Industrial Market Report
West Michigan | Q4 - Year End 2016

Wisinski of West Michigan

Office • Industrial • Retail • Multi-Family
“2016 was a strong year for industrial real estate in West Michigan. The theme was, and continues to be, a lack of available industrial buildings. Properties that are available have been trading at a quicker pace than seen in previous years. While this has created challenges for prospective tenants and buyers, it has benefited property owners in the form of higher lease rates and an increase in real estate values.”

- Chris Prins
Industrial | Advisor

The limited inventory in West Michigan’s industrial market has caused users to get more creative to meet their needs. Some users have expanded their geographic search area to find a building that matches their needs. Other users have relied on the connections of their broker to identify off-market opportunities. More and more users are opting for new construction to satisfy their facility needs, as supported by a growth in vacant land sales in 2016. The construction industry has felt this impact firsthand as users are not only purchasing land to construct a new facility, but they may also be acquiring an existing facility with the intent of adding on to the building or reconfiguring it to meet their needs. There was also an increase in industrial speculative construction in 2016.

One segment of the industrial market that was popular in 2016 was self-storage facilities. We had a number of clients convert industrial buildings to heated indoor self-storage facilities, as well as purchase industrial land to build new self-storage facilities.

Our expectation for 2017 is that the industrial real estate market in West Michigan will continue to be bolstered by a strong economy, which will result in continued limited inventory and the need for additional construction, both speculative and build-to-suit. Lease rates and real estate values should continue to increase.

* 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

1239 Comstock St.
40,930 SF
7.74 acres

3910 Roger B Chaffee Blvd.
43,572 SF
3.139 acres

3770 Hagen Dr. SE
41,000 SF
2.11 acres

SOLD

6440 Fulton St. E.
4,010 SF
Endurance Rehabilitation & Athletics

4140 East Paris Ave. SE
187,558 SF
Veritiv Operating Company

1090 36th St. SE
15,819 SF
Etna Supply Company

LEASED

LEASED

LEASED

LEASED
West Michigan
Industrial Submarket Statistics

2016 Q4 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>9,905,606</td>
<td>146,833</td>
<td>1.5%</td>
<td>$4.60</td>
<td>-5,500</td>
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<tr>
<td>Manufacturing</td>
<td>24,196,695</td>
<td>889,319</td>
<td>3.7%</td>
<td>$2.40</td>
<td>-122,341</td>
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<tr>
<td>Hightech Flex</td>
<td>1,002,287</td>
<td>0</td>
<td>0</td>
<td>$6.07</td>
<td>7,523</td>
</tr>
<tr>
<td>Total</td>
<td>35,104,588</td>
<td>1,036,152</td>
<td>3.0%</td>
<td>$3.13</td>
<td>-120,318</td>
</tr>
<tr>
<td>Northeast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>4,859,792</td>
<td>56,340</td>
<td>1.2%</td>
<td>$4.60</td>
<td>15,494</td>
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<tr>
<td>Manufacturing</td>
<td>7,159,112</td>
<td>152,643</td>
<td>2.1%</td>
<td>$3.72</td>
<td>175,262</td>
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<tr>
<td>Hightech Flex</td>
<td>565,606</td>
<td>8,250</td>
<td>1.5%</td>
<td>$7.25</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>12,584,510</td>
<td>217,233</td>
<td>1.7%</td>
<td>$4.22</td>
<td>190,756</td>
</tr>
<tr>
<td>Northwest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>4,647,427</td>
<td>70,975</td>
<td>1.5%</td>
<td>$3.36</td>
<td>116,040</td>
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<tr>
<td>Manufacturing</td>
<td>12,750,264</td>
<td>364,415</td>
<td>2.9%</td>
<td>$3.61</td>
<td>72,525</td>
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<tr>
<td>Hightech Flex</td>
<td>1,208,188</td>
<td>0</td>
<td>0</td>
<td>$7.25</td>
<td>0</td>
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<tr>
<td>Total</td>
<td>18,605,879</td>
<td>435,390</td>
<td>2.3%</td>
<td>$3.78</td>
<td>188,565</td>
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<tr>
<td>Southeast</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Warehouse</td>
<td>21,915,963</td>
<td>414,516</td>
<td>1.9%</td>
<td>$3.49</td>
<td>55,388</td>
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<tr>
<td>Manufacturing</td>
<td>25,817,047</td>
<td>919,127</td>
<td>3.6%</td>
<td>$4.15</td>
<td>117,968</td>
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<tr>
<td>Hightech Flex</td>
<td>3,038,832</td>
<td>178,292</td>
<td>5.9%</td>
<td>$5.80</td>
<td>-23,430</td>
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<tr>
<td>Total</td>
<td>50,771,842</td>
<td>1,511,935</td>
<td>3.0%</td>
<td>$3.96</td>
<td>149,926</td>
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<tr>
<td>Southwest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td>7,651,600</td>
<td>98,007</td>
<td>1.3%</td>
<td>$3.14</td>
<td>-26,317</td>
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<tr>
<td>Manufacturing</td>
<td>21,810,764</td>
<td>84,448</td>
<td>0.4%</td>
<td>$3.73</td>
<td>97,244</td>
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<tr>
<td>Hightech Flex</td>
<td>763,625</td>
<td>17,600</td>
<td>2.3%</td>
<td>$6.99</td>
<td>1,080</td>
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<tr>
<td>Total</td>
<td>30,225,989</td>
<td>200,055</td>
<td>0.6%</td>
<td>$3.68</td>
<td>72,007</td>
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<tr>
<td>Total Overall</td>
<td>147,292,808</td>
<td>3,400,765</td>
<td>2.3%</td>
<td>$3.70</td>
<td>480,936</td>
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</tbody>
</table>

Industrial Statistical Changes

Last Quarter vs. This Quarter

4Q15 vs. 4Q16

- Net Absorption
- Vacancy Rate
- Construction
- Asking Rates

Last Year vs. This Year

3Q16 vs. 4Q16

- Net Absorption
- Vacancy Rate
- Construction
- Asking Rates

*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.
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.
Meet Our Team

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 an average of over 20 years experience, possess the knowledge and expertise to manage the most complex transactions in industrial, office, retail, and multifamily specialties 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.

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