

Office Market Trends Southwest Michigan

Grubb & Ellis|Paramount Commerce Research

First Quarter 2008



In "A" Class by Itself

Executive Summary

The overall office market in the first quarter of 2008 had over 20,000 square feet of positive absorption, which was primarily due to the completion of the Miller-Canfield Building in the central business district (CBD), currently 72 percent occupied. Growth has been slow but steady in Kalamazoo and Battle Creek due to new developments, renovations and redevelopment projects which are keeping landlords competitive in their lease rates and incentive packages.

"Class "A" office space in Kalamazoo and Portage has seen the most activity."

*Jodi Milks, CCIM
Managing Director*

In our first report for downtown Battle Creek, the first quarter of 2008 had a vacancy rate of 25.4 percent. Of this vacancy, 71 percent is comprised of 157,000 square feet of vacancy in the Heritage Tower, a 123,000 square feet building, and the Battle Creek Tower, a 184,000 square feet building.

The Kalamazoo CBD vacancy rate increased to 18.7 percent in the first quarter of 2008 from 17 percent at year-end 2007. This is mainly due to the completion of the Miller-Canfield Building, which added 64,000 square feet of Class "A" office space, of which 18,000 square feet is currently available. Most of the activity in the CBD was attributed to the relocation of local businesses. Greenleaf Trust relocated their headquarters to Rose Street, and CSM Group absorbed their space in the Radisson Hotel.

Since quarter of 2007, the Portage vacancy rates have remained constant at 45 percent even with 19,000 square feet absorbed at the Trade Centre II building. By year-end 2008, Trade Centre II is expected to be 85 percent occupied, due to strong demands for Class "A" office space. As a result, we expect continued lateral movement and competitive lease rates through 2008 for all reported markets.

Southwest Michigan Office Market Trends

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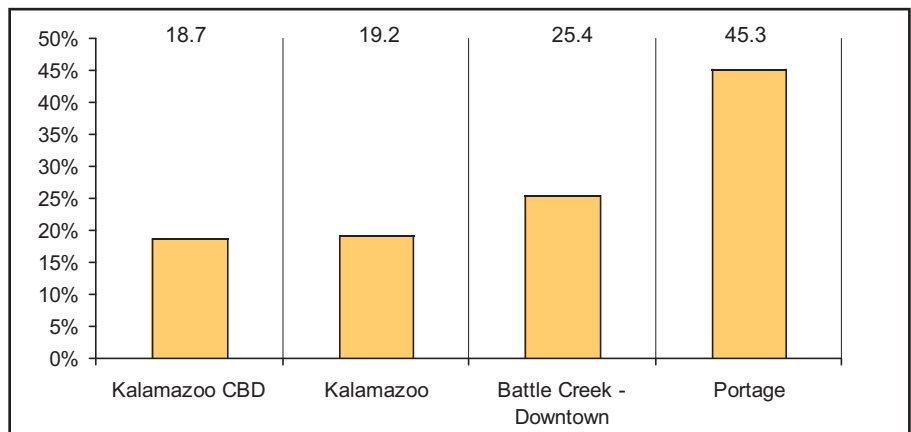
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Vacancy Rate by Sub-Market*

* All Classes of Space

Office Market Snapshot Southwest Michigan First Quarter 2008

| By Submarket (All Classes) | Total (1) | Vacant (2) | Vacant % | Net Absorption | | Under Const. (3) | Asking Rent (4) | |
|--------------------------------------|------------------|------------------|--------------|----------------|---------------|------------------|-------------------------------|-----------------|
| | SF | SF | | Current Qtr | Year To Date | SF | Class A | Class B |
| Kalamazoo CBD | 1,903,476 | 356,630 | 18.7% | 28,803 | 28,803 | - | \$18.02 | \$14.91 |
| CBD Total | 1,903,476 | 356,630 | 18.7% | 28,803 | 28,803 | - | \$18.02 | \$14.91 |
| Battle Creek - Downtown | 866,955 | 220,286 | 25.4% | 48,005 | 48,005 | - | \$12.01 | \$10.22 |
| Kalamazoo | 846,841 | 162,511 | 19.2% | 2,271 | 2,271 | - | \$17.73 | \$16.30 |
| Portage | 2,276,448 | 1,030,856 | 45.3% | 13,347 | 13,347 | - | \$17.02 | \$13.77 |
| Suburban Total | 3,990,244 | 1,413,653 | 35.4% | 63,623 | 63,623 | - | \$15.18 | \$13.82 |
| Totals | 5,893,720 | 1,770,283 | 30.0% | 92,426 | 92,426 | - | \$15.90 | \$14.27 |
| By Class (All Submarkets) | | | | | | | Available for Sublease | |
| | | | | | | | CBD | Suburban |
| Class A | 2,399,937 | 838,916 | 35.0% | 109,505 | 109,505 | - | - | - |
| Class B | 2,759,546 | 799,239 | 29.0% | (19,189) | (19,189) | - | - | 9,806 |
| Class C | 734,237 | 132,128 | 18.0% | 2,110 | 2,110 | - | - | - |
| Totals | 5,893,720 | 1,770,283 | 30.0% | 92,426 | 92,426 | - | - | 9,806 |

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

Office Market Terms and Definitions

Inventory: Office inventory includes all multi-tenant and single tenant buildings with a minimum size threshold of 5,000 square feet. Owner-occupied, government, and medical 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 tenants 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 Commerce is pleased to announce that they represented the following companies in office transactions during the 1st quarter of 2008:

**Former Fifth Third
Bank Building**
Sale
1,779 SF
Jodi Milks, CCIM

**Northwestern Mutual
Financial Network**
Lease
2,698 SF
Jodi Milks, CCIM

GlobeFunder
Lease
2,500 SF
Jodi Milks, CCIM