

# Detroit

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## Market availability remains elevated at close of year despite uptick in transaction volumes

The Metro Detroit region experienced a solid close to 2023 as measured by transaction volume. The 1.1 million square feet (msf) transacted in the fourth quarter was Detroit's best performance since the pandemic fundamentally altered office utilization and occupier demand. A large portion of the quarter's activity was comprised of Blue Cross Blue Shield of Michigan's renewal of 307,000 square feet (sf) at 500 Renaissance Center. Additionally, some of the deals closed this quarter represented significant tenant rightsizing, including TD Auto Financing's relocation into 35,000 sf at Southfield's Two Towne Square that marked a 77 percent reduction in space from its previous occupancy in Farmington Hills. Overall Q4 market availability stood at 24.4%, minimally changed from the previous quarter, as well as up by just 60 basis points (bps) from a year ago. The city of Detroit exhibited greater softening conditions, with availability increasing 170 bps to 19.4%.

### Face rents inch up in 2023 despite softened tenant demand

Asking rents moderately increased among both Class A & B properties in 2023 yet remained lower than previous years. Class A rents jumped 24.4% year-over-year to \$21.76 per square foot (psf) but are 4.2% below the Q1 2020 pre-pandemic average. Furthermore, favorable landlord concessions are regularly observed in terms of closed deals, including significant tenant improvement allowances and rent abatement. Despite both Rocket Mortgage and American Rheinmetall Vehicles executing sizable sublease deals this period, the market's sublease supply held steady at 2.5 msf, well above the long-term average.

### Investment sales market remained largely dormant in 2023

Not unlike most U.S. markets, Detroit witnessed mostly inactive capital markets activity in the fourth quarter as hesitant investors largely remained on the sidelines. In the largest deal closed this period, Friedman Real Estate acquired the 500 and 600 towers of the Renaissance Center in Detroit's CBD from Public Service Enterprise Group at an undisclosed price.

## Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	83.9 msf	84.1 msf	+0.2 msf
Availability Rate	23.8%	24.4%	+60 bps
Asking Rental Rate	\$20.22	\$20.89	+3.3%
Class A Asking Rental Rate	\$21.26	\$21.76	+2.4%
Quarterly Leasing Activity	0.9 msf	1.1 msf	+0.2 msf
Available Sublease Space	2.4 msf	2.5 msf	+0.1 msf

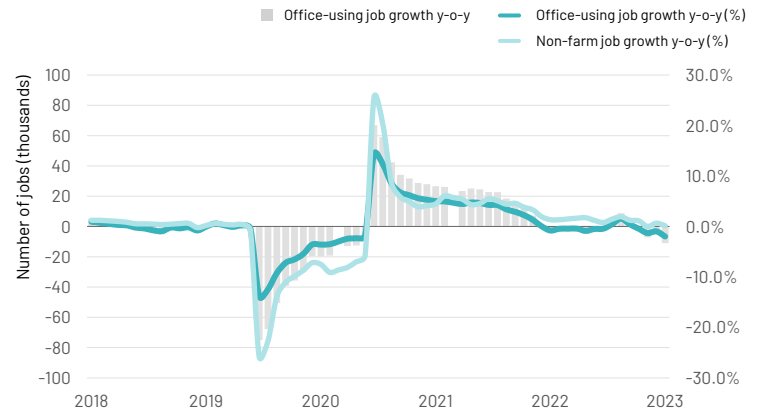
## Outlook

**01** Tenant-favorable conditions are expected to prevail in 2024 as landlords will continue to face an environment of fundamentally altered occupier demand

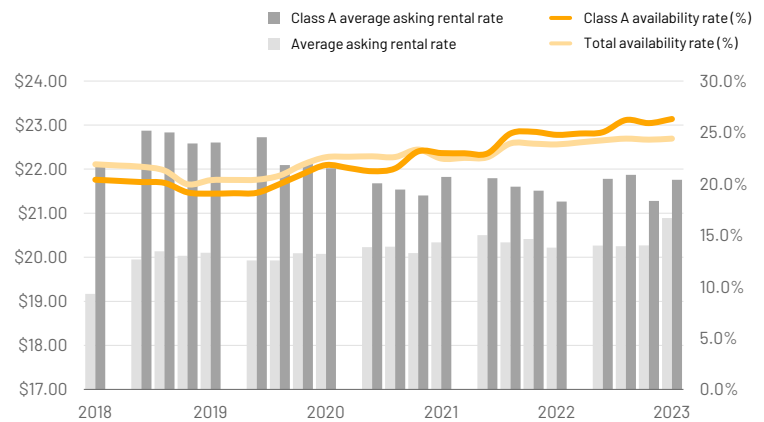
**02** The growth in availability across the market is likely to slow or even flatline in the near term as firms increasingly recommit to bringing employees back to the office

**03** Office-using employment growth was negative in the last four months of 2023, and leasing volumes could be negatively impacted in 2024 if regional hiring remains diminished

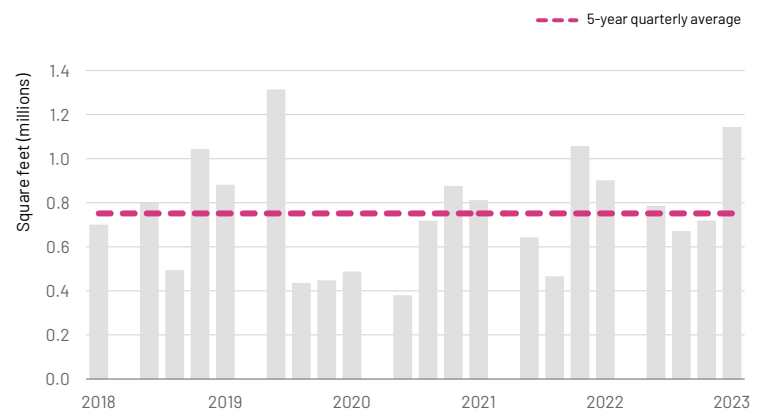
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

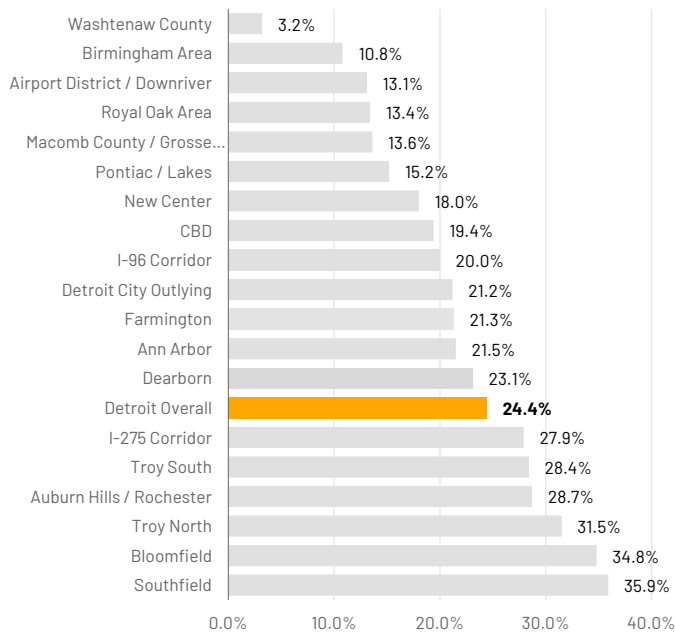
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Blue Cross Blue Shield of Michigan	Financial Services & Insurance	CBD	500 Renaissance Center	307,000	Renewal
Rocket Mortgage	Financial Services & Insurance	CBD	1 Campus Martius	67,000	Expansion**
American Rheinmetall Vehicles	Manufacturing	Troy South	3155 W Big Beaver Road	42,000	New Location**
TD Auto Finance	Financial Services & Insurance	Southfield	2 Towne Square	35,000	Relocation
Maddin Hauser Roth & Heller PC	Legal Services	Southfield	1 Towne Square	29,000	Relocation
Bamboo Coworking	Coworking	Ann Arbor	301 W Washington Street	24,000	New Location
Hatzel & Buehler	Architecture, Engineering & Construction	Southfield	2 Corporate Drive	16,000	Relocation
Motor & Equipment Manufacturers Association	Associations and Non-profit Organizations	Southfield	25925 Telegraph Road	14,000	Renewal
Entrega Systems Group	TAMI	Troy South	900 Wilshire Drive	13,000	Extension
Brooks Kushman PC	Legal Services	Royal Oak Area	150 W Second Street	13,000	Relocation

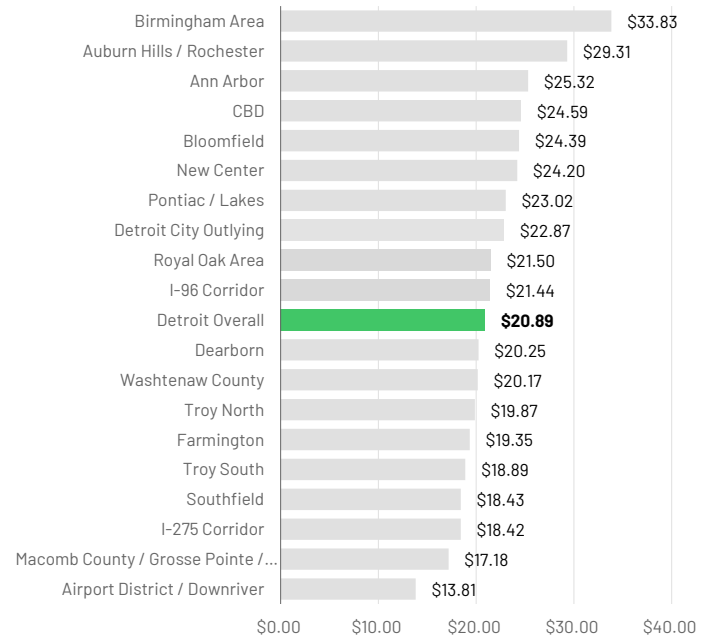
## Availability Rate Comparison (%)

DETROIT SUBMARKETS



## Rental Rate Comparison (\$/sf)

DETROIT SUBMARKETS



## Detroit Q4 2023 - 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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