



# Metro Detroit Industrial Market

## Industrial Users Taking Space As New Spec Construction Hits the Market

The Metro Detroit industrial vacancy rate climbed 60 basis points to 4.9% during the first quarter of 2021. Increased vacancies were due to new speculative construction completions and Love's Furniture vacating 700,000 square feet following the company's recent bankruptcy. According to the Global Business Association's most recent national trends analysis, Michigan has been ranked as the number one state for fastest FDI (Foreign Direct Investment) jobs growth along with \$11.3 billion in investments over the past five years. That trend corresponds to the level of industrial demand from both foreign and domestic industrial users in Metro Detroit. Over the past five years, 38.3 million square feet has been absorbed and 23.4 million square feet of new construction has been completed to meet demand. Market conditions remain strong going into 2021 with users responding favorably to new speculative developments. Just over 2.5 million square feet of construction was completed during the first quarter of 2021. 44% of the newly completed space is already occupied and a major portion of the remaining space have leases pending for the coming quarter.

### Current Conditions

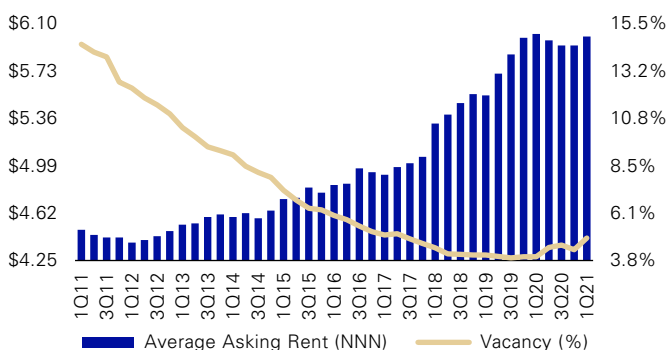
- The Metro Detroit industrial vacancy rate climbed 60 basis points to 4.9% during the first quarter of 2021.
- Increased vacancies were due to new speculative construction completions and Love's Furniture vacating 700,000 square feet following the company's recent bankruptcy.
- Bulk warehouse makes up 85.0% of overall construction activity, not surprisingly, as the vacancy for bulk distribution space was just 1.3%.

### Market Summary

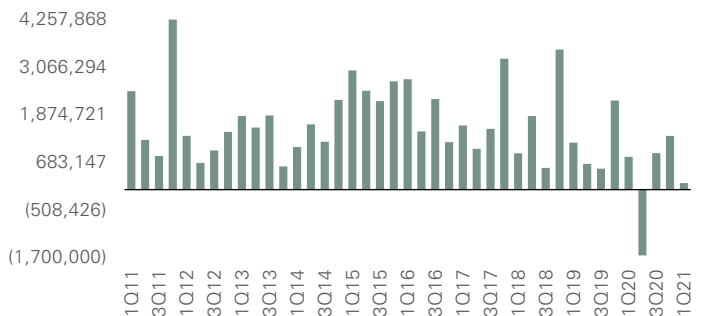
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	404.8M	401.9M	400.4M	↑
Vacancy Rate	4.9%	4.3%	4.0%	↓
Quarterly Net Absorption (SF)	163,829	1,345,345	821,020	↑
Average Asking Rent/SF	\$6.00	\$5.93	\$6.02	↑
Under Construction (SF)	6,860,978	5,829,204	4,564,457	↑

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



With demand continuing at high levels, developers continue to build. Properties under construction grew 17.0% over the previous quarter, to just over 6.8 million square feet. Bulk warehouse makes up 85.0% of overall construction activity, not surprisingly, as the vacancy for bulk distribution space was just 1.3%. Flint Development began construction on two major bulk warehouse developments: the Oakland Logistics Center, a 711,000-square-foot speculative bulk warehouse development at 2100 South Opdyke Road in Pontiac, and Wixom Assembly Park, a 741,993-square-foot and a 133,772-square-foot facility.

### Southern Wayne County

The Southern Wayne County industrial market posted nearly 650,000 square feet of positive absorption, however the vacancy rate climbed 170 basis points to 4.0% during the first quarter as developers added new supply in the form of new construction to the submarket's bulk warehouse market. Four new speculative distribution centers totaling 1.57 million square feet were completed during the first quarter, with most of the new space already leased. Northpointe completed construction on Ecorse Commons Industrial Park 1 & 2 in Belleville which total 409,158 and 245,000 square feet, respectively. Lowe's, Hearn Industrial Services and Lasership took occupancy of Building 1 after pre-leasing space. Meanwhile, Pitney Bowes and DHL took occupancy in Building 2, which the companies also pre-leased. Ashley Capital finished construction on the speculative Crossroads Distribution Centers 4 & 5, totaling 261,000 square feet and 659,404 square feet, respectively. Ashley is negotiating a long-term full building lease in Building 5, while Twin Med took 36,000 square feet and New Haven Moving leased 24,000 square feet in Building 4. The companies will occupy the new facilities during the second quarter. Construction on Hillwood/Sterling Groups' 500,000-square-foot and 750,000-square-foot bulk warehouse/distribution build-to-suit developments in Romulus for

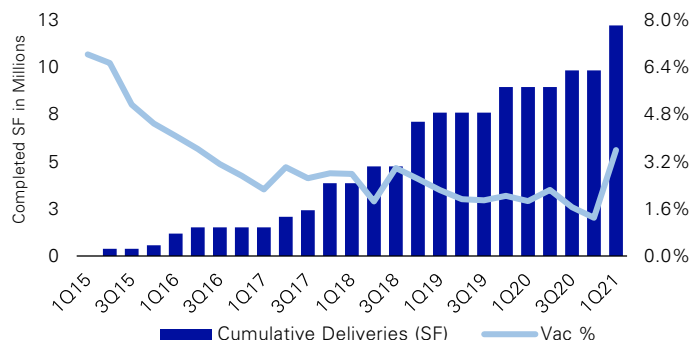
Amazon are nearing completion. The developments at Wahrman & Sibley Road are likely to be completed during second-quarter 2021. The submarket's 14.6 million-square-foot Class A market vacancy rate rose from 2.6% to 8.7% following new construction completion during the first quarter. That figure, however, is likely fall to below 4% in the coming quarter as tenants move into the new Crossroads Distribution Center. The submarket's 13.2-million-square-foot Class B bulk warehouse vacancy rate held at just 0.80% during the quarters.

### Southeast Oakland County

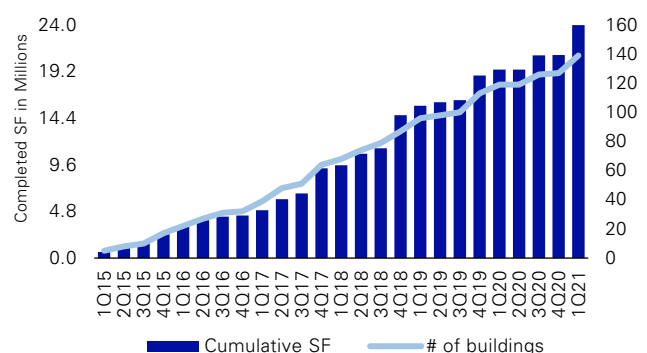
The Southeast Oakland County industrial vacancy rate climbed 70 basis points to 3.4% during the first quarter; however, the submarket posted just over 269,000 square feet of positive absorption. The vacancy rose as Ashley Capital completed construction on the 912,000-square-foot Tri-County Commerce III speculative bulk warehouse facility in Hazel Park. General Motors leased 472,000 square feet in the facility, leaving a balance of 440,000 square feet of new Class A bulk warehouse space. The development is Ashley Capital's third bulk warehouse development in Hazel Park over the past five years. Tri-County Commerce I & II total 575,000 and 695,000 square feet and are 100% leased. Flint Development began construction on the Oakland Logistics Center, a 711,000-square-foot speculative bulk warehouse development at 2100 South Opdyke Road in Pontiac. Meanwhile, Amazon is nearing completion on its 823,000-square-foot distribution facility on Featherstone in Pontiac. By the end of 2021, Southeast Oakland's bulk warehouse inventory will have grown 74.0% over the past five years to 9.3 million square feet. The inventory growth is primarily attributed to Ashley Capital, Amazon and Flint Development. Outside the bulk warehouse market, market activity for smaller general industrial space was active.

### Cumulative Bulk Warehouse Deliveries vs Vac %

(SF)



### Overall Cumulative Construction Developments



Tire Wholesale Company, Inc. leased 29,000 square feet on American Drive in Troy. Flotronics, Inc. leased 18,000 square feet on Paldan Drive in Auburn Hills. Anthony Djonlekaj purchased a 21,000-square-foot facility at 2002 Stephenson Highway in Madison Heights, while Re-Bath Detroit acquired a 17,000-square-foot building at 465 Stephenson Highway in Troy and AR Repairs Baker's Kneads Inc. bought a 15,000-square-foot building at 31695 Stephenson Highway in Madison Heights. Positive absorption was offset by Valeo's 103,000-square-foot vacant sublease in the R&D/Flex Troy Concept Center as well as tenants vacating 180,000 square feet in the Orion Commerce Center.

### **Macomb County**

Macomb County's industrial vacancy rate climbed 70 basis points to 3.2% during the first quarter as just over 579,000 square feet of net vacant space was added to the market. The increase was due to Love's Furniture going into bankruptcy and vacating 700,000 square feet at 6500 Fourteen Mile Road in Warren, thus leaving the 1 million-square-foot former Art Van's Furniture's headquarters fully vacant. Despite the increased in net vacancies, the submarket posted positive market activity. In Macomb Township, MollerTech leased 65,000 square feet at 51280 Regency Center, and Moran Chevrolet, Inc. took 24,000 square feet of speculative space just completed at 46410 Erb Drive. In Chesterfield Township, Emhart Teknologies, LLC leased 68,000 square feet at 50501 East Russell Schmidt Boulevard, while DCS Corporation took 53,000 square feet in Sterling Heights. Active construction developments are trending down in Macomb County. One completed development during the first quarter was Niko's Import & Export, LLC's 14,000-square-foot speculative development at 51675 Regency Center Drive in Macomb Township. Meanwhile, Mancini Holdings's 82,000-square-foot speculative development at 7255 Eighteen 1/2 Mile, Sterling Heights, is the submarket's only major construction project underway. In 2020, just over 911,000 square feet of industrial space was completed and occupied in 2020. The coming quarters will likely see developers start new projects as the submarket remains active and supply very constrained.

### **Southwest Oakland County**

Southwest Oakland County's vacancy rate fell 40 basis points to 5.3% during the first quarter, as just over 120,000 square feet was absorbed. Positive absorption was primarily attributed to MacLean-Fogg leasing 142,000 square feet at 23400 Haggerty Road in Farmington Hills. In addition, users took space at 47000 Liberty Drive in Wixom, 24400-24402 Sinicola in Farmington Hills and 47000 Liberty Drive in Wixom. Construction activity in the submarket jumped dramatically from nearly 300,000 square feet

to over 1.5 million square feet as developers target bulk warehouse users. Flint Development began construction on the Wixom Assembly Park on the former Wixom Ford Assembly Plant site in Wixom. The first phase of the development consisted of 741,993-square-foot and 133,772-square-foot bulk warehouse facilities, with completion targeted for third-quarter 2021. Three additional facilities ranging from 100,000 square feet to 300,000 square feet are planned for the site that can accommodate user-seeking modern large-block industrial space in the Southwest Oakland County area. Meanwhile, Walbridge Aldinger Company began construction on the 280,000-square-foot Lyon Distribution Center I on Grand River Avenue and South Hill Road. Southwest Oakland's 3.6 million-square-foot bulk warehouse market has a 0% vacancy. Upon completion, the two-building construction project will increase the submarket's bulk warehouse inventory by 27.0% and add over 1 million square feet of available space for users. Two build-to-suit projects began construction during the quarter, as well. J.B. Donaldson Company is constructing a 126,000-square-foot facility for U.S. AutoForce at 48238 Frank Street in Wixom, and D'Agostini Companies is building a 70,000-square-foot building for MOBA at 55290 Lyon Industrial in New Hudson

### **City of Detroit**

The City of Detroit's vacancy rate climbed 70 basis points to 15.2% during the first quarter as just over 325,000 square feet in net vacancies were created. New vacancies continue to come from the city's aging industrial facilities. The largest new vacancy was 261,000 square feet in a century-old facility at 6660 Mount Elliott Street. Other recent vacancies were created in aging buildings at 13901 Joy Road and 14300 Schaefer Highway. Large users, such as Hollingsworth Logistics, have vacated these obsolescent buildings and moved into new, modern facilities. Developers continue to eye larger sites in the city for redevelopment amid growing demand for distribution space as large tracts of contiguous land are limited within the city. Developers are seeing opportunity in tearing down older buildings for redevelopment. Recently, Northpoint Development began construction on the M3 Commerce Center, a 684,000-square-foot bulk warehouse facility on the former Cadillac Stamping Plant at 9501 Conner Street. Hillwood and Sterling Group began construction on an 823,000-square-foot Amazon distribution facility on the former Fairgrounds. Bedrock LLC purchased the former Sakthi Automotive facility that sits on 37 acres for potential development. Meanwhile, food company E.W. Grobbel is beginning construction in Eastern Market on an 87,000 square-foot cold storage facility at 1903 Leland Street, with plans for further expansion on the site.

### Western Wayne County

Western Wayne County industrial vacancy rate fell 10 basis points to 2.9% during the first quarter as just over 36,000 square feet was absorbed. Notable deals during the quarter were KSS Enterprises's 33,000-square-foot lease at 39133 Webb Drive in Westland and Faro Screen Process's 18,000-square-foot lease at 37770 Amrhein Road in Livonia. The only active construction project is General Development Company's 89,000-square-foot build-to-suit for Mygrant Glass on Haggerty Circle in Canton. In 2020, three major build-to-suits were completed for Webasto Roof Systems Inc., Tenneco and Cooper Standard, totaling 510,000 square feet.

### Ann Arbor

Ann Arbor's industrial vacancy rate fell 10 basis points to 6.6% during the first quarter as just over 5,500 square feet was absorbed. Industrial market activity has mostly been slow in the submarket over the past four quarters as the vacancy rate was that same percentage during the first quarter of 2020.

### Livingston County

Livingston County also saw slow market activity, however, the vacancy rate remains at a healthy level of just 3.2% as of the first quarter of 2021. Over the past years, the submarket's vacancy has been at or below the 3% level.

#### NOTABLE 1Q 2021 LEASE TRANSACTIONS

Tenant	Building	City	Submarket	Square Feet
General Motors	Tri-County Commerce III	Hazel Park	SE Oakland	472,000
Lowe's	Ecorse Commons Industrial	Romulus	Southern Wayne	160,000
MacLean-Fogg	23400 Haggerty Road	Farmington Hills	SW Oakland	142,000
MollerTech	51280 Regency	Macomb Twp	Macomb	65,000
Nissin International Transport	Van Buren Business Center	Van Buren Twp	Southern Wayne	51,000

#### NOTABLE 1Q 2021 SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
21405 Trolley Industrial	Southern Wayne	\$10,800,000	\$60	180,986
4306 Normandy Ct	SE Oakland	\$3,300,000	\$62	53,346
2002 Stephenson Hwy	SE Oakland	\$1,800,000	\$82	21,850
900 Auburn Ct	SE Oakland	\$1,700,000	\$73	23,285
44605 Macomb Industrial Drive	Macomb	\$1,600,000	\$60	26,518

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Gen Ind Asking Rent (Price/SF)
Ann Arbor	5,300,453	44,525	6.6%	5,601	5,601	\$9.50	\$10.93	\$6.07
Detroit	45,123,244	1,594,000	15.2%	(325,748)	(325,748)	\$3.86	\$5.74	\$4.99
Livingston County	13,505,557	40,000	3.2%	(12,050)	(12,050)	\$5.02	\$9.56	\$6.35
Macomb County	85,291,868	80,200	3.2%	(579,460)	(579,460)	\$5.32	\$7.94	\$5.41
SE Oakland County	88,315,979	1,931,560	3.4%	269,410	269,410	\$6.39	\$10.29	\$6.48
Southern Wayne County	58,922,924	1,565,000	4.0%	649,096	649,096	\$5.46	\$8.15	\$5.16
SW Oakland County	38,597,076	1,516,693	5.3%	120,463	120,463	\$6.06	\$9.86	\$6.76
Western Wayne County	69,816,214	89,000	2.9%	36,517	36,517	\$6.63	\$10.26	\$5.62
<b>Totals</b>	<b>404,873,315</b>	<b>6,860,978</b>	<b>4.9%</b>	<b>163,829</b>	<b>163,829</b>	<b>\$5.30</b>	<b>\$9.78</b>	<b>\$5.56</b>

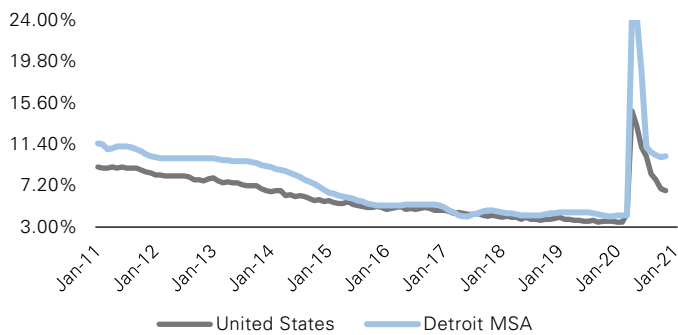
Statistics by Subtype						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	218,468,358	869,100	4.6%	(101,272)	(101,272)	\$5.56
Incubator	1,917,930	-	1.8%	(5,000)	(5,000)	\$6.11
R&D/Flex	42,567,201	109,525	5.5%	76,450	76,450	\$9.78
Warehouse/Distribution	141,919,826	5,882,353	5.2%	193,651	193,651	\$5.30
<b>Market</b>	<b>404,873,315</b>	<b>6,860,978</b>	<b>4.9%</b>	<b>163,829</b>	<b>163,829</b>	<b>\$6.00</b>

## RESEARCH Q1 2021

Metro Detroit's unemployment rate is gradually returning to pre-Covid-19 levels. The rate fell from a high of 24% in May of 2020 to 5.4% in January 2021. The unemployment rate during pre-pandemic was at 4.3%. Year-over-year job growing remains off 9% compared to levels in January 2021.

### UNEMPLOYMENT RATE

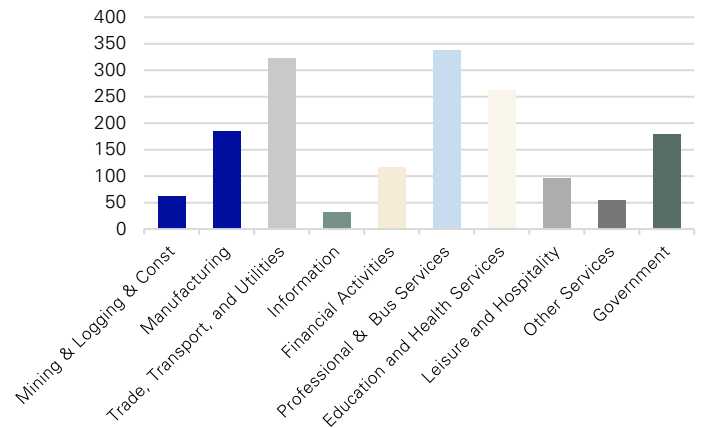
Seasonally Adjusted



\*Source: U.S. Bureau of Labor Statistics

### EMPLOYMENT BY INDUSTRY

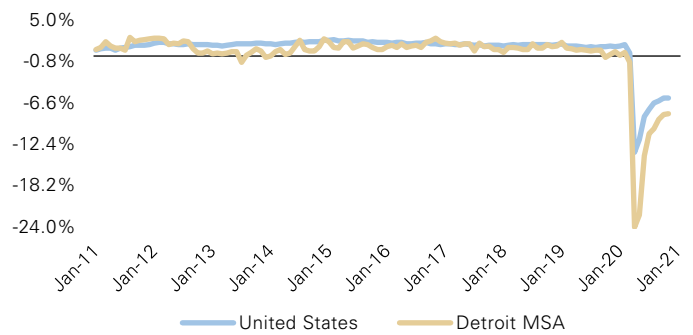
Detroit MSA, in thousands



\*Source: U.S. Bureau of Labor Statistics

### PAYROLL EMPLOYMENT

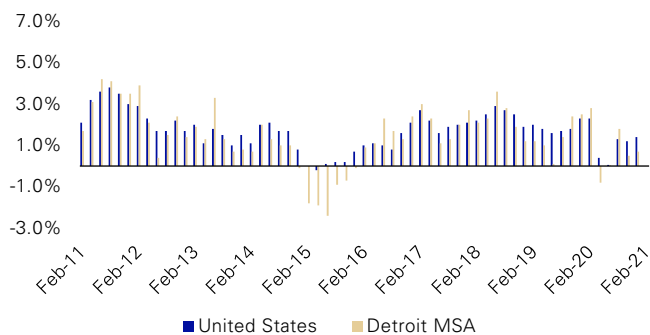
Total Nonfarm, Seasonally Adjusted, 12-Month % Change



\*Source: U.S. Bureau of Labor Statistics

### CONSUMER PRICE INDEX (CPI)

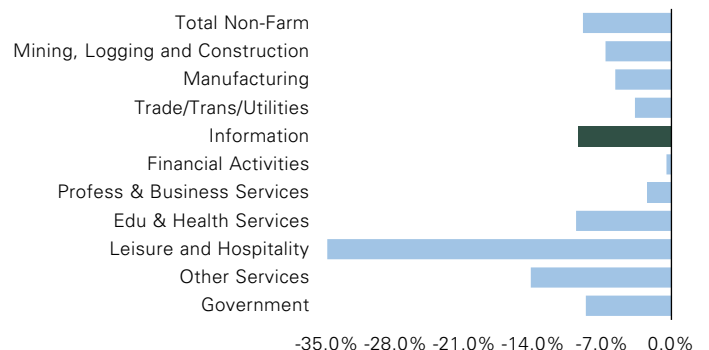
All Items, 12-Month % Change, Not Seasonally Adjusted



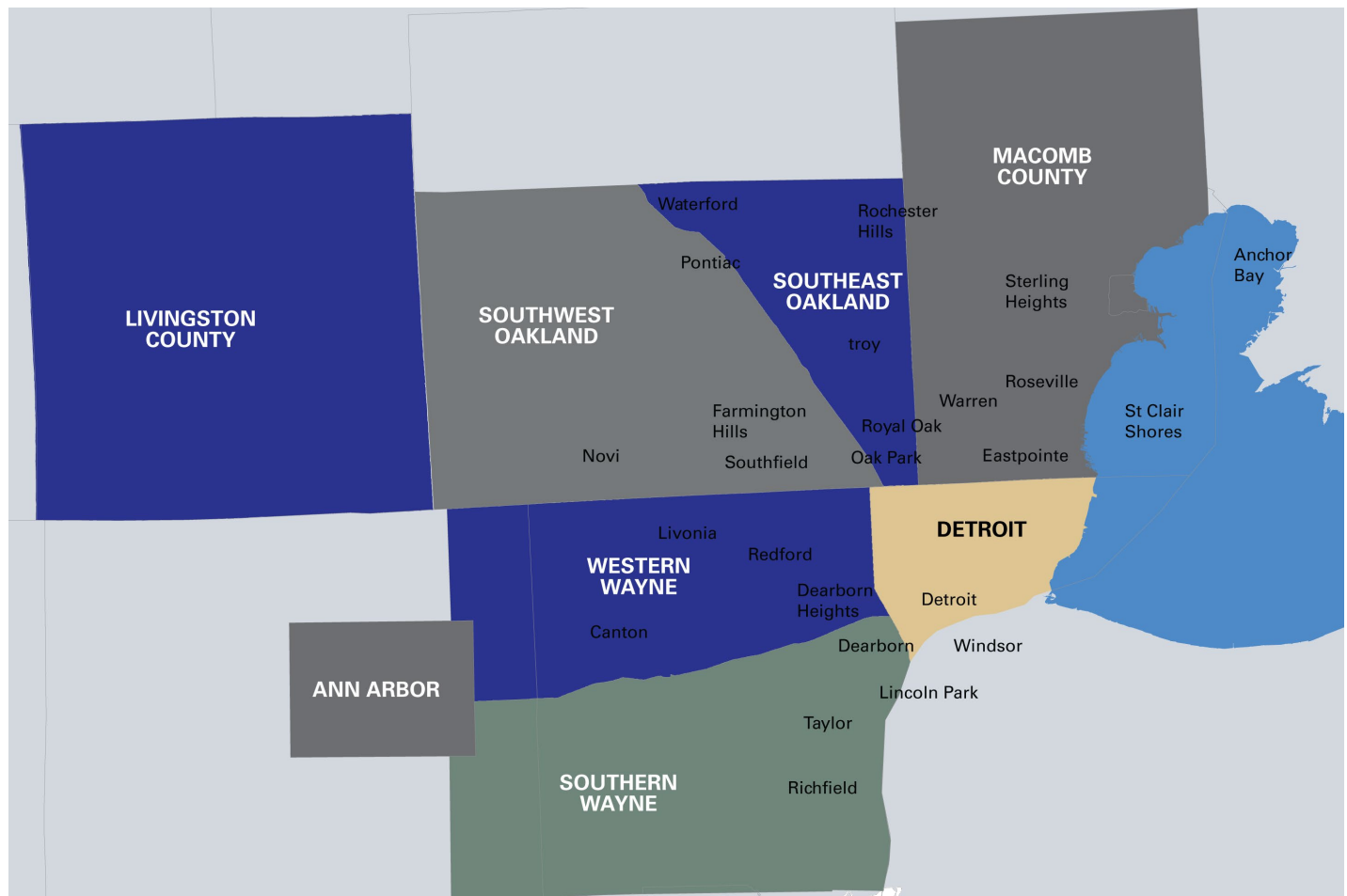
\*Source: U.S. Bureau of Labor Statistics

### EMPLOYMENT GROWTH BY INDUSTRY

Detroit MSA, 12-Month % Change, Not Seasonally Adj.



\*Source: U.S. Bureau of Labor Statistics



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