



METRO DETROIT

2022 MIDYEAR INDUSTRIAL REPORT

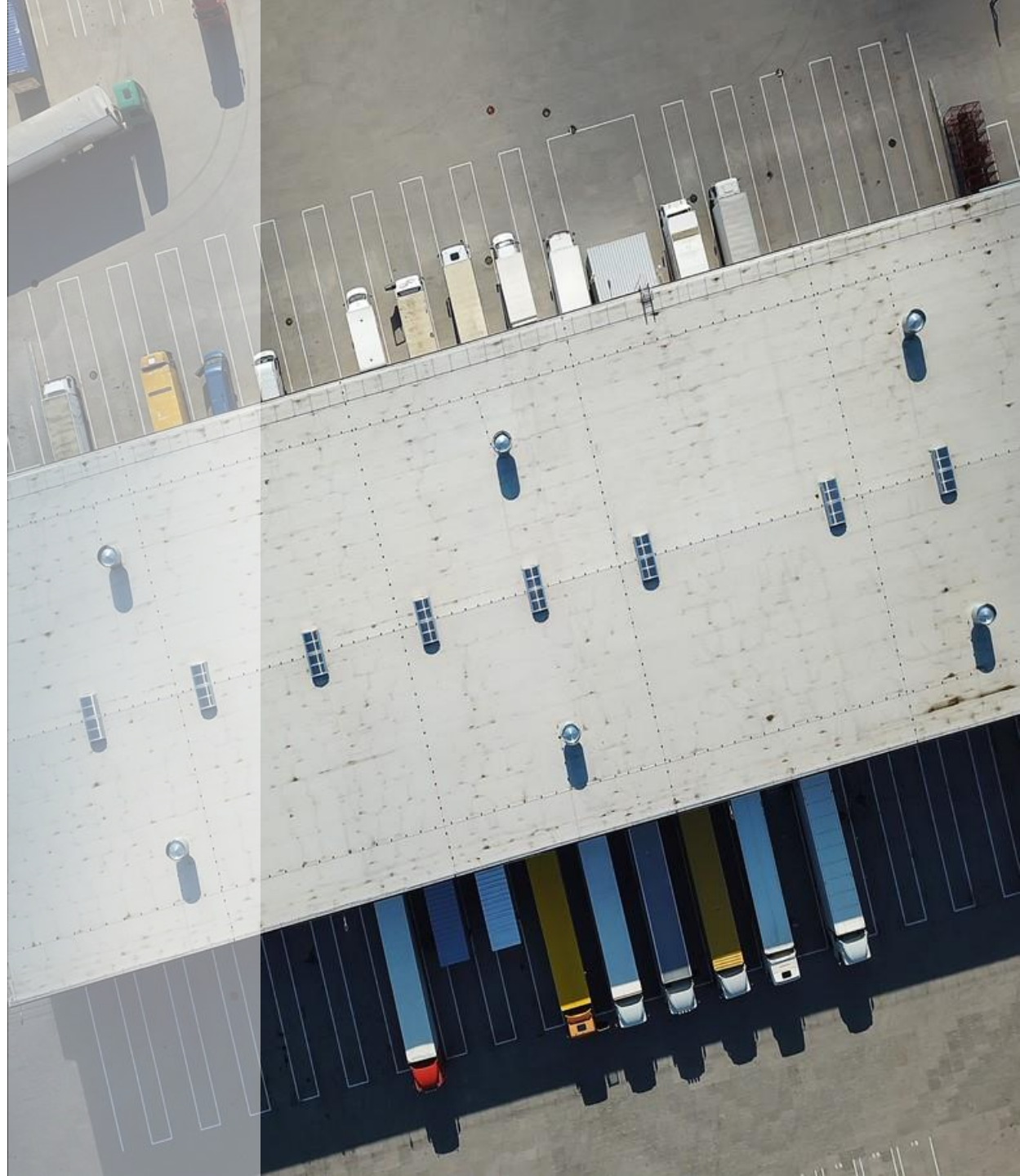
FRIEDMAN HQ

34975 W. Twelve Mile Rd.

Farmington Hills, MI 48331

888.848.1671

[friedmanrealestate.com](https://www.friedmanrealestate.com)



MARKET AT A GLANCE (H1 2022)

H1 2022
604.4MM ▲
H2 2021 - 601.5MM | H1 2021 - 590.9MM
Market Size

H1 2022
\$6.96 ▲
H2 2021 - \$6.82 | H1 2021 - \$6.46
Avg Asking Rental Rate

H1 2022
96.1% ▼
H2 2021 - 96.3% | H1 2021 - 95.9%
Overall Occupancy

H1 2022
2.9MM ▼
H2 2021 - 7.2MM | H1 2021 - 1.7MM
Half Year Net Absorption

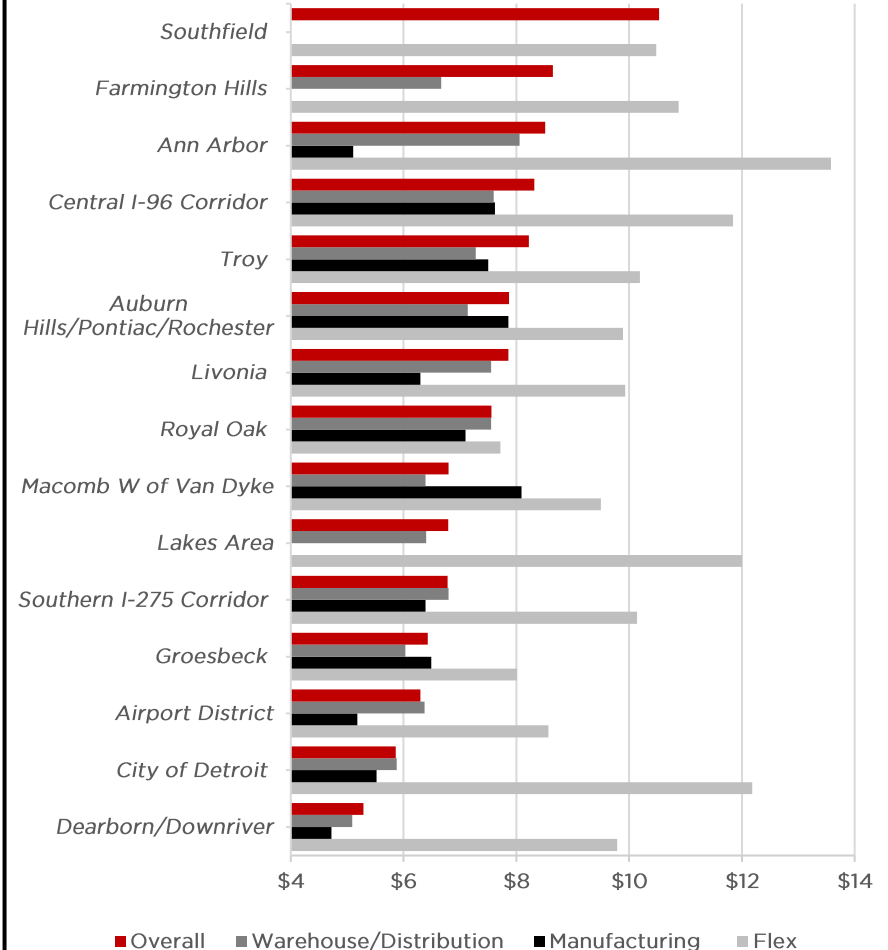
H1 2022
\$445MM ▲
H2 2021 - \$351MM | H1 2021 - \$314MM
Half Year Sales Volume

H1 2022
9.9MM ▲
H2 2021 - 9.5MM | H1 2021 - 7.4MM
SF Under Construction

Note: ▲ or ▼ indicates change compared to H2 2021.

Note: H1 = Q1 & Q2 ; H2 = Q3 & Q4

AVERAGE NNN ASKING RENTAL RATES BY SUBMARKET



MARKET OVERVIEW

In the first half of 2022, the Metro Detroit industrial market continued to strengthen after recording historic levels of leasing activity and net absorption in 2021. Market fundamentals including net absorption and overall occupancy decreased, while the construction pipeline and rent growth continued at unprecedented levels.

SUPPLY AND DEMAND

Occupancy decreased 0.20% from H1 2021 to 96.1% largely due to deliveries (3.9MM SF) exceeding overall market net absorption (2.9MM). Submarkets with the most inventory delivered in H1 2022 typically have the highest vacancy levels including Central I-96 Corridor (6.10% / 1.3MM SF), City of Detroit (6.0% / 1.3MM SF), and Auburn Hills/Pontiac/Rochester (5.4% / 919K SF).

Despite H1 2022 deliveries exceeding net absorption, total net absorption (2.9MM SF) remains above the pre-covid five-year average of 2.5MM SF. The growth of ecommerce and the region's automotive electrification industry continues to drive unprecedented levels of industrial demand, specifically for modern distribution and hi-tech facilities to replace an antiquated industrial inventory. There is a flight to quality underway with 2.3MM SF (80.8%) of net absorption at properties delivered from 2020-2022, 2.1MM SF of which at warehouse distribution properties. Given a flight to quality is underway, the 8.5MM SF of primarily speculative warehouse distribution under construction appears justified. Additionally, sustained activity from local (Ashley Capital & General Development) and out-of-state developers (Flint Development & NorthPoint Development), is further indication of the long-term confidence in the Metro Detroit industrial market. Developers continue to redevelop functionally obsolete assets into industrial use including the redevelopment of the Michigan State Fair Grounds (157 AC) to a 278K SF Amazon Fulfillment Center that delivered in Q1 2022.

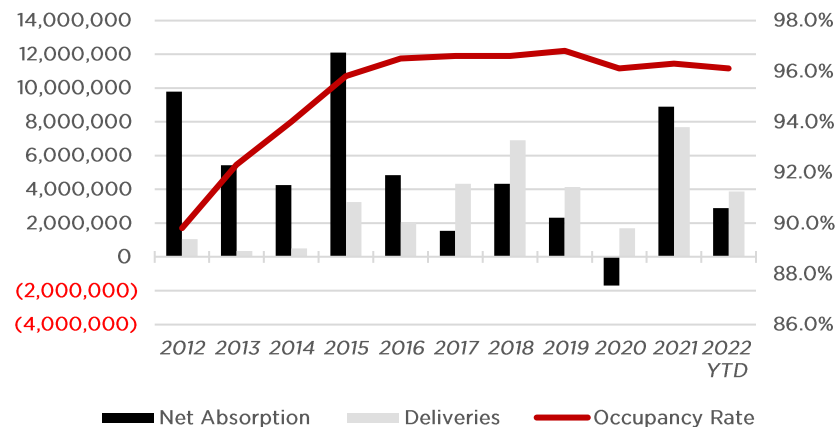
Leasing activity (8.1MM SF) increased 10.3% from H2 2021 with warehouse distribution properties accounting for 58.7% (4.3MM SF) of total leasing activity. Overall leasing activity and demand continues to be disproportionately captured by submarkets near key logistics nodes. Three of these submarkets captured a disproportionate 50.2% (4.2MM SF) of total leasing activity while only accounting for 25.6% of industrial inventory: Central I-96 Corridor (1.5MM SF / 18.4%); Macomb W of Van Dyke (1.4MM SF / 16.2%); and Airport District (1.3MM SF / 15.6%).

Due to increased construction and labor costs, which are up 23.9% year-over-year (YOY), along with the constrained supply and sustained demand, asking rates have increased 4.2% from H1 2021 to a record high of \$6.96 PSF NNN. Notably, warehouse distribution and flex facilities asking rents increased 9.2% and 7.4% from H1 2021, to \$6.44 and \$10.80 PSF NNN, respectively. Submarkets with the highest rent growth from H1 2021 include Royal Oak (13.0%), Airport District (11.9%), and City of Detroit (11.2%).

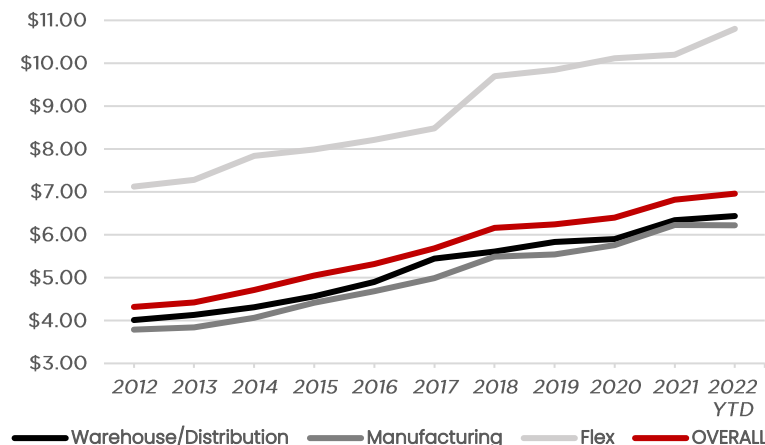
SALES AND INTEREST RATES

Total sales volume remained stable at \$445MM, which is in-line with the five-year half-year average of \$442MM, indicating that despite strong market fundamentals and significant capital chasing deals, there are few sellers. Therefore, investors are creating new opportunities through development of new product. Emblematic of this trend, and largest transaction in H1 2022, was the portfolio acquisition of two Amazon occupied logistics facilities in the Airport District submarket delivered in 2021 (1MM SF) by Stockbridge Capital Group (San Francisco based) for \$219MM, or \$212.64 PSF.

OCCUPANCY AND ABSORPTION



AVERAGE NNN ASKING RENT BY CLASS



MARKET OUTLOOK

GROWING INDUSTRIES: Michigan's low cost of living, central location, lower cost of power, existing industrial infrastructure, and low ranking on the National Risk Index (lack of natural disasters), is expected to result in increased development of general manufacturing, data centers, and electric vehicle related facilities.

INCREASED RENTAL RATES: We expect continued moderate asking rent growth due to the high inflation environment and increased construction/labor costs associated with development. New warehouse distribution developments asking rents are currently over \$7.00 PSF NNN compared to the \$6.44 PSF NNN average.

FLIGHT TO QUALITY: Leasing activity and net absorption in new (delivered 2020 - present) industrial properties will likely continue to disproportionately exceed activity in the older existing inventory due to the significant demand for modern industrial facilities.

CAP RATE ADJUSTMENTS: Despite strong fundamentals, we expect a moderate increase to cap rates due to the rising interest rate environment directly impacting acquisition pricing.

RISK OF OVERSUPPLY: With 9.9MM SF under construction and 27.6MM SF of proposed industrial inventory set to be delivered to the market, there is a risk of over supply if deliveries continue to exceed net absorption through 2022-2023. Due to disproportionate net absorption in newly delivered inventory, we expect occupancy in vintage properties to decrease as the construction pipeline is delivered.

TOP SALE TRANSACTIONS (BASED ON SALES PRICE)

PROPERTY NAME	CITY	SF	SALE PRICE	PRICE/SF
Amazon XL Fulfillment Center - New Boston	New Boston	750,000	\$166,232,433	\$221.64
Amazon Sort Center - Romulus	Romulus	249,600	\$53,075,663	\$212.64
3600 Giddings Rd	Auburn Hills	443,340	\$38,050,000	\$85.83
State Street Business Park III	Ann Arbor	65,200	\$11,050,000	\$169.48
1476 Seaver Way	Ypsilanti	172,663	\$10,500,000	\$60.81

TOP LEASE TRANSACTIONS (BASED ON SQUARE FEET)

TENANT	PROPERTY NAME	CITY	SF
Renaissance Global Logistics LLC	Wixom Assembly Park - A	Wixom	741,993
LM Manufacturing	6401 W Fort St	Detroit	297,000
Gardner White Furniture	Former Art Van HQ	Macomb	275,800
Progressive Distribution Centers	2500 Enterprise Dr	Allen Park	263,877
Diversified Synergies	201 S Waterman St	Detroit	187,000

Note: Bold represents Friedman transactions



Top Sale:
Amazon XL - New Boston
Sale Price: \$166,232,433



Top Lease:
Renaissance Global Logistics - Wixom
Square Footage: 741,993

SUBMARKET	# BLDGS	INVENTORY (SF)	NET ABS. (SF)	SF UNDER CONST	TOTAL VAC. (%)	TOTAL AVAIL. (%)	OVERALL OCC. (%)	AVG ASKING RENT (NNN)	ASKING RENT (NNN)			TOTAL SALES VOLUME	SALES PER SF
									W/D	MFG	FLEX		
Ann Arbor	884	33,566,155	25,671	130,000	5.00%	6.10%	95.00%	\$8.51	\$8.06	\$5.11	\$13.58	\$40,252,429	\$81.00
Airport District	1,036	55,022,883	1,373,969	2,083,979	2.20%	5.50%	97.80%	\$6.30	\$6.37	\$5.18	\$8.57	\$225,604,134	\$65.02
Auburn Hills/Pontiac/Rochester	1,098	54,934,623	(17,326)	872,109	5.40%	6.30%	94.60%	\$7.87	\$7.14	\$7.86	\$9.89	\$71,388,508	\$92.08
Central I-96 Corridor	1,172	35,940,549	421,634	1,102,117	6.10%	7.30%	93.90%	\$8.32	\$7.60	\$7.62	\$11.84	\$2,457,500	\$96.00
City of Detroit	2,056	89,317,695	430,799	2,155,708	6.00%	11.70%	94.00%	\$5.86	\$5.88	\$5.52	\$12.18	\$15,831,000	\$55.32
Dearborn/Downriver	1,197	70,056,215	(252,680)	0	4.80%	6.00%	95.20%	\$5.29	\$5.09	\$4.72	\$9.79	\$5,765,000	\$60.05
Farmington Hills	430	11,669,583	(71,807)	0	5.40%	7.80%	94.60%	\$8.65	\$6.67	-	\$10.88	\$6,100,000	\$85.37
Livonia	1,108	42,304,227	56,384	364,812	2.70%	3.50%	97.30%	\$7.86	\$7.55	\$6.30	\$9.93	\$10,980,000	\$73.98
Southern I-275 Corridor	581	19,483,450	276,844	1,001,600	3.10%	6.10%	96.90%	\$6.78	\$6.80	\$6.39	\$10.14	\$14,300,048	\$68.36
Lakes Area	387	7,601,890	(26,184)	0	1.30%	1.90%	98.70%	\$6.79	\$6.40	-	\$12.00	\$2,389,000	\$82.34
Groesbeck	2,995	67,731,401	47,009	560,578	2.30%	4.30%	97.70%	\$6.43	\$6.03	\$6.49	\$8.01	\$21,060,389	\$72.91
Macomb W of Van Dyke	1,336	64,107,294	664,658	1,632,103	1.60%	2.40%	98.40%	\$6.80	\$6.39	\$8.09	\$9.50	\$10,914,394	\$74.01
Royal Oak	953	15,580,596	(91,637)	0	2.70%	4.00%	97.30%	\$7.56	\$7.55	\$7.10	\$7.72	\$3,890,000	\$83.80
Southfield	249	6,231,489	86,810	0	3.50%	5.40%	96.50%	\$10.53	-	-	\$10.48	\$2,500,000	\$83.00
Troy	1,441	30,894,671	(36,073)	0	2.60%	4.50%	97.40%	\$8.22	\$7.28	\$7.50	\$10.19	\$11,792,500	\$84.52
TOTAL	16,923	604,442,721	2,888,071	9,903,006	3.90%	6.00%	96.10%	\$6.96	\$6.44	\$6.22	\$10.80	\$445,224,902	\$72.33

*W/D = Warehouse/Distribution

*MFG = Manufacturing

TOP INDUSTRIAL PROPERTIES DELIVERED (H1 2022)

PROPERTY NAME	CITY	SF	DEVELOPER	DELIVERED	PROPERTY TYPE
Wixom Assembly Park - Building A	Wixom	741,993	Flint Development	Q1 2022	W/D
Oakland Logistics Park	Pontiac	713,796	Flint Development	Q1 2022	W/D
M3 Commerce Center	Detroit	684,000	NorthPoint Development	Q1 2022	W/D
Lyon Distribution Center I	New Hudson	280,000	Walbridge	Q2 2022	W/D
Amazon Fulfillment Center - Michigan State Fair	Detroit	277,908	Sterling Group	Q1 2022	W/D
Amazon Sort Center - Romulus	Detroit	249,600	Sterling Group	Q1 2022	W/D



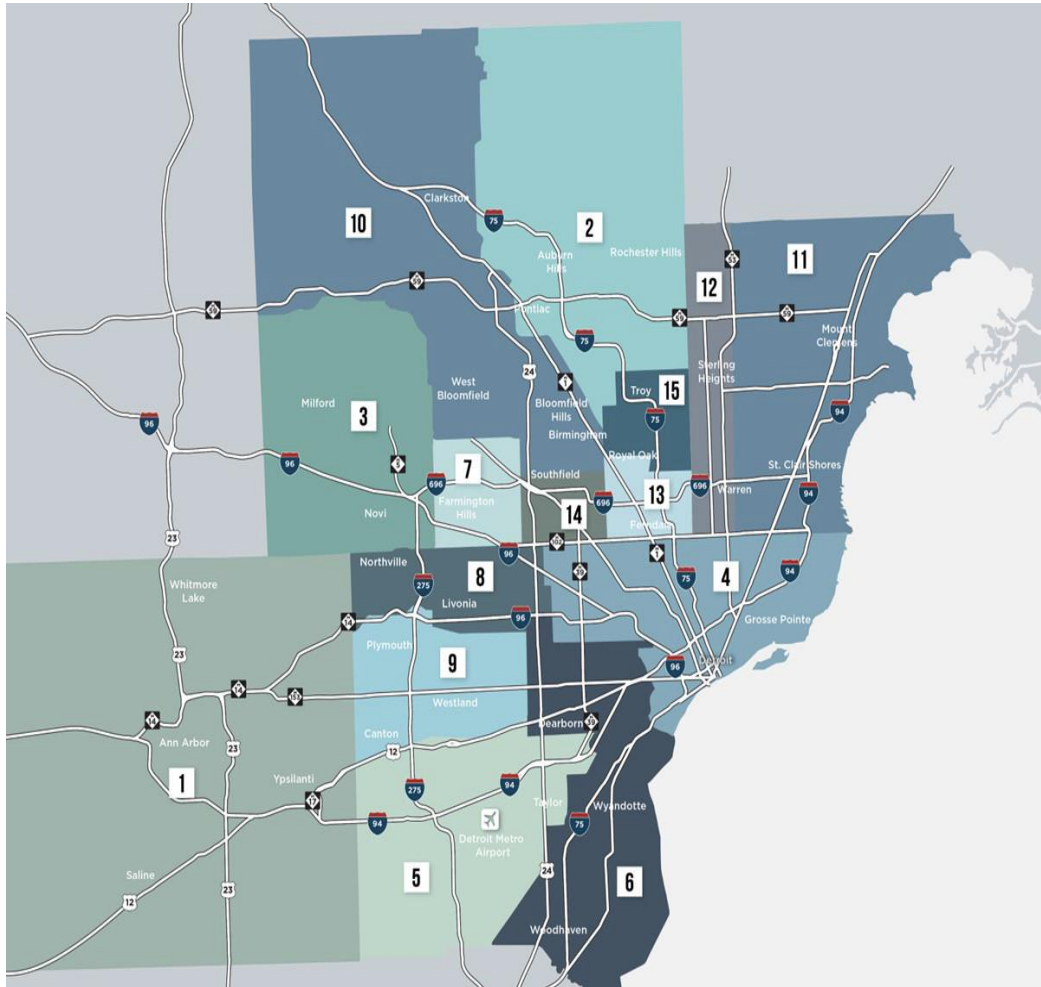
TOP INDUSTRIAL PROPERTIES UNDER CONSTRUCTION (H1 2022)

PROPERTY NAME	CITY	SF	DEVELOPER	DELIVERY	PROPERTY TYPE
Crossroad Distribution Center North - Building 6	Van Buren Township	659,589	Ashley Capital	Q1 2023	W/D
1030 Featherstone St	Pontiac	592,109	Kaltz Excavating	Q4 2022	W/D
Eastland Commerce Center - Building 2	Detroit	514,000	NorthPoint Development	Q3 2023	W/D
13751 Hamilton Ave	Highland Park	443,156	Means Group, Inc.	Q1 2023	W/D
Gateway Industrial Center	Detroit	425,000	The Opus Group	Q4 2022	W/D
Livonia West Commerce Center - Building 2	Livonia	364,812	Ashley Capital	Q3 2022	W/D

*W/D = Warehouse/Distribution



INDUSTRIAL SUBMARKET MAP



1	ANN ARBOR	9	I-275 CORRIDOR
2	AUBURN HILLS/PONTIAC/ ROCHESTER	10	LAKES AREA
3	CENTRAL I-96 CORRIDOR	11	GROESBECK
4	DETROIT	12	MACOMB W OF VAN DYKE
5	AIRPORT DISTRICT	13	ROYAL OAK
6	DEARBORN/DOWNRIVER	14	SOUTHFIELD
7	FARMINGTON HILLS	15	TROY
8	LIVONIA		

Friedman Research separates the Metro Detroit Industrial submarkets in the manner shown to better reflect the way users, tenants, and brokers view our market. We believe this provides a more accurate statistical picture of each submarket which allows our clients to make better informed decisions.

Friedman's MIDYEAR Industrial Market Report provides our clients with a snapshot of pertinent market data and information to help them make informed commercial real estate decisions. The information contained in this report is gathered from multiple sources believed to be reliable.