METRO DETROIT RETAIL REPORT

2024 OUTLOOK & 2023 REVIEW

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MARKET AT A GLANCE (H2 2023)

H2 2023 246.1MM ▲

H1 2023 - 245.6MM | H2 2022 - 244.8MM

Market Size

H2 2023 $15.74 ▼

H1 2023 - $15.66 | H2 2022 - $17.32

Avg Asking Rental Rate

H2 2023 94.7%

H1 2023 - 94.7% | H2 2022 - 94.9%

Overall Occupancy

H2 2023 137K ▼

H1 2023 - 381K | H2 2022 - 562K

Half Year Net Absorption

H2 2023 $242MM ▼

H1 2023 - $256MM | H2 2022 - $558MM

Half Year Sales Volume

H2 2023 849K ▼

H1 2023 - 793K | H2 2022 - 856K

SF Under Construction

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 retail market remained steady with occupancy near all time highs, sustained positive net absorption, and a robust construction pipeline. Despite this, the high interest rate environment and potential recession has resulted in decreased property sales volume and select retailer bankruptcies, but the lack of newer vintage retail inventory has, so far, insulated Metro Detroit's retail market fundamentals.

SUPPLY AND DEMAND: Occupancy remained steady with a negligent decrease from 94.9% in H2 2022 to 94.7%, and remains strong and near record high levels. 2023 total net absorption (518K SF) has been unable to keep up with deliveries (573K SF). Single tenant retail (97.6%) and shopping centers (91.3%) have the highest and lowest occupancy levels, respectively. Notably, properties delivered after 2014 are 96.4% occupied, and accounted for 476K SF of positive net absorption in 2023 despite only representing 4.5% of total inventory.

SALES AND INTEREST RATES: Total 2023 sales volume ($498MM) has decreased 41.5% year-over-year (2022: $852MM). Despite strong fundamentals, cap rates have continued to increase from 6.5% in 2022 to 7.4% in 2023 due to increased interest rates and their direct impact on acquisition pricing.

DECREASED RENTAL RATES: Asking rental rates ($15.74 PSF) have decreased 9.1% from record highs in 2022 ($17.32 PSF) largely due to a lack of availability in newer properties, which typically have asking rents of $30.00+ PSF NNN. Overall asking rental rates are consistent with 2021 rents of $15.30 PSF.

NEW DEVELOPMENT: Given the strong demand for newer vintage retail space and lack of inventory, the construction pipeline remains robust at ±849K SF. Numerous tenants are actively expanding in 2024 (as shown in the following page). Suburban office sites are being redeveloped into mixed-use developments (retail & apartments) including the Northland Center in Southfield, and 39200 Six Mile Road in Livonia.

DRUG STORE REPURPOSING: National drug store brands, including Rite Aid, who filed bankruptcy in October 2023, are closing hundreds of locations due to high operating costs, falling sales, and decreased prescription drug reimbursement rates. There are currently 21 freestanding drug stores listed for lease in the Metro Detroit market, which are being backfilled with alternative uses including medical, dollar stores, and car washes.

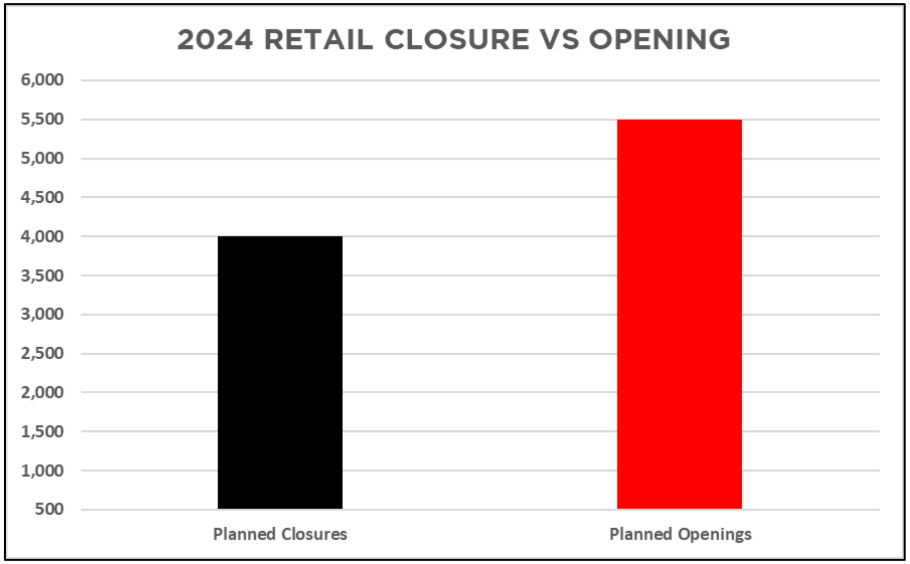
*Announced retail store openings in 2024:

- Academy Sports
- Dollar General (800 announced)
- Five Below (255 announced)
- Aldi
- Sheetz
- Aspen Dental (75-100/year announced)
- Sunbelt Rentals

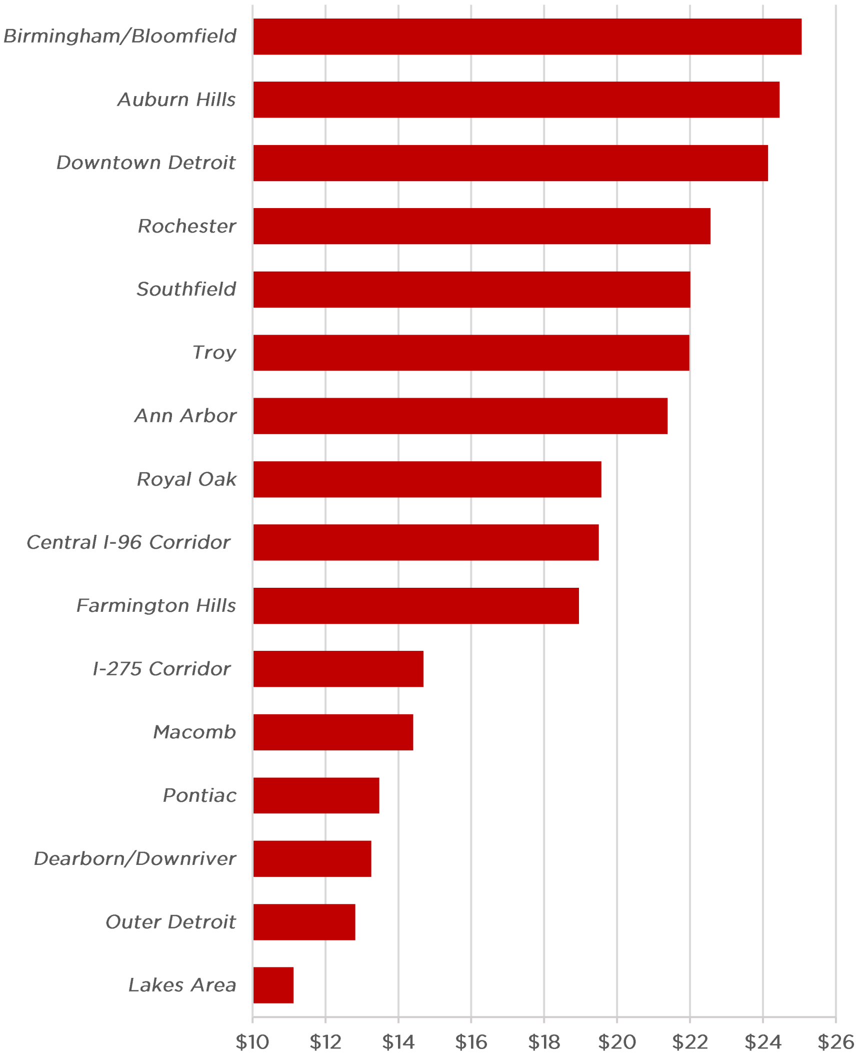
*Announced restaurant openings in 2024:

- Starbucks (4% U.S. growth announced)
- McDonald's
- Chipotle
- Slim Chickens
- Tropical Smoothie Cafe
- 600 full-service restaurant operators were surveyed and 94% have expansion plans

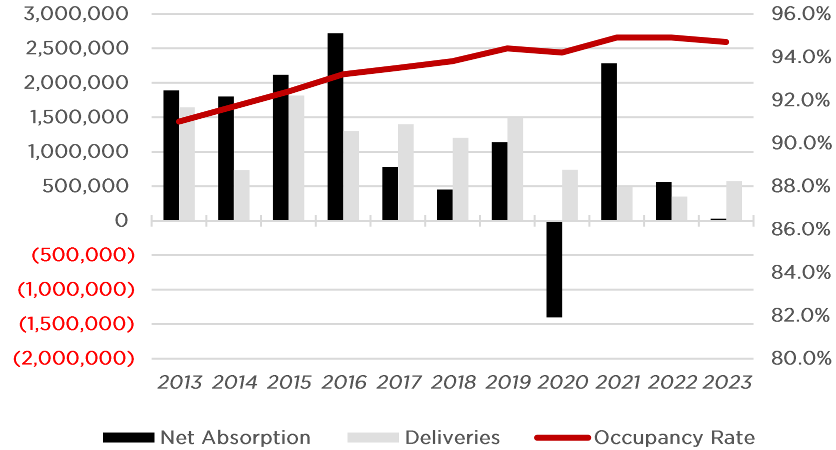
**Partial List*



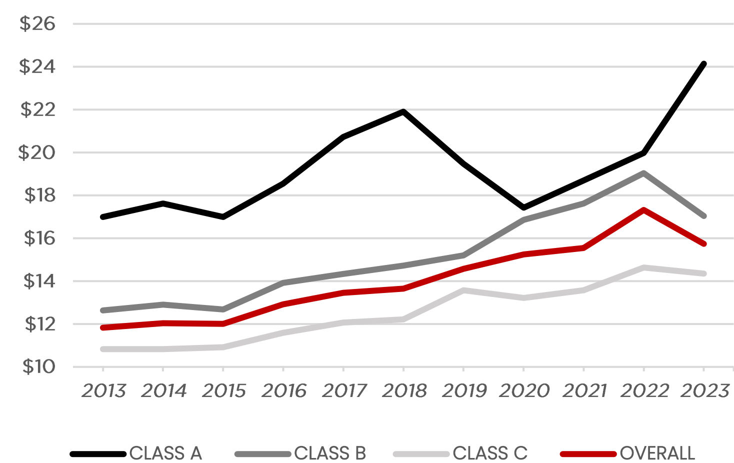
AVERAGE NNN ASKING RENTS BY SUBMARKET



OCCUPANCY AND ABSORPTION



AVERAGE NNN ASKING RENT BY CLASS



TOP SALE TRANSACTIONS (BASED ON SALES PRICE)

PROPERTY NAME	CITY	SUBMARKET	SF	SALE PRICE	PRICE/SF
Sherwood Square & Greenfield Plaza	**Southfield**	**Southfield**	**189,493**	**$13,400,000**	**$71.10**
Goddard Square	Taylor	Dearborn/Downriver	83,964	$10,800,000	$128.63
CVS - 201 S State St	Ann Arbor	Ann Arbor	13,040	$7,850,000	$601.99
Van Buren Plaza	Belleville	Dearborn/Downriver	45,207	$5,400,000	$119.45
Office Depot Center	Woodhaven	Dearborn/Downriver	30,000	$4,650,000	$155.00
Franklin Plaza	Southfield	Southfield	38,234	$4,500,000	$117.70

Note: Bold indicates Friedman transaction

Top Sale:
Sherwood Square & Greenfield Plaza - Southfield, MI
Sale Price: $13,400,000

TOP LEASE TRANSACTIONS (BASED ON SQUARE FEET)

TENANT	PROPERTY NAME	CITY	SUBMARKET	SF
Macy's	Briarwood Mall	Ann Arbor	Ann Arbor	187,000
PGA Tour Superstore	High Point Shopping Center	Northville	Central I-96 Corridor	42,178
Total Wine & More	Winchester Center	Rochester Hills	Rochester	38,243
Crunch Fitness	Imperial Plaza	Clinton Township	Macomb	37,543
Watsons	West Oaks II	Novi	Central I-96 Corridor	32,000
Homegoods	Arborland Center	Ann Arbor	Ann Arbor	20,000

Top Lease:
Macy's – Ann Arbor, MI
Square Footage: 187,000

2024 OUTLOOK & 2023 REVIEW RETAIL REPORT - METRO DETROIT

SUBMARKET	# BLDGS	INVENTORY (SF)	NET ABS. (SF)	SF UNDER CONST	TOTAL VAC. (%)	TOTAL AVAIL. (%)	OVERALL OCC. (%)	AVG ASKING RENT (NNN)	TOTAL SALES VOLUME	SALES PER SF
Ann Arbor	1,941	19,127,615	2,071	101,691	4.20%	4.50%	95.80%	$21.38	$16,209,000	$173.00
Auburn Hills	106	1,591,442	39,510	11,811	1.80%	9.10%	98.20%	$24.45	$4,200,000	$167.00
Birmingham/Bloomfield	404	5,400,371	(13,768)	10,000	5.10%	6.40%	94.90%	$25.06	$5,800,000	$184.00
Central I-96 Corridor	913	14,184,648	(89,211)	28,740	5.00%	7.50%	95.00%	$19.50	$7,260,600	$162.00
Dearborn/Downriver	4,204	36,553,314	(21,171)	16,900	5.00%	6.80%	95.00%	$13.26	$64,588,441	$130.00
Downtown Detroit	353	3,455,482	(7,043)	-	4.30%	5.00%	95.70%	$24.14	$3,419,000	$126.00
Farmington Hills	459	5,320,664	(319,322)	-	10.70%	12.60%	89.30%	$18.95	$3,007,500	$146.00
I-275 Corridor	2,544	28,205,773	114,261	27,121	5.30%	6.50%	94.70%	$14.69	$27,872,050	$143.00
Lakes Area	914	8,476,469	113,471	19,550	6.50%	9.10%	93.50%	$11.13	$4,355,000	$120.00
Macomb	4,543	53,325,887	383,744	69,098	6.20%	6.90%	93.80%	$14.41	$45,796,000	$139.00
Outer Detroit	5,312	29,873,543	(50,983)	91,589	5.20%	7.30%	94.80%	$12.82	$21,788,625	$113.00
Pontiac	595	8,205,806	31,692	-	3.10%	3.90%	96.90%	$13.48	$3,080,000	$131.00
Rochester	352	5,628,329	54,649	33,427	3.30%	5.20%	96.70%	$22.56	$0	$160.00
Royal Oak	1,818	12,099,719	(32,977)	5,000	4.60%	5.40%	95.40%	$19.57	$13,319,300	$154.00
Southfield	406	5,739,308	(42,249)	434,081	8.40%	9.80%	91.60%	$22.01	$20,920,000	$159.00
Troy	399	8,935,288	(25,550)	-	3.00%	3.90%	97.00%	$21.98	$875,000	$167.00
TOTAL	25,263	246,123,658	137,124	849,008	5.30%	6.70%	94.70%	$15.74	$242,490,516	$142.00

TOP RETAIL PROPERTIES DELIVERED (H2 2023)

PROPERTY NAME	CITY	SUBMARKET	RETAIL SF	DELIVERED	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
Plymouth Towne Center	Plymouth	Southern I-275 Corridor	66,635	Q3 2023	85%	Neighborhood Center	Withheld
The Gateway II	Rochester Hills	Rochester	28,940	Q4 2023	64%	Mixed Use	Withheld
16620-16660 19 Mile Rd	Clinton Township	Macomb	17,960	Q3 2023	72%	Strip Center	Withheld
The Goddard School	Clarkston	Lakes Area	12,359	Q3 2023	100%	Freestanding	N/A
Walgreens	Southfield	Southfield	9,400	Q3 2023	100%	Freestanding	N/A
25005-25021 Dequindre Rd	Madison Heights	Royal Oak	8,861	Q3 2023	60%	Storefront	Withheld

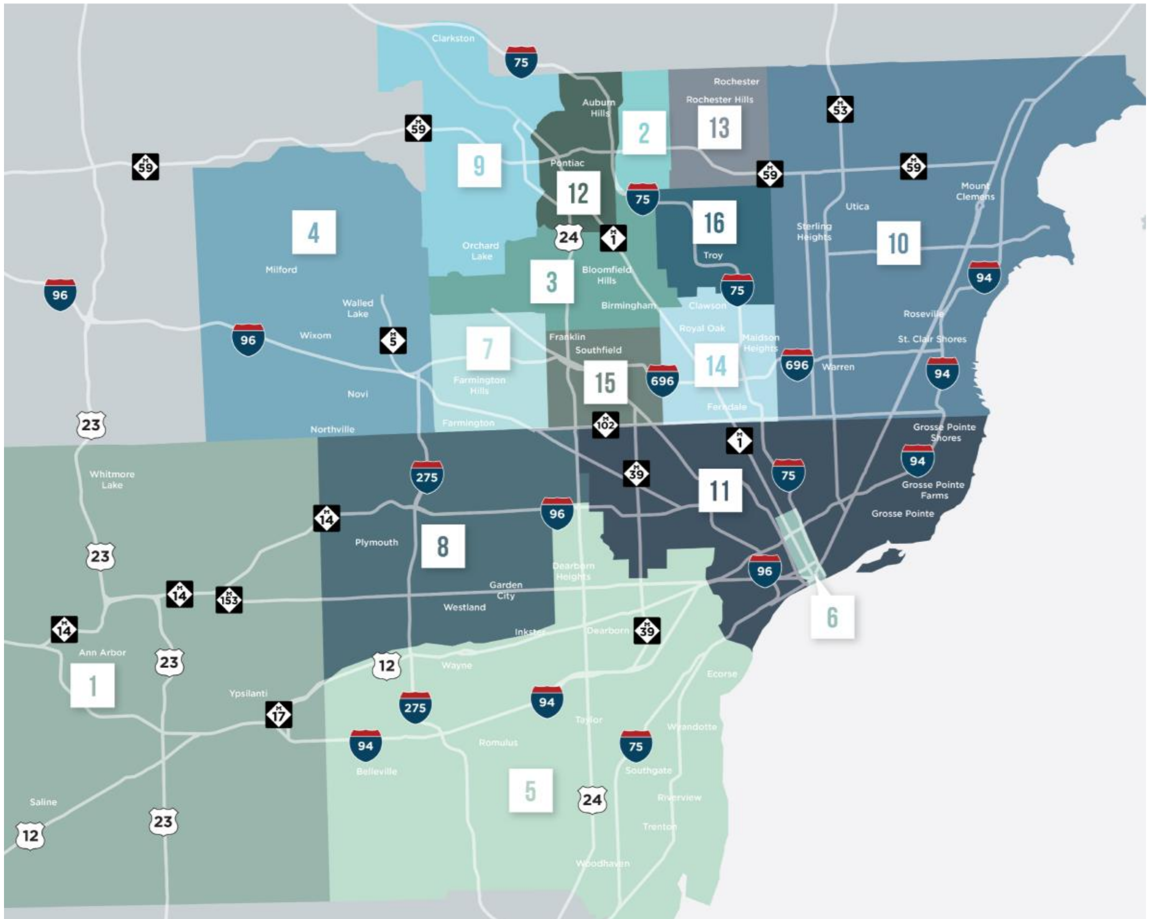
Plymouth Towne Center
Neighborhood Center – Plymouth, MI
Retail SF: 66,635

TOP RETAIL PROPERTIES UNDER CONSTRUCTION (H2 2023)

PROPERTY NAME	CITY	SUBMARKET	RETAIL SF	DELIVERED	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
Costco Business Center	Southfield	Southfield	160,000	Q1 2024	100%	Freestanding	N/A
Northland City Center	Southfield	Southfield	150,000	Q4 2024	33%	Mixed Use	$25.00-$30.00
29200 Southfield Rd	Southfield	Southfield	124,081	Q1 2024	95%	Storefront	Withheld
2066 N Cass Lake Rd	Keego Harbor	Lakes Area	19,550	Q4 2024	100%	Freestanding	N/A
990 W Auburn Rd	Rochester Hills	Rochester	18,427	Q1 2024	0%	Mixed-Use	Withheld
5800 19 Mile Road	Sterling Heights	Macomb	16,080	Q1 2024	0%	Storefront	$25.00-$30.00

Costco Business Center
Freestanding – Southfield, MI
Retail SF: 160,000

RETAIL 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 retail 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 Retail 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.