Office Market Trends

So how did the West Michigan Office Market fair in 2018? In comparing Q4 2018 to Q4 2017 the overall vacancy rate in the Office market dropped by less than 1%, going from 6.2% to 5.6%. The Downtown, Southwest, and Southeast submarkets each experienced a decline in vacancy while the Northeast submarket remained flat and the Northwest submarket experienced a slight increase in vacancy. The asking prices for Class A, B, & C Office space increased across the board in 2018. There continues to be a shortage in available office buildings for purchase in the suburban submarkets. This has driven sale prices up in some areas and has also created additional leasing competition amongst Landlords, as vacancy rates remain at historic lows. The West Michigan office market is expected to remain active in 2019, but no major changes in vacancy rates and asking prices are expected.

2018 was highlighted by several large lease and sale transactions that took place. These included BDO Seidman’s leasing of 34,520 sq ft at the former Zondervan Publishing building located at 5300 Patterson, HUB Insurance’s leasing of 27,916 sq ft at 1591 Galbraith, and Keller Williams leasing of 15,000 sq ft at 1555 Arboretum. On the sale front, a 30,000 sq ft office building located at 2905 Lucerne in Centennial Park traded hands and a 42,182 sq ft former VA Clinic located at 3019 Colt was purchased by Sunshine Community Church.

A couple of projects to keep an eye on in 2019 are the new mixed use development located at 150 Ottawa, which will be anchored by Warner Norcross, Chemical Bank, & Hyatt Place; the new mixed use building at 234 Market, which was completed in 2018 and consists of 235 residential units, a parking deck consisting of 217 spaces, and 30,000 sq. ft of office/retail space (currently available) on the main floor; and the former Fifth Third building located at the corner of Pearl & Monroe that was recently acquired by RDV Corp. who has plans to renovate and occupy the building.

- Jason Makowski
Partner/Office Advisor
Safe Haven Ministries, a local nonprofit that serves domestic abuse survivors, has moved into its new $4.5-million headquarters, which will double its shelter capacity. The 20,800-square-foot facility is two-stories and will allow all the nonprofit’s programs, services and staff to be in the same building. The shelter side of the facility includes 14 shelter rooms with bathrooms that can house up to 56 women and children, two kitchens, two advocacy rooms and eight workstations. The facility is also equipped with built-in security systems, privacy fencing and monitored indoor and outdoor play areas. Safe Haven Ministries currently has 22 employees and serves about 650 adults and children each year.

Market Activity

West Michigan Dermatology has relocated one of its offices from 3124 N Wellness Dr. to 3290 N Wellness Dr. The 6,000-square-foot space was completely renovated and includes modern exam rooms, a large break room, an administrative office space, a lab, a sterilization room and a secondary waiting room. The office features a natural stone accent wall, ample seating and decorative lighting. West Michigan Dermatology has been in business for 35 years and offers diagnostic and treatment options for skin cancer as well as a wide variety of skin, hair and nail conditions.
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 Q4 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>Downtown</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>153,495</td>
<td>10.2%</td>
<td>$22.70</td>
<td>93,909</td>
<td>120,000</td>
</tr>
<tr>
<td>Class B &amp; C</td>
<td>7,594,275</td>
<td>301,237</td>
<td>4.0%</td>
<td>$17.14</td>
<td>31,668</td>
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<tr>
<td>Total</td>
<td>9,091,309</td>
<td>454,732</td>
<td>5.0%</td>
<td>$18.06</td>
<td>125,577</td>
<td>120,000</td>
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<tr>
<td>Northeast</td>
<td></td>
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<td></td>
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<tr>
<td>Class A</td>
<td>327,867</td>
<td>18,121</td>
<td>5.5%</td>
<td>$22.25</td>
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<tr>
<td>Class B &amp; C</td>
<td>3,290,126</td>
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<tr>
<td>Total</td>
<td>3,617,993</td>
<td>139,826</td>
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<td>$15.30</td>
<td>-34,849</td>
<td>0</td>
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<tr>
<td>Northwest</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Class B &amp; C</td>
<td>2,669,593</td>
<td>113,715</td>
<td>4.3%</td>
<td>$16.11</td>
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<td>Southeast</td>
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<tr>
<td>Class A</td>
<td>932,620</td>
<td>76,835</td>
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<td>$17.11</td>
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<tr>
<td>Class B &amp; C</td>
<td>10,229,786</td>
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<td>$13.94</td>
<td>-18,915</td>
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<tr>
<td>Total</td>
<td>11,162,406</td>
<td>850,981</td>
<td>7.6%</td>
<td>$14.20</td>
<td>-25,521</td>
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<td>Southwest</td>
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<tr>
<td>Class B &amp; C</td>
<td>3,003,769</td>
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<td>$12.94</td>
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<td>Overall Total</td>
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<td>1,654,282</td>
<td>5.6%</td>
<td>$15.57</td>
<td>46,960</td>
<td>131,098</td>
</tr>
</tbody>
</table>

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

4Q17 vs. 4Q18

3Q18 vs. 4Q18

*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

Triple Net Rental Rate

New Construction

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

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

- 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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