



# Metro Detroit Office Market

## 2020 Net Vacancies Highest in 10 Years

The Metro Detroit office market vacancy rate edged up 80 basis points to 16.2% during the fourth quarter of 2020 as just over 548,000 square feet in net vacancies were added to the market. 2020 was a challenging year for the office market. The pandemic led to a slowdown in growth in the service sector and forced companies to implement work-from-home policies. As a result, the office market recorded nearly 780,000 square feet in net vacancies in 2020, a level not seen in 10 years. Also contributing to increased vacancies was newly renovated space coming back on the market in Detroit and Mercedes-Benz vacating a large block of space in Farmington Hills as it begins building a new headquarters facility. Meanwhile, sublease space trended up 7.0% to 1,067,288 square feet from pre-lockdown measures in the first quarter to the end of the fourth quarter in Metro Detroit's core office markets. However, the increase was 5.0% when compared to levels during fourth-quarter 2019.

### Current Conditions

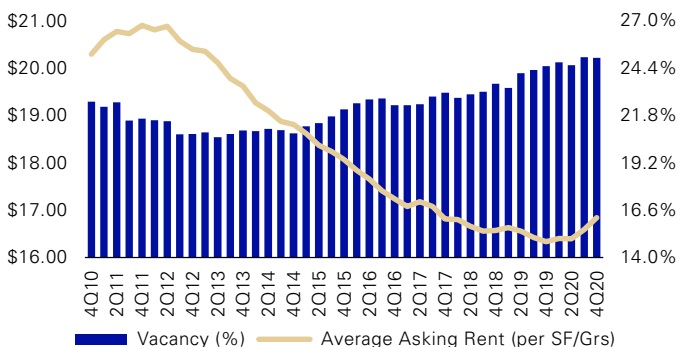
- The Metro Detroit office market vacancy rate edged up 80 basis points to 16.2% during the fourth quarter of 2020 as just over 548,000 square feet in net vacancies were added to the market.
- The COVID-19 pandemic led to a slowdown in growth in the service sector and forced companies to implement work-from-home policies.
- Sublease space trended up 7% to 1,067,288 square feet from pre-lockdown measures in the first quarter to the end of the fourth quarter

### Market Summary

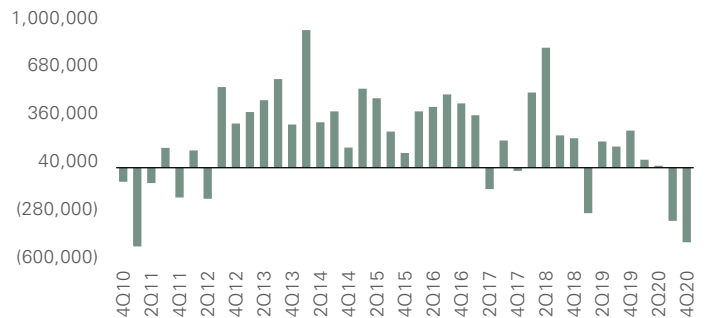
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	78.3M	78.1M	77.9M	↑
Vacancy Rate	16.2%	15.5%	14.9%	→
Quarterly Net Absorption (SF)	(498,223)	(354,377)	248,180	→
Average Asking Rent/SF	\$20.22	\$20.23	\$20.04	→
Under Construction (SF)	840,000	390,000	624,000	→

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



### Detroit CBD

They Detroit Central Business District vacancy rate rose 40 basis points to 13.2% during the fourth quarter as just over 65,000 square feet in net vacancies were added to the market. New vacancies were mostly attributed to Bedrock finishing renovations on the former Detroit Free Press Building that added 52,000 square feet of new office space. The Penobscot Building also added 30,000 square feet in new vacancies to the market. 211 West Fort Street, primarily occupied by GSA tenants or governmental offices, absorbed nearly 40,000 square feet, offsetting a portion of the CBD’s new vacancy increase. For the year, the CBD’s vacancy rose 60 basis points; however, year-to-date absorption remained positive as Little Caesars completed and moved into its \$150.0-million, nine-story, 234,000-square-foot world headquarters at the corner of Woodward Avenue and Columbia Street. COVID-19 slowed leasing activity in the CBD and even halted planned moves in the city.

The year 2021 will likely start on a very active note as the pandemic slowed major developments in 2020 and postponed planned moves on account of health concerns. Chicago-based company Clearcover, Inc. postponed plans to bring 300 employees into Detroit as the pandemic hit. The pandemic also slowed construction of a few major projects. TCF-Huntington Bank’s new building, a 20-story, 250,000-square-foot high-rise under construction at Woodward Avenue and Elizabeth Street, is on going. The newly merged bank will likely occupy facility in 2022. Olympia Development’s 127,000-square-foot new office building at 2715 Woodward Avenue is now expected to be completed during first-quarter 2021. Boston Consulting Group and Warner Norcross + Judd will occupy most of the building upon completion. Meanwhile, advertising firm WPP is likely to move into 150,000 square feet inside the Marquette Building at

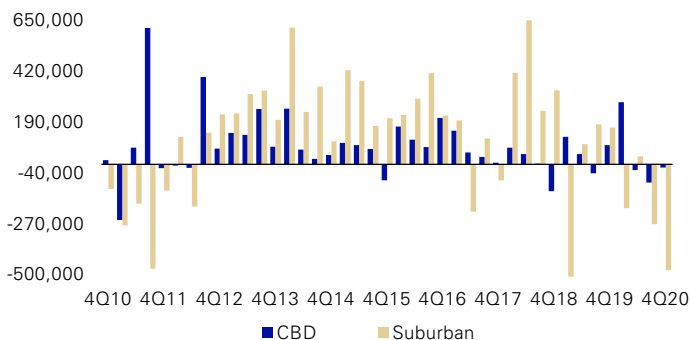
243 West Congress Street during first-quarter 2021 following lengthy building renovations. The city’s largest development, Bedrock’s new high-rise on the former Hudson site at Woodward Avenue and Gratiot Avenue, continues to move forward. The developer is going vertical with the 680-foot-tall mixed-use development that will consist of residential, hotel, retail and a 400,000-square-foot block of Class A office space. Detroit CBD’s Class A vacancy rate fell 50 basis points to 8.4% during 2020 as just nearly 240,000 square was absorbed during the year. By contrast, the Class B market vacancy rate jumped 210 basis points to 18.4% as just over 127,000 square feet in net vacancies were added during the year.

### Southfield

The Southfield office vacancy rate rose 30 basis points to 20.2% during the fourth quarter as just over 53,000 square feet in net vacancies were added to the market. A few of the larger vacancies include 36,000 square feet in the American Center and a 21,000-square-foot vacant sublease space at 2000 Town Center. Other various vacancies were created at Bingham Office Park II and Crescent Centre. Despite a negative fourth quarter, the Southfield market posted just over 245,000 square feet of positive absorption in 2020. The Southfield Town Center accounted for a large share of absorption in 2020 as Plant Moran expanded into 147,000 square feet in the 3000 Tower, while Secure 24 took occupancy of 100,000 square feet in the 4000 Tower. Marelli’s relocation from locations in Farmington Hills and Auburn Hills into 329,000 square feet at 26555 Northwestern Highway in Southfield significantly contributed to the submarket’s overall positive year.

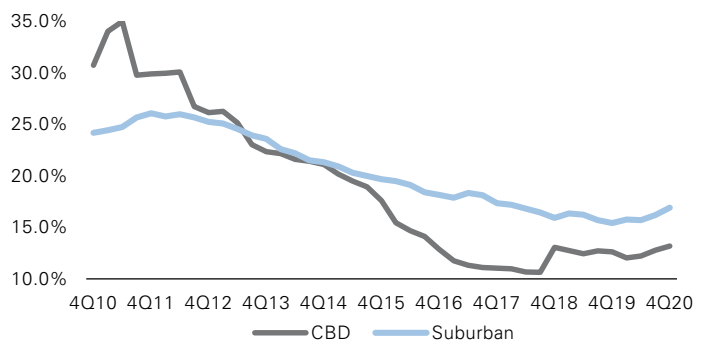
#### Detroit CBD vs Suburban Market

ABSORPTION (SF)



#### Detroit CBD vs Suburban Market

VACANCY RATE (%)



## RESEARCH Q4 2020

Despite strong leasing activity in the Southfield Town Center, the Class A market vacancy rate rose 40 basis points to 18.4% during the year as new Class A vacancies were created at the Beaumont Service Center on Northwestern Highway, 200 Galleria Officentre and the American Center. The Class B office market fell 620 basis points to 19.5% during the year. The strong performance of the Class B market was primarily from automotive supplier Marelli taking Federal Mogul Corporation's former vacant space.

### Troy

Troy's office market vacancy climbed 50 basis points during fourth-quarter 2020 as nearly 66,000 square feet in net vacancies was added to the market. New vacancies were created at the Liberty Center on West Big Beaver Road, Continental Plaza on Troy Center Drive and Timberland IV on Long Lake Road. For the year, the submarket's vacancy rate rose 220 basis points as over 323,000 square feet of net vacancies were added to the market. A large portion of the submarket's new vacancies during the year came as Beaumont finalized its move out of 750 Stephenson Highway during the company's relocation to Southfield. Other large vacancies were created at 2690 Crooks Road and various other locations as Kelly Services consolidated its operations into its main office location on Big Beaver Road. A portion of the year's negative absorption was offset from Billhighway's 32,000-square-foot lease at Timberland on Corporate Drive and Ipsos Group's 24,000-square-foot lease at City Center Building on Big Beaver Road during the second quarter. Troy's Class A vacancy rate rose 40 basis points to 9.5% during the year as just over 17,000 square feet in net vacancies were added to the market. The Class B market vacancy rate 40 basis points to 21.9% during the year, adding just over 41,000 square feet of net vacancies.

### Farmington Hills

The Farmington Hills office market vacancy rate climbed 330 basis points to 13.6% during the fourth quarter as just over 220,000 square feet of net vacancies were added to the market. Farmington Hills Officenter II on Corporate Drive accounted for the largest share of new space as Mercedes-Benz Financial Services USA vacated 153,000 square feet in the building. Mercedes-Benz Financial Services is in the process of building a new 200,000-square-foot headquarters at Twelve Mile Road and Drake Road. The 696 Centre at 27555 Farmington Road saw 51,000 square feet added to the market as a 51,000-square-foot former Beaumont space was vacated and readded to the sublease market. While the fourth quarter saw the bulk of negative absorption, other new vacancies throughout the year brought the submarket's overall negative absorption to nearly 300,000 square feet for the year. Farmington Hills's Class A accounted for the bulk of overall net vacancies by adding over 194,000 square feet of space to the market, pushing the vacancy rate up 590 basis points to 19.9% for the year. The Class B market vacancy rose just 90 basis points, adding just over 28,000 square feet of net vacancies for the year.

### Novi

Novi's office market vacancy rate climbed 170 basis points to 20% during the fourth quarter as nearly 29,000 square feet in net vacancies were added to the market. Crystal Glen Office Centre accounted for the bulk of new vacant space as MathWorks relocated out of roughly 25,000 square feet.

### Livonia

Livonia's office market vacancy rate jumped 90 basis points to 13.1% during the fourth quarter as nearly 30,000 square feet in net vacancies were added to the market.

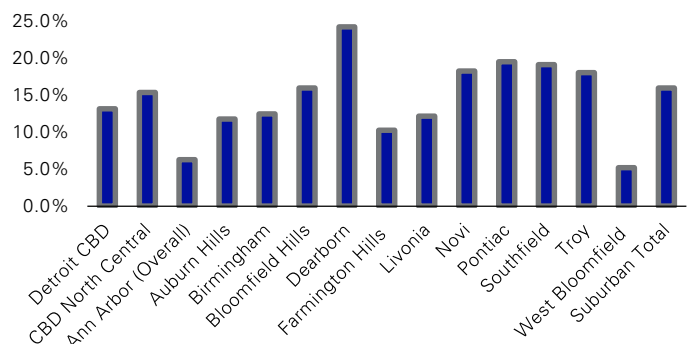
## AVAILABLE SUBLEASE SPACE

Metro Detroit (SF)



## VACANCY BY SUBMARKET

Vacancy Rate (%)



## Birmingham

Birmingham's office market remained mostly inactive during the fourth quarter with the vacancy rate edging up 10 basis points to 12.6% during the quarter. For the year, the vacancy rate climbed 230 basis points as just over 36,000 square feet in net vacancies were added to the market.

## Ann Arbor

Ann Arbor's overall office vacancy rate rose 40 basis points to 6.7% during fourth-quarter 2020 as just over 20,000 square feet in net vacancies were added to the market. The bulk of the area's new vacancies came from Earhart Corporate Center, which posted just over 13,000 square feet in new space. Year-to-date, the Ann Arbor area posted just over 111,000 square feet in net vacancies, the largest yearly total since 2008. The Briarwood

Corridor accounted for bulk of negative absorption as large vacancies were created at South State Commons and The Wickfield Center. The CBD and Northeast Corridor saw greater demand as companies such as Clinc, Inc., Arbor Research Collaborative for Health and Home Point Financial leased large blocks of space. The upcoming year will see a turnaround for the greater Ann Arbor market as major companies are set to take significant amount of office space. KLA Corporation announced plans to build a 230,000-square-foot research and development facility at Ann Arbor Technology Park, while Google, Inc. plans a significant expansion in North Ann Arbor by 2021. In addition, Wacker Chemical plans on building a \$51.0-million regional headquarters on State Street that is slated for completion in 2022.

## NOTABLE 2020 LEASE TRANSACTIONS

Tenant	Building	City	Type	Square Feet
Volkswagen	3800 Hamlin Rd	Auburn Hills	Renewal	364,000
Plant Moran	3000 Town Center	Southfield	Lease Type	147,000
Secure 24	4000 Town Center	Southfield	Lease Type	100,000
Quicken Loans	One Campus Martius	Detroit	Lease Type	83,000
Faurecia USA	31440 Northwestern	Farmington Hills	Lease Type	40,692
Billhighway	Timberland II	Troy	Lease Type	32,000

## NOTABLE 2020 SALE TRANSACTIONS

Building	City	Sale Price	Price/SF	Square Feet
22646 E 9 Mile Rd	Saint Clair Shores	\$2,625,000	\$230	11,406
39395 W Twelve Mile Rd	Farmington Hills	\$6,685,683	\$152	44,033
210 W University Dr	Rochester Hills	\$2,650,000	\$138	19,150
37875 W 12 Mile Rd	Southfield	\$950,000	\$130	7,274
6755 Telegraph Rd	Bloomfield Hills	\$2,700,000	\$128	21,000
575 E Big Beaver Rd	Troy	\$3,700,000	\$103	36,000

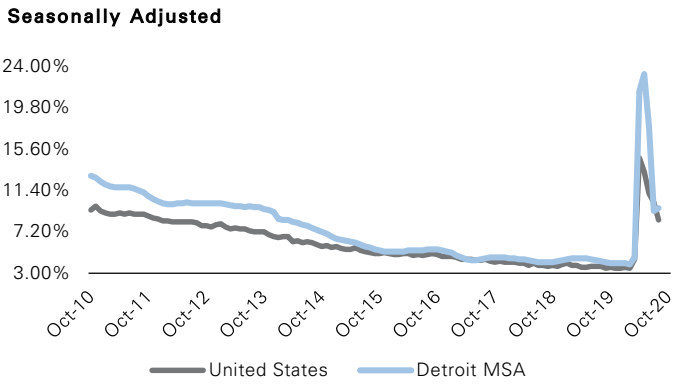
RESEARCH Q4 2020

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Class A/B/C Asking Rent (Price/SF)
Detroit CBD	14,735,119	640,000	13.2%	-15,713	156,066	\$27.38	\$23.95	\$23.85
CBD North Central	1,623,604	X	15.4%	-2,431	-30,895	X	\$18.47	\$18.27
<b>Detroit Total</b>	<b>16,358,723</b>	<b>640,000</b>	<b>13.4%</b>	<b>-18,144</b>	<b>125,171</b>	<b>\$27.38</b>	<b>\$22.42</b>	<b>\$23.01</b>
Ann Arbor Briarwood	2,129,620	-	9.7%	-3,406	-103,637	\$29.89	\$23.74	\$27.22
Ann Arbor CBD	1,426,045	X	2.9%	-3,840	18,579	\$33.25	\$27.50	\$30.44
Ann Arbor Northeast	1,930,105	X	6.2%	-13,280	-26,334	\$27.26	\$22.20	\$27.01
Auburn Hills	3,015,304	X	12.1%	-9,516	62,837	\$21.11	\$19.72	\$20.36
Birmingham	273,654	X	3.2%	0	-3,426	\$43.20	\$29.48	\$33.39
Birmingham CBD	1,270,864	X	14.7%	-2,324	-32,852	\$34.58	\$32.61	\$33.34
Bloomfield Hills	3,031,190	X	16.3%	-6,790	-285,713	\$26.09	\$22.48	\$24.29
Dearborn	3,193,219	X	24.3%	1,066	13,125	\$18.75	\$15.90	\$17.33
Farmington Hills	6,541,974	200,000	13.6%	-220,329	-294,595	\$20.42	\$19.12	\$19.57
Livonia	3,175,930	X	14.3%	-68,656	-89,977	\$21.83	\$20.39	\$18.91
Novi	1,701,094	X	20.0%	-28,765	-113,500	\$21.76	\$21.69	\$21.72
Pontiac	2,800,852	X	19.6%	0	23,018	X	\$16.18	\$15.88
Southfield	17,355,814	X	20.2%	-53,450	245,747	\$21.11	\$18.36	\$18.46
Troy	13,579,620	X	18.5%	-65,894	-323,458	\$22.56	\$19.74	\$20.34
West Bloomfield	557,771	X	6.1%	-4,895	-3,924	\$20.00	\$16.95	\$18.10
<b>Suburban Total</b>	<b>61,983,056</b>	<b>200,000</b>	<b>16.9%</b>	<b>-480,079</b>	<b>-914,110</b>	<b>\$22.24</b>	<b>\$19.23</b>	<b>\$19.81</b>
<b>Market</b>	<b>78,341,779</b>	<b>840,000</b>	<b>16.2%</b>	<b>-498,223</b>	<b>-788,939</b>	<b>\$23.00</b>	<b>\$19.71</b>	<b>\$20.22</b>

**RESEARCH Q4 2020**

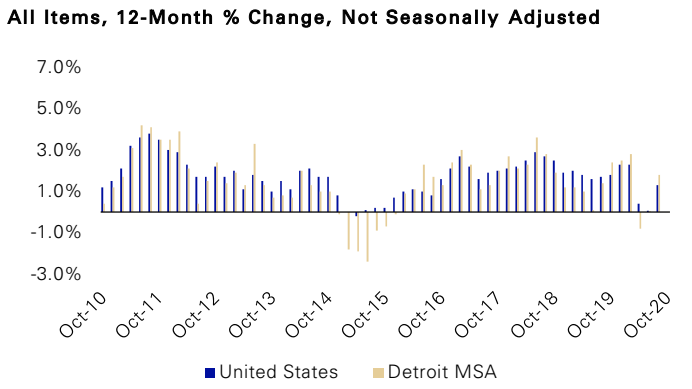
Metro Detroit's unemployment rate showed significant improvement. The rate fell to 6.2% in October 2020 from a high of 23% during May 2020. Despite the improvements in unemployment levels, payroll employment is still down 9% in October compared to the same time last year.

**UNEMPLOYMENT RATE**



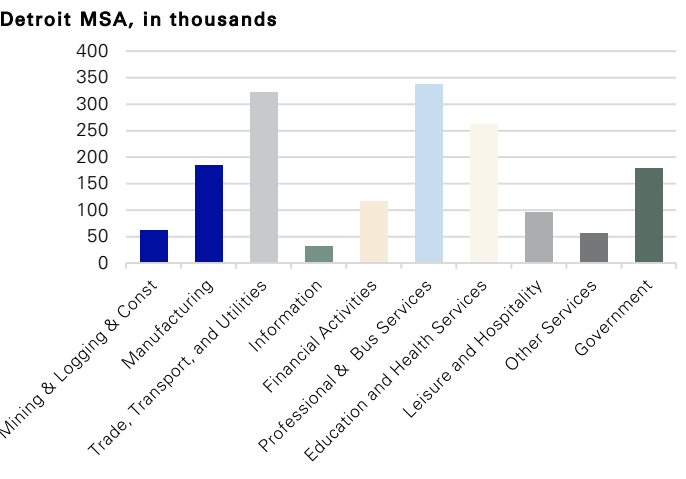
\*Source: U.S. Bureau of Labor Statistics

**CONSUMER PRICE INDEX (CPI)**



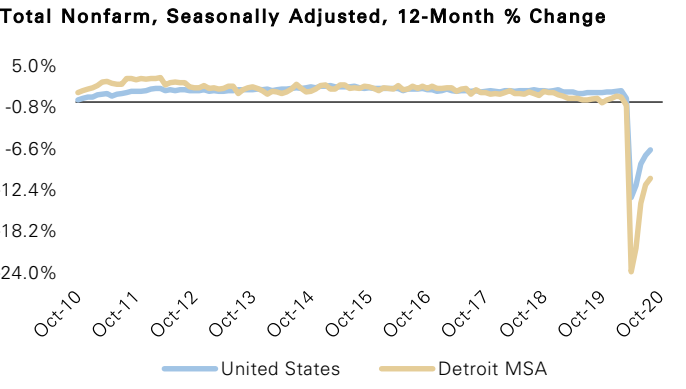
\*Source: U.S. Bureau of Labor Statistics

**EMPLOYMENT BY INDUSTRY**



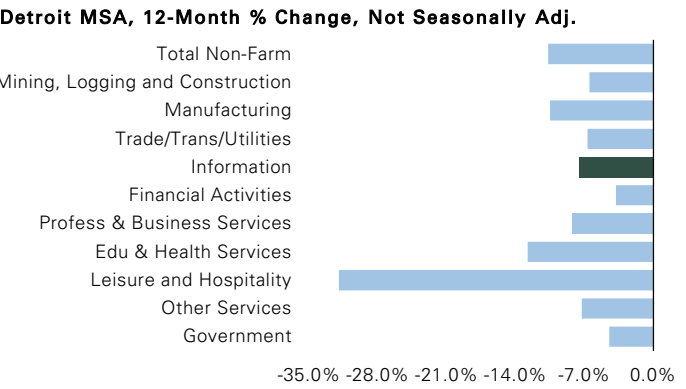
\*Source: U.S. Bureau of Labor Statistics

**PAYROLL EMPLOYMENT**

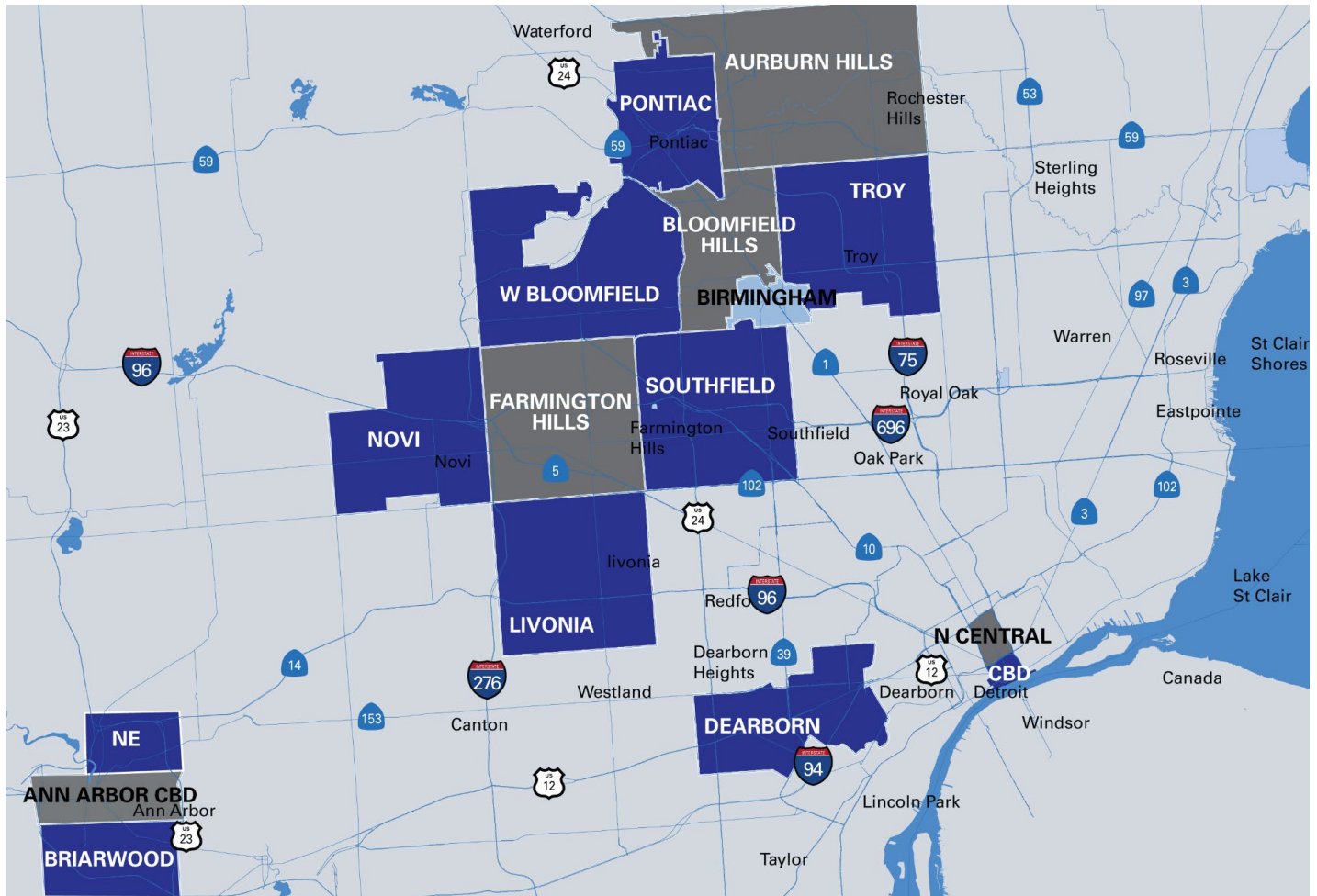


\*Source: U.S. Bureau of Labor Statistics

**EMPLOYMENT GROWTH BY INDUSTRY**



\*Source: U.S. Bureau of Labor Statistics



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