

Emerging Industrial Markets: Detroit

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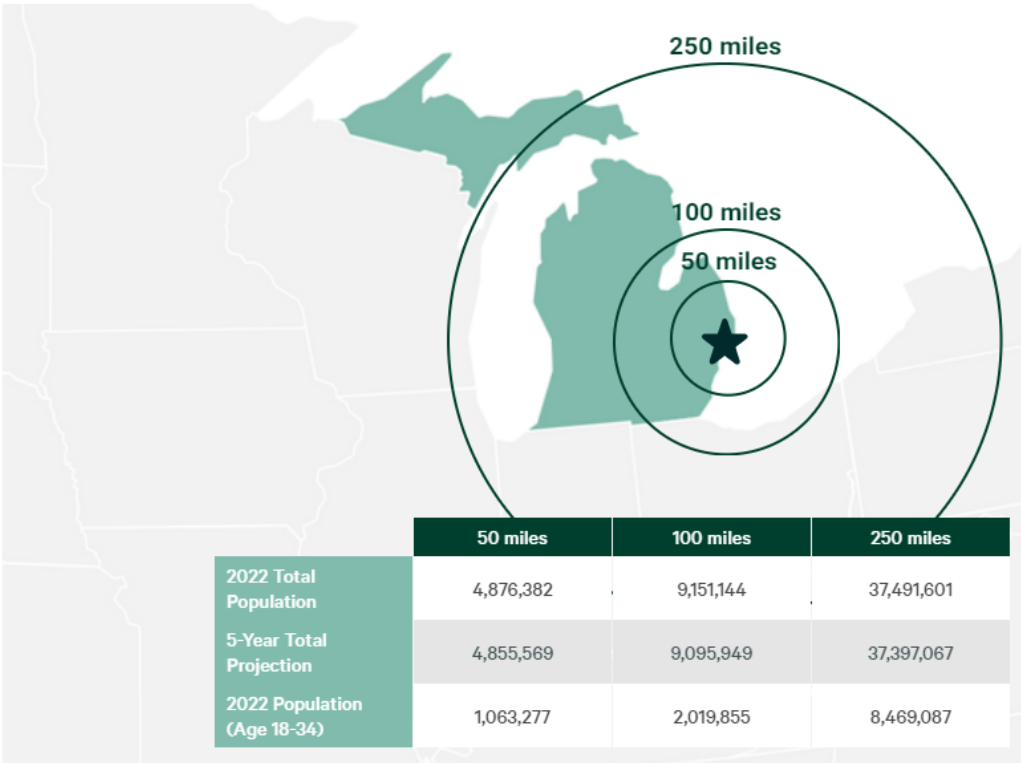
Detroit has long been known as the nation’s leader in the automotive industry and for advancing new technologies in mobility and manufacturing. With a deep foundation of talent from several universities, Michigan has engineers, chemists and computer scientists to create these products and the skilled labor to build them. West Coast technology companies have been relocating to Michigan because of the welcoming business climate, quality of life and affordability. This combination of cutting-edge technology, skilled labor and economic incentives has resulted in billions of dollars invested in state-of-the-art facilities, which support a strong and thriving industrial market.

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Demographics

Approximately 4.9 million people—22% aged 18 to 34—live within 50 miles of Detroit, and 37.5 million consumers live within 250 miles.

Figure 1: Detroit Population Analysis



Source: CBRE Location Intelligence.

Detroit's warehouse labor force of 67,322 is expected to grow 6.7% by 2033, according to [CBRE Labor Analytics](#). The average salary for a non-supervisory warehouse worker is \$17.74 to \$20.72 per hour, with an overall average of \$18.98. Detroit's unemployment rate was 3.9% as of July 2023, according to the U.S. Bureau of Labor Statistics, versus 3.7% a year earlier. Over the same time period, the state's unemployment rate decreased from 4.1% to 3.6%. Overall, the region's unemployment rate hovers close to the U.S. average of 3.8%.

Figure 2: Detroit Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics.

Location Incentives

Over the past five years, there have been 400 economic incentive deals valued at more than \$2 billion, for an average of \$30,000 per new job in the Detroit metropolitan area.¹

According to [CBRE's Location Incentives Group](#), among the top incentive programs offered in Metro Detroit is the Michigan Business Development Program (MBDP), which awards discretionary performance-based cash grants. MBDP supports business attraction and expansion for highly competitive projects that involve new job creation and capital investment. To qualify, businesses must create at least 50 new jobs (or 25, if located in a rural county). MBDP can provide \$10 million maximum to a single project, unless the project is considered transformational.

Michigan also offers several programs that aid in workforce development, including Michigan New Jobs Training Program (MNJTP), Michigan Works! and Jobs Ready Michigan. MNJTP provides funding to local community colleges, which offer new job training support for area employers. Michigan Works! and Jobs Ready Michigan programs provide grants for job training and talent recruitment. Jobs Ready Michigan addresses skillset needs for high-wage, high-skilled or high-demand positions.

Figure 3: Top Incentive Programs

Michigan Business Development Program

Discretionary program that provides cash grants, low-interest loans or other economic assistance

Michigan New Jobs Training Program

Funding to local community colleges for training support

Jobs Ready Michigan

Discretionary grant program for talent recruitment and job training

Michigan Works!

Workforce development assistance through training grants, candidate identification and screening and internships

Property Tax Abatements

Discretionary abatement of real estate and personal property taxes for manufacturing or other projects related to a company that has a manufacturing facility in Michigan; some exceptions available

Sales Tax Exemptions

Sales tax exemptions on manufacturing machinery and equipment, pollution control equipment and electricity and natural gas used in production

Source: CBRE Location Incentives Group.

Note: The extent of state and local incentive offerings depends on location and scope of the operation.

¹ Source: fDi Intelligence – IncentivesFlow

Logistics Drivers

Detroit is home to several leading U.S. automakers including General Motors, Ford Motor Company and Stellantis (formerly Fiat Chrysler). These large auto manufacturers make Detroit a major beneficiary of the burgeoning [electric vehicle manufacturing](#) sector. Dubbed the “auto capital of the world,” Detroit’s centralized Midwest location along the Great Lakes puts it within 500 miles of reaching half of the U.S. and Canadian populations. Detroit is accessible by three major interstates: 75, 94 and 96. I-75 spans over 1,700 miles running north-south through six states, from the Upper Peninsula of Michigan to West Miami, Florida. Detroit is less than two miles from the Canadian border at Windsor by way of the Detroit-Windsor Tunnel, and it is the largest city located immediately on the U.S.-Canadian border. The city’s new [Gordie Howe Bridge](#) is set to open in 2024, allowing further cross-border transport once completed. By sea, the [Port of Detroit](#) is Michigan’s largest inland port handling the area’s top commodities, including steel, ore, stone, coal and cement.

By air, the [Windsor International Airport](#) located in Windsor, Ontario, Canada, is closest to Detroit and minutes from the U.S.-Canadian border. The [Detroit Metro Wayne County Airport](#) also serves the immediate area and landed over 885 million pounds of cargo—37th-most in the country—in 2022.² Michigan contains around 3,600 miles of rail operated by 29 freight railroads and handles near 94 million tons of cargo per year. The region has direct access to four of the seven Class I railroads across the country. The Michigan Department of Transportation is investing \$19 million towards freight rail projects across the state as part of its [2023 Michigan Rail Enhancement Grant Program \(M-REP\)](#).

² FAA 2022 preliminary figures.

Supply & Demand

Detroit has 540 million sq. ft. of existing industrial space. In terms of building size, the majority of facilities (182.4 million sq. ft.) fall into the 10,000-50,000 sq. ft. category. Another 114.9 million sq. ft. of buildings are over 500,000 sq. ft. Although the vacancy rate has increased slightly to 2.6% at the end of Q2 2023 (up from 2.3% at end of 2022, largely due to speculative construction deliveries), leasing activity has increased by 27% quarter-over-quarter and 11% year-over-year. Nearly one million sq. ft. in new and renewed leases transacted in Q2, including DTE Electric Company's nearly 530,000 sq. ft. commitment in Redford.

Overall average asking rents in Detroit increased 5% from Q4 2022 to Q2 2023, to \$7.54 NNN per sq. ft. Asking rents are highest in the Washtenaw, Northwest Suburbs and I-75 Corridor submarkets, all with rates above the market's average. For big-box product (industrial warehouse buildings 200,000 sq. ft. or larger), [CBRE's H1 2023 Midwest Industrial Big Box](#) report noted that Detroit had the second-highest taking rents (at \$6.79 NNN per sq. ft.) out of 13 Midwest U.S. markets.

Detroit has benefited from many automotive industry-related companies moving to the area and the reshoring of certain manufacturing operations. Detroit had the second-highest manufacturing-based net absorption in 2022 at near 6 million sq. ft.—just behind Chicago, according to CBRE's report on the [rise of onshore manufacturing](#).

Construction activity has held steady with 18 buildings (5.1 million sq. ft. total) underway and 36.7% preleased by the end of Q2 2023. For comparison, the market held 4.7 million sq. ft. of construction with 46.1% preleased at the end of Q2 2022. The largest project will stand at 655,000 sq. ft. for FANUC America, a leading supplier of automation and robotics for manufacturing. The property is located in Auburn Hills and due to deliver in April 2024. Strong activity should continue in the region and, as a result, industrial occupiers and investors can greatly benefit from Detroit's active automotive sector, growing labor force and robust economic incentives offered by the state of Michigan.

Figure 4: Detroit, Historical Data

	YTD 2023	2022	2021	2020	2019
Inventory (SF)	540,309,486	535,824,109	530,957,428	523,309,604	520,587,307
Overall Vacancy Rate	2.6%	2.3%	2.2%	2.0%	1.9%
Net Absorption (SF)	364,337	3,195,041	7,763,500	-205,972	3,294,098
Average Asking Rental Rates (Direct/SF/Year)	\$7.54	\$7.18	\$6.81	\$6.65	\$6.58
Construction Completions (SF)	1,730,970	6,445,213	8,965,372	1,316,690	3,502,431

Source: CBRE Research, 2023.

Figure 5: Detroit, Size Range Comparison

Size Range (SF)	Q2 2023 Existing Inventory	Q2 2023 Overall Vacancy Rate	Q2 2022 Existing Inventory	Q2 2022 Overall Vacancy Rate
10-50K	182,387,073	1.5%	182,404,404	1.8%
50-100K	86,674,612	2.7%	85,918,929	2.5%
100-250K	99,383,471	3.9%	99,008,025	3.0%
250-500K	56,998,932	8.1%	55,684,738	5.8%
500K+	114,865,398	1.0%	112,808,013	1.5%

Source: CBRE Research, 2023.