

	YoY Chg	12-Mo. Forecast
20.3% Vacancy Rate	▲	▲
-3.5M Net Absorption, SF	▼	▼
\$19.84 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
2.0M Detroit Employment	▲	▲
4.0% Detroit Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

MICHIGAN ECONOMIC OVERVIEW

According to the Bureau of Labor Statistics, Metro Detroit unemployment rate increased to 4.0%, a 30 basis point (bps) change on a year-over-year (YOY) basis. Local unemployment was higher than the national rate of 3.7%.

Major 2023 storylines for Metro Detroit included the UAW strikes, rising interest rates challenging Michigan's commercial real estate market and the success of *Detroit at Work* in creating job opportunities. Over the year, Michigan's non-farm employment rose by 34,000 and is projected to maintain healthy levels throughout 2024. Perhaps most notably, Michigan's statewide population grew in 2023 for the first time in several years, adding 3,980 new inhabitants.

SUPPLY AND DEMAND: Negative net absorption and high vacancy continue

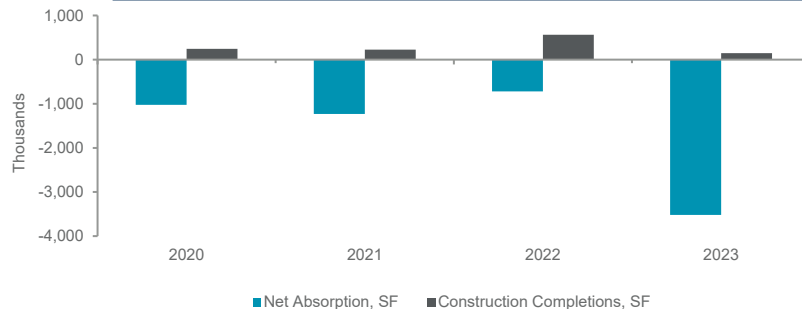
The overall office market vacancy in Metro Detroit increased to 20.3% in the fourth quarter of 2023. Vacant inventory at year end increased by 21.6% YOY, reaching the highest point of vacancy since Q1 2013. Of the 21.0 million square feet (msf) vacant across the market, over 2.2 msf was available for sublease. Notably, vacant sublease inventory has doubled since Q4 2022.

Continuing a fifteen-quarter streak of negative overall net absorption, Q4 2023 registered negative 508,000 square feet (sf). This activity brought the year-to-date (YTD) total to negative 3.5 msf, though 66.4% of that negative net absorption was recorded in Q1 and Q2 2023. Of 19 tracked office submarkets, five experienced positive YTD overall net absorption. Leading the way was the Plymouth/Northville submarket as Delta Electronics occupied its 38,000-sf office at the Metro West Technology Park building. Apart from absorption, Metro Detroit recorded 435,000 sf of new leasing activity during Q4 2023, bringing YTD leasing activity to 2.1 msf. As compared to Q4 2022, leasing activity recorded 599,000 sf, a 27.4% decrease YOY. For Q4 2023, one of the largest sublease transactions was inked by Rocket Legal, at 1 Campus Martius, in the Detroit CBD submarket. On the construction front, a new office tower located at the former Hudson's department store site is expected to complete in 2024, adding a 404,000 sf Class A building to the Detroit CBD submarket.

PRICING: Asking rents remain fixed in Q4

Across all categories, the overall average asking rental rate was \$19.84 per square foot (psf) gross in Q4 2023, an increase of 0.3% YOY and a slight decrease of 20 bps 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	17,592,327	274,049	3,469,945	21.3%	-67,769	-812,035	432,600	\$22.41	\$32.00
Airport District	1,401,306	81,772	45,650	9.1%	-42,833	-81,772	0	\$10.00	\$17.00
Ann Arbor CBD	4,060,242	72,217	391,626	11.4%	-30,543	-9,342	0	\$27.91	\$30.78
Ann Arbor Non-CBD	3,326,626	103,089	636,930	22.2%	-119,464	-428,819	0	\$22.93	\$33.69
Auburn Hills/Rochester Hills	2,971,887	222,868	455,565	22.8%	19,682	-29,729	0	\$17.76	\$19.36
Birmingham	2,132,273	0	213,095	10.0%	-44,285	-124,738	0	\$34.64	\$34.39
Bloomfield	1,570,284	0	222,003	14.1%	-474	-33,621	0	\$24.33	\$25.70
Dearborn/Downriver	5,091,418	0	808,919	15.9%	12,007	-119,268	0	\$17.96	\$19.99
Detroit New Center/Midtown	5,799,811	0	430,334	7.4%	-1,206	-121,044	206,000	\$25.93	\$26.84
Farmington Hills/Novi/West Bloomfield	10,763,981	196,338	1,727,547	17.9%	-25,237	14,736	0	\$19.45	\$20.97
Clarkston & Waterford Area	698,925	0	109,537	15.7%	-3,370	-40,721	0	\$25.13	\$30.00
Livonia	3,760,191	181,326	852,727	27.5%	44,227	-128,087	0	\$18.06	\$22.00
Macomb County	4,695,245	0	424,843	9.0%	-34,688	31,815	25,000	\$18.09	\$20.56
Plymouth/Northville	1,521,984	5,745	51,999	3.8%	37,959	43,761	0	\$17.96	\$23.50
Pontiac	3,469,226	45,889	526,139	16.5%	-1,226	-34,563	0	\$22.48	\$22.48
Royal Oak	1,951,472	34,741	156,104	9.8%	10,994	15,992	65,000	\$20.81	\$28.00
Southfield/Bingham Farms	17,533,300	672,575	4,548,625	29.8%	-120,033	-1,059,951	0	\$17.50	\$20.95
The Pointes	433,063	0	36,681	8.5%	10,427	13,054	0	\$29.00	N/A
Troy	13,246,144	335,151	3,388,605	28.1%	-151,827	-614,713	0	\$19.60	\$20.30
DETROIT TOTALS	102,019,705	2,225,760	18,496,874	20.3%	-507,659	-3,519,045	728,600	\$19.84	\$21.10

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
500 Renaissance Ctr	Detroit CBD	Blue Cross & Blue Shield of Michigan	309,728	Renewal
1 Campus Martius	Detroit CBD	Rocket Legal	66,500	Sublease
2 Corporate Dr	Southfield/Bingham Farms	Hatzel & Buehler, Inc.	16,288	New Lease

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
7300 Woodward Ave	Detroit New Center/Midtown	The Platform / LGC Global Corporation	250,000	\$18.4 M / \$73.43
1075 Entrance Dr W	Auburn Hills/Novi/ West Bloomfield	Bridge Investment Group / Justin Cutler	210,000	\$7.1 M / \$33.70
175-217 Jackson Plz	Ann Arbor Non-CBD	Eyde Development / Ari-EI Enterprises, Inc.	109,324	\$2.6 M / \$25.21

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