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'24 Market Insights

Greater Lansing Area, Michigan | H2 2023

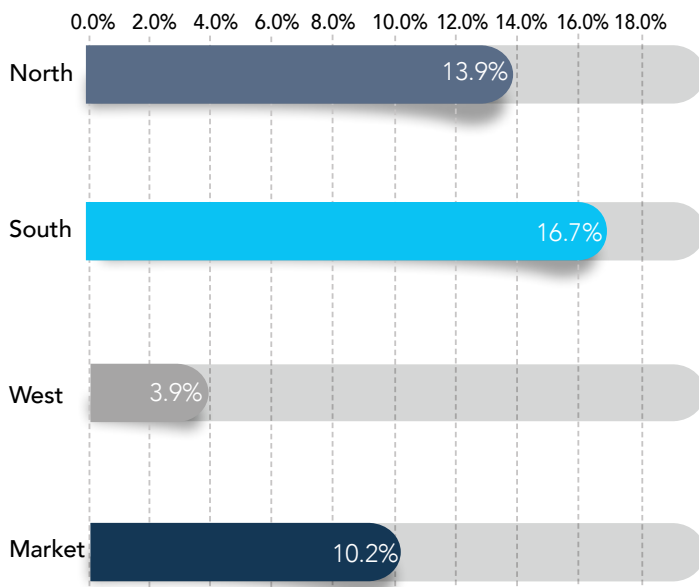
Vacancies Increase though Market Remains Strong

Market at a Glance

Arrows indicate change from previous period.



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



Source: Martin Commercial Properties, Inc.

MARKET NEWS

- Average market vacancy rates rose from 5.4% to 10.2% due in large part to **Sav-A-Lot** vacating 330,000 SF on Technical Drive, **Maxima Supply** vacating 82,000 SF on Holt Rd. and **Palmer Donavin** vacating 60,000 SF on N. Aurelius Rd. However, the market remains strong with few quality options for users, and we anticipate the timely absorption of these vacancies and a return to low vacancy rates throughout the market.
- The lack of available space is keeping rental rates at historic highs.
- **Amazon's** 1.1 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 slated for completion this year.
- Due to limited demand and increased material and labor costs, no new speculative or build-to-suit projects broke ground during H2 2023.
- The largest lease transactions of H2 2023 were West Submarket renewals: **Munters Corporation** (112,400 SF on Ena Dr.) **General Motors** (46,400 SF on S. Creyts Rd.) and **Peckham** (30,000 SF on Sanders Rd.) Notable new leases included the **State of Michigan** leasing 20,500 SF on Filley St. (North Submarket) and **Herc Rentals** leasing 18,000 SF on S. Creyts Rd. (West Submarket).
- The 1.1 Million SF **Amazon** building under construction on West Mt. Hope (West Submarket) traded this period for \$187.5 Million. Other notable capital market transactions included 2325 Jarco Drive (\$2.7 Million) and 1515 N. Grand River (\$1.8 Million).

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Figure 2: Market Statistics | H2 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	2,885,277	26.1	401,750	13.9	0	-282,065	5.00-7.00
South	3,190,619	28.8	532,896	16.7	0	-238,598	6.50-8.00
West	4,989,251	45.1	195,265	3.9	0	20,703	6.00-9.00
Market	11,065,147	100.0	1,129,911	10.2	0	-499,960	5.00-9.00

Source: Martin Commercial Properties, Inc.



MARKET COMPOSITION AND GROWTH

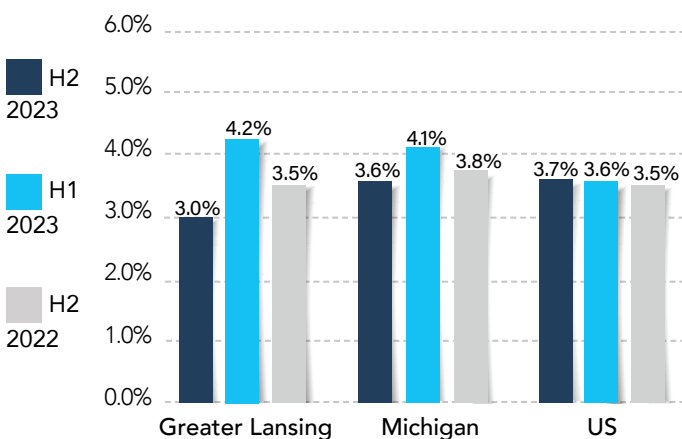
Greater Lansing's most active industrial sectors are the West, South and North Submarkets. These submarkets comprise just over 11 million SF of leased industrial space in buildings ≥20,000 SF. The majority of the market is owner-occupied.

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 developments underway in the sector (the 1.1 Million SF **Amazon** distribution center and the 2.8 million SF **Ultium Cells** battery plant) are slated for completion this year. 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. Its largest occupants include **Peckham, Inc.**; **Dakota Integrated Systems**; **ITC Michigan**; and **LOC Performance Products**; **Sav-A-Lot** vacated over 330,000 square feet in the sector this period. Speculative construction remains stalled in the sector.

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



Source: Bureau of Labor Statistics

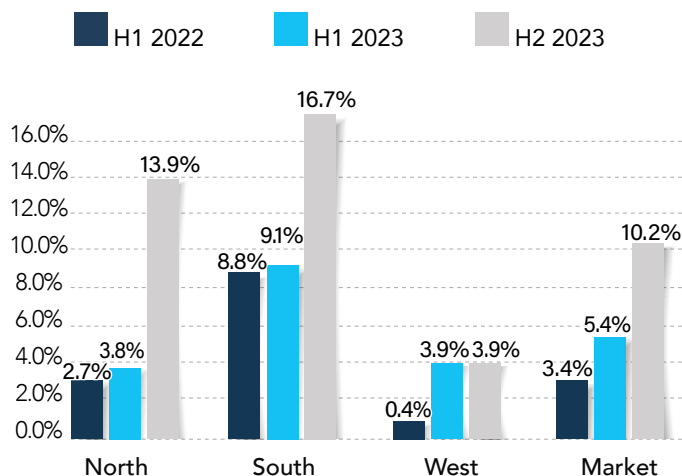
VACANCIES

Industrial vacancies of leased space in the Greater Lansing Area averaged 10.2% in H2 2023, up from 5.4% in H1 2023 and up from 3.4% a year ago. This dramatic increase is largely due to **Sav-A-Lot** vacating over 330,000 SF on Technical Drive (North Submarket), **Maxima Supply** vacating nearly 82,000 SF on Holt Rd. (South Submarket) and **Palmer Donavin** vacating over 60,000 SF on N. Aurelius Rd. (South Submarket). There continue to be few space options in the market from which to choose, however, and we anticipate the timely absorption of these vacancies and a return to low vacancies throughout the market.

From a geographic perspective, the West Submarket is experiencing the lowest average vacancy (3.9%) while the South Sector has the highest vacancy rate in the market (16.7%).

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



Source: Martin Commercial Properties, Inc.

ABSORPTION

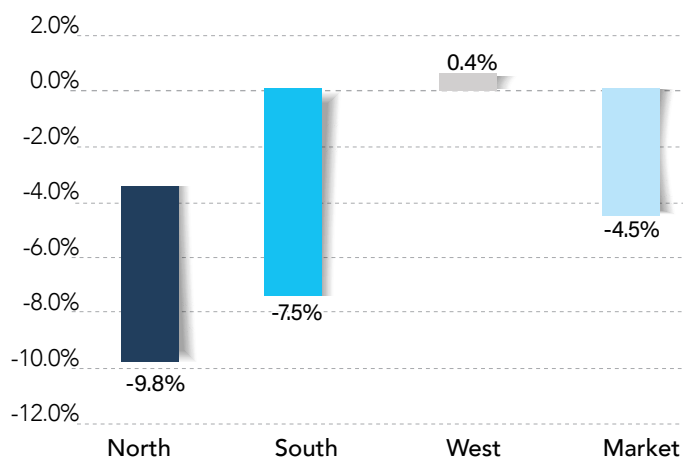
Absorption is the net change in physically occupied space from one period to the next. During H2 2023, the Greater Lansing industrial market absorbed negative 499,960 SF of space within the base of leased industrial buildings comprising a minimum of 20,000 SF, down from 82,471 SF absorbed during H1 2023.

The West Submarket was the only sector experiencing positive absorption (20,703 SF), which was largely prompted by **Herc Rentals'** lease of 18,000 square feet on S. Creyts Rd.

Leasing activity in the North Submarket was steady; however, the loss of **Sav-A-Lot** bumped absorption figures well into the red (negative 282,065 SF).

The South Submarket had no major leases and suffered a number of new vacancies, resulting in absorption of negative 238,598 SF.

Figure 5: H2 2023 Absorption - Leased Buildings Comprising $\geq 20,000$ SF



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