

Greater Lansing Area Industrial & Logistics, H1 2016

Steady leasing activity as space options decrease

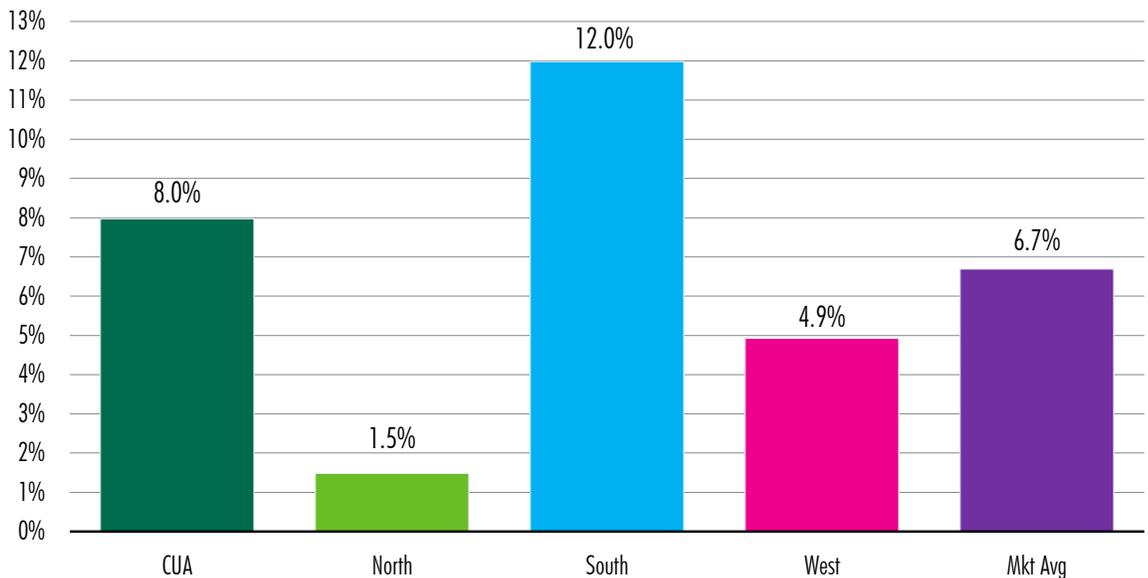
 **Vacancy Rate**
6.7%

 **Net Absorption**
122,464 SF

 **Completions**
0 SF

*Arrows indicate change from previous period.

Figure 1: Market Vacancy



Source: CBRE Research, H1 2016.

MARKET COMPOSITION

The Greater Lansing industrial market comprises over 8.7 million sq. ft. of leased space.

Home to one of the world's largest automotive manufacturers, the West Submarket contains 51% of the market's leased space. The smallest submarket is the Central Urban Area ("CUA"), with 6.6% of the leasable product.

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

- Market continues to tighten; Class A space at historic lows.
- North Submarket vacancy rate tumbles to 1.5%.
- Negotiating power favors landlords.
- Lack of available options forcing tenants to become more efficient within their existing spaces.
- Corix Utilities signs long-term lease on 53,000 sq. ft. building in West Submarket.
- Owner-User and Build-to-Suit construction dominates market; no speculative construction in the pipeline.
- TFT Global signs long-term lease; breaks ground on 50,000 sq. ft. industrial building.
- 600,000 sq. ft. major automotive manufacturing stamping plant completed.
- 55,000 sq. ft. Michigan CAT Dealership completed.

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	1,141,658	16,982	1.5	1.5	0	0	2.52-6.15
South	2,496,222	298,986	12.0	12.0	31,720	0	2.25-5.50
West	4,502,159	221,576	4.9	4.9	90,744	0	2.95-3.25
Totals	8,717,173	583,544	6.7	6.7	122,464	0	2.25-6.15

*NNN Rates

Source: CBRE Research, H1 2016.

NATIONAL SNAPSHOT

According to CBRE Research, despite some global and domestic economic uncertainty, the industrial real estate market continues to expand in most parts of the United States. Growth in the industrial market continued in H1 2016, where both the vacancy and availability rate dropped by 20 basis points (bps) to 5.2% and 8.7% respectively. Net asking rents have responded to the tight supply by growing 4.6% year-over-year to a new cycle high of \$6.36 per sq. ft.

The U.S. industrial market expanded for a 12th consecutive half, logging 123.5 million sq. ft. of positive net absorption in H1 2016. A total of 74.1 million sq. ft. of new supply was added nationwide in H1 2016—a volume comparable to recent averages but, for the 12th consecutive half, short of demand.

GREATER LANSING AREA SNAPSHOT

Greater Lansing vacancies increased slightly from 5.8% in H2 2015 to 6.7% in H1 2016. Leasing activity overall was steady, creating an even greater shortage of large quality spaces and an increase in asking rental rates. Due to the aforementioned fundamentals, tenants are becoming more efficient within their existing spaces and, as a result, we are seeing more lease renewals.

TFT Global – a third party logistics company - signed a long-term lease in H1 2016 for a 50,000 sq. ft. build-to-suit facility (presently under construction) in the West Submarket.

TFT Global will lease the \$2 million building on four acres of land on Empire Way to provide sequencing of inner door panels for various vehicle models manufactured at a major U.S. automotive manufacturer's Lansing Delta Township assembly plant. Munters continues with its 110,000 sq. ft. build-to-suit project in the West Submarket, which is scheduled to be completed in late H2 2016. No other build-to-suit projects are currently planned or under construction, as owner-user activity continues to dominate the majority of new construction developments.

Regarding owner-user projects, a major U.S. automotive manufacturer completed its 600,000 sq. ft. stamping plant at the Lansing Grand River Assembly Complex in the West Submarket during H1 2016; Michigan CAT completed its 55,000 sq. ft. dealership in the West Submarket; and the 500,000 sq. ft. Meijer dry goods warehouse at the Southwest corner of Creyts and Mt. Hope in the West Submarket is scheduled to be completed during H2 2016. Owner-user completions are not charted. No speculative or build-to-suit completions were realized during H1 2016.

The majority of market vacancy continues to exist within obsolete buildings. H1 2016 demand did not exceed 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. user, we continue to see an increase in demand for build-to-suit projects in the second half of 2016 and into 2017.

VACANCIES

Industrial vacancies in Greater Lansing average 6.7% (550,670 sq. ft.) in H1 2016, up from 5.8% charted in H2 2015 primarily as a result of two previously owner occupied facilities becoming available for lease within the South and West Submarkets.

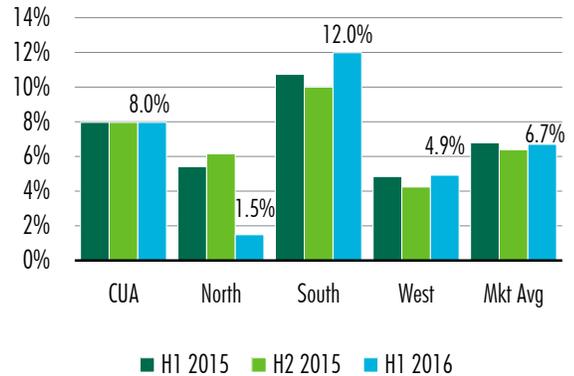
From a geographic perspective, the North and West Submarkets are experiencing the lowest average vacancy rates (1.5% and 4.9% respectively), while the South Submarket is experiencing the highest average vacancy (12.0%). There is a wide gap between Class A and Class B/C vacancy, and the submarkets with higher vacancy possess a higher percentage of outdated facilities.

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 122,464 sq. ft. largely as a result of moderate leasing activity within the South and West Submarkets.

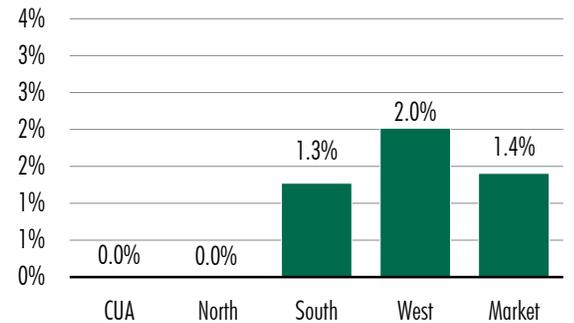
Leasing activity advanced at a modest pace during H1 2016. Some of the notable transactions included Corix Utilities leasing over 53,000 sq. ft. of new space on Northport Drive in the West Submarket and the Antolin Interiors USA, Inc. lease renewal of 138,126 sq. ft. on Sunset Avenue also in the West Submarket. Leasing activity in the South Submarket included several smaller sized transactions.

Figure 3: History of Vacancies

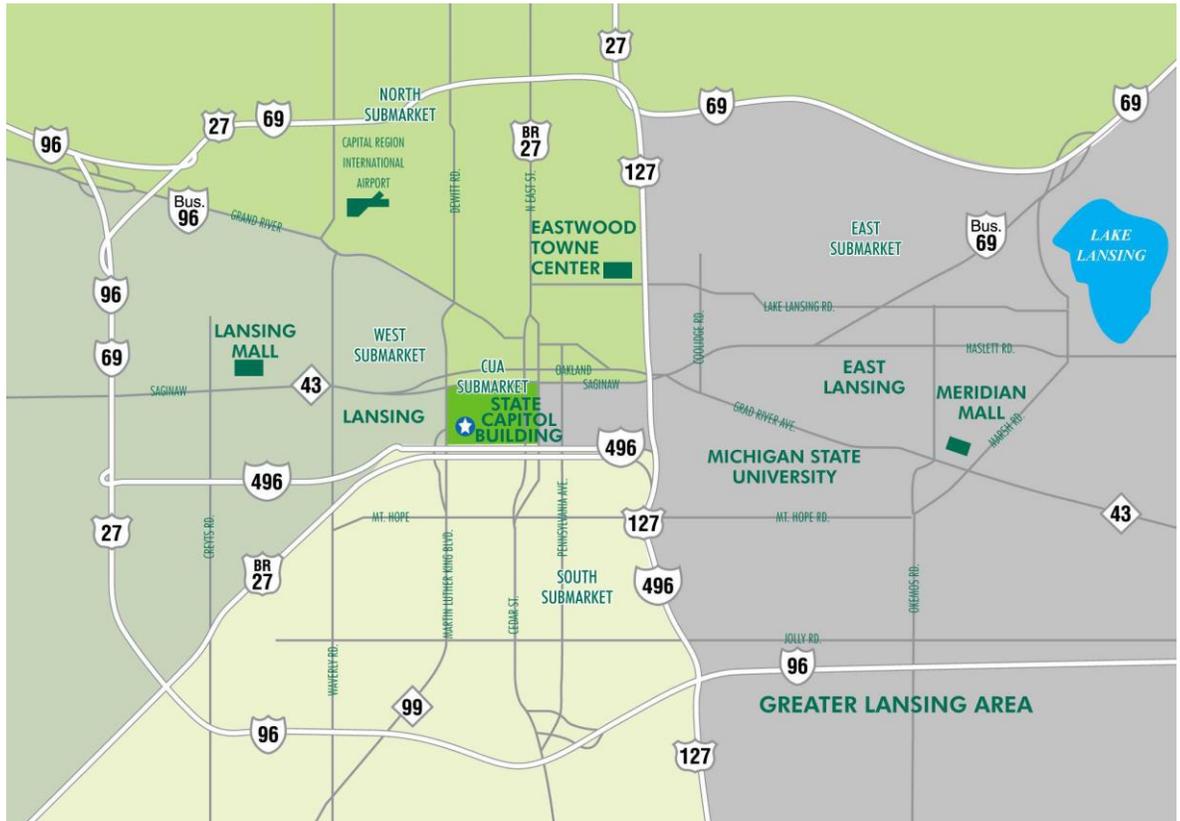


Source: CBRE Research, H1 2016.

Figure 4: Net Absorption



Source: CBRE Research, H1 2016.



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