

# Greater Lansing Area Industrial & Logistics, Q2 2018

## Demand outpaces supply, pushing rents upward

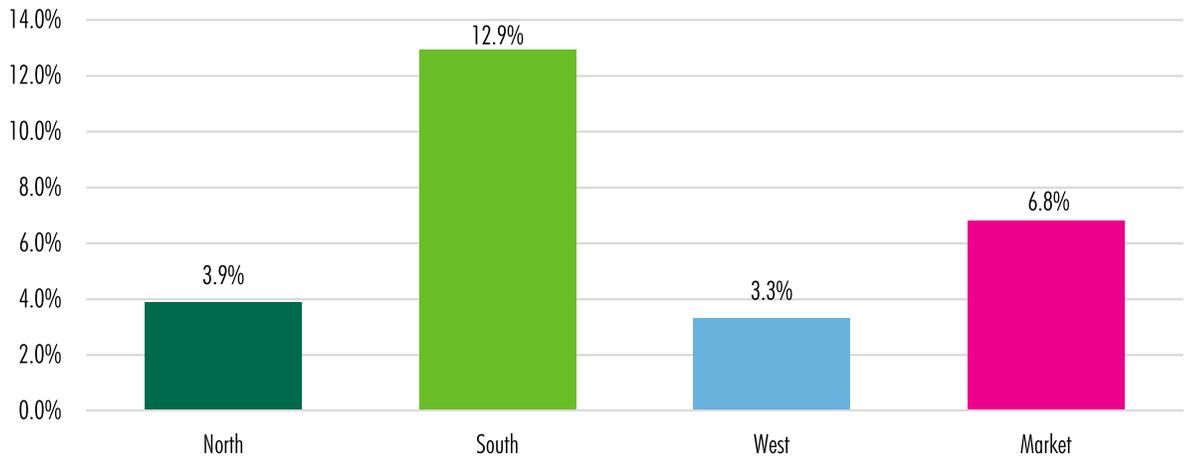
**▲** Vacancy Rate  
**6.8%**

**▲** Net Absorption  
**37,163 SF**

**▶** Completions  
**0 SF**

\*Represents buildings of 20,000+ sq. ft.  
Arrows indicate change from previous period.

Figure 1: Market Vacancy – Leasable Buildings Comprising 20,000+ Sq. Ft.



Source: CBRE Research, Q2 2018.

- Supply is not keeping up with demand, pushing up rental rates and causing users to become more efficient in their space.
- Vacancies remain below national average.
- Industrial users are seeking space in non-traditional buildings.
- Continued demand and insufficient inventory of space has prompted interest in build-to-suit development; however, it is tempered due to high labor and material costs.
- The local medical marijuana industry has removed significant blocks of vacancies in several municipalities via property sales and options.

### MARKET SNAPSHOT

The majority of the Greater Lansing industrial market is owner-occupied. (See Figure 11.) The area’s most active industrial sectors are the West Submarket, the South Submarket and the North Submarket.

The West Submarket is the area’s largest sector and home to General Motors’ 3.6 Million sq. ft. Delta Assembly Plant and 2.3 Million sq. ft. warehouse; over 3 Million sq. ft. of warehouse/ distribution space for Meijer; and approximately one million sq. ft. of manufacturing/ distribution space for Spartan Motors.

The South Submarket is the second largest industrial sector. Its largest users include General Motors (3.4 Million sq. ft. Lansing Grand River Plant); Michigan Forge (1.2 Million sq. ft.); and Dart Container (1.15 Million sq. ft.).

*\*Continued on page 3.*

**Figure 2: Market Statistics – Leasable Buildings Comprising 20,000+ Sq. Ft.**

Submarket	Market Rentable Area (SF)	Vacancy (SF)	Vacancy Rate (%)	Availability Rate (%)	Net Absorption (SF)	Completions (SF)	Asking Lease Rates* (\$/SF/Yr)
North	1,610,171	62,482	3.9	3.9	87,980	0	3.00-6.00
South	3,445,918	446,127	12.9	12.9	(27,801)	0	4.00-7.00
West	4,738,423	157,486	3.3	9.8	(23,016)	0	5.00-6.00
<b>Totals</b>	<b>9,794,512</b>	<b>666,095</b>	<b>6.8</b>	<b>9.9</b>	<b>37,163</b>	<b>0</b>	

\*NNN Rates

Source: CBRE Research, Q2 2018.

**Figure 3: Market Statistics – Gross (Leasable & Owner Occupied) Buildings Comprising 20,000+ Sq. Ft.**

Submarket	Market Area (SF)	Vacancy (SF)	Vacancy Rate (%)	Completions
North	6,407,608	105,978	1.7	0
South	12,280,668	388,413	3.2	0
West	16,445,759	282,076	1.7	0
<b>Totals</b>	<b>35,134,035</b>	<b>776,467</b>	<b>2.2</b>	<b>0</b>

Source: CBRE Research, Q2 2018.

**Figure 4: Market Statistics – Leasable Buildings Comprising 10,000-19,999+ Sq. Ft.**

Submarket	Market Rentable Area (SF)	Vacancy (SF)	Vacancy Rate (%)	Availability Rate (%)	Completions (SF)	Asking Lease Rates* (\$/SF/Yr)
North	68,918	10,550	15.3	15.3	0	3.00-4.00
South	284,073	35,228	12.4	12.4	0	4.00-7.00
West	186,521	10,446	5.6	5.6	0	6.00-7.00
<b>Totals</b>	<b>539,512</b>	<b>56,224</b>	<b>10.4</b>	<b>10.4</b>	<b>0</b>	

\*NNN Rates

Source: CBRE Research, Q2 2018.

Figure 5: Market Statistics – Gross (Leasable & Owner Occupied) Buildings Comprising 10,000-19,999+ Sq. Ft.

Submarket	Market Area (SF)	Vacancy (SF)	Vacancy Rate (%)	Completions
North	486,708	10,550	2.2	0
South	787,687	47,228	6.0	0
West	320,420	10,446	3.3	0
<b>Totals</b>	<b>1,594,815</b>	<b>68,224</b>	<b>4.3</b>	<b>0</b>

Source: CBRE Research, Q2 2018.

**MARKET SNAPSHOT**

*Continued from page 1.*

The smallest industrial sector surveyed is the North Submarket. Its largest industrial users include Peckham, Inc.; Dakkota Integrated Systems; and LOC Performance Products. It is interesting to note that the North Submarket recently increased in size via the addition of a non-traditional building. The 133,480 sq. ft. vacated K-Mart building in St. Johns was sold in March 2018 and repurposed for multi-tenant industrial use. By the end of Q2 2018, it was 75% occupied.

The availability of quality space is at historic lows, and though restrained due to cost, we are seeing an increased interest in build-to-suit development. No speculative construction is anticipated in the near future.

For purposes of this and future MarketViews, CBRE has expanded its survey base from leasable 20,000+ sq. ft. industrial buildings to leasable and gross (including leasable and owner-occupied) industrial buildings comprising a minimum of 10,000 sq. ft.

Accordingly, over 36.7 Million sq. ft. of industrial product was studied this period, 28.1% of which (10.3 Million sq. ft.) is considered leasable space, while the balance (71.9% or 26.4 Million sq. ft.) is owner-occupied.

• **Buildings Comprising 20,000+ Sq. Ft.**

Over 35.1 Million sq. ft. of industrial buildings comprising 20,000+ sq. ft. was surveyed, of which nearly 9.8 Million sq. ft. (27.6%) is considered leasable space. The balance is owner-occupied.

• **Buildings Comprising 10-19,999 Sq. Ft.**

Approximately 1.6 Million sq. ft. of industrial buildings comprising 10,000-19,999 sq. ft. was studied. Nearly 540,000 sq. ft. of this product (34.2%) is considered leasable space. The balance is owner-occupied.

**NATIONAL SNAPSHOT**

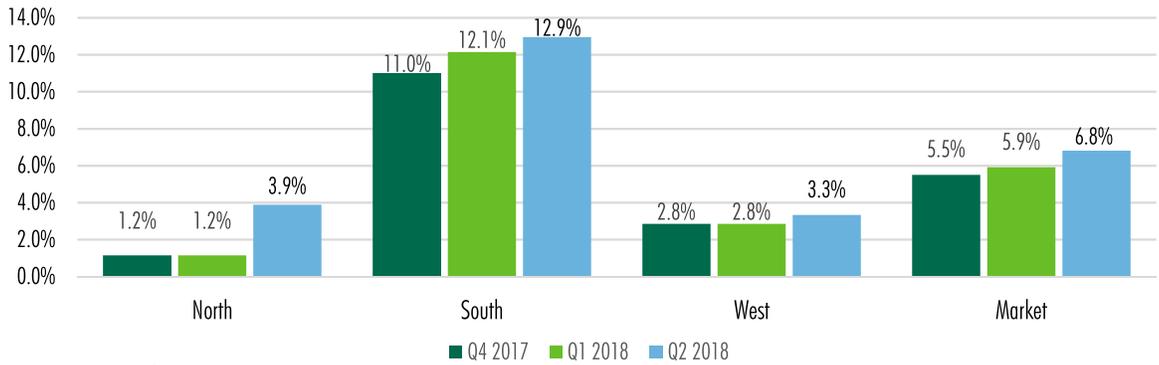
According to CBRE Research, an extended economic growth cycle and a rise in e-commerce are fueling increased demand for U.S. industrial & logistics (I&L) real estate, with no near-term end in sight.

I&L demand historically has been correlated to overall U.S. economic growth cycles that typically have lasted for seven to eight years since the 1960s. Industrial real estate tends to lag economic recovery by two years. The economy last exited recession in 2009, but industrial real estate didn't bottom out until 2011 when rents started to rise.

In recent years, e-commerce sales growth has caused a fundamental shift in goods fulfillment from retail stores to warehouses. This has created a new demand paradigm that provides durability and substantial growth potential for I&L real estate.

While most top industrial markets are well into the expansion or maturation phases of the current cycle, they could remain there for an extended time if positive fundamentals persist.

**Figure 6: History of Vacancies - Leasable Buildings Comprising 20,000+ Sq. Ft.**



Source: CBRE Research, Q2 2018.

**VACANCIES**

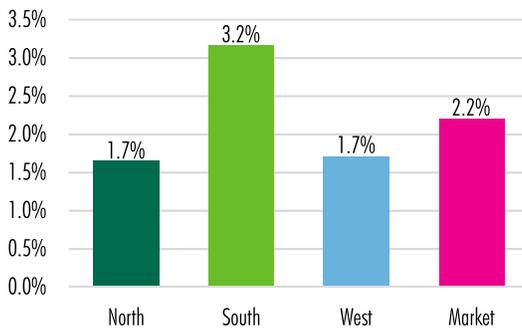
• **Buildings Comprising 20,000+ Sq. Ft.**

Industrial vacancies for leasable buildings comprising a minimum of 20,000 sq. ft. in the Greater Lansing Area average 6.8% in Q2 2018, up from 5.9% charted in Q1 2018. This escalation was due to moderate increases in availability in a handful of properties throughout the market.

Vacancies of gross space (leasable and owner-occupied) average 2.2% this period, clearly demonstrating the strength of the Greater Lansing Area industrial market.

From a geographic perspective, the West Submarket is the strongest sector with vacancies averaging 3.3% for leasable product and 1.7% for gross product. Not surprisingly, the West Submarket comprises the majority of newer, more efficient product.

**Figure 7: Vacancies – Gross Buildings Comprising 20,000+ Sq. Ft.**

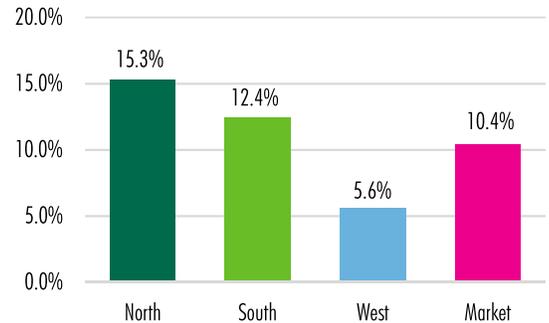


Source: CBRE Research, Q2 2018.

• **Buildings Comprising 10,000-19,999 Sq. Ft.**

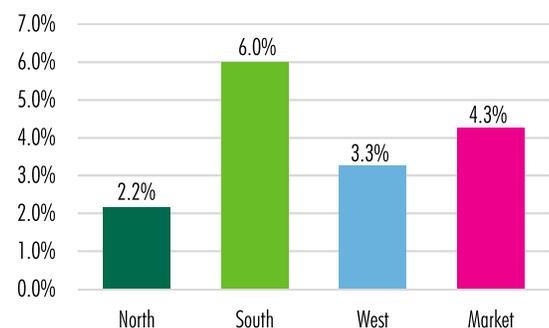
Industrial vacancies for leasable buildings comprising a 10,000-19,999 sq. ft. in the Greater Lansing Area average 10.4% in Q2 2018 and gross vacancies average 4.3%.

**Figure 8: Vacancies - Leasable Buildings Comprising 10,000-19,999 Sq. Ft.**



Source: CBRE Research, Q2 2018.

**Figure 9: Vacancies – Gross Buildings Comprising 10,000-19,999 Sq. Ft.**



Source: CBRE Research, Q2 2018.

#### LARGE TRANSACTIONS

Major leases reported this period were few and include a new 35,000 sq. ft. lease to Distribution Management Associates at 2119 South US-27 in St. Johns (North Submarket).

Industrial building sales were steady throughout Q2 2018. The largest reported sales included:

- 1415 Lake Lansing Road facility (31,663 sq. ft. @ \$1.3 Million) - North Submarket;
- 815 Terminal facility (11,577 sq. ft. @ \$800,000) - North Submarket; and
- 1669 East Jolly Road facility (16,515 sq. ft. @ \$659,000) - South Submarket.

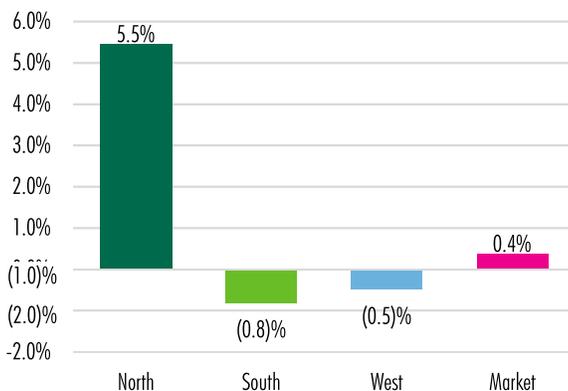
#### ABSORPTION

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

For buildings comprising a minimum of 20,000 sq. ft., absorption ticked up slightly over the past three months. 37,163 sq. ft. (0.4%) was absorbed during Q2 2018, up from negative 39,234 sq. ft. absorbed during Q1 2018. All positive absorption occurred in the North Submarket.

Absorption for the remaining building classifications will be charted in future MarketView publications.

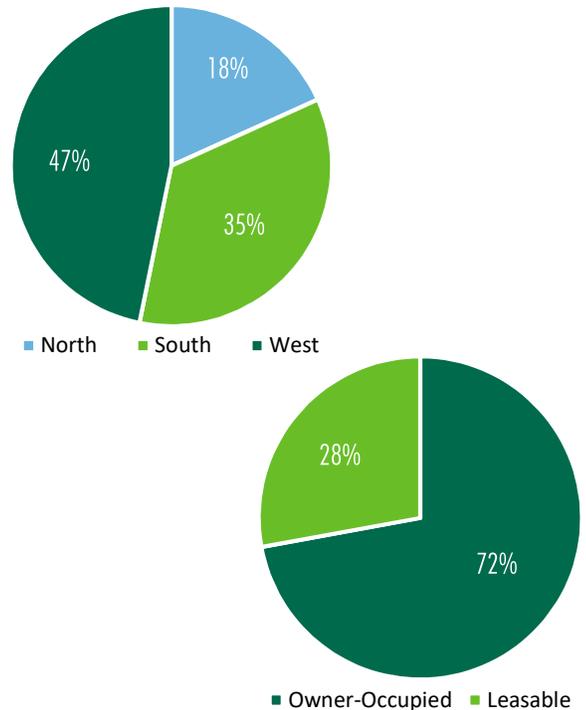
Figure 10: Absorption – Leasable Buildings Comprising 20,000+ Sq. Ft.



Source: CBRE Research, Q2 2018.

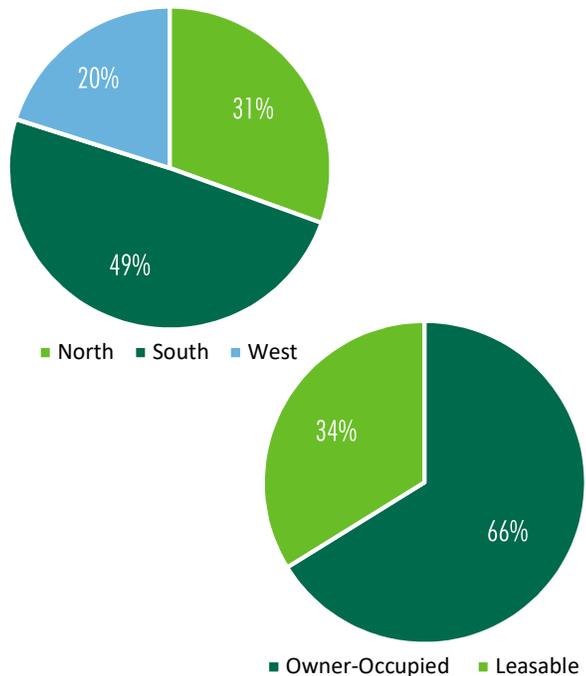
#### MARKET COMPOSITION

Figure 11: Market Composition Buildings Comprising 20,000+ Sq. Ft.

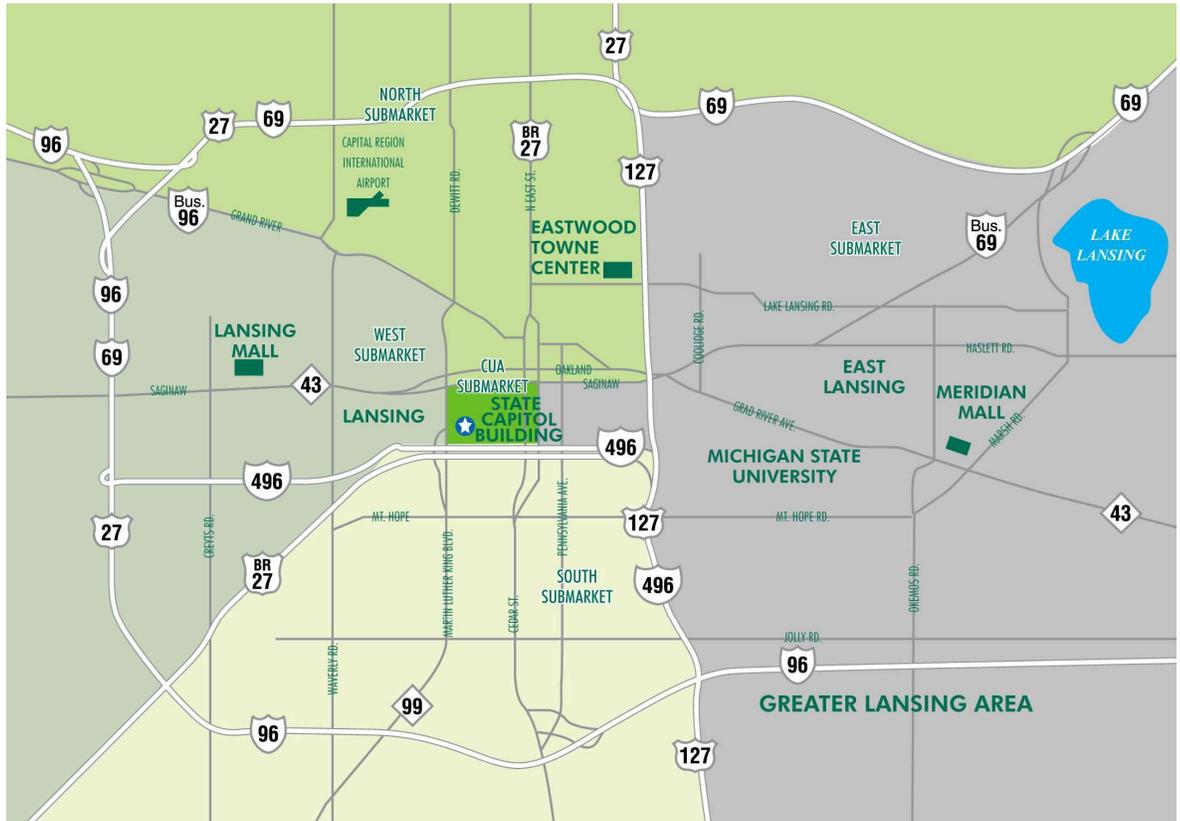


Source: CBRE Research, Q2 2018.

Figure 12: Market Composition Buildings Comprising 10,000-19,999 Sq. Ft.



Source: CBRE Research, Q2 2018.



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