

MarketView Grand Rapids Industrial

Fourth Quarter 2008

Quick Stats

	Current	Change from last	
		Year	Period
Vacancy	17.3%	↓	↑
Lease Rates		↓	→
Net Absorption*	+ 749,818 SF	↓	↑
New Construction	204,960 SF	↓	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Decision making process is being stretched out.
- Tenants are driving tougher deals, renewing now rather than when due.
- Landlords prefer to renegotiate a lease for a struggling tenant than have a vacancy.
- Occupiers agree to increases in rent over committing to out of pocket TI capital.
- The need to improve efficiencies (incl. reconfiguration of supply chains) is driving much demand.
- Rising costs of shipping are forcing manufacturing back to US.
- Most major planned projects have been put on hold; construction financing is all but impossible.

Nationally, the lack of consumer spending is creating diminished demand for real estate and significant losses in the manufacturing sector. There is a hesitancy in the industrial leasing market as companies defer occupancy decisions in light of growing economic turbulence. Tenant retention is the property owner's primary objective as landlords try to protect cash flow. New supply has been tapering off slowly, with vacancy rates rising to 12.1% at year-end 2008 from 10.2% at year-end 2007. Our research indicates that the U.S. market with the highest industrial vacancy is Austin, TX (24.3%). Tucson, AZ is the strongest market, with 4.4% vacancy.

Nearly 97 million square feet of industrial space was surveyed in Grand Rapids' Kent County. Over 52 million square feet (54%) of this product is leased space distributed throughout five submarkets: Central Urban Area (CUA), NE, NW, SE and SW. The area's largest industrial sector is the SE, which comprises over 45% of Kent County's leased industrial space. The SE is home to Gerald R. Ford International Airport and many industrial powerhouses, including Steelcase and Lacks Industries.

While there were a handful of notable leases, Kent County's biggest industrial news during the second half of 2008 was Roskam Baking

Company's lease of 665,000 square feet within the former Steelcase campus in the SE Submarket. The majority of industrial activity has involved transactions under 10,000 square feet.

Due in large part to the Roskam lease, absorption was positive for the latter half of 2008.

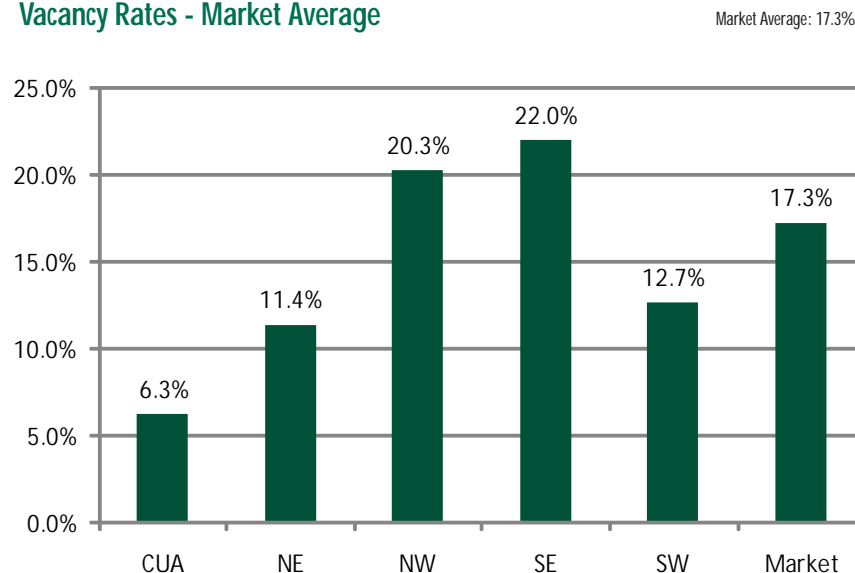
Over 600,000 square feet (+0.6%) of leased and owner occupied industrial space was absorbed in Kent County during the past six months and the gross industrial vacancy rate fell to 10.7% (approximately 10.4 million square feet) from 11.0% at mid-year 2008 and 13.0% at year-end 2007.

17.3% of leasable space is vacant (approximately nine million square feet), up slightly from 17.6% charted mid-year 2008 and down from 20.4% at year-end 2007.

Asking rental rates for Class A/B space remain steady and typical lease concessions include one month free base rent per lease year. Annual triple net expenses average \$1.00-1.75 per square foot.

Although there were several smaller owner-user facilities built during the latter half of 2008, only one leased building was completed; 204,960 square feet was built to suit for G&T.

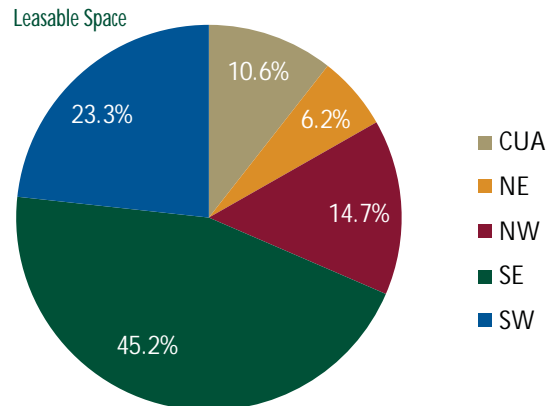
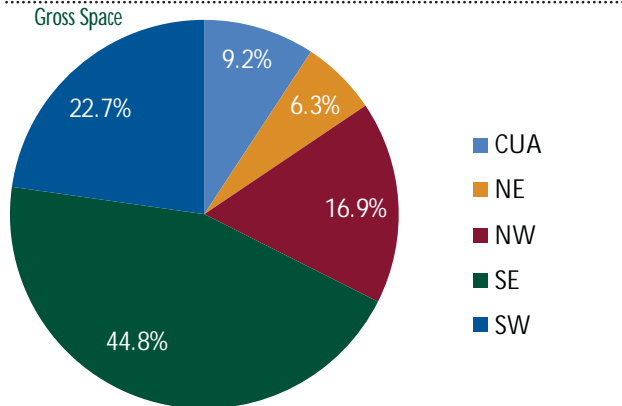
Vacancy Rates - Market Average



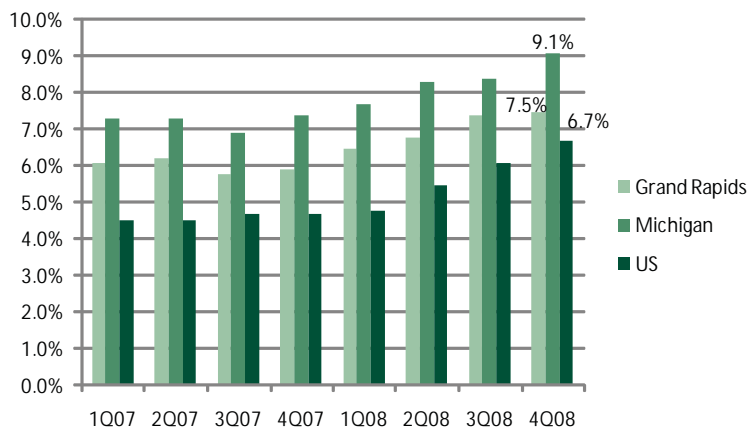
Market Statistics

Market	Gross Area (SF)	Vacancy Rate % - Gross Area	Net Absorption SF - Gross Area	Leasable Area (SF)	Vacancy Rate % - Leasable Area	Net Absorption SF - Leasable Area	Asking Lease Rates - \$ SF/YR NNN
CUA	8,953,212	6.0%	-13,126	5,536,145	6.3%	+ 15,000	\$1.25-4.00
NE Submarket	6,124,968	10.2%	-236,327	3,243,518	11.4%	-118,338	\$2.75-3.95
NW Submarket	16,339,754	10.3%	-16,235	7,709,758	20.3%	+ 18,365	\$2.40-4.95
SE Submarket	43,441,027	12.9%	+ 844,581	23,692,865	22.0%	+ 807,739	\$2.25-6.00
SW Submarket	22,041,400	8.8%	+ 24,694	12,189,385	12.7%	+ 27,052	\$1.80-4.25
Market	96,900,361	10.7%	+ 603,587	52,371,671	17.3%	+ 749,818	

Market Composition



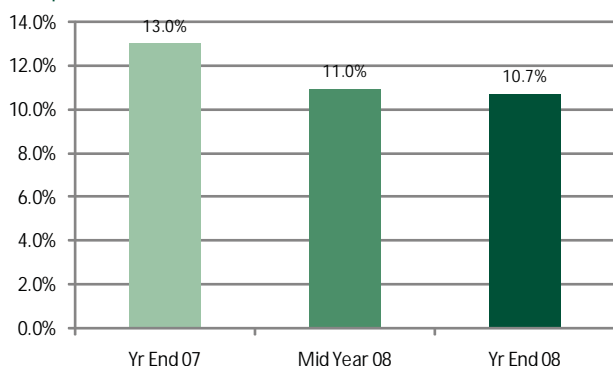
Unemployment Rate



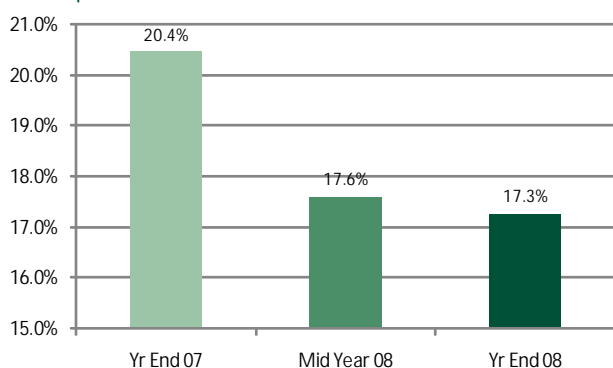
The sub-prime mortgage lending fallout has disrupted the financial market in the U.S. and has driven up unemployment rates across the country. Grand Rapids' unemployment rate increased this quarter to 7.5% from 7.4% last quarter. Likewise, Michigan and the U.S. both experienced increases in unemployment: 9.1% and 6.7% respectively.

Market Vacancy

Gross Space



Leasable Space



Kent County industrial space is 10.7% vacant (approximately 10.4 million square feet), down from 11.0% charted mid-year 2008 and 13.0% charted at year-end 2007.

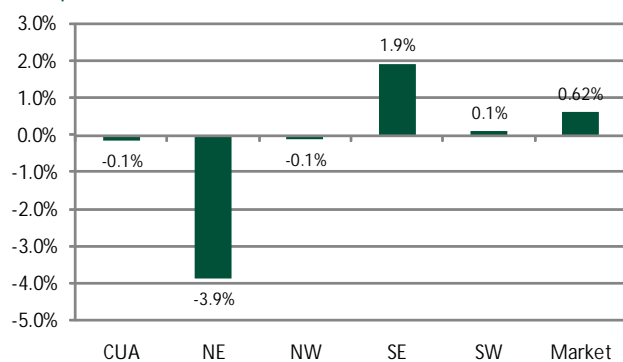
17.3% of leasable space is vacant (approximately nine million square feet), up from 17.6% charted mid-year 2008 and down from the 20.4% at year-end 2007.

From a geographic perspective, the Southeast sector, Kent County's largest industrial submarket, has the highest percentage of gross and leasable vacancies (12.9% and 22.0% respectively) and the CUA has the lowest percentage of vacancies (6.0% and 6.3% respectively).

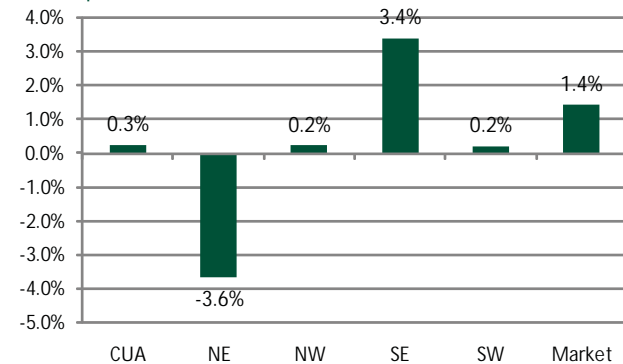
Less than ten facilities can accommodate a 200,000 square foot user, and together they represent over 30% of gross market vacancies.

Absorption (2nd Half 2008)

Gross Space



Leasable Space



Kent County experienced significant positive absorption during the first half of 2008 (+2.3%), with the majority of activity involving owner-user transactions.

During the second half of 2008, the market also experienced positive absorption (+0.6% gross and +1.14% leased space).

The submarket with the highest reported absorption was the SE Submarket, which absorbed +844,581 gross square feet (+807,739 square feet of leased space), due in large part to Roskam Baking Company leasing over 665,000 square feet. The submarket that fared the worst was the NE sector, which experienced a negative absorption of nearly 240,000 square feet (approximately 120,000 square feet of leased space), caused in large part to several new vacancies along Plymouth, Northridge and Walkent.

MarketView Grand Rapids Industrial

Top Lease Transactions

Size (SF)	Tenant	Address
665,890	Roskam Baking	5353 Broadmoor SE
204,960	G&T	1101 76th Street SW
148,149	Leggett Platt	3445 East Paris SE
40,363	Keyes Refrigeration	7650 Caterpillar Dr SW

MARKET COVERAGE

This analysis is based on information gathered in December 2008 and is limited to completed private sector buildings with 20,000+ rentable square feet.

LEASE RATES

Figures presented are dollars per square foot per year, triple net.

TRIPLE NET (NNN)

The added expense over the lease rate which includes operating expenses of the building.

UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

PLANNED

Any planned or proposed building or assemblage that has not yet begun excavation and will consist of at least 20,000 rentable square feet.

VACANT SQUARE FEET

Existing Building Area which is physically vacant or immediately available.

VACANCY RATE

Space available divided by the inventory (space proposed or under construction is not included).

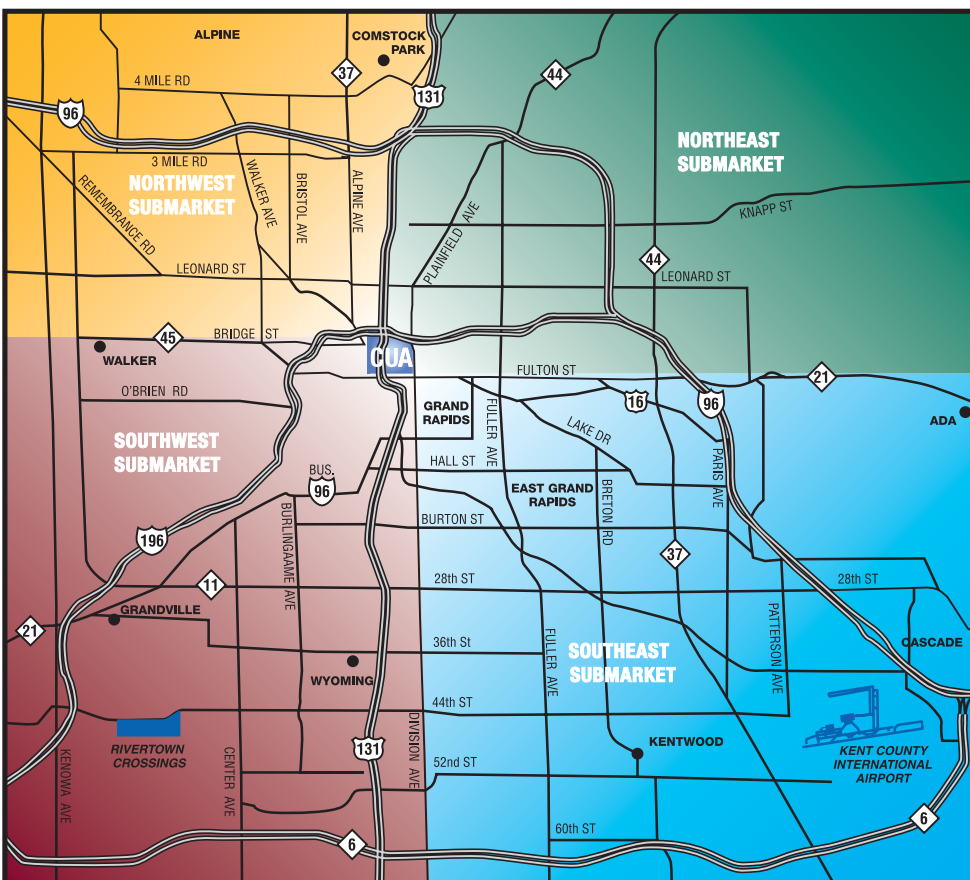
ABSORPTION

The net change in occupied square feet from one period to the next.

NORMALIZATION

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

Submarket Map



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