

Overall fundamentals of Detroit market soften, but options tighten in most desirable locales

The Detroit market witnessed overall office availability soften in the fourth quarter. The region stood at 20.5% available, exhibiting a 20-basis-point increase over the previous quarter. Class A availability was nearly unchanged, inching down 10 basis points (bps) to 18.9%. Options tightened in the Royal Oak and Birmingham submarkets, where availability rates stood at 6.0% and 9.9%, respectively. Likewise, the City of Detroit's CBD (15.0%) and New Center (19.0%) witnessed availability fall by 130 and 440 bps from last quarter. Meanwhile, soft conditions persisted in the Southfield submarket, where availability surpassed 30.0%. Elevated availability in Southfield was notably impacted by several hundred thousand square feet of newly marketed space at the former Blue Cross Blue Shield of Michigan buildings on Eleven Mile Road at Inkster Road.

Overall asking rents inch upward, but Class A rates slightly retreat

Overall asking rents in the Detroit market averaged \$19.42 per square foot (psf), increasing 0.7% from the previous quarter, and were up 1.8% over one year prior. However, Class A rents have witnessed a slight pullback, declining 1.3% year over year to \$21.90 psf. As many suburban occupiers continue to explore relocation options within the City of Detroit, rents across all Detroit submarkets continue to push up, increasing 6.4% year over year, to \$23.14 psf. Asking rents fell more than 2.2% this quarter in the Pontiac / Lakes submarket, where above average availability exceeds 27.0%.

Largest lease deals concentrated within City of Detroit

The City of Detroit was regularly the focal point for sizable fourth quarter lease transactions. The top five deals by rentable square feet, and seven of the top ten, were located within the city limits. In the quarter's largest transaction, WPP leased 153,000 sf at the Marquette Building (243 West Congress Street), where it will relocate in late 2020 from its current Dearborn location. Strategic Staffing Solutions is departing the CBD for New Center, having committed to more than 57,000 sf at the Fisher Building (3011 West Grand Boulevard). Meanwhile, coworking operators are increasingly spotting opportunity in Detroit. Spaces leased 47,000 sf at the Women's City Club Building (2110 Park Avenue), while Venture X took 22,000 sf across three floors at 220 West Congress Street.

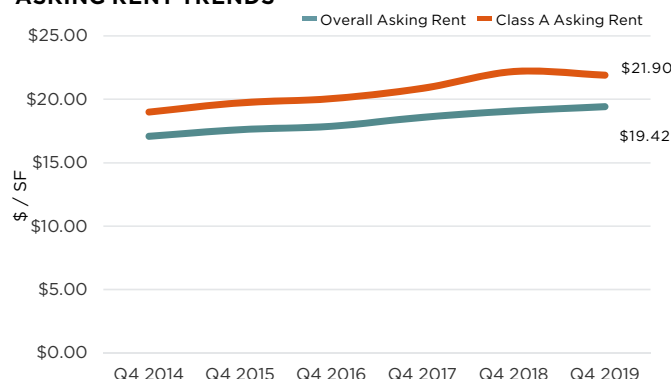
Outlook

- While tenant favorable conditions exist throughout the region, the most highly sought-after markets, including Downtown Detroit, Royal Oak, Birmingham, and Ann Arbor, have limited availability for medium to large occupiers
- Available sublease space increased each quarter in 2019, and currently stands at more than 1.7 msf, providing new value opportunities for tenants with some flexibility
- The Detroit Regional Chamber's annual State of the Region report struck a mostly positive tone, observing a growing regional economy, millennial population growth (2.5%) exceeding the national average (0.8%), and median household income growing at 3.6%, compared to 2.7% nationally

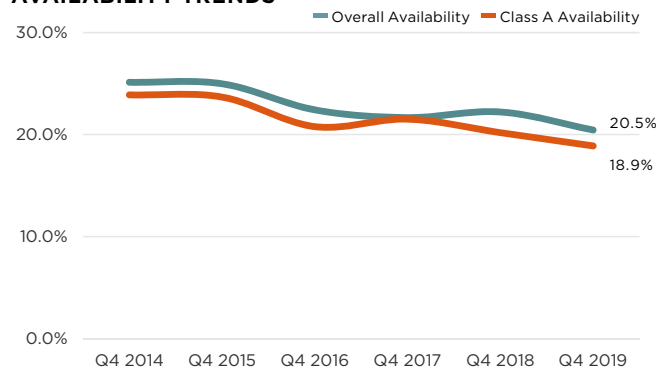
KEY STATISTICS

	Q4 2018	Q4 2019	y-o-y Change
Inventory	80.1 MSF	80.7 MSF	▲
Availability Rate	22.2%	20.5%	▼
Asking Rental Rate	\$19.08	\$19.42	▲
Class A Asking Rental Rate	\$22.19	\$21.90	▼
Quarterly Leasing Activity	0.7 MSF	0.8 MSF	▲

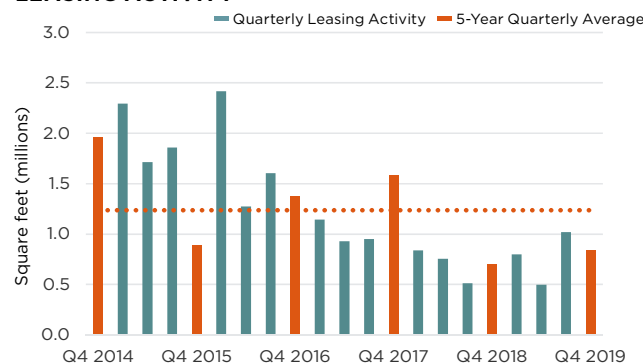
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

87.7%

of major transactions were **new locations**

64.3%

of large transactions occurred within the **CBD**

60.8%

Professional services represented 60.8% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
WPP PLC	153,000	243 W Congress Street	New Location	CBD	Professional Services
Strategic Staffing Solutions	57,400	3011 W Grand Boulevard	New Location	New Center	Professional Services
Spaces	47,000	2110 Park Avenue	New Location	CBD	Coworking
Boston Consulting Group	30,000	2715 Woodward Avenue	New Location	New Center	Professional Services
Venture X	21,921	220 W Congress Street	New Location	CBD	Energy & Utilities
PulteGroup Inc	21,411	2800 Livernois Road	New Location	Troy South	Construction
U.S. State Department	17,308	211 W Fort Street	Renewal	CBD	Government
Defense Acquisition University	16,181	38219 Mound Road	Renewal	Macomb County / Grosse Pointe / Harper Woods	Government
DocNetwork	16,097	5430 Data Court	New Location	Ann Arbor	TAMI
Bank of America	15,199	500 Griswold Street	Renewal	CBD	Financial Services

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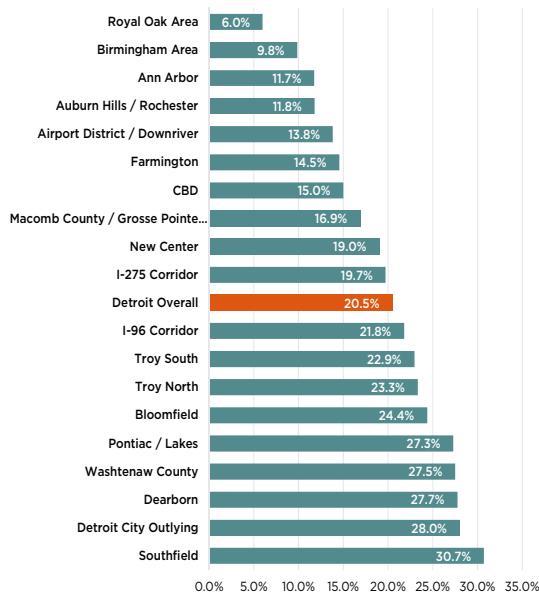
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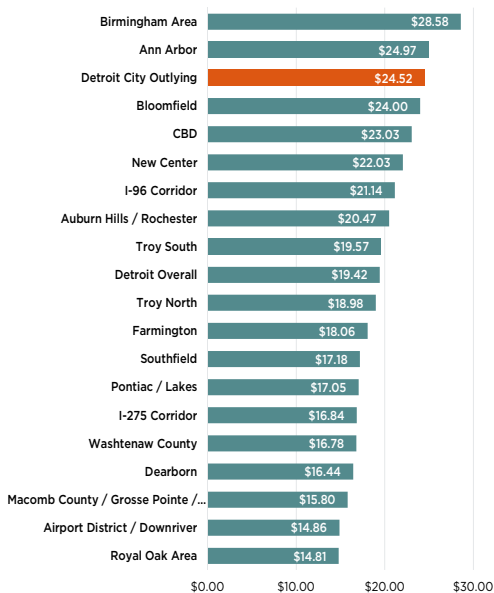
AVAILABILITY RATE COMPARISON

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.

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