

Retail Market Trends West Michigan

Grubb & Ellis|Paramount Commerce Research

Third Quarter 2007



Finishing Strong

"Retail in West Michigan is expected to get a big shot in the arm in 2008 with the construction of Cabela's in Walker and groundbreaking of the lifestyle center on the beltline."

*Mike Murray, CCIM
Vice President*

Executive Summary

As we near the end of 2007, the West Michigan Retail market has recovered from a quiet first half of the year. Overall vacancy rates peaked at 7.8 percent in the third quarter, which is a slight improvement from 8.1 percent in the second quarter. Without the vacant 150,000 square foot Rogers Department Store, the overall vacancy rate would decrease to 6.9 percent. The third quarter witnessed over 20,000 square feet of positive absorption where nearly all was attributed to the 28th Street Southwest submarket.

The West Michigan retail market continues to be the dominant commercial real estate sector in the area. During the first half of 2007, leasing of inline space was slow, however, we have already seen an increase of inline space leasing in the second half of 2007. Interest in the East Beltline remains strong while we still await the delayed new lifestyle center at East Beltline and 3 Mile road. We hope to hear of progress on the development by the end of 2007. Rivertown Parkway continues to be one of the most desirable submarkets in West Michigan due to its accessibility and high visibility. It boasts one of the lowest vacancy rates of 4.4 percent with very healthy rental rates. In addition, development along Rivertown Parkway continues with almost 30,000 square feet under construction.

There has been a lot of attention on the Cabela's site in Walker, which gained traction during the third quarter. As details are worked out, other national and local retailers are looking at it as a place to expand and/or enter this market. We expect the remainder of 2007 to be strong for the West Michigan retail market and enter 2008 with a bang.

West Michigan Retail Market Trends

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Retail Market Snapshot West Michigan Third Quarter 2007

By Submarket (All Property Types)	Total (1)	Vacant (2)		Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF	Vacant %	Current Qtr	Year To Date	SF	Neighborhood	Power
28th Street Southeast	6,843,339	393,387	5.7%	(303)	3,674	9,612	\$23.15	\$16.40
28th Street Southwest	1,808,688	366,492	20.3%	20,365	(75,572)	-	-	-
Alpine Ave	2,633,194	127,332	4.8%	(655)	10,095	12,500	-	\$15.00
E. Beltline	519,838	20,778	4.0%	-	15,298	20,400	\$14.23	-
Plainfield/Northland Dr	2,095,744	269,254	12.8%	1,353	19,969	-	\$8.97	-
Rivertown Parkway	2,924,468	128,164	4.4%	-	(4,700)	28,777	\$16.75	\$13.86
Suburban Total	16,825,271	1,305,407	7.8%	20,760	(31,236)	71,289	\$12.42	\$15.99
Totals	16,825,271	1,305,407	7.8%	20,760	(31,236)	71,289	\$12.42	\$15.99

By Property Type (All Submarkets)	Asking Rent							
Community	805,155	208,989	26.0%	-	(86,007)	-	\$12.96	
Free-standing	6,823,527	468,417	6.9%	4,210	30,933	30,012	\$10.88	
Neighborhood	634,311	209,774	33.1%	-	18,798	28,777	\$12.42	
Outlet	79,200	4,500	5.7%	-	-	-	-	
Power	2,287,184	46,960	2.1%	-	2,000	-	\$15.99	
Regional	1,081,801	12,000	1.1%	-	-	-	\$19.00	
Showroom	558,514	20,000	3.6%	-	-	-	\$12.45	
Specialty/Theme	418,400	18,154	4.3%	-	-	-	-	
Strip	1,809,179	224,093	12.4%	16,550	3,040	12,500	\$11.39	
Super-regional	2,328,000	92,520	4.0%	-	-	-	-	
Totals	16,825,271	1,305,407	7.8%	20,760	(31,236)	71,289	\$12.10	

Retail Market Terms and Definitions

Inventory: Retail inventory includes all multi-tenant, single tenant and owner occupied buildings with a minimum size threshold of 5,000 square feet.

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.

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 retail rents as triple net where all costs of operation are paid by the tenant.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the amount of available space in the building.

Major Transactions

Grubb & Ellis|Paramount Commerce is pleased to announce that they represented the following companies in retail transactions during the 3rd quarter of 2007:

Buyer Rep
 Beaner's
 Michigan St. & Fuller Ave.
 1,880 SF
 Grand Rapids, MI
Earl Clements

Landlord Rep
 Bayberry Market Fully Occupied
 41,000 SF
 Wyoming, MI
Dave Denton, CCIM
J. Paul Spica

Landlord & Tenant Rep
 Starbucks
 2,138 SF
 Grand Rapids, MI
Dave Denton, CCIM