

Greater Lansing Area, Michigan / H2 2019

Occupancy Levels Remain Strong; New Construction Activity on the Rise

Market at a Glance:

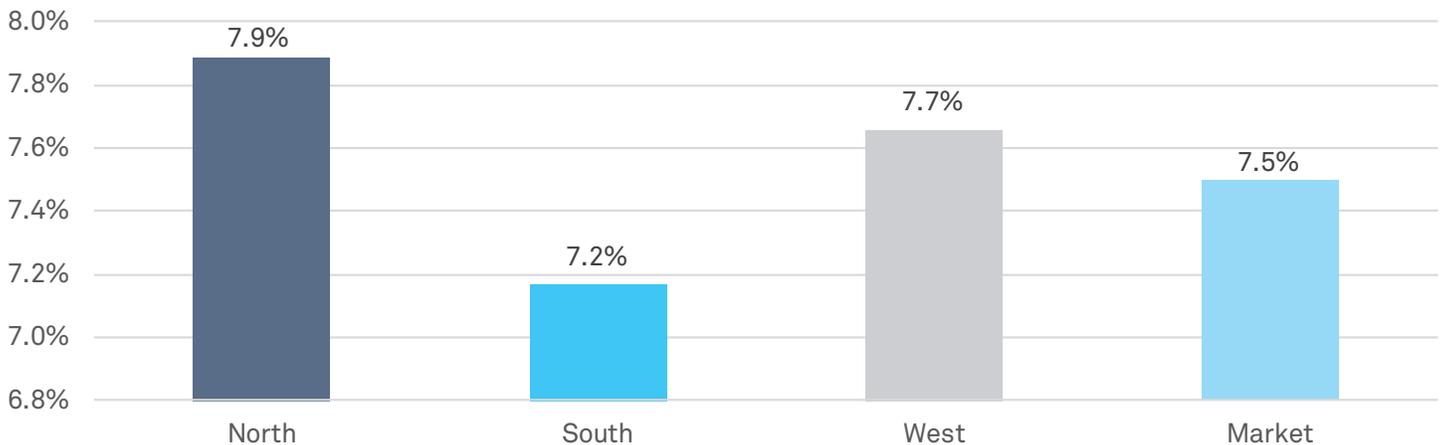
Arrows indicate change from previous period.

 **Vacancy Rate**
7.5%

 **Completions**
0 SF

 **Absorption**
-94,767 SF

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



Source: Martin Commercial Properties, Inc.

Market News

- Quality lease space is in short supply and no speculative construction is in the pipeline.
- **Amazon** leased 231,000 sq. ft. at 7009 W. Mt. Hope (West Submarket).
- New construction of owner-user space dominated the market as **Big Fireworks** opened doors on a new 72,000 sq. ft. building at 6601 West Grand River (North Submarket); **Cintas** opened in a new 55,000 sq. ft. facility at 2408 South Canal (West Submarket); and **ITC Michigan** occupied its new 106,600 sq. ft. building at 1420 East M-21 in St. Johns (North Submarket).
- A 375,000-sq. ft. dairy processing operation is under construction for **Glanbia** and **Dairy Farmers of America** in St. Johns (North Submarket).
- The 30,770 sq. ft. 4801 Contec Drive, occupied by **Presort Services**, sold to an investor for \$1.4 Million (South Submarket).

Market Composition

Greater Lansing's most active industrial sectors are the West Submarket, the South Submarket and the North Submarket. The market comprises approx. 9.7 million sq. ft. of leased industrial space in buildings $\geq 20,000$ sq. ft.; however, the majority of the market is owner-occupied.

The West Submarket is the largest sector and home to General Motors' 3.6 million sq. ft. Delta Assembly Plant and 2.3 million sq. ft. warehouse; over 3 million sq. ft. of warehouse/distribution space for Meijer; and approx. one million sq. ft. 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 sq. ft. Lansing Grand River Plant); Michigan Forge (1.2 million sq. ft.); and Dart Container (1.15 million sq. ft.).

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

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Figure 2: Market Statistics | H2 2019

≥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	1,632,898	16.9	128,736	7.9	0	-1,260	3-6.00
SOUTH	3,325,550	34.5	238,319	7.2	0	84,641	4-7.00
WEST	4,761,515	48.6	364,678	7.7	0	-178,148	5-6.00
MARKET	9,719,963	100	731,733	7.5	0	-94,767	3-7.00

Source: Martin Commercial Properties, Inc.

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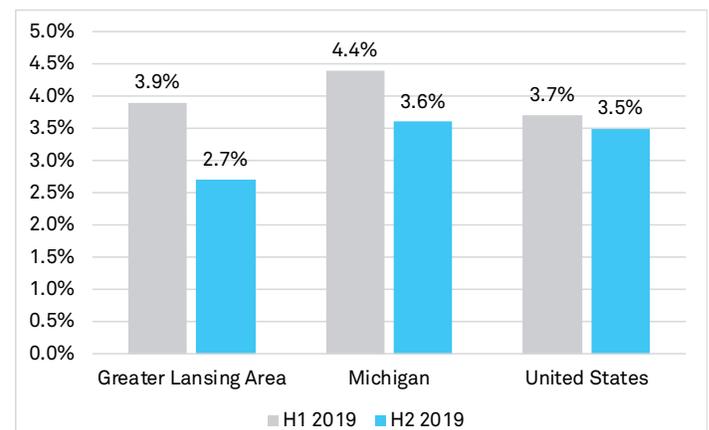


The Impact of COVID-19

It is important to note that while we are publishing this H2 2019 market report in early 2020, the new COVID-19 pandemic is creating a swirl of uncertainty in markets around the world, as government-mandated social distancing and temporary office closures have created a powerful economic burden for small businesses.

Many local, state and federal programs have been launched to provide financial assistance to impacted businesses. For example, the Small Business Development Center (SBDC) has published a Question & Answer transcript outlining various programs and numerous resources you may find beneficial. Also, the U.S. Small Business Association (SBA) has published an outline of resources, products, loan programs and guidance measures meant to assist business owners. U.S. Representative Slotkin (MI) encourages small businesses to apply for a part of the \$1 billion allotted to the SBA for business loans, reminding

Figure 3: Unemployment Statistics | H2 2019



Source: Bureau of Labor Statistics

us that these loans can be as high as \$2 million. Also, the MEDC announced Michigan Small Business Relief Program will provide up to \$20 million in support for small businesses negatively impacted by COVID-19. Details and resources can be found at <https://www.michiganbusiness.org/covid19/>.

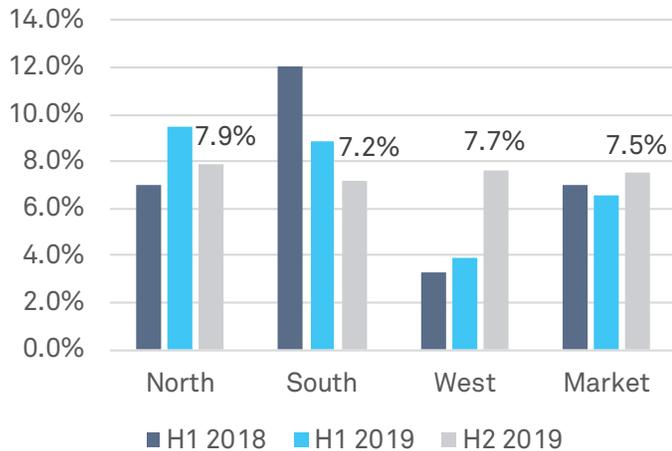
This situation is unprecedented in modern times, and it is difficult to fully assess what the Greater Lansing industrial market will look like in the coming months. Much will depend on how long the economy is stalled and the time it will take for small and large businesses alike to get back to a reasonable normal.

And then, the question becomes: What will the new normal be? Most likely, there will be both negative and positive aspects to the “new normal” for landlords and tenants, and we will continue to provide market updates to keep you informed.

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Figure 2: History of Market Vacancies - Leased Buildings Comprising $\geq 20,000$ SF



Source: Martin Commercial Properties, Inc.

Figure 3: H2 2019 Absorption - Leased Buildings Comprising $\geq 20,000$ SF



Source: Martin Commercial Properties, Inc.

Vacancies

Industrial vacancies in Greater Lansing average 7.5% (731,733 sq. ft.) in H2 2019, up from 6.5% charted in H1 2019. The increase in the market's vacancy rate was primarily due to **Faurecia** vacating 135,000 sq. ft. in the West Submarket.

From a geographic perspective, the South Submarket is experiencing the lowest average vacancy (7.2%), while the North Submarket has the highest vacancy rate in the market (7.9%).

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



2510 Snow Road (270,000 SF) is one of few buildings that can accommodate a large Class A user.

Absorption

Absorption is the net change in physically occupied space from one period to the next. During H2 2019, the Greater Lansing industrial market absorbed -94,767 SF of space within the base of leased industrial buildings comprising a minimum of 20,000 SF. This is largely due to **Faurecia** vacating 135,000 sq. ft. in the West Submarket.



Amazon leased the 231,000-sq.ft. facility at 7009 West Mt. Hope

Amazon executed a lease for 231,000 sq. ft. on West Mt. Hope (West Submarket) in H2 2019; however, the space had previously been occupied and the transaction did not impact absorption.

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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 index briefs 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.

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Services Summary

- Brokerage
- Property Management
- Project Management
- Investment
- Corporate Services

Christopher Miller, SIOR

Senior Associate /
Industrial & Investment Advisor
517 319-9244
christopher.miller@martincommercial.com

Jeff Ridenour

Senior Associate /
Brokerage Services
517 319-9250
jeff.ridenour@martincommercial.com

Van W. Martin, CCIM, SIOR, CRE

President & CEO
517 319-9241
van.martin@martincommercial.com

Mid-Michigan Office / 1111 Michigan Avenue, Suite 300, East Lansing, MI 48823 / (517)351-2200