



2023 AAM MULTIFAMILY RENTAL MARKET OUTLOOK

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2023 Multifamily Rental Market Outlook

Presented by Kevin Dillon
Senior Managing Director,
Berkadia



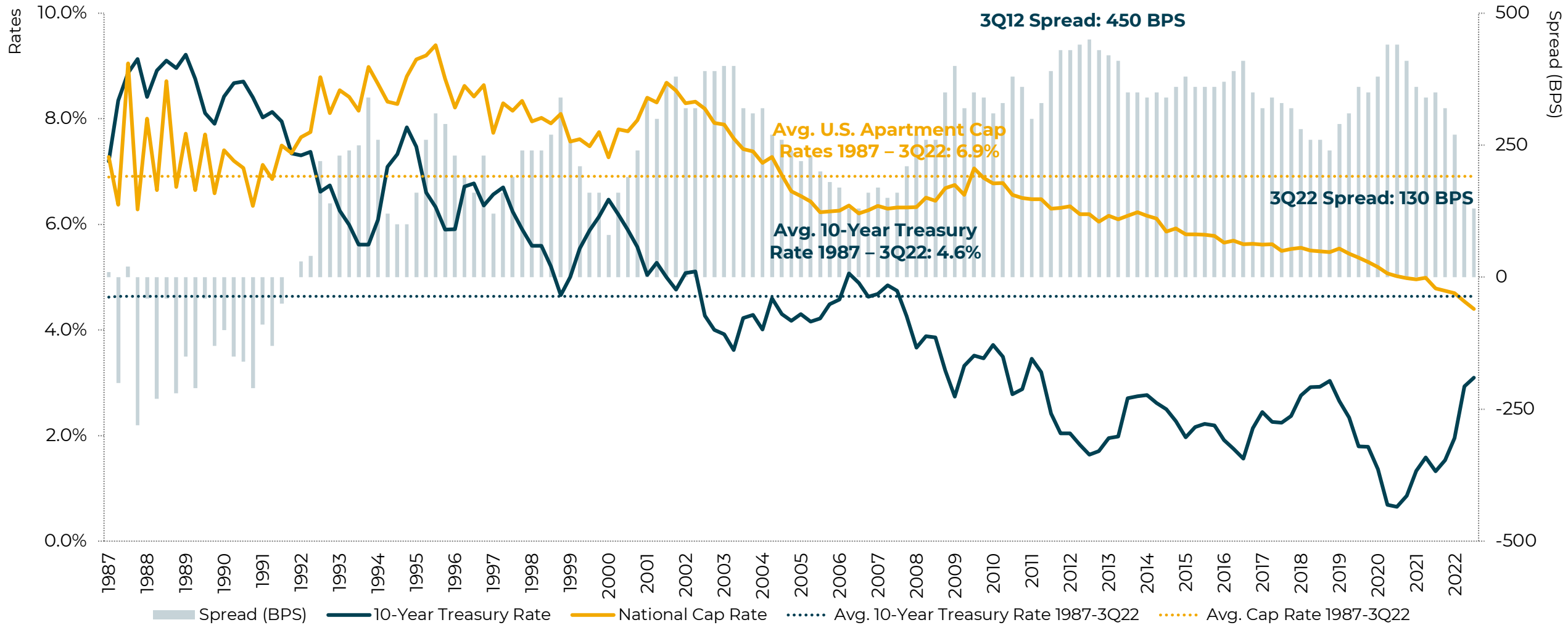
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Investment Indicators

Investment Indicators | 10-Year Treasury vs. U.S. Cap Rate

Quarterly Breakdown

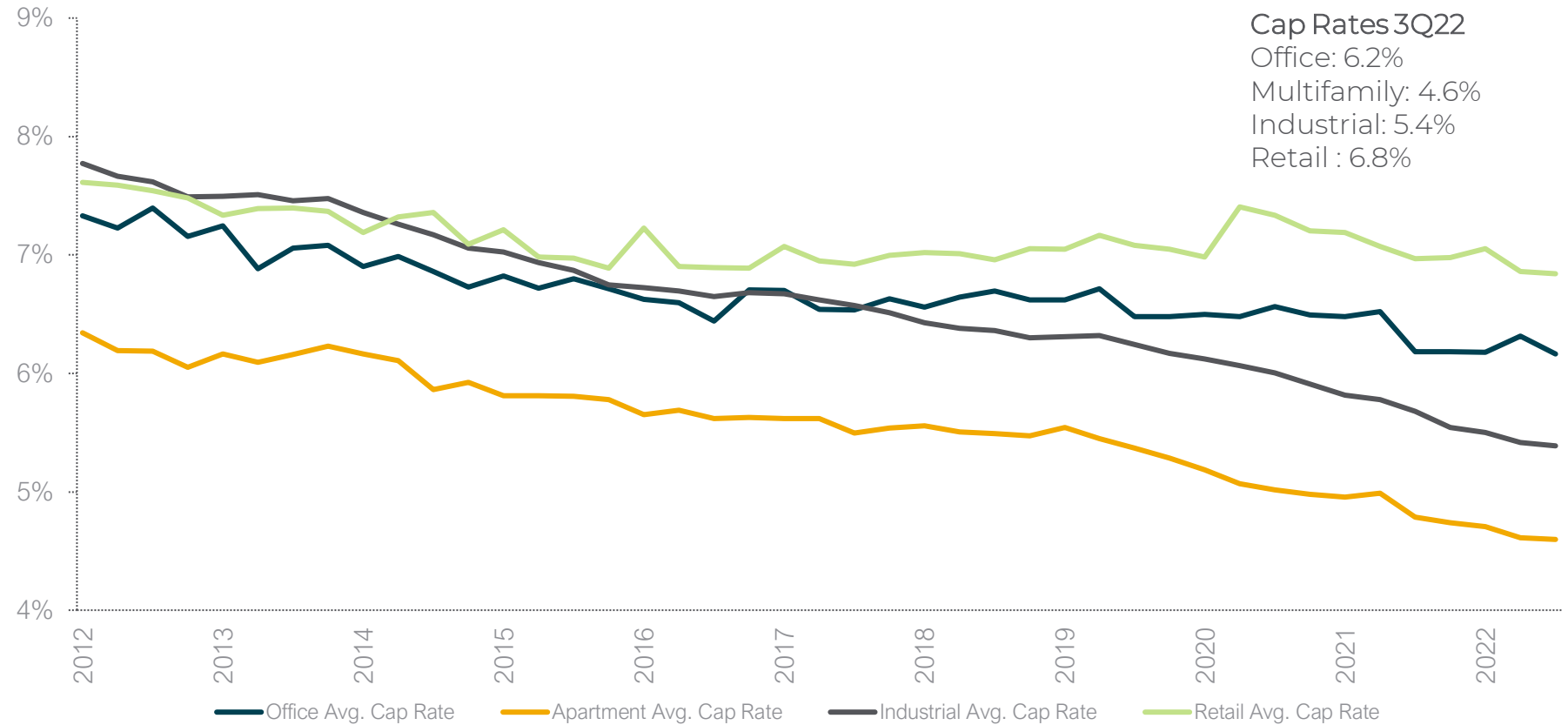


Note: National cap rates encompasses all apartment types
 Sources: Berkadia Research; Real Capital Analytics; NCREIF; Federal Reserve Bank of St. Louis



The apartment and industrial sectors represented approximately 61% of deal activity through 3Q22

CRE – Cap Rates



* Based on independent reports of properties and portfolios \$2.5 million and greater.

Source: Berkadia Research; Real Capital Analytics; CoStar.

A man in a dark suit and white shirt is walking away from the camera on a staircase. The scene is overlaid with a blue tint. The text 'Multifamily Market Capital Trends' is displayed in white, bold, sans-serif font, enclosed in a yellow rectangular frame with a slight offset on the right and bottom sides.

Multifamily Market Capital Trends

Multifamily Buyer Composition – National*

- Private investors were the most active through 3Q22, making up nearly 67% of capital behind nationwide apartment acquisitions.
- Institutional buyers make up the second largest investor group, similar to one year prior.

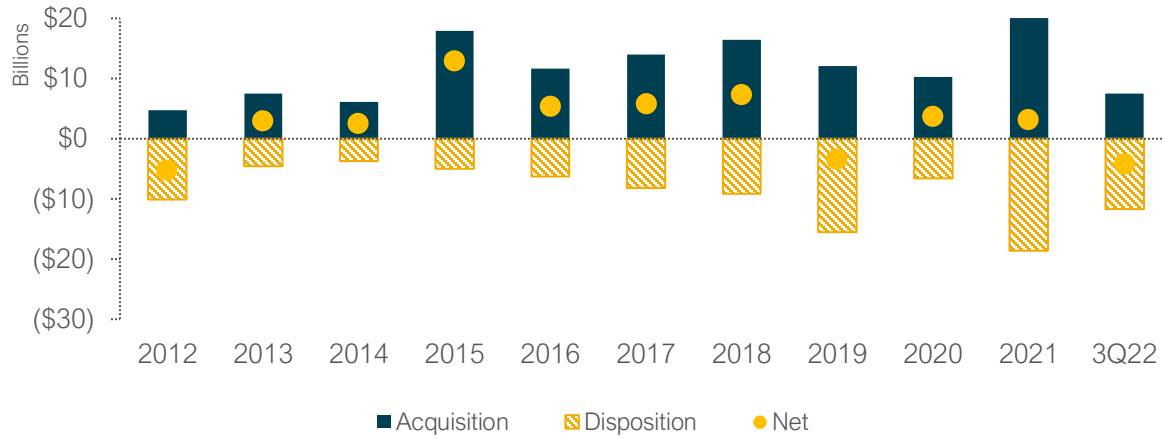
	Cross-Border	Institutional	REITs	Private	User/Other
Total	\$7.4b	\$58.6b	\$5.4b	\$148.0b	\$2.1b
Market Share	3.4%	26.5%	2.4%	66.8%	0.9%
Y-o-Y Change	-15.3%	18.6%	1.7%	28.1%	-54.1%

* Based on independent reports of properties and portfolios \$2.5 million and greater; excludes “unknown” buyers.

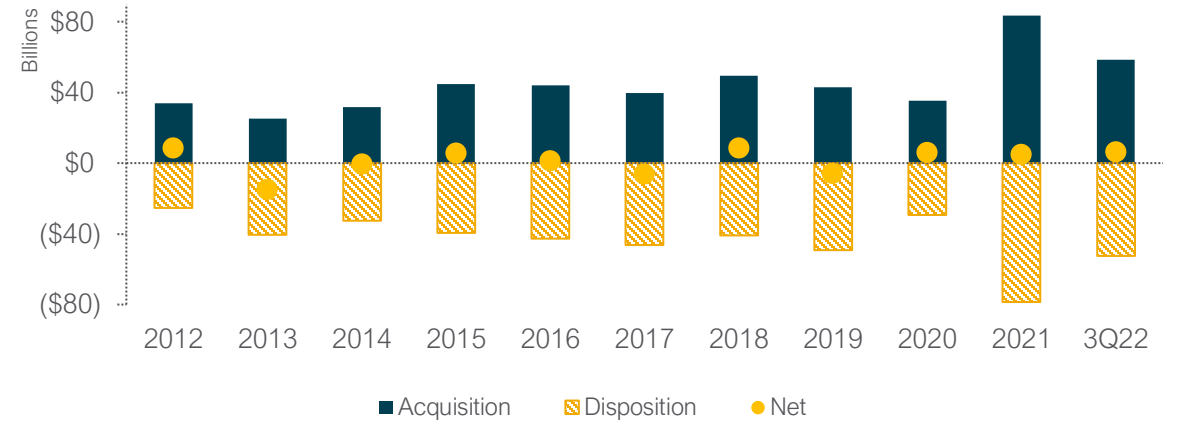
Source: Berkadia Research; Real Capital Analytics; CoStar.

Multifamily Capital Flows

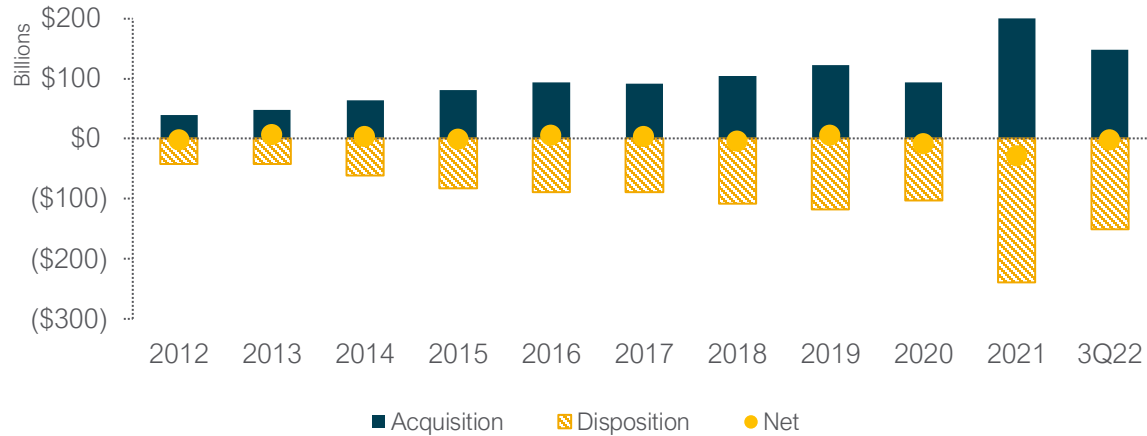
Cross-Border



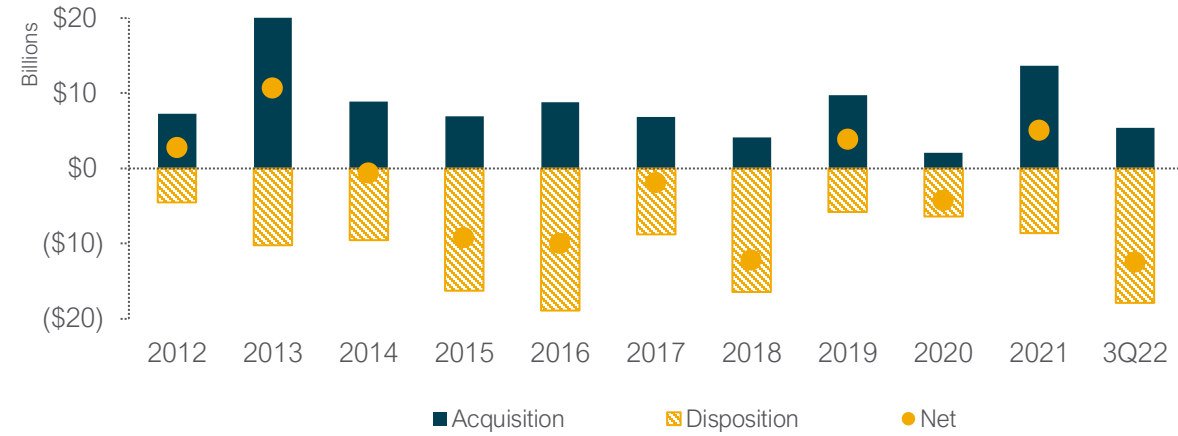
Institutional



Private

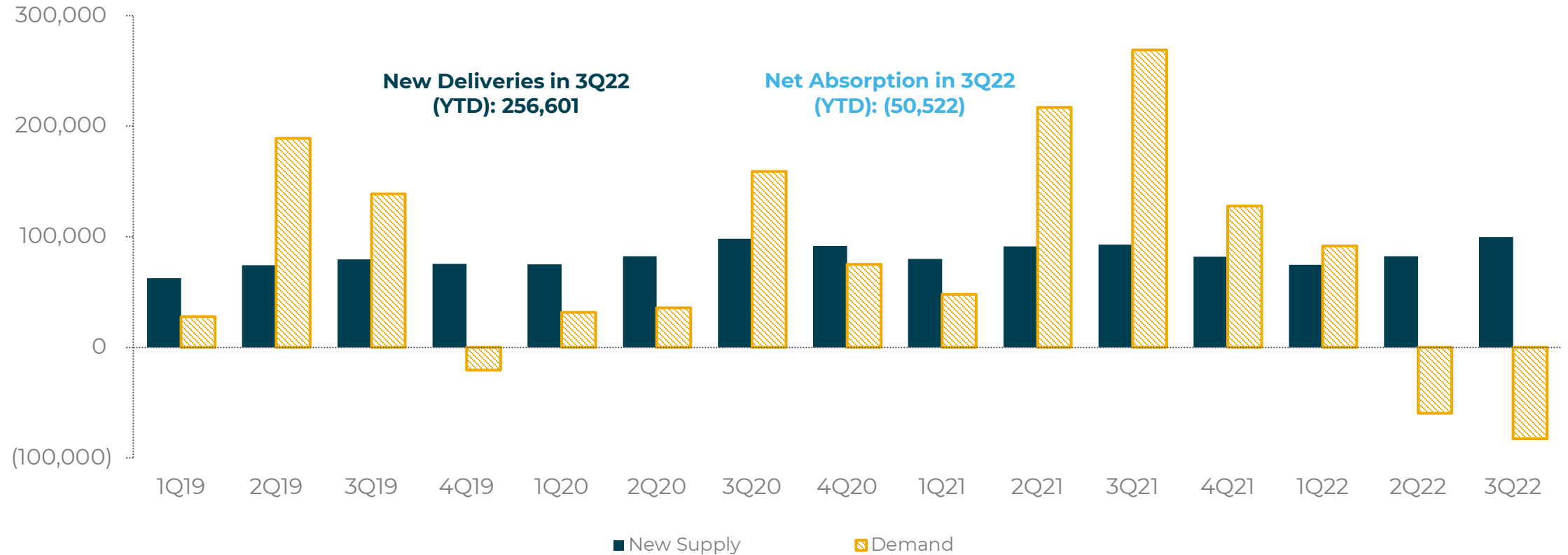


Listed/REIT



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Source: Berkadia Research; Real Capital Analytics; CoStar

U.S. Multifamily Market by the Numbers

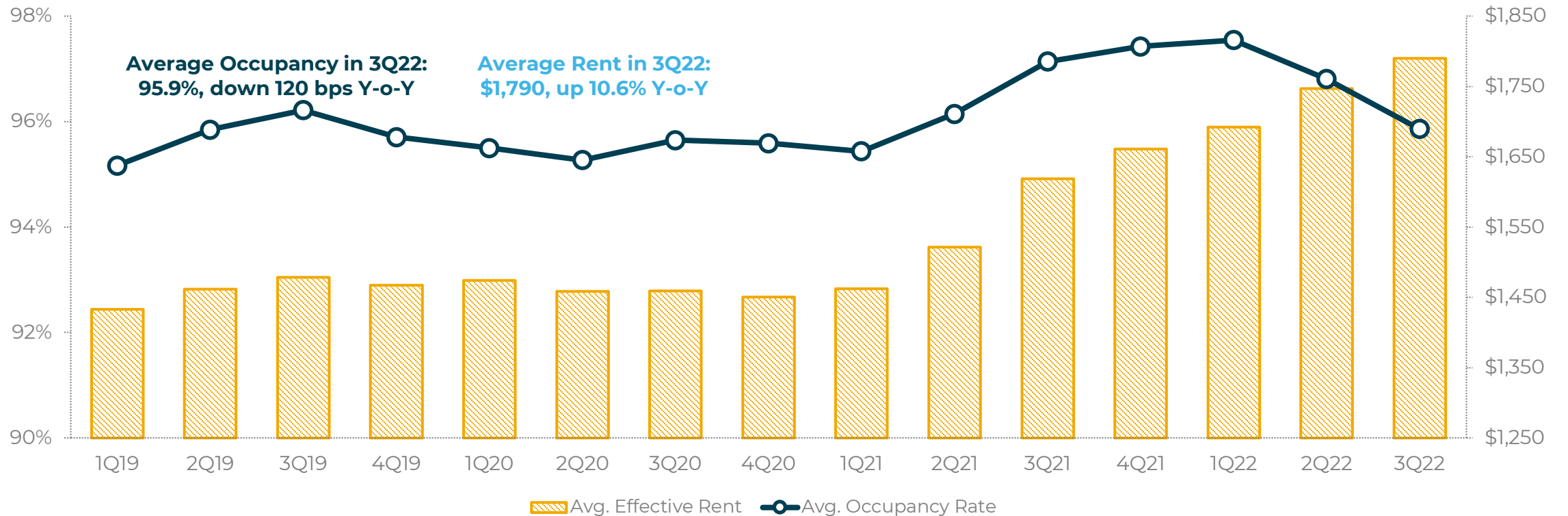


Source: Berkadia Research; Axiometrics; CoStar



U.S. Multifamily Market by the Numbers

Despite negative net absorption YTD, effective rent appreciated 10.6% over the year ending September 2022, easily outpacing the pre-pandemic average of roughly 3.5%

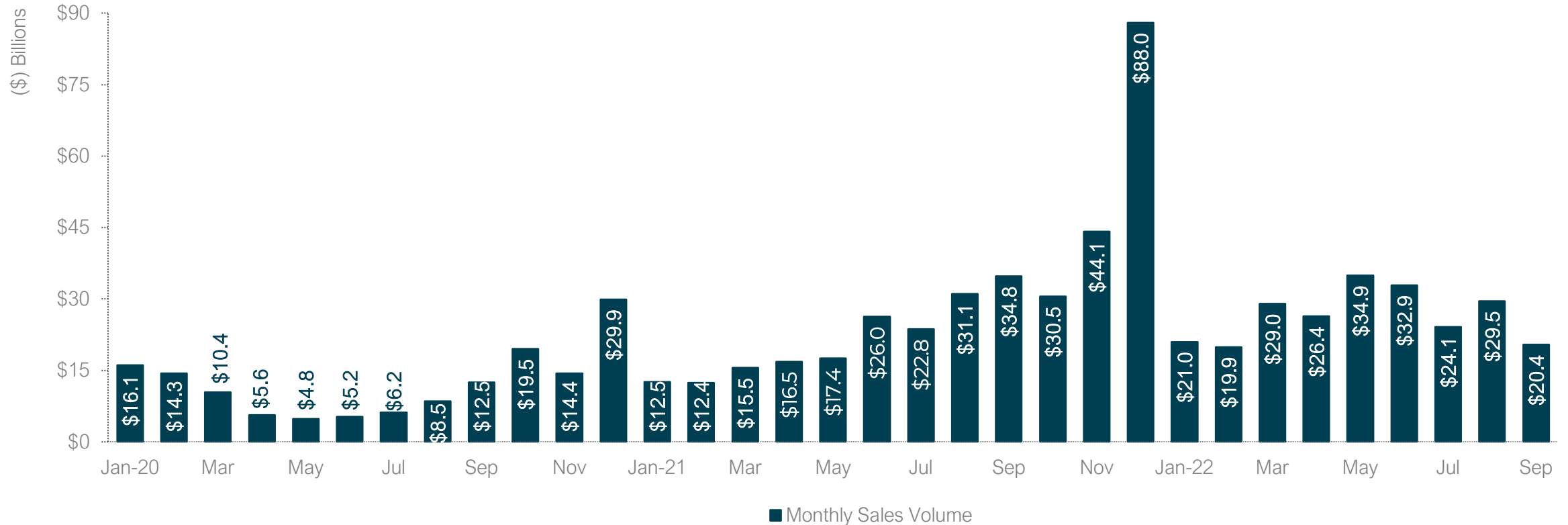


Source: Berkadia Research; Axiometrics; CoStar.



Multifamily Transaction Volume | National

Despite a slow down, multifamily fundamentals are still solid and investment capital continues to pour into the multifamily sector over other CRE asset types



* Based on independent reports of properties and portfolios \$2.5 million and greater.

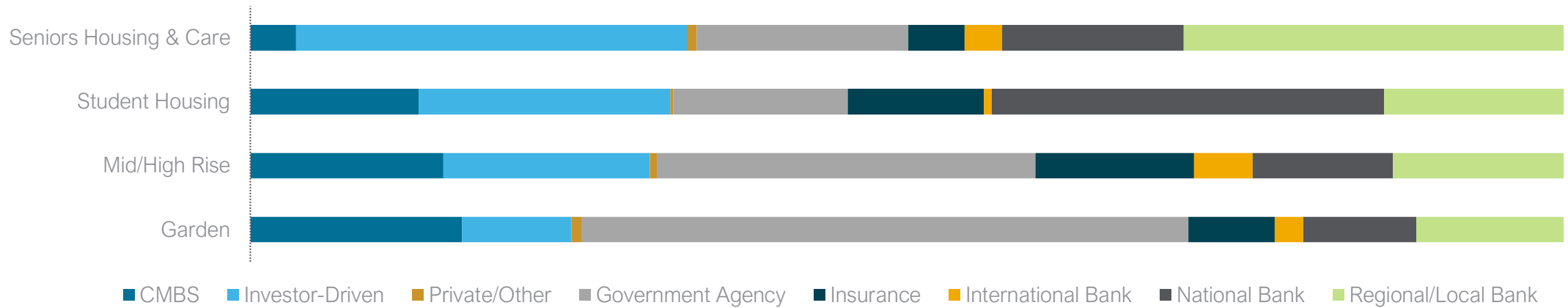
Source: Berkadia Research; Real Capital Analytics; CoStar



Multifamily Lender Composition | Nationwide



Property Type



*Based on independent reports of properties and portfolios \$2.5 million and greater.

**H1'22 – most recent data available

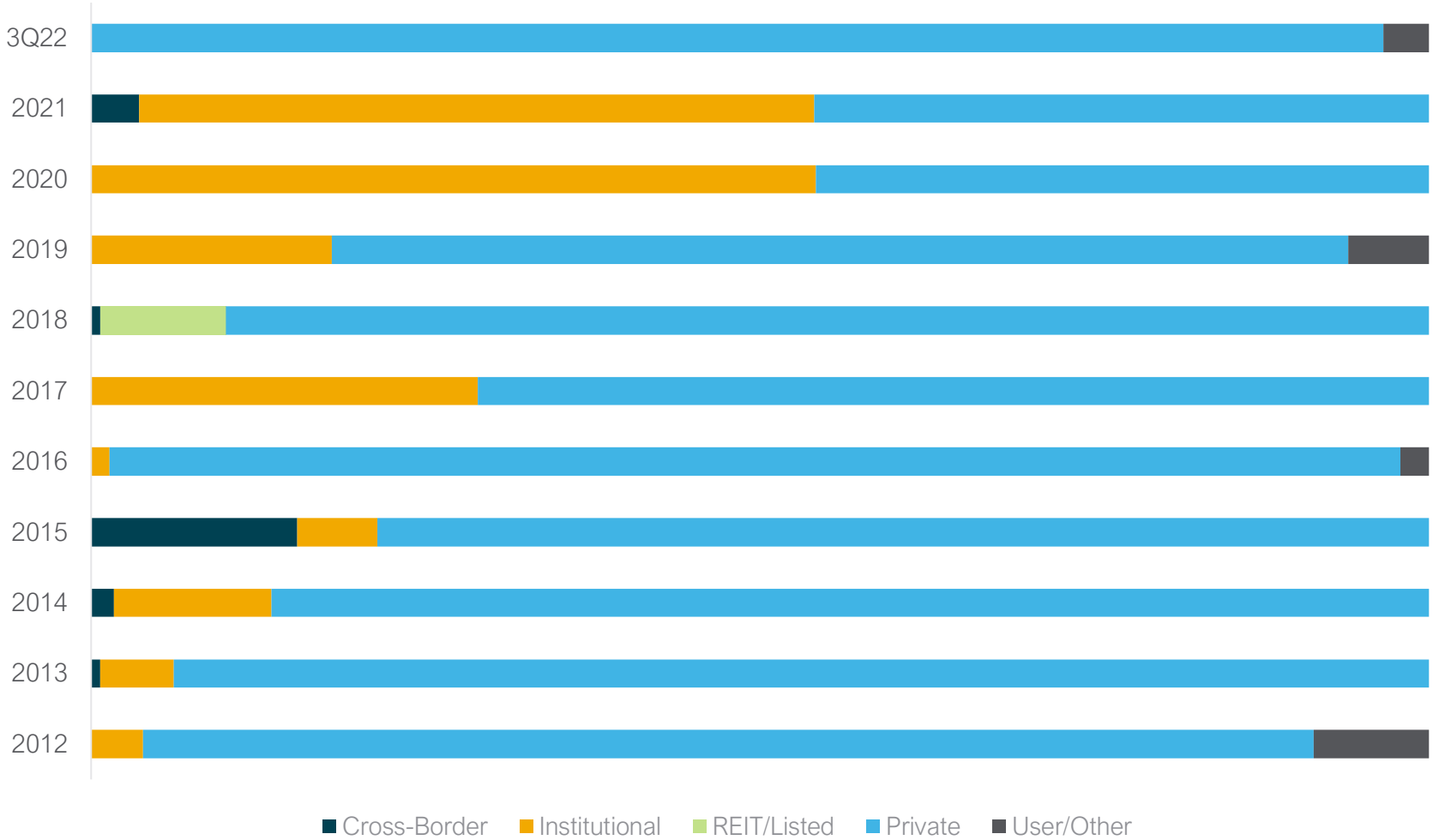
Source: Berkadia Research; Real Capital Analytics; CoStar

A person in a dark suit is walking away from the camera on a train platform. The platform has a metal railing and a concrete pillar. The entire image is overlaid with a blue tint. A yellow rectangular frame is positioned on the left side, partially overlapping the text.

Metro Detroit Multifamily Market Trends

CAPITAL TRENDS

Multifamily Buyer Composition – Detroit Metro



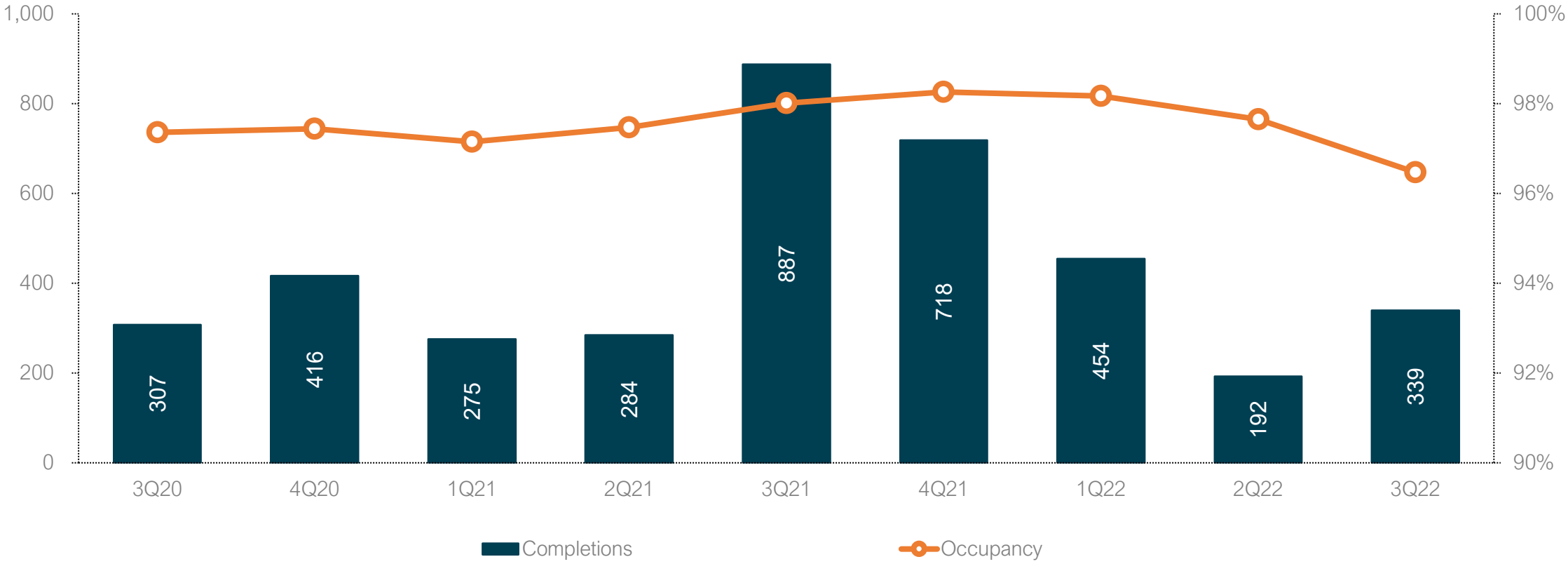
*Based on independent reports of properties and portfolios \$2.5 million and greater.

Source: Berkadia Research; Real Capital Analytics; CoStar



Completions vs. Occupancy | Detroit, MI MSA

Multifamily developers added 1,703 new units to the market's inventory during the trailing 12-month period ending in 3Q22, with nearly 70% coming online during 4Q21 and 1Q22.

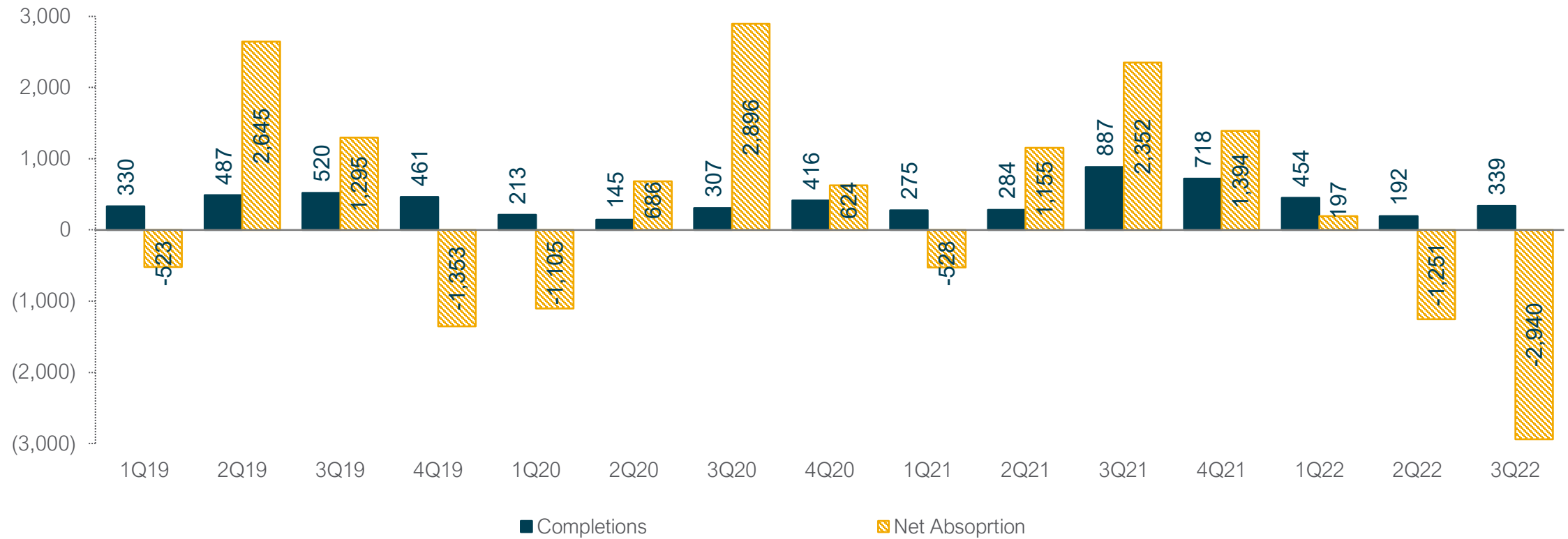


Source: Berkadia Research; CoStar; Axiometrics



Completions vs. Absorption | Detroit, MI MSA

After a period of record-setting demand over the past 24 months, demand has decelerated in the Detroit metro area, mirroring a pattern seen throughout the country.

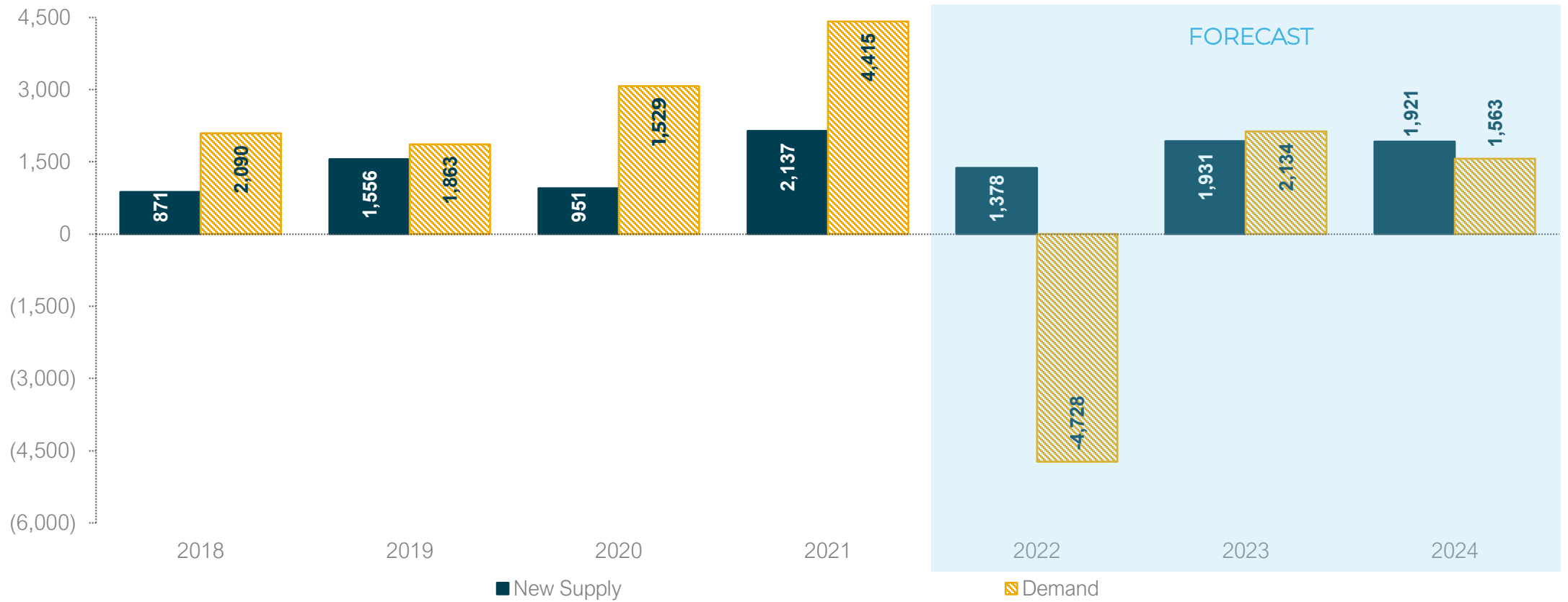


Source: Berkadia Research; Axiometrics



Projected Supply vs. Demand | Detroit, MI MSA

Development in Detroit has been increasing to catch up with demand. Approximately 4,288 units are underway, representing less than 2.0% of existing inventory.



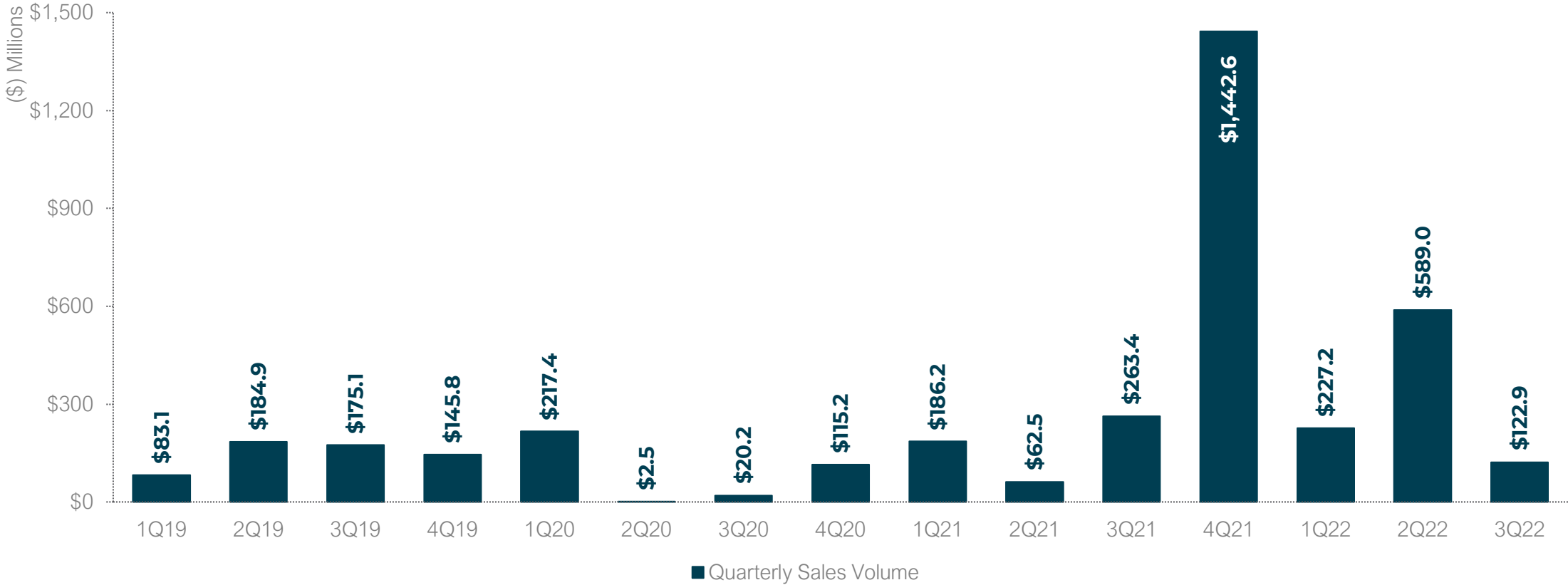
Source: Berkadia Research; Axiometrics

Quarterly Trends – Rent Growth in Submarkets

Greater Detroit is one of the more affordable major Midwest apartment markets, with an average effective rent rate of \$1,261 per month as of 3Q22, which is lower than the rates in Chicago, Milwaukee, and Minneapolis.

Rank	Submarket	3Q22 Effective Rent	Y-o-Y Rent Change	3Q22 Occupancy Rate	Y-o-Y Occ. Change (BPS)
1	Troy/Rochester Hills	\$1,517	11.7%	95.9%	(140)
2	Novi/Livingston County	\$1,386	11.3%	94.7%	(120)
3	Dearborn/Dearborn Heights	\$1,327	11.1%	95.4%	90
4	Pontiac/Waterford/Auburn Hills	\$1,237	10.3%	97.5%	(150)
5	Royal Oak/Oak Park	\$1,238	10.2%	96.8%	(160)
6	Westland/Canton/Livonia	\$1,233	10.2%	95.4%	(310)
7	South Wayne County	\$1,080	10.1%	96.0%	(140)
8	Sterling Heights/Shelby Township	\$1,246	9.6%	96.8%	(210)
9	Farmington Hills/West Bloomfield	\$1,497	9.2%	96.9%	(130)
10	Southfield	\$1,230	8.5%	95.8%	(150)
11	Clinton Township/St. Clair County	\$1,112	8.0%	97.2%	(150)
12	Warren/Roseville	\$969	7.6%	98.2%	(40)
13	Detroit City	\$1,065	6.1%	94.2%	(290)
14	Downtown/Midtown/Rivertown	\$1,443	3.4%	95.7%	30
Detroit Market Average		\$1,261	8.4%	96.5%	(150)

Multifamily Transaction Volume | Detroit Metro

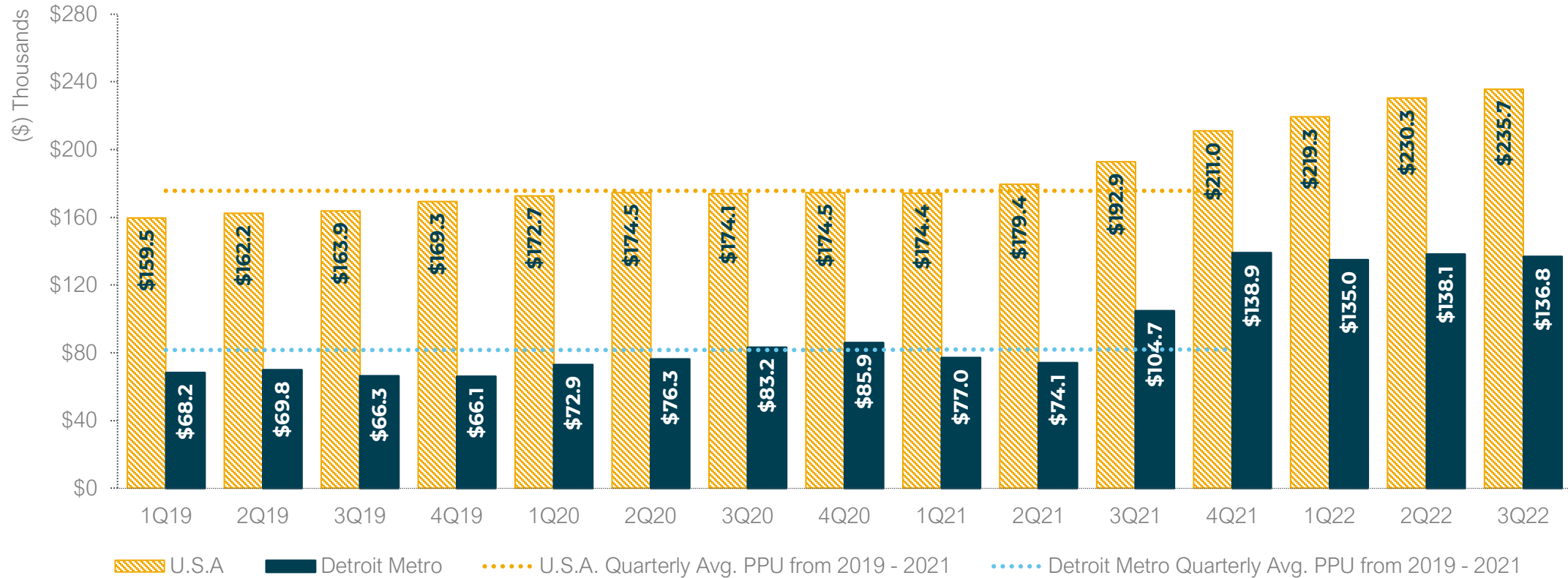


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Source: Berkadia Research; Real Capital Analytics; CoStar



Average Price Per Unit (PPU) | Nation vs. Detroit Metro



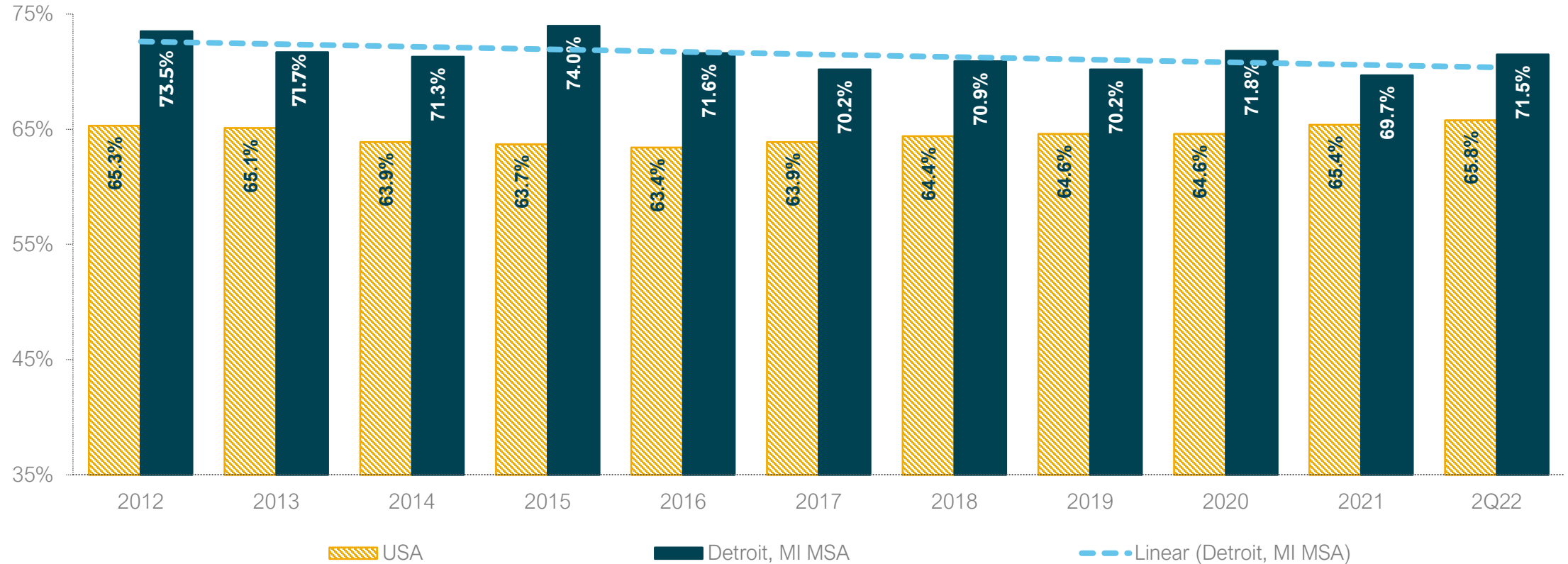
* Based on independent reports of properties and portfolios \$2.5 million and greater.

Source: Berkadia Research; Real Capital Analytics; CoStar



Homeownership Rate

With homebuyers competing in a tight single-family housing market, the median home sale price across Greater Detroit appreciated a robust 21.8% annually, reaching at \$275,800 in September 2022.

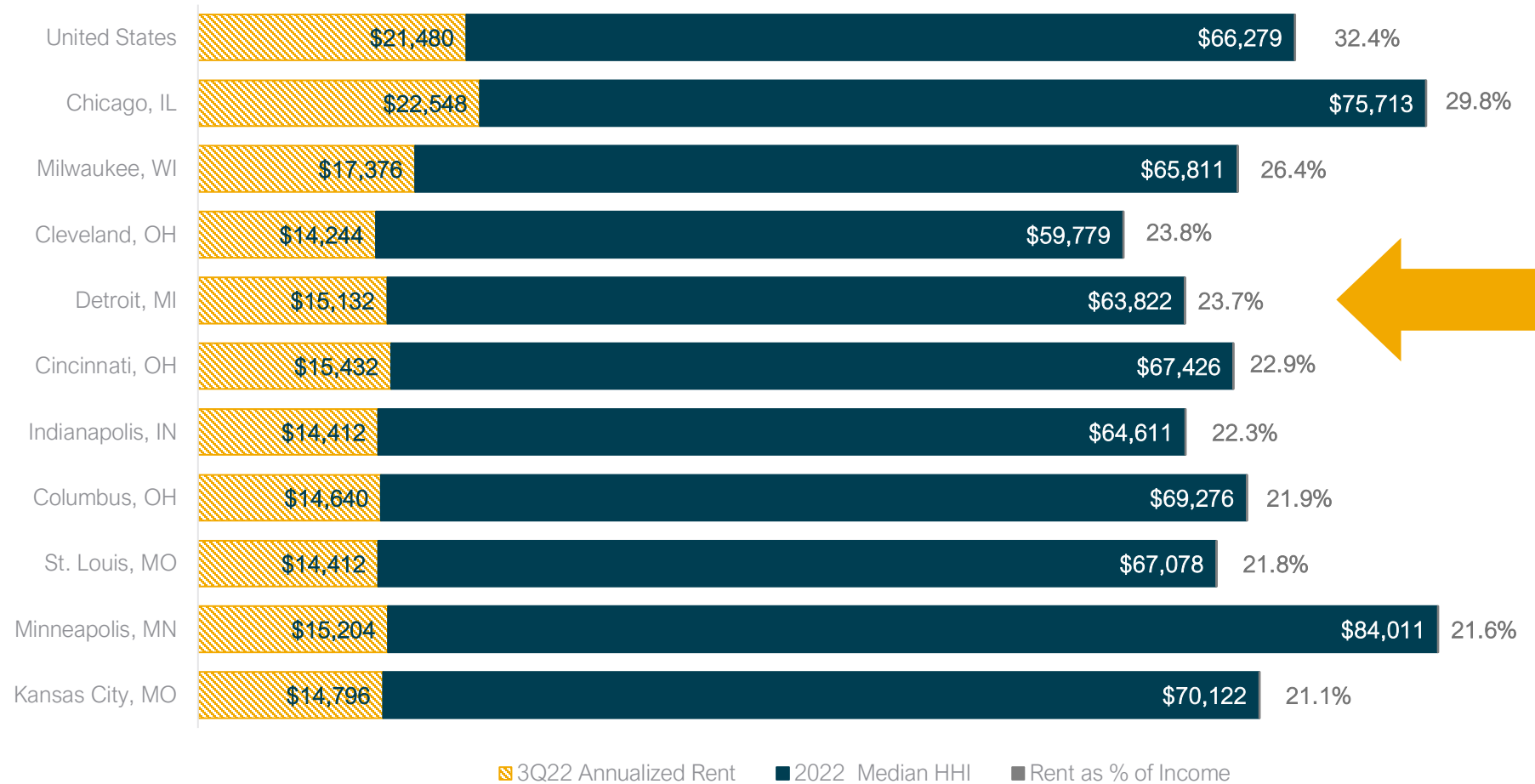


Source: Berkadia Research; U. S. Census Bureau; Greater Metropolitan Association of REALTORS



Housing Affordability | Midwest Metro Areas

Median Household Income vs. Annualized Effective Rent



Recovery from the Pandemic | Rent and Concessions

Through the third quarter of 2022, the greater Detroit apartment market boasted healthy occupancy while maintaining steady rent growth and one of the lowest concession rates in the nation.

Rank	Metro	Occupancy Rates 3Q22	Avg. Effective Rent in 3Q22	Y-o-Y Rent Change	Conc. as % of Asking Rent 3Q22	Y-o-Y Conc. Change (bps)
1	Chicago, IL	95.8%	\$1,879	9.0%	5.2%	80
2	New York, NY	98.1%	\$4,330	11.3%	9.9%	(190)
3	Detroit, MI	96.5%	\$1,261	8.4%	3.1%	60
4	Washington, DC	95.9%	\$2,050	8.4%	6.4%	0
5	Las Vegas, NV	94.5%	\$1,516	8.9%	2.3%	30
6	Los Angeles, CA*	96.6%	\$2,777	10.5%	5.9%	(140)
7	South Florida, FL	97.1%	\$2,398	17.4%	7.6%	70
8	Atlanta, GA	94.6%	\$1,715	10.3%	4.4%	10
9	Philadelphia, PA	96.9%	\$1,753	9.3%	7.3%	(150)
10	St. Louis, MO	96.0%	\$1,220	9.3%	6.1%	(30)
11	Milwaukee, WI	97.3%	\$1,448	7.4%	8.4%	(100)

*Metro Division

Ranked by Y-o-Y Rent Growth

Source: Berkadia Research; Tetrad; Axiometrics; CoStar

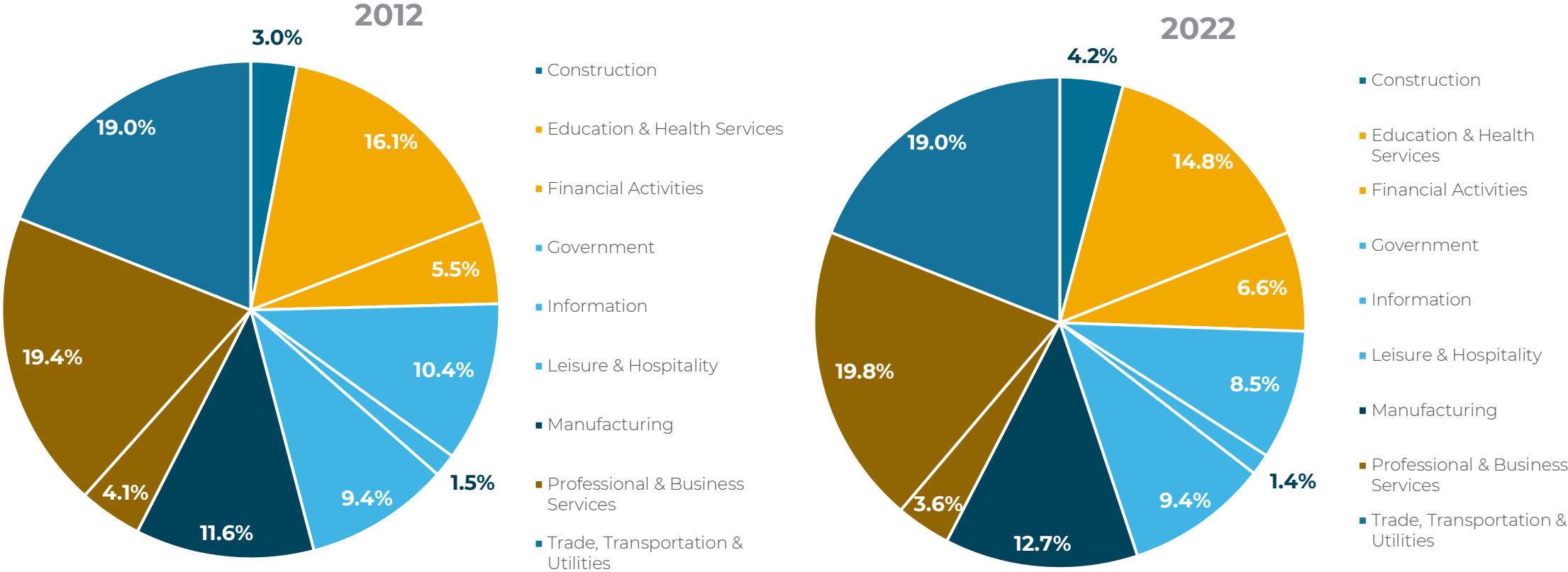


A person in a dark suit and white shirt is walking away from the camera on a train platform. The platform has a metal railing and a concrete pillar. The entire image is overlaid with a semi-transparent blue color. A yellow rectangular frame is positioned on the left side, partially overlapping the text.

Metro Detroit Economic Trends

Metro Employment Sectors | 2012 vs. 2022

Looking longer term, Detroit is well-positioned to deliver steady job growth over the coming decade. The city's status as a powerhouse of manufacturing and industrial supply will be a key factor in the economic recovery of the region and the nation.

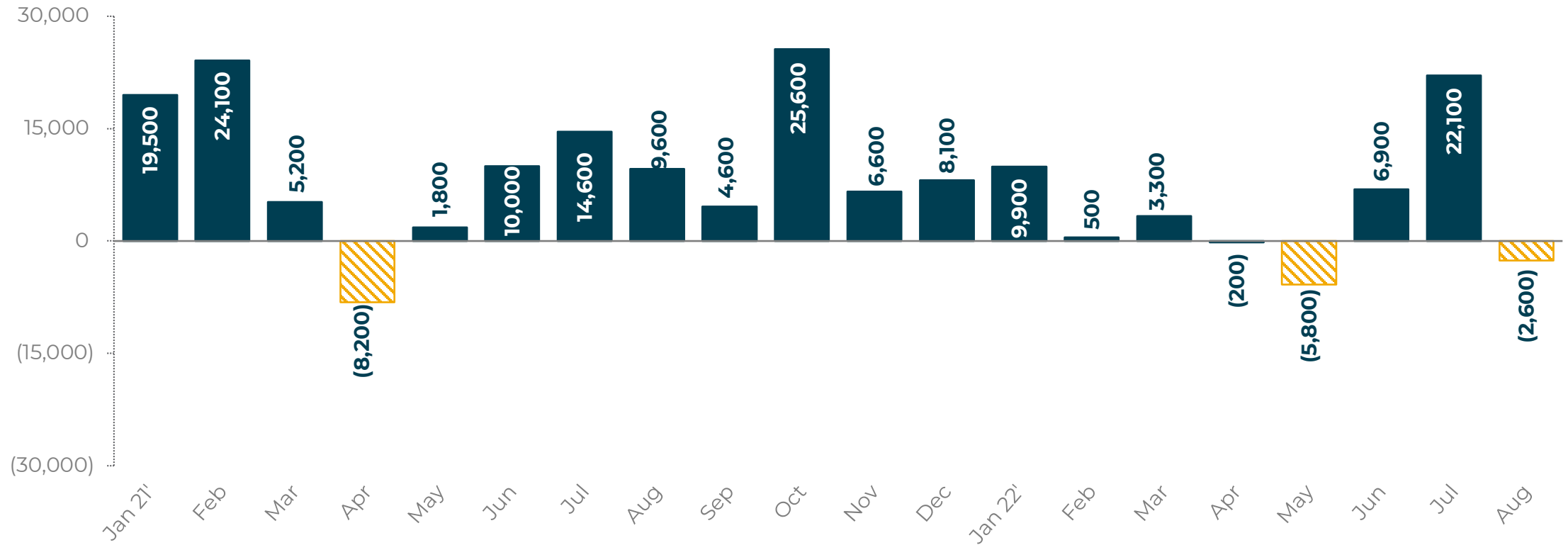


Source: Berkadia Research; CoStar; U.S. Bureau of Labor Statistics



Monthly Job Growth

One-Month Net Change | Seasonally Adjusted



Greater Detroit has added an average of over 4,200 net jobs per month in 2022, pushing the monthly unemployment rate down 320 basis points annually to 3.5% as of August 2022

Source: Berkadia Research; CoStar; U.S. Bureau of Labor Statistics



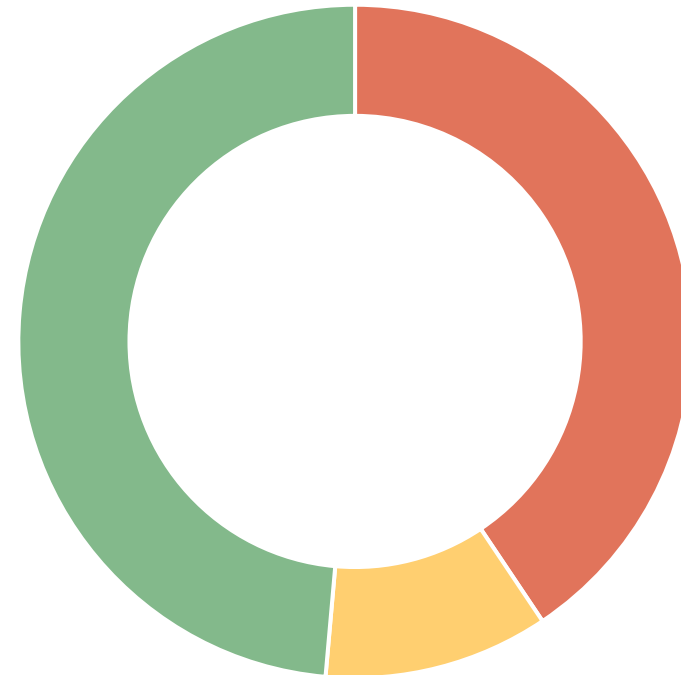
Market Resiliency | Detroit, MI MSA

48.6% of positions within Greater Detroit are in low-risk industries, compared to 47.9% across the U.S.

Industry Composition				
Risk Level	Sector Name	# Employees	% of Market	National Avg
High				
	Accommodation and food services	129,956	7.4%	8.3%
	Administrative and waste services	108,813	6.2%	6.5%
	Arts, entertainment, and recreation	17,251	1.0%	1.4%
	Information	22,934	1.3%	2.1%
	Manufacturing	230,018	13.2%	9.1%
	Mining, quarrying, and oil and gas extraction	917	0.1%	0.4%
	Retail trade	188,000	10.8%	11.2%
	Unclassified	4,324	0.2%	0.2%
	Utilities	7,912	0.5%	0.6%
	Total	710,125	40.6%	39.7%
Medium				
	Other services, except public administration	49,393	2.8%	3.0%
	Public administration	67,248	3.8%	5.2%
	Wholesale trade	72,893	4.2%	4.2%
	Total	189,534	10.8%	12.4%
Low				
	Agriculture, forestry, fishing and hunting	3,059	0.2%	1.0%
	Construction	77,403	4.4%	5.6%
	Educational services	85,750	4.9%	6.3%
	Finance and insurance	84,990	4.9%	4.6%
	Health care and social assistance	261,327	14.9%	15.3%
	Management of companies and enterprises	48,695	2.8%	1.7%
	Professional and technical services	172,849	9.9%	7.1%
	Real estate and rental and leasing	27,253	1.6%	1.6%
	Transportation and warehousing	87,691	5.0%	4.7%
	Total	849,017	48.6%	47.9%

Jobs Exposure

■ High ■ Medium ■ Low



Source: Berkadia Research; Moody's Analytics; CoStar