

FIGURES | DETROIT OFFICE | Q2 2023

Negative absorption continues to grow as demand for office space wanes

▲ 19.1%
Vacancy Rate

▲ 25.4%
Availability Rate

▼ (1,070,410)
SF Net Absorption

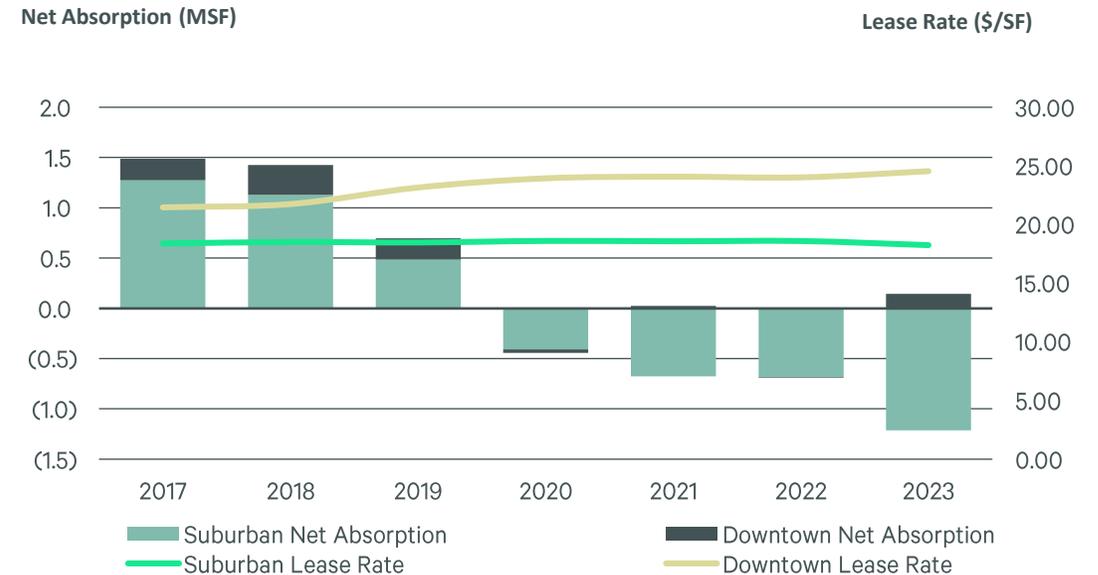
▼ \$19.19
Lease Rate

Note: Arrows indicate change from previous quarter.

Market Summary

- Overall net absorption remained negative this quarter at (1,070,410 SF), experiencing a significant jump from Q1 net of (697,559 SF). The largest increase came within the city of Southfield, which experienced 619,016 SF of negative absorption. Positive news came from Class A buildings within the downtown market that experienced net absorption of 142,750 SF.
- The Book Depository located in Detroit was a bright spot in Q2 directly accounting for 270,000 SF of positive absorption filling its space with multiple start-ups and mobility companies highlighted by Airspace Link, Cavnuue and Canopy.
- Credit Acceptance is downsizing their Southfield office footprint and has put 282,450 SF of their office space located at 25300-25330 Telegraph Road on the market for lease with hopes of selling or leasing the entire building and downsizing their Southfield office footprint.
- Southfield, Troy, Dearborn and Detroit each displayed negative absorption over 100,000 SF.
- At the close of Q2, the construction pipeline consisted of 944,197 SF of space. 882,197 SF of this construction was located in Detroit.

FIGURE 1: Net Absorption and Average Asking Lease Rate



Source: CBRE Research, Q2 2023

Suburban

The suburban office market had an average asking rate of \$18.36/SF with Ann Arbor (\$25.02/SF), Birmingham/Bloomfield (\$24.65/SF) and Detroit (\$24.56/SF) delivering the highest average asking rates within the market. The suburban market experienced a total of 1,213,160 SF of negative absorption during Q2 2023. Contributing to this was the Raleigh Officecentre in Southfield which posted 282,450 SF of negative absorption with Credit Acceptance vacating. Village Plaza in Dearborn experienced 112,254 SF of negative absorption as the building is being vacated to make way for a hotel development.

Downtown

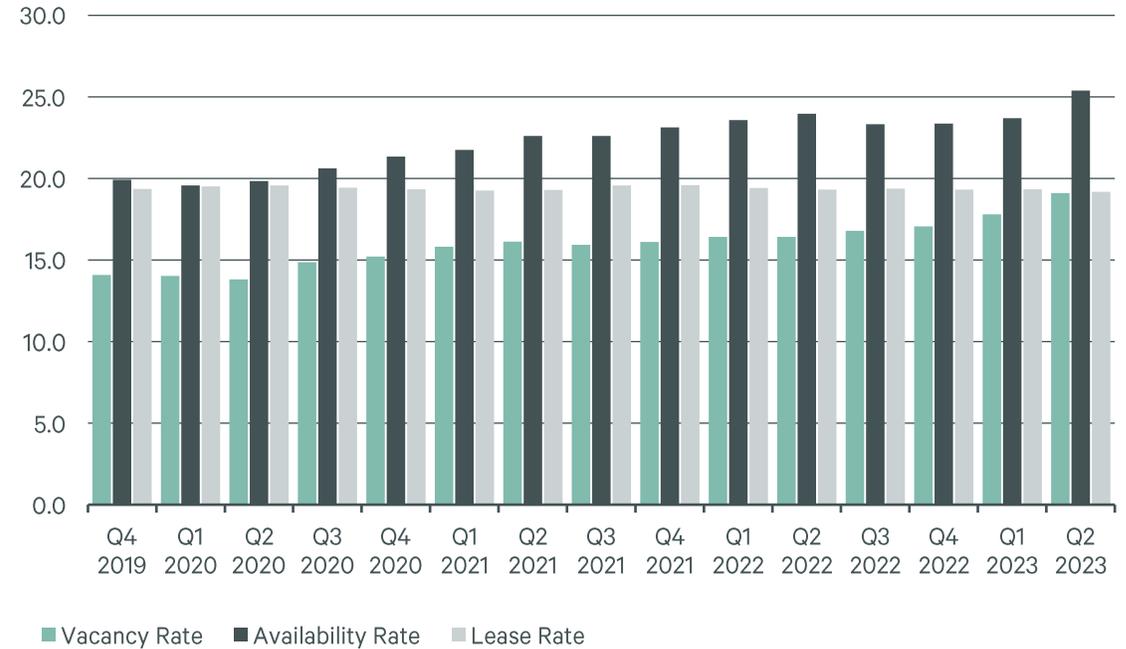
The downtown office market displayed a positive net absorption of 142,750 SF with class A buildings accounting for positive absorption numbers of almost 220,000 SF. The downtown vacancy rate remained fairly consistent to Q1 numbers coming in at 16.4% in Q2. The positive absorption was reflected by the Book Depository completing construction, along with Kinetic Computer Solutions signing a lease for 35,753 SF and Kuehne & Nagel Inc. signing a lease for 40,734 SF. The downtown office market had a Q2 average asking rental rate of \$24.46/SF.

Transaction Type	Tenant / Buyer	Location	Transaction Size (SF)	Industry
New Lease	Kuehne & Nagel, Inc.	601 W Fort Street, Detroit	40,734	Logistics
New Lease	Pet Supplies Plus	17410 College Pkwy, Livonia	39,672	Retail
New Lease	Guardian Alarm	26711 Northwestern Hwy, Southfield	37,111	Security Systems
Renewal	Arden Companies	30400 Telegraph Rd, Bingham Farms	33,121	Manufacturing
New Lease	Confidential	500 Woodward Ave, Detroit	23,966	Confidential

Source: CBRE Research, Q2 2023

FIGURE 3: Vacancy, Availability, and Average Asking Lease Rate

Vacancy (%) and Lease Rate (\$/SF)



Source: CBRE Research, Q2 2023

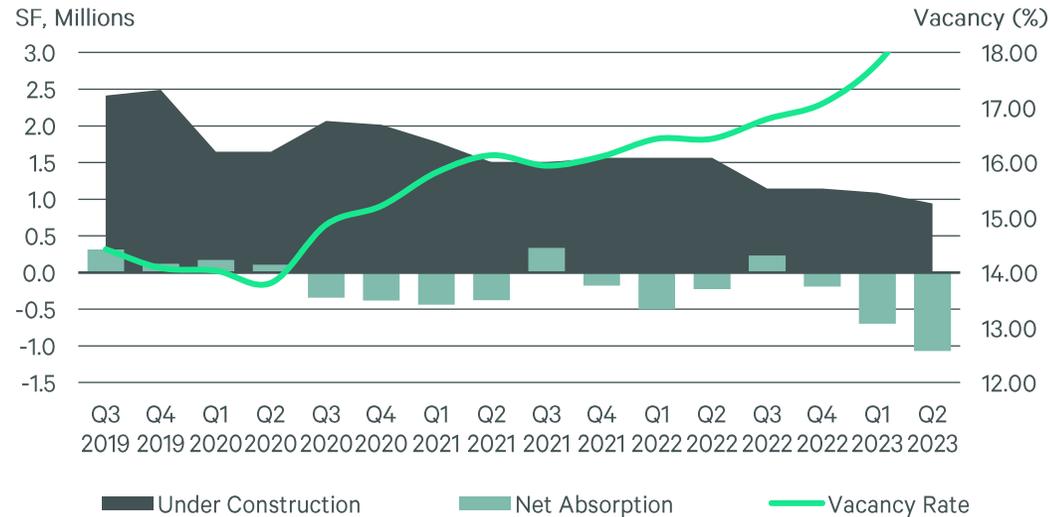
Construction

In Q2, the Detroit market had 944,197 SF of space under construction. Construction activity this quarter is highlighted by two class A buildings in Detroit, Hudson’s Site and Michigan Central Station. Both state-of-the-art buildings are expected to be completed during 2024. Ford unveiled the Book Depository site which completed construction this quarter. This in turn aided in the process of delivering 270,000 SF of positive net absorption for the downtown office market.

Vacancy and Absorption

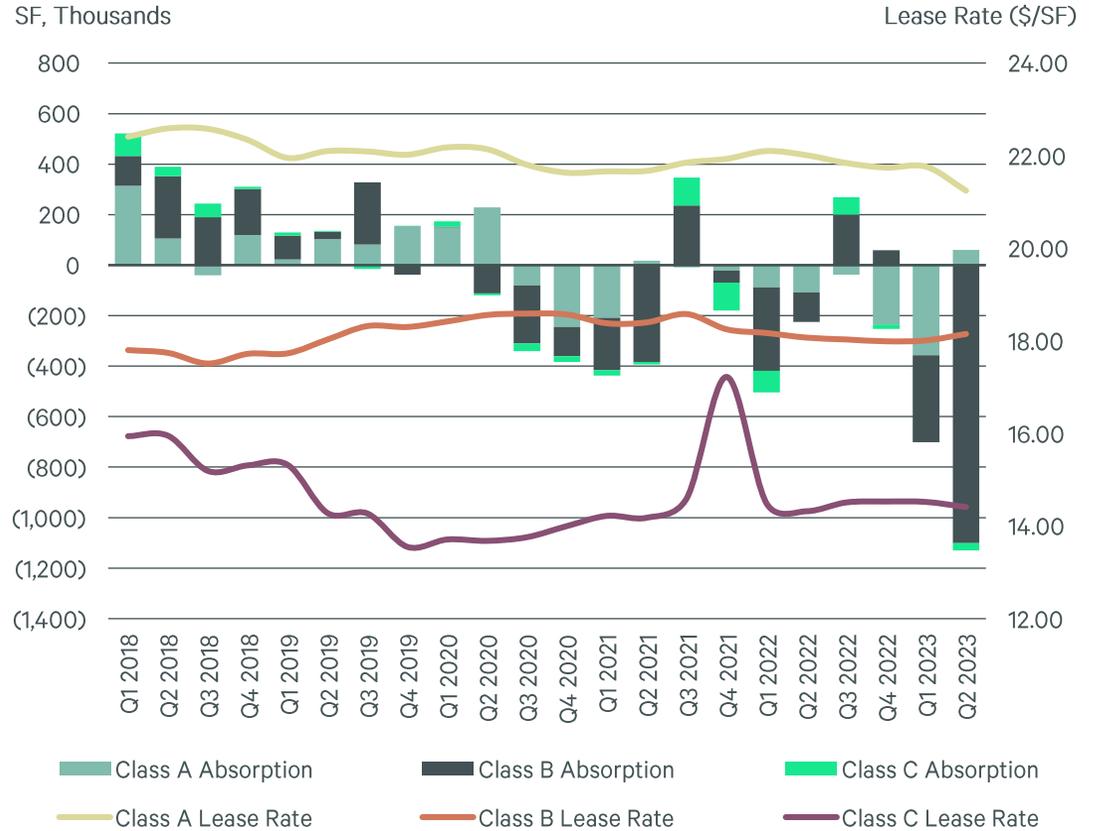
The vacancy rate experienced an increase from 17.8% in Q1 to 19.1% this quarter. Negative net absorption spiked to 1,070,410 SF as companies are trying to combat the work from home and hybrid work models while establishing a strategy for the future of office space. This is the 3rd consecutive quarter of negative net absorption faced by the Detroit office market, as the deficit has grown steadily since Q4 of 2022.

FIGURE 4: Net Absorption, Under Construction Sq. Ft., and Vacancy Rate



Source: CBRE Research, Q2 2023

FIGURE 5: Net Absorption and Lease Rate by Class



Source: CBRE Research, Q2 2023

FIGURE 6: Detailed Market Statistics by Submarket

Submarket	Market Size (SF)	Vac. Rate (%)	Avail. Rate (%)	Avail. Sublease (SF)	Q2 2023 Net Absorption (SF)	2023 Net Absorption (SF)	Gross Asking Lease Rate (\$/SF)
Ann Arbor	5,800,735	15.9	21.0	232,252	(213,704)	(292,120)	\$25.02
Auburn Hills	2,152,118	23.9	27.6	92,850	(885)	(8,119)	\$18.49
Birmingham /Bloomfield	5,841,723	12.6	17.6	69,298	5,221	37,642	\$24.65
Dearborn	4,120,297	24.7	30.6	0	(100,094)	(160,603)	\$16.56
Farmington Hills/West Bloomfield	6,594,374	17.2	21.9	108,567	(74,606)	(215,076)	\$17.81
I-275 Corridor	5,548,296	16.7	24.9	186,609	15,407	(41,775)	\$18.78
Macomb	1,331,663	7.7	9.7	0	(9,807)	1,634	\$16.44
Rochester	543,803	4.5	8.0	0	(1,326)	(6,894)	\$16.90
Southfield	16,881,776	25.4	35.8	766,369	(619,016)	(680,467)	\$16.93
Troy	12,836,496	20.5	29.3	394,037	(214,350)	(203,887)	\$17.21
SUBURBAN TOTAL	61,651,281	20.0	27.4	1,849,982	(1,213,160)	(1,569,665)	\$18.36
DOWNTOWN TOTAL	18,922,692	16.4	19.1	408,106	142,750	(198,304)	\$24.56
METRO DETROIT TOTAL	80,584,479	19.1	25.4	2,258,088	(1,070,410)	(1,767,969)	\$19.19

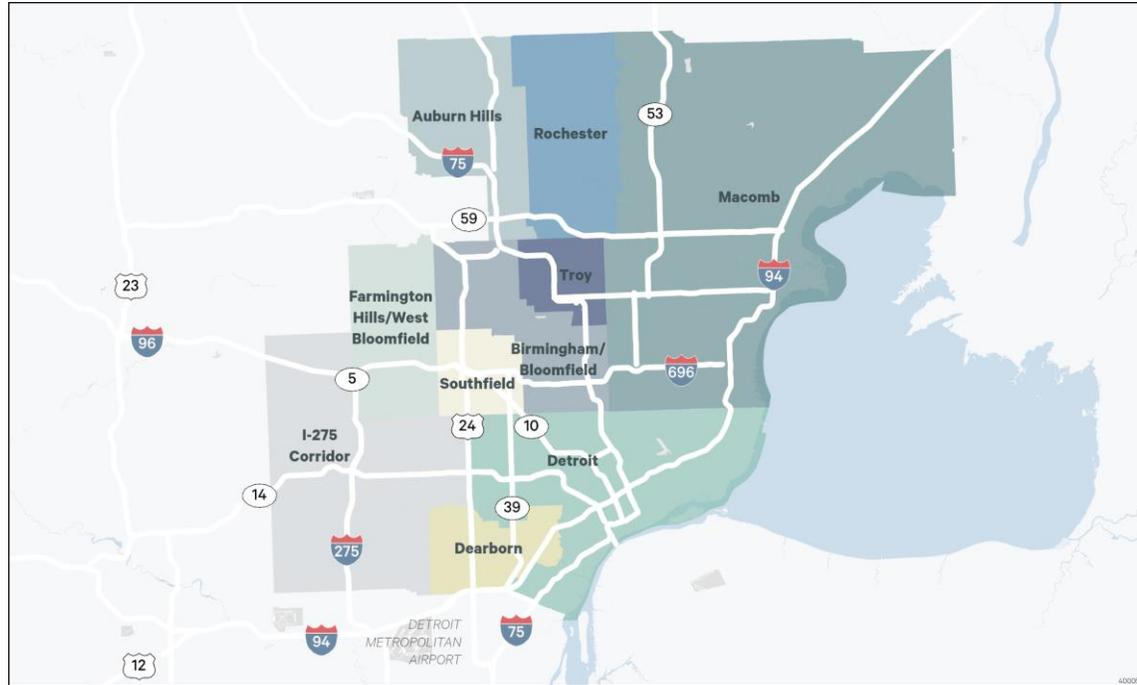
Source: CBRE Research, Q2 2023

FIGURE 7: Detailed Market Statistics by Index and Class

Index and Class	Market Size (SF)	Vac. Rate (%)	Avail. Rate (%)	Avail. Sublease (SF)	Q2 2023 Net Absorption (SF)	2023 Net Absorption (SF)	Gross Asking Lease Rate (\$/SF)
Class A	23,818,350	17.7	24.9	777,195	(163,588)	(275,123)	\$20.23
Class B	32,583,484	23.0	20.9	1,072,787	(1,074,327)	(1,324,329)	\$17.51
Class C	5,249,447	11.2	17.3	0	24,755	29,787	\$13.71
SUBURBAN TOTAL	61,651,281	20.0	27.4	1,849,982	(1,213,160)	(1,569,665)	\$18.36
Class A	9,731,754	17.9	19.8	360,494	223,564	(22,380)	\$26.88
Class B	7,139,750	17.4	20.8	29,324	(26,437)	(120,657)	\$22.54
Class C	2,051,188	5.9	9.6	18,288	(54,377)	(55,267)	\$24.14
DOWNTOWN TOTAL	18,922,692	16.4	19.1	408,106	142,750	(198,304)	\$24.56
Class A	33,550,104	15.4	23.4	1,137,689	59,976	(297,503)	\$21.24
Class B	39,733,740	19.7	29.1	1,102,111	(1,100,764)	(1,444,986)	\$18.15
Class C	7,300,635	9.7	15.1	18,288	(29,622)	(25,480)	\$14.41
METRO DETROIT TOTAL	80,584,479	17.0	25.4	2,258,088	(1,070,410)	(1,767,969)	\$19.19

Source: CBRE Research, Q2 2023

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total building Area. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Gross Activity:** All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, operating expenses, and common area maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. **Net Lease Rate:** Rent excludes one or more of the “net” costs (real property taxes, building insurance, operating expenses, and common area maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied within 30 days.

Survey Criteria

Includes office buildings 30,000 sq. ft. and greater in size. Excludes single-tenant owner-occupied buildings, government-owned-and-occupied buildings, and medical buildings. Buildings which have begun construction as evidenced by site excavation or foundation work.

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