



# METRO DETROIT

## 2024 MID-YEAR

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# OFFICE REPORT

**FRIEDMAN HQ**

**34975 W. Twelve Mile Rd.**

**Farmington Hills, MI 48331**

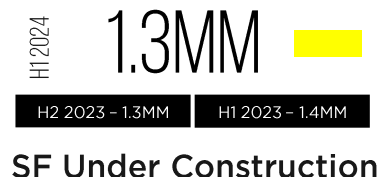
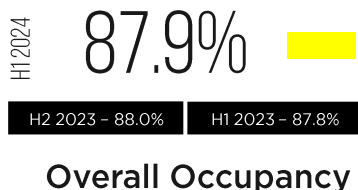
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## MARKET AT A GLANCE (H1 2024)



Note: ▲ or ▼ or ■ indicates change compared to H2 2023.

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

## MARKET OVERVIEW (H1 2024)

In the first half of 2024, the Metro Detroit office market remained soft with a reversion to negative net absorption and all-time high total available sublease space due to the sustained hybrid work models and corporate uncertainty regarding their long-term space requirements.

**SUPPLY AND DEMAND:** Overall occupancy remains stable at 87.9%, and total available sublet space remains at record levels of 2.9MM SF as tenants continue to downsize. Total leasing volume (2.5MM SF) decreased 7.7% year-over-year (YOY) from 2.7MM SF in H1 2023 and remains well below the pre-covid historic five-year average of 4.5MM SF. There is a high likelihood that most active sublet listings/space will convert to vacancy once the leases expire as only 2.3% of completed leases (15 of 656) were sublet deals.

The Southfield and Farmington Hills submarkets have the highest vacancy rates at 23.50% and 17.10%, respectively. In the first half of 2024 net absorption has reverted back to a negative figure of (-429K SF), but this is a significant YOY improvement from the negative net absorption of (-1.7MM SF) recorded in H1 2023. The Troy and Dearborn/Downriver submarkets were dramatic outliers recording positive net absorption of 551K SF and 407K SF, respectively.

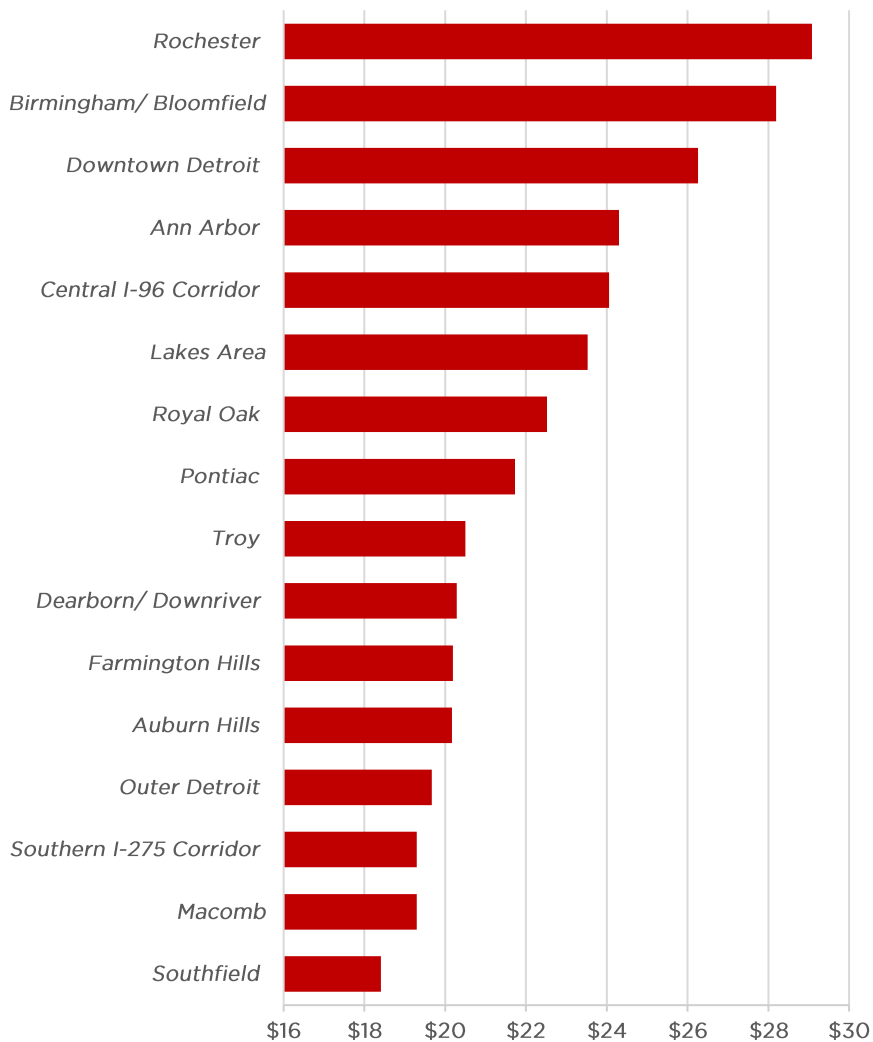
**FLIGHT TO QUALITY:** Class A office inventory recorded positive net absorption of 37K SF compared to Class B/C inventory negative net absorption of (-468K SF). Completed leases within Class A office assets are notably larger than in Class B/C assets (6.4K SF vs. 3.5K SF), which demonstrates larger users are driving the flight to quality.

**STABLE RENTAL RATES:** Rental rates (\$21.12 PSF) have and been resilient given the lack of demand and remained relatively stable YOY (\$20.82 PSF in H1 23) as Landlord's continue to favor increased tenant concessions (free rent and/or tenant improvement allowance) rather than decreased asking rates.

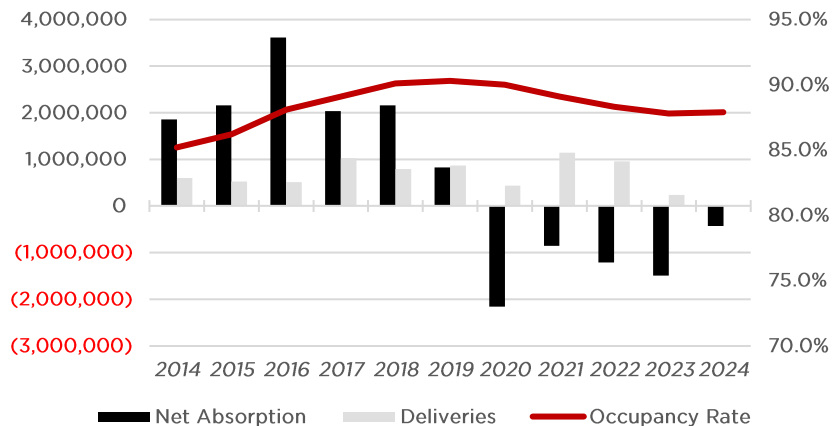
**SALES AND INTEREST RATES:** Increased interest rates and risk associated with office assets has limited available financing, which has had a direct negative impact on sales volume. Total sales decreased 61.6% YOY (\$285MM in H1 23), and average PSF pricing has decreased 29.2% YOY to \$77 PSF (\$109 PSF in H1 2023). The most notable sales was of Raleigh Office Center in Southfield, a 300K SF asset along Telegraph Road that sold vacant at auction to an opportunistic investor for \$3.43MM, or \$11.45 PSF.

**LIMITED DEVELOPMENT:** Deliveries totaled 467K SF across three properties with the June opening of the Michigan Central Station accounting for 458K SF. The most notable active development in Downtown Detroit, Hudson's Site, announced that General Motors will be relocating their headquarters from the Renaissance Center to anchor the new development in 2025.

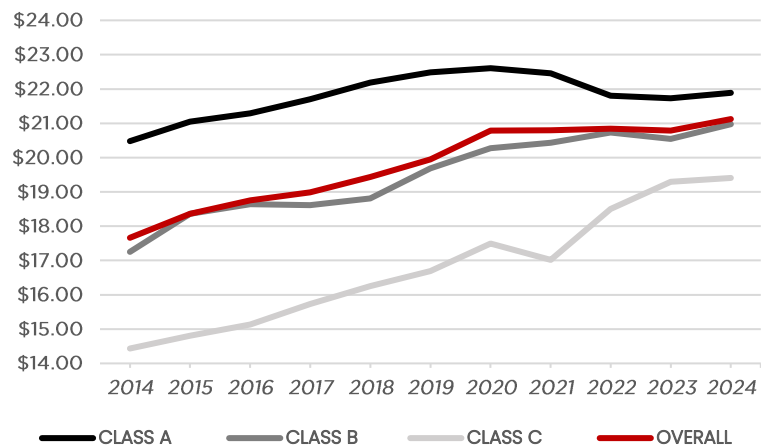
## AVERAGE GROSS ASKING RENTAL RATE BY SUBMARKET



## 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
28455 Haggerty Road	Novi	Central I-96 Corridor	42,379	\$9,300,000	\$219.45	Medical Office
Fountainview Office Center	Southfield	Southfield	41,548	\$7,455,082	\$179.43	Office
<b>901 Tower Drive</b>	<b>Troy</b>	<b>Troy</b>	<b>123,488</b>	<b>\$6,818,390</b>	<b>\$55.22</b>	<b>Office</b>
<b>5600 New King Drive</b>	<b>Troy</b>	<b>Troy</b>	<b>73,000</b>	<b>\$6,250,000</b>	<b>\$85.62</b>	<b>Office</b>
<b>Spectrum Office Centre</b>	<b>Farmington Hills</b>	<b>Farmington Hills</b>	<b>58,548</b>	<b>\$4,700,000</b>	<b>\$80.28</b>	<b>Office</b>
McKinley Corporate Center	Ann Arbor	Ann Arbor	38,329	\$4,462,500	\$116.43	Office
Raleigh Officenter	Southfield	Southfield	300,000	\$3,433,750	\$11.45	Office

Note: Bold indicates Friedman transaction

## TOP LEASE TRANSACTIONS (BASED ON SQUARE FEET)

TENANT	PROPERTY NAME	CITY	SUBMARKET	SF
Dassault Systemes	The Main of Royal Oak	Royal Oak	Royal Oak	62,292
Mullen Automotive	5755 New King Court	Troy	Troy	59,034
Victors Home Solutions	41100 Plymouth Road	Plymouth	Southern I-275 Corridor	49,950
<b>Sam Bernstein Law Firm</b>	<b>31440 Northwestern Hwy</b>	<b>Farmington Hills</b>	<b>Farmington Hills</b>	<b>45,822</b>
Wade Trim*	25251 Northline Road	Taylor	Dearborn/Downriver	37,347
Dynatrace	1 Campus Martius	Detroit	Downtown Detroit	35,000

Note: Bold indicates Friedman transaction | \*Indicates renewal | \*\* Indicates sublease



**Top Sale:**  
**28455 Haggerty Road - Novi, MI**  
**Sale Price: \$9,300,000**



**Top Lease:**  
**Dassault Systemes - Royal Oak, MI**  
**Square Footage: 62,292**

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	906	15,379,273	52,414	134,900	10.10%	13.20%	89.90%	\$24.30	\$33.20	\$24.36	\$23.90	\$19,587,208	\$154.62
Auburn Hills	72	9,914,893	(66,495)	-	7.10%	9.60%	92.90%	\$20.17	\$24.31	\$21.01	\$19.93	\$0.00	-
Birmingham/Bloomfield	401	7,797,861	9,391	35,397	10.70%	16.10%	89.30%	\$28.19	\$33.43	\$27.06	\$21.78	\$3,270,000	\$138.41
Central I-96 Corridor	347	6,440,233	14,737	-	11.70%	14.20%	88.30%	\$24.06	\$24.72	\$23.11	\$22.29	\$16,287,500	\$173.78
Dearborn/ Downriver	1,245	17,969,428	407,383	30,000	5.90%	9.80%	94.10%	\$20.29	\$21.75	\$21.19	\$16.80	\$4,741,967	\$57.97
Downtown Detroit	270	36,012,943	(73,650)	776,000	10.00%	14.80%	90.00%	\$26.26	\$27.16	\$26.17	\$22.87	\$0	-
Farmington Hills	402	9,650,975	(452,643)	-	17.10%	22.60%	82.90%	\$20.19	\$22.03	\$19.15	\$18.44	\$7,440,000	\$88.11
Lakes Area	346	2,454,859	10,023	11,000	9.90%	11.40%	90.10%	\$23.53	\$32.49	\$23.18	\$22.35	\$6,785,500	\$78.63
Macomb	1,736	18,220,524	(135,218)	10,000	8.50%	10.20%	91.50%	\$19.30	\$22.60	\$19.26	\$18.73	\$11,721,153	\$88.43
Outer Detroit	832	12,468,730	(182,886)	120,000	12.40%	13.20%	87.60%	\$19.67	\$20.68	\$18.19	\$18.04	\$1,314,255	\$76.55
Pontiac	219	6,480,073	(49,876)	-	7.50%	8.80%	92.50%	\$21.73	\$23.39	\$21.81	\$17.11	\$2,135,000	\$101.34
Rochester	187	2,903,571	3,181	-	9.70%	9.70%	90.30%	\$29.08	\$35.88	\$26.12	\$24.92	\$1,150,000	\$117.57
Royal Oak	665	5,673,615	(6,194)	155,730	9.90%	11.80%	90.10%	\$22.52	\$26.50	\$23.29	\$20.88	\$3,202,500	\$82.42
Southern I-275 Corridor	1,023	12,783,098	(122,228)	-	12.40%	17.80%	87.60%	\$19.30	\$19.67	\$19.61	\$18.43	\$6,260,000	\$102.84
Southfield	580	23,404,199	(387,848)	-	23.50%	28.90%	76.50%	\$18.41	\$19.90	\$17.75	\$16.26	\$17,596,832	\$34.26
Troy	343	18,193,613	550,557	-	15.70%	21.30%	84.30%	\$20.50	\$20.97	\$20.18	\$17.58	\$7,968,390	\$61.12
<b>TOTAL</b>	<b>9,574</b>	<b>205,747,888</b>	<b>(429,352)</b>	<b>1,273,027</b>	<b>12.10%</b>	<b>15.90%</b>	<b>87.90%</b>	<b>\$21.12</b>	<b>\$21.89</b>	<b>\$20.97</b>	<b>\$19.41</b>	<b>\$109,460,305</b>	<b>\$77.04</b>

## TOP OFFICE PROPERTIES DELIVERED (H1 2024)

PROPERTY NAME	CITY	SUBMARKET	OFFICE SF	DELIVERY	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
Michigan Central Station	Detroit	Outer Detroit	458,000	Q2 2024	N/A	Mixed Use	Withheld
1750 Dhu Varren Road	Ann Arbor	Ann Arbor	5,000	Q2 2024	100%	Office	N/A
342 E Main Street	Northville	Southern I-275 Corridor	4,144	Q2 2024	48%	Office	\$30.00

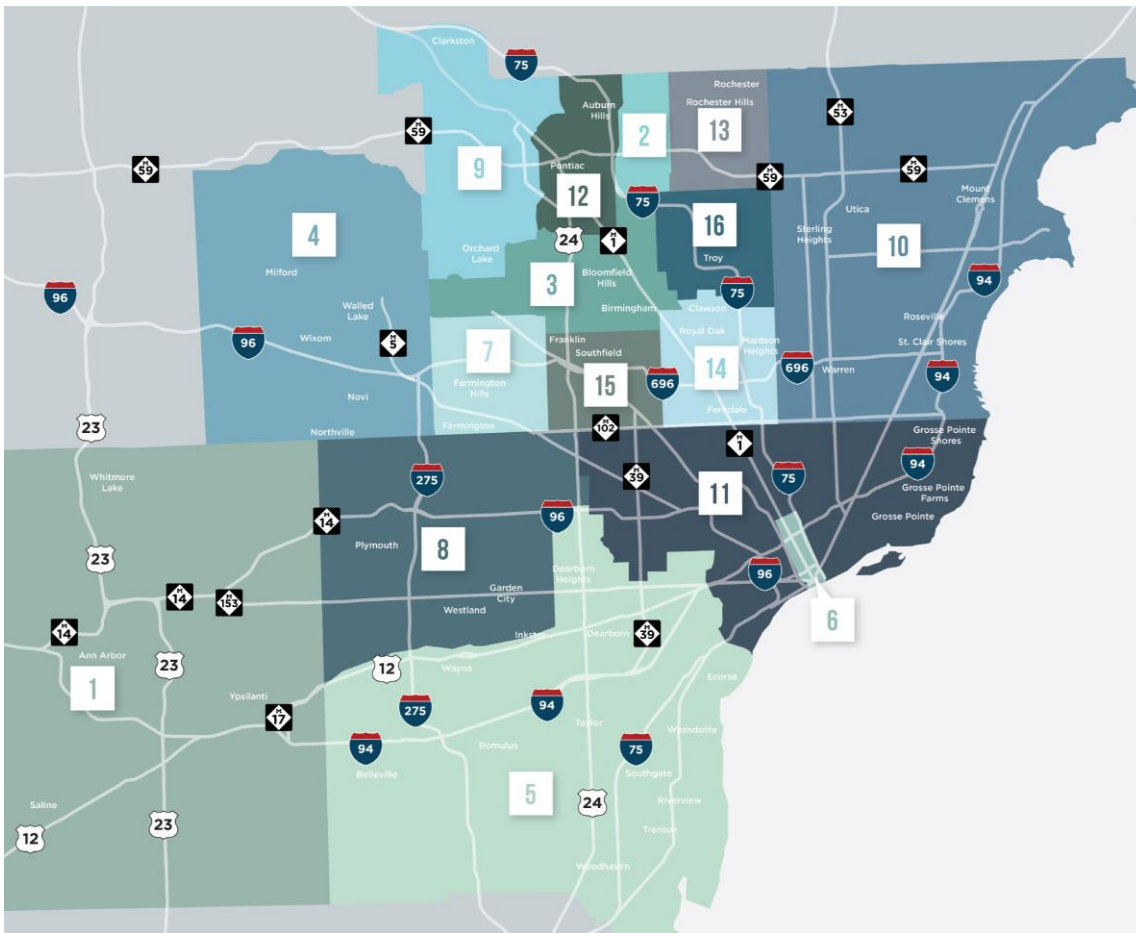


## TOP OFFICE PROPERTIES UNDER CONSTRUCTION (H1 2024)

PROPERTY NAME	CITY	SUBMARKET	OFFICE SF	DELIVERY	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
Hudson's Site	Detroit	Downtown Detroit	404,000	Q4 2024	N/A	Mixed Use	Withheld
The Main of Royal Oak	Royal Oak	Royal Oak	155,730	Q4 2024	100%	Mixed Use	N/A
900 Briarwood Circle	Ann Arbor	Ann Arbor	134,900	Q3 2025	N/A	Medical Office	\$35.00
18520 W 7 Mile Road	Detroit	Outer Detroit	70,000	Q3 2024	100%	Medical Office	N/A
2070 Biddle Avenue	Wyandotte	Dearborn/Downriver	30,000	Q3 2024	0%	Medical Office	Withheld
4060 W Maple Road	Bloomfield Township	Birmingham/Bloomfield	22,485	Q3 2024	0%	Medical Office	\$35.00



## 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 2024 Mid-Year 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.