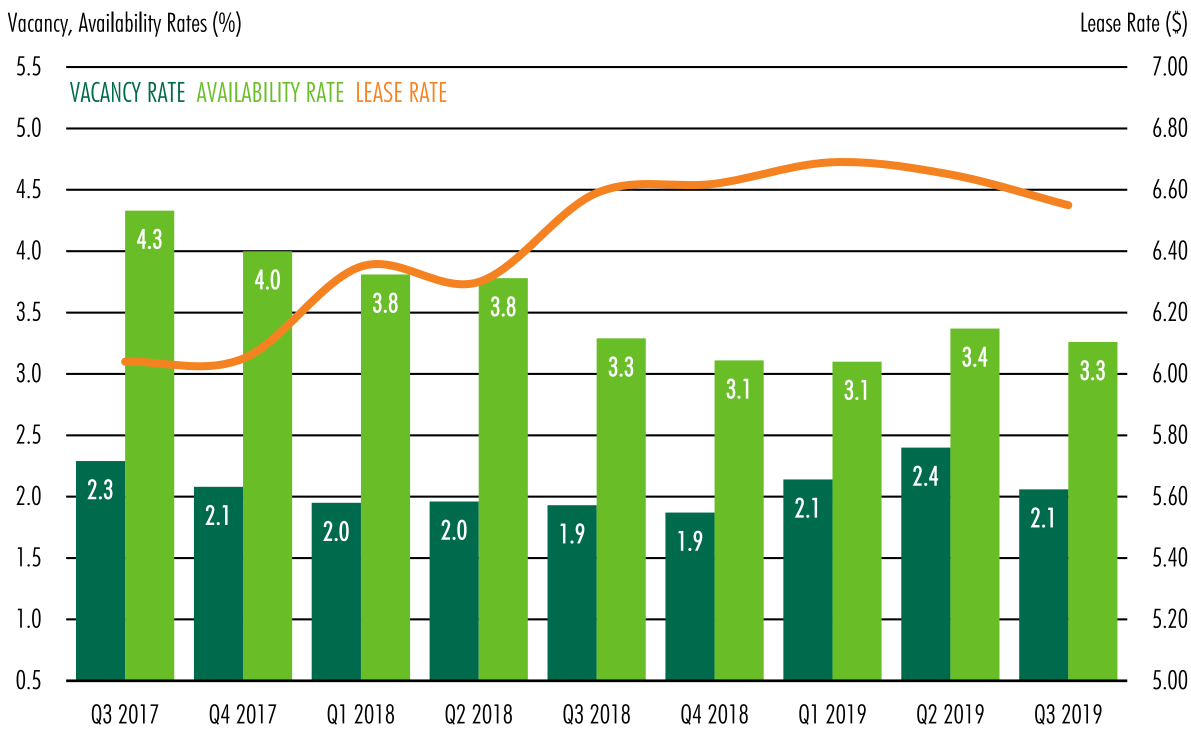
Detroit Industrial, Q3 2019

Vacancy remains consistent as it stays below 3% for another quarter

▼ Vacancy Rate **2.1%**	▼ Asking Lease Rate **$6.55 PSF**	▼ Availability Rate **3.3%**	▲ Net Absorption **966,732 SF**

*Arrows indicate change from previous quarter.

Figure 1: Vacancy and Availability Rates vs Lease Rate

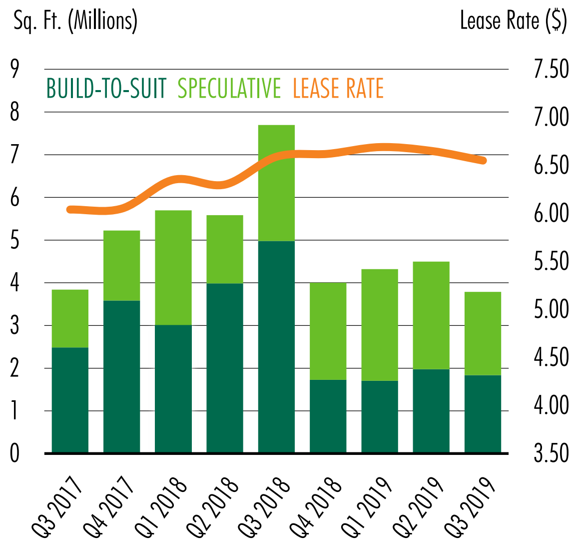


Source: CBRE Research, Q3 2019.

- Overall industrial availability decreased to 3.3% quarter-over-quarter, remaining under 3.5% for the fifth straight quarter.
- The vacancy rate decreased to 2.1%, equaling the average rate over the trailing 12 months.
- Year-over-year, average asking lease rates decreased $0.04 per sq. ft. NNN.

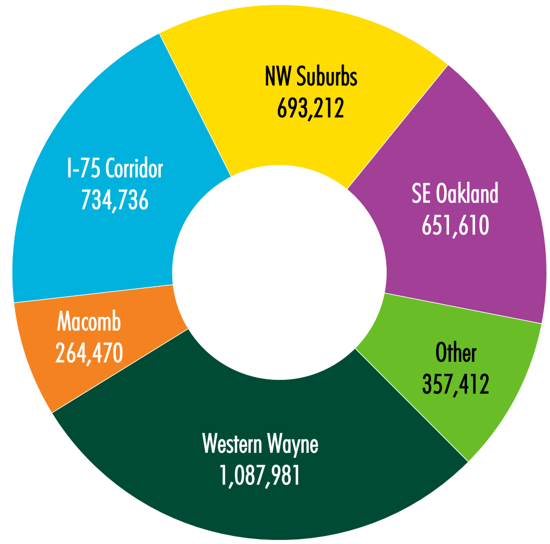
In Q3 2019, Detroit's industrial market saw a decrease in average asking lease rates, vacancy, and availability. Net absorption for the quarter was 966,732 sq. ft., more than doubling the total from the previous two quarters. Total absorption over the last four quarters was 5.4 million sq. ft. Quarter-over-quarter, the average asking lease rate fell from $6.65 to $6.55 per sq. ft. NNN. Availability and vacancy experienced decreases from 3.4% to 3.3% and 2.4% to 2.1%, respectively.

Figure 2: Construction vs Average Asking Lease Rate



Source: CBRE Research, Q3 2019.

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



Source: CBRE Research, Q3 2019.

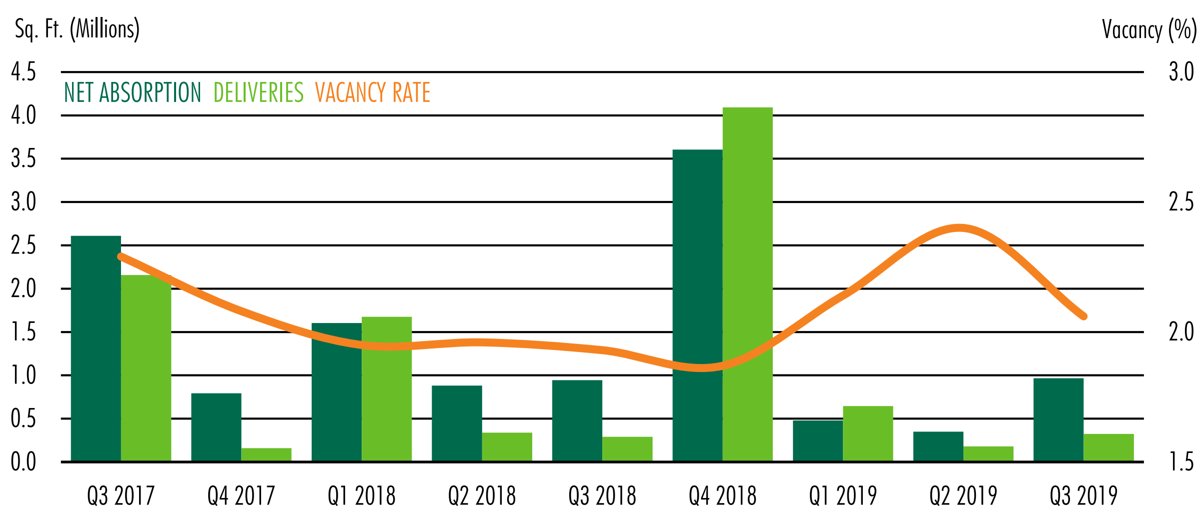
DELIVERIES AND CURRENT CONSTRUCTION

Four construction projects were completed in Q3 2019, accounting for 323,727 sq. ft. of product added to the market. At the end of the quarter, build-to-suit projects under construction totaled more than 1.8 million sq. ft., while speculative construction totaled just under 2 million sq. ft. The Western Wayne County and I-75 Corridor submarkets saw the most construction, totaling 1.1 million sq. ft. and 0.7 million sq. ft. respectively.

ABSORPTION AND DELIVERIES

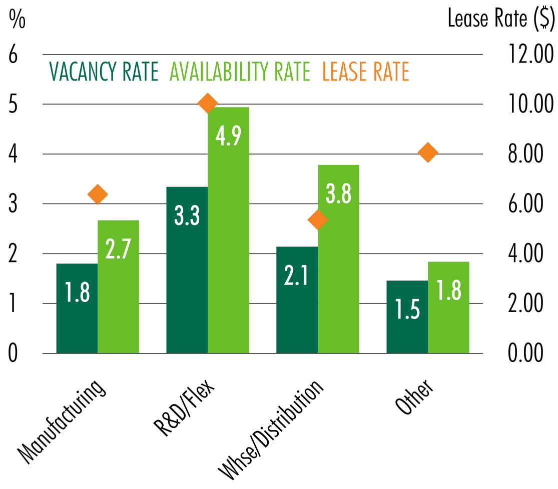
Absorption for the quarter totaled 966,732 sq. ft, the highest it has been since Q4 2018. The Macomb submarket experienced the highest absorption for Q3 2019 with 283,287 sq. ft., and had one delivery of 187,500 sq. ft. during the quarter. The remaining submarkets had a combined positive absorption of 683,495, none experiencing negative absorption. An additional 136,237 sq. ft. was delivered during the quarter between these submarkets.

Figure 4: Net Absorption and Deliveries vs Vacancy Rate



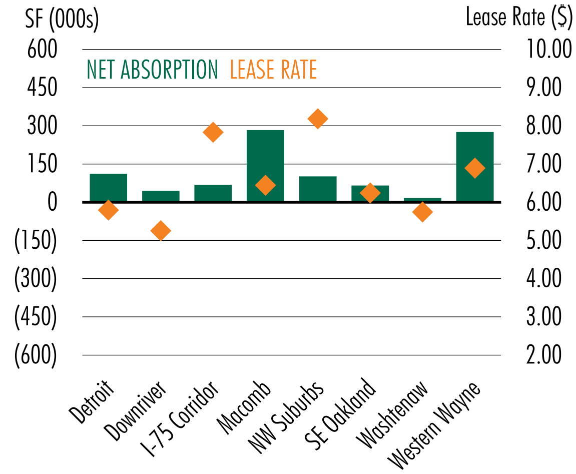
Source: CBRE Research, Q3 2019.

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



Source: CBRE Research, Q3 2019.

Figure 6: Net Absorption vs Lease Rate by Submarket



Source: CBRE Research, Q3 2019.

AVAILABILITY AND VACANCY

Quarter-over-quarter, availability decreased to 3.3%. Vacancy decreased from 2.4% to 2.1%. Vacancy rose from 2.1% to 2.4%, marking the largest decrease since Q3 2016. Manufacturing space continues to be in high demand, keeping vacancy and availability low at 1.8% and 2.7% respectively. R&D/Flex space had the highest vacancy and availability rates at 3.3% and 4.9% respectively.

LEASE RATES

Q3 2019 saw a reduction of $0.10 in average asking lease rates quarter-over-quarter, moving the overall average asking lease rate to $6.55 per sq. ft. NNN. The decrease, following the trend seen in the previous quarter, comes after several years of record-high rates and growth. However, absorption for the quarter was nearly 140,00 sq. ft. greater than the total for the first half of the calendar year.

Figure 7: Q3 2019 Market Statistics

Submarket	Total Inventory (sq. ft.)	Total Availability (%)	Total Vacancy (%)	Q3 2019 Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Average Asking Lease Rate ($/sq. ft./Yr)*
Detroit	86,267,411	4.9	3.5	111,495	292,019	110,000	5.79
Downriver	65,481,393	3.5	1.2	44,752	775,314	230,393	5.25
I-75 Corridor	79,858,325	2.6	1.5	68,061	294,494	734,736	7.83
Macomb	104,880,174	1.5	1.1	283,237	450,842	264,470	6.44
NW Suburbs	55,234,726	3.5	2.7	101,289	124,605	693,212	8.18
SE Oakland	14,939,591	2.4	1.5	65,877	90,253	651,610	6.24
Washtenaw	22,173,881	4.6	4.1	16,744	111,042	17,019	5.74
Western Wayne	90,479,113	3.8	2.1	275,277	(343,054)	1,087,981	6.89
Total	519,314,614	3.3	2.1	966,732	1,795,515	3,789,421	6.55

*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, Q3 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	721,770	0.8	579,593	1.5	3,325,861	2.6	1.8
R&D/Flex	50,490,382	638,427	3.6	485,138	4.5	561,400	2.6	3.3
Whse/Distribution	191,112,959	733,216	1.1	715,748	2.3	2,640,028	2.8	2.1
Other	20,464,509	66,988	0.6	152,777	4.2	78,000	1.3	1.5
Total	519,314,614	2,160,401	1.2	1,933,256	2.3	6,605,289	2.7	2.1

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

Source: CBRE Research, Q3 2019.

Figure 9: Q3 2019 Construction Statistics

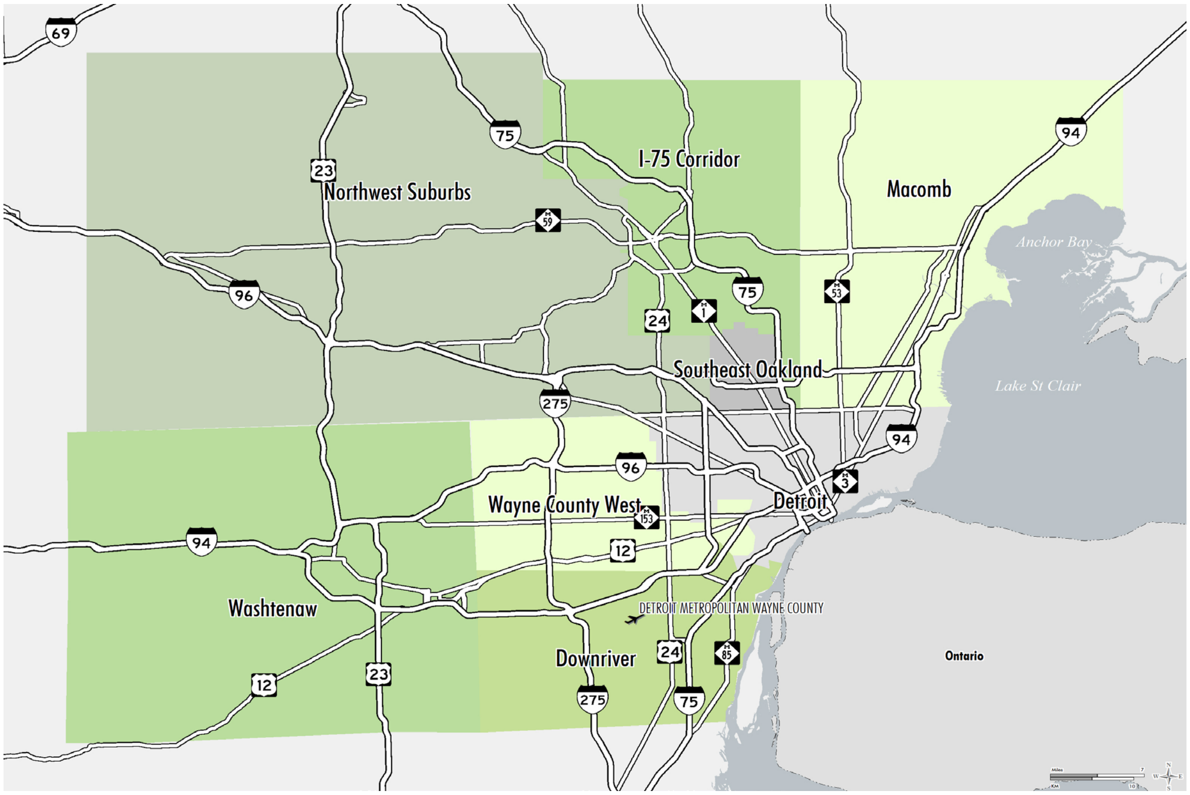
Submarket	Spec Under Construction (sq. ft.)	BTS Under Construction (sq. ft.)	Total Under Construction (sq. ft.)	Spec Completed (sq. ft.)	BTS Completed (sq. ft.)	Total Construction Completed (sq. ft.)
Detroit	-	110,000	110,000	-	-	-
Downriver	-	230,393	230,393	-	80,000	80,000
I-75 Corridor	88,774	645,962	734,736	-	46,237	46,237
Macomb	106,974	157,496	264,470	-	187,500	187,500
NW Suburbs	282,630	410,582	693,212	-	10,000	10,000
SE Oakland	651,610	-	651,610	-	-	-
Washtenaw	17,019	-	17,019	-	-	-
Western Wayne	804,785	283,196	1,087,981	-	-	-
Total	1,951,792	1,837,629	3,789,421	-	323,737	323,737

Source: CBRE Research, Q3 2019.

Figure 10: Key Q3 2019 Transactions

Tenant / Buyer	Location	Sq. Ft.	Industry
DSV	Romulus	227,067	Logistics
FCA	Sterling Heights	210,000	Logistics
HTI Cybernetics	Sterling Heights	189,000	Manufacturing
Faurecia	Detroit	180,000	Manufacturing
VALEO	Highland Park	150,000	Manufacturing
Crane Worldwide Logistics	Romulus	136,500	Logistics

Source: CBRE Research, Q3 2019.



CONTACTS

Ryan Wallace
Field Research Analyst
+1 248 936 6803
Ryan.Wallace@cbre.com

Alex Erley
Research Data Analyst
+1 248 936 6917
Alex.Erley@cbre.com

Paul Van Devender
Managing Director
+1 248 351 2030
Paul.VanDevender@cbre.com

CBRE OFFICES

Southfield
2000 Town Center, Suite 2200
Southfield, MI 48075

Detroit
400 Renaissance Center, Suite 2500
Detroit, MI 48243

Grand Rapids
940 Monroe Ave NW, Suite G4
Grand Rapids, MI 49503

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