With the bankruptcy news of West Michigan based retailers MC Sports and Family Christian Book Stores, coupled with closures of national large box stores such as Kmart and Sears, it has left many wondering whether brick and mortar retail is facing steep declines. Certainly the retail segment is in a state of transition, but evidence suggests that brick and mortar retail is here to stay. Consider that all but one of the top 10 retailers (Target) sales grew in 2016.

Further, brick and mortar stores are more profitable than online retailers. Alix Partners tracked five years of financial performance for 20 publicly traded retailers. For the group, online sales grew from 10.5% of total sales in 2012 to 15.5% in 2016. However, margins declined by 150 basis points during this period due to online related expenses such as shipping and handling costs associated with increased returns and restocking. Indeed, retailers’ store fleets are subsidizing their online businesses.

Amazon is frequently pointed to as the retailer of the future. The majority of Amazon’s revenue comes from revenue outside of retail, and its e-commerce incurs shipping costs at twice the level of shipping revenue. Some go far to say that Amazon plays by a different set of rules in the public markets, creating the perception that pure play e-tailing is viable.

Certainly retail is in a phase of evolution. Those retailers who will combine traditional brick and mortar with e-commerce will be well positioned for success. Self-subscribed digital shoppers report that in-store experiences are the most important touch point when considering a purchase, beating all channels.

The solution for retailers lies in providing something that purely e-commerce retailers cannot offer. Retailers will have to overcome the challenge to offer their customers more than just a shopping opportunity, but an experience.

The bottom line is, retail is not going away. It, like all other business models, will need to adapt and change.
SOLD

5165 Wilson Ave. SW
Vacant Land Sale
Coming Soon

2149 84th St. SW
20,075 SF
Investment Sale

2720 Sprinkle Rd. & 3650 Alvan Rd.
1,890 SF

LEASED

1830 Breton Village Rd.
1,063 SF
Tenant: Scout & Molly’s

2995 28th St. SE
9,200 SF
Tenant: Great Lakes Furnishings

664 Baldwin St.
1,300 SF
Tenant: Michigan Moonshine

Market Activity

› Grand Rapids-based Russo’s International Market, formerly G.B. Russo & Son, announced plans to open a second location. Russo’s current location is at 2770 29th St. SE with plans to open a 4,500-square-foot second location with a restaurant at 241 Fulton St. W.

› Meijer broke ground on a new location in June. The local based retailer is working with Rockford Construction on the Bridge Street Market, an urban neighborhood market intended to provide an additional local grocery option for those in the West Side neighborhood.

› Chemical Bank announced that they will be closing 16 branches by the end of the year, bringing the total number of branches to be closed this year to 34.

› A new Hilton brand hotel, the Hilton Garden Inn, has opened at 2321 E. Beltline Ave. SE, adjacent to the Western Michigan University Campus, just north of Woodland Mall.
## West Michigan Retail Submarket Statistics

### 2017 Q2 Retail 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>Community</td>
<td>1,472,319</td>
<td>43,704</td>
<td>3.0%</td>
<td>$8.10</td>
<td>0</td>
</tr>
<tr>
<td>Neighborhood</td>
<td>1,472,319</td>
<td>43,704</td>
<td>3.0%</td>
<td>$8.10</td>
<td>0</td>
</tr>
<tr>
<td>Strip</td>
<td>1,037,981</td>
<td>75,346</td>
<td>7.3%</td>
<td>$10.60</td>
<td>-7,508</td>
</tr>
<tr>
<td>Total</td>
<td>3,982,619</td>
<td>162,754</td>
<td>4.1%</td>
<td>$8.75</td>
<td>-7,508</td>
</tr>
<tr>
<td><strong>Northeast</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>445,573</td>
<td>141,856</td>
<td>31.8%</td>
<td>$4.53</td>
<td>0</td>
</tr>
<tr>
<td>Neighborhood</td>
<td>1,115,603</td>
<td>103,253</td>
<td>9.3%</td>
<td>$8.69</td>
<td>-49,801</td>
</tr>
<tr>
<td>Strip</td>
<td>680,295</td>
<td>32,197</td>
<td>4.7%</td>
<td>$10.44</td>
<td>6,110</td>
</tr>
<tr>
<td>Total</td>
<td>2,241,471</td>
<td>227,306</td>
<td>10.1%</td>
<td>$8.39</td>
<td>-43,691</td>
</tr>
<tr>
<td><strong>Northwest</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>465,565</td>
<td>7,736</td>
<td>1.7%</td>
<td>$15.95</td>
<td>29,203</td>
</tr>
<tr>
<td>Neighborhood</td>
<td>726,485</td>
<td>74,359</td>
<td>10.2%</td>
<td>$7.19</td>
<td>34,626</td>
</tr>
<tr>
<td>Strip</td>
<td>564,309</td>
<td>48,826</td>
<td>8.7%</td>
<td>$11.32</td>
<td>-3,674</td>
</tr>
<tr>
<td>Total</td>
<td>1,756,359</td>
<td>130,921</td>
<td>7.5%</td>
<td>$10.87</td>
<td>60,155</td>
</tr>
<tr>
<td><strong>Southeast</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>863,815</td>
<td>4,440</td>
<td>0.5%</td>
<td>$10.75</td>
<td>1,800</td>
</tr>
<tr>
<td>Neighborhood</td>
<td>2,662,879</td>
<td>329,353</td>
<td>12.4%</td>
<td>$9.91</td>
<td>2,132</td>
</tr>
<tr>
<td>Strip</td>
<td>1,751,438</td>
<td>129,608</td>
<td>7.4%</td>
<td>$12.38</td>
<td>-22,440</td>
</tr>
<tr>
<td>Total</td>
<td>5,278,132</td>
<td>463,401</td>
<td>8.8%</td>
<td>$10.87</td>
<td>-18,508</td>
</tr>
<tr>
<td><strong>Southwest</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>1,658,417</td>
<td>214,186</td>
<td>12.9%</td>
<td>$8.31</td>
<td>-9,663</td>
</tr>
<tr>
<td>Neighborhood</td>
<td>964,493</td>
<td>73,126</td>
<td>7.6%</td>
<td>$9.48</td>
<td>1,640</td>
</tr>
<tr>
<td>Strip</td>
<td>981,896</td>
<td>66,864</td>
<td>6.8%</td>
<td>$10.79</td>
<td>-4,446</td>
</tr>
<tr>
<td>Total</td>
<td>3,604,806</td>
<td>354,176</td>
<td>9.8%</td>
<td>$9.30</td>
<td>-12,469</td>
</tr>
<tr>
<td><strong>Overall Total</strong></td>
<td>16,863,387</td>
<td>1,338,558</td>
<td>7.9%</td>
<td>$9.70</td>
<td>-22,021</td>
</tr>
</tbody>
</table>

### Retail Statistical Changes Year-over-Year and Quarter-over-Quarter

#### 2Q16 vs. 2Q17

#### 1Q17 vs. 2Q17

*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.*
Interpretation

Vacancy rates for Neighborhood and Strip have both increased from Q1 2017. We see the largest increase in vacancy rates in the Strip category from 6% in Q1 2017 to 6.9% this quarter.

Interpretation

The rental rates for Neighborhood and Community have increased from Q1 2017. We see the greatest change in rental rates for the Strip category, from $10.93 in Q1 2017 to $11.33 this quarter.
Methodology: The retail market report includes community, neighborhood, and strip retail buildings within each of the defined submarkets. For definition of product type, please see below.

**Community Center**
A shopping center development that has a total square footage between 10,000 - 350,000 SF. Generally will have 2-3 large anchored tenants, but not department store anchors. Community Center typically offers a wider range of apparel and other soft goods than the Neighborhood Center. Among the more common anchors are supermarkets and super drugstores.

**Strip Center**
A strip center is an attached row of stores or service outlets managed as a coherent retail entity, with on-site parking usually located in front of the stores. Open canopies may connect the storefronts, but a strip center does not have enclosed walkways linking the stores.

**Neighborhood Center**
Provides for the sale of convenience goods (food, drugs, etc) and personal services (laundry, dry cleaning, etc.)

**Definitions**

**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 retail, a triple net rate is requested.

**RBA**
The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant’s rental obligation.

**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.

**SF/PSF**
Square foot/per square foot, used as a unit of measurement.
Meet Our Team


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 NAI affiliate offices throughout the world. NAI Wisinski of West Michigan: Local Knowledge, Global Reach, Achieve More.

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