

Detroit

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Market fundamentals rather resilient to start 2024, but growing signs of a pullback materialize

The Detroit industrial market exhibited some signals of a slowdown in early 2024, as vacancy rates crept higher while asking rates remained below levels observed throughout most of 2023. Net absorption slipped for the third straight quarter, falling below the market's long-term average. Furthermore, available subleases have risen for five consecutive quarters, and at 2.3 million square feet (msf) are at their highest level in more than a decade. Still, vacancy across the Detroit market remained below the national average and has increased just 50 basis points (bps) from recent lows. In the wake of uncertain occupier demand and the current lending environment, developers have cut back on new spec builds, with construction activity falling to its lowest level since 2019. This recalibration had the impact of curtailing the supply of new construction delivering vacant. Meanwhile, the region witnessed unemployment inch higher, increasing to 4.8% at the end of February. The unemployment measure tracked at a comparatively healthy level but notably above the 3.9% average for the country.

Asking rents fall from earlier highs as occupier demand ebbs

The Detroit market's asking rents increased slightly to start the year, as options remained limited while demand, as measured by net absorption, appeared to weaken. Face rents increased 2.3% from the fourth quarter to \$6.68 per square foot (psf) but were 3.3% below levels observed a year ago. Near term asking rents are likely to hold steady as landlords evaluate occupier demand and the regional market's trajectory in the quarters to come.

Waning EV demand among consumers prompts pullback

EV investments by automakers were recently predicted to bolster the market via new vehicle assembly plants and facilities for battery production and other components. However, the Big Three have reconsidered many of these planned investments as consumer demand growth has slowed. In a positive industry development, Automotive supplier Gestamp this quarter announced a 460,000 sf build-to-suit lease in Chesterfield Township that will supply parts to GM's Orion assembly plant.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	488.0 msf	499.8 msf	+11.8 msf
Vacancy Rate	4.1%	4.3%	+20 bps
Asking Rental Rate	\$6.91	\$6.68	-3.3%
Net Absorption	0.6 msf	0.2 msf	-0.4 msf
Under Construction	7.2 msf	4.4 msf	-2.8 msf
Deliveries	1.5 msf	1.5 msf	0 msf

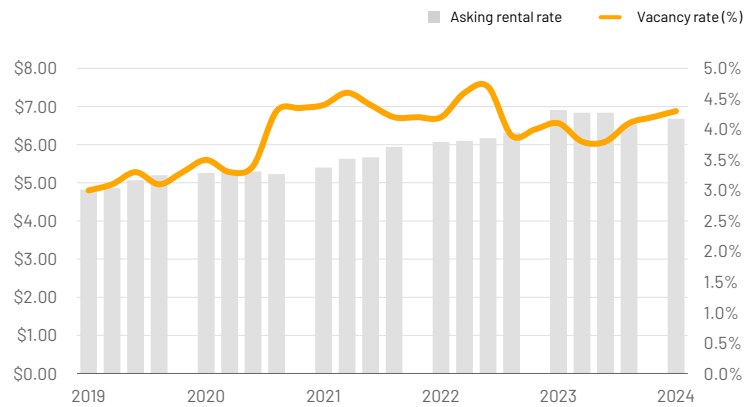
Outlook

01 Vacancy, still observed to be comparatively tight across the market, may gradually rise in the near term as occupier demand slows and remaining batches of new spec product eventually deliver

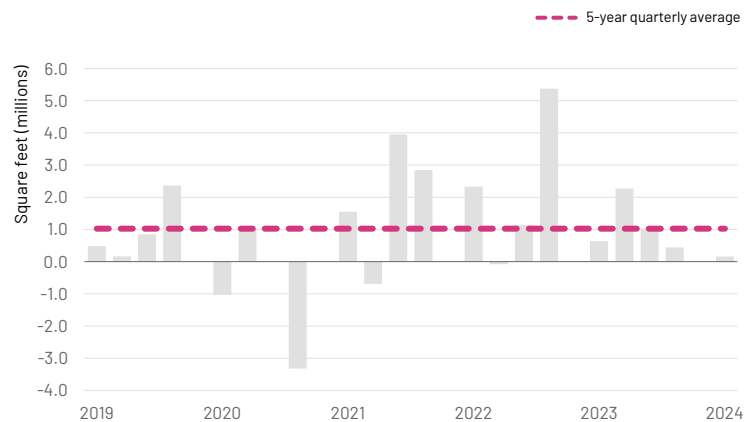
02 Spec construction is likely to come to a grinding halt in 2024, while several ongoing and planned build-to-suit projects will sustain current construction levels in the quarters to come

03 Big Three automakers' pullback of EV investments will have a trickle-down impact on the decision making of suppliers, ultimately diminishing the industry's influence on real estate market dynamics for now

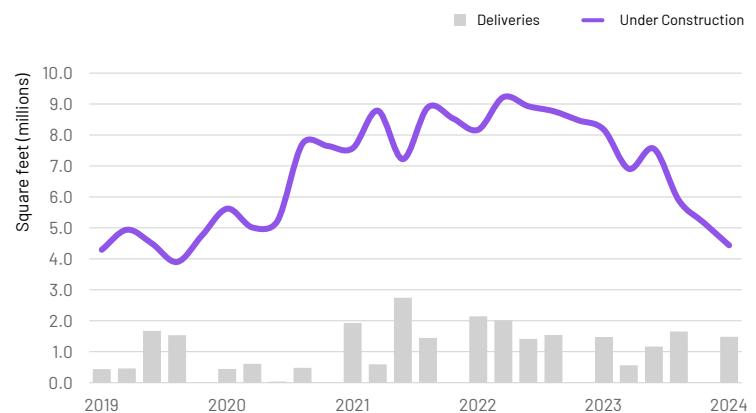
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Outlook

Top Leases

Source: Savills Research

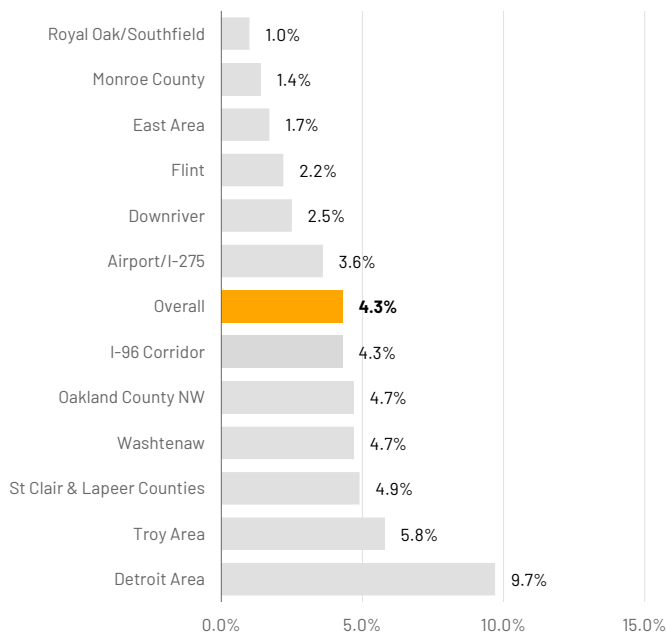
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Gestamp	460,000	East Area	52153 Sierra Drive	New Lease	Automotive
Ventcon	125,000	Airport / I-275	12350 Sears Drive	New Lease	Industrial Machinery & Supplies
Dealer Tire	64,000	Airport / I-275	8500 Haggerty Road	Renewal	Automotive
Progressive Group	59,000	Detroit Area	13751 Hamilton Avenue	New Lease	Consumer Goods
Skyway Precision	42,000	Airport / I-275	13100-13250 N Haggerty Road	New Lease	Manufacturing

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
1788 Holdings	74,000	Oakland County NW	55 E Silverdome Industrial Park	\$8.4M / \$113	IWH Capital
Base Hit Equities	277,000	Downriver	1578-1732 Howard Street	\$7.9M / \$28	Raymond Vigneau
Timmer Group	279,000	I-96 Corridor	799 Ladd Road	\$7.2M / \$26	American Plastic Toys
Quantum Fuel Systems	34,000	I-96 Corridor	49250 West Road	\$6.7M / \$195	Hillside Investments
MAX MOTHES	82,000	East Area	34800 Bennett Drive	\$6.5M / \$79	NorthStar / Brennan Investment Group

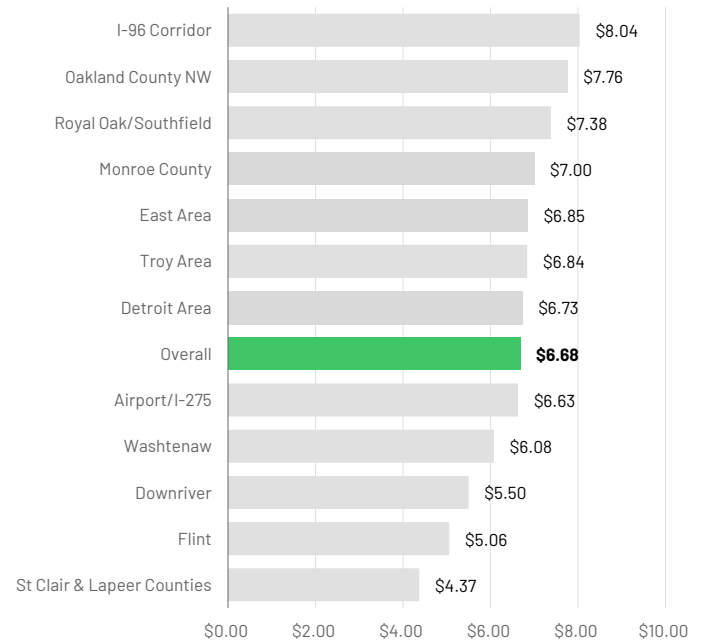
Vacancy Rate Comparison (%)

DETROIT SUBMARKETS



Rental Rate Comparison (\$/sf)*

DETROIT SUBMARKETS



*based on all classes of available inventory

Detroit Q1 2024 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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