

Greater Lansing Area Retail, H2 2015

Mixed-use and outlet development on the rise

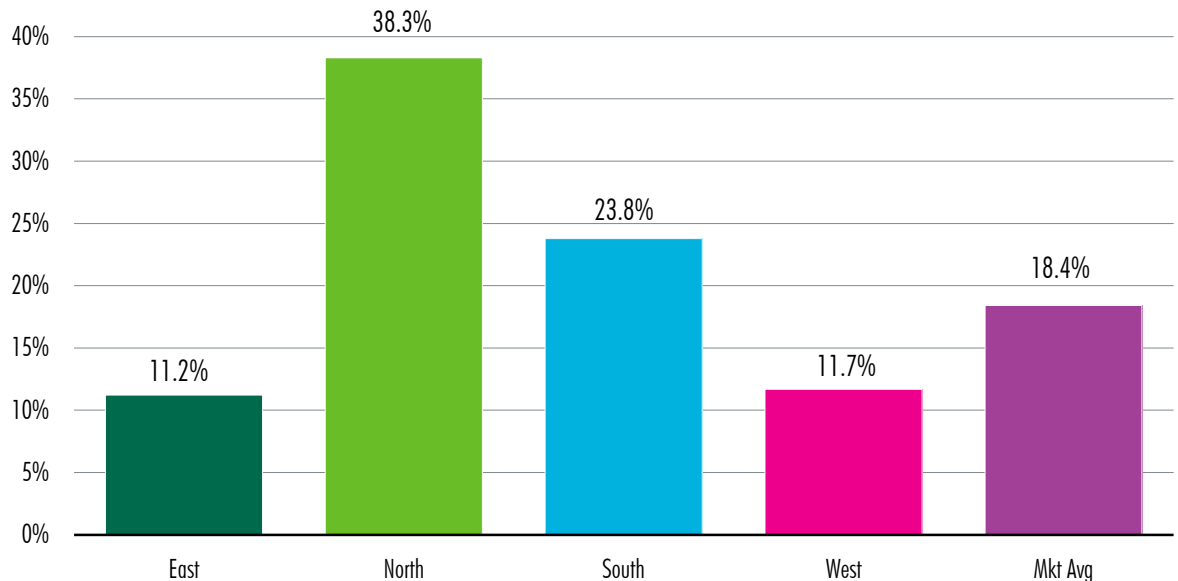
 **Vacancy Rate**
18.4%

 **Net Absorption**
(19,087 SF)

 **Completions**
19,800 SF

*Arrows indicate change from previous period.

Figure 1: Market Vacancy



Source: CBRE Research, H2 2015.

- Vacancy increased in all but one submarket.
- Absorption was positive in all but one submarket.
- Speculative construction was limited to the East submarket.
- A number of Meijer outlets are being developed throughout the market.
- Retail continues to be a valued component of new mixed-use projects, including Trowbridge Village and Lake Lansing Center.
- Several additional mixed-used developments are planned, including Vista at the Heights, SkyVue, Red Cedar Renaissance, East Town Flats, The Square, and a new mixed-use project on the former Days Inn site.

MARKET COMPOSITION

Nearly eight million sq. ft. of strip center space was surveyed in the Greater Lansing Area. The largest submarket is the East Submarket, home to Michigan State University, with 35.8% of the market. The smallest submarket is the North Submarket, with 16.3% of the market.

The most active retail corridors are found in the North Submarket, near the US-127/Lake Lansing interchange; in the East Submarket, along the Grand River corridor near Michigan State University; and in the West Submarket, near the I-96/West Saginaw interchange.

Figure 2: Market Statistics

Submarket	Market Rentable Area (SF)	Market Share (%)	Vacant (SF)	Vacancy Rate (%)	H2 2015 Net Absorption (SF)	Completions (SF)	NNN Service Asking Lease Rates (\$/SF/Yr)
East	2,822,327	35.8	317,012	11.2	9,803	19,800	4.00-25.00
North	1,285,471	16.3	492,236	38.3	(49,310)	0	8.00-32.00
South	1,672,635	21.2	397,765	23.8	1,265	0	5.00-19.75
West	2,102,113	26.7	245,362	11.7	19,155	0	7.00-17.00
Market	7,882,556	100.0	1,452,375	18.4	(19,087)	19,800	4.00-32.00

Source: CBRE Research, H2 2015.

MARKET GROWTH

A number of commercial buildings were completed in the market during H2 2015; however, only the new Trowbridge Village mixed-use urban center near MSU in the East Submarket with 13,000 sq. ft. of retail space and the 6,800 sq. ft. Sunoco/Jimmy Johns/Dunkin Donuts in Okemos near I-96 in the East Submarket, fit the criteria of this survey base (5,000+ sq. ft. of leased strip center space). The balance of new construction comprises smaller leased product or owner-occupied space, including: 17,651 sq. ft. for Aldi Foods on Marsh Road in the East Submarket, 6,500 sq. ft. for O'Reilly's Auto Parts on North East Street in the North Submarket and a 2,625 sq. ft. Lake Trust Credit Union branch on Lake Lansing Road in front of Meijer in the East Submarket.

Both build-to-suit and speculative development will continue into 2016 and beyond. A host of new product is under construction, including Lake Lansing Center, a 2-story 20,000 sq. ft. mixed-used facility at the corner of Coolidge and Lake Lansing Road in the East Submarket; a 6,000 sq. ft. strip center for tenants Jimmy Johns and Mattress Firm on the former Goodyear site on Grand River near Meijer in the East Submarket; 44,000 sq. ft. for Whole Foods on Grand River in the East Submarket; 3,425 sq. ft. for Aspen Dental on a Meijer outlot on West Saginaw in the

West Submarket; and the 18,934 sq. ft. Grand Ledge Town Center on West Saginaw Highway in Grand Ledge in the West Submarket, which will host Speedway, Dollar Tree and Verizon.

Much of this new development is strategically located near big box developments, as smaller tenants hope to capitalize on the activity generated by larger retailers.

Two major developments are planned for the Michigan Avenue Corridor. The first is the \$276 million Red Cedar Renaissance Project, which proposes residential apartments, retail, offices and a full-service Hyatt hotel on the former Red Cedar Golf Course site in the East Submarket. The second is the \$77 million SkyVue development, which proposes a 9-story building with 359 apartments and retail space on the former Story Oldsmobile site in the East Submarket. A mixed-use project, The Square, is planned for Grand River and Park Lake Road in the East Submarket, and will comprise a mix of 220 residential units and 15,000 sq. ft. of retail. Another O'Reilly's Auto Parts is slated for opening on Grand River in the East Submarket, and a new mixed-use development is planned for the former Days Inn site on West Saginaw, near I-96 in the West Submarket.

RETAILERS ON THE MOVE

Recent movers and shakers within the Greater Lansing Area include organic food stores, auto parts stores, apparel stores, banks and restaurants. While some of these users are prompting new development, others are retrofitting and absorbing large second generation high-profile vacancies.

Examples of major market absorption during H2 2015 include Gordman’s – 50,000 sq. ft. in the Meridian Mall in the East Submarket, Tequila Cowboy Bar & Grill - 18,000 sq. ft. in the Lansing Mall in the West Submarket, Airtime Trampoline Parks – 33,000 sq. ft. near Home Depot in Waverly Plaza in the South Submarket, Elite Fitness – 5,300 sq. ft. in Waverly Plaza in the South Submarket, and RuiHengFeng Catering Co – 5,000 sq. ft. in Hannah Plaza in the East Submarket.

Originally slated for a 2015 opening along Grand River Avenue in the East Submarket, Whole Foods was forced to delay the event due to its decision to add an additional 9,000 sq. ft. The grocer will celebrate the grand opening of its new stand-alone 44,000-sq.-ft. store sometime this year.

Retail sales are expected to increase in 2016 despite negative overall absorption, and we anticipate continuing interest from retailers seeking to enter or expand in the market.

VACANCIES

Over the past six months, the average vacancy for leasable space within the Greater Lansing Area increased slightly from 17.7% to 18.4%. Both the east and west sectors outperformed the balance of the market with vacancy rates of 11.2% and 11.7%, respectively.

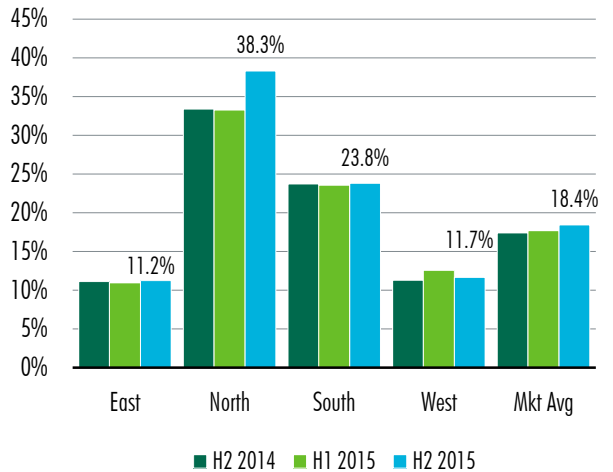
It should be noted that Class A space with good visibility along high-traffic corridors is in demand and not readily available. This has prompted build-to-suit activity, as evidenced above.

ABSORPTION

Net absorption of leasable space during H2 2015 was positive in all submarkets except for the North Submarket, and totaled negative 19,087 sq. ft. (-0.2%). Contributing to this figure is the recent vacancy of New City Buffet in the East Submarket and NCS Pearson in the West Submarket.

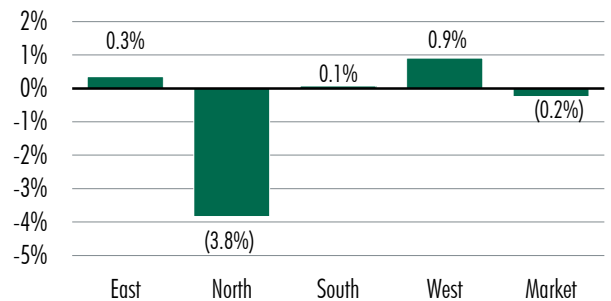
The West Submarket fared the best, with 19,155 sq. ft. of net absorption, while the North Submarket fared the worst with negative 49,310 sq. ft. of net absorption.

Figure 3: History of Vacancies

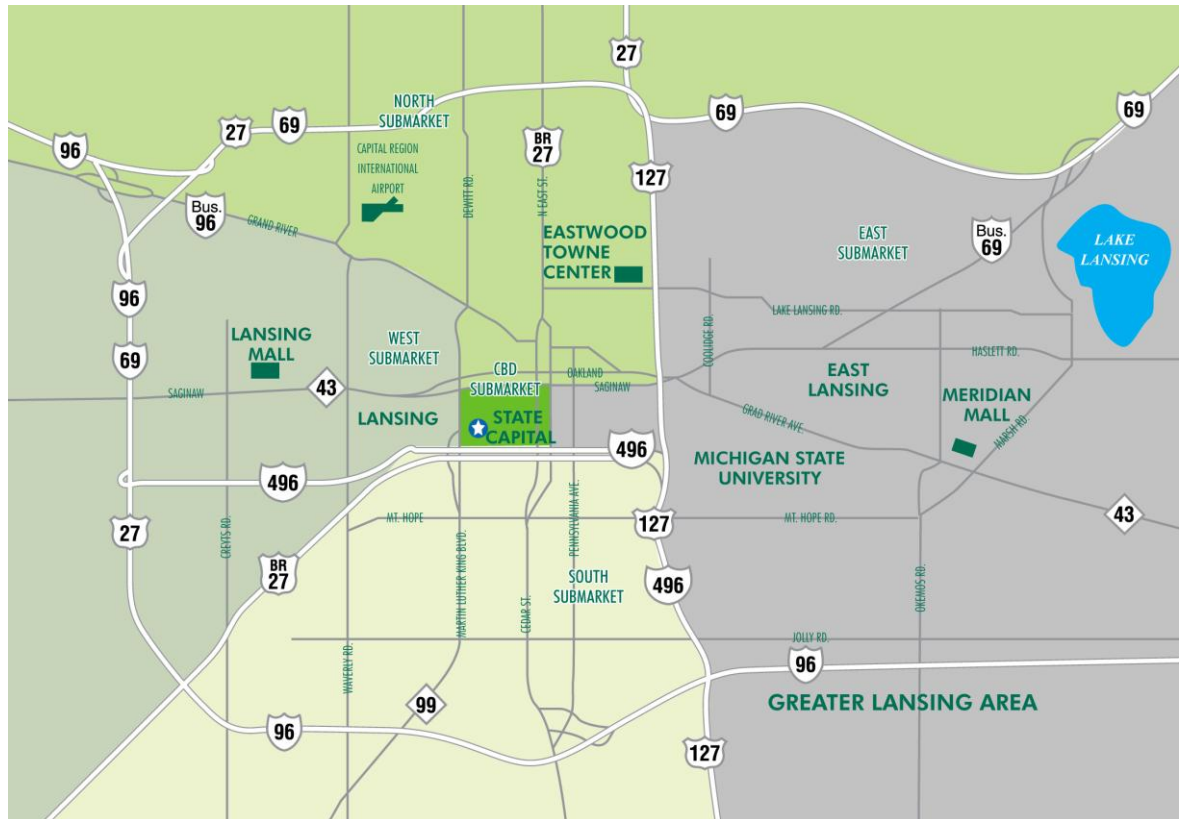


Source: CBRE Research, H2 2015.

Figure 4: Net Absorption



Source: CBRE Research, H2 2015.

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