



METRO DETROIT

2023 MIDYEAR INDUSTRIAL REPORT

FRIEDMAN HQ

34975 W. Twelve Mile Rd.

Farmington Hills, MI 48331

888.848.1671

[friedmanrealestate.com](https://www.friedmanrealestate.com)

© 2023 FRIEDMAN REAL ESTATE



MARKET AT A GLANCE (H1 2023)

H1 2023 **607.4MM** ▲

H2 2022 - 607.0MM | H1 2022 - 603.7MM

Market Size

H1 2023 **\$7.45** ▲

H2 2022 - \$7.12 | H1 2022 - \$6.96

Avg Asking Rental Rate

H1 2023 **96.3%** ▲

H2 2022 - 96.1% | H1 2022 - 96.1%

Overall Occupancy

H1 2023 **3.0MM** ▼

H2 2022 - 3.9MM | H1 2022 - 2.9MM

Half Year Net Absorption

H1 2023 **\$362MM** ▼

H2 2022 - \$436MM | H1 2022 - \$445MM

Half Year Sales Volume

H1 2023 **7.4MM** ▼

H2 2022 - 9.1MM | H1 2022 - 9.9MM

SF Under Construction

Note: ▲ or ▼ indicates change compared to H2 2022

Note: H1 = Q1 & Q2 ; H2 = Q3 & Q4

MARKET OVERVIEW (H1 2023)

In the first half of 2023, the Metro Detroit industrial market continued to strengthen with record high rental rates and occupancy, as well as sustained positive net absorption. Leasing activity has decreased largely due to constrained supply, while the construction pipeline has slowed with the increased interest rates/development costs.

SUPPLY AND DEMAND: Occupancy increased from 96.1% in H2 2022 to a record high of 96.3% with 3.0MM SF of net absorption to meet the 1.4MM SF delivered. While total leasing activity decreased 15.2% from H2 2022 (6.7MM SF vs. 7.9MM SF), this is primarily due to a continued lack of supply.

FLIGHT TO QUALITY: Demand in newly delivered industrial properties (2020-H1 2023) has continued to disproportionately exceeded activity in the older existing inventory due to the significant demand for modern industrial facilities. These properties accounted for 1.6MM SF (53.5%) of positive net absorption despite only representing 3.1% of total inventory.

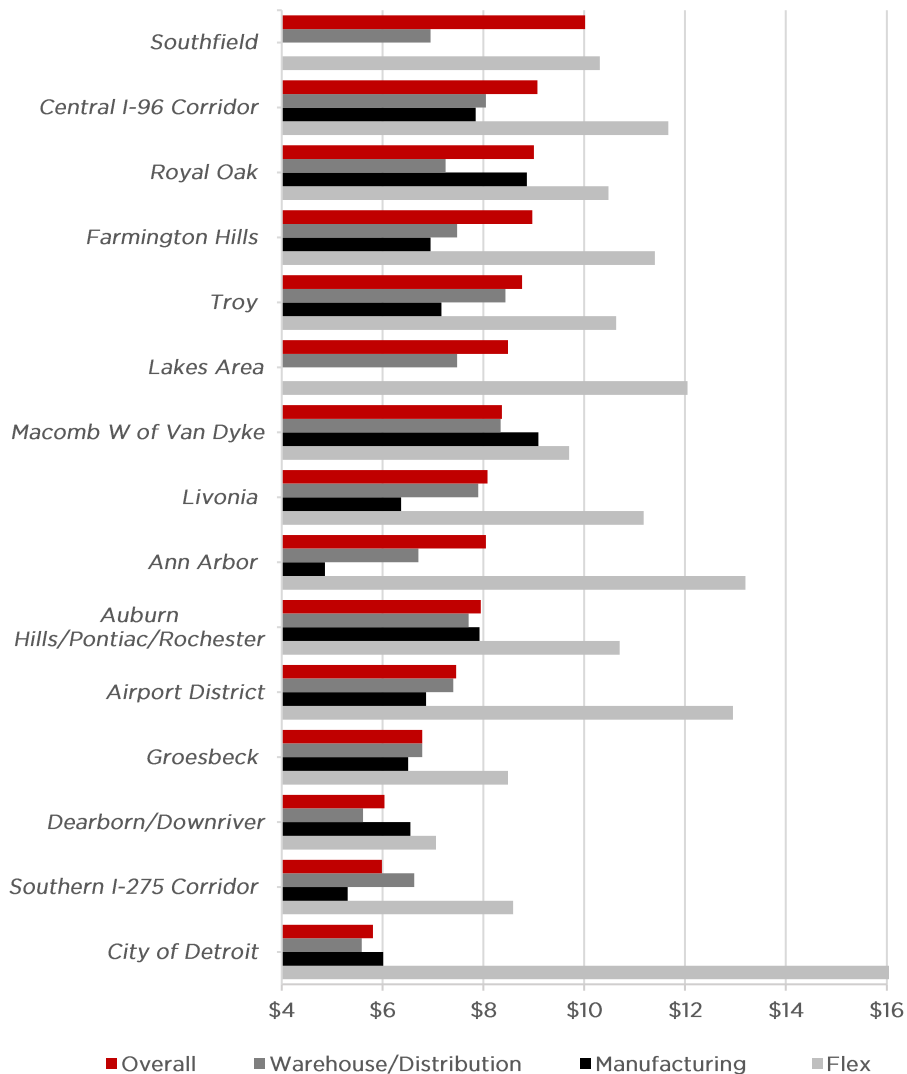
INCREASED RENTAL RATES: Rental rates (\$7.45 PSF NNN) have increased 4.63% from H2 2022 (\$7.12 PSF NNN) due to sustained demand, the high inflation environment, and increased construction/labor costs associated with new development.

GROWING MANUFACTURING: The rise of electric vehicles has created more than \$120BB in electric vehicle manufacturing investments nationally, and Michigan has secured \$16.6BB of those projects, which will create over 16,300 jobs. Top developments include GM Factory Zero, FCA Mack Avenue Assembly, and ONE Circle.

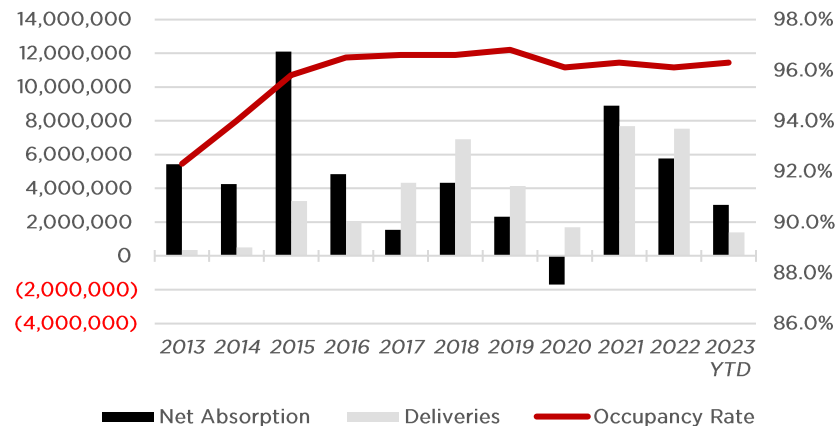
DEVELOPMENT: Inventory under construction has decreased 18.5% from H2 2022 (7.4MM SF vs. 9.1MM SF) with many of the developments under construction and 29.1M SF of proposed industrial inventory have been postponed due to the increased development costs/interest rates, and potential recession. Notably, the 2.7MM SF of speculative industrial under construction is only 2.5% pre-leased, which creates a short-term oversupply risk should that inventory actually be delivered.

SALES AND INTEREST RATES: Total sales volume (\$362MM) has decreased \$74MM from the second half of 2022 (\$436MM) largely due to the increased interest rates direct impact on acquisition pricing. The Airport District submarket accounted for the largest portion of sales volume (\$108MM), which included a \$93MM net lease warehouse/distribution portfolio sale with major tenants including Mattress Firm, Piston Group, Archway, and Torin.

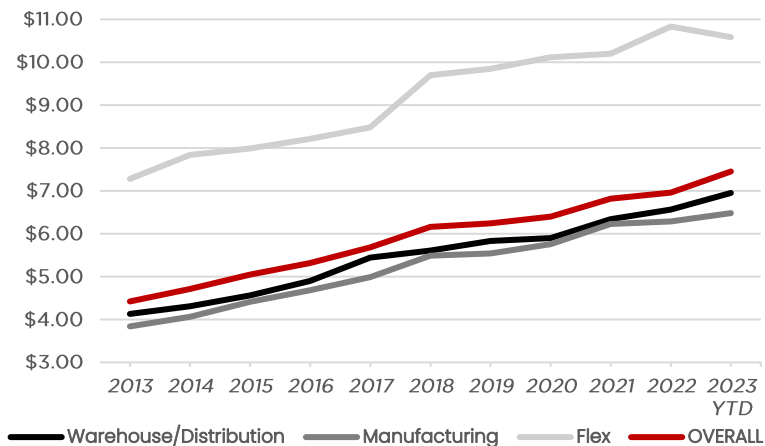
AVERAGE NNN ASKING RENTS BY SUBMARKET



OCCUPANCY AND ABSORPTION



AVERAGE NNN ASKING RENT BY CLASS



TOP SALE TRANSACTIONS (BASED ON SALES PRICE)

PROPERTY NAME	CITY	SUBMARKET	SF	SALE PRICE	PRICE/SF	PROPERTY TYPE
DRA Industrial Portfolio	Romulus	Airport	1,120,655	\$93,000,000	\$82.99	W/D
6200 Metropolitan Pky	Sterling Heights	Macomb W of Van Dyke	388,273	\$22,500,000	\$57.95	MFG
29880 Groesbeck Hwy	Roseville	Groesbeck	232,717	\$12,700,000	\$54.57	MFG
12550 Tech Center Dr	Livonia	Southern I-275 Corridor	83,000	\$8,950,000	\$107.83	MFG
Auburn Hills Tech Center	Auburn Hills	Auburn Hills/ Pontiac/Rochester	77,100	\$8,650,000	\$112.19	W/D
11650 Park Ct	Utica	Groesbeck	95,309	\$7,350,000	\$77.12	W/D



TOP LEASE TRANSACTIONS (BASED ON SQUARE FEET)

TENANT	PROPERTY NAME	CITY	SUBMARKET	SF	PROPERTY TYPE
Kroger*	26090 23 Mile Rd	Chesterfield	Groesbeck	711,547	W/D
DTE	Pinnacle Logistics Park	Redford	Dearborn/Downriver	528,340	W/D
Metro International Trade Services	Joy Road Distribution Center	Detroit	Dearborn/Downriver	448,642	W/D
Gannett	6200 Metropolitan Pky	Sterling Heights	Macomb W of Van Dyke	388,273	MFG
Mayco International	Shelby Commerce Center	Shelby Township	Macomb W of Van Dyke	332,186	MFG
Samsung SDI America	6500 14 Mile Rd	Warren	Macomb W of Van Dyke	274,000	W/D
Loc Performance Products	13505 N Haggerty Rd	Plymouth	Southern I-275 Corridor	262,474	MFG



Note: Bold represents Friedman transactions | *Indicates renewal

SUBMARKET	# BLDGS	INVENTORY (SF)	NET ABS. (SF)	SF UNDER CONST	TOTAL VAC. (%)	TOTAL AVAIL. (%)	OVERALL OCC. (%)	AVG ASKING RENT (NNN)	ASKING RENT (NNN)			TOTAL SALES VOLUME	SALES PER SF
									W/D	MFG	FLEX		
Ann Arbor	883	33,431,457	211,885	355,700	4.20%	5.80%	95.80%	\$8.05	\$6.71	\$4.86	\$13.20	\$11,638,119	\$81.47
Airport District	1,040	55,823,615	(136,429)	1,439,938	2.90%	3.20%	97.10%	\$7.46	\$7.40	\$6.86	\$12.95	\$107,518,569	\$61.00
Auburn Hills/Pontiac/Rochester	1,100	54,552,281	99,622	1,936,416	3.10%	4.70%	96.90%	\$7.95	\$7.71	\$7.92	\$10.70	\$34,624,000	\$90.28
Central I-96 Corridor	1,175	36,341,133	185,055	889,299	4.50%	7.30%	95.50%	\$9.07	\$8.05	\$7.85	\$11.67	\$13,073,000	\$93.00
City of Detroit	2,114	88,971,195	(191,053)	1,353,198	7.40%	10.50%	92.60%	\$5.81	\$5.59	\$6.01	\$16.25	\$11,968,500	\$53.00
Dearborn/Downriver	1,201	70,061,943	462,814	10,000	4.00%	5.10%	96.00%	\$6.04	\$5.61	\$6.55	\$7.06	\$14,731,636	\$57.00
Farmington Hills	430	11,648,346	(60,438)	79,000	4.20%	6.20%	95.80%	\$8.97	\$7.48	\$6.95	\$11.40	\$5,555,000	\$81.00
Livonia	1,110	42,630,830	406,115	213,413	2.60%	3.60%	97.40%	\$8.08	\$7.90	\$6.37	\$11.18	\$14,560,000	\$69.00
Southern I-275 Corridor	586	19,626,810	204,813	0	1.90%	2.30%	98.10%	\$5.99	\$6.63	\$5.31	\$8.59	\$8,770,000	\$63.00
Lakes Area	386	7,582,582	66,449	175,000	1.70%	1.80%	98.30%	\$8.49	\$7.48	-	\$12.05	\$2,066,300	\$80.00
Groesbeck	3,010	69,182,091	869,490	594,855	2.30%	3.50%	97.70%	\$6.79	\$6.79	\$6.51	\$8.49	\$61,157,465	\$71.35
Macomb W of Van Dyke	1,344	64,691,862	835,622	295,610	1.50%	2.30%	98.50%	\$8.37	\$8.34	\$9.09	\$9.70	\$35,520,000	\$73.77
Royal Oak	948	15,755,994	174,779	0	3.00%	2.20%	97.00%	\$9.00	\$7.25	\$8.86	\$10.48	\$9,565,000	\$80.13
Southfield	250	6,314,875	(96,264)	45,000	4.40%	6.30%	95.60%	\$10.02	\$6.95	-	\$10.31	\$1,525,000	\$79.00
Troy	1,442	30,800,769	(5,859)	0	3.20%	4.70%	96.80%	\$8.77	\$8.44	\$7.17	\$10.63	\$29,696,500	\$81.00
TOTAL	17,019	607,415,783	3,026,601	7,387,429	3.70%	5.10%	96.30%	\$7.45	\$6.95	\$6.48	\$10.59	\$361,969,089	\$71.00

*W/D = Warehouse/Distribution
 *MFG = Manufacturing

TOP INDUSTRIAL PROPERTIES DELIVERED (H1 2023)

PROPERTY NAME	CITY	SUBMARKET	SF	DEVELOPER	DELIVERED	PROPERTY TYPE
GM Wallace Battery Cell Innovation Center	Warren	Macomb W of Van Dyke	300,800	Ghafari Associates	Q1 2023	Flex
32250 Smith Rd	Romulus	Airport District	243,800	Scannell Properties	Q2 2023	W/D
52029 Sierra Dr	New Baltimore	Groesbeck	179,200	Burton Katzman	Q1 2023	W/D
Lyon Distribution Center II	New Hudson	Central I-96 Corridor	150,000	Walbridge	Q1 2023	W/D
28801 Freedom Dr	Wixom	Central I-96 Corridor	108,515	Gene/Chad Zamler	Q1 2023	W/D
55285 Lyon Industrial Dr	New Hudson	Central I-96 Corridor	81,745	D'Agostini Companies	Q1 2023	W/D



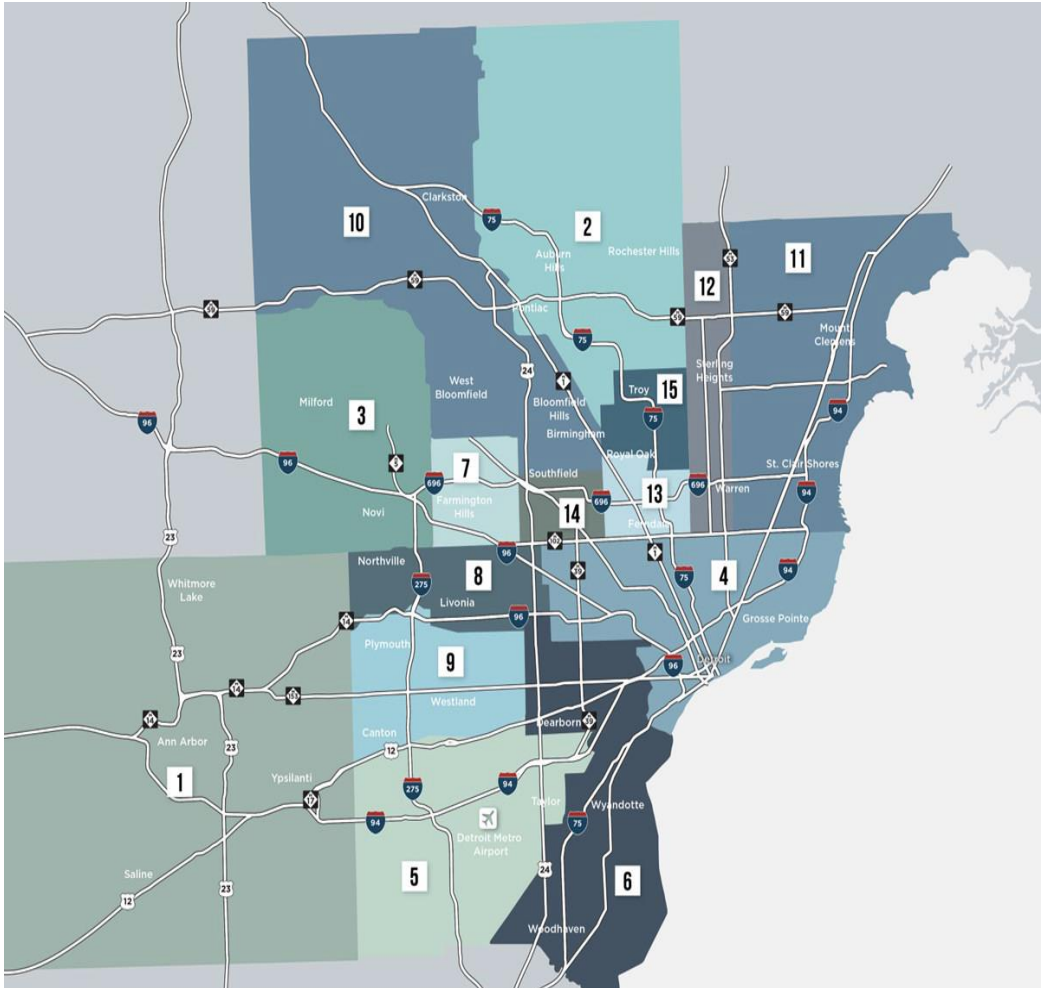
TOP INDUSTRIAL PROPERTIES UNDER CONSTRUCTION (H1 2023)

PROPERTY NAME	CITY	SUBMARKET	SF	DEVELOPER	DELIVERY	PROPERTY TYPE
FANUC America Corporation	Auburn Hills	Auburn Hills	788,000	General Development Company	Q1 2024	Flex
Eastland Commerce Center - Building 2	Detroit	City of Detroit	535,342	NorthPoint Development	Q3 2023	W/D
Shelby Industrial Center - Building D	Shelby Township	Groesbeck	450,000	NorthPoint Development	Q3 2023	W/D
13751 Hamilton Ave	Highland Park	City of Detroit	443,156	Means Group / Ashley Capital	Q1 2023	W/D
Romulus Trade Center - Building 3	Romulus	Airport District	349,492	NorthPoint Development	Q2 2023	W/D
Wixom Assembly Park - Building C	Wixom	Central I-96 Corridor	306,280	Flint Development	Q3 2023	W/D



*W/D = Warehouse/Distribution

INDUSTRIAL SUBMARKET MAP



- | | |
|---|--------------------------------|
| 1 ANN ARBOR | 9 I-275 CORRIDOR |
| 2 AUBURN HILLS/PONTIAC/ROCHESTER | 10 LAKES AREA |
| 3 CENTRAL I-96 CORRIDOR | 11 GROESBECK |
| 4 DETROIT | 12 MACOMB W OF VAN DYKE |
| 5 AIRPORT DISTRICT | 13 ROYAL OAK |
| 6 DEARBORN/DOWNRIVER | 14 SOUTHFIELD |
| 7 FARMINGTON HILLS | 15 TROY |
| 8 LIVONIA | |

Friedman Research separates the Metro Detroit Industrial submarkets in the manner shown to better reflect the way users, tenants, and brokers view our market. We believe this provides a more accurate statistical picture of each submarket which allows our clients to make better informed decisions.

Friedman's 2023 Mid Year Industrial Market Report provides our clients with a snapshot of pertinent market data and information to help them make informed commercial real estate decisions. The information contained in this report is gathered from multiple sources believed to be reliable.