



# METRO DETROIT

## 2024 MID-YEAR

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# INDUSTRIAL REPORT

**FRIEDMAN HQ**

**34975 W. Twelve Mile Rd.**

**Farmington Hills, MI 48331**

**888.848.1671**

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

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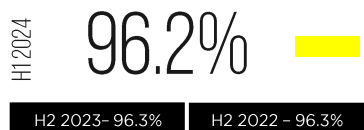
## MARKET AT A GLANCE (H1 2024)



Market Size



Avg Asking Rental Rate



Overall Occupancy



Half-Year Net Absorption



Half Year Sales Volume



SF Under Construction

Note: ▲ or ▼ or ■ indicates change compared to H2 2023

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

## MARKET OVERVIEW (H1 2024)

In the first half of 2024, the Metro Detroit Industrial Market continued to strengthen with record high rental rates, increased sales values, and sustained positive net absorption. Despite this, leasing and development activity has decreased to pre-covid levels due to a combination of remaining antiquated supply, slowing warehouse/distribution demand, elevated interest and cap rates, and increased construction costs.

**SUPPLY AND DEMAND:** Occupancy slightly decreased year-over-year (YOY) from all-time highs to 96.2% (96.3% in H1 2023) as deliveries of 2.5MM SF exceeded positive net absorption of 1.9MM SF. Leasing volume (3.5MM SF) decreased 62.2% YOY (9.2MM SF in H1 2023), but remains well above the pre-covid five-year average of 2.1MM SF.

**FLIGHT TO QUALITY:** Demand for newly delivered industrial properties (2020-H1 2023) continued to disproportionately exceeded activity for the older existing inventory due to the significant demand for modern industrial facilities. Newly delivered properties accounted for 2.7MM SF of positive net absorption while older properties (pre-2020) accounted for (-802K SF) of negative net absorption. Despite this, the decreased overall leasing volume demonstrates new warehouse/distribution space will face protracted lease up timeframes.

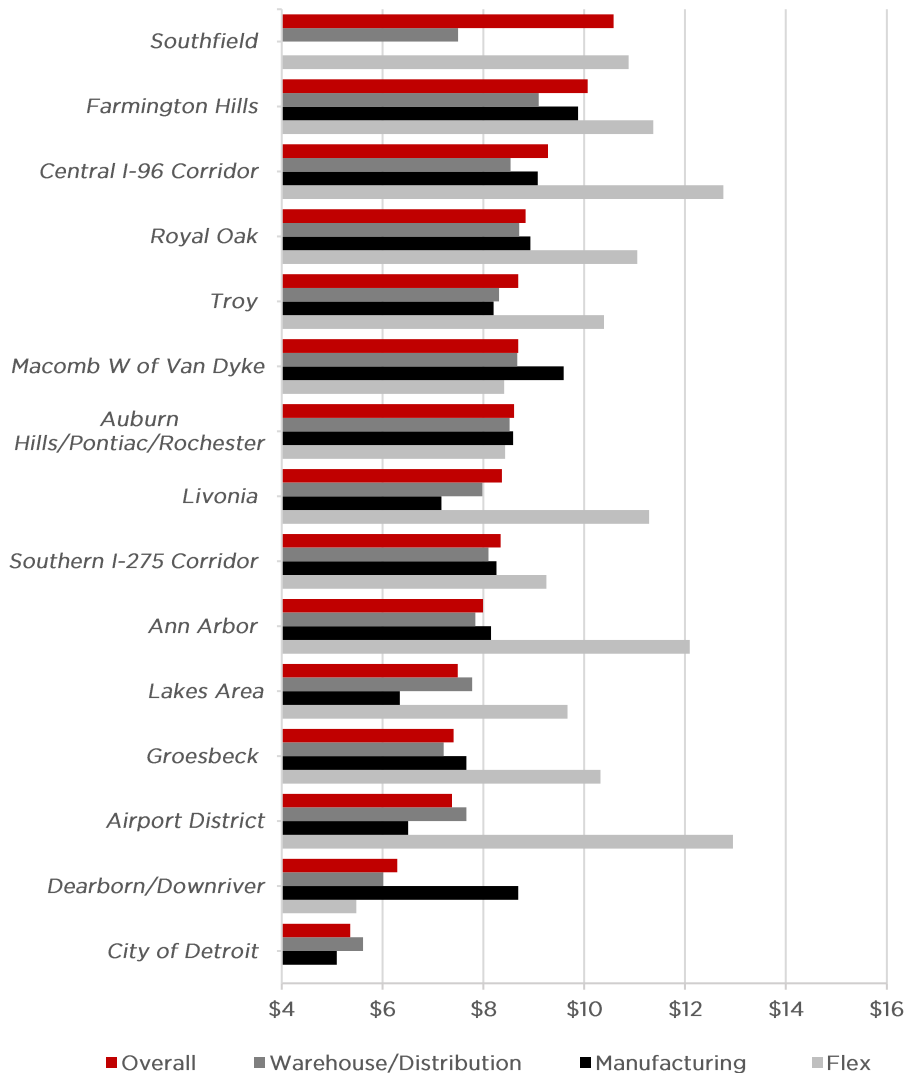
**DEVELOPMENT:** Inventory under construction (2.6MM SF) decreased 65.2% YOY (7.4MM SF in H1 2023) with many of the developments under construction and 33.8M SF of proposed industrial inventory having been postponed. For reference, the current active construction is comparable to 2014-2016 levels when the active construction pipeline averaged 2.5MM SF.

**SMALLER BUILDING DEMAND:** Leasing activity at smaller industrial properties (<50K SF) accounted for 63.1% of total leases (200 of 317) and 46.8% of total lease volume (1.63MM SF) despite only comprising 32.3% of total inventory (201.5MM SF). Due to the economies of scale associated with larger scale developments (200K+ SF) and increased interest rates, there have been limited deliveries of industrial properties smaller than 50K SF (5 buildings | 104K SF). This supply shortage, combined with sustained demand, has resulted in a 2.90% vacancy rate and 27.0% asking rent growth since H1 2020 (\$8.57 PSF NNN vs. \$6.75 PSF NNN) for industrial properties less than 50K SF.

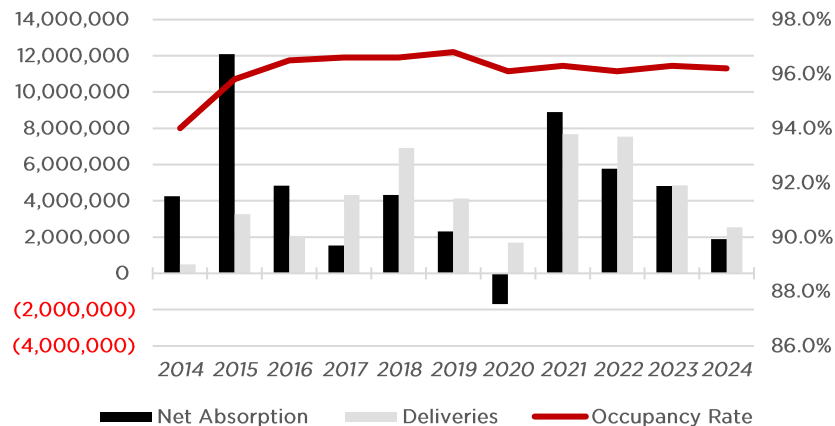
**GROWING MANUFACTURING:** Michigan has secured \$16.6BB of projects in the new electric vehicle manufacturing industry, which are anticipated to create over 16,300 jobs. Top developments include GM Factory Zero, FCA Mack Avenue Assembly, and ONE Circle. The largest lease in completed in the first half of 2024 was Convergix Automation Solutions leasing 150K SF of manufacturing space in Auburn Hills.

**SALES AND INTEREST RATES:** Total sales volume (\$233MM) decreased 55.5% year-over-year (\$362MM in H1 2023) largely due to the widened bid-ask spread decreasing investment sales. This is largely due to the impact a sustained high interest rate environment has on cap rates and property valuations. Although total sales PSF pricing has remained consistent YOY (\$73.48 PSF vs. \$71.00 PSF), owner user sales have recorded a 11.4% YOY increase (\$83.92 PSF vs. \$75.31 PSF) with an average building size of 19K SF further demonstrating the strong demand for smaller buildings.

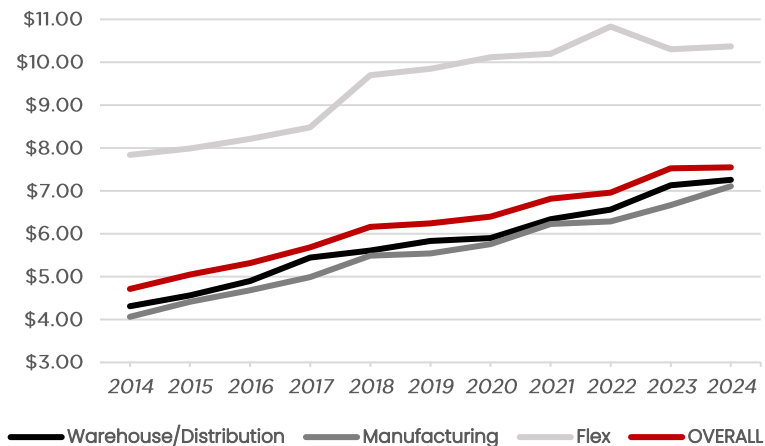
## AVERAGE NNN ASKING RENTS BY SUBMARKET



## 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
Pinnacle Corporate Center	Auburn Hills	Auburn Hills/ Pontiac/Rochester	121,263	\$12,600,000	\$103.91	Flex
55 E Silverdome Industrial Park	Pontiac	Auburn Hills/ Pontiac/Rochester	74,026	\$8,350,000	\$112.80	W/D
Bridgeview Commons	Lincoln Park	Dearborn/ Downriver	277,402	\$7,875,000	\$28.39	W/D
American Plastic Toys	Walled Lake	Central I-96 Corridor	279,115	\$7,200,000	\$25.80	Manufacturing
Wixom West Technology Center	Wixom	Central I-96 Corridor	34,415	\$6,700,000	\$194.68	Flex
27000 Hills Tech Court	Farmington Hills	Farmington Hills	102,071	\$6,650,000	\$65.15	Flex



## TOP LEASE TRANSACTIONS (BASED ON SQUARE FEET)

TENANT	PROPERTY NAME	CITY	SUBMARKET	SF	PROPERTY TYPE
<b>Convergix Automation Solutions</b>	<b>Joslyn Commerce Park</b>	<b>Auburn Hills</b>	<b>Auburn Hills/ Pontiac/Rochester</b>	<b>150,102</b>	<b>Manufacturing</b>
OPW Fluids Group	Allied Commerce Center	Livonia	Southern I-275 Corridor	130,700	W/D
Ventcon	12350 Sears Drive	Livonia	Southern I-275 Corridor	125,262	W/D
Paragon Technologies*	5775 E Ten Mile Road	Warren	Macomb W of Van Dyke	88,857	W/D
Parsec	Gateway Industrial Center	Detroit	City of Detroit	81,000	W/D
SW North America	43100 W 9 Mile Road	Novi	Central I-96 Corridor	65,814	Manufacturing
Dealer Tire	8500 Haggerty Road	Van Buren Twp	Airport District	64,388	W/D



Note: Bold indicates Friedman transaction | \*Indicates renewal.

W/D = Warehouse/Distribution

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	884	33,402,040	421,560	255,445	4.10%	5.80%	95.90%	\$7.99	\$7.84	\$8.15	\$12.09	\$11,630,263	\$90.27
Airport District	1,050	59,139,952	(307,736)	5,000	3.60%	4.90%	96.40%	\$7.38	\$7.66	\$6.51	\$12.95	\$21,897,806	\$142.99
Auburn Hills/Pontiac/Rochester	1,110	56,940,333	365,112	1,359,718	4.30%	5.40%	95.70%	\$8.61	\$8.52	\$8.59	\$8.43	\$41,334,500	\$103.46
Central I-96 Corridor	1,186	37,189,319	591,663	354,033	4.10%	5.10%	95.90%	\$9.28	\$8.54	\$9.08	\$12.76	\$28,251,257	\$62.66
City of Detroit	2,174	95,706,600	1,060,491	20,000	6.90%	10.60%	93.10%	\$5.36	\$5.61	\$5.09	-	\$13,639,000	\$43.64
Dearborn/Downriver	1,216	71,023,754	221,035	210,000	3.10%	4.50%	96.90%	\$6.29	\$6.01	\$8.69	\$5.48	\$15,491,825	\$38.49
Farmington Hills	434	11,976,422	100,338	79,000	6.00%	8.20%	94.00%	\$10.07	\$9.10	\$9.88	\$11.37	\$18,322,952	\$97.20
Livonia	1,115	43,198,308	(242,148)	13,885	3.00%	3.60%	97.00%	\$8.37	\$7.98	\$7.17	\$11.29	\$23,280,000	\$91.97
Southern I-275 Corridor	587	19,966,552	(30,143)	29,300	1.50%	2.40%	98.50%	\$8.34	\$8.10	\$8.26	\$9.25	\$2,800,000	\$70.93
Lakes Area	388	7,699,698	(14,681)	100,000	3.90%	3.90%	96.10%	\$7.49	\$7.78	\$6.34	\$9.67	\$1,150,000	\$125.23
Groesbeck	3,022	69,465,978	(301,872)	147,303	2.80%	3.90%	97.20%	\$7.41	\$7.21	\$7.66	\$10.32	\$15,211,831	\$68.53
Macomb W of Van Dyke	1,351	64,367,055	155,316	0	1.20%	1.60%	98.80%	\$8.69	\$8.67	\$9.59	\$8.41	\$9,825,194	\$78.39
Royal Oak	950	15,886,840	10,741	0	3.70%	5.00%	96.30%	\$8.84	\$8.71	\$8.93	\$11.05	\$2,179,000	\$55.36
Southfield	250	6,377,812	81,453	0	2.70%	4.50%	97.30%	\$10.58	\$7.50	-	\$10.88	\$4,285,000	\$20.38
Troy	1,435	30,859,429	(221,175)	0	3.90%	6.30%	96.10%	\$8.69	\$8.31	\$8.20	\$10.39	\$23,469,054	\$99.29
<b>TOTAL</b>	<b>17,152</b>	<b>623,200,092</b>	<b>1,889,954</b>	<b>2,573,684</b>	<b>3.80%</b>	<b>5.30%</b>	<b>96.20%</b>	<b>\$7.55</b>	<b>\$7.26</b>	<b>\$7.11</b>	<b>\$10.37</b>	<b>\$232,767,682</b>	<b>\$73.48</b>

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



## TOP INDUSTRIAL PROPERTIES DELIVERED (H1 2024)

PROPERTY NAME	CITY	SUBMARKET	SF	DEVELOPER	DELIVERED	PROPERTY TYPE
FANUC America Corporation	Auburn Hills	Auburn Hills	650,000	General Development Company	Q2 2024	Manufacturing & W/D
Eastland Commerce Center - Building 2	Detroit	City of Detroit	535,442	NorthPoint Development	Q1 2024	W/D
Eastland Commerce Center - Building 1	Detroit	City of Detroit	297,100	NorthPoint Development	Q1 2024	W/D
1700 Brown Road	Auburn Hills	Auburn Hills/Pontiac/Rochester	280,000	General Development Company	Q2 2024	Manufacturing
Eastland Commerce Center - Building 3	Detroit	City of Detroit	208,204	NorthPoint Development	Q1 2024	W/D
Sartorius	Ann Arbor	Ann Arbor	130,000	J. S. Vig Construction	Q2 2024	Flex



**FANUC America Corporation  
Flex - Auburn Hills  
Total SF: 650,000**

## TOP INDUSTRIAL PROPERTIES UNDER CONSTRUCTION (H1 2024)

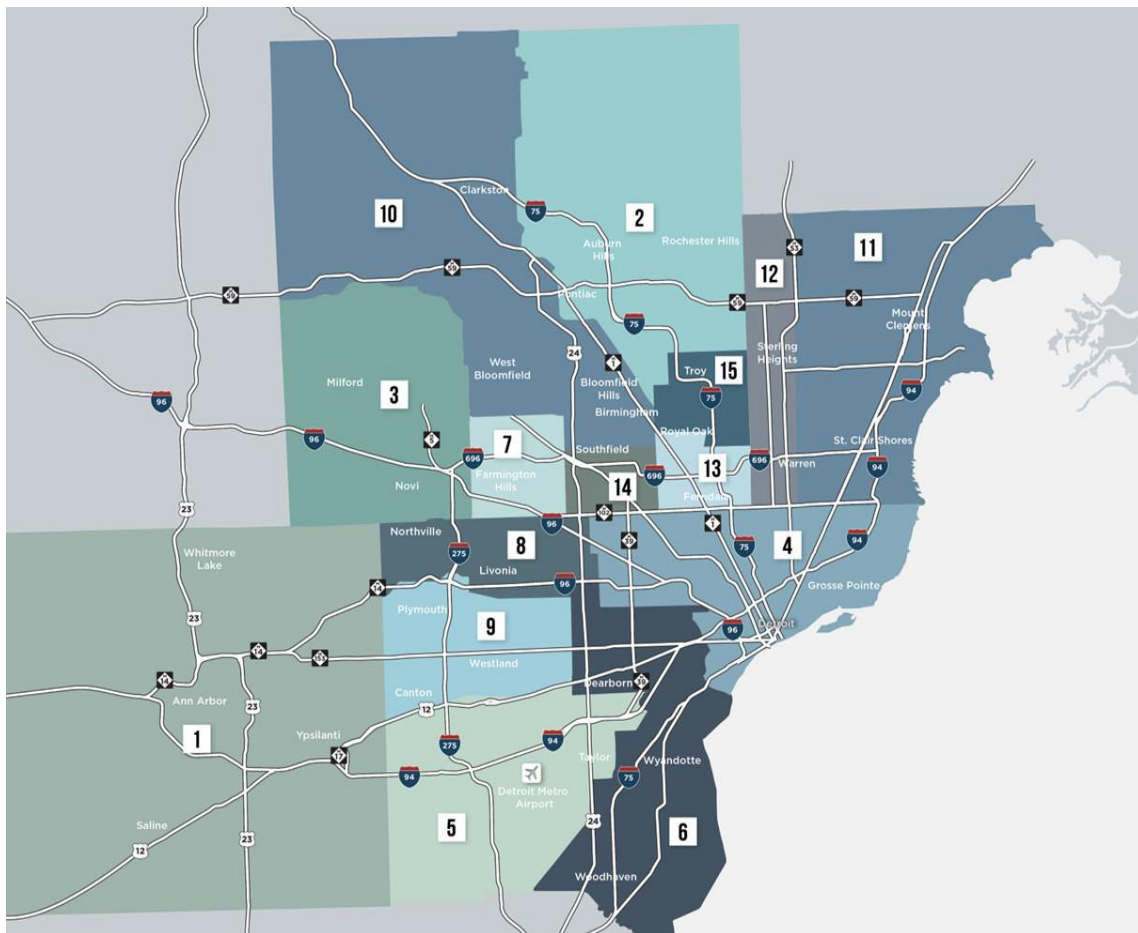
PROPERTY NAME	CITY	SUBMARKET	SF	DEVELOPER	DELIVERY	PROPERTY TYPE
2425 Dixie Highway	Waterford	Lakes Area	100,000	Dayton Freight	Q3 2024	W/D
0 Birch Drive	Shelby Township	Groesbeck	70,855	J.B. Donaldson	Q1 2025	Manufacturing
4183 Morgan Road	Ypsilanti	Ann Arbor	65,400	Swisher Commercial	Q4 2025	W/D
51830 Grand River Ave	Wixom	Central I-96 Corridor	61,111	Quadrants Development	Q4 2024	W/D



**2425 Dixie Highway  
Warehouse/Distribution  
Total SF: 100,000**

W/D = Warehouse/Distribution

## INDUSTRIAL SUBMARKET MAP



- |   |                       |    |               |
|---|-----------------------|----|---------------|
| 1 | ANN ARBOR             | 9  | LAKES AREA    |
| 2 | AUBURN HILLS          | 10 | MACOMB        |
| 3 | BIRMINGHAM/BLOOMFIELD | 11 | OUTER DETROIT |
| 4 | CENTRAL I-96 CORRIDOR | 12 | PONTIAC       |
| 5 | DEARBORN/DOWNRIVER    | 13 | ROCHESTER     |
| 6 | DOWNTOWN DETROIT      | 14 | ROYAL OAK     |
| 7 | FARMINGTON HILLS      | 15 | SOUTHFIELD    |
| 8 | I-275 CORRIDOR        | 16 | TROY          |

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 2024 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.