

Various large-scale tenant move-outs hinder market absorption

CBRE has updated the criteria for industrial tracked building sets to reflect buildings with a Net Rentable Area (NRA) of 30,000 square feet or higher. In addition to creating regional consistency, this change will enhance the reporting and depth of data on each market's most competitive buildings. Historical stats have been revised to reflect current industrial thresholds.

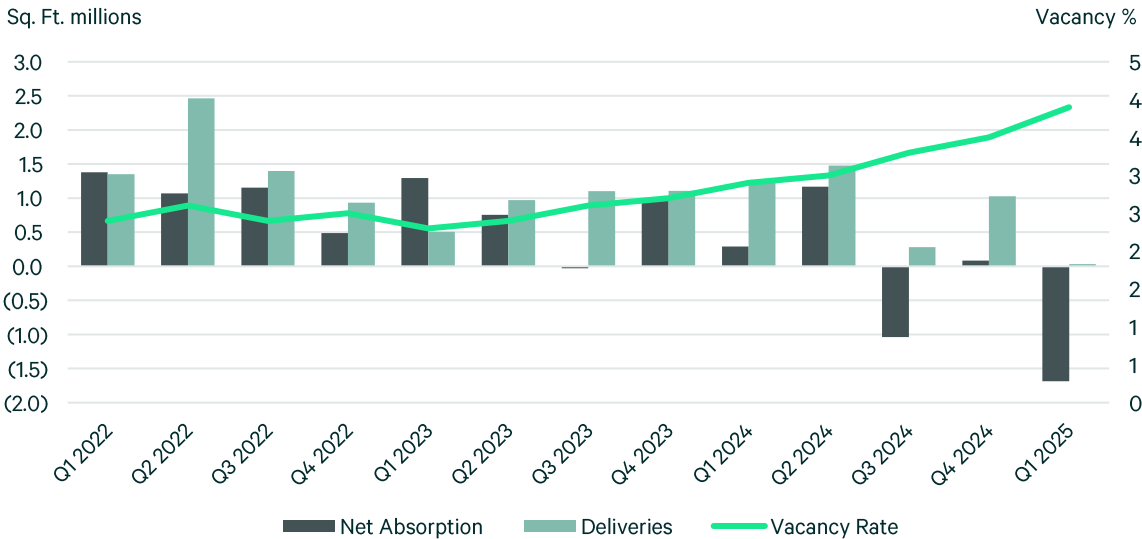


Note: Arrows indicate change from previous quarter.

SUMMARY

- Detroit industrial average asking lease rates held steady, closing the quarter out at \$7.25 per. sq. ft.
- 52119 Grand River Ave. in Wixom was the lone construction delivery which added 30,000 sq. ft. of industrial product to the market. The current industrial construction pipeline now consists 4 buildings totaling 887,341 sq. ft.
- Multiple large-scale tenant move-outs caused significant negative absorption throughout the Detroit industrial market in Q1. Most notably, Kroger vacated over 700,000 sq. ft. at Metro International in New Baltimore.
- Market vacancy rates experienced a slight jump in Q1, closing the quarter at 3.9%. However, Washtenaw (1.7%) and Macomb (2.7%) posted the markets lowest vacancy rates.
- The overall Detroit industrial availability rates witnessed an increase to 5.2% in Q1. Detroit (7.4%) and Southeast Oakland (8.4%) posted the markets highest availability rates while Macomb posted the lowest at 3.4%.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2025

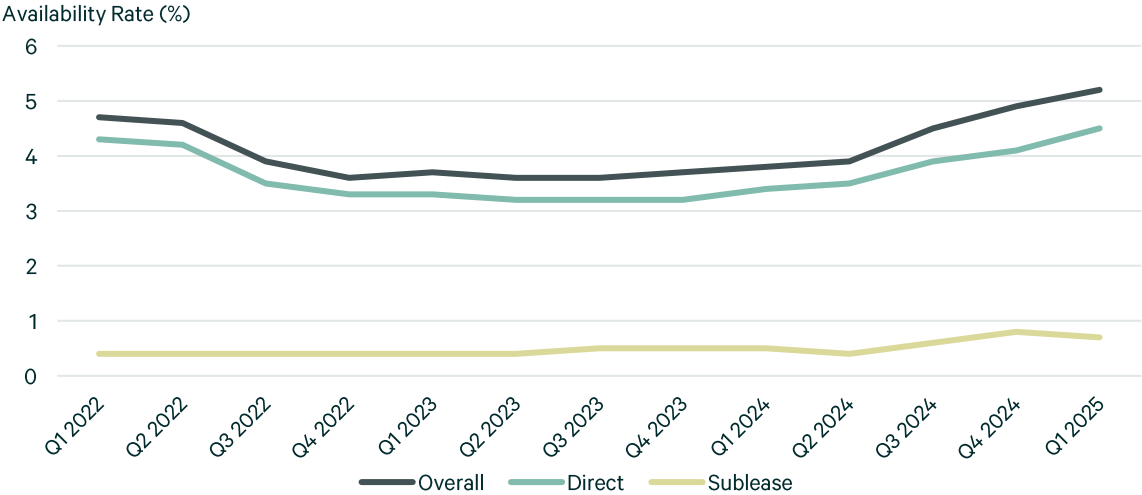
Availability Rate

In Q1 2025, Detroit industrial’s overall availability rate increased slightly to 5.2% from 4.9% in Q4 2024. Western Wayne respectively experienced a notable rise in availability, climbing to 4.2% from 3.3%. Southeast Oakland tallied the markets highest availability rates, closing the quarter at 8.4%. Conversely, Macomb illustrated the markets lowest availability rates at 3.4% as product remains scarce within the Macomb submarket. Available industrial sublease space remains a significant factor with nearly 3 million sq. ft. of available sublease space. The Downriver submarket led the way within the market, posting 867,830 sq. ft. of sublease space available to close out Q1. This quarter-over-quarter comparison highlights significant shifts in availability across various submarkets within the Detroit industrial market.

Asking Rent

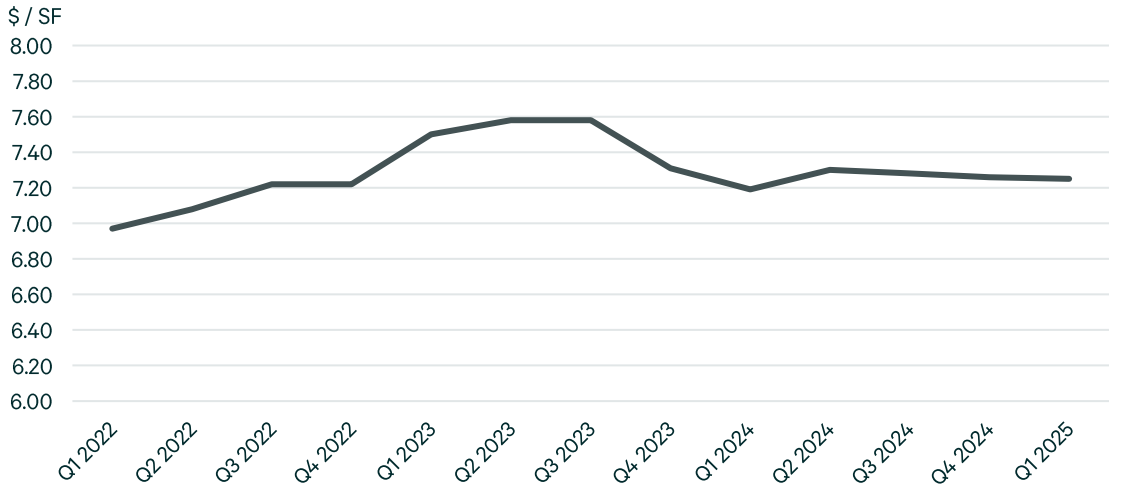
Average asking lease rates for the Detroit industrial market closed at \$7.25 per sq. ft. in Q1, which essentially remained unchanged from the overall markets average asking lease rates posted in Q4 2024. Following its historic trend of demanding the markets highest rates, the Northwest Suburbs closed the quarter with the highest asking lease rates at \$9.16 per sq. ft., remaining a highly-demanded area with premium lease rates. The Detroit submarket posted the lowest asking lease rates in the market at \$6.27 per sq. ft. Quarter-over-quarter, the Southeast Oakland submarket experienced a steady increase in lease rates, rising from \$7.12 to \$7.28 per sq. ft., whereas the Western Wayne submarket saw a decrease from \$7.89 to \$7.34 per sq. ft. which could potentially signal a slowdown in demand.

FIGURE 2: Availability Rates



Source: CBRE Research, Q1 2025

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



Source: CBRE Research, Q1 2025

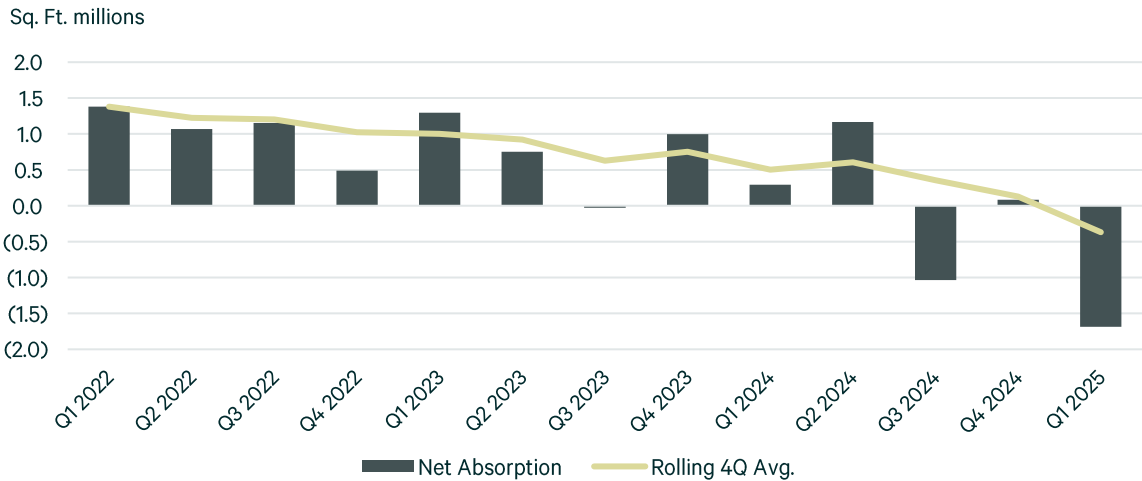
Net Absorption

The Detroit industrial market experienced significant negative net absorption throughout Q1, closing the quarter with negative 1.7 million sq. ft. A stark contrast to the positive absorption of 82,839 sq. ft. in Q4 2024. Overall, the market witnessed numerous major tenant move-outs which aided in this negative market absorption. Noteworthy move-outs included Kroger vacating over 700,000 sq. ft. of space at Metro International in New Baltimore, American Freight vacating over 400,000 sq. ft. at the Sears Warehouse in Livonia and Home Depot vacating over 300,000 sq. ft. at the Northline Industrial Center in Romulus. Albeit modest, Detroit (1,606 SF) and the Northwest Suburbs (75,591 SF) were the only submarkets in Q1 that posted positive net absorption. Active Dynamics occupied roughly 155,000 sq. ft. during Q1 in Novi at 43700 Gen Mar. This occupancy highlighted the Northwest Suburbs Q1 positive absorption. This quarter-over-quarter comparison highlights a substantial decline in occupancy across most submarkets throughout the entire Detroit industrial market.

Construction Activity

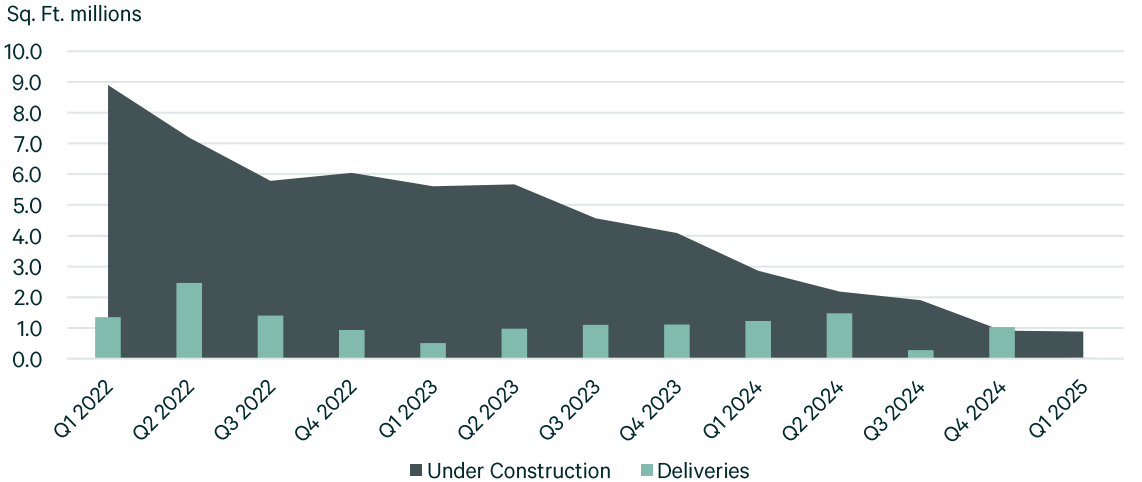
The Detroit industrial construction pipeline is comprised of 4 projects totaling 887,341 sq. ft. The largest ongoing construction project is located at 3777 Lapeer Rd. in Auburn Hills, the former Palace of Auburn Hills site. Upon completion in 2026, this project will bring 715,000 sq. ft. of new industrial product to the market. The I-75 Corridor has 2 other ongoing construction projects located at Metro North Technology Park II (47,728 SF) and 1600 Atlantic Blvd. (53,758 SF), both slated to deliver next quarter. The Macomb submarket consists of 70,855 sq. ft. of construction with 50479 Birch Dr. in Shelby Township expected to deliver later this year. Q1 witnessed only 1 construction delivery (52119 Grand River Ave., Wixom), which successfully added 30,000 sq. ft. of industrial product to the overall Detroit market. These figures indicate a slowdown in both new construction starts and completions compared to the previous quarter.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q1 2025

FIGURE 5: Construction Activity

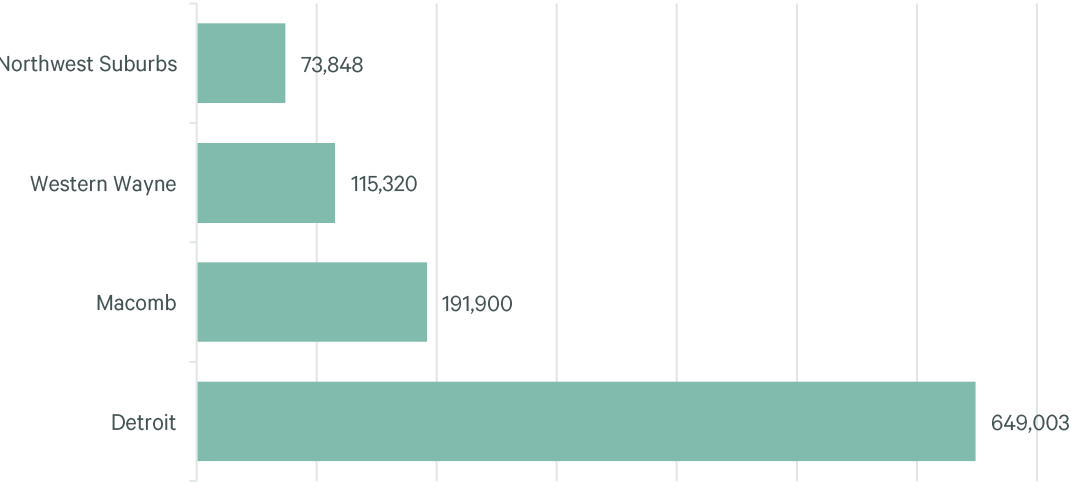


Source: CBRE Research, Q1 2025

Leasing Activity

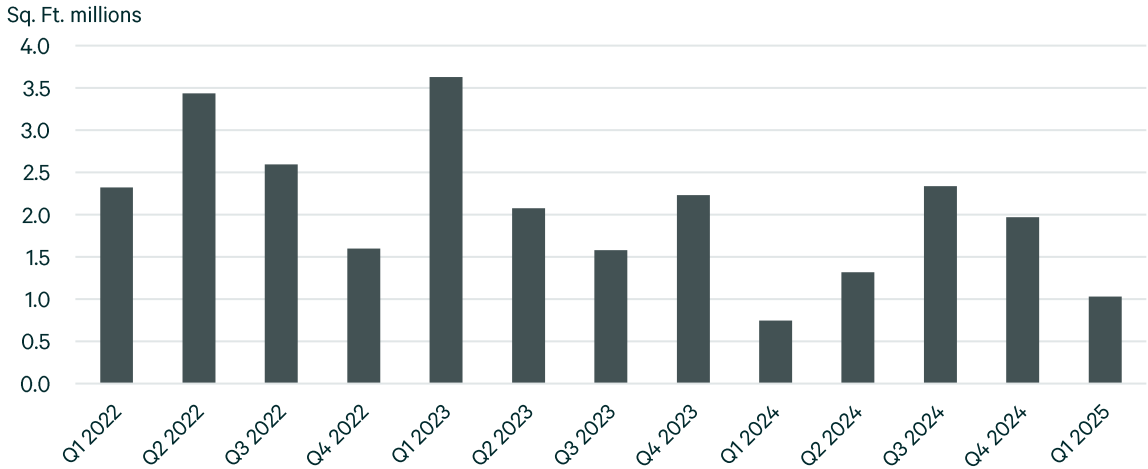
Leasing activity in Q1 2025 saw a significant decline compared to Q4 2024, with a total of roughly 1.7 million sq. ft. of leases signed, down from 2.9 million sq. ft. in the previous quarter. The Detroit submarket led the quarter and experienced upwards of 650,000 sq. ft. of leases signed throughout Q1 The Detroit submarket leasing activity was headlined by Fisher Dynamics leasing 310,753 sq. ft. at 18000 Vernier Rd. and NRTC Alabama securing a 223,250 sq. ft. sublease at 6501 E. Nevada St. Conversely, the submarkets of Southeast Oakland (44,046 SF) and Washtenaw (13,636 SF) recorded the markets lowest leasing volume, respectively. The Western Wayne submarket and the Airport District subsequently remain to be a highly sought out area within the market. In Q1, Western Wayne experienced 21 new leases signed within the submarket, leading the overall Detroit industrial market. This stark contrast highlights the variability in market demand across different submarkets within the Detroit industrial real estate market.

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



Source: CBRE Research, Q1 2025

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



Source: CBRE Research, Q1 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Fisher Dynamics	310,753	New Lease	18000 Vernier Rd	Detroit
NRTC Alabama	223,250	New Lease	6501 E Nevada St	Detroit
Envergia	115,000	New Lease	12601-12701 Southfield Rd	Detroit
UTEC	108,000	New Lease	42600 Merrill Rd	Macomb
Integrity Contents Services	83,900	New Lease	7100 15 Mile Rd	Macomb
Pop Daddy Popcorn	73,848	New Lease	43600 Genmar	Northwest Suburbs
Munch's Supply Co.	58,820	Renewal	32713 Schoolcraft Rd	Western Wayne
Yazaki North America	56,500	New Lease	40500 Van Born Rd	Western Wayne
Matikon America	44,732	New Lease	325 W Silverbell Rd	I-75 Corridor
Super Auto Forge	40,100	New Lease	46930 Liberty Dr	Northwest Suburbs

Source: CBRE Research, Q1 2025

Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	159,291,613	2.3	3.4	3.0	0.4	8.13	(60,796)	(60,796)	30,000	172,341
100,000-199,999 sq. ft.	75,374,793	3.2	4.0	3.7	0.2	7.40	308,995	308,995	0	0
200,000-299,999 sq. ft.	41,967,415	5.9	6.3	5.6	0.7	7.73	(128,364)	(128,364)	0	0
300,000-499,999 sq. ft.	39,391,513	10.3	15.6	14.2	1.4	7.30	(689,720)	(689,720)	0	0
500,000-749,999 sq. ft.	31,024,644	6.4	6.2	5.3	0.9	6.45	(456,798)	(456,798)	0	715,000
750,000 sq. ft.	85,074,453	2.4	4.1	2.9	1.2	4.36	(658,318)	(658,318)	0	0
Total	432,124,431	3.9	5.2	4.5	0.7	7.25	(1,685,001)	(1,685,001)	30,000	887,341

Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	175,457,410	5.4	6.7	5.7	1.0	7.42	(1,175,345)	(1,175,345)	30,000	0
Manufacturing	202,690,656	2.7	4.3	3.7	0.6	6.31	(646,862)	(646,862)	0	887,341
R&D / Flex	43,007,485	2.9	3.8	3.5	0.3	11.82	137,206	137,206	0	0
Other Industrial	10,968,880	4.8	4.8	4.7	0.1	6.01	0	0	0	0
Total	432,124,431	3.9	5.2	4.5	0.7	7.25	(1,685,001)	(1,685,001)	30,000	887,341

Market Statistics by Submarket

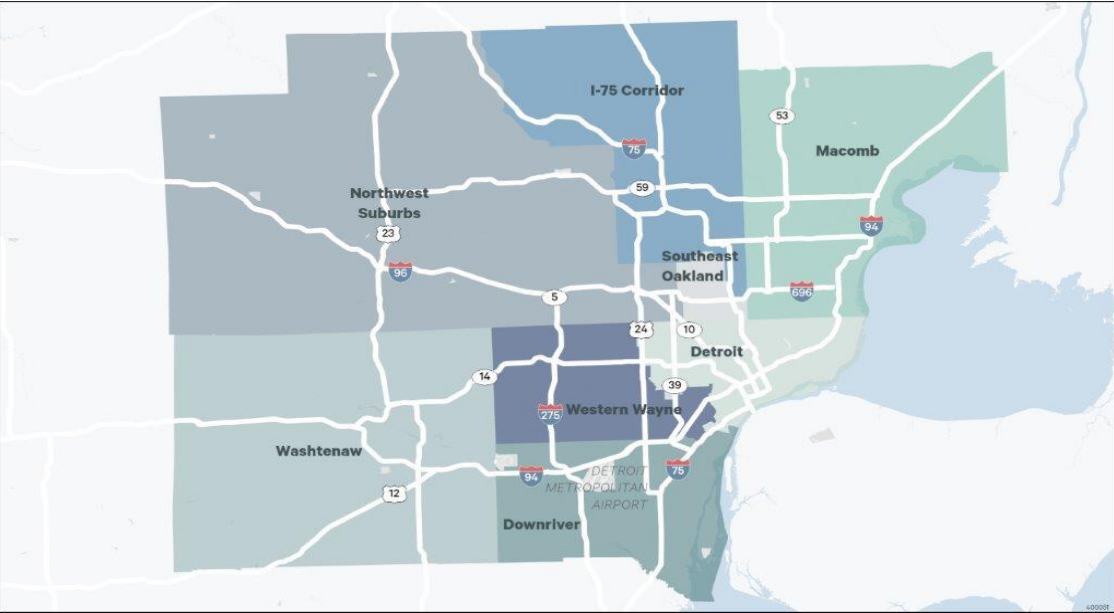
	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Detroit	78,144,495	5.5	7.4	7.2	0.2	6.27	1,606	1,606	0	0
Downriver	66,120,063	3.9	6.2	4.9	1.3	6.52	(274,899)	(274,899)	0	0
I-75 Corridor	64,783,114	3.3	4.2	3.4	0.7	8.61	(74,163)	(74,163)	0	816,486
Macomb	81,051,948	2.7	3.4	3.1	0.3	7.48	(760,216)	(760,216)	0	70,855
Northwest Suburbs	40,433,934	5.1	6.2	4.8	1.4	9.16	75,591	75,591	30,000	0
Southeast Oakland	10,917,300	6.3	8.4	6.5	1.9	7.28	(116,369)	(116,369)	0	0
Washtenaw	19,429,000	1.7	4.5	2.6	1.9	7.02	(70,100)	(70,100)	0	0
Western Wayne	71,244,577	3.3	4.2	4.0	0.1	7.34	(466,451)	(466,451)	0	0
Total	432,124,431	3.9	5.2	4.5	0.7	7.25	(1,685,001)	(1,685,001)	30,000	887,341

Economic Overview

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a 'wait-and-see' approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

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. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all industrial buildings 30,000 sq. ft. and greater in size. Buildings which have begun construction as evidenced by site excavation or foundation work.

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