

# INDUSTRIAL

## '23 Market Insights



Greater Lansing Area, Michigan | H1 2023

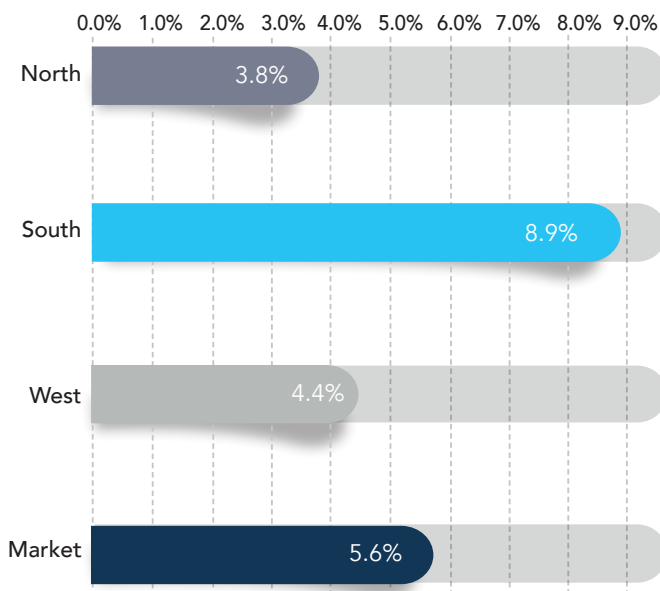
# Available Space Increases as Rents Still Rise

### Market at a Glance

Arrows indicate change from previous period.



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



Source: Martin Commercial Properties, Inc.

## MARKET NEWS

- Rental rates continue to rise and concessions are nearly non-existent.
- Due to limited demand and increased material and labor costs, no new speculative or build-to-suit projects broke ground during H1 2023.
- **Amazon's** 1 Million SF fulfillment center on W. Mt. Hope Hwy. and **Ultium Cells'** 2.8 Million SF battery plant on Davis Hwy. (both in the West Submarket) are still under construction and slated for completion next year.
- Vacancy rates rose from 3.5% to 5.6%; however, industrial occupier trends remain positive and there are few quality options for users in the market.
- The largest lease transactions of H1 2023 included **Phillips Feed**, renewing its lease for 275,000 on N. Grand River Ave. (North Submarket); **Palmer Donavin**, leasing 135,000 SF on Snow Rd., replacing outgoing **Kuene+Nagel** (West Submarket); **BRP USA, Inc.** subleasing 103,000 SF previously occupied by **Magna** on Spanish Oak Dr. (South Submarket); **Arboretum Michigan LLC** leasing the 3rd floor of the 465,000 SF **John Bean Bldg.** on South Cedar St. (South Submarket); and a confidential user leasing 60,000 SF on S. Washington Ave. (South Submarket).
- While under receivership, **Skymint** vacated its 175,000 SF cultivation facility on Davis Hwy. (West Submarket).
- Capital markets activity remained steady. The largest investment sales occurred in the South Submarket and included 2325 Jarco Dr. (\$4.95 Million) and 4940 Contec Dr. (\$3.3 Million).
- The most notable owner-user purchases of H1 2023 were 43,500 SF on Tolles Rd. to **TopDuck Products** (North Submarket) and 22,600 SF on N. Cedar St. to **Cady Companies** (South Submarket).

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**Figure 2:** Market Statistics | H1 2023  
≥20,000 SF Leased Space

SUBMARKET	MARKET RENTABLE AREA (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	COMPLETIONS (SF)	NET ABSORPTION (SF)	ASKING LEASE RATE (\$/SF/YR)
North	2,563,224	24.3	96,382	3.8	0	-49,496	5.00-7.00
South	3,258,638	28.3	290,926	8.9	0	111,264	6.50-8.00
West	5,044,492	47.4	223,035	4.4	0	-187,302	6.00-9.00
Market	10,866,354	100.0	610,343	5.6	0	-125,534	5.00-9.00

Source: Martin Commercial Properties, Inc.



## MARKET COMPOSITION AND GROWTH

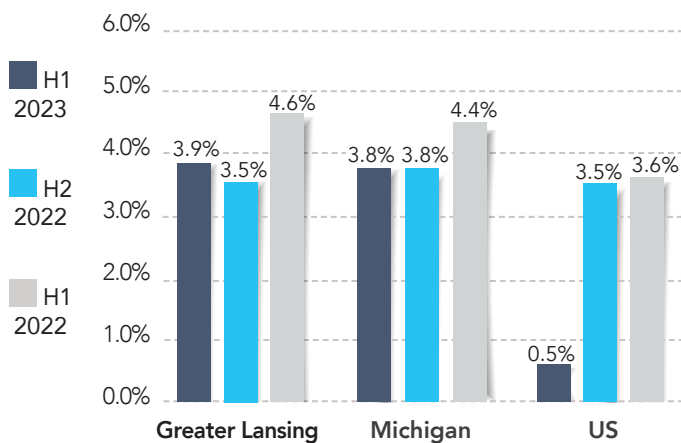
Greater Lansing's most active industrial sectors are the West, South and North Submarkets. These sectors comprise nearly 11 million SF of leased industrial space in buildings ≥20,000 SF; however, the majority of the market is owner-occupied.

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**. No speculative construction is underway.

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

**Figure 3:** Unemployment Statistics  
History of Unemployment / Local, State, U.S.



Source: Bureau of Labor Statistics



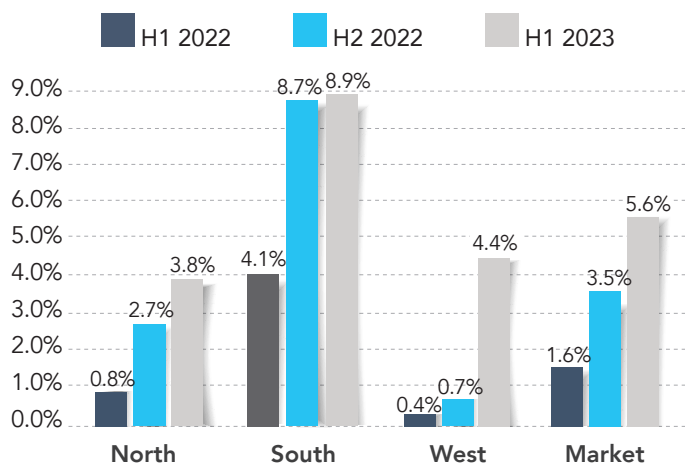
## VACANCIES

Industrial vacancies of leased space in the Greater Lansing Area averaged 5.6% in H1 2023, up from 3.5% in H2 2022 and up from 1.6% a year ago. This is largely due to **Skymint** vacating 175,000 SF on Davis Hwy. (West Submarket) and the sale of fully occupied 203 N. Tolles Road to its tenant **TopDuck Products** (North Submarket), thus lowering the market base. There continue to be few space options in the market from which to choose, which is pushing rental rates higher.

From a geographic perspective, the North Submarket is experiencing the lowest average vacancy (3.8%) while the South Sector has the highest vacancy rate in the market (8.9%).

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 abundant, making build-to-suit a viable option.

**Figure 4: History of Market Vacancies - Leased Buildings Comprising  $\geq 20,000$  SF**



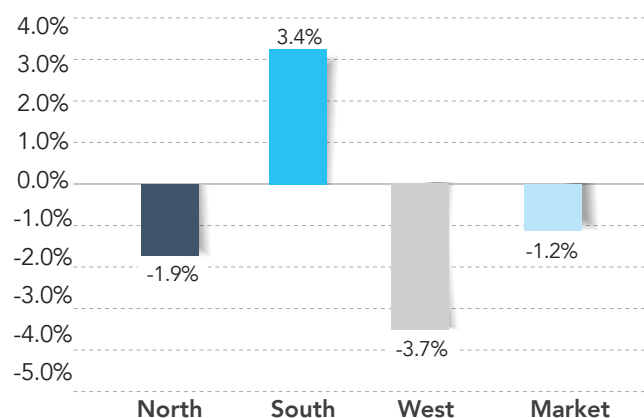
## ABSORPTION

Absorption is the net change in physically occupied space from one period to the next. During H1 2023, the Greater Lansing industrial market absorbed negative 125,534 SF of space within the base of leased industrial buildings comprising a minimum of 20,000 SF, down from negative 19,134 SF absorbed during H2 2022.

This significant dip in absorption was due to several factors. First, during H1 2023, the majority of lease activity was small in size, and Skymint's vacancy of 175,000 SF effectively crushed any benefit gained by these new and expanded tenancies. Furthermore, the largest lease transactions this period occurred in buildings that were previously leased, and therefore, had no impact on market absorption. For example, **Phillips Feeds** recommitted to 275,000 SF on North Grand River Ave. (North Submarket); **Palmer Donavin** occupied 135,000 SF on Snow Rd. (West Submarket) immediately upon its vacancy by **Kuene + Nagel**; and **BRP USA Inc.** subleased 103,000 SF on Spanish Oak Drive (under master lease with **Magna**).

Absorption for the year remained positive at nearly 40,000 SF (0.3%).

**Figure 5: H1 2023 Absorption - Leased Buildings Comprising  $\geq 20,000$  SF**



Source: Martin Commercial Properties, Inc.

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