



Metro Detroit Office Market

Pandemic Continues to Suppress Market Activity

The Metro Detroit office market vacancy rate climbed 30 basis points to 16.8% during the second quarter of 2021 as nearly 181,000 square feet in net vacancies were added to the market. The market continued to be in pandemic mode with state mandated occupancy restrictions leaving companies to continue work-from-home policies and suppressing market activity. Sublease space grew 2.5% to just over 1.1 million square feet during the second quarter compared to 2.0% growth from the previous quarter. Despite being in pandemic mode, the market did see some encouraging new leasing activity in Southfield, Troy and Farmington Hills that suggests companies are preparing for a return to the office in the third quarter. With state-mandated restrictions removed heading into the third quarter, the office market will see a gradual return to normal as companies rebalance work-from-home and work-from-office policies. Meanwhile, investments continue to be made in Detroit CBD, with Bedrock and H.W. Kaufman Group acquiring property, and in Farmington Hills, where Mercedes-Benz Financial Services is near completion on a new 200,000-square-foot headquarters.

Current Conditions

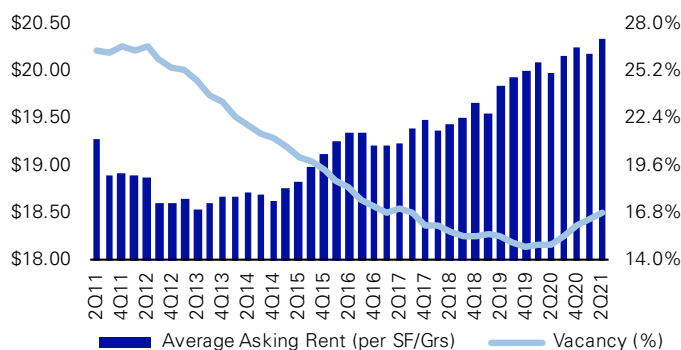
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Market Summary

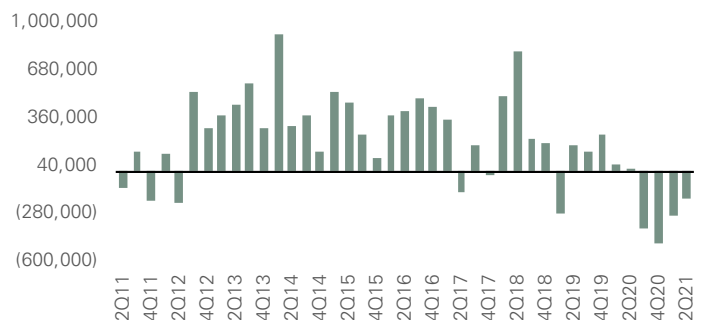
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	78.6M	78.3M	78.1M	↑
Vacancy Rate	16.8%	16.5%	14.9%	→
Quarterly Net Absorption (SF)	(180,924)	(300,095)	11,651	→
Average Asking Rent/SF	\$20.34	\$20.18	\$19.97	→
Under Construction (SF)	713,000	840,000	439,500	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Detroit CBD

The Detroit CBD office vacancy rate climbed 110 basis points to 14.7% during second-quarter 2021 as construction added new supply and new vacancies were added to the market. Construction was completed on Olympia Development’s 127,000-square-foot office development at 2715 Woodward Avenue. Boston Consulting Group and Warner Norcross + Judd each moved into just over 30,000 square feet. The balance of the building added over 55,000 square feet of new Class A office space to the market. New vacancies were added in existing space as well. At 500 Woodward Avenue, 32,000 square feet of Class A space was added to the market. A few other notable vacancies were 28,000 square feet at 10201 East Jefferson Avenue, a 20,000-square-foot vacancy at 601 West Fort Street and a 16,000-square-foot space at 211 West Fort Street. Available sublease square footage grew by 32.0%, or just over 25,000 square feet, for a total of 106,000 square feet. The largest of the sublet spaces were a 9,300-square-foot unit at Renaissance Center Tower and a 9,000-square-foot unit at the Murphy Telegraph Building on 151-161 West Congress Street. While new leasing activity remained relatively quiet, property trades were active during the quarters. Two notable deals were Bedrock acquiring the Class A 502,000-square-foot 300 River Place from The Stroh Cos. Inc. and H.W. Kaufman Group purchasing the former Lear building at 119 State Street. The Class A market posted nearly 28,000 square feet of absorption during the quarter with the move-ins of Boston Consulting Group and Warner Norcross + Judd. However, the additional supply of space from Olympia Development’s new development pushed the Class A vacancy rate up 120 basis points to 10.3%. The Class B vacancy rate climbed 90 basis points to 19.4% as just over 55,000 square feet in net vacancies were created. Construction on Bedrock’s new high-rise on the former Hudson site at Woodward Avenue and Gratiot Avenue continues. 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 high-rise at Woodward Avenue and Elizabeth Street, is expected to be completed at the beginning of 2022.

Southfield

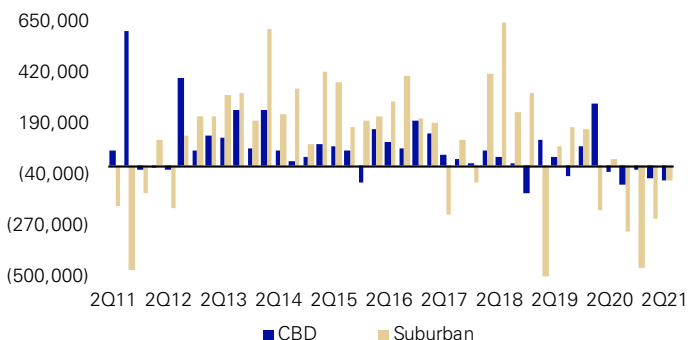
Southfield’s office market vacancy remained at 20.4% during second-quarter 2021, though just over 7,500 square feet in net vacancies were created. Plant Moran’s consolidation efforts created a significant shift in the office market. The company vacated from the 125,000-square-foot Victor Center at 27400 Northwestern Hwy and expanded its presence at 3000 Town Center by leasing eight additional floors. Meanwhile, Evolution New Jersey, LLC took 17,000 square feet in 1000 Town Center. Elsewhere in the submarket, PT Services LLC took 6,400 square feet in the Northwestern Corporate Center and Means Industries, Inc. took 5,600 square feet at Oakland Commons. Plant Moran’s expanded presence in the Southfield Town Center helped push the submarket’s overall Class A vacancy rate down 130 basis points to 18.2% during the second quarter. At the same time, the company’s move out of Victor Center contributed mostly to the 170-basis-point increase in the overall Class B vacancy rate, which now stands at 20.3%.

Troy

Troy’s office market vacancy rate held steady at 19.1% during the second quarter, though just over 5,300 square feet was absorbed. Butzel Long represented the largest move during the quarter as the law firm relocated from Bloomfield Hills into 30,000 square feet in Columbia Center I on Big Beaver. Other notable deals around the submarket were Synergy Health’s 13,000-square-foot lease at 500 Stephenson Highway,

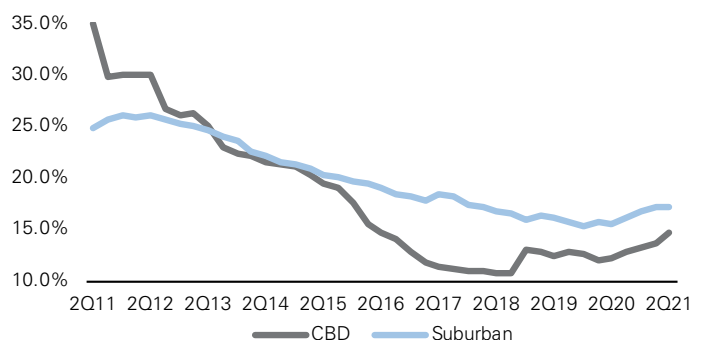
Detroit CBD vs Suburban Market

ABSORPTION (SF)



Detroit CBD vs Suburban Market

VACANCY RATE (%)



RESEARCH Q2 2021

USA Insurance's 13,000-square-foot deal at 2600 West Big Beaver Road and Attorney Grievance Commission's 9,500-square-foot lease at the PNC Center on Big Beaver Road. Much of the submarket's absorption was offset by various new vacancies. 5755 New King Court posted 24,000 square feet of available space; Long Lake Crossing Campus added 18,000 square feet, while the PentaCentre at 2800 Livernois Road added 9,000 square feet of new vacant space. Butzel Long's lease helped push the submarket's Class A vacancy down 80 basis points to 9.9% during the quarter. The Class B market vacancy rate rose 20 basis points to 22.6% during the quarter.

Farmington Hills

The Farmington Hills office market vacancy rate fell 20 basis points to 13.1% during the second quarter as just over 19,000 square feet were absorbed. Arboretum West on Twelve Mile Road saw vacancies fall as Otis Elevator Company moved into 8,000 square feet signed for during the previous quarter. Law firm Padgett Kobliska & Zick also took 3,400 square feet of space in the building. Meanwhile, Jekyll & Hyde Advertising leased 5,700 square feet at Farmington Hills Corporate Center II on Haggerty Road. Mercedes-Benz Financial Services is near completion on its new 200,000-square-foot headquarters at Twelve Mile Road and Drake Road. The company will move into its new office space during the beginning of third-quarter 2021. Mercedes vacated 153,000 square feet at Farmington Hills Officenter II on Corporate Drive several months ago and will be vacating additional space in Farmington Hills Officenter I when it relocates in July. The move will have the greatest effect on the submarket's Class A market. The Class A vacancy rate will likely reach 20.0% during the coming quarter, compared to 14.0% during the same period in 2020.

Novi

Novi's office market vacancy rate climbed 110 basis points to

22.50% during the second quarter as just over 19,000 square feet in net new vacancies were added to the market. Haggerty Corporate Office Center II accounted for the largest amount of new space as the complex posted a 24,000-square-foot new vacancy. The complex also had a 23,000-square-foot new vacancy in Haggerty Corporate Office Center II during the previous quarter; however, the five-building complex offset the vacancy with new leases from Pace Industries and Sterling National Bank. Overall negative absorption in the submarket during the second quarter was partially offset by Michigan Medical Advantage, Inc.'s 5,500-square-foot lease at Crystal Glen Office Centre at 39555 Orchard Hill Place.

Birmingham

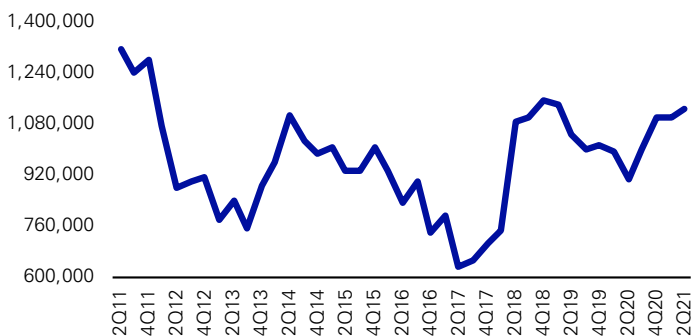
Birmingham's overall office vacancy rate fell 10 basis points to 6.2% during second-quarter 2021. In the submarket's CBD, the vacancy rate fell 20 basis points to 7.9%. Leasing activity over the past few quarters has been healthy. Available sublease space fell to just under 10,000 square feet from a high of just over 30,000 square feet during third-quarter 2020. In 280 North Old Woodward, 18,000 square feet of sublease space was released. Meanwhile, 380 North Old Woodward saw a lease for 2,100 square feet.

Livonia

Livonia's office market vacancy rate climbed 100 basis points to 18.2% during the second quarter as nearly 31,000 square feet in net vacancies were added to the market. The largest was a 15,000-square-foot sublease in Laurel Office Park I. Meanwhile, new vacancies were created in Laurel Office Park II. Year-to-date, the submarket as posted just over 122,000 square feet of negative absorption. The bulk of new vacancies came from Tower Automotive vacating 80,000 square feet in Laurel Park Place during the first quarter.

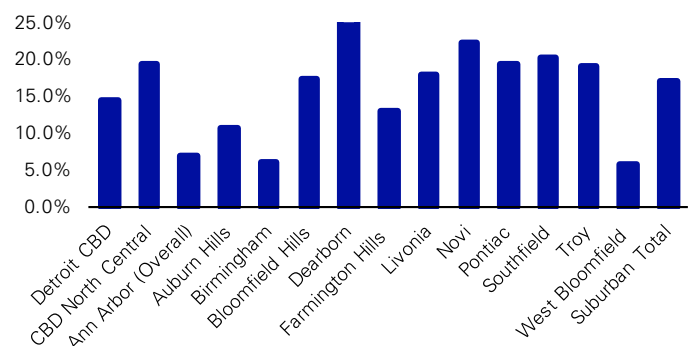
Available Sublease Space

METRO DETROIT (SF)



Vacancy By Submarket

VACANCY RATE (%)



Ann Arbor

Ann Arbor’s overall vacancy rate climbed 60 basis points to 7.2% during the second quarter as 33,000 square feet of new net vacancies were created. The CBD Corridor saw the greatest amount of space come on the market. The CBD vacancy rate jumped 260 basis points to 6.2% during the quarter as just over 36,000 square feet in net vacancies were created. A 21,000-square-foot vacant sublease was created at 110 Miller Avenue. At 555 South Forest Avenue, a 7,800-square-foot new vacancy came on the market, as well as a 5,500-square-foot vacancy at 311-315 West Huron Street. The Briarwood Corridor’s vacancy rate rose 60 basis points to 10.1% as just over 11,500 square feet in net vacancies were created. The bulk of new vacancies came from a 7,600-square-foot space at 777 East Eisenhower Parkway. The Northeast Corridor’s vacancy rate fell 70 basis

points to 4.8% during the quarter as nearly 15,000 square feet was absorbed. Much of the new leasing activity was at 2350 Green Road, which leased 17,000 square feet. Various smaller vacancies, particularly in the Earhart Corporate Center, partially offset positive absorption.

Notable 2Q 2021 Lease Transactions

Tenant	Building	City	Type	Square Feet
Evolution New Jersey, LLC	1000 Town Center	Southfield	Direct	17,000
Synergy Health	500 Stephenson	Troy	Direct	13,000
USA Insurance	2600 W Big Beaver Road	Troy	Direct	13,000
Michigan Medical Advantage, Inc	39555 Orchard Hill Pl	Novi	Direct	5,500

Notable 2Q 2021 Sale Transactions

Building	City	Sale Price	Price/SF	Square Feet
17187 N Laurel Park	Livonia	\$14,216,134	\$86	172,000
24901 Northwestern Hwy	Southfield	\$11,647,526	\$56	207,111
119 State St	Detroit CBD	\$7,375,000	\$195	37,775
35055 W 12 Mile Rd	Farmington Hills	\$6,852,700	\$97	70,802
24800 Denso Dr	Southfield	\$5,533,640	\$70	79,259

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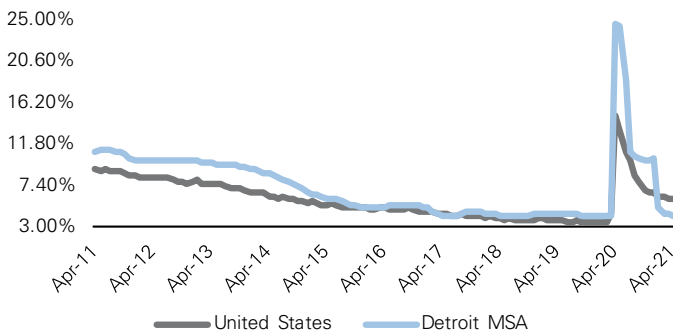
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Class A/B/C Asking Rent (Price/SF)
Detroit CBD	14,862,119	513,000	14.7%	-61,118	-119,776	\$29.26	\$23.47	\$24.15
CBD North Central	1,623,604	X	19.4%	-3,303	-11,180	X	\$19.21	\$18.85
Detroit Total	16,358,723	513,000	15.2%	-64,421	-130,956	\$29.26	\$22.47	\$26.92
Ann Arbor Briarwood	2,129,620	-	10.1%	-11,518	-13,983	\$29.57	\$23.11	\$26.92
Ann Arbor CBD	1,426,045	X	6.2%	-36,259	-46,860	\$34.24	\$27.08	\$30.30
Ann Arbor Northeast	1,930,105	X	4.8%	14,996	14,996	\$27.40	\$21.79	\$26.96
Auburn Hills	3,008,949	X	10.9%	61,664	32,734	\$21.00	\$20.45	\$20.76
Birmingham	273,654	X	4.0%	0	-1,990	-	\$29.48	\$29.36
Birmingham CBD	1,270,864	X	6.7%	1,339	18,038	\$33.84	\$33.65	\$33.67
Bloomfield Hills	3,031,190	X	17.5%	-22,616	-38,207	\$26.00	\$22.31	\$24.85
Dearborn	3,193,219	X	25.6%	-38,746	-40,514	\$19.57	\$16.45	\$18.26
Farmington Hills	6,541,974	200,000	13.1%	19,460	38,921	\$22.03	\$19.31	\$20.46
Livonia	3,175,930	X	18.2%	-30,991	-122,624	\$21.60	\$20.03	\$18.62
Novi	1,701,094	X	22.5%	-19,685	-42,595	\$21.37	\$21.62	\$21.50
Pontiac	2,800,852	X	19.6%	0	0	X	\$16.18	\$15.88
Southfield	17,388,514	X	20.4%	-7,595	-14,249	\$21.13	\$18.32	\$18.54
Troy	13,592,733	X	19.1%	5,303	-81,992	\$22.19	\$18.93	\$19.64
West Bloomfield	557,771	X	5.8%	1,379	1,496	\$19.00	\$17.18	\$18.04
Suburban Total	62,022,514	200,000	16.8%	-63,269	-296,829	\$22.17	\$19.04	\$19.79
Market	78,508,237	840,000	16.6%	-127,690	-427,785	\$23.04	\$19.53	\$20.35

RESEARCH Q2 2021

Metro Detroit’s unemployment rate is returning to pre-Covid-19 levels. The rate fell from a high of 24% in May of 2020 to 4.3% in April 2021. Meanwhile, payroll employment totals grew 21% from the same time last year. The biggest gains in employment have been in the industrial sector such as Manufacturing and Construction as well as Hospitality. Professional Services and Financial Activities growth has been smaller in comparison.

Unemployment Rate

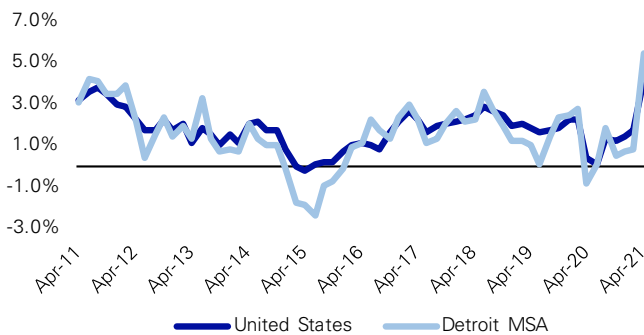
Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

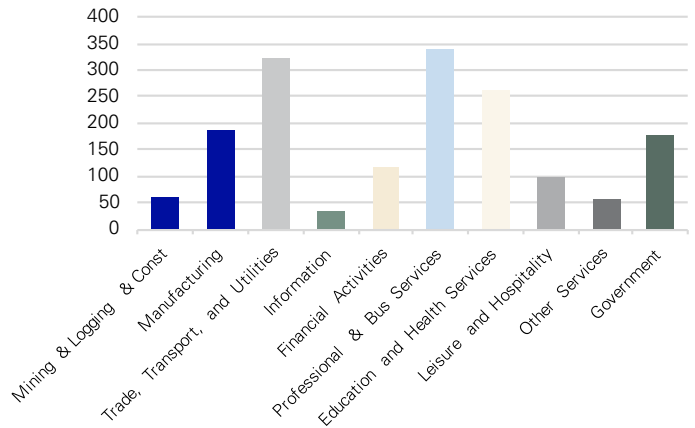
All Items, 12-Month % Change, Not Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Employment By Industry

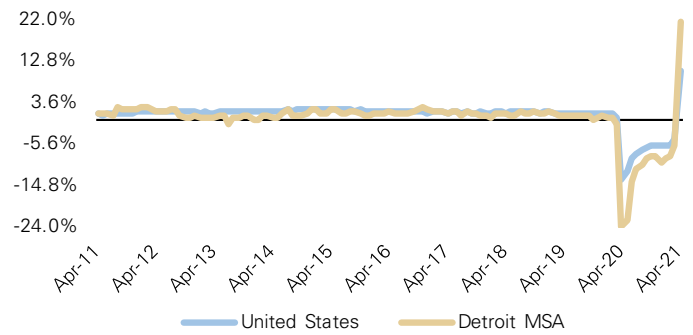
Detroit MSA, in thousands



*Source: U.S. Bureau of Labor Statistics

Payroll Employment

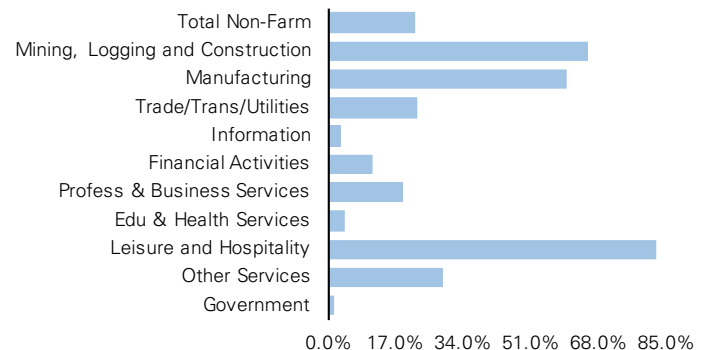
Total Nonfarm, Seasonally Adjusted, 12-Month % Change



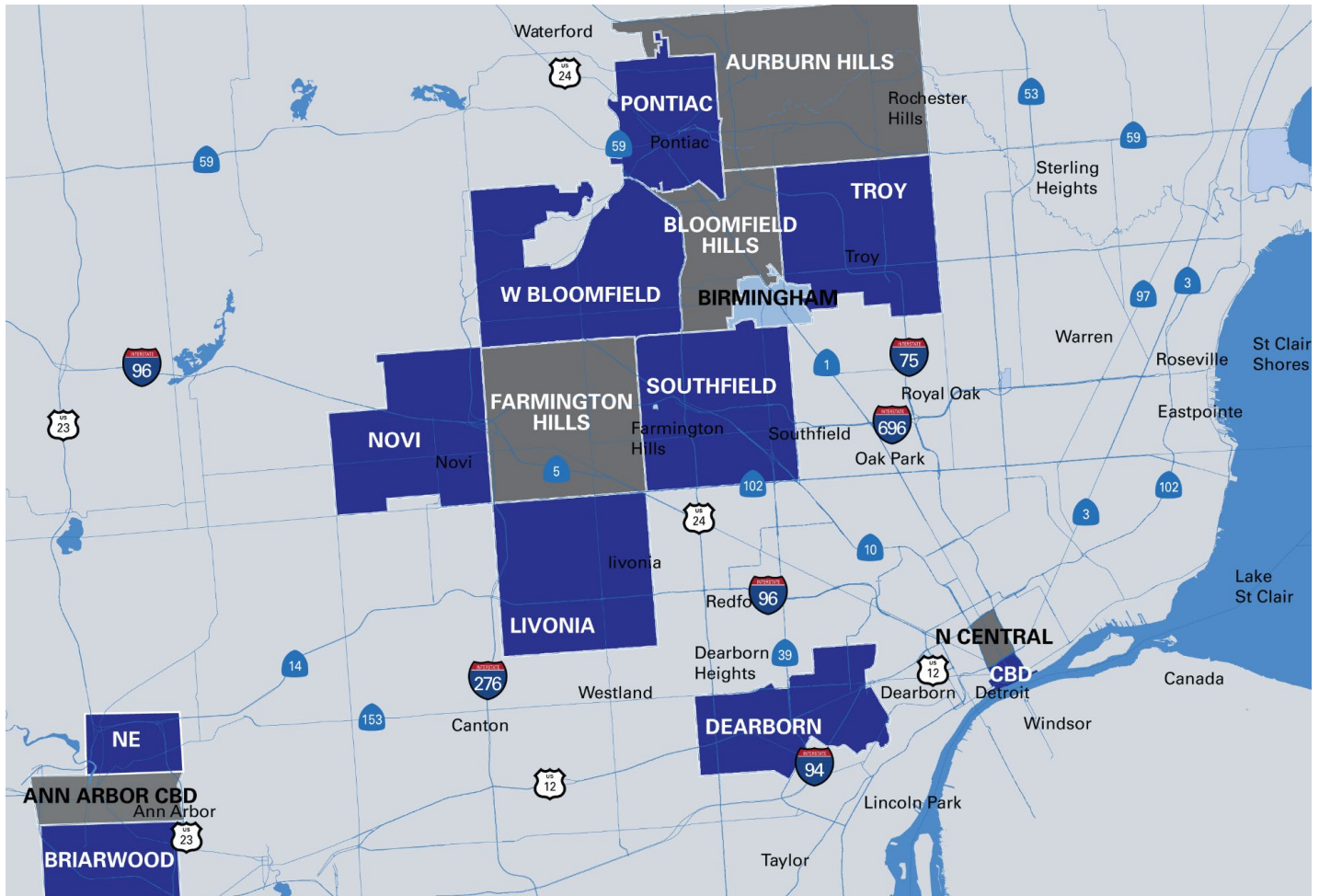
*Source: U.S. Bureau of Labor Statistics

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.

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