



Society of Industrial and Office Realtors

Michigan Chapter

www.siormichigan.com

Newsletter - Summer 2011

Michigan Chapter Board of Directors:

PRESIDENT

Tim Kwekel, CCIM, SIOR
Kwekel Companies
3768 Bradford St. NE
Grand Rapids, MI 49525
Phone: 616-301-9800
Email: tim@kwekelcompanies.com



VICE PRESIDENT

Jason E. Capitani, CCIM, SIOR
L. Mason Capitani Corfac International
2301 W. Big Beaver Rd., Ste. 625
Troy, MI 48084-3322
Phone: 248-637-9700
Email: jcapitani@lmcap.com



SECRETARY

Robert L. Horn, Jr., SIOR
CB Richard Ellis
99 Monroe Ave NW, Suite 902
Grand Rapids, MI 49503
Phone: 616-831-2200
Email: robert.horn@cbre.com



TREASURER

Samuel C. (Chip) Hurley IV, CCIM, SIOR
Macatawa Bank
10753 Macatawa Drive
Holland, MI 49424
Phone: 616-233-3349
Email: churley@macatawabank.com



RECRUITMENT/RETENTION DIRECTOR

Christopher L. Nagorski, SIOR
Skyline Property Group
2146 Livernois Road
Troy, MI 48083-1636
Phone: 248-680-9900
Email: chris@skylineprop.com



MARKETING DIRECTOR

Randall T. Allman, SIOR
CB Richard Ellis
2000 Town Center Suite 500
Southfield, MI 48075
Phone: 248-251-2062
Email: randall.allman@cbre.com



Introduction

2011 Mid-Year Market Review – Are We Officially in Recovery Mode?

By: Jason E. Capitani, SIOR, CCIM

It is often times popular to cite market statistics and focus on specific projects or transactions while providing a market review. From a business perspective, it is prudent to do so. One cannot forecast to the best of their ability without studying past market trends. Historically speaking, we learn from our mistakes. Today, I ask one question: Are we better off today than we were a year ago at this time? I challenge anyone to argue that we are not. Yes, the rate of foreclosure is still high. Yes, it is still difficult to secure financing. Yes, many businesses are concerned that these signs of improvement are temporary. However, for every negative comment, there are positive responses. Although rate of foreclosure is still high, the rate of absorption of foreclosed properties has risen appreciably. These properties are not sitting on the market like they have the previous 24 months. Although it may be a struggle for some local businesses to secure financing, it's evident that traditional lending institutions, albeit some more than others, are far more accessible than they were in 2009 and early 2010. The SBA programs are propagated frequently and the qualification process is not as cumbersome as years past. Although many area businesses are unsure about the near future, isn't this to be expected? Considering what we have collectively endured over the past 36 months, isn't it human nature to second-guess signs of a market recovery? I tend to think that this is evidence of our ability to learn from past mistakes. There is nothing wrong with proceeding in a confident, yet cautious manner.

The bottom line is activity has noticeably increased. More businesses are interested in purchasing and leasing properties. More businesses are in the market touring sites. We are all working on more transactions than a year ago. While the site selection process may linger, and the average life cycle for each transaction may drag three times longer than they used to, as long as the deal happens, we can all appreciate an improving economy. Properties may be trading or leasing at ridiculously low numbers, but isn't this to be expected in a market that is flooded with buyer/tenant opportunities? The end result from a brokerage perspective is easy to admit: we are working much harder for less commission on each transaction. The flip side to this is at least our book of business continues to improve. As values begin to stabilize, and there are signs that they are about to, our rate of compensation will follow. The time has never been better to purchase or lease industrial and office real estate. The local businesses who have weathered the storm and who have positioned themselves for a recovery will surely take advantage of the times.

We used to say that the safest investment was in real estate. I believe we will recite these words once again. Are we officially in recovery mode? I don't know. There are several prognosticators that will argue one way versus the other. What I do know, is the market is better than it was a year ago...and it continues to improve. I'll take that over fancy graphs and statistics.

Talking Points and Updates

SIOR Monthly Talking Points and Updates – July 2011

New or updated information from previous month appears in blue.

Membership

Total Members	2,945
Active	2,565
Associate	205
Retired	173
Candidate	2

Countries	28
Cities	580
Chapters	46

Retention

2011 Dues Renewal	95.8% renewed. (95% at same time in 2010)
Cancellations in Good Standing	75
Terminations (non-payment of dues)	47
2010 Net Growth	SIOR was flat from 2010 to 2011

Recruitment & New Members

YTD Applications Received	86
2011 New Members to date	72
2010 New Members	144

Annual Average of 2006-2010 Transaction Volume

Number of Deals Completed Annually by SIOR's	78,000
Avg. Deals per Member	30
Dollar Volume per Member	\$32.2 million
Sq. Feet and Meters per Member	1.05 million sq. ft. (97,550 sq. meters)

International

Members	70
2011 New International Members to date	10
New Countries Represented	Israel

Recent International Events

Amsterdam Reception – June 14 – Prologis and SIOR hosted a reception with 30 SIOR members and prospective members to showcase the value of earning the designation.

London Luncheon – June 16 – sponsored by Prologis. 45 members, prospective members, and guests attended the luncheon with guest speaker, Henk Folmer, Senior Vice President, Global Customer Solutions, Prologis. Folmer discussed the recent merger of AMB Property and ProLogis into what is now called Prologis, Inc., and how industrial fundamentals are improving as the European economy slowly, but steadily, recovers.

Upcoming International Events

London Luncheon – September TBD - SIORs are invited to attend and bring a prospective member as a guest.

Talking Points and Updates

Education – Center for Career Advancement (CCA)

Recent CCA Events – Courses and Seminars

Seminar – “Negotiation Skills” – NAI Global Conference – Las Vegas, NV – Feb. 8-9 – 59 attendees.

Seminar – “Understanding the Lease Agreement (abridged)” – Coldwell Banker Commercial Conference – Las Vegas, NV – March 10

Designation Course – March 21-24 – Los Angeles, CA – 28 attendees

Seminar – “Advanced Sales Skills” – SIOR Northern California Chapter – Sacramento, CA – April 14

Seminar – “Business Strategy” – SIOR Greater Los Angeles Chapter – Los Angeles, CA – May 19

Seminar – “Build-to-Suit” – SIOR Upstate NY Chapter – Syracuse, NY – June 14

Upcoming CCA Events – Courses, Seminars, Webinars

Designation Course – July 18-21 – Chicago, IL – 45 registered attendees

Webinar – “Liquidity in Commercial Real Estate” presented by Rob Nahigian – August 16, 1:30pmEDT

Seminar – “Construction” – SIOR Southern Nevada Chapter – Las Vegas – September 23

Designation Course – October 3-6 – Memphis, TN

Webinar – “2012 Economic Forecast and 2011 Year End Market Update” presented by Mark Dotzour – date TBD

Conferences

2011 Fall Conference Registrations	23
2011 Spring Conference Attendees	578
2010 Fall Conference Attendees	600

Sponsorships/Exhibitors

2011 Spring Conference Sponsors	13
2011 Spring Conference Exhibitors	16
2010 Fall Conference Sponsors & Exhibitors	32

Legislative

- SIOR has joined other commercial real estate industry associations in support of the Community Recovery and Investment Act (CRIA), important legislation introduced to help incentivize equity investment in distressed CRE assets, and to address the pending crisis threatening community banks that currently hold significant real estate debt on their books.
- NAR is working on favorable broker lien legislation, most recently in North Carolina, in order to help secure a broker's commission.
- NAR and SIOR are working to modify the lease accounting changes proposed by the Financial Accounting Standards Board. These changes could have significant consequences for the commercial real estate business.

Technology

Online Conference Registration & Dues Payment

- Members can pay dues in full online and register for the Fall Conference at www.sior.com. Log in IDs and passwords were provided to members. Members can contact Evan Gardner at egardner@sior.com for their ID and password.

Talking Points and Updates

Social Media

- SIOR is on LinkedIn, Facebook and Twitter. These platforms keep members informed of everything going on and provide opportunities for members to connect.
- Members can:
 - Connect with many more people easily,
 - Join in the discussions,
 - Share knowledge and expertise with other members, and,
 - Network and conduct business deals in a whole new way.

Website

- SIOR is redesigning its website into a more current, accessible and useful tool that will host all needs in one convenient and easy to use place.
- A website working group was formed to determine the needs and scope of the website and to work over the coming months to create, test and launch the new site. This group assisted SIOR staff in the selection of website vendors. Vendors have been chosen and production has begun.
- SIOR presented a demo of the website to members during the Opening General Session at the Spring World Conference. The mock website was well received.
- [The website will be launched this fall.](#)

New Benefits

Designee Marketing Toolkit – [Version 2 is coming in mid-July.](#)

As an added way for designees to promote their designation, a downloadable SIOR Designee Marketing Toolkit is available including:

1. **Customizable PowerPoint presentation** for use with clients and potential clients.
2. **SIOR Advertisements** - the original Quark files are also available for customization. Please contact Pam Fitzgerald at pfitzgerald@sior.com or 202.449.8220 for more information.
3. **Why Hire an SIOR flyer**
4. **SIOR Logos** for use on marketing materials

TO DOWNLOAD: Go to the SIOR Members Only site at www.sior.com (username: siormember and password: squarefeet) and scroll down to **SIOR Designee Marketing Toolkit**. Click on the link and save to your hard drive.

Professional Report

Professional Report magazine is now available online in addition to the print version.

- Industry and member articles, news as well as advertisements will have a further reach than the print version as the digital version can be viewed by and shared with anyone at any time.
- New advertising opportunities will be available with the digital version.
- The digital version of the magazine is currently accessible via the SIOR homepage.
- Additionally, the magazine is also available via iPhone and iPad mobile apps.

Associate Membership Directory

In April, SIOR released the 2nd edition of the Associate Membership Directory— [an electronic and interactive directory](#) connecting designees with Associate Members. The 2nd edition is available to download at <http://sior.com/resources.asp> .

Members can use the electronic directory to:

- Locate Associate Members,
- Learn more about Associate Members' services, and,
- Establish new contacts and business relationships.

Upcoming SIOR Events

Conferences

SIOR 2011 Fall World Conference

October 20-22, 2011 - Chicago, IL

Register at:

<http://www.siordata.com/Chicago/generalinfo.html>



Local Events

Metro Cruise

Saturday, August 27th, 2011

11:00 a.m. - 3:00 p.m.

1001 28th Street

Wyoming, Michigan

www.28thstreetmetrocrui.se.com

All owners of classic cars, muscle cars and hot rods are encouraged to attend the event. Inquires can be directed to Chip Hurley at: churley@macatawabank.com

2nd Annual SIOR Grand Prix

October, 2011 - Date TBD

Kart 2 Kart

Sterling Heights, Michigan

Back to Business 2011

October 17th, 2011

Dearborn Inn

Dearborn, Michigan

Guest Speaker: Governor Rick Snyder

More details to follow

Event organized by:



Past Local Events

Inaugural "Bullets & Breakfast Bonanza"

Thank you to all of the participants who attended this successful event. We look forward to seeing everyone again next year!



Top left to right: John Kuiper, CCIM, SIOR, Colliers International; Rick Vandenberg, Macatawa Bank; Bob Horn, SIOR, CBRE; Craig Rupnow, ATC; Steve Marcusse, SIOR, CCIM, Colliers; Brian Klaver, United Bank;

Jeff Balgoyen, Nederveld; Jeffrey Klaasen, Kwekel

Bottom left to right: Mike Marshall, ATC Associates; Chip Hurley, SIOR, CCIM, Macatawa Bank; Damon Root, Kwekel Co; Tim Kwekel, SIOR, CCIM, Kwekel Companies; Todd Kamps, CCIM, Kwekel

Not pictured: Tom Cronkright, Sun Title



Todd Kamps and Tim Kwekel, Chapter President

Membership Benefits

Professional Designation

SIOR is the only broker organization that provides industrial and office professionals with the prestigious SIOR designation. The designation signifies that an individual has achieved the high professional standards and a level of competence and success. Many corporate executives consider the SIOR designation as a prerequisite in choosing a service provider.

Personal Contacts

SIOR offers unique opportunities for developing lasting contacts among commercial real estate brokers and between independent industrial & office property brokers and corporate real estate executives in North America and around the world.

Peer Prestige & Industry Clout

SIOR is the most highly respected industrial and office professional Society in North America. Corporate real estate executives consider SIOR's Membership Directory to be the "Blue Book" of commercial real estate professionals. An online version of the Directory is available on the SIOR web site: click on Locate an Expert. Annual award programs recognize Society members for transaction activity and contributions in voluntary leadership roles.

Business Referral Network

SIOR members are located in more than 526 markets in 21 countries. SIOR is the largest and most effective commercial real estate referral network in North America. Last year, SIOR members reported almost 600 cooperative transactions with other SIOR members, worth more than US\$1 billion and comprising 33.2 million square feet of space. The SIOR Network Works!

Information Network

SIOR offers many opportunities – at conventions, seminars, local chapter programs, via e-mail, and through publications – to share the experiences, ideas, innovations, and trends in industrial and office real estate.

SIOR Website Intranet

The SIOR members-only intranet provides numerous tools, including broadcast email, electronic mailing lists, and complimentary LoopNet access for listings.

Professional Development

Through educational courses, seminars, and publications, SIOR enables real estate salespeople, brokers, managers, and corporate real estate executives to acquire and expand their knowledge of economic and financing conditions, technical innovations, and legal trends affecting the marketing of industrial and office real estate. Participation on committees and leadership roles expands individual networking effectiveness and teaches successful leadership and motivational skills.

Membership Benefits

Continuing Education

Most of the SIOR's educational programs and conventions are pre-approved for real estate license renewal continuing education credit by most US states and the Real Estate Institute of Canada.

Public Relations

SIOR can assist members in building media relationships and enhancing personal business recognition on the local, national, and international levels. This service is complemented by an aggressive advertising campaign in major US real estate publications.

Mediation and Arbitration

SIOR members can utilize a peer-based system for resolving business disputes. The SIOR Code of Ethical Principles and Standards of Professional Practice is the industry's leading standard of professional business behavior.

Professional Report

Members receive a complimentary copy of SIOR's quarterly magazine, featuring excellent industry-related articles and monographs, plus SIOR member and chapter news.

Application <http://www.sior.com/>

Contact Admissions Chairperson
RECRUITMENT/RETENTION DIRECTOR
Christopher L. Nagorski
Skyline Property Group
2146 Livernois Road
Troy, MI 48083-1636
Phone: 248-680-9900
Email: chris@skylineprop.com

2nd Quarter 2011 Detroit Industrial Market

MID-YEAR 2011 - DETROIT

DETROIT INDUSTRIAL MARKET



OVERVIEW

DETROIT'S VACANCY DECREASES TO 13.1% Net Absorption Positive 2,415,480 SF in the Quarter

The Detroit Industrial market ended the second quarter 2011 with a vacancy rate of 13.1%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 2,415,480 square feet in the second quarter. Vacant sublease space decreased in the quarter, ending the quarter at 1,691,955 square feet. Rental rates ended the second quarter at \$4.43, a decrease over the previous quarter. There was 285,000 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Detroit Industrial market was positive 2,415,480 square feet in the second quarter 2011. That compares to positive 2,021,707 square feet in the first quarter 2011, negative (2,331,339) square feet in the fourth quarter 2010, and negative (170,067) square feet in the third quarter 2010.

Tenants moving out of large blocks of space in 2011 include: Continental Plastics moving out of (133,000) square feet at 33525-33545 Groesbeck Hwy, Delphi Automotive Systems LLC moving out of (125,605) square feet at 4872 S Lapeer Rd, and Rockwell Automation, Inc. moving out of (61,306) square feet at 1849 W Maple Rd.

Tenants moving into large blocks of space in 2011 include: Cabot Street Real Estate LLC moving into 363,756 square feet at Brownstown Business Center, WF Whelan moving into 214,978 square feet at 8249 N Haggerty Rd, and Owens & Minor Distribution, Inc. moving into 209,450 square feet at 36663 Van Born Rd.

The Flex building market recorded net absorption of positive 643,012 square feet in the second quarter 2011, compared to positive 268,030 square feet in the first quarter 2011, positive 384,331 in the fourth quarter 2010, and negative (164,390) in the third quarter 2010.

The Warehouse building market recorded net absorption of positive 1,772,468 square feet in the second quarter 2011 compared to positive 1,753,677 square feet in the first quarter 2011, negative (2,715,670) in the fourth quarter 2010, and negative (5,677) in the third quarter 2010.

Vacancy

The Industrial vacancy rate in the Detroit market area decreased to 13.1% at the end of the second quarter 2011. The vacancy rate was 13.6% at the end of the first quarter 2011, 14.0% at the end of the fourth quarter 2010, and 13.5% at the end of the third quarter 2010.

Flex projects reported a vacancy rate of 16.5% at the end of the second quarter 2011, 18.0% at the end of the first quarter 2011, 18.5% at the end of the fourth quarter 2010, and 19.4% at the end of the third quarter 2010.

Warehouse projects reported a vacancy rate of 12.8% at the end of the second quarter 2011, 13.2% at the end of first quarter 2011, 13.6% at the end of the fourth quarter 2010, and 13.0% at the end of the third quarter 2010.

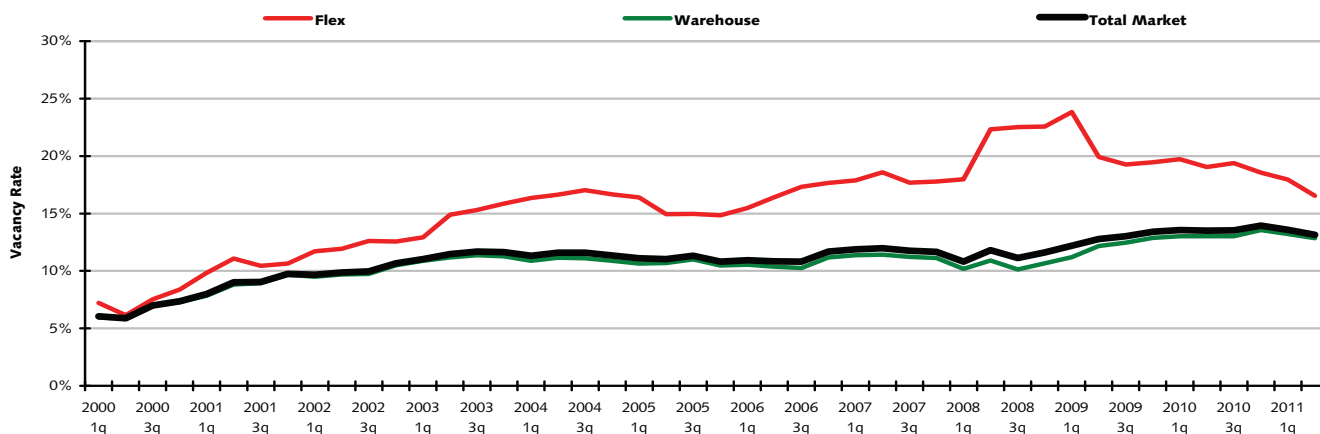
Largest Lease Signings

The largest lease signings occurring in 2011 included: the 363,756 -square-foot lease signed by Cabot Street Real Estate LLC at Brownstown Business Center in the Downriver market; the 184,020-square-foot deal signed by 12001 Framington Rd LLC at 12001 Farmington Rd in the Airport/I-275 market; and the 174,294-square-foot lease signed by Advanced Integrated Tooling Solutions LLC at 29700 Commerce Blvd in the East Area market.

Sublease Vacancy

The amount of vacant sublease space in the Detroit market

VACANCY RATES BY BUILDING TYPE 2000-2011



Source: CoStar Property®

2nd Quarter 2011 Detroit Industrial Market

DETROIT - MID-YEAR 2011



DETROIT INDUSTRIAL MARKET

OVERVIEW

decreased to 1,691,955 square feet by the end of the second quarter 2011, from 1,897,688 square feet at the end of the first quarter 2011. There was 1,997,861 square feet vacant at the end of the fourth quarter 2010 and 3,133,114 square feet at the end of the third quarter 2010.

Detroit's Flex projects reported vacant sublease space of 223,782 square feet at the end of second quarter 2011, down from the 253,418 square feet reported at the end of the first quarter 2011. There were 259,005 square feet of sublease space vacant at the end of the fourth quarter 2010, and 280,822 square feet at the end of the third quarter 2010.

Warehouse projects reported decreased vacant sublease space from the first quarter 2011 to the second quarter 2011. Sublease vacancy went from 1,644,270 square feet to 1,468,173 square feet during that time. There was 1,738,856 square feet at the end of the fourth quarter 2010, and 2,852,292 square feet at the end of the third quarter 2010.

Rental Rates

The average quoted asking rental rate for available Industrial space was \$4.43 per square foot per year at the end of the second quarter 2011 in the Detroit market area. This represented a 0.2% decrease in quoted rental rates from the end of the first quarter 2011, when rents were reported at \$4.44 per square foot.

The average quoted rate within the Flex sector was \$8.46 per square foot at the end of the second quarter 2011, while Warehouse rates stood at \$4.01. At the end of the first quarter 2011, Flex rates were \$8.42 per square foot, and Warehouse rates were \$4.03.

Deliveries and Construction

During the second quarter 2011, no new space was completed in the Detroit market area. This compares to one building totaling 45,000 square feet that were completed in the first quarter 2011, two buildings totaling 293,000 square feet completed in the fourth quarter 2010, and nothing completed in the third

quarter 2010.

There was 285,000 square feet of Industrial space under construction at the end of the second quarter 2011.

The only delivery in 2011 has been 45875 Dylan Dr, a 45,000-square-foot facility that delivered in first quarter 2011 and is now 100% occupied.

The only project under construction at the end of second quarter 2011 was 7200 15 Mile Rd, a 285,000-square-foot building with 88% of its space pre-leased.

Inventory

Total Industrial inventory in the Detroit market area amounted to 570,694,355 square feet in 16,413 buildings as of the end of the second quarter 2011. The Flex sector consisted of 45,451,189 square feet in 1,304 projects. The Warehouse sector consisted of 525,243,166 square feet in 15,109 buildings. Within the Industrial market there were 1,454 owner-occupied buildings accounting for 116,270,738 square feet of Industrial space.

Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Detroit industrial sales figures fell during the first quarter 2011 in terms of dollar volume compared to the fourth quarter of 2010.

In the first quarter, 35 industrial transactions closed with a total volume of \$79,306,372. The 35 buildings totaled 2,517,315 square feet and the average price per square foot equated to \$31.50 per square foot. That compares to 62 transactions totaling \$109,781,008 in the fourth quarter. The total square footage was 4,882,125 for an average price per square foot of \$22.49.

Total year-to-date industrial building sales activity in 2011 is up compared to the previous year. In the first three months of 2011, the market saw 35 industrial sales transactions with a total volume of \$79,306,372. The price per square foot has averaged \$31.50 this year. In the first three months of 2010, the market posted 26 transactions with a total volume of \$40,062,483. The price per square foot averaged \$26.73.

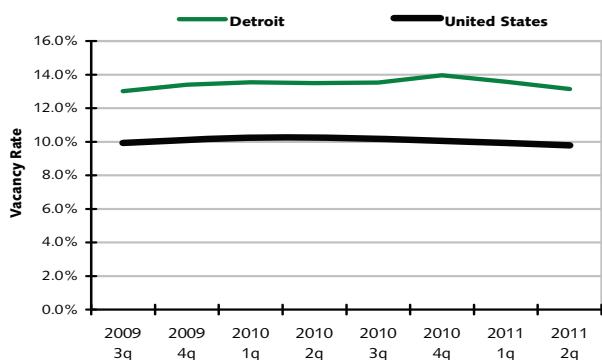
Cap rates have been higher in 2011, averaging 12.10%, compared to the first three months of last year when they averaged 9.72%.

One of the largest transactions that has occurred within the last four quarters in the Detroit market is the sale of 1250 Brown in Auburn Hills. This 542,800-square-foot industrial building sold for \$14,200,000, or \$26.16 per square foot. The property sold on 10/4/2010, at a 12.51% cap rate.

Reports compiled by: Scott Stephenson and Ryan Munneke CoStar Research Managers.

U.S. VACANCY COMPARISON

Past 8 Quarters



Source: CoStar Property

2nd Quarter 2011 Detroit Office Market

MID-YEAR 2011 - DETROIT

DETROIT OFFICE MARKET



OVERVIEW

DETROIT'S VACANCY DECREASES TO 18.5% Net Absorption Positive 820,506 SF in the Quarter

The Detroit Office market ended the second quarter 2011 with a vacancy rate of 18.5%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 820,506 square feet in the second quarter. Vacant sublease space decreased in the quarter, ending the quarter at 823,743 square feet. Rental rates ended the second quarter at \$18.25, a decrease over the previous quarter. A total of five buildings delivered to the market in the quarter totaling 41,323 square feet, with 28,080 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Detroit office market was positive 820,506 square feet in the second quarter 2011. That compares to negative (46,028) square feet in the first quarter 2011, positive 905,790 square feet in the fourth quarter 2010, and positive 80,661 square feet in the third quarter 2010.

Tenants moving out of large blocks of space in 2011 include: International Automotive Components Group moving out of 88,252 square feet at 5300 Auto Club Dr; and Electronic Data Systems Corporation moving out of 55,698 square feet at 985 W Entrance Dr; and Hewlett-Packard moving out of 37,241 square feet at 27755 Stansbury Blvd.

Tenants moving into large blocks of space in 2011 include: Blue Cross & Blue Shield of Michigan moving into 307,506 square feet at 500 Renaissance Ctr; International Automotive Components Group North America moving into 113,894 square feet at 28333 Telegraph Rd; and The General Services Administration for IRS moving into 81,413 square feet at 500 Woodward Ave.

The Class-A office market recorded net absorption of positive 467,507 square feet in the second quarter 2011, compared to

negative (262,395) square feet in the first quarter 2011, negative (55,960) in the fourth quarter 2010, and negative (102,040) in the third quarter 2010.

The Class-B office market recorded net absorption of positive 240,665 square feet in the second quarter 2011, compared to positive 23,768 square feet in the first quarter 2011, positive 762,695 in the fourth quarter 2010, and positive 132,316 in the third quarter 2010.

The Class-C office market recorded net absorption of positive 112,334 square feet in the second quarter 2011 compared to positive 192,599 square feet in the first quarter 2011, positive 199,055 in the fourth quarter 2010, and positive 50,385 in the third quarter 2010.

Net absorption for Detroit's central business district was positive 418,248 square feet in the second quarter 2011. That compares to negative (25,066) square feet in the first quarter 2011, positive 14,830 in the fourth quarter 2010, and positive 27,920 in the third quarter 2010.

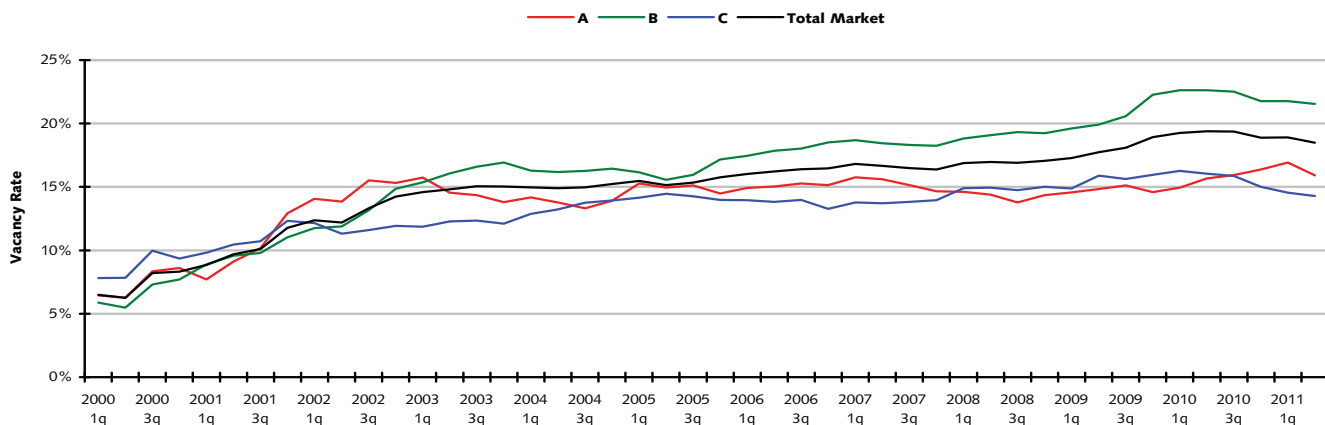
Net absorption for the suburban markets was positive 402,258 square feet in the second quarter 2011. That compares to negative (20,962) square feet in first quarter 2011, positive 890,960 in the fourth quarter 2010, and positive 52,741 in the third quarter 2010.

Vacancy

The office vacancy rate in the Detroit market area decreased to 18.5% at the end of the second quarter 2011. The vacancy rate was 18.9% at the end of both the first quarter 2011 and fourth quarter 2010. It was at 19.4% at the end of the third quarter 2010.

Class-A projects reported a vacancy rate of 15.9% at the end of the second quarter 2011, 16.9% at the end of the first

VACANCY RATES BY CLASS 2000-2011



Source: CoStar Property®

2nd Quarter 2011 Detroit Office Market

DETROIT - MID-YEAR 2011



DETROIT OFFICE MARKET

OVERVIEW

quarter 2011, 16.4% at the end of the fourth quarter 2010, and 15.9% at the end of the third quarter 2010.

Class-B projects reported a vacancy rate of 21.5% at the end of the second quarter 2011, 21.8% at the end of both the first quarter 2011 and fourth quarter 2010, and 22.5% at the end of the third quarter 2010.

Class-C projects reported a vacancy rate of 14.3% at the end of the second quarter 2011, 14.5% at the end of first quarter 2011, 15.0% at the end of the fourth quarter 2010, and 15.9% at the end of the third quarter 2010.

The overall vacancy rate in Detroit's central business district at the end of the second quarter 2011 decreased to 19.8%. The vacancy rate was 21.5% at the end of the first quarter 2011, 21.4% at the end of the fourth quarter 2010, and 22.0% at the end of the third quarter 2010.

The vacancy rate in the suburban markets decreased to 18.3% in the second quarter 2011. The vacancy rate was 18.5% at the end of both the first quarter 2011 and fourth quarter 2010, and 18.9% at the end of the third quarter 2010.

Largest Lease Signings

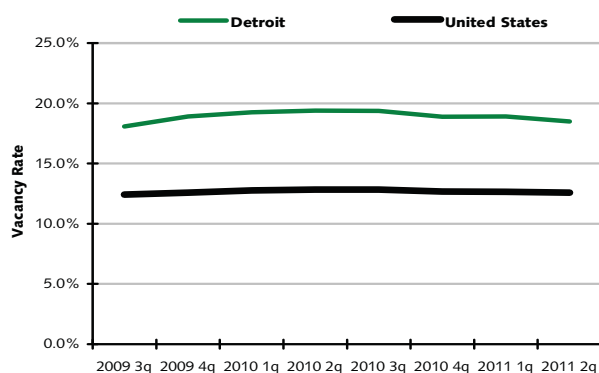
The largest lease signings occurring in 2011 included: the 338,276-square-foot lease signed by Volkswagen of America, Inc. at 3800 Hamlin Rd in the North Oakland market; the 210,000-square-foot deal signed by Chrysler Group, LLC at 1075 W Entrance Dr in the North Oakland market; and the 102,000-square-foot lease signed by Deloitte Development LLC at 200 Renaissance Ctr in the Detroit/The Pointes market.

Sublease Vacancy

The amount of vacant sublease space in the Detroit market decreased to 823,743 square feet by the end of the second quarter 2011, from 1,023,289 square feet at the end of the first quarter 2011. There was 955,286 square feet vacant at the end of the fourth quarter 2010 and 952,487 square feet at the end of the third quarter 2010.

U.S. VACANCY COMPARISON

Past 8 Quarters



Source: CoStar Property*

Detroit's Class-A projects reported vacant sublease space of 289,509 square feet at the end of second quarter 2011, down from the 469,123 square feet reported at the end of the first quarter 2011. There were 346,276 square feet of sublease space vacant at the end of the fourth quarter 2010, and 342,649 square feet at the end of the third quarter 2010.

Class-B projects reported vacant sublease space of 445,193 square feet at the end of the second quarter 2011, down from the 471,125 square feet reported at the end of the first quarter 2011. At the end of the fourth quarter 2010 there were 521,475 square feet, and at the end of the third quarter 2010 there were 523,359 square feet vacant.

Class-C projects reported increased vacant sublease space from the first quarter 2011 to the second quarter 2011. Sublease vacancy went from 83,041 square feet to 89,041 square feet during that time. There was 87,535 square feet at the end of the fourth quarter 2010, and 86,479 square feet at the end of the third quarter 2010.

Sublease vacancy in Detroit's central business district stood at 22,963 square feet at the end of the second quarter 2011. It was 38,331 square feet at the end of the first quarter 2011, 40,831 square feet at the end of the fourth quarter 2010, and 42,250 square feet at the end of the third quarter 2010.

Sublease vacancy in the suburban markets ended the second quarter 2011 at 800,780 square feet. At the end of the first quarter 2011 sublease vacancy was 984,958 square feet, was 914,455 square feet at the end of the fourth quarter 2010, and was 910,237 square feet at the end of the third quarter 2010.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$18.25 per square foot per year at the end of the second quarter 2011 in the Detroit market area. This represented a 1.4% decrease in quoted rental rates from the end of the first quarter 2011, when rents were reported at \$18.51 per square foot.

The average quoted rate within the Class-A sector was \$21.74 at the end of the second quarter 2011, while Class-B rates stood at \$17.81, and Class-C rates at \$14.92. At the end of the first quarter 2011, Class-A rates were \$21.95 per square foot, Class-B rates were \$18.10, and Class-C rates were \$14.90.

The average quoted asking rental rate in Detroit's CBD was \$19.48 at the end of the second quarter 2011, and \$18.07 in the suburban markets. In the first quarter 2011, quoted rates were \$19.49 in the CBD and \$18.37 in the suburbs.

Deliveries and Construction

During the second quarter 2011, five buildings totaling 41,323 square feet were completed in the Detroit market area. This compares to one building totaling 26,865 square feet that was completed in the first quarter 2011, three buildings totaling 213,943 square feet completed in the fourth quarter 2010, and

2nd Quarter 2011 Detroit Office Market

MID-YEAR 2011 - DETROIT

DETROIT OFFICE MARKET



OVERVIEW

47,477 square feet in two buildings completed in the third quarter 2010.

There was 28,080 square feet of office space under construction at the end of the second quarter 2011.

Some of the notable 2011 deliveries include: 1555 E South Blvd, a 26,865-square-foot facility that delivered in first quarter 2011 and is now 100% occupied, and 205 W Grand River Ave, a 13,770-square-foot building that delivered in second quarter 2011 and is now 75% occupied.

The largest projects underway at the end of second quarter 2011 were Broderick Tower, which will include about 25,230-square-feet of commercial space, and 47210 Dequindre Rd, a 2,850-square-foot facility that is 0% pre-leased.

Inventory

Total office inventory in the Detroit market area amounted to 185,943,405 square feet in 8,073 buildings as of the end of the second quarter 2011. The Class-A office sector consisted of 46,210,156 square feet in 214 projects. There were 3,078 Class-B buildings totaling 97,271,239 square feet, and the Class-C sector consisted of 42,462,010 square feet in 4,781 buildings. Within the Office market there were 289 owner-occupied buildings accounting for 19,475,801 square feet of office space.

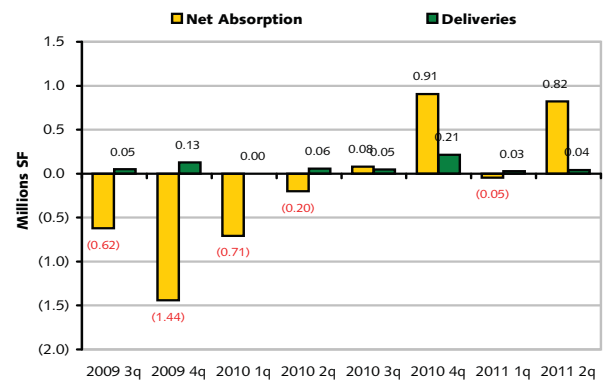
Sales Activity

Tallying office building sales of 15,000 square feet or larger, Detroit office sales figures fell during the first quarter 2011 in terms of dollar volume compared to the fourth quarter of 2010.

In the first quarter, nine office transactions closed with a total volume of \$32,390,000. The nine buildings totaled 985,898 square feet and the average price per square foot equated to \$32.85 per square foot. That compares to 22 transactions totaling \$69,682,170 in the fourth quarter 2010. The total square footage in the fourth quarter was 1,450,401 square feet for an average price per square foot of \$48.04.

ABSORPTION & DELIVERIES

Past 8 Quarters



Source: CoStar Property

Total office building sales activity in 2011 was up compared to 2010. In the first three months of 2011, the market saw nine office sales transactions with a total volume of \$32,390,000. The price per square foot averaged \$32.85. In the same first three months of 2010, the market posted 13 transactions with a total volume of \$17,088,416. The price per square foot averaged \$27.53.

Cap rates have been higher in 2011, averaging 10.40% compared to the same period in 2010 when they averaged 9.13%.

One of the largest transactions that has occurred within the last four quarters in the Detroit market is the sale of 777 & 789 E Eisenhower Pky in Ann Arbor. These office buildings totaling 412,041-square-feet sold for \$65,200,000, or \$158.24 per square foot. The property sold on 6/15/2010.

Reports compiled by: Scott Stephenson and Ryan Munneke CoStar Research Managers.

2nd Quarter 2011 West Michigan Industrial Market

MID-YEAR 2011 - WEST MICHIGAN

WEST MICHIGAN INDUSTRIAL MARKET



OVERVIEW

WEST MICHIGAN'S VACANCY DECREASES TO 8.7% Net Absorption Positive 1,411,914 SF in the Quarter

The West Michigan Industrial market ended the second quarter 2011 with a vacancy rate of 8.7%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,411,914 square feet in the second quarter. Vacant sublease space decreased in the quarter, ending the quarter at 250,450 square feet. Rental rates ended the second quarter at \$3.24, an increase over the previous quarter. There was 780,000 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall West Michigan Industrial market was positive 1,411,914 square feet in the second quarter 2011. That compares to negative (142,776) square feet in the first quarter 2011, negative (96,575) square feet in the fourth quarter 2010, and negative (283,772) square feet in the third quarter 2010.

Tenants moving out of large blocks of space in 2011 include: Demmer Corporation moving out of (58,082) square feet at 1492 E Grand River in Williamston, Wolohan Lumber moving out of (37,848) square feet at 1379 Comstock St in Marne, and Gibraltar moving out of (36,441) square feet at 323 E Roosevelt Ave in Zeeland.

Tenants moving into large blocks of space in 2011 include: American Storage and Logistics moving into 857,250 square feet at 3800 Eastern Ave in Wyoming, Linear, LLC moving into 88,750 square feet at 2547 3 Mile Rd, and Enbridge Energy Co moving into 58,300 square feet at 1601 Pratt Ave in Marshall.

The Flex building market recorded net absorption of positive 23,599 square feet in the second quarter 2011, compared

to positive 30,910 square feet in the first quarter 2011, negative (34,149) in the fourth quarter 2010, and positive 91,745 in the third quarter 2010.

The Warehouse building market recorded net absorption of positive 1,388,315 square feet in the second quarter 2011 compared to negative (173,686) square feet in the first quarter 2011, negative (62,426) in the fourth quarter 2010, and negative (375,517) in the third quarter 2010.

Vacancy

The Industrial vacancy rate in the West Michigan market area decreased to 8.7% at the end of the second quarter 2011. The vacancy rate was 9.1% at the end of the first quarter 2011, 9.2% at the end of the fourth quarter 2010, and 9.3% at the end of the third quarter 2010.

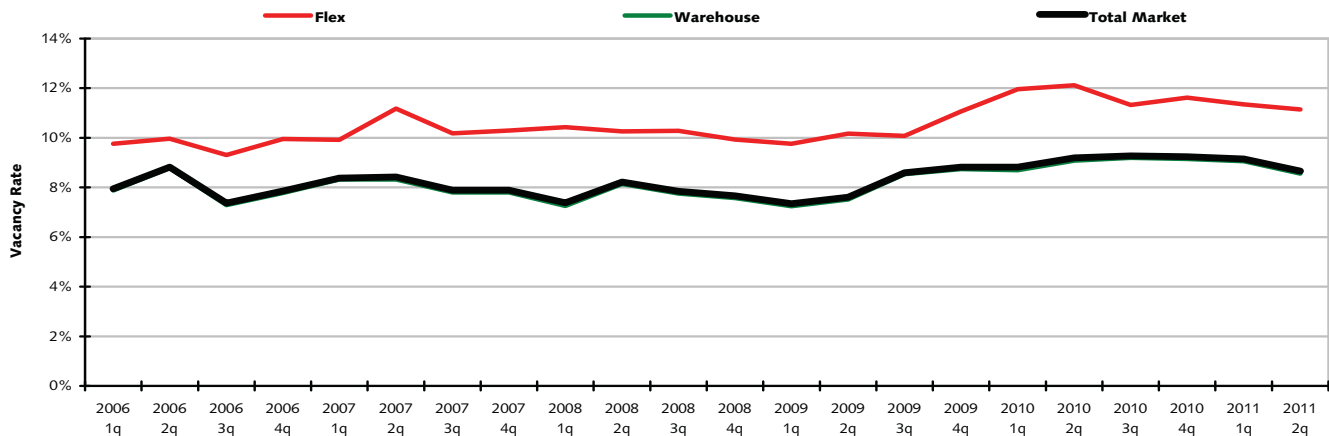
Flex projects reported a vacancy rate of 11.1% at the end of the second quarter 2011, 11.3% at the end of the first quarter 2011, 11.6% at the end of the fourth quarter 2010, and 11.3% at the end of the third quarter 2010.

Warehouse projects reported a vacancy rate of 8.6% at the end of the second quarter 2011, 9.1% at the end of first quarter 2011, 9.1% at the end of the fourth quarter 2010, and 9.2% at the end of the third quarter 2010.

Largest Lease Signings

The largest lease signings occurring in 2011 included: the 71,425-square-foot renewal signed by Rush Design Group at 3030 Corporate Grove Dr in Hudsonville; the 40,000-square-foot deal signed by Total Quality Inc at 1218 Pontaluna Rd in Muskegon; and the 38,214-square-foot lease signed by Rapid

VACANCY RATES BY BUILDING TYPE 2006-2011



Source: CoStar Property®

2nd Quarter 2011 West Michigan Industrial Market

WEST MICHIGAN - MID-YEAR 2011



WEST MICHIGAN INDUSTRIAL MARKET

OVERVIEW

Supply & Sales Inc. at 4005 Roger B Chaffee Memorial Dr SE in Grand Rapids.

Sublease Vacancy

The amount of vacant sublease space in the West Michigan market decreased to 250,450 square feet by the end of the second quarter 2011, from 266,450 square feet at the end of the first quarter 2011. There was 305,650 square feet vacant at the end of the fourth quarter 2010 and 335,199 square feet at the end of the third quarter 2010.

West Michigan's Flex projects reported no vacant sublease space since the fourth quarter 2010, and 29,549 square feet at the end of the third quarter 2010.

Warehouse projects reported decreased vacant sublease space from the first quarter 2011 to the second quarter 2011. Sublease vacancy went from 266,450 square feet to 250,450 square feet during that time. There was 305,650 square feet at the end of the third and fourth quarter 2010.

Rental Rates

The average quoted asking rental rate for available Industrial space was \$3.24 per square foot per year at the end of the second quarter 2011 in the West Michigan market area. This represented a 0.3% increase in quoted rental rates from the end of the first quarter 2011, when rents were reported at \$3.23 per square foot.

The average quoted rate within the Flex sector was \$7.54 per square foot at the end of the second quarter 2011, while Warehouse rates stood at \$3.09. At the end of the first quarter

2011, Flex rates were \$7.96 per square foot, and Warehouse rates were \$3.06.

Deliveries and Construction

During the second quarter 2011, no new space was completed in the West Michigan market area. This compares to no new space completed in the first quarter 2011, one building totaling 85,000 square feet completed in the fourth quarter 2010, and 3,000 square feet in one building completed in the third quarter 2010.

There were 780,000 square feet of Industrial space under construction at the end of the second quarter 2011.

The largest projects underway at the end of second quarter 2011 were Compact Power, Inc. Phase I, a 580,000-square-foot building with 100% of its space pre-leased, and Chemetall U.S., Inc., a 200,000-square-foot facility that is 100% pre-leased.

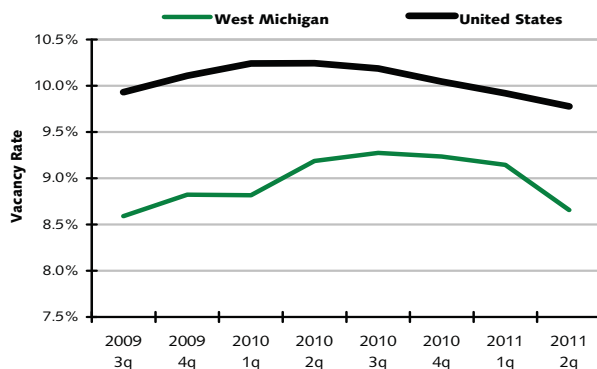
Inventory

Total Industrial inventory in the West Michigan market area amounted to 310,643,628 square feet in 8,310 buildings as of the end of the second quarter 2011. The Flex sector consisted of 11,561,752 square feet in 305 projects. The Warehouse sector consisted of 299,081,876 square feet in 8,005 buildings. Within the Industrial market there were 546 owner-occupied buildings accounting for 56,293,233 square feet of Industrial space.

Reports compiled by: Ryan Munneke and Scott Stephenson CoStar Research Managers.

U.S. VACANCY COMPARISON

Past 8 Quarters



Source: CoStar Property

2nd Quarter 2011 West Michigan Office Market

MID-YEAR 2011 - WEST MICHIGAN

WEST MICHIGAN OFFICE MARKET



OVERVIEW

WEST MICHIGAN'S VACANCY DECREASES TO 12.2% Net Absorption Positive 172,099 SF in the Quarter

The West Michigan Office market ended the second quarter 2011 with a vacancy rate of 12.2%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 172,099 square feet in the second quarter. Vacant sublease space decreased in the quarter, ending the quarter at 120,093 square feet. Rental rates ended the second quarter at \$12.33, an increase over the previous quarter. A total of one building delivered to the market in the quarter totaling 54,000 square feet, with no properties under construction at the end of the quarter.

Absorption

Net absorption for the overall West Michigan office market was positive 172,099 square feet in the second quarter 2011. That compares to positive 50,000 square feet in the first quarter 2011, negative (22,730) square feet in the fourth quarter 2010, and positive 191,672 square feet in the third quarter 2010.

Tenants moving out of large blocks of space in 2011 include: Konica Minolta Graphic Imaging USA moving out of (21,176) square feet at 5800 Foremost Dr, Deloitte Touche Tohmatsu moving out of (20,659) square feet at 333 Bridge St NW, Financial Advisory Corporation moving out of (9,670) square feet at 660 Cascade West Pky SE.

Tenants moving into large blocks of space in 2011 include: Center for Family Health moving into 54,000 square feet at 505 N Jackson St in Jackson, Michigan Pain Consultants moving into 15,000 square feet at 2060 E Paris Ave SE, and Embridge Inc. moving into 12,400 square feet at 14998 Old Us 27 in Marshall.

The Class-A office market recorded net absorption of nega-

tive (1,985) square feet in the second quarter 2011, compared to positive 146,213 square feet in the first quarter 2011, positive 109,989 in the fourth quarter 2010, and positive 94,648 in the third quarter 2010.

The Class-B office market recorded net absorption of positive 109,735 square feet in the second quarter 2011, compared to negative (12,000) square feet in the first quarter 2011, negative (91,068) in the fourth quarter 2010, and positive 113,061 in the third quarter 2010.

The Class-C office market recorded net absorption of positive 64,349 square feet in the second quarter 2011 compared to negative (84,213) square feet in the first quarter 2011, negative (41,651) in the fourth quarter 2010, and negative (16,037) in the third quarter 2010.

Vacancy

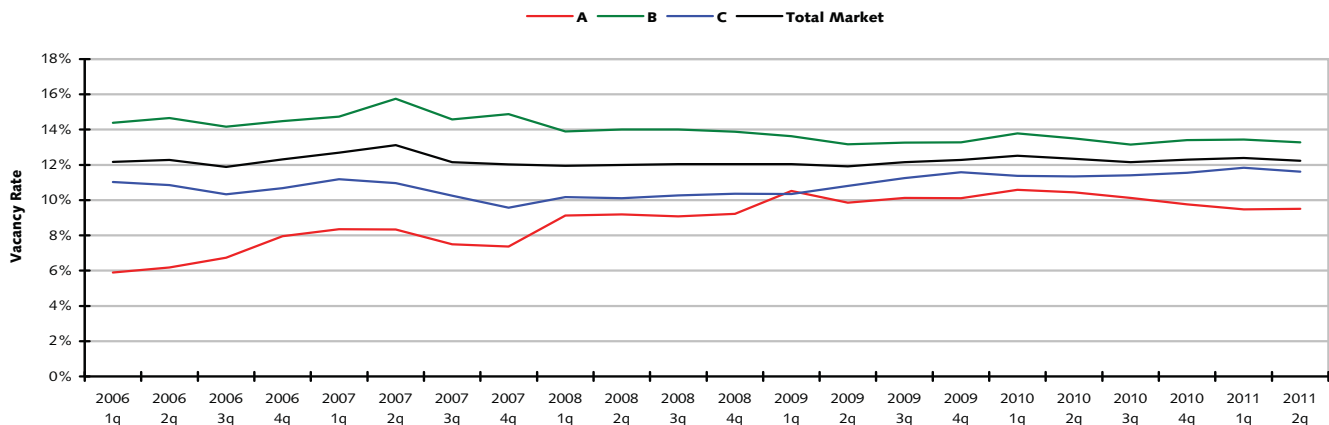
The office vacancy rate in the West Michigan market area decreased to 12.2% at the end of the second quarter 2011. The vacancy rate was 12.4% at the end of the first quarter 2011, 12.3% at the end of the fourth quarter 2010, and 12.2% at the end of the third quarter 2010.

Class-A projects reported a vacancy rate of 9.5% at the end of the second quarter 2011, 9.5% at the end of the first quarter 2011, 9.8% at the end of the fourth quarter 2010, and 10.1% at the end of the third quarter 2010.

Class-B projects reported a vacancy rate of 13.3% at the end of the second quarter 2011, 13.4% at the end of the first quarter 2011, 13.4% at the end of the fourth quarter 2010, and 13.2% at the end of the third quarter 2010.

Class-C projects reported a vacancy rate of 11.6% at the

VACANCY RATES BY CLASS 2006-2011



Source: CoStar Property®

2nd Quarter 2011 West Michigan Office Market

WEST MICHIGAN - MID-YEAR 2011



WEST MICHIGAN OFFICE MARKET

OVERVIEW

end of the second quarter 2011, 11.8% at the end of first quarter 2011, 11.5% at the end of the fourth quarter 2010, and 11.4% at the end of the third quarter 2010.

Largest Lease Signings

The largest lease signings occurring in 2011 included: the 12,000-square-foot lease signed by Deloitte LLP at 38 Commerce Ave SW; the 10,000-square-foot deal signed by Davita Incorporation at 232 W Louis Glick Hwy in Jackson; and the 9,750-square-foot lease signed by Data Strategy at 4020 E Beltline Ave NE.

Sublease Vacancy

The amount of vacant sublease space in the West Michigan market decreased to 120,093 square feet by the end of the second quarter 2011, from 120,435 square feet at the end of the first quarter 2011. There was 134,605 square feet vacant at the end of the fourth quarter 2010 and 141,583 square feet at the end of the third quarter 2010.

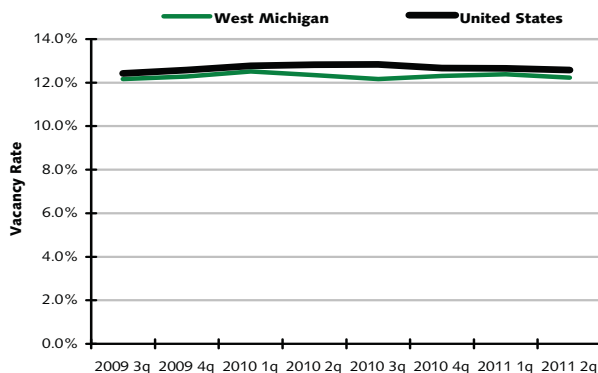
West Michigan's Class-A projects reported vacant sublease space of 10,791 square feet at the end of second quarter 2011, up from the 6,121 square feet reported at the end of the first quarter 2011. There were 10,791 square feet of sublease space vacant at the end of the third and fourth quarter 2010.

Class-B projects reported vacant sublease space of 84,998 square feet at the end of the second quarter 2011, down from the 87,426 square feet reported at the end of the first quarter 2011. At the end of the fourth quarter 2010 there were 93,105 square feet, and at the end of the third quarter 2010 there were 100,083 square feet vacant.

Class-C projects reported decreased vacant sublease space from the first quarter 2011 to the second quarter 2011. Sublease vacancy went from 26,888 square feet to 24,304 square feet during that time. There was 30,709 square feet at the end of the third and fourth quarter 2010.

U.S. VACANCY COMPARISON

Past 8 Quarters



Source: CoStar Property

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$12.33 per square foot per year at the end of the second quarter 2011 in the West Michigan market area. This represented a 0.7% increase in quoted rental rates from the end of the first quarter 2011, when rents were reported at \$12.25 per square foot.

The average quoted rate within the Class-A sector was \$19.64 at the end of the second quarter 2011, while Class-B rates stood at \$12.82, and Class-C rates at \$9.32. At the end of the first quarter 2011, Class-A rates were \$20.56 per square foot, Class-B rates were \$12.80, and Class-C rates were \$9.32.

Deliveries and Construction

During the second quarter 2011, one building totaling 54,000 square feet was completed in the West Michigan market area. This compares to one building totaling 134,983 square feet that was completed in the first quarter 2011, two buildings totaling 97,000 square feet completed in the fourth quarter 2010, and 77,000 square feet in one building completed in the third quarter 2010.

There was no office space under construction at the end of the second quarter 2011.

Some of the notable 2011 deliveries include: 35 Michigan St, a 134,983-square-foot facility that delivered in first quarter 2011 and is now 97% occupied, and 505 N Jackson St, a 54,000-square-foot building that delivered in second quarter 2011 and is now 100% occupied.

Inventory

Total office inventory in the West Michigan market area amounted to 76,728,872 square feet in 5,748 buildings as of the end of the second quarter 2011. The Class-A office sector consisted of 8,576,949 square feet in 78 projects. There were 1,944 Class-B buildings totaling 39,172,550 square feet, and the Class-C sector consisted of 28,979,373 square feet in 3,726 buildings. Within the Office market there were 192 owner-occupied buildings accounting for 7,388,180 square feet of office space.

Reports compiled by: Ryan Munneke and Scott Stephenson CoStar Research Managers.