

Office Market Trends West Michigan

Grubb & Ellis|Paramount Commerce Research
Third Quarter 2007



"Hundreds of millions of dollars of long awaited development projects, in both the public and private sectors, are finally reaching completion. We are optimistic about the effect and impact these will have on both the medical and downtown office markets moving into 2008."

*Chris Beckering
Office Advisor*

West Michigan Office Market Trends

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Pieces Coming Together

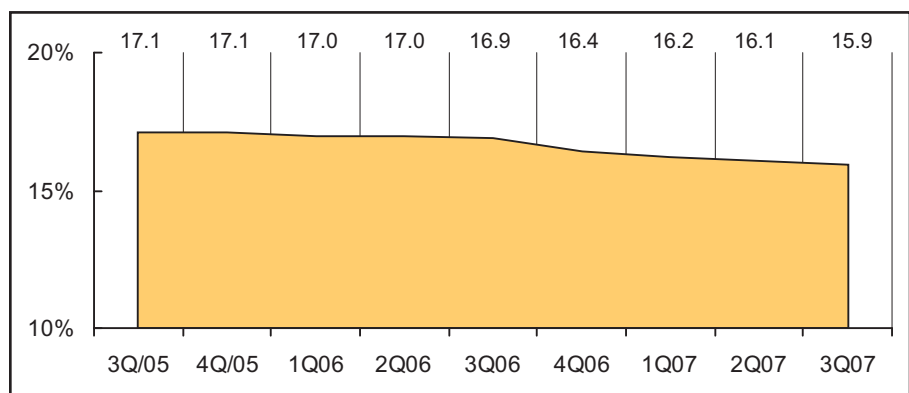
Executive Summary

Modest improvement continues to be the trend in the West Michigan office market as the third quarter comes to an end. Vacancy rates dropped from 16.2 percent in the first quarter to 15.9 percent in third quarter and absorption year-to-date is approximately 150,000 square feet. The suburban market shows nearly 40,000 square feet of positive absorption in the third quarter; however, much of that may be offset by the recent closing of mortgage companies which contributed almost 100,000 square feet of vacancies in 2007.

The Downtown office market has maintained moderate occupancy rates and slight increases in rental rates. Discussions of a new Class A tower have quieted as prospective tenants renew and extend leases in existing locations. Suburban markets remain soft with some tenants now looking to the Central Business District (CBD) as a result of large-scale medical and hospitality development. Developers continue to struggle with available speculative office space in the suburban markets.

The rapid development and expansion of the "Medical Mile" will continue through 2010, with over 450,000 square feet scheduled to come online in 2008. Second generation medical office space will create the next set of market challenges as landlords struggle to upgrade or reposition their assets to the market.

Although the general office market remains soft in West Michigan, we are looking forward with a positive forecast in 2008. Medical space will continue to expand. Tenants will keep looking into the CBD for general office requirements, and we foresee positive absorption due to the lack of new construction in the overall office market.



Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot West Michigan Third Quarter 2007

By Submarket (All Classes)	Total (1)	Vacant (2)		Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF	Vacant %	Current Qtr	Year To Date	SF	Class A	Class B
CBD	3,571,280	602,179	16.9%	3,655	43,379	-	\$21.82	\$19.20
Downtown	1,220,695	192,413	15.8%	(3,237)	(25,490)	37,500	\$23.90	\$18.99
CBD Total	4,791,975	794,592	16.6%	418	17,889	37,500	\$22.33	\$19.16
Airport Area	938,763	54,511	5.8%	-	37,776	-	\$18.25	\$14.01
Burton/Breton	559,613	96,744	17.3%	-	8,557	-	\$18.15	\$17.20
Cascade	1,642,560	284,387	17.3%	3,083	10,290	82,000	\$20.44	\$17.55
Centennial Park	748,575	176,425	23.6%	3,268	(41,863)	-	-	\$17.98
E Beltline Corridor	870,329	182,620	21.0%	(6,628)	508	28,000	\$20.75	\$18.69
E Paris Corridor	943,295	122,089	12.9%	15,715	36,906	-	\$19.00	\$16.32
Northeast Misc	369,610	39,136	10.6%	10,312	6,776	-	\$17.24	\$15.60
Northwest Misc	576,149	38,344	6.7%	1,862	23,140	-	\$15.79	\$14.59
Southeast Misc	1,398,880	285,831	20.4%	14,949	23,297	-	\$29.50	\$15.93
Southwest Misc	918,163	115,209	12.5%	(3,554)	27,029	-	\$20.38	\$15.49
Suburban Total	8,965,937	1,395,296	15.6%	39,007	132,416	110,000	\$20.12	\$16.83
Totals	13,757,912	2,189,888	15.9%	39,425	150,305	147,500	\$21.33	\$17.84
							<u>Available for Sublease</u>	
							CBD	Suburban
By Class (All Submarkets)								
Class A	3,369,649	489,040	14.5%	8,103	97,158	110,000	7,882	-
Class B	7,485,163	1,248,073	16.7%	22,397	17,525	-	3,285	30,209
Class C	2,903,100	452,775	15.6%	8,925	35,622	37,500	40,000	6,532
Totals	13,757,912	2,189,888	15.9%	39,425	150,305	147,500	51,167	36,741

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

Office Market Terms and Definitions

Inventory: Office inventory includes all multi-tenant and single tenant buildings with a minimum size threshold of 7,500 square feet. Owner-occupied, government, and medical 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 3rd quarter of 2007:

<p>Ross Education, LLC Lease 7,000 SF Bill Battjes, PE Chris Beckering, Chip Bowling Andrew Visser</p>

<p>Deloitte & Touche Lease 20,659 SF Bill Bowling, SIOR Chris Beckering Chip Bowling</p>

<p>Moxie and Churchill's Lease 9,000 SF Chris Beckering Chip Bowling Ray Kisor, SIOR</p>
