

Industrial Market Trends Southwest Michigan

Grubb & Ellis|Paramount Research
Fourth Quarter 2005



Recovery Beginning

Executive Summary

Vacancy rates in Kalamazoo's industrial market have dropped significantly this quarter, allowing landlords and developers to finally breathe a sigh of relief. Once considered the area's biggest challenges, both the Pfizer GMP Warehouse on Milham and the Midlink Business Park in Kalamazoo have seen full or partial absorption in the past quarter. The GMP Warehouse -- previously responsible for an overwhelming majority of the reported vacancy in Portage -- was taken off the market for internal reuse by Pfizer. Recent leasing activity at Midlink brought the occupancy rate in the nearly 1.6 million square foot building close to 70%. The only remaining challenge in the area is the former Mead Converting Plant, which contributes close to 400,000 square feet of vacant industrial space to the market.

"We are beginning to see some really positive absorption, and our biggest problem vacancies are being addressed."

*Bob Deal
Commercial Real Estate Advisor*

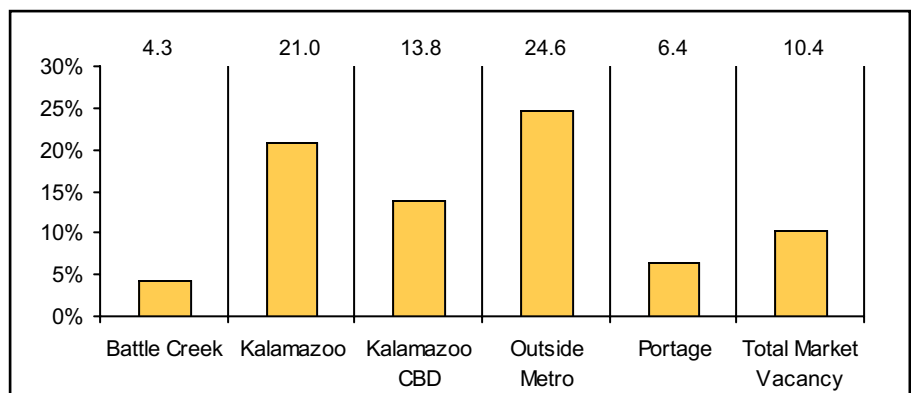
An adjustment in asking rental rates was also observed last quarter. Although the average of total rates jumped 4 cents per square foot, Kalamazoo has seen a dip in pricing for warehouse/distribution space, a compensation for the large vacancy rate in that segment of the market. Of all the industrial subtypes, the warehouse/distribution sector remains the largest portion of the overall vacancy rate in the Kalamazoo market.

The fourth quarter brought much-needed positive absorption to the industrial market in Kalamazoo. Key transactions have helped the area overcome huge hurdles, and similar activity is to be expected in the upcoming quarter. Armed with optimism and residual energy from last quarter's success, Kalamazoo is pointing towards a healthy and robust recovery.

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Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot Southwest Michigan Fourth Quarter 2005

By Submarket (All Product Types)	Total SF	Vacant SF	Vacant %	Net Absorption		Under Construction	Asking Rent	
				Current	Year-to-date		WH/Dist.	R&D Flex
Battle Creek	13,333,311	569,781	4.3%	(21,399)	(30,399)	-	\$3.50	-
Kalamazoo	6,585,398	1,385,599	21.0%	374,136	370,082	-	\$2.90	\$3.04
Kalamazoo CBD	882,013	121,762	13.8%	-	-	-	-	-
Outside Metro Area	1,335,611	329,091	24.6%	-	119,135	-	\$2.74	\$4.10
Portage	2,312,904	148,202	6.4%	505,239	513,039	-	\$4.37	-
Total	24,449,237	2,554,435	10.4%	857,976	971,857	-	\$2.95	\$3.11
							Asking Rent By Product Type	
By Product Type (All Submarkets)								
General Industrial	14,281,179	736,075	5.2%	93,066	152,205	-	\$3.66	
R&D/Flex	2,191,670	522,350	23.8%	281,070	296,070	-	\$3.11	
WH/Dist.	7,976,388	1,296,010	16.2%	483,840	523,582	-	\$2.99	
Totals	24,449,237	2,554,435	10.4%	857,976	971,857	-	\$3.23	

Major Transactions

Grubb & Ellis|Paramount is pleased to announce that they represented the following companies in industrial transactions during the fourth quarter of 2005:

Sale
1255 Hill Brady,
Battle Creek
21,399 SF Industrial
Bob Deal

Lease
5701 Dickman,
Battle Creek
14,400 SF Industrial
Bob Deal

Lease
692 8th St,
Kalamazoo
4,000 SF Industrial
Jane Fette

Industrial Market Terms and Definitions

Inventory: *Industrial Inventory* includes all multi-tenant, single tenant and owner-occupied buildings with size thresholds from 7,500 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.

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. 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*. 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.