Industrial Market Report
West Michigan  Q2 - 2016

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*Also serving the Kalamazoo & Southwest Michigan areas from our Kalamazoo office*
Industrial Real Estate Demand Continues to Outweigh Supply

The 2016 Quarter 2 Snapshot will sound to many like a broken record. The absorption continues to be positive, rental rates remain strong, current inventory levels continue to drop, and satisfying Buyer and Tenant needs continue to be a market challenge. As in the most recent quarters, both land sales and new construction continue to gain momentum to satisfy market demands that can no longer be met by existing product and inventory. Many of the transactions that are now taking place are doing so in an “off market” condition without them hitting the formal status of being actually listed for sale or lease. Buildings that were not for sale, but only for lease in the past are selling, as well as buildings that are soon to be vacated but not yet on the market. Buyers and Tenants who are out in front of the availability curve are most likely to be successful with having their real estate needs met. The common practice of web surfing and sign calling in an effort to locate a suitable real estate solution is simply not effective when market conditions are as active and tight as they are today.

Landlords continue to hold the upper hand in lease negotiations and are holding firm or increasing their rental rates and are offering little concessions or incentives to attract Tenants to their spaces. Vacancy rates on the lease side of the market have swung dramatically from even 18 to 24 months ago with less options now being available. It is anticipated that this direction will continue forward given the limited availability of existing product on the market that can be purchased.

The First Quarter Snapshot calculated an overall vacancy rate of 4.1% on a total market size of approximately 146,000,000 square feet. This has dropped to an overall vacancy rate of 3.32% during the second quarter. While less than a 1% swing, this remains significant in that it approached a 25% change in the vacancy rate itself.

* The information contained herein has been given to us by sources we deem reliable. We have no reason to doubt its accuracy, however, we do not make any guarantees. All information should be verified before relying thereon.

SOLD

4710 44th St. SE
$1,400,000 - Final Sale Price
$31.37 - Price Per Square Foot

3677 Sysco Ct. SE
$840,000 - Final Sale Price
$37.73 - Price Per Square Foot

900 Brooks Ave
307,000 SF
14.33 Acres

LEASED

1010 Front St. NW
18,610 SF
Intralox

7357 Expressway Dr.
72,700 SF
Jeld-Wen

4480 44th St. SE
135,000 SF
Family Christian Stores
# West Michigan Industrial Submarket Statistics

## 2016 Q2 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><strong>Lakeshore</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>9,813,571</td>
<td>186,084</td>
<td>1.9%</td>
<td>$4.21</td>
<td>106,331</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>23,903,159</td>
<td>809,710</td>
<td>3.4%</td>
<td>$2.46</td>
<td>50,867</td>
</tr>
<tr>
<td>Hightech Flex</td>
<td>1,002,287</td>
<td>12,523</td>
<td>1.3%</td>
<td>$5.35</td>
<td>1,464</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34,719,017</strong></td>
<td><strong>1,008,317</strong></td>
<td><strong>2.9%</strong></td>
<td><strong>$4.00</strong></td>
<td><strong>158,662</strong></td>
</tr>
<tr>
<td><strong>Northeast</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>4,848,453</td>
<td>98,840</td>
<td>2.0%</td>
<td>$4.04</td>
<td>2,220</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7,149,256</td>
<td>333,697</td>
<td>4.7%</td>
<td>$2.63</td>
<td>97,244</td>
</tr>
<tr>
<td>Hightech Flex</td>
<td>565,606</td>
<td>-</td>
<td>-</td>
<td>$5.31</td>
<td>31,154</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,563,315</strong></td>
<td><strong>432,537</strong></td>
<td><strong>3.4%</strong></td>
<td><strong>$4.00</strong></td>
<td><strong>130,618</strong></td>
</tr>
<tr>
<td><strong>Northwest</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>4,429,108</td>
<td>185,115</td>
<td>4.2%</td>
<td>$3.42</td>
<td>7,222</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12,732,790</td>
<td>438,330</td>
<td>3.4%</td>
<td>$3.20</td>
<td>29,689</td>
</tr>
<tr>
<td>Hightech Flex</td>
<td>1,208,188</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,370,086</strong></td>
<td><strong>623,445</strong></td>
<td><strong>3.4%</strong></td>
<td><strong>$3.31</strong></td>
<td><strong>36,911</strong></td>
</tr>
<tr>
<td><strong>Southeast</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>22,031,241</td>
<td>656,529</td>
<td>2.9%</td>
<td>$3.39</td>
<td>78,942</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>25,815,696</td>
<td>1,706,870</td>
<td>6.6%</td>
<td>$4.02</td>
<td>-395,173</td>
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<tr>
<td>Hightech Flex</td>
<td>3,038,832</td>
<td>123,891</td>
<td>4.1%</td>
<td>$5.70</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50,885,769</strong></td>
<td><strong>2,487,290</strong></td>
<td><strong>4.9%</strong></td>
<td><strong>$4.37</strong></td>
<td><strong>-316,231</strong></td>
</tr>
<tr>
<td><strong>Southwest</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>8,031,949</td>
<td>72,748</td>
<td>9.1%</td>
<td>$2.94</td>
<td>-23,150</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>21,944,325</td>
<td>239,143</td>
<td>10.9%</td>
<td>$3.38</td>
<td>65,983</td>
</tr>
<tr>
<td>Hightech Flex</td>
<td>763,400</td>
<td>25,873</td>
<td>3.4%</td>
<td>$4.79</td>
<td>-3,680</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,739,674</strong></td>
<td><strong>337,763</strong></td>
<td><strong>11.0%</strong></td>
<td><strong>$3.70</strong></td>
<td><strong>39,153</strong></td>
</tr>
<tr>
<td><strong>Total Overall</strong></td>
<td><strong>147,277,861</strong></td>
<td><strong>4,889,353</strong></td>
<td><strong>3.32%</strong></td>
<td><strong>$3.88</strong></td>
<td><strong>49,113</strong></td>
</tr>
</tbody>
</table>

## Industrial Statistical Changes

### Last Year vs. This Year

**2Q15 vs. 2Q16**

- **Net Absorption**
- **Vacancy Rate**
- **Construction**
- **Asking Rates**

### Last Quarter vs. This Quarter

**1Q16 vs. 2Q16**

- **Net Absorption**
- **Vacancy Rate**
- **Construction**
- **Asking Rates**
Methodology

All Industrial building types are included, including warehouse, flex / research development, distribution manufacturing, industrial showroom, and service buildings, in both single-tenant and multi-tenant buildings, including owner-occupied buildings.

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.

Net Rental Rate
A rental rate that excludes certain expenses that a tenant could incur in occupying office space. Such expenses are expected to be paid directly by the tenant and may include janitorial costs, electricity, utilities, taxes, insurance and other related costs.

Price/SF
Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

Multi-Tenant
Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different needs.

Price/SF
Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

RBA
Rentable Building Area -Mainly used for office and industrial

Rental Rate
The annual costs of occupancy for a particular space quoted on a per square foot basis.

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.

Existing Inventory
The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

Vacancy Rate
All physically unoccupied lease space, either direct or sublease.

Flex Building
A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

Industrial Building
A type of building(s) adapted for a combination of uses such as assemblage, processing, and/or manufacturing products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities.
In the spring of 2011, two successful and reputable companies, The Wisinski Group and NAI West Michigan merged. The merger represents collaboration, rich traditions, innovative technologies, unique cultures and diversity of skills and specialties which ultimately benefit our clients. We’re going back to our fundamentals, strengthening our core and becoming stronger in the services we provide our clients. Our focus is simple, building client relationships for life by offering market appropriate advice and then executing. Our success is a direct result of its unwavering commitment to providing the best possible service to each and every client. Our Brokers, with their 630 plus years of combined experience (20 years average), possess the knowledge and expertise to manage the most complex transactions in industrial, office, retail, and multifamily specialities throughout West Michigan.

Through our affiliation with NAI Global, we can also assist you with your commercial real estate needs throughout the US & globally from right here in West Michigan.