

Retail Market Trends West Michigan

Grubb & Ellis|Paramount Commerce Research

Third Quarter 2008



Retail Moving Forward

Executive Summary

The West Michigan retail market remained steady through the 3rd quarter of 2008. While new construction has slowed, overall vacancy dropped slightly from the previous two quarters, from 7.4 percent to 7.3 percent. There was 22,000 square feet of positive absorption, which is mainly attributable to the acquisition of the 15,000 square foot former Goodwill retail store on 28th St. SE by AutoZone for use as a hub store.

“Although the Grand Rapids retail market has slowed a bit, we are still seeing activity in high profile locations with experienced tenants that continue to expand.”

*Mike Murray, CCIM
Vice President*

There are also several developments scheduled to be completed in the 28th St. SE corridor next year. Among them are a 10,000 square foot strip center just east of the East Beltline Ave. corridor, which will include a new Chipotle Mexican Grill; the 18,000 square foot strip center at Kraft and 28th St. SE with tenants Qdoba and AT&T; and the redevelopment of the former Ethan Allen store into a Jared’s Jewelry and adjacent 20,000 square foot strip center. The 28th St. SW corridor is anticipated to gain more interest from national and local retailers with the official opening of the new Klingman’s furniture store in early October. Rivertown Parkway continues to be the strongest submarket with the lowest vacancy rate of 4.9 percent.

The lifestyle center at East Beltline and 3 Mile Rd. NE recently signed an upscale department store as a tenant, and is scheduled to break ground in fall of 2009. The Alpine Ave. corridor experienced an increase in vacancy of 0.6 percent, but also saw the opening of the 220,000 square foot Super Wal-Mart to replace the previous 130,000 square foot location. While new retail development has slowed, continued interest in projects already planned or under construction has not abated. The economic crisis and subsequent fluctuations in banking and finance are affecting retailers’ growth opportunities. Many national retailers are still thriving in spite of this and will continue to seek market share in West Michigan.

West Michigan Retail Market Trends

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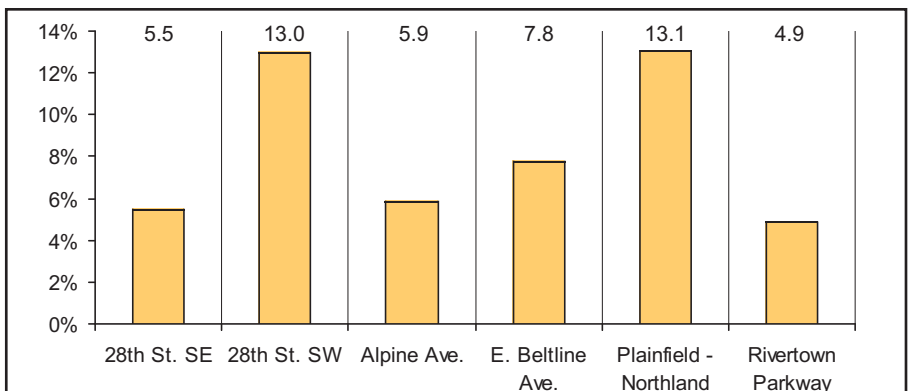
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Vacancy Rate by Sub-Market

Retail Market Snapshot West Michigan Third Quarter 2008

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	6,862,039	378,005	5.5%	27,046	35,175	19,612	\$23.15 \$17.50
28th Street Southwest	1,803,178	235,171	13.0%	(10,435)	136,615	-	- -
Alpine Ave	2,633,480	156,635	5.9%	3,869	(30,767)	12,500	- \$15.00
E. Beltline	540,238	42,088	7.8%	-	(910)	-	\$11.90 -
Plainfield/Northland Dr	2,095,744	275,428	13.1%	1,625	17,708	-	\$8.97 -
Rivertown Parkway	2,956,103	144,656	4.9%	(40)	5,113	4,277	\$15.33 \$13.86
Suburban Total	16,890,782	1,231,983	7.3%	22,065	162,934	36,389	\$11.89 \$16.66
Totals	16,890,782	1,231,983	7.3%	22,065	162,934	36,389	\$11.89 \$16.66

By Property Type (All Submarkets)	Asking Rent						
Community	820,155	235,949	28.8%	(10,435)	(10,280)	-	\$11.87
Free-standing	6,847,848	322,268	4.7%	21,100	171,474	19,612	\$11.07
Neighborhood	658,811	228,409	34.7%	1,200	470	4,277	\$11.89
Outlet	79,200	4,500	5.7%	-	-	-	-
Power	2,287,184	46,960	2.1%	-	-	-	\$16.66
Regional	1,081,801	8,131	0.8%	3,869	3,869	-	-
Showroom	558,514	20,000	3.6%	-	-	-	\$12.45
Specialty/Theme	418,400	18,154	4.3%	-	-	-	-
Strip	1,810,869	255,092	14.1%	6,331	(2,599)	12,500	\$10.85
Super-regional	2,328,000	92,520	4.0%	-	-	-	-
Totals	16,890,782	1,231,983	7.3%	22,065	162,934	36,389	\$11.58

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

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 2008:

Tenant Rep
Autozone, Inc.
Lease
15,400 SF
Mike Murray, CCIM

Seller & Buyer Rep
CVS Pharmacy
Sale
0.85 Acres
Dave Denton, CCIM
Earl Clements

Seller & Buyer Rep
3700 Plainfield, LLC
Sale
37,800 SF
Dave Denton, CCIM
Kurt Suidinski

Landlord & Tenant Rep
Abro & Khami, Inc.
Lease
2,400 SF
Dave Denton, CCIM