



OFFICE '24 Market Insights

Greater Lansing Area, Michigan | H2 2024

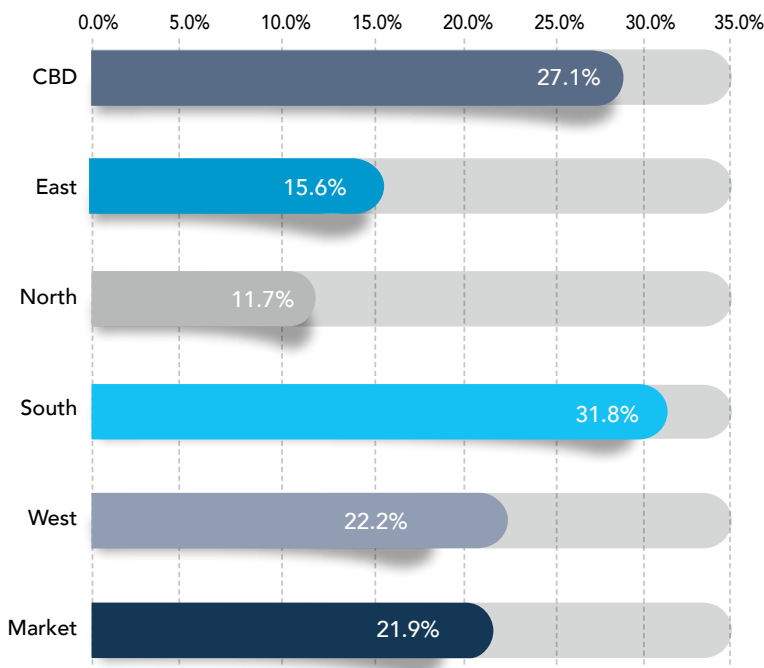
Vacancy Inches Up as Greater Lansing Continues to Register Negative Absorption

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

- ▶ The Greater Lansing office market exhibited a slight increase in total vacancy to 21.9%, up from 21.2% charted in H1 2024. Despite the increase, vacancy has found stable footing, having remained in a 100-basis-point range for over two years.
- ▶ CBD assets continue to perform less favorably than those of suburban markets (27.1% average vacancy vs. 19.8%, respectively).
- ▶ Absorption lingered in the red, totaling -64,140 SF in H2 2024, up slightly from -98,661 SF absorbed during H1 2024.
- ▶ Leasing volume was steady throughout 2024; however, the value of transactions dipped by roughly 30% in the latter half of the year, as companies increasingly downsized and inked shorter-term leases.
- ▶ The new federal back-to-work mandate has not yet impacted the **State of Michigan's** hybrid working arrangement. If State policies were to change, it would likely have an immediate and positive impact on market demand.
- ▶ No new supply was introduced and none is on the horizon.
- ▶ Rental rates vary widely based on tenant creditworthiness, lease term, size and investment required by the landlord.
- ▶ Tenant-friendly market conditions are expected to continue throughout 2025 and 2026. Elevated interest rates and record-high renovation costs during 2024 caused landlords to assess deals involving tenant improvements with greater scrutiny.
- ▶ The largest leases of H2 2024 include:
 - **HNTB** (20,000 SF-East)
 - **Thrun Law Firm** (17,000 SF Renewal-East)
 - **Cedar Creek Hospital** (12,000 SF-South)
 - **Memorial Healthcare** (9,200 SF Expansion-East)
 - **Aetna Health** (9,000 SF-East)
- ▶ **Aetna Health** vacated 30,000 SF on Eastbury Drive (West) and **Ingenix (United Healthcare)** vacated 9,500 SF in **Capitol Commerce Park** (West), creating large pockets of vacancy.
- ▶ Significant owner-occupier sales of H2 2024 included 34,400 SF at 544 Cherbourg Dr. for \$2.8 Million and 111 W. Edgwood Blvd., a 44,400 SF property which sold for \$2 Million.

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Figure 2: Market Statistics | H2 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	2,367,748	29.54	642,079	27.1	0	-30,695	14.00-32.00
East	3,405,188	42.33	531,855	15.6	0	-19,001	14.00-26.00
North	154,211	1.92	18,095	11.7	0	10,370	13.00-15.00
South	1,064,823	13.24	338,479	31.8	0	-10,217	8.00-23.00
West	1,043,622	12.97	232,153	22.2	0	-14,597	11.00-20.00
Market	8,035,592	100.0	1,762,661	21.9	0	-64,140	8.00-32.00

Source: Martin Commercial Properties, Inc.



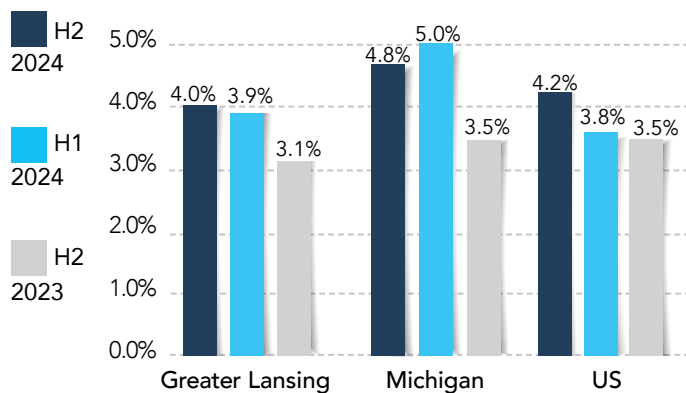
MARKET COMPOSITION AND GROWTH

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 ±8,000 SF from H1 2024 due to recent owner-user sale of Capital View (CBD).

The largest concentrations of office space are in the CBD and the East Submarket, which together account for 71.9% of the market. The East Submarket, with approximately 3.4 million SF, 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 SF.

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

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



Source: Bureau of Labor Statistics

VACANCIES

Office market vacancies in H2 2024 averaged 21.9%, up slightly from the 21.2% charted in H1 2024.

Despite modest leasing activity in all submarkets, small vacancies came on line throughout the market, causing increased vacancy rates in all but the North Submarket. In the CBD, vacancies averaged 27.1%, a slight increase from 26.1% in H1 2024. The East Submarket saw vacancies average 15.6%, up from 15.1% in H1 2024. Notable activity in the East Submarket included new leases for **HNTB** (20,000 SF) and **Rooted Counseling** (5,000 SF), significant lease renewals, including **Thrun Law Firm** (17,000 SF) and **Aetna Health** (9,000 SF), and **Memorial Healthcare's** (9,200 SF) large lease expansion.

In the North sector, vacancies decreased from 18.5% in H1 2024 to 11.7% in H2 2024 as a result of a number of smaller leases.

Despite **Cedar Creek Hospital** leasing over 12,000 SF

on East Jolly Road, the South Submarket saw an increase in vacancies from 30.8% in H1 2024 to 31.8% in H2 2024.

The West Submarket also experienced a rise in vacancies, from 20.8% in H1 2024 to 22.2% in H2 2024. The majority of lease activity was small in nature.

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 64,140 SF, an improvement from the -98,661 SF recorded in H1 2024.

The CBD, East, South and West submarkets experienced negative absorption, each losing between 10,000 and 19,000 SF. The North sector enjoyed positive absorption totaling 10,370 SF.

Figure 4: History of Market Vacancies - Leased Buildings Comprising ≥5,000 SF

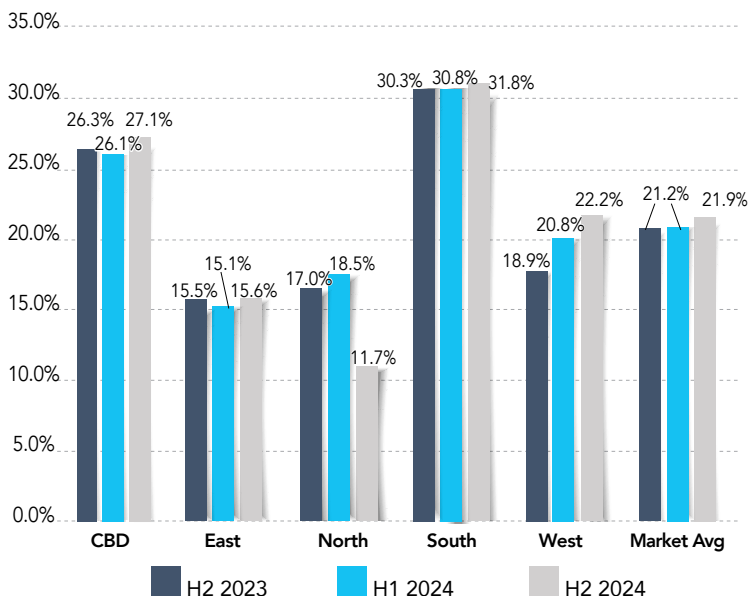
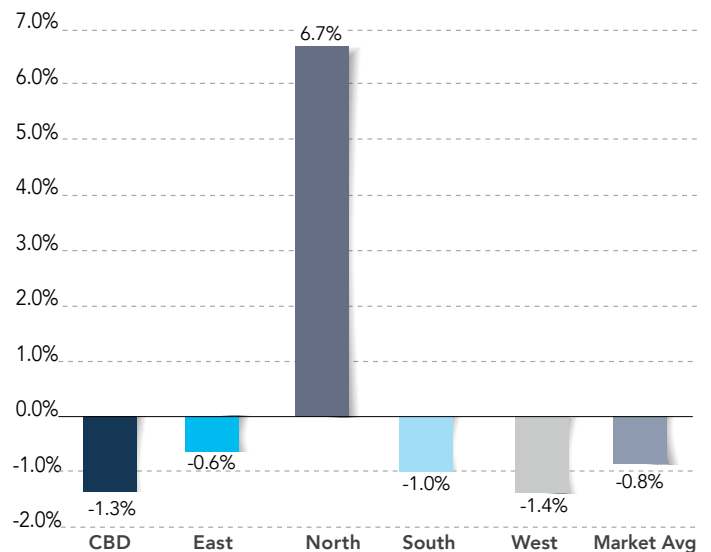


Figure 5: H2 2024 Absorption - Percent Change Leased Buildings Comprising ≥5,000 SF



Source: Martin Commercial Properties, Inc.

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