



# Metro Detroit Office Market

## Market Participation Remains Low

Metro Detroit's office market vacancy rate climbed 40 basis points to 16.6% during the first quarter of 2021 as just over 321,000 square feet in net vacancies were added to the market. In comparison, net vacancies totaled 492,000 square feet during the fourth quarter of 2020. During the same period last year, the market saw positive absorption totaling 52,000 square feet. Overall sublease space increased 2.0% to over 1.12 million square feet during the quarter. The Southfield and Troy submarket saw gains in new sublease space, while the balance of the submarkets saw modest or no gains. Overall, market activity remains suppressed due to continued work-from-home policies implemented by most companies. Metro Detroit's average asking rent fell just 0.36% during the first quarter as many landlords are reluctant to reduce rates in a market with little to no market participation. For the suburban market, asking rents fell only 0.5% from the pre-COVID-19 market during first-quarter 2020 to first-quarter 2021. In the Detroit Central Business District, an increase in new Class A renovated space coming on the market caused the average asking rate to increase by 6.0% during the same time period.

### Current Conditions

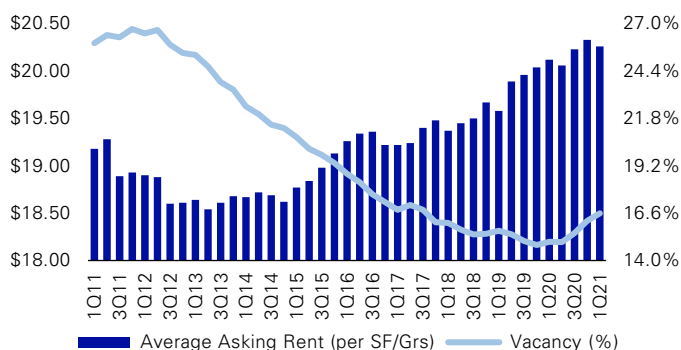
- Metro Detroit's office market vacancy rate climbed 40 basis points to 16.6% during the first quarter of 2021 as just over 321,000 square feet in net vacancies were added to the market.
- Negative absorption is down compared to the 492,000 square feet during the previous quarter but much higher than during the same time period in 2020.
- The Southfield and Troy submarket saw the great gains in new sublease space, while the balance of the submarkets saw modest or no gains.

### Market Summary

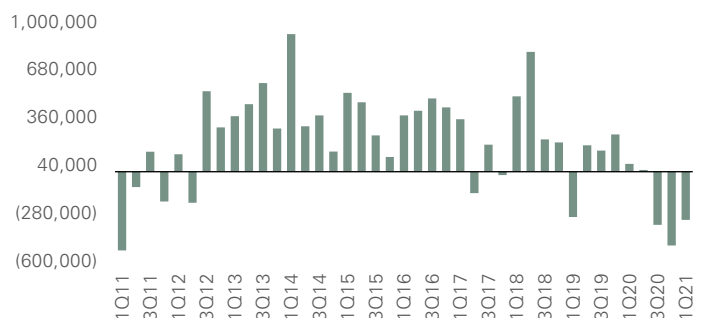
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	78.3M	78.1M	77.9M	↑
Vacancy Rate	16.6%	16.2%	15.0%	→
Quarterly Net Absorption (SF)	(321,301)	(492,176)	52,010	→
Average Asking Rent/SF	\$20.26	\$20.33	\$20.12	→
Under Construction (SF)	840,000	840,000	390,000	→

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION

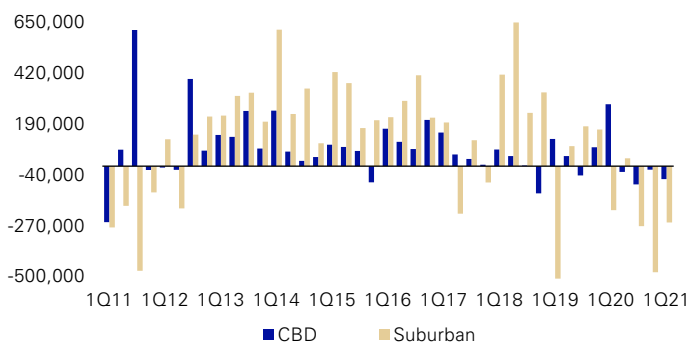


## Detroit CBD

The Detroit CBD office vacancy rate climbed 50 basis points to 15.9% during first-quarter 2021, as just over 58,000 square feet in net vacancies were added to the market. 211 West Fort Street added roughly 27,000 square feet of vacant space to the market. Meanwhile, Brewery Park Phase I and II added nearly 32,000 square feet of net vacancies during the quarter. New leasing activity remained quiet during the quarter as many companies continued work-from-home policies. Despite that, new development work continues, as landlords and office users anticipate employees returning to workspaces in the near future. The CBD's Class A office market vacancy rate climbed 70 basis points to 9.1% during first-quarter 2021, as just over 45,000 square feet in net vacancies were added to the market. Demand for Class A space has been strong in the CBD as landlords continue to renovate existing space or construct new. Bedrock recently finished renovations on the former Detroit Free Press Building that added 52,000 square feet of new Class A office space. Construction on Bedrock's new high-rise on the former Hudson site at Woodward Avenue and Gratiot Avenue is well underway. The 680-foot-tall mixed-use development will feature 400,000-square-foot block of Class A office space, along with residential, hotel and retail components. Meanwhile, construction on TCF-Huntington Bank's new building, a 20-story, 250,000-square-foot highrise at Woodward Avenue and Elizabeth Street, is expected to be completed at the beginning of 2022. Boston Consulting Group and Warner Norcross + Judd are expected to move into the 127,000-square-foot Olympia Development-developed 2715 Woodward Avenue office building upon completion during second-quarter 2021. Advertising firm WPP is likely to move into 150,000 square feet of Class A space at the Marquette Building at 243 West Congress Street around mid-2021, following lengthy building renovations.

### Detroit CBD vs Suburban Market

ABSORPTION (SF)



## Southfield

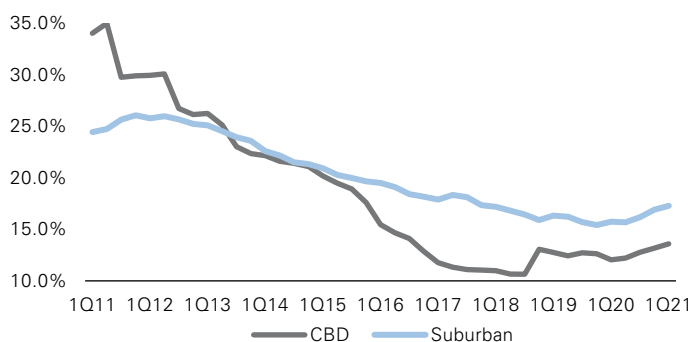
Southfield's office market vacancy rate fell 20 basis points to 20.2% during first-quarter 2021 as just over 32,000 square feet was absorbed. 400 Galleria Officentre accounted for the bulk of leased space as the building recorded just over 64,000 square feet of absorption, leasing space to Doner Company and Comcast. Meanwhile, Kalamazoo Builders Exchange moved into 20,000 square feet the company leased the previous quarter. Positive absorption was offset by a few new vacancies. 2000 Town Center posted just over 32,000 square feet of new available space, with 20,000 square feet coming from vacant sublease space. 3000 Town Center saw a 17,000-square-foot vacancy. Southfield's Class A vacancy rate 60 basis points to 19.4% as just over 41,000 square feet in net vacancies were created. The Class B market accounted for the bulk of leasing activity, resulting in the vacancy rate falling 80 basis points to 18.70%, as just over 58,000 square feet was absorbed. Available sublease space increased by 12.0%, as 47,291 square feet was added to the market for a total of 419,000 square feet.

## Farmington Hills

Farmington Hills's office market vacancy rate climbed 10 basis points to 13.7% during the first quarter as just over 1,600 square feet in net vacancies were added to the market. One notable lease was Otis Elevator Company's 8,000-square-foot lease at Arboretum Office Park, 34705 West 12 Mile Road. Various small vacancies around the submarket offset leasing activity. Available sublease remained at the same levels of 94,000 square feet as the previous quarter. Farmington Hill's Class A vacancy rate fell 30 basis points to 19.6% during the quarter as nearly 10,000 square feet was absorbed. The Class B market vacancy rate climbed 20 basis points to 8.3% during the quarters, as nearly 8,000 square feet in net new vacancies were added. The Class C market also added nearly 4,000 square feet in net vacancies, pushing its vacancy rate up 80 basis points to 12.2%.

### Detroit CBD vs Suburban Market

VACANCY RATE (%)



## Troy

The City of Troy's office market vacancy rate climbed 80 basis points to 19.2% during first-quarter 2021, as just over 111,000 square feet in net vacancies were added to the market. The bulk of the submarket's new available space came from Liberty Center at 50 West Big Beaver Road, which added 38,000 square feet, and 750 Stephenson Highway, which added 35,000 square feet in new vacancies. Meanwhile, a new 25,000-square-foot sublease came on the market at Maple Research Center on Research Drive. Available sublease space increased 17.0% as 37,257 square feet was added to the market, for a total of 235,072 square feet. Troy's Class A office market vacancy rate climbed 150 basis points to 11.0% during the first quarter, adding just over 54,000 square feet in net vacancies. The Class B vacancy rate increased 60 basis points to 22.4% during the quarter, adding just over 56,000 square feet in net vacancies.

## Livonia

Livonia's office market vacancy rate climbed 290 basis points to 17.2% during the first quarter, as just over 91,000 square feet in net vacancies were added to the market. The Tower Automotive move out of 80,000 square feet in Laurel Park Place accounted for the bulk of the submarket's overall negative absorption. Livonia's Class A office vacancy held steady at 9.6% during the quarter. The Class B market vacancy jumped, following Tower Automotive's move by 450 basis points to 16.1% during the quarter..

## Novi

Novi's office vacancy rate increased 140 basis points to 21.4% during the first quarter, as nearly 23,000 square feet in net vacancies were added to the market. The submarket's negative absorption was primarily sourced to a 25,000-square-foot new vacancy at the Haggerty Corporate Office Center. Overall leasing

active remained low, with market activity consisting of a few renewals.

## Auburn Hills

Auburn Hills's office market vacancy rate climbed 80 basis points to 12.9% during the first quarter as nearly 29,000 square feet in net vacancies were added to the market. The bulk of new space came from Cambridge Court Phase II, which added roughly 16,000 square feet, and 2851 High Meadow Circle, which saw a 8,600-square-foot sublease space vacated. Overall sublease space in the Auburn Hills increased by 6,598 square feet for a total of 121,815 square feet.

## Bloomfield Hills

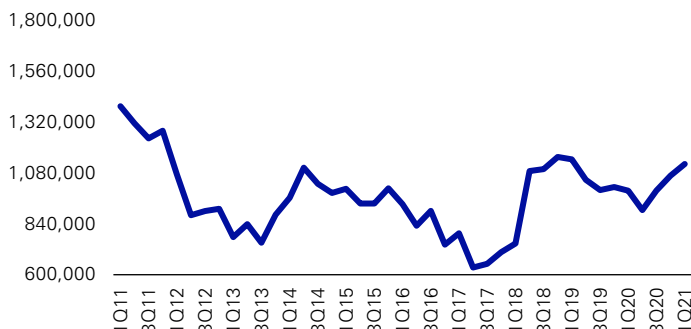
Bloomfield Hills's office vacancy rate climbed 50 basis points to 16.8% during the first quarter as 15,500 square feet in net vacancies were added to the market. The bulk of new vacancies came from Devon Hills Office Building at 3883 Telegraph Road, which added roughly 9,600 square feet to the market. Bloomfield Hills has one of the smallest sublease inventories in the market. The level of available sublease space fell by 2,325 square feet to 9,455 square feet during the quarter.

## Birmingham

Birmingham's overall vacancy rate climbed 20 basis points to 12.8% during the first quarter as just over 2,200 square feet in net vacancies were created. A small new vacancy at 300 Park made up the bulk of negative absorption. Overall market activity was mostly nonexistent. Birmingham's CBD vacancy rate held steady at 14.7% during the quarter. Overall sublease space also remained the same at 30,887 square feet.

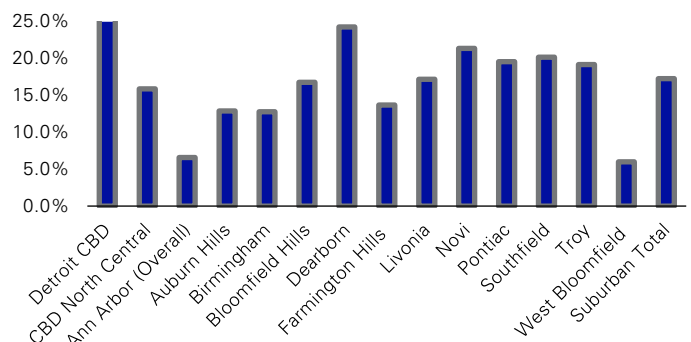
## AVAILABLE SUBLEASE SPACE

Metro Detroit (SF)



## VACANCY BY SUBMARKET

Vacancy Rate (%)



### Ann Arbor

Ann Arbor's overall vacancy rate climbed 30 basis points to 6.6% during the first quarter as just over 6,000 square feet in net vacancies were created. The market saw little market activity. The Briarwood Corridor vacancy rate rose 10 basis points to 9.5% during the quarter, as roughly 2,500 square feet in net vacancies were created. Ann Arbor's CBD Corridor vacancy rate increased by 70 basis points to 3.6% during the quarter as just over 10,000 square feet in net vacancies were created. The Northeast Corridor vacancy rate held steady at 5.5% during the quarter. Overall available sublease space increased by just over 35,000 square feet over the previous quarter's total to 436,040 square feet.

### West Bloomfield

West Bloomfield's office market vacancy rate held steady at 6.0% during the quarter as market activity remained low. One additional 4,000-square-foot sublease space was added to the market at 7031 Orchard Lake Road bringing the submarket's sublease total to nearly 9,000 square feet.

### Dearborn

Dearborn's office market also saw very little market activity. The submarket's vacancy rate held at 13.7% during the quarter. The overall average asking rate of \$17.95/sf showed no movement

## NOTABLE 1Q 2021 LEASE TRANSACTIONS

Tenant	Building	City	Type	Square Feet
Doner Company	400 Galleria Officentre	Southfield	Direct	62,000
Comcast	400 Galleria Officentre	Southfield	Direct	30,000
Kalamazoo Builders Exchange	27777 Franklin	Southfield	Direct	20,000
Zamler Shiffman and Karfis, PC	Bingham Office Park V	Southfield	Direct	8,300
Otis Elevator Company	34705 W 12 Mile Rd	Farmington Hills	Direct	8,000

## NOTABLE 1Q 2021 SALE TRANSACTIONS

Building	City	Sale Price	Price/SF	Square Feet
31275 Northwestern Hwy	Farmington Hills	\$5,700,000	\$95	60,200
29000 Inkster Rd	Southfield	\$2,095,000	\$137	15,250
717 S Eton St	Birmingham	\$1,400,000	\$280	5,000
31690 W 12 Mile Rd	Farmington Hills	\$1,125,000	\$95	11,806
3745 Cass Ave	Detroit	\$1,000,000	\$100	10,000

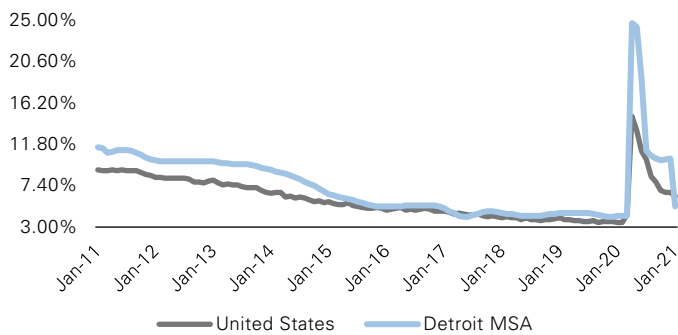
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Class A/B/C Asking Rent (Price/SF)
Detroit CBD	14,735,119	640,000	13.6%	-58,658	-58,658	\$27.34	\$23.66	\$23.73
CBD North Central	1,623,604	X	15.9%	-7,877	-7,877	X	\$18.47	\$18.37
<b>Detroit Total</b>	<b>16,358,723</b>	<b>640,000</b>	<b>13.8%</b>	<b>-66,535</b>	<b>-66,535</b>	<b>\$27.34</b>	<b>\$22.43</b>	<b>\$23.05</b>
Ann Arbor Briarwood	2,129,620	-	9.5%	-2,465	-2,465	\$29.89	\$23.57	\$26.96
Ann Arbor CBD	1,426,045	X	3.6%	-10,601	-10,601	\$32.81	\$25.16	\$29.24
Ann Arbor Northeast	1,930,105	X	5.5%	0	0	\$26.92	\$22.20	\$26.66
Auburn Hills	3,015,304	X	12.9%	-28,930	-28,930	\$21.14	\$19.63	\$20.44
Birmingham	273,654	X	4.0%	-1,990	-1,990	\$43.20	\$29.48	\$29.36
Birmingham CBD	1,270,864	X	14.7%	-278	-278	\$34.58	\$32.54	\$33.65
Bloomfield Hills	3,031,190	X	16.8%	-15,591	-15,591	\$26.06	\$22.50	\$24.91
Dearborn	3,193,219	X	24.3%	-1,768	-1,768	\$18.77	\$15.97	\$17.35
Farmington Hills	6,541,974	200,000	13.7%	-1,650	-1,650	\$20.42	\$19.26	\$19.66
Livonia	3,175,930	X	17.2%	-91,633	-91,633	\$21.60	\$20.02	\$18.62
Novi	1,701,094	X	21.4%	-22,910	-22,910	\$21.76	\$21.69	\$21.72
Pontiac	2,800,852	X	19.6%	0	0	X	\$16.18	\$15.88
Southfield	17,355,814	X	20.2%	34,154	34,154	\$21.26	\$18.45	\$18.57
Troy	13,579,620	X	19.2%	-111,221	-111,221	\$22.48	\$19.04	\$19.83
West Bloomfield	557,771	X	6.0%	117	117	\$20.00	\$17.18	\$18.41
<b>Suburban Total</b>	<b>61,978,844</b>	<b>200,000</b>	<b>17.3%</b>	<b>-254,766</b>	<b>-254,766</b>	<b>\$22.99</b>	<b>\$19.03</b>	<b>\$19.74</b>
<b>Market</b>	<b>78,337,567</b>	<b>840,000</b>	<b>16.6%</b>	<b>-321,301</b>	<b>-321,301</b>	<b>\$22.99</b>	<b>\$19.50</b>	<b>\$20.26</b>

## RESEARCH Q1 2021

Metro Detroit's unemployment rate is gradually returning to pre-Covid-19 levels. The rate fell from a high of 24% in May of 2020 to 5.4% in January 2021. The unemployment rate during pre-pandemic was at 4.3%. Year-over-year job growing remains off 9% compared to levels in January 2021.

### UNEMPLOYMENT RATE

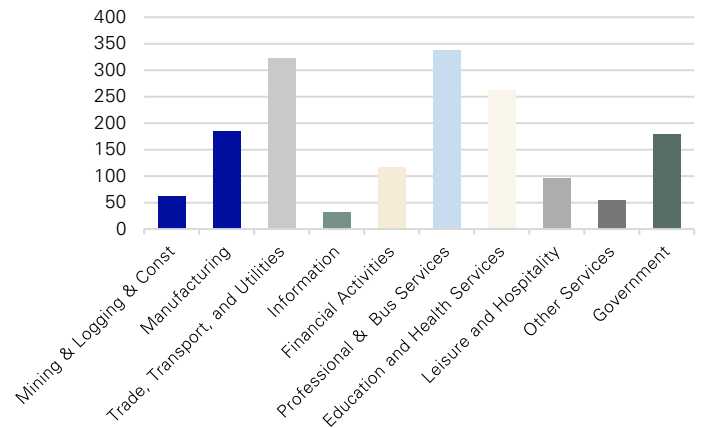
Seasonally Adjusted



\*Source: U.S. Bureau of Labor Statistics

### EMPLOYMENT BY INDUSTRY

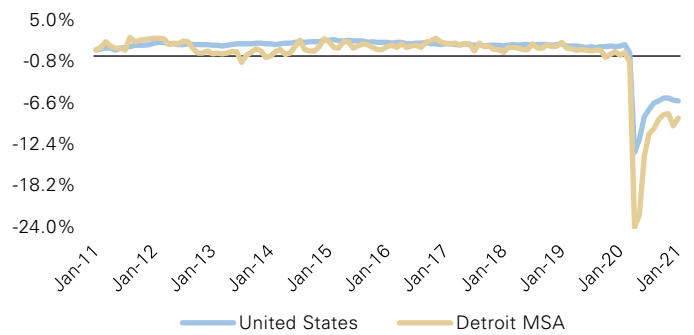
Detroit MSA, in thousands



\*Source: U.S. Bureau of Labor Statistics

### PAYROLL EMPLOYMENT

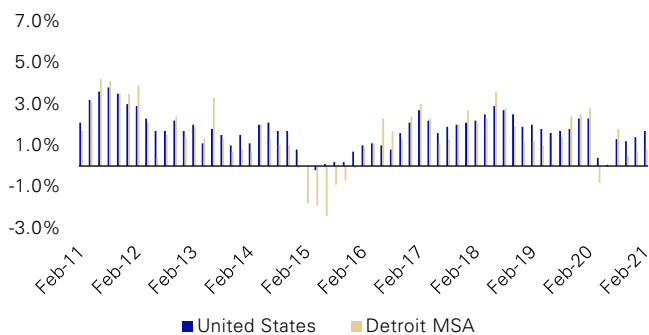
Total Nonfarm, Seasonally Adjusted, 12-Month % Change



\*Source: U.S. Bureau of Labor Statistics

### CONSUMER PRICE INDEX (CPI)

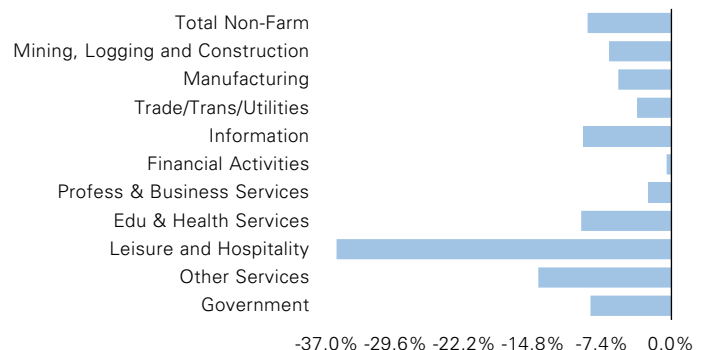
All Items, 12-Month % Change, Not Seasonally Adjusted



\*Source: U.S. Bureau of Labor Statistics

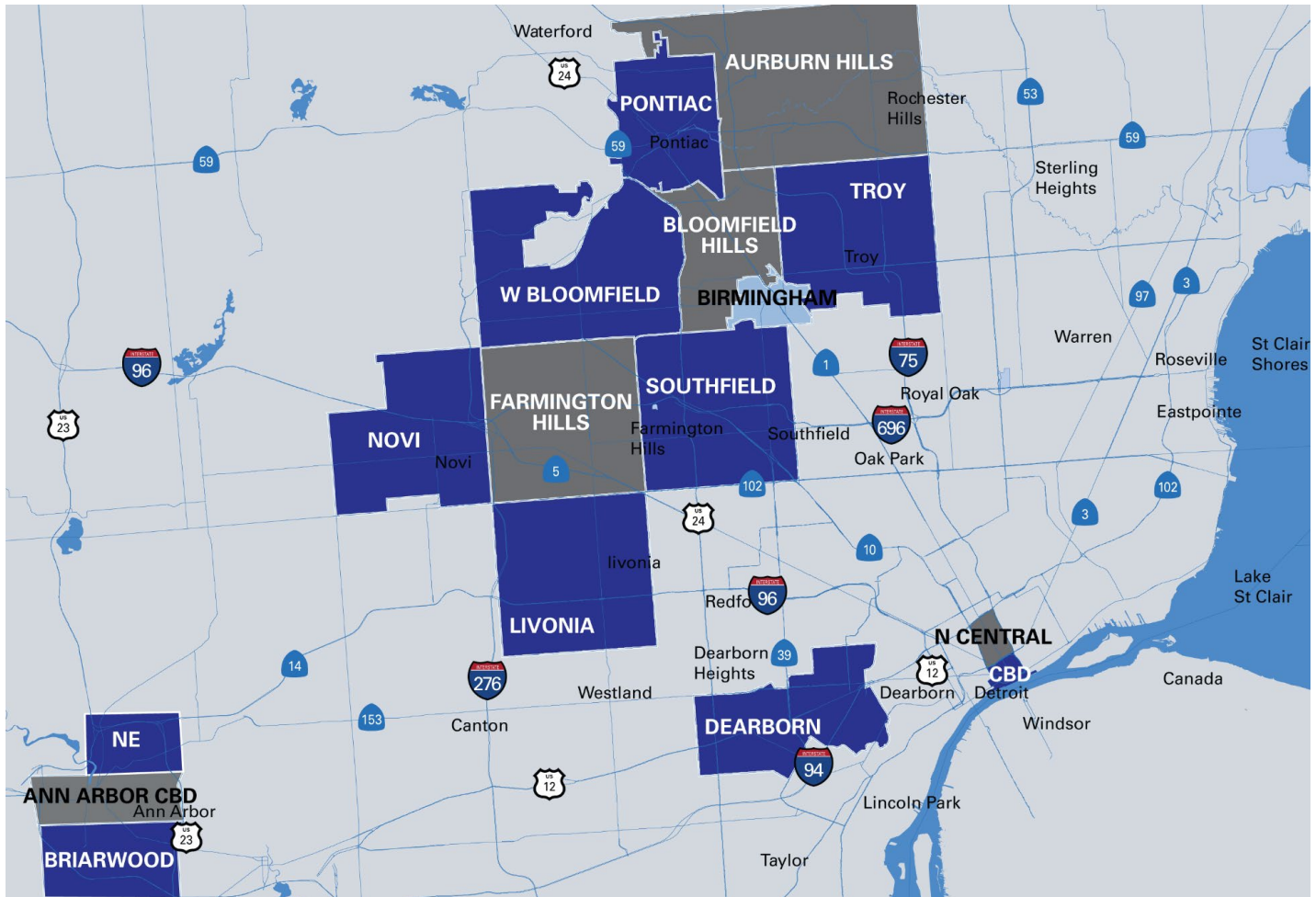
### EMPLOYMENT GROWTH BY INDUSTRY

Detroit MSA, 12-Month % Change, Not Seasonally Adj.



\*Source: U.S. Bureau of Labor Statistics





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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [ngkf.com/research](http://ngkf.com/research).

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