

PERSPECTIVE Q2 2021

METROPOLITAN DETROIT COMMERCIAL REAL ESTATE



SIX WAYS OUR TEAM CAN HELP YOUR BUSINESS TRANSITION BACK TO THE WORKPLACE

Levi Smith | Principal & Mike Gunn | Associate | P.A. Commercial

After nearly a year and a half of encouraging working from home, social distancing, and mask wearing – conditions in Michigan and throughout the United States are starting to open back up as the percentage of inoculated persons increase and the threat of serious complications due to contracting COVID-19 declines.

COVID restrictions ended throughout Michigan on June 22nd and life has started to return to the pre-pandemic state. Whether you are requiring your employees to be present in the office five days a week or adopting a hybrid work schedule, there are several critical things to consider so that your employees feel safe as they transition back to the workplace.

While getting vaccinated is a personal choice, the most important step you can take is to strongly urge your employees to get vaccinated.

We understand that an employer's strategy for reopening most likely depends on your industry and your company's resources, however, the brokerage team at P.A. Commercial can help you create a proactive return to work plan that is unique to your business needs. Here are six ways our brokerage team can provide expertise and guidance to return to work safely:

1. IMPLEMENT A "RETURN TO WORK" PLAN

Returning to the workplace will take some adjusting to, and it's important for business leaders to objectively assess their businesses performance during this time. From an operational standpoint, business leaders need to take into account how to introduce employees back to on-site work. Organizations need to lay out all options and select an approach that best aligns with business objectives while also factoring in employee needs.



PERSPECTIVE Q2 2021

METROPOLITAN DETROIT COMMERCIAL REAL ESTATE

2. REVISIT PROGRAMMING/DESIGN STRATEGY

With understanding how you want to implement a plan on returning to work, programming your space will help to maximize your goals for how you will want your office to function. Work flow plays a major role in an office's efficiency - perhaps it's time to revisit who needs to be working by who in your office. The design of your office should not be limited to how you will program your office. A space that inspires creation, innovation and collaboration is still as important now as it was before.

3. ENGAGE A SPACE PLANNER

We work with the best space planning consultants in metro Detroit and will formulate a game plan that best addresses your company's needs. Some areas where using a space planner can help are:

- Evaluate Re-entry processes
- Sanitation stations
- Rearrange/eliminate furniture/cubicles
- Implement a hoteling process for employees who will work at home part time. Hoteling is desk sharing where employees take a different desk each day, either first come first serve or via an online reservation system. This permits former desk space area to be subleased if hoteling results in under-use.

Space planners work with several different types of industries are the experts when it comes to creating the ideal work space for your business.

4. RAMP-UP SANITATION EFFORTS

We will help find professional cleaners to come in and deep clean all work surfaces and common spaces. They should use soap and water and avoid hydrogen peroxide or bleach-like solutions that can be toxic, according to Dr. Delphine Farmer, an atmospheric chemist at Colorado State University who was recently quoted in a recent article

regarding returning to work in the *New York Times*. Additionally, we will help you formulate a plan to regularly sanitize your space to protect your staff and clients from germs. Other sanitation efforts we suggest improving are:

- Change HVAC filters more often - Landlords should use MERV 13 filters of higher. Ideally, air should be changed in a room 4-6 times per hour.
- Install "Sanitizer Stations" in common areas of the workplace, such as by elevators, bathrooms, kitchenettes, and before entering conference rooms
- Seek Well Certification – The WELL Building Standard version 2 is a vehicle for buildings and organizations to deliver more thoughtful and intentional spaces that enhance human health and well-being. Having a building that is WELL certified gives Tenants the peace of mind that their space is safe and sanitary.

5. EVALUATE YOUR LEASE AT END OF TERM

Is your current space working for you for long-term growth? Maybe its time to create a rent vs. own analysis. If certain departments will continue to work from home, a smaller space might be better/ cost effective. In addition, subleasing excess space because your employees are regularly working from home could also be a wise financial decision.

6. COMMUNICATE WITH YOUR BROKER

Continue to communicate and work with your broker. We are experts in the commercial real estate market and can keep you updated on trends and pricing as market conditions evolve. Don't be afraid to ask us questions! We speak with Tenants and Landlord's on a daily basis. We have a keen understanding of what your concerns are and we are here to help!

OFFICE MARKET REPORT

METRO DETROIT

Q2
2021

Offices are slowly starting to open, but the overall employee footprint within the office space remains uncertain as workers continue to cite a preference for working from home. This has resulted in dampened leasing activity and a six-year high in subleasing activity.

LEASING

Leasing volume cautiously increased to 1.1 million SF signed and ended up 21% higher than at the end of 20Q4 but remained below historical leasing volumes. Asking rents dipped below \$21/SF but still average the highest in the State. The average vacancy rate for office in the Detroit submarket is currently 11.4%, which is a slight increase from the end of 21Q1, but is still lower than the national average of 12.3%. The amount of available sublease space reached a five-year high with 1.75 million SF available.

SALES

Overall transaction activity remains well below average deal volume for the past three years. While private equity buyers were behind many of the top transactions in the first quarter, the largest sale of the quarter went to institutional investor Harbor Group International, which closed a deal on March 1 for \$58 million (\$322.22/SF.)

CONSTRUCTION

Development activity has continued in Detroit, with over half of new construction centered within the Central Business District and New Center. The CBD currently has just over 1 million SF under construction, and New Center has 600,000 SF underway. Detroit West of Woodward has almost 500,000 SF in the pipeline.

FEATURED OFFICE/RETAIL LISTINGS IN THE METRO-DETROIT AREA



FOR SALE/LEASE | FARMINGTON



FOR SALE | TROY



FOR SALE | CLINTON TWP.

Metro Detroit's Office Market Statistics

Market Area	Inventory SF	Vacancy %	Market Rent p/SF	Market Sale p/SF	SF Under Construction	Market CAP Rate
The Pointes/Harper Woods	1.4 M	7.1%	\$22.38	\$107	0	9.9%
CBD	27.2 M	9.3%	\$24.85	\$126	1.1 M	9.5%
Detroit - W of Woodward	5 M	12.7%	\$20.62	\$98	458 K	9.8%
Detroit - E of Woodward	5.7 M	12.7%	\$21.96	\$102	0	9.9%
Southfield	23.9 M	16.7%	\$18.12	\$95	0	9.3%
Farmington	9.8 M	9.8%	\$20.64	\$124	200 K	9.1%
Southern I-275 Corridor	12.3 M	11.2%	\$19.01	\$116	142 K	9.3%
Central I-96 Corridor	6.3 M	13.1%	\$23.50	\$147	0	8.9%
Troy North	5.4 M	18%	\$20.61	\$99	0	9.5%
Troy South	13.1 M	23.4%	\$20.85	\$98	0	9.6%
Royal Oak	5.6 M	8.4%	\$20.39	\$103	140 K	9.4%
Macomb West	9.5 M	9.7%	\$17.90	\$102	14.3 K	9.7%
Macomb East	8.3 M	8.6%	\$17.33	\$100	67.3 K	9.8%
Airport District	3 M	6.3%	\$18.75	\$102	8 K	9.8%

For additional market information, contact P.A. Commercial. Source: CoStar.

INDUSTRIAL MARKET REPORT

METRO DETROIT

Q2
2021

The Detroit industrial sector has been resilient and one of the top performers among the commercial real estate sectors over the past year. While the manufacturing segment of the economy struggled through state-mandated shutdowns during the COVID-19 pandemic, the industrial sector was buoyed by increased demand for e-commerce-related warehousing, logistics, and last-mile delivery locations.

LEASING

Industrial rent growth in Detroit has moderated in recent quarters but remains healthy, with year-over-year gains of 5.5% - outpacing the national average. The average vacancy rate for industrial in the Detroit submarket is currently 4.7%, which is a slight increase from the end of 21Q1, but is still lower than the national average of 5.3%.

SALES

12-month sales volume this quarter totaled nearly \$653 million, up 21% from the last quarter. While Cap rates held steady throughout 2020 into this year, sale prices drifted higher in Detroit, averaging \$61/SF, which is among the highest in the region.

CONSTRUCTION

Development activity has accelerated in recent quarters, with 7.1 million SF underway. This is still a modest figure, and space under construction represents just 1.2% of inventory. A one-million SF Amazon distribution center in Pontiac is behind the largest project underway, which is slated to deliver in 21Q4.

FEATURED INDUSTRIAL LISTINGS IN THE METRO-DETROIT AREA



FOR SUBLEASE | ROCHESTER HILLS



FOR LEASE | LIVONIA



FOR SALE | COMMERCE TWP.

Metro Detroit's Industrial Market Statistics

Market Area	Inventory SF	Vacancy %	Market Rent p/SF	Market Sale p/SF	SF Under Construction	Market CAP Rate
Airport District	53.7 M	5.8%	\$7.15	\$56	1.9 M	8.9%
Detroit East	45.9 M	11.5%	\$5.59	\$47	50 K	8.8%
Detroit West	47.5 M	8.1%	\$5.40	\$44	0	9.3%
Groesbeck Central	15.6 M	3.4%	\$7.24	\$60	0	9.5%
Groesbeck South	19.6 M	3.3%	\$6.53	\$57	0	9.3%
Groesbeck North	32.2 M	2.9%	\$7.56	\$69	232 K	8.9%
W of Van Dyke/Macomb	63.6 M	1.6%	\$7.96	\$67	80.2 K	8.5%
Auburn Hills, Pontiac, Rochester	48.8 M	4.7%	\$8.25	\$79	968 K	8.7%
Royal Oak	14.9 M	2.0%	\$7.18	\$72	1.2 M	9.1%
Livonia	42.3 M	3.3%	\$7.50	\$63	365 K	8.7%
Central I-96 Corridor	34.4 M	4.1%	\$9.29	\$83	1.6 M	8.8%
Southern I-275	19.3 M	5.7%	\$7.19	\$57	290 K	9.0%
Southfield	6.2 M	4.9%	\$8.46	\$73	0	9.1%
Farmington/Farmington Hills	11.7 M	6.2%	\$8.69	\$72	0	9.0%
Troy Area East	12.6	5.6%	\$7.86	\$71	0	9.3%
Troy Area West	9.2 M	3.3%	\$8.70	\$76	0	8.9%

For additional market information, contact P.A. Commercial. Source: CoStar.

RECENT TRANSACTIONS

OFFICE | INDUSTRIAL | RETAIL

Q2
2021

Below is a sample of office and industrial listings that the P.A. Commercial brokerage team have sold or leased during Q1 - Q2 2021.

For a full list of industrial, retail, land, and other investment opportunities - please visit www.pacommercial.com



INDUSTRIAL SALE - AUBURN HILLS



OFFICE/RETAIL SALE - ROYAL OAK



INDUSTRIAL SALE - FARMINGTON



RETAIL LEASE - FARMINGTON



OFFICE SALE - HARPER WOODS



INDUSTRIAL LEASE - NOVI



OFFICE SALE - GROSSE POINTE WOODS



RETAIL LEASE - PONTIAC



OFFICE LEASE - TAYLOR

DEALS AND DOINGS FOR THE P.A. COMMERCIAL TEAM!

Q1
2021



FROM THE HEADLINES | RE JOURNALS

P.A. COMMERCIAL INKS DEAL ON 95,000 SF FOUR-STORY OFFICE BUILDING IN SOUTHFIELD

P.A. Commercial closed the sale of 26700 Lahser Road, a 95,000-square-foot office building located at the corner of Lahser Road and Northwestern Hwy. Matthew Schiffman, senior associate with P.A. Commercial represented the seller in this transaction. The buyer is 26700 Lahser, LLC. The seller is leasing back a portion of the building and the buyer plans to continue leasing the balance of the vacancy.

[READ MORE](#)



FROM THE HEADLINES | RE JOURNALS

SECOND TIME'S A CHARM: DAN BLUGERMAN SELLS FARMINGTON HILLS OFFICE BUILDING

Longtime home to Nudell Architect's Michigan location, this building closed for \$1,150,000. Previously, Dan Blugerman had offered the building for sale/lease at another firm but did not reach a successful deal. This second time around, the building was on the market for 10 months during the Coronavirus pandemic and was listed for \$1,250,000

[READ MORE](#)

CoStar™
POWERBROKER™ AWARD
THE BEST OF THE BEST

2020 WINNER

P.A. COMMERCIAL WINS 2020 COSTAR POWER BROKER AWARD

CoStar Group announced on March 1st, the recipients of the 2020 CoStar Power Broker Award, recognizing professionals and firms who closed the highest transaction volume in commercial real estate deals in their respective markets. In the Detroit market, P.A. Commercial has been recognized as one of the most active local #dealmakers, winning the 2020 **CoStar Power Broker Award as a Top Leasing Firm!** This will be the seventh time our firm has received this prestigious award in the leasing category.