METRO DETROIT
INDUSTRIAL REPORT

2024 OUTLOOK & 2023 REVIEW

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2024 OUTLOOK & 2023 REVIEW INDUSTRIAL REPORT - METRO DETROIT

MARKET AT A GLANCE (H2 2023)

Metric	H2 2023	H1 2023	H2 2022
Market Size	617.3MM ▲	607.4MM	607.0MM
Avg Asking Rental Rate	$7.53 ▲	$7.45	$7.12
Overall Occupancy	96.3% ▲	96.3%	96.1%
Half Year Net Absorption	2.0MM ▼	3.0MM	3.9MM
Half Year Sales Volume	$312MM ▼	$487MM	$436MM
SF Under Construction	4.1MM ▼	7.4MM	9.1MM

Note: ▲ or ▼ or ▬ indicates change compared to H2 2022

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

MARKET OVERVIEW (H2 2023)

In 2023, the Metro Detroit industrial market continued to strengthen with record high rental rates and occupancy, as well as sustained positive net absorption and deliveries. Despite this, leasing and development activity has decreased due to a combination of remaining antiquated supply, slowing warehouse/distribution demand, elevated interest and cap rates, and increased construction costs.

SUPPLY AND DEMAND: Occupancy remained near all time highs of 96.3% with 4.8MM SF of net absorption to meet the 5.1MM SF delivered. Total 2023 leasing volume (15.6MM SF) decreased 33.5% year-over-year (2022: 23.4MM SF) with 2023 deliveries only 63.3% preleased. Manufacturing and flex have the highest and lowest occupancy rates of 97.9%, and 93.3%, respectively.

INCREASED RENTAL RATES: Rental rates ($7.53 PSF NNN) increased 5.6% year-over-year (2022: $7.13 PSF NNN) due to sustained demand, the high inflation environment, and increased construction/labor costs associated with new development.

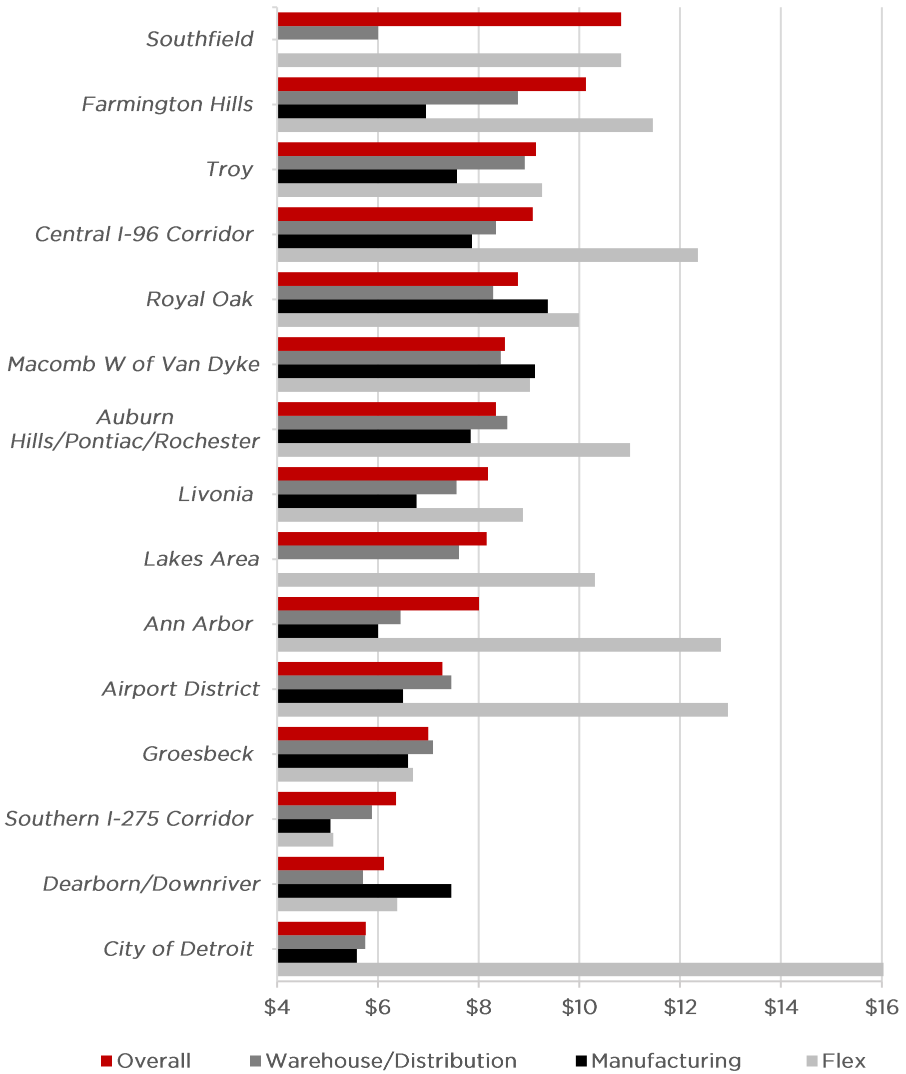
FLIGHT TO QUALITY: Demand for newly delivered industrial properties (2020-H1 2023) continued to disproportionately exceeded activity for the older existing inventory due to the significant demand for modern industrial facilities. These properties accounted for 5.1MM SF of positive net absorption while older properties (pre-2020) accounted for (-219K SF) of negative net absorption. Despite this, new warehouse/distribution space will face protracted lease up timeframes.

GROWING MANUFACTURING: The rise of electric vehicles has created more than $120BB in electric vehicle manufacturing investments nationally, and Michigan has secured $16.6BB of those projects, which are anticipated to create over 16,300 jobs. Top developments include GM Factory Zero, FCA Mack Avenue Assembly, and ONE Circle.

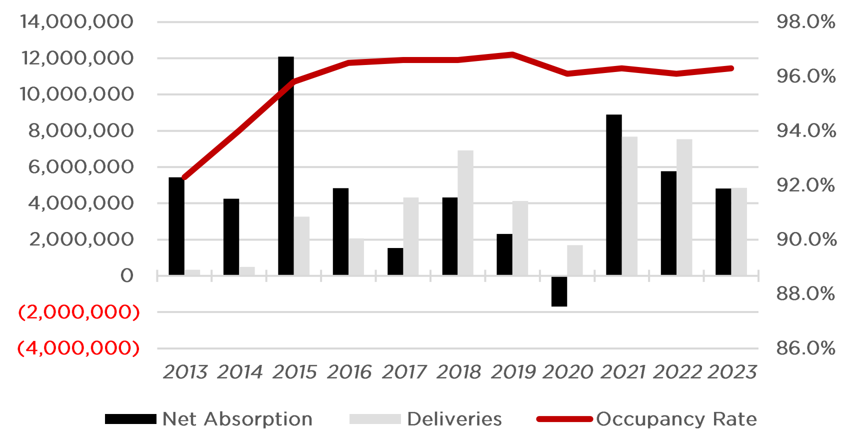
DEVELOPMENT: Inventory under construction (4.4MM SF) decreased 43.1% year-over-year (2022: 7.8MM SF) with many of the developments under construction and 33.3M SF of proposed industrial inventory having been postponed.

SALES AND INTEREST RATES: Total sales volume ($799MM) decreased 28.2% year-over-year (2022: $1.1B) largely due to the widened bid-ask spread as a result of increased interest rates direct impact on cap rates and property valuations. The Airport District submarket accounted for the largest portion of sales volume ($96MM), which included the $78MM sale of the ±450K SF 2023 built-to-suit Home Depot Distribution warehouse.

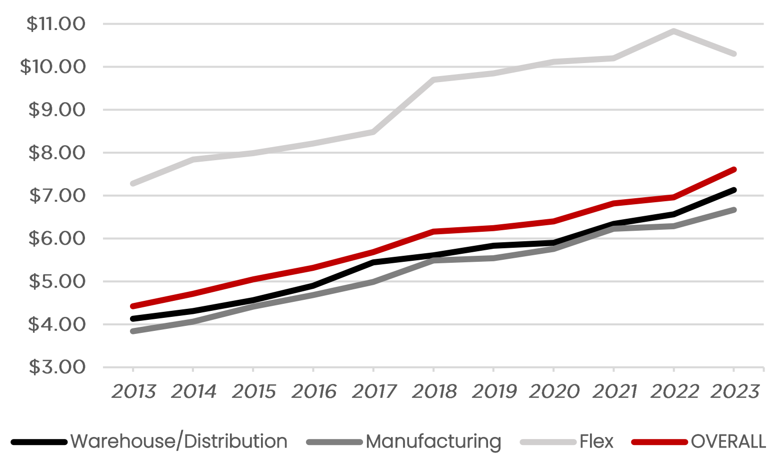
AVERAGE NNN ASKING RENTS BY SUBMARKET



OCCUPANCY AND ABSORPTION



AVERAGE NNN ASKING RENT BY CLASS



TOP SALE TRANSACTIONS (BASED ON SALES PRICE)

PROPERTY NAME	CITY	SUBMARKET	SF	SALE PRICE	PRICE/SF	PROPERTY TYPE
Home Depot Distribution	New Boston	Airport District	487,000	$77,721,646	$159.59	W/D
15100-15150 W 8 Mile Road	Oak Park	Royal Oak	275,401	$29,000,000	$105.30	W/D
601 Piquette Street	Detroit	City of Detroit	445,000	$20,300,000	$45.62	MFG
Riley Broadcast Center	Wixom	Central I-96 Corridor	93,540	$11,000,000	$117.60	Flex
5090 Research Drive	Canton	Airport	45,000	$9,800,000	$217.78	W/D
21700 Telegraph Road	Southfield	Southfield	70,640	$4,500,000	$63.70	Flex

Top Sale:
Home Depot Distribution
Sale Price: $77,721,646

TOP LEASE TRANSACTIONS (BASED ON SQUARE FEET)

TENANT	PROPERTY NAME	CITY	SUBMARKET	SF	PROPERTY TYPE
DHL	151 Lafayette Street	Mount Clemens	Groesbeck	674,432	W/D
Renaissance Global Logistics	Wixom Assembly Park	Wixom	Central I-96 Corridor	306,280	W/D
Thai Summit America Corporation	Eastland Commerce Center	Harper Woods	City of Detroit	297,100	W/D
Amazon	Wixom Assembly Park	Wixom	Central I-96 Corridor	258,307	W/D
Goodwill	14301 Prospect Street	Dearborn	Dearborn/Downriver	169,589	W/D
Endless West	1200 Oakman Boulevard	Detroit	City of Detroit	128,890	W/D
VeTech	8211 Decatur Street	Detroit	City of Detroit	113,242	W/D

Note: *Indicates sublease

W/D = Warehouse/Distribution

Top Lease:
DHL - Groesbeck
Square Footage: 674,432

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	33,394,785	(170,834)	320,000	5.00%	5.90%	95.00%	$8.39	$6.45	$6.00	$12.63	$7,582,500	$76.00
Airport District	1,044	57,189,447	1,618,815	290,954	2.70%	4.90%	97.30%	$7.28	$7.46	$6.50	$12.95	$96,271,646	$58.00
Auburn Hills/Pontiac/Rochester	1,103	55,993,484	(153,108)	1,631,860	3.60%	4.40%	96.40%	$8.34	$8.57	$7.84	$11.01	$26,365,000	$87.00
Central I-96 Corridor	1,181	36,990,279	105,222	312,922	5.70%	5.60%	94.30%	$9.07	$8.35	$7.87	$12.35	$12,550,000	$90.00
City of Detroit	2,152	93,322,940	254,821	1,022,546	7.10%	10.20%	92.90%	$5.76	$5.75	$5.58	$16.83	$34,351,999	$50.00
Dearborn/Downriver	1,207	70,713,351	(99,172)	10,000	3.50%	4.80%	96.50%	$6.12	$5.70	$7.46	$6.39	$4,320,000	$55.00
Farmington Hills	431	11,770,881	(164,466)	79,000	5.50%	6.80%	94.50%	$10.13	$8.78	$6.95	$11.46	$1,725,000	$78.00
Livonia	1,109	43,097,268	275,731	27,223	2.30%	3.70%	97.70%	$8.19	$7.56	$6.77	$8.88	$12,420,000	$66.00
Southern I-275 Corridor	586	19,852,668	144,871	74,294	1.10%	2.50%	98.90%	$6.36	$5.88	$5.06	$5.12	$10,878,000	$61.00
Lakes Area	387	7,600,894	(81,020)	175,000	2.80%	3.20%	97.20%	$8.16	$7.61	-	$10.31	$8,540,000	$77.00
Groesbeck	3,018	69,406,496	80,954	88,448	2.30%	3.70%	97.70%	$7.00	$7.09	$6.60	$6.70	$19,254,201	$68.00
Macomb W of Van Dyke	1,350	64,888,103	351,885	42,673	1.30%	1.70%	98.70%	$8.52	$8.44	$9.12	$9.02	$13,215,000	$70.00
Royal Oak	951	15,823,982	(130,094)	0	3.80%	3.10%	96.20%	$8.78	$8.29	$9.37	$9.99	$38,391,000	$74.00
Southfield	250	6,332,183	26,436	45,000	4.00%	5.80%	96.00%	$10.83	$6.00	-	$10.83	$6,250,000	$76.00
Troy	1,439	30,877,418	(23,250)	0	3.20%	4.80%	96.80%	$9.14	$8.91	$7.57	$9.26	$19,599,288	$78.00
TOTAL	17,092	617,254,179	2,036,791	4,119,920	3.70%	5.10%	96.30%	$7.53	$7.29	$6.60	$10.33	$311,713,634	$67.00

*W/D = Warehouse/Distribution
*MFG = Manufacturing

TOP INDUSTRIAL PROPERTIES DELIVERED (H2 2023)

PROPERTY NAME	CITY	SUBMARKET	SF	DEVELOPER	DELIVERED	PROPERTY TYPE
Home Depot Distribution	New Boston	Airport	450,000	Hillwood	Q4 2023	W/D
12601 Southfield Freeway	Detroit	City of Detroit	421,000	Innovo	Q3 2023	W/D
Romulus Trade Center Building 3	Romulus	Airport	349,492	NorthPoint Development	Q4 2023	W/D
Romulus Trade Center Building 2	Romulus	Airport	349,492	NorthPoint Development	Q3 2023	W/D
Romulus Trade Center Building 1	Romulus	Airport	346,606	NorthPoint Development	Q4 2023	W/D
Wixom Assembly Park – Building C	Wixom	Central I-96 Corridor	306,280	Flint Development	Q3 2023	W/D

Home Depot Distribution Center
Warehouse Distribution – New Boston
Total SF: 450,000

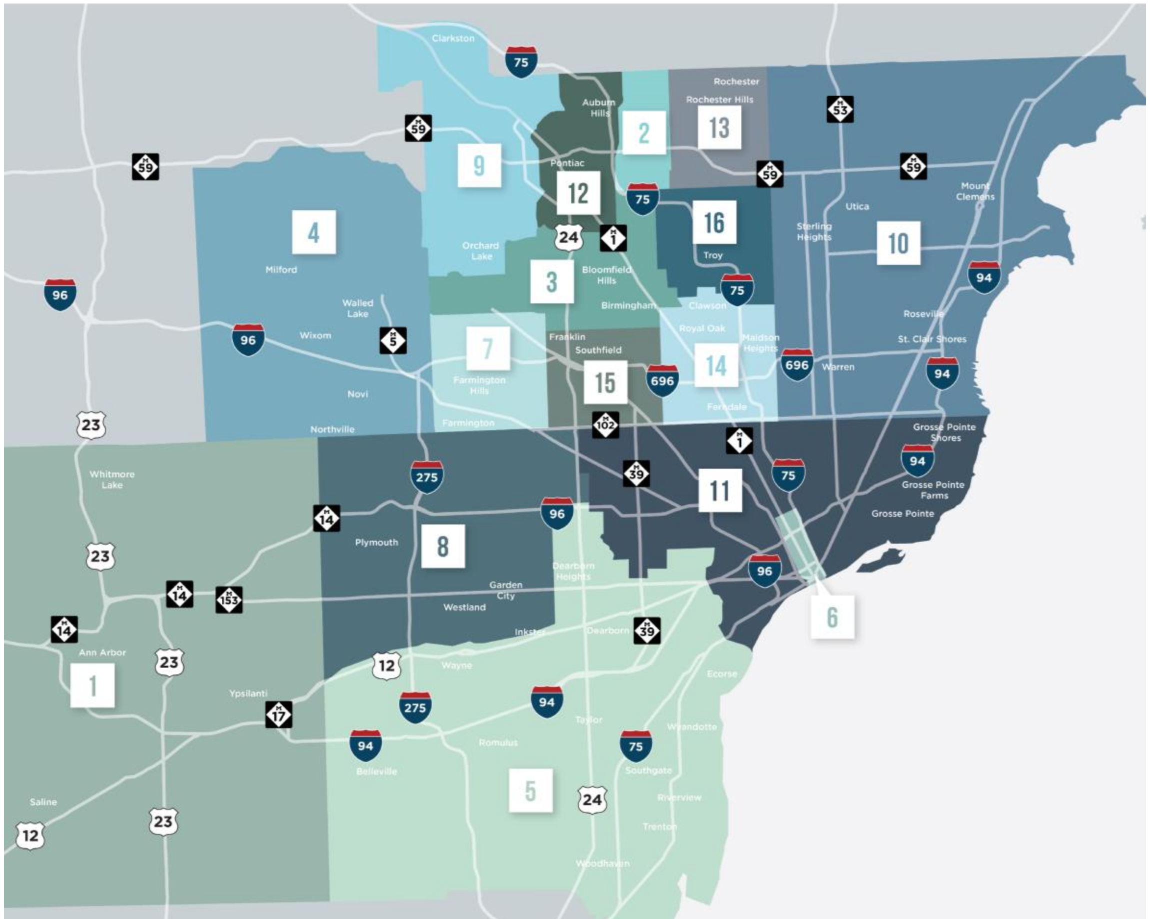
TOP INDUSTRIAL PROPERTIES UNDER CONSTRUCTION (H2 2023)

PROPERTY NAME	CITY	SUBMARKET	SF	DEVELOPER	DELIVERY	PROPERTY TYPE
FANUC America Corporation	Auburn Hills	Auburn Hills	788,000	General Development Company	Q2 2024	Flex
Eastland Commerce Center - Building 2	Detroit	City of Detroit	535,342	NorthPoint Development	Q1 2024	W/D
Eastland Commerce Center - Building 1	Detroit	City of Detroit	297,100	NorthPoint Development	Q1 2024	W/D
Wixom Assembly Park – Building D	Wixom	Central I-96 Corridor	258,465	Flint Development	Q1 2024	W/D
Eastland Commerce Center - Building 3	Detroit	City of Detroit	208,204	NorthPoint Development	Q2 2024	W/D

FANUC America Corporation
Flex – Auburn Hills
Total SF: 788,000

W/D = Warehouse/Distribution

INDUSTRIAL SUBMARKET MAP



- 1 ANN ARBOR
- 2 AUBURN HILLS
- 3 BIRMINGHAM/BLOOMFIELD
- 4 CENTRAL I-96 CORRIDOR
- 5 DEARBORN/DOWNRIVER
- 6 DOWNTOWN DETROIT
- 7 FARMINGTON HILLS
- 8 I-275 CORRIDOR
- 9 LAKES AREA
- 10 MACOMB
- 11 OUTER DETROIT
- 12 PONTIAC
- 13 ROCHESTER
- 14 ROYAL OAK
- 15 SOUTHFIELD
- 16 TROY

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 2024 Outlook & 2023 Review 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.