

# INVESTMENT FORECAST

Industrial  
Detroit

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2022

## Detroit Maintains Reputation as a Stable Market, Attracting Outside Buyers to Local Industrial Hubs

**Expanding users respond to second straight year of heightened development.** Since 2015, vacancy in Detroit has held below 5 percent, signaling consistent demand for industrial space. Last year, leasing velocity outpaced the surge in construction activity, as logistics and e-commerce-related demand strengthened. Offering lower costs than some other Midwest markets, demand for 100,000-square-foot-plus floorplans was particularly robust. Larger commitments were most frequent in the Airport-I-275 submarket, where nearly 2.4 million square feet was absorbed last year. Additionally, the Detroit and East Area submarkets, the metro's second and third largest locales by stock, each recorded vacancy compression. Improving fundamentals across major submarkets have prompted additional project starts that will translate to another year of elevated development. Still, vacancy is poised to hold below the 5 percent mark, as user demand for modern distribution and warehouse facilities, coupled with an expanding manufacturing sector, foster lease executions near major interstates and the Detroit Metro Airport.

**Regionally low entry costs and high returns draw investors to Detroit.** Within the metro, manufacturing and warehouse-related sales activity increased over the past year, highlighted by deal flow in the metro's industrial epicenters. Home to the lowest vacancy rate among submarkets with at least 50 million square feet of inventory, the East Area is a target for buyers. Smaller manufacturing facilities and last-mile warehouses here provide investors with first-year yields in the high-6 percent to mid-7 percent range. Similar assets are coveted in the Airport-I-275 submarket, where the metro's strongest level of user demand is supporting a diverse buyer pool of local and out-of-state investors. Here, pricing above \$90 per square foot remains largely scarce, attracting regional buyers.

### 2022 Market Forecast

**Employment** up 3.1% The metro adds 60,000 positions in 2022, placing its job count 30,000 roles below the year-end 2019 mark.

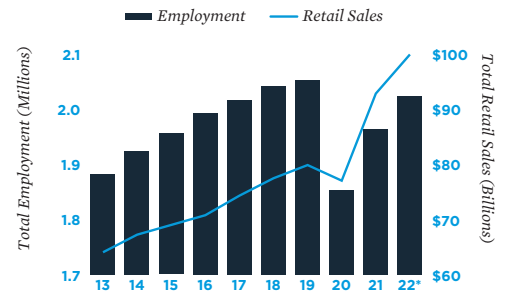
**Construction** 6.8 million sq. ft. Deliveries expand Detroit's inventory by 1.2 percent for a second consecutive year. Projects in Wayne County account for more than 40 percent of the space finalized during 2022.

**Vacancy** down 20 bps After a 40-basis-point decline was registered in 2021, user demand will outpace supply additions again this year, lowering metro vacancy to 4.1 percent.

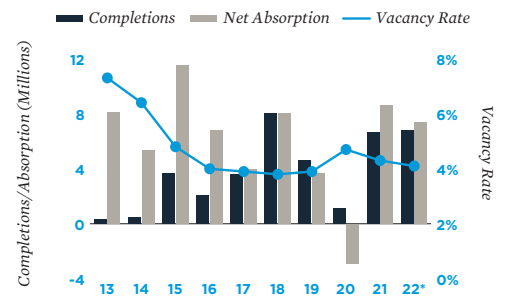
**Rent** up 5.2% The absorption of 7.4 million square feet of space this year enables the average asking rent to climb to \$6.85 per square foot.

**Investment** Improvements in sub-\$5 million, as well as \$10 million to \$20 million, trading over the past year indicate Detroit's buyer pool is poised for continued diversification in 2022, as the metro makes further strides in its economic recovery.

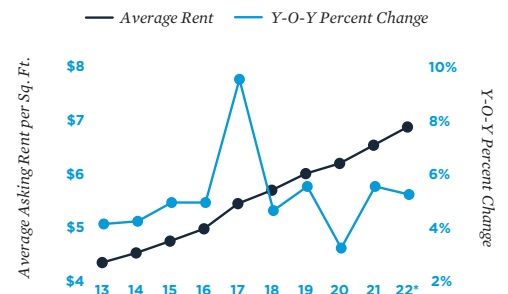
### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.