

FIGURES | DETROIT INDUSTRIAL | Q4 2024

Multiple speculative construction deliveries cause vacancy rates to rise

▲ 2.9%

Vacancy Rate

▲ (162,776)

SF Net Absorption

▲ 1.0M

SF Construction Delivered

▼ 948,452

SF Under Construction

▼ \$7.30

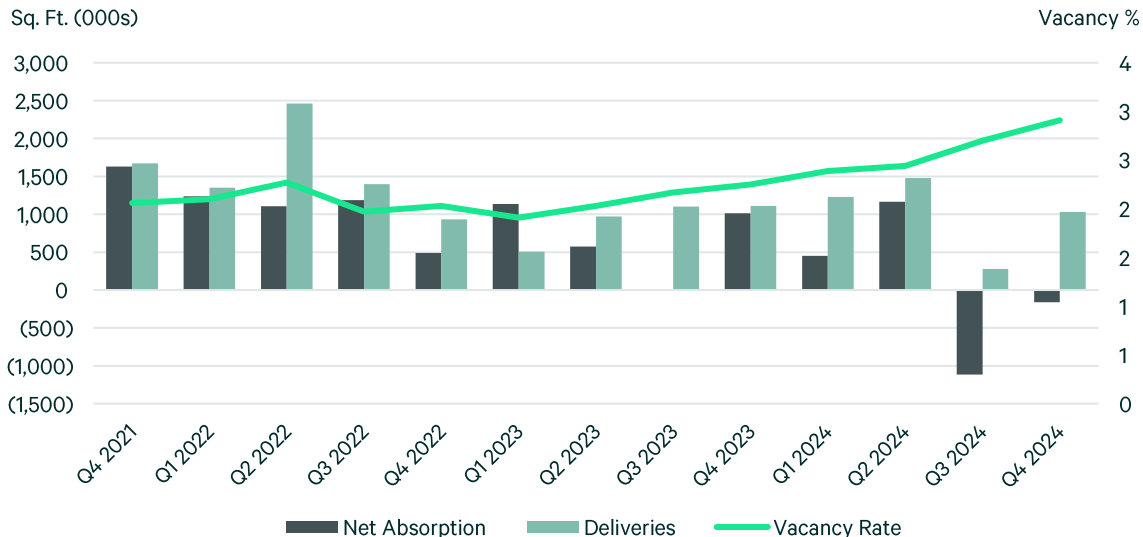
NNN/YR Lease Rate

Note: Arrows indicate change from previous quarter.

SUMMARY

- Industrial average asking lease rates dropped by \$0.06 in Q4 closing the quarter at \$7.30 per sq. ft.
- The Detroit industrial market witnessed 5 construction deliveries throughout the quarter, adding over 1 million sq. ft. of new product to the market. Q4 deliveries were highlighted by Crossroads Distribution Center North – Building #11 (629,357 SF) and both buildings at the Airport Corporate Center in the Downriver submarket (170,088 SF and 100,456 SF).
- For consecutive quarters, the market experienced negative absorption closing Q4 with -162,776 sq. ft. of absorption. However, this was a positive bump from Q3 absorption which closed at -683,097 sq. ft.
- Market vacancy rates experienced a slight jump in Q4, closing the quarter at 2.9%. The Detroit (4.9%) and Northwest Suburbs (3.9%) submarkets respectively posted the highest vacancy rates in the market.
- Over 910,000 sq. ft. of industrial sublease space was added to the market during Q4, closing out the quarter with 3,402,087 sq. ft. of available sublease space available on the market. Over the past few quarters, the Detroit industrial market has seen sublease space grow.
- The Detroit industrial availability rates (direct and sublease) experienced an increase to 4.0%. The Downriver submarket played a significant role in the availability rate jump as the submarket closed Q4 with a rate of 4.9% compared to its Q3 availability rate of 3.9%.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2024

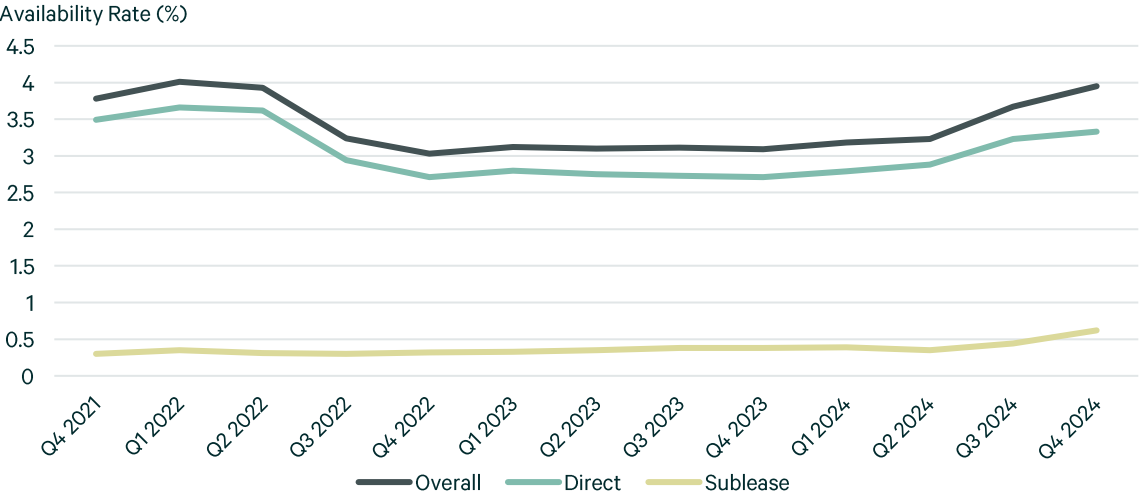
Availability Rate

The Detroit Industrial market's availability rate in Q4 2024 increased to 4.0% from 3.7% in Q3 2024. The Detroit submarket continued its historic trend of leading the market with the highest availability rates at 6.4%, respectively. Downriver experienced a slight spike in availability rates throughout Q4 as the submarket posted the second highest availability rates in the market. Macomb and Western Wayne industrial product remains to be in high demand as these submarkets respectively posted the markets lowest availability rates, each at 2.8%. Over the past five years, the availability rate has fluctuated, with a notable peak of 4.25% in Q1 2021, followed by a gradual decrease until Q4 2023. Enhanced industrial sublease space remains to be a trend within the Detroit market, reaching 3.4 million sq. ft. in Q4.

Asking Rent

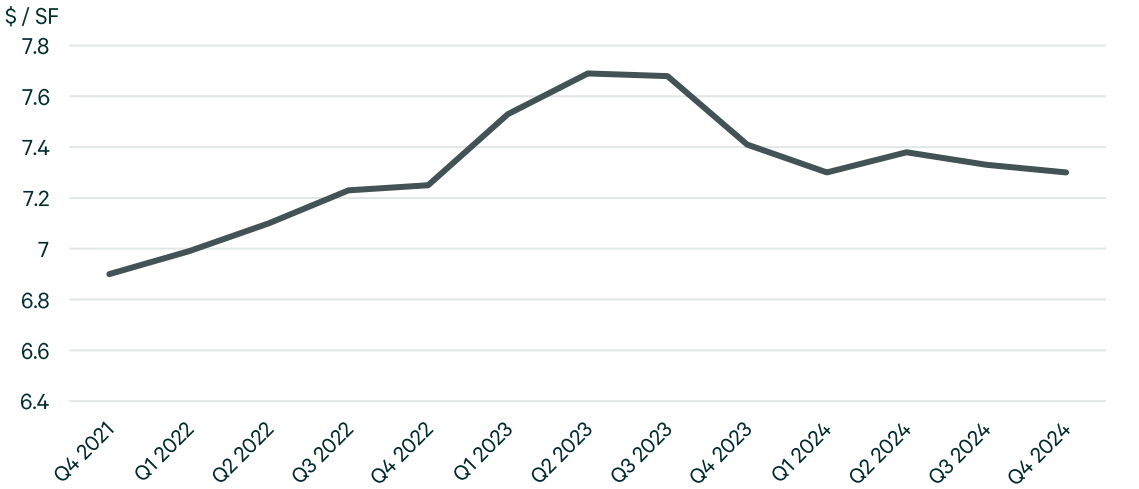
For the second consecutive quarter, the Detroit industrial market witnessed lease rates dip, closing Q4 at \$7.30 per sq. ft. Although the overall market experienced a lease rate drop, the Washtenaw (\$7.51/SF) and Macomb (\$7.35/SF) submarkets respectively witnessed a significant rise in lease rates compared to Q3. Among the submarkets, the Northwest Suburbs commanded the highest average lease rate at \$9.13 per sq. ft. and maintained its position as the top submarket in terms of highest average lease rates. Despite displaying the highest average asking lease rates in the market, the Northwest Suburbs saw a slight decrease in lease rates from \$9.50 per sq. ft. in Q3 2024. Conversely, Detroit had the lowest at \$5.92 per sq. ft. The overall Detroit industrial lease rates appear to be finding their equilibrium after the market is repositioning itself from enhanced post-pandemic lease rates.

FIGURE 2: Availability Rates



Source: CBRE Research, Q4 2024

FIGURE 3: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q4 2024

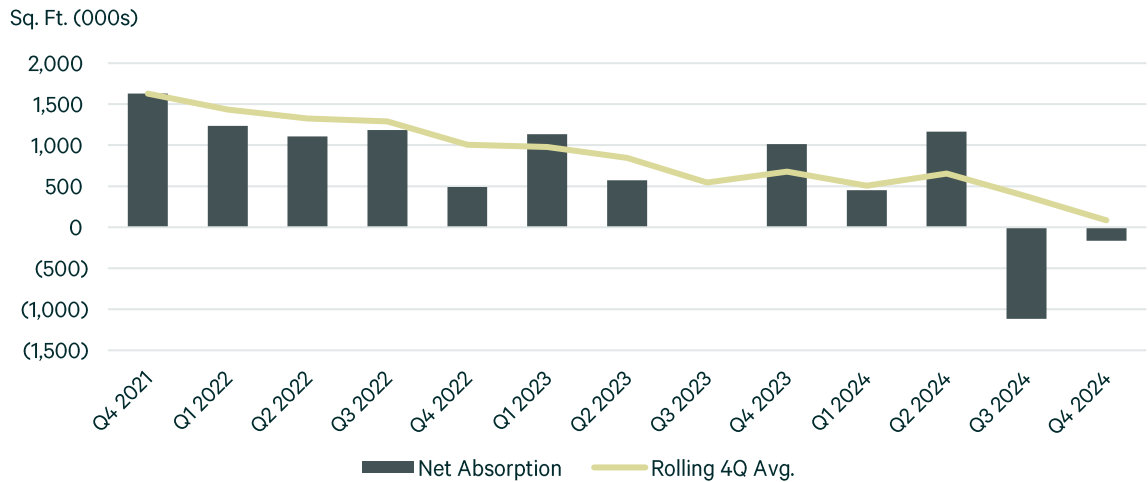
Net Absorption

Multiple large-scale move-outs aided in the process of the overall Detroit industrial market posting negative net absorption of 162,776 sq. ft.. The Western Wayne submarket respectively, posted over 510,000 sq. ft. of negative absorption. However, the Downriver submarket posted over 500,000 sq. ft. of positive absorption in Q4. Notable Western Wayne move-outs included Comau vacating 340,000 sq. ft. at 6837 Wyoming St. in Dearborn along with Plastipak Packaging vacating 140,000 sq. ft. in Canton. In the Downriver submarket, notable positive absorption was aided by DTE Electric Co. occupying 349,492 sq. ft. at the Romulus Trade Center – Building #3 and DO & Co. Detroit occupying 131,643 sq. ft. at the Romulus Trade Center – Building #1. 175 Kay Industrial delivered this quarter in the I-75 Corridor and generated 78,955 sq. ft. of positive absorption upon Oxus occupancy in the newly constructed building. In total, 5 of the 8 Detroit industrial submarkets posted positive absorption for the quarter, led by Downriver (508,014 SF) and Detroit (218,972 SF).

Construction Activity

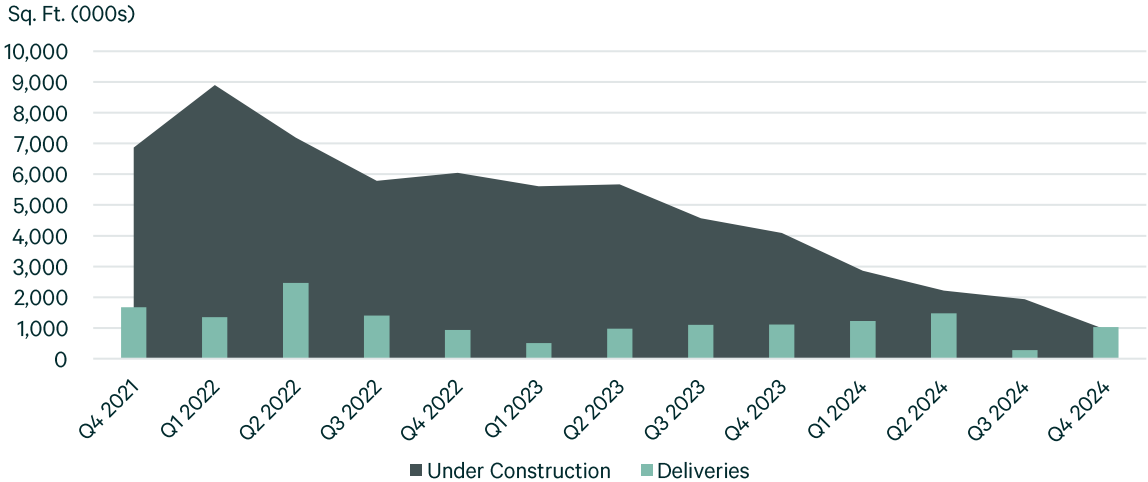
Over the past three years, Detroit Industrial has experienced significant construction activity with notable fluctuations in under-construction and delivered areas. In Q4, the Detroit industrial construction pipeline witnessed 5 deliveries which added over 1 million sq. ft. of new product to the market. Q4 deliveries were highlighted by Crossroads Distribution Center North – Building #11 (629,357 SF) where DSV Air & Sea took occupancy. Airport Corporate Center in Romulus delivered buildings A and B (33100 Smith Rd. (100,456 SF) & 33200 Smith Rd. (170,088 SF)) adding 270,544 sq. ft. of product to the Downriver submarket. The I-75 Corridor also witnessed two buildings deliver with 50 Kay Industrial (50,460 SF) and 175 Kay Industrial (72,958 SF). The current construction pipeline consists of 5 properties headlined by 3777 Lapeer Rd. (715,000 SF), the former Palace of Auburn Hills site, which will be operated by Piston Automotive and will supply parts to support General Motor’s Orion Assembly. Average asking rents have shown stability, with the current quarter's rate at \$7.33 per sq. ft., reflecting a consistent market despite the construction dynamics.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2024

FIGURE 5: Construction Activity

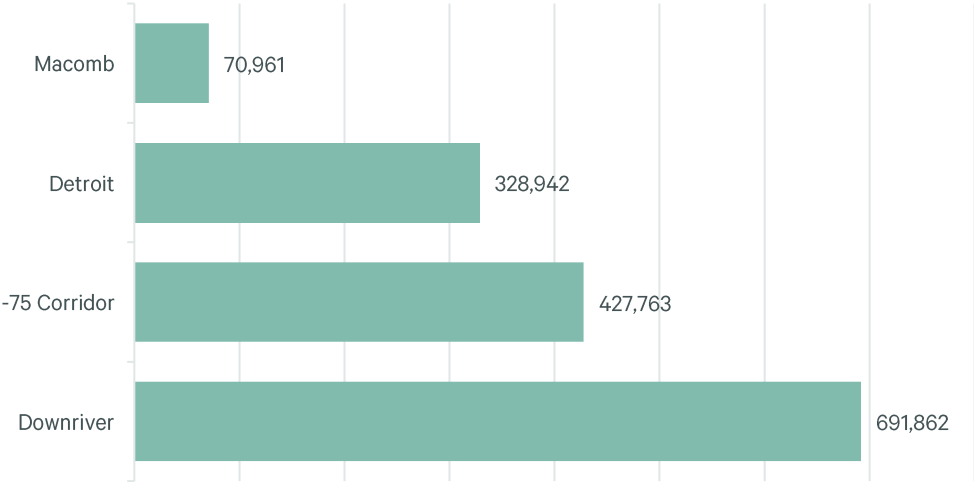


Source: CBRE Research, Q4 2024

Leasing Activity

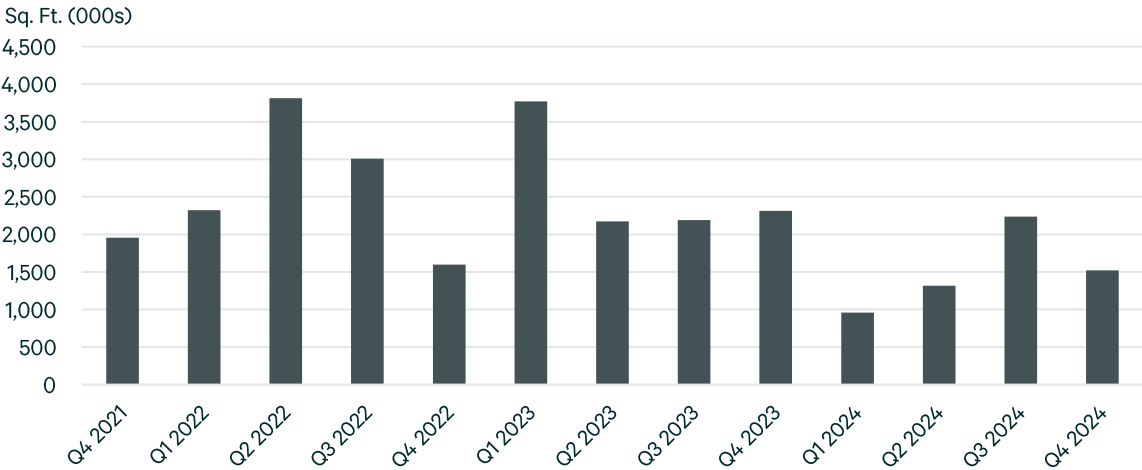
The total area leased in the Detroit Industrial market for Q4 2024 totaled 1,145,673 sq. ft., reflecting a significant decrease from the 2,140,637 sq. ft. leased in Q3 2024. Over the last five years, leasing activity has fluctuated, with notable peaks in Q4 2021 at 2.3 million sq. ft. and Q4 2022 at 2.9 million sq. ft. The I-75 Corridor submarket led the current quarter with the highest leasing activity at 615,412 sq. ft., while Washtenaw recorded the lowest leasing activity. This trend highlights the dynamic nature of the Detroit Industrial market, with varying levels of leasing activity across different submarkets and time periods. The largest industrial lease of Q4 was signed by DTE Electric Co., who took 349,494 sq. ft. at the Romulus Trade Center – Building #3. 20400 Ralston St. in Highland Park also experienced a large-scale, 10-year lease signed in Q4 courtesy of Piston Automotive occupying 292,552 sq. ft. Although lease rates dropped slightly in Q4, the overall Detroit market continues to have occupier demand and 2025 is forecasted to see industrial rental rates grow.

FIGURE 6: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2024

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2024

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
DTE Electric Co.	349,494	New Lease	33360 Trade Center Dr	Downriver
Piston Automotive	292,552	New Lease	20400 Ralston St	Detroit
Confidential Tenant	224,589	New Lease	18200 Vernier Rd	Detroit
DO & Co. Detroit	131,643	New Lease	33370 TRADE Center Dr	Downriver
AJG Aerospace	120,375	New Lease	5600 Bow Pointe Dr	I-75 Corridor
Home Express Delivery Service	104,353	New Lease	18000 Vernier Rd	Detroit
Wipro PARI Robotics	104,280	New Lease	275 Rex Blvd	I-75 Corridor
Huntsman International	94,000	Renewal	2190 Executive Hills Dr	I-75 Corridor
RAS Logistics	78,325	New Lease	18640 Dix Toledo Rd	Downriver
Allied Van Lines	75,000	Renewal	10049 Harrison	Downriver

Source: CBRE Research, Q4 2024

Market Statistics by Size

	Net Rentable Area (SF)	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption(SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Under 100,000 sq. ft.	269,234,254	1.5%	2.2%	2.0%	0.2%	\$8.14	(318,668)	152,842	129,415	233,452
100,000-199,999 sq. ft.	79,774,793	3.6%	4.3%	3.9%	0.4%	\$7.60	(42,551)	(233,430)	270,544	0
200,000-299,999 sq. ft.	42,177,615	6.2%	6.4%	6.1%	0.3%	\$7.76	(136,924)	285,848	0	0
300,000-499,999 sq. ft.	38,970,290	8.7%	12.7%	11.3%	1.4%	\$7.26	(28,865)	(106,605)	0	0
500,000-749,999 sq. ft.	31,024,644	4.9%	6.3%	5.5%	0.8%	\$5.92	359,732	503,031	629,357	715,000
750,000 sq. ft.	85,074,453	1.6%	3.1%	1.3%	1.8%	\$4.18	4,500	(263,743)	0	0
Total	546,256,049	2.9%	4.0%	3.3%	0.6%	\$7.30	(162,776)	337,943	1,029,316	948,452

Market Statistics by Product Type

	Net Rentable Area (SF)	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption(SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution / Logistics	216,527,927	4.0%	5.1%	4.3%	0.8%	\$7.31	460,073	710,184	950,361	61,111
Manufacturing	258,675,992	2.0%	3.1%	2.5%	0.6%	\$6.49	(591,039)	50,652	78,955	887,341
R&D / Flex	52,705,290	2.9%	3.6%	3.3%	0.3%	\$11.49	(31,810)	(87,928)	0	0
Other Industrial	18,346,840	2.8%	3.0%	2.8%	0.2%	\$5.95	0	(334,965)	0	0
Total	546,256,049	2.9%	4.0%	3.3%	0.6%	\$7.30	(162,776)	337,943	1,029,316	948,452

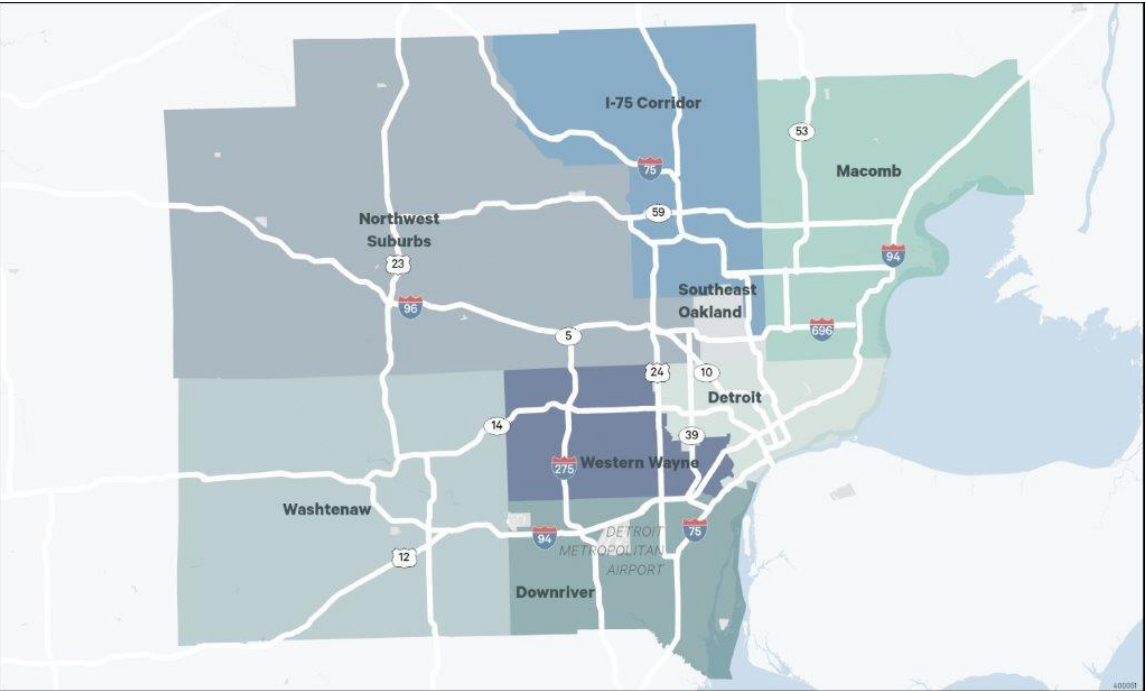
Market Statistics by Class

	Net Rentable Area (SF)	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption(SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	11,010,184	13.9%	11.9%	9.1%	2.8%	\$7.60	481,135	361,140	270,544	0
All Other Buildings	535,245,865	2.7%	3.8%	3.2%	0.6%	\$7.29	(643,911)	(23,197)	758,772	948,452
Total	546,256,049	2.9%	4.0%	3.3%	0.6%	\$7.30	(162,776)	337,943	1,029,316	948,452

Market Statistics by Submarket

	Net Rentable Area (SF)	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption(SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Detroit	88,786,633	4.9%	6.4%	6.2%	0.2%	\$5.92	218,972	415,908	0	0
Downriver	73,613,849	3.2%	4.9%	3.0%	1.9%	\$6.57	508,014	436,782	899,901	0
I-75 Corridor	85,858,110	2.9%	3.2%	2.6%	0.6%	\$8.41	(181,108)	(8,281)	129,415	816,486
Macomb	108,564,733	1.5%	2.8%	2.5%	0.3%	\$7.35	68,918	392,405	0	70,855
Northwest Suburbs	57,690,201	3.9%	4.4%	3.7%	0.6%	\$9.13	(286,675)	(735,021)	0	61,111
Southeast Oakland	16,809,292	3.6%	3.8%	2.6%	1.2%	\$7.13	17,533	(185,574)	0	0
Washtenaw	24,345,135	1.2%	3.6%	2.1%	1.5%	\$7.51	4,400	67,287	0	0
Western Wayne	90,588,096	2.3%	2.8%	2.7%	0.1%	\$7.91	(512,830)	(45,563)	0	0
Total	546,256,049	2.9%	4.0%	3.3%	0.6%	\$7.30	(162,776)	337,943	1,029,316	948,452

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes industrial buildings 10,000 sq. ft. and greater in size in Livingston County, Macomb County, Oakland County, Washtenaw County, and Wayne County. Buildings which have begun construction as evidenced by site excavation or foundation work.

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