

CRAIN'S DETROIT BUSINESS

By Kirk Pinho

Kirk Pinho is a senior reporter covering commercial real estate. Since joining Crain's Detroit Business in 2013, he has written about leasing, development and property sales in Detroit and its suburbs, as well as the industry's trends, personalities and quirks.

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Metro Detroit industrial, warehouse construction hits a 2-year high

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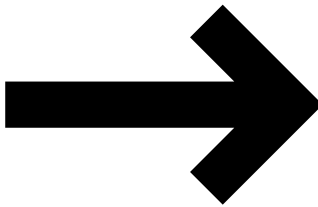
Perhaps no major commercial real estate asset class has performed better than the industrial and warehouse market the last several years.

As automakers continue the push toward electric and autonomous vehicles and suppliers of all sizes need space to support that, local experts see little slowing down the sector, which accounts for hundreds of millions of square feet of space around the region.

Developers regularly come forward with new speculative projects, confident enough in the market demand that they are willing to risk putting shovels in the ground and raising walls without a tenant locked in.

According to a fourth-quarter report from the local offices of New York City-based brokerage firm Newmark, active industrial and warehouse construction hit a two-year high at 7.5 million square feet, with 82 percent of that being Class A bulk warehouse facilities.

This year alone, developers are expected to bring to the market 16 new spec warehouse developments with over 5 million square feet of space. That figure rivals the past 10 years combined, a period during which there were 23 spec warehouse buildings with 10.2 million square feet, according to Newmark. The vacancy rate is just 3.4 percent.



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"In terms of industrial real estate, we really are leading the nation," said Dan Labes, executive managing director for Newmark focusing on industrial and warehouse space. "The industrial real estate market in particular seems to move along and not listen to the noise and the market remains as good as its ever been."

"I'm not seeing many headwinds to slow us down," Labes said, pointing not just to the transition to EV and AV, but also the rise of e-commerce giants like Amazon plus more traditional retailers like Target and Kroger needing distribution space.

Few developers in the sphere are as active as the Canton Township office of New York City-based Ashley Capital, which has several spec projects in various stages of development around the region. Just last week, the company received Michigan Strategic Fund approval for just shy of \$2 million in brownfield financing for a 531,000-square-foot multi-tenant spec building in Taylor on a former unlicensed landfill site near I-94 and Inkster Road.

Credit: Kirk Pinho / Crain's Detroit Business

New industrial/warehouse space has been erected at the former Cadillac Stamping Plant in Detroit.

"We've had a really good run here," said Kyle Morton, vice president of development for Ashley Capital.

"If you look at the speculative buildings that have delivered the last five or six years, the only vacancy I think can of is that we have 100,000 square feet left in Livonia in one of our buildings, but we have an agreement with a tenant and the lease just isn't signed yet."

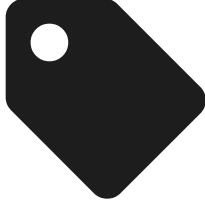
Other active developers include NorthPoint Development LLC, which has projects in Detroit, Warren, Harper Woods and elsewhere; Detroit-based Sterling Group and Dallas-based Hillwood Enterprises LP, which is building on the former Michigan state fairgrounds site in Detroit; and Flint Development, which has projects in Wixom and Pontiac.

A study by Commercial Search, a division of Yardi Systems Inc., says that the Detroit market has the 13th highest amount of industrial construction taking place, clocking in at 10.5 million square feet. Other Midwestern cities like Chicago (27 million square feet), Indianapolis (15.7 million square feet) and Columbus (13 million square feet) outpace the metro region. The company says nationwide there is more than 690 million square feet under construction, besting last year's previous all-time high of 592 million square feet.

Main Image

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The current Eastland Mall site is being revamped into industrial/warehouse space.
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Credit: Kirk Pinho / Crain's Detroit Business

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