METRO DETROIT | YEAR END 2021 RETAIL REPORT

FRIEDMAN REAL ESTATE

CONTINUED RECOVERY WITH A RETURN TO 2019 FUNDAMENTALS

In the second half of 2021, the Metro Detroit retail market has continued its recovery from the COVID-19 pandemic with occupancy and leasing activity exceeding 2019 levels, stable sales volume and construction pipeline, and continued positive net absorption.

SUPPLY AND DEMAND

The retail market is nearing a full recovery from the COVD-19 pandemic and the resulting shock to contact-oriented retail. Consumers continued their return to physical retail as future lockdowns appear unlikely. This resulted in the highest occupancy on record of 94.9%, a 0.30% increase from the first half of 2021, exceeding the pre-pandemic level of 94.4% in the second half of 2019. Total 2021 net absorption of 2.5MM SF is a massive improvement to the (–1.5MM SF) of net absorption in 2020 due to the COVID-19 demand shock, indicating that the retail market has bounced back and is continuing where it left off in 2019.

Multi-tenant shopping centers remain a pain point for the retail market with occupancy falling to 89.9% compared to more stable grocery anchored shopping centers and single tenant retail, with occupancy rates of 95.0% and 97.5% respectively. During 2021, non-traditional retail tenants (gyms, healthcare, and entertainment) have increasingly leased traditional retail space.

Mall occupancy increased 3.4% to 95.3% from H1 2021, resulting from 217,832 SF in net absorption, which marks the first period of positive net absorption since the first half of 2019. Although lower quality tertiary malls and vacant boxes are being redeveloped into industrial, multi-family, or mixed use properties (Eastland Center & Northland Center), malls with a diverse tenant roster in core locations continue to have strong fundamentals.

As the proportion of e-commerce sales compared to total retail sales continues to grow, physical retailers are carrying less inventory and thus are favoring smaller footprints. The average square feet per lease has decreased from 3,800 SF in H2 2019 to 3,000 SF, with retailers such as Burlington and Target opening 25,000 SF and 40,000 SF stores respectively, a roughly 70% reduction from their average store footprints. Alternatively, many retailers are maintaining their current footprints, but reallocating more space for backroom inventory and less for showroom. This allows retailers to accommodate greater demand for products bought online and picked up in-store.

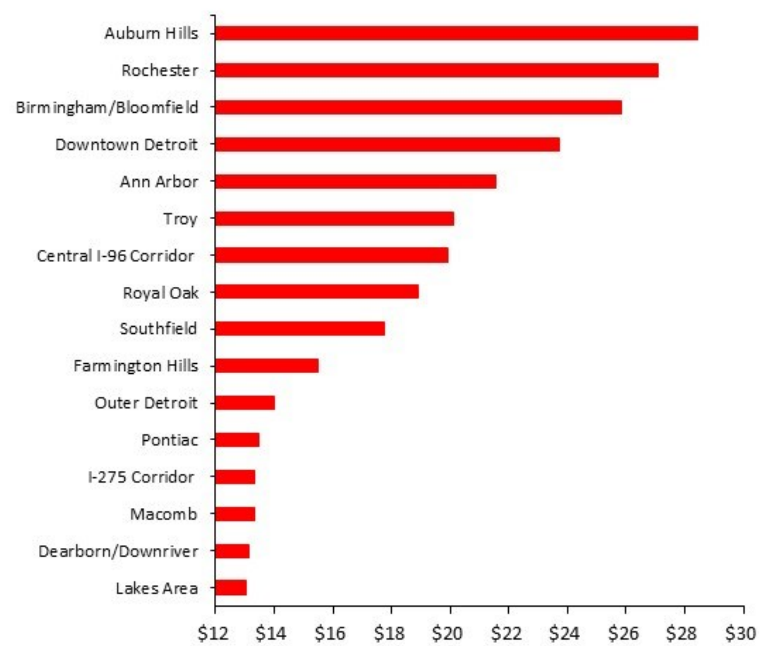
PRICING

Total retail sales volume of $318MM is well above the 5-year average of $173MM, indicating that retail become a favorable product type with investors as they continue to take advantage of the low interest rate environment. Single tenant retail properties exceeded 53% of overall sales volume with an average per square foot price of $184 (PSF) compared to only 11% and $172 PSF for grocery anchored shopping centers, and the overall average of $87 PSF. This demonstrates the disproportionate level of investor interest and willingness to pay premium pricing for lower-risk single tenant assets or recession/e-commerce proof grocery anchored shopping centers.

MARKET AT A GLANCE

	PRIOR PERIOD H2 2020	PRIOR PERIOD H1 2021	CURRENT H2 2021
# Of Retail Buildings	24,971	24,998	25,032 ↑
Market Size (SF)	244,525,336	244,823,745	244,868,514 ↑
Direct Avg Asking Rental Rate	$15.24	$15.23	$15.55 ↑
Overall Occupancy	94.2%	94.6%	94.9% ↑
Half Year Net Absorption	(1,031,489)	1,053,409	1,437,109 ↑
Half Year Leasing Volume	1,743,831	1,469,885	2,071,338 ↑
Half Year Sales Volume	$469,972,163	$266,493,381	$318,641,525 ↑
# Prop Under Construction	51	29	40 ↑
SF Under Construction	718,594	651,853	862,584 ↑

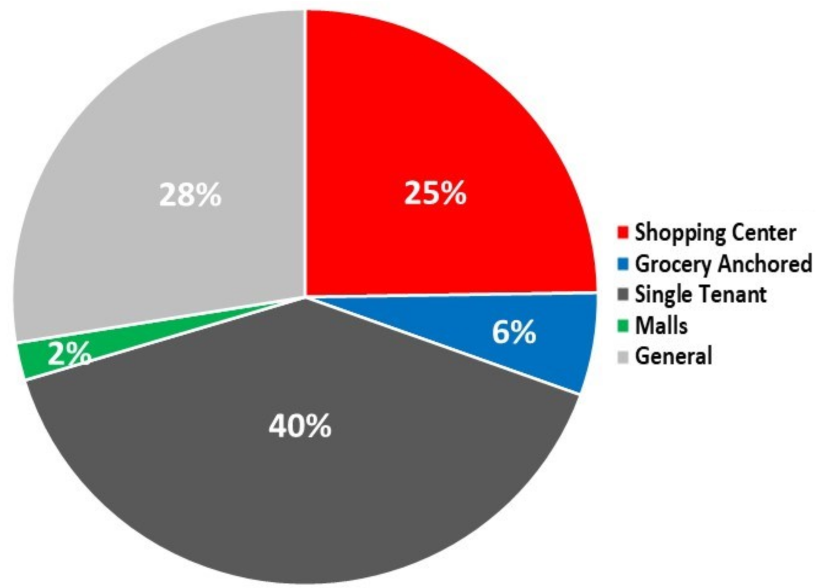
AVERAGE ASKING RENTAL RATES BY SUBMARKET



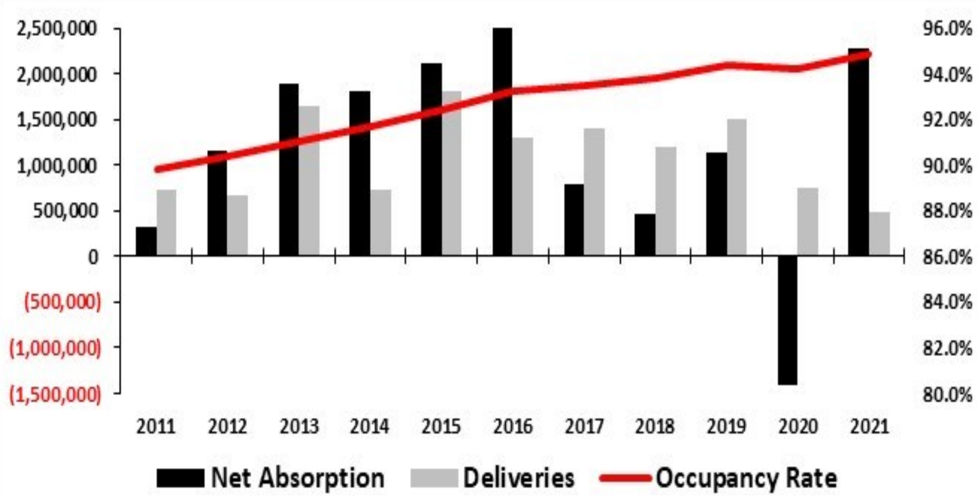
2022 OUTLOOK

- **Construction to Mirror Multi-Family:** Retail development is expected to continue to be located where multi-family development and population growth are most evident (i.e. Macomb, Central I-96 Corridor, and Downtown/Outer Detroit).
- **Corktown Detroit Resurgence:** Significant retail net absorption and development in the Outer Detroit submarket is expected to follow the delivery of Ford's $350MM renovation of Michigan Central Station into a mobility innovation hub with office, retail, and hospitality space, along with the delivery of the 227-room Godfrey Hotel.
- **Increased Rental Rates:** We expect moderate overall effective rent growth due to constrained supply and increased construction and labor costs associated with development.
- **Continued Quick-Service-Restaurant Development:** The ongoing labor shortage and consumer preference toward quick service will continue to negatively impact discount restaurants (i.e. Applebee's) while hastening the development of drive-thru focused QSR's (i.e. Chipotle & Tropical Smoothie).

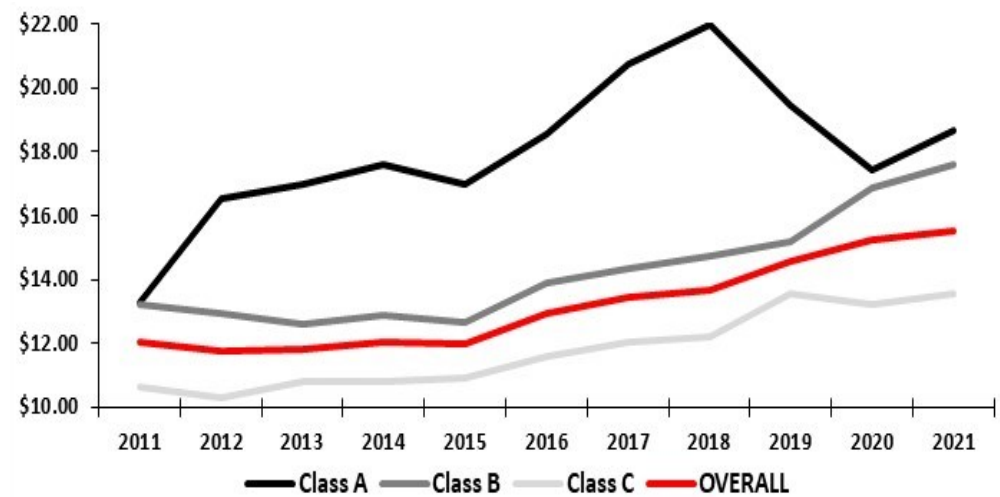
INVENTORY BY TYPE



OCCUPANCY AND ABSORPTION



AVERAGE ASKING RENT BY CLASS



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SUBMARKET STATS

SUBMARKET	# BLDGS	INVENTORY (SF)	NET ABS. (SF)	SF UNDER CONST	TOTAL VAC. (%)	AVAIL. (%)	OVERALL OCC. (%)	AVG ASKING RENT (NNN)	TOTAL SALES VOLUME	SALES PER SF
Ann Arbor	1,937	18,926,238	95,113	43,986	3.50%	5.10%	96.50%	$21.54	$24,741,000	$210.43
Auburn Hills	103	1,555,278	13,461	11,811	3.80%	16.00%	96.20%	$28.43	$370,000	$106.00
Birmingham/Bloomfield	407	5,382,716	(25,515)	-	4.00%	6.40%	96.00%	$25.83	$5,645,000	$125.95
Central I-96 Corridor	909	14,029,202	148,447	120,265	4.40%	7.50%	95.60%	$19.90	$4,400,000	$252.82
Dearborn/Downriver	4,138	37,529,916	(66,368)	33,565	5.00%	7.40%	95.00%	$13.15	$38,150,054	$118.90
Downtown Detroit	350	3,318,249	87,848	187,500	4.30%	7.00%	95.70%	$23.71	$2,266,000	$202.00
Farmington Hills	462	5,285,080	96,013	-	8.40%	9.90%	91.60%	$15.51	$4,915,000	$233.45
I-275 Corridor	2,530	27,861,831	79,658	70,509	7.70%	9.50%	92.30%	$13.35	$34,878,519	$152.34
Lakes Area	914	8,383,526	45,062	-	6.70%	10.80%	93.30%	$13.04	$11,261,000	$168.65
Macomb	4,523	51,908,394	371,516	77,929	5.60%	7.70%	94.40%	$13.31	$68,776,456	$160.01
Outer Detroit	5,161	29,488,145	174,917	91,589	3.80%	6.00%	96.20%	$13.99	$28,666,594	$59.97
Pontiac	601	8,190,881	60,326	-	2.70%	4.70%	97.30%	$13.48	$9,095,000	$661.89
Rochester	351	5,553,002	10,731	60,510	4.00%	6.00%	96.00%	$27.10	$4,850,000	$251.61
Royal Oak	1,845	12,269,798	113,111	9,920	3.40%	5.10%	96.60%	$18.92	$7,367,753	$132.53
Southfield	407	6,672,288	59,476	150,000	8.80%	11.10%	91.20%	$17.74	$32,824,149	$51.71
Troy	394	8,513,970	173,313	5,000	3.70%	7.50%	96.30%	$20.11	$40,435,000	$96.88
TOTAL	**25,032**	**244,868,514**	**1,437,109**	**862,584**	**5.10%**	**7.40%**	**94.90%**	**$15.55**	**$318,641,525**	**$87.51**

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TOP SALES (BASED ON SALES PRICE)

BUILDING	ADDRESS	CITY	SF	SALE PRICE	PRICE/SF
Oakland Plaza	260-396 John R Rd (Part of Multi-Property Sale)	Troy	155,910	$13,443,415	$86.23
Northland Center	**21500 Northwestern Hwy**	**Southfield**	**1,449,719**	**$11,100,000**	**$7.66**
Oakland Square	560-650 John R Rd (Part of Multi-Property Sale)	Troy	110,240	$9,505,497	$86.23
Eastland Center	**18000 Vernier Rd (Part of Multi-Property Sale)**	**Harper Woods**	**671,004**	**$9,500,000**	**$14.16**
Dunning Toyota	3745 Jackson Rd	Ann Arbor	25,410	$9,150,000	$360.09
Kohls	500 John R Rd (Part of Multi-Property Sale)	Troy	94,288	$8,130,028	$86.23
Walgreens	17001 Newburgh Rd	Livonia	13,500	$7,700,000	$570.37
Xfinity	1991 S Telegraph Rd	Bloomfield Hills	8,000	$6,820,000	$852.50
	19200 Haggerty Rd (Part of Portfolio)	Livonia	8,589	$6,500,705	$756.86
Walgreens	**25015 Little Mack Ave**	**Saint Clair Shores**	**14,560**	**$6,222,687**	**$427.38**
Rite Aid	5983 Highland Rd	Waterford	14,496	$5,750,000	$396.66
CVS	18130 W 10 Mile Rd	Southfield	10,880	$5,577,149	$512.61
Dunning Toyota	3745 Jackson Rd	Ann Arbor	25,410	$5,200,000	$204.64
Former Cauley Dealership	**7020 Orchard Lake Rd**	**West Bloomfield**	**44,000**	**$4,500,000**	**$102.27**
The Learning Experience	5660 New King St	Troy	11,016	$3,680,000	$334.06
Walgreens	31100 Groesbeck Hwy (Part of Portfolio)	Fraser	15,120	$3,463,750	$229.08
Hall Commons	14764-14796 Hall Rd	Sterling Heights	5,281	$3,294,400	$623.82
	35388 Van Dyke Ave	Sterling Heights	7,153	$3,150,000	$440.37
	25000-25100 Southfield Rd	Southfield	34,800	$3,075,000	$88.36
	2295 W Stadium Blvd	Ann Arbor	2,522	$3,025,000	$1,199.44
7 Star Plaza	7517-7627 E 9 Mile Rd	Warren	26,000	$3,000,000	$115.38
	305 W 11 Mile Rd	Royal Oak	2,776	$2,800,000	$1,008.65
Verizon Wireless	**45111 Park Ave**	**Utica**	**4,572**	**$2,770,000**	**$605.86**
	31831 Gratiot Ave	Roseville	5,184	$2,700,000	$520.83
Airport Shopping Center	6650 Highland Rd	Waterford	26,035	$2,600,000	$99.87
ALDI	39827 S Groesbeck Hwy	Clinton Township	15,000	$2,500,000	$166.67
Metro Place Center	35400-35412 E Michigan Ave	Wayne	42,805	$2,500,000	$58.40
Springhill Plaza	2905-2965 E Walton Blvd	Rochester Hills	15,344	$2,450,000	$159.67
TOTAL H2 2021 MARKET SALES			**4,737,054**	**$318,641,525**	**$87.51**

Note: Bold represents Friedman transaction

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TOP LEASES (BASED ON SF)

TENANT	BUILDING	SUBMARKET	SF
Ashley Furniture HomeStore	Former Dearborn Art Van	Macomb	73,400
Gardner White Furniture	41677 Ford Rd	I-275 Corridor	69,930
Ashley Furniture HomeStore	West Oaks II	Central I-96 Corridor	52,933
The Edge Fitness Clubs	Harvard Corners Shopping Center	Macomb	38,000
Target	115 Eliot St	Downtown Detroit	32,000
Burlington Coat Factory	Winchester Shopping Center	Rochester	31,059
Burlington Coat Factory	Bloomfield Town Square	Pontiac	28,881
Dollar Tree	15516 Grand River Ave	Outer Detroit	14,480
Hope Partners	Auburn Plaza	Rochester	14,112
St. Vincent de Paul	Shelby Corners	Macomb	14,065
K&G Fashion Superstore	Macomb Mall	Macomb	13,300
Healthy Homes of Michigan, LLC	28342 Pontiac Trail Rd	Central I-96 Corridor	13,000
Ken's Construction Company	2151 Eureka Rd	Dearborn/Downriver	12,175
Dollar Tree	The Forum at Gateways	Macomb	11,955
NAPA Auto Parts	Taylor Town	Dearborn/Downriver	11,804
Fair Tale Entertainment	White Lake Commons	Lakes Area	11,155
Amazon	Scottwood Plaza	Dearborn/Downriver	10,500
Rental One, LLC	2985 Haggerty Rd	Central I-96 Corridor	9,844
Safelite	3451 Washtenaw Ave	Ann Arbor	9,200
All Star Tattoo	34850 Plymouth Rd	I-275 Corridor	8,400
Hook & Reel	14331 Hall Rd	Macomb	8,254
Beauty Plus Supply	13110 W McNichols Rd	Outer Detroit	8,073
Bylen Properties, LLC	26449 Gratiot Ave	Macomb	8,000
Mad Rag	**Model T Plaza**	**Outer Detroit**	**8,000**
Doordash Essentials	Kingswood Square	Pontiac	7,900
Parsons Xtreme Golf	Somerset Plaza	Troy	7,843
Legends Boxing	Hawthorne Plaza	Rochester	7,700
Mad Rag	**20390 W 8 Mile Rd**	**Southfield**	**6,200**

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TOP DEVELOPMENTS (BASED ON SF)

TOP RETAIL PROPERTIES DELIVERED (H2 2021)

Property Name	Property Address	Property City	Retail SF	Delivered	Occupancy	Property Type	Asking Rate (NNN)
Albert Kahn Building Redevelopment	7430 2nd Ave	Detroit	75,650	Q4 2021	54%	Mixed Use	Withheld
Rivertown Market	1475 E Jefferson Ave	Detroit	42,000	Q4 2021	100%	Supermarket	N/A
Macomb Powersports	46301 Gratiot Ave	Chesterfield	21,000	Q3 2021	100%	Auto Dealership	N/A
Aldi	25671 Gratiot Ave	Roseville	17,500	Q4 2021	100%	Supermarket	N/A
7115 E Michigan Avenue	7115 E Michigan Ave	Saline	13,000	Q3 2021	0%	Freestanding	$20.00
15145 N Beck Road	15145 N Beck Road	Plymouth	12,800	Q3 2021	0%	Freestanding	$42.00
Plymouth Marketplace (A)	40855 Ann Arbor Rd	Plymouth	12,000	Q3 2021	0%	Freestanding	$35.00

TOP RETAIL PROPERTIES UNDER CONSTRUCTION (H2 2021)

Property Name	Property Address	Property City	Retail SF	Delivery	Occupancy	Property Type	Asking Rate (NNN)
Northland Center Site—Phase 1	21500 Northwestern Hwy	Southfield	150,000	Q4 2023	0%	Mixed Use	Withheld
Jaguar and Landrover of Novi	25245 Meadowbrook Ave	Novi	55,000	Q2 2022	100%	Auto Dealership	N/A
15075 N Beck Rd	15075 N Beck Rd	Plymouth	40,000	Q1 2022	0%	Freestanding	Withheld
Westgate Shopping Center	300 S Maple Rd	Ann Arbor	24,654	Q2 2022	38%	Storefront	$35.00
Ford Plaza	26700-26750 Ford Rd	Dearborn Heights	21,565	Q1 2023	0%	Storefront	$35.00
51330-51342 Schoenherr Rd	51330-51342 Schoenherr Rd	Shelby Township	20,800	Q1 2022	33%	Storefront	Withheld
990 W Auburn Rd	990 W Auburn Rd	Rochester Hills	20,000	Q1 2022	0%	Mixed Use	Withheld
18520 W 7 Mile Road	18520 W 7 Mile Rd	Detroit	18,600	Q4 2022	0%	Mixed Use	Withheld
Plymouth Marketplace	40835 Ann Arbor Rd	Plymouth	11,989	Q4 2022	0%	Freestanding	$35.00

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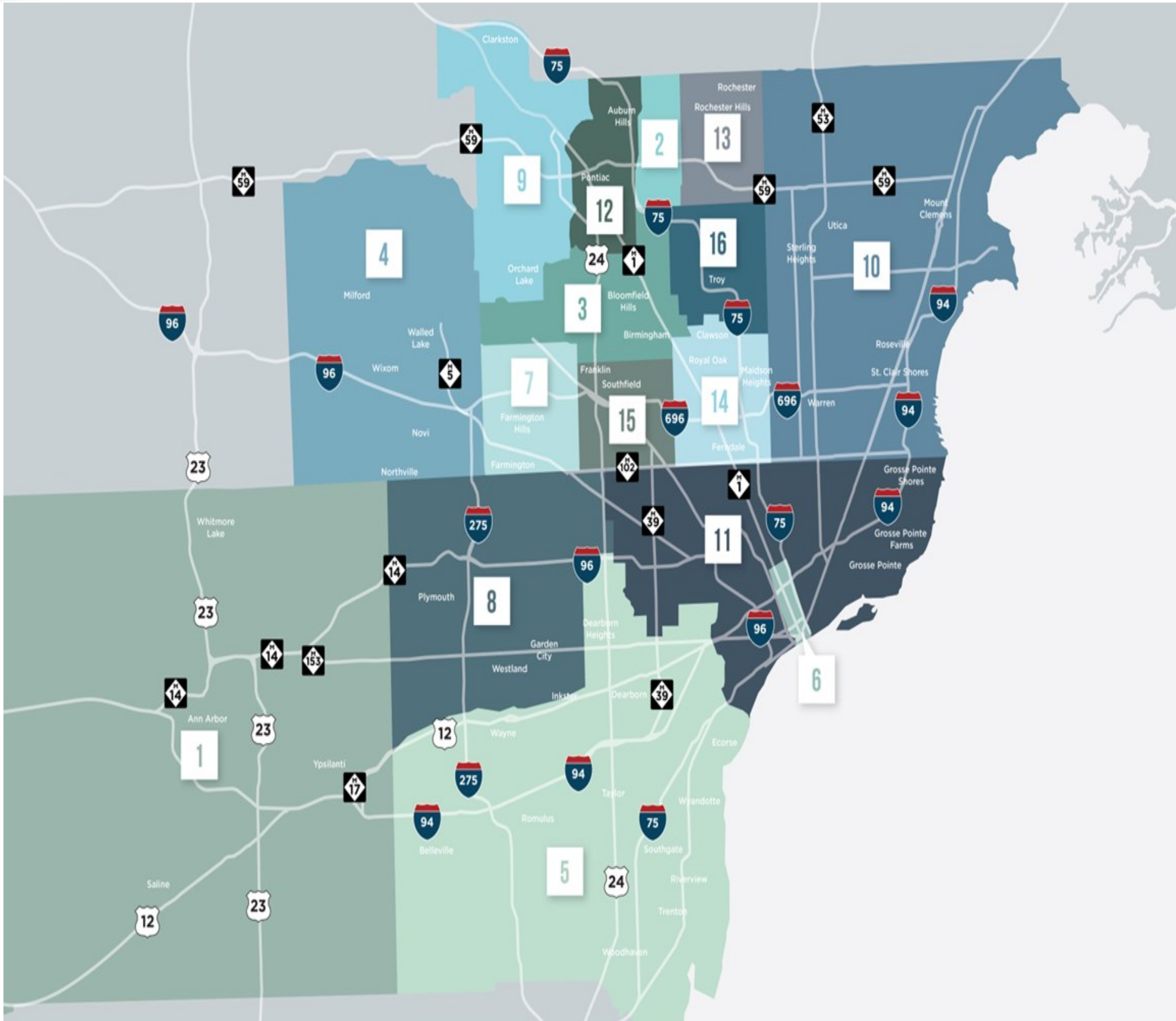
RETAIL SUBMARKET MAP



1 ANN ARBOR
2 AUBURN HILLS
3 BIRMINGHAM/BLOOMFIELD
4 CENTRAL I-96 CORRIDOR
5 DEARBORN/DOWNRIVER
6 DOWNTOWN DETROIT
7 FARMINGTON HILLS
8 I-275 CORRIDOR
9 LAKES AREA
10 MACOMB
11 OUTER DETROIT
12 PONTIAC
13 ROCHESTER
14 ROYAL OAK
15 SOUTHFIELD
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.

Note: Friedman's YEAR-END Retail Market Report provides out clients with a snapshot of pertinent market date 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.

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