

METRO DETROIT 2019 OFFICE RECAP



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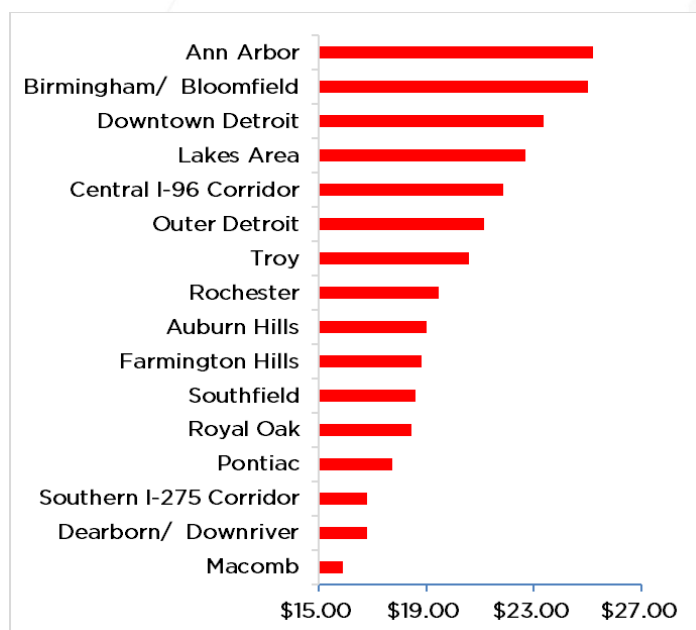
The Metro Detroit office market registered a strong year in 2019, continuing its post-recession positive trajectory: vacancy and availability rates declined, net absorption was positive, and rental rates increased. The region's economy has maintained steady growth buoyed by the expansion of mobility technology and industry diversification, which has supported solid leasing and sales activity.

2019 represented Metro Detroit's ninth consecutive year of positive net absorption and gross absorption over 8 million square feet. The Ann Arbor, Farmington Hills, Macomb, and Troy submarkets were the top recipients of new tenants, each recording approximately 200,000 SF or more of positive net absorption. Trinity Health consolidated 18 Michigan locations into 180,000 SF at 34375 W Twelve Mile Rd in Farmington Hills, which was the largest office lease of the year. Downtown Detroit also continues to be a major draw for tenants, representing three of the six largest new lease deals in 2019. Creative agency WPP PLC signed the year's second largest lease at the Marquette Building in Downtown Detroit totaling 150,000 SF. Overall vacancy and availability rates remained stable year over year and in line with national averages at 9.3% and 14.0% respectively, and average asking rental rates increased by 3.2% to \$20.15 PSF Gross. Buildings under construction increased by 300,000 SF to 2,343,770 SF across 24 buildings. Notable buildings under construction include Ford's 458,000 SF redevelopment of the Michigan Central Station (as part of their future \$740 million mobility campus in Corktown totaling 1.2 million SF), Bedrock's 310,000 SF addition to One Campus Martius at a cost of \$95 million, the \$125 million development of the former Novi Expo Center by Adell to include 176,000 SF of office, and the new \$15 million Cooper Standard Automotive HQ at 110,000 SF in Northville.

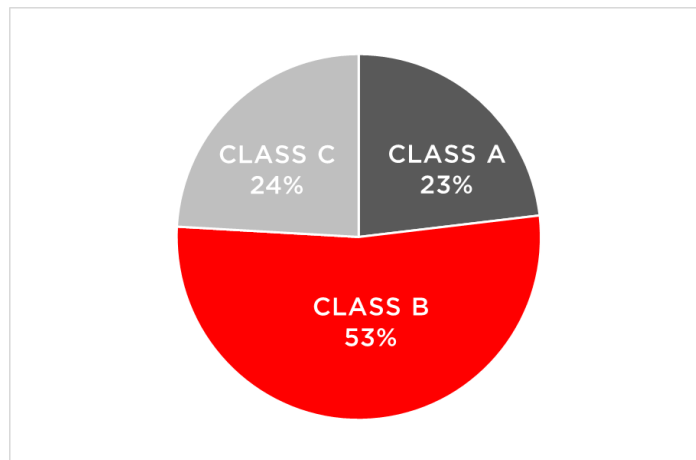
Sales volume for 2019 (as reported by Costar with disclosed pricing) totaled \$343 million in nearly 4 million SF, and averaged \$86 PSF. Total square footage sold in 2019 (including sales with undisclosed pricing) totaled 7.5 million SF. The western suburbs of Farmington Hills, Novi, and Livonia dominated top sales prices representing 27% of the year's total sales volume in just four deals. The largest deal by sales price of 2019 was the 237,000 SF multi-tenant TriAtria Office Building in Farmington Hills, purchased in July 2019 for \$27.1 million, or \$114 PSF. The year's largest deal by square footage was 2800 High Meadow Circle in Auburn Hills, a 278,000 tech office building leased long term to Faurecia, purchased in December 2019.

| MARKET AT A GLANCE | YE 2018 | YE 2019 | |
|--------------------------------|---------------|---------------|---|
| # OF OFFICE BUILDINGS | 9,354 | 9,364 | ↑ |
| MARKET SIZE (SF) | 199,219,173 | 197,510,173 | ↓ |
| AVG ASKING RENTAL RATE (GROSS) | \$19.53 | \$20.15 | ↑ |
| OVERALL OCCUPANCY | 89.9% | 90.7% | ↑ |
| NET ABSORPTION | 1,645,977 | 1,049,828 | ↓ |
| # PROP UNDER CONSTRUCTION | 29 | 24 | ↓ |
| SF UNDER CONSTRUCTION | 2,032,388 | 2,343,770 | ↑ |
| TOTAL SALES VOLUME | \$517,734,601 | \$342,879,532 | ↓ |

AVG ASKING RENTAL RATES PSF (GROSS)



METRO DETROIT OFFICE INVENTORY BY CLASS TYPE



METRO DETROIT 2020 OFFICE FORECAST



METRO DETROIT OFFICE FORECAST

The Metro Detroit office market has been reflective of the U.S. economy over the past 10 years, characterized by steady expansion and stable growth. Now in the 127th month of expansion as of January 2020, the economy is still growing, albeit at a slower rate with growing uncertainty. Metro Detroit's office sector is mirroring this reality as well, remaining positive overall while certain metrics show signs of slowing activity ahead.

Overall sales volume decreased by nearly 40% year over year, dropping to the lowest level since 2012. Similarly, net absorption decreased 36%, gross absorption decreased by 5%, and there were 647 fewer lease deals completed, which resulted in 2.7 million less SF leased than the year before. All these metrics are at their lowest in at least the last five years.

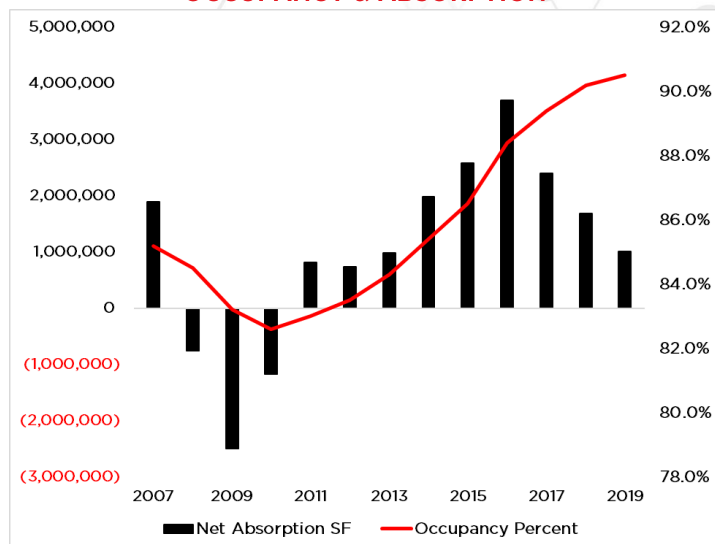
Some of the slowdown in leasing stems from the region's low unemployment rate. While this is traditionally seen as a positive, it has created an impediment to corporate growth in the region. Groups which may have previously signed long-term leases for large spaces in anticipation of growth, are unable to hire the support they need, and as a result often must downsize. The reduction of office sizes has also contributed to this downward trend, with more employees utilizing less space. These facts, coupled with the uncertainty of the future, only add to this decreased leasing activity witnessed in 2019.

The region's automakers are a bright spot for activity in the office market. Ford, FCA, GM and their suppliers are investing billions of dollars for the research and development of electric vehicles and new mobility technologies. Office with tech space near major manufacturing and R&D nodes are in high demand, but in short supply. Many groups are now investing in build-to-suit offices with accompanying tech space, or are even adding tech components to existing vacant office space to meet this demand.

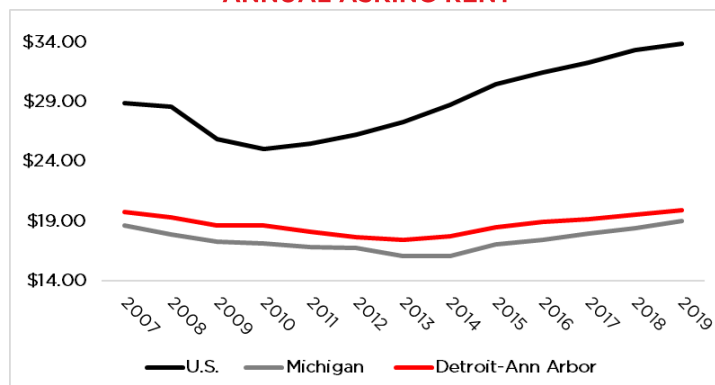
As R&D activities cluster around nodes of manufacturing and research, such as Detroit and Ann Arbor, these areas have attracted more jobs and residents. The center of gravity has essentially moved from outer cities to inner ones, which has created a shift in the areas of demand for office. Southfield, positioned at the geographic center of Metro Detroit, has become desirable as the area's second largest office submarket and easily accessible to a large section of the population. Suburban towns near these employment clusters with urban characteristics, like Royal Oak, Ferndale, and Birmingham, have experienced tremendous growth. As leasing activity shows, the western suburbs of Livonia, Farmington Hills, and Novi have also become desirable for their positioning between Detroit and Ann Arbor.

NOTE: Friedman's Office Market Report provides our clients and tenants with a snapshot of pertinent market data and information to help them make informed commercial real estate decisions.

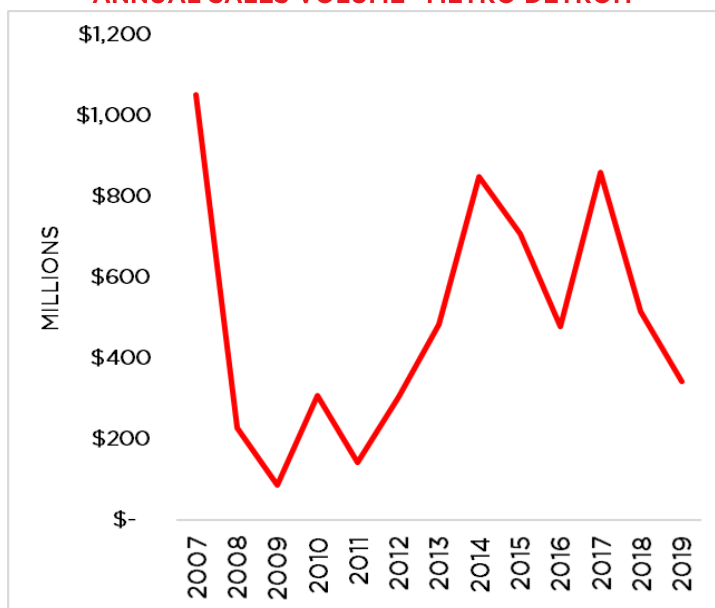
OCCUPANCY & ABSORPTION



ANNUAL ASKING RENT



ANNUAL SALES VOLUME—METRO DETROIT



METRO DETROIT OFFICE STATS



| SUBMARKET | # BLDGS | INVENTORY (SF) | NET ABS. (SF) | SF UNDER CONST | TOTAL VAC. (%) | AVAIL. (%) | OVERALL OCC. (%) | AVG ASKING RENT (GROSS) | TOTAL SALES VOLUME | SALES PSF |
|-------------------------|---------|----------------|---------------|----------------|----------------|------------|------------------|-------------------------|--------------------|-----------|
| Ann Arbor | 898 | 14,723,026 | 274,092 | 7,920 | 5.8% | 9.4% | 94.2% | \$25.18 | \$49,571,912 | \$127 |
| Auburn Hills | 69 | 8,196,391 | 113,286 | - | 3.2% | 4.2% | 96.8% | \$19.02 | \$3,690,000 | \$67 |
| Birmingham/ Bloomfield | 394 | 7,673,344 | 52,822 | - | 7.2% | 13.2% | 92.8% | \$25.01 | \$7,666,250 | \$90 |
| Central I-96 Corridor | 340 | 6,298,908 | (104,029) | 310,265 | 7.8% | 15.3% | 92.2% | \$21.87 | \$50,215,619 | \$224 |
| Dearborn/ Downriver | 1,225 | 18,039,916 | (4,259) | 31,907 | 6.9% | 13.3% | 93.1% | \$16.80 | \$6,387,800 | \$89 |
| Downtown Detroit | 270 | 34,230,768 | 101,093 | 1,054,000 | 8.1% | 9.7% | 91.9% | \$23.36 | \$18,309,602 | \$38 |
| Farmington Hills | 403 | 9,726,908 | 251,991 | - | 8.5% | 15.1% | 91.5% | \$18.81 | \$37,515,452 | \$94 |
| Lakes Area | 341 | 2,427,264 | 109,030 | - | 5.5% | 9.2% | 94.5% | \$22.70 | \$5,369,900 | \$89 |
| Macomb | 1,661 | 16,800,195 | 226,222 | 72,860 | 6.9% | 10.0% | 93.1% | \$15.89 | \$35,236,276 | \$93 |
| Outer Detroit | 785 | 12,115,663 | 200,127 | 458,000 | 14.1% | 17.5% | 85.9% | \$21.16 | \$17,242,176 | \$72 |
| Pontiac | 219 | 6,259,289 | 55,284 | - | 10.6% | 12.1% | 89.4% | \$17.72 | \$2,802,345 | \$90 |
| Rochester | 178 | 2,476,851 | (39,387) | 24,550 | 5.9% | 9.6% | 94.1% | \$19.46 | \$2,878,000 | \$271 |
| Royal Oak | 649 | 5,399,777 | (55,858) | 249,224 | 7.8% | 11.5% | 92.2% | \$18.43 | \$13,048,000 | \$143 |
| Southern I-275 Corridor | 1,010 | 11,895,010 | (137,063) | 135,044 | 6.7% | 13.8% | 93.3% | \$16.81 | \$42,435,000 | \$33 |
| Southfield | 588 | 23,937,653 | (190,582) | - | 17.2% | 26.0% | 82.8% | \$18.59 | \$28,394,700 | \$101 |
| Troy | 334 | 17,309,210 | 197,059 | - | 12.8% | 19.0% | 87.2% | \$20.57 | \$22,116,500 | \$119 |
| TOTAL | 9,364 | 197,510,173 | 1,049,828 | 2,343,770 | 9.3% | 14.0% | 90.7% | \$20.15 | \$342,879,532 | \$86 |

2019 OFFICE SALES

(\$5MM+)



| BUILDING | ADDRESS | CITY | SF | SALE PRICE | PRICE PSF |
|---------------------------------|---|------------------|---------|--------------|-----------|
| TriAtria Office Building | 32255 Northwestern Hwy | Farmington Hills | 236,921 | \$27,084,452 | \$114 |
| Novi Orthopedic Center | 26750 Providence Pky (Part of Portfolio) | Novi | 65,175 | \$27,055,644 | \$415 |
| Twelve Oaks Professional Center | 41935 W Twelve Mile Rd | Novi | 93,558 | \$17,500,000 | \$187 |
| 12001 Tech Center Dr | 12001 Tech Center Dr | Livonia | 86,500 | \$12,870,000 | \$149 |
| Chemical Bank Building | 2950 S State St | Ann Arbor | 39,792 | \$12,205,000 | \$307 |
| Mission Health Medical Center | 37595 W 7 Mile Rd | Livonia | 88,492 | \$10,500,000 | \$119 |
| 901 Tower Dr. | 901 Tower Dr. | Troy | 125,612 | \$7,665,000 | \$58 |
| Northfield Hills Corp Ctr | 5755 New King Ct | Troy | 59,034 | \$5,722,500 | \$97 |
| Coventry Place | 1621-1663 W Big Beaver Rd | Troy | 36,500 | \$5,600,000 | \$153 |
| 3245 E Jefferson Ave | 3245 E Jefferson Ave | Detroit | 45,383 | \$5,600,000 | \$123 |
| Research Park | 3971 Research Park Dr | Ann Arbor | 19,852 | \$5,571,182 | \$281 |
| Oxford Pointe Office Center | 26300 Northwestern Hwy | Southfield | 80,142 | \$5,092,500 | \$64 |
| 6870 Grand River Rd | 6870 Grand River Rd | Brighton | 41,295 | \$5,000,000 | \$121 |

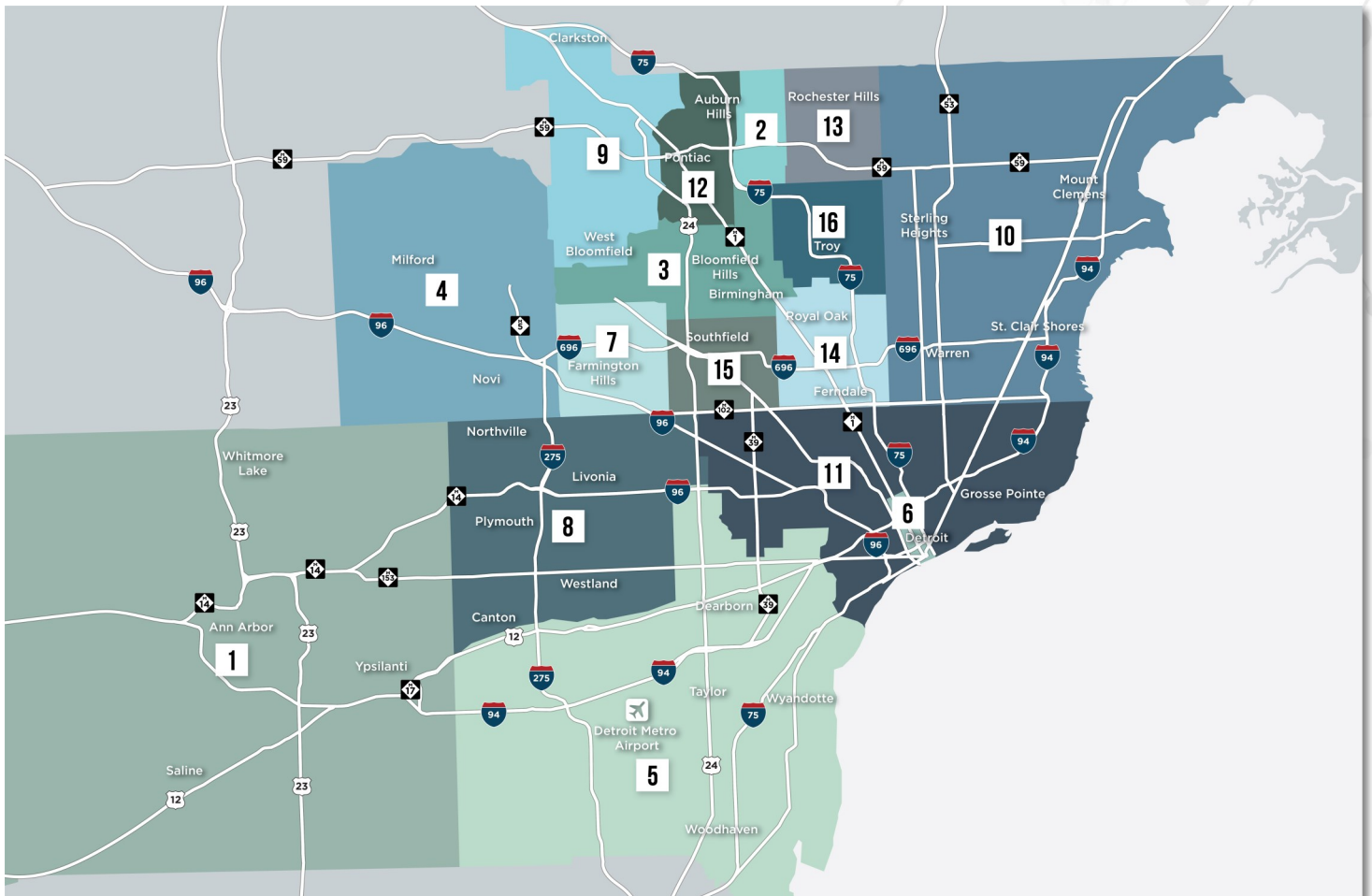
2019 OFFICE LEASES (40,000+ SF)



| TENANT | BUILDING | SUBMARKET | SF |
|------------------------------------|-------------------------|-------------------------|---------|
| Trinity Health | 34375 W Twelve Mile Rd | Farmington Hills | 180,012 |
| WPP PLC | Marquette Building | Downtown Detroit | 150,000 |
| Webasto Roof Systems Inc | 2500 Executive Hills Dr | Auburn Hills | 109,380 |
| Secure 24 | 4000 Town Center | Southfield | 99,834 |
| City of Detroit | 100 Mack Ave | Downtown Detroit | 98,615 |
| WeWork | 6001 Cass Ave | Downtown Detroit | 83,235 |
| United States Bankruptcy Court* | 211 W Fort St | Downtown Detroit | 74,012 |
| Siemens Energy, Inc* | 5555 New King Dr | Troy | 67,081 |
| General Electric | 45 W Main St | Dearborn/Downriver | 66,599 |
| Redford Fire Department Station 2* | 24251 Acacia | Southern I-275 Corridor | 62,168 |
| Blue Care Network | 4000 Town Center | Southfield | 56,073 |
| General Motors Company | 27500 Donald Ct | Macomb | 42,521 |
| Waste Management, Inc.* | Alpha Tech Building | Central I-96 Corridor | 40,000 |

**Renewal*

METRO DETROIT 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 S 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.

FOR MORE INFORMATION PLEASE CONTACT

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