

INVESTMENT FORECAST

Retail
Detroit

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Demand Strengthening for Smaller-Format Stores as Demographic Trends Remain a Headwind

Net absorption rapidly improving. Detroit retail continues to navigate a challenging environment in 2026, as population growth ranked among the slowest of major U.S. markets last year. At the same time, some tenants hesitated to sign leases due to declining consumer confidence and a relatively price-sensitive consumer base. That last trait is exacerbated by the metro's low median household income and consumer prices growing faster than incomes since at least 2020. While these underlying factors remain headwinds, the metro enters 2026 on the back of rapidly improving net absorption in late 2025. This is in part due to backfilling of big-box spaces, which faced elevated relinquishments through the first half of 2025. However, smaller-format spaces are also seeing stronger leasing activity. Much of this momentum is concentrated in single-tenant spaces and community and strip centers, while lifestyle, neighborhood, and power centers continue to face weaker demand entering 2026.

Elevated sales activity driven by smaller assets. Despite weakening fundamentals through the first half of 2025, investor interest remained steadfast. Transaction velocity accelerated notably across deals that penciled for under \$20 million. Multi-tenant properties registered a 30 percent-plus increase compared to 2024, though the segment's vacancy remaining 180 basis points above its 2015-2019 average bears consideration. Meanwhile, sub-10,000-square-foot storefronts, restaurants, and fast-food concepts hold favorable positioning across the metro, accounting for much of the late-2025 demand growth. Macomb County and Downriver submarkets may stand out to investors targeting these assets, where single-tenant vacancy remained near 5 percent and asking-rent growth exceeded the metro average last year.

2026 MARKET FORECAST

+0.2%



Employment: Detroit's employment base is expected to increase by 5,000 positions in 2026, representing an improvement following a roughly 200-job gain in 2025.

370,000
sq. ft.



Construction: The development pipeline decelerates slightly in 2026, as total inventory is forecast to expand by 0.2 percent. This pace will remain in line with the trailing five-year annual average.

-10 bps



Vacancy: After recording its first annual vacancy decline since 2022 last year, the metro's rate is projected to edge down to 5.6 percent in 2026, still 40 basis points above the national benchmark.

+1.5%

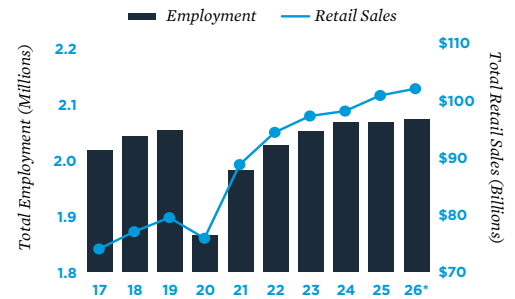


Rent: The metro's average asking rent growth is expected to modestly accelerate in 2026. By year-end, the rate is forecast to reach \$15.20 per square foot, the eighth-lowest among major markets.

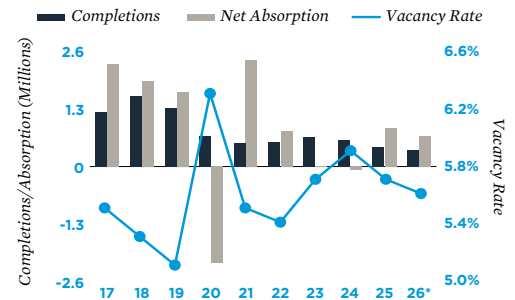
INVESTMENT:

With an average cap rate ranking among the five highest of major metros, Detroit is poised to continue attracting out-of-state investment, particularly from states such as Florida and Ohio, in 2026.

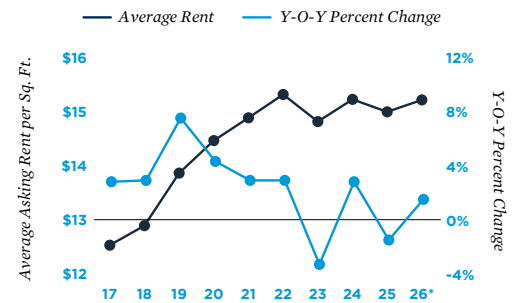
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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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 January 2026. 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 office 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.