

Industrial Market Trends West Michigan

Grubb & Ellis|Paramount Commerce Research
Second Quarter 2008



Positive Beginning

Executive Summary

The West Michigan Industrial market started 2008 slowly and steadily, but closed the second quarter on a very positive note. Over 1.5 million square feet of net positive absorption took place in the second quarter, bringing the year-to-date absorption to nearly 1.7 million square feet. As a result, the overall vacancy rate decreased sixty basis points from 8.8 percent at the end of 2007 to 8.2 percent at the mid-point of 2008.

“Despite the prevailing climate of negativity, the greater Grand Rapids industrial market has improved to the point where vacancy rates are now in line with the national average.”

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

Since the second half of 2006, the industrial market has been at or near a vacancy rate of 9.0 percent, which was a significant jump from its 7.7 percent level during the first half of 2006. This jump was due almost entirely to the addition of the former Steelcase Campus, which created a somewhat artificially high vacancy rate for the last two years. During the second quarter of 2008, two separate building sale transactions comprised of nearly two million square feet of the former campus took place, dramatically altering the market vacancy rate. Amstore purchased 900,000 square feet, consolidating many locations across West Michigan, and Diversified Distribution Services acquired one million square feet as part of a consolidation of three locations in Detroit and Chicago.

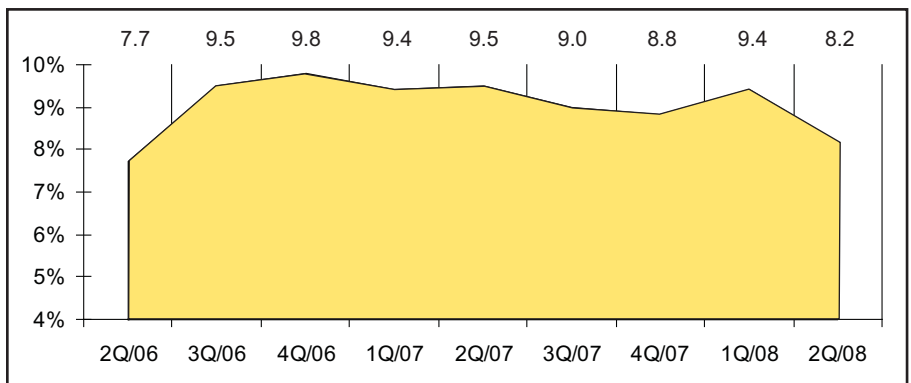
The second half of 2008 will likely revert to the broader trend of slow but gradually decreasing vacancy that we have seen over the past few years. The industrial market will see little speculative construction as costs continue to rise, market rents remain low, and the redevelopment of existing space remains a more viable option. Asking rental rates have remained steady over the past seven years, and will remain favorable to tenants until vacancy rates fall to the point where demand finally meets the supply of current inventory.

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Independently Owned and Operated



Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot West Michigan Second 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	12,802,854	305,038	2.4%	25,490	20,620	-	\$3.17	-
Northeast	5,669,329	159,010	2.8%	98,343	100,508	-	-	\$6.30
Northwest	16,152,189	1,655,376	10.2%	(477,959)	(490,879)	-	\$3.05	-
Southeast	49,371,657	4,946,931	10.0%	1,765,858	1,788,701	147,000	\$3.25	\$4.35
Southwest	29,481,087	2,282,156	7.7%	182,265	251,875	76,900	\$3.18	\$4.39
Suburban Total	113,477,116	9,348,511	8.2%	1,593,997	1,670,825	223,900	\$3.17	\$4.42
Totals	113,477,116	9,348,511	8.2%	1,593,997	1,670,825	223,900	\$3.17	\$4.42
By Property Type (All Submarkets)							Asking Rent	
General Industrial	87,620,791	6,353,484	7.3%	1,571,277	1,584,300	207,900	\$3.26	
Incubator	359,828	5,000	1.4%	-	-	16,000	\$7.25	
R&D/Flex	3,862,144	431,165	11.2%	11,845	23,250	-	\$4.42	
Warehouse/Distribution	21,634,353	2,558,862	11.8%	10,875	63,275	-	\$3.17	
Totals	113,477,116	9,348,511	8.2%	1,593,997	1,670,825	223,900	\$3.29	

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

Major Transactions

Grubb & Ellis|Paramount Commerce is pleased to announce that they represented the following companies in industrial transactions during the second quarter of 2008:

<p>3951 Trade Sr. SE Sale - Seller Rep 895,947 SF John Kuiper, SIOR, CCIM Duke Suwyn, SIOR, CCIM</p>	<p>1040 40th St. SE Sale - Seller Rep 949,684 SF John Kuiper, SIOR, CCIM Duke Suwyn, SIOR, CCIM</p>	<p>2450 Oak Industrial Dr. NE Sale - Seller & Buyer Rep Randy Bronkema, SIOR, CCIM Chuck King, SIOR</p>	<p>679 State S. State St. Sale - Seller & Buyer Rep 40,000 SF Steve Marcusse, CCIM Randy Bronkema, SIOR, CCIM</p>
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Industrial Market Terms and 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 sub-lease 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.