

Grubb & Ellis|Paramount Kalamazoo Commercial Real Estate Advisors

While our office in downtown Kalamazoo is new to Southwest Michigan, our expertise in this market is not. Collectively, our staff of professionals offers more than four decades of *local* experience spanning everything from global transactions to regional site expansions. In fact, all of our Advisors and staff members are long-time area residents, devoted to the community's growth and strength both on the job and outside of the office.

Our team includes former corporate and executive - level real estate professionals, seasoned brokers and retail entrepreneurs. We take pride in understanding the needs of our clients, whether they are first-time buyers of commercial property, corporate real estate executives or owners of a multi-national or regional business.

The Grubb & Ellis|Paramount team brings extensive experience in all facets of commercial real estate, from Industrial and Retail properties to Office, Land and Investment transactions.

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**Ranked #1 Commercial Real Estate Agency
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LOCAL PRESENCE GLOBAL REACH

Industrial Market Trends Southwest Michigan

Grubb & Ellis|Paramount Research
Second Quarter 2005



Heading Upward!

Executive Summary

At first glance, Southwest Michigan's industrial sector seems to have an unusually high vacancy rate. Upon closer look, however, nearly half of the market's 14.7 percent vacancy is centered in three prominent industrial buildings in the Kalamazoo-Battle Creek area: the Mead Building, Midlink Park, and the Pfizer GMP Warehouse in Portage. Removal of these three buildings from the market's current inventory would bring the area's vacancy rate down to a more acceptable eight percent.

One of the biggest strengths of the industrial market is the work of local economic development groups, particularly Southwest Michigan First and Battle Creek Unlimited. These two authorities have combined government expertise and tax incentive programs to attract new business to the market, as well as to retain the area's current income-producing companies. Reliance on economic development groups is critical for survival of the industrial sector. The proven track-record of these groups has created effective and sustainable industrial growth.

The Southwest Michigan industrial market is relatively small and thinly-traded. This region has not experienced the swings in vacancy rates that have impacted similar markets. Filling the existing vacancies in the area's larger buildings (most specifically Mead, Midlink, and the Pfizer warehouse) will lead to overall growth in the Southwest Michigan industrial sector. Absorption is expected to occur within the next 12-18 months, at which time the market's vacancy rates will dip well below the national average.

"As we move towards filling our large vacancies, we will approach stability and growth in our market."

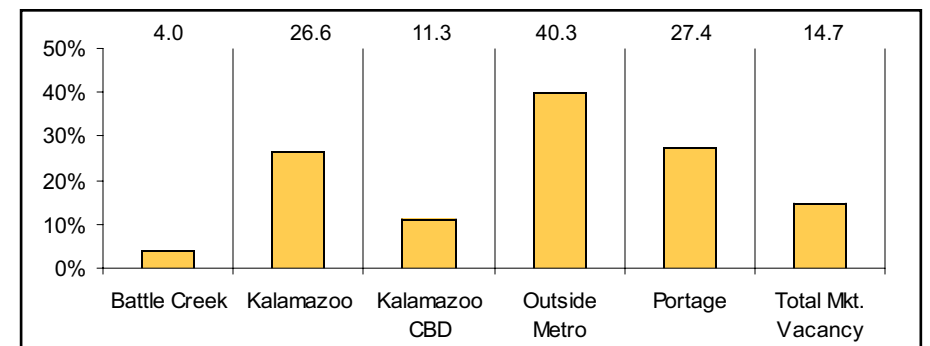
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Southwest Michigan Industrial Vacancy Rate*
* All Product Types in Kalamazoo/Battle Creek Metro Submarkets



Industrial Market Snapshot Southwest Michigan Second Quarter 2005

By Submarket (All Product Types)	Total SF	Vacant SF	Vacant %	Net Absorption		Under Construction	Asking Rent	
				Current	Year-to-date		WH/Dist.	R&D Flex
Battle Creek	13,391,611	539,382	4.0%	-	-	-	\$3.50	-
Kalamazoo	6,528,787	1,738,774	26.6%	-	-	-	\$3.04	\$3.06
Kalamazoo CBD	857,251	97,000	11.3%	-	-	-	-	-
Outside Metro Area	1,487,611	600,226	40.3%	-	-	-	\$2.83	\$4.10
Portage	2,275,704	624,041	27.4%	-	-	-	\$2.75	-
Total	24,540,964	3,599,423	14.7%	-	-	-	\$2.95	\$3.10
By Product Type (All Submarkets)							Asking Rent By Product Type	
General Industrial	14,329,279	878,080	6.1%	-	-	-	\$3.10	-
R&D/Flex	2,201,238	827,988	37.6%	-	-	-	\$3.10	-
WH/Dist.	8,010,447	1,893,355	23.6%	-	-	-	\$2.95	-
Totals	24,540,964	3,599,423	14.7%	-	-	-	\$3.03	-

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. 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.

Major Transactions

Grubb & Ellis|Paramount is pleased to announce that they represented the following companies in industrial transactions during the 2nd quarter of 2005:

Sale Business Technology Research Park - WMU 118,000 SF Industrial <i>Bob Deal</i>	Lease 5701 Dickman, Battle Creek 44,000 SF Industrial <i>Bob Deal</i>	Sale 5501 Wayne, Battle Creek 14,400 SF Industrial <i>Bob Deal</i>
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Featured Properties

Kalamazoo - 692 S. 8th St.



- 19,600 Total SF
- 9,600 Available SF
- Lease Price: \$4.00/SF
- **Jane Fette**

Mead Building - 4141 Manchester



- 387,888 Total SF
- 387,888 Available SF
- Lease Price: \$2.95/SF
- **Bob Deal**

Battle Creek - 4600 Dickman



- 161,000 Total SF
- 9,360 Available SF
- Lease Price: \$10.00/SF
- **Bob Deal**

Battle Creek - 5701 Dickman



- 122,685 Total SF
- 14,400 Available SF
- Lease Price: \$3.50/SF
- **Bob Deal**

Battle Creek - 730 Watkins



- 75,000 Total SF
- 75,000 Available SF
- Lease Price: \$3.50/SF
- **Jane Fette**

Battle Creek - 750 Watkins




- 75,000 Total SF
- 75,000 Available SF
- Lease Price: \$3.50/SF
- **Jane Fette**

* Asking rental rates are reported in Triple Net terms.

Some of the data in this report has been gathered from third party sources and has not been independently verified by Grubb & Ellis|Paramount. Grubb & Ellis|Paramount makes no warranties or representations as to the completeness or accuracy thereof.

Land for Sale

Size Location	City Price	Contact	Comments	Aerials
2.95 Acres 8151 Merchant Place	Portage \$80,000/ac	Dave Kuepfer Anne Summerfield, CCIM	Off Centre Street, between Sprinkle and Portage Rd. Prime industrial building site near Pfizer and Stryker.	
1.44 Acres 5650 W. D. Ave.	Kalamazoo \$125,000	Anne Summerfield, CCIM	Industrial-zoned property near US-131 access ramps and close to Kalamazoo Speedway. Property is improved with small residential building and garage.	