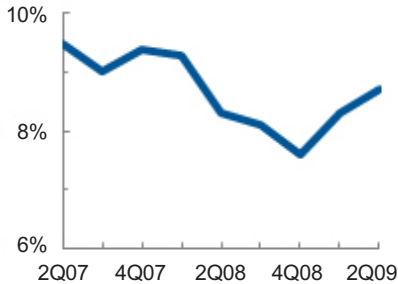


Industrial Trends Report—Second Quarter 2009

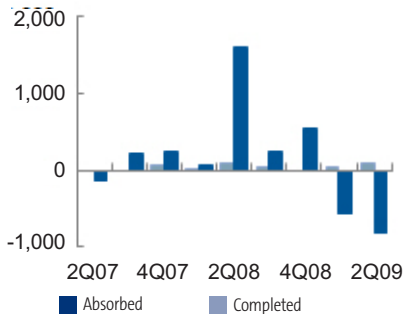
Grand Rapids, MI



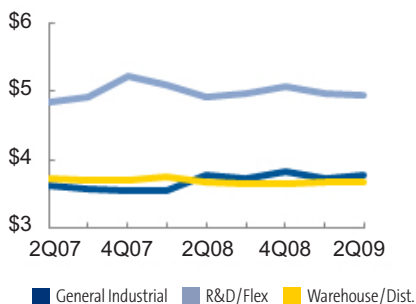
Vacancy Rate
Quarterly



Completions vs. Absorption
Quarterly (in Thousands of SF)



Asking Rental Rates
Quarterly (\$/SF/Yr. Triple Net)



As the recession continues, the weakening of the Grand Rapids industrial market increased its pace.

During the second quarter of 2009, the Grand Rapids industrial market accelerated its trend of increasing vacancy. The overall vacancy rate increased from 8.3 percent in the first quarter to 8.7 percent at mid-year. The increase in vacancy from year-end is mainly attributable to additional vacancies in warehouse/distribution buildings which lost occupancy at a rate seven times faster than that of general industrial buildings. As a result, there were nearly 900,000 square feet of negative absorption during the second quarter of 2009, and over 1.4 million square feet of negative absorption year to date. The majority of the industrial vacancy in Grand Rapids came from automotive suppliers feeling the effects of the production shutdowns and bankruptcies of the domestic automakers.

Leasing and sale activity picked up slightly during the second quarter of 2009. There were 10 reported sales and 27 reported leases during the second quarter compared to eight reported sales and 14 reported leases during the first quarter. While there was an increase in activity, sale prices and lease rates continued to decrease to near historic lows. Interestingly, asking rental rates have remained steady over the last year but effective rates have continued to decrease. Many tenants are downsizing and renegotiating their leases while landlords are faced with the decision to either have a tenant paying lower rent or to have no tenant at all.

For the first time since Grubb & Ellis|Paramount Commerce started publishing quarterly market trends over 10 years ago, there are no new industrial buildings that currently meet the definition of “under construction.” This anomaly illustrates the lack of confidence in the market on the part of users and investors as well as how little credit has been available to users and developers during the first half of 2009. A major factor in the lack of new construction has been loan-to-value ratios based on appraisals. While the cost of construction has decreased somewhat during the recession, market prices of the existing buildings that have sold have plummeted during the first half of 2009. As a result, lenders are requiring substantially more equity on new construction projects to compensate between actual construction costs and market value upon completion. While the complete lack of new construction activity will not continue for long, it will be many quarters before new construction returns to a reasonable level.

FORECAST

- Sale and lease prices will continue to be depressed as more bank-owned property comes on the market and landlords undercut each other for occupancy.
- Grand Rapids’ single largest industrial building, the 2.1 million square foot General Motors stamping plant on 36th Street SE is not yet technically vacant, but if and when it does come on the market, it will increase market vacancy by 184 basis points.

Grubb & Ellis|Paramount Commerce
300 Ottawa Avenue NW, Suite 400
Grand Rapids, MI 49503
www.gepc.com

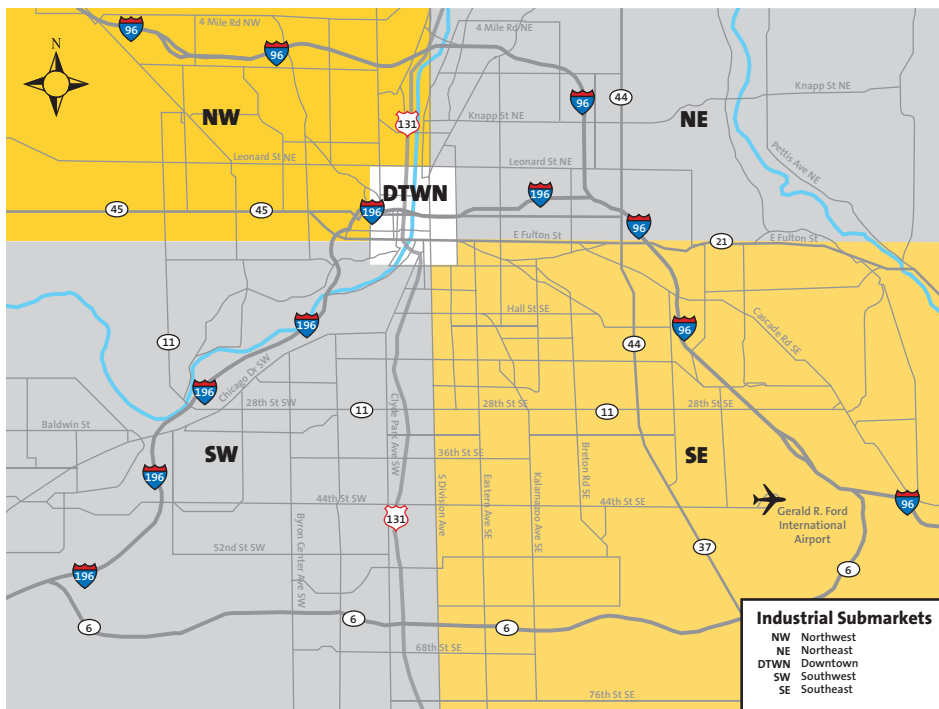
Prepared by:
Gary Albrecht *Research Analyst*
616.242.5171 • gary.albrecht@gepc.com

Industrial Trends Report—Second Quarter 2009

Grand Rapids, MI

By Submarket	Total SF	Vacant SF	Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current	Year to Date		WH/Dist	R&D/Flex
Downtown	12,819,057	429,876	3.4%	(3,190)	(44,126)	-	\$3.34	-
Northeast	5,701,720	327,540	5.7%	-	(49,264)	-	-	\$4.66
Northwest	16,227,677	1,965,531	12.1%	(169,332)	(717,899)	-	\$3.07	-
Southeast	49,528,967	4,876,906	9.8%	(509,548)	(517,134)	-	\$3.26	\$4.30
Southwest	29,926,642	2,351,299	7.9%	(204,434)	(133,034)	-	\$3.10	\$4.56
Totals	114,204,063	9,951,152	8.7%	(886,504)	(1,461,457)	-	\$3.18	\$4.44

By Property Type	Total SF	Vacant SF	Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current	Year to Date		WH/Dist	R&D/Flex
General Industrial	88,067,310	6,501,691	7.4%	(664,414)	(598,156)	-	\$3.26	-
Incubator	375,828	22,000	5.9%	(9,000)	(1,000)	-	\$7.25	-
R&D/Flex	3,887,287	411,404	10.6%	(16,837)	(3,001)	-	\$4.44	-
Warehouse/Distribution	21,873,638	3,016,057	13.8%	(196,253)	(859,300)	-	\$3.18	-
Totals	114,204,063	9,951,152	8.7%	(886,504)	(1,461,457)	-	\$3.32	-



Grubb & Ellis - Grand Rapids Industrial Real Estate Advisors

Matt Abraham

Industrial Advisor

616.560.4543

matt.abraham@gepc.com

Randy Bronkema, SIOR, CCIM

Industrial Advisor

616.450.9092

randy.bronkema@gepc.com

John Kuiper, SIOR, CCIM

Vice President, Industrial Advisor

616.901.3500

john.kuiper@gepc.com

Steve Marcusse, CCIM

Vice President, Industrial Advisor

616.450.1669

steve.marcusse@gepc.com

Duke Suwyn, SIOR, CCIM

President & CEO, Industrial Advisor

616.581.7777

duke.suwyn@gepc.com

INDUSTRIAL TERMS AND DEFINITIONS

Inventory: Industrial inventory includes all multi-tenant, single tenant and owner-occupied buildings at least 20,000 square feet.

Industrial Product Types: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and in-

cludes direct and sublease vacant. 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 in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and

common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighted by the amount of available space in the building.

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