



## Detroit office market dynamics largely unaltered in 2021, but conditions remain comparatively soft

While leasing activity in the Detroit office market picked up in the latter half of 2021, the region nevertheless remained mired by the effects of the pandemic and work-from-home. Rents have generally remained flat over the last two years, while availability has slowly trended upward. Some larger tenants have begun to reengage the market, seeking to capitalize on favorable market conditions and ample quality space options. Detroit has not seen the sudden snap back in leasing activity witnessed by Chicago, New York, and other larger office markets. That said, Detroit's fundamentals have, on the whole, remained steadier than those markets throughout the course of the pandemic.

### Availability remains elevated, but Detroit fundamentals have been less shaken from pandemic

The availability rate across the Detroit market ended 2021 nearly where it started, falling 10 basis points (bps) from EOY 2020 to 22.5%. This relative steadiness was in stark contrast to some regional markets, including Chicago and Toronto, where year-over-year availability surged by 310 and 280 bps, respectively. The supply of available sublease space held steady throughout 2021, but at 2.1 million square feet sublease (msf) availability hovers well above the long-term average. A handful of larger subleases came to market this quarter, including a 76,000 square feet (sf) block at West 11 Corporate Campus in Southfield occupied by Tenneco, and a 38,000 sf space at 27675 Halsted Road in Farmington Hills offered by sublessor iHeartMedia.

### Tenants will continue to hold upper hand in current leasing environment

The fourth quarter saw Detroit's second highest transaction volume of 2021, falling just below levels observed in the third quarter. Among the largest deals closed this period, Walbridge Group renewed its 51,000 sf lease at One Kennedy Square. Meanwhile, cleantech incubator Hatchery revealed plans to open its first U.S. outpost, leasing 25,000 sf at Ottawa Towers in Pontiac. Overall asking rents increased 1.2% from the previous quarter, to \$20.34 per square foot (psf). Landlords have largely held firm on pricing during the pandemic while concessions have been more generous, pushing down net effective rents. Given the current uncertainty surrounding companies' real estate decision making, tenant-favorable conditions should endure as occupier demand remains stunted and quality space options abound.

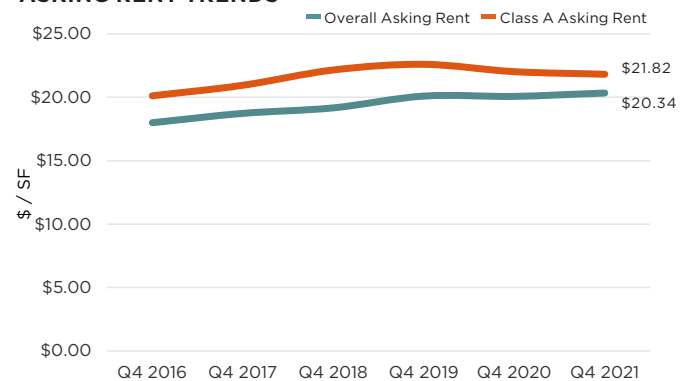
### Outlook

- With demand uncertain and space options aplenty, occupiers will continue to hold the upper hand in negotiations and should expect flexible terms and generous concessions
- With office occupancy diminished by the most recent coronavirus wave, landlords find themselves challenged to lure tenants back to the workplace as many firms consider a hybrid workspace strategy
- While the omicron variant of the coronavirus altered many companies' return-to-work timelines, the late-2021 spike in infections did not significantly alter firms' longer term real estate strategies

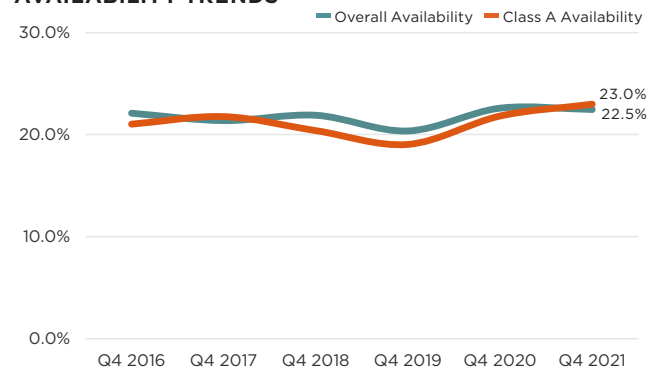
### KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	82.3 MSF	<b>84.1 MSF</b>	▲
Availability Rate	22.6%	<b>22.5%</b>	▼
Asking Rental Rate	\$20.08	<b>\$20.34</b>	▲
Class A Asking Rental Rate	\$22.02	<b>\$21.82</b>	▼
Quarterly Leasing Activity	0.5 MSF	<b>0.8 MSF</b>	▲

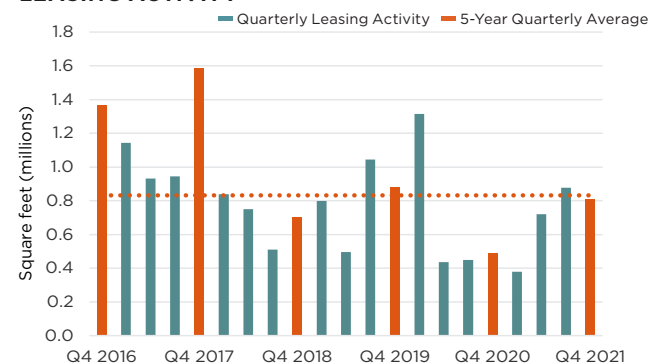
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

42.8%

of major transactions were **renewals** by square footage

41.0%

of large transactions occurred within the **CBD** submarket by square footage

39.5%

**Construction** sector tenants represented 39.5% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Walbridge Group	51,000	777 Woodward Avenue	Renewal	CBD	Construction
The Hatchery	25,000	51111 Woodward Avenue	New Location	Pontiac / Lakes	Professional Services
UBS	23,603	32300 Northwestern Highway	Renewal	Farmington	Financial Services
Real Estate One	21,000	26261 Evergreen Road	Relocation	Southfield	Real Estate
HNTB Corporation	17,127	400 Renaissance Center	Relocation	CBD	Construction
McKinsey & Company	13,470	500 Woodward Avenue	Relocation	CBD	Professional Services
Kajy Law Firm	13,116	18000 W 9 Mile Road	New Location	Southfield	Legal Services
Loan X Mortgage	12,432	34100 Woodward Avenue	Relocation	Birmingham Area	Financial Services
Essex Title	11,856	29777 Telegraph Road	New Location	Southfield	Financial Services
Otis Elevator	10,642	34705 W 12 Mile Road	Renewal	Farmington	Construction

Source Savills Research

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

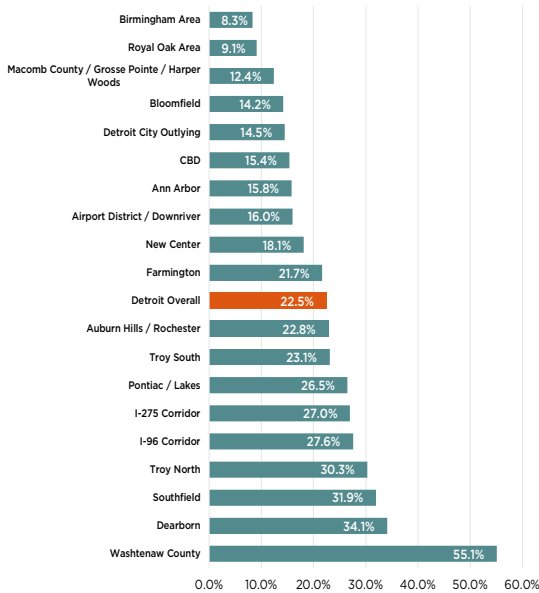
**Anders Klein**  
Regional Research Director, Midwest and Central  
aklein@savills.us

**About Savills Inc.**  
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

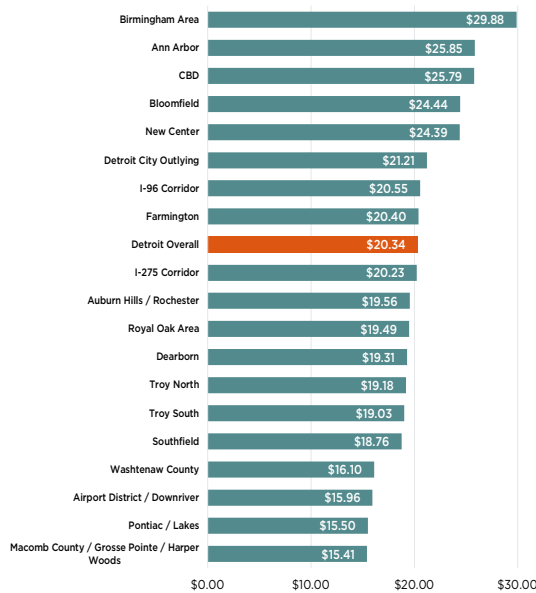
AVAILABILITY RATE COMPARISON

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.

Copyright © 2022 Savills

