

# VIEWPOINT



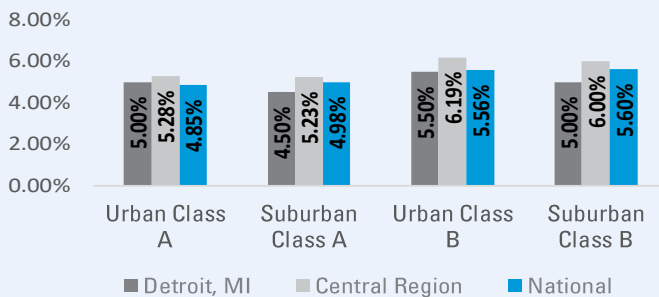
## 2023 DETROIT, MI MULTIFAMILY ANNUAL REPORT

An Integra Realty Resources Publication / irr.com

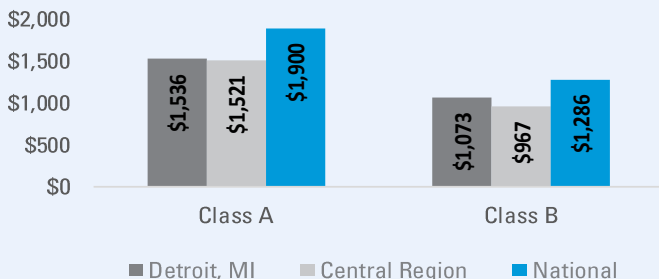
### Market Rate Indicators (Y/Y)

Categories	Class A	Class B
Going In Cap Rate (%)	↔	↔
Asking Rent (\$/Unit)	▲	▲
Vacancy Rate (%)	▼	▲

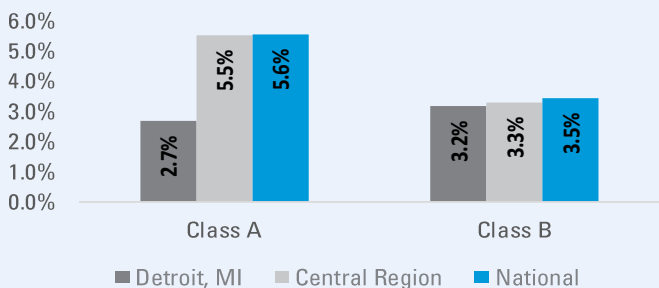
### Going In Cap Rate Comparisons (%)



### Asking Rents (\$/Unit)



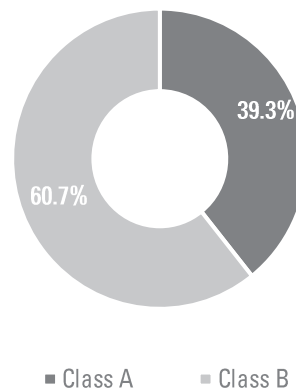
### Vacancy Rates (%)



### Detroit, MI Multifamily Market Overview

Over the past 12 months the Detroit market has experienced strong rental growth with most communities having rent growth in the 5% to 10% range while vacancy has remained below 5% overall. This region has benefitted from improved economic conditions such as a solid automotive industry, a diversifying economy, and an expanding workforce. Business shutdowns following the emergence of COVID-19 resulted in unemployment that peaked near 20% in SE Michigan but has fallen to 4.4% as of 2Q 2022. Employment in SE Michigan has also increased by 4.6% from 2Q 2021, compared to an increase of 4.4% nationally. Positive economic growth in Michigan is also the result of a renaissance in the City of Detroit, especially within the greater downtown area. Recent activity includes the redevelopment of existing vacant or under-utilized structures. Detroit is benefitting from an influx of new companies and businesses, thus increasing the daytime population in the city and creating more demand for housing and services to support a growing residential base. Multifamily developers continue to bring new inventory to the marketplace; however, the overall pace of construction is considered modest when compared to development activity in other regions in the U.S. Roughly 2,250 units were completed in Metro-Detroit over the past four quarters (7/21-6/22), of which the majority of these completions were Class A residences. With robust demand for multifamily properties in Michigan, the average per unit sale price has substantially increased in recent years, and strong competition for properties has supported a trend of decreasing capitalization rates. Although there has been substantial investor demand for apartments historically, greater competition for multifamily assets is observed as this property type has fared better than other segments of the commercial real estate market during the coronavirus pandemic. Overall, multifamily will continue to be in demand by investors and financial operations will benefit from low vacancy, rising rental rates, limited concessions, and modest new development. Furthermore, Michigan is viewed as one of the more affordable regions for housing in the U.S., when comparing the ratio of household income allocated to housing expenses.

### Distribution of Total Inventory



223,418 Units  
Multifamily Inventory

1.77% - 12 Mo. Proj.  
Construction/Inventory

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## Change In Value Next 12 Months



**+/- 0%**

Urban Class A

**+/- 0%**

Urban Class B



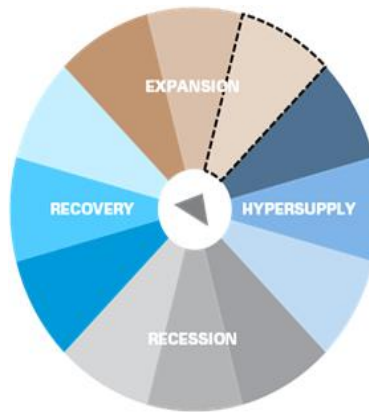
**+/- 0%**

Suburban Class A

**+/- 0%**

Suburban Class B

## Market Cycle: Expansion Stage 3



- Med/High Rental Rate Growth
- High Absorption
- Moderate/High New Construction
- Decreasing Vacancy Rates
- Moderate/High Employment Growth

## Forecasts

### Detroit, MI 12-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Going-In Cap Rates	Increase 100-124 bps	Increase 100-124 bps	Increase 100-124 bps	Increase 100-124 bps
Discount Rate	Increase 100-124 bps	Increase 100-124 bps	Increase 100-124 bps	Increase 100-124 bps
Reversion Rate	Increase 100-124 bps	Increase 100-124 bps	Increase 100-124 bps	Increase 100-124 bps
Construction (Units)	3,958			
Market Rent Change	+5.00%	+4.00%	+5.00%	+4.00%
Expense Rate Change	+3.00%	+3.00%	+3.00%	+3.00%
Years to Balance	2			

### Detroit, MI 36-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Market Rent Change	+10.41%			
Change in Value	Increase 5%-9.9%	Increase 5%-9.9%	Increase 5%-9.9%	Increase 5%-9.9%

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