



Q3 MARKET 24 REPORT

INSIGHTS INTO METRO DETROIT'S
COMMERCIAL REAL ESTATE LANDSCAPE



P.A. COMMERCIAL
Corporate & Investment Real Estate



Q3 OFFICE 24 MARKET

METRO DETROIT COMMERCIAL REAL ESTATE

OFFICE MARKET REPORT

METRO DETROIT

Q3 2024



VACANCY RATE

12.1%



NET ABSORPTION

-955K



LEASE RATE (AVG)

\$21.92/SF



SALE PRICE (AVG)

\$61/SF



UNDER CONSTRUCTION

1.6M SF

As we enter the end of 2024, Detroit's office market has stabilized vacancy rates, hovering around 12% for the past eighteen months. A widening gap has emerged among office properties based on age, with newer buildings constructed since 2014 showing less than half the vacancy rate compared to those built earlier.

LEASING

Detroit's office market has seen positive absorption in only two of the last eight quarters, largely due to space consolidations and move-outs. Additionally, conversions and demolitions have removed over 1 million SF from the market. This balance has kept vacancy hovering around 12% since the beginning of 2023. Over the past year, leasing volume remained below pre-pandemic levels as the trend towards smaller physical footprints continued. The average lease size during the first half of 2024, 3,682 SF, was about 20% lower than the pre-pandemic average of 4,556 SF.

Detroit's submarkets have returned to positive rent growth after dipping into negative territory at various points throughout 2023. Southfield, with the second largest office space inventory after the CBD, leads the area for rent growth at 1.8% after averaging around 1.1% over the past five years. While most submarkets have rent growth of over 1% as of 24Q3, a small handful, including the CBD and Birmingham, are below 1%.

SALES

Heading into the fall, the number of office transactions and volume continued eroding, with \$286M traded over the past 12 months from 360 recorded transactions, the lowest annual sales volume over the past decade. Private buyer transactions contributed 72%, while owner-user participation nearly tripled, now representing about 24% of total sales volume over the past year. 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.

Q3 NOTABLE OFFICE LEASE TRANSACTIONS



66,000 SF

Lahser Center II
Tenant: Crescent Academy

P.A. DEAL!



51,000 SF

1801 E Canfield St, Detroit
Tenant: Undisclosed



32,082 SF

290 - 330 Town Center, Dearborn
Tenant: Ford Component Sales

Q3 NOTABLE OFFICE SALE TRANSACTIONS



42,379 SF (VACANT)

29409 Haggerty Rd, Novi
Sale Price: \$7,600,000



56,000 SF (VACANT)

5225 Crooks Rd, Troy
Sale Price: \$6,500,000



16,642 SF (VACANT)

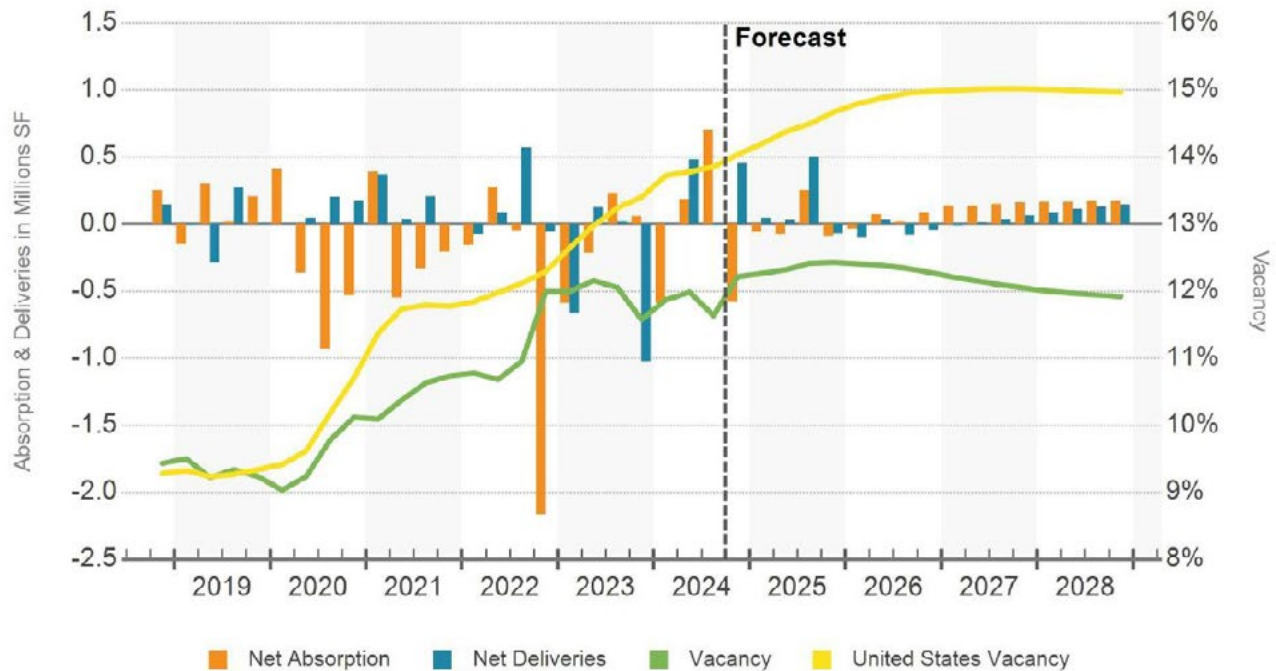
21811 Kelly Rd, Eastpointe
Sale Price: \$3,998,784

OFFICE MARKET REPORT

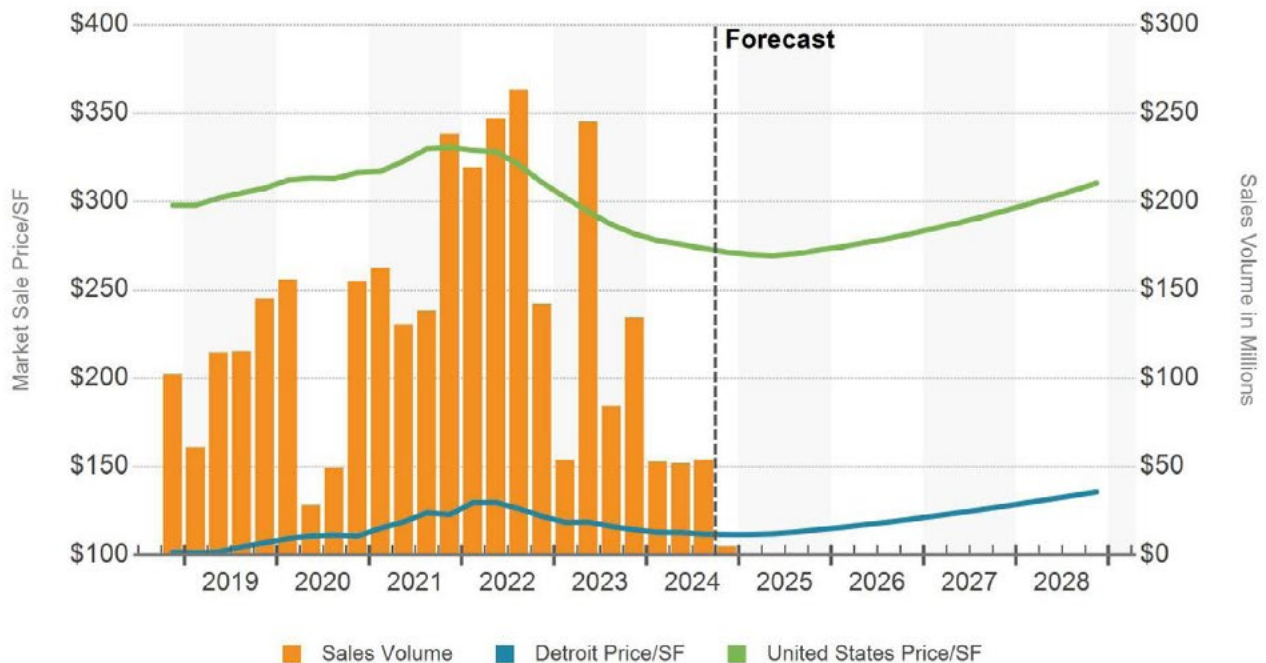
METRO DETROIT

Q3
2024

NET ABSORPTION, NET DELIVERIES & VACANCY



SALES VOLUME & MARKET SALE PRICE P/SF



OFFICE MARKET REPORT

METRO DETROIT

Q3 2024

CONSTRUCTION

In the past 12 months, 610,000 SF of office space was delivered, but with 1.1 million SF demolished, net deliveries resulted in a decrease of 470,000 SF. Construction continues on 1.3 million SF, with nearly half of the space underway pre-leased.

The largest completion, Ford's Michigan Central Station (471,970 SF), was delivered fully occupied. The second-largest project was completed in March 2024 with the delivery of an 88,000 SF medical office for Saint Joseph Mercy Health Brighton. After sitting vacant for years, the former K-Mart Headquarters at 3100 W Big Beaver Rd in Troy was demolished and the University of Michigan acquired seven acres at this site to expand specialty clinical services and increase patient access in the Oakland County region.

OFFICE MARKET STATISTICS

Market Area	Inventory SF	Vacancy Rate	Availability Rate	Market Rent p/SF	Market Sale p/SF	SF Under Construction	Market CAP Rate
Auburn Hills	9.9M	9.4%	10.2%	\$23.90	\$126	0	10.8%
Birmingham	4.6M	8.5%	11.2%	\$29.64	\$154	167K	10.5%
CBD	27.9M	9.2%	14.3%	\$25.19	\$122	570K	10.7%
Central I-96 Corridor	6.5M	11%	13.5%	\$24.52	\$148	0	10.3%
Detroit - W of Woodward	5.6M	8.3%	20.4%	\$21.46	\$100	120K	11.3%
Detroit - E of Woodward	6.3M	16%	17.6%	\$22.91	\$100	0	11.3%
Farmington/Farm Hills	9.8M	15.2%	22%	\$21.11	\$126	0	10.5%
Macomb East	8.6M	8.3%	10.9%	\$18.83	\$91	0	12%
Macomb West	9.7M	9.3%	9.4%	\$18.09	\$91	10K	11.9%
Rochester	2.9M	7.9%	8.4%	\$23.31	\$113	0	11.6%
Royal Oak	5.8M	8.3%	11.1%	\$21.83	\$103	0	11.2%
Southern I-275 Corridor	12.8M	14.2%	17.6%	\$20.02	\$122	0	10.7%
Southfield	23.7M	24.9%	29.1%	\$19.73	\$100	0	10.6%
Troy North	5.7M	15%	19.6%	\$20.63	\$100	0	11.1%
Troy South	12.6M	17.8%	22.8%	\$21.29	\$98	0	11.1%
The Pointes/Harper Woods	1.3M	10.2%	9.9%	\$24.08	\$112	0	11.4%

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

P.A. COMMERCIAL // Q3 SELECT OFFICE TRANSACTIONS



3,000 SF
OFFICE/MEDICAL SUITE
16655 15 Mile Rd, Clinton Twp
Deal Type: Lease (5-Years)



1,600 SF
MEDICAL SUITE
23133 Orchard Lake Rd, Farmington Hills
Deal Type: Lease (3-Years)



3,600 SF
OFFICE SUITE
29629 Harper Ave, St Clair Shores
Deal Type: Lease (5-Years)



1,818 SF
OFFICE/MEDICAL SUITE
20352 Eureka Rd, Taylor
Deal Type: Lease (5-Years)



Q3 INDUSTRIAL 24 MARKET

METRO DETROIT COMMERCIAL REAL ESTATE

INDUSTRIAL MARKET REPORT

METRO DETROIT

Q3 2024



VACANCY RATE

4.3%



NET ABSORPTION

207K



LEASE RATE (AVG)

\$8.77/SF



SALE PRICE (AVG)

\$72/SF



UNDER CONSTRUCTION

3.3M SF

Detroit's industrial market continued to be insulated from near-term economic pressure, as speculative construction remains limited. While at 5.6%, the portion of the local industrial stock available for lease remains well below the U.S. average and has spent much of the past few years tightening. 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 since early 2022 when a wave of deliveries temporarily raised vacancies and availabilities above the national averages. Vacancies and availabilities have remained below the U.S. averages. The compressed long-term vacancy is less a function of swelling demand than a reflection of Detroit's large share of owner-occupied manufacturing plants and limited developer interest relative to markets with faster-growing populations or critical locations within the national supply chain.

Detroit's industrial rents have grown by 3.4% over the past 12 months, slightly below the average U.S. industrial rent gains over the same period of 3.6%. A typical lease signed over the past six months averaged about 13,000 SF, with starting rent around \$8.16/SF. Meanwhile, industrial facilities larger than 500,000 SF, with an average vacancy of 4.2%, have an average asking rent of around \$7.72/SF.

SALES

The current annual sales volume of \$557 million is below the five-year average of \$859 million. More recently, over the past six months, 215 deals were finalized, accounting for \$203 million in sales with an average sale price of \$1.7 million. Properties in this cohort traded around \$74/SF and took an average 11.3 months to sell. Some of the top submarkets for sale, including the Airport District, Central I- 96 Corridor, and Auburn Hills, Pontiac & Rochester, as investors zeroed in on geographic areas best situated for logistics facilities.

Q3 NOTABLE INDUSTRIAL LEASE TRANSACTIONS



715,000 SF

3777 Lapeer Rd, Auburn Hills
Tenant: Piston Automotive



163,800 SF

12001 Toepfer Rd, Warren
Tenant: Detroit Axle



114,000 SF

2150 Executive Hills Drive, Auburn Hills
Tenant: Penske

Q3 NOTABLE INDUSTRIAL SALE TRANSACTIONS



345,050 (VACANT)

6735 Haggerty Rd, Van Buren Twp
Sale Price: \$29,394,537



150,000 (VACANT)

27767 George Merrelli Dr, Warren
Sale Price: \$15,100,000



53,704 SF (VACANT)

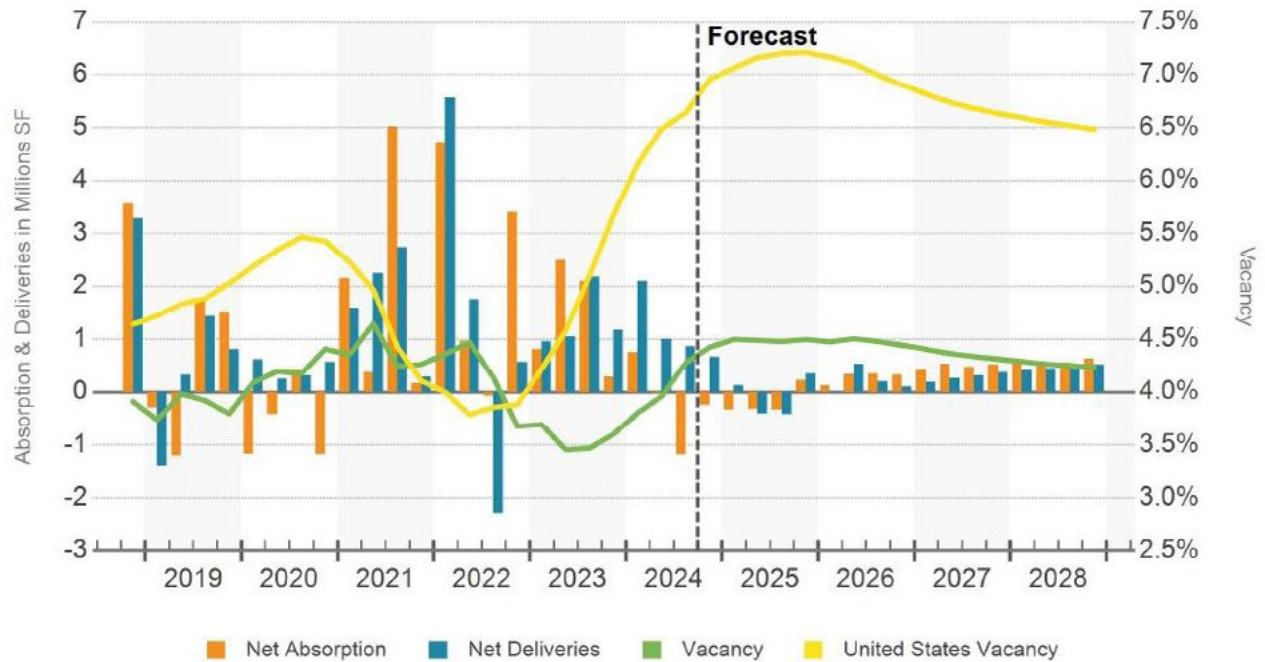
37900 Mound Rd, Warren
Sale Price: \$6,200,000

INDUSTRIAL MARKET REPORT

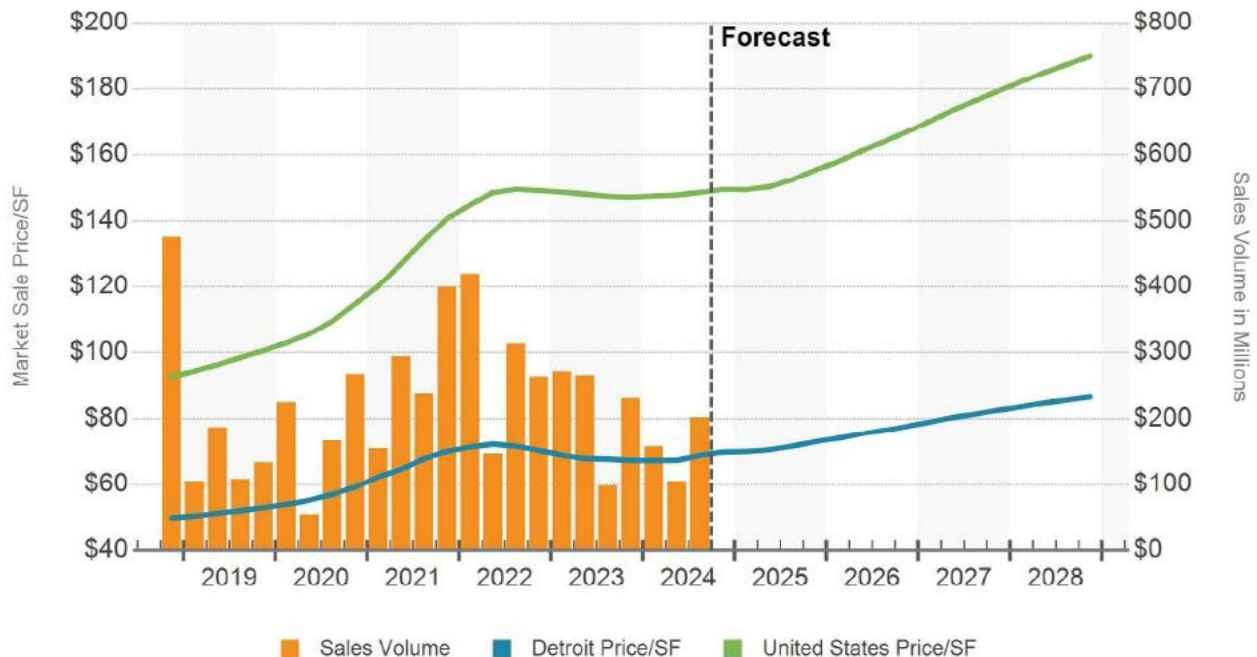
METRO DETROIT

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SALES VOLUME & MARKET SALE PRICE P/SF



INDUSTRIAL MARKET REPORT

METRO DETROIT

Q3 2024

CONSTRUCTION

The Detroit area avoided the surge of spec properties experienced in other cities nationwide over the past few years, allowing the market time to absorb freshly delivered space. At 2.6 million SF, the amount under construction in the Detroit area represents about 0.4% of the area's inventory.

Most industrial projects currently underway are clustered around the Auburn Hills, Pontiac & Rochester submarket, with construction activity also along I-96 around Novi and in Macomb County. Transportation corridors along I-96 and I-275 and near the airport are where Detroit's largest projects in planning are located. These areas are well situated for logistics operators bringing goods in from Chicago and points further west to deliver into Detroit.

INDUSTRIAL MARKET STATISTICS

Market Area	Inventory SF	Vacancy Rate	Availability Rate	Market Rent p/SF	Market Sale p/SF	SF Under Construction	Market CAP Rate
Airport District	59.2M	4.6%	7.2%	\$8.74	\$63	635K	10.7%
Auburn Hills, Pontiac, Rochester	58.4M	4.3%	6%	\$9.87	\$89	1.3M	10.4%
Central I-96 Corridor	37M	5.5%	6.9%	\$10.98	\$91	143K	10.8%
Detroit East	44.5M	6.4%	9.6%	\$7.04	\$57	0	10.9%
Detroit West	51.1M	7.7%	9.4%	\$6.49	\$50	158K	11.3%
Farmington/Farmington Hills	11.9M	5.8%	7.4%	\$10.10	\$80	79K	10.9%
Groesbeck Central	15.9M	1.5%	3.5%	\$8.74	\$68	0	11.6%
Groesbeck North	33.8M	4.1%	4.7%	\$9.21	\$78	457K	10.9%
Groesbeck South	20M	2.5%	5.3%	\$8.10	\$63	0	11.4%
Livonia	43.3M	2.5%	3.5%	\$8.98	\$69	8.1K	10.6%
Royal Oak	15.9M	3.79%	4.4%	\$8.90	\$77	0	11.2%
Southern I-275	20M	2.4%	3.3%	\$8.66	\$64	0	10.9%
Southfield	6.4M	3.4%	4.8%	\$9.75	\$78	0	11.2%
Troy Area Central	9.3M	4.9%	7.5%	\$9.02	\$78	4.4K	11.2%
Troy Area East	12.5M	4.7%	7.5%	\$9.37	\$81	0	11.2%
Troy Area West	9.2M	5.5%	7.2%	\$10.39	\$87	0	10.8%
W of Van Dyke/Macomb	64.1M	1.1%	1.8%	\$9.63	\$76	0	10.4%

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

P.A. COMMERCIAL // Q3 SELECT INDUSTRIAL TRANSACTIONS



12,143 SF
HIGH-BAY WAREHOUSE BUILDING
22522 Hoover Rd, Warren
Deal Type: Sale



46,000 SF
MANUFACTURING SPACE
3275 Lapeer Rd, Auburn Hills
Deal Type: Lease (5-Years)



25,000 SF
MANUFACTURING BUILDING
50490 Corporate Dr, Shelby Twp
Deal Type: Sale



13,520 SF
DISTRIBUTION SPACE
2100 Centerwood Dr, Warren
Deal Type: Lease (2-years)



Q3 RETAIL **24** MARKET

METRO DETROIT COMMERCIAL REAL ESTATE

RETAIL MARKET REPORT

METRO DETROIT

Q3
2024



VACANCY RATE

5.4%



NET ABSORPTION

63.5K



LEASE RATE (AVG)

\$18.62/SF



SALE PRICE (AVG)

\$108/SF



UNDER CONSTRUCTION

396K SF

Detroit's retail market continued experiencing steady tenant demand, which has kept availability near the lowest level over the past decade at 6.5%. Tenant demand has grown by 1.2 million SF over the past 12 months, with general retail and malls making up all of the positive absorption over this period.

LEASING

The subdued pacing of leasing has extended into 2024, with approximately 1.9 million SF leased as of 24Q3. This recent softening of leasing can be partially attributed to tightened supply conditions for newer retail properties built since 2014, which have average rents of \$21.42/SF and vacancy of about 3.8%. Since the pandemic hit, retail brands that had previously sought out prime locations within the CBD shifted focus out to the suburbs, where the majority of consumers were working and spending dollars. But the allure of downtown Detroit for retailers could be coming back with the expected delivery of Bedrock's Hudson Building.

While average retail rents within the Detroit market are averaging \$18.60/SF, rents in Troy South and Birmingham are averaging \$34.17/SF and \$32.92/SF, respectively. The recent leader in rent growth in Detroit is New Center, where average rents increased by 4.68% to \$19.99/SF over the past 12 months.

SALES

The retail investing volume so far this year of \$240 million looks set to finish off the year at one of the lowest levels recorded over the past decade. While Detroit's retail sales volume is down in recent quarters, investors have frequently targeted Detroit-area retail properties over the years, with a cumulative sales volume of \$6.7 billion over the past decade. Among the transactions over the past 12 months in the Detroit area, sales of general retail had the highest cumulative volume, with \$309 million worth of sales at an average cap rate of 8.1%. Sales of neighborhood centers were a distant second place, with \$54.2 million in sales and cap rates of around 12.8%.

Q3 NOTABLE RETAIL LEASE TRANSACTIONS



36,416 SF

Oakland Square, Troy
Tenant: Bob's Discount Furniture



19,000 SF

39415 - 39453 Ford Rd, Canton
Tenant: T&B Play



16,671 SF

Fort Gratiot Plaza
Tenant: Salvation Army

Q3 NOTABLE RETAIL SALE TRANSACTIONS



19,750 SF (VACANT)

35160 Central City Pky, Westland
Sale Price: \$5,271,000



23,060 SF (VACANT)

12514 - 12596 10 Mile Rd, South Lyon
Sale Price: \$3,600,000



12,605 SF (VACANT)

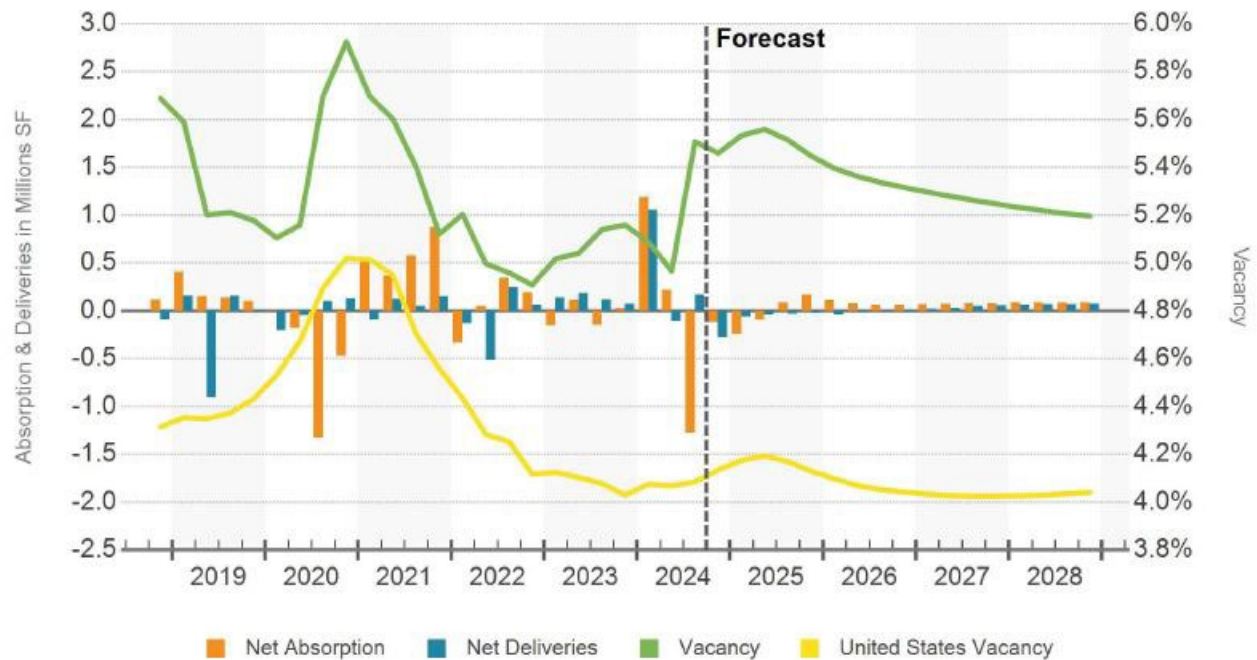
37400 7 Mile Rd, Livonia
Sale Price: \$3,500,000

RETAIL MARKET REPORT

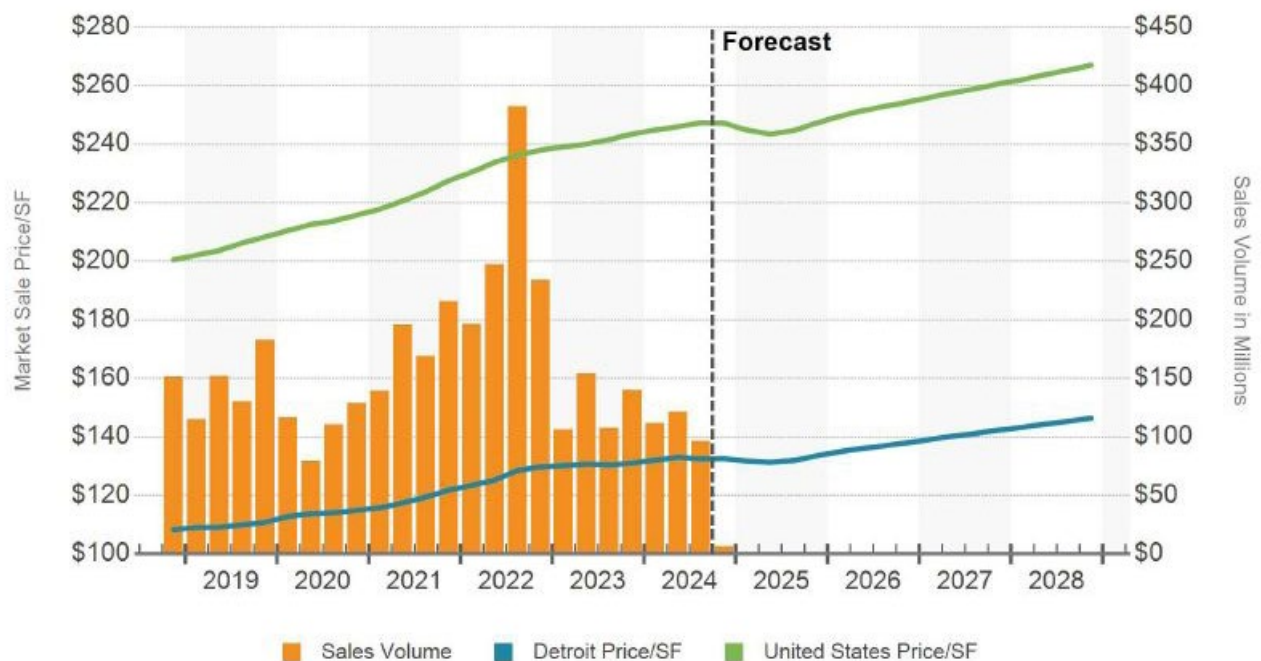
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SALES VOLUME & MARKET SALE PRICE P/SF



RETAIL MARKET REPORT

METRO DETROIT

Q3 2024

CONSTRUCTION

The impact of Detroit's development pipeline has been subdued by the demolition of aging properties and redevelopment of several regional malls, resulting in cumulative net deliveries over the past five years of only 1.6 million SF. Midway through 2024, development continues at a measured pace, with another 1.2 million SF added over the past 12 months, with low vacancy general retail space composing the most significant portion.

Retail construction starts since the beginning of 2023 are at the lowest level in 10 years, with only 127,000 SF of new retail groundbreakings. Only 280,000 SF is currently underway, representing less than 1% of the area's inventory, so there will be minimal impact on market fundamentals as these properties are delivered.

RETAIL MARKET STATISTICS

Market Area	Inventory SF	Vacancy Rate	Availability Rate	Market Rent p/SF	Market Sale p/SF	SF Under Construction	Market CAP Rate
Auburn Hills	1.6M	7.6%	11.2%	\$25.57	\$169	21.3K	7.5%
Birmingham	3.2M	3.7%	4.1%	\$33.29	\$195	89.7K	7.4%
CBD	1.3M	4.5%	4.5%	\$19.46	\$118	0	8.3%
Central I-96 Corridor	14.1M	4.6%	8.2%	\$23.45	\$164	41.8K	7.5%
Detroit - E of Woodward	12.3M	5.7%	8%	\$14.93	\$104	0	8.6%
Detroit - W of Woodward	15.4M	6%	7%	\$13.82	\$105	0	8.4%
Farmington/Farm Hills	5.4M	12%	13%	\$18.60	\$143	0	7.8%
Macomb East	25.9M	5.5%	6.9%	\$16.41	\$132	16.6K	8.2%
Macomb West	27.8M	6.2%	6.4%	\$17.92	\$135	11.6K	7.9%
Rochester	5.6M	3%	4.1%	\$26.42	\$159	28.6K	7.6%
Royal Oak	12.1M	5.1%	6.1%	\$19.92	\$153	9.3K	7.7%
Southern I-275 Corridor	28.3M	4.6%	5.9%	\$18.66	\$136	8K	7.7%
Southfield	7.1M	14.5%	14.6%	\$21.48	\$1658	0	7.4%
Troy North	1.2M	5%	5.6%	\$22.99	\$181	0	7.6%
Troy South	7.7M	6.2%	6.5%	\$33.76	\$165	0	7.5%
The Pointes/Harper Woods	2.2M	4.5%	4.9%	\$19.98	\$141	0	8.2%

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

P.A. COMMERCIAL // Q3 SELECT RETAIL TRANSACTIONS



11,180 SF
STRIP CENTER SPACE
11743 15 Mile Rd, Sterling Heights
Deal Type: Lease (10-years)



3,381 SF
STREET RETAIL // 100% OCCUPIED
15200 - 15216 Charlevoix St, Grosse Pointe Park
Deal Type: Sale



2,000 SF
STREET RETAIL SPACE
410 N Center St, Northville
Deal Type: Lease (11-Years)



10,816 SF
FREE STANDING BUILDING
218 Water St, Benton Harbor
Deal Type: Sale



Q3 ECONOMIC **24** OUTLOOK

METRO DETROIT COMMERCIAL REAL ESTATE

ECONOMIC OUTLOOK

METRO DETROIT

Q3
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 3.8%, 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
4.1%



AVG WEEKLY WAGE
\$1,504



NEW BUSINESS
APPLICATIONS THIS YEAR
97,275



CONSUMER
PRICE INDEX
3.5%