

Greater Lansing Area, Michigan / H2 2020

Retail Vacancies Escalate While Optimistic Developers Break Ground

Market at a Glance:

Arrows indicate change from previous period.



Vacancy Rate
16.9%

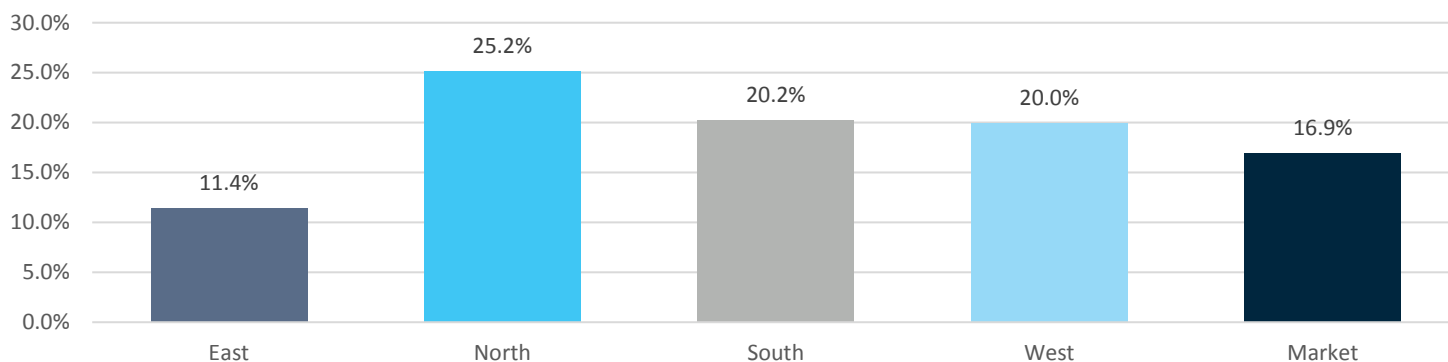


Completions
7,400 SF



Absorption
-254,352 SF

Figure 1: Market Vacancy



Source: Martin Commercial Properties, Inc.

Market News

- Local unemployment fell from 19.2% in H1 2020 to 3.9% in H2 2020; however, retail real estate fundamentals weakened during the same period, with vacancies averaging 16.9% (up from 16.1%).
- Despite increasing interest from tenants market-wide, many retail transactions were slowed or scrapped during H2 2020, and the market is expected to remain in a state of flux for some time.
- While drive-through fast food thrived this period, other retailers were in survival mode. Full-service restaurants, fitness centers, entertainment venues and movie theaters were hit hardest by COVID-19 restrictions.
- The **Meridian Mall** (East) filed for bankruptcy and the **Lansing Mall** (West) is on the market for sale.
- New and planned construction is not slowing:
 - (East) New fully leased 7,400 SF strip center opened on Grand River Ave. and Okemos Rd.
 - (East) Mixed-use **Red Cedar Project** is under construction on Michigan Ave. adjacent to **MSU**;
 - (East) Mixed-use **Park Place West** is under construction at Abbot Rd and Albert St.;
 - (East) Mixed-use **The Abbot**, at Abbot Rd. and Grand River Ave. is under construction (and soon to welcome Walgreens);
 - (East) Mixed-use **Village of Okemos** is under construction at Hamiton Rd. and Okemos Rd.;
 - (East) Mixed-use **Red Cedar Flats** is expanding on Grand River Ave.;
 - (North) **BJ's Restaurant & Brewhouse** is under construction in **Eastwood Towne Center**;
 - (South) The former **K-Mart** building is under contract with owner/user **U-Haul**, who has plans to develop retail pad sites along S. Cedar St. and
 - (West) Mixed-use **Delta Crossings** is underway at I-96 and West Saginaw Hwy.
- Owner-user activity increased. **Meijer** opened its small-format store on Michigan Ave. (Downtown); **Fiesta Charra** launched in the vacated **LaSenorita** bldg. on Lake Lansing Rd. (North); **Klingman's Furniture** is slated to open in the fmr. **Toys R Us** bldg. on Newman Rd. (East); **Value City Furniture** opened in the fmr **Art Van** bldg. on W. Saginaw Hwy. (West); and **Volunteers of America** opened in the fmr. **Babies R Us** bldg. on W. Saginaw St. (West).

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Greater Lansing Area, Michigan

Figure 2: Market Statistics | H2 2020

SUBMARKET	MARKET RENTABLE AREA (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	ABSORPTION (SF)	ASKING LEASE RATES (\$/SF/YR)
EAST	3,690,344	41.2	419,928	11.4	-192,156	10-45.00
NORTH	803,393	9.0	202,062	25.2	-51,758	8-40.00
SOUTH	1,532,537	17.1	310,314	20.2	-7,083	7-18.00
WEST	2,936,867	32.8	585,971	20.0	-3,355	9-35.00
MARKET	8,963,141	100	1,518,275	16.9	-254,352	7-45.00

Source: Martin Commercial Properties, Inc.

Greater Lansing Area



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. 📈

Figure 3: Unemployment Statistics

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

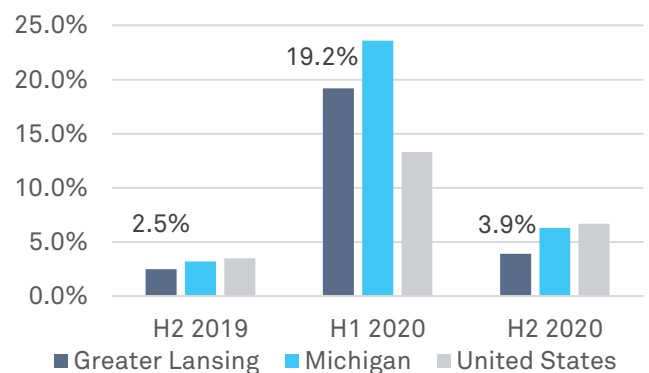
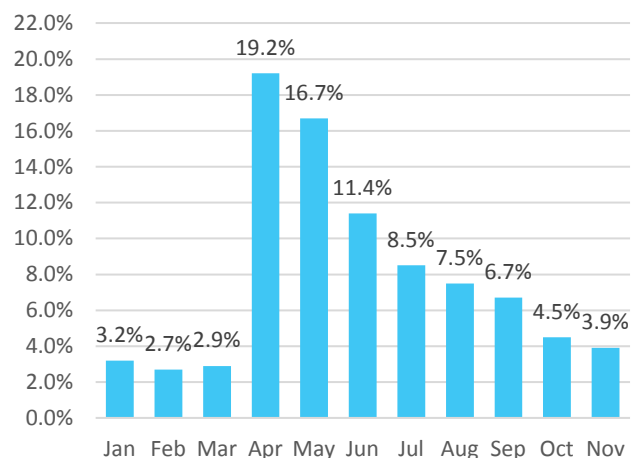


Figure 4: Unemployment Statistics

History of Greater Lansing Unemployment / 2020 by Month



Source: Bureau of Labor Statistics

Retail Market Insights / H2 2020

Greater Lansing Area, Michigan

Market Composition

Just under 9 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 41.2% of the market. The smallest submarket is the North Submarket, home to **Eastwood Towne Center**, with 9.0% of the market.

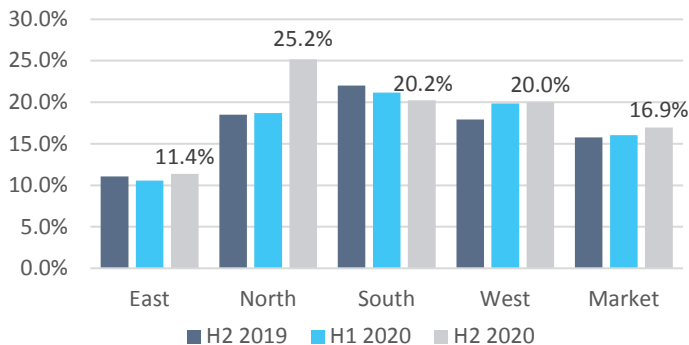
The most dynamic retail corridors in the market include Grand River Ave. from **MSU** to the **Meridian Mall** (East Submarket); West Saginaw Hwy. from Waverly to I-96, soon to be home to the new **Delta Crossings** development (West Submarket); Lake Lansing Rd. from Coolidge to Wood St. and Old US-27 in Dewitt near the I-69 interchange (north submarket); and Cedar St. from Jolly Rd. to Willoughby Rd. (South Submarket).

Vacancies

The average vacancy rate for Greater Lansing retail space rose from 16.1% in H1 2020 to 16.9% in H2 2020.

The East Submarket is the market's strongest submarket, averaging 11.4% vacancies, up from 10.6% in H1 2020. Leasing activity in the sector remained steady, and new leases include **Walgreens**, **Platinum Dance**, **Michigan Safe Driving Council**, **Bank of America**, **Central Pharmacy**, **Chipotle**, **Ivy Rehab**, **Verizon**, **Aspen Dental**, and **Tropical Smoothie**, among others.

Figure 5: History of Vacancies



Source: Martin Commercial Properties, Inc.

The North Submarket is Greater Lansing's weakest submarket, largely due to recent closures in the popular **Eastwood Towne Center**, including **Justice**, **Destination Maternity**, **Forever 21**, **Motherhood** and more. The sector is 25.2% vacant, up from 18.7% charted in H1 2020.

The South Submarket is 20.2% vacant, down from 21.1% in H1 2020. **Kabul Food Market** leased 4,908 SF in the **Jolly-Cedar Plaza** and several leases were signed in Holt's **Esker Square**, which is under construction.

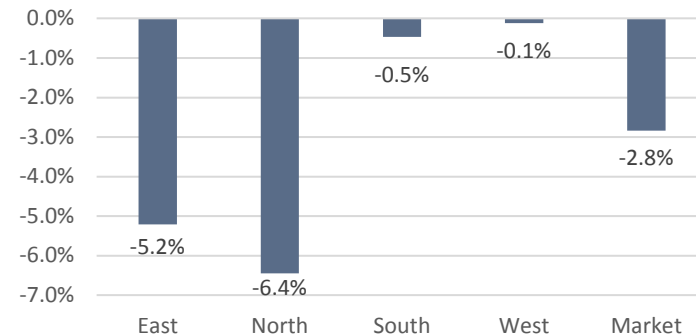
Greater Lansing's West Submarket is 20.0% vacant, up from 19.8% in H1 2020. Leasing was moderate throughout the sector, with the high-profile former **Mattress Firm** suite on West Saginaw leased by **Buddy's Detroit Style Pizza**; and **BJ's Wholesale**, inking a new 10-acre ground lease for Phase 2 of the new **Delta Crossings**, at West Saginaw and I-96.

Absorption

Absorption is the net change in physically occupied space from one period to the next. Over the past six months, the Greater Lansing retail market absorbed -254,352 SF (2.8%), down significantly from the -65,426 SF of absorption charted during H1 2020.

All submarkets showed negative absorption during H2 2020. The West Submarket lost the least ground, with -3,355 SF of absorption, while the East and North Submarkets were the hardest hit due to the closure of Sears and a number of large Eastwood Towne Center tenants.

Figure 6: Absorption During H2 2020



Source: Martin Commercial Properties, Inc.

Greater Lansing Area, Michigan



*Red Cedar Mixed-Use Project
Under Construction Adjacent to Michigan State University, East Lansing
Up to 16,147 SF Retail /Service/Restaurant Space Available for 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.

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