington Hills / West Bloomfield
6. Novi / Livingston County
7. Pontiac / Waterford / Auburn Hills
8. Royal Oak / Oak Park
9. South Wayne County
10. Southfield
11. Sterling Heights / Shelby Township
12. Troy / Rochester Hills
13. Warren / Roseville
14. Westland / Canton / Livonia

Effective Rent

Q2 2024

$1,312

2.3% YOY

Occupancy

Q2 2024

94.9%

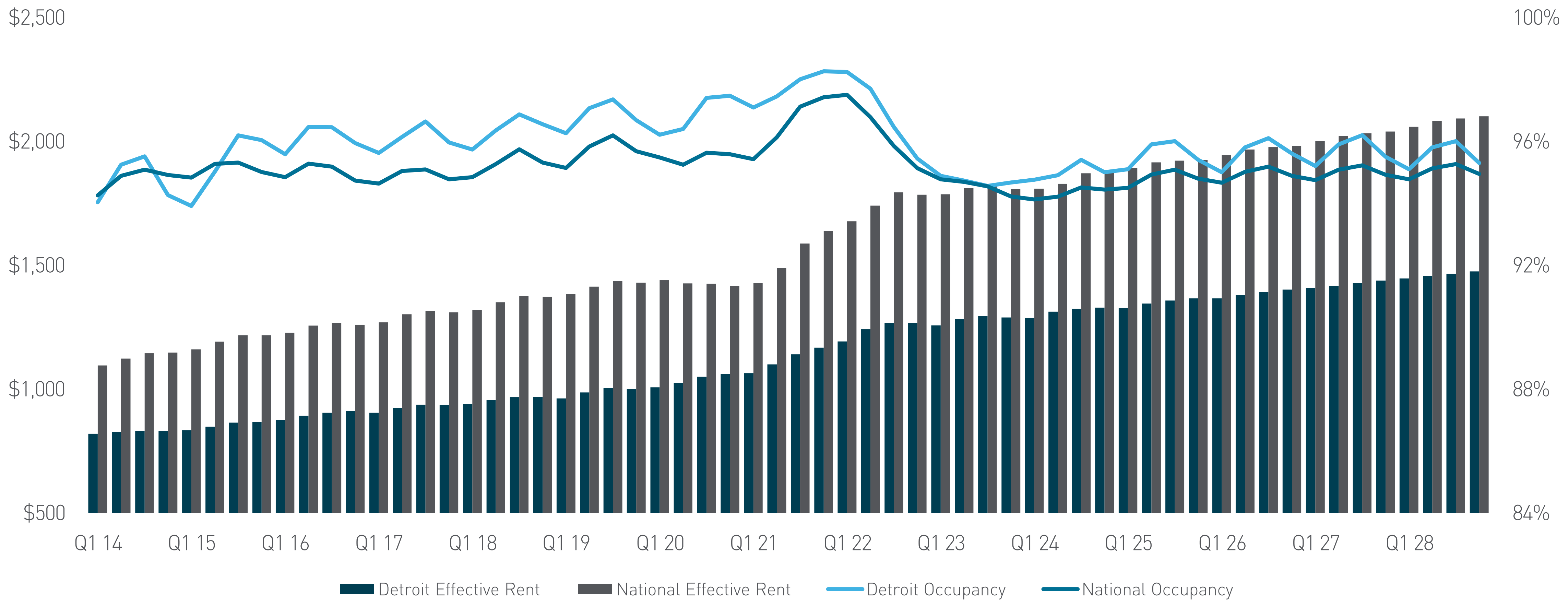
20 BPS YOY

DETROIT, MI

RENT & OCCUPANCY

The health of the Detroit metro area's apartment market was evident in the second quarter of 2024 as occupancy rose 20 basis points year over year amid a wave of 3,424 units that were delivered during that period. The metro area's 94.9% occupancy rate in mid-2024 was higher than regional metros Cleveland, Indianapolis, and Pittsburgh. Quarterly occupancy in the Detroit metro area is forecast to remain between 95% and 96% through the end of 2025. Effective rent also increased during the last 12 months. In the second quarter of 2024, average monthly effective rent reached $1,312, a 2.3% annual increase. Class A effective rent averaged $1,829 per month, a 33.9% premium over Class B average effective rent. Class B apartments, the most numerous class segment, had effective rent that averaged about 25% greater than Class C effective rent. Across all segments, apartment size was a significant factor in rent growth during the last year. Rents at two- and three-bedroom apartments rose about 6% year over year through mid-2024. Meanwhile, rents among one-bedroom apartments grew at a slower pace, and the rate of rent appreciation among studio apartments was negligible. This rent trend can be attributed in part to lingering work-from-home and hybrid work arrangements. Depending on the source, between 10% and 25% of workers still work from home at least one day per week; many require an extra room for their home office.

Detroit vs. National Effective Rent & Occupancy



Source: RealPage

Note: Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.

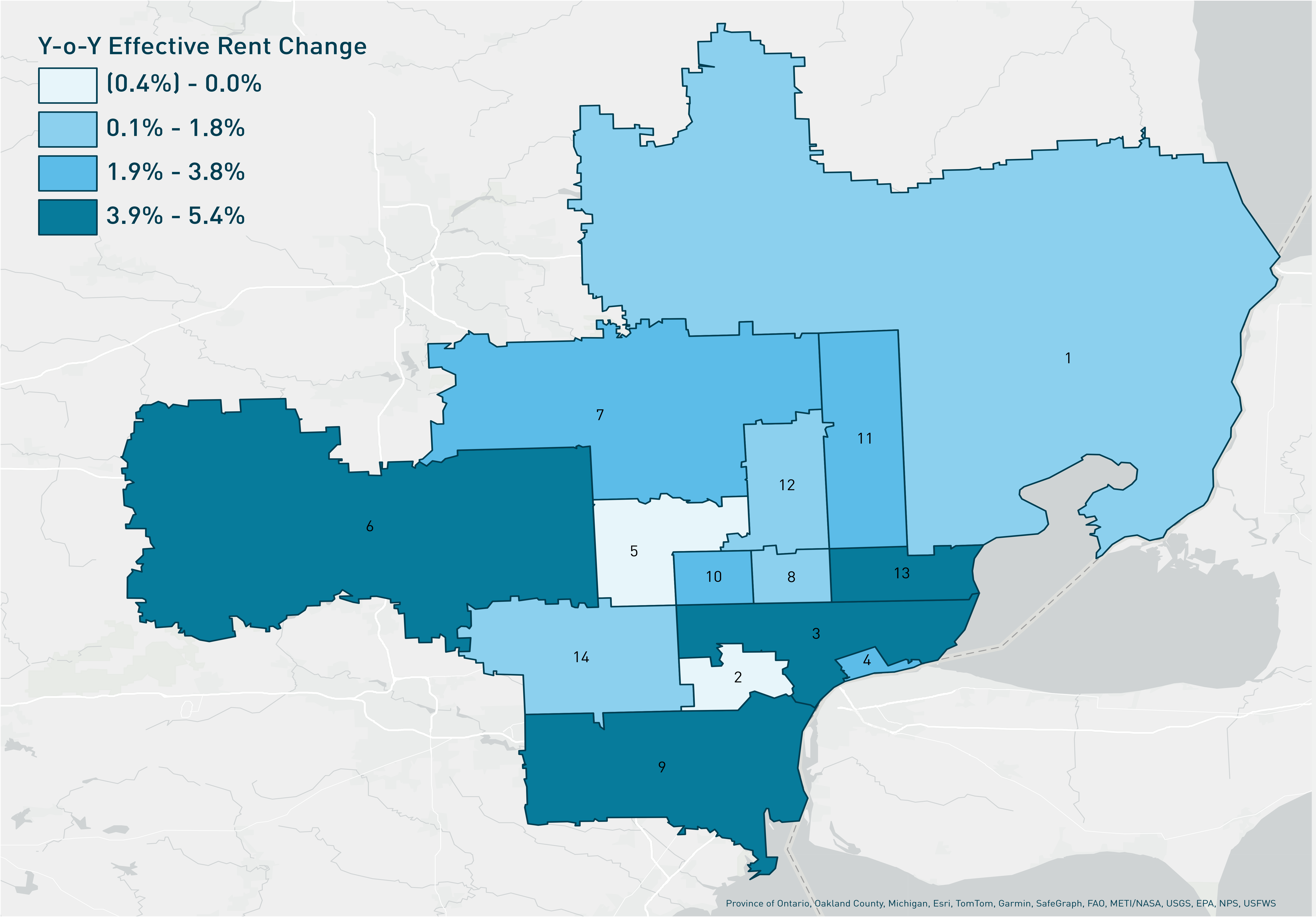
Submarket Performance

SUBMARKET NAME	Q2 2024 OCCUPANCY	YOY (BPS)	Q2 2024 EFFECTIVE RENT	YOY
Clinton Township/St. Clair County	95.5%	30	$1,187	0.8%
Dearborn/Dearborn Heights	94.9%	160	$1,358	-0.4%
Detroit City	88.0%	-360	$1,237	4.3%
Downtown/Midtown/Rivertown	92.8%	-10	$1,532	2.9%
Farmington Hills/West Bloomfield	95.5%	0	$1,485	-0.1%
Novi/Livingston County	96.4%	-40	$1,446	5.2%
Pontiac/Waterford/Auburn Hills	95.1%	-60	$1,273	2.3%
Royal Oak/Oak Park	94.4%	160	$1,302	1.8%
Southfield	93.9%	100	$1,296	3.8%
South Wayne County	95.0%	-20	$1,138	5.4%
Sterling Heights/Shelby Township	95.4%	90	$1,306	2.9%
Troy/Rochester Hills	95.2%	80	$1,534	1.1%
Warren/Roseville	94.8%	10	$1,046	5.1%
Westland/Canton/Livonia	94.4%	-40	$1,245	1.7%

Effective rent in the Downtown/Midtown/Rivertown submarket averaged $1,532 per month in the second quarter of 2024, up 2.9% year over year. This increase occurred despite 25.7% of units offering renter concessions in the second quarter of 2024 and a 4.5% expansion of inventory in the submarket during the last year. A key reason for the rise in effective rent amid operational and inventory headwinds was hearty apartment demand: net apartment absorption by renters totaled 833 units in the last four quarters, the highest among all submarkets. Effective rent rose between 4.3% and 5.4% year over year in the Detroit City, Warren/Roseville, and South Wayne County submarkets. What these submarkets had in common was low rents—the lowest three submarkets in the metro area in mid-2023—giving operators plenty of headroom to increase rents.

DETROIT, MI

SUBMARKET MID-YEAR 2024 ANNUAL RENT CHANGE



SUBMARKET BOUNDARIES

1. Clinton Township / St. Clair County
2. Dearborn / Dearborn Heights
3. Detroit City
4. Downtown / Midtown / Rivertown
5. Farmington Hills / West Bloomfield
6. Novi / Livingston County
7. Pontiac / Waterford / Auburn Hills
8. Royal Oak / Oak Park
9. South Wayne County
10. Southfield
11. Sterling Heights / Shelby Township
12. Troy / Rochester Hills
13. Warren / Roseville
14. Westland / Canton / Livonia

DETROIT, MI

SALES

2024 Year to Date*

VOLUME
$86.5M

PRICE PER UNIT (AVG)
$115,100

TRANSACTIONS
5

CAP RATE (AVG)
6.9%

Top Buyers*

BUYER	LOCATION
Green Thumb Partnership	North Palm Beach, FL
Solomon Organization	Chatham, NJ

What's Trading?*

UNITS (AVG)
154

YEAR BUILT (AVG)
1970's

BUILDINGS (AVG)
5

ACRES (AVG)
13.58

Top Sellers*

SELLER	LOCATION
Richard Wolfe	Detroit
CAPREIT	Rockville, MD

Source: MSCI Real Capital Analytics
**$2.5m+*