Industrial Market Trends West Michigan

Grubb & Ellis|Paramount Commerce Research

Fourth Quarter 2006

Grubb & Ellis® Property Solutions Worldwide | Paramount Commerce

Remaining Strong . . .

Executive Summary

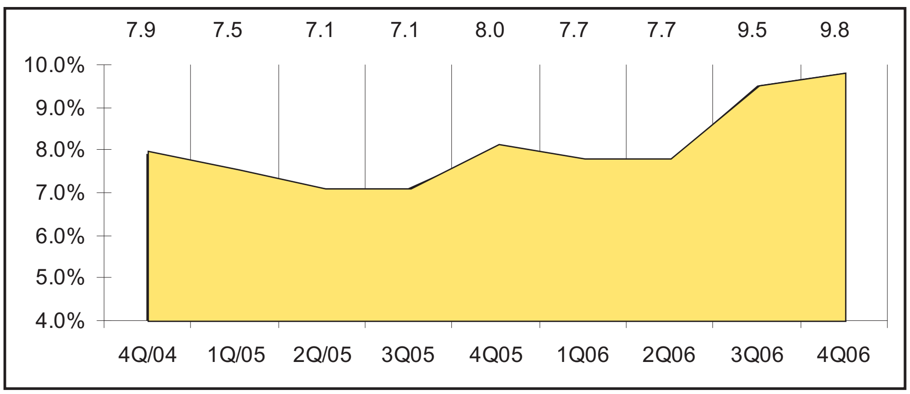
The overall West Michigan industrial market came to a close in 2006 still feeling the effects of corporate downsizing. Steelcase and Siemens together added 2.3 million square feet of vacant space to the market and as a result, the market witnessed negative absorption in 2006. However, removing the three properties that directly correlate to the high vacancy rates would have yielded positive absorption indicating that the industrial market is still healthy.

With interest rates leveling off, leasing activity maintained consistent levels in the fourth quarter while user sales for 25,000 to 50,000-square-foot buildings slowed. However, user sales for 100,000-plus square feet saw increased activity totaling nearly 500,000 square feet in the fourth quarter alone. This activity indicates that West Michigan's manufacturing market remains strong, a trend expected to carry on in 2007.

In the coming year, the underlying industrial market will see fewer concessions offered to tenants and increased activity from outside investors. The investment activity is coming from large and well known firms that see West Michigan as a prime location to expand their portfolios due in large part to the area's diverse economy. Speculative construction will remain limited until rental rates increase and vacancy rates decrease to healthy levels. Regardless, West Michigan will continue to attract companies seeking an educated work force with high-tech skills.

"The West Michigan Industrial market is prime for attracting a 'new to the area' manufacturer and we expect to see that happen in 2007."

John Kuiper, SIOR, CCIM
Vice President
Industrial Services Group



Industrial Vacancy Rate*

** All Product Types in Grand Rapids Metro Submarkets*

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Industrial Market Snapshot West Michigan Fourth Quarter 2006

By Submarket (All Product Types)	Total SF	Vacant SF	Vacant %	Net Absorption Current	Net Absorption Year-to-date	Under Construction	Asking Rent WH/Dist.	Asking Rent R&D Flex
Downtown	12,878,379	424,582	3.3%	(24,264)	59,479	18,000	$3.22	-
Northeast	5,878,871	270,265	4.6%	(70,000)	(69,968)	11,000	-	$6.30
Northwest	16,032,989	1,196,372	7.5%	1,953	134,799	82,970	$3.01	-
Southeast	48,235,797	6,930,223	14.4%	(401,451)	(2,102,618)	665,042	$3.24	$5.83
Southwest	28,839,123	2,140,300	7.4%	192,125	117,215	-	$3.01	$4.13
Total	**111,865,159**	**10,961,742**	**9.8%**	**(301,637)**	**(1,861,093)**	**777,012**	**$3.10**	**$5.30**

By Product Type (All Submarkets)	Total SF	Vacant SF	Vacant %	Net Absorption Current	Net Absorption Year-to-date	Under Construction	Asking Rent By Product Type
General Industrial	87,428,314	7,800,523	8.9%	(391,812)	(2,897,791)	346,470	$3.22
Incubator	361,144	5,000	1.4%	9,000	10,000	-	$7.25
R&D/Flex	3,958,257	447,442	11.3%	70,023	267,962	-	$5.30
WH/Dist.	20,117,444	2,708,777	13.5%	11,152	758,736	430,542	$3.10
Total	**111,865,159**	**10,961,742**	**9.8%**	**(301,637)**	**(1,861,093)**	**777,012**	**$3.28**

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

Major Transactions

Grubb & Ellis|Paramount Commerce is pleased to announce that they represented the following companies in industrial transactions during the fourth quarter of 2006:

Dematic Corp.
Sale
64,200 SF
Derek Hunderman
Chuck King, SIOR

345 32nd St.
Lease
99,993 SF
John Kuiper, SIOR, CCIM

5079 33rd St.
Lease
25,280 SF
John Kuiper, SIOR, CCIM
Steve Marcusse, CCIM

Des Plaines, IL
Lease
105,298
Chuck King, SIOR
Anne Summerfield, CCIM

Industrial Market Terms and Definitions

Inventory: *Industrial Inventory* includes all muti-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. Vacant space includes both vacant direct and vacant sub-lease space. 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.

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

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