

FIGURES | DETROIT INDUSTRIAL | Q2 2025

Market vacancy drops in Q2 amidst a decrease in new construction deliveries

▼3.6%

Vacancy Rate

▲741,429

SF Net Absorption

▼0

SF Construction Delivered

▲1.7M

SF Under Construction

▲\$7.89

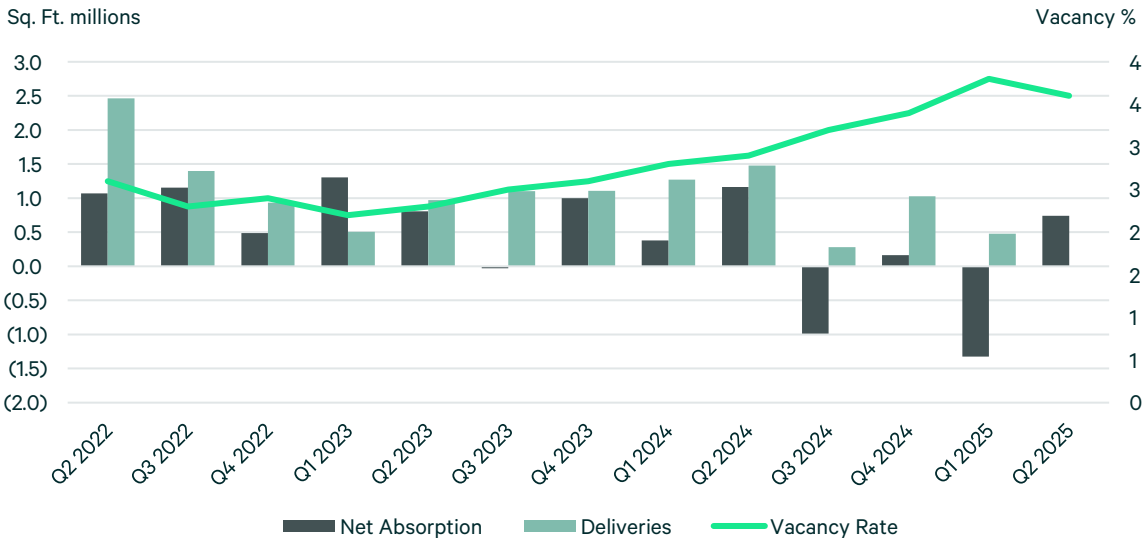
NNN/YR Lease Rate

Note: Arrows indicate change from previous quarter.

SUMMARY

- In the Detroit market, there was 741k sq. ft. of positive net absorption in Q2, bringing the market total to (583k) sq. ft. in H1 2025. Large buildings over 500k sq. ft. and Distribution/Logistics product in the Macomb and Downriver submarkets led market absorption this quarter.
- The construction pipeline improved in Q2, with two speculative starts for an additional 1.7M sq. ft. of new developments underway. Delivery volume in H1 2025 decreased by 83% year-over-year with 1.3M sq. ft. anticipated for delivery by year-end.
- The market vacancy rate was 3.6%, down from its peak of 3.8% in the previous quarter. The largest year-over-year decreases in vacancy were observed in modern buildings as occupancy at new construction outpaces the total volume of new deliveries.
- Asking rates spiked upwards in Q2, ending the quarter at \$7.89. This represents an 11% rate growth in the past three years.
- Leasing activity slowed with 1.6M sq. ft. transacted in Q2, a 4.6% decrease year-over-year. Large leases (over 100k sq. ft.) represented 26% of the total volume and leasing on new construction contributed 17% of leasing activity this quarter.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2025

Net Absorption

There was 741k sq. ft. of positive net absorption for the Detroit industrial market in the second quarter. This represented an increase of 155% from the previous quarter and decrease of 36% year-over-year. In H1 2025, the market’s total absorption was (583k) sq. ft.

Three product categories drove positive net absorption in Q2: Large buildings (over 500k sq. ft.) led the market, absorbing over 1M sq. ft. this quarter. Distribution/Logistics product absorbed 965k sq. ft. in Q2. The Macomb and Downriver submarkets contributed a combined 1.1M sq. ft. of positive absorption, with Macomb accounting for 642k sq. ft. and Downriver at 446k sq. ft.

In contrast, the Manufacturing product type experienced (224k) sq. ft. of net absorption this quarter. Likewise, the Detroit submarket posted a net negative (406k) sq. ft. absorbed in Q2 owing to some larger tenant downsizing and business closures in Q2.

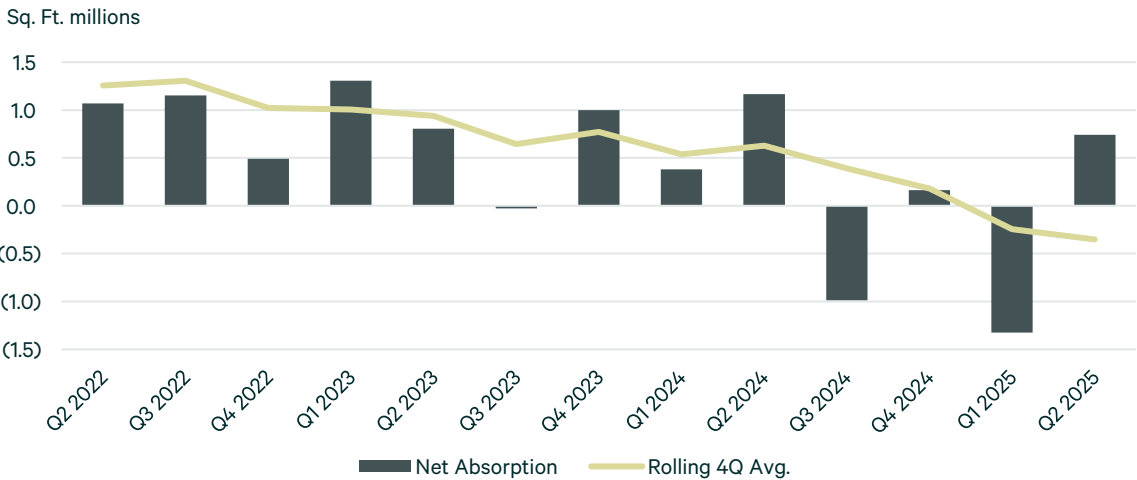
Construction Activity

There was 1.7M sq. ft. of construction developments underway in Q2, an increase of 29% from the previous quarter. Build to suit (BTS) projects represented 65% of developments underway. There were six speculative projects under construction this quarter with a prelease rate of 9%.

Of projects underway, two buildings totaling 390k sq. ft. were started this quarter. Speculative starts in Q2 included the fifth building in the Romulus Trade Center industrial park for an additional 350k of available sq. ft. and 51865 Danview Technology Ct in Shelby Township for another 40k sq. ft. on the market.

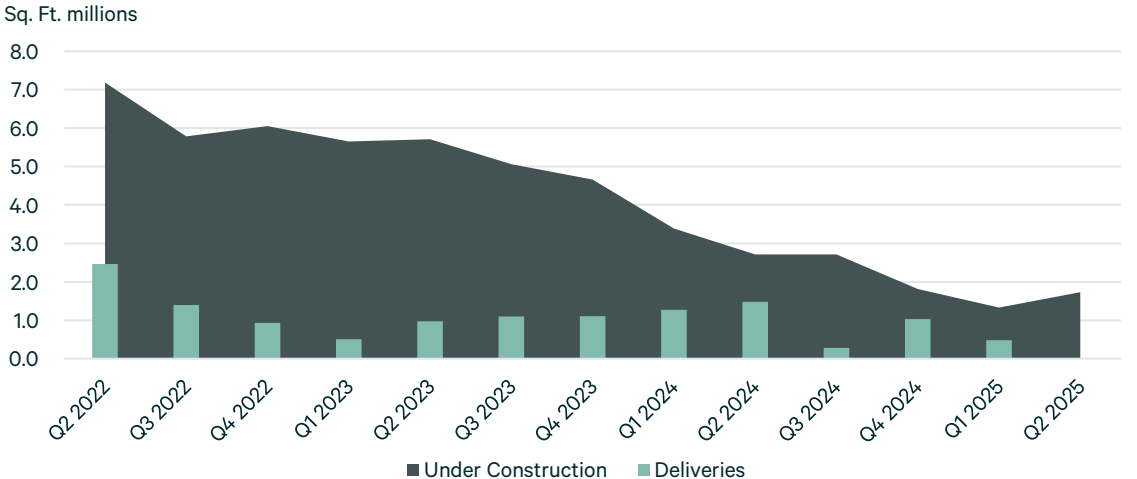
In 2025, there has been 480k sq. ft. of new construction delivered, a decline of 83% in delivery volume compared to H1 2024. Year-to-date deliveries have included a new facility for Gestamp in Chesterfield and a speculative project at 52119 Grand River Ave in Wixom, now fully occupied. By year end, the market is anticipating another 1.3M sq. ft. in new construction deliveries.

FIGURE 2: Net Absorption Trend



Source: CBRE Research, Q2 2025

FIGURE 3: Construction Activity



Source: CBRE Research, Q2 2025

Availability & Vacancy Rates

Detroit industrial reported a vacancy rate of 3.6% in Q2, a 20 bps decrease from its peak at 3.8% the previous quarter and 50 bps increase from the previous year. This drop in vacancy comes after eight consecutive quarters of increase. The Detroit submarket had the highest vacancy rate in Q2 at 5.7%, in contrast to Washtenaw, with a vacancy rate of 1.7%.

Buildings constructed between 2020 and 2022 saw a significant decrease in vacancy, dropping 180 basis points to 2.7% in Q2. Similarly, buildings built since 2023 experienced a substantial decline, decreasing by 2,000 basis points to 18.8% in Q2 as occupancy as new construction outpaces the total volume of new deliveries. In contrast, buildings built prior to 2000 saw an increase in vacancy, rising 130 basis points to 3.7% in Q2.

The overall market availability rate decreased slightly in Q2 to 5.1%, still 70 basis points above the previous year. Sublease availability has declined for two consecutive quarters, reaching a rate of 0.68% in Q2.

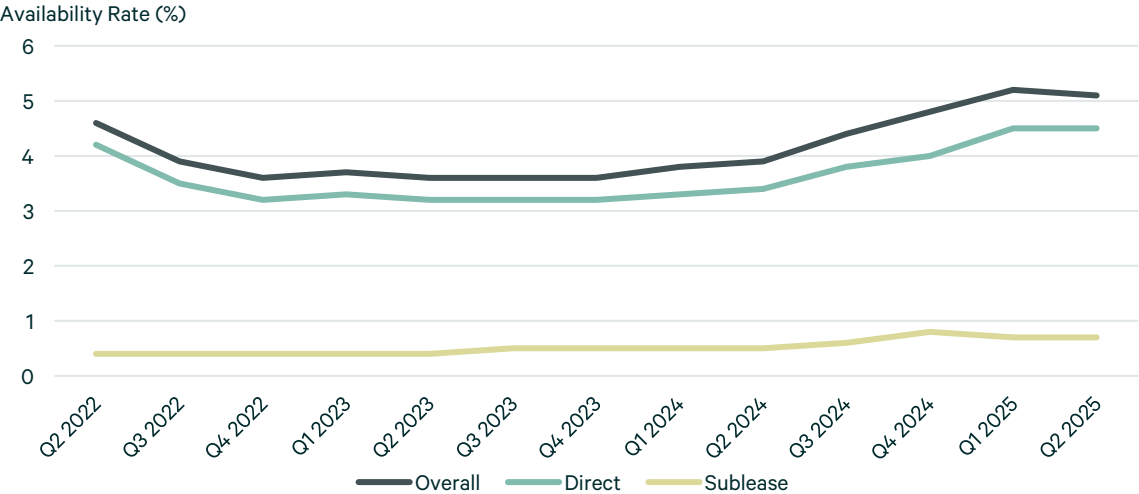
Asking Rent

Strong demand for industrial space drove an increase in asking rates this quarter. The market experienced an 8% year-over-year increase in average asking rates, reaching \$7.89. This marks an 11% growth over the past three years.

By product type, Distribution/Logistics product had an average asking rate of \$7.16 an increase of 1.6% from the previous year. Manufacturing product had an average rate of \$8.08, and R&D/Flex product had an average rate of \$11.18 in Q2.

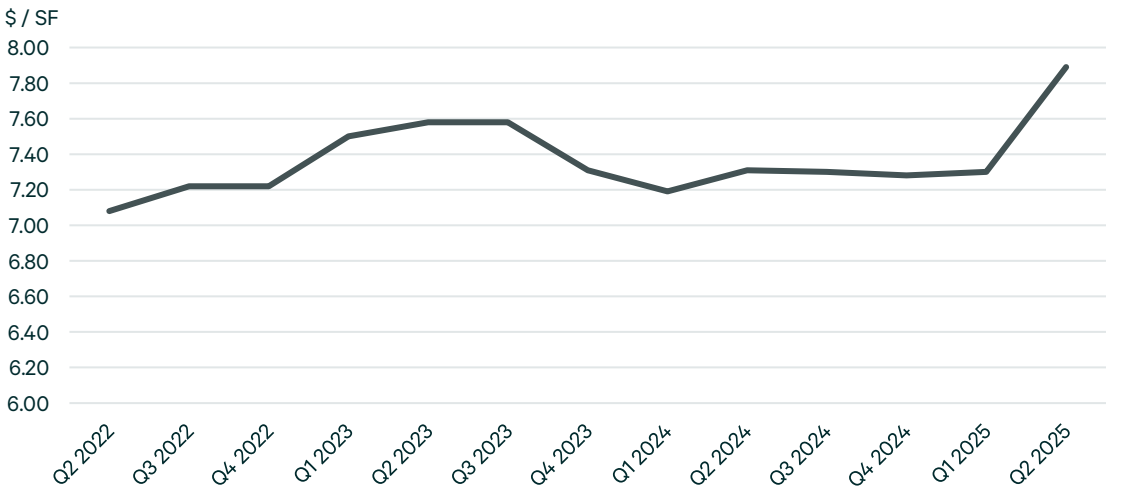
The Northwest Suburbs submarket maintained the highest asking rents averaging \$9.85 in Q2, a nearly 5% increase from the previous year. Detroit and Macomb submarkets posted the highest year-over-year gains in asking rents averaging and \$8.44 and \$7.82 respectively. Two submarkets experienced negative rent growth in Q2 compared to the previous year with Western Wayne averaging \$7.37 and Washtenaw at \$7.13.

FIGURE 4: Availability Rates



Source: CBRE Research, Q2 2025

FIGURE 5: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q2 2025

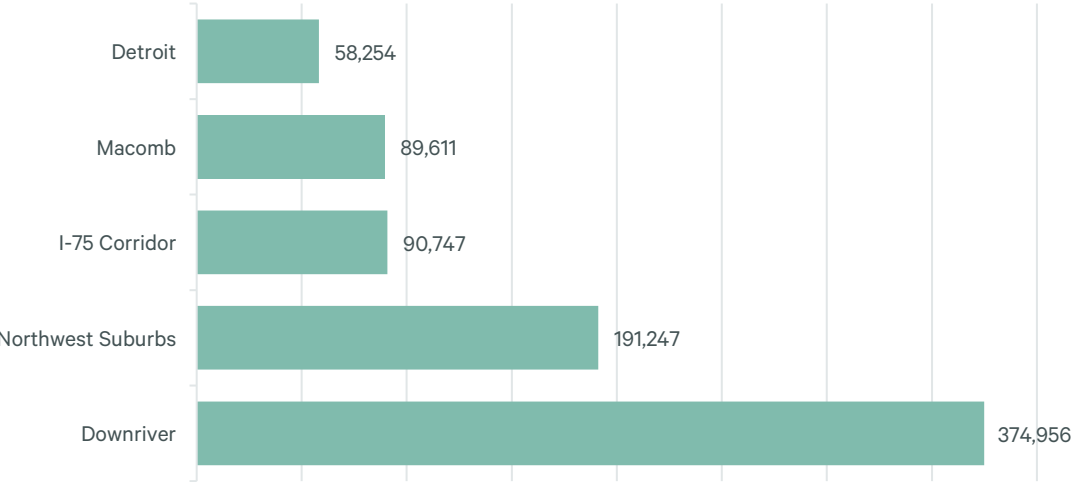
Leasing Activity

In Q2, there was 1.6M sq. ft. of total leasing activity completed, inclusive of all sizes. This represents a modest decline of 41% from the previous quarter and a 4.7% decrease year-over-year. New leases accounted for a substantial majority of activity, making up 90% of the total lease volume this quarter.

Of Q2 lease transactions, 45% of transaction volume was from leases smaller than 50,000 sq. ft. Leasing volume on transactions greater than 50,000 sq. ft. accounted for 923k sq. ft. in Q2, a decrease of 30% from the previous year. There were three lease transactions greater than 100,000 sq. ft. completed in Q2 contributing 26% of the total volume this quarter.

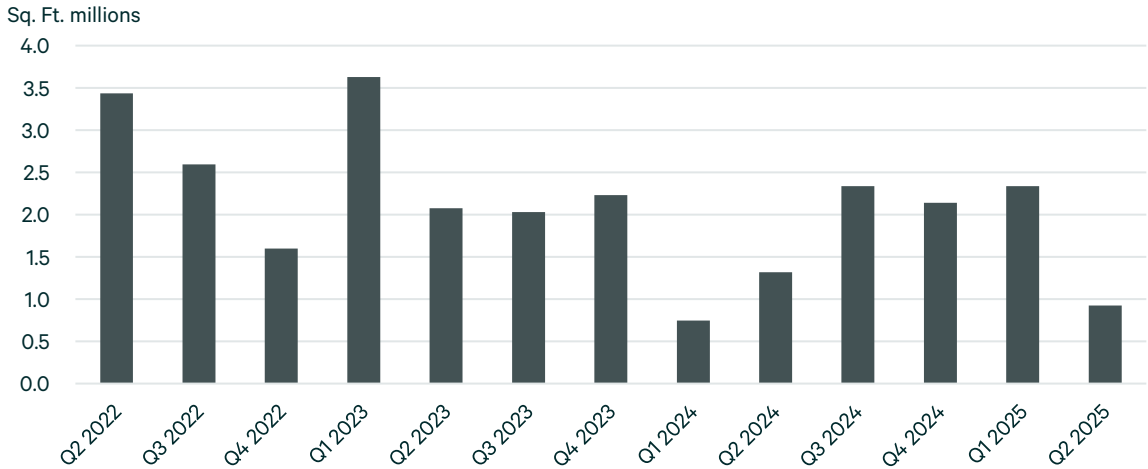
17% of the quarter’s total leasing volume was on buildings built since 2020. Of the top deals in Q2, Costco’s lease into Romulus Corporate Park and a new lease for KSI at Airport Corporate Center represent the largest transactions completed on new construction, both in the Downriver submarket.

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



Source: CBRE Research, Q2 2025

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



Source: CBRE Research, Q2 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Korex	191,247	New Lease	43155-43157 W 9 Mile Rd	Northwest Suburbs
Costco	122,250	New Lease	32252 Smith Rd	Downriver
KSI	100,456	New Lease	33100 Smith Rd	Downriver
ND Defense	90,747	Renewal	1675 E Whitcomb Ave	I-75 Corridor
Conti Electric	89,611	New Lease	6701 Center Dr	Macomb
Tenterra	84,000	New Lease	34800 Goddard Rd	Downriver
Avis Budget Car Rental	68,250	New Lease	10725 Harrison Rd	Downriver
Veho Tech	58,254	New Lease	13000 Oakland Pkwy	Detroit

Source: CBRE Research, Q2 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.	155,131,487	2.4	3.6	3.2	0.4	8.14	(92,893)	(242,943)	0	417,574
100,000-199,999 sq. ft.	80,179,125	3.0	4.5	3.9	0.6	7.19	78,370	387,365	0	0
200,000-299,999 sq. ft.	41,967,415	5.7	6.2	5.2	1.0	7.39	(125,170)	(253,534)	0	248,250
300,000-499,999 sq. ft.	39,841,513	10.3	14.8	13.6	1.2	7.22	(125,208)	(364,928)	0	349,492
500,000-749,999 sq. ft.	31,024,644	3.8	3.8	3.5	0.3	5.55	815,185	358,387	0	715,000
750,000 sq. ft.	85,074,453	2.2	3.9	2.9	1.0	13.67	191,145	(467,173)	0	0
Total	433,218,637	3.6	5.1	4.5	0.7	7.89	741,429	(582,826)	0	1,730,316

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	175,630,298	4.8	6.3	5.5	0.8	7.19	958,403	(216,942)	0	757,116
Manufacturing	203,227,947	2.7	4.3	3.7	0.6	8.08	(224,086)	(395,948)	0	889,822
R&D / Flex	43,391,512	3.1	4.3	3.7	0.6	11.18	7,112	30,064	0	83,378
Other Industrial	10,968,880	4.8	4.8	4.7	0.1	5.81	0	0	0	0
Total	433,218,637	3.6	5.1	4.5	0.7	7.89	741,429	(582,826)	0	1,730,316

Market Statistics by Class

	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
Class A	16,056,135	9.6	11.1	8.0	3.2	7.56	384,677	919,806	0	0
All Other Buildings	417,162,502	3.4	4.9	4.3	0.6	7.92	356,752	(1,502,632)	0	1,730,316
Total	433,218,637	3.6	5.1	4.5	0.7	7.89	741,429	(582,826)	0	1,730,316

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	78,181,535	5.7	8.3	8.0	0.3	8.44	(406,056)	(404,450)	0	0
Downriver	66,120,063	3.1	5.0	4.1	0.9	5.81	446,249	171,350	0	349,492
I-75 Corridor	64,795,168	3.4	4.4	3.7	0.7	8.2	(76,556)	(150,719)	0	816,486
Macomb	81,729,640	1.9	2.8	2.3	0.5	7.82	642,245	357,029	0	443,813
Northwest Suburbs	40,552,934	5.1	5.9	4.6	1.3	9.85	55,978	17,315	0	0
Southeast Oakland	10,917,300	4.7	7.7	6.8	0.8	7.21	175,143	58,774	0	0
Washtenaw	19,595,465	1.7	4.4	2.6	1.8	7.13	2,891	(67,209)	0	0
Western Wayne	71,326,532	3.5	4.4	4.1	0.3	7.37	(98,465)	(564,916)	0	120,525
Total	433,218,637	3.6	5.1	4.5	0.7	7.89	741,429	(582,826)	0	1,730,316

National Economic Overview

Policy announcements and the news cycle—not economic fundamentals—are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a more steady economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

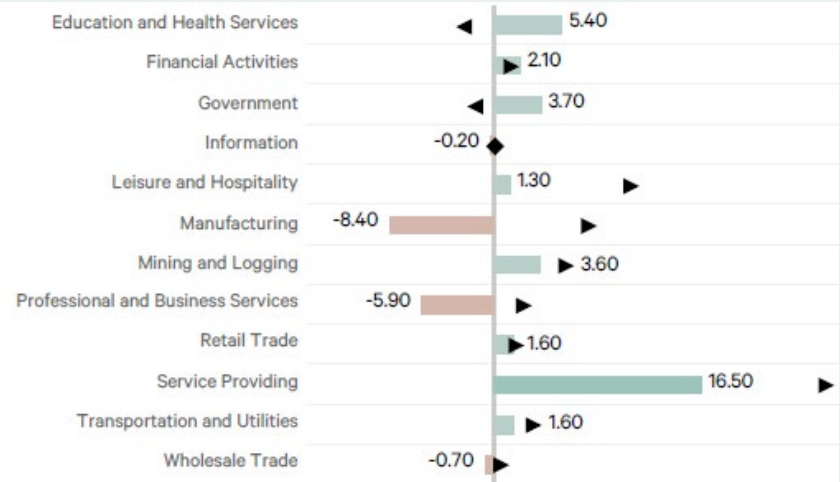
Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.



Detroit Employment Update

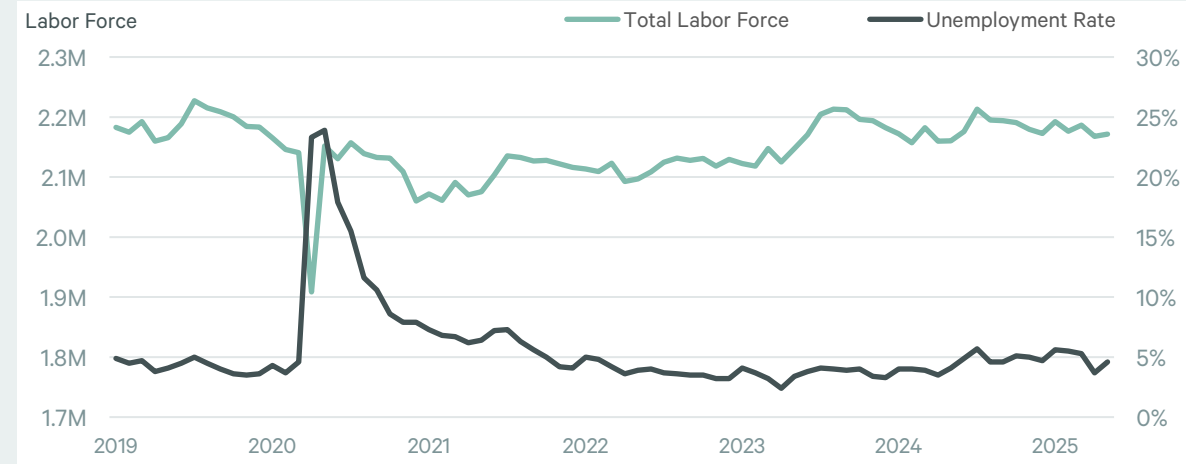
- 4.6% Unemployment Rate
- 2.2M Labor Force
- 541.7k Office Using Jobs
- 634.7k Industrial Using Jobs
- 285.3k Retail Using Jobs

Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



Note: Arrows indicate month-over-month change. Source: US BLS, May 2025

Detroit Unemployment Rate and Labor Force Trends



Source: US BLS, May 2025

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

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. Building inventories will be evaluated quarterly to ensure they remain the most comprehensive and accurate representation of each market.

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