

Detroit

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Conditions modestly improve across region as tenants gravitate to best-in-class space options

Following a shaky start to 2024, the Metro Detroit region in the second quarter witnessed more steadied fundamentals. Lease transaction activity increased 6.5% from the first quarter while surpassing the market's five-year quarterly average. Many of the period's largest deals involved tenants opting to relocate to best-in-class properties. Among them, General Motors announced plans to relocate from the Renaissance Center - its headquarters for nearly three decades - to Bedrock's new Hudson's Detroit development. The automaker opted to lease a minimum of 98,000 square feet (sf) in the building's two top floors but may ultimately occupy additional space there when it takes possession of its space in 2025. Meanwhile, the Detroit market's availability rate declined 50 basis points (bps) from the first quarter, with Class A availability falling by 140 bps to 25.8%.

Elevated face rents persist, but concessions bring relief to tenants

Asking rents this period were virtually unchanged from the first quarter, with overall rates at \$21.84 per square foot (psf). The market has observed marked growth in face rents over the past year, much of which was a result of rising property taxes and operating expenses that are often passed through to tenants. Class A rental rate growth has been even more pronounced, due in part to record-high pricing at the newest developments. Despite elevated face rents, tenants typically garnered relief via significant landlord concessions in the form of tenant improvement allowances and rental abatement.

Ford's new tech campus brings Detroit's economy into focus

The reopening of Michigan Central Station, following a six-year renovation and nearly \$1 billion of investment from Ford Motor, brought Detroit's regional economy into the national spotlight in June. The unemployment rate in the MSA consistently held below or even with the national U.S. rate over the past two years, while University of Michigan economists recently forecasted steady economic growth for the area through 2028. However, the region witnessed negative office-using employment growth for more than a year, the impact of which may act as a drag on transaction volumes.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	84.1 msf	84.5 msf	+0.4 msf
Availability Rate	24.0%	24.9%	+90 bps
Asking Rental Rate	\$20.49	\$21.84	+6.6%
Class A Asking Rental Rate	\$21.87	\$24.01	+9.8%
Quarterly Leasing Activity	0.7 msf	0.8 msf	+0.1 msf
Available Sublease Space	2.6 msf	2.5 msf	-0.1 msf

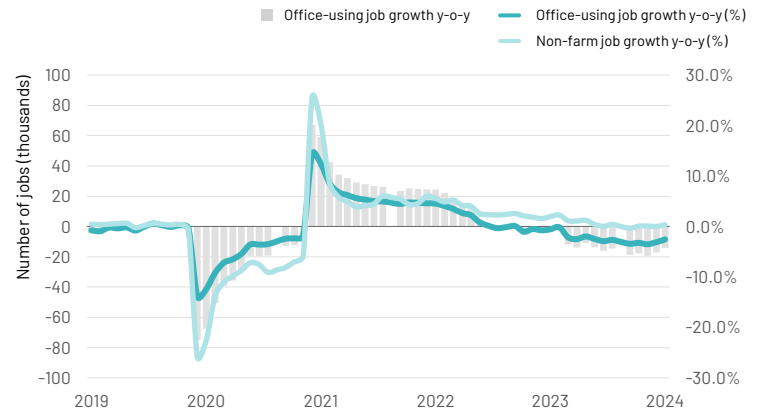
Outlook

01 As many building owners observe diminished income streams, tenants active in the market must be assured that a prospective landlord can fund operations and meet their financial obligations

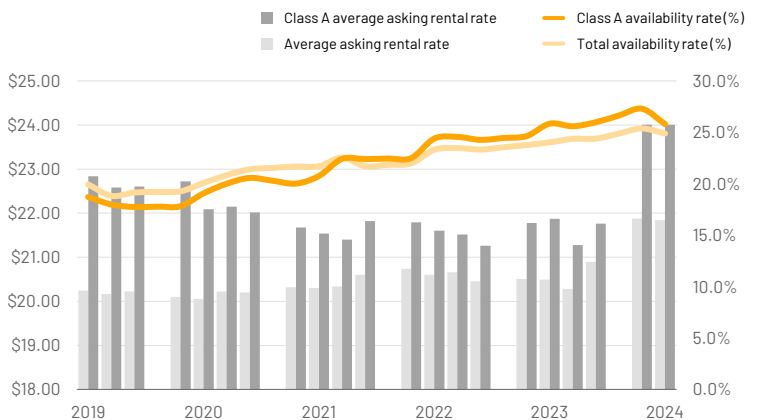
02 Tenant-favorable conditions should prevail for the remainder of the year, in all but the tightest of submarkets, as landlords face an environment of fundamentally altered demand

03 Investment sale volumes have nowhere to trend but upward, as capital markets activity has been remarkably dormant in the first half of the year with investors waiting on more favorable interest rates

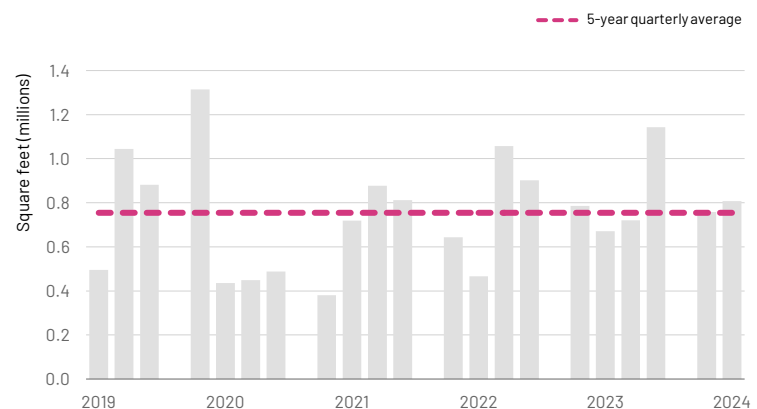
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

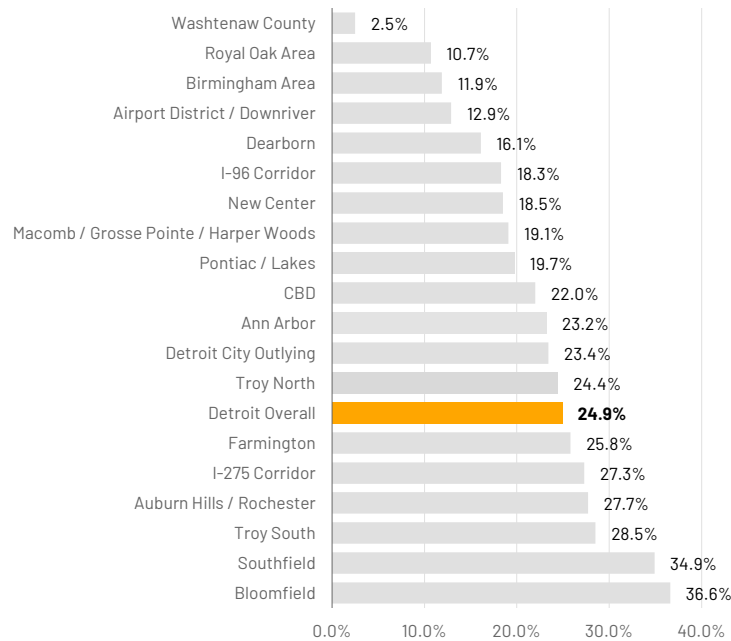
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
General Motors	● Manufacturing	CBD	1240 Woodward Avenue	98,000	Relocation
Plastic Omnium	● Manufacturing	Troy North	4685 Investment Drive	77,000	Relocation
Victors Home Solutions	● Architecture, Engineering and Construction	I-275 Corridor	41100 Plymouth Road	50,000	Relocation
Sam Bernstein Law Firm	● Legal Services	Farmington	31440 Northwestern Highway	46,000	Relocation
JPMorgan Chase	● Financial Services and Insurance	Birmingham Area	370 Brown Street	42,000	Relocation
Dynatrace	● TAMI	CBD	1 Campus Martius	35,000	Relocation
Brightworks Coworking	● Coworking and Executive Suite Companies	Ann Arbor	3027-3061 Miller Road	20,000	New Location
Burns & McDonnell	● Architecture, Engineering and Construction	Southfield	4000 Town Center *	19,000	Relocation
HDR	● Architecture, Engineering and Construction	Ann Arbor	2723 S State Street	16,000	Relocation
Benteler Automotive	● Manufacturing	Auburn Hills / Rochester	900 N Squirrel Road	16,000	New Location

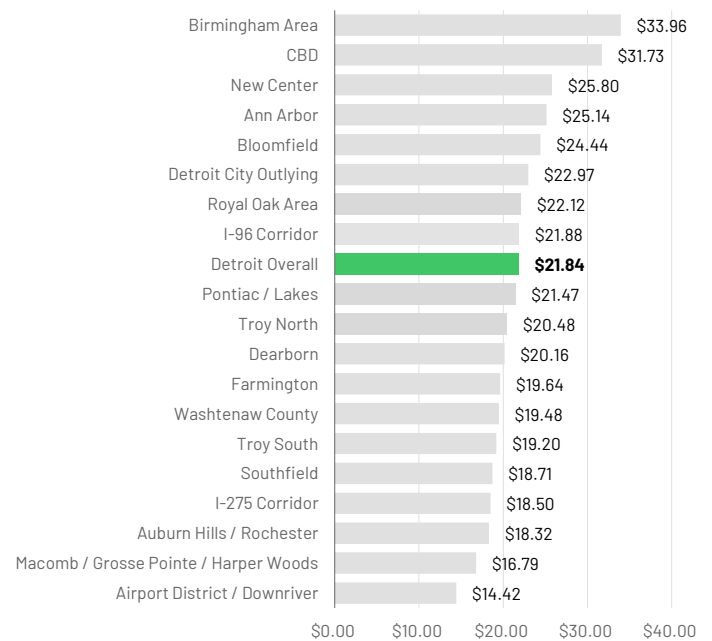
Availability Rate Comparison (%)

DETROIT SUBMARKETS



Rental Rate Comparison (\$/sf)

DETROIT SUBMARKETS



Detroit Q2 2024 - Office

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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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