

Detroit



Detroit industrial market dynamics remain resilient in wake of pandemic; 2021 outlook for sector is solid in comparison to other real estate asset types



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Michigan's economy remained challenged overall at the close of 2020, with the state's 7.5% unemployment rate hovering well above the 6.7% national average. While the workforces of service industries were decimated by the pandemic, job losses in auto manufacturing and construction were largely recovered by the end of the year, helping to sustain Detroit's regional economy. As some real estate sectors recently began to exhibit some fundamental weaknesses, the region's industrial market has shown resilience throughout the pandemic, even with incremental softening observed this quarter.

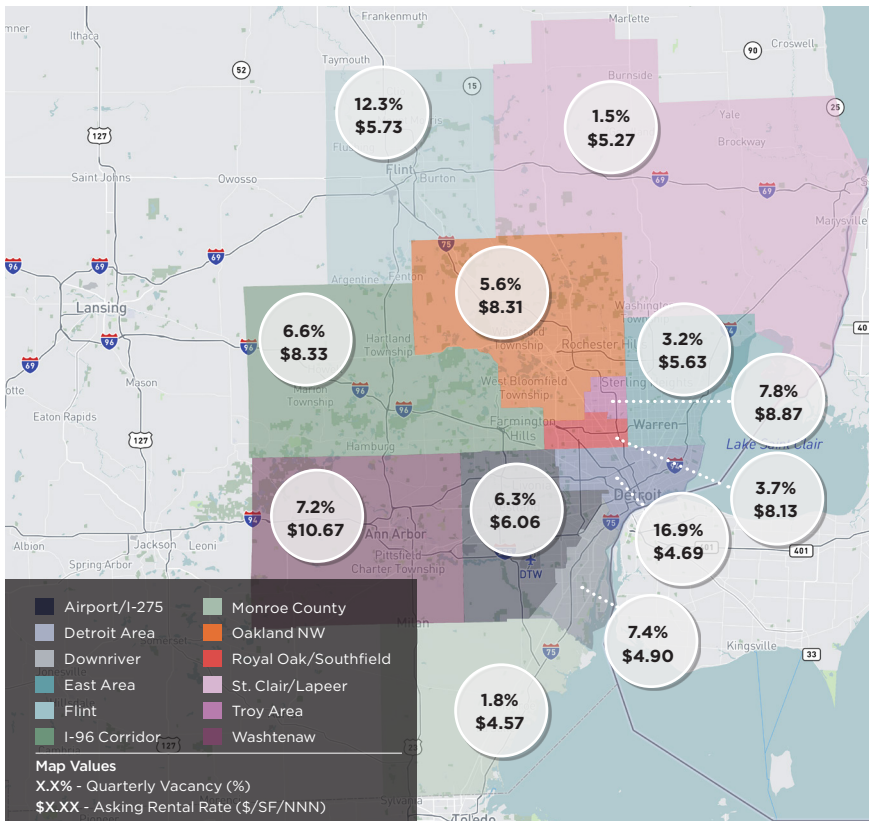
Overall asking rents dipped this period, to \$6.21 per square foot (psf) triple net, a decrease of 0.8% from the previous quarter. However, rents have risen 2.6% year over year. Vacancy rates inched up 20 basis points (bps) from the first quarter to 6.0% and rose 40 bps from the same period

KEY STATISTICS

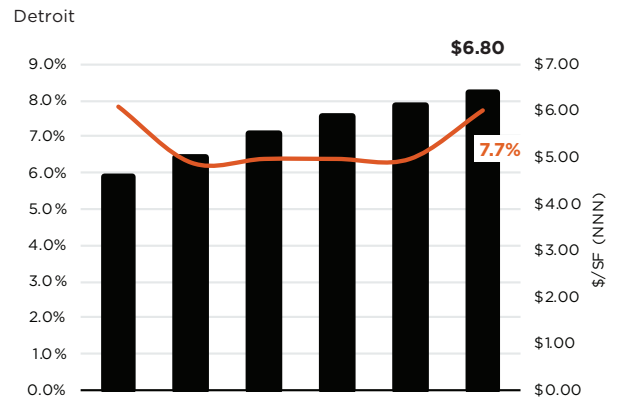
	Q4 2019	Q4 2020	y-o-y Change
Inventory	289,680,874	290,400,126	▲
Vacancy Rate	6.4%	7.7%	▲
Net Absorption	881,182	(1,310,658)	▼
Under Construction	3,709,676	8,629,529	▲
Asking Rental Rates	\$6.12	\$6.40	▲

last year. The region's construction pipeline remained robust, with 6.5 million square feet under construction in the fourth quarter. As consumers became increasingly reliant on digital transactions, e-commerce and third-party logistics companies were among the most active firms taking space in 2020.

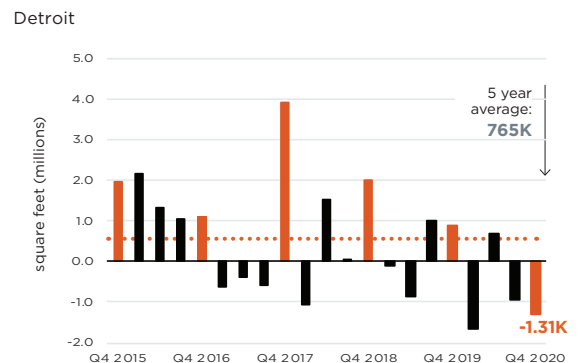
This period's transaction volume was down approximately 21% from the third quarter. In the largest transaction of the quarter, Amazon committed to more than 150,000 square feet (sf) at 1400 E. 10 Mile Road, Hazel Park. Meanwhile, Friedman Real Estate sold the 430,000-sf Troy Technology Park, the largest industrial property traded in the second quarter.



VACANCY AND ASKING RENT TRENDS



NET ABSORPTION



“Detroit’s resilient industrial market was a pleasant surprise given the adversity of 2020. We’re looking forward to positive momentum for 2021.”

- Pete McGrath, Associate Director

SUBMARKET OVERVIEW

50,000 SF and up (owner occupied excluded)

Submarket	Existing Inventory		Vacancy			Q4 2020 Net Absorption (SF)	Q4 2020 Deliveries (SF)	Under Construction (SF)	Overall Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
Airport/I-275	663	72,564,168	4,309,496	4,591,247	6.3%	(1,390,604)	250570	3,441,331	\$6.06
Detroit Area	391	53,067,599	8,961,316	8,961,316	16.9%	(1,227,049)	0	724,000	\$4.69
Downriver	99	14,686,518	1,090,209	1,090,209	7.4%	(497,968)	0	250,000	\$4.90
East Area	533	43,610,682	1,236,581	1,395,602	3.2%	157,813	576016	164,856	\$5.63
Flint	92	10,515,288	1,205,725	1,293,725	12.3%	(498,137)	0	47500	\$5.73
I-96 Corridor	397	25,299,400	1,597,953	1,666,830	6.6%	81,966	427,426	230,000	\$8.33
Monroe County	51	9,136,843	161,100	161,100	1.8%	65,040	0	1,000,000	\$4.57
Oakland County NW	310	22,364,737	1,148,064	1,246,468	5.6%	404,139	188,774	1,727,670	\$8.31
Royal Oak/Southfield	103	6,888,018	223,010	255,965	3.7%	420,006	0	911,172	\$8.13
St Clair & Lapeer Counties	98	6,997,189	102,600	102,600	1.5%	(102,600)	0	0	\$5.27
Troy Area	200	1,179,486	695,081	874,317	7.8%	(348,491)	0	0	\$8.87
Washtenaw	148	14,090,198	935,928	1,021,185	7.2%	(276,821)	0	133,000	\$10.67

MAJOR TRANSACTIONS

Sales

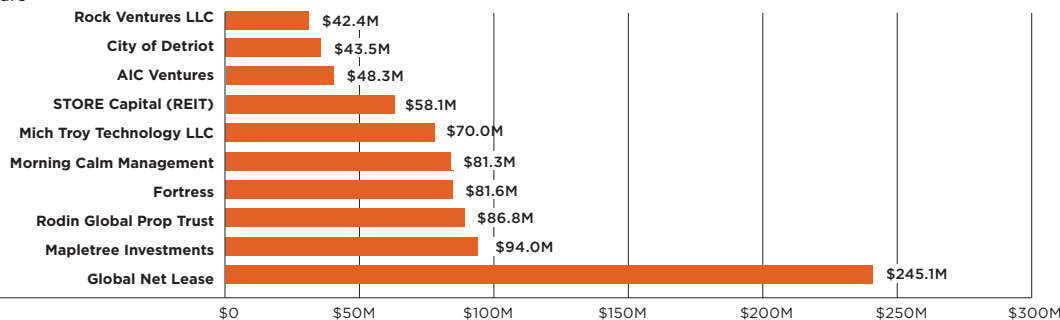
Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
Mich Troy Technology	Friedman Real Estate	Oct 2020	Technology Drive/Ring Road	427,000	1986	31.43	\$70,000,000	Troy Area
Issam Koussan	DJK Dearborn LLC	Dec 2020	8747 Brandt Street	297,000	1924	8.00	\$3,450,000	Airport/I-275
Reich Brothers	Vericast Corp	Nov 2020	35955 Schoolcraft Road	205,000	1972	9.24	\$38,000,000	Airport/I-275
RDB Giddings Road LLC	George P. Johnson Co.	Dec 2020	3600 Giddings Road	130,000	1996	41.75	\$30,500,000	Oakland
Textile Road	ITC Holdings Corp.	Dec 2020	10885 Textile Road	100,000	1968	20.00	\$5,500,000	Washtenaw

Leases

Tenant	Square Feet	Address	City	Submarket	Landlord
Amazon.com	150,000	1400 E 10 Mile Road	Hazel Park	Royal Oak/Southfield	Ashley Capital
Anji Logistics	129,000	30450 Little Mack Avenue	Roseville	East Area	LCN Capital
Truck Hero	105,000	10401 Harrison Road	Romulus	Airport/I-275	Nemer Property Group
NYX Inc	95,000	36930 Industrial Road	Livonia	Airport/I-275	Neal Maclean
Dematic Corporation	92,000	19771 Brownstown Center Drive	Trenton	Downriver	Ashley Capital

TOP BUYERS

Past 3 Years



Source Savills Research

Market Highlights



Vacancy Rises

Year-Over-Year Change: **20.3%**
Q4 2019: **6.4%** | Today: **7.7%**



Asking Rent Growth

Year-Over-Year Change: **4.6%**
Q4 2019: **\$6.12** | Q4 2020: **\$6.40**



Under Construction

Year-Over-Year Change: **132.6%**
Q4 2019: **3.71 MSF**
Q4 2020: **8.63 MSF**

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