

INVESTMENT FORECAST

Industrial
Detroit Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

Motor City Weathered 2023 Labor Disputes and Enters the Year With Balanced Industrial Outlook

Detroit continues streak of stability. While many markets have seen recent dramatic swings in vacancy, Detroit's rate has stayed in the low-3 to low-4 percent range since 2015. Nearly 48 million square feet of space came online during this nine-year span, exhibiting the metro's ability to absorb new supply with a minimal impact to vacancy. Consistently low available space in the Detroit Airport-Interstate 275 area and northeast Detroit – the metro's two largest submarkets by inventory – has been a contributing factor to this stability. These areas also host roughly half of 2024's delivery slate, most of which is pre-leased. While autoworker labor disputes significantly slowed net absorption in the fourth quarter of 2023, the strike was resolved entering this year with a four-year contract. Together, these dynamics are poised to facilitate one of the only overall vacancy compressions among major markets in 2024. This may encourage industry-related firms to follow through on planned moves or expansions. Automotive parts suppliers like Autokinon and MSC Industrial Supply have already signed leases for 2024 move-ins.

Efficiency boost to Canadian trade could draw investors. Buyers are likely to stay active in north-east Detroit this year. The submarket holds the lowest vacancy rate among all U.S. submarkets with more than 100 million square feet of inventory, and offers proximity to auto manufacturing sites like Stellantis Mack Assembly Plant. Manufacturing and warehouse space was sought here by institutions and private buyers alike last year. Investors could also focus on assets along Interstates 94, 96 and 75 linking to Canada. The Gordie Howe International Bridge, which will open in late 2025, will add six lanes of capacity to help prevent truck bottlenecks from Canada. Anticipating an increase in logistics providers' storage needs, buyers may target border-adjacent assets.

2024 MARKET FORECAST

+0.2%



EMPLOYMENT: Detroit's workforce contracted last year, but in 2024, roughly 4,000 jobs will be added. The resolution of autoworker labor disputes in late 2023 should aid hiring in the sector.

2.9 million
sq. ft.



CONSTRUCTION: Total inventory will expand by just 0.5 percent in 2024. Harper Woods expects the largest volume of space as the Eastland Commerce Center comes online here.

-10 bps



VACANCY: Detroit will be one of two major U.S. markets that will log falling vacancy this year as development moderates. Contracting to 3.8 percent, the rate will be the fourth lowest in the country.

+3.4%



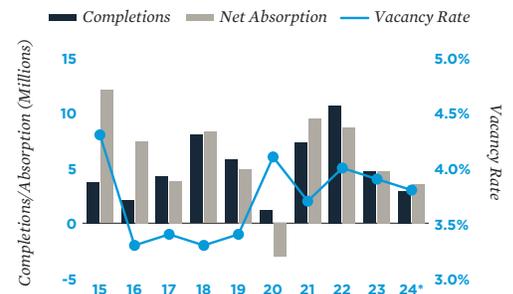
RENT: The mean asking rent will increase to \$7.56 per square foot in 2024, sitting 25 percent higher than its 2019 mark. Gains in Downriver and Royal Oak-Southfield continue to drive rent growth.

INVESTMENT: Detroit held the fourth-lowest price per square foot among major U.S. markets last year and one of the highest mean cap rates. Paired with stable fundamentals, this could draw increased investment in 2024.

Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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 December 2023. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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.