

Greater Lansing Area, Michigan / H2 2020

## Industrial Market Thrives w/Strong Fundamentals & Investment Interest Despite COVID-19 Uncertainty

### Market at a Glance:

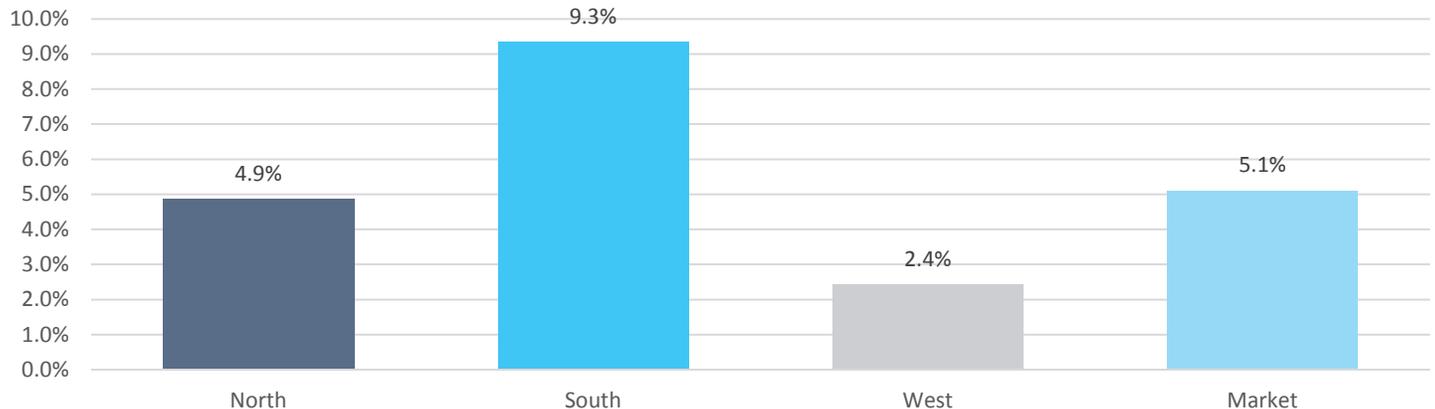
Arrows indicate change from previous period.

 **Vacancy Rate**  
5.1%

 **Completions**  
0 SF

 **Absorption**  
120,712 SF

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



Source: Martin Commercial Properties, Inc.

### Market News

- The Greater Lansing MSA's unemployment rate plunged from 19.2% in April 2020 to 3.9% in November 2020 (see pg 2).
- Vacancy dropped from 7.6% in H1 2020 to 5.1% in H2 2020.
- Absorption increased from 47,070 SF in H1 2020 to 120,712 SF in H2 2020.
- Quality lease space remains in demand and no speculative construction is underway.
- The 375,000 SF dairy processing operation for **Glanbia** and **Dairy Farmers of America** opened for business in the North Submarket.
- Investment sales escalated; examples include the sale of **16325 Felton Road** (\$9.25 Million in North Submarket); **2116 Mint Road** (\$1.25 Million in North Submarket); **5511 & 5643 Enterprise Drive** (\$5.4 Million in South Submarket); and **7704 Lanac Drive** (\$1.93 Million in West Submarket).
- **Kuehne + Nagel** leased 135,000 SF at 2510 Snow Road (West Submarket).
- **Building Supply** leased 40,000 SF at 3524 S. Canal (West Submarket).
- Several significant lease renewals were also executed, including **Peckham** (30,000 SF in West Submarket) and **IGT Global Solutions** (36,000 SF in South Submarket).

### Economic Update

The ongoing global pandemic and rise of COVID-19 cases in 2020 marked a difficult year for the local economy. In April 2020 alone, the Greater Lansing Area saw nearly 58,000 jobs lost. However, as of November 2020, the market recovered over 71% of the jobs it lost in April, representing an exceptionally fast recovery over previous recessions.

We anticipate this growth to continue as the vaccines are deployed and the market continues to strengthen. 

# Industrial Market Insights / H2 2020

## Greater Lansing Area, Michigan

Figure 2: Market Statistics | H2 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	1,792,312	18.3	87,000	4.9	0	46,742	3-6.00
SOUTH	3,174,050	32.3	296,487	9.3	0	-35,268	4-7.00
WEST	4,843,752	49.4	117,098	2.4	0	109,238	5-6.00
MARKET	9,810,114	100	500,585	5.1	0	120,712	3-7.00

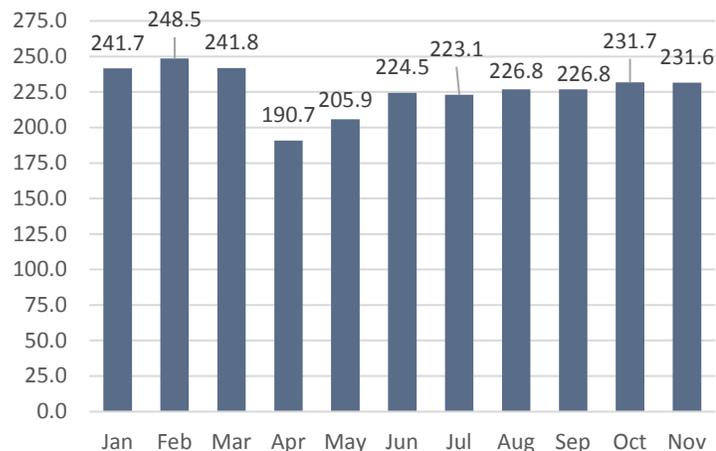
Source: Martin Commercial Properties, Inc.

### Greater Lansing Area



Figure 3: Employment Statistics

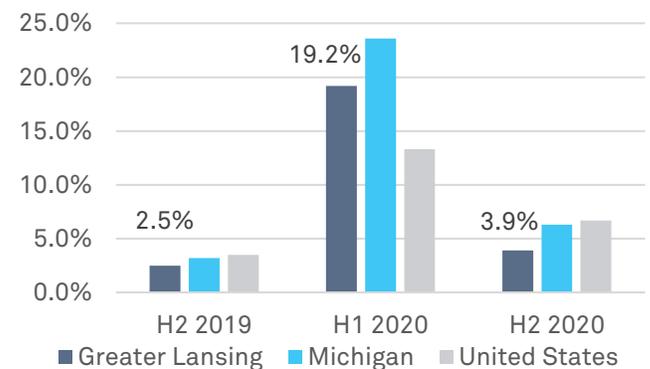
Number Employed (x 1000)



Source: Bureau of Labor Statistics

Figure 4: Unemployment Statistics

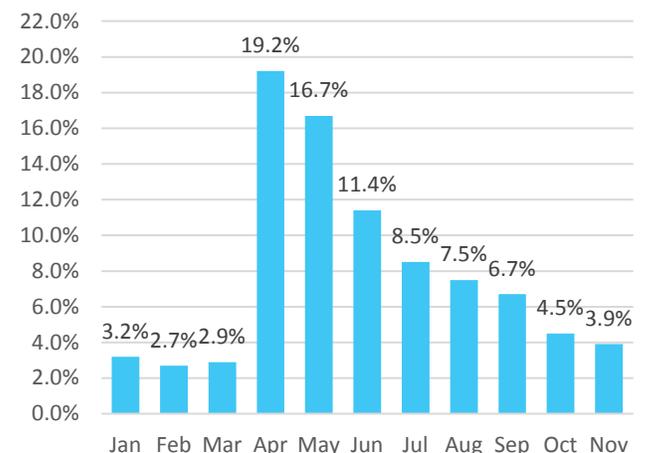
History of Unemployment / Local, State, U.S.



Source: Bureau of Labor Statistics

Figure 5: Unemployment Statistics

History of Greater Lansing Unemployment / 2020 by Month



Source: Bureau of Labor Statistics

# Industrial Market Insights / H2 2020

## 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.**; **Dakota Integrated Systems**; **ITC Michigan** and **LOC Performance Products**. 🏢

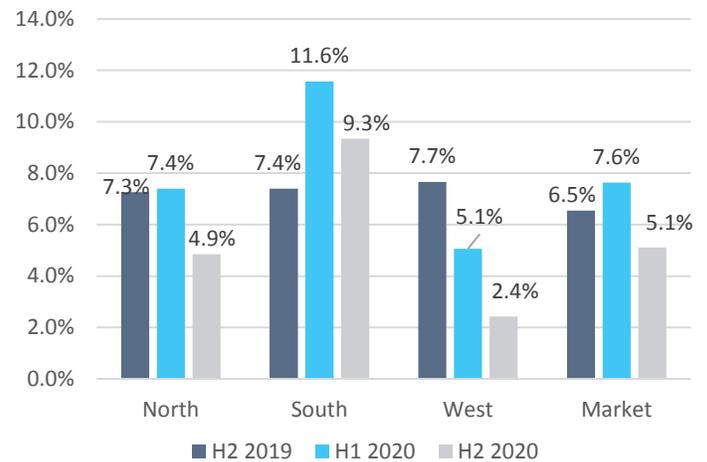
### Vacancies

Industrial vacancies in Greater Lansing average 5.1% (500,585 SF) in H2 2020, down from 7.6% charted in H1 2020. The decrease in the market's vacancy rate was largely due to an influx of moderate leasing activity.

From a geographic perspective, the West Submarket is experiencing the lowest average vacancy (2.4%), while the South Submarket has the highest vacancy rate in the market (9.3%).

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.; however, no speculative construction is underway. Industrial land options are plentiful, however, and we anticipate an increase in build-to-suit activity. 🏢

**Figure 6: 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 H2 2020, the Greater Lansing industrial market absorbed 120,712 SF of space within the base of leased industrial buildings comprising a minimum of 20,000 SF. Contributing to this number were a steady number of lease transactions, and most notably Kuehne+Nagel's 135,000 SF lease on Snow Road (West Submarket). The West Submarket absorbed the most square footage (109,238 SF, or 2.3% of the sector), and the South Submarket fared the worst, with negative absorption totaling -35,268 SF, or -1.1% of the sector. 🏢

**Figure 7: H2 2020 Absorption - Leased Buildings Comprising  $\geq 20,000$  SF**



Source: Martin Commercial Properties, Inc.

# Industrial Market Insights / H2 2020

## Greater Lansing Area, Michigan



203 Tolles Drive, St. Johns  
43,496 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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### Services Summary

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

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