NAI Wisinski of West Michigan

Q2' 2020

West Michigan Office Market Report

Office • Industrial • Retail • Multifamily • Investment

GRAND RAPIDS
The Market

Grand Rapids is the state's second-largest city, located between Chicago and Detroit in western Michigan.

1,073,608
Total Population

130+
International Companies

$61,548
Average Household Income

36.8
Median Age

Grand Rapids-Wyoming, MI Metropolitan Statistical Data.
Source: U.S. Census Bureau, The Right Place

Office Market Trends

Prior to Q2, the West Michigan Office Market was seeing steady activity. Then on March 16, with the Governor's stay at home order put in place, the office market essentially saw a near shut down due to the economic disruption caused by the COVID-19 pandemic. There was little new activity that took place in the office market during the second quarter. The leases and sales that did take place were those that had already been in process or for those tenants that were deemed to be essential businesses.

Albeit slower than pre-COVID, activity in the office market has been picking up since mid-May. Tenants are again starting to look for office space, but with a different perspective. Some are looking for less space due to efficiencies found with working from home during the pandemic while others are looking for more space due to social distancing measures put in place. Some tenants whose leases are coming up for renewal are asking their existing landlords for short term extensions to give them time to see how the pandemic is going to affect them from a business standpoint, as well as an office space perspective.

Overall, the office market between 1Q20 and 2Q20 did not see a big change in overall vacancy rate or average lease rates. Vacancy increased slightly while lease rates decreased slightly. This likely is due to the fact that many leases are still in place and there was little activity. The question will be, WHEN will we start to see the effect on the office market? As leases begin to mature, what will tenants decide to do – Close completely? Work remotely, and if so, how much? Will they increase space? Decrease space? Likely the full effects that COVID-19 will have on the West Michigan Office market will not be seen until the end of 2020 and into 2021.

- Mary Anne Wisinski-Rosely, CCIM, SIOR
Partner/Office Specialist

Q2' 2020 Office Transactions

6500 Byron Center Ave. SW, Byron Center

Tenant: Hanger Prosthetics and Orthotics
2,823 SF

625 Kenmoor Ave. SE, Ste 109, Grand Rapids

Tenant: HNTB Corporation
4,319 SF

5555 Glenwood Hills Pkwy, Grand Rapids

Tenant: Pro Care Systems
9,282 SF

5664 Prairie Creek Dr., Caledonia

52,000 SF

2021 Health Dr., Unit 30, Wyoming

34,748 SF

400 Riverview Dr., Benton Harbor

28,380 SF

Market Activity

› Michigan Software Labs broke ground on a new office building in Ada, Michigan. The three story building will be 16,500 square feet and will support up to 75 employees. Located at 7471 River St. SE, this building is designed with a wide layout, allowing for social distancing and safety within the office. The creators of Luna will be joining the first floor with a new Mexican restaurant. The building is expected to be operational by April 2021.

› The Center for Physical Rehabilitation and Therapy LP will open its newest clinic at 1865 Georgetown Center Drive Suite B in Jenison, Michigan. The 2,200 square foot clinic will provide a range of outpatient services including specialties in orthopedic and sports medicine care and a dedicated pediatric area. The company has clinics in Grand Rapids, Wyoming, Belmont, Walker, Kentwood, and Greenville.

Q2' 2020 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.

SUBMARKET	TOTAL RBA	VACANT AVAILABLE SF	VACANCY RATE	TOTAL AVERAGE RATE ($/SF/YR)	TOTAL NET ABSORPTION (SF)	TOTAL UNDER CONSTRUCTION (SF)
Downtown						
Class A	1,641,971	39,014	2.4%	$22.61	0	455,000
Class B & C	7,307,333	242,515	3.3%	$16.34	32,923	0
Total	8,949,304	281,529	3.1%	$17.49	32,923	455,000
Northeast						
Class A	331,585	35,336	10.7%	$22.95	-23,620	0
Class B & C	3,362,158	121,506	3.6%	$15.47	5,570	0
Total	3,693,743	156,842	4.2%	$16.14	-18,050	0
Northwest						
Class B & C	2,750,737	86,979	3.2%	$16.88	2,599	0
Southeast						
Class A	1,170,249	126,799	10.8%	$14.98	18,925	0
Class B & C	10,570,099	625,350	5.9%	$14.32	-10,166	88,667
Total	11,740,348	752,149	6.4%	$14.39	8,759	88,667
Southwest						
Class B & C	3,586,104	124,836	3.5%	$14.70	-2,422	0
Overall Total	30,720,236	1,402,335	4.6%	$15.76	23,809	543,667

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

2Q19 vs. 2Q20

NET ABSORPTION

VACANCY RATE

CONSTRUCTION

ASKING RATES

1Q20 vs. 2Q20

NET ABSORPTION

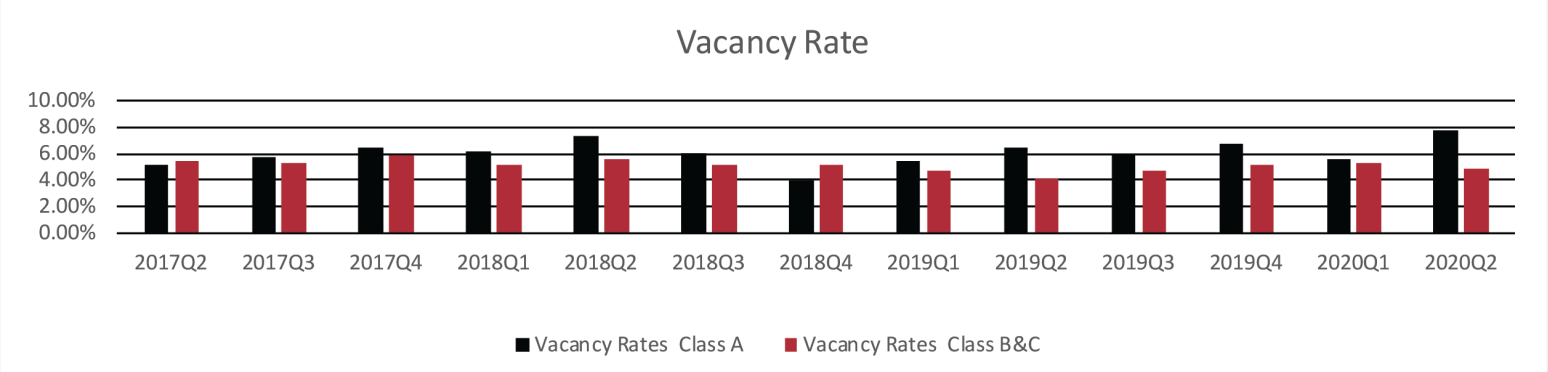
VACANCY RATE

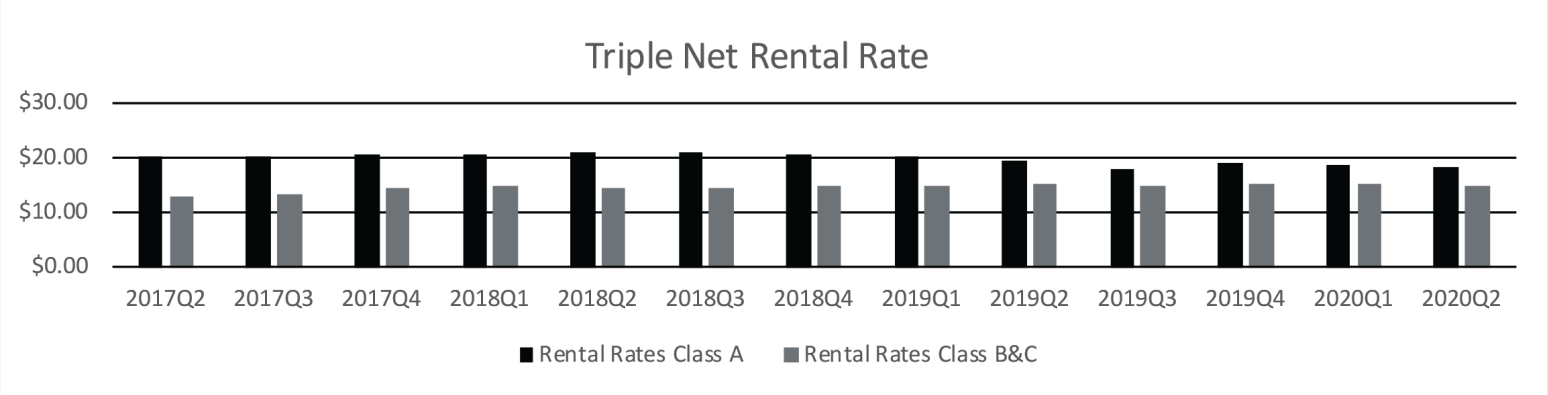
CONSTRUCTION

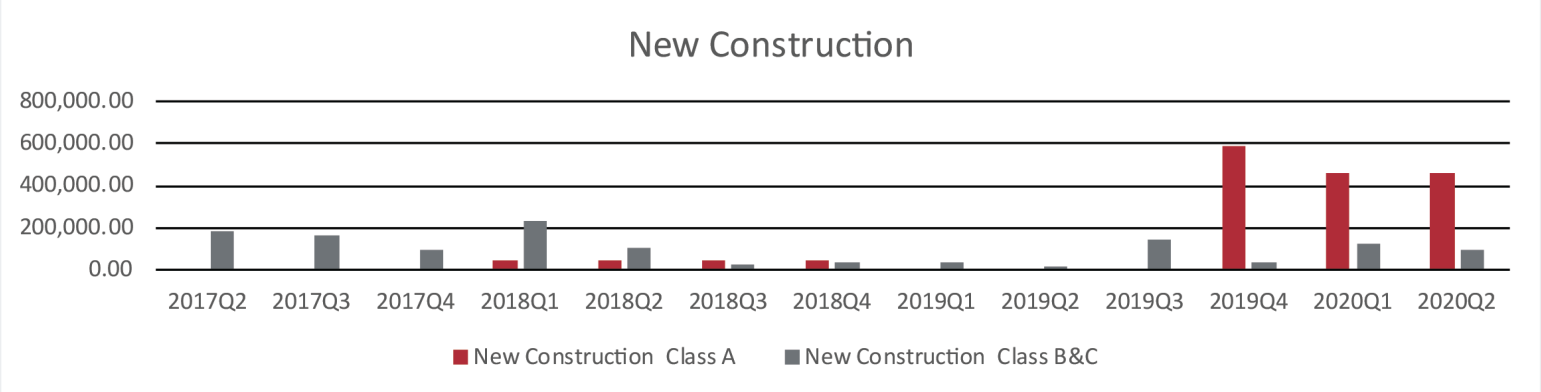
ASKING RATES

*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.

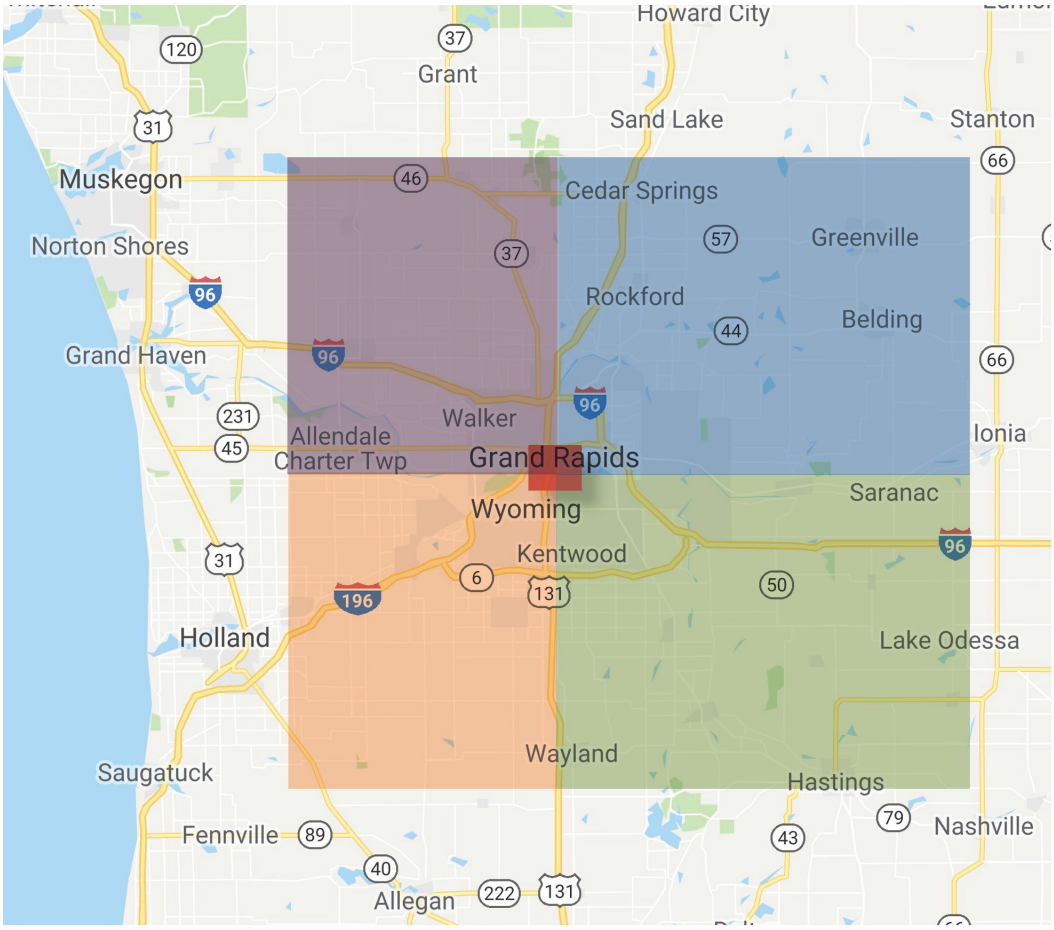
Office Overall Market Report







Methodology | Definitions | Submarket Map



Submarket Key

- Northwest
- Northeast
- Downtown
- Southwest
- Southeast

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.

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

By The Numbers

REAL ESTATE PROFESSIONALS

52

7 CCIM DESIGNEES

8 SIOR DESIGNEES

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