

INVESTMENT FORECAST

Office
Detroit Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Downtown Revitalization and Targeted Investments Shape Detroit's Market Trends in 2025

Local office market to see improvements this year, spurred by construction. The Hudson project, a 560,000-square-foot development, leads the metro's 1.4 million square feet of deliveries this year, marking the largest pipeline in the Midwest. Yet renewed urban interest has lowered CBD vacancy to just under 13 percent, which is among the lowest in the nation. General Motors and Ford anchor major downtown commitments, while local leaders actively court technology-oriented firms. Meanwhile, Class B and C properties ended 2024 at around 14 percent vacancy after gradually improving all last year, aided by capital improvements and flexible lease terms. Suburban areas like North Oakland and Macomb counties attract tenants with expanding residential bases and municipal initiatives toward innovation, while Southfield and Troy face higher availability, prompting concessions. Overall, the market holds tenant-favorable as Detroit diversifies beyond automotive, creating opportunities to reposition or redevelop aging assets.

Investment slows as cautious buyers await stability in 2025. Office transactions dropped by nearly 20 percent in 2024 – the lowest annual tally since 2012. Institutional investors, who have historically comprised roughly 10 percent of the trades, slumped below 5 percent. Private and owner-user acquisitions bridged the gap, with medical office properties standing out due to steady tenant demand. For these buyers, West Wayne, Macomb and North Oakland have emerged as prime target submarkets, as they recorded consistent leasing in 2024. In 2025, newer traditional assets are expected to see tenant demand, whereas older, high-vacancy properties may require repositioning. The metro's investment environment remains selective, favoring well-leased or medical spaces, while more risk-averse capital stays sidelined until fundamentals improve.

2025 MARKET FORECAST

+0.6%



EMPLOYMENT: Total employment will grow by around 13,000 positions this year. At the same time, traditionally office-using sectors will account for approximately 2,000 job losses.

1,465,000
sq. ft.



CONSTRUCTION: The metro will hit another 1 million-square-foot inventory expansion during 2025, as the local office stock grows by 0.8 percent. The Hudson downtown leads deliveries.

+10 bps



VACANCY: Net absorption will be positive for the second year in a row. Despite this, vacancy will inch up slightly to 16.2 percent, though this is a notch below the 2009-2011 average.

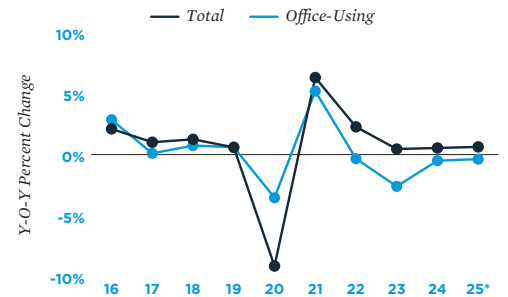
-0.3%



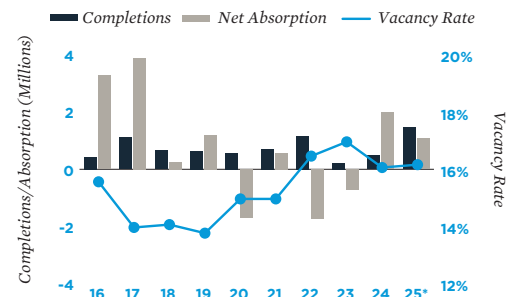
RENT: Vacancy staying elevated allows for a fifth straight year of annual rent decline. Detroit's average asking rate slides to \$18.22 per square foot in 2025, which is still one of the highest in the Midwest.

INVESTMENT: Ford's \$940 million campus in Corktown could create demand for surrounding properties. Active investors anticipating increased tenant use may find viable opportunities near this emerging hub.

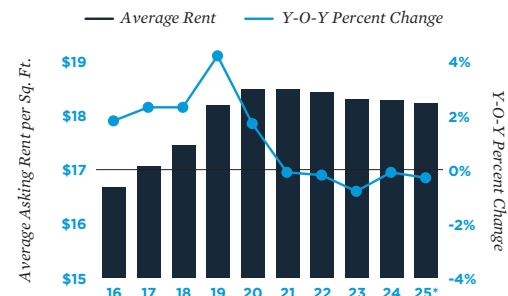
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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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.