NEWMARK

Detroit Office Market Trends

2Q26

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Market Observations

Economy

- The Detroit MSA saw unemployment trend higher in the latest May 2026 figures to 5.5% from 4.4% the previous month. Year over year payroll employment figures show a decline of .80%. Comparatively, U.S. unemployment declined in May to 4.3% from 4.4% the previous month with year over year payroll employment figures up .30%.
- Office-using employment in the Detroit MSA rose each month from January through May 2026, adding just over 13,000 service-sector jobs. While levels remain below those of the prior year, the sustained upward trend is a positive indicator for the market.
- High inflation and interest rates will be a limiting factor if trends persist.

Leasing Market Fundamentals

- Metro Detroit's overall office vacancy rose 40 basis points to 21.2% in Q2 2026, as the market added 291,464 SF of net vacant space.
- Suburban vacancy climbed 70 basis points to 22.2%, driven by large-block vacancies in Auburn Hills, while Southfield offset the trend with its strongest quarterly absorption in six years.
- Detroit's CBD vacancy fell 70 basis points to 18.1%, posting 113,226 SF of positive absorption, as companies continued relocating within the city.

Major Transactions

- An undisclosed tenant leased 157,642 SF at Travelers Tower II in Southfield.
- KPMG LLP leased 45,000 SF at Michigan Central Station in Detroit.
- Detroit Central City Community Mental Health, Inc. signed a 38,569 SF lease expansion at 613 Abbott St in Detroit.
- Nations Mortgage leased 32,000 SF at 300 E Big Beaver Rd in Troy.
- Federal Community Defendant of Eastern District of Michigan signed a 21,490 SF extension at 613 Abbott St in Detroit.
- Center For Financial Planning leased 14,000 SF at Orchards Corporate Center I in Farmington Hills.

Outlook

- Despite elevated asking rates, tenants should expect increasingly competitive offers from landlords, including rent concessions and tenant improvement allowances, as owners compete to backfill space.
- Higher-occupancy, amenitized buildings will keep capturing the bulk of leasing demand, since tenants continue favoring active, well-managed office environments over lower-occupancy properties.
- The market remains favorable for owner-occupancy purchases, as low-occupancy buildings struggle to attract tenants — expect the recent uptick in user sales to continue over the coming quarters.

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Economy

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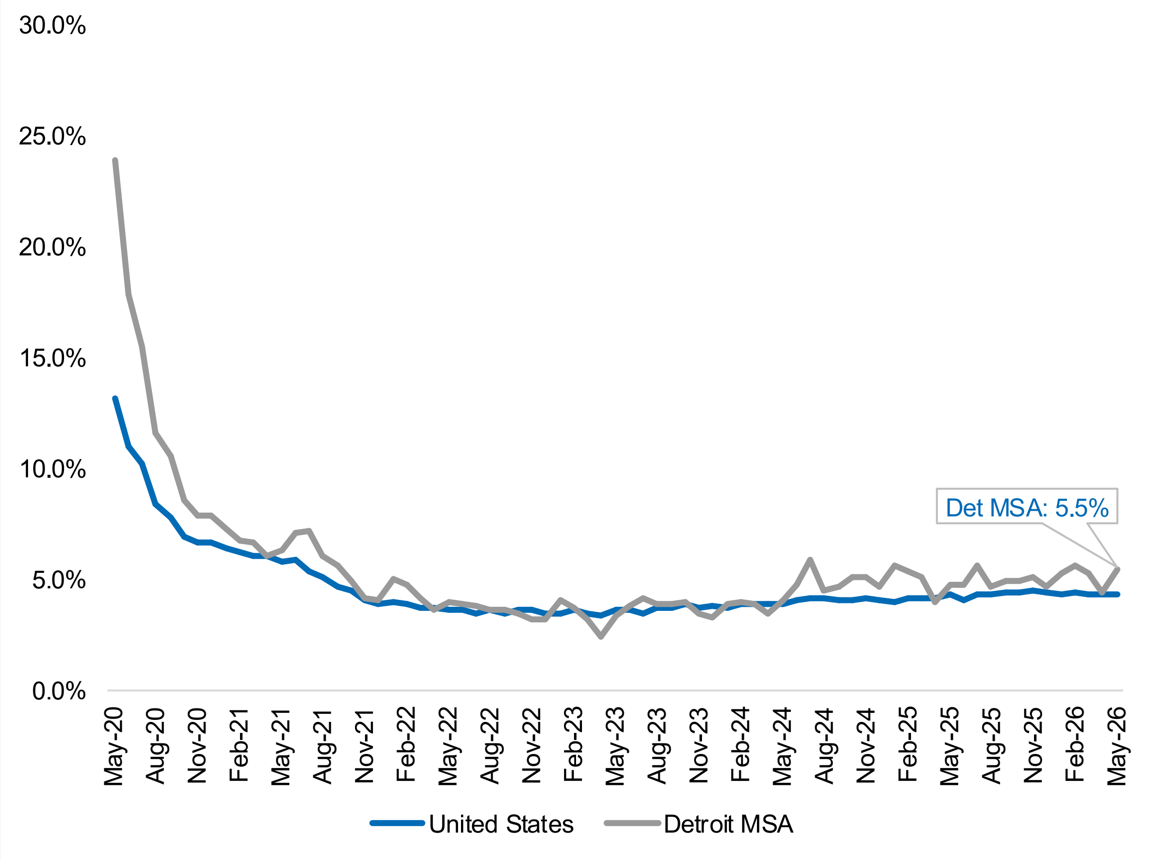
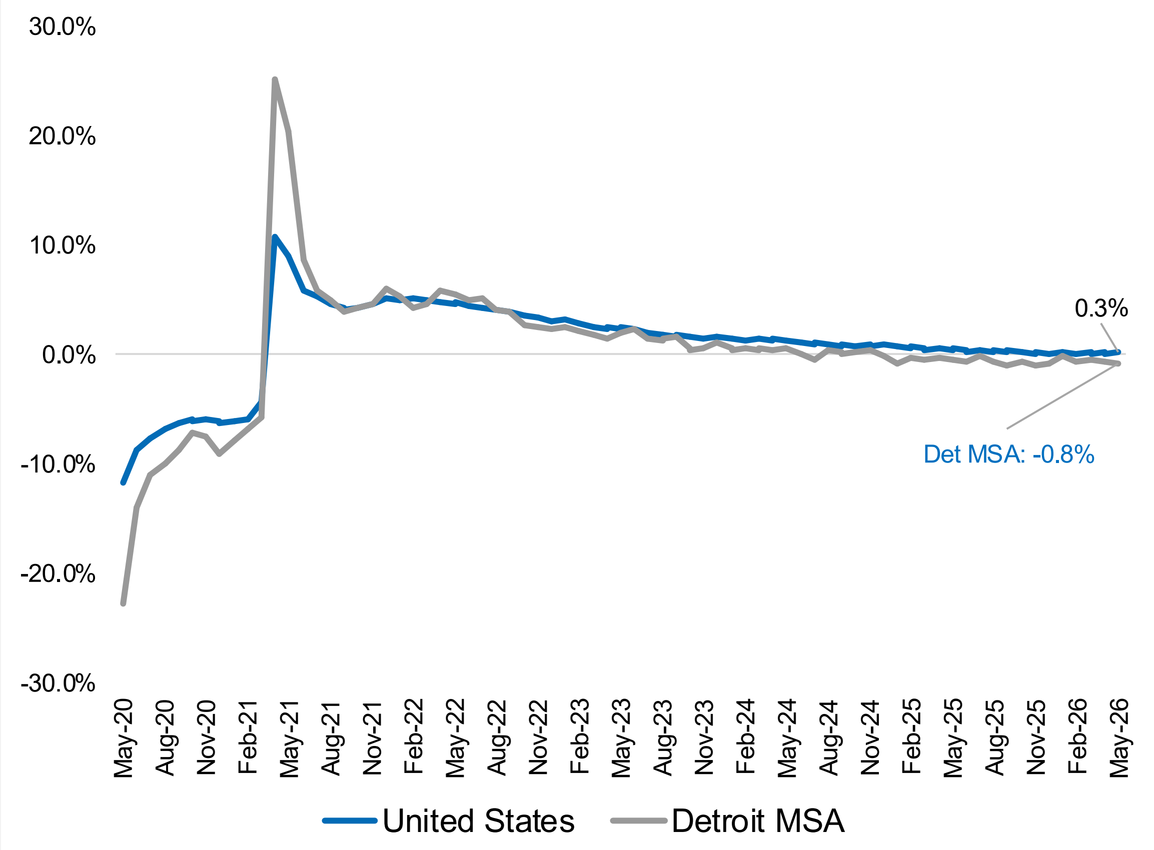
Metro Detroit Employment Trends Show Payroll Decline

The Detroit MSA saw unemployment trend higher in the latest May 2026 figures to 5.5% from 4.4% the previous month. Year over year payroll employment figures show a decline of .80%. Comparatively, US unemployment declined in May to 4.3% from 4.4% the previous month with year over year payroll employment figures up .30%.

Unemployment Rate, Seasonally Adjusted



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

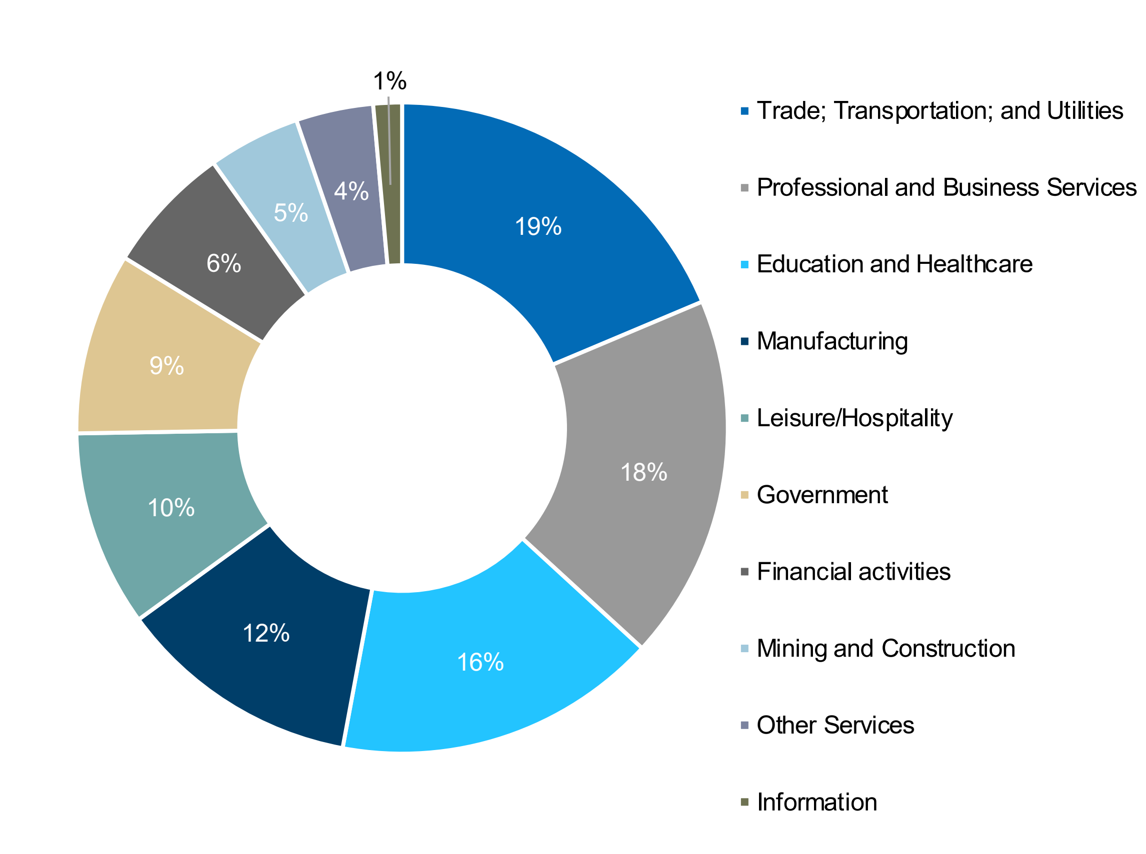


Source: BLS

Office Using Employment Mostly Down YOY

Year-over-year comparisons indicate broad declines across office-using sectors, except for Financial Activities, which grew a modest 0.5 percent. The Information sector recorded the largest decline, down 3.5 percent, while Professional and Business Services fell 1.3 percent. Despite the YOY contraction, employment in the first half of 2026 showed positive gains.

Employment by Industry, May 2026



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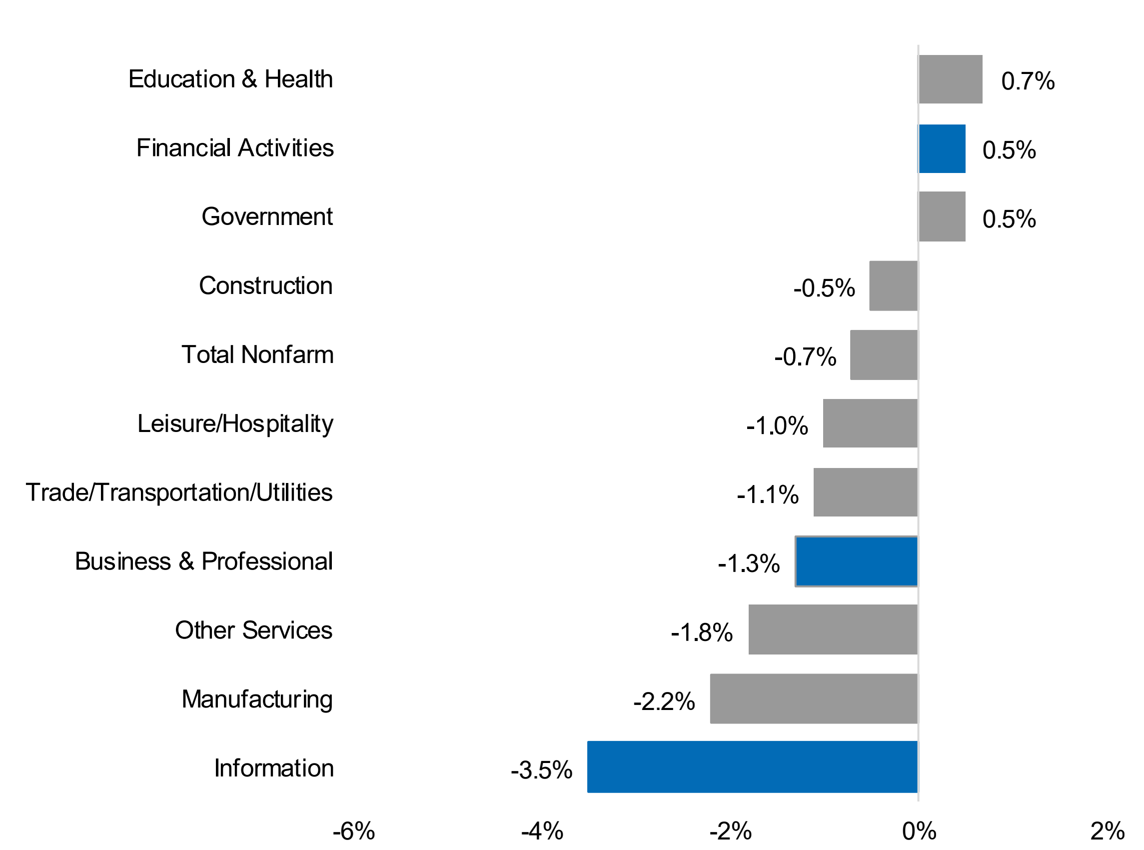
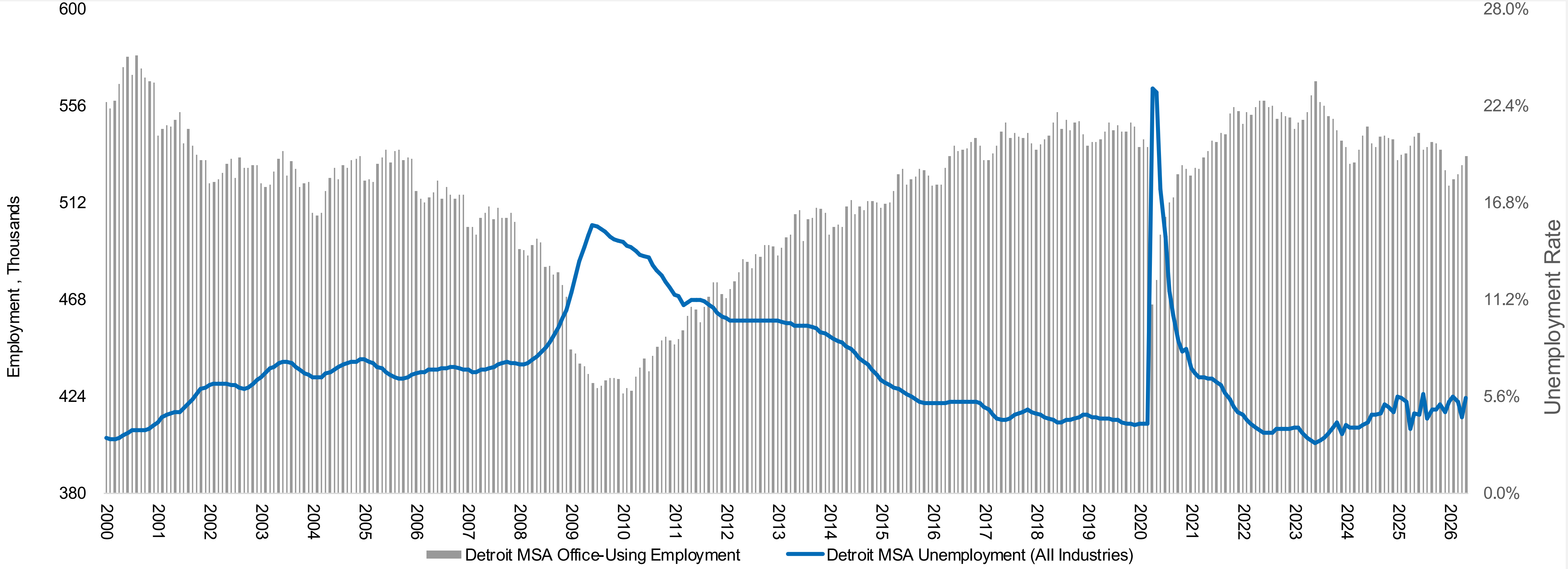


Source: BLS

Overall Office-Using Employment Trending Upward

Office-using employment in the Detroit MSA rose each month from January through May 2026, adding just over 13,000 service-sector jobs. While levels remain below those of the prior year, the sustained upward trend is a positive indicator for the market.

Office-Using Employment* and Unemployment Across All Industries



Source: BLS

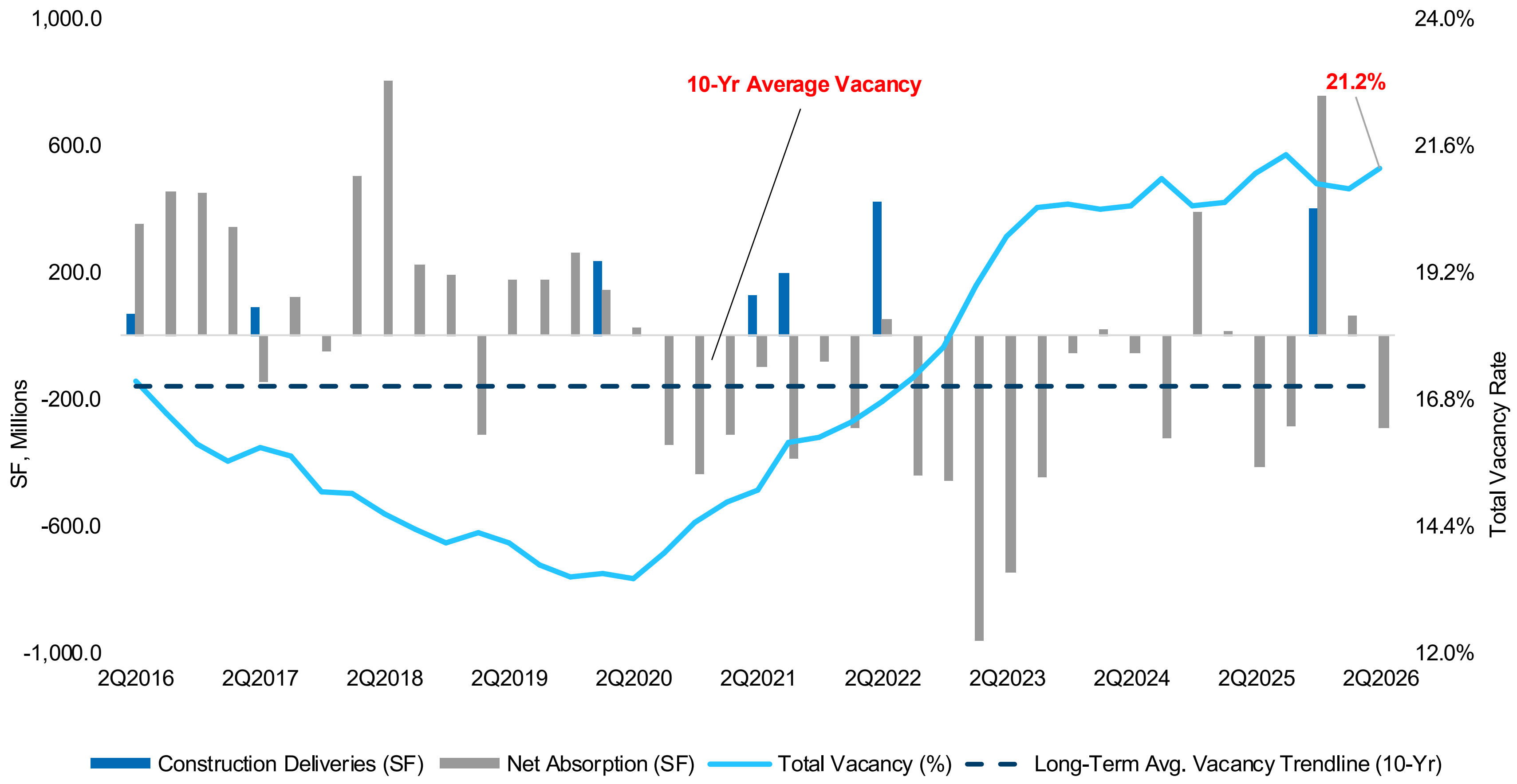
02

Leasing Market Fundamentals

2Q26

Metro Detroit Office Market Vacancy Rate Continues to Climb

Historical Construction Deliveries, Net Absorption, and Vacancy



The vacancy rate climbed 40 basis points to 21.2% and added 291,464 SF of additional vacant space.

Metro Detroit's office market showed mixed results between submarkets during the second quarter of 2026. While Southfield saw a significant uptick in leasing activity, Auburn Hills saw several large block new vacancies.

The vacancy rate remains significantly higher than the 10-year average of 17.04%.

Source: Newmark, Costar

Detroit CBD Seeing More Reshuffling

Detroit's office landscape continued to see reshuffling with office users relocating within the city. KPMG moved its office from 150 West Jefferson into the refurbished Michigan Central Station where the company is taking 45,000 SF. Detroit Economic Growth Corp is relocating from the Guardian Building to 15,000 SF at 150 West Jefferson Ave. During the previous quarter, General Motors, Urban Science, Ven Johnson Law PLC, Accenture, and JPMorgan Chase relocated to from various towers in the CBD to the newly constructed Hudson Tower.

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

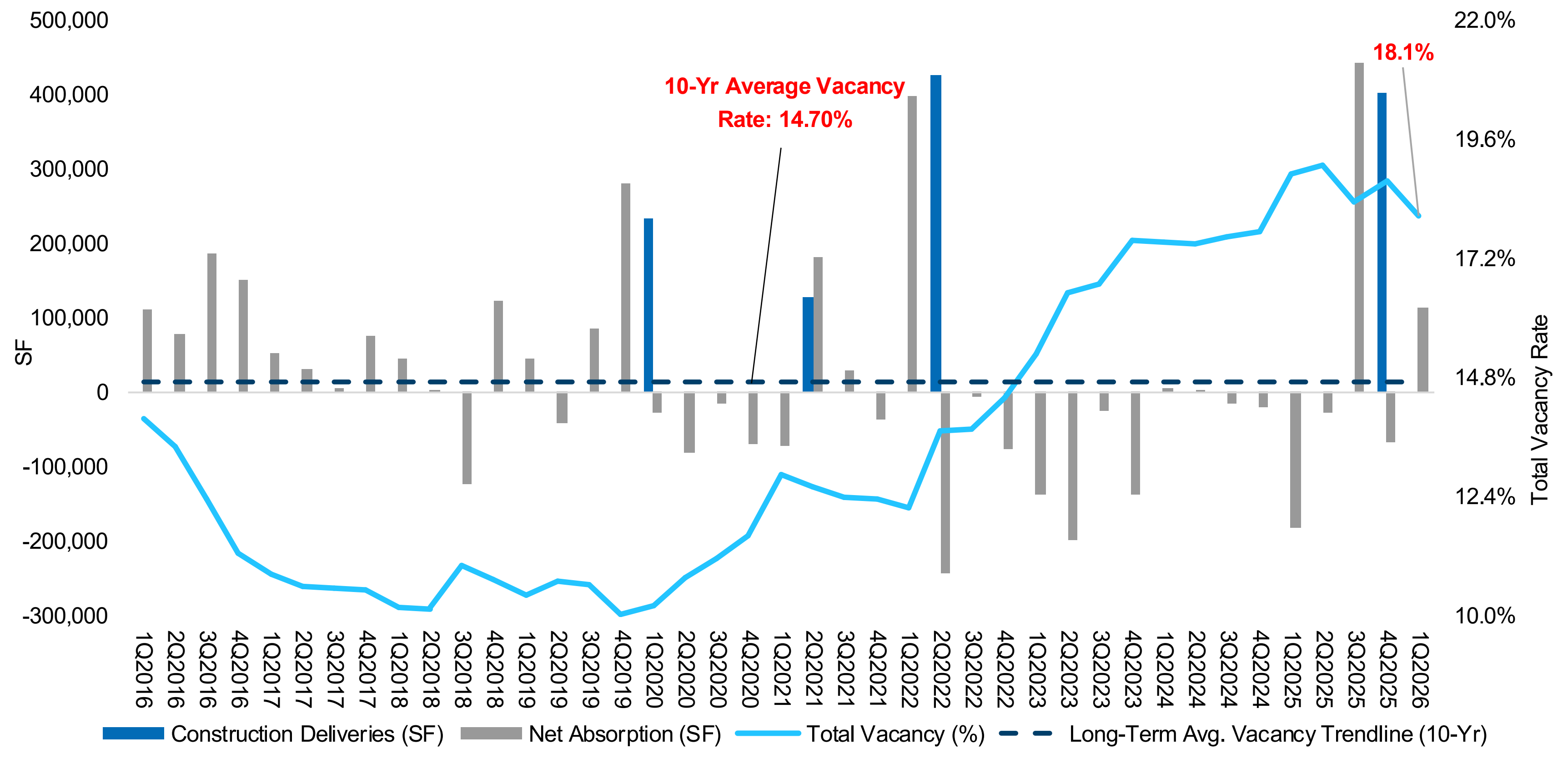


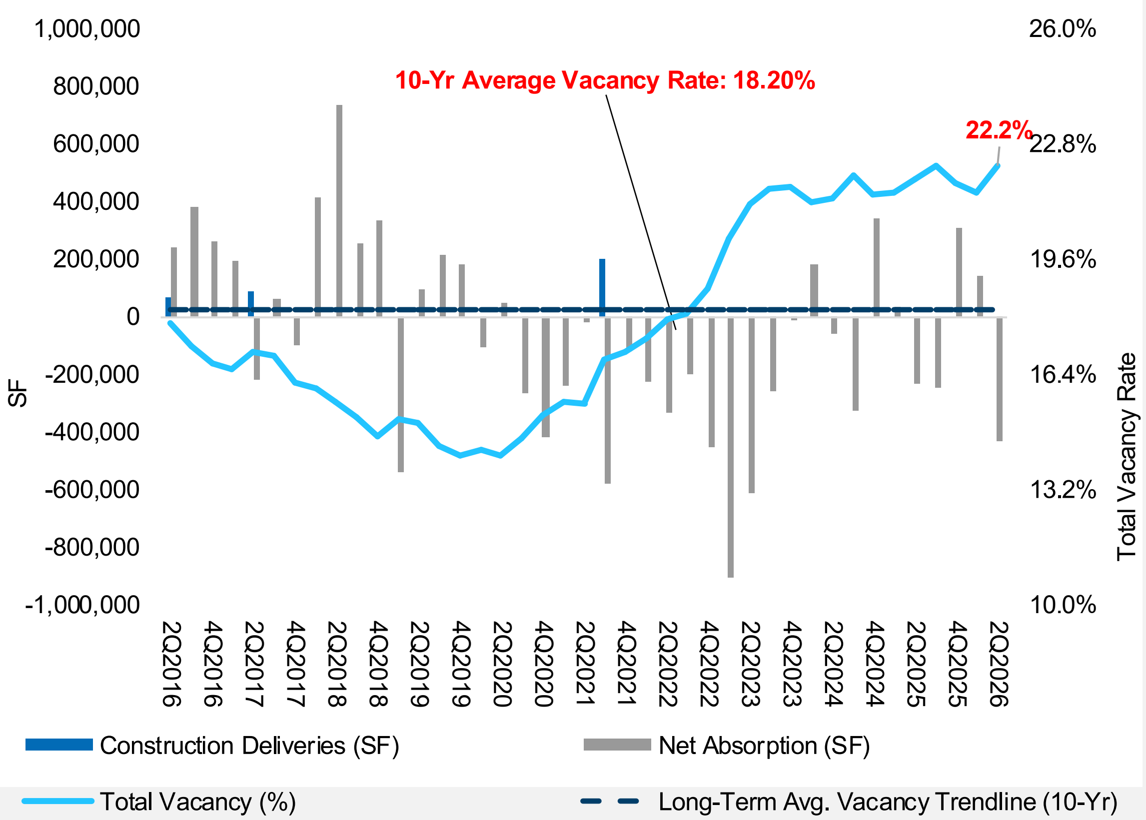
Photo: Michigan Central Station 2024 – © [Coreyfein01], CC BY-SA 4.0, via Wikimedia Commons

Source: Newmark, Costar

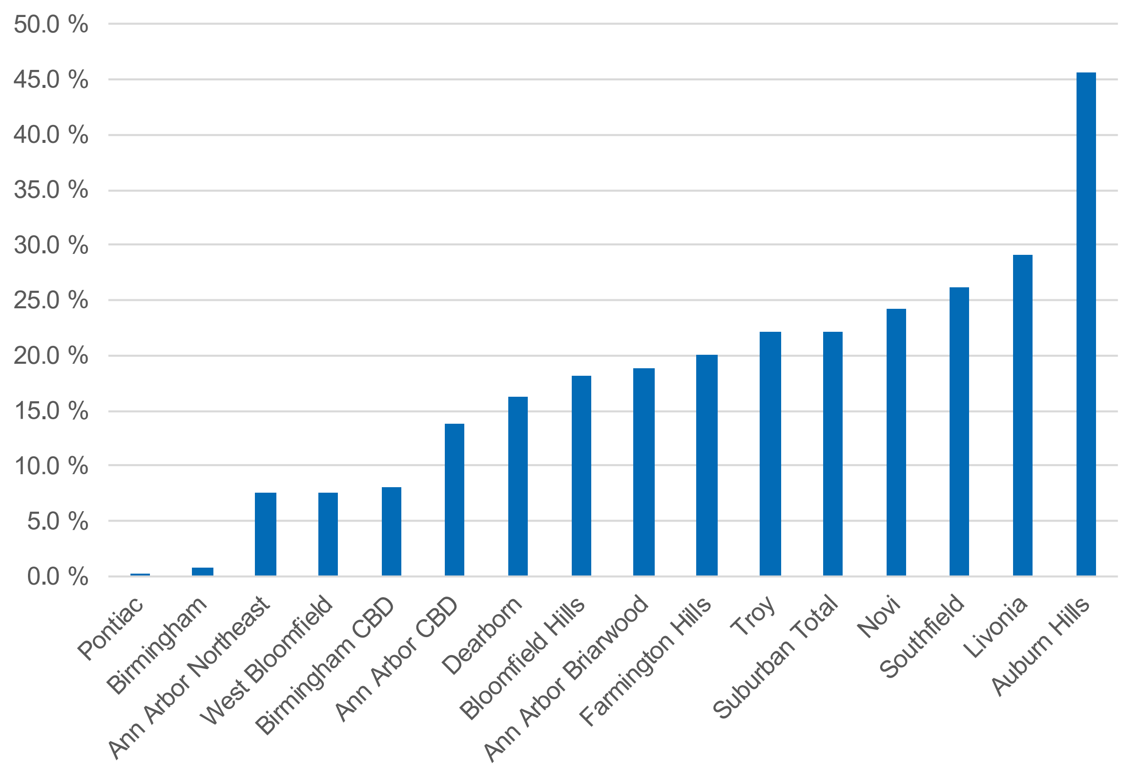
Suburban Office Market Posts Second Consecutive Quarter of Positive Absorption

The suburban office market showed mixed results between submarkets during the second quarter of 2026. Southfield saw a significant uptick in leasing activity as Travelers Tower II absorbed a total of 204,000 SF. This follows Travelers Tower I, absorbing 50,000 SF during the previous quarter. On the flipside, Auburn Hills added 828,031 SF to the market.

Historical Construction Deliveries, Net Absorption, and Vacancy



Suburban Submarket Vacancies



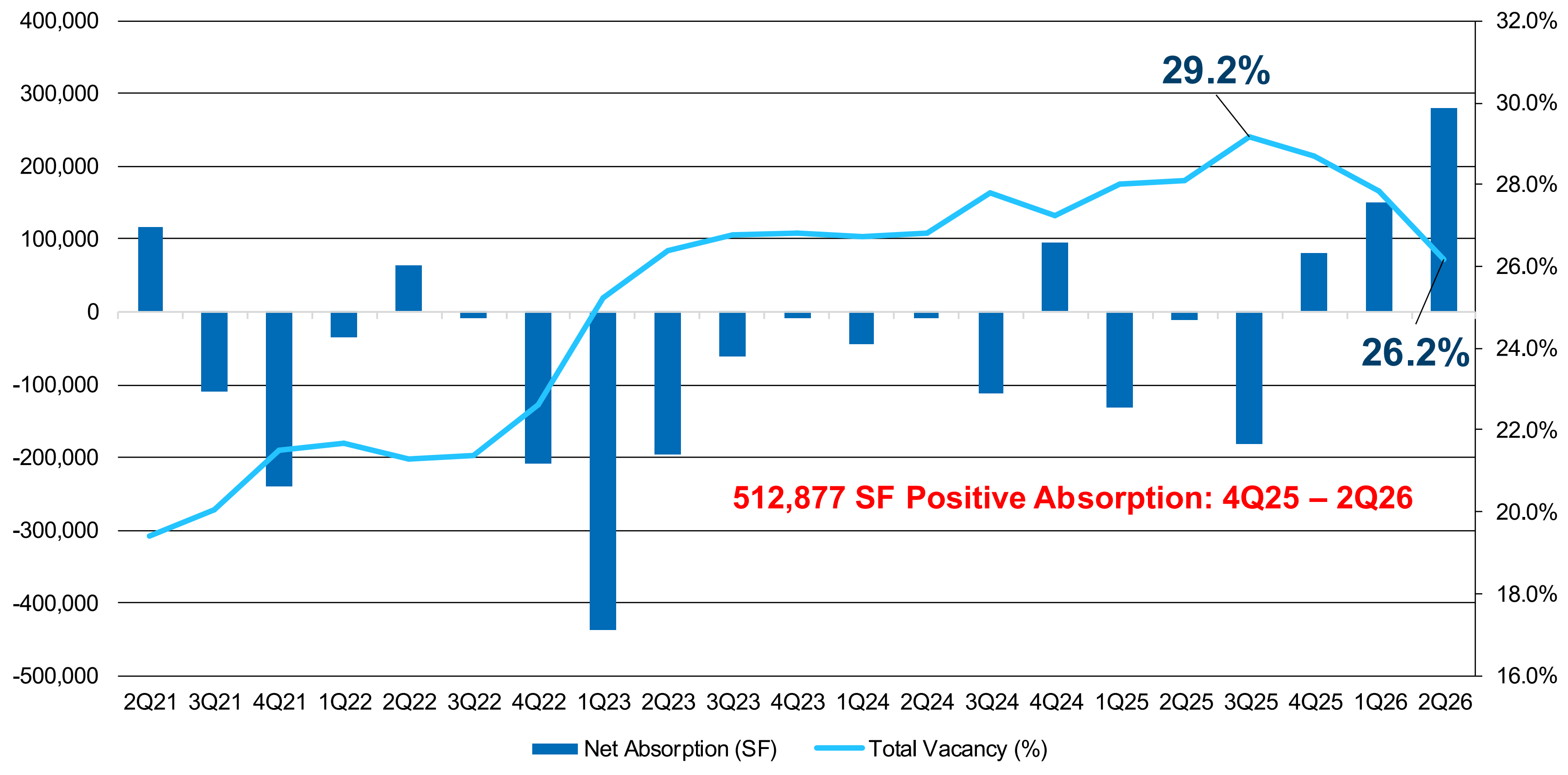
Travelers Tower I, Southfield, MI

Source: Newmark, Costar

Southfield Office Posts Third Consecutive Quarter of Positive Absorption

Southfield continues to see strong leasing momentum. In Q2 2026, the city's office vacancy rate fell 160 basis points to 26.2% as tenants absorbed 281,463 square feet. This marks the third consecutive quarter of robust absorption; over that period, tenants have absorbed 512,877 square feet in total, reducing vacancy by 300 basis points.

Southfield Market: Historical Net Absorption and Vacancy



Over a 500,000SF absorbed over the past three quarters

Vacancy rate has dropped 300 basis points

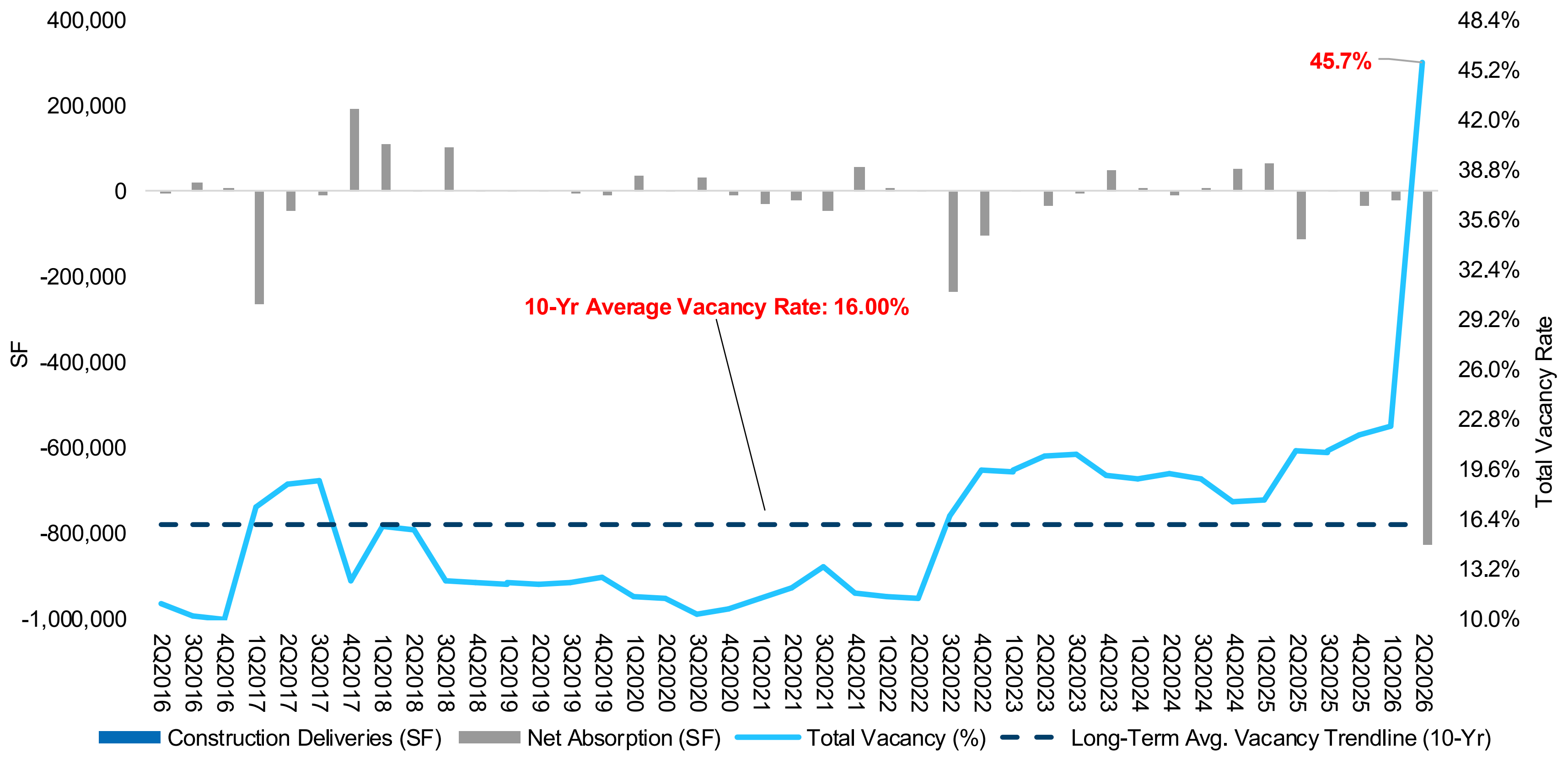
Highest submarket absorption figures in Metro Detroit

Source: Newmark Research, CoStar

Auburn Hills Sees Spike In Large Block Office Space

Auburn Hills' office vacancy rate surged to 45.7% in the second quarter of 2026, driven by several large corporate users returning significant blocks of space to the market. Notable vacancies include the approximately 371,000 SF former Comerica operations center at 3701 Hamlin Rd., the roughly 360,000 SF Volkswagen of America and Dako Resources facility at 3800 Hamlin Rd., and the 210,000 SF building at 1075 West Entrance Dr. In addition, a 100,000 SF office sublease was recently brought to market at 3000 University Dr., further elevating large-block availability in the submarket.

Auburn Hills Market: Historical Construction Deliveries, Net Absorption, and Vacancy



Auburn Hills is one of metro Detroit's core automotive tech hubs, hosting Stellantis' North American headquarters and dozens of supplier and engineering operations that anchor the regional automotive ecosystem

Auburn Hills hosts world headquarters or major North American facilities for multiple tier-1s and technology companies

Auburn Hills is positioned within the broader "Automation Alley" corridor, functioning as an automotive technology capital focused on engineering, testing, materials, and robotics.

Source: Newmark, Costar

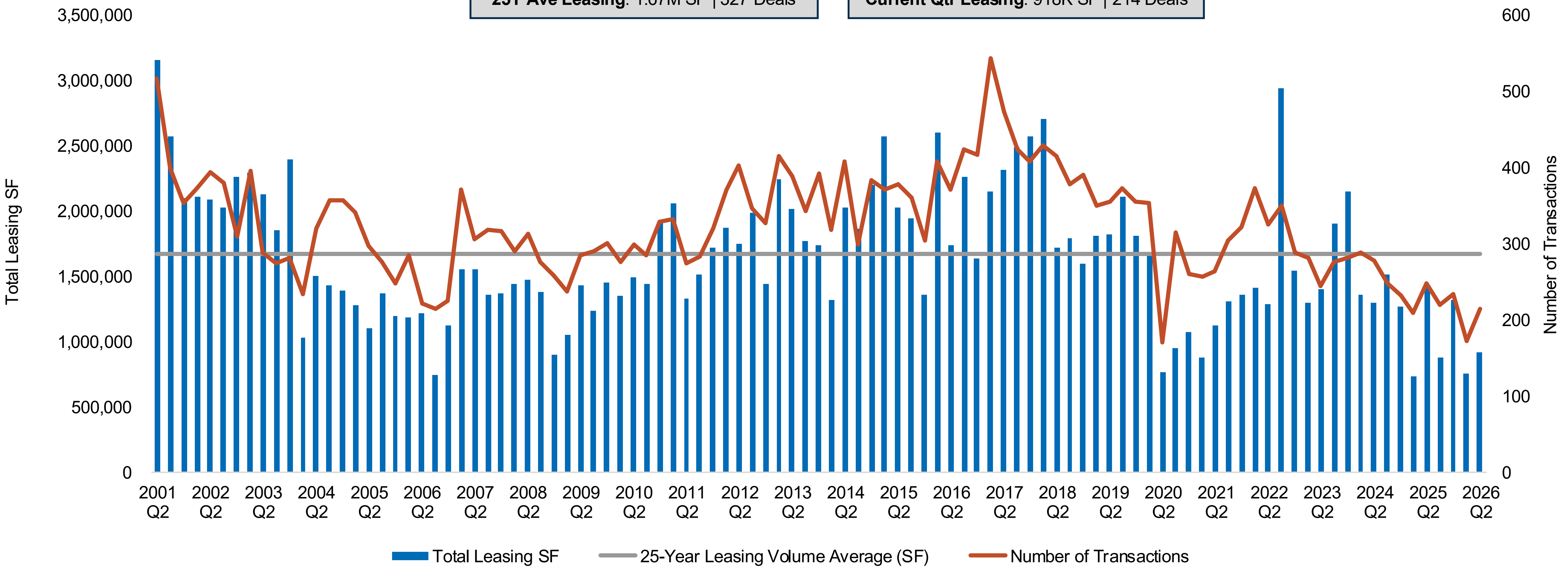
Office Leasing Activity Post Uptick

Leasing activity rebounded in Q2 2026, with 918,000 SF signed across 214 deals—a quarter-over-quarter increase of 21% in square footage and 23.7% in deal count. Although overall activity remains below the 25-year average, strengthening demand in Southfield, Detroit CBD,, Birmingham, Farmington Hills, and Troy points to an upward trend.

Metro Detroit Total Office Leasing Activity

25Y Ave Leasing: 1.67M SF | 327 Deals

Current Qtr Leasing: 918K SF | 214 Deals



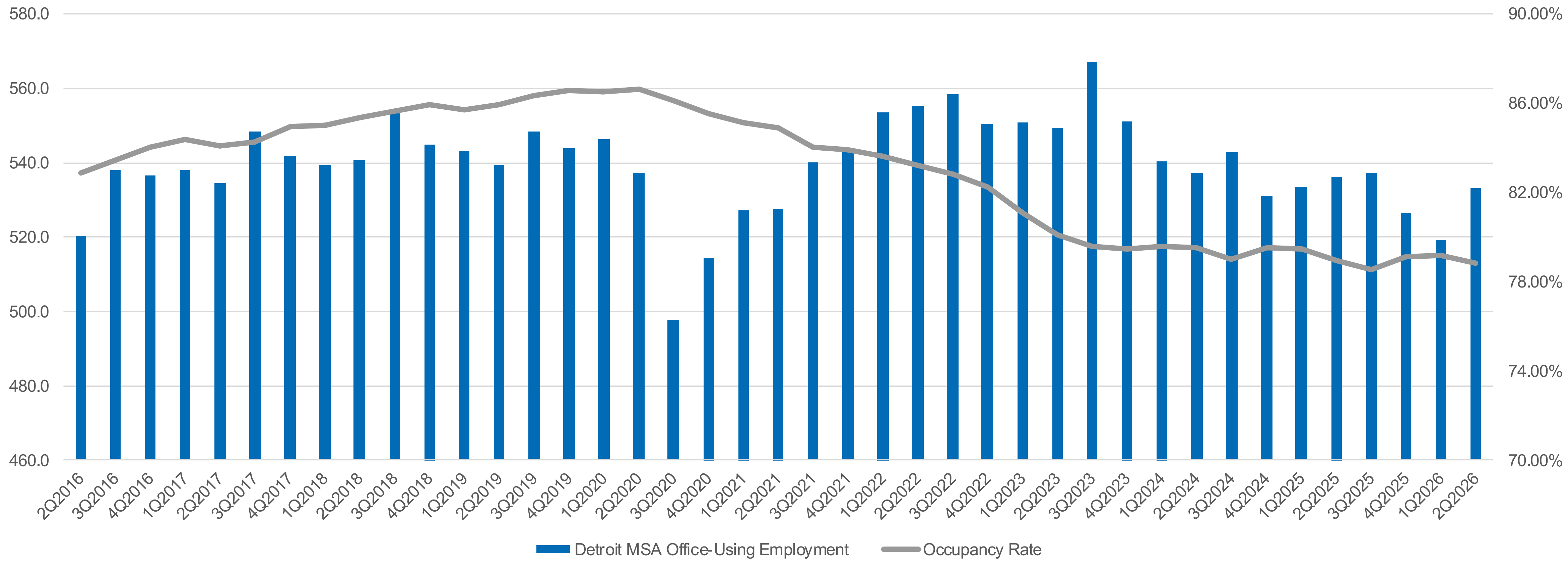
Source: Costar

*Multi-Tenant Buildings Over 15,000 SF

Overall Office-Using Employment Improves

Office-using employment in the Detroit MSA showed solid improvement in May, up 2.6% since January 2026. As tenant headcount expands, it should translate into incremental space needs, particularly among growing professional and business services users. Overall, the recent uptick in office-using jobs is a positive leading indicator for future office demand across the metro.

Office-Using Employment* and Office Occupancy Levels

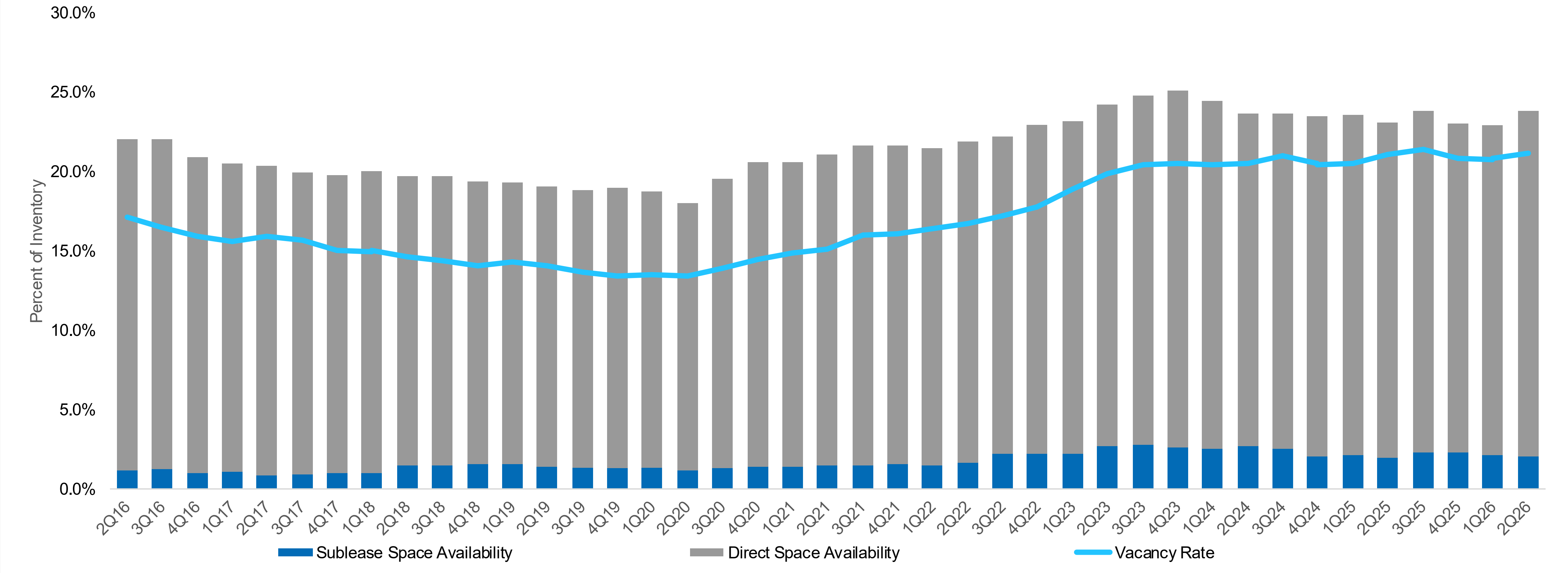


Source: Newmark, Costar, BSA

Available Sublease Space Falls

Available sublease space declined by 90,308 square feet in the second quarter of 2026 to 1.61 million square feet. Sublease availability represents 2.0% of total inventory, down from 2.2% in the prior quarter. For context, sublease space peaked at 2.25 million square feet (2.8% of inventory) in the third quarter of 2023. Currently, sublease space represents 2.9% of available Class A inventory and 1.5% of available Class B inventory.

Available Direct & Sublease Space and as Percent of Overall Market

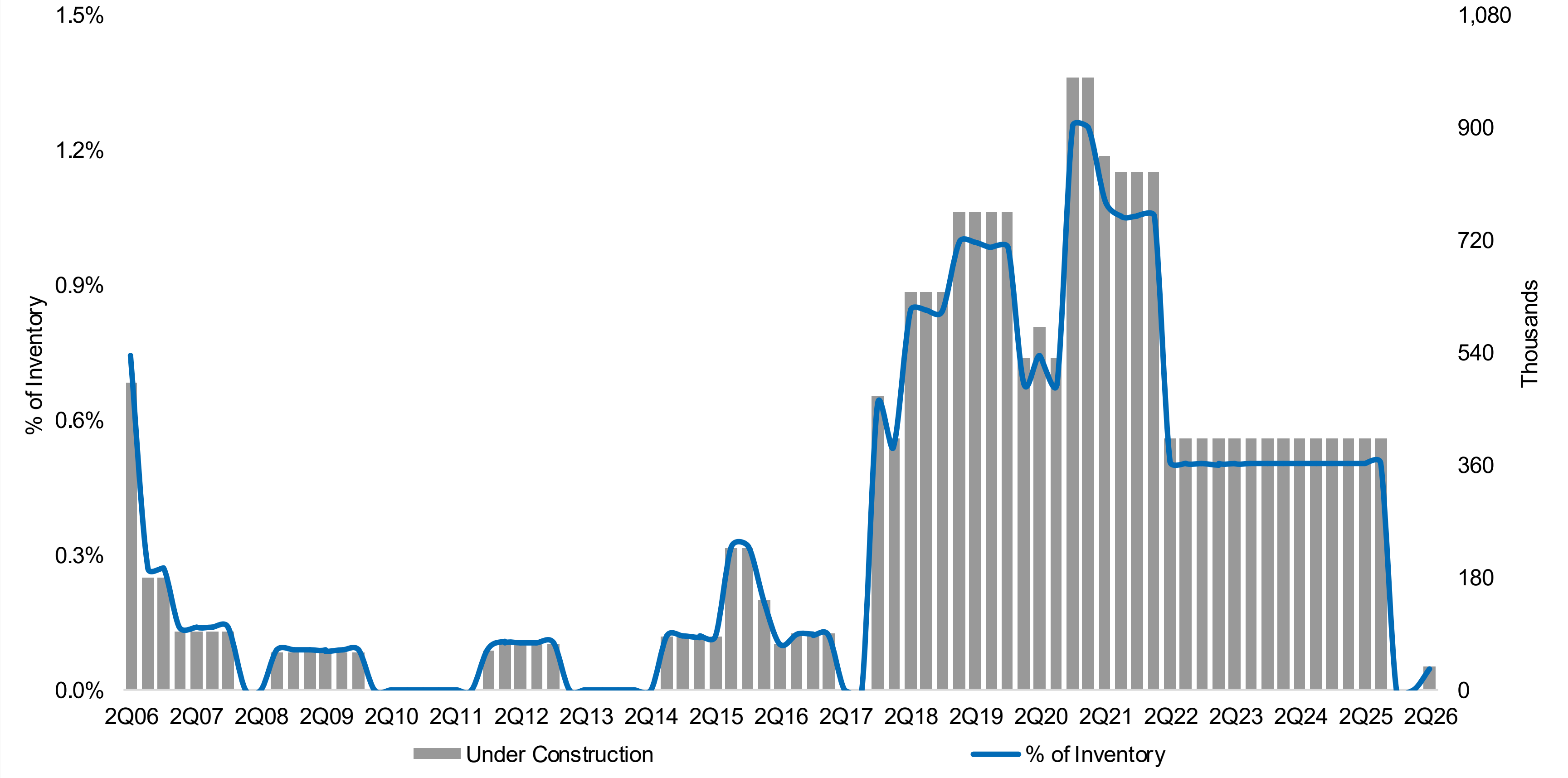


Source: Newmark, Costar

Hudson Tower Completed as Hazelview Breaks Ground in Birmingham

Construction has begun on the Hazelview, a 38,427 SF office building in Birmingham; when it's completed in 2027, the project will join only a handful of office buildings finished over the past five years. In downtown Detroit, construction wrapped on Hudson Tower in the first quarter of 2026, marking the city's newest skyscraper. The 404,000 SF tower is fully leased, has reshaped the skyline, and has helped re-energize the downtown core. Hudson Tower follows several notable recent additions: Little Caesars' 234,000 SF owner-occupied headquarters (2020), the 127,000 SF multi-tenant building at 2715 Woodward Ave (2021), and the 427,000 SF Huntington Tower (2022).

Office Under Construction and % of Inventory



Hudson Tower, Detroit

Huntington Tower, Detroit

2715 Woodward Ave, Detroit

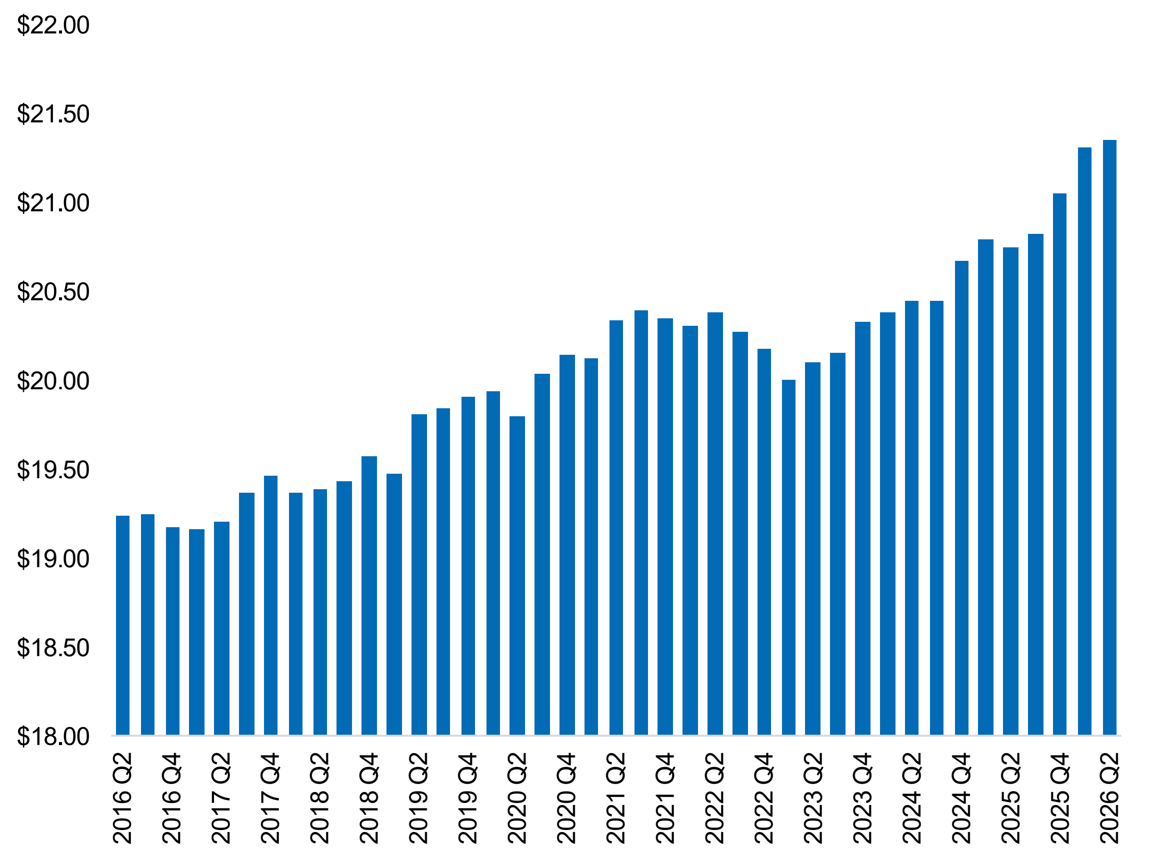
Little Caesars Headquarters

Source: Newmark, Wiki Photos

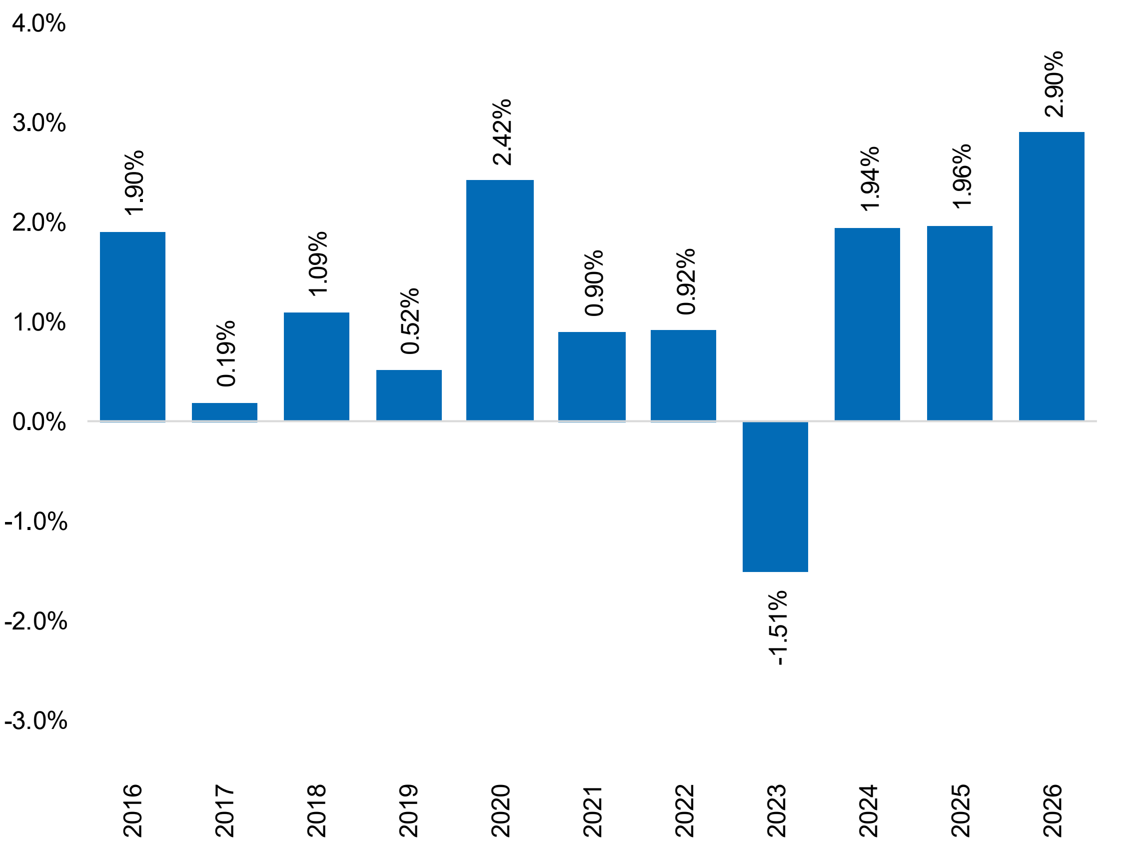
Average Asking Rent Climbed During The Quarter

Asking rents continued to rise for the fourth consecutive quarter, climbing $.55/SF or 2.9% over the past year. During the second quarter of 2026, rents jumped $.05/SF to an average of $21.36/SF gross.

Office Average Asking Rent, $21.36/SF, Gross



Year-over-Year Asking Rent Growth Rate

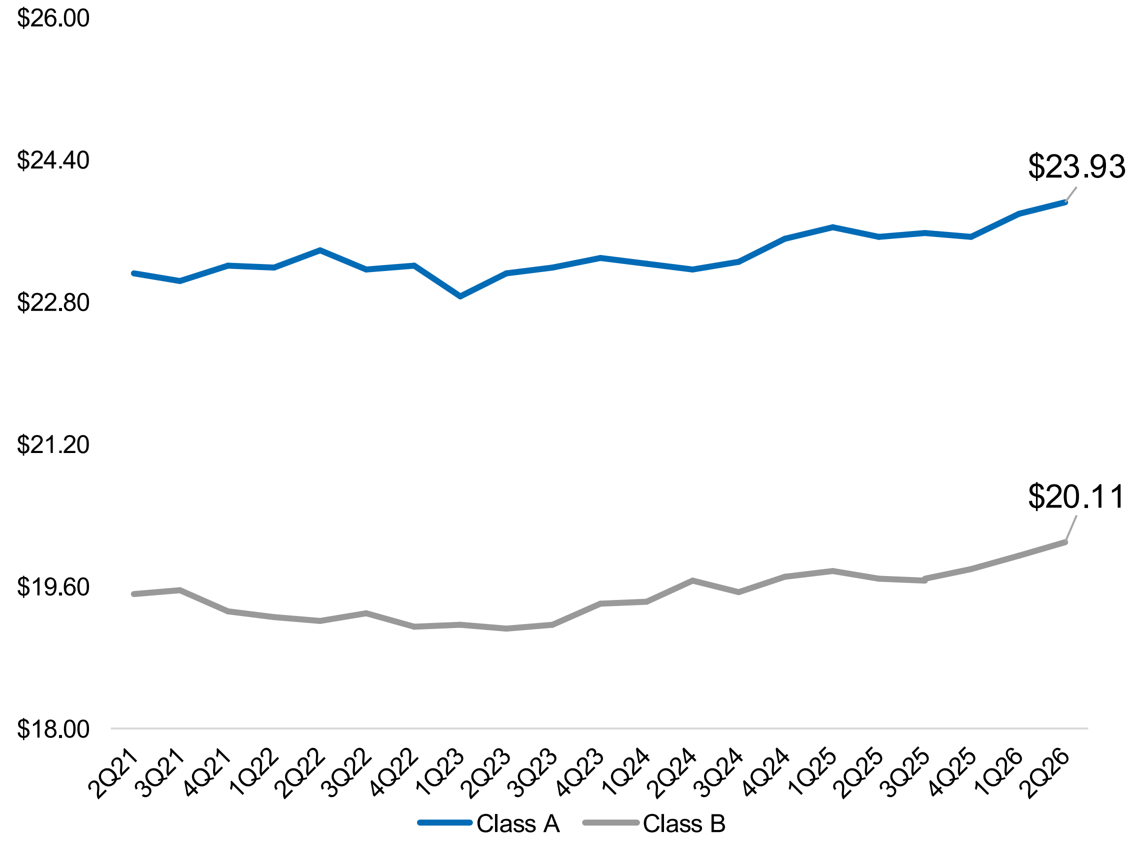


Source: Newmark, Costar

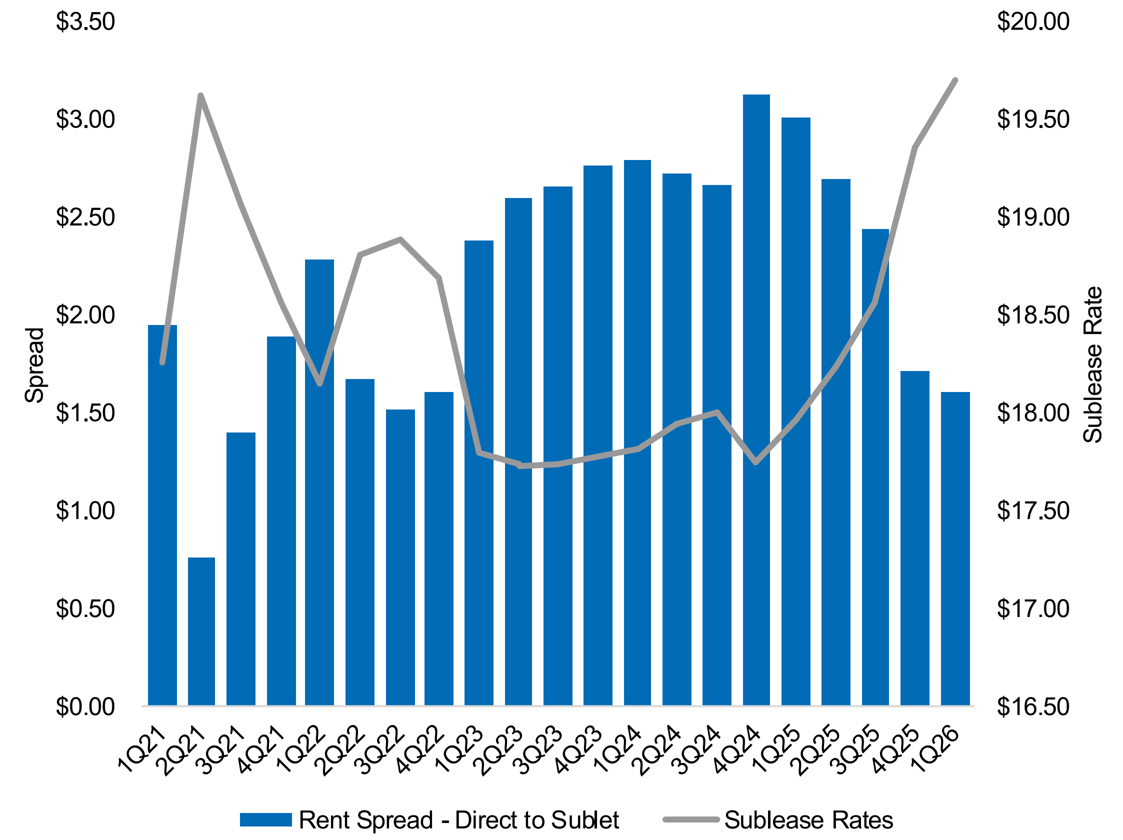
Class A & B Asking Rents Climb During The Quarter

The average Class A asking rent climbed $.27 PSF to $23.93 PSF gross, the Class B average rate climbed $0.17 PSF to $20.11 PSF. Sublease asking rates increased $.34 PSF to $19.70 PSF during the quarter.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark, Costar

Top Transactions

Metro Detroit Top Transactions				
Tenant/Buyer	**Building**	**Submarket**	**Type**	**Square Feet**
Undisclosed.	Travelers Tower II	Southfield	Lease	157,642
KPMG LLP	Michigan Central Station	City of Detroit	Lease	45,000
Detroit Central City Community Mental Health, Inc.	613 Abbott St, Detroit	Detroit CBD	Lease Expansion	38,569
Nations Mortgage	*300 E Big Beaver Rd, Troy*	Troy	Direct New	32,000
Federal Community Defendant of Eastern District of Michigan	613 Abbott St, Detroit	Detroit CBD	Extension	21,490

Source: Newmark, Costar

2Q 2026 Overall Metro Detroit Office Market Stats

Historical Construction Deliveries, Net Absorption, and Vacancy

	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	16,223,915	-	18.1 %	113,226	45,767	$28.95	$25.37	$26.44
CBD North Central	1,623,604	-	13.7 %	29,625	20,192	$32.20	$21.64	$25.44
CBD Total	**17,847,519**	-	**17.7 %**	**142,851**	**65,959**	**$29.17**	**$25.00**	**$26.35**
Ann Arbor Briarwood	2,322,823	-	18.8 %	71,081	111,755	$30.39	$21.75	$23.87
Ann Arbor CBD	1,347,323	-	13.8 %	21,884	58,619	$32.28	$28.90	$30.20
Ann Arbor Northeast	2,196,930	-	7.5 %	-33,836	-33,830	$31.30	$22.20	$30.97
Auburn Hills	3,539,769	-	45.7 %	-828,031	-848,881	$21.75	$18.69	$20.13
Birmingham	238,752	-	0.7 %	-802	-802	-	$36.14	$34.86
Birmingham CBD	1,270,864	38,427	8.1 %	-1,497	24,500	$38.10	$36.48	$36.73
Bloomfield Hills	3,031,190	-	18.1 %	-4,813	-33,752	$23.31	$22.61	$23.04
Dearborn	2,853,516	-	16.3 %	9,326	-3,014	$21.13	$17.80	$19.23
Farmington Hills	6,728,218	-	20.1 %	2,787	73,595	$19.25	$19.26	$19.21
Livonia	3,250,499	-	29.1 %	15,547	27,735	$19.15	$18.74	$18.86
Novi	1,703,119	-	24.2 %	712	-8,780	$22.46	$19.22	$20.65
Pontiac	2,342,852	-	0.3 %	-1,000	-6,000	-	-	$15.00
Southfield	16,830,451	-	26.2 %	281,463	431,622	$20.77	$17.34	$18.29
Troy	13,257,776	-	22.2 %	36,487	-83,176	$26.30	$19.34	$21.56
West Bloomfield	546,953	-	7.5 %	-3,623	-3,623	$20.20	$18.53	$18.88
Suburban Total	**61,461,035**	**38,427**	**22.2 %**	**-434,315**	**-294,032**	**$22.63**	**$19.05**	**$20.26**
Totals	**79,308,554**	**38,427**	**21.2 %**	**-291,464**	**-228,073**	**$23.93**	**$20.11**	**$21.46**

Source: Newmark, Costar

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