

Industrial Market Trends Southwest Michigan

Grubb & Ellis|Paramount Commerce Research
Fourth Quarter 2006



Slow but steady

Executive Summary

Another quarter of limited absorption describes the Southwest Michigan industrial market as 2006 comes to a close. There were a few notable transactions in the area over the summer months, but nothing to bring the Kalamazoo area vacancy rate down significantly. Both the warehouse and distribution sectors, as well as the general industrial sector of our market, saw a slight drop in vacancy rates, while the other components sectors of the industrial market remained unchanged. Rental rates have seen a slight increase.

"Diversification continues to be the key to sustained growth."

*Dave Kuepfer
Commercial Real Estate Advisor*

As reported at the beginning of 2006, the industrial market is not expecting any significant new spec construction. The region has a surplus of existing industrial space. Landlords are offering shorter lease terms and increased incentives to combat vacancies. Until these availabilities are absorbed, new construction will continue to lag.

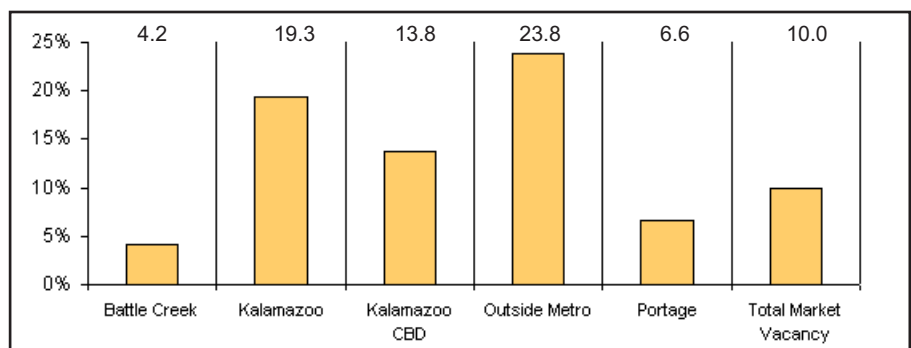
The good news for Kalamazoo continues to be found in the region's many proactive economic development organizations, which are offering tax incentives and other initiatives to help fill major vacancies. Coupled with a burgeoning life sciences and biotechnology market in Kalamazoo, the groundwork is being laid to accelerate this long-lasting recovery phase into a period of sustained growth.

Southwest Michigan Industrial Market Trends

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Southwest Michigan Industrial Vacancy Rate*

* All Product Types in Kalamazoo/Battle Creek Metro Submarkets

