Office Market Trends West Michigan

Grubb & Ellis|Paramount Research

FIrst Quarter 2005

Grubb&Ellis® | Paramount
Property Solutions Worldwide

Leasing Activity Picks Up

Executive Summary

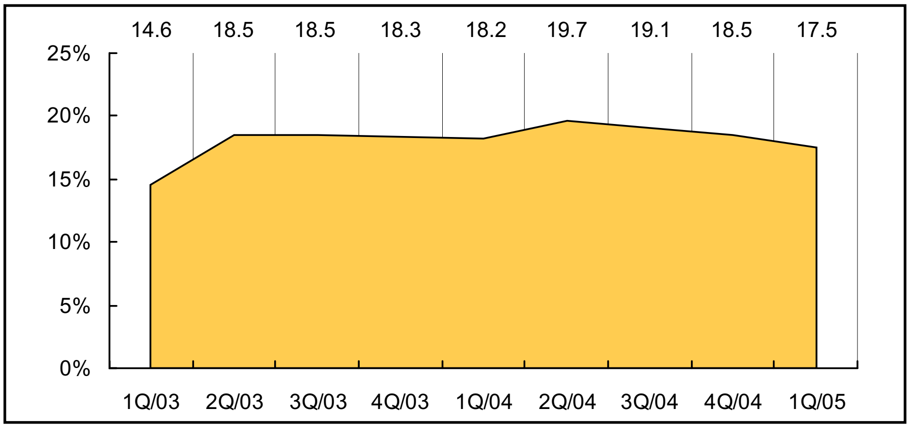
The fourth quarter of 2004 and first quarter of 2005 show signs of improvement of what was once considered an ailing office market. West Michigan office vacancies have moved in the last year from 18.2 percent to 17.5 percent. Office property ownership is still feeling the effect of a decline in rents as they compete to fill vacancies and keep existing tenants. Landlords remain optimistic that tighter office markets will prevail in the year ahead. In turn, this will lead to fewer rental concession offers. Higher than usual vacancies in all submarkets still make it economical for tenants to shop around or to renegotiate existing lease contracts.

"Over the past several years, low occupancy rates and high tenant incentives have made the office sector in West Michigan seem sluggish at best. Building owners and landlords are only now beginning to see the upturn"

Bill Bowling, SIOR, Chairman

The Grand Rapids Central Business District (CBD) has seen little change in tenant behavior from previous quarters. The increase in activity for new tenants has been among smaller, service-type companies entering the CBD, while renewals from older tenants have helped to improve the market. There continues to be a trend of office space being converted into residential condos. The East Paris submarket remains competitive, attracting a variety of businesses while maintaining one of the lowest vacancy rates in the area. New space in the East Beltline submarket has pushed vacancy rates up. New ownership and reinvestment in Centennial Park properties has affected vacancy and absorption.

Current expectations indicate that the office market will show steady progress marked by decreased vacancy rates and increased absorption through 2005.



Office Vacancy Rate*

** All Classes of Space*

West Michigan Office Market Trends
is a newsletter published quarterly by Grubb & Ellis|Paramount. To obtain additional copies or other Grubb & Ellis|Paramount publications, please contact:

Richelle Power
Research Analyst
E-mail: richelle.power@paramountprop.com

Grubb & Ellis|Paramount
300 Ottawa NW,
Suite 400
Grand Rapids, MI 49503
Phone: 616.774.3500
Internet: www.paramountprop.com
www.focusproperties.com

Independently Owned and Operated

Grubb & Ellis Knight Frank Global

Office Market Snapshot West Michigan First Quarter 2005

By Submarket (All Classes)	Total SF	Vacant SF	Vacant %	Net Absorption Current	Net Absorption Year-to-date	Under Construction	Asking Rent Class A	Asking Rent Class B
Airport Area	1,033,095	142,742	13.8%	(1,489)	(1,489)	-	$20.95	$14.34
Burton/Breton	533,691	63,096	11.8%	(14,271)	(14,271)	-	$17.59	$16.24
Cascade	1,366,297	197,460	14.5%	(11,342)	(11,342)	-	$20.56	$17.10
Centennial Park	1,573,629	461,180	29.3%	55,463	55,463	-	$19.50	$17.48
Downtown	6,063,536	1,006,895	16.6%	206,925	206,925	-	$18.58	$15.49
E. Beltline Corridor	821,346	223,626	27.2%	23,738	23,738	34,800	$19.23	$17.42
E. Paris Corridor	1,099,711	125,233	11.4%	(10,227)	(10,227)	-	$19.22	$17.17
Northeast Misc.	415,081	42,064	10.1%	53,182	53,182	-	$17.13	$16.38
Northwest Misc.	724,869	161,404	22.3%	7,045	7,045	-	$16.78	$16.13
Southeast Misc.	843,177	132,900	15.8%	33,967	33,967	-	-	$15.44
Southwest Misc.	893,659	132,042	14.8%	1,848	1,848	16,000	$15.25	$15.23
Suburban	**9,304,555**	**1,681,747**	**18.1%**	**137,914**	**137,914**	**50,800**	**$18.71**	**$16.47**
CBD	**6,063,536**	**1,006,895**	**16.6%**	**206,925**	**206,925**	**-**	**$18.58**	**$15.49**
Totals	**15,368,091**	**2,688,642**	**17.5%**	**344,839**	**344,839**	**50,800**	**$18.62**	**$16.07**

By Class (All Submarkets)	Total SF	Vacant SF	Vacant %	Net Absorption Current	Net Absorption Year-to-date	Under Construction	Available for Sublease CBD	Available for Sublease Suburban
Class A	3,879,897	509,319	13.1%	98,106	98,106	50,800	12,506	31,229
Class B	7,928,902	1,660,981	20.9%	3,635	3,635	-	15,916	1,933
Class C	3,559,292	518,342	14.6%	243,098	243,098	-	-	25,000
Totals	**15,368,091**	**2,688,642**	**17.5%**	**344,839**	**344,839**	**50,800**	**28,422**	**58,162**

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 (occupied by owner) 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 tentants 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 and Grubb & Ellis|Focus Properties are pleased to announce that they represented the following companies in office transactions during the first quarter of 2005:

Sale
Centennial Park
3033 Orchard Vista
80,000 SF Office
Bill Bowling, SIOR
Scott Morgan, JD, SIOR

Sale
Hackley Hospital
6473 Harvey St.
68,000 SF Office/30 Acres
Tom DeBoer, SIOR, CCIM
Bill Bussey, CCIM

Sale
Arboretum Building
1453 Arboretum Dr.
10,000 SF
Jami Buth
Scott Morgan, JD, SIOR

Lease
National City Bank
Muskegon
715 Terrace St.
8,500 SF
Tom DeBoer, SIOR, CCIM

Grubb & Ellis | Paramount
Property Solutions Worldwide