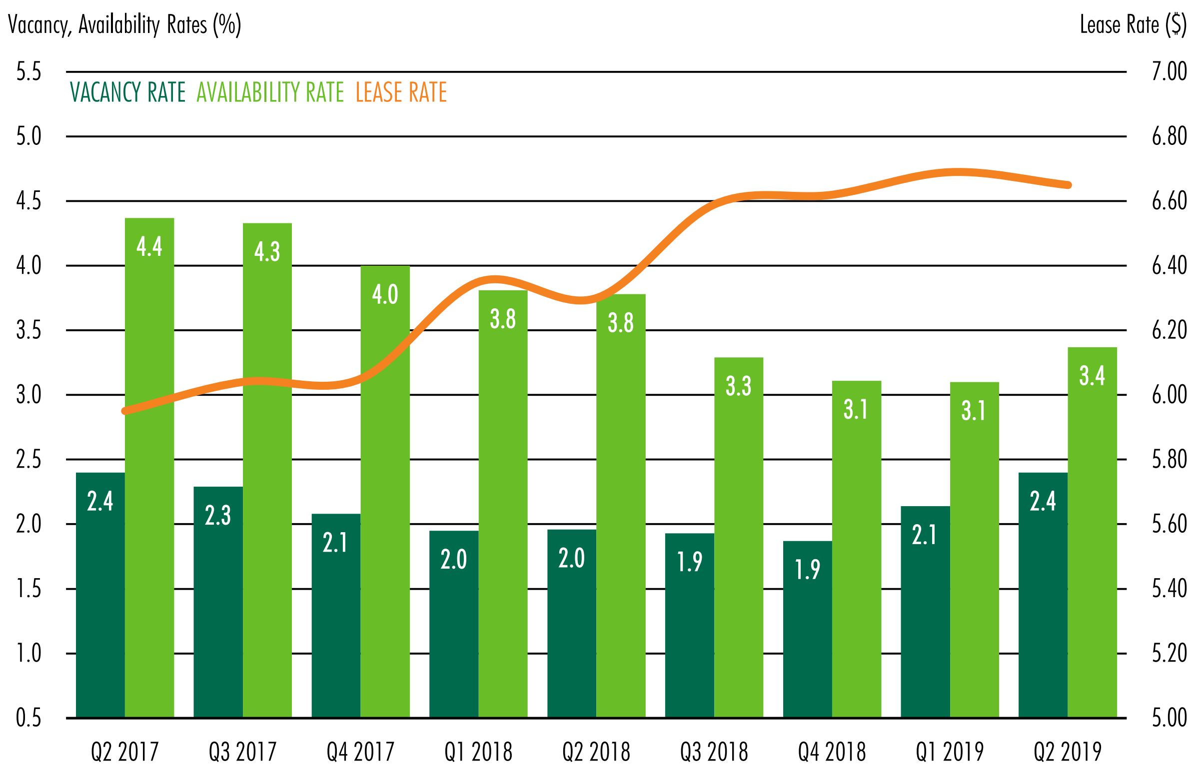
Detroit Industrial, Q2 2019

Detroit industrial vacancy rises and lease rates decrease as market steadies

Vacancy Rate	Asking Lease Rate	Availability Rate	Net Absorption
▲ 2.4%	▼ $6.65 PSF	▲ 3.4%	▼ 350,260 SF

*Arrows indicate change from previous quarter.

Figure 1: Vacancy and Availability Rates vs Lease Rate

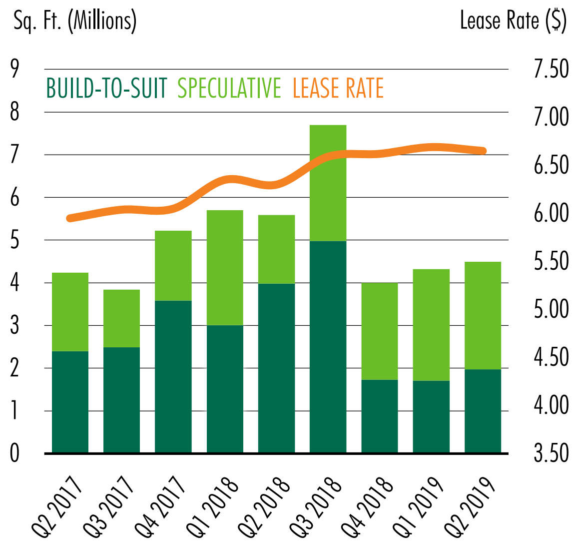


Source: CBRE Research, Q2 2019.

- Overall industrial availability increased to 3.4% quarter-over-quarter, rising for the first time since Q4 2016.
- Deliveries accounted for 270,783 sq. ft. of new product added to the market.
- Year-over-year, average asking lease rates decreased $0.04 per sq. ft. NNN.

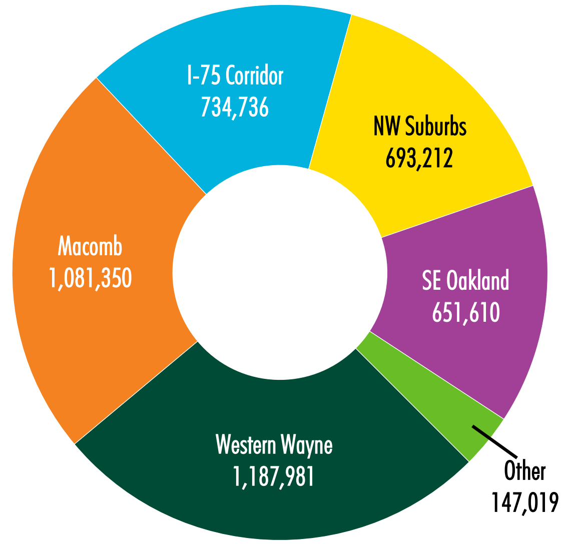
In Q2 2019, Detroit's industrial market saw average asking lease rates decrease, while vacancy and availability increased. Net absorption for the quarter was 350,260 sq. ft., and total absorption over the last four quarters was 5.4 million sq. ft. Quarter-over-quarter, the average asking lease rate fell from $6.69 to $6.65 per sq. ft. NNN. Availability rose from 3.1% to 3.4%, and vacancy rose from 2.1% to 2.4%.

Figure 2: Construction vs Average Asking Lease Rate



Source: CBRE Research, Q2 2019.

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



Source: CBRE Research, Q2 2019.

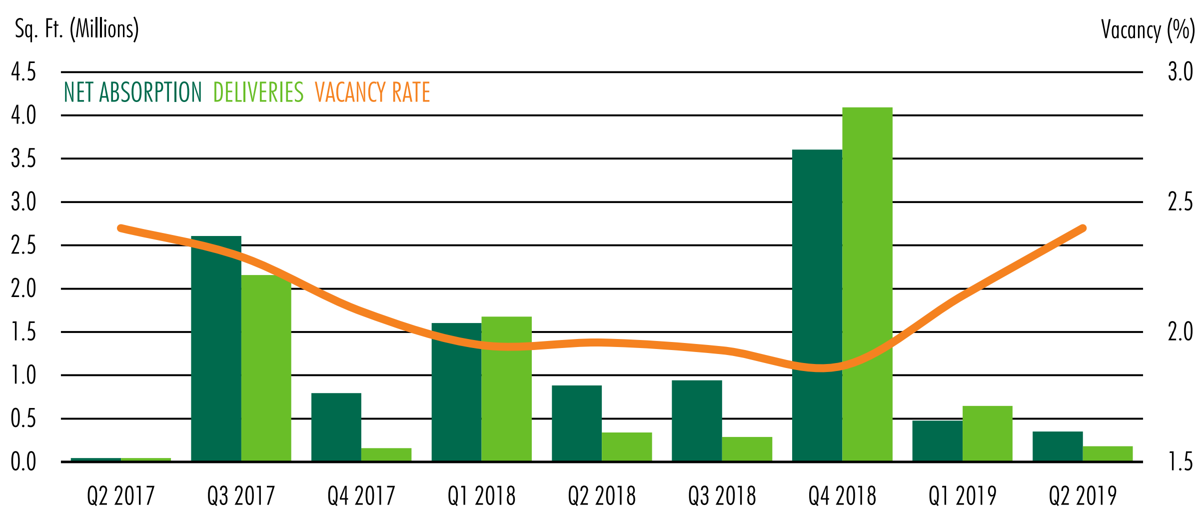
DELIVERIES AND CURRENT CONSTRUCTION

Three construction projects were completed in Q2 2019, accounting for 270,783 sq. ft. of product added to the market. At the end of the quarter, build-to-suit projects under construction totaled just under 2 million sq. ft., while speculative construction was just over 2.5 million sq. ft. The Western Wayne County and Macomb submarkets saw the most construction, totaling 1.2 million sq. ft. and 1.1 million sq. ft. respectively.

ABSORPTION AND DELIVERIES

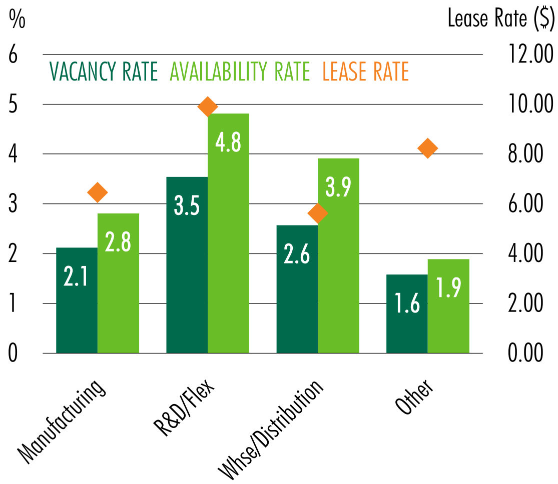
Absorption for the quarter totaled 350,260 sq. ft, the lowest it has been since Q2 2017. The Downriver submarket experienced the highest absorption for Q2 2019 with 403,096 sq. ft., and had one delivery of 59,000 sq. ft. during the quarter. The Western Wayne County submarket experienced the most negative absorption for the second straight quarter, totaling 459,957 sq. ft., but is scheduled to deliver several large projects in the next year.

Figure 4: Net Absorption and Deliveries vs Vacancy Rate



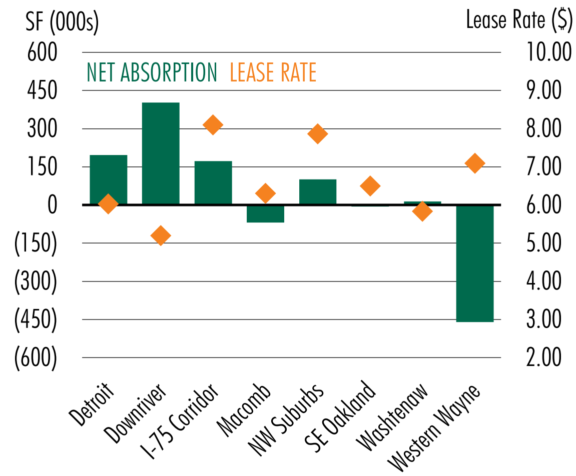
Source: CBRE Research, Q2 2019.

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



Source: CBRE Research, Q2 2019.

Figure 6: Net Absorption vs Lease Rate by Submarket



Source: CBRE Research, Q2 2019.

AVAILABILITY AND VACANCY

Quarter-over-quarter, availability increased to 3.4%. Vacancy rate rose from 2.1% to 2.4%, marking the largest increase since Q1 2010. Manufacturing space continues to be in high demand, keeping vacancy and availability low at 2.1% and 2.8% respectively. R&D/Flex space had the highest vacancy and availability rates at 3.5% and 4.8% respectively.

LEASE RATES

Q2 2019 saw a slight reduction of $0.04 in average asking lease rates quarter-over-quarter, moving the overall average asking lease rate to $6.65 per sq. ft. NNN. The decrease comes after several years of record-high rates and growth, as well as two straight quarters of declining absorption. Year-over-year, the average asking lease rate increased by $0.35 per sq. ft. NNN.

Figure 7: Q2 2019 Market Statistics

Submarket	Total Inventory (sq. ft.)	Total Availability (%)	Total Vacancy (%)	Q2 2019 Net Absorption (sq. ft.)	Last 4 Qtrs Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Average Asking Lease Rate ($/sq. ft./Yr)*
Detroit	86,267,411	5.13	4.11	195,734	138,955	60,000	6.03
Downriver	65,179,749	3.37	1.62	403,096	2,722,385	70,000	5.20
I-75 Corridor	79,858,325	2.35	1.67	172,040	562,447	734,736	8.10
Macomb	104,632,674	1.61	1.14	(69,272)	1,432,482	749,250	6.30
NW Suburbs	55,234,726	3.83	2.89	100,217	136,611	693,212	7.86
SE Oakland	14,939,591	2.51	1.55	(6,045)	121,179	651,610	6.50
Washtenaw	22,173,881	4.95	4.68	14,447	97,798	17,019	5.83
Western Wayne	90,379,113	4.1	2.72	(459,957)	165,341	1,187,981	7.09
Total	518,665,470	3.7	2.4	350,260	5,377,198	4,495,908	6.65

*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, Q2 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	257,246,764	834,402	0.9	774,392	1.9	3,841,469	3.0	2.1
R&D/Flex	50,390,382	675,220	3.8	548,725	5.1	561,400	2.6	3.5
Whse/Distribution	190,623,815	872,092	1.3	605,717	2.0	3,420,205	3.6	2.6
Other	20,404,509	91,213	1.1	152,777	4.3	78,000	1.3	1.6
Total	518,665,470	2,472,927	1.3	2,081,611	2.5	7,901,074	3.2	2.4

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

Source: CBRE Research, Q2 2019.

Figure 9: Q2 2019 Construction Statistics

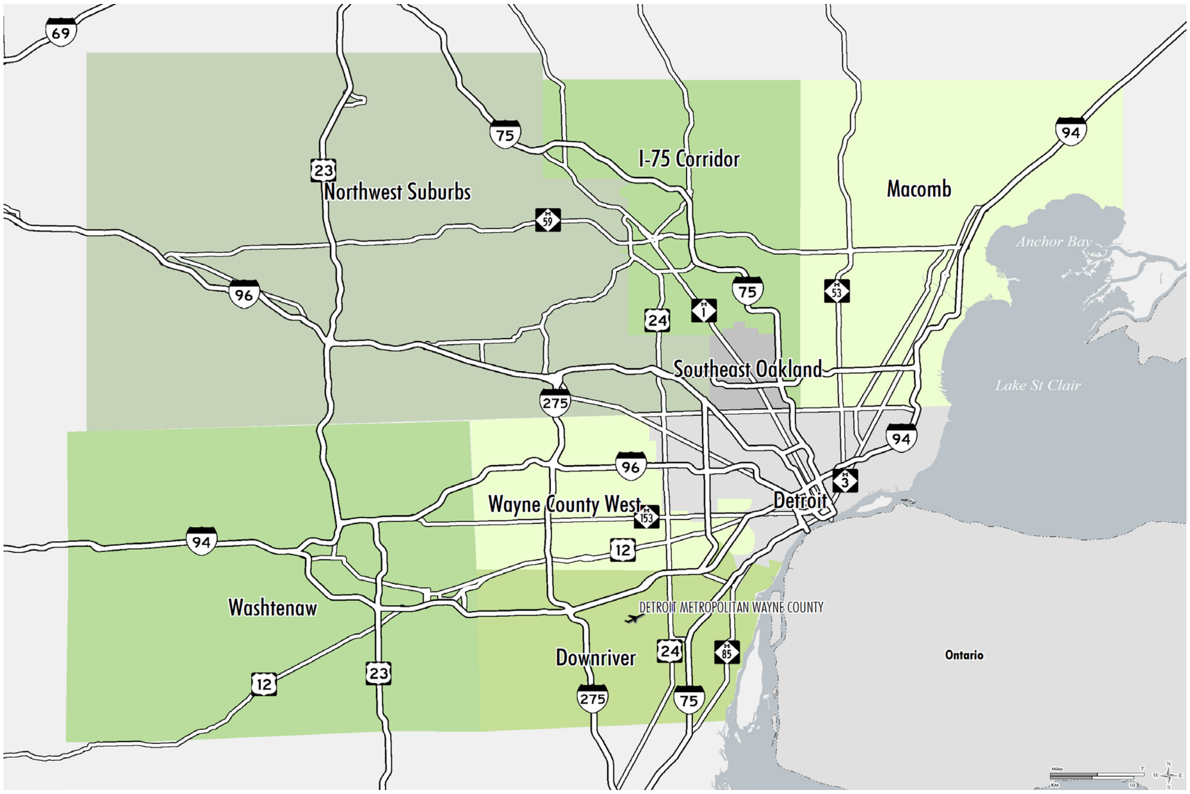
Submarket	Spec Under Construction (sq. ft.)	BTS Under Construction (sq. ft.)	Total Under Construction (sq. ft.)	Spec Completed (sq. ft.)	BTS Completed (sq. ft.)	Total Construction Completed (sq. ft.)
Detroit	-	60,000	60,000	-	180,000	180,000
Downriver	-	70,000	70,000	-	59,000	59,000
I-75 Corridor	88,774	645,962	734,736	-	-	-
Macomb	676,354	404,996	1,081,350	-	-	-
NW Suburbs	282,630	410,582	693,212	-	-	-
SE Oakland	651,610	-	651,610	-	-	-
Washtenaw	17,019	-	17,019	-	-	-
Western Wayne	804,785	383,196	1,187,981	31,783	-	31,783
Total	2,521,172	1,974,736	4,495,908	31,783	239,000	270,783

Source: CBRE Research, Q2 2019.

Figure 10: Key Q2 2019 Transactions

Tenant / Buyer	Location	Sq. Ft.	Industry
AJM Packaging	20505 Sibley Rd, Wyandotte	215,997	Logistics
Central Warehouse Operations	5425 Dixie Hwy, Saginaw	194,770	Logistics
Oakley Industries	25295 Guenther Rd, Warren	151,790	Metals Manufacturing
Valeo North America	12600 Oakland Park Blvd, Highland Park	150,000	Automotive
Beaumont Health	41965 Ecorse Rd, Belleville	124,584	Health Care

Source: CBRE Research, Q2 2019.



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