

1Q25

Detroit Office Market Overview



NEWMARK

Market Observations

Economy

- Metro Detroit unemployment rate fell 10 basis points to 5.5% in the latest February 2025 figures. Year over year, payroll employment is up 0.7% with Health & Education, Services and Government sectors leading the gains.
- Despite declines in the Information and Business & Professional Services sectors, office using employment showed positive gains in the latest February 2025 figures.
- The Financial Activities sector showed the greatest gains in office user employment, up 1.8% year-over-year.

Major Transactions

- Kirk Gibson Foundation, a Parkinson's non-profit, leased 40,000 SF at 31440 Northwestern Hwy in Farmington Hills.
- Christman Company, a construction management, general contracting firm, leased 10,000 SF at 1265 Washington Blvd in Detroit.
- Simco, provider of high-quality instrument calibration services, leased 10,000 SF at 2000 Taylor Rd in Auburn Hills.
- Turn 14 Distribution, Inc., a performance warehouse distributor, leased 8,248 SF at 531 Vester St in Ferndale.

Leasing Market Fundamentals

- Metro Detroit office market vacancy rate climbed 10 basis points to 21.9% during the first quarter of 2025 as 37,821 SF in net vacancies were added to the market. Leasing activity remains well below the 20-year average. The rate of which net vacancies are added to the market has settled. 2023 saw 2 million SF of negative absorption while 2024 saw just over 217,000 SF net added to the market.
- In the first quarter of 2025, available sublease space increased by 5.0% to 1.7 million SF, while direct available space grew by a modest 0.13% during the same period
- Class A asking rates increased by \$.12 PSF during the first quarter of 2025, reaching \$23.65 PSF gross. Conversely, Class B rates declined by \$.10 PSF to \$19.57 PSF gross.

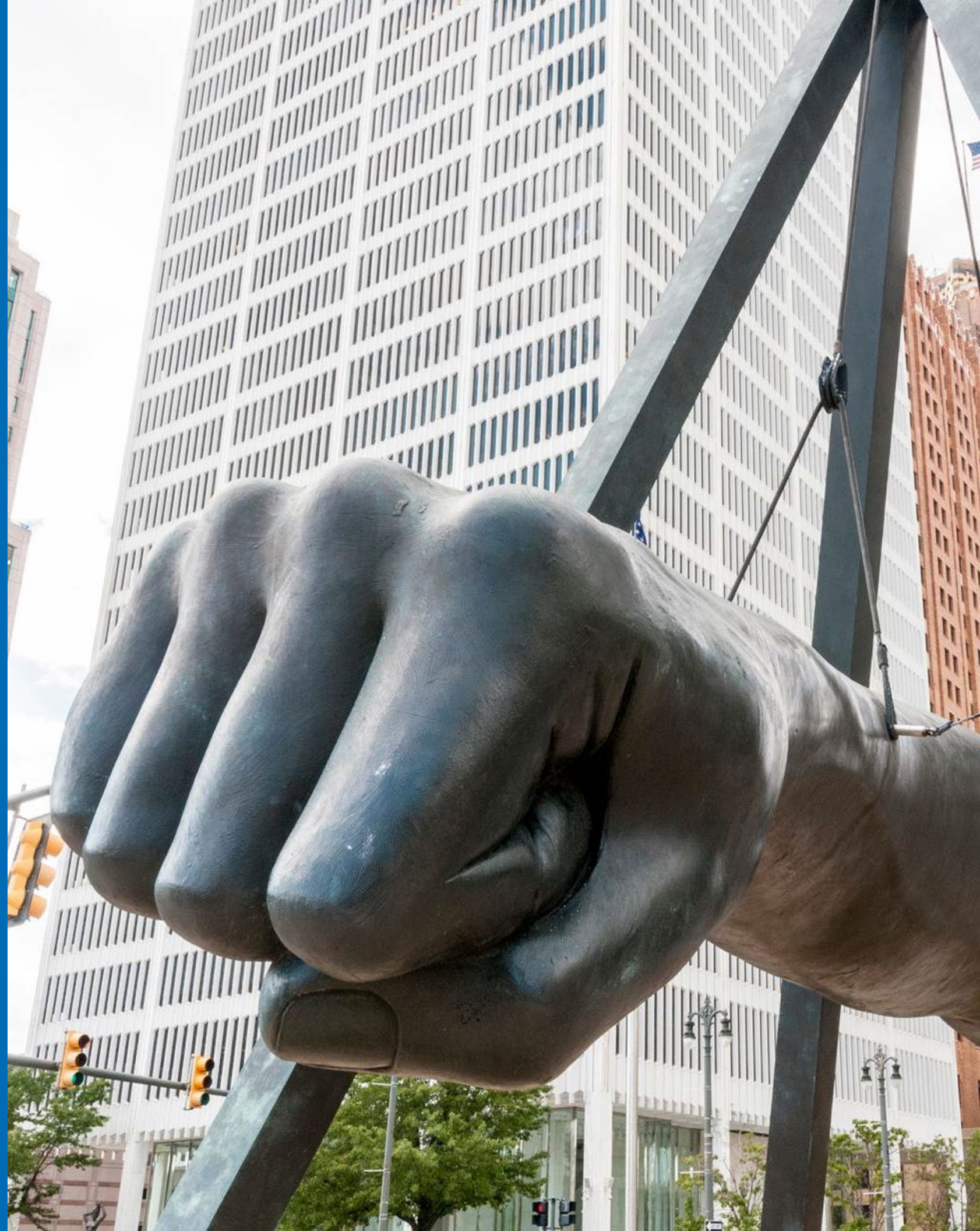
Outlook

- The office market could see positive leasing in 2025 as companies implement return-to-work policies and benefit from lower occupancy costs.
- Despite elevated asking rates, tenants will see increasingly competitive offers from landlords in the form of rent concessions and tenant improvement allowances.
- The market continues to be favorable for tenants looking to purchase office buildings as sale prices are at historic lows.

1. Economy
2. Leasing Market Fundamentals

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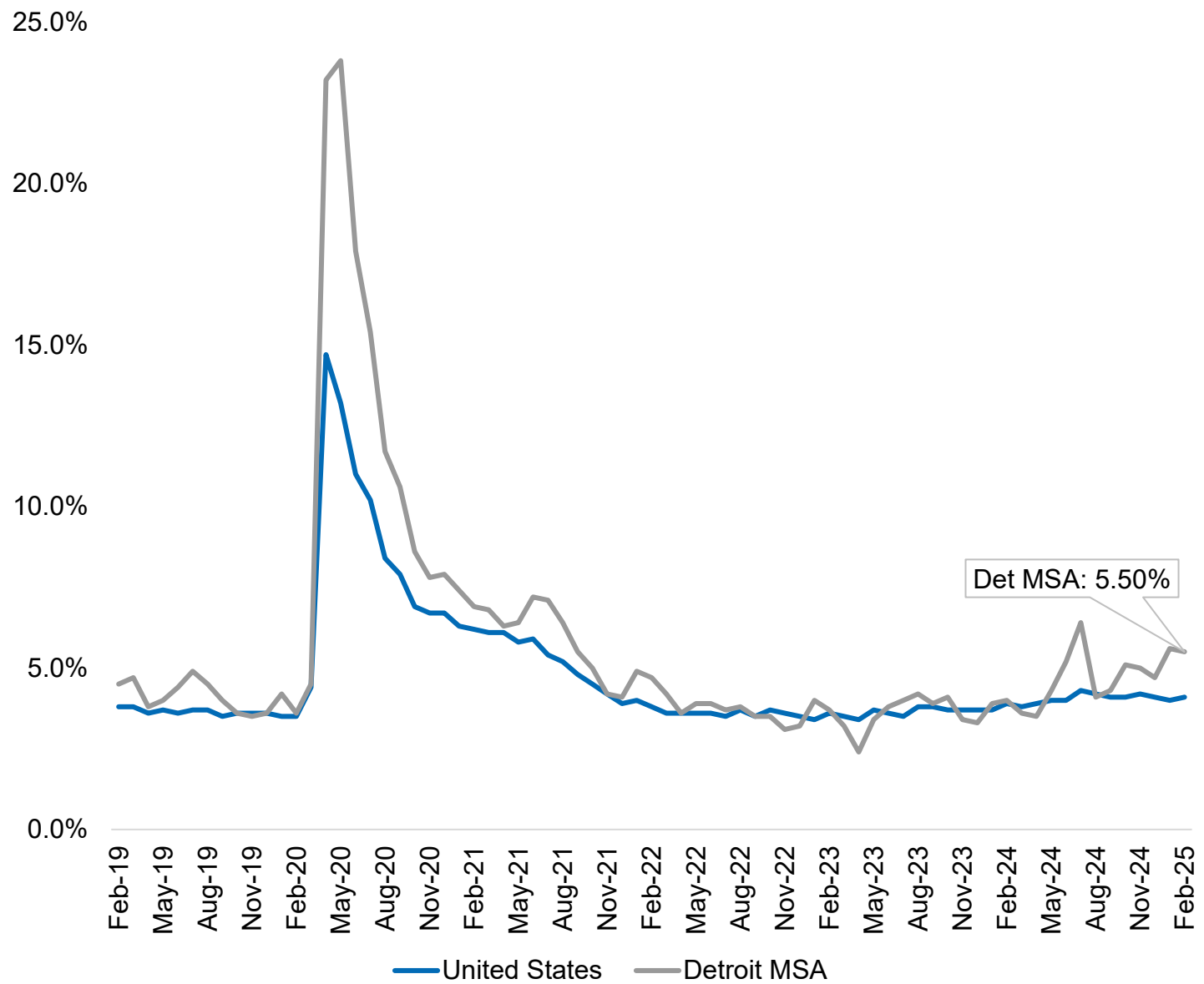
Economy



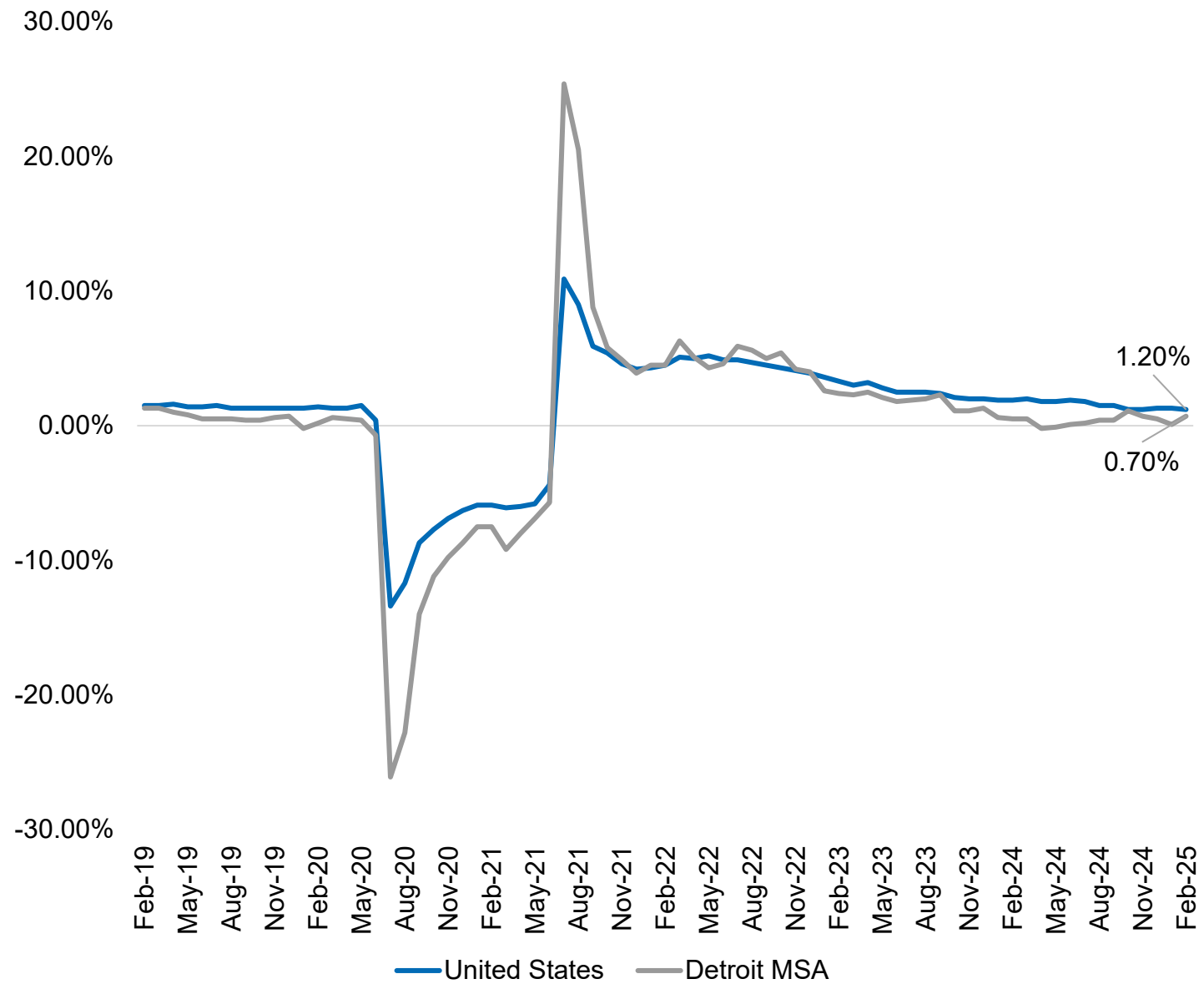
Metro Detroit Employment Shows Positive Signals

Metro Detroit’s unemployment rate fell 10 basis points to 5.5% in the latest February 2025 figures. Year over year, payroll employment is up 0.7% with Health & Education, Services and Government sectors leading the gains.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



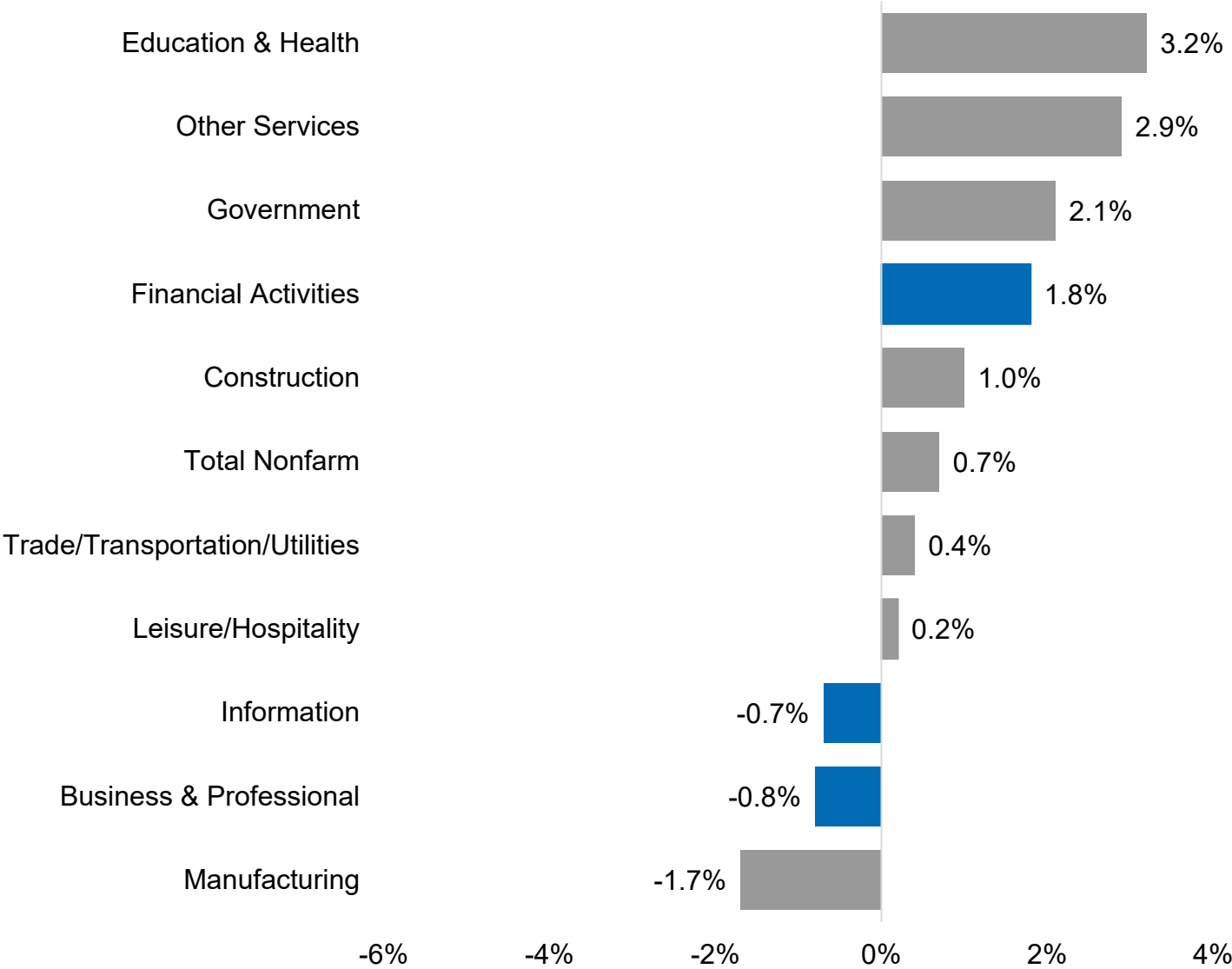
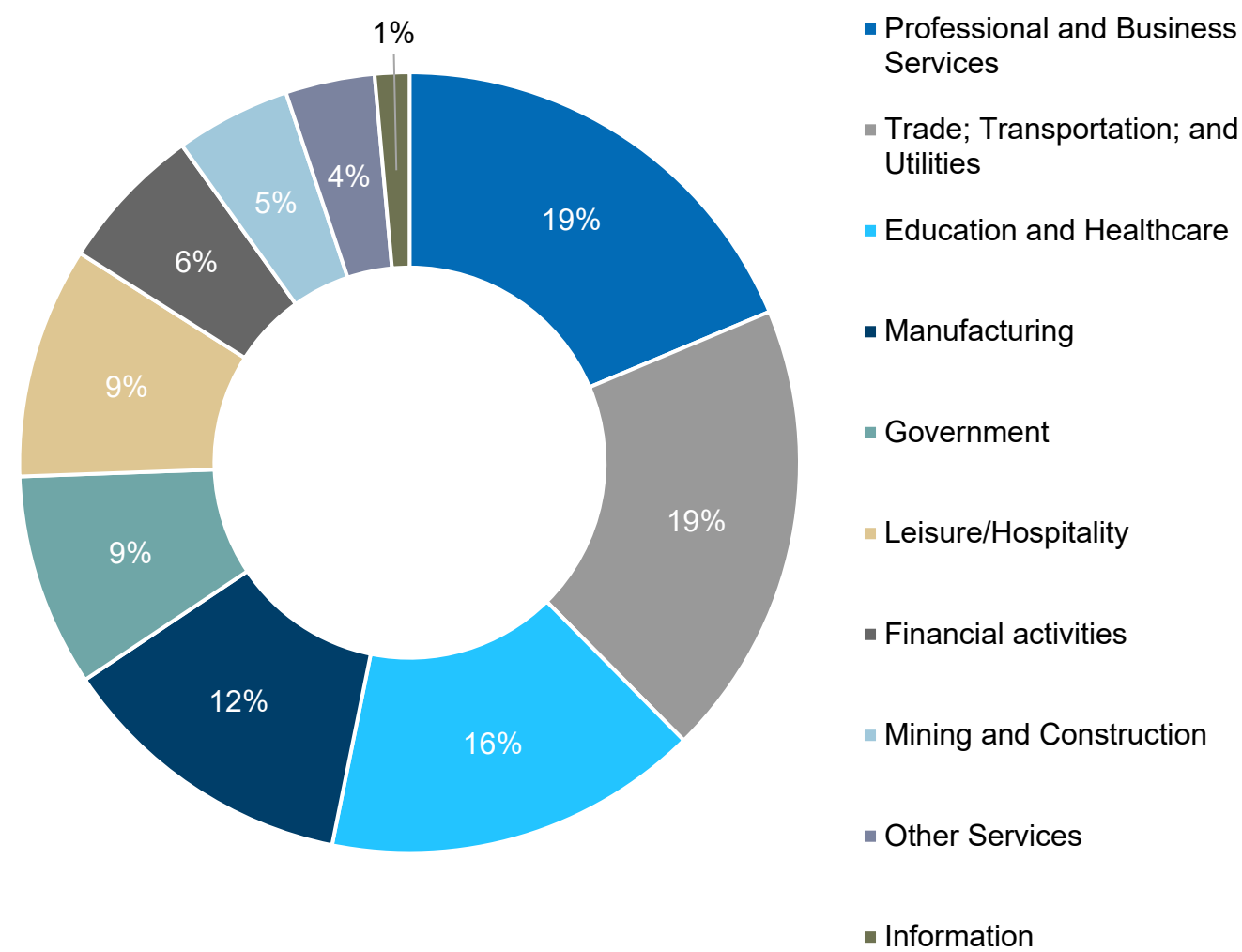
Source: U.S. Bureau of Labor Statistics, Detroit MSA

Office-Using Employment Up From Last Year

Year-over-year, employment in the Financial Activities sector grew by 1.8% in the Detroit MSA in the latest February 2025 figures. However, the Information and Business & Professional Services sectors saw declines of .7% and .8%, respectively.

Employment by Industry, Feb 2025

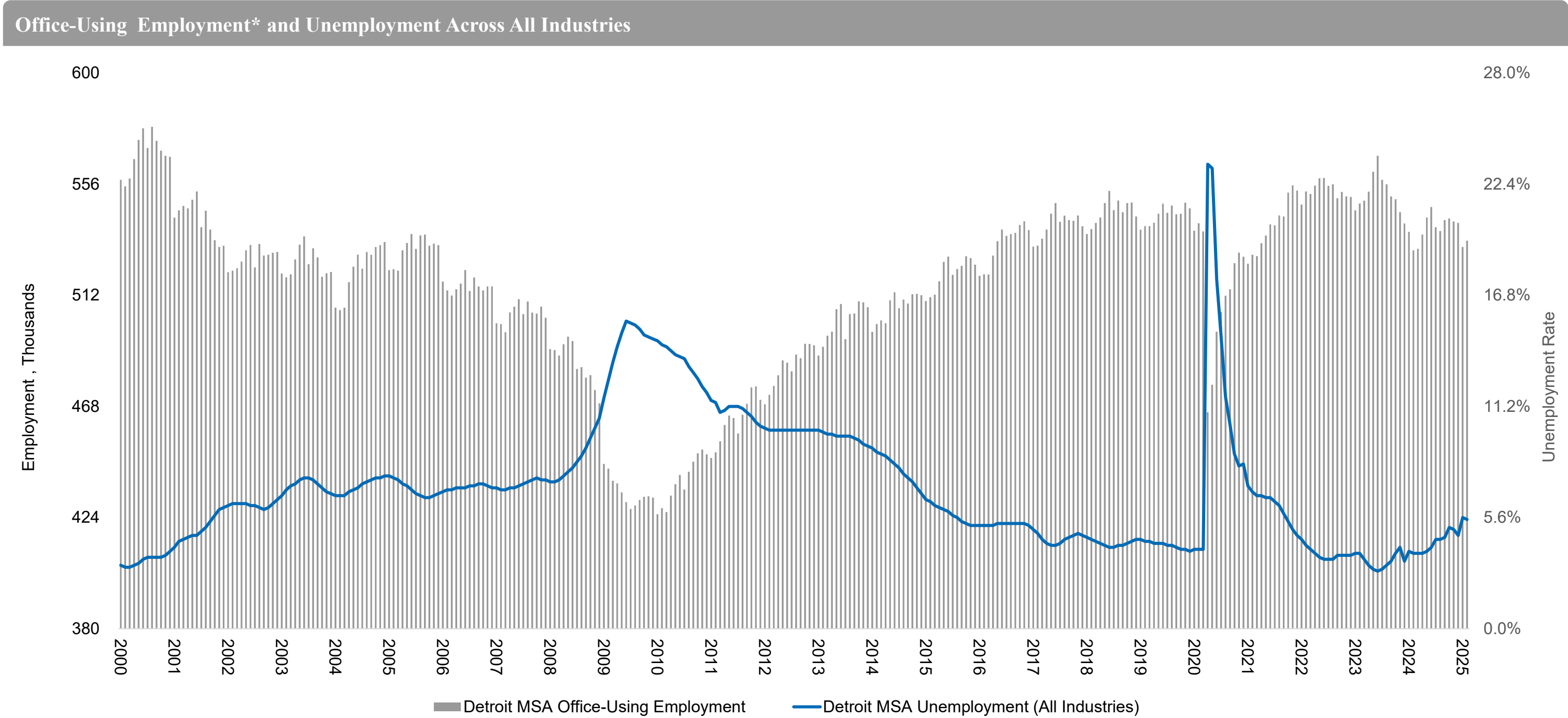
Employment Growth by Industry, 12-Month % Change, Feb 2025



Source: U.S. Bureau of Labor Statistics, Detroit MSA

Overall Office-Using Employment Showing Positive Signs

Both office-using and overall employment demonstrated net positive gains in the latest February 2025 BLS report. Most employment sectors showed positive gains. However, February 2025 office-using employment, at 533,600, remains below its mid-2023 peak of 567,200.



Source: U.S. Bureau of Labor Statistics, Detroit MSA
*Professional and Business Services, Financial Activities and Information

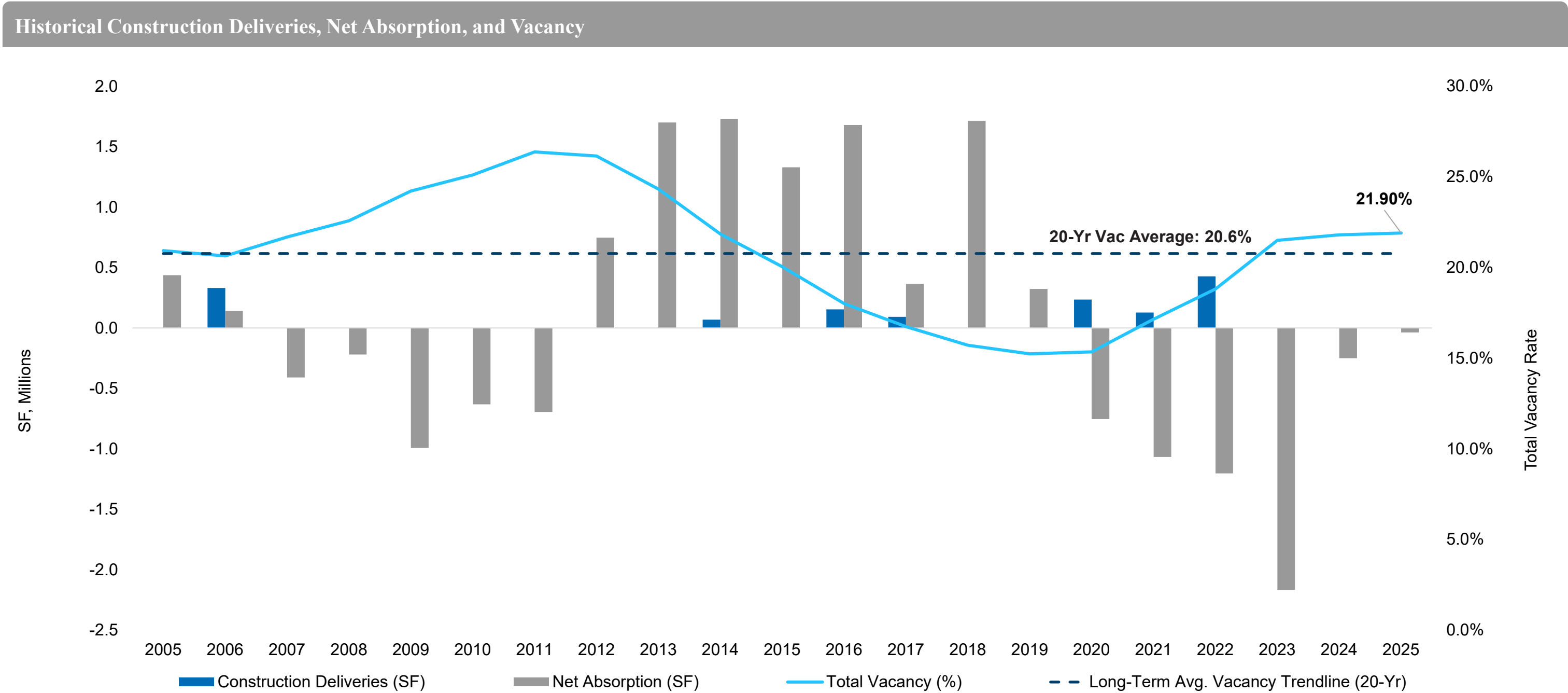
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Leasing Market Fundamentals



Metro Detroit Office Market Vacancy Rate at Ten Year High

Metro Detroit’s office market vacancy rate climbed 10 basis points to 21.9% during the first quarter of 2025 as 37,821 SF in net vacancies were added to the market. Leasing activity remains well below the 20-year average. The rate at which net vacancies are added to the market has settled. After two million SF of negative absorption in 2023 and 217,000 SF of negative absorption in 2024 the rate at which vacancies are being added to the market has settled.

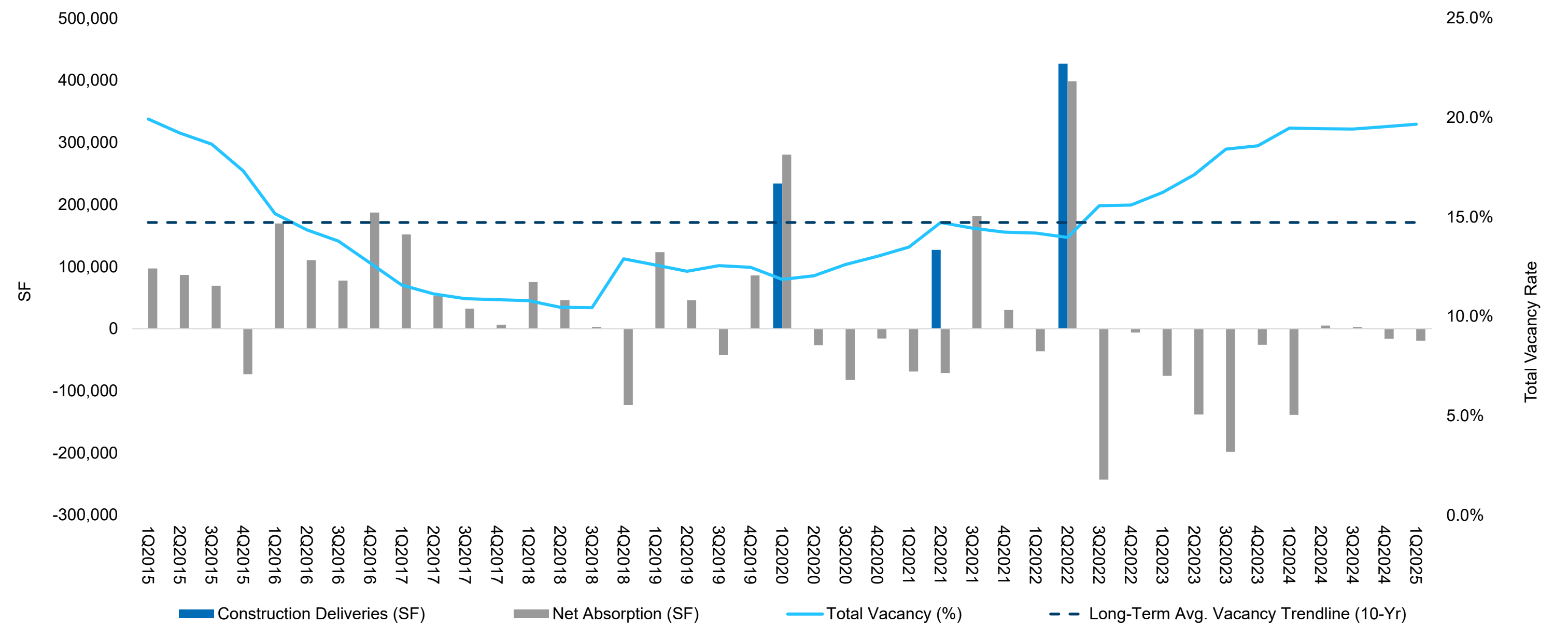


Source: Newmark Research

Detroit CBD Vacancy Rate Leveling Off

The Detroit CBD vacancy rate increased by 20 basis points to 19.7% during the first quarter of 2025, with 19,147 SF of net vacancies added to the market. Despite this, the CBD witnessed some notable new leases during the quarter. Christman Company leased 10,000 SF at Book Tower, located at 1265 Washington Blvd. Additionally, Ven Johnson Law Firm announced plans to move into Hudson Tower upon its completion.

Detroit CBD: Historical Construction Deliveries, Net Absorption, and Vacancy

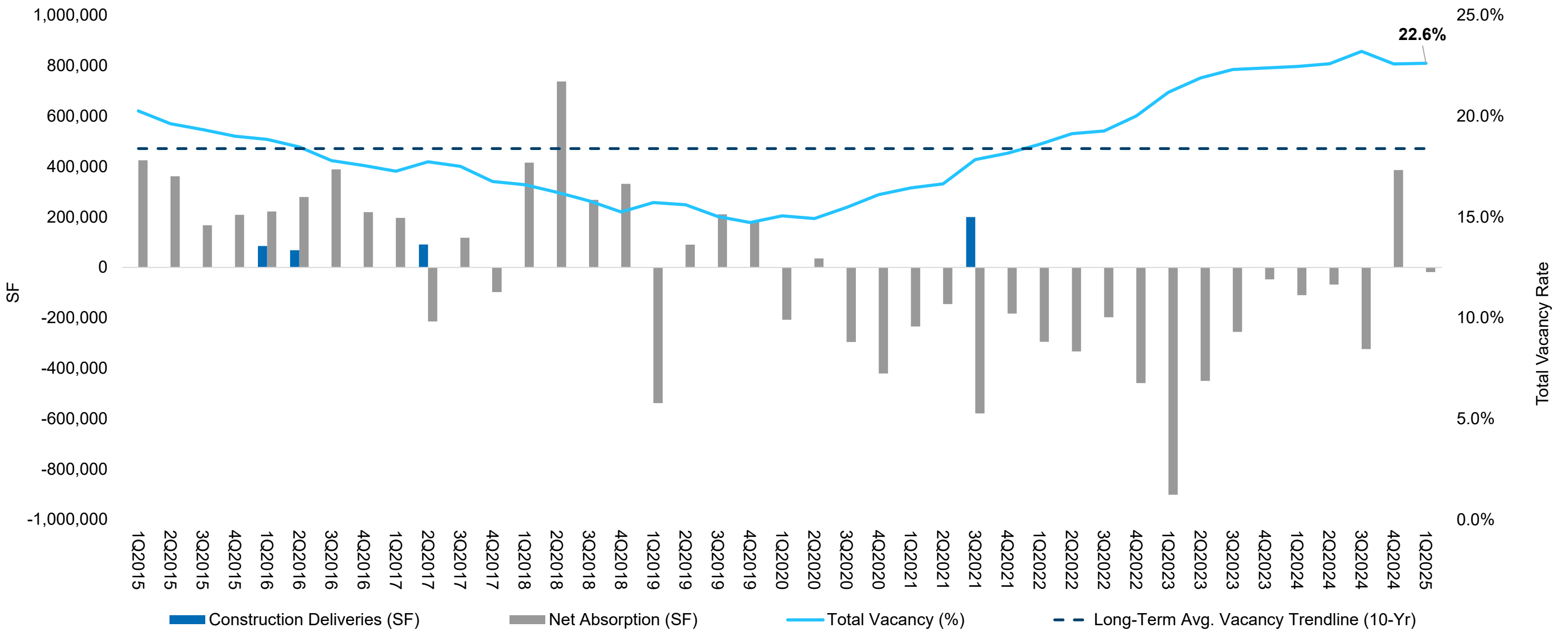


Source: Newmark Research

Farmington Hills Most Active in Suburban Office Market

The suburban office market vacancy rate held steady at 22.6% during the first quarter, despite adding 18,674 SF in net vacancies. This rate remains 4.2 percentage points higher than the 10-year average. Farmington Hills experienced the most active quarter in the suburban market. Notable deals included Kirk Gibson Foundation leasing 40,000 SF, architectural firm Fishbeck, Thompson, Carr, & Huber occupying 27,000 SF and Amentum leasing 25,000 SF.

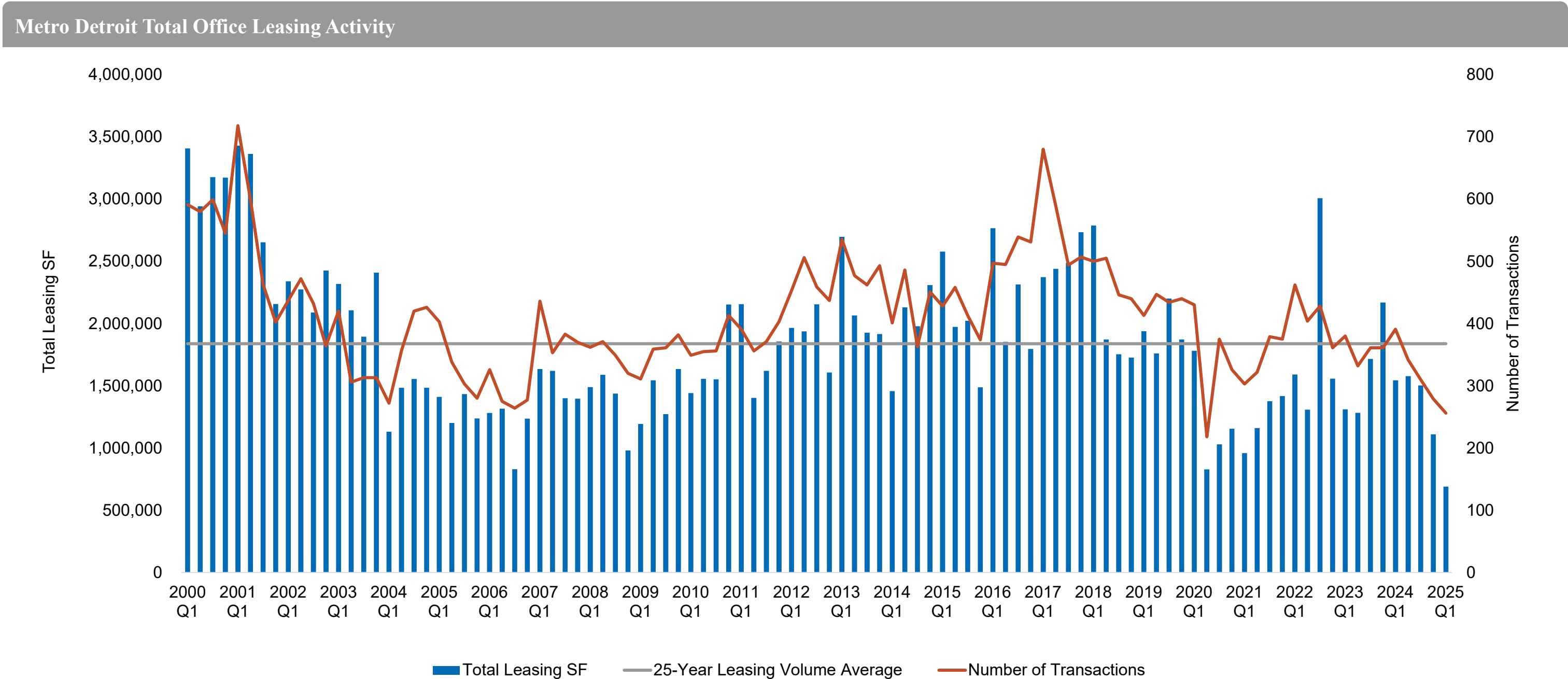
Suburban Market: Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Office Leasing Activity Declines

Total leasing square footage in the office reached a record low in the first quarter of 2025, measuring 62% below the 25-year average. Meanwhile, the number of transactions experienced a sharp decline, decreasing from 391 in the first quarter of 2024 to 256 in the first quarter of 2025. The office market reached its most recent peak with 680 transactions in the first quarter of 2017.

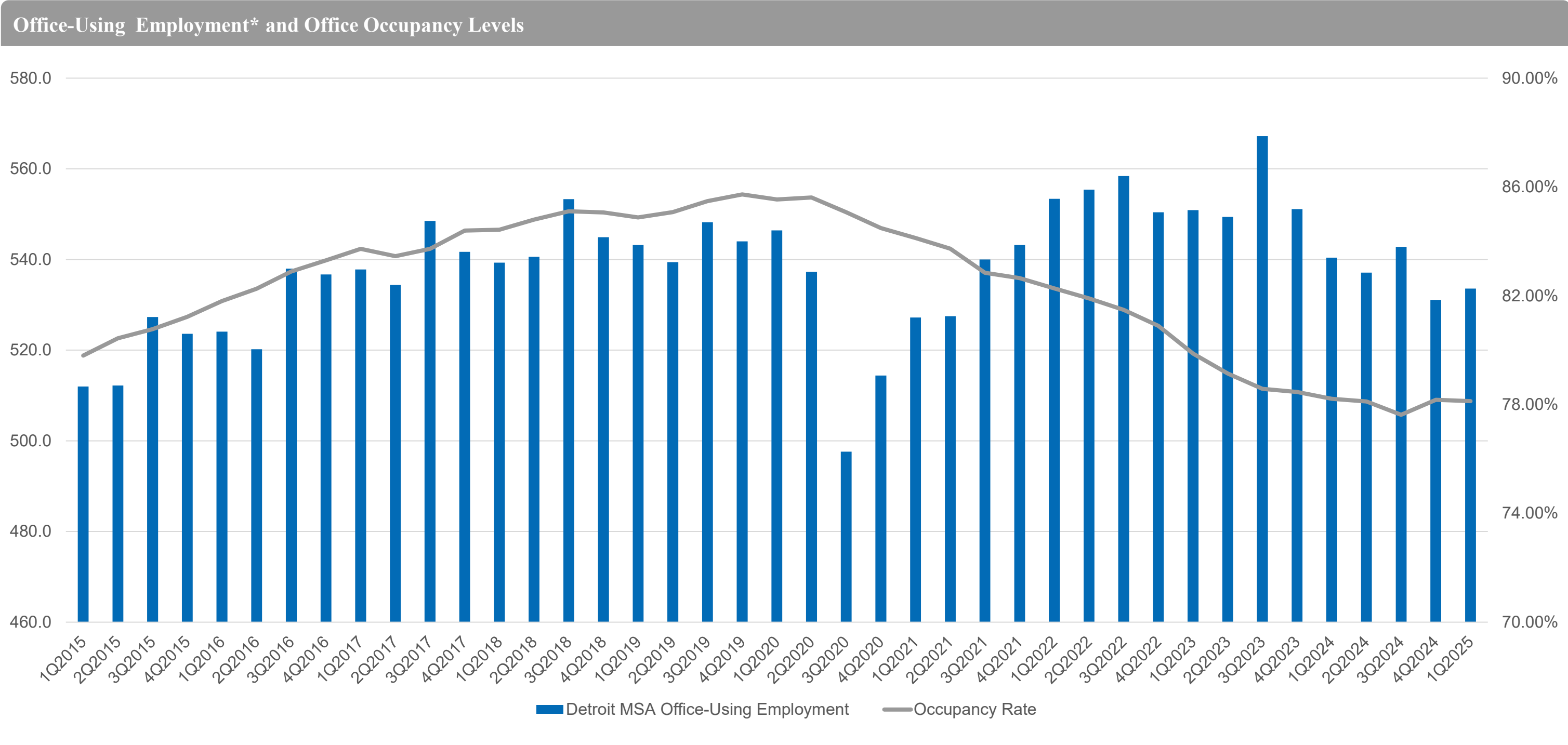


Source: Newmark Research, CoStar

Source: Costar

Overall Office-Using Employment Shows Positive Signs For Future Demand

Office-using employment serves as a leading indicator of future office demand. The most recent figures from February 2025 indicate positive gains in office-using employment, which bodes well for the office market.

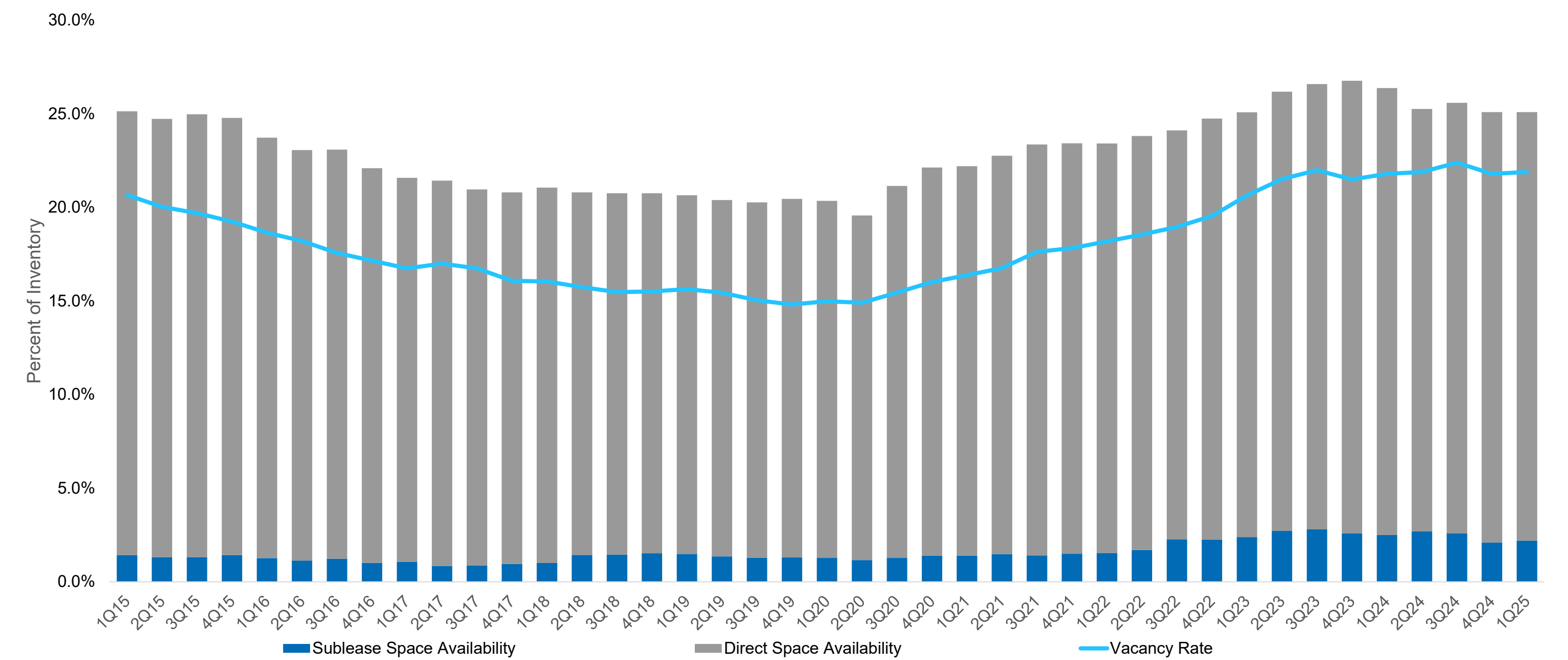


Source: U.S. Bureau of Labor Statistics, Detroit MSA
*Professional and Business Services, Financial Activities and Information

Direct and Sublease Available Space Increases

In the first quarter of 2025, available sublease space increased by 5% to 1.7 million SF, while direct available space grew by a modest 0.13% during the same period.

Available Direct & Sublease Space and as Percent of Overall Market

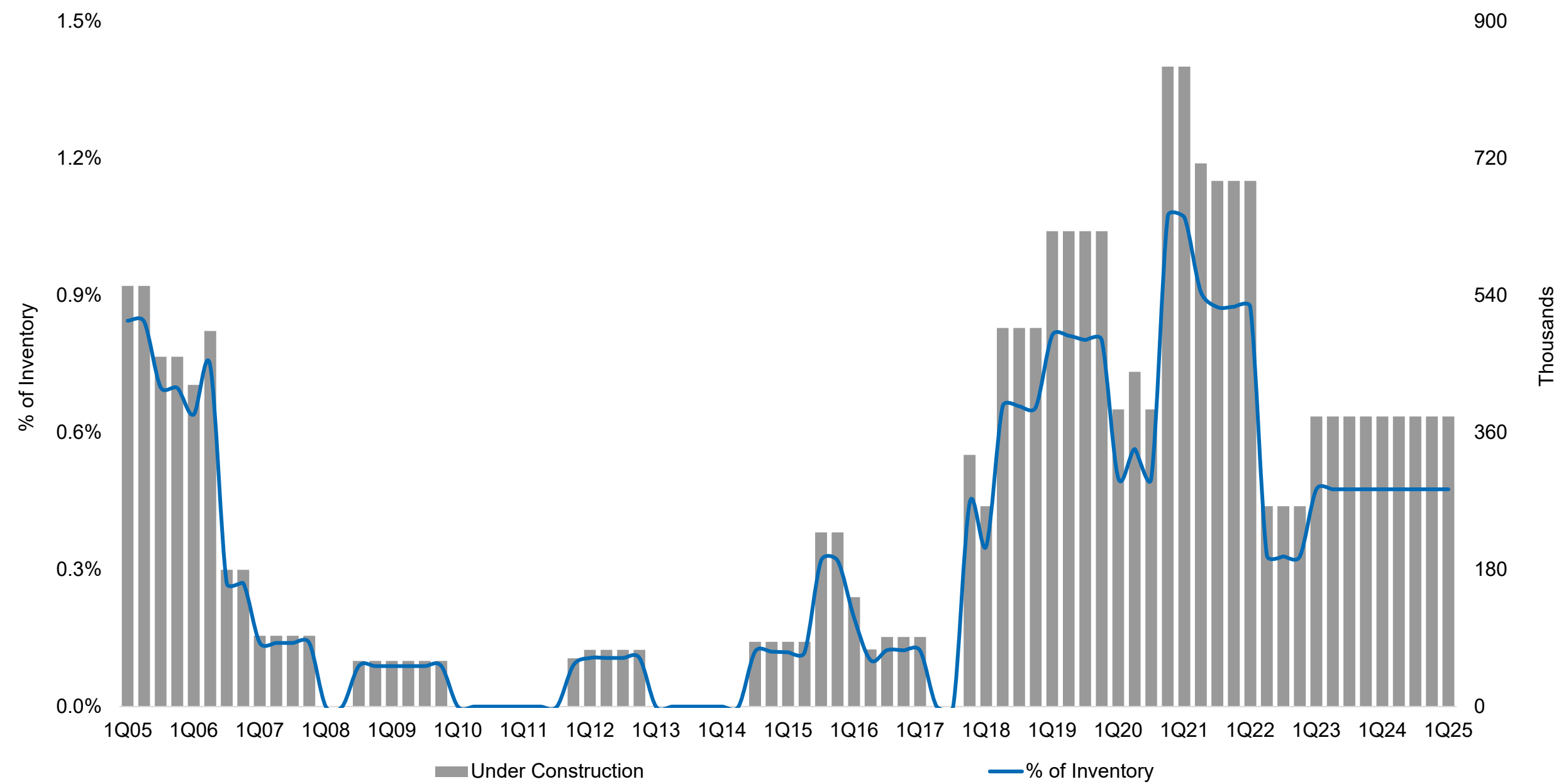


Source: Newmark Research

Construction Continues on the City of Detroit's Newest High-Rise

Construction on Bedrock's new high-rise at the former Hudson site, located at Woodward and Gratiot Avenues, is ongoing. The 680-foot-tall mixed-use development will include a 400,000-square-foot block of Class A office space, as well as residential, hotel, and retail components. The new tower is expected to be completed in late mid-2025.

Office Under Construction and % of Inventory

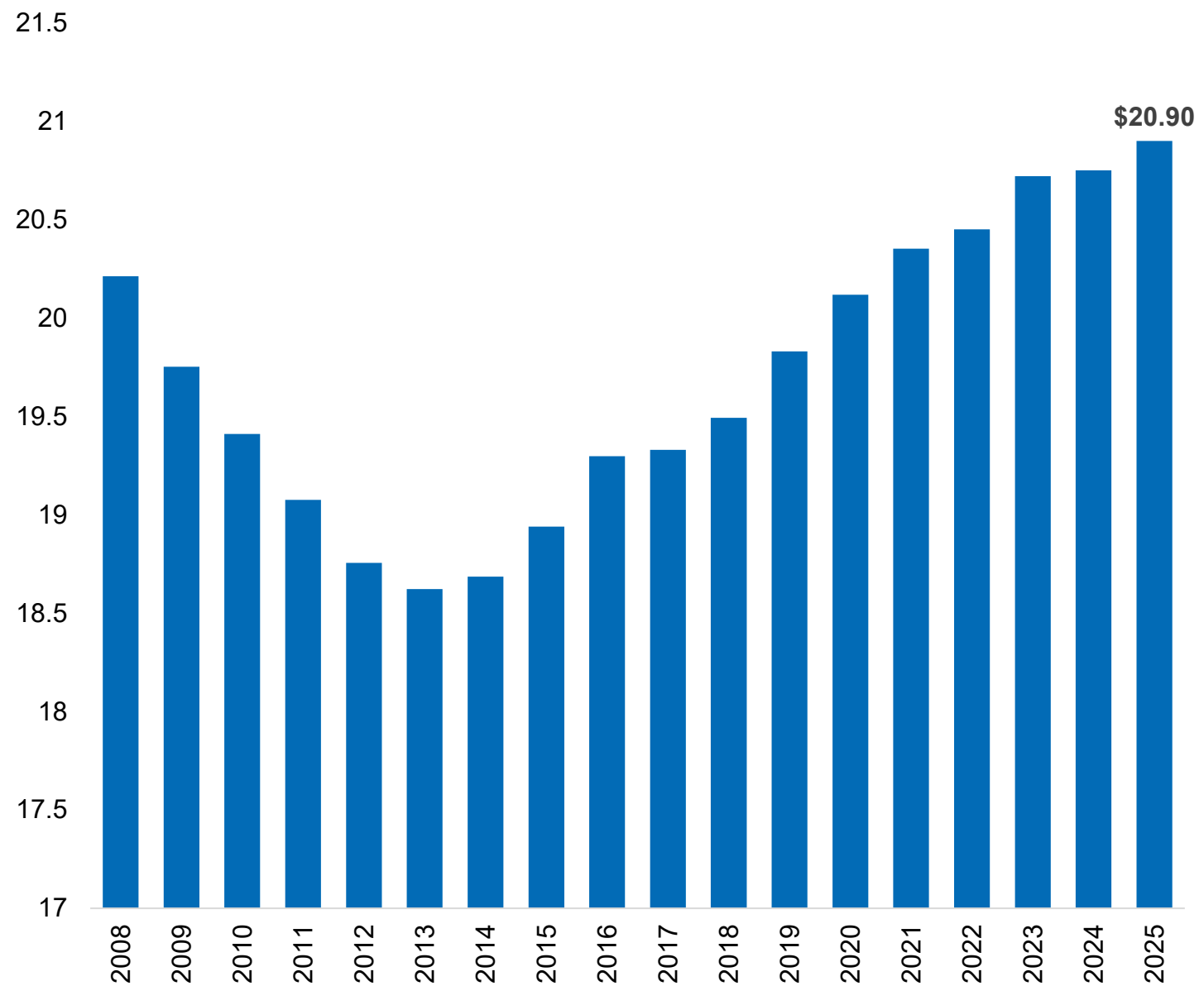


Source: Newmark Research

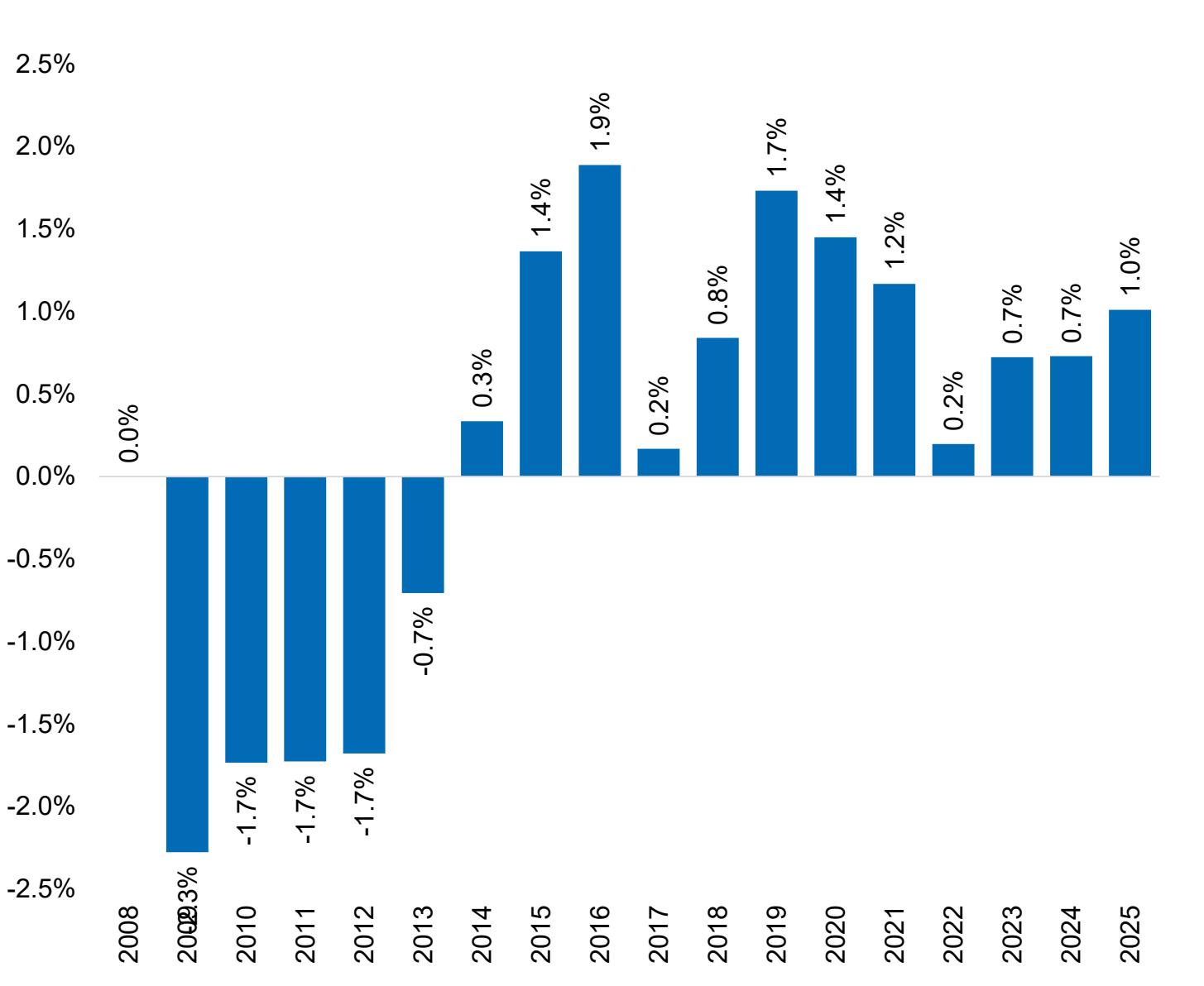
Average Asking Rent Up During The Quarter

In past cycles, asking rents have adjusted downward to account for depressed demand; however, landlords have traded rent reductions with increased lease incentives, including greater free rent periods and TI packages. However, landlords are offering discounted rents on larger leases.

Office Average Asking Rent, \$20.90/SF, FS



Year-over-Year Asking Rent Growth Rate

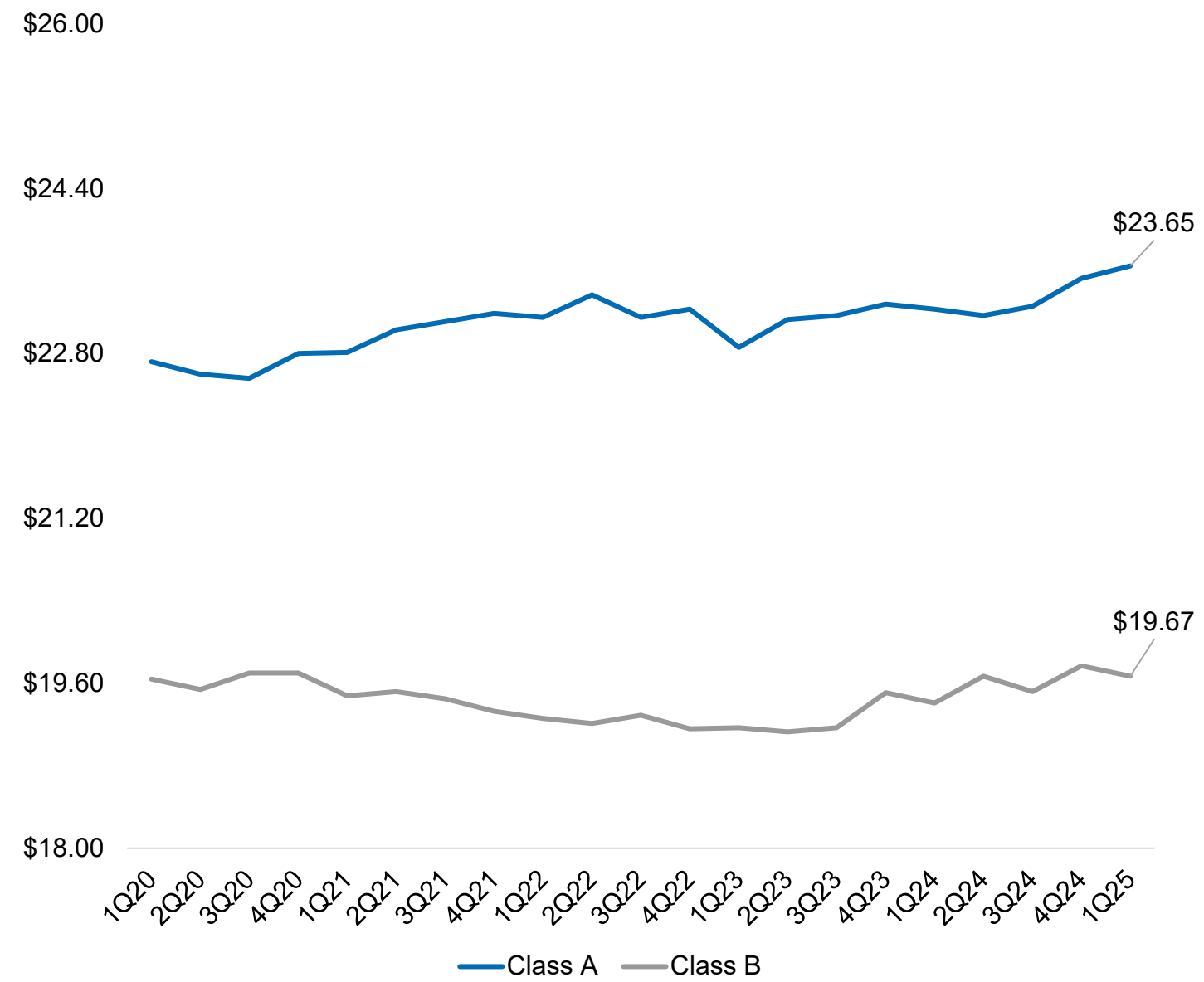


Source: Newmark Research

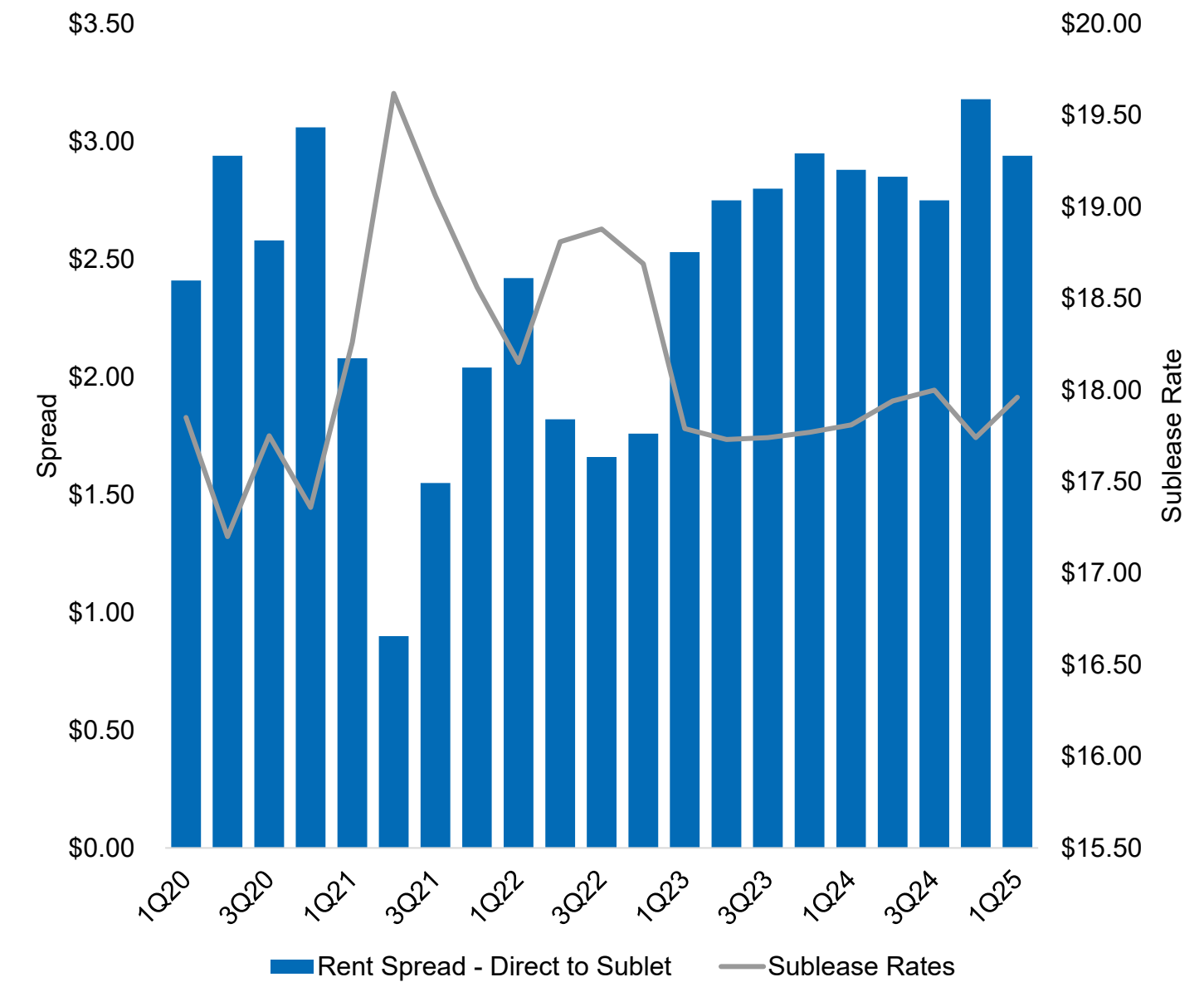
Class A Asking Rates Climb While Class B Falls

Class A asking rates increased by \$.12 PSF during the first quarter of 2025, reaching \$23.65 PSF gross. Conversely, Class B rates declined by \$.10 PSF to \$19.57 PSF gross. Meanwhile, average sublease rates experienced a slight uptick as tenants list higher-end spaces on the market, although these rates remain below their recent peak in the third quarter of 2024.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research

1Q 2025 Overall Metro Detroit Office Market Stats

Submarket Statistics – All Classes								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Average Asking Rent (Price/SF)
CBD	15,428,039	380,821	19.7 %	-19,147	-19,147	\$27.68	\$24.80	\$25.60
CBD North Central	1,623,604	-	14.2 %	-	-	\$30.00	\$20.56	\$23.53
CBD Total	17,051,643	380,821	19.1 %	-19,147	-19,147	\$27.84	\$24.31	\$25.42
Ann Arbor Briarwood	2,301,862	-	20.4 %	-121	-121	\$28.02	\$22.69	\$24.47
Ann Arbor CBD	1,336,823	-	13.7 %	1,582	1,582	\$33.04	\$28.08	\$30.18
Ann Arbor Northeast	2,053,840	-	12.6 %	37,653	37,653	\$28.70	\$22.20	\$28.50
Auburn Hills	3,291,327	-	22.2 %	-6,742	-6,742	\$19.60	\$20.14	\$19.88
Birmingham	258,752	-	1.4 %	25,000	25,000	-	\$32.36	\$31.85
Birmingham CBD	1,270,864	-	8.5 %	-	-	\$36.23	\$32.29	\$32.89
Bloomfield Hills	3,031,190	-	20.8 %	1,660	1,660	\$25.05	\$22.69	\$24.00
Dearborn	2,962,871	-	21.1 %	28,629	28,629	\$21.22	\$17.54	\$18.59
Farmington Hills	6,724,127	-	20.6 %	117,105	117,105	\$19.93	\$19.01	\$19.41
Livonia	3,360,051	-	25.0 %	4,874	4,874	\$20.32	\$18.44	\$18.94
Novi	1,689,457	-	24.4 %	-22,400	-22,400	\$22.30	\$20.23	\$21.01
Pontiac	2,364,852	-	0.8 %	-2,000	-2,000	-	-	\$11.72
Southfield	17,245,103	-	27.9 %	-134,288	-134,288	\$21.10	\$17.54	\$18.40
Troy	13,615,095	-	25.9 %	-70,369	-70,369	\$26.29	\$18.43	\$19.78
West Bloomfield	557,771	-	9.3 %	743	743	\$20.20	\$19.07	\$19.58
Suburban Total	62,063,985	-	22.6 %	-18,674	-18,674	\$22.53	\$18.80	\$19.86
Totals	79,115,628	380,821	21.9 %	-37,821	-37,821	\$23.65	\$19.67	\$20.90

Source: Newmark Research

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