

METROPOLITAN  
**DETROIT  
MARKET**

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OFFICE  
**Q4 2022**  
MARKET STATISTICS



METROPOLITAN DETROIT

# OFFICE MARKET REVIEW

## ECONOMIC OVERVIEW

Fourth quarter 2022 closed with a direct vacancy rate of 20.94%, an overall vacancy rate of 22.67%, and an average asking direct rental rate reported at \$18.96 psf. In December, the Michigan unemployment rate was recorded at 4.3%, a decrease of 1.3 percentage points compared to this time last year, while the U. S. unemployment rate was recorded at 3.5%. Despite the Federal Reserve’s intentions to slow the demand for labor, wage gains and inflation with their continued interest rate hikes, the number of U.S. job openings in December was recorded at 11M, up from 10.46M in November as employers continued hiring at a solid pace. During fourth quarter, the U.S. economy grew by 2.9% and 2.1% throughout 2022, recording six straight months of stable growth. In December, indicators pointed towards the easing of inflation as consumer spending decreased by 0.2% from November along with a decline in consumer prices. It is expected the Federal Reserve will raise the key interest rate during 2023, with the number of increases to be determined. As inflation reached a 40-year high, seven interest rate increases were recorded during 2022 with the final increase of the year by half a point reaching the highest level in 15 years. Inflation remains one of the top economic concerns as consumers remain cautious, re-evaluate their spending habits and outlook towards saving and borrowing.

## STATS ON THE GO

	Q4 2021	Q4 2022	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	21.50%	22.67%	1.17%	▲
Direct Asking Rents (psf/yr)	\$18.98	\$18.96	0.001%	▼

## OFFICE MARKET DISCUSSION

A number of leases were signed during the fourth quarter. First in Livonia, Cabinetworks Group, LLC inked a deal totaling 89,543 sq. ft. of Class B office space located at 20000 Victor Parkway. In Bingham Farms, Hondros College of Nursing signed a deal for 48,035 sq. ft. of Class B office space located at 30700 Telegraph Road in the Bingham Office Center. Lastly, in Ann Arbor, Tetra Tech, Inc., a global provider of consulting and engineering services leased 21,890 sq. ft. located at 1136-1138 Oak Valley Drive in the Valley Ranch Business Park.

A considerable number of investment sales closed the quarter with the largest being the 11-story Regent Court office building located at 16800 Executive Plaza Drive in Dearborn. Ford Motor Company sold the 659,082 sq. ft., 34-acre property to Mike Shehadi, CEO of the Farmington Hills-based pharmacy company PharmaScript. Redevelopment plans are being discussed including mixed-use of residential and office space. In Ann Arbor, the 116,984 sq. ft., 7-story high-rise, Ashley Mews, located at 414 S. Main Street sold as an investment to Mansour Companies, LLC for a reported \$21M.

## OUTLOOK

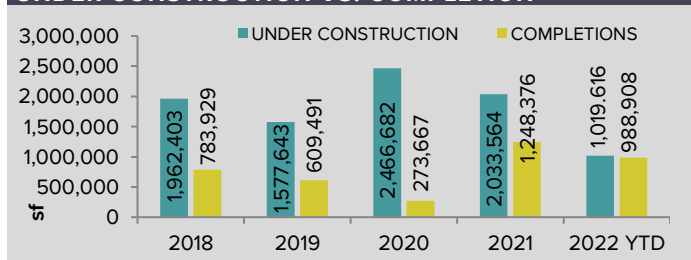
The landscape of the Metro Detroit office market continues to emerge as new downtown Detroit developments are being discussed. In Detroit, a proposed \$1.5B development is planned across 10 properties in the District Detroit, including 695 residential units, 1.2M sq. ft. of commercial office space, 100,000 sq. ft. of retail and 2 hotels. Also in Detroit, the luxury Edition Hotel, has been confirmed as a primary tenant at the Hudson’s site development, while the Westin Book Cadillac Detroit Hotel announced it will undergo a \$20M renovation with completion expected in early summer 2023.

Despite soaring inflation, business owners remain optimistic leading into 2023. In December, the MEDC announced the Michigan Strategic Fund approval of a broad range of projects totaling \$1.2B in investments, creating 1,846 jobs in Michigan. While optimism grew for the downtown Detroit office market as General Motors, located in the Renaissance Towers, announced salaried employees return to in-office work three days per week.

## UNDER CONSTRUCTION

BUILDING / MARKET	CITY	SF	ESTIMATED COMPLETION
120 Henry Street Detroit	Detroit	132,500	December 2023
Ann Arbor Technology Center Ann Arbor	Ann Arbor	122,600	December 2023
Maple Office Park II Birmingham/Bloomfield	Bloomfield Hills	22,485	February 2023

## UNDER CONSTRUCTION VS. COMPLETION





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# OFFICE MARKET REVIEW

Submarket: Buildings 20,000 Sq. Ft. & Up	Total Inventory Square Feet	Available Square Feet w/Sublease	Vacancy % w/Sublease	Direct Available Square Feet	Direct Vacancy %	Direct Vacancy % Change 3 <sup>rd</sup> - 4 <sup>th</sup> Qtr
<b>CLASS A</b>						
Ann Arbor	2,592,938	382,485	14.75%	308,551	11.90%	-1.06%
Birmingham/Bloomfield	1,969,960	508,533	25.81%	508,258	25.80%	-1.96%
Dearborn	1,419,212	360,679	25.41%	359,066	7.00%	0.00%
Detroit	9,780,507	1,813,198	18.54%	1,469,533	15.03%	-0.42%
Farmington Hills/West Bloomfield	2,411,248	540,295	22.41%	517,336	21.46%	0.53%
I-275 Corridor*	2,837,918	802,857	28.29%	742,327	26.16%	0.09%
Macomb County**	573,400	33,966	5.92%	33,966	5.92%	-2.90%
Rochester Hills/Auburn Hills	714,115	179,919	25.19%	178,351	24.98%	7.35%
Southfield/Bingham Farms	5,868,546	1,703,623	29.03%	1,555,418	26.50%	-0.10%
Troy	6,558,596	2,263,931	34.52%	1,909,990	29.12%	-0.64%
<b>CLASS A TOTAL</b>	<b>34,726,440</b>	<b>8,589,487</b>	<b>24.73%</b>	<b>7,582,796</b>	<b>21.84%</b>	<b>-0.25%</b>
<b>CLASS B</b>						
Ann Arbor	4,780,581	902,548	18.88%	845,179	17.68%	-1.94%
Birmingham/Bloomfield	3,095,572	432,152	13.96%	417,533	13.49%	0.41%
Dearborn	2,901,163	951,543	32.80%	951,543	32.80%	4.64%
Detroit	15,137,342	3,116,113	20.59%	3,041,905	20.10%	1.26%
Farmington Hills/West Bloomfield	4,669,510	833,131	17.84%	775,903	16.62%	2.23%
I-275 Corridor*	5,184,503	936,869	18.07%	862,440	16.63%	-1.81%
Macomb County**	3,381,963	460,878	13.63%	437,026	12.92%	-0.34%
Rochester Hills/Auburn Hills	2,962,919	640,172	21.61%	580,018	19.58%	-0.09%
Southfield/Bingham Farms	11,058,666	3,720,309	33.64%	3,411,062	30.85%	0.73%
Troy	6,130,655	1,694,142	27.63%	1,577,127	25.73%	1.98%
<b>CLASS B TOTAL</b>	<b>59,302,874</b>	<b>13,687,857</b>	<b>23.08%</b>	<b>12,899,736</b>	<b>21.75%</b>	<b>0.74%</b>
<b>CLASS C</b>						
Ann Arbor	496,11	42,194	8.50%	42,194	8.50%	-2.89%
Birmingham/Bloomfield	157,835	13,484	8.54%	13,484	8.54%	-0.47%
Dearborn	99,786	29,252	29.31%	29,252	29.31%	0.25%
Detroit	4,533,450	552,601	12.19%	543,401	11.99%	-3.87%
Farmington Hills/West Bloomfield	475,312	72,732	15.30%	72,732	15.30%	11.56%
I-275 Corridor*	712,187	48,643	6.83%	48,643	6.83%	-0.44%
Macomb County**	795,033	92,561	11.64%	92,561	11.64%	-0.85%
Rochester Hills/Auburn Hills	430,962	15,000	3.48%	15,000	3.48%	-0.49%
Southfield/Bingham Farms	1,804,856	419,259	23.23%	419,259	23.23%	3.48%
Troy	757,298	78,813	10.41%	78,813	10.41%	-4.46%
<b>CLASS C TOTAL</b>	<b>10,262,830</b>	<b>1,364,539</b>	<b>13.30%</b>	<b>1,355,339</b>	<b>13.21%</b>	<b>-1.15%</b>
<b>COMBINED CLASS A, B, &amp; C</b>						
Ann Arbor	7,869,630	1,327,228	16.87%	1,195,924	15.20%	-1.71%
Birmingham/Bloomfield	5,223,367	954,169	18.27%	939,275	17.98%	-0.51%
Dearborn	4,420,161	1,341,474	30.35%	1,339,861	30.31%	3.46%
Detroit	29,451,299	5,481,912	18.61%	5,054,839	17.16%	-0.10%
Farmington Hills/West Bloomfield	7,556,070	1,446,158	19.14%	1,365,971	18.08%	2.27%
I-275 Corridor*	8,734,608	1,788,369	20.47%	1,653,410	18.93%	-1.08%
Macomb County**	4,750,396	587,405	12.37%	563,553	11.86%	-0.73%
Rochester Hills/Auburn Hills	4,107,996	835,091	20.33%	773,369	18.83%	1.16%
Southfield/Bingham Farms	18,732,068	5,843,191	31.19%	5,385,739	28.75%	0.73%
Troy	13,446,549	4,036,886	30.02%	3,565,930	26.52%	0.34%
<b>METRO DETROIT OFFICE MARKET TOTAL</b>	<b>104,292,144</b>	<b>23,641,883</b>	<b>22.67%</b>	<b>21,837,871</b>	<b>20.94%</b>	<b>0.23%</b>

\*I-275 Corridor includes: Livonia, Northville, Novi, Plymouth/Plymouth Twp. \*\*Macomb County includes: Clinton Twp., Mt. Clemens, Shelby Twp., Sterling Heights, Utica and Warren.

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# OFFICE MARKET REVIEW









## TOP SALE TRANSACTIONS

Building	City	Market	Size/SF	Sale Type	Buyer
16800 Executive Plaza Drive	Dearborn	Dearborn	659,082	Investment	Mike Shehadi
2020 Taylor Road	Auburn Hills	Rochester Hills/ Auburn Hills	192,308	Investment	REDICO
2601 & 2701 Cambridge Court 2-Building Portfolio	Auburn Hills	Rochester Hills/ Auburn Hills	170,085	Investment	LREH Michigan, LLC
27400 Northwestern Highway	Southfield	Southfield/ Bingham Farms	125,000	Investment	Southfield Storage Conversion, LLC
414 S. Main Street	Ann Arbor	Ann Arbor	116,984	Investment	Mansour Companies, LLC

## TOP LEASE TRANSACTIONS

Building	City	Market	Size/SF	Lease Type	Tenant
20000 Victor Parkway	Livonia	I-275 Corridor	89,543	Direct	Cabinetworks Group, Inc.
30700 Telegraph Road	Bingham Farms	Southfield/ Bingham Farms	48,035	Direct	Hondros College of Nursing
1136-1138 Oak Valley Drive	Ann Arbor	Ann Arbor	21,890	Direct	Tetra Tech, Inc.
27500 Drake Road	Farmington Hills	Farmington Hills/ W. Bloomfield	20,800	Direct	AEES, Inc.
30 Frank Lloyd Wright Drive	Ann Arbor	Ann Arbor	20,132	Direct	XPO Logistics, LLC

## SIGNATURE QUICK FACTS

<p><b>Q4 2022</b> SIGNATURE LISTED...</p> <p> <b>197</b> NEW PROPERTIES</p> <p> <b>2,956,244</b> SQUARE FEET</p> <p> <b>330.9</b> ACRES</p>	<p><b>Q4 2022</b> SIGNATURE CLOSED....</p> <p> <b>337</b> TRANSACTIONS</p> <p> <b>9,181,837</b> SQUARE FEET</p> <p> <b>445.44</b> ACRES</p>	<p> <b>42%</b> CONSISTENT MARKET SHARE</p> <p><b>FULL-SERVICE COMMERCIAL REAL ESTATE</b></p> <p><b>TCN</b>  <b>MEMBER FIRM</b> WORLDWIDE REAL ESTATE SERVICES</p>
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