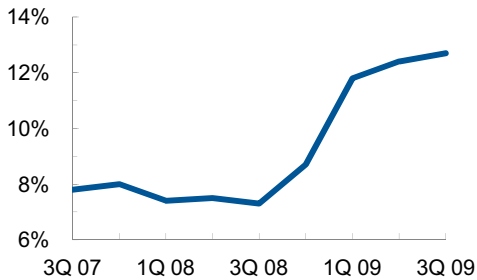
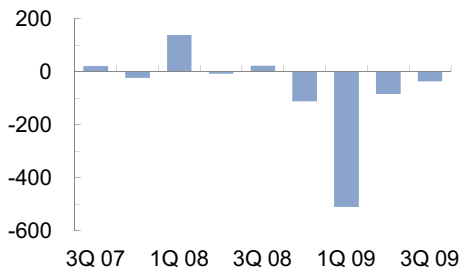


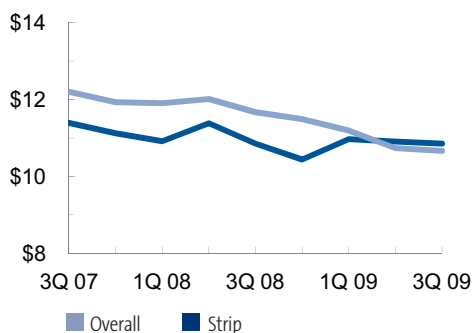
**Vacancy Rate**  
Quarterly



**Absorption**  
Quarterly (in Hundreds of SF)



**Asking Rental Rates**  
Quarterly (\$/SF/Yr. Triple Net)



## Retail Still Struggles

The Grand Rapids retail market remained slow during the third quarter of 2009, although it did not see the dramatic declines as did the first and second quarters. The overall vacancy rate increased from 12.4 percent in the second quarter to 12.7 percent during the third quarter, which includes regional malls. There was over 35,000 square feet of negative absorption compared to nearly 84,000 square feet of negative absorption during the second quarter of 2009. Through three quarters, the Grand Rapids retail market has had over 630,000 square feet of negative absorption. As previously mentioned, this is mainly attributed to big box retailers closing their doors.

Leasing activity remained steady during the third quarter of 2009 while sale activity had a slight increase. This is due primarily to discount retailers, grocery stores and franchised restaurants. There were 32 reported leases and 10 reported sales in Kent County during the third quarter of 2009 compared to 28 reported leases and six reported sales during the second quarter. Interestingly, there were 32 reported leases and five reported sales during the third quarter of 2008. The Grand Rapids retail market started 2009 slow with only 19 reported leases during the first quarter compared to 37 reported leases in the first quarter of 2008. As we move into the fourth quarter, Grubb & Ellis|Paramount Commerce expects this trend to slow somewhat as we move through the holidays.

While leasing and sale activity increased during the third quarter, effective rental rates continue to decline. In addition, the average size of leases has also declined in 2009. In 2008, the average lease size was nearly 3,100 square feet while the average lease size through the third quarter of 2009 is 2,600 square feet. This is mainly attributable to tenants downsizing to meet the demands of the economic crisis that started at the beginning of the year. For the optimistic, there are some signs that the market may stabilize in early 2010. However, bank pressure on landlords will remain a threat.

### FORECAST

- Asking rental rates will bottom out within the next quarter.
- In-line retail spaces will continue to struggle.
- Retailers in the discount segment of the market will continue moderate expansion.

# Retail Trends Report—Third Quarter 2009

## Grand Rapids, MI

By Submarket	Total SF	Vacant SF	Total Vacancy %	NET ABSORPTION		Under Construction	ASKING RENT	
				Current	Year to Date		Neighborhood	Power
28th Street Southeast	6,997,912	789,233	11.3%	(19,228)	(155,414)	10,000	\$7.44	\$17.50
28th Street Southwest	1,779,674	457,390	25.7%	(21,825)	(225,795)	-	-	-
Alpine Avenue	2,630,262	244,068	9.3%	1,691	(92,788)	-	-	\$15.00
E. Beltline	613,527	59,655	9.7%	(3,141)	9,487	-	\$16.26	-
Plainfield/Northland Dr.	2,095,744	364,344	17.4%	6,064	(54,177)	-	\$8.04	-
Rivertown Parkway	3,012,135	256,372	8.5%	-	(111,716)	-	\$14.53	\$14.73
<b>Totals</b>	<b>17,129,254</b>	<b>2,171,062</b>	<b>12.7%</b>	<b>(36,439)</b>	<b>(630,403)</b>	<b>10,000</b>	<b>\$9.58</b>	<b>\$15.34</b>

By Property Type	Total SF	Vacant SF	Total Vacancy %	NET ABSORPTION		Under Construction	ASKING RENT	
				Current	Year to Date		Neighborhood	Power
Community	845,888	263,950	31.2%	(16,565)	(14,291)	-	\$11.52	-
Free-standing	6,757,545	618,644	9.2%	(25,804)	(299,745)	10,000	\$9.38	-
Neighborhood	763,965	287,321	37.6%	4,477	(30,512)	-	\$9.58	-
Outlet	79,200	19,200	24.2%	-	(7,851)	-	\$9.87	-
Power	2,438,832	313,437	12.9%	-	(135,127)	-	\$15.34	-
Regional	1,081,801	162,614	15.0%	-	(46,723)	-	\$8.50	-
Showroom	575,081	73,567	12.8%	-	(53,567)	-	\$12.45	-
Specialty/Theme	418,400	18,154	4.3%	-	-	-	-	-
Strip	1,791,553	354,350	19.8%	4,527	(43,582)	-	\$10.85	-
Super-regional	2,328,000	50,000	2.1%	-	-	-	-	-
Urban Retail	48,989	9,825	20.1%	(3,074)	995	-	\$14.87	-
<b>Totals</b>	<b>17,129,254</b>	<b>2,171,062</b>	<b>12.7%</b>	<b>(36,439)</b>	<b>(630,403)</b>	<b>10,000</b>	<b>\$10.66</b>	



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### RETAIL TERMS AND DEFINITIONS

**Inventory:** Retail inventory includes all multi-tenant, single tenant and owner-occupied buildings with a minimum 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 and includes direct and sublease vacant. 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 in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Retail 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.

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.