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Research & Strategic Analysis

EXECUTIVE SUMMARY

UPDATE RESIDENTIAL MARKET POTENTIAL

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan

July, 2014

This study re-evaluated the depth and breadth of the potential market for new market-rate rental and for-sale multi-family dwelling units, to be added through adaptive re-use of existing non-residential buildings and/or new construction, within Greater Downtown Detroit, with a special focus on the Central Business District.

CONCLUSION OF THE ANALYSIS

Between 1,134 and 1,418 new market-rate rental and for-sale multi-family units could be absorbed within Greater Downtown Detroit each year over the next five years—or approximately 5,600 to more than 7,000 units over five years. The Central Business District could capture at least 35 percent of that annual absorption, or 397 to 496 units per year—between 1,985 and 2,480 units over five years.

SUMMARY OF FINDINGS

- Over the next five years, households moving to Greater Downtown Detroit from outside the city represent an increasing proportion of market potential for new housing in the Greater Downtown (69 percent, compared to 61.1 percent in the 2010 study).
 - An average of 15,560 households comprise the potential market for new and existing housing units in Greater Downtown Detroit each year over the next five years, more than seven percent higher than in 2010.
 - Excluding those households with preferences for single-family attached and detached units, an annual average of up to 10,490 households comprise the market potential for new multi-family
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rental and for-sale housing units over the next five years (an increase of nearly nine percent over 2010).

- Those households that comprise the potential market for new Greater Downtown Detroit housing units over the next five years include:
 - Younger singles and childless couples (73 percent, up from 69 percent in 2010);
 - Empty nesters and retirees (21 percent, down from 23 percent); and
 - Traditional and non-traditional families (six percent, down from eight percent).
- The recent protracted ownership housing slump has led to a measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households, yielding a higher share of consumer preference for multi-family rentals even among relatively affluent consumers than would have been typical just five years ago.
- In Greater Downtown Detroit, market propensities for urban multi-family housing continue to grow: the number of households with preferences for multi-family rental units rose significantly, from 6,570 to 7,370 households.
- The number of households with preferences for multi-family for-sale units increased only slightly from 3,060 to 3,120 households.
- Four new rental projects have been developed in the Central Business District since 2010—the Broderick Tower, Iodent Lofts, The Albert Apartments and Security Trust Lofts—and three in Midtown—the Beethoven, the Auburn, and 3909 Woodward. Four properties—Detroit Town Apartments, Claridge House Apartments, Detroit City Apartments, and Renaissance City Apartments—have been renovated since the last study. Even with the addition of nearly 1,100 new and/or renovated housing units since 2010, only a very few units are available at any one time, and several of the properties have waiting lists.
- Based on a 12 to 15 percent capture of the annual potential market for multi-family rental units, and an eight to 10 percent capture of the annual potential market for multi-family for-sale units, Greater Downtown Detroit should be able to absorb between approximately 5,600 and more than 7,000 units over the next five years. The Central Business District could capture at least 35 percent of that annual absorption, or between 1,985 and 2,480 units over five years.

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- Based on the tenure preferences of draw area households and their income and financial capabilities, the optimum market position for newly-developed market-rate multi-family housing units that could currently be absorbed by the market in the Central Business District over the next five years is as follows:

Rent, Price and Size Ranges
Newly-Created Housing (Adaptive Re-Use and New Construction)
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
FOR-RENT (MULTI-FAMILY)—			
Microlofts	\$600–\$900/month	300–450 sf	\$2.00 psf
Hard Lofts *	\$750–\$1,500/month	500–1,100 sf	\$1.36–\$1.50 psf
Soft Lofts †	\$975–\$1,925/month	600–1,350 sf	\$1.43–\$1.63 psf
Luxury Apartments	\$1,750–\$3,500/month	900–1,950 sf	\$1.79–\$1.94 psf
FOR-SALE (MULTI-FAMILY)—			
Hard Lofts *	\$150,000–\$245,000	750–1,350 sf	\$181–\$200 psf
Soft Lofts †	\$195,000–\$315,000	900–1,500 sf	\$210–\$217 psf
Luxury Condominiums	\$350,000–\$650,000	1,300–2,500 sf	\$260–\$269 psf

* Unit interiors of “hard lofts” typically have high ceilings and commercial windows and are either minimally finished, limited to architectural elements such as columns and fin walls, or unfinished, with no interior partitions except those for bathrooms.

† Unit interiors of “soft lofts” may or may not have high ceilings and are fully finished, with the interiors partitioned into separate rooms.

Based on the unit types, sizes, and rents/prices outlined in the optimum market position above, the weighted average rents and prices for each of the housing types are shown on the following table:

Weighted Average Base Rents, Prices and Size Ranges
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

HOUSING TYPE	WEIGHTED AVERAGE BASE RENT/PRICES	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE RENT/PRICES PER SQ. FT.
Multi-family for-rent	\$1,509 per month	936 sf	\$1.61
Multi-family for-sale	\$322,357	1,361 sf	\$237