Industrial Market Report
West Michigan | Q4 - Year End 2018
High Demand and Limited Supply…. The continuing Industrial story for West Michigan.

Bill Murray once starred in the movie “Groundhog Day” in which he played a TV Weatherman who was stuck in a time loop on February 2. Each day, Murray inexplicably woke up to the same set of circumstances. In some ways, the Industrial Real Estate Market feels like we’ve been stuck in a time loop for the past several years.

High demand, limited supply, rising lease rates, higher property values, increasing construction costs, the list goes on…

In 2018, new construction helped ease some of the demand in our market, but there is a long road ahead before all the demand is met. We will continue to see new construction in 2019, both build to suit and speculative.

West Michigan’s robust manufacturing sector, once dominated by the automotive and furniture industries, is now much more diverse. Many area companies are in growth mode, however that growth is being stymied by buildings that are now too small and a shortage of skilled labor. Demand for larger space continues to be a common request. However, the chances of finding something that meets every requirement of the business owner are limited. Most often, the business owner will need to make compromises in some combination of size, location, amenities, and price. In some cases, new construction is the most viable option.

Vacant land sales are on the rise, which means business owners are opting to build new rather than find an existing building. Rising construction costs continue to impact the local real estate market. The rising costs stem from overall demand in the market, material costs, labor shortages, and new energy code requirements. Higher construction costs also mean increased lease rates for tenants, which is driving up building values. In some cases, the cost to construct a new industrial building has doubled in the past 5 years.

This can be a frustrating time for business owners who simply want to address the needs of their growing business. Those frustrations can be lessened by working with a Commercial Real Estate Broker who understands the local market. Many deals are being negotiated prior to the building ever hitting the market. Local real estate brokers who are experts in their field and have deep connections in the local market will be best equipped to provide timely advice and results for their clients.

We fully expect 2019 to look very similar to 2018. High demand and limited supply will continue to be the theme, while new construction will continue to chip away at a growing list of companies who desire to expand.
Function Beauty, an out-of-state maker of hair care products is planning to open a manufacturing center at 6610 Patterson Ave. SE. The new building will serve as a production and call center and is expected to create 150 jobs. Function of Beauty was founded in 2016 and is a direct-to-consumer “customizable”, “vegan and cruelty free” hair care brand, including shampoo and conditioner. The company currently employs 170 people at locations in Pennsylvania and New York City.

Grand Rapids-based Haviland Enterprises, a local chemicals company, purchased the property adjacent to its nearby facility for an expansion. The building located at 2180 Avastar Parkway NW in Walker is 107,818 SF and was purchased from Buchanan Investments. The additional space will provide increased manufacturing capacity as well as continuing to ensure workplace safety. Haviland Enterprises is an employee-owned company that formulates, blends, packages and distributes chemicals for commercial markets.
## West Michigan Industrial Submarket Statistics

### 2018 Q4 Industrial Snapshot

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total RBA</th>
<th>Vacant Available SF</th>
<th>Vacancy Rate</th>
<th>Total Average NNN Rate ($/SF/Yr)</th>
<th>Total Net Absorption (SF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lakeshore</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>11,233,884</td>
<td>284,910</td>
<td>2.5%</td>
<td>$3.61</td>
<td>29,990</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>23,418,344</td>
<td>316,103</td>
<td>1.3%</td>
<td>$3.57</td>
<td>2,582</td>
</tr>
<tr>
<td>Hightech Flex</td>
<td>1,767,807</td>
<td>164,775</td>
<td>9.3%</td>
<td>$5.64</td>
<td>18,050</td>
</tr>
<tr>
<td>Total</td>
<td>36,420,035</td>
<td>765,788</td>
<td>2.1%</td>
<td>$3.68</td>
<td>50,622</td>
</tr>
<tr>
<td>Northeast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>5,548,117</td>
<td>108,975</td>
<td>2.0%</td>
<td>$4.54</td>
<td>-56,785</td>
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<tr>
<td>Manufacturing</td>
<td>7,068,515</td>
<td>28,250</td>
<td>0.4%</td>
<td>$2.04</td>
<td>-16,500</td>
</tr>
<tr>
<td>Hightech Flex</td>
<td>549,383</td>
<td>13,106</td>
<td>2.4%</td>
<td>$7.25</td>
<td>-583</td>
</tr>
<tr>
<td>Total</td>
<td>13,166,015</td>
<td>150,331</td>
<td>1.1%</td>
<td>$3.39</td>
<td>-73,868</td>
</tr>
<tr>
<td>Northwest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>5,193,761</td>
<td>199,040</td>
<td>3.8%</td>
<td>$3.93</td>
<td>7,512</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12,602,983</td>
<td>537,721</td>
<td>4.3%</td>
<td>$3.06</td>
<td>-71,459</td>
</tr>
<tr>
<td>Hightech Flex</td>
<td>1,228,879</td>
<td>12,904</td>
<td>1.1%</td>
<td>$7.25</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>19,025,623</td>
<td>749,665</td>
<td>3.9%</td>
<td>$3.57</td>
<td>-63,947</td>
</tr>
<tr>
<td>Southeast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>22,849,653</td>
<td>390,032</td>
<td>1.7%</td>
<td>$4.09</td>
<td>-20,795</td>
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<tr>
<td>Manufacturing</td>
<td>26,277,820</td>
<td>204,825</td>
<td>0.8%</td>
<td>$3.87</td>
<td>205,200</td>
</tr>
<tr>
<td>Hightech Flex</td>
<td>3,033,127</td>
<td>32,408</td>
<td>1.1%</td>
<td>$8.01</td>
<td>-30,183</td>
</tr>
<tr>
<td>Total</td>
<td>52,160,600</td>
<td>627,265</td>
<td>1.2%</td>
<td>$4.28</td>
<td>154,222</td>
</tr>
<tr>
<td>Southwest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>9,174,356</td>
<td>269,018</td>
<td>2.9%</td>
<td>$4.60</td>
<td>-29,538</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>22,101,746</td>
<td>68,747</td>
<td>0.3%</td>
<td>$3.96</td>
<td>-12,029</td>
</tr>
<tr>
<td>Hightech Flex</td>
<td>697,925</td>
<td>0</td>
<td>0%</td>
<td>$6.99</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>31,974,027</td>
<td>337,765</td>
<td>1.0%</td>
<td>$4.21</td>
<td>-41,567</td>
</tr>
<tr>
<td>Total Overall</td>
<td>152,746,300</td>
<td>2,630,814</td>
<td>1.7%</td>
<td>$3.93</td>
<td>25,462</td>
</tr>
</tbody>
</table>

### Industrial Statistical Changes Year-over-Year and Quarter-over-Quarter

**4Q17 vs. 4Q18**

**3Q18 vs. 4Q18**
Industrial Overall Market Report

**Vacancy Rate**

**Triple Net Rental Rates**

**New Construction**
Absorption (Net)
The change in occupied space in a given time period.

Available Square Footage
Net rentable area considered available for lease; excludes sublease space.

Average Asking Rental Rate
Rental rate as quoted from each building’s owner/management company. For office space, a full service rate was requested; for retail, a triple net rate requested; for industrial, a NN basis.

Building Class
Class A Product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

RBA
Rentable Building Area - Mainly used for office and industrial.

SF/PSF
Square foot/per square foot, used as a unit of measurement.

Under Construction
Buildings in a state of construction, up until they receive their certificate of occupancy. In order for CoStar to consider a building under construction, the site must have a concrete foundation in place.

Deliveries
Buildings that have their certificate of occupancy and are allowed to be moved into by the tenant/purchaser.

Vacancy Rate
All physically unoccupied lease space, either direct or sublease.
NAI Wisinski of West Michigan was formed in the spring of 2011 when NAI West Michigan merged with The Wisinski Group. This merger brought together two successful, reputable companies to form what is now the largest independently owned commercial real estate firm in West Michigan.

Our focus is simple: building client relationships for life. We do this by utilizing the rich diversity of skills and specialties of our agents and staff, actively listening to our clients, offering market appropriate advice, providing access to the industry’s most current and proven technologies, and delivering the best possible service to each and every client. NAI Wisinski of West Michigan is headquartered in Grand Rapids, MI and maintains a second location in Kalamazoo, MI. Our company provides all facets of commercial real estate services, including brokerage and property management, throughout the entire West Michigan region.

Through our relationship with NAI Global, we have access to over 400 affiliate offices throughout the world. NAI Wisinski of West Michigan: Local Knowledge, Global Reach, Achieve More.

By The Numbers

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CCIM DESIGNEENES 8

SIOR DESIGNEENES 7

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