

FIGURES | DETROIT MULTIFAMILY | Q2 2022

Rental rates rise, occupancy and construction starts increase

▲ 96.0%
Occupancy Rate

▲ \$1.41
Avg. Rental Rate (PSF)

▼ 7.9%
Rent Growth per Year

▲ 212,307
Total Inventory (Units)

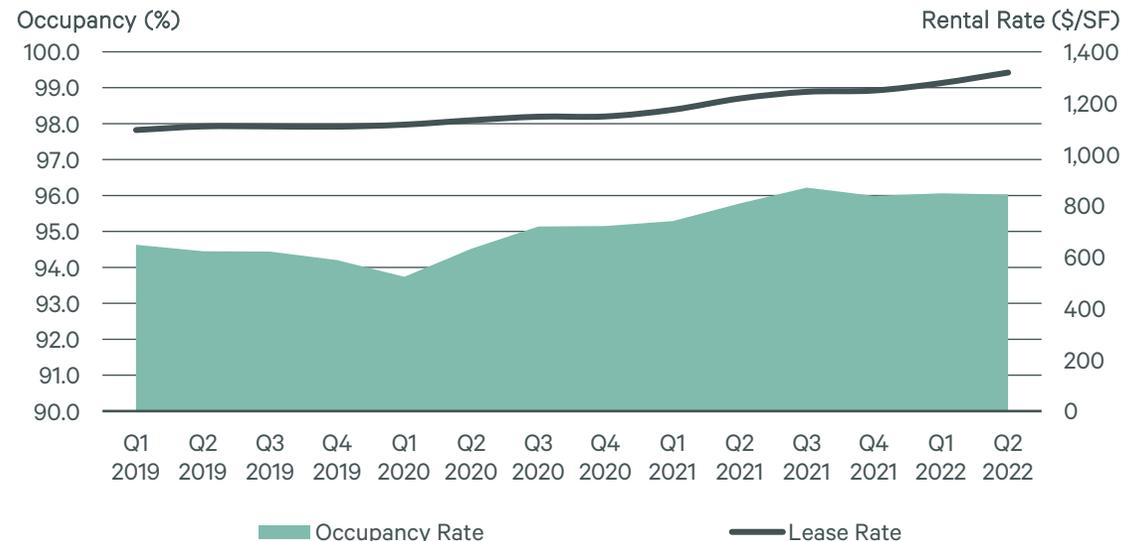
Note: Arrows indicate change from previous quarter.

Market Summary

- The occupancy rate increased to 96.0% in Q2 2022. Occupancy hasn't dipped below 95.0% since Q2 2020.
- The average asking rental rate increased to \$1.41 per square foot (sq. ft.).
- Development continues to surge. At the end of Q2 2022, there were 4,106 units under construction, spread across 21 buildings.

During Q2 2022, the Metro Detroit multifamily market experienced an increase in both average asking rental rate and occupancy. The average asking rental rate increased to \$1.41 per sq. ft., marking a 25.9% rise over the past five years. Across all unit types, the monthly rental rate averaged \$1,319 during the quarter. Occupancy increased 10 basis points (bps) to 96.0%, quarter over quarter, remaining above 95.0% since Q2 2020. As market trends have continued in a positive direction, so has development. 12 new projects have delivered over the trailing 12 months and 21 projects are currently under construction, positioned to bring 4,106 new units to the market.

FIGURE 1: Occupancy and Average Asking Rental Rate



Source: CBRE Research, Q2 2022.

Suburban

At the end of Q2 2022, the occupancy rate in Suburban Detroit was 96.2%, down 10 basis points over Q1 2022. The average asking rental rate for the quarter moved up to \$1.41 per sq. ft. Year over year, the average asking rental rate increased by \$0.11 per sq. ft. Over the past five years, the average asking rental rate has increased by \$0.30 per sq. ft., or 27.0%. The quarter ended with 14 projects underway in the suburbs, slated to add 2,293 units to the market. In the past 12 months, 14 newly-completed developments have delivered 2,182 multifamily units to the market.

Downtown

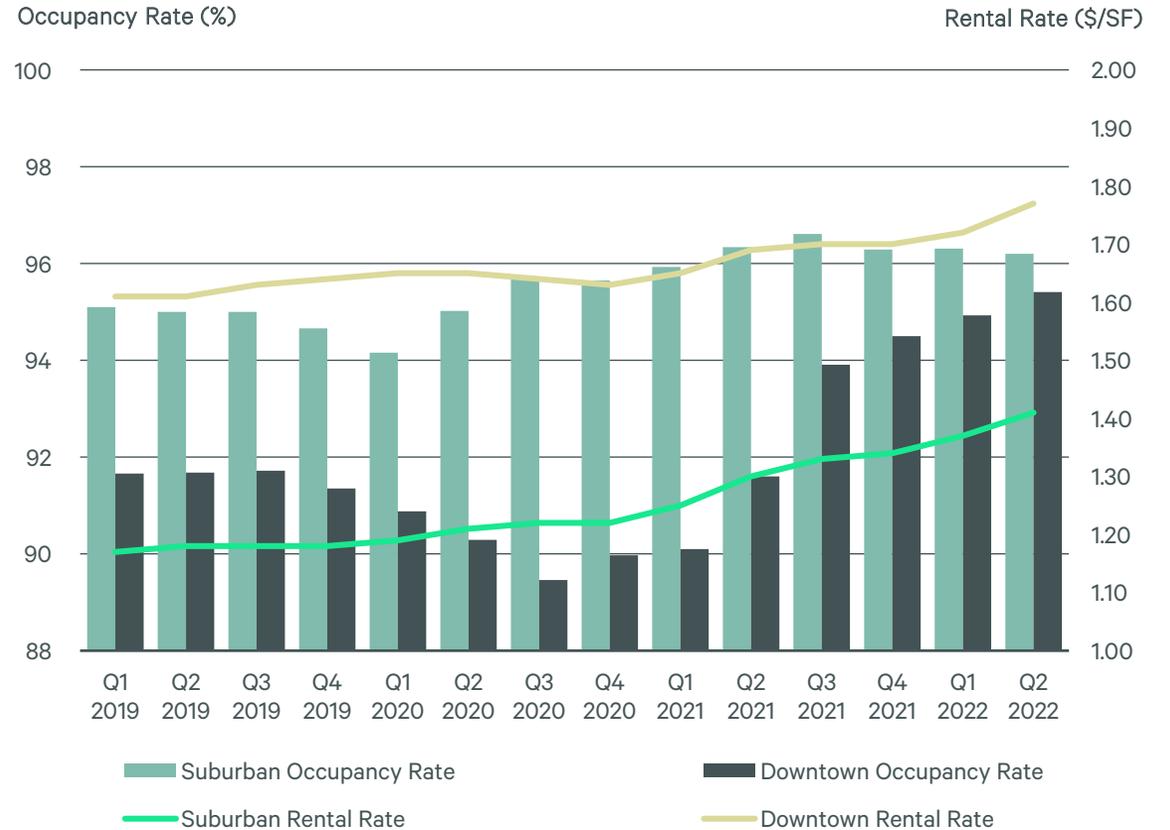
The occupancy rate in Downtown Detroit was 95.4% at the end of Q2 2022, up from 94.9% in the prior quarter. The average asking rental rate increased \$0.05 to \$1.77 per sq. ft., quarter over quarter, and has increased by \$0.23 per sq. ft. over the past five years. At the end of Q2 2022, the average asking rental rate for new class “A” product in Midtown and the CBD was \$2.14 per sq. ft. Downtown Detroit continues to experience relatively strong development. Six multifamily developments were underway at the end of the quarter, accounting for 1,665 units.

FIGURE 2: Notable Developments

Project Name	Developer	Status	Units	Construction Cost (\$, Millions)	Estimated Completion Date
Perennial Corktown	Oxford Capital Group	Under Construction	188	-	Q2 2023
The Louis	Sterling Group	Under Construction	500	-	Q1 2024
Lafayette West	MJ Bennett	Under Construction	318	\$133.0	Q1 2024
Hudson Block	Bedrock	Under Construction	250	\$909.0	Q4 2023

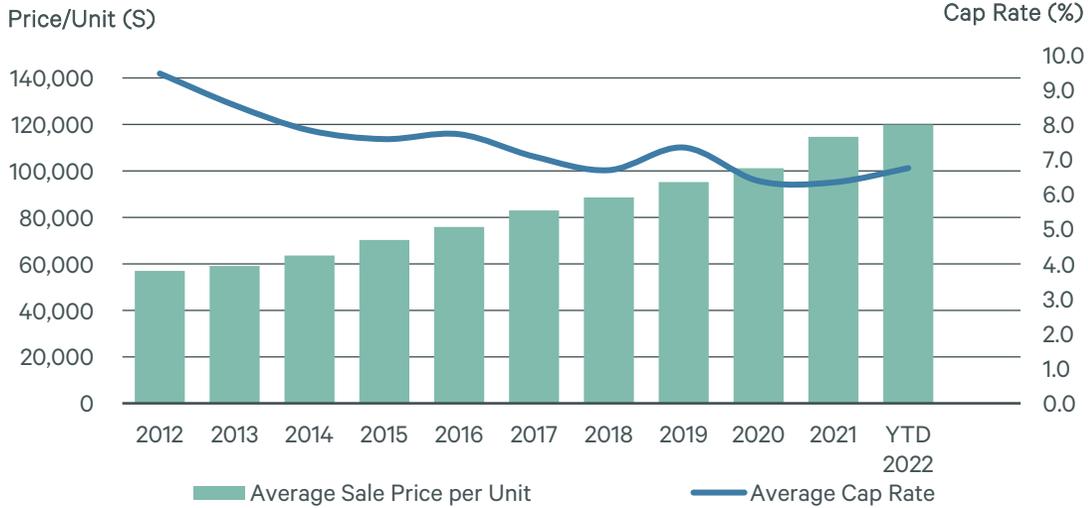
Source: CBRE Research, Q2 2022.

FIGURE 3: Occupancy and Average Asking Rental Rate by Index



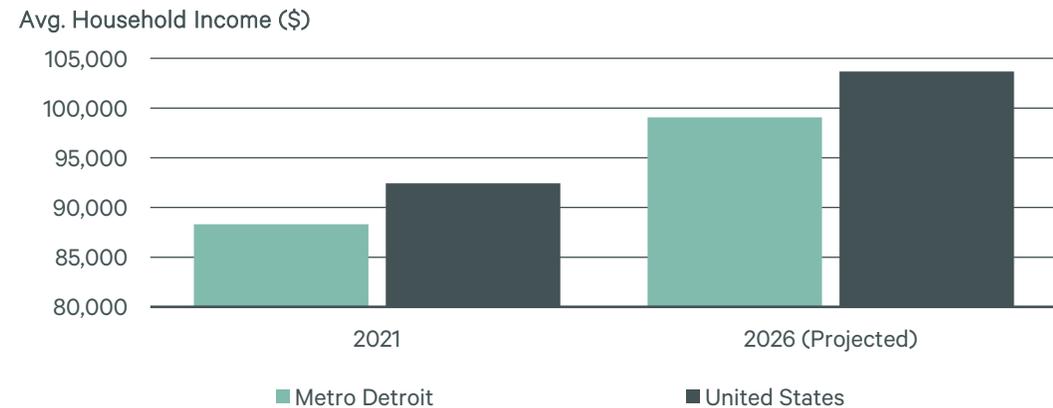
Source: CBRE Research, Q2 2022.

FIGURE 4: Average Sale Price per Unit and Cap Rate



Source: CoStar, Q2 2022.

FIGURE 5: Average Household Income



Source: CBRE Research, Q2 2022.

FIGURE 6: Detailed Market Statistics by Index and Class

Index and Class	Total Units	Average Asking Rental Rate (\$)	Average Asking Rental Rate (\$/SF)	Occupancy Rate (%)	Units Under Construction	Units Completed
Class A	6,608	2,053	1.82	94.7	684	-
Class B	68,393	1,576	1.55	95.2	1,609	520
Class C	113,257	1,146	1.29	96.9	-	664
SUBURBAN TOTAL	189,591	1,335	1.41	96.2	2,293	664
Class A	1,730	1,740	2.14	97.0	907	-
Class B	2,457	1,651	1.82	95.8	758	-
Class C	4,824	1,173	1.61	94.7	-	-
DOWNTOWN TOTAL	9,011	1,408	1.77	95.4	1,665	-
METRO DETROIT TOTAL	212,307	1,319	1.41	96.0	4,106	664

Source: CBRE Research, Q2 2022.

FIGURE 7: Key Transactions

Property Name	Location	Sale Date	Sale Price (\$, Millions)	Units	Sale Price (\$/Unit)	Buyer
Uptown 11 Townhouses	Southfield, MI	Jun 2022	16.5	118	139,517	Kaftan Enterprises
Bloomfield Square Apartments	Auburn Hills, MI	Apr 2022	38.4	259	148,263	Halt Management
Preserve at Stonebrook	Grand Rapids, MI	May 2022	8.5	64	132,903	-
The Rowe	Grand Rapids, MI	Apr 2022	19.6	77	254,545	FPA Multifamily

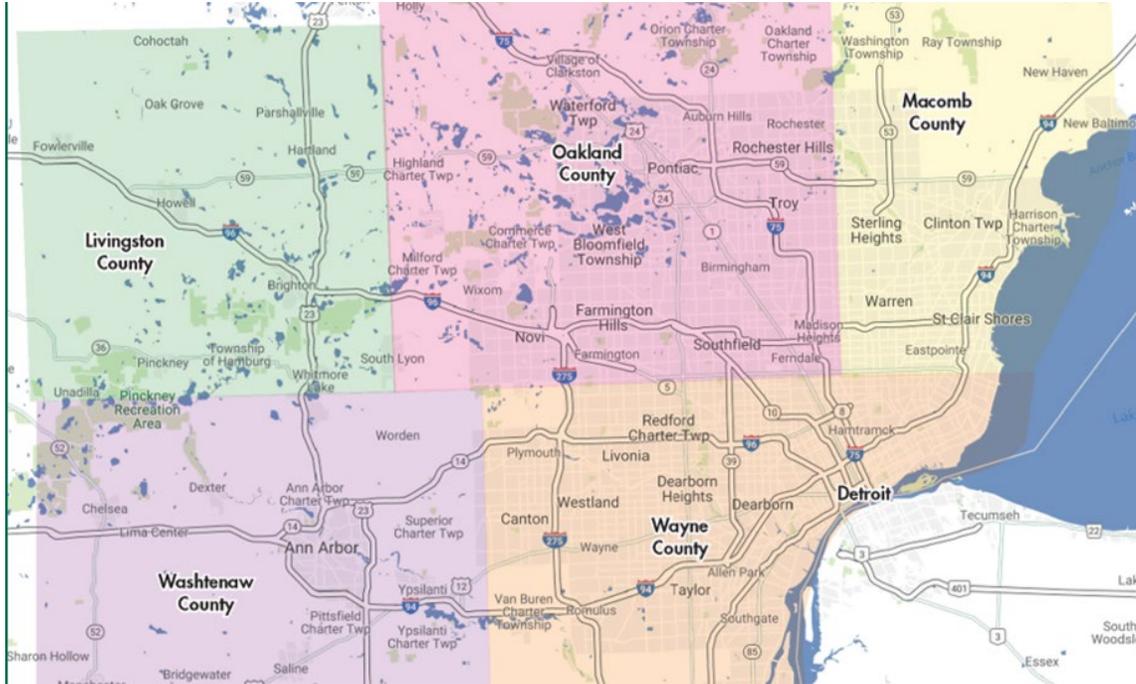
Source: Real Capital Analytics, Q2 2022.

U.S. Macro Summary

Economic conditions have changed considerably from just a few months ago. Persistently high inflation that is increasingly being driven by higher food and energy prices, sparked by supply-demand imbalances and Russia's invasion of Ukraine, has greatly impacted conditions. The U.S. is particularly vulnerable to higher gasoline prices, which directly impact consumption. As of late June, gasoline is more than \$5 a gallon, up 50 percent from the beginning of the year. Meanwhile, consumer sentiment has declined to levels reminiscent of periods of economic stress, suggesting consumers are very concerned despite a tight labor market and wage growth.

The Federal Reserve's attention is now centered on fighting inflation, evidenced by a 75-basis-point rate hike in June that rattled credit markets. We expect this will be followed by at least two 50-basis-point hikes through September. Our baseline view expects the Fed will be able to restrain inflation to roughly 7 percent by year-end 2022, but this will come at the cost of economic growth and a recession is expected in coming quarters. Already, rate hikes are filtering down to 'Main Street' via falling home sales and more cautious business expansion plans. The labor market will also soften, with the unemployment rate increasing to the mid-4-percent range. Once inflation is tamed, both capital and real estate markets should become more predictable again.

Market Area Overview



Survey Criteria

Includes market-rate apartment buildings 50 units and greater in size in Livingston County, Macomb County, Oakland County, Washtenaw County, and Wayne County. Buildings which have begun construction as evidenced by site excavation or foundation work.

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