

Metro Detroit Industrial Market

Speculative Construction Has Grown 27% To Over 3.5 Million Square Feet YTD

The Metro Detroit industrial vacancy rate fell 50 basis points to 4.4% during the second quarter of 2021 as just over 3.2 million square feet were absorbed. Construction activity remains strong for both build-to-suits and speculative developments. Four major build-to-suits were completed during the quarter: Amazon’s 823,000-square-foot facility on the former Pontiac Silverdome site; NBL Corporation’s 171,000-square-foot building in Novi; U.S AutoForce’s 126,000-square-foot facility in Wixom; and Auburn Pharmaceutical Co’s 65,000-square-foot building in Rochester Hills. Market conditions remain strong and continue to respond favorably to new speculative developments. Year-to-date, speculative construction has grown 27% to over 3.5 million square feet. The new developments under construction include: the Oakland Logistics Center; Wixom Assembly Park; Shelby Commerce Center; and the M3 Commerce Center. Since 2015, nearly 13 million square feet of new bulk warehouse space to the market in the form of new construction. Despite the new supply, the Class A and Class B bulk warehouse vacancy rate is just 1.6%.

Current Conditions

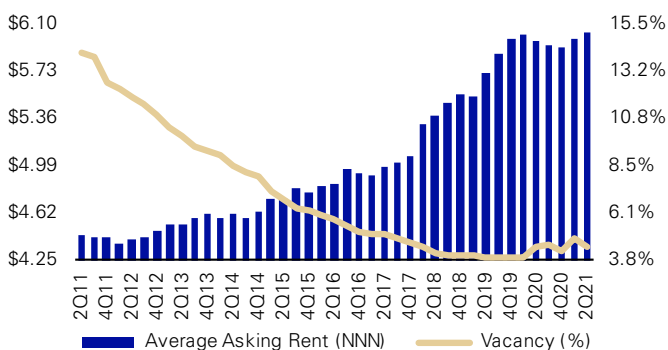
- The Metro Detroit industrial vacancy rate fell 50 basis points to 4.4% during the second quarter of 2021 as just over 3.2 million square feet were absorbed.
- Construction activity remains strong for both build-to-suits and speculative developments.
- Year-to-date, speculative construction has grown 27% to over 3.5 million square feet.

Market Summary

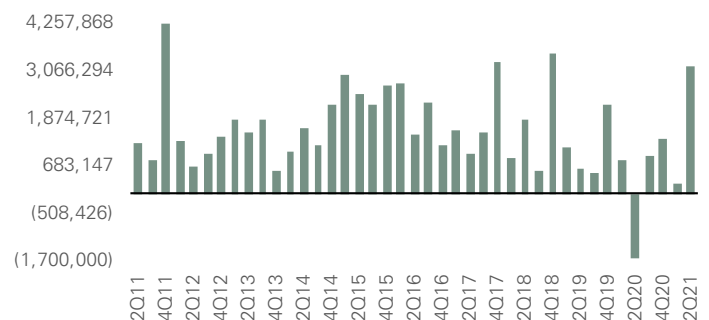
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	406.2M	404.8M	400.9M	↑
Vacancy Rate	4.4%	4.9%	4.4%	↓
Quarterly Net Absorption (SF)	3,242,558	227,734	(1,644,597)	↑
Average Asking Rent/SF	\$6.04	\$5.98	\$5.97	↑
Under Construction (SF)	6,537,752	6,816,453	6,079,665	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Southern Wayne County

The Southern Wayne County industrial vacancy rate fell 160 basis points to 2.4% during the second quarter as just over 944,000 square feet was absorbed. The Southern Wayne County submarket has the largest inventory of bulk warehouse, with an overall vacancy rate of 2.2%. Since 2016, the inventory has grown by over 4 million square feet for a total of just over 27 million square feet with the deliveries of speculative development, such as Ecorse Commons Industrial Park 1 and 2 and build-to-suit facilities for Amazon, Penske Logistics, Mopar, Costco, ProTrans and Logos Logistics, Inc. The Class A bulk warehouse vacancy rate fell from 8.7% during the previous quarter to 3.1% as new speculative construction was leased up. The most recent addition to the market is Ashley Capital’s Crossroads Distribution Centers 4 and 5 completed during first- and second-quarter 2021. Crossroads Distribution Centers 5, a 659,404-square-foot Class A distribution building, was 100% leased to FedEx. Building 4, a 261,483-square-foot facility, is 60.0% leased as Associated Couriers and New Haven Moving took space in the new building. Meanwhile, Ford Motor Company purchased A123’s former 287,000-square-foot battery facility at 38100 Ecorse Road in Romulus. Amazon is expanding its presence with a 500,000-square-foot and 750,000-square-foot fulfillment center and sort center in Huron Township being developed by Hillwood. The company will likely occupy the new facilities in the coming quarters. In addition, Kroger is near completion of its 150,000-square-foot automated Kroger Fulfillment Center on Wahrman Road in Romulus with an expected completion time in the coming quarter.

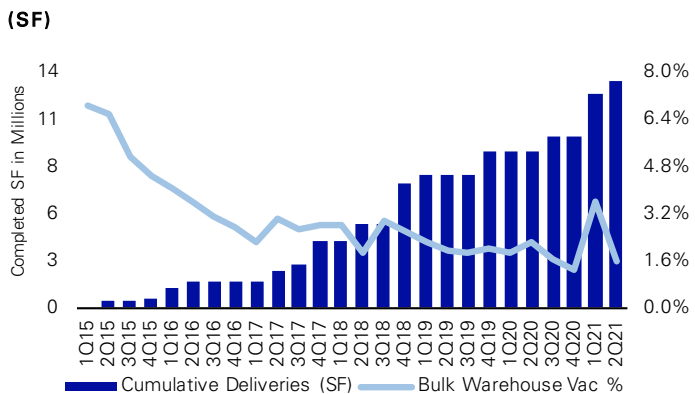
While market trends for bulk warehouse remain positive, the submarket’s R&D/flex market saw increased vacancies during the quarter. In Dearborn, 48,000 square feet became vacant at 15403 South Commerce Drive, 43,000 square feet was vacated in Schaefer Court III and Fairlane Commerce Park added 14,000

square feet of flex space to the market. The R&D/flex vacancy rate jumped from 3.4% to 6.4% during the second quarter with just over 129,000 square feet in net new vacancies.

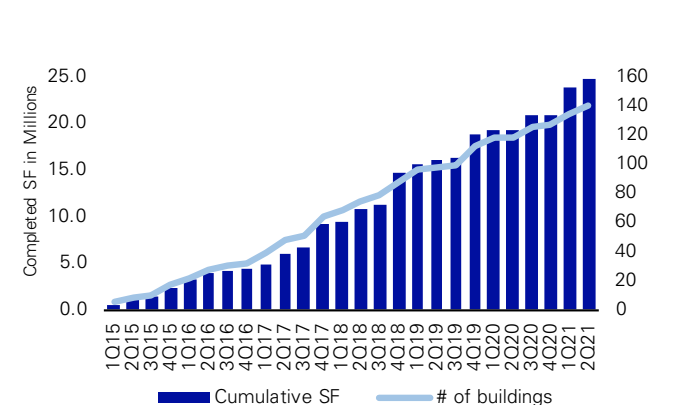
Southeast Oakland County

The Southeast Oakland County industrial vacancy rate fell 50 basis points to 2.8% during the second quarter as just over 1.4 million square feet was absorbed. Amazon accounted for the bulk of positive absorption as the company finished construction on an 823,000 square-foot fulfillment center at the former Pontiac Silverdome site on Featherstone. Auburn Pharmaceutical Co also finished construction on a 65,000-square-foot build-to-suit. Vacancies for bulk warehouse continue to fall amid strong demand in the submarket. Mayville Engineering Company leased 440,479 square feet in the Tri-County Commerce Center III in Hazel Park. This follows General Motors’s 470,693-square-foot lease during the previous quarter. The 911,000-square-foot bulk warehouse facility is now 100% leased. Another bulk warehouse facility, Orion Commerce Center I is also fully leased as US Farathane Corporation expanded its presence and GEDIA Automotive Group took the remaining 41,000 square feet. Sales were active during the quarter. Atlas Building, LLC purchased a 28,000-square-foot building at 1200 Hamlin Road in Rochester Hills. DTG Properties, LLC purchased 19,000-square-foot facility at 29215 Stephenson Highway, Madison Heights. Two notable subleases came on the market during the quarter: Magneti Marelli’s 126,000 square feet in Independence Township and Grupo Antolin’s 111,000-square-foot space on Atlantic Boulevard in Auburn Hills. Flint Development continues construction on the Oakland Logistics Center, a 713,796-square-foot speculative bulk warehouse development at 2100 South Opdyke Road in Pontiac. This is the only other speculative bulk warehouse development besides the fully occupied 2.1-million-square-foot Tri-County Commerce Center complex.

Cumulative Bulk Warehouse Deliveries vs Vac %



Overall Cumulative Construction Developments



Schostak Brothers & Company completed the shell of its speculative 138,000-square-foot general industrial building on Executive Hills in Auburn Hills. Marijuana production facilities are also being developed; Holistic Industries completed construction on a 63,000-square-foot facility on Stephenson in Madison Heights while the 54,000-square-foot Natrabis Marijuana Cultivation Facility in Lake Orion is under construction.

Macomb County

The Macomb County industrial vacancy rate fell 20 basis points to 3.1% during the second quarter as just over 208,000 square feet was absorbed. One of the largest deals was DMW Holdings, Inc.'s 103,000-square-foot lease at 151 Lafayette, Mount Clemens. Other deals include: Graphic Sciences, Inc.'s 29,000-square-foot lease at 33500 Mound Road in Sterling Heights; Specialties Manufacturing Co taking 22,000 square feet at 34480 Commerce Road in Fraser; and Stonefly Group's 18,000-square-foot lease at 50625 Design Lane in Shelby Township. Sales were active with Recaro North America, Inc. purchasing the 100,000-square-foot building at 24801 Capital Boulevard in Clinton Township the company was formerly leasing. 11530 Stephens, LLC's purchase of a 76,000-square-foot facility in Warren was also among the most notable sales. A few vacancies offset absorption, the largest being Nexeo Plastics's former 104,000-square-foot space on Toepfer Road in Warren, while a 20,000-square-foot vacancy was created in Belfor's former 20,000-square-foot space. The Macomb County submarket had one of the smallest percentages of bulk warehouse inventory in Metro Detroit before companies such as Amazon, Lipari Foods and FCA Auto constructed just over 2 million square feet of build-to-suit facilities to accommodate warehousing and distribution needs. Meanwhile, developers Sterling Group and Hillwood constructed a speculative 295,000-square-foot bulk warehouse in 2020 that was immediately leased to Hollingsworth Logistics. Given the strong demand and limited supply, Northpoint is speculatively building the Shelby Commerce Center. The new development, located on Twenty-Three Mile Road between Mound and Van Dyke, will begin with Building 1, a 312,322-square-foot bulk facility, and Building 2, a 359,226-square-foot facility and plans for Building 3, at 332,186 square feet.

Southwest Oakland County

The Southwest Oakland County industrial vacancy rate fell 50 basis points to 4.6% during the second quarter, as just over 509,000 square feet was absorbed. Positive absorption was largely attributed to two completed build-to-suits: NLB Corporation's 170,000-square-foot building at 51701 Grand River

Avenue in Lyon Township; and U.S AutoForce's 126,000-square-foot facility at 48238 Frank Street in Wixom. Moba Americas Inc. also accounted for a significant portion of absorption as the company leased 92,000 square feet in Dembs Development Company's recently completed speculative development at 28355 Lakeview Drive in Wixom. Other notable deals during the quarter include: Sonotronic, Inc.'s 44,000-square-foot lease at 31132 Century Drive; KSI's 32,000-square-foot lease at 28025 Oakland Oaks Court; and 3Conn's 20,000-square-foot deal at 47247 Cartier Drive in Wixom. Construction continues on Flint Development's second major Metro Detroit development, the Wixom Assembly Park on the former Wixom Ford Assembly Plant site in Wixom. The first phase of the development consists of 741,993-square-foot and 133,772-square-foot bulk warehouse facilities, with a completion targeted for fourth-quarter 2021. Southeast Oakland's bulk warehouse market has just 3.7 million square feet of inventory that is 100% occupied. Walbridge Aldinger Company is also speculatively developing the Lyon Distribution Center I, a 280,000-square-foot warehouse facility in New Hudson.

City of Detroit

The City of Detroit's industrial vacancy rate fell 10 basis points to 15.1% during second-quarter 2021. Despite the city's higher vacancy rate, which is mostly attributed to third-generation functional obsolescent buildings, developers are seeing great opportunities to develop modern facilities central to the automotive core. Stellantis NV just completed construction and opened the 3.0-million-square-foot factory Mack Assembly Plant that will produce the company's flagship Jeep line of vehicles. The city is also home to GM Factory ZERO and Stellantis Jefferson North Assembly Plant. With long-term automotive production investments, developers are increasingly eyeing the city to build modern industrial facilities in the heart of these production facilities. NorthPoint Development announced plans to build a 1.03-million-square-foot three building complex to be known as Eastland Commerce Center project in Harper Woods. During the previous quarter, 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. Investors are taking note, as well. W. P. Carey purchased 366,103-square-foot 6000 Wyoming Avenue and 121,497-square-foot 9400 McGraw Street buildings, occupied by Comprehensive Logistics, for \$53.0 million.

Western Wayne County

The Western Wayne County industrial vacancy rate fell 20 basis points to 2.8% during the second quarter as just over 98,000 square feet was absorbed. Notable deals include: Sema Inc.'s purchase of 45,000 square feet on Jib Street in Plymouth; Farrow Inc.'s 48,000-square-foot lease on Port Street in Plymouth; Frisbie Moving and Storage's move into 32,000 square feet on Glendale in Livonia; and Zenith Freight Lines, LLC's lease on Ashurst Street in Livonia. A few sizable vacancies offset absorption, including: a 20,000-square-foot vacancy on Hix Road in Westland; an 18,000-square-foot availability in Plymouth Technology Park; and another 18,000-square-foot vacancy on Commerce Drive in Westland.

Ann Arbor

Ann Arbor's industrial vacancy rate increased 20 basis points to 15.1% during the second quarter as just over 12,000 square feet in net vacancies were added to the market. The bulk of negative absorption came from a 10,000-square-foot vacant space at the R&D/Flex facility Avis Centre I at 640 Avis Drive. Year-to-date, leasing activity has been mostly slow in the submarket.

Notable 2Q 2021 Lease Transactions

Tenant	Building	City	Submarket	Square Feet
FedEx	Crossroads Distribution Center 5	Belleville	Southern Wayne	659,404
Mayville Engineering Company	Tri-County Commerce Center III	Hazel Park	SE Oakland	440,479
KUKA Systems North America LLC	Livonia Distribution Center	Livonia	Western Wayne	308,015
Hodges Warehouse + Logistic	Romulus Business Center Bldg 1	Romulus	Southern Wayne	200,000
DMW Holdings, Inc	151 Lafayette	Mount Clemens	Macomb	103,000

Notable 2Q 2021 Sale Transactions

Building	City	Sale Price	Price/SF	Square Feet
6000 Wyoming & 9400 McGraw	Detroit	\$53,000,000	\$109	487,600
38100 Ecorse	Romulus	\$31,603,000	\$110	287,000
52585 Dequindre	Rochester Hills	\$7,000,000	\$73	96,460
29770 Hudson	Novi	\$1,850,000	\$86	21,443
32401 Industrial Dr	Madison Heights	\$1,225,000	\$75	16,261

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	5,344,978	0	6.8%	(12,607)	(7,006)	\$9.50	\$10.94	\$7.41
Detroit	45,210,981	1,594,000	15.1%	54,549	(271,199)	\$3.97	\$5.74	\$4.99
Livingston County	13,545,557	0	3.4%	11,760	(290)	\$4.80	\$9.29	\$6.35
Macomb County	85,403,549	1,003,748	3.1%	208,665	(402,276)	\$5.34	\$7.50	\$5.41
SE Oakland County	89,133,986	982,996	2.8%	1,426,921	1,716,111	\$6.33	\$10.36	\$6.71
Southern Wayne County	58,922,926	1,565,000	2.4%	944,960	1,594,056	\$5.22	\$8.82	\$5.20
SW Oakland County	38,920,185	1,303,008	4.6%	509,680	703,949	\$6.17	\$9.77	\$6.88
Western Wayne County	69,804,530	89,000	2.8%	98,630	136,947	\$6.62	\$9.10	\$5.97
Totals	406,286,692	6,537,752	4.4%	3,242,558	3,470,292	\$5.27	\$9.52	\$5.64

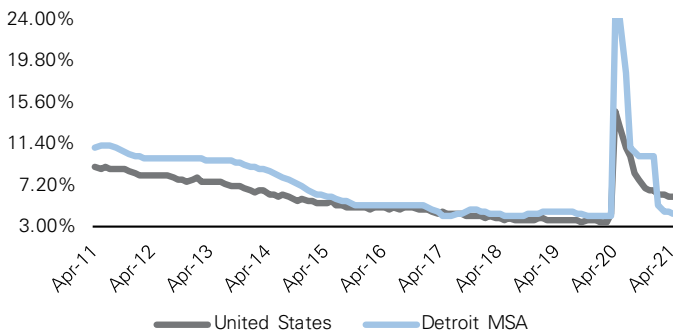
Statistics by Subtype						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	218,895,930	804,415	4.5%	664,107	626,740	\$5.64
Incubator	1,917,930	0	1.8%	0	(5,000)	\$6.16
R&D/Flex	42,728,234	0	5.7%	(1,715)	74,735	\$9.52
Warehouse/Distribution	142,744,598	5,733,337	4.0%	2,580,166	2,773,817	\$5.27
Market	406,286,692	6,537,752	4.4%	3,242,558	3,470,292	\$6.04

RESEARCH Q2 2021

Metro Detroit’s unemployment rate is returning to pre-Covid-19 levels. The rate fell from a high of 24% in May of 2020 to 4.3% in April 2021. Meanwhile, payroll employment totals grew 21% from the same time last year. The biggest gains in employment have been in the industrial sector such as Manufacturing and Construction as well as Hospitality. Professional Services and Financial Activities growth has been smaller in comparison.

Unemployment Rate

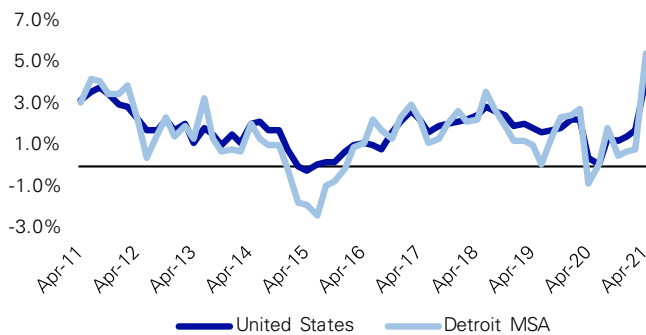
Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

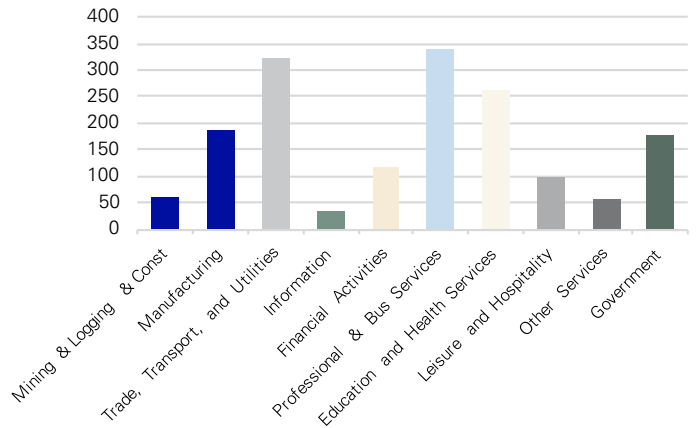
All Items, 12-Month % Change, Not Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Employment By Industry

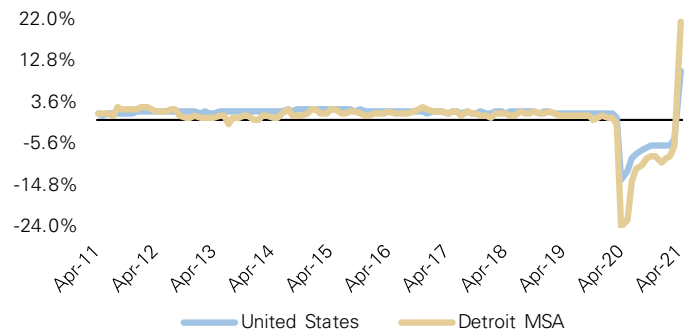
Detroit MSA, in thousands



*Source: U.S. Bureau of Labor Statistics

Payroll Employment

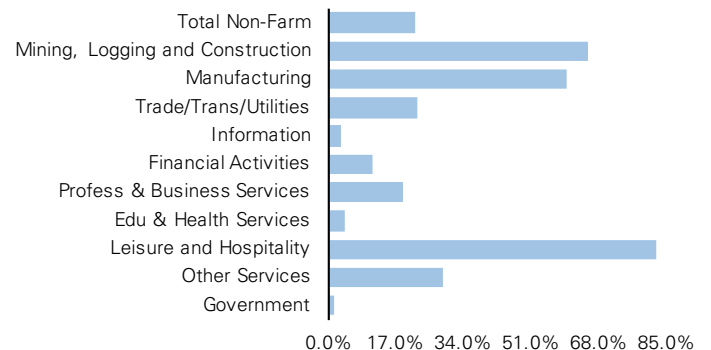
Total Nonfarm, Seasonally Adjusted, 12-Month % Change



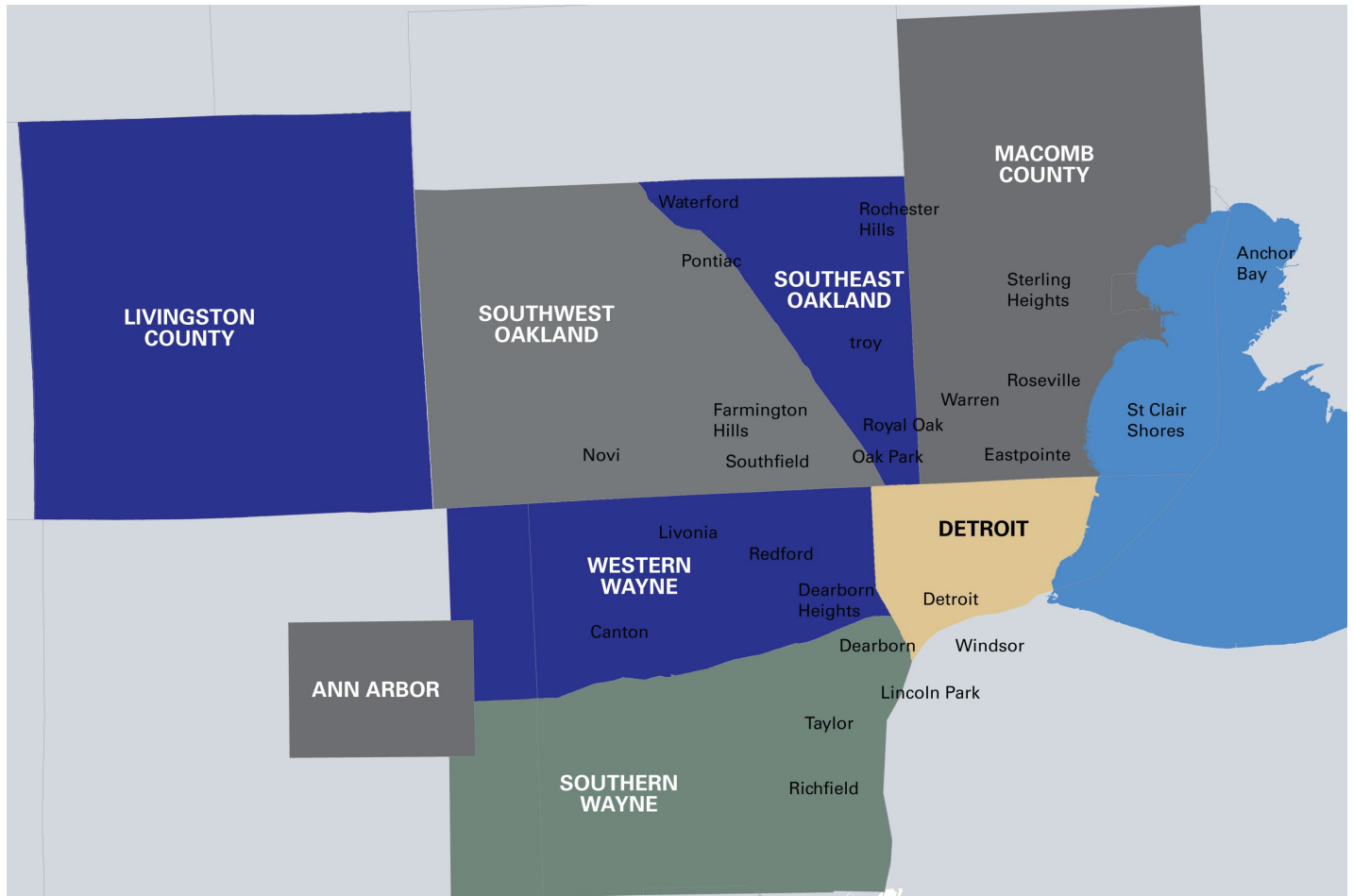
*Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



*Source: U.S. Bureau of Labor Statistics



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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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