



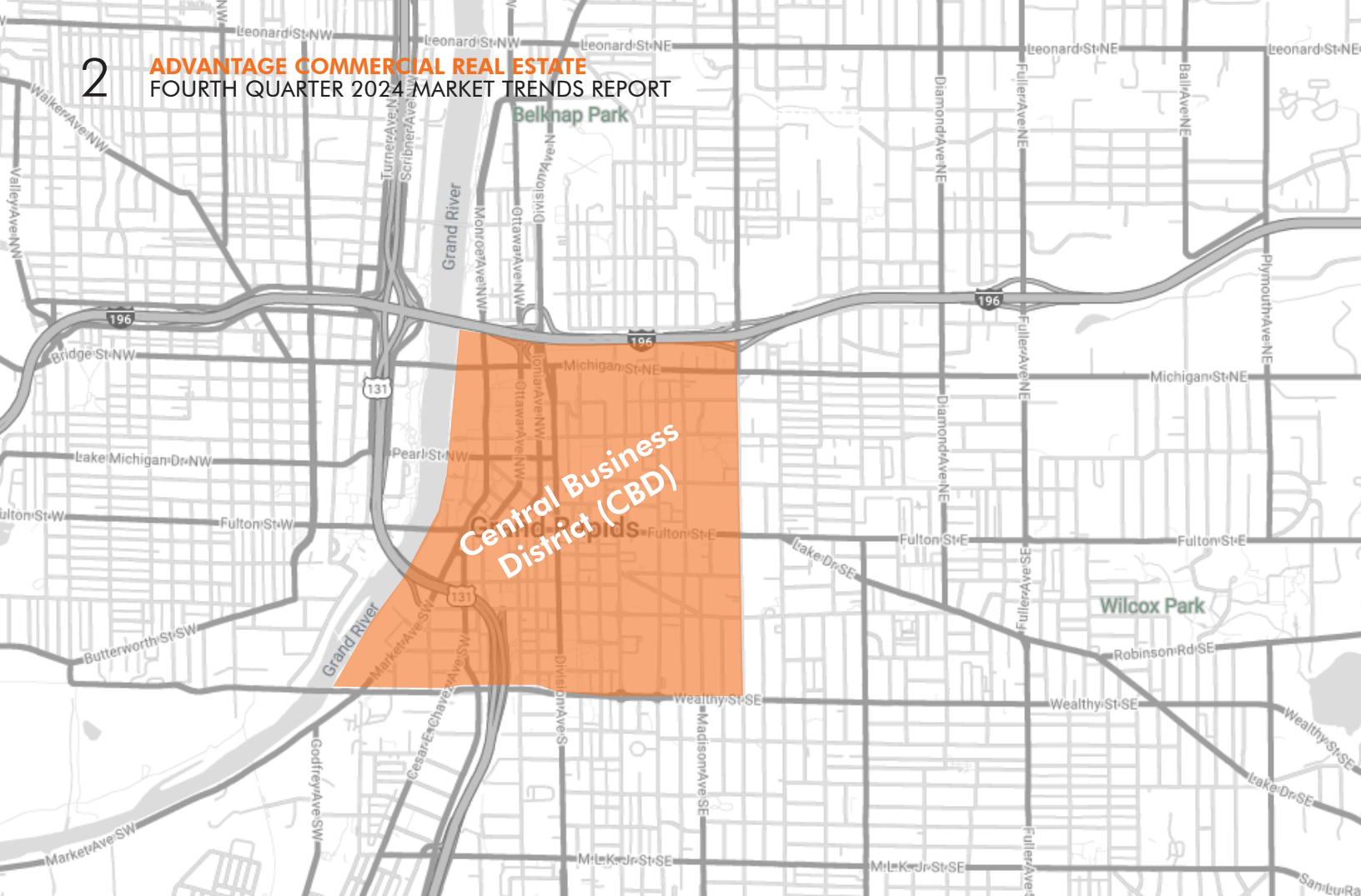
2024 FOURTH QUARTER

# MARKET TRENDS REPORT



**ADVANTAGE**  
COMMERCIAL REAL ESTATE





# OFFICE STATS BY SUBMARKET

	CENTRAL BUSINESS DISTRICT (CBD)	SUBURBAN
TOTAL INVENTORY (BUILDINGS)	141	1,791
TOTAL INVENTORY (SF)	7,682,166 SF	28,038,686 SF
CURRENT WEIGHTED AVERAGE ASKING (LEASE) MODIFIED GROSS	\$22.88/SF	\$16.60/SF
WEIGHTED AVERAGE LISTING PRICE (SALE)	\$149.04/SF	\$88.41/SF
AVAILABLE SF FOR LEASE	835,906 SF	2,278,729 SF
AVAILABLE SF FOR SALE	396,461 SF	1,242,743 SF
AVAILABLE SF FOR SUBLEASE	50,226 SF	224,797 SF
AVAILABLE CLASS A SPACE	801,455 SF	885,790 SF

## Q4 2024 LEASED TRANSACTIONS

12	32
42,721 SF	92,139 SF

## Q4 2024 SOLD TRANSACTIONS

1	8
15,316 SF	2,203,897 SF

# OFFICE MARKET

The office market in Q4 remained stable, seeing a similar amount of activity as Q3. With a slight decrease in leasing activity from 46 in Q3 to 44 in Q4, along with a slight decrease in sales going from 12 in Q3 to 9 in Q4. Despite this Q4 totaled around \$21.8 million in sales, which is an increase from the \$18.9 million sold in Q3. Even though there has presently been a drop in overall deal volume, market activity has begun to increase.

## Office Resurgence on the Horizon

In Q4 we saw a slight increase in user interest as many companies started to narrow down what their needs are for new office spaces, prioritizing quality spaces with open layouts, including areas for large meetings. As companies reach the end of their pre-pandemic leases, they are now exploring new locations and talking with their existing landlords on potential modifications to stay.

The rise in recent office activity is largely due to corporate offices starting to require their employees to resume in-person work or implementing a hybrid schedule. These corporations have helped rejuvenate the office market downtown, as many national companies have a need to be seen in the CBD. They are able and willing to pay the expenses, such as parking, that many smaller businesses are not willing to.

## Product Constraints

Now that the office market is beginning to increase in activity, the main problem facing the asset class is an overall lack of quality product. Much of the Grand Rapids current office inventory is outdated, lacking the quality and building amenities tenants are demanding. As a result, we are starting to see more tenants contributing to tenant improvements where historically landlords bared all or a significant portion of the build-out. This shift, for some tenants, has caused decision makers to look at purchasing over leasing. However, with the lack of available office buildings to purchase, we anticipate a continued increase in leasing activity as we move into 2025. The office market will have to work through unique challenges, with landlords realizing the need to improve their buildings and tenants helping bridge the gap to get deals to the finish line.

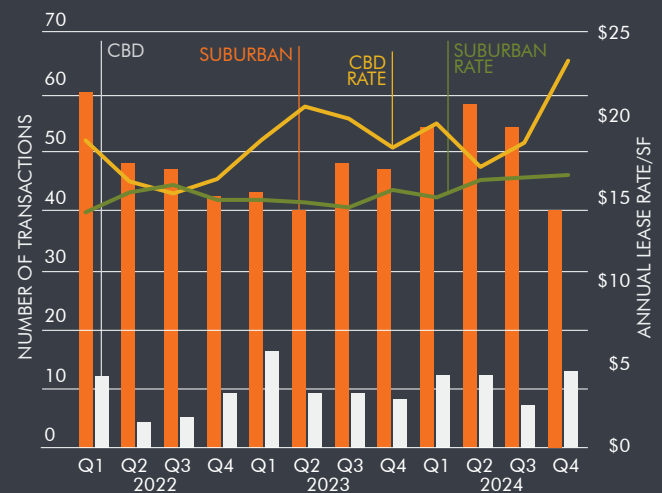
**\$16.60**  
SUBURBAN

**\$22.88**  
CBD

WEIGHTED AVERAGE  
LEASE RATES/SF  
MODIFIED GROSS

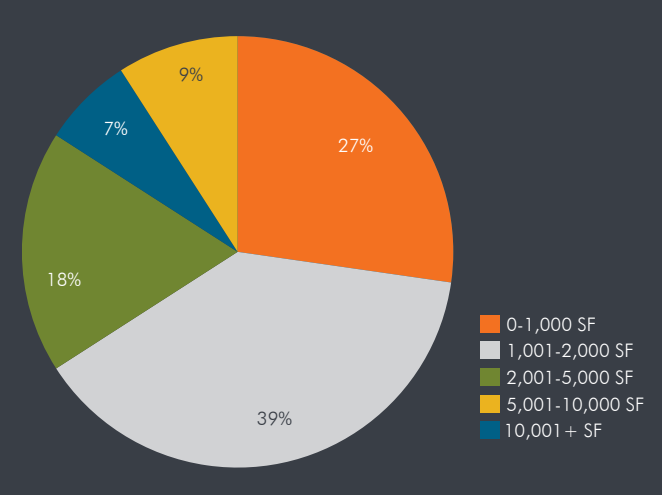
### KENT COUNTY OFFICE TRANSACTIONS

Source: Commercial Alliance of Realtors West Michigan (CARWM)



### KENT COUNTY OFFICE LISTINGS BY SIZE

Source: Commercial Alliance of Realtors West Michigan (CARWM)





# INDUSTRIAL MARKET

**\$6.22**  
NNN

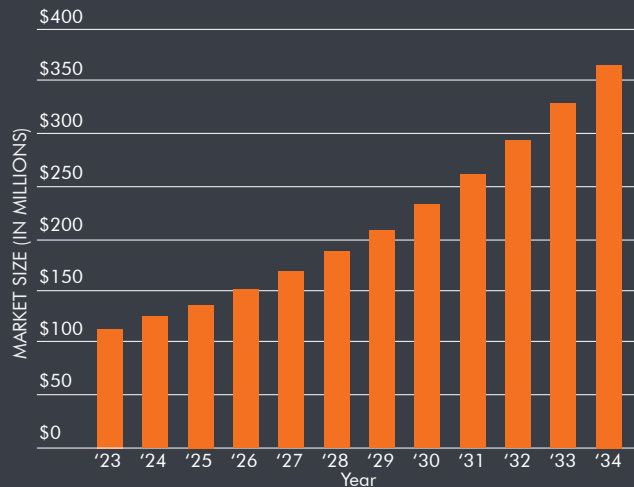
Q4  
WEIGHTED AVERAGE  
ASKING RATE/SF

**2.1%**

VACANCY RATE  
WEST MICHIGAN

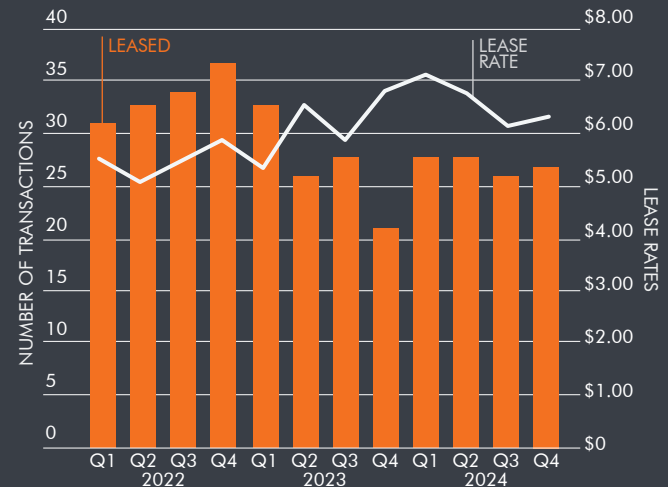
## U.S. DATA CENTER MARKET SIZE

Source: [www.precedenceresearch.com/data-center-market](http://www.precedenceresearch.com/data-center-market)



## WEST MICHIGAN LEASE TRANSACTIONS VS LEASE RATES

Source: Commercial Alliance of Realtors West Michigan (CARWM)



The West Michigan industrial market closed out 2024 strong and looks like it will enter 2025 on solid ground. Leasing activity rose slightly in Kent County, with an increase from 26 leases in Q3 to 28 in Q4, which is notably a 33% year-over-year increase from Q4 2023 which had 21 leases. Despite the increase in transaction volume, the market velocity feels a bit slower than at its peak. Some spaces are slow to generate activity, while others are still leasing up very quickly. Regardless, we continue to move toward a more balanced industrial market as additional inventory becomes available. This is evidenced by the vacancy rate increase from 1.9% in Q3 to 2.1% in Q4. Lease rates have seen a slight decline over the last quarter, largely impacted by comparatively low sublease rates and existing products becoming available.

### Data Centers Enter the West Michigan Market

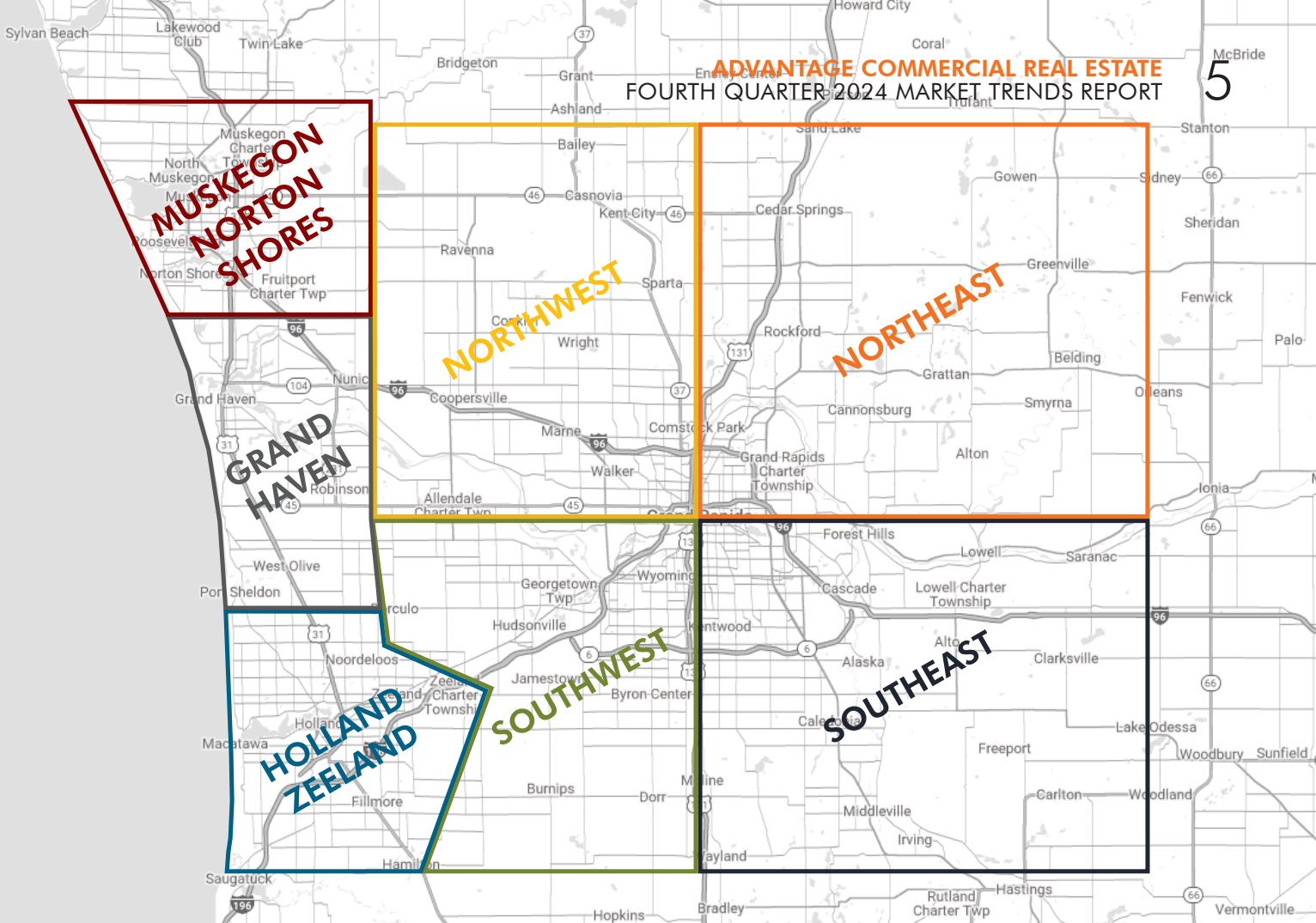
Data centers have been a topic of conversation over the past few quarters, and we have seen some large data center deals finally close. According to our deed research, Microsoft purchased 316 acres in Gaines Charter Township as well as 272 acres in Dorr Township, both at record prices for large tracts of land. The push for data center sites is not just a local trend, but nationally we have seen a push to increase the AI infrastructure through the construction of data centers. According to CNBC, Microsoft alone expects to spend \$80

billion on AI-enabled data centers in fiscal year 2025, and West Michigan looks to benefit from this investment. Though they are huge capital investments, we do not expect these data centers to impact the local job market significantly, or spawn large ancillary developments around them. The primary short term effect is a reduction in the number of land options for conventional industrial users and development.

### Outlook for 2025

2025 is expected to be another good year for West Michigan industrial real estate, coming off of a steady 2024, as many investors and users are ready to move forward on expansions and investments. This is largely due to the presidential election being over, as many decisions were put on hold to await the outcome. Now that we have seen the outcome, overall sentiment is positive as companies feel they have a better understanding of how to proceed. This, we expect, will lead to a very active 2025. But despite a positive outlook there is still some uncertainty regarding how potential tariffs will impact industrial real estate, namely how the manufacturing industry will react to these changes. Interest rates are also likely to stay comparatively high, and even though people have begun to accept higher rates, further increases or an unexpected decrease will continue to have a real impact on new developments and capital plans.





# INDUSTRIAL STATS BY SUBMARKET

5,000 SF and above

	INVENTORY	QUARTERLY TOTAL NET ABSORPTION	YTD TOTAL NET ABSORPTION	TOTAL VACANCY	TOTAL AVAILABILITY	WEIGHTED AVG ASKING RENT
NORTHEAST	17,299,809 SF	(212,846) SF	315,424 SF	1.7%	3.07%	\$6.62/SF
NORTHWEST	32,570,795 SF	72,396 SF	(69,493) SF	3.2%	3.82%	\$5.61/SF
SOUTHEAST	67,017,730 SF	(248,915) SF	185,180 SF	1.8%	2.60%	\$5.77/SF
SOUTHWEST	49,281,438 SF	42,787 SF	327,839 SF	1.5%	2.32%	\$8.16/SF
<b>GRAND RAPIDS TOTAL</b>	<b>166,169,772 SF</b>	<b>(346,578) SF</b>	<b>758,950 SF</b>	<b>2.0%</b>	<b>2.80%</b>	<b>\$6.54/SF</b>
MUSKEGON/ NORTON SHORE	20,495,383 SF	29,136 SF	162,884 SF	1.0%	0.53%	\$4.10/SF
GRAND HAVEN	12,523,342 SF	3,316 SF	(125,186) SF	2.3%	2.34%	\$4.66/SF
HOLLAND/ ZEELAND	43,464,631 SF	19,690 SF	(48,340) SF	3.2%	5.32%	\$6.46/SF
<b>LAKESHORE TOTAL</b>	<b>76,483,356 SF</b>	<b>52,142 SF</b>	<b>(10,642) SF</b>	<b>2.5%</b>	<b>3.55%</b>	<b>\$5.53/SF</b>
<b>W. MICHIGAN TOTAL</b>	<b>242,653,128 SF</b>	<b>(294,436) SF</b>	<b>748,308 SF</b>	<b>2.1%</b>	<b>3.04%</b>	<b>\$6.22/SF</b>



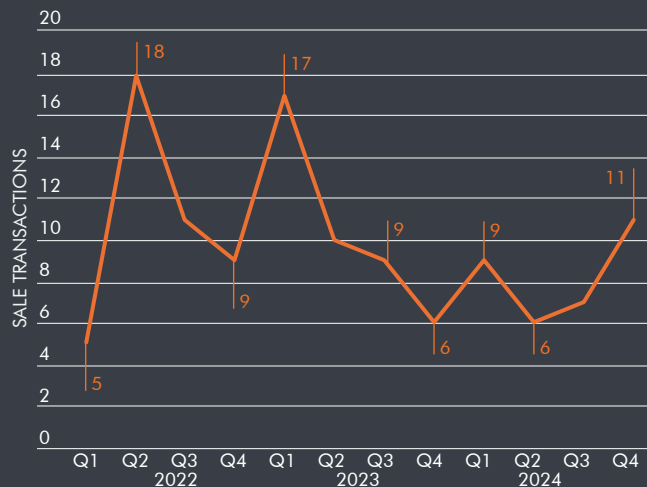
# RETAIL MARKET

**\$15.61**  
NNN

WEIGHTED AVERAGE  
LEASE RATE/SF

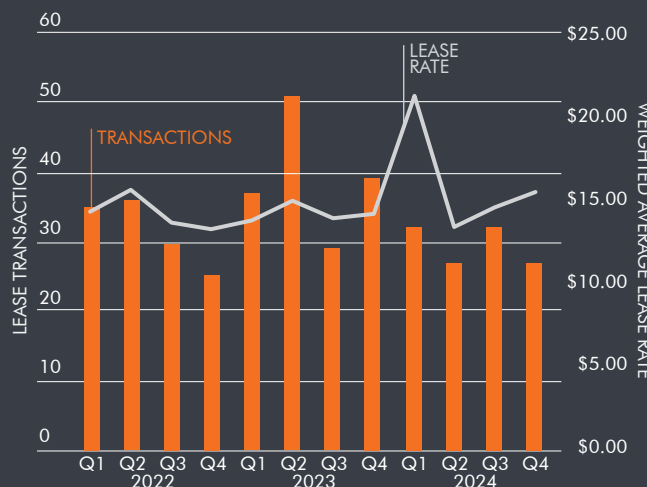
## KENT COUNTY RETAIL SALES BY QUARTER

Source: Commercial Alliance of Realtors West Michigan (CARWM)



## RETAIL LEASE TRANSACTIONS VS LEASE RATE BY QUARTER

Source: Commercial Alliance of Realtors West Michigan (CARWM)



The retail market remained strong throughout Q4 2024. We continued to see lease rates increase, going from a weighted average of \$14.66 in Q3, to \$15.61 in Q4. We also saw a dip in on-market transactions, dropping from 32 in Q3 to 27 in Q4. This drop in transactions was not unexpected, as we often see a drop in lease signings around the holidays, and with the added uncertainty of the election, this quarter many decisions were put on hold. We expect to see a strong retail market in 2025 as West Michigan continues to expand and garner interest from start-ups and national brands alike.

We continue to see the majority of the activity taking place within the well-established retail corridors, like Knapp’s Crossing, 28th Street SE, and Alpine Avenue NW; along with a notable increase in leasing and sale activity throughout Hudsonville, Jenison, and Jamestown. Companies continue to focus their activity on Main & Main, and we see lease rates continue to rise and vacancy rates fall. To combat this, there is constant interest in new builds along these popular corridors although ideal sites are few and far between.

Retail sales have been slow throughout 2024, but in Q4 Kent County saw a slight increase in closings, going from 6 in Q3 to 10 in Q4. There are plenty of users and investors seeking retail opportunities in our market, but currently, there is a lack of quality product available. We expect to see more opportunities hit the market in 2025 as the general sentiment for selling is on the rise, largely due to investors feeling more comfortable with the current market conditions and users being more confident with the direction the economy is trending.

### Downtown Demand

Following the commencement of construction for the amphitheater, progress on Amway Soccer Stadium, and the planned 3-building development at Charley’s Crab site, we have begun to see interest in downtown increase. Much of this demand is restaurants and retailers looking to foster a ‘third place’, a social space that’s distinct from home and work, where people can gather and build relationships. These users are interested in opportunities to grow alongside the city as these projects reach completion. Currently, retail users downtown face many barriers, such as the lack of a strong office workforce and high parking costs. But as the office market and the city itself progresses, we expect to see the downtown retail market find new life in the CBD.



**2.9%**  
DECEMBER

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

# INVESTMENT MARKET

The investment market in Q4 remained stable in terms of done deals, but activity is on the rise as investors prepare for the new year. Investor sentiment is high following a relatively slow year. With the presidential election behind us and people accepting the reality of the current interest rates, many investors are eager to deploy capital. Interest rates have seemed to stabilize, with the market predicting stability at the current interest rates as the 10-year treasury remains in the upper 4% range. We are largely seeing deals get done with cap rates around 100-130 basis points above lending rates for quality assets, and 200-250 basis points above lending rates for higher risk deals.

We saw a strong end to Q4 as big market firms and REITs pushed to get deals across the finish line. Local investors have also been more active with 1031 exchanges. We expect both of these trends to carry over into 2025 as overall transaction volume is expected to increase.

### Industrial Highlights

Industrial continues to be West Michigan's most active investment market and has remained remarkably stable with low vacancy rates and reliable lease rates. This stability has produced quality opportunities for local and institutional investors alike. There has been an increase in demand for

shorter-term leased assets as investors speculate on the ability to realize future lease rate increases.

### Retail Highlights

Retail investors are active in the market, and they are equipped with plenty of capital to deploy, but the caliber of investment many are seeking is few and far between. Many retail assets are trading at higher cap rates for stabilized assets.

### Office Highlights

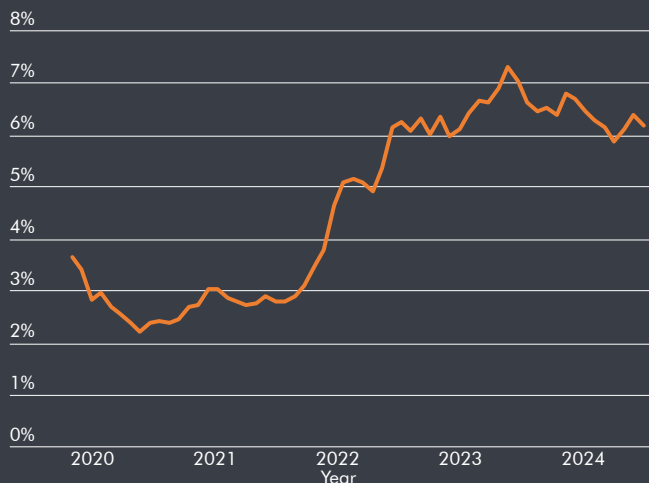
For the time being, office remains a market in flux. More office opportunities are hitting the market and although lenders are still hesitant to get involved, they are becoming more willing to invest in an office deal. There will be plenty of office upside for investors in the coming years but currently the majority of activity is still driven by users.

### Multifamily Highlights

Multifamily remains active in West Michigan. Local investors are eager to put forward capital into deals with a value-add aspect garnering lots of activity. The biggest constraint with multifamily deals has been the lack of available product.

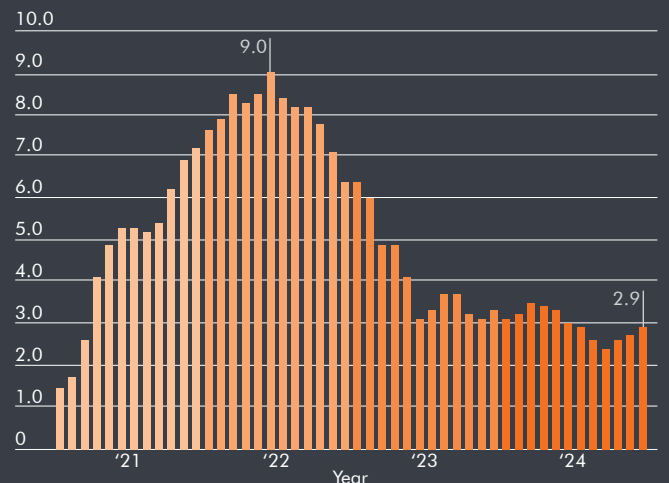
20 YEAR SBA 504 LOAN RATES

Source: Great Lakes Commercial Finance



CPI FOR ALL URBAN CONSUMERS: 12-MONTH % CHANGE

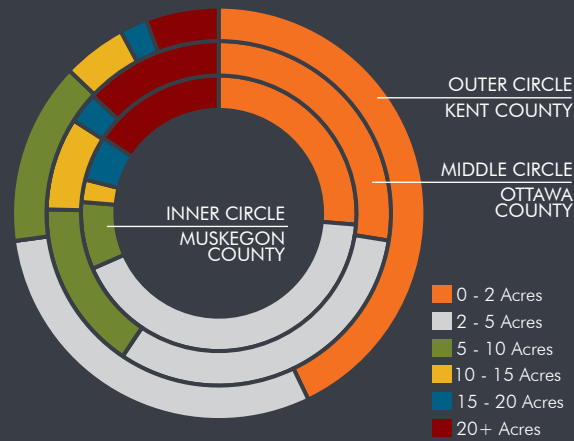
Source: U.S. Bureau of Labor Statistics



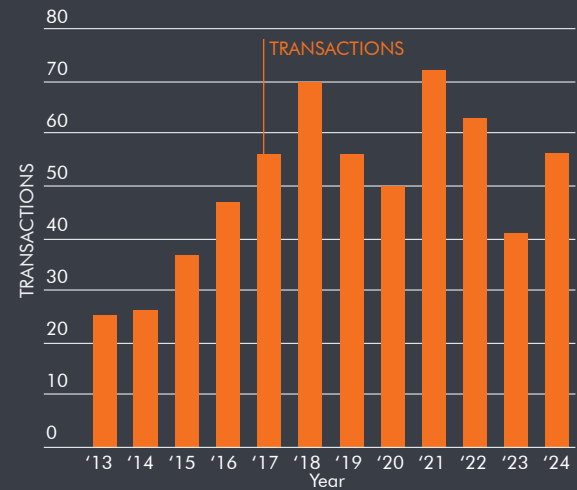


**LAND LISTINGS BY COUNTY**

Source: Commercial Alliance of Realtors West Michigan (CARWM)


**KENT COUNTY LAND TRANSACTIONS BY YEAR**

Source: Commercial Alliance of Realtors West Michigan (CARWM)



# LAND MARKET

The land market in Q4 saw a steep drop off in on market transactions, going from 13 sales in Q3 to 4 sales in Q4. Despite this drop in Q4 sales, 2024 as a whole proved to be a productive year, surpassing 2023 by 37%, and jumping from 41 sales in 2023 to 56 sales in 2024. Although there is still a lot of interest in the land market, currently the supply of desirable land is not enough to meet demand. New developments often lead to new opportunities and the new growth in downtown Grand Rapids should allow investors to capitalize on it.

The newest development in the land market is the impact data centers will have in West Michigan. Microsoft has purchased 316 acres in Gaines Charter Township, along with 272 acres in Dorr Township. These sales subsequently scooped up hundreds of acres that would likely have gone to industrial users otherwise, causing the inventory of industrial land to decrease and the pricing on the remaining inventory to increase.

## Industrial Highlights

The industrial market's demand for land remains strong, but the asset class struggles with a lack of inventory. Despite increasing land cost and low inventory we do still expect to see sporadic development as developers find suitable sites across West Michigan.

## Retail Highlights

Retailers and restaurants are very active in searching for suitable land to develop, but despite this, the supply of land that matches criteria is low. When suitable land does hit the market, it is highly sought after, and typically developed quickly.

## Office Highlights

Office through Q4 remains largely inactive when it comes to new construction, with medical users making up the majority of overall interest. But as the office market becomes more stable, talks of new projects are beginning.

## Multifamily Highlights

Multifamily development has been very active across the West Michigan market, with developers showing interest in both suburban development as well as downtown development. But investors are struggling to find adequate sites within our market that meet both municipality regulations as well as financial goals of developers. Despite this we expect to see new developments take place across West Michigan as developers work through barriers to get deals done.

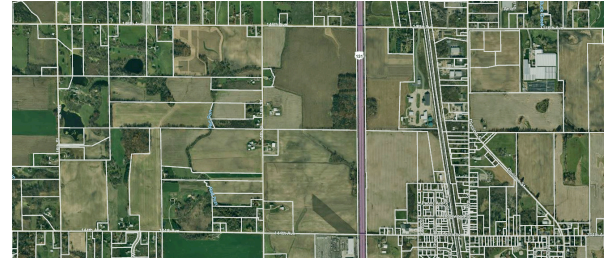


# NOTABLE TRANSACTIONS

## LAND



Site 36 | 300 36th Street SW, Wyoming  
Sold | 14.65 Acres | Industrial



Dorr Land  
Sold | 272 Acres | Data Center



2707 Wood Street, Lansing  
Sold | 2.9 Acres | Gas Station



2110 Lake Lansing Road, Lansing  
Sold | 3.7 Acres | Retail

## INDUSTRIAL



4900 Paul Court, Norton Shores  
Sold | 34,098 SF



1120 36th Street SE, Grand Rapids  
Leased | Multiple Tenants | Over 700,000 SF



4315 3 Mile Road NW, Grand Rapids  
Sold | 82,806 SF



5010 52nd Street SE, Grand Rapids  
Leased | 69,024 SF



# NOTABLE TRANSACTIONS

## OFFICE



4595 Broadmoor Avenue SE, Grand Rapids  
Leased | 4,615 SF



4635 44th Street SE, Kentwood  
Leased | 5,881 SF



180 Monroe Avenue NW, Grand Rapids  
Leased | 2,324 SF



7500 Fulton Street E, Ada  
Leased | 1,883 SF

## RETAIL



340 - 360 Waters Street, Saugatuck  
Sold | 9,027 SF



921 W Main Street, Fremont  
Sold | 42,872 SF



5221 Cherry Avenue, Hudsonville  
Leased | 13,475 SF



503 E Division Street NE, Rockford  
Sold | 2,347 SF



## INVESTMENT



25 Jefferson Avenue SE, Grand Rapids  
Sold | 15,535 SF | 21 Units



12 Division Avenue S, Grand Rapids  
Sold | 20,597 SF | Single-Tenant Office Building



Shops at Centerpoint  
Sold | 448,000 SF



5060 Cascade Road SE, Grand Rapids  
Sold | 26,355 SF

# ACHIEVING MORE, TOGETHER

4 year totals



4 Years  
In Business



3.9M SF  
Under Management



924  
Deals Completed



Over 25M SF  
In Transactions

*#OurTeam>YourAdvantage*

COMMERCIAL REAL ESTATE &  
PROPERTY MANAGEMENT SERVICES

3333 Deposit Drive NE, Suite 100 | Grand Rapids, MI 49546  
616 327 2800 | [www.AdvantageCRE.com](http://www.AdvantageCRE.com)







*#OurTeam>Your Advantage*

3333 Deposit Drive NE, Suite 100  
Grand Rapids, MI 49546

616 327 2800  
[www.AdvantageCRE.com](http://www.AdvantageCRE.com)

 **ADVANTAGE**  
COMMERCIAL REAL ESTATE