Market fundamentals stabilize ahead of anticipated new construction

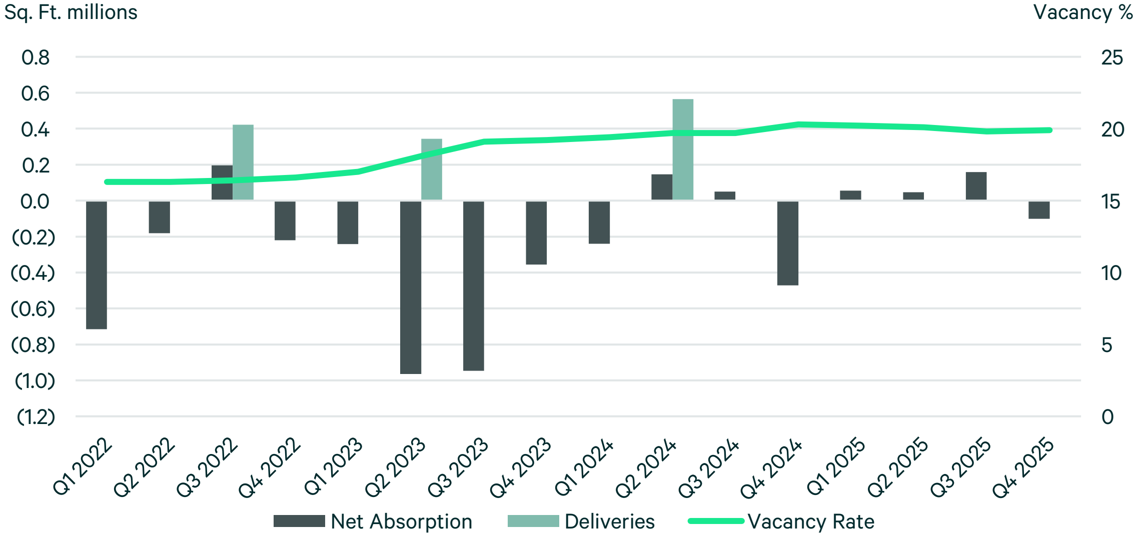
▲ 19.9%	▼ (100,444)	▲ 161,326	▶ 0	▶ 677,706	▲ $20.67
Vacancy Rate	Q4 SF Net Absorption	YTD SF Net Absorption	SF Construction Delivered	SF Under Construction	FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- The Detroit office market experienced a net absorption of (100,444) sq. ft. in Q4, marking the first quarter of negative absorption in 2025. Year-to-date, the Detroit market has absorbed 161,326 sq. ft., marking the first year of positive absorption over a span of five years.
- The vacancy rate ticked up by 10 bps at 19.9% in Q4, remaining under the year-to-date peak in Q2 of 20.1%. Class A vacancy remained stable at 18.2%, consistent with the previous quarter. Downtown vacancy ticked up 80 bps at 17.7% for Q4.
- In Q4 there was 486,114 sq. ft. of total leasing activity completed, inclusive of all sizes. Driven by leases under 10,000 square feet in size, year-to-date leasing activity ended 2025 with a total of 2.6 million square feet.
- Construction activity in the Detroit market remained stable in Q4. There are currently 5 buildings underway for a total of 677,706 sq. ft. Hudson's Detroit is set to be delivered in Q1 2026 and 3 other projects will be delivered in Q2 2026. The last project is expected in Q2 of 2027.
- Asking rents slightly increased from the previous quarter, ending Q4 at $20.67. Class A rents maintained a 11.65% higher rate than the market average.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2025

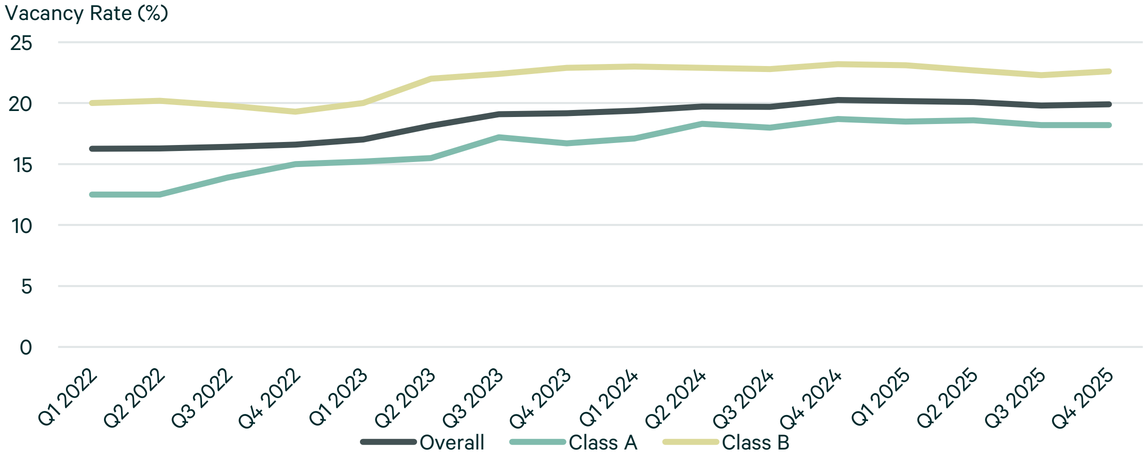
Vacancy

In Q4 25 the overall office vacancy rate finished at 19.9%, up 10 bps from Q3. This rate is 40 bps down from the all-time market peak of 20.3% in Q4 2024. Vacant sq. ft. increased by 100k quarter over-quarter and decreased by 222k year-over-year.

Class A office vacancy was 170 bps below the market average at 18.2% while Class B reached 22.6%, 270 bps higher than the market average. Class A vacancy has decreased 50 bps year-over-year. The Class B rate rose by 30 bps from the previous quarter.

The downtown vacancy rate stood at 17.7%, which is 220 basis points below the market average, but increased by 80 basis points from the previous quarter. The suburban vacancy rate remained relatively stable at 20.6%, which is 70 basis points above the market average and 10 basis points lower than the previous quarter.

FIGURE 2: Vacancy Rates by Class



Source: CBRE Research, Q4 2025

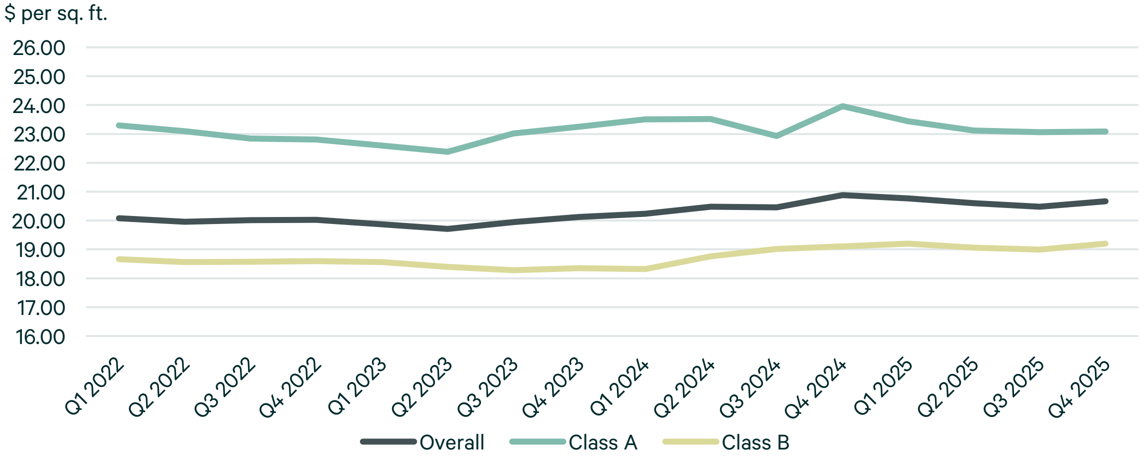
Asking Rent

The Detroit office market rents moved slightly higher in Q4 with an average direct asking rate of $20.67 per sq. ft. This represents a 0.9% increase quarter-over-quarter and a 0.5% decrease year-over-year.

In Q3, Class A product averaged asking rates that were 11.65% higher than the full market rate at $23.08 this was a $0.02 increase from the previous quarter. Similarly, downtown office rents held at $27.07 which was 31% higher than the market average. The Detroit Class A CBD office buildings held an average rate of $33.16 which drives the downtown rents.

The suburban market rates averaged $19.03 in Q4, an increase of 1% from the previous quarter. Ann Arbor continues to have the highest rates in the suburban market with a Q4 rent of $25 per sq. ft. Closely followed by Birmingham/Bloomfield at rent of $20.04. Dearborn continues to have the lowest rate at $16.17. However, Farmington Hills/West Bloomfield and Rochester have both dipped down into the $16 per sq. ft. range.

FIGURE 3: Avg. Direct Asking Rate (FSG/YR) by Class



Source: CBRE Research, Q4 2025

Net Absorption

Net absorption was (100,444) sq. ft. in Q4 25. This quarter is the first quarter of negative absorption in 2025 for the Detroit market. Year-to-date, the market has absorbed 161,326 sq. ft., marking the first year of positive absorption over a span of five years. This number sits well above the 3-year average of (236,345) sq. ft. in absorption per quarter.

The suburban markets led the way in Q4 with a positive 53k sq. ft. absorbed. They have posted a strong year-to-date performance of 323,387 sq. ft. in positive absorption. The downtown market presented (153,518) sq. ft. in Q4. This is the largest quarter of negative absorption for downtown, year-to-date.

Most of the positive absorption in Q4 comes from the Troy submarket. Troy absorbed 149k sq. ft., the second closest submarket was the I-275 corridor with 32k sq. ft. The Detroit submarket led the negative absorption with (153k) sq. ft.

Over the last four quarters Class A net absorption totaled 126,220 sq. ft. Over the last 5 years cumulative Class A net absorption was (1.3) million sq. ft.

Construction Activity

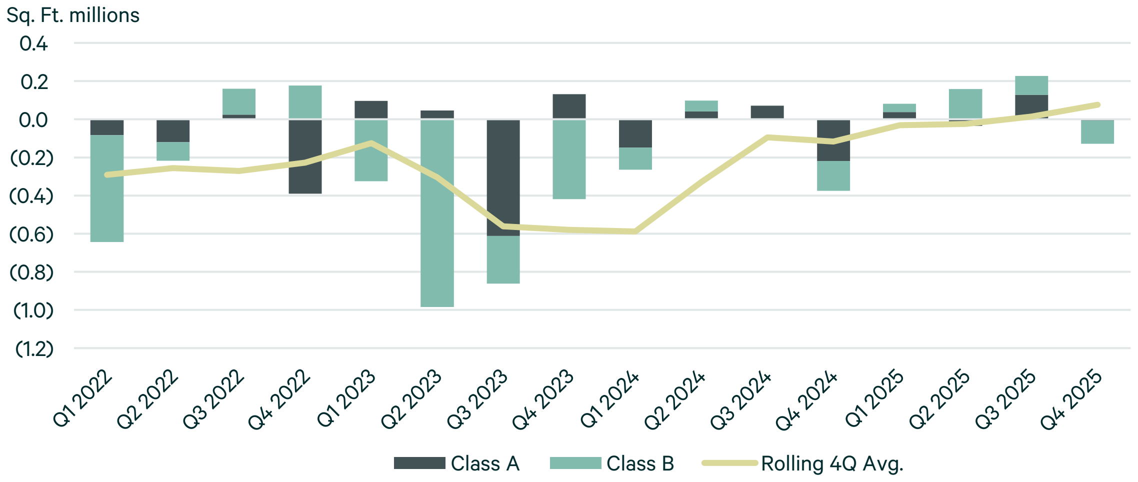
In Q4 there was a total of 677,706 sq. ft. in the construction pipeline. The pipeline has remained consistent since Q1 2024.

Hudson's Detroit remains 8.4% available with no new activity in Q4. Tecovas, the second retail tenant, has open their doors in Q4. Maple Office Park II, 22k sq. ft., and 479 Old Woodward Ave, 32k sq. ft., both remain 100% available.

The delivery date of the 380k sq. ft. office portion of Hudson's Detroit has been pushed back to Q1 26. A 200k sq. ft. Detroit project, the UofM Innovation Center, is set to be delivered Q2 27. The other three projects are set to be delivered in Q2 26 and amount to a combined 96k sq. ft.

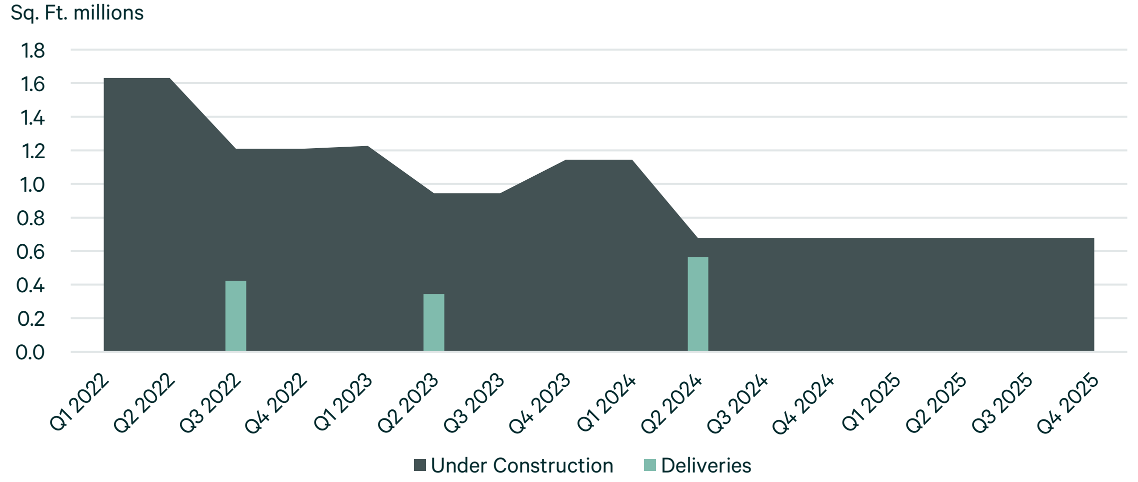
Since Q4 2020 there has been a 60.3% decrease in the total volume of construction underway. Q4 marks the seventh quarter of unchanging activity in the construction pipeline.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2025

FIGURE 5: Construction Activity



Source: CBRE Research, Q4 2025

Leasing Activity

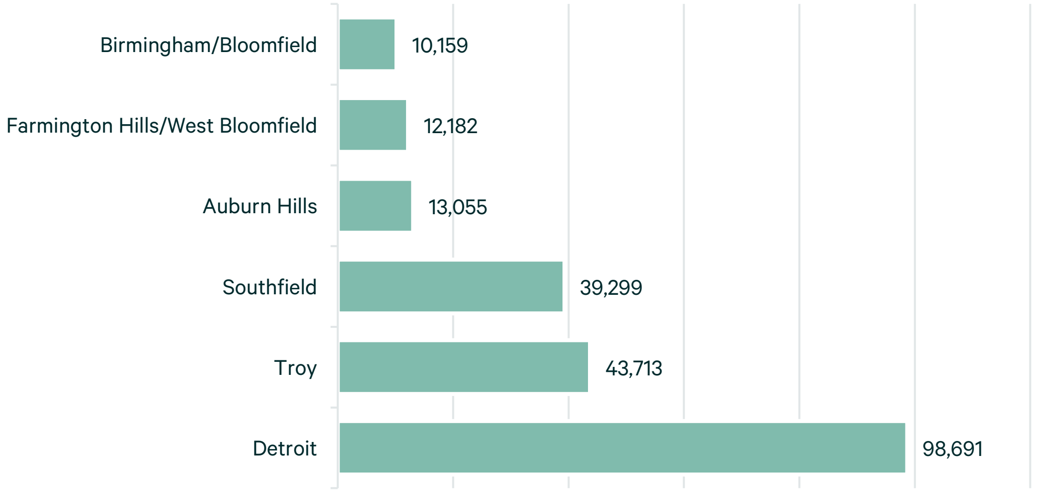
In Q4 there was 486,114 sq. ft. of total leasing activity completed, inclusive of all sizes. The year-to-date leasing volume amounted to 2.6 million sq. ft. total. Of all leasing activity completed this quarter, 78.7% of the activity was from new leases.

The average lease size this quarter was 5,284 sq. ft., up 219 sq. ft. from the previous quarter. The average term length was 51 months, 5 months less than the previous quarter. Deals under 10,000 sq. ft. continue to be the largest demand driver responsible for 50.7% of leasing volume this quarter. 22.1% of the volume was from deals 10-20k sq. ft.

For transactions over 10,000 sq. ft., leasing on Class A properties accounts for 45% of Q4 volume. The Detroit submarket saw the highest volume of leasing activity over 10,000 sq. ft., representing 45.4% of the market's total volume this quarter. Troy held the second highest volume at 43k sq. ft.

The past three-year average leasing volume, from 2022 to 2024, was 2.1 million sq. ft. The 2025 office leasing volume was 20.5% higher than that average.

FIGURE 6: Leasing by Submarket – 10,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 6: Leasing Activity Trend – 10,000 sq. ft. and up

Source: CBRE Research, Q4 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Miller Canfield	50,573	Renewal	150 W Jefferson Ave	Detroit
Urban Science	34,923	New Lease	1 Campus Martius Ave	Detroit
Elia & Ponto	22,517	New Lease	26300 Northwestern Hwy	Southfield
Birdstop	20,000	New Lease	200 Walker St	Detroit
Segal McCambridge	11,811	Renewal	29100 Northwestern Hwy	Southfield
Robert Baird	10,159	Renewal	300 Park St	Birm./Bloomfield

Source: CBRE Research, Q4 2025

Market Statistics by Index

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
SUBURBAN										
Class A	22,359,437	19.6	25.7	22.7	3.0	21.02	17,023	86,873	0	96,885
Class B	33,089,863	22.9	24.8	22.7	2.1	17.97	2,216	348,773	0	0
Class C	5,256,366	10.7	13.4	13.4	0.0	14.73	33,835	(112,259)	0	0
Total	**60,705,666**	**20.6**	**24.1**	**21.9**	**2.2**	**19.03**	**53,074**	**323,387**	**0**	**96,885**

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
DOWNTOWN										
Class A	10,482,943	15.1	14.9	13.6	1.3	30.91	(23,385)	39,347	0	580,821
Class B	7,237,840	21.2	23.8	23.3	0.5	24.86	(124,740)	(171,252)	0	0
Class C	2,294,973	18.3	20.9	20.6	0.4	22.97	(5,393)	(30,156)	0	0
Total	**20,015,756**	**17.7**	**18.8**	**17.9**	**0.9**	**27.07**	**(153,518)**	**(162,061)**	**0**	**580,821**

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
METRO										
Class A	32,842,380	18.2	22.3	19.8	2.5	23.08	(6,362)	126,220	0	677,706
Class B	40,327,703	22.6	24.6	22.8	1.8	19.20	(122,524)	177,521	0	0
Class C	7,551,339	13.0	15.7	15.6	0.1	18.01	28,442	(142,415)	0	0
Total	**80,721,422**	**19.9**	**22.8**	**20.9**	**1.9**	**20.67**	**(100,444)**	**161,326**	**0**	**677,706**

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Ann Arbor	5,801,708	17.0	20.6	15.7	4.9	25.0	(95,544)	(55,025)	0	0
Auburn Hills	2,152,118	29.6	30.2	27.9	2.3	20.75	(32,417)	(74,424)	0	0
Birmingham/Bloomfield	5,904,303	14.3	15.9	14.9	1.0	24.04	7,858	27,993	0	96,885
Dearborn	3,018,033	18.9	19.6	19.6	0.0	16.17	23,485	55,545	0	0
Detroit	20,015,756	17.7	18.8	17.9	0.9	27.07	(153,518)	(162,061)	0	580,821
Farmington Hills/West Bloomfield	6,599,419	16.3	21.4	19.7	1.7	16.95	(40,325)	24,878	0	0
I-275 Corridor	5,599,518	16.8	22.7	20.9	1.8	18.04	32,582	66,190	0	0
Macomb	1,315,563	9.9	11.2	10.0	1.2	17.07	(10,896)	(10,819)	0	0
Rochester	536,653	5.0	5.3	5.0	0.3	16.75	(5,969)	668	0	0
Southfield	16,926,005	28.9	32.2	29.2	3.0	18.22	24,555	70,031	0	0
Troy	12,852,346	18.9	23.0	21.3	1.7	18.4	149,745	218,350	0	0
Total	80,721,422	19.9	22.8	20.9	1.9	20.67	(100,444)	161,326	0	677,706

National Economic Overview

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle. The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households.

This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

Detroit Employment Update

▲ 4.8%
Unemployment Rate

▼ 2.2M
Labor Force

▼ 537.6k
Office Using Jobs

▼ 631.9k
Industrial Using Jobs

▼ 281.8k
Retail Using Jobs

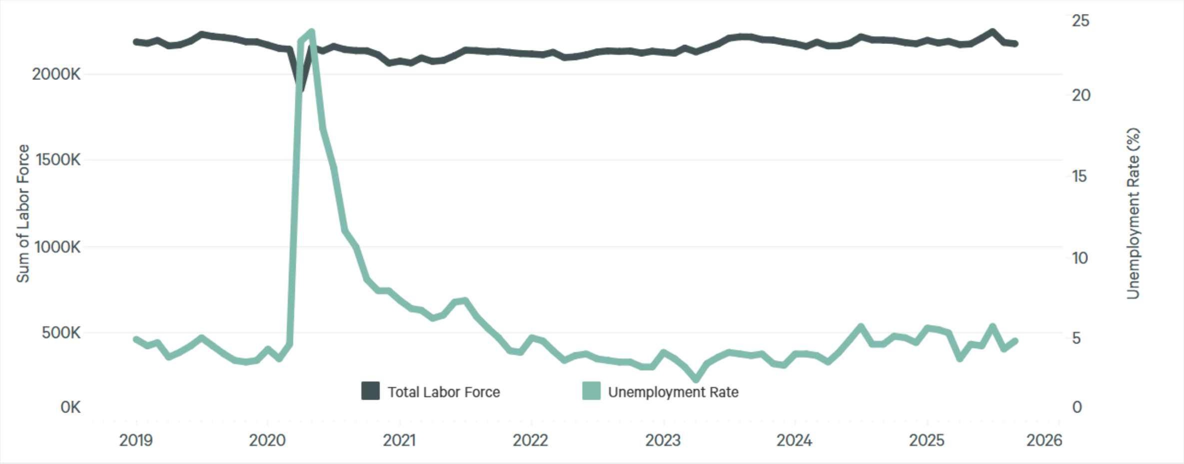
Employment Change by Sector – Yearly + Monthly

Bars indicate yearly trend, arrows indicate monthly trend

Note: Arrows indicate month-over-month change.

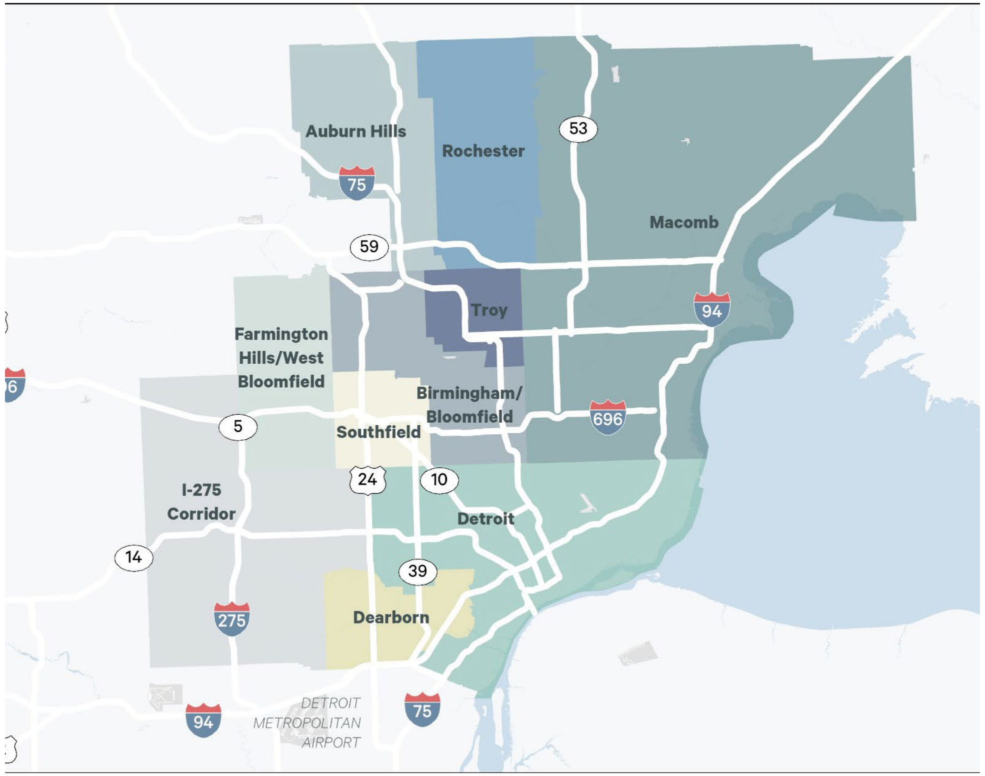
Source: US BLS, September 2025

Detroit Unemployment Rate and Labor Force Trends



Source: US BLS, September 2025

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, and major 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, and major 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 all office buildings 10,000 sq. ft. and greater in size. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Adam Stapleton
Field Research Analyst
CBRE | Michigan
adam.stapleton@cbre.com

Maggie Parra
Research Manager
CBRE | North Midwest
maggie.parra@cbre.com

Paul Van Devender
Managing Director
CBRE | Michigan
paul.vandevender@cbre.com