



# METRO DETROIT MULTI-FAMILY REPORT

## 2024 OUTLOOK & 2023 REVIEW

FRIEDMAN HQ

34975 W. Twelve Mile Rd.

Farmington Hills, MI 48331

888.848.1671

[friedmanrealestate.com](https://www.friedmanrealestate.com)

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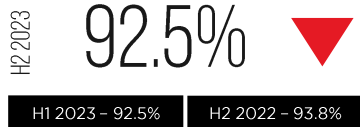
## MARKET AT A GLANCE (H2 2023)



Market Size (Units)



Effective Rent Per Unit



Overall Occupancy



Half Year Net Absorption



Half Year Sales Volume



Units Under Construction

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

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

## MARKET OVERVIEW (H2 2023)

In 2023, the Metro Detroit multi-family market maintained rent growth year-over-year and a robust development pipeline despite increased interest rates and development costs. However, occupancy has decreased to the lowest level since 2010 as deliveries continued to outpace demand. Sales volume has also decreased to the lowest level since 2010 due to the impact increased interest rates have had on value and the bid-ask spread as owners are still reluctant to decrease pricing from 2021/2022 levels.

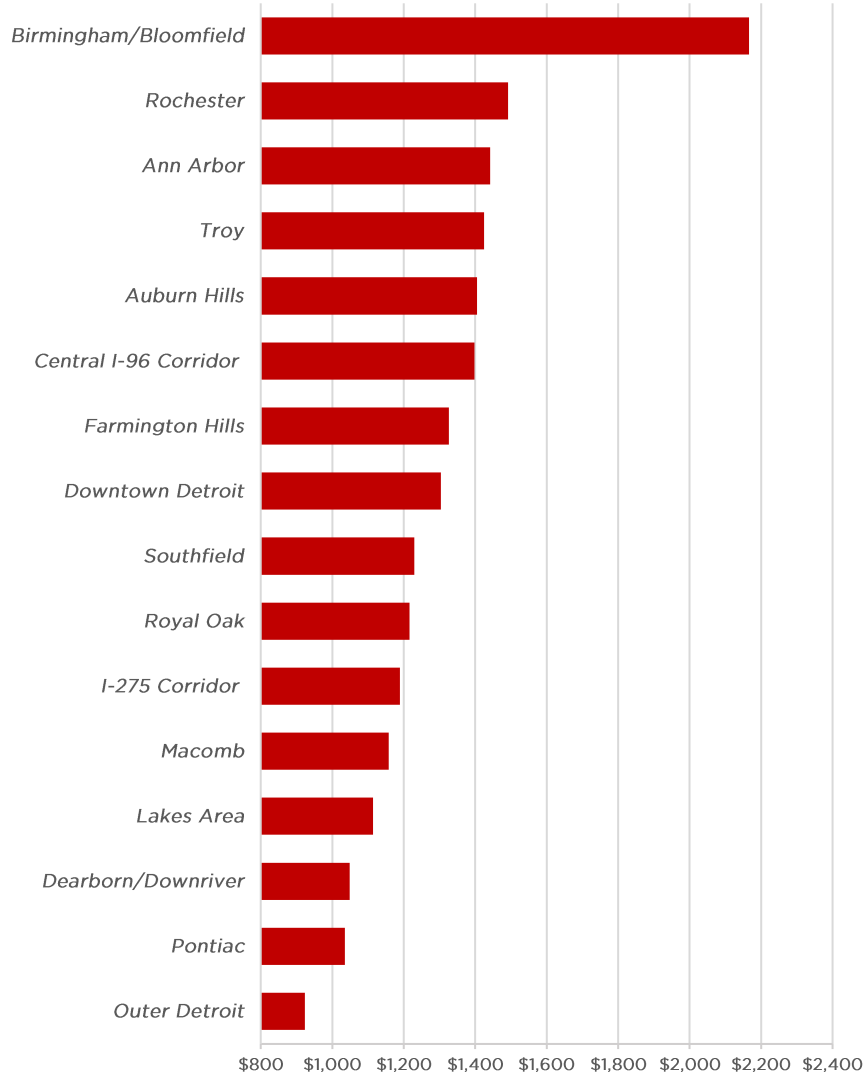
**SUPPLY AND DEMAND:** Occupancy (92.5%) decreased to the lowest level since 2010 as 2023 deliveries (3,480 units) have outpaced net absorption (1,181 units). Units under construction (7,082 units) remain near record highs despite increased interest rates/development costs as single-family residential home prices remain near all-time high levels with 6.50% traditional mortgage rates. Consumers that may otherwise buy, will likely continue renting, keeping millennials as renters for longer while Gen Z enters the market.

**SALES AND INTEREST RATES:** Total 2023 sales volume (\$331MM) decreased 75% year-over-year (2022: \$1.35B). The reported average sale price vs asking price spread was 7.4% (2022: 10.7%). Sales volume is still below the pre-covid five-year average of \$703MM. The largest sale, Stratford Place at Brownstown, a 180-unit garden style community located in the Downriver submarket, sold for \$25.7MM (±\$143K/unit), in which Friedman represented the seller.

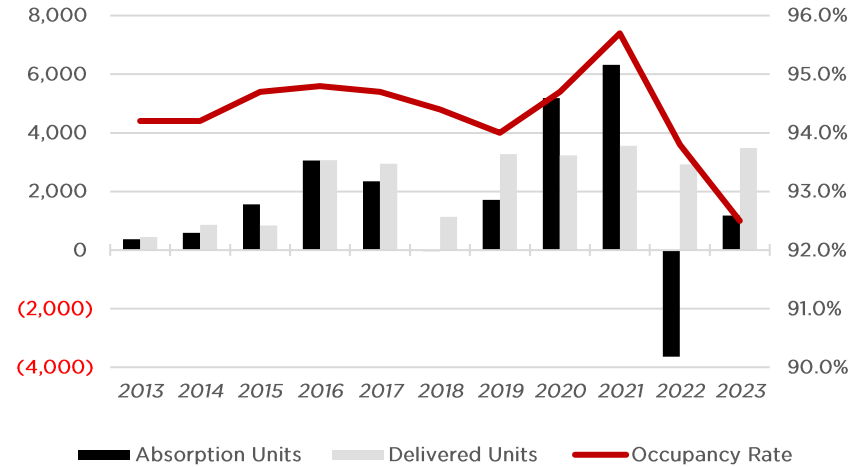
**RENT GROWTH:** Effective rent growth (1.4% year-over-year) remains positive but fell below 2022 and 2021 effective rent growths of 3.0% and 7.1%, respectively, and are below the pre-covid five-year average of 3.3%. The Birmingham/Bloomfield and Lakes Area submarkets recorded the highest rent growth of 4.5%, and 3.2%, respectively.

**DECREASED PRICE PER UNIT:** Average sale price per unit (\$98K/unit) decreased 8.61% year-over-year (2022: \$108K/unit) largely due to the impact increased interest rates have had on value and available financing as investors are typically apprehensive to acquire multifamily properties with negative leverage (cap rate < loan interest rate).

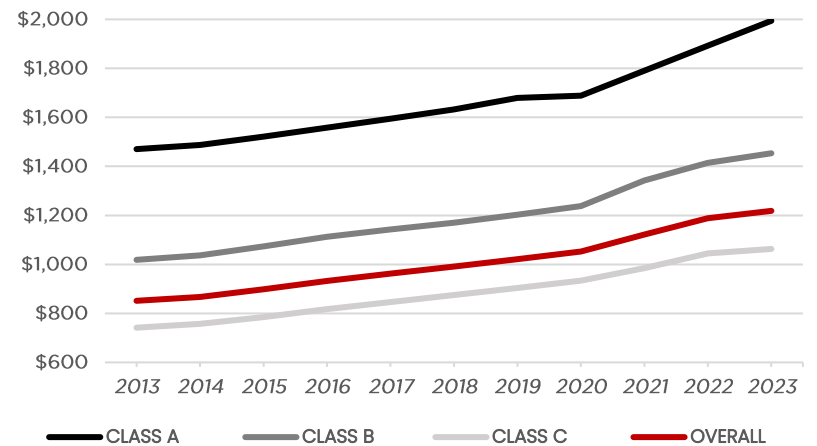
## AVERAGE EFFECTIVE RENT BY SUBMARKET



## OCCUPANCY AND ABSORPTION



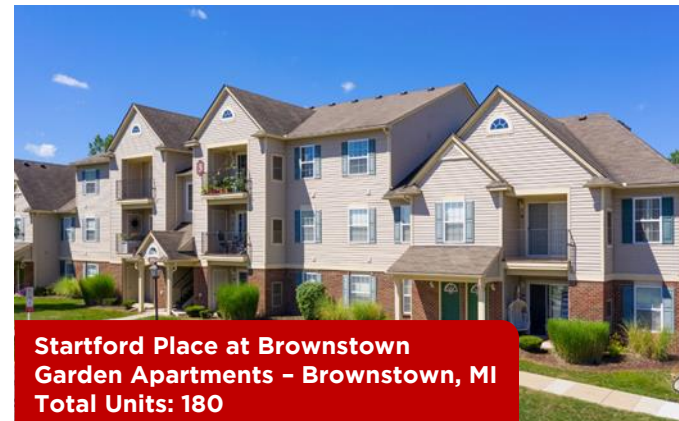
## AVERAGE EFFECTIVE RENT BY CLASS



## TOP SALE TRANSACTIONS (BASED ON SALES PRICE)

PROPERTY NAME	CITY	SUBMARKET	UNITS	SALE PRICE	PRICE/UNIT
<b>Stratford Place at Brownstown</b>	<b>Brownstown</b>	<b>Dearborn/Downriver</b>	<b>180</b>	<b>\$25,700,000</b>	<b>\$142,778</b>
Northview Park Apartments	Sterling Heights	Macomb	200	\$20,800,000	\$104,000
Freedom Village	Farmington Hills	Farmington Hills	48	\$4,176,160	\$87,003
704-712 Hill Street	Ann Arbor	Ann Arbor	8	\$3,500,000	\$437,500
Shelby Court Apartments	Shelby Township	Macomb	49	\$3,000,000	\$61,224
<b>Rouge Park Apartments</b>	<b>Detroit</b>	<b>Outer Detroit</b>	<b>102</b>	<b>\$2,152,700</b>	<b>\$21,105</b>
Lahser Manor Apartments	Detroit	Outer Detroit	39	\$2,000,000	\$51,282
Harvard Apartments	Royal Oak	Royal Oak	8	\$1,725,000	\$215,625
<b>27 E Willis Street</b>	<b>Detroit</b>	<b>City of Detroit</b>	<b>30</b>	<b>\$1,700,000</b>	<b>\$56,667</b>

*Note: Bold indicates a Friedman transaction.*



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	640	42,372	110	2,314	5.20%	94.80%	\$1,442	\$2,911	\$1,664	\$1,207	\$4,970,000	\$136,045
Auburn Hills	30	5,893	58	172	3.60%	96.40%	\$1,405	\$2,410	\$1,480	\$1,081	\$0	\$139,223
Birmingham/Bloomfield	48	4,535	22	370	7.00%	93.00%	\$2,166	\$2,538	\$2,116	\$1,777	\$0	\$162,894
Central I-96 Corridor	121	20,549	92	187	5.20%	94.80%	\$1,398	\$2,145	\$1,808	\$952	\$525,000	\$125,791
Dearborn/Downriver	435	44,763	107	80	6.50%	93.50%	\$1,049	\$1,263	\$969	\$584	\$25,700,000	\$72,981
Downtown Detroit	291	16,590	188	1,690	11.60%	88.40%	\$1,304	\$1,777	\$1,496	\$1,023	\$2,500,000	\$95,394
Farmington Hills	73	12,427	(59)	202	4.80%	95.20%	\$1,326	\$1,385	\$1,304	\$917	\$4,176,160	\$119,120
I-275 Corridor	275	31,184	192	0	5.50%	94.50%	\$1,189	\$2,342	\$1,586	\$1,055	\$1,181,500	\$91,196
Lakes Area	78	8,526	5	240	7.40%	92.60%	\$1,114	\$1,678	\$1,204	\$1,054	\$0	\$99,755
Macomb	535	62,204	(117)	501	6.90%	93.10%	\$1,158	\$1,538	\$1,342	\$1,055	\$68,805,000	\$91,903
Outer Detroit	959	49,135	21	769	12.80%	87.20%	\$923	\$1,829	\$965	\$865	\$92,777,575	\$65,487
Pontiac	97	7,626	77	119	4.50%	95.50%	\$1,035	\$3,176	\$1,199	\$879	\$0	\$90,829
Rochester	43	7,959	158	119	7.90%	92.10%	\$1,492	\$1,906	\$1,464	\$1,171	\$0	\$127,846
Royal Oak	382	16,917	87	119	8.00%	92.00%	\$1,216	\$2,269	\$1,464	\$1,052	\$2,335,000	\$95,779
Southfield	79	15,016	13	0	9.10%	90.90%	\$1,230	-	\$1,255	\$1,218	\$0	\$108,724
Troy	45	8,040	12	200	6.40%	93.60%	\$1,425	\$1,949	\$1,654	\$1,299	\$0	\$128,429
<b>TOTAL</b>	<b>4,131</b>	<b>353,736</b>	<b>966</b>	<b>7,082</b>	<b>7.50%</b>	<b>92.50%</b>	<b>\$1,218</b>	<b>\$1,994</b>	<b>\$1,453</b>	<b>\$1,063</b>	<b>\$202,970,235</b>	<b>\$98,598</b>

## TOP MULTIFAMILY PROPERTIES DELIVERED (H2 2023)

PROPERTY NAME	CITY	SUBMARKET	UNITS	DELIVERED	PROPERTY TYPE	AVG. ASKING RENT (PER UNIT)
Lafayette West	Detroit	Outer Detroit	318	Q3 2023	Mid-Rise	\$2,364
Innova	Novi	Central I-96 Corridor	272	Q4 2023	Garden	\$2,384
The Block at Sterling Heights	Sterling Heights	Macomb	213	Q3 2023	Mid-Rise	\$965
<b>Perennial Corktown</b>	<b>Detroit</b>	<b>Outer Detroit</b>	<b>188</b>	<b>Q4 2023</b>	<b>Mid-Rise</b>	<b>\$3,208</b>
Berkshire Apartment Homes	Canton	Southern I-275 Corridor	172	Q3 2023	Garden	\$2,607
Exchange	Detroit	Downtown Detroit	165	Q3 2023	Hi-Rise	\$1,971

*Note: Bold Indicates a Friedman Communities Management Assignment*



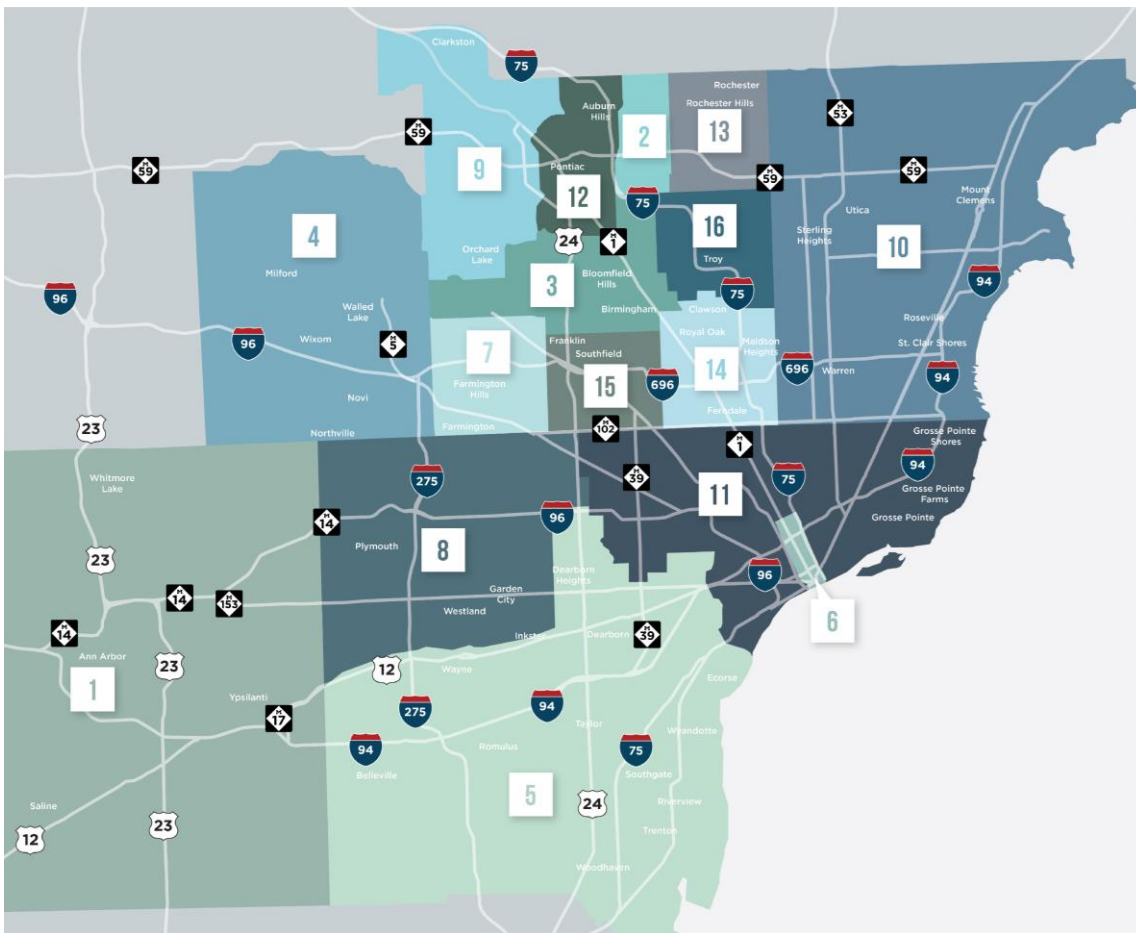
## TOP MULTIFAMILY PROPERTIES UNDER CONSTRUCTION (H2 2023)

PROPERTY NAME	CITY	SUBMARKET	UNITS	DELIVERY	PROPERTY TYPE	RENT TYPE
Woodview Commons	Ann Arbor	Ann Arbor	574	Q3 2024	Mixed-Use	Market
<b>The Residences at Water Square</b>	<b>Detroit</b>	<b>Downtown Detroit</b>	<b>496</b>	<b>Q1 2024</b>	<b>Hi-Rise</b>	<b>Market</b>
Huron Vista & Residences at Huron	Ypsilanti	Ann Arbor	308	Q3 2024	Garden	Market/Affordable
Haverhill on Clark	Ypsilanti	Ann Arbor	295	Q1 2025	Mid-Rise	Market/Affordable
Chestnut Hills & Chestnut Village	Whitmore Lake	Ann Arbor	265	Q3 2024	Garden	Market
Renato at Pullman Parc	Detroit	Outer Detroit	261	Q3 2024	Mid-Rise	Market/Affordable
Apex at West Bloomfield	West Bloomfield	Bloomfield/Birmingham	212	Q3 2024	Mid-Rise	Market/Affordable

*Note: Bold indicates a Friedman Communities Management Assignment*



## MULTI-FAMILY 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 multi-family 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 2024 Outlook & 2023 Review Multi-Family 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.