

METRO DETROIT MID YEAR 2021 OFFICE REPORT

UNCERTAINTY AS THE MARKET TRIES TO PLAN FOR A POST-PANDEMIC LANDSCAPE

In the first half of 2021, the Metro Detroit office market continued to realize the full impact of COVID-19 with decreasing rental rates and occupancy, continued negative net absorption, and a downtick in office construction. On a positive note, net absorption and sales volume have improved compared to the second half of 2020, a positive signal compared to other fundamentals.

The first half of 2021 ended with an overall occupancy rate of 89.4%, the lowest level since 2016, but still above the market's 10-year average of 87.8%; over 1 million square feet of sublease space available, the highest level since 2008/2009; and 2,052,096 square feet of leasing activity, the least activity since the second half of 2006. The Downtown Detroit office submarket reported only 19 leases signed totaling 100,387 square feet compared to 58 leases signed totaling 1,025,686 square feet in the second half of 2019. The Detroit suburban office submarkets reported 605 leases signed totaling 1,782,357 square feet compared to 894 leases signed totaling 3,226,543 square feet in the second half of 2019. While both urban and suburban markets leasing activity has declined from 2019, the current activity is indicative of a stark contrast between the urban and suburban office submarkets that will continue to grow as the Downtown Detroit delivers 994,437 square feet of office space currently under construction.

Future office space demand remains ambiguous as businesses continue to assess their in-person and remote working arrangements. The level of sublease inventory and negative net absorption demonstrates that some businesses are downsizing or eliminating their office requirements entirely as they transition to either a remote work or hybrid structure. Notably, Quicken Loans began the process of reoccupying their extensive Downtown Detroit office real estate with their 19,000 Detroit employees on June 7th and will adopt a hybrid work model, a positive sign for the Downtown Detroit restaurants and retailers that have been severely effected by remote working. Ford and General Motors also expect to maintain their physical space and will begin bringing remote employees back to the office this summer or early fall with a hybrid work model. If other companies go a different direction by downsizing or eliminating their office space, the resulting office demand shock would likely result in a flight to quality, adversely affecting the vast inventory of Class B office buildings in the market. This flight to quality is already underway with Class B office buildings totaling a reported -887,704 square feet of negative net absorption compared to a reported 334,107 of positive net absorption in Class A office buildings in the first half of 2021.

Although there is still much uncertainty in the market, many of the area's companies that we speak with are still planning a return to their office space in some fashion, a positive signal as the market continues to navigate the slow recovery from the pandemic.

The largest office developments delivered in the first half of 2021 include: One Campus Martius Building Extension, an extension to the existing 1,080,000 Class A Quicken Loans Headquarters in Downtown Detroit; Mercedes Benz Financial Services USA Headquarters, a Class A office building in Farmington Hills that will function as the second USA headquarters for the firm; and 2715 Woodward Avenue, a Class A office building adjacent to Little Caesar's Arena in the Downtown Detroit district.

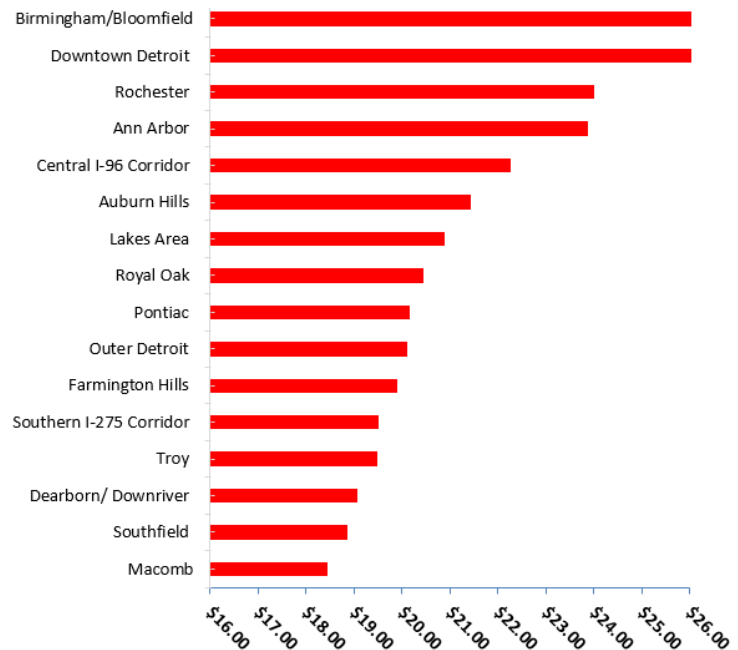
Other major office developments under construction in the Metro Detroit submarket include: Michigan Central Station, a Class A office building redevelopment into Ford's mobility tech development campus in Corktown Detroit; following the merger of TCF and Huntington Bank, the TCF Tower, a Class A office headquarters in Downtown Detroit; Hudson's Site, a Class A mixed use building in Downtown Detroit; and Royal City Center Office Building, a Class A office building in Downtown Royal Oak on the same site as the City Hall and Police Station redevelopment.

Total office building sales activity in the first half of 2021 increased to \$262MM of sales volume compared to \$248MM in the second half of 2020, but is still decreased from \$280MM in the first half of 2020. Cap rates were lower in the first half of 2021, averaging 8.64% compared to the second and first half of 2020 when they averaged a respective 9.37% and 9.85%.

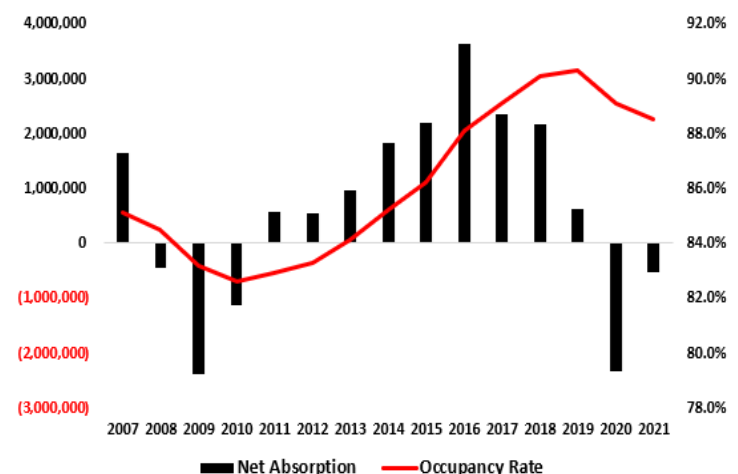
MARKET AT A GLANCE

	PRIOR YEAR Q1 & Q2 2020	PRIOR YEAR Q3 & Q4 2020	CURRENT Q1 & Q2 2021	
# Of Office Buildings	9,456	9,464	9,474	↑
Market Size (SF)	200,139,020	200,408,155	201,276,539	↑
Direct Avg Asking Rental Rate	\$20.24	\$20.79	\$20.65	↓
Overall Occupancy	90.9%	90.0%	89.4%	↓
Half Year Net Absorption	(643,464)	(1,690,108)	(527,919)	↑
Half Year Leasing Volume	2,771,105	2,305,948	1,951,772	↓
Half Year Sales Volume	\$280,007,517	\$248,441,072	\$262,091,078	↑
# Prop Under Construction	27	23	14	↓
SF Under Construction	2,899,127	2,945,570	2,114,949	↓

AVERAGE ASKING RENTAL RATES BY SUBMARKET



OCCUPANCY & ABSORPTION



METRO DETROIT OFFICE STATS



SUBMARKET	# BLDGS	INVENTORY (SF)	NET ABS. (SF)	SF UNDER CONST	TOTAL VAC. (%)	OVERALL OCC. (%)	AVG ASKING RENT (GROSS)	ASKING RENT (GROSS)			TOTAL SALES VOLUME	SALES PER SF
								Class A	Class B	Class C		
Ann Arbor	898	14,853,863	(140,891)	230,000	8.68%	91.32%	\$23.85	\$29.32	\$23.34	\$20.28	4,816,000	\$160.00
Auburn Hills	71	8,711,248	(44,428)	0	3.97%	96.03%	\$21.41	\$22.83	\$19.84	\$26.41	3,000,000	\$122.00
Birmingham/ Bloomfield	396	7,746,142	402	98,197	10.91%	89.09%	\$28.51	\$32.83	\$27.83	\$23.62	18,900,000	\$169.00
Central I-96 Corridor	343	6,340,074	(133,228)	0	13.40%	86.60%	\$22.26	\$23.28	\$21.92	\$20.36	61,550,795	\$145.00
Dearborn/ Downriver	1,232	18,307,429	(167,460)	0	9.16%	90.84%	\$19.05	\$20.19	\$19.51	\$15.50	8,451,594	\$109.00
Downtown Detroit	274	35,934,930	325,370	994,437	8.17%	91.83%	\$27.94	\$29.03	\$26.74	\$21.92	34,200,000	\$121.00
Farmington Hills	404	9,823,658	76,486	0	10.72%	89.28%	\$19.89	\$22.04	\$19.44	\$16.74	16,463,839	\$123.00
Lakes Area	344	2,457,162	28,990	0	7.48%	92.52%	\$20.88	\$31.52	\$21.47	\$18.71	1,495,000	\$107.00
Macomb	1,725	17,740,269	(58,713)	14,304	6.65%	93.35%	\$18.42	\$29.06	\$18.21	\$17.57	14,426,250	\$100.00
Outer Detroit	808	11,440,653	(8,320)	458,000	12.29%	87.71%	\$20.08	\$23.68	\$21.16	\$16.35	6,430,520	\$99.00
Pontiac	217	6,212,691	(91,580)	0	12.31%	87.69%	\$20.14	\$25.13	\$17.91	\$20.06	1,764,999	\$99.00
Rochester	181	2,478,824	30,343	25,632	7.77%	92.23%	\$24.00	\$18.89	\$25.48	\$20.01	4,066,500	\$118.00
Royal Oak	644	5,592,842	11,263	140,000	8.51%	91.49%	\$20.44	34.81	\$19.33	\$21.65	3,095,000	\$103.00
Southern I- 275 Corridor	1,011	12,422,138	(251,690)	154,379	12.20%	87.80%	\$19.50	\$20.91	\$19.23	\$19.15	36,569,415	\$116.00
Southfield	588	23,767,651	184,103	0	15.67%	84.33%	\$18.84	\$21.66	\$18.24	\$13.44	45,711,166	\$94.00
Troy	338	17,446,965	(288,566)	0	25.45%	74.55%	\$19.47	\$19.58	\$19.61	\$16.16	1,150,000	\$98.00
TOTAL	9,474	201,276,539	-527,919	2,114,949	10.6%	89.4%	\$20.65				262,091,078	\$119.60

TOP MID YEAR 2021 OFFICE SALES (BASED ON SALES PRICE)



BUILDING	ADDRESS	CITY	SF	SALE PRICE	PRICE/SF
Magna Seating of America	30020 Cabot Dr	Novi	180,000	\$58,000,000	\$322.22
Stoneridge II	40950 Woodward Avenue	Bloomfield Hills	110,544	\$16,500,000	\$149.26
	444 Michigan Ave	Detroit	551,453	\$15,500,000	\$28.11
Laurel Office Park	17187 N Laurel Park Dr (Part of Portfolio)	Livonia	172,000	\$14,216,134	\$82.65
Centrum Office Center	24901 Northwestern Hwy (Part of Portfolio)	Southfield	207,111	\$11,647,526	\$56.24
Mars Corporate Center	25200 Telegraph Rd	Southfield	186,000	\$9,200,000	\$49.46
Mars Corporate Center	25200 Telegraph Road	Southfield	190,084	\$9,200,000	\$48.40
Innovation Center	119 State St	Detroit	37,775	\$7,375,000	\$195.23
Lear - Capitol Park	119 State Street	Detroit	37,775	\$7,375,000	\$195.23
Drake Pointe Office Building	35055 W 12 Mile Rd (Part of Portfolio)	Farmington Hills	70,000	\$6,852,700	\$97.90
Woodcreek Office Center	31275 Northwestern Hwy	Farmington Hills	60,200	\$5,700,000	\$94.68
Oak Hollow Gateway	24800 Denso Dr (Part of Portfolio)	Southfield	79,259	\$5,533,640	\$69.82
Canton Ford Crossing	5820 N Canton Center Rd (Part of Portfolio)	Canton	17,500	\$5,500,000	\$314.29
Davita Dialysis	1185 Monroe St	Dearborn	10,250	\$3,624,794	\$353.64
University Park Business Center	36650 5 Mile Rd	Livonia	22,000	\$3,600,000	\$163.64
	135 Barclay Cir	Rochester Hills	14,396	\$3,320,000	\$230.62
Oakland Technology Park	1849 Pond Run Dr (Part of Portfolio)	Auburn Hills	24,016	\$3,000,000	\$124.92
	101 E Alexandrine St	Detroit	17,520	\$2,800,000	\$159.82
James Towne Offices II	37601-37649 Pembroke Ave	Livonia	20,000	\$2,300,000	\$115.00
Fountain Park Office Center	29000 Inkster Rd	Southfield	15,250	\$2,095,000	\$137.38
Regal Court I	27472 Schoenherr Rd (Part of Portfolio)	Warren	31,500	\$2,059,173	\$65.37
North Pointe Professional Building	30061 Schoenherr Rd	Warren	11,700	\$1,700,000	\$145.30
	9300-9324 Conant St	Hamtramck	18,183	\$1,470,000	\$80.84
	717 S Eton St	Birmingham	5,000	\$1,400,000	\$280.00
Dearborn Medical Building	3815 Pelham Rd	Dearborn	20,000	\$1,295,000	\$64.75
	1020 E Michigan Ave	Saline	11,960	\$1,200,000	\$100.33
MPC Bldg	29792 Telegraph Rd	Southfield	9,100	\$1,200,000	\$131.87
	1034 W Ann Arbor Trl	Plymouth	5,067	\$1,150,000	\$226.96
L-Bow Room	25100 Kelly Rd	Roseville	7,000	\$1,150,000	\$164.29
	4107 John R Rd	Troy	15,289	\$1,150,000	\$75.22
Windemere Offices	45441 Heydenreich Rd	Macomb Township	7,800	\$1,140,000	\$146.15
Nudell Architects	31690 W 12 Mile Rd	Farmington Hills	11,806	\$1,125,000	\$95.29
	18600 Northville Rd	Northville	9,000	\$1,100,000	\$122.22
Parkland Plaza	231 Little Lake Dr	Ann Arbor	7,360	\$1,050,000	\$142.66
	4203 Martin St	Detroit	2,500	\$1,050,000	\$420.00
	650 S Main St	Plymouth	3,498	\$1,025,000	\$293.02
	295 Elm Street	Birmingham	4,104	\$1,000,000	\$243.66
	3745 Cass Ave	Detroit	10,000	\$1,000,000	\$100.00
	42955 Ford Rd	Canton	5,800	\$925,000	\$159.48
	26500 Telegraph Rd	Southfield	4,210	\$900,000	\$213.78
	26500 Telegraph Rd	Southfield	4,210	\$900,000	\$213.78
	405 N Main St	Ann Arbor	1,600	\$900,000	\$562.50
	43940 Woodward Ave	Bloomfield Hills	6,644	\$900,000	\$135.46
	3161 Hilton Rd	Ferndale	17,834	\$875,000	\$49.06
	38815-38865 Dequindre Rd	Troy	4,568	\$870,000	\$190.46
TOTAL MID YEAR 2021 MARKET SALES			2,984,630	\$262,091,078	\$114.10

TOP MID YEAR 2021 OFFICE LEASES (BASED ON SF)



TENANT	BUILDING	SUBMARKET	SF
Authority Health	Fisher Building	Downtown Detroit	35,498
Comcast	400 Galleria Officentre	Southfield	34,455
Realcomp II Ltd*	696 Centre	Farmington Hills	33,052
Beaumont Hospital	2000 Town Center	Southfield	21,090
Kautex, Inc	800 Tower	Troy	20,621
Surgery Center	Harrington St	Macomb	20,000
Barbara Ann Karmanos Cancer Institute	26700 Lahser Rd	Southfield	19,312
Evolution	2000 Town Center	Southfield	17,445
Doner Partners LLC	400 Galleria Officentre	Southfield	17,234
Evolution New Jersey, LLC	1000 Town Center	Southfield	16,927
Washtenaw Community College	300-336 Harriet St	Ann Arbor	15,829
Synergy Health Partners	500 Building	Troy	13,722
USI Insurance	2600 W Big Beaver Rd	Troy	13,199
ACE American Insurance Company *	Oakland Commons-Phase I	Southfield	12,437
Robert Schechter and Associates, LLC	277 Pierce St	Birmingham/Bloomfield	12,405
CGD Legal Services, P.C	Northwood "B"	Southern I-275 Corridor	12,010
Envision Medical Group PLLC	Hillside Office Center	Central I-96 Corridor	11,596
MORC, Inc	Franklin Place	Southfield	9,966
Otis Elevator Company	Arboretum West	Farmington Hills	9,535
HNTB	New Center One Building	Downtown Detroit	9,373
Securitas Security Services USA, Inc	Parklane Towers West	Dearborn/Downriver	8,789
Heart Cardiology Consultants	Providence Medical Building	Southfield	8,600
Gooma CPA	City Center Tower	Troy	8,514
Triumph Church	1000 Town Center	Southfield	8,365
Automotive Dynamic Corp	Lakeside I	Macomb	8,260
Henry Ford Health System	Atrium Office Center I	Macomb	7,456
Forever Families *	Livonia Professional Center	Southern I-275 Corridor	7,092
Elite Mortgage Funding LLC	North Valley I	Farmington Hills	6,725
Dedicated Michigan Holdings, LLC	Fill Building East	Royal Oak	6,668
Proud Moments MSO	Vanguard Center	Southfield	6,659
Dearborn Speech and Sensory Center, Inc.	Plymouth Executive Park	Southern I-275 Corridor	6,549
Metro EHS Pediatric Therapy	Plymouth Executive Park	Southern I-275 Corridor	6,549
Providence Hospital	Providence Medical Building	Southfield	6,481
Leidos Inc	Plymouth Green Technology Center	Ann Arbor	6,404
PT Services LLC	Northwestern Corporate Center A	Southfield	6,400
Melvin C. Murphy, MD, PC	Advance Building	Southfield	6,391
Lockwood Companies	27777 Franklin Road	Southfield	6,222
Great Lakes Lending Troy, LLC	Troy Place	Troy	5,734
Means Industries, Inc.	Oakland Commons-Phase I	Southfield	5,629

***Renewal**

TOP MID YEAR 2021 OFFICE DEVELOPMENTS (BASED ON SF)



TOP OFFICE PROPERTIES DELIVERED (BASED ON SF)

Property Name	Property Address	Property City	SF	Developer	Delivered	Building Class
One Campus Martius Extension	1 Campus Martius	Detroit	310,000	Bedrock	Q2 2021	A
Mercedes Benz Financial Services Headquarters	36237-35713 W 12 Mile Rd	Farmington Hills	200,000	Olympia Development	Q1 2021	A
	2715 Woodward Ave	Detroit	145,000	Olympia Development	Q1 2021	A
The Development on Troy	221 W Troy St	Ferndale	100,000	City of Ferndale	Q2 2021	A

TOP OFFICE PROPERTIES UNDER CONSTRUCTION (BASED ON SF)

Property Name	Property Address	Property City	SF	Developer	Delivery	Building Class
Michigan Central Station	2001 15th St	Detroit	458,000	For Motor Land Development	Q4 2022	A
TCF Tower	2025 Woodward Ave	Detroit	422,437	Sterling Group	Q1 2022	A
Hudson's Site	1206 Woodward Ave	Detroit	366,000	Bedrock	Q3 2023	A
KLA-Tencor Headquarters	1200 Woodridge Ave	Ann Arbor	230,000	SmithGroup	Q4 2021	A
Royal Oak City Center Office Building	111 E 3rd St	Royal Oak	140,000	The Boji Group	Q4 2021	A
	120 Henry St	Detroit	132,500	Olympia Development	Q4 2021	A
Beaumont Health—Livonia	39000 W 7 Mile Rd	Livonia	127,379	Beaumont Health	Q2 2022	A

METHODOLOGY & DEFINITIONS

The information included in this report is the result of a compilation and analysis of data from various sources on Class A, Class B and Class C office properties located in the metropolitan Detroit area. Friedman obtained the information from its own property representatives, Costar Group™, industry periodicals and magazines, our in-house property database, and other sources. Some of the data in this report has not been independently verified by Friedman. Friedman makes no warranties or representations as to the completeness or accuracy thereof.

Total Inventory (Market Size) The total square footage of gross rentable area in a specific submarket. It includes the gross rentable area in buildings that have received a certificate of occupancy. Total inventory increases when a new building is delivered and decreases when an existing building is destroyed, demolished or its use changes. For our survey, we include all office buildings except those deemed functionally obsolete.

Vacancy Rate: A measurement expressed as a percentage of the total amount of vacant space divided by the total amount of inventory. Vacant space is inventory that is not currently occupied.

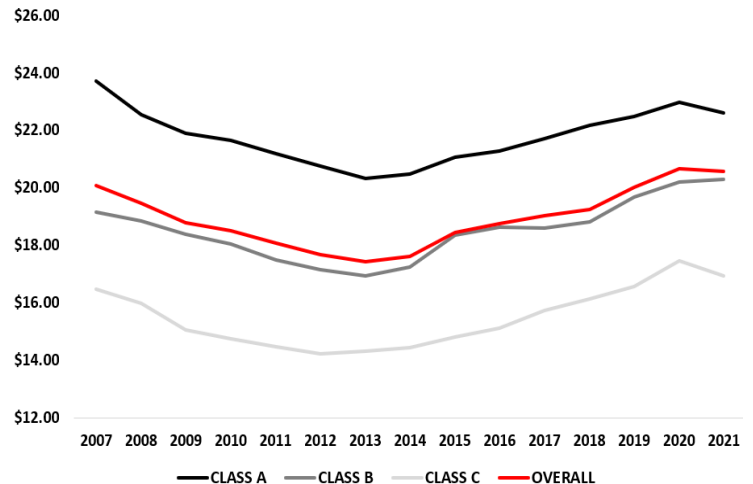
Net Absorption: The net change in occupied space in a given submarket between the current measurement period and the last measurement period. Net absorption can be either positive or negative and must include decreases as well as increases in inventory levels. For the purpose of this report, sublease space is included in the calculation of net absorption.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per SF per year. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the submarket is weighted by the amount of available space in the building.

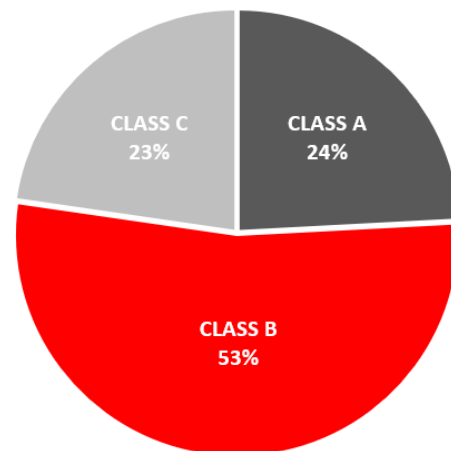
Under Construction Buildings where either: a) actual ground breaking has occurred (site excavation or foundation work) and construction is ongoing (not abandoned or discontinued) but for which a certificate of occupancy has not yet been issued; or b) properties undergoing conversion to office from another use or c) properties undergoing a major renovation where 75 percent or more of the building is not available for lease and building generally requires a certificate of occupancy to be made available for lease.

NOTE: Friedman's MID-YEAR 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. The data presented herein represents all office properties within the Metro Detroit area except those that are determined to be functionally obsolete.

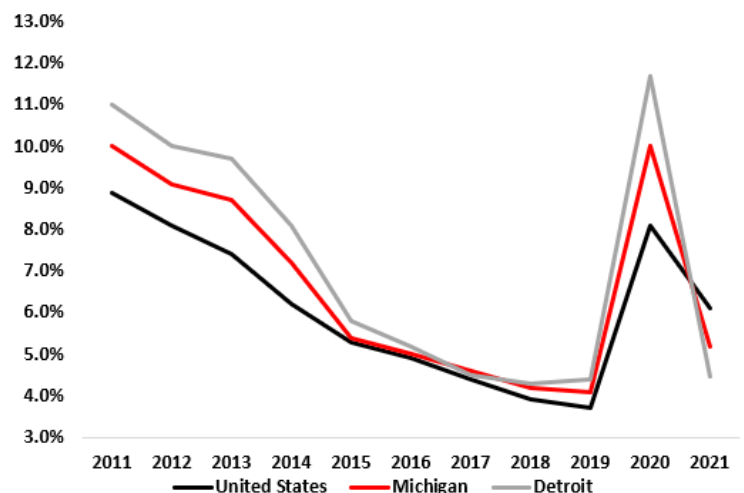
AVERAGE RENTAL RATES (BY ASSET CLASS)



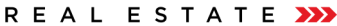
METRO DETROIT OFFICE INVENTORY BY CLASS TYPE



HISTORICAL UNEMPLOYMENT RATES



114



- | | |
|----|---------------|
| 9 | LAKES AREA |
| 10 | MACOMB |
| 11 | OUTER DETROIT |
| 12 | PONTIAC |
| 13 | ROCHESTER |
| 14 | ROYAL OAK |
| 15 | SOUTHFIELD |
| 16 | TROY |



Commercial real estate market fundamentals are in flux, leading to opportunities for our clients. Contact Friedman today to discuss how we may be able to help you:

- Review and potentially restructure your existing lease.
- Reduce rental costs through renegotiation, consolidation, or relocation.
- Step up to a higher quality property.
- Acquire excess property from owners and companies that reduced their footprint during the past 18 months.
- Reconfigure your existing space with our in-house design, planning, and construction team.
- Review financing options with our in-house capital markets team.

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