JLL®

Detroit

Q1 2017

Office Insight

Detroit office market continues to trend upward

- Announced in February, the long-awaited Hudson's block plan by Bedrock will provide much needed big-block Class A office space.
- Microsoft will move their Tech Center from Southfield to One Campus Martius, the latest major tenant to move from the suburbs to the CBD.
- Capital markets transaction activity can be expected to gain momentum as market conditions continue to improve.

Metro Detroit saw 470,000 square feet of leases signed the first quarter, which included the big news of Microsoft's 40,000-square-foot tech center moving from Southfield to One Campus Martius in the CBD. Microsoft now joins the growing list of high-profile tenants to move downtown in recent months. Bedrock was forced to move some of their employees around to other buildings to accommodate Microsoft, once again highlighting how tight office space in the CBD is at the moment. The long anticipated announcement of the redevelopment project on the former Hudson's site on Woodward in the heart of downtown is just the latest project to address the dearth of quality office space. The mixed-use plan includes approximately 280,000 square feet of office space spread across 70,000-square-foot floor plates, which would be among some of the largest in downtown Detroit.

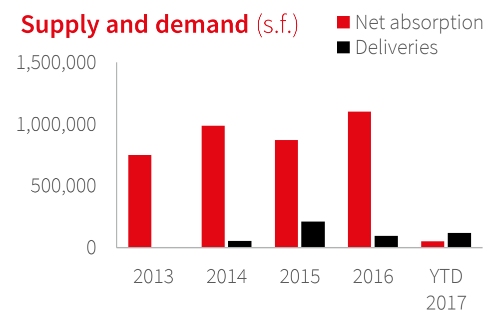
Although another major tenant has chosen downtown over the suburbs, demand has not completely dropped out in the suburban submarkets. In Southfield, Credit Acceptance announced a $33.0 million expansion, and Blue Cross Blue Shield of Michigan announced a 65,000-square-foot lease at the Southfield Town Center. Magna Seating also opened their new HQ in Novi, and the suburban office market certainly remains healthy.

Outlook

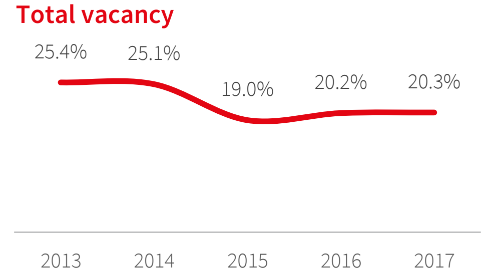
As new Class A space is both delivered and proposed in downtown Detroit, we can anticipate the affect it will have on rents. Rents may not yet make a big jump, but that certainly looms over the downtown office market with the new development projects currently in the pipeline and large-scale renovations underway. We can expect capital markets transactions in metro Detroit to pick up moving forward, as we have seen properties trade both downtown (Ford Building) and in the suburbs (North Troy Corporate Park, Delphi - Troy) in the first quarter and conditions continue to improve.

Fundamentals	Forecast	
YTD net absorption	51,534 s.f.	▲
Under construction	663,957 s.f.	▲
Total vacancy	20.2%	►
Average asking rent (gross)	$19.66 p.s.f.	▲
Concessions	Falling	▼

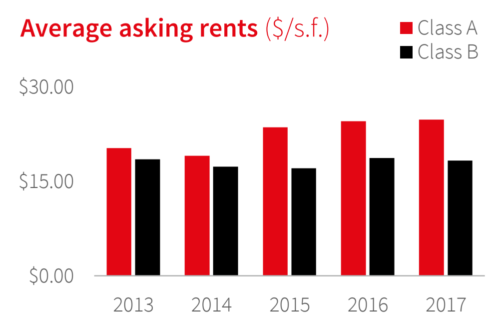
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



For more information, contact: Harrison West | harrison.west@am.jll.com

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Office Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent ($ p.s.f.)	YTD completions (s.f.)	Under construction (s.f.)
CBD	Totals	13,376,542	-61,955	-61,955	-0.5%	13.2%	13.8%	$22.38	0	301,430
New Center	Totals	1,142,100	50,792	50,792	4.4%	20.8%	20.8%	$20.64	0	0
Urban	**Totals**	**14,518,642**	**-11,163**	**-11,163**	**-0.1%**	**13.8%**	**14.4%**	**$22.17**	**0**	**301,430**
Birmingham/Bloomfield	Totals	3,919,028	-6,927	-6,927	-0.2%	11.4%	15.7%	$25.32	0	0
Dearborn	Totals	2,648,025	26,867	26,867	1.0%	29.0%	29.7%	$17.07	0	0
Downriver	Totals	483,772	-10,987	-10,987	-2.3%	43.4%	43.4%	$17.29	0	0
Farmington/Farmington Hills	Totals	4,658,516	19,638	19,638	0.4%	16.4%	16.4%	$19.05	0	30,000
Macomb	Totals	1,296,675	-6,594	-6,594	-0.5%	19.3%	19.3%	$18.65	0	0
Northern I-275 Corridor	Totals	4,467,691	43,576	43,576	1.0%	11.3%	13.0%	$20.22	120,000	332,527
North Oakland	Totals	2,845,648	-165,975	-165,975	-5.8%	17.6%	19.9%	$18.84	0	0
Royal Oak/Southeast Oakland	Totals	638,607	1,412	1,412	0.2%	7.7%	7.7%	$19.67	0	0
Southern I-275 Corridor	Totals	1,077,525	0	0	0.0%	0.4%	0.4%	$0.00	0	0
Southfield	Totals	13,602,449	-540	-540	0.0%	30.1%	31.8%	$18.26	0	0
Troy	Totals	10,965,343	160,491	160,491	1.5%	23.4%	24.1%	$19.16	0	0
Washtenaw	Totals	5,530,591	1,736	1,736	0.0%	9.8%	11.3%	$25.03	0	0
Suburbs	**Totals**	**52,133,870**	**62,697**	**62,697**	**0.1%**	**20.5%**	**21.9%**	**$19.19**	**120,000**	**362,527**
Detroit	**Totals**	**66,652,512**	**51,534**	**51,534**	**0.1%**	**19.1%**	**20.3%**	**$19.66**	**120,000**	**663,957**
CBD	A	6,194,047	-81,865	-81,865	-1.3%	9.7%	10.9%	$22.83	0	301,430
Urban	**A**	**6,194,047**	**-81,865**	**-81,865**	**-1.3%**	**9.7%**	**10.9%**	**$22.83**	**0**	**301,430**
Birmingham/Bloomfield	A	1,569,497	-18,492	-18,492	-1.2%	13.6%	24.2%	$27.96	0	0
Dearborn	A	446,890	1,619	1,619	0.4%	10.9%	10.9%	$27.83	0	0
Farmington/Farmington Hills	A	618,109	0	0	0.0%	6.8%	6.8%	$21.79	0	0
Macomb	A	295,494	8,164	8,164	2.8%	1.6%	1.6%	$19.32	0	0
Northern I-275 Corridor	A	1,113,719	8,002	8,002	0.7%	5.8%	6.9%	$18.57	120,000	75,980
North Oakland	A	488,665	28,344	28,344	5.8%	13.6%	13.6%	$20.92	0	0
Southern I-275 Corridor	A	832,753	0	0	0.0%	0.0%	0.0%	NA	0	0
Southfield	A	2,970,217	89,108	89,108	3.0%	23.9%	24.3%	$25.45	0	0
Troy	A	2,230,851	-48,841	-48,841	-2.2%	22.1%	22.7%	$26.57	0	0
Washtenaw	A	3,221,589	-24,636	-24,636	-0.8%	11.2%	13.4%	$24.62	0	0
Suburbs	**A**	**13,787,784**	**43,268**	**43,268**	**0.3%**	**14.5%**	**16.5%**	**$25.44**	**120,000**	**75,980**
Detroit	**A**	**19,981,831**	**-38,597**	**-38,597**	**-0.2%**	**13.0%**	**14.8%**	**$24.83**	**120,000**	**377,410**
CBD	B	7,182,495	19,910	19,910	0.3%	16.2%	16.4%	$22.15	0	0
New Center	B	1,142,100	50,792	50,792	4.4%	20.8%	20.8%	$20.64	0	0
Urban	**B**	**8,324,595**	**70,702**	**70,702**	**0.8%**	**16.8%**	**17.0%**	**$21.89**	**0**	**0**
Birmingham/Bloomfield	B	2,349,531	11,565	11,565	0.5%	10.0%	10.1%	$22.91	0	0
Dearborn	B	2,201,135	25,248	25,248	1.1%	32.7%	33.5%	$16.35	0	0
Downriver	B	483,772	-10,987	-10,987	-2.3%	43.4%	43.4%	$17.29	0	0
Farmington/Farmington Hills	B	4,040,407	19,638	19,638	0.5%	17.8%	17.9%	$18.89	0	30,000
Macomb	B	1,001,181	-14,758	-14,758	-1.5%	24.5%	24.5%	$18.64	0	0
Northern I-275 Corridor	B	3,353,972	35,574	35,574	1.1%	13.1%	15.0%	$20.47	0	256,547
North Oakland	B	2,356,983	-194,319	-194,319	-8.2%	18.4%	21.3%	$18.52	0	0
Royal Oak/Southeast Oakland	B	638,607	1,412	1,412	0.2%	7.7%	7.7%	$19.67	0	0
Southern I-275 Corridor	B	244,772	0	0	0.0%	1.9%	1.9%	NA	0	0
Southfield	B	10,632,232	-89,648	-89,648	-0.8%	31.9%	33.8%	$16.75	0	0
Troy	B	8,734,492	209,332	209,332	2.4%	23.8%	24.5%	$17.40	0	0
Washtenaw	B	2,309,002	26,372	26,372	1.1%	8.0%	8.3%	$25.82	0	0
Suburbs	**B**	**38,346,086**	**19,429**	**19,429**	**0.1%**	**22.7%**	**23.8%**	**$17.75**	**0**	**286,547**
Detroit	**B**	**46,670,681**	**90,131**	**90,131**	**0.2%**	**21.6%**	**22.6%**	**$18.33**	**0**	**286,547**

For more information, contact: Harrison West | harrison.west@am.jll.com

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