

MarketView Greater Lansing Industrial

Quick Stats

	Current	Change from last	
		Year	Period
Vacancy	16.5%	↓	↑
Lease Rates		→	↓
Net Absorption*	-240,157 SF	↓	↓
New Construction	40,000 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

- Could the industrial market have hit bottom?
- The decision making process is being stretched out.
- Tenants are driving tougher deals, renewing now rather than when due.
- Short term leases becoming more prevalent.
- Moderately increasing need for defense and medical supply space.
- Financing is difficult to obtain.

Nationally, industrial market fundamentals continue to slide, as both manufacturing and warehouse demand wanes. According to CBRE Econometric Advisors (CBRE-EA), North American industrial vacancies average 12.4%, up from 10.5% in 4Q08 and 9.5% a year ago.

Nearly eight million square feet of leased industrial space was surveyed in the Greater Lansing area. The market is divided into four submarkets: Central Urban Area (CUA), North, South and West.

Market conditions and a struggling economy continue to apply significant pressure on already stressed property owners; however, unlike other midwest metropolitan areas, industrial indicators appear to be stabilizing throughout Greater Lansing.

The industrial leased market absorbed -240,157 square feet (-3.0%) during the first six months of 2009, compared to the -236,673 (-2.8%) absorbed during the latter half of 2008. This figure, however, does not accurately reflect recent market activity.

Industrial sales were brisk during the first two quarters of 2009, and a number of significant buildings traded to owner-occupiers, creating a reclassification of formerly leased space to non-surveyed owner-occupied space.

Many of these buildings were vacant at the time of sale, and although their subsequent occupancy positively impacted the absorption of gross industrial space throughout the market,

it had no impact on the absorption of leased space, which only compares occupied square footage.

Furthermore, the sale of the fully occupied 193,000-square-foot warehouse at 3400 North Grand River to its State of Michigan occupant effectively reduced the amount of occupied leased space in the North Submarket. This trade alone created the majority of the negative absorption reported above.

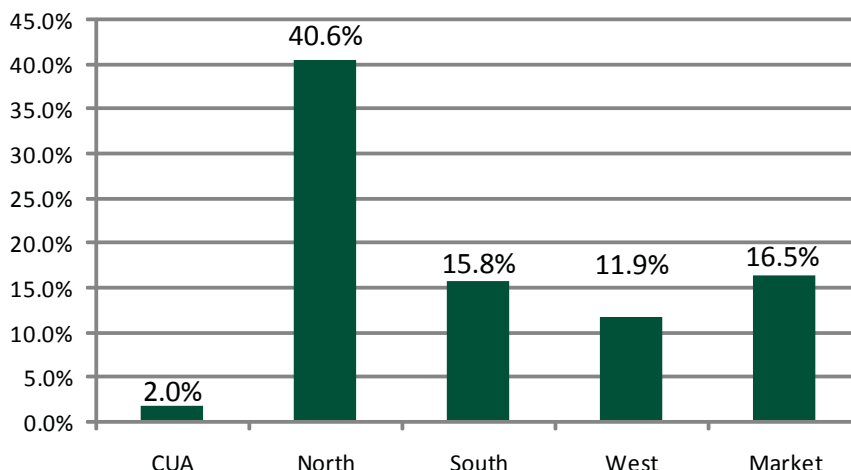
Industrial lease activity has moderately increased, with deals being negotiated below list price and lease terms at polar opposites: An increasing number of industrial users are committing to short term leases only, while others are renegotiating and extending their current lease terms to take advantage of lower rents and to reduce overhead.

Average vacancies have declined to 16.5%, down from 17.4% in 4Q08, but up from the 15.4% charted a year ago. The strongest sector continues to be the West Submarket (11.9% vacant), home to General Motors. The North Submarket remains the area's weakest sector (40.6% vacant); however, nearly half of North Submarket vacancies are found within one Class A building.

Investor confidence has increased this period, and triggered the groundbreaking of a new 40,000-square-foot speculative building in the South Submarket. This will be the third incubator building developed in Oakwood Executive Park over the past three years.

Vacancy Rates - Market Average

Market Average: 16.5%

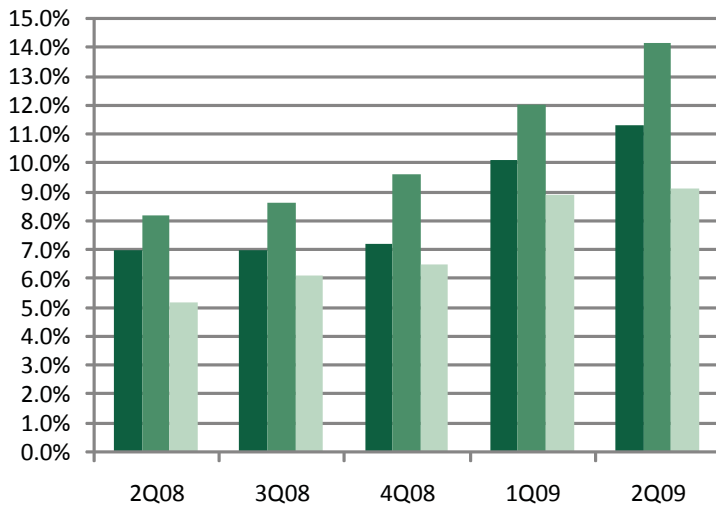


Market Statistics

Market	Leasable Area (SF)	Vacancy Rate %	Net Absorption (SF)	Asking Lease Rates (\$/SF/YR NNN)
CUA	615,953	2.0%	0	\$4.25
North	1,195,059	40.6%	-186,865	\$3.50-4.25
South	2,172,513	15.8%	-14,445	\$3.50-4.50
West	4,011,418	11.9%	-38,847	\$3.25-4.50
Market	7,994,943	16.5%	-240,157	

Unemployment Rate

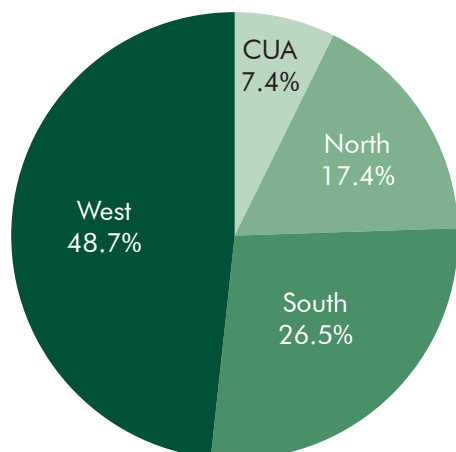
■ Lansing: 11.3%
■ Michigan: 14.1%
■ U.S.: 9.1%



Greater Lansing's unemployment rate increased this quarter to 11.3% from 10.1% last quarter. Both the Michigan and U.S. unemployment rates increased this quarter to 14.1% and 9.1% respectively.

Although the Lansing MSA is home to Michigan State University, a large research university that helps foster growth of private businesses, the area is largely dependent on General Motors and the State of Michigan. Therefore, the employment outlook for the metro area will be directly impacted by how well GM and state operations adjust to and survive the current downturn.

Market Composition



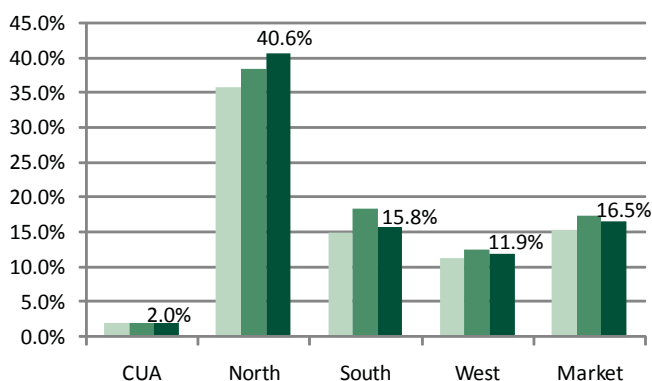
The Greater Lansing industrial market comprises nearly eight million square feet of leased space. Nearly 50% of this space is located in the West Submarket, home to General Motors. The smallest submarket is the Central Urban Area with 7.4% of the leasable product.

The Greater Lansing leased market has been reduced this period by nearly 400,000 square feet due to the sale of several high profile buildings to owner-occupants.

The 2004 ground breaking for General Motors' Lansing Delta Assembly Plant spurred the development of over two million square feet of supporting Class A industrial space. Since that time, however, the base of leased industrial product has not expanded, except for the development of two incubator buildings within Oakwood Executive Park (South Submarket) in 2007. A third 40,000-square-foot incubator building is currently under construction in the park.

Market Vacancy

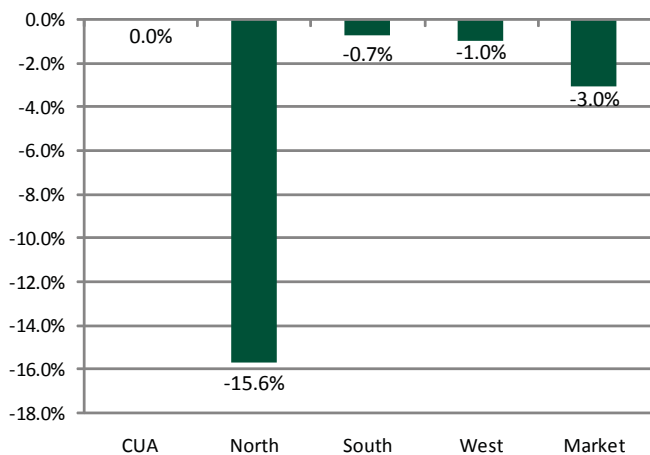
2Q 08: 15.4%
4Q 08: 17.4%
2Q 09: 16.5%



Greater Lansing industrial space is 16.5% vacant, down from 17.4% charted 4Q 08 and up from 15.4% charted 2Q 08.

From a geographic perspective, the strongest sector is the West Submarket, averaging 11.9% vacant (down from 12.5% at year-end 2008). The weakest submarket is the North Submarket, averaging 40.6% vacancy (up from 38.3% at year-end 2008).

Absorption (Year to Date)



The Greater Lansing area experienced significant negative absorption of leased industrial space during the first half of 2009 (-3.0%, or -240,157 square feet) primarily due to the reclassification of the fully occupied 193,000-square-foot 3400 North Grand River building (North Submarket) from leased to owner-occupied space. The sector with the greatest absorption was the South Submarket.

It is also important to note that several previously vacant industrial buildings, which were originally on the market for lease, have traded to owner-occupants, and while these sales do not directly impact leased absorption, they do represent an improvement in industrial market activity.

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

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Top Industrial Transactions

Size (SF)	Tenant/Purchaser	Address
193,000	The State of Michigan (Purchaser)	3400 N. Grand River (North)
64,700	Stajos Development LLC (Purchaser)	3366 Remy Dr (South)
50,486	Midwest Food Service (Purchaser)	5615 Enterprise Dr (South)
47,824	Capital Steel & Wire (Purchaser)	2127 W. Willow St (West)
44,782	St. Joseph Investments LLC (Purchaser)	2921 W. St. Joe St (West)
24,000	Two Men and a Truck (Tenant)	1200 Keystone (South)
22,000	Block Imaging (Tenant)	5411 Enterprise Dr (South)

MARKET COVERAGE

This analysis is based on information gathered in July 2009 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).

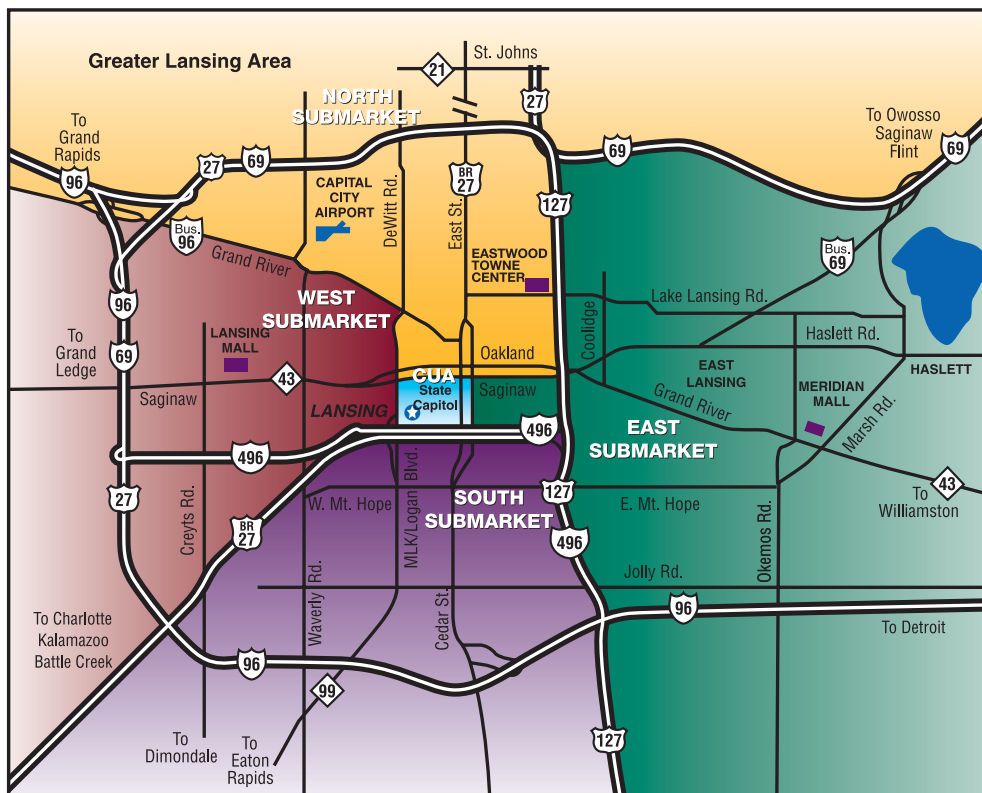
ABSORPTION

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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