INVESTMENT FORECAST

Industrial

Detroit

IPA INSTITUTIONAL PROPERTY ADVISORS

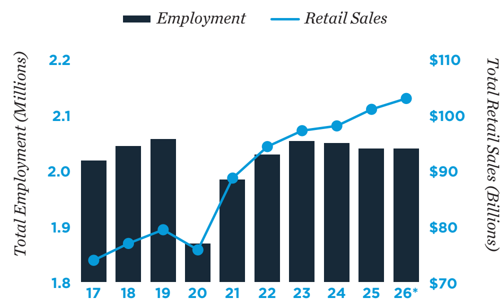
2026

Auto-Sector Pressures Reshape Demand, While User Activity Supports Pricing Resilience

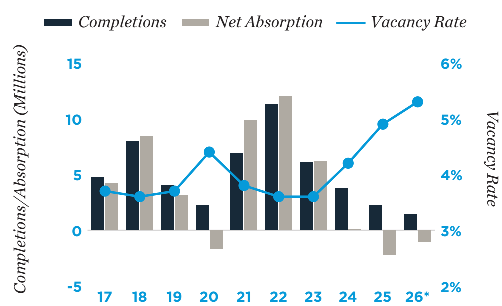
Motor-vehicle-related headwinds temper demand, though core fundamentals hold. Detroit's industrial market is adjusting to near-term automotive restructuring driven by tariffs, reduced EV incentives, intensifying foreign competition, and the potential expansion of defense manufacturing. These dynamics have contributed to layoffs and facility closures, resulting in metrowide net relinquishment. Even so, fundamentals remain relatively resilient, with vacancy holding at 5 percent as of March 2026. Despite recent headwinds, northeast Detroit and Down River are the only two submarkets as of March 2026 to post a year-over-year decrease in vacancy. Despite this, these submarkets will likely continue to experience relinquishment, which will apply upward pressure to vacancy rates. Recent corporate investments suggest a marginal path of recovery, as automakers increasingly participate in reshoring initiatives, such as Stellantis' megahub set to open in 2027, GM's announcement to invest $4 billion in its U.S. manufacturing, and Ford's continued expansion of its headquarters in Dearborn.

Valuation remains resilient as user activity rises. The average sale price per square foot rose by 4.4 percent year-over-year as of March 2026, supporting the investment prospectus despite softer deal flow. Trading was concentrated along the Interstate-96 Corridor. Activity there more than doubled, led by warehouse and manufacturing transactions, positioning the area as a near-term liquidity focus. While private investors remained the most active, user acquisitions were up more than 50 percent, mostly in Troy and near the airport, and primarily involving warehouses and factories. Growth in owner-occupied purchases points to more durable occupancy. With early 2026 user transactions marginally outpacing the prior year, momentum may continue.

Economic Trends



Supply and Demand



2026 MARKET FORECAST

+0.2% — **Employment:** Despite recent losses in manufacturing, trade, and transportation, the metro is expected to add 5,000 jobs on net in 2026, translating into growth that lags the national average.

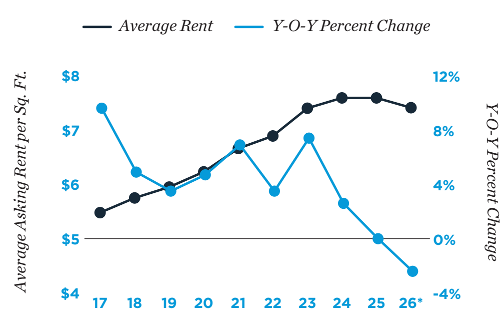
1.4 million *sq. ft.* — **Construction:** Inventory growth will decline to 0.2 percent, marking the lowest level of construction since 2014. Oakland County will welcome the bulk of the new supply.

+40 bps — **Vacancy:** Fewer projects will help slow the pace of vacancy expansion. Still, the metro's rate will rise to 5.3 percent, the highest level since 2015.

-2.4% — **Rent:** The average asking rent will retreat for the first time in over a decade to $7.40 per square foot. This will remain the third-highest average asking rent among Midwest markets.

INVESTMENT: *The completion of GM's 715,000-square-foot factory for Piston Automotive in Oakland County could drive incremental spillover demand for nearby warehouse space along Interstate 75.*

Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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