MARKETBEAT

Detroit

Office Q2 2024

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
21.0% Vacancy Rate	▲	▲
-1.1M YTD Net Absorption, SF	▲	▼
$20.22 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS
Q2 2024

	YoY Chg	12-Mo. Forecast
2.0M Detroit Employment	▲	▲
3.9% Detroit Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

MICHIGAN ECONOMIC OVERVIEW

The unemployment rate in Metro Detroit increased from the prior year to 3.9%, a 60-basis point (bps) change. The local unemployment rate was below the national rate of 4.1%. A recent analysis by the *Detroit Regional Chamber* and the U.S. Bureau of Labor Statistics showed that the unemployment rate in Michigan remained constant for the fourth straight month. Jobless rates declined in 15 of Michigan's 17 job markets, while also adding 8,000 jobs in the month of May. Michigan's total nonfarm jobs increased by 35,000, an 80 bps increase year-over-year (YOY). At the same time, a recent statewide survey of registered voters commissioned by the *Chamber* indicated 61% of respondents think the economy is weakening and 52% believe the state's economy is on the wrong path.

SUPPLY AND DEMAND: Vacancy rate recorded slight increase quarter-over-quarter

For the second consecutive quarter, the overall office vacancy rate in Metro Detroit exceeded the 20.0% threshold and was recorded at 21.0% as of Q2 2024. On a YOY basis, vacancy grew by more than 200 bps, or 1.9 million square feet (msf). Sublease vacancy also set a record high of 2.0 msf in Q2 2024, which was more than a 117,000 square feet (sf) increase YOY. The bulk of sublease space was in suburban Class B buildings, primarily in the Southfield/Bingham Farms submarket with a total of 427,000 sf.

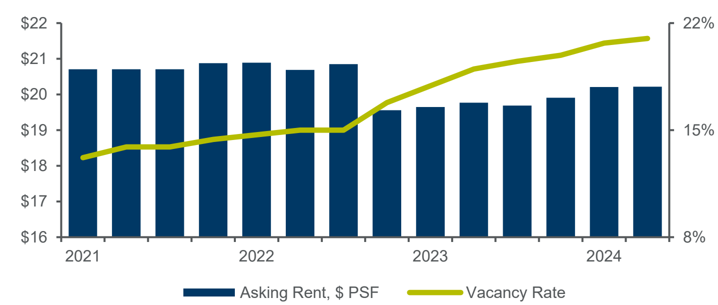
Overall net absorption totaled negative 217,000 sf in Q2 2024, marking the seventeenth quarter of negative absorption. Although net absorption continues to be significantly negative, Q2 2024 had the least amount of negative net absorption since Q3 2022. Only eight submarkets posted positive net absorption, with Southfield/Bingham Farms reporting the highest net absorption in Q2. One of the largest move-ins of the second quarter took place at 21700 Northwestern Highway in Southfield, where PHP Agency, LLC occupied 18,000 sf. Apart from absorption, Q2 2024 leasing activity totaled 664,000 sf, an increase of 1.8% YOY. Amid the Q2 lease signings was General Motors pre-leasing 98,000 sf at the Hudson's Detroit, which is currently under construction. In 2025, GM will relocate its global headquarters from the Renaissance Center and return to Woodward Avenue where the company established its first headquarters in the city. GM will be the anchor tenant with an initial 15-year lease for the top floors.

PRICING: Overall asking rents stabilized in Q2

The overall gross average asking rental rate was $20.22 per square foot (psf) in Q2 2024, an increase of 2.3% YOY and unchanged from the prior quarter. The Birmingham submarket recorded the largest asking rate increase by 19.5% on a YOY basis to $34.62 psf.

SPACE DEMAND / DELIVERIES

OVERALL VACANCY & ASKING RENT



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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)*	OVREALL AVG ASKING RENT (CLASS A)*
Detroit CBD	17,975,599	271,303	3,693,898	22.1%	30,935	-334,420	432,600	$24.10	$32.00
Airport District	1,401,306	0	461,256	32.9%	0	0	0	$10.00	$18.00
Ann Arbor CBD	4,060,242	81,795	492,466	12.6%	-65,297	-81,920	0	$28.17	$35.00
Ann Arbor Non-CBD	3,344,301	133,786	693,936	24.8%	-48,089	-74,368	0	$22.60	$28.00
Auburn Hills/Rochester Hills	3,151,447	314,810	500,933	25.9%	411	-77,069	0	$18.00	$19.80
Birmingham	2,132,273	0	219,437	10.3%	-35,579	-40,590	42,000	$34.62	$38.87
Bloomfield	1,570,284	0	236,557	15.1%	-12,632	-6,040	0	$24.40	$25.86
Dearborn/Downriver	5,091,418	2,104	812,993	16.6%	-3,970	-30,858	0	$18.16	$17.95
Detroit New Center/Midtown	5,799,811	16,503	397,835	7.1%	21,943	11,550	206,000	$26.08	$26.84
Farmington Hills/Novi/West Bloomfield	10,767,472	121,509	1,979,028	19.5%	-43,046	-121,323	0	$20.04	$21.61
Clarkston & Waterford Area	673,240	0	99,178	14.7%	2,284	1,294	0	$23.87	$23.87
Livonia	3,764,492	92,326	992,991	28.8%	-43,046	-91,916	0	$18.60	$22.00
Macomb County	4,695,245	7,711	503,578	10.9%	3,186	-84,684	25,000	$18.45	$21.03
Plymouth/Northville	1,521,984	0	62,964	4.1%	0	1,552	0	$18.39	$23.50
Pontiac	3,289,666	0	508,887	15.5%	20,294	-786	0	$21.28	$20.59
Royal Oak	1,951,472	6,977	151,610	8.1%	1,011	6,278	0	$21.78	$28.00
Southfield/Bingham Farms	17,833,300	659,402	4,554,699	29.2%	43,464	-102,609	0	$17.31	$20.40
The Pointes	433,063	0	34,781	8.0%	-1,800	1,900	0	N/A	N/A
Troy	13,244,020	303,982	3,151,821	26.1%	-86,675	-26,042	0	$19.96	$20.57
DETROIT TOTALS	102,514,618	2,012,208	19,485,848	21.0%	-217,072	-1,050,051	705,600	$20.22	$25.00

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1208 Woodward Ave	Detroit CBD	General Motors	97,642	New Lease
370 Brown St E	Birmingham	JPMorgan Chase & Co.	42,000	New Lease
31440 Northwestern Hwy	Farmington Hills/Novi/West Bloomfield	Sam Bernstein Law Firm, PLLC	20,968	New Lease

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
25300-25330 Telegraph Rd	Southfield/Bingham Farms	Credit Acceptance / Royal Media Network, Inc.	300,000	$3.3 M / $11.00
28455 Haggerty Rd	Farmington Hills/Novi/West Bloomfield	Haggerty Medical Center Building / Nova Sky Haggerty LLC	42,379	$9.3 M / $219.45

Edgar Bravo
Research Analyst
+1 312 470 2374
edgar.bravo@cushwake.com

Jarrett Hicks
Research Manager
+1 513 322 3802
jarrett.hicks@cushwake.com

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