

# Office Market Trends Southwest Michigan

Grubb & Ellis|Paramount Research

First Quarter 2005



## Vacancy Peaks

### Executive Summary

Southwest Michigan's office market has seen a rise in vacancy rates throughout this last quarter, leaving tenants and owners alike hopeful for a long-overdue recovery later in the year. The sluggish office market is evident in downtown Kalamazoo, where corporate downsizing and relocations created gaping vacancies.

The Portage office market has seen limited activity this quarter, most notably in the premier Class A Trade Center at Westnedge and I-94. Construction was completed on the 90,000 square foot project in the fall of 2004; to date, it is nearly one hundred percent leased. However, absorption statistics for this building do not necessarily suggest a positive influx of business and employment for the area. The building's new tenants are, in fact, previous Class B users who have upgraded space and relocated to the Trade Center, a recurring trend in this market.

Another anomaly to consider is the Quads Complex on Romence Road. The property was previously owned and occupied by Pfizer. The nearly 400,000 square foot complex stands almost entirely unoccupied and accounts for 33 percent of the entire office market vacancy in the suburbs.

Future development and activity will hopefully focus office users to consider the central business district of downtown over the suburbs. The conversion of obsolete office space downtown to alternative uses will further reduce office vacancies and improve the overall lifestyle of the downtown area. Vacancy rates are anticipated to begin falling, and the office market will again be sustainable as the year comes to a close.

*"We look forward to an increase in office activity with some positive absorption for the second quarter of 2005, especially in the CBD of Kalamazoo."*

*Anne Summerfield, CCIM*

#### Southwest Michigan Office Market Trends

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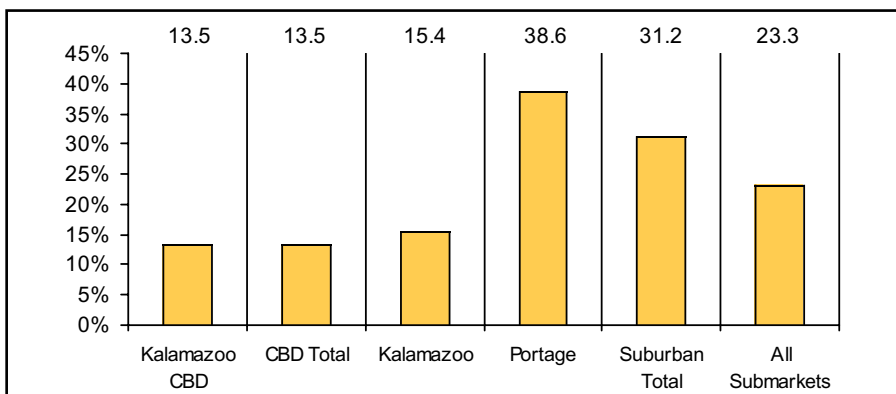
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**Vacancy Rate by Sub-Market\***

\* All Classes of Space

## Office Market Snapshot Southwest Michigan First Quarter 2005

By Submarket (All Classes)	Total SF	Vacant SF	Vacant %	Under Construction	Asking Rent	
					Class A	Class B
Downtown	1,725,661	232,964	13.5%	-	\$18.80	\$14.80
Kalamazoo	690,325	106,308	15.4%	-	\$17.47	\$14.60
Portage*	1,460,700	564,440	38.6%	-	\$18.73	\$13.76
<b>CBD Total</b>	<b>1,725,661</b>	<b>232,964</b>	<b>13.5%</b>	<b>-</b>	<b>\$18.80</b>	<b>\$14.80</b>
<b>Suburban Total</b>	<b>2,151,025</b>	<b>670,748</b>	<b>31.2%</b>	<b>-</b>	<b>\$18.43</b>	<b>\$14.05</b>
<b>Totals</b>	<b>3,876,686</b>	<b>903,712</b>	<b>23.3%</b>	<b>-</b>	<b>\$18.47</b>	<b>\$17.2148</b>
By Class (All Submarkets)					Available for Sublease	
					CBD	Suburban
Class A	1,126,293	243,178	21.6%	-	-	-
Class B	2,274,175	578,564	25.4%	-	-	-
Class C	476,218	81,970	17.2%	-	-	-

\*1901 Romence (Quads Complex) is responsible for 32.9% of this submarket's vacancy

## Office Market Terms and Definitions

**Inventory:** Office inventory includes all multi-tenant and single tenant buildings with a minimum size threshold of 5,000 square feet. Owner-occupied, government, and medical (occupied by owner) 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 is pleased to announce that they represented the following companies in office transactions during the 1st quarter of 2005:

**Lease**  
6040 Stadium Drive  
2.51 Acres Land  
*Anne Summerfield, CCIM*

**Lease**  
179 Portage Drive  
6,970 SF Office  
*Anne Summerfield, CCIM*

**Lease**  
Proline Building  
4775 Campus Drive  
3,500 SF Office  
*Bob Deal*