

2Q25

# Detroit Office Market Overview



NEWMARK

# Market Observations

## Economy

- Metro Detroit unemployment rate climbed 90 basis points to 4.6% in latest May 2025 figures. However, year-over-year, payroll employment is up 0.4%.
- Construction employment continues to lead growth in industrial-using employment, increasing by 4.0% year-over-year, driven by infrastructure funds aimed at rebuilding major expressways. Conversely, the manufacturing sector continued to see declines, falling 1.6% YOY.
- Despite overall year-over-year declines, both office-using and overall employment posted net positive gains in the most recent period. Over the past three months, employment in Financial Activities increased by 1.25%, Professional and Business Services grew by 1.5%, while employment in the Information sector remained unchanged.

## Major Transactions

- Ven Johnson Law leased 22,000 SF in the soon to be completed Hudson's building in downtown Detroit.
- Miller Johnson law firm expanded to 12,000 SF at 500 Woodward Ave in Detroit.
- Buckfire and Buckfire, P.C. leased a 12,000 SF lease at 28411 Northwestern Hwy in Southfield, MI
- University Physician Group leased 8,310 SF at 29201 Telegraph Rd in Southfield.
- Doeren Mayhew Insurance Group leased 6,985 SF at 3155 W Big Beaver Rd in Troy

## Leasing Market Fundamentals

- Metro Detroit's office market vacancy rate climbed 70 basis points to 22.7% during the second quarter of 2025 as 500,827 SF in net vacancies were added to the market. Year-to-date, the market's added 538,648 SF of net vacant space.
- The Detroit CBD vacancy rate increased by 150 basis points to 21.2% during the second quarter of 2025. Large new vacancies were added at 150 W Jefferson Ave and 600 Woodbridge St.
- The suburban office market vacancy rate rose by 40 basis points to 23.2% in the second quarter, with 258,761 square feet of net vacant space added to the market.

## Outlook

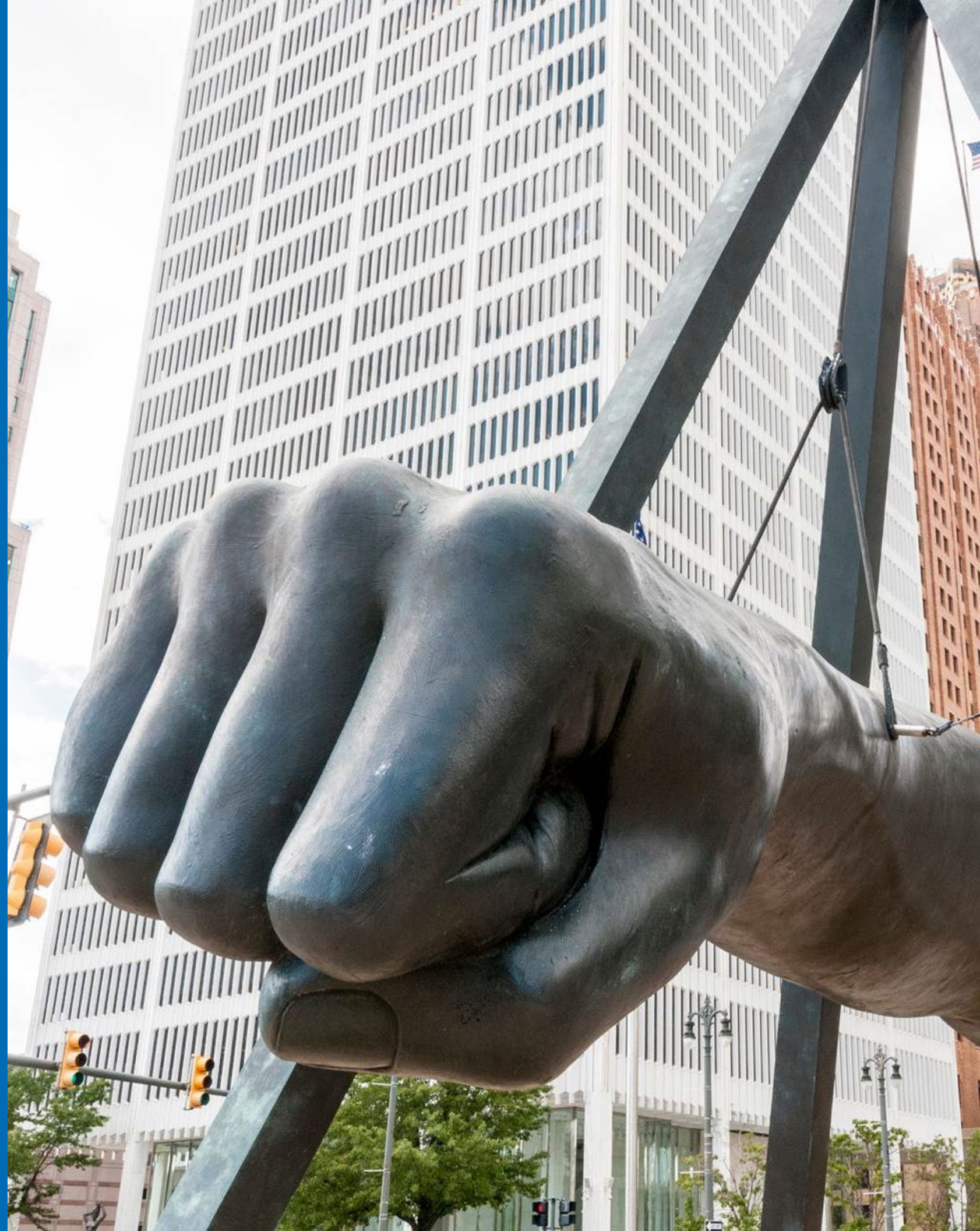
- The office market could see positive leasing in 2025 as companies implement return-to-work policies and benefit from lower occupancy costs.
- Despite elevated asking rates, tenants will see increasingly competitive offers from landlords in the form of rent concessions and tenant improvement allowances.
- 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



1Q25

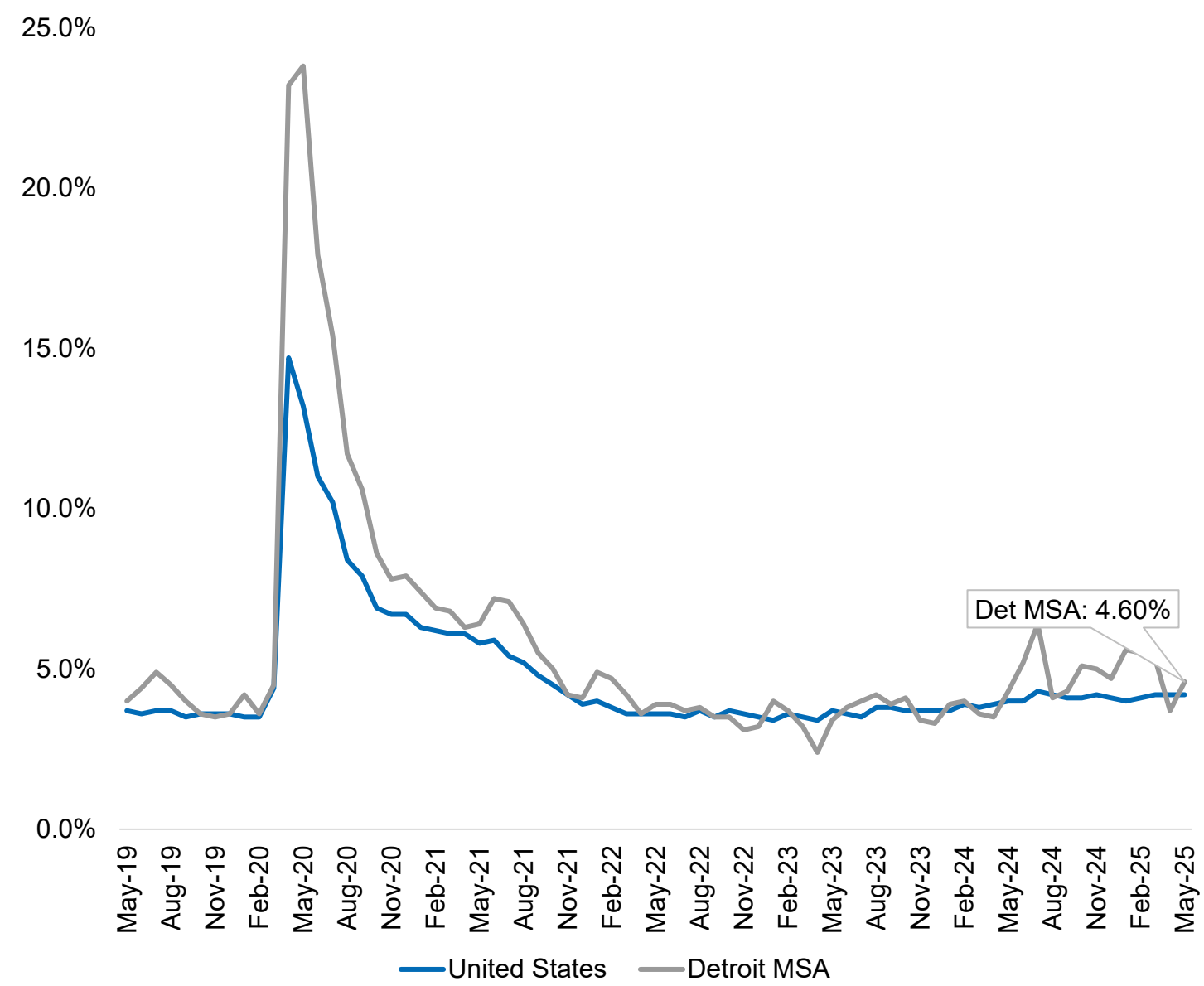
# Economy



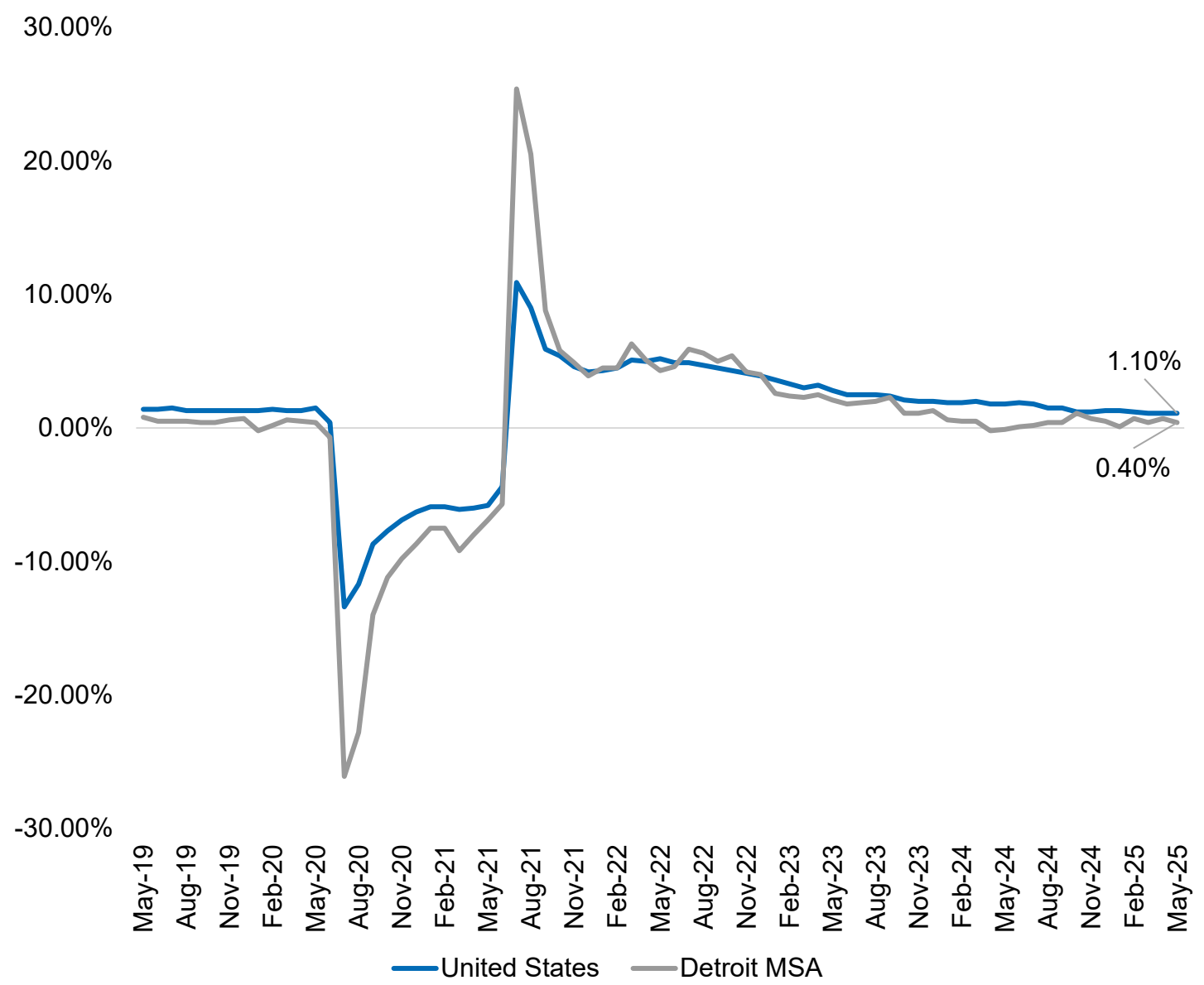
# Metro Detroit Employment Shows Some Positive Signals

Metro Detroit unemployment rate climbed 90 basis points to 4.6% in latest May 2025 figures. However, year-over-year, payroll employment is up 0.4%.

Unemployment Rate, Seasonally Adjusted



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



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

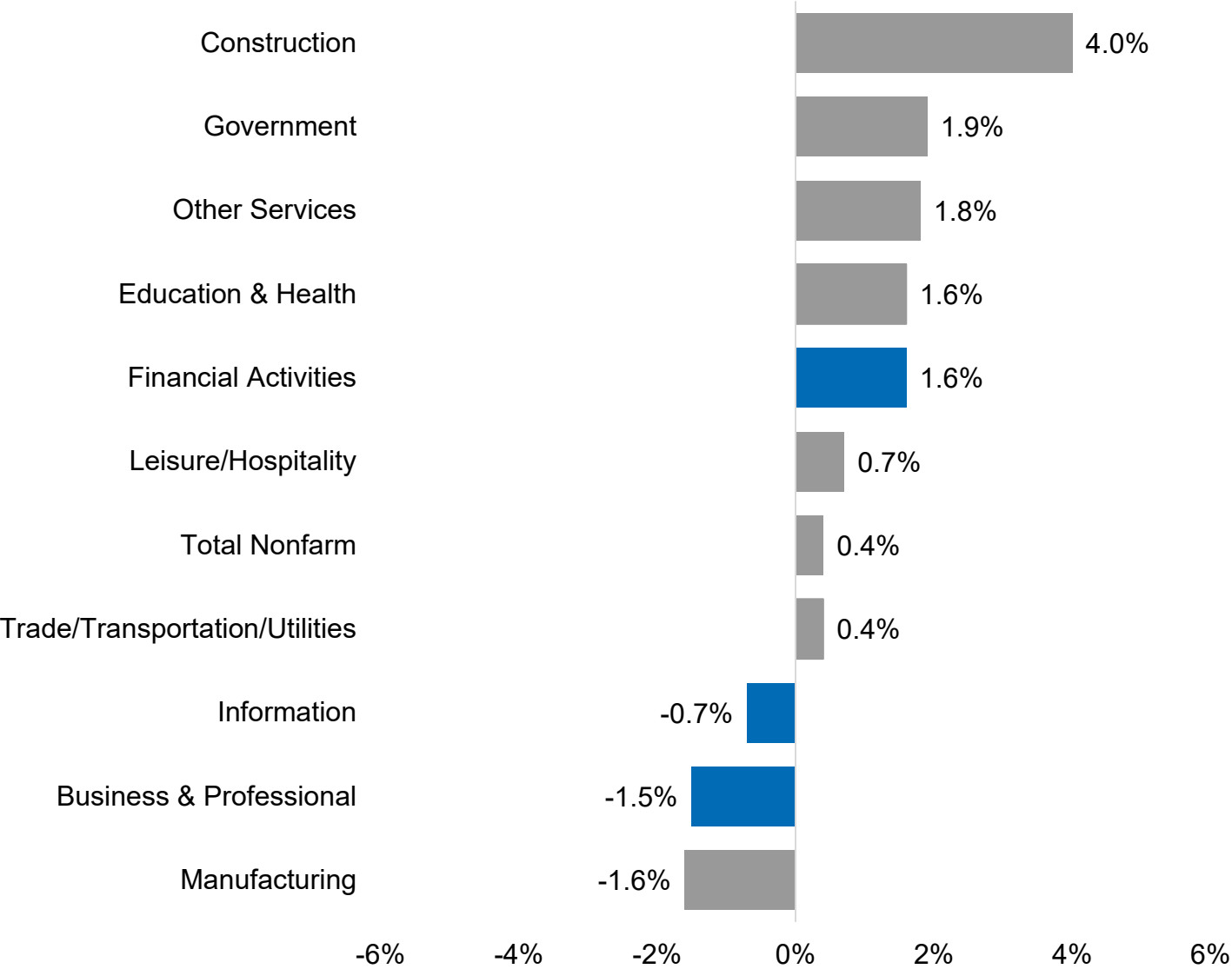
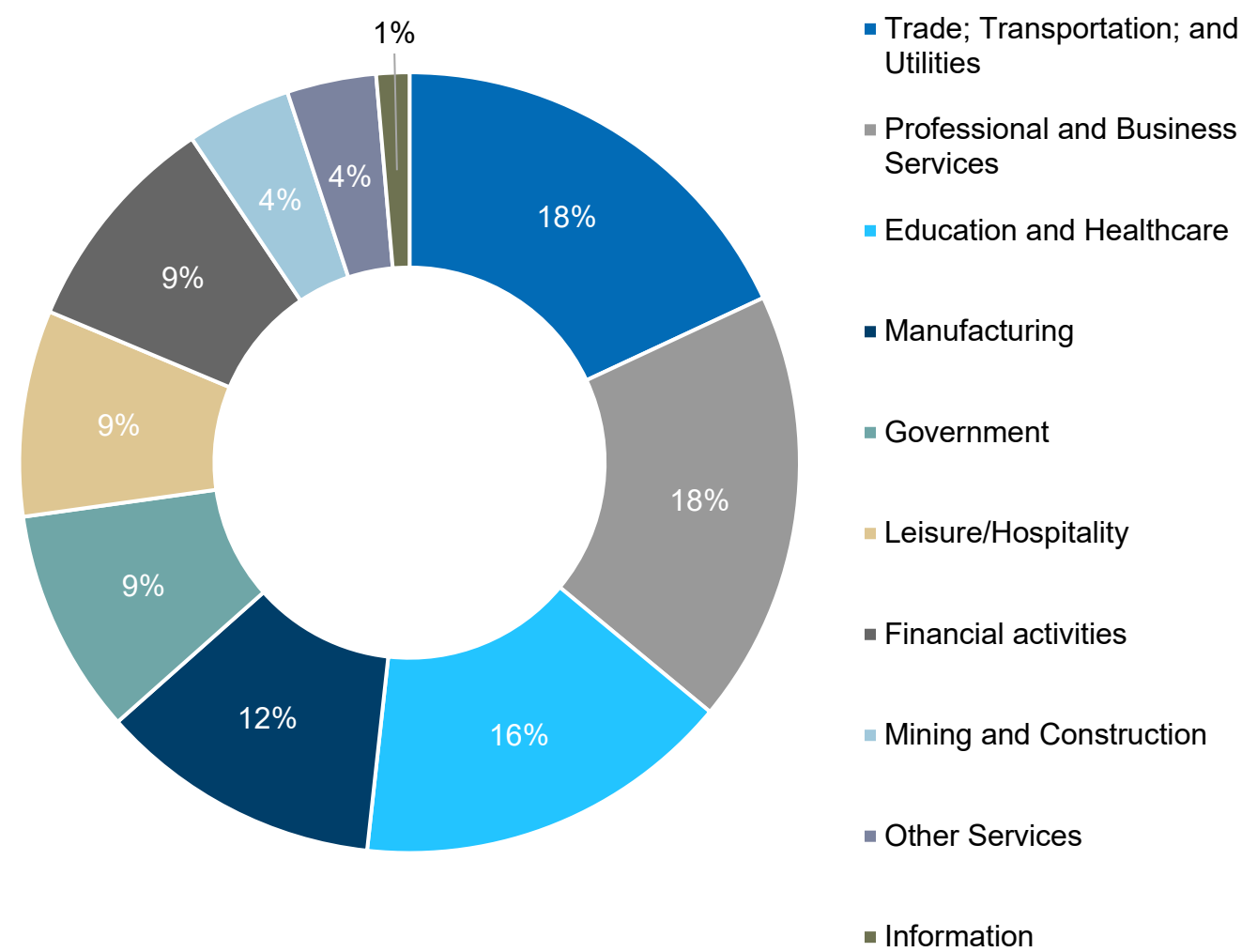


# Construction Sector Leads Employment Growth

Construction employment continues to lead growth in industrial-using employment, increasing by 4.0% year-over-year, driven by infrastructure funds aimed at rebuilding major expressways. Conversely, the manufacturing sector continued to see declines, falling 1.6% YOY.

Employment by Industry, May 2025

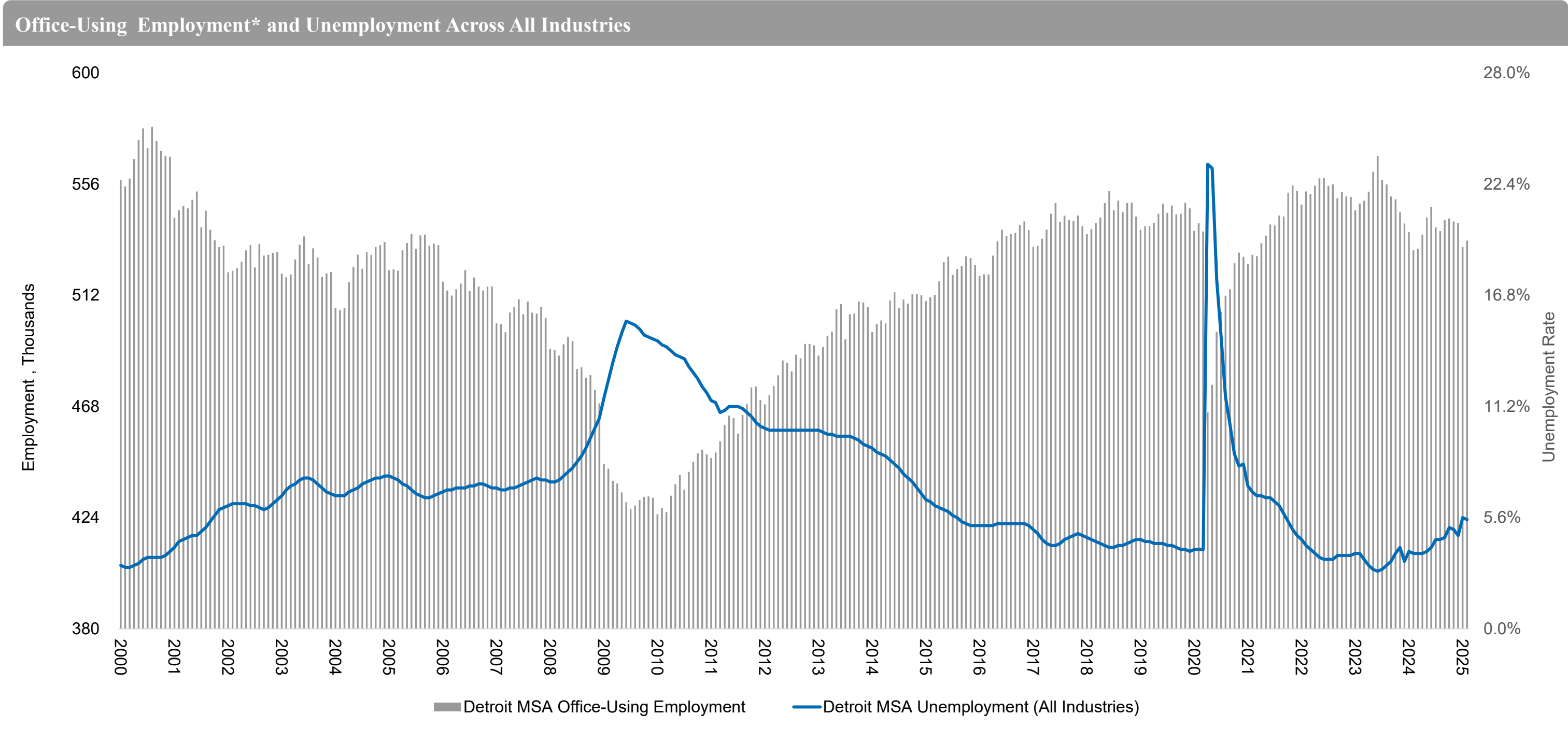
Employment Growth by Industry, 12-Month % Change, May 2025



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

# Overall Office-Using Employment Showing Positive Signs

Despite overall year-over-year declines, both office-using and overall employment posted net positive gains in the most recent period. Over the past three months, employment in Financial Activities increased by 1.25%, Professional and Business Services grew by 1.5%, while employment in the Information sector remained unchanged.



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



2Q25

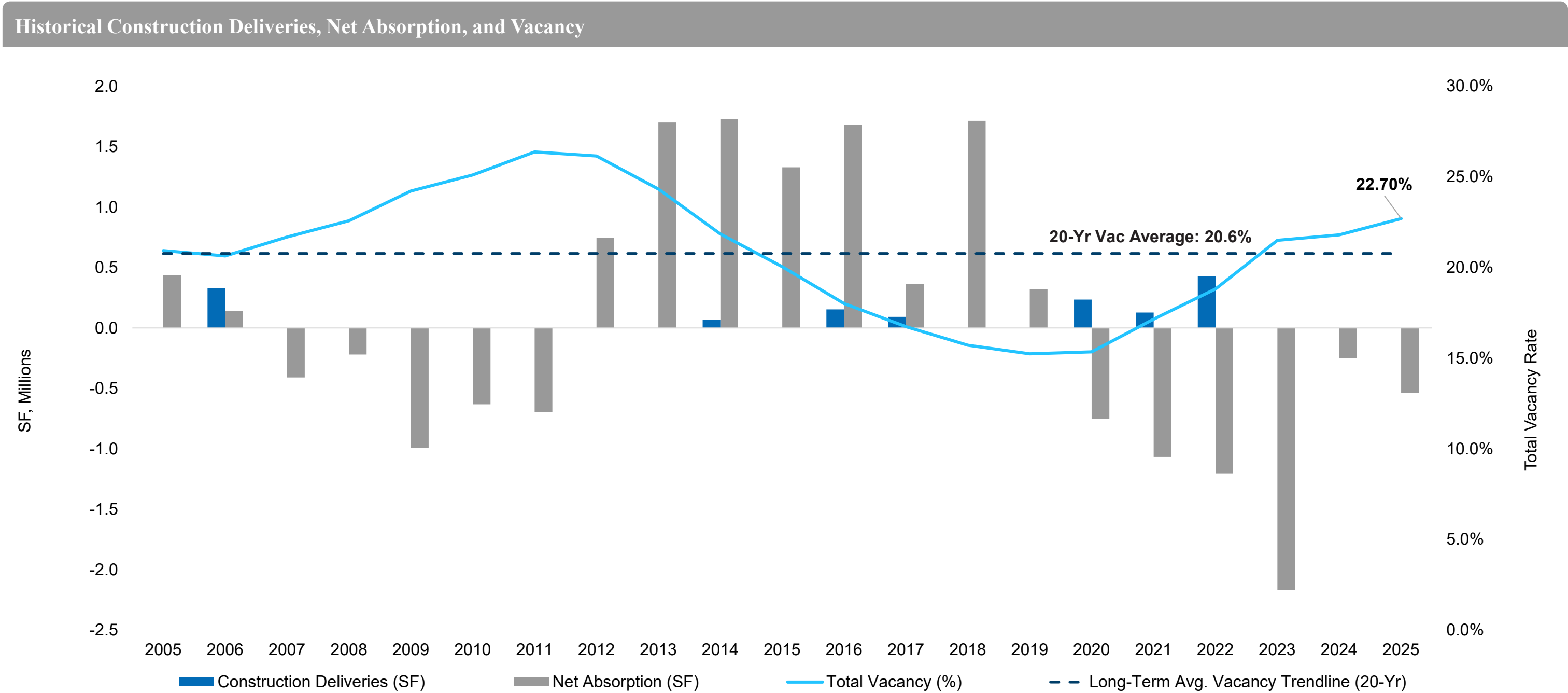
# Leasing Market Fundamentals





# Metro Detroit Office Market Vacancy Rate at Eleven Year High

Metro Detroit’s office market vacancy rate climbed 70 basis points to 22.7% during the second quarter of 2025 as 500,827 SF in net vacancies were added to the market. Year-to-date, the market’s added 538,648 SF of net vacancy space to the market. The vacancy rate remains well above the 20-year average and at an eleven year high.

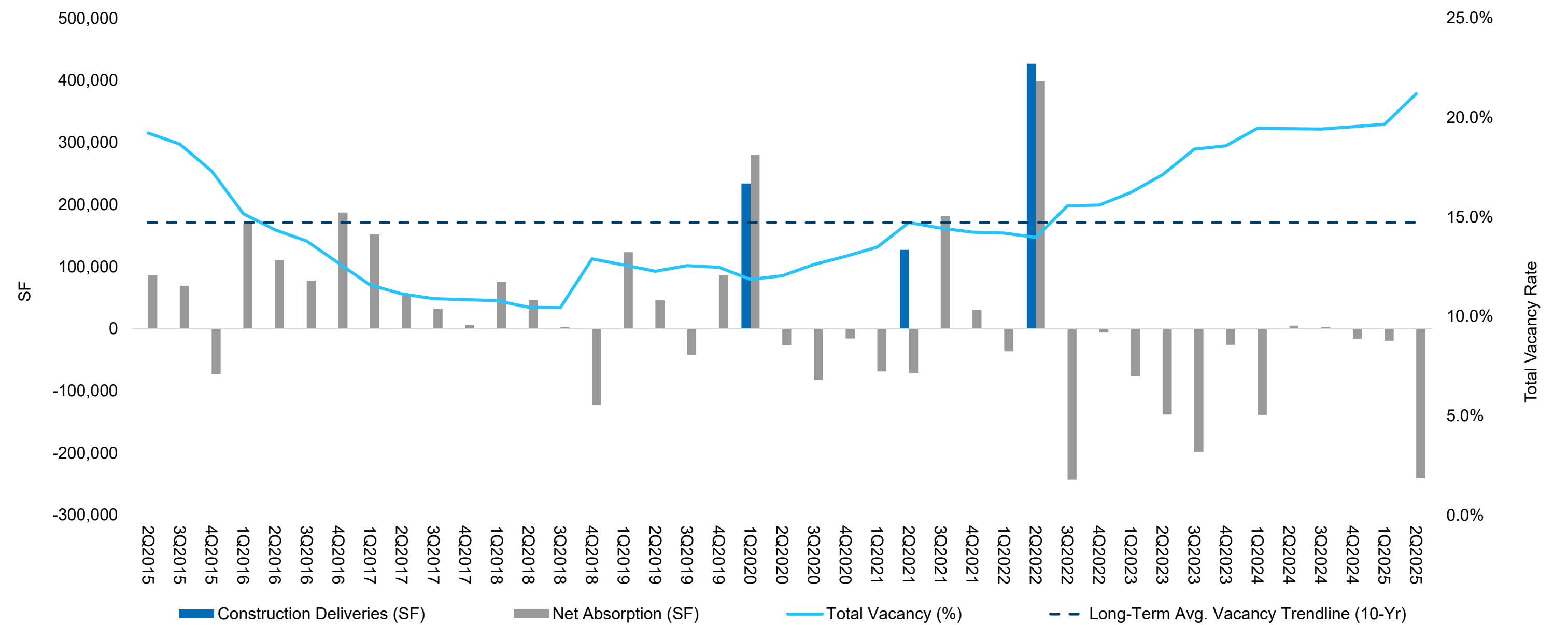


Source: Newmark Research

# Detroit CBD Vacancy Rate Climbing

The Detroit CBD vacancy rate increased by 150 basis points to 21.2% during the second quarter of 2025. Large new vacancies were added at 150 W Jefferson Ave and 600 Woodbridge St. The Penobscot Building, which is just 30% leased remains one the largest vacancy office buildings with 700,931 SF available.

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



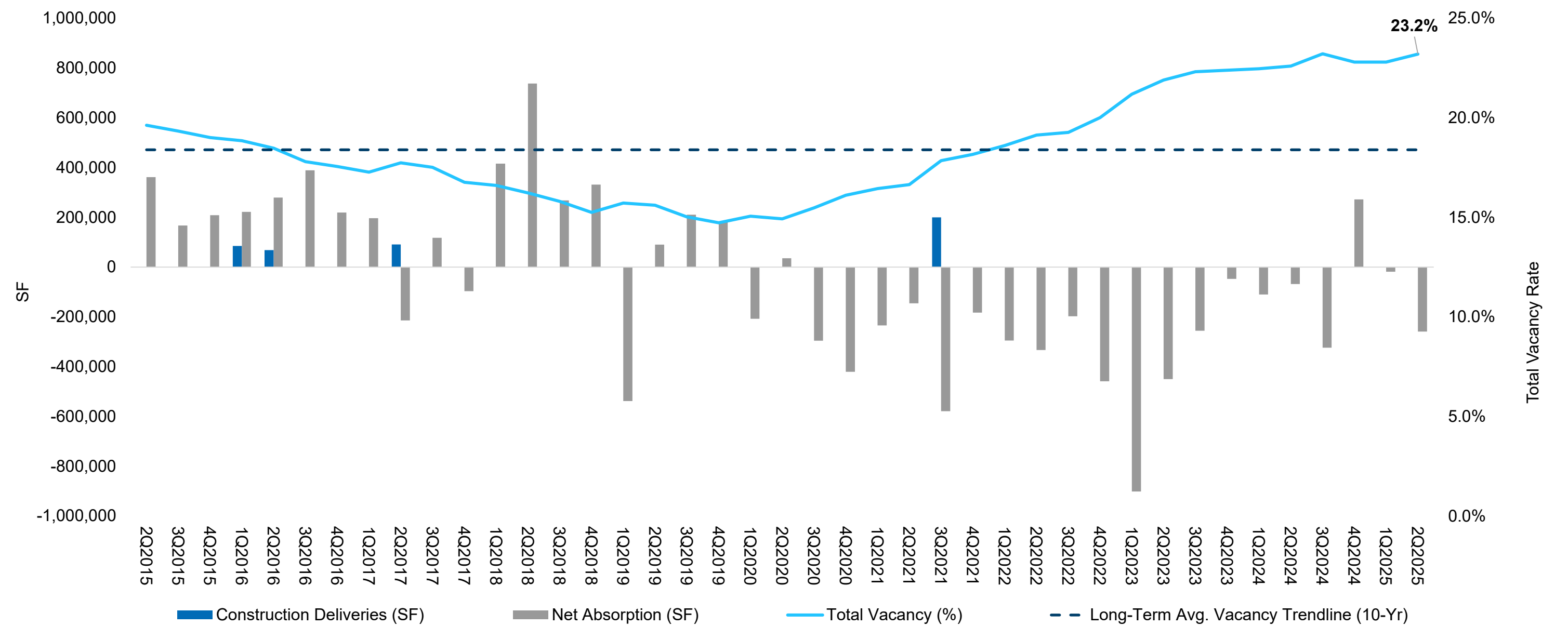
Source: Newmark Research



# Suburban Office Market Experiencing a Rise In Full-Building Vacancies

The suburban office market vacancy rate rose by 40 basis points to 23.2% in the second quarter, with 258,761 square feet of net vacant space added to the market. The market is experiencing a rise in full-building vacancies. In Livonia, 20255 Victor Parkway, a 176,762-square-foot property, is now 95% vacant. Additionally, Mercedes-Benz recently announced plans to close its 200,000-square-foot headquarters at 36237-35713 W 12 Mile Rd in Farmington Hills.

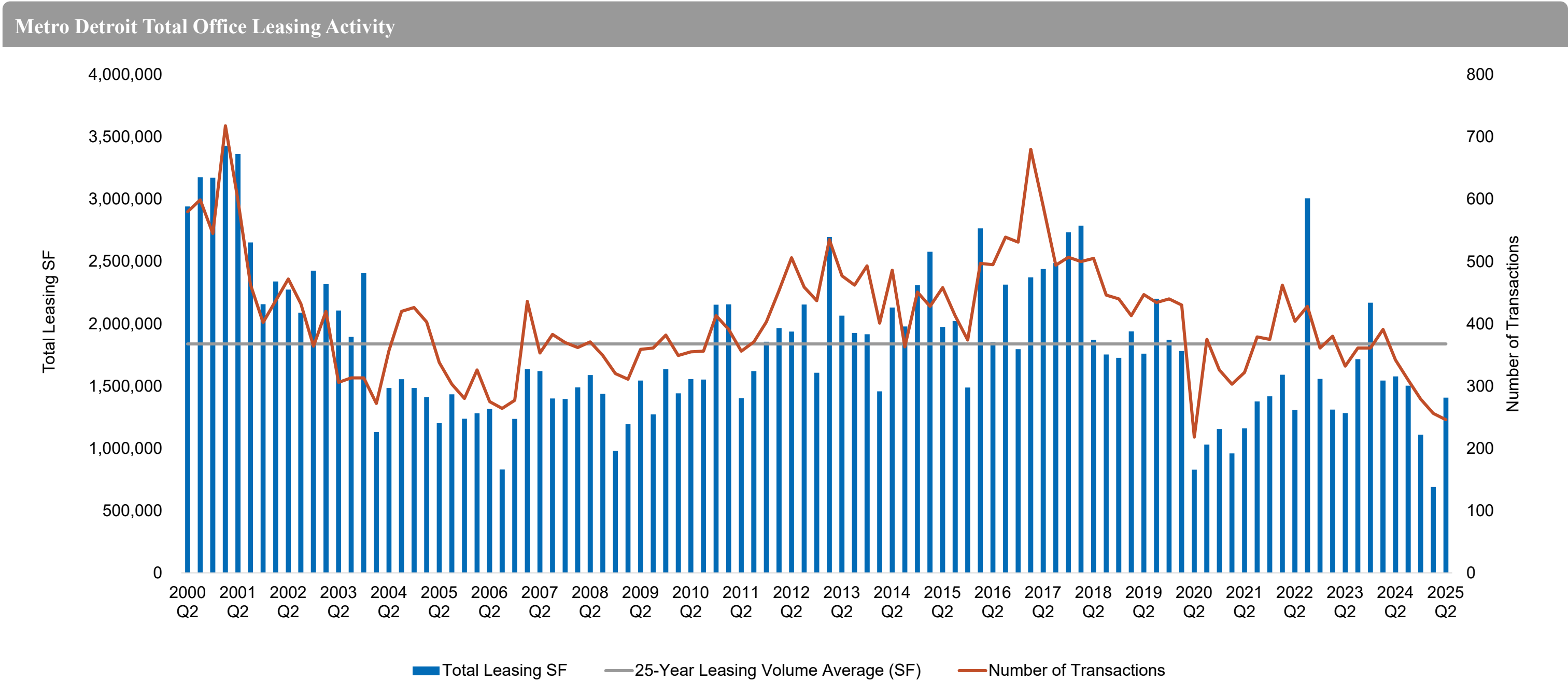
Suburban Market: Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

# Office Leasing Activity Declines

The total number of transactions declined again in the second quarter of 2025; however, leased square footage doubled to 1.4 million square feet, indicating heightened renewal activity among larger office users. Strong renewal activity is essential for landlords, as it helps retain core tenants and maintain stable occupancy levels. Nevertheless, overall leasing volume for the quarter remains below the 25-year average of 1.8 million square feet.



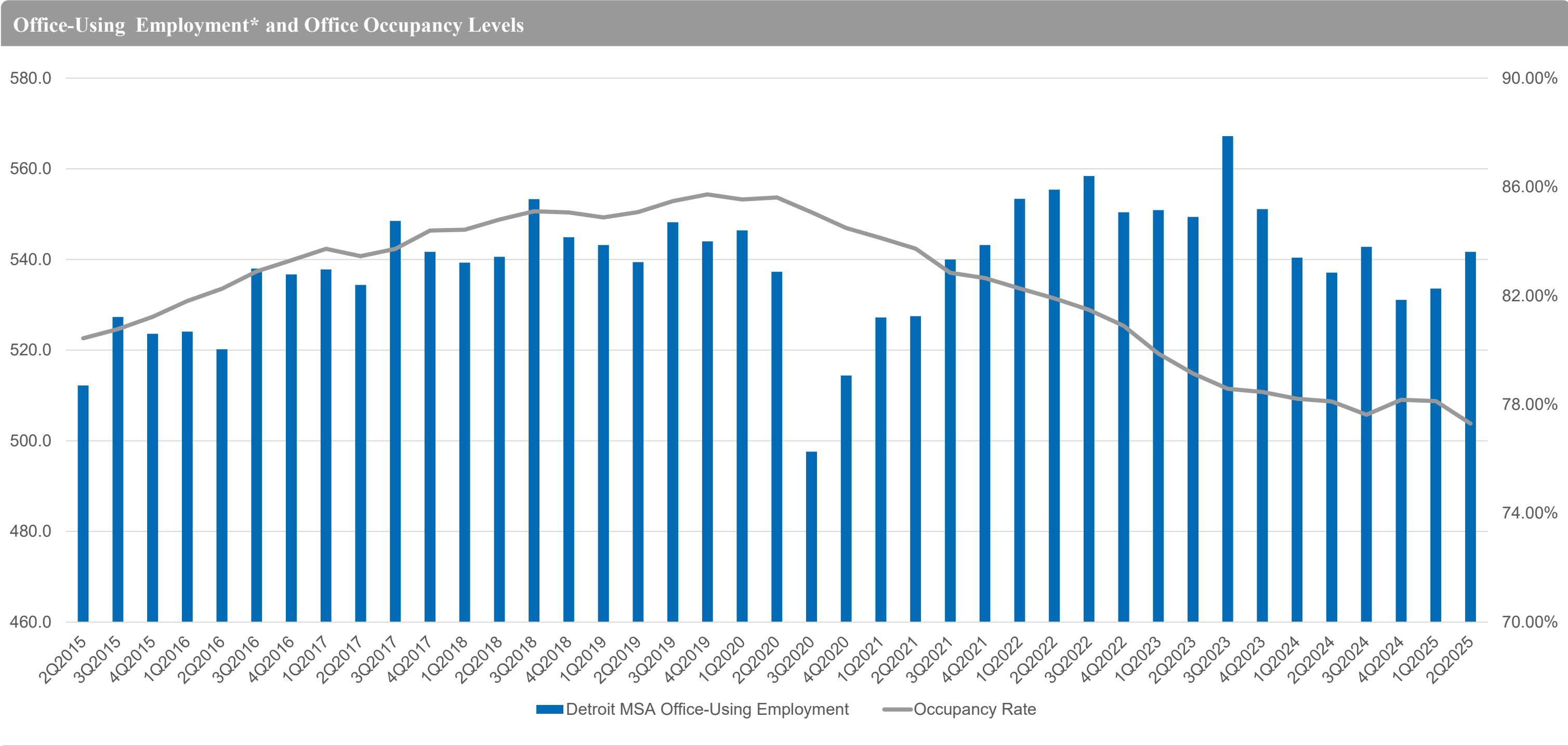
Source: Newmark Research, CoStar

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 latest data from May 2025 shows positive gains in office-using employment, which may lead to higher occupancy rates moving forward.

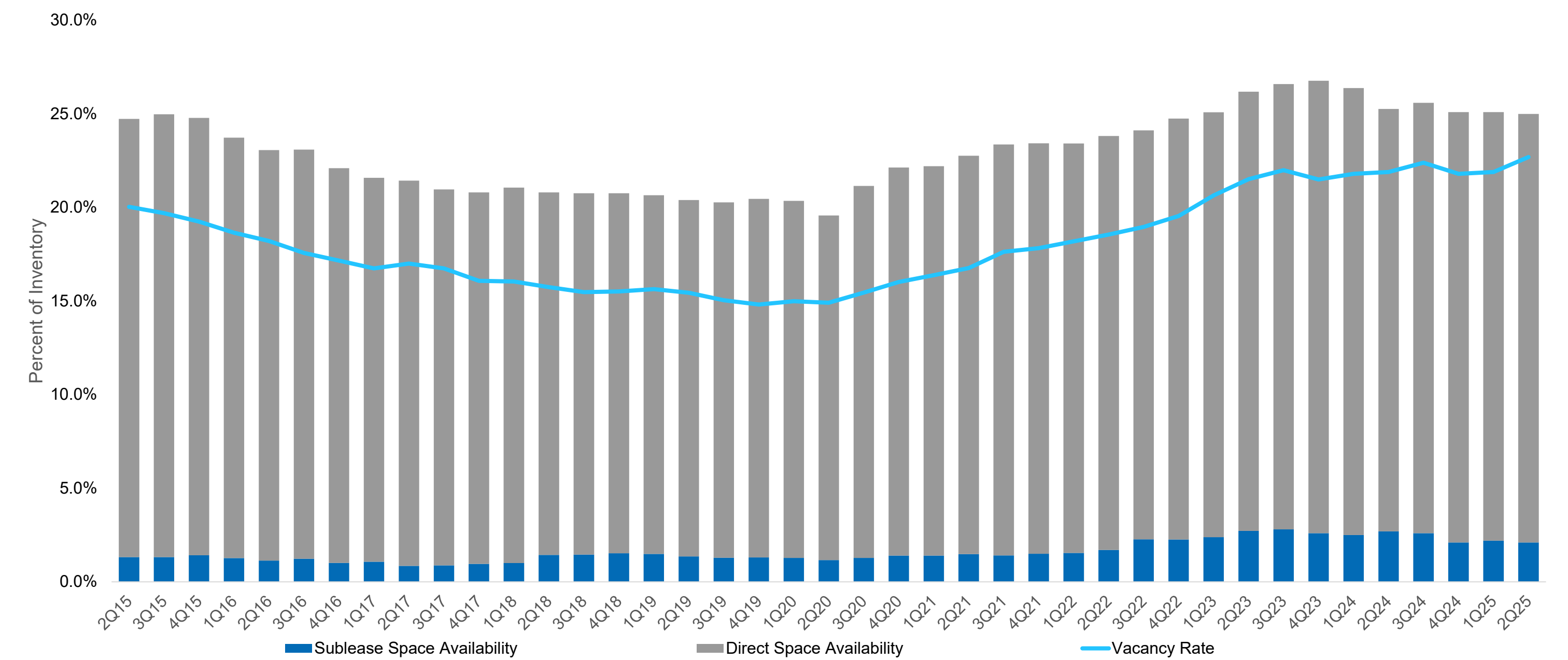


Source: U.S. Bureau of Labor Statistics, Detroit MSA  
\*Professional and Business Services, Financial Activities and Information

# Direct and Sublease Available Space Show Little Change

In the second quarter of 2025, available sublease space remained steady at 2.1%, or 1.6 million square feet. Direct available space also held stable at 22.9%, or 18 million square feet..

Available Direct & Sublease Space and as Percent of Overall Market



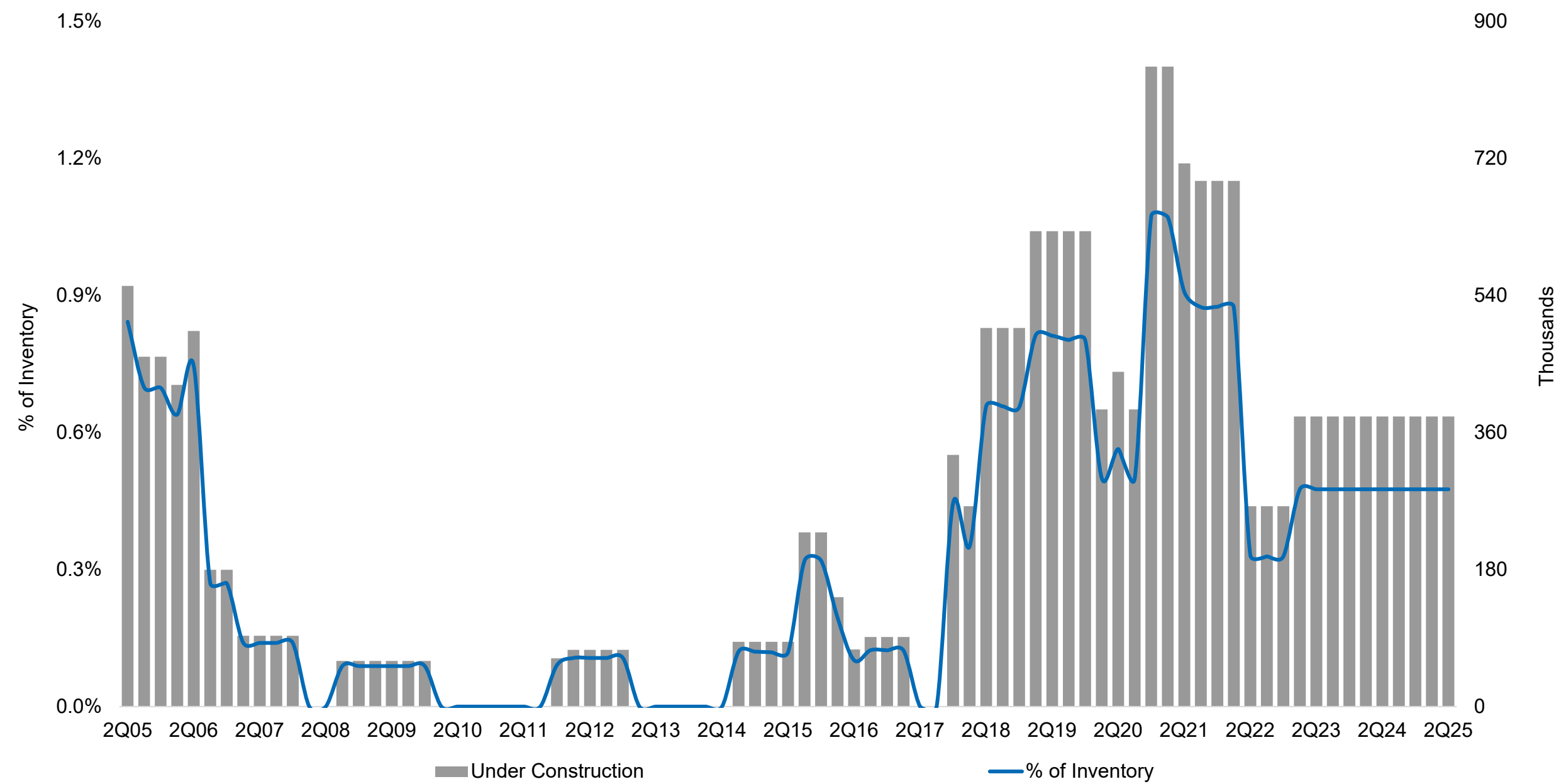
Source: Newmark Research



# 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 2025.

Office Under Construction and % of Inventory

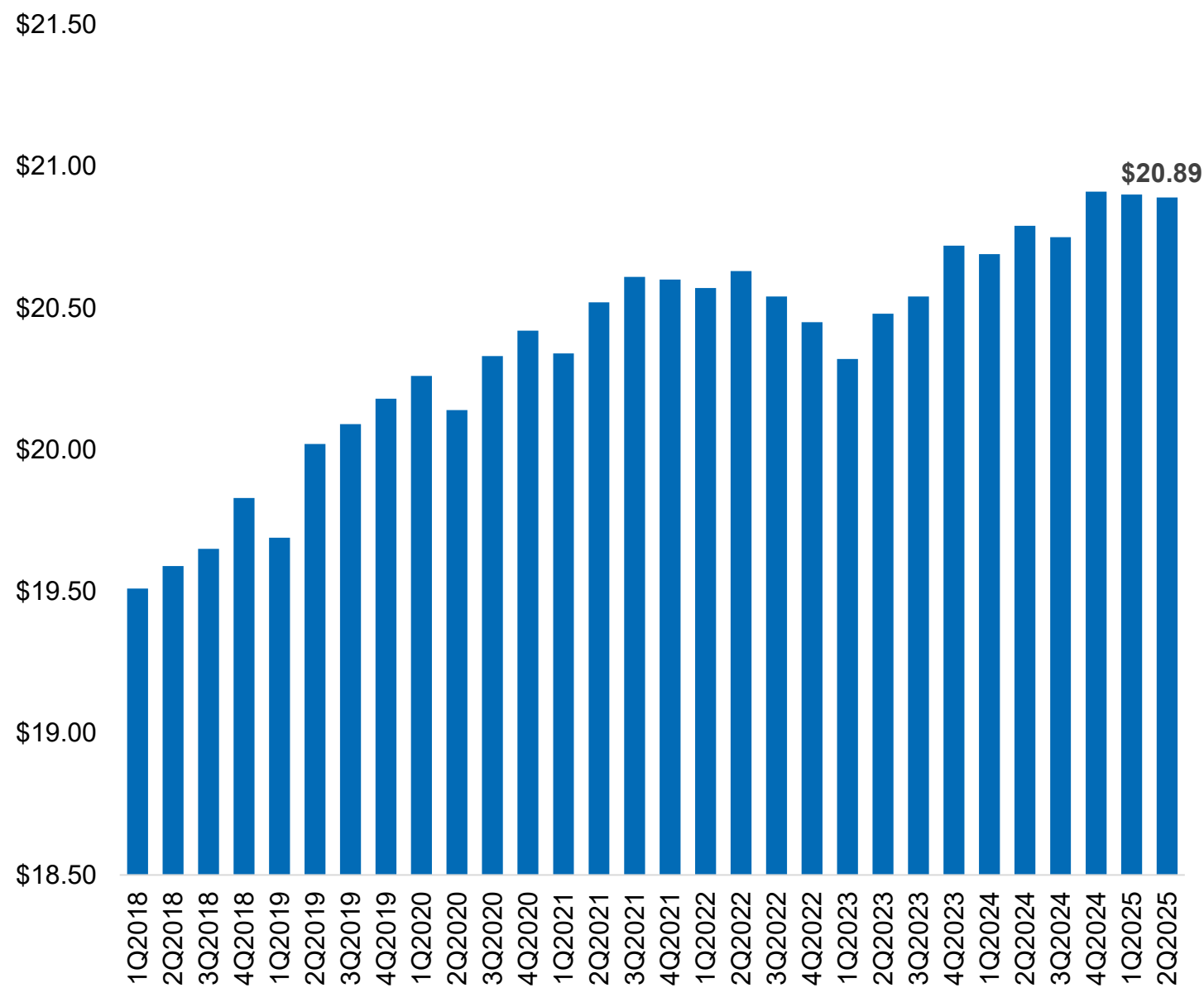


Source: Newmark Research

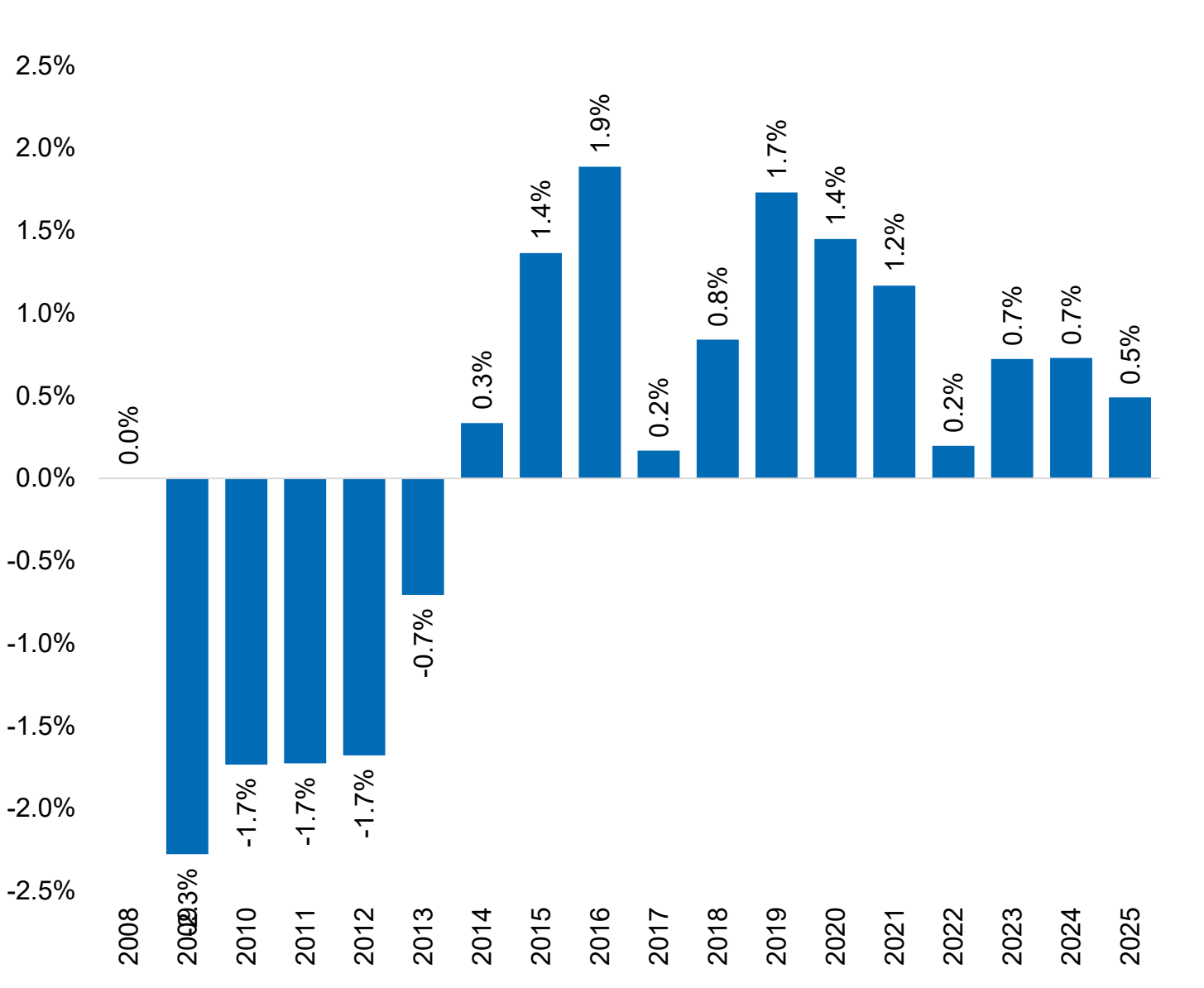
# Average Asking Rent Declines During The Quarter, But Up YOY

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, \$20.89/SF, FS



Year-over-Year Asking Rent Growth Rate



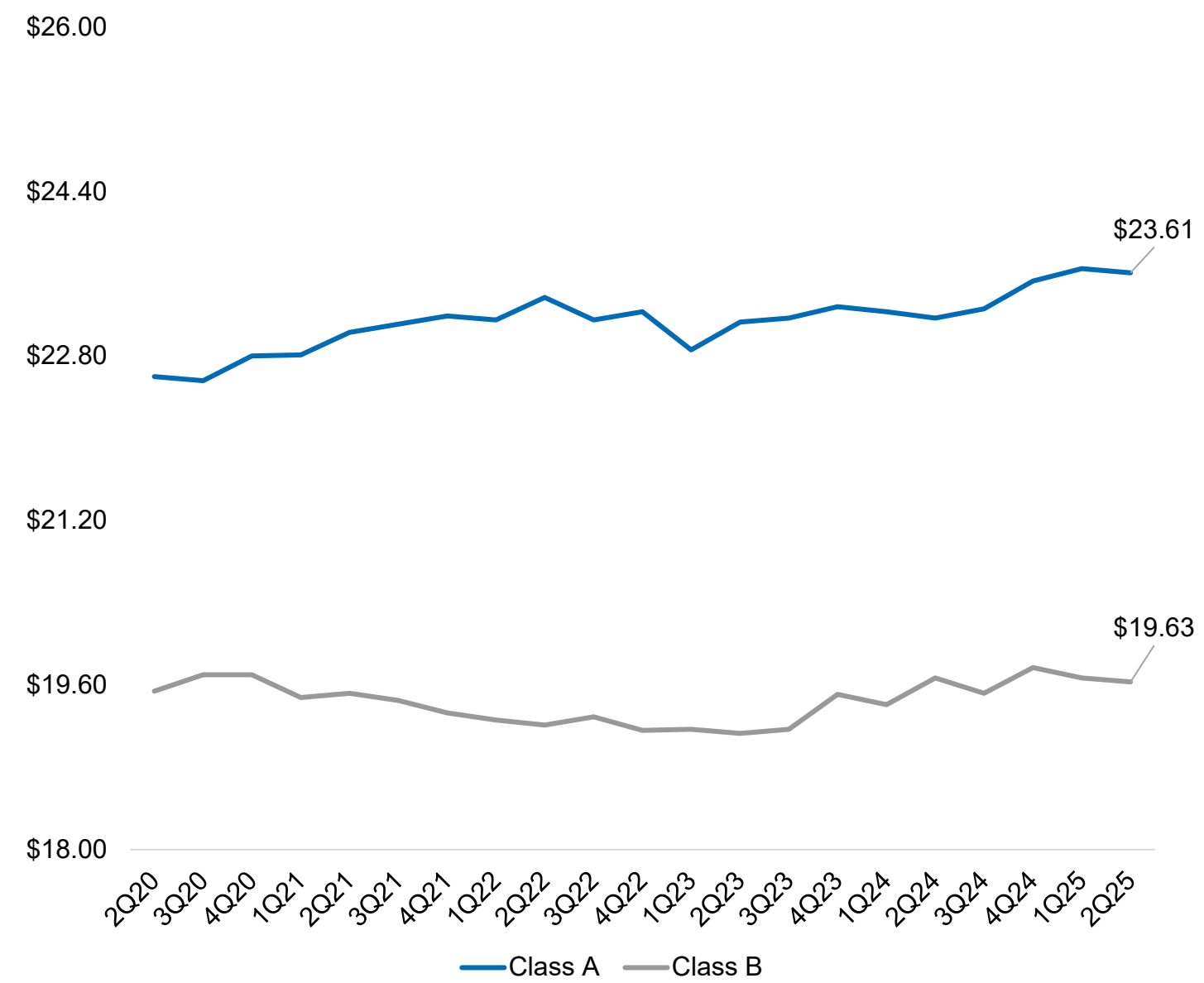
Source: Newmark Research



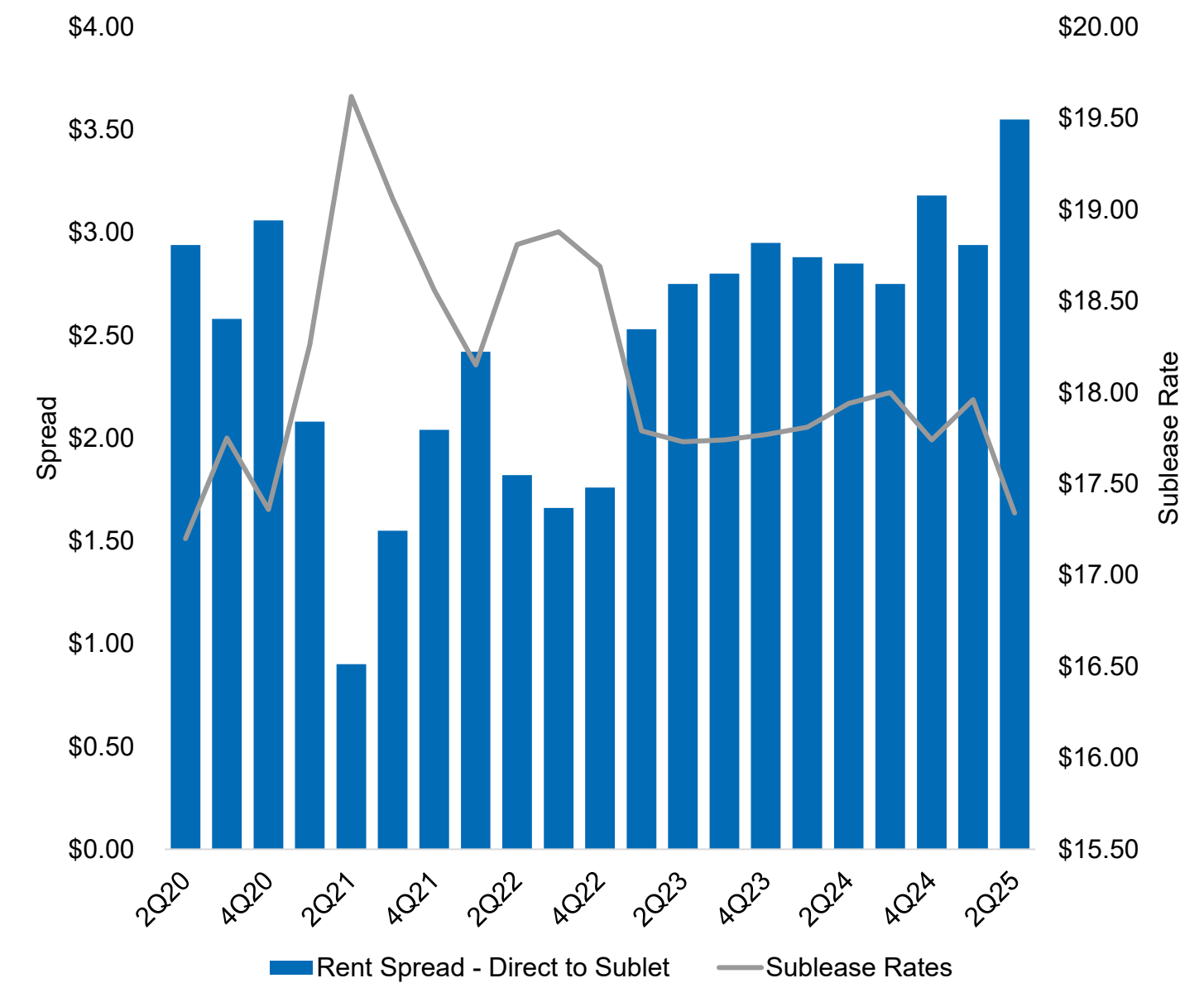
# Direct Asking Rates Decline as Sublease Space Becomes More Affordable

Class A asking rates decreased by \$0.04 PSF during the second quarter of 2025, to \$23.61 PSF gross. Similarly, Class B rates declined by \$0.04 per square foot to \$19.63 PSF gross. Meanwhile, the average sublease asking rate dropped by \$0.62 per square foot to \$17.34 PSF, widening the spread between direct and sublease rates to \$3.55 PSF.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research

# 2Q 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	21.2 %	-240,543	-259,690	\$28.03	\$24.70	\$25.71
CBD North Central	1,623,604	-	14.3 %	-1,523	-1,523	\$30.00	\$20.44	\$23.45
<b>CBD Total</b>	<b>17,051,643</b>	<b>380,821</b>	<b>20.6 %</b>	<b>-242,066</b>	<b>-261,213</b>	<b>\$28.17</b>	<b>\$24.21</b>	<b>\$25.52</b>
Ann Arbor Briarwood	2,301,862	-	15.8 %	106,491	106,370	\$28.27	\$22.13	\$24.49
Ann Arbor CBD	1,336,823	-	13.6 %	1,429	3,011	\$33.39	\$28.26	\$30.56
Ann Arbor Northeast	2,053,840	-	10.8 %	36,503	74,156	\$29.15	\$22.20	\$28.90
Auburn Hills	3,291,327	-	26.9 %	-157,309	-164,051	\$19.78	\$19.83	\$19.80
Birmingham	258,752	-	2.8 %	-3,785	21,215	-	\$31.65	\$31.32
Birmingham CBD	1,270,864	-	8.4 %	1,685	1,685	\$36.19	\$31.90	\$32.58
Bloomfield Hills	3,031,190	-	20.5 %	10,052	11,712	\$25.01	\$22.90	\$24.04
Dearborn	2,962,871	-	21.4 %	-8,443	20,186	\$21.22	\$17.26	\$18.42
Farmington Hills	6,724,127	-	20.8 %	-19,161	97,944	\$19.99	\$19.06	\$19.47
Livonia	3,360,051	-	29.5 %	-150,264	-145,390	\$20.32	\$18.60	\$19.05
Novi	1,689,457	-	27.9 %	-59,712	-82,112	\$22.44	\$20.25	\$21.05
Pontiac	2,364,852	-	0.8 %	-	-2,000	-	-	\$11.72
Southfield	17,232,108	-	28.7 %	-21,308	-155,596	\$21.30	\$17.30	\$18.34
Troy	13,615,095	-	25.9 %	-8,363	-78,732	\$26.31	\$18.77	\$20.07
West Bloomfield	557,771	-	6.9 %	13,424	14,167	\$20.20	\$18.55	\$19.25
<b>Suburban Total</b>	<b>62,050,990</b>	<b>-</b>	<b>23.2 %</b>	<b>-258,761</b>	<b>-277,435</b>	<b>\$22.45</b>	<b>\$18.76</b>	<b>\$19.83</b>
<b>Totals</b>	<b>79,102,633</b>	<b>380,821</b>	<b>22.7 %</b>	<b>-500,827</b>	<b>-538,648</b>	<b>\$23.61</b>	<b>\$19.63</b>	<b>\$20.89</b>

Source: Newmark Research

---

*For more information:*

**John DeGroot**  
*Research Director*  
*Detroit Research*  
John.DeGroot@nmrk.com

**Detroit**  
39400 Woodward Avenue  
Suite 100  
Bloomfield Hills, MI 48304  
t 248-350-9500

**New York Headquarters**  
125 Park Ave.  
New York, NY 10017  
t 212-372-2000

**[nmrk.com](http://nmrk.com)**

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [nmrk.com/insights](http://nmrk.com/insights).

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

**NEWMARK**