

Industrial Market Report

West Michigan | Q2 2017



NAI Wisinski of
West Michigan

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*Also serving the Kalamazoo &
Southwest Michigan areas from our
Kalamazoo office*

Office • Industrial • Retail • Multi-Family



1,566,040

Total Population



22

Publicly Traded Companies



92.8

Cost of living index



\$66,742

Average Household Income



20%

Jobs in the Manufacturing
Industry

Information above is based on a 13 county region provided by The Right Place

Industrial Market Trends

The 2017 second quarter Industrial metrics for vacancy, rental rates, and total net absorption continues the story of both the first quarter results and a number of quarters prior to that. Industrial space remains tight across all quadrants of West Michigan with an overall vacancy rate still showing less than 2%.

Both Buyers and Tenants continued to struggle during the second quarter to find space suitable for their needs, which is continuing to force the discussion of build-to-suit projects. There are a number of build-to-suit projects being marketed throughout the region. However, to date only a few of them have been started. Construction costs remain high relative to the limited spaces that can be found in the market that exist today. As business demand continues, additional shovels in the ground to meet that demand is inevitable.

The Grand Rapids Metropolitan area was the fastest growing economy in the United States last year according to Headlight Data, a company that tracks economic and workforce development. According to Headlight, the Grand Rapids workforce grew 4.4% last year which resulted in an unemployment rate in West Michigan of only 2.8%. It is this continued job growth and robust business activity that will continue to put pressure on existing available inventory, a circumstance which is expected to continue into late 2017.

Many of the transactions that are being completed are for “off-market properties” that may not be listed or have a sign in front of them. These transactions happen under the radar and make up a significant portion of the activity that is taking place. This requires a patient and creative approach on behalf of Buyers and Tenants. However, those with off-market knowledge and information will continue to find solutions for their real estate needs.



-Stu Kingma, SIOR
Industrial Service Provider
Associate Broker

Cover Feature: Industrial Building For Sale
3070 Shaffer Ave. SE



11670 46th Ave.
36,604 SF
7.66 Acres



4220 Roger B Chaffee SE
66,181 SF
3.1 Acres



4140 East Paris Ave. SE
187,558 SF
12.84 Acres



4480 44th St. SE
135,000 SF
Holland Special Delivery



4710 44th St. SE
44,630 SF
Inscape Corporation



4674 Clay Ave. SW, Suite D
23,750 SF
Machine Star



Market Activity

- › Rockford Construction Company is developing a 230 acre industrial park north of I-96 and Walker Avenue interchange. The park still has roughly 120 acres of land for sale as a Greenfield site, or available to lease as a build-to-suit option.
- › A build-to-suit 92,400-square-foot industrial center is ready to begin construction in Grand Rapids. The Crossroads Business Center at 103 76th St. SE will have spaces between 10,000 and 50,000 square feet available for lease.
- › 5 new industrial suites are being built at 8945 Byron Commerce Dr. The suites range from 5,400 square feet to 27,000 square feet, with the building totaling 81,000 square feet. Located at the US-131 and 84th street exit, this industrial park is scheduled for delivery in the Fall of 2017.

DID-YOU-KNOW?

45%

NAI was involved in 45% of all Grand Rapids area Industrial transactions in Q2

Numbers reflect what is reported to the Commercial Alliance of Relators

*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.

2017 Q2 Industrial Snapshot

Submarket	Total RBA	Vacant Available SF	Vacancy Rate	Total Average NNN Rate (\$/SF/Yr)	Total Net Absorption (SF)
Lakeshore					
Warehouse	10,036,180	124,724	1.2%	\$4.54	47,552
Manufacturing	23,472,471	811,027	3.5%	\$2.39	31,925
Hightech Flex	1,766,629	166,354	9.4%	\$5.50	-95,304
Total	35,275,280	1,102,105	3.1%	\$3.16	-15,827
Northeast					
Warehouse	4,859,105	5,040	0.1%	\$5.01	0
Manufacturing	7,159,112	124,522	1.7%	\$3.60	24,000
Hightech Flex	565,606	0	0	\$7.25	0
Total	12,583,823	129,562	1.0%	\$4.31	24,000
Northwest					
Warehouse	4,653,452	13,670	0.3%	\$3.28	65,815
Manufacturing	12,763,219	350,915	2.7%	\$3.51	7,500
Hightech Flex	1,218,068	0	0	\$7.25	0
Total	18,634,739	364,585	2.0%	\$3.70	73,315
Southeast					
Warehouse	21,848,456	489,746	2.2%	\$3.34	-26,999
Manufacturing	25,637,720	430,575	1.7%	\$3.70	-138,180
Hightech Flex	3,038,832	40,284	1.3%	\$6.80	82,410
Total	50,525,008	960,605	1.9%	\$3.73	-82,769
Southwest					
Warehouse	7,865,257	63,005	0.8%	\$5.98	105,896
Manufacturing	21,867,239	83,325	0.4%	\$3.82	-750
Hightech Flex	763,625	21,200	2.8%	\$6.99	-3,600
Total	30,496,121	167,530	0.5%	\$4.46	101,546
Total Overall	147,514,971	2,724,387	1.8%	\$3.79	100,265

Industrial Statistical Changes Year-over-Year and Quarter-over-Quarter

2Q17 vs. 2Q16

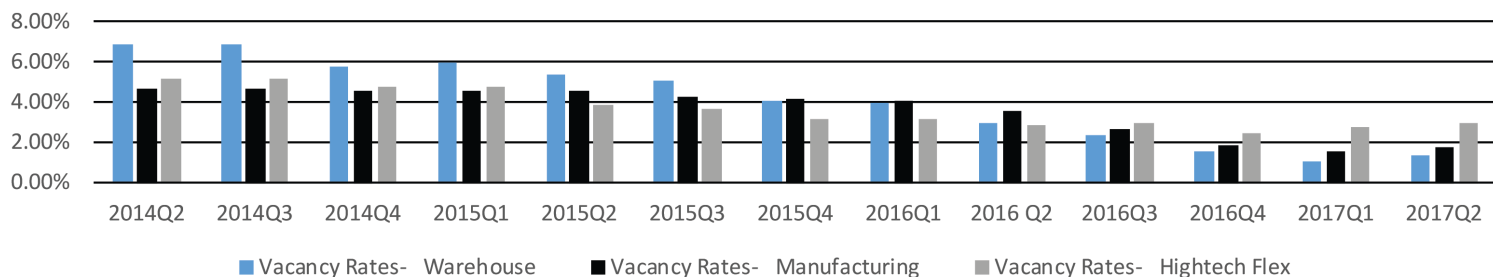


2Q17 vs. 1Q17



Industrial Total Market Report

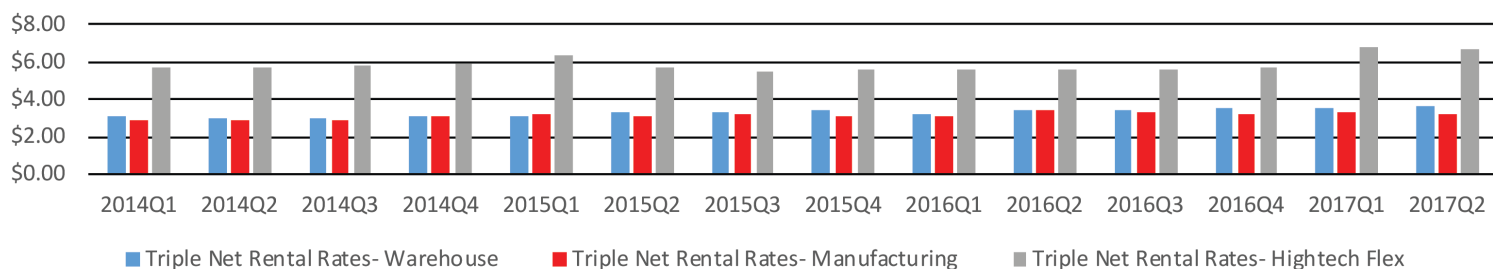
Vacancy Rate



Interpretation

Vacancy rates for Warehouse, Manufacturing, Hightech Flex have increased from 2017 Q1, but the average vacancy rate is still below 2%.

Triple Net Rental Rates

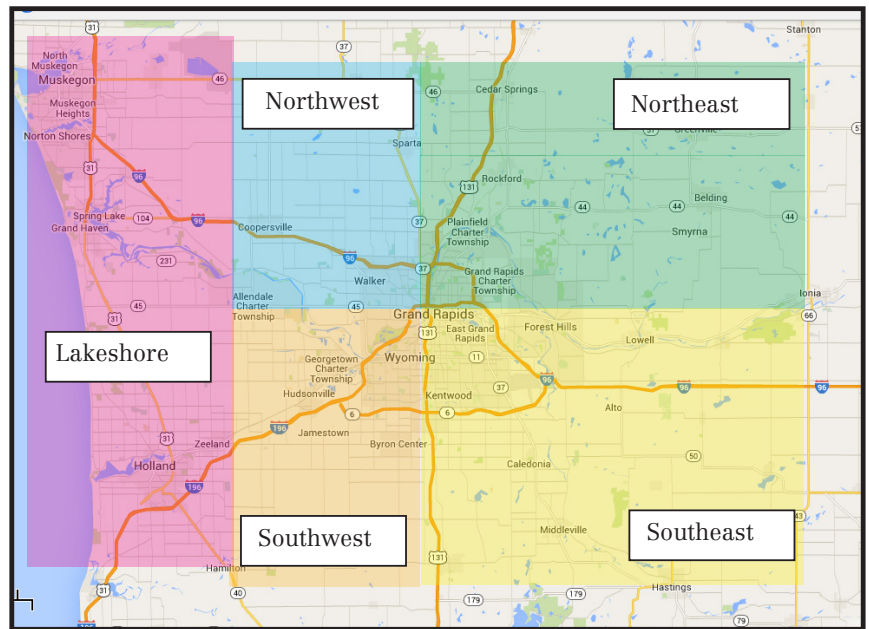


Interpretation

We did not see a drastic change in triple net rental rates from last quarter. Rental rates for Warehouse space increased while rental rates for Manufacturing and Hightech flex space decreased.

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.



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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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