

Office Market Trends West Michigan

Grubb & Ellis|Paramount Commerce Research
First Quarter 2008



Gradual Improvement

Executive Summary

Overall, vacancy increased from 15.9 percent year-end 2007 to 16.8 percent in the first quarter. This was an increase of 84,000 vacant square feet, which is mainly attributed to the suburban market. While there was nearly 50,000 square feet of negative absorption in the suburban market, the downtown market had 10,000 square feet of positive absorption.

"The downtown office market continues to turn the corner while the suburban market takes a temporary setback caused by completion of a new office product."

*Scott Morgan, JD, SIOR
Vice President, Office Advisor*

The suburban market had 82,000 square feet of new construction completed, and if removed, there would have been approximately 35,000 square feet of positive absorption indicating that the Grand Rapids office market is experiencing gradual improvement. We expect this trend to continue to improve as long as construction remains at low levels.

The downtown office market has already turned the corner with modest improvement during the first quarter. Vacancy rates decreased 40 basis points from 16.6 percent in the third quarter of 2007 to 16.2 percent in the first quarter, while rental rates remained steady. Going forward, additional activity can be expected from existing tenants and those looking to relocate.

A significant portion of the market continues to be influenced by new medical construction. As medical office expansions become completed projects, there will still be some second generation medical space putting pressure on suburban vacancies. We will continue to monitor this trend in the coming months.

Overall, there is confidence that the Grand Rapids market will show positive absorption by year-end due to limited new construction and steady expansion of the existing tenant base.

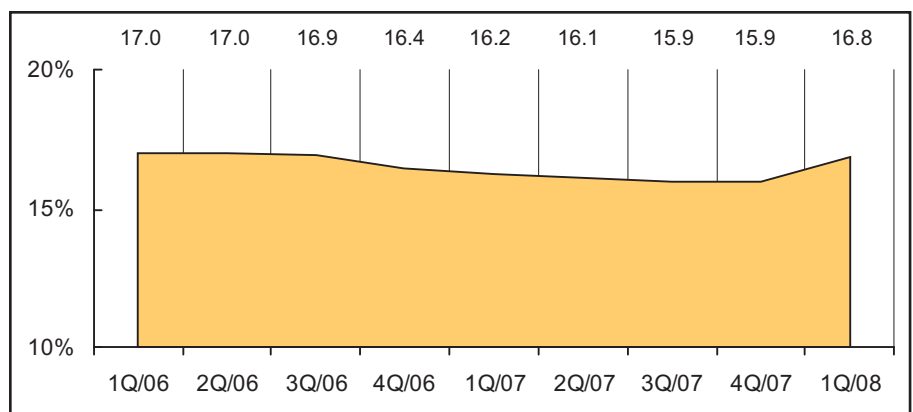
West Michigan Office Market Trends

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

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

* All Classes of Space

Office Market Snapshot West Michigan First Quarter 2008

By Submarket (All Classes)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)		
	SF	SF		Current Qtr	Year To Date	SF	Class A	Class B	
CBD	3,356,143	556,777	16.6%	7,491	7,491	-	\$20.23	\$19.43	
Downtown	1,220,695	185,734	15.2%	2,786	2,786	37,500	\$23.90	\$19.28	
CBD Total	4,576,838	742,511	16.2%	10,277	10,277	37,500	\$21.18	\$19.41	
Airport Area	938,763	61,310	6.5%	(6,799)	(6,799)	-	\$18.25	\$13.98	
Burton/Breton	467,359	62,389	13.3%	32,312	32,312	-	\$18.00	\$16.49	
Cascade	1,744,583	441,585	25.3%	(69,068)	(69,068)	-	\$20.76	\$18.01	
Centennial Park	748,575	184,359	24.6%	(7,934)	(7,934)	-	-	\$17.78	
E Beltline Corridor	872,473	174,307	20.0%	6,176	6,176	28,000	\$19.74	\$18.84	
E Paris Corridor	943,295	135,320	14.3%	(10,769)	(10,769)	-	\$17.40	\$17.26	
Northeast Misc	369,610	36,593	9.9%	-	-	-	\$17.24	\$15.60	
Northwest Misc	554,949	38,374	6.9%	(30)	(30)	-	\$15.79	\$12.28	
Southeast Misc	1,388,767	283,147	20.4%	9,868	9,868	-	\$29.50	\$12.74	
Southwest Misc	923,006	114,058	12.4%	(1,277)	(1,277)	-	\$19.77	\$15.49	
Suburban Total	8,951,380	1,531,442	17.1%	(47,521)	(47,521)	28,000	\$20.02	\$16.63	
Totals	13,528,218	2,273,953	16.8%	(37,244)	(37,244)	65,500	\$20.61	\$17.88	
							<u>Available for Sublease</u>		
By Class (All Submarkets)								CBD	Suburban
Class A	3,325,115	591,009	17.8%	(10,501)	(10,501)	28,000	7,882	-	
Class B	7,221,003	1,218,330	16.9%	(13,482)	(13,482)	-	1,025	13,941	
Class C	2,982,100	464,614	15.6%	(13,261)	(13,261)	37,500	40,000	6,532	
Totals	13,528,218	2,273,953	16.8%	(37,244)	(37,244)	65,500	48,907	20,473	

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

Office Market Terms and Definitions

Inventory: Office inventory includes all multi-tenant and single tenant buildings with a minimum size threshold of 7,500 square feet. Owner-occupied, government, and medical buildings are not included.

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.

Office Building Classifications: Grubb & Ellis adheres to BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above the average for the area . . . Class B properties compete for a wide range of users with rents in the average range for the area . . . Class C buildings compete for tenants requiring functional space at rents below the average area.

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. We report all office rents as full service/gross where all costs of operation are paid by the landlord up to a base year or expense stop.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the building size.

Major Transactions

Grubb & Ellis|Paramount Commerce and Grubb & Ellis|Focus Properties are pleased to announce that they represented the following companies in office transactions during the 1st quarter of 2008:

Nantz, Litowich, Smith, Girard & Hamilton, P.C

Lease
11,000 SF
Tom DeBoer, SIOR, CCIM
Scott Morgan, JD, SIOR
Chad Koster, Jim Peterson, CLS, JD

Michigan Medical, P.C.

Lease
11,720 SF
Andrew Visser