

Greater Lansing Area Retail, H1 2016

Positive absorption within all submarkets

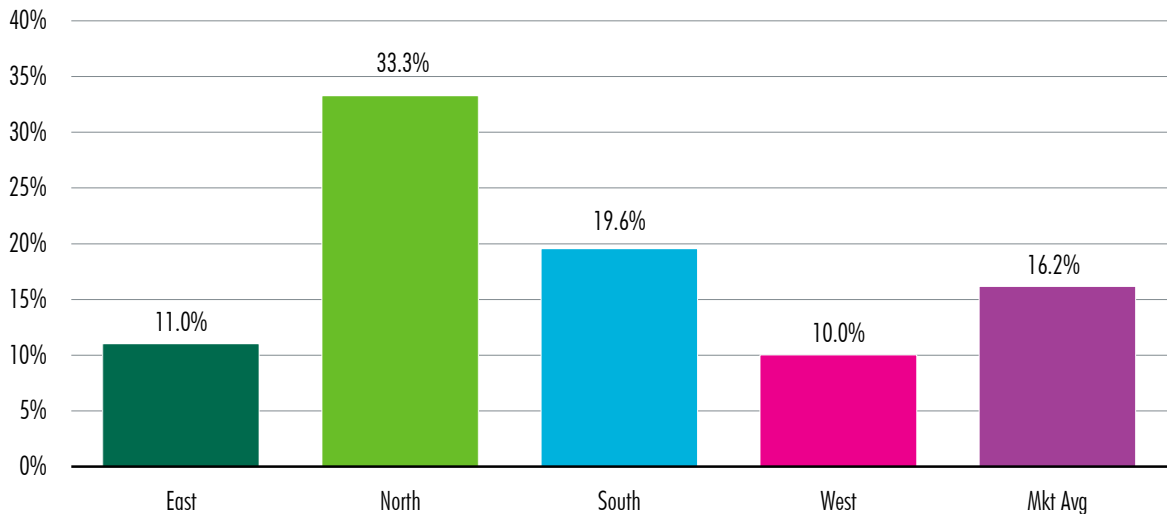
 **Vacancy Rate**
16.2%

 **Net Absorption**
216,015 SF

 **Completions**
70,511 SF

*Arrows indicate change from previous period.

Figure 1: Market Vacancy



Source: CBRE Research, H1 2016.

- Vacancy decreased in all submarkets.
- Absorption exceeded 216,000 sq. ft.
- Speculative construction underway in all submarkets.
- Fast casual and quick-service restaurants lead the way for expansion throughout the market.
- Several mixed-used developments are underway near the MSU campus including SkyVue, East Town Flats and the Gateway project at 300 West Grand River Avenue.
- Several new hotels are planned or under construction in the market.
- Planet Fitness leases 23,000 sq. ft. in the South Submarket

MARKET COMPOSITION

Nearly eight million sq. ft. of retail 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 Avenue corridor near Michigan State University; and in the West Submarket, near the I-96/West Saginaw Highway interchange.

Figure 2: Market Statistics

Submarket	Market Rentable Area (SF)	Market Share (%)	Vacant (SF)	Vacancy Rate (%)	H1 2016 Net Absorption (SF)	Completions (SF)	NNN Service Asking Lease Rates (\$/SF/Yr)
East	2,822,337	36.3	317,170	11.0	54,205	58,000	8.00-28.00
North	1,285,471	16.2	427,826	33.3	64,410	4,960	8.00-32.00
South	1,672,635	21.0	325,119	19.6	62,291	4,126	6.00-17.00
West	2,102,113	26.5	210,535	10.0	35,109	3,425	7.00-17.00
Market	7,882,556	100.0	1,280,650	16.2	216,015	70,511	6.00-32.00

Source: CBRE Research, H1 2016.

NATIONAL SNAPSHOT

Employment grew at a solid pace during the last three months of H1 2016 and marked a contrast to the lackluster GDP growth during the first three months of H1 2016. Retail completions increased in H1 2016, albeit at a modest rate. Completions totaled 21.7 million sq. ft. in H1 2016. As expected, net absorption accelerated towards the end of H1 2016, bringing the year-to-date total to 28 million sq. ft. on par with the total absorbed during the same period in 2015. U.S. retail investment activity was steady throughout H1 2016, but less robust than in H2 2015. As consumer spending continues to strengthen, demand for retail space is outpacing the limited additions of new supply, causing steady tightening in the retail real estate market. Growth in retail rents is accelerating, another indication that rising demand is putting pressure on the supply-constrained market.

MARKET GROWTH

A total of 70,511 sq. ft. of new construction was completed during H1 2016. In the East Submarket, a 44,000 sq. ft. Whole Foods on Grand River Avenue was completed; an 8,000 sq. ft. Lansing Urgent Care was built in Haslett and a 6,000 sq. ft. strip center for tenants Jimmy Johns and Mattress Firm was built on Grand River Avenue near Meijer. In the West Submarket, a 3,425 sq. ft. outlot building was completed for Aspen Dental near Meijer on West Saginaw Highway. In the South Submarket, a new 4,126 sq. ft. multi-tenant building was completed on South Cedar Street that will host a major coffeehouse chain. Finally, a new Boston Pizza outlot building was constructed in the North Submarket.

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

Construction began during H1 2016 for several new mixed-use development projects in the East Submarket including the \$90 million SkyVue project on the former Story Oldsmobile site; the \$5 million East Town Flats project on the 2000 block of East Michigan Avenue and the \$8.5 million Gateway project on 300 West Grand River Avenue.

Gander Mountain is relocating and expanding to a new 52,000 sq. ft. building next to Menards in the West Submarket; Michigan’s first free standing Chick-fil-A restaurant consisting of 4,971 sq. ft. is under construction and a new 2,390 sq. ft. Rally’s on West Saginaw Highway is also under construction.

Planned developments within the East Submarket include a 152,000 sq. ft. Costco on the long-shuttered Four Winds Golf Course; The Square – a mixed-use development project at Grand River Avenue and Park Lake Road – consisting of 220 residential units and 15,000 sq. ft. of retail space; and a new O’Reilly’s Auto Parts at the former Paul Revere’s site on Grand River Avenue. In the West Submarket, a new mixed-use development project is planned at the former Days Inn site on West Saginaw Highway and North Canal Road, which will include a new hotel, restaurant and retail strip center.

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

RETAILERS ON THE MOVE

Recent movers and shakers within the Greater Lansing Area include quick service restaurants (QSR) and fast casual restaurant concepts, fitness providers, urgent/express care medical clinics and hotels. Examples of major market absorption during H1 2016 include the Planet Fitness lease of 23,000 sq. ft. on South Cedar Street in the South Submarket; the Grifols Plasma lease of 15,000 sq. ft. at Southwind Plaza in the South Submarket; the Blaze Pizza lease of 6,800 sq. ft. at Frandor Shopping Center in the East Submarket and the Lansing Ophthalmology lease of 8,500 sq. ft. at Central Park Place in the East Submarket.

VACANCIES

Over the past six months, the average vacancy for leasable space within the Greater Lansing Area decreased from 18.4% to 16.2%. Both the East and West Submarkets outperformed the balance of the market with vacancy rates of 11.0% and 10.0%, respectively. However, it should be noted that vacancies within both the North and South Submarkets decreased for the first time in two years and at levels not seen since the recession of 2008.

Class A space with good visibility along high-traffic corridors continues to be in demand and is currently not readily available. This has prompted new build-to-suit activity.

ABSORPTION

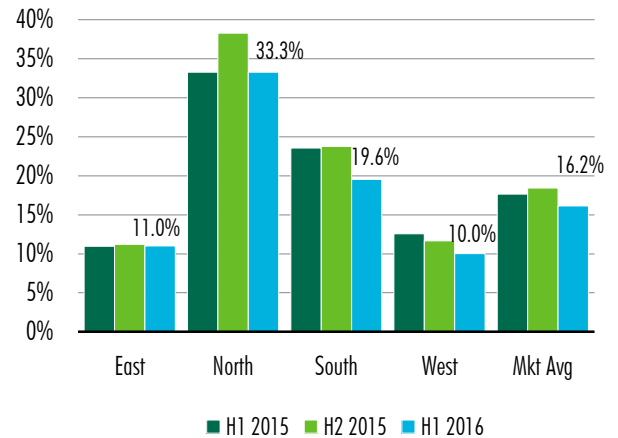
Net absorption of leasable space during H1 2016 was positive in all submarkets for the first time since H2 2013 totaling 216,015 sq. ft.

The North Submarket fared the best, with 64,410 sq. ft. of net absorption, followed closely behind by the South Submarket with 62,291 sq. ft. of absorption. The East Submarket absorbed 54,205 sq. ft. and finally with the West Submarket experienced 35,109 sq. ft. of absorption.



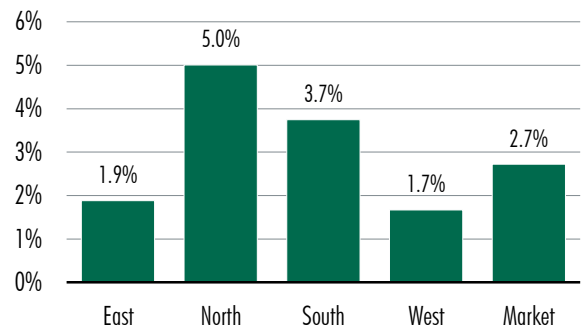
Planet Fitness leases 23,000 sq. ft. at the former L&L Food Center space at 2380 Cedar Street in Holt, MI.

Figure 3: History of Vacancies

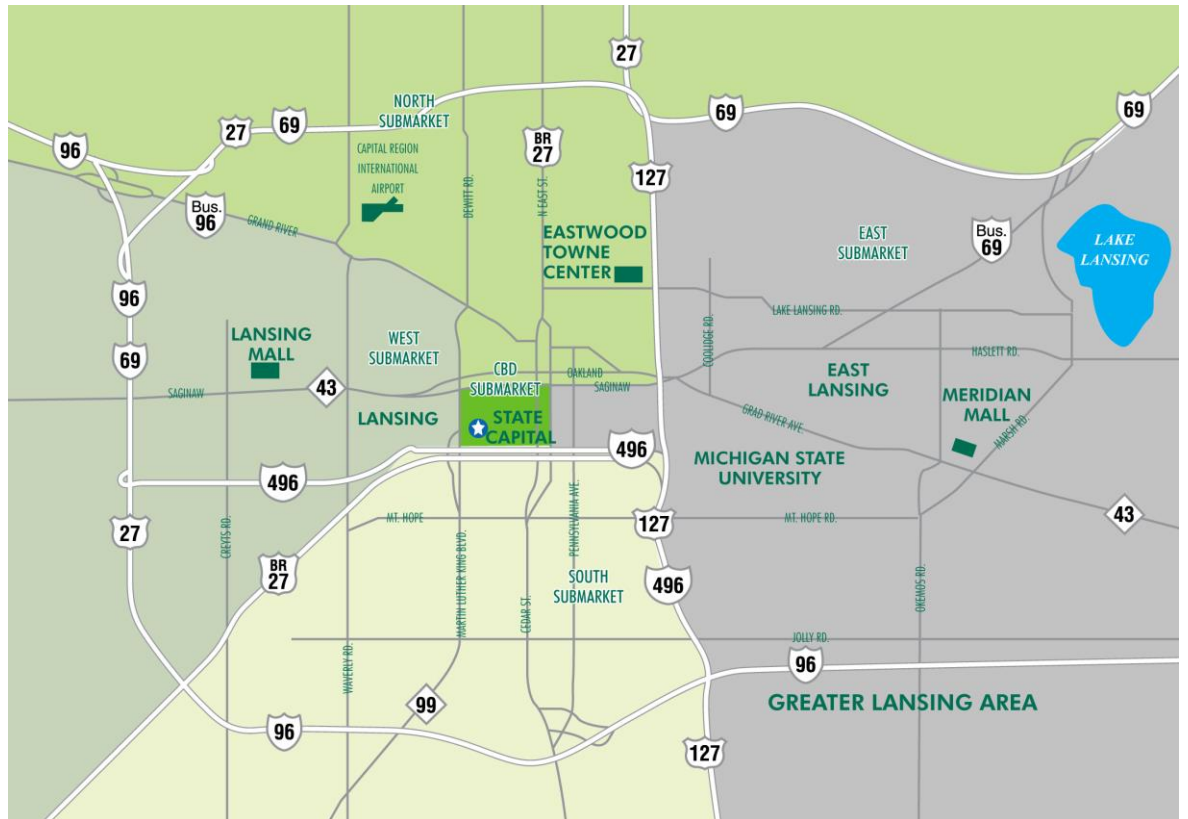


Source: CBRE Research, H1 2016.

Figure 4: Net Absorption



Source: CBRE Research, H1 2016.



CONTACT

Matthew DeWitt
Research Coordinator
+1 517 351 2200
matthew.dewitt@cbre-gr.com

CBRE OFFICE

CBRE|Martin
1111 Michigan Ave., Suite 300
East Lansing, MI 48823

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/researchgateway.