

Q4 2017

Office Insight

Market remains steady with construction on horizon

- Rent and vacancy trends continue to improve, as seen throughout 2017
- Building conversions remain common in the CBD, as downtown vacancies have seen a slight increase and net absorption is negative due to inventory loss
- Two major developments could provide new Class A space to the downtown area

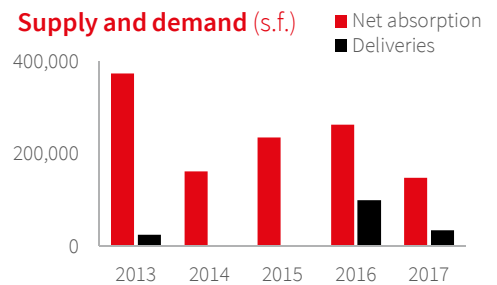
Grand Rapids' office market saw healthy growth in the fourth quarter of 2017 as rents continue to increase and vacancies steadily decline. The average asking rent in the Grand Rapids market is now \$17.84 per square foot, while overall vacancy sits at 12.9 percent. New construction has begun and other projects continue to fill the pipeline. Residential brokerage firms ReMax and Berkshire Hathaway both announced plans to build offices in the market. Leasing activity was steady in fourth quarter, with a few deals of note - Service Express Inc. signed a 40,000-square-foot lease at Bridge Pointe Office Park and Nolan Transport leased 9,000 square feet at 3040 Charlevoix Drive. Both deals closed in the Southeast Grand Rapids submarket. A new co-working space, Blueprint Collective, opened on the West Side at 859 Fulton West.

The Blodgett Building at 15 Ionia SW traded, with the new owner planning a large-scale renovation to reposition the asset. Warner Tower is under construction, which will bring 118,000 square feet to the downtown office market and the Meijer Development on the west side will add 56,000 square feet of space. The 201 Market development has the potential to add more Class A space to downtown Grand Rapids, while the Studio C! development south of Van Andel Arena's office component is looking for a tenant.

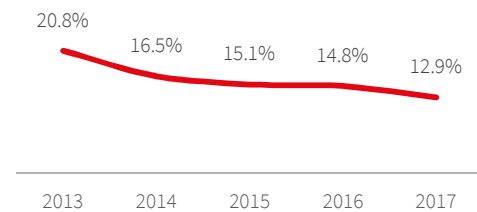
Outlook

Looking ahead into 2018, we can expect conditions to remain steady. Rent growth may slow as vacancies plateau. After seeing a spike in activity earlier this year, the west side of downtown will see continued increases in leasing and sales activity due to its "up-and-coming" attractiveness. It will be interesting to keep an eye on the new construction activity, how much office space will be included in mixed-use developments and how much speculative construction will begin to take place. After a strong year, the Grand Rapids office market is set up nicely for continued growth in the new year.

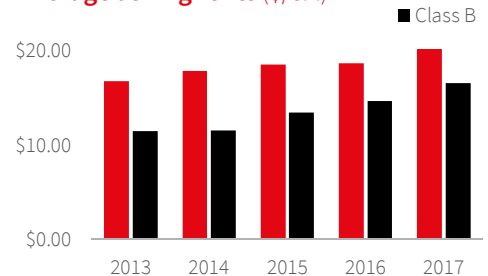
Fundamentals	Forecast
2017 net Absorption	-73,719 s.f. ▲
Under construction	174,000 s.f. ▲
Total vacancy	12.9% ▼
Average asking rent (gross)	\$17.84 p.s.f. ▲
Concessions	Stable ►



Total vacancy



Average asking rents (\$/s.f.)



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