



DETROIT 3Q17 INDUSTRIAL MARKET

DETROIT INDUSTRIAL MARKET POSTS 28TH CONSECUTIVE QUARTER OF EXPANSION, WHILE CONSTRUCTION STARTS JUMP 95% YEAR OVER YEAR

Metro Detroit's industrial market posted its 28th consecutive quarter of expansion, as nearly 1.4 million square feet was absorbed during the third quarter of 2017, driving its vacancy rate down 20 basis points to 5.3%. The expansion in the industrial market continues to drive up rents for existing inventories while pushing new construction to even greater levels. Since the third quarter of 2016, the average effective lease rate paid by tenants has risen 8.25%, while construction levels have risen 95.0%. Amazon, Inc. alone accounts for 45.0% percent of the construction increase over the past four quarters, as the company has begun to invest heavily in the metro area. Meanwhile, Amazon, Inc. is in the planning stages of constructing another 1.0 million-square-foot facility in addition to the two facilities currently under construction, for a total of 1.8 million square feet. As of third-quarter 2017, active construction levels have reached 8.2 million square feet. Just over 72% are build-to-suits, while 28% are speculative projects.

Macomb County

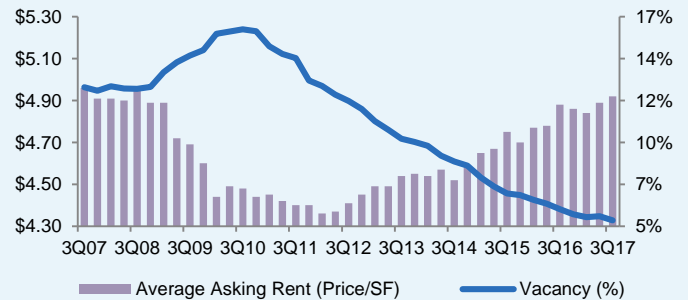
High demand in Macomb County's industrial market continues to spur new construction activity. The submarket's vacancy rate held at 3.0% during the third quarter, despite net absorption of just over 362,000 square feet. With limited vacancies, the bulk of overall absorption came mostly from build-to-suit construction completions. Most notably, Mitchell Plastics completed construction of its new, 220,000-square-foot facility on Seventeen Mile in Sterling Heights, and Lipari Foods completed construction of its newly built, 260,000-square-foot facility on Bunert Road in Warren. With a vacancy rate at or below 3.0% over the past two years, the submarket has limited existing space options for companies. The result has been a construction boom that has netted 12 new facilities totaling just over 1.2 million square feet since 2015. The pace of new construction is not slowing. Several companies broke ground on new facilities during the third quarter. Grupo Antolin is currently building a 250,000-square-foot facility on Shelby Parkway in Shelby Township, and UTEC is constructing a 115,000-square-foot building on Van Dyke Avenue in Sterling Heights, while Mor-Tech Design started a 43,000-square-foot building on Mound Road in Sterling Heights. Meanwhile, Amazon, Inc. announced plans to build a 1.0 million-square-foot food distribution center on the former Visteon site in Shelby Township. The project is likely to break ground in 2018.

Current Conditions

- Metro Detroit's industrial market posted its 28th consecutive quarter of expansion, as nearly 1.4 million square feet was absorbed during the third quarter of 2017.
- Active construction levels have reached 8.2 million square feet. Just over 72% are build-to-suits, while 28% are speculative projects.
- Amazon, Inc. alone accounts for 45.0% percent of the construction increase over the past four quarters.

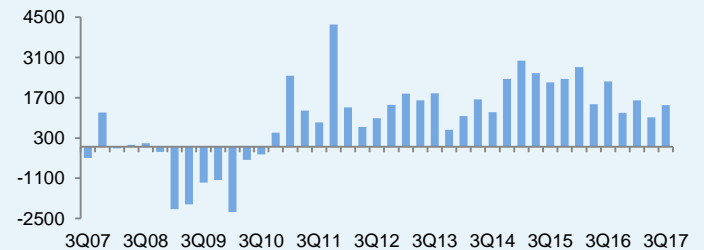
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Thousands



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	382MSF	382MSF	377MSF	↑
Vacancy Rate	5.3%	5.5%	5.9%	↓
Quarterly Net Absorption	1,437,460	1,019,342	2,266,424	↑
Average Asking Rent	\$4.92	\$4.89	\$4.88	↑
Under Construction	8,206,975	6,298,800	4,293,546	↑
Deliveries	582,500	1,139,741	364,155	↑



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SOUTHWEST OAKLAND COUNTY HAS THE HIGHEST NUMBER OF SPECULATIVE DEVELOPMENTS UNDERWAY.

Southwest Oakland County

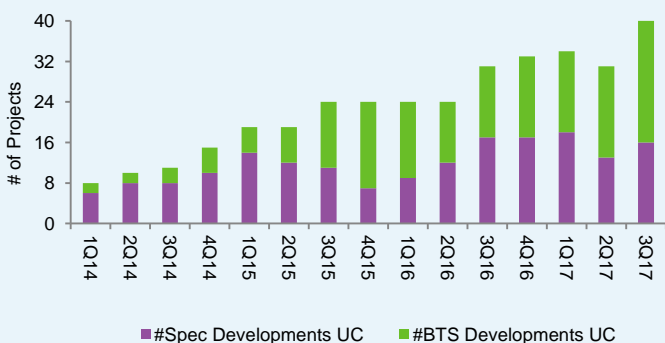
The Southwest Oakland County industrial vacancy rate fell 20 basis points to 4.9% during the third quarter, as just over 185,000 square feet was absorbed. As availability decreases, so does exposure time on existing large block and mid-sized space. For instance, during the third quarter, the former Keebler building on Research Drive in New Hudson was released to Hydro Farm, Inc. as soon as the 126,000-square-foot facility became available. Other notable deals around the submarket were: Ashley Furniture HomeStore's 70,000-square-foot lease on Research Drive in Farmington Hills; Hitachi Automotive Systems Americas, Inc.'s 20,000-square-foot lease on Crestview Court in Farmington Hills; and Janesville Acoustics's 20,000-square-foot lease on Commerce Drive in Farmington Hills. New construction activity continues to grow in the submarket. Since 2015, 17 construction projects have been completed, totaling just over 1.6 million square feet. The latest company to finish construction was TREMEC Corporation, which took occupancy of its 127,000-square-foot facility on Ryan Court in Wixom. The submarket has the most speculative developments currently under construction, with nine projects totaling over 734,000 square feet. Quadrants Inc. broke ground on two new speculative developments during the third quarter that will total 95,000 square feet and 61,000 square feet on Automation Court in Wixom. Overall, the submarket has

six speculative developments under construction that will add over 367,000 square feet of space to the market in 2018. Meanwhile, the submarket has four major build-to-suits under construction for Hino Motors, A123 Systems, SW North America, Inc. and Daifuku North American, totaling 366,000 square feet.

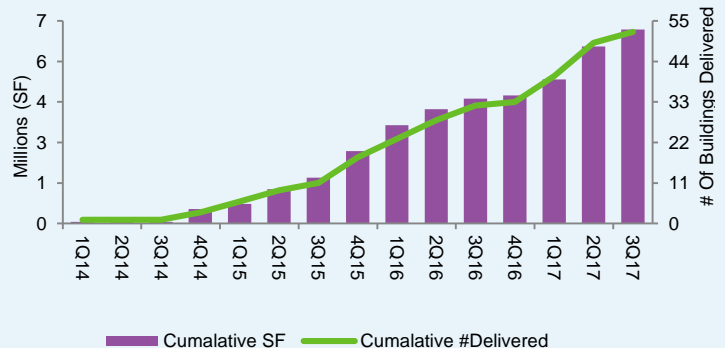
Southeast Oakland County

The Southeast Oakland County Industrial market vacancy rate fell 40 basis points to 4.5% during third-quarter 2017. A few notable deals in the submarket include Mahindra's 230,000-square-foot lease at 660 South Boulevard in Pontiac and Wurth Baer Supply Company's 55,000-square-foot lease at 13390 Cloverdale Street in Oak Park. High demand in the submarket is filling up speculative developments and leading to new construction projects. Since 2014, 17 build-to-suit and speculative construction projects totaling 2.4 million square feet have been completed and occupied. One of the largest speculative projects, the 575,000-square-foot Tri-County Commerce Center, was completed in early 2017 and is now nearly 80% occupied. LG USA leased 250,000 square feet in the Tri-County Commerce Center during the third quarter. This followed leases by Amazon and Bridgewater Interiors LLC. Three other speculative developments in Auburn Hills are currently underway that will add much-needed space to the submarket in 2018: Magnum Industrial Building Co is building a 155,000-square-foot facility on Continental; Burton-Katzman Development Company is completing a 108,000-square-foot facility on Opdyke Court; and Cunningham-Limp is constructing a 100,000-square-foot facility at Pacific Road and Taylor Road. Meanwhile, four build-to-suits for Martinrea International Inc., Hutchinson FTS Inc., George W. Auch Co. and INCOE Corp. are underway and expected to be completed in 2018.

Speculative vs Build-to-Suit Projects Under Construction



Cumulative New Construction Deliveries 2014 - 2017





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THE LIVONIA CORPORATE CENTER WILL ADD OVER 900,000 SQUARE FEET TO THE MARKET BY THE END OF 2017

Southern Wayne County

The Southern Wayne County overall industrial vacancy rate fell 10 basis points to just 2.0% during the third quarter. Encompassing Metro Airport and major transit routes connecting Canada and the greater Midwest, the Southern Wayne County submarket is Metro Detroit's primarily bulk warehouse logistical market. With a bulk warehouse inventory of 25.0 million square feet, the submarket's Class A and Class B bulk warehouse/distribution market has a vacancy of just 0.9%. The lack of supply in the market resulted in a 375% increase in new construction starts in the third quarter, as Amazon broke ground on an 857,000-square-foot build-to-suit on Ecorse Road, while Penske Logistics began construction on a 606,000-square-foot refrigerated and frozen food warehousing distribution center on Wayne Road in Romulus. Meanwhile, Chrysler is near completion of a 500,000-square-foot facility on Pennsylvania Road. In addition to build-to-suit construction, a 416,000-square-foot speculative development known as the Ecorse Commons

Industrial Park is being constructed near I-94 and I-275 in Romulus that will add additional modern bulk warehouse space to the submarket.

Western Wayne County

The Western Wayne County submarket vacancy rate fell 20 basis points to 3.4% during the third quarter, as just over 95,000 square feet was absorbed. Market activity during the quarter mostly consisted of sales. A few notable acquisitions were: Promanas Group's purchase of the 292,000-square-foot multi-tenant Redford Trade Center on Beech Daly; Sears Drive Properties, LLC's purchase of a 100,000-square-foot facility on Sears Drive in Livonia; and Gil-Mar Manufacturing's acquisition of an 85,000-square-foot building on Start Road in Livonia. As is the case throughout metro Detroit, limited availabilities are pushing up construction levels. Construction activity in Western Wayne has reached just over 2 million square feet. Tenneco Inc. is the latest company to break ground on a new 100,000-square-foot build-to-suit facility on Technology Drive in Northville. Two other build-to-suits are already underway: Amazon's 1.0 million-square-foot build-to-suit distribution center at 13000 Eckles Road in Livonia, and Oerlikon Metco (US) Inc.'s 80,000-square-foot manufacturing facility at 41144 Concept Drive in Plymouth. On the speculative front, Ashley Capital is currently developing the Livonia Corporate Center, a two-building complex that will add over 900,000 square feet of much-needed modern distribution space to the market by the end of 2017.

Lease/User Transactions

Tenant	Building	Submarket	City	Square Feet
Amazon, Inc.	Ecorse Road	Southern Wayne	Romulus	857,000
Penske Logistics	15520 Wayne Road	Southern Wayne	Romulus	606,000
Mahindra	660 South Blvd	Southeast Oakland	Pontiac	230,000
ThyssenKrupp Materials NA, Inc.	7100 Fifteen Mile	Macomb	Sterling Heights	83,000
Ashley Furniture HomeStore	23975 Research Dr	Southwest Oakland	Farmington Hills	70,000

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
30020 Cabot Drive	SW Oakland	\$53,381,000	\$297	180,000
27651 Hildebrandt	Southern Wayne	\$19,400,000	\$64	302,000
30700-30900 Stephenson Hwy	SE Oakland	\$6,000,000	\$43	139,000
35901 Veronica St	Western Wayne	\$4,775,000	\$52	92,000
28175 William P Rosso Hwy	Macomb	\$2,650,000	\$35	75,000


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Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF NNN)	R&D/Flex Asking Rent (Price/SF NNN)	Gen Ind Asking Rent (Price/SF NNN)
Ann Arbor	5,441,713	44,525	7.1%	11,252	28,555	\$7.06	\$10.15	\$5.27
Detroit	45,170,118	1,254,000	18.4%	45,596	201,509	\$3.00	\$5.74	\$2.65
Livingston County	13,503,108	-	3.2%	12,571	46,823	\$5.46	\$7.96	\$6.35
Macomb	78,672,645	1,014,162	3.0%	484,618	1,170,224	\$5.35	\$7.19	\$5.75
SE Oakland	85,130,701	686,200	4.5%	449,514	1,119,555	\$5.23	\$7.55	\$5.66
Southern Wayne	54,384,156	2,379,173	2.0%	19,206	377,312	\$4.63	\$8.50	\$4.92
SW Oakland	34,939,592	734,285	4.9%	319,447	868,096	\$6.95	\$8.42	\$6.54
Western Wayne	65,379,230	2,094,630	3.4%	95,256	274,133	\$4.66	\$9.54	\$5.30
Totals	382,621,263	8,206,975	5.3%	1,437,460	4,086,207	\$4.30	\$8.29	\$4.37

Statistics by Property Type

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
Warehouse/Distribution	127,006,602	3,868,064	3.1%	687,613	1,333,383	\$4.30
R&D/Flex	42,113,534	505,750	6.6%	109,158	618,659	\$8.29
General Industrial	211,529,272	3,833,161	6.4%	640,689	2,140,015	\$4.37
Incubator	1,971,855	-	5.5%	-	(5,850)	\$6.15
Totals	382,621,263	8,206,975	5.3%	1,437,460	4,086,207	\$4.92

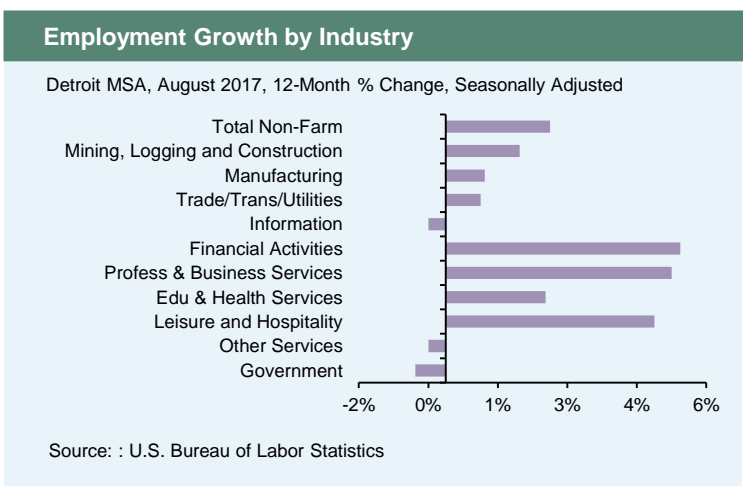
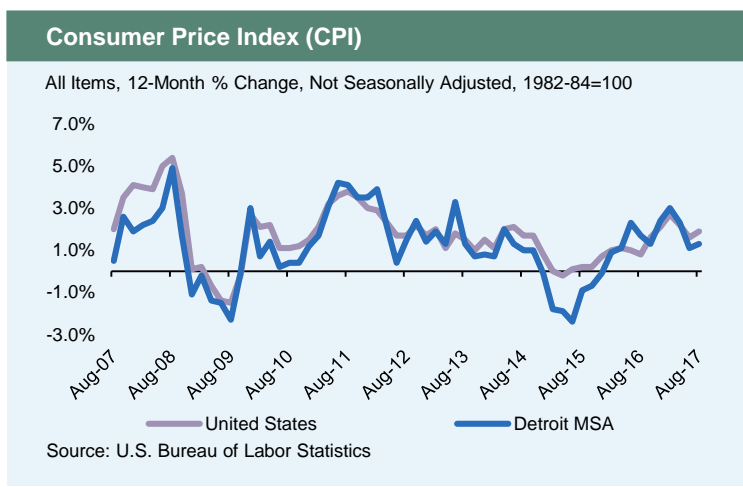
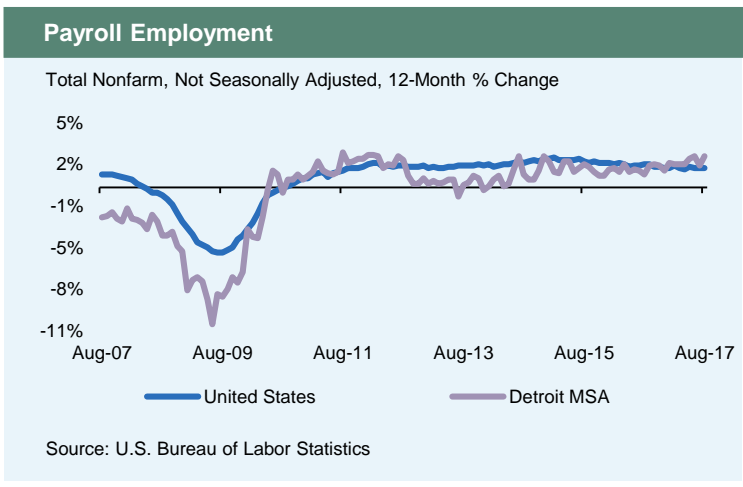
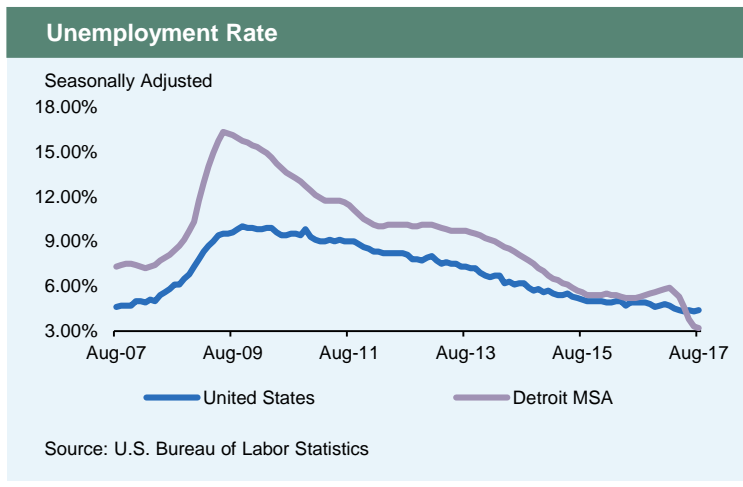
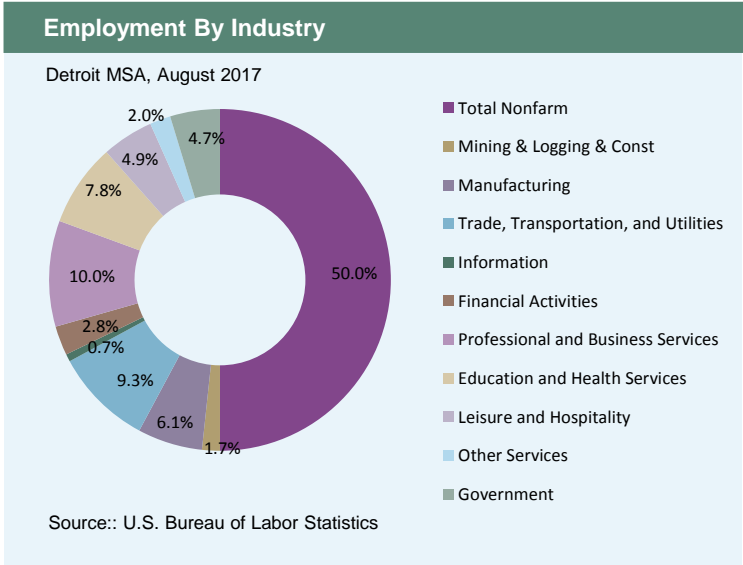


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ECONOMIC CONDITIONS

Metro Detroit's seasonally adjusted unemployment rate fell to 3.2% in the latest August 2017 figures, down from 5.3% during the previous quarter. Compared to the same time a year ago, the rate is down 220 basis points. Nationally, the unemployment stood at 4.4% in August which was unchanged from the previous quarter.

Payroll figures for Metro Detroit continue to trend upward. The 12-month % change figure show payroll employment in Metro Detroit stood at 2.4% in August, compared to 1.5% nationally.





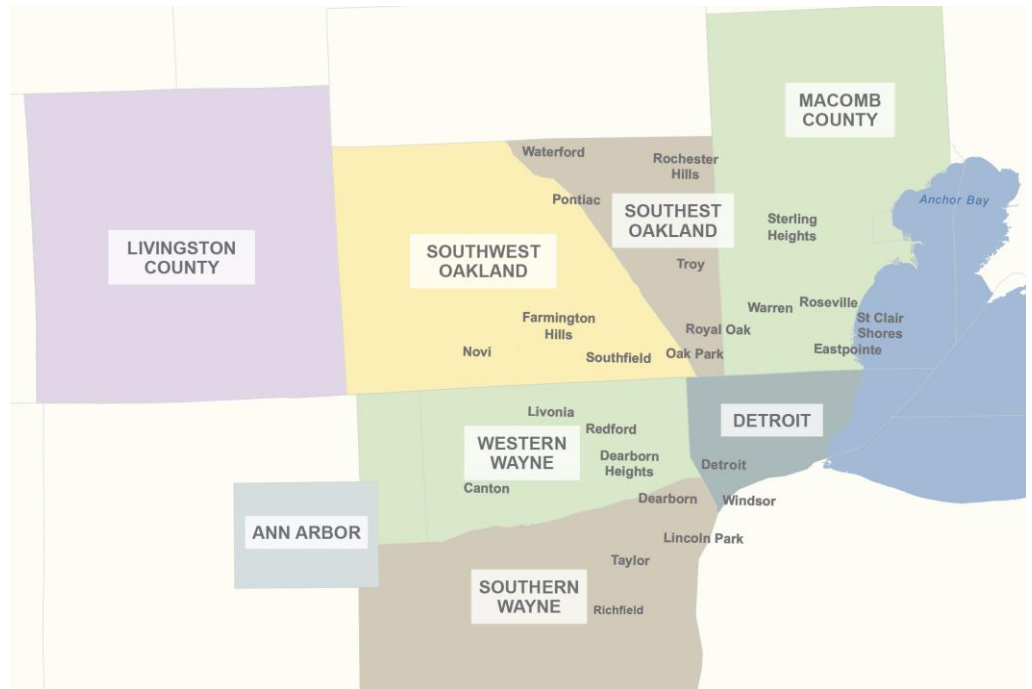
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Detroit Industrial Submarkets



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