



# METRO DETROIT

## 2023 MIDYEAR MULTIFAMILY REPORT

FRIEDMAN HQ

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Farmington Hills, MI 48331

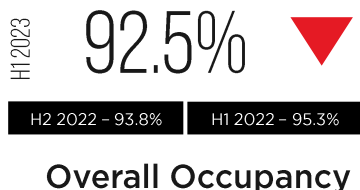
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## MARKET AT A GLANCE (H1 2023)



Note: ▲ or ▼ indicates change compared to H2 2022.

Note: H1 = Q1 & Q2 ; H2 = Q3 & Q4

## MARKET OVERVIEW (H1 2023)

In the first half of 2023, the Metro Detroit multifamily market recorded sustained rent growth and a robust development pipeline despite the increased interest rates/development costs. However, occupancy has decreased to the lowest level since 2010 as deliveries continued and demand fundamentals softened.

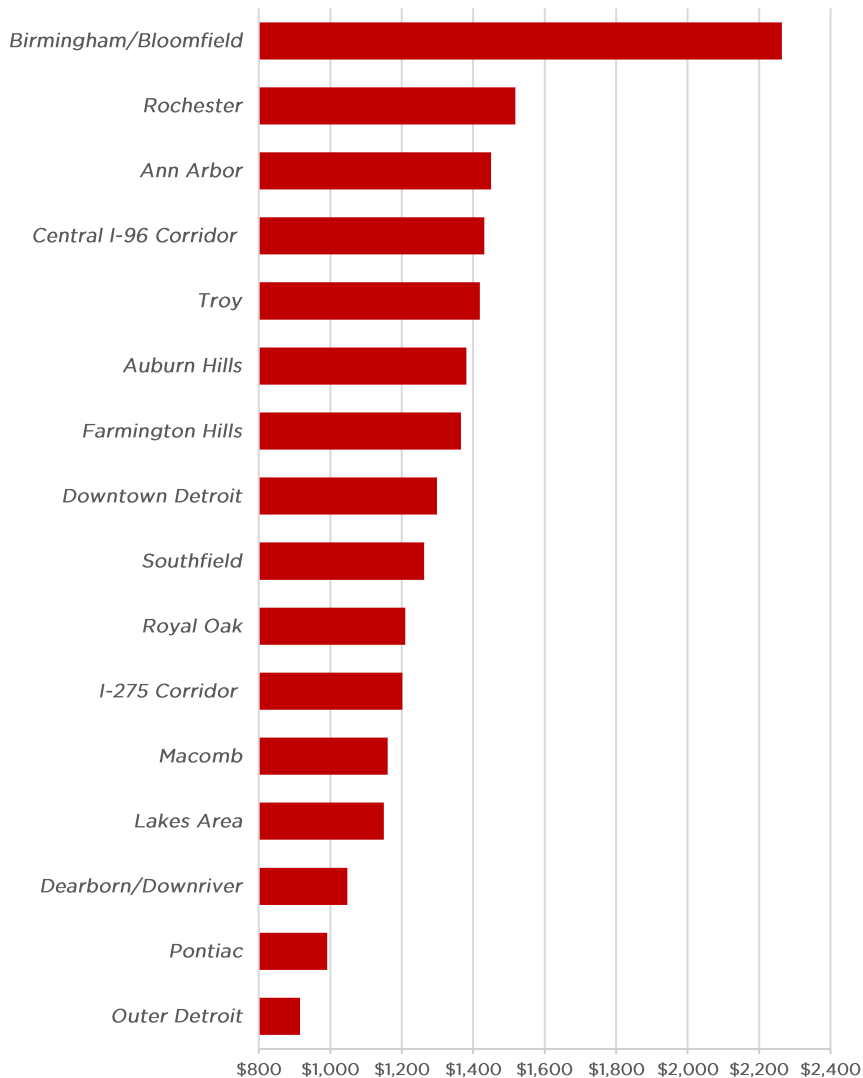
**SUPPLY AND DEMAND:** Occupancy decreased from 93.8% in H2 2022 to 92.5% largely due to significant deliveries (1,522 units) and slightly negative net absorption (386 units). Driven by the Millennial/Gen Z preference for amenity rich communities, Class A inventory continues to grow (10K units vs 5.5K units in Q1 2019). Despite this, Class A deliveries (529 units) outpaced net absorption (371 units), which creates an oversupply risk given the 8.3K units reportedly under construction. The Downtown Detroit submarket specifically had deliveries exceed net absorption (541 units vs. 308 units) with an additional 3K units reportedly under construction. This represents a potential 18.8% increase in total submarket inventory (16.1K current units), and includes The Residences at Water Square, a high-profile high-rise apartment development currently under construction on the former Joe Louis Arena site.

**RENT GROWTH:** Effective rent per unit (\$1,225) has increased (3.1%) since H2 2022 (\$1,188) due to higher inflation, continued Class A deliveries, and increased interest rates limiting single-family home purchases. Notably, the Troy and Downtown Detroit submarkets recorded the highest rent growth of 7.04% and 5.35%, respectively.

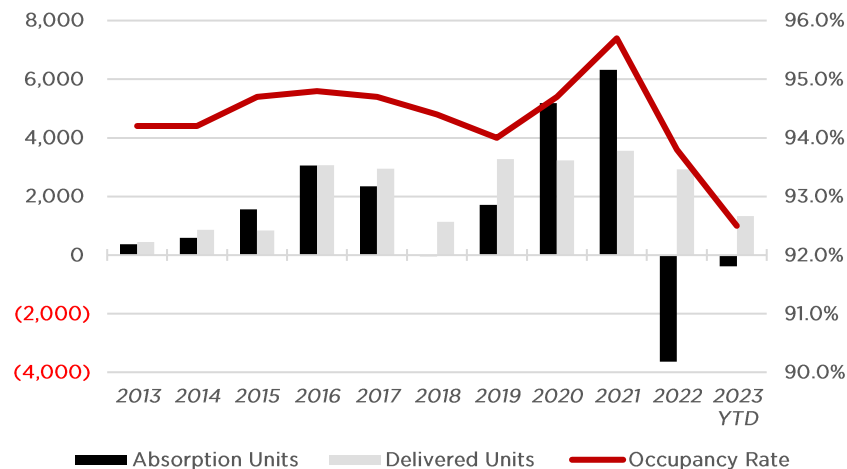
**SALES AND INTEREST RATES:** Total sales volume (\$106MM) has decreased \$341MM from H2 2022 (\$447MM) as the increased interest rates had a direct negative impact on sales fundamentals as owners are still reluctant to decrease pricing from 2020/2021 levels. The reported average sale price vs. asking price spread was 25.00% (9.20% in H2 2022). The Ann Arbor submarket accounted for the largest portion of sales volume (\$53MM), which included the sale of Whittaker Oaks (\$48MM), a 597-pad manufactured home community located in Whittaker.

**DECREASED PRICE PER UNIT:** Average sale price per unit (\$102K/Unit) has decreased 8.11% since H2 2022 (\$111K/Unit) largely due to the rising interest rate environment directly impacting acquisition pricing and available financing as investors are typically apprehensive to acquire multifamily properties with negative leverage (cap rate < loan interest rate).

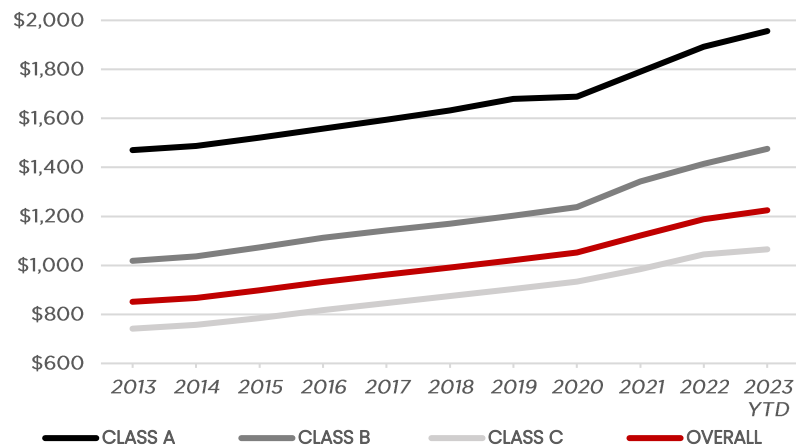
## AVERAGE EFFECTIVE RENT BY SUBMARKET



## OCCUPANCY AND ABSORPTION



## AVERAGE EFFECTIVE RENT BY CLASS



## TOP SALE TRANSACTIONS (BASED ON SALES PRICE)

| PROPERTY NAME                           | CITY             | SUBMARKET               | UNITS | SALE PRICE   | PRICE/UNIT |
|---|------------------|-------------------------|-------|--------------|------------|
| Whittaker Oaks Manufactured Home Park   | Whittaker        | Ann Arbor               | 597   | \$48,000,000 | \$80,402   |
| Sherwood Heights                        | Detroit          | Outer Detroit           | 311   | \$20,500,000 | \$65,916   |
| Washington Place Apartments             | Clinton Township | Macomb                  | 96    | \$8,375,000  | \$87,240   |
| Taylor Gardens                          | Taylor           | Dearborn/Downriver      | 48    | \$4,142,000  | \$86,292   |
| Maple Gardens                           | Birmingham       | Birmingham/Bloomfield   | 18    | \$3,715,000  | \$206,389  |
| Coventry Square Apartments              | Hazel Park       | Royal Oak               | 48    | \$3,100,000  | \$64,583   |
| Siller Terrace (Part of a Portfolio)    | Ann Arbor        | Ann Arbor               | 30    | \$2,460,000  | \$82,000   |
| Renaissance Court                       | Pontiac          | Pontiac                 | 55    | \$2,010,000  | \$36,545   |
| Krauter Apartments                      | Garden City      | Southern I-275 Corridor | 26    | \$1,800,000  | \$69,231   |
| 1484 W Liberty St (Part of a Portfolio) | Ann Arbor        | Ann Arbor               | 18    | \$1,660,000  | \$92,222   |





| SUBMARKET             | # BLDGS      | INVENTORY (UNITS) | NET ABS. (UNITS) | UNITS UNDER CONST | TOTAL VAC. (%) | OVERALL OCC. (%) | AVG. EFFECTIVE RENT PER UNIT |                |                |                | TOTAL SALES VOLUME   | AVG. PRICE PER UNIT |
|-----------------------|--------------|-------------------|------------------|-------------------|----------------|------------------|------------------------------|----------------|----------------|----------------|----------------------|---------------------|
|                       |              |                   |                  |                   |                |                  | Overall                      | Class A        | Class B        | Class C        |                      |                     |
| Ann Arbor             | 635          | 42,146            | (184)            | 1,373             | 5.20%          | 94.80%           | \$1,450                      | \$2,976        | \$1,718        | \$1,200        | \$53,320,000         | \$144,088           |
| Auburn Hills          | 29           | 5,845             | 4                | 18                | 4.70%          | 95.30%           | \$1,381                      | \$2,363        | \$1,467        | \$1,113        | \$0                  | -                   |
| Birmingham/Bloomfield | 46           | 4,511             | (38)             | 213               | 7.60%          | 92.40%           | \$2,264                      | \$2,656        | \$2,280        | \$1,844        | \$0                  | -                   |
| Central I-96 Corridor | 118          | 20,202            | 191              | 389               | 6.20%          | 93.80%           | \$1,431                      | \$2,165        | \$1,852        | \$971          | \$0                  | -                   |
| Dearborn/Downriver    | 431          | 45,469            | (212)            | 0                 | 7.00%          | 93.00%           | \$1,048                      | \$1,268        | \$967          | \$570          | \$5,497,000          | \$71,085            |
| Downtown Detroit      | 281          | 16,116            | 308              | 3,033             | 10.20%         | 89.80%           | \$1,299                      | \$1,756        | \$1,489        | \$1,032        | \$0                  | -                   |
| Farmington Hills      | 73           | 12,429            | 18               | 202               | 4.90%          | 95.10%           | \$1,366                      | \$1,456        | \$1,325        | \$881          | \$0                  | -                   |
| I-275 Corridor        | 274          | 31,113            | 113              | 0                 | 6.80%          | 93.20%           | \$1,202                      | \$2,390        | \$1,626        | \$1,058        | \$1,800,000          | \$96,667            |
| Lakes Area            | 78           | 8,529             | 36               | 240               | 7.70%          | 92.30%           | \$1,150                      | \$1,685        | \$1,223        | \$1,099        | \$0                  | -                   |
| Macomb                | 524          | 61,590            | (13)             | 668               | 6.40%          | 93.60%           | \$1,161                      | \$1,540        | \$1,349        | \$1,061        | \$12,669,000         | \$94,691            |
| Outer Detroit         | 903          | 47,319            | (654)            | 1,497             | 11.30%         | 88.70%           | \$915                        | \$1,661        | \$1,006        | \$832          | \$23,530,001         | \$65,819            |
| Pontiac               | 92           | 7,512             | 19               | 119               | 6.20%          | 93.80%           | \$991                        | \$2,781        | \$1,125        | \$863          | \$2,010,000          | \$91,886            |
| Rochester             | 43           | 7,956             | 33               | 128               | 10.20%         | 89.80%           | \$1,518                      | \$1,409        | \$1,920        | \$1,210        | \$0                  | -                   |
| Royal Oak             | 373          | 16,716            | (178)            | 213               | 8.30%          | 91.70%           | \$1,210                      | \$2,370        | \$1,492        | \$1,046        | \$3,880,000          | \$98,638            |
| Southfield            | 79           | 14,886            | 8                | 0                 | 9.10%          | 90.90%           | \$1,263                      | -              | \$1,285        | \$1,253        | \$0                  | -                   |
| Troy                  | 43           | 7,999             | 163              | 200               | 6.70%          | 93.30%           | \$1,419                      | \$1,834        | \$1,625        | \$1,306        | \$3,715,000          | \$133,930           |
| <b>TOTAL</b>          | <b>4,022</b> | <b>350,338</b>    | <b>(386)</b>     | <b>8,293</b>      | <b>7.50%</b>   | <b>92.50%</b>    | <b>\$1,225</b>               | <b>\$1,956</b> | <b>\$1,476</b> | <b>\$1,066</b> | <b>\$106,421,001</b> | <b>\$102,418</b>    |

## TOP MULTIFAMILY PROPERTIES DELIVERED (H1 2023)

| PROPERTY NAME          | CITY            | SUBMARKET             | UNITS | DELIVERED | PROPERTY TYPE | AVG. ASKING RENT (PER UNIT) |
|------------------------|-----------------|-----------------------|-------|-----------|---------------|-----------------------------|
| Legacy Rochester Hills | Rochester Hills | Rochester             | 359   | Q1 2023   | Garden        | \$2,268                     |
| Brush Watson           | Detroit         | Downtown Detroit      | 300   | Q2 2023   | Mid-Rise      | \$1,282                     |
| Book Tower             | Detroit         | Downtown Detroit      | 229   | Q2 2023   | Hi-Rise       | \$2,923                     |
| The Alcove Troy        | Troy            | Troy                  | 152   | Q1 2023   | Garden        | \$1,202                     |
| Lockwood of Lyon       | South Lyon      | Central I-96 Corridor | 130   | Q2 2023   | Low-Rise      | \$3,112                     |
| ForestBrook Park       | Walled Lake     | Central I-96 Corridor | 57    | Q1 2023   | Low-Rise      | \$1,861                     |

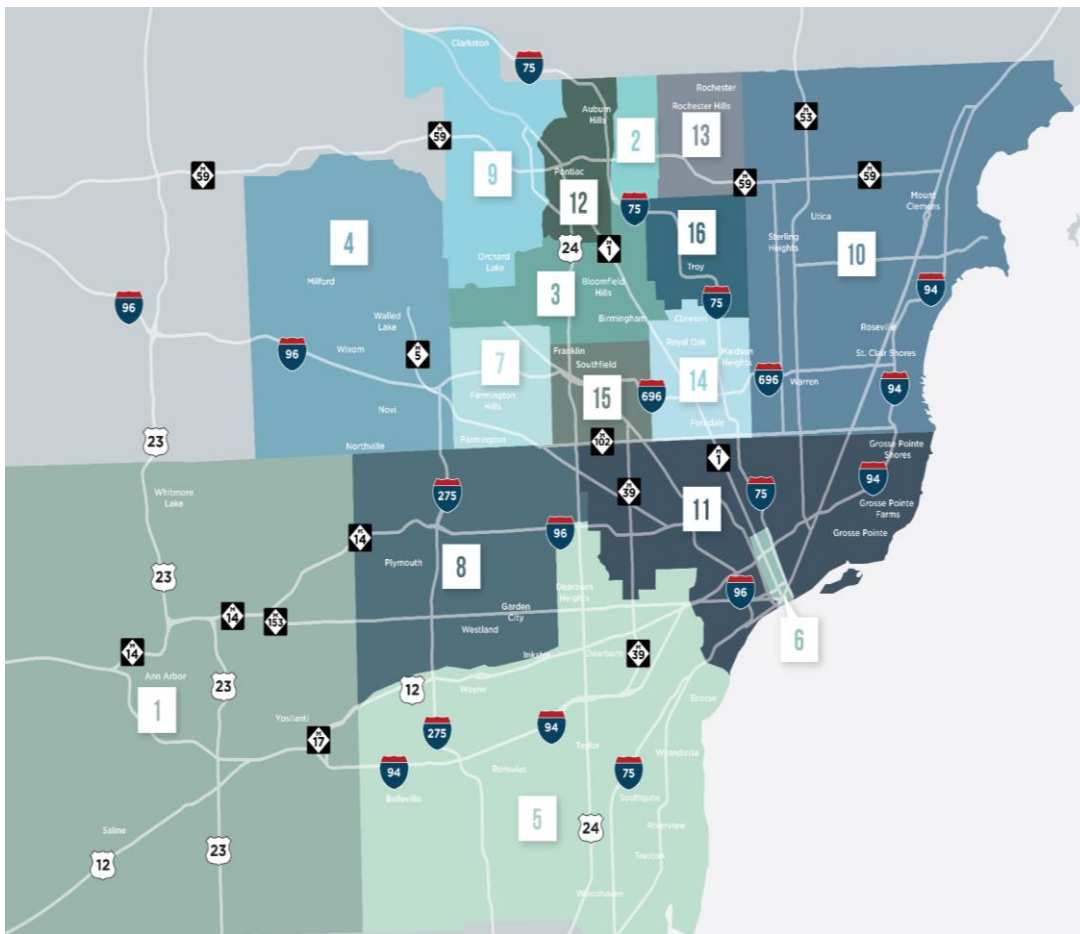


## TOP MULTIFAMILY PROPERTIES UNDER CONSTRUCTION (H1 2023)

| PROPERTY NAME                  | CITY            | SUBMARKET             | UNITS | DELIVERY | PROPERTY TYPE | RENT TYPE         |
|--------------------------------|-----------------|-----------------------|-------|----------|---------------|-------------------|
| The Residences at Water Square | Detroit         | Downtown Detroit      | 496   | Q1 2024  | Hi-Rise       | Market            |
| City Club Apartments           | Detroit         | Downtown Detroit      | 344   | Q4 2024  | Hi-Rise       | Market/Affordable |
| Lafayette West                 | Detroit         | Downtown Detroit      | 318   | Q3 2023  | Mid-Rise      | Market/Affordable |
| Innova                         | Novi            | Central I-96 Corridor | 272   | Q3 2023  | Garden        | Market            |
| Renato at Pullman Parc         | Detroit         | Outer Detroit         | 261   | Q3 2024  | Mid-Rise      | Market/Affordable |
| Avant Ann Arbor                | Ann Arbor       | Ann Arbor             | 253   | Q3 2023  | Mid-Rise      | Market            |
| The Perennial                  | West Bloomfield | Birmingham/Bloomfield | 213   | Q3 2024  | Mid-Rise      | Market            |



## MULTIFAMILY SUBMARKET MAP



- |   |                       |    |               |
|---|-----------------------|----|---------------|
| 1 | ANN ARBOR             | 9  | LAKES AREA    |
| 2 | AUBURN HILLS          | 10 | MACOMB        |
| 3 | BIRMINGHAM/BLOOMFIELD | 11 | OUTER DETROIT |
| 4 | CENTRAL I-96 CORRIDOR | 12 | PONTIAC       |
| 5 | DEARBORN/DOWNRIVER    | 13 | ROCHESTER     |
| 6 | DOWNTOWN DETROIT      | 14 | ROYAL OAK     |
| 7 | FARMINGTON HILLS      | 15 | SOUTHFIELD    |
| 8 | I-275 CORRIDOR        | 16 | TROY          |

Friedman Research separates the Metro Detroit multifamily submarkets in the manner shown to better reflect the way users, tenants, and brokers view our market. We believe this provides a more accurate statistical picture of each submarket which allows our clients to make better informed decisions.

Friedman's 2023 Midyear Multifamily Market Report provides our clients with a snapshot of pertinent market data and information to help them make informed commercial real estate decisions. The information contained in this report is gathered from multiple sources believed to be reliable.