

## Uncertainty caused by COVID-19 will test resiliency of Detroit market fundamentals

The rapid arrival of COVID-19 in March injected major disruption to everyday life and introduced considerable uncertainty into the Detroit office market. Governor Whitmer introduced some of the country's most stringent restrictions on non-essential businesses, ordered residents to remain at home through the end of April, and closed schools for the remainder of the academic year. As economists point to a looming recession in the U.S., it is likely that some degree of rental rate compression will be seen throughout the Detroit market. Occupiers able to weather the storm may benefit from an economic interruption via rental rate relief, an increase in available options across the market, and increasingly generous landlord concessions.

### Rental rates hold steady across Metro Detroit; downward tack expected in the coming months

Prior to the recent disruption, overall rents exhibited a slight dip from the previous quarter, falling 0.9% to \$19.93 per square foot (psf). Class A rates increased 0.5% quarter over quarter, but decreased 0.6% over the year to \$22.72 psf. Availability was unchanged from last quarter at 20.4%, but options declined by 130 basis points compared to last year. Within the city of Detroit, conditions have considerably tightened in the past year, with availability falling 460 basis points to 16.8%. Outside of the city, availability varies widely. Conditions remain tightest Royal Oak and Ann Arbor (9.0% and 9.5% available, respectively), while more than a quarter of all space is available in the Dearborn, Southfield, and Pontiac / Lakes submarkets.

### Transaction volume surges prior to new period of economic uncertainty

The Detroit office market witnessed a healthy 1.3 million square feet (msf) transacted in the first quarter, marking an increase of 49.1% from a quarter ago. Occupiers were most active in Southfield, with more than a third of transactions by square footage occurring here. Marelli completed the largest deal this quarter, consolidating several metro Detroit locations by leasing 195,000 square feet (sf) at 26555 Northwestern Highway in Southfield. Also within the submarket, Truck-Lite committed to 55,000 sf at 20800 Civic Center Drive, moving its headquarters to Michigan from Southwest New York. In the Central Business District (CBD) submarket, Urban Science renewed for more than 100,000 sf at 400 Renaissance Center.

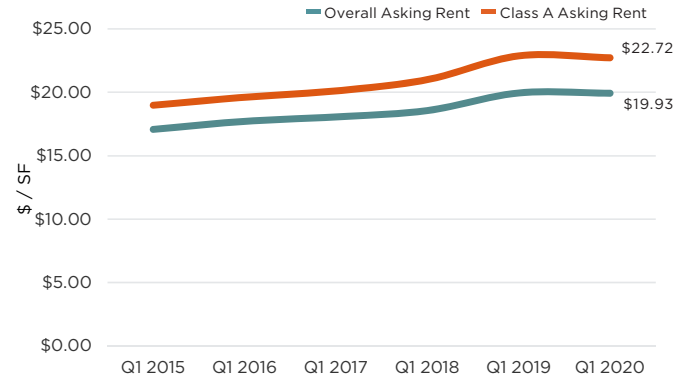
### Outlook

- Deal volume is likely to fall off in Q2 and beyond as companies evaluate the impact and aftermath of COVID-19 on operations
- As market fundamentals tilt towards tenants, expect landlords to become more aggressive at attracting and retaining tenants, given that space demand will be slowing
- While COVID-19 will alter the landscape in the near term, Detroit's comparatively low cost of doing business, along with its large and skilled workforce, should remain an attractive solution for corporate users

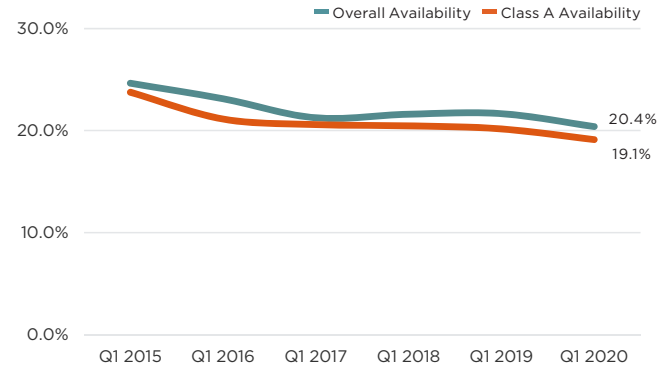
### KEY STATISTICS

	Q1 2019	Q1 2020	y-o-y Change
Inventory	80.8 MSF	<b>81.1 MSF</b>	▲
Availability Rate	21.7%	<b>20.4%</b>	▼
Asking Rental Rate	\$19.95	<b>\$19.93</b>	▼
Class A Asking Rental Rate	\$22.87	<b>\$22.72</b>	▼
Quarterly Leasing Activity	0.8 MSF	<b>1.3 MSF</b>	▲

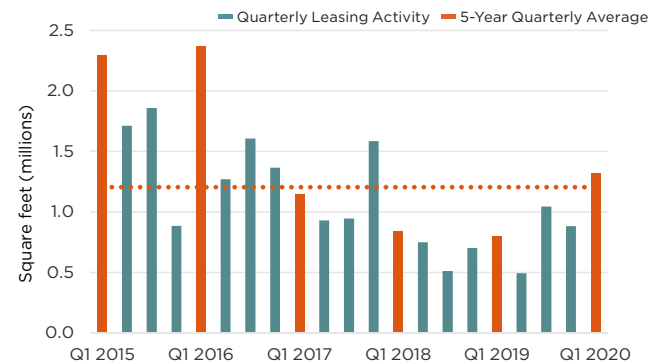
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

6 of 10

major transactions were new locations

33.4%

of large transactions occurred within the Southfield submarket

42.7%

Manufacturing represented 42.7% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Marelli	195,000	26555 Northwestern Highway	New Location	Southfield	Manufacturing
Kelly Services	180,500	999 W Big Beaver Road	Sale-Leaseback	Troy South	Professional Services
Urban Science	103,319	400 Renaissance Center	Renewal	CBD	Professional Services
Irvin Automotive Products	70,000	2600 Centerpoint Parkway	Renewal	Pontiac / Lakes	Manufacturing
Truck-Lite	55,000	20800 Civic Center Drive	New Location	Southfield	Manufacturing
Flagstar Bank	34,473	1450 W Long Lake Road	New Location	Troy North	Financial Services
Billhighway	34,287	5435 Corporate Drive	New Location	Troy North	TAMI
Omnicare	28,524	33510 Schoolcraft Road	Renewal	I-275 Corridor	Pharmaceuticals
Home Point Financial	27,697	2500 Green Road	New Location	Ann Arbor	Financial Services
Bamboo	20,000	220 S Main Street	New Location	Royal Oak Area	Coworking

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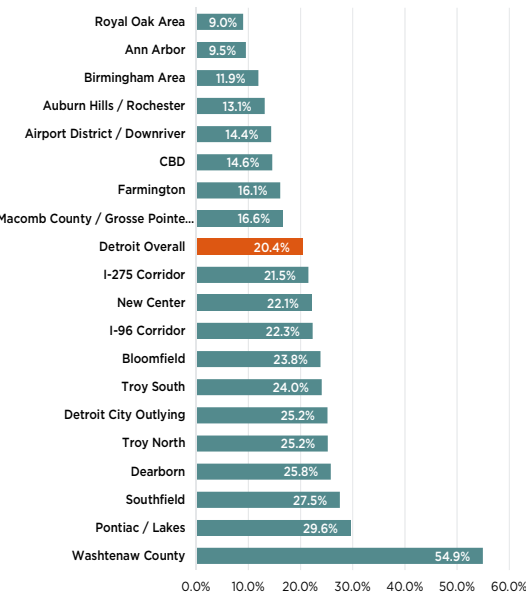
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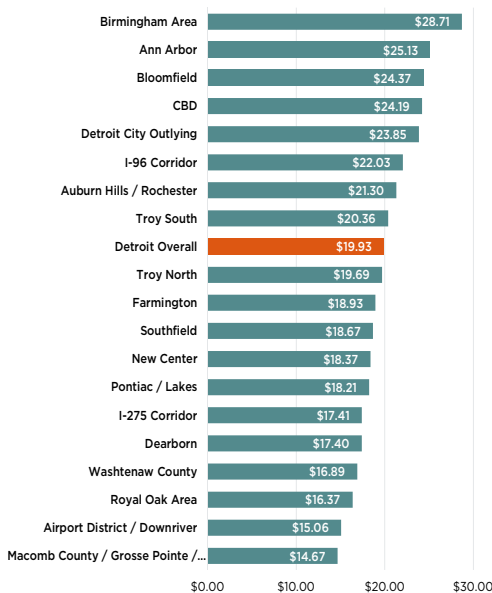
AVAILABILITY RATE COMPARISON

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.

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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