



Detroit office market report

Q1 2023

**AVISON
YOUNG**

Detroit office market trends

559,025 sf

Q1 2023 leasing activity

Overall leasing activity across the Detroit market decreased 50% when compared to the 3-year quarterly average of 1,111,193 sf. There was a total of 559,025 sf leased within the first quarter of 2023. Notwithstanding the challenging news, there appears to be an emerging theme where tenants are realizing that a more meaningful return to office is critical to enhancing work force productivity which has lagged in the post-COVID environment.

2.3 msf

Available sublet space

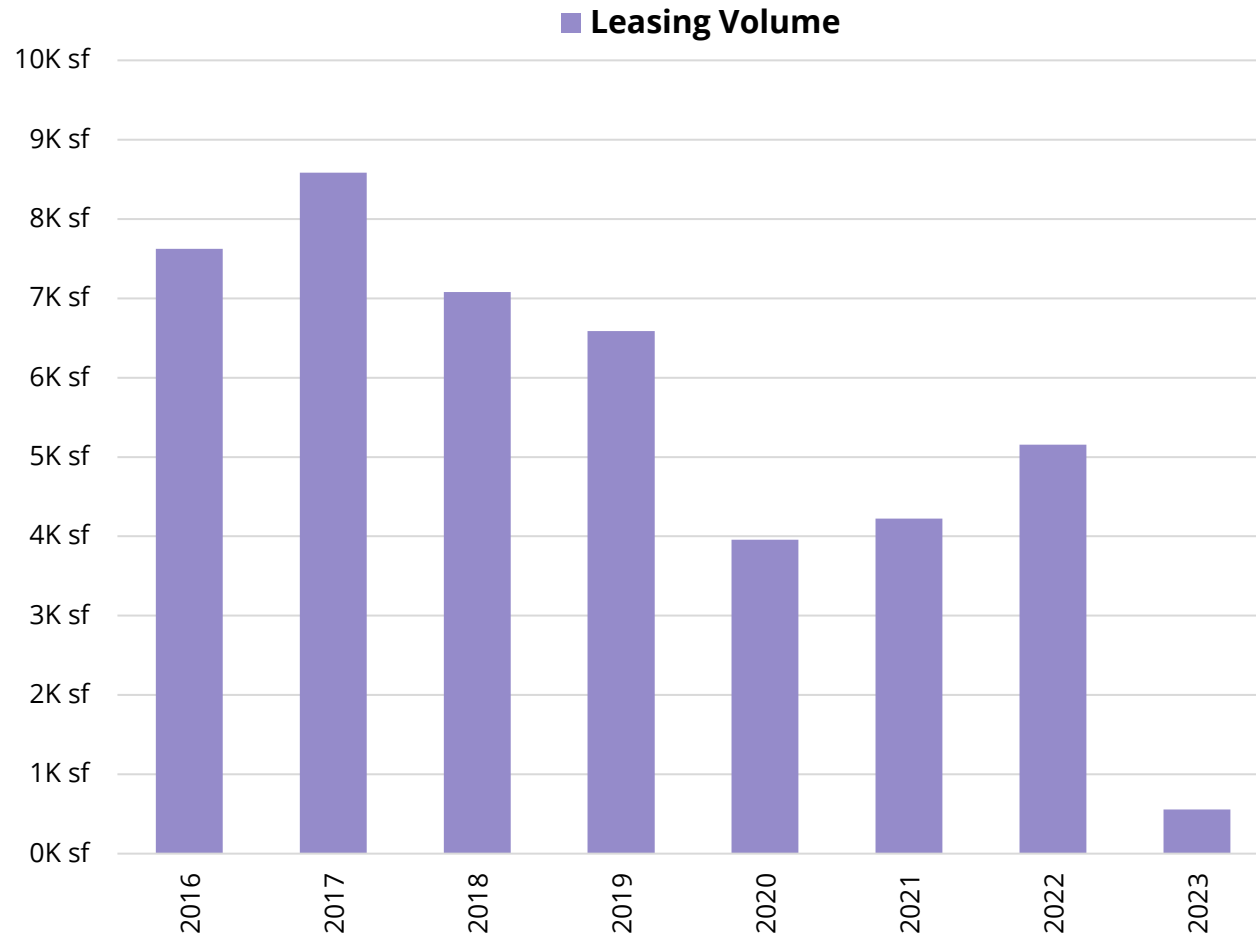
Available sublet space in Detroit increased 7% from the prior quarter, representing a slower rate of growth than prior quarters. Companies are continuing to evaluate their true real estate footprint and examining opportunities which represent a flight to quality or new locations which are enhancing the employee experience.

-311,628 sf

Net absorption

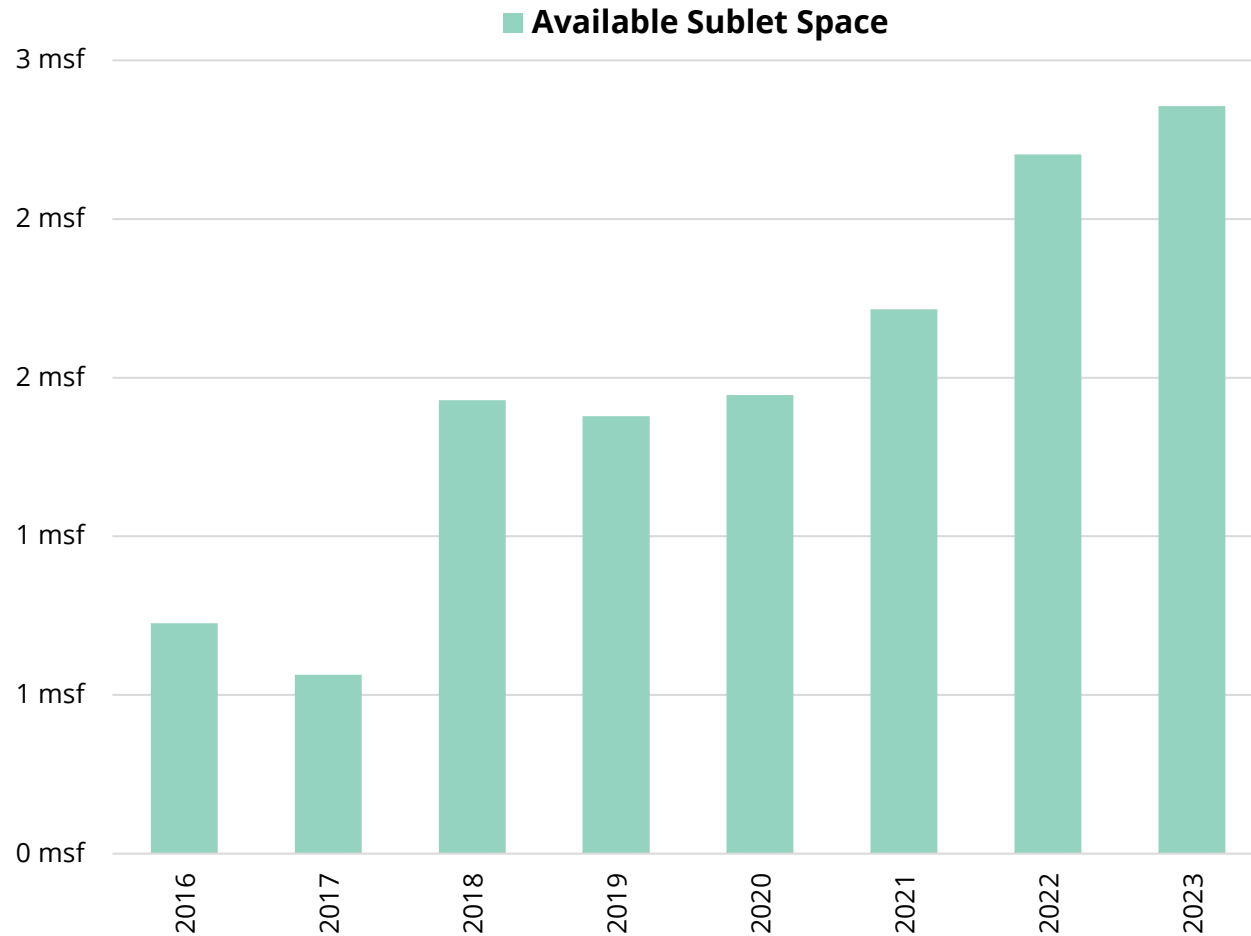
A significant amount of space added to the market, coupled with decreased leasing activity, has driven negative absorption within the market and created low-cost opportunities. Notwithstanding, well located, new office buildings in walkable markets have now been able to command a 50% premium in rents over other Class A opportunities.

Demand for office space remains stagnate



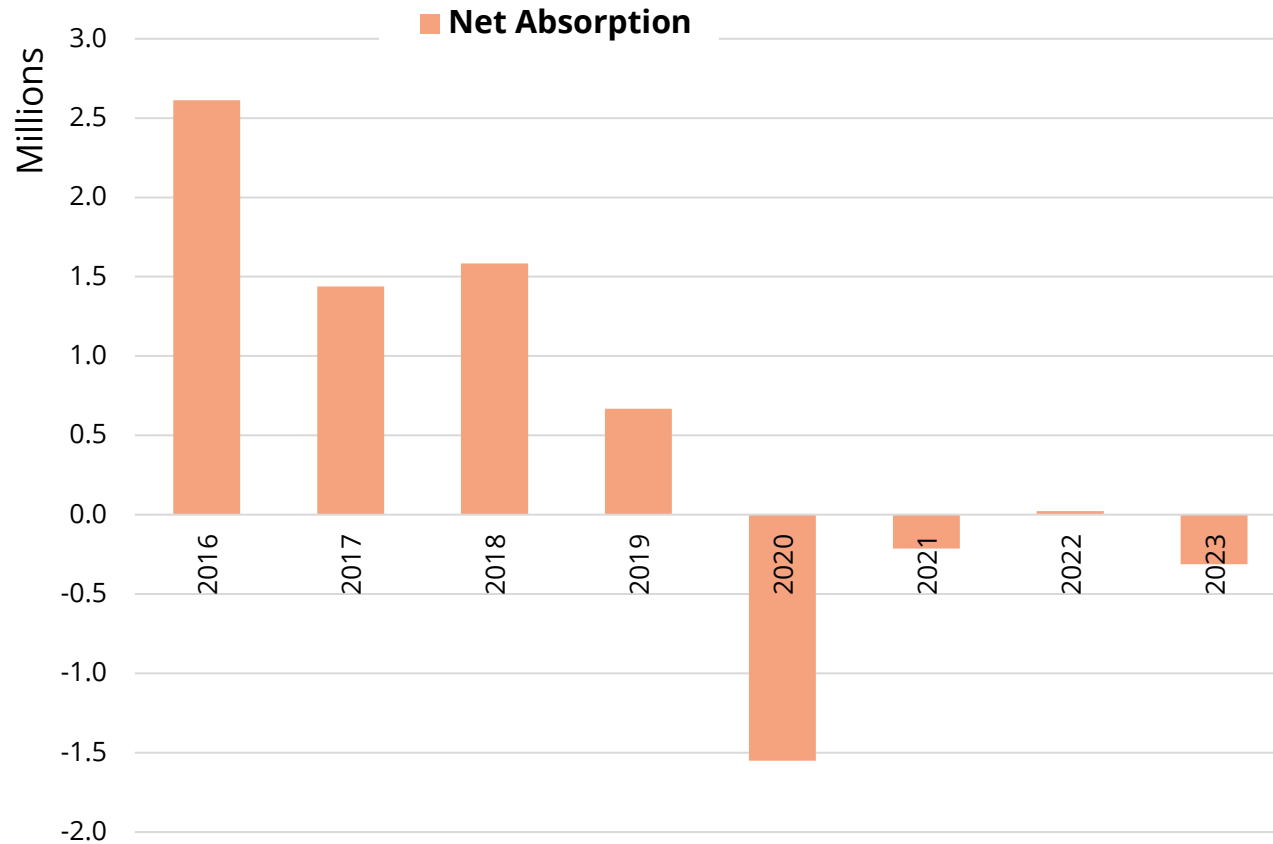
Leasing activity in Q1 2023 was 50% lower than the 3-year quarterly average as companies continue to evaluate real estate footprint needs.

Available sublet space decelerating



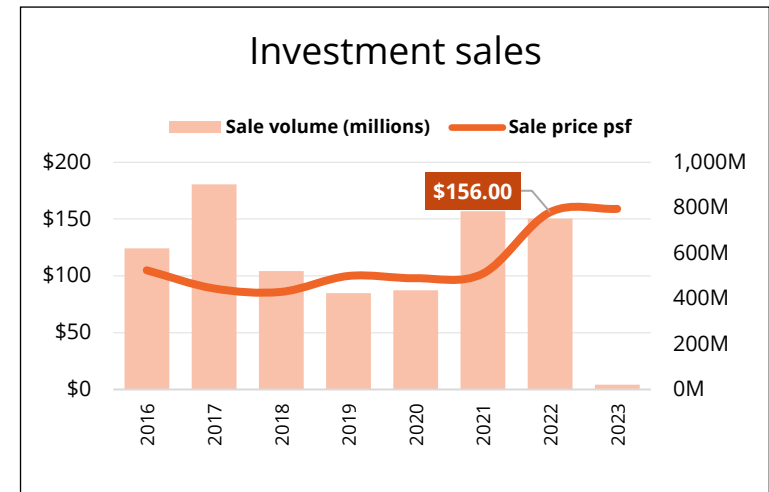
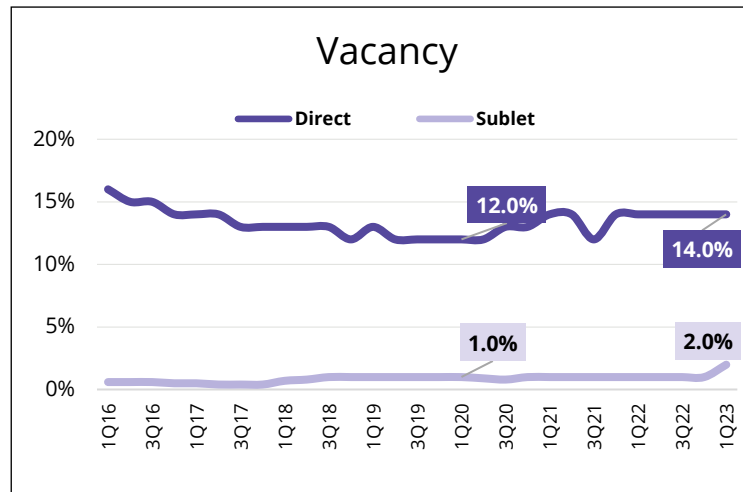
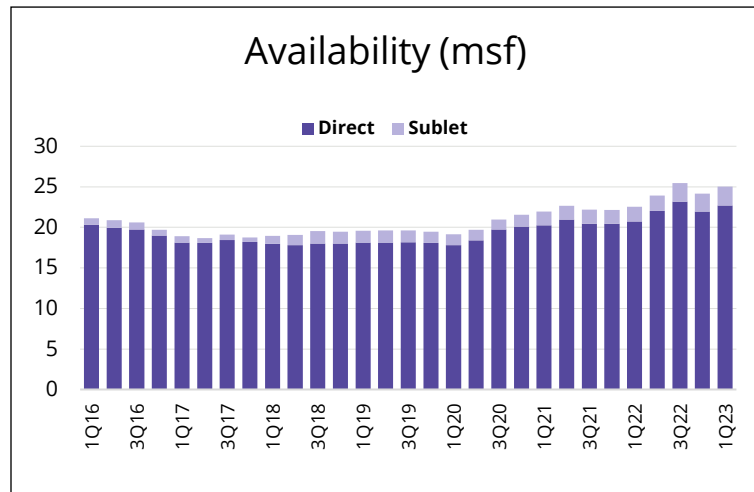
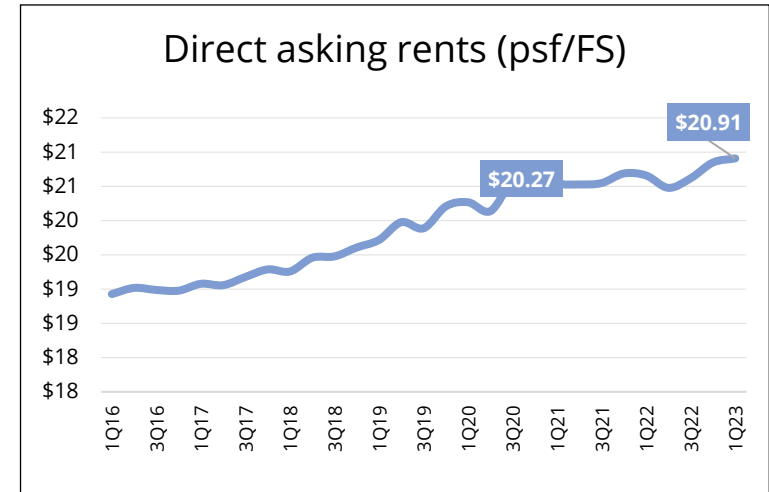
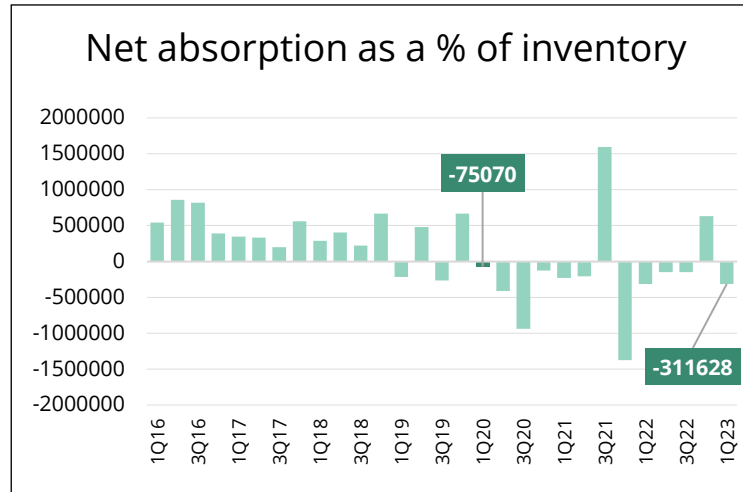
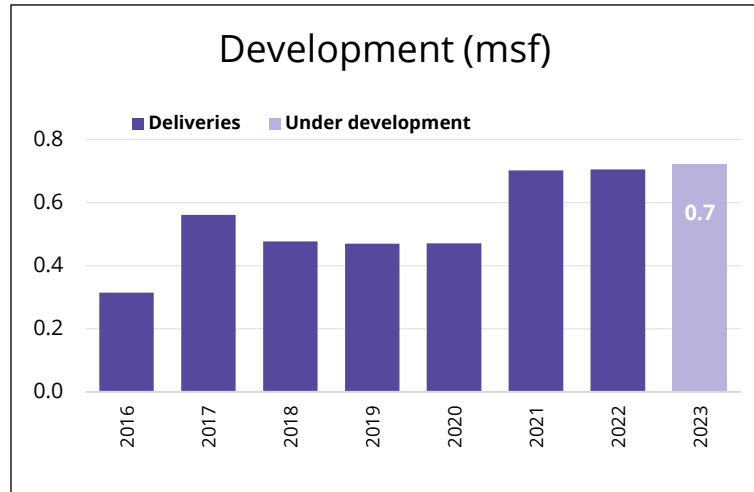
Sublet space increased only 7% from the prior quarter, a positive sign for the market.

Negative net absorption in Q1 2023



1 Campus Martius reported 437,916 sf became vacant alone in Q1 2023 within the CBD.

Detroit office market indicators



Detroit office market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q1 2022)
Detroit/The Pointes	35,387,116	0	366,000	9.0%	1.0%	10.0%	-16,583
10 Mile	16,270,695	0	0	20.0%	2.0%	22.0%	-86,093
Troy	14,336,315	0	75,000	24.0%	4.0%	28.0%	140,469
West Wayne	13,039,029	0	0	15.0%	2.0%	17.0%	-231,755
North Oakland	10,724,400	0	0	9.0%	2.0%	11.0%	-10,774
Bloomfield	10,579,794	0	0	14.0%	1.0%	15.0%	-244,595
Macomb	3,534,628	0	231,000	12.0%	0.0%	12.0%	25,613
Livingston/W Oakland	3,112,260	26,028	0	14.0%	1.0%	16.0%	82,063
Ann Arbor	2,681,374	0	0	8.0%	2.0%	10.0%	58,152
Royal Oak	1,988,181	0	50,000	17.0%	0.0%	17.0%	-32,696
Downriver	1,508,809	0	0	4.0%	0.0%	4.0%	-3,230
Northern Outlying	1,290,378	0	0	6.0%	0.0%	6.0%	3,573
Howell-Brighton Area	451,586	0	0	12.0%	0.0%	12.0%	4,228
Market total	114,904,565	26,028	722,000	14.0%	2.0%	16.0%	-311,628

Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
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