

Strong Finish

The Grand Rapids industrial market started slow but steady in the first quarter of 2008 and gained momentum throughout the year. The vacancy rate decreased from 9.4 percent during the first quarter of 2008 to 7.5 percent at year-end. The consolidation, relocation, and expansion of four different companies in the market made up the vast majority of the 2.5 million square feet that was absorbed in 2008.

As forecasted, new speculative construction was almost nonexistent during 2008 due to increasing construction costs, lower than needed demand, depressed lease rates, and more recently, increasingly stringent financing requirements. Redevelopment of older manufacturing sites continues to offer more economically feasible alternatives when compared to new construction and consequently, new construction in 2009 will be limited to owner-built properties and expansions, as it has been for the last several years.

The Grand Rapids industrial leasing market had steady rental rates, static concessions and favorable options for short and long-term leases. Tenants are still favoring short-term leases and managing to secure lease rates that are more typically in-line with long-term leases.

Although leasing was typically the more viable option for users in 2008, the industrial market did have multiple user sales of over 400,000 square feet. Interestingly, even with the uncertainty in the market, approximately one million more square feet was purchased by users in 2008 than in 2007. It remains to be seen what effect the troubles of the domestic automakers, as well as the worldwide economic slowdown will have on demand for warehouse and manufacturing space in West Michigan.

West Michigan Industrial Market Trends

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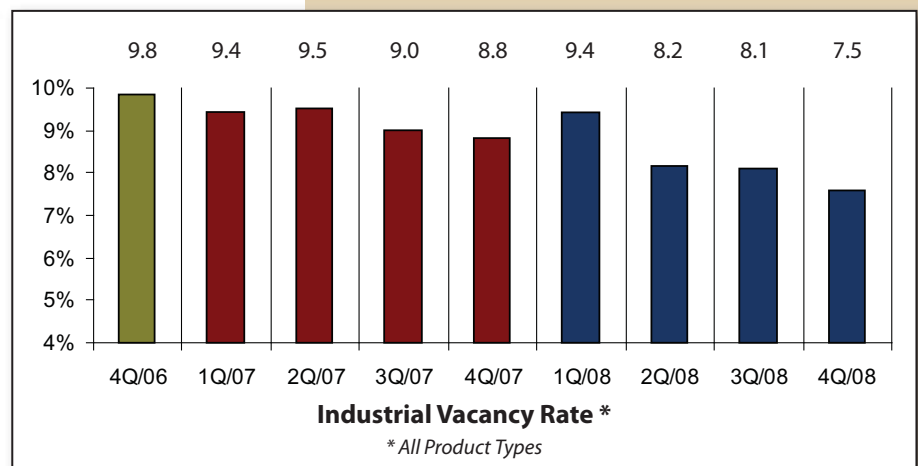
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"While 2008 was a challenging year for the West Michigan industrial market in some respects, nearly 2.5 million square feet were taken off the market, bringing our vacancy rate to almost 200 basis points below the national average."

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



Industrial Market Snapshot - West Michigan Fourth Quarter 2008

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	12,812,503	385,750	3.0%	(64,772)	(60,092)	-	\$3.30	-
Northeast	5,668,329	278,276	4.9%	(1,000)	(19,758)	-	-	\$6.30
Northwest	16,152,189	1,470,177	9.1%	176,199	(305,680)	-	\$3.05	-
Southeast	49,399,043	4,410,708	8.9%	514,476	2,352,310	147,000	\$3.26	\$4.39
Southwest	29,472,627	2,023,676	6.9%	(73,437)	494,232	76,900	\$3.04	\$4.73
Suburban Total	113,504,691	8,568,587	7.5%	551,466	2,461,012	223,900	\$3.17	\$4.57
Totals	113,504,691	8,568,587	7.5%	551,466	2,461,012	223,900	\$3.17	\$4.57

By Property Type (All Submarkets)	Asking Rent							
General Industrial	87,646,337	5,772,782	6.6%	710,170	2,175,265	207,900	\$3.30	
Incubator	359,828	5,000	1.4%	-	-	16,000	\$7.25	
R&D/Flex	3,862,144	408,403	10.6%	22,228	46,012	-	\$4.57	
Warehouse/Distribution	21,636,382	2,382,402	11.0%	(180,932)	239,735	-	\$3.17	
Totals	113,504,691	8,568,587	7.5%	551,466	2,461,012	223,900	\$3.33	

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

Industrial Market Terms & 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 sublease 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.

Major Transactions

Grubb & Ellis|Paramount Commerce is pleased to announce their involvement in the following industrial transactions during the fourth quarter of 2008:

5353 Broadmoor Ave. SE

Lease – Landlord Rep - 665,890 SF
John Kuiper, SIOR, CCIM
Duke Suwyn, SIOR, CCIM
Derek Hunderman, CCIM

3676 Patterson Ave. SE

Sale – Seller Rep
22,932 SF
Duke Suwyn, SIOR, CCIM
Steve Marcusse, CCIM

4949 W. Greenbrooke Dr. SE

Sale – Seller Rep - 101,475 SF
Duke Suwyn, SIOR, CCIM
Derek Hunderman, CCIM

6940 Southbelt Dr. SE

Sale – Seller Rep
35,000 SF
Duke Suwyn, SIOR, CCIM
Tom DeBoer, SIOR, CCIM