

3Q24

Detroit Industrial Market Overview



NEWMARK

Market Observations

Economy

- Infrastructure Investment and Jobs Act continues to boost employment levels. Employment in the Construction sector grew 9.8% year-over-year.
- The automotive sector has experienced a wave of layoffs in recent months. The manufacturing employment sector saw no year-over-year growth. Employment levels in this sector have been mostly negative in 2024.
- The trade and transportation sector showed a modest 0.5% year-over-year gain.

Major Transactions

Recent electric vehicles (EV) investments in Metro Detroit driving future industrial demand.

- Boston-based Cabot Corp. to open a Van Buren Township plant that will be the first production-scale facility in the U.S. to make components for lithium-ion batteries. .
- General Motors Co. and its supplier Piston Automotive are building out a hydrogen fuel cell manufacturing plant at the old State Fairgrounds site in Detroit.
- Piston Automotive is constructing a 715,012 SF logistics center in Auburn Hills to supply GM's EV Orion Assembly plant.
- Magna's completed construction on a 285,000 SF EV seating plant on Brown Road in Auburn Hills.
- UL Solutions completed work on an 85,000 SF North America Advanced Battery Laboratory on New Energy Way Rd in Auburn Hills.

Leasing Market Fundamentals

- The Metro Detroit industrial market vacancy rate climbed 40 basis points to 4.2% during the third quarter of 2024 as nearly 1 million square feet in net vacancies were added to the market. The industrial market continues to see headwinds as more facilities are added to the market. Direct available space rose by 6% to 24.3 million square feet, while available sublease space expanded by 26% compared to the previous quarter.
- Absorption in the bulk warehouse market continues to be sluggish. Year-to-date, 404,259 SF of net vacant space as been added to the market with the vacancy rate climbing to 5.5%. Class A bulk warehouse has a 7.6% vacancy rate as much of the new speculative developments completed over the past year are slow to get absorbed.
- The market has seen a deceleration in asking rate growth over the past two years. Currently, the year-over-year increase in asking rents stands at 2.6%. This is significantly lower than the rates observed in previous years, with a notable increase of 22.54% in 2002 and 6.83% in 2023.

Outlook

- The market is experiencing an increase in property availability. Vacancies in the industrial sector are likely to rise in the coming quarters.
- Asking rents are likely to peak in the coming quarters as more landlords start to reduce rates in response to the influx of competitive space hitting the market.
- Metro Detroit is seeing a surge in investments related to electric vehicles (EVs) that are industrial demand drivers.
- Over the past two years, Class A bulk warehouse vacancy rates have risen from 2% to 7.6%. With current bulk warehouse available inventory exceeding demand, no new speculative development starts are expected in 2024 or 2025.

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1. Economy
 2. Leasing Market Fundamentals

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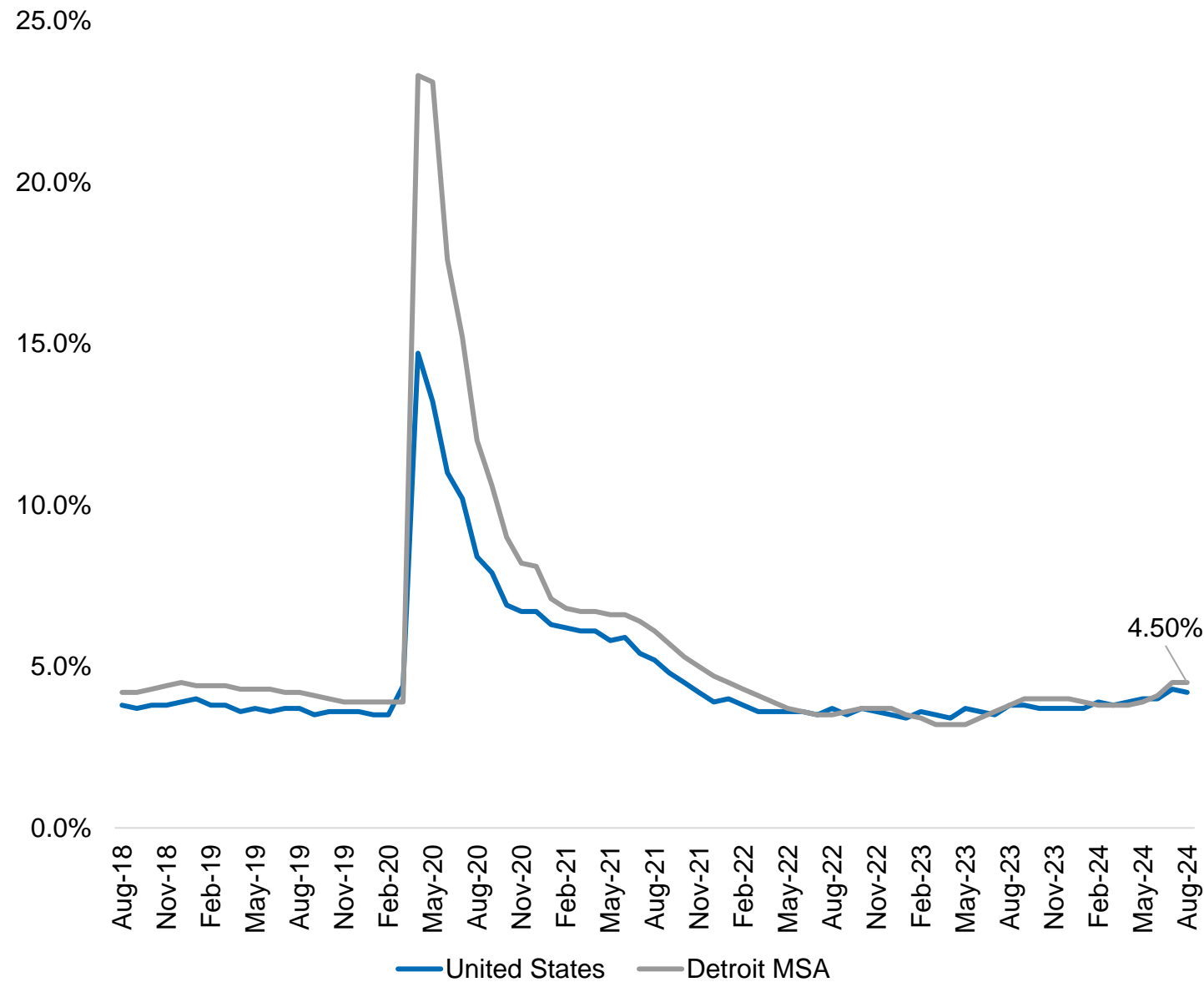
Economy



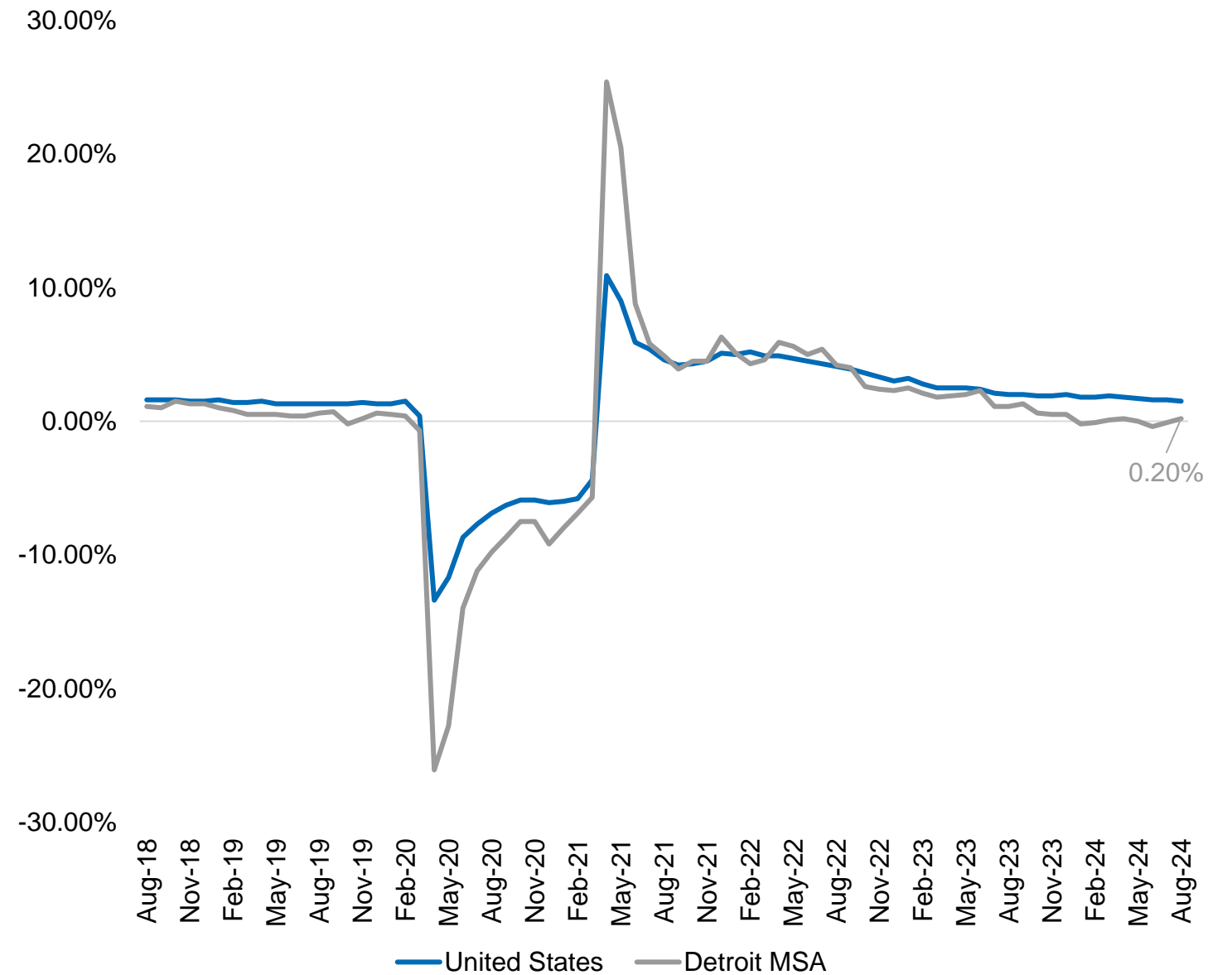
Metro Employment Trends Signal A Slowing Economy

The Detroit Metro's labor market remains stagnant. August 2024 unemployment was up 60 basis points from the end of the second quarter. Compared to last year, employment levels grew at a modest .20%. 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

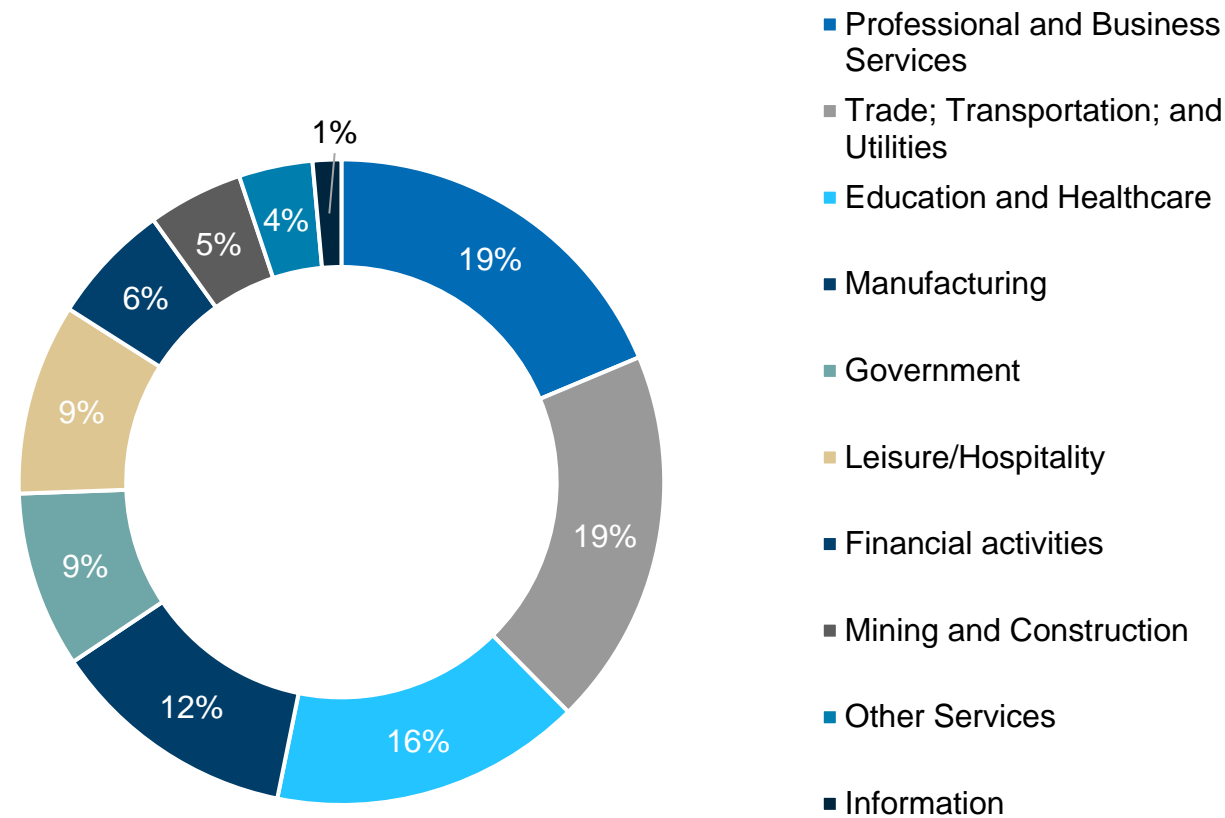


Source: U.S. Bureau of Labor Statistics, Detroit MSA

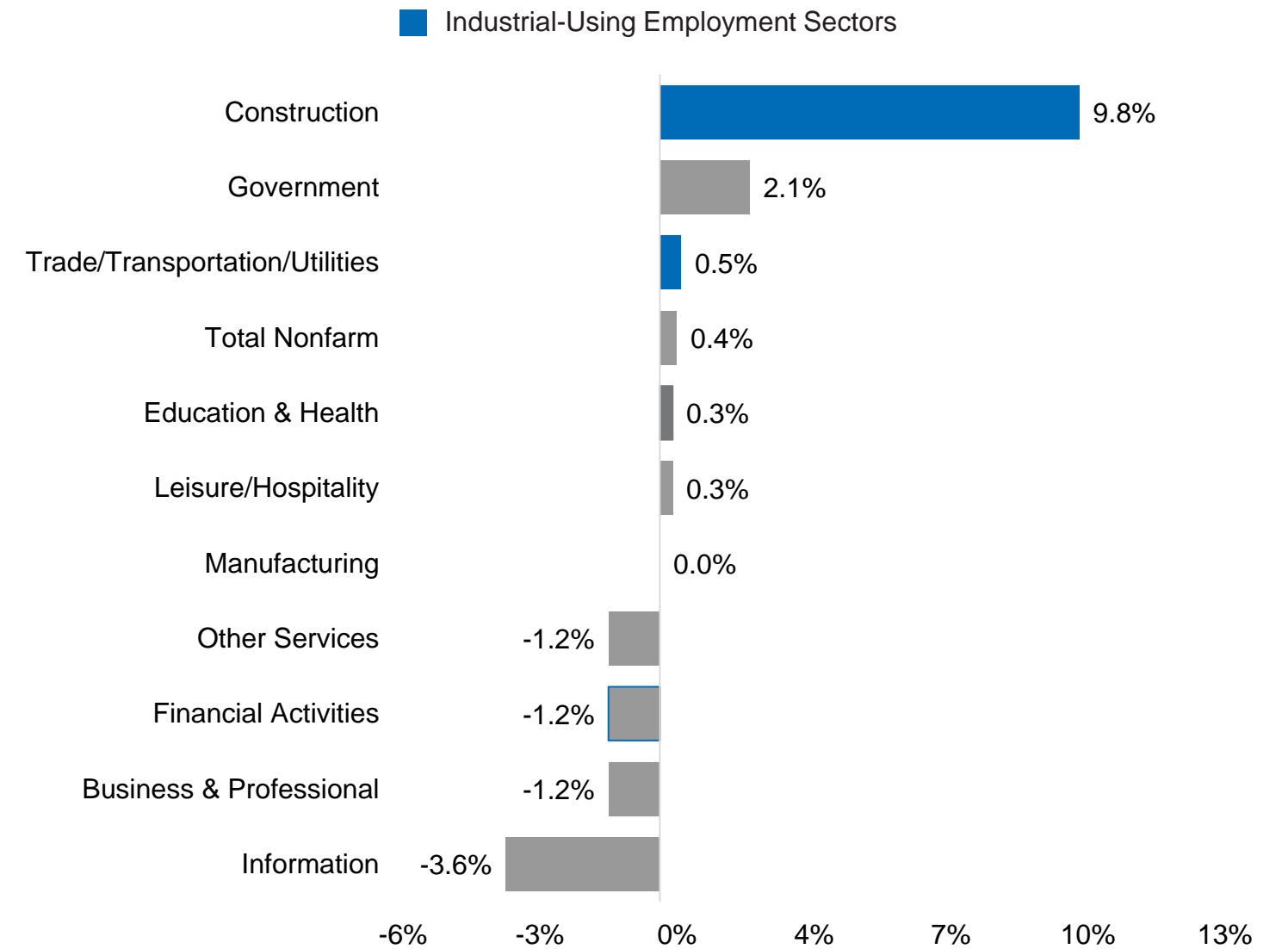
Construction Sector Leads YOY Job Growth While Manufacturing Sheds Jobs

Construction employment, up 9.8% year-over-year, continues to lead job growth, spurred by infrastructure funds aimed at rebuilding major expressways. Meanwhile, the key manufacturing sector showed no year-over-year gains in August 2024. Employment levels in trade, transportation, and utilities increased by just 0.5% year-over-year.

Employment by Industry, Aug 2024



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

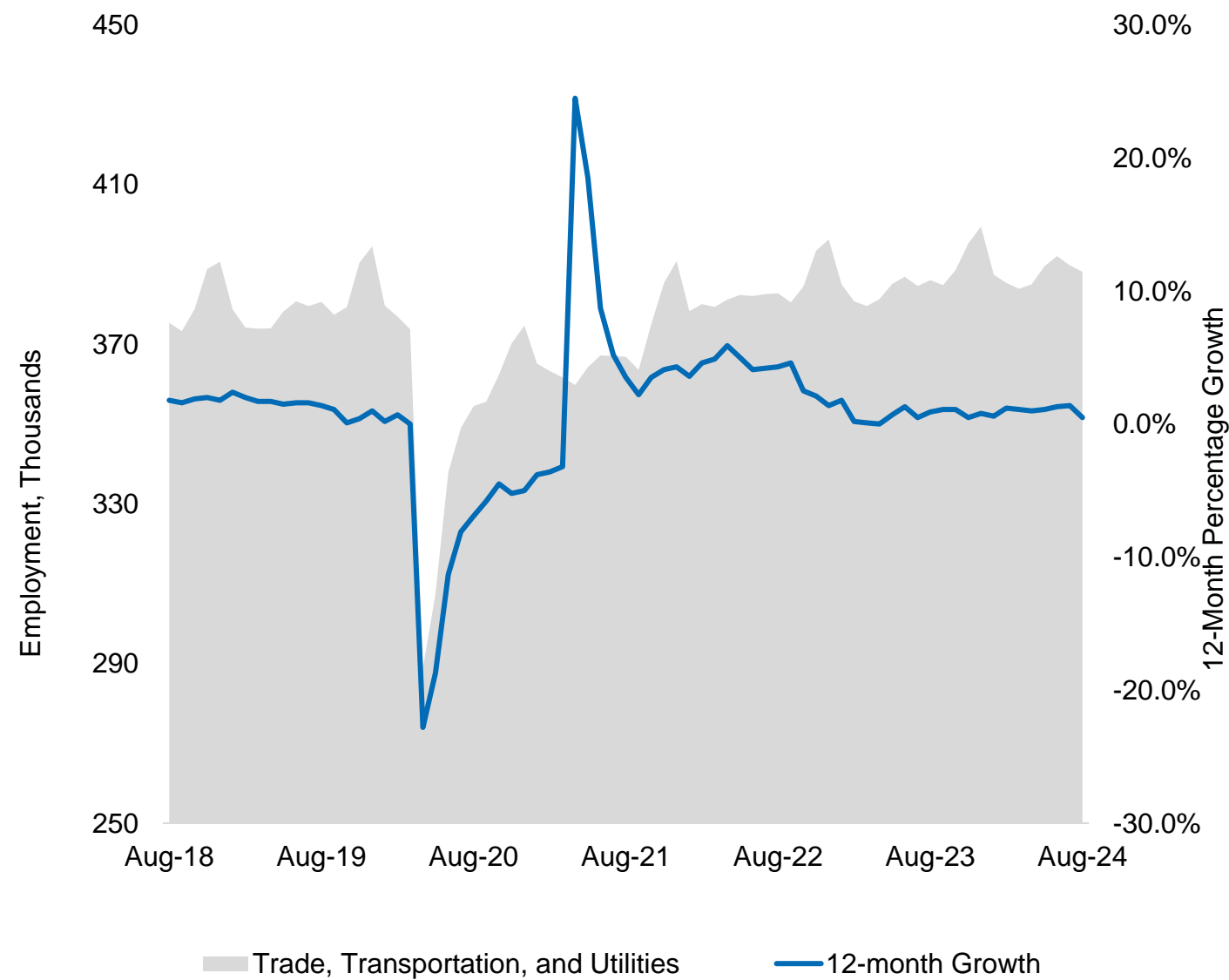


Source: U.S. Bureau of Labor Statistics, Detroit MSA

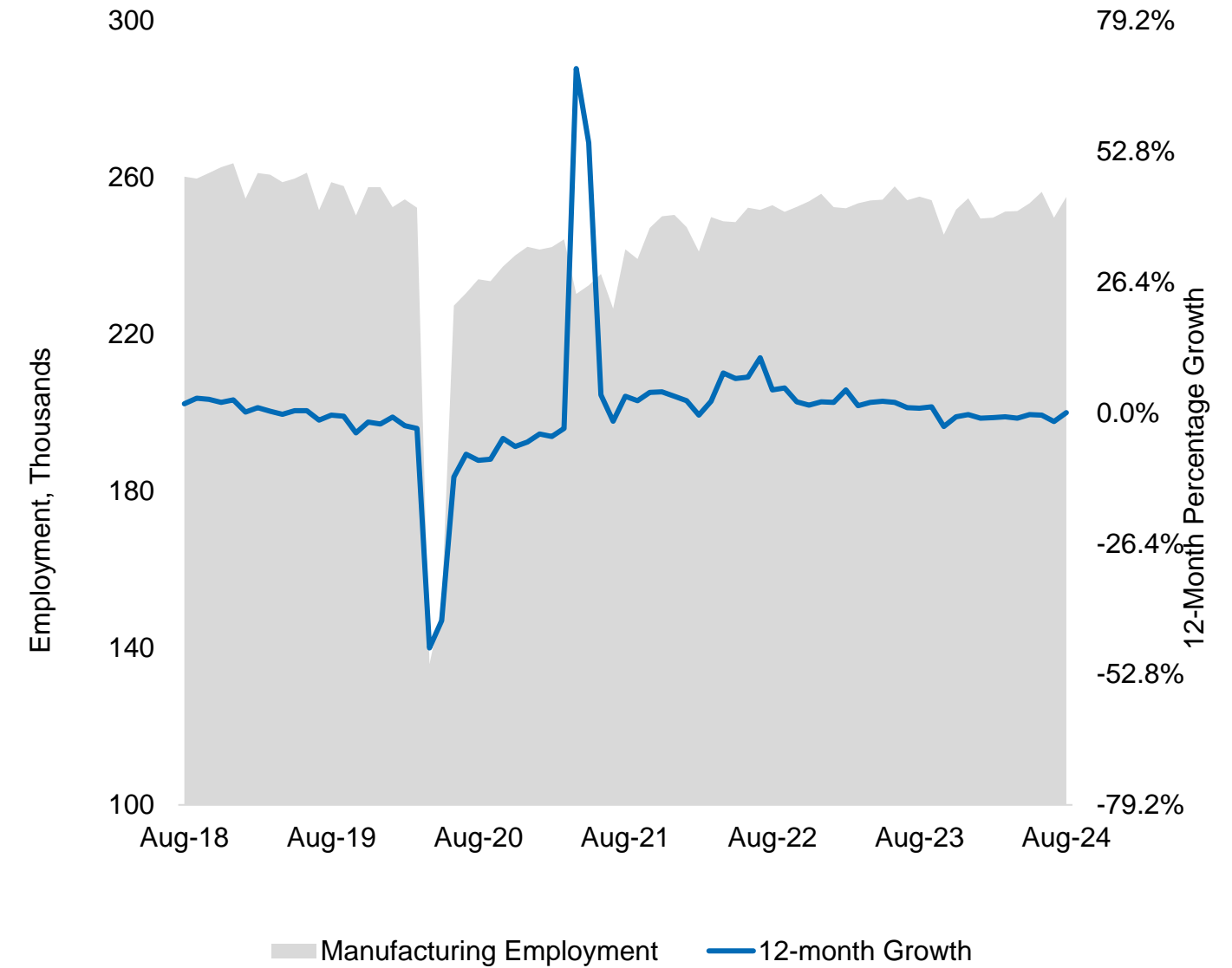
Past Three Months Show Modest Gains in Industrial Employment

The manufacturing employment sector experienced no year-over-year growth, with employment levels in this sector being mostly negative throughout 2024. In contrast, the trade and transportation sector showed a modest year-over-year gain of 0.5 percent.

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

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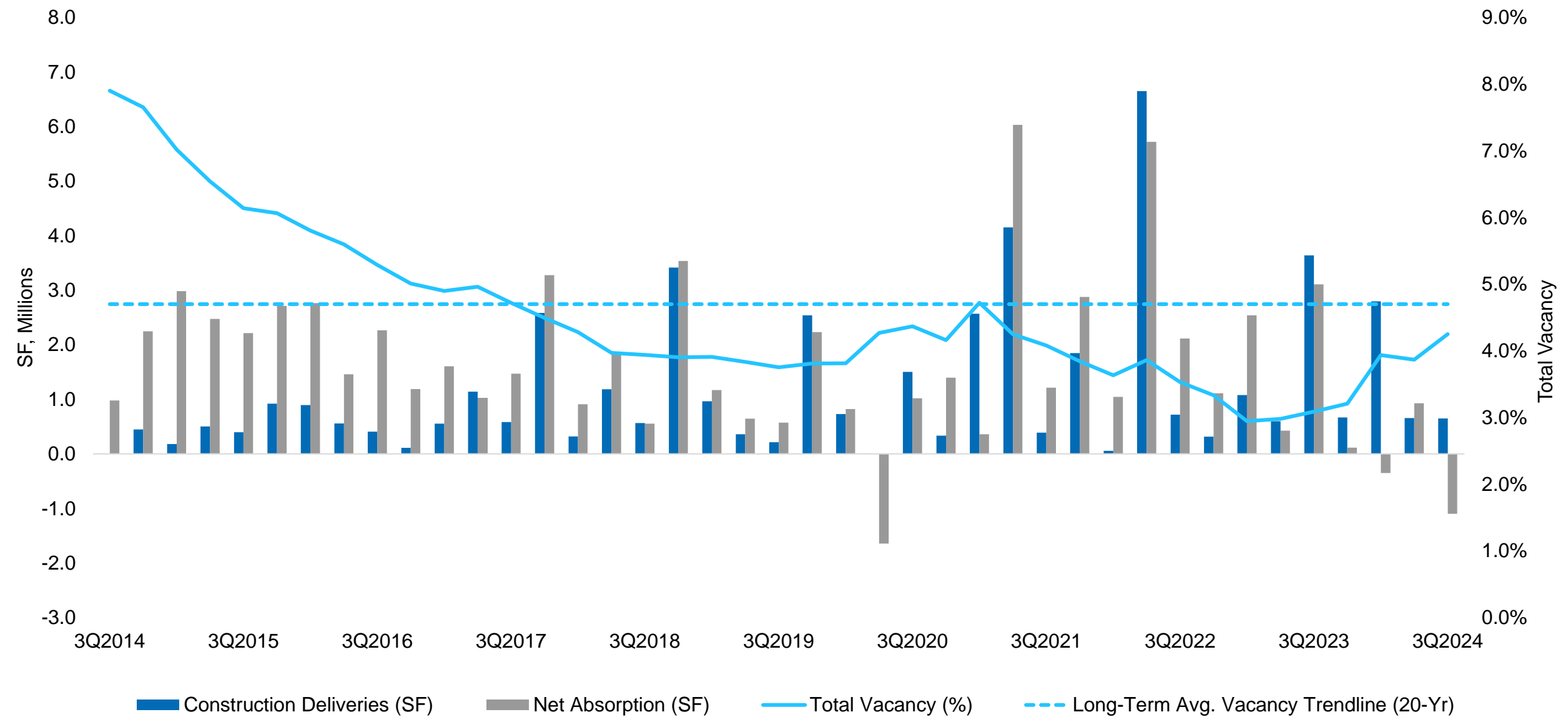
Leasing Market Fundamentals



Industrial Market Seeing Headwinds

The vacancy rate in the Metro Detroit industrial market increased by 40 basis points to 4.2% during the third quarter of 2024, with nearly 1 million square feet of net vacancies entering the market. The industrial sector is facing headwinds due to an economic slowdown, resulting in more facilities being added to the market. Direct available space rose by 6% to 24.3 million square feet, while available sublease space expanded by 26% from the previous quarter.

Historical Construction Deliveries, Net Absorption, and Vacancy

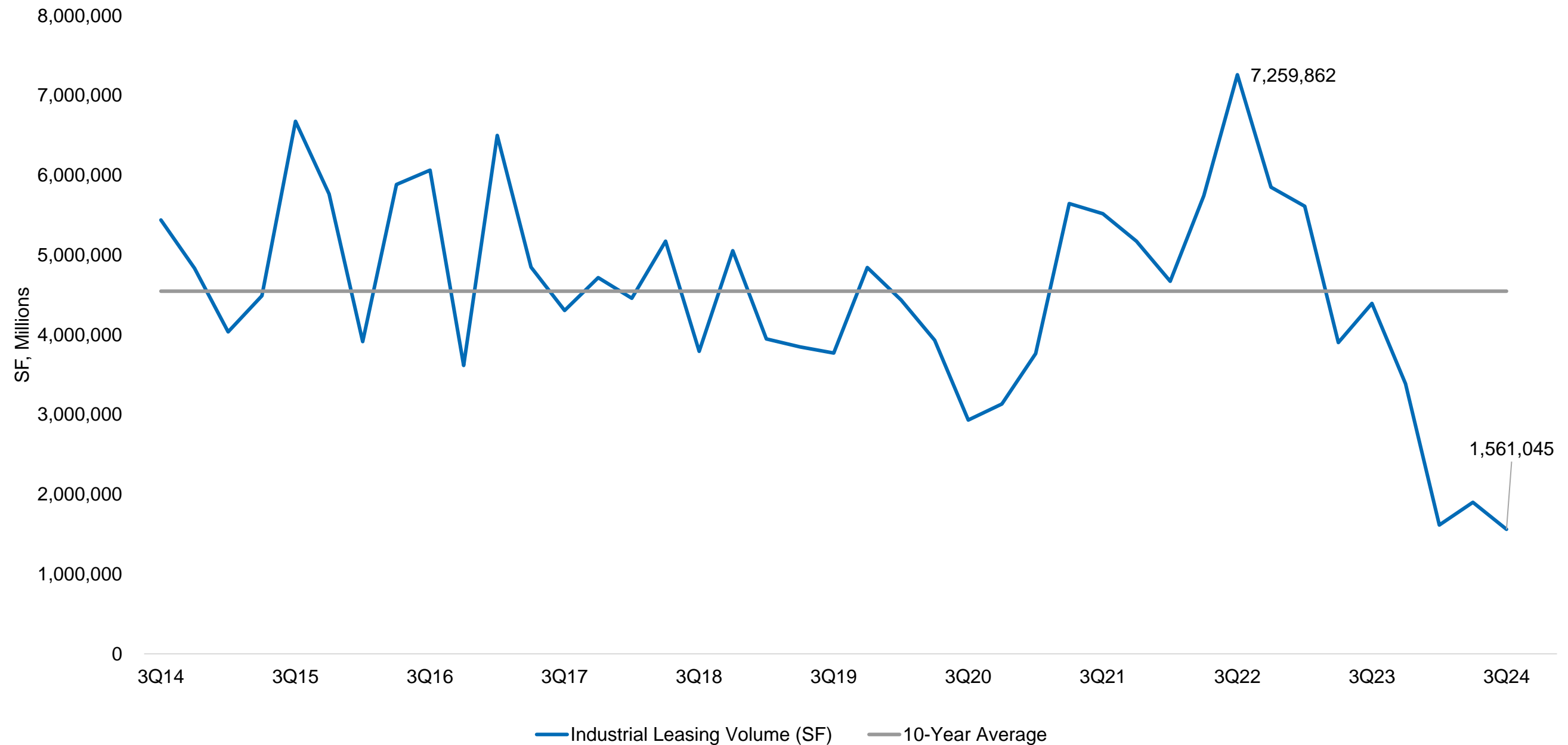


Source: Newmark Research

Industrial Leasing Activity Declines

Leasing activity has declined significantly over the past two years, dropping from a high of over 7.2 million square feet in the third quarter of 2022 to just 1.5 million square feet in the third quarter of 2024. This decrease is attributed to a pullback in the industrial market. Notably, this marks the third consecutive quarter where leasing activity has fallen below the 10-year average.

Total Leasing Activity (SF)

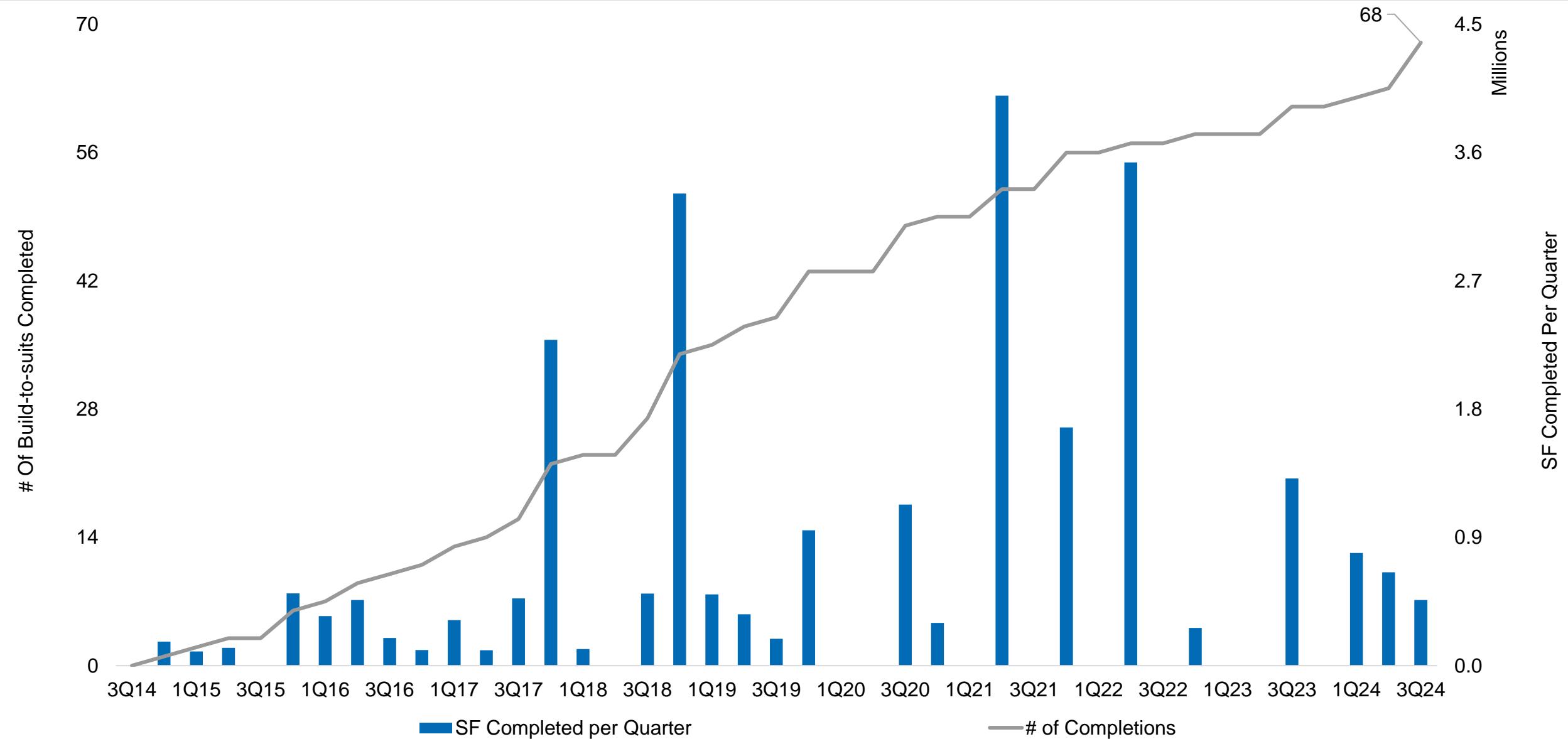


Source: Newmark Research, CoStar

EV Related Construction Boost Build-to-Suit Developments

Three build-to-suit projects were completed during the third quarter: Magna's 280,000 square-foot EV seating plant on Brown Road in Auburn Hills; Target's 180,000 square-foot sortation center off Woodward Ave in Detroit; and UL Solutions' 85,000 square-foot North America Advanced Battery Laboratory on New Energy Way Road in Auburn Hills. In addition, two more build-to-suit projects related to GM's EV Orion Assembly are underway. Piston Automotive is constructing a 715,000 square-foot warehouse facility at the former Palace of Auburn Hills site, while Gestamp is building a 460,000 square-foot manufacturing facility on Sierra Drive in Chesterfield Township.

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

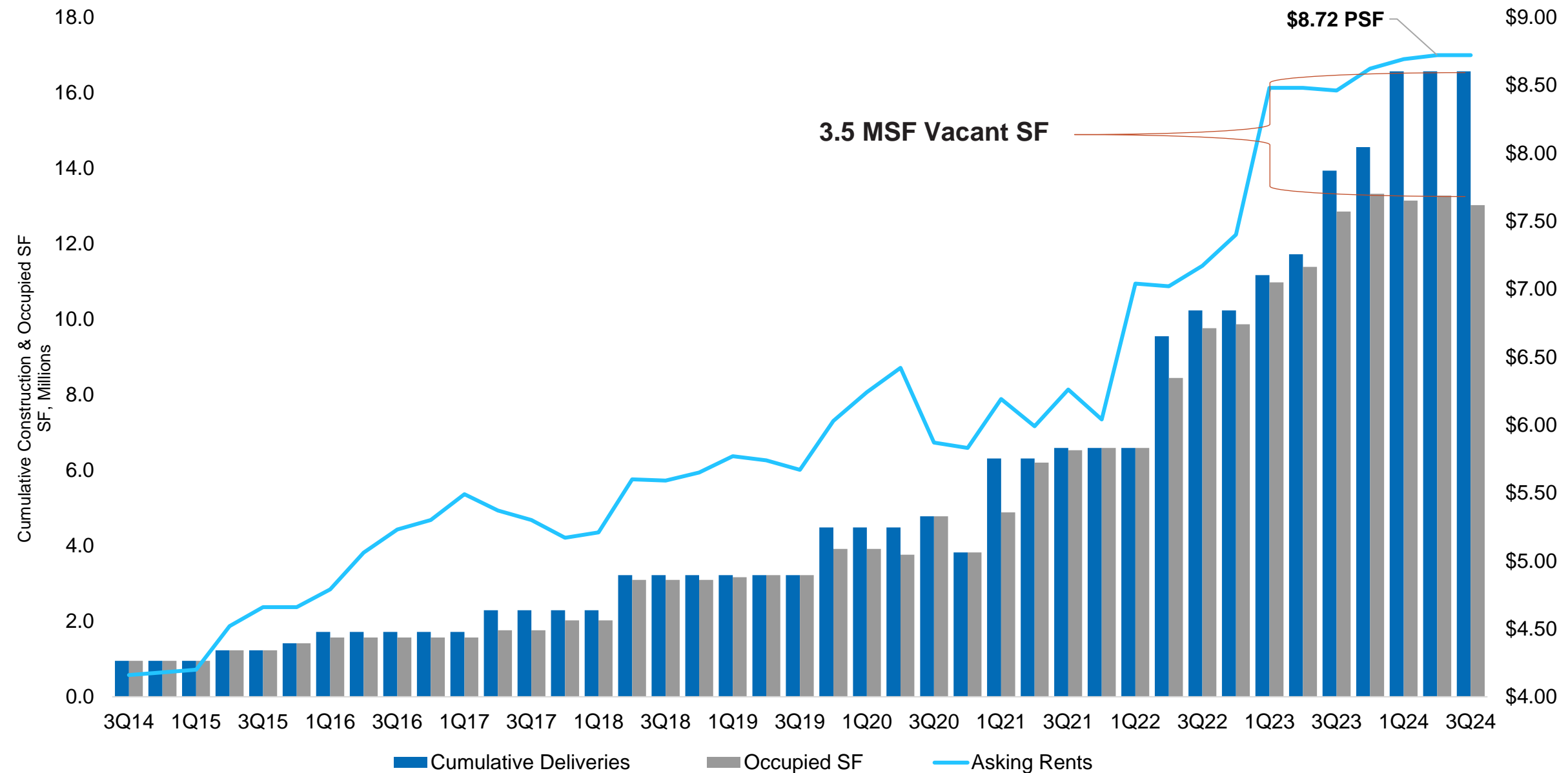


Source: Newmark Research, CoStar

Speculative Class A Warehouse

Over the past 10 years, new speculative bulk warehouse developments have seen unprecedented growth. Developers constructed 44 distribution facilities totaling over 16.5 million square feet. Each quarter, new deliveries were almost entirely absorbed upon completion. During this period, asking rates nearly doubled, increasing from \$4.24 per square foot to \$8.72 per square foot. Recently, the gap between new supply and occupancy has widened, growing from 1 million square feet to 3.5 million square feet year over year.

Speculative Bulk Warehouse Built 2014 - Present

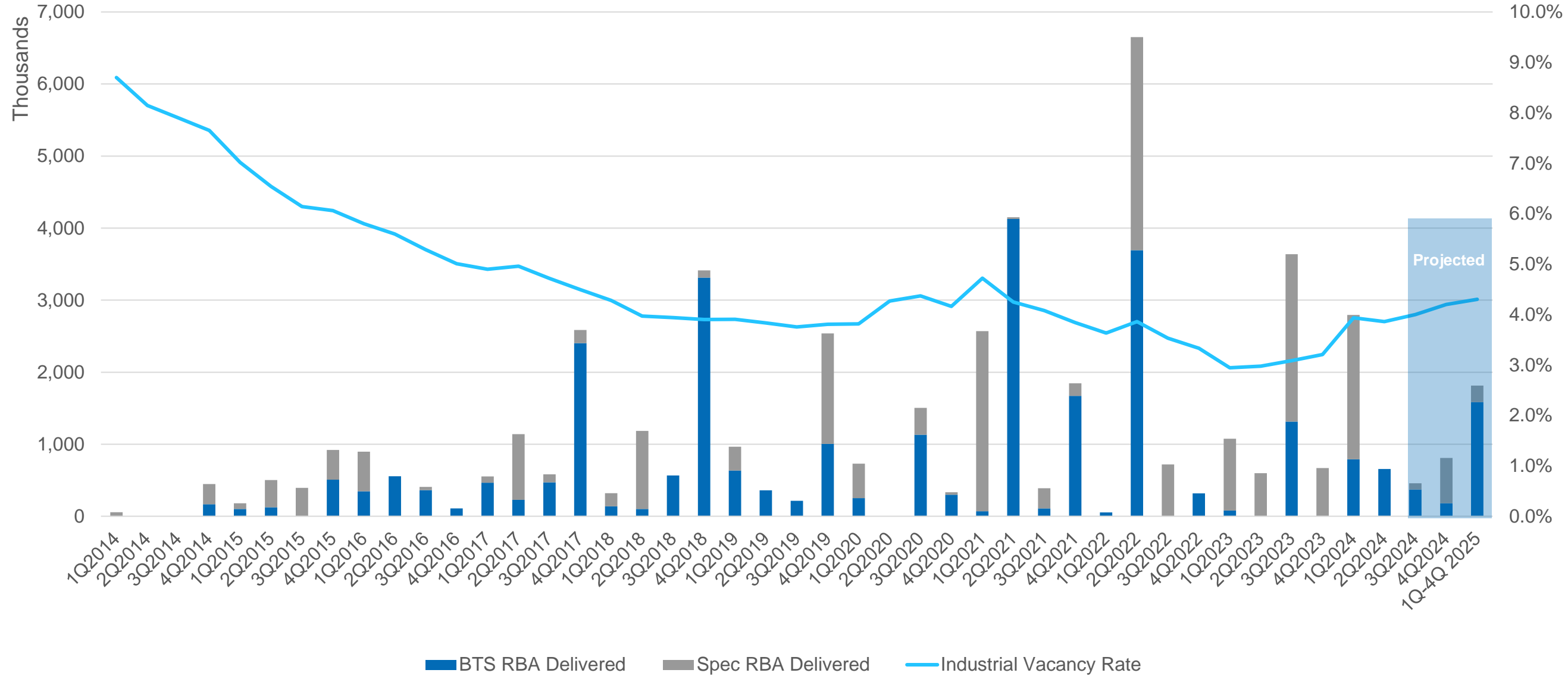


Source: Newmark Research

Speculative Starts Decline as Build-to-Suits on Rise

Over the past decade, 29.1 million square feet of build-to-suit (BTS) and 23.5 million square feet of speculative construction have been completed in Metro Detroit. In the third quarter alone, just over 545,000 square feet of BTS were finalized, with another 1.1 million square feet under construction for Piston Automotive and Gestamp, expected to be completed in 2025. Reyes Brothers' 409,000-square-foot BTS is set to break ground in the coming quarters. The fully leased 628,000-square-foot Crossroads Distribution Center 11, the last major speculative development, is on track to be finished by the end of the year. With the bulk warehouse market experiencing an oversupply of inventory, developers are now focusing on smaller facilities, ranging from 50,000 to 70,000 square feet.

BTS vs Spec Construction

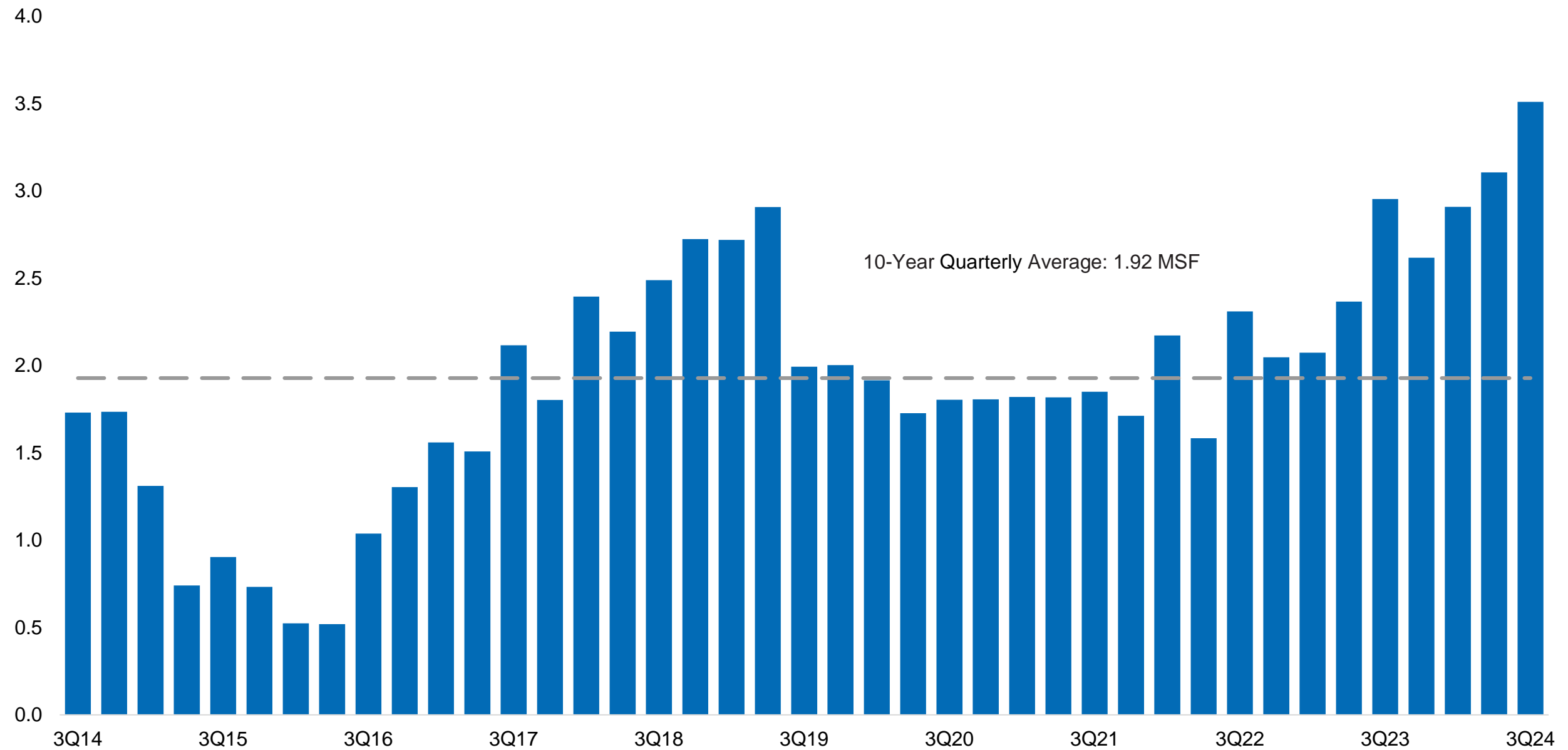


Source: Newmark Research

Industrial Sublease Availability Hits Four-Year High

Sublease volume continued to trend upward during the third quarter of 2024. The bulk warehouse market is experiencing an increase in underutilized space available for sublease. Wixom Assembly Park added 307,000 square feet, and Romulus Business Center Building 3 added 255,000 square feet of sublease space to the market. Earlier in the year, Tri-County Commerce Center in Hazel Park contributed an additional 182,000 square feet. Driving factors include rising interest rates, an inflationary environment, declining consumer demand, and a pullback in the EV market.

Available Industrial Sublease Volume (msf)

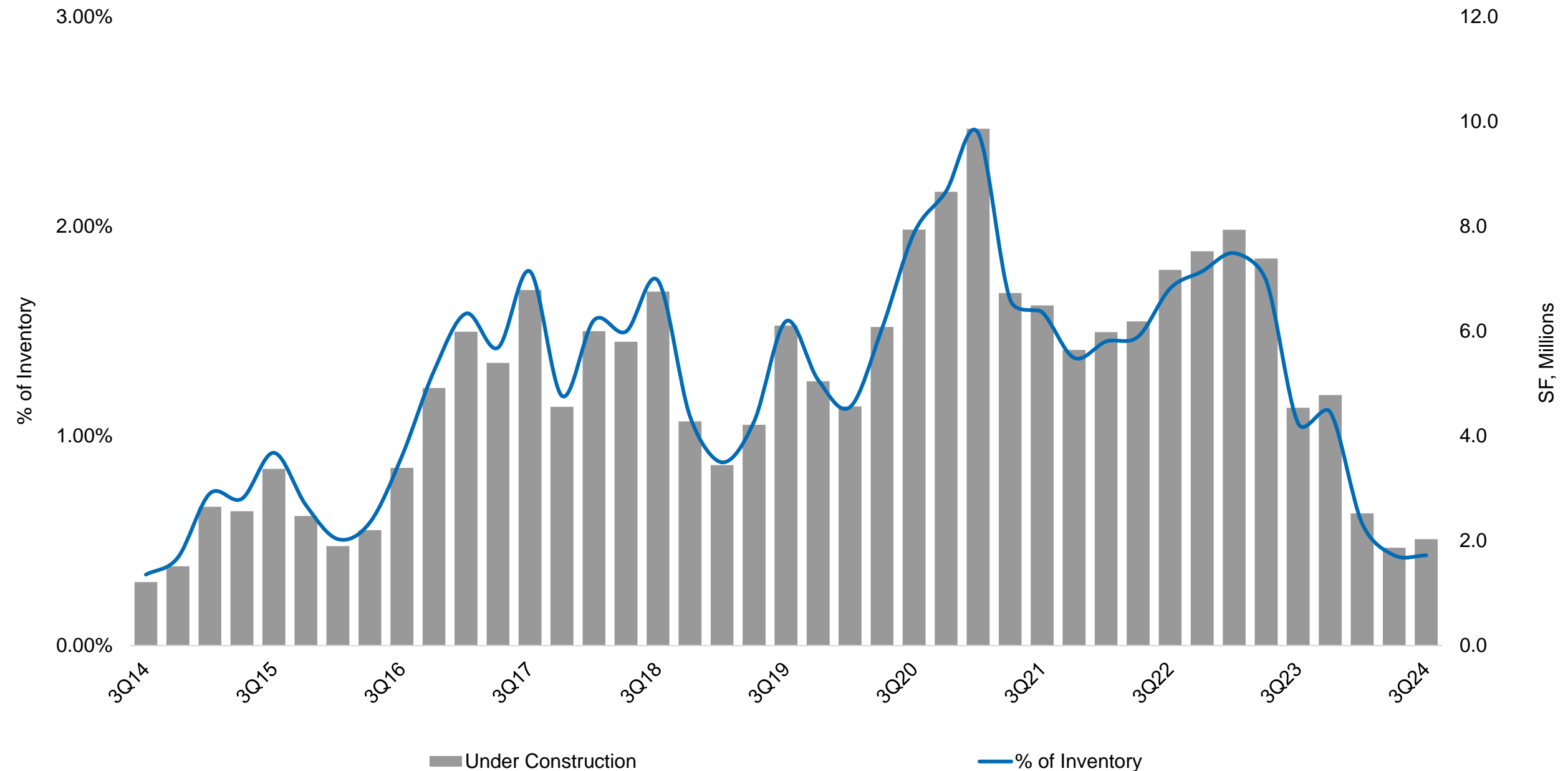


Source: Newmark Research, CoStar

Industrial Supply Pipeline Eases as New Inventory Exceeds Current Demand

The construction pipeline has trended mostly downward over the past four quarters. Build-to-suit projects account for 1.1 million square feet of active construction. Speculative construction has decreased significantly to 857,000 square feet, down from over 5 million square feet last year. Over the past two years, more than 10 million square feet of speculative construction have been completed. The gap between supply and demand is widening as new inventory is beginning to exceed user demand.

Industrial Under Construction and % of Inventory

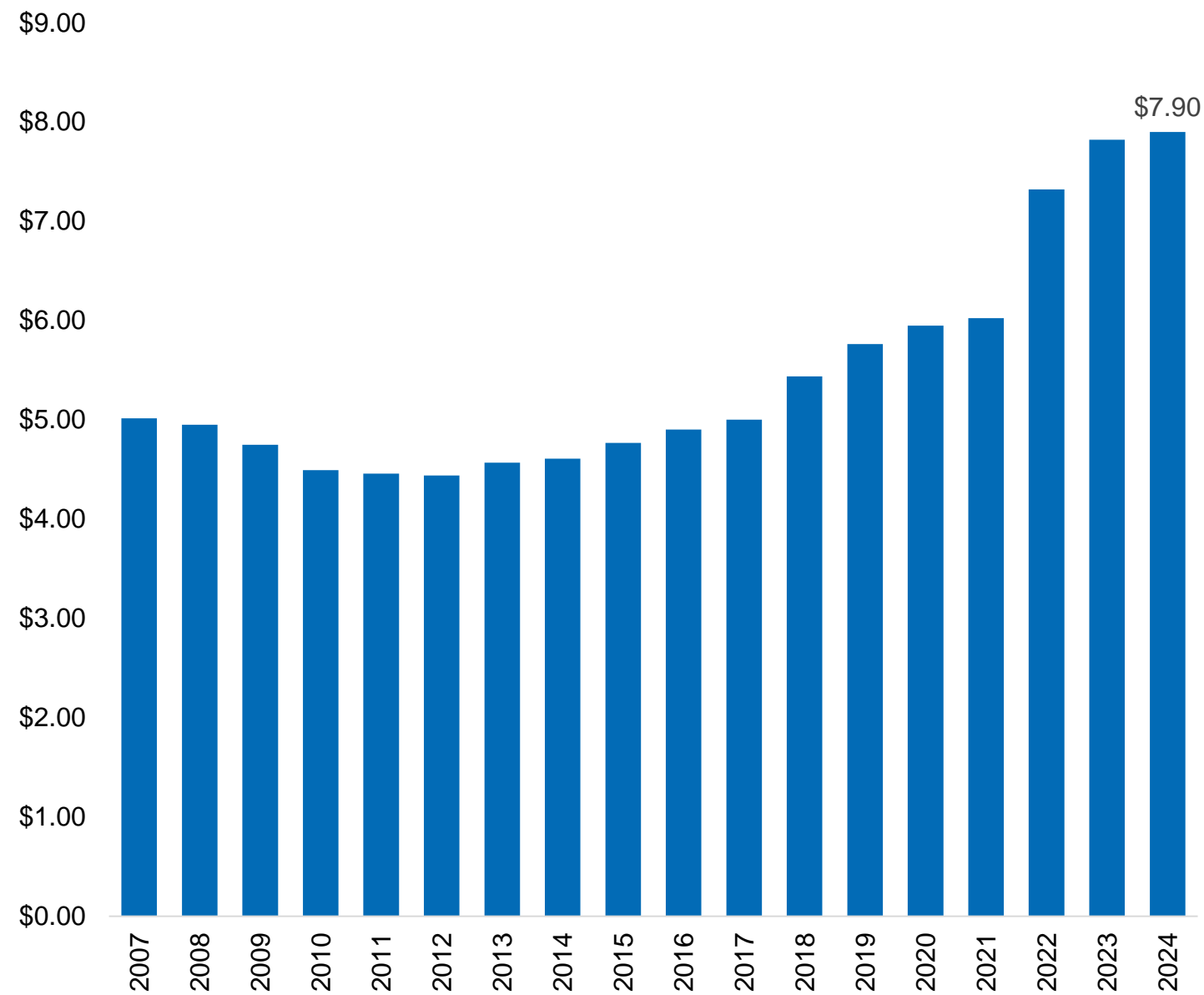


Source: Newmark Research, CoStar

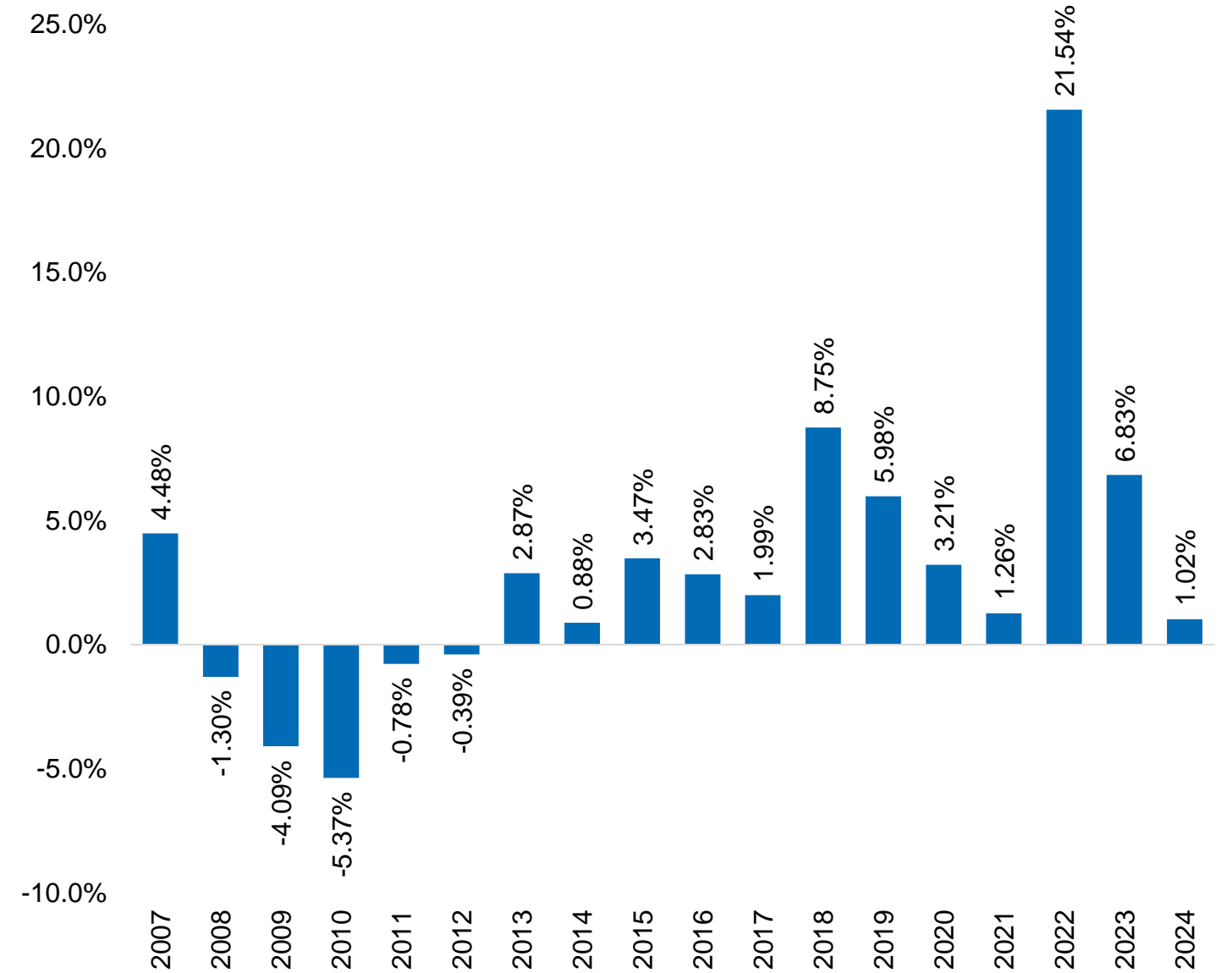
Asking Rent Growth Continues to Moderate

The average asking rent grew 1.08% during the third quarter of 2024. Year-over-year, asking rates are up 1.02%. 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

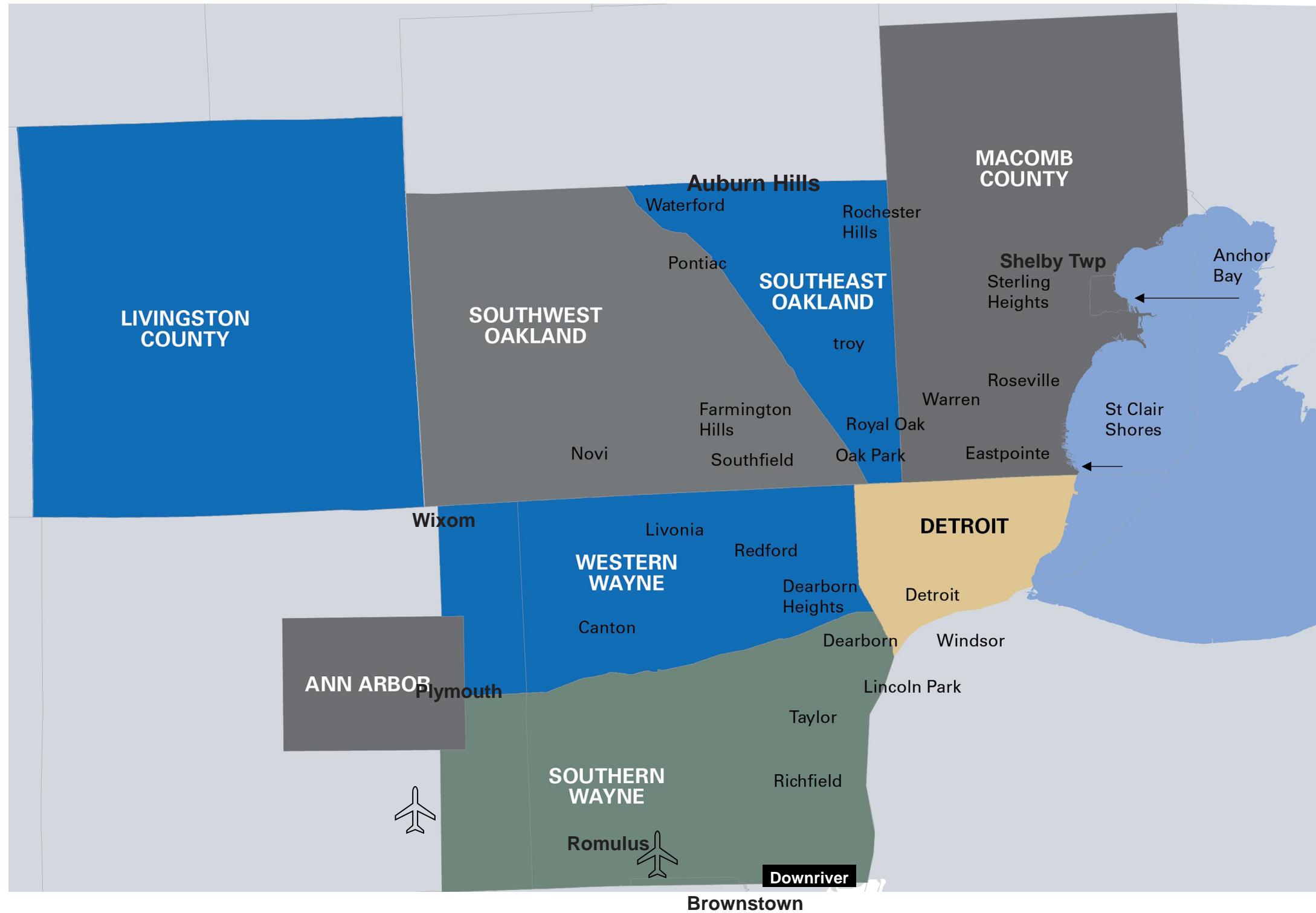
Notable 3Q24 Lease Transactions

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
<i>Piston Automotive</i> <i>Is constructing a 715,012 SF logistics center in Auburn Hills to supply GM's EV Orion Assembly plant.</i>	<i>6 Championship Drive</i>	<i>SE Oakland</i>	<i>Direct Lease</i>	<i>715,012</i>
<i>DSV Logistics</i> <i>Expanded its lease to include all 628,000 SF at Crossroads Distribution Center 11 in Belleville</i>	<i>Crossroads Distribution Center 11</i>	<i>Southern Wayne</i>	<i>Direct New</i>	<i>628,000</i>
<i>General Motors. / Piston Automotive</i> <i>General Motors Co. and its supplier Piston Automotive are building out a hydrogen fuel cell manufacturing plant at the old State Fairgrounds site in Detroit.</i>	<i>Former State Fairgrounds</i>	<i>Detroit</i>	<i>Direct New</i>	<i>292,552</i>
<i>Laepple Automotive</i> <i>Plans to invest \$78.8 million into the former Stellantis NV Mount Elliott Tool and Die site.</i>	<i>3675 Outer Drive E</i>	<i>Detroit</i>	<i>Direct New</i>	<i>270,000</i>
<i>R.A.S Logistics, Inc.</i> <i>Full-service logistics provider.</i>	<i>Brownstown Business Center #4</i>	<i>Southern Wayne</i>	<i>Direct Lease</i>	<i>78,325</i>

Source: Newmark Research

Detroit Industrial Submarket Map



Source: Newmark Research

3Q 2024 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	0	4.0%	(15,400)	(18,495)	0	0	\$9.81
Detroit	52,184,582	0	11.5%	176,539	1,492,543	180,000	2,006,098	\$7.09
Livingston County	13,642,519	0	3.3%	(107,804)	(75,204)	67,472	67,472	\$7.42
Macomb	89,803,789	511,595	1.8%	(120,633)	49,030	0	0	\$7.82
SE Oakland	96,688,479	892,185	2.7%	196,830	(71,188)	365,000	1,020,000	\$8.75
Southern Wayne	64,755,709	628,000	5.8%	(890,902)	(1,492,493)	0	969,528	\$7.33
SW Oakland	42,162,436	0	4.6%	(198,494)	(121,415)	0	0	\$9.11
Western Wayne	71,430,021	0	2.5%	(18,553)	(175,590)	37,147	37,147	\$8.21
Totals	436,409,014	2,031,780	4.2%	(978,417)	(412,812)	649,619	4,100,245	\$7.90

By Property Type

General Industrial	226,197,694	1,403,780	3.5%	(351,682)	515,141	432,472	1,087,472	\$7.76
Incubator	1,917,930	0	1.6%	-	2,500	0	0	\$7.09
R&D/Flex	43,461,971	0	5.8%	(158,941)	14,697	37,147	37,147	\$9.77
Warehouse/Distribution	164,831,419	628,000	4.8%	(467,794)	(945,150)	180,000	2,975,626	\$7.26
Total	436,409,014	2,031,780	4.2%	(978,417)	(412,812)	649,619	4,100,245	\$7.90

Source: Newmark Research

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