3Q25

Detroit Office Market Overview

Market Observations

Economy

- Metro Detroit unemployment rate fell to 4.3% in August 2025 following a recent spike of 5.7% during the previous month. On the employment front, total nonfarm wage and salary employment for the region in August 2025 was about 2,067,300, a 0.4% increase year-over-year.
- Construction employment continues to lead growth in employment, increasing by 2.8% year-over-year, driven by infrastructure funds aimed at rebuilding major expressways
- In the past two months, Metro Detroit employment in Financial Activities increased by 500 employees, Professional and Business Services saw growth of 700 employees, while the Information sector experienced a loss of 100 employees.

Leasing Market Fundamentals

- Metro Detroit's office market vacancy rate climbed 20 basis points to 22.9% during the third quarter of 2025 as 182,561 SF in net vacancies were added to the market. Year-to-date, the market's added 772,781 SF of net vacancy space to the market.
- The Detroit CBD vacancy rate increased by 10 basis points to 21.3% during the third quarter of 2025. Bedrock's new Hudson Tower high-rise will soon be welcoming it's first office tenants. The office tower complex is scheduled to be completed during the fourth quarter of 2025 and will see General Motors, Accenture and Ven Johnson Law among its first tenants.
- The suburban office market vacancy rate rose by 20 basis points to 23.5% in the third quarter, with 161,361 square feet of net vacant space added to the market. Year-to-date, 490,368 SF in new vacancies have been added to the market..

Major Transactions

- 1885 Pond Run Rd, a 40,986 SF office building in Auburn Hills was sold to Nippon Seiki.
- RXO Capacity Solutions, LLC leased 11,941 SF at Travelers Tower I in Southfield.
- Neilson law Group P.C. leased 11,112 SF at Stoneridge Office Park I in Bloomfield Hills.
- Open Text Inc. leased 9,523 SF in Travelers Tower I in Southfield.
- RK Wealth Management, LLC leased 7,529 SF at Stoneridge Office Park II.

Outlook

- Office-using employment is a key leading indicator for future office demand. The most recent data from August 2025 indicate an encouraging increase in office-using employment. With hiring picking up, office demand is likely to improve in the coming quarters.
- 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.

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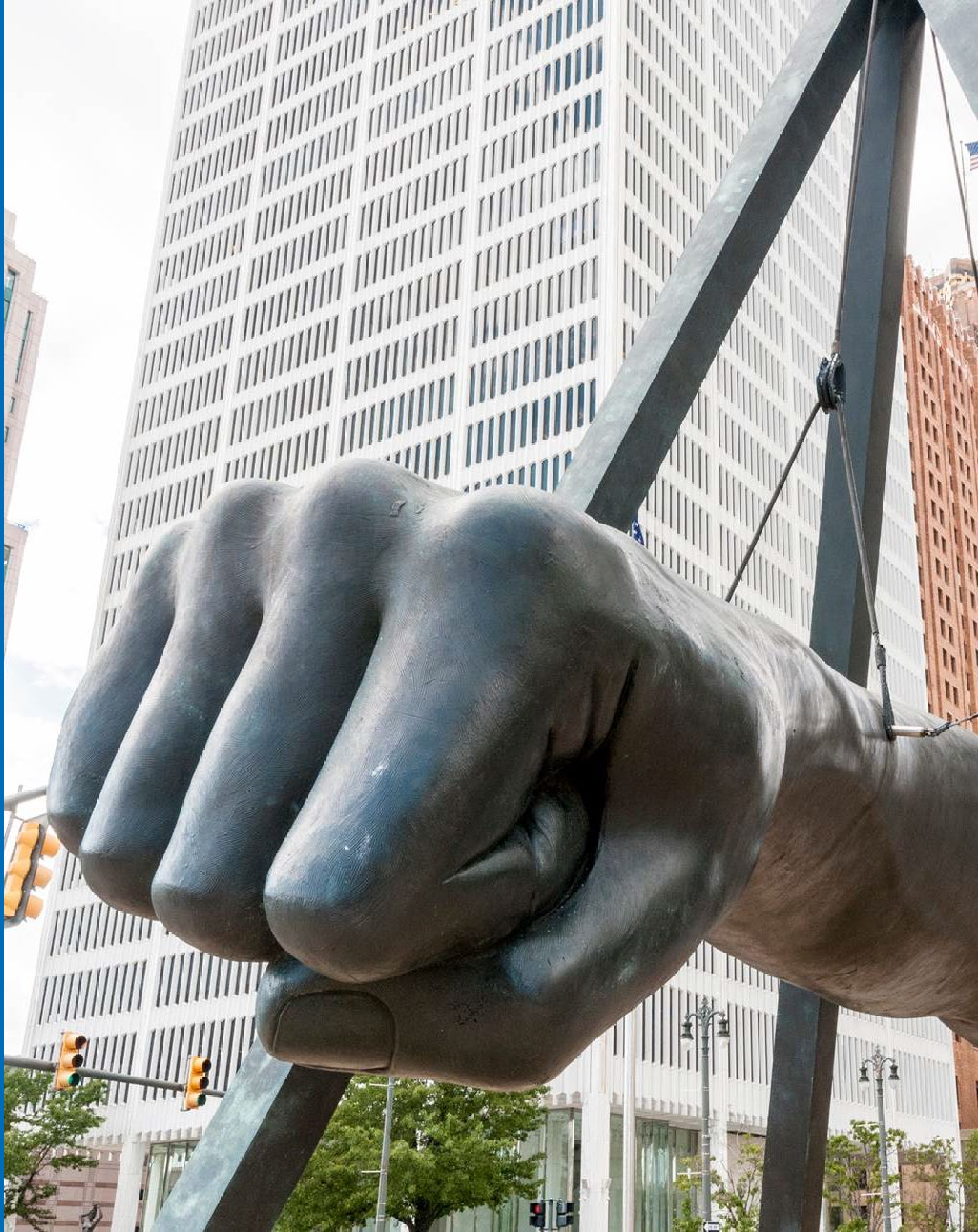
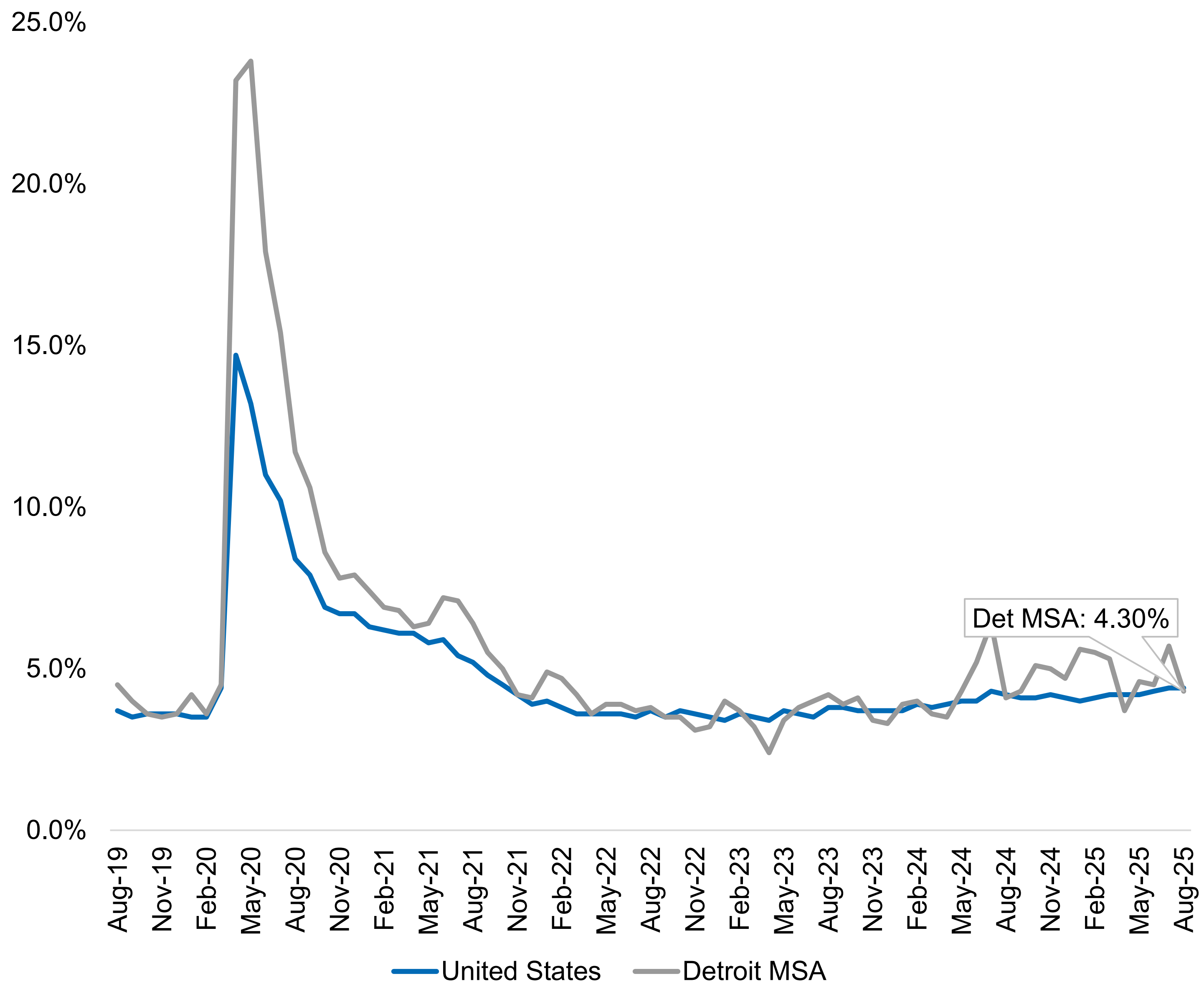


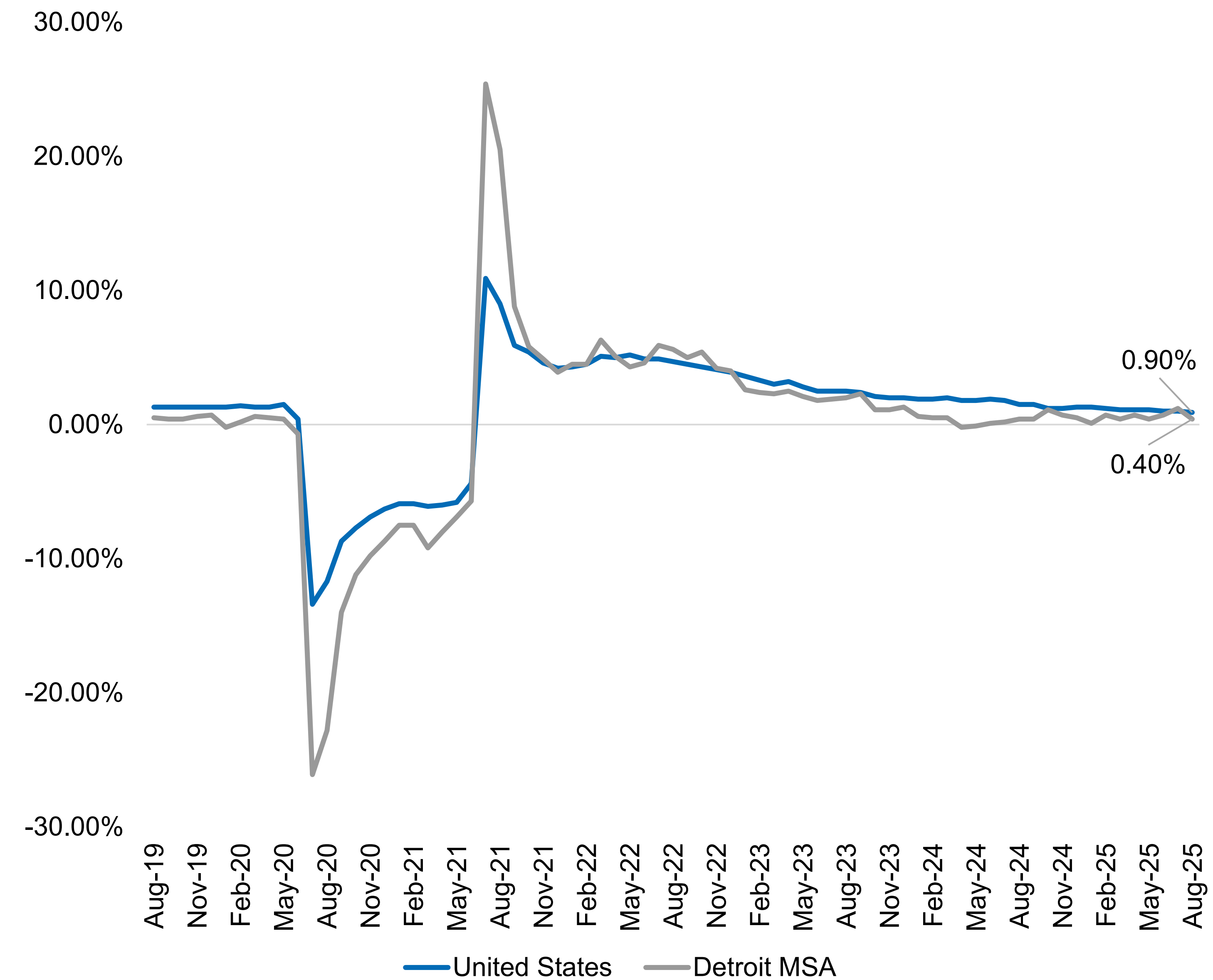
Metro Detroit Employment Shows Some Positive Signals

Metro Detroit unemployment rate fell to 4.3% in August 2025 following a recent spike of 5.7% during the previous month. On the employment front, total nonfarm wage and salary employment for the region in August 2025 was about 2,067,300, a 0.4% increase year-over-year.

Unemployment Rate, Seasonally Adjusted



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

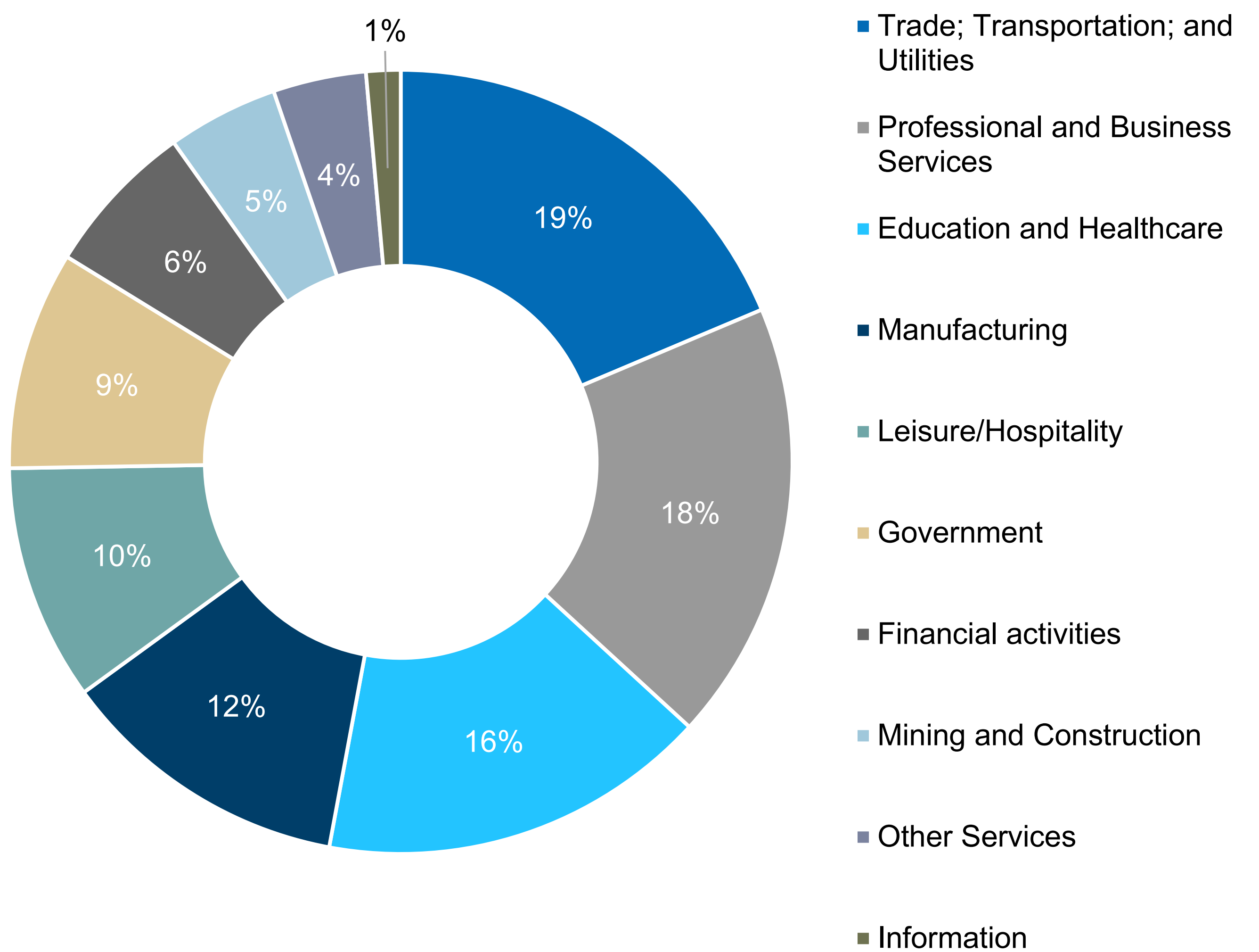


Source: U.S. Bureau of Labor Statistics, Detroit MSA

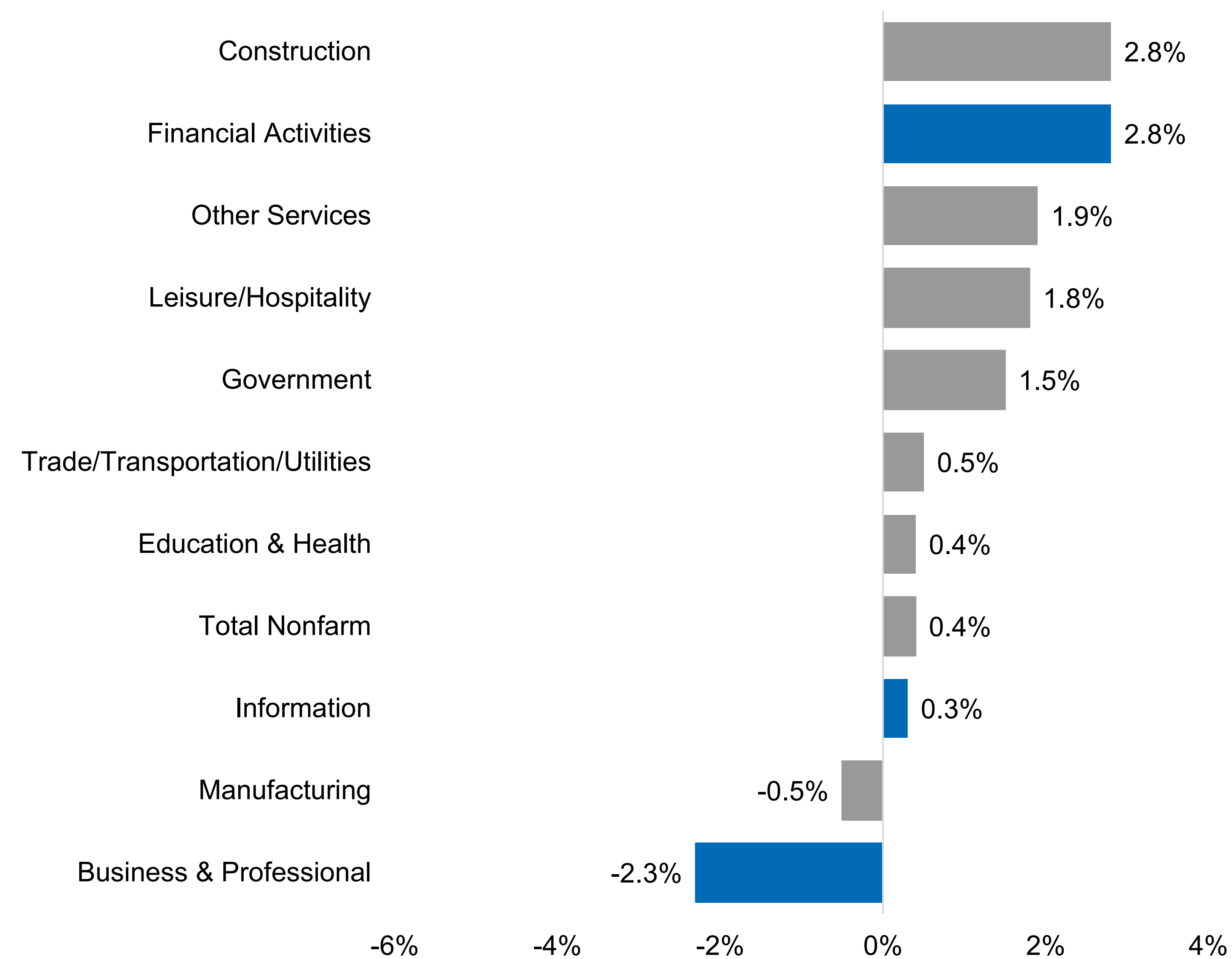
Construction Sector Leads Employment Growth

Construction employment continues to lead employment growth, increasing by 2.8% year-over-year, driven by infrastructure funds aimed at rebuilding major expressways. Year-over-year figures show a 2.8% gain in Financial Activities and a modest 0.03% increase in the Information sector. By contrast, employment in Business & Professional Services declined by 2.3% over the same period.

Employment by Industry, August 2025



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

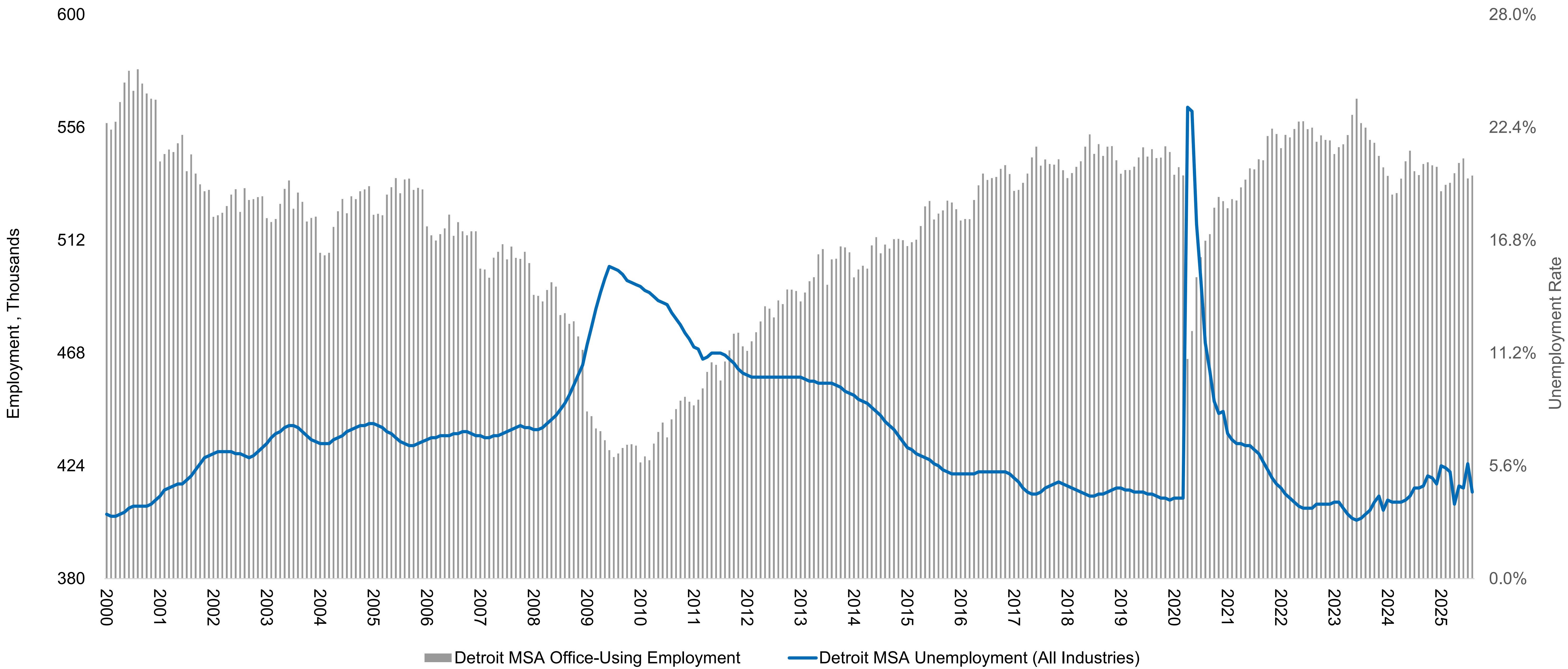


Source: U.S. Bureau of Labor Statistics, Detroit MSA

Overall Office-Using Employment Showing Positive Signs

Both office-based and total employment posted net gains during the recent period from July to August 2025. In the past two months, employment in Financial Activities increased by 500 employees, Professional and Business Services saw growth of 700 employees, while the Information sector experienced a loss of 100 employees.

Office-Using Employment* and Unemployment Across All Industries



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

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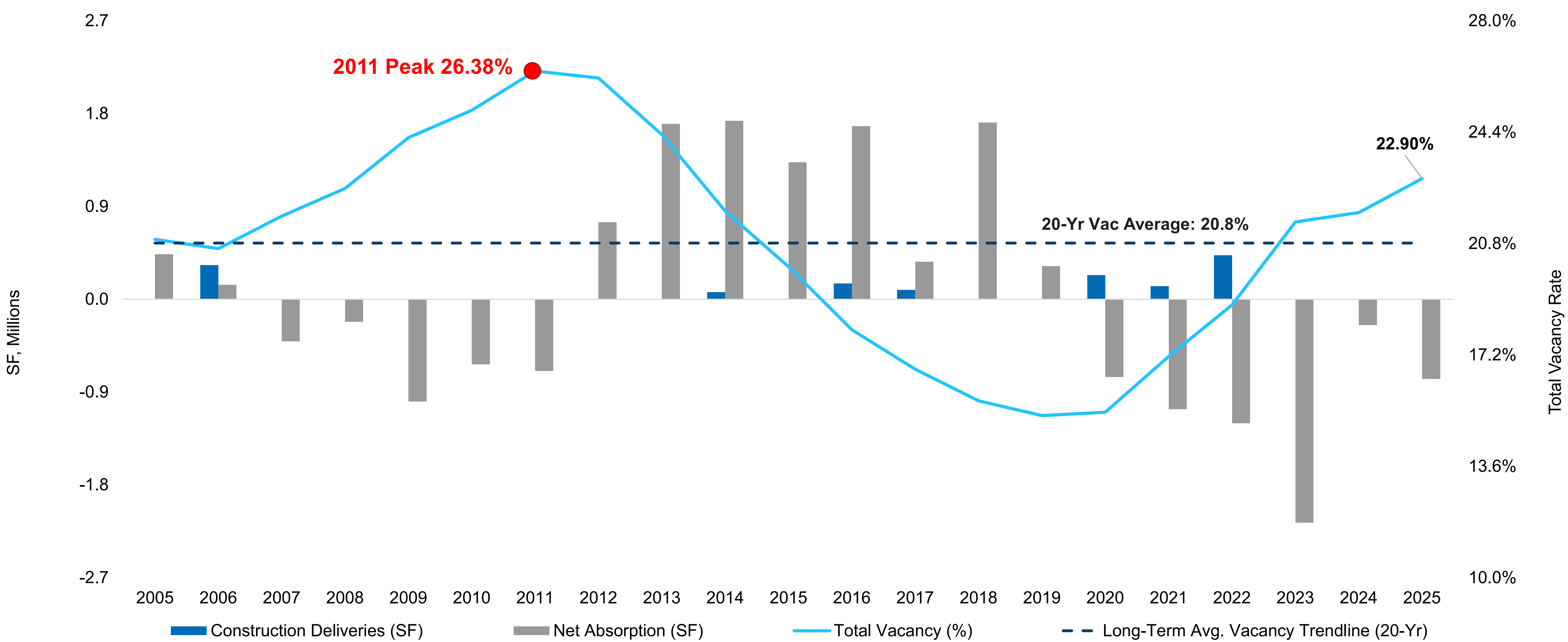
Leasing Market Fundamentals

Metro Detroit Office Market Vacancy Rate Continues Upward Trend

Metro Detroit's office market vacancy rate climbed 20 basis points to 22.9% during the third quarter of 2025 as 182,561 SF in net vacancies were added to the market. Year-to-date, the market's added 772,781 SF of net vacancy space to the market. The office market is above the 20.8% 20-year average. Metro Detroit saw its highest vacancy of 26.38% in 2011 as the office market recovery lagged the nation following the Great Recession of 2007-2009.

Historical Construction Deliveries, Net Absorption, and Vacancy

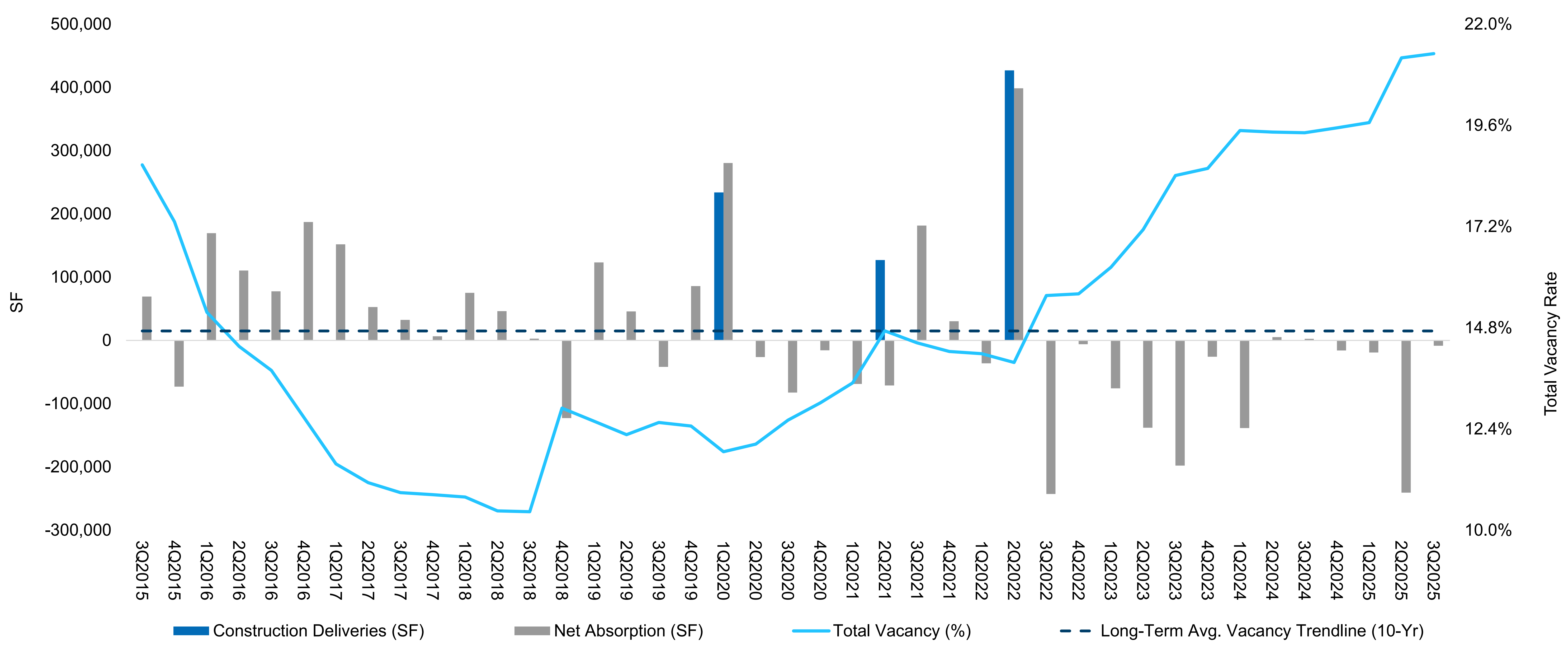


Source: Newmark Research

Detroit CBD Seeing Strong Leasing Activity in New Tower

The Detroit CBD vacancy rate increased by 10 basis points to 21.3% in the third quarter of 2025. Bedrock's new Hudson Tower high-rise will soon welcome its first office tenants. The office tower complex is expected to be completed in the fourth quarter of 2025, with General Motors, Accenture, and Ven Johnson Law among the initial tenants. The new Tower is now nearing 90% leased

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

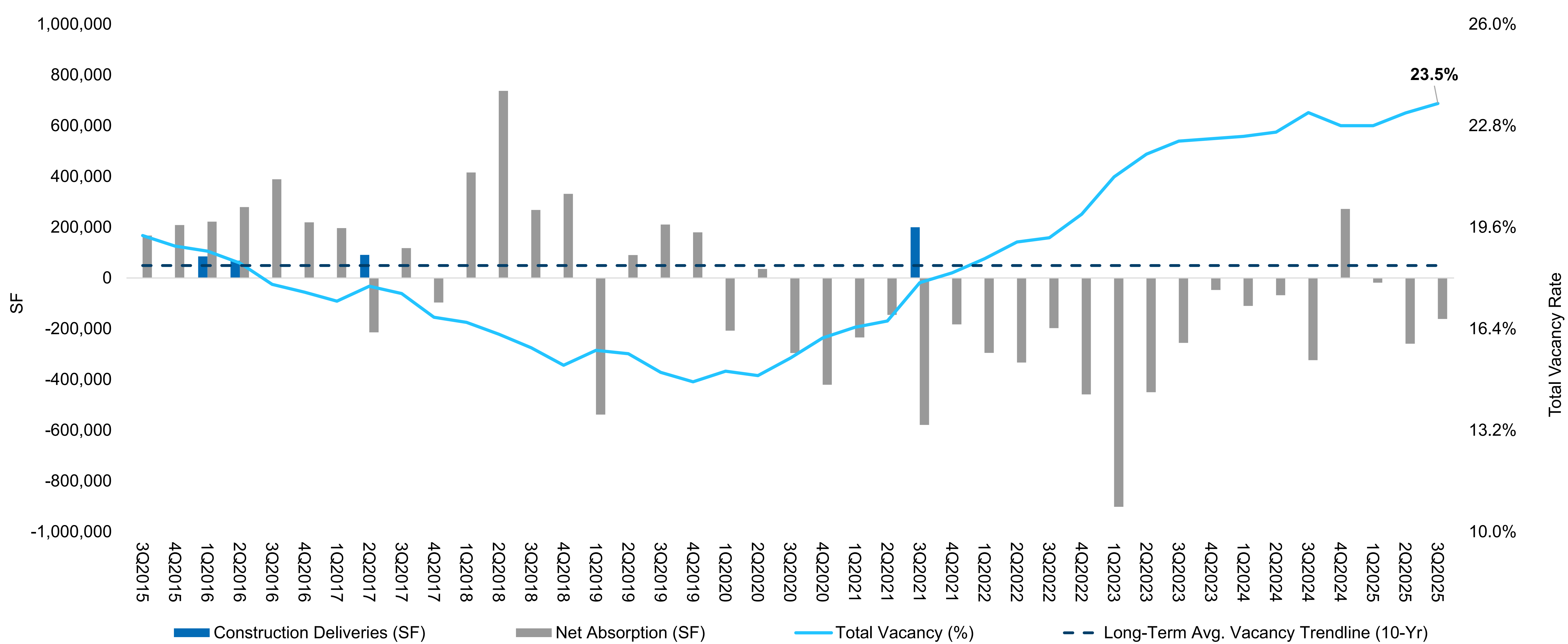


Source: Newmark Research

Suburban Office Market Sees Increased Vacancies

The suburban office market vacancy rate rose by 20 basis points to 23.5% in the third quarter, with 161,361 square feet of net vacant space added to the market. Year-to-date, 490,368 SF in new vacancies have been added to the market. Southfield, Livonia and Auburn Hills have seen the great levels of negative absorption.

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

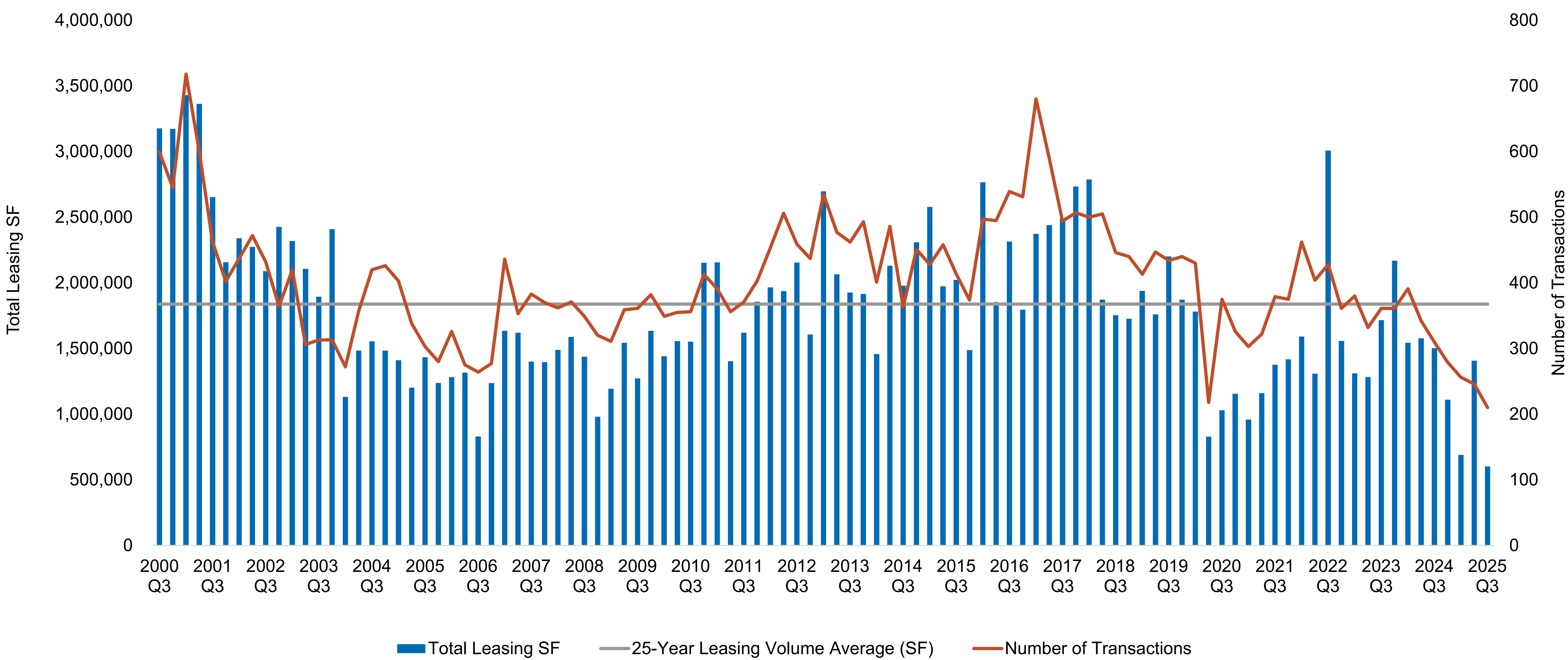


Source: Newmark Research

Office Leasing Activity Drops Sharply During Third Quarter

Total leased square feet declined sharply in the third quarter of 2025, dropping from 1.4 million SF in the second quarter to just over 601,000 SF. Additionally, the total number of transactions fell by 14.60% during the third quarter.

Metro Detroit Total Office Leasing Activity



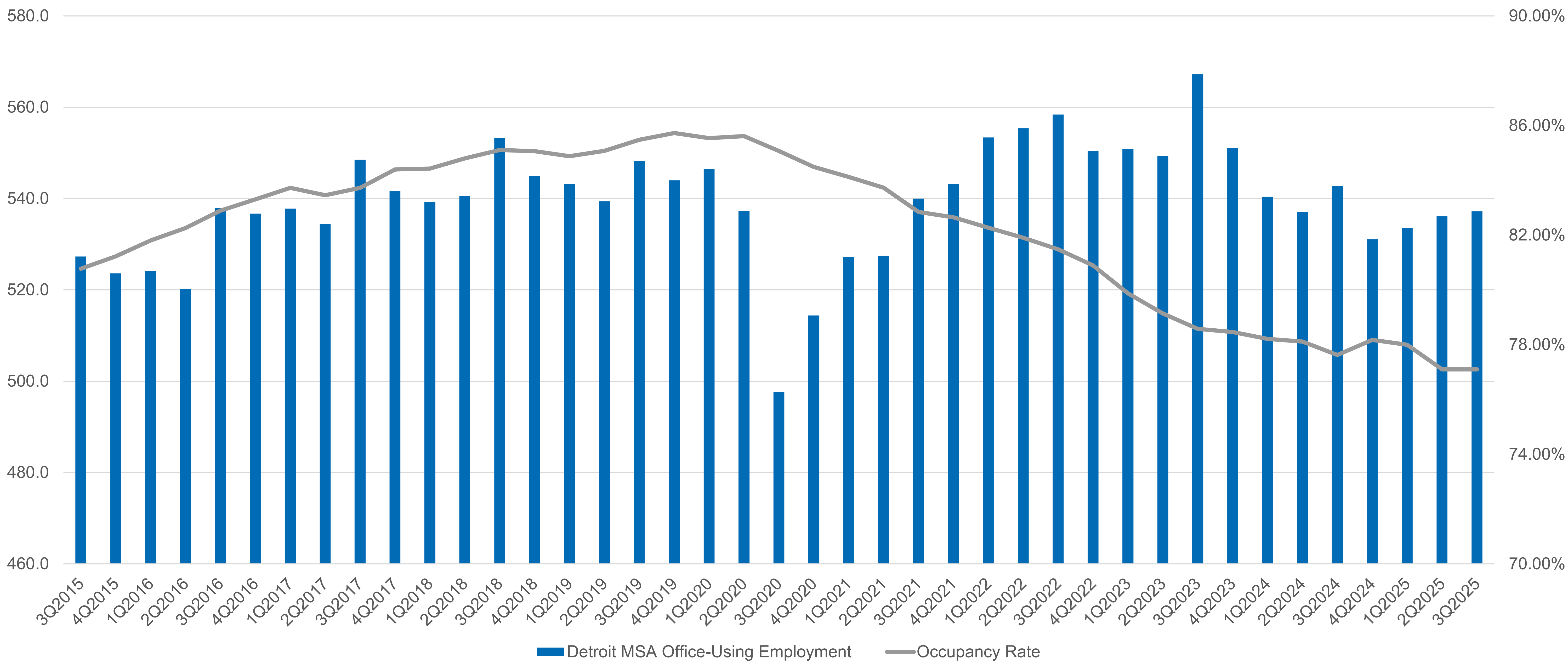
Source: Newmark Research, CoStar

Source: Costar

Overall Office-Using Employment Portends Greater Office Demand

Office-using employment is a key leading indicator for future office demand. The most recent data from August 2025 indicate an encouraging increase in office-using employment. With hiring picking up, office demand is likely to improve in the coming quarters.

Office-Using Employment* and Office Occupancy Levels

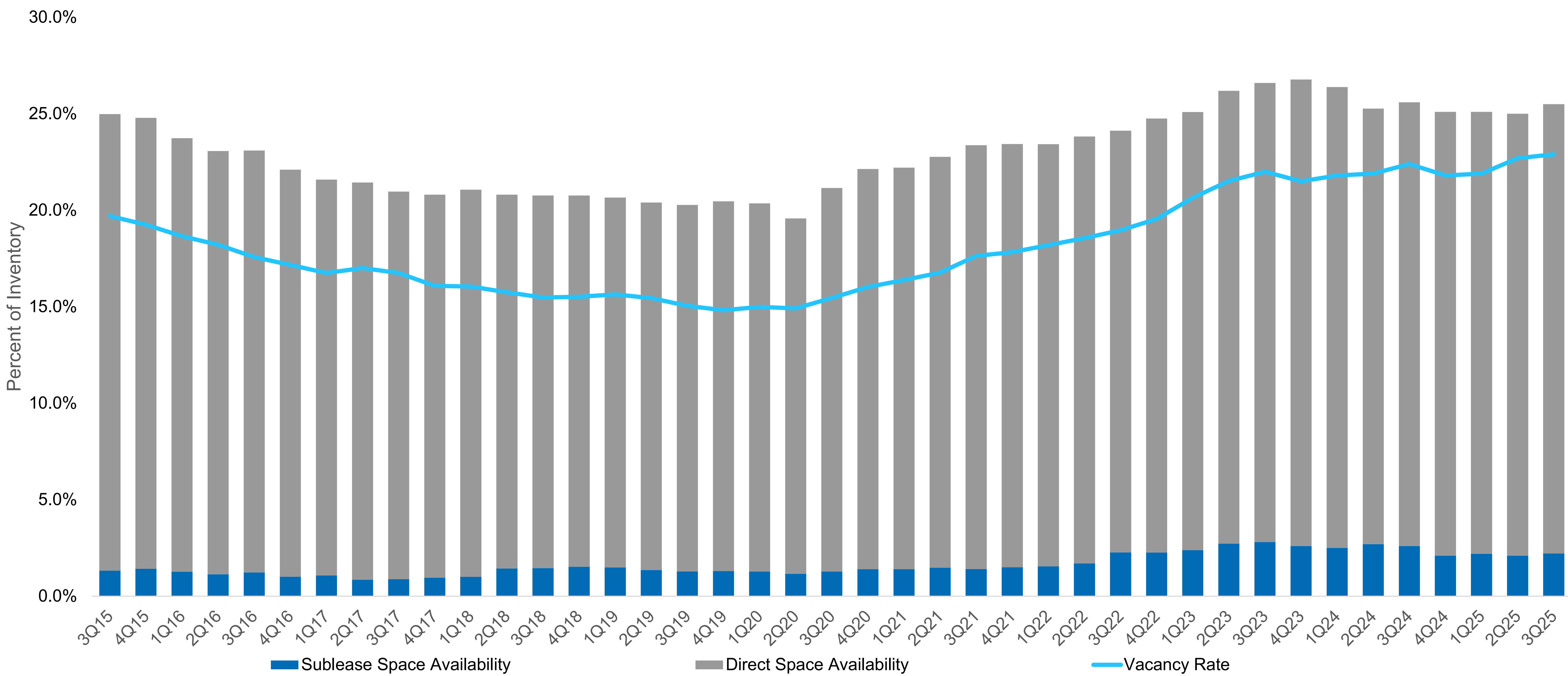


Source: U.S. Bureau of Labor Statistics, Detroit MSA
*Professional and Business Services, Financial Activities and Information

Direct and Sublease Available Space Trend Upward

Overall sublease space continued to trend up during the third quarter to nearly 1.8 million SF. Mercedes-Benz's 200,000-square-foot headquarters on Twelve Mile Rd in Farmington Hills was the largest new sublease added to the market.

Available Direct & Sublease Space and as Percent of Overall Market

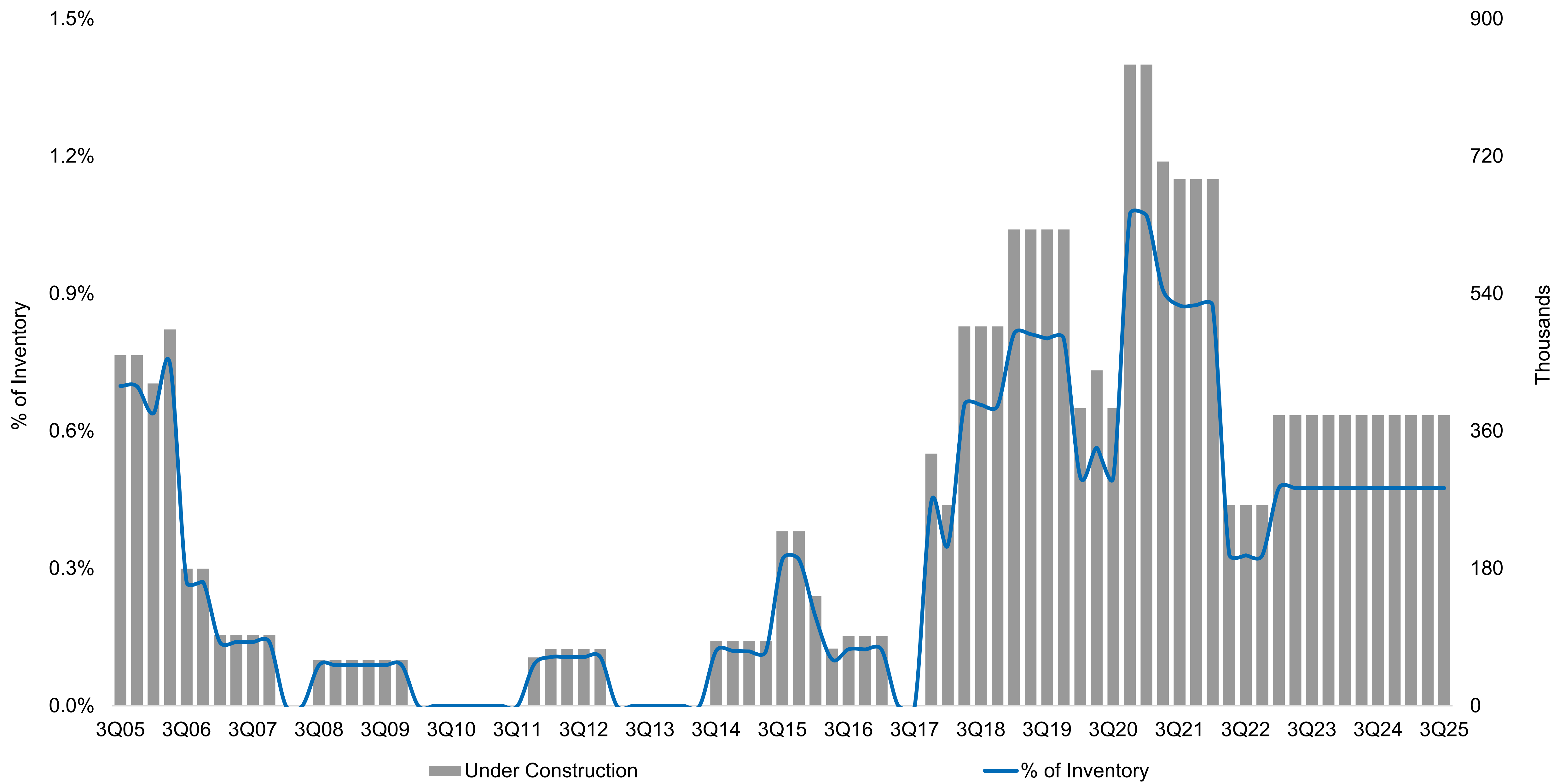


Source: Newmark Research

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 and will be occupied by GM, Ven Johnson Law and Accenture.

Office Under Construction and % of Inventory

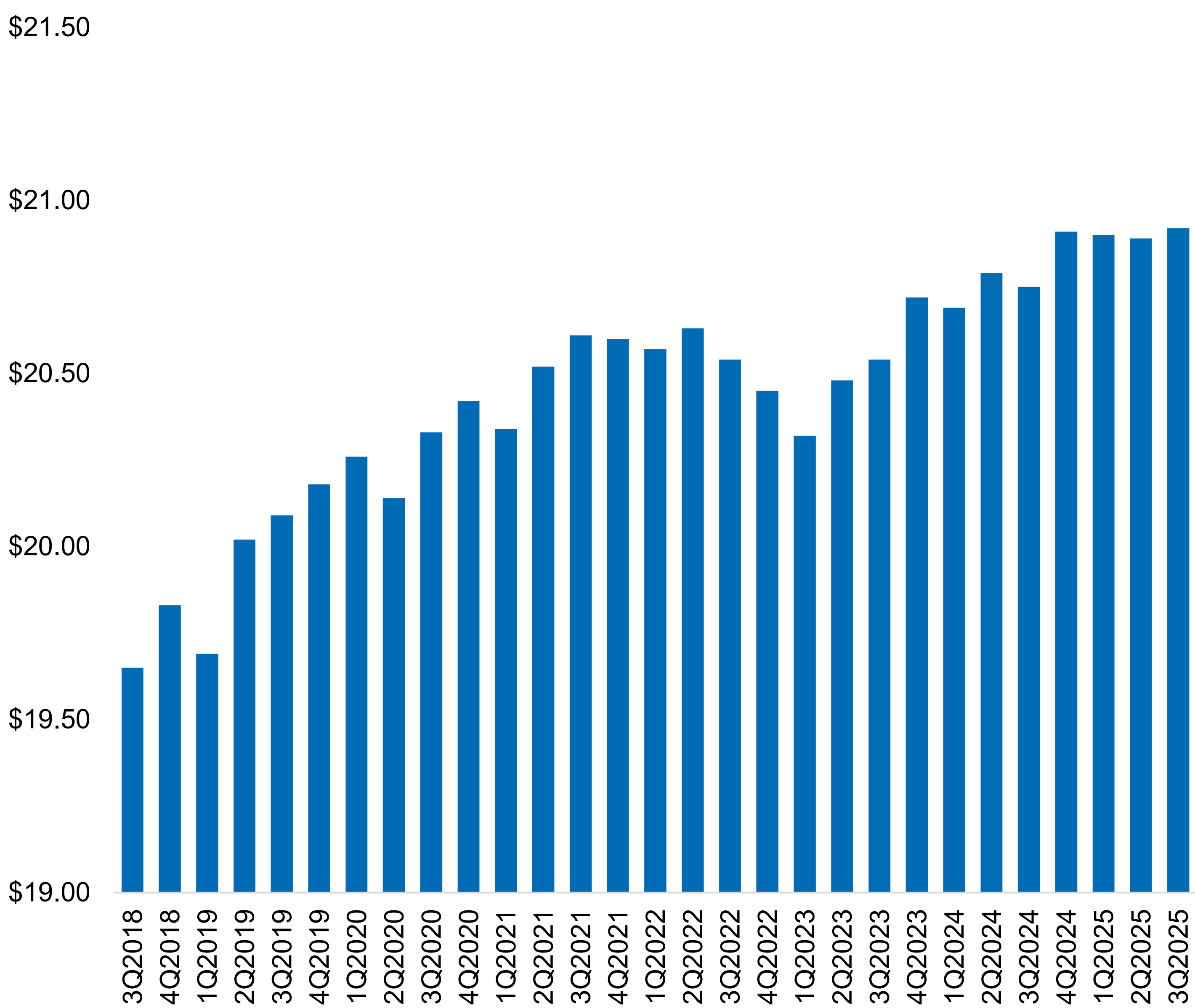


Source: Newmark Research

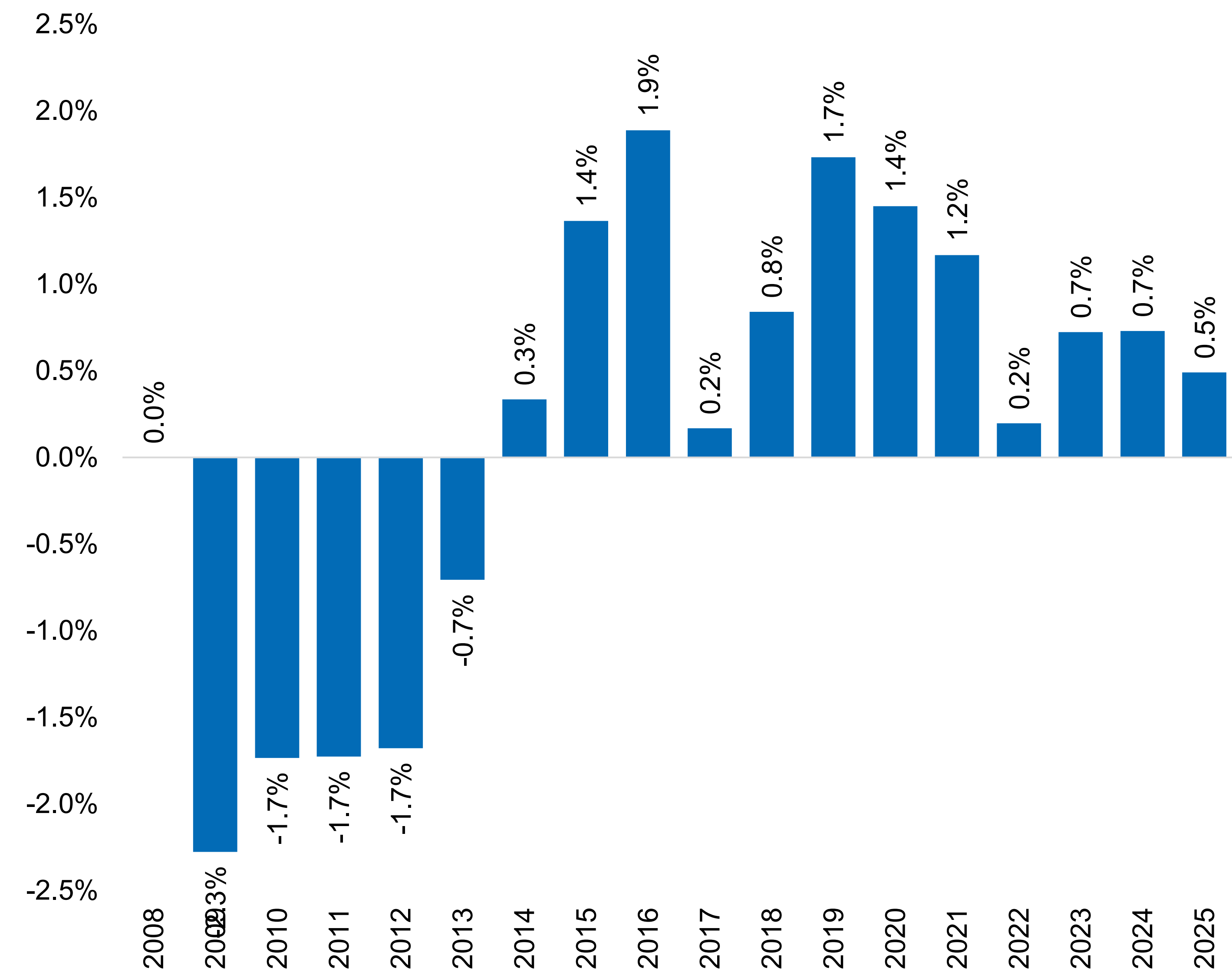
Average Asking Rent Declines During The Quarter, But Up YOY

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

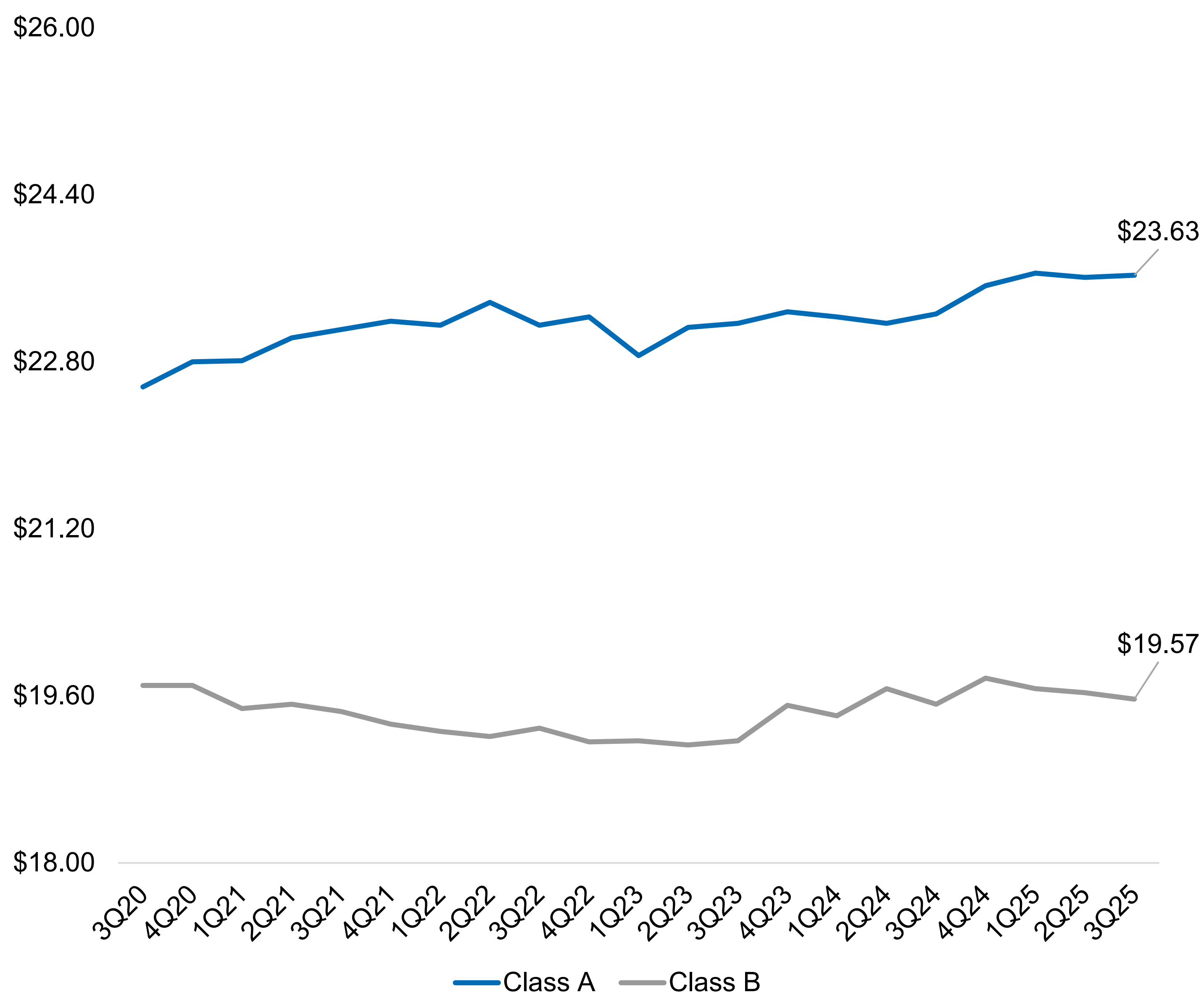


Source: Newmark Research

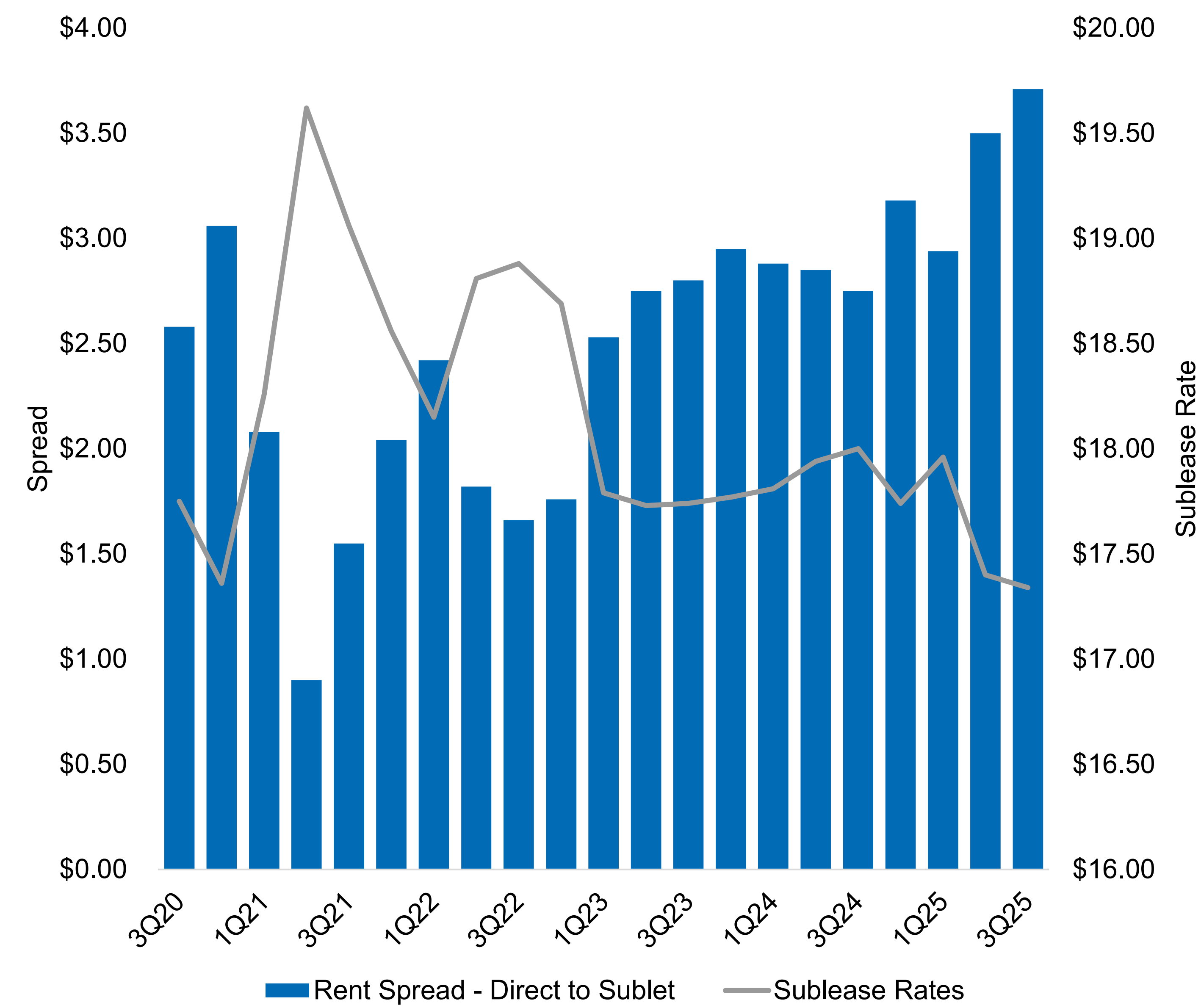
Direct Asking Rates Increase as Sublease Space Becomes More Affordable

Class A asking rates increased by $0.02 PSF during the third quarter of 2025, to $23.63 PSF gross. Class B rates declined by $0.06 per square foot to $19.57 PSF gross. Meanwhile, the average sublease asking rate dropped by $0.06 per square foot to $17.34 PSF, widening the spread between direct and sublease rates to $3.71 PSF.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research

3Q 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	21.3 %	-8,379	-268,069	$28.03	$24.66	$25.69
CBD North Central	1,623,604	-	15.1 %	-12,821	-14,344	$30.00	$21.17	$23.66
CBD Total	**17,051,643**	**380,821**	**20.7 %**	**-21,200**	**-282,413**	**$28.17**	**$24.20**	**$25.50**
Ann Arbor Briarwood	2,301,862	-	26.9 %	-154,159	-148,266	$27.96	$20.86	$23.02
Ann Arbor CBD	1,336,823	-	13.7 %	-2,327	684	$33.87	$28.55	$31.10
Ann Arbor Northeast	2,053,840	-	8.2 %	53,674	127,830	$29.13	$22.20	$28.87
Auburn Hills	3,291,327	-	26.9 %	203	-163,848	$20.32	$19.76	$20.09
Birmingham	258,752	-	4.9 %	-5,496	15,719	-	$27.00	$26.90
Birmingham CBD	1,270,864	-	9.4 %	-12,857	-11,172	$42.05	$31.30	$35.38
Bloomfield Hills	3,031,190	-	19.6 %	26,129	37,841	$25.07	$22.76	$24.03
Dearborn	2,962,871	-	21.0 %	10,197	30,383	$21.17	$16.85	$18.17
Farmington Hills	6,724,127	-	20.6 %	-19,422	111,759	$19.80	$19.07	$19.37
Livonia	3,360,051	-	29.9 %	-12,964	-158,354	$18.97	$17.78	$18.72
Novi	1,689,457	-	28.0 %	-1,060	-83,172	$21.79	$20.25	$21.00
Pontiac	2,364,852	-	0.8 %	2,000	-	-	-	$10.60
Southfield	17,232,108	-	29.2 %	-93,654	-249,250	$21.54	$17.27	$18.61
Troy	13,754,822	-	25.2 %	48,571	-14,493	$26.23	$18.49	$19.86
West Bloomfield	557,771	-	6.9 %	-196	13,971	$20.20	$19.48	$19.68
Suburban Total	**62,190,717**	**-**	**23.5 %**	**-161,361**	**-490,368**	**$22.54**	**$18.66**	**$19.88**
Totals	**79,242,360**	**380,821**	**22.9 %**	**-182,561**	**-772,781**	**$23.63**	**$19.57**	**$20.92**

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

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