

# GREYSTONE

SPRING ISSUE

2021

## MARKET INSIGHT REPORT

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Detroit  
Michigan MSA

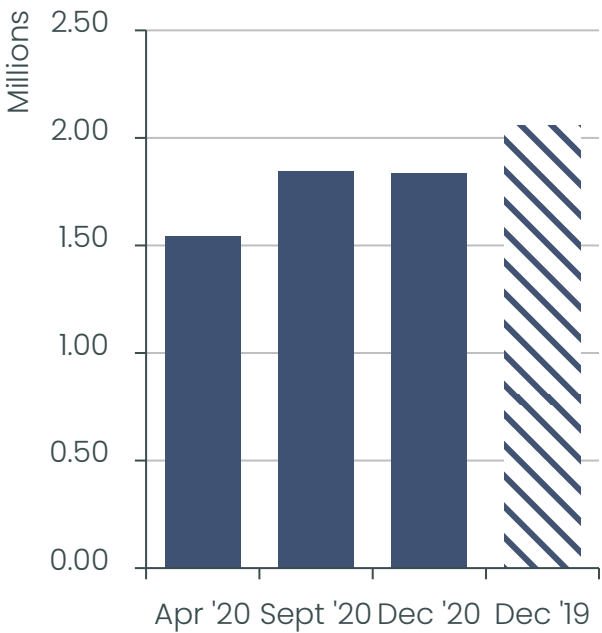
# Employment / Unemployment

The Detroit metro economy has been one of the most impacted in the country due to the pandemic. Losing a substantial 224,800 jobs YoY, or a 10.9% decline, metro Detroit saw its unemployment rate rise to 10.1% in December 2020. This was a considerable improvement from the 24.2% unemployment rate in April 2020 at the onset of the crisis, but the 10.1% at year-end placed Detroit only behind Las Vegas for highest unemployment ranking of the nation's 51 largest metro areas.

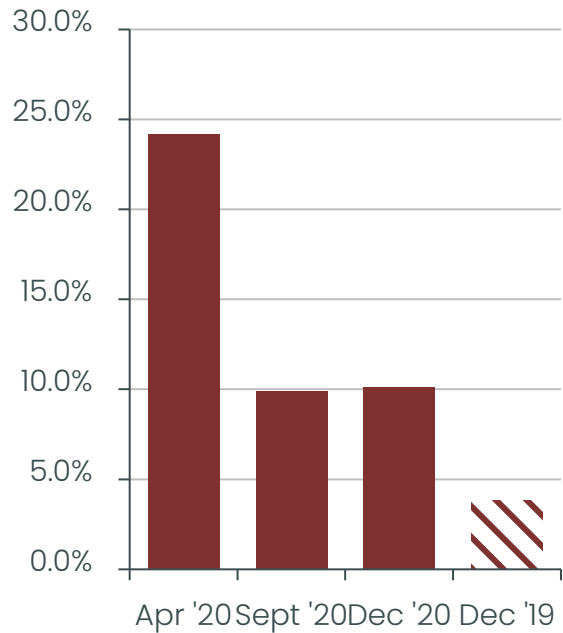
Upcoming 2021 Bureau of Labor data will likely tell of an improving economy for Detroit already underway. Effective February 1, 2021, Michigan began easing restrictions on indoor dining at restaurants with certain requirements, concessions at casinos, movie theaters, and stadiums. Restaurants and bars are now allowed to reopen at 25% capacity with up to 100 people. This directive will quickly restore some of the 86,300 leisure and hospitality jobs that have been lost. The Moody's Analytics forecast for Detroit sees net job growth of 2.5% in 2021. The total level of jobs is not expected to surpass the peak of 2019 until beyond 2025.

Having been a recent national top performer with an enviably low vacancy rate, the Detroit metro apartment market will see a 1.0% decline in average asking rent in 2021 and an uptick in vacancy, but the years ahead show consecutive improvement with declining vacancy and rental rate gains at least through 2025.

TOTAL EMPLOYMENT



UNEMPLOYMENT



METRO AREA EMPLOYMENT (THOUSANDS)	DECEMBER 2020	PERCENT CHANGE FROM DECEMBER 2019
Total Nonfarm	1,833.9	-10.9%
Mining, Logging, and Construction	69.8	-4.8%
Manufacturing	234.1	-9.9%
Trade, Transportation, and Utilities	376	-5.2%
Information	25.3	-3.8%
Financial Activities	117.3	-3.2%
Professional and Business Services	368.0	-6.0%
Education and Health Services	281.2	-13.3%
Leisure and Hospitality	111.3	-43.7%
Other Services	71.1	-4.7%
Government	179.8	-7.0%

Sources: U.S. BLS, Current Employment Statistics



# Rental Market

- Detroit was one of the few U.S. markets to post an annual rent increase in 2020
- Annual rent is expected to post a slight decline in 2021, however, falling 1.0% before rising 1.2% in 2022 and 2.1% in 2023
- Vacancy rate is projected to trend up to 4.3% in 2021 before trending down to 3.8% in 2023 and 3.5% in 2024



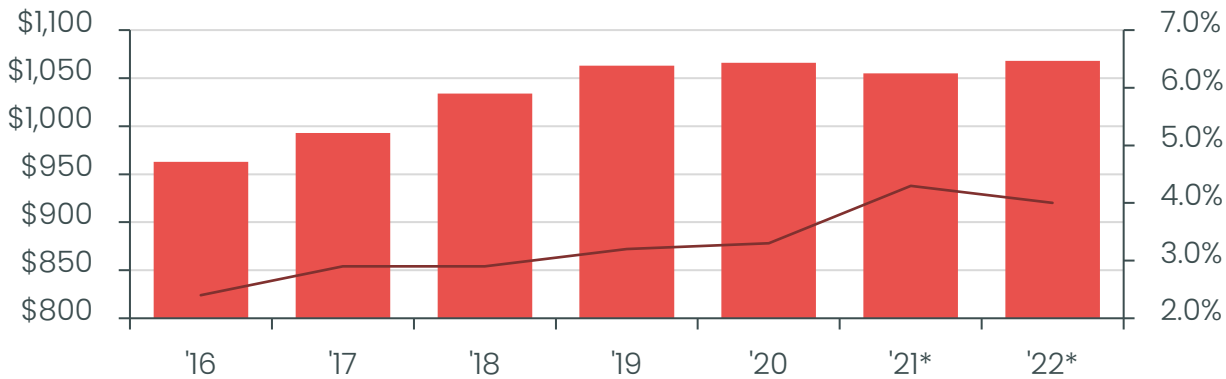
+0.3%

Average Rent Increase  
From \$1,063 to \$1,066  
YoY

YEAR BUILT	ASKING RENT	VACANCY RATE
Before 1970	\$976	2.7%
1970-1979	\$960	2.8%
1980-1989	\$1,163	3.2%
1990-1999	\$1,223	3.5%
2000-2009	\$1,499	4.6%
2010-2019	\$1,950	8.7%
After 2019*	\$1,788	13.4%

\*Includes Properties in Lease-Up

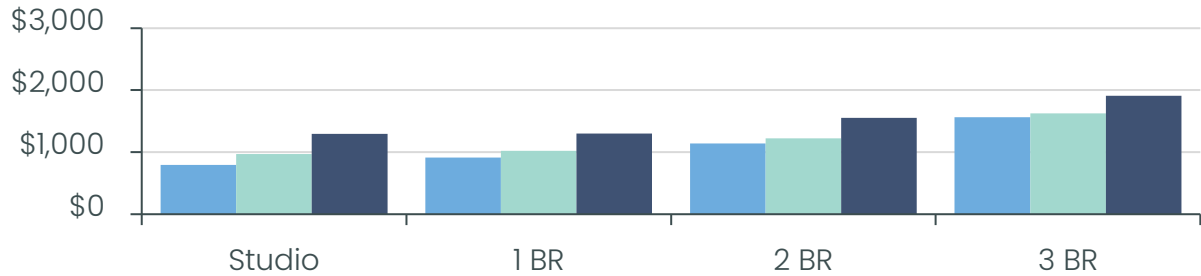
## AVERAGE RENT / VACANCY



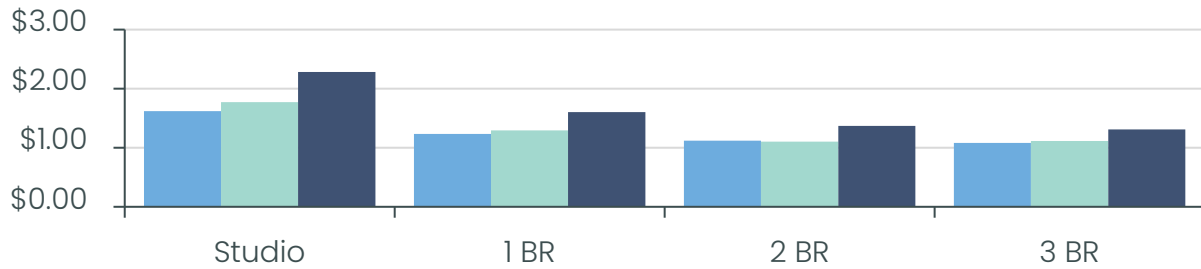
■ Average Rent ■ Average Vacancy

Source: Reis, \*Projected

## ASKING RENT COMPARISON



## ASKING RENT PSF



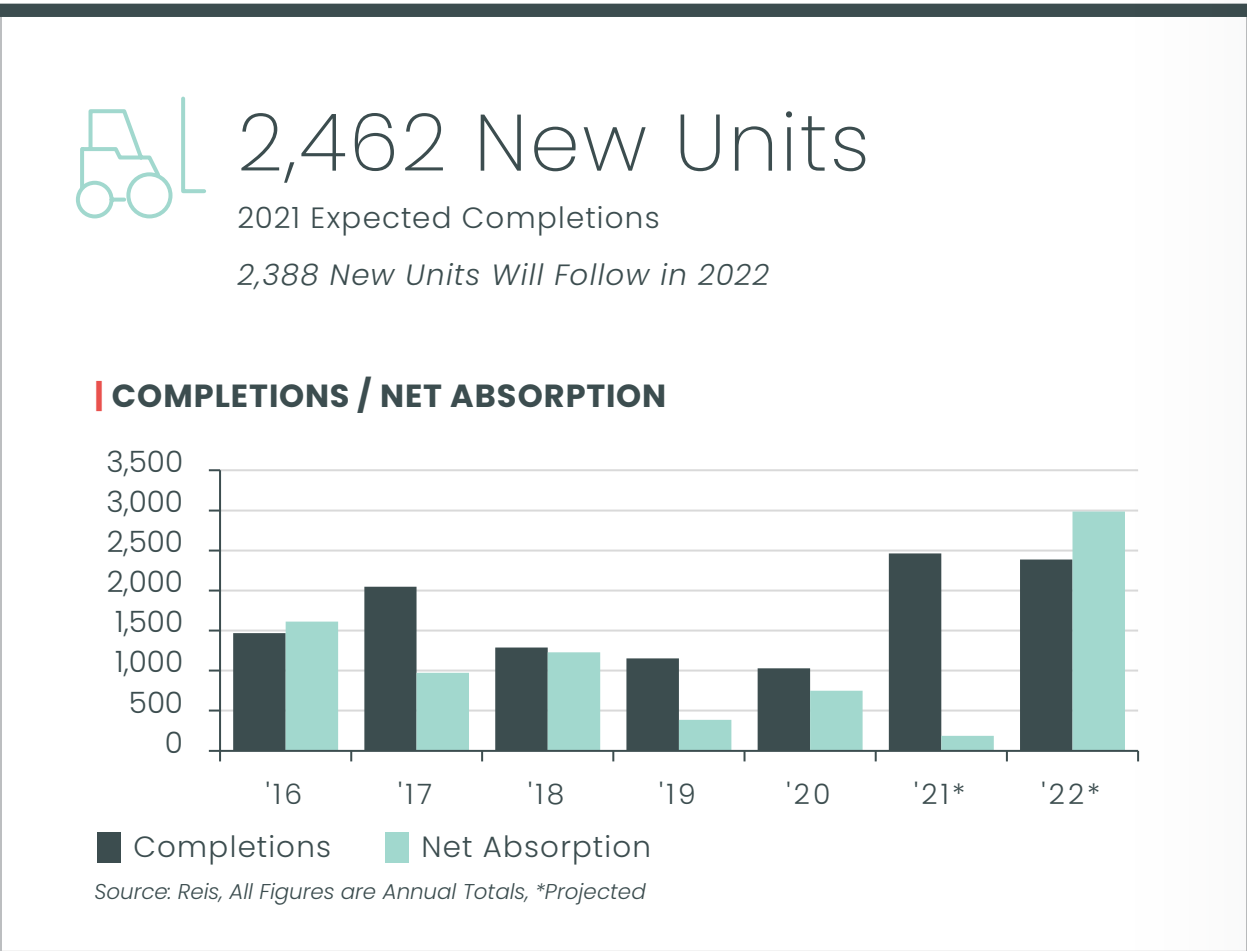
■ Detroit MSA ■ Midwest ■ U.S.

Source: Reis, 4Q 2020

# Multifamily Construction

The Detroit market has a cumulative apartment inventory growth forecast of 1.1% for 2021, well below that of the U.S. average of 2.4%. 2022 will also see an inventory increase of 1.1%, trailing the U.S. average of 1.4%.

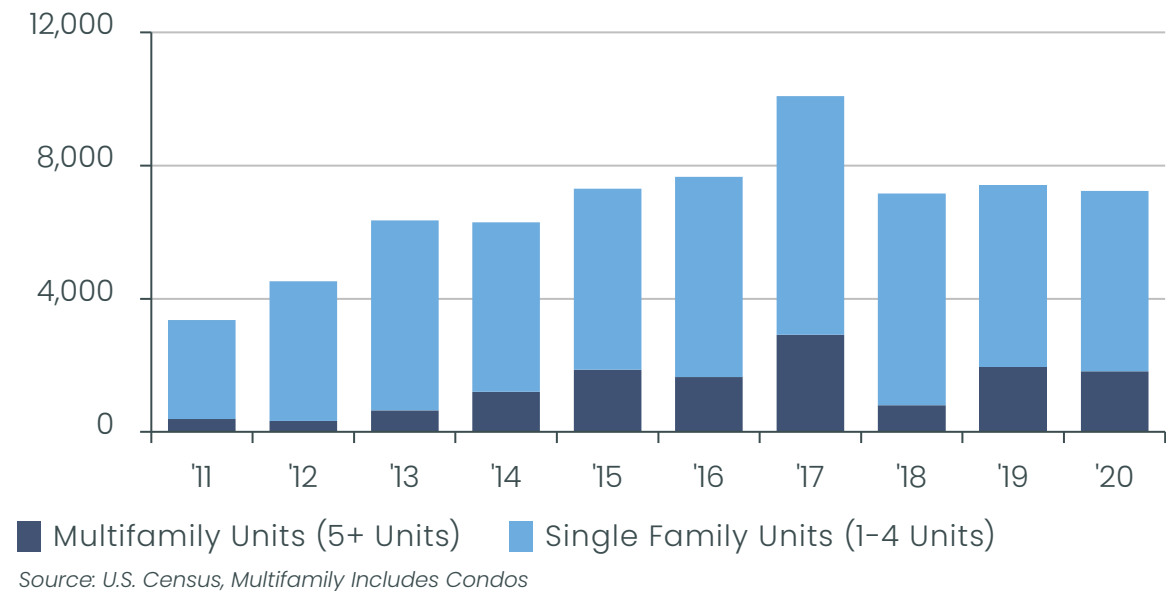
The Troy submarket will be the local leader for new market rate apartments, having 1,117 of the market’s 3,802 new units under construction as of year-end 2020. Downtown Detroit follows, with 945 market rate units under construction, while Ann Arbor is also a leader with 408 market rate units and nearly 600 student units under construction.



# Permits

- Active single family for-sale inventory fell 49.3% YoY in December 2020 to 4,740 listings.
- Months supply of homes for sale fell to 1.2 from 2.5 the year prior.

## TOTAL RESIDENTIAL BUILDING PERMITS



5,422  
Single Family  
Permits  
-0.5% YoY

1,822  
Multifamily Permits  
(5+ Units)  
-6.7% YoY



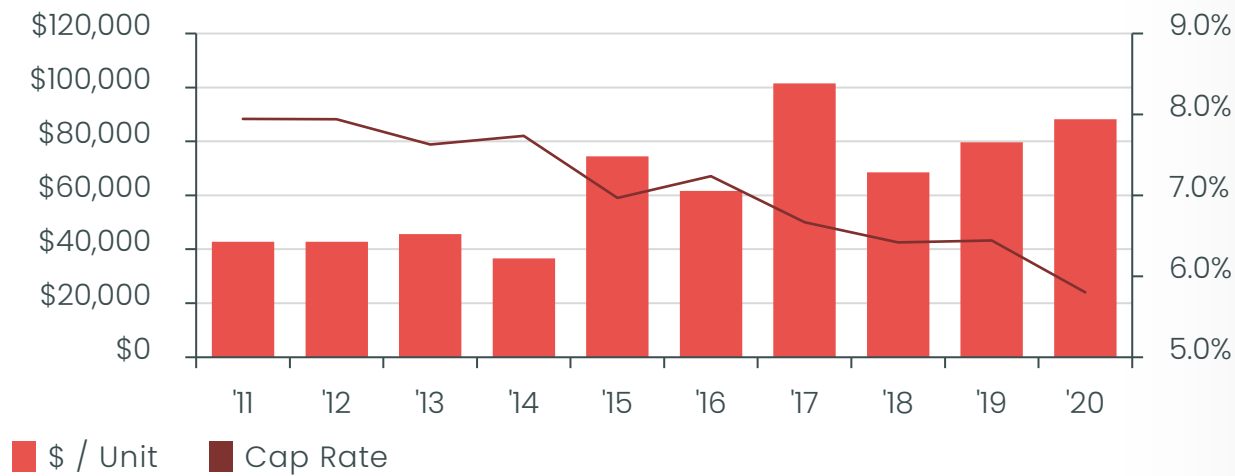
\$205K  
Median Single  
Family Price  
+13.9% YoY





# Multifamily Sales

## AVERAGE SALES PPU / CAP RATE



Source: Real Capital Analytics, Based on Sales of \$2.5 Million and Greater

### \$88,241

Avg. Sold Price / Unit  
+10.7% YoY

### 5.8%

Avg. Cap Rate  
-60 bps YoY

### \$298M

Sales Volume  
-42.0% YoY

### 3,602

Total # Units Sold  
-35.3% YoY

## APARTMENT SALES TRANSACTIONS



Source: Real Capital Analytics, Based on Sales of \$2.5 Million and Greater

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

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