

# METRO DETROIT 2019 INDUSTRIAL RECAP



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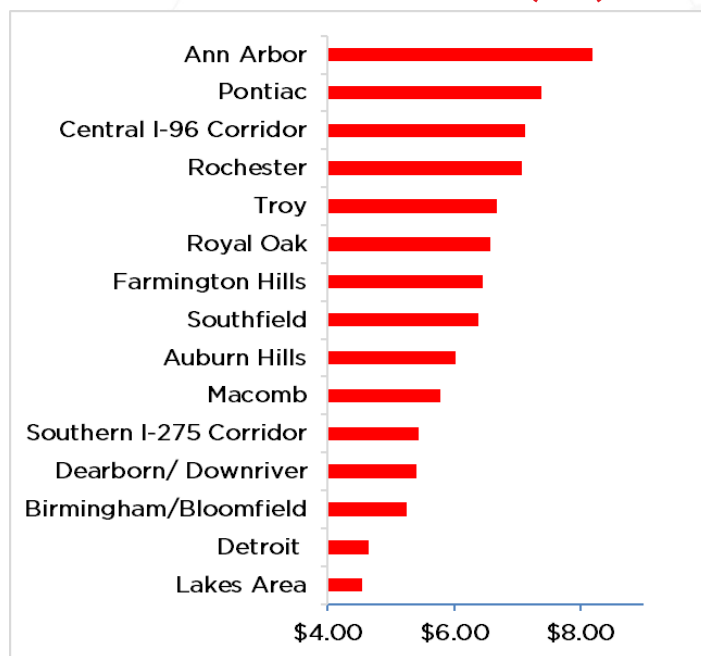
2019 was another red-hot year for Metro Detroit's industrial market. After sinking to historic lows post-recession, vacancy and availability rates have remained extremely tight, pushing rental rates ever higher. The resurgence of automakers and the changing dynamics of retail have been major factors in the continued success of industrial real estate.

Metro Detroit's industrial market totals nearly 510 million square feet (SF), the 8th largest in the U.S. Key metrics remained positive in 2019 posting a 3.0% vacancy rate, 6.4% availability rate, and 97.0% occupancy rate overall. The lack of available space increased rents for the eighth consecutive year to \$5.78 PSF NNN. Like other asset classes and reflective of the steady growth of the economy, gross absorption recorded over 13 million SF for the ninth consecutive year and net absorption remained positive for the same period. Infill locations near major manufacturing and R&D centers, and strategic interstates saw the most leasing activity. Developers have taken notice, turning defunct sites in infill locations such as Summit Mall in Waterford, the Palace of Auburn Hills, the Pontiac Silverdome, and Pinnacle Racetrack near Detroit Metropolitan Airport into industrial redevelopments. Auto supplier Dakkota Integrated Systems signed the largest lease of 2019 at 1420 E 10 Mile Rd in Hazel Park totaling 423,271 SF. Their new facility is located on the former Hazel Park racetrack, which was redeveloped into several state-of-the-art infill industrial warehouse buildings. Following this trend, FANUC America moved into a newly completed 461,000 SF built-to-suit robotics manufacturing facility in Auburn Hills. The site is adjacent to FANUC'S existing North American operations center and the FCA world headquarters.

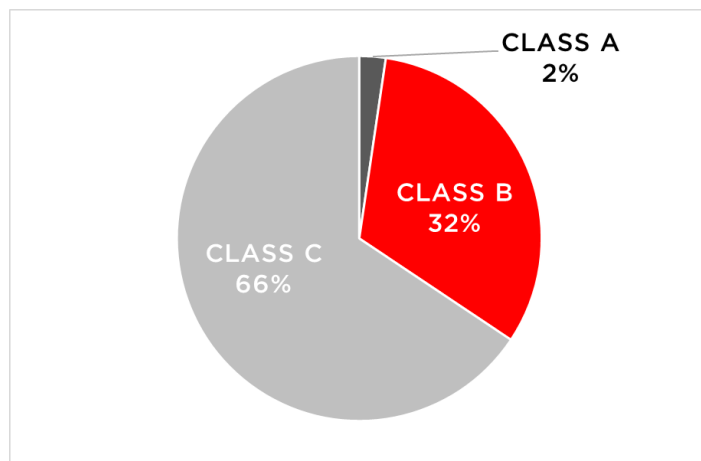
Costar reported sales volume for 2019 with disclosed pricing totaling \$391 million across 8 million SF, and averaging \$47 PSF. Total square footage sold in 2019 (including sales with undisclosed pricing) totaled 15.4 million SF. The largest sale of the year by sales price, \$86.75 million (\$86 PSF), and size, 1,009,292 SF, was the newly constructed Amazon distribution facility in Livonia at 39000 Amrhein Road. This deal represented 22.7% of the year's total sales volume. Overall sales activity in Metro Detroit was the lowest in five years, decreasing by 56% in total sales volume and 22% in building SF, amounting to nearly 4.5 million less SF sold than in 2018.

MARKET AT A GLANCE	YE 2018	YE 2019	
# OF INDUSTRIAL BUILDINGS	14,738	14,733	↓
MARKET SIZE (SF)	509,455,219	509,940,711	↑
AVG ASKING RENTAL RATE (NNN)	\$5.65	\$5.78	↑
OVERALL OCCUPANCY	96.8%	97.0%	↑
NET ABSORPTION	3,854,141	1,691,094	↓
# PROP UNDER CONSTRUCTION	38	36	↓
SF UNDER CONSTRUCTION	3,639,223	4,673,862	↑
TOTAL SALES VOLUME	\$849,445,598	\$390,745,023	↓

### AVG ASKING RENTAL RATES PSF (NNN)



### METRO DETROIT INDUSTRIAL INVENTORY BY CLASS TYPE



# METRO DETROIT 2020 INDUSTRIAL FORECAST



## METRO DETROIT INDUSTRIAL FORECAST

Riding the wave of strong fundamentals and demand, Metro Detroit's industrial real estate market appears positioned for another stable year ahead. Aging inventory and the changing global economy represent challenges to this stability, but minor market fluctuations won't shake the solid foundation of this industrial market.

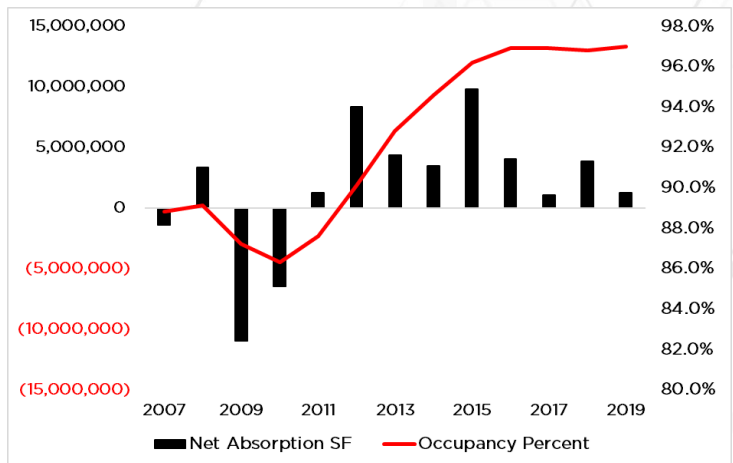
The region's ties to the automotive industry are anticipated to create a potential benefit and detriment to the area economy. The exciting developments in mobility and electric vehicle technology require Detroit's deep pool of engineering talent, which will continue to be positive for industrial usage. New long-term R&D projects and multibillion-dollar investments in these fields have created stability in employment, and a need for additional space. Alternatively, new technologies render others obsolete, and those companies that fail to adapt may fail to compete and exist in the new economy. Global factors such as tariffs and slowing economies in China and Europe are adding pressure to automakers and their suppliers. The auto sector represented 20% of 2018's slowdown in GDP and roughly 30% of the slowdown in global trade, according to the International Monetary Fund's World Economic Outlook survey released in October 2019. These are certainly reasons to give pause, but the automotive industry is better positioned to withstand the next economic downturn than those of the past, and its current evolution aligns it with the most significant technology being developed today.

Metro Detroit's shortage of availability in modern industrial buildings represents the largest challenge to continued growth in the industrial market. Existing inventory is near full capacity, yet SF under construction is among the lowest of the nation's major markets. Construction costs in Metro Detroit are some of the nation's highest due to a shortage of skilled labor, and developable land in desirable locations is almost nonexistent. Lack of supply has led to a 26% decrease in leasing activity year over year, but record highs for rental rates PSF.

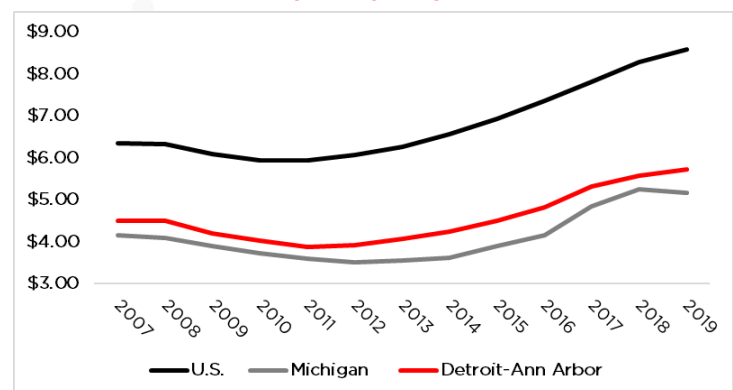
The case for additional development and retrofitting existing buildings to add available space will continue to mount as the future Gordie Howe International Bridge nears completion in 2024. The Detroit-Windsor border is the busiest international border crossing in North America in terms of trade volume, carrying 25% of all merchandise trade between the United States and Canada. The future bridge aims to increase trade efficiency by offering an alternative to the Ambassador Bridge, currently the only crossing option for commercial vehicles. Increased trade will require additional warehousing and logistics space, which creates tremendous opportunity for those who can provide available modern industrial facilities.

**NOTE:** Friedman's Industrial Market Report provides our clients and tenants with a snapshot of pertinent market data and information to help them make informed commercial real estate decisions.

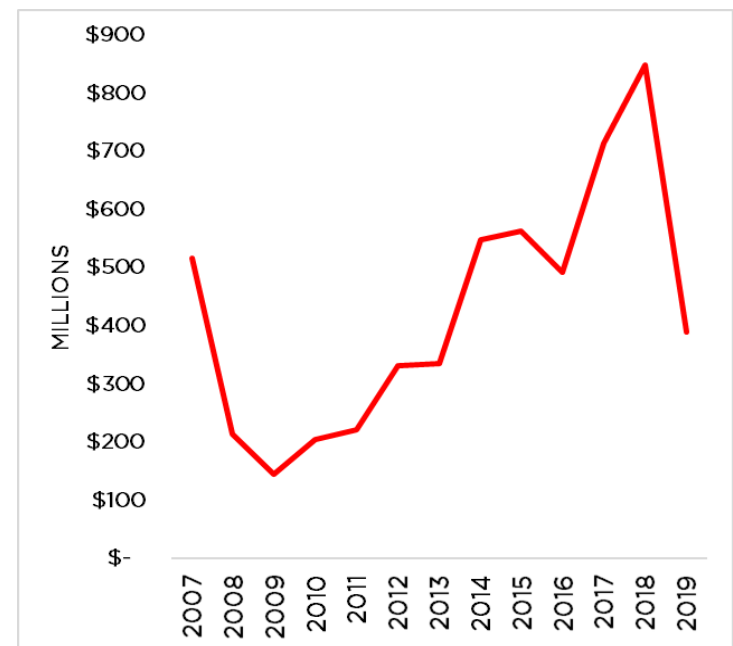
## OCCUPANCY & ABSORPTION



## ANNUAL ASKING RENT



## ANNUAL SALES VOLUME—METRO DETROIT



# METRO DETROIT INDUSTRIAL STATS



SUBMARKET	# BLDGS	INVENTORY (SF)	NET ABS. (SF)	SF UNDER CONST	TOTAL VAC. (%)	AVAIL. (%)	OVERALL OCC. (%)	ASKING RENT (NNN)	TOTAL SALES VOLUME	SALES PSF
Ann Arbor	724	22,717,532	833,214	-	3.3%	4.6%	96.7%	\$8.19	\$17,722,504	\$46
Auburn Hills	184	7,163,768	(101,057)	461,525	5.8%	6.3%	94.2%	\$6.02	\$5,053,000	\$64
Birmingham/ Bloomfield	37	819,092	(11,247)	-	25.5%	26.3%	74.5%	\$5.25	\$5,200,000	\$39
Central I-96 Corridor	924	25,781,002	(4,581)	142,582	4.5%	6.5%	95.5%	\$7.12	\$24,675,489	\$78
Dearborn/ Downriver	2,045	111,149,375	343,481	2,643,554	2.2%	7.2%	97.8%	\$5.40	\$56,856,813	\$45
Farmington Hills	317	7,721,778	224,205	-	5.5%	9.7%	94.5%	\$6.45	\$9,055,000	\$62
Lakes Area	218	4,833,365	7,842	-	0.9%	2.0%	99.1%	\$4.54	\$4,319,000	\$43
Macomb	3,888	118,277,090	701,251	894,201	2.0%	4.2%	98.0%	\$5.78	\$83,337,354	\$56
Detroit	1,963	88,279,814	(802,377)	124,000	4.4%	9.2%	95.6%	\$4.64	\$21,974,764	\$14
Pontiac	369	19,593,422	369,586	100,000	4.1%	8.9%	95.9%	\$7.38	\$10,970,000	\$40
Rochester	218	6,096,618	(55,249)	-	2.0%	5.2%	98.0%	\$7.07	\$6,925,000	\$73
Royal Oak	1,455	25,365,246	501,020	3,000	2.5%	4.3%	97.5%	\$6.57	\$13,491,000	\$49
Southern I-275 Corridor	1,530	54,959,449	(482,579)	305,000	3.6%	6.2%	96.4%	\$5.43	\$120,335,099	\$71
Southfield	186	3,471,066	57,106	-	3.4%	7.7%	96.6%	\$6.39	\$6,090,000	\$29
Troy	675	13,712,094	110,479	-	0.7%	3.0%	99.3%	\$6.67	\$4,740,000	\$56
TOTAL	14,733	509,940,711	1,691,094	4,673,862	3.0%	6.4%	97.0%	\$5.78	\$390,745,023	\$47

# 2019 INDUSTRIAL SALES

(\$3MM+)



ADDRESS	CITY	SF	SALE PRICE	PRICE PSF
39000 Amrhein Rd	Livonia	1,009,292	\$86,750,000	\$85
4343 Wyoming St (Part of Portfolio)	Dearborn	220,000	\$16,698,000	\$75
3950-4100 Pinnacle Ct	Auburn Hills	121,570	\$7,555,000	\$62
45755 Five Mile	Plymouth	78,684	\$5,625,000	\$71
24680 Mound Rd (Part of Portfolio)	Warren	86,422	\$5,550,000	\$64
20505 Sibley Rd	Brownstown	215,997	\$5,291,927	\$24
3000 W 14 Mile Rd	Royal Oak	134,628	\$5,200,000	\$38
5949 Jackson Rd	Ann Arbor	100,452	\$4,973,504	\$49
26700 Wixom Rd	Novi	38,949	\$4,600,000	\$118
12700 Stephens Rd	Warren	80,000	\$4,400,000	\$55
44005 Michigan Ave	Canton	19,560	\$4,284,786	\$219
5500 S State Rd	Ann Arbor	46,356	\$3,800,000	\$81
23149 Commerce Dr	Farmington Hills	47,700	\$3,500,000	\$73
21170 W 8 Mile Rd	Southfield	132,000	\$3,300,000	\$25
32969 Glendale St	Livonia	81,239	\$3,000,000	\$36

# 2019 INDUSTRIAL LEASE

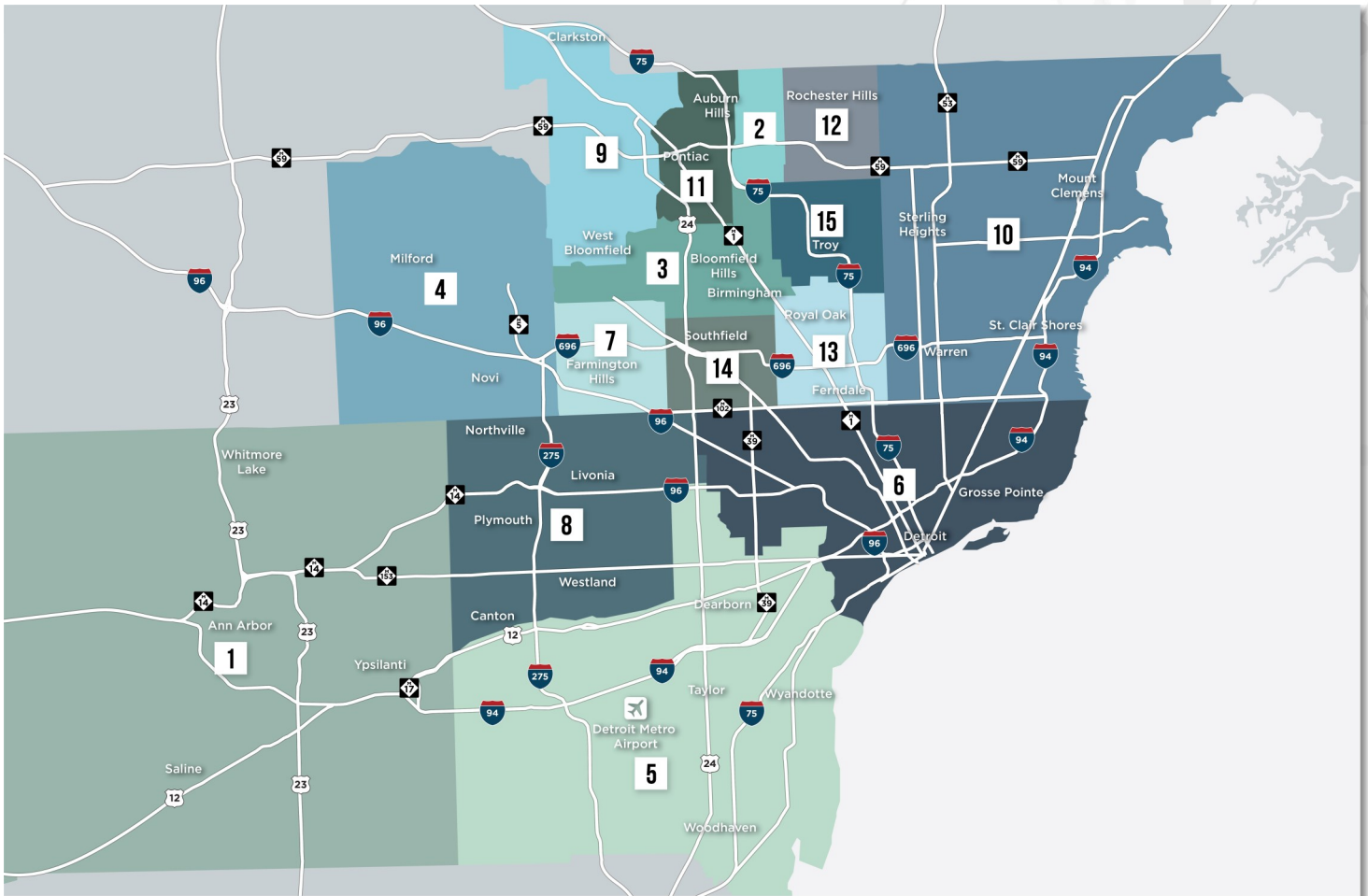
## (140,000+ SF)



TENANT	BUILDING	SUBMARKET	SF
Dakkota Integrated Systems	1420 E 10 Mile Rd	Royal Oak	423,271
Howard Ternes Packaging Company	537 Bradford	Pontiac	303,077
DSV Air & Sea Inc.	27651 Hildebrandt Rd	Dearborn/Downriver	228,067
Piston Automotive*	12723 Telegraph Rd	Dearborn/Downriver	256,100
Maksteel	4343 Wyoming St	Dearborn/Downriver	220,000
HTI Cybernetics	40033 Mitchell Dr	Macomb	187,500
Milair	9053-9075 N Haggerty Rd	Southern I-275 Corridor	183,385
Faurecia	13000 Oakland Pky	Detroit	181,000
DuPont*	400 N Groesbeck Hwy	Macomb	175,022
Mayco International, LLC	27027 Mound Rd	Macomb	162,859
Valeo	12600 Oakland Park Blvd	Detroit	150,000
Mayco International, LLC	27027 Mound Rd	Macomb	147,389
Ryder Integrated Logistics	20001 Brownstown Center Dr	Dearborn/Downriver	142,544
Valeo	13000 Oakland Pky	Detroit	141,757
*Renewal			



# METRO DETROIT INDUSTRIAL SUBMARKET MAP



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

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.

## FOR MORE INFORMATION PLEASE CONTACT

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