Office Market Report
West Michigan | Q1 2016

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*Also serving the Kalamazoo & Southwest Michigan areas from our Kalamazoo office*
Wrapping Up The First Quarter In Sixteen.

The West Michigan Office Market continued to take positive strides in the right direction during the 1st quarter of 2016 with the downtown and NE submarkets experiencing substantial decreases in their respective Class A vacancy rates. The vacancy rate for Class A office space in the downtown submarket dropped from 6.2% in the 4th quarter of 2015, down to 2.4% in the 1st quarter of 2016. The vacancy rate for Class A office space in the Northeast submarket dropped from 5.4% in the 4th quarter of 2015, down to 2.3% in the 1st quarter of 2016.

These are some of the lowest vacancy rates that we have seen for Class A office space in these submarkets for the last 7+ years. The decrease in the Class A vacancy rate in the downtown submarket was primarily driven by multiple leases that took place in the Bridgewater Building located at 333 Bridge St. The decrease in the Class A office vacancy rate in the Northeast submarket was attributed to just over 9,000 sq ft of space getting leased in a Class A building located at 3225 N. Evergreen Dr. The vacancy rates for Class A, B, & C office space in the SE, SW, & NW submarkets didn’t change much from Q4 2015 to Q1 2016, but on a positive note the asking prices increased across the board.

Some exciting new projects to keep your eyes on in downtown GR are the new 12 story office tower located at 20 Weston, which Rockford Construction will be breaking ground on; the 5 story, 80+ unit residential Tower referred to as The Venue that Orion Construction has broken ground on next to The BOB; the new 14 story, 100+ unit residential tower that Brookstone Capital has under construction at 20 E. Fulton St; and Phase I of a new mixed use project consisting of a 9 screen movie theater, 38,000 square feet of retail, 187 residential units, and 900 space parking deck. Phase II of this development is expected to bring an additional 150 residential units to market. These projects are either underway or slated to get underway in 2016, early 2017.

“As Class A vacancy rates in the downtown submarket continue to decrease, we are starting to see some new Class A office construction take place. At this point there is approximately 188,562 sq ft of new Class A construction underway, much of which is already accounted for from a lease perspective. I would suspect that we may start to see some new Class A construction start to take place in the NE submarket given the lack of available inventory at this point in time.”

- Jason Makowski,
Principal | NAI Member
SOLD

944 & 942 52nd
19,899 & 5,412 SF
Bethany Christian Services

SOLD

4211 Division Ave.
9,330 SF
Sale Price: $680,000

SOLD

5360 Cascade Rd.
10,000 SF
Sale Price: $950,000

LEASED

35 Oakes - 6th Floor
6,300 SF
Tenant: Modustri

LEASED

625 Kenmore
5,740 SF
Tenant: Gentiva Hospice

LEASED

3226 28th St. SE
9,000 SF
Tenant: Mid West E-Store LLC
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.

Q1 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>1,361,816</td>
<td>32,036</td>
<td>2.4%</td>
<td>$21.01</td>
<td>67,071</td>
<td>200,000</td>
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<tr>
<td>Class B &amp; C</td>
<td>7,743,250</td>
<td>794,810</td>
<td>10.3%</td>
<td>$15.38</td>
<td>7,982</td>
<td>162,800</td>
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<tr>
<td><strong>Total</strong></td>
<td>9,105,066</td>
<td>826,846</td>
<td>9.1%</td>
<td><strong>$18.19</strong></td>
<td>75,053</td>
<td><strong>362,000</strong></td>
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<tr>
<td><strong>Northeast</strong></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Class A</td>
<td>294,197</td>
<td>6,830</td>
<td>2.3%</td>
<td>$17.28</td>
<td>5,464</td>
<td>-</td>
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<tr>
<td>Class B &amp; C</td>
<td>3,128,499</td>
<td>211,138</td>
<td>6.7%</td>
<td>$13.70</td>
<td>-7,167</td>
<td>-</td>
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<tr>
<td><strong>Total</strong></td>
<td>3,433,678</td>
<td>217,968</td>
<td>6.3%</td>
<td><strong>$15.49</strong></td>
<td>-1,703</td>
<td>-</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>2,436,632</td>
<td>153,582</td>
<td>6.3%</td>
<td>$11.40</td>
<td>16,066</td>
<td>-</td>
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<tr>
<td><strong>Southeast</strong></td>
<td></td>
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<tr>
<td>Class A</td>
<td>1,065,736</td>
<td>68,987</td>
<td>6.5%</td>
<td>$15.37</td>
<td>3,540</td>
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<tr>
<td>Class B &amp; C</td>
<td>9,838,725</td>
<td>1,152,066</td>
<td>11.7%</td>
<td>$10.91</td>
<td>45,657</td>
<td>-</td>
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<tr>
<td><strong>Total</strong></td>
<td>10,904,461</td>
<td>1,220,053</td>
<td>11.2%</td>
<td><strong>$13.14</strong></td>
<td>49,197</td>
<td>-</td>
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<tr>
<td><strong>Southwest</strong></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Class B &amp; C</td>
<td>2,898,140</td>
<td>288,987</td>
<td>10.0%</td>
<td>$9.94</td>
<td>9,332</td>
<td>0</td>
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<td><strong>Overall Total</strong></td>
<td>28,777,977</td>
<td>1,609,436</td>
<td>5.6%</td>
<td><strong>$13.63</strong></td>
<td>147,945</td>
<td><strong>362,000</strong></td>
</tr>
</tbody>
</table>

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

1Q15 vs. 1Q16

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

4Q15 vs. 1Q16

- **Net Absorption:** Decrease
- **Vacancy Rate:** Increase
- **Construction:** Increase
- **Asking Rates:** Increase
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.
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 Multi-Family 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 right here from West Michigan.*

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