Detroit

Office Q4 2021

	YoY Chg	12-Mo. Forecast
15.2% Vacancy Rate	▲	▲
-535K Net Absorption, SF	▲	▼
$20.93 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
1.96M Detroit Employment	▲	▲
5.7% Detroit Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

Despite another challenging year during a pandemic era, Metro Detroit's economy made significant strides in its recovery from the initial COVID-19 outbreak. Metro Detroit's unemployment rate in fourth quarter 2021 was 5.7% compared to 10.2% at the close of fourth quarter 2020.

According to the Michigan Economic Development Corporation, Michigan remained a Midwest leader in foreign direct investment job growth, which has led to the creation over 36,00 jobs in Michigan over the last five years. Prominent companies such as KLA, Magna, TÜV SÜD and the Big Three Automakers all made significant financial commitments to the state of Michigan in 2021.

SUPPLY AND DEMAND

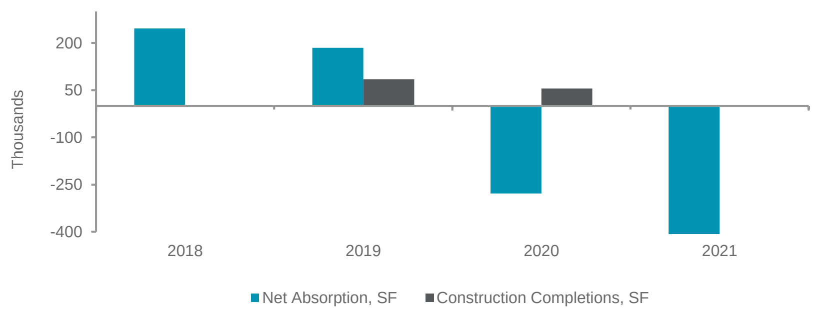
At 15.2%, Metro Detroit's overall vacancy rate climbed 120 basis-points from fourth quarter 2020 to fourth quarter 2021 at 14%, a two-year consecutive increase per quarter. Fourth quarter 2021 closed out with over 1.1 million square feet (msf) of vacant sublease space, a 26% increase from fourth quarter 2019 at roughly 806,000 square feet (sf).

The Metro Detroit office market experienced net occupancy losses in the fourth quarter, totaling 534,698 sf of negative absorption. This was the result of large tenant moveouts throughout the market, particularly in the Central Business District (CBD) and Southfield submarkets, which saw 260,000 sf and 416,000 sf of negative absorption, respectively. The Birmingham and Livonia/Northville/Plymouth submarkets saw the largest increases in absorption, increasing 30,000 sf and 53,000 sf, respectively. Both submarkets also featuring two of the more notable direct new leases for fourth quarter 2021 with LoanX signing for over 12,000 sf in Birmingham and Otis Elevator Company inking a deal for 8,000 sf in Farmington Hills.

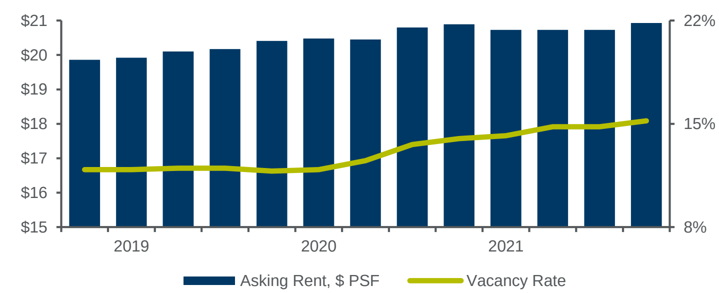
PRICING

The overall average asking rate for fourth quarter 2021 was $20.93 per square foot (psf). A year-over-year (YOY) increase of 0.2% and quarter-over-quarter (QOQ) increase of 0.96%. Direct asking rates following the same trend, each YOY and QOQ. Despite ongoing occupancy challenges from the pandemic, asking rates continue to rise throughout Metro Detroit.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT

Detroit

Office Q4 2021

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%	0	-46,015	0	0	$19.04
Ann Arbor	8,212,990	38,381	1,033,942	13.1%	-18,564	-158,026	21,320	0	$24.23
Auburn Hills/Rochester	3,346,236	13,164	529,774	16.2%	-32,870	-176,988	20,615	0	$21.86
Birmingham/Bloomfield	3,702,660	4,772	253,514	7.0%	32,525	95,107	25,621	74,371	$28.82
Dearborn/Downriver	6,532,987	4,915	1,184,012	18.2%	-10,347	-221,568	3,371	0	$19.46
Detroit CBD	17,582,365	36,214	2,441,510	14.1%	-262,001	-279,551	12,438	788,437	$27.52
Detroit New Center/Midtown	5,840,043	0	281,111	4.8%	110,573	376,700	0	0	$29.72
Farmington Hills/Novi/West Bloomfield	12,145,292	112,432	2,034,882	17.7%	-22,717	-565,241	117,192	0	$22.20
Lakes Area	812,133	0	87,123	10.7%	1,362	9,138	0	0	$24.41
Livonia/Northville/Plymouth	5,865,790	178,039	745,364	15.7%	53,556	-17,355	42,158	0	$18.75
Macomb County	5,623,896	0	596,011	10.6%	9,939	25,411	22,188	0	$18.54
Pontiac	3,578,516	14,467	463,246	13.3%	19,312	91,771	87,334	0	$24.80
Royal Oak	2,027,726	4,812	108,100	5.6%	1,348	11,134	2,689	0	$21.71
Southfield/Bingham Farms	17,739,463	293,837	3,390,303	20.8%	-416,003	-153,906	136,753	0	$19.22
The Pointes	496,313	0	56,208	11.3%	0	2,605	0	0	$17.50
Troy	14,256,945	294,578	2,333,802	18.4%	-811	-318,297	117,497	0	$19.80
DETROIT TOTALS	109,678,352	1,101,084	15,611,818	15.2%	-534,698	-1,325,081	609,176	862,808	$20.93

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2000 E Taylor Rd	Auburn Hills/Rochester	Undisclosed	47,732	New Lease
51111 Woodward	Pontiac	The Hatchery	25,000	New Lease
34100 Woodward Ave	Birmingham/Bloomfield	LoanX	12,432	New Lease
850 S Hewitt Rd	Ann Arbor	Hanna Commercial Real Estate, LLC	9,000	New Lease

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
5111 Auto Club Dr	Dearborn/Downriver	Ford Motor Land Development / Insight Institute of Neurosurgery & Neuroscience	114,656	$4.1M / $36
25510 W 11 Mile Rd	Southfield/Bingham Farms	Southfield Crossing LLC / Douglas Capital Partners	65,195	$2.2M / $33
27085-27087 Gratiot Ave	Macomb County	Dr. James Cho / Huron Poperty Investments LLC	22,400	$11.1 / $495

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

cushmanwakefield.com

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