Office Market Trends

The office market continues to be strong, however office leasing has slowed, especially in the downtown market area. Higher occupancy costs and limited parking availability have caused some tenants to relocate from downtown to the suburbs. Some of the vacant space has been absorbed. For example, Advantage Sales and Marketing left their downtown space at the end of 2017 in favor of a location on 28th St SW in Wyoming. Their space will be partially filled by Lighthouse Insurance Group later this summer, who will be relocating downtown from the Southeast side of town. Lease rates in the downtown market have seen a slight increase. This could change if leasing does not begin to increase.

Suburban leasing continues to see demand and seems to be spread out amongst all quadrants. There continues to more of a demand on the SE side of town and the NE area, particularly the East Beltline corridor. Overall, lease rates have increased slightly in all corridors.

Strong demand continues in many areas of Grand Rapids to purchase office properties. Tenants are looking to own versus lease. The biggest obstacle is finding available properties to purchase. Due to the supply and demand, sale prices per square foot are continuing to increase, especially for smaller properties.

New construction is evident both downtown and in the suburbs, with several high-profile properties currently under construction. This will create opportunities for office tenants to expand or relocate. Leasing has been active in the suburban properties under development, especially from healthcare related tenants.

- Mary Anne Wisinski-Rosely, CCIM, SIOR
Partner/Office Advisor

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Grand Rapids-Wyoming, MI Metropolitan Statistical Data.
Source: U.S. Census Bureau, The Right Place
By fall of next year, Warner Norcross + Judd LLP will relocate from their offices in the Fifth Third Bank building to the Warner Building, across the street. Here, they will occupy four floors and reduce their square footage by 20%. The firm plans to focus on location, open views, and overall efficiencies with the new floor plan.

Tech Defenders, an electronic maintenance and repair service provider, currently has a 15,000 SF office in Grand Rapids. Working with The Right Place, they now plan to expand to a new 73,000 SF facility on Maryland Ave. The $2.7 million expansion will create 115 new jobs.

ADAC Automotive is constructing their new headquarters on 8 acres of land, totaling more than 90,000 SF. The $20 million-dollar project is expected to be completed in June 2019. According to the GRBJ, the campus will include a fitness center, employee work cafe, walking paths in a natural park setting, and “modern, collaborative workplaces.”
West Michigan
Office Submarket Statistics

Methodology: The office market report includes office buildings within each of the defined submarkets. Excluded are government buildings and institutional properties.

### 2018 Q2 Office Snapshot

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total RBA</th>
<th>Vacant Available SF</th>
<th>Vacancy Rate</th>
<th>Total Average Rate ($/SF/Yr)</th>
<th>Total Net Absorption (SF)</th>
<th>Total Under Construction SF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Downtown</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
<td>1,497,034</td>
<td>141,540</td>
<td>9.5%</td>
<td>$22.29</td>
<td>-5,562</td>
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<tr>
<td>Class B &amp; C</td>
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<td>$17.71</td>
<td>-15,741</td>
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<tr>
<td>Total</td>
<td>9,148,950</td>
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<td>5.6%</td>
<td>$18.46</td>
<td>-21,303</td>
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<tr>
<td><strong>Northeast</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
<td>327,867</td>
<td>20,130</td>
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<td>$20.91</td>
<td>-26,256</td>
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<tr>
<td>Class B &amp; C</td>
<td>3,208,911</td>
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<td>3.2%</td>
<td>$14.02</td>
<td>23,354</td>
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<tr>
<td>Total</td>
<td>3,536,778</td>
<td>124,301</td>
<td>3.5%</td>
<td>$14.66</td>
<td>-2,902</td>
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<tr>
<td><strong>Northwest</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class B &amp; C</td>
<td>2,596,128</td>
<td>104,668</td>
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<td>$15.74</td>
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<tr>
<td><strong>Southeast</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
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<td>54,864</td>
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<td>$17.90</td>
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<tr>
<td>Class B &amp; C</td>
<td>10,060,451</td>
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<td>$13.83</td>
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<tr>
<td>Total</td>
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<td>$14.17</td>
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<td><strong>Southwest</strong></td>
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<tr>
<td>Class B &amp; C</td>
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<td>$14.97</td>
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<tr>
<td><strong>Overall Total</strong></td>
<td>29,237,404</td>
<td>1,783,664</td>
<td>6.1%</td>
<td>$15.79</td>
<td>-135,266</td>
<td>336,600</td>
</tr>
</tbody>
</table>

Office Space Statistical Changes: Year-over-Year and Quarter-over-Quarter

2Q17 vs. 2Q18

<table>
<thead>
<tr>
<th></th>
<th>2Q17</th>
<th>2Q18</th>
<th>Change</th>
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<tbody>
<tr>
<td>Net Absorption</td>
<td>Down</td>
<td>Down</td>
<td></td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>Down</td>
<td>Down</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>Down</td>
<td>Down</td>
<td></td>
</tr>
<tr>
<td>Asking Rates</td>
<td>Down</td>
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1Q18 vs. 2Q18

<table>
<thead>
<tr>
<th></th>
<th>1Q18</th>
<th>2Q18</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Absorption</td>
<td>Down</td>
<td>Down</td>
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<td>Construction</td>
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<td>Down</td>
<td>Down</td>
<td></td>
</tr>
</tbody>
</table>

*Disclaimer: Historical data figures are subject to change based upon the timing of when CoStar receives market information. NAIWWM uses the numbers available at the time each quarterly report is published.*
Office Overall Market Report

Vacancy Rate

- Vacancy Rates Class A
- Vacancy Rates Class B&C

Triple Net Rental Rate

- Rental Rates Class A
- Rental Rates Class B&C

New Construction

- New Construction Class A
- New Construction Class B&C
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

REAL ESTATE PROFESSIONALS

51

CCIM DESIGNEES

8

SIOR DESIGNEES

7

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Office | Industrial | Retail | Multifamily | Investment | Property Management