Industrial asking lease rates drop although demand remains promising

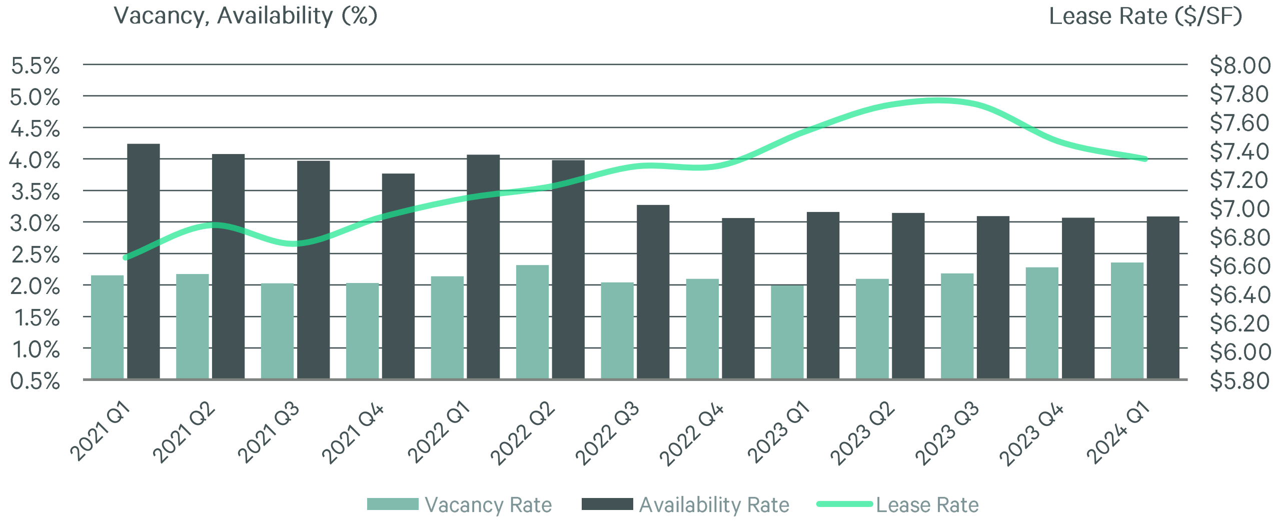
▶ 2.4%	▶ 3.1%	▼ 0.8M	▼ $7.34
Vacancy Rate	Availability Rate	SF Net Absorption	Lease Rate

Note: Arrows indicate change from previous quarter.

Market Summary

- The Detroit industrial market experienced 769,076 sq. ft. of positive absorption. The Macomb submarket respectively, witnessed over 640,000 sq. ft. of positive absorption.
- The market saw 5 new deliveries which added 1,229,932 sq. ft. of industrial product to the market.
- There were 13 properties under construction totaling over 3.6 million sq. ft. Over 1.6 million sq. ft. of ongoing construction has already been pre-leased.
- Market lease rates dipped to $7.34 per sq. ft. The Northwest Suburbs continued to post some of the highest market lease rates at $9.61 per sq. ft. and demand within the submarket remains strong.
- Vacancy and availability rates held steady in Q1 closing out the quarter at 2.4% and 3.1%, respectively.
- The Detroit industrial market saw a decrease in leasing activity in the quarter with approximately 1.6 million sq. ft. of leases signed.

FIGURE 1: Vacancy, Availability, and Average Asking Lease Rate



Source: CBRE Research, Q1 2024

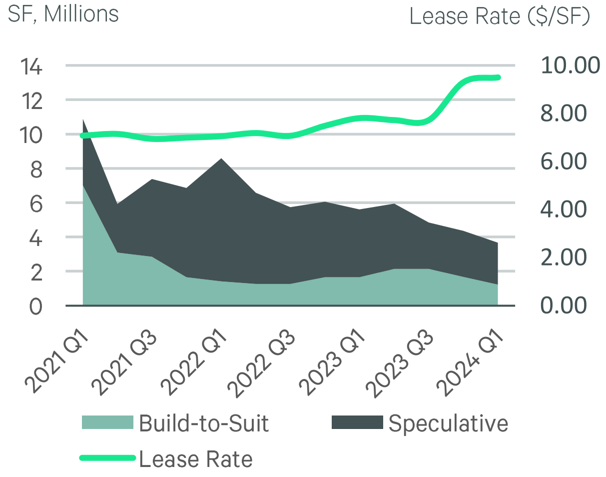
Deliveries and Current Construction

The Detroit industrial market has over 3.6 million sq. ft. of ongoing construction. Over 1.4 million sq. ft. of that is comprised of product within the Downriver submarket highlighted by Crossroads Distribution Center North – Building 11 (629,357 SF) and the Metro 94 Commerce Center (530,000 SF). The I-75 Corridor has 5 projects totaling over 1.3 million sq. ft. currently under construction. Over half of the inventory within the construction pipeline has already been pre-leased. Q1 ended with 5 construction deliveries adding over 1.2 million sq. ft. of new product to the market. Notable completions included the Romulus Trade Center – Building 1 (349,606 SF) and the Eastland Commerce Center – Building 3 (208,204 SF). Various projects are on track to deliver next quarter as well including the Eastland Commerce Center – Building 2 (535,342 SF) and Halyard Ridge Business Park – Building 1 (286,347 SF).

Net Absorption

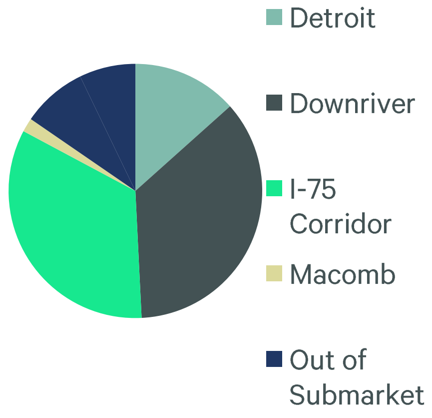
The Detroit industrial market displayed 769,076 sq. ft. of positive absorption in Q1. The Macomb submarket specifically accounted for over 640,000 sq. ft. of positive absorption, largely due to Niagara Bottling occupying 450,000 sq. ft. of space at 14674 23 Mile Rd. in Shelby Township which delivered this quarter. The Detroit and Western Wayne submarkets also displayed over 100,000 sq. ft. of positive absorption throughout the quarter. However, the I-75 Corridor experienced over 180,000 sq. ft. of negative absorption, primarily because Via Motors vacated their space at 3900 Automation Ave.

FIGURE 2: Construction and Average Asking Lease Rate



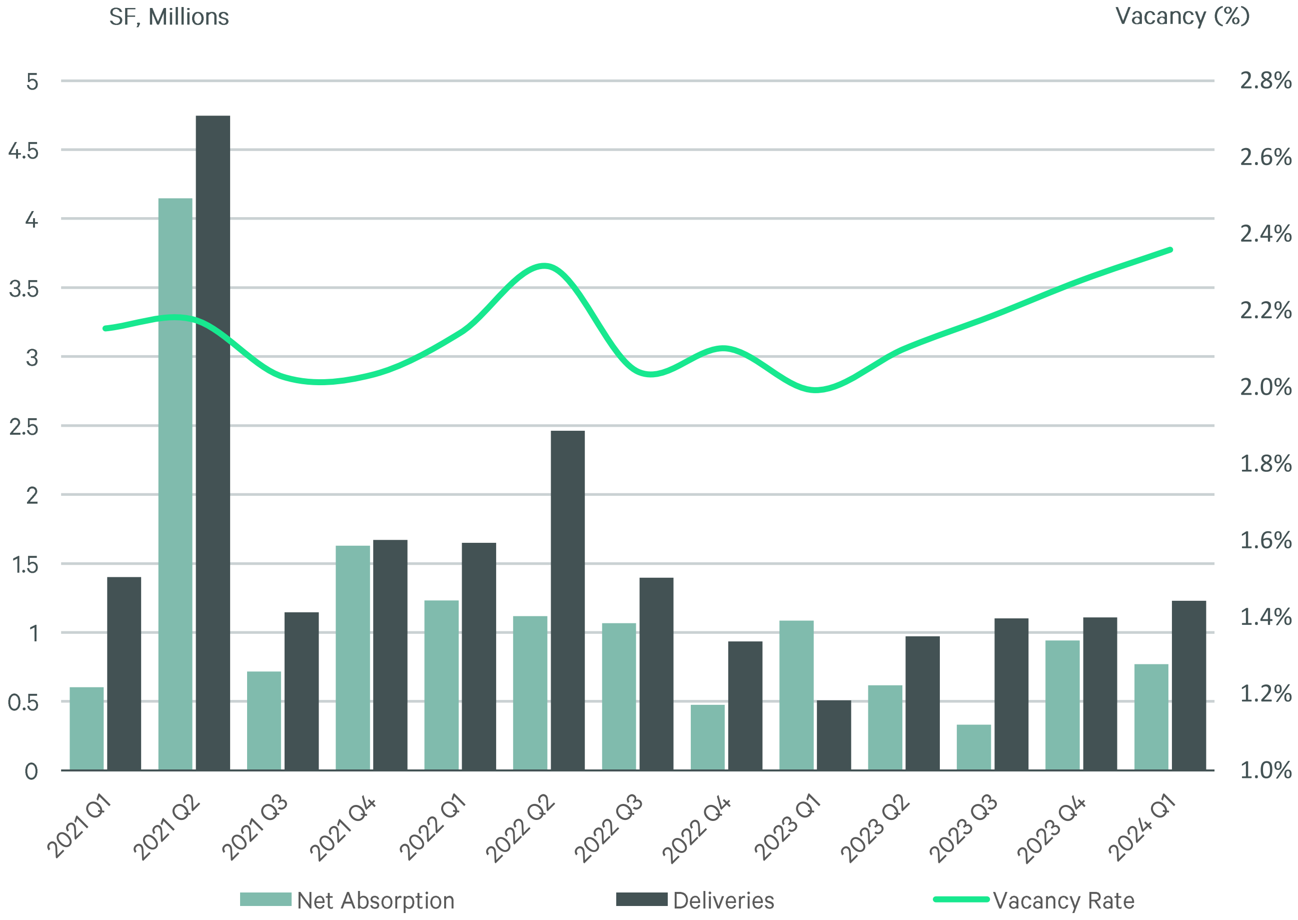
Source: CBRE Research, Q1 2024

FIGURE 3: Current Construction by Submarket



Source: CBRE Research, Q1 2024

FIGURE 4: Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2024

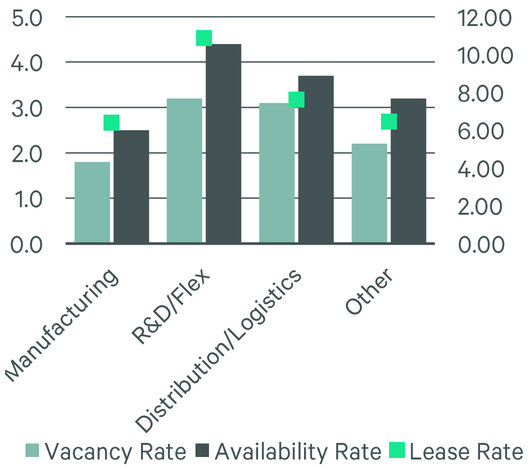
Availability and Vacancy

Overall availability and vacancy rates have remained consistent over the past calendar year within the market. The Detroit submarket continues to experience the highest availability and vacancy rates within the market at 6.5% and 4.9%, respectively. The Airport District in Downriver continues to be highly sought after for big-box industrial facilities but has recently shown slightly increased availability rates. The I-75 Corridor and Washtenaw submarkets contain over 1.2 million sq. ft. of available sublease space, accounting for nearly 70% of the overall markets available sublease space.

Lease Rates

The average lease rates fell to $7.34 per sq. ft. in the market, marking the 2nd quarter of decline. Despite this, occupier demand remains strong. With new construction deliveries slowing a bit within the market, this could impact lease rates slightly. The highest lease rates were in the Northwest Suburbs at over $9.60 per sq. ft., while the I-75 Corridor submarket and Washtenaw saw lease rates exceeding $8.80 per sq. ft. in Q1.

FIGURE 5: Vacancy, Availability, and Avg. Asking Lease Rate by Development Type



Source: CBRE Research, Q1 2024

FIGURE 6: Net Absorption and Lease Rate by Submarket

Source: CBRE Research, Q1 2024

FIGURE 7: Detailed Market Statistics by Submarket

Submarket	Total Inventory (SF)	Total Vac. Rate (%)	Total Avail. (%)	Net Abs.(SF)	YTD Net Abs. (SF)	Under Construction (SF)	Average Asking Lease Rate
Detroit	88,490,691	4.9%	6.5%	131,112	131,112	535,342	6.10
Downriver	72,467,000	2.4%	2.7%	81,822	81,822	1,429,901	5.98
I-75 Corridor	84,658,993	2.2%	3.2%	(188,292)	(188,292)	1,340,416	8.99
Macomb	108,304,877	1.2%	1.7%	644,074	644,074	70,855	7.31
Northwest Suburbs	57,689,032	2.3%	2.4%	15,500	15,500	-	9.61
Southeast Oakland	16,809,292	2.6%	2.8%	(29,995)	(29,995)	-	7.50
Washtenaw	24,345,135	1.6%	3.3%	3,943	3,943	-	8.84
Western Wayne	89,742,786	1.5%	2.2%	110,912	110,912	286,347	8.02
Grand Total	**542,507,806**	**2.4%**	**3.1%**	**769,076**	**769,076**	**3,662,861**	**7.34**

Source: CBRE Research, Q1 2024

FIGURE 8: Vacancy by Development Type and Size

	Total Inventory (sq. ft.)	0-50K Vacancy (%)	50-100K Vacancy (%)	100K+ Vacancy (%)	Total Vacancy (%)
Cold Storage	895,143	0.0%	0.0%	0.0%	0.0%
Cross-Dock	1,451,818	0.0%	10.3%	0.0%	1.5%
Distribution/Logistics	210,433,827	1.3%	2.2%	4.7%	3.3%
Light Manufacturing	258,447,822	0.6%	1.2%	2.3%	1.6%
Manufacturing	-	-	-	-	-
Other Industrial	17,758,713	0.0%	10.3%	0.0%	1.9%
R&D/Flex	52,704,161	2.8%	4.8%	2.1%	2.9%
Self-Storage	639,627	0.0%	0.0%	-	0.0%
Warehouse/Storage	176,695	0.0%	0.0%	-	0.0%
Grand Total	**542,507,806**	**1.1%**	**2.4%**	**3.2%**	**2.4%**

Source: CBRE Research, Q1 2024

FIGURE 9: Construction Statistics

Submarket	Spec Under Construction (SF)	BTS Under Construction (SF)	Total Under Construction (SF)	Spec Completed (SF)	BTS Completed (SF)	Total Construction Completed (SF)
Detroit	535,342	-	535,342	208,204	-	208,204
Downriver	1,429,901	-	1,429,901	349,606	-	349,606
I-75 Corridor	123,416	1,217,000	1,340,416	-	-	-
Macomb	70,855	-	70,855	179,200	450,000	629,200
NW Suburbs	-	-	-	42,922	-	42,922
SE Oakland	-	-	-	-	-	-
Washtenaw	-	-	-	-	-	-
Western Wayne	286,347	-	286,347	-	-	-
TOTAL	**2,445,861**	**1,217,000**	**3,662,861**	**779,932**	**450,000**	**1,229,932**

Source: CBRE Research, Q1 2024

FIGURE 10: Key Transactions

Transaction Type	Tenant/Buyer	Location	Transaction Size (SF)	Industry
Renewal	IAC Group	14237 Frazho Rd., Warren	140,972	Automotive
New Lease	Ventcon	12350 Sears St., Livonia	124,783	Metal Manufacturing
New Lease	MOXZ	30811 Century Dr., Wixom	110,000	Technology
Renewal	FCA US	2367 E Walton Blvd., Auburn Hills	55,350	Automotive
New Lease	Autokiniton	6771 Haggerty Rd., Belleville	46,716	Automotive

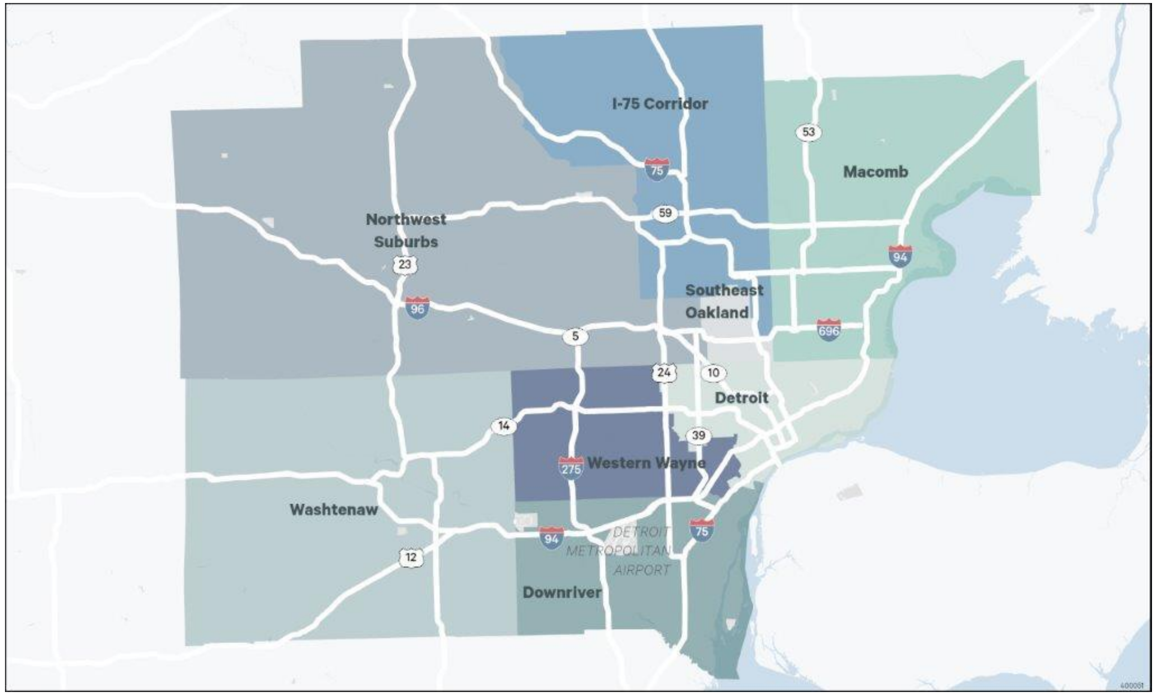
Source: CBRE Research, Q1 2024

FIGURE 11: Modern Bulk Market Statistics by Submarket

Submarket	Market Rentable Area	Under Construction	Construction Completions	Vacant SF Total	Vacancy Rate	Availability Rate	Net Absorption	Direct Avg. Asking Rate
Modern Warehouse *(Bulk Warehouses Construction in 1998 or later, and 28' clear or taller)								
Detroit	5,173,007	535,342	208,204	1,204,912	23.3%	23.3%	-	$ 6.95
Downriver	14,918,962	270,544	349,606	942,898	6.3%	6.3%	-	$ -
I-75 Corridor	5,718,160	-	-	133,462	2.3%	2.3%	(133,462)	$ -
Macomb	3,492,903	-	179,200	89,852	2.6%	2.6%	89,348	$ -
Northwest Suburbs	2,218,617	-	-	256,880	11.6%	0.0%	-	$ -
Southeast Oakland	1,837,610	-	-	2,975	0.2%	0.2%	(2,975)	$ 15.00
Western Wayne	4,409,422	286,347	-	135,200	3.1%	3.1%	-	$ 8.02
Total	**37,768,681**	**1,092,233**	**737,010**	**2,766,179**	**7.0%**	**5.4%**	**(47,089)**	**$ 7.37**

Source: CBRE Research, Q1 2024

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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