

	YoY Chg	12-Mo. Forecast
19.1% Vacancy Rate	▲	▼
-988K Net Absorption, SF	▲	▲
\$19.65 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
2.0M Detroit Employment	▲	▲
3.8% Detroit Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

MICHIGAN ECONOMIC OVERVIEW

According to the Bureau of Labor Statistics, Metro Detroit unemployment rate fell to 3.8%, a 40 basis point (bps) change year-over-year (YOY). Local unemployment was nearly identical to the national rate of 3.5%.

Although Detroit's unemployment rate increased slightly over the prior quarter, the economic forecast from the University of Michigan advises a more buoyant economy ahead of a national recession. Current economic projections from 2023 to 2027 demonstrate employment and wages for Detroit residents climbing every year. With a projected yearly average wage growth of 3.0%, wage growth is anticipated to beat out inflation from 2024 and onward. Even amid national recession, Detroit's economy is being bolstered by the high demand for blue-collar jobs and city-managed efforts to draw in well-paying jobs.

SUPPLY AND DEMAND: Nearly 1.0 million square feet in negative net absorption in Q1 2023

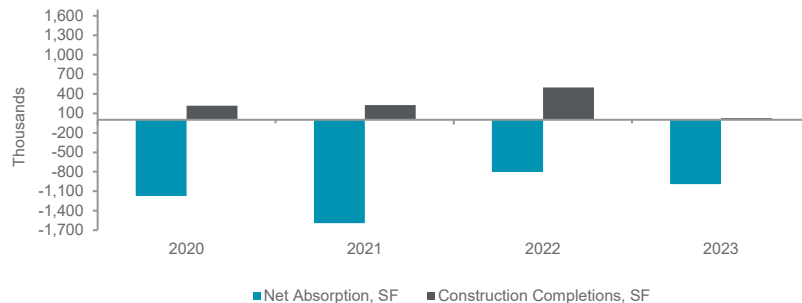
Overall vacancy rate for Metro Detroit increased by 120 bps quarter-over-quarter (QOQ), to 19.1% and a 390 bps increase YOY. Adjoined by the high demand for buildings with newer amenities and the struggle to bring in employees back into the office, Detroit office, along with the nation, is experiencing the uncertainties of a looming recession. With companies looking to shed some office space, vacancies are expected to see record numbers across the country. As a result, sublease vacancy has also increased by nearly 17.0% QOQ. Continuing a twelve-quarter streak of negative overall net absorption, Q1 2023 registered negative 988,000 sf in net absorption. Of the 19 tracked office submarkets, five reached positive overall net absorption. Detroit Central Business District (CBD) led the submarkets with the most overall negative absorption for the quarter, largely due to One Campus Martius, which recorded negative 445,000 square feet (sf) of absorption.

Metro Detroit recorded 420,000 sf of new leasing activity during Q1 2023, a decrease of 584,000 sf from the prior quarter. As compared to Q1 2022, leasing activity recorded 316,000 sf, a 33.2% increase YOY. For Q1 2023, one of the largest lease transactions involved Black & Veatch's lease renewal at 3550 Green Court in the Ann Arbor CBD submarket.

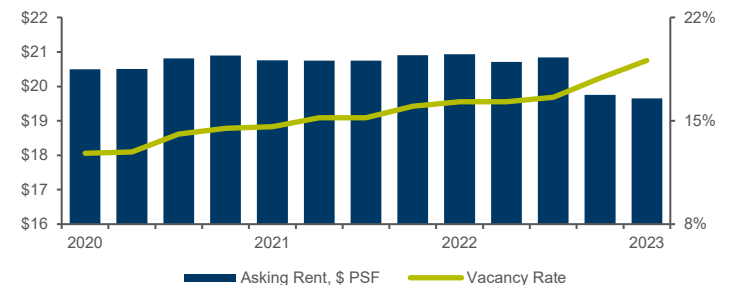
PRICING: Overall and Class A asking rents decrease year-over-year

Across all categories, the overall average asking rental rate was \$19.65 per square foot (psf) gross in Q1 2023, a decrease of 6.5% YOY, while Class A asking rates were \$21.23 psf in Q1 2023, which represented a 6.0% annual decrease. Detroit CBD asking rents decreased by 4.9% YOY to \$23.34 psf gross in Q1 2023.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	TOTAL INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)**
Detroit CBD	17,283,523	364,612	2,906,227	18.9%	-503,070	-503,070	432,600	\$23.34	\$32.00
Airport District	1,401,306	0	199,462	14.2%	0	0	0	\$16.00	\$25.00
Ann Arbor CBD	4,017,242	55,489	472,036	13.1%	-11,598	-11,598	0	\$27.68	\$29.96
Ann Arbor Non-CBD	3,314,302	42,623	476,940	15.7%	-141,762	-141,762	122,260	\$22.59	\$33.50
Auburn Hills/Rochester Hills	2,956,900	215,833	514,667	24.6%	-12,942	-12,942	0	\$17.35	\$19.51
Birmingham	2,132,273	0	117,427	5.5%	-27,334	-27,334	0	\$31.24	\$37.06
Bloomfield	1,570,284	0	218,860	13.9%	-21,638	-21,638	0	\$24.64	\$24.41
Dearborn/Downriver	5,091,418	0	1,114,539	21.9%	-47,001	-47,001	0	\$17.27	\$18.24
Detroit New Center/Midtown	5,724,811	1,926	370,076	6.5%	18,545	18,545	206,000	\$25.78	\$26.57
Farmington Hills/Novi/West Bloomfield	10,562,009	142,659	1,683,699	17.3%	176,765	176,765	0	\$19.05	\$19.83
Clarkston & Waterford Area	698,925	0	68,816	9.8%	0	0	0	\$26.36	\$30.00
Livonia	3,707,369	80,120	887,503	26.1%	-26,673	-26,673	0	\$18.04	\$22.00
Macomb County	4,627,970	0	360,620	7.8%	5,611	5,611	92,275	\$18.23	\$24.64
Plymouth/Northville	1,521,984	5,745	99,483	6.9%	352	352	0	\$18.49	\$23.50
Pontiac	3,526,226	52,397	537,315	16.7%	16,228	16,228	0	\$15.25	\$22.53
Royal Oak	1,901,472	0	209,263	11.0%	-21,720	-21,720	50,000	\$19.42	\$28.00
Southfield/Bingham Farms	17,619,988	388,095	4,483,329	27.6%	-355,987	-355,987	0	\$17.84	\$21.79
The Pointes	433,063	0	49,735	11.5%	0	0	0	\$29.00	N/A
Troy	12,965,954	320,518	2,816,726	24.2%	-36,132	-36,132	0	\$20.15	\$21.68
DETROIT TOTALS	101,066,019	1,670,017	17,586,723	19.1%	-988,356	-988,356	903,135	\$19.65	\$21.23

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

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3550 Green Court	Ann Arbor CBD	Black & Veatch	69,175	Renewal
201 Big Beaver Road W	Troy	Kemp Klein Law Firm	20,381	Renewal
3000 Town Center	Southfield/Bingham Farms	LoanDepot	16,983	Renewal

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
20800 Southfield Road	Southfield/Bingham Farms	GA Real Estate Purchaser, LLC / N/A	66,000	N/A
2075 Walnut Lake Road	Bloomfield	Walnut Lake Holdings, LLC / Chaldean Comm. Foundation	39,971	\$4.0 M / \$100
1942 Grand River Avenue	Detroit	Thomas G. Carleton et al. / Barbat Holdings, LLC	22,000	N/A

Edgar Bravo

Research Analyst

+1 312 470 2374

Edgar.Bravo@cushwake.com

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