

# INVESTMENT FORECAST

Office  
Detroit Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2025

## Multi-Tenant Stability and Scarce Development Open the Door for Long-Term Investment in Detroit

**Redevelopment initiatives bolster outlook.** Detroit's major mixed-use undertakings — Cadillac Square, the \$3 billion New Center collaboration and Bedrock's Hudson's Building — are advancing in 2025, drawing retailers like Apple back to downtown and expanding the pool of potential customers. Yet elevated construction costs and financing hurdles are keeping retail completions to roughly 247,000 square feet this year, preserving the tight conditions that pushed multi-tenant vacancy below 3 percent in 2024. Demand remains strong among grocery, fitness and dining tenants in Macomb and Southfield. Elsewhere, the Pointes, North Oakland and West Wayne each saw more than 5 percent rent growth last year, supported by low multifamily vacancy and minimal construction pipelines. Aided by recent population growth, these dynamics sustain occupancy and spur long-term investment in Detroit.

**More stable fundamentals continue to attract investors to Detroit's retail sector.** In 2024, the metro recorded the fourth-highest average retail cap rate among major U.S. markets at 7.6 percent. Private investors represented approximately 87 percent of sales volume, up from 75 percent in 2023, as institutional investors and REITs have stepped back. Buyers seeking long-term stable income are particularly interested in submarkets like Troy, Royal Oak and West Oakland County, where vacancies have averaged below 5 percent for the last three years. Many properties for sale in these areas are fully leased to a mix of national and local tenants, attracting investors seeking strong cash flows. Although transactions have decreased relative to historical averages, Detroit's resilient market — evidenced by increasing rents and nearly stable availability due to limited new construction — could stoke renewed investor interest in 2025.

### 2025 MARKET FORECAST

+0.6%



**EMPLOYMENT:** Job growth in 2025 roughly matches last year's pace, as 13,000 new roles are added. This is only slightly above Detroit's trailing-decade annual average.

247,000  
sq. ft.



**CONSTRUCTION:** Following last year's five-year high in retail deliveries, retail construction moderates in 2025. The space anticipated to come online only represent 0.1 percent of existing stock.

+10 bps



**VACANCY:** Detroit's vacancy rate will inch up this year to 5.8 percent — just 60 basis points above the record low. More than half of the active pipeline was pre-leased as of early 2025.

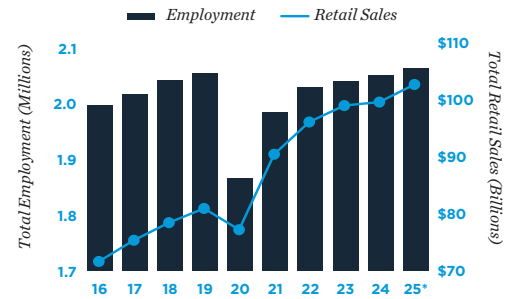
+1.5%



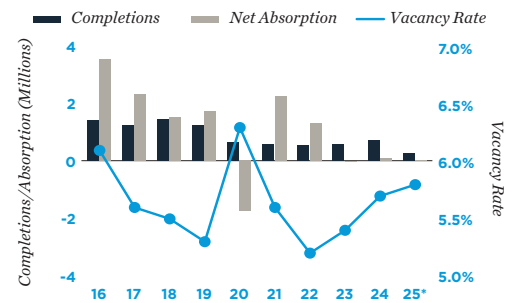
**RENT:** After a 3.5 percent increase last year, rent growth will moderate in 2025, reaching \$15.60 per square foot by year-end. The strongest gains will be in single-tenant properties.

**INVESTMENT:** *The proposed \$1.6 billion redevelopment of Detroit's Renaissance Center into a mixed-use complex with housing and offices could revitalize the waterfront and attract additional investment downtown.*

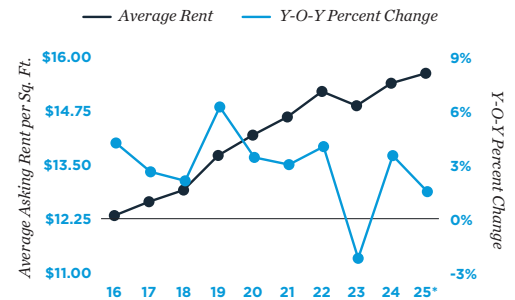
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.