

Greater Lansing Area, Michigan / H2 2022

# Vacancy Remains Elevated as Market Adapts to Occupier Uncertainty

### Market at a Glance:

Arrows indicate change from previous period.



**Vacancy Rate**  
20.8%

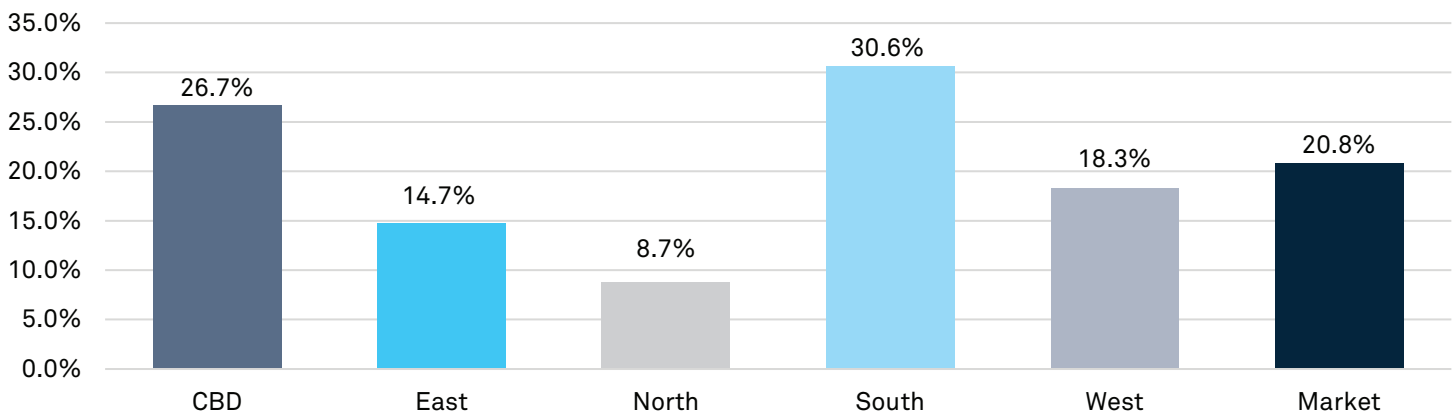


**Completions**  
0 SF



**Absorption**  
-27,371 SF

Figure 1: Market Vacancy



Source: Martin Commercial Properties, Inc.

### Market News

- The average market vacancy rate remained flat, dropping from 20.9% in H1 2022 to 20.8% in H2 2022.
- Rental rates across the market were largely unchanged this period, but vary from deal to deal.
- While challenges remain, stabilizing vacancy and rental rates suggest that the office market is adjusting to the new "normal."
- The downtown vacancy rate (26.7%) exceeded the suburban rate (18.3%) for the 4th consecutive period.
- Work-from-home has slowly shifted towards a hybrid work approach for many employers, though both phenomena have contributed to the significant decrease in demand for office space.
- With the slower-than-desired return of employees, many companies are downsizing their space requirements.
- Footprint reductions and short-term lease extensions are becoming more common.
- Although deal size (SF) is less than historical norms, the market is witnessing a slight increase in tenant activity, especially in suburban markets.
- Roughly 75% of new activity involved tenants renewing their current leases by two or more years.
- The largest new leases occurred in the East Submarket and included **Mercantile Bank**, leasing 12,000 SF on Coolidge Rd. and **Rooted Counseling**, leasing 8,000 SF on Kerry St.
- Speculative development remains stalled, although approx. 60,420 SF of medical/office/service space is under construction on Discovery Drive, near **McLaren's** new health campus (East Submarket).
- Sales activity has continued on a steady course despite interest rate increases and overall market uncertainty. The largest sale this period was a 60,000 SF investment at 1301 N. Hagadorn that sold for \$5.3 Million.

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**Figure 2: Market Statistics | H2 2022**  
≥5,000 SF Leased Space

SUBMARKET	MARKET RENTABLE AREA (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	ABSORPTION (SF)	ASKING LEASE RATES (\$/SF/YR)
CBD	2,484,095	30.3	663,988	26.7	-15,484	14-32.00
EAST	3,472,671	42.3	511,452	14.7	-65,061	14-26.00
NORTH	133,811	1.6	11,682	8.7	8,468	13-15.00
SOUTH	1,097,124	13.4	335,254	30.6	47,453	8-23.00
WEST	1,022,346	15.0	187,523	18.3	-2,747	11-20.00
MARKET	8,210,047		1,709,582	20.9	-27,371	8-20.00

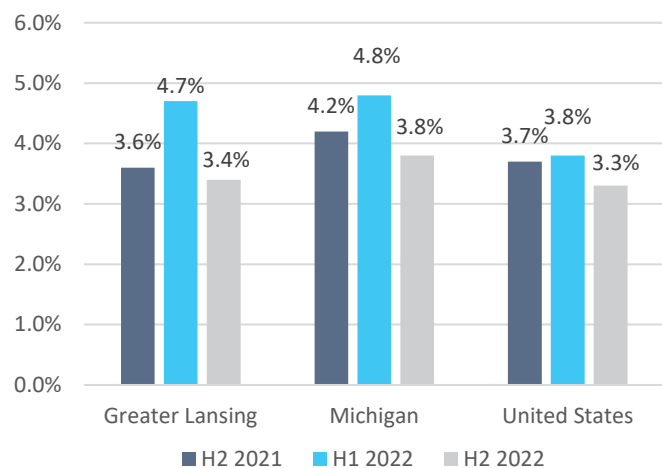
Source: Martin Commercial Properties, Inc.

## Greater Lansing Area



**Figure 3: Unemployment Statistics**

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



Source: Bureau of Labor Statistics

## Market Composition & Growth

The Greater Lansing Area comprises over 8.2 million SF of leasable office space divided into five submarkets (CBD, East, North, South and West).

The largest concentrations of office space are found in the CBD and the East Submarket, which together represent 72.6% of the market. The East Submarket (comprising approx. 3.5 million SF) is the largest segment of private sector leased space in the Greater Lansing Area, while the North Submarket is the market's smallest sector, with just over 130,000 SF.

No new speculative construction occurred in the market during H2 2022. A 63,700-SF building at the corner of Crescent and South Harrison Roads in East Lansing was built for **TechSmith Corporation** (East Submarket) and an 87,000+ SF building is under construction for **MSUFCU** at the NW corner of Abbot and Albert in East Lansing (East Submarket).

Finally, **McLaren's** former Greenlawn and Pennsylvania campuses are under contract for sale (South Submarket), which has the potential to bring new opportunities to the area.

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### Vacancy

During H2 2022, lease volume was up, though transactions remained modest in size and term. Average market vacancy was 20.8%, down slightly from the 20.9% charted in H1 2022.

Omitting the North Submarket, which represents only 1.6% of the market, the strongest sector continues to be the East Submarket, where vacancies rose from 13.4% in H1 2022 to 14.7% in H2 2022. New lease activity in the submarket was steady, with nearly 75% of leasing activity involving renewals of existing space. The most notable new leases in the sector this period included **Mercantile Bank**, leasing 12,000 SF on Coolidge Road; **Rooted Counseling**, leasing 8,000 SF on Kerry Street; and **Tri-Star Trust Bank**, leasing 4,700 SF on Michigan Avenue. The largest lease renewal was for MPH's 57,000 SF of space in the **Woodlands Office Park**.

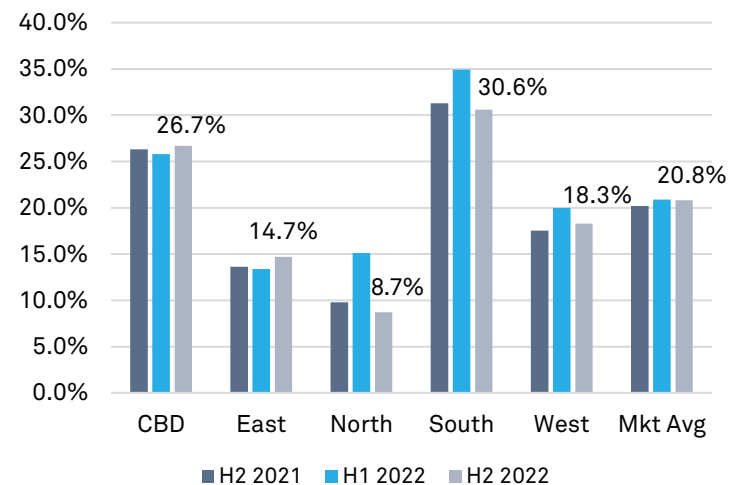
The South Submarket is the area's weakest sector, though during H2 2022, vacancies fell from 34.9% to 30.0%. This was largely due to vacant building sales to owner-occupants and a significant lease with Ingham County.

West Submarket vacancies decreased from 20.0% to 18.3%, with downsizing being prevalent in the sector. An example includes Everbridge Corporation, who downsized from 14,400 SF to 6,200 SF.

Though we anticipate leasing activity to continue at a similar rate over the next 12 months, it should be noted that many of the leases signed prior to the pandemic will be set to expire over the next few years, giving companies an opportunity to right-size, implement new workplace strategies and work with landlords to restructure lease terms and rental rates. This will likely lead to greater influence on office vacancy and potential downward pressure on rental rates.

Finally, over 100,000 SF of sublease space currently on the market is expected to slow the rate of market recovery, as the space is offered at lower rental rates and shorter lease terms; and subleases generally require minimal capital output while providing greater flexibility. 🏢

Figure 5: History of Vacancies



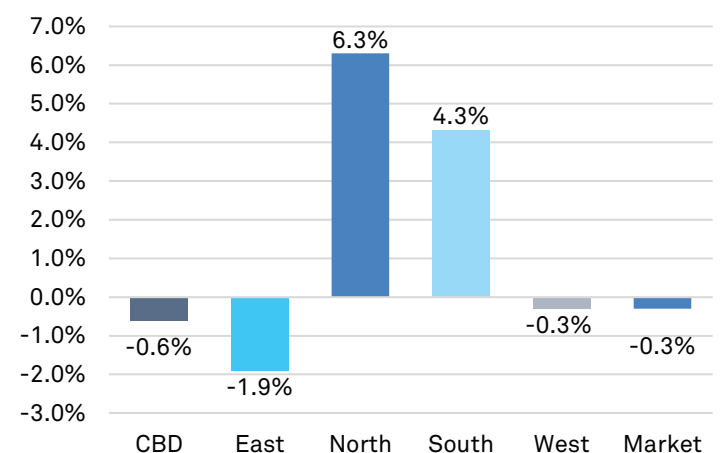
Source: Martin Commercial Properties, Inc.

### Absorption

Absorption is the net change in physically occupied space from one period to the next. Over the past six months, the Greater Lansing office was largely flat, absorbing negative 27,371 SF (-0.3%), bringing 2022 absorption to negative 120,591 SF (-1.4%).

Absorption was negative in the CBD, East and West Submarkets and positive in the North and South sectors. The South Submarket experienced the greatest positive absorption (47,453 SF), while the East Submarket lost the most ground, absorbing a negative 65,061 SF. 🏢

Figure 4: H2 2022 Absorption



Source: Martin Commercial Properties, Inc.

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# Greater Lansing Area, Michigan



**COMING IN 2023!**  
**New 60,420 SF Medical/Service Building on McLaren Campus**  
**Up to 17,000 SF 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.**

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#### Eric F. Rosekrans

CCIM, CPM

Senior Vice President  
Office Advisor

517 319-9209

eric.rosekrans@  
martincommercial.com

#### Thomas Jamieson

Senior Associate  
Office Advisor

517 319-9235

thomas.jamieson@  
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