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Detroit Office Insight Report

Q3 2021

AVANT
by AVISON YOUNG

Key takeaways



Economic conditions

- Detroit trails the **U.S. average** vaccination rate for proportion of overall population however can anticipate an uptick as companies are announcing mandates to get **vaccination**.
- Detroit MSA has added more than 553,000 jobs since April 2020 to current representing an increase in job growth of **32.9 percent**.



Recovery rate

- Several large employers have delayed the return to the office plans that were slated for this fall such as **Ford, GM, Meridian Health and DTE Energy** due to the Delta variant concerns.
- The state of Michigan is operating at **87%** of where it was in early March of 2020 according to Moody's Analytics who conducted an index comprised of state level indicators.



Office demand

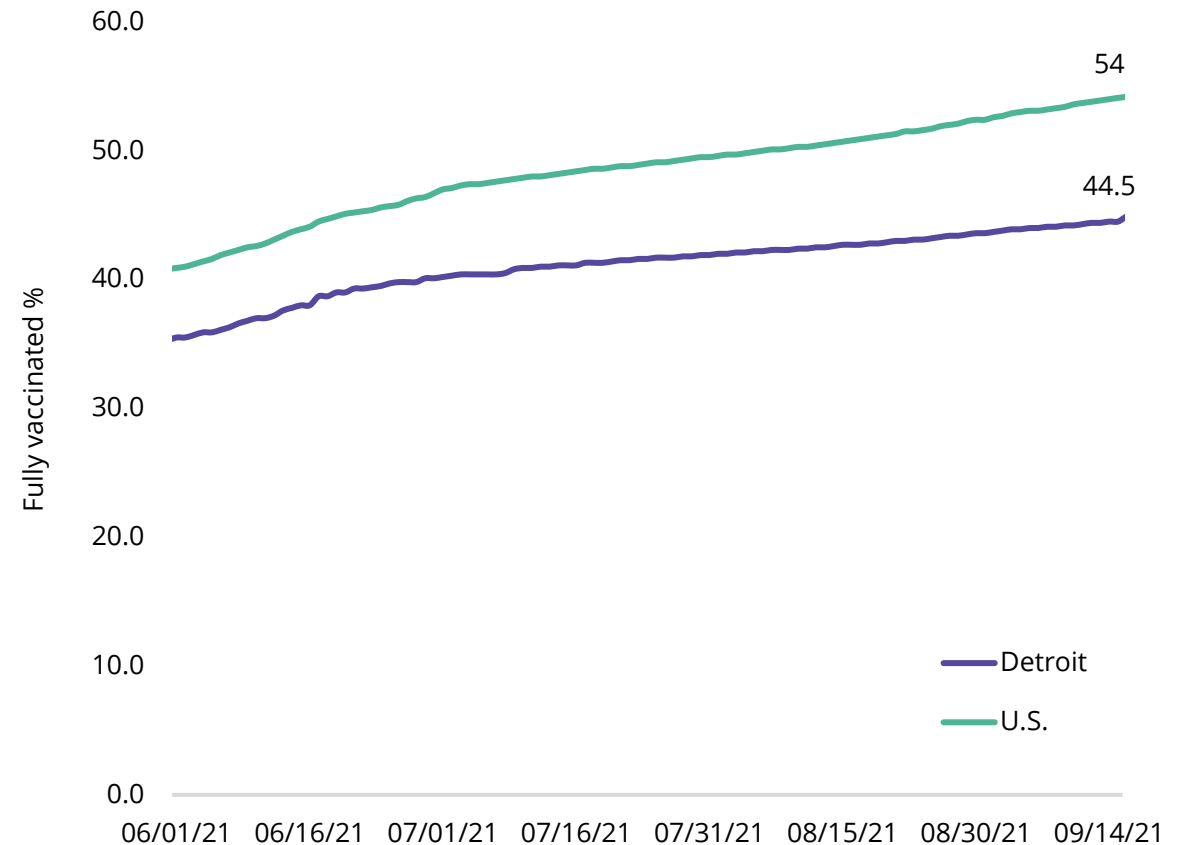
- Leasing activity has paused, decreasing by **57 percent** in 2020 and activity has remained proportionate throughout Q3 2021.
- Co-Working companies have increased their presence over the past **12 months** as employers are seeing the benefit of flexibility and availability during this uncertain time.
- Tenants are navigating the market cautiously as the **Delta variant** has proved to be a concern for many and pushing back plans to return to the office.

Vaccination rates

44.5%

Share of total Detroit population that is fully vaccinated

Detroit trails the U.S. average vaccination rate of overall population; however, it can anticipate an uptick after several companies are mandating vaccinations.



Source: CDC

Employment and unemployment rate

3.7%

Detroit unemployment rate as of August 2021 holding steady at a lower rate than pre-pandemic levels.

Detroit's economy has rebounded sharply from pandemic lows with record low unemployment. Since April 2020, employment rolls have grown by over 553,000, accounting for 90% of job losses during the pandemic.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

-4.1%

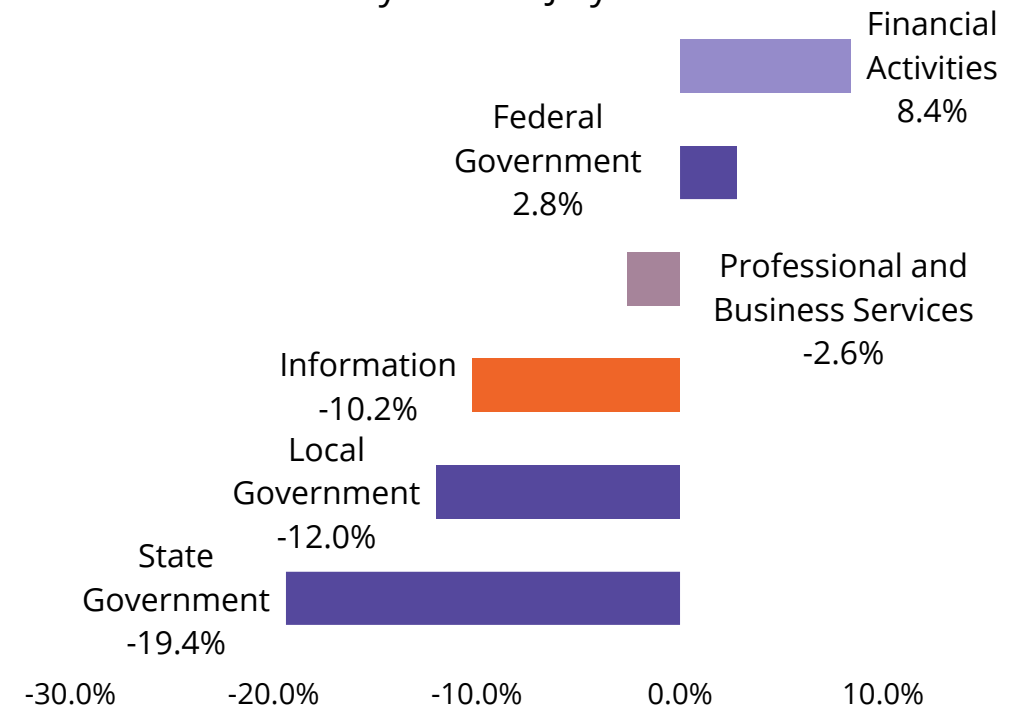
Change in office-using employment during the pandemic

Detroit MSA job losses have declined by 5.7% since the start of the pandemic, though office-using jobs contracted by 4.1%. Job growth has increased 32.9% since the height of Detroit job losses in April 2020 adding more than 553,000 jobs.

[VIEW DASHBOARD](#)

Total change in Detroit MSA* job gains/(losses)

February 2020 to July 2021



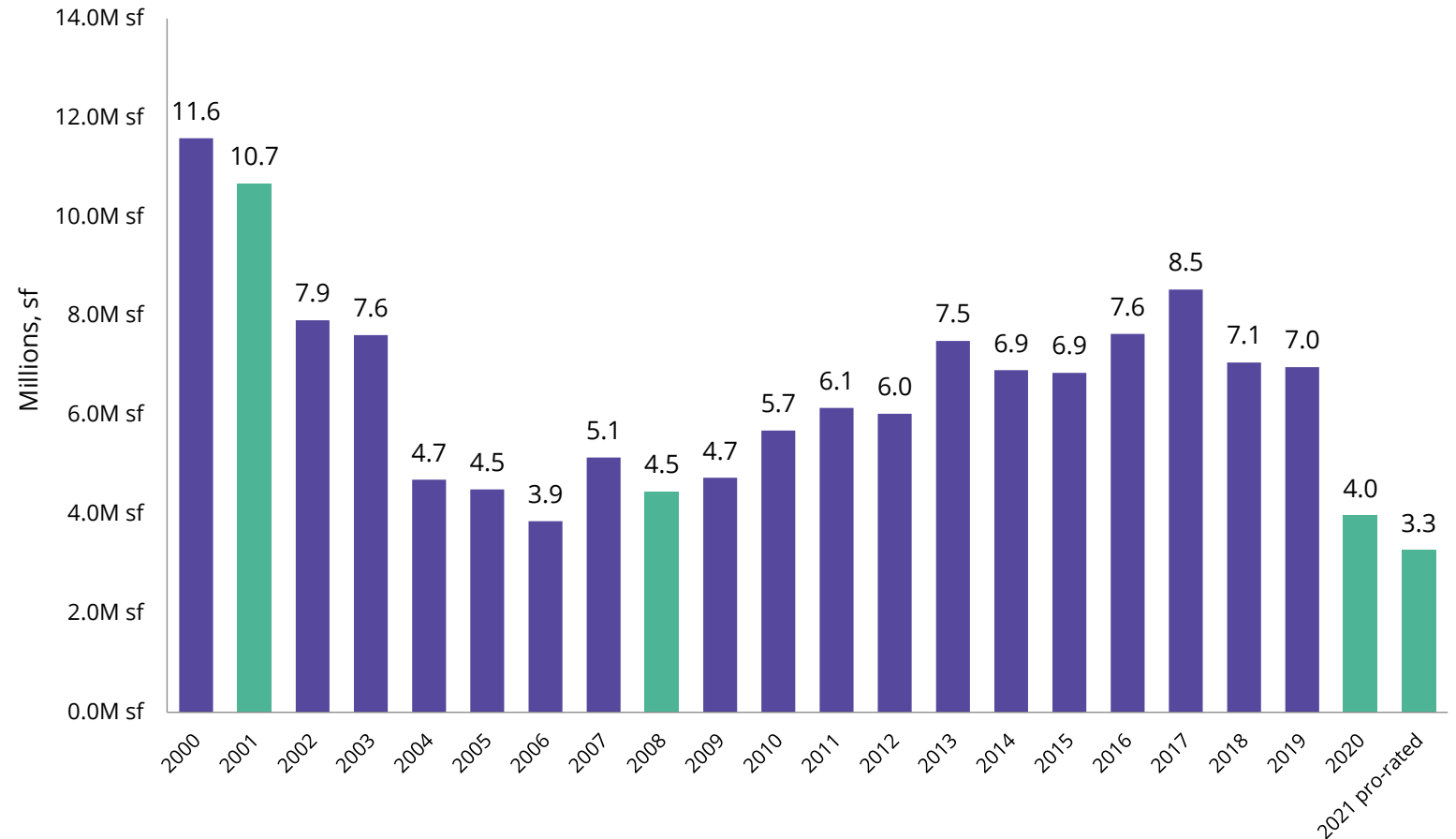
Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Office leasing activity

-46.1%

**2020-pro-rated 2021 vs.
prior 20-year annual
average leasing activity**

Leasing activity decreased by 57% in 2020 and activity has remained proportionate through Q3 2021. The market has seen significantly smaller lease transactions occurring as larger companies are not making vast real estate decision with the uncertainty in the market.

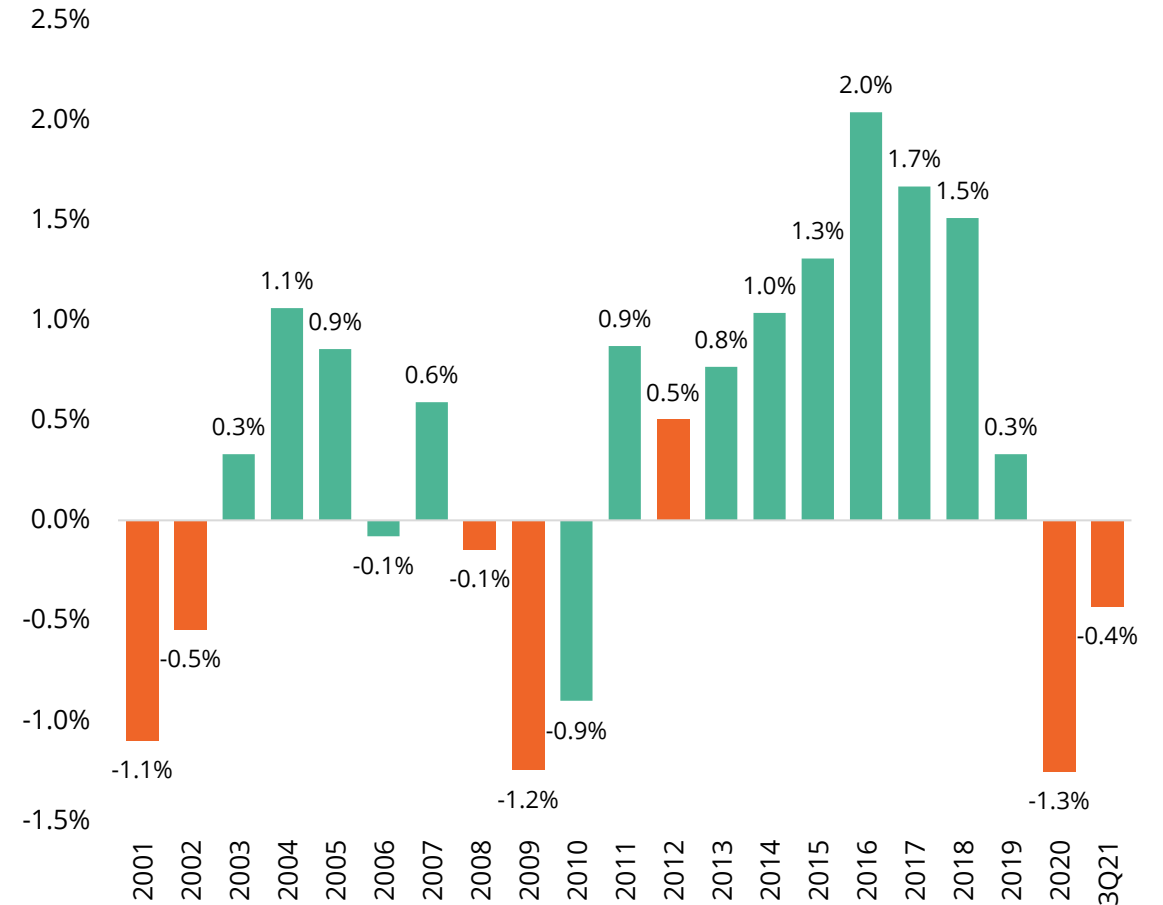


Source: AVANT by Avison Young

-1.7%

Net absorption as a percentage of inventory, 2020 through Q3 2021

Negative absorption from 2020 to 3Q21 has totaled 2.5 million sf, totaling -1.7% of the existing stock. This negative absorption trend is very similar to the lows seen in early 2000's recession (-1.4%) and global financial crisis (-2.1%).



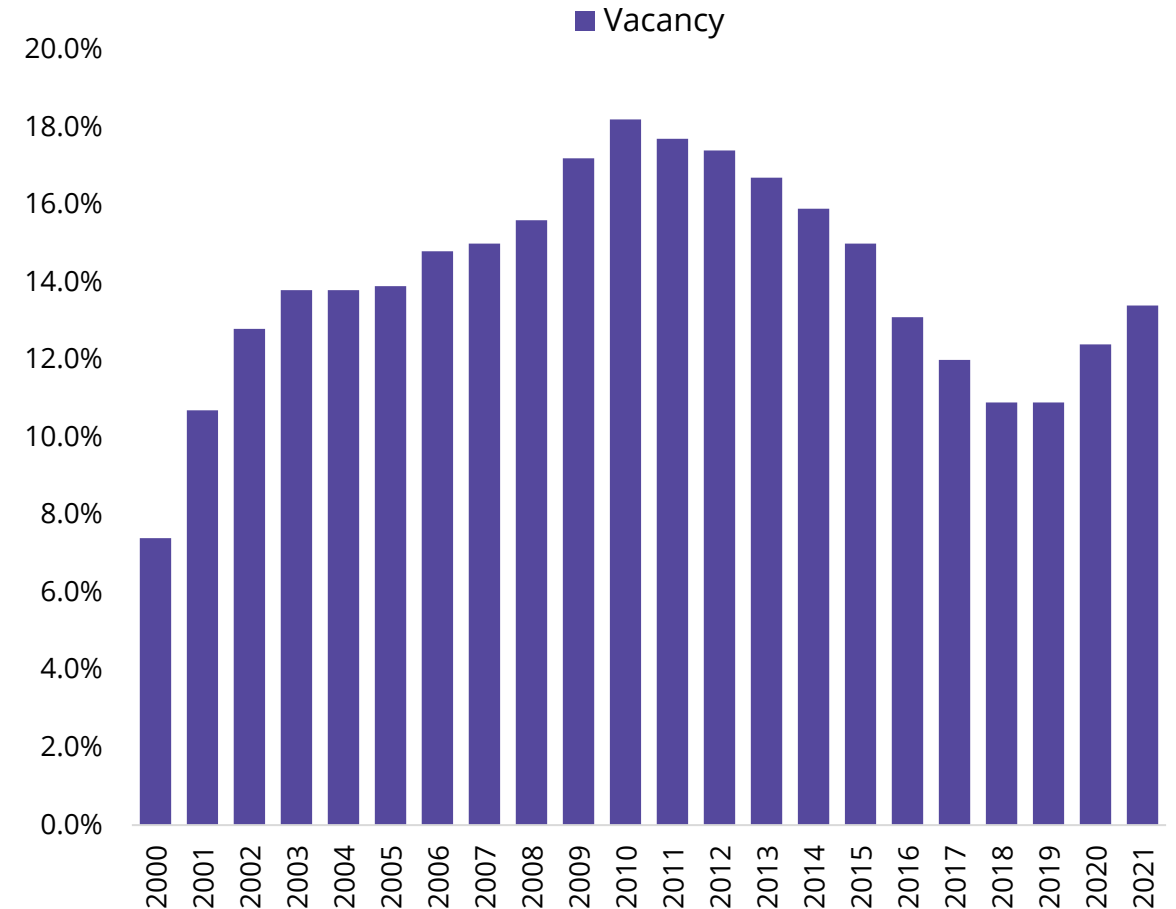
Source: AVANT by Avison Young

Vacancy rate

13.4%

Detroit's vacancy as of Q3 2021

The Q3 2021 vacancy rate increased 100 basis points since the beginning of the year up to 13.4%. Currently, 0.8% of the total vacancy rate is comprised of Sublease space which accounts for 1.1 msf.



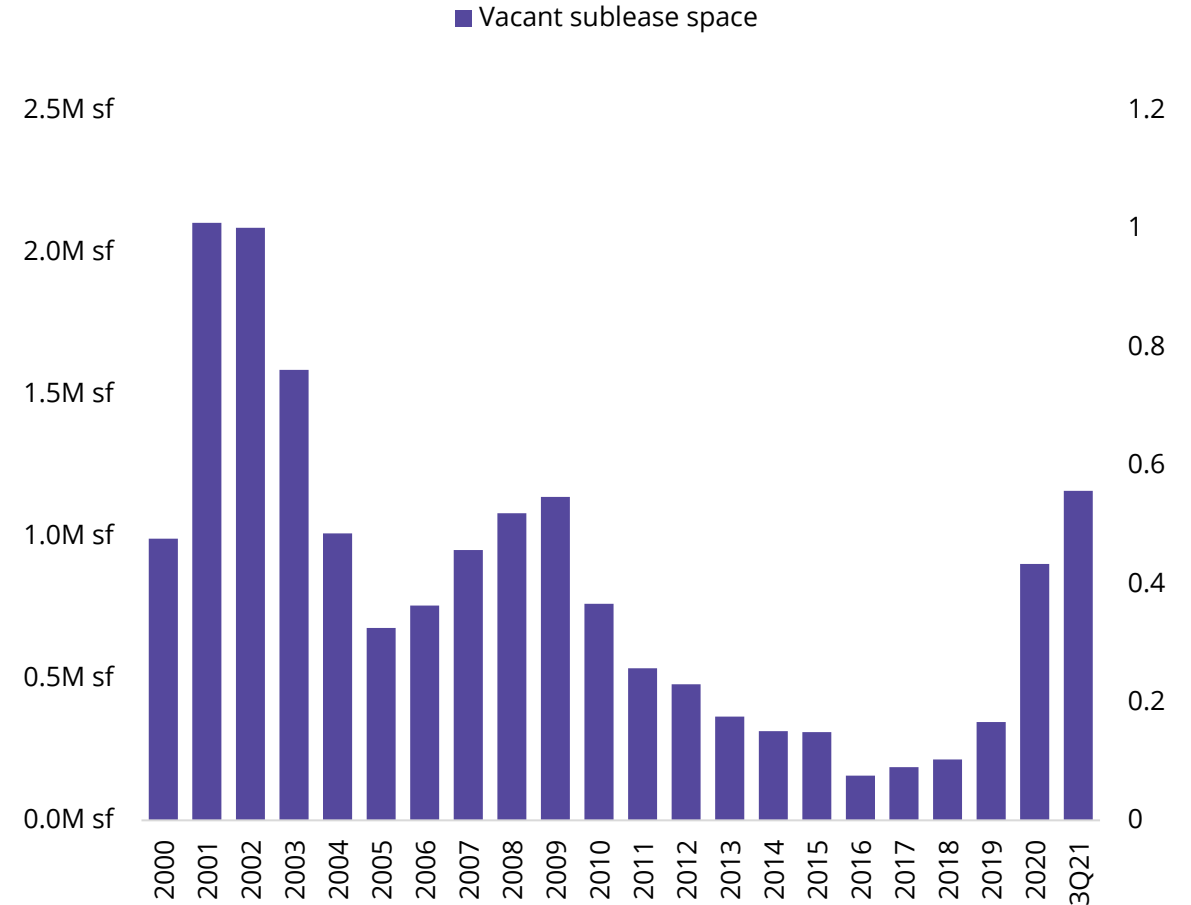
Source: AVANT by Avison Young

Vacant sublease space

1.1 msf

Significant increase in sublease space as of Q3 2021

The share of vacant sublease space has increased 235% since the start of the pandemic. While the amount of sublease space increased it is still significantly lower than the all time high of 2.1 msf in 2001.



Source: AVANT by Avison Young

Office development pipeline

13 properties

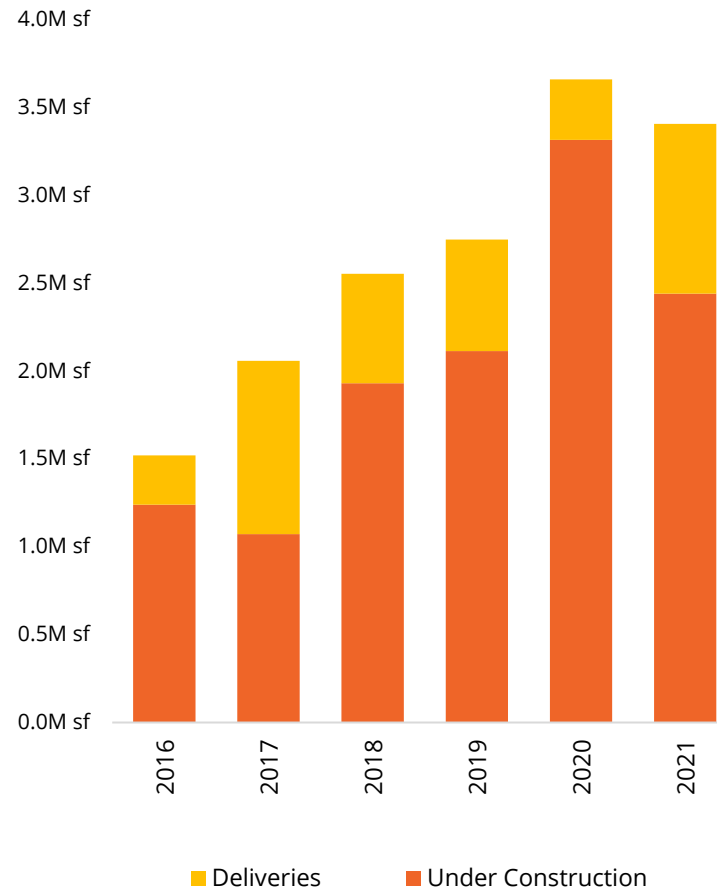
under construction

2.4 msf

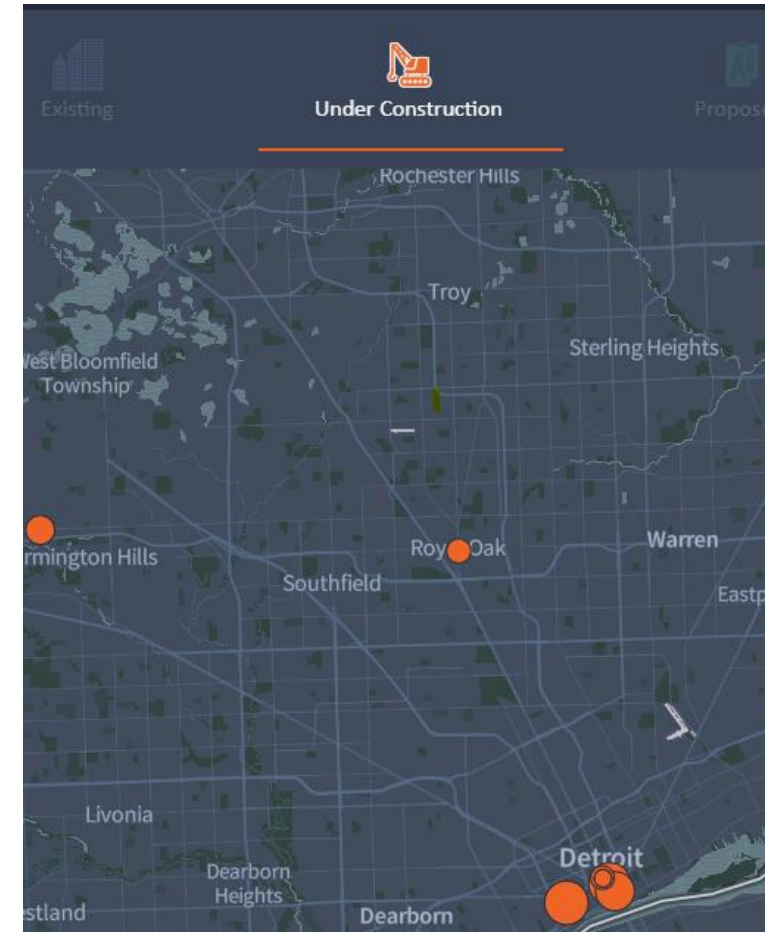
under development

3.8 msf

Of new inventory delivered
to the market since 2016 to
current



Source: AVANT by Avison Young

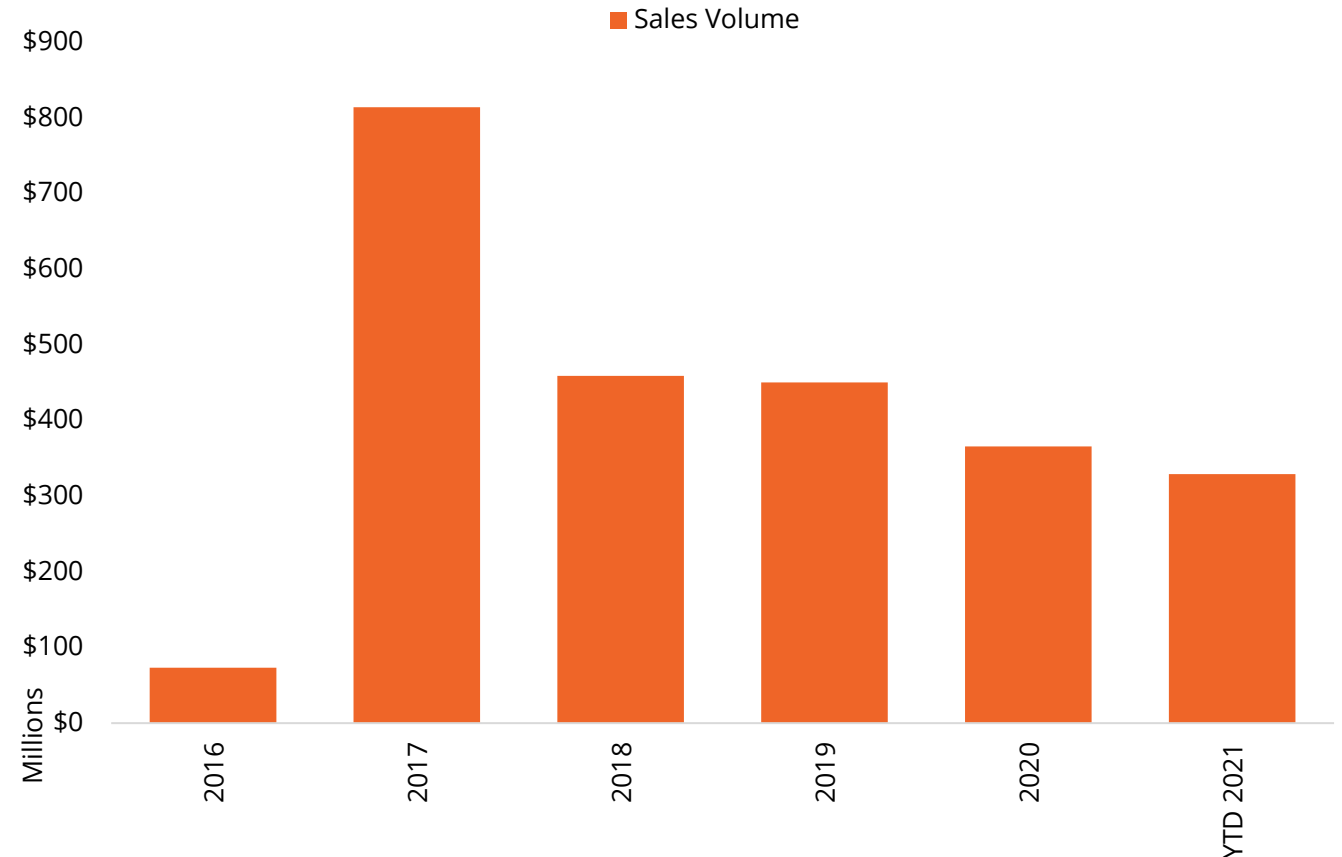


Office investment dollar volume

\$694 M

Detroit office dollar volume 2020 to present

Office investment activity has slowed since 2018 however, sales volume YTD 2021 is sitting just 9% below overall sales volume in 2020.



Source: AVANT by Avison Young,

Get in touch



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Let's talk

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