MARKETBEAT

Detroit

Office Q2 2022

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
15.2% Vacancy Rate	▼	▼
-495K Net Absorption, SF	▲	▲
$20.67 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

Net Absorption not reflective of U.S. MarketBeat Tables

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
1.99M Detroit Employment	▲	▲
4.6% Detroit Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMIC OVERVIEW

Based on the Bureau of Labor Statistics (BLS), the unemployment rate in Detroit was 4.4% in mid-2021 but increased to just 4.6% as of Q2 2022. Local unemployment remains above the national rate of 3.6%, maintaining the trend for the third consecutive quarter.

Per the Michigan Economic Development Corporation, Detroit ranked number one in the emerging startup ecosystem. Of note, Pfizer recently invested an additional $120 million in the Detroit life sciences sector bringing the firm's total regional investment to $465 million. Additionally, Detroit will soon open the first United States Department of Agriculture office in the country, dedicated to promoting urban agriculture.

SUPPLY AND DEMAND

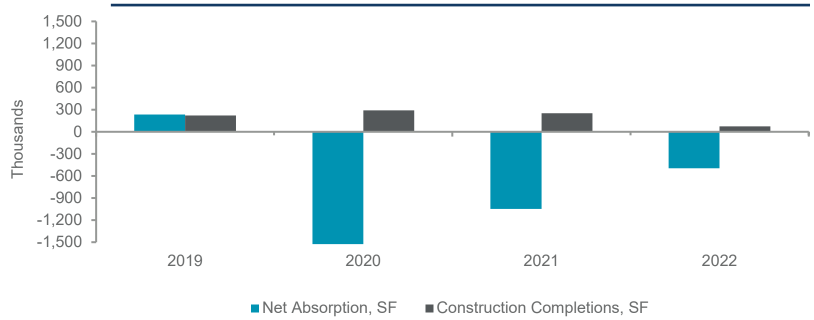
After reaching 14.0% in Q1, direct vacancy (which excludes sublease vacancy) in the Greater Detroit office market increased by 10 basis points (bps) to 14.1% in Q2 2022. While slightly higher than the prior quarter, vacancy was also 50 bps higher on a year-over-year (YOY) basis. Newly vacant space totaling 250,000 square feet (sf) at 3000 University Drive in the Auburn Hills/Rochester Hills submarket was the largest vacancy added throughout the quarter and was ultimately a primary driver of the suburban office market's 57.0% increase in vacant space YOY. When combined, overall vacancy (direct plus sublease vacancy) increased from 14.4% in Q2 2021 to 15.2% in Q2 2022.

Though marking a nine-quarter streak of negative overall net absorption, Q2 saw just negative 19,322 sf in net absorption for the quarter. This brought the year-to-date (YTD) total to negative 515,954 sf. Of 18 total office submarkets, six experienced positive YTD overall net absorption. Leading the way was the Dearborn/Downriver submarket which recorded 144,812 sf of positive net absorption YTD including 90,000 sf of that total occurring in Q2.

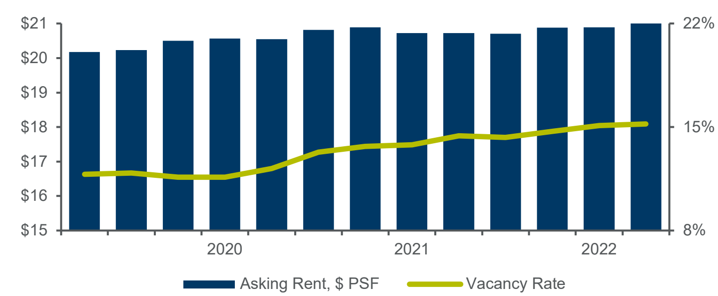
PRICING

Across all categories, the overall average asking rental rate was $20.67 per square foot (psf) gross in Q2 2022, a decline of 25 bps over the prior year. Detroit CBD asking rents increased by 2.4% YOY to $27.80 psf gross in Q2 2022, demonstrating relative pricing stability across the CBD.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT

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MARKET STATISTICS

SUBMARKET	TOTAL INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*
Detroit CBD	18,136,438	25,721	2,291,158	12.8%	137,237	855,037	$27.80
Airport District	1,914,997	21,473	70,192	4.8%	86,724	0	$19.04
Ann Arbor CBD	4,395,367	139,936	536,148	15.4%	-177,150	0	$28.56
Ann Arbor Non-CBD	2,737,957	6,592	471,513	17.5%	-48,615	0	$25.04
Auburn Hills/Rochester Hills	3,945,844	26,714	399,795	10.8%	106,467	0	$21.34
Birmingham/Bloomfield	4,706,021	16,801	454,777	10.0%	41,690	0	$27.68
Dearborn/Downriver	6,650,445	4,915	1,091,354	16.5%	144,812	0	$19.63
Detroit New Center/Midtown	5,952,658	0	304,555	5.1%	-9,931	0	$29.90
Farmington Hills/Novi/West Bloomfield	11,047,236	90,319	1,681751	16.0%	20,979	0	$21.79
Lakes Area	812,133	0	99,358	12.2%	-12,235	0	$25.51
Livonia	3,781,741	89,420	617,919	18.7%	-184,825	0	$18.99
Macomb County	5,705,536	0	725,860	12.7%	-97,061	0	$19.01
Plymouth/Northville	1,781,157	116,397	130,676	13.9%	-3,912	0	$20.38
Pontiac	3,567,561	60,496	491,480	15.5%	-42,739	0	$23.59
Royal Oak	1,956,276	4,812	169,400	8.9%	-70,400	0	$18.57
Southfield/Bingham Farms	18,196,884	332,905	3,510,868	21.1%	-199,449	0	$19.26
The Pointes	496,313	0	67,474	13.6%	-11,266	0	N/A
Troy	14,266,725	273,496	2,451,625	19.1%	-176,287	0	$19.76
DETROIT TOTALS	110,051,289	1,209,997	15,565,903	15.2%	-495,961	855,037	$20.67

*Rental rates reflect full service asking | Stats are not reflective of U.S. MarketBeat Tables

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2373 Oak Valley Dr	Ann Arbor CBD	Barracuda Networks Inc.	31,728	New Lease
45000 River Ridge Dr	Macomb County	Priority Waste	16,912	New Lease
23632 Plymouth Rd	Dearborn/Downriver	DoorDash Essentials	15,000	New Lease
363 W Big Beaver Rd	Troy	ACC (Arab American & Chaldean Council)	12,455	New Lease

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
16333 Trenton Rd	Dearborn/Downriver	16333 Trenton LLC / Alex Begin	103,480	N/A
20836 Pontiac Trl	Farmington Hills/Novi/West Bloomfield	The Learning Experience / SSRE-SL West LLC	10,000	$4.5M / $450
18444 Farmington Rd	Livonia	Undisclosed	7,211	$3.1M / $437

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