

# Office Market Trends West Michigan

Grubb & Ellis|Paramount Commerce Research  
Third Quarter 2008



*"The Grand Rapids office market is 'The Little Engine that Could.' Despite economic challenges, changes in the state tax regulations, and tightening credit market we continue to see slow and steady absorption of space. With limited speculation in recent years and less underway, we should see continually improving fundamentals for the foreseeable future."*

*Chris Beckering  
Office Advisor*

## West Michigan Office Market Trends

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**Gary Albrecht**  
Research Analyst  
E-mail: [gary.albrecht@gepc.com](mailto:gary.albrecht@gepc.com)

Grubb & Ellis|Paramount Commerce  
300 Ottawa Avenue NW,  
Suite 400  
Grand Rapids, MI 49503  
Phone: 616.774.3500  
Internet: [www.gepc.com](http://www.gepc.com)  
[www.focusproperties.com](http://www.focusproperties.com)  
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## Slow But Steady

### Executive Summary

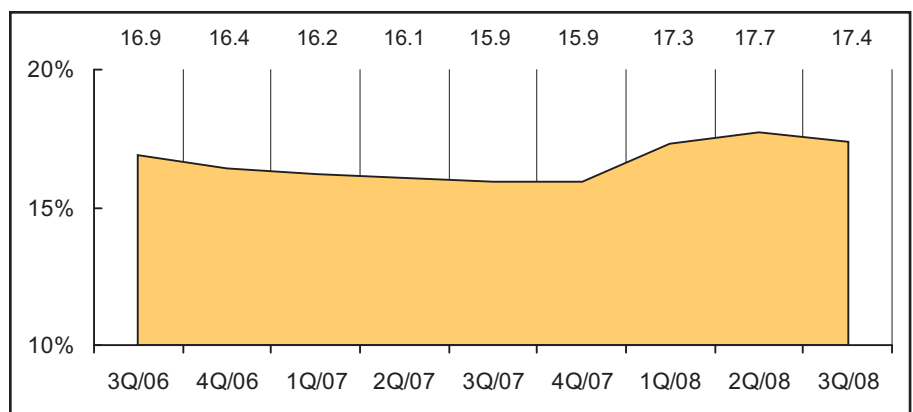
In the Grand Rapids office market, vacancy rates decreased by 48,000 square feet from 17.7 percent in the second quarter of 2008 to 17.4 percent in the third quarter, which is mainly attributable to activity in the suburban market. The vacancy rate downtown increased 20 basis points from 16.2 percent in the second quarter of 2008 to 16.4 percent in the third quarter.

The suburban market had over 56,000 square feet of positive absorption during the third quarter, of which 45,000 square feet was absorbed in one building. Priceline.com occupies the former Siemens Dematic building and brought approximately 250 new jobs to the market with its new call center located in the southeast submarket. These absorption numbers indicate that the Grand Rapids office market is gradually improving despite the current economic challenges.

The downtown office market slowed during the third quarter of 2008, but maintained occupancy rates and rental rates. There continues to be activity from existing and new tenants looking to the central business district (CBD) to expand or relocate. We can expect to see gradual growth in the CBD for the remainder of 2008.

Interestingly, there are very few options available for Class A users looking to lease space in the CBD.

Overall, the Grand Rapids office market will continue to see positive absorption, increasing occupancy rates, and steady rental rates due to limited new construction and expansion of the existing tenant base.



Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot West Michigan Third Quarter 2008

By Submarket (All Classes)	Total (1)	Vacant (2)	Net Absorption		Under Const. (3)	Asking Rent (4)		
	SF	SF	Vacant %	Current Qtr	Year To Date	SF	Class A	Class B
CBD	3,354,823	563,178	16.8%	(7,960)	(12,555)	-	\$20.25	\$19.48
Downtown	1,220,695	186,170	15.3%	(1,086)	2,350	37,500	\$23.90	\$19.04
<b>CBD Total</b>	<b>4,575,518</b>	<b>749,348</b>	<b>16.4%</b>	<b>(9,046)</b>	<b>(10,205)</b>	<b>37,500</b>	<b>\$21.20</b>	<b>\$19.41</b>
Airport Area	929,563	57,767	6.2%	-	(3,256)	-	\$14.75	\$13.38
Burton/Breton	467,359	85,559	18.3%	-	9,142	-	\$16.40	\$16.24
Cascade	1,735,752	454,613	26.2%	(7,605)	(91,213)	-	\$20.73	\$17.79
Centennial Park	748,575	177,452	23.7%	15,000	(1,027)	-	-	\$16.98
E Beltline Corridor	872,473	175,711	20.1%	1,939	4,772	28,000	\$20.02	\$18.75
E Paris Corridor	940,299	145,353	15.5%	(5,096)	(20,802)	68,960	\$17.53	\$16.73
Northeast Misc	369,610	45,642	12.3%	-	(9,049)	-	\$16.76	\$15.10
Northwest Misc	554,949	49,375	8.9%	-	(11,031)	-	\$15.79	\$10.23
Southeast Misc	1,485,189	311,342	21.0%	52,601	61,654	-	\$29.50	\$12.72
Southwest Misc	931,936	111,004	11.9%	-	1,777	-	\$19.77	\$15.61
<b>Suburban Total</b>	<b>9,035,705</b>	<b>1,613,818</b>	<b>17.9%</b>	<b>56,839</b>	<b>(59,033)</b>	<b>96,960</b>	<b>\$19.87</b>	<b>\$16.01</b>
<b>Totals</b>	<b>13,611,223</b>	<b>2,363,166</b>	<b>17.4%</b>	<b>47,793</b>	<b>(69,238)</b>	<b>134,460</b>	<b>\$20.52</b>	<b>\$17.55</b>
<b>By Class (All Submarkets)</b>							<b>Available for Sublease</b>	
Class A	3,329,865	608,026	18.3%	(6,131)	(27,518)	96,960	7,882	-
Class B	7,300,658	1,280,123	17.5%	62,245	(16,481)	-	7,094	10,633
Class C	2,980,700	475,017	15.9%	(8,321)	(25,239)	37,500	40,000	6,532
<b>Totals</b>	<b>13,611,223</b>	<b>2,363,166</b>	<b>17.4%</b>	<b>47,793</b>	<b>(69,238)</b>	<b>134,460</b>	<b>54,976</b>	<b>17,165</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 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 3rd quarter of 2008:

**4147 Eastern Ave. SE**  
Lease  
45,670 SF  
Tom DeBoer, SIOR, CCIM

**Joseph T. Ryerson & Son**  
Lease – 7,766 SF  
Chris Beckering  
Bill Bowling, SIOR  
Chip Bowling  
Chad Koster

**377 Crahen Ave. NE**  
Sale  
13,500 SF  
Chad Koster  
Scott Morgan, JD, SIOR