

Office Market Report

West Michigan | Q4 - Year End 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

GRAND RAPIDS

The Market



1,058,079

Total Population



36,247

Total Businesses



\$71,795

Average Household Income



36.4

Median Age



3.4%

Unemployment Rate

Office Market Trends

The office market remained active in 2017, but office leasing has leveled off slightly, particularly within the downtown submarket. This may be due to the increased cost of occupying space in the central business district, as well as the perceived shortage in parking options. The cost to occupy office space in the CBD is higher than the suburban markets, especially when you add in the cost of parking for employees. Most downtown parking ramps are full and the largest availability of parking is in the surface lots on the outskirts of the CBD, which are not attractive to some office users. Many properties in the CBD continue to undergo renovations to attract new tenants. Cranes in the air have also become a welcome site around the downtown submarket in 2017. Notable new projects in the CBD to watch in 2018 are the new Warner Tower on Ottawa Ave., which broke ground in late 2017, and the movie theater project, which is expected to break ground just south of the arena this spring.

The suburban submarkets are experiencing a shortage in office properties available for purchase. This has caused sale prices to increase in some areas, but has also created increased leasing competition from both a landlord standpoint and a tenant standpoint due to lower vacancies. Landlords continue to renovate their properties to keep existing tenants or to attract new tenants. Tenants are seeking the right fit for their company and are often willing to sign longer term leases once they find the ideal space.

The suburbs have seen some new construction, but primarily for owner occupied properties. Notable new projects that were completed or currently under construction are the expansion of the Heritage Point office park on the SE side of town and the move of Advantage Sales and Marketing from downtown to the former Klingman's building in Wyoming.

Leasing rates have somewhat stabilized, however there has been a slight overall increase in the average lease rates in each submarket. Landlords are less willing to negotiate on lease rates and would rather offer larger tenant improvement allowances for longer term leases.



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

Grand Rapids-Wyoming, MI Metropolitan
Statistical Data.

Source: U.S. Census Bureau

Cover Feature: Renovated Medical Office Space For Lease
1000 East Paris Ave.

SOLD



**1624 & 1710 Woodworth
Ave. NE**
24,070 SF

SOLD



25 Division Ave. S.
Buyer: Oppenhuizen Real
Estate
3,363 SF

SOLD



330 Market Ave. SW
Buyer: Choice One Bank

ChoiceOne
BANK

LEASED



**5910 Crossroads
Commerce**
Tenant: Champion Force
Athletics
12,000 SF



LEASED



320 Hall St., Suite 201 & 202
Tenants: Grand Management
Group & Calder Investment
Advisors



LEASED



4035 Park East Ct.
Tenant: William B Eerdmans
Publishing
15,401 SF

Market Activity

- › ChoiceOne Bank purchased a building located at 330 Market Ave. SW for their first downtown branch, and it's slated to open in late summer 2018. ChoiceOne currently has five commercial and mortgage lenders in Grand Rapids and its loan center on Fulton West. This new location will add three to five staff members.
- › BluJay Solutions, a global supply chain company, has established a new U.S headquarters in a 77,600 square-foot building at the Holland Technical Center. BluJay delivers supply chain software and services to retailers, distributors, freight forwarders, manufacturers, and logistics service providers.
- › William B Eerdmans Publishing has listed their building at 2140 Oak Industrial Dr. NE for sale and is moving its corporate headquarters to 4035 Park East Ct. They will be outsourcing their distribution and this new location will only be used for their office.

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 Q4 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	1,590,140	140,838	8.9%	\$21.99	-19,200	0
Class B & C	7,277,405	335,079	4.6%	\$17.04	134,175	0
Total	8,867,545	475,917	5.4%	\$17.93	114,975	0
Northeast						
Class A	331,467	15,509	4.7%	\$19.50	-8,200	0
Class B & C	3,199,255	120,534	3.8%	\$14.05	-7,445	33,593
Total	3,530,722	136,043	3.9%	\$14.56	-15,645	33,593
Northwest						
Class B & C	2,442,931	90,905	3.7%	\$14.44	-22,255	60,000
Southeast						
Class A	927,141	55,000	5.9%	\$15.91	6,210	0
Class B & C	10,042,411	862,631	8.6%	\$13.60	-96,463	0
Total	10,969,552	917,631	8.4%	\$13.80	-90,253	0
Southwest						
Class B & C	2,949,977	148,677	5.0%	\$11.59	10,379	0
Overall Total						
Overall Total	28,760,727	1,769,173	6.2%	\$14.99	-2,799	93,593

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

4Q17 vs. 4Q16

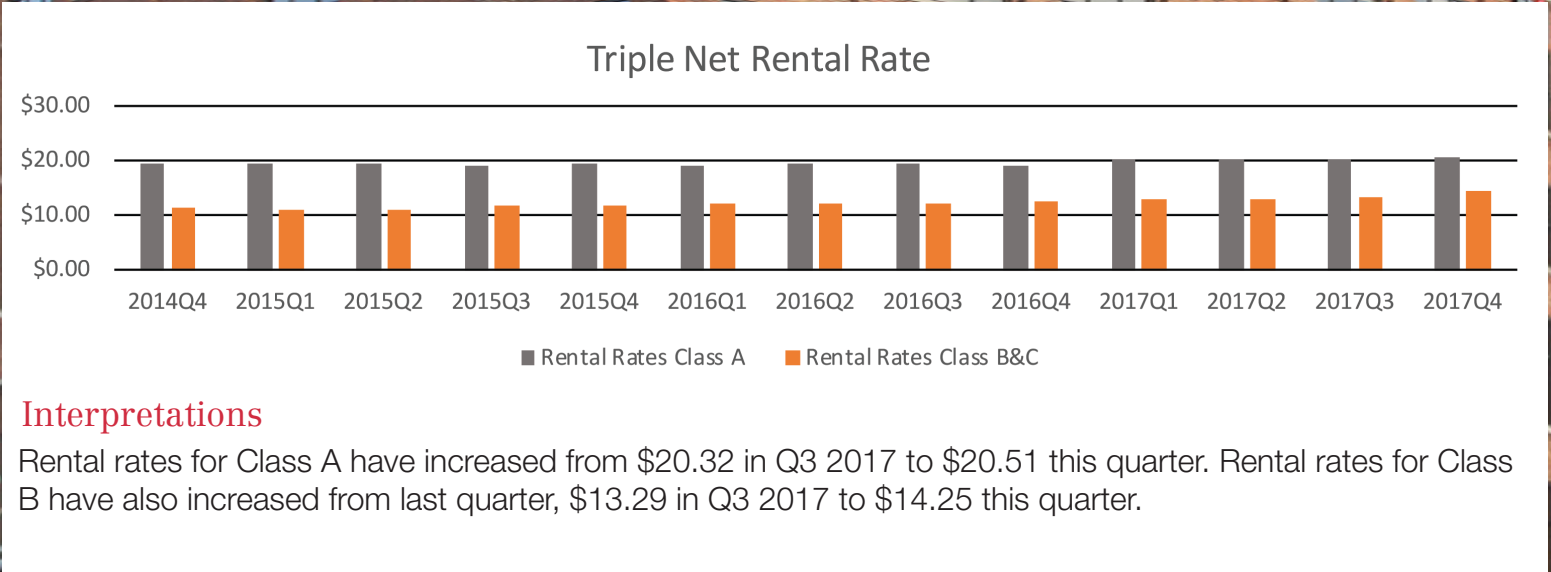
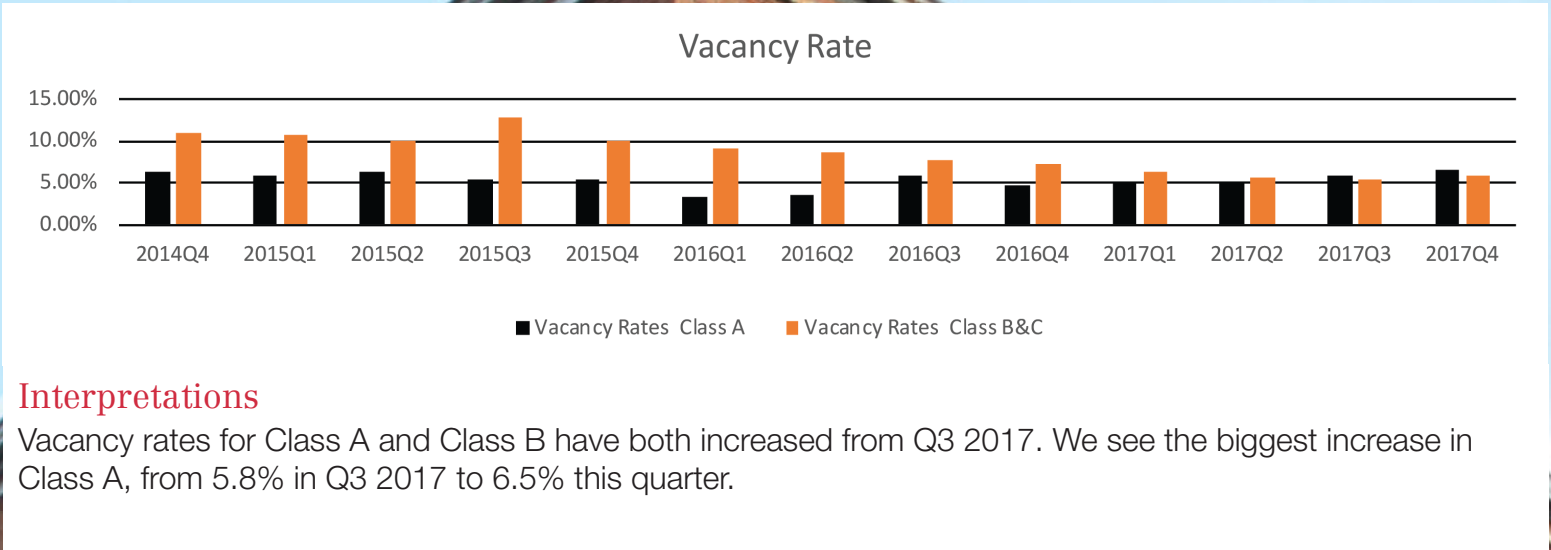


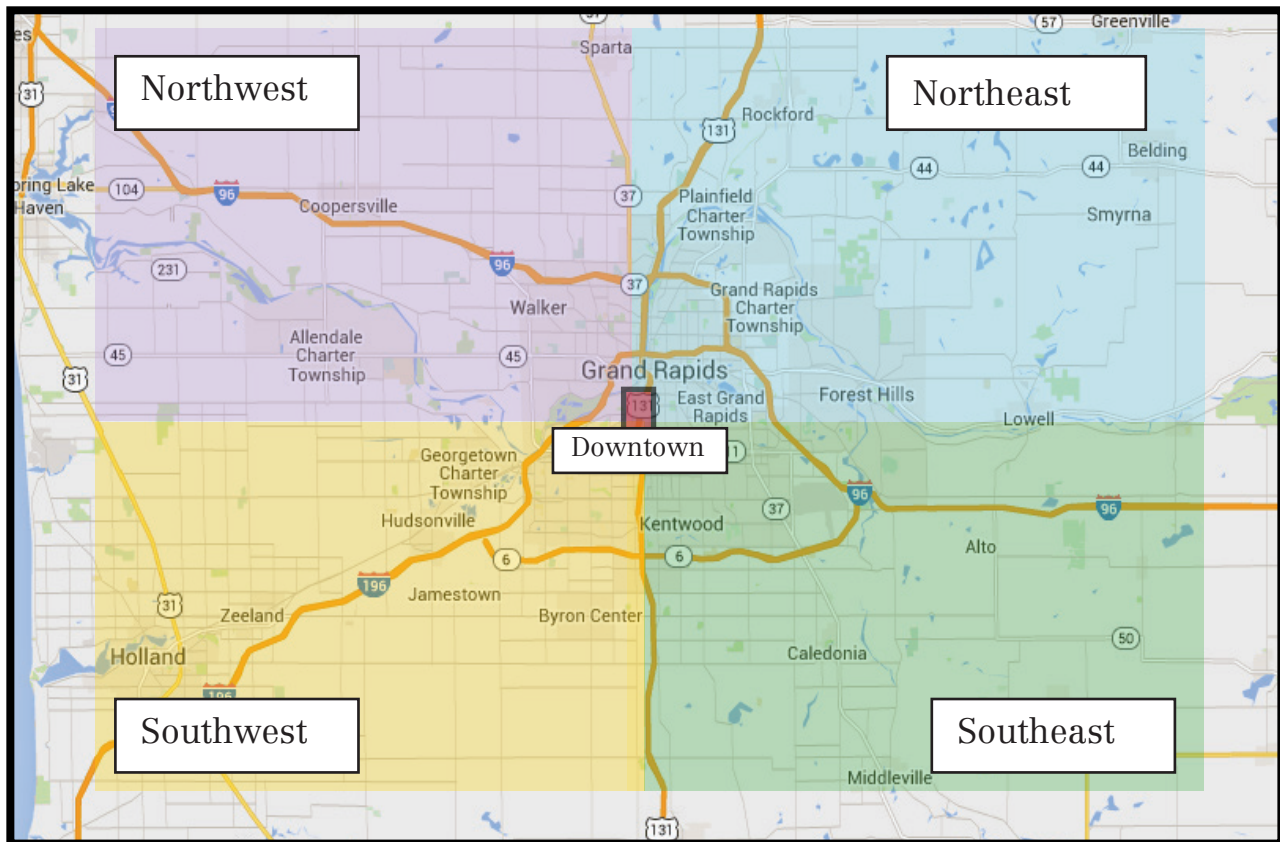
4Q17 vs. 3Q17



*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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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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