Market Report

MULTIFAMILY 2Q/26

Detroit Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT

5,000 — Jobs will be created

0.2% — Increase Y-O-Y

CONSTRUCTION

2,300 — Units will be added

0.8% — Inventory increase Y-O-Y

VACANCY

3.2% — Vacancy rate

50 — BPS decrease Y-O-Y

RENT

$1,436 — Average effective rent by year-end

3.1% — Increase Y-O-Y

Selective Demand Supporting Class B and C Assets Amid Minimal Household Growth

Automotive reshoring raises employment prospects beyond 2026. Large auto manufacturers are investing in their U.S. facilities to reshore operations. GM announced a $4 billion investment in U.S. manufacturing; the firm has two major assembly plants in the metro area. Stellantis has pledged $13 billion to U.S. manufacturing, with nearly $100 million for the retooling of the Warren Truck Assembly Plant, and $130 million at the Detroit Assembly Complex. These investments should foster manufacturing job growth in Detroit City, Warren, and the Pontiac-Waterford-Auburn Hills area, bringing renter demand to Class B and C assets near these facilities.

Other investments are bolstering Detroit outside of manufacturing. Construction of the Gordie Howe International Bridge should bolster trade-related jobs and support renter demand for Class B and C housing. Another project is the 685-foot Hudson Tower, which is expected to bring 1.5 million square feet of retail, office, hospitality, and residential space downtown in 2027. The University of Michigan has also invested $250 million into a downtown innovation center. Along with the tower, these projects should facilitate job creation in the downtown area, which could bring renter demand into downtown and Detroit City.

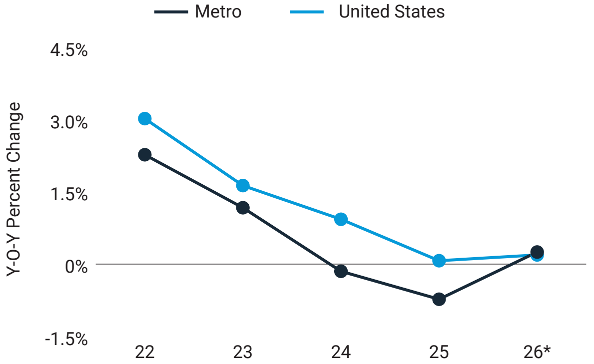
EMPLOYMENT

The net loss of over 10,000 jobs as of year-end March 2026 was largely driven by declines in manufacturing and trade amid tariffs and slower EV adoption. However, education and health services posted the largest employment gains, helping sustain renter demand for Class B assets. This segment is positioned for continued expansion, supported by large-scale developments such as the Henry Ford Health campus build-out in Detroit City, which includes a 1.2 million-square-foot hospital expansion.

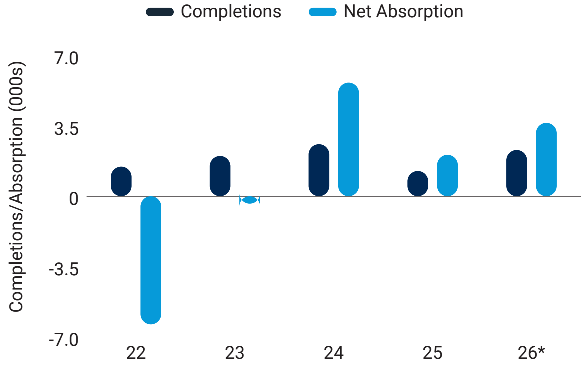
CONSTRUCTION

New supply will concentrate in Southfield, with more than half of the 2026 pipeline. A significant portion of this stems from a single project delivering approximately 1,500 units, representing a substantial one-year increase and introducing near-term supply pressure. Downtown follows, with roughly 14 percent of the pipeline. In contrast, Novi-Livingston is experiencing a sharp pullback, with construction activity declining by about 90 percent, which should allow the submarket to absorb vacant units.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



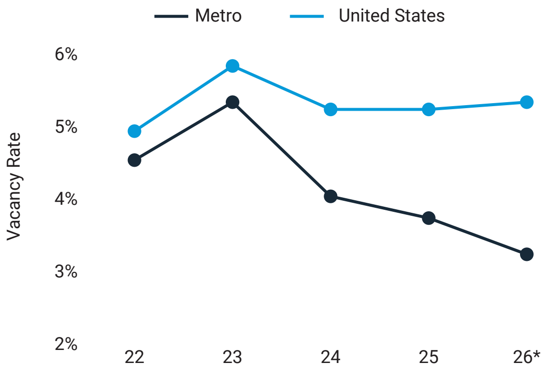
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

Downtown led in improvement, with vacancy declining by about 190 basis points over the last four quarters. Tightening was most pronounced in workforce segments, with Class B falling by 420 basis points. However, near-term deliveries may test the durability of these gains. Despite remaining one of the most vacant submarkets at 5.8 percent, Detroit City also tightened notably, with South Wayne County following. Limited near-term construction in Detroit City should support further vacancy compression.

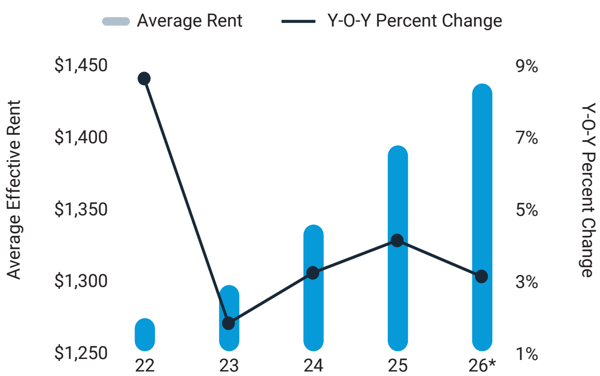
VACANCY TRENDS



RENT

Detroit City led in rent growth, followed by Warren-Roseville and Westland-Canton-Livonia, with both submarkets seeing the most pronounced gains in Class B properties and positive movement across other asset tiers. In Detroit City, constrained near-term supply is aiding the absorption of vacant units, contributing to upward pressure on rents. Conversely, Westland-Canton-Livonia faces a near-term increase in development, which may slow the pace of vacancy compression and moderate rent growth.

RENT TRENDS



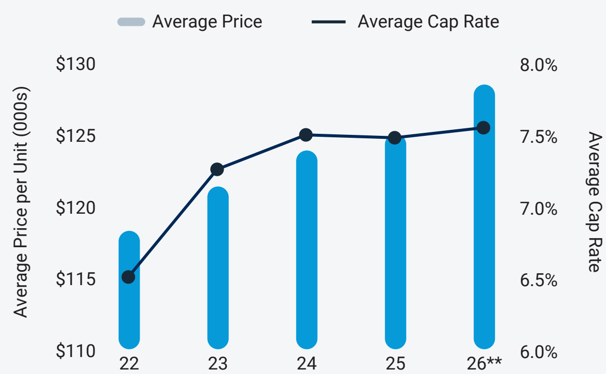
INVESTMENT HIGHLIGHTS

- The average price per unit rose 3.5 percent over the past four quarters but remained among the lowest across major metros, even as some of the cap rates were the highest. Transaction volume fell 16 percent, driven by a 19 percent drop in deals of $1 million to $10 million and a sharp pullback in private capital, with first-quarter activity in this segment down roughly 80 percent compared to a year prior. Larger deals also declined, signaling reduced institutional participation. Tariff and rate uncertainty continue to sideline buyers, though tightening vacancy could support a rebound in activity if conditions stabilize.

- Northwest Oakland County saw a fourfold increase in activity, led by the Pontiac-Auburn Hills-Waterford corridor, where vacancy sits near 3 percent. Detroit City still accounts for the most transactions, supported by the largest inventory base, with activity concentrated in uptown and west-side areas. Investor demand is largely focused on Class C properties, reflecting proximity to downtown employment and industrial hubs such as GM Factory Zero, Livonia, and Southfield.

- Investor interest may increasingly target submarkets bordering Detroit City, particularly Westland-Canton-Livonia and Troy-Rochester Hills. These areas benefit from access to interstates and account for a significant share of office and industrial leasing, providing a steady employment base. Vacancy in these submarkets remains just above 3 percent. In Westland-Canton-Livonia, an anticipated wave of deliveries through 2027 is expected to introduce near-term supply pressure.

SALES TRENDS



* Forecast ** Through 1Q

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

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