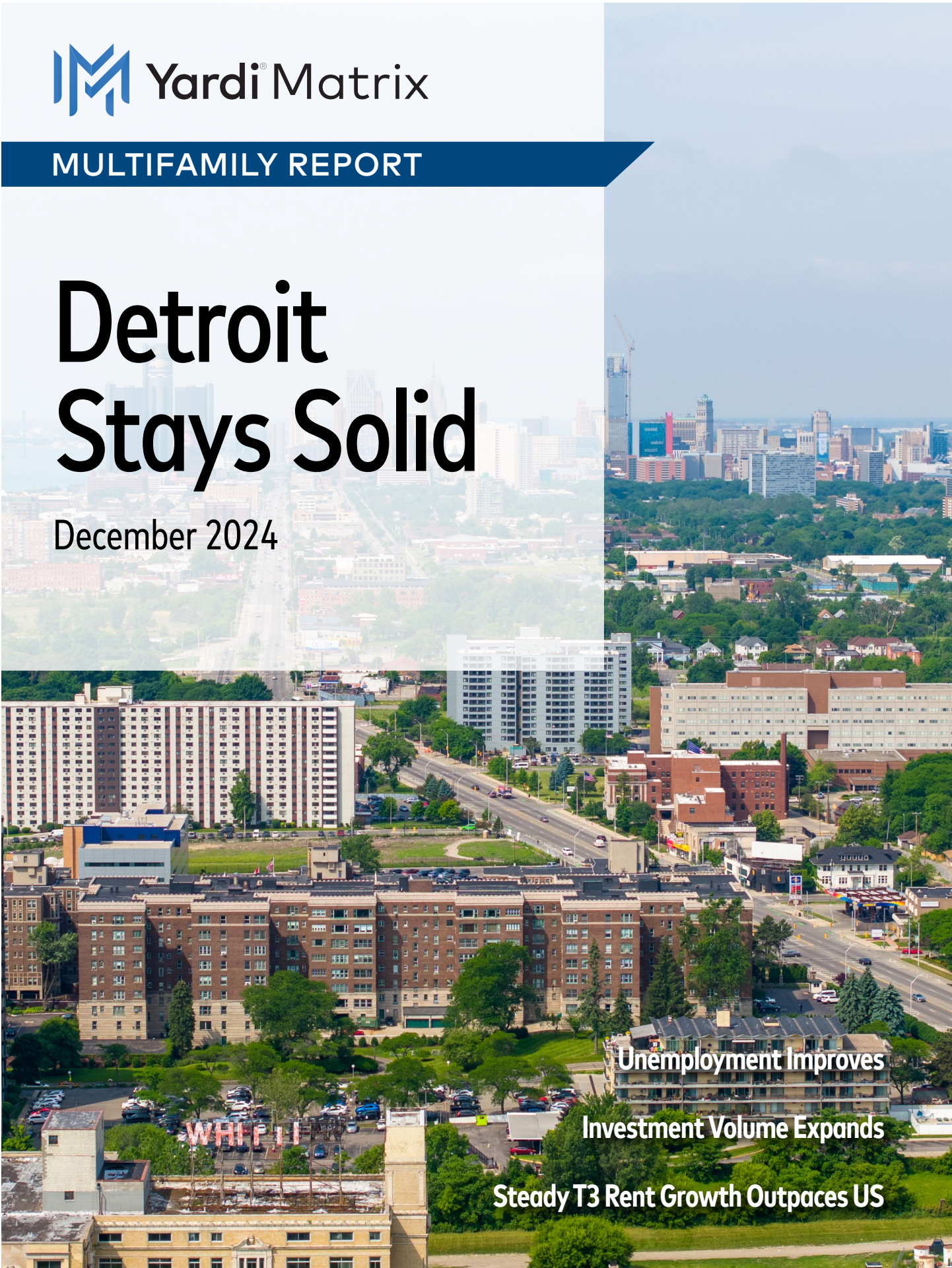


# Detroit Stays Solid

December 2024



**Unemployment Improves**

**Investment Volume Expands**

**Steady T3 Rent Growth Outpaces US**

# DETROIT MULTIFAMILY



## Detroit Rents Still On the Rise

Detroit advertised asking rents continued to climb at a steady pace, up 0.2% on a trailing three-month basis, through October. In contrast, the national average was down 10 basis points. On a year-over-year basis, the difference was even more noticeable. The metro recorded a 3.7% increase, while the U.S. rate of growth stood at just 0.9%.

Overall, the metro saw a net gain in employment during the 12 months ending in August, however the rate of growth was 120 basis points below the 1.4% national average. Detroit's August unemployment rate stood at 4.1%, according to data from the Bureau of Labor Statistics. The figure outperformed both the state and U.S. averages. A \$6.4 billion project nearing completion will boost the metro's economy. The Gordie Howe International Bridge, which will link Windsor, ON, and Detroit, is scheduled to be finished by September 2025, enhancing cross-border trade as well as tourism.

Detroit developers completed 1,275 units during the first 10 months of the year. The metro's pipeline included 4,379 units under construction with an additional 25,800 units in the planning and permitting stages. New construction starts have slowed, especially compared to the high levels seen in 2023. Investment activity picked up, as the sales volume for the first 11 months totaled \$224 million, already surpassing 2023's \$157 million.

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## Market Analysis | December 2024

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### Recent Detroit Transactions

#### Turtle Cove



City: Westland, Mich.  
Buyer: Highlands Vista Group  
Purchase Price: \$27 MM  
Price per Unit: \$140,625

#### Danish Village

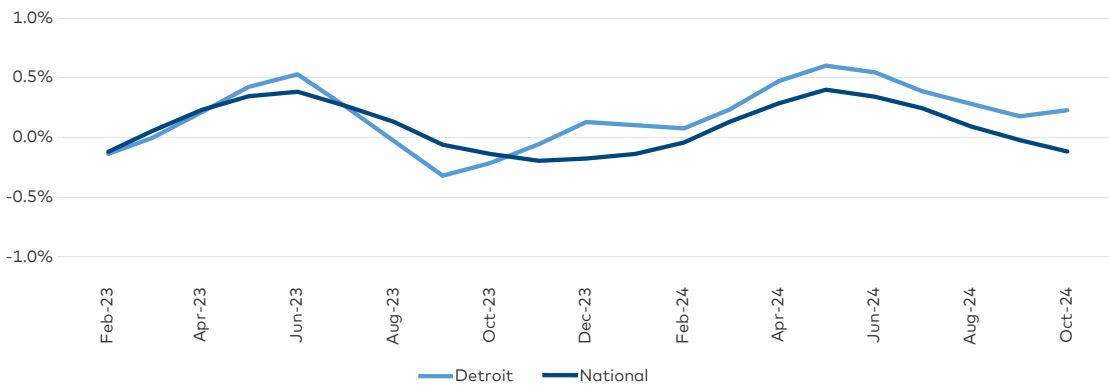


City: Rochester Hills, Mich.  
Buyer: Redwood Housing Partners  
Purchase Price: \$20 MM  
Price per Unit: \$135,667

## RENT TRENDS

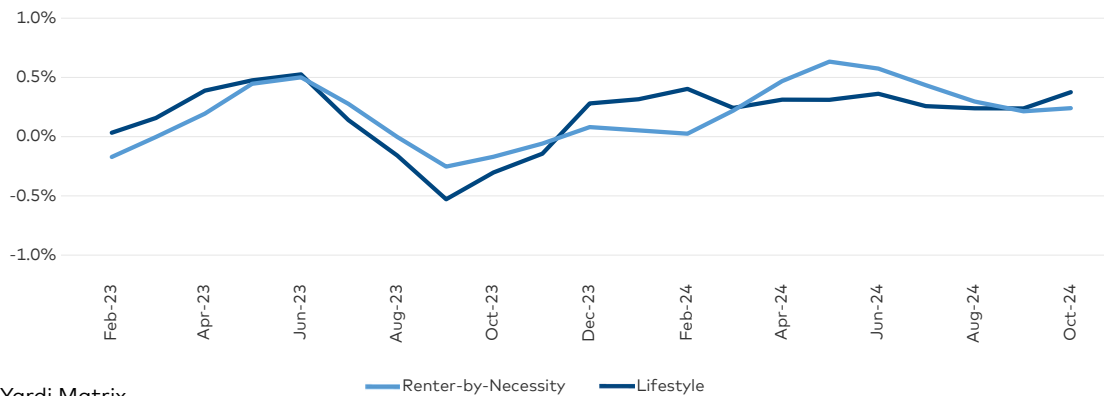
- Average advertised asking rents in Detroit climbed 0.2% on a trailing three-month (T3) basis through October. The steady increase outperformed the U.S. rate of growth, which turned negative, with a 0.1% slide. On a year-over-year basis, advertised asking rents increased 3.7% across the metro, to \$1,300. However, the U.S. rate of growth was just 0.9%, bringing the U.S. average to \$1,748.
- Lifestyle advertised asking rates were up 0.4% on a T3 basis, outperforming Renter-by-Necessity averages, which rose 0.2%. On an annual basis, Lifestyle figures were up 3.9%, to \$1,949. RBN rates showed similar improvement, up 3.7%, to \$1,236.
- Detroit's average occupancy rate in stabilized properties clocked in at 95.1% as of September. The figure marked a 60-basis-point increase year-over-year, outpacing the 94.8% national average. The Lifestyle rate was unchanged, at 93.9%, however the RBN figure topped the luxury segment, up 60 basis points, to 95.3%.
- Among the 45 submarkets tracked by Yardi Matrix, South Lyon/Milford saw the largest rent growth, with rates up 14.3% year-over-year, to \$1,621. Dearborn Heights/Inkster (up 7.8% to \$1,094) and Washington/Richmond (up 6.4% to \$1,449) rounded out the top three. Advertised asking rents in the Bloomfield Hills/Birmingham submarket climbed 4.3%, to \$1,825, making it the metro's most expensive area.

**Detroit vs. National Rent Growth (Trailing 3 Months)**



Source: Yardi Matrix

**Detroit Rent Growth by Asset Class (Trailing 3 Months)**



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ As of August, Detroit gained 7,800 net jobs in the 12 months ending in August. The labor pool expanded by 0.2% year-over-year and was 120 basis points below the U.S. rate of growth. Mining, logging and construction led gains with 8,700 jobs, followed by government (3,800) along with trade, transportation and utilities (2,100). Professional and business services recorded the largest losses, down 4,500 positions.
- ▶ Unemployment in the metro stood at 4.1% as of August, according to data from the BLS. This was a notable drop month-over-month, as Detroit's unemployment figure hit 6.4% in July, the highest rate recorded this year. The metro outperformed Michigan's average of 4.5% as well as the U.S. average of 4.2%.
- ▶ Detroit's economy will get a boost from a project that's near completion. The \$6.4 billion Gordie Howe International Bridge connecting Windsor, ON, and Detroit is on track for a September 2025 completion. The two sides of the bridge deck were connected in June, but work remains on ports of entry at both borders and on the Michigan Interchange. Construction on the longest cable-stayed bridge in North America began in 2018, and the project was initially expected to come online in late 2024. The bridge will link the Interstate 75 in Detroit and Highway 401 in Windsor.

### Detroit Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
15	Mining, Logging and Construction	97.9	4.8%
90	Government	181	8.8%
40	Trade, Transportation and Utilities	388.2	18.9%
65	Education and Health Services	319.8	15.6%
70	Leisure and Hospitality	196.5	9.6%
30	Manufacturing	255	12.4%
80	Other Services	75.9	3.7%
50	Information	29.4	1.4%
55	Financial Activities	124.8	6.1%
60	Professional and Business Services	383.2	18.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Metro Detroit saw a slight population decline in 2022, losing 7,228 residents and marking a 0.2% decrease. In contrast, the U.S. gained new residents, recording a 0.4% expansion. Overall, the metro has gained 29,626 new residents since 2010, accounting for a 0.7% increase.

### Detroit vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Detroit Metro	4,317,848	4,317,384	4,382,832	4,375,604

Source: U.S. Census

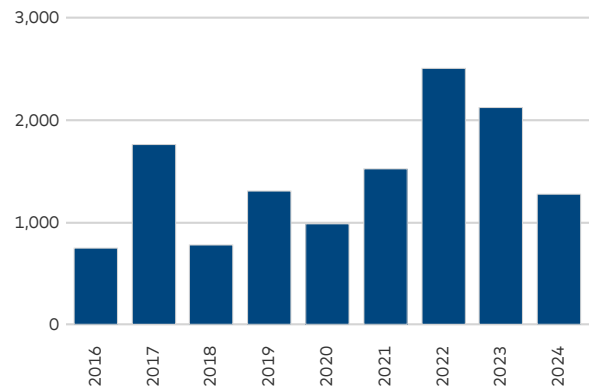
## SUPPLY

- ▶ Detroit added 1,275 units to its multifamily inventory in the first 10 months of the year. This accounted for 0.6% of existing inventory, well below the 2.4% national growth rate. All recently delivered assets were in the Lifestyle segment. Developers brought an average of 1,469 units online between 2016 and 2023. Completions peaked in 2022, when 2,511 units were delivered, accounting for 1.2% of total stock. Even then, the rate of growth was well below the national rate of 2.5%.
- ▶ Detroit had 4,379 units under construction as of October with an additional 25,800 units in the planning and permitting stages. Developers favored luxury projects, as nearly half of the developments underway were Lifestyle assets. RBN projects made up roughly 29% of the under-construction pipeline and approximately 22% of developments were designated as fully affordable.
- ▶ Construction starts slipped, as developers broke ground on only four projects totaling 406 units year-to-date through October, a steep drop from the 19 developments with 2,526 units delivered during the same period last year. However, 2023 was the crest of the emerging wave of new construction, as starts in the same time frame of 2022 comprised five projects totaling

540 units, and 2021 saw two projects totaling 429 units break ground.

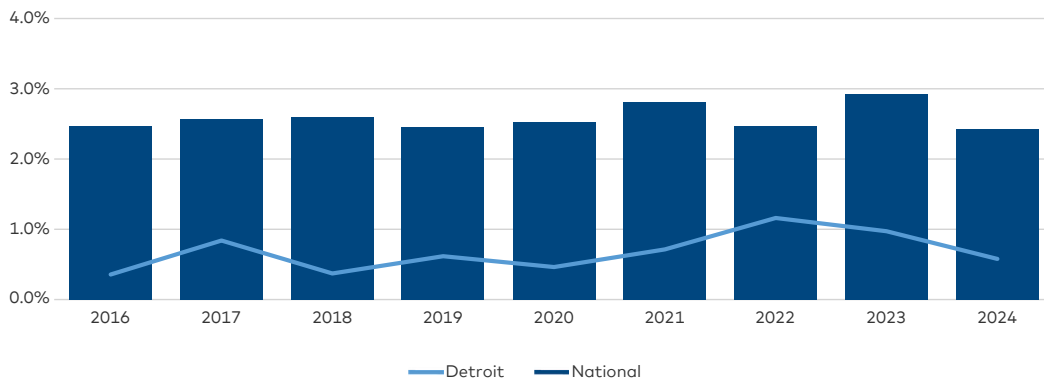
- ▶ Year-to-date through November, the 496-unit The Residences at Water Square developed by Sterling Group was the largest development that came online in Detroit. Ullico provided a \$112 million construction loan for the riverside development. The 24-story high-rise was built on the site of the former Joe Louis Arena.

**Detroit Completions** (as of October 2024)



Source: Yardi Matrix

**Detroit vs. National Completions as a Percentage of Total Stock** (as of October 2024)

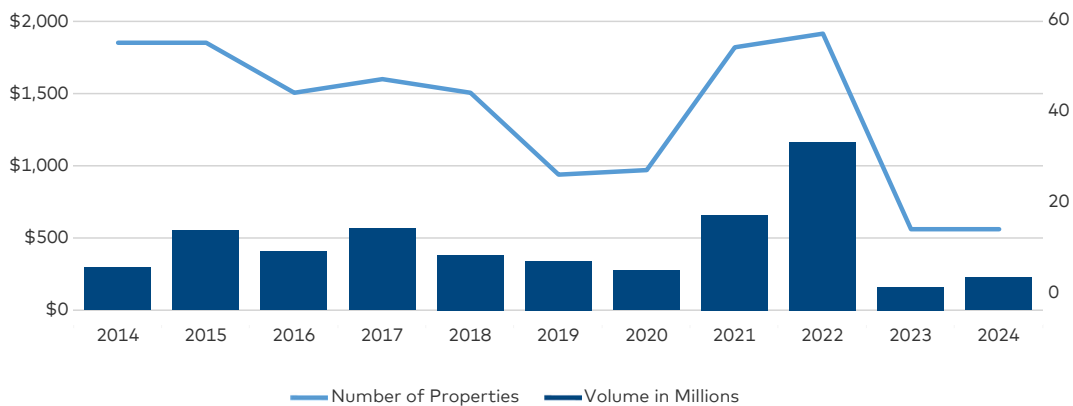


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Investment through the first 10 months of the year totaled \$224 million, a step up from the \$126 million recorded in the same period of 2023. Sales activity has already surpassed 2023's annual total of \$157 million. The average for the decade ending in 2023 was \$478 million, but that number was amplified by a \$1.8 billion combined volume in 2021 and 2022.
- ▶ Year-to-date through October, the per-unit price in Detroit settled at \$133,441. The figure was higher than the \$82,051 recorded during the same time frame in 2023, but remained below the national average of \$190,509. Investors favored RBN assets, since all but one sale focused on this segment.
- ▶ Highlands Vista Group's acquisition of the 192-unit Turtle Cove was one of the notable RBN transactions. Timberland Partners sold the asset for \$27 million, or \$140,625 per unit. Walker & Dunlop secured a \$21 million Fannie Mae loan to fund the purchase.

### Detroit Sales Volume and Number of Properties Sold (as of October 2024)



Source: Yardi Matrix

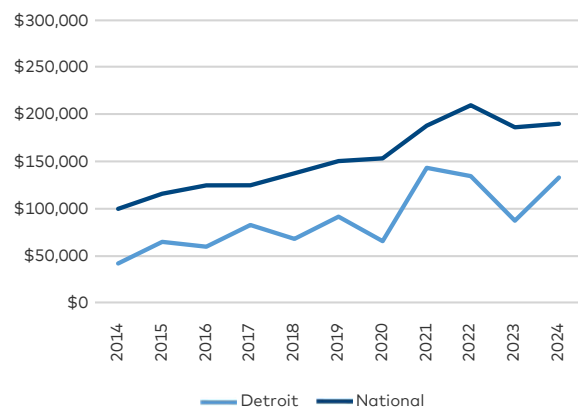
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
South Lyon/Milford	73
Westland	49
Woodhaven/Brownstown	49
Sterling Heights	32
Southfield	24
Rochester Hills	20
Southgate/Riverview	10

Source: Yardi Matrix

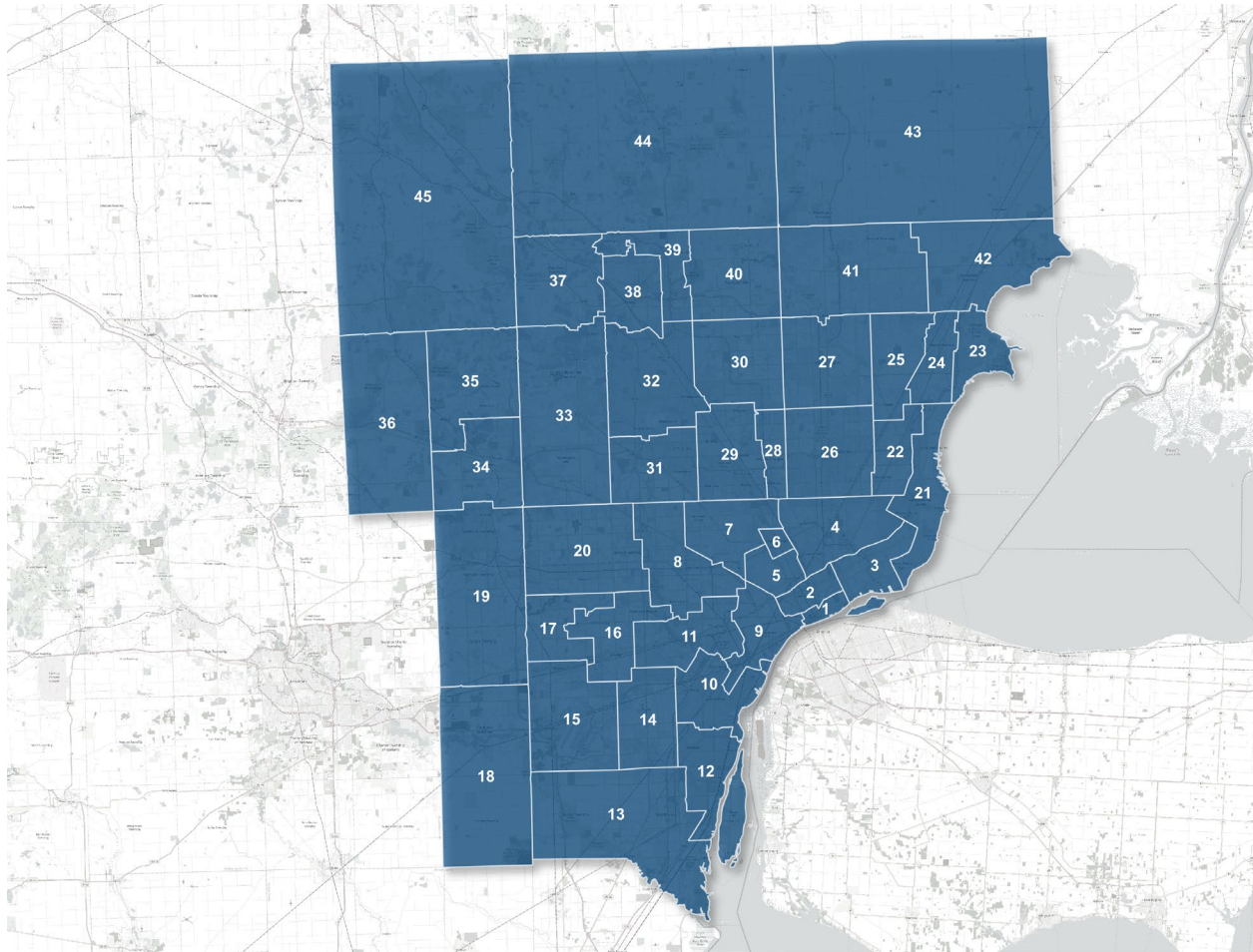
<sup>1</sup> From November 2023 to October 2024

### Detroit vs. National Sales Price per Unit



Source: Yardi Matrix

# DETROIT SUBMARKETS



Area No.	Submarket
1	Detroit–Downtown
2	Detroit–Midtown
3	Detroit–East
4	Detroit–Northeast
5	Detroit–New Center
6	Highland Park
7	Detroit–North
8	Detroit–West
9	Detroit–South
10	Lincoln Park/Melvindale
11	Dearborn
12	Southgate/Riverview
13	Woodhaven/Brownstown
14	Taylor
15	Wayne/Romulus

Area No.	Submarket
16	Dearborn Heights/Inkster
17	Westland
18	Belleville
19	Canton/Plymouth
20	Livonia/Redford
21	St. Claire Shores/Grosse Pointe
22	Roseville
23	Harrison Township
24	Clinton Township–East
25	Clinton Township–West
26	Warren
27	Sterling Heights
28	Madison Heights
29	Royal Oak/Oak Park
30	Troy

Area No.	Submarket
31	Southfield
32	Bloomfield Hills/Birmingham
33	Farmington Hills/West Bloomfield
34	Novi
35	Wixom/Walled Lake
36	South Lyon/Milford
37	Waterford
38	Pontiac
39	Auburn Hills
40	Rochester Hills
41	Shelby Township
42	Chesterfield/New Baltimore
43	Washington/Richmond
44	Clarkston/Orion
45	Holly/White Lake

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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