CB RICHARD ELLIS

MarketView
Greater Lansing Retail

www.cbre.com/research

Third Quarter 2009

Quick Stats

	Current	Change from last Year	Change from last Period
Vacancy	20.5%	↑	↓
Lease Rates		→	→
Net Absorption*	+16,071 SF	↑	↑
New Construction		↑	↑

* 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

- Absorption is flat with low transaction volume.
- Deal volume is expected to remain sluggish as tenants are hesitant in an uncertain market.
- Local tenants are more active than national retailers, who want to see improved employment numbers before expanding in Michigan.
- Tenants are taking advantage of market conditions to relocate into more high profile retail locations.
- Landlords are attempting to backfill big-box space with alternative uses.
- Demand for remainder of the year will be driven largely by lease expiration.
- Financing continues to be very difficult to obtain.
- General Growth Companies, the 2nd largest US mall owner, filed for bankruptcy due to maturing debts.

Nationwide, market fundamentals continue to weaken for all asset classes. Foreclosures are everywhere, as banks aggressively call in loans and cut off credit lines. The forecast is bleak for capital markets, however, as many banks are electing to hold foreclosed properties with positive cash flow. For those foreclosures eventually marketed for sale, banks are demanding up to 50% cash down along with unconditional personal guarantees, making financing and re-financing extremely difficult to obtain.

The bankruptcy of several national big-box retailers has brought increased vacancy and lower weighted average asking rents to shopping centers throughout the country.

Consumers continue to tighten their purse strings, forcing additional store closures of discretionary retail, including jewelry and fashion apparel stores. This trend is clearly confirmed by the imminent closing of all S&K Menswear and J. Jill stores, as well as the consolidation of numerous department store anchors.

With sluggish leasing activity, landlords are forced to consider backfilling big-box space with alternative uses (i.e. government agencies, churches, schools, etc.), while many scramble to make adjustments to existing leases in order to retain credit tenants. Consequently, the most significant retail lease activity in many markets nationwide involves a "blend and extend" strategy, whereby tenants obtain better terms, but landlords secure longer leases, enabling both to survive.

The Greater Lansing retail market comprises nearly 7.4 million square feet of retail strip center space, and is divided into four submarkets: East, North, South and West.

Greater Lansing is showing signs of stabilization, as evidenced by the first charted positive absorption (+0.2%, or +16,071 square feet) in over two years. No new national foreclosures have impacted the market over the past six months, fewer small businesses have gone dark, and retailers have been more receptive to the favorable lease terms offered by over-extended landlords.

Market vacancy throughout Greater Lansing decreased from 20.8% in 1Q 09 to 20.5% in 3Q 09. Over 1.5 million square feet is presently vacant. The most notable leases this period occured in the West Submarket, where Volunteers of America leased 26,000 square feet and ABC Warehouse leased over 31,000 square feet. The majority of transactions completed were "blend and extend" situations or deals under 2,000 square feet.

Construction activity has increased over the past six months, although no new centers have yet opened their doors. A 5,000-square-foot strip center and a 9,000-square-foot Dollar General store are under construction near the corner of Martin Luther King Jr. Boulevard and Homes Road in the South Submarket, which, ironically, is the sector sporting the highest vacancy rate (26.1%). Furthermore, a 7,250-square-foot strip center will soon break ground at the SW corner of Grand River Avenue and Okemos Road, in the East Submarket.

Finally, it is important to note that regional mall activity, although not included in the aforementioned statistical data, continues to impact local strip centers. Mall owners, having over-leveraged in the early 2000s, are stressed, finding themselves with a steady stream of store closings and insufficient capital with which to refinance. An exception to this trend appears to be the East Submarket's Meridian Mall. At ninety percent occupancy, the Meridian Mall continues to attract and retain tenants. The West Submarket's Lansing Mall, however, is only 78% occupied, and although it was recently successful in securing Moonwalk Adventure for the 25,000-square-foot former Old Navy suite, it may be at risk of losing an anchor tenant. If this occurs, the mall, along with area strip center space, will take a huge hit.

Vacancy Rates - Market Average

Market Average: 20.5%

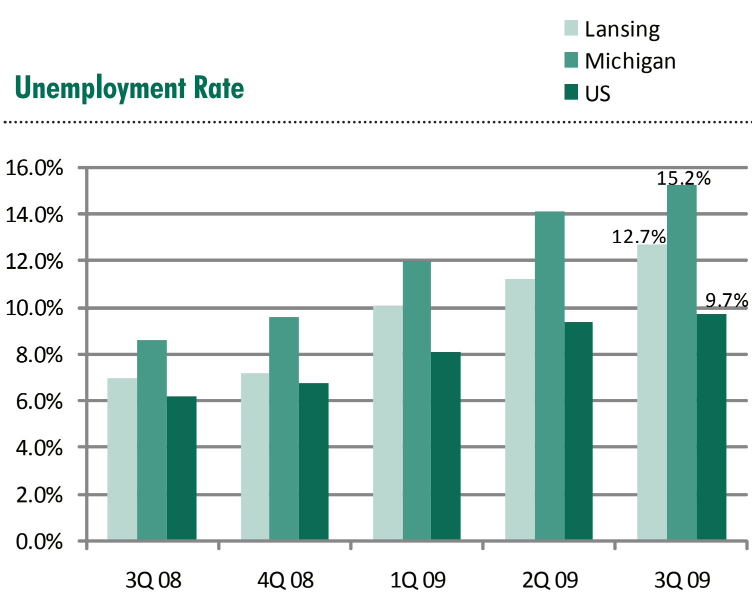
CBRE | Martin
CB RICHARD ELLIS

Market Statistics

Market	Leasable Area (SF)	Vacancy Rate %	Net Absorption	Asking Lease Rates - $ SF/YR NNN
East Submarket	2,776,787	18.7%	-25,176 SF -0.9%	$11-22.00
North Submarket	1,203,462	19.9%	+18,041 SF +1.5%	$6-32.00*
South Submarket	1,706,822	26.1%	-18,646 SF -1.1%	$6-13.00
West Submarket	1,684,928	18.3%	+41,852 SF +2.5%	$7-15.00
Market	7,371,999	20.5%	+16,071 SF +0.2%	

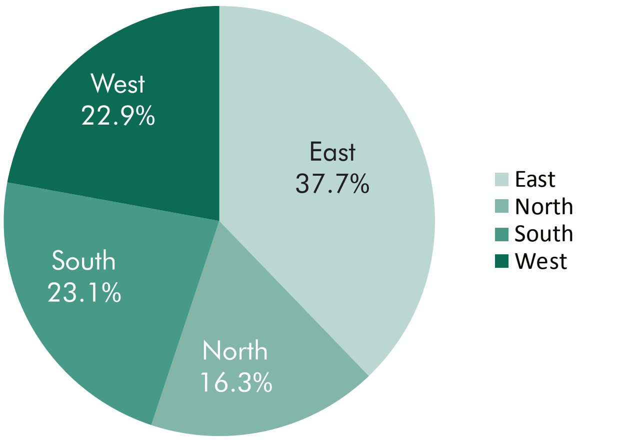
Note: End caps, drive-through and new centers have higher asking rates.
**Eastwood Towne Center has asking rates up to $32.00 per square foot.*

Unemployment Rate



According to the U.S. Department of Labor, Greater Lansing's unemployment rate increased this quarter to 12.7% from 11.2% last quarter. Both the Michigan and U.S. unemployment rates increased this quarter to 15.2% and 9.7% respectively.

Market Composition

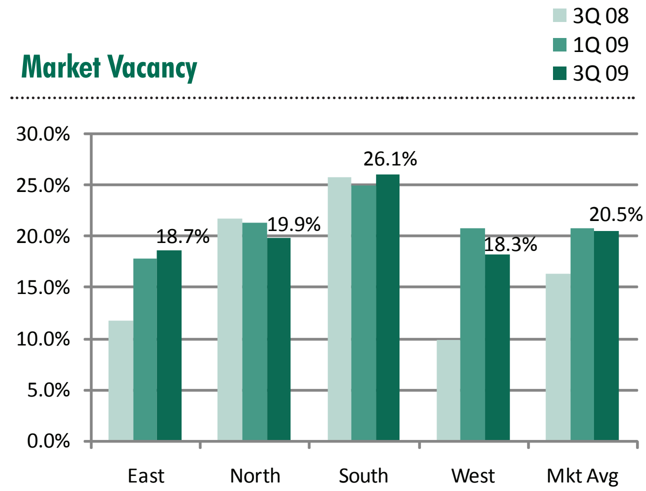


The Greater Lansing retail market comprises nearly 7.4 million square feet of leased space divided into four submarkets: East, North, South and West.

The largest submarket (37.7%) is the East Submarket, home to the regional Meridian Mall, as well as the Michigan State University campus. The smallest submarket is the North Submarket (16.3%), home to the popular Eastwood Towne Center and the struggling Clark Corners (former outlet mall).

Market size is not expected to increase substantially within the next year, although construction is up from previous periods. A 5,000-square-foot strip center and a 9,000-square-foot Dollar General store are currently under construction in the South Submarket, and a 7,250-square-foot strip center will soon break ground in the East Submarket.

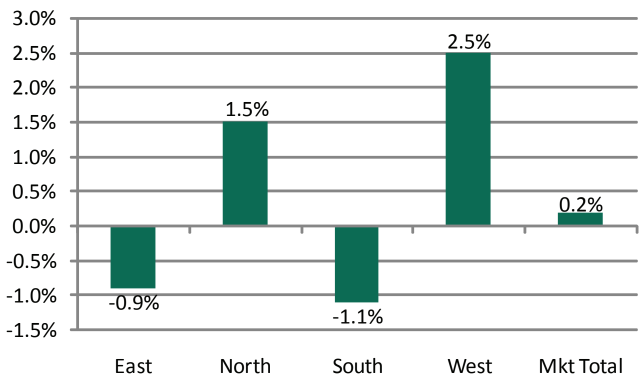
Market Vacancy



Greater Lansing retail space is 20.5% vacant, down from 20.8% charted 1Q 09 and up from 16.3% charted 3Q 08.

From a geographic perspective, the strongest sector is the West Submarket, averaging 18.3% vacant (down from 20.8% at 1Q 09). The weakest submarket is the South Submarket, averaging 26.1% vacancy (up from 25.0% at 1Q 09).

Absorption (Past 6 Months)



The Greater Lansing area experienced positive absorption of leased industrial space during the past six months (+0.2%, or +16,071 square feet). The sector with the greatest absorption was the West Submarket (2.5%, or +41,852 square feet). The submarkets with negative absorption were the East Submarket, losing 25,176 square feet, and the South Submarket, losing 18,646 square feet.

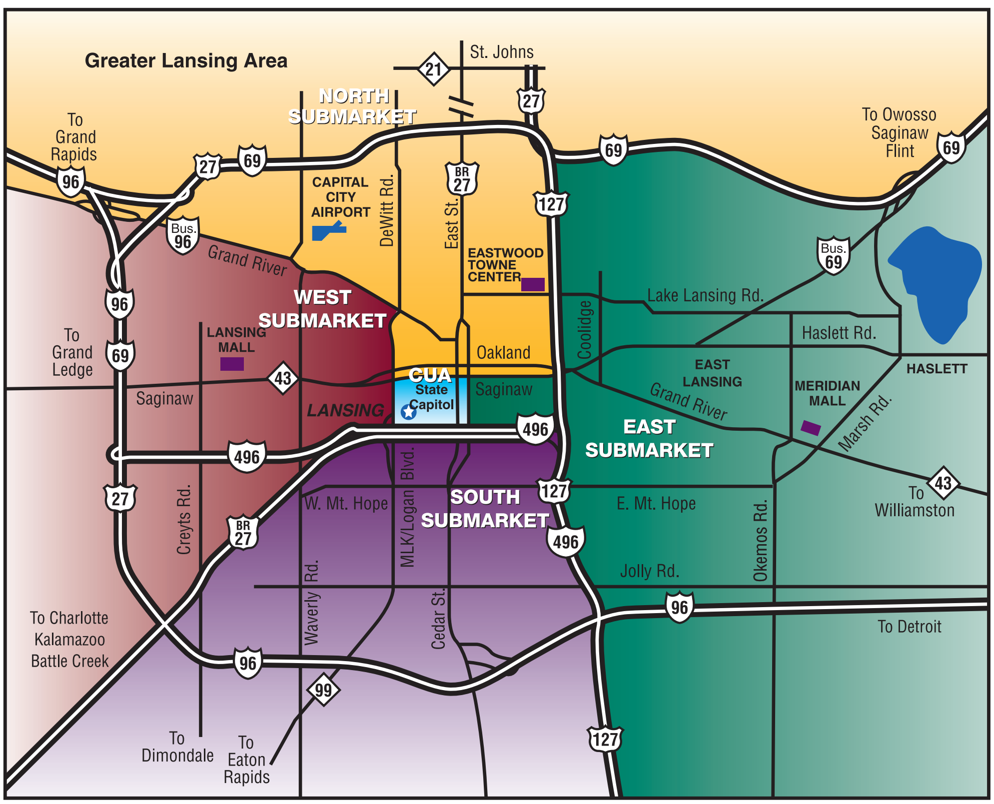
Year to date, leasing activity has increased throughout the market, but it is moderate in nature. We anticipate continued positive absorption.

CBRE | Martin
CB RICHARD ELLIS

Top Retail Lease Transactions

Size (SF)	Tenant	Address
31,249	ABC Warehouse	Lansing Towne Center (West)
26,000	Volunteers of America	Westland Center (West)
25,000	Moon Walk Adventure	The Lansing Mall (West)

Submarket Map



MARKET COVERAGE

This analysis is based on information gathered in September 2009 and is limited to completed private sector buildings with 5,000+ 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 5,000 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.

For more information regarding the MarketView, please contact:
Jill Langosch
Vice President of Research
CB Richard Ellis/Martin
1111 Michigan Avenue, Suite 201, E. Lansing, MI 48823
T. 517.351.2200 x 471 F. 517.351.2201
jill.langosch@cbre.com