

Q4'
2020

West Michigan
Industrial
Market Report

GRAND RAPIDS The Market



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



1,080,710

Total Population



130+

International Companies



\$61,947

Average Household Income



36.7

Median Age

Grand Rapids-Wyoming, MI Metropolitan
Statistical Data.

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

Industrial Market Trends

Wow! What a year 2020 was. As tumultuous as it was, in so many ways, the West Michigan Industrial Market held up extremely well despite the pandemic and its disruptions to life as we knew it. The fourth quarter overall vacancy rate ended the year at 2.7%. At the end of 2019 the total overall vacancy at year end was 2.6%. Statistically, this is inconsequential. While we did see some increases in vacancy during the first, second, and third quarters of 2020, that reached as high as 3.6%, the continued resiliency of the industrial segment of the commercial real estate world left us, at year end, where we were the year before, which is excellent news.

As we head into 2021, and beyond, the inventory of buildings for sale and for lease remains at a historic low. There are very few opportunities for those seeking to purchase buildings, irrespective of size. The buildings that do hit the market have interest in short order. This is being driven in part by the continued expansion of ecommerce, as well as some reshoring movements that are being experienced in the marketplace. This trend is anticipated to continue through 2021, and beyond. We anticipate continued positive momentum for the West Michigan Industrial markets.

This continued market strength comes from many sectors of the industrial market; however, our office furniture manufacturers remain impacted by the pandemic and its "work from home" circumstance. While there are divergent perspectives on what this means for office space users long term, we do anticipate that once the pandemic's grip has loosened, the office furniture segment will rebound and may require additional warehousing space.

Average rental rates followed a similar track to the vacancy rate. At the end of 2019 the aggregate rental rate was \$4.12 triple net; 2020 ended at \$4.25 triple net. This further points to a tight market and continued robust activity with tenants. We anticipate this strength in rental rates to continue into 2021 given the relative lack of quality available space.

Strong demand in the market coupled with limited supply continues to drive land sales. As companies have a need for expansion, new construction has become the best option for some, as can be seen throughout the region. Construction activity will continue in 2021 as businesses look to grow their presence or move into our market.

For those in need of space who are driving around the market looking for real estate signs, 2021 will remain a frustrating experience. Many transactions are happening with "off-market properties" that either are not being advertised by way of signs, or simply traded based on relationships and needs that are understood by those in the brokerage community. Any of our advisors would be happy to discuss your specific needs with you to determine how they might be most efficiently met in this highly competitive industrial market.



Stu Kingma, SIOR
Industrial Specialist

Q4' 2020 Industrial Transactions



LEASED

**3720 West River Dr. NW,
Comstock Park**
5,000 SF



SOLD

**2627 Elmridge Dr. NW,
Grand Rapids**
9,630 SF



SOLD

**V/L Beatrice Dr.,
Kalamazoo**
38.24 ACRES



SOLD

**7409 & 7441 Division Ave. S,
Grand Rapids**
67,500 SF



SOLD

**1809 Industrial Park Dr.,
Grand Haven**
19,100 SF



SOLD

**2140 Oak Industrial Dr. NE,
Grand Rapids**
62,488 SF

Market Activity

- › Perrigo, a Dublin-based pharmaceutical manufacturer, is investing \$13 million into building a 357,000-square-foot distribution center. The new center will be at 796 Interchange Drive in Holland, MI and will be the third expansion for Perrigo in the Holland area within the past two years. Construction began in August of 2020 with plans to wrap up and be ready for occupancy by March of 2021.
- › Holland-based Hudsonville Creamery and Ice Cream Company LLC (Hudsonville Ice Cream) is currently working on a \$35 million expansion. Hudsonville Ice Cream is building a 156,466-square-foot cold storage distribution center and is increasing its manufacturing capacity at 345 E. 48th St. in Holland, MI. This is the fourth expansion for Hudsonville Ice Cream in the past three years and will create 45 new jobs – increasing its workforce by 47%. To get the project underway, Hudsonville Ice Cream received support from the city of Holland, the Michigan Strategic Fund, the Michigan Department of Agriculture and Rural Development, and West Michigan Works.

Q4' 2020 WEST MICHIGAN INDUSTRIAL SUBMARKET STATISTICS

Methodology: The industrial market report includes industrial 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)
Lakeshore					
Warehouse	20,378,626	847,860	4.2%	\$4.21	128,835
Manufacturing	30,600,071	705,035	2.3%	\$3.78	93,107
Hightech Flex	2,105,748	501,015	23.8%	\$6.62	9,223
Total	53,084,445	2,053,910	3.9%	\$3.78	231,165
Northeast					
Warehouse	5,664,860	37,402	0.7%	\$6.16	43,323
Manufacturing	7,355,310	72,980	1.0%	\$5.78	71,538
Hightech Flex	579,383	0	0%	\$7.95	0
Total	13,599,553	110,382	0.8%	\$6.03	114,861
Northwest					
Warehouse	5,551,036	213,168	3.8%	\$5.38	46,405
Manufacturing	13,266,278	395,406	3.0%	\$3.15	138,124
Hightech Flex	1,067,991	236,405	22.1%	\$7.25	-38,154
Total	19,885,305	844,979	4.2%	\$3.99	146,375
Southeast					
Warehouse	23,797,762	206,897	0.9%	\$4.64	196,287
Manufacturing	27,727,922	674,873	2.4%	\$3.36	-223,360
Hightech Flex	3,138,230	174,059	5.5%	\$8.12	-71,034
Total	54,663,914	1,055,829	1.9%	\$4.19	-98,107
Southwest					
Warehouse	9,151,862	295,548	3.2%	\$4.58	46,810
Manufacturing	22,395,085	233,731	1.0%	\$3.86	14,788
Hightech Flex	692,062	96,158	13.9%	\$5.06	107,409
Total	32,239,009	625,437	1.9%	\$4.09	169,007
Total Overall					
Total Overall	173,472,226	4,690,537	2.7%	\$4.25	563,301

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

4Q20 vs. 4Q19



NET ABSORPTION



VACANCY RATE



CONSTRUCTION



ASKING RATES

4Q20 vs. 3Q20



NET ABSORPTION



VACANCY RATE



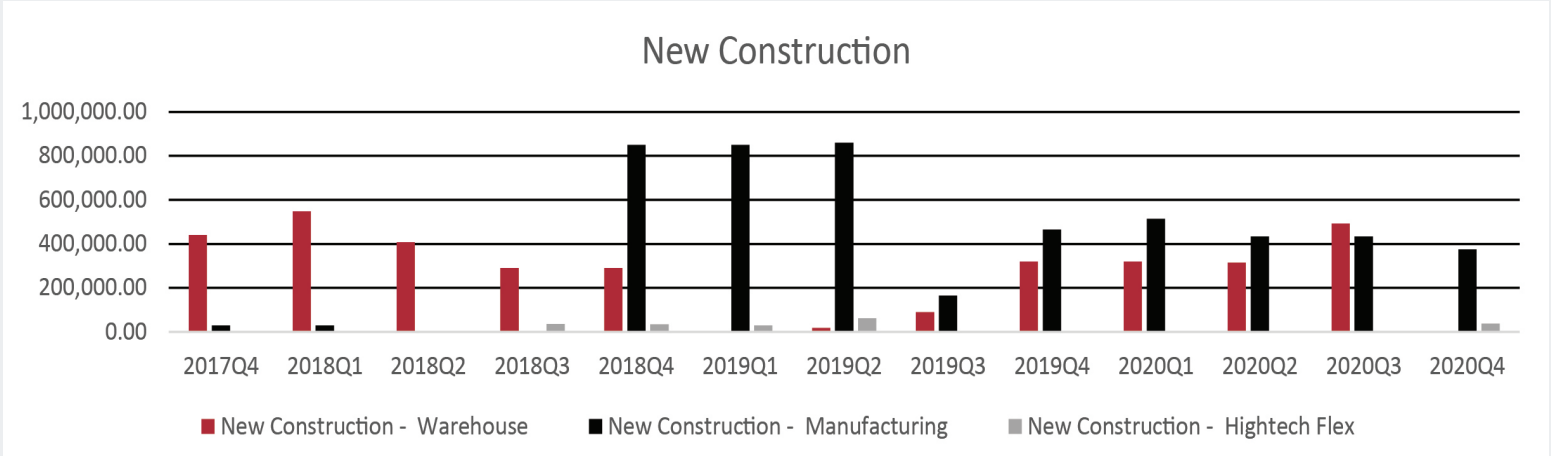
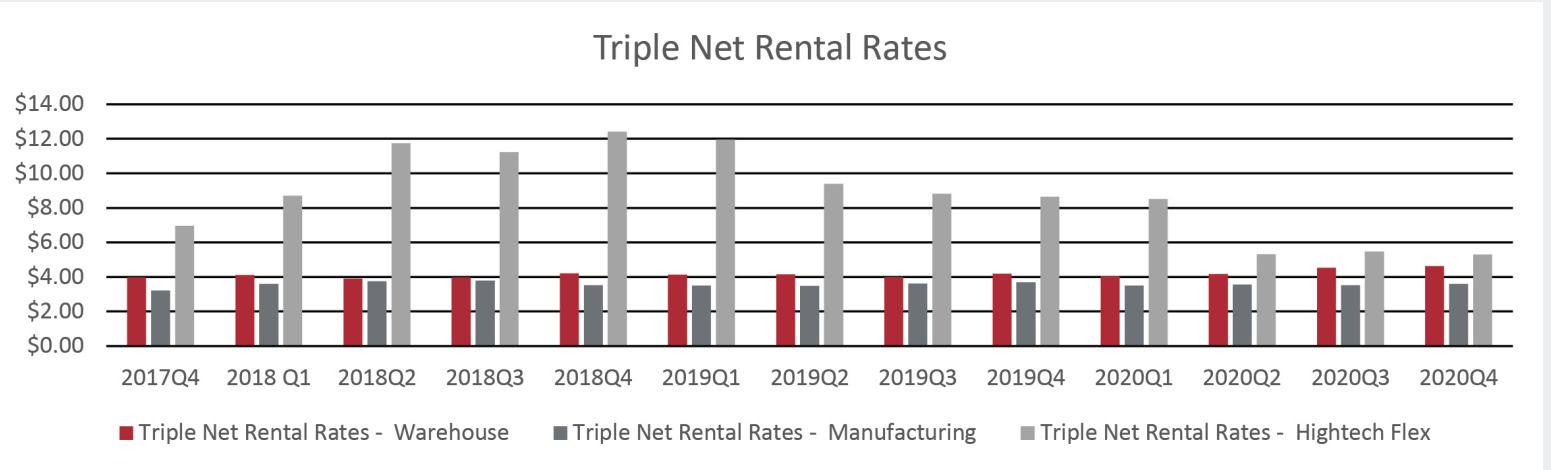
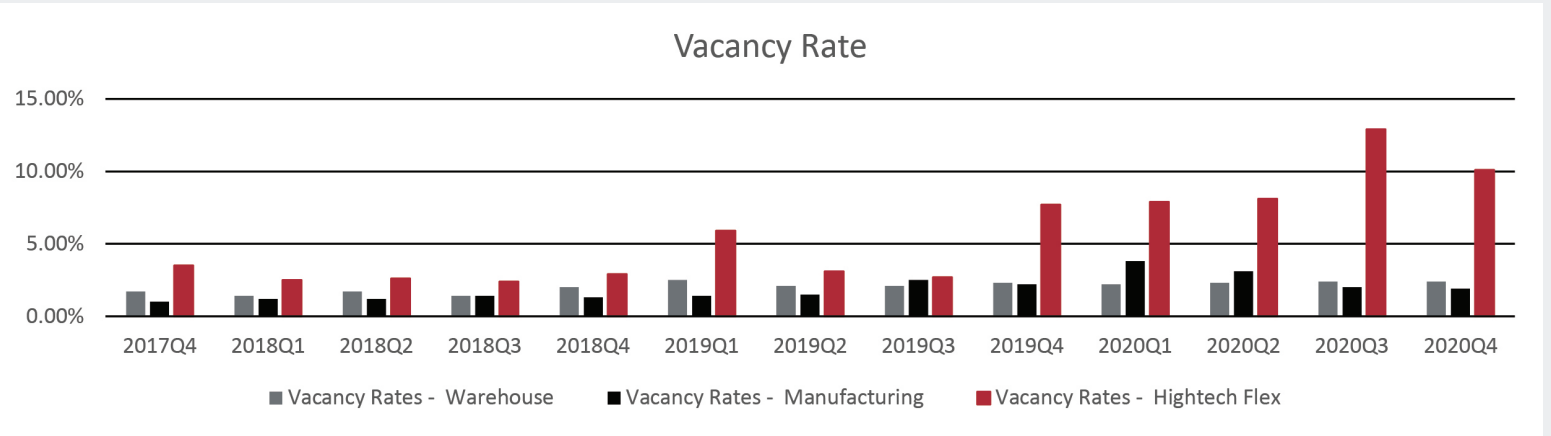
CONSTRUCTION



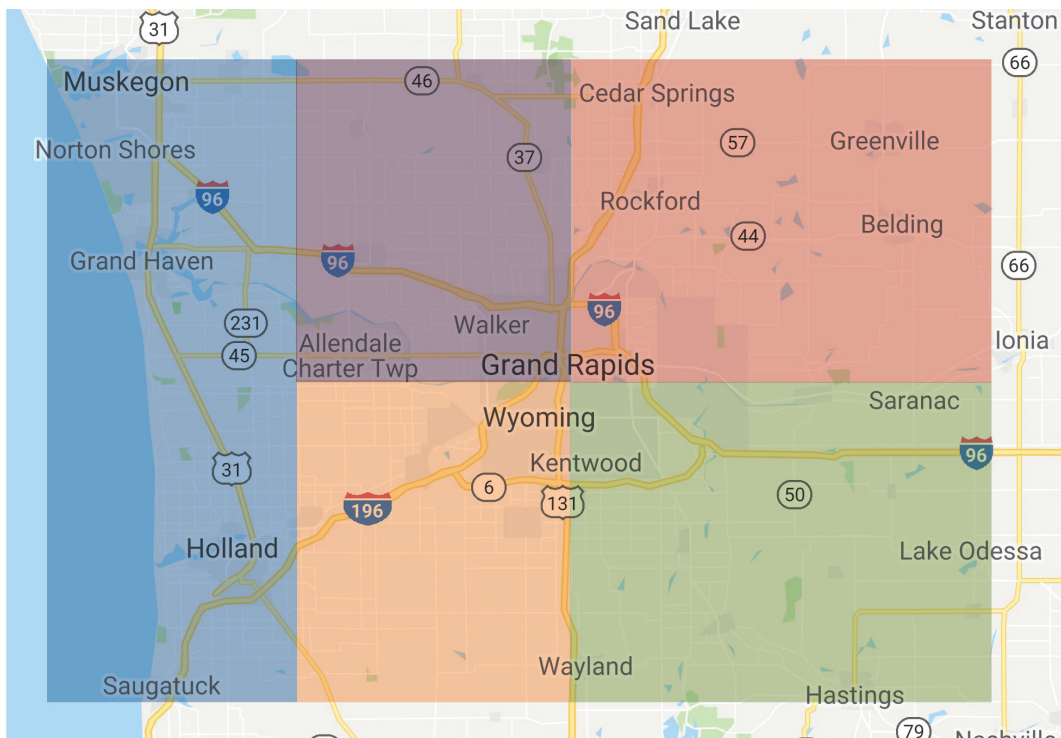
ASKING RATES

*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.

Industrial Overall Market Report



Methodology | Definitions | Submarket Map



Submarket Key

- Lakeshore
- Northwest
- Northeast
- 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.

Deliveries

Buildings that have their certificate of occupancy and are allowed to be moved into by the tenant/purchaser.

Hightech Flex

This type of space is only found in Flex buildings. It can be used as office, medical, industrial, warehouse, distribution, quasi-retail, or research and development space.

Manufacturing

A sub-type of industrial building primarily used for manufacturing products May also include warehousing or distribution areas.

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.

Vacancy Rate

All physically unoccupied lease space, either direct or sublease.

Warehouse

A secondary type of industrial building generally used for storage and or distribution.

*The Lakeshore submarket was expanded to include Muskegon, MI.

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  SIOR
DESIGNEES

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