MARKETBEAT

Detroit

Office Q3 2021

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
14.7% Vacancy Rate	▲	▲
-92,277 Net Absorption, SF	▲	▼
$20.74 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
1.91M Detroit Employment	▲	▲
4.2% Detroit Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

The unemployment rate in the Detroit Metropolitan area was greater than 10% in late-2020 but fell to just 4.2% as of third quarter 2021. Local unemployment sits at 4.2%, 10 basis-points (bps) lower than the national rate of 5.2%. A portion of the workforce remains hesitant to return to work while logistic companies such as Amazon, UPS and the US Postal service have over 5,000 positions available altogether.

Lear Corp. recently broke ground with its new facility, formerly known as the Cadillac Stamping plant, in Detroit. The initiative will create over 450 jobs for the Metro Detroit market while producing parts for GM's "Factory Zero" facility.

SUPPLY AND DEMAND

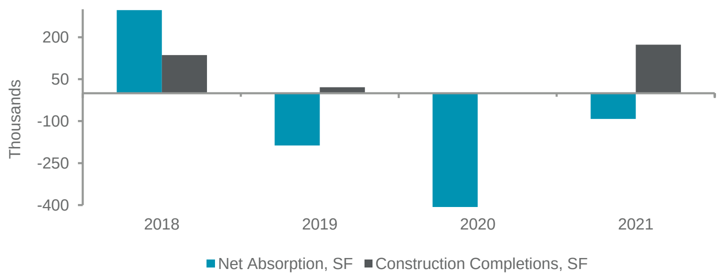
The vacancy rate in the Metro Detroit office market continued its upward trajectory in third quarter 2021, now increasing steadily for six consecutive quarters. Vacancy increased by 130 bps on a year-over-year (YOY) basis. As of third quarter 2021, vacant available sublease space per-square-foot (psf) increased 86%, compared to the nearly 505,000 psf available in third quarter 2021.

Net absorption followed suit to a climbing vacancy rate, posting its sixth consecutive quarter in the negative column. However, third quarter 2021 net absorption (-92,277 sf) was substantially lower than third quarter 2020 (-1,141,199 sf). Over 170,000 square feet (sf) of new construction was delivered in the Livonia/Northville/Plymouth and Detroit New Center submarkets, helping soften the negative absorption for the quarter. A total of 942,808 sf was under construction at the closing of third quarter 2021 with 788,437 sf of notable construction in Detroit's CBD, 74,371 sf in the Birmingham/Bloomfield submarket and 80,000 sf in the pipeline for Macomb County.

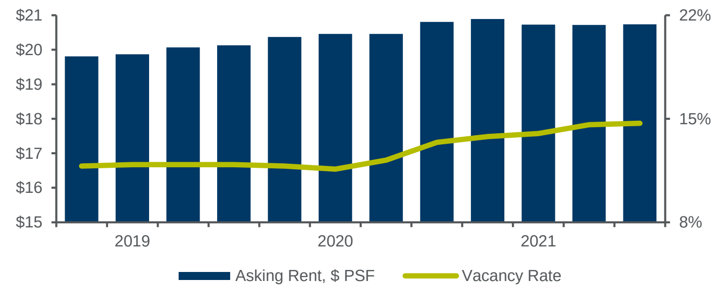
PRICING

Overall average asking rates were $20.74 psf gross in third quarter 2021. This figure was a negative 0.5% decrease YOY from third quarter 2020. Decreasing overall average asking rates for office product in Metro Detroit could become a trend to watch for in coming quarters.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT

Detroit

Office Q3 2021

CUSHMAN & WAKEFIELD

MARKET STATISTICS

SUBMARKET	TOTAL INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	CURRENT QTR LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*
Airport District	1,914,997	105,473	72,916	9.3%	-21,473	-46,015	0	0	$19.04
Ann Arbor	8,243,312	38,381	1,041,874	13.1%	-110,101	-194,096	39,127	0	$24.23
Auburn Hills/Rochester	3,368,759	12,796	420,382	12.9%	-20,679	-50,268	29,050	0	$21.70
Birmingham/Bloomfield	3,662,600	5,801	284,479	7.9%	46,366	54,249	40,851	74,371	$29.21
Dearborn/Downriver	6,532,987	4,915	1,089,558	16.8%	-11,003	-121,605	4,374	0	$19.43
Detroit CBD	17,476,985	41,169	2,119,771	12.4%	226,407	-22,504	54,600	788,437	$27.57
Detroit New Center/Midtown	5,840,043	0	386,884	6.6%	60,596	270,927	0	0	$28.15
Farmington Hills/Novi/West Bloomfield	12,183,918	61,787	2,093,869	17.7%	-264,081	-558,005	65,154	0	$22.27
Lakes Area	808,708	0	84,007	10.4%	0	12,254	0	0	$24.53
Livonia/Northville/Plymouth	5,694,427	116,697	771,414	15.6%	102,732	-75,131	122,647	0	$18.67
Macomb County	5,508,303	7,810	462,751	8.5%	-14,412	15,472	41,641	80,000	$18.48
Pontiac	3,582,652	14,467	548,590	15.7%	47,320	68,761	9,430	0	$20.59
Royal Oak	2,017,014	4,812	103,017	5.3%	24,227	8,496	15,818	0	$20.02
Southfield/Bingham Farms	18,088,712	190,694	3,156,766	18.5%	113,055	261,183	111,390	0	$18.90
The Pointes	496,313	0	56,208	11.3%	0	2,605	0	0	$17.50
Troy	14,261,940	335,418	2,524,257	20.1%	-271,231	-546,959	196,204	0	$19.79
DETROIT TOTALS	109,681,670	940,220	15,216,743	14.7%	-92,277	-920,636	730,286	942,808	$20.74

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
500 Woodward Ave	Detroit CBD	Ally Financial	77,000	New Lease
700 Tower Dr	Troy	Proctor Financial	74,584	New Lease
17440 College Pky	Livonia/Northville/Plymouth	U.S. Ecology	60,991	New Lease
1650 Research Dr	Troy	Hall Financial	25,124	Sublease

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $PSF
40300 Traditions Dr	Livonia/Northville/Plymouth	Schostak Brothers & Company / Hamilton Equity Partners	110,000	$42M / $381
5225 Auto Club Dr	Dearborn/Downriver	Mac Sawyers / One Source Provider	72,866	$1.8M / $25
32500 Telegraph Rd	Southfield/Bingham Farms	Slavik Management / Continental Management	46,618	$6M / $129

Mike Sabatini
Research Analyst
+1 248 358 6120
mike.sabatini@cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of $7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.