

2Q24

# Detroit Industrial Market Overview



NEWMARK

# Market Observations

## Economy

- The Detroit Metro’s labor market remains stagnant. May’s 3.9% unemployment rate was up 10 basis points from April levels.
- Construction continues to lead employment growth fueled by infrastructure funds to rebuild major expressways. Meanwhile, the key manufacturing sector showed employment is 0.6% below May 2023 levels.
- The trade and transportation sector showed gradual improvement in employment, up 1.2% from last year.

## Major Transactions

- Detroit Axle, an automotive parts manufacturer and distributor, leased 156,800 SF at 12001-12005 Toepfer Rd. in Warren.
- Convergix, which provides automation and connectivity systems to the automotive industry, leased 150,102 SF at 800 Standard Pky. in Auburn Hills.
- OPW Fueling Components Inc. signed a 130,700-SF lease at recently constructed Allied Commerce Center Building 5 in Livonia.

## Leasing Market Fundamentals

- The Detroit Metro industrial vacancy rate remained at 3.9% during the second quarter of 2024. Nearly 70% of 963,866 SF in net absorption during the quarter was attributed to completed build-to-suit construction.
- The construction pipeline has trended mostly downward over the past four quarters. Build-to-suits make up 1.0 million SF of active construction. Speculative construction has dropped to 857,000 SF from a high of over 5 million SF last year.
- Average asking rent grew by just 0.64% during the second quarter of 2024. The year-over-year growth rate is far off the 21.54% seen in 2022.

## Outlook

- No new speculative bulk warehouse development have broken ground in 2024 as currently supply is outpacing demand. This will allow the market to absorb existing new inventory levels.
- While the Big Three have scaled back investments in EV, new developments are underway to boost the automotive segment. Ford began construction on 1.8-million-SF EV battery plant in Marshall, MI. Magna International Inc is near completion on a 285,000-SF EV seating plant in Auburn Hills. GM continues to gear up its Orion Assembly for EV production.
- Average asking rent will grow moderately in the coming quarters.

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1. Economy
  2. Leasing Market Fundamentals

2Q24

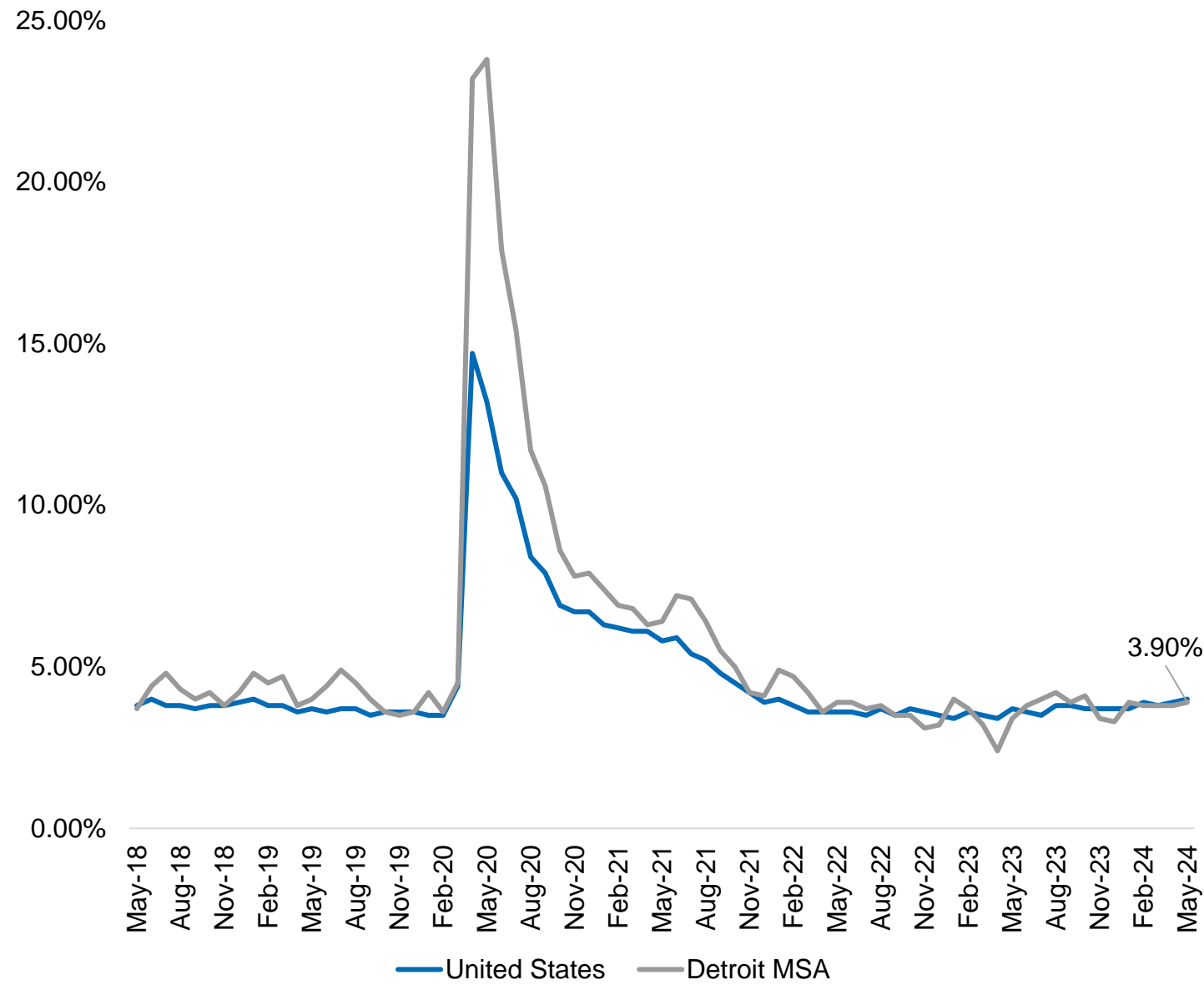
# Economy



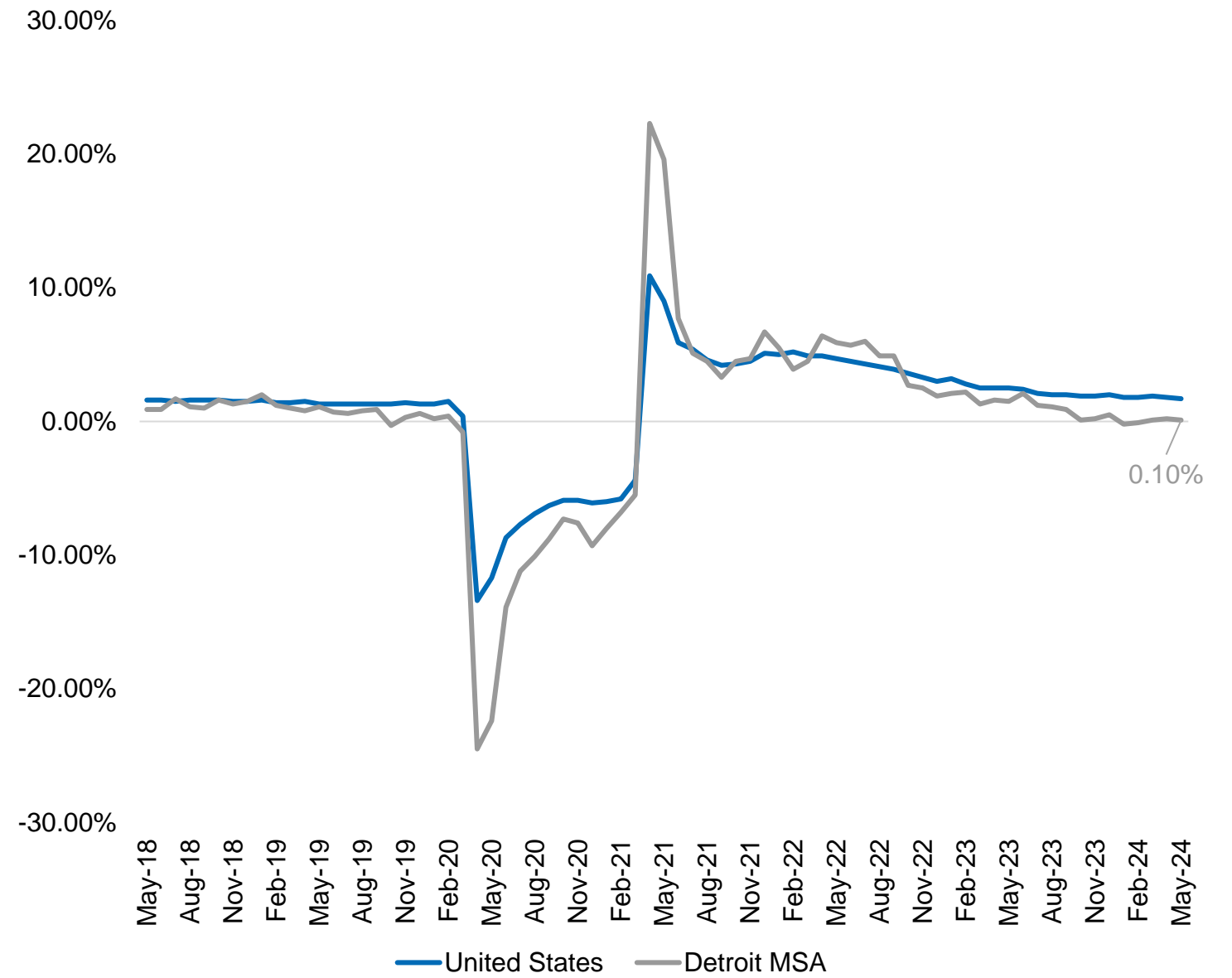
# Metro Employment Trends Signal A Slowing Economy

The Detroit Metro's labor market remains stagnant. May's 3.9% unemployment rate was up 10 basis points from April levels. Compared to last year, employment levels remained relatively unchanged. Year-over-year employment grew just 0.10%. The unemployment rate remains lower than the 5.7% 10-year historical average.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

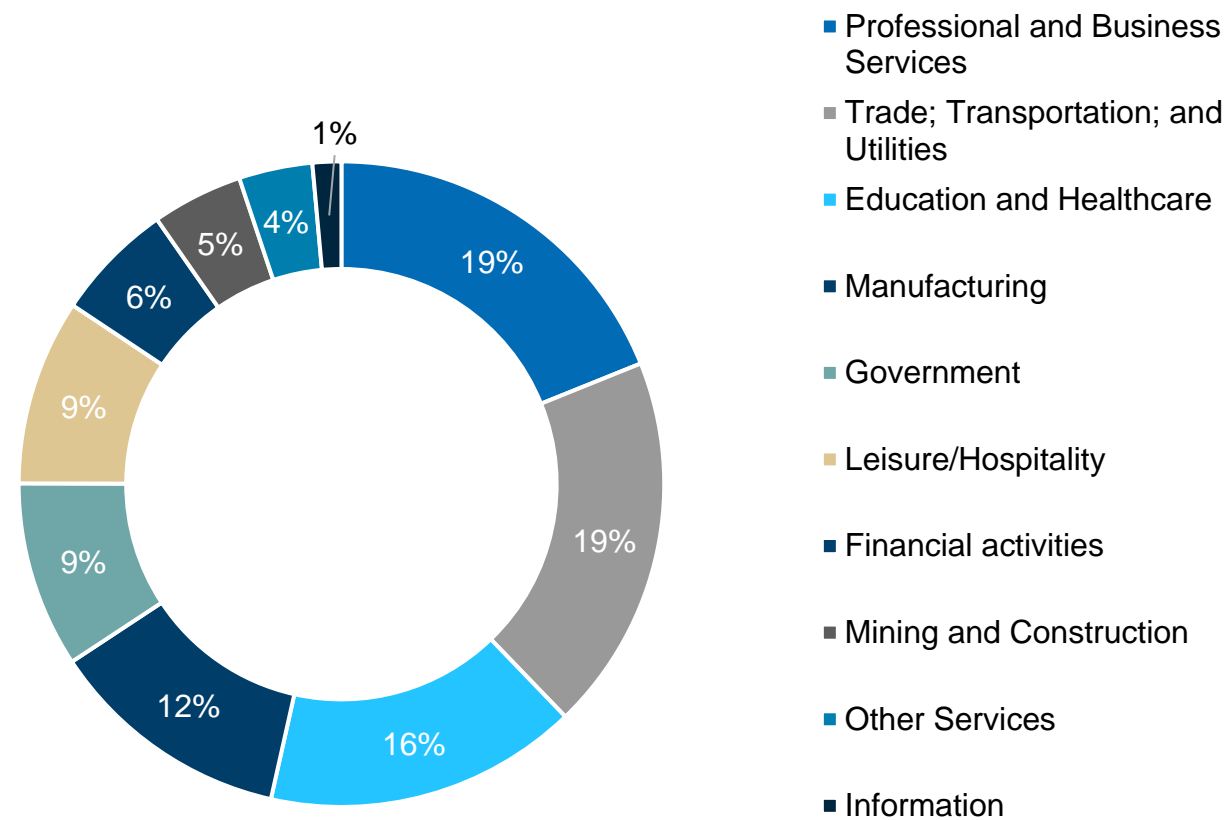


Source: U.S. Bureau of Labor Statistics, Detroit MSA

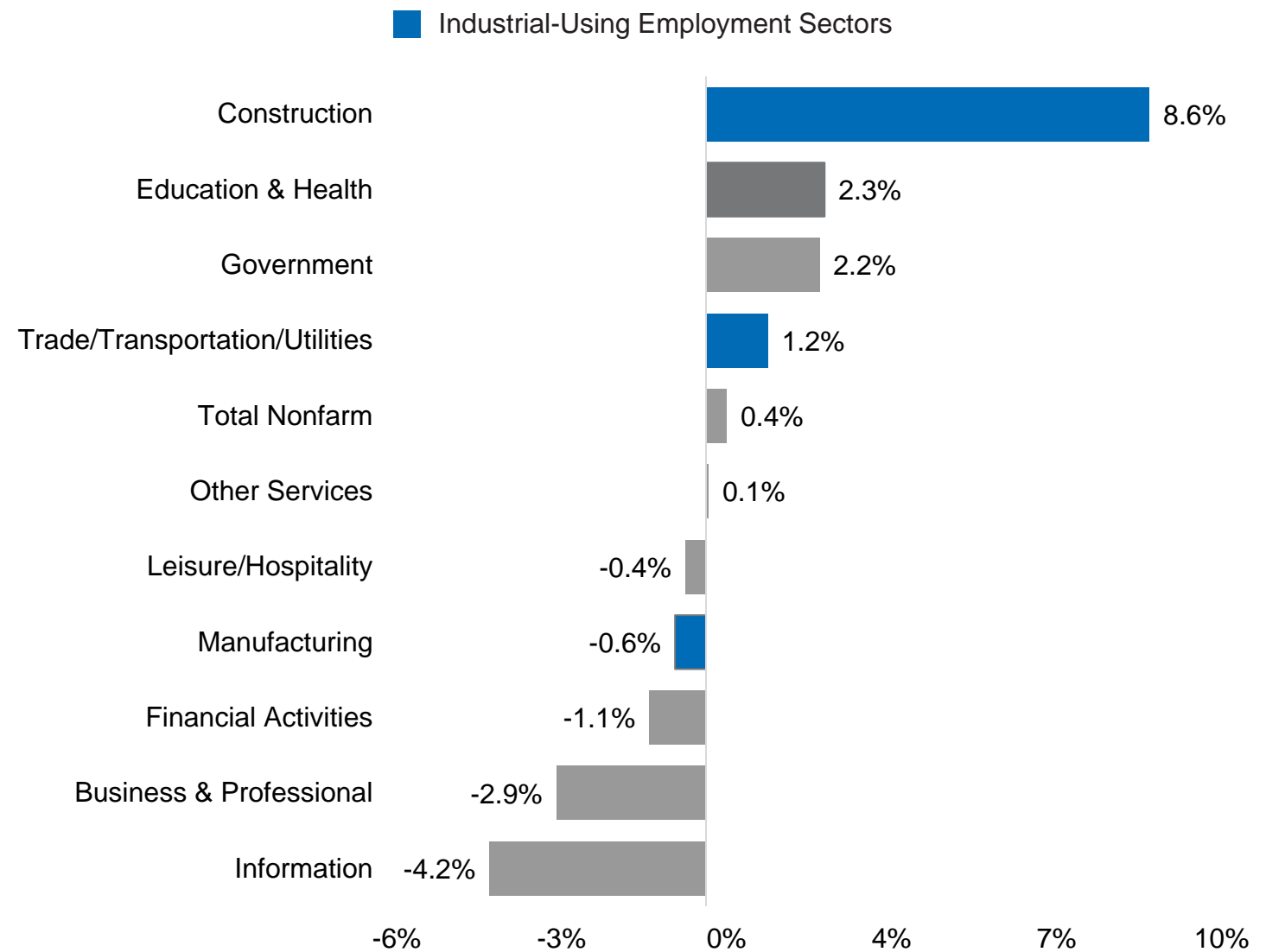
# Construction Sector Leads YOY Job Growth While Manufacturing Sheds Jobs

Construction continues to lead employment growth fueled by infrastructure funds to rebuild major expressways. Meanwhile, the key manufacturing sector showed employment is 0.6% below May 2023 levels. Trade, transportation and utilities employment levels grow year over year by 1.2%.

Employment by Industry, May 2024



Employment Growth by Industry, 12-Month % Change, May 2024

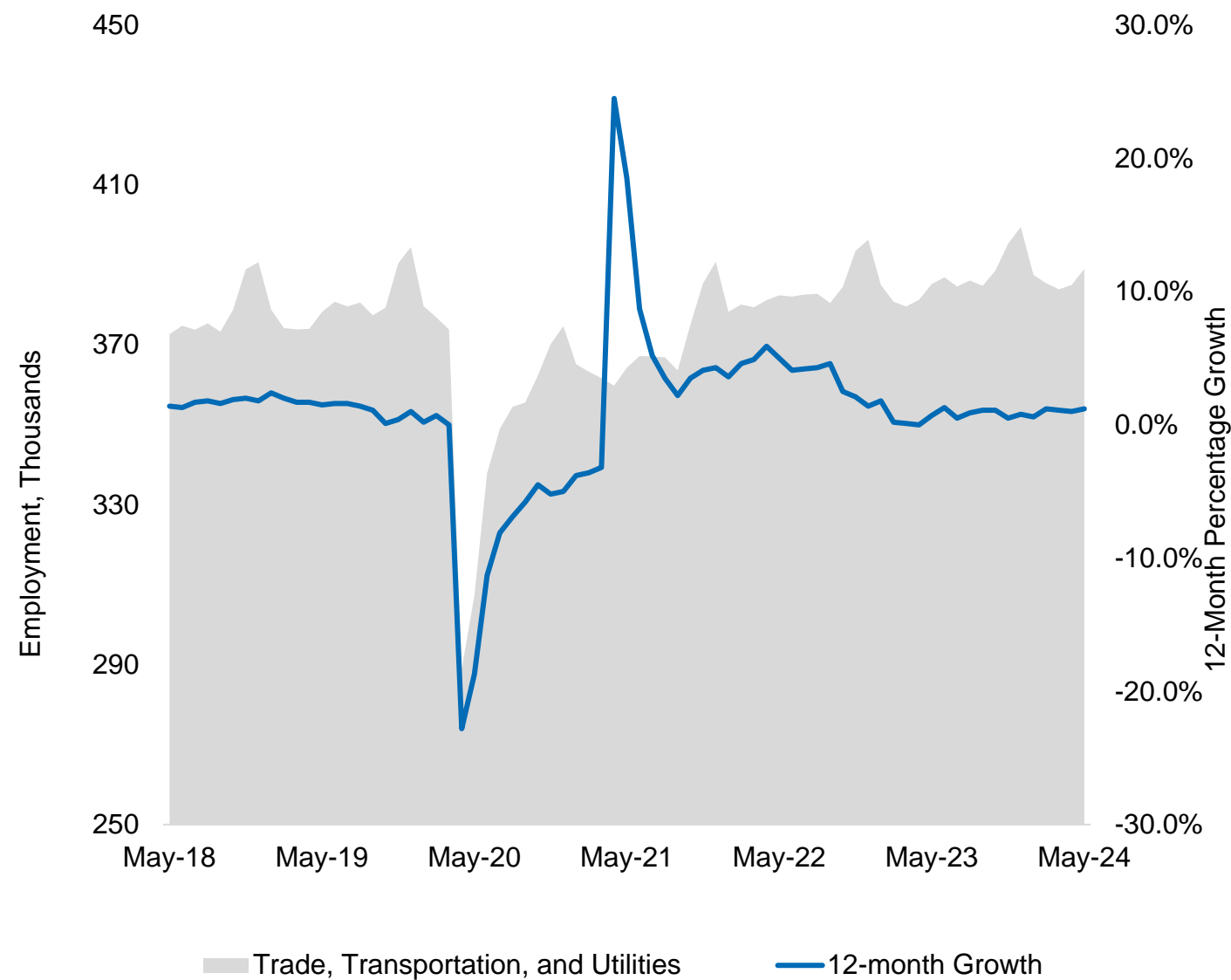


Source: U.S. Bureau of Labor Statistics, Detroit MSA

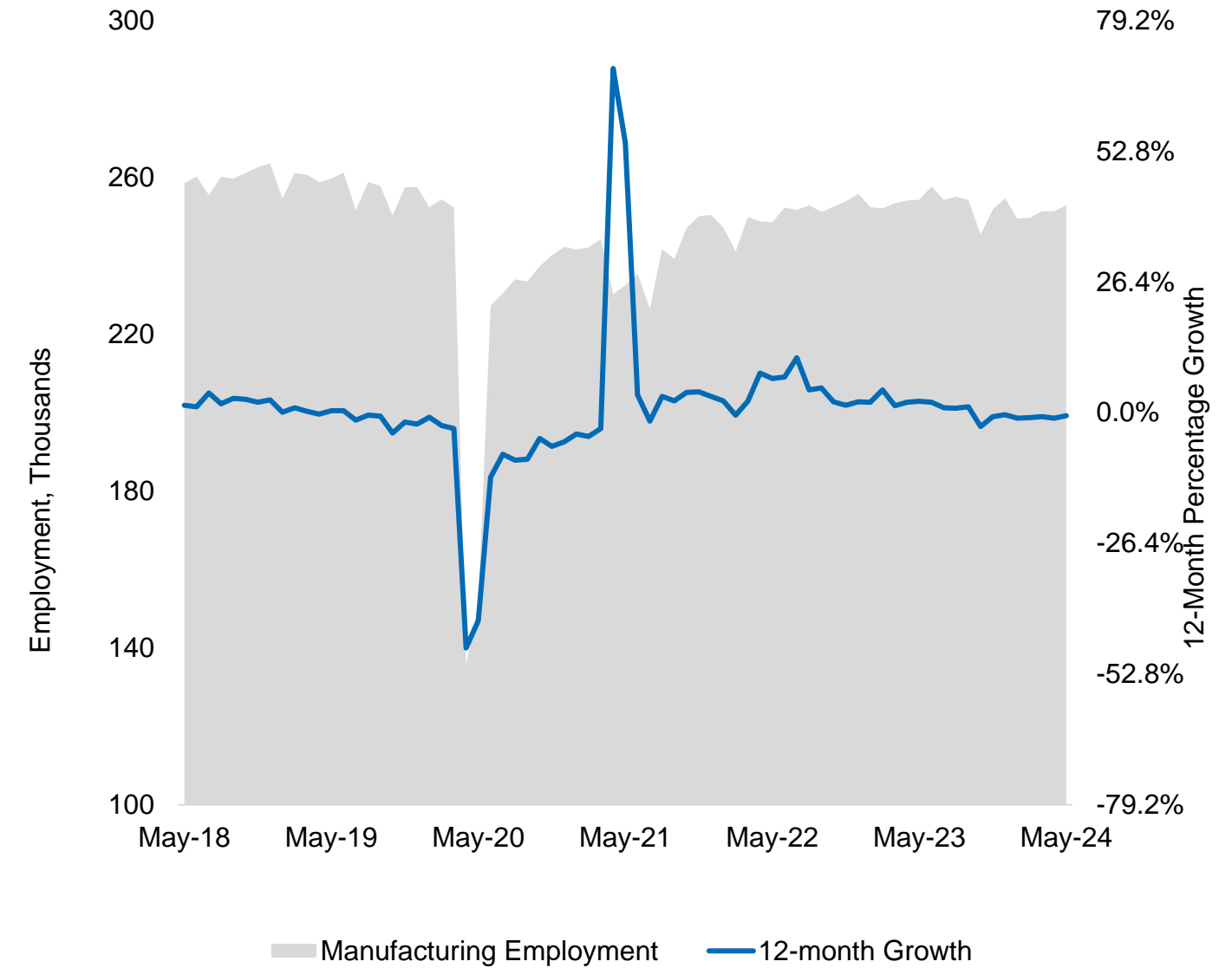
# Past Three Months Show Modest Gains in Industrial Employment

In May 2024, year-over-year manufacturing employment was down, however, over the past three months, employment is gradually on the rebound. The trade and transportation sector is also showing gradual improvement in employment.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Detroit MSA

2Q24

# Leasing Market Fundamentals

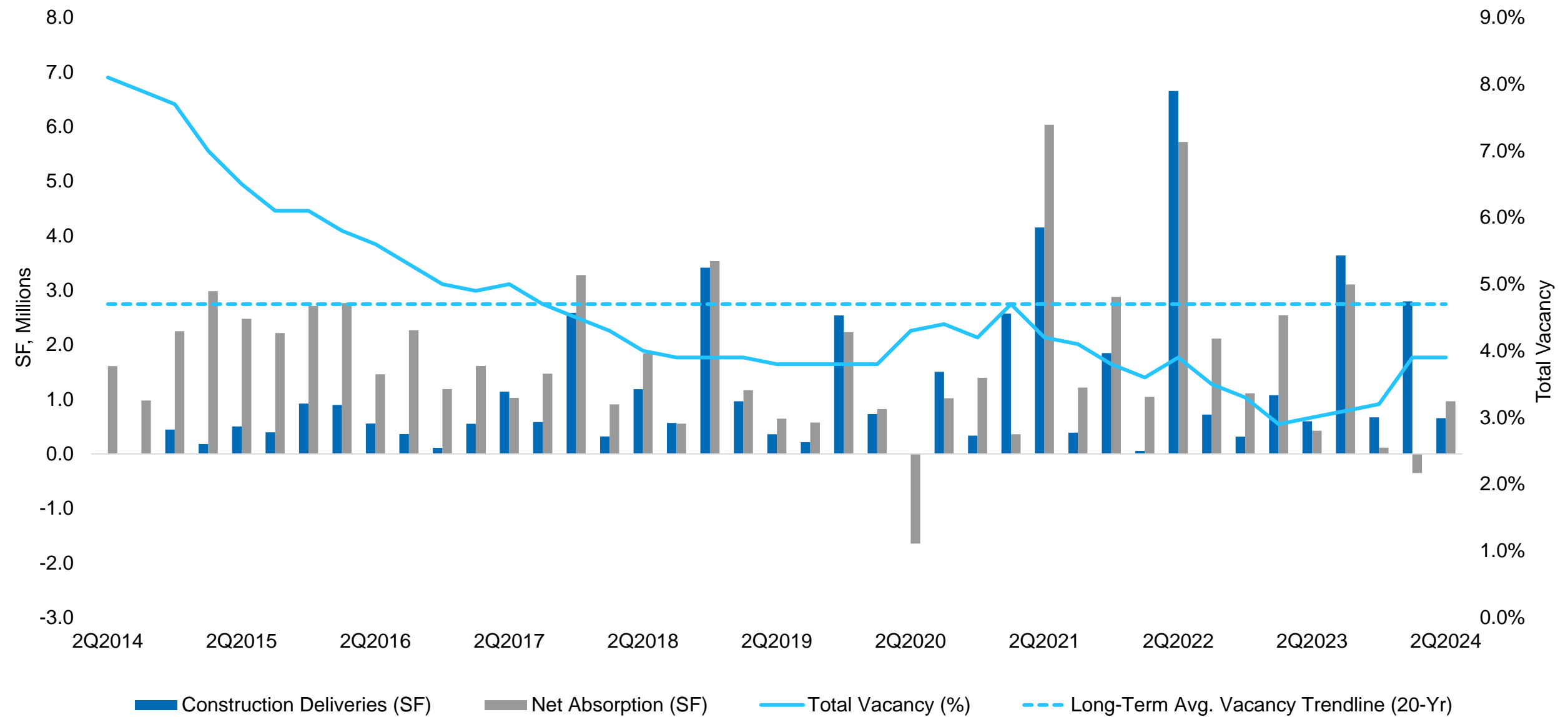




# Industrial Market Returns to Positive Territory

The Detroit Metro industrial vacancy rate remained at 3.9% during the second quarter of 2024. Nearly 70% of 963,866 SF in net absorption during the quarter was attributed to completed build-to-suit construction. The construction pipeline continued to fall with no new starts during the second quarter of 2024. Currently, 1.8 million SF is under construction compared with a high of 7.9 million SF one year ago.

## Historical Construction Deliveries, Net Absorption, and Vacancy

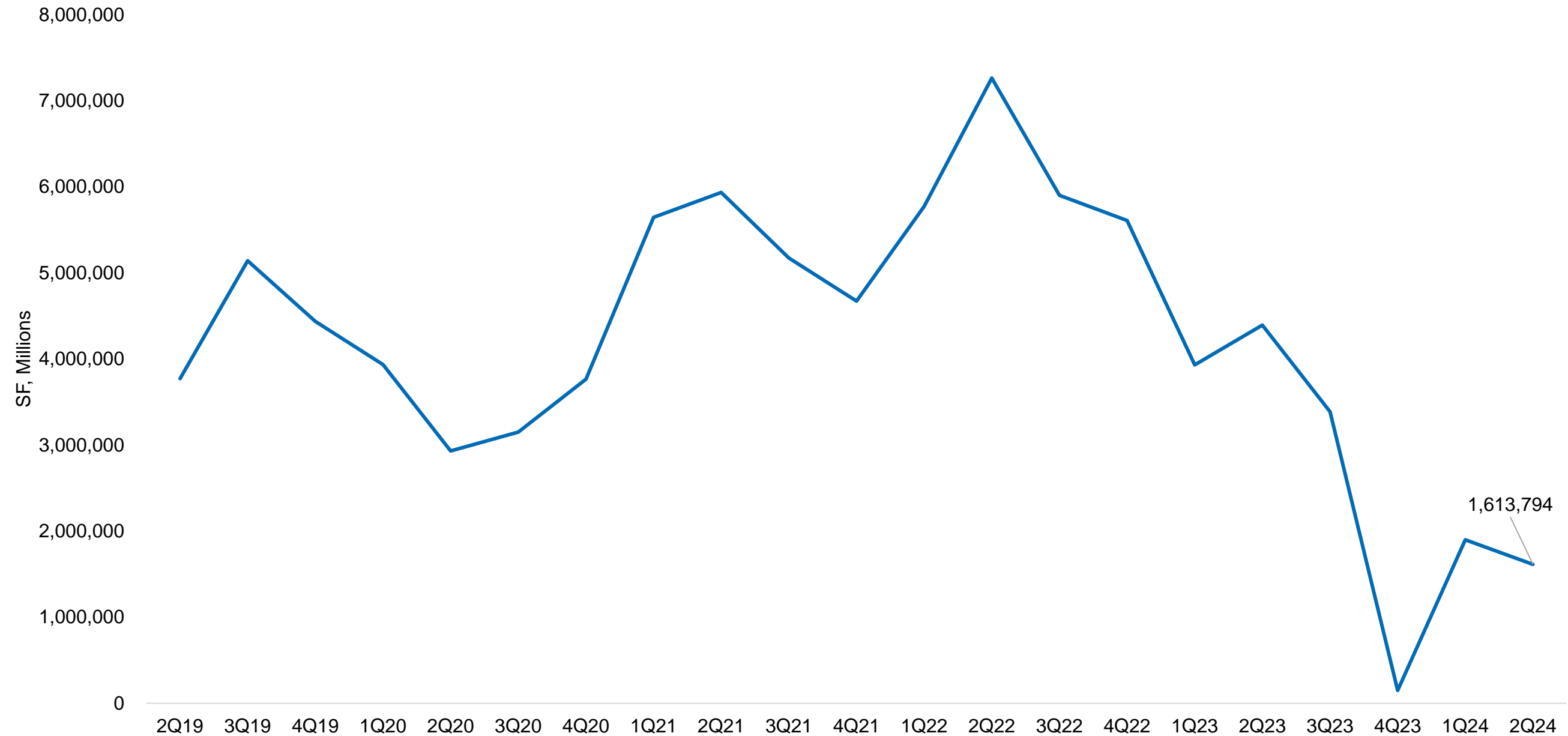


Source: Newmark Research

# Industrial Leasing Activity Declines as Bulk Warehouse Leasing Slows

Leasing activity has fallen off considerably over the past two years, falling from a high over 7 million during the third quarter of 2022 to 1.6 million during the second quarter of 2024. The drop is attributed to pull back in investments from automakers and a decline in the number of large-block bulk warehouse leases.

Total Leasing Activity (SF)

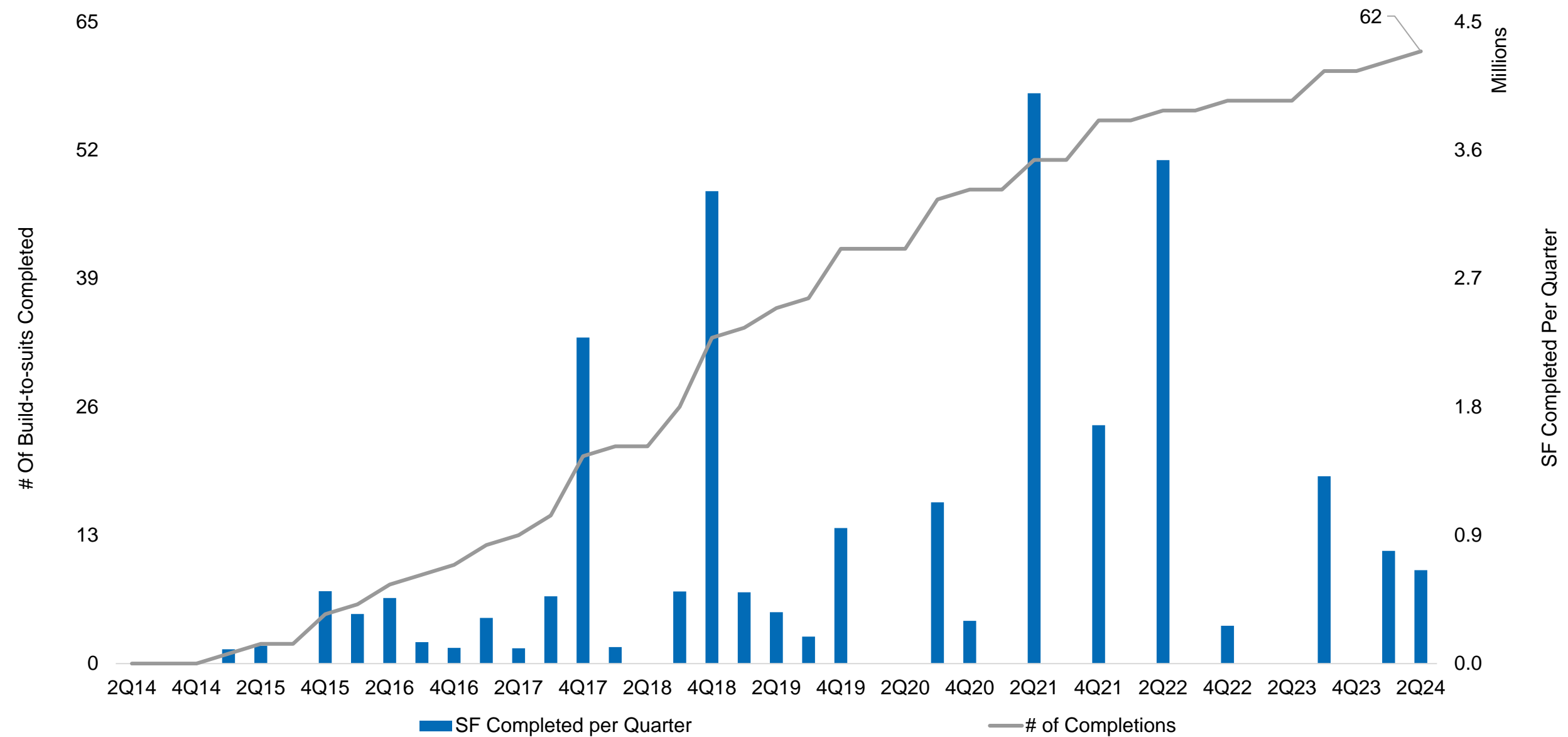


Source: Newmark Research, CoStar

# Build-to-Suit Construction Leveling Off

FANUC America Corporation completed construction on a 655,000-SF facility at 2630 Featherstone Rd. in Auburn Hills. Three other BTS developments are nearing completion. Magna International Inc is near completion on a 285,000-SF plant at 1700 Brown Rd., Auburn Hills to supply seats for future General Motors Co. electric vehicles. Target Corp and Gestamp North America are targeting the end of 2024 for completion of 180,000-SF and 460,000-SF facilities in Detroit and Chesterfield Township.

## 100,000 SF Build-to-Suit Developments Over 10 Years

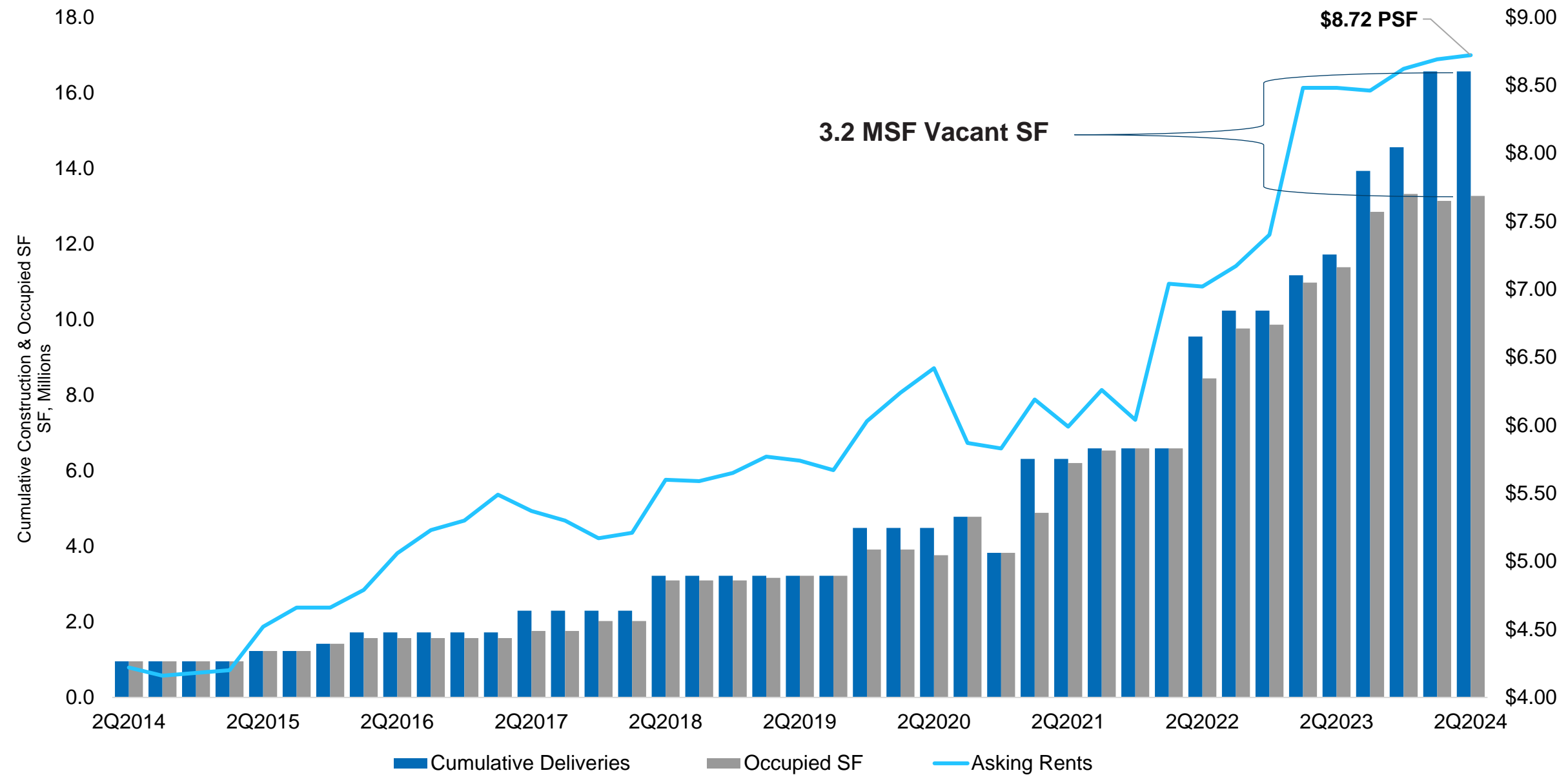


Source: Newmark Research, CoStar

# Speculative Class A Warehouse

Over the past 10 years, new speculative bulk warehouse developments saw unprecedented growth. Developers built 45 distribution facilities totaling over 16.5 million SF. In each quarter, new deliveries were nearly all absorbed upon completion. Over the same period, asking rates nearly doubled, going from \$4.24/SF to \$8.72/SF. Recently, the gap between new supply and occupancy has widened to 3.2 million SF.

## Speculative Bulk Warehouse Built 2014 - Present

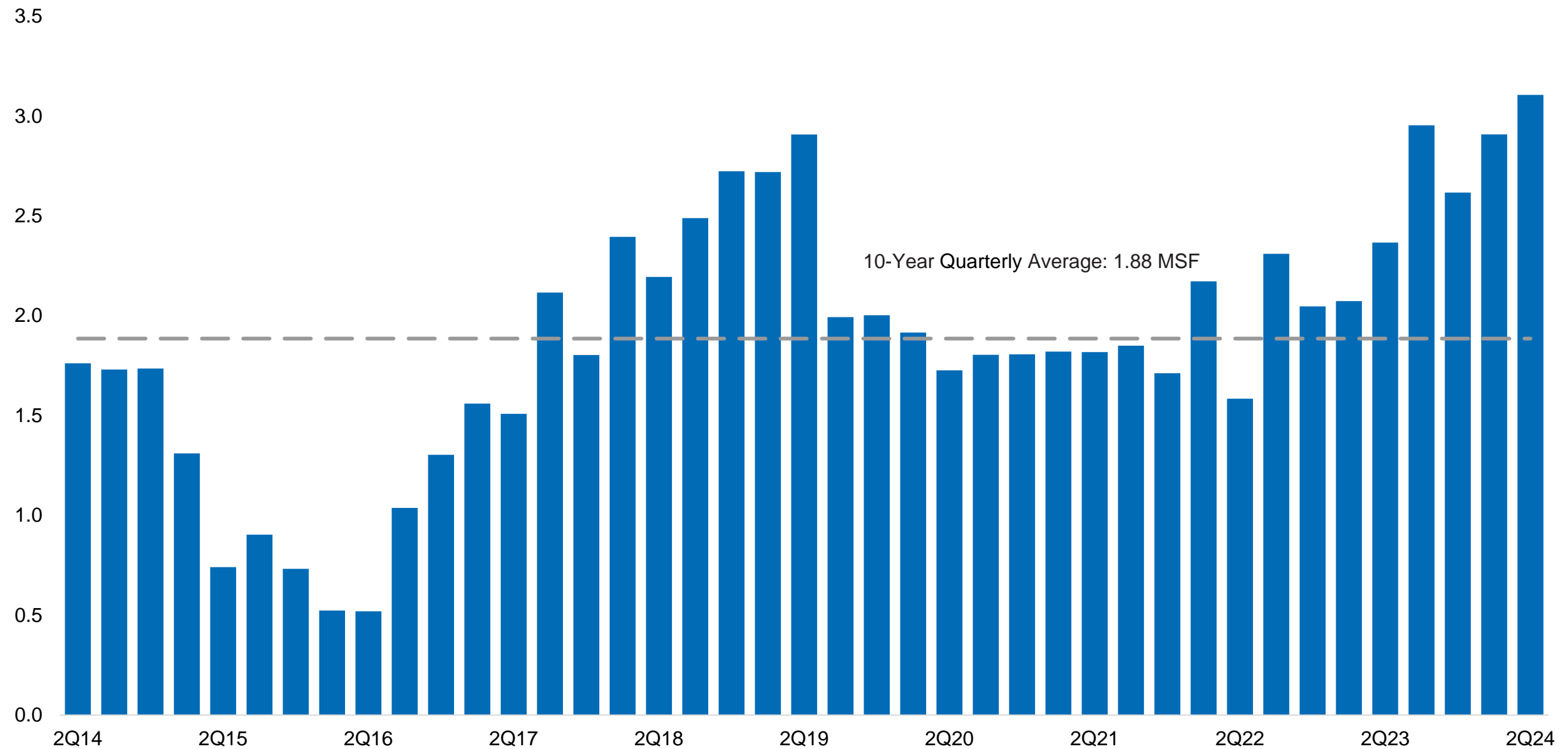


Source: Newmark Research

# Industrial Sublease Availability Hits Four-Year High

Sublease volume continued to trend upward during the second quarter of 2024. The rate at which subleases were added to the market has accelerated over the past five quarters. Rising interest rates, an inflationary environment, declining consumer demand and a pullback in the EV market are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.

Available Industrial Sublease Volume (msf)

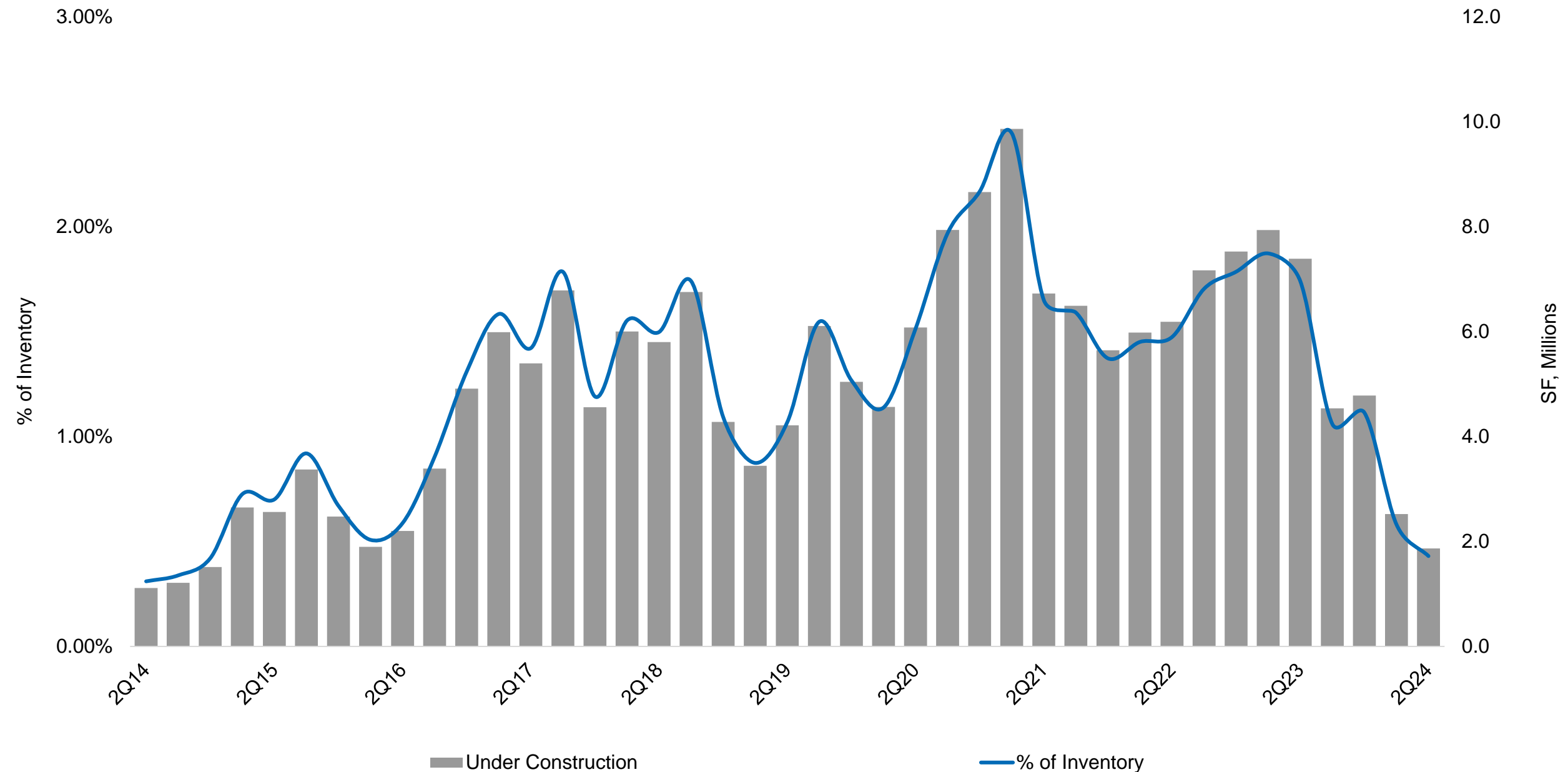


Source: Newmark Research, CoStar

# Industrial Supply Pipeline Eases as New Inventory Exceeds Current Demand

The construction pipeline has trended mostly downward over the past four quarters. Build-to-suits make up 1.0 million SF of active construction. Speculative construction has dropped to 857,000 SF from a high of over 5 million SF last year. Over the past two years, over 10 million SF of speculative construction have been complete. The gap between supply and demand is growing as new inventory is beginning to exceed user demand.

## Industrial Under Construction and % of Inventory

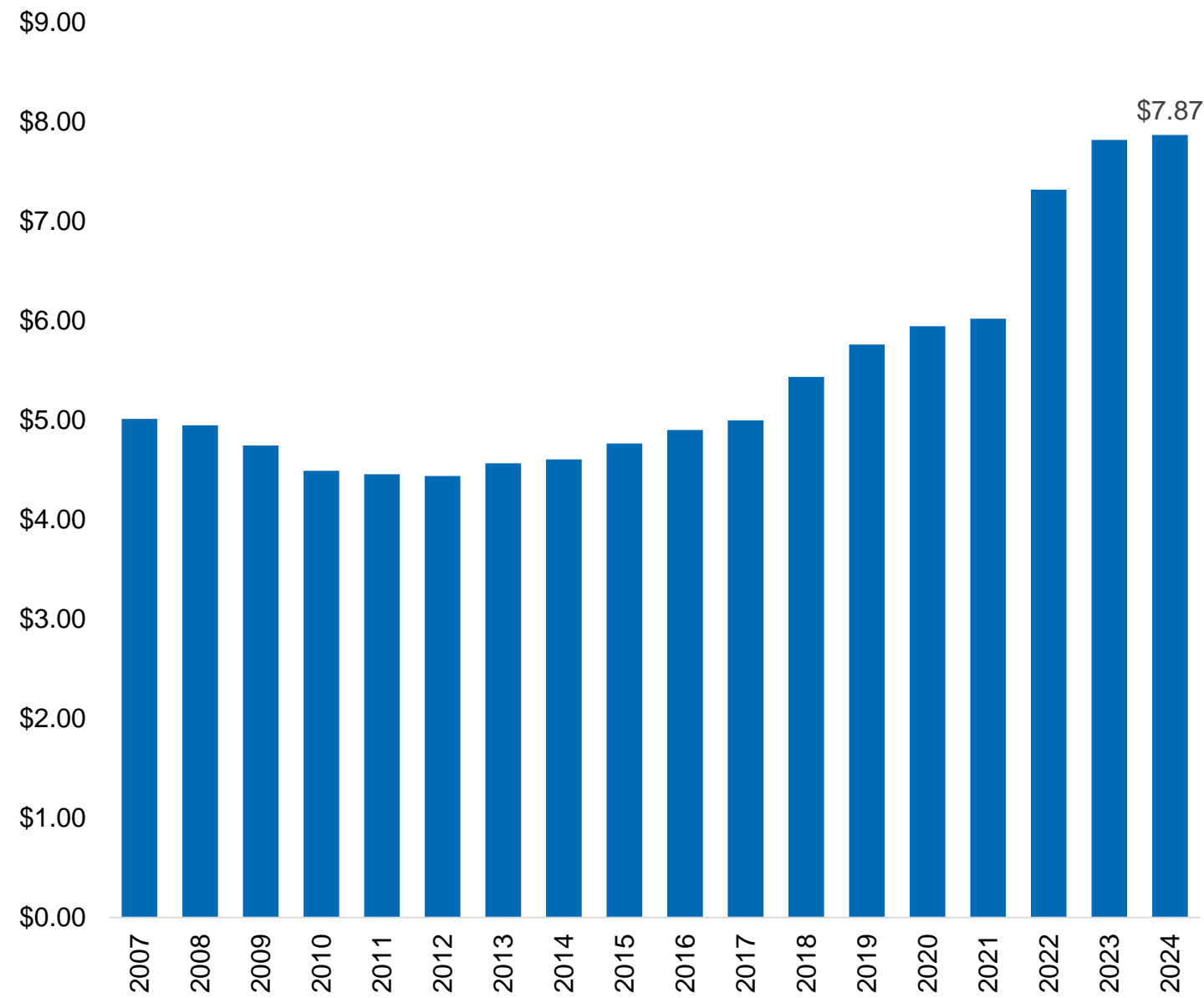


Source: Newmark Research, CoStar

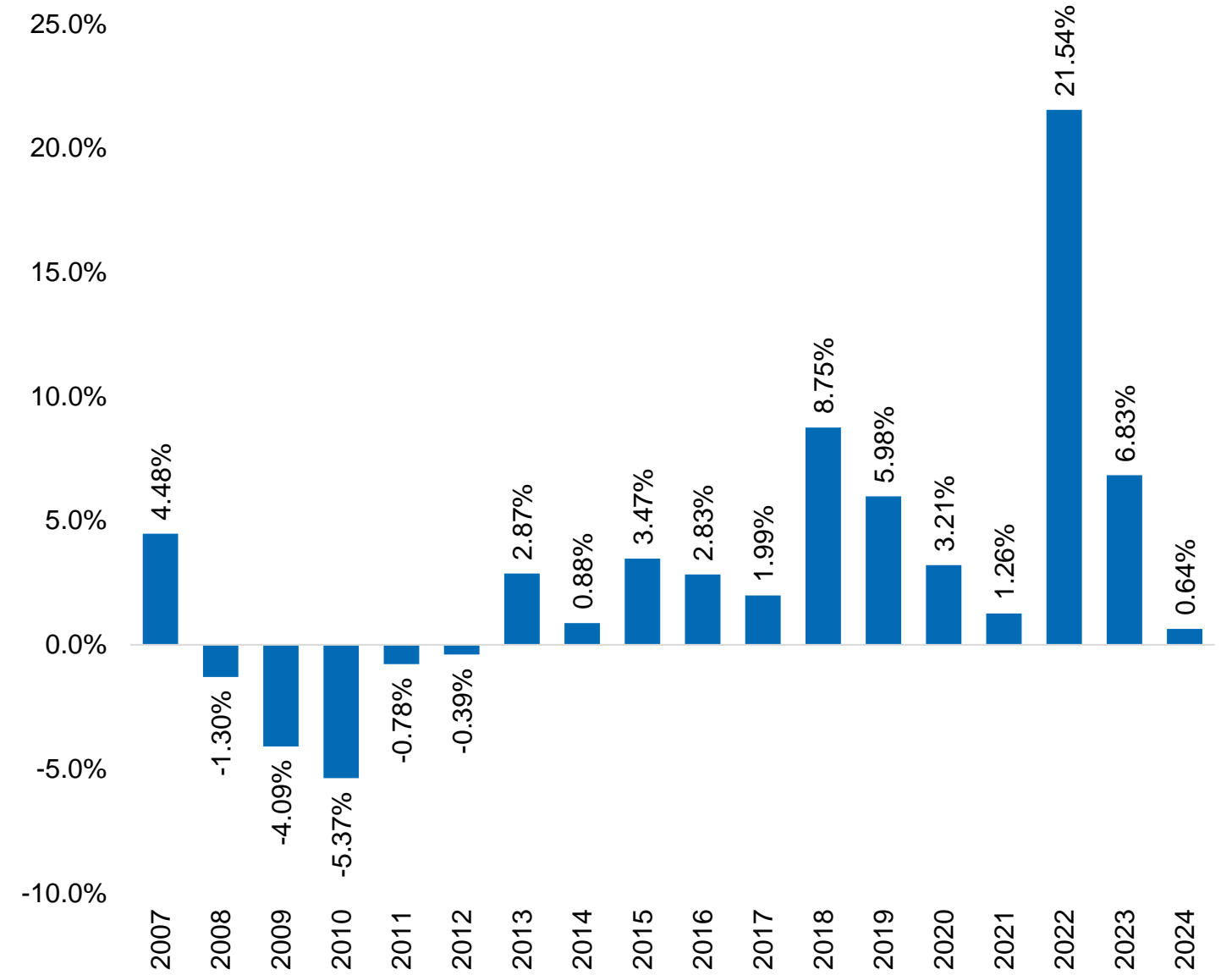
# Asking Rent Growth Continues to Moderate

Average asking rent grew by just 0.64% during the second quarter of 2024. Year-over-year growth rate is far off the 21.54% seen in 2022. Rent growth is expected to moderate throughout the remainder of 2024 as more available space comes on the market.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

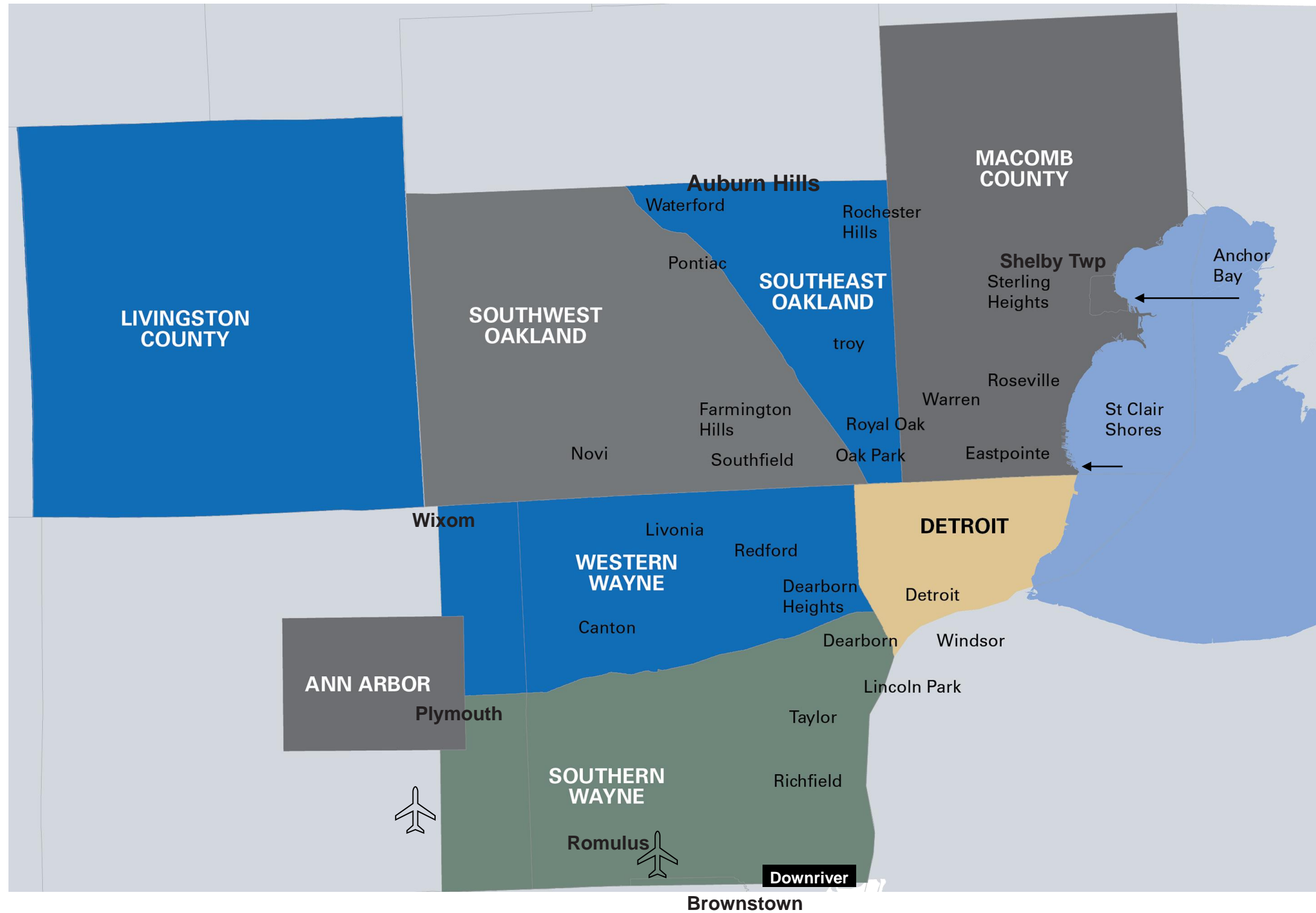
# Notable 2Q24 Lease Transactions

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
<i>Detroit Axle</i> <i>Automotive parts manufacturer and distributor.</i>	12001-12005 Toepfer Rd, Warren, MI	Macomb	Direct New	156,000
Convergix <i>Provides automation and connectivity systems to the automotive industry.</i>	800 Standard Pky, Auburn Hills, MI	SE Oakland	Direct Lease	150,102
OPW Fueling Components Inc <i>Designs, manufactures, and tests products and components for the safe and efficient handling of petroleum-based fuels, chemicals, and dry bulk cargo.</i>	<i>Allied Commerce Center Bldg 5, Livonia, MI</i>	Western Wayne	Direct New	130,700
Penske Corporation <i>Offers solutions including dedicated transportation, distribution center management, lead logistics, freight management, transportation management, freight brokerage, freight forwarding.</i>	2150 Executive Hills, Auburn Hills, MI	SE Oakland	Direct New	114,000
Ilmor Marine <i>Engineers high-performance engines for racing, marine and motorcycles.</i>	55285 Lyon Industrial Dr. New Hudson, MI	SW Oakland	Direct Lease	81,745



# Detroit Industrial Submarket Map



# 2Q24 Overall Metro Detroit Industrial Market Stats

## Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)
Ann Arbor	5,741,479	-	3.8%	4,046	(3,095)	0	0	\$9.47
Detroit	52,100,330	180,000	11.7%	155,684	1,326,004	0	1,826,098	\$7.46
Livingston County	13,545,557	67,472	1.9%	8,400	32,600	0	0	\$7.79
Macomb	89,828,706	511,595	1.7%	221,903	169,663	0	0	\$7.68
SE Oakland	96,274,394	442,955	2.6%	424,824	(268,018)	655,000	655,000	\$8.63
Southern Wayne	64,183,564	628,000	4.5%	44,691	(601,591)	0	969,528	\$7.23
SW Oakland	42,022,440	-	3.9%	41,573	77,079	0	0	\$8.97
Western Wayne	71,341,878	37,147	2.3%	62,745	(120,037)	0	0	\$7.95
<b>Totals</b>	<b>435,038,348</b>	<b>1,867,169</b>	<b>3.9%</b>	<b>963,866</b>	<b>612,605</b>	<b>655,000</b>	<b>3,450,626</b>	<b>\$7.87</b>

## By Property Type

General Industrial	225,176,634	1,022,022	3.2%	1,205,156	913,823	655,000	655,000	\$7.97
Incubator	1,917,930	-	1.6%	-	2,500	0	0	\$7.09
R&D/Flex	43,372,004	37,147	5.3%	44,669	173,638	0	0	\$9.58
Warehouse/Distribution	164,571,780	808,000	4.4%	(285,959)	(477,356)	0	2,795,626	\$7.14
<b>Total</b>	<b>435,038,348</b>	<b>1,867,169</b>	<b>3.9%</b>	<b>963,866</b>	<b>612,605</b>	<b>655,000</b>	<b>3,450,626</b>	<b>\$7.87</b>

Source: Newmark Research

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