

Detroit



Market's fundamentals resilient despite impacts of pandemic as Detroit industrial rental rates nudge up, vacancy remains comparatively tight.



Anders Klein
Regional Research Director,
Midwest and Central
+1 312 595 2932
aklein@savills.us

The ongoing impact from COVID-19, including the stringent restrictions that have hamstrung Michigan businesses, have created an environment of considerable uncertainty across all real estate asset classes in Metro Detroit. However, the region's industrial market has exhibited notable resilience, as evidenced by its robust market fundamentals. Occupiers have remained active in Detroit as market dynamics have shifted and demand for distribution space and labor has only increased.

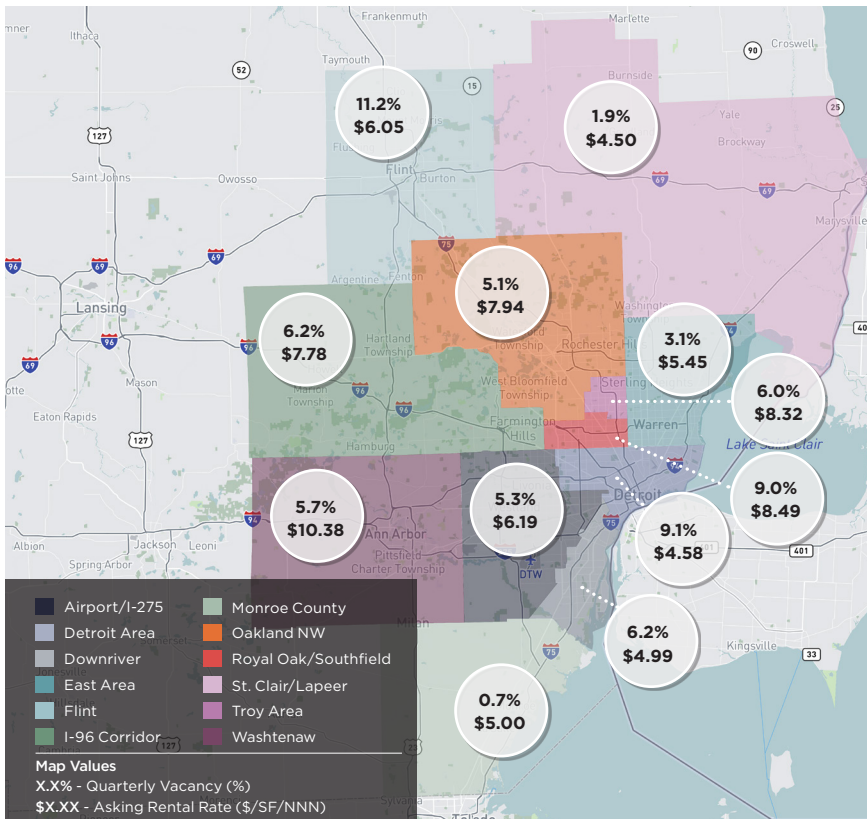
Overall asking rents in the Detroit market rose sharply this period, to \$6.27 per square foot (psf) triple net, an increase of 3.5% over the previous quarter. Rents were also up 2.8% year over year. Vacancy rates inched up 20 basis points (bps) from the first quarter to 6.0% and rose 40 bps from the same period last year. The region's construction pipeline remained active, with 6.5 million square feet under construction in the third quarter, its highest level in two years. While leasing from e-commerce and healthcare businesses has buttressed overall market fundamentals, other industrial occupiers are soon

KEY STATISTICS

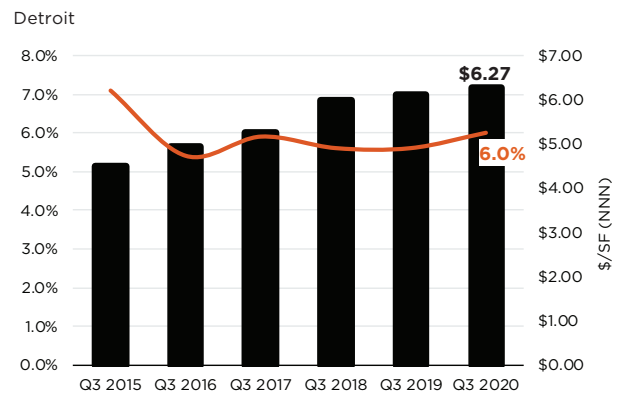
	Q3 2019	Q3 2020	y-o-y Change
Inventory	286,713,269	287,021,930	▲
Vacancy Rate	5.6%	6.0%	▲
Net Absorption	994,431	(603,662)	▼
Under Construction	3,921,385	6,516,719	▲
Asking Rental Rates	\$6.10	\$6.27	▲

expected to survey current and future requirements, providing a clearer picture of the direction of industrial asset pricing.

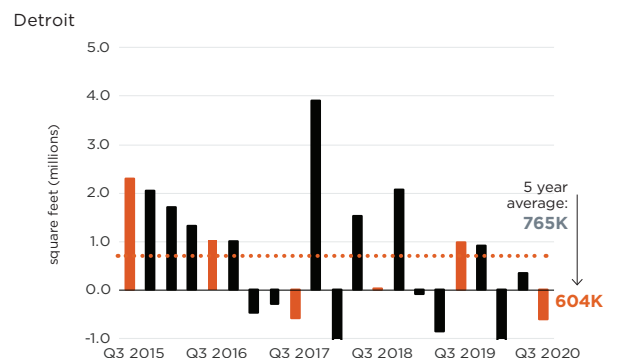
Third-quarter transaction volume was down approximately 20% from the last quarter. In the largest transaction of the quarter, Hawthorne Garden Company leased 255,000 square feet (sf) at 36663 Van Bord Road, Romulus. The company is a division of Scotts Miracle-Gro. Also this period, Paragon Model & Tool leased the former 102,000-sf Comcast property at 49800 Martin Drive., Wixom. Meanwhile, Bedrock closed on its acquisition of the former Sakthi campus located west of downtown. At a combined 620,000 sf, it was the largest industrial property traded in the second quarter.



VACANCY AND ASKING RENT TRENDS



NET ABSORPTION



“Detroit’s industrial market held strong throughout the third quarter. We still see strong demand for quality buildings, and we expect this trend to continue.”

- Pete McGrath, Associate Director

SUBMARKET OVERVIEW

50,000 SF and up (owner occupied excluded)

Submarket	Existing Inventory		Vacancy			Q3 2020 Net Absorption (SF)	Q3 2020 Deliveries (SF)	Under Construction (SF)	Overall Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
Airport/I-275	659	71,895,234	3,547,902	3,834,853	5.3%	(634,210)	165,920	2,881,823	\$6.19
Detroit Area	386	52,029,286	4,750,932	4,750,932	9.1%	(218,965)	0	674,000	\$4.58
Downriver	98	14,056,085	866,555	866,555	6.2%	(274,314)	0	0	\$4.99
East Area	530	43,150,789	1,193,052	1,322,073	3.1%	(383,639)	180,506	581,804	\$5.45
Flint	91	10,470,937	1,087,992	1,175,992	11.2%	(370,404)	0	0	\$6.05
I-96 Corridor	397	25,131,649	1,448,370	1,560,747	6.2%	55,443	343,990	125,683	\$7.78
Monroe County	51	9,092,564	66,330	66,330	0.7%	63,750	0	0	\$5.00
Oakland County NW	311	22,458,566	1,054,149	1,152,553	5.1%	498,054	188,774	342,237	\$7.94
Royal Oak/Southfield	103	6,888,018	584,689	617,644	9.0%	58,327	0	911,172	\$8.49
St Clair & Lapeer Counties	99	7,078,369	136,551	136,551	1.9%	(136,551)	0	0	\$4.50
Troy Area	199	11,042,411	478,914	665,273	6.0%	(137,524)	0	0	\$8.32
Washtenaw	147	13,728,022	1,048,019	1,138,224	5.7%	(393,860)	0	0	\$10.38

MAJOR TRANSACTIONS

Sales

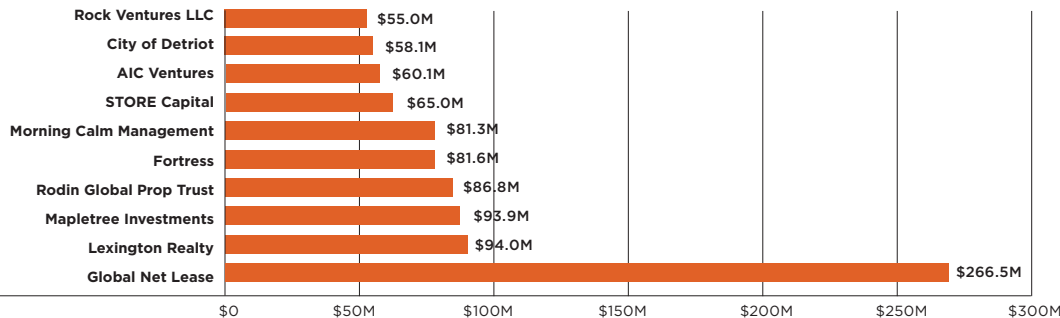
Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
Bedrock Real Estate Services	Sakthi Automotive Group USA	Sep-20	West Fort Street	620,000	Varies	37.40	\$38,500,000	Detroit Area
Apex Group	Friedman Real Estate	Sep-20	Troy Technology Park portfolio	426,000	Varies	31.43	n/a	Troy Area
AIC Ventures	GNS America	Sep-20	7261 Commerce Boulevard	116,000	1998	5.95	n/a	Airport/I-275
RFT Group LLC	Schaller Group	Aug-20	41150 Technology Park Drive	75,000	2002	5.03	\$1,700,000	East Area
H3 Mechanical LLC	AMETEK	Sep-20	1080 Crooks Road	57,000	1972	3.56	\$2,800,000	Troy Area

Leases

Tenant	Square Feet	Address	City	Submarket	Landlord
Hawthorne Gardening Co	255,000	36663 Van Born Road	Romulus	Airport/I-275	Ashley Capital
Paragon Model & Tool	102,000	49800 Martin Drive	Wixom	I-96 Corridor	Brian McGraw
Jasco International	102,000	7075 Dort Highway	Grand Blanc	Flint	Triyar Companies
Shcalo Group	81,000	43155-43159 W 9 Mile Road	Novi	I-96 Corridor	Morning Calm Management
ProPride Industries	59,000	10350 N Holly Road	Holly	Flint	Huang Family

TOP BUYERS

Past 3 Years



Source Savills Research

Market Highlights



Vacancy Steady

Year-Over-Year Change: **0.4%**
Q3 2019: **5.6%** | Today: **6.0%**



Asking Rent Growth

Year-Over-Year Change: **2.8%**
Q3 2019: **\$6.10** | Q3 2020: **\$6.27**



Under Construction

Year-Over-Year Change: **66.2%**
Q3 2019: **3.9 MSF**
Q3 2020: **6.5 MSF**

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