

## RECORD SALES FUNDAMENTALS & DEMAND EXCEEDING SUPPLY

In the second half of 2021, the Metro Detroit multifamily market continued to strengthen demonstrated by a robust construction pipeline, historic sales volume and pricing, increasing effective rents, and an uptick in occupancy.

## SUPPLY AND DEMAND

Occupancy increased 0.30% from the first half of 2021 to 95.7%, which is the highest level on record. Indicative of the continued insatiable demand for multifamily, the market recorded net absorption of 2,234 units, outpacing the 1,479 units delivered.

Class A multifamily boasted an occupancy rate of 91.6% (representing a 4.8% increase from H1 2021) due to the 692 units of net absorption, which significantly exceeded the 262 Class A units delivered. Class A multifamily net absorption accounted for 31.0% of total net absorption, which indicates a grossly disproportionate demand considering Class A multifamily only makes up 2.8% of total inventory. Demand accelerated for amenity-rich communities as remote work remained prevalent and the number of Millennials/Generation Z individuals entering the rental market increased.

Increased construction and labor costs, along with low vacancy and significant demand has resulted in unprecedented 7.0% year-over-year (YOY) effective rent growth, which is more than double the 3.1% YOY 5-year average. Suburban submarkets have seen the largest effective rent growth YOY, specifically Central I-96 Corridor (12.6%), Troy & Farmington Hills (8.4%), and I-275 Corridor & Auburn Hills (8.1%).

There are currently 5,583 units under construction, and 7,679 units currently in the planning stages of development, representing a potential 3.9% increase in the Metro Detroit multifamily market. Notably, Downtown Detroit demand exceeded supply with 470 units of net absorption compared to 92 units delivered. Given the additional 3,000 units under construction, 7.7% vacancy rate, and below market YOY effective rent growth of 3.5%, there's a risk of a supply/demand imbalance if urban demand stagnates.

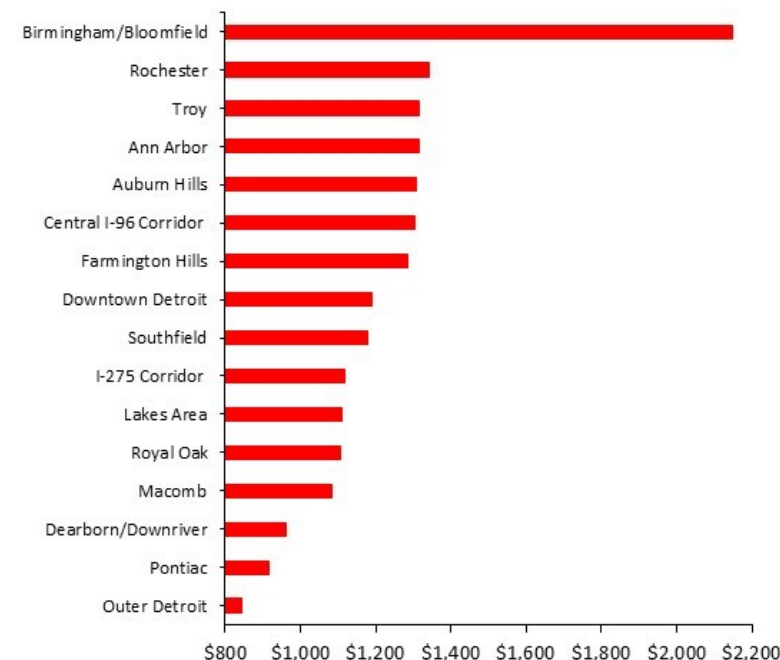
## SALES

Lightstone Group, based in New York City, expanded upon their ±5,000 unit Metro Detroit multifamily portfolio with the acquisition of the 27 property, 7,810 unit, Hartman & Tyner portfolio for \$1B, or \$127,812 per unit, at a 4.1% cap rate. The Hartman & Tyner portfolio primarily consisted of Class C properties in Oakland County that were 96% occupied at sale. The Lightstone Group acquisition accounted for 71% of total multifamily sales volume and indicates strong confidence in the Metro Detroit multifamily market. Excluding the Lightstone Group acquisition, the total sales volume was \$407MM, average sales price per unit was \$73,850, and average cap rate was 5.9%; all of which are record levels and further indication of the positive outlook on the Metro Detroit multifamily market.

## MARKET AT A GLANCE

	PRIOR PERIOD H2 2020	PRIOR PERIOD H1 2021	CURRENT H2 2021
# Of Multifamily Buildings	3,869	3,886	3,913 ↑
Market Size (Units)	336,929	338,814	340,318 ↑
Effective Rent Per Unit	\$1,052	\$1,106	\$1,132 ↑
Overall Occupancy	94.7%	95.4%	95.7% ↑
Units Delivered	1,182	1,908	1,479 ↓
Net Absorption (Units)	2,486	4,087	2,234 ↓
Units Under Construction	6,580	5,761	5,583 ↓
Total Sales Volume	\$190,963,900	\$191,274,153	\$1,407,290,639 ↑

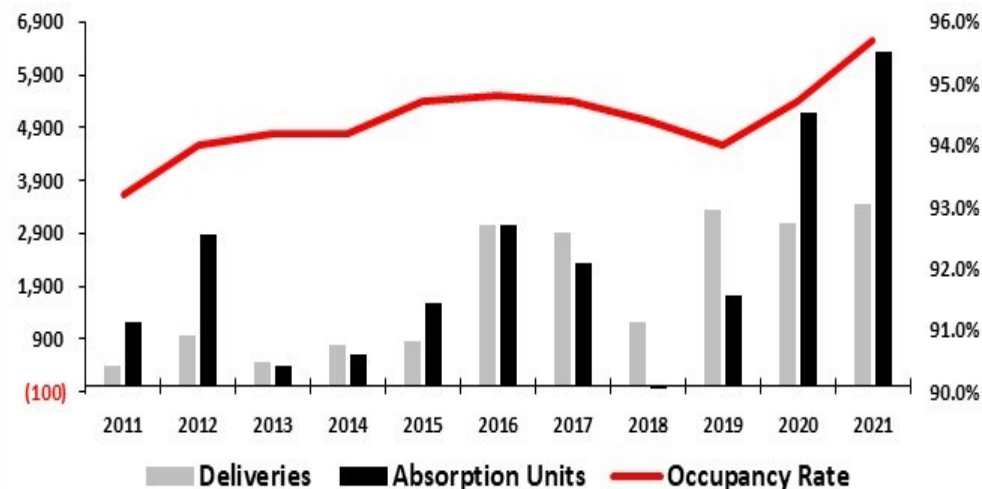
## AVERAGE EFFECTIVE RENT BY SUBMARKET



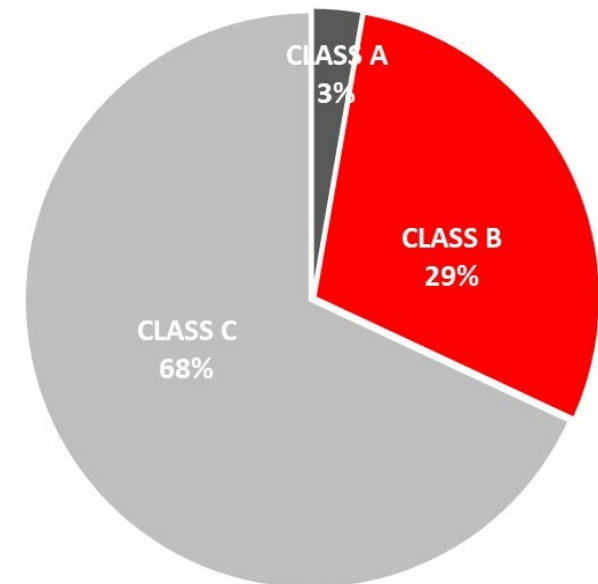
## 2022 OUTLOOK

- **Construction to Mirror Population Growth:** Multifamily development is expected to take place in locations where population growth and demand for Class A communities are most evident (i.e. Downtown/Outer Detroit, Macomb, Central I-96 Corridor, Rochester, and Royal Oak).
- **Continued Rent Growth:** We expect continued effective rent growth above the 5-year average of 3.1% due to ongoing lack of single or multifamily residential inventory.
- **Increased Class A Occupancy:** Consumer preferences for amenity-rich communities are expected to accelerate and continue to account for a disproportionate amount of total net absorption with a resulting increase in occupancy, which increased 9.3% to 91.6% in 2021.
- **Increased Price Per Unit:** We expect the abundance of available capital, strong fundamentals, and a competitive acquisition environment to drive a moderate increase in the sales price per unit in 2022.

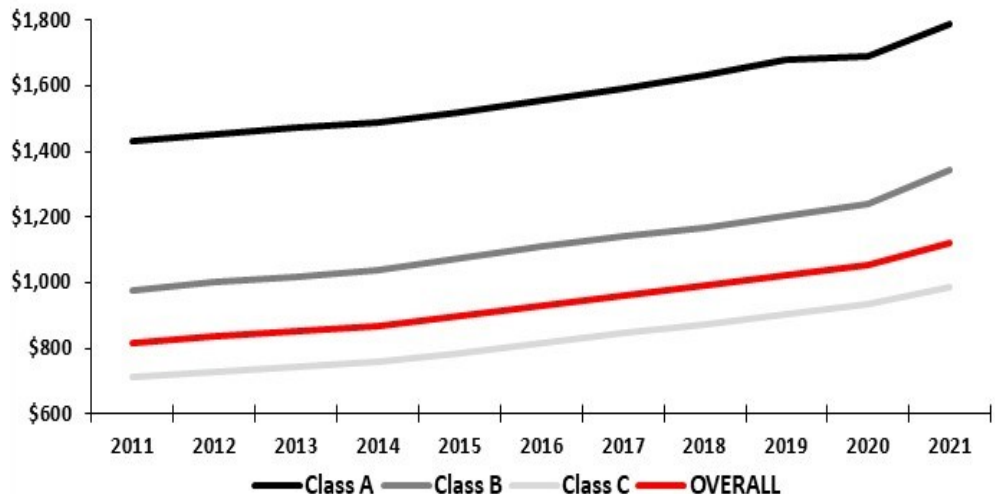
## OCCUPANCY AND ABSORPTION



## INVENTORY BY CLASS



## AVERAGE EFFECTIVE RENT BY CLASS



# METRO DETROIT | YEAR END 2021 MULTIFAMILY REPORT

## SUBMARKET STATS



SUBMARKET	# BLDGS	INVENTORY (UNITS)	NET ABS. (UNITS)	UNITS UNDER CONST	TOTAL VAC. (%)	OVERALL OCC. (%)	AVG. EFFECTIVE RENT PER UNIT	AVG. EFFECTIVE RENT PER UNIT			TOTAL SALES VOLUME	AVG. PRICE PER UNIT
								Class A	Class B	Class C		
Ann Arbor	636	41,411	712	93	3.30%	96.70%	\$1,315	\$2,909	\$1,554	\$1,114	\$85,260,935	\$129,408
Auburn Hills	28	5,800	139	29	2.60%	97.40%	\$1,307	\$2,444	\$1,416	\$975	\$67,476,055	\$146,052
Birmingham/Bloomfield	46	4,594	96	-	5.20%	94.80%	\$2,147	\$2,530	\$2,237	\$1,652	\$60,997,048	\$170,860
Central I-96 Corridor	114	19,682	(51)	822	3.20%	96.80%	\$1,303	\$2,021	\$1,674	\$939	-	-
Dearborn/Downriver	416	43,358	86	-	3.10%	96.90%	\$962	N/A	\$1,146	\$900	\$32,253,138	\$58,793
Downtown Detroit	271	15,052	470	3,000	7.70%	92.30%	\$1,192	\$1,769	\$1,376	\$962	\$9,700,000	\$84,357
Farmington Hills	73	12,347	(48)	-	3.00%	97.00%	\$1,286	N/A	\$1,473	\$1,198	\$101,011,889	\$203,539
I-275 Corridor	267	30,635	272	204	1.90%	98.10%	\$1,118	\$2,052	\$1,491	\$1,000	\$225,338,444	\$117,531
Lakes Area	77	8,489	(94)	-	4.60%	95.40%	\$1,110	\$1,654	\$1,155	\$1,074	\$104,485,016	\$113,871
Macomb	515	60,428	47	483	4.00%	96.00%	\$1,085	\$1,409	\$1,239	\$986	\$83,160,766	\$93,921
Outer Detroit	858	45,218	165	139	7.00%	93.00%	\$844	\$1,518	\$920	\$785	\$49,057,878	\$58,571
Pontiac	91	7,251	109	150	3.40%	96.60%	\$917	\$1,703	\$954	\$819	\$700,000	\$140,000
Rochester	39	7,475	(6)	411	4.60%	95.40%	\$1,342	\$1,653	\$1,367	\$1,151	\$39,367,693	\$113,452
Royal Oak	364	16,061	264	252	2.80%	97.20%	\$1,106	\$2,017	\$1,365	\$968	\$36,864,467	\$83,216
Southfield	77	14,772	(71)	-	5.60%	94.40%	\$1,178	N/A	\$1,199	\$1,166	\$228,214,882	\$152,143
Troy	41	7,745	144	-	8.70%	91.30%	\$1,315	N/A	\$1,507	\$1,222	\$48,904,397	\$168,887
<b>TOTAL</b>	<b>3,913</b>	<b>340,318</b>	<b>2,234</b>	<b>5,583</b>	<b>4.30%</b>	<b>95.70%</b>	<b>\$1,132</b>	<b>\$1,795</b>	<b>\$1,352</b>	<b>\$996</b>	<b>\$1,407,290,639</b>	<b>\$121,478</b>

# METRO DETROIT | YEAR END 2021 MULTIFAMILY REPORT



## TOP SALES (BASED ON SALES PRICE)

BUILDING	ADDRESS	CITY	UNITS	SALE PRICE	PRICE/UNIT
The Crossings at Canton	8375 Honeytree Blvd	Canton	738	\$125,715,000	\$170,346
Knob in the Woods*	20800 Knob Woods Dr (Part of Portfolio)	Southfield	588	\$108,783,031	\$185,005
Hunters Ridge*	31200 Hunters Dr (Part of Portfolio)	Farmington Hills	487	\$99,861,889	\$205,055
Reserve at Westland Apartments	37410 Fountain Park Cir	Westland	448	\$75,500,000	\$168,527
Cass Lake Shore Club*	3530 Denise Ct (Part of Portfolio)	Waterford	565	\$70,486,896	\$124,756
Bloomfield Villas*	580 Bloomfield Village Blvd (Part of Portfolio)	Auburn Hills	462	\$67,476,055	\$146,052
Pheasant Run*	3510 Pheasant Run Cir (Part of Portfolio)	Ann Arbor	472	\$60,396,191	\$127,958
Stoneybrooke*	8500-8790 Brooke Park Dr (Part of Portfolio)	Canton	492	\$59,149,413	\$120,222
Village Squire*	5955 Edinburgh St (Part of Portfolio)	Canton	600	\$56,961,882	\$94,936
Rochester Villas Townhomes*	1070 Villa Park Dr (Part of Portfolio)	Troy	276	\$47,429,397	\$171,846
Rochester Place*	1016 Ironwood Ct (Part of Portfolio)	Rochester	347	\$39,367,693	\$113,452
Regency Park*	28250 Hoover Rd (Part of Portfolio)	Warren	298	\$35,166,244	\$118,008
Pointe O' Woods*	24710 Twelve Mile Rd (Part of Portfolio)	Southfield	216	\$34,195,671	\$158,313
Georgian Manor*	4560 15 Mile Rd (Part of Portfolio)	Sterling Heights	280	\$32,149,522	\$114,820
Huntley Square*	31065 Huntley Sq (Part of Portfolio)	Beverly Hills	212	\$31,505,542	\$148,611
Glens of Bloomfield*	7480 Bingham Rd (Part of Portfolio)	Bloomfield Hills	145	\$29,491,506	\$203,390
Lancaster Hills Apartments*	29235 Lancaster Dr (Part of Portfolio)	Southfield	156	\$27,441,962	\$175,910
Franklin Hills*	29025 Franklin Hills Dr (Part of Portfolio)	Southfield	212	\$26,948,541	\$127,116
Sherwood Heights*	8805 Kingswood St (Part of Portfolio)	Detroit	311	\$26,094,378	\$83,905
Hines Park Apartments*	31680 Cowan Rd (Part of Portfolio)	Westland	264	\$23,977,149	\$90,823
Laketree*	170 Leslie Ln (Part of Portfolio)	Waterford	200	\$19,998,120	\$99,991
Woodward North*	3009 W 13 Mile Rd (Part of Portfolio)	Royal Oak	208	\$18,425,707	\$88,585
Hidden Valley Apartments*	25010 W 8 Mile Rd (Part of Portfolio)	Southfield	160	\$16,778,747	\$104,867
Fairlane*	24268 Haskell St (Part of Portfolio)	Taylor	204	\$14,980,905	\$73,436
Tel-Twelve Place*	28350 Lockdale St (Part of Portfolio)	Southfield	168	\$14,066,930	\$83,732
Pine Lake Manor Apartments	3210-3291 Christopher Ln	Keego Harbor	121	\$12,250,000	\$101,240
Town and Country in Ann Arbor	2572 Carpenter Rd	Ann Arbor	97	\$9,000,000	\$92,784
<b>Greyberry Apartments</b>	<b>3609 Hannan Rd</b>	<b>Wayne</b>	<b>124</b>	<b>\$8,950,000</b>	<b>\$72,177</b>
<b>TOTAL H2 2021 MARKET SALES</b>			<b>14,556</b>	<b>\$1,407,290,639</b>	<b>\$121,478**</b>

Note: Bold represents Friedman transaction

\*Lightstone Group acquisition | \*\*Price Per Unit without Lightstone Group Acquisition = \$73,850



# METRO DETROIT | YEAR END 2021 MULTIFAMILY REPORT

## TOP DEVELOPMENTS (BASED ON SF)



### TOP MULTIFAMILY PROPERTIES DELIVERED (H2 2021)

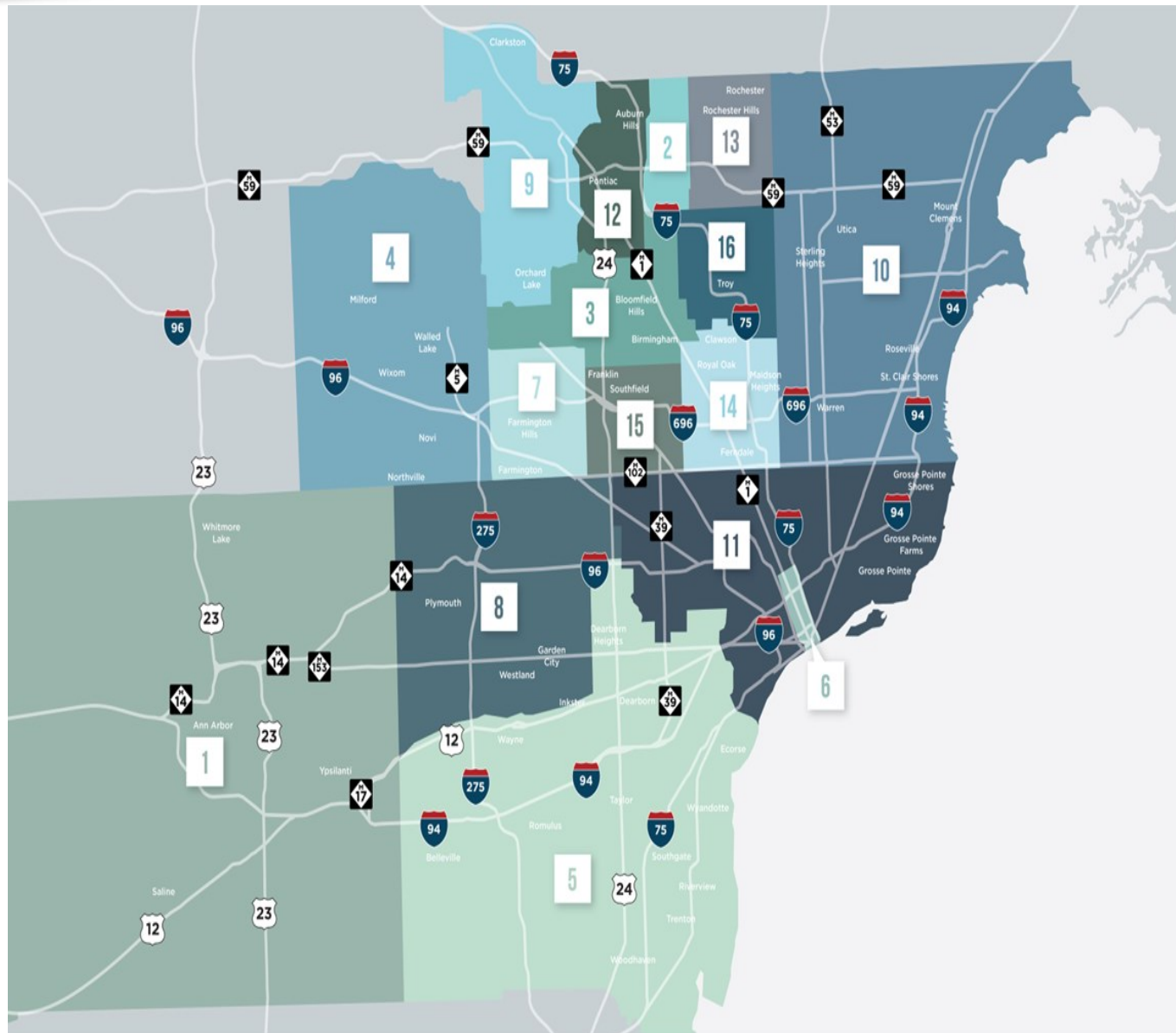
Property Name	Property Address	Property City	Units	Delivered	Property Type	Avg. Asking Rent (Per Unit)
Zen City Center	888 W Big Beaver Rd	Troy	286	Q3 2021	Mid-Rise Apartments	\$2,235
The Fountain Circle of Auburn Hills	3500 Fountain Ln	Auburn Hills	258	Q3 2021	Low-Rise Apartments	\$1,994
The LIV	19750 Haggerty Rd	Livonia	200	Q3 2021	Low-Rise Apartments	\$1,822
Hoover & Greene	950 Greene St	Ann Arbor	167	Q3 2021	Mid-Rise Apartments	\$2,169
Eddystone	2701 Park Ave	Detroit	92	Q4 2021	High-Rise Apartments	\$1,520
The ROY	1148 S Washington Ave	Royal Oak	77	Q3 2021	Low-Rise Apartments	\$2,003
Birmingham Houze	400 S Old Woodward Ave	Birmingham	33	Q4 2021	Low-Rise Apartments	\$4,500

### TOP MULTIFAMILY PROPERTIES UNDER CONSTRUCTION (H2 2021)

Property Name	Property Address	Property City	Units	Delivered	Property Type	Rent Type
Monroe Blocks	Monroe St	Detroit	482	Q2 2023	Mixed Use Hi-Rise Apartments	Market
Legacy Rochester Hills	2940 W Hamlin Rd	Rochester Hills	359	Q2 2022	Garden Apartments	Market
Hudson's Site	1206 Woodward Ave	Detroit	330	Q3 2022	Mixed Use Hi-Rise Apartments	Market
The Crossings by Watermark	5790 Lyon Center Dr	New Hudson	304	Q1 2022	Garden Apartments	Market
City Modern Development	320 Edmund Pl	Detroit	303	Q2 2022	Mid-Rise Apartments	Market/Affordable
The Bond	43443 Flint	Novi	260	Q1 2023	Mid-Rise Apartments	Market
The Woodward @ Midtown	3439 Woodward Ave	Detroit	204	Q2 2022	Mixed Use Mid-Rise Apartments	Market
Brush + Watson	3101 Beaubien St	Detroit	180	Q1 2022	Mid-Rise Apartments	Market/Affordable
Fourth & Selding at Midtown West	900 Selden St	Detroit	177	Q1 2022	Low-Rise Apartments	Affordable

# METRO DETROIT | YEAR END 2021 MULTIFAMILY REPORT

## 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.

**Note:** Friedman's YEAR-END 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.

