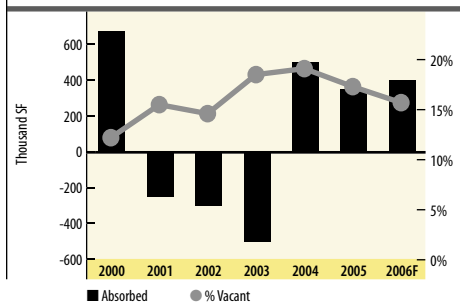
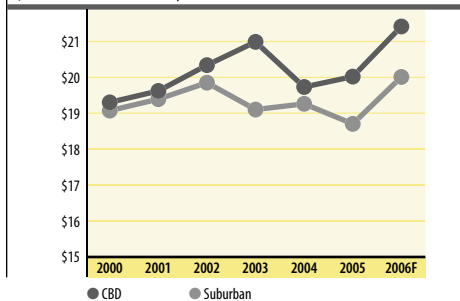


Regional planners are looking forward to very exciting times in 2006 with accelerated investment in the West Michigan Office Market.

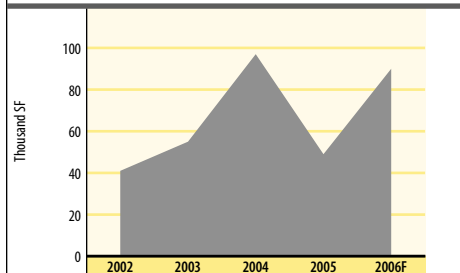
Vacancy and Absorption



Class A Asking Rental Rates
\$/SF/Yr. Full Service, Year End



SF Under Construction
Year End



The Grand Rapids office market straddles the cusp between recovery and expansion. Higher-than-usual vacancies in all submarkets have fostered tremendous economic opportunities for tenants to shop space or renegotiate existing lease contracts. In suburban markets, Class B vacancies prevail as landlords compete to fill buildings and retain existing tenants. However, well-financed owners are passing on the most aggressive tenants in lieu of offering lower rents or concessions.

In 2006, health care will be the hottest sector for growth in downtown Grand Rapids. VanAndel Institute will commence Phase II of its \$120-\$150 million medical research and education facility, creating 400 new jobs and adding approximately 280,000 square feet of space. Spectrum Health will construct the \$78 million, 200,000-square-foot Lemmen-Holton Cancer Pavilion at the Butterworth Campus and the new \$190 million DeVos Children's Hospital.

With the community's one billion dollar investment in this cluster of health and medical facilities, its new research and development in biotechnology and life sciences will serve to promote new commercial and residential development in the urban core and help build upon the City's reputation as a world-class medical community.

The 2005 completion of the M-6 Beltline connecting the I-96 and I-196 freeways along the southern portion of Grand Rapids sparked the growth of the next major office corridor

creating new jobs and development. Metro Health is moving rapidly to complete its new hospital at Byron Center and M-6 while Saint Mary's Health Care has followed suit and broken ground on a new 86,000-square-foot outpatient campus just north of 64th Street at Byron Center Avenue. Spectrum Health will anchor the new project at Wilson and M-6. The Beltline has also spawned an increase in owner-built projects and speculative development.

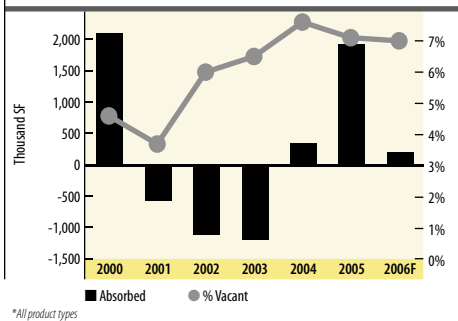
The economic impact of the 2005 hurricane season will bring an anticipated rise in utility costs and construction materials, requiring overall higher rents. In 2006, rents are expected to increase 5-10 percent for Class A product and 2-3 percent for Class B and C products.

Adding to the excitement spurred by new development, the downtown area absorption has remained positive. Recognizing the advantages of "incidental deal flow" created in the downtown office market, tenants are relocating from the suburbs. Now is the right time for tenants to renegotiate leases before the office market solidifies and rents increase.

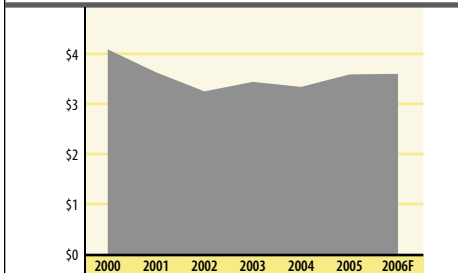
With the growth and expansion of area medical facilities, opportunities for 2006 are abundant. The largest segment of speculative development in 2006 will likely occur in the downtown area, primarily Class A medical office product along Michigan Street. Regional planners are looking forward to very exciting times in 2006 with accelerated investment in the West Michigan Office Market.

2006 will demonstrate that West Michigan's resilient industrial marketplace offers opportunities for local companies ingrained with the region's renowned entrepreneurial spirit.

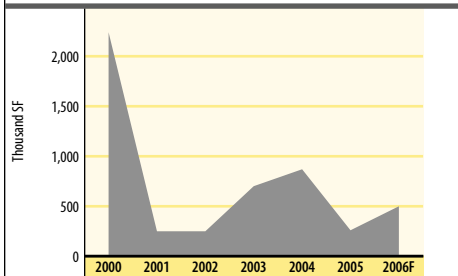
Vacancy and Absorption



Asking Rental Rates
\$/SF/Yr. NNN, Year End



SF Under Construction*
Year End



The industrial market remains in a recovery phase with a sense of optimism for 2006. A continued up-tick in the economy is expected as several local companies expand and additional Governmental incentives become available. The pace of the local recovery will be restrained with few companies consolidating or sending their operations offshore. This mature market will recover with stability and health, drawing further interest from investors who have recently focused their attention in West Michigan.

Lacks Enterprises, the automotive supplier, continues their expansionary plans. Phase one of their project was completed this past summer adding a 156,400-square-foot plating facility, in Kentwood, at an estimated cost of \$17.5 million. Over the course of the next few years the total project is poised to add approximately 420 jobs directly to the community with a ripple effect of about 820 jobs to the State of Michigan.

Additionally, the manufacturing sector may receive a lift from the passage of recent legislation in the U.S. House of Representatives on a bill being reviewed by the Senate. The bill would provide grants, encourage research, establish scholarships, and strengthen the Manufacturing Extension Partnership (MEP) to help small and medium-sized manufacturers. MEP funding will be \$110 million in fiscal year 2006, increasing by \$5 million per year until fiscal year 2008.

The redevelopment of the 915,000 square foot Bosch facility in Kentwood reinforces the ability of the market to retain and attract

advanced manufacturing firms. X-Rite, a hardware and software leader, is investing \$24 million to refurbish 350,000 square-foot saving over 400 West Michigan jobs and recruiting over 313 new, high-paying jobs over the next five years.

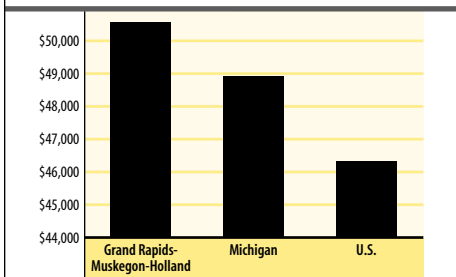
Foreign competition and technological advancements are driving many domestic manufacturers to consolidate and go abroad to manufacture products competitively. Steelcase, a Global furniture manufacturer, announced plans to downsize their North America operations by closing some of their facilities in Grand Rapids, Michigan over the next two years. Nearly 206-acres and approximately 5 million-square feet of existing buildings will be redeveloped which should reenergize the City.

Many companies are beginning to rethink lease-versus-own scenarios, due to increasing land costs and the abundance of available product with infrastructure in place. Leasing concessions are expected to decline in 2006 with the tightening of inventory. Notable increases in rental rates are not foreseen, as rents will remain relatively flat.

In 2005, SVN Equities sold a 1.86 million square foot portfolio to an out-of-state investor for \$56 million, which indicates that investors see value in the Grand Rapids industrial market. This was in part due to lower prices, allowing a greater return on investment, and less competition than in major markets making transactions easier to complete.

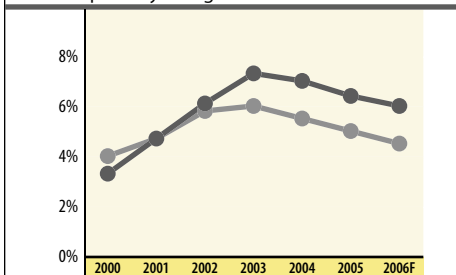
Opportunities abound for developers of power centers, grocery-anchored centers, high-end retailers and restaurants.

Median Household Income



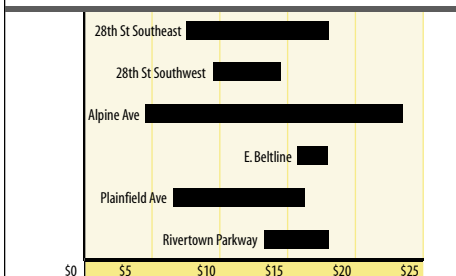
Source: STDB Online

Unemployment Rate
Grand Rapids/Wyoming Metro vs U.S.*



*Not Seasonally Adjusted

Asking Rent by Corridor



The West Michigan retail market is thriving, largely due to impressive economic growth statistics seen over the past 30 years. The Grand Rapids metropolitan statistical area (MSA) is the second largest in the state with West Michigan experiencing the fastest rate of population and employment growth. Sustained residential growth has fueled an expanding manufacturing sector that has contributed to a strong surge in retail expansion.

Education will emerge as the major sector affecting 2006 growth. With the medical community trending outward, a migration of out-of-state professionals, teachers, scientists and medical practitioners is expected in the coming year. More than \$17 million in grants were awarded to state universities and community colleges in order to accelerate training for nurses and other health care professionals. It is anticipated that more than 100,000 professional and technical health care jobs will need to be filled in Michigan in the coming decade.

Retail vacancies hover in the single digits with high land prices and product demand exceeding construction resulting in escalating rents. Rental rates for Class A product is expected to increase 5 percent in 2006, while Class B rents will remain steady. Rents have increased even more drastically in some newer developments.

Although downtown redevelopment has favorably impacted local retail markets, the strongest growth corridor in 2006 will be along the newly completed M-6 Beltline south of Grand Rapids. Numerous restaurant chains (i.e., Logan's, Applebee's, Panera Bread, Pizzeria Uno, Steak 'n Shake) and big box retailers (i.e., Meijers, Target, Staples and Celebration Cinema Theatre) have already targeted this prime area for development. Further, all three regional hospital groups are planning future corridor expansion and that is likely to entice new retailers into the area.

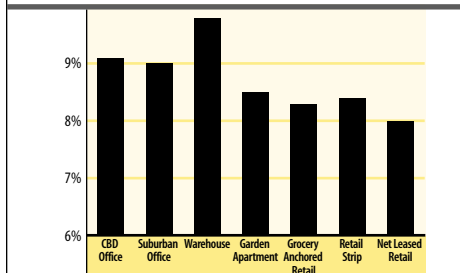
New retail projects will continue to be developed well into 2006. From the expansion of Rivertown Parkway in Grandville to a potential lifestyle center, there are enormous opportunities for power centers, grocery-anchored centers, high-end retailers and restaurants in West Michigan.

Landlords are currently reaping a good return on investment by refurbishing older shopping malls with offers of expanded build-out. Tenants will capitalize on opportunities in the south end of the market, specifically along M-6 and the older strip centers, where lower rents are still available.

Investors are bullish over retail opportunities, with demand for product exceeding supply in 2006. Strip centers will remain the hot product type for 2006. Conversely, sellers are comfortably positioned in the driver's seat as they weigh offers from local investors.

Despite rising interest rates, overall capitalization rates remained low in 2005, but are expected to move upward approximately 25 to 50 basis points during 2006.

**Projected Average Capitalization Rates*
2006**



*Averages - It is important to note that individual cap rates vary based on a number of factors including property quality, tenants, length of leases and location. These cap rates should be considered overall averages and may vary greatly depending on any of the above qualities.

2005 Major Transactions

Address/Name	Size	Property
50 Monroe	162,500 SF	Office
Campau Square	160,000 SF	Office
Ledyard Building	104,000 SF	Office
Joes Plaza	22,500 SF	Retail
Lake Forrest Apartments	252 Units	Multi-Family
6504 25th St SE	27,400 SF	Retail
Holton Road Plaza	17,000 SF	Retail

The West Michigan investment community will confront recurring patterns of prior years: a limited supply of quality opportunities in 2006, coupled with aggressive demand for strong real estate investments. The one main difference impacting the investment arena in 2006 is upward trending interest rates. The changing financial markets could transform the real estate investment landscape in West Michigan and throughout the nation. A cautious investor will be focused on rising interest rates. As the rates spiral upward, it will be interesting to note how investors evaluate their overall returns. Although increasing interest rates will affect cash flow, the net effect on cap rates may be tempered by a high level of demand for quality investment product.

Despite rising interest rates, overall capitalization rates remained low in 2005, but are expected to move upward approximately 25 to 50 basis points during 2006. This economic scenario clearly presents a prime opportunity for owners to consider selling while interest and cap rates are at relatively low levels. Though no immediate changes should be expected, the long-term expectations are that prices may be at their peak and in some segments may have already topped off.

Investor interest is strong in larger, more-stable investment properties. Out-of-state investors considering adding to their portfolios from lower-tier markets like Grand Rapids are adding to the demand for quality projects. This was the case when a California

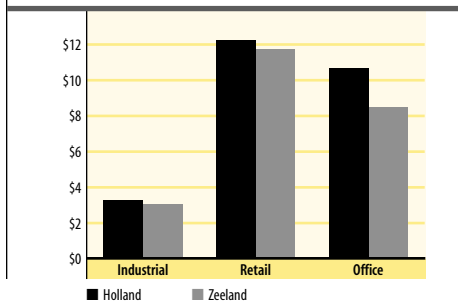
buyer utilizing a tenants-in-common (TIC) ownership strategy paid \$56 million for the SVN Equity portfolio sale. TIC's are increasingly being marketed as an alternative to the traditional 1031 exchange.

The Grand Rapids CBD also attracted strong investor interest with the sale of three prominent office buildings in 2005: 50 Monroe Place, The Campau Building and the Ledyard Building. All three high-profile property sales demonstrate and solidify the consensus that Grand Rapids is a viable market allowing investors a greater return on their dollar. As more out-of-state investors begin to consider alternatives to upper markets, Grand Rapids will emerge as a competitive and respected investment market.

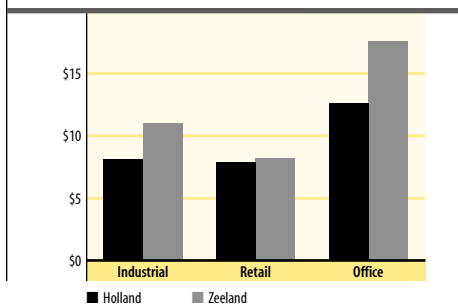
The Multi-family housing market is showing signs of recovery. Concessions are stabilizing, occupancy is rebounding and there is no notable construction in the pipeline. With the continued growth in college and university satellite facilities, coupled with expansion at the Van Andel Institute, the Lemmen-Holton Cancer Pavilion and the DeVos Children's Hospital in the medical corridor, the increased demand for housing may add to the vibrant CBD housing market. The economic impact of these developments will create a ripple effect in job creation and demand for retail amenities. Rising home mortgage interest rates will increase construction of rental housing projects in the community.

With the saturation of available space on the market minimal new office development is anticipated in 2006.

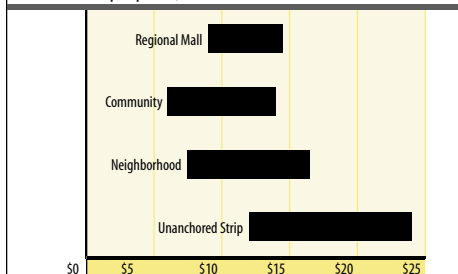
Average Rental Rates



Vacancy Rates



Asking Rent Range by Center Type
In-Line Shop Space, \$/Mo/Yr. NNN



Retail Market

The Holland retail market is strong and continues its steady expansion along the US 31 Corridor, an integral part of Michigan's "Priority Commercial Network" and county-wide development plans.

The Corridor has become a top destination hot spot, drawing increased commercial development. Banks, restaurants, strip centers and smaller retail users have followed the path of the big box retailers who have opened along US 31, Holland's strongest retail submarket.

Brownfield redevelopment at the site of the former General Electric plant will add retail presence with a new Menards store set to open in 2006. The downtown retail market continues to show strength with Joseph A. Bank clothiers moving into town along with some local retail start-ups. Retail rents in Holland increased among most retail product types in 2005, and they are expected to climb by approximately 3 percent during 2006.

Industrial Market

Signs of a general recovery are visible in the industrial market though rents remained relatively flat in 2005 as landlords struggled to attract and retain tenants through generous concessions.

Smaller industrial buildings are showing increased absorption, one indicator that the market is moving toward a recovery. In 2005, four large industrial firms announced expansion plans:

- Tiara Yachts' \$14 million manufacturing addition will be completed in 2006, with 400 new jobs coming on line.

- Gentex Corporation is investing over \$28 million in its new corporate headquarters with 250 new positions opening up.
- Haworth is expanding their administrative office into Holland, adding 609 new jobs.
- ODL Corporation is opening a 107,203-square foot manufacturing plant.

The Lakeshore industrial market is expected to hold steady through 2006, presenting distinct opportunities for buyers and sellers. The trend toward owner-built properties will also remain strong.

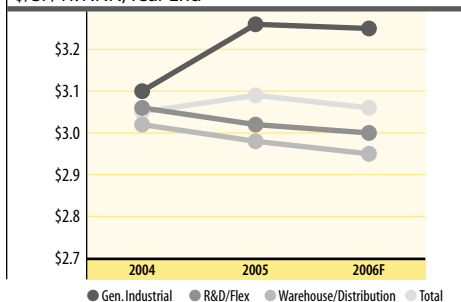
Office Market

Office rents remain flat with minimal increases of 1 to 2 percent anticipated by year-end 2006. In addition to completing tenant improvements, landlords continue to offer other attractive concessions to lock in tenants. However tenants in the market (particularly start-up companies), are opting for short lease terms of one to three years. Many more tenants chose to renegotiate existing leases to cash in on favorable terms.

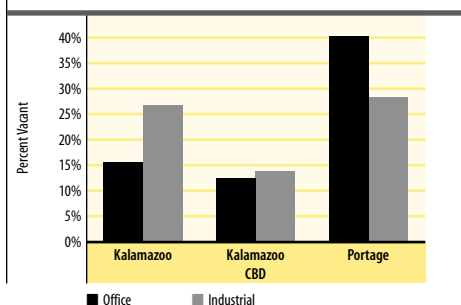
Holland's Central Business District (CBD) is a viable option for office tenants in the market desiring to locate within the heart of the community. Macatawa Bank, a local community bank, launched a new branch office while another new office building is under consideration in the CBD with an anticipated mid-2006 construction start. With the saturation of available space on the market minimal new office development is anticipated in 2006.

The outlook for 2006 remains positive with continued opportunities for development and renovation.

Asking Rental Rates
\$/SF/Yr. NNN, Year End



Vacancy Rates



New/Expanding Tenants
2005/2006

Carraba's	Lowe's
Dollar General	Pet Supplies Plus
DSW Shoes	Pier One
Family Dollar	Quizno's
Fit Zone	Red Robin
Great Clips	Sam's Club
Krispy Kreme	Value City Furniture
Little Caesar's	Wal-Mart

Industrial Market

Life sciences will be hot in Kalamazoo during 2006 as start-up companies mature and seek additional space. New businesses will gravitate into the market next year, utilizing state and local tax incentive programs.

With rising costs of steel, concrete and petroleum products, few developers are willing to plan new speculative projects. The challenge for 2006 will be to retrofit older, existing buildings for re-use which will create opportunities for cheaper rent and lower overall building expenses.

While vacancy remains high and rents appear to have bottomed out, the sale of a 115,000-square-foot manufacturing facility at Western Michigan University's Business Technology and Research Park to a national institutional investor foretells stepped-up activity in second-tier markets like Kalamazoo. Rents should remain steady through 2006 with lease terms starting to move to three to five years.

Office Market

Kalamazoo suffers from an overabundance of office supply, as noted by the 23 percent overall vacancy and low absorption rates. Owners should consider converting office buildings to mixed-use development in 2006. The acquisition of several office properties in the Central Business District (CBD) by a local group of investors for redevelopment purposes supports the strength of the downtown area.

Landlords are generating more leasing activity by offering reduced rents in lieu of other concessions and tenant improvements. Newer product with above-market rental rates in the Portage submarket is not uncommon.

Kalamazoo's office market should remain stable in 2006 with no major rental increases expected. With abundant land, low interest rates and community incentives, opportunities for development and investment will continue in 2006.

Retail Market

The greatest opportunity for new development and re-use is in retail. There is a scarcity of land and buildings available to users, thus increasing the value of existing property. National retailers are bullish on Kalamazoo County, evidenced by continued expansion and low vacancy rates.

The Maple Hill Mall on Kalamazoo's west side is close to completion, with 500,000 square feet of big box retail anchored by Hobby Lobby and Target. In Portage, located four miles from Kalamazoo, Sam's Club has relocated to a site on South Westnedge that will include another 30,000 square feet of additional speculative retail space for lease. A new 80,000 square-foot 14-screen Rave movie theatre is under construction and it will add 20,000 square-feet of additional retail space in Kalamazoo's CBD, where demand for residential housing is strong.