MARKET IN MINUTES
Savills Research

Q3 2022 - Industrial

Detroit

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Demand holds strong across Metro Detroit despite growing prospects of economic slowdown

Asking rents across the Detroit industrial market reached record heights in the third quarter, the seventh consecutive quarter in which rates increased. Averaging $6.17 per square foot (psf) this period, asking rents have risen 8.8% year over year and are up 16% since the start of the pandemic. New development, which has been plentiful over the past two years, has had a significant impact on rental rate growth. Despite more than 5.5 million square feet (msf) of new product delivered across Southeast Michigan this year, vacancy is relatively steady. While options exist across the region for both large and small users seeking space, Metro Detroit remains a competitive market. Tenants and purchasers are typically competing against one another for the best-quality spaces, especially in the most in-demand submarkets.

Leasing and trading activity remains active

While several external factors threatened to alter the dynamics of the Detroit industrial market, including a softening economy and austerity measures across the business community, there has been no sign yet of waning demand for space among lessors and investors. Sealy & Co. remained an active investor in the market, having again completed the largest sale transaction this period. The firm acquired a new 714,000-square-foot Class A distribution center at 2100 S. Opdyke Rd., which General Motors also leased this quarter. Meanwhile, Rite Aid executed a sale-leaseback of its 412,000-square-foot property at 5400 Perry Dr. in Waterford, divesting to a venture between Friedman Real Estate and Taconic Capital Advisors.

Construction hums as developers bullish on sustained demand

New development continued to flourish in the third quarter, with another 1.4 msf delivering and nearly 9 msf of construction ongoing in the third quarter. While most new developments are well situated near major arteries, they are widely spread across the metro area, spanning numerous submarkets. Among the most significant projects, NorthPoint Development's Romulus Trade Center kicked off this quarter. Located near Detroit Metropolitan Wayne County Airport, the development will exceed 2 msf upon completion in 2023.

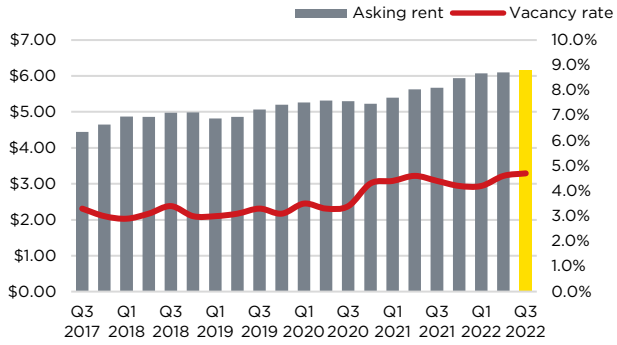
Outlook

- Michigan's experience in automotive manufacturing will continue to sustain the regional industrial market, and the state appears well positioned for a transition to EV production, as evidenced by winning bids to build two battery manufacturing plants in the state
- While economic uncertainty may slow their growth, asking rents are likely to continue to track upward until demand shows indications of weakening
- Fiduciarily minded occupiers will continue to find value in the Metro Detroit industrial market, which stands in contrast to coastal markets where rents often exceed $20 psf

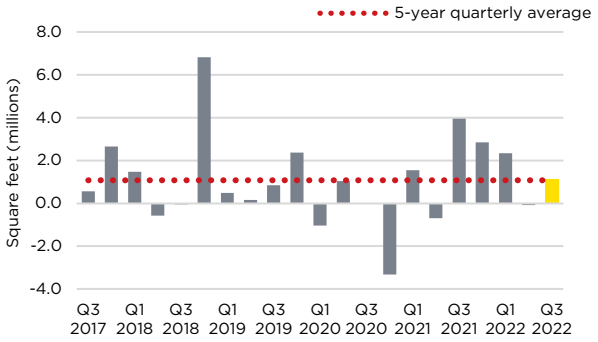
KEY STATISTICS

	Q3 2021	Q3 2022	y-o-y Change
Inventory	464.8 MSF	484.1 MSF	▲
Vacancy Rate	4.4%	4.7%	▲
Quarterly Net Absorption	4.0 MSF	1.1 MSF	▼
Under Construction	7.2 MSF	8.9 MSF	▲
Deliveries	2.7 MSF	1.4 MSF	▼
Asking Rental Rate	$5.67	$6.17	▲

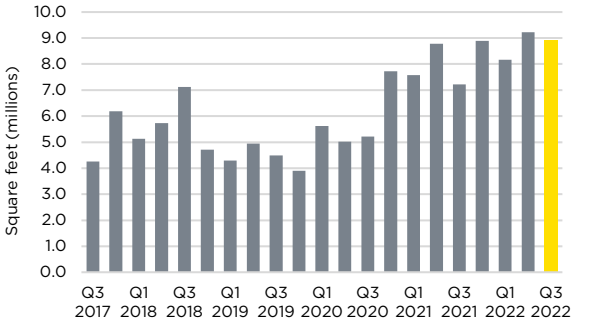
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



BY THE NUMBERS

8.9M
square feet under construction, a near-record high

8.8%
asking rent growth over the past 12 months

< 1.0%
Monroe County, Flint and St. Clair/Lapeer Counties all boast sub-1% vacancy rates

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
General Motors	714,000	2100 S Opdyke Road	New	Oakland County NW	Sealy & Co
Rite Aid Corporation	412,000	5400 Perry Drive	Leaseback	Oakland County NW	Friedman Real Estate / Taconic Capital Advisors
Piston Group	376,000	6505 Cogswell Road	Renewal	Airport/I-275	DRA Advisors / Wildamere Capital Management
Dana Thermal Products	346,000	3600 Giddings Road	New	Oakland County NW	Wheelock Street Capital / Foundation Capital Partners
HIROTEC America	218,000	1750 Summit Drive	New	Oakland County NW	Eyde Company

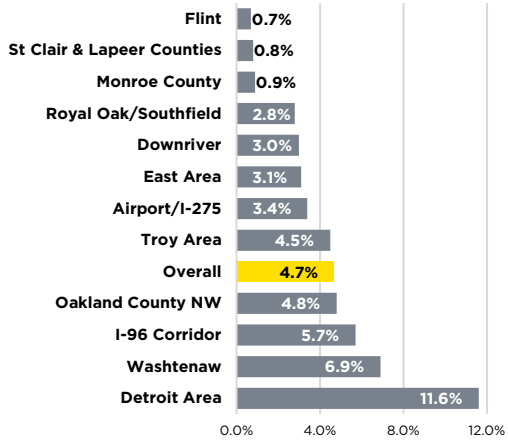
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Sealy & Co	714,000	2100 S Opdyke Road	n/a	Oakland County NW	Flint Development
Friedman Real Estate / Taconic Capital Partners	412,000	5400 Perry Drive	$7,065,000	Oakland County NW	Rite Aid Corporation
NFS Leasing	342,000	3000 Miller Road	n/a	Downriver	U.S. Steel
Alexander Property Holdings	320,000	12499 Evergreen Avenue	n/a	Detroit Area	AIC Ventures
400 Monroe Associates	261,000	5981 W Warren Avenue	n/a	Detroit Area	Reyes Holdings

Source: Savills Research

VACANCY RATE COMPARISON

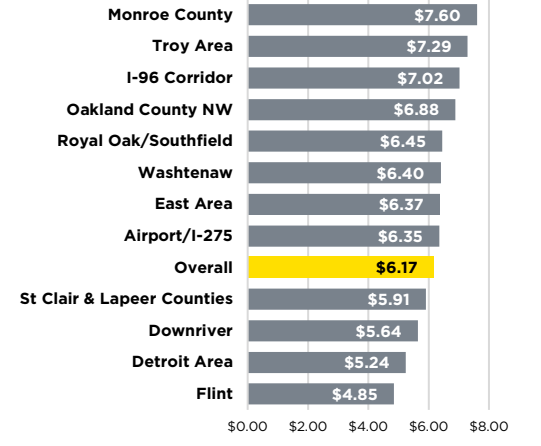
Detroit Industrial Submarkets



RENTAL RATE COMPARISON ($/SF)*

Detroit Industrial Submarkets

Class A Pricing Guidance: $7.00 - $8.00 PSF



*Based on all classes of available inventory

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 vacancy 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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