METROPOLITAN DETROIT MARKET

OFFICE Q2 2023

MARKET STATISTICS

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Q2 2023 | OFFICE SNAPSHOT

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METROPOLITAN DETROIT

OFFICE MARKET REVIEW

ECONOMIC OVERVIEW

STATS ON THE GO

	Q2 2022	Q2 2023	Y-O-Y CHANGE	12 MONTH OVERVIEW
Overall Vacancy	22.69%	23.81%	1.12%	▲
Direct Asking Rents (psf/yr)	$19.25	$18.66	-3.1 %	▼

Second quarter 2023 closed with a direct vacancy rate of 21.42%, an overall vacancy rate of 23.81%, and an average asking direct rental rate reported at $18.66 psf. In June, the Michigan unemployment rate was recorded at 3.6%, a decrease of 0.7 percentage points compared to this time last year, while the U.S. unemployment rate was recorded at 3.6%. Although inflation persists, interest rate hikes have remained consistent over the past year, and as employers target cost cutting measures, the labor market continues to maintain strength with fewer Americans applying for jobless benefits. 253,000 job openings occurred in April, 339,000 openings in May and a slight decrease in June to 209,000 openings, closing the quarter with 9.8 million total job openings in the U.S. In April, U.S. consumer confidence declined for the 3rd time in four months and again in May as individuals continue to become more discouraged by inflation, and by yet another increase of the key interest rate by the Federal Reserve totaling a quarter point to the highest it's been in 16 years; however, they have indicated there may be a pause in further increases after 10 rate hikes which have had a costly impact on both businesses and consumers. Consumer price growth slowed in May rising only 0.1% from April, while mortgage rates approached a 7-month high, the quarter closes on an uneasy note as to how the remaining half of the year will unfold.

OFFICE MARKET DISCUSSION

Several notable leases closed during the second quarter. First in Livonia, Pet Supplies Plus inked a deal totaling 39,672 sq. ft. at the former Trinity Health building located at 17410 College Parkway and will serve as a corporate office. In Southfield, Guardian Alarm signed a lease totaling 37,111 sq. ft. of space located at 26711 Northwestern Highway. While in Detroit, PwC signed a deal for 23,966 sq. ft. on the 33rd floor of the Ally Detroit Center, a Class A office building located at 500 Woodward Avenue.

Several investment sales closed the quarter. The largest being the sale of the 20-story, 421,481 sq. ft., Class A office property located at 2025 Woodward Avenue in Detroit. Recently constructed in 2022 and known as the Huntington Tower, the building was purchased by a Florida-based real estate firm, The Herrick Company for $150 million. In Auburn Hills, the 137,623 sq. ft., 2-story, Class B Wellington Green building located on 9.45 acres at 3250-3256 University Drive was purchased as an investment by LREH Michigan, LLC. In Troy, the 120,923 sq. ft. Class A Butterfield Office Center located at 2125-2155 Butterfield Drive was purchased by Innovative Computer Systems, Inc.

OUTLOOK

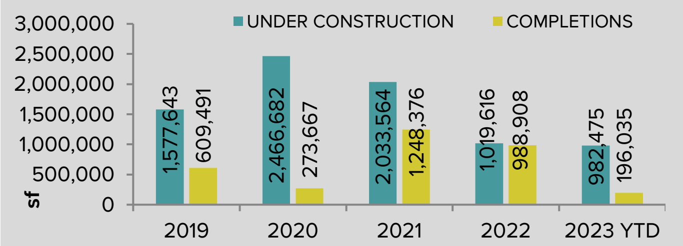
Recently announced proposed plans of a mixed-use development of the 1.55-acre site in the Triangle District of Birmingham located at the corner of Woodward Avenue and Maple Road. Plans include up to 210 residential units, office space, 12,000 sq. ft. of retail space, a 3-level parking deck, and will be up to 9-stories. While Detroit-based developer, the Platform, announced work has begun on the $38.2 million, 108,000 sq. ft project known as the Piquette Flats in Detroit. This is a redevelopment of the former Studebaker building located in the city's Milwaukee Junction with completion expected in summer 2024.

Landlords continue to struggle in filling empty office space as demand continues to fall further with increasing interest rates and weakened economy will make it difficult for building owners to refinance their debt. Many landlords and owners continue exploring options in flexibility of their properties for alternative uses. Business leaders search for new and innovative methods to create opportunities to drive economic development and growth.

UNDER CONSTRUCTION

BUILDING / MARKET	CITY	SF	ESTIMATED COMPLETION
120 Henry Street Detroit	Detroit	132,500	December 2023
111 Henry Street Detroit	Detroit	73,500	December 2023
4060 W. Maple Road Birmingham/Bloomfield	Bloomfield Twp.	22,485	December 2023

UNDER CONSTRUCTION VS. COMPLETION



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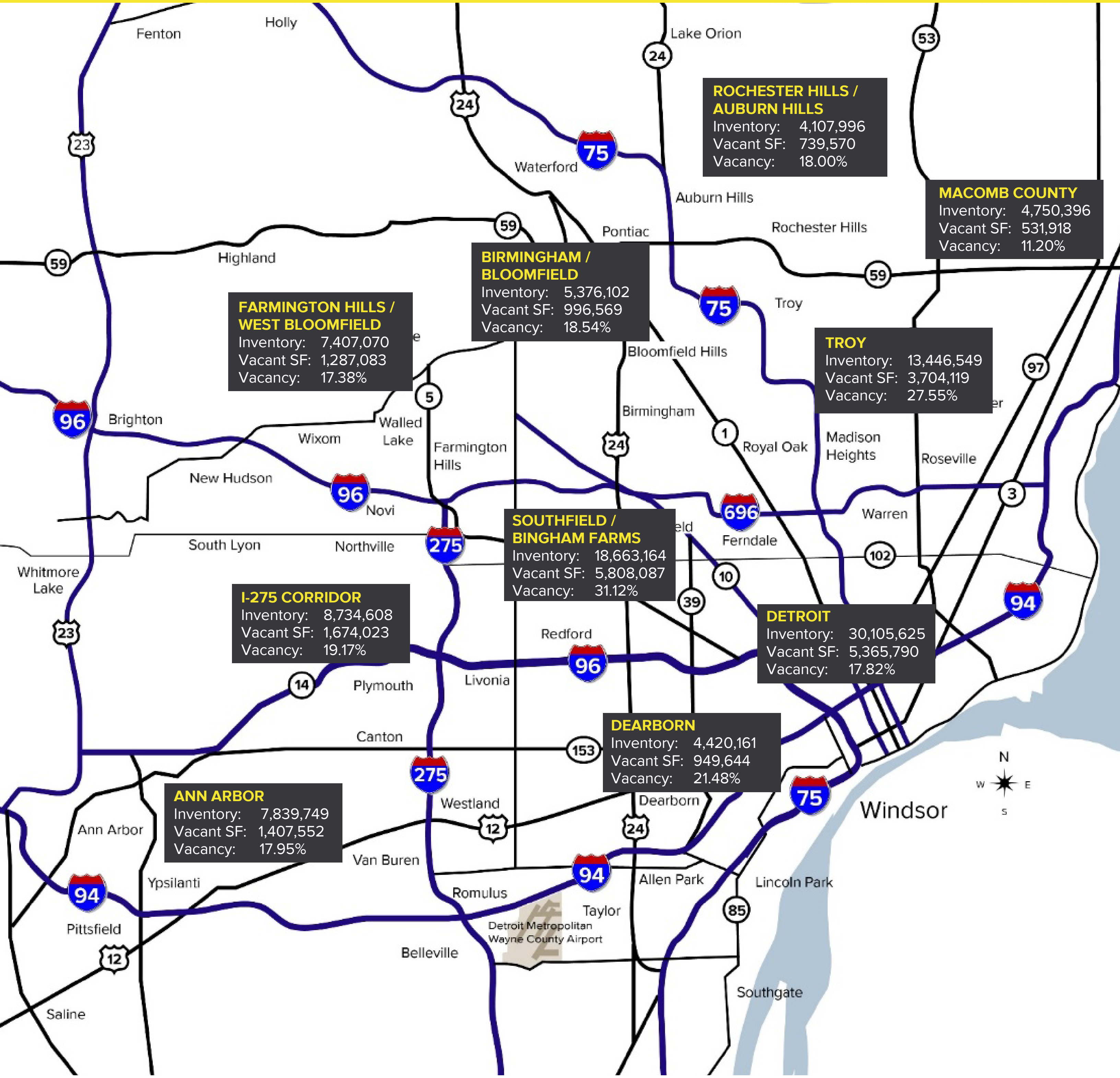

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Submarket: Buildings 20,000 Sq. Ft. & Up	Total Inventory Square Feet	Available Square Feet w/Sublease	Vacancy % w/Sublease	Direct Available Square Feet	Direct Vacancy %	Direct Vacancy % Change 1st – 2nd Qtr
CLASS A						
Ann Arbor	2,440,437	395,338	16.20%	324,328	13.29%	5.37%
Birmingham/Bloomfield	2,122,695	613,240	28.89%	613,240	28.89%	0.86%
Dearborn	1,419,212	355,018	25.02%	355,018	25.02%	0.47%
Detroit	10,657,596	2,919,334	27.39%	2,592,494	24.33%	-0.21%
Farmington Hills/West Bloomfield	2,411,248	572,734	23.75%	472,500	19.60%	-0.40%
I-275 Corridor*	2,837,918	846,143	29.82%	737,107	25.97%	0.04%
Macomb County''	573,400	33,798	5.89%	33,798	5.89%	0.00%
Rochester Hills/Auburn Hills	714,115	207,978	29.12%	200,907	28.13%	2.55%
Southfield/Bingham Farms	5,868,546	2,048,605	34.91%	1,801,065	30.69%	5.45%
Troy	6,558,596	2,401,969	36.62%	2,096,837	31.97%	3.48%
CLASS A TOTAL	**35,603,763**	**10,394,157**	**29.19%**	**9,227,294**	**25.92%**	**1.94%**
CLASS B						
Ann Arbor	4,903,201	1,199,314	24.46%	1,017,626	20.75%	-0.99%
Birmingham/Bloomfield	3,095,572	380,295	12.29%	367,694	11.88%	-1.13%
Dearborn	2,901,163	565,626	19.50%	565,626	19.50%	-12.98%
Detroit	15,137,337	2,331,390	15.40%	2,270,072	15.00%	-0.08%
Farmington Hills/West Bloomfield	4,520,510	832,593	18.42%	767,140	16.97%	0.36%
I-275 Corridor*	5,184,503	1,118,766	21.58%	865,764	16.70%	1.54%
Macomb County**	3,381,963	404,473	11.96%	404,473	11.96%	-0.04%
Rochester Hills/Auburn Hills	2,962,919	785,275	26.50%	525,121	17.72%	-0.13%
Southfield/Bingham Farms	11,058,666	3,940,895	35.64%	3,591,445	32.48%	1.91%
Troy	6,130,655	1,613,629	26.61%	1,487,697	24.27%	0.10%
CLASS B TOTAL	**59,276,489**	**13,190,256**	**22.25%**	**11,862,658**	**20.01%**	**-0.28%**
CLASS C						
Ann Arbor	496,111	65,598	13.22%	65,598	13.22%	4.27%
Birmingham/Bloomfield	157,835	15,635	9.91%	15,635	9.91%	-0.01%
Dearborn	99,786	29,000	29.06%	29,000	29.06%	0.00%
Detroit	4,310,692	503,224	11.67%	503,224	11.67%	0.37%
Farmington Hills/West Bloomfield	475,312	49,443	10.40%	47,443	9.98%	-5.72%
I-275 Corridor*	712,187	71,152	9.99%	71,152	9.99%	1.21%
Macomb County**	795,033	93,647	11.78%	93,647	11.78%	1.41%
Rochester Hills/Auburn Hills	430,962	13,542	3.14%	13,542	3.14%	0.75%
Southfield/Bingham Farms	1,735,952	415,577	23.94%	415,577	23.94%	-0.55%
Troy	757,298	119,585	15.79%	119,585	15.79%	-2.39%
CLASS C TOTAL	**9,971,168**	**1,376,403**	**13.80%**	**1,374,403**	**13.78%**	**0.05%**
COMBINED CLASS A, B, & C						
Ann Arbor	7,839,749	1,660,250	21.18%	1,407,552	17.95%	1.32%
Birmingham/Bloomfield	5,376,102	1,009,170	18.77%	996,569	18.54%	-0.31%
Dearborn	4,420,161	949,644	21.48%	949,644	21.48%	-8.38%
Detroit	30,105,625	5,753,948	19.11%	5,365,790	17.82%	-0.14%
Farmington Hills/West Bloomfield	7,407,070	1,454,770	19.64%	1,287,083	17.38%	-0.27%
I-275 Corridor*	8,734,608	2,036,061	23.31%	1,674,023	19.17%	1.03%
Macomb County**	4,750,396	531,918	11.20%	531,918	11.20%	0.21%
Rochester Hills/Auburn Hills	4,107,996	1,006,795	24.51%	739,570	18.00%	0.43%
Southfield/Bingham Farms	18,663,164	6,405,077	34.32%	5,808,087	31.12%	2.79%
Troy	13,446,549	4,153,183	30.89%	3,704,119	27.55%	1.61%
METRO DETROIT OFFICE MARKET TOTAL	**104,851,420**	**24,960,816**	**23.81%**	**22,464,355**	**21.42%**	**0.49%**

*I-275 Corridor includes: Livonia, Northville, Novi, Plymouth/Plymouth Twp. **Macomb County includes: Clinton Twp., Mt. Clemens, Shelby Twp., Sterling Heights. Utica and Warren.

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TOP SALE TRANSACTIONS

Building	City	Market	Size/SF	Sale Type	Buyer
2025 Woodward Avenue	Detroit	Detroit	421,481	Investment	The Herrick Company
3250-3256 University Drive	Auburn Hills	Rochester Hills/ Auburn Hills	137,623	Investment	LREH Michigan, LLC
2125-2155 Butterfield Drive	Troy	Troy	120,923	Investment	Innovative Computer Systems, Inc.
26255 American Drive	Southfield	Southfield/ Bingham Farms	79,314	Investment	Blue Cross Blue Shield of Michigan
34100 Woodward Avenue	Birmingham	Birmingham/ Bloomfield	73,660	Investment	34100 Woodward Investors, LLC

TOP LEASE TRANSACTIONS

Building	City	Market	Size/SF	Lease Type	Tenant
17410 College Parkway	Livonia	I-275 Corridor	39,672	Direct	Pet Supplies Plus
26711 Northwestern Highway	Southfield	Southfield/ Bingham Farms	37,111	Direct	Guardian Alarm
500 Woodward Avenue	Detroit	Detroit	23,966	Direct	PwC
900 N. Squirrel Road	Auburn Hills	Rochester Hills/ Auburn Hills	17,127	Direct	C.H. Robinson
2000 Town Center	Southfield	Southfield/ Bingham Farms	14,933	Direct	McKeen & Associates, P.C.

SIGNATURE QUICK FACTS

MID-YEAR 2023
SIGNATURE LISTED...

NEW
334 NEW PROPERTIES

5,843,467 SQUARE FEET

885.79 ACRES

MID-YEAR 2023
SIGNATURE CLOSED....

CLOSED
574 TRANSACTIONS

11,881,942 SQUARE FEET

881.43 ACRES

42% CONSISTENT MARKET SHARE

FULL-SERVICE COMMERCIAL REAL ESTATE

TCN WORLDWIDE REAL ESTATE SERVICES MEMBER FIRM

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