

WEST MICHIGAN

2ND HALF 2019

MARKET OVERVIEW

West Michigan is home to more than 130 international companies and well-known corporations such as: Amway, Bissell, Pfizer, Stryker Corporation, Steelcase, Herman Miller, Bell's Brewery, Arcadia Brewing, Meijer, and Kellogg's. West Michigan boasts one of the most diverse manufacturing regions in the state with over 141,315 manufacturing jobs and 2,452 manufacturers.

Primarily made up of the cities of Grand Rapids, Holland, Kalamazoo, and Muskegon, West Michigan experienced roughly a 4% growth in population from 2013 to 2018, with Grand Rapids leading much of that growth as its population surpassed 200,000 residents in 2018.

Manufacturing, information technology, life sciences, aerospace and defense, and the food processing industries are the main driver of growth in of West Michigan.

HIGHLIGHTS

WEST MICHIGAN CONTINUES TO GROW AND IS ATTRACTING NEW RESIDENTS AND DEVELOPMENTS

West Michigan remains an attractive location for tourists and residents. Counties located in West Michigan saw more population growth than any other region in Michigan, most notably Kent, Ottawa and Allegan. (1) Strong employment growth and tourism have continued to maintain a foothold on the West Michigan economy. In particular, there has been an influx in "Beer Tourism." Grand Rapids was named "Beer City USA" and continues to open new breweries and tasting rooms throughout the area. Based on a study, beer tourism resulted in a \$38.5 million total economic impact in one year and is expected to increase as new breweries emerge. (2) In preparation for continued growth in the tourism sector, the airport is planning a \$90 million expansion that will add eight new passenger gates and create approximately 300 new jobs.

Grand Rapids was also tagged as the second-most popular destination for millennials.(3) With an increase in economic development, employment growth, new housing choices, and additions to the entertainment district, the city has become a lively and attractive town for young adults. New development projects have added even more to the already exciting downtown scene and have re-vitalized parts of Grand Rapids and surrounding areas that have been neglected for decades.

Projects of note include:

- **Studio Park:** Following 17 months of construction and 10 years of planning, Studio Park, a \$160 million development located in downtown Grand Rapids has made its debut. Studio Park boasts a movie theater, concert venue, restaurants, housing, offices, and a soon-to-come hotel by Hilton. Additionally, a \$30 million office building associated with Studio Park will be built and will house the Acrisure LLC headquarters, a national insurance company. (5) This mixed-use development is considered the largest recent development in Grand Rapids and is expected to spur additional economic success for the city.
- **Bridge Street Market:** Meijer Inc. opened the new Bridge Street Market in late 2018 and it has proved to be an anchor of revitalization for the West-side of downtown. This section of the city has been slowly improving over previous years and is now showing an increase in popularity with new eateries, breweries, and taverns. Multiple properties along this corridor have been bought and sold and are sure to be drivers for further development in the upcoming years.
- **North Monroe Business District:** This area just north of the Central Business District has been slowly gaining development traction. With the recent addition of the new Embassy Suites Hotel and the amenity-filled apartments at 601 Bond, the housing and tourism options have increased in volumes. In addition to the new developments opening just over this last year, Spectrum Health recently announced its plans to construct a new administration building at 706 and 725 Bond Ave., a location currently owned by Gill Industries Inc. The new "Center for Transformation and Innovation" building will house 1,200 employees and will consolidate 26 leases that are currently housed throughout the city. (6)

Western Michigan University's board voted to move forward with Phase II of the Business, Technology, and Research Park in Kalamazoo in June. It was announced in September that Ascension Borgess Hospital had purchased the first 8.2 acre parcel for \$500,000. The first phase of the park was completed in 2002 and is fully occupied by 40 businesses. Phase II is a 55-acre site between Drake Road and U.S. 131. (7)

WEST MICHIGAN

2019 Total Population	1,987,303
2024 Total Population	2,049,533
2019-2024 Pop Growth	0.62%
2019 Households	759,816
2024 Households	784,061
2019 Median HH Income	\$57,036
2019 Average HH Income	\$77,322

Source: Esri

UNEMPLOYMENT SEPTEMBER '19

West Michigan	3.4%
Michigan	3.7%
United States	3.3%

Source: Michigan Bureau of Labor Market Information and Strategic Initiatives

1. <http://www.talent2025.org/blog/2019/2019-05-02-data-points-west-michigan-us-census-bureau-2018-population-estimates>
2. https://assets.simpleviewcms.com/simpleview/image/upload/v1/clients/grandrapids/ExperienceGR_BeerTourism_b7544b7b-ed74-4360-a9b-b2b9aadfbdbf.pdf
3. <https://www.rightplace.org/blog/grand-rapids-no-2-destination-for-millennials-in-us>
4. <https://mibiz.com/sections/real-estate-development/160m-studio-park-development-celebrates-opening>
5. <https://www.grbj.com/articles/94270-planners-create-vision-for-south-division>
6. <https://mibiz.com/sections/real-estate-development/gill-industries-explores-sale-of-downtown-grand-rapids-plant-to-spectrum-health>
7. <https://www.mlive.com/news/kalamazoo/2019/09/ascension-borgess-buys-first-land-parcel-in-expanded-wmu-business-park.html>

WEST MICHIGAN

2ND HALF 2019

INDUSTRIAL OVERVIEW

ONGOING INDUSTRIAL STRENGTH AND CONSTRUCTION STARTS ARE PUSHING UP SALE AND LEASE PRICES

According to REIS, the metro Grand Rapids industrial market vacancy rate had declined significantly since Q4 2018. As of 3Q 2019 the vacancy rate is 4.0% compared to the national average of 10%. This trend is driven by a reduction in available inventory in the market, the redevelopment of vacant industrial buildings and positive net absorption. For example, Third Coast Development is planning to convert the 370,000-square-foot former Display Pack industrial building into a 310-unit affordable housing project. Another example is the former 925,000 square-foot Amstore headquarters in Grand Rapids. The property sold this summer for an undisclosed price to Kojaian Management Corporation of Bloomfield Hills. The largest industrial transaction in five years. The property was on the market for approximately six months and generated interest nationally. The property will be marketed as a multi-tenant building.

In addition to space absorption, several companies either broke ground on new facilities or announced expansions. Most notable include:

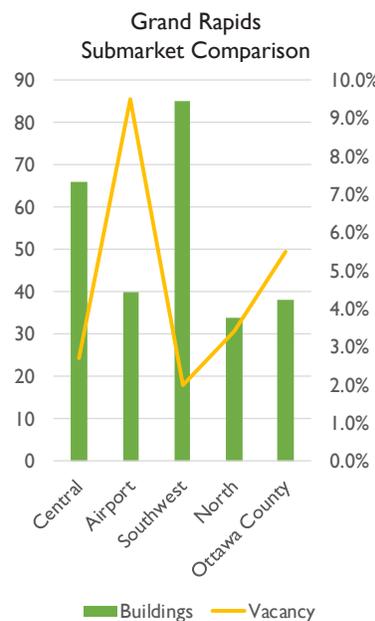
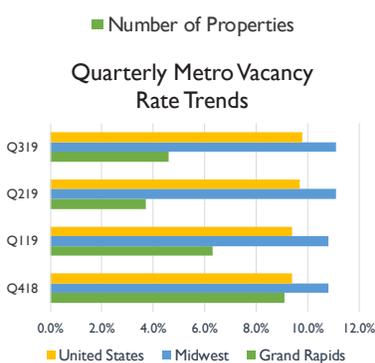
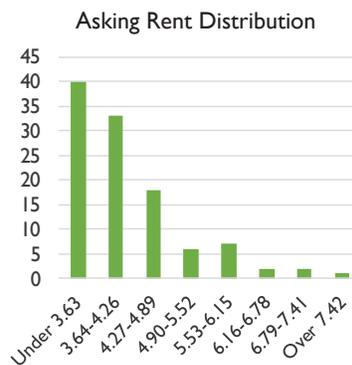
- In Jamestown Township, on the southwest side of Grand Rapids, MFP Automation Engineering began construction on a new 30,000-square-foot facility, and Royal Technologies is investing \$23 million to construct a new 50,000-square-foot warehouse and a 270,000-square-foot manufacturing facility. Combined, these projects are expected to create 141 new jobs.
- Renishaw Metrology Fixturing, formerly R&R fixtures, also broke ground in 2Q 2019 on a new 52,000-square-foot facility in Norton Shores, nearly tripling its current footprint.
- Lacks Enterprises has a new 149,000 square-foot facility under construction on Kraft Avenue in Grand Rapids. (1)
- Royal Technology Corp is building a 50,000 square-foot warehouse and 270,000 square-foot plant near their headquarters in Hudsonville. (1)
- The city of Kalamazoo, approved a 6-acre development site for marijuana farming with Seven Point Supply, LLC in July with an agreement to redevelop and improve the Davis Park Business Park, which has sat vacant for over ten years. (2)

Regarding ongoing construction projects, Continental Linen Services completed the first of three phases to its expansion of its facility at 4200 Manchester Road in Kalamazoo. Additionally, Grand River Aseptic Manufacturing is building a \$63.5 million, 62,400-square-foot expansion to its Buttersworth Street complex in Grand Rapids. Lastly, Amazon is nearly finished on its new 855,000-square-foot fulfillment center in Gaines Township, creating 1,000 new jobs in the process.

- American Chemical Solutions acquired a 20-acre unproductive chemical plant to fashion into their own business in Muskegon. Roughly \$15 million are expected to go into the facility and a \$200,000 grant has been awarded by the Michigan Economic Development Corporation to assist with project support. The facility will result in numerous high-paying jobs and profitability. (3)
- FedEx plans to build a \$26 million distribution center in Portage at 6701 Portage Road. The 37.4-acre site is a brownfield that will be redeveloped. The distribution center is planned to open in 2121 and create over 700 jobs.
- Across the street from the recently announced FedEx facility, Stryker Corporation opened their new corporate campus. Construction began in 2017 on the 485,000 square-foot \$130 million project.
- Flexco, a conveyor belt solutions maker based in Downers Grove, Illinois, will be building a new campus on 36-acres in Walker, Michigan. The facility will include 288,000 square feet and is expected to be completed in early 2021. (4)
- An Atlanta-based company named Graphic Packaging will be expanding their operations in Kalamazoo through the investment of \$600 million to install a new paperboard machine. This new machine is predicted to increase output by 70% and increase the quality of products, all while being ecologically friendly. (5)

FORECAST

- Despite national trends indicating a slow-down in manufacturing, West Michigan's industrial sector is going strong and is projected to maintain momentum into 2020.
- West Michigan is experiencing record low vacancy rates due to high demand. Despite higher construction costs, developers will continue to build spec properties.
- Redevelopments or retrofits of older properties will continue as well. Without enough new developments to keep pace with demand, older properties will attract tenants.



Submarket	Asking Rent
Central	\$3.84
Airport	\$3.96
Southwest	\$2.86
North	\$3.26
Ottawa County	\$3.02

*Source: Reis

1. <https://mibiz.com/sections/real-estate-development/west-michigan-industrial-vacancy-remains-at-all-time-low>
2. <https://www.mlive.com/news/kalamazoo/2019/07/kalamazoo-sells-land-for-1m-cannabis-farm.html>
3. <https://mibiz.com/sections/manufacturing/american-chemical-solutions-to-open-manufacturing-plant-in-muskegon>
4. <https://www.grbj.com/articles/94502-manufacturer-building-36-acre-campus>
5. <https://mibiz.com/sections/real-estate-development/graphics-packaging-plans-600-million-expansion-in-kalamazoo>

WEST MICHIGAN

2ND HALF 2019

OFFICE OVERVIEW

COMPANIES EXPANDING AND GROWING THEIR FOOTPRINTS, WHILE VACANCIES IN THE COMING MONTHS WILL BE IMPORTANT TO WATCH

Multiple companies have expanded into larger office spaces, with one of the most notable occurring in 2Q 2019 at 5300 Patterson Avenue in Grand Rapids. BDO USA LLP relocated its Grand Rapids Business Service Center into the 140,000-square-foot facility, occupying 25% of the building.

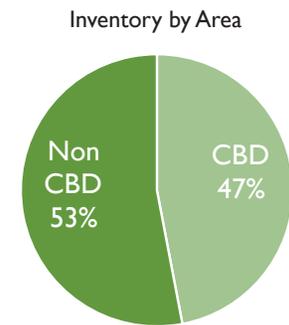
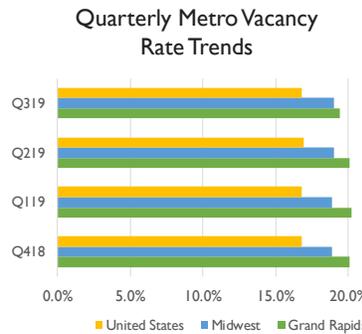
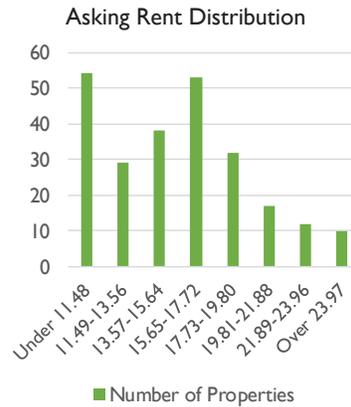
Other growth in the region included:

- Parchment-based Advia Credit Union breaking ground on a new corporate campus in Oshtemo Township, which will include a new 150,000-square-foot headquarters facility.
- West Michigan Dermatology increased its footprint by 23% moving into a new 13,000-square-foot space at 3434 Rivertown Point Court in Grandville.
- Metro Health-University of Michigan Health opened a new 10,035-square-foot physician's office at 4285 Parkway Place in Grandville.
- Cybersecurity firm, Vulnerability Discovery & Analysis Labs, moved into a new 3,000-square-foot headquarters at 5234 Plainfield Ave. NE.
- Acrisure, an insurance firm, plans to move its headquarters into 105,000-square-feet in the new office building at Studio Park upon its completion in 2021.
- Kid's Food Basket, a non-profit, moved into the 27,000-square-foot building on Leonard in September 2019. (1)

During 3Q 2019, State Farm announced it would close its Kalamazoo Operations Center, vacating 45,870-square-feet. 85% of the office space being marketed at the Exchange Building in downtown Kalamazoo remains available and Catalyst Development's new mixed-use building under construction in Kalamazoo features 55,000-square-feet of Class A office space. A positive note however, is that at least five organizations have already signed on to be tenants in the new Catalyst project. Lease rates for Class A office space in downtown Kalamazoo range between \$18.00 to \$22.00 per-square-foot, (modified gross lease) while lease rates for the new Exchange Building range from \$22.00 to \$35.00 per-square-foot, (triple net lease) which are on the higher end for the market.

In Grand Rapids, 37 Ottawa officially opened after two years of redevelopment. The 90,000-square-foot building has over 77% of office space available for lease. Olsen Loeks Development is resurrecting plans to develop a new \$30 million 105,000-square-foot office building in the Studio Park project in Grand Rapids, and the new Warner Building in Grand Rapids is expected to be fully-occupied.

Parking availability has been and continues to be one of the main drivers in downtown office lease rates. The most widely sought after spaces are ones that include free on-site parking which pushes a lot of office users out of the Central Business District and into the surrounding areas of downtown. Monthly parking rates range from \$120-200 per month per space in most parking facilities in the downtown market. These are the costs that office users are taking into consideration when deciding whether to house their business downtown, nearby corridors, or the suburbs of Grand Rapids.



*Source: Reis

FORECAST

- Although the region has experienced growth over the past several years, upcoming closures and deliveries will be closely monitored as it could affect the office market in the coming quarters.
- With new office product coming to market, lease rates for new construction have leveled off.
- Newly constructed Class A office space in downtown Grand Rapids remains at an average of \$24 and \$32 PSF, compared to renovated Class A space which is leasing between roughly \$20 - \$22 PSF (modified gross lease).

1. <https://www.rejournals.com/grand-rapids-office-market-stays-strong-in-third-quarter-20191025>

2. <https://www.mlive.com/news/grand-rapids/2019/08/caledonia-insurance-firm-coming-to-studio-park-bring-400-jobs-downtown.html>

WEST MICHIGAN

2ND HALF 2019

RETAIL OVERVIEW

NEW RETAILERS ARE ENTERING THE MARKET, VACANT SPACE IS BEING BACKFILLED, AND LONG-ANTICIPATED PROJECTS ARE NEARING COMPLETION

The outlook for the Grand Rapids retail sector remains positive. One of the most notable projects within this sector includes the \$180 million mixed-use development, Studio Park, in downtown Grand Rapids. The development is almost fully leased with only 2,500 square-feet of space left available. The project's activity reflects the positive retail growth that's been occurring in the Grand Rapids area.

New hotel developments have also been booming in downtown Grand Rapids and its suburbs. Approximately 800 new rooms were added in 2019 in Grand Rapids and more are planned for 2020 including projects in Kentwood, Grandville, Walker, and Wyoming. (1) Kalamazoo is also seeing hotel development, with 300+ rooms planned at developments downtown and along the I-94 corridor. A new 83-room Fairfield Inn and Suites opened this year on the southeast side near the Midlink Business Park.

New marijuana laws have affected real estate all over the state. However, in Grand Rapids and Kalamazoo specifically, the demand for retail and industrial properties that are in the approved zones is skyrocketing. The trend for these properties, though, is that the value is doubling or even tripling if it's located in the approved zones.

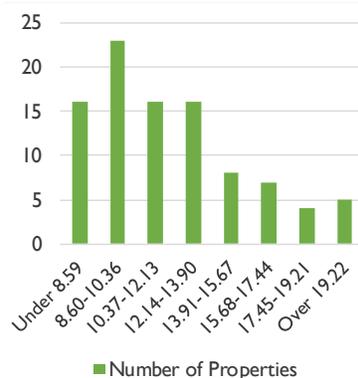
The West Michigan region has a long list of new retailers, restaurants, and projects that opened in 2019. Here's a few of the most notable:

- PREIT completed their two-year \$100 million expansion of Woodland Mall in October. Von Maur opened on the site formerly occupied by Sears, with a brand new 90,000 square-foot store, their first in West Michigan. In addition to Von Maur, the mall added a new wing with several retailers, including Urban Outfitters, Sephora, White House | Black Market, REI, and Black Rock Bar & Grill. The Cheesecake Factory opened its second location in Michigan at the mall in November.
- In the Kalamazoo market, AVB's \$100 million Westgate Development off West Main Street is well underway. The site plan includes five large retail spaces ranging from 42,000 square-feet to 150,000 square-feet.
- Along with the development of Bridge Street Market by Meijer Inc., Meijer plans to open an additional five more 'urban setting' stores throughout Michigan by 2021. The second location on the east side of downtown Detroit. (3)
- Fresh Thyme Farmer's Market opened their first location in the Kalamazoo / Portage market. Fresh Thyme filled a vacancy left by Office Max in the Southland Mall in Portage. Other concepts have also opened their first locations in Kalamazoo and Portage or announced new locations for 2020, including: Black Rock Bar & Grill, Buddy's Pizza, MOD Pizza, Menchie's Frozen Yogurt, Orange Theory Fitness, and Chowhound Pet Supplies.
- Blain's Farm & Fleet opened its new Traverse City location in May, while plans for its Holland location expanded. In addition to the original 106,000-square-foot store, the site plan now includes five restaurant sites ranging from 3,200 to 6,500 square feet, five retail sites ranging from 6,240 to 75,000 square feet, a 4,000-square-foot bank and a 7,500-square-foot gas station. Blain's also opened a new location in Portage in a former 80,000 square-foot Menards and expanded it by 30,000 square-feet.
- After an \$18.3 million re-branding process, SpartanNash re-opened 18 grocery stores called Family Fare, throughout the Grand Rapids area.
- Chick Fil-A is opening their first store in Kalamazoo. They are redeveloping an outlot on Drake Road formerly occupied by a mattress store. This will be their second location in the market. They opened a location in Portage in 2017.

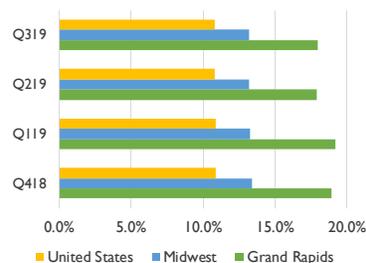
FORECAST

- Overall, vacancies will continue to rise as retailers right-size their brands. Bankruptcies and store closures will continue into 2020.
- Property owners will need to be creative with replacement tenants, marketing techniques, and improvements for remodeling older spaces to keep them competitive.
- Neighborhoods that link to downtown Grand Rapids are expected to continue to draw retailers
- With the recent legalization of recreational marijuana, municipalities that have elected to allow marijuana will see continued demand for retail spaces as well as commercial and industrial.

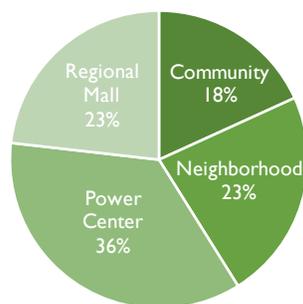
Nonanchor Asking Rent Distribution



Quarterly Metro Vacancy Rate Trends



Inventory by Center Type



*Source: Reis

1. <https://mibiz.com/sections/real-estate-development/hotel-development-boom-continues-in-west-michigan>
 2. https://www.mlive.com/news/grand-rapids/2018/03/meijer_to_open_6_small_urban_s.html

WEST MICHIGAN

2ND HALF 2019

MULTIFAMILY OVERVIEW

DEMAND FOR HOUSING AND RENTAL RATES CONTINUE TO GROW

Grand Rapids has added over 4,500 housing units to the city since 2011 and the demand for housing keeps growing, along with the rental rates. (1) Downtown Grand Rapids has seen an influx of housing options, not only in new mixed-use and newly constructed apartment buildings, but also in the single-family and smaller multi-family rental properties. The demand for housing has largely been influenced by the flocking of young adults to the growing city of Grand Rapids. New construction and development show the economic growth of the area with new businesses moving in and attracting employment opportunities as well as tourism, shopping, and entertainment options for residents.

Downtown Kalamazoo is also seeing an economic renaissance. Residents began moving into The Exchange in downtown Kalamazoo in August. The \$52 million project is the first newly constructed building in downtown Kalamazoo in over a decade. The building is 15-stories and includes 133 luxury apartments, 60,000 square-feet of commercial space, and 6,500 square-feet of retail. Chemical Bank is the first retail tenant, occupying a corner suite. Downtown Kalamazoo will add over 300 residential units by the end of 2020, including:

- Catalyst Development's \$70 Million, seven-story, mixed-use development will include 38 apartments at the corner of North Edwards and Water Streets. The project is scheduled for completion in the first half of 2020. (2)
- Hinman is constructing a four-story mixed-use building at 400 Rose Street, previously vacant land, the project will include 135 apartments and ground floor retail space.

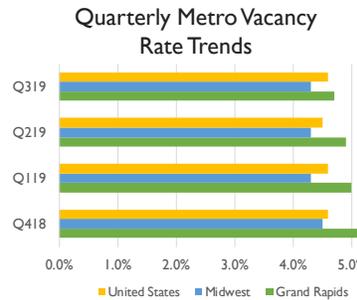
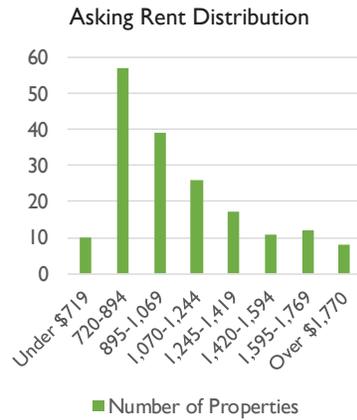
Although market rate apartment vacancies are relatively low, there have been multiple new developments over the past year that still have fair amount of vacancy. Bond, which just opened in June 2019 is approximately 45% leased.

The development of mixed-use buildings that include ground-floor retail and other amenities such as pools, hot tubs, recreational rooms, fitness centers, etc. draw millennials and other generations to sign leases in the upscale spaces. But with the explosion of upscale apartment and condo units and rising rental rates, (over 11% increase since 2018 (3) compared to a national increase of 1.4%) (4), presses the need for affordable housing. New development requirements have allowed higher-rising buildings with the stipulation that a percentage of the building be affordable housing.

The push for affordable housing is supported by tax credits of up to \$5.9 million that has been allocated to six projects throughout Grand Rapids. (5)

- 24-units at Grandville Ave. and Franklin St. SW (2020)
- 24-units at Grandville Ave. SW and Graham St. (2020)
- 34-units on Seward Ave. NW between California St. and Veto St. (2020)
- 84-units (for the elderly) on Division Ave. and Logan St. SE (Opening TBD)
- 26-units at Burton St. SE and Francis Ave. (2020)
- Renovation 119-unit affordable housing at 72 Sheldon Blvd. SE

Two projects have been delayed due to the denial for Low-Income Housing Tax Credits. Third Coast Development has re-applied for both of the projects with an expected response by the end of 2019. One is an affordable housing project in Belknap Lookout by Grand Valley partnering with Third Coast. The development is planned to be a 50-unit project on Trowbridge St. NE that will have 15 units rented at-market prices while the remaining 35 would be designated to low-income residents. (6) Third Coast is also involved in the re-development of the Display Pak building on Monroe Ave. NW is proposed as a 310-unit mixed income housing complex with 100 units being rent-restricted to comply with affordable housing.



*Source: Reis

FORECAST

- Demand will remain strong for market rate apartments into 2020, though high construction costs may keep some growth in check.
- Population growth will keep occupancy rates high, despite the influx of new units.
- Affordable housing will remain an issue. Developers will be required to include a portion of affordable units in new projects.

1. <https://www.experiencegr.com/about-grand-rapids/development/>
2. <https://www.mlive.com/news/g66l-2019/01/30dcc7f60b7886/downtown-kalamazoo-partnership.html>
3. <https://www.rentjungle.com/average-rent-in-grand-rapids-rent-trends/>
4. <https://www.apartmentlist.com/rentonomics/national-rent-data/>
5. <https://www.mlive.com/news/erry-2018/12/ef1539a5a71167/six-grand-rapids-affordable-ho.html>
6. <https://www.mlive.com/news/grand-rapids/2019/10/tax-credit-denial-delays-grand-valley-affordable-hosing-project.html>

WEST MICHIGAN

2ND HALF 2019



320 N BEACON BLVD, GRAND HAVEN, MI

- 2,991 SF former Wendy's restaurant on .78-acre site in Grand Haven
- High visibility location, just east of downtown Grand Haven, offers 94' of frontage on busy N. Beacon Blvd./US-31
- Average daily traffic counts of approx. 40,000
- Property offers drive-thru window, pylon signage, 40+ parking spaces and curb cuts on N. Beacon Blvd./US-31 and Elliott St.



3809 LAKE EASTWOOD BLVD, GRAND RAPIDS, MI

- Located one block north of bustling 28th Street on Lake Eastbrook Blvd and 2 miles to I-96
- Close proximity to Woodland and Centerpointe Malls, dozens of restaurants, and numerous other businesses.
- 23,000 SF with additional 2.1 acres available and 140+ parking spaces
- Back-up power supply for the entire building



525 OTTAWA AVE, GRAND RAPIDS, MI

- Located at the eastbound I-196 Ottawa Ave Exit ramp, one block north of Michigan Street
- Attractive brick building located in North Monroe Business District
- 12 free on-site parking spaces
- In walking distance to Central Business District, Restaurants, Embassy Suites Hotel, MSU Research Center, and DeVos Convention Center

BROKERAGE



JEFF TUCKER
Vice President, Brokerage
616.254.0014
jtucker@bradleyco.com



CHIP BOWLING
Senior Advisor | Principal
616.254.0057
cbowling@bradleyco.com



BILL BOWLING, SIOR
Consultant
616.254.0061
bbowling@bradleyco.com



DAN BURNS
Associate Broker
616.254.0068
dburns@bradleyco.com



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



JODI MILKS, CCIM
Vice President
269.216.6770
jmilks@bradleyco.com



GAVIN MILLS
Associate
616.726.2711
gmills@bradleyco.com



DREW NELSON
Associate
616.254.0035
dnelson@bradleyco.com



EDWARD MYERS, CCIM
Associate, Office &
Healthcare Specialist
616.254.0061
emyers@bradleyco.com



FRED STEINER
Associate
616.726.2696
fsteiner@bradleyco.com



KEVIN VANHAITSMA
Associate
616.254.0038
kvanhaitsma@bradleyco.com



KATIE LOVLEY
Associate
616.726.2712
klovley@bradleyco.com



©2019 Bradley Company, LLC and affiliates ("Company"). Use of any third party name or mark is for informational purposes only and does not indicate sponsorship or endorsement by such party. The information presented above has been obtained from sources believed reliable. Not all information has been independently verified, and Company makes no guarantee, warranty or representation about its accuracy.