

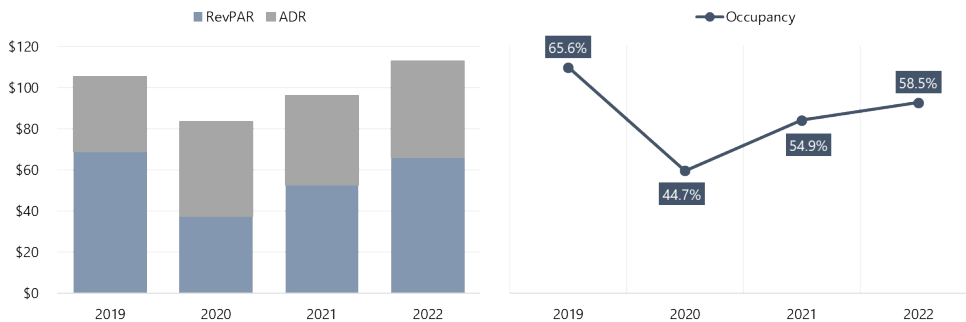
Detroit Lodging Market: On the Road to Recovery

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The Detroit hotel market continued an upward trajectory in 2022 following a strong 2021. As illustrated below, RevPAR growth was driven by increasing average rates, with ADR exceeding pre-pandemic levels. Strong ADR levels were driven by Detroit’s tourism industry, which has shown the greatest recovery following the severe downturn in 2020 and early 2021. **Visit Detroit** reports that visitation numbers since the second quarter of 2022 have approached the pre-pandemic levels of 2019. However, occupancy growth has lagged the average for the U.S. and other top 25 markets in the Midwest, such as Indianapolis, Chicago, and St. Louis. This trend is primarily due to a slower recovery within the commercial segment, as workers have yet to return to offices in full force and international travel remains low.

Recent Detroit Hotel Trends



Source: STR Global, STR Monthly Hotel Review

While commercial demand has lagged, several developments are in the works that will positively affect this segment in the future.

- **Ford** is redeveloping the early-20th-century-built **Michigan Central Station** in the **Corktown** neighborhood into its global mobility district; the new facility is expected to host 5,000 workers.
- The **Gordie Howe International Bridge** will add a second span over the Detroit River connecting Michigan to Windsor, Ontario, Canada. Its expected opening in 2024 is anticipated to increase border-crossing traffic.
- The mixed-use **Hudson's Site** tower will be the second-tallest building in Detroit when completed and will include a 300-room hotel.

Summary

The Detroit lodging market continues the road to recovery, with RevPAR levels nearing pre-pandemic levels due to the ADR rebound. Improving economic conditions, multiple large-scale developments, and the continued popularity of Detroit as a leisure destination are expected to support occupancy growth throughout 2023.

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Hotels Under Construction in Downtown Detroit



Conventions and conferences have also returned to Detroit in great numbers. The city's convention center,

Huntington Place, is the 17th largest such facility in the United States. Huntington Place traditionally hosts the annual **North American International Auto Show**, which debuted its new mid-September format in 2022 with improved consumer experiences and events. Other major events that took place in 2022 include the **Automate Conference**, which was moved from Chicago to Detroit, and the **Herbalife Nutrition North America Extravaganza** at **Ford Field**. Furthermore, the city's world-class athletic facilities attracted major events such as the **2022 NCAA Division I Wrestling Championships** at **Little Caesars Arena**. The **Rocket Mortgage Classic** held at the **Detroit Country Club** has become one of the fastest-growing events for the **PGA Tour**.

One factor holding back even stronger growth within the meeting and group segment is the limited number of hotel rooms in the Downtown submarket, particularly the lack of a large convention-style hotel connected to Huntington Place, when compared to similar sized cities in the Midwest. Thus, the opening of new hotels in the next five years will have a positive impact on convention business going forward. Hotel development in the surrounding suburbs of Detroit has been led primarily by the economy and upper-midscale segments, while Downtown Detroit continues to see development within the upscale and luxury chain scales. The map below illustrates the hotel pipeline for Downtown Detroit.



Source: HVS Detroit

The outlook for the Detroit lodging market remains optimistic. Improvement within the commercial segment is expected as business travel picks up pace and economic development throughout the city continues. **General Motors** began to bring its salaried workers back to the office in late January 2023, a positive sign for the year to come. Meeting and group demand will continue to grow as the city attracts more large-scale events, such the 2024 **NFL Draft** and the 2027 **NCAA Men's Basketball Final Four**. Meanwhile, Detroit's popularity as tourist destination continues to grow, positively influencing leisure travel for the region.

For more information, contact **Brandon Leverage** or **David Preiss** of **HVS Detroit**.

About **David Preiss**



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