



METROPOLITAN  
**DETROIT**  
**MARKET**

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OFFICE  
**Q4 2023**  
MARKET STATISTICS



METROPOLITAN DETROIT

# OFFICE MARKET REVIEW

## ECONOMIC OVERVIEW

Fourth quarter 2023 closed with a direct vacancy rate of 21.54%, an overall vacancy rate of 24.22%, and an average asking direct rental rate reported at \$19.02 per sq. ft. In December, the Michigan unemployment rate was recorded at 4.3%, identical compared to this time last year. The US job market continues to remain resilient despite an uncertain economy and elevated interest rates. In October, employers posted 8.9 million jobs tumbling to the lowest level since March 2021, while in December openings slightly increased with employers posting 9 million jobs, compared to 8.8 million in November. Recent data indicates a gradual movement towards a balanced pre-pandemic job market with hiring remaining steady and limited number of layoffs. University of Michigan economists are projecting a full recovery of jobs for Michigan by early 2024, followed by two years of growth and a decline in terms of inflation. US consumer inflation eased slightly in November, while consumer confidence to some degree increased during December. The Michigan economy holds steady despite facing several challenges throughout the year including an automotive strike, supply chain shortages, and elevated interest rates bearing an impact on loans and US home sales. The Federal Reserve closed out 2023 with the decision to keep the key interest rate unchanged since the last increase of 0.25% in July and appear to be confident in a “soft landing” of the economy in 2024.

## OFFICE MARKET DISCUSSION

Signature Associates inked the two largest office leases in Southfield representing both the Landlord and Tenant. At One Towne Square, Maddin, Hauser, Roth & Heller, P.C. leased 28,494 sq. ft. on the 4<sup>th</sup> and 5<sup>th</sup> floors. While TD Auto Finance will downsize from 155,000 sq. ft. in Farmington Hills, having signed a deal totaling 34,575 sq. ft. of space on the 5<sup>th</sup> and 6<sup>th</sup> floors, at Two Towne Square, making them the largest tenant to now occupy space at this building. Lastly, Hatzel & Buehler, Inc., an electrical construction company, signed a deal totaling 16,288 sq. ft. located at 2 Corporate Drive.

The largest sale to close the quarter was a 2-building portfolio of the Class A Renaissance Center’s 500 and 600 towers totaling 816,981 sq. ft., both 21 stories located in downtown Detroit. Friedman Real Estate purchased the towers as an investment. Blue Cross Blue Shield of Michigan occupies Tower 500, while Tower 600 is essentially vacant. In Dearborn, defense contractor Eccalon, LLC purchased the 262,926 sq. ft. office property with Ford Motor Land Development Corporation as the seller.

## OUTLOOK

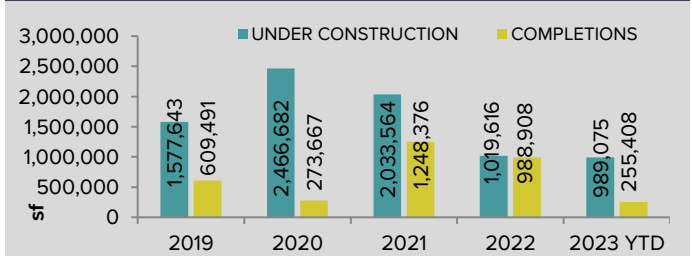
In November, demolition of the 1.1 million-square-foot former Kmart Corporate headquarters in Troy began and is expected to be completed in 9-12 months. Redevelopment plans for the 40-acre site have yet to be announced. In downtown Birmingham, construction has begun on a 5-story mixed-use property that will include residential units, restaurant space and pre-leased office space totaling around 32,000 sq. ft. Construction is expected to be completed during the first half of 2025. In Dearborn, demolition has begun on The Regent Court office building, the 670,000 sq. ft. office property formerly occupied by Ford Motor Company. A mixed-use development is planned for the 57-acre site.

The Metro Detroit Office Market closed out 2023 with elevated vacancy rates. Three years post pandemic, tenants continue to evaluate their demand and need of square footage required, often more times than not, downsizing into smaller space in an attempt to cut costs. On the flip side, tenants searching for space are expected to find Landlords offering appealing incentives in hopes of filling vacant space.

## UNDER CONSTRUCTION

BUILDING / MARKET	CITY	SF	ESTIMATED COMPLETION
120 Henry Street Detroit	Detroit	132,500	January 2024
111 Henry Street Detroit	Detroit	73,500	January 2024
460 N. Old Woodward Birmingham/Bloomfield	Birmingham	12,912	July 2024

## UNDER CONSTRUCTION VS. COMPLETION





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Submarket: Buildings 20,000 Sq. Ft. & Up	Total Inventory Square Feet	Available Square Feet w/Sublease	Vacancy % w/Sublease	Direct Available Square Feet	Direct Vacancy %	Direct Vacancy % Change 3 <sup>rd</sup> - 4 <sup>th</sup> Qtr
<b>CLASS A</b>						
Ann Arbor	2,440,437	346,790	14.21%	313,474	12.84%	0.32%
Birmingham/Bloomfield	2,122,695	615,953	29.02%	615,953	29.02%	-0.01%
Dearborn	1,419,212	355,018	25.02%	355,018	25.02%	0.00%
Detroit	10,657,596	3,071,375	28.82%	2,773,171	26.02%	2.16%
Farmington Hills/West Bloomfield	2,411,248	561,095	23.27%	460,857	19.11%	-0.08%
I-275 Corridor*	2,837,918	850,151	29.96%	744,999	26.25%	0.74%
Macomb County**	573,400	31,416	5.48%	31,416	5.48%	-0.41%
Rochester Hills/Auburn Hills	714,115	210,304	29.45%	203,233	28.46%	0.08%
Southfield/Bingham Farms	5,868,546	2,075,639	35.57%	1,786,988	30.45%	-0.12%
Troy	6,558,596	2,085,768	31.80%	1,848,460	28.18%	0.34%
<b>CLASS A TOTAL</b>	<b>35,603,763</b>	<b>10,203,509</b>	<b>28.66%</b>	<b>9,133,569</b>	<b>25.65%</b>	<b>0.76%</b>
<b>CLASS B</b>						
Ann Arbor	4,903,201	1,250,086	25.50%	1,087,428	22.18%	1.47%
Birmingham/Bloomfield	3,095,572	420,135	13.57%	413,737	13.37%	0.57%
Dearborn	2,901,163	568,827	19.61%	568,827	19.61%	-0.01%
Detroit	15,137,337	2,464,618	16.28%	2,409,969	15.92%	-0.43%
Farmington Hills/West Bloomfield	4,520,510	753,096	16.66%	701,579	15.52%	-0.45%
I-275 Corridor*	5,184,503	1,433,238	27.64%	887,875	17.13%	0.18%
Macomb County**	3,381,963	440,765	13.03%	440,765	13.03%	0.07%
Rochester Hills/Auburn Hills	2,962,919	730,660	24.66%	468,974	15.83%	-0.14%
Southfield/Bingham Farms	11,058,666	4,188,635	37.88%	3,618,225	32.72%	-1.76%
Troy	6,130,655	1,570,630	25.62%	1,490,174	24.31%	0.28%
<b>CLASS B TOTAL</b>	<b>59,276,489</b>	<b>13,820,690</b>	<b>23.32%</b>	<b>12,087,553</b>	<b>20.39%</b>	<b>-0.28%</b>
<b>CLASS C</b>						
Ann Arbor	496,111	58,398	11.77%	58,398	11.77%	0.46%
Birmingham/Bloomfield	157,835	15,635	9.91%	15,635	9.91%	-0.18%
Dearborn	99,786	23,202	23.25%	23,202	23.25%	0.25%
Detroit	4,310,692	524,074	12.16%	524,074	12.16%	0.09%
Farmington Hills/West Bloomfield	475,312	54,257	11.42%	48,876	10.28%	0.07%
I-275 Corridor*	712,187	106,019	14.89%	105,019	14.89%	-1.16%
Macomb County**	795,033	106,355	13.38%	106,019	13.38%	0.09%
Rochester Hills/Auburn Hills	430,962	12,780	2.97%	12,780	2.97%	0.10%
Southfield/Bingham Farms	1,735,952	349,286	20.12%	349,286	20.12%	-3.39%
Troy	757,298	119,031	15.72%	119,031	15.72%	-10.20%
<b>CLASS C TOTAL</b>	<b>9,971,168</b>	<b>1,369,037</b>	<b>13.73%</b>	<b>1,363,656</b>	<b>13.68%</b>	<b>-1.37%</b>
<b>COMBINED CLASS A, B, &amp; C</b>						
Ann Arbor	7,839,749	1,655,274	21.11%	1,459,300	18.61%	1.04%
Birmingham/Bloomfield	5,376,102	1,051,723	19.56%	1,045,325	19.44%	0.31%
Dearborn	4,420,161	947,047	21.43%	947,047	21.43%	0.00%
Detroit	30,105,625	6,060,067	20.13%	5,707,214	18.96%	0.56%
Farmington Hills/West Bloomfield	7,407,070	1,368,448	18.47%	1,211,312	16.35%	-0.30%
I-275 Corridor*	8,734,608	2,389,408	27.36%	1,738,893	19.91%	0.25%
Macomb County**	4,750,396	578,536	12.18%	578,536	12.18%	0.01%
Rochester Hills/Auburn Hills	4,107,996	953,744	23.22%	684,987	16.67%	-0.09%
Southfield/Bingham Farms	18,663,164	6,613,560	35.44%	5,754,499	30.83%	-1.40%
Troy	13,446,549	3,775,429	28.08%	3,457,665	25.71%	-0.29%
<b>METRO DETROIT OFFICE MARKET TOTAL</b>	<b>104,851,420</b>	<b>25,393,236</b>	<b>24.22%</b>	<b>22,584,778</b>	<b>21.54%</b>	<b>-0.03%</b>

\*I-275 Corridor includes: Livonia, Northville, Novi, Plymouth/Plymouth Twp. \*\*Macomb County includes: Clinton Twp., Mt. Clemens, Shelby Twp., Sterling Heights, Utica and Warren.

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## TOP SALE TRANSACTIONS

Building	City	Market	Size/SF	Sale Type	Buyer
500 & 600 Renaissance Center 2-Building Portfolio	Detroit	Detroit	816,981	Investment	Friedman Real Estate
550-570 Town Center Drive	Dearborn	Dearborn	262,926	User	Eccalon, LLC
7300 Woodward Avenue	Detroit	Detroit	250,000	User	LGC Global Corporation
1075 W. Entrance Drive	Auburn Hills	Rochester Hills/ Auburn Hills	210,000	Investment	Justin Cutler
3520 Green Court	Ann Arbor	Ann Arbor	104,532	User	University of Michigan

## TOP LEASE TRANSACTIONS

Building	City	Market	Size/SF	Lease Type	Tenant
Two Towne Square	Southfield	Southfield/ Bingham Farms	34,575	Direct	TD Auto Finance
One Towne Square	Southfield	Southfield/ Bingham Farms	28,494	Direct	Maddin, Hauser, Roth & Heller, P.C.
2 Corporate Drive	Southfield	Southfield/ Bingham Farms	16,288	Direct	Hatzel & Buehler, Inc.
1250 Kirts Boulevard	Troy	Troy	11,052	Direct	Advocate Construction
28555 Orchard Lake Road	Farmington Hills	Farmington Hills/ W.Bloomfield	10,154	Direct	Quest Research Institute

## SIGNATURE QUICK FACTS

<p><b>Q4 2023</b> SIGNATURE LISTED...</p> <p> <b>210</b> NEW PROPERTIES</p> <p> <b>2,907,459</b> SQUARE FEET</p> <p> <b>234.70</b> ACRES</p>	<p><b>Q4 2023</b> SIGNATURE CLOSED....</p> <p> <b>309</b> TRANSACTIONS</p> <p> <b>7,586,139</b> SQUARE FEET</p> <p> <b>539.23</b> ACRES</p>	<p> <b>42%</b> CONSISTENT MARKET SHARE</p> <p><b>FULL-SERVICE COMMERCIAL REAL ESTATE</b></p> <p><b>TCN</b>  <b>MEMBER FIRM</b> WORLDWIDE REAL ESTATE SERVICES</p>
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