

Grubb & Ellis|Paramount Commerce Kalamazoo Office Group

Collectively, our staff of professionals offers more than four decades of *local* experience spanning everything from global transactions to regional site expansions. In fact, all of our Advisors and staff members are long-time area residents, devoted to the community's growth and strength both on the job and outside of the office.

Our team includes former corporate and executive - level real estate professionals, seasoned brokers and retail entrepreneurs. We take pride in understanding the needs of our clients, whether they are first-time buyers of commercial property, corporate real estate executives or owners of a multi-national or regional business.

The Grubb & Ellis|Paramount Commerce team brings extensive experience in all facets of commercial real estate, from Industrial and Retail properties to Office, Land and Investment transactions.

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Ranked #1 Commercial Real Estate Agency by West Michigan Business Review, 2004, 2005, & 2006. Ranked #1 Top Area Commercial Real Estate Brokers by Grand Rapids Business Journal, 2006

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LOCAL PRESENCE GLOBAL REACH

Office Market Trends Southwest Michigan

Grubb & Ellis|Paramount Commerce Research
 Third Quarter 2006



Holding Steady

Executive Summary

The perpetually increasing vacancy that has plagued the Kalamazoo office market seems to be slowly leveling off as the end of 2006 approaches. Slight absorption was noted in the Portage office market in the third quarter, coupled with a vacancy increase of only fifty basis points since the first of the year.

New construction of class "A" office space is an emerging trend in the area. The Portage submarket will see the completion of the second Trade Center project by the end of the year, and the Central Business District (CBD) is taking note of major construction and redevelopment ventures which are scheduled to begin in the next several months. The former Park Building was razed this summer to make way for a mixed use project; the renovated United Electric building will soon house a combination of retail and office space; and the Depot buildings at the corners of Michigan and Water Streets hope to attract office users to the downtown area. All of this new construction and upgraded space will certainly challenge current owners of buildings that now, or will soon, contain vacant space.

Asking rental rates have not been impacted by the market's vacancy, as they seem to remain in-line with the national average. Landlords are, however, aggressively going after tenants by offering incentives such as free rent and space improvements. Most users still seem to be interested in owning their own space, but leasing will become popular again as interest rates rise.

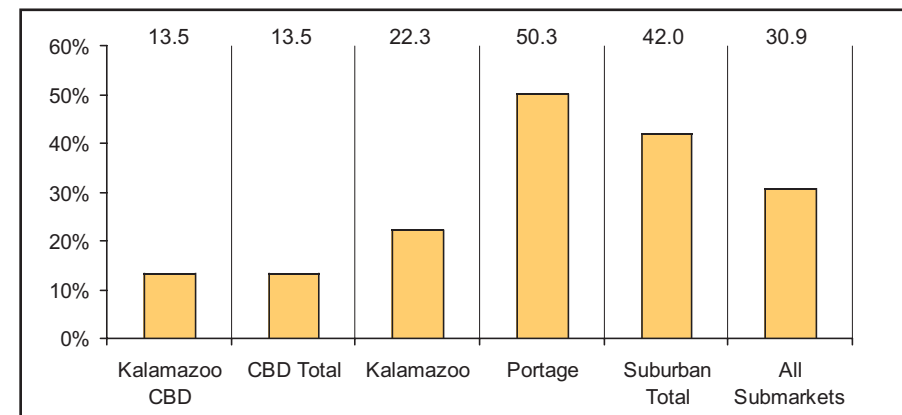
"To improve occupancy in our market, it is crucial for landlords and tenants alike to stay the course and remain steadfast."

Anne Summerfield, CCIM

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

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Vacancy Rate by Sub-Market*

* All Classes of Space

Office Market Snapshot Southwest Michigan Third Quarter 2006

By Submarket (All Classes)	Total SF	Vacant SF	Vacant %	Net Absorption		Under Construction	Asking Rent	
				Current	Year-to-date		Class A	Class B
Downtown	1,698,917	226,731	13.5%	3,540	(10,031)	-	\$16.69	\$14.98
Kalamazoo	789,098	176,120	22.3%	(8,419)	(29,229)	-	\$15.70	\$14.00
Portage**	1,855,310	933,828	50.3%	11,639	36,521	-	\$18.25	\$13.69
Suburban	2,644,408	1,109,948	42.0%	3,220	7,292	-	\$17.39	\$13.80
CBD	1,618,917	213,444	13.5%	3,540	(10,031)	-	\$16.69	\$14.98
Totals	4,323,325	1,336,679	30.9%	6,760	(2,739)	-	\$17.21	\$14.32

By Class (All Submarkets)	Total SF	Vacant SF	Vacant %	Current	Year-to-date	Under Construction	Available for Sublease	
							CBD	Suburban
Class A	1,562,829	605,270	38.7%	6,090	19,405	-	-	-
Class B	2,241,544	618,650	27.6%	5,772	(5,536)	-	-	-
Class C	513,384	112,759	22.0%	(5,102)	(16,608)	-	-	-
Medical	5,568	-	-	-	-	-	-	-
Totals	4,323,325	1,336,679	30.9%	6,760	(2,739)	-	-	-

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

** 1901 Romence (Quads Complex) and 7000 Portage (Building 298) account for 81.4% of this market's vacancy.

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 (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.

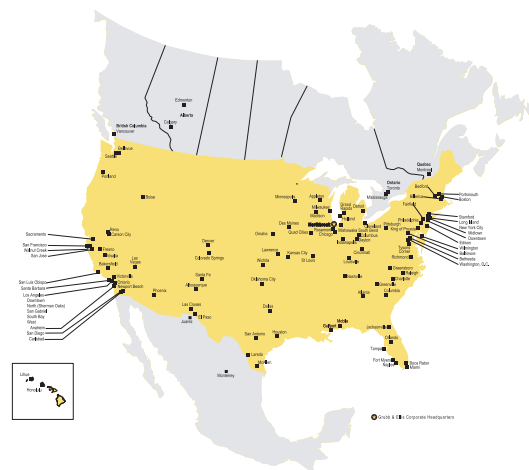
Office Building Classifications: Grubb & Ellis adheres to BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above the average for the area. . . . Class B properties compete for a wide range of users with rents in the average range for the area. . . . Class C buildings compete for 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.



Featured Properties

Comerica Building - 151 S. Rose



- 112,000 Total SF
- 10,650 Available SF
- Multiple Suites
- Lease Price: \$15.50/SF
- Anne Summerfield, CCIM
- Dave Kuepfer

Peregrine Towers - 336 S. Kalamazoo Mall



- 30,000 Total SF
- 10,000 Available SF
- Lease Price: \$14.95/SF
- Anne Summerfield, CCIM

Michigan Building - 162 E. Michigan Ave.



- 40,000 Total SF
- 24,600 Available SF
- Multiple Suites
- Lease Price: \$9.68 - \$10.50/SF
- Anne Summerfield, CCIM
- Dave Kuepfer

Crosstown Plaza - 555 W. Crosstown Pkwy.



- 51,646 Total SF
- 10,808 Available SF
- Multiple Suites
- Lease Price: \$12.00/SF
- Anne Summerfield, CCIM

Commerce Pointe - 77 E. Michigan



- 26,300 Total SF
- 2,394 Available SF
- Multiple Suites
- Lease Price: \$10.00/SF
- Bob Deal

Arcadia Building - 245 - 251 N. Rose St.



- 105,000 Total SF
- 32,907 Available SF
- Multiple Suites
- Lease Price: \$17.50/SF
- Anne Summerfield, CCIM

Walnut Woods - 5945-5985 W. Main Ave.



- 22,744 Total SF
- 9,663 Available SF
- Multiple Suites
- Lease Price: \$14.50 - \$16.95/SF
- Anne Summerfield, CCIM

West Pointe Centre - 890-1090 N. 10th



- 40,704 Total SF
- 17,818 Available SF
- Multiple Suites
- Lease Price: \$16.95/SF
- Anne Summerfield, CCIM

Health Park - 2845 Capital Ave. SW



- 37,869 Total SF
- 10,488 Available SF
- Multiple Suites
- Lease Price: \$14.50/SF
- Anne Summerfield, CCIM

Kalamazoo - 1827 S. Westnedge



- 1,728 Total SF
- 1,728 Available SF
- Lease Price: \$12.00/SF, NNN
- Sale Price: \$199,000
- Jodi Milks, CCIM

BC Reprographics - 4600 W. Dickman Rd.



- 7,700 Total SF
- 6,500 Available SF
- Lease Price: \$8.00 - \$10.00/SF
- Bob Deal

CSM Building - 13800 E. Michigan Ave.



- 9,130 Total SF
- 9,130 Available SF
- Sale Price: \$1,200,000
- Jodi Milks, CCIM
- Anne Summerfield, CCIM

Portage - 121 Boston Ave.



- 926 Total SF
- 926 Available SF
- Sale Price: \$12.96/SF
- Jodi Milks, CCIM

Bethany Christian Services - 919 E. Michigan Ave.



- 5,803 Total SF
- 5,803 Available SF
- Sale Price: \$299,000
- Dave Kuepfer