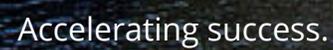


The Colliers logo is located in the top right corner. It consists of the word "Colliers" in a white serif font, set against a dark blue rectangular background with a thin yellow and red horizontal stripe at the bottom.The word "Lansing" is written in a white serif font on a dark blue background, positioned above a horizontal white line.The text "21Q4" is displayed in a large, bold, white sans-serif font on a dark blue background, positioned below the horizontal line.The tagline "Accelerating success." is located at the bottom right of the page. It is written in a white sans-serif font and is flanked by short horizontal white lines on both sides.



Lansing 21Q4

Key Takeaways

- Retail will see more activity in 2022, with drive-thru fast casual concepts expanding and new specialty grocers entering the market. One of these includes the long-awaited Trader Joe's, coming to Meridian Township.
- Office improved steadily through the third quarter after the delta variant subsided, however the omicron variant forced many office users to reevaluate their return-to-work strategies until Q1 2022.
- Demand for industrial space continued to be strong throughout 2021 with extremely low vacancy rates resulting in an increase in new construction activity. This trend is expected to remain throughout 2022.

Market Overview

The fourth quarter of 2021 showed significant signs of recovery and normalcy in multiple sectors across the Lansing commercial real estate market.

Demand from retail occupiers remained strong, with absorption of Class A and B outpacing earlier quarters of 2021. Several companies returned their workforces to the office and the industrial market continued to thrive until omicron, the latest COVID-19 variant, hit Michigan in mid-December. Though numerous companies were operating cautiously, it remained a busy quarter for the Lansing area.

Governor Gretchen Whitmer signed a \$1.48 billion spending plan, with \$1 billion dedicated to economic development incentives and \$409 million in assistance for businesses affected by the COVID-19 pandemic.

There was cautious optimism in the office market as signs of business normalcy were on the horizon, which continued throughout the quarter until the rising outbreak of the omicron variant. While 2021 was not a breakout year for the office sector, the trends were encouraging.

Velocity in the industrial sector was hampered by a low supply and high demand. Due to issues with the supply chain for building materials and labor shortages, construction will continue to be impacted and delayed, and not likely be resolved until after 2022.

Amazon's new construction of a more than 1 million-square-foot distribution facility in Delta Township, at the southwest corner of Creyts Road and I-496, will be the largest new development since the GM Lansing Delta Assembly Plant was built.

In December, Delta Township approved a \$2.5 billion dollar tax exemption for General Motors Co. and LG Energy Solution to develop a battery cell manufacturing plant offering an encouraging sign for Lansing. This will be a transformational expansion for the Lansing market if GM announces the project for its adjacent 560 acres of land. The demand for EV technology related companies and suppliers will result in an increased need for industrial zoned land and buildings in proximity to the GM Lansing Delta Assembly Plant.

Recent Transactions



Lease
4127 English Oak Dr
7,480 SF
Industrial



Lease
830 W Lake Lansing Rd
4,251 SF
Office



Lease
1800 W Grand River Ave
6,350 SF
Industrial



Sale
2755 Grand River
\$180.61 PSF
Retail



Sale
4082 Vienna Rd
\$47.71 PSF
Retail



Sale
5867 W Grand River Ave
\$37.96 PSF
Industrial

Construction Tracker

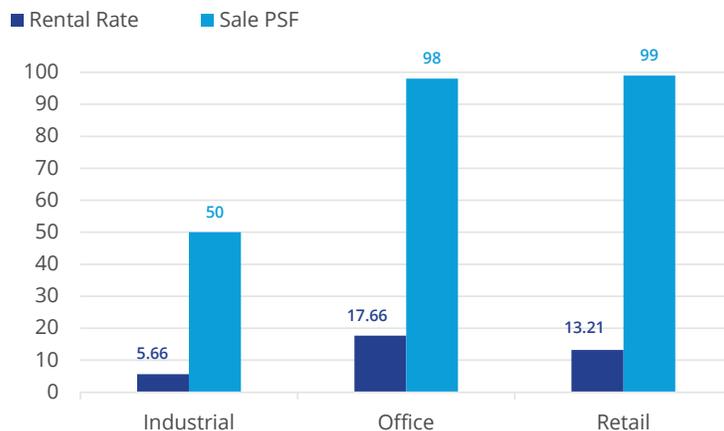


MARKET INDICATORS

RELATIVE TO PRIOR PERIOD

	Q2 2021	Q4 2021
VACANCY	↔	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↓
RENTAL RATE	↑	↑

Average Listed Price Per SF



Source: Colliers

Activity and Trends

RETAIL

Retail tenants were active especially in the fourth quarter, seeking prime sites from 1,500-15,000 square feet with a few larger tenants looking for sites between 35,000-100,000 square feet. Major deals in the quarter included Trader Joe's' announcement of its proposed 14,500 square-foot store in Meridian Township, across from Whole Foods. At Home also signed a lease for a 90,000 square-foot space in Delta Township, next to BJ's Wholesale. In addition, numerous leases for fast casual restaurants in south Lansing, East Lansing and along the west Saginaw corridor occurred.

Buyers were also busy looking for existing buildings or land sites for redevelopment. Several regional and national car wash and auto service retailers were actively seeking sites in the Lansing area, with many going under contract. Credit unions were very active this quarter with Consumers Credit Union closing on the northwest corner of west Saginaw Highway and Marketplace Boulevard in Delta Township. In addition, Consumers Credit Union received site plan approval in Meridian Township, which is expected to close in Q1 2022, with a third site under contract at Eastwood Towne Center. Olive Garden leased a pad site in front of BJ's Wholesale and will likely start construction later in Q1 2022. These activities demonstrate strong demand for new development. Retailers with the strength and resiliency who are willing to withstand higher construction costs, added lead times for zoning entitlements and construction delay risks continue to move forward.

The most desirable retail sites are still located along the key corridors which include Grand River Avenue from Abbot Road to Central Park Drive; West Saginaw Highway from Waverly Road to Broadbent Road; South Cedar Street from Jolly Road to Willoughby Road; Michigan Avenue and Saginaw Street surrounding Frandor; and the Lake Lansing Road corridor from Coolidge Road to Wood Street. Activity is strong from retailers, restaurants, auto-related retail/service companies including auto and recreational product dealerships, fitness centers and even hotel developers. Many of these companies incurred shutdowns within the past 24 months but have clearly rebounded and are expected to gain more momentum in 2022.

Vacancy bumped up slightly overall to 7.71 percent market-wide based on more than 21.6 million square feet surveyed, of which about 1.6 million square feet was reported as vacant. Absorption for the quarter was negative 38,234 square feet, with the East Submarket posing the only positive absorption of 27,332 square feet. North Lansing reported the highest vacancy rates at 9.20 percent, and South Lansing reported the lowest at 6.35 percent. The average rental rate market-wide is \$12.22 per square foot (net), with the East segment posting the highest average rental rate at \$17.01 per square foot and South Lansing the lowest at \$8.07 per square foot. Rental rates are steady or increasing slightly for Class A and B space as absorption of the top-tier locations escalates.

Sale prices of commercial buildings along the key corridors are between \$60-\$135 per square foot.

Mid Michigan | Retail Statistics

Submarket	Number of Buildings	Total Inventory (SF)	Total Vacancy (SF)	Total Vacancy Rate	Occupied Space (SF)	Net Absorption (SF)	21Q4 Asking Rate
North Lansing	551	5,499,734	506,076	9.20%	4,993,658	-49,389	\$11.57
South Lansing	942	7,694,705	488,265	6.35%	7,206,440	-16,177	\$8.07
East Lansing	583	8,456,351	640,469	7.57%	7,815,882	27,332	\$17.01
Total	2,076	21,650,790	1,634,810	7.71%	20,015,980	-38,234	\$12.22

*Data Source: CoStar

OFFICE

Office tenants were active in the fourth quarter, mainly seeking suburban office sites in the 2,500-5,000- square-foot range, with medical office space and professional services leading the charge. Locations in proximity to surrounding amenities, such as access to interchanges, restaurants and major retailers remain the most desirable.

Lansing's Central Business District continues to have the highest vacancy rate it has seen in years, due in part to the State of Michigan consolidating and offering work-from-home options. We expect this trend to continue into 2022.

There has been an increased demand for smaller flexible workspaces. These could include co-working opportunities and shared amenities.

While many companies have chosen to allow for more flexibility in work beyond the traditional 9 to 5, company culture, mentorship and collaboration remain top of mind. Safely and efficiently returning to the office will be on the docket in 2022. Employers are also looking for enhanced amenities within their office facilities to help attract new talent and retain employees.

A notable new office development announced in the fourth quarter includes plans for a 60,000-square-foot medical facility located next to the new McLaren Health Care Greater Lansing hospital. The project is being developed by Gillespie Group in conjunction with The Christman Company as the construction manager. Occupants as of publication will include McLaren Health Care and Michigan State University Health Care.

Vacancy dropped four basis points to 7.11 percent market-wide based on more than 23 million square feet surveyed of which more than 1.5 million square feet was reported as vacant. Absorption for the quarter was positive 89,550 square feet. The South Lansing Submarket posted the only positive absorption of 108,648 square feet. The East Lansing Submarket reported the highest vacancy rates at 8.65 percent, and South reported the lowest at 5.92 percent. The average rental rate market-wide is \$18.07 per square foot (mod. gross). The North Lansing segment posted the highest average rental rate at \$18.35 per square foot and South Lansing the lowest at \$17.90 per square foot. Rental rates are steady in all markets and landlords are responding with TI incentives. Sales prices are also expected to remain consistent between \$80-\$125 per square foot depending on building class and location.

Mid Michigan | Office Statistics

Submarket	Number of Buildings	Total Inventory (SF)	Total Vacancy (SF)	Total Vacancy Rate	Occupied Space (SF)	Net Absorption (SF)	21Q4 Asking Rate
North Lansing	348	4,972,215	335,462	6.75%	4,636,753	-6,359	\$18.35
South Lansing	555	11,674,570	691,341	5.92%	10,983,229	108,648	\$17.90
East Lansing	457	6,591,497	569,943	8.65%	6,021,554	-12,739	\$17.97
Total	1,360	23,238,282	1,596,746	7.11%	21,641,536	89,550	\$18.07

*Data Source: CoStar

INDUSTRIAL

Activity in the Industrial real estate sector exceeded the initial outlook in 2021 because of historic high demands for space across the market.

Manufacturing companies continued to seek space while distribution firms have an increased need for additional footprints to satisfy last mile deliveries. Amazon will be opening its 1 million-square-foot fulfillment center in Delta Township in 2022.

Supply chain issues continue to be a major factor in elevated material costs and delays in construction and development within the industrial sector. The prediction is this will ease somewhat by the third quarter of 2022. Labor shortages play a large role in higher costs, longer project lead times and some companies' uncertainties for growth and expansion.

Build-to-suit facilities continue to emerge, even with elevated pricing.

Should the General Motors Co. and LG Energy Solution battery cell manufacturing plant come to fruition, the demand for industrial space within the Lansing market will become more pronounced. This could lead to speculative building taking place in the market, where virtually none exists now.

Notable sales included a 52,000-square-foot manufacturing facility on the north side of Lansing at 5867 W. Grand River Ave. for a user substantially enlarging its footprint in the market, and a 60,000-square-foot corporate tech building. A 26,000-square-foot warehouse was leased at 3584 Bath Road in Perry by a new utility contractor emerging in the market.

Industrial leasing was higher than normal in the Lansing market last year with inventory remaining at all-time lows. Vacancy dropped one basis points to 2.19 percent market-wide based on more than 34 million square feet surveyed of which only 470,011 square feet was reported as vacant. Absorption for the quarter was positive by 305,271 square feet. The South Lansing Submarket posted the biggest positive absorption of 265,636 square feet. The East Lansing Submarket reported the highest vacancy rates at 4.59 percent, while South reported the lowest at 1.46 percent. The average rental rate market-wide is \$5.92 per square foot (net). The East Lansing segment posted the highest average rental rate at \$7.21 per square foot and North Lansing the lowest at \$4.75 per square foot. Rental rates are increasing in all markets as tenants scramble to find available space. New construction is up and will likely escalate further in 2022 and 2023.

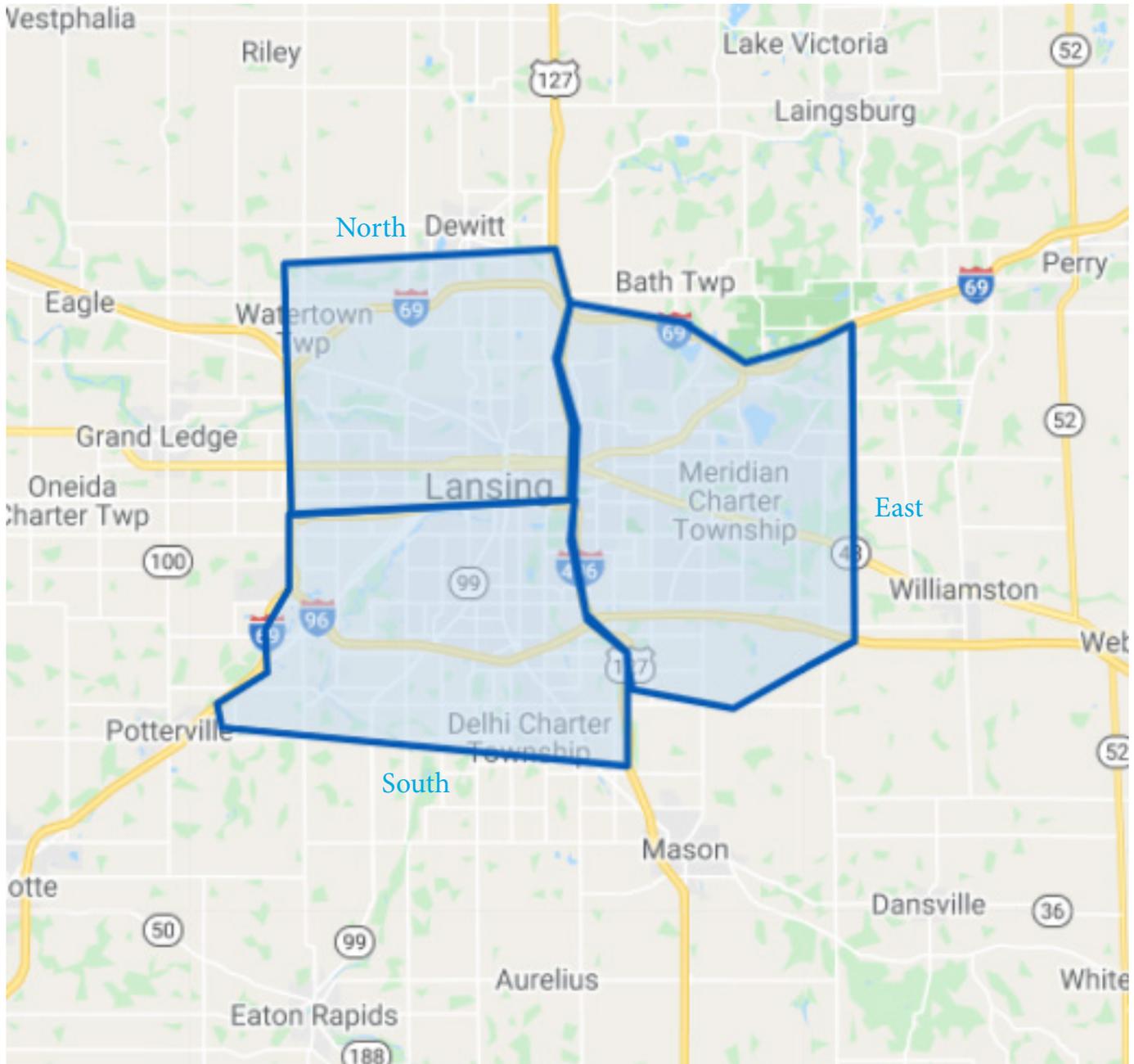
Sale prices for industrial space continue to escalate due to the low supply of available buildings in the market, and the increased cost of new construction. This will continue to put upward pressure on the sale price per square foot for industrial and flex space. Currently they range between \$35 to \$105 per square foot depending on location, size, age and functionality.

Mid Michigan | Industrial Statistics

Submarket	Number of Buildings	Total Inventory (SF)	Total Vacancy (SF)	Total Vacancy Rate	Occupied Space (SF)	Net Absorption (SF)	21Q4 Asking Rate
North Lansing	444	9,791,909	51,088	0.52%	9,740,821	39,635	\$4.75
South Lansing	614	23,258,685	339,095	1.46%	22,919,590	265,636	\$5.80
East Lansing	139	1,740,519	79,828	4.59%	1,660,691	-	\$7.21
Total	1,197	34,791,113	470,011	2.19%	34,321,102	305,271	\$5.92

*Data Source: CoStar

Map



FOR MORE INFORMATION

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