

WEST MICHIGAN

Q4 2021

MARKET OVERVIEW

West Michigan comprises a 10 county region which includes Kent, Muskegon, Berrien, Cass, St. Joseph, Calhoun, Kalamazoo, Van Buren, Allegan, and Ottawa. Grand Rapids is the second largest city in the state and has been experiencing extensive growth over the past decade with over 200,000 residents within the city limits.

Grand Rapids has a long history of furniture manufacturing, dating back to the 1800s. Today, West Michigan is a manufacturing hub which includes not just furniture, but automotive, medical devices, food processing, aerospace, and defense. The region has over 141,315 manufacturing jobs and 2,452 manufacturers. AdvisorSmith ranked Grand Rapids third on their 2020 list of "Top Cities Where U.S. Manufacturing is Thriving". Major employers in the manufacturing sector include: Gentex Corporation (5,800), Amway (3,791), Herman Miller, Inc. (3,621), Perrigo (3,500), Steelcase, Inc. (3,500), Lacks Enterprises (3,000), Arconic (2,350), Roskam Baking Co. (2,090), Haworth Inc. (2,000), Wolverine Worldwide, Inc. (1,500), GE Aviation (1,100), Bissell, Inc. (600), and The Kellogg Company (992).

Healthcare is also a major economic driver in the region. Spectrum Health is headquartered in Grand Rapids and is West Michigan's largest employer with 25,000+ employees. Spectrum has several world class facilities in Grand Rapids including the Meijer Heart Center, Lemmen-Holton Cancer Pavilion, Spectrum Health Cancer Pavilion, Spectrum Health Helen DeVos Children's Hospital, and Butterworth Hospital, a level 1 trauma center. The stretch of Michigan Street in downtown Grand Rapids is known as the Medical Mile. Several medical research and life science facilities are located here, drawing medical talent to the area and spurring residential and retail growth. The internationally recognized Van Andel Institute is the second highest endowed medical research facility in the country. Because of all the research facilities in the area, Michigan State University moved its medical school to Grand Rapids from Lansing in 2010. Other medical systems in the region include Mercy Health Saint Mary's (8,500), Metro Health Hospital (2,100), and Metron Integrated Health Systems (700).

In addition to manufacturing and healthcare, other major employers include retail, education, finance, and insurance. Some of the major employers in these sectors include: Meijer (10,340), Gordon Food Service (5,000), Farmers Insurance Group (3,500), Grand Valley State University (3,300), Fifth Third Bank (2,062), SpartanNash (2,000), Independent Bank (800), Calvin University (797), and Gerber Life Insurance Company (569).

Grand Rapids is sometimes referred to as Beer City USA as it boasts more than 40 craft breweries in the metro area. The entire region is home to over 80 breweries, distilleries, and meaderies. Two of the country's top breweries are located in West Michigan: Bell's in Kalamazoo and Founders in Grand Rapids. Breweries support the tourism industry, bringing thousands of people each year to West Michigan. Kent County alone attracted over 94,000 people to its breweries in 2019 with an estimated economic impact of \$38.5 million. The entire region is a draw for tourists due to the numerous lake shore cities and towns, campgrounds and RV parks, and a myriad of attractions. The total revenue collected from state and local taxes is approximately \$440 million. Grand Rapids / Kent County has a 5.3% share of all tourism spending for the state of Michigan.

West Michigan is vibrant and growing, bringing in new residents every year. The lakeshore appeals to previous city dwellers while Grand Rapids' growth has been fueled by millennials who are attracted to the city's culture, job prospects and quality of life. Grand Rapids has several notable rankings including:

Other accolades include:

- #3 - "Top Cities Where U.S. Manufacturing is Thriving" - Grand Rapids, AdvisorSmith, 2020
- #2 - "Top Housing Market for Millennials" - Grand Rapids, ImproveNet, 2020
- #13 - "50 Best Places to Live in America" - Grand Rapids, Business Insider, 2020
- #4 - "Best Cities for First-Time Home Buyers" - Grand Rapids, WalletHub, 2019
- #2 - "Best Destination for Millennials" - Grand Rapids, The National Association of Realtors (NAR), 2019
- #6 - "25 Best Affordable Places to Live in the U.S." - Grand Rapids, U.S. News & World Report, 2019

DEMOGRAPHICS

1,990,598



Population

764,808

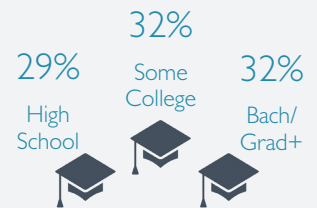


Households

\$59,357



Median Household Income



Education

66,223



Total Businesses

1,000,764



Total Employees

Source: Esri 2021

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Q4 2021

INDUSTRIAL OVERVIEW

THE INDUSTRIAL SECTOR CONTINUES PERFORMING WELL, BUT SUPPLY IS STRUGGLING TO KEEP PACE WITH DEMAND

In all, the industrial market has not changed much from Q3 through Q4 of 2021. Inventory is still low, and we're still seeing demand surge. This has been the story for a while now. All existing product is being leased and bought up, as tenants are fully utilizing every square foot of industrial space that they can. Developable industrial land is scarce and becoming a big issue, so anything shovel ready is in demand. Low vacancy rates and ongoing construction lead times and backlogs are pushing industrial projects further and further away from Grand Rapids. Outlying metro areas that were once considered "unattractive" are now seeing a bump in interest.

Grand Rapids was starting to "grow up" and get "big" even before the pandemic struck, and what comes with growing up is land and construction price increases. With an outside influence pouring into the city, we are entering a brand-new world in West Michigan in terms of what it will cost to build industrial properties or any property for that matter. You cannot expect to build for the same price today as you could a few years ago. Prices are staggeringly higher now than 5 years ago, and we rarely see pre-engineered metal buildings with costs under \$70 a foot. It is not unusual to see \$100 a square foot when it used to be \$30-\$60 a square foot. Lumber and steel prices have seen a historical high in the last 18 months, which is still below the national average but not as far as it used to be. This is the new normal, we won't be seeing a huge correction, as in it will never return to the "normal" we were always used to.

So how are industrial businesses and developers going to deal with this? The ones who wait will lose, big companies that regularly build are looking to move forward because prices are expected to continue to increase. This was not COVID-driven, this was happening beforehand. Grand Rapids has historically been a cheap market for construction. A whole host of factors have led to this. COVID mostly affected supply chains and material availability. It added fuel to the fire but didn't start it. So, act now while you can and continue to update budgets for the long run.

MAJOR DEALS

Tesa Tape launches \$36 million expansion at Sparta facility
324 S. Union St, Sparta, Michigan 49345

Tesa Tape, an adhesive tape manufacturer, recently started construction on an expansion at their Sparta facility which is expected to bring 25 new jobs to the area. The company is investing \$36 million, which is their second expansion in the past five years. Around 10,000 square feet will be added to the product development area which will include a customer solution center. And around 28,000 square feet will be added on to their current manufacturing space.

MiBiz: Tesa Tape launches \$36 million expansion at Sparta facility

Wave of e-commerce growth pushes Jenison thermal packaging maker to expand
2472 Port Sheldon St, Jenison, MI 49428

Cellulose Material Solutions LLC is expanding its operations and increasing production capacity to keep up with its two surging market segments. The Jenison based manufacturer has invested \$9 million into the expansion that will look to add 54,000 square feet of warehouse/manufacturing space, 12,000 square feet of office space, and a third production line that is expected to triple their output of products in the first quarter of 2022. With demand for eco-friendly packaging growing in the past decade, the COVID-19 pandemic has e-commerce growing exponentially.

MiBiz: Wave of e-commerce growth pushes Jenison thermal packaging maker to expand

Square Roots expands produce distribution under latest deal with SpartanNash
1300 Gezon Parkway SW, Wyoming, MI 49509

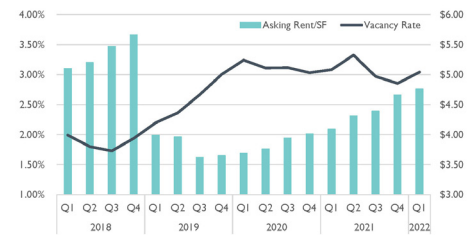
Indoor farming operator Square Roots Urban Growers is expanding their distribution with Byron Center based SpartanNash Co. Square Roots, who operates on the campus of Wyoming-based Gordon Food Service Inc, announced they will be selling Michigan-grown produce to 50 SpartanNash owned stores like D&W Fresh Market, Family Fare, and Forest Hills Foods. With this new distribution deal, Square Roots now supplies around 250 retail locations throughout the country, which even includes the likes of Whole Foods Market and Meijer.

MiBiz: Square Roots expands produce distribution under latest deal with SpartanNash

MARKET STATS Kent County

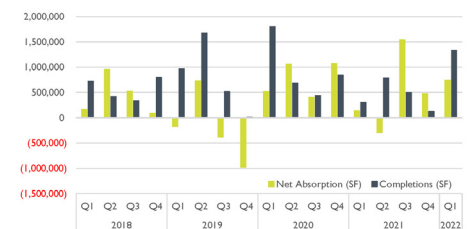
- Active Lease Listings: 153
- Active Sale Listings: 32
- Average Asking Lease Rate: \$5.79 PSF
- Average Reported Lease Rate: \$5.03
- Average Asking Sale Rate: \$50.53 PSF
- Average Reported Sale Rate: \$47.52 PSF
- Average Days on Market: 169

AVERAGE OF WEST MICHIGAN ASKING RENT & VACANCY



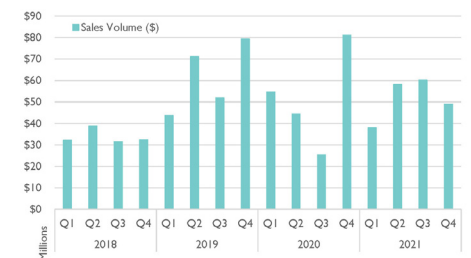
Source: CoStar

AVERAGE OF WEST MICHIGAN ABSORPTION TRENDS



Source: CoStar

AVERAGE OF WEST MICHIGAN SALES TRANSACTION VOLUME (\$)



Source: CoStar

WEST MICHIGAN

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OFFICE OVERVIEW

NOT MUCH HAS CHANGED BETWEEN Q3 AND Q4 2021

The story for the last quarter of 2021 wasn't particularly that different from Q3. Rates held steady once again contrary to what was projected to happen, and the market remained strong through the end of the year. Why? Big companies haven't made a long-term decision on current space, but this could change around Q2 2022. For now, we expect the office market to stay strong. We saw many sectors in office continue to grow and need space, some of which are: mortgage and finance, mental health/counseling, and logistics.

The need for quality boutique-style space between 1,000 square feet – 2,500 square feet is on the rise and in demand because of new startup companies that continue to form. Not much sublease space is available on market; that space was quickly gobbled up, especially spaces offered at discounted rates. If there is sublease space available, it is at market rate or even higher than previously seen in class A suburban space. It is very much an employee driven market currently, so giving employees the option of when and where to work is key in how businesses will operate in the future. A large number of the deals closed at end of the year were made up of lease renewals and smaller, short-term deals. And while it may be short term for the companies moving to the suburbs from downtown, it is a quantifiable amount. Tenants and companies that want to be in the suburbs is still a trend that will continue to see in Q1 and Q2 of 2022. As a result, rates in suburbs are expected to increase in the next few quarters.

MAJOR DEALS

Grand Rapids advances \$22M brownfield plan for new spectrum health campus 635, 706 and 725 Bond Ave. NW, Grand Rapids, MI 49503

City officials are one step closer to approving the \$22M in brownfield incentives for Spectrum Health's Center for Transformation and Innovation Campus. This proposed brownfield incentive would include compensation for "environmental activities, demolition, lead and asbestos abatement, site preparation and public and private infrastructure improvements," also including about 680 ramped parking spaces. The project comprises of modernizing the existing 155,000-square-foot Brassworks building along with the construction of a new eight-story, 157,000-square-foot building with two associated parking ramps and a surface parking lot. The project will consolidate 15 Spectrum offices throughout Grand Rapids and three more outside of the city. When fully completed, it will result in around 1,800 full time jobs at the new facility. Spectrum Health's upcoming consolidation will create significant vacancies to be backfilled in the Downtown submarket, perhaps at a discount given the rent and concession trends we are seeing.

MiBiz: [Grand Rapids advances \\$22M brownfield plan for new Spectrum Health campus](#)

Tribally owned firm invests \$3M in company building advanced cancer treatment clinic in GR 400 Monroe Ave. NW, Grand Rapids, MI 49503

Waséyabek Development Co. LLC, the non-gaming economic development arm of the Nottawaseppi Huron Band of the Potawatomi, has invested \$3 million in a company developing a new clinic for advanced cancer treatment in Grand Rapids. This will be Waséyabek's first deal into the health care industry as the firm and their investments further diversify. BAMF Health (Bold Advanced Medical Future) plans to open the clinic mid-2022 in the Doug Meijer Medical Innovation Building located within Michigan State University's Innovation Park Research Campus. This clinic will include technology that enables the earlier detection of cancer, neurological and cardiovascular diseases, and other illnesses, along with helping to better target a treatment.

MiBiz: [Tribally owned firm invests \\$3M in company building advanced cancer treatment clinic in GR](#)

Southwest Michigan First receives \$100M gift to build career, technical education center Kalamazoo/Southwest Michigan

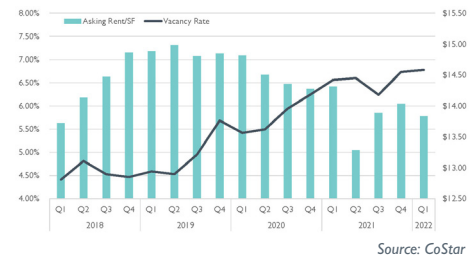
Plans for a technical education and career center in Kalamazoo County are moving forward following an anonymous donation of property and \$100 million for the project. This new facility is expected to open in the Fall of 2024 and will be located next to Wings Event Center near the Sprinkle Road interchange on I-94. Courses planned to be offered at the center will provide students with industry recognized credentials, as well as skills including collaboration, communication, problem solving, critical thinking and self-management.

MiBiz: [Southwest Michigan First receives \\$100M gift to build career, technical education center](#)

MARKET STATS Kent County

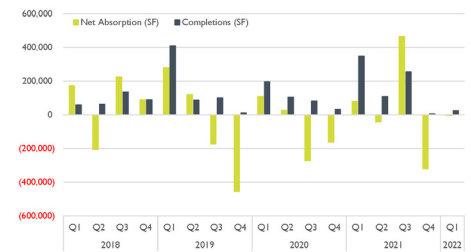
- Lease Listings: 650
- Sale Listings: 85
- Average Asking Lease Rate: \$18.08 PSF
- Average Reported Lease Rate: \$12.93 PSF
- Average Asking Sale Rate: \$112.93 PSF
- Average Reported Sale Rate: \$93.97 PSF
- Average Days on Market: 448 Days

AVERAGE OF WEST MICHIGAN
ASKING RENT & VACANCY



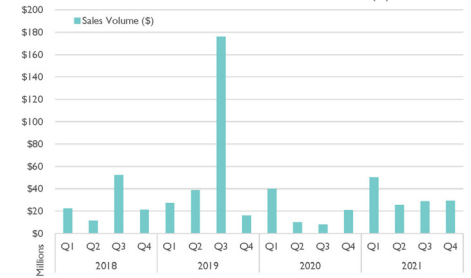
Source: CoStar

AVERAGE OF WEST MICHIGAN
ABSORPTION TRENDS



Source: CoStar

AVERAGE OF WEST MICHIGAN
SALES TRANSACTION VOLUME (\$)



Source: CoStar

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RETAIL OVERVIEW

RETAIL DIDN'T LEAVE, IT JUST LAGGED; IT'S NOW PICKING UP AGAIN IN THE FACE OF INFLATION

Remember when retail stores were a thing of the past? Not anymore. For the first time in the last four years, nearly twice the number of retailers opened than closed in 2021, even with a labor shortage. Brick and mortar retail was projected to die out, but it's healthy and here to stay. In a sense, the retail sector saw this coming before other sectors; retailers had already begun to transition their business models because they were dealing with an "internet" problem before the pandemic hit. Closures started to happen before COVID, with the pandemic being more of a "cleansing" action. Stores with a weak strategy became endangered. Retailers that were resilient are much stronger now and in a much better position because they planned ahead.

The holiday season was an exciting time for retailers who performed very well, and all that momentum is carrying into 2022. Based on the holiday activity alone, most retailers are ready to start new or pick up where they left off. A big trend we're seeing is that the two forms of retail are morphing into one. E-commerce was supposed to destroy the brick-and-mortar store, but e-commerce companies are seeing the value in having a physical footprint. Most brick and mortar companies have added internet sales to their business plans. Although e-commerce retail sales are growing, they still only represent about 13% of total sales. In another sense, retailers are creating a reason to get customers back into a physical store.

For 2022, we are a little nervous to see what happens with automotive companies due to inventory problems. Sales traffic is very low. Their lots are empty, which is not a good sign when they control a lot of front retail space on busy corridors. We do however, expect to see positive absorption, up-ramping and adjustments throughout all retail stores. We will continue to see retailers maximize their consolidation efforts and rework their business strategies. Cap rates have generally maintained their pre-COVID levels. The 1031 market is still active, occupancy continues to be strong, and landlords continue to be picky which is an indication of market strength.

MAJOR DEALS

Butchers Union, O'Tooles owners plan new tapas restaurant off Bridge Street

345 Summer Ave. NW, Grand Rapids, MI 49504

The owners of Butchers Union and O'Tooles are planning a new restaurant in downtown Grand Rapids. Brothers, David and Paul Reinert, plan to open a full-service, tapas-style restaurant called Gin Gin's at the currently vacant 345 Summer Ave. NW. Plans for the restaurant include an outdoor beer garden accommodating 75 to 80 people, with an indoor space of 4,000 square feet with a capacity of around 80 patrons.

MiBiz: Butcher's Union, O'Tooles owners plan new tapas restaurant off Bridge Street

Boji Group, Bacall Companies buy Walker retail center for \$23M

3298 Alpine Ave. NW, Walker, MI 49544

Lansing based Boji Group has partnered with Farmington Hills based Bacall Companies on a \$23 million transaction to purchase Green Ridge Square retail center in Walker. The center is 214,000 square feet and is 90% occupied with 21 tenants. This is the first joint venture between the companies, and marks Boji Groups first investment in Grand Rapids, while Bacall group is no stranger to the area. CEO Ron Boji stated the expansion into Walker is "sign of confidence in the Grand Rapids metro area. We are ready to help Walker and the Alpine Avenue corridor continue to expand and thrive in the coming years."

MiBiz: Boji Group, Bacall Companies buy Walker retail center for \$23M

Deal to Sell B.O.B on hold

20 Monroe Ave NW, Grand Rapids, MI 49503

A deal to sell the very popular B.O.B. and a 2,600-seat concert venue, 20 Monroe Live are currently on hold. The B.O.B. is a more-than-century old, four-story building that had been vacant for decades, but found new life with restaurants, a brewery, nightclub and a comedy club. The deal was expected to close mid-January but was halted because of financial issues. Located at 20 Monroe Ave NW, The Gilmore collection put the building on market in November 2020, listing the B.O.B. for \$15.5 million and 20 Monroe Live for \$16.5 million. While there is a slight chance the deal doesn't go through, all businesses in the B.O.B. have already closed – these include B.O.B.'s Brewery, Judson's Steakhouse, Gilly's Smokehouse, H.O.M.E., Bobarino's Pizzeria, Dr. Grins Comedy Club and Eve Nightclub.

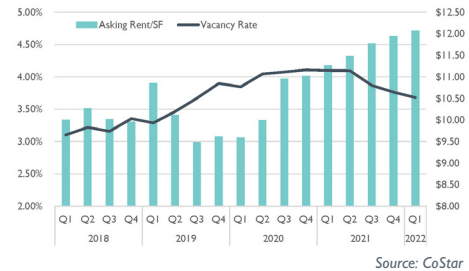
WOODTV.com: Deal to sell The B.O.B. on hold

MARKET STATS

Kent County

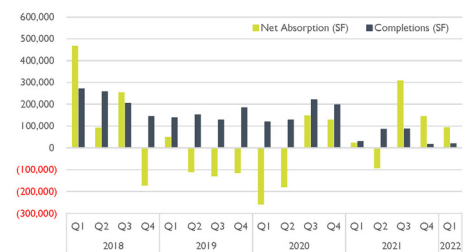
- Active Lease Listings: 321
- Active Sale Listings: 99
- Average Asking Lease Rate: \$14.51 PSF
- Average Reported Lease Rate: \$13.20 PSF
- Average Asking Sale Rate: \$133.66
- Average Reported Sale Rate: \$112.14
- Average Days on Market: 712

AVERAGE OF WEST MICHIGAN ASKING RENT & VACANCY



Source: CoStar

AVERAGE OF WEST MICHIGAN ABSORPTION TRENDS



Source: CoStar

AVERAGE OF WEST MICHIGAN SALES TRANSACTION VOLUME (\$)



Source: CoStar

WEST MICHIGAN

Q4 2021



5370-5394 S DIVISION AVE | KENTWOOD

- 1,118-1,455 SF available for lease
- Built in 1995, Renovated in 2011
- Attractive building & pylon signage options
- Hard corner with great accessibility via 2 curb cuts from S. Division and 54th St. SW
- Located on vibrant retail corner near Walmart, Home Depot, Target, Meijer, Menards and many other national retailers



3809 LAKE EASTBROOK BLVD SE | GRAND RAPIDS

- 3809 Lake Eastbrook Blvd. is a very attractive building currently undergoing a complete renovation. Major lead tenant has signed a long term lease occupying 75% of the building. Located just north of 28th Street, the property is in walking distance to two regional malls, restaurants, and additional amenities.
- White box suite that can be customized to your specifications



3174 4 MILE RD. NW | GRAND RAPIDS

- Located in the City of Walker with easy access to I-96, Bradley Company and JLL are pleased to offer 216,000 +/- SF of industrial development with 32-foot ceilings and 24 dock doors. Walker is a highly desired industrial location with an abundant employee pool, making it an ideal location as a prime logistics hub or manufacturing location.
- 50+ trailer parking spaces



JEFF TUCKER
Senior Managing Director
Brokerage | Principal
616.254.0014
jtucker@bradleyco.com



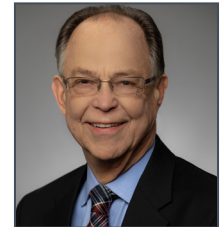
CHIP BOWLING
Senior Vice President
616.915.9080
cbowling@bradleyco.com



BILL BOWLING, SIOR
Senior Vice President
616.485.5600
bbowling@bradleyco.com



EDWARD MYERS, CCIM
Associate Broker
Office Healthcare
616.822.9648
emyers@bradleyco.com



BILL BUSSEY, CCIM
Senior Associate Broker
Retail
616.291.6011
bbussey@bradleyco.com



KEVIN VANHAISMA
Advisor
616.308.1727
kvanhaisma@bradleyco.com



DREW NELSON
Senior Advisor
616.975.3739
dnelson@bradleyco.com



FRED STEINER
Advisor
616.485.5892
fsteiner@bradleyco.com



DAN BURNS
Associate Broker
616.204.2876
dburns@bradleyco.com



KATIE LOVLEY
Advisor
616.889.9217
klovley@bradleyco.com



LISA GRANGER
Advisor
616.608.2297
lgranger@bradleyco.com



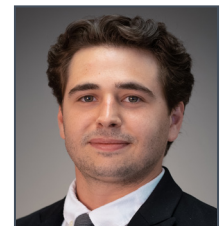
CASE OVERWEG
Advisor
616.540.4924
coverweg@bradleyco.com



KYLE GROOTERS
Advisor
951.733.3833
kgrooters@bradleyco.com



TY BECKERING
Advisor
616.460.6000
tbeckering@bradleyco.com



BEN HOATS
Advisor
616.299.2346
bhoats@bradleyco.com