

Greater Lansing Area, Michigan / H1 2019

# Leasing Activity Surges While National Retail Closures Continue

### Market at a Glance:

Arrows indicate change from previous period.



Vacancy Rate

17.0%



Completions

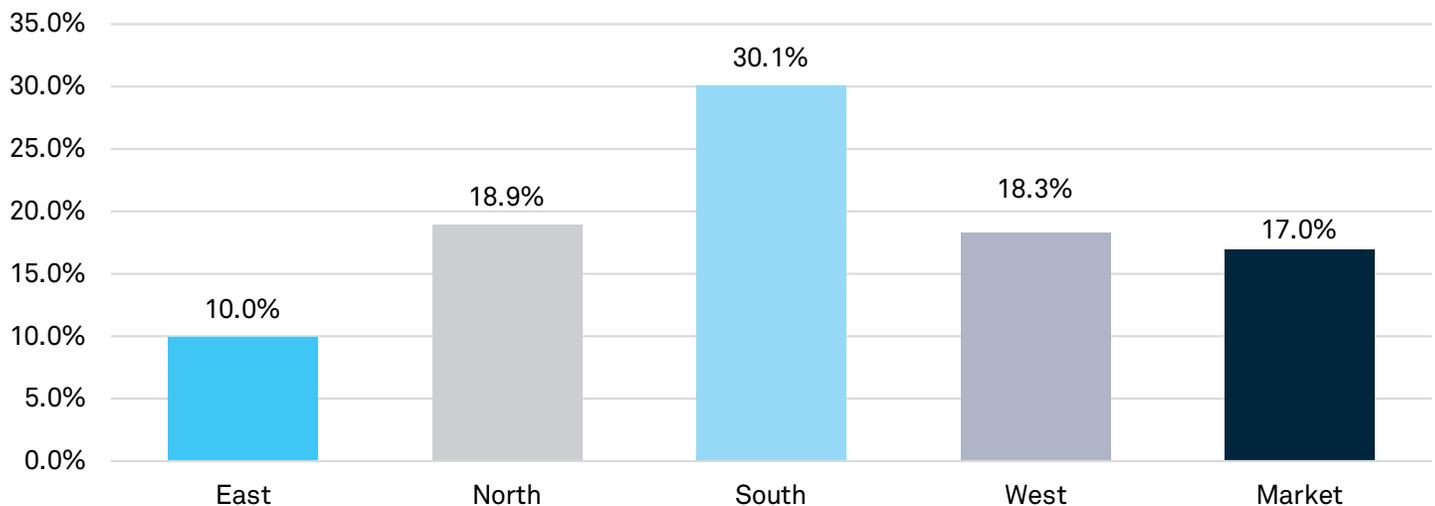
54,205 SF



Absorption

-73,224 SF

Figure 1: Market Vacancy



Source: Martin Commercial Properties, Inc.

### Market News

- **Target** opened a 22,307 SF small-format store in downtown East Lansing and Big Lots to open adjacent to Best Buy in Okemos.
- 35,000 SF **Launch Trampoline Park** opens in Meridian Mall.
- 70,000 SF **High Caliber Karting** leased former **Younkers** space in Meridian Mall.
- Major mixed-use construction projects underway throughout East Submarket.
- **Stock+Field** opened in 135,318 SF former **Sam's Club** building in South Submarket.
- **Sportsman's Warehouse** opened in portion of former Gander Mountain store in West Submarket.
- West Saginaw corridor welcomes several new restaurant, retail and hotel concepts.
- **Meijer** plans a 37,000 SF store downtown Lansing.
- New hotel construction continues throughout market.

### Market Composition

Just under 9.5 million SF of leasable retail space was surveyed throughout the Greater Lansing Area. The largest submarket is the East Submarket, home to **Michigan State University** and the Meridian Mall, with 42% of the market. The smallest submarket is the North Submarket, home to Eastwood Towne Center, with 8% of the market.

The most dynamic retail corridors are found in the East Submarket, along the Grand River Avenue corridor near MSU; in the North Submarket, near the US-127/Lake Lansing Interchange; and in the West Submarket, along West Saginaw Highway.

# Retail Market Index Brief / H1 2019

## Greater Lansing Area, Michigan

Figure 2: Market Statistics | H1 2019

SUBMARKET	MARKET RENTABLE AREA (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	COMPLETIONS (SF)	ASKING LEASE RATES (\$/SF/YR)
EAST	3,950,339	41.7	393,863	10.0	42,485	10-45.00
NORTH	778,041	8.3	147,071	18.9	0	8-40.00
SOUTH	1,680,523	17.7	505,933	30.1	0	7-18.00
WEST	3,068,212	32.4	561,049	18.3	11,720	9-35.00
MARKET	9,477,115	100	1,607,916	17.0	54,205	7-45.00

Source: Martin Commercial Properties, Inc.

### Greater Lansing Area



# Retail Market Index Brief / H1 2019

## Greater Lansing Area, Michigan

### Trending in Retail

National retailer bankruptcies continue to impact local landlords. Recent store closures, including **Younkers**, **Payless** and **Mattress Firm**, have vacated over 200,000 SF of space in the market. **Dress Barn** will soon close, and the future of **Sears**, **PetSmart**, **Charlotte Russe**, **Gymboree**, **J. Crew** and more remains in question. Equally concerning for landlords is the nationwide trend to reduce the size of retail footprints, with retailers doing more with less.

*"For the first time in history, regional malls are competing with local centers..."*

Nonetheless, low area unemployment, rising wages and increased consumer spending are all positive indicators for the mid-Michigan retail industry. While an increasing percentage of local retail activity has shifted online - fueled by VR, subscription services and low-cost delivery options; brick-and-mortar presence remains a necessity. Many people enjoy a shopping outing in retail stores, often in conjunction with dining or entertainment. Brick-and-mortar stores allow consumers to engage with the brand in a physical way, provide immediate consumption and acquisition, and avoid shipping costs and the hassle of returning unwanted items.

Savvy local retailers are seeking to enrich the customer experience by providing an inviting experience; elevating in-person customer interaction; and offering same-day grocery delivery, parking lot pick-up, and easier payment options.

Successful landlords of strip centers, lifestyle centers and regional malls alike, are working to fill vacancies and strengthen their foot traffic by transforming their tenant mix. For the first time in history, regional malls are competing with local centers to attract the same customers—

those seeking shopping, dining and entertainment, as well as non-traditional services.

Perhaps the most successful case study of late is that of **CBL Properties**, owner of the 968,228 SF Meridian Mall in Okemos (East Submarket). When **Younkers** vacated over 100,000 SF of space, Meridian Mall expanded its sights to increase on-site entertainment attractions. **High-Caliber Karting** recently launched its go kart and axe-throwing venue in over 75,000 SF, while an additional 35,000 SF was occupied by **Launch Trampoline Park**.

### Market Growth and Movement

The majority of new retail development is located near MSU:

- **Center City District** located in the 100-block of Grand River, featuring 360 apartments; 42,485 SF of commercial space; and on-site parking. Signed tenants include **Target**, **Jolly Pumpkin**, **Foster Coffee** and **Barrio**.
- **Trowbridge Crossings**, comprising a **Springhill Suites by Marriott** and nearly 11,000 SF of retail, is nearing completion along Trowbridge Road, near Harrison Road.
- **The Hub**, at the SE corner of Grand River and Bogue Street, will soon deliver 347 residential units and 12,220 SF retail.



*The Hub, Downtown East Lansing*

*Continued on page 4.*

## Retail Market Index Brief / H1 2019

# Greater Lansing Area, Michigan

"Market Growth" - Continued from page 3.

- **Park District**, at the NW corner of Abbot and Grand River is slated for completion late 2020, and will feature an 11-story apartment building, a **Graduate Hotel**, parking, and approximately 13,360 SF of retail.

While cranes dot East Lansing's horizon, overall, new supply is limited in the area, creating opportunities for redevelopment and rebranding of existing properties. A sampling of recent movement includes the following:

**East Submarket** – **Launch Trampoline Park** and **High Caliber Karting** opened in Meridian Mall, **Punk Taco** replaced **Bagger Dave's** in Brookfield Plaza, **Crunch Fitness** replaced **Salvation Army** at 2655 E. Grand River, **Five Below** opened in **Frantor**, **Big Lots** to locate adjacent to **Best Buy**, and new restaurants include **Paradise Indian Cuisine**, **Tannin**, **Lucy's Steakhouse**, **Arcadia Smokehouse** and **Good Slice Pizza**.

**North Submarket** - **Rocket Fizz**, **Cantina Eastwood**, **Old Navy** and **Dry Goods** opened off Lake Lansing Road in the Eastwood Towne Center; **Baskin Robins** replaced **Glazed and Confused** on Lake Lansing Road, and **Smallcakes Cupcakery & Creamery** opened its second location in DeWitt. **Starbucks** will open in 2,300 SF of the former Irwin Union Bank building on Lake Lansing Road near US-127, currently undergoing renovation to mixed-use.



**Stock + Field (Formerly Sam's Club)**

**South Submarket** – **Stock + Field** opened in the 135,000 SF former **Sam's Club** building on Edgewood Boulevard.

**Hooters** (Edgewood Boulevard) and **Burger King** (East Jolly Road) closed, while **Klavons Pizzeria & Pub** opened in Mason; **Five Below** leased space in Edgewood Towne Center; and **Panera** leased ±4,100 SF in a new center under construction at the corner of South Cedar Street and Edgewood Boulevard.

**West Submarket** – **Hilton Garden Suites** and **Blume Restaurant** opened in the new mixed-use development at Canal and West Saginaw Highway where **SVS Vision** and **Sports Clips** joined **Starbucks** and the **Outback Steak House**, bringing the project to 100% occupancy. **Overdrive** leased the 18,200 SF vacated by **Tequila Cowboy**; **T-Mobile** opened in the Lansing Mall; **Sportsman's Warehouse** leased 32,000 SF of the former **Gander Mountain** on Delta Market Drive; **Lansing City Arena** opened a 35,000 SF complex in Elmwood Plaza; **Popeyes**, **Athletico** and **UBreakiFix**, all new to the market, opened in a new development on West Saginaw Highway; **Dollar General** leased the 7,000 SF former location on Waverly Road and **RX Optical** opened its new free-standing store in front of the Lansing Mall.

### Vacancies

The average vacancy rate for Greater Lansing retail space is 17.0%, up from 16.7% a year ago. Excluding the Lansing and Meridian Malls, the vacancy averages 16.2%.

The submarket experiencing the highest percentage of vacancy is the South Submarket (30.1%, up from 27.5% a year ago). This period, 135,000 SF of vacancy was absorbed by the sale of the former **Sam's Club** building to **Stock + Field**; however, the expiration of **Big K's** master lease on South Cedar Street offset much of the improvement.

Not surprisingly, the sector with the lowest vacancy is the East Submarket (10.0% vacant, down from 11.4% a year ago), where significant mixed-use development is

*Continued on page 5.*

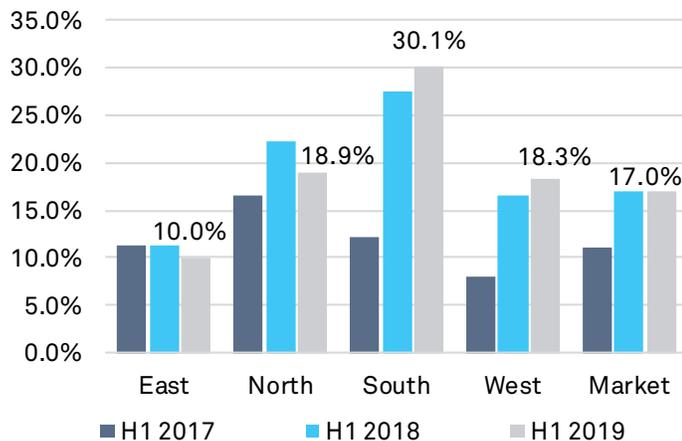
# Retail Market Index Brief / H1 2019

## Greater Lansing Area, Michigan

"Vacancies" - Continued from page 4.

underway downtown and Meridian Mall leasing activity totaled over 110,000 SF.

**Figure 3: History of Vacancies**



Source: Martin Commercial Properties, Inc.

### Absorption

Absorption is the net change in physically occupied space from one period to the next. Over the past twelve months, the Greater Lansing retail market absorbed a negative 73,224 SF.

The East Submarket fared well, with 94,079 SF of positive absorption, largely due to leasing activity within the Meridian Mall in Okemos and the new campus **Target** downtown East Lansing.



**Eastwood Towne Center**

The North Submarket also charted positive absorption (26,322 SF) as **Old Navy** and **Dry Goods** leased the former **Schuler Books** space in Eastwood Towne Center.

The South Submarket was the hardest hit with negative 159,904 SF absorption. In addition to multiple building sales to owner-occupants, the sector was significantly impacted by the expiration of **Big K's** master lease on South Cedar Street, which added 100,000+ SF of hard vacancy in the submarket. There is a proposed purchase of this center by a non-retail owner/user pending City of Lansing approval, which would help to reduce the large amount of retail vacancy in this south submarket and in the Greater Lansing Area.

The West Submarket also lost ground, charting negative 40,921 SF of absorption. Positive gains that included the 32,000 SF **Sportsman's Warehouse**; the 35,000 SF **Lansing City Arena**; the 18,000 SF **Overdrive**; as well as a host of smaller users along West Saginaw Highway; were largely overshadowed by the **Younkers'** vacancy in the Lansing Mall.

**Figure 4: Absorption Over Past 12 Months**



Source: Martin Commercial Properties, Inc.

### Retail Dispositions

The most notable building sales over the first half of the year include the ±270,000 SF **Logan Square**, purchased by an investor in January; and the 135,000 SF former **Sam's Club** building, which sold to owner-occupier **Stock+Field** in March.

# Retail Market Index Brief / H1 2019

## Greater Lansing Area, Michigan



SkyVue Mixed-Use Development

### 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.

Trusted Commercial Real Estate Services...Since 1962.

© 2019 Martin Commercial Properties, Inc. and Martin Commercial Properties West Michigan, LLC. All rights reserved. This information has been obtained by Martin Commercial Properties' Vice President of Research, Jill Langosch, from sources believed reliable but has not been verified for accuracy or completeness. Any reliance on this information is solely at your own risk. Martin Commercial Properties and the Martin logo are service marks of Martin Commercial Properties, Inc. and Martin Commercial Properties West Michigan, LLC.

### Services Summary

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

### Amy Richter-Perkins

Senior Associate / Retail Advisor

517 319-9248

amy.richter-perkins@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