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Detroit Office Insight Report

Q2 2021

AVANT
by AVISON YOUNG

Key takeaways



Economic conditions

- Reopening efforts and increased vaccination rates have allowed the Detroit unemployment rate to rebound from a high of **24.8 percent** to **3.7 percent**.
- Office-using job losses have totaled **3.3 percent** and accounted for one third of all jobs lost during the pandemic.



Recovery rate

- The average delta between Detroit and U.S vaccination rates for the past three months was **-4.90 percent** and can anticipate this decreasing as more incentives from the City and Employers are rolled out.
- The State of Michigan recently announced the **full re-opening** of the state and **lifted most restrictions**.
- Detroit did **not** see a **spike in sublease availabilities** as observed in other markets, the large office occupiers such as Meridian, GM, Ford and Blue Cross Blue Shield, Quicken Loans and Major Law firms did not add any sublet space to the market.



Office demand

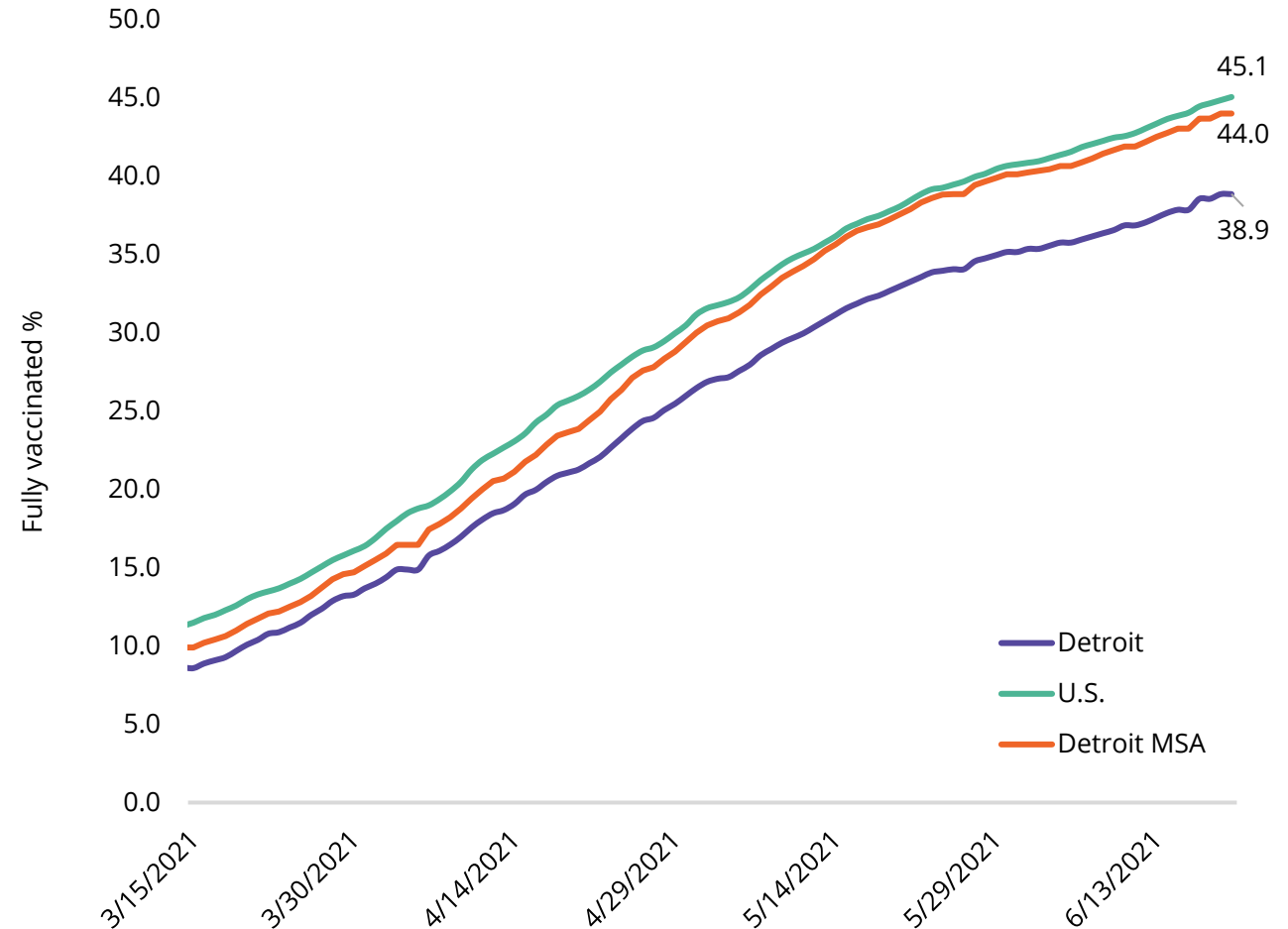
- Leasing activity has paused, decreasing by **54.6 percent** compared with long-term historical averages.
- Vacancy was recorded at **12.8 percent** at the end of the second quarter 2021, up 180 basis points from pre-pandemic level of **11 percent**.
- Bellwether **companies are beginning to return to the office**, a leading indicator for rejuvenated office demand. The most notable being, Quicken Loan returning to work on **June 7th**, which could have a trickle-down effect on other banks and industry segments.

Vaccination rates

44.0%

Share of total Detroit MSA population that is fully vaccinated

Detroit trails U.S. averages for proportion of overall population in terms of vaccination, as the Detroit economy continues to recover to pre-COVID levels.



Source: CDC (Detroit defined as Wayne County only)

Employment and unemployment rate

3.7%

Detroit unemployment rate as of April 2021, dipping below pre-pandemic level

Historically tightened labor market conditions were halted by the pandemic with nearly 600,000 job losses between February and May 2020. However, reopening efforts enabled the economy to add 31% jobs since May 2020.



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

Office-using job gains and losses

-3.3%

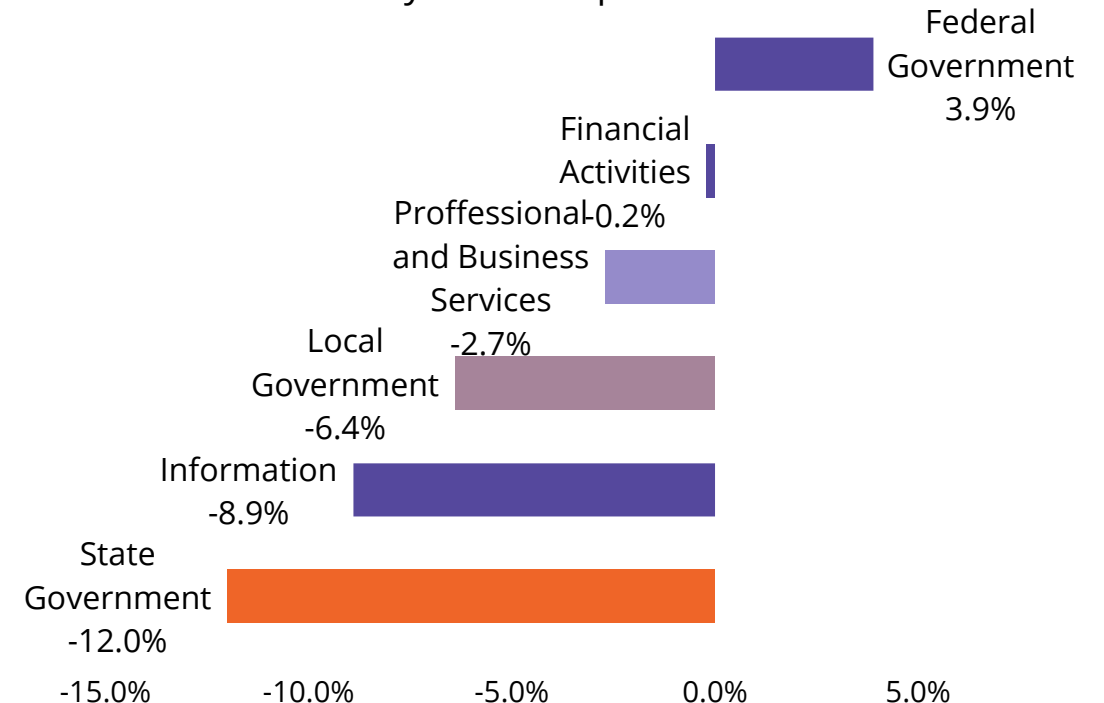
Change in office-using employment during the pandemic

Detroit MSA job losses have declined by 6.7% since the start of the pandemic, though office-using jobs contracted by 3.3%. Office using job losses accounted for only half of total MSA's performance and this recession's impact on the office-using labor market has been less severe.

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

February 2020 to April 2021



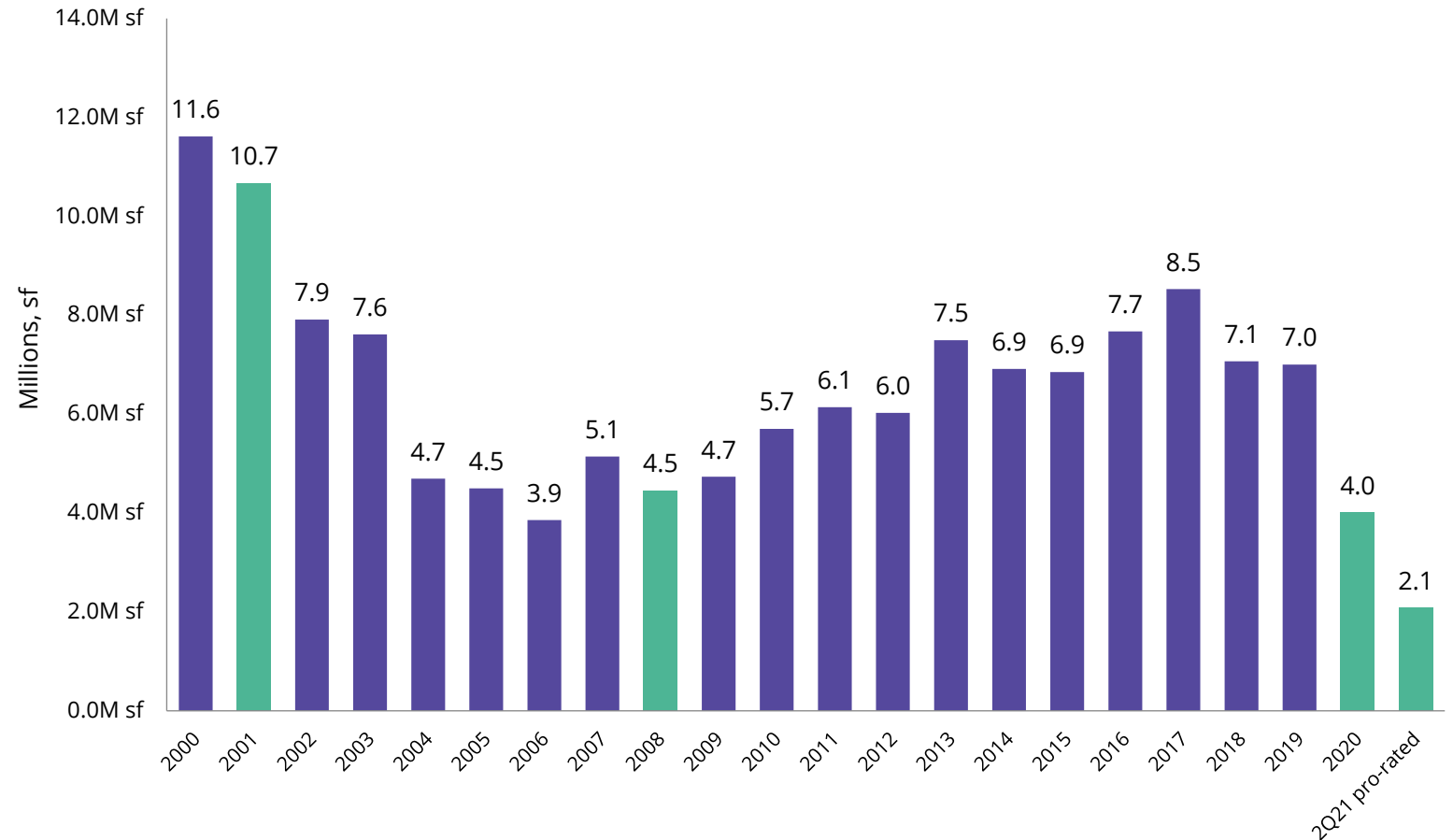
Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Office leasing activity

-54.6%

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

There is no modern precedent for the post-COVID slowdown in leasing activity—not 2001 nor 2008—due to the sudden change in office occupiers' future workplace strategies and the 2020 recession.



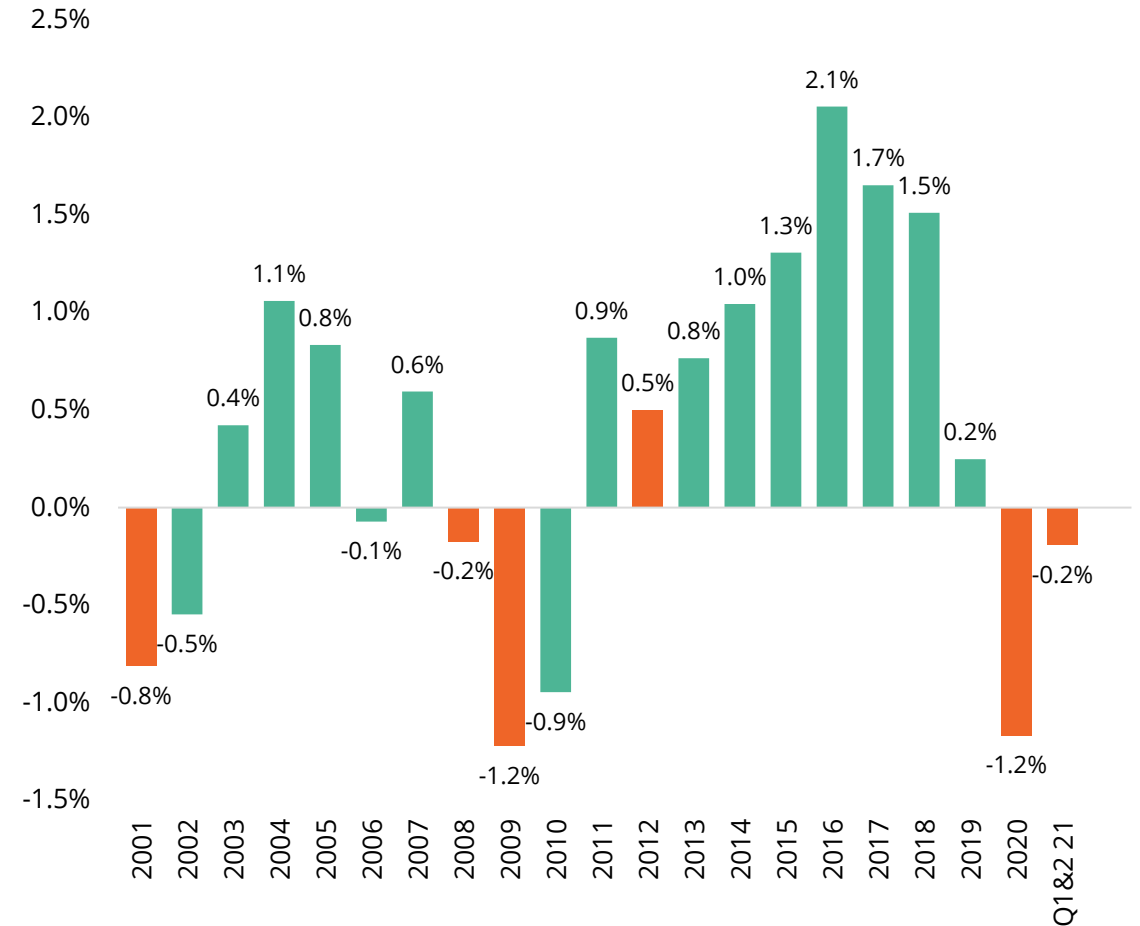
Source: AVANT by Avison Young

Absorption

-1.3%

Net absorption as a percentage of inventory, 2020 through Q2 2021

Negative absorption from 2020 to 2Q21 has totaled 2 million sf, totaling -1.3% of the existing stock. This negative absorption mirrors the lows of the early 2000's recession (-0.8%) and global financial crisis (-1.2%).



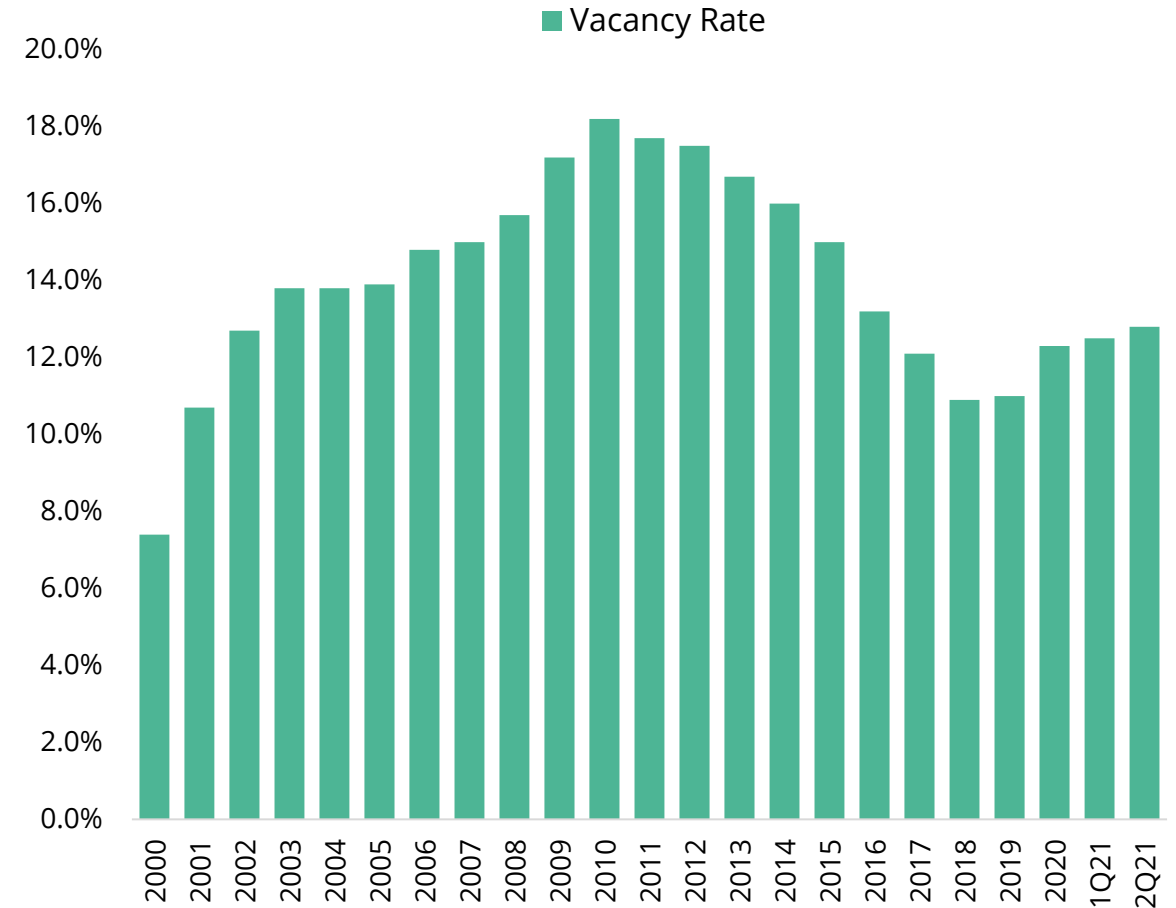
Source: AVANT by Avison Young

Vacancy rate

12.8%

Detroit's vacancy as of Q2 2021

The Q2 2021 vacancy rate was recorded at 12.8%- up 180 basis points (bps) from pre-pandemic level of 11%. This current spike in vacancy is significantly lower than the all time high of 18.2% in 2010.



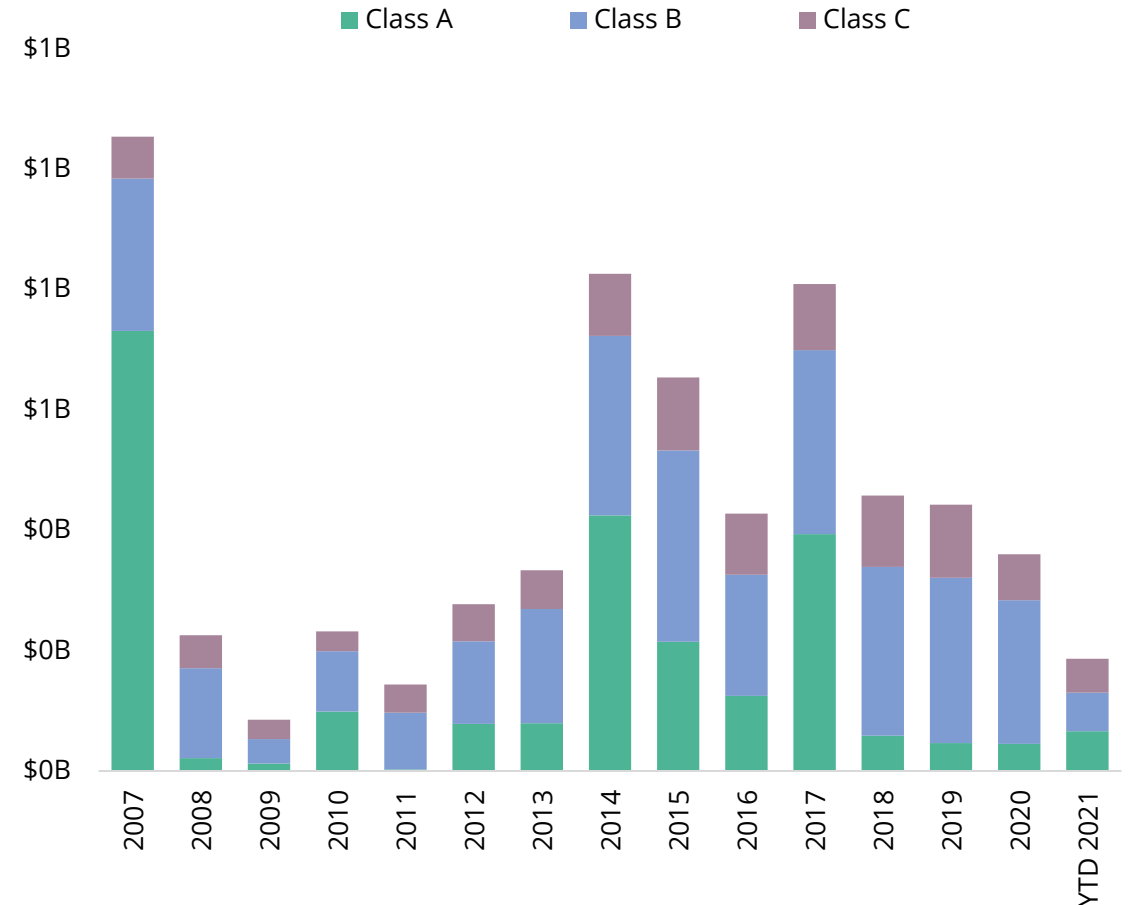
Source: AVANT by Avison Young

Office investment dollar volume

\$547M

Detroit office dollar volume 2020 to present

Office sales activity has temporarily paused during the risk-pricing crisis, decreasing by an annualized rate of 34.7% compared with the prior five-year average dollar volume.



Source: AVANT by Avison Young,
CoStar, RCA

Get in touch



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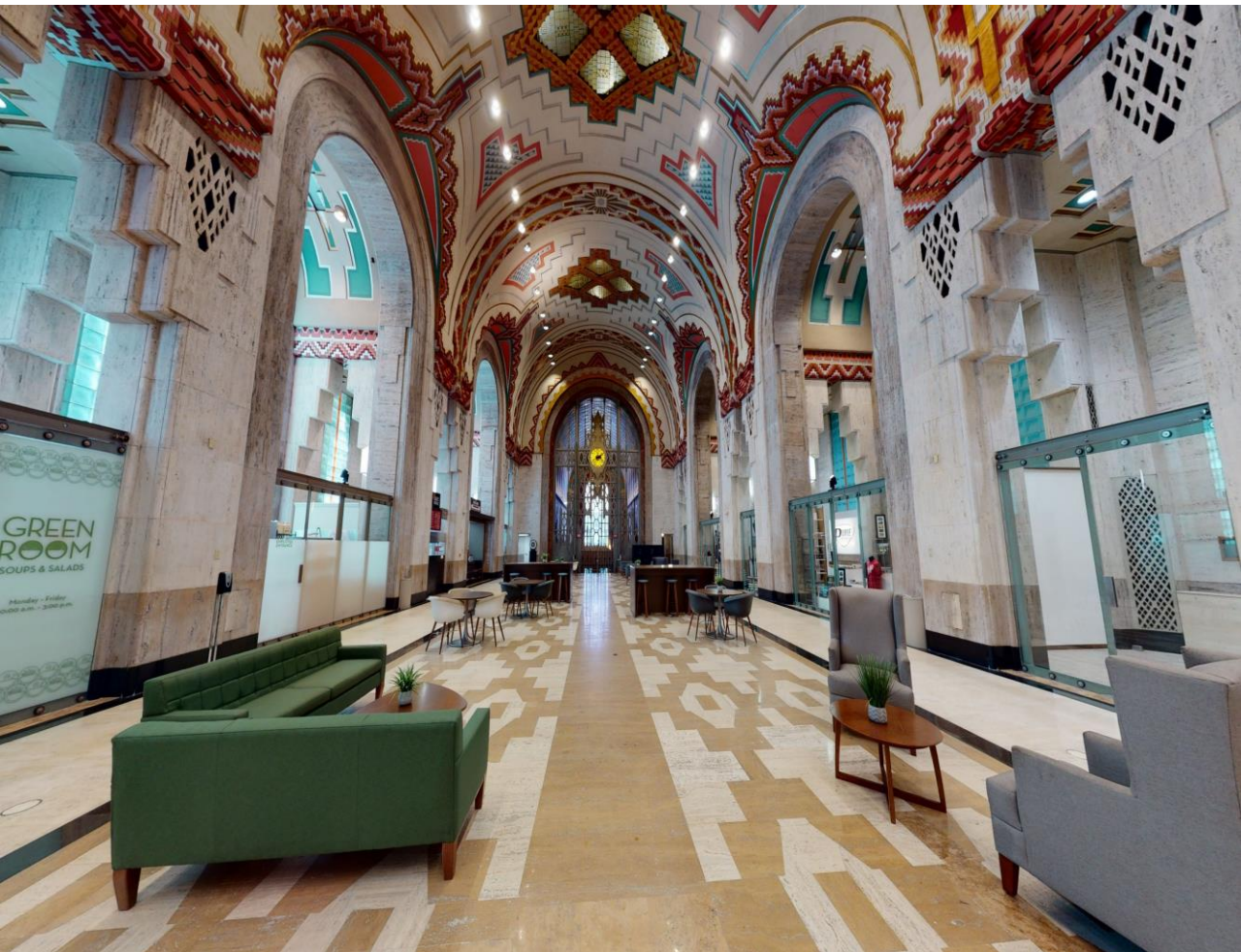
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Let's talk