



SPRING 2020
**MARKET INSIGHT
REPORT**

DETROIT
MICHIGAN, USA

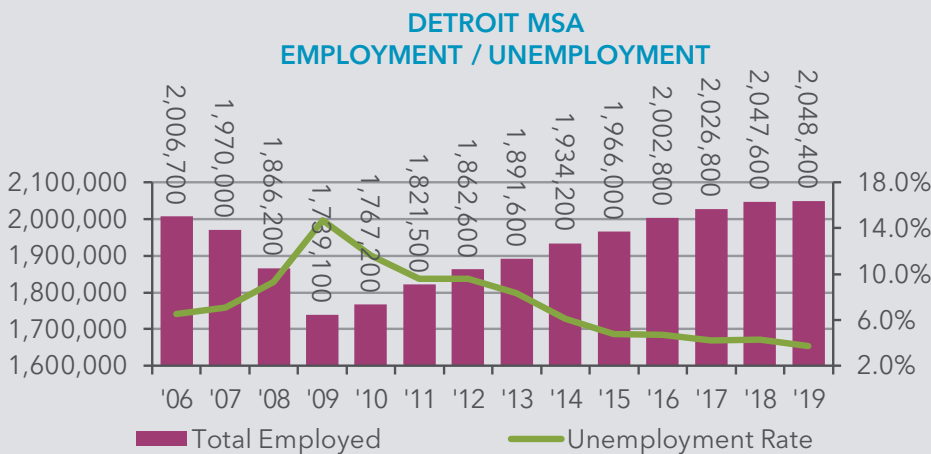
GREYSTONE

EMPLOYMENT / UNEMPLOYMENT

The Detroit-Warren-Dearborn metro area gained just 800 jobs for the YoY period ended December 2019, bringing the total employed count to 2,048,400. Unemployment was 3.7% in December, its lowest rate for that month since 2000. Detroit’s labor force then, however, was larger by 129,021 workers (2,289,870 total), highlighting Detroit’s continued struggle to grow alongside other major metros. Even so, with a modern day labor force of 2,160,849 as of December 2019, its largest since 2006, Detroit has found growth for more than a decade.

Fiat Chrysler Automotive (FCA) is converting an idle engine plant in Detroit into a new manufacturing site for the next generation Jeep Grand Cherokee and new Jeep SUV, creating 3,850 new jobs with an investment of \$1.6 billion. Dakkota Integrated Systems committed to build a \$55 million facility near the FCA plant to

build components and systems for the new Jeeps, and Royal Oak-based RPM Freight Systems, a major logistics service provider, is creating 500 new positions with a recent investment. Curbed Detroit recently noted 12 developments that were set to “transform the city”, including the Ralph Wilson park on the Detroit River riverfront, the new Gordie Howe bridge to Canada, the \$50 million Motown Museum expansion, and the Mid project, which could entail a 225-room hotel, 180 apartment units, 100,000 square feet. of retail, and more. With these projects and additional developments, Detroit continues its progress as a destination city. Indicative of its efforts, the leisure and hospitality sector expanded by 3.0% in 2019. Also noteworthy, and in a nod to the region’s growing millennial population, global retailer H&M opened its first Detroit location ever in 2019.



Source: Bureau of Labor. All annual figures through December.

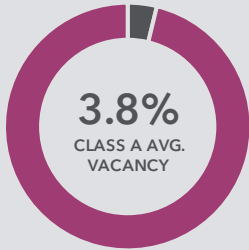
4,472,130 EST.
+1.7% ANNUAL GROWTH
DETROIT MSA
2020 POPULATION

\$63,455 EST.
DETROIT MSA
MEDIAN HOUSEHOLD INCOME

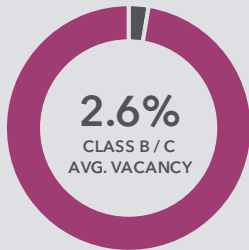
99.3
DETROIT MSA
COST OF LIVING INDEX
U.S. Avg. = 100.0

RENTAL MARKET

 **\$1,319**
CLASS A AVG. RENT



 **\$897**
CLASS B / C AVG. RENT



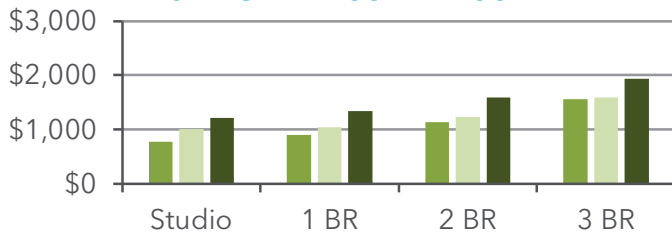
The Detroit metro apartment market's average rent posted an annual gain of 2.6% by year-end 2019, advancing to \$1,059 from \$1,032 YoY. This was the Detroit apartment market's slowest rate of rent growth since 2014 and was below that of the Midwest average of 4.0%, as well as the U.S. gain of 3.7% for the same period. Effective rents across the Detroit metro gained by 3.0% for the year, a positive indicator for the market.

Class A average rent advanced 2.8% for the year ended December, climbing to \$1,319, while Class B / C average rent gained 2.3% YoY to \$897.

The Detroit market remained competitive in 2019, with only 814 new units completing for the year, accounting for a fractional increase to metro inventory of 0.4%, as was the case in 2018. This level of development has been far below that of the Midwest average (1.3%), and of the U.S. (1.6%). The benefactors are current operators, who enjoyed another year of stability and sub-equilibrium vacancy at a market average of 3.0%.

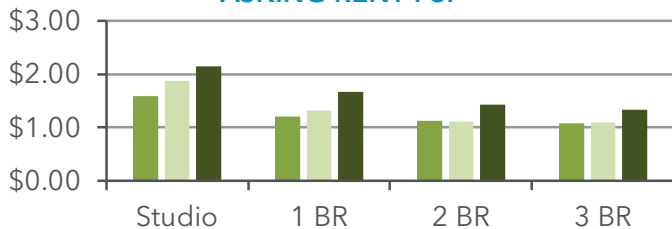
Construction totals are ramping up, and 2020 promises to be the most active of late, with over 3,500 new units expected to deliver, a contribution to inventory of 1.6%. Average vacancy should rise to 3.7% in 2020, a figure still far-below the Midwest and U.S. averages of 4.5% and 4.7%, respectively.

ASKING RENT COMPARISON



Source: Reis, 4Q 2019

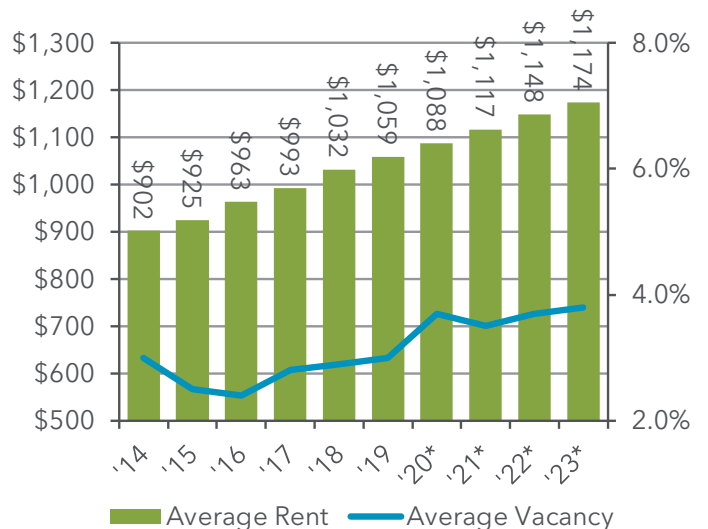
ASKING RENT PSF



Source: Reis, 4Q 2019

■ Detroit MSA ■ Midwest ■ U.S.

DETROIT MSA APARTMENT MARKET AVERAGE RENT / VACANCY



Source: Reis, All annual figures year end, *Projected

SUBMARKET CONSTRUCTION



THE STANDARD

The Standard is a mixed-use project located at 425 South Main Street in Ann Arbor, and would include 218 apartments with 421 bedrooms and more than 6,000 square feet of ground-floor commercial space. The city's planning commission voted unanimously to recommend council approve the \$40-million development proposed at the southeast corner of Main and William Streets. Designed primarily for young professionals, University of Michigan (UM) students, faculty, and visiting professors, the project comes as UM continues to increase enrollment. UM saw enrollment increase by 2.9% in fall 2019, with 48,090 students on its Ann Arbor campus.

Many Detroit developments have been delayed by rising construction costs, cites Curbed Detroit. Projects often face a significant financing gap, with large subsidies or low-interest loans filling the gap, when possible. Not surprisingly, Bedrock (Dan Gilbert) remains one of the most active developers in Detroit, with sizeable projects catering to high-income millennials. Two of Bedrock's developments within the central business district are Monroe Blocks and Hudson's Site. These new high-rises will bring over 800 units to downtown Detroit and change the city skyline for the first time in decades. The Monroe Blocks development will "restore density and vibrancy to a site that has been vacant for decades", adding a "distinctive blend of accessible open spaces, destination restaurants and retail, modern office space, and residential options" according to Bedrock. Outside of the downtown CBD, The Village at Bloomfield (432 units) and 24 at Bloomfield (430 units) in Bloomfield Hills are readying to lease-up, and will add significantly to the city's population, estimated at just over 4,000 residents in 2019.

SUBMARKET	COMPLETED	UNDER CONSTRUCTION	PLANNED / PROPOSED
Farmington Hills	0	200	0
Macomb County	283	309	1,138
Oak Park / Royal Park	142	694	1,240
Troy	46	348	1,516
Novi / Livonia	0	172	1,790
Downtown	262	1,247	1,452
Pontiac / Waterford	249	705	941
Westland	0	0	118
Downriver / S Wayne	0	0	201
Midtown / W Detroit	238	277	4,209
Ann Arbor	18	901	2,534
Non-Submarket Areas	96	100	780

Source: Reis, 4Q 2019. *Completed Construction 3Q 2018 - 4Q 2019

PERMITS

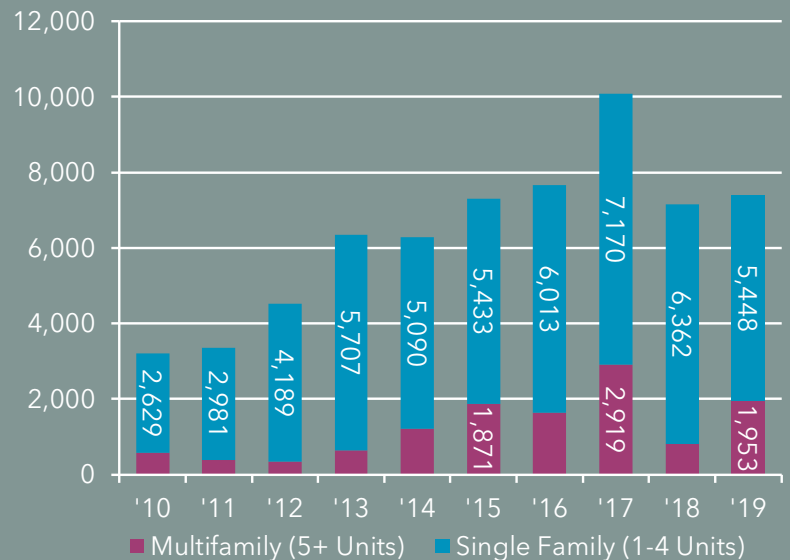
Detroit metro multifamily permits increased to 1,953 units in 2019, rising sharply from the year prior. This increase appeared more stark when viewed against 801 units permitted in 2018, however, that total was the lowest on record since 2013. Newer product is still a small percentage of the metro Detroit apartment market, which only has 4.0% of all apartment product built from 2010 and after. As mentioned previously, the metro's inventory growth rate is well-below that of the Midwest and U.S. More than 23% of all planned and proposed projects are condo, townhome, student-based, and affordable. The remaining share being market-rate rentals. The Detroit market is expected to sail through 2023 with sub-4.0% vacancy, remaining one of the tightest markets in the U.S.

Single-family permits retreated to 5,448 units, down from 6,362 units in 2018 and the lowest count since 2015.

Detroit home sales prices jumped nearly 6% in 2019 to a median of \$190,000, according to year-end data released by Farmington Hills-based Realcomp.

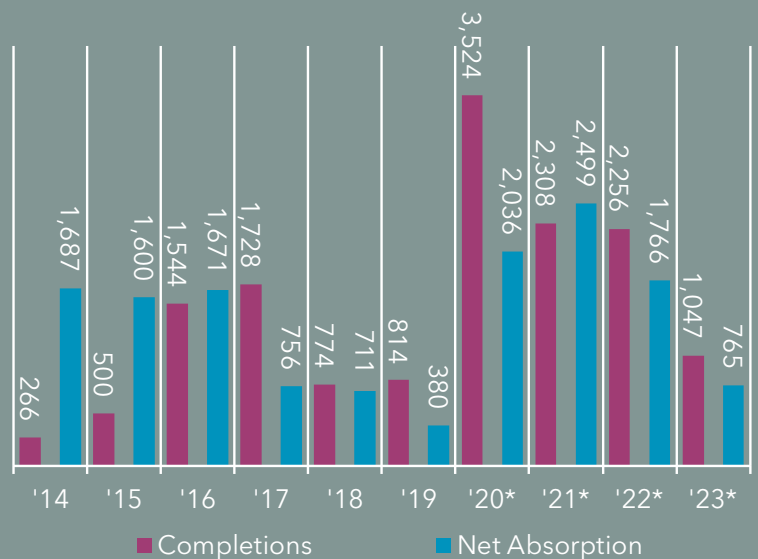
The median home sales price also exceeded its pre-recession high in 2005 of \$170,500. Detroit saw the largest gain in the region. The median home sales price in the city in 2019 was \$43,063, a 23% gain over the \$35,000 median sold price in 2018. The number of on-market listings in December fell 2.6% YoY to 12,097. Experts are pointing to a critical lack of single-family inventory as a drag on most markets, including metro Detroit.

**TOTAL RESIDENTIAL BUILDING PERMITS
DETROIT METRO AREA**



Source: U.S. Census, Multifamily Includes Condos

**DETROIT MSA APARTMENT MARKET
COMPLETIONS / NET ABSORPTION**



Source: Reis. All figures are annual totals. *Projected

AVERAGE SALES

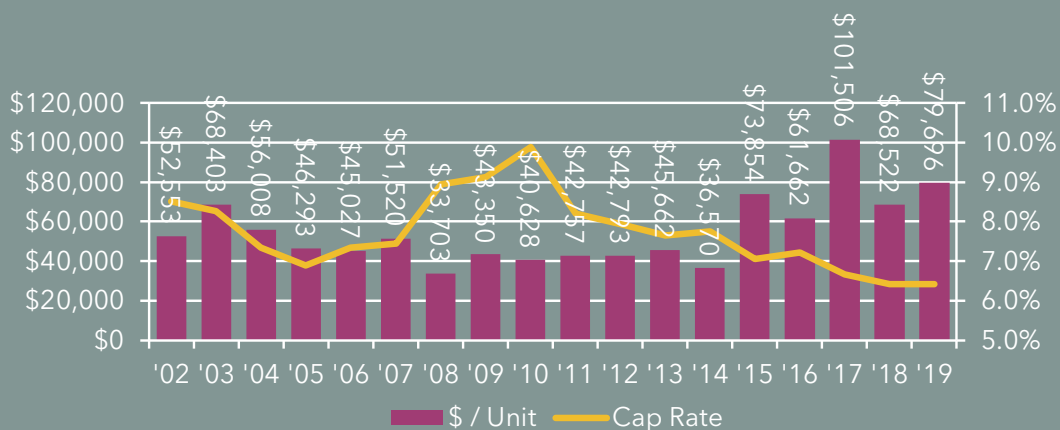
The 2019 annual sales volume for Detroit closed out at \$509 million across 28 reported transactions of \$2.5 million and greater, at an average per unit price of \$79,696. Cap rates in 2019 were in-line with the year prior, at 6.41%, with Class A deals transacting between 5.8% - 5.9% and Class B/C between 6.2% - 6.8%. Despite the significantly higher sold dollar volume than the year prior, the transaction count for the year was down 26% YoY, and the total units was up slightly. Hence, larger deals helped to define 2019.

In July 2019, Berger Realty Group Inc. sold the 252-unit Hillside Forest in Farmington Hills to Highgate Capital Group for \$32.5 million (\$128,968 per unit). It was the third-largest deal in a year.

Sold in 4Q 2019 was a five-property portfolio owned by Fairfield Residential and picked up by The Solomon Organization. The Class B properties consist of:

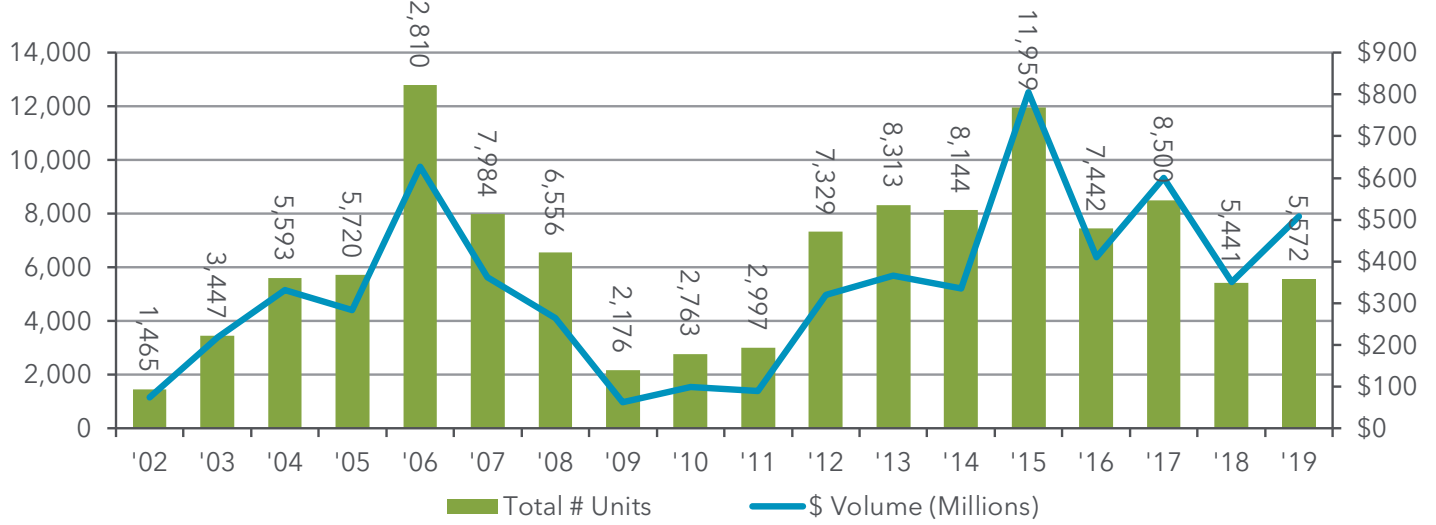
- Oaks at Hampton, Rochester Hills MI - 544 units, \$162,500 / unit
- Spring Valley, Farmington Hills MI - 224 units, \$174,030 / unit
- Landings at the Preserve, Battle Creek MI - 190 units, \$106,596 / unit
- Arbor Landings, Ann Arbor, MI - 328 units, \$190,549 / unit
- Summer Ridge, Kalamazoo, MI - 248 units, \$115,043 / unit

DETROIT MSA AVERAGE SALES PPU / CAP RATE



Source: Real Capital Analytics. Based on sales of \$2.5 million and greater.

**APARTMENT SALES TRANSACTIONS
DETROIT METRO AREA**



Source: Real Capital Analytics. Based on sales of \$2.5 million and greater.

GREYSTONE TRANSACTION ACTIVITY



HEADWATERS

Traverse City, MI 49686

Number of Units:	24
Sale Price:	\$3,100,000
Price per Unit:	\$129,167
Sale Date:	December, 2019



ASPEN HOLLOW

Lansing, MI 48911

Number of Units:	50
Sale Price:	\$1,920,000
Price per Unit:	\$38,400
Sale Date:	December, 2019



COUNTRY VILLAGE

Durand, MI 48429

Number of Units:	84
Sale Price:	\$4,500,000
Price per Unit:	\$53,571
Sale Date:	February, 2020

To learn more about Greystone Real Estate Advisors and our capabilities please visit www.greystonerealestateadvisors.com

CARY BELOVICZ

Executive Managing Director
248.394.0000 x 252
cary@greystonebel.com

SCOTT SUTPHIN

Managing Director
248.394.0000 x 253
scott@greystonebel.com

AUSTIN HULL

Associate Director
248.394.0000 x 254
austin@greystonebel.com

NICK KIRBY

Associate Director
248.394.0000 x 255
nick@greystonebel.com

PAUL RUSSO

Associate
248.394.0000 x 256
paul@greystonebel.com

GREYSTONE BEL REAL ESTATE ADVISORS

7035 Orchard Lake Rd, Suite 150
West Bloomfield, MI 48322
www.greystonebel.com

Sources: Greystone; Reis; RealCapitalAnalytics; CoStar; U.S. Census; Bureau of Labor; Sperling's; Censusreporter.org
Crain's Detroit; University of Michigan; Curbed Detroit; Michigan Economic Development Corp; BizNow; Realcomp

Copyright ©2020 Greystone & Co. II LLC. All Rights Reserved. References to the term "Greystone," refer to Greystone & Co. II LLC and/or its affiliated companies, as applicable. Although the information contained herein has been obtained from sources deemed reliable, Greystone Real Estate Advisors, Inc. makes no express or implied guaranty, warranty, or representation that the information is complete or accurate. Further, any projections, opinions, assumptions, or estimates used or offered herein are for the purpose of example only. Accordingly, Greystone Real Estate Advisors, Inc. recommends that you conduct your own careful, independent investigation into all aspects of this research report in order to gain a full understanding of the program / topic and reach your own conclusions or opinions as to its value and any related issues. The information contained in this research report should be independently examined by experts selected by you. Any recipient of these materials from Greystone Real Estate Advisors, Inc. should not and may not rely on these materials for any purpose beyond general introductory information.