

Greater Lansing Area, Michigan / H2 2021

Vacancies Drop to Historic Lows; Limited Market Options Remain

Market at a Glance:

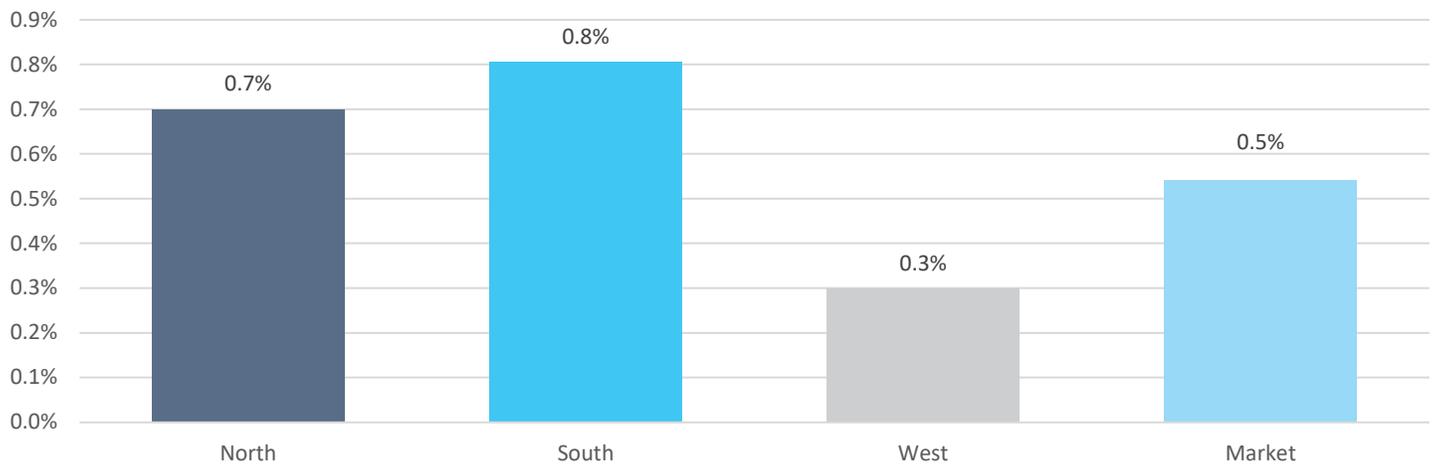
Arrows indicate change from previous period.

 **Vacancy Rate**
0.5%

 **Completions**
0 SF

 **Absorption**
246,392 SF

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



Source: Martin Commercial Properties, Inc.

Market News

- Market vacancy plunged from 3.5% in H1 2021 to 0.5% in H2 2021, an historic low for the area.
- Absorption was robust, rising from 36,640 SF in H1 2021 to 246,392 SF in H2 2021.
- The few vacancies remaining are less than 20,000 SF, with the majority found in older buildings.
- While industrial demand is up, numerous hurdles including long-term industrial demand in a tertiary market, and the cost of labor and building materials, must be overcome before speculative construction will break ground in the market.
- Build-to-suit construction has escalated with over one million SF under construction on Mt. Hope Hwy. (West Submarket) for **Amazon** and another 80,080 SF underway on Wimsatt Industrial Park (South Submarket) for **IGT Global Solutions**.
- Leasing activity was dampened by lack of space and balanced between new leases and lease renewals.
- The most prominent lease transactions included **Peckham, Inc.** renewing for over 625,000 SF on Millett Hwy. in Delta Twp. (West Submarket); **Ryder Integrated Logistics** leasing over 170,000 SF on Holloway Dr. in Holt (South Submarket); and **Triton Industries** leasing over 54,000 SF on East Walker Rd. in St. Johns (North Submarket).
- Investment sales activity remained consistent as capital continues to pour into the area. The most notable sale transactions included 5542 W. Grand River Ave. (278,760 SF - \$12.5 Million); 3524 S. Canal (60,000 SF - \$3.95 Million); 1501 E. Jolly Rd. (54,540 SF - \$2.63 Million); and 2120 S. Washington Ave. (106,450 SF - \$2 Million).
- Investors will continue hunting for deals in the market, and owner-occupied sale activity is expected to remain stable over the next 12-18 months.
- Due to lack of space, leasing will be sluggish, and largely comprise of renewals and build-to-suit.

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Figure 2: Market Statistics | H2 2021

≥20,000 SF Leased Space

SUBMARKET	MARKET RENTABLE AREA (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	COMPLETIONS (SF)	NET ABSORPTION (SF)	TYPICAL ASKING LEASE RATES (\$/SF/YR)
NORTH	2,013,692	20.1	14,090	0.7	0	58,064	4-5.00
SOUTH	3,177,832	32.1	25,578	0.8	0	150,697	5-7.00
WEST	4,777,492	47.8	14,223	0.3	0	37,631	5-6.00
MARKET	9,969,016	100.0	53,891	0.5	0	246,392	4-7.00

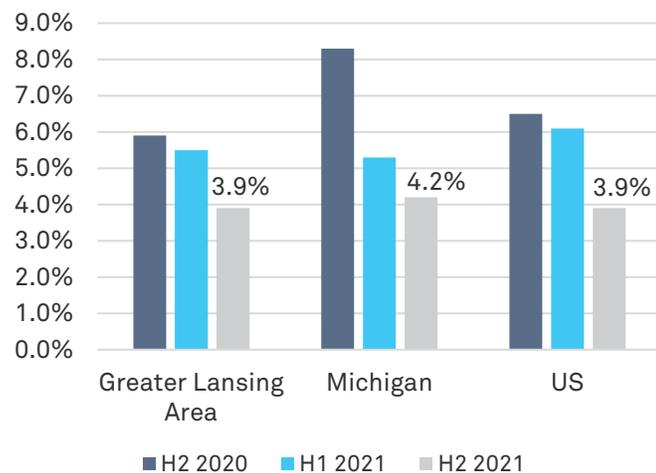
Source: Martin Commercial Properties, Inc.

Greater Lansing Area



Figure 3: Unemployment Statistics

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



Source: Bureau of Labor Statistics

Market Composition and Growth

Greater Lansing's most active industrial sectors are the West Submarket, the South Submarket and the North Submarket. The market comprises nearly 10 million SF of leased industrial space in buildings ≥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**.

Speculative construction remains stalled, though a few key deliveries expected in 2022 will bring over a million SF to the West Submarket (**Amazon**) and over 80,000 SF to the South Submarket (**IGT Global Solutions**). Also worth noting is the state's burgeoning cannabis footprint and the significant amount of industrial space needed to accommodate the industry's operations. This has effectively removed much of the larger obsolete space in the market.

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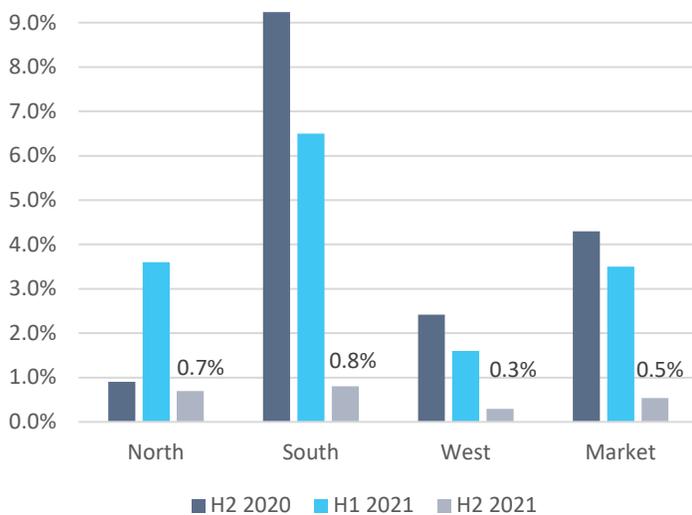
Vacancies

The Greater Lansing Area is experiencing record-low vacancy rates, while demand remains steady. Market vacancies average 0.5% (53,891 SF) in H2 2021, down from 3.5% charted in H1 2021.

From a geographic perspective, the West Submarket is experiencing the lowest average vacancy (0.3%) while the South Submarket has the highest vacancy rate in the market (0.8%).

Lack of available options continues to force tenants to become more efficient within their existing spaces. Few properties can immediately accommodate a 15,000 SF user and because no speculative construction is planned, the current lack of supply is not expected to wane in the near future. Unlike other parts of the state, industrial land options are plentiful, and build-to-suit is a viable option. 🏡

Figure 4: History of Market Vacancies - Leased Buildings Comprising ≥20,000 SF



Source: Martin Commercial Properties, Inc.

Absorption

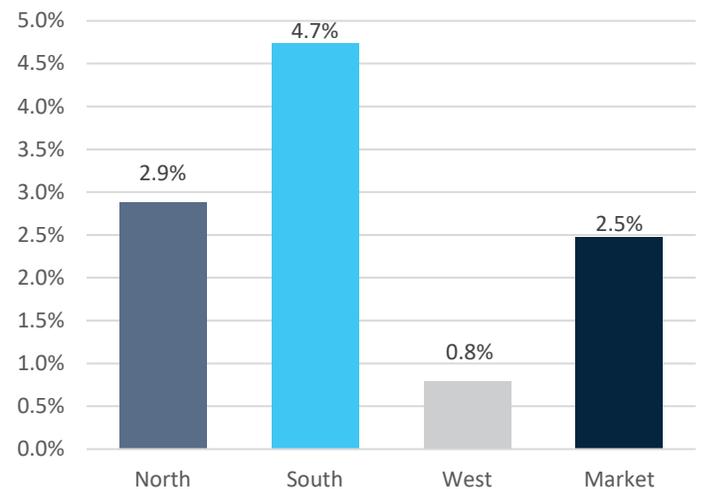
Absorption is the net change in physically occupied space from one period to the next. During H2 2021, the Greater Lansing industrial market absorbed 246,392 SF of space within the base of leased industrial buildings comprising a minimum of 20,000 SF. Leasing activity was moderate during the period, and the escalation in absorption was largely due to a few significant leases executed in a market with few vacancies.

The South Submarket absorbed the most square footage (150,697 SF, or 4.7% of the sector). The largest lease transaction in this sector was a new lease by **Ryder Integrated Logistics, Inc.** for 170,000+ SF on Holloway Drive in Holt.

The North Submarket absorbed 58,064 SF, and the largest lease transaction was a new lease by **Triton Industries** for 54,154 SF on East Walker Road in St. Johns.

The West Submarket absorbed the least square footage (37,631 SF, or 0.8% of the sector), largely due to the lack of available space. 🏡

Figure 5: H2 2021 Absorption - Leased Buildings Comprising ≥20,000 SF



Source: Martin Commercial Properties, Inc.

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Greater Lansing Area, Michigan



4215 Legion Drive, Mason
64,640 SF Manufacturing/Assembly Facility for Lease or Sale

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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