

2021 YEAR END

MARKET TRENDS REPORT



ADVANTAGE
COMMERCIAL REAL ESTATE

MARKET TRENDS REPORT

2021 YEAR END

Every quarter, our experts evaluate the market to provide a glimpse into each specialty and the potential economic challenges our clients, and other West Michigan businesses face. Throughout the region, the impact of global labor shortages is impacting day-to-day operations, supply chain issues have amplified, causing delays in essential products businesses need and the rise in COVID-19 variants has changed each commercial real estate sector dramatically. Despite the obvious challenges, West Michigan has done remarkably well to weather the storm. Our business community is resilient and has done their very best to navigate the ebb and flow of the current market. By engaging with the community, looking at relevant research and learning from our clients, we hope that 2022 provides more clarity as to how the current challenges will shift.

MARK A. ANSARA

Mark Ansara
Managing Principal
Senior Vice President | Retail



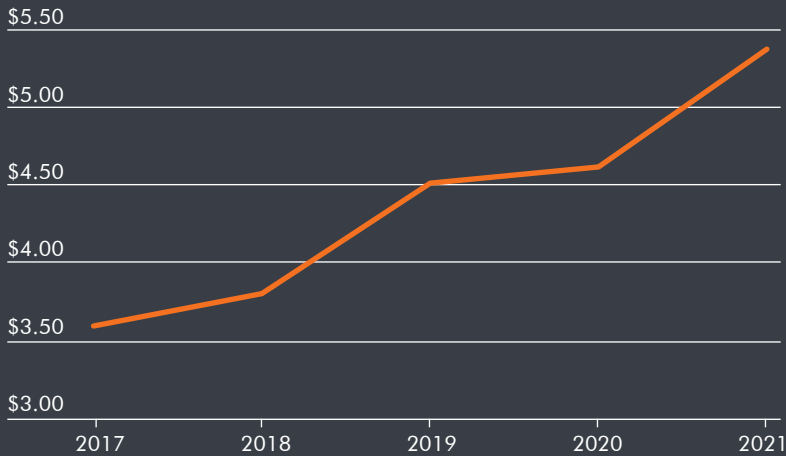
WEST MICHIGAN MARKET

In 2021, we managed to get through a year with less restrictions in the State of Michigan and get back to some of the things we love – concerts, sporting events, spending time with family and friends, and for many businesses, getting back to work. Most of us were hoping to put COVID-19 in the rear-view mirror at the start of the new year, however the challenges new variants have brought is impacting most businesses. Global challenges have grown, and our local market is dealing with the impacts. Despite the “pandemic fall out” that corporations, retailers, investors, and manufacturers are facing, West Michigan has remained stable, compared to other markets. Businesses still want to be a part of our region, developments are still moving forward throughout our city and suburbs, and overall demand for industrial, retail space, and land is reaching record highs while available inventory has reached record lows.

Our year-end report is a culmination of the trends our experts have been tracking throughout Q4 and expectations for the new year ahead. Our goal is to provide informative content, not only to our clients, but West Michigan businesses, as they strategically move forward in the current climate.

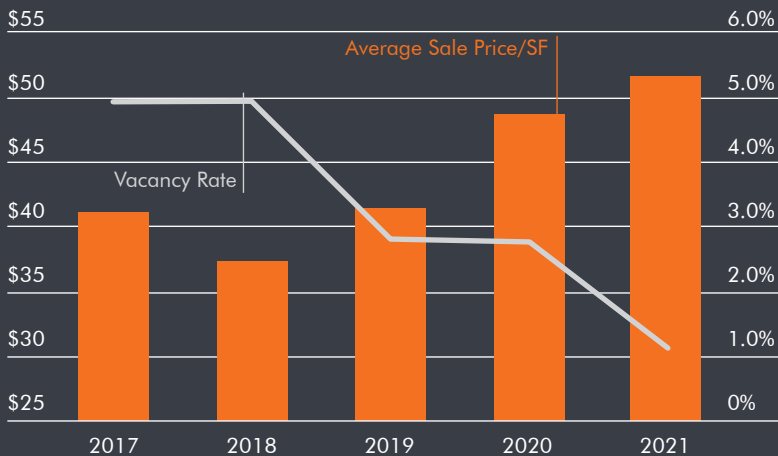
WEIGHTED AVERAGE LEASE RATES YEAR-OVER-YEAR

Source: Commercial Alliance of Realtors



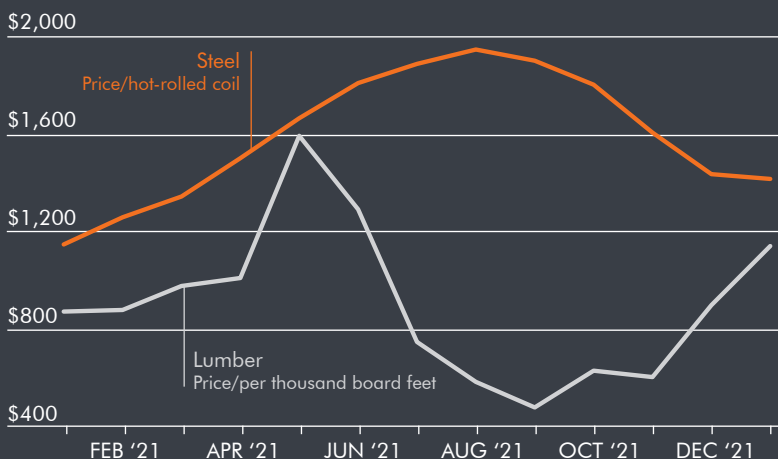
AVERAGE INDUSTRIAL SALE PRICE/SF AND VACANCY

Source: Commercial Alliance of Realtors



LUMBER AND STEEL PRICES 2021

Source: MarketWatch



The last quarter brought further supply chain issues, lack of available facilities ready to occupy, constrained availability of developable land and record high construction costs.

Currently, the labor shortage across every single sphere of the industrial market has slowed businesses' expansion plans and caused a ripple effect that can be felt globally. With limited resources and lack of available labor to build, drive trucks, and work in warehouses, industrial companies have no other option but to restructure their original growth plans.

The market continues to be favorable towards landlords as they seek higher pricing, longer lease terms and high quality tenants. Generally, landlords are able to choose the right tenant and maintain asking rates due to the current state of the market, a trend that has continued for the past few years. On the tenant side, users are forced to look out further into the future and commit to a space typically while it is under construction, otherwise they may be stuck without any viable space options.

A few positives have emerged in our market, despite the industrial sector challenges users face. Compared to the rest of the country, pricing for industrial space in West Michigan is still affordable, although prices continue to rise. In addition, our region continues to attract and retain a diverse talent pool of individuals. With a higher labor force participation rate and a lower unemployment rate than the rest of the state and country, West Michigan continues to be a great place to conduct business.

In 2022, we expect the trend of multi-location companies, consolidating into larger spaces to continue. By strategically restructuring their business, companies can combat some of the labor shortage challenges by eliminating multiple locations, redundant labor and transportation expenses. Throughout the year we expect to see cap rates stable, despite rising interest rates, continued demand for property from national and local investors and historical norms of speculative construction.

INDUSTRIAL MARKET

1

AVAILABLE BUILDING
FOR SALE
IN AIRPORT
SUBMARKET

<1%

4TH QUARTER
VACANCY RATE

\$5.37
NNN

WEIGHTED AVERAGE
LEASE RATE

2021 INDUSTRIAL DEVELOPMENTS

ADDRESS	COMPANY/PROJECT	SIZE	STATUS
1900 4 Mile Road NW	Kent County Road Commission	189,261 SF	Under Construction
3174 4 Mile Road NW	Spec Building	267,000 SF	Under Construction
3501 Fruit Ridge Avenue NW	Spec Building	285,000 SF	Completed
4495 68th Street	Amazon	498,000 SF	Under Construction
5505 Patterson Avenue SE	Spec Building	54,000 SF	Under Construction
3195 Northridge Drive NW	Spec Building	119,000 SF	Under Construction
3220 Northridge Drive NW	Spec Building	150,000 SF	Under Construction
3260 Northridge Drive NW	Vikings Products	106,000 SF	Under Construction
3060 South Industrial Drive NW	Speedrack	275,000 SF	Under Construction
6155 East Paris Avenue SE	Spec Building	90,000 SF	Under Construction
5120 East Paris Avenue SE	Spec Building	22,610 SF	Under Construction
5145 Southbelt Drive SE	Aspen Surgical	78,000 SF	Under Construction
4317 68th Street SE	Old Dominion Freight Line	43,089 SF	Under Construction
Broadmoor Avenue SE at 36th Street SE	Autocam Medical	100,000 SF	Under Construction
800 Riley Street	Spec Building	750,000 SF	Proposed
5784 Kraft Avenue SE	Expansion	100,000 SF	Under Construction
6748 Patterson Avenue SE	Six Eight Business Center	245,000 SF	Under Construction
3413 Quincy Street SW	Phase 2	28,000 SF	Completed
6192 Valduga Drive SW	Valduga Business Center Phase 2	63,000 SF	Under Construction
TOTAL		3,462,960 SF	

RETAIL MARKET

In our last quarterly report, employment and supply chain challenges significantly impacted the entire retail sector. West Michigan retailers and restaurants are still experiencing the same challenges, but at a much greater impact, with little to no change expected in 2022.

The holiday shopping season was strong, although it trended away from the typical online buying we have seen locally and nationally. The International Council of Shopping Centers (ICSC) indicated 78% of U.S. adults (about 200 million people), shopped or spent money over the Black Friday weekend. Of those shoppers, 61% spent money at a brick-and-mortar stores. The limited inventory across big box stores and malls created a flurry of brick-and-mortar shopping, as consumers were concerned they would not get their product in time for Christmas.

As our market continues to adjust to the pandemic almost two years later, retailers' challenges continue to amplify. In Q4 the ripple effect of COVID-19 forced twenty-one businesses in our local community to close their doors for good. These retailers and restaurants struggled with day-to-day-operations, record high inflation, instability within the supply chain, and finding employees willing to work.

Although December created more uncertainty, our retail market continues to remain stable, driving high activity in almost every corridor of West Michigan. Retail options are minimal, due to tight

inventory, especially at main and main. More land is being purchased, retail redevelopments have increased, and strip centers are at capacity in the Alpine Avenue, 28th Street, Rivertown and Lake Drive, Cherry Street and Wealthy corridors. Retailers redeveloping due to lack of availability are still facing high construction costs, delays due to inventory challenges and a lack of truck drivers to bring those supplies.

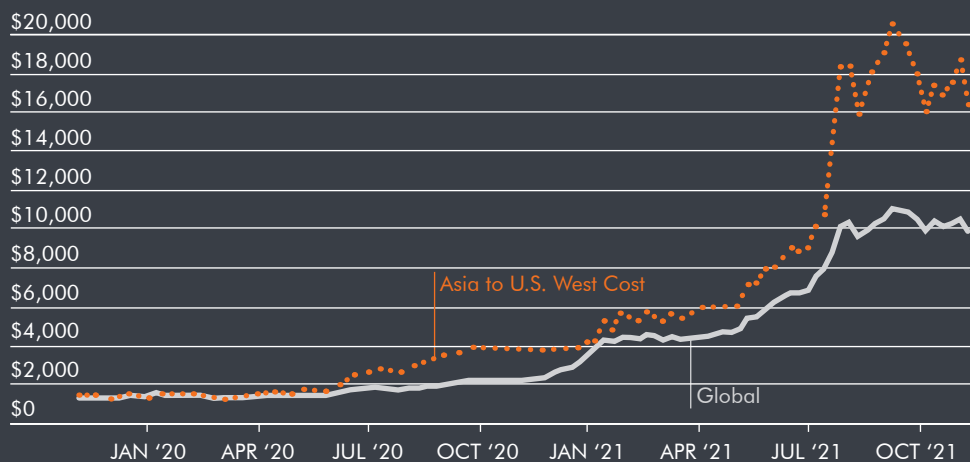
The largest challenge headed into 2022 will continue be a shortage of labor, albeit a much larger challenge than 2021. According to the Washington Post, 4.5 million people left their jobs in 2021, and there are currently 10.6 million jobs available. With such a catastrophic dip in employees, many local businesses have remained dark during the day, strictly out of concern in extending their minimal employees. More of this is expected to continue and this year will be telling for how retailers and restaurants re-structure.

RETAILERS THAT OPENED
NEW LOCATIONS IN 2021



GLOBAL SHIPPING COSTS 2021

Source: Freightos.com



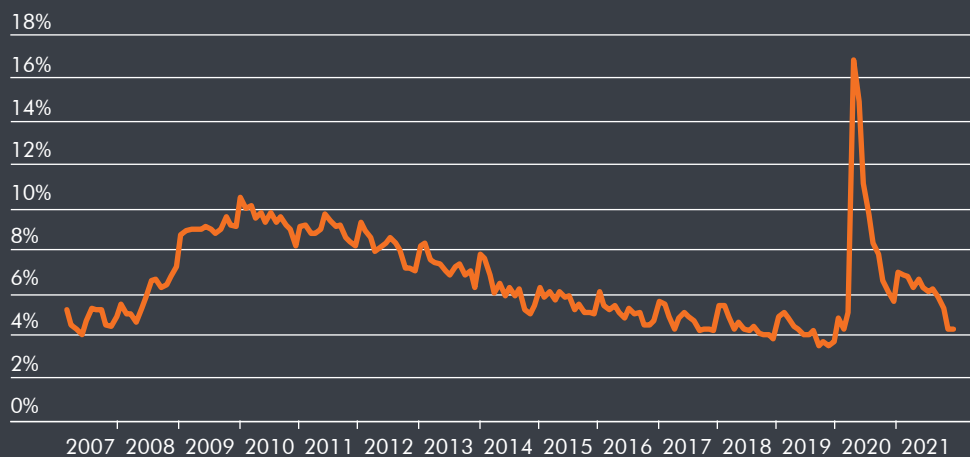
\$11.89
NNN

WEIGHTED AVERAGE
LEASE RATE

10%

RETAIL AND WHOLESALE TRADE UNEMPLOYMENT

Source: FRED



YEAR-OVER-YEAR
INCREASE IN
FOOD DELIVERY
APP DOWNLOADS

16%

CONSUMER IN STORE HOLIDAY SHOPPING

Source: Sensormatic

39% → **47%**

2020

2021

YEAR-OVER-YEAR
INCREASE IN
TOTAL SHOPPING

Very little has changed in the West Michigan office market since Q3. Businesses original return to work timelines continue to be delayed, rental rates are consistent, strong suburban activity across the Southeast, East Beltline, Cascade Road and East Paris corridors remain, and uncertainty is still present for office landlords and tenants.

Suburban activity remained high throughout Q4, and employers demand for Class A office space grew, leaving very little availability in the 3,000-5,000 SF range. Most businesses are still pursuing locations near downtown, mainly related to parking and the convenient access it provides to other Grand Rapids corridors. Because of this high demand, landlords are being more strategic in the tenants they select and are turning away deals that do not make financial sense. As tenants seek to find space in these high demand areas, building, or redeveloping comes with its own challenges. Although construction costs are high, the largest hurdle for businesses is getting space completed in time. Between supply chain issues, and contractors lack of availability, significant build-outs have and will continue to be a concern. In Q4, we saw continued demand from logistic companies looking to expand. These businesses desire to double in size has been a testament to the overall growth and expansion of West Michigan.

The downtown core remained quiet, however office activity slightly increased from previous quarters. Continued changes have driven businesses to seek

alternate space, given the parking challenges, closed businesses, and overall lack of activity downtown.

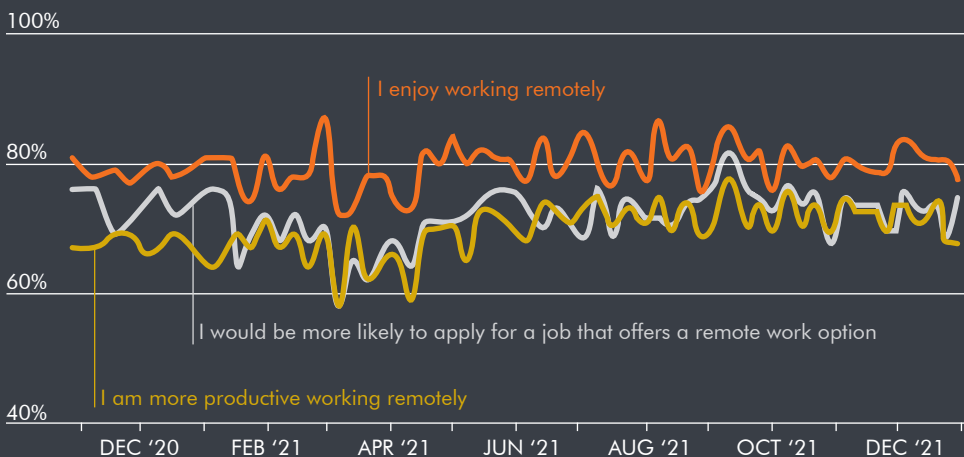
As we enter yet another year with pandemic workplace restrictions, many employees are now craving the social interaction that comes with an in-person job, a change we have been monitoring since the last quarter. After two years of inconsistent hybrid work, endless zoom calls and remote collaboration, in-person jobs have become more attractive to employees looking for better salaries, bonuses, and the added perk of being around other employees again. This trend may leave businesses reevaluating their restrictions in place, despite the rise in new COVID-19 variants.

Overall, the West Michigan office market is still in a "wait and see" holding pattern for the time being. The flurry of activity we have seen will remain, businesses will continuously be evaluating their operations and employee habits will be key to watch. National businesses will continue to desire a piece of the West Michigan market, causing the talent pool in our region to diversify even more.

OFFICE MARKET

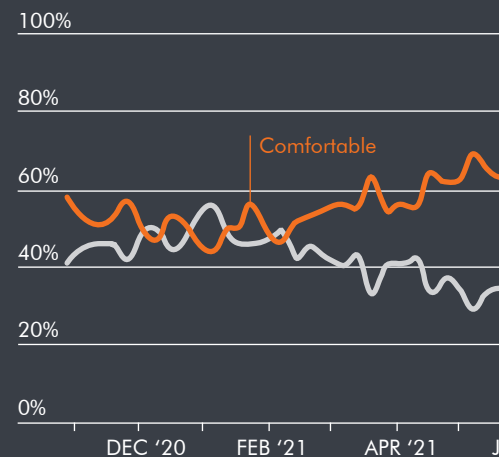
REMOTE WORKING

Source: Morning Consult



RETURN TO OFFICE COMFORT LEVEL

Source: Morning Consult



\$21.60
Mod. Gross

WEIGHTED AVERAGE
CBD
LEASE RATE

\$15.76
Mod. Gross

WEIGHTED AVERAGE
SUBURBAN
LEASE RATE

Over
152
Thousand

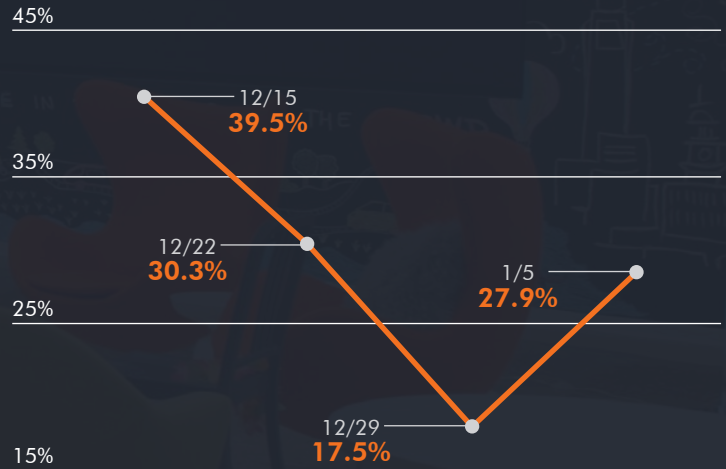
SQUARE FEET OF
**SUBLEASE SPACE
AVAILABLE**

KASTLE BACK TO WORK BAROMETER

Source: Kastle.com

27.9%

10 CITY
AVERAGE OCCUPANCY



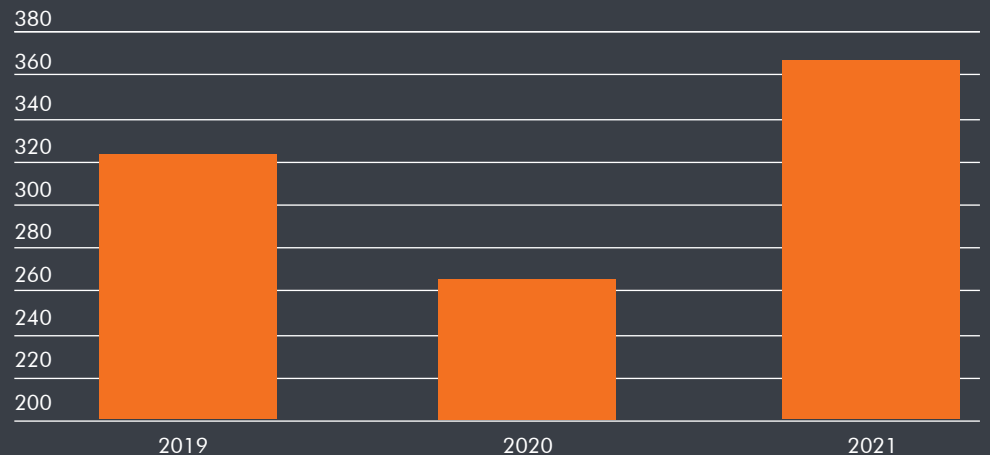
Cities include Austin, Houston, Dallas, Chicago, Los Angeles, San Jose, Philadelphia, New York, San Francisco and Washington D.C.

EL



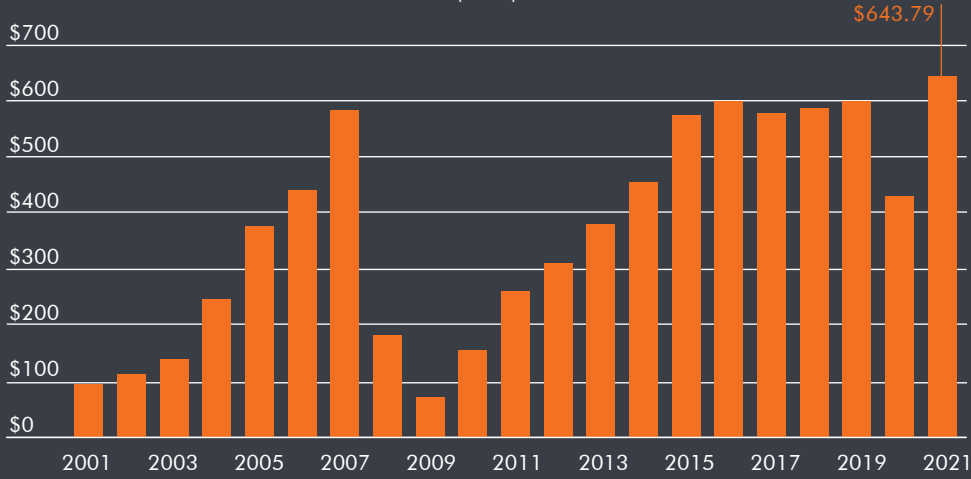
OFFICE BUILDING TRANSACTIONS (Year-over-year - Kent County)

Source: Commercial Alliance of Realtors



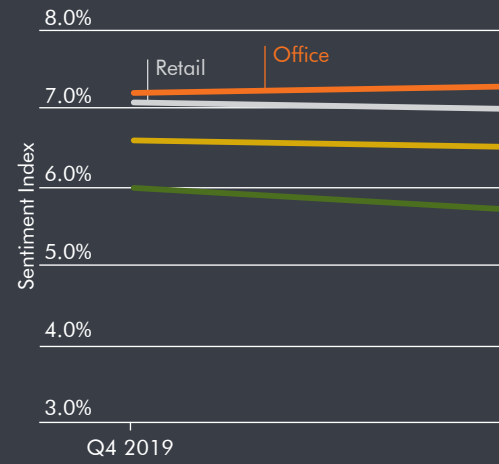
COMMERCIAL SALES VOLUME IN BILLIONS OF DOLLARS

Source: National Association of Realtors (NAR)



MEDIAN CAP RATES

Source: National Association of Realtors (NAR)



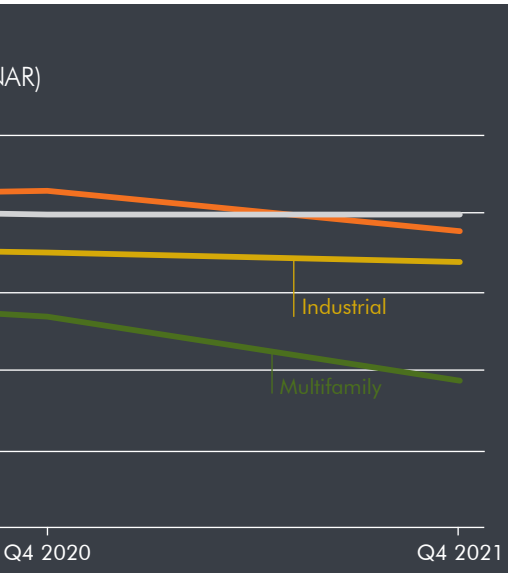
INVESTMENT MARKET

7%

YEAR-OVER-YEAR
C.P.I. INFLATION

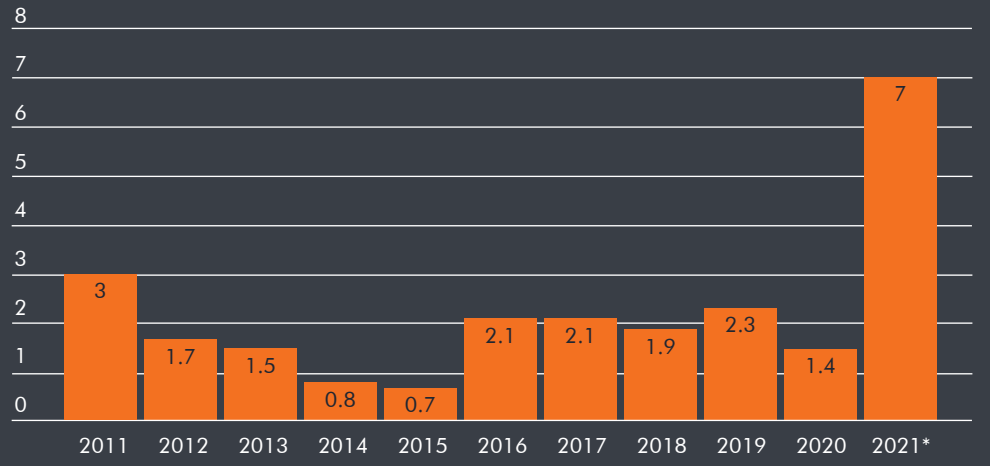
60
BPS

YEAR-OVER-YEAR
10-YEAR TREASURY
YIELD INCREASE



U.S. ANNUAL INFLATION RATES

Source: usinflationcalculator.com



*The latest inflation data (12-month based).

The end of 2021 concluded another record year for sales prices supported by steady sales volumes, despite painfully low inventory of available investment real estate opportunities. The theme of the year was cautiously optimistic. As we continue the longest U.S. economic expansion cycle in history, all asset classes have investors sitting on the largest surplus of cash they have had in the current cycle. Despite the significant increase year-over-year in investment pricing, sub-inflation level, cost of debt-financing and a bullish economic sentiment has forced investors to adjust for market pricing in order to deploy capital.

Industrial, multi-family, self-storage and long-term net leased assets garnered the majority of the attention from investors in 2021 and has continued to pick up momentum. Office remains an area of interest, however, many investors prefer to sit on the sidelines while the balance of remote to in-person work finds an equilibrium. Although not a traditional investment asset class, developers and long-term holders have increased both the value and demand of quality land. With limited supply available, investors are hedging that land will be their path to future developments and thus future investments. Three themes transcend to

the top when discussing investment opportunities with investors.

Replacement Cost

Specifically in industrial and multi-family, buyers realize available land that entitled for development, with the necessary infrastructure in place, is in low supply. With the significant rise in construction costs, pricing of existing properties has seen a marked increase in pricing year-over-year.

Inflation

The very real threat of inflation is no longer speculation. Investors are placing more value on assets within place leases with annual rental increases.

Capital Gains

Investors realize the long-term capital gains rates are a very likely target as the government works to find revenue to supplement the burden all of the government stimulus that occurred over the past 20 months. Closing activity in quarter 4 reflected the investors realizing profits in 2021 to avoid tax increase exposure anticipated in 2022.

2%

YEAR-OVER-YEAR
 INCREASE IN U.S.
 EMPLOYMENT

INDUSTRIAL FEATURED PROPERTIES



4155 Danvers Court SE, Grand Rapids
For Sale | 93,158 SF | \$5,550,000



2640 Northridge Drive NW, Walker
For Lease | 210,325 SF | \$4.95/SF, NNN



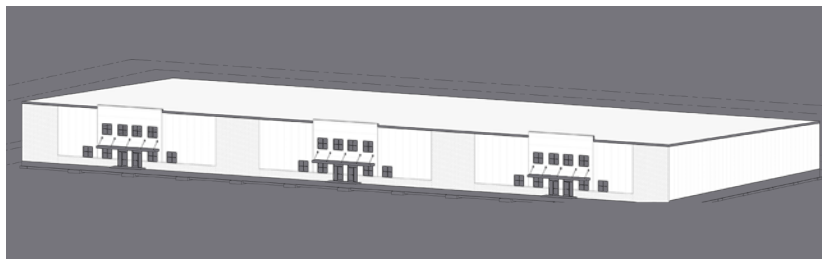
800 East Riley Street, Zeeland
For Lease | 100,000 SF-750,000 SF | \$4.50-\$5.25/SF, NNN



6155 East Paris Avenue SE, Caledonia
For Lease | Up to 48,983 SF | Up to \$6.50/SF, NNN



4700 Broadmoor Avenue SE, Grand Rapids
For Lease | 75,600 SF | \$4.50/SF, NNN



5505 Patterson Avenue SE, Grand Rapids
For Lease | Up to 54,000 SF | Up to \$6.95/SF, NNN

INDUSTRIAL NOTABLE TRANSACTIONS



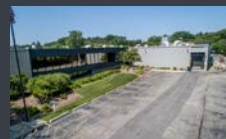
1250 60th Street SE
Byron Center
Leased
131,648 SF | \$5.25/SF, NNN



4444 52nd Street SE
Kentwood, MI
Sold
122,605 SF | \$5,250,000



3501 Fruit Ridge Avenue
Grand Rapids
Leased
165,000 SF | \$5.25/SF, NNN



2201 Oak Industrial Drive NE
Grand Rapids
Sold
40,214 SF | \$2,250,000



1761 Airport Court
Norton Shores
Leased
52,000 SF | \$4.75/SF, NNN



1655 Steele Avenue SE
Grand Rapids
Sold
59,419 SF | \$3,085,000

RETAIL FEATURED PROPERTIES



70 N. Main Street NE, Cedar Springs
For Sale | 7,380 SF | \$550,000



Celebration Cinema Lot 10, Grand Rapids
For Sale | 3.07 Acres | \$1,990,000



Shops at Centerpoint
For Lease | Up to 37,500 SF | Up to \$37.50/SF, NNN



1625 Leonard Street NE, Grand Rapids
For Lease | 19,000 SF | \$8.50/SF, NNN



5150 Northland Drive NE, Grand Rapids
For Lease | 800 SF -1,600 SF | \$19.00/SF



1012 Washington Avenue, Holland
For Lease | 4,916 SF | \$12.95/SF, NNN

RETAIL NOTABLE TRANSACTIONS



25 Michigan Street NE
Grand Rapids
Leased
973 SF | \$23.00/SF, NNN



3770 Alpine Avenue NW
Comstock Park
Sold
2,818 SF | \$920,000



1633 28th Street SW
Wyoming
Leased
3,500 SF | \$12.00/SF, NNN



2184 Wealthy Street SE
Grand Rapids
Sold
4,251 SF | \$1,200,000



5444 S Division Avenue
Kentwood
Leased
2,000 SF | \$2,000/SF, NNN



2745 10 Mile Road NE
Rockford
Sold
18,595 SF | \$4,349,422

OFFICE FEATURED PROPERTIES



61 Commerce Avenue SW, Grand Rapids
For Sale or Lease | Up to 28,245 SF | \$4,500,000 or \$17.95/SF



6307 84th Street SE, Caledonia
For Sale | 13,000 SF | \$1,866,295



588 3 Mile Road NW, Grand Rapids
For Sale or Lease | 33,345 SF | \$3,167,775 or \$12.75/SF



601 5th Street NW, Grand Rapids
For Lease | 2,149 SF-4,963 SF | \$18.50/SF, NNN



2111 44th Street SE, Grand Rapids
For Sale | 61,741 SF | \$4,350,000



5300 Patterson Avenue SE, Kentwood
For Lease | Up to 21,258 SF | \$14.00/SF, NNN

OFFICE NOTABLE TRANSACTIONS



5300 Patterson Avenue SE
Grand Rapids
Leased
34,486 SF | \$13.00/SF, NNN



3310 Eagle Park Drive NE
Grand Rapids
Sold
35,000 SF | \$4,510,893



5300 Patterson Avenue SE
Grand Rapids
Leased
10,362 SF | \$10.95/SF, NNN



3260 Eagle Park Drive NE
Grand Rapids
Sold
25,348 SF | \$3,041,760



770 Kenmoor Avenue SE
Grand Rapids
Leased
7,024 SF | \$12.95/SF, NNN

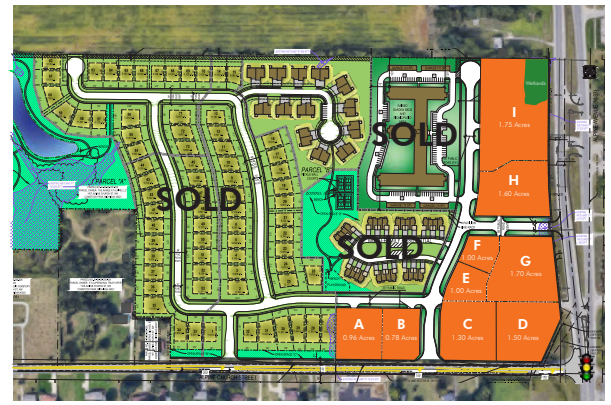


5910 Crossroads Comm. Pkwy SW
Wyoming
Sold
11,520 SF | \$1,550,000

INVESTMENT FEATURED PROPERTIES



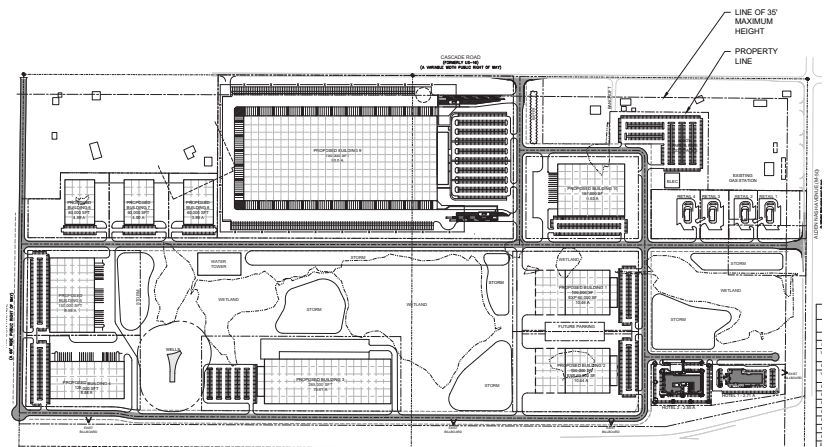
Site 36 | 300 36th Street SW, Wyoming
Build-to-Suit | Up to 3,267,000 SF | 75 Acres



The Range at Alpine
For Sale | Up to 1.75 Acres | Up to \$1,086,000



Papa John's Portfolio, Walker & Wyoming
For Sale | 5,595 SF | \$1,350,000



Covenant Industrial Park of Lowell Charter Township
Build-to-Suit | 60,000 SF-600,000 SF | \$6.50/SF

INVESTMENT NOTABLE TRANSACTIONS



14111 White Creek Avenue NE
Cedar Springs

Sold
1,200 SF | \$1,950,000



3686 32nd Avenue
Hudsonville

Sold
11,233 SF | \$2,900,000



3500 Kraft Avenue SE
Grand Rapids

Sold
11,600 SF | \$950,000



301 Leonard Avenue NE
Grand Rapids

Sold
3.38 Acres | 31,138 SF Building
\$2,900,000

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