

# Office Market Trends West Michigan

Grubb & Ellis|Paramount Commerce Research  
First Quarter 2007



## Alive and Well

### Executive Summary

The West Michigan office market is moving at a slow but steady pace. The first quarter of 2007 saw the overall vacancy rate fall sharply to 16.2 percent with most of the improvement attributed to the Downtown market. Class A office buildings are enjoying their highest occupancy in years, while Class B buildings are seeing slightly higher rents and fewer concessions. As a result, there are on-going developer discussions at several downtown locations that might allow Grand Rapids to see a new Class A office building with state-of-the-art technology and energy efficiency. Ground breaking could be as early as 2007 and occupancy in 2009.

*"We are experiencing an unprecedented wave of consolidation among downtown properties."*

*Bill Bowling, SIOR  
Chairman*

The medical mile is taking shape along Michigan Avenue with research and bio science companies looking for places to grow. There is a push for student housing with the announcement of the Michigan State Medical School relocation. With this new addition the downtown student population will total nearly 40,000 students Downtown. These positive influences show West Michigan is alive and well.

The suburban market remained steady with slight positive absorption. Vacancy decreased 10 basis points for the quarter, leaving an overall suburban vacancy rate of 16.0 percent. The Metro Campus at M-6 and Byron Center is the bright star of the suburban office market. The lease rates and concessions are still competitive and speculative development is almost non-existent. Going forward, the West Michigan office market is viable, its infrastructure is sound and its willingness to reinvent itself for the future will create opportunities for developers and investors.

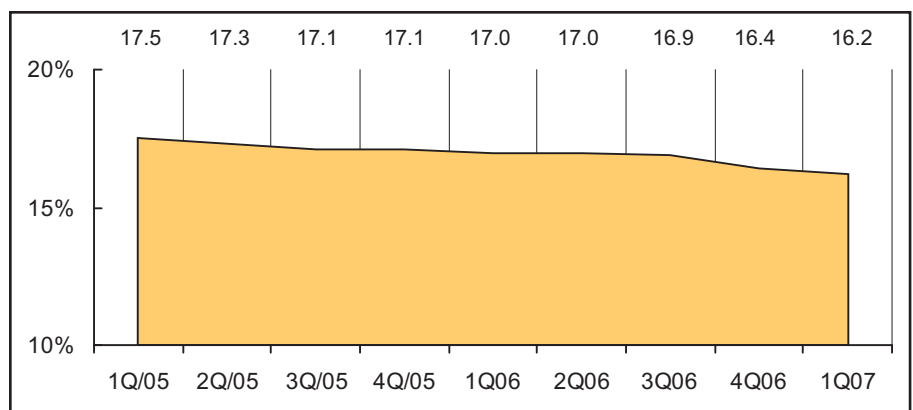
### West Michigan Office Market Trends

is a newsletter published quarterly by Grubb & Ellis|Paramount Commerce. To obtain additional copies or other Grubb & Ellis|Paramount Commerce publications, please contact:

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Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot West Michigan Third Quarter 2006

By Submarket (All Classes)	Total (1)	Vacant (2)		Net Absorption		Under Const.(3)	Asking Rent (4)	
	SF	SF	Vacant %	Current	Year To Date	SF	Class A	Class B
CBD	3,571,280	604,308	16.9%	25,113	25,113	-	\$21.19	\$18.04
Downtown	1,219,067	194,703	16.0%	(27,780)	(27,780)	37,500	\$23.90	\$17.48
<b>CBD Total</b>	<b>4,790,347</b>	<b>799,011</b>	<b>16.7%</b>	<b>(2,667)</b>	<b>(2,667)</b>	<b>37,500</b>	<b>\$21.96</b>	<b>\$17.94</b>
Airport Area	886,623	57,183	6.4%	24,109	24,109	-	-	\$13.56
Burton/Breton	564,613	107,011	19.0%	(1,710)	(1,710)	-	\$18.66	\$17.03
Cascade	1,611,001	252,587	15.7%	11,530	11,530	112,000	\$19.86	\$18.73
Centennial Park	751,715	179,562	23.9%	(45,000)	(45,000)	-	-	\$17.47
E Beltline Corridor	870,329	173,567	19.9%	9,561	9,561	28,000	\$20.75	\$18.56
E Paris Corridor	973,295	157,606	16.2%	4,979	4,979	-	\$19.00	\$16.96
Northeast Misc	369,610	47,905	13.0%	(1,993)	(1,993)	-	\$17.24	\$14.73
Northwest Misc	576,149	36,516	6.3%	24,968	24,968	-	\$15.82	\$14.19
Southeast Misc	1,398,880	314,399	22.5%	(5,271)	(5,271)	-	\$29.50	\$16.03
Southwest Misc	892,215	93,435	10.5%	22,855	22,855	25,948	\$21.61	\$16.17
<b>Suburban Total</b>	<b>8,894,430</b>	<b>1,419,771</b>	<b>16.0%</b>	<b>44,028</b>	<b>44,028</b>	<b>165,948</b>	<b>\$19.94</b>	<b>\$16.99</b>
<b>Totals</b>	<b>13,684,777</b>	<b>2,218,782</b>	<b>16.2%</b>	<b>41,361</b>	<b>41,361</b>	<b>203,448</b>	<b>\$20.96</b>	<b>\$17.41</b>
							<u>Available for Sublease</u>	
							CBD	Suburban
By Class (All Submarkets)								
Class A	3,325,002	450,474	13.5%	101,811	101,811	135,948	-	1,852
Class B	7,458,303	1,314,062	17.6%	(78,464)	(78,464)	30,000	-	20,004
Class C	2,901,472	454,246	15.7%	18,014	18,014	37,500	40,000	6,532
<b>Totals</b>	<b>13,684,777</b>	<b>2,218,782</b>	<b>16.2%</b>	<b>41,361</b>	<b>41,361</b>	<b>203,448</b>	<b>40,000</b>	<b>28,388</b>

\* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

## Office Market Terms and Definitions

**Inventory:** Office inventory includes all multi-tenant and single tenant buildings with a minimum size threshold of 7,500 square feet. Owner-occupied, government, and medical (occupied by owner) buildings are not included.

**Construction Type:** Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

**Office Building Classifications:** Grubb & Ellis adheres to BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above the average for the area . . . Class B properties compete for a wide range of users with rents in the average range for the area . . . Class C buildings compete for tenants requiring functional space at rents below the average area.

**Vacancy and Availability:** The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year. We report all office rents as full service/gross where all costs of operation are paid by the landlord up to a base year or expense stop.

**Average Weighted Asking Rent:** An average market rent where the asking rent for each building in the market is weighted by the building size.

## Major Transactions

Grubb & Ellis|Paramount Commerce and Grubb & Ellis|Focus Properties are pleased to announce that they represented the following companies in office transactions during the 1st quarter of 2007:

Michigan Education Association  
Lease  
10,549 SF Office  
3205 Eaglecrest Dr.  
Chad Barton, Chris Beckering  
Bill Bowling, SIOR, Chip Bowling  
Scott Morgan, JD, SIOR

Konica Minolta  
Lease  
21,000 SF Office  
5800 Foremost Dr.  
Chris Beckering  
Bill Bowling, SIOR  
Chip Bowling

Axios  
Lease  
6,600 SF Office  
801 Broadway Ave.  
Chris Beckering  
Bill Bowling, SIOR  
Chip Bowling