



METRO DETROIT OFFICE REPORT

2024 OUTLOOK & 2023 REVIEW

FRIEDMAN HQ

34975 W. Twelve Mile Rd.

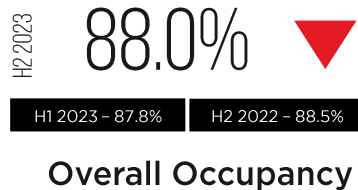
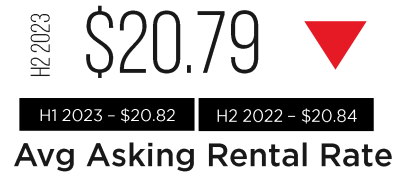
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MARKET AT A GLANCE (H2 2023)



Note: ▲ or ▼ or ■ indicates change compared to H2 2022.

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

MARKET OVERVIEW (H2 2023)

In 2023, the Metro Detroit office market remained soft with decreased overall occupancy and all time high total available sublease space due to the sustained hybrid work models and lingering economic downturn.

SUPPLY AND DEMAND: Occupancy decreased from 88.5% in 2022 to 88.0%, and total available sublet space increased 8.0% (213K SF) to a record high of 2.9MM SF as tenants continue to downsize. Total 2023 leasing volume (5.1MM SF) decreased 29% year-over-year (2022: 7.2MM SF) and remains well below the pre-covid five-year average of 9.1MM SF. The Southfield and Troy submarkets have the highest vacancy rates at 21.9% and 18.8%, respectively. Total 2023 net absorption (-1.5MM SF) remained negative and drastically below the pre-covid five-year average of 2.3MM SF, but is trending positive since 2022 (-2.4MM SF). Although there was a return to positive net absorption in the second half of 2023 (232K SF), total available sublet space has increased 8.0% (213K SF) to an all time high of 2.9MM SF.

SALES AND INTEREST RATES: Increased interest rates and risk associated with office assets have had a direct negative impact on sales volume. Total 2023 sales volume (\$485MM) has decreased 45% year over year (2022: \$874MM). The largest sale was 39200 Six Mile Road (\$21.1MM), a 404K SF office building formerly occupied by Comerica Bank, which will be redeveloped.

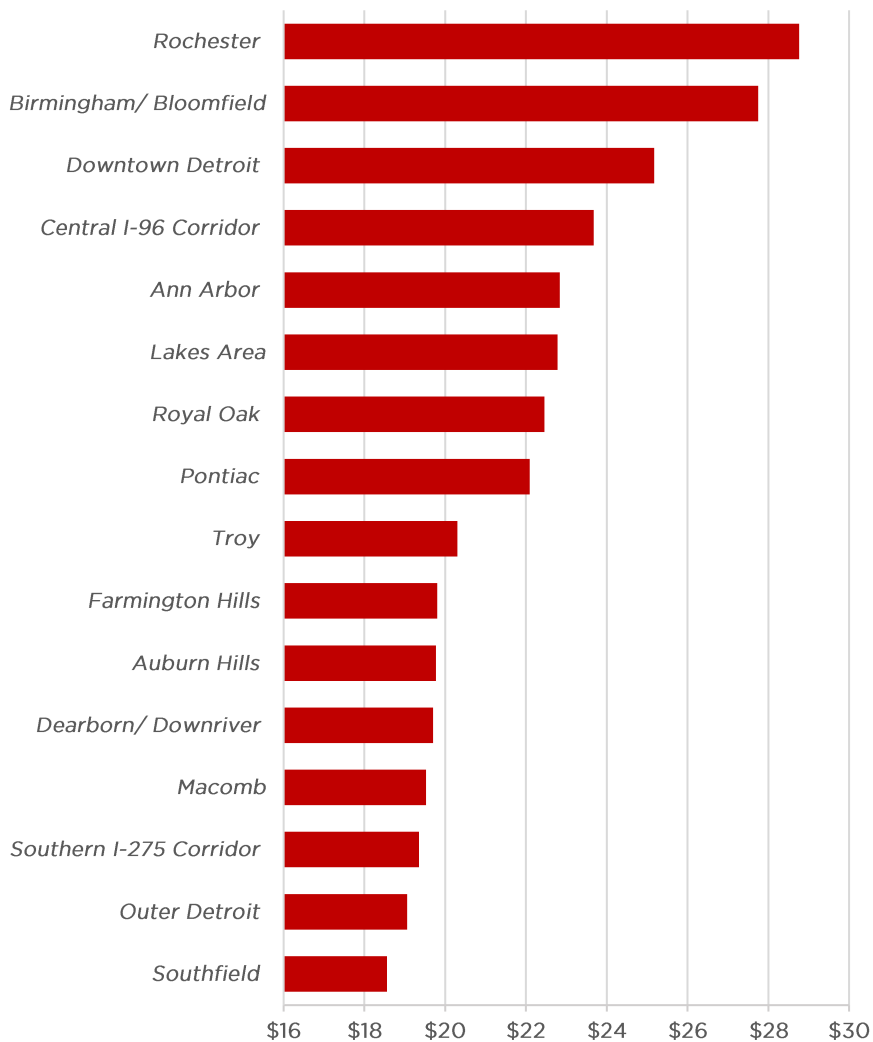
FLIGHT TO QUALITY: Class A office inventory accounted for 31.2% of total leasing activity (5.1MM SF), or 1.6MM SF, which disproportionately exceeded activity in older Class B/C buildings.

STABLE RENTAL RATES: Rental rates (\$20.79 PSF) have remained relatively stable (\$20.84 PSF in 2022) as Landlord's continue to favor increased tenant concessions (free rent and/or tenant improvement allowance) rather than decreased asking rates.

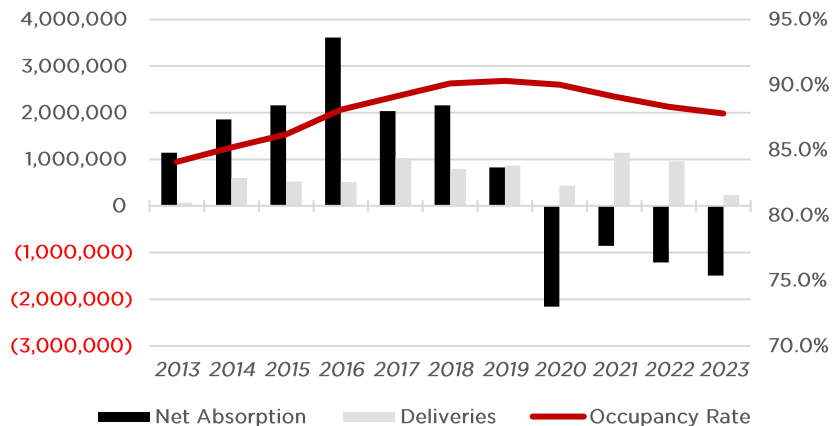
REDEVELOPMENT: Redevelopment of office properties to alternative asset classes (i.e. multi-family, retail & self-storage) has continued to increase as investors reposition obsolete office assets. The former Comerica Bank building (39200 Six Mile Road, Livonia, MI) located on a ±22.3 AC site will be redeveloped into a mixed-use retail development anchored by Whole Foods with 200 apartment units and a hotel.

LIMITED DEVELOPMENT: Deliveries (237K SF) are down 75.4% since 2022 (965K SF) and are at the lowest level since 2014 due to increased construction costs and limited traditional office demand. Medical office made up 61.1% (145K SF) of total deliveries, which included Rochester Hills Surgery Center, a 60,000 SF medical office located in Rochester.

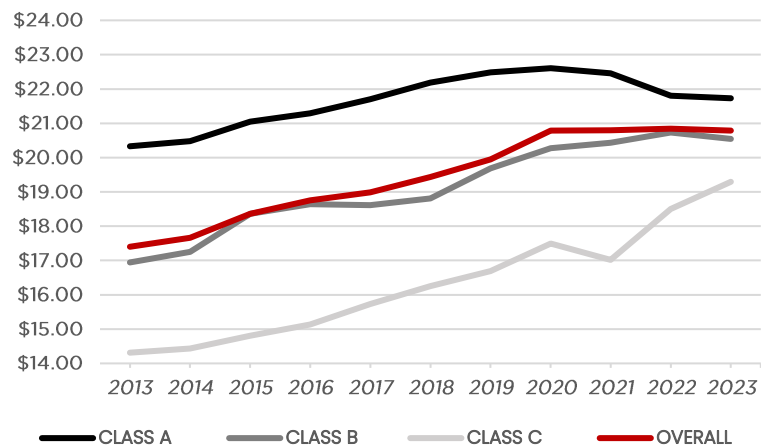
AVERAGE GROSS ASKING RENTAL RATE BY SUBMARKET



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
39200 6 Mile Road	Livonia	Southern I-275 Corridor	404,267	\$21,100,000	\$52.19	Office
5111 Woodward Ave & 31 E Judson St	Pontiac	Pontiac	420,000	\$19,200,000	\$45.71	Office
7300 Woodward Building	Detroit	Downtown Detroit	250,000	\$18,358,000	\$73.43	Office
RenCen Tower 500 & 600	Detroit	Downtown Detroit	660,000	N/A	N/A	Office
Independence Point Office	Clarkston	Lakes Area	48,348	\$9,100,000	\$188.22	Medical Office
1075 W Entrance Dr	Auburn Hills	Auburn Hills	210,000	\$7,077,874	\$33.70	Office



TOP LEASE TRANSACTIONS (BASED ON SQUARE FEET)

TENANT	PROPERTY NAME	CITY	SUBMARKET	SF
Blue Cross Blue Shield*	RenCen Tower 500	Detroit	Downtown Detroit	308,994
Life Remodeled	2470 Collingwood St	Detroit	Outer Detroit	110,978
Scout Motors**	29293 Haggerty Rd	Novi	Central I-96 Corridor	81,608
American Rheinmetall Vehicles	3155 W Big Beaver Rd	Troy	Troy	41,875
The Hearst Corporation	1301 W Long Lake Rd	Troy	Troy	36,132
Powerb Building & Development Corp	2480 Opdyke Rd	Bloomfield Hills	Birmingham/Bloomfield	26,230



*Indicates renewal | ** Indicates sublease

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	905	15,458,183	117,346	5,000	11.10%	13.50%	88.90%	\$22.84	\$33.33	\$24.36	\$22.31	\$10,733,700	\$123.00
Auburn Hills	70	9,859,569	101,490	-	8.70%	9.60%	91.30%	\$19.77	\$19.70	\$20.11	-	\$11,322,874	\$126.00
Birmingham/ Bloomfield	399	7,820,158	(52,131)	35,397	10.80%	16.10%	89.20%	\$27.75	\$34.45	\$25.97	\$21.87	\$15,998,000	\$143.00
Central I-96 Corridor	347	6,434,875	(7,666)	-	12.10%	14.90%	87.90%	\$23.68	\$24.12	\$23.27	\$21.17	\$1,420,000	\$146.00
Dearborn/ Downriver	1,239	17,971,672	84,810	-	8.10%	13.00%	91.90%	\$19.70	\$20.69	\$20.21	\$16.68	\$10,283,000	\$122.00
Downtown Detroit	269	36,301,137	(485,947)	764,000	9.70%	14.90%	90.30%	\$25.17	\$27.31	\$22.68	\$15.87	\$33,358,000	\$130.00
Farmington Hills	406	9,711,069	180,223	-	12.80%	20.50%	87.20%	\$19.80	\$21.90	\$19.13	\$17.39	\$8,394,000	\$127.00
Lakes Area	345	2,451,551	2,127	11,000	10.40%	11.10%	89.60%	\$22.78	\$31.52	\$22.99	\$19.32	\$10,962,500	\$106.00
Macomb	1,729	18,107,360	(28,171)	35,000	7.80%	9.30%	92.20%	\$19.53	\$22.61	\$19.55	\$18.91	\$9,251,900	\$95.00
Outer Detroit	817	11,644,100	5,653	471,970	11.20%	12.70%	88.80%	\$19.06	\$19.83	\$18.30	\$17.00	\$3,477,500	\$109.00
Pontiac	220	6,519,017	290,886	-	6.70%	9.30%	93.30%	\$22.09	\$23.42	\$22.19	\$17.08	\$20,000,000	\$102.00
Rochester	184	2,874,829	(8,984)	-	9.70%	11.80%	90.30%	\$28.76	\$35.48	\$24.75	\$24.71	\$465,000	\$113.00
Royal Oak	661	5,685,065	91,573	18,678	9.80%	12.30%	90.20%	\$22.46	\$26.50	\$20.74	\$23.89	\$6,237,000	\$104.00
Southern I-275 Corridor	1,021	12,711,148	377,140	-	11.40%	16.10%	88.60%	\$19.35	\$20.29	\$19.60	\$18.43	\$36,671,710	\$124.00
Southfield	579	23,349,575	(274,834)	-	21.90%	31.40%	78.10%	\$18.56	\$21.31	\$17.45	\$16.03	\$13,599,999	\$100.00
Troy	340	18,103,767	(161,617)	-	18.80%	22.90%	81.20%	\$20.30	\$20.79	\$20.00	\$17.24	\$7,762,750	\$103.00
TOTAL	9,531	205,003,075	231,898	1,341,045	12.00%	16.30%	88.00%	\$20.79	\$21.73	\$20.54	\$19.29	\$199,937,933	\$117.00

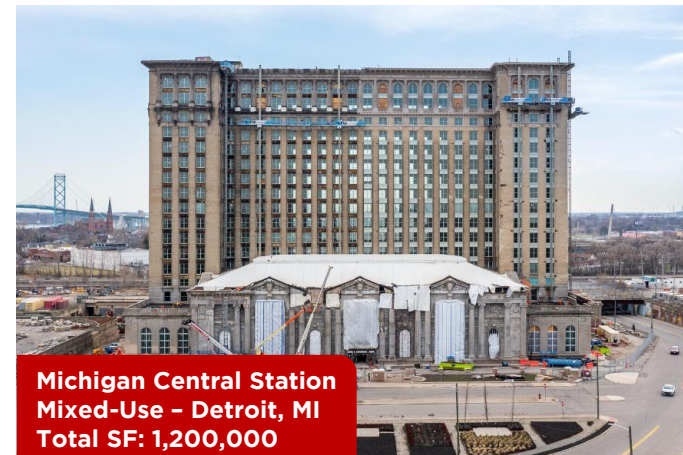
TOP OFFICE PROPERTIES DELIVERED (H2 2023)

PROPERTY NAME	CITY	SUBMARKET	OFFICE SF	DELIVERY	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
18520 W 7 Mile Rd	Detroit	City of Detroit	36,400	Q4 2023	100%	Office	N/A
975 S Rochester Rd	Rochester Hills	Rochester	13,349	Q4 2023	0%	Office	\$22.50
Liberty Town Square	Clarkston	Lakes Area	11,000	Q3 2023	0%	Medical Office	\$19.00
Beacon Square Medical Building	Northville	Southern I-275 Corridor	9,524	Q4 2023	100%	Medical Office	N/A
Work at Brunswick	Auburn Hills	Auburn Hills	7,500	Q3 2023	85.1%	Mixed Use	Withheld

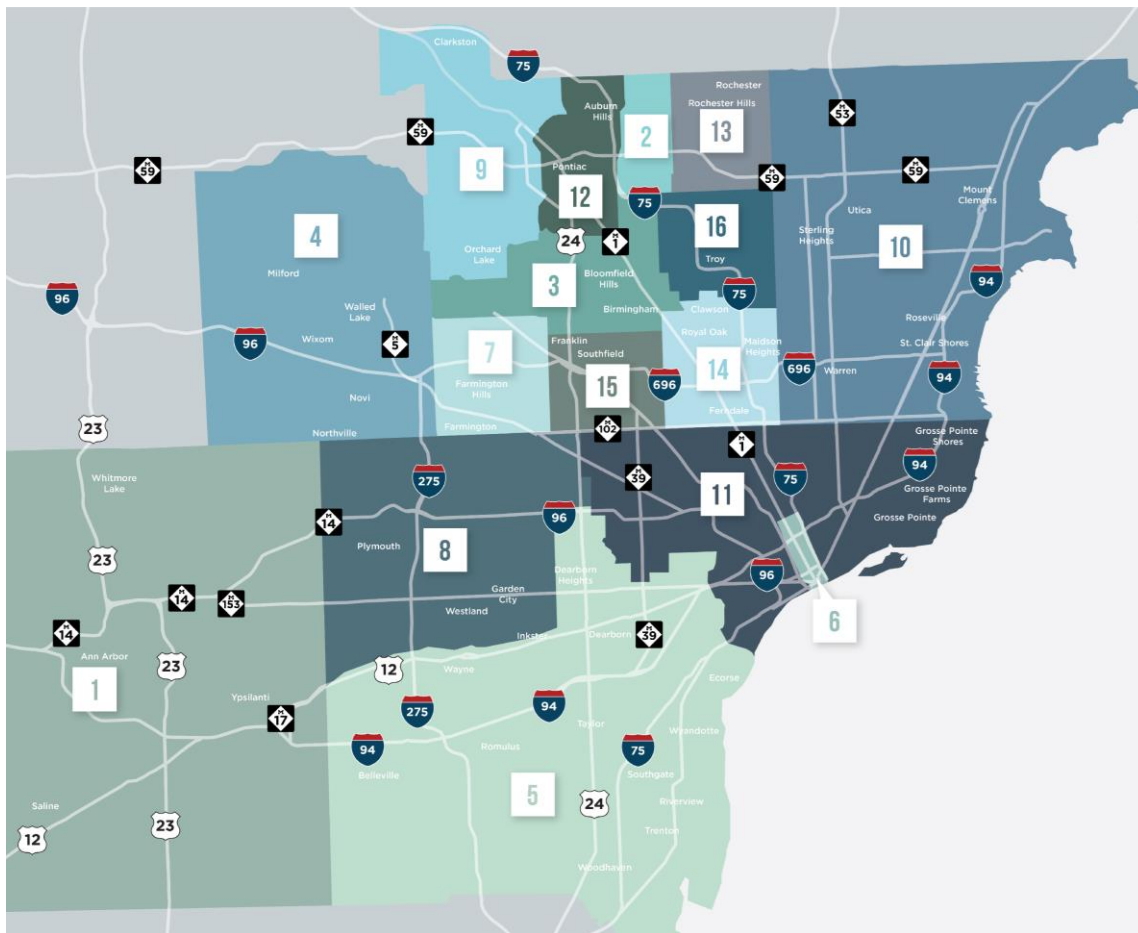


TOP OFFICE PROPERTIES UNDER CONSTRUCTION (H2 2023)

PROPERTY NAME	CITY	SUBMARKET	OFFICE SF	DELIVERY	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
Michigan Central Station	Detroit	Outer Detroit	458,000	Q1 2024	N/A	Mixed Use	Withheld
Hudson's Site	Detroit	Downtown Detroit	404,000	Q2 2024	N/A	Mixed Use	Withheld
Maple Office Park II	Bloomfield Hills	Birmingham/Bloomfield	22,485	Q1 2024	0%	Medical Office	\$35.00
The Main of Royal Oak	Royal Oak	Royal Oak	18,678	Q1 2024	100%	Mixed Use	N/A
460 Parkview	Birmingham	Birmingham/Bloomfield	12,912	Q3 2024	36.7%	Mixed Use	Withheld
6400 Waldon Center Dr	Clarkston	Lakes Area	11,000	Q2 2024	75%	Medical Office	\$19.00



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 Outlook & 2023 Review 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.