

1Q25

Detroit Industrial Market Overview



NEWMARK

Market Observations

Economy

- Metro Detroit unemployment rate fell 10 basis points to 5.5% in latest February 2025 figures. Year over year, the rate is up .70% with the manufacturing sector shedding the most jobs.
- While year-over-year figures showed a decline of 1.7% in manufacturing employment, latest figure show a 3.3% increase in employment in the month of February.
- Trade and transportation, another sector that is closely tied to the industrial market, saw employment fall .78% in February, however employment is up .40% year of year.

Major Transactions

- Design USA, company that designs and builds automotive automation equipment, leased 400,000 SF at 26090 Twenty-Three Mile Rd in Chesterfield Township.
- Fisher Dynamics, a supplier of safety-critical seat structures and mechanisms, leased 310,753 SF at Eastland Commerce Center 2.
- Imperial Dade, a distributor of foodservice packaging, commercial cleaning supplies and janitorial equipment leased 254,625 SF at Romulus Business Center 3.
- AJG Aerospace, provider of high-end machined components and tooling for the spacecraft industry is moving into a 120,000 SF factory and headquarters at 5600 Bow Pointe Dr. in Independence Township.

Leasing Market Fundamentals

- The Metro Detroit industrial vacancy rate climbed 20 basis points to 4.6% during the first quarter of 2025 as 300,976 SF in net vacant space was added to the market.
- Uncertainty on the implementation of tariffs on Canada and Mexico had contributed to a stalemate in Detroit's industrial real estate market during the first quarter, as a large portion of Michigan's imports are tied to the automotive industry. The industrial market saw declines in both the number of transactions and total square feet.
- Build-to-suits constitute 87% of the overall active construction activity. New developments are driven by General Motors, Piston Automotive, Reyes Coca-Cola Bottling, and LuxWall Inc., who require modern facilities not available in the current market. Just over two million SF will be delivered in 2025.

Outlook

- In the short term, leasing activity is expected to remain suppressed if the tariffs persist. However, in the long term, Detroit could potentially experience an increase in both manufacturing and warehousing if automakers shift more production locally.
- Over the past two quarters, a total of 2.1 million SF of Class A bulk warehouse have been absorbed, leaving 2.06 million square feet still available. If current absorption trends persist, new bulk warehouse speculative developments may commence in 2026.
- The general industrial market saw Gestamp, Superior Electric Great Lakes Company, and Oxus America, Inc. moved into newly constructed facilities totaling 637,173 square feet. Another 1.3 million SF of general industrial build-to-suits are under construction.

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1. Economy
 2. Leasing Market Fundamentals

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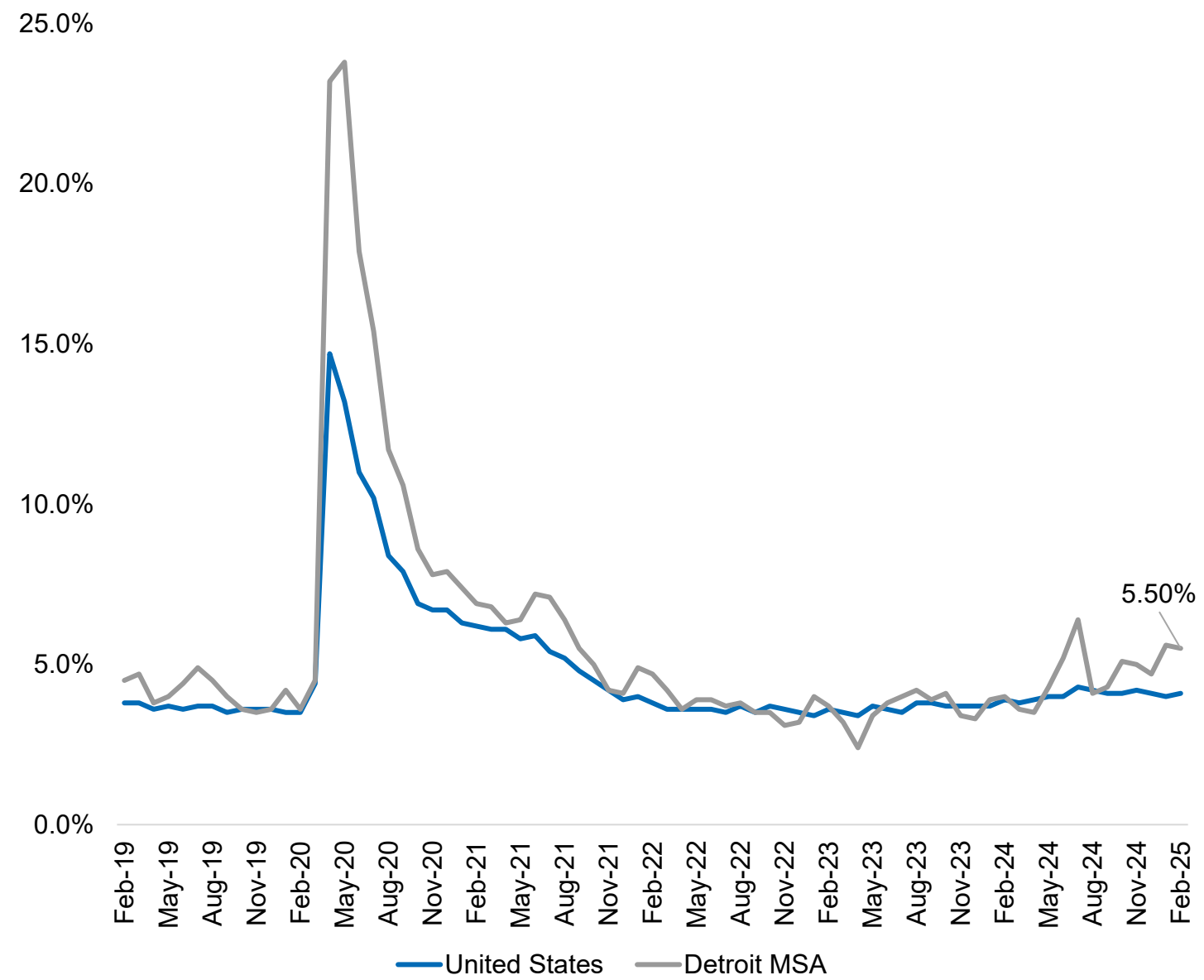
Economy



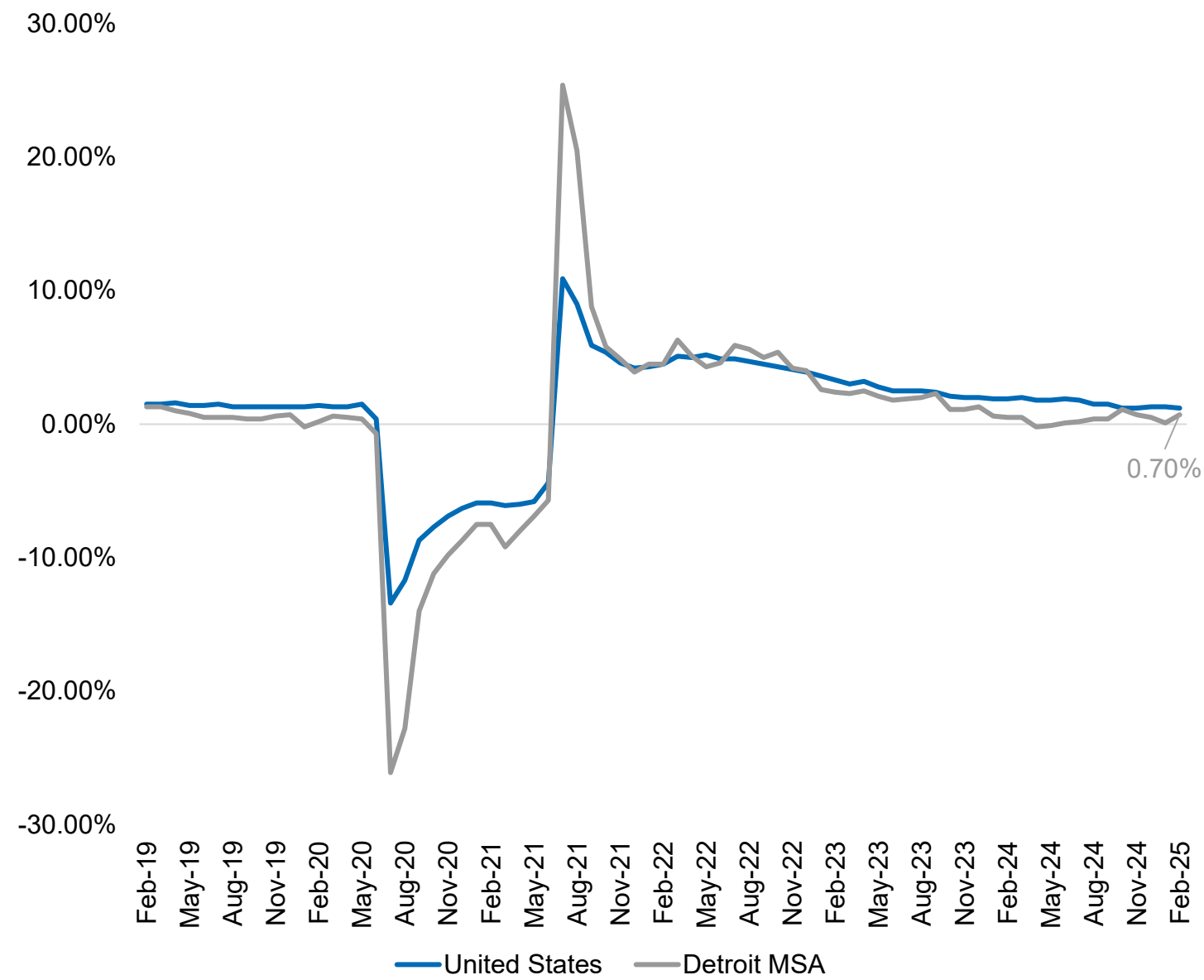
Metro Detroit Employment Trends

Metro Detroit unemployment rate fell 10 basis points to 5.5% in latest February 2025 figures. Year-over-year, payroll employment is up 0.7% with Education, Services and Government sectors leading the gains.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

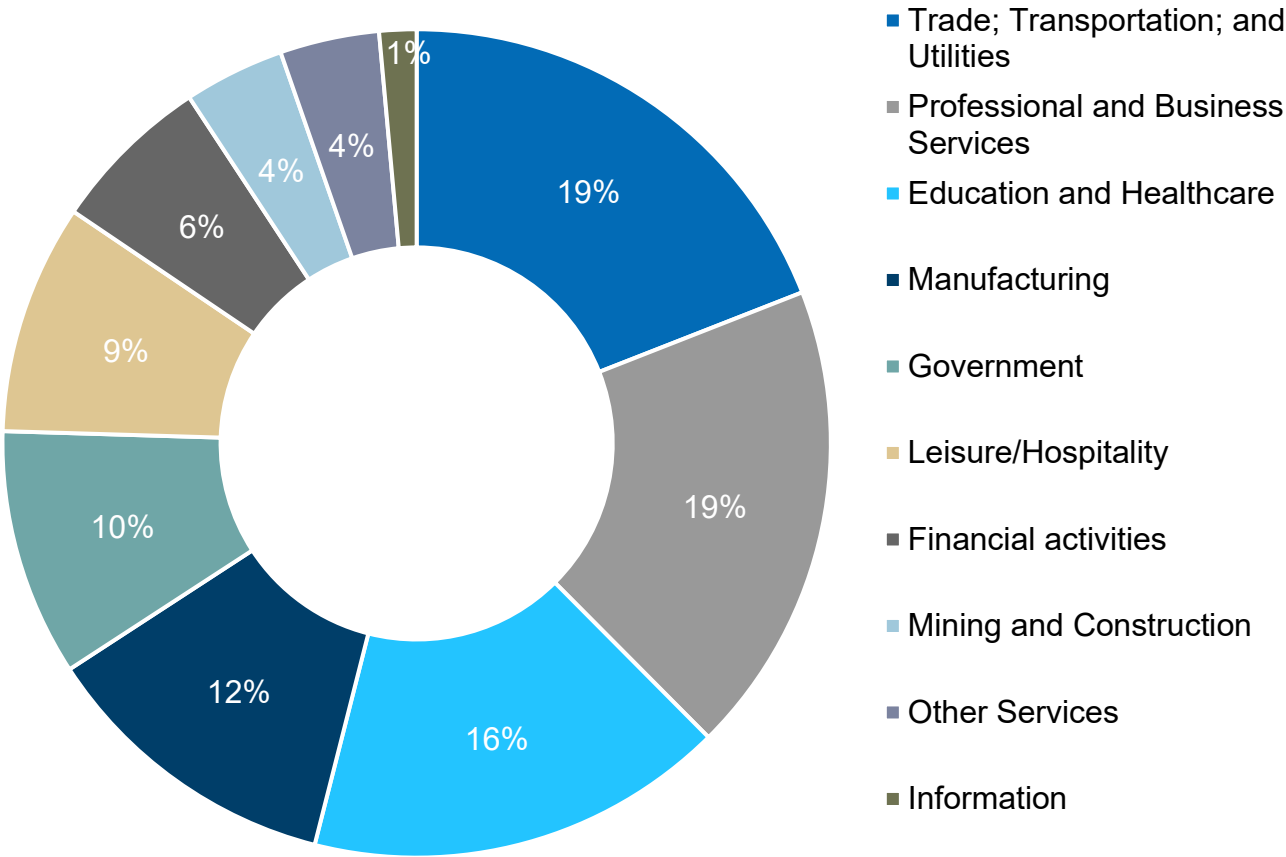


Source: U.S. Bureau of Labor Statistics, Detroit MSA

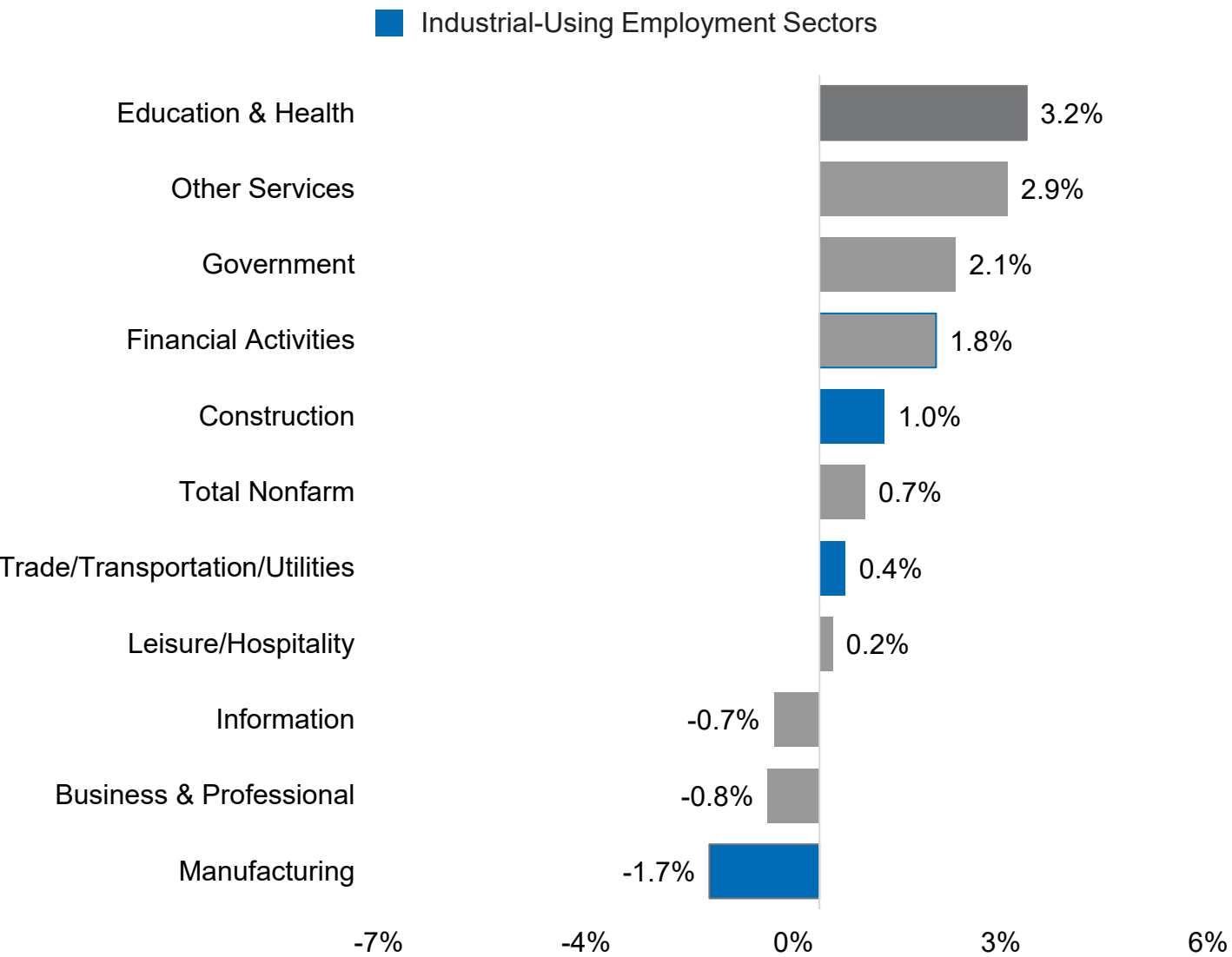
Construction Sector Leads YOY Industrial-Using Employment Job Growth

Construction employment continues to lead growth in industrial-using employment, increasing by 1.0% year-over-year, driven by infrastructure funds aimed at rebuilding major expressways. Conversely, the manufacturing sector experienced declines, as FCA, Steel Technologies LLC and US Farathane announced significant layoffs.

Employment by Industry, Feb 2025



Employment Growth by Industry, 12-Month % Change, Feb 2025

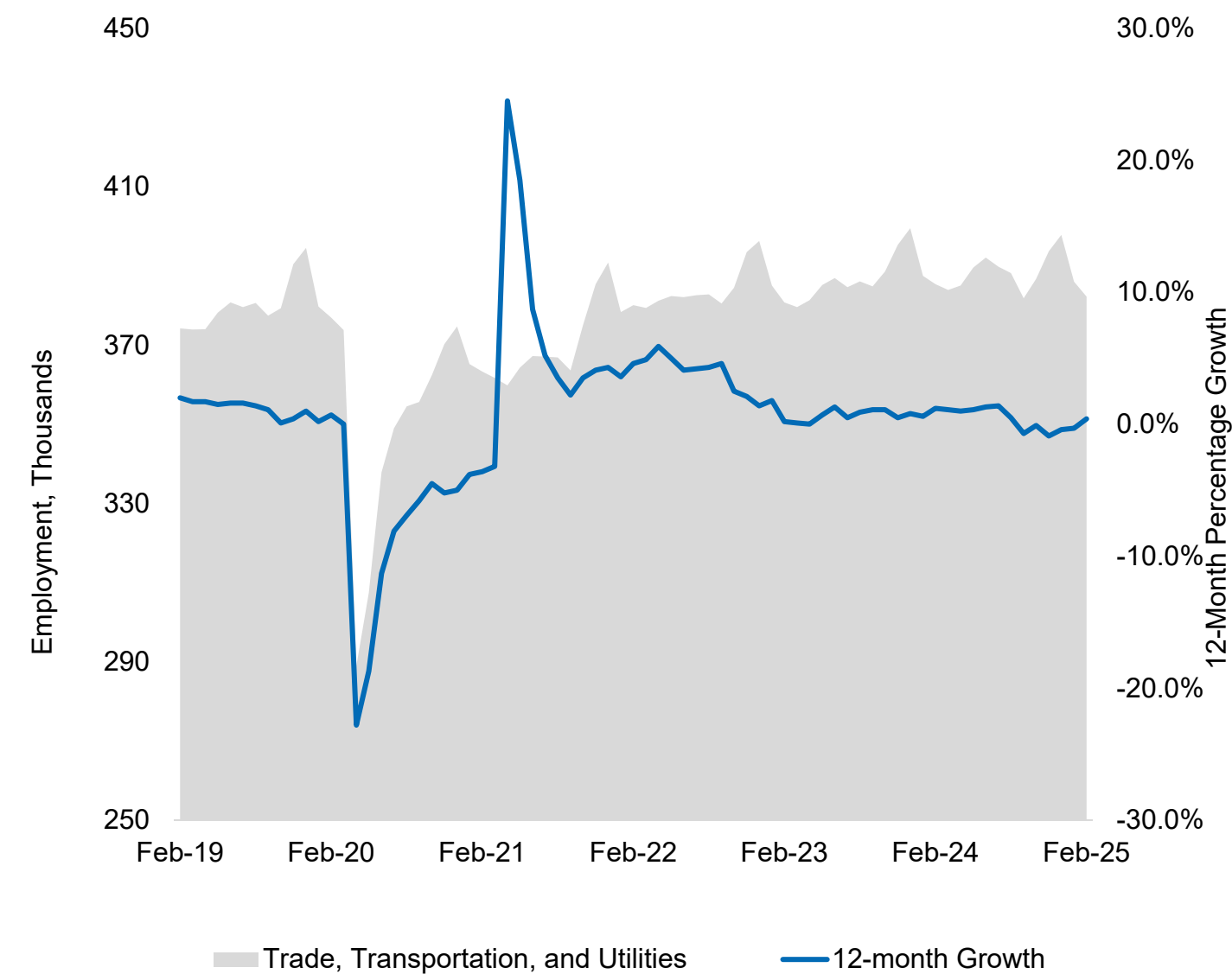


Source: U.S. Bureau of Labor Statistics, Detroit MSA

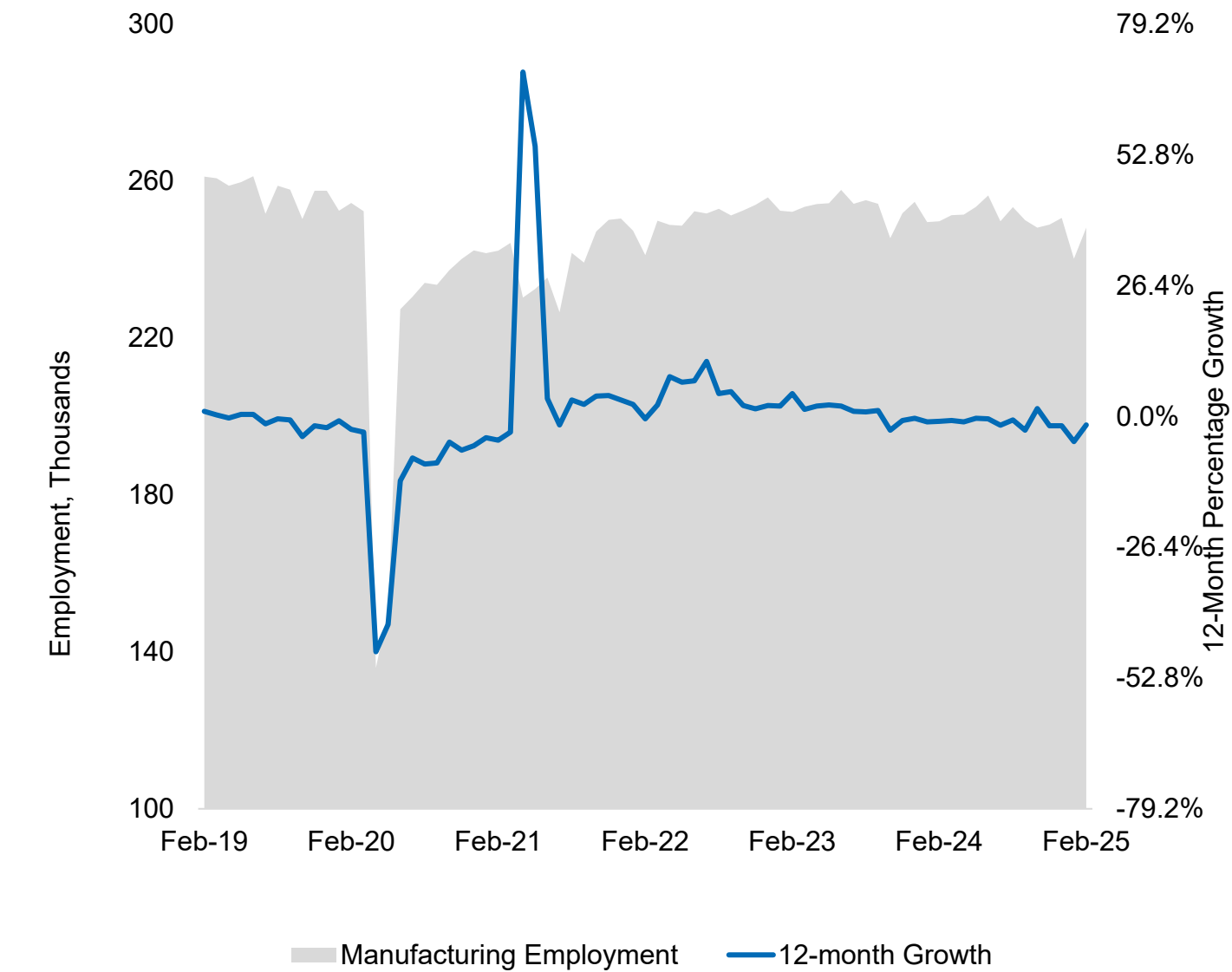
Industrial Using Employment

While year-over-year figures showed a decline of 1.7% in manufacturing employment, latest figure show a 3.3% increase in employment in the month of February. Trade and Transportation, another sector that is closely tied to the industrial market, saw employment fall .78% in February, however employment is up .40% year of year

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Detroit MSA

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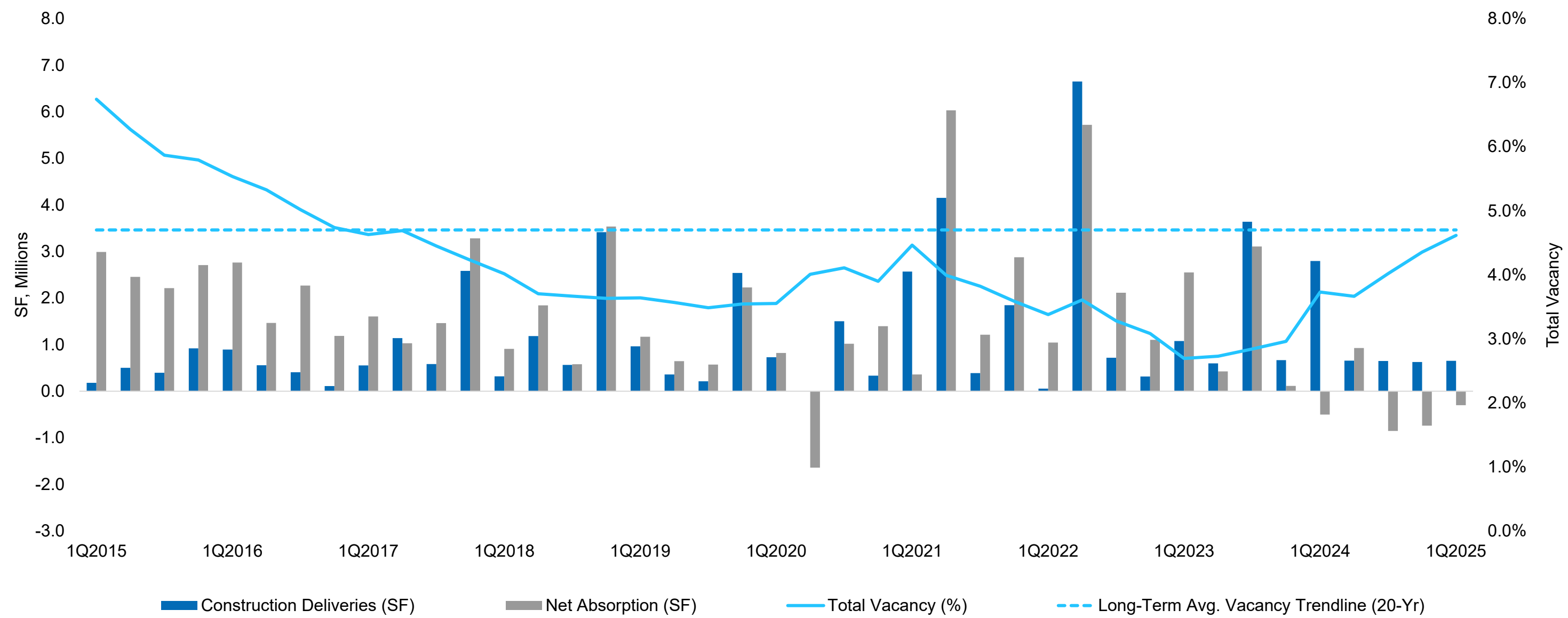
Leasing Market Fundamentals



Industrial Market Seeing Headwinds

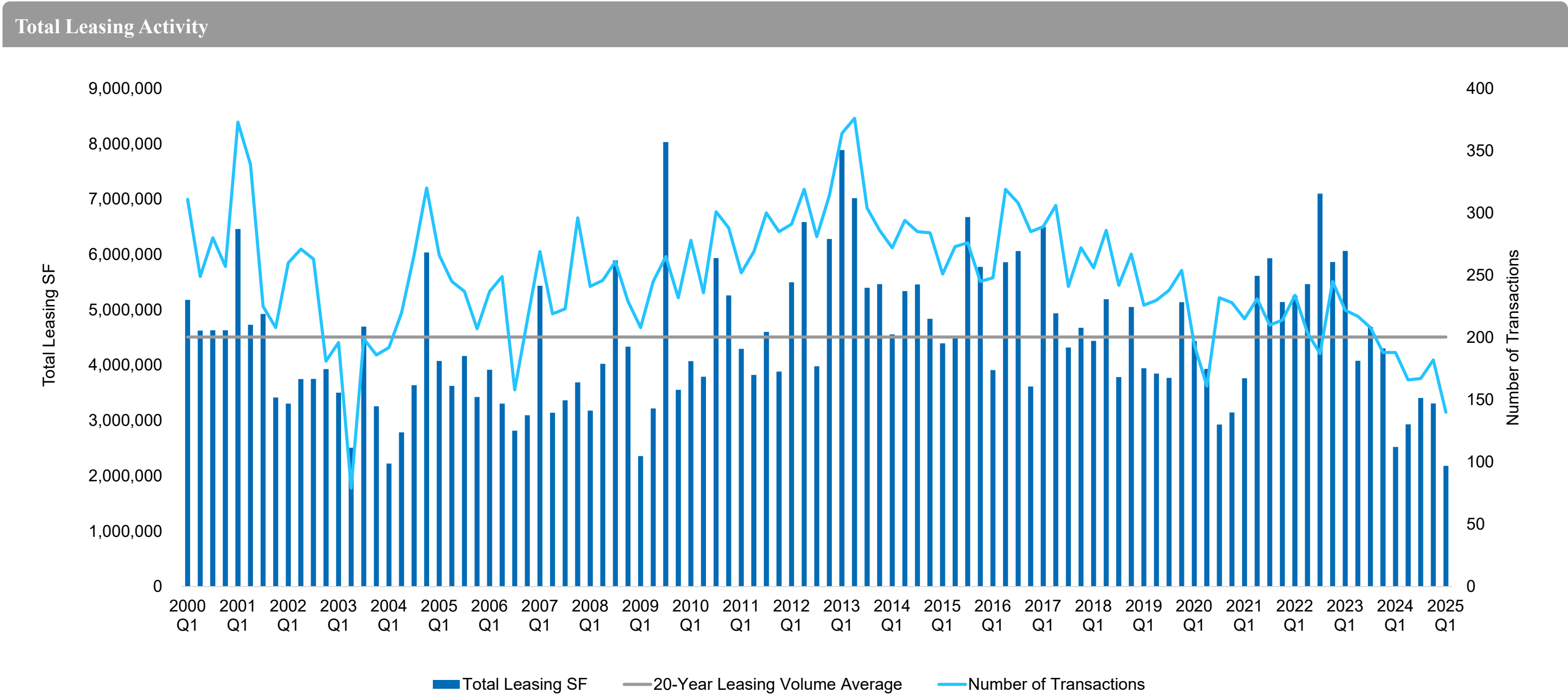
Metro Detroit's industrial vacancy rate increased by 20 basis points to 4.6% during the first quarter of 2025, with 300,976 square feet of net vacancies added to the market. This represents the second consecutive quarter of negative absorption in the industrial sector. The vacancy rate is nearing the long-term average for the first time since 2017, as both new construction projects and existing buildings are introduced to the market.

Historical Construction Deliveries, Net Absorption, and Vacancy



Industrial Leasing Activity Declines

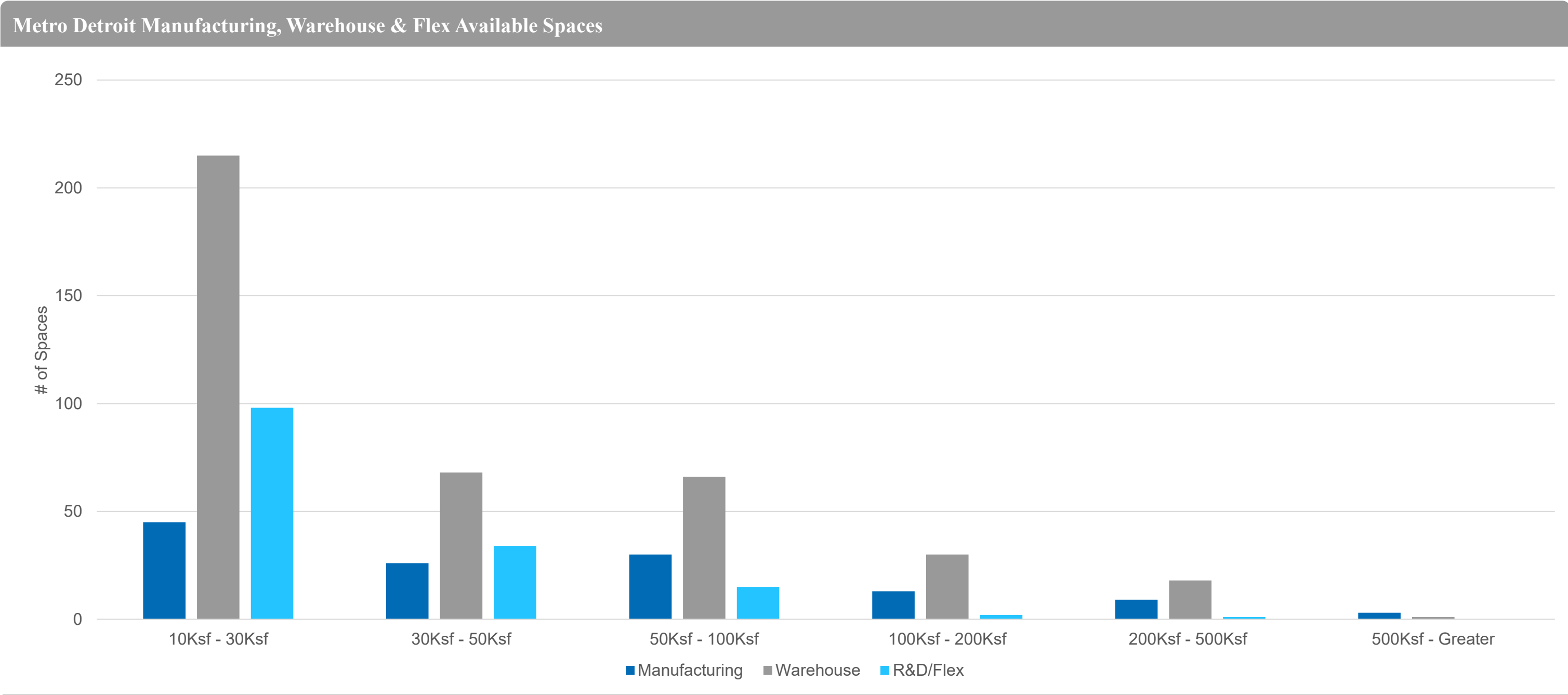
The potential implementation of tariffs on Canada and Mexico has contributed to a stalemate in Detroit's industrial real estate market, as a large portion of Michigan's imports are tied to the automotive industry. This uncertainty has already led to a decline in leasing activity. If the tariffs persist, short-term leasing activity may remain subdued. However, in the long term, Detroit might see increased manufacturing and warehousing if automakers decide to shift more production locally.



Source: Newmark Research, CoStar

Small Bay Warehouse Have Greatest Number of Available Spaces

For industrial users in Metro Detroit, finding a building that meets specific requirements can vary in difficulty based primarily on the size needed. A wide array of options is available for those seeking warehouse spaces between 10,000 and 30,000 square feet. However, as the need for larger space grows, the search becomes increasingly challenging. Recent speculative warehouse developments have provided bulk warehouse users with more options. In contrast, new manufacturing space supply often relies on build-to-suit solutions due to the highly specific requirements of these users, which are typically unsuitable for speculative development

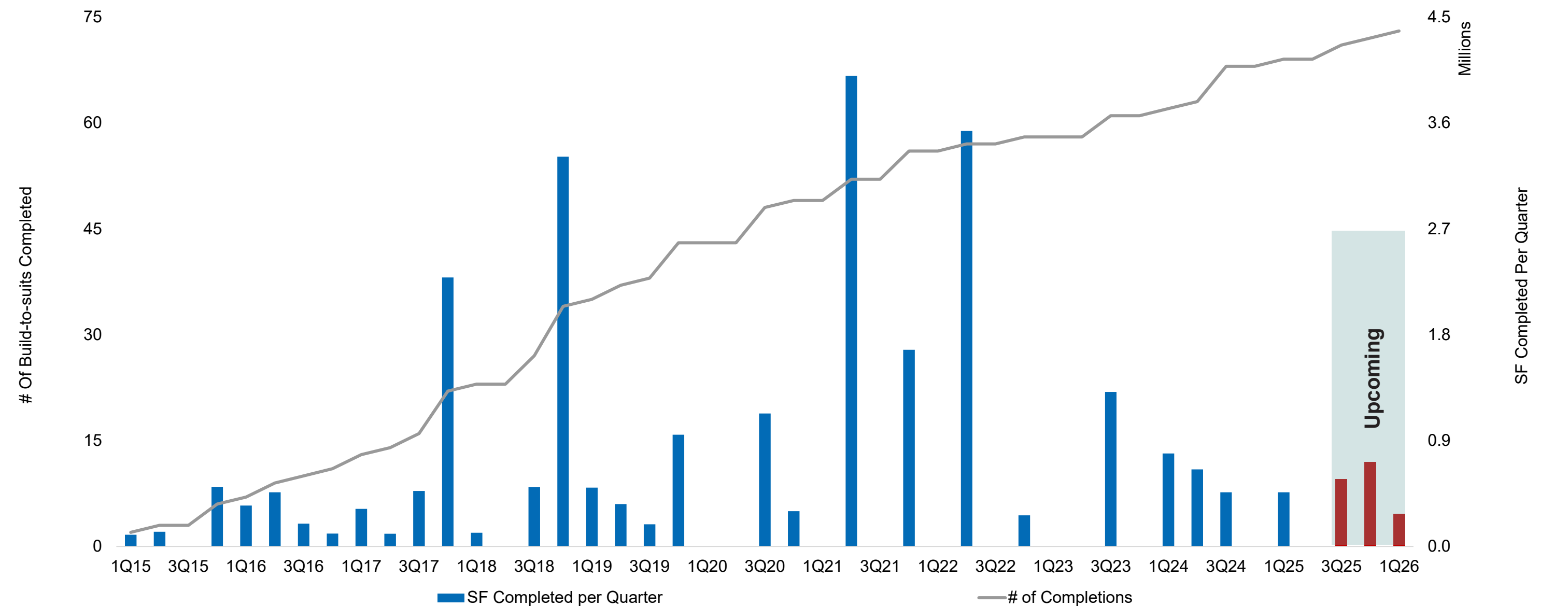


Source: Newmark Research, Costar

Build-to-Suit Activity Increases

Four build-to-suit developments totaling 1.56 million SF are under construction. Piston Automotive is developing a 715,000-square-foot warehouse at the former Palace of Auburn Hills site, Reyes Coca Cola Bottling LLC, is building a 409,000 SF warehouse facility in New Hudson. LuxWall Inc. began construction on a 276,000 SF facility on Fort St in Detroit. GM is building a 165,000 SF battery cell prototype center on Mound Rd in Warren. Gestamp completed a 460,000-square-foot manufacturing facility on Sierra Drive in Chesterfield Township.

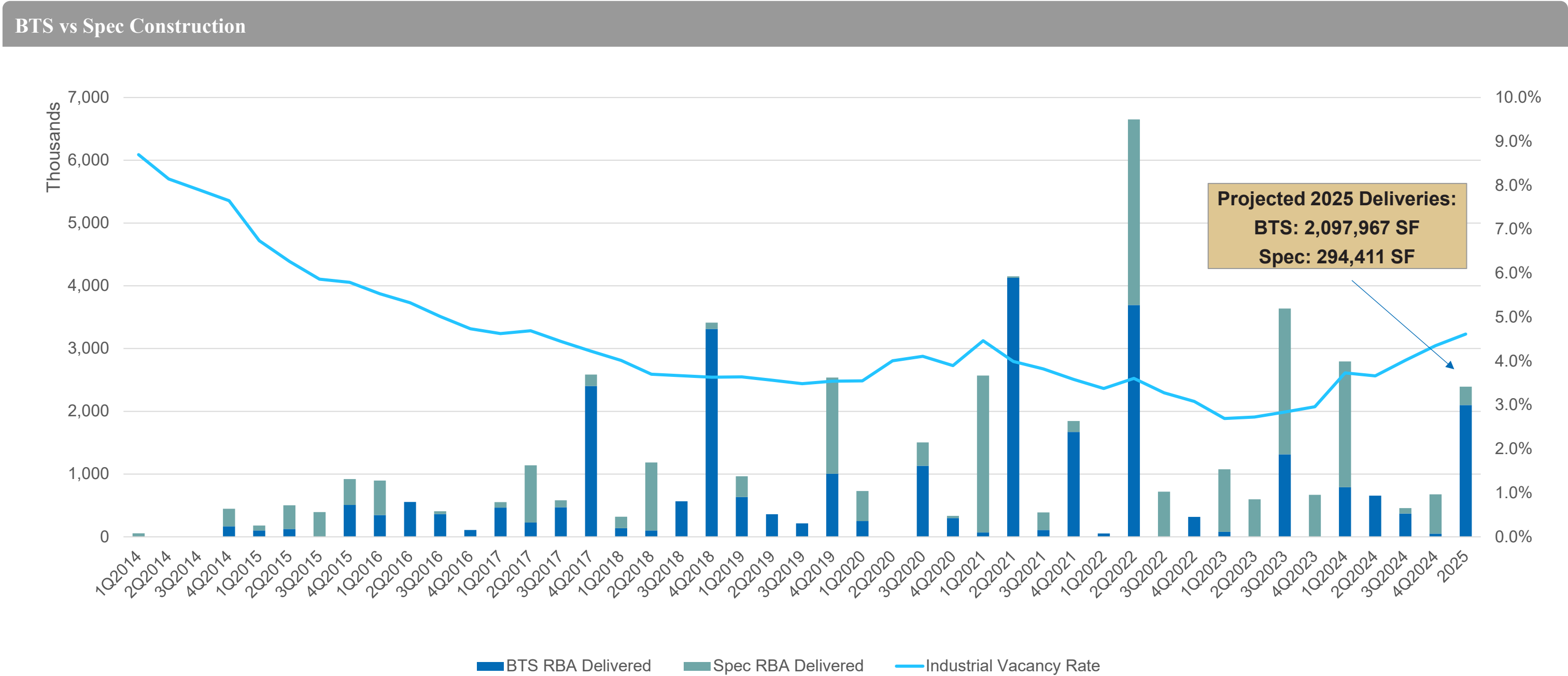
100,000 SF Build-to-Suit Developments Over 10 Years



Source: Newmark Research, CoStar

Build-to-Suits Outpace Speculative Developments

Build-to-suits constitute 87% of the overall active construction activity. This increase is driven by manufacturing users like GM, Gestamp, Reyes Coca-Cola Bottling, and LuxWall Inc., who require modern facilities not available in the current market. Just over two million SF will be delivered in 2025. On the speculative side, over 7.3 million square feet of bulk warehouse construction in the past two years have led to an oversupplied market, resulting in a pause on new development. Developers are, however, speculatively building 294,000 SF of general industrial buildings ranging from 50,000 SF to 75,000 SF.

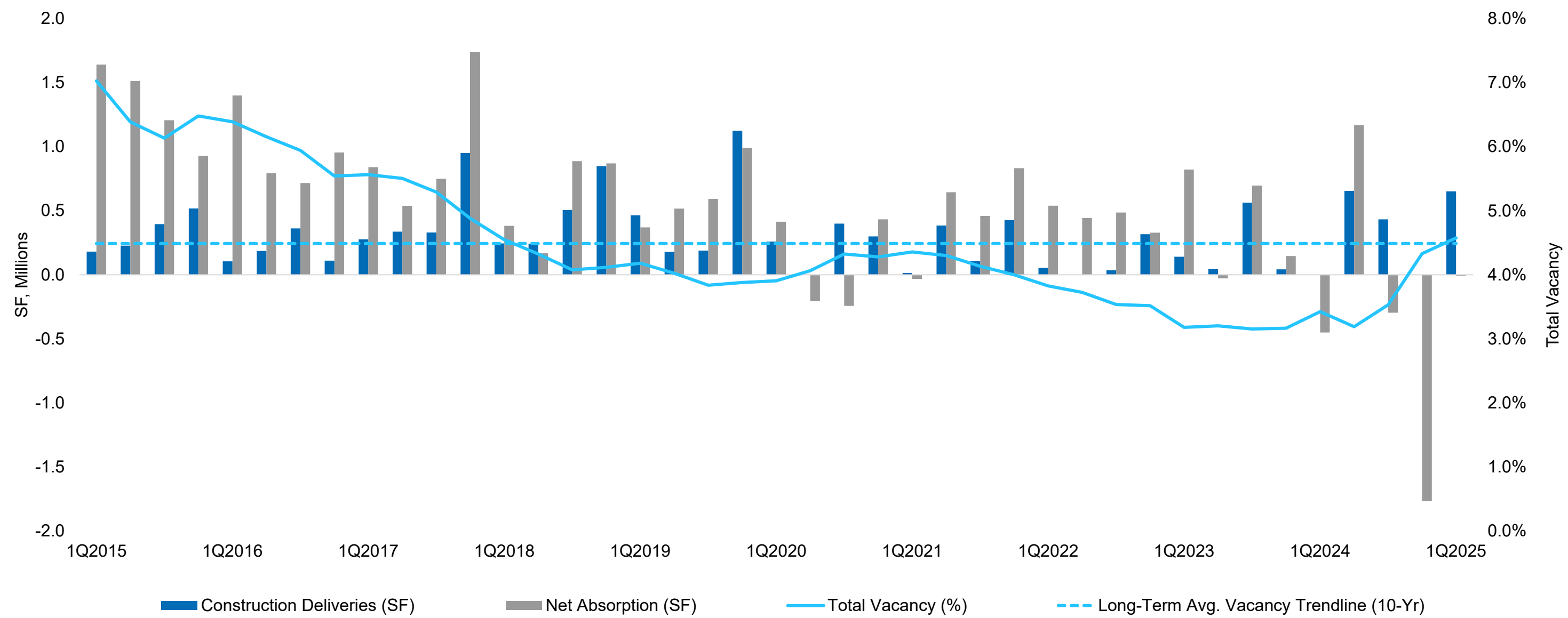


Source: Newmark Research

Large General Industrial Facilities Fueling New Construction

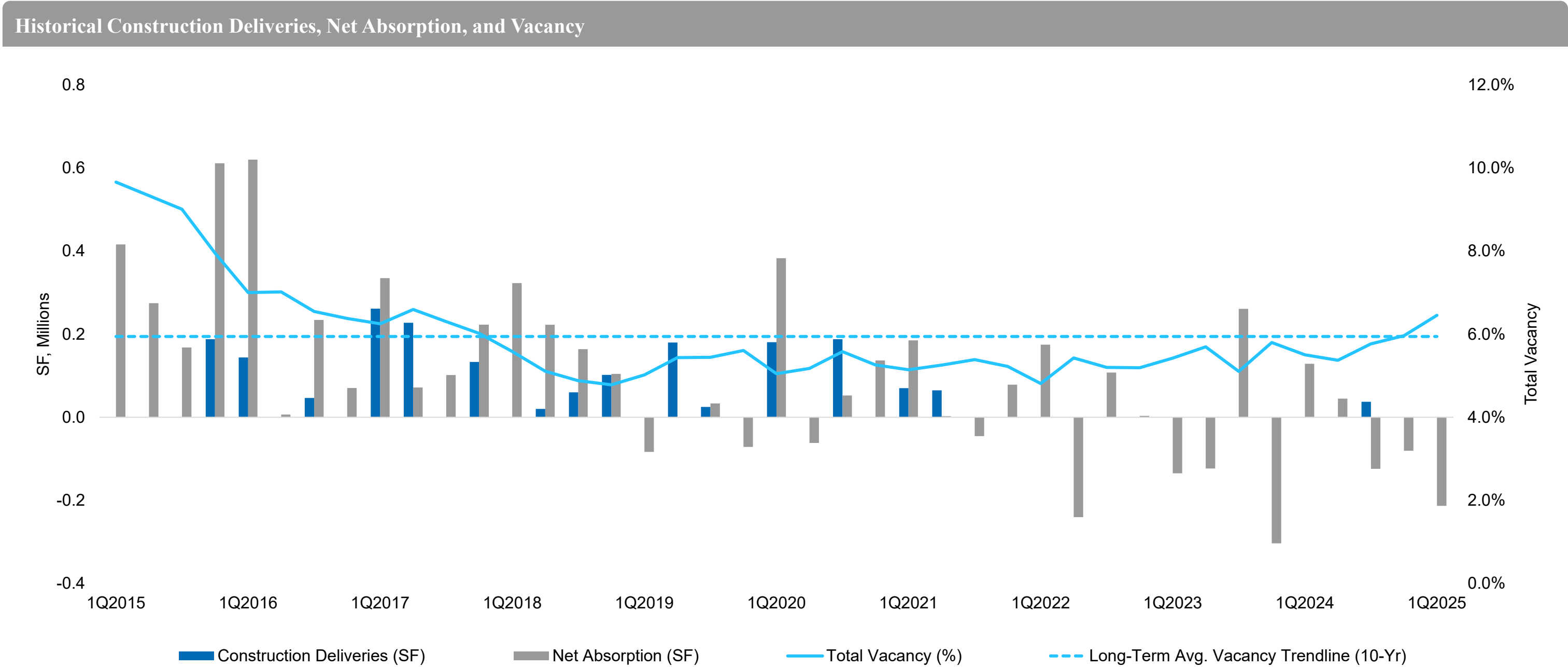
The general industrial market saw Gestamp, Superior Electric Great Lakes Company, and Oxus America, Inc. moved into newly constructed facilities totaling 637,173 square feet. Design USA and Anchor Bay Packaging are occupying 751,855 square feet recently vacated by Kroger/Penski in Chesterfield Township. Absorption was partially offset by several facilities over 50,000 square feet and a 500,000 SF vacancy at the Northline Commerce Center in Romulus. Another 1.3 Million SF is under construction namely for Piston Automotive, LuxWall Inc. and General Motors.

Historical Construction Deliveries, Net Absorption, and Vacancy Over 50,000 SF



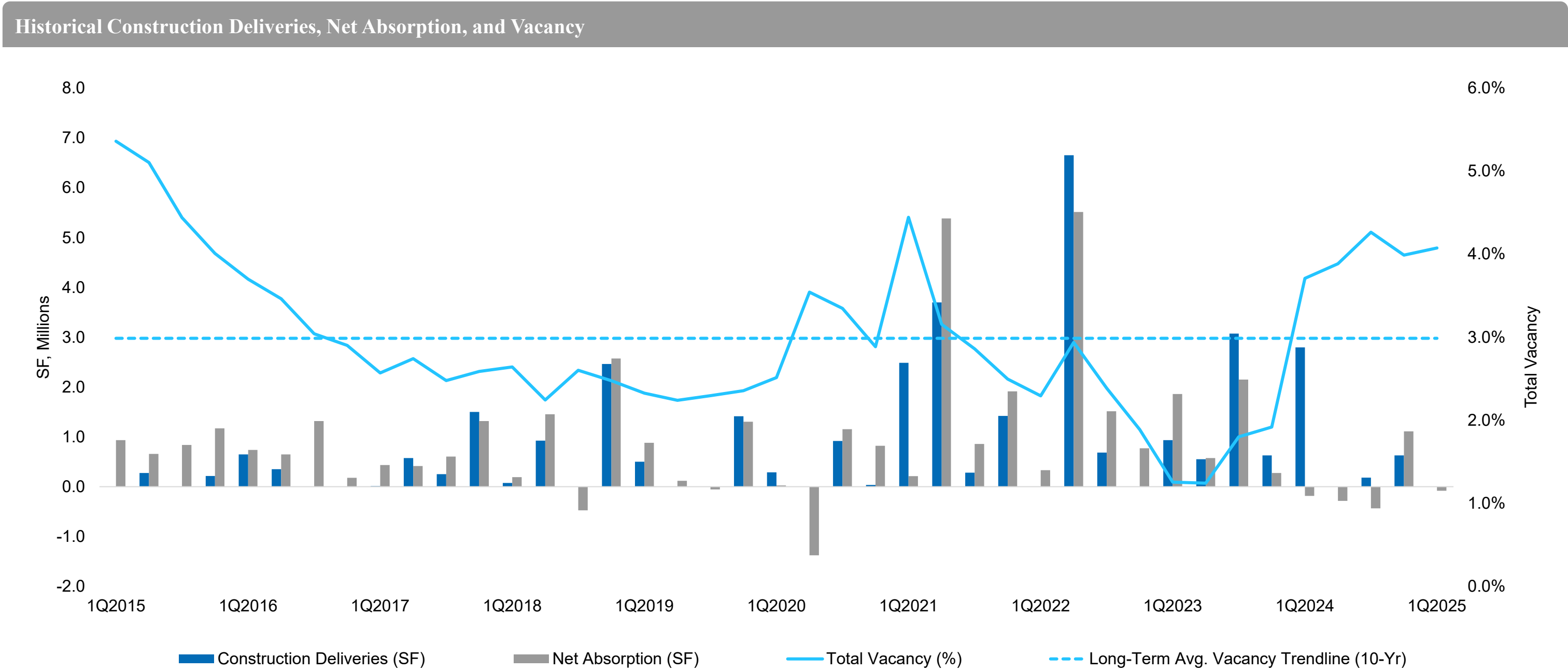
R&D/Flex Market Post Negative Absorption

The R&D/Flex market vacancy rate increased by 50 basis points to 6.5% during the first quarter, with 213,202 square feet of net vacancies added to the market. Sun Research Park in Southfield and Novi Research Park posted the largest vacancies, contributing 73,000 square feet and 50,000 square feet, respectively. Additionally, four other flex facilities reported vacancies exceeding 20,000 square feet. Crane Engineering Sales, LLC's 37,000-square-foot lease at Haggerty III Corporate Park in Canton was the largest new lease during the quarter.



Rise In Vacancies Within Class B and C Warehouses

Class B & C bulk warehouses saw an overall increase in vacancies, with the rate climbing 100 basis points to 4.6% during the first quarter. In 2024, 1.2 million SF of net vacancies were added to the market. This is in sharp contrast to the Class A bulk warehouse market.

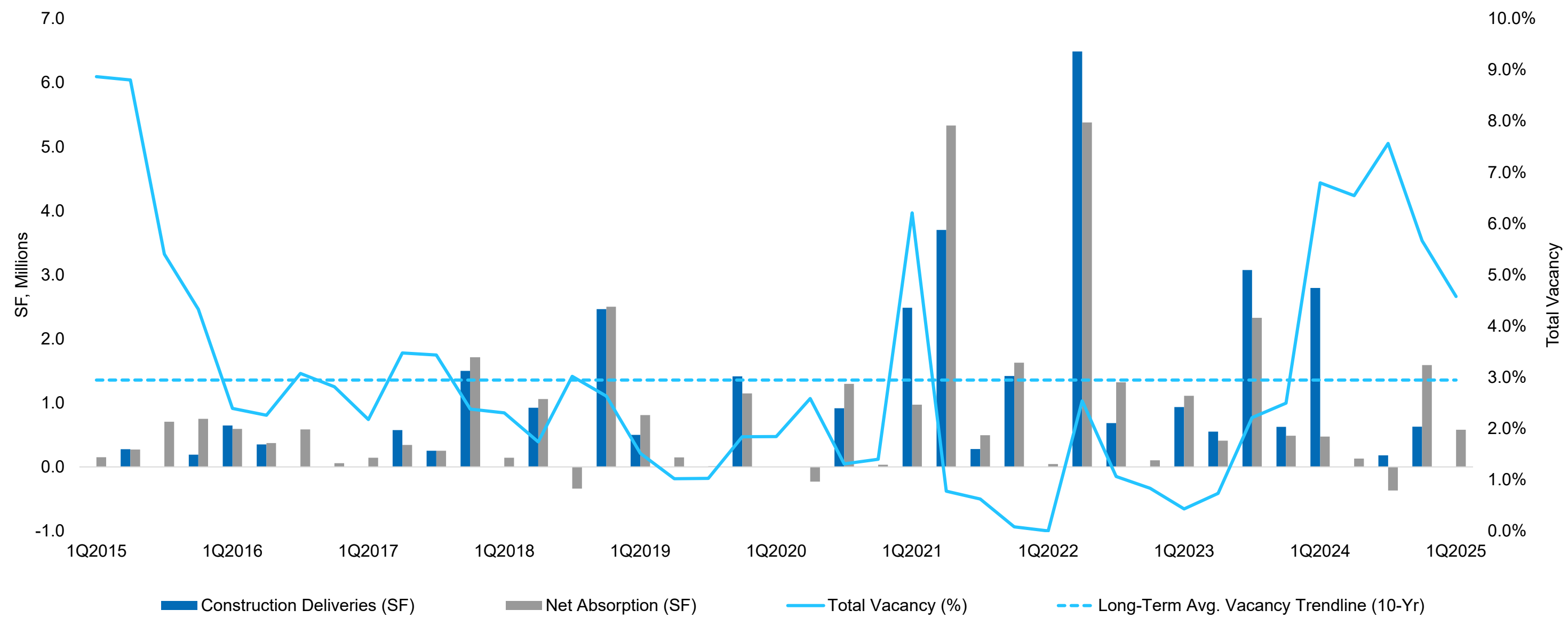


Source: Newmark Research

Class A Bulk Warehouse Sees Surge in Leasing Activity

During the first quarter, the Class A warehouse sector vacancy rate decreased by 110 basis points to 4.6%, with 580,270 square feet absorbed. Notable companies such as Fisher Dynamics Corp., Matikon America Inc, Imperial Dade, and Gonzalez Production Systems Inc all signed deals for Class A warehouse spaces.

Historical Construction Deliveries, Net Absorption, and Vacancy

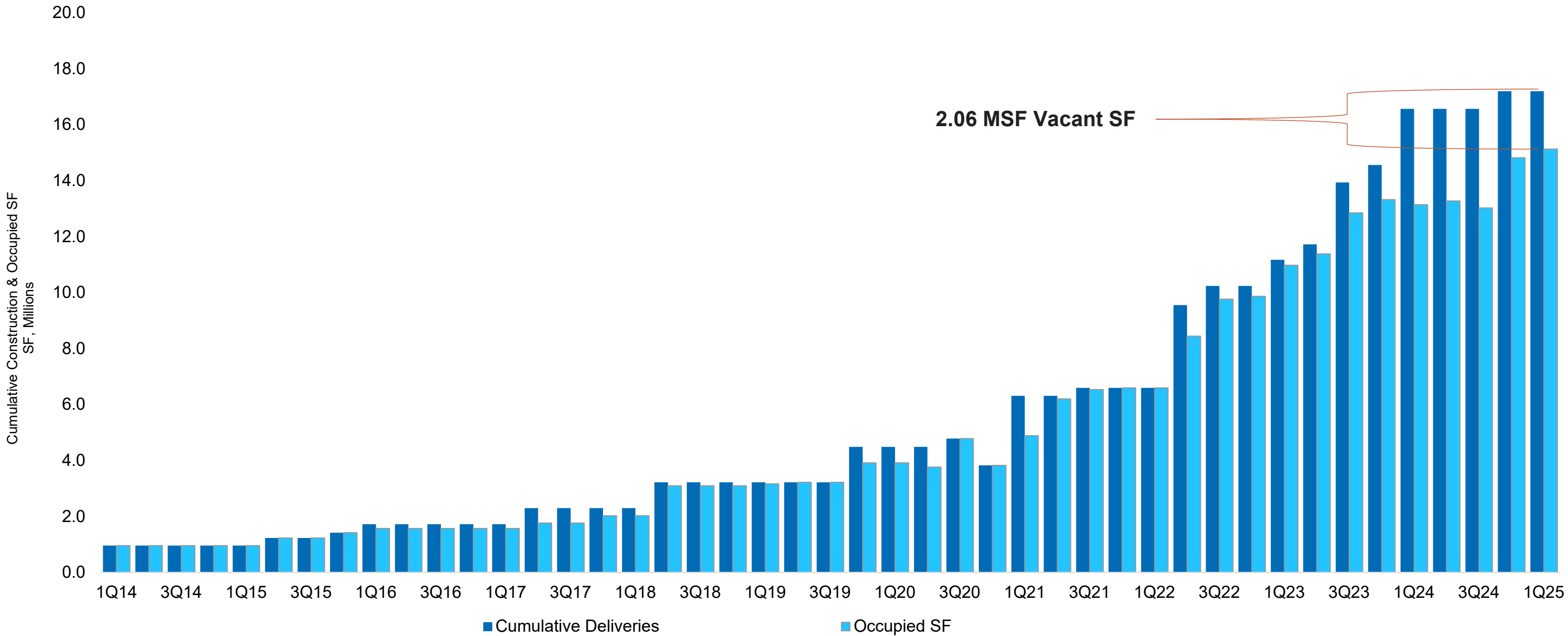


Source: Newmark Research

New Speculative Class A Warehouse Development Performance

The Class A speculative bulk warehouse developments are exhibiting strong leasing activity, effectively reducing the vacancy gap of the 17.1 million square feet constructed since 2014. Over the past two quarters, a total of 2.1 million square feet have been absorbed, leaving 2.06 million square feet still available. The future of new developments will depend significantly on the performance of these 45 developments constructed over the past eleven years. If current absorption trends persist, new bulk warehouse speculative developments may commence in 2026.

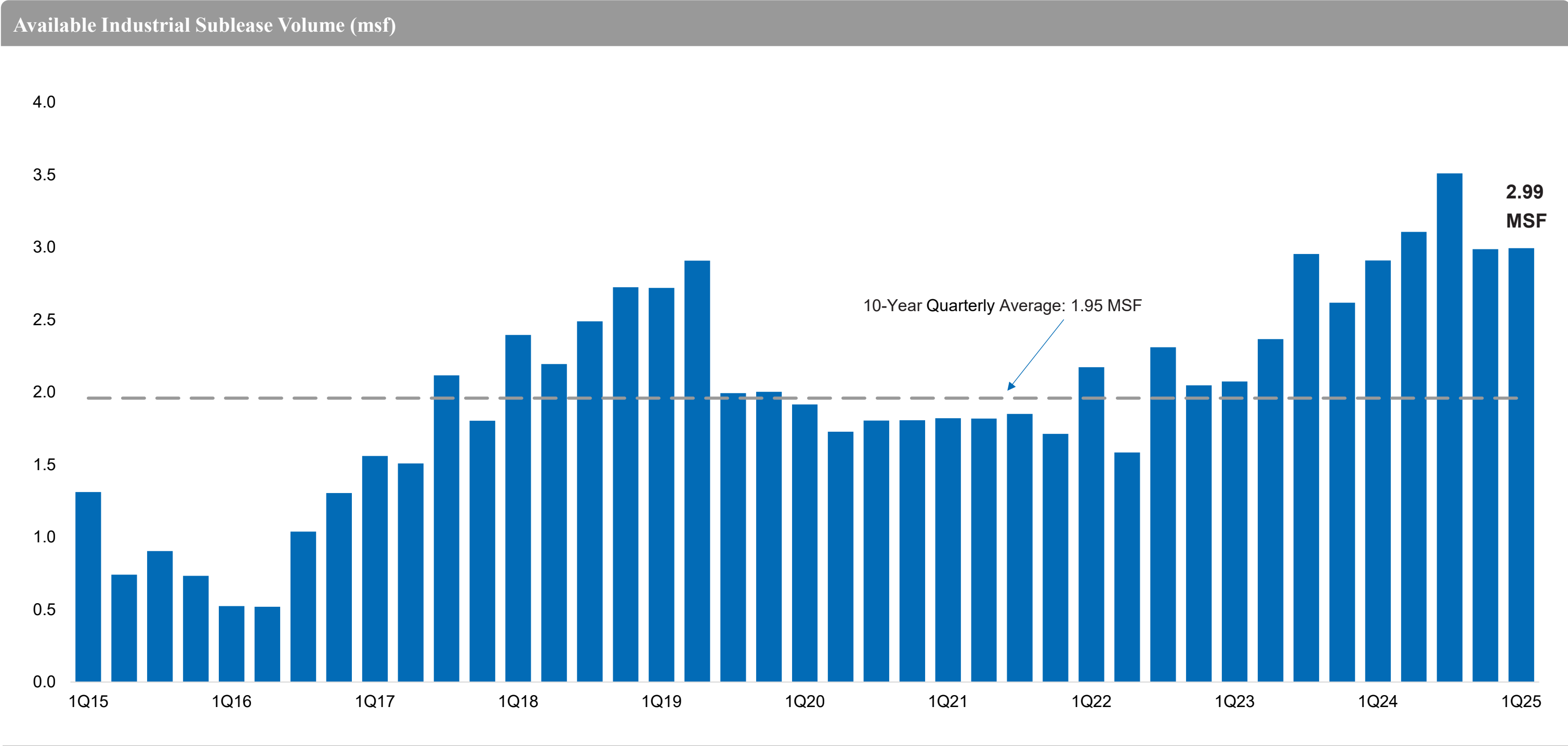
Occupancy Levels of Speculative Bulk Warehouse Built 2014 - Present



Source: Newmark Research

Industrial Sublease Stable

Available sublease space remained relatively stable during the first quarter of 2025, maintaining the previous quarter's level of 2.9 million square feet. Although this is a decrease from the peak of 3.5 million square feet in the third quarter of 2024, it remains above the 10-year average of 1.95 million square feet.

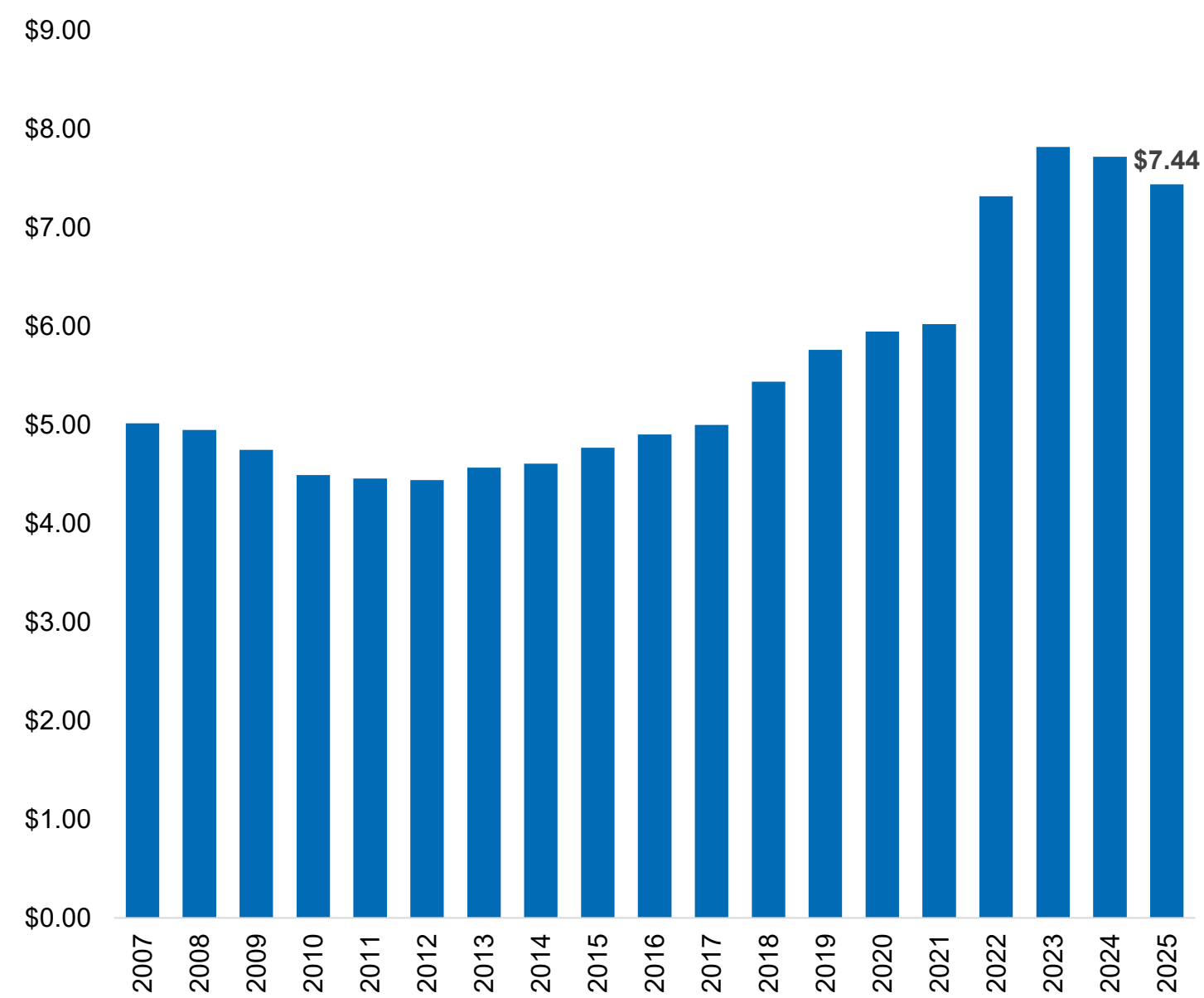


Source: Newmark Research, CoStar

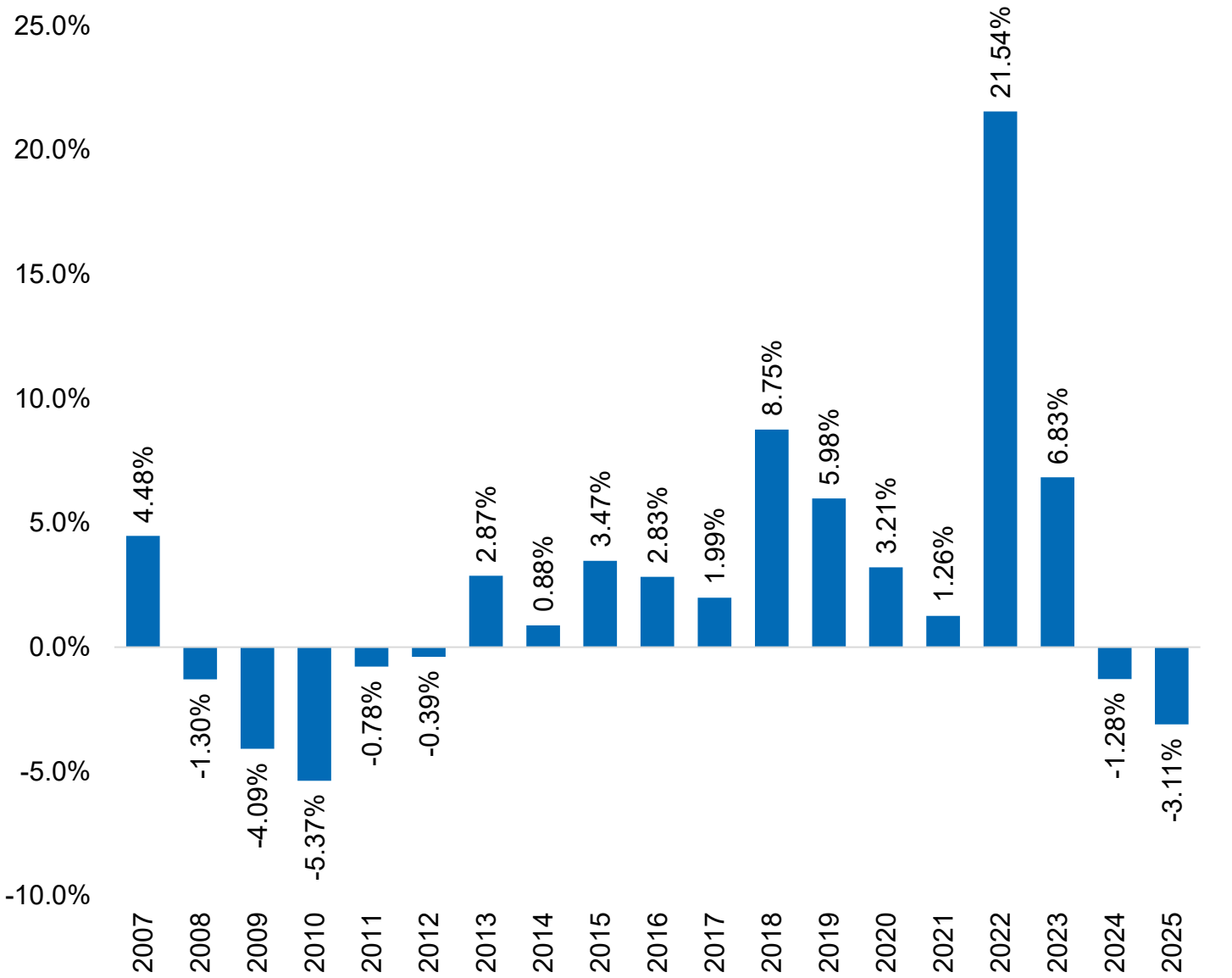
Asking Rents Seeing Downward Pressure

The introduction of new availabilities is exerting downward pressure on asking rents, which declined by 3.11% in the first quarter of 2025. Asking rents are also down 3.11% from the same time last year. Older buildings are expected to see the most downward pressure as more competitive spaces become available in the market.

Industrial Average Asking Rent, \$/SF, NNN

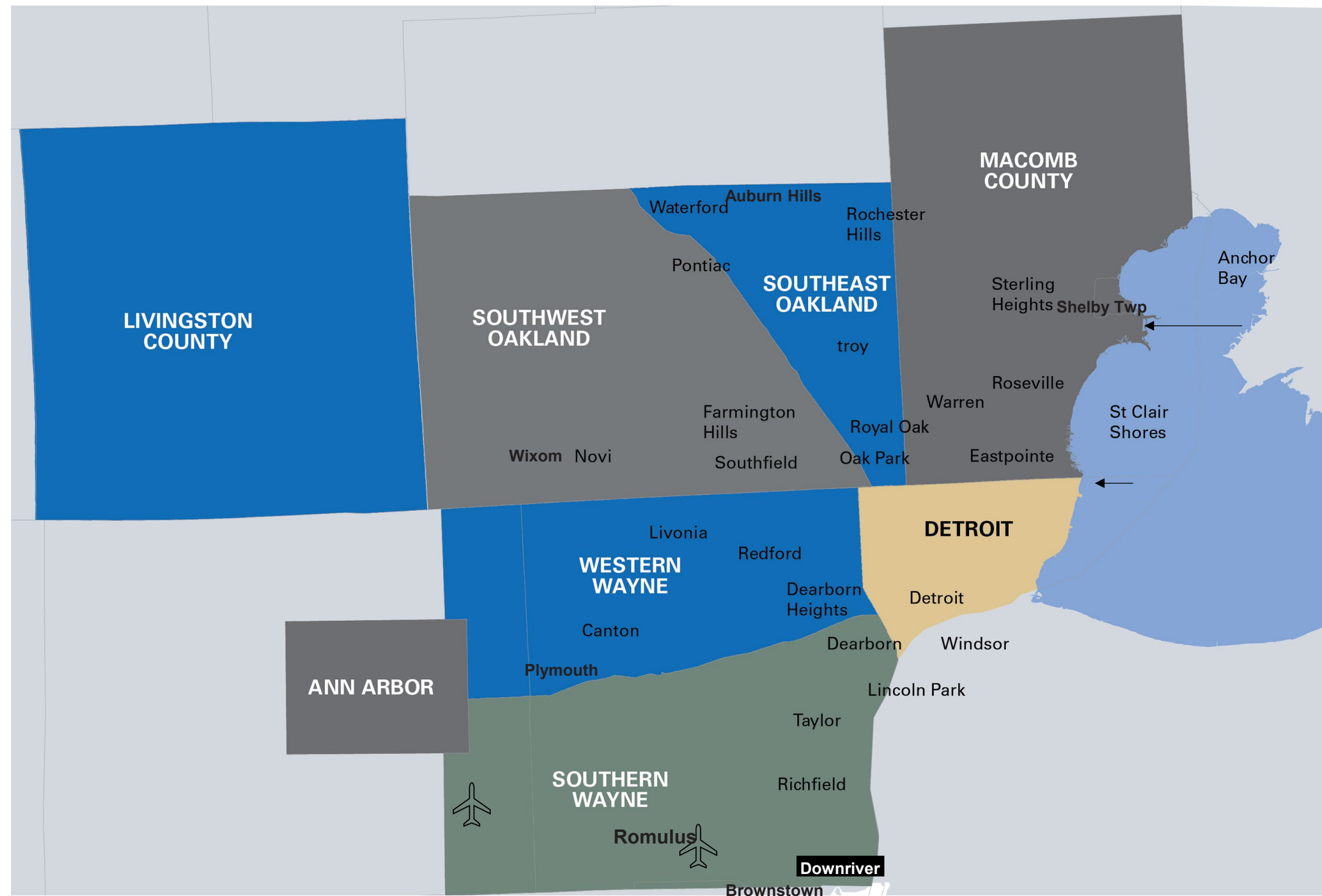


Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Detroit Industrial Submarket Map



1Q 2025 Overall Metro Detroit Industrial Market Stats

Submarket Statistics – All Classes								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)
Ann Arbor	5,735,479	0	3.6%	43,862	43,862	0	0	\$9.47
Detroit	51,184,582	276,000	8.2%	294,606	294,606	0	0	\$6.13
Livingston County	13,642,519	0	3.2%	22,672	22,672	0	0	\$7.32
Macomb	90,827,021	289,931	2.3%	1,040,241	1,040,241	460,000	460,000	\$7.59
SE Oakland	96,812,385	816,498	3.7%	(262,844)	(262,844)	177,173	177,173	\$8.53
Southern Wayne	65,503,269	0	6.3%	(644,096)	(644,096)	0	0	\$6.74
SW Oakland	42,181,208	409,000	5.3%	(263,227)	(263,227)	14,236	14,236	\$9.33
Western Wayne	71,716,055	0	4.3%	(532,190)	(532,190)	0	0	\$7.47
Totals	437,602,518	1,791,429	4.6%	(300,976)	(300,976)	651,409	651,409	\$7.44
By Property Type								
General Industrial	228,549,870	1,382,429	4.6%	(6,715)	(6,715)	651,409	651,409	\$7.06
Incubator	1,917,930	0	1.6%	-	-	0	0	\$7.09
R&D/Flex	43,415,705	0	6.5%	(213,202)	(213,202)	0	0	\$9.97
Warehouse/Distribution	163,719,013	409,000	4.1%	(81,059)	(81,059)	0	0	\$6.88
Total	437,602,518	1,791,429	4.6%	(300,976)	(300,976)	651,409	651,409	\$7.44

Source: Newmark Research

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