Office Market Trends

The West Michigan Office market has remained stable through the first half of the year. There has been a slight decrease in the overall vacancy rate from 5.6% to 4.8% and a slight increase in the overall average lease rate from $15.57 to $16.09 from end of year 2018 through the first half of 2019. No one area of the market is seeing a significant change in vacancy rate or average lease rates. There continues to be a shortage of office buildings available for purchase. In a recent search on the Commercial Alliance of Realtor’s website of office buildings in the 5,000-10,000 square foot range, there were only 12 true office buildings in all of Kent County listed as available for sale.

Leasing continues to be steady in all areas of the market. This is attributable to the lack of options for sale as well as the continued increase in costs to build new. The high cost to renovate existing space is causing landlords to look at being creative in how leases are structured and tenants continue to sign longer term leases in order to keep their cost of occupancy low.

The market is also seeing a number of office users being creative with the types of office space they are leasing or purchasing. More office users, including dental and medical, are looking to lease or purchase retail spaces that can be renovated.

Although it will not impact the office market for several years, Spectrum Health recently announced they will be developing the land they own on the NE side of Grand Rapids for a large office complex. Other than 26 office leases being affected, which includes administrative offices, no other details have been announced. Over time, this will have an impact on vacancy rates and absorption in the Grand Rapids area office market.

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

Grand Rapids-Wyoming, MI Metropolitan Statistical Data.
Source: U.S. Census Bureau, The Right Place
Market Activity

- West Michigan Dermatology has expanded one of its locations into a new building. They now have a new office building in Grandville, at 3434 Rivertown Point Court. The 13,000-square-foot renovated space is 3,000 square feet larger than their previous location at 4175 Parkway Place SW. The renovated building includes a private waiting area for surgical patients, a pathology lab to expedite patient test results, modern exam rooms, a large break room, office space and parking.

- Emmanuel Hospice has expanded into a new 5,400-square-foot headquarters at 401 Hall St. SW in Grand Rapids. The organization invested $350,000 to renovate the office space, which includes a dedicated grief support room, collaborative work spaces, a large conference room, space for interdisciplinary team meetings and 13 private offices. Since opening in 2013, Emmanuel’s team has grown from one employee to 48.
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.

### Q2 2019 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>1,351,971</td>
<td>63,241</td>
<td>4.7%</td>
<td>$22.76</td>
<td>3,381</td>
<td>120,000</td>
</tr>
<tr>
<td>Class B &amp; C</td>
<td>7,688,232</td>
<td>244,491</td>
<td>3.2%</td>
<td>$18.09</td>
<td>16,396</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>9,040,203</td>
<td>307,732</td>
<td>3.4%</td>
<td>$18.79</td>
<td>19,777</td>
<td>120,000</td>
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<tr>
<td>Northeast</td>
<td></td>
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</tr>
<tr>
<td>Class A</td>
<td>327,867</td>
<td>24,950</td>
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<td>$20.15</td>
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<tr>
<td>Class B &amp; C</td>
<td>3,314,324</td>
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<tr>
<td>Total</td>
<td>3,642,191</td>
<td>155,819</td>
<td>4.3%</td>
<td>$15.53</td>
<td>30,989</td>
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<tr>
<td>Class B &amp; C</td>
<td>2,675,089</td>
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<td>4.8%</td>
<td>$16.64</td>
<td>-17,101</td>
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<tr>
<td>Southeast</td>
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<tr>
<td>Class A</td>
<td>1,074,749</td>
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<tr>
<td>Class B &amp; C</td>
<td>10,134,237</td>
<td>606,841</td>
<td>6.0%</td>
<td>$14.56</td>
<td>6,695</td>
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<tr>
<td>Total</td>
<td>11,208,986</td>
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<td>$14.69</td>
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<tr>
<td>Southwest</td>
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<tr>
<td>Class B &amp; C</td>
<td>3,024,286</td>
<td>95,816</td>
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<td>$13.40</td>
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<tr>
<td>Overall Total</td>
<td>29,590,755</td>
<td>1,410,760</td>
<td>4.8%</td>
<td>$16.09</td>
<td>34,343</td>
<td>120,000</td>
</tr>
</tbody>
</table>

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

#### 2Q18 vs. 2Q19
- **Net Absorption:** Down
- **Vacancy Rate:** Down
- **Construction:** Up
- **Asking Rates:** Up

#### 1Q19 vs. 2Q19
- **Net Absorption:** Down
- **Vacancy Rate:** Down
- **Construction:** Up
- **Asking Rates:** Up

*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

- Black bars represent Vacancy Rates Class A.
- Red bars represent Vacancy Rates Class B&C.

Triple Net Rental Rate

- Black bars represent Rental Rates Class A.
- Gray bars represent Rental Rates Class B&C.

New Construction

- Purple bars represent New Construction Class A.
- Green bars represent 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 375 affiliate offices throughout the world.

NAI Wisinski of West Michigan: Local Knowledge, Global Reach, Achieve More.

By The Numbers

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CCIM DESIGNEES 8

SIOR DESIGNEES 8

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