

	YoY Chg	12-Mo. Forecast
19.7% Vacancy Rate	▲	▲
-2.3M YTD Net Absorption, SF	▼	▼
\$19.73 Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
2.0M Detroit Employment	▲	▲
3.1% Detroit Unemployment Rate	▼	▲
3.6% 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 3.1%, a 60 basis point (bps) change year-over-year (YOY). Local unemployment was lower than the national rate of 3.6% for the third consecutive quarter.

According to the U.S. Bureau of Labor Statistics, the monthly unemployment rate hit the lowest it has been in 33 years in May. Detroit Mayor, Mike Duggan, stated that the current level of job opportunities has not been seen since the 1940's. He credited the low unemployment rate to several large employers such as: Stellantis Assembly Plant, General Motors, Amazon and others. Employers have also expressed their approval of the hiring program, Detroit at Work, citing that the system has been a success. During the height of the pandemic Metro Detroit had a 23.9% unemployment rate.

SUPPLY AND DEMAND: Increased sublease vacancy with steady negative net absorption

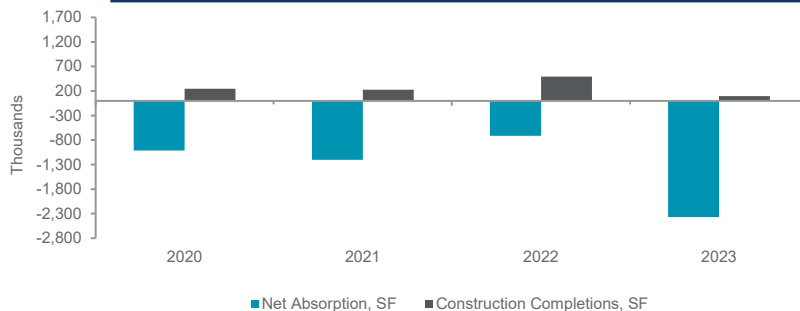
The vacancy rate in Metro Detroit office market increased on a quarter-by-quarter basis in 13 of the last 14 periods. The second quarter of 2023 ended with a vacancy rate of 19.7%, the highest level of vacancy in 10 years. Quarter-over-quarter (QOQ), the vacancy rate increased by 130 basis points (bps) leading to a 390 bps increase over the past year. Of the 18.8 million square feet (msf) vacant across the market, 2.2 msf was available for sublease, a segment of the market that has nearly doubled over the past year.

Continuing a thirteen-quarter streak of negative overall net absorption, Q2 2023 registered nearly -1.3 msf in net absorption. Of the 19 tracked office submarkets, only Royal Oak reached positive overall net absorption with 44,000 square feet (sf). Southfield/Bingham Farms led the submarkets with the most overall negative absorption for the quarter, largely due to a new 200,000-sf sublease at 26555 Northwestern Highway. Separately from absorption, Q2 2023 leasing activity in Metro Detroit recorded 518,000-sf of new leasing activity, which was a slight increase over the prior quarter. In Q2 2023, one of the largest lease signings was a 67,000-sf sublease at 1 Campus Martius in the Detroit CBD submarket.

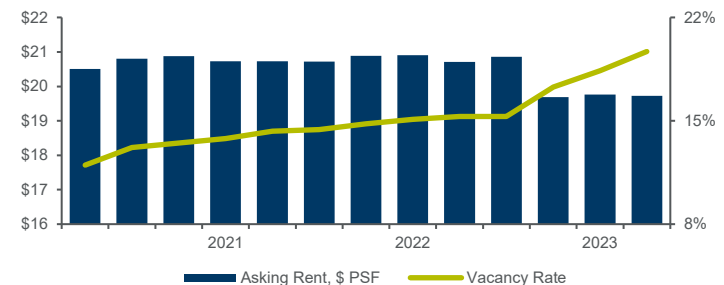
PRICING: Asking rents decreased year-over-year

Across all categories, the overall average asking rental rate was \$19.73 per square foot (psf) gross in Q2 2023, a decrease of 4.7% YOY and a slight decrease over the prior quarter.

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	16,870,317	354,262	3,149,507	20.8%	-180,374	-706,881	432,600	\$23.18	\$32.00
Airport District	1,401,306	21,473	45,650	4.8%	0	0	0	\$16.32	\$25.00
Ann Arbor CBD	4,060,242	82,999	489,820	14.1%	-44,500	-58,706	0	\$27.70	\$29.88
Ann Arbor Non-CBD	3,314,302	153,181	572,346	21.9%	-254,751	-354,090	0	\$23.40	\$31.44
Auburn Hills/Rochester Hills	2,971,887	221,336	539,626	25.6%	-17,203	-48,172	0	\$18.10	\$19.42
Birmingham	2,132,273	0	117,263	5.5%	-9,022	-28,116	0	\$30.12	\$33.97
Bloomfield	1,570,284	0	228,137	14.5%	-20,374	-34,670	0	\$24.48	\$24.73
Dearborn/Downriver	5,091,418	0	859,446	16.9%	-8,228	-95,575	0	\$17.83	\$19.91
Detroit New Center/Midtown	5,724,811	1,926	337,860	5.9%	0	18,545	206,000	\$25.74	\$26.69
Farmington Hills/Novi/West Bloomfield	10,562,009	140,946	1,783,540	18.2%	-65,825	88,134	0	\$19.32	\$20.70
Clarkston & Waterford Area	698,925	0	108,393	15.5%	-39,577	-39,577	0	\$25.05	\$30.00
Livonia	3,760,191	220,999	830,165	28.0%	-86,976	-113,649	0	\$17.66	\$22.00
Macomb County	4,695,245	0	388,703	8.3%	-15,485	49,249	25,000	\$18.40	\$23.77
Plymouth/Northville	1,521,984	5,745	92,129	6.4%	-146	206	0	\$18.22	\$23.50
Pontiac	3,469,226	52,397	521,372	16.5%	-2,558	7,610	0	\$21.65	\$22.53
Royal Oak	1,901,472	0	143,918	7.6%	43,631	15,911	50,000	\$21.09	\$28.00
Southfield/Bingham Farms	17,591,164	642,334	4,325,895	28.2%	-342,171	-715,349	0	\$17.08	\$19.83
The Pointes	433,063	0	49,735	11.5%	0	0	0	\$29.00	N/A
Troy	13,042,921	366,168	3,033,765	26.1%	-232,499	-353,419	0	\$19.24	\$19.89
DETROIT TOTALS	100,813,040	2,263,766	17,617,270	19.7%	-1,276,058	-2,368,549	713,600	\$19.73	\$20.68

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1 Campus Martius	Detroit CBD	Rock Central, LLC	66,500	Sublease
17410 College Pkwy	Livonia	PSP Group, LLC	39,673	New Lease
26711 Northwestern Hwy	Southfield/ Bingham Farms	Guardian Alarm	37,111	New Lease

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
3011 Grand Blvd W	Detroit New Center/Midtown	HFZ Capital Group / Michigan State University	487,000	\$26.6 M / \$54.58
2025 Woodward Ave	Detroit CBD	Sterling Group / Herrick Company	400,000	\$150.0 M / \$375.00
3250 University Dr	Auburn Hills/Rochester Hills	Quality Payroll, Inc / LSTC	124,392	\$7.9 M / \$78.67

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