Detroit

Automotive and EV activity highlight end of year in Detroit industrial market

- New leases in the 500,000-s.f. and up segment that have been prevalent throughout the latest construction cycle were notably absent in Q4.
- Many of the requirements in the market were met in 2022, and should new construction not see healthy leasing activity, there could be a level of stagnation later in 2023.
- Automotive activity across the region has been increasing significantly over the past 18 months and is expected to continue to ramp up moving forward as automakers continue their EV push.

Despite shifting economic sentiment, Q4 was once again a strong quarter, closing the book on yet another excellent year for the Detroit industrial market. Just under 8.0 million s.f. of space was absorbed across the market throughout 2022, along with the delivery of 5.9 million s.f. of new construction. Total vacancy across the market has fallen to 4.4%, while average asking rents sit at $6.62 p.s.f., up 4.9% year-over-year.

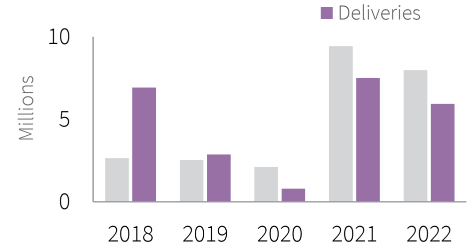
While leasing activity was healthy in Q4, notably absent were new leases in the 500,000-s.f. and up range that have been prevalent throughout the latest construction cycle. DHL signed a lease for 102,000 s.f. at Livonia West Commerce Center, while in Brownstown, GM and Venture Logistics took 153,000 s.f. and 93,000 s.f. respectively at Brownstown Business Center. Automotive users continue to make headlines and announcements related to EV assembly and EV batteries. Magna, Lear and Tesla all announced new investment in the region in Q4 and Stellantis is weighing a new plant in Michigan as well, but the state will have regional competition for the site. Automotive activity across the metro Detroit region has been increasing significantly over the past 18 months and is expected to continue to ramp up moving forward as automakers continue their EV push.

Outlook

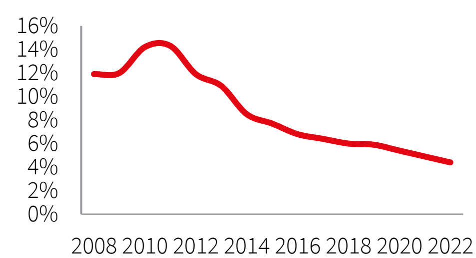
Looking ahead, we're keeping an eye on the development pipeline. With over 5.7 million s.f. under construction, much of which is speculative, it will be interesting to see how much of the space is pre-leased at delivery. Many of the requirements in the market were met in 2022, and should the new construction not see heavy pre-leasing activity, there is the possibility that the market could be overbuilt. At the same time, there is a possibility that increasing EV requirements will provide not just users for these new spaces, but potentially insulate the Detroit market from the nationwide slowdown in industrial activity. Either way, 2023 is set to be a big year for the market.

Fundamentals		Forecast
YTD net absorption	7,975,270 s.f.	▲
Under construction	5,660,144 s.f.	▲
Total vacancy	4.4%	▼
Sublease vacancy	1,701,005 s.f.	▶
Direct asking rent	$6.62 p.s.f.	▲
Sublease asking rent	$6.12 p.s.f.	▲
Concessions	Stable	▶

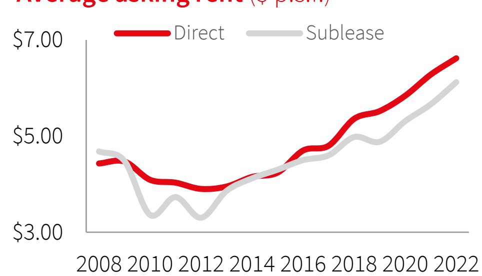
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



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JLL Research Report

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent ($ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Detroit total										
Warehouse & Distribution	307,438,857	1,523,641	5,956,144	1.9%	5.4%	6.5%	$6.51	1,006,690	5,645,164	5,460,144
Manufacturing	233,288,085	61,426	2,019,126	0.9%	3.1%	3.0%	$6.86	0	283,419	200,000
Overall Total	**540,726,942**	**1,585,067**	**7,975,270**	**1.5%**	**4.4%**	**5.0%**	**$6.62**	**1,006,690**	**5,928,583**	**5,660,144**
Airport / I-275 Corridor										
Warehouse & Distribution	68,427,999	853,719	1,469,261	2.1%	3.7%	4.2%	$6.61	659,589	1,207,401	1,488,636
Manufacturing	42,343,695	312,210	782,543	1.8%	2.5%	2.3%	$5.67	0	0	0
Overall Total	**110,771,694**	**1,165,929**	**2,251,804**	**2.0%**	**3.2%**	**3.5%**	**$6.37**	**659,589**	**1,207,401**	**1,488,636**
City of Detroit										
Warehouse & Distribution	47,464,230	44,692	1,364,253	2.9%	11.1%	15.1%	$5.48	0	1,497,417	2,197,254
Manufacturing	34,451,873	42,636	480,387	1.4%	4.3%	4.0%	$5.47	0	0	0
Overall Total	**81,916,103**	**87,328**	**1,844,640**	**2.3%**	**8.2%**	**10.6%**	**$5.48**	**0**	**1,497,417**	**2,197,254**
Downriver										
Warehouse & Distribution	31,034,723	-176,382	432,305	1.4%	8.8%	8.1%	$5.40	0	0	0
Manufacturing	23,179,027	-157,001	466,263	2.0%	2.0%	2.0%	$6.18	0	0	0
Overall Total	**54,213,750**	**-333,383**	**898,568**	**1.7%**	**5.9%**	**5.5%**	**$5.55**	**0**	**0**	**0**
I-96 Corridor										
Warehouse & Distribution	30,745,435	827,863	827,265	2.7%	4.8%	7.0%	$7.88	0	875,715	892,117
Manufacturing	18,949,584	-115,188	72,727	0.4%	5.7%	5.7%	$8.24	0	0	0
Overall Total	**49,695,019**	**712,675**	**899,992**	**1.8%**	**5.2%**	**6.5%**	**$8.06**	**0**	**875,715**	**892,117**
Macomb										
Warehouse & Distribution	57,562,844	-272,139	718,844	1.2%	3.6%	4.3%	$6.92	71,700	1,075,434	882,137
Manufacturing	60,540,161	-20,106	422,512	0.7%	1.7%	1.8%	$6.24	0	283,419	200,000
Overall Total	**118,103,005**	**-292,245**	**1,141,356**	**1.0%**	**2.7%**	**3.0%**	**$6.63**	**71,700**	**1,358,853**	**1,082,137**
Monroe										
Warehouse & Distribution	6,553,929	-3,000	-170,987	-2.6%	3.4%	3.4%	$7.30	0	0	0
Manufacturing	8,432,590	0	7,000	0.1%	0.1%	0.1%	$6.00	0	0	0
Overall Total	**14,986,519**	**-3,000**	**-163,987**	**-1.1%**	**1.5%**	**1.5%**	**$7.25**	**0**	**0**	**0**
Northern I-75 Corridor										
Warehouse & Distribution	54,966,794	55,380	1,297,516	2.4%	3.8%	3.8%	$7.34	275,401	989,197	0
Manufacturing	34,305,419	-34,634	-137,817	-0.4%	4.9%	4.7%	$7.15	0	0	0
Overall Total	**89,272,213**	**20,746**	**1,159,699**	**1.3%**	**4.3%**	**4.2%**	**$7.26**	**275,401**	**989,197**	**0**
Washtenaw										
Warehouse & Distribution	10,682,903	193,508	17,687	0.2%	2.7%	2.7%	$8.06	0	0	0
Manufacturing	11,085,736	33,509	-74,489	-0.7%	3.6%	3.6%	$9.69	0	0	0
Overall Total	**21,768,639**	**227,017**	**-56,802**	**-0.3%**	**3.1%**	**3.1%**	**$9.16**	**0**	**0**	**0**