OFFICE '25 Market Insights

Greater Lansing Area, Michigan | H2 2025

Signs of Stability Amid Ongoing Change

MARKET NEWS

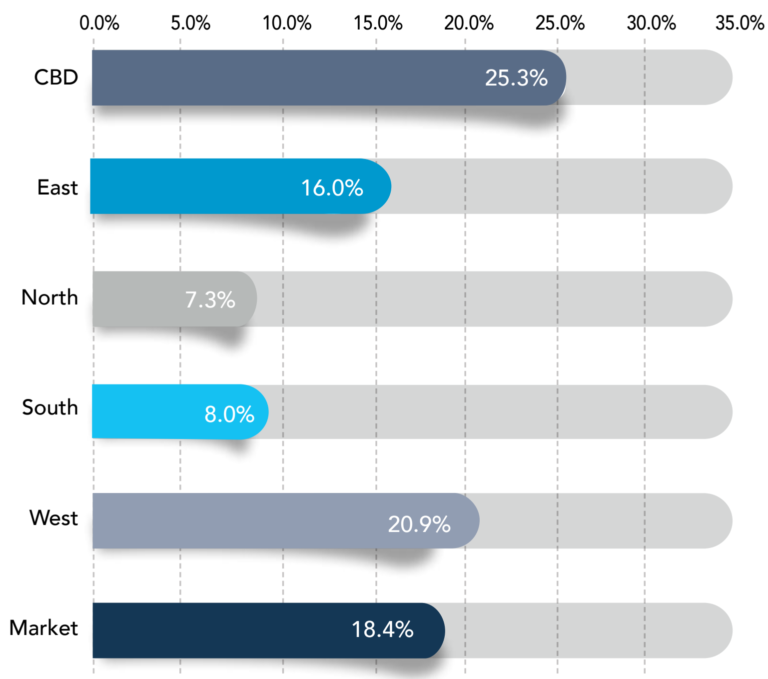
- The U.S. office market has faced heightened scrutiny since the pandemic. Higher interest rates, hybrid work patterns, declining valuations and elevated vacancy have led investors, lenders, landlords and advisors to question the sector's long-term outlook—but **data suggests the market is improving gradually**, pointing to a slow recovery rather than a rapid rebound.
- The average **office vacancy rate** for leased space of 5,000 SF or more was 18.4%, **down 330 basis points** in the second half of 2025 and 350 basis points year-over-year. Alongside a slight uptick in leasing activity, the decline primarily reflects the **removal of several large obsolete properties** from the inventory, multiple **building sales to owner-occupiers**, and the **repurposing** of vacant office space for multi-family use.
- Net absorption of leased office space during the period totaled **-90,693 SF**, though this figure is largely attributable to the sale of previously leased buildings to owner-occupiers.
- **Sublease vacancy is declining**. Five years after companies first flooded the market with excess space, much of the sublease space has expired or been re-leased.
- The market is **expected to remain segmented**, with some areas performing well, others facing challenges, and many falling somewhere in between.
- Asking rental rates are projected to **hold steady through 2026**, even as available space continues to tighten; however, **in-place rents remain above current market rents**, suggesting future lease renewals may reset downward.
- The **market continues to favor** well-located, modern, amenity-rich buildings. Tenants focused on boosting office attendance are prioritizing hospitality-inspired environments, collaborative spaces, and quality locations near transit, dining and housing.
- **Tenants are showing more willingness** to take on a greater share of costs in order to secure preferred locations. For example, on a $100/SF build-out, the landlord may contribute $70/SF while the tenant covers $30/SF. This kind of give-and-take should help increase deal velocity while still supporting **stronger overall economics**.
- Landlords are increasingly open to **early negotiations**, sometimes up to two years in advance.
- H2 2025 featured a diverse mix of top deals including the **State Appellate Defender Office** (17,000 SF) in the CBD, along with several notable deals in the East Submarket such as **Willingham Cotè** (10,000 SF) and **Environmental Consulting & Technology** (7,500 SF). In the South Submarket, **Care Free Medical** (10,000 SF) and **Learn Behavioral** (6,000 SF) also signed sizable leases.
- Three real estate investment themes have emerged: (1) **stabilized investors**, as market rents typically increase as leases roll; (2) **value-add buyers**, since discounted pricing can allow returns without requiring a full lease-up; and (3) **owner-users**, as buildings are trading below replacement cost and owner-user financing is often more flexible than investor debt—while also reducing or eliminating leasing risk.
- The most **notable owner-user sales** this period include 3495 Coolidge Rd. (13,144 SF) @ **$1.75 Million**, 3215 South Pennsylvania Ave. (27,949 SF) @ **$2 Million**; and 5913 Executive Dr. (123,405 SF) @ **$3.4 Million**.

Market at a Glance

Arrows indicate change from previous period.

Vacancy Rate	Completions	Absorption
18.4%	0 SF	-90,693 SF

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



Source: Martin Commercial Properties, Inc.

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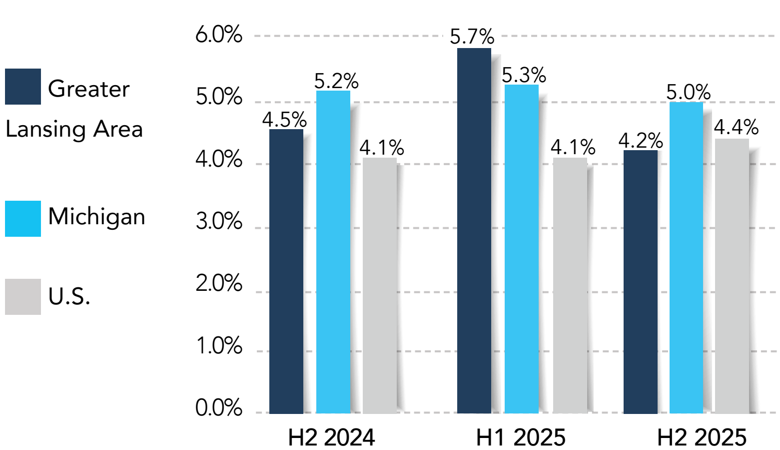
Figure 2: Market Statistics | H2 2025
≥5,000 SF Leased Space

SUBMARKET	MARKET RENTABLE AREA (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	COMPLETIONS (SF)	ABSORPTION (SF)	ASKING LEASE RATE ($/SF/YR)
CBD	2,265,648	29.6	573,270	25.3	0	- 5,122	14.00-32.00
East	3,465,886	45.4	553,416	16.0	0	28,774	14.00-26.00
North	154,211	2.0	11,211	7.3	0	1,200	13.00-15.00
South	774,110	10.1	62,082	8.0	0	-78,509	8.00-23.00
West	981,907	12.9	205,233	20.9	0	-37,036	11.00-20.00
Market	7,641,762	100.0	1,405,212	18.4	0	-90,693	8.00-32.00

Source: Martin Commercial Properties, Inc.

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



Source: Bureau of Labor Statistics

MARKET COMPOSITION AND GROWTH

The Greater Lansing Area encompasses over **7.6 million square feet** of leasable office space, divided into five submarkets: CBD, East, North, South, and West. The survey base is notably smaller this period, reflecting several office properties that were sold to owner-occupants as well as others that were removed from the market due to functional obsolescence. In total, **the base was reduced by more than 440,000 square feet**, much of which had been vacant in H1 2025.

The largest concentrations of office space are in the CBD and the East Submarket, which together account for 75% of the market. The East Submarket, with approximately 3.5 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 2025, and none is expected in the near future due to high inventory, construction costs and interest rates.

VACANCIES

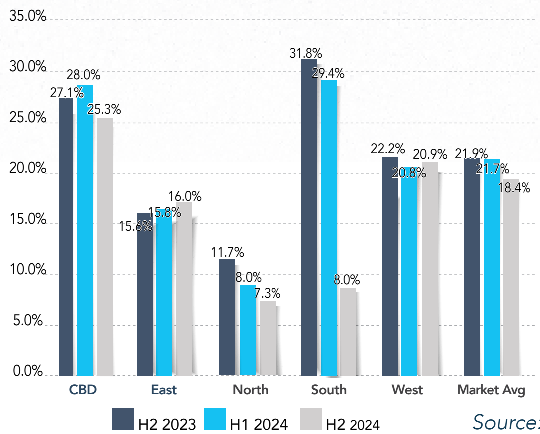
Vacancy within Greater Lansing's leased office inventory (5,000 SF and larger) **averaged 18.4%** in H2 2025, down 330 basis points from H1 2025. The shift reflects both the removal of several large, obsolete properties and additional owner-occupier sales, alongside a measurable increase in leasing activity during the period.

For the first time in over 30 years, the South Submarket **has emerged as the strongest sector**, with vacancy falling to 8.0% in H2 2025 from 29.4% in H1 2025. The shift is primarily due to the removal of more than 100,000 SF within **Holiday Office Park** at I-96 and Cedar Street, where two buildings were temporarily condemned due to structural issues, as well as the owner-user sale of multiple buildings totaling over 200,000 SF—most notably the 123,405 SF 5913 Executive Drive in **Executive Office Park** off Pennsylvania Avenue near I-96. The North Submarket follows as the next strongest sector, posting a 7.3% vacancy rate, though it remains the smallest by total inventory.

Vacancy in both the East and West Submarkets inched upward slightly during the period. The East Submarket, **historically the market's strongest performer**, reported 16.0%, while the West Submarket stood at 20.9%. Vacancy in the Central Business District remains elevated at 25.3%, reflecting the ongoing impact of lost state-leased space associated with **COVID-19** occupancy guidelines.

Overall, **suburban office vacancy** averages 15.5%, compared with 25.3% in the urban market. Downtown vacancy, however, has improved since H1 2025, declining nearly 300 basis points. This reduction largely reflects the removal of more than 90,000 SF at the **Prudden Center**—much of which was vacant—from the office inventory as a large portion of the property is to be redeveloped for multifamily use, rather than significant leasing absorption.

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



ABSORPTION

Absorption reflects the **net change in occupied office space** between periods. In H2 2025, net absorption totaled negative 90,693 SF, bringing 2025's total to negative 36,381 SF (-1.1%). Some of this negative absorption resulted from occupied space being removed from the survey following sales to owner-occupiers.

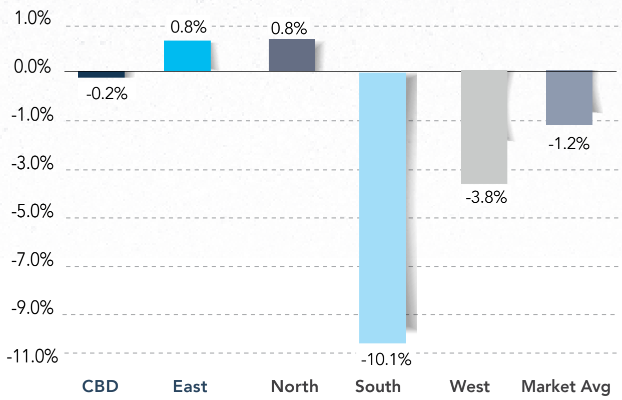
Market performance was **mixed across submarkets**. The East Submarket recorded the highest absorption at 28,774 SF, while the South Submarket posted the lowest at -78,509 SF.

This period featured a diverse mix of notable leases across the market, including the **State Appellate Defender's Office** leasing 17,000 SF at Race Street Mill and **Bellwether Public Relations** leasing 5,000 SF on South Washington Square in the Central Business District; **Willingham Cote** leasing 10,600 SF at **Park Place** and **Yeo & Yeo** leasing 5,000 SF on Eyde Parkway in the East Submarket; and **Care Free Medical** leasing over 10,000 SF in the **Penn Building** and **Learn Behavioral** leasing 6,000 SF at **Edgewood Tech** in the South Submarket.

Despite ongoing **hybrid work** arrangements for State of Michigan employees, there is **cautious optimism** regarding downtown recovery. Attendance is stabilizing, leasing activity is trending upward, Class A absorption is positive, **sublease inventory is declining**, and new construction remains on hold.

It appears the **fog is lifting** in the Greater Lansing office market and we anticipate continued gradual increase in office utilization throughout the market.

Figure 5: H2 2025 Absorption - Percent Change
Leased Buildings Comprising **≥5,000 SF**



Source: Martin Commercial Properties, Inc.

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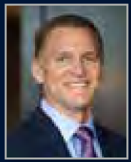

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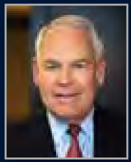

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