

Industrial Market Trends Southwest Michigan

Grubb & Ellis|Paramount Commerce Research
Second Quarter 2007



Actively passive

Executive Summary

At the close of the second quarter, the Southwest Industrial market can be best described as “actively passive.” Industrial users bounced back after the uncertainty of Michigan’s 2008 tax liabilities in early 2007. However, with a set tax plan in place the market can expect to see more investment activity. This trend is already gaining strength with small industrial users that are leasing back space thereby gaining extra capital.

“The Kalamazoo industrial market can expect to see more investment activity.”

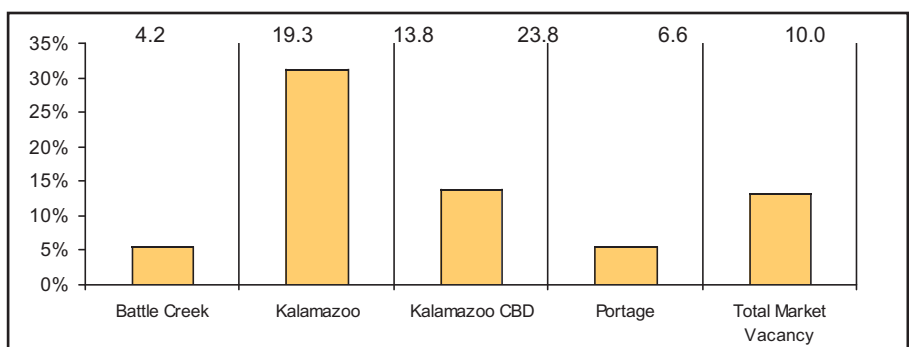
The majority of activity during the first half of 2007 was in the 70,000-plus-square-foot range, which has cultivated a cost-effective alternative for companies seeking logistical operations with easy access to I-94 and the surrounding metropolitan areas. White box industrial space with adequate clear heights also saw moderate demand, although investors are hesitant to commit to speculative construction. Additionally, Michigan Biodiesel & Automated Solutions moved their operations to Bangor and Apollo Plastic Corporation expanded their facilities, both helping to create over sixty new jobs in the area.

The increasing life science and biotechnology market has continued to show momentum. Several startups originating from The Southwest Michigan Innovation Center (SMIC) at Western Michigan University’s Technology and Research Park are thriving. PharmOptima is the second firm to graduate from incubation in the SMIC. Furthermore, two additional research firms are expected to launch new businesses in 2007. Michigan’s life science leaders are proving to investors that Kalamazoo’s resources and incentives provide the environment needed to succeed.

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Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot Southwest Michigan Second Quarter 2007

By Submarket (All Property Types)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const.(3)	Asking Rent (4)	
	SF	SF		Current	Year To Date	SF	WH/Dist	R&D/Flex
Battle Creek - FCIP/Airport	14,055,697	792,208	5.6%	131,312	91,512	-	\$3.28	-
Kalamazoo	6,793,725	2,122,289	31.2%	(44,175)	(810,179)	-	\$3.38	\$3.25
Kalamazoo CBD	882,013	121,762	13.8%	-	-	-	-	-
Portage	2,331,525	129,975	5.6%	42,076	22,802	-	\$3.35	-
Suburban Total	24,062,960	3,166,234	13.2%	129,213	(695,865)	-	\$3.35	\$3.25
Totals	24,062,960	3,166,234	13.2%	129,213	(695,865)	-	\$3.35	\$3.25

By Property Type (All Submarkets)	Asking Rent							
General Industrial	13,834,637	754,595	5.5%	183,692	137,143	-	\$3.20	
R&D/Flex	2,553,152	1,158,800	45.4%	51,300	(667,500)	-	\$3.25	
Warehouse/Distribution	7,675,171	1,252,839	16.3%	(105,779)	(165,508)	-	\$3.35	
Totals	24,062,960	3,166,234	13.2%	129,213	(695,865)	-	\$3.27	

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

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.

