



METRO DETROIT OFFICE REPORT

2025 OUTLOOK & 2024 REVIEW

FRIEDMAN HQ

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Farmington Hills, MI 48331

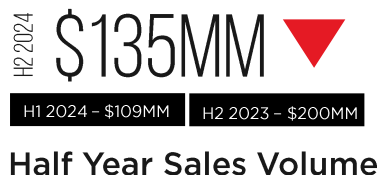
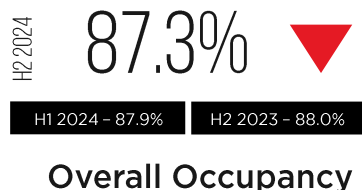
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MARKET AT A GLANCE (H2 2024)



Note: ▲ or ▼ or ■ indicates change compared to H2 2023.

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

MARKET OVERVIEW (H2 2024)

In 2024, the Metro Detroit office market remained soft, marked by declining occupancy and sales volume. However, improving demand fundamentals, a limited development pipeline, and looming return-to-office mandates suggest a more optimistic outlook for 2025.

SUPPLY AND DEMAND: Occupancy decreased to 87.3% from 88.0% in 2023 due to continued negative absorption and expired sublet listings translating to direct vacancy. Total available sublet space of 1.9MM SF represents a 23.5% year-over-year (YOY) decline from all-time-high levels in 2023 of 2.5MM SF, but only 2.3% of completed leases (31 of 1,358) were sublet deals. Total 2024 net absorption remained negative at (-618K SF) and is drastically below the pre-covid five-year average of 2.3MM SF, but is trending positive compared to the 2023 figure of (-1.5MM SF).

Submarkets with the highest vacancy include: Southfield (23.7% | 2.2% YOY decrease), Troy (17.00% | 1.8% YOY increase), and the Southern I-275 Corridor (13.6% | 2.2% YOY increase). Troy recorded 2024 positive net absorption of 263K SF, while Southfield and the Southern I-275 Corridor recorded 2024 negative net absorption of (-470K SF) and (-286K SF), respectively.

FLIGHT TO QUALITY: Class A office inventory accounted for 38.1% of total leasing activity (5.3MM SF), or 2.0MM SF, which disproportionately exceeded activity in older Class B/C buildings.

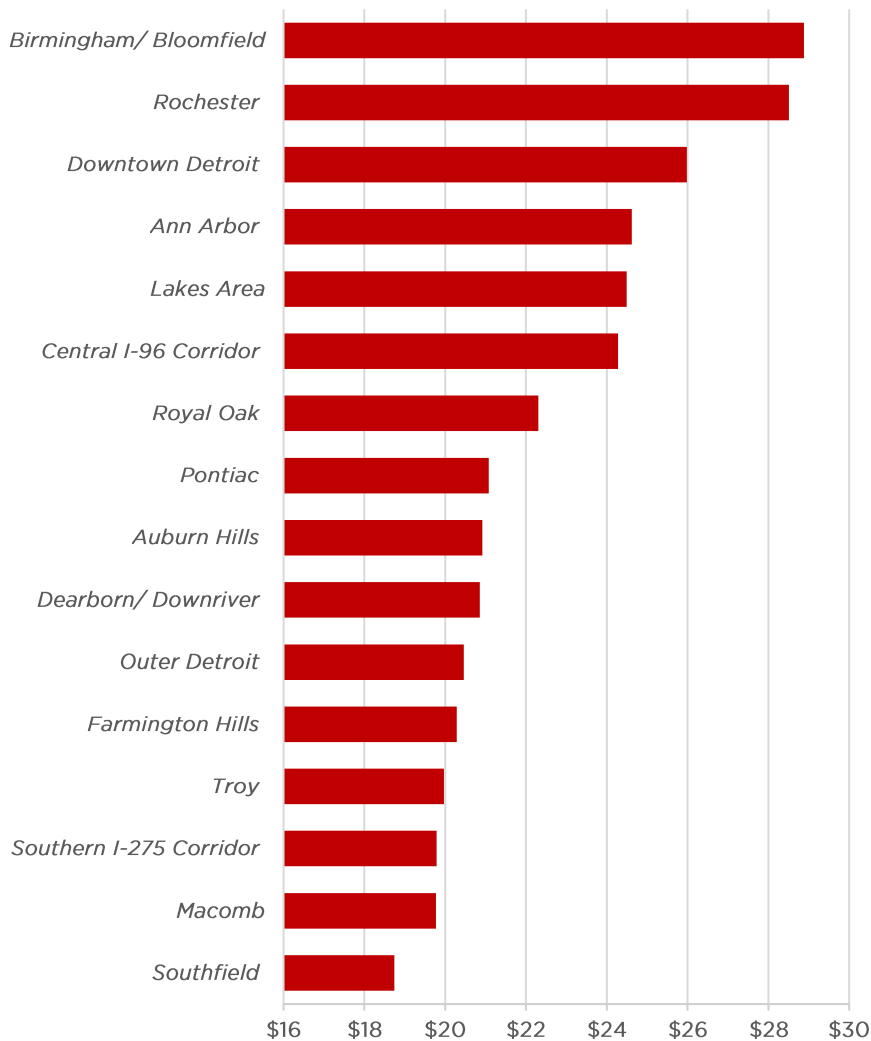
GROWING RENTAL RATES: Rental rates (\$21.22 PSF) increased 2.1% YOY from \$20.79 in 2023 as Landlord's continue to favor increased tenant concessions (free rent and/or tenant improvement allowance) rather than decreased asking rates. Rent growth is Class dependent with Class A office inventory recording 2.1% YOY rent growth compared to -0.7% YOY growth from Class B office inventory.

SALES AND INTEREST RATES: Financing remains limited due to sustained elevated interest rates, lowered leasing velocity, and general anti-office market sentiment, all of which has had a direct negative impact on sales volume. Total 2024 sales (\$245MM) decreased 50% YOY from \$485MM in 2023, while average PSF pricing (\$64 PSF) also decreased 45% YOY from \$117 PSF in 2023.

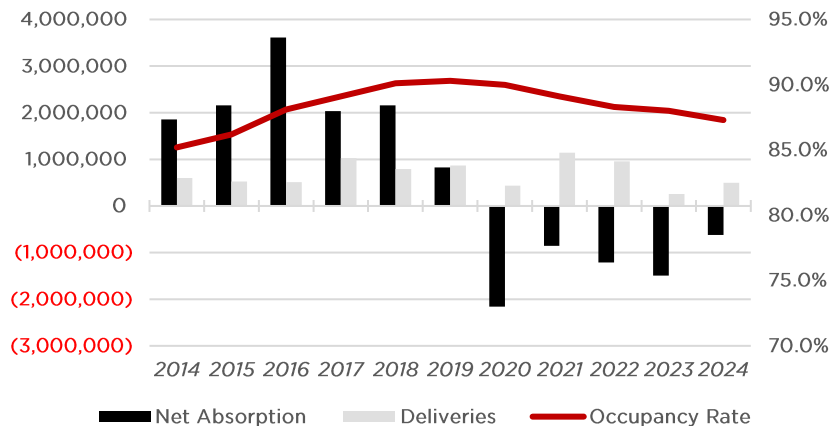
LIMITED DEVELOPMENT: Although 2024 deliveries of 497K SF increased 93% YOY from 257K SF in 2023, the delivery of Michigan Central Station in H1 2024 accounted for 472K SF of total deliveries.

RETURN TO THE OFFICE: Notable return-to-office mandates from large office users in the Metro Detroit market include Stellantis, General Motors, and all Federal employees. While many demand fundamentals remained weak in 2024, smaller companies may follow suit in 2025, potentially driving improved leasing activity and net absorption.

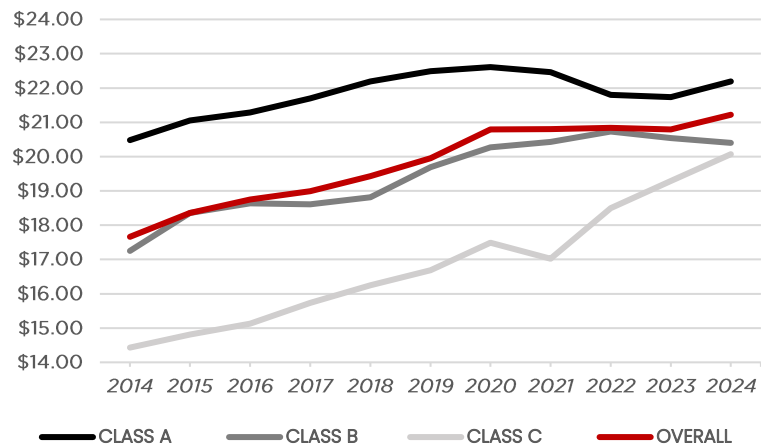
AVERAGE GROSS ASKING RENTAL RATE BY SUBMARKET



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
1135 W University Drive	Rochester Hills	Rochester	113,687	\$14,300,000	\$125.78	Medical Office
Hillside Office Center	Novi	Central I-96 Corridor	26,000	\$7,600,000	\$292.31	Office
5225 Crooks Road	Troy	Troy	56,000	\$6,500,000	\$116.07	Medical Office
26051 Lahser Road	Southfield	Southfield	12,574	\$6,300,000	\$501.03	Medical Office
700 E Maple Road	Birmingham	Birmingham/Bloomfield	20,000	\$4,425,000	\$221.25	Office
30800 Northwestern Hwy	Farmington Hills	Farmington Hills	61,240	\$4,000,000	\$188.32	Office

Top Sale:
 1135 W University Dr- Rochester Hills, MI
 Sale Price: \$14,300,000



TOP LEASE TRANSACTIONS (BASED ON SQUARE FEET)

TENANT	PROPERTY NAME	CITY	SUBMARKET	SF
Rocket Mortgage*	615 W Lafayette Blvd	Detroit	Downtown Detroit	101,635
Crescent Academy	26299 Lahser Road	Southfield	Southfield	70,548
Kirk Gibson Foundation	31440 Northwestern Hwy	Farmington Hills	Farmington Hills	40,692
Ford Component Sales*	290 Town Center Drive	Dearborn	Dearborn/Downriver	32,082
eMortgage Funding	320 E Big Beaver Road	Troy	Troy	31,149
Michigan State Appellate Defender Office	3031 W Grand Boulevard	Detroit	Downtown Detroit	29,231

Top Lease:
 Rocket Mortgage- Detroit, MI
 Square Footage: 101,635



Note: Bold indicates Friedman transaction | *Indicates renewal

SUBMARKET	# BLDGS	INVENTORY (SF)	H2 2024 NET ABS. (SF)	SF UNDER CONST	TOTAL VAC. (%)	TOTAL AVAIL. (%)	OVERALL OCC. (%)	AVG ASKING RENT (GROSS)	ASKING RENT (GROSS)			H2 2024 TOTAL SALES VOLUME	SALES PER SF
									Class A	Class B	Class C		
Ann Arbor	906	15,451,713	46,659	136,900	9.80%	12.20%	90.20%	\$24.62	\$33.33	\$24.00	\$23.39	\$11,444,641	\$193.01
Auburn Hills	71	9,703,109	(4,435)	-	7.40%	8.30%	92.60%	\$20.92	\$21.52	\$18.78	-	\$2,163,000.00	\$10.32
Birmingham/ Bloomfield	404	7,946,531	(126,120)	167,485	11.80%	16.20%	88.20%	\$28.88	\$33.22	\$27.28	\$25.40	\$5,775,000	\$237.80
Central I-96 Corridor	347	6,527,785	17,779	-	11.10%	13.60%	88.90%	\$24.28	\$24.89	\$23.61	\$22.26	\$9,265,000	\$223.38
Dearborn/ Downriver	1,253	18,034,421	(71,063)	630,000	6.00%	9.50%	94.00%	\$20.86	\$22.89	\$21.40	\$16.14	\$20,897,362	\$40.04
Downtown Detroit	270	36,686,599	501,180	570,000	8.50%	13.00%	91.50%	\$25.98	\$26.44	\$23.87	\$23.42	\$0	-
Farmington Hills	403	9,765,167	188,640	-	13.70%	21.10%	86.30%	\$20.29	\$22.09	\$19.22	\$19.07	\$8,199,000	\$134.26
Lakes Area	346	2,451,879	(12,823)	11,000	10.40%	11.70%	89.60%	\$24.49	\$28.82	\$23.09	\$22.58	\$3,215,400	\$79.63
Macomb	1,737	17,923,201	(92,466)	10,000	8.80%	10.10%	91.20%	\$19.77	\$24.32	\$19.93	\$18.39	\$18,346,074	\$69.41
Outer Detroit	843	12,495,361	(109,836)	70,000	12.80%	13.70%	87.20%	\$20.46	\$21.42	\$21.22	\$18.84	\$7,743,000	\$46.51
Pontiac	219	6,516,594	(36,256)	-	8.00%	11.00%	92.00%	\$21.08	\$21.94	\$21.39	\$15.86	\$0	-
Rochester	187	2,923,702	52,752	-	7.80%	8.90%	92.20%	\$28.51	\$32.52	\$24.76	\$24.11	\$400,000	\$307.69
Royal Oak	662	5,644,796	(9,273)	-	10.00%	11.70%	90.00%	\$22.31	\$26.50	\$24.60	\$19.66	\$6,883,000	\$163.74
Southern I-275 Corridor	1,024	12,858,124	(163,767)	-	13.60%	16.90%	86.40%	\$19.79	\$20.03	\$19.69	\$19.55	\$15,740,000	\$35.30
Southfield	580	23,502,845	(81,799)	-	23.70%	28.00%	76.30%	\$18.74	\$19.56	\$18.08	\$17.24	\$13,300,000	\$62.21
Troy	343	18,437,981	(288,084)	-	17.00%	22.10%	83.00%	\$19.97	\$20.33	\$19.55	\$19.31	\$12,009,201	\$97.92
TOTAL	9,595	206,869,808	(188,912)	1,595,385	12.00%	16.10%	87.30%	\$21.22	\$22.19	\$20.40	\$20.07	\$135,380,678	\$64.00

TOP OFFICE PROPERTIES DELIVERED (H2 2024)

PROPERTY NAME	CITY	SUBMARKET	OFFICE SF	DELIVERY	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
460 Parkview	Birmingham	Birmingham/Bloomfield	12,912	Q3 2024	0%	Mixed Use	Withheld
51841 Van Dyke Avenue	Shelby Township	Macomb	4,100	Q3 2024	0%	Office	\$20.00
5920 Livernois Road	Troy	Troy	2,460	Q4 2024	0%	Medical Office	N/A

460 Parkview
Mixed Use - Birmingham, MI
Total SF: 12,912



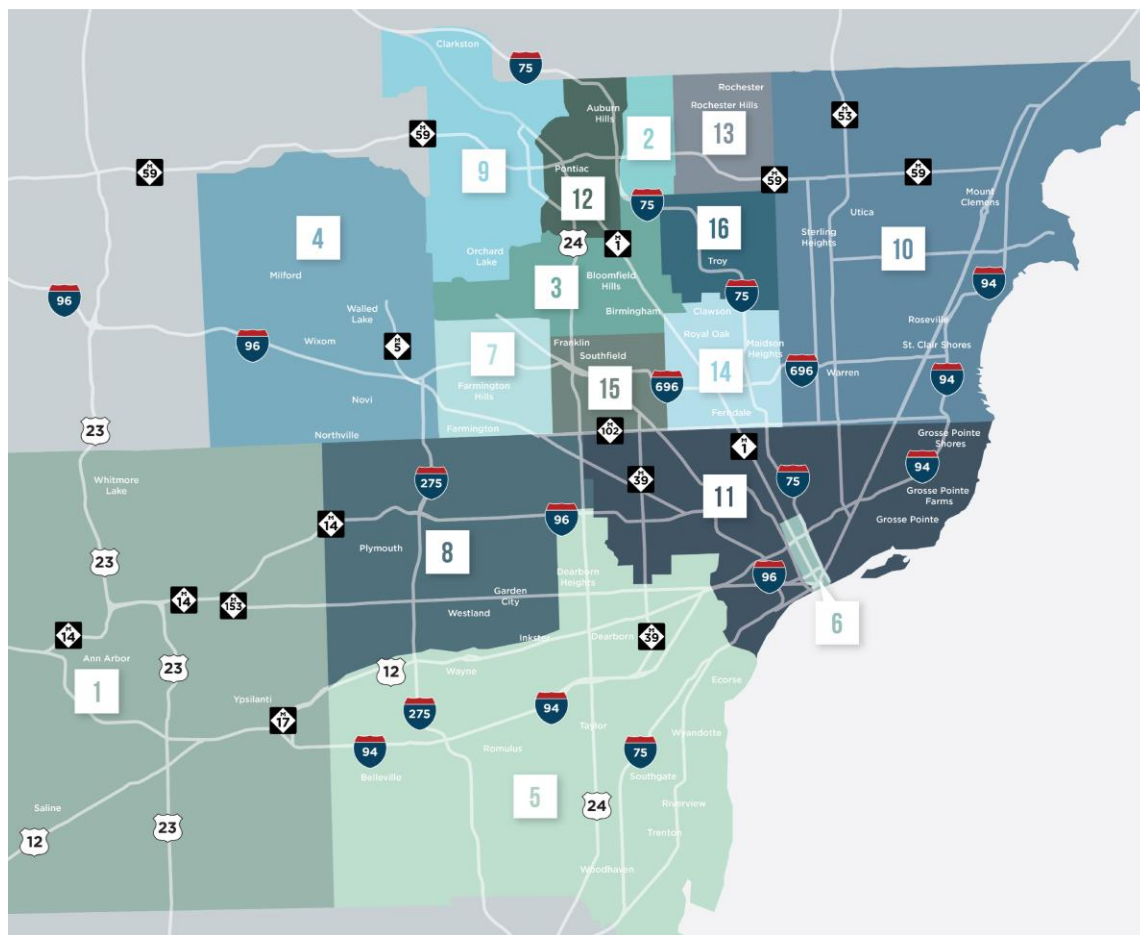
TOP OFFICE PROPERTIES UNDER CONSTRUCTION (H2 2024)

PROPERTY NAME	CITY	SUBMARKET	OFFICE SF	DELIVERY	OCCUPANCY	PROPERTY TYPE	ASKING RATE PSF (NNN)
Ford Research & Engineering Center	Dearborn	Dearborn/Downriver	600,000	Q3 2025	N/A	Office	Single Tenant
Hudson's Site	Detroit	Downtown Detroit	404,000	Q1 2026	N/A	Mixed Use	Withheld
370 W Brown Street	Birmingham	Birmingham/Bloomfield	135,000	Q2 2026	31.1%	Mixed Use	Withheld
900 Briarwood Circle	Ann Arbor	Ann Arbor	134,900	Q3 2025	100%	Medical Office	\$35.00
18520 W 7 Mile Road	Detroit	Outer Detroit	70,000	Q1 2026	100%	Medical Office	Single Tenant

Ford Research & Engineering Office - Dearborn, MI
Total SF: 600,000



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 2025 Outlook & 2024 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.