

Industrial Market Report

West Michigan | Q4 - Year End 2018



GRAND RAPIDS The Market



1,066,195

Total Population



130+

International Companies



\$56,156

Average Household Income



36.6

Median Age



3.3%

Unemployment Rate

Grand Rapids-Wyoming, MI Metropolitan
Statistical Data.

Source: U.S. Census Bureau, The Right Place

Industrial Market Trends

High Demand and Limited Supply.... The continuing Industrial story for West Michigan.

Bill Murray once starred in the movie "Groundhog Day" in which he played a TV Weatherman who was stuck in a time loop on February 2. Each day, Murray inexplicably woke up to the same set of circumstances. In some ways, the Industrial Real Estate Market feels like we've been stuck in a time loop for the past several years.

High demand, limited supply, rising lease rates, higher property values, increasing construction costs, the list goes on...

In 2018, new construction helped ease some of the demand in our market, but there is a long road ahead before all the demand is met. We will continue to see new construction in 2019, both build to suit and speculative.

West Michigan's robust manufacturing sector, once dominated by the automotive and furniture industries, is now much more diverse. Many area companies are in growth mode, however that growth is being stymied by buildings that are now too small and a shortage of skilled labor. Demand for larger space continues to be a common request. However, the chances of finding something that meets every requirement of the business owner are limited. Most often, the business owner will need to make compromises in some combination of size, location, amenities, and price. In some cases, new construction is the most viable option.

Vacant land sales are on the rise, which means business owners are opting to build new rather than find an existing building. Rising construction costs continue to impact the local real estate market. The rising costs stem from overall demand in the market, material costs, labor shortages, and new energy code requirements. Higher construction costs also mean increased lease rates for tenants, which is driving up building values. In some cases, the cost to construct a new industrial building has doubled in the past 5 years.

This can be a frustrating time for business owners who simply want to address the needs of their growing business. Those frustrations can be lessened by working with a Commercial Real Estate Broker who understands the local market. Many deals are being negotiated prior to the building ever hitting the market. Local real estate brokers who are experts in their field and have deep connections in the local market will be best equipped to provide timely advice and results for their clients.

We fully expect 2019 to look very similar to 2018. High demand and limited supply will continue to be the theme, while new construction will continue to chip away at a growing list of companies who desire to expand.



Kurt Kunst, CCIM, SIOR
Partner/Industrial Specialist

Cover Feature: Industrial Space For Lease or Sale
2700 Patterson Ave. SE, Grand Rapids



SOLD

2180 Avastar Parkway NW
107,818 SF



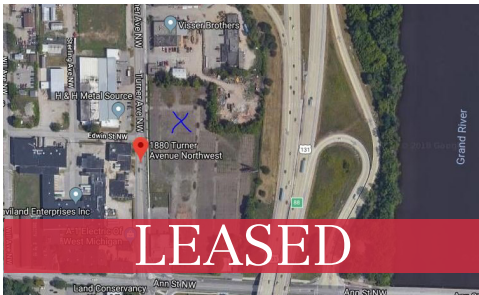
SOLD

901 Metzgar Ct. NW
50,496 SF



SOLD

3131 & 3175 Union Ave. SE
58,679 SF



LEASED

1880 Turner Ave. NW
Tenant: eAgile
46,250 SF



LEASED

4600 Dickman Rd.
Tenant: Torishima Service
Solutions of Michigan
50,000 SF



LEASED

5738 Eagle Dr. SE
Tenant: Warehousing &
Fulfillment USA
73,950 SF

Market Activity

- Grand Rapids-based Haviland Enterprises, a local chemicals company, purchased the property adjacent to its nearby facility for an expansion. The building located at 2180 Avastar Parkway NW in Walker is 107,818 SF and was purchased from Buchanan Investments. The additional space will provide increased manufacturing capacity as well as continuing to ensure workplace safety. Haviland Enterprises is an employee-owned company that formulates, blends, packages and distributes chemicals for commercial markets.
- Function Beauty, an out-of-state maker of hair care products is planning to open a manufacturing center at 6610 Patterson Ave. SE. The new building will serve as a production and call center and is expected to create 150 jobs. Function of Beauty was founded in 2016 and is a direct-to-consumer “customizable”, “vegan and cruelty free” hair care brand, including shampoo and conditioner. The company currently employs 170 people at locations in Pennsylvania and New York City.

2018 Q4 Industrial Snapshot

Submarket	Total RBA	Vacant Available SF	Vacancy Rate	Total Average NNN Rate (\$/SF/Yr)	Total Net Absorption (SF)
Lakeshore					
Warehouse	11,233,884	284,910	2.5%	\$3.61	29,990
Manufacturing	23,418,344	316,103	1.3%	\$3.57	2,582
Hightech Flex	1,767,807	164,775	9.3%	\$5.64	18,050
Total	36,420,035	765,788	2.1%	\$3.68	50,622
Northeast					
Warehouse	5,548,117	108,975	2.0%	\$4.54	-56,785
Manufacturing	7,068,515	28,250	0.4%	\$2.04	-16,500
Hightech Flex	549,383	13,106	2.4%	\$7.25	-583
Total	13,166,015	150,331	1.1%	\$3.39	-73,868
Northwest					
Warehouse	5,193,761	199,040	3.8%	\$3.93	7,512
Manufacturing	12,602,983	537,721	4.3%	\$3.06	-71,459
Hightech Flex	1,228,879	12,904	1.1%	\$7.25	0
Total	19,025,623	749,665	3.9%	\$3.57	-63,947
Southeast					
Warehouse	22,849,653	390,032	1.7%	\$4.09	-20,795
Manufacturing	26,277,820	204,825	0.8%	\$3.87	205,200
Hightech Flex	3,033,127	32,408	1.1%	\$8.01	-30,183
Total	52,160,600	627,265	1.2%	\$4.28	154,222
Southwest					
Warehouse	9,174,356	269,018	2.9%	\$4.60	-29,538
Manufacturing	22,101,746	68,747	0.3%	\$3.96	-12,029
Hightech Flex	697,925	0	0%	\$6.99	0
Total	31,974,027	337,765	1.0%	\$4.21	-41,567
Total Overall					
Total Overall	152,746,300	2,630,814	1.7%	\$3.93	25,462

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

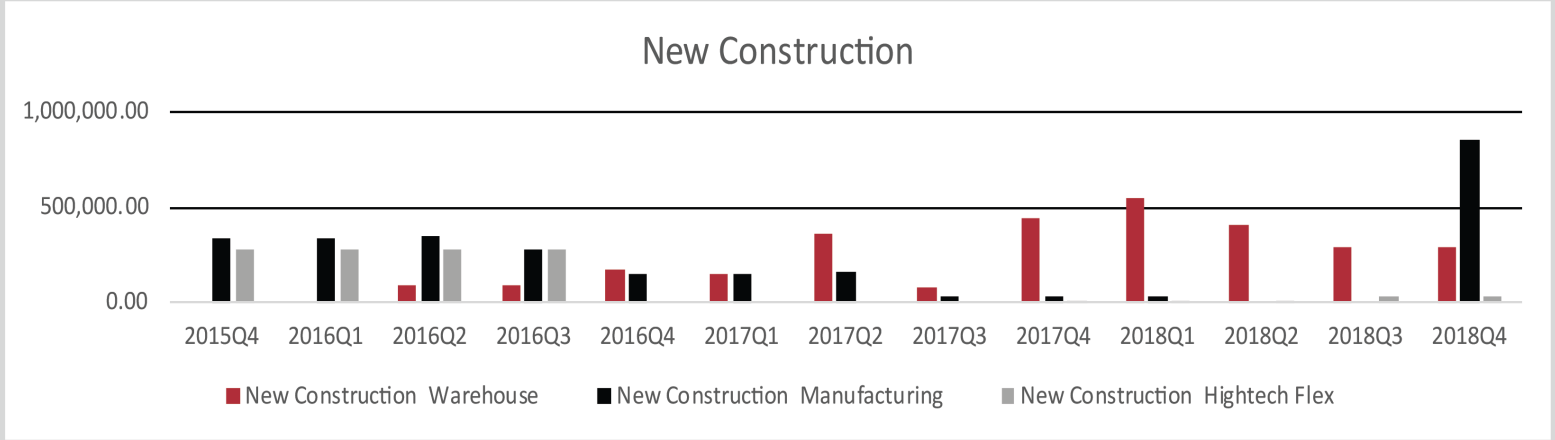
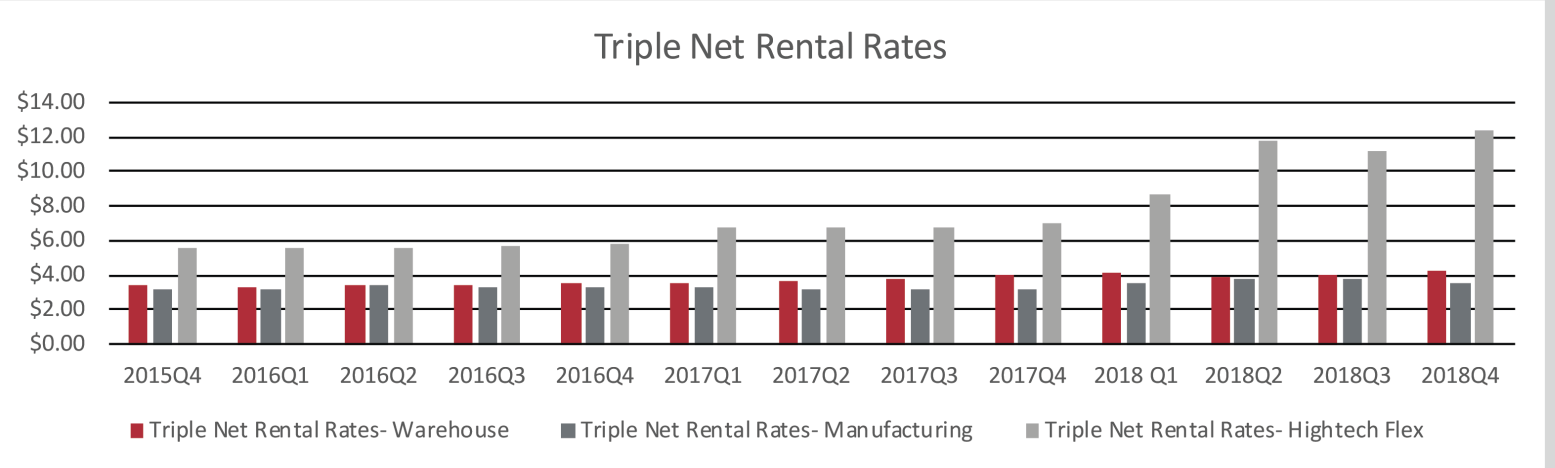
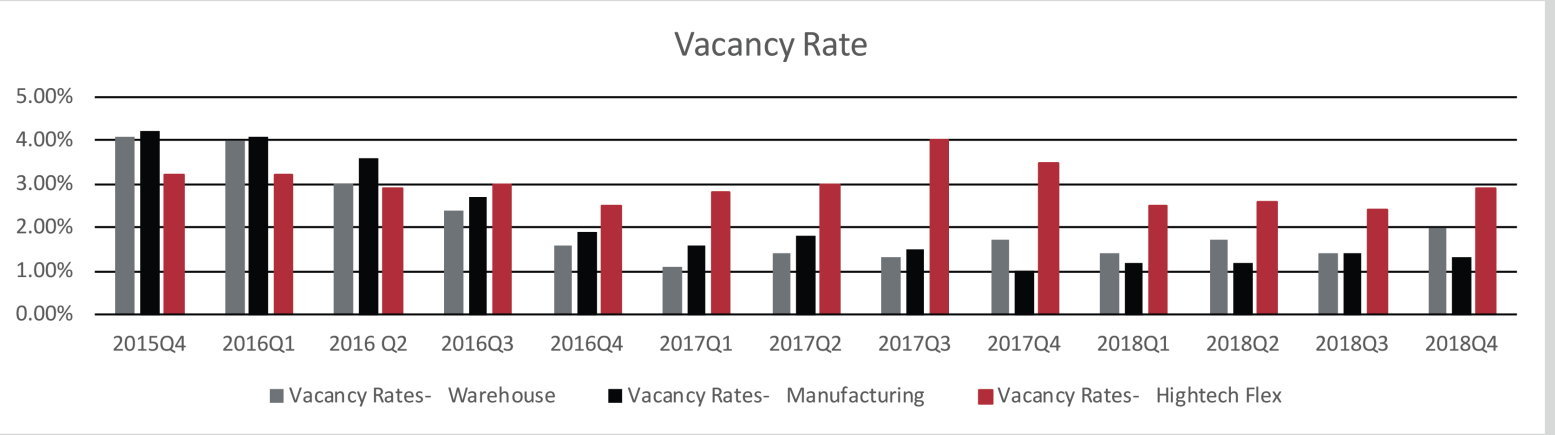
4Q18 vs. 4Q17

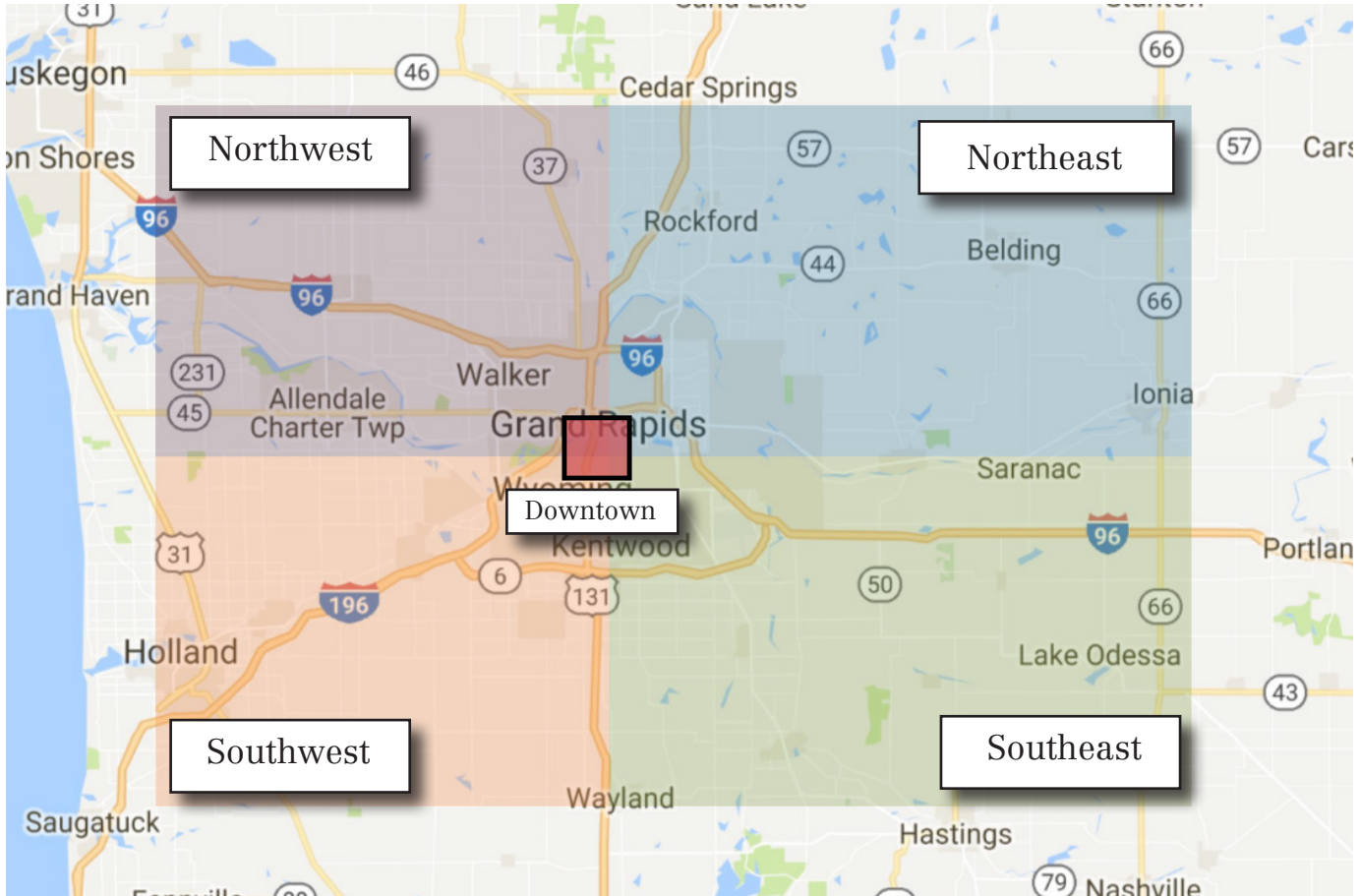


4Q18 vs. 3Q18



Industrial Overall Market Report





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.



Commercial Real Estate Services, Worldwide.

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

By The Numbers

REAL ESTATE PROFESSIONALS

51

8 CCIM  DESIGNEEES

7 SIOR  SIOR DESIGNEEES

Industrial Specialists

Jim Badalucco, SIOR
616.575.7029
jimmb@naiwwm.com

Dane Davis
269.459.0434
daned@naiwwm.com

Shane Ikola, MBA
616.575.7003
shanei@naiwwm.com

Joshua Jacobs
269.459.0430
joshuaj@naiwwm.com

Stu Kingma, SIOR
616.575.7022
skingma@naiwwm.com

Kurt Kunst, CCIM, SIOR
616.242.1116
kurtk@naiwwm.com

Chris Prins
616.242.1107
chrisp@naiwwm.com

Kara Schroer, CCIM
269.459.0435
karas@naiwwm.com

Dave Smies, CCIM, SIOR
616.242.1122
daves@naiwwm.com

Doug Taatjes, CCIM, SIOR
616.242.1117
doug@naiwwm.com

Cameron Timmer
616.485.4131
cameront@naiwwm.com

Jeremy Veenstra
616.617.1346
jeremyv@naiwwm.com

Chadwick Versluis, SIOR
616.242.1125
chadv@naiwwm.com

Stan Wisinski, CCIM, SIOR
616.575.7015
sjw@naiwwm.com



facebook.com/naiwwm



instagram.com/naiwwm



@naiwwm



nai-wisinski-of-west-michigan

CoStar[®]
POWER BROKER

2017 Top Firm Award

NAI Wisinski of
West Michigan

100 Grandville Ave SW Suite 100
Grand Rapids, MI 49503
616.776.0100 www.naiwwm.com