

	YoY Chg	12-Mo. Forecast
20.5% Vacancy Rate	▲	▲
-808K Net Absorption, SF	▲	▲
\$20.22 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
2.0M Detroit Employment	▲	▲
3.9% Detroit Unemployment Rate	▲	▲
3.8% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

MICHIGAN ECONOMIC OVERVIEW

The unemployment rate in Metro Detroit increased to 3.9% as of Q1 2024, a 50-basis point (bps) change on a year-over-year (YOY) basis. However, employment in Metro Detroit is expected to rise over the next 12 months. Local unemployment was slightly higher than the national rate of 3.8%. In March, the City of Detroit's credit rating returned to Investment Grade by Moody's Investors Services to Baa2 rating. This comes after 15 years of being considered a Ba1 rating (higher loan default risk) and 11 years after the city declared bankruptcy. The update now implies that the city will experience lower costs when it comes to borrowing capital for future investments or projects. Moody's anticipates Detroit's tax base and revenue growth will withstand climbing costs over the next two years.

SUPPLY AND DEMAND: Vacancy sees highest level since 2012

The first quarter of 2024 marked the eleventh consecutive quarter of increased overall office vacancy in Metro Detroit. Vacancy reached 20.5% in Q1 2024, the highest level seen in more than a decade. On a YOY basis, vacancy increased by more than 280 bps. Of the 21.0 million square feet (msf) vacant across the market, nearly 2.0 msf was available for sublease. Notably, vacant sublease inventory increased on a yearly basis by nearly 40.0%. The bulk of sublease space was in suburban Class A buildings, including a 33,000-square foot (sf) space in the Auburn Hills/Rochester Hills submarket, which became available in Q1 2024.

Alongside increased vacancy, Q1 2024 continued a sixteen-quarter streak of negative overall net absorption at negative 808,000 sf. Of the 19 tracked office submarkets, only four experienced positive net absorption, with the Troy submarket having the most space absorbed over the period, totaling 59,000 sf of positive absorption. New Class A vacancies led to substantial negative absorption in the Detroit Central Business District (CBD) submarket as 336,000 sf came to the market at 600 Renaissance Center in Q1 2024. Metro Detroit recorded 579,000 sf of new leasing activity during Q1 2024, which was proportional to past several quarterly leasing totals. For Q1 2024, one of the largest lease transactions was signed by Maddin Hauser Law Firm for 25,000 sf, at One Towne Square, in the Southfield/Bingham submarket.

PRICING: Asking rents upsurge in the first quarter

Across all categories, the overall gross average asking rental rate was \$20.22 per square foot (psf) in Q1 2024, an increase of 3.0% YOY and a 1.5% increase 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	17,600,599	310,459	3,673,087	22.6%	-365,355	-365,355	432,600	\$24.20	\$32.00
Airport District	1,401,306	0	45,650	3.3%	0	0	0	\$10.00	\$18.00
Ann Arbor CBD	4,060,242	49,191	397,270	11.0%	-11,366	-11,366	0	\$28.58	\$35.00
Ann Arbor Non-CBD	3,344,301	100,477	680,081	23.3%	-24,879	-24,879	0	\$23.29	\$28.00
Auburn Hills/Rochester Hills	3,151,447	318,953	499,833	25.9%	-80,055	-80,055	0	\$17.54	\$19.29
Birmingham	2,132,273	0	182,416	8.6%	-5,011	-5,011	0	\$33.59	\$34.39
Bloomfield	1,570,284	0	205,931	13.1%	6,592	6,592	0	\$24.31	\$25.86
Dearborn/Downriver	5,091,418	0	799,388	15.7%	-26,888	-26,888	0	\$17.86	\$17.95
Detroit New Center/Midtown	5,799,811	16,503	421,309	7.5%	-11,924	-11,924	206,000	\$26.09	\$26.84
Farmington Hills/Novi/West Bloomfield	10,767,166	133,003	1,915,074	19.0%	-48,179	-48,179	0	\$19.79	\$21.59
Clarkston & Waterford Area	698,925	0	110,527	15.8%	-990	-990	0	\$24.96	\$30.00
Livonia	3,764,492	92,326	944,202	27.5%	-48,404	-48,404	0	\$18.39	\$22.00
Macomb County	4,695,245	7,711	504,814	10.9%	-85,920	-85,920	25,000	\$18.29	\$21.26
Plymouth/Northville	1,521,984	5,745	55,399	4.0%	-326	-326	0	\$18.17	\$23.50
Pontiac	3,289,666	0	538,240	16.4%	-23,416	-23,416	0	\$21.32	\$20.64
Royal Oak	1,951,472	23,257	152,699	9.0%	2,880	2,880	0	#N/A	\$28.00
Southfield/Bingham Farms	17,533,300	663,865	4,601,412	30.0%	-150,245	-150,245	0	\$17.52	\$20.60
The Pointes	433,063	0	37,081	8.6%	6,400	6,400	0	N/A	N/A
Troy	13,246,144	245,660	3,225,471	26.2%	58,728	58,728	0	\$19.86	\$20.37
DETROIT TOTALS	102,053,138	1,967,150	18,989,884	20.5%	-808,358	-808,358	663,600	\$20.22	\$21.60

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
One Towne Sq	Southfield/Bingham Farms	Maddin Hauser Law Firm	25,089	New Lease
150 2 nd St W	Royal Oak	The Trade Desk, Inc.	12,486	Sublease
100 Big Beaver Rd W	Troy	Gulla CPA	12,000	New Lease

*Renewals not included in leasing activity statistics

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
19900 9 Mile Rd W	Southfield/Bingham Farms	IDG Holdings, LLC / Renaissance Metropolis LLC	60,000	\$500K / \$8.33
32000 Northwestern Hwy	Farmington Hills/Novi/West Bloomfield	Friedman Real Estate / Shakir W Atkafali	58,548	\$4.7 M / \$80.28

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