MARKETVIEW
GRAND RAPIDS OFFICE

Grand Rapids Office, Q1 2021

Lease rates continue to rise as 2021 kicks off

Vacancy Rate 8.5%

Availability Rate 9.3%

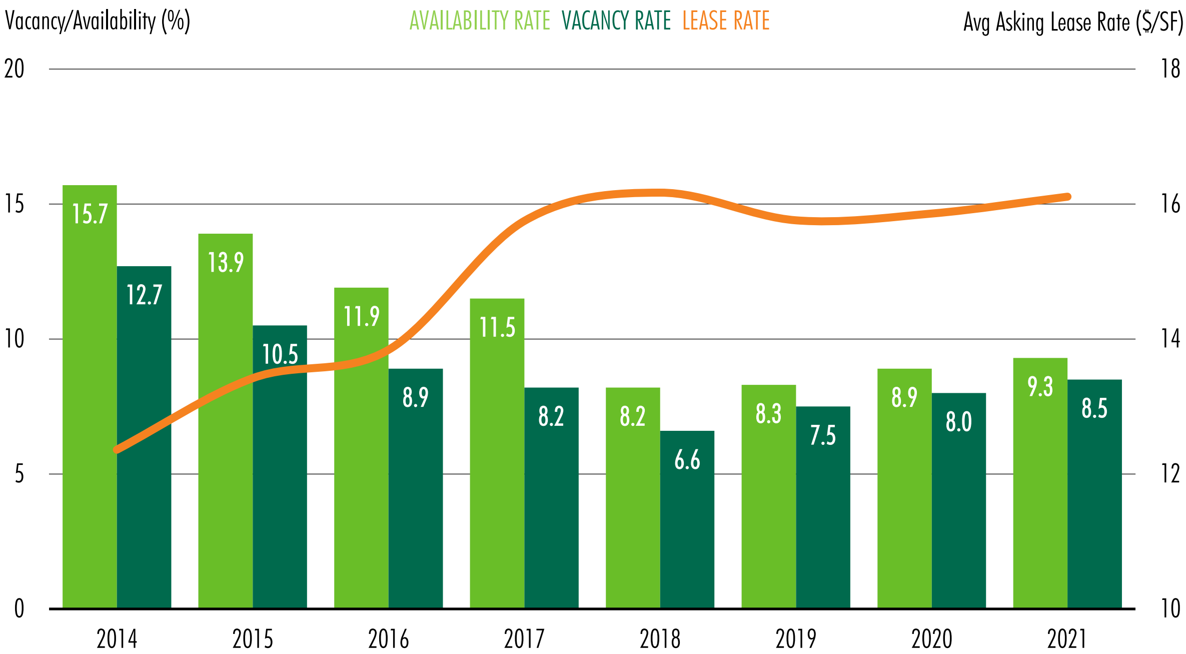
Net Absorption 41,068 SF

Lease Rate $16.11

*Data based on property set of 15,000 SF+ multi-tenant buildings.

*Arrows indicate change from previous quarter

Figure 1: Vacancy and Availability vs Average Asking Lease Rate

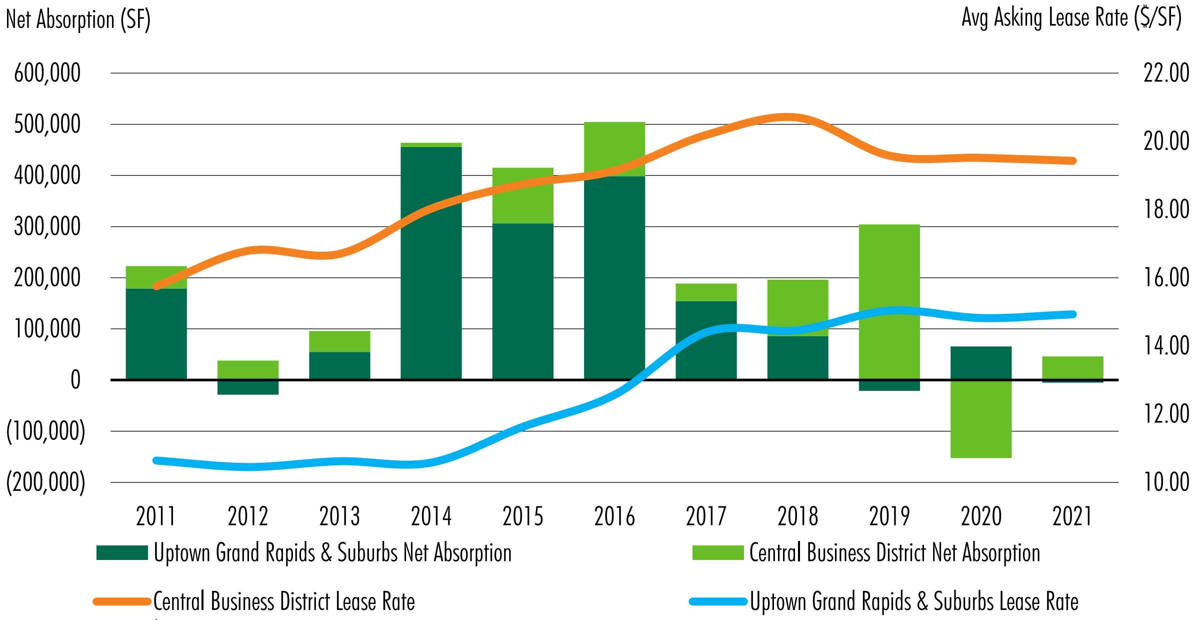


Source: CBRE Research, Q1 2021.

- Since the beginning of 2019, seven office buildings have been delivered in Metro Grand Rapids, leading to 542,503 sq. ft of new space added to the market.
- Over the past five years, vacancy has decreased by 120 basis points, falling from 9.7% to 8.5%, and availability has declined by 380 basis points, from 13.1% to 9.3%.
- Average base asking lease rate increased $0.25 per sq. ft., quarter over quarter.

The Grand Rapids office market posted 41,068 square feet (sq. ft.) of net absorption during Q1 2021. Over the last 12 months, net absorption totalled negative 97,230 sq. ft. Year over year, vacancy increased 110 basis points (bps) to 8.5%, while availability increased 120 bps to 9.3%. Quarter over quarter, vacancy and availability both ticked up but are still below 2016 figures. The average base asking lease rate increased $0.25 per sq. ft., quarter over quarter, to $16.11. During the quarter, one building delivered, adding 100,000 sq. ft. to the market.

Figure 2: Net Absorption & Average Asking Lease Rate



Source: CBRE Research, Q1 2021.

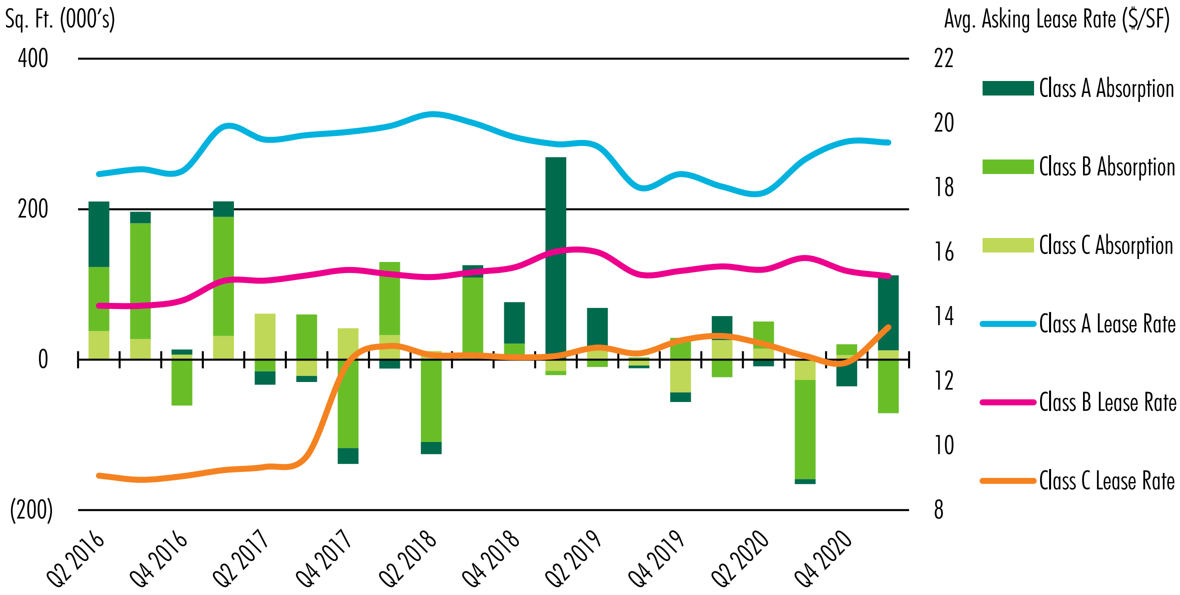
UPTOWN GRAND RAPIDS & SUBURBS

Uptown Grand Rapids and the suburbs posted 5,158 sq. ft. of negative net absorption in Q1 2021. Over the past 12 months, absorption totaled negative 13,430 sq. ft. Quarter over quarter, overall vacancy remained steady at 8.7%, and overall availability increased 10 bps to 9.4%. Average base asking lease rates increased $0.11, from $14.82 to $14.93 per sq. ft., quarter over quarter. The most recent delivery in the suburban market came in Q3 2019.

CENTRAL BUSINESS DISTRICT

The Central Business District posted 46,226 sq. ft. of net absorption in Q1 2021. Over the past 12 months, the CBD saw net absorption of negative 83,800 sq. ft. Year over year, the average base asking lease rate increased $0.62, from $18.81 to $19.43. The average base asking lease rate in the CBD is $4.50 higher than in uptown and the suburbs. One building delivered during the quarter, adding 100,000 sq. ft. of office space to the market.

Figure 3: Net Absorption and Lease Rate by Class



Source: CBRE Research, Q1 2021.

Figure 4: Key Market Statistics by Index and Class

Class	Market Size (SF)	Vacant (SF)	Vacancy Rate (%)	Avail. Rate (%)	Q1 2021 Net Absorption (SF)	2021 Net Absorption (SF)	Base Asking Lease Rate ($/SF/Yr)
Class A	1,476,839	214,442	14.5	18.5	22,653	22,653	18.05
Class B	8,551,304	799,004	9.3	10.0	(69,871)	(69,871)	14.18
Class C	3,027,983	128,233	4.2	4.5	42,060	42,060	12.29
Uptown Grand Rapids & Suburbs Total	13,056,126	1,141,679	8.7	9.7	(5,158)	(5,158)	14.93
Class A	1,694,525	95,093	5.6	6.0	77,061	77,061	22.99
Class B	2,767,964	244,295	8.8	9.8	(1,187)	(1,187)	18.51
Class C	733,181	50,943	6.9	7.6	(29,648)	(29,648)	16.73
Central Business District Total	5,057,438	390,331	7.7	8.5	46,226	46,226	19.43
Class A	3,102,248	309,535	10.0	12.1	99,714	99,714	19.40
Class B	11,319,268	1,043,299	9.2	9.9	(71,058)	(71,058)	15.26
Class C	3,692,048	179,176	4.9	5.2	12,412	12,412	13.67
Total Grand Rapids Market	18,113,564	1,532,010	8.5	9.3	41,068	41,068	16.11

Source: CBRE Research, Q1 2021.

*Data based on property set of 15,000 SF+ multi-tenant buildings.

Figure 5: Key Q1 2021 Transactions

Transaction Type	Tenant / Buyer	Location	Sq. Ft.	Industry
New Lease	Trailer Central	401 Hall St SW, Grand Rapids	6,953	Software Company
New Lease	Forefront Management	2525 E Paris SE, Grand Rapids	6,889	Health Care
New Lease	Lockton Companies	38 SW Commerce Ave, Grand Rapids	6,000	Insurance Brokerage
New Lease	VDA Labs	5020 Beltline Ave NE, Grand Rapids	3,524	Cyber Security

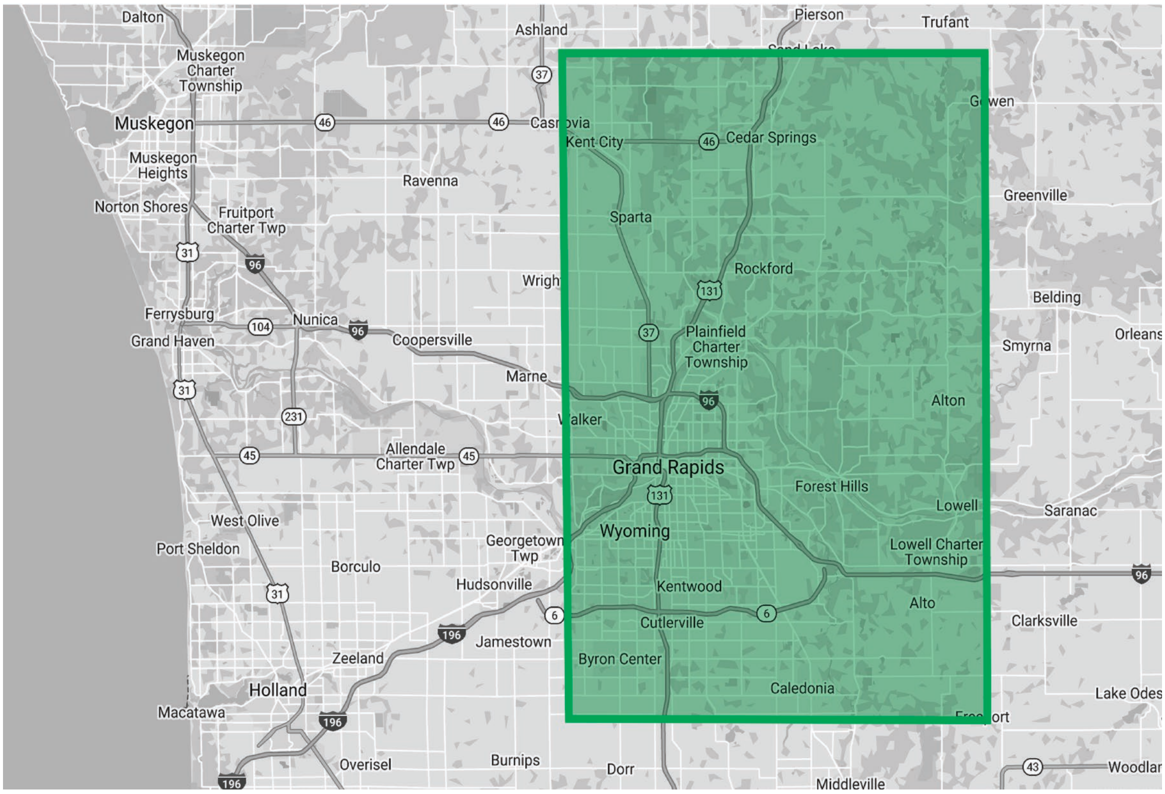
Source: CBRE Research, Q1 2021.

A NOTE ON COVID-19

The outlook for the United States economy is becoming very positive as COVID-19 vaccines are deployed at a rapid pace. At the close of the first quarter over a quarter of Americans have received at least one dose of the vaccine. The rate of daily vaccinations has accelerated to 2.5 million, making societal and economic normalization possible by mid-year.

A reopening of the economy would support near 7% GDP growth this year—the strongest pace seen since the early 1980s. This expansion is poised to be broad-based, with personal consumption being a critical factor. Indeed, consumers, particularly high earners, have plenty of 'dry powder' in the form of elevated savings accrued during the pandemic. This will be paired with over $800 billion of transfer payments to low and middle-income households via the American Recovery Plan.

As social distancing measures subside much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 30% below pre-COVID levels, compared to 5% for total employment (excluding leisure and hospitality). Overall, we think the U.S. economy will create upward of 7 million total new jobs in 2021. This burst of activity will push inflation above the Federal Reserve's traditional 2% target but this is likely to be transitory as 18 million workers remain on the sidelines and the wall of fiscal stimulus represents a one-time jolt rather than a constant flow of dollars.



CONTACTS

RYAN WALLACE
Field Research Analyst
+1 248 936 6854
Ryan.Wallace@cbre.com

PAUL VAN DEVENDER
Managing Director
+1 248 351 2030
Paul.VanDevender@cbre.com

CBRE OFFICES

Southfield
2000 Town Center, Suite 2200
Southfield, MI 48075
+1 248 353 5400

Detroit
400 Renaissance Center, Suite 2500
Detroit, MI 48243

Grand Rapids
940 Monroe Ave NW, Suite G154
Grand Rapids, MI 49503