

FIGURES | GRAND RAPIDS INDUSTRIAL | Q2 2022

Vacancy drops as availability rises and lease rates surge

▼ 2.7%
Vacancy Rate

▲ 3.1%
Availability Rate

▲ 1.5M
SF Net Absorption

▲ \$6.06
Lease Rate

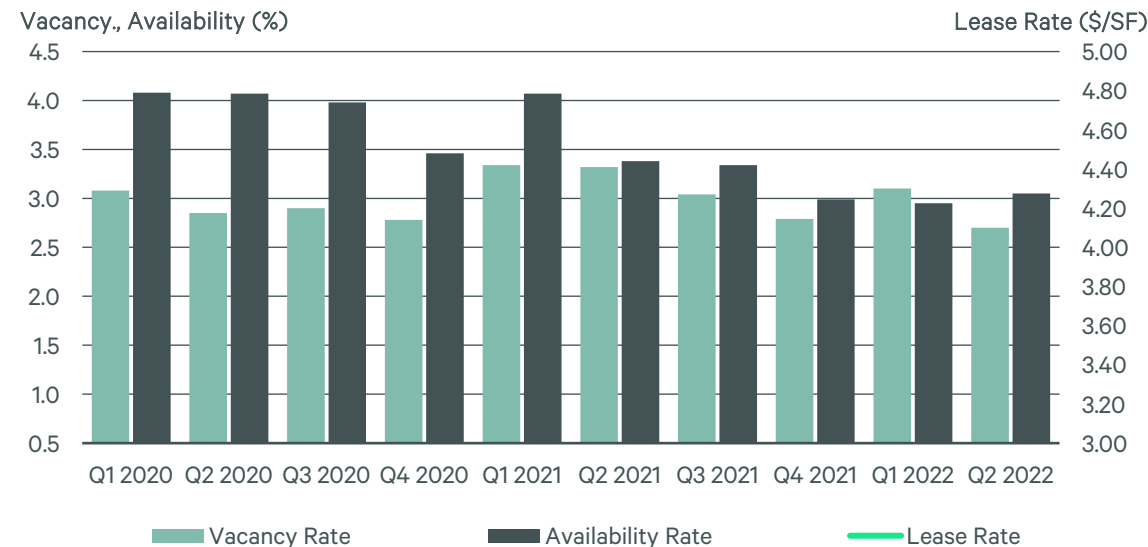
Note: Arrows indicate change from previous quarter.

Market Summary

- Industrial availability increased to 3.1%, quarter over quarter, remaining below 4.0% since Q3 2016.
- Overall industrial vacancy dropped 40 basis points (bps), quarter over quarter, to 2.7%.
- Net absorption for the quarter was 1.5 million square feet (sq. ft.), the bulk of which came in the Kent County submarket.
- At the end of Q2 2022, industrial space under construction totaled roughly 1.9 million sq. ft.

During Q2 2022, the Greater Grand Rapids industrial market experienced an increase in availability, net absorption, and asking lease rates. Vacancy decreased during the quarter. Net absorption for the quarter was 1.5 million sq. ft. Over the trailing 12 months, total absorption was 2.9 million sq. ft. Availability rose 20 bps to 3.1%, quarter over quarter, while vacancy inched down 40 bps to 2.7%. During that same time period, the average asking lease rate increased to \$6.06 per sq. ft. NNN. The average asking rate has risen steadily over the past five years, increasing 35.3%. See Fig. 5 for market statistics by submarket.

FIGURE 1: Vacancy, Availability, and Average Asking Lease Rate



Source: CBRE Research, Q2 2022.

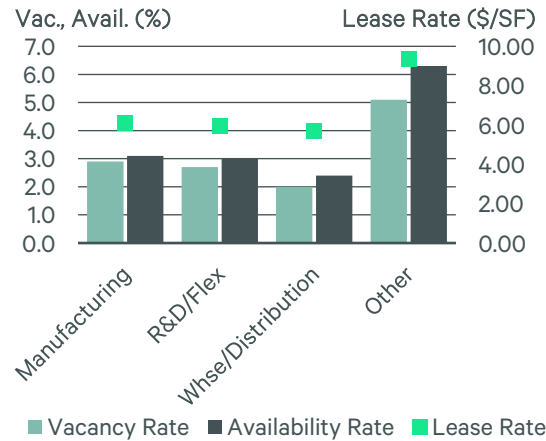
Kent County

The Kent County submarket posted 1.5 million sq. ft. of positive net absorption in Q2 2022. Over the past 12 months, absorption has totaled 2.4 million sq. ft. This is the sixth quarter of positive absorption in the past two years. Overall vacancy hovered around 3.5% during the quarter, while availability neared 3.8%. The average asking lease rate rose to \$6.12 per sq. ft. NNN. The year-over-year change in average asking lease rate is \$0.49. 11 buildings have delivered so far this year, adding nearly 1.5 million sq. ft. of industrial product to the market.

Ottawa County

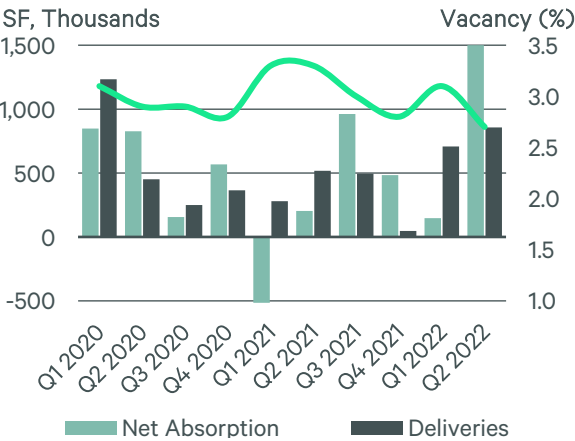
The Ottawa County submarket posted 1,929 sq. ft. of negative net absorption in Q2 2022. Over the past 12 months, absorption has totaled over 550,000 sq. ft. This is the first quarter of negative net absorption following nine straight quarters of positive absorption. Overall vacancy ticked up to 1.1% and availability rose 10 bps to 1.1%. The average asking lease rate increased \$0.10, quarter over quarter, to \$5.83 per sq. ft. NNN. The year-over-year change in average asking lease rate is \$0.44. Newer product in the area is commanding rates of \$6.94 per sq. ft. NNN and higher. Three buildings have delivered so far this year, adding nearly 75,000 sq. ft. of industrial product to the market.

FIGURE 2: Vacancy, Availability, and Avg. Asking Lease Rate by Development Type



Source: CBRE Research, Q2 2022.

FIGURE 3: Net Absorption and Average Asking Lease Rate



Source: CBRE Research, Q2 2022.

FIGURE 4: Key Transactions

Transaction Type	Tenant/Buyer	Location	Transaction Size (SF)	Industry
Sale	Brasswater	Wyoming, MI	949,684	Investment/Development
Sale	Blue Vista	Grand Haven, MI	182,036	Investment/Development
Sale	Kentwood Office Furniture	Grand Rapids, MI	130,000	Furniture
Lease	PODS Enterprises LLC	Grand Rapids, MI	50,730	Storage/Transportation
Lease	Industrial Resources	Grand Rapids, MI	25,000	Manufacturing

Source: CBRE Research, Q2 2022.

FIGURE 5: Detailed Market Statistics by Submarket

Submarket	Total Inventory (SF)	Total Vac. (%)	Total Avail. (%)	Q1 2022 Net Abs. (SF)	2022 YTD Net Abs. (SF)	Under Construction (SF)	Average Asking Lease Rate
Kent County	131,774,989	3.3	3.7	(22,736)	1,507,337	1,694,876	6.12
Ottawa County	42,722,098	1.1	1.1	169,753	167,824	175,000	5.83
TOTAL	174,497,087	2.8	3.1	147,017	1,675,161	1,869,876	6.05

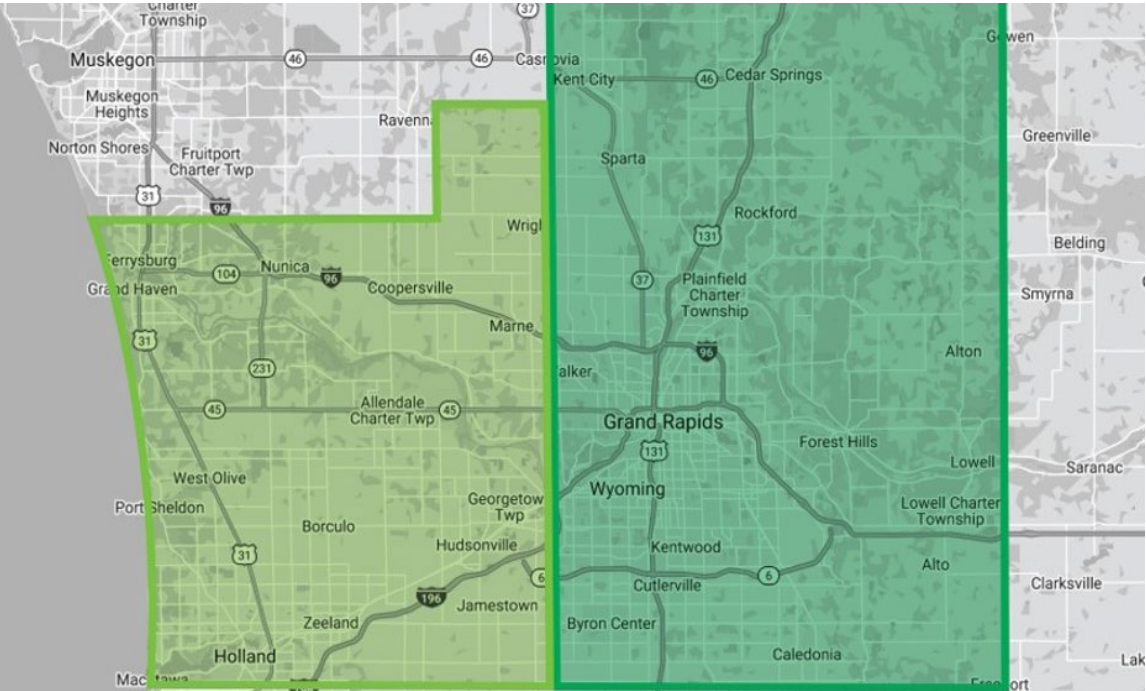
Source: CBRE Research, Q2 2022.

A Note on COVID-19

Economic conditions have changed considerably from just a few months ago. Persistently high inflation that is increasingly being driven by higher food and energy prices, sparked by supply-demand imbalances and Russia's invasion of Ukraine, has greatly impacted conditions. The U.S. is particularly vulnerable to higher gasoline prices, which directly impact consumption. As of late June, gasoline is more than \$5 a gallon, up 50 percent from the beginning of the year. Meanwhile, consumer sentiment has declined to levels reminiscent of periods of economic stress, suggesting consumers are very concerned despite a tight labor market and wage growth.

The Federal Reserve's attention is now centered on fighting inflation, evidenced by a 75-basis-point rate hike in June that rattled credit markets. We expect this will be followed by at least two 50-basis-point hikes through September. Our baseline view expects the Fed will be able to restrain inflation to roughly 7 percent by year-end 2022, but this will come at the cost of economic growth and a recession is expected in coming quarters. Already, rate hikes are filtering down to 'Main Street' via falling home sales and more cautious business expansion plans. The labor market will also soften, with the unemployment rate increasing to the mid-4-percent range. Once inflation is tamed, both capital and real estate markets should become more predictable again.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes industrial buildings in Kent County and Ottawa County. Buildings which have begun construction as evidenced by site excavation or foundation work.

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