Martin

Industrial Market Insights

Greater Lansing Area, Michigan / H2 2022

Scarcity of Available Inventory Prompts Increase in Lease Renewal Activity

Market at a Glance:

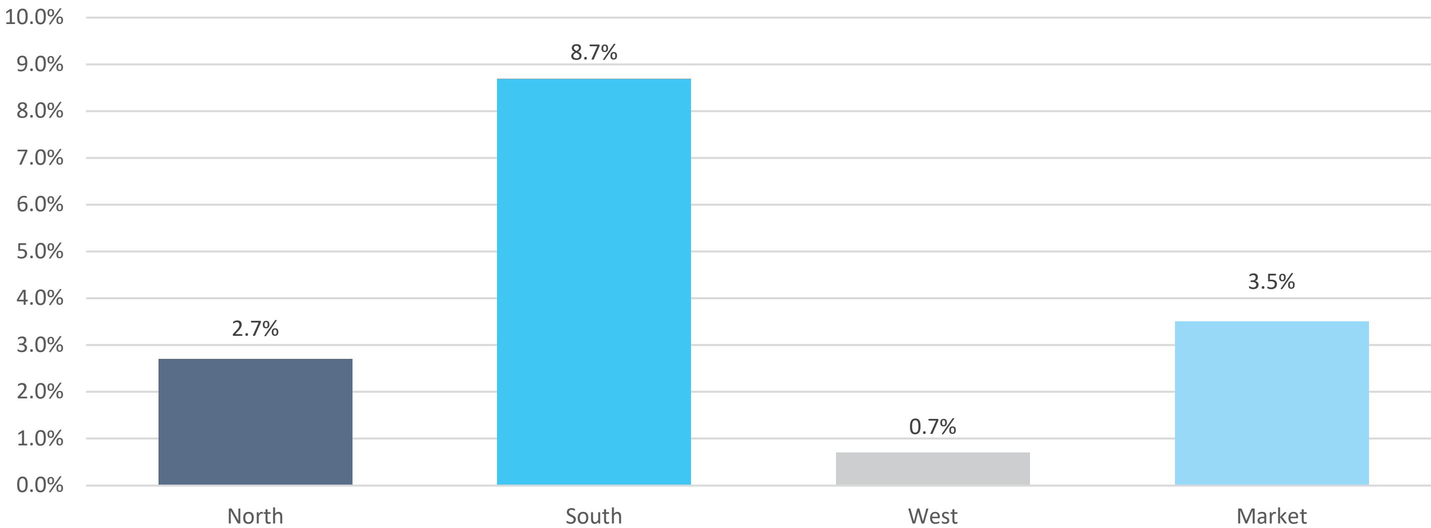
Arrows indicate change from previous period.

Vacancy Rate 3.5%

Completions 80,080 SF

Absorption -19,134 SF

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



Source: Martin Commercial Properties, Inc.

Market News

- A new 80,080 SF building opened its doors on Wimsatt Court (South Submarket) to **IGT Global Solutions Corp**.
- **Amazon**'s 1,000,000 square foot fulfillment center under construction on West Mt. Hope Hwy. (West Submarket) is slated for completion in 2024.
- **Ultium Cells**' 2,800,000 square foot battery plant broke ground on Davis Hwy. (West Submarket) and is expected to be operational in 2025.
- Market vacancy of leased industrial space rose from 1.6% to 3.5% this period; however, there is practically no availability for users.
- With few space options, users are considering build-to-suit lease-back scenarios.
- Speculative construction remains stalled due to escalating costs of labor and materials.
- Leasing decreased slightly due to lack of space and the market is expected to soften further.
- The largest new lease transactions were in the South Submarket and included **Neogen** leasing the former **IGT Global Solutions** space on Enterprise Drive and **RJ Schinner** leasing space on South Washington Avenue.
- Rental rates continue to rise and concessions are nearly non-existent.
- Capital markets activity slowed due to interest rate increases and overall uncertainty.
- Prominent sale transactions included a 64,500 SF manufacturing facility on Legion Drive in Mason (South Submarket) to owner-user Supernova and a 45,000 SF warehouse on Jomar Ct (West Submarket) to an investor.

Greater Lansing Area, Michigan

Figure 2: Market Statistics | H2 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	2,581,338	24.8	69,000	2.7	0	-54,910	5.00-7.00
SOUTH	3,016,298	29.0	262,934	8.7	0	50,043	6.50-8.00
WEST	4,813,492	46.2	35,733	0.7	0	-14,267	6.00-9.00
MARKET	10,411,128	100.0	367,667	3.5	0	-19,134	5.00-9.00

Source: Martin Commercial Properties, Inc.

Greater Lansing Area

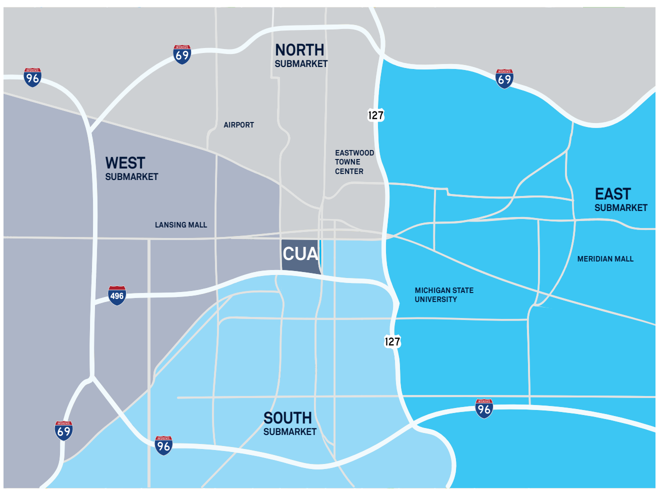
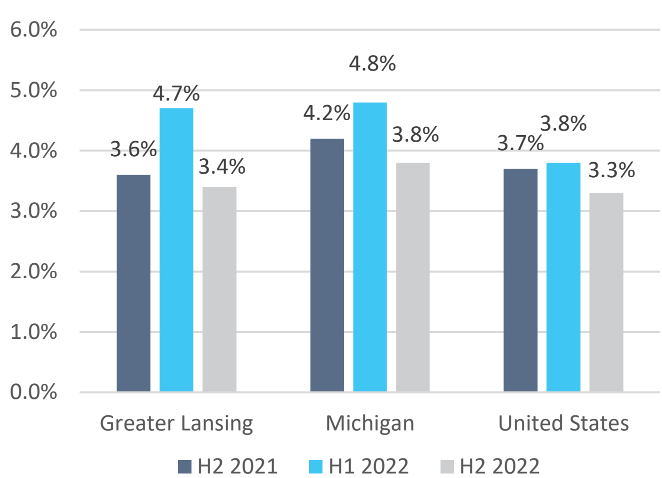


Figure 3: Unemployment Statistics

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, South and North Submarkets. These sectors comprise over 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 submarket 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.** Two major build-to-suit developments are underway in the sector, including the one million SF **Amazon** distribution center and the 2.8 million SF **Ultium Cells** battery plant. No speculative construction is planned in the immediate area.

The South Submarket is the second largest, yet weakest, industrial sector. Major users in the submarket include **General Motors**; **Michigan Forge**; and **Dart Container**. A new 80,080 SF building on Wimsatt Court was delivered to **IGT Global Solutions** and the majority of industrial activity this period occurred the sector. No speculative construction is underway.

The North Submarket is the smallest industrial sector. Its largest occupiers include **Peckham, Inc.**; **Dakkota Integrated Systems**; **ITC Michigan;** and **LOC Performance Products**. Speculative construction remains stalled in this sector.

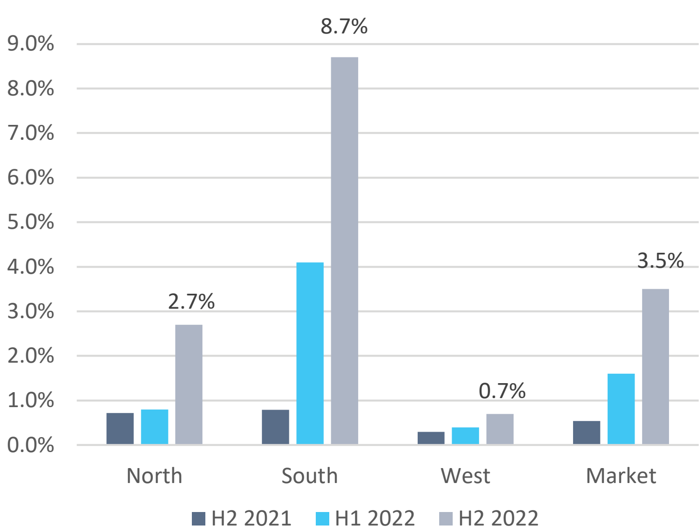
Vacancies

Industrial vacancies of leased space in the Greater Lansing Area averaged 3.5% in H2 2022, up from 1.7% in H1 2022 and up from 0.5% a year ago; however, it remains one of the lowest rates that the Greater Lansing Area has seen historically. The increase is largely due to the addition of approx. 100,000 SF of Class B space in the South Submarket. There are few space options in the market from which to choose, which is driving competitive activity for space and pushing rental rates skyward.

From a geographic perspective, the West Submarket is experiencing the lowest average vacancy (0.7%) while the South Submarket has the highest vacancy rate in the market (8.7%).

No new speculative supply is expected to hit the market in 2023 and more users are entertaining build-to-suit options. Unlike other parts of the state, industrial land is plentiful, and despite rising labor and material costs, build-to-suit is a viable option.

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



Source: Martin Commercial Properties, Inc.

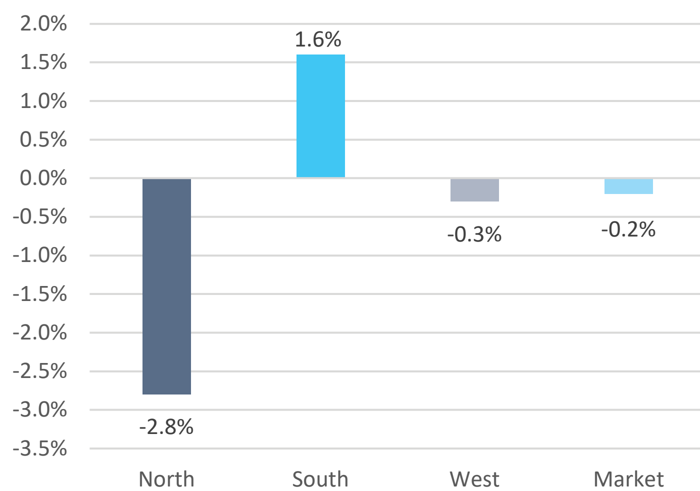
Absorption

Absorption is the net change in physically occupied space from one period to the next. During H2 2022, the Greater Lansing industrial market absorbed negative 19,134 SF of space within the base of leased industrial buildings comprising a minimum of 20,000 SF.

With little space to offer, the North and West submarkets had no significant lease activity this period and experienced negative absorption, while the South Submarket offered more space options, transacted all major lease activity, and absorbed 50,043 SF.

Despite the dip in H2 2022, absorption for the year remained positive at nearly 40,000 SF (0.3%).

Figure 5: H2 2022 Absorption - Leased Buildings Comprising ≥20,000 SF



Source: Martin Commercial Properties, Inc.

Greater Lansing Area, Michigan

Build to Suit Opportunity - Miller Road w/Easy Access to I-96
20,000 - 60,000 SF Manufacturing/Warehouse/Distribution Space for Lease

About Martin Commercial Properties

For 60, years, Martin Commercial Properties has provided commercial real estate services to owners and occupiers across five core business lines: Brokerage, Property Management, Property Development, 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.

Services Summary

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

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