



Metro Detroit Office Market

Major Corporate Consolidations and Relocations Create Large Vacancies

The Metro Detroit office market vacancy rate climbed 100 basis points to 17.6% during the third quarter of 2021 as just over 428,000 square feet in net vacancies were created. The bulk of the Metro area’s negative absorption is the result of major corporate consolidations and relocations. Notable vacancies created from consolidations include the advertising agency GTB, formerly known as Team Detroit, vacating 217,000 square feet in Dearborn. While in Farmington Hills, Mercedes-Benz Financial Services completed and moved into the company’s new 200,000-square-foot headquarters at Twelve Mile Road and Drake Road. In the process, the company vacated 153,000 square feet at Farmington Hills Offcenter II and additional space in Farmington Hills Offcenter I. Also in Farmington Hills, the Gale Group vacated its former 160,000-square-foot headquarters. Finally, in Troy, Dialog Direct Inc. relocated staff from Troy to Highland Park, which contributed to a 66,000-square-foot vacancy in Troy. The market continued to be in pandemic mode with many companies continuing to balance work-from-home and work-from-office rules. The balance continues to create hesitancy in committing to new lease agreements.

Current Conditions

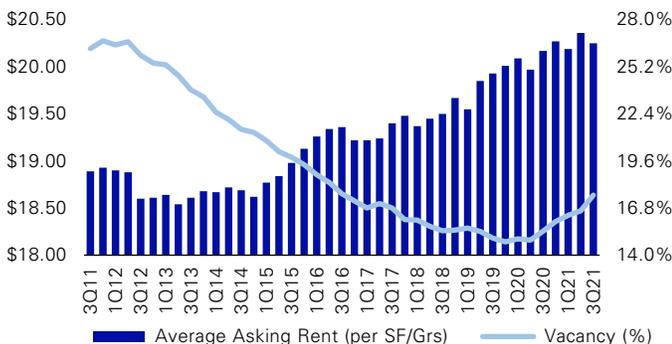
- The Metro Detroit office market vacancy rate climbed 100 basis points to 17.6% during the third quarter of 2021 as just over 428,000 square feet in net vacancies were created.
- The bulk of the Metro area’s negative absorption is the result of major corporate consolidations and relocations.
- The market continued to be in pandemic mode with many companies continuing to balance work-from-home and work-from-office rules.

Market Summary

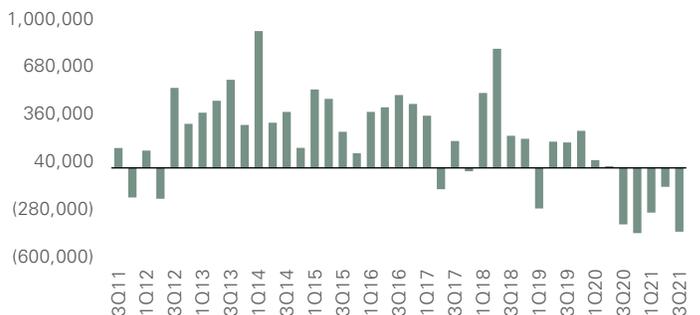
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	78.8M	78.4M	78.1M	↑
Vacancy Rate	17.6%	16.6%	15.4%	→
Quarterly Net Absorption (SF)	(428,668)	(127,690)	(379,475)	→
Average Asking Rent/SF	\$20.25	\$20.36	\$20.17	→
Under Construction (SF)	513,000	713,000	390,000	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q3 2021

One positive indicator is beginning to emerge: Sublease space inventory appears to have peaked during second-quarter 2021 as the level fell by 49,000 square feet during the third quarter from a high of approximately 1.16 million square feet.

Detroit CBD

The City of Detroit’s office market vacancy rate fell 20 basis points to 14.5% during third-quarter 2021 as just over 178,000 square feet was absorbed. The bulk of absorption came as WPP moved into the renovated 164,000-square-foot Marquette Building at 243 West Congress Street. Meanwhile, DT Midstream, a spinoff of DTE, took 26,000 square feet in the Alley Center at 500 Woodward Avenue. This follows Boston Consulting Group and Warner Norcross + Judd moving into Olympia Development’s new 127,000-square-foot office development at 2715 Woodward Avenue, taking 30,000 square feet each. Despite a suppressed office market, the Central Business District continues to see activity in terms of office construction activity. TCF-Huntington Bank’s new building, a 20-story, 250,000-square-foot high-rise at Woodward Avenue and Elizabeth Street, is on schedule to be completed at the beginning of 2022. 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. Available sublease space dropped off by just over 32,000 square feet to 72,094 square feet during the quarter. The decline indicates an underlying health of the tenant base in the city. The CBD’s Class A office market vacancy fell 30 basis points to 10.0% during the quarter. The Class B vacancy rate, on the other hand, climbed 30 basis points to 19.7% during the quarter.

Southfield

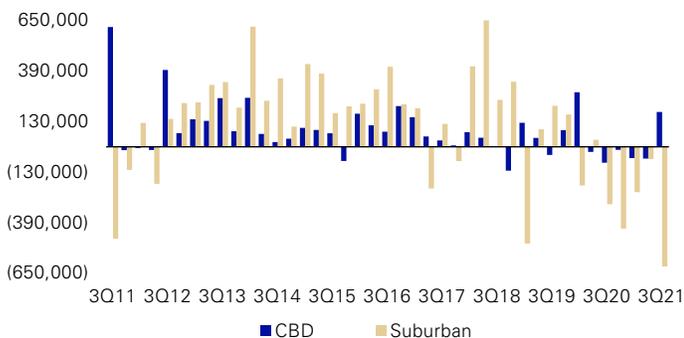
The Southfield office market vacancy rate jumped 60 basis points to 20.9% during the third quarter as just over 113,000 square feet of net vacant space was added to the market. New vacancies hit the Class A market the hardest as negative absorption totaled over 86,000 square feet, pushing the class’s vacancy up 140 basis points to 20.3% during the third quarter. One Towne Square had the largest Class A vacancy with 40,000 square feet of new space. Adding to the Southfield Class A vacancy were 54,000 square feet of vacant sublease spaces. The Class B market vacancy rate jumped 60 basis points to 20.9% during the third quarter as just over 44,000 square feet in net vacancies were added to the market. One of the largest Class B vacancies came from Bingham Office Park I, which added 20,000 square feet of space to the market. While the submarket was mostly negative, new leasing activity offset a portion of negative absorption. Evolution New Jersey, LLC moved into 16,000 square feet in 1000 Town Center, Wiss, Janney, Elster Associates, Inc. leased 9,000 square feet at Bingham Office Center and Proud Moments MSO took 6,600 square feet in the Vanguard Center on Ten Mile Road. Year-to-date leasing velocity remains depressed in the Southfield submarket compared to pre-pandemic market conditions. A few exceptions were in the second quarter when 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 Highway and expanded its presence at 3000 Town Center by leasing eight additional floors during the second quarter. In the first quarter, Doner Company and Comcast leased space at 400 Galleria Officentre, creating over 64,000 square feet of positive absorption in the building.

Troy

Troy’s office market vacancy rate climbed 60 basis points to 19.7% during the third quarter as nearly 89,000 square feet in net vacancies were added to the market.

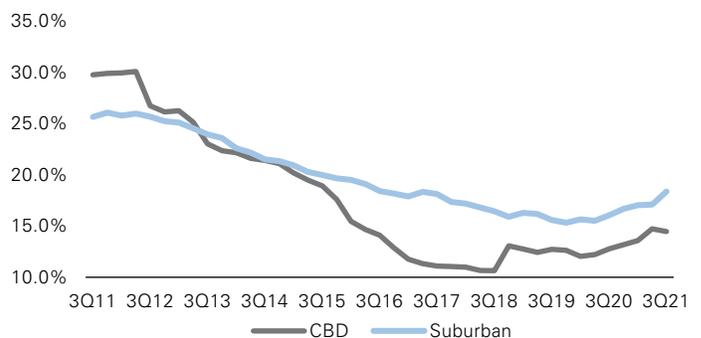
Detroit CBD vs Suburban Market

ABSORPTION (SF)



Detroit CBD vs Suburban Market

VACANCY RATE (%)



RESEARCH Q3 2021

Dialog Direct Inc.’s consolidation efforts contributed just over 66,000 square feet of new vacant sublease space at 300 West Big Beaver Road. The company is relocating employees from its Troy location and into owned space in Highland Park. Other sizable vacancies were at Sheffield Office Park IV, which posted a 38,000-square-foot vacancy, while 13,000 square feet in new vacancies were created at 2800 Livernois Road. Available sublease space grew in the submarket by just over 87,000 square feet during the third quarter. In addition to new sublease space at 300 West Big Beaver Road, Troy Place at 3221 West Big Beaver Road added an 18,000-square-foot sublease, while Sheffield Office Park IV at 3310 West Big Beaver Road added 15,000 square feet. The available sublease inventory was partially offset as 25,000-square-foot space was leased in the Maple Research Office Park on Research Drive. While leasing activity was down overall, a few companies were in the market. Notably, USI Insurance took 13,000 square feet at 2600 West Big Beaver Road. Freedom Mortgage Corporation leased 7,700 square feet at 50 West Big Beaver Road. At 900 Wilshire Drive, Toshiba America Business Solutions, Inc. and Great Lakes Business Credit, LLC took 7,500 and 3,600 square feet respectively. Troy’s Class A vacancy rate held steady at 9.8% during the third quarter. The Class B market vacancy rate, on the other hand, jumped 100 basis points to 23.6% during the quarter.

Farmington Hills

The Farmington Hills office market vacancy rate jumped 300 basis points to 15.8% during the third quarter as large corporate moves have created a significant amount of bulk office space in the submarket. Mercedes-Benz Financial Services completed and moved into the company’s new 200,000-square-foot headquarters at Twelve Mile Road and Drake Road. In the process, the company vacated 153,000 square feet at Farmington Hills Offcenter II and additional space in Farmington Hills Offcenter I on Corporate Drive several months ago.

Meanwhile, the Gale Group vacated its 160,000-square-foot headquarters building at 27500 Drake Road during the third quarter, making it the second major large-block vacancy created in the submarket in 2021. These large vacancies have created a sizable shift in the submarket’s Class A market. The Class A vacancy rate jumped to 24.0% from 17.4% during the previous quarter. Since third-quarter 2019, the Farmington Hills’s Class A vacancy rate was just 11.0%.

Birmingham

Birmingham’s office market vacancy rate fell 40 basis points to 5.8% during the third quarter as roughly 6,500 square feet was absorbed. Fisher & Phillips LLP’s 7,700-square-foot lease at 300 Park Street accounted for a significant share of absorbed space. 600-640 North Old Woodward Avenue also posted positive absorption, with various new leases and renewals by tenants such as HDI Interiors, Denha Hamama Investments and Shark Law. Overall absorption was offset by new vacancies at 280 North Woodward Avenue.

Novi

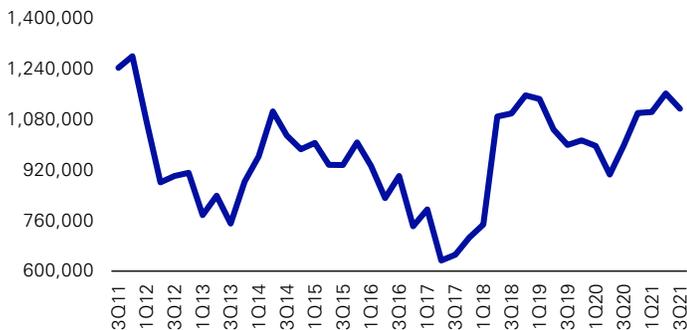
Novi’s office market vacancy rate climbed 40 basis points to 22.9% during the third quarter as just over 6,300 square feet in net vacancies were added to the market. Haggerty Corporate Office Centre V added 12,000 square feet of vacant space to the market, while Orchard Hill Place saw a smaller 2,200-square-foot vacancy added to the market. Negative absorption was partially offset by leasing activity at 39500 High Pointe Boulevard, where Mariner Wealth Advisors and Sintered Specialties took space in the building.

Livonia

Livonia’s office market vacancy rate held steady at 18.3% during the third quarter, though just over 4,600 square feet in net vacancies were added to the market.

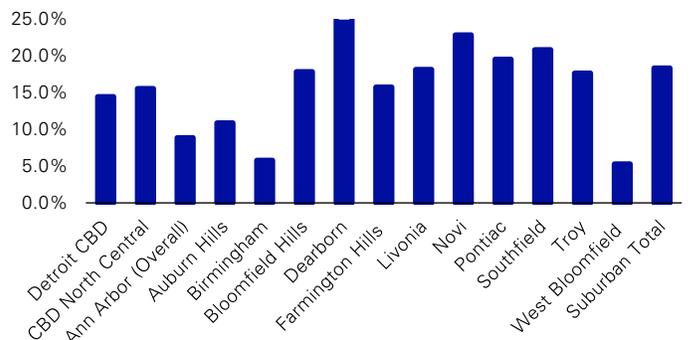
AVAILABLE SUBLEASE SPACE

Metro Detroit (SF)



VACANCY BY SUBMARKET

Vacancy Rate (%)



Ann Arbor

Ann Arbor's overall vacancy rate climbed 170 basis points to 8.9% during the third quarter as nearly 85,000 square feet in net vacancies were created. The bulk of new vacancies came from the Briarwood Corridor as just over 50,000 square feet in net vacancies were added to the market, pushing the area's vacancy rate up 230 basis points to 12.4%. The bulk of that vacant space from 5430 Data Court, which added a 31,000-square-foot block of vacant space. In addition, Atrium III at 950 Victors Way and Packard Office Center at 3840 Packard Road each added roughly 7,000 square feet to the market. In the Northeast Corridor, the vacancy rate climbed 140 basis points to 6.2% during the quarter as nearly 19,000 square feet in net vacancies were added to the market. 2025 Traverwood Drive added the bulk of vacant space as 27,000 square feet was vacated in the building. Various smaller leases around the Northeast Corridor offset a portion of

negative absorption. The Ann Arbor CBD Corridor vacancy rate climbed 110 basis points to 7.3% during the quarter as roughly 15,000 square feet in net vacancies were added to the market. The bulk of those vacancies came from First Miller Business Center, which added 14,000 square feet of vacant space to the market.

Dearborn

Dearborn's office vacancy rate went from 25.6% to 32.1% during the third quarter. Advertising agency GTB, formerly known as Team Detroit vacated 217,000 square feet at 550 Town Center Drive. The agency is a subsidiary of WPP, who recently moved into the Marquette Building in Downtown Detroit.

NOTABLE 3Q 2021 LEASE TRANSACTIONS

Tenant	Building	City	Type	Square Feet
DT Midstream	500 Woodward Avenue	Detroit	Direct	26,000
USI Insurance	2600 W Big Beaver Road	Troy	Direct	13,000
Wiss, Janney, Elster Associates, Inc	30700 Telegraph Rd	Bingham Farms	Direct	9,000
Fisher & Phillips LLP	300 Park Street	Birmingham	Direct	7,700

NOTABLE 3Q 2021 SALE TRANSACTIONS

Building	City	Sale Price	Price/SF	Square Feet
40300 Traditions Dr	Northville	\$42,000,000	\$381	110,000
32500 Telegraph Rd	Bingham Farms	\$6,000,000	\$129	46,618
29566 Northwestern Hwy	Southfield	\$1,365,000	\$60	22,564
180 High Oak Rd	Bloomfield Hills	\$2,250,000	\$243	9,248
14841 Keel St	Plymouth	\$760,000	\$106	7,200

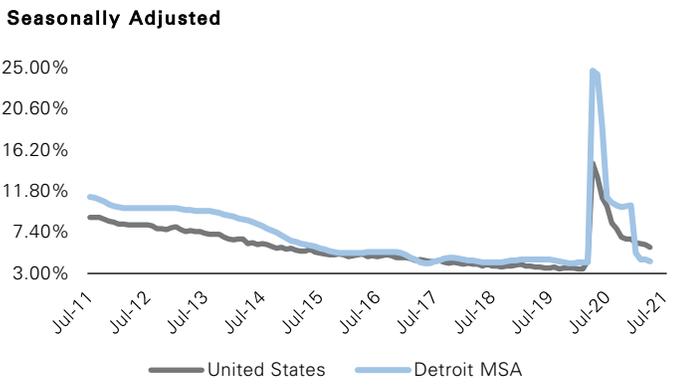
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Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Class A/B/C Asking Rent (Price/SF)
Detroit CBD	15,026,119	513,000	14.5%	178,535	58,759	\$28.45	\$23.47	\$24.11
CBD North Central	1,623,604	X	15.6%	8,640	-2,540	X	\$22.53	\$21.86
Detroit Total	16,649,723	513,000	14.6%	187,175	56,219	\$28.45	\$23.25	\$23.83
Ann Arbor Briarwood	2,129,620	-	12.4%	-50,262	-64,245	\$29.15	\$22.25	\$25.28
Ann Arbor CBD	1,426,045	X	7.3%	-15,686	-62,546	\$34.85	\$25.67	\$29.39
Ann Arbor Northeast	1,939,577	X	6.2%	-18,835	-3,839	\$27.62	\$22.20	\$26.95
Auburn Hills	3,008,949	X	12.0%	-63,299	-30,565	\$20.98	\$20.65	\$20.85
Birmingham	273,654	X	1.8%	5,871	3,881	-	\$28.81	\$28.64
Birmingham CBD	1,270,864	X	6.7%	662	18,700	\$33.86	\$31.78	\$32.03
Bloomfield Hills	3,031,190	X	17.9%	-11,587	-49,794	\$25.67	\$22.50	\$24.67
Dearborn	3,193,219	X	32.1%	-208,538	-249,052	\$19.59	\$16.45	\$18.27
Farmington Hills	6,741,974	X	15.8%	-46,901	-7,980	\$21.07	\$18.88	\$19.95
Livonia	3,175,930	X	18.2%	-1,352	-123,976	\$21.60	\$19.91	\$18.50
Novi	1,701,094	X	22.9%	-6,396	-48,991	\$21.52	\$21.41	\$21.46
Pontiac	2,800,852	X	19.6%	0	0	X	\$16.18	\$15.88
Southfield	17,388,514	X	20.9%	-113,307	-127,556	\$21.17	\$18.27	\$18.73
Troy	13,576,567	X	19.7%	-88,727	-170,719	\$22.23	\$18.84	\$19.57
West Bloomfield	557,771	X	5.3%	2,514	4,010	\$19.00	\$17.55	\$18.06
Suburban Total	62,215,820	X	18.4%	-615,843	-912,672	\$22.02	\$18.93	\$19.77
Market	78,865,543	513,000	17.6%	-428,668	-856,453	\$23.04	\$19.56	\$20.25

RESEARCH Q3 2021

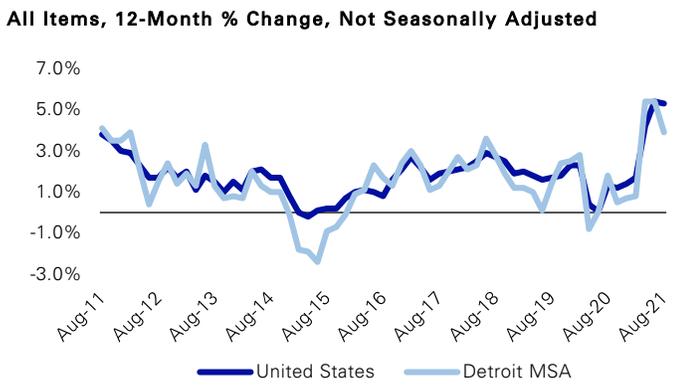
Metro Detroit's unemployment fell back to 4.3% in July 2021 after briefly climbing to 4.4% in April and May. The rate is well below levels seen in 2020 during the height of the pandemic which climbed as high as 25%. A strong Metro Detroit economy, buoyed by a healthy manufacturing, financial and a burgeoning hospitality sector spurred as restaurants return to service is creating healthy job growth. Year over year employment was up 8% in July and 5% in August.

UNEMPLOYMENT RATE



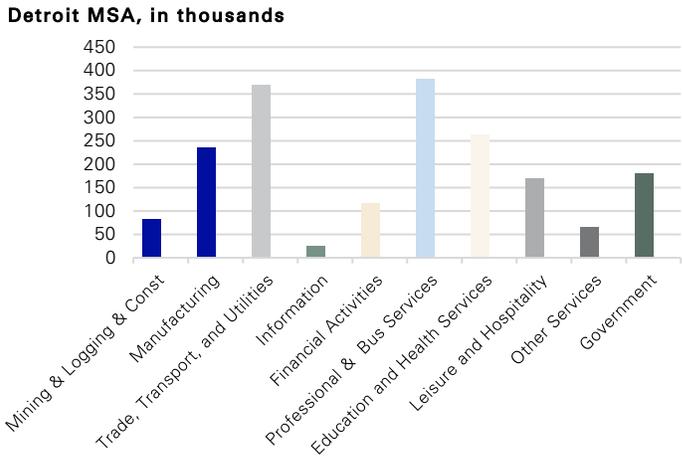
*Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)



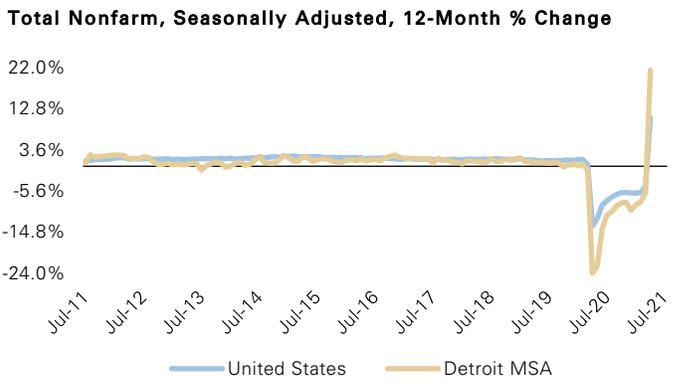
*Source: U.S. Bureau of Labor Statistics

EMPLOYMENT BY INDUSTRY



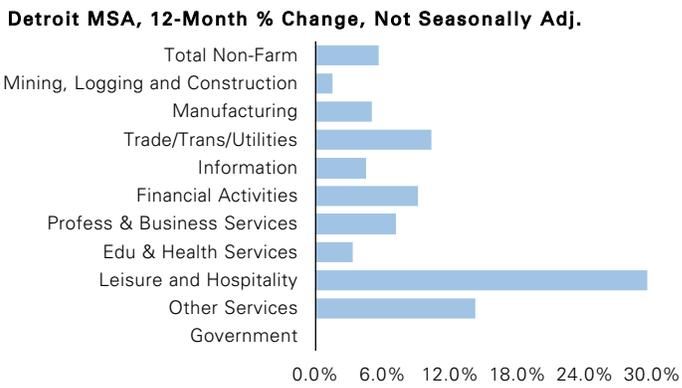
*Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

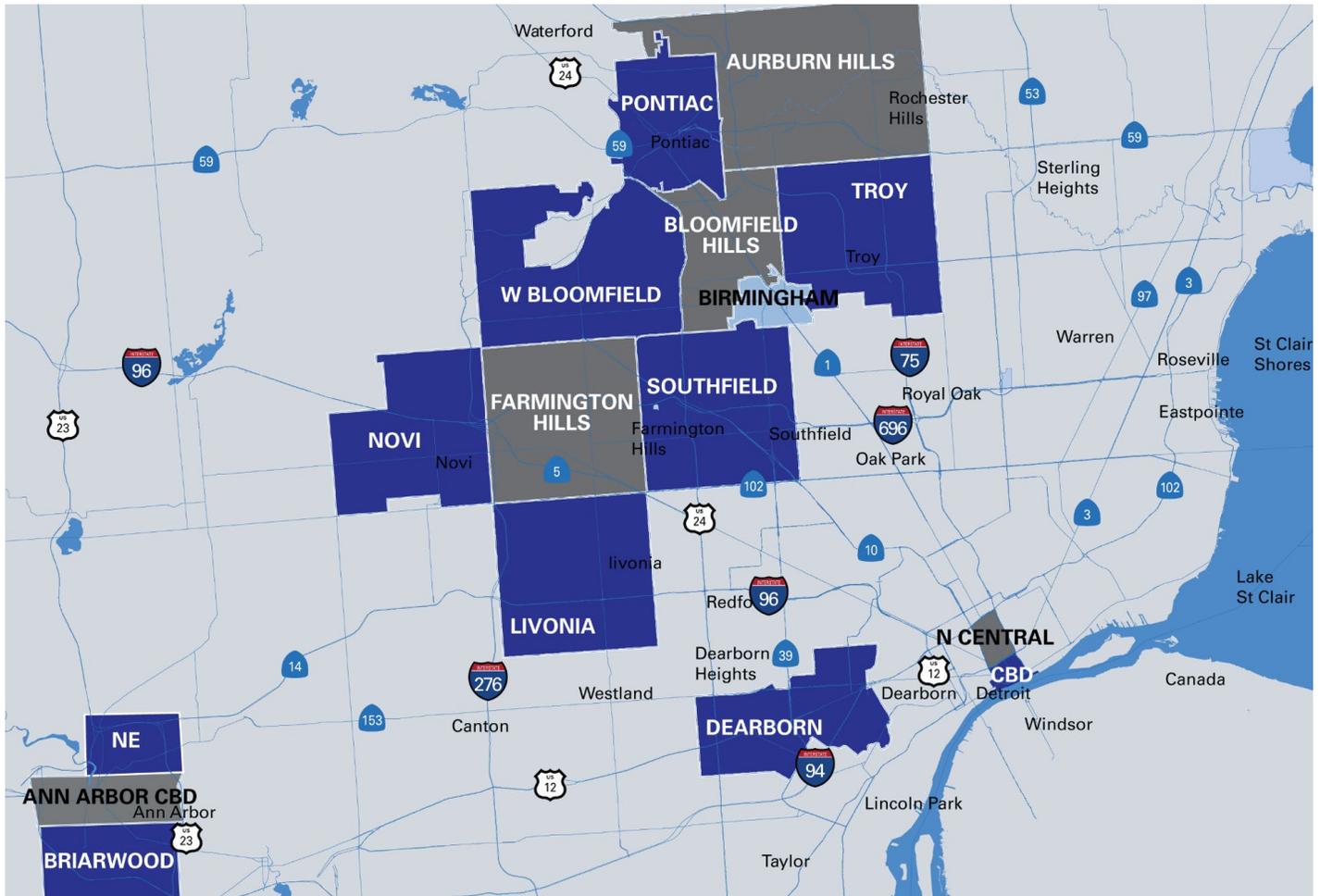


*Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY



*Source: U.S. Bureau of Labor Statistics



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