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Greater Lansing Area Industrial, H2 2015

Market vacancies continue to decline

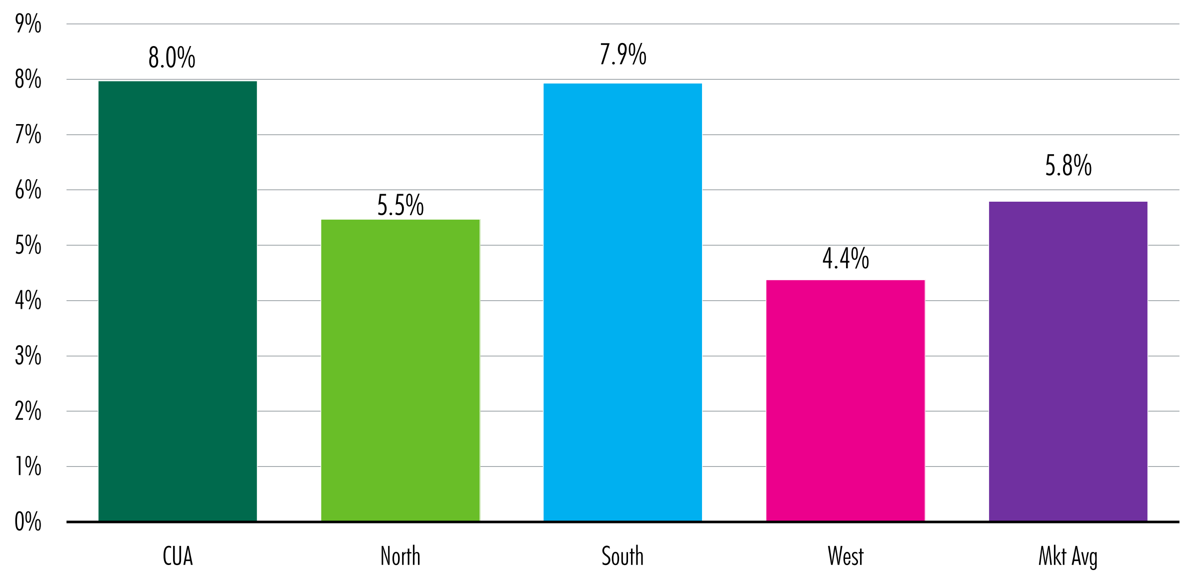
Vacancy Rate 5.8%

Net Absorption 85,554 SF

Completions 0 SF

*Arrows indicate change from previous period.

Figure 1: Market Vacancy



Source: CBRE Research, H2 2015.

- •Area vacancy rate tumbles to nearly half the national average.
- •Market tightens further; Class A space at historic lows.
- •Owner-user construction dominates market; no speculative construction in the pipeline.
- •600,000 sq. ft. GM Stamping Plant underway.
- •500,000 sq. ft. Meijer dry goods warehouse under construction.
- •Munters signs long-term lease; breaks ground on 110,000 sq. ft. industrial building.
- •Triton Industries renovating 160,000 sq. ft. facility on Lowell Road.
- •Lyden Oil purchases 56,000 sq. ft. former Federal Express building on National Parkway.

MARKET COMPOSITION

The Greater Lansing industrial market comprises over 8.5 million sq. ft. of leased space.

Home to General Motors, the West Submarket contains 49% of the market's leased space. The smallest submarket is the Central Urban Area ("CUA"), with 8% of the leasable product.

The availability of quality space is at historic lows, and we are seeing an increase in owner-occupied build-to-suit activity, in which sophisticated companies will pay top prices for state-of-the-art spaces. No speculative construction is anticipated in the near future.

Figure 2: Market Statistics – Leasable Space

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate (%)	Avail. Rate (%)	H2 2015 Net Absorption (SF)	Completions (SF)	Asking Lease Rates* ($/SF/Yr)
CUA	577,134	46,000	8.0	8.0	0	0	3.00-4.25
North	1,346,323	73,654	5.5	5.5	(8,856)	0	2.50-4.25
South	2,406,372	190,856	7.9	7.9	67,410	0	3.50-7.00
West	4,226,846	185,000	4.4	4.4	27,000	0	2.95-4.95
Totals	8,556,675	495,510	5.8	5.8	85,554	0	2.50-7.00

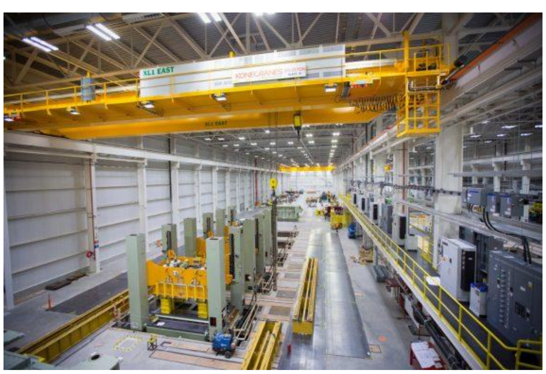
*NNN Rates
Source: CBRE Research, H2 2015.

NATIONAL SNAPSHOT

According to CBRE Research, the warehouse and distribution segment is benefitting from cheaper prices of foreign goods and healthy consumer sentiment. Lower gas prices result in more disposable income, greater consumer consumption, and ultimately, more demand for the goods that run through the industrial supply chain.

The U.S. vacancy rate of industrial space fell to 9.4% in H2 2015, representing the lowest rate since 2001.

Nationwide, a total of 41.6 million sq. ft. of new supply was added in H2 2015 and nearly 149 million sq. ft. were built throughout the year, making 2015 the strongest year since 2008.



GM Stamping Plant

GREATER LANSING AREA SNAPSHOT

Greater Lansing vacancies dropped from 7.8% in H1 2015 to 5.8% in H2 2015 as a result of moderate leasing activity, creating an even greater shortage of quality space.

Munters signed a long-term lease in H2 2015 for a 110,000 sq. ft. build-to-suit facility (presently under construction) in the West Submarket; however, no other build to suits are currently planned or under construction, as owner-user activity continues to dominate the majority of new construction developments.

Owner-user projects currently under construction in the West Submarket include a 600,000 sq. ft. General Motors stamping plant at the Lansing Grand River Assembly Complex and a 500,000 sq. ft. Meijer dry goods warehouse at the Southwest corner of Creyts and Mt. Hope.

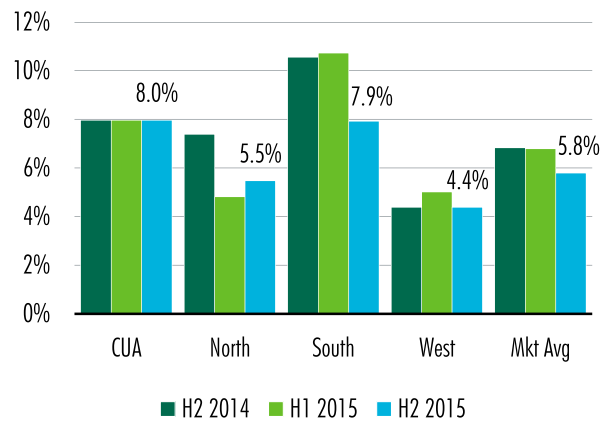
The majority of market vacancy is within obsolete buildings. H2 2015 demand did not outweigh supply; however, activity of new and existing users is expected to increase. With few existing quality industrial buildings able to accommodate a 50,000 sq. ft. industrial user, we anticipate an increase in demand for build-to-suit projects in 2016.

VACANCIES

Industrial vacancies in Greater Lansing average 5.8% (495,510 sq. ft.) in H2 2015, down from 6.8% charted in both H1 2015 and H2 2014.

From a geographic perspective, the North and West Submarkets are experiencing the lowest average vacancy rates (5.5% and 4.4%, respectively), while the South submarket is experiencing the highest average vacancy (7.9%). There is a wide gap between Class A and Class B/C vacancy, and the submarkets with higher vacancy possess a higher percentage of outdated facilities.

Figure 3: History of Vacancies



Source: CBRE Research, H2 2015.

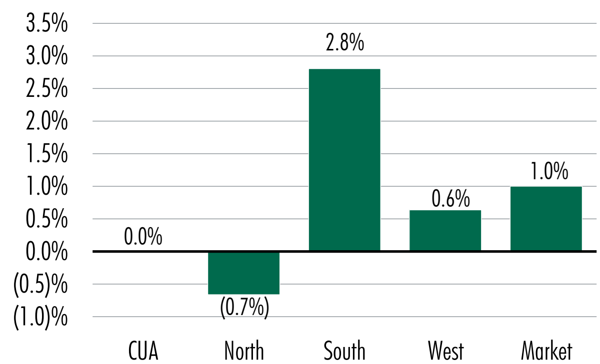
ABSORPTION

Absorption is the net change in physically occupied space from one period to the next. Over the past six months, net absorption of leasable industrial space totaled 85,554 sq. ft.

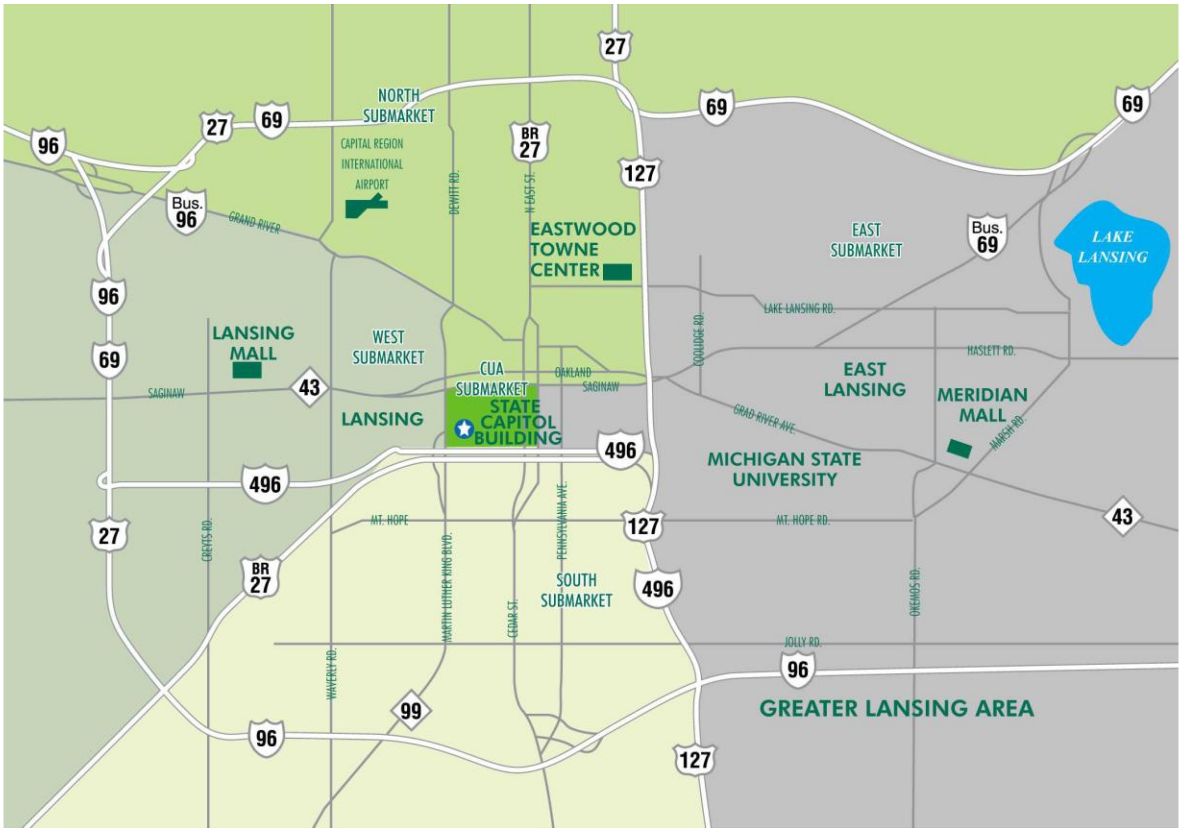
Due to lack of space, leasing activity was moderate during H2 2015; however, several notable transactions occurred, including Automatic Systems leasing over 43,000 sq. ft. on Jarco Drive in the South Submarket and United Rentals leasing 27,000 sq. ft. on South Canal in the West Submarket.

The 220,000 sq. ft. Facility for Rare Isotope Beams is under construction on the MSU campus. This scientific facility is anticipated to create over $1 billion in economic activity in Michigan.

Figure 4: Net Absorption



Source: CBRE Research, H2 2015.



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