MARKET IN MINUTES
Savills Research

Q2 2022 - Office

Detroit

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Sluggish conditions persist across Metro Detroit office market as occupiers largely remain on sidelines

The Detroit office market witnessed its third consecutive quarterly decline in leasing activity in the second quarter. Deal volumes have been sluggish due to heightened economic uncertainty, work from home, and companies' continued indecision regarding their future occupancy needs. Asking rents have essentially remained level for the past year while tenant effective rents have trended lower as landlords have struggled to lease space.

Availability surges higher amidst weakened demand

The availability rate across the Detroit market rose significantly from last quarter, increasing 130 basis points (bps) to 23.9% and marking the fourth straight quarter of growing availability. The increase was even more pronounced in Class A properties, where availability (24.9%) rose by 190 bps from the first quarter. Fourteen office properties offered new availabilities in excess of 40,000 square feet (sf) in the second quarter. Available options surged in both the Troy North and South submarkets, increasing 290 bps to 31.7% combined. Among the occupiers vacating space there, Bank of America announced that it was leaving its Troy regional headquarters, vacating 145,000 sf. Meanwhile, the supply of available sublease space stood at 2.3 million square feet (msf), well above the market's long-term average. Black & Veatch added 82,000 sf to the sublease market, seeking to offload its Ann Arbor office at 3550 Green Court.

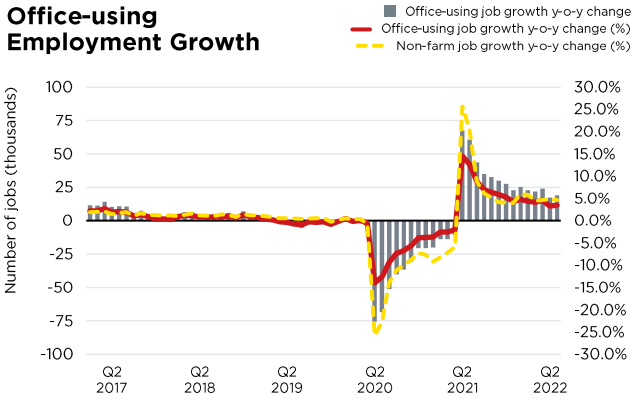
Low transaction volumes, economic uncertainty gives occupiers the advantage

Office leasing dropped off in the second quarter, falling 27.6% as compared to the previous quarter, and declining 35.2% from a year ago. Barracuda Networks executed the most significant deal of the period, leasing 31,728 sf of Class A space in Ann Arbor at 2373 Oak Valley Drive. Overall asking rents dipped 0.8% from the previous quarter, to $20.34 per square foot (psf). While face rents have wavered only slightly since the start of the pandemic, concessions have been more ample. Tenants in a position to transact space in the current environment have routinely benefitted from lower net effective rents.

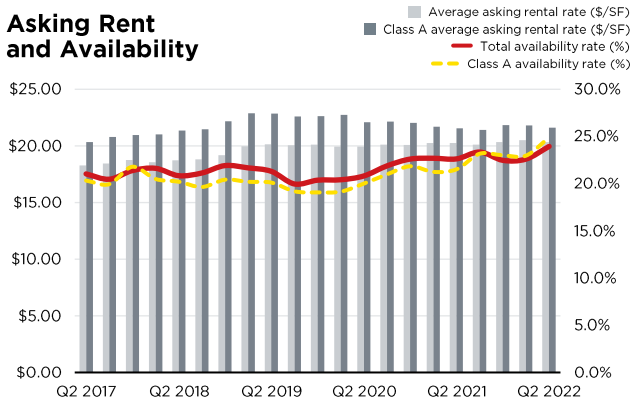
Key Statistics

	Q2 2021	Q2 2022	y-o-y Change
Inventory	83.8 MSF	84.1 MSF	▲
Availability Rate	22.6%	23.9%	▲
Asking Rental Rate	$20.24	$20.34	▲
Class A Asking Rental Rate	$21.53	$21.60	▲
Quarterly Leasing Activity	0.7 MSF	0.5 MSF	▼
Available Sublease Space	1.8 MSF	2.3 MSF	▲

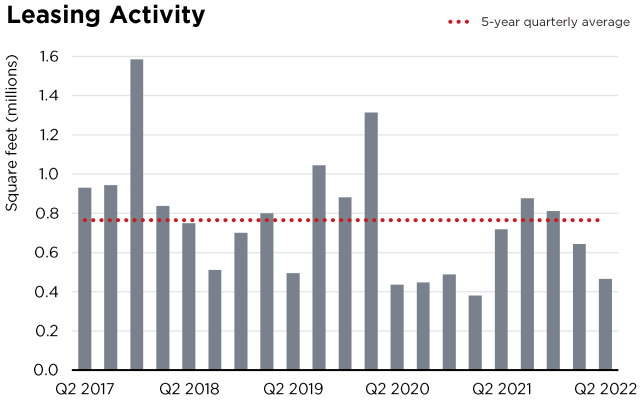
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Outlook

- Transaction volume is expected to gradually rise in the second half of 2022 as firms finally decide upon their future work arrangements and execute plans for their future occupancy requirements
- As demand for space remains weakened and available options abound, occupiers should expect flexible terms and generous concessions in negotiations
- Given economic uncertainty, a stagnant market, and a new paradigm in how companies utilize space, Detroit landlords will need a renewed emphasis on the occupant experience to both attract and retain their tenants

By the Numbers

4.9%
Detroit-Warren-Livonia, MI MSA unemployment rate (as of May 2022)

3.5%
Office-using employment growth year-over-year (as of May 2022)

2.0 msf
Office space currently under construction

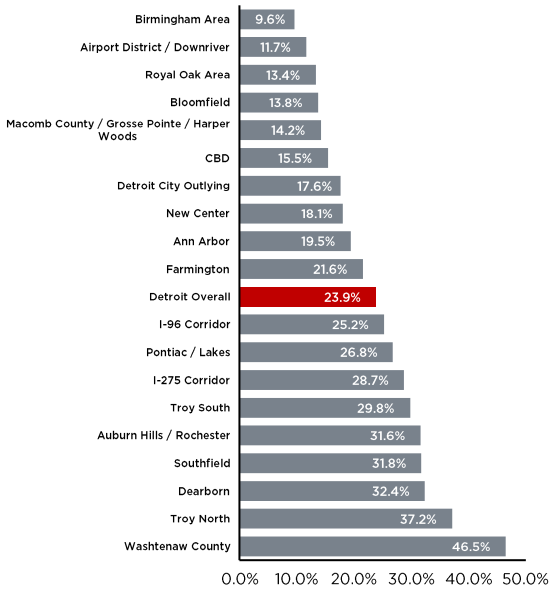
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Barracuda Networks	31,728	2373 Oak Valley Drive	Relocation	Washtenaw County	TAMI
Priority Waste	16,912	45000 River Ridge Drive	Relocation	Macomb County / Grosse Pointe / Harper Woods	Business Services
Nolan Transportation Group	15,191	900 Wilshire Drive	Relocation	Troy South	Business Services
Arab American and Chaldean Council	12,455	363 W Big Beaver Road	Renewal	Troy South	Associations & Non-profits
England Logistics	11,115	100 Galleria Officentre	Relocation	Southfield	Business Services
Victory Capital*	8,179	260 E Brown Street	New Location	Birmingham Area	Financial Services
MKiezi Properties*	7,350	2600 W Big Beaver Road	New Location	Troy South	Real Estate
Lincoln Financial Group	6,767	26200 Town Center Drive	Renewal	I-96 Corridor	Financial Services
ServeOne America	5,843	50 W Big Beaver Road	Relocation	Troy South	Business Services
Rimkus Consulting Group	5,132	3001-3025 Miller Road	Relocation	Ann Arbor	Business Services

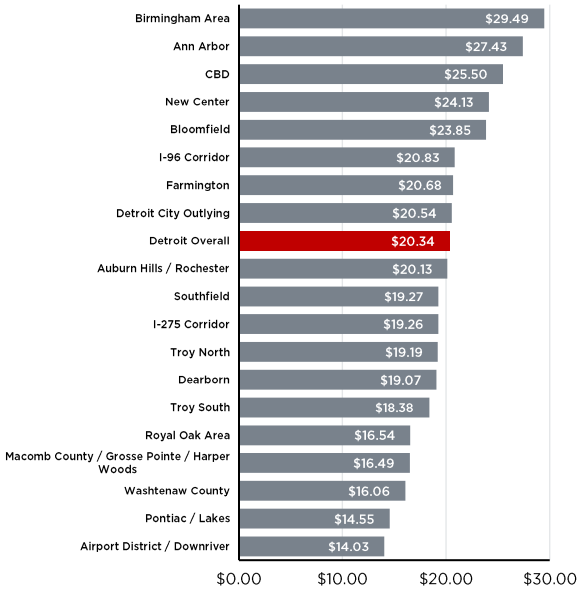
*Sublease

Source: Savills Research

Availability Rate Comparison (%)
Detroit Submarkets



Rental Rate Comparison ($/SF)
Detroit Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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