

Greater Lansing Area, Michigan / H1 2019

Rents Climb While Market Continues to Tighten

Market at a Glance:

Arrows indicate change from previous period.



Vacancy Rate -
10,000-20,000 SF:
10.4% (Leased Space)



Vacancy Rate -
≥20,000 SF:
6.5% (Leased Space)



Absorption
≥20,000 SF:
-20,097 SF
(Leased Space)

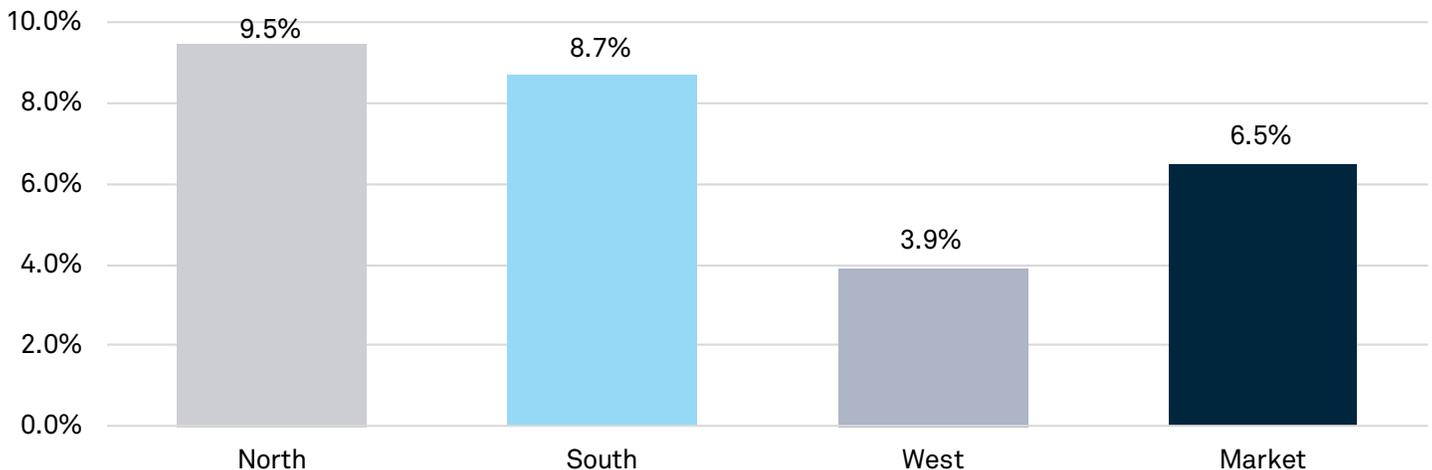


Vacancy Rate -
10,000-20,000 SF:
4.4% (Gross Space)



Vacancy Rate -
≥20,000 SF:
2.2% (Gross Space)

Figure 1: Market Vacancy ≥20,000 SF Leased Space



Source: Martin Commercial Properties, Inc.

Market News

- **Palmer Donovan** leased 60,000 SF on Aurelius Road (South Submarket)
- The local marijuana industry continues to remove significant blocks of vacancies in several municipalities via property sales and options.
- Lack of supply continues to push rental rates and sale prices up, and creating renewed interest in build-to-suit
- **Cintas** is building 55,000 SF on Canal Road (West Submarket)
- **Big Fireworks** sold its 65,000 SF facility on Remy Drive and will soon relocate to a new 76,000 SF building on North Grand River (North Submarket)
- **ITC Michigan** is building 106,600 SF on M-21 in St. Johns (North Submarket)
- ±300,000 SF @ 2100 S. Washington (South Submarket) sold for \$1.95 Million
- The 79,550 SF 2960 Ena Drive (West Submarket) sold for \$5.7 Million
- The 53,600 SF 7800 Northport Drive (West Submarket) sold for \$2.4 Million
- \$550 Million dairy processing operation under construction in St. Johns (North Submarket)
- \$30 Million eel farm proposed for St. Johns (North Submarket)

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Figure 2: Market Statistics | H1 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	1,663,122	17.0	157,700	9.5	0	-92,372	3-6.00
SOUTH	3,370,208	34.4	292,190	8.7	0	78,227	4-7.00
WEST	4,761,515	48.6	186,530	3.9	0	-5,952	5-6.00
MARKET	9,794,845	100	636,420	6.5	0	-20,097	3-7.00

Source: Martin Commercial Properties, Inc.

≥20,000 SF Gross Space

SUBMARKET	BUILDING SIZE (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	COMPLETIONS (SF)	NET ABSORPTION (SF)
NORTH	6,610,061	18.4	233,404	3.5	0	-27,041
SOUTH	12,282,668	34.1	265,246	2.2	0	90,227
WEST	17,125,241	47.5	311,120	1.8	0	627,346
MARKET	36,017,970	100	809,770	2.2	0	690,532

Source: Martin Commercial Properties, Inc.

10,000-20,000 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	68,918	12.0	10,550	15.3	0	25,209	3-4.00
SOUTH	314,353	54.9	42,643	13.6	0	-7,415	4-7.00
WEST	189,679	33.1	6,446	3.4	0	4,000	6-7.00
MARKET	572,950	100	59,639	10.4	0	21,794	3-7.00

Source: Martin Commercial Properties, Inc.

10,000-20,000 SF Gross Space

SUBMARKET	BUILDING SIZE (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	COMPLETIONS (SF)	NET ABSORPTION (SF)
NORTH	486,708	29.3	10,550	2.2	0	0
SOUTH	837,167	50.4	56,243	6.7	0	-1,815
WEST	338,420	20.3	6,446	1.9	0	4,000
MARKET	1,662,295	100	73,239	4.4	0	2,185

Source: Martin Commercial Properties, Inc.

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Greater Lansing Area



Market Composition

The Greater Lansing Area's most active industrial sectors are the West, South and North Submarkets. Buildings in these sectors comprise nearly 37.7 million SF of industrial space, of which roughly 27.5% is leased. The balance is owner-occupied.

The West Submarket is the area's largest industrial sector, with nearly 17.5 million SF of space. It is home to **General Motors'** 3.6 million SF Delta Assembly Plant and 2.3 million SF parts distribution warehouse; over 3 million SF of warehouse/distribution space for **Meijer**; and \pm 1 million SF of manufacturing/distribution space for **Spartan Motors**.

The South Submarket comprises over 13.1 million SF of space and is the area's 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).

With nearly 7.1 million SF, the North Submarket is the smallest industrial sector. Its largest occupiers include **Peckham, Inc.**; **Dakota Integrated Systems**; and **LOC Performance Products**.

Trending in Industrial

During H1 2019, the Greater Lansing industrial market maintained the momentum it experienced in H2 2018 and vacancy continues near all-time lows. Market conditions remain in favor of the landlord, with demand continuing to exceed supply. Leases are being signed at or near full market asking rates with landlords providing minimal concessions, and tenants are renewing at their existing locations due to space constraints within the market. Industrial sale activity has also been steady for both owner-occupiers and investors.

Three new buildings broke ground this year, including a 55,000 SF building for **Cintas** on Canal (West Submarket); a 76,000 SF building for **Big Fireworks** on West Grand River (North Submarket) and a 106,600 SF building for **ITC Michigan** on M-21 (North Submarket).

Although several large blocks of space will be hitting the market later this year, we anticipate industrial demand to remain steady in H2 2019, as the economy, led by strong consumer spending, continues to grow.

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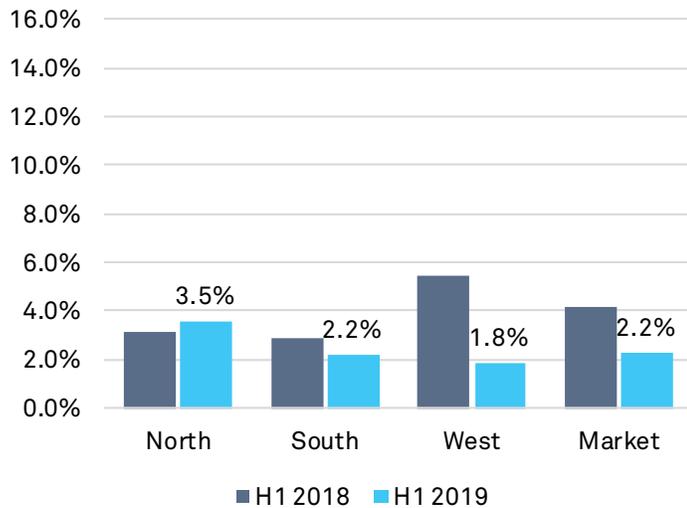
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Vacancies

The average vacancy rate for Greater Lansing industrial space comprising a minimum of 20,000 SF is 2.2%, down from 4.2% charted in H1 2018. The strongest submarket is the West sector, with 1.8% average vacancy. Leasable space within the same size classification averages 6.5%, down from 7.0% one year ago and the strongest submarket is also the West sector averaging 3.9% vacancy.

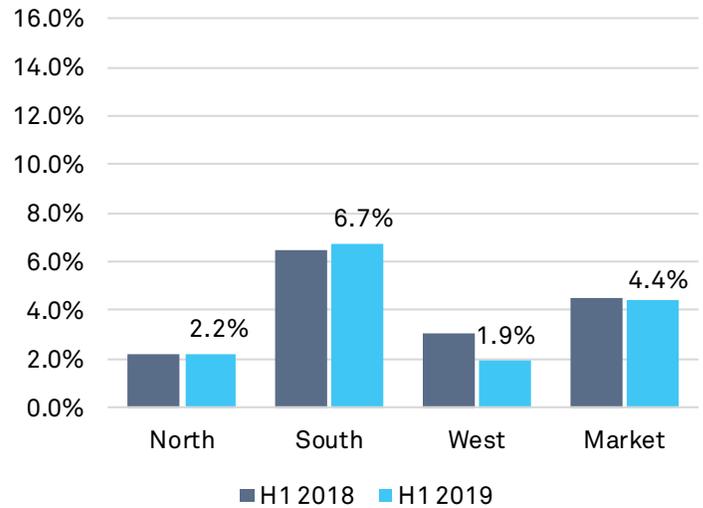
Vacancies of industrial space between 10,000-20,000 SF average 4.4%, down from 4.5% charted in H1 2018; and not surprisingly, the West Submarket is the strongest sector, averaging 1.9% vacancy. Leasable space within the same size class averages 10.4% vacant, up from 9.8% charted one year ago. The West Submarket is the strongest sector in the base, averaging 3.4% vacancy.

Figure 3: History of Vacancies
≥20,000 SF Gross Space



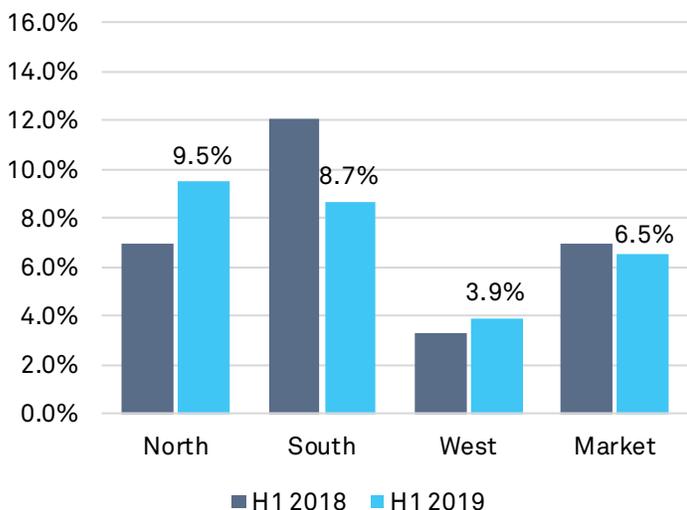
Source: Martin Commercial Properties, Inc.

10,000-20,000 SF Gross Space



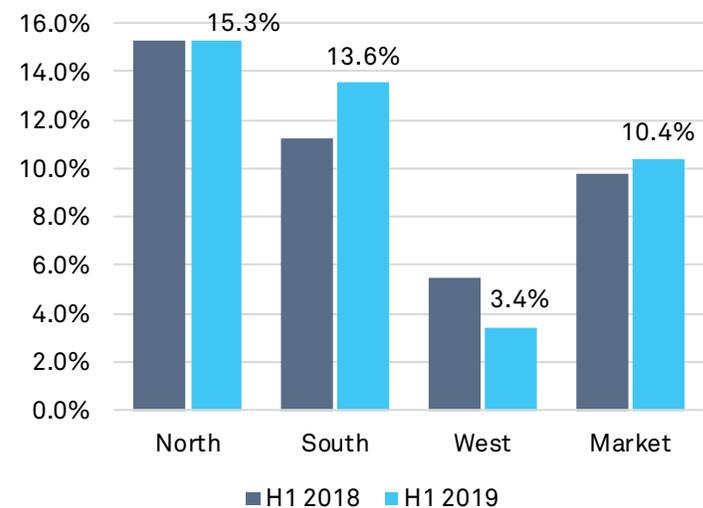
Source: Martin Commercial Properties, Inc.

≥20,000 SF Leased Space



Source: Martin Commercial Properties, Inc.

10,000-20,000 SF Leased Space



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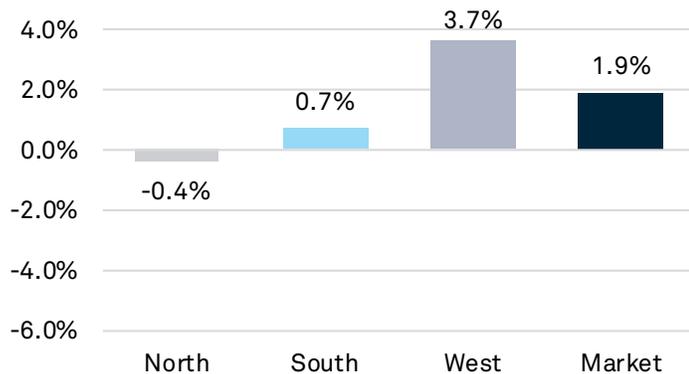
Absorption

Absorption is the net change in physically occupied space from one period to the next. Over the past 12 months, the Greater Lansing industrial market absorbed 690,532 SF of gross space within the base of industrial buildings comprising a minimum of 20,000 SF. This is largely due to the sale of the 656,390 SF 500 East Packard Highway manufacturing facility in Charlotte (West Submarket). The 64,722 SF 3366 Remy Drive (South Submarket) also sold this period to an owner-user. Nearly all submarkets charted positive absorption for gross space. The West Submarket finished the strongest, absorbing 627,346 SF, while the North Submarket fared the worst, with a negative 27,041 SF absorption.

In regard to exclusively leased properties of the same size, several buildings in the North Submarket came on-line this period, contributing to the negative 20,097 SF absorption charted in the market. Several large leases were executed in H1 2019, including 60,422 SF to **Palmer Donavin** at 5522 Aurelius Road (South Submarket). The South Submarket absorbed the most square footage (78,227 SF), while the North Submarket fared the worst, absorbing negative 92,372 SF.

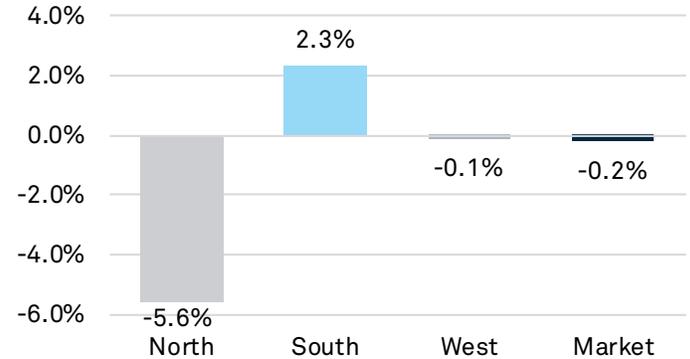
Figure 4: Absorption - Past 12 Months

≥20,000 SF Gross Space



Source: Martin Commercial Properties, Inc.

≥20,000 SF Leased Space



Source: Martin Commercial Properties, Inc.

In regard to industrial space comprising 10,000 – 20,000 SF, the Greater Lansing industrial market absorbed 2,185 SF of gross space and 21,794 SF of leased space over the past 12 months. Slow to moderate leasing and sale activity occurred throughout the market in this category. Examples include the 13,845 SF sale of 841 Hull Drive for \$300,000 and the lease of 4,000 SF by **Fibertec** at 3125 Sovereign Drive (both in South Submarket).

Over the past twelve months, we charted an uptick in owner-user sales activity in industrial buildings under 10,000 SF, some of which include: 6,768 SF 3708 South Creyts Road sold for \$640,000 (West Submarket); 7,024 SF 4820 Empire Way (West Submarket) sold for \$487,500; 7,200 SF 6081 South Martin Luther King Jr. Boulevard sold for \$222,000 (South Submarket); and 5,200 SF 1235 Roth Drive sold for \$300,000 (South Submarket).

Industrial Investment

Investment sales were steady over the past 12 months. The most prominent transactions included:

- 460,000 SF 1305 S. Cedar Street - \$3.5 Million;
- 42,000 SF 4500 Empire Way - \$2.2 Million;
- 300,000 SF 2100 S. Washington - \$1.95 Million;
- 40,000 SF 203 Tolles Road - \$1.6 Million; and
- 12,000 SF 1868 Holloway Drive - \$750,000.

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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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