

# Industrial Market Report

West Michigan | Q4 - Year End 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

GRAND RAPIDS  
The Market



1,058,079

Total Population



36,247

Total Businesses



\$71,795

Average Household Income



36.4

Median Age



3.4%

Unemployment Rate

# Industrial Market Trends

The big story for 2017: Less supply and more demand is driving prices up! If you are in the market for a building, allow for plenty of time and plan ahead! If you are considering selling or leasing your building...now could not be a better time.

As we close the book on 2017, we reflect on a year that has seen some of the highest prices and lowest vacancies the West Michigan industrial market has ever experienced. The Fourth Quarter in 2017 closes the final chapter of the year with the same theme. Available industrial space is very limited and product that is priced correctly moves off the market quickly. It is not unusual for deals to come together before they ever hit the market. More than ever, this is an important time to build a relationship with a quality broker who understands this fast-paced market.

More speculative buildings continue to hit the market. Many of these “specs” have at least one tenant that has committed to leasing a portion of the space prior to construction. Construction costs remain at an all-time high and both lease and sale rates are inching upward. The West Michigan economy is still going strong and confidence remains high. We expect these trends to continue through 2018 into 2019.



-Kurt Kunst, CCIM, SIOR  
Partner, Associate Broker



**SOLD**  
**5910 Crossroads  
Commerce**

Vacant Land Sale  
Pinnacle Construction  
Group



**SOLD**  
**1761 Airport Ct.**  
123,348 SF  
9.07 Acres



**SOLD**  
**2044 Peck St.**  
22,293 SF



**LEASED**  
**3378 3 Mile Rd. NW**  
104,864 SF  
Same Day Delivery



**LEASED**  
**4849 Barden Ct. SE**  
45,000 SF  
XYZ Motors, LLC



**LEASED**  
**3056 Walker Ridge Dr. NW**  
182,750 SF  
Tubelite Inc.



## Market Activity

- › Hutt, a Holland-based trucking and logistics company, has expanded its Hudsonville warehouse by 81,000 square-feet. This expansion more than doubles their capacity. The facility will be used for deep-frozen storage capacity (temperatures of -20 degrees Fahrenheit or below). This is necessary for storing certain food-grade products like ice cream. When asked, Hutt said the expansion was due to a growing customer base and demand for deep-frozen storage.
- › Freshwater Digital, a local digital signage firm, moved its operations to an industrial park in Kentwood, near Gerald R. Ford Airport. Their move was driven by their need to expand their innovations lab. The new location is ideal for them because of its mixture of office space, a technology lab, and a staging area with ample storage and warehouse space.

\*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 Q4 Industrial Snapshot

Submarket	Total RBA	Vacant Available SF	Vacancy Rate	Total Average NNN Rate (\$/SF/ Yr)	Total Net Absorption (SF)
<b>Lakeshore</b>					
Warehouse	10,036,758	194,810	1.9%	\$4.05	-106,915
Manufacturing	23,411,895	117,320	0.5%	\$2.32	146,822
Hightech Flex	1,778,225	260,970	14.7%	\$5.50	-4,430
<b>Total</b>	<b>35,226,878</b>	<b>573,100</b>	<b>1.6%</b>	<b>\$2.97</b>	<b>35,477</b>
<b>Northeast</b>					
Warehouse	4,859,105	0	0.0%	\$5.50	0
Manufacturing	7,034,670	34,522	0.5%	\$3.79	8,375
Hightech Flex	565,606	0	0.0%	\$7.25	0
<b>Total</b>	<b>12,459,381</b>	<b>34,522</b>	<b>0.3%</b>	<b>\$4.61</b>	<b>8,375</b>
<b>Northwest</b>					
Warehouse	4,653,452	191,224	4.1%	\$3.42	-183,154
Manufacturing	12,759,079	286,723	2.2%	\$3.62	-66,250
Hightech Flex	1,218,068	0	0	\$7.25	0
<b>Total</b>	<b>18,630,599</b>	<b>477,947</b>	<b>2.6%</b>	<b>\$3.81</b>	<b>-249,404</b>
<b>Southeast</b>					
Warehouse	21,780,441	663,637	3.0%	\$3.52	-186,470
Manufacturing	25,885,217	418,458	1.6%	\$3.78	-108,000
Hightech Flex	3,038,832	10,150	0.3%	\$6.58	4,500
<b>Total</b>	<b>50,704,490</b>	<b>1,092,245</b>	<b>2.1%</b>	<b>\$3.84</b>	<b>-289,970</b>
<b>Southwest</b>					
Warehouse	7,929,501	20,600	0.3%	\$8.21	0
Manufacturing	21,873,977	80,471	0.4%	\$3.75	-16,097
Hightech Flex	763,625	113,071	0.1%	\$4.73	8,800
<b>Total</b>	<b>30,567,103</b>	<b>214,142</b>	<b>0.7%</b>	<b>\$4.82</b>	<b>-7,297</b>
<b>Total Overall</b>	<b>147,588,451</b>	<b>2,391,956</b>	<b>1.6%</b>	<b>\$4.08</b>	<b>-502,819</b>

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

4Q17 vs. 4Q16



NET ABSORPTION



VACANCY RATE



CONSTRUCTION



ASKING RATES

4Q17 vs. 3Q17



NET ABSORPTION



VACANCY RATE



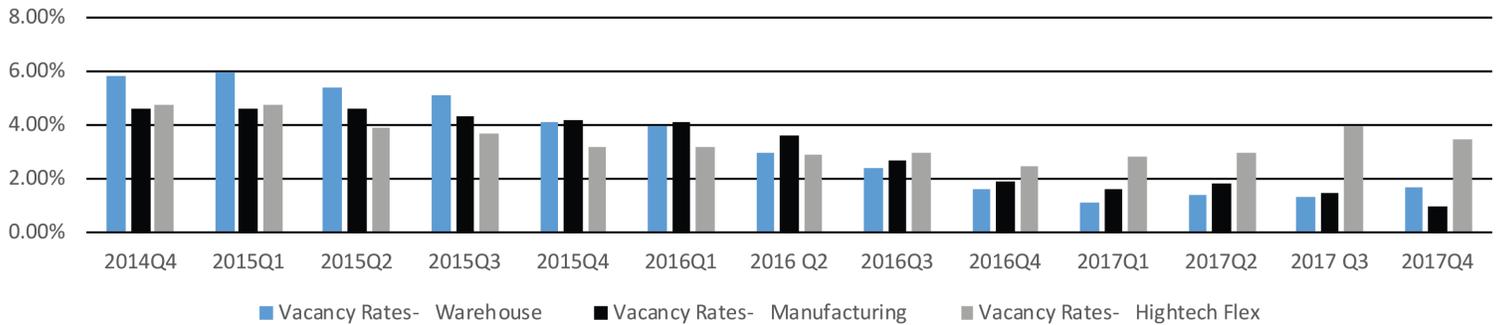
CONSTRUCTION



ASKING RATES

# Industrial Total Market Report

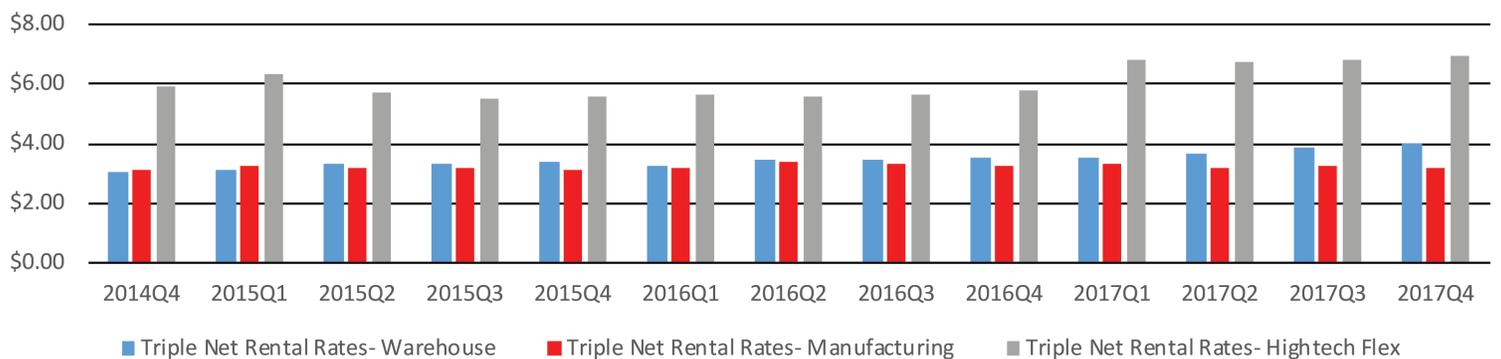
## Vacancy Rate



## Interpretation

Vacancy rates for Manufacturing and Hightech Flex have decreased from last quarter. We see an increase in the Warehouse category, from 1.3% in Q3 2017 to 1.7% this quarter, but the average vacancy rate is still below 2%.

## Triple Net Rental Rates

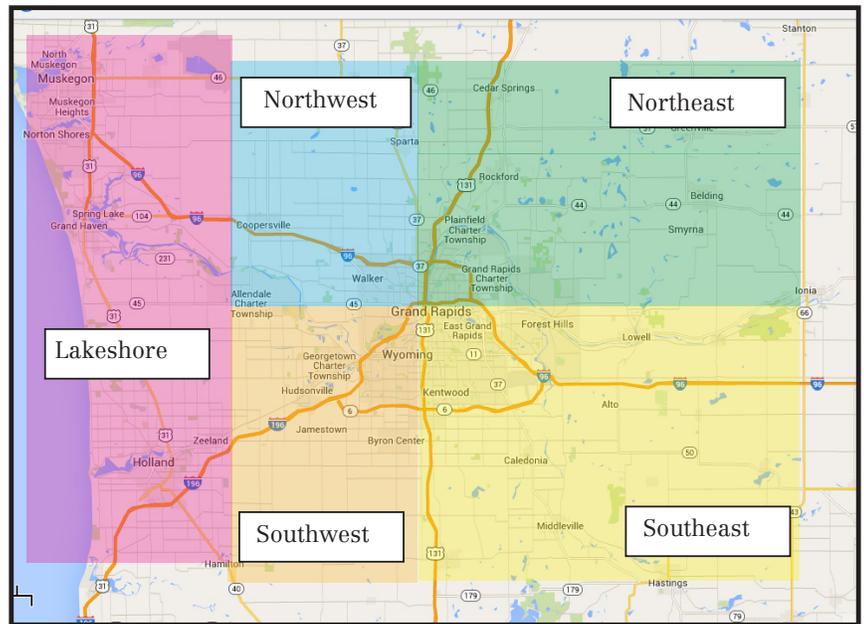


## Interpretation

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



# Local Knowledge. Global Reach. Achieve More.

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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