

	YoY Chg	12-Mo. Forecast
2.8% Vacancy Rate	▲	▲
1.9M YTD Net Absorption, SF	▼	▼
\$7.37 Asking Rent, PSF	▲	▲
2.2% YOY Rent Growth	▲	▲
5.8M Under Construction, SF	▼	▼

(Overall, Net Asking Rent)

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
2.0M Detroit Employment	▲	▲
3.1% Detroit Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

MICHIGAN ECONOMIC OVERVIEW

According to the U.S. Bureau of Labor Statistics, Metro Detroit unemployment rate fell to 3.1%, a 60 basis point (bps) change year-over-year (YOY). Local unemployment was lower than the national rate of 3.6% for the third consecutive quarter.

As reported by the U.S. Bureau of Labor Statistics, in May, the monthly unemployment rate reached the lowest it has been in 33 years. Detroit Mayor, Mike Duggan, stated that the high level of job opportunities has not been seen since the 1940s. He credited the low unemployment rate to several large employers such as: Stellantis, General Motors, Amazon and others. The city and employers also credit the state and city sponsored hiring program, Detroit at Work. During the height of the pandemic, Metro Detroit had a 23.9% unemployment rate.

SUPPLY AND DEMAND: Eight consecutive quarters of positive net absorption

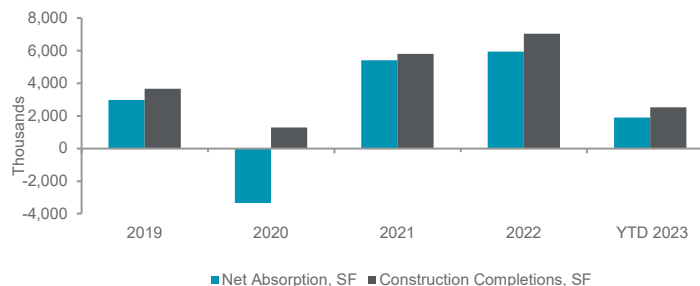
Following near historic low vacancy rates in Q1 2023, overall vacancy in Metro Detroit increased to 2.8%, a 40 bps rise from the prior quarter. On a YOY basis, Q2 2023 climbed increased by 10 bps. Sublease vacancy grew by nearly 50.0% YOY to a total of 1.5 million square feet (msf) in Q2. Within industrial property types, the office service (flex) vacancy rate was 6.3%, warehouse/distribution vacancy stood at 3.3%, and manufacturing posted the lowest overall vacancy rate at 1.7 % in Q2 2023.

Warehouse/distribution space accounted for the majority of new leasing in Q2 2023. After a strong first quarter of 2.9 msf, Q2 2023 new leasing activity fell to 1.6 msf. Leasing activity is comprised of new lease executions, indicating future positive net absorption once tenants take occupancy. Metro Detroit experienced its eighth consecutive quarter of positive net absorption at 120,639 square feet (sf), which pushed year-to-date (YTD) absorption to 1.9 msf. For the same period in 2022, net absorption was over 2.7 msf. Roughly 2.0 msf of new construction was delivered to the market in Q2, which included seven warehouse/distribution buildings, primarily in the Oakland Southwest and Western Wayne submarkets. Outside of those deliveries, 5.8 msf was under construction across the region.

PRICING: Asking rents continue to grow

Overall industrial asking net rental rates (all product types) increased 2.2% YOY to \$7.37 per square foot (psf). Occupiers seeking space are likely to see much higher rental growth as YOY growth understates the rise in actual rates considering most new construction deliveries do not quote asking rates due to such high demand. The uptick in rents can be attributed to a mixture of persistent demand and high-quality new construction deliveries.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
Livingston	12,333,274	264,504	2.1%	-93,144	-67,841	43,000	0	\$6.75	\$9.84	\$7.78	\$7.99
Macomb Central	37,450,888	396,437	1.1%	-48,885	-101,324	42,768	0	\$8.00	\$8.17	\$7.15	\$7.67
Macomb North	19,694,632	148,172	0.8%	-27,908	656,535	802,402	0	\$7.50	N/A	\$5.26	\$6.26
Macomb South	45,653,825	1,086,863	2.4%	-45,622	229,797	0	0	\$6.33	\$10.61	\$8.62	\$8.11
Oakland North	36,288,726	961,376	2.6%	-205,043	-12,782	280,000	0	\$9.46	\$10.73	\$6.01	\$7.11
Oakland Southeast	44,408,775	1,146,338	2.6%	356,889	140,906	0	0	\$9.38	\$9.46	\$7.30	\$8.19
Oakland Southwest	40,803,028	1,608,027	3.9%	-78,287	141,786	633,132	243,995	\$8.93	\$11.85	\$9.17	\$10.01
Washtenaw	26,983,231	1,098,839	4.1%	-215,386	-256,330	0	0	\$5.52	\$14.52	\$7.23	\$7.99
Dearborn/Downriver	48,166,440	914,117	1.9%	-59,308	47,342	0	0	\$7.99	\$5.00	\$5.70	\$5.92
Detroit	82,320,821	4,131,530	5.0%	-153,061	385,130	1,344,894	869,656	\$6.12	N/A	\$6.17	\$6.17
Western Wayne	103,461,535	2,057,873	2.0%	690,384	734,178	2,656,737	855,835	\$6.33	\$10.15	\$8.19	\$7.81
DETROIT TOTALS	497,565,175	13,814,076	2.8%	120,629	1,897,397	5,802,933	1,969,486	\$6.83	\$11.43	\$6.94	\$7.37

*Rental rates reflect weighted net asking \$psf/year | Stats are not reflective of U.S. MarketBeat Tables

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

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1 Vining Road	Western Wayne	CEVA Logistics	349,492	New Lease
917 Anderson Road	Washtenaw	LuxWall, Inc.	217,479	New Lease
640-680 East South Boulevard	Oakland Southeast	The Paslin Co.	113,742	New Lease
12950 Eckles Road	Western Wayne	Penske Logistics, LLC	101,964	New Lease

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
6100 Bethuy Road	Macomb North	Patel International, LLC / Statewide IRA, LLC	79,536	\$4.5M / \$57
7444 North Haggerty Road	Western Wayne	DNR, Inc. / Canton Lizotte Holdings, LLC	62,058	\$5.0M / \$81
6255 Center Drive	Macomb Central	Keith Goldstein / Mound & 16, LLC	29,918	\$3.0M / \$100

