

# 2023 YEAR-END VACANCY REPORT

*Ann Arbor Area Office & Flex*



**Swisher**  
C O M M E R C I A L

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SWISHER COMMERCIAL

# 2023 YEAR-END VACANCY REPORT



Dear Friend,

Enclosed is **Swisher Commercial's** 31st annual survey of vacancy rates for office and flex space in the Ann Arbor area for year-end 2023. We surveyed 299 buildings of 5,000 square feet or larger, totaling over **11 million square feet** of space. Our report includes a breakdown of vacancy rates by sub-market and charts the vacancy trends over the last 31 years. This year's numbers reflect the effects of national and local economic forces that influence commercial real estate in Washtenaw County, Michigan.

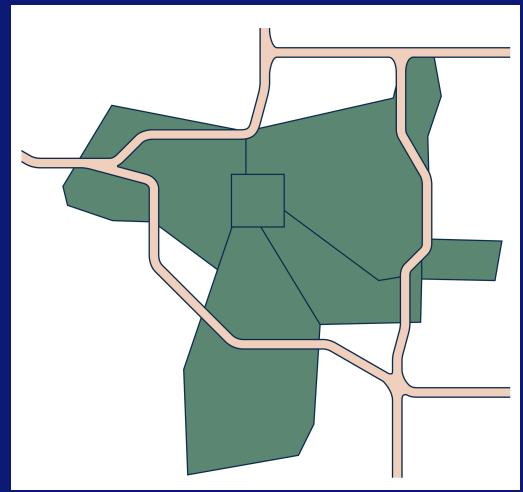
We hope this report will help you better understand the current market and assist in planning your real estate decisions. Swisher Commercial extends our wishes of good health and prosperity to our community and we welcome your inquiries and requests for assistance related to your commercial real estate needs.

*Bart Wise, President & CEO*  
*Charlie Koenn*  
*Jeff Evans*  
*Scott Schmunk*

*Tony Caprarese*  
*David L. Hamilton, CCIM*  
*Joseph Palms, CCIM*

*Michael Jurgenson, CCIM*  
*Randy Maas*  
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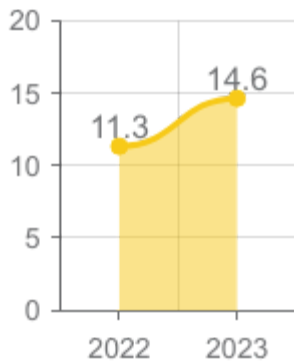
According to Swisher Commercial's analysis of eight sub-markets, six increased in vacancy, while two sub-markets decreased in vacancy.



This report includes a detailed analysis of each of the eight sub-markets.

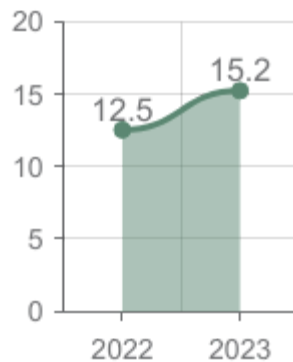
## ANN ARBOR OFFICE/FLEX MARKET

As of December 31, 2023, the total market vacancy rate for office and flex space is 14.6%, an increase over the 2022 year-end vacancy rate of 11.3%. (+3.3%)



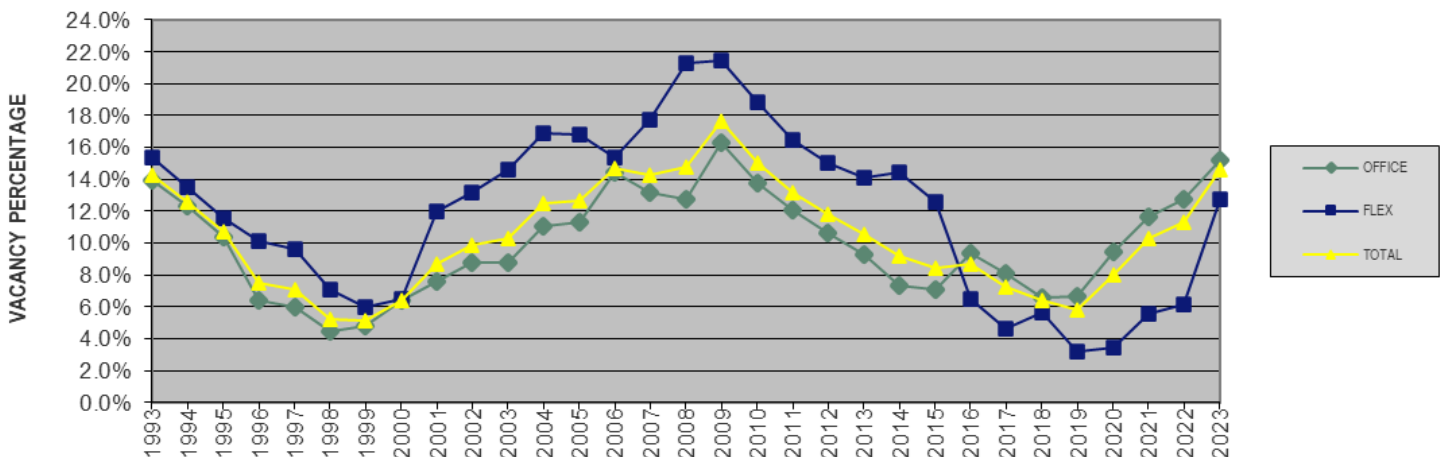
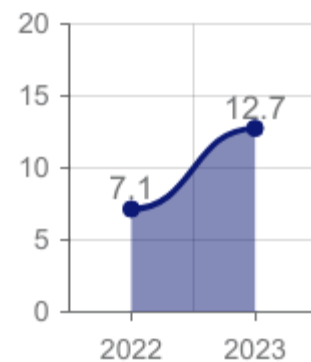
## OFFICE

The office vacancy rate increased from 12.5% in 2022 to 15.2% this year. (+2.7%)



## FLEX

In the past year, the flex vacancy rate increased from 7.1% to 12.7%. (+5.6%)



# STATISTICAL SUMMARY

## Office

Area	# Bldgs	Gross SF	Vacant SF	YE 2023 Vacancy %	YE 2022 Vacancy %	% Change
Downtown	67	1,683,755	255,087	15.1%	14.8%	0.3%
North	33	2,153,908	247,801	11.5%	8.6%	2.9%
East	33	594,072	49,447	8.3%	11.0%	-2.7%
CGMA	8	293,278	31,678	10.8%	7.8%	3.0%
South	65	3,229,908	615,481	19.1%	14.5%	4.6%
West	25	506,650	83,022	16.4%	17.0%	-0.6%
Total	231	8,461,571	1,282,516	15.2%	12.5%	2.7%

## Flex

Area	# Bldgs	Gross SF	Vacant SF	YE 2023 Vacancy %	YE 2022 Vacancy %	% Change
South	50	1,889,293	184,393	9.8%	8.5%	1.3%
West	18	739,241	150,507	20.4%	2.8%	17.6%
Total	68	2,628,534	334,900	12.7%	7.1%	5.6%

## Office & Flex

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North	33	2,153,908	247,801	11.5%	8.6%	2.9%
East	33	594,072	49,447	8.3%	11.0%	-2.7%
CGMA	8	293,278	31,678	10.8%	7.8%	3.0%
South	115	5,119,201	799,874	15.6%	12.3%	3.3%
West	43	1,245,891	233,529	18.7%	9.4%	9.3%
Total	299	11,090,105	1,617,416	14.6%	11.3%	3.3%

## ASSUMPTIONS

### 1. AREA

**Downtown** includes D1 & D2 zoned bldgs.  
**North** includes Plymouth Rd corridor & Ann Arbor Twp.  
**East** includes Washtenaw, Packard and Carpenter Rds.  
**South** includes S. Industrial, S. Main, S. State, Pittsfield Twp, Briarwood, & Airport areas.  
**West** includes Scio Twp, W. Liberty & Jackson Rd areas.  
**CGMA** is the Clark-Golfside Medical Area, Trinity Health campus & the Huron River Drive/ Clark-Golfside area.

### 2. BUILDINGS

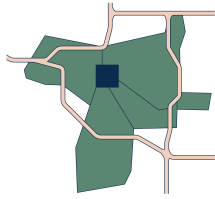
Includes all identified non-owner-occupied buildings over 5,000 sf.

### 3. FLEX

Defined as high-bay type buildings, often combining office, high-tech, research, warehouse & similar.

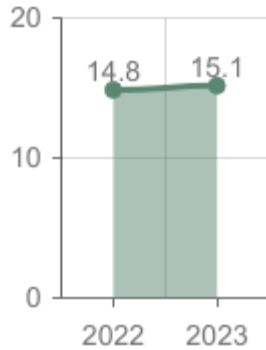
### 4. % CHANGE

A negative denotes a decreasing vacancy rate. Calculation is YE 2023 rate less the YE 2022 rate.

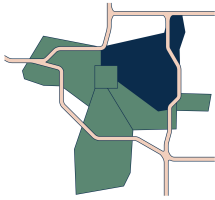


## THE DOWNTOWN OFFICE AREA (DOA)

The DOA vacancy rate increased from 14.8% to 15.1% in 2023. (+0.3%)

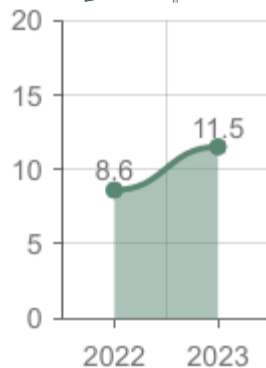


The **Downtown Office Area (DOA)** vacancy rate increased slightly from 14.8% in 2022 to 15.1% in 2023. Fifteen buildings increased in vacancy in 2023, while eight buildings decreased in vacancy. The downtown market now offers numerous attractive space options that have not been available in the past. Brokers again reported far fewer showings in 2023 compared with pre-2020. Much of the office activity in 2023 was comprised of existing tenants who consolidated their office footprints. The reduction in office space has also resulted in less weekday business for retail and service merchants. Many of these businesses are still struggling to get back to previous sales levels.

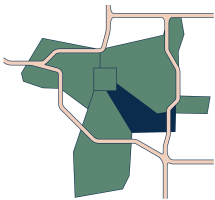


## THE NORTH OFFICE AREA (NOA)

The NOA vacancy rate increased from 8.6% to 11.5% (+2.9%)

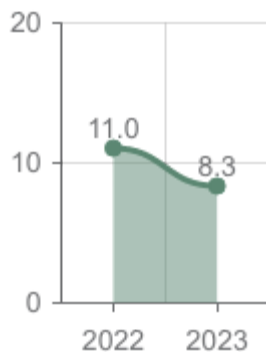


The **North Office Area (NOA)** vacancy rate increased from 8.6% to 11.5% in 2023. The NOA had a substantial reduction in 3rd party office space available this year--the North Office Gross SF as shown on the Swisher Commercial chart in this report. The reduction alone shifted the vacancy rate up by approximately 1%. This is significant because rather than a change in unoccupied office space, it is a change in total sub-market square footage, and it likewise affects the vacancy rate. Seven NOA buildings decreased in vacancy, while six increased, with one large office building showing a sizable increase of 66,000 vacant square feet. It is worth pointing out that absent the change at this one building, the NOA vacancy would have decreased by 33,000 square feet this year.



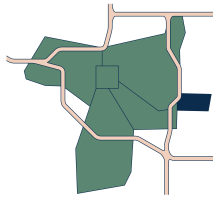
## THE EAST OFFICE AREA (EOA)

The EOA vacancy rate decreased from 11.0% to 8.3% (-2.7%)



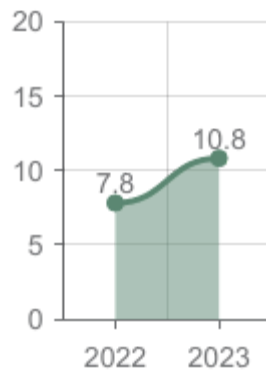
The **East Office Area (EOA)** vacancy rate decreased in 2023 from 11.0% to 8.3%. This is the second consecutive year of decreased vacancy for this submarket, which is mostly comprised of Class B, smaller office buildings catering to small businesses and providing easy customer access. The tenant mix that makes up the relatively strong showing in the EOA continues to include personal services, consultation businesses, and medical/health practices including mental health counseling. Moderate rental rates, short lease terms, and other lease arrangements that are favorable to tenants helped the EOA landlords continue to rent their office buildings. Many new office suite rentals in this sector result from practitioners and professionals deciding to leave their home offices in favor of setting up shop in an EOA building.



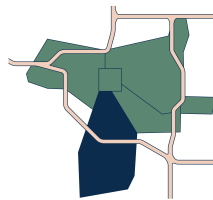


## THE CLARK-GOLFSIDE MEDICAL OFFICE AREA (CGMA)

The CGMA vacancy rate increased from 7.8% to 10.8%. (+3.0%)

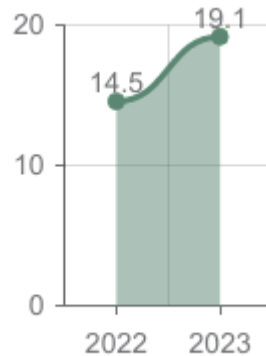


The **Clark-Golfside Medical Area (CGMA)** vacancy rate increased from 7.8% to 10.8%. This increase is due to the elimination from our market survey of a sizable building in the Trinity Health campus that no longer hosts third-party tenants. Contrary to the CGMA vacancy percentage increase shown above, Swisher brokers saw strong activity by health-related tenants in 2023. The presence of leasehold infrastructure desirable to medical, dental or mental health tenants meant fewer days on market for these office suites.

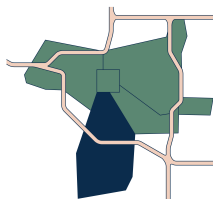


## THE SOUTH OFFICE AREA (SOA)

The SOA vacancy rate increased from 14.5% to 19.1% (+4.6%)

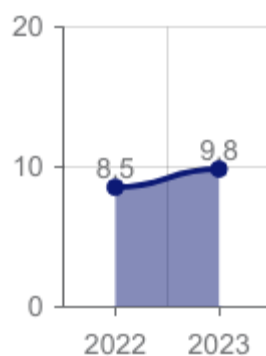


The **South Office Area (SOA)** vacancy rate increased from 14.5% in 2022 to 19.1% in 2023. Seven buildings had decreased vacancy, while fourteen increased in vacancy. Eleven of those increases were 10,000 square feet or more. Brokers reported ongoing weak demand for the larger blocks of SOA office space. We speculate that some of the new vacancies are due to expiring leases for businesses who have adjusted their office space use.

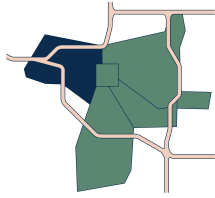


## THE SOUTH FLEX AREA (SFA)

The SFA vacancy rate increased from 8.5% vacancy in 2022 to 9.8% this year. (+1.3%)

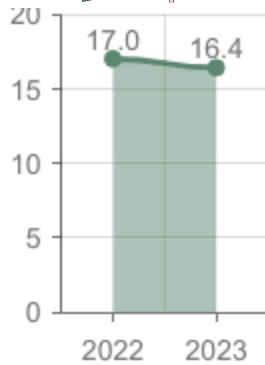


The **South Flex Area (SFA)** vacancy rate rose from 8.5% in 2022 to 9.8% this year. Five buildings decreased in vacancy and five increased. In the experience of Swisher brokers, there was higher demand for flex space than for pure office space in 2023. Consistent with this, many of the vacant SFA buildings heavy in office or lab/R&D infrastructure remain vacant. The lower demand for this type of space and the high cost of renovating building interiors has made it more difficult to put together new leases for these buildings. Flex buildings with more shop/warehouse have been easier to rent.

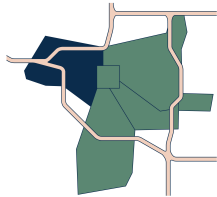


## THE WEST OFFICE AREA (WOA)

The WOA vacancy rate decreased from 17.0% to 16.4% in 2023. (-0.6%)

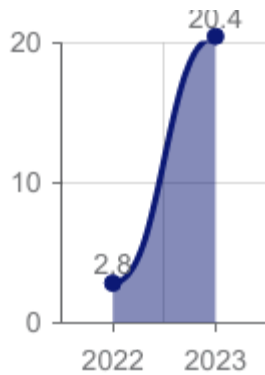


The **West Office Area (WOA)** vacancy rate decreased from 17.0% in 2022 to 16.4% in 2023. The WOA saw very little change from building to building except for a single prominent WOA building decreasing in vacancy by 17,000 square feet. With overall demand for office space weak this year, the WOA buildings that cater to small businesses and allow easy customer/patient access had more success in 2023, similar to the EOA.



## THE WEST FLEX AREA (WFA)

The WFA vacancy rate increased from 2.8%, the lowest submarket vacancy in 2022, to 20.4% this year, the highest submarket vacancy. (+17.6%)



The **West Flex Area (WFA)** vacancy jumped from 2.8% in 2022, the lowest rate of any submarket in our report, to 20.4% in 2023, the highest rate of any submarket. The bulk of this increase is the result of a single vacant 114,000 square foot west flex building newly becoming available to third parties. Despite increased vacancy, our brokers report continued strong leasing activity in the WFA in 2023, with steady demand, particularly for WFA flex buildings that combine a small portion of office space with a greater percentage of high-bay shop space accessible via overhead garage doors. Of note, the WFA has also benefited from recreational businesses leasing flex buildings.



## SALES ACTIVITY

There were steady sales of buildings in the Ann Arbor Area this year, especially to buyers whose purpose is to own a building in which their business can prosper. The strongest demand came from light industrial buyers, followed by buyers of high-tech flex buildings, with demand for office buildings being slower.

Commercial real estate in the Ann Arbor Area is considered a good investment due to the stable long-term economic environment. But as of late, high interest rates, tighter underwriting standards, and worries about instability in the national commercial real estate market have combined to have a negative influence, making even the Ann Arbor market less robust. Some sellers are offering land contract terms, providing buyers with lower interest rates in the early years of a purchase.

## LEASING DEMAND & ABSORPTION

Leasing demand and absorption in 2023 was, to some extent, a similar story to 2022. Many tenants exited large office suites, or downsized, to better fit their needs for hybrid office arrangements. Businesses who see their clients/ customers/patients on-site, as well as those discovering that they function better with in-person contact, remained in their office buildings and in some cases expanded their footprints.

2023 saw steady demand for flex and light industrial space. Buildings that are described as “lower-priced shop space” are in much higher demand than the more expensive flex buildings that are built-out with a high percentage of infrastructure-heavy finishes.

Hovering over the 2023 leasing market is a volatile national economy, high construction costs and high interest rates. Many economic indicators show that a recession has been averted, yet the economy seems far from robust. These factors have had a dampening effect on leasing demand.

The 2023 overall net absorption was negative 303,723 square feet. The office market contributed 39% of the negative net absorption while the flex portion of the market made up 61% of the total negative net absorption.



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building relationships is our priority.

*Swisher Commercial is dedicated to helping our clients make informed real estate decisions. Our brokerage efforts continue to yield creative solutions that culminate in successful real estate transactions. We understand the Southeast and South Central Michigan markets and are committed to serving the long-term needs of the business community. We look forward to assisting you with your leasing, purchase/sale, investment, property management and advisory needs in the future.*

*If you have any questions or suggestions feel free to contact Swisher Commercial at (734) 663-0501, e-mail at [info@swishercommercial.com](mailto:info@swishercommercial.com), or visit our website at [www.swishercommercial.com](http://www.swishercommercial.com).*

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