

Industrial Market Trends West Michigan

Grubb & Ellis|Paramount Commerce Research
Fourth Quarter 2007



"The West Michigan industrial market has and will continue to slowly, but surely improve in spite of all of the negative factors affecting it."

*Steve Marcusse, CCIM
Vice President
Industrial Advisor
Industrial Group*

West Michigan Industrial 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:

Gary Albrecht
Research Analyst
E-mail: gary.albrecht@gepc.com

Grubb & Ellis|Paramount Commerce
300 Ottawa NW, Suite 400
Grand Rapids, MI 49503
Phone: 616.774.3500
Internet: www.gepc.com
www.focusproperties.com

Independently Owned and Operated

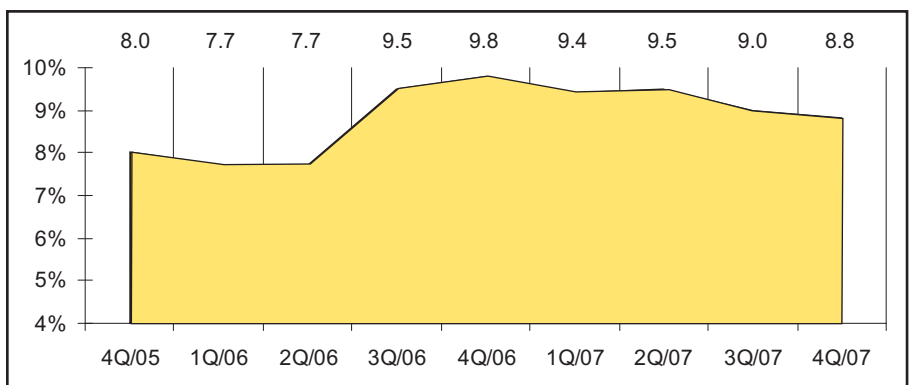
Steady Improvement

Executive Summary

The West Michigan Industrial market strengthened during the fourth quarter to close out 2007 with positive absorption which lowered vacancy rates. The fourth quarter had over 240,000 square feet of space taken off the market, bringing 2007's total absorption to approximately 1.3 million square feet. The utilization of this space translated to a drop of sixty basis points in the vacancy rate, from 9.4 percent during the first quarter of 2007 to 8.8 percent at year-end.

Although demand for large, owner-occupied space remained steady, demand for space less than 25,000 square feet increased during the second half of 2007. The fourth quarter was the most active quarter for user sales in 2007, which indicates a renewed trend toward users purchasing instead of leasing as interest rates continue to decline. However, leasing activity remained steady in the second half of 2007 with an increase in shorter term leases, as many users require a greater degree of flexibility in their space planning strategy. As a result, lease rates for short-term and long-term leases have become nearly identical.

In the coming year, the industrial market will continue to see growth from locally-based manufacturers and increasing interest from companies outside the region. Speculative construction will be almost non-existent, while redevelopment of older manufacturing space will remain a lower cost option to many users in 2008. Overall, the health of the industrial market will be driven by locally-based companies that are working to apply their automotive and furniture manufacturing expertise toward new markets such as medical devices, aerospace, and defense industries.



Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot West Michigan Fourth Quarter 2007

By Submarket (All Property Types)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current Qtr	Year To Date	SF	WH/Dist	R&D/Flex
Downtown	12,863,156	293,718	2.3%	4,250	14,670	18,000	\$2.73	-
Northeast	5,816,888	296,518	5.1%	118,000	25,100	60,000	-	\$6.30
Northwest	15,983,574	1,032,635	6.5%	(5,352)	163,708	84,457	\$3.01	-
Southeast	49,051,953	6,028,216	12.3%	150,067	1,126,760	139,600	\$3.53	\$4.56
Southwest	28,990,269	2,253,771	7.8%	(23,937)	(88,596)	204,960	\$3.17	\$4.84
Suburban Total	112,705,840	9,904,858	8.8%	243,028	1,241,642	507,017	\$3.19	\$4.71
Totals	112,705,840	9,904,858	8.8%	243,028	1,241,642	507,017	\$3.19	\$4.71
By Property Type (All Submarkets)							Asking Rent	
General Industrial	87,329,844	7,431,994	8.5%	163,257	314,756	507,017	\$3.04	
Incubator	369,828	5,000	1.4%	8,684	8,684	-	\$7.25	
R&D/Flex	3,865,644	454,415	11.8%	5,469	31,078	-	\$4.71	
Warehouse/Distribution	21,140,524	2,013,449	9.5%	65,618	887,124	-	\$3.19	
Totals	112,705,840	9,904,858	8.8%	243,028	1,241,642	507,017	\$3.17	

* 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 2007:

<p>5062 Kendrick Ct. SE Sale 31,750 SF John Kuiper, SIOR, CCIM Derek Hunderman, CCIM Randy Bronkema, SIOR, CCIM</p>	<p>17 Building Portfolio Sale 571,944 SF Duke Suwyn, SIOR, CCIM John Kuiper, SIOR, CCIM</p>	<p>Airport Business Park Four Leases Randy Bronkema, SIOR, CCIM Steve Marcusse, CCIM</p>	<p>Distribution Facility East Bernstadt, KY Sale 217,746 SF Chuck King, SIOR</p>
--	--	---	---

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. 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.