



Metro Detroit Industrial Market

Commercial Industrial Construction in Detroit Submarket at 20-Year High

The Metro Detroit industrial vacancy rate fell 20 basis point to 4.2% during the third quarter as just over 956,000 square feet was absorbed. Industrial demand remains strong causing construction activity continues to grow. With availability of existing space scarce, new construction developments accounted for the bulk of the Metro area’s absorption. During the third quarter, active construction grew 13.3% to 7.58 million square feet. The bulk of construction is now centered around the City of Detroit, where the submarket is seeing more commercial industrial development than at any point over the past 20 years. Bulk warehouse continues to be the main driver in industrial construction in the City of Detroit and around the metro area. Roughly 86% or just over 6.6 million square feet currently under construction in Metro Detroit are bulk warehouse facilities. Those new developments will add to the 13.5 million square feet of bulk warehouse built since 2015. With an existing inventory of 69 million square feet, the vacancy rate for bulk warehouse is just 0.07%.

Current Conditions

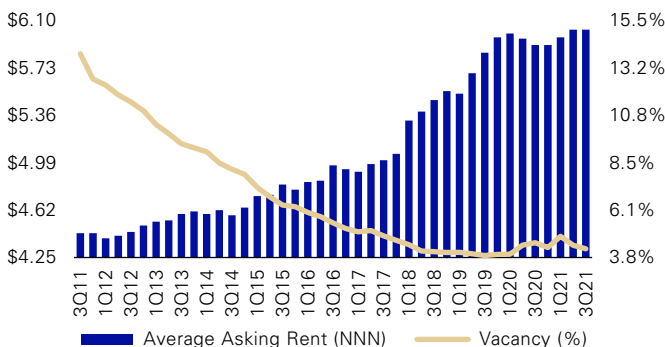
- The Metro Detroit industrial vacancy rate fell 20 basis point to 4.2% during the third quarter as just over 956,000 square feet was absorbed.
- During the third quarter, active construction grew 10.7% to 7.4 million square feet.
- The bulk of construction is now centered in the City of Detroit, where the submarket is seeing more commercial industrial development than at any point over the past 20 years.

Market Summary

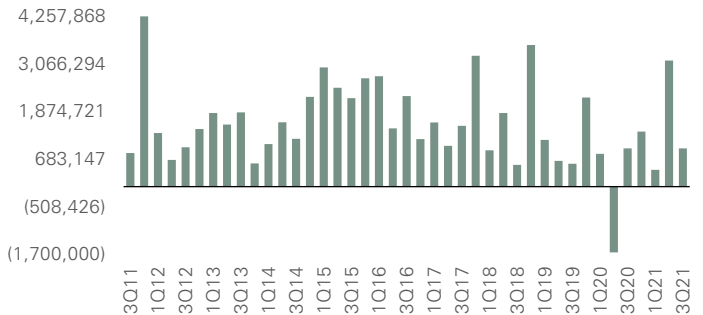
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	406.5M	406.2M	401.9M	↑
Vacancy Rate	4.2%	4.4%	4.5%	↓
Quarterly Net Absorption (SF)	956,334	3,156,012	1,019,748	↑
Average Asking Rent/SF	\$6.03	\$6.03	\$5.91	↑
Under Construction (SF)	7,580,936	6,690,696	5,062,430	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Detroit

The City of Detroit’s industrial vacancy rate climbed 10 basis points to 15.2% during the third quarter. A large percentage of Detroit’s existing industrial inventory is near or at functional obsolescence. However, the submarket’s central location and redevelopment opportunities make it attractive to developers, particularly as the industrial market is seeing record demand. Significant investments in the city from major automakers is also stimulating demand. Stellantis NV 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 earlier in the year. The city is also seeing major investments into GM Factory ZERO and Stellantis Jefferson North Assembly Plant. On the commercial industrial real estate front, the Detroit submarket is seeing more industrial development than at any point over the past 20 years with just over 2.4 million square feet under construction. Two new developments broke during the third quarter. One was Means Development and Ashley Capital’s Means Logistics Park in Highland Park; the 416,000-square-foot development is 100% pre-leased to Lear Corporation. The other being 425,000-square-foot speculative development in the Gateway Industrial Center on Southfield Freeway that is owned by Innovo-Gateway. Meanwhile, during the first quarter of 2021, Northpoint Development began construction on the M3 Commerce Center, a 684,000-square-foot bulk warehouse facility at the former Cadillac Stamping Plant at 9501 Conner Street. Northpoint Development also has plans to redevelop the former Eastland Center shopping mall into distribution centers ranging from 200,000 to 514,000 square feet in Harper Woods. Detroit’s largest active construction development, an Amazon distribution facility developed by Hillwood and Sterling Group at the former fairgrounds is likely to be completed in 2022.

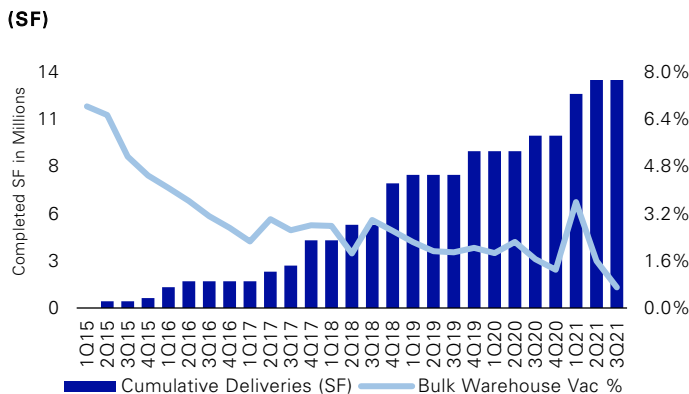
Southeast Oakland County

The Southeast Oakland County industrial vacancy rate fell 40 basis points to 2.1% during the third quarter as just over 348,000 square feet was absorbed. Notable lease deals that absorbed vacant space during the quarter include Gemini Import Export, LLC’s 149,000-square-foot lease on Adams Road in Rochester Hills and Prime Energy Contract Services, LLC’s 27,000-square-foot deal on Allen Drive in Troy. Buyers continued to be active during the quarter, as well. IWH CAPITAL, LLC purchased a 73,000-square-foot building at 55 East Silverdome Industrial Park in Pontiac in an investment sale for \$82/SF. Industrial buildings in around the submarket are seeing significant price increases for owner/user sales. 1788 Northwood Drive, a 12,400-square-foot facility in Troy sold during the quarter for \$85/SF. In Rochester Hills, a 26,000-square-foot industrial facility at 1857 Enterprise Drive sold for \$94/SF. In Auburn Hills, 4300 Giddings Road sold for \$104/SF. The hike in sale price is being driven by scarcity of product in the market. With 97.5% of the submarket’s industrial inventory occupied, options are very limited for uses in need of space. Construction continues to be active in Southeast Oakland County. Esys Automation, LLC is the latest company building a new industrial facility. J.B. Donaldson Company, Inc. began construction on a Esys Automation’s 267,000-square-foot build-to-suit on Brown Road in Orion. With the addition of this project, total active construction in the submarket totals 1.25 million square feet. The Oakland Logistics Center, at 2100 South Opydye Road in Pontiac, is the largest project under development by Flint Development. When completed, the project will offer 711,000 square feet of bulk warehouse space to the market.

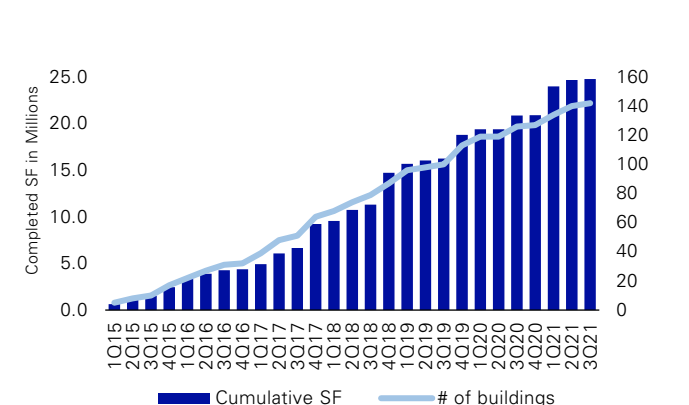
Southwest Oakland County

The Southwest Oakland County industrial vacancy rate fell 10 basis points to 4.6% during the third quarter as nearly 19,000 square feet was absorbed.

Cumulative Bulk Warehouse Deliveries vs Vac %



Overall Cumulative Construction Developments



Notable deals during the quarter include: KV WireTech's 20,000-square-foot lease at 24581 Crestview Court in Farmington Hills; Elite Fire & Safety, Inc.'s 20,000-square-foot deal at 46620 Ryan Court; and Our Next Energy LLC's 18,000-square-foot lease at 29050 Cabot Drive in Novi. A few new vacancies offset a portion of the submarket's absorption; notably, a 20,000-square-foot vacancy at 28435 Automation Boulevard and a 15,000-square-foot vacancy at 31132 Century Drive in Wixom. The Farmington Industrial Center also posted a 15,000-square-foot vacancy. 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 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, as well as another 180,000-square-foot facility in New Hudson.

Southern Wayne County

The Southern Wayne industrial vacancy rate fell 20 basis points to 2.3% during the third quarter as just over 269,000 square feet was absorbed. The bulk of absorption came as Vistar completed construction on the company's 165,000-square-foot build-to-suit distribution center on Smith Road in Romulus. Another significant deal was Chadwell Supply's 83,000-square-foot lease at Crossroads Distribution Center #4, a bulk warehouse facility newly constructed at the beginning of the year. Bulk warehouse demand remains just as strong in Southern Wayne as it is across Metro Detroit. The submarket's Class A bulk warehouse vacancy rate is just 0.09%. Since the beginning of 2021, new construction added just over 1.5 million square feet of speculate bulk warehouse, with only 59,000 square feet remaining vacant. The current construction pipeline consists of build-to-suit facilities. Amazon is in the beginning stages of expanding its presence with a fulfillment center in Huron Township, being developed by Hillwood. 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. Other notable deals around Southern Wayne County include Ashley Furniture's 40,000-square-foot sublease at the Metro Airport Center in Romulus and Detroit Radiator Corporation's 17,000-square-foot lease in Taylor. The submarket's notable new vacancy was a 57,000-square-foot third-generation general industrial building at 6340 Miller Road in Dearborn. The

R&D/flex Fairlane Commerce Park in Dearborn also posted a 19,000-square-foot vacancy. The submarket's R&D/flex market, primarily clustered in Dearborn, has seen vacancies double to 6.3% from the beginning of the year. During the previous quarter, Fairlane Commerce Park added a 14,000-square-foot vacancy and Schaefer Court added a 43,000-square-foot vacancy.

Western Wayne County

The Western Wayne County industrial vacancy rate fell 10 basis points to 2.7% during third-quarter 2021 as just over 150,000 square feet was absorbed. Mygrant Glass completed construction on an 89,000-square-foot build-to-suit facility on Haggerty Circle in Canton, accounting for a significant share of overall absorption. Notable deals in the submarket include Vantage Corporation's 56,000-square-foot lease at 12623 Newburgh Road in Livonia and Dish Network's 20,000-square-foot lease at 14557 Keel Street in Plymouth. One of the largest investment deals was signed in Western Wayne County. Cooper Standard's 110,000-square-foot headquarters, constructed in 2020, was acquired by Hamilton Equity Partners for \$42.0 million. Ashley Capital began construction on Livonia West Commerce Center 2, a 364,000-square-foot bulk warehouse facility. Demand for bulk warehouse is strong in Western Wayne. The submarket's nearly-5-million-square-foot inventory of Class A bulk warehouse has a 0% vacancy. One other upcoming construction project will be for AGP E-Glass Co. The company plans on investing up to \$15.0 million on its American Tech Center in Canton, to support new business involving electric vehicles.

Macomb County

The Macomb County industrial vacancy rate fell 10 basis points to 3.0% during the third quarter as over 161,000 square feet was absorbed. One notable deal during the quarter includes Conti LLC's 22,000-square-foot lease at 6221 Progress Drive in Sterling Heights. Property sales continued to be active, and prices for users of industrial buildings in Macomb County are on the rise, as well. TJS Equities, LLC purchased 6593 Arrow Drive in Sterling Heights, a 7,500-square-foot building, for \$73/SF. 7200 Miller Drive in Warren, a 44,000-square-foot building, was sold to FCS Automotive International Inc. for \$70/SF. The vacant 1.0-million-square-foot former Art Van Furniture/Loves Furniture at 6500 Fourteen Mile Road in Warren sold to an investor for \$49/SF.

RESEARCH Q3 2021

The facility, which features over 900,000 square feet of distribution space and over 80,000 square feet of office space, is likely to be converted into multi-tenant space. Meanwhile, Northpoint continues construction on its latest speculative development, The Shelby Commerce Center. The new development, located on Twenty-Three Mile Road between Mound Road and Van Dyke Avenue, 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.

Ann Arbor

Ann Arbor's industrial vacancy rate fell 50 basis points to 7.4% during the third quarter, as nearly 28,000 square feet was absorbed. The bulk of absorption was attributed to Lotus

Engineering Inc. taking occupancy of 63,000 square feet at 1254 North Main Street. Absorption was partially offset by new vacancies in the Ann Arbor Commerce Park on Highland Drive, 19,000-square-foot and 15,000-square-foot vacancies.

Livingston County

The Livingston County industrial vacancy rate remained at 3.4% during the third quarter of 2021. One of the most notable deals in the submarket was Aspen Realty, L.L.C.'s purchase of the 34,000-square-foot industrial facility at 1033 Sutton Street in Howell. A 19,000-square-foot new vacancy at the Beck Center located at 11760 Grand River Ave in Brighton was the submarket's largest new space on the market.

Notable 3Q 2021 Lease Transactions

Tenant	Building	City	Submarket	Square Feet
Lear Corporation	M3 Commerce Center	Detroit	Detroit	416,125
Chadwell Supply Inc	Crossroads Distribution Center	Belleville	Southern Wayne	83,000
Vantage Corporation	12623 Newburgh Rd	Livonia	Western Wayne	56,050
DLG International, Inc.	21740 Trolley Industrial Dr	Taylor	Southern Wayne	44,800
Gedia	Orion Commerce Center I	Orion	SE Oakland	42,000
Conti LLC	6221 Progress Drive	Sterling Heights	Macomb	22,000

Notable 3Q 2021 Sale Transactions

Building	City	Sale Price	Price/SF	Square Feet
6500 Fourteen Mile Road	Warren	\$52,000,000	\$49	1,056,890
47700 Halyard Dr	Plymouth	\$7,000,000	\$66	106,074
7200 Miller Dr	Warren	\$3,203,125	\$73	44,138
111 E Twelve Mile Road	Madison Heights	\$3,150,000	\$60	52,336
46495 Humboldt	Novi	\$3,060,000	\$85	36,080

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	5,417,578	0	7.4%	27,917	20,911	\$9.50	\$10.94	\$7.57
Detroit	45,017,157	2,465,500	15.2%	(19,496)	(320,695)	\$4.15	\$5.74	\$5.00
Livingston County	13,545,557	0	3.4%	(1,300)	(1,590)	\$4.80	\$9.36	\$6.74
Macomb County	85,423,135	1,003,748	3.0%	161,644	(240,632)	\$5.35	\$7.54	\$5.26
SE Oakland County	89,286,787	1,250,496	2.1%	348,788	2,199,465	\$6.44	\$10.45	\$6.81
Southern Wayne County	59,088,913	1,400,000	2.3%	269,026	1,823,082	\$5.21	\$8.66	\$4.95
SW Oakland County	38,952,441	1,346,780	4.6%	18,983	736,202	\$6.16	\$9.69	\$6.81
Western Wayne County	69,852,277	364,812	2.7%	150,772	254,903	\$6.08	\$9.10	\$6.02
Totals	406,583,845	7,580,936	4.2%	956,334	4,471,646	\$5.22	\$9.48	\$5.63

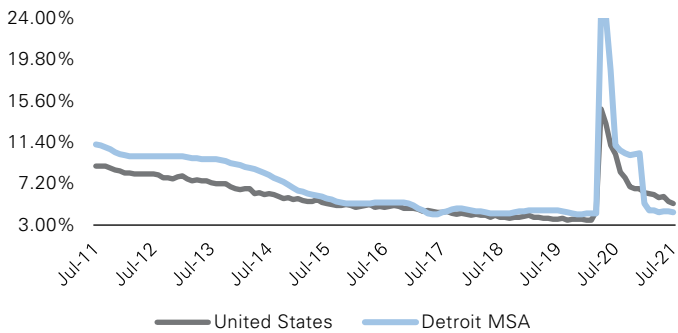
Statistics by Subtype						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	219,015,786	982,915	4.4%	453,970	1,078,754	\$5.63
Incubator	1,917,930	0	4.9%	(58,000)	(63,000)	\$6.30
R&D/Flex	42,744,314	0	5.3%	(18,103)	178,424	\$9.48
Warehouse/Distribution	142,905,815	6,598,021	3.7%	578,467	3,277,468	\$5.22
Market	406,583,845	7,580,936	4.2%	956,334	4,471,646	\$6.03

RESEARCH Q3 2021

Metro Detroit's unemployment fell back to 4.3% in July 2021 after briefly climbing to 4.4% in April and May. The rate is well below levels seen in 2020 during the height of the pandemic which climbed as high as 25%. A strong Metro Detroit economy, buoyed by a healthy manufacturing, financial and a burgeoning hospitality sector spurred as restaurants return to service is creating healthy job growth. Year over year employment was up 8% in July and 5% in August.

Unemployment Rate

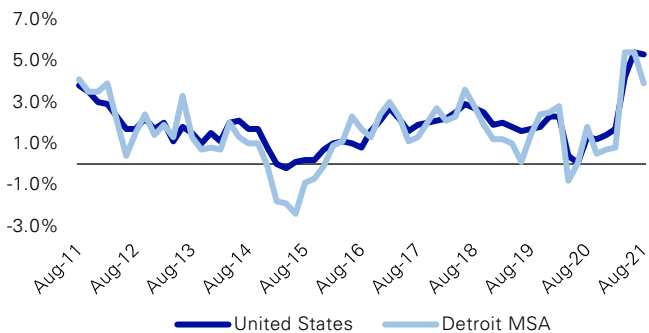
Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

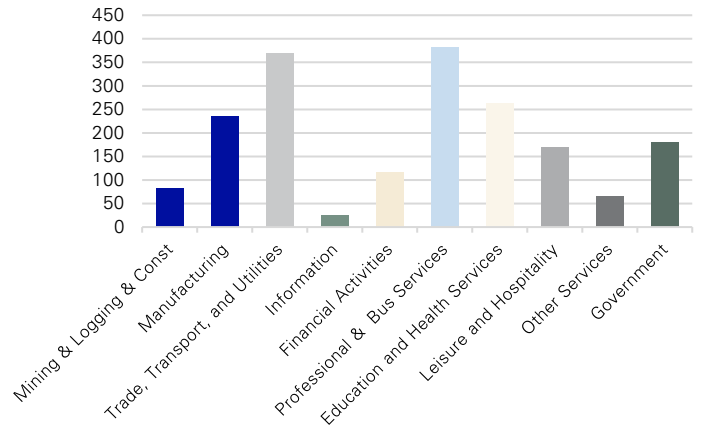
All Items, 12-Month % Change, Not Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Employment By Industry

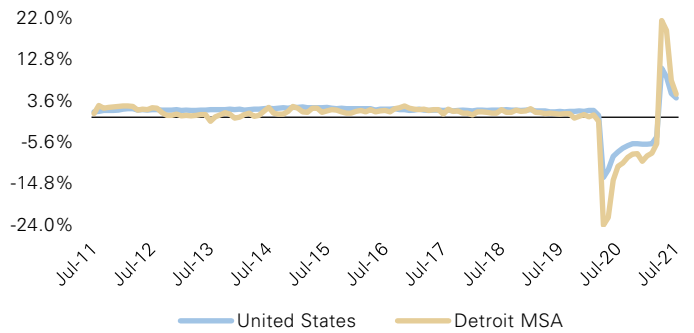
Detroit MSA, in thousands



*Source: U.S. Bureau of Labor Statistics

Payroll Employment

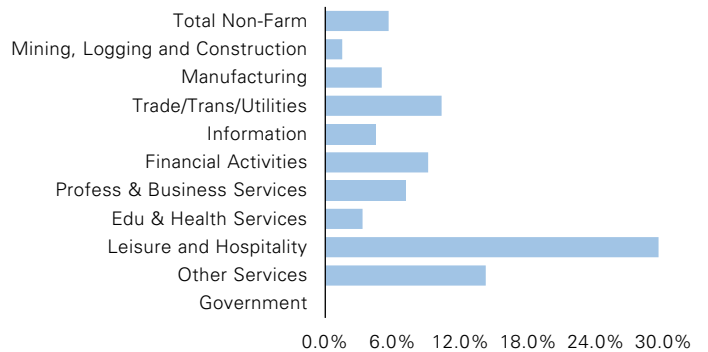
Total Nonfarm, Seasonally Adjusted, 12-Month % Change



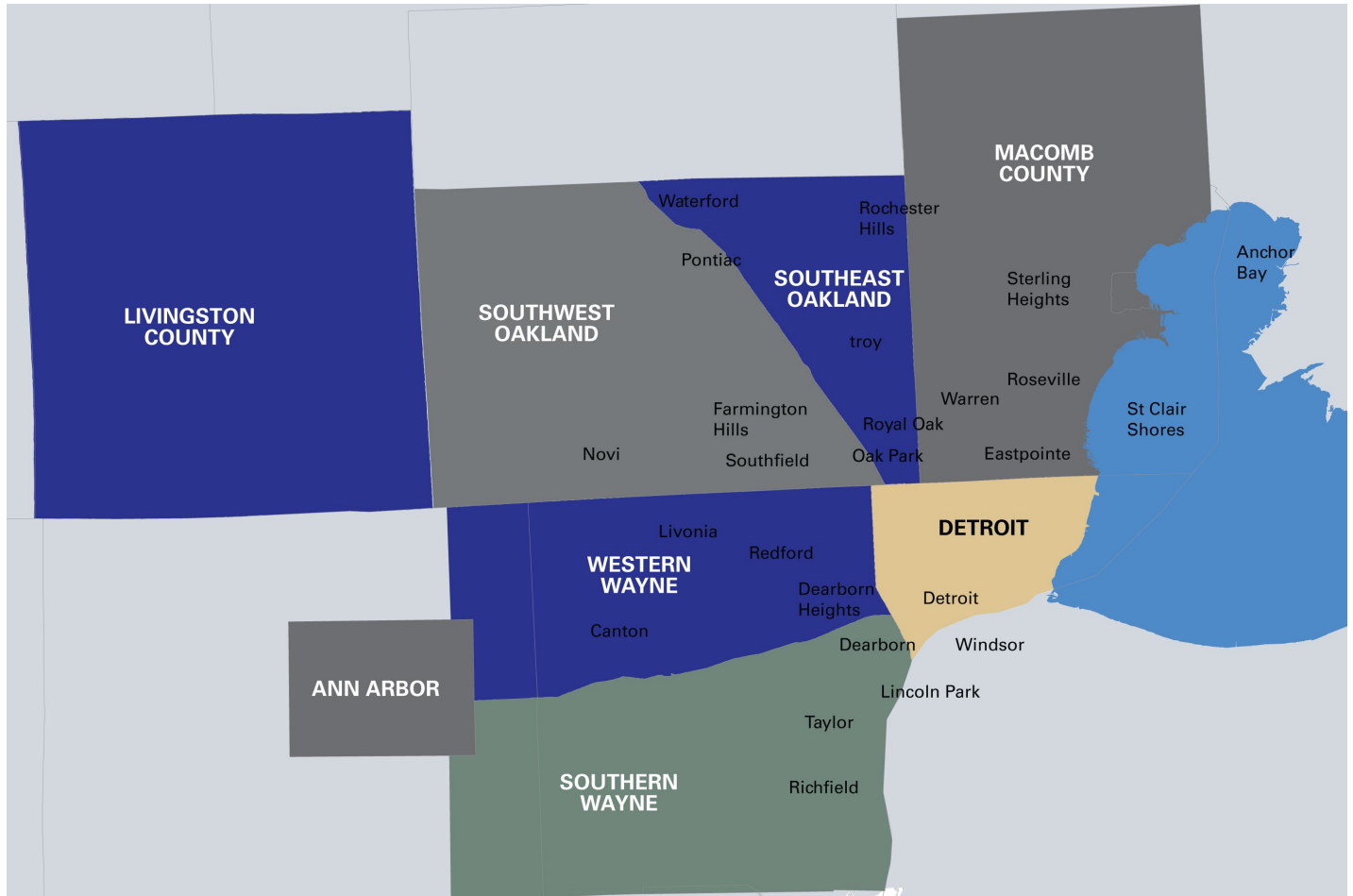
*Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



*Source: U.S. Bureau of Labor Statistics



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