

Retail Market Trends Southwest Michigan

Grubb & Ellis|Paramount Commerce Research

Third Quarter 2007



Going Strong

Executive Summary

The inventory of Kalamazoo/Portage's three primary retail corridors, Westnedge Ave., Gull Rd., and W. Main St./M-43, increased due to new construction and redevelopment currently taking place. Tenants moving out of old space and into new space have contributed to the negative absorption on Westnedge Ave. and W. Main St. during the third quarter. Vacancy remains low in all corridors except Gull Rd., which is due to the continued former K-Mart vacancy.

"Franchises are competing for market demand by opening second and third locations."

Jodi Milks, CCIM

The fastest growing corridor continues to be W. Main St. and Drake Rd. due to the renovation of Maple Hill Mall and other large box users that have opened secondary locations. It recently passed S. Westnedge Ave. and Milham as the busiest intersection in the area. As projected, development on S. Westnedge Ave. between Romence Rd. and Centre Ave. continued with the opening of the GFS store, MVPets, and the soon-to-be Main Street Pub. In addition, other sites along this stretch are poised for redevelopment.

In the N. Westnedge corridor, between Kilgore and Whites Rd., interest in redevelopment projects is expected to continue. Currently under construction, the 14,000-square-foot-plus Damon's redevelopment will help attract additional investment opportunities to this area.

It remains challenging for existing retail landlords to compete against new retail developments that are better positioned with improved curbside appeal. As we push into 2008, we can expect new national restaurants, small retailers, and the expansion of existing franchises in our market.

Southwest Michigan Retail Market Trends

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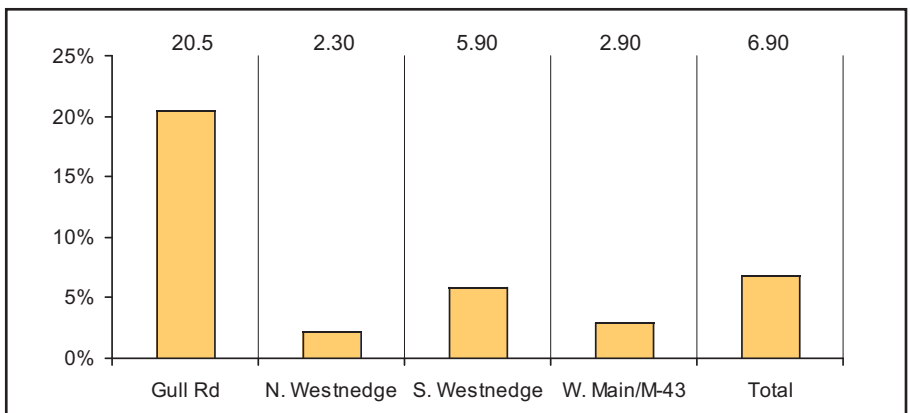
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Vacancy Rate by Sub-Market

Retail Market Snapshot Southwest Michigan Third Quarter 2007

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	Neighborhood	Power
Gull Rd	886,040	182,080	20.5%	1,300	1,300	6,250	-	-
N. Westnedge	297,916	6,942	2.3%	4,008	(2,126)	21,000	-	-
S. Westnedge	4,393,489	258,002	5.9%	(23,296)	(15,746)	44,302	\$14.15	-
W. Main/M-43	1,502,228	43,325	2.9%	(7,600)	(15,199)	23,000	-	-
Suburban Total	7,079,673	490,349	6.9%	(25,588)	(31,771)	94,552	\$14.15	-
Totals	7,079,673	490,349	6.9%	(25,588)	(31,771)	94,552	\$14.15	-

By Property Type (All Submarkets)	Asking Rent						
Community	1,059,676	206,400	19.5%	(21,500)	(26,000)	55,000	\$12.00
Free-standing	2,530,525	76,426	3.0%	(10,176)	(14,288)	27,502	\$9.50
Neighborhood	1,480,755	133,232	9.0%	(9,860)	(9,860)	-	\$14.15
Other	27,200	-	-	-	-	-	-
Showroom	172,473	-	-	-	-	-	-
Specialty/Theme	33,716	-	-	-	-	-	-
Strip	885,190	59,291	6.7%	8,862	11,291	12,050	\$12.27
Super-regional	890,138	15,000	1.7%	7,086	7,086	-	-
Totals	7,079,673	490,349	6.9%	(25,588)	(31,771)	94,552	\$12.20

Retail Market Terms and Definitions

Inventory: Retail inventory includes all multi-tenant, single tenant and owner occupied buildings with a minimum size threshold of 5,000 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.

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 retail rents as triple net where all costs of operation are paid by the tenant.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the amount of available space in the building.

Major Transactions

Grubb & Ellis|Paramount Commerce is pleased to announce that they represented the following companies in retail transactions during the year of 2007:

LANDLORD REP
Casual Male
Portage, MI
3,600 SF Retail
Jodi Milks, CCIM

SELLER & TENANT REP
Centennial Wireless
Battle Creek, MI
1,400 SF Retail
Jodi Milks, CCIM

LANDLORD & TENANT REP
Quiznos
Owosso & Adrian, MI
1,500 SF Retail
Jodi Milks, CCIM