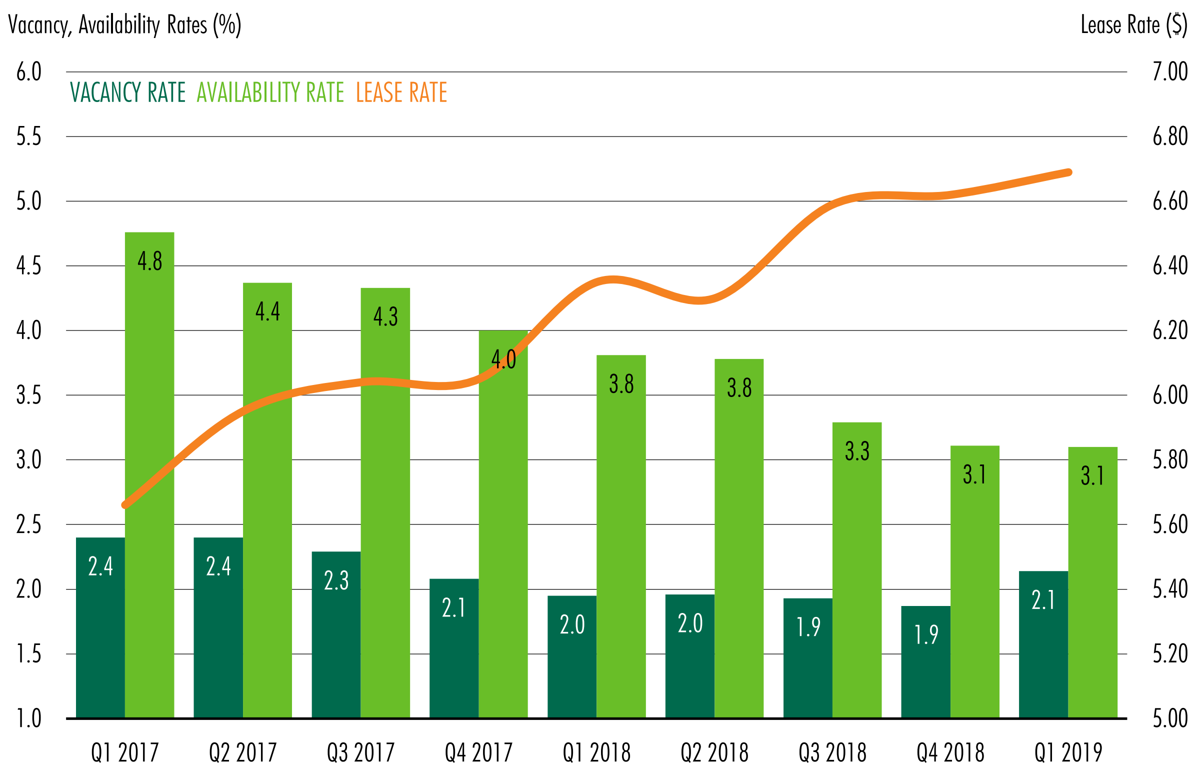
Detroit Industrial, Q1 2019

Vacancy rates rise as lease rates continue to increase

Vacancy Rate	Asking Lease Rate	Availability Rate	Net Absorption
2.1%	$6.69 PSF	3.1%	478,523 SF

*Arrows indicate change from previous quarter.

Figure 1: Vacancy and Availability Rates vs Lease Rate

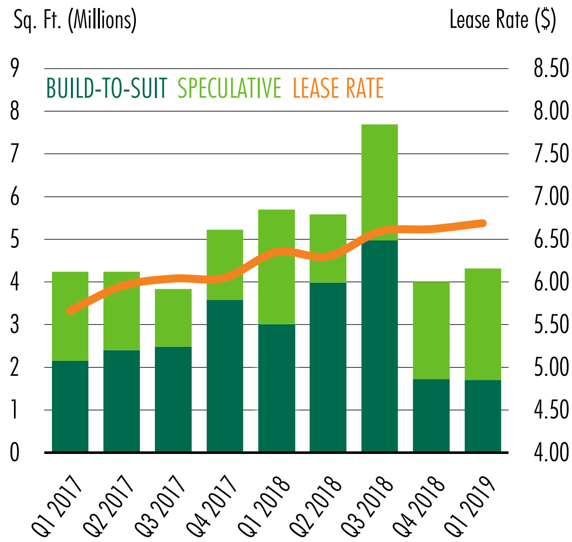


Source: CBRE Research, Q1 2019.

- The average availability rate stabilized at 3.1% quarter-over-quarter, the third straight quarter it has been below 3.5%.
- The vacancy rate rose to 2.1%, the highest it has been since Q3 2017.
- Year-over-year, average asking lease rate increased $0.39 per sq. ft. NNN, and rose for the third straight quarter.

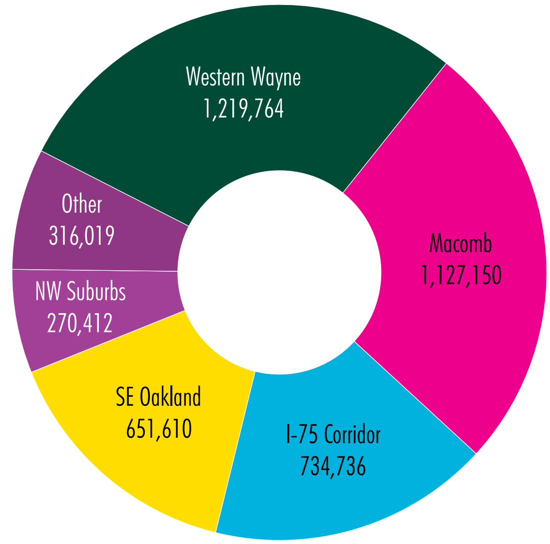
In Q1 2019, Detroit's industrial market saw average asking lease rates increase, while vacancy and availability remained stable. Net absorption for the quarter was 478,523 sq. ft., and total absorption over the last four quarters was 5.9 million sq. ft. Quarter-over-quarter, the average asking lease rate rose from $6.62 to $6.69 per sq. ft. NNN. Availability remained the same at 3.1%, while vacancy rose slightly from 1.9% to 2.1%.

Figure 2: Construction vs Average Asking Lease Rate



Source: CBRE Research, Q1 2019.

Figure 3: Current Construction by Submarket (Sq. Ft.)



Source: CBRE Research, Q1 2019.

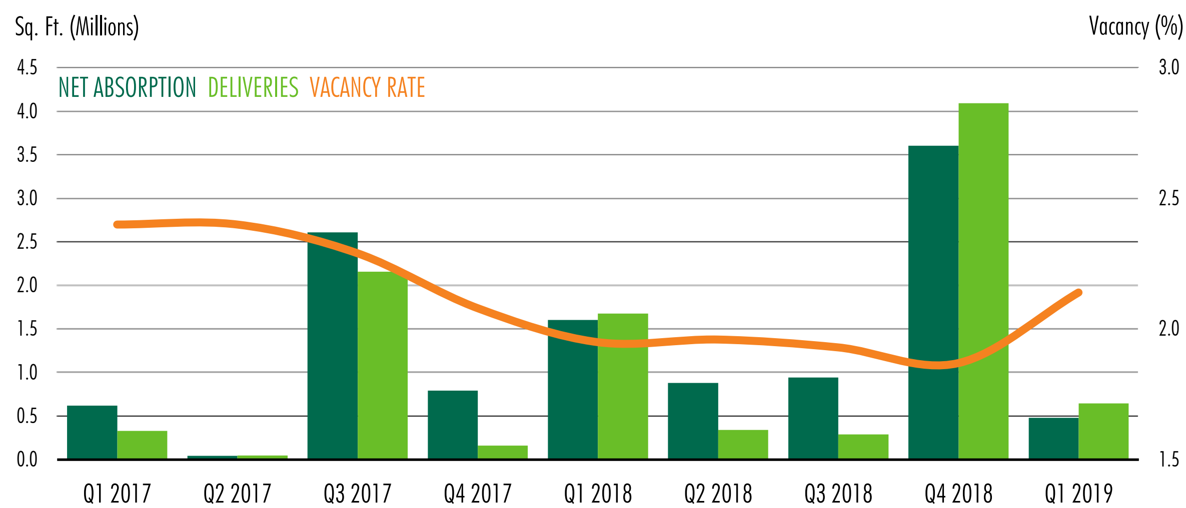
DELIVERIES AND CURRENT CONSTRUCTION

Nine construction projects were completed in Q1 2019, accounting for 645,764 sq. ft. of product added to the market. At the end of the quarter, build-to-suit projects under construction totaled just over 1.7 million sq. ft., while speculative construction was just over 2.6 million sq. ft. The Western Wayne County and Southeast Oakland submarkets saw the most construction, totaling 1.2 million sq. ft. and 1.1 million sq. ft. respectively.

ABSORPTION AND DELIVERIES

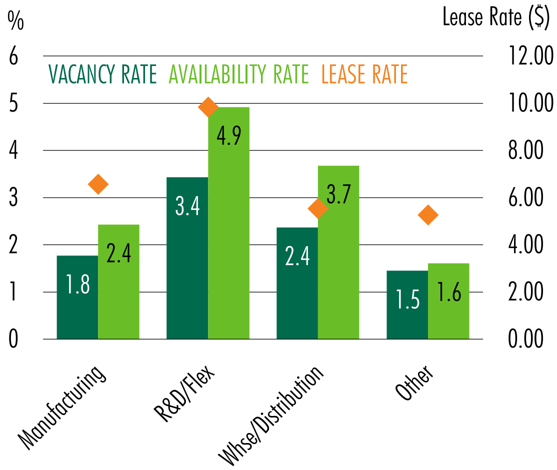
Absorption for the quarter totaled 478,523 sq. ft, the lowest it has been since Q2 2017. The dip comes after record high deliveries and absorption in Q4 2018. The Downriver submarket experienced the highest absorption for Q1 2019 with 327,466 sq. ft., but had no deliveries during the quarter. The Northwest Suburbs submarket had 363,135 sq. ft. of deliveries, but experienced 76,901 sq. ft. of negative absorption.

Figure 4: Net Absorption and Deliveries vs Vacancy Rate



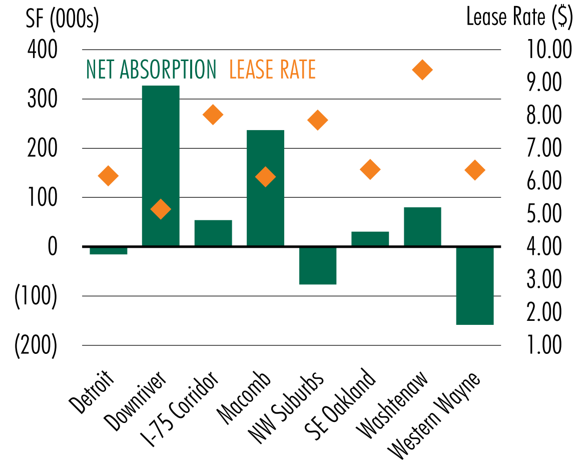
Source: CBRE Research, Q1 2019.

Figure 5: Vacancy, Availability, & Lease Rates by Development Type



Source: CBRE Research, Q1 2019.

Figure 6: Net Absorption vs Lease Rate by Submarket



Source: CBRE Research, Q1 2019.

AVAILABILITY AND VACANCY

Quarter-over-quarter, availability remained the same at 3.1%. Vacancy rate increased slightly to 2.1%, rising for the first time since Q2 2018. Manufacturing space continues to be in high demand, keeping vacancy and availability low at 1.8% and 2.4% respectively. R&D/Flex space had the highest vacancy and availability rates at 3.4% and 4.9% respectively.

LEASE RATES

Q1 2019 saw a $0.07 increase in average asking lease rates quarter-over-quarter, pushing the overall average asking lease rate to $6.69 per sq. ft. NNN. The stable, yet high rate can be primarily attributed to a lack of available inventory, resulting in a landlord-favorable market. New speculative construction also contributed to the higher rates. Year-over-year, the average asking lease rate increased by $0.39 per sq. ft. NNN.

Figure 7: Q1 2019 Market Statistics

Submarket	Total Inventory (sq. ft.)	Total Availability (%)	Total Vacancy (%)	Q1 2019 Net Absorption (sq. ft.)	Last 4 Qtrs Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Average Asking Lease Rate ($/sq. ft./Yr)*
Detroit	85,618,199	4.7	3.7	(15,210)	280,071	240,000	6.16
Downriver	65,058,448	3.4	1.9	327,466	2,162,283	59,000	5.14
I-75 Corridor	79,858,325	3.0	1.9	54,393	568,727	734,736	8.02
Macomb	104,622,713	1.5	1.1	236,877	1,596,901	1,127,150	6.13
NW Suburbs	55,267,684	4.1	3.0	(76,901)	274,282	270,412	7.85
SE Oakland	14,939,591	2.5	1.4	30,421	163,032	651,610	6.35
Washtenaw	22,173,881	1.8	1.3	79,851	136,859	17,019	9.39
Western Wayne	90,486,435	3.3	2.0	(158,374)	726,464	1,219,764	6.33
Total	518,025,276	3.1	2.1	478,523	5,908,619	4,319,691	6.69

*Rates include R&D/Flex, warehousing, manufacturing, and other industrial properties. They are not completed transactions.
*Certain adjustments were made to more accurately reflect the current state of the market.

Source: CBRE Research, Q1 2019.

Figure 8: Vacancy by Development Type & Size

Development Type	Total Inventory (sq. ft.)	0-50k Vacant (sq. ft.)	0-50k Vacancy (%)	50-100k Vacant (sq. ft.)	50-100k Vacancy (%)	100k + Vacant (sq. ft.)	100k + Vacancy (%)	Total Vacancy (%)
Manufacturing	257,256,201	665,275	1.0	683,189	1.2	3,195,661	2.5	1.8
R&D/Flex	50,394,691	633,030	4.7	615,289	4.8	477,738	2.2	3.4
Whse/Distribution	190,086,726	865,118	2.1	664,167	2.1	3,086,466	5.0	2.4
Other	20,287,658	74,401	0.7	141,078	3.8	78,000	1.3	1.5
Total	518,025,276	2,237,824	1.2	1,819,034	2.4	6,041,711	2.73	2.1

*Property types in the 'Other' category include: Cold Storage, Self-Storage, Showroom, Special Purpose, Truck Terminal & Other Industrial.

Source: CBRE Research, Q1 2019.

Figure 9: Q1 2019 Construction Statistics

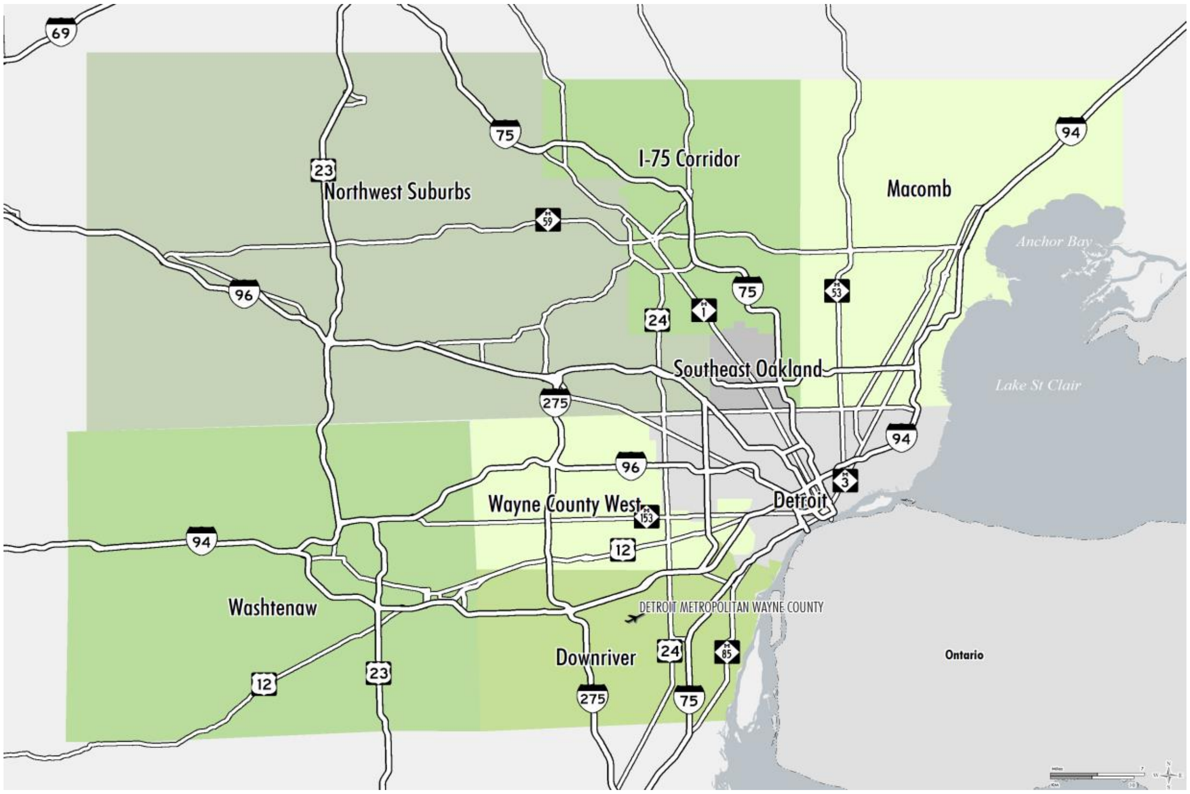
Submarket	Spec Under Construction (sq. ft.)	BTS Under Construction (sq. ft.)	Total Under Construction (sq. ft.)	Spec Completed (sq. ft.)	BTS Completed (sq. ft.)	Total Construction Completed (sq. ft.)
Detroit	-	240,000	240,000	-	-	-
Downriver	-	59,000	59,000	-	-	-
I-75 Corridor	88,774	645,962	734,736	-	124,473	124,473
Macomb	776,354	350,796	1,127,150	-	43,400	43,400
NW Suburbs	92,630	177,782	270,412	155,635	207,500	363,135
SE Oakland	651,610	-	651,610	-	64,756	64,756
Washtenaw	-	17,019	17,019	-	50,000	50,000
Western Wayne	986,568	233,196	1,219,764	-	-	-
Total	2,595,936	1,723,755	4,319,691	155,635	490,129	645,764

Source: CBRE Research, Q1 2019.

Figure 10: Key Q1 2019 Transactions

Tenant / Buyer	Location	Sq. Ft.	Industry
Mayco International LLC	17085 Masonic, Fenton	164,153	Automotive
Samsung SDI America Inc.	50 Continental Dr, Auburn Hills	137,650	Technology
KTC Royal Oak	3000 14 Mile Rd, Royal Oak	134,628	Investment Firm
RMT Woodworth Heat Treating	45755 5 Mile Rd, Plymouth	78,684	Manufacturing/Heat Treating
Ryder Integrated Logistics	20001 Brownstown Bus Ctr Dr, Brownstown Twp	63,303	Distribution

Source: CBRE Research, Q1 2019.



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