

Office Market Trends Southwest Michigan

Grubb & Ellis|Paramount Commerce Research

First Quarter 2007



Flight to Quality

Executive Summary

The term "flight to quality" reflects current activity for the Kalamazoo office market. Rental rates on new and renovated office buildings are enticing some tenants to upgrade their business environment. For existing building owners, this means keeping facilities updated and maintained is a must to avoid losing tenants. Tenants are contemplating the possibility of relocation and comparing the cost of "new" to existing rental rates.

"The office market is seeing activity during the first quarter, although positive absorption is not on the horizon."

Anne Summerfield, CCIM

New construction of Class A space is continuing in the area. The Trade Center II building in Portage and the downtown Miller Canfield Building exemplify a caliber of construction not yet seen in the area. Renovations to the United Building and Depot Landmark have shown the popularity and success of mixed-use projects downtown. The former Neil's Automotive building is also being renovated, contributing to the trend of downtown revitalization.

The market saw minimal positive absorption in the first quarter of 2007. Incentives such as attractive tenant improvement packages, competitive lease rates and the possibility of free rent are giving tenants a position to negotiate favorable terms for both new and renewed office leases. Small, freestanding single-occupant buildings are in still in high demand. Going forward, the market will continue to see moderate demand for new office space encouraging landlords to make improvements and offer incentives to keep occupancy healthy.

Southwest Michigan Office Market Trends

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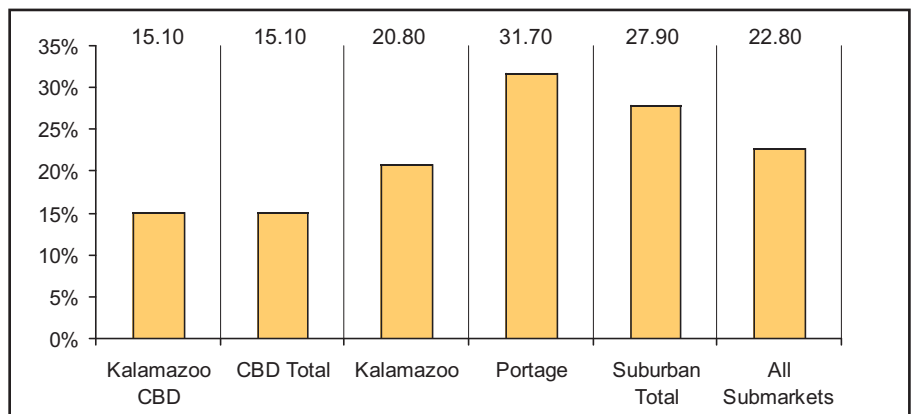
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Vacancy Rate by Sub-Market*

* All Classes of Space

Office Market Snapshot Southwest Michigan First Quarter 2007

By Submarket (All Classes)	Total (1)	Vacant (2)		Net Absorption		Under Const.(3)	Asking Rent (4)		
	SF	SF	Vacant %	Current	Year To Date	SF	Class A	Class B	
Kalamazoo CBD	1,804,959	272,778	15.1%	(4,920)	(4,920)	-	\$16.84	\$14.80	
CBD Total	1,804,959	272,778	15.1%	(4,920)	(4,920)	-	\$16.84	\$14.80	
Kalamazoo	955,873	198,980	20.8%	3,463	3,463	-	\$17.46	\$16.13	
Portage	1,771,722	562,360	31.7%	4,857	4,857	121,845	\$18.75	\$14.07	
Suburban Total	2,727,595	761,340	27.9%	8,320	8,320	121,845	\$18.15	\$14.80	
Totals	4,532,554	1,034,118	22.8%	3,400	3,400	121,845	\$17.67	\$14.80	
							Available for Sublease		
By Class (All Submarkets)							CBD	Suburban	
Class A	1,440,708	282,800	19.6%	(4,733)	(4,733)	108,286	-	-	
Class B	2,487,937	621,690	25.0%	17,524	17,524	-	-	9,110	
Class C	603,909	129,628	21.5%	(9,391)	(9,391)	13,559	-	-	
Totals	4,532,554	1,034,118	22.8%	3,400	3,400	121,845	-	9,110	

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

** 1901 Romence (Quads Complex) which accounts for 67.3% of this market'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 Commerce is pleased to announce that they represented the following companies in office transactions during the 1st quarter of 2007:

**8080, 8120, 8051
Moorsbridge Rd.**
Sale
25,641 SF
Anne Summerfield, CCIM

3308 S. Westnedge
Sale
6,865 SF
Anne Summerfield, CCIM

2700 Old Centre Rd.
Sale
10,000 SF
Anne Summerfield, CCIM