



# OFFICE '24 Market Insights

Greater Lansing Area, Michigan | H1 2024

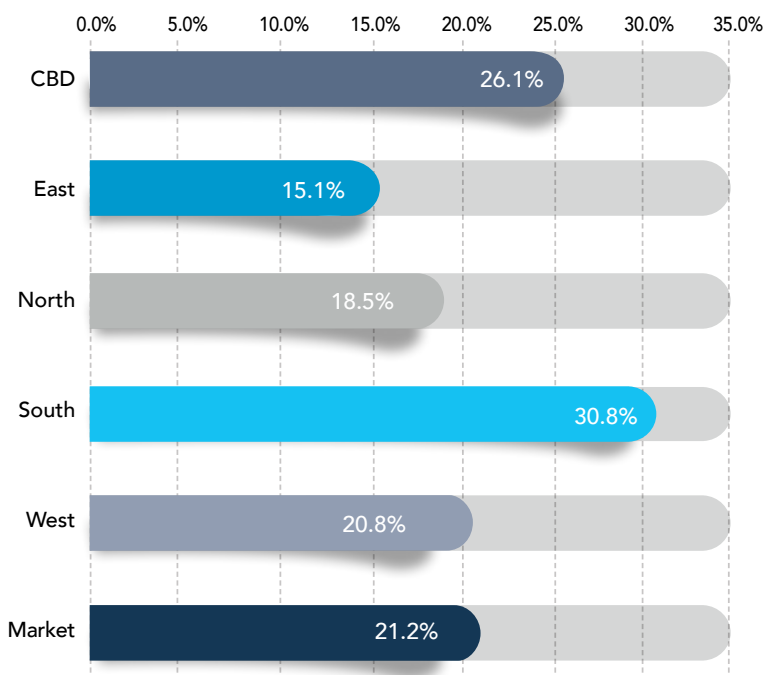
## Market Stabilizes; Vacancy Remains at 20-Year High

### Market at a Glance

Arrows indicate change from previous period.



Figure 1: Market Vacancy ≥5,000 SF Leased Space



Source: Martin Commercial Properties, Inc.

## MARKET NEWS

- Overall market vacancy is unchanged from H2 2023, remaining at a 20-year high. Vacancy rates within submarkets have fluctuated within a very narrow range.
- The continued economic slowdown and normalization of hybrid working arrangements will continue to limit office demand throughout 2024.
- No new supply was introduced to the market, and none is expected in the near future. Construction costs, interest rates, and a lack of demand are contributing factors.
- ±80,000 SF at 100-108 S. Washington Square (CBD) is slated to be repurposed for multi-family use, and has been removed from the survey.
- Rental rates vary widely based on tenant creditworthiness, lease term, size and investment required by the landlord.
- Tenant-friendly market conditions are expected to persist throughout 2024; however, elevated interest rates and record-high renovation costs are causing landlords to assess deals involving tenant improvements with greater scrutiny.
- The **State of Michigan** vacated 60,000 SF in the **Washington Square** bldg. (CBD), one of its last few remaining blocks of space in the private sector.
- CBD assets continue to perform less favorably than those of suburban markets (26.1% average vacancy vs. 19.2%, respectively).
- Smaller occupiers account for the bulk of leasing activity.
- Some of the largest leases of H1 2024 include:
  - **Michigan Fitness Foundation** (10,700 SF-East)
  - **TIC International** (9,400 SF-West)
  - **Creative Wellness** (7,500 SF-East)
  - **Public Affairs Assoc.** (7,400 SF-CBD)
  - **Miller, Canfield, Paddock & Stone** (7,400 SF-CBD)
- Owner-user sales continue to dominate the sales market, though office values continued to decline.
- Major sales of H1 2024 include:
  - 415 W. Kalamazoo/400 S. Walnut (\$1.125 Million-CBD)
  - 310 W. Lake Lansing (\$1.167 Million-East)
  - 421 W. Kalamazoo (\$1.1 Million-CBD)
  - 405 W. Greenlawn (\$1.05 Million-South)
  - 6000 W. St. Joseph (\$1.1 Million-West)

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**Figure 2:** Market Statistics | H1 2024  
≥5,000 SF Leased Space

SUBMARKET	MARKET RENTABLE AREA (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	COMPLETIONS (SF)	ABSORPTION (SF)	ASKING LEASE RATE (\$/SF/YR)
CBD	2,375,967	29.6	619,603	26.1	0	-50,676	14.00-32.00
East	3,405,188	42.3	512,854	15.1	0	8,444	14.00-26.00
North	154,211	1.9	28,465	18.5	0	-2,300	13.00-15.00
South	1,064,823	13.2	328,262	30.8	0	-33,396	8.00-23.00
West	1,043,622	13.0	217,556	20.8	0	-20,733	11.00-20.00
Market	8,043,811	100.0	1,706,740	21.2	0	-98,661	8.00-32.00

Source: Martin Commercial Properties, Inc.



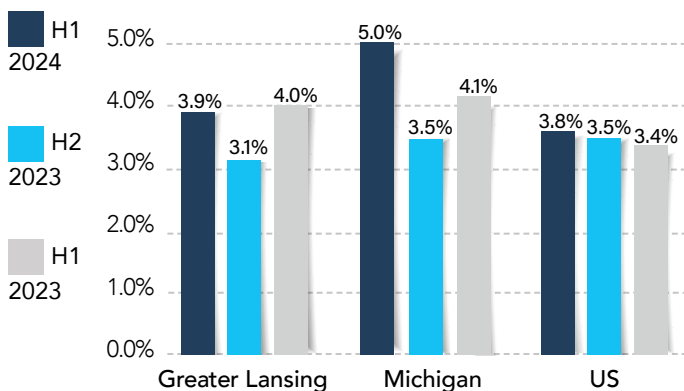
## MARKET COMPOSITION AND GROWTH

The Greater Lansing Area encompasses over eight million square feet of leasable office space, divided into five submarkets: CBD, East, North, South, and West. The size of the market decreased by ±125,000 SF from H2 2023 due to recent owner-user sales and the repurposing of 100-108 S. Washington Square to multi-family use.

The largest concentrations of office space are in the CBD and the East Submarket, which together account for 71.8% of the market. The East Submarket, with approximately 3.4 million square feet, is the largest segment of private sector leased space in the Greater Lansing Area, while the North Submarket is the smallest, with just over 150,000 square feet.

No new speculative construction was completed in the market during the first half of 2024, and none is expected in the near future due to high construction costs, interest rates, and low demand.

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



Source: Bureau of Labor Statistics

## VACANCIES

Office market vacancies in H1 2024 averaged 21.2%, remaining steady compared to H2 2023.

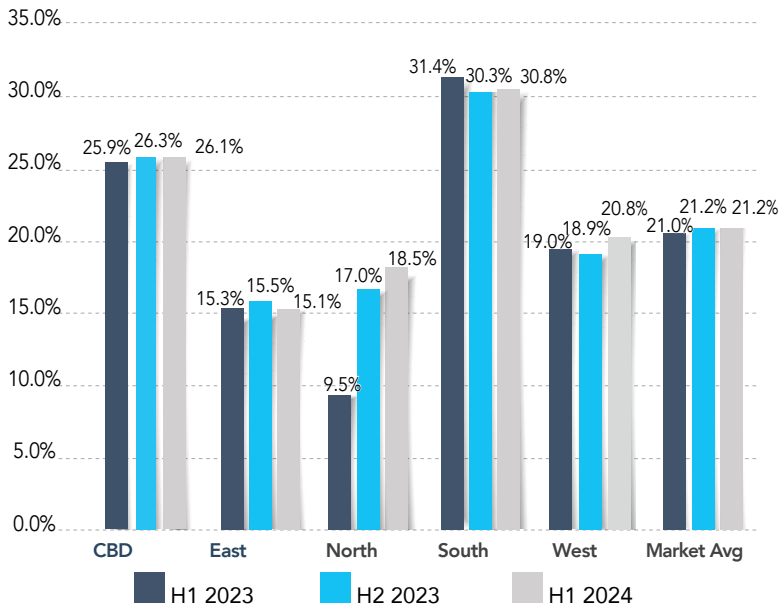
The CBD and East Submarkets showed some improvement, with moderate leasing activity. In the CBD, vacancies averaged 26.1%, a slight decrease from 26.3% in H2 2023. The East Submarket saw vacancies average 15.1%, down from 15.5% in H2 2023. Notable leases in these sectors included **Michigan Fitness Foundation** (10,700 SF) and **Creative Wellness** (7,500 SF) in the East Submarket, and **Public Affairs Associates** (7,436 SF) and **VitalCore** (5,800 SF) in the CBD.

In the North sector, vacancies increased from 17.0% in H2 2023 to 18.5% in H1 2024, with no major leases reported.

Despite **Child & Family Charities'** acquisition of the largely vacant 405 W. Greenlawn facility, which removed over 25,000 SF of vacancies from the sector, the South Submarket saw an increase in vacancies from 30.3% in H2 2023 to 30.8% in H1 2024.

The West Submarket also experienced a rise in vacancies,

**Figure 4:** History of Market Vacancies - Leased Buildings Comprising  $\geq 5,000$  SF



from 18.9% in H2 2023 to 20.8% in H1 2024. The increase was significantly impacted by Prudential Hubbell's vacancy of nearly 20,000 SF on South Creyts. Leasing activity in the West Submarket was low-to-moderate, with **TIC International** inking the largest lease at 9,400 SF.

## ABSORPTION

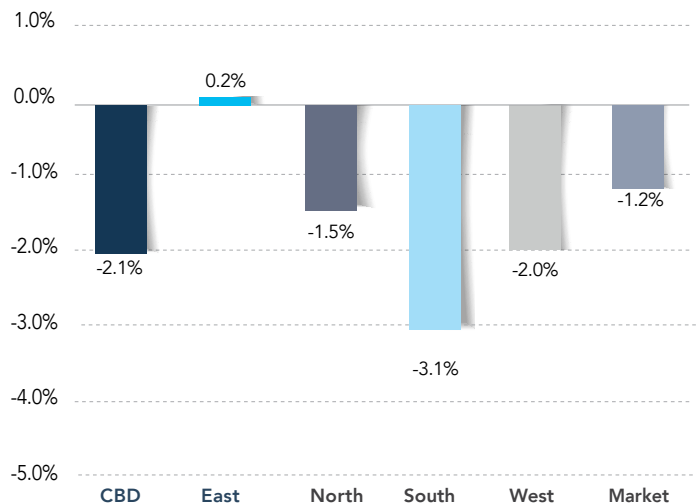
Absorption measures the net change in physically occupied space from one period to the next.

Over the past six months, the Greater Lansing office market experienced a negative absorption of 98,661 SF (-1.2%), an improvement from the -120,584 SF recorded in H2 2023.

The Central Business District faced the most significant decline, losing over 50,000 SF of tenancies. Notably, much of this negative absorption resulted from the State of Michigan vacating nearly 60,000 SF at 100 S. Washington.

Conversely, the East Submarket was the only sector to report positive absorption this period, driven by steady leasing activity. This marks a significant turnaround from H2 2023, when absorption in the East Submarket totaled -91,558 SF.

**Figure 5:** H1 2024 Absorption - Leased Buildings Comprising  $\geq 5,000$  SF



Source: Martin Commercial Properties, Inc.

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Market Insights Greater Lansing Area, Michigan | H1 2024



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