

Greater Lansing Area, Michigan / H1 2022

## No End in Sight to Supply-Demand Deficit

### Market at a Glance:

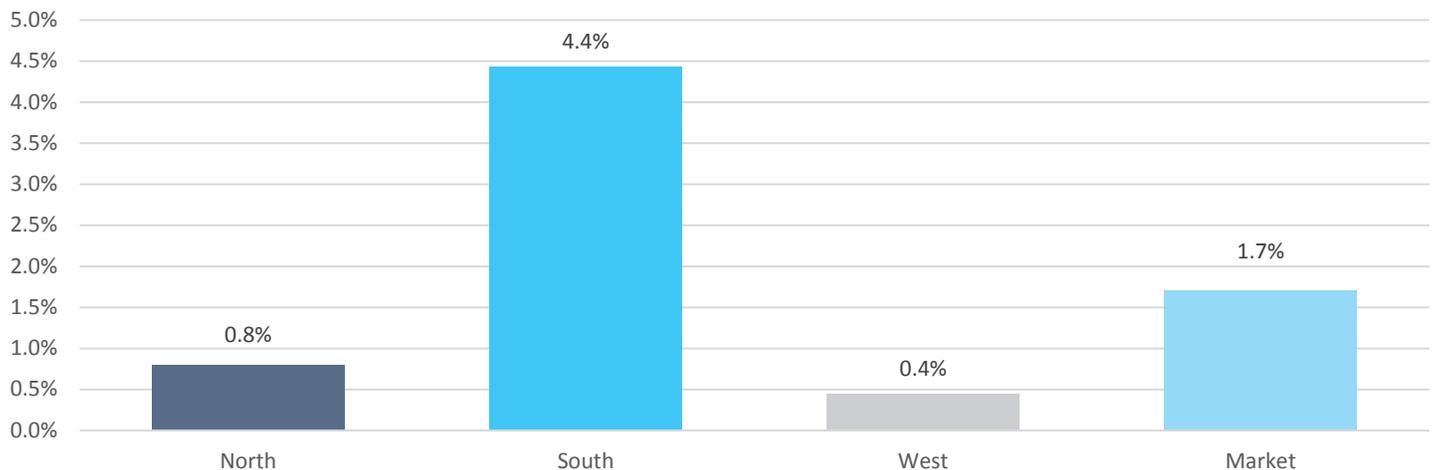
Arrows indicate change from previous period.

 **Vacancy Rate**  
1.7%

 **Completions**  
36,000 SF

 **Absorption**  
59,103 SF

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



Source: Martin Commercial Properties, Inc.

### Market News

- Market vacancy rose from 0.5% to 1.7%; however, availability of large block space is near zero.
- Due to lack of supply, absorption slowed, dropping from 2.4% in H2 2021 to 0.6% in H1 2022.
- A new 36,000 SF building opened its doors on South Canal for multiple tenants.
- Speculative development remained stalled.
- Leasing activity was sluggish, with the majority of activity comprising of lease renewals.
- Rents have hit historic highs and are expected to continue rising.
- The completion of over one million SF on Mt. Hope Hwy. (West Submarket) for **Amazon** has been delayed until 2024.
- 80,000 SF is under construction on Wimsatt Industrial Park (South Submarket) for **IGT Global Solutions**.
- The most prominent lease transactions included **Ryder Integrated Logistics**, renewing for 170,000 SF on Holloway Drive in Holt (South Submarket); and **Munters Corporation** extending its lease for 112,400 SF on Ena Dr. (West Submarket).
- Building sale activity was brisk, with the majority of buildings sold under 20,000 SF. The most notable sale transactions included 1336 Sunset (\$3.5 Million); 919 Filley St. (\$1.5 Million); and 4600 N. Grand River (\$1.3 Million).

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Figure 2: Market Statistics | H1 2022

≥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	1,995,234	20.6	15,935	0.8	0	58,064	5.00-7.00
SOUTH	2,896,024	29.8	128,203	4.4	0	150,697	6.50-8.00
WEST	4,813,492	49.6	21,466	0.4	0	37,631	6.00-9.00
MARKET	9,704,750	100.0	165,604	1.7	0	246,392	5.00-9.00

Source: Martin Commercial Properties, Inc.

### Greater Lansing Area

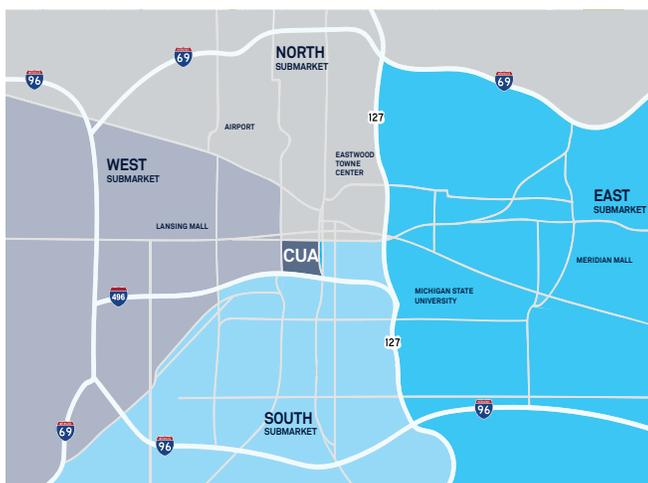
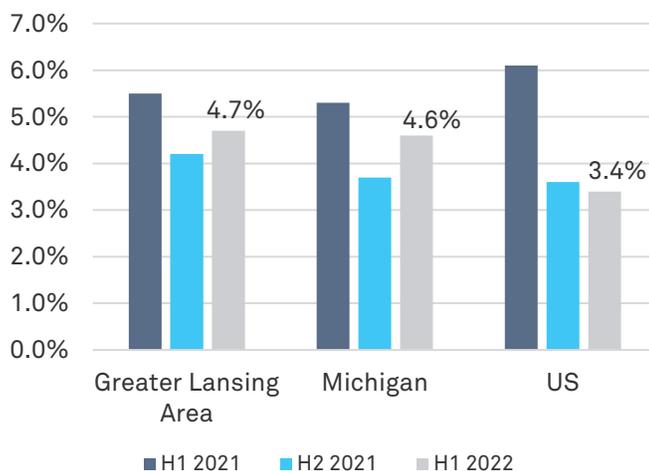


Figure 3: Unemployment Statistics

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; however, 36,000 SF of pre-leased space was completed on South Canal Rd (West Submarket) and two more build-to-suit facilities are under construction: a million SF in the West Submarket (**Amazon**) and 80,000 SF in the South Submarket (**IGT Global Solutions**).

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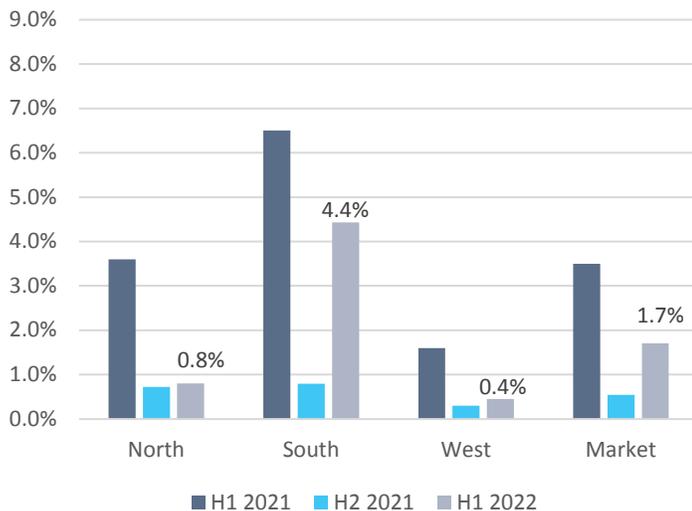
### Vacancies

Industrial vacancies of leased space in the Greater Lansing Area averaged 1.7% in H1 2022, up from 0.5% in H2 2021. The increase is largely due to sale of several buildings to owner-occupants, effectively lowering the market base, while adding approx. 90,000 SF of vacancy within the South Submarket. It should be noted that a majority of this added vacancy is expected to be under contract in the near future, and the average market vacancy will likely drop near H2 2021 levels.

From a geographic perspective, the West Submarket is experiencing the lowest average vacancy (0.4%) while the South Submarket has the highest vacancy rate in the market (4.4%).

Few properties can immediately accommodate a large 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  $\geq 20,000$  SF**



Source: Martin Commercial Properties, Inc.

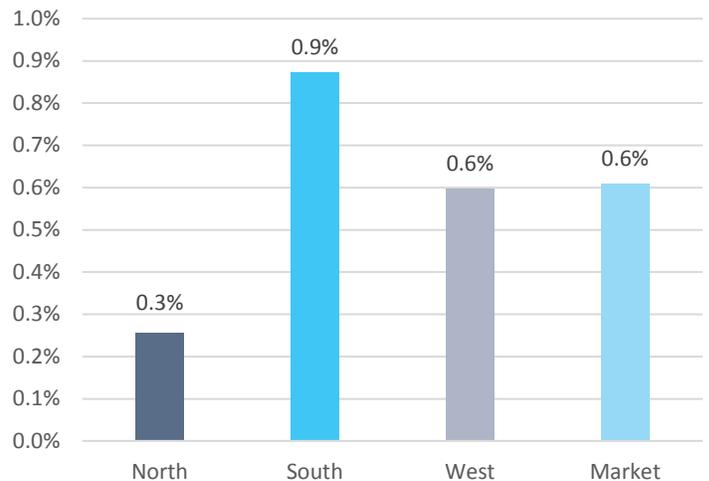
### Absorption

Absorption is the net change in physically occupied space from one period to the next. During H1 2022, the Greater Lansing industrial market absorbed 59,103 SF of space within the base of leased industrial buildings comprising a minimum of 20,000 SF. Due to lack of options, leasing activity was slow to moderate during the period. The largest lease transactions were renewals and did not impact absorption.

All submarkets experienced positive absorption. The West Submarket absorbed the most square footage (28,757 SF, or 0.6% of the sector), and the North Submarket absorbed the least square footage (5,085 SF, or 0.3% of the sector).

We expect absorption to remain sluggish throughout the remainder of 2022.

**Figure 5: H1 2022 Absorption - Leased Buildings Comprising  $\geq 20,000$  SF**



Source: Martin Commercial Properties, Inc.

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## Greater Lansing Area, Michigan



5954 Enterprise Drive, Lansing  
36,640 SF Office/Warehouse for Lease - Available 2023

### About Martin Commercial Properties

For 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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