



# Society of Industrial and Office Realtors Michigan Chapter

www.siormichigan.com

Newsletter -

*Fall 2011*

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## Introduction

### Wrapping up the year and planning for 2012

By: Chris Nagorski, SIOR

As we move toward the end of 2011 we reflect on the year that was and begin to plan for the New Year and what it might bring. Fortunately, 2011 brought us all significantly more Real Estate transactions than we saw over the last two (2) years. As we plan for 2012 we begin to contemplate some of the national economic indicators that have been relatively flat and the turmoil in the European Markets and how they may affect the economy and more importantly the local Real Estate market. Currently, the consumer confidence indicator is at its lowest level since 2009 and although the average joblessness has ticked up to a new record of 40.5 weeks we are starting to see an increase in the private sector jobs. How long will this last? Will it be enough to keep the local Real Estate market going? These are questions we will not find the answers to until the end of the 2012. Until then we begin to see new construction starts in certain markets and local manufacturing that continues to expand. There are several markets in Michigan in each of the Sectors where good facilities are hard to find creating to some extent an opportunity to raise prices. Let's hope this all transcends into continued prosperity and success for 2012 and we can begin to move further away from the nightmare we all experienced in the Real Estate business in 2009 by increasing the amount of jobs.

Upcoming SIOR Events

*Christmas Parties!!!*

*Save the date!!!*

*West Michigan SIOR Christmas Party:*

*Thursday December 1 at  
Cascade Hills Country Club.  
This event is for SIOR's in the  
West Michigan area,  
along with their spouse  
or significant other.*

*East Michigan SIOR Christmas Party:*

*Thursday December 13<sup>th</sup> 5:30-8:30  
At Palazzo Di Bocce  
4291 S. Lapeer Rd.  
Lake Orion*

## 2012 EVENTS:



INDOOR DRIVING & CONFERENCE CENTER  
*Where Events Get In Gear!*

## **SIOR GRAND PRIX**

### **TO BE RESCHEDULED**

Due to a series of conflicts/alternative events, we've had an abundance of requests to select a new date (rather than November 10th).

Watch your email at the beginning of the year or check the SIOR website for a spring event!

**May 10-12 Spring World Conference**  
**Loews Miami Beach Hotel**  
**Miami, FL**

**Oct 25-27 Fall World Conference**  
**Hyatt Regency Century Plaza**  
**Los Angeles, CA**

## Membership

Total Members	3,007
Active	2,612
Associate	212
Retired	181
Candidate	2

## Retention

2011 Dues Renewal	96% renewed (95% at same time in 2010) Can now pay in full online @ <a href="http://www.sior.com">www.sior.com</a>
2011 Quits to Date	45
2010 Net Growth	There was no change from 2010 to 2011

## Recruitment & New Members

Applications Received	140
2011 New Members to Date	133
2010 New Members	144

## Membership Benefits

### **Professional Designation**

SIOR is the only broker organization that provides industrial and office professionals with the prestigious SIOR designation. The designation signifies that an individual has achieved the high professional standards and a level of competence and success. Many corporate executives consider the SIOR designation as a prerequisite in choosing a service provider.

### **Personal Contacts**

SIOR offers unique opportunities for developing lasting contacts among commercial real estate brokers and between independent industrial & office property brokers and corporate real estate executives in North America and around the world.

### **Peer Prestige & Industry Clout**

SIOR is the most highly respected industrial and office professional Society in North America. Corporate real estate executives consider SIOR's Membership Directory to be the "Blue Book" of commercial real estate professionals. An online version of the Directory is available on the SIOR web site: click on Locate an Expert. Annual award programs recognize Society members for transaction activity and contributions in voluntary leadership roles.

### **Business Referral Network**

SIOR members are located in more than 526 markets in 21 countries. SIOR is the largest and most effective commercial real estate referral network in North America. Last year, SIOR members reported almost 600 cooperative transactions with other SIOR members, worth more than US\$1 billion and comprising 33.2 million square feet of space. The SIOR Network Works!

### **Information Network**

SIOR offers many opportunities – at conventions, seminars, local chapter programs, via e-mail, and through publications – to share the experiences, ideas, innovations, and trends in industrial and office real estate.

### **SIOR Website Intranet**

The SIOR members-only intranet provides numerous tools, including broadcast email, electronic mailing lists, and complimentary LoopNet access for listings.

### **Professional Development**

Through educational courses, seminars, and publications, SIOR enables real estate salespeople, brokers, managers, and corporate real estate executives to acquire and expand their knowledge of economic and financing conditions, technical innovations, and legal trends affecting the marketing of industrial and office real estate. Participation on committees and leadership roles expands individual networking effectiveness and teaches successful leadership and motivational skills.

## Membership Benefits

### **Continuing Education**

Most of the SIOR's educational programs and conventions are pre-approved for real estate license renewal continuing education credit by most US states and the Real Estate Institute of Canada.

### **Public Relations**

SIOR can assist members in building media relationships and enhancing personal business recognition on the local, national, and international levels. This service is complemented by an aggressive advertising campaign in major US real estate publications.

### **Mediation and Arbitration**

SIOR members can utilize a peer-based system for resolving business disputes. The SIOR Code of Ethical Principles and Standards of Professional Practice is the industry's leading standard of professional business behavior.

### **Professional Report**

Members receive a complimentary copy of SIOR's quarterly magazine, featuring excellent industry-related articles and monographs, plus SIOR member and chapter news.

Application <http://www.sior.com/>

Contact Admissions Chairperson  
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# DETROIT OFFICE MARKET



OVERVIEW

## DETROIT'S VACANCY DECREASES TO 18.6% Net Absorption Positive 199,424 SF in the Quarter

The Detroit Office market ended the third quarter 2011 with a vacancy rate of 18.6%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 199,424 square feet in the third quarter. Vacant sublease space decreased in the quarter, ending the quarter at 741,519 square feet. Rental rates ended the third quarter at \$18.15, a decrease over the previous quarter. There was 80,439 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall Detroit office market was positive 199,424 square feet in the third quarter 2011. That compares to positive 777,435 square feet in the second quarter 2011, negative (53,747) square feet in the first quarter 2011, and positive 890,990 square feet in the fourth quarter 2010.

Tenants moving out of large blocks of space in 2011 include: Borders Group, Inc. moving out of 330,322 square feet at 100 Phoenix Dr; International Automotive Components Group moving out of 88,252 square feet at 5300 Auto Club Dr; and Electronic Data Systems Corporation moving out of 55,698 square feet at 985 W Entrance Dr.

Tenants moving into large blocks of space in 2011 include: Blue Cross & Blue Shield of Michigan moving into 307,506 square feet at 500 Renaissance Ctr; Chrysler Group LLC moving into 210,000 square feet at 1075 W Entrance Dr; and International Automotive Components Group North Am moving into 118,000 square feet at 28333 Telegraph Rd.

The Class-A office market recorded net absorption of positive 34,655 square feet in the third quarter 2011, compared to positive 442,925 square feet in the second quarter 2011, negative (300,008) in the first quarter 2011, and negative (120,631) in the fourth quarter 2010.

The Class-B office market recorded net absorption of negative (15,733) square feet in the third quarter 2011, compared to positive 236,234 square feet in the second quarter 2011, positive 40,756 in the first quarter 2011, and positive 718,403 in the fourth quarter 2010.

The Class-C office market recorded net absorption of positive 180,502 square feet in the third quarter 2011 compared to positive 98,276 square feet in the second quarter 2011, positive 205,505 in the first quarter 2011, and positive 293,218 in the fourth quarter 2010.

Net absorption for Detroit's central business district was negative (39,645) square feet in the third quarter 2011. That compares to positive 441,230 square feet in the second quarter 2011, negative (35,326) in the first quarter 2011, and positive 15,630 in the fourth quarter 2010.

Net absorption for the suburban markets was positive 239,069 square feet in the third quarter 2011. That compares to positive 336,205 square feet in second quarter 2011, negative (18,421) in the first quarter 2011, and positive 875,360 in the fourth quarter 2010.

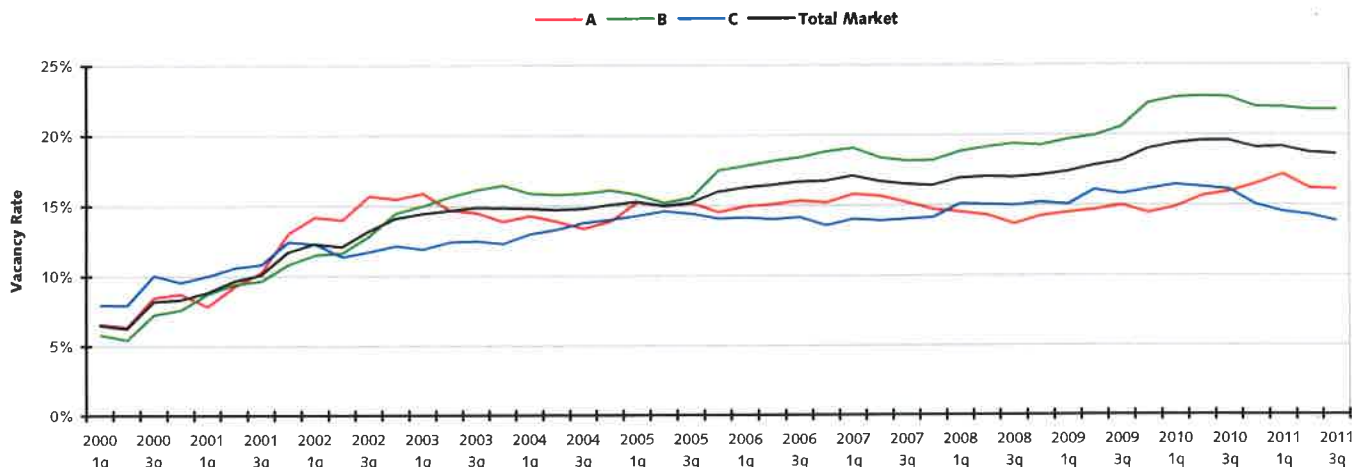
### Vacancy

The office vacancy rate in the Detroit market area decreased to 18.6% at the end of the third quarter 2011. The vacancy rate was 18.8% at the end of the second quarter 2011, 19.2% at the end of the first quarter 2011, and 19.1% at the end of the fourth quarter 2010.

Class-A projects reported a vacancy rate of 16.2% at the end of the third quarter and the end of the second quarter 2011, 17.2% at the end of the first quarter 2011, and 16.5% at the end of the fourth quarter 2010.

Class-B projects reported a vacancy rate of 21.8% at the

### VACANCY RATES BY CLASS 2000-2011



Source: CoStar Property®



# DETROIT OFFICE MARKET

OVERVIEW

end of the third quarter and the end of the second quarter 2011, 22.0% at the end of the first quarter and the end of the fourth quarter 2010.

Class-C projects reported a vacancy rate of 13.9% at the end of the third quarter 2011, 14.3% at the end of second quarter 2011, 14.5% at the end of the first quarter 2011, and 15.0% at the end of the fourth quarter 2010.

The overall vacancy rate in Detroit's central business district at the end of the third quarter 2011 increased to 20.9%. The vacancy rate was 20.7% at the end of the second quarter 2011, 22.5% at the end of the first quarter 2011, and 22.3% at the end of the fourth quarter 2010.

The vacancy rate in the suburban markets decreased to 18.3% in the third quarter 2011. The vacancy rate was 18.4% at the end of the second quarter 2011, 18.6% at the end of the first quarter 2011 and the end of the fourth quarter 2010.

## Largest Lease Signings

The largest lease signings occurring in 2011 included: the 338,276-square-foot lease signed by Volkswagen of America, Inc. at 3800 Hamlin Rd in the North Oakland market; the 210,000-square-foot deal signed by Chrysler Group, LLC at 1075 W Entrance Dr in the North Oakland market; and the 102,000-square-foot lease signed by Deloitte Development LLC at 200 Renaissance Ctr in the Detroit/The Pointes market.

## Sublease Vacancy

The amount of vacant sublease space in the Detroit market decreased to 741,519 square feet by the end of the third quarter 2011, from 756,036 square feet at the end of the second quarter 2011. There was 975,582 square feet vacant at the end of the first quarter 2011 and 907,579 square feet at the end of the fourth quarter 2010.

Detroit's Class-A projects reported vacant sublease space of 284,355 square feet at the end of third quarter 2011, up from the 263,241 square feet reported at the end of the second quarter

2011. There were 462,855 square feet of sublease space vacant at the end of the first quarter 2011, and 340,008 square feet at the end of the fourth quarter 2010.

Class-B projects reported vacant sublease space of 431,290 square feet at the end of the third quarter 2011, up from the 403,754 square feet reported at the end of the second quarter 2011. At the end of the first quarter 2011 there were 429,686 square feet, and at the end of the fourth quarter 2010 there were 480,036 square feet vacant.

Class-C projects reported decreased vacant sublease space from the second quarter 2011 to the third quarter 2011. Sublease vacancy went from 89,041 square feet to 25,874 square feet during that time. There was 83,041 square feet at the end of the first quarter 2011, and 87,535 square feet at the end of the fourth quarter 2010.

Sublease vacancy in Detroit's central business district stood at 52,963 square feet at the end of the third quarter 2011. It was 22,963 square feet at the end of the second quarter 2011, 38,331 square feet at the end of the first quarter 2011, and 40,831 square feet at the end of the fourth quarter 2010.

Sublease vacancy in the suburban markets ended the third quarter 2011 at 688,556 square feet. At the end of the second quarter 2011 sublease vacancy was 733,073 square feet, was 937,251 square feet at the end of the first quarter 2011, and was 866,748 square feet at the end of the fourth quarter 2010.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$18.15 per square foot per year at the end of the third quarter 2011 in the Detroit market area. This represented a 0.2% decrease in quoted rental rates from the end of the second quarter 2011, when rents were reported at \$18.19 per square foot.

The average quoted rate within the Class-A sector was \$21.68 at the end of the third quarter 2011, while Class-B rates stood at \$17.68, and Class-C rates at \$14.87. At the end of the second quarter 2011, Class-A rates were \$21.66 per square foot, Class-B rates were \$17.71, and Class-C rates were \$15.11.

The average quoted asking rental rate in Detroit's CBD was \$19.18 at the end of the third quarter 2011, and \$18.00 in the suburban markets. In the second quarter 2011, quoted rates were \$19.48 in the CBD and \$18.00 in the suburbs.

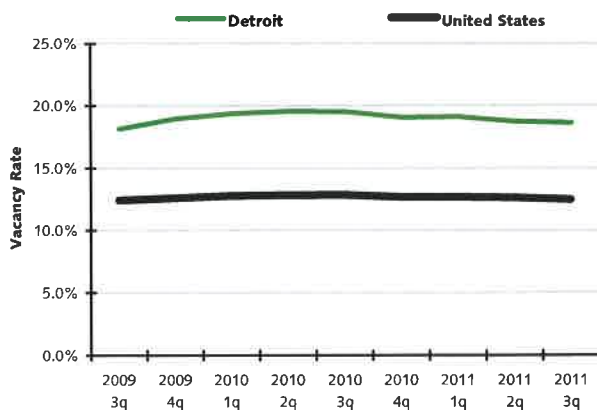
## Deliveries and Construction

During the third quarter 2011, no new space was completed in the Detroit market area. This compares to four buildings totaling 27,962 square feet that were completed in the second quarter 2011, two buildings totaling 40,635 square feet completed in the first quarter 2011, and 213,943 square feet in three buildings completed in the fourth quarter 2010.

There were 80,439 square feet of office space under construction at the end of the third quarter 2011.

## U.S. VACANCY COMPARISON

### Past 9 Quarters



Source: CoStar Property\*

## DETROIT OFFICE MARKET



## OVERVIEW

Some of the notable 2011 deliveries include: 1555 E South Blvd, a 26,865-square-foot facility that delivered in first quarter 2011 and is now 100% occupied, and 205 W Grand River Ave, a 13,770-square-foot building that delivered in first quarter 2011 and is now 100% occupied.

The largest projects underway at the end of third quarter 2011 were 37000 Woodward Ave, a 73,382-square-foot building with 0% of its space pre-leased; 5677 W Fort St, a 55,209-square-foot building with 100% of its space pre-leased, and 10 Witherell which will include 25,230-square-foot of office space that is 0% pre-leased.

### Inventory

Total office inventory in the Detroit market area amounted to 187,863,130 square feet in 8,179 buildings as of the end of the third quarter 2011. The Class-A office sector consisted of 45,499,521 square feet in 205 projects. There were 3,059 Class-B buildings totaling 99,938,612 square feet, and the Class-C sector consisted of 42,424,997 square feet in 4,915 buildings. Within the Office market there were 281 owner-occupied buildings accounting for 19,732,301 square feet of office space.

### Sales Activity

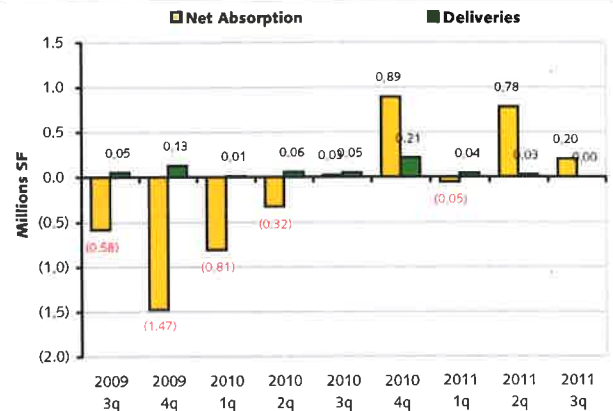
Tallying office building sales of 15,000 square feet or larger, Detroit office sales figures rose during the second quarter 2011 in terms of dollar volume compared to the first quarter of 2011.

In the second quarter, 15 office transactions closed with a total volume of \$41,002,000. The 15 buildings totaled 986,062 square feet and the average price per square foot equated to \$41.58 per square foot. That compares to nine transactions totaling \$32,390,000 in the first quarter 2011. The total square footage in the first quarter was 985,898 square feet for an average price per square foot of \$32.85.

Total office building sales activity in 2011 was down com-

## ABSORPTION & DELIVERIES

### Past 9 Quarters



Source: CoStar Property\*

pared to 2010. In the first six months of 2011, the market saw 24 office sales transactions with a total volume of \$73,392,000. The price per square foot averaged \$37.22. In the same first six months of 2010, the market posted 23 transactions with a total volume of \$176,182,168. The price per square foot averaged \$94.89.

Cap rates have been higher in 2011, averaging 10.48% compared to the same period in 2010 when they averaged 8.92%.

One of the largest transactions that has occurred within the last four quarters in the Detroit market is the sale of 611 Woodward Ave in Detroit. This 505,000-square-foot office building sold for \$16,000,000, or \$31.68 per square foot. The property sold on 4/7/2011.

Reports compiled by: Scott Stephenson and Ryan Munneke CoStar Research Managers.

# DETROIT INDUSTRIAL MARKET



OVERVIEW

## DETROIT'S VACANCY DECREASES TO 12.7% Net Absorption Positive 2,140,669 SF in the Quarter

The Detroit Industrial market ended the third quarter 2011 with a vacancy rate of 12.7%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 2,140,669 square feet in the third quarter. Vacant sublease space decreased in the quarter, ending the quarter at 1,426,458 square feet. Rental rates ended the third quarter at \$4.35, a decrease over the previous quarter. There was 340,000 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall Detroit Industrial market was positive 2,140,669 square feet in the third quarter 2011. That compares to positive 2,410,576 square feet in the second quarter 2011, positive 2,279,781 square feet in the first quarter 2011, and negative (2,948,110) square feet in the fourth quarter 2010.

Tenants moving out of large blocks of space in 2011 include: Continental Plastics moving out of (133,000) square feet at 33525-33545 Groesbeck Hwy, Delphi Automotive Systems LLC moving out of (125,605) square feet at 4872 S Lapeer Rd, and Rockwell Automation moving out of (61,306) square feet at 1849 W Maple Rd.

Tenants moving into large blocks of space in 2011 include: Cabot Street Real Estate LLC moving into 363,756 square feet at Brownstown Business Center, W.F. Whelan Co. moving into 214,978 square feet at 8249 N Haggerty Rd, and Owens & Minor Distribution, Inc. moving into 209,450 square feet at 36663 Van Born Rd.

The Flex building market recorded net absorption of negative (48,748) square feet in the third quarter 2011, compared to positive 528,865 square feet in the second quarter 2011, positive 268,649 in the first quarter 2011, and positive 385,256 in the fourth quarter 2010.

The Warehouse building market recorded net absorption of positive 2,189,417 square feet in the third quarter 2011 compared to positive 1,881,711 square feet in the second quarter 2011, positive 2,011,132 in the first quarter 2011, and negative (3,333,366) in the fourth quarter 2010.

### Vacancy

The Industrial vacancy rate in the Detroit market area decreased to 12.7% at the end of the third quarter 2011. The vacancy rate was 13.1% at the end of the second quarter 2011, 13.6% at the end of the first quarter 2011, and 14.0% at the end of the fourth quarter 2010.

Flex projects reported a vacancy rate of 15.9% at the end of the third quarter 2011, 15.8% at the end of the second quarter 2011, 16.9% at the end of the first quarter 2011, and 17.5% at the end of the fourth quarter 2010.

Warehouse projects reported a vacancy rate of 12.5% at the end of the third quarter 2011, 12.9% at the end of second quarter 2011, 13.3% at the end of the first quarter 2011, and 13.7% at the end of the fourth quarter 2010.

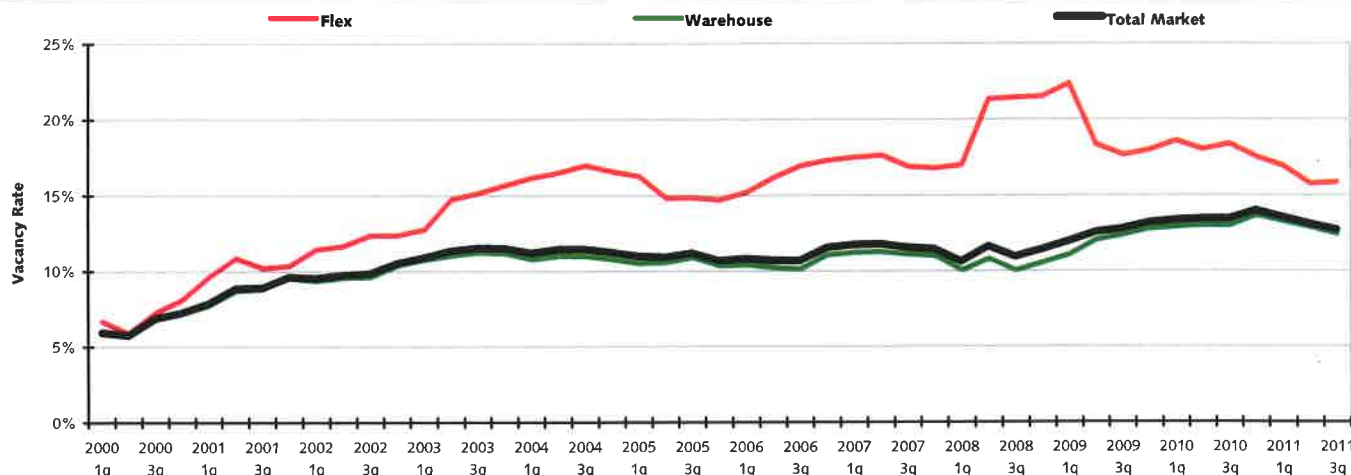
### Largest Lease Signings

The largest lease signings occurring in 2011 included: the 632,281-square-foot lease signed by U.S. Manufacturing Corporation at Warren Tank Plant in the East Area market; the 363,756-square-foot lease signed by Cabot Street Real Estate LLC at Brownstown Business Center - Bldg One in the Downriver market; and the 320,521-square-foot deal signed by MTU Detroit Diesel at Brownstown Business Center - Bldg Seven in the Downriver market.

### Sublease Vacancy

The amount of vacant sublease space in the Detroit market

## VACANCY RATES BY BUILDING TYPE 2000-2011



Source: CoStar Property®



# DETROIT INDUSTRIAL MARKET

## OVERVIEW

decreased to 1,426,458 square feet by the end of the third quarter 2011, from 1,596,590 square feet at the end of the second quarter 2011. There was 1,802,323 square feet vacant at the end of the first quarter 2011 and 1,902,496 square feet at the end of the fourth quarter 2010.

Detroit's Flex projects reported vacant sublease space of 132,980 square feet at the end of third quarter 2011, down from the 141,467 square feet reported at the end of the second quarter 2011. There were 171,103 square feet of sublease space vacant at the end of the first quarter 2011, and 176,690 square feet at the end of the fourth quarter 2010.

Warehouse projects reported decreased vacant sublease space from the second quarter 2011 to the third quarter 2011. Sublease vacancy went from 1,455,123 square feet to 1,293,478 square feet during that time. There was 1,631,220 square feet at the end of the first quarter 2011, and 1,725,806 square feet at the end of the fourth quarter 2010.

### Rental Rates

The average quoted asking rental rate for available Industrial space was \$4.35 per square foot per year at the end of the third quarter 2011 in the Detroit market area. This represented a 0.9% decrease in quoted rental rates from the end of the second quarter 2011, when rents were reported at \$4.39 per square foot.

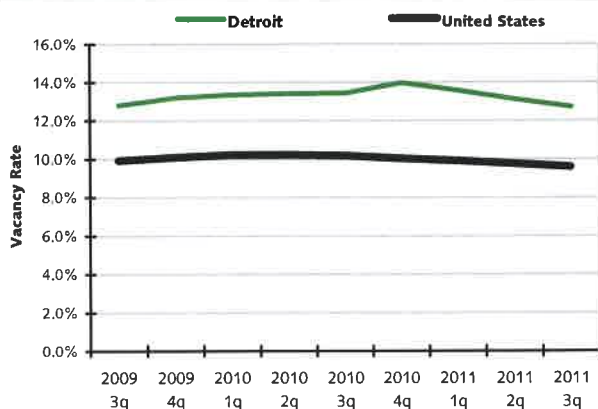
The average quoted rate within the Flex sector was \$8.15 per square foot at the end of the third quarter 2011, while Warehouse rates stood at \$3.98. At the end of the second quarter 2011, Flex rates were \$8.21 per square foot, and Warehouse rates were \$4.01.

### Deliveries and Construction

During the third quarter 2011, no new space was completed in the Detroit market area. This compares to no new space completed in the second quarter 2011, one building totaling 45,000 square feet completed in the first quarter 2011, and 293,000 square feet in two buildings completed in the fourth quarter 2010.

## U.S. VACANCY COMPARISON

### Past 9 Quarters



Source: CoStar Property\*

There were 340,000 square feet of Industrial space under construction at the end of the third quarter 2011.

The only delivery in 2011 has been 45875 Dylan Dr, a 45,000-square-foot facility that delivered in first quarter 2011 and is now 100% occupied.

The largest projects underway at the end of third quarter 2011 were 7200 15 Mile Rd, a 285,000-square-foot building with 88% of its space pre-leased, and 2750 High Meadow Cir, a 55,000-square-foot facility that is 100% pre-leased.

### Inventory

Total Industrial inventory in the Detroit market area amounted to 575,821,429 square feet in 16,462 buildings as of the end of the third quarter 2011. The Flex sector consisted of 45,624,705 square feet in 1,308 projects. The Warehouse sector consisted of 530,196,724 square feet in 15,154 buildings. Within the Industrial market there were 1,450 owner-occupied buildings accounting for 121,863,750 square feet of Industrial space.

### Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Detroit industrial sales figures fell during the second quarter 2011 in terms of dollar volume compared to the first quarter of 2011.

In the second quarter, 32 industrial transactions closed with a total volume of \$36,858,223. The 32 buildings totaled 1,930,679 square feet and the average price per square foot equated to \$19.09 per square foot. That compares to 34 transactions totaling \$70,356,372 in the first quarter. The total square footage was 2,470,843 for an average price per square foot of \$28.47.

Total year-to-date industrial building sales activity in 2011 is up compared to the previous year. In the first six months of 2011, the market saw 66 industrial sales transactions with a total volume of \$107,214,595. The price per square foot has averaged \$24.36 this year. In the first six months of 2010, the market posted 69 transactions with a total volume of \$100,983,539. The price per square foot averaged \$15.54.

Cap rates have been higher in 2011, averaging 11.13%, compared to the first six months of last year when they averaged 9.86%.

One of the largest transactions that has occurred within the last four quarters in the Detroit market is the sale of 1250 Brown Rd in Auburn Hills. This 542,800-square-foot industrial building sold for \$14,200,000, or \$26.16 per square foot. The property sold on 10/4/2010, at a 12.51% cap rate.

Reports compiled by: Scott Stephenson and Ryan Munneke CoStar Research Managers.

# WEST MICHIGAN OFFICE MARKET



OVERVIEW

## WEST MICHIGAN'S VACANCY DECREASES TO 11.8% Net Absorption Positive 369,513 SF in the Quarter

The West Michigan Office market ended the third quarter 2011 with a vacancy rate of 11.8%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 369,513 square feet in the third quarter. Vacant sublease space decreased in the quarter, ending the quarter at 83,492 square feet. Rental rates ended the third quarter at \$12.86, an increase over the previous quarter.

### Absorption

Net absorption for the overall West Michigan office market was positive 369,513 square feet in the third quarter 2011. That compares to positive 154,924 square feet in the second quarter 2011; positive 58,059 square feet in the first quarter 2011, and positive 2,166 square feet in the fourth quarter 2010.

Tenants moving out of large blocks of space in 2011 include: Konica Minolta Graphic Imaging USA moving out of (21,176) square feet at 5800 Foremost Dr; Deloitte Touche Tohmatsu moving out of (20,659) square feet at 333 Bridge St NW; and Financial Advisory Corporation moving out of 9,670 square feet at 660 Cascade West Pky SE.

Tenants moving into large blocks of space in 2011 include: Center for Family Health moving into 54,000 square feet at 505 N Jackson St; Michigan Pain Consultants moving into 15,000 square feet at 2060 E Paris Ave SE; and Embridge Inc. moving into 12,400 square feet at 14998 Old US 27.

The Class-A office market recorded net absorption of positive 747 square feet in the third quarter 2011, compared to negative (2,391) square feet in the second quarter 2011, positive

146,619 in the first quarter 2011, and positive 109,989 in the fourth quarter 2010.

The Class-B office market recorded net absorption of positive 257,602 square feet in the third quarter 2011, compared to positive 116,847 square feet in the second quarter 2011, negative (2,129) in the first quarter 2011, and negative (63,290) in the fourth quarter 2010.

The Class-C office market recorded net absorption of positive 111,164 square feet in the third quarter 2011 compared to positive 40,468 square feet in the second quarter 2011, negative (86,431) in the first quarter 2011, and negative (44,533) in the fourth quarter 2010.

### Vacancy

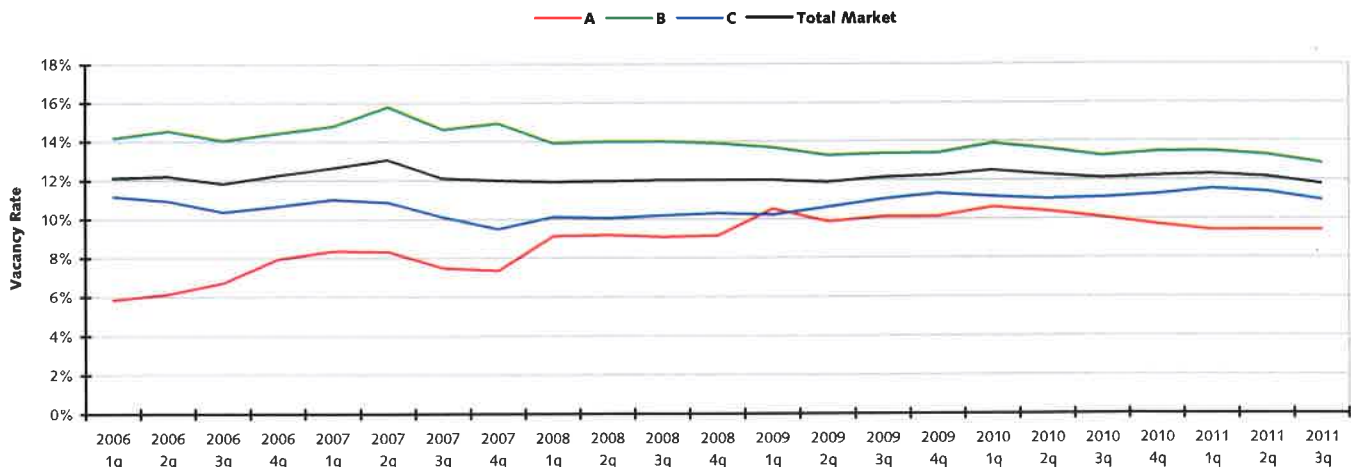
The office vacancy rate in the West Michigan market area decreased to 11.8% at the end of the third quarter 2011. The vacancy rate was 12.2% at the end of the second quarter 2011, 12.3% at the end of the first quarter 2011, and 12.2% at the end of the fourth quarter 2010.

Class-A projects vacancy has remained at 9.5% since the first quarter, 2011 from 9.8% at the end of the fourth quarter 2010.

Class-B projects reported a vacancy rate of 12.9% at the end of the third quarter 2011, 13.3% at the end of the second quarter 2011, 13.5% at the end of the first quarter 2011, and 13.5% at the end of the fourth quarter 2010.

Class-C projects reported a vacancy rate of 11.0% at the end of the third quarter 2011, 11.4% at the end of second quarter

## VACANCY RATES BY CLASS 2006-2011



Source: CoStar Property®



# WEST MICHIGAN OFFICE MARKET

## OVERVIEW

2011, 11.6% at the end of the first quarter 2011, and 11.3% at the end of the fourth quarter 2010.

### Largest Lease Signings

The largest lease signings occurring in 2011 included: the 16,653-square-foot lease signed by Intelligrated at 3033 Orchard Vista Dr SE; the 12,000-square-foot deal signed by Deloitte LLP at 38 Commerce Ave SW; and the 10,005-square-foot lease signed by Fresenius Medical Care at 904 Mall Dr E.

### Sublease Vacancy

The amount of vacant sublease space in the West Michigan market decreased to 83,492 square feet by the end of the third quarter 2011, from 106,856 square feet at the end of the second quarter 2011. There was 107,198 square feet vacant at the end of the first quarter 2011 and 121,368 square feet at the end of the fourth quarter 2010.

West Michigan's Class-A projects reported vacant sublease space of 10,791 square feet at the end of third quarter 2011, same as second quarter 2011. There were 6,121 square feet of sublease space vacant at the end of the first quarter 2011, and 10,791 square feet at the end of the fourth quarter 2010.

Class-B projects reported vacant sublease space of 50,816 square feet at the end of the third quarter 2011, down from the 61,282 square feet reported at the end of the second quarter 2011. At the end of the first quarter 2011 there were 63,710 square feet, and at the end of the fourth quarter 2010 there were 69,389 square feet vacant.

Class-C projects reported decreased vacant sublease space from the second quarter 2011 to the third quarter 2011. Sublease vacancy went from 34,783 square feet to 21,885 square feet during that time. There was 37,367 square feet at the end of the first quarter 2011, and 41,188 square feet at the end of the fourth quarter 2010.

### Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$12.86 per square foot per year at the end of the third quarter 2011 in the West Michigan market area. This represented a 4.1% increase in quoted rental rates from the end of the second quarter 2011, when rents were reported at \$12.35 per square foot.

The average quoted rate within the Class-A sector was \$20.21 at the end of the third quarter 2011, while Class-B rates stood at \$13.75, and Class-C rates at \$9.12. At the end of the second quarter 2011, Class-A rates were \$19.67 per square foot, Class-B rates were \$12.84, and Class-C rates were \$9.42.

### Deliveries and Construction

During the third quarter 2011 no buildings were completed in the West Michigan market area. This compares to one building totaling 54,000 square feet that was completed in the second quarter 2011, one building totaling 134,983 square feet completed in the first quarter 2011, and 117,000 square feet in three buildings completed in the fourth quarter 2010.

There was 50,005 square feet of office space under construction at the end of the third quarter 2011.

Some of the notable 2011 deliveries include: 35 Michigan St, a 134,983-square-foot facility that delivered in first quarter 2011 and is now 97% occupied, and 505 N Jackson St, a 54,000-square-foot building that delivered in the second quarter 2011 and is now 100% occupied.

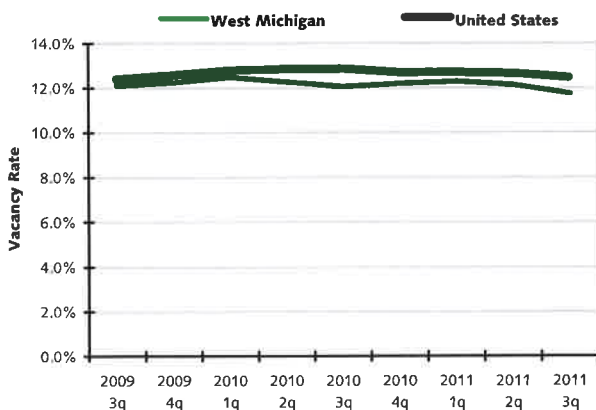
The largest projects underway at the end of third quarter 2011 were the 40,000 square foot addition at 245 Cherry St SE, and 904 Mall Dr E, a 10,005-square-foot facility that is 100% pre-leased.

### Inventory

Total office inventory in the West Michigan market area amounted to 77,102,724 square feet in 5,824 buildings as of the end of the third quarter 2011. The Class-A office sector consisted of 8,525,133 square feet in 76 projects. There were 1,883 Class-B buildings totaling 38,577,261 square feet, and the Class-C sector consisted of 30,000,330 square feet in 3,865 buildings. Within the Office market there were 189 owner-occupied buildings accounting for 7,363,283 square feet of office space.

## U.S. VACANCY COMPARISON

### Past 9 Quarters



Source: CoStar Property\*

Reports compiled by: Ryan Munneke and Scott Stephenson CoStar Research Managers.

WEST MICHIGAN INDUSTRIAL MARKET



OVERVIEW

# WEST MICHIGAN'S VACANCY DECREASES TO 8.3%

## Net Absorption Positive 1,011,058 SF in the Quarter

The West Michigan Industrial market ended the third quarter 2011 with a vacancy rate of 8.3%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,011,058 square feet in the third quarter. Vacant sublease space decreased in the quarter, ending the quarter at 113,835 square feet. Rental rates ended the third quarter at \$3.26, an increase over the previous quarter. A total of one building delivered to the market in the quarter totaling 580,000 square feet, with 200,000 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall West Michigan Industrial market was positive 1,011,058 square feet in the third quarter 2011. That compares to positive 1,473,048 square feet in the second quarter 2011, negative (80,963) square feet in the first quarter 2011, and negative (93,950) square feet in the fourth quarter 2010.

Tenants moving out of large blocks of space in 2011 include: Demmer Corporation moving out of (152,000) square feet at 16325-16352 Felton Rd, Medtronic moving out of (63,250) square feet at 2925 Walkent Ct, and Hascall Steel moving out of (52,000) square feet at 1291 Lincoln Rd.

Tenants moving into large blocks of space in 2011 include: American Storage and Logistics moving into 857,250 square feet at 3800 Eastern Ave, Compact Power Inc. moving into 580,000 square feet at 875 E 48th St, and Undercar Products Group Inc. moving into 212,915 square feet at 4247 Eastern Ave SE.

The Flex building market recorded net absorption of negative (8,907) square feet in the third quarter 2011, compared to

positive 30,033 square feet in the second quarter 2011, positive 31,683 in the first quarter 2011, and negative (43,626) in the fourth quarter 2010.

The Warehouse building market recorded net absorption of positive 1,019,965 square feet in the third quarter 2011 compared to positive 1,443,015 square feet in the second quarter 2011, negative (112,646) in the first quarter 2011, and negative (50,324) in the fourth quarter 2010.

### Vacancy

The Industrial vacancy rate in the West Michigan market area decreased to 8.3% at the end of the third quarter 2011. The vacancy rate was 8.4% at the end of the second quarter 2011, 9.0% at the end of the first quarter 2011, and 9.1% at the end of the fourth quarter 2010.

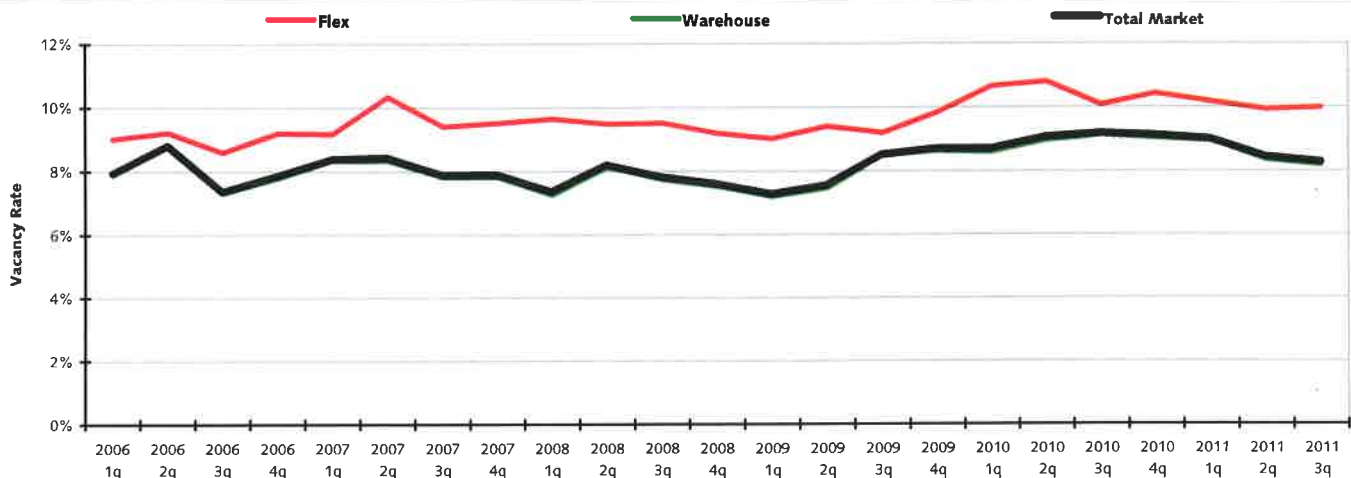
Flex projects reported a vacancy rate of 10.0% at the end of the third quarter 2011, 10.0% at the end of the second quarter 2011, 10.2% at the end of the first quarter 2011, and 10.5% at the end of the fourth quarter 2010.

Warehouse projects reported a vacancy rate of 8.2% at the end of the third quarter 2011, 8.4% at the end of second quarter 2011, 8.9% at the end of the first quarter 2011, and 9.0% at the end of the fourth quarter 2010.

### Largest Lease Signings

The largest lease signings occurring in 2011 included: the 111,750-square-foot lease signed by Scott Group Custom Carpets, Inc. at 3232 Kraft Ave SE in the Kent County market; the 71,425-square-foot renewal signed by Rush Design Group at 3030 Corporate Grove Dr in the Ottawa County market; and the

## VACANCY RATES BY BUILDING TYPE 2006-2011



Source: CoStar Property®



54,317-square-foot lease signed by Multi Packaging at 635-668 E 48th St in the Allegan County market.

**Sublease Vacancy**

The amount of vacant sublease space in the West Michigan market decreased to 113,835 square feet by the end of the third quarter 2011, from 250,450 square feet at the end of the second quarter 2011. There was 266,450 square feet vacant at the end of the first quarter 2011 and 298,450 square feet at the end of the fourth quarter 2010.

West Michigan’s Flex projects reported no vacant sublease space since fourth quarter 2010.

Warehouse projects reported decreased vacant sublease space from the second quarter 2011 to the third quarter 2011. Sublease vacancy went from 250,450 square feet to 113,835 square feet during that time. There was 266,450 square feet at the end of the first quarter 2011, and 298,450 square feet at the end of the fourth quarter 2010.

**Rental Rates**

The average quoted asking rental rate for available Industrial space was \$3.26 per square foot per year at the end of the third quarter 2011 in the West Michigan market area. This represented a 0.6% increase in quoted rental rates from the end of the second quarter 2011, when rents were reported at \$3.24 per square foot.

The average quoted rate within the Flex sector was \$7.48 per square foot at the end of the third quarter 2011, while Warehouse rates stood at \$3.12. At the end of the second quarter

2011, Flex rates were \$7.54 per square foot, and Warehouse rates were \$3.09.

**Deliveries and Construction**

During the third quarter 2011, one building totaling 580,000 square feet were completed in the West Michigan market area. This compares to no buildings completed in the first and second quarter 2011, and 85,000 square feet in one building completed in the fourth quarter 2010.

There were 200,000 square feet of Industrial space under construction at the end of the third quarter 2011.

The only delivery in 2011 has been 875 E 48th St, a 580,000-square-foot facility that delivered in third quarter 2011 and is now 100% occupied.

The only project under construction at the end of third quarter 2011 was Chemetall U.S., Inc., a 200,000-square-foot building with 100% of its space pre-leased.

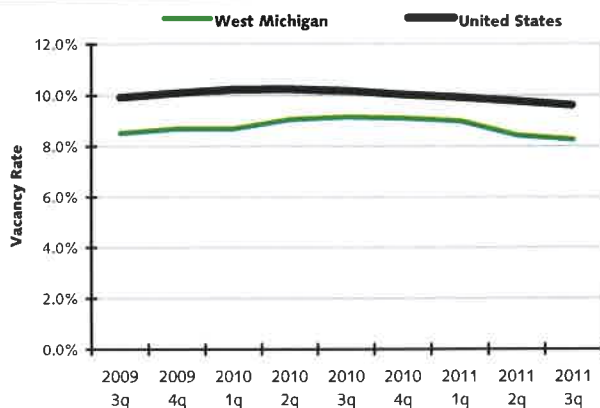
**Inventory**

Total Industrial inventory in the West Michigan market area amounted to 311,615,021 square feet in 8,395 buildings as of the end of the third quarter 2011. The Flex sector consisted of 12,479,759 square feet in 310 projects. The Warehouse sector consisted of 299,135,262 square feet in 8,085 buildings. Within the Industrial market there were 547 owner-occupied buildings accounting for 55,933,479 square feet of Industrial space.

Reports compiled by: Ryan Munneke and Scott Stephenson CoStar Research Managers.

**U.S. VACANCY COMPARISON**

**Past 9 Quarters**



Source: CoStar Property\*