Multifamily development continues across the market, rent growth slows

▼ 96.3%
Occupancy Rate

▼ 4.7%
Rent Growth per Year

▲ 64,856
Total Inventory (Units)

▼ $1.39
Avg. Asking Lease Rate (PSF)

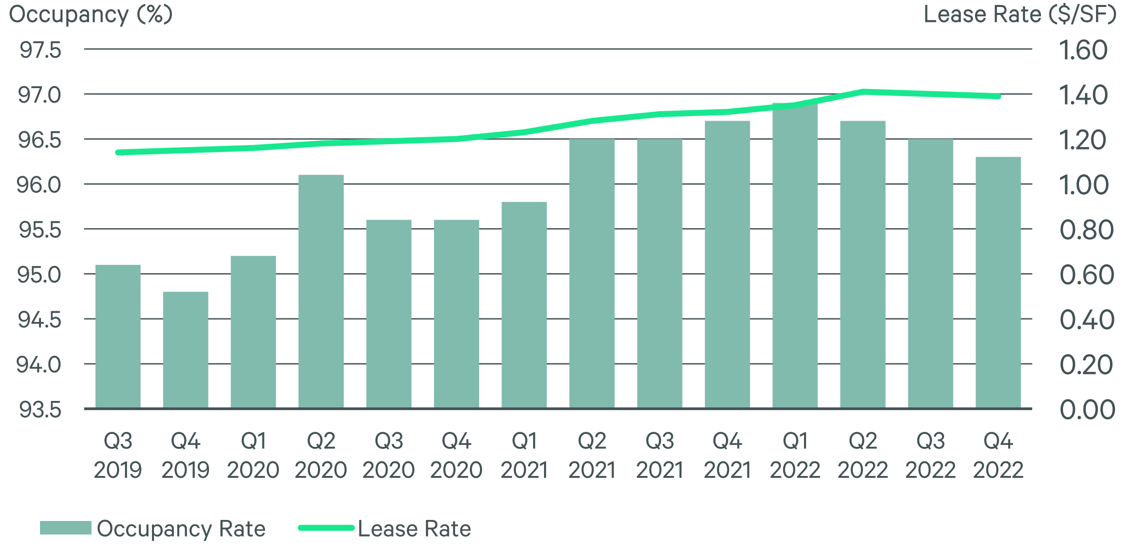
Note: Arrows indicate change from previous quarter.

Market Summary

- Occupancy decreased by 20 basis points (bps), quarter over quarter, moving to 96.3%.
- Rent growth continued to slow, reaching a low of 4.7% not seen since Q4 2020. Rent growth rates have trended between 7% and 10% over the last two years.
- Average asking lease rates decreased $0.01 per square foot (sq. ft.), quarter over quarter, bringing the average asking lease rate to $1.39 per sq. ft.
- Units under construction rose 50.9% to 2,572 units across 13 buildings in Q4 2022.

During Q4 2022, the Grand Rapids multifamily market experienced a decrease in occupancy, average asking lease rate, and annual rent growth. Total inventory increased 102 units from last quarter and 993 units since the beginning of 2022. The average asking rental rate decreased to $1.39 per sq. ft., marking a 15.8% increase over the past two years. The average asking rent per unit dropped $16 to $1,233 across all unit types. Occupancy decreased 20 basis points (bps) to 96.3%, quarter over quarter. Development in the Grand Rapids multifamily market is trending positive, with nine projects delivering in 2022 and 13 projects currently under construction. The new construction will bring 2,572 units to the multifamily market.

FIGURE 1: Occupancy and Average Asking Lease Rate



Source: CBRE Research, Q4 2022.

Suburban

At the end of Q4 2022, the occupancy rate in Suburban Grand Rapids was 96.3%, down 10 basis points from Q3 2022. The average asking rental rate for the quarter moved down to $1.33 per sq. ft. Year over year, the average asking rental rate increased by $0.04 per sq. ft. Over the past two years, the average asking rental rate has increased by $0.19 per sq. ft., or 16.7%. The quarter ended with six projects underway in the suburbs, slated to add 1,469 units to the market. In the past 12 months, five newly-completed developments have delivered 506 multifamily units to the market.

Downtown

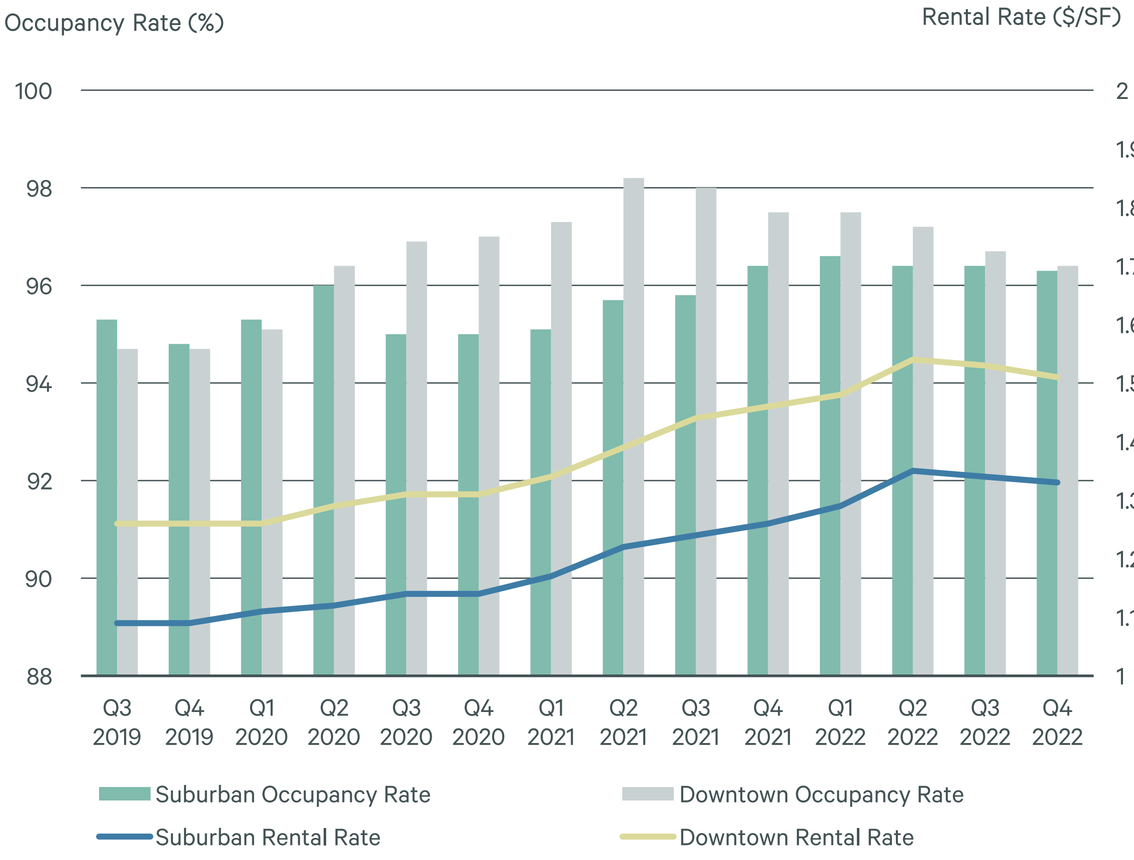
The occupancy rate in Downtown Grand Rapids was 96.4% at the end of Q4 2022, down from 96.7% in the previous quarter. The average asking rental rate decreased $0.02 to $1.51 per sq. ft., quarter over quarter, and has increased by $0.20 per sq. ft. over the past two years. At the end of 2022, the average asking rental rate for class "A" product downtown was $1.74 per sq. ft. Downtown Grand Rapids continues to experience relatively strong development. Seven multifamily projects were underway at the end of 2022, accounting for 1,103 units.

FIGURE 2: Notable Developments

Project Name	Developer	Status	Units	Construction Cost ($, Millions)	Estimated Completion Date
Rivertown Commons	Trilogy Real Estate Group	Under Construction	437	-	Q2 2023
The BLVD at Wilson Crossings	Thompson Thrift	Under Construction	344	-	Q4 2023
HOM Flats at Maynard	Magnus Capital Partners	Under Construction	240	-	Q4 2023
The Farmstead	Resthaven	Under Construction	200	-	Q2 2023

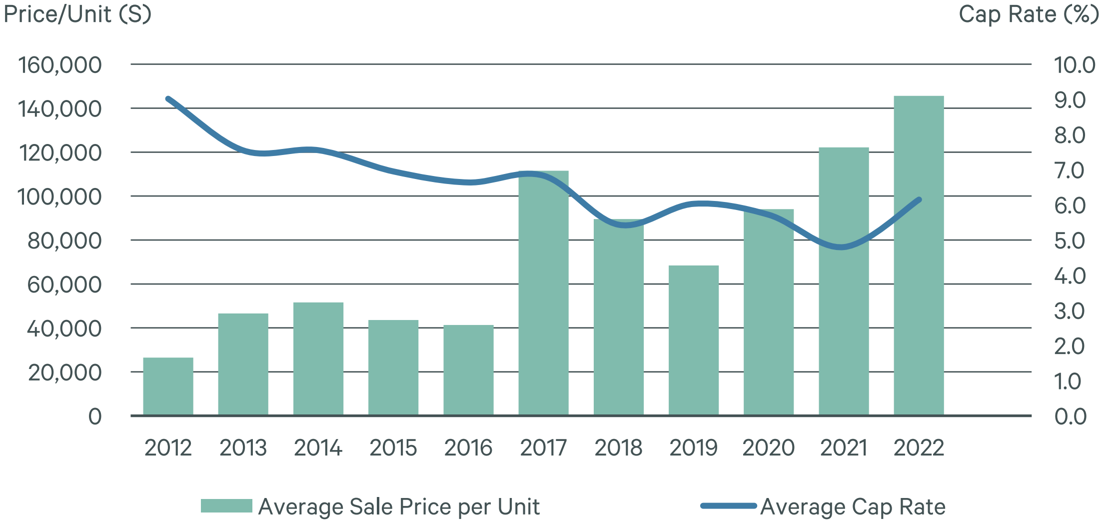
Source: CBRE Research, Q4 2022.

FIGURE 3: Occupancy and Average Asking Rental Rate by Index



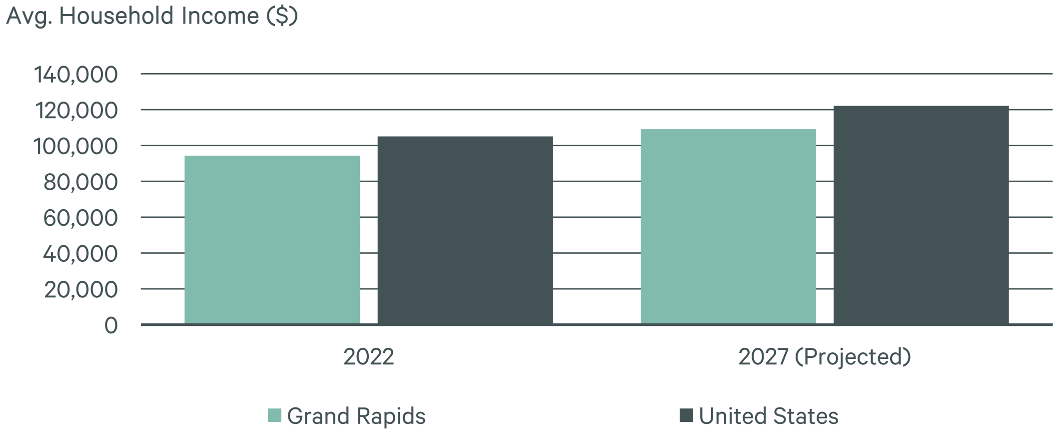
Source: CBRE Research, Q4 2022.

FIGURE 4: Average Sale Price per Unit and Cap Rate



Source: CBRE Research, Q4 2022.

FIGURE 5: Average Household Income



Source: CBRE Research, Q4 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	3,436	1,729	1.76	94.2	344	-
Class B	16,810	1,244	1.36	95.9	969	52
Class C	24,021	1,088	1.21	96.9	156	-
SUBURBAN TOTAL	**44,267**	**1,212**	**1.33**	**96.3**	**1,469**	**52**
Class A	2,244	1,722	1.74	97.1	-	-
Class B	5,559	1,329	1.68	96.0	1,103	50
Class C	12,786	1,160	1.38	96.5	-	-
DOWNTOWN TOTAL	**20,589**	**1,275**	**1.51**	**96.5**	**1,103**	**50**
GRAND RAPIDS TOTAL	**64,856**	**1,233**	**1.39**	**96.3**	**2,572**	**102**

Source: CBRE Research, Q4 2022.

FIGURE 7: Key Transactions

Property Name	Location	Sale Date	Sale Price ($, Millions)	Units	Sale Price ($/Unit)	Buyer
River Flats at 820 Monroe	Grand Rapids, MI	Dec 2022	24.5	86	284,884	Bayside Capital Management
The Neighborhood at Englewood	Grand Rapids, MI	Dec 2022	5.6	62	89,919	Trillium Ventures
Eaglebrook Apartments	Grandville, MI	Dec 2022	8.4	60	140,000	Emily R. Clark
1041 E 16th St	Holland, MI	Nov 2022	1.5	15	96,800	Cal Hemmke

Source: CBRE Research, Q4 2022.

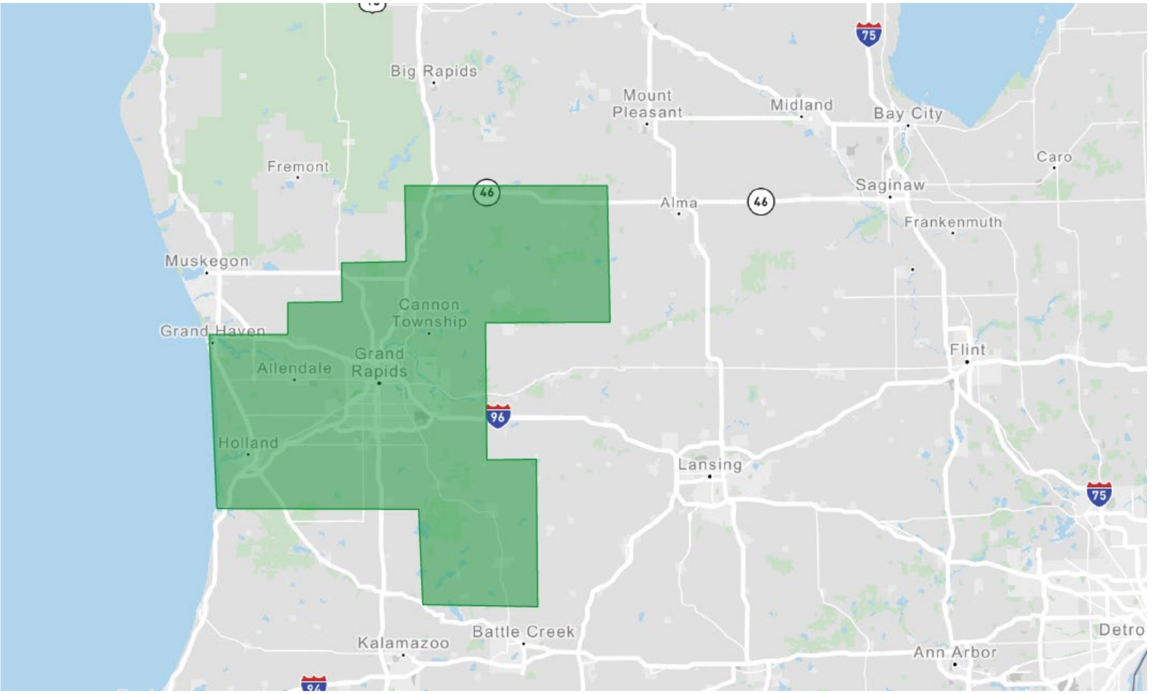
Economic Outlook

Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, and higher interest rates, which are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in 1H 2023.

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.

Contact

Juliette Farmer
Field Research Analyst
+1 248 351 2049
juliette.farmer@cbre.com

Paul Van Devender
Managing Director
+1 248 351 2030
paul.vandevender@cbre.com

CBRE