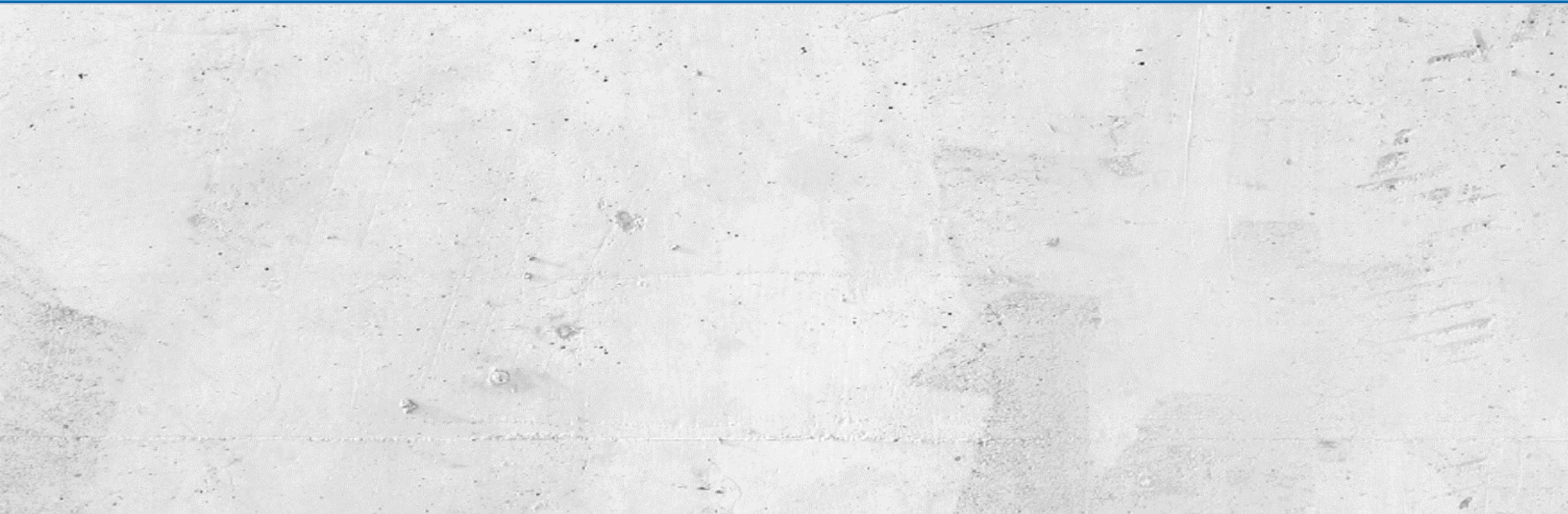

1Q24

Detroit Industrial Market Overview



Market Observations

Economy

- Metro Detroit’s labor market showed signs of weakening in the latest figures. February’s 4.0% unemployment rate was up from a recent low of 3.3% in December, but lower than the 5.7% 10-year historical average.
- The manufacturing sector employment fell 1% from the same time last year as automakers laid off workers. The sector lost 5,000 jobs over the past three months.
- Trade/transportation/utilities saw a 1.2% year-over-year uptick in employment. Massive federal and state transportation investments helped the construction sector employment to jump 8.5% from the same time last year.

Major Transactions

- Gestamp, which designs, developments and manufactures metal automotive components is constructing a 460,000-SF BTS in Chesterfield Township, MI.
- The Palace of Auburn Hills site is closer to being redeveloped into a supplier logistics center for General Motor supplier Piston Automotive.
- Renaissance Global Logistics LLC signed a new 295,000-SF lease in Romulus, MI. The third-party logistics company recently leased over 1 million SF in Wixom.

Leasing Market Fundamentals

- The Metro Detroit industrial vacancy rate climbed 70 basis points to 3.9% during the first quarter of 2024, as just over 351,000 SF in net vacancies were added to the market.
- Most submarkets continue to see an increased number of existing buildings coming on the market. Meanwhile, developers completed 2 million square feet of unleased speculative bulk warehouse construction during the quarter.
- Current construction pipeline includes five build-to-suits totaling 1.6 million SF. Four speculative developments for general industrial users under 70,000 SF are currently under construction. In addition, the partially pre-leased Crossroads Distribution Center 11, a bulk warehouse facility, is nearing completion.

Outlook

- With 2 million SF of available speculative bulk warehouse on the market, it’s unlikely developers will begin any new developments in the coming quarters.
- The Big Three have scaled back investments in EV around Metro Detroit due to slow demand. The cutback will lessen this automotive segment as an industrial demand driver.
- Industrial average asking rents growth continued to fall to just 0.26% during the first quarter of 2024. Rent growth is expected to moderate throughout the remainder of 2024 as more available space comes on the market.

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1. Economy
 2. Leasing Market Fundamentals

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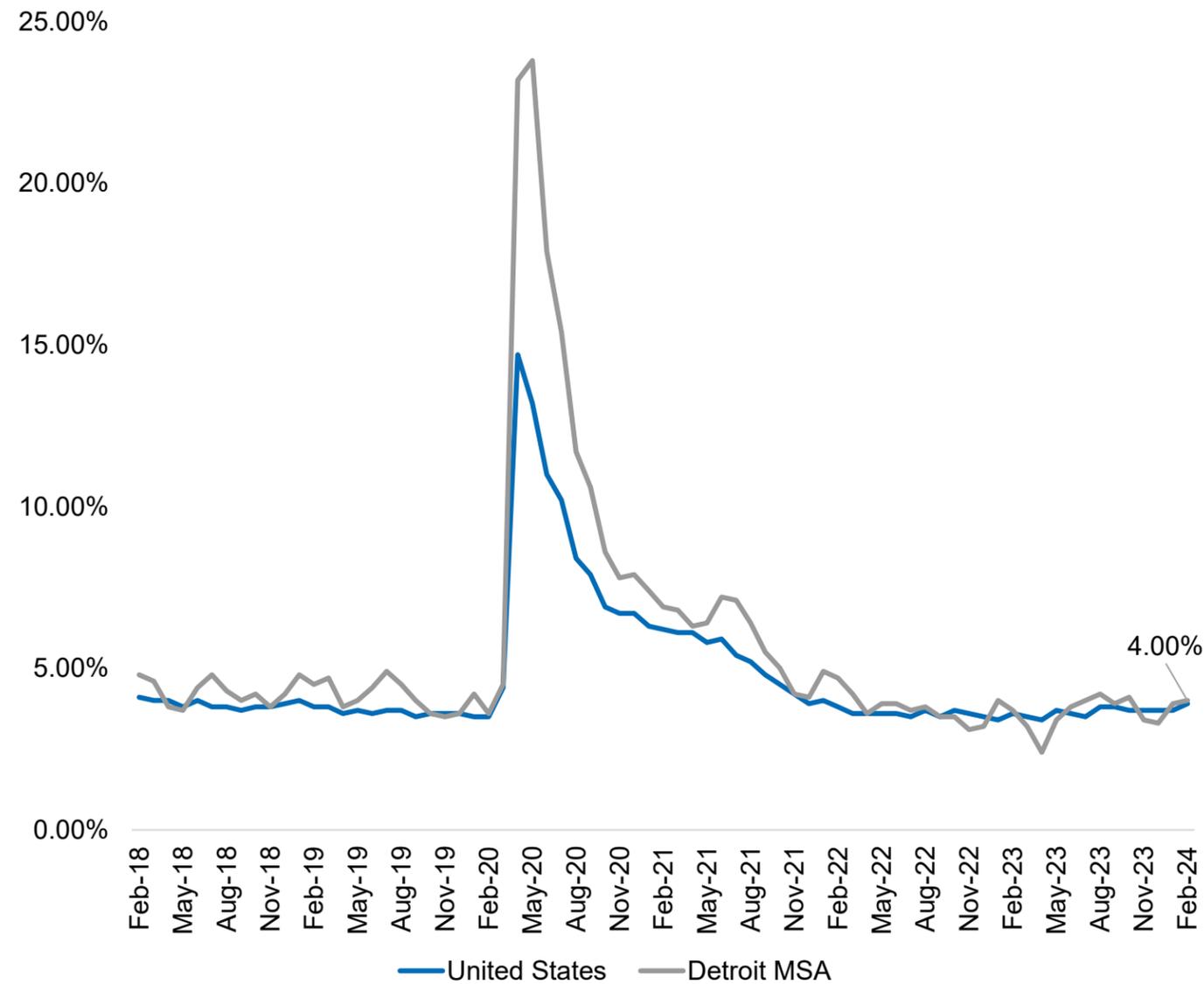
Economy



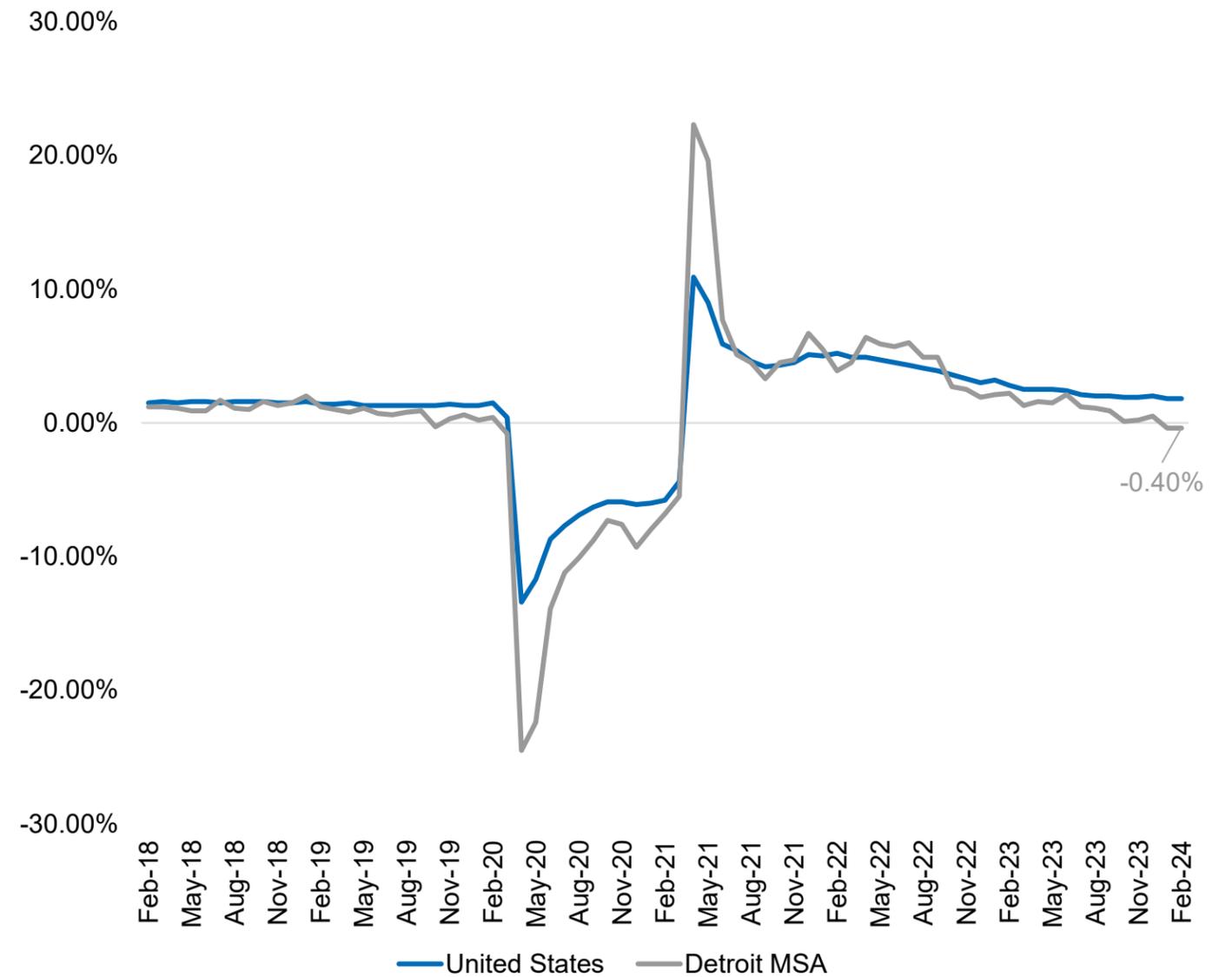
Metro Employment Trends Signal A Slowing Economy

Metro Detroit's unemployment rate continued to climb for the second consecutive month to 4.0% in February 2024 from 3.3% in December 2023. Comparatively, the US unemployment rate climbed from 3.7% to 3.9% during the same period. Year over year, the number of people employed dropped 0.40% in the Detroit area, while national employment levels are up 1.8%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

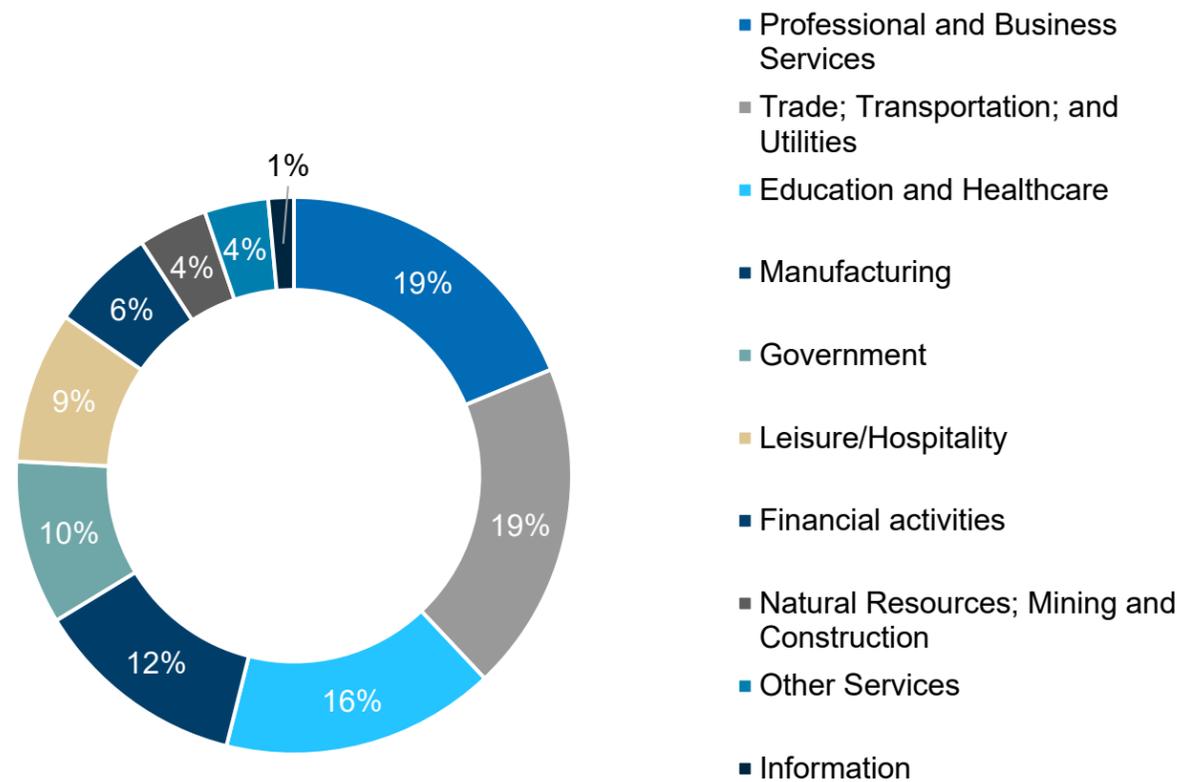


Source: U.S. Bureau of Labor Statistics, Detroit MSA

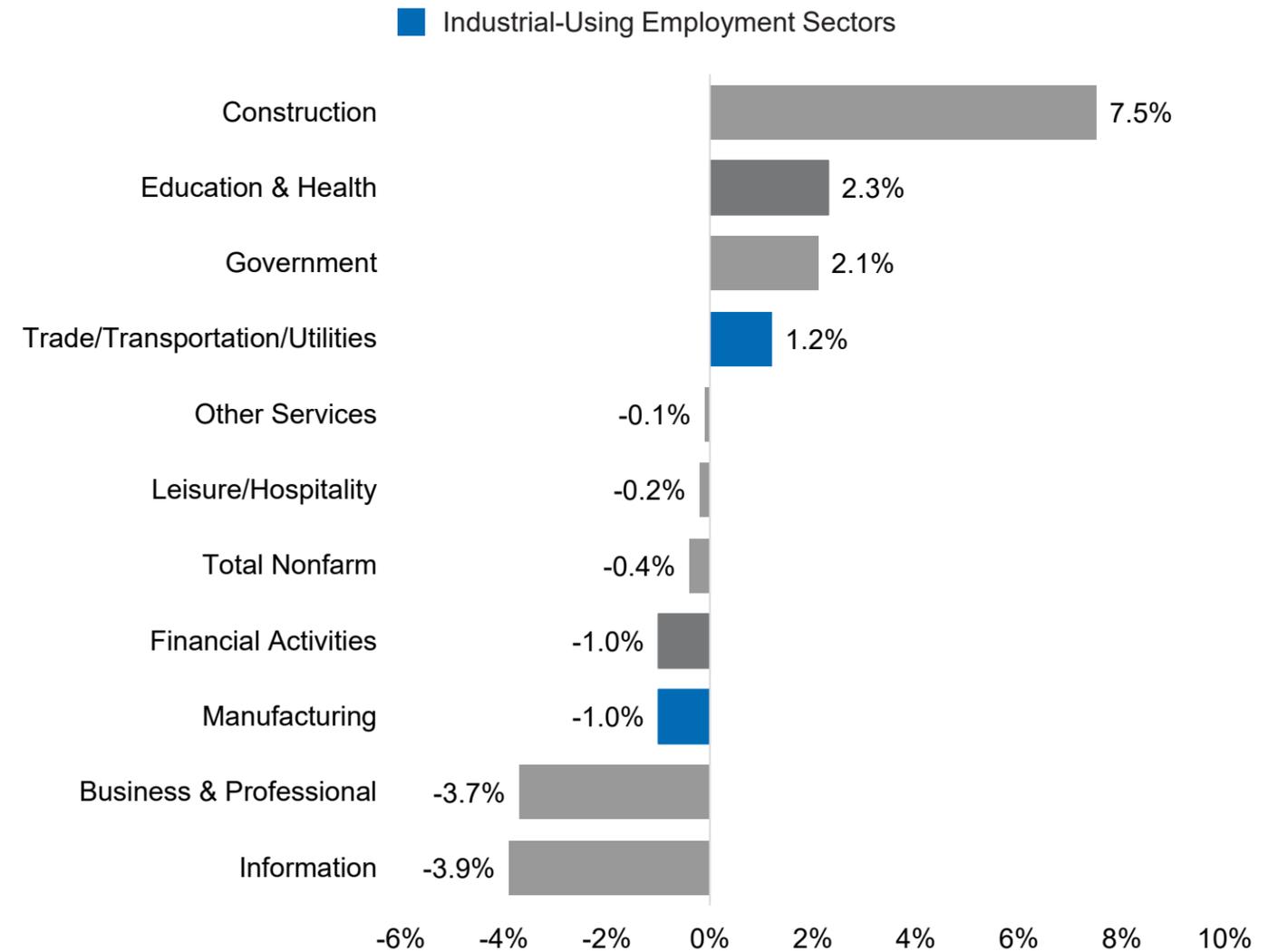
Construction Sector Leads Job Growth While Manufacturing Sheds Jobs

Construction continues to lead employment growth fueled by infrastructure funds to rebuild major expressways. Meanwhile, the key manufacturing sector continues to show weakness. February 2024 figures showed employment was down 1.0% from the previous year.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

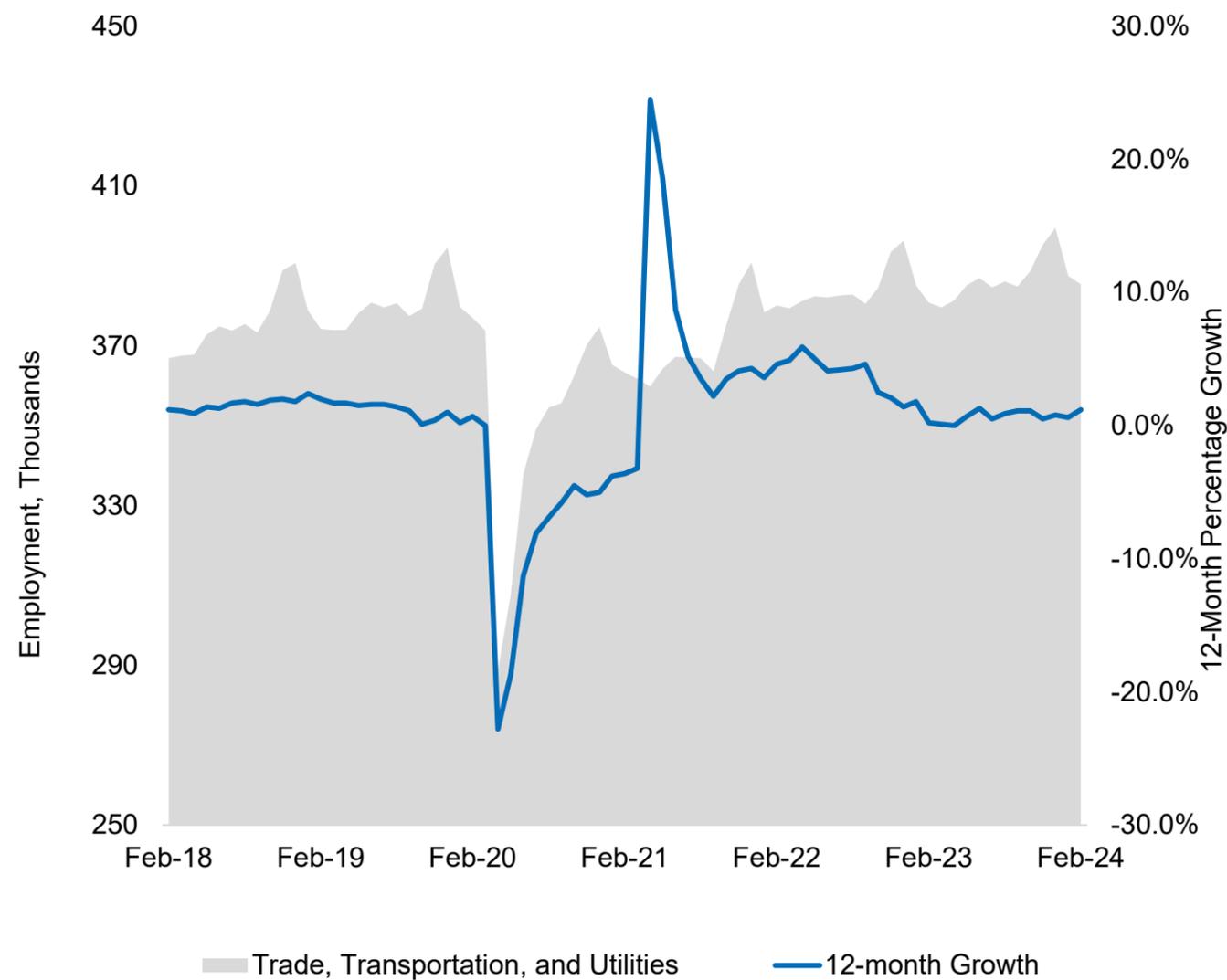


Source: U.S. Bureau of Labor Statistics, Detroit MSA

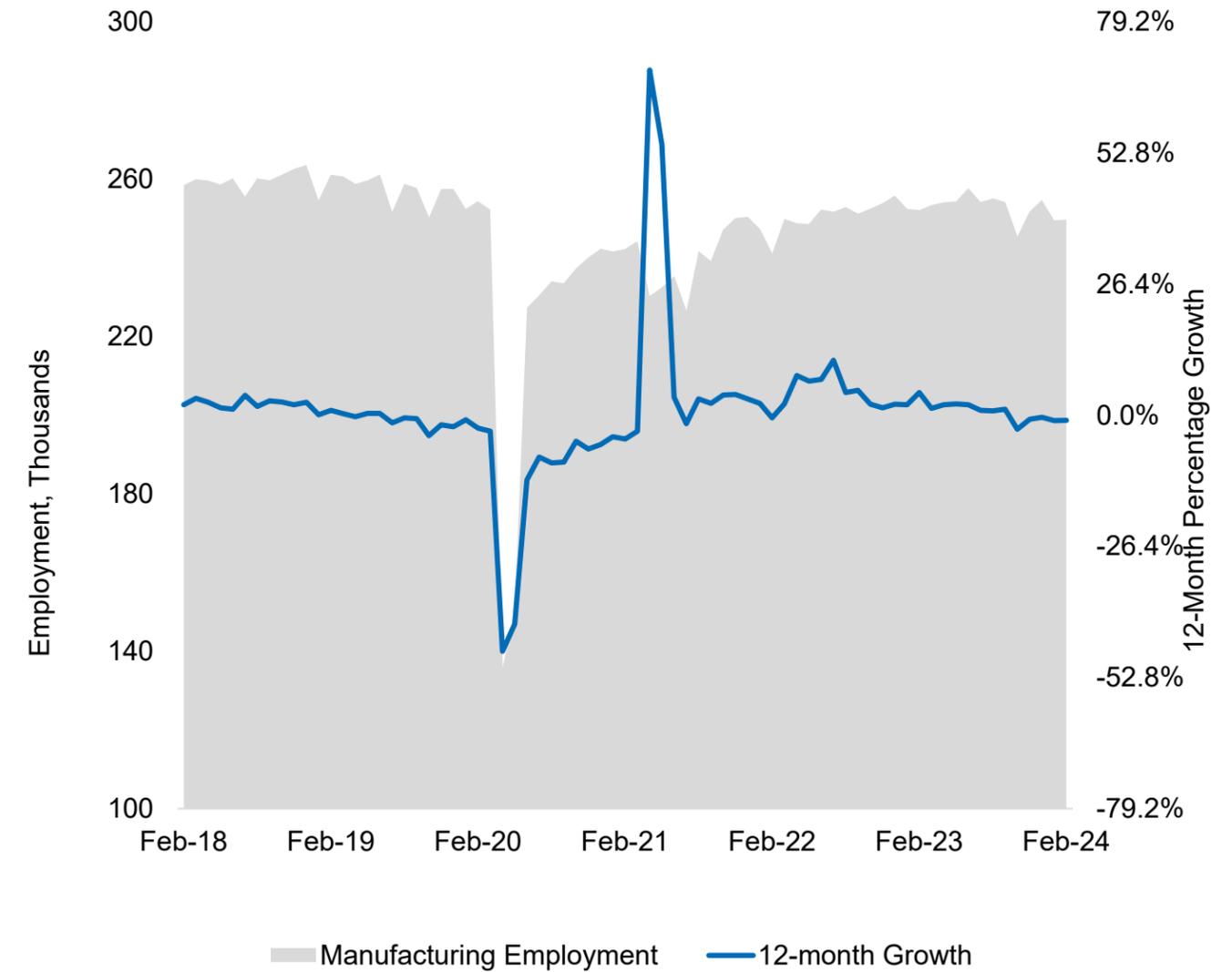
Industrial Employment Continues to Decline

The manufacturing sector employment fell 1% from the same time last year as automakers laid off workers. The sector lost 5,000 jobs over the past three months. Pullback in EV investments by the Big Three and general layoffs from automakers were major contributing factors.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Detroit MSA

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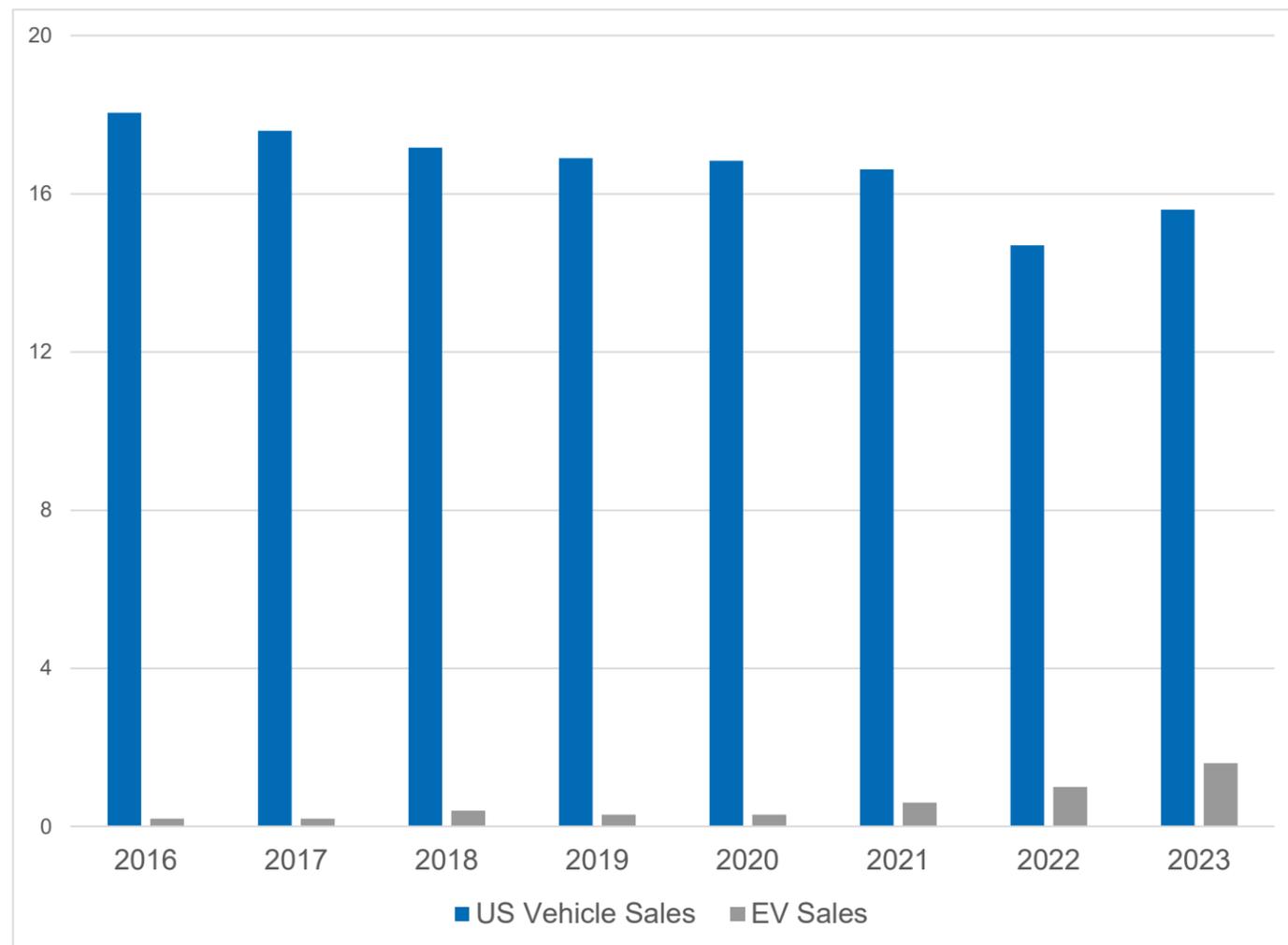
Leasing Market Fundamentals



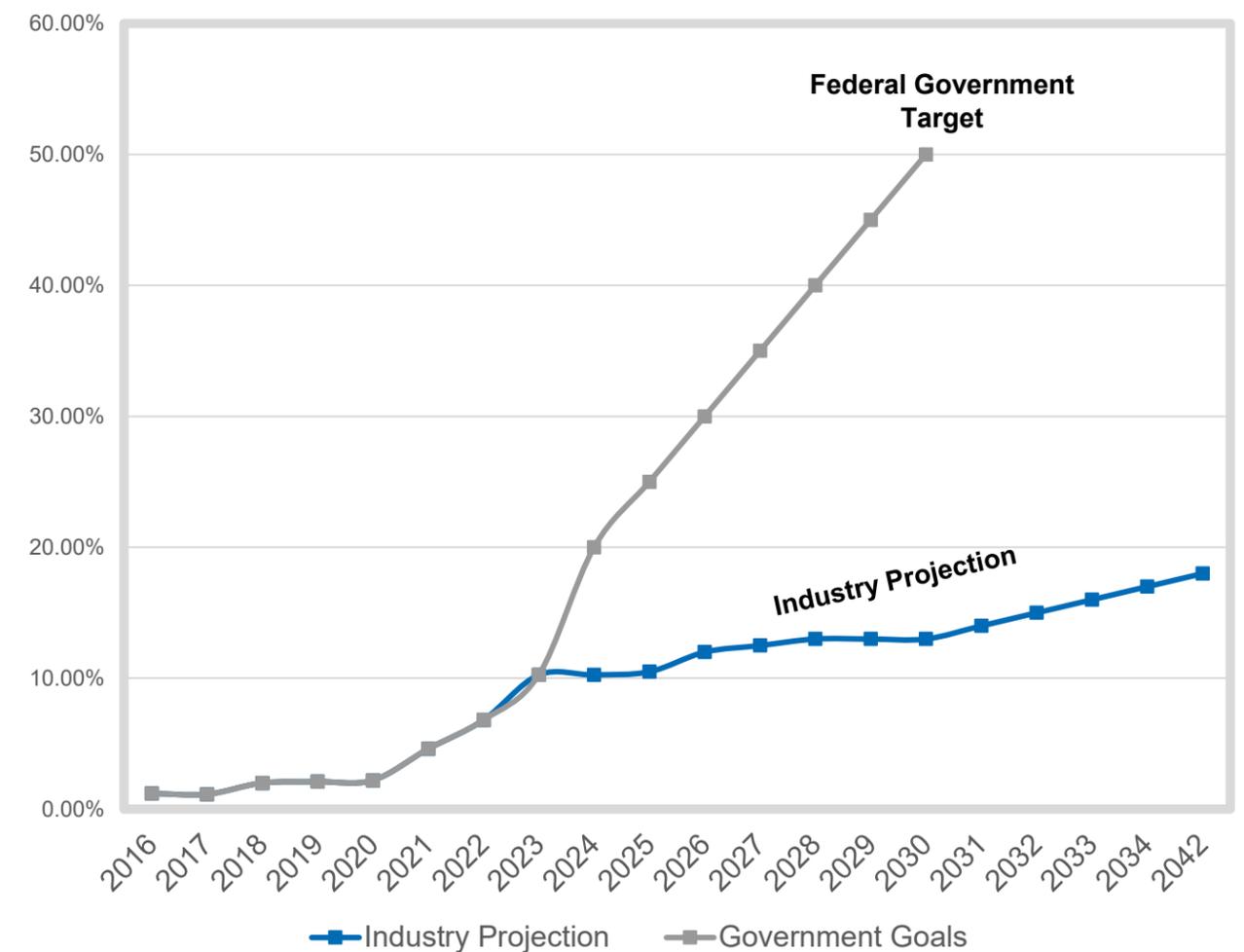
Automakers Put Breaks on EV Investments as Demand Not Growing Fast Enough

GM, Ford and Stellantis have retrofitted assembly plants and invested in battery production and logistical hubs for components. EV production requires significant investments by the Big Three with a growing but limited customer base. EV growth is critical to scaling production and foster additional investment. US EV sales have mostly trended upward since 2016, seeing the great year-over-year increase of 50% in 2023 for a total of 1.6 million units sold. The federal government has set a goal to make half of all new vehicles sold in the U.S. zero-emissions vehicles by 2030. The Big Three say current demand isn't growing fast enough to merit much of the planned capital investments. Automotive analysts predict EV sales will make up nearly 20% of overall vehicle sales over the next 20 years. Recently, the Big Three have scaled back investments in EV around the Detroit Metro. Notably, Ford scaled back plans for a \$3.5-billion Michigan battery plant, cutting production capacity by roughly 43% to 20 gigawatt hours per year. GM delayed plans to build a \$200-million electric vehicle supply plant at the former site of the Palace of Auburn Hills. GM also delayed Orion Assembly plant transition for EV truck production until 2025.

Total US Vehicle Sales vs EV US Vehicle Sales (Millions)



Percentage of US Electric Vehicles Sales of Overall Sales

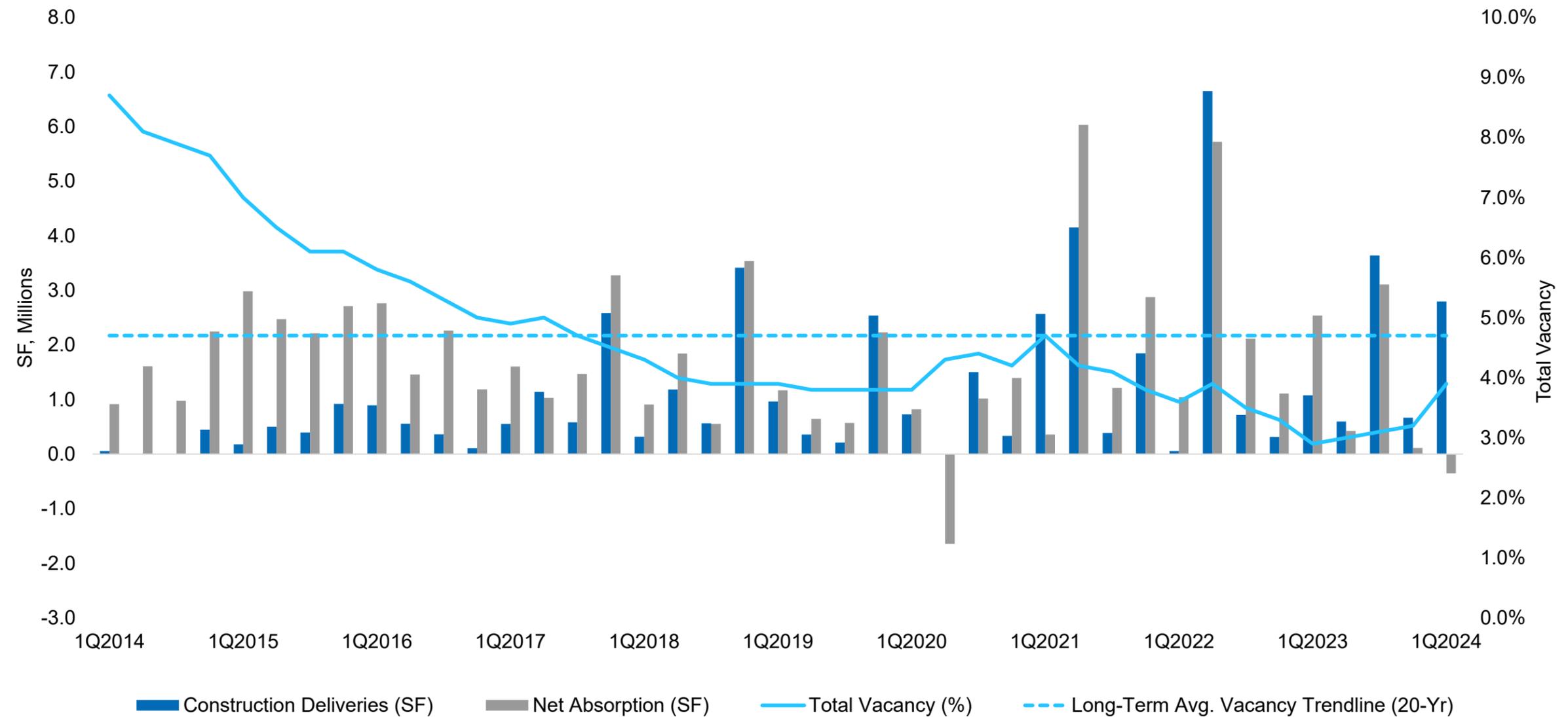


Source: International Energy Agency, Edmonds

Vacancy Rises Due to Construction Deliveries and Weakening Demand

The Detroit Metro industrial vacancy rate climbed 70 basis points to 3.9% during the first quarter of 2024. The vacancy rate climbed due to weakening industrial demand and completed speculative construction. The Metro area has seen an increase in the number of existing buildings coming on the market. Meanwhile, developers completed 2 million SF of unleased speculative bulk warehouse construction.

Historical Construction Deliveries, Net Absorption, and Vacancy

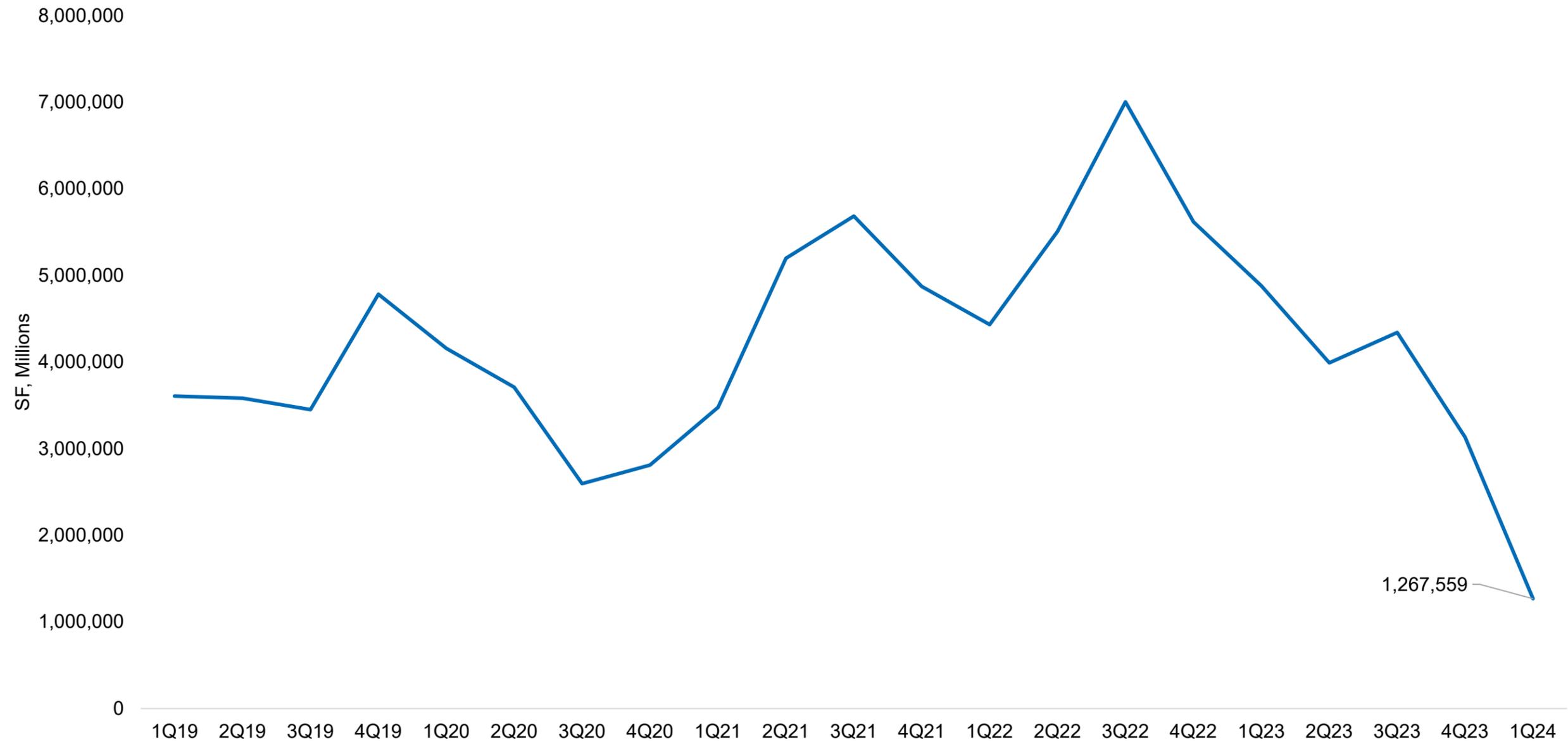


Source: Newmark Research

Industrial Leasing Activity Declines Due to Market Demand

Leasing activity has fallen off considerably over the past two years, falling from a high over 7 million during the third quarter of 2022 to 1.2 million during the first quarter of 2024. The drop is attributed to pull back in investments from automakers and a decline in the number of large-block bulk warehouse leases.

Total Leasing Activity (SF)

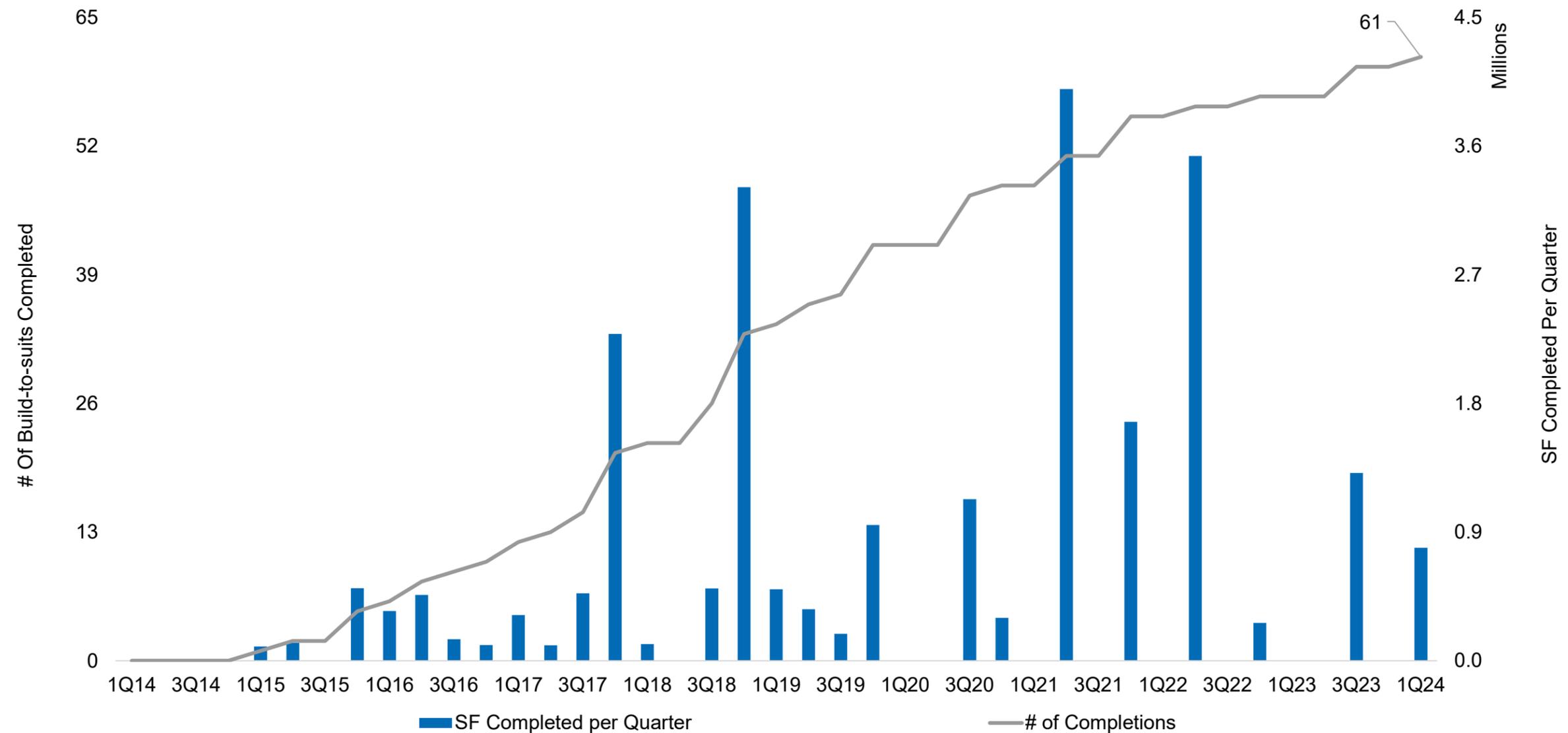


Source: Newmark Research, CoStar

Build-to-Suit Construction Leveling Off

Over the past 10 years, 61 build-to-suits over 100,000 SF have been completed. The number of BTS developments has begun to level off, compared to 2016 to 2020 levels, due to high interest rates, construction cost and a general weakening of the economy. Currently, FANUC America Corporation and Magna are nearing completion on 655,000-SF and 285,000-SF facilities. Target Corp and Gestamp North America are targeting the end of 2024 for completion of 180,000 SF and 460,000 SF, respectively.

100,000 SF Build-to-Suit Developments Over 10 Years

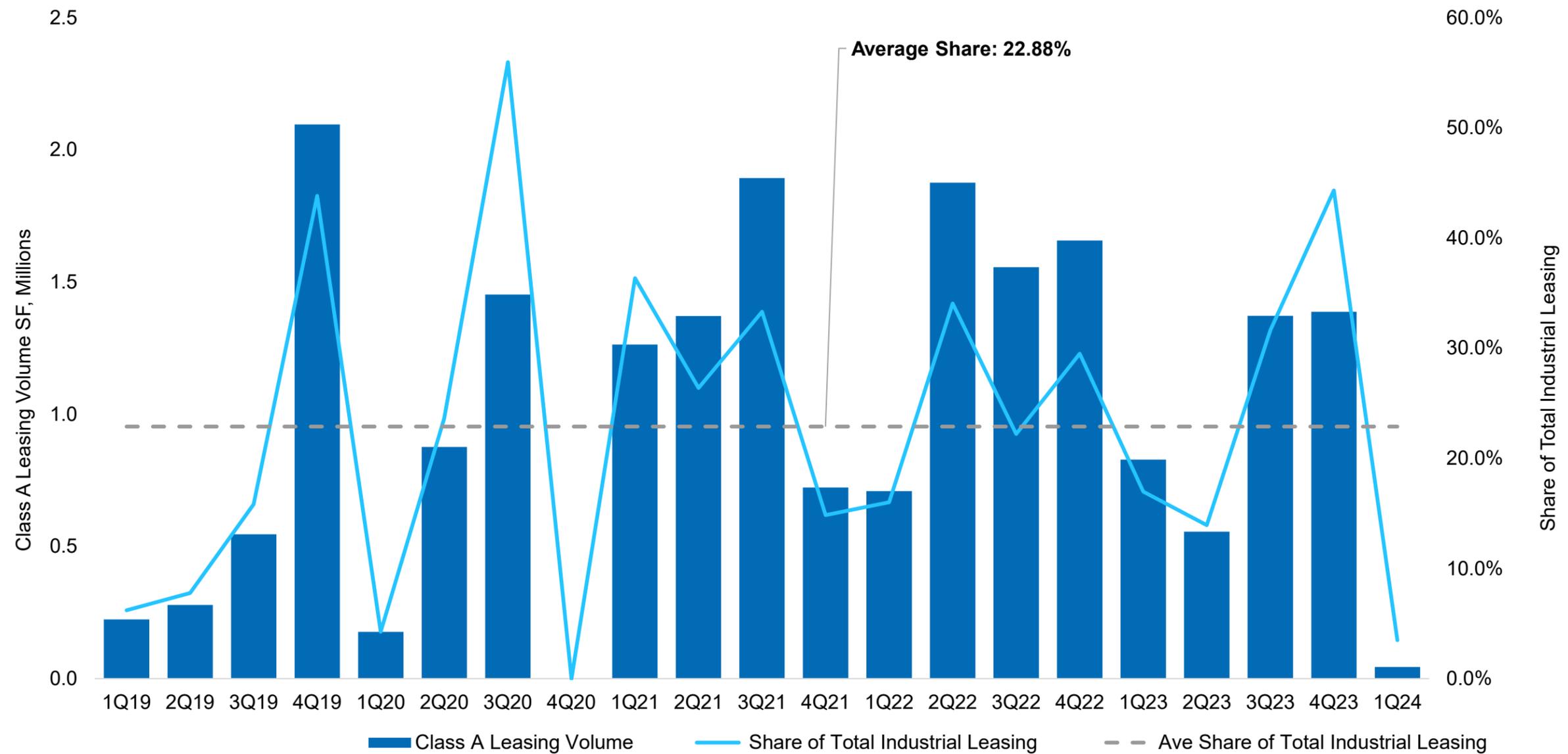


Source: Newmark Research, CoStar

Class A Warehouse Leasing Dips Below Long-Term Average

Class A Warehouse facilities offer modern operational and cost efficiencies. Over the past five years, these distribution facilities, both build-to-suits and speculative facilities, have accounted for a significant share of overall industrial leasing volume. The variations below the average share over the past five years were attributed to lack of available supply. During the first quarter of 2024, leasing volume dropped considerably, while over 2 million SF of available warehouse developments were completed.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

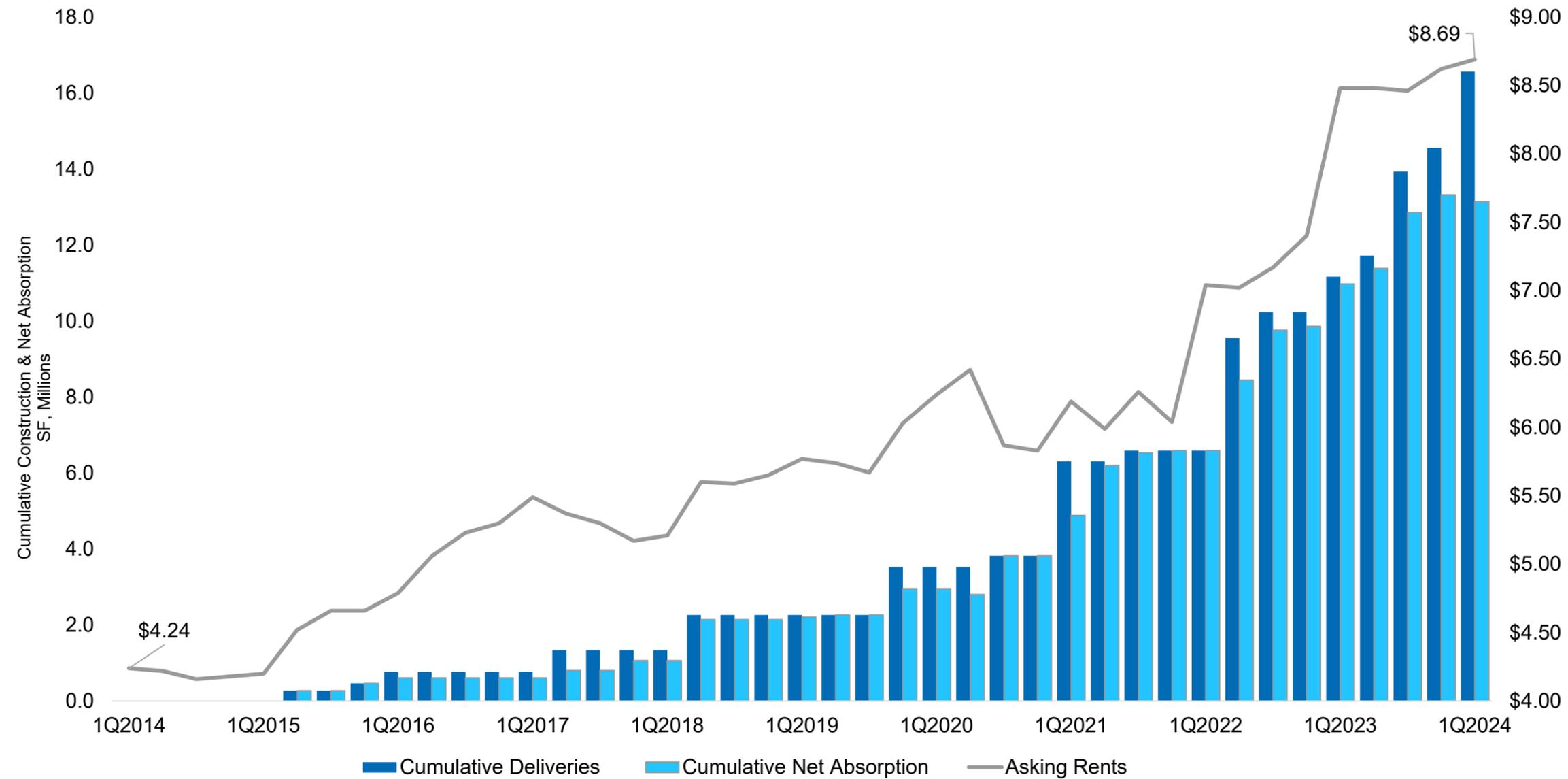


Source: Newmark Research, CoStar

Speculative Class A Warehouse

Over the past 10 years, new speculative bulk warehouse developments saw unprecedented growth. Developers built 45 distribution facilities totaling over 16.8 million SF. In each quarter, new deliveries were nearly all absorbed upon completion. Over the same period, asking rates nearly doubled, going from \$4.24/SF to \$8.69/SF. Recently, a record 4.3 million SF of speculative developments were completed over the past year, while demand, shown in net absorption, is showing signs of waning.

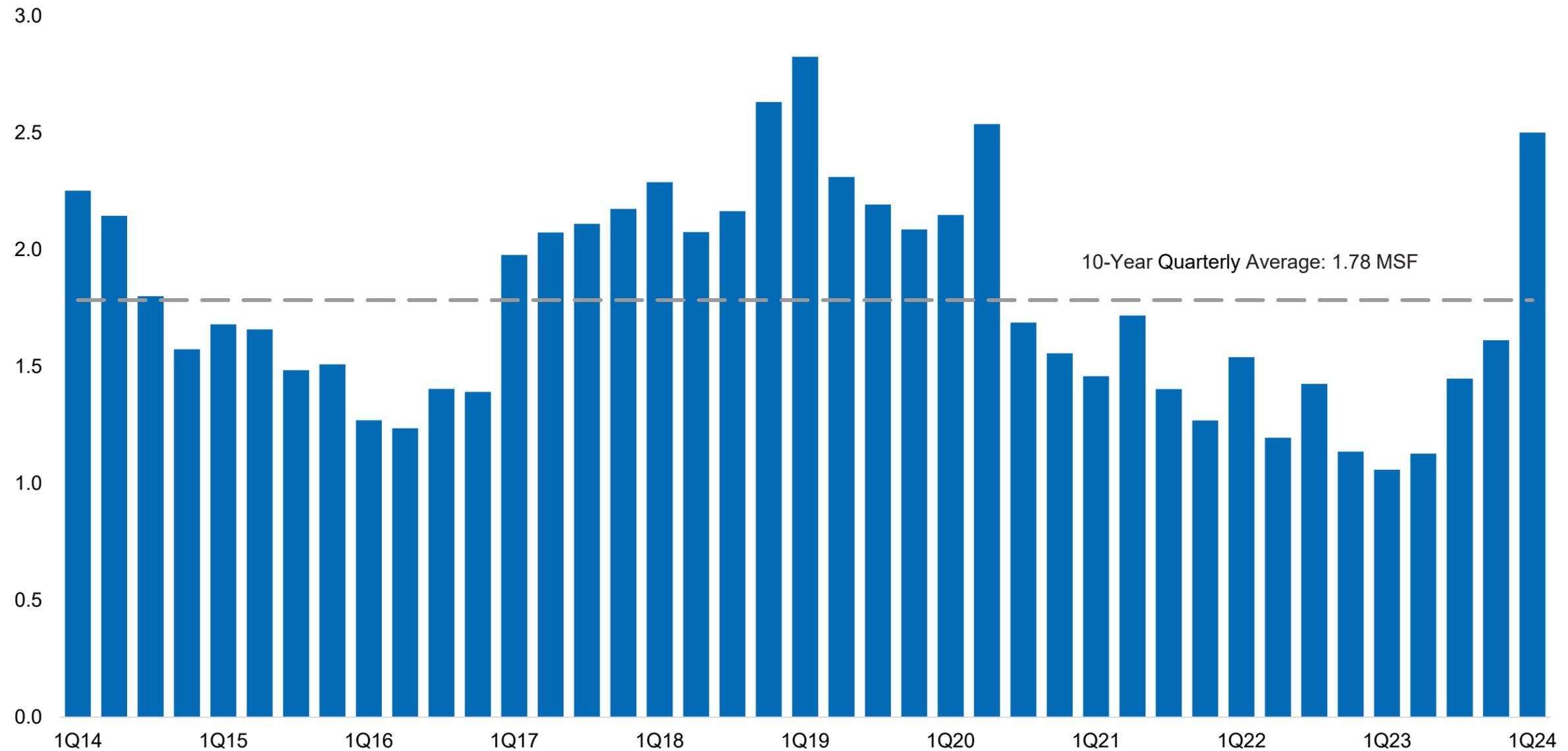
Speculative Bulk Warehouse Built 2014 - Present



Industrial Sublease Availability Hits Four-Year High

Sublease volume spiked during the first quarter of 2024 to levels during the height of the pandemic and significantly above the long-term pre-pandemic average. The rate at which subleases were added to the market has accelerated over the past five quarters. Rising interest rates, an inflationary environment, declining consumer demand and a pullback in the EV market are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.

Available Industrial Sublease Volume (msf)

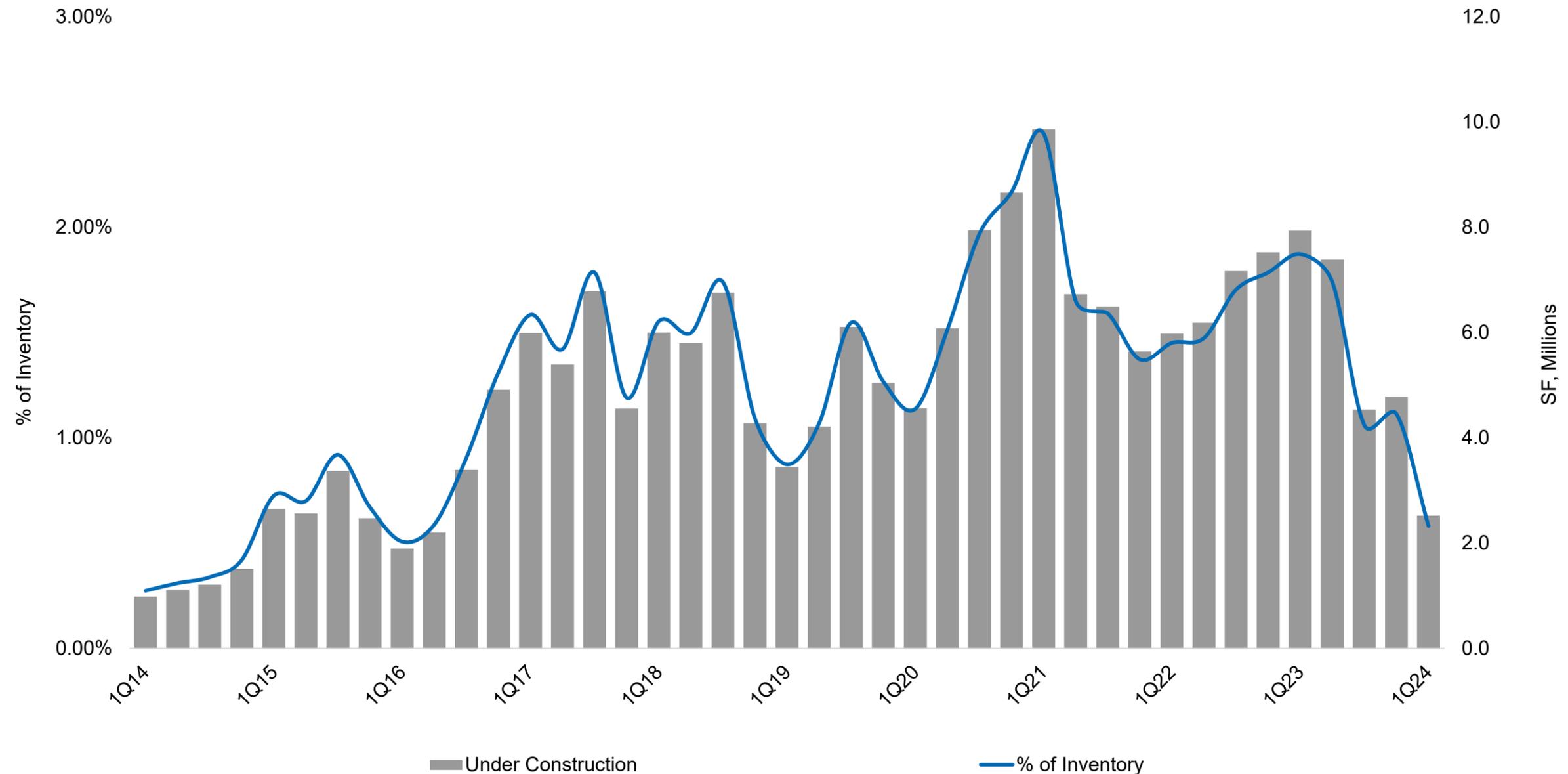


Source: Newmark Research, CoStar

Industrial Supply Pipeline Eases as New Inventory Exceeds Current Demand

The construction pipeline has trended mostly downward over the past four quarters. Build-to-suits make up 1.6 million SF of active construction. Speculative construction has dropped to 855,000 SF from a high of over 5 million SF last year. Over the past two years, over 10 million SF of speculative construction have been complete. The gap between supply and demand is growing as new inventory is beginning to exceed user demand.

Industrial Under Construction and % of Inventory

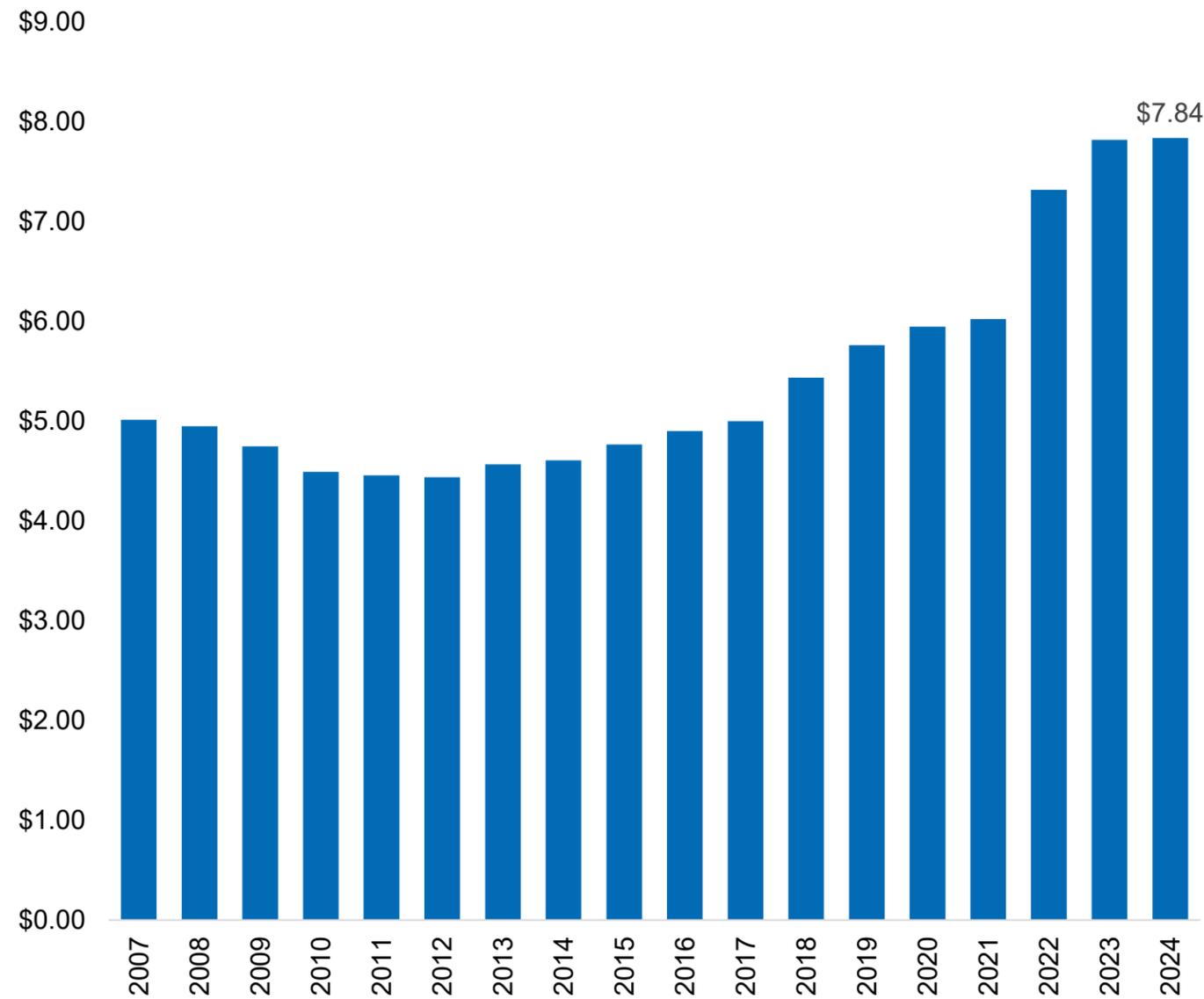


Source: Newmark Research, CoStar

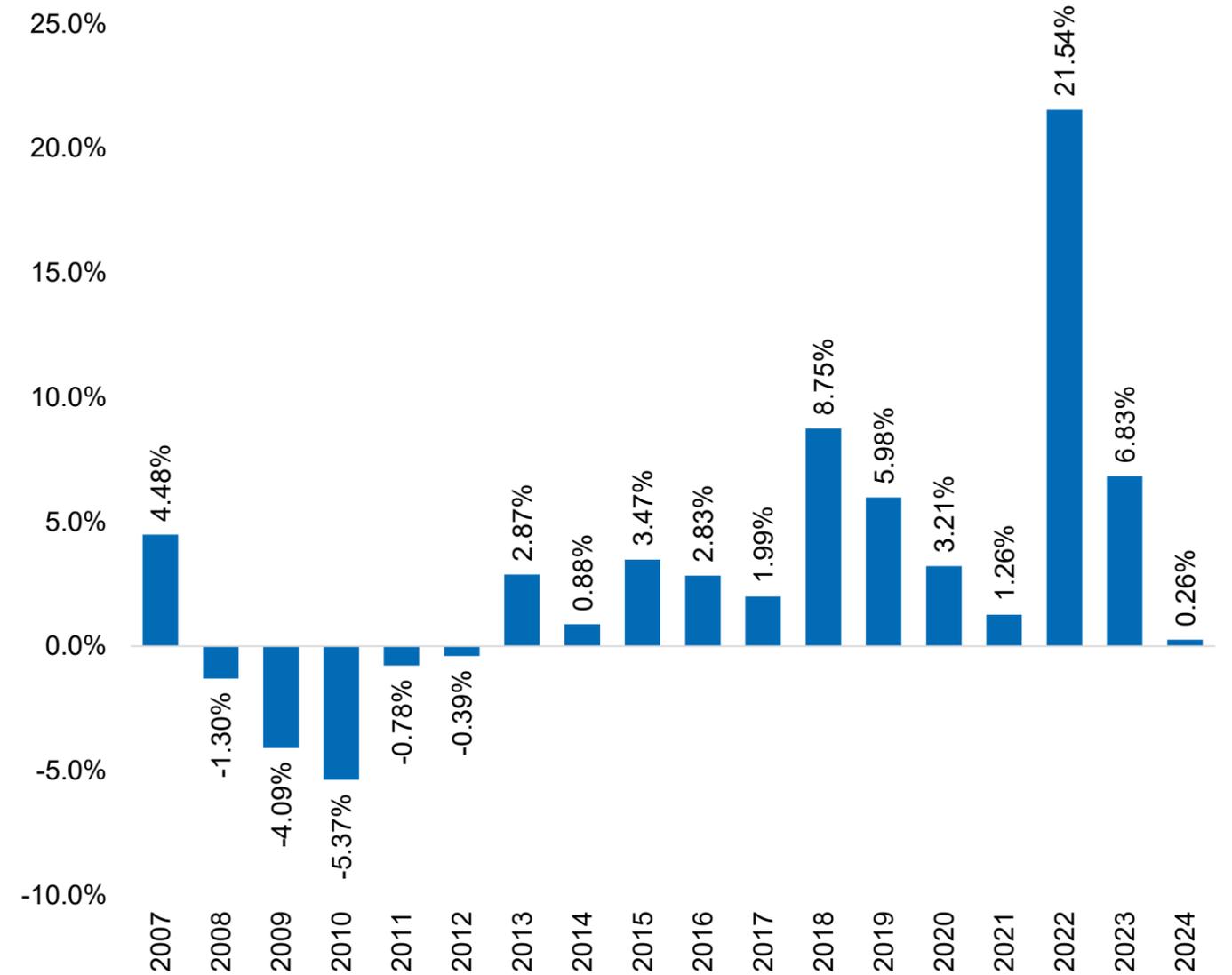
Asking Rent Growth Continues to Moderate

Average asking rent grew by just 0.26% during the first quarter of 2024. Year-over-year growth rate is far off the 21.54% seen in 2022. Rent growth is expected to moderate throughout the remainder of 2024 as more available space comes on the market.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 1Q24 Lease Transactions

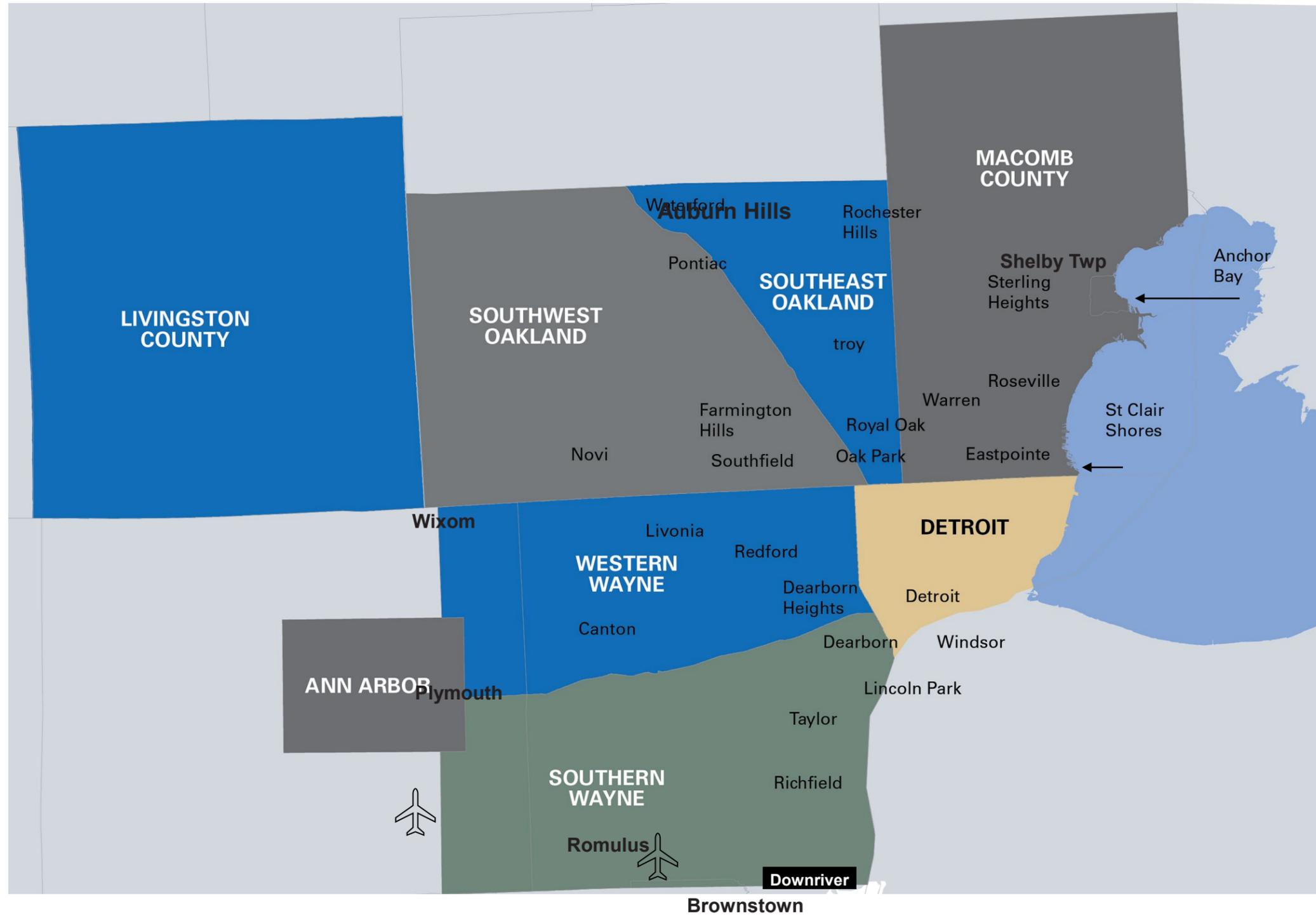
The volume of new leases has slowly declined over the past four quarters.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Gestamp North America <i>New Construction. Build-to-suit. The company designs, development and manufacture of metal automotive components.</i>	52153 Sierra Dr	Macomb	Direct New	460,000
Anchor Bay Packaging Corporation <i>The company offers services such as consolidation, packaging and repackaging, warehousing, and supplier risk management.</i>	50900 E Russell Schmidt Blvd	Macomb	Lease Extension	311,000
Renaissance Global Logistics LLC <i>The company offers services such as consolidation, packaging and repackaging, warehousing, and supplier risk management.</i>	38481 W Huron River Dr	Southern Wayne	Direct New	295,000
Detroit Manufacturing Systems <i>DMS provides Value-Add Assembly and vertically integrated contract manufacturing solutions.</i>	30811 Century Dr	SW Oakland	Direct New	110,000
NJT Enterprises, LLC <i>Plastic injection molding, tooling, prototyping & metal powder coating for the automotive industry.</i>	42315 Mancini Dr	Macomb	Lease Extension	93,000

Source: Newmark Research

Detroit Industrial Submarket Map



Source: Newmark Research

1Q 2024 Overall Metro Detroit Industrial Market Stats

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)
Ann Arbor	5,741,479	-	3.8%	(7,141)	(7,141)	0	0	\$9.52
Detroit	52,110,722	180,000	12.0%	1,170,320	1,170,320	1,826,098	1,826,098	\$7.36
Livingston County	13,545,557	67,472	2.0%	24,200	24,200	0	0	\$7.75
Macomb	89,802,598	511,595	1.9%	(52,240)	(52,240)	0	0	\$7.58
SE Oakland	95,154,761	1,097,955	2.4%	(692,842)	(692,842)	0	0	\$8.54
Southern Wayne	64,183,564	628,000	4.6%	(646,282)	(646,282)	969,528	969,528	\$7.14
SW Oakland	41,769,003	-	4.1%	35,506	35,506	0	0	\$9.01
Western Wayne	71,341,878	37,147	2.4%	(182,782)	(182,782)	0	0	\$8.07
Totals	433,649,562	2,522,169	3.9%	(351,261)	(351,261)	2,795,626	2,795,626	\$7.84

By Property Type

General Industrial	224,369,532	1,677,022	3.4%	(291,333)	(291,333)	0	0	\$7.85
Incubator	1,917,930	-	1.6%	2,500	2,500	0	0	\$7.09
R&D/Flex	43,205,489	37,147	5.5%	128,969	128,969	0	0	\$9.55
Warehouse/Distribution	164,156,611	808,000	4.3%	(191,397)	(191,397)	0	0	\$7.14
Total	433,649,562	2,522,169	3.9%	(351,261)	(351,261)	0	0	\$7.84

Source: Newmark Research

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