

Industrial Market Trends Southwest Michigan

Grubb & Ellis|Paramount Commerce Research
Fourth Quarter 2007



Recovery Ahead

Executive Summary

Biotechnology and life science companies play an important role in Kalamazoo, with a plethora of core facilities, wet lab space, research and development buildings, and manufacturing facilities. The availability of land, buildings, infrastructure, capital, and an educated workforce are key components for continued growth in this sector.

Although Kalamazoo vacancy rates remained at 32 percent during the fourth quarter, 65 percent is attributed to two buildings. The Mid-Link Building and the former Mead Building have a combined total of 1.4 million square feet of vacancy. If these buildings are removed, the vacancy rate would be reduced to 14 percent. Due to the surplus of existing industrial space in the region, the Kalamazoo industrial market did not have any new speculative construction.

The Battle Creek Fort Custer Industrial Park remains healthy in comparison to national vacancy rates, however, activity was limited during the fourth quarter. Most of the absorption is attributed to expanded warehousing needs from local companies.

Due to the uncertainty of the new business tax for Michigan, key industrial transactions were delayed or cancelled during the fourth quarter. Undeterminable tax liabilities took Michigan off the map for industrial users shopping the national market. In 2008, we can expect the Kalamazoo industrial market to be in the recovery phase of the market cycle.

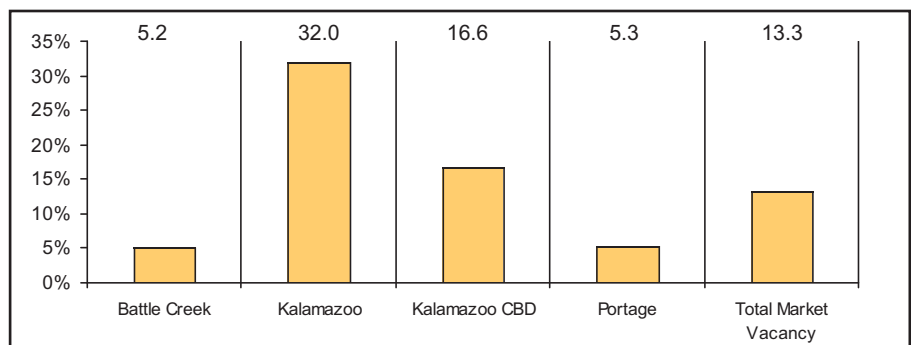
"We think a recent increase in activity is in fact the harbinger of growth to come."

-Dave Kuepfer

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Gary Albrecht
Research Analyst
E-mail: gary.albrecht@gepc.com

Grubb & Ellis|Paramount Commerce
125 S. Kalamazoo Mall
Suite 203
Phone: 269.978.0245
Internet: www.gepc.com
www.focusproperties.com
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Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot Southwest Michigan Fourth 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	WH/Dist	R&D/Flex
Battle Creek	13,931,151	717,861	5.2%	22,000	113,512	-	\$3.31	-
Kalamazoo **	6,795,475	2,171,975	32.0%	(101,086)	(859,865)	-	\$2.99	-
Kalamazoo CBD	1,531,417	253,616	16.6%	-	-	-	-	-
Portage	2,331,525	122,675	5.3%	-	30,102	-	\$2.86	-
Suburban Total	24,589,568	3,266,127	13.3%	(79,086)	(716,251)	-	\$3.06	-
Totals	24,589,568	3,266,127	13.3%	(79,086)	(716,251)	-	\$3.06	-

By Property Type (All Submarkets)	Asking Rent							
General Industrial	15,232,806	1,805,634	11.9%	31,414	(486,243)	-	\$3.18	-
R&D/Flex	1,681,591	131,854	7.8%	-	11,300	-	-	-
Warehouse/Distribution	7,675,171	1,328,639	17.3%	(110,500)	(241,308)	-	\$3.06	-
Totals	24,589,568	3,266,127	13.3%	(79,086)	(716,251)	-	\$3.14	-

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

** The Mid-Link Building and former Mead Building account for 65% of this market's vacancy.

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.

