



# METRO DETROIT

## 2023 MIDYEAR OFFICE REPORT

FRIEDMAN HQ

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Farmington Hills, MI 48331

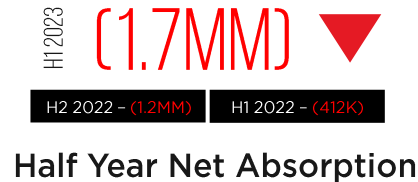
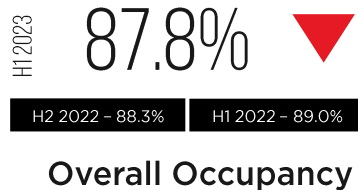
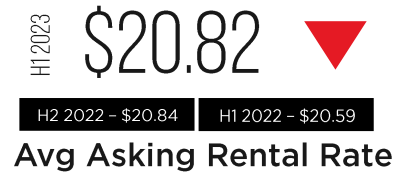
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## MARKET AT A GLANCE (H1 2023)



Note: ▲ or ▼ or ■ indicates change compared to H2 2022.

Note: H1 = Q1 & Q2 ; H2 = Q3 & Q4

## MARKET OVERVIEW (H1 2023)

In the first half of 2023, the Metro Detroit office market continued to soften with decreased overall occupancy and net absorption, as well as near all time high total available sublease space due to the sustained hybrid work models and lingering economic downturn.

**SUPPLY AND DEMAND:** Occupancy decreased from 88.3% in H2 2022 to 87.8% with an additional ±1.7MM SF of gross vacancy added to the market. The Southfield and Troy submarkets have the highest vacancy rates at 20.7% and 18.5%, respectively. Net absorption (-1.7MM SF) represents the worst half-year on record since 2002. Available sublease space (3.1MM SF) continued to increase and remains at the highest level since 2010.

**SALES AND INTEREST RATES:** Increased interest rates and risk associated with office assets have had a direct negative impact on sales volume. Total sales volume (\$285MM) has decreased 14.5% (-\$48MM) from the second half of 2022 (\$333MM). The largest sale was Huntington Tower (\$150MM), a newly constructed 20 story office tower located in Downtown Detroit and net leased to Huntington National Bank.

**SMALL USERS:** Leasing activity from larger users (20K+ SF) has been limited due to the work from home/remote work policies and the economic downturn. Only 10 of the 705 leases recorded (1.4%) in the first half of 2023 were 20K+ SF.

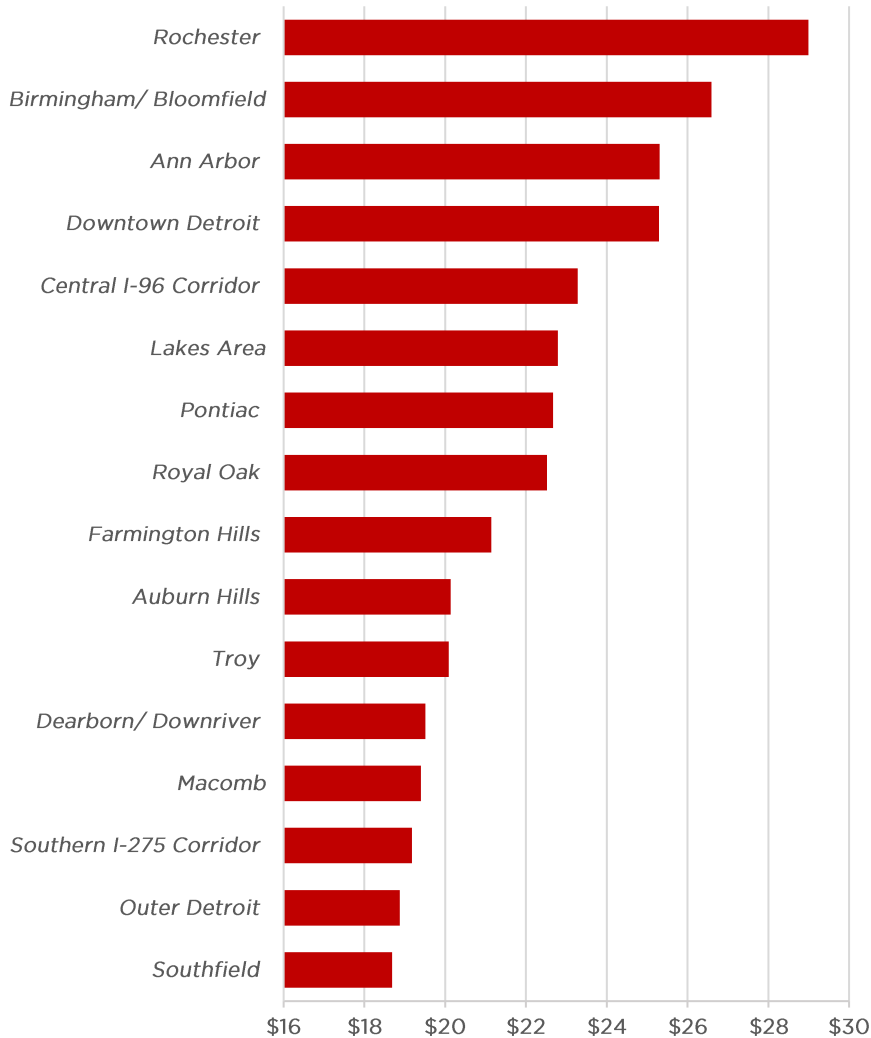
**FLIGHT TO QUALITY:** Class A office inventory accounted for 27.6% of total leasing activity (1.9MM SF), or 535K SF, which disproportionately exceeded activity in older Class B/C buildings.

**STABLE RENTAL RATES:** Rental rates (\$20.82 PSF) have remained relatively stable (\$20.84 PSF in H2 2022) as Landlord's continue to favor increased tenant concessions (free rent and/or tenant improvement allowance) rather than decreased asking rates.

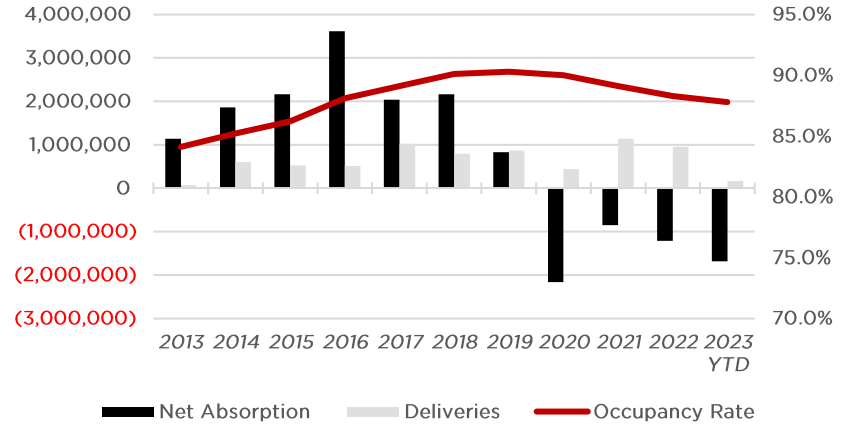
**ADAPTIVE REUSE:** Repurposing of office properties to alternative asset classes (i.e. multi-family & self-storage) has continued to increase as investors reposition obsolete office assets. Henry Ford Health plans to vacate the 610,000 SF One Ford Place and convert it into residential.

**LIMITED DEVELOPMENT:** Deliveries (107K SF) are down 82.7% since H2 2022 (680K SF) due to increased construction costs and limited traditional office demand. Medical office made up 58.1% (69K SF) of total deliveries which included Rochester Hills Surgery Center, a 60,000 SF medical office located in Rochester.

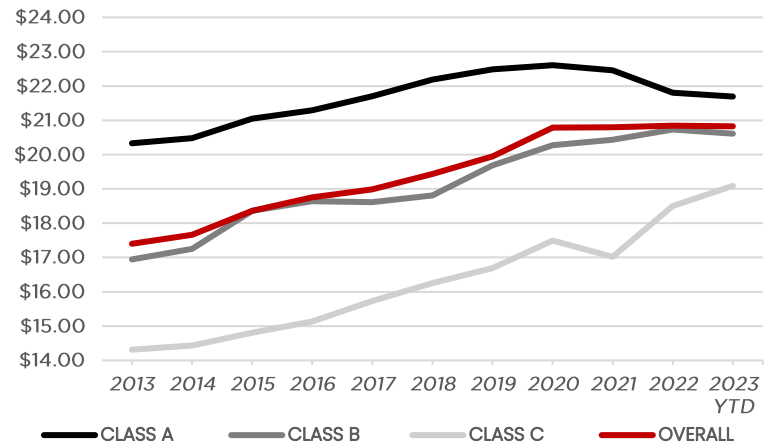
## AVERAGE GROSS ASKING RENTAL RATE BY SUBMARKET



## OCCUPANCY AND ABSORPTION



## AVERAGE ASKING GROSS RENTAL RATE BY CLASS



## TOP SALE TRANSACTIONS (BASED ON SALES PRICE)

PROPERTY NAME	CITY	SUBMARKET	SF	SALE PRICE	PRICE/SF	PROPERTY TYPE
Huntington Tower	Detroit	Downtown Detroit	421,481	\$150,000,000	\$355.89	Office
<b>Wells Fargo Center</b>	<b>Birmingham</b>	<b>Birmingham/Bloomfield</b>	<b>73,660</b>	<b>\$17,156,293</b>	<b>\$232.91</b>	<b>Office</b>
Wellington Green	Auburn Hills	Auburn Hills	137,623	\$7,898,160	\$57.39	Medical Office
Butterfield Office Center	Troy	Troy	120,923	\$5,875,000	\$48.58	Office
<b>5555 New King Dr</b>	<b>Troy</b>	<b>Troy</b>	<b>114,000</b>	<b>\$5,700,000</b>	<b>\$50.00</b>	<b>Office</b>

Note: Bold represents Friedman transactions



## TOP LEASE TRANSACTIONS (BASED ON SQUARE FEET)

TENANT	PROPERTY NAME	CITY	SUBMARKET	SF
<b>Exel*</b>	<b>Seven Mile Crossing II</b>	<b>Livonia</b>	<b>Southern I-275 Corridor</b>	<b>43,940</b>
<b>Kuehne + Nagel</b>	<b>601 W Fort St</b>	<b>Detroit</b>	<b>Downtown Detroit</b>	<b>41,400</b>
Pet Supplies Plus	College Park	Livonia	Southern I-275 Corridor	39,672
<b>Guardian Alarm</b>	<b>26711 Northwestern Hwy</b>	<b>Southfield</b>	<b>Southfield</b>	<b>37,111</b>
<b>Kemp Klein Law Firm</b>	<b>Columbia Center I</b>	<b>Troy</b>	<b>Troy</b>	<b>20,381</b>

Note: Bold represents Friedman transactions | \*Indicates Renewal



SUBMARKET	# BLDGS	INVENTORY (SF)	NET ABS. (SF)	SF UNDER CONST	TOTAL VAC. (%)	TOTAL AVAIL. (%)	OVERALL OCC. (%)	AVG ASKING RENT (GROSS)	ASKING RENT (GROSS)			TOTAL SALES VOLUME	SALES PER SF
									Class A	Class B	Class C		
Ann Arbor	902	15,085,008	(308,265)	5,000	12.20%	14.40%	87.80%	\$25.31	\$31.22	\$24.08	\$24.35	\$8,694,000	\$90.64
Auburn Hills	70	9,807,878	(9,325)	-	9.70%	9.90%	90.30%	\$20.14	\$20.13	\$20.18	-	\$7,898,160	\$57.39
Birmingham/ Bloomfield	396	7,882,330	(57,865)	35,397	10.00%	15.60%	90.00%	\$26.59	\$30.55	\$25.75	\$22.03	\$19,566,293	\$152.16
Central I-96 Corridor	346	6,287,373	38,047	-	12.20%	15.10%	87.80%	\$23.28	\$24.69	\$23.18	\$20.94	\$16,850,000	\$84.41
Dearborn/ Downriver	1,241	18,371,474	21,105	-	8.50%	12.80%	91.50%	\$19.51	\$20.18	\$19.77	\$17.63	\$16,377,046	\$46.84
Downtown Detroit	275	36,354,559	(809,372)	766,640	8.40%	13.60%	91.60%	\$25.29	\$27.60	\$25.26	\$20.64	\$150,000,000	\$315.47
Farmington Hills	404	9,804,292	(42,286)	-	14.50%	19.50%	85.50%	\$21.14	\$22.22	\$21.36	\$17.60	\$2,835,000	\$132.54
Lakes Area	344	2,432,741	(53,678)	16,000	9.90%	11.10%	90.10%	\$22.79	\$31.52	\$23.07	\$19.52	\$1,050,000	\$26.42
Macomb	1,727	18,195,161	(38,926)	25,000	7.60%	9.10%	92.40%	\$19.40	\$25.30	\$19.39	\$18.69	\$20,004,259	\$78.63
Outer Detroit	815	11,562,250	110,345	471,970	11.80%	13.30%	88.20%	\$18.88	\$23.68	\$19.49	\$17.90	\$3,075,000	\$37.12
Pontiac	219	6,493,295	47,916	-	11.20%	12.80%	88.80%	\$22.67	\$23.49	\$22.40	\$20.62	\$3,225,000	\$45.62
Rochester	183	2,861,327	59,308	13,349	8.90%	12.20%	91.10%	\$28.99	\$36.06	\$26.72	\$24.44	\$4,270,000	\$66.67
Royal Oak	659	5,769,213	49,716	18,678	10.40%	12.20%	89.60%	\$22.52	-	\$23.83	\$21.74	\$4,370,000	\$99.42
Southern I-275 Corridor	1,020	12,682,376	(122,508)	9,524	14.30%	18.70%	85.70%	\$19.18	\$19.55	\$19.50	\$18.47	\$5,600,000	\$56.58
Southfield	579	23,337,139	(612,740)	-	20.70%	30.10%	79.30%	\$18.69	\$21.02	\$17.74	\$15.51	\$5,971,774	\$22.00
Troy	337	17,808,106	41,500	-	18.50%	26.10%	81.50%	\$20.09	\$20.89	\$19.41	\$16.44	\$15,015,000	\$52.80
<b>TOTAL</b>	<b>9,517</b>	<b>204,734,522</b>	<b>(1,687,028)</b>	<b>1,361,558</b>	<b>12.20%</b>	<b>16.50%</b>	<b>87.80%</b>	<b>\$20.82</b>	<b>\$21.69</b>	<b>\$20.61</b>	<b>\$19.09</b>	<b>\$284,801,532</b>	<b>\$108.75</b>

## TOP OFFICE PROPERTIES DELIVERED (H1 2023)

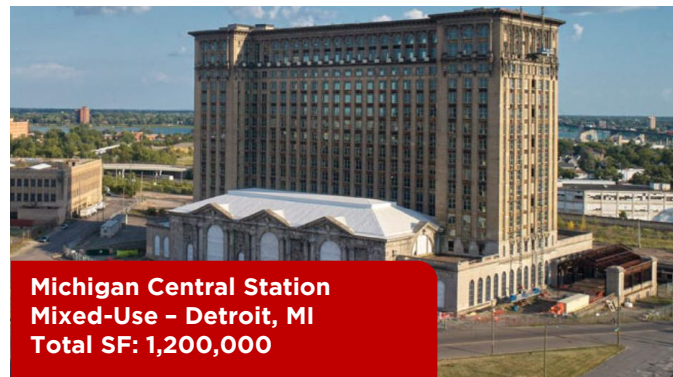
PROPERTY NAME	CITY	SUBMARKET	OFFICE SF	DELIVERY	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
Rochester Hills Surgery Center	Rochester Hills	Rochester	60,000	Q2 2023	0%	Medical Office	\$27.50-\$42.00
32301 Woodward Ave	Royal Oak	Royal Oak	50,000	Q2 2023	100%	Office	N/A
Fountain View Professional Center Bldg B	Novi	Central I-96 Corridor	28,000	Q1 2023	0%	Office	\$26.00
13041 10 Mile Rd	Warren	Macomb	27,995	Q1 2023	68%	Medical Office	\$20.00
42145 7 Mile Rd	Northville	Southern I-275 Corridor	12,000	Q2 2023	51%	Office/Medical Office	\$26.00



**Rochester Hills Surgery Center  
Office - Rochester, MI  
Total SF: 60,000**

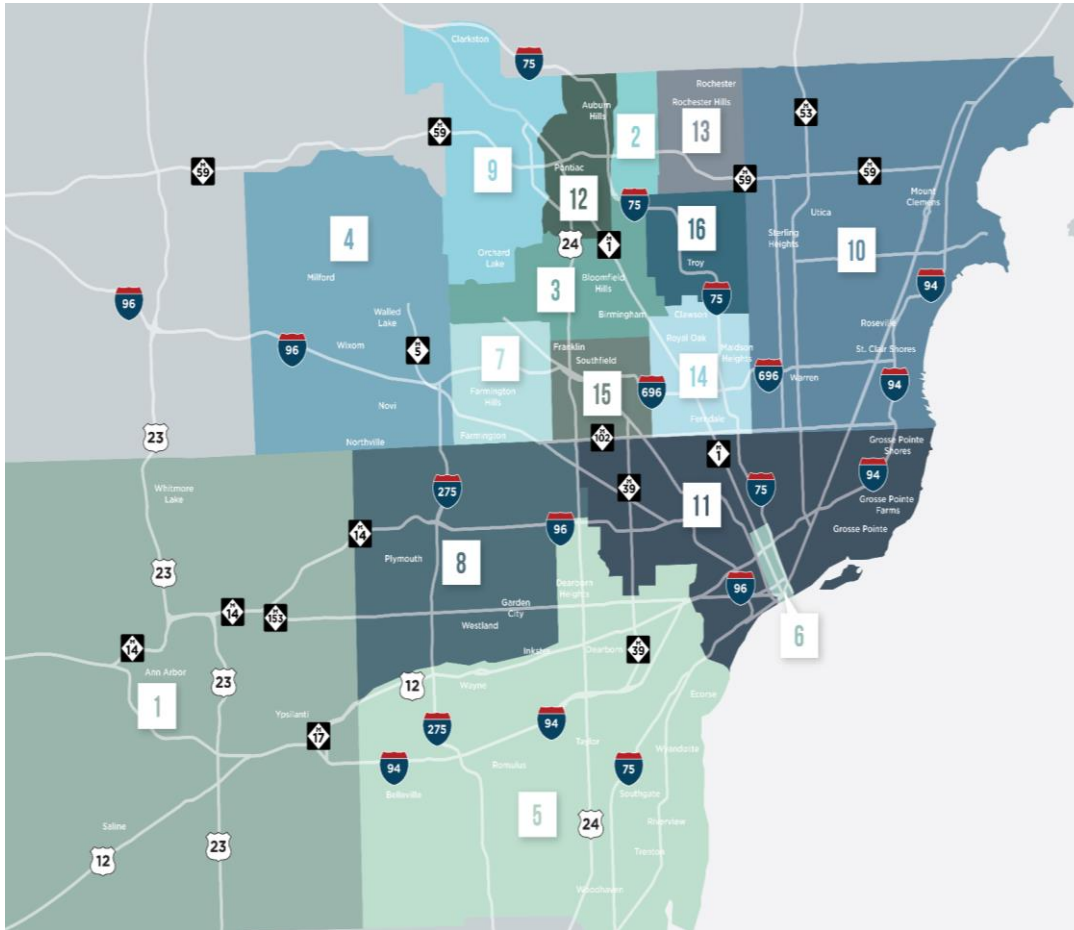
## TOP OFFICE PROPERTIES UNDER CONSTRUCTION (H1 2023)

PROPERTY NAME	CITY	SUBMARKET	OFFICE SF	DELIVERY	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
Michigan Central Station	Detroit	Outer Detroit	458,000	Q3 2023	N/A	Mixed Use	Withheld
Hudson's Site	Detroit	Downtown Detroit	404,000	Q2 2024	N/A	Mixed Use	Withheld
120 Henry St	Detroit	Downtown Detroit	114,400	Q4 2023	0%	Mixed Use	Withheld
111 Henry St	Detroit	Downtown Detroit	63,000	Q4 2023	5%	Mixed Use	Withheld
Maple Office Park II	Bloomfield Hills	Birmingham/Bloomfield	22,485	Q4 2023	0%	Medical Office	\$35.00
The Main of Royal Oak	Royal Oak	Royal Oak	18,678	Q4 2023	100%	Mixed Use	N/A



**Michigan Central Station  
Mixed-Use - Detroit, MI  
Total SF: 1,200,000**

## OFFICE SUBMARKET MAP



- |   |                       |    |               |
|---|-----------------------|----|---------------|
| 1 | ANN ARBOR             | 9  | LAKES AREA    |
| 2 | AUBURN HILLS          | 10 | MACOMB        |
| 3 | BIRMINGHAM/BLOOMFIELD | 11 | OUTER DETROIT |
| 4 | CENTRAL I-96 CORRIDOR | 12 | PONTIAC       |
| 5 | DEARBORN/DOWNRIVER    | 13 | ROCHESTER     |
| 6 | DOWNTOWN DETROIT      | 14 | ROYAL OAK     |
| 7 | FARMINGTON HILLS      | 15 | SOUTHFIELD    |
| 8 | I-275 CORRIDOR        | 16 | TROY          |

Friedman Research separates the Metro Detroit office submarkets in the manner shown to better reflect the way users, tenants, and brokers view our market. We believe this provides a more accurate statistical picture of each submarket which allows our clients to make better informed decisions.

Friedman's 2023 Midyear Office Market Report provides our clients with a snapshot of pertinent market data and information to help them make informed commercial real estate decisions. The information contained in this report is gathered from multiple sources believed to be reliable.