

# Office Market Report

West Michigan | Q2 2018



## GRAND RAPIDS The Market



1,058,079

Total Population



130+

International Companies



\$60,212

Average Household Income



35.7

Median Age



3.5%

Unemployment Rate

# Office Market Trends

The office market continues to be strong, however office leasing has slowed, especially in the downtown market area. Higher occupancy costs and limited parking availability have caused some tenants to relocate from downtown to the suburbs. Some of the vacant space has been absorbed. For example, Advantage Sales and Marketing left their downtown space at the end of 2017 in favor of a location on 28th St SW in Wyoming. Their space will be partially filled by Lighthouse Insurance Group later this summer, who will be relocating downtown from the Southeast side of town. Lease rates in the downtown market have seen a slight increase. This could change if leasing does not begin to increase.

Suburban leasing continues to see demand and seems to be spread out amongst all quadrants. There continues to be more of a demand on the SE side of town and the NE area, particularly the East Beltline corridor. Overall, lease rates have increased slightly in all corridors.

Strong demand continues in many areas of Grand Rapids to purchase office properties. Tenants are looking to own versus lease. The biggest obstacle is finding available properties to purchase. Due to the supply and demand, sale prices per square foot are continuing to increase, especially for smaller properties.

New construction is evident both downtown and in the suburbs, with several high-profile properties currently under construction. This will create opportunities for office tenants to expand or relocate. Leasing has been active in the suburban properties under development, especially from healthcare related tenants.



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





**5445 32nd Ave.**

Buyer: Rua Properties LLC  
4,790 SF



**1750 Woodworth St. NE**

Buyer: Wealthy Park Baptist Church  
11,360 SF



**11 Fuller Ave. SE**

Buyer: 11 Fuller LLC  
13,668 SF



**3235 Wellness Dr. N, Ste A-220 & A-240**

Tenant: Langhorst Family Denistry  
2,697 SF



**3855 Burton St. SE**

Tenant: Advanced Oral Surgery PLLC  
2,970 SF



**5300 Patterson Ave. SE, Suite 100**

34,520 SF

## Market Activity

- › By fall of next year, Warner Norcross + Judd LLP will relocate from their offices in the Fifth Third Bank building to the Warner Building, across the street. Here, they will occupy four floors and reduce their square footage by 20%. The firm plans to focus on location, open views, and overall efficiencies with the new floor plan.
- › Tech Defenders, an electronic maintenance and repair service provider, currently has a 15,000 SF office in Grand Rapids. Working with The Right Place, they now plan to expand to a new 73,000 SF facility on Maryland Ave. The \$2.7 million expansion will create 115 new jobs.
- › ADAC Automotive is constructing their new headquarters on 8 acres of land, totaling more than 90,000 SF. The \$20 million-dollar project is expected to be completed in June 2019. According to the GRBJ, the campus will include a fitness center, employee work cafe, walking paths in a natural park setting, and “modern, collaborative workplaces.”

# 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.

### 2018 Q2 Office Snapshot

Submarket	Total RBA	Vacant Available SF	Vacancy Rate	Total Average Rate (\$/SF/Yr)	Total Net Absorption (SF)	Total Under Construction SF
<b>Downtown</b>						
Class A	1,497,034	141,540	9.5%	\$22.29	-5,562	120,000
Class B & C	7,651,916	367,542	4.8%	\$17.71	-15,741	0
Total	9,148,950	509,082	5.6%	\$18.46	-21,303	120,000
<b>Northeast</b>						
Class A	327,867	20,130	6.1%	\$20.91	-26,256	0
Class B & C	3,208,911	104,171	3.2%	\$14.02	23,354	3,600
Total	3,536,778	124,301	3.5%	\$14.66	-2,902	3,600
<b>Northwest</b>						
Class B & C	2,596,128	104,668	4.0%	\$15.74	-3,266	60,000
<b>Southeast</b>						
Class A	924,299	54,864	5.9%	\$17.90	-7,223	53,000
Class B & C	10,060,451	869,905	8.6%	\$13.83	-89,001	0
Total	10,984,750	924,769	8.4%	\$14.17	-96,224	53,000
<b>Southwest</b>						
Class B & C	2,970,798	120,844	4.1%	\$14.97	-11,571	100,000
Overall Total	29,237,404	1,783,664	6.1%	\$15.79	-135,266	336,600

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

2Q18 vs. 2Q17

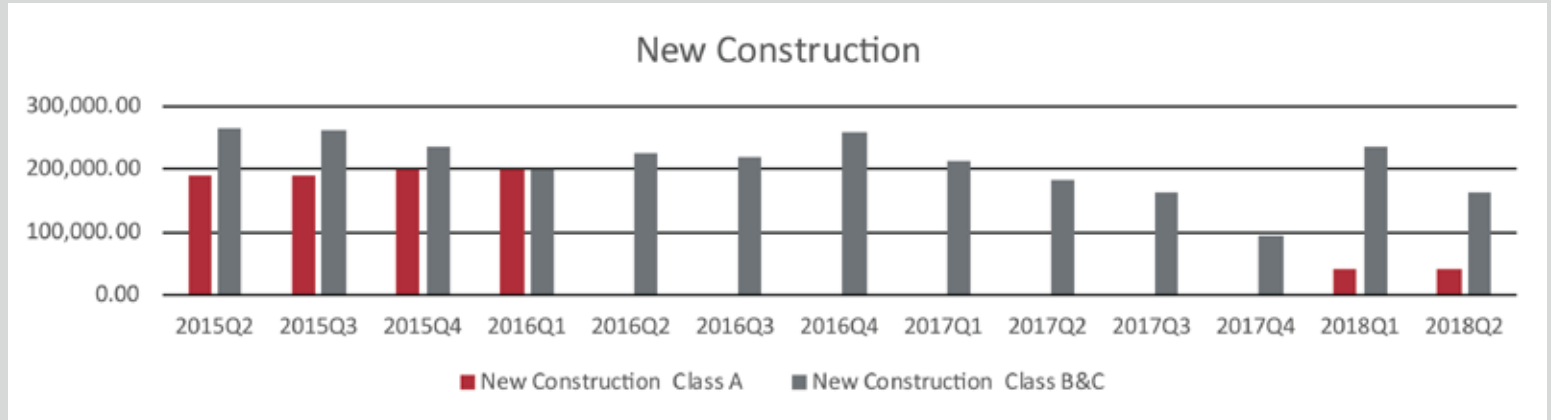
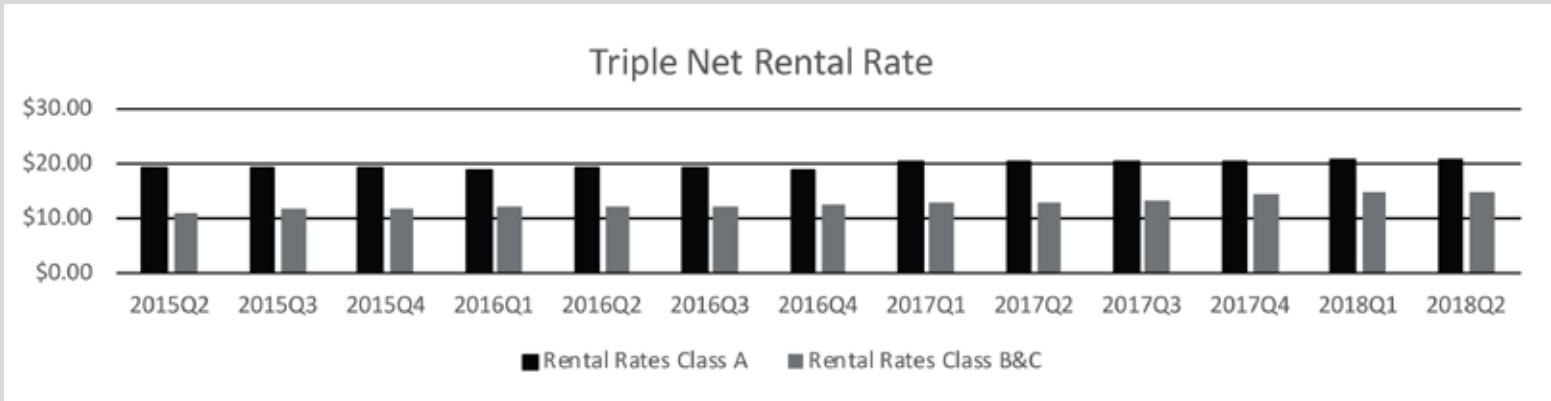
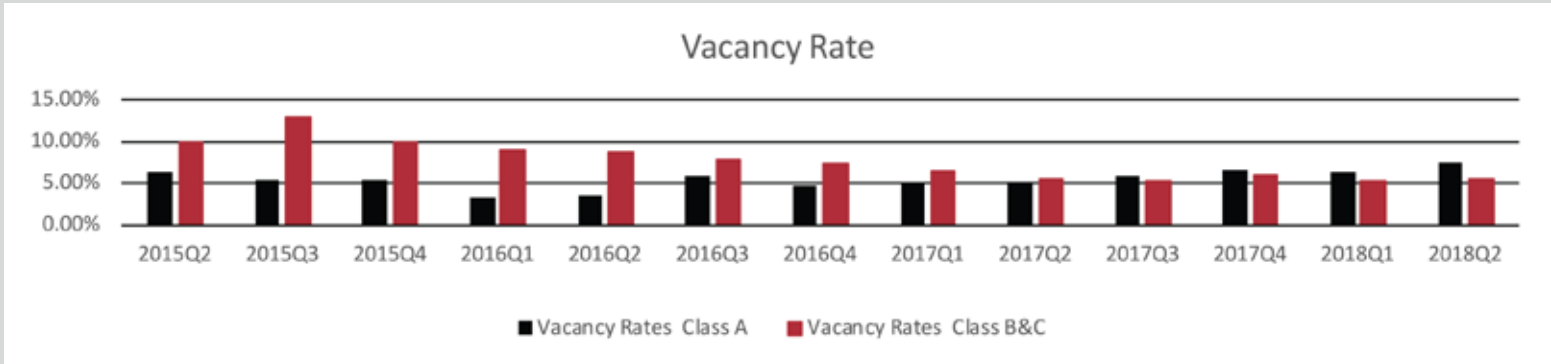


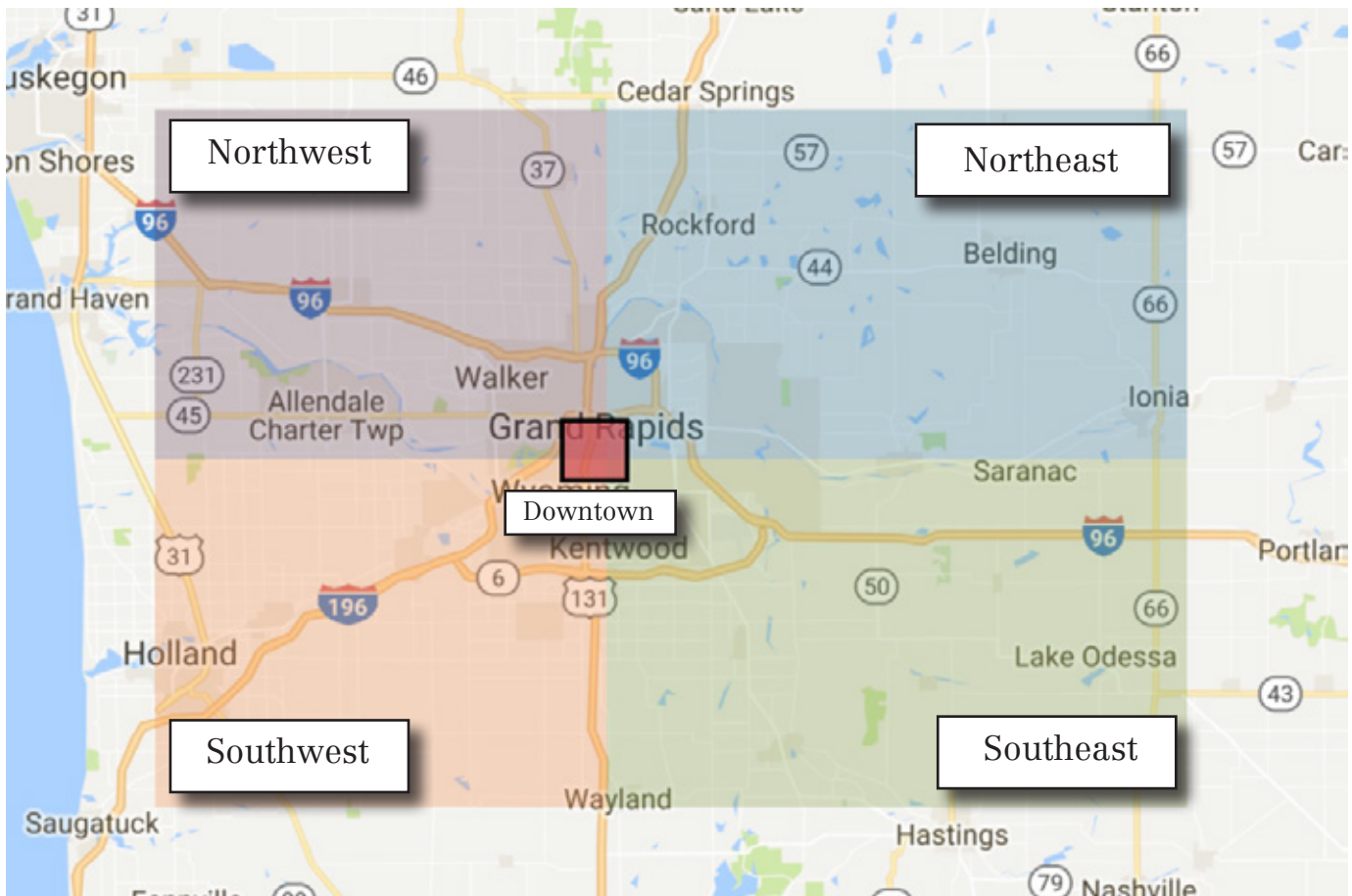
2Q18 vs. 1Q18



\*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





## 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.



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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   
DESIGNEES

7

SIOR  SIOR  
DESIGNEES

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Southwest Michigan areas from our  
Kalamazoo office\*