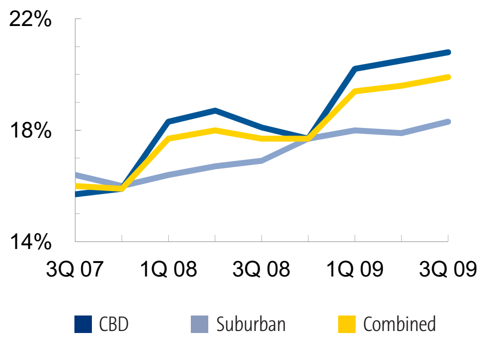
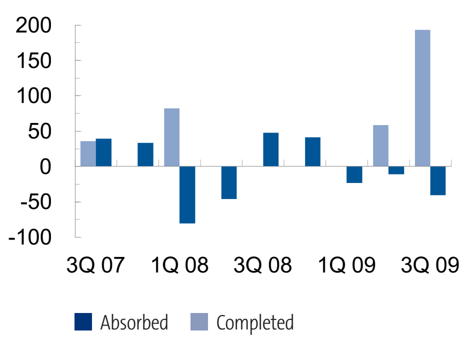
Office Trends Report—Third Quarter 2009
Grand Rapids, MI

GRUBB & ELLIS Paramount Commerce

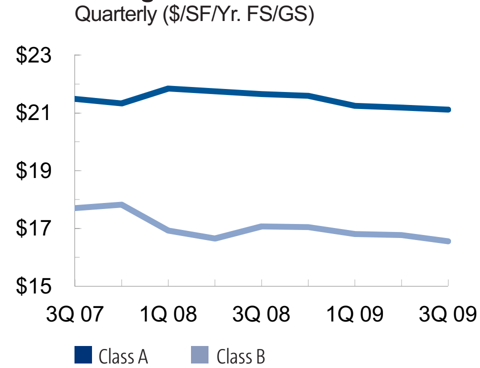
Vacancy Rate
Quarterly



Completions vs. Absorption
Quarterly (in Thousands of SF)



Asking Rental Rates
Quarterly ($/SF/Yr. FS/GS)



Still Bouncing Along the Bottom

In the Grand Rapids office market, vacancy rates increased from 18.7 percent in the second quarter of 2009 to 19.9 percent in the third quarter, which was mainly attributable to reclassification of two large office buildings in the suburban market (1050 and 1090 36th Street SE). If these two buildings are removed from the statistics, the overall vacancy rate would have increased to 19.1 percent. The vacancy rate downtown increased from 17.6 percent in the second quarter of 2009 to 18.3 percent in the third quarter.

There were nine reported sales and 46 reported leases in Kent County during the third quarter compared to nine reported sales and 44 reported leases during the during the second quarter of 2009; bringing the total number of transactions to 158 during the first three quarters of 2009. In 2008, there were a total 206 transactions during the first three quarters.

In addition, the average lease size was approximately 1,800 square feet during the first three quarters of 2009 versus nearly 3,400 square feet during the same period in 2008. While asking rental rates have remained consistent over the last year, they have slightly declined this quarter. Overall, Class A asking rental rates have decreased from $21.43 per square foot in the second quarter of 2009 to $21.11 per square foot in the third quarter. Similarly, Class B asking rental rates have decreased from $16.97 per square foot in the second quarter of 2009 to $16.55 per square foot in the third quarter. While the decreases have been slight, effective rents continue to decline as landlords are still offering tenant improvement dollars.

For the remainder of 2009, Grubb & Ellis|Paramount Commerce expects that the office market will end more positively than what the first three quarters yielded. As the economic crisis slows, the West Michigan office market stands in good position to recover more quickly than the rest of the state.

FORECAST

- Aggressive lease proposals for tenants.
- Lower tenant improvement costs.
- Increased absorption of higher quality product; particularly offices for sale.

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By Submarket	Total SF	Vacant SF	VACANCY % Direct	VACANCY % Total	NET ABSORPTION Current	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT Class A	ASKING RENT Class B
CBD	3,386,744	661,966	19.3%	19.5%	(15,499)	(3,370)	21,000	$20.29	$18.46
Downtown	1,220,695	179,843	14.7%	14.7%	-	10,503	-	$23.90	$17.68
CBD Total	**4,607,439**	**841,809**	**18.1%**	**18.3%**	**(15,499)**	**7,133**	**21,000**	**$21.52**	**$18.32**
Airport Area	929,563	78,8013	8.5%	8.5%	(617)	(3,958)	-	$12.75	$12.05
Burton/Breton	459,029	89,285	19.5%	19.5%	(715)	(4,603)	21,000	$18.90	$15.87
Cascade	1,733,098	440,671	25.4%	25.4%	(6,208)	(21,958)	-	$22.28	$16.83
Centennial Park	713,190	162,797	22.8%	22.8%	(8,820)	2,185	-	-	$17.45
E Beltline Corridor	900,473	189,944	19.9%	21.1%	7	(677)	-	$20.46	$18.85
E Paris Corridor	940,557	177,496	18.9%	18.9%	3,159	(20,978)	-	$20.23	$15.16
Northeast Misc	369,136	63,353	17.2%	17.2%	-	(17,711)	-	$17.17	$14.67
Northwest Misc	554,970	58,862	10.6%	10.6%	-	(9,487)	-	$15.91	$11.35
Southeast Misc	1,536,834	482,940	31.4%	31.4%	(9,212)	353	-	$22.42	$13.33
Southwest Misc	961,936	146,241	12.0%	15.2%	(2,461)	(5,237)	-	$18.56	$16.13
Suburban Total	**9,098,786**	**1,890,390**	**20.3%**	**20.8%**	**(24,867)**	**(82,071)**	**-**	**$20.93**	**$15.69**
Totals	**13,706,225**	**2,732,199**	**19.6%**	**19.9%**	**(40,366)**	**(74,938)**	**21,000**	**$21.11**	**$16.55**

By Class	Total SF	Vacant SF	VACANCY % Direct	VACANCY % Total	NET ABSORPTION Current	NET ABSORPTION Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE CBD	AVAILABLE FOR SUBLEASE Suburban
Class A	3,290,441	666,946	20.3%	20.3%	(1,536)	(26,271)	21,000	8,557	-
Class B	7,410,080	1,482,809	19.4%	20.0%	(23,478)	(27,581)	-	7,094	41,423
Class C	3,005,704	582,444	19.4%	19.4%	(15,352)	(21,086)	-	-	-
Totals	**13,706,225**	**2,732,199**	**19.6%**	**19.9%**	**(40,366)**	**(74,938)**	**21,000**	**15,651**	**41,423**

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OFFICE TERMS AND DEFINITIONS

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 10,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above 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 area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

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 in most parts of the country and dollars per square foot per month in areas of California and selected other markets.
Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

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