

DETROIT OFFICE MARKET

Yardi® Matrix

Market Analysis

First Quarter 2019

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Motor City on the Move



Detroit's re-emerging automotive industry and associated technology segments remain the main factors driving economic growth in the market. Companies such as Samsung and Gallagher-Kiser are set to expand operations at their local plants, while Ford has broken ground on the first phase of the much-anticipated Michigan Central Station renovation project. But the metro has started diversifying its economy beyond the automotive sector, attracting engineering and tech businesses such as LinkedIn, which plans to expand in the renovated Sanders Building. Meanwhile, Google opened its first location next to the Little Caesars Arena on Woodward Avenue. Despite intense leasing activity, the metro's office vacancy rate was 17.2% in January, but it was down 80 basis points since mid-2018.

Hiring continued at a healthy pace, especially in the manufacturing and construction sectors, while growth in office-using employment remained tempered in the 12 months ending in November.

After several years of limited development, construction activity slowly picked up in 2018, it is expected to further increase in the next 12-month cycle. Some 2.7 million square feet was under construction as of January, a 3.1% office stock increase. The bulk of the new-supply pipeline comprises redevelopments or adaptive reuse projects in the Detroit CBD submarket.

Transaction volume totaled \$236 million year-to-date through December, mostly comprising suburban value-add properties.