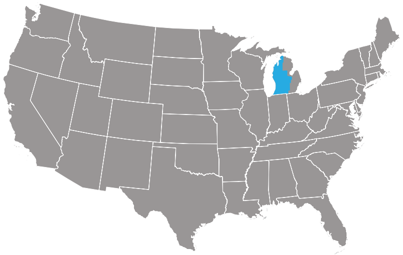
WEST MICHIGAN

RESEARCH & FORECAST REPORT



Landlords Continue to Expect Recovery to Find Traction

EXECUTIVE SUMMARY

Higher gas prices are affecting retail sales in Michigan as well as nationally, but retailers are hopeful as retail sales continue to show modest recovery. West Michigan is the economic engine for the state, so what happens here will be a good indication of what will follow throughout the state.

The Economists at the University of Michigan claim that the State of Michigan "appears to be in the early stages of a sustained economic recovery." Such recovery is not going to be as smooth or as rapid as most would hope, however. While we have seen positive indicators and marginal recovery, the business climate in Grand Rapids, and for the whole state, is still trying to adapt and find ways to support new and existing business.

Unemployment is expected to drop across the West Michigan region from roughly 10.4% in 2010 to approximately 8.2% by then end of 2011, and finally to 7.2% in 2012. Such expectations cannot be achieved without help for these businesses, however. The local law firm Varnum pledged $1 million in legal support to start ups. Meanwhile, Huntington Bank pledged to loan nearly $2 billion to business in line with a supportive government at the State level which will give away $3 billion in incentives over the next few years. Even the Grand Rapids Downtown Development Authority is getting involved. The DDA, in conjunction with Rockford Construction, plans to renovate the Monroe Centre Retail Corridor which will be newly re-named "Shoppes at Monroe and Division". The DDA has approved $75,000 for the project, on top of Rockford Construction's $300,000 - $400,000. Rockford Construction plans to renovate retail in the area, in an attempt to make more affordable "Flex" space. The hope is to lure entrepreneurs to this central retail incubator with flexible and more affordable lease terms and a central location. All of this is having a positive effect. According to a recent issue of Forbes Magazine: "Job outlook rises in West Michigan. The region has the third best hiring forecast in the USA."

Nationally, attendance at the International Council of Shopping Centers' annual Convention in Las Vegas was up again this year. Major retailers have started to reconsider the West Michigan market as

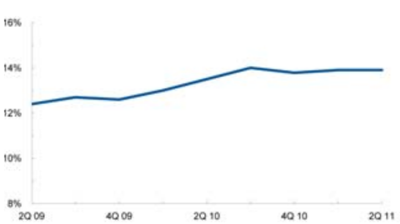
MARKET INDICATORS

	Q2 2011	Q3 2011*
VACANCY	–	–
NET ABSORPTION	↑	–
CONSTRUCTION	–	↑
RENTAL RATE	↑	–

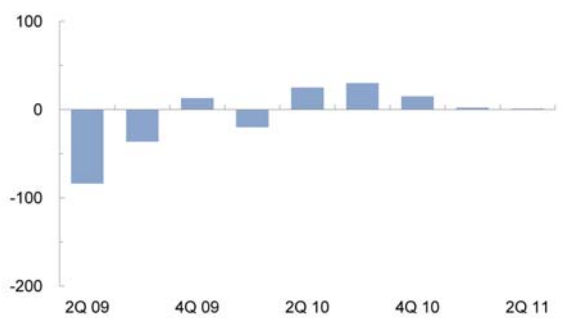
*Projected.

VACANCY RATE

Quarterly

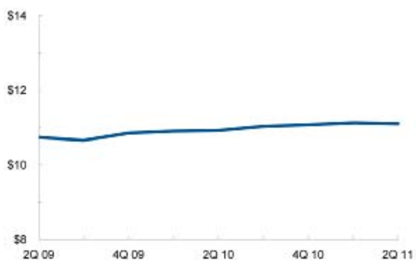


ABSORPTION - QUARTERLY (IN THOUSANDS OF SF)



Although absorption was positive for the fifth straight quarter, it was the smallest amout over that five quarters.

ASKING RENTAL RATES



Quarterly ($/SF/Yr. Triple Net)

more good news is reported. While the market was shaky a little over a year ago, "Retailers are looking to commit," according to Bill Taubman, COO of Taubman Centers, Inc. With the lowest amount of development of shopping centers in 40 years, space in better retail centers is starting to fill.

CURRENT CONDITIONS

As tenants flock to lower rates and better quality, landlords are forced to be more competitive and offer better incentives for retail space. There is a limited presence of investors on anything other than foreclosed properties. Corridors are getting tight as retailers vie for premium space, while the inventory of this quality space is diminishing due to the fact that there has been little to no new development. PF Chang's is back under construction after a regulation dispute; however development in the area continues to be scarce. This will in turn continue to push rates higher and keep vacancy and absorption stable for the time being. Absorption was positive again this quarter, but at an inconsequential level. Like absorption, most local market indicators stayed relatively unchanged. There has been an uptick in the activity of National retailers, while smaller mom and pop shops are continuing to struggle. As unemployment in Michigan continues to decline, with 1.22% job growth since last May, many retailers are positioning themselves for the coming year with premium space.

A LOOK AHEAD

Although second quarter employment statistics fell short of expectations, according to a Manpower Group survey, 30% of businesses plan to hire employees between July and September. According to Kevin Stotts, the Vice President of Community Programs for the Grand Rapids Chamber of Commerce, "A persistent challenge with many employers in the area has been finding qualified talent to meet their needs." We are seeing a growth across all sectors in West Michigan with a projected net increase of 24% of companies planning to hire in third quarter, compared to a nationwide projected 12%. There is a year over year job growth, signaling an increase of confidence in a stabilizing economy leading to more hires.

The overall consumer outlook has changed to one of more careful shopping. Those retailers who have changed accordingly are doing well. West Michigan is seeing an influx of new national restaurants and expansion of retail aimed at cost cautious customers. Others are growing, but more slowly. Although West Michigan has started to grow again, it is still hampered by the economic performance of the balance of the state. With the new changes in the business tax structure in Michigan and increased employment, we expect to see continued growth in the retail sector.

RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY ADDRESS	SIZE SF	SALE PRICE	SALES PRICE / SF	SUBMARKET	TYPE
5660 Gull Road	13,200	$215,000	$16.30	Kalamazoo	Retail
2817 Kraft Ave	6,500	$575,000	$88.63	Southeast	Retail
3082 Henry Street	6,336	$400,000	$66.67	Muskegon/Norton Shores	Commmunity Center
141 28th Street SE	39,533	$200,000	$5.10	Southeast	Retail
84 E Lakewood Blvd	28,704	$130,000	$4.50	North	Retail

LEASING ACTIVITY

PROPERTY ADDRESS	SIZE SF	LEASE TYPE	TENANT	SUBMARKET	TYPE
2739 E Beltline Ave SE	2,644	Direct Lease	The Bucchus Side, Inc.	Southeast	Convenience/Strip Center
2939 Wilson Ave SW	5,548	Direct Lease	Aquarium Services, LLC.	Southwest Misc.	Convenience/Strip Center
1633 28th Street SW	3,500	Direct Lease	Flexicom, LLC.	Southwest	Convenience/Strip Center
4565 28th Street SE	2,175	Direct Lease	Fitness Things	Southeast	Convenience/Strip Center
3518 Plainfield Ave NE	20,038	Direct Lease	ITT Educational Services	Plainfield/Northland Dr.	Retail

SUBMARKET	BLDGS	TOTAL SF	TOTAL VACANT SF	TOTAL VACANCY RATE	OCCUPIED SPACE SF	NET ABSORPTION CURRENT QTR	UNDER CONSTRUCTION	AVERAGE ASKING RATE
28TH STREET SOUTHEAST	163	6,551,513	787,370	12.%	5,764,143	6,699	-	$10.46
28TH STREET SOUTHWEST	69	1,491,716	486,544	32.6%	1,005,172	3,500	-	$9.51
ALPINE AVENUE	72	2,645,720	250,228	9.5%	2,395,492	(10,810)	-	$10.05
E. BELTLINE AVE	17	518,041	33,625	6.5%	484,416	3,170	7,500	$16.30
PLAINFIELD/NORTHLAND	81	2,085,468	435,707	20.9%	1,649,761	(1,500)	-	$8.85
RIVERTOWN PARKWAY	34	2,956,703	260,487	8.8%	2,696,216	0	-	$14.95
Total	436	16,249,161	2,253,961	13.9%	13,995,200	1,059	7,500	$11.10

Q2 - 11	**436**	**16,249,161**	**2,253,961**	**13.9%**	**13,995,200**	**1,059**	**7,500**	**$11.10**
Q1 - 11	436	16,249,161	2,255,020	13.9%	13,994,141	2,264	-	$11.12
Q4 - 10	440	16,306,531	2,247,067	13.8%	14,059,464	15,000	-	$11.07

WEST MICHIGAN UNEMPLOYMENT RATES

MARKET	MAY 2011 (P)	APRIL 2011	MAY 2010
Battle Creek	9.2%	8.6%	11.1%
Grand Rapids - Wyoming	8.3%	8.0%	10.6%
Holland - Grand Haven	8.4%	8.1%	11.2%
Kalamazoo - Portage	8.7%	8.3%	11.0%
Muskegon - Norton Shores	10.4%	10.1%	13.5%
TOTALS	**10.3%**	**10.0%**	**12.4%**

(P) = PRELIMINARY
NOT SEASONALLY ADJUSTED DATA

The retail sector of the commercial real estate industry looks to be improving in West Michigan after a few years of turmoil caused by the struggling economy.

About Colliers | International

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About Colliers International | West Michigan

The complex needs of each and every client stem from the myriad differences in the marketplace. Colliers International ensures clients receive unmatched market knowledge and attention through the local flexibility and foresight of their advisors coupled with the enterprising nature of their global partners.

Here in West Michigan, we believe that the best property solutions can only be achieved with precise, accurate data. That is why we invest in the most sophisticated market research tools in the industry and employ a full-time staff dedicated to the ongoing collection and assessment of property data, markets and trends.

Colliers International in West Michigan has teams of professionals who specialize in one area of practice; office, retail, industrial, land, investment or property management. It has been proven that specific focus leads to more accurate and valuable information, a benefit to our clients. This dedicated focus allows the teams to assess the full scope of properties in light of ever-changing conditions providing maximum client value. Together, we are committed to ensuring that our clients have the best possible experience and that we deliver solutions that meet their objectives and drive their success and their business forward.

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EMEA: 95

- $1.9 billion in annual revenue
- 2.4 billion square feet under management
- Over 15,000 professionals

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