

# DETROIT INDUSTRIAL MARKET

## NEW INVESTMENTS IN THE PRODUCTION OF SUVs & ELECTRONIC VEHICLES BOOSTS METRO DETROIT INDUSTRIAL MARKET

New investments from the Big Three continue to fuel industrial demand in Metro Detroit that will likely carry over into the years ahead. The Metro Detroit industrial vacancy rate remained at 4.2% during the first quarter of 2019, as just over 1.2 million square feet of mostly new construction was absorbed. Fiat Chrysler announced plans to invest \$4.5 billion in new assembly plants in Detroit. Part of the plan involves converting the Mack Avenue Engine factory to an assembly plant and expanding production at five factories in Metro Detroit, including Jefferson North Assembly in Detroit and FCA Truck Assembly Plant in Warren, in addition to Sterling Stamping and Warren Stamping plants. The new investment comes on the heels of General Motors and Ford cutting investments into segments of sedan production while expanding truck and next-generation electronic vehicles (EVs). General Motors announced a \$300.0 million investment into EV production at its Orion Township plant. Meanwhile, Ford Motor is investing \$850.0 million into EV production at Flat Rock Assembly Plant. Already, these investments are spurring demand and creating new high-tech industries around the Detroit area.

### SOUTHEAST OAKLAND COUNTY

The Southeast Oakland County industrial vacancy rate fell 30 basis points to 3.0% during the first quarter, as just over 251,000 square feet was absorbed. The submarket continues to see sustained demand, as companies move into the submarket or expand their current operations. Samsung SDI America, Inc.'s expansion into a 137,000-square-foot battery pack plant at 50 Continental Drive in Auburn Hills accounted for a large share of overall absorption. Other notable new deals include UEG, LLC's 37,000-square-foot lease on Brown Road, Mil-Spec Automotive's 37,000-square-foot lease on Atlantic Boulevard and Infusystems Holdings, Inc.'s 27,000-square-foot deal on Hamlin Road. Auburn Hills will see a host of new expansions in the coming quarters. Fiat Chrysler subsidiary and supplier Magneti Marelli Holding USA LLC announced a \$12.6 million expansion to its Automotive Avenue. Also, Emabond Solutions announced a near \$1.0 million expansion to its operations on Atlantic Boulevard. Another Fiat Chrysler supplier, Inteva Products, LLC, announced plans for an expansion of up to 100,000 square feet in Southeast Oakland. Elsewhere, RPM Freight Systems announced plans for a major expansion of its current operations in the Southeast Oakland area. These companies follow Kay Automotive Graphics, MiDAS Foods International

### CURRENT CONDITIONS

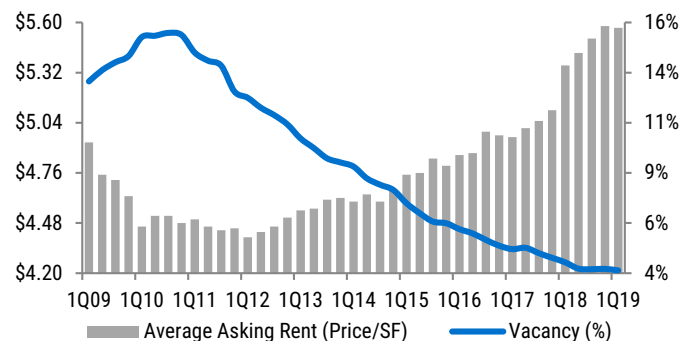
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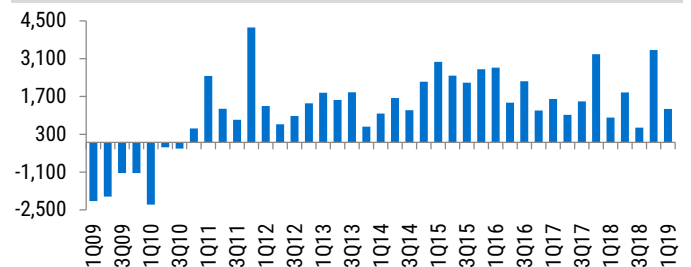
Fiat Chrysler announced plans to invest \$4.5 billion in new assembly plants in Detroit.

### MARKET ANALYSIS

#### Asking Rent and Vacancy Rate



#### Net Absorption (SF, Thousands)



### MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	394 MSF	392 MSF	387 MSF	↑
Vacancy Rate	4.2%	4.2%	4.5%	↓
Quarterly Net Absorption	1,239,035	3,423,408	918,354	↑
Average Asking Rent	\$5.56	\$5.58	\$5.36	↑
Under Construction	3,443,548	4,279,064	6,002,883	↑
Deliveries	964,318	3,413,646	319,281	↑

and Alpine Electronics, which currently have major expansions underway across the submarket. On the new construction front, Japanese robotics company Fanuc America Corporation continues to build its new, 461,000-square-foot facility on Entrance Drive in Rochester Hills. Meanwhile, Ashley Capital is currently building a 695,000-square-foot speculative development on Dequindre Road in Hazel Park.

## SOUTHWESTERN OAKLAND COUNTY

The Southwest Oakland County industrial vacancy rate increased by 60 basis points to 7.3% during the first quarter, as developers completed four major manufacturing/warehouse speculative developments in Wixom. Quadrants Development completed construction on a 94,000-square-foot and a 61,000-square-foot building on Automation Boulevard, while Burton-Katzman Development Company finished construction of a 102,000-square-foot facility on Beck Road. Meanwhile, DA Building Company completed a 27,000-square-foot building at Lakeview Drive and Twelve Mile Road. These new developments are in response to the demand for high-end advanced facilities. Zeiss Industrial Metrology, a manufacturer of optical systems and industrial measurement and medical devices, just began construction on a new, high-end, 82,800-square-foot facility on Lyon Oaks Drive in Lyon Township. This development follows ongoing build-to-suit projects for Berkshire E-Supply (211,610 square feet), A-123 (128,936 square feet) and Autoliv ASP (180,000 square feet) that are scheduled for completion in mid-2019. Alphabet-owned Waymo, who currently occupies space in Novi, announced it is searching the market area to build a high-end autonomous vehicle factory of up to 200,000 square feet. One major site eyed for development is the 182.0-acre former Ford Motor Assembly plant site on Wixom Road. Developer Detroit Wixom LLC is proposing several new industrial facilities with the potential of adding more than 1.0 million square feet of warehouse or manufacturing space. One weak spot emerging in the submarket is in the light industrial or multi-tenant R&D/flex market, which saw its vacancy rate increase 170 basis points to 9.7% during the first quarter, as just over 153,000 square feet became vacant.

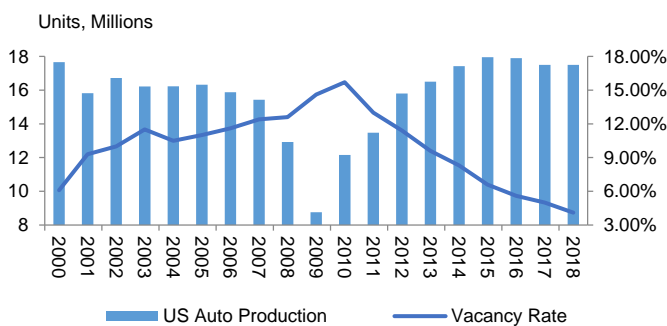
Central Business Park in Southfield posted a 46,000-square-foot vacancy in the Altierus Career Education building. Halsted Commerce Park, on Interchange Drive in Farmington Hills, added a 37,000-square-foot vacancy to the 25,000 square feet that became vacant in 2018. Meanwhile, in Novi, the Lasalle Technology Center South on Cabot Drive saw a 27,000-square-foot vacancy, and Meadowbridge Park on Bridge Street added a 16,000-square-foot vacancy. Demand has been low for these multi-tenant flex facilities. For instance, the 108,000-square foot Cumberland Tech Center on Eleven Mile in Southfield has seen vacancies at 82.0% for a year and a half.

## MACOMB COUNTY

The Macomb County industrial market vacancy rate fell 10 basis points to 2.0% during the first quarter, as just over 271,000 square feet was absorbed. Contributing to a significant share of absorption were two completed build-to-suits. Construction of a 92,000-square-foot build-to-suit on Peyerk Court for Lanzen Fabricating Inc. was completed in Romeo and a 43,000-square-foot facility on Mound Road in Sterling Heights was completed for Mor-Tech Design. As those projects came to completion, Kroll International began construction of its new, 54,000-square-foot building on Danview Technology Court in Shelby Township. With very limited vacancies, existing space continues to lease up rapidly. Des-Claw, LLC leased 43,000 square feet on R Mancini Drive in Sterling Heights and quickly subleased its former 43,000-square-foot space on Mound Road to GDI Group. Such was the case as Fabtronic Inc. and Sunny's Pool & More, Inc. leased 20,000 and 15,000 square feet on Industrial Drive in Macomb Township soon after the building became available. Other notable deals include Accurate Tooling Solutions' 61,000-square-foot lease on Patricia Street in Chesterfield and Taylor Sale Inc.'s 18,000-square-foot deal on Moscone Road in Utica. Developers are beginning to add additional speculative developments to capitalize on strong demand. Kemp & Peyerk completed construction on a 20,000-square-foot development on Peyerk Court in Romeo. Also, Kemp & Sherman Company finished construction of a 23,000-square-foot facility on Leone Drive in Macomb Township.

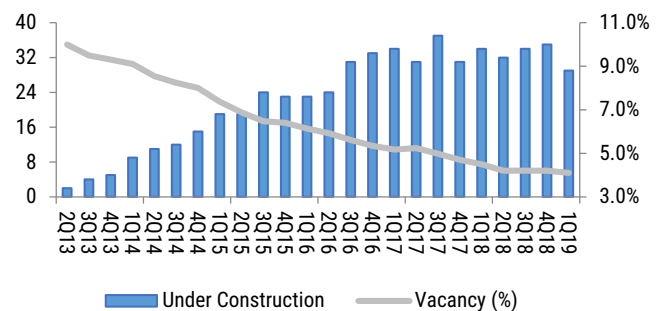
## US AUTO PRODUCTION TREND

Vacancy Rate (%)



## # OF ACTIVE CONSTRUCTION PROJECTS

Vacancy Rate (%)



## SOUTHERN WAYNE COUNTY

The Southern Wayne County industrial vacancy rate fell 10 basis points to 2.2% during the first quarter, as just over 63,000 square feet was absorbed. Contributing to this absorption total were JDS Industries' 78,000-square-foot lease and Ryder Integrated Logistics, Inc.'s 63,000-square-foot lease at Brownstown Business Center and Liteway Transportation, Inc.'s 87,000-square-foot lease on Meginnity Street in Melvindale. Positive absorption was partially offset by a few new vacancies in the submarket. Romulus Business Center saw nearly 100,000 square feet of vacant space, as General Motors vacated space. Meanwhile, the Allied Commerce Center posted a 35,000-square-foot vacancy.

## WESTERN WAYNE COUNTY

The Western Wayne industrial vacancy rate held steady at 2.8% during the first quarter, as more than 622,000 square feet was absorbed. Republic National Distributing Co LLC accounted for the bulk of absorption, as the company moved into its newly completed, 500,000-square-foot build-to-suit on Eckles Road in Livonia. Also contributing to absorbed space was Nalara Corporation's 159,000-square-foot lease at 9075 Haggerty Road in Plymouth. The submarket has three major construction projects underway. Tenneco is constructing a 100,000-square-foot build-to-suit at 15701 Technology in Northville, while Frankel Associates is building two speculative buildings of 67,000 square feet and 46,000 square feet on Haggerty Road in Canton.

## DETROIT

The city of Detroit's industrial vacancy rate increased by 40 basis points to 12.5% during the first quarter, as just over 143,000 square feet in new vacancies came on the market. The new vacancies were mostly created in third to fourth-generation facilities on West Fort Street and Cadieux Avenue. The second quarter is likely to see a return to positive absorption, as Wolverine Packing Company is scheduled to complete its 180,000-square-foot build-to-suit at 1800 East Canfield Street. As Fiat Chrysler makes major investments to increase manufacturing capacity in the city, suppliers are likely to create greater demand in the quarters to come.

## LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	City	Square Feet
Nalara Corporation	9075 Haggerty Road	Western Wayne	Plymouth	159,000
Liteway Transportation, Inc	18700 Meginnity	Southern Wayne	Melvindale	87,000
JDS Industries	Brownstown Business Ctr	Southern Wayne	Brownstown	78,000
Des-Claw, LLC	42600 R Mancini	Macomb	Sterling Heights	43,265
Mil-Spec Automotive	1515 Atlantic Blvd	SE Oakland	Auburn Hills	37,000

## SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
24680 Mound Rd	Macomb	\$5,550,000	\$64	86,422
24895 N Industrial Dr	SW Oakland	\$2,360,000	\$59	40,000
11996-11998 Merriman Rd	Western Wayne	\$2,300,000	\$50	45,850
1837 Enterprise Dr	SE Oakland	\$2,100,000	\$73	28,817
250 Kay Industrial Dr	SE Oakland	\$1,900,000	\$66	28,820

## SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Gen Ind Asking Rent (Price/SF)
Ann Arbor	5,402,213	44,525	6.7%	5,221	5,221	\$9.50	\$11.27	\$5.27
Detroit	45,232,881	180,000	12.5%	(143,872)	(143,872)	\$3.13	\$5.74	\$3.60
Livingston County	13,487,727	40,000	2.9%	48,495	48,495	\$5.61	\$8.24	\$6.25
Macomb	81,853,090	871,307	2.0%	271,593	271,593	\$5.46	\$8.07	\$5.15
SE Oakland	85,903,253	1,156,000	3.0%	251,898	251,898	\$6.09	\$8.80	\$5.99
Southern Wayne	56,903,450	150,000	2.2%	63,421	63,421	\$5.05	\$8.13	\$5.09
SW Oakland	36,741,288	788,055	7.3%	119,947	119,947	\$5.86	\$8.93	\$6.35
Western Wayne	68,771,633	213,661	2.8%	622,332	622,332	\$5.65	\$10.63	\$5.41
<b>Totals</b>	<b>394,295,535</b>	<b>3,443,548</b>	<b>4.2%</b>	<b>1,239,035</b>	<b>1,239,035</b>	<b>\$4.81</b>	<b>\$9.15</b>	<b>\$5.03</b>

## SUBMARKET STATISTICS BY SUBTYPE

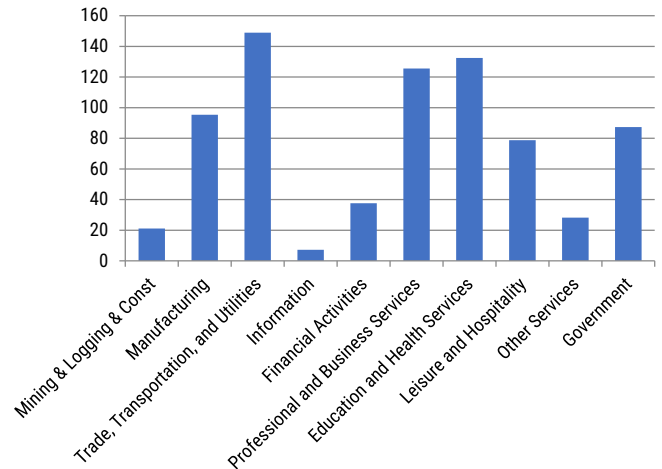
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	215,187,344	1,493,033	4.4%	527,608	527,608	\$5.03
Incubator	1,917,930	X	5.2%	-	-	\$6.45
R&D/Flex	42,839,691	324,525	5.7%	(131,619)	(131,619)	\$9.15
Warehouse/Distribution	134,350,570	1,625,990	3.3%	843,046	843,046	\$4.81
<b>Totals</b>	<b>394,295,535</b>	<b>3,443,548</b>	<b>4.2%</b>	<b>1,239,035</b>	<b>1,239,035</b>	<b>\$5.56</b>

## ECONOMIC CONDITIONS

Metro Detroit unemployment levels saw an uptick in the latest January reading to 4.5%, compared to 4.3% the previous month, though down from 4.9% at the same time last year. Metro Detroit unemployment levels are slightly higher than the national level of 4.1%. Payroll employment for Metro Detroit in January showed a 1.6% change over the previous year. Those gains were comparatively lower than the national figure of 2.0%.

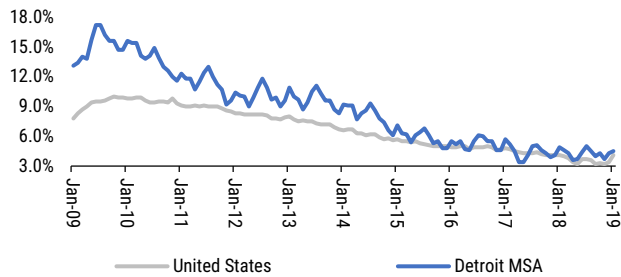
## EMPLOYMENT BY INDUSTRY

Detroit MSA, Jan, 2019



## UNEMPLOYMENT RATE

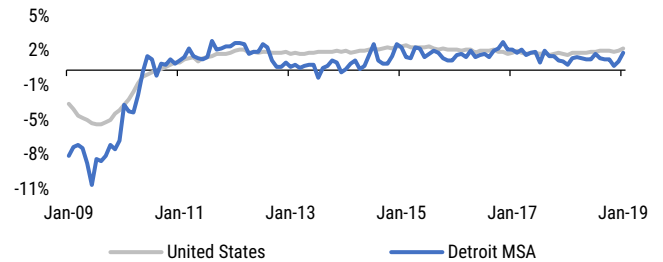
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

## PAYROLL EMPLOYMENT

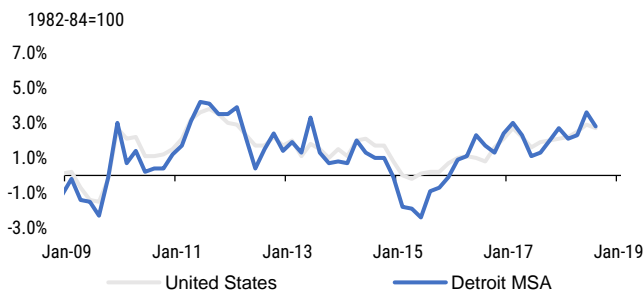
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## CONSUMER PRICE INDEX (CPI)

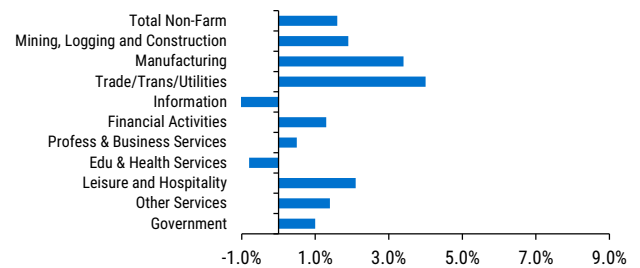
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

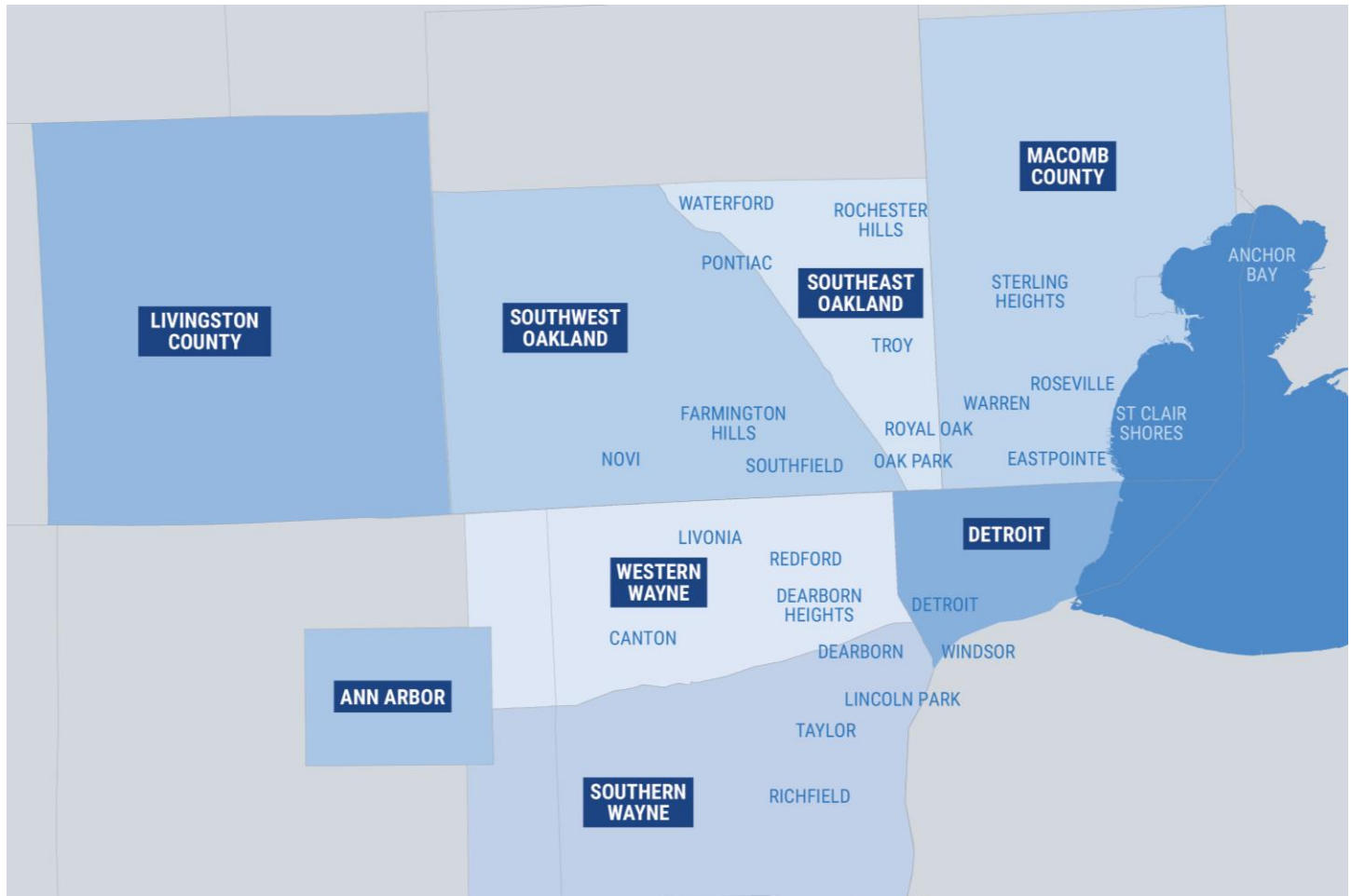
## EMPLOYMENT GROWTH BY INDUSTRY

Detroit October, 12-Month % Change, Not Seasonally Adj.



Source: U.S. Bureau of Labor Statistics

## DETROIT INDUSTRIAL SUBMARKET LOCATIONS



### Farmington Hills

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