

Office picture: Vacancies continue to shrink in many office submarkets in the metro area.

Office market is doing just fine

BY DOUG FUNKIE
STAFF WRITER

The office market in metro Detroit continued to strengthen during the first half of this year, according to Grubb & Ellis, a commercial real estate/property management firm in Southfield.

As of June 30, vacancy rates in all classes of office space in O&E communities ranged from 7 percent in Bloomfield Hills and Livonia to 19 percent in Southfield, Grubb & Ellis reported.

"The vacancy rate was 8 percent in Farmington Hills, 9 percent in Birmingham and 18 percent in Troy and West Bloomfield.

"This market has, I seen vacancy rates in the single digits since the early '80s," said Dennis Burnside, senior vice president for Grubb & Ellis here.

"Overall rental rates are up slightly over fourth quarter results in 1994 and are expected to increase throughout the remaining half of 1995, assuming current market conditions continue," Burnside added.

"Even though nearly one in five square feet of office space in Southfield is still vacant, the good news is that some 191,000 square feet of space has been absorbed since the first of the year.

"We speculate increased absorption activity in the Southfield submarket is mainly due to the fact that it maintains competitive rental rates while currently containing the largest availabilities of Class A office space in the tri-county market area," Burnside said.

"In fact, Southfield is currently one of the few southeastern Michigan submarkets which can accommodate space requirements of 25,000 or more contiguous square feet of Class A office space," he said.

"Bloomfield Hills was described as the strongest submarket here in terms of prime, newer, upscale space.

"Class A space in this market is all but sold out," Burnside said. "If current absorption activity maintains, the remaining space will be fully leased in less than one year.

"We expect rental rates to increase and dispositions to disappear in this submarket heading in 1996," he said.

"Average asking rental rates at the mid-year point ranged from \$23.01 per square foot in Bloomfield Hills to \$17.27 in Southfield, Grubb & Ellis reported.

"In Birmingham, it was \$20.79; Troy, \$18.47; Farmington Hills, \$17.01; Livonia, \$17.64; and West Bloomfield, \$17.38.

Overbuilding of speculative office structures and an economic downturn during the 1980s led to a glut of space on the market from which many landlords are still recovering.

"Even with the continually increasing office absorption," said John Catalano, Grubb

& Ellis senior vice president. "All markets in the tri-county area still maintain vacancy levels which have the ability to accommodate most space requirements.

"Therefore, if there is any construction ac-

tivity, it will most likely be confined to build-to-suit for companies in need of a specific product, size or identity which is not currently available in the marketplace," he said.

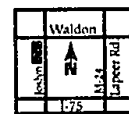
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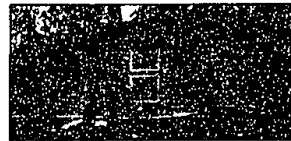
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