

Greater Lansing Area, Michigan / H1 2021

Industrial Vacancies Tighten and Lease Rates Rise, Prompting an Increase in Investor Interest

Market at a Glance:

Arrows indicate change from previous period.



Vacancy Rate
3.5%

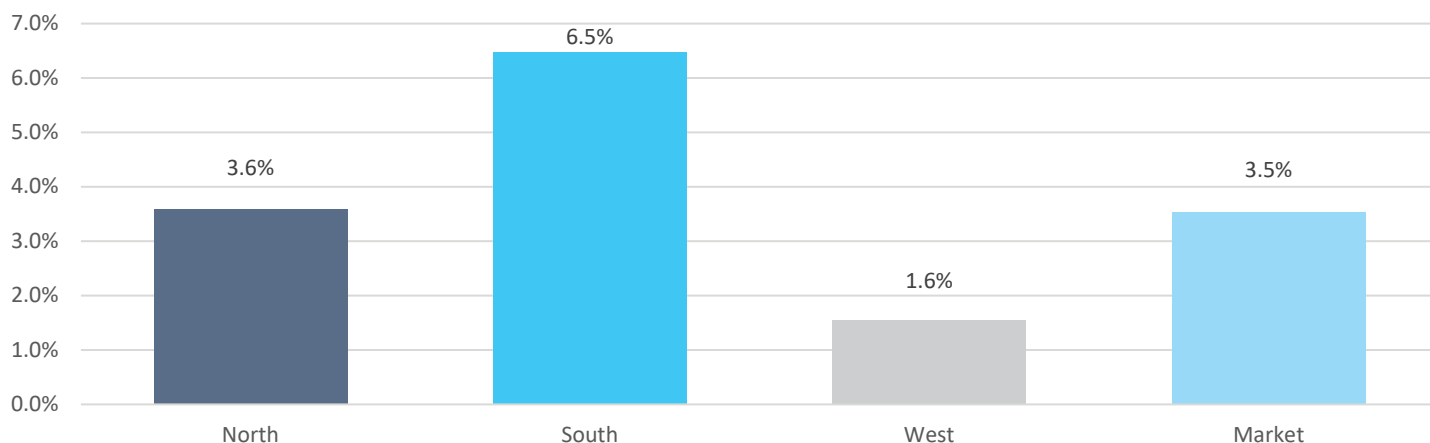


Completions
0 SF



Absorption
36,640 SF

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




Source: Martin Commercial Properties, Inc.

Market News

- Vacancy dropped from 4.3% in H2 2020 to 3.5% in H1 2021.
- Absorption fell from 260,047 SF in H2 2020 to 36,640 SF in H1 2021.
- Major leases this period include the **State of Michigan**, entering into a term lease for 135,000 SF at 2510 Snow Rd. (West Submarket); **Markerboard People** leased 26,839 SF at 2227 Sparks Ln. (North Submarket); **TopDuck Products** leased 43,496 SF at 203 E. Tolles Rd.; (North Submarket); **RJ Schinner** renewed its lease for 74,795 SF at 4127 English Oak Dr. (South Submarket); and **USGS** leased 39,165 SF at 5840 Enterprise Dr. (South Submarket).
- No speculative construction is expected in the near future.
- Owner-user builds are up with **Greater Lansing Food Bank** occupying a new 60,000 SF building on Food Ct. in Bath Twp., while **McAllister Rentals** opened in a new 58,230 SF building on South Canal Rd. in Delta Twp.
- Investment sales continued; notable examples include the sale of **2510 Snow Rd.** (\$15,850,000 in West Submarket); **16325 Felton Rd.** (\$9,250,000 in North Submarket); **5601 Enterprise Dr.** (\$1 Million in South Submarket); and **2215 Apollo Dr.** (\$975,000 in North Submarket).

Post-Pandemic Update

Industrial has proven to be the most resilient of the commercial real estate sectors with vacancies reaching historic lows. As forecasted, inventory control is trending as a prime focus of industrial occupiers. Major suppliers are reevaluating their space and often electing to increase their footprints in order to boost inventories and minimize supply chain disruptions.

To accommodate increased space needs in a market with few industrial vacancies, we anticipate continued build-to-suit activity and an increase in retail-to-industrial conversions over the next few years. Elevated construction costs have tempered new construction activity of late; however, if costs fall, this may change. A recent example of retail-to-industrial conversions is U-Haul's transformation of the 120,600-SF former Big K building on S. Cedar (South Submarket) for industrial use. 

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Figure 2: Market Statistics | H1 2021

≥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	2,015,252	20.1	72,154	3.6	0	-54,154	4-5.00
SOUTH	3,209,454	32.0	207,897	6.5	0	88,590	5-7.00
WEST	4,803,752	47.9	74,984	1.6	0	2,204	5-6.00
MARKET	10,028,458	100.0	354,945	3.5	0	36,640	4-7.00

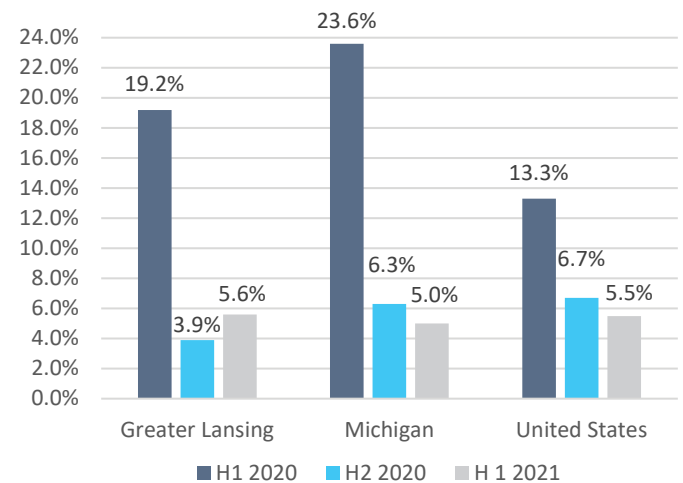
Source: Martin Commercial Properties, Inc.

Greater Lansing Area



Figure 3: Unemployment Statistics

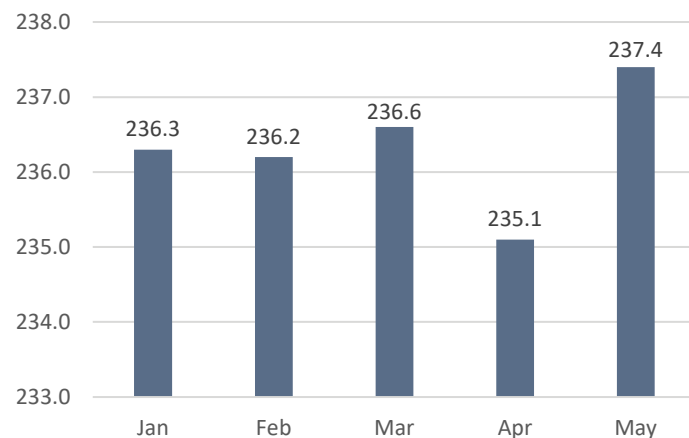
History of Unemployment / Local, State, U.S.



Source: Bureau of Labor Statistics

Figure 4: Employment Statistics

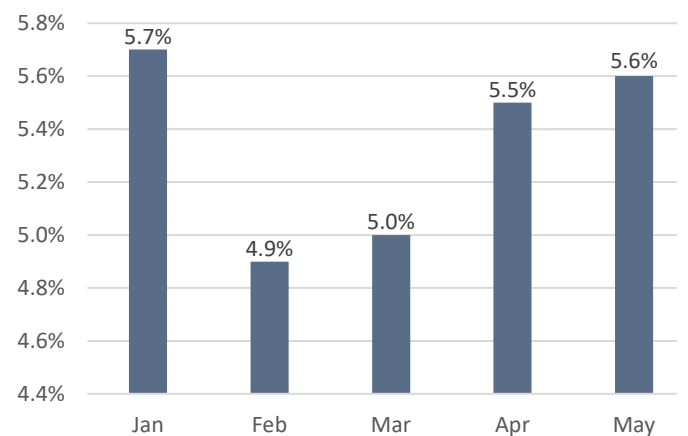
Number Employed - Greater Lansing Area (x 1000)



Source: Bureau of Labor Statistics

Figure 5: Unemployment Statistics

History of Greater Lansing Unemployment / 2021 by Month



Source: Bureau of Labor Statistics

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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 10 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. 3 million SF of manufacturing/distribution space for **Shyft Group**.

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**. 🏢

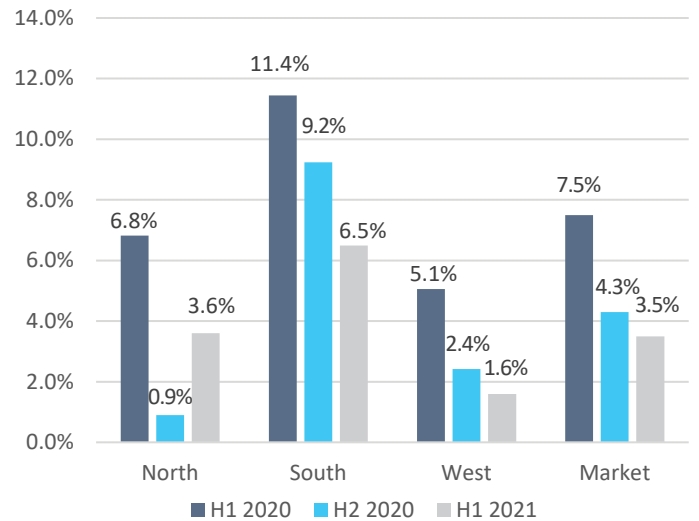
Vacancies

Industrial vacancies in Greater Lansing average 3.5% (354,945 SF) in H1 2021, down from 4.3% charted in H2 2020. Leasing activity was steady throughout the period.

From a geographic perspective, the West Submarket is experiencing the lowest average vacancy (1.6%) while the South Submarket has the highest vacancy rate in the market (6.5%).

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 SF; however, no speculative construction is underway. Industrial land options are plentiful, and build-to-suit activity will continue to be a viable option. 🏢

Figure 6: History of Market Vacancies - Leased Buildings Comprising $\geq 20,000$ SF

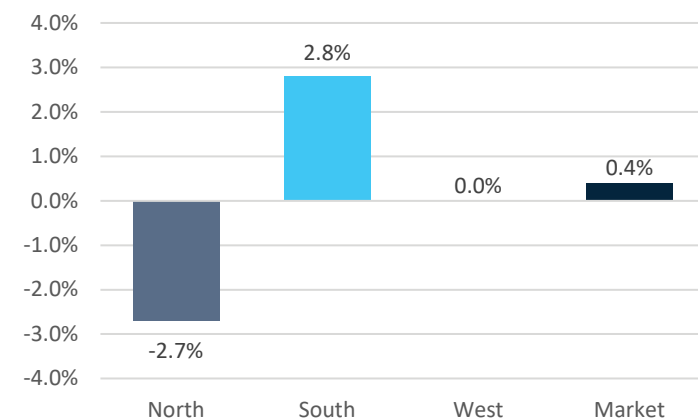


Source: Martin Commercial Properties, Inc.

Absorption

Absorption is the net change in physically occupied space from one period to the next. During H1 2021, the Greater Lansing industrial market absorbed 36,640 SF of space within the base of leased industrial buildings comprising a minimum of 20,000 SF. This was largely due to steady leasing activity. The South Submarket absorbed the most square footage (88,590 SF, or 2.8% of the sector), and despite steady leasing activity, the North Submarket fared the worst with negative absorption totaling -54,154 SF, or -2.7% of the sector. 🏢

Figure 7: H1 2021 Absorption - Leased Buildings Comprising $\geq 20,000$ SF



Source: Martin Commercial Properties, Inc.

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Greater Lansing Area, Michigan



1875 Holloway Drive, Holt
170,380 SF High-Bay Warehouse 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.

Trusted Commercial Real Estate Services...Since 1962.

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Christopher Miller, SIOR

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