



Q2 MARKET 24 REPORT

INSIGHTS INTO METRO DETROIT'S
COMMERCIAL REAL ESTATE LANDSCAPE



P.A. COMMERCIAL
Corporate & Investment Real Estate



Q2 OFFICE 24 MARKET

METRO DETROIT COMMERCIAL REAL ESTATE

OFFICE MARKET REPORT

METRO DETROIT

Q2 2024



VACANCY RATE

11.9%



12 MONTH
NET ABSORPTION

-256K



LEASE RATE (AVG)

\$21.89/SF



SALE PRICE (AVG)

\$62/SF



UNDER CONSTRUCTION

1.7M SF

With vacancies and availabilities near the highest level in seven years, the future of Detroit's office market is still uncertain. Although the demand for office space has decreased overall, leases are still being signed as companies continue repositioning. However, much of this activity reflects downsizing firms that are looking for smaller suburban spaces.

LEASING

Over the past year, the total net absorption ended up negative, with annual net absorption at roughly -540,000 SF as of 24Q2. Weakness is concentrated in Southfield, Troy, Bloomfield, and some of the urban submarkets of Detroit. Suburban submarkets have registered modest leasing increases over the past 12 months, with positive absorption growing from only a handful of submarkets at the end of 2023 to about 40% of the area's submarkets since the start of 2024. Leading the area is the CBD, where roughly 503,462 SF was absorbed by the market over the past year. The Downtown Detroit Partnership cites that the average number of workers in the downtown area daily during September 2019 was roughly 71,845. As of March 2024, that figure was just over 34,853 workers downtown daily.

Most of Detroit's submarkets have returned to positive rent growth, with only a handful in negative territory.

SALES

As of this spring, the number of office transactions and volume continued to fall, with the \$470 million traded over the past 12 months from 390 recorded transactions below the historical averages. While the CBD led the area for sales over the past year, Pontiac, Birmingham, and the Southern I-275 Corridor each had just over \$20 million in sales volume. Stabilized assets that are fully leased received the majority of attention, but even this set of properties experienced declines from the asking price to the final sales price.

Q2 NOTABLE OFFICE LEASE TRANSACTIONS



77,054 SF

4685 Investment Dr, Troy
Tenant: Undisclosed



49,950 SF

4110 Plymouth Rd, Plymouth
Tenant: Victor Home Solutions



45,882 SF

21440 NW Hwy, Farmington Hills
Tenant: Sam Bernstein Law Firm

Q2 NOTABLE OFFICE SALE TRANSACTIONS



42,379 SF (100% OCCUPIED)

28455 Haggerty Rd, Novi
Sale Price: \$9,300,000



123,488 SF (VACANT)

901 Tower Dr, Troy
Sale Price: \$6,818,390



300,000 SF (VACANT)

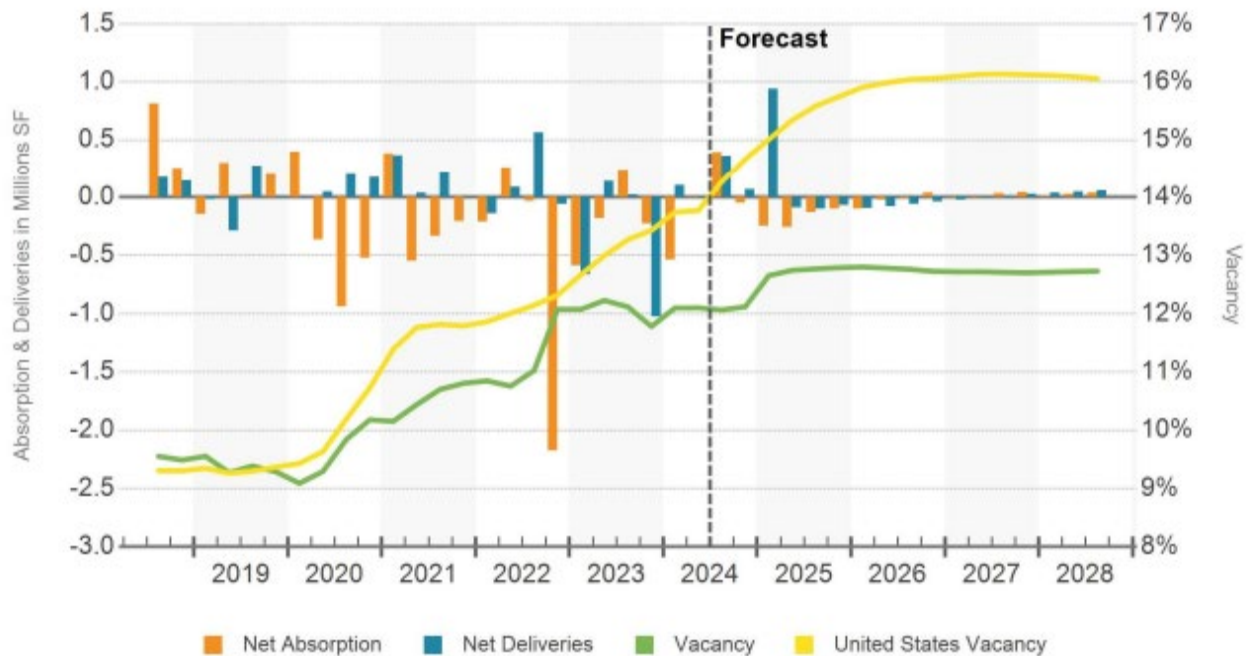
25300-25330 Telegraph Rd, Southfield
Sale Price: \$3,433,750

OFFICE MARKET REPORT

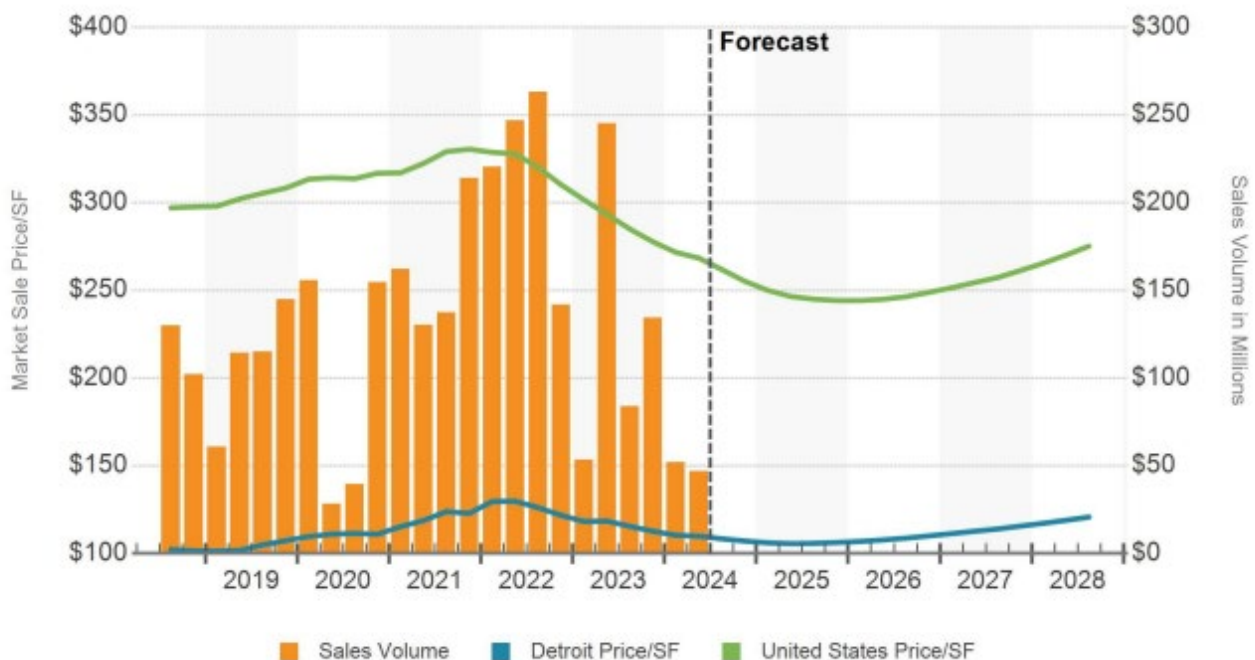
METRO DETROIT

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NET ABSORPTION, NET DELIVERIES & VACANCY



SALES VOLUME & MARKET SALE PRICE P/SF



OFFICE MARKET REPORT

METRO DETROIT

Q2 2024

CONSTRUCTION

The 1.5 million SF of space currently underway should have a minimal impact on market fundamentals, as it represents less than 1% of the area's inventory. If anything, the delivery of newer space on the market may help stabilize rents as newer amenity-rich office space is still in demand for those tenants willing to sign a lease.

A prominent development underway is at 1208 Woodward on the former site of the demolished iconic J.L. Hudson's flagship location, which was the world's tallest department store at one point. Bedrock Management is developing the 1.4 million-SF mixed-use property, of which 558,000 SF will be office space. The building, which broke ground in 2017 and has a projected completion date of December 2024, will have retail, residential, a hotel, a 1,250-person event space, and a street-level market.

OFFICE MARKET STATISTICS

Market Area	Inventory SF	Vacancy %	Market Rent p/SF	Market Sale p/SF	SF Under Construction	Market CAP Rate
Auburn Hills	9.9M	9.3%	\$23.47	\$125	0	10.8%
Birmingham	4.6M	7.3%	\$29.66	\$150	35.4K	10.5%
CBD	27.4M	10.8%	\$24.99	\$126	570K	10.6%
Central I-96 Corridor	6.4M	11.8%	\$24.81	\$147	0	10.3%
Detroit - W of Woodward	5.1M	7.2%	\$21.41	\$101	529K	11.1%
Detroit - E of Woodward	6.3M	16.3%	\$23.04	\$102	0	11.2%
Farmington/Farm Hills	9.6M	21.6%	\$21.04	\$125	0	10.5%
Macomb East	8.6M	8.2%	\$18.83	\$91	0	12%
Macomb West	9.7M	9.3%	\$18.28	\$91	10K	11.9%
Rochester	2.9M	9.1%	\$22.50	\$112	16.6K	11.6%
Royal Oak	5.7M	10%	\$22.19	\$106	156K	11.1%
Southern I-275 Corridor	12.8M	12.4%	\$20.21	\$122	0	10.7%
Southfield	23.7M	22.8%	\$19.66	\$101	0	10.5%
Troy North	5.7M	12.7%	\$21.14	\$103	0	11.1%
Troy South	12.5M	16.9%	\$21.53	\$100	0	11.1%
The Pointes/Harper Woods	1.4M	9%	\$24.27	\$113	0	11.3%

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

P.A. COMMERCIAL // Q2 SELECT OFFICE TRANSACTIONS



3,150 SF
CREATIVE/LOFT BUILDING
114 Rayson St, Northville
Deal Type: Investment Sale



2,162 SF
OFFICE SUITE
33300 Five Mile Rd, Livonia
Deal Type: Lease (5-years)



6,499 SF
OFFICE SPACE
39201 W 7 Mile Rd, Livonia
Deal Type: Tenant Rep
Tenant: Michigan Institute of Dermatology



2,616 SF
OFFICE/MEDICAL BUILDING
27459 5 Mile Rd, Livonia
Deal Type: Sale



Q2 INDUSTRIAL 24 MARKET

METRO DETROIT COMMERCIAL REAL ESTATE

INDUSTRIAL MARKET REPORT

METRO DETROIT

Q2 2024



VACANCY RATE
4.0%



12 MONTH
NET ABSORPTION
2.8M



LEASE RATE (AVG)
\$8.59/SF



SALE PRICE (AVG)
\$74/SF



UNDER CONSTRUCTION
2.4M SF

Detroit's industrial market remains robust despite economic pressures, as speculative construction remains limited. The availability rate of 5.5% is below the U.S. average, reflecting strong demand. Since the Detroit area has a more digestible amount of industrial space underway that's largely pre-leased, the market's vacancy rate is likely to stabilize under 4% over the next few years.

LEASING

Detroit's industrial market has been operating near capacity for almost half a decade, with vacancies and availabilities running below the U.S. average since 2015. Industrial leasing momentum has been most robust at the outer fringes of Detroit's sprawling suburbs along critical transportation routes for logistics properties in submarkets like the Airport District and Central I-96 Corridor and a mix of manufacturing and logistics buildings along the M-53 stretching northward from downtown Detroit through the northern suburbs.

Detroit's industrial rents have grown by 3.9% over the past 12 months, falling short of the average U.S. industrial rent gains over the same period of 4.9%. As long as consumer e-commerce spending continues at current levels, along with customer expectations for rapid delivery, there is a slight upside potential to the rent forecast, given that vacancies are still expected to remain near historic lows through at least 2025.

SALES

As of 24Q2, roughly 500 recorded sales transactions have occurred over the past 12 months. Some of the top submarkets for sales transactions included the Airport District, Central I-96 Corridor, and Auburn Hills, Pontiac & Rochester, as investors zeroed in on geographic areas best situated for logistics facilities. The Airport District Submarket, captured roughly 20% of the Detroit area's sales, with \$99.8 million worth of properties changing hands.

Q2 NOTABLE INDUSTRIAL LEASE TRANSACTIONS



163,800 SF
12001 Toepfer Rd, Warren
Tenant: Undisclosed



150,102 SF
800 Standard Pky, Auburn Hills
Tenant: Convergix Automation Solutions



81,000 SF
12601 Southfield Fwy, Detroit
Tenant: Parsec

Q2 NOTABLE INDUSTRIAL SALE TRANSACTIONS



121,263 SF (VACANT)
1700 Atlantic Blvd, Auburn Hills
Sale Price: \$12,600,000



74,026 SF (VACANT)
55 E Silverdome Industrial Park, Pontiac
Sale Price: \$8,350,000



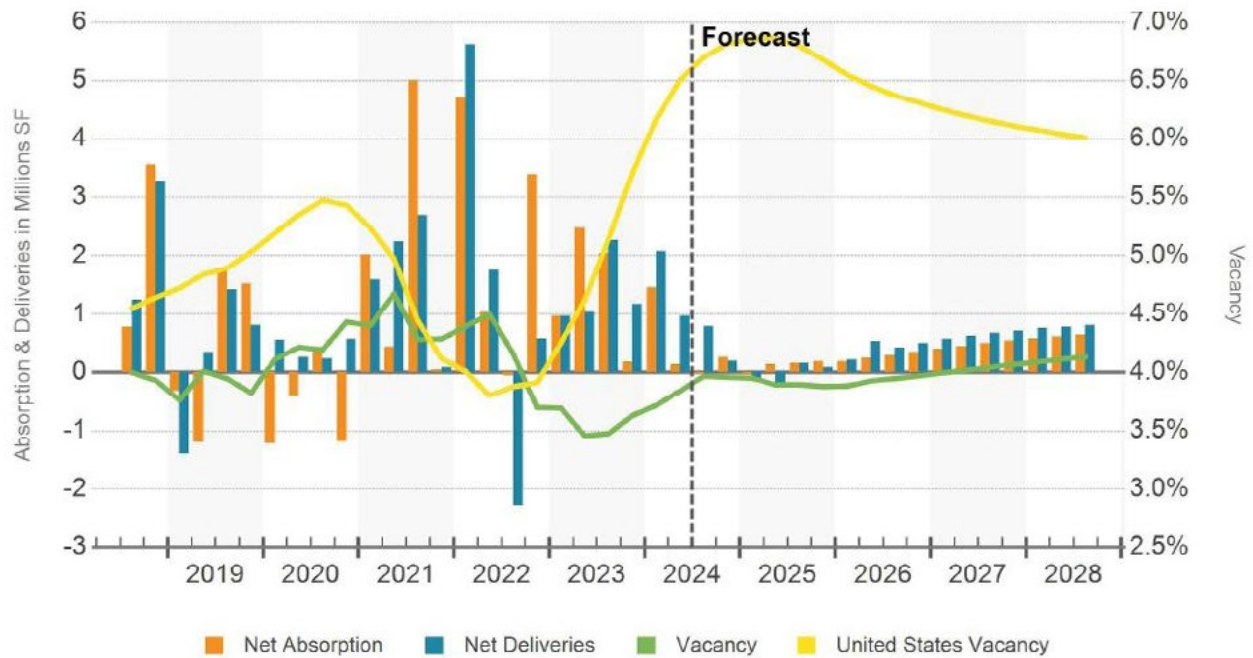
38,000 SF (100% OCCUPIED)
15620 Technology Dr, Northville
Sale Price: \$4,700,000

INDUSTRIAL MARKET REPORT

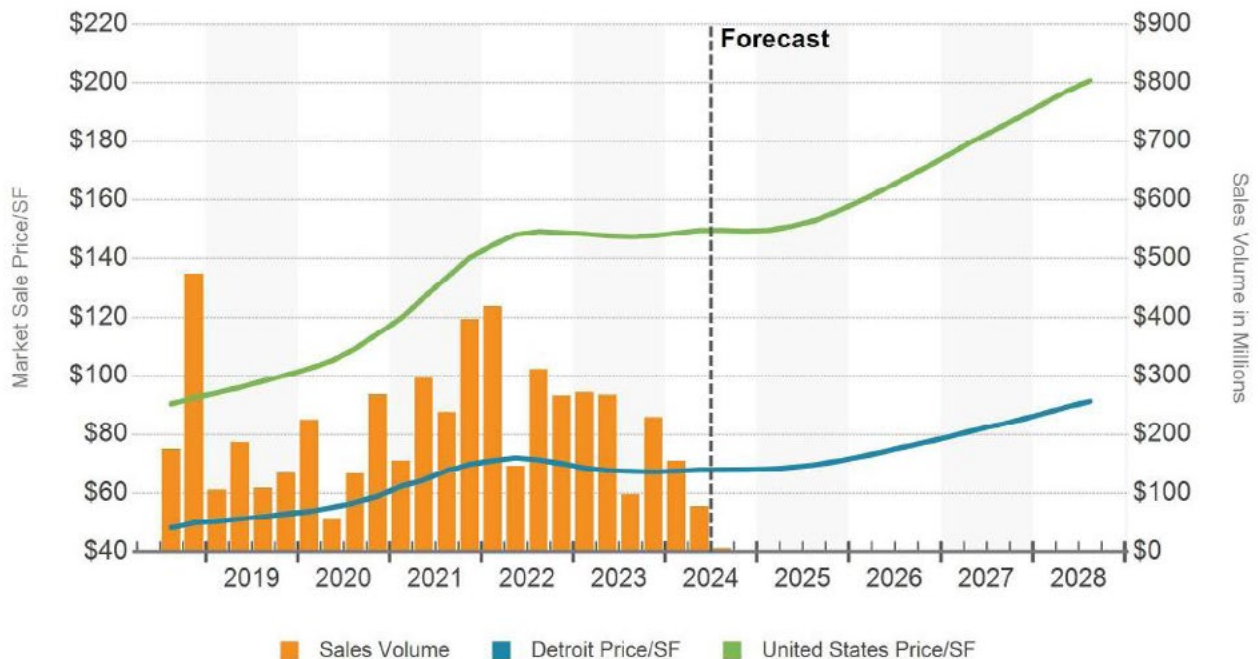
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SALES VOLUME & MARKET SALE PRICE P/SF



INDUSTRIAL MARKET REPORT

METRO DETROIT

Q2 2024

CONSTRUCTION

The industrial development pipeline in the Detroit area has been delivering properties at a regular cadence over most of the past decade, but midway through 24Q2, construction starts have recently declined to the lowest levels since 2013. The Detroit area avoided the surge of spec properties experienced in other cities nationwide over the past few years, allowing the market enough time to absorb freshly delivered space.

Most industrial projects currently underway are clustered around three submarkets: Auburn Hills, Pontiac & Rochester, the Airport District, and the Central I-96 Corridor due to their proximity to transportation infrastructure, workforce housing, and supplier proximity, improving supply chain efficiencies.

INDUSTRIAL MARKET STATISTICS

Market Area	Inventory SF	Vacancy %	Market Rent p/SF	Market Sale p/SF	SF Under Construction	Market CAP Rate
Airport District	59.1M	3.6%	\$8.57	\$64	535K	10.5%
Auburn Hills, Pontiac, Rochester	57M	4.4%	\$9.73	\$89	1.4M	10.1%
Central I-96 Corridor	37.2M	4.1%	\$10.92	\$91	354K	10.5%
Detroit East	44.4M	5.8%	\$6.83	\$54	0	10.9%
Detroit West	51.3M	8%	\$6.39	\$49	20K	11.1%
Farmington/Farmington Hills	12M	6%	\$10.31	\$81	79K	10.6%
Groesbeck Central	15.8M	1.4%	\$8.57	\$66	30.2K	11.5%
Groesbeck North	33.7M	3.4%	\$9.09	\$77	117K	10.7%
Groesbeck South	20M	2.8%	\$7.88	\$60	0	11.4%
Livonia	43.1M	3%	\$8.84	\$69	13.9K	10.4%
Royal Oak	15.9M	3.7%	\$8.81	\$76	0	11%
Southern I-275	20M	1.4%	\$8.54	\$64	29.3K	10.6%
Southfield	6.4M	2.6%	\$9.77	\$78	0	11%
Troy Area Central	9.3M	3.9%	\$8.97	\$78	0	11%
Troy Area East	12.5M	4.2%	\$9.35	\$79	0	11.3%
Troy Area West	9.2M	5%	\$10.39	\$86	0	10.6%
W of Van Dyke/Macomb	64.4M	1.4%	\$9.40	\$72	0	10.5%

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

P.A. COMMERCIAL // Q2 SELECT INDUSTRIAL TRANSACTIONS



32,480 SF
WAREHOUSE BUILDING
5654 W Jefferson Ave, Detroit
Deal Type: Buyer Rep



4,400 SF
FLEX SPACE
13955 Farmington Rd, Livonia
Deal Type: Lease (7-years)



9,218 SF
MANUFACTURING BUILDING
31711 Sherman Ave, Madison Heights
Deal Type: Sale



16,000 SF
FLEX SPACE
22500 Heslip Dr, Novi
Deal Type: Lease (3-years)



Q2 RETAIL **24 MARKET**

METRO DETROIT COMMERCIAL REAL ESTATE

RETAIL MARKET REPORT

METRO DETROIT

Q2 2024



VACANCY RATE

5.1%



12 MONTH
NET ABSORPTION

1.3M



LEASE RATE (AVG)

\$18.69/SF



SALE PRICE (AVG)

\$106/SF



UNDER CONSTRUCTION

303K SF

Detroit's retail market continued experiencing steady tenant demand, which has kept availability compressed near the lowest level over the past decade at 6.6%. Demand has been consistent in the off-price, discount, fitness, and food and beverage segments, which helped boost absorption within the Southern I-275 Corridor, Macomb East, and Southfield submarkets, which led the area for tenant demand over the past 12 months.

LEASING

While experiencing a recent softening of leasing, Detroit's retail market has been stabilized by the relatively limited amount of development underway. Affluent suburbs in the north of the market continue to be able to support average rents over \$20/SF. In fact, all nine of the submarkets with average rents over \$20/SF are located within Oakland County.

Rent performance in the Detroit area is also differentiated among the different retail property types. All retail property types, including malls, have experienced low-single-digit rent growth over the past 12 months, with power center rents experiencing the lowest rate of growth at 2%. Neighborhood centers, with annual rent growth of 3.6%, are experiencing one of the highest rent growth rates, as consumers opt for locations that involve less driving time for their shopping over the past year.

SALES

Investors have frequently targeted Detroit-area retail properties in recent years, with a cumulative sales volume of \$6.7 billion over the past decade, averaging approximately \$671 million annually. Over the past three months, 155 deals were completed with an average sale price of \$1.2 million and an average cap rate of 8.6%. The area's resilient market, as evidenced by gradually increasing rents and declining availability rates, stems from space being removed from inventory while the pipeline operates at a digestible pace.

Q2 NOTABLE RETAIL LEASE TRANSACTIONS



49,675 SF

43420-43831 W Oaks Dr, Novi
Tenant: JOANNE Fabrics



26,772 SF

7230 - 7380 Orchard Lake, West Bloomfield
Tenant: Pickle Range



13,440 SF

35565 - 35675 Warren Rd, Westland
Tenant: Rally House

Q2 NOTABLE RETAIL SALE TRANSACTIONS



188,835 SF (44% OCCUPIED)

31005 - 31225 Orchard Lake Rd, Farmington Hills
Sale Price: \$17,296,308



48,244 SF (67% OCCUPIED)

4131 - 4197 Baldwin Rd, Auburn Hills
Sale Price: \$8,950,000



92,509 SF (50% OCCUPIED)

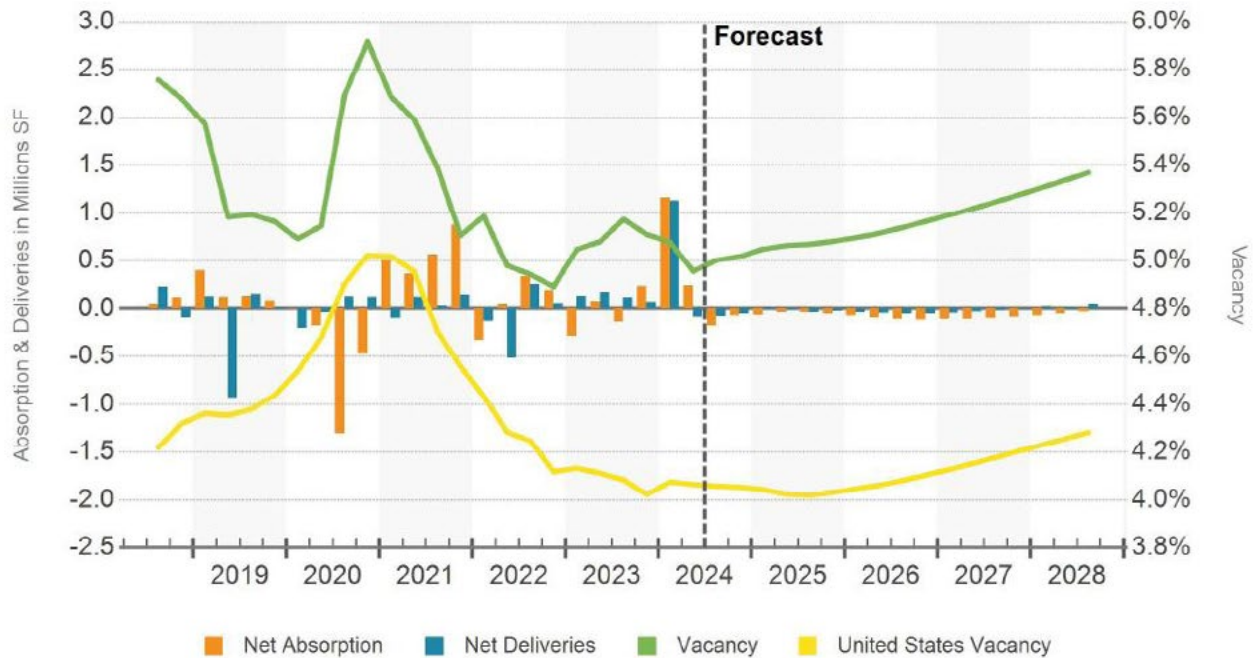
600 N Telegraph Rd, Pontiac
Sale Price: \$4,100,000

RETAIL MARKET REPORT

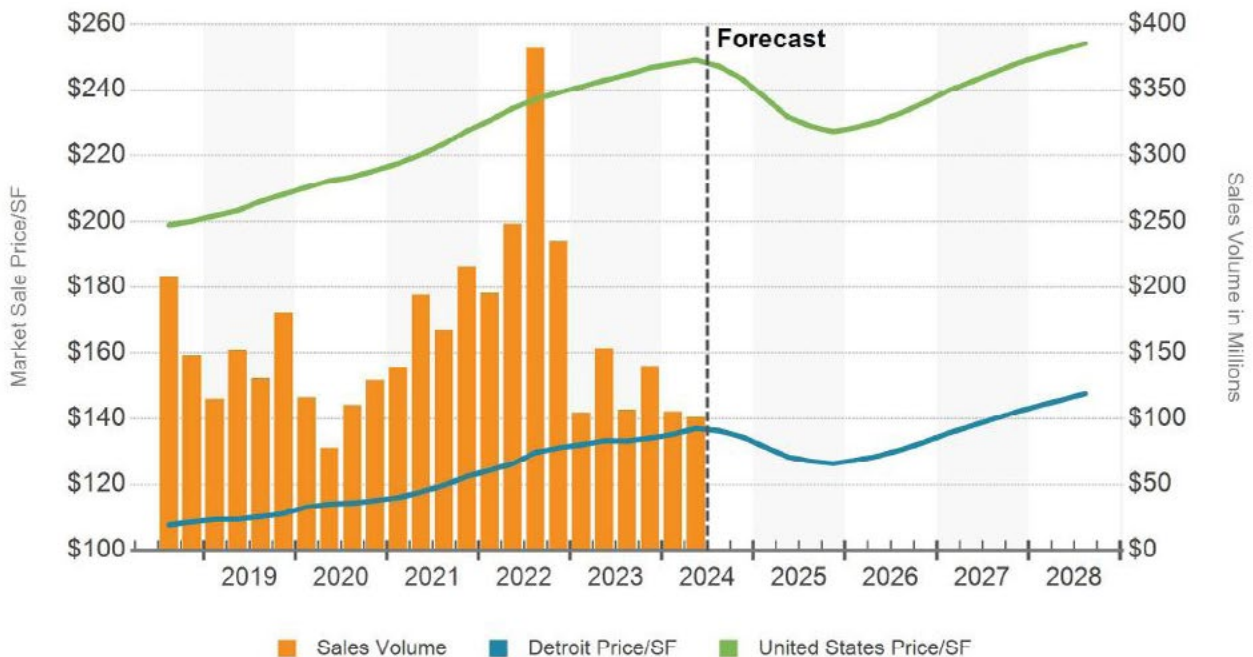
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NET ABSORPTION, NET DELIVERIES & VACANCY



SALES VOLUME & MARKET SALE PRICE P/SF



RETAIL MARKET REPORT

METRO DETROIT

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2024

CONSTRUCTION

Retail development continues at a measured pace, with 1.2 million SF added over the past 12 months, with low vacancy general retail space composing the most significant portion. Development activity in the Detroit area has been geographically diffuse, with most properties built in 2023 being either storefront or freestanding buildings under 10,000 SF.

The recent announcement that Lakeside Mall in Sterling Heights will be demolished should remove around 626,567 SF from inventory. Over the long term, removing older properties will help stabilize the market's overall health, as these aging properties are removed from the area's inventory and replaced with newer stock.

RETAIL MARKET STATISTICS

Market Area	Inventory SF	Vacancy %	Market Rent p/SF	Market Sale p/SF	SF Under Construction	Market CAP Rate
Auburn Hills	1.6M	3.2%	\$25.13	\$173	16.2K	7.3%
Birmingham	3.2M	4.3%	\$32.64	\$201	0	7.2%
CBD	1.3M	6.1%	\$18.79	\$120	0	8.1%
Central I-96 Corridor	14M	4%	\$23.40	\$164	33.2K	7.3%
Detroit - E of Woodward	12.3M	5.1%	\$14.77	\$106	0	8.3%
Detroit - W of Woodward	15.5M	5.8%	\$13.88	\$109	0	8.1%
Farmington/Farm Hills	5.3M	9%	\$18.61	\$148	0	7.5%
Macomb East	26.1M	6%	\$16.32	\$135	21.8K	7.9%
Macomb West	26.8M	5.9%	\$18.05	\$138	47.1K	7.7%
Rochester	5.6M	2.7%	\$26.28	\$163	24.6K	7.3%
Royal Oak	12.2M	4.3%	\$19.40	\$156	5K	7.5%
Southern I-275 Corridor	28.2M	4.4%	\$18.64	\$142	23K	7.4%
Southfield	6.9M	8.1%	\$21.74	\$162	0	7.2%
Troy North	1.2M	3.3%	\$22.98	\$184	25K	7.3%
Troy South	7.7M	3.2%	\$33.99	\$169	22K	7.2%
The Pointes/Harper Woods	2.2M	4.3%	\$19.76	\$143	0	8.0%

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

P.A. COMMERCIAL // Q2 SELECT RETAIL TRANSACTIONS



2,100 SF
FREE-STANDING RETAIL SPACE
26700 Grand River, Farmington Hills
Deal Type: Lease (10-years)



4,000 SF
FREE-STANDING RETAIL BUILDING
369 Cesar E Chavez, Pontiac
Deal Type: Sale



3,000 SF
STREET RETAIL SPACE
17073 Kercheval Ave, Grosse Pointe
Deal Type: Tenant Rep
Tenant: The Spice & Tea Exchange



18,898 SF
STREET RETAIL BUILDING
28325 Utica Rd, Roseville
Deal Type: Sale



Q2 ECONOMIC **24** OUTLOOK

METRO DETROIT COMMERCIAL REAL ESTATE

ECONOMIC OUTLOOK

METRO DETROIT

Q2
2024

While the Detroit area is still known as the auto capital of the world, The Detroit Region and Michigan are emerging as one of the top tech hubs in the country, rapidly drawing in new tech companies and investment. Metro Detroit is home to 5 tech 'unicorns', including Duo Security, Llamasoft, Rivian, OneStream, and StockX, as well as the headquarters of 19 Fortune 1,000 companies.

In fact, according to Crunchbase, **Michigan is the #1 fastest growing state for venture capital and gaining a reputation as one of the premier locations to grow a tech business.** Michigan has organized the state into 20 economic Smart Zones, five of which are in the metro Detroit region. The Smart Zones technology clusters promote resource collaboration between universities, governmental and community-based groups, research organizations, and industries.

- There are more than 83,000 tech related workers in the Detroit Region and Detroit ranks the #2 most inclusive metro for tech workers
- Google, Microsoft, Amazon Tech Hub, LinkedIn, Rocket Mortgage, and IBM are among the many global tech companies with locations in the Detroit Region

Michigan has also been ranked fourth nationwide for high-tech employment. The Detroit Region has one of the most diverse and deep talent pools in the country, supported by world-class universities that produce graduates with the skills tech companies need to thrive:

- The Detroit Metro ranks the #3 metro for tech talent quality and affordability, along with ranking #1 for manufacturing tech talent density
- The Detroit Region has a regional tech workforce of more than 83,000, including 25,000 software developers and nearly 13,000 computer specialists

Detroit's economic recovery has gained strength and momentum over the past 12 months, with unemployment in the area at 3.9%, which is a huge improvement from the peak of the coronavirus pandemic, where 22.7% of the labor force was out of work.

Many area businesses continue operating with hybrid working schedules, typically requiring around three days in the office per week. The persistence of remote working trends could be an indication that worker preferences for having the flexibility to work remotely is a structural change in the workplace environment and will most likely have a lasting impact on how businesses operate in Michigan, with office workers making up the largest grouping of Michigan's labor force by workplace, at 29%.

Economic recovery across Southeastern Michigan has been concentrated in suburban areas, which have outperformed core urban areas across multiple real estate class types. Even though urban areas have suffered from recent underperformance, many positive key economic drivers remain, which should aid in the recovery.



UNEMPLOYMENT
RATE
3.9%



AVG WEEKLY WAGE
\$1,451



NEW BUSINESS
APPLICATIONS THIS YEAR
65,664



CONSUMER
PRICE INDEX
3%