

GREYSTONE



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# DETROIT

MICHIGAN, MSA

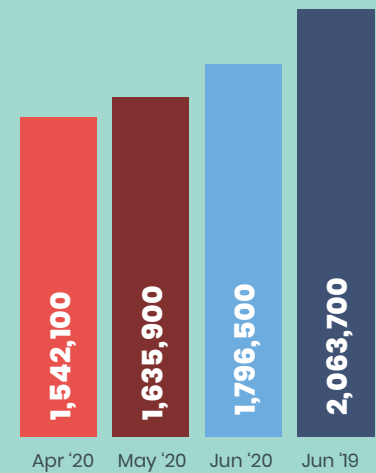
MARKET INSIGHT REPORT

FALL **2020**

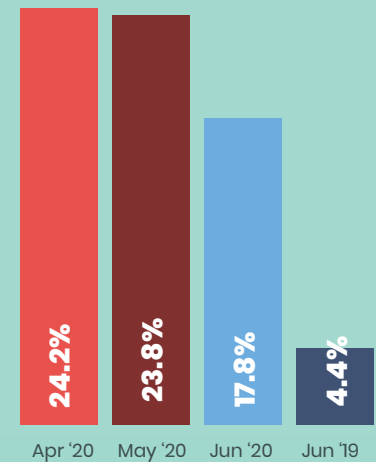
Total nonfarm employment for the Detroit-Warren-Dearborn Metropolitan Statistical Area stood at 1,796,500 in June 2020, down 267,200 over the year, the U.S. Bureau of Labor Statistics has reported. Detroit's 12.9% rate of job loss was nearly 50% greater than the national decline of 8.7%. The Detroit metro's unemployment rate of 17.8% in June was vastly improved from 24.2% in April, but was also above the U.S. unemployment rate of 11.1% and placed the metro area at no.49 of 51 of the largest metros, with no. 51 being the highest. Only Las Vegas and Los Angeles fared worse than Detroit.

As with other metro areas, employment in Detroit's leisure and hospitality sector fell sharply (-84,100, or -40.2%) for the 12 months ending in June, the largest loss of jobs among local major industry sectors. Other sectors were disrupted by the pandemic with job losses of 10% or more, including manufacturing, professional and business services, other services, and education and health services. The 2020 North American International Auto Show (NAIAS) scheduled for June was canceled. The winter NAIAS show usually generates an estimated \$430 million in revenue with 800,000 attendees, and the June show was expected to eclipse this, being a boon to downtown businesses. Consequently, this was one factor that propelled the city's unemployment rate to nearly 40% in April-May (improved to 31.9% in June). Local businesses are looking ahead to NAIAS 2021, and the auto industry is reporting sales volume above levels of the Great Recession, which is adding more confidence for a quicker Detroit rebound.

### Total Employment



### Unemployment



Metro Area Employment (Thousands)	June 2020	Change from June 2019	
		Number	Percent
Total Nonfarm	1,796.5	-267.2	-12.9
Mining, Logging, and Construction	73.6	-6	-7.5
Manufacturing	230.5	-30.1	-11.6
Trade, Transportation, and Utilities	345.8	-34.9	-9.2
Information	24.9	-2.2	-8.1
Financial Activities	117.7	-4.5	-3.7
Professional and Business Services	355.4	-41.0	-10.3
Education and Health Services	280.1	-38.6	-12.1
Leisure and Hospitality	125.0	-84.1	-40.2
Other Services	65.1	-11.4	-14.9
Government	178.4	-14.4	-7.5

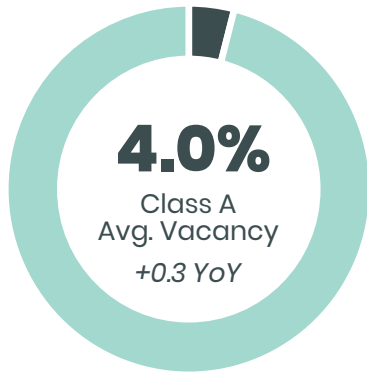
Source: U.S. BLS, Current Employment Statistics

# RENTAL MARKET



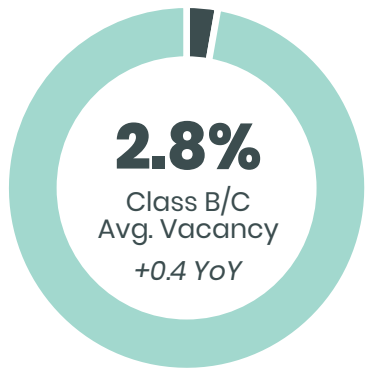
**\$1,311**

Class A Avg. Rent  
+0.6% YoY



**\$908**

Class B/C Avg. Rent  
+2.4% YoY



Mean Unit Prices 2Q 2020

**\$786**

Studios

**\$902**

One Bedrooms

**\$1,145**

Two Bedrooms

**\$1,549**

Three Bedrooms

**+1.3% YoY 2Q**

Average Rent Increase  
From \$1,047 to \$1,064

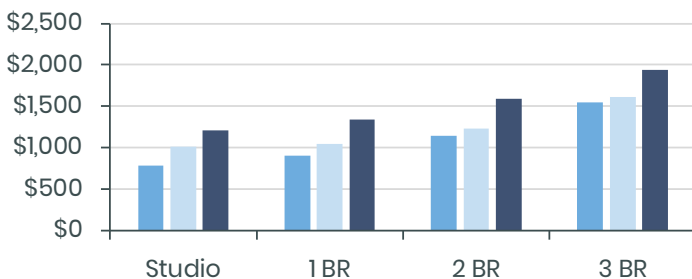
- The second quarter brought a 0.1% increase in rent from first quarter
- Average rent is expected to retrace by 2.0% by year-end 2020, to \$1,041, while no change is expected for 2021
- Vacancy rate of 3.3% in 2Q expected to rise to 4.7% by year end and to 5.2% in 2021 before receding

Average Rent / Vacancy



Source: Reis, \*2Q 2020

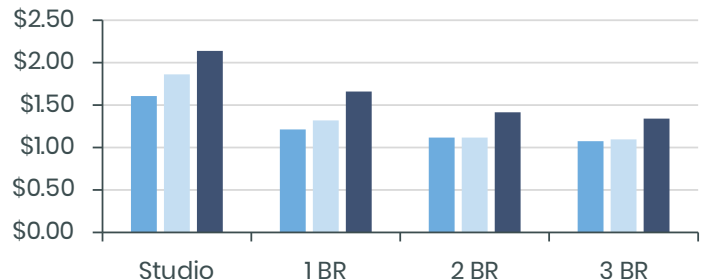
Asking Rent Comparison



Source: Reis, 2Q 2020

■ Detroit MSA   ■ Midwest   ■ U.S.

Asking Rent PSF



Source: Reis, 2Q 2020

# MULTIFAMILY CONSTRUCTION

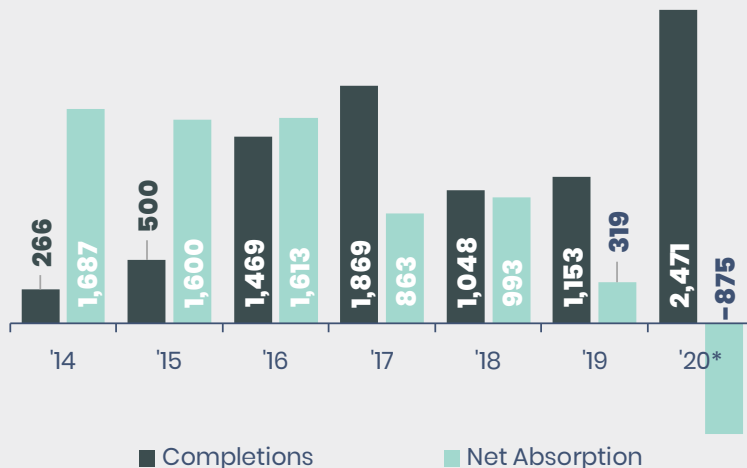
**2020: Expected completions of 2,471 new units**

**2,379 new units will follow in 2021**

Detroit's apartment inventory will grow by 1.1% in 2020, just over double the annual pace set in 2018 and 2019.

After reaching a recent peak of 5.2% in 2021, the Detroit market's average apartment vacancy rate is expected to recede, falling to 4.6% in 2022 and to 4.3% by 2023.

**Completions/Net Absorption**



Source: Reis, All figures are annual totals, \*Projected

# PERMITS



**2,185**

Single Family Permits  
-16.7% YoY



**491**

Multifamily Permits  
(5+ Units)  
-40.8% YoY

YTD Through 2Q 2020

**\$183,941**

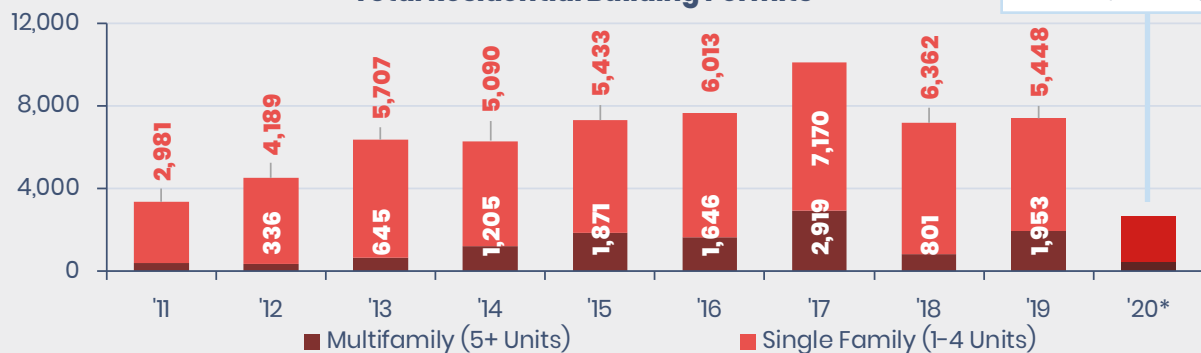
Median Single Family Price  
+4.7% YoY

**METRO CITIES**

- Troy - **\$290,500**
- Macomb - **\$268,600**
- Canton - **\$243,200**
- Livonia - **\$186,600**
- Sterling Heights - **\$185,300**
- Dearborn - **\$140,200**
- Warren - **\$119,000**
- Detroit - **\$41,500**

June 2020, Zillow Home Value Index

**Total Residential Building Permits**



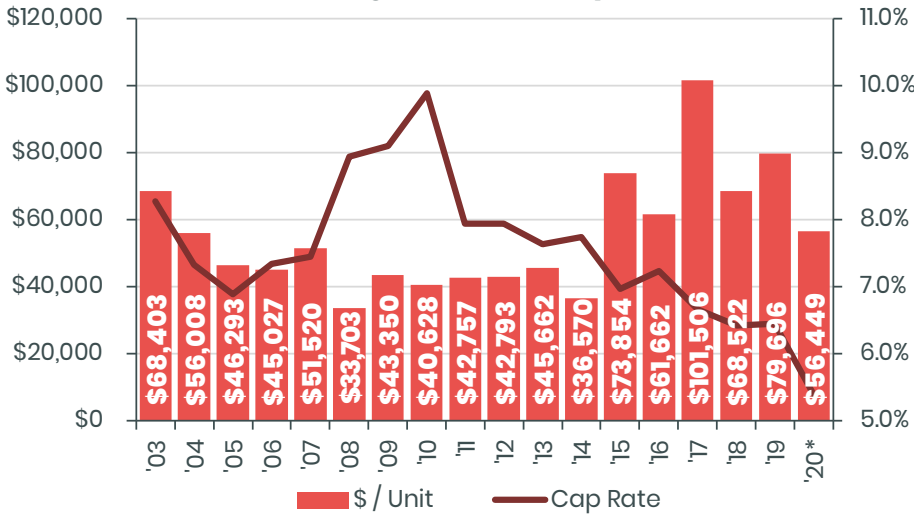
Source: U.S. Census, \*Through June, Multifamily Includes Condos

**Mid-Year Permit Volume**

**491** Multifamily  
**2,185** Single Family

# MULTIFAMILY SALES

### Average Sales PPU / Cap Rate



Source: Real Capital Analytics & Reis. \*YTD through June 30



**\$76M**

Sales Volume YTD  
-64.4% YoY



**\$56,449**

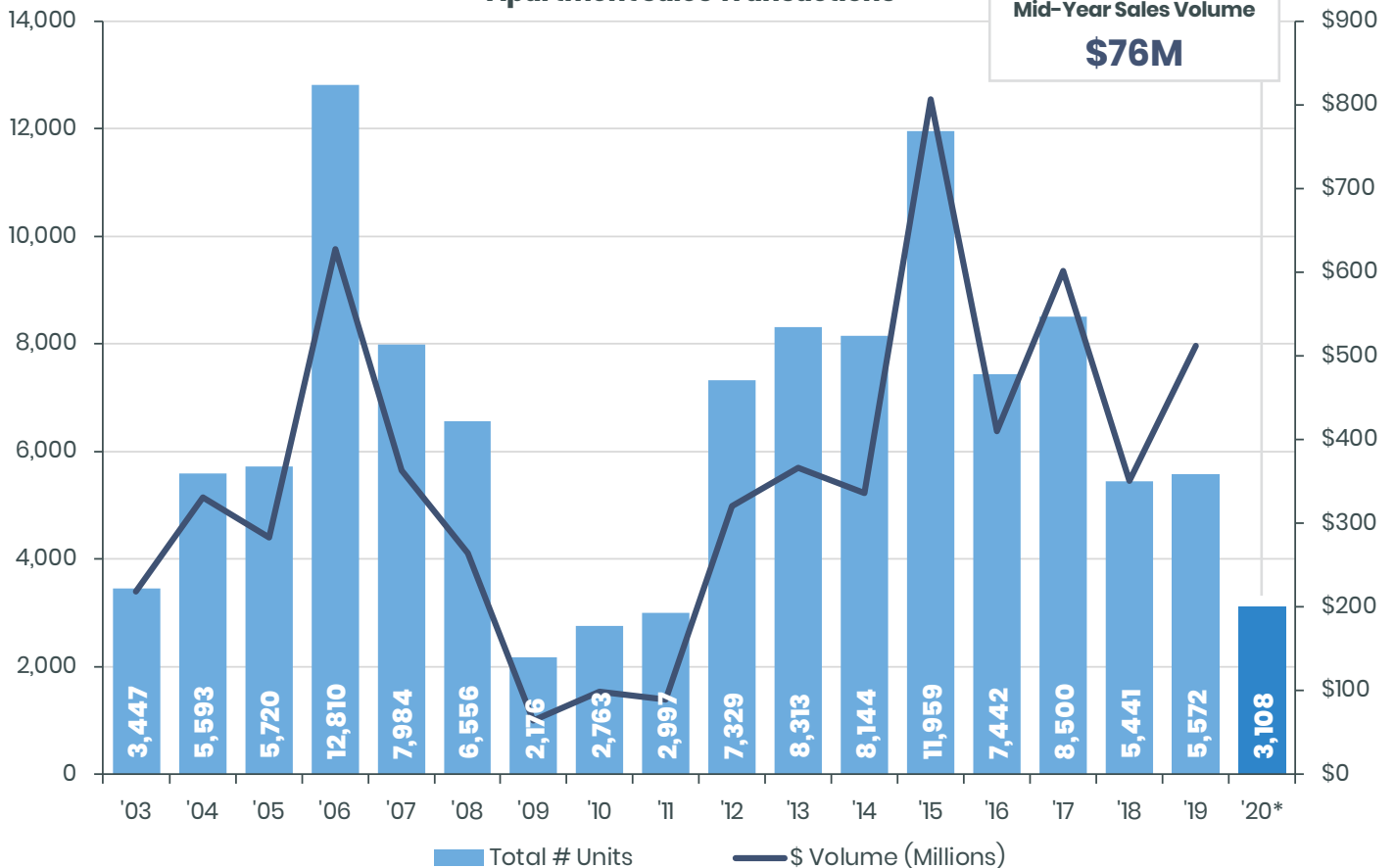
Avg. Sold Price / Unit YTD  
-26.8% YoY



**5.4%**

Avg. Cap Rate YTD  
-110 bps YoY

### Apartment Sales Transactions



Source: Real Capital Analytics, Based on sales of \$2.5 million and greater, YTD through June 30

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Sources: Greystone; Reis; RealCapitalAnalytics; CoStar; U.S. Census; Bureau of Labor

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