

OFFICE

'25 Market Insights

Greater Lansing Area, Michigan | H1 2025

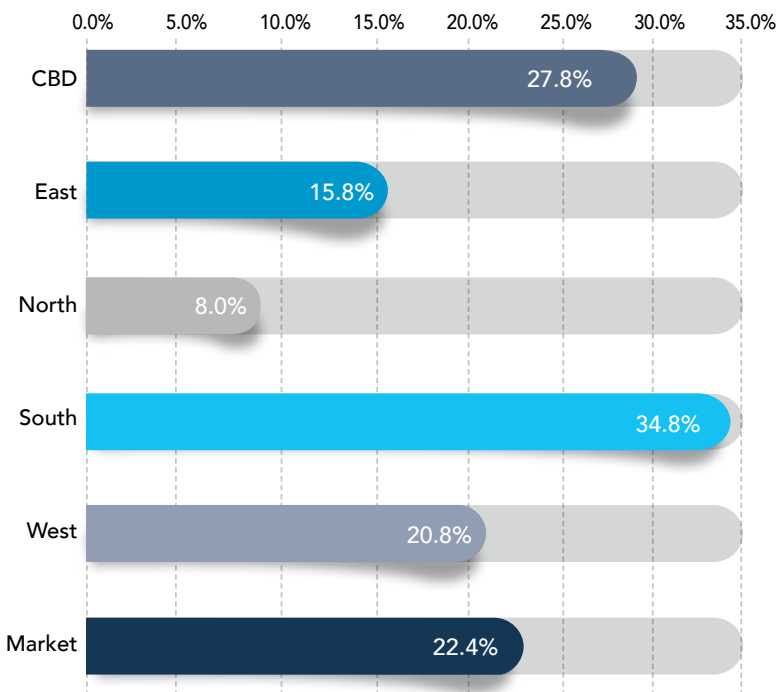
Stabilized Fundamentals Provide Optimistic Start to the Year

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 Area posted essentially **no change** in occupancy during H1 2025, with absorption of just -1,088 SF.
- ▶ **Performance varied** significantly across submarkets, though the majority of lease activity occurred in the Central Business District and East Submarket.
- ▶ The largest leases this period include **Deloitte LLP** (25,000 SF) and **Michigan Beer & Wine Wholesalers Assn.** (11,000 SF) in the CBD, as well as **Spicer Group** (16,000 SF) and **Data Recognition Corp** (8,900 SF) in the East Submarket.
- ▶ Despite these positive absorption drivers, several large tenant move-outs offset the momentum, bringing overall absorption close to net zero.
- ▶ Longer periods of free rent drove **net effective rents** lower.
- ▶ While concessions like **free rent** and **tenant improvement allowances** remain common, many landlords are also showing **greater flexibility on lease terms**—responding to rising demand for shorter-term deals from today's tenants. This shift allows landlords to maintain occupancy and activate underutilized space, but it can also impact asset valuation due to reduced lease length and cash flow visibility. For investors, this dynamic presents both **risk and opportunity**: flexible lease structures can support faster lease-up and tenant diversification, but require careful underwriting and active asset management to protect long-term value.
- ▶ **Remote** and **hybrid work** have stabilized, and office demand has adjusted accordingly. Some employers are increasing in-office requirements, leading to a gradual rise in office utilization.
- ▶ **Fewer large blocks** of space are being returned, asking rents are steady and we are seeing pockets of growth in the market; however, we anticipate a slow market recovery proceeding at an uneven pace.
- ▶ The passing of the **One Big Beautiful Bill Act** marks a transformative moment for commercial real estate, introducing a range of **tax incentives** and **deregulatory measures** designed to stimulate investment and accelerate development. Accordingly, we expect to see increased market activity and investment throughout the Greater Lansing Area.
- ▶ The standout **investment transaction** of H1 2025 was the \$9.5 Million sale of 206 East Michigan Avenue, a downtown office building fully leased to the State of Michigan.
- ▶ Few class B and C properties traded this period, but national trends suggest this may change. Challenges like low occupancy, limited NOI and deferred maintenance are prompting **discounted sales of distressed assets** to opportunistic investors nationwide.

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Figure 2: Market Statistics | H1 2025
≥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	2,356,648	29.2	654,148	27.8	0	-23,169	14.00-32.00
East	3,424,778	42.4	541,082	15.8	0	10,363	14.00-26.00
North	154,211	1.9	12,411	8.0	0	5,684	13.00-15.00
South	1,119,509	13.8	389,372	34.8	0	3,793	8.00-23.00
West	1,026,902	12.7	213,192	20.8	0	2,241	11.00-20.00
Market	8,082,048	100.0	1,810,205	22.4	0	-1,088	8.00-32.00

Source: Martin Commercial Properties, Inc.



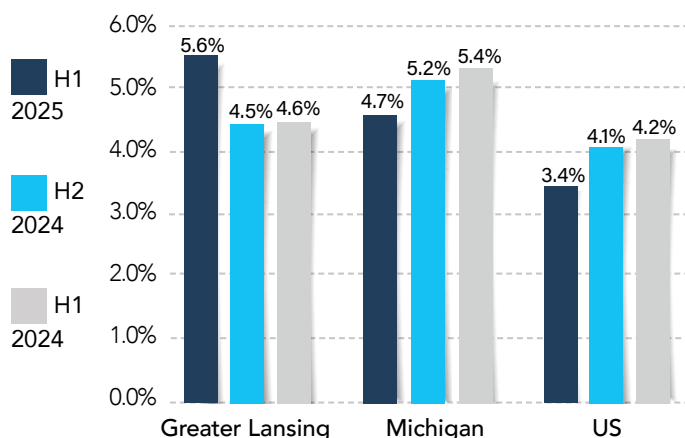
MARKET COMPOSITION AND GROWTH

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 largest concentrations of office space are in the CBD and the East Submarket, which together account for 71.6% 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 first half of 2025, 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 vacancies across the market averaged 22.4% in H1 2025, a slight increase from 21.9% in H2 2024. Modest leasing activity was recorded in all submarkets; however, new small-scale vacancies emerged throughout the region, contributing to rising vacancy rates in all sectors except the North and West Submarkets.

In the Central Business District, vacancies edged up to 27.8%, compared to 27.1% in the second half of 2024. The East Submarket experienced a marginal increase as well, with vacancies averaging 15.8%, up from 15.6% in H2 2024.

Conversely, the North Submarket saw a notable improvement, with the vacancy rate dropping from 11.7% to 8.0%, largely driven by a series of smaller leases.

In the South Submarket, vacancy climbed to 34.8% in H1 2025, up from 31.8% in the previous period. Meanwhile, the West Submarket recorded a decline in vacancies, falling from 22.2% to 20.8%.

ABSORPTION

Absorption, which reflects the net change in occupied office space between periods, showed mixed results in the Greater Lansing market over the past six months. The market recorded a modest negative absorption of 1,088 square feet, a notable improvement compared to the -64,140 square feet reported in H2 2024.

Within the submarkets, the CBD saw a decline, with absorption at -23,169 square feet. In contrast, all other submarkets posted positive absorption figures: the East Submarket gained 10,363 square feet, the North Submarket added 5,684 square feet, the South Submarket increased by 3,793 square feet, and the West Submarket saw an uptick of 2,241 square feet.

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

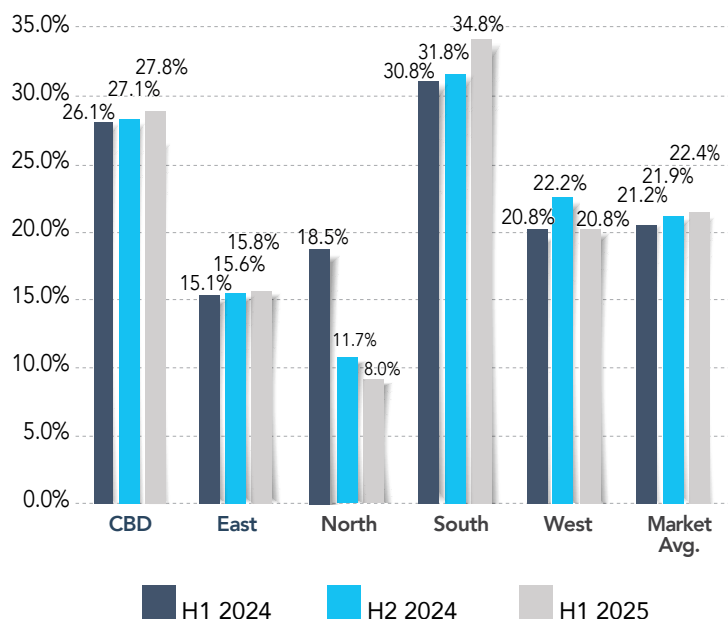
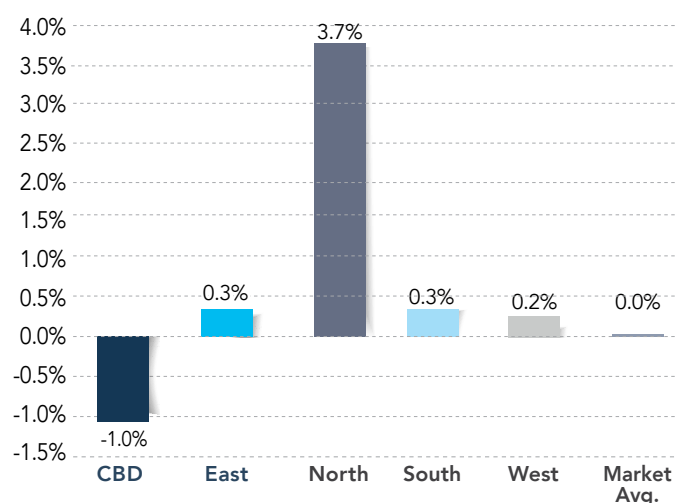


Figure 5: H1 2025 Absorption - Percent Change Leased Buildings Comprising ≥5,000 SF



Source: Martin Commercial Properties, Inc.

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332 Townsend St., Lansing
11,200 SF for Sale or Lease

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