MARKET IN MINUTES
Savills Research

Q3 2022 - Office

Detroit

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Leasing activity increases, return to office picks up across Metro Detroit despite darkening economic clouds

Following a stretch of prolonged uncertainty, hopeful glimmers shone upon the Detroit office market in the third quarter. Among the favorable developments, General Motors announced plans to return to the office in 2023, acknowledging a need for greater collaboration among its corporate staff. Additionally, a handful of sizeable leases this period helped the Detroit office market to snap a streak of three consecutive quarters of declining leasing activity. However, overall demand for space across the market remained weakened due to signs of a potentially severe economic downturn, continued work from home, and companies pondering their future occupancy needs. While average asking rents incrementally ticked up, average effective rents have trended lower as market conditions skew in favor of occupiers.

Class A availability rises as firms increasingly right-size amidst weakened tenant demand

The availability rate across the Detroit market was unchanged from last quarter at 23.9% but remains elevated and well above the long-term average. Class A availability has significantly risen over the past year, climbing 190 basis points (bps) to 25.1%. The Troy submarkets continued to exhibited increasingly softened conditions, with availability surging 430 bps from a year ago to 32.7% combined. Among the new options coming to market in Troy, Siemens Digital Industries Software vacated its 114,000 square foot building at 5555 New King Drive. A surge in available sublease space ballooned to 2.5 million square feet (msf), far above the healthy norm. Health insurers were among the firms seeking to offload large blocks of space this quarter, including Meridian (266,000 sf at 1 Campus Martius in Detroit) and Health Alliance Plan (124,000 sf at 1414 East Maple Road in Troy).

Several large transactions completed as occupiers take advantage of favorable leasing environment

Office leasing surged by 127.0% as compared to the previous quarter as firms sought to benefit from conditions highly favorable to occupiers. The third quarter marked the Detroit office market's best performance since the pandemic's start as measured by square feet transacted. Among the deals completed this period, Comerica leased 340,000 sf across two buildings in Farmington Hills. The firm is consolidating from owned locations in Livonia and Auburn Hills and is significantly shrinking its overall footprint. Meanwhile, Magna Lighting leased more than 91,000 sf at 39550 Orchard Hill Place in Novi.

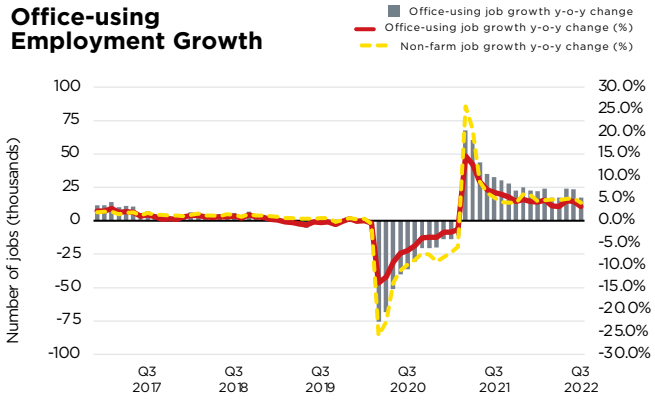
Outlook

- Market availability will remain elevated in the near to medium term as companies continue to right-size and downsize their occupancies, while sublease options mount
- As companies exhibit a clear preference for quality spaces and highly amenitized locations, landlords will need to emphasize and invest in the occupier experience to both attract and retain their tenants
- In an environment of high availability and weakened demand, companies looking for space should expect flexible terms and generous concessions in negotiations

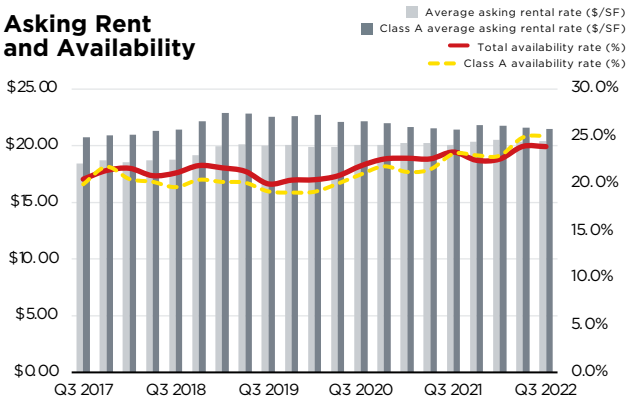
Key Statistics

	Q3 2021	Q3 2022	y-o-y Change
Inventory	84.0 MSF	83.9 MSF	▼
Availability Rate	23.3%	23.9%	▲
Asking Rental Rate	$20.09	$20.42	▲
Class A Asking Rental Rate	$21.40	$21.51	▲
Quarterly Leasing Activity	0.9 MSF	1.1 MSF	▲
Available Sublease Space	1.8 MSF	2.5 MSF	▲

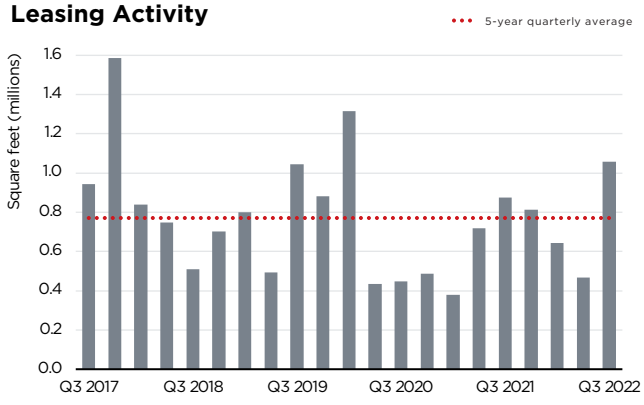
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.5%
Detroit-Warren-Livonia, MI MSA unemployment rate (as of August 2022)

3.2%
Office-using employment growth year-over-year (as of August 2022)

1.3 msf
Office space currently under construction

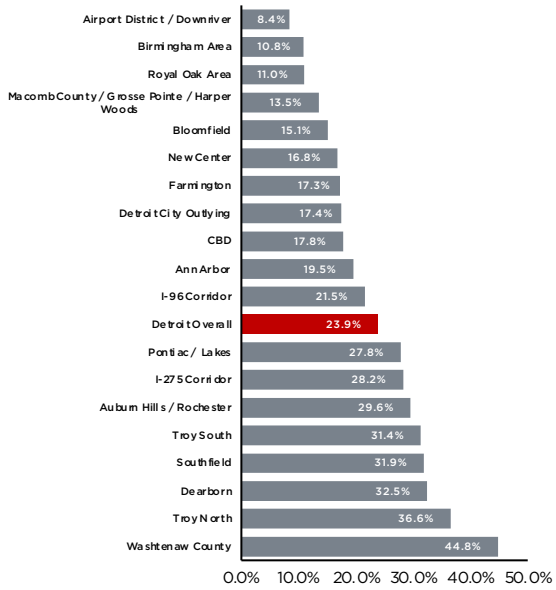
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Comerica	340,000	36455-36555 Corporate Drive	Relocation	Farmington	Financial Services
Magna Lighting	91,708	39550 Orchard Hill Place	Relocation	I-96 Corridor	Manufacturing
Majorel	49,000	211 W Fort Street	New Location	CBD	Business Services
MetroPCS	38,454	28501-28505 Schoolcraft Road	Renewal	I-275 Corridor	Telecom
Excelling Nursing Academy	11,700	25820 Orchard Lake Road	New Location	Farmington	Education
Wayne County	10,205	400 Monroe Street	Renewal	CBD	Government
UNICARE	8,815	3200 Greenfield Road	Expansion	Dearborn	Insurance
Menlo Innovations	8,408	337-341 E Liberty Street	Relocation	Ann Arbor	TAMI
The I Group	6,069	6001 N Adams Road	New Location	Bloomfield	Business Services
Blake, Kirchner, Symonds, Larson, Kennedy & Smith, P.C.	5,500	800 W Long Lake Road	Relocation	Bloomfield	Legal Services

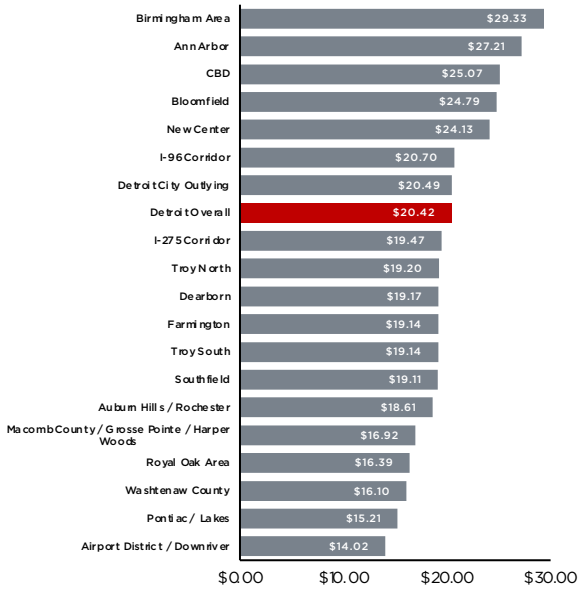
*Sublease

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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For more information, please contact us:

Savills
2111 Woodward Avenue
Suite 700
Detroit, MI 48201
+1 313 474 5170

Greg Bockart
Executive Managing Director
gbockart@savills.us

Pete McGrath
Associate Director
pcmcgrath@savills.us

Anders Klein
Regional Research Director, Midwest and Central
aklein@savills.us

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