Availability holds steady while lease rates continue to rise

▲ 1.9%
Vacancy Rate

▶ 2.5%
Availability Rate

▼ 139,051
SF Net Absorption

▲ $7.23
Lease Rate

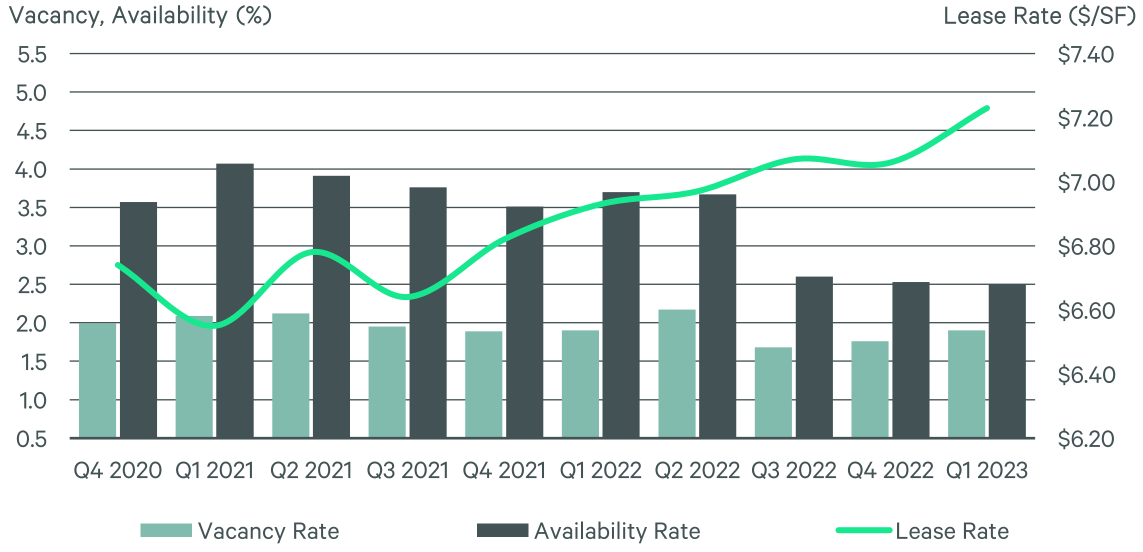
Note: Arrows indicate change from previous quarter.

Market Summary

- The Detroit market recorded positive net absorption of 139,051 square feet in the first quarter.
- The vacancy and availability rates held fairly steady, at 1.9% and 2.5%, respectively.
- Average asking lease rates rose to $7.23, which is a year-over-year increase of 30 basis points (bps).
- There was 508,245 sq. ft. of completions and 5.6 million sq. ft of industrial space under construction. One new project broke ground this quarter.

During Q1 2023, the Detroit industrial market saw positive net absorption of 139,051 square feet. This is the ninth consecutive quarter of positive net absorption. Vacancy and availability rates were consistent quarter-over-quarter. On the other hand, average asking lease rates increased to $7.23 – the highest they have ever been in the Detroit Metro. Leasing activity remains high, with over 2.5 million sq. ft. of leases signed in the first quarter. Over two-thirds of leases signed were new leases.

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



Source: CBRE Research, Q1 2023

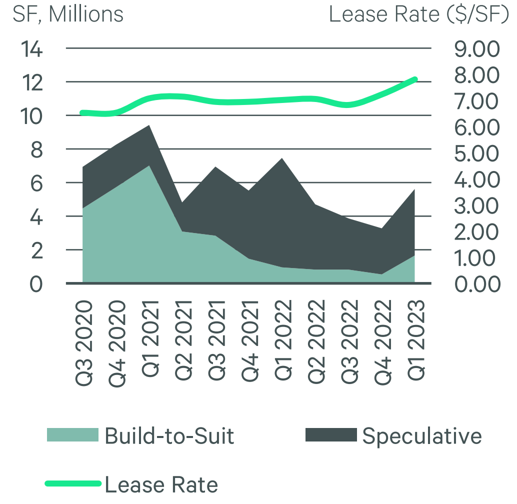
Deliveries and Current Construction

At the end of the first quarter, projects under construction totaled just over 5.6 million square feet. Nearly 50% of these developments are underway in the Downtown Detroit and Downriver submarkets. Build-to-suit projects made up roughly 1.6 million sq. ft. of the total, while speculative construction equaled nearly 4 million sq. ft. Two buildings reached completion this quarter, adding 508,245 sq. ft. to the industrial market. 55285 Lyon Industrial Dr and 12601 Southfield Fwy were both finalized in Q1 2023.

Net Absorption

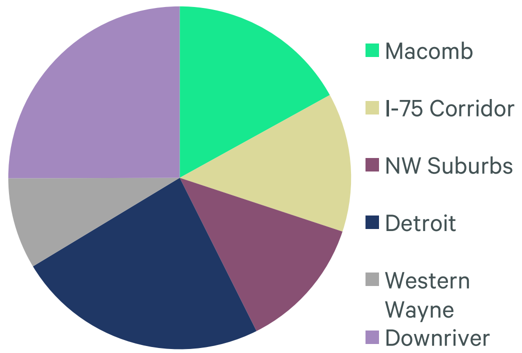
The Detroit industrial market posted net absorption of 139,051 square feet, driven by positive activity in Downtown Detroit and Downriver. These submarkets experienced tenants such as DT Electrical Company, Neutron Holdings and Over-haulers Trucking occupying warehouse space in the first quarter.

FIGURE 2: Construction and Average Asking Lease Rate



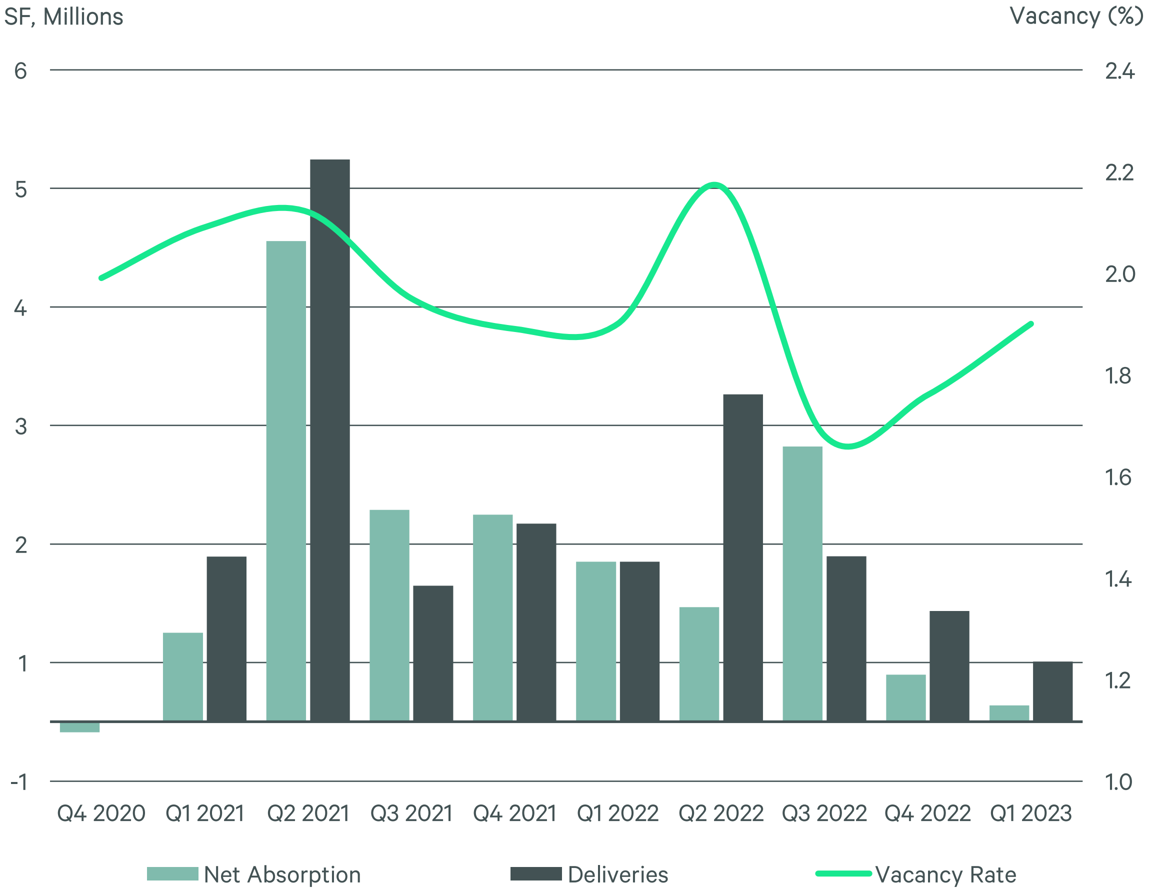
Source: CBRE Research, Q1 2023

FIGURE 3: Current Construction by Submarket



Source: CBRE Research, Q1 2023

FIGURE 4: Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2023

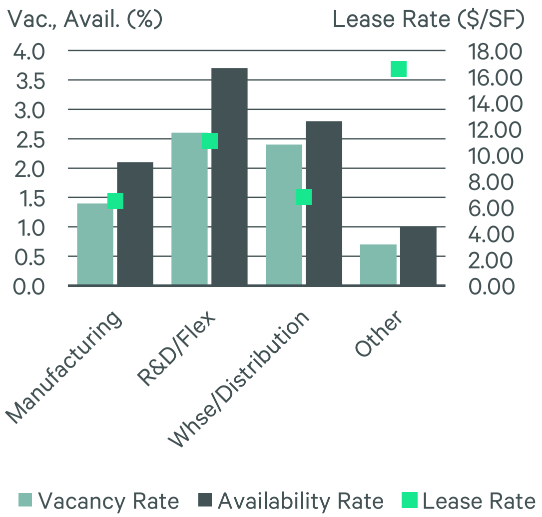
Availability and Vacancy

From Q4 2022 to Q1 2023, vacancy slightly increased to 1.9%, while availability remained at 2.5%. However, both rates are down year-over-year, as vacancy was 2.3% in the first quarter of 2022 and availability was 4.8%. Manufacturing space remains in high demand, keeping vacancy and availability low at 1.4% and 2.1%, respectively. Overall vacancy has trended below 3.0% since 2017.

Lease Rates

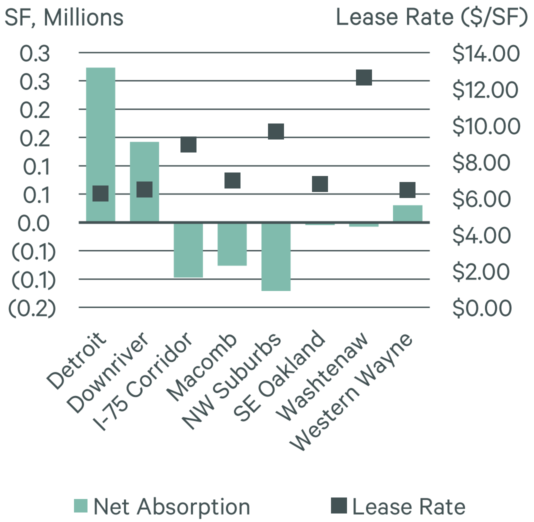
Average asking lease rates rose to $7.23, which is 30 bps higher than the average rate in Q1 2022. R&D/Flex properties continue to demand rates higher than the market average, this quarter at $11.10. The Washtenaw, NW Suburbs and I-75 Corridor submarkets recorded the highest average rates, at $12.63, $9.66 and $8.95, respectively.

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



Source: CBRE Research, Q1 2023

FIGURE 6: Net Absorption and Lease Rate by Submarket



Source: CBRE Research, Q1 2023

FIGURE 7: Detailed Market Statistics by Submarket

Submarket	Total Inventory (SF)	Total Vac. (%)	Total Avail. (%)	Q1 2023 Net Abs. (SF)	2023 YTD Net Abs. (SF)	Under Construction (SF)	Average Asking Lease Rate
Detroit	86,784,134	3.0	3.5	273,593	273,593	1,333,098	6.26
Downriver	70,697,486	1.7	1.7	142,220	142,220	1,405,624	6.47
I-75 Corridor	83,991,842	1.3	2.0	(97,548)	(97,548)	735,000	8.95
Macomb	107,199,381	1.9	2.3	(76,381)	(76,381)	952,992	6.99
NW Suburbs	57,615,678	2.1	2.3	(121,168)	(121,168)	703,294	9.66
SE Oakland	16,806,468	2.9	3.2	(4,475)	(4,475)	-	6.78
Washtenaw	24,340,146	0.7	2.3	(7,485)	(7,485)	-	12.63
Western Wayne	89,773,481	1.6	2.8	30,295	30,295	482,593	6.45
TOTAL	**537,311,916**	**1.9**	**2.5**	**139,051**	**139,051**	**5,612,601**	**7.23**

Source: CBRE Research, Q1 2023

FIGURE 8: Vacancy by Development Type and Size

Development Type	Total Inventory (SF)	0-50k Vacant (SF)	0-50k Vacancy (%)	50-100k Vacant (SF)	50-100k Vacancy (%)	100k +Vacant (SF)	100k + Vacancy (%)	Total Vacancy (%)
Manufacturing	257,082,052	377,145	0.1	367,963	0.1	2,920,331	1.1	1.4
R&D/Flex	52,568,360	443,296	0.8	346,326	0.7	570,100	1.1	2.6
Warehouse/Distribution	207,078,129	384,478	0.2	700,796	0.3	3,873,285	1.9	2.4
Other	20,475,075	10,500	0.1	23,217	0.1	108,800	0.5	0.7
TOTAL	**537,203,616**	**1,215,419**	**0.2**	**1,438,302**	**0.3**	**7,472,516**	**1.4**	**1.9**

Source: CBRE Research, Q1 2023

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	1,333,098	-	1,333,098	426,500	-	426,500
Downriver	942,784	462,840	1,405,624	-	-	-
I-75 Corridor	-	735,000	735,000	-	-	-
Macomb	502,992	450,000	952,992	-	-	-
NW Suburbs	703,294	-	703,294	81,745	-	81,745
SE Oakland	-	-	-	-	-	-
Washtenaw	-	-	-	-	-	-
Western Wayne	482,593	-	482,593	-	-	-
TOTAL	**3,964,761**	**1,647,840**	**5,612,601**	**508,245**	**-**	**508,245**

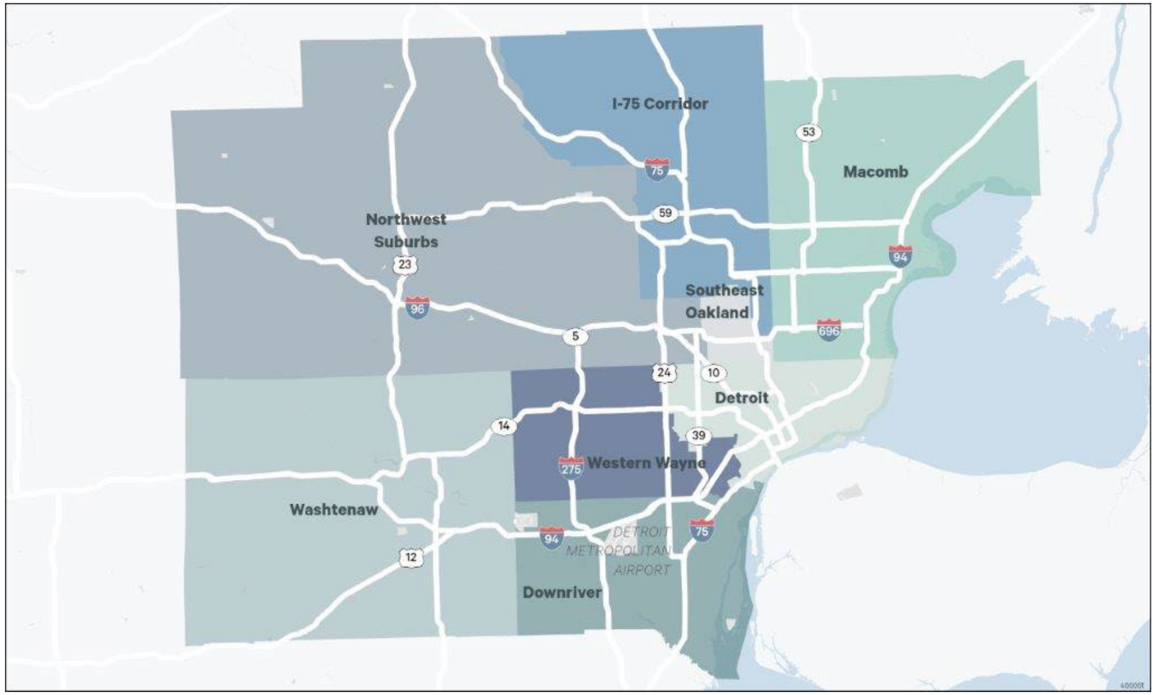
Source: CBRE Research, Q1 2023

FIGURE 10: Key Transactions

Transaction Type	Tenant/Buyer	Location	Transaction Size (SF)	Industry
New Lease	Metro International Trade Services	13901 Joy Rd, Detroit	455,500	General Warehousing
New Lease	Gannett Co.	6200 Metro Pkwy, Sterling Heights	388,723	Specialized Freight Trucking
New Lease	James Group	10353 Assembly Park Dr, Wixom	307,912	Logistics
New Lease	Samsung SDS America	6500 E 14 Mile Rd, Warren	274,000	Technology
New Lease	DTE Electric Co.	9650 Mount Elliott Ave, Detroit	142,108	Electric Power

Source: CBRE Research, Q1 2023

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.

Contact

Hannah Williams
Senior Field Research Analyst
+1 614 430 5080
hannah.williams@cbre.com

Steve Hagen
Research Data Analyst
+1 216 363 6404
steve.hagen@cbre.com

Paul Van Devender
Managing Director
+1 248 351 2030
paul.vandevender@cbre.com