MARKETBEAT

Detroit

Industrial Q4 2019

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
3.0% Vacancy Rate		
1.8 M YTD Net Absorption, SF		
$6.21 Asking Rent, PSF		

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
2.03M Detroit Employment		
4.1% Detroit Unemployment Rate		
3.6% U.S. Unemployment Rate		

Source: BLS

ECONOMIC OVERVIEW

The unemployment rate in Detroit remains low, despite a slight uptick in recent quarters. Ford Motor Co. plans to add 3,000 new jobs to the area with a $1.5 billion investment to its Detroit factories. Hometown rival, Fiat Chrysler, plans to add nearly 6,400 jobs to the economy with a $1.6 billion investment for its new and highly anticipated Mack Engine Plant. India based motor company, Mahindra, appears to be in the running to win the USPS contract, which could potentially add up to 2,000 jobs to the Flint area. The Michigan economy continues to follow closely along with local automotive trends.

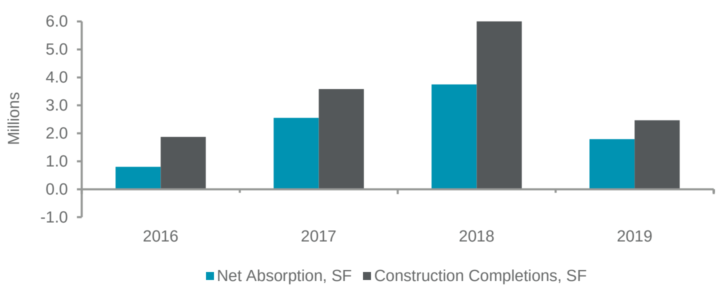
SUPPLY AND DEMAND

The Metro Detroit Industrial market saw over 23.0 million square feet (msf) of leasing activity in 2019, a large increase from 11.3 msf in 2018. There was also a year-over-year increase of 1.6 msf in leasing activity from 2.8 msf in fourth quarter 2018 to 4.4 msf in fourth quarter 2019. Automotive supplier, Piston Automotive, renewed 256,000 square feet (sf) in the city of Redford. K&M Express signed a 79,000-sf sublease in Brownstown. The Airport/I275 submarket had the most activity in fourth quarter 2019, which consisted of multiple mid-sized industrial leases such as the MP Acquisition lease in Taylor. Net Absorption in fourth quarter 2019 was 2.2 msf, down from 5.9 msf in fourth quarter 2018, a 3.6 msf difference year-over-year.

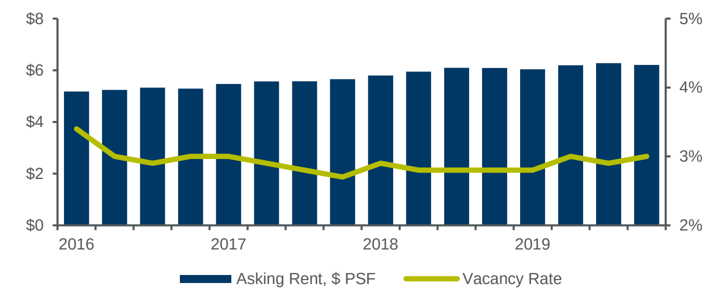
PRICING

Industrial asking rates appear to be leveling. The average net asking rate peaked in third quarter 2019 at $6.23 per square foot (psf), slightly higher than fourth quarter's total of $6.21 psf. There was a year-over-year increase of $0.13 psf over fourth quarter 2018, when the average asking rate was $6.08 psf. There is a premium on high-tech flex space in Metro Detroit, with rates increasing steadily year-over-year. The average overall weighted net asking rent for flex space in fourth quarter 2019 was $9.87 psf, an increase over $9.75 in fourth quarter 2018. Throughout the year, the overall vacancy rate hovered around 3.0%, ultimately ending the year at exactly 3.0%. The lowest vacancy rates in fourth quarter was recorded for the Downriver submarket at 1.4%. This was even lower than in fourth quarter 2018, when the vacancy was already at 1.9%. The furthered decrease lead to a $0.34-psf increase in asking rates for manufacturing buildings in the Downriver submarket.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



full service asking

MARKETBEAT

Detroit

Industrial Q4 2019

SUBMARKET	INVENTORY (SF)	Q4 LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	Q4 OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG NET RENT (MF)	DIRECT WEIGHTED AVG NET RENT (OS)	DIRECT WEIGHTED AVG NET RENT (W/D)
Airport/I-275	120,548,511	2,032,512	3.3%	-189,912	3,016,265	153,196	$5.07	$10.07	$5.46
Detroit Area	80,167,478	31,628	4.1%	318,772	124,000	0	$4.65	$17.05	$5.82
Downriver	43,924,045	367,288	1.4%	-255,843	0	160,393	$5.26	$0	$4.84
East Area	117,866,569	542,391	3.4%	-129,125	895,047	168,252	$5.94	$7.26	$5.67
I-96 Corridor	55,939,427	492,352	4.8%	577,900	640,304	128,700	$6.33	$9.81	$6.51
Oakland County NW	50,207,008	760,613	3.6%	263,780	785,310	0	$6.24	$9.91	$6.72
Royal Oak/Southfield	17,143,364	323,362	5.5%	201,815	0	651,610	$5.63	$9.81	$6.27
Troy Area/Southfield	27,261,793	355,288	2.9%	201,815	0	0	$7.35	$9.47	$5.83
Washtenaw	28,497,264	45,400	2.8%	1,598,564	0	18,000	$5.13	$12.85	$7.03
DETROIT TOTALS	**541,555,459**	**4,950,834**	**3.0%**	**2,587,766**	**5,460,926**	**1,280,151**	**$5.47**	**$9.87**	**$5.78**

**Rental rates reflect weighted net asking $psf/year*

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
12723 Telegraph Rd	Dearborn	Piston Automotive	256,100	Renewal
18640 Toledo Rd	Downriver	K&M Express	78,822	Sublease
18640 Toledo Rd	Downriver	N/A	77,800	Direct
2211 Auburn Rd	Oakland County NW	N/A	70,703	Direct
51362 Quadrate Dr	East Area	Mucci Pac USA	67,200	Direct
27050 Trolley	Airport/I-275	MP Acquisition	63,470	Direct

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
3300 University Dr	Oakland County NW	Wecast Industries / Burton-Katzman Development	128,000	$8.3M/$65
33355 Glendale St	I-96 Corridor	Quality Metalcraft / JB Donaldson Company	102,000	$3.1M/$30
12707 Eckles Rd	I-96 Corridor	First Industrial Realty, Inc / AIC Ventures	42,300	$2.9M/$70
41155 Technology Park Dr	East Area	Teal Technical Properties / GTR Companies	52,080	$2.5M/$48

Mike Sabatini
Research Analyst
+1 248 358 6120
mike.sabatini@cushwake.com