

Office 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

WEST MICHIGAN
The Market



\$66,742

Average Household Income



49%

Workforce with Bachelor's Degree



92.8

Cost of Living Index



36.2

Median Age



22

Publicly Traded Companies

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

Office Market Trends

The 2nd quarter has come to an end and there continues to be strong leasing and sale activity in the office arena. The overall vacancy rate in the market dropped from 6.4% in Q1 to 5.5% in Q2. The largest decline in vacancy took place in the Downtown submarket which dropped from 7.0% in Q1 down to 4.9% in Q2. Office leasing and sale activity is expected to remain steady during the 3rd and 4th quarters of 2017

There continues to be an upswing in medical property leasing, sales, and new construction – both downtown and in the suburban medical corridors. East Paris Ave, between Cascade Rd and 28th St. remains the most popular medical corridor outside of downtown. Leasing activity in this area has been strong and several new projects have come on line, have been announced or are in the process of getting approved. Downtown has also experienced medical growth with the near completion of MSU's new medical research center and the continued expansion of GVSU on and around the Medical mile.

As the competition for tenants heats up, building owners continue to invest dollars into their properties to maintain amenity rich, desirable locations for their tenants. One example of this is 1000 East Paris, which is located squarely within the East Paris medical corridor mentioned above. This 110,000 SF medical office building began improvements late in Q2 and are expected to be completed before year end. There will be significant upgrades to the common areas, including freshly remodeled lobby areas, upgraded restrooms, new wall and floor covering throughout, new suite entrances and new interior signage. Improvements to suburban and downtown office buildings has become more commonplace over the past couple years and this trend will continue as long as the market remains hot.



Renderings of Common Areas at 1000 East Paris.



- Jason Makowski
Partner/Office Advisor

SOLD



200 Division Ave. S.

Buyer: Heartside
Ministries

13,000 SF



LEASED



5211 Cascade Rd., Suite 2A

Tenant: Integrated Design
Solutions

4,505 SF



LEASED



551 36th St. SE

Tenant: Braintrust Behavioral
Health

4,010 SF



LEASED



401 Hall St., Suite 185

Tenant: Dominion Systems

13,646 SF



LEASED



5555 Glenwood Hills Pkwy

Tenant: Benepay Technologies

9,282 SF



LEASED



100 Grandville Ave. SW

Tenant: Cinnaire Corporation

2,652 SF



Market Activity

› The former Klingman's furniture building at 1001 28th St. is undergoing renovations of \$3-\$5 million. One future tenant for the redeveloped space is Advantage Sales & Marketing, and it plans to move an estimated 400 jobs into the new office. The renovations are expected to be completed in January of 2018.

› West Michigan Eyecare Associates has a new office at 2112 E. Paris Ave. The office was a new construction project of 11,500 square feet which allowed the practice to join the growing medical presence along the E. Paris corridor.

› A Detroit based business law firm has opened its first West Michigan office downtown. Bodman's Law Firm currently has offices in Troy, Cheboygan, Ann Arbor and Detroit. Bodman's Law Firm will begin operations from the Calder Plaza Building, at 250 Monroe Ave. NW.

DID YOU KNOW?

30%

NAI was involved in 30% of all Grand Rapids area Office transactions in Q2

Numbers reflect what is reported to the Commercial Alliance of Relators

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.

2017 Q2 Office Snapshot

Submarket	Total RBA	Vacant Available SF	Vacancy Rate	Total Average Rate (\$/SF/Yr)	Total Net Absorption (SF)	Total Under Construction SF
Downtown						
Class A	1,613,576	121,638	7.5%	\$22.01	2,488	0
Class B & C	7,371,913	322,252	4.4%	\$16.85	13,067	162,800
Total	8,985,489	443,890	4.9%	\$17.78	15,555	162,800
Northeast						
Class A	371,004	5,229	1.4%	\$19.61	0	0
Class B & C	3,184,133	126,273	4.0%	\$13.65	59,833	0
Total	3,555,137	131,502	3.7%	\$14.27	59,833	0
Northwest						
Class B & C	2,484,081	79,783	3.2%	\$11.86	14,713	0
Southeast						
Class A	1,091,208	55,869	5.1%	\$15.56	-8,018	-
Class B & C	9,883,015	704,402	7.1%	\$12.26	-370	19,816
Total	10,974,223	760,271	6.9%	\$12.59	-8,388	19,816
Southwest						
Class B & C	2,953,059	180,737	6.1%	\$10.15	41,802	-
Overall Total	28,951,989	1,596,183	5.5%	\$14.09	123,515	182,616

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

2Q17 vs. 2Q16



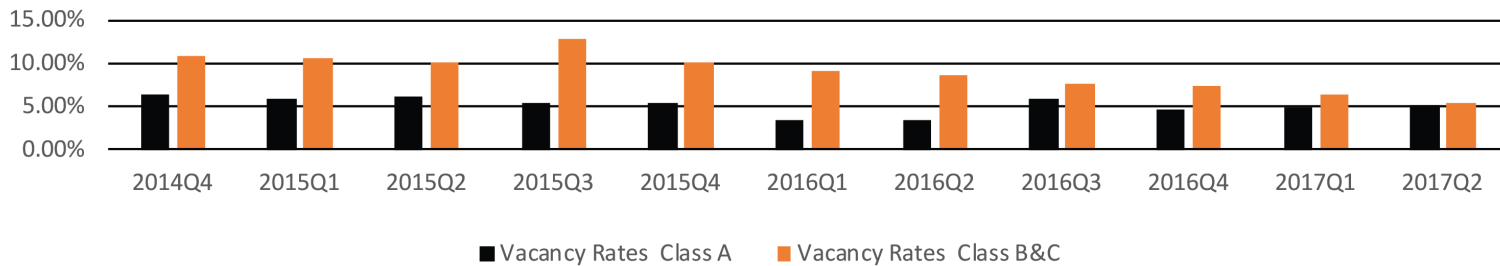
2Q17 vs. 1Q17



*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

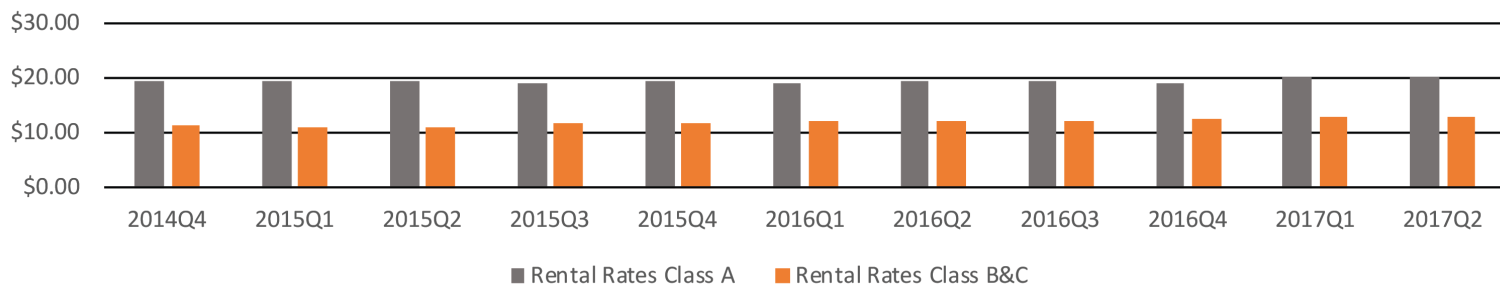
Vacancy Rate



Interpretations

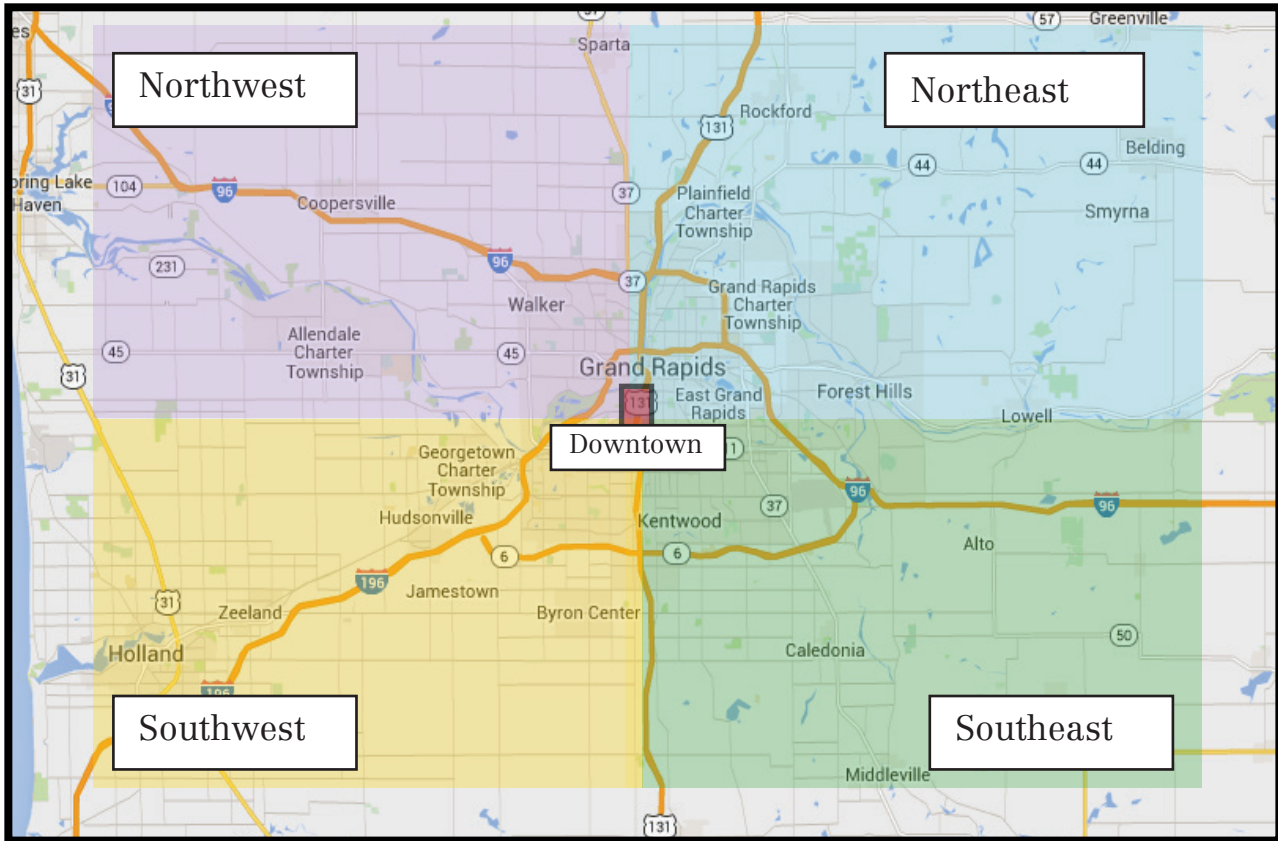
Vacancy rates for Class A and Class B are very similar this quarter with Class A at 5.20% and Class B at 5.50%. The vacancy rate for Class A has increased from last quarter while the Class B vacancy rate has decreased from Q1.

Triple Net Rental Rate



Interpretations

Rental rates for Class A have slightly increased from \$20.25 in Q1 2017 to \$20.31 this quarter. Rental rates for Class B have also increased from last quarter, \$12.76 in Q1 2017 to \$13.05 this quarter.



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.

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

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