

Greater Lansing Area, Michigan / H1 2020

Occupancy Levels Resilient to Effects of Covid-19 – Industrial Sector Strongly Positioned to Rebound

Market at a Glance:

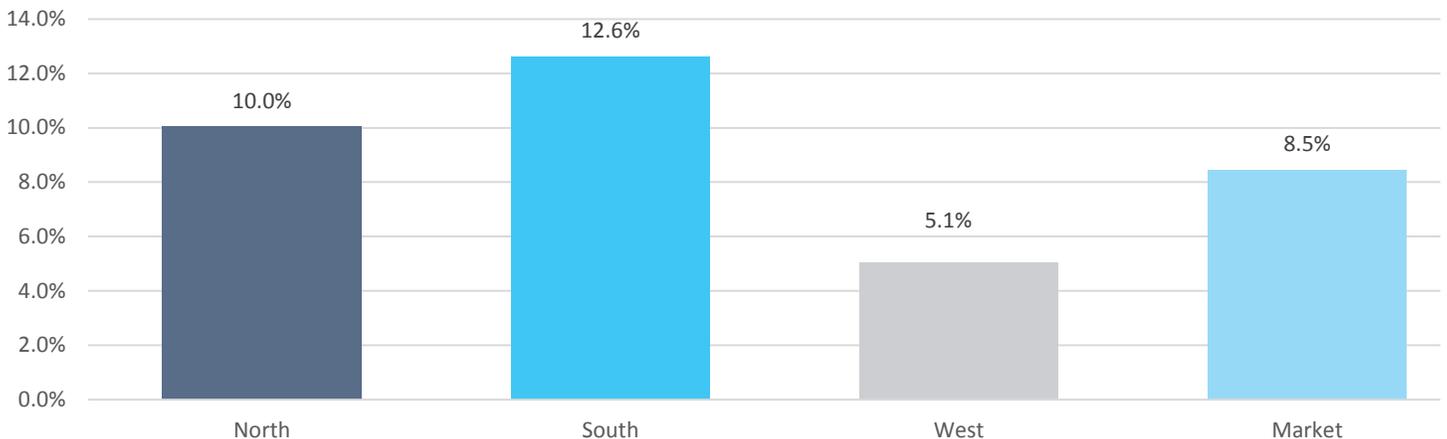
Arrows indicate change from previous period.

 **Vacancy Rate**
8.5%

 **Completions**
0 SF

 **Absorption**
12,270 SF

Figure 1: Market Vacancy \geq 20,000 SF Leased Space



Source: Martin Commercial Properties, Inc.

Market News

- Greater Lansing's local unemployment rate soared from 3.7% in H2 2019 to 16.4% in H1 2020 (see pg 2).
- The local industrial market took some hits during H1 2020; however, supply chains are being strengthened and the sector is positioned to rebound.
- Quality lease space remains in demand and no speculative construction is underway.
- The **State of Michigan** leased 135,000 SF at 2510 Snow Road (West Submarket)
- A 375,000 SF dairy processing operation remains under construction for **Glanbia** and **Dairy Farmers of America** in St. Johns (North Submarket).
- The 22,068 SF 5511 Enterprise Drive sold for \$1,220,000 and the 22,800 SF 2365 Jarco Drive sold for \$1,445,000 (South Submarket)
- Dakota** vacated 170,000 SF at 1875 Holloway in Holt (South Submarket).

The Impact of COVID-19

The COVID-19 pandemic continues to generate a swirl of uncertainty in markets around the world. Shifts in consumer behavior caused by the virus have led to changes in demand for certain goods and services, and social distancing has pushed consumers farther into the embrace of e-commerce.

Year-to-date the road has been turbulent. Fulfillment centers' just-in-time inventory management systems were rapidly overwhelmed by the acceleration of on-line shopping and consumer stockpiling. Due to lack of raw materials caused by stay-at-home mandates, manufacturers could not replenish the centers, and retailers and grocers were then unable to stock food and essential goods in a timely manner.

Clearly, the sudden emergence of COVID-19 propelled businesses to mobilize rapidly and make short-term decisions with long-term implications. Not all sectors of the commercial real estate market

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Greater Lansing Area, Michigan

Figure 2: Market Statistics | H1 2020

≥20,000 SF Leased Space

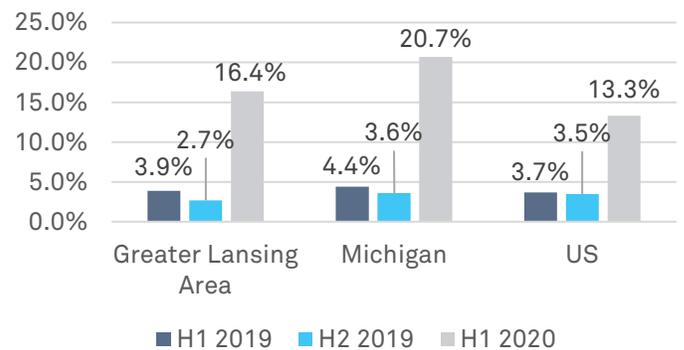
SUBMARKET	MARKET RENTABLE AREA (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	COMPLETIONS (SF)	NET ABSORPTION (SF)	ASKING LEASE RATES (\$/SF/YR)
NORTH	1,687,052	17.2	169,524	10.0	0	13,366	3-6.00
SOUTH	3,294,050	33.5	416,019	12.6	0	-201,500	4-7.00
WEST	4,843,740	49.3	244,878	5.1	0	200,404	5-6.00
MARKET	9,824,842	100	830,421	8.5	0	12,270	3-7.00

Source: Martin Commercial Properties, Inc.

Greater Lansing Area



Figure 3: Unemployment Statistics



Source: Bureau of Labor Statistics

The Impact of COVID-19

Continued from page 1.

have been and will continue to be impacted in the same manner; however, it is becoming clear that the industrial sector is positioned to rebound.

Changes are being made to the supply chain to support greater ecommerce sales and to create more resilient and redundant fulfillment centers vs. the 'just-in-time' efficiency approach we have seen to date. Locally, this will translate into a demand-driver for additional warehouse space.

The food industry is also changing, with consumers increasingly avoiding restaurants and electing instead to have their food items delivered to their home or picked

up curbside. Typically, cold storage space is not impacted by these types of changes since food moves through warehouses, regardless of destination. However, recent stockpiling of groceries by consumers is likely to create an increased need for cold storage space.

Finally, it should be noted that some businesses that manufacture essential goods overseas are investigating relocating or supplementing their manufacturing facilities closer to the U.S.; however, should this occur, it is unlikely to greatly impact the Greater Lansing Area. Most likely, primary cities and areas with lower labor costs will stand to benefit. 🌿

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Greater Lansing Area, Michigan

Market Composition

Greater Lansing's most active industrial sectors are the West Submarket, the South Submarket and the North Submarket. The market comprises over 9.8 million SF of leased industrial space in buildings $\geq 20,000$ SF; however, the majority of the market is owner-occupied.

The West Submarket is the largest sector and home to General Motors' 3.6 million SF Delta Assembly Plant and 2.3 million SF warehouse; over 3 million SF of warehouse/distribution space for Meijer; and approx. one million SF of manufacturing/ distribution space for Spartan Motors.

The South Submarket is the second largest industrial sector. Its largest users include General Motors (3.4 million SF Lansing Grand River Plant); Michigan Forge (1.2 million SF); and Dart Container (1.15 million SF).

The North Submarket is the smallest industrial sector. Its largest occupiers include **Peckham, Inc.**; **Dakkota Integrated Systems**; **ITC Michigan** and **LOC Performance Products**. 🏢

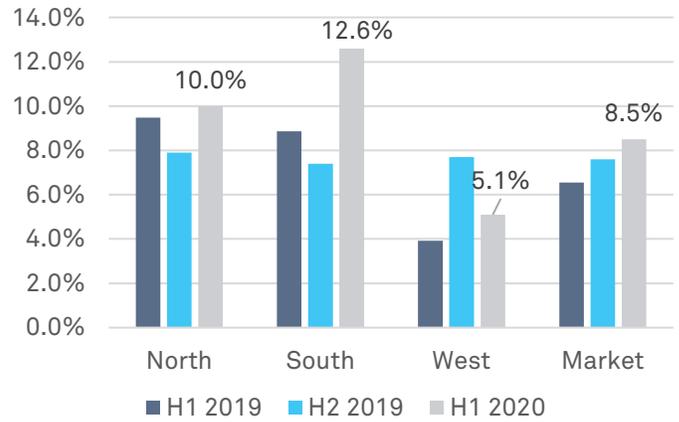
Vacancies

Industrial vacancies in Greater Lansing average 8.5% (830,421 SF) in H1 2020, up from 7.6% charted in H2 2019. The increase in the market's vacancy rate was primarily due to Dakkota vacating 170,000 SF in the South Submarket.

From a geographic perspective, the West Submarket is experiencing the lowest average vacancy (5.1%), while the South Submarket has the highest vacancy rate in the market (12.6%).

Despite the increase in vacancy, lack of available options has kept rental rates high, and continues to force tenants to become more efficient within their existing spaces. Few properties can immediately accommodate a need greater than 50,000 sq. ft. and we anticipate the continuation of new construction in the market pending the outcome of COVID-19. 🏢

Figure 4: History of Market Vacancies - Leased Buildings Comprising $\geq 20,000$ SF

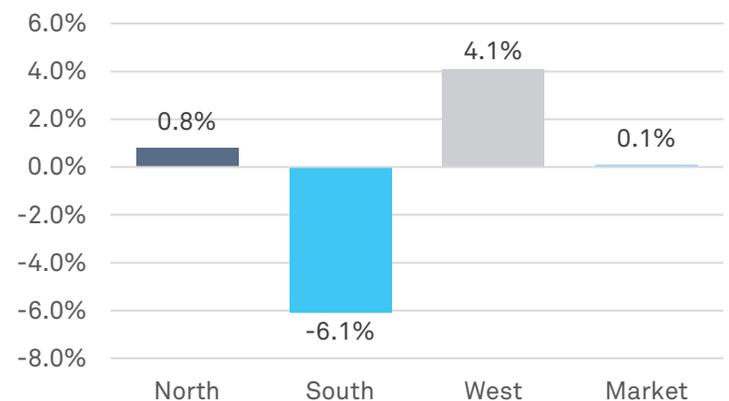


Source: Martin Commercial Properties, Inc.

Absorption

Absorption is the net change in physically occupied space from one period to the next. During H1 2020, the Greater Lansing industrial market absorbed 12,270 SF of space within the base of leased industrial buildings comprising a minimum of 20,000 SF. Despite a steady number of lease transactions in H1 2020, most notably the State of Michigan's 135,000 SF lease on Snow Road (West Submarket), only minimal absorption was charted for the market, primarily due to Dakkota's vacancy of 170,000 SF on Holloway Drive (South Submarket). 🏢

Figure 5: H1 2020 Absorption - Leased Buildings Comprising $\geq 20,000$ SF



Source: Martin Commercial Properties, Inc.

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Greater Lansing Area, Michigan



7800 Northport Drive, Lansing
55,241 SF for Sale or Lease

About Martin Commercial Properties

For nearly 60 years, Martin Commercial Properties has provided commercial real estate services to owners and occupiers and across five core business lines: Brokerage, Property Management, Project Management, Investment and Corporate Services.

Since 1988, Martin has produced comprehensive market insights for the Greater Lansing Area, detailing local office, retail and industrial statistics, major transactions, industry trends and market forecasts. *Martin Commercial Properties is the source for local market knowledge.* We welcome the opportunity to be of service.

Trusted Commercial Real Estate Services...Since 1962.

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- Brokerage
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