


Detroit

Vol. 30

Second Quarter 2001

Analyzes:

**CBD Office
Retail
Apartments
Suburban Office
Industrial
Local Economy**

Reports:

**Property Prices
Property Rents
Sector Forecasts
Demographic Highlights
Job Formation Trends
Economic Base Profile
Educational Achievement
Tax Structure
Quality of Life Factors**

A publication of the *National Real Estate Index*

Publisher: **CB  Richard Ellis**

Detroit

Vol. 30



Report Format

This report is organized as follows. Section I provides a snapshot that highlights the key economic, demographic and real estate-related findings of the study. Sections II through IX provide an in-depth look (generally in a tabular format) at the key economic, demographic, public policy, and quality of life factors that can affect the demand for real estate.

In Section II, recent population trends are reported. Section III analyzes the local economic base and current labor force and job formation trends. Various educational costs and parameters are provided in Section IV. Local living costs are explored in Section V. Health care costs and availability are detailed in Section VI. A series of other important factors, including retail sales trends and international trade, are reported in Section VII. Local and

state fiscal policies, including taxes and federal spending, are highlighted in Section VIII. Several key quality-of-life considerations are summarized in Section IX.

In Section X, local market price, rent and capitalization rate trends for the preceding 12 months are reported. Section XI reports time series prices, rents and cap rates for the entire period (as far back as 1985 in some markets) for which the National Real Estate Index has compiled such data.

Section XII provides the most recent complete annual review, including analysis of the local economy, as well as in-depth analyses of the office, light industrial, retail and apartment sectors. In Section XIII, a sector-by-sector forecast and rating are provided.

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Detroit: Metropolitan Map/Market Definition

Detroit PMSA:

Lapeer County
Macomb County
Monroe County
Oakland County

St. Clair County
Wayne County

Land Area of Detroit MSA:
Population Density (1999):

4,465.6 sq. miles
1,002 people per sq. mile

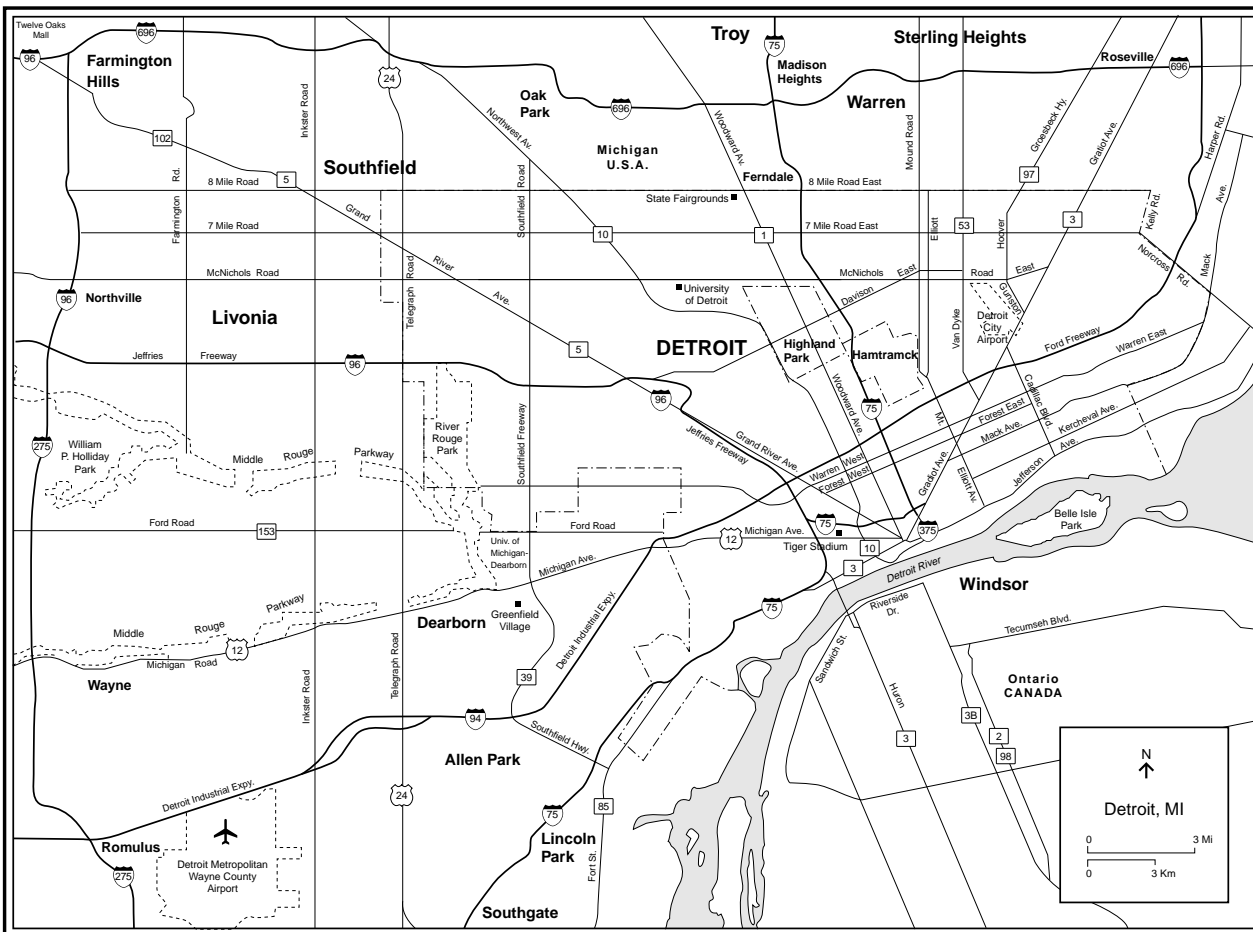


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I. Detroit: Snapshot

A. Economic Summary (See Sections II & III.)

Job Growth (Loss) 12 Months (Ending in June):	(0.9%)
Unemployment Rate (June):	5.0%
Metropolitan Population Growth (Loss), 1990–2000:	4.1%
Total Metropolitan Population, 2000:	4.4 million

B. Second Quarter 2001 Property Price and Rent Trends

	CBD Office			Suburban Office			Warehouse			Retail			Apartment		
	AVERAGE			AVERAGE			AVERAGE			AVERAGE			AVERAGE		
	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate
2nd Q. '01	\$126.72	\$23.70	9.3%	\$135.92	\$25.14	9.6%	\$41.95	\$6.05	9.8%	\$110.57	\$17.10	9.8%	\$77.28	\$10.78	8.8%
1st Q. '01	129.65	23.73	9.1	138.74	25.09	9.4	42.70	6.01	9.6	110.77	16.81	9.7	79.05	10.90	8.7
2nd Q. '00	131.63	23.36	8.9	141.98	25.12	9.2	44.40	5.96	9.2	115.99	17.30	9.4	80.14	11.13	8.7

Source: National Real Estate Index's Market Monitor.

C. Performance Forecast

Sector	Rating	Detroit Market Score	National Median Market Score
CBD Office	Fair	76	79
Suburban Office	Fair	74	77
Warehouse	Fair	79	78
Retail	Fair	72	80
Apartment	Fair	75	79
Hospitality	Fair	77	76

Source: National Real Estate Index's Market Score – Vol. 34, Summer/2Q 2001. Ranked on six levels from “Extraordinary” to “Speculative.” An “extraordinary” grade is defined as a market that, relative to other markets nationwide, offers the greatest appreciation and total return potential over the succeeding two years, and has a corresponding “investment score” of 95 or above on a 100-point continuum. A “speculative” grade denotes those markets where the total return potential ranks near the bottom of markets analyzed for the foreseeable future. Their corresponding “investment score” is below 60. For more information on Market Score's market analyses and comparisons to other markets, call (415)733-5322.

II. **Detroit: Demographics**

A. **Metro Population**

	Detroit	United States
Population — 2000:	4,441,600	281,421,900
% Growth—1990–2000:	4.1%	13.2%
% Growth—1980–1990:	(2.8%)	9.8%

B. **County Population Growth**

County	2000 Population	% Growth 1990-2000
Lapeer	87,900	17.6
Macomb	788,100	9.9
Monroe	145,900	9.2
Oakland	1,194,200	10.2
St. Clair	164,200	12.8
Wayne	2,061,200	(2.4)

C. **State Population Growth**

	2000 Population	% Growth 1990-2000	Ranking*	% Growth 1995-2025	Ranking*
Michigan	9,938,400	6.9	39	8.4	45
United States	281,421,900	13.2	N/A	23.7	N/A

*Ranking of all 50 states, plus the District of Columbia, with the #1 ranking representing the highest state population percentage growth.

Source: U.S. Census Bureau.

II. Demographics (Cont.)

D. Area Cities With At Least 50,000 Residents

City	2000 Population	% Growth 1990-2000
Canton*	76,400	34.0
Clinton*	95,600	11.3
Dearborn	97,800	9.7
Dearborn Heights	58,300	(4.0)
Detroit	951,300	(7.5)
Farmington Hills	82,100	10.1
Livonia	100,500	(0.3)
Pontiac	66,300	(6.7)
Redford*	51,600	(5.1)
Rochester Hills	68,800	11.2
Royal Oak	60,100	(6.5)
Shelby*	65,200	33.9
Southfield	78,300	3.4
St. Clair Shores	63,100	(7.6)
Sterling Heights	124,500	5.7
Taylor	65,900	(7.0)
Troy	81,000	11.1
Warren	138,200	(4.7)
Waterford*	73,200	9.7
West Bloomfield*	64,900	19.1
Westland	86,600	2.5

*These communities are technically defined as townships.

E. Household & Population Composition

	<u>Detroit Metro</u>	<u>U.S. Metro</u>
Median Household Size:	2.6	2.7
Median Age:	35.9	35.4
% of Population Under 5	7.0	7.5
% of Population 35 - 54	29.6	28.0
% of Population Over 64	11.9	12.8

II. Demographics (Cont.)

F. Metropolitan Population Gain (1990-2000)

Population Growth (% Gain/Loss, April 1990-April 2000)

Las Vegas	83.3%	Tampa-St. Petersburg	15.9%
Austin	47.7	Oakland-East Bay	14.9
Phoenix	45.3	Columbus	14.5
Atlanta	38.9	UNITED STATES	13.2
Raleigh-Durham	38.9	Central New Jersey	13.0
Orlando	34.3	Oklahoma City	13.0
West Palm Beach	31.0	Memphis	12.7
Denver	30.4	San Diego	12.6
Dallas-Ft. Worth	29.3	San Jose	12.4
Ft. Lauderdale	29.3	Kansas City	12.2
Charlotte	29.0	Chicago	11.6
Portland	26.6	New York	9.0
Houston	25.8	Cincinnati	8.9
Riverside-SB	25.7	San Francisco	8.0
Nashville	25.0	Los Angeles	7.4
Salt Lake City	24.4	Baltimore	7.2
Jacksonville	21.4	Newark-No. New Jersey	7.1
Sacramento	21.3	Boston	5.5
Albuquerque	21.0	Nassau-Suffolk	5.5
Seattle	18.8	Milwaukee	5.1
Orange County	18.1	Honolulu	4.8
Minneapolis	16.9	St. Louis	4.5
Washington, DC	16.6	Detroit	4.1
Indianapolis	16.4	Philadelphia	3.6
Miami	16.3	Cleveland	2.2
Greenville-Spartanburg	15.9	Hartford	2.2

Note: The 2000 census has revealed inconsistencies in earlier population data, primarily due to an underestimation of the number of immigrants entering the country. This is believed to be responsible for some unusual swings in the latest statistics.

Source: U.S. Census Bureau.

II. Demographics (Cont.)

G. International Immigration to Metropolitan Areas

Total International Immigration: 1990–1999 (in 000s)

New York/Nassau-Suffolk	1,045.4	Portland	48.0
Los Angeles	902.1	Minneapolis-St. Paul	46.0
Chicago	366.6	Orlando	44.9
Miami	337.2	Tampa-St. Petersburg	42.8
Newark-No. NJ	266.0	Honolulu	42.7
Orange County	233.2	Las Vegas	36.1
Washington DC	240.1	Baltimore	32.7
Houston	209.9	Austin	27.6
Dallas-Ft. Worth	177.0	St. Louis	25.3
San Francisco	165.3	Hartford	24.7
San Diego	164.0	Salt Lake City	20.9
San Jose	159.1	Cleveland	17.2
Boston	141.7	Raleigh-Durham	16.5
Oakland-East Bay	135.0	Kansas City	15.9
Riverside-San Bernardino	119.0	Charlotte	15.0
Philadelphia	91.7	Oklahoma City	14.5
Ft. Lauderdale	90.2	Albuquerque	13.8
Atlanta	82.5	Jacksonville	13.7
Seattle	79.4	Nashville	12.4
Central New Jersey	69.4	Columbus	12.2
Detroit	68.4	Milwaukee	12.1
Phoenix	62.3	Indianapolis	9.9
Sacramento	60.0	Cincinnati	9.4
Denver	51.0	Memphis	7.3
West Palm Beach	48.1	Greenville-Spartanburg	6.1

Immigration Per 1,000 Residents (1990–1999)

Local Market	Per 1,000	Ranking*
Detroit	15.3	35

*Ranking of 50 metropolitan areas analyzed by the INDEX, with the #1 ranking representing the largest per capita immigration rate.

Source: U.S. Census Bureau.

II. Demographics (Cont.)

H. Domestic Migration to Metropolitan Areas

Total Domestic Migration: 1990–1999 (in 000s)

Atlanta	506.8	Albuquerque	22.9
Las Vegas	406.7	Oklahoma City	13.0
Phoenix	395.8	Salt Lake City	12.7
Dallas-Ft. Worth	240.9	Memphis	8.5
Denver	200.4	Central New Jersey	(33.2)
Orlando	177.9	Baltimore	(48.2)
Portland	176.2	Oakland-East Bay	(61.8)
Riverside-San Bernardino	172.1	Milwaukee	(71.5)
Austin	170.6	St. Louis	(72.2)
Tampa-St. Petersburg	163.0	Hartford	(81.4)
Charlotte	158.0	Cleveland	(102.3)
Raleigh-Durham	157.4	Honolulu	(112.7)
Ft. Lauderdale	151.9	Washington DC	(127.6)
West Palm Beach	128.2	San Diego	(135.8)
Nashville	108.9	San Francisco	(151.3)
Seattle	75.6	San Jose	(175.9)
Minneapolis-St. Paul	66.7	Orange County	(196.0)
Houston	61.4	Boston	(211.9)
Jacksonville	60.7	Miami	(236.1)
Greenville-Spartanburg	55.6	Detroit	(251.0)
Sacramento	50.3	Philadelphia	(279.3)
Indianapolis	48.2	Newark-No. NJ	(383.2)
Kansas City	36.3	Chicago	(527.8)
Columbus	34.6	New York/Nassau-Suffolk	(1,531.8)
Cincinnati	24.0	Los Angeles	(1,560.7)

Domestic Migration Per 1,000 Residents (1990–1999)

Local Market	Per 1,000	Ranking*
Detroit	(56.1)	39

*Ranking of 50 metropolitan areas analyzed by the INDEX, with the #1 ranking representing the largest per capita migration rate.

Source: U.S. Census Bureau.

III. Detroit: Job Trend Formation and Labor Costs

A. Job Formation

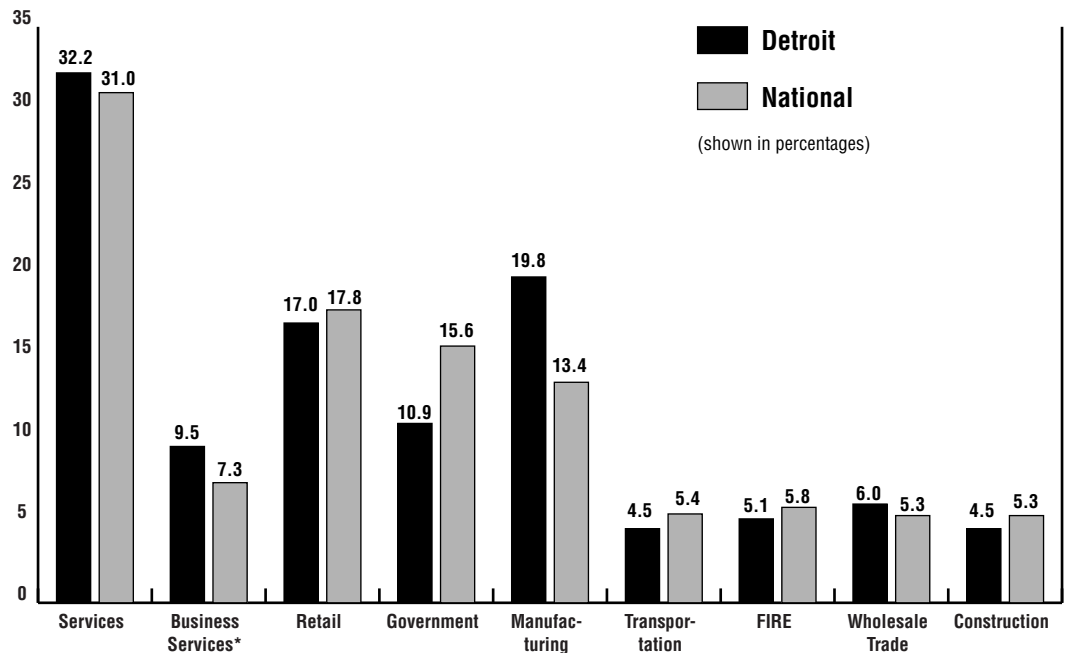
Metropolitan Area

Employment Growth (Loss)—% 12-Month (Ending in June):	(0.9%)
Total Number of Net New Jobs, 12 Months (Ending in June):	(19,700)
Leading Sector, <i>Construction</i> —% Employment Growth:	1.7%
Leading Sector, <i>Services</i> —Number of Net New Jobs:	4,500
% Employment Growth in Other Key Sectors	
Manufacturing:	(5.8%)
Business Services:	(0.8%)
% Unemployed, June 2001:	5.0%
% Unemployed, 12 Months Before:	3.5%

National

Employment Growth (Loss)—% 12-Month (Ending in June):	0.3%
% Unemployed, June 2001:	4.7%
% Unemployed, June 2000:	4.2%

B. Economic Base—Employment By Sectors



*Business Services is a subset of the Services category.

These bar graphs are updated every 6 months. Last update: 2Q 2001.

III. Job Trend Formation and Labor Costs (Cont.)

C. Metropolitan Total Employment Gain (1990-2001)

Job Growth			
(% Gain/Loss, December 1990-June 2001)			
Las Vegas	86.0	Oklahoma City	26.2
Austin	70.3	Indianapolis	25.1
Orlando	53.1	Memphis	23.8
Phoenix	53.1	Washington, DC	22.2
Raleigh-Durham	47.9	Central New Jersey	21.7
Atlanta	45.3	UNITED STATES	21.7
Denver	45.2	Greenville-Spartanburg	21.4
Salt Lake City	44.6	Orange County	21.4
Tampa-St. Petersburg	41.2	Oakland	19.5
Dallas-Ft. Worth	40.4	Miami	17.4
Riverside-San Bernardino	39.8	Cincinnati	16.9
Charlotte	38.4	Detroit	15.7
Nashville	37.8	Boston	15.5
West Palm Beach	37.7	Chicago	15.2
Albuquerque	36.2	San Francisco	15.1
Jacksonville	36.1	St. Louis	14.4
Fort Lauderdale	33.4	Milwaukee	13.9
Portland	31.5	Cleveland	12.0
Sacramento	29.5	Nassau-Suffolk	11.6
Houston	28.9	Baltimore	10.6
Seattle	28.8	Philadelphia	8.4
Kansas City	28.6	Newark-No. New Jersey	7.9
Columbus	26.5	New York	6.6
Minneapolis-St. Paul	26.4	Los Angeles	0.5
San Diego	26.4	Honolulu	(0.4)
San Jose	26.4	Hartford	(2.9)

Source: U.S. Government, Bureau of Labor Statistics.

III. Job Trend Formation and Labor Costs (Cont.)

D. Metropolitan Average Wages—Select Occupations

Position	Average Annual Wage
Accountant	\$53,381
Secretary	\$31,185
Computer Systems Analyst	\$57,948
Computer Programmer	\$66,934
Industrial Engineer	\$60,386
Machinist	\$45,068

Source: U.S. Dept. of Labor, *National Compensation Survey*, Detroit-Ann Arbor-Flint metropolitan area, April 2000.

E. Production Wages & Union Membership

	Average Annual Wage*	National Rank	% Workers in Union	National Rank
Michigan	\$34,756	1	25.4%	2
U.S. Average	\$26,874	--	16.2%	--

*Average annual wage is for production workers only. The #1 ranking represents the highest average wage and the largest percentage of unionized workers.

Source: U.S. Dept. of Labor and U.S. Census Bureau.

III. Job Trend Formation and Labor Costs (Cont.)

F. State Workers' Compensation Costs

Workers' Compensation Costs
—The average cost per \$100 of payroll—
(1999)

	<u>Rate*</u>	<u>Index**</u>	<u>1999 Rating***</u>	<u>1998 Rating</u>
Michigan	\$4.55	1.300	37	33

*This is the rate for a prototypical manufacturer, based on the manual rate, taxes and assessments, payroll distribution, premium discounts, experience rating, and any other weighted adjustments that were made in order to produce a non-biased countrywide comparison.

**The base rate (or national average) for this Index is \$3.50.

***The rating is based on an analysis of 44 states with #1 representing the lowest average rate.

Source: Actuarial & Technical Solutions, Inc. (516) 471-8655.

G. Minimum Wage/Overtime Status

Current Minimum Wage*	\$5.15
State Overtime Standard**	40-hour week

*The federal minimum wage increased to \$5.15 in September 1997. The federal rate sets the floor under which states cannot go. Some states, however, have lower rates for a minority of workers who are not covered by the Fair Labor Standards Act. Some states also have temporary lower rates and "subminimum wages" for certain groups of workers, e.g., minors and/or beginning employees.

**Federal law stipulates the payment of overtime to all private employees except supervisors, salaried professionals and unionized workers after 40 hours of labor in a given week.

Source: Bureau of National Affairs, *Payroll Administration Guide*.

IV. Detroit: Education

A. Educational Levels

	% of Adults With Less Than 9th Grade Education	% of Adults Who Graduated From High School	% of Adults Who Graduated From 4-Year College/University
Detroit	6.3	84.6	23.1
U.S. Metro Average	--	83.4	25.2

Source: U.S. Dept. of Commerce, and U.S. Dept. of Education, 1999.

B. Educational Expenditures and Salaries

	Per-Pupil Expenditures	Rank	Teacher Salaries	Rank	Student: Teacher Ratio	Rank
Michigan	\$7,488	7	\$48,207	5	18.6	6
U.S. Average	\$6,251	--	\$40,582	--	16.6	--

These figures represent statewide (and national) averages. The rankings include all 50 states, plus the District of Columbia. For expenditures and salaries, #1 represents the highest dollar amount; #1 also represents the highest student-teacher ratio.

Source: National Education Association, *Rankings of the States 1999*, based on 1998-1999 data.

C. College Tuition

	Tuition Only*	National Rank**	Annual Average*	National Rank**
Michigan	\$4,277	8	\$9,224	11
U.S. Average	\$3,226	--	\$8,018	--

*The tuition and annual average are based on in-state tuition, fees, and room and board for full-time students in public four-year institutions.

**Ranking of all states with the #1 ranking representing the highest tuition and annual average.

Source: U.S. Dept. of Education, based on 1999 data.

IV. Education (Cont.)

D. Graduate Education

Academic Rankings of Local Graduate Programs

University	Biological Sciences	Engineering	General Sciences/Other
--	--	--	--

Source: National Academy of Sciences, *Research-Doctorate Programs in the United States*, 1995 (this report is updated every ten years). The NAS reviewed more than 3,600 doctoral programs in 41 fields at 274 universities for the 1993 academic year. Criteria included the academic quality of each school's faculty, the effectiveness of the school's teaching, and the level of its research. For programs that were ranked at 100 or more schools, we have listed the top 20 universities; for programs that were ranked at fewer than 100 schools, we have listed the top 10. The top universities are shown with their respective national ratings for each discipline. We have included 21 of 41 fields. Please note that the NAS did not include graduate business programs in its study.

E. University R&D Expenditures

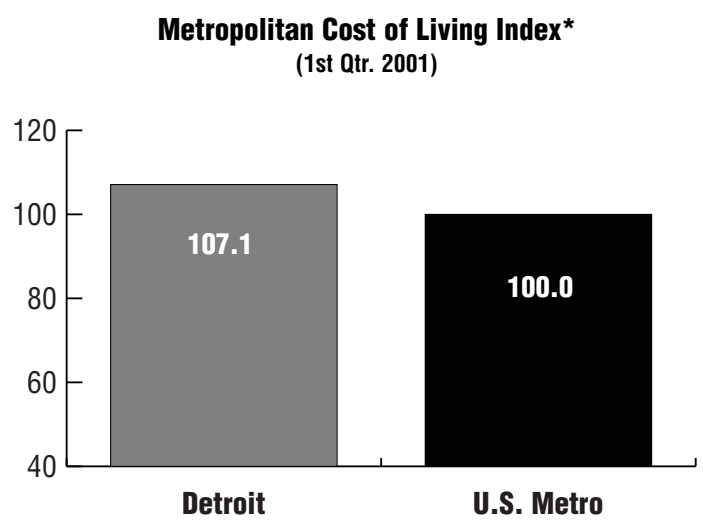
	Federal R&D Expenditures (\$\$ in mil.)	% of Leading School*	Total R&D Expenditures (\$\$ in mil.)	% of Leading School*
Oakland Univ.	\$2.5	1.2	\$4.2	1.6
Wayne State Univ.	\$23.2	10.8	\$51.5	19.2

Source: National Academy of Sciences, *Research-Doctorate Programs in the United States*, 1995 (this report is updated every ten years). These amounts reflect the average annual expenditures from 1986 to 1992 (based on 1988 dollars).

*The percentage column reflects the amount spent by the local institution(s) relative to the amount expended at the top spending institution in each of the two categories.

V. Detroit: Housing & Related Costs

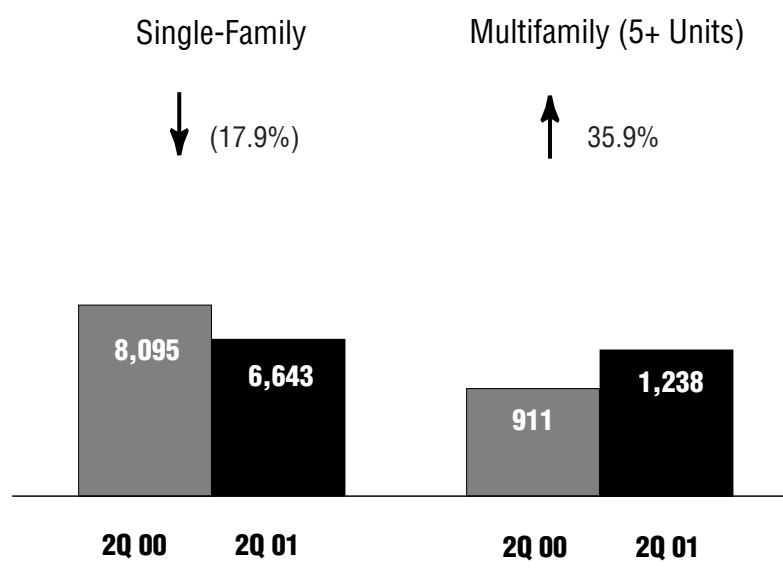
A. Overall Cost of Living



*The ACCRA Cost of Living Index measures relative prices for consumer goods and services in participating areas. Housing is an important component of the Index. The average for all participating areas is 100. Each area's number is read as a percentage of that average.

Source: ACCRA Cost of Living Index, Louisville, KY, (502) 897-2890.

B. Metropolitan Housing Permits



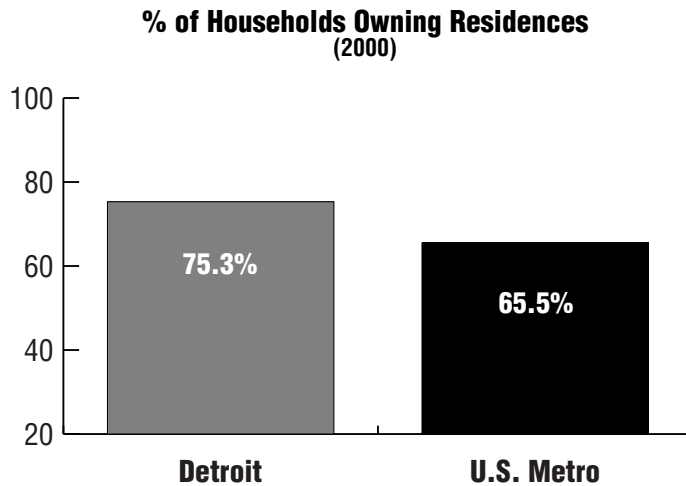
Local Data: Figures represent total permits granted during the second quarters of 2000 and 2001 in the Detroit PMSA.

U.S. Data: The percent changes in single-family and multifamily permits nationwide were 1.2% and (2.5%), respectively.

Source: U.S. Census Bureau.

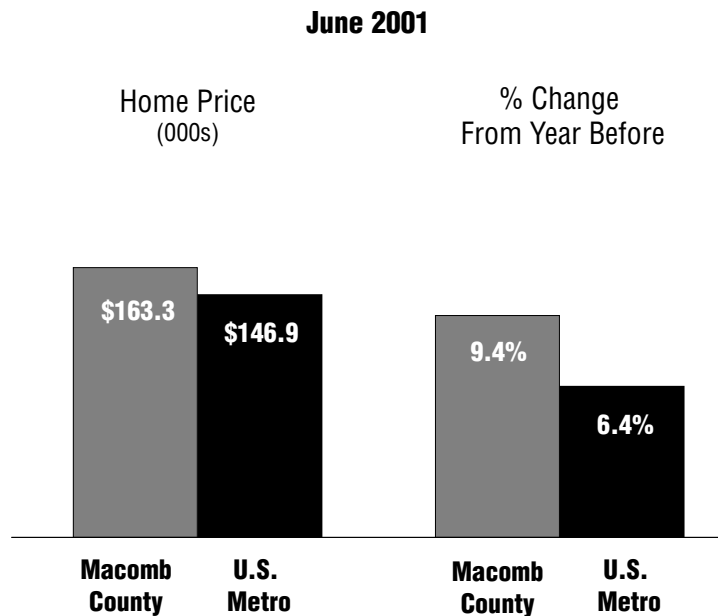
V. Housing & Related Costs (Cont.)

C. Homeownership



Source: U.S. Census Bureau. Homeownership rates represent metropolitan averages as of year-end 2000.

D. Single Family Home Costs



The U.S. data reflects the median for the second quarter; the local figures reflect the average for the January-June period.

Source: National Association of Realtors® and Michigan Association of Realtors.

V. Housing & Related Costs (Cont.)

E. Local Utility Costs

	<u>Commercial Electric</u> (30,000 kwh per mo.)	<u>Industrial Electric</u> (5,000 kw per mo.)	<u>Residential Electric</u> (1,000 kwh per mo.)
Detroit	\$2,790	\$145,335	\$89
U.S. Average	\$2,300	\$135,829	\$84

These numbers reflect rates that were in effect July 2000.

Source: Edison Electric Institute, *Typical Bills and Average Rates Report*, Summer 2000.

F. Tourism & Entertainment Taxes

	Local Hospitality Taxes		
	<u>Hotel Tax</u>	<u>Restaurant Tax</u>	<u>Car Rental Tax*</u>
Detroit	15.00%**	6.00%	17.50%**
Average of 50 Surveyed Cities	12.36%	7.29%	8.40%

*This is the basic rate. It does not include applicable surcharges.

**These taxes were recently increased to help fund two new sports facilities.

Source: Travel Industry Association of America, Washington, DC and INDEX Research.

VI. Detroit: Health Care Characteristics & Costs

A. Hospitalization Costs

Hospitalization Costs Per In-Patient Day

	<u>Costs</u>	<u>Index</u>
Detroit	\$1,070.53	98.9
U.S. Metro Average	\$1,082.06	100.0

Source: American Hospital Association, Chicago, IL.

B. Health Insurance

Health Insurance Coverage (1999)

	<u>% of Pop. Covered by HMO</u>	<u>Avg. Monthly Premium*</u>	<u>% of Pop. Uninsured</u>	<u>Rank**</u>
Detroit	28.2	\$149.00	13.2	17

*Average charge for individual coverage in a traditional HMO plan.

**Ranking of 59 metropolitan areas with the #1 ranking representing the area with the smallest percentage of uninsured residents.

Source: InterStudy Publications, *Competitive Edge, Part III: Regional Market Analysis*, (800) 844-3351.

VI. Health Care Characteristics & Costs (Cont.)

C. State Health Rating

	<u>2001 Ranking*</u>	<u>2000 Rank</u>	<u>1999 Rank</u>
Michigan	27	31	33

*The 21 factors considered include teenage birth rate, infant mortality rate, childhood immunization rate, accessibility to health care, and health care expenditures.

Source: The Morgan Quitno Press, (800) 457-0724.

D. State Livability Index

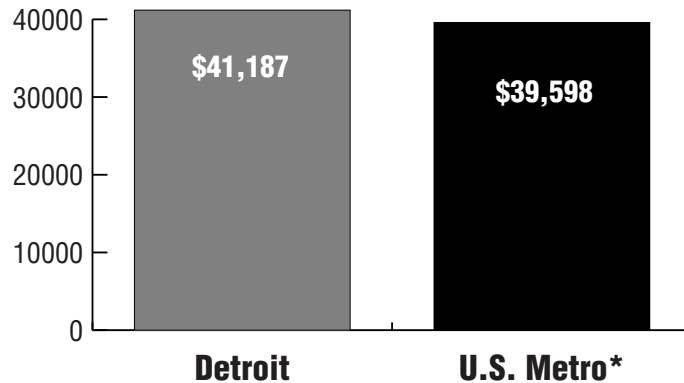
	<u>2001 Index Rating*</u>	<u>2001 Rank</u>	<u>2000 Rank</u>
Michigan	25.12	27	28

*The livability index rating is based on 43 categories including crime rate, unemployment rate, hazardous waste sites, quality of infrastructure (e.g., roads, bridges, etc.), high school graduation rate, spending on the arts, and tax burden. The highest possible score is 50.

Source: The Morgan Quitno Press, (800) 457-0724.

VII. Detroit: Other Economic Indicators

A. 1999 Metropolitan Median Household Income



*The U.S. Metro figure represents the median income of 321 metropolitan areas; \$37,233 is the median income nationwide.

Market Rank: 29*

*Ranking of 56 metropolitan areas, with the #1 ranking representing the highest median household income.

Source: Sales & Marketing Management: 2000 Survey of Buying Power.

B. Poverty

Total Residents & Children Living Below Official Poverty Level

	<u>% Total Residents</u>	<u>% Children (5-17)</u>
Detroit Metro		
Lapeer County	6.9	9.3
Macomb County	5.9	8.7
Monroe County	7.6	10.4
Oakland County	6.0	8.5
St. Clair County	8.9	12.8
Wayne County	18.0	25.9
National	13.3	18.4

Source: U.S. Census Bureau, *Income & Poverty Estimates*, 1997 (the most recent data available on a national level).

VII. Other Economic Indicators (Cont.)

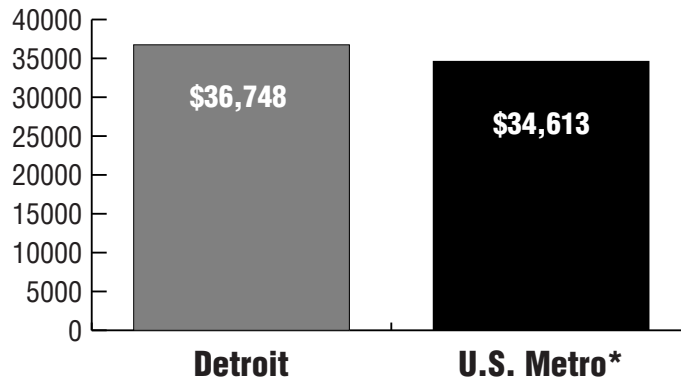
C. Metropolitan Retail Sales Trends

Metropolitan Retail Sales -- % Change (June 2000 - June 2001)

Detroit	2.0%
National	2.4%

Source: TeleCheck Services, Inc., Houston, TX, (713) 599-7600.

D. 1999 Metropolitan Average Retail Sales



*The U.S. Metro figure represents the average retail sales per household of 321 metropolitan areas; \$33,113 is the average retail sales per household nationwide.

Market Rank: 24*

*Ranking of 56 metropolitan areas, with the #1 ranking representing the highest amount of retail sales per household.

Source: Sales & Marketing Management: 2000 Survey of Buying Power.

VII. Other Economic Indicators (Cont.)

E. E-Commerce Retail Sales

First Quarter 2001 (\$\$ in billions)

	<u>Total Retail Sales</u>	<u>E-Commerce Retail Sales</u>	<u>% of Total</u>
U.S.	\$765.2	\$7.0	0.9
Prior Quarter	\$856.3	\$8.7	1.0
Year Ago	\$747.9	\$5.2	0.7

Source: U.S. Department of Commerce.

F. High-Tech Industry Employment

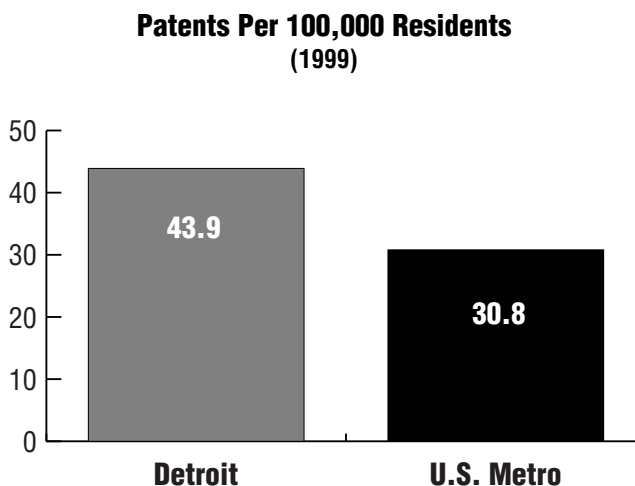
	<u>Share of Total Employment</u>	<u>Rank</u>	<u>Number of Establishments</u>	<u>Rank</u>	<u>Number of Employees</u>	<u>Rank</u>
Detroit	2.9%	116	3,162	15	61,493	21

Rankings are based on a comparison of 304 metropolitan areas for 1998, with the #1 ranking representing the highest amount in each category.

Source: *The High-Tech Industry: Clusters and Competition*, Dynamic Resource Solutions, Abington, PA.

VII. Other Economic Indicators (Cont.)

G. Metropolitan Area Patents



Market Rank: 16*

*Ranking of 52 metropolitan areas, with the #1 ranking representing the largest number of per capita patents.

Source: Dept. of Commerce, Patent & Trademark Office, April 2000.

H. Major Airport Activity

Detroit – Wayne County Metropolitan

	Total (2000)	% Change from 1999	National Rank*	World Rank*
Passengers (in millions)	35.5	4.6%	10	16
Cargo (in thousands–metric tons)	298.1	(3.0%)	27	57

*Ranking of 672 international airports, with the #1 ranking representing the largest number of passengers and the largest amount of cargo.

Source: Airports Council International, Washington, DC.

VII. Other Economic Indicators (Cont.)

I. International Trade

International Trade Volume

	<u>Import</u>	<u>Export</u>	<u>Total</u>
Detroit Customs District			
January-March 2001 (\$\$\$ in billions)	\$23.5	\$19.3	\$42.8
% Change (from year ago)	(7.9%)	(7.9%)	(7.9%)
Total U.S.			
January-March 2001 (\$\$\$ in billions)	\$295.9	\$196.2	\$492.1
% Change (from year ago)	4.6%	5.1%	4.8%

Source: Dept. of Commerce, Foreign Trade Division.

J. Area Exports

Metropolitan Area Exports

	<u>1999 Value</u> <u>(\$\$\$ in billions)</u>	<u>Rank*</u>	<u>% Change</u> <u>1998-1999</u>	<u>% Change</u> <u>1993-1999</u>
Detroit	\$28.0	3	3.7%	66.9%
Total U.S.	\$692.8	N/A	1.8%	49.0%

These figures only measure local sales of finished goods leaving the country and exclude both components and raw materials that are ultimately incorporated into export products.

*Ranking of 53 metropolitan areas, with the #1 ranking representing the highest dollar value.

Source: Dept. of Commerce, International Trade Administration.

VII. Other Economic Indicators (Cont.)

K. Gross State Product

	<u>1989</u>	<u>1999</u>	<u>% Change 1989-1999</u>
Michigan Ranking*	9	9	--
Michigan Total (\$\$\$ in billions)	\$222.2	\$295.6	29.5%
U.S. Total (\$\$\$ in billions)	\$6,538.6	\$8,934.1	36.6%

*Ranking of all 50 states (including the District of Columbia), with the #1 ranking representing the highest dollar amount.

Note: While the dollar amounts are no longer inflation-adjusted, they are "chain-weighted" to make them comparable to the specified 1996 base period.

Source: U.S. Dept. of Commerce, *Gross State Product, 1977-1999*.

L. Gross Metropolitan Product

	GMP (\$\$ in billions)		% Change (from 1998)
	<u>1999</u>	<u>Rank</u>	
Detroit	\$140.3	10	2.3%

*Ranking of 100 metropolitan areas, with the #1 ranking representing the highest dollar amount.

Source: U.S. Conference of Mayors & OMB.

VIII. Detroit: Taxes and Expenditures

A. State Tax Rates/Employer Expenses

Tax	Rate
Business Taxes:	
Corporate Income/Franchise	2.0%*
Unemployment Insurance	2.7%
Individual Taxes:	
Sales/Use	6.0%
Maximum Local Levy	0.0%
Food Exemption	Yes
Cigarette Tax (per package)	\$0.75
Personal Income Rates	4.2%**
State Taxes Paid in 1999 Per \$1,000 Personal Income:	
Local:	\$86
United States:	\$66

*This rate (aka single business tax) is being lowered by 0.1% annually. It is expected to be phased out completely in 2022.

**This rate is being lowered by 0.1% annually through 2005, when it will be 3.9%.

The above rates are for the tax year 2001.

Source(s): Tax Foundation; Federation of Tax Administrators; and INDEX research.

B. Comparative State Income Taxes

A Comparison of the State Income Tax Rate Assessed at the Local Median Income Level

	<u>Median Income</u>	<u>Marginal State Income Tax Rate</u>	<u>Metropolitan Ranking*</u>
Detroit	\$41,187	4.4%	36

Additional Local Income Tax**

City of Detroit (residents)	2.75%
City of Detroit (non-residents)	1.375%

Note of Explanation: Simple marginal tax rates are not sufficient for comparing tax burdens across jurisdictions. A more useful measure is to compare what a median income household would likely be assessed in each jurisdiction.

*The state income tax ranking is based on a comparison of the 56 metropolitan areas covered by the National Real Estate Index. Markets are rated in ascending order (i.e., number 56 denotes the highest tax rate at the respective median household income in the study).

**These rates are being reduced by one-third annually through 2009. The above rates are for tax year 2001.

VIII. Taxes and Expenditures (Cont.)

C. Local Commercial Property Taxes

1999 Commercial Property Tax Rate (Per \$100 Valuation)

<u>City</u>	<u>Basic Rate</u>	<u>Effective Rate</u>	<u>Ranking**</u>
Detroit*	\$7.48	\$3.74	82
Troy*	\$4.59	\$2.30	49

*Taxes on intangible property were completely phased out in January 1998.

**The commercial property tax ranking is based on a comparison of 86 communities analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 86 denotes the highest tax rate in the study.)

Source: Basic tax rates (and assessment ratios) were provided by Vertex Inc., Berwyn, PA, (800) 355-3500. The "effective" rates factor in the proportion of property value assessed for taxation purposes, and were calculated by the National Real Estate Index staff. Where a range of basic rates applied, the median was utilized.

Except where noted, inventory and intangible property are completely (or largely) exempt from taxation, and tangible personal property is taxed at rates and assessment ratios comparable to those for real property.

Important: Please be aware that because of the wide disparities in tax rates, assessment ratios, and assessment periods from jurisdiction to jurisdiction (even within some metropolitan areas), the rates reported represent approximations only. Actual tax assessments could vary substantially, depending on property class, age and location.

D. Local Residential Property Taxes

2000 Residential Property Tax Rate (Per \$100 Valuation)

<u>Location</u>	<u>Effective Rate</u>	<u>Ranking*</u>
Detroit CMP	\$1.51	36

* The residential property tax ranking is based on a comparison of 56 metropolitan areas analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 56 denotes the highest tax rate in the study.)

Source: Runzheimer International, Rochester, WI. Runzheimer International, a management consulting firm specializing in transportation, travel and living costs, provided the effective residential property tax rate. In large cities where a range of residential tax rates is applied, we have used Runzheimer's composite tax rate (CMP). For more information on employee relocation, moving costs, and travel expenses, contact Runzheimer at 1-800-558-1702.

Important: Please be aware that because of the wide disparities in tax rates, assessment ratios, and assessment periods from jurisdiction to jurisdiction (even within some metropolitan areas), the rates reported represent approximations only.

VII. Taxes and Expenditures (Cont.)

E. State Tax Revenue

State Tax Revenue* (\$\$ in millions)

	<u>Fiscal Year 1999</u>	<u>Fiscal Year 2000</u>	<u>% Change</u>
Michigan	\$20,339	\$20,990	3.2%
U.S.	\$429,780	\$467,092	8.7%

*Totals include revenue from a state's personal income, corporate income and sales taxes, only. The fiscal year begins on July 1 for all 50 states except Alabama (Oct 1), Michigan (Oct 1), New York (April 1), and Texas (Sept 1).

Source: SUNY Center for the Study of the States, *State Revenue Report*.

F. Federal Balance of Payment Per Capita

	<u>Federal Taxes Collected</u>	<u>National Rank</u>	<u>Balance of Payment*</u>	<u>National Rank</u>
Michigan	\$5,724	16	(\$1,042)	44

The national average of federal taxes collected is \$5,486. These national rankings are based on all 50 states, plus the District of Columbia, with number 1 representing the highest dollar amounts.

*The difference between federal spending received (see Chart G) and taxes collected is the "balance of payment" between each state and the federal government.

Source: Harvard University and the U.S. Senate, *The Federal Budget and the States, Fiscal Year 1999*.

VIII. Taxes and Expenditures (Cont.)

G. Federal Spending Per Capita – State

	Salaries/ Wages	Procurement Contracts	Defense Spending	Total Federal Spending	National Rank*
Michigan	\$315	\$239	\$236	\$4,711	45
U.S. Average	\$647	\$783	\$835	\$5,740	--

*This national ranking, which is based on all 50 states, plus the District of Columbia, is for total federal spending. Both salaries/wages and procurement contracts include all such expenditures. Defense spending includes only those procurement contracts and wages (and other expenditures) that relate to defense.

Source: U.S. Census Bureau, *Consolidated Federal Funds Report for Fiscal Year 2000*.

H. Federal Spending Per Capita – Leading Local Counties

	Salaries/ Wages	Procurement Contracts	Defense Spending	Defense Spending % Change from 1999	Total Federal Spending
Macomb County	\$456	\$1,170	\$1,485	31.9	\$4,980
Oakland County	258	139	70	(6.7)	3,464
Wayne County	483	142	63	16.7	5,563
U.S. Average	\$647	\$783	\$835	(2.6)	\$5,740

Both salaries/wages and procurement contracts include all such expenditures. Defense spending includes only those procurement contracts and wages (and other expenditures) that relate to defense.

Source: U.S. Census Bureau, *Consolidated Federal Funds Report for Fiscal Year 2000*.

IX. Detroit: Quality of Life

A. Crime Rate

Crime Per 100,000 Inhabitants—1999

	<u>Violent</u>	<u>% Change from 1998</u>	<u>Property</u>	<u>% Change from 1998</u>
Detroit Metro	762.2	(10.4)	4,198.3	(13.4)
U.S. Metro Average	583.8	(7.4)	4,016.1	(7.6)

Source: U.S. Dept. of Justice, *Crime in the United States*.

B. Child Welfare

	<u>Overall Ranking*</u>	<u>Drop-Out Rate</u>	<u>Juvenile Crime</u>	<u>Teen Birth Rate</u>	<u>Immunization Rate</u>
Michigan	25	16	6	23	29

*The overall ranking is based on ten categories including child death rate, children in poverty, divorce rate, drop-out rate, infant mortality, teen birth rate, juvenile crime rate, and immunization rate. The highest possible ranking of all states (including Washington, DC) is 1.

Drop-Out Rate: The number one ranking represents the state with the lowest percentage of teenagers (16-19) who are high school drop-outs.

Juvenile Crime: The number one ranking represents the state with the lowest number of arrests of individuals under 18 divided by the population of the state.

Teen Birth Rate: The number one ranking represents the state with the lowest number of births for teenagers (15-19) per 1,000 births. (There are only 49 states ranked in this category.)

Immunization Rate: The number one ranking represents the state with the highest percentage of two-year-olds who have been immunized.

Source: Children's Rights Council, Washington, DC, July 1999.

IX. Quality of Life (Cont.)

C. Climate

Average Temperature (Fahrenheit)

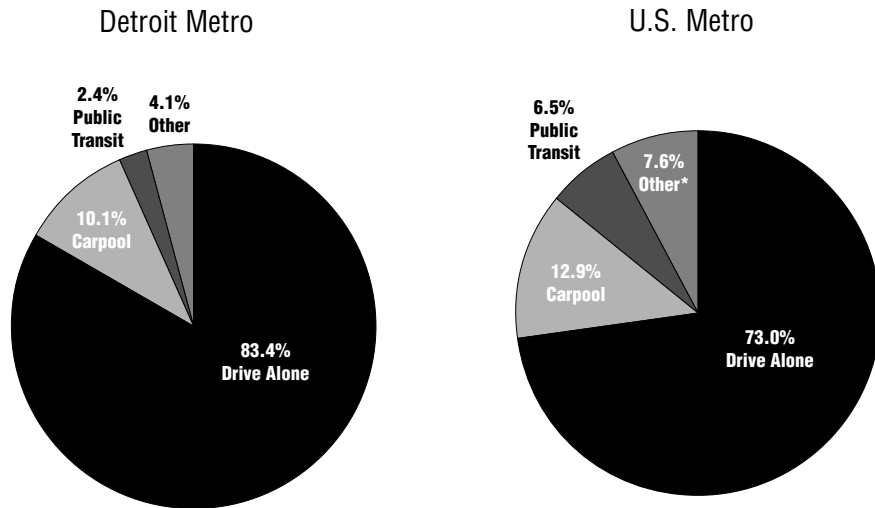
	High	Low
Winter	31	16
Spring	58	37
Summer	82	59
Autumn	63	41

Average Annual Precipitation: 31 inches

Elevation: 664 ft

% of Sunny Days Per Year: 53%

D. Mode of Travel to Work



*Includes those who work at home.

Source: U.S. Census Bureau, *Journey to Work & Migration Statistics*.

IX. Quality of Life (Cont.)

E. Daily Commute Time

	One-Way Avg. Travel Time (Min.)
Detroit Metro:	23.7
U.S. Metro Average:	23.2

Source: U.S. Census Bureau, *Journey to Work & Migration Statistics*.

F. Major Professional Athletic Franchises

National Football League

Detroit Lions

Major League Baseball

Detroit Tigers

National Basketball Association

Detroit Pistons

National Hockey League

Detroit Red Wings

IX. Quality of Life (Cont.)

G. Performing Arts**Symphonies**

Detroit Symphony Orchestra
Detroit Civic Orchestra
Michigan Chamber Orchestra (Detroit)

Operas

Michigan Opera Theater

Ballets

--

Source: *Musical America: International Directory of the Performing Arts*, New York, NY. Though many suburban communities have established symphonies and dance troupes, etc., this chart reflects the major, ongoing performing arts groups (in the above three categories) that are located in the central city and selected large communities of this metropolitan area.

X. Detroit: Current Prices, Rents, and Cap Rates¹

A. Class A Property Sectors—National, Regional, Local

	CBD Office			Suburban Office			Warehouse			Retail			Apartment		
	AVERAGE			AVERAGE			AVERAGE			AVERAGE			AVERAGE		
	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate	Price sf	Rent sf	Cap Rate
National	\$213.10	\$34.52	8.8%	\$181.69	\$27.08	8.5%	\$45.10	\$5.76	9.0%	\$120.41	\$17.61	9.2%	\$104.81	\$14.53	8.4%
Midwest Region	161.84	27.57	9.2	146.91	24.19	8.9	39.98	5.47	9.3	107.98	15.93	9.5	82.30	12.02	8.7
2nd Q. '01	\$126.72	\$23.70	9.3%	\$135.92	\$25.14	9.6%	\$41.95	\$6.05	9.8%	\$110.57	\$17.10	9.8%	\$77.28	\$10.78	8.8%
1st Q. '01	129.65	23.73	9.1	138.74	25.09	9.4	42.70	6.01	9.6	110.77	16.81	9.7	79.05	10.90	8.7
2nd Q. '00	131.63	23.36	8.9	141.98	25.12	9.2	44.40	5.96	9.2	115.99	17.30	9.4	80.14	11.13	8.7

B. Other Property Classes – Most Recent Period

<u>Property Sector</u>	<u>Price Per SF</u>
Class B Suburban Office	\$116.23
Class B Apartment	\$55.23
Class B Flex Space	\$61.19
Class C Flex Space	\$49.71

C. Local Market Rankings

2nd Qtr. 2001 – Rankings*

	<u>CBD Office</u>	<u>Suburban Office</u>	<u>Warehouse</u>	<u>Retail</u>	<u>Apartment</u>	<u>Class B Apartment</u>
Prices	43	32	26	30	30	28
Rents	43	19	15	24	28	25

*Local market ranking among the 58 metropolitan areas (plus Manhattan Downtown and Midtown for CBD office) analyzed by the National Real Estate Index, with the #1 ranking in all cases but Class B Apartment representing the highest Class A price and/or rent per square foot for the noted time period.

¹ **Source(s):** NREI *Market Monitor*. For more information on this or other INDEX-surveyed metropolitan areas, contact the National Real Estate Index, (800) 992-7257.

XI. Detroit: Price, Rent, and Cap Rate History²

CLASS A CBD OFFICE*

Market Area Definition:
Detroit Central Business District

Year/ Quarter	Price per square foot		Rent per square foot		Capitalization Rate	
	Metro	National	Metro	National	Metro	National
1989/2	\$153.90	\$180.18	\$21.14	\$23.55	8.3%	7.9%
1989/4	154.11	181.14	21.13	23.54	8.3	7.9
1990/2	150.75	174.46	20.99	23.45	8.3	8.4
1990/4	140.10	173.74	18.50	22.96	8.3	8.3
1991/2	131.70	170.22	17.60	22.37	8.4	8.5
1991/4	125.35	157.17	17.15	21.81	8.5	8.9
1992/2	119.79	148.83	16.58	21.38	8.7	9.2
1992/4	118.30	137.07	16.75	20.61	8.9	9.3
1993/2	114.25	131.68	16.36	20.14	9.0	9.2
1993/4	114.25	131.87	16.36	20.22	9.0	9.1
1994/2	118.23	135.28	16.93	20.70	9.0	9.1
1994/4	118.34	139.55	17.01	21.52	9.0	8.9
1995/2	118.94	138.69	17.50	21.91	9.0	9.1
1995/4	118.04	142.78	16.84	22.49	9.0	9.0
1996/2	118.64	144.78	17.27	23.10	9.0	9.1
1996/4	112.23	147.60	18.07	23.97	9.6	9.0
1997/2	122.26	157.09	18.69	25.38	9.0	8.9
1997/4	123.95	166.37	20.00	27.12	9.0	8.9
1998/2	124.91	185.66	20.80	29.11	9.0	8.7
1998/4	128.17	191.26	21.17	29.72	8.8	8.6
1999/2	129.18	198.95	22.00	30.86	8.8	8.6
1999/4	132.11	200.63	23.00	31.92	8.8	8.8
2000/2	131.63	209.81	23.36	33.82	8.9	8.7
2000/4	132.49	217.23	23.68	35.67	8.9	8.7

² **Source(s):** National Real Estate Index *Market History Reports* and *Market Monitor*. Reflects Class A properties, defined as buildings constructed or extensively renovated in the preceding ten years.

Explanation of Data: Average prices are reported. Stated rents reflect all occupancy costs, including rent concessions and operating cost chargebacks, if any. Reported rents are, therefore, effective gross rents. Capitalization rates are determined from actual net operating income, either from the properties actually sold or from representative prototypes.

*Please note that the rent figures represent quoted rates (after concessions) on space currently available (rather than the total rental income for all buildings surveyed). Consequently, prices, rents, and cap rates may not appear “internally” consistent for some periods.

XI. Price, Rent, and Cap Rate History

CLASS A SUBURBAN OFFICE*

Market Area Definition:

Detroit MSA: Lapeer, Macomb, Monroe, Oakland, St. Clair, and Wayne Counties.

Year/ Quarter	Price per square foot		Rent per square foot		Capitalization Rate	
	Metro	National	Metro	National	Metro	National
1995/4	\$105.07	\$109.51	\$18.34	\$19.30	9.6%	9.6%
1996/2	109.15	115.70	18.98	20.16	9.3	9.3
1996/4	111.11	122.91	19.77	21.06	9.3	9.2
1997/2	114.90	133.91	20.99	22.19	9.5	9.0
1997/4	118.86	142.39	22.00	23.19	9.4	9.1
1998/2	139.14	153.23	22.45	23.95	8.7	8.8
1998/4	136.62	152.60	22.77	24.27	9.0	9.0
1999/2	138.47	157.24	24.36	24.66	9.0	8.9
1999/4	133.29	162.25	24.64	25.39	9.5	8.7
2000/2	141.98	172.89	25.12	26.74	9.2	8.7
2000/4	141.22	182.98	25.44	28.14	9.3	8.5

Explanation of Data: Average prices are reported. Stated rents reflect all occupancy costs, including rent concessions and operating cost chargebacks, if any. Reported rents are, therefore, effective gross rents. Capitalization rates are determined from actual net operating income, either from the properties actually sold or from representative prototypes.

*Please note that the rent figures represent quoted rates (after concessions) on space currently available (rather than the total rental income for all buildings surveyed). Consequently, prices, rents, and cap rates may not appear “internally” consistent for some periods.

XI. Price, Rent, and Cap Rate History

CLASS A WAREHOUSE/DISTRIBUTION*

Market Area Definition:

Detroit MSA: Lapeer, Macomb, Monroe, Oakland, St. Clair, and Wayne Counties.

Year/ Quarter	Price per square foot		Rent per square foot		Capitalization Rate	
	Metro	National	Metro	National	Metro	National
1989/2	\$30.08	\$37.30	\$4.90	\$4.70	9.5%	8.9%
1989/4	30.07	37.39	4.88	4.71	9.5	9.0
1990/2	30.62	37.44	4.97	4.65	9.6	9.1
1990/4	29.18	37.35	4.76	4.63	9.7	9.2
1991/2	29.01	36.48	4.75	4.55	9.8	9.3
1991/4	28.88	34.61	4.73	4.50	9.9	9.5
1992/2	28.89	33.85	4.78	4.39	10.1	9.5
1992/4	25.65	32.98	4.65	4.29	10.5	9.7
1993/2	27.74	32.34	4.67	4.28	10.3	9.6
1993/4	30.03	31.61	4.81	4.28	9.8	9.7
1994/2	31.03	32.02	4.92	4.36	9.7	9.6
1994/4	31.80	32.76	5.01	4.47	9.5	9.5
1995/2	31.63	33.55	5.14	4.55	9.6	9.4
1995/4	33.39	34.30	5.21	4.69	9.5	9.3
1996/2	34.19	35.21	5.28	4.79	9.3	9.2
1996/4	35.27	36.49	5.54	4.95	9.2	9.2
1997/2	35.51	37.45	5.74	5.06	9.2	9.1
1997/4	35.65	38.98	5.79	5.14	9.4	9.0
1998/2	35.86	41.31	5.97	5.26	9.4	8.9
1998/4	41.33	41.91	5.90	5.35	9.4	8.9
1999/2	42.87	42.58	6.13	5.46	9.6	9.0
1999/4	45.18	43.14	6.17	5.58	9.2	9.1
2000/2	44.40	44.69	5.96	5.72	9.2	9.0
2000/4	43.48	45.08	6.10	5.80	9.5	9.0

Explanation of Data: Average prices are reported. Stated rents reflect all occupancy costs, including rent concessions and operating cost chargebacks, if any. Reported rents are, therefore, effective gross rents. Capitalization rates are determined from actual net operating income, either from the properties actually sold or from representative prototypes.

*Please note that the rent figures represent quoted rates (after concessions) on space currently available (rather than the total rental income for all buildings surveyed). Consequently, prices, rents, and cap rates may not appear “internally” consistent for some periods.

XI. Price, Rent, and Cap Rate History

CLASS A RETAIL *

Market Area Definition:

Detroit MSA: Lapeer, Macomb, Monroe, Oakland, St. Clair, and Wayne Counties.

Year/ Quarter	Price per square foot		Rent per square foot		Capitalization Rate	
	Metro	National	Metro	National	Metro	National
1989/2	\$118.13	\$112.60	\$14.65	\$14.61	8.8%	8.7%
1989/4	114.40	113.90	14.64	14.97	9.1	8.8
1990/2	114.40	113.40	14.64	15.00	9.0	9.0
1990/4	114.75	111.67	14.50	14.83	9.2	9.1
1991/2	109.98	109.72	14.20	14.67	9.4	9.3
1991/4	105.37	103.45	13.75	14.53	9.5	9.7
1992/2	104.00	99.13	14.00	14.11	9.8	9.6
1992/4	99.17	96.34	13.60	13.80	9.9	9.7
1993/2	100.99	96.20	13.85	13.84	9.9	9.8
1993/4	103.37	96.24	13.89	13.74	9.7	9.7
1994/2	106.31	98.47	13.99	13.93	9.5	9.5
1994/4	107.52	99.63	14.00	14.14	9.4	9.4
1995/2	106.58	100.00	14.13	14.48	9.5	9.4
1995/4	106.58	100.20	14.13	14.72	9.5	9.4
1996/2	106.68	101.26	14.21	15.03	9.5	9.4
1996/4	109.80	104.76	14.77	15.42	9.3	9.3
1997/2	108.78	108.52	14.88	15.81	9.4	9.2
1997/4	112.67	113.46	15.93	16.32	9.4	9.2
1998/2	114.31	116.86	16.24	16.74	9.3	9.1
1998/4	113.95	117.31	16.00	16.91	9.3	9.1
1999/2	112.87	118.36	16.38	17.05	9.4	9.1
1999/4	115.57	120.45	16.81	17.31	9.3	9.0
2000/2	115.99	121.75	17.30	17.62	9.4	9.0
2000/4	112.53	122.23	16.99	17.80	9.6	9.1

Explanation of Data: Average prices are reported. Retail rents reflect in-lying small shop space and are triple net. Capitalization rates are determined from actual net operating income, either from the properties actually sold or from representative prototypes.

*Please note that the rent figures represent quoted rates (after concessions) on space currently available (rather than the total rental income for all buildings surveyed). Consequently, prices, rents, and cap rates may not appear “internally” consistent for some periods. Retail space refers to **anchored unenclosed shopping centers**.

XI. Price, Rent, and Cap Rate History

CLASS A APARTMENT*

Market Area Definition:

Detroit MSA: Lapeer, Macomb, Monroe, Oakland, St. Clair, and Wayne Counties.

Year/ Quarter	Price per square foot		Rent per square foot		Capitalization Rate	
	Metro	National	Metro	National	Metro	National
1989/2	\$52.98	\$59.17	\$8.39	\$8.99	9.5%	8.6%
1989/4	52.57	59.25	8.50	9.30	9.7	8.7
1990/2	50.06	60.48	8.51	9.37	10.2	8.7
1990/4	48.69	60.66	8.52	9.46	10.5	8.9
1991/2	49.38	59.66	8.56	9.54	10.4	9.1
1991/4	50.80	58.78	8.72	9.52	10.3	9.2
1992/2	50.92	56.51	8.57	9.62	10.1	9.5
1992/4	53.46	56.15	8.59	9.67	9.6	9.7
1993/2	54.04	57.47	8.66	9.85	9.7	9.6
1993/4	56.59	58.22	8.72	10.01	9.4	9.6
1994/2	57.48	61.50	8.91	10.26	9.3	9.4
1994/4	61.57	62.62	9.44	10.48	9.2	9.3
1995/2	62.03	64.20	9.51	10.63	9.2	9.2
1995/4	64.50	66.71	9.81	11.10	9.2	9.1
1996/2	66.19	70.12	9.89	11.47	9.0	8.9
1996/4	64.87	73.92	10.11	11.71	9.4	8.9
1997/2	66.75	77.82	10.36	12.00	9.1	8.9
1997/4	67.29	81.18	10.15	12.21	8.9	8.9
1998/2	71.03	85.37	10.30	12.68	8.7	8.8
1998/4	70.85	89.48	10.51	13.03	8.9	8.8
1999/2	75.60	91.88	10.65	13.28	8.8	8.8
1999/4	76.81	95.88	10.76	13.62	8.8	8.6
2000/2	80.14	100.97	11.13	14.20	8.7	8.6
2000/4	78.18	104.53	10.78	14.57	8.7	8.4

Explanation of Data: Average prices are reported. Stated rents reflect all occupancy costs, including rent concessions and operating cost chargebacks, if any. Reported rents are, therefore, effective gross rents. Capitalization rates are determined from actual net operating income, either from the properties actually sold or from representative prototypes.

*Please note that the rent figures represent quoted rates (after concessions) on space currently available (rather than the total rental income for all buildings surveyed). Consequently, prices, rents, and cap rates may not appear "internally" consistent for some periods.

XII. Detroit: Market Analysis³

A. Economic Overview

Midwest's Smallest Job Gain

The Detroit metropolitan area produced a mere 3,700 new jobs during the 12 months ending in March, dramatically below the number (35,400) created here during the previous 12-month period. Not only was this the smallest gain of the 11 Midwest markets surveyed in this issue of the *QUARTERLY*, it was also the second-smallest gain of the 50 metropolitan areas analyzed by the *INDEX* (behind Hartford). The gain translated into a minimal 0.2% expansion of the local employment base. The other unfortunate piece of news: the area's unemployment rate moved up during the period from 3.2% to 4.6%.

Services Adds Most Jobs: There were gains in just five of the major employment categories, with services leading the way. The latter added 12,500 new jobs, for a 1.8% expansion of its base. Construction had the larger percentage gain (5.2%), which translated into 4,500 new jobs. Retail trade added 3,500 positions, for a 1% gain. Wholesale trade and the finance, insurance and real estate (FIRE) sectors added 900 and 500 jobs, respectively; both expanded their bases by less than 1%.

Major Contraction in Manufacturing: The local manufacturing sector eliminated 17,400 net positions during the period, contracting its base by 3.8%. Of course, this was just a reflection of what was happening nationwide. In March 2001, manufacturing accounted for 43% of the layoffs across the country and 51% of the unemployment claims. Local losses also occurred in government (400 jobs) and transportation/public utilities (300 jobs).

Manufacturing Prowess Slips: Services employs the largest proportion of the workforce here, as it does in most metropolitan areas. It employs 32.2% locally, slightly above the 31% national norm. The second-largest employment category is manufacturing. Its recent losses have pushed it lower in the national rankings, though. In fact, it recently relinquished its title as the largest manufacturing center in the Midwest to Milwaukee. Manufacturing employs 20.1% of greater Detroit's workforce, 20.3% of greater Milwaukee's, and 13.7% nationally. Retail trade employs approximately the same proportion of the workforce here as it does nationwide (17%).

Government accounts for just one-in-nine workers locally versus one-in-six nationally. Wholesale trade,

on the other hand, employs more here than it does nationwide (6% versus 5.4%). The three remaining sectors— FIRE, transportation and construction— employ a smaller proportion of the local workforce (5.1%, 4.4% and 4.1%) than they do nationally (5.8%, 5.4% and 4.9%).

Triumvirate of Large Employers: The Big 3 automakers dominate employment here. Though major layoffs have been announced, the numbers indicate that Ford led the pack in 2000 with a local payroll of 79,700. General Motors was next, with 59,200, followed by DaimlerChrysler's workforce of 50,700. There are also several large health care entities here. The Henry Ford Health System employs 13,600. The St. John Health System, Detroit Medical Center, and Mercy Health Services employ between 12,000 and 13,000 each. Other private sector firms with more than 4,000 local employees include Oakwood Health Care System, William Beaumont hospital, EDS, Ameritech, Blue Cross/Blue Shield, American Axle & Manufacturing, and DTE Energy.

Regional Economy Suffers: In January 2001, 20 Michigan businesses filed layoff notices covering approximately 5,000 workers; one year earlier, just eight businesses filed, accounting for 2,000 workers. The combined first quarter 2001 earnings of 49 southeast Michigan companies dropped 72% compared to the same period one year ago. Many of these companies are restructuring as a result. DaimlerChrysler announced plans in January to cut 26,000 jobs over the next three years. Three-quarters of the cuts are expected to take place by the end of the year; 2,700 employees were cut at the company's Auburn Hills headquarters and Detroit engineering center in March. The company plans to reduce production by 15% and idle six manufacturing plants over the next two years. General Motors eliminated its Oldsmobile division in December and set the stage for eliminating 6,600 jobs company-wide.

The recall of Bridgestone/Firestone tires last Fall has also had a serious ripple effect through the region. Ford temporarily closed three Explorer and Ranger plants as they attempted to get replacement tires into the market. Ford launched a second recall in May, this time severing its relationship with the tire company. Ford plans to spend \$3 billion to recall and replace 13 million Firestone Wilderness AT tires, primarily on the Explorer SUV. The recall

³ Source(s): National Real Estate Index *Quarterly Market Report*; Volume 63, June 2001.

XII. Market Analysis

A. Economic Overview (continued)

is expected to take nine months and produce losses for Ford in the second and third quarters. The company will also, once again, temporarily close three plants. So far this year, sales of the Explorer are down 23% compared with an industry-wide decline of 9%.

The slowdown affecting the Big 3 automakers causes many dominoes to tumble. Automotive suppliers lost \$402 million in the first quarter; during the first three months of 2000, they earned \$677 million. In October 2000, Ford asked all its suppliers to reduce 2001 costs 50% more than they did the year before. Troy-based Delphi has been one of the biggest losers; it plans to eliminate 11,500 jobs and close nine plants.

Another type of manufacturer—Macomb County toy train maker Lionel LLC—has decided to move its production operations to South Korea and China. About 325 workers will lose their jobs when the Chesterfield plant closes in August. The company plans to keep its headquarters and visitors center here, however.

Another negative indicator: a recent survey of manufacturers found that Detroit had the nation's highest labor turnover rate at 12%. Milwaukee posted the lowest turnover rate (5%) of the Midwest markets surveyed. The study's average was 9%. Over 400 factories in six states were included in the survey.

Some Plants Moving Ahead: Not all companies are slowing down, though. Johnson Control's Automotive Systems group plans to build a \$168 million technical center in Salem. The Michigan Economic Growth Authority (MEGA) awarded the company a \$27 million single business tax credit as well as grants of up to \$594,500 for employee training. Siemens Automotive Corp. has submitted plans for a \$67 million, 250,000 square foot vehicle and engineering center in Auburn Hills. The city approved property tax abatements worth \$450,000 annually; MEGA granted the company a \$16 million business tax credit. Jabil Circuits completed a \$40 million expansion of its circuit board assembly plant in Auburn Hills, doubling its local manufacturing capacity. The 200,000 square foot facility is near Jabil's plant at Harmon and Gidding Roads. The company plans to hire another 460 employees.

German auto supplier Eberspaecher is reportedly eyeing property at 12 Mile and Haggerty Roads in Novi for a \$25 million, 66,000 square foot facility. At least 75 jobs are expected to be created. The

company, which has set up temporary offices in Farmington Hills, designs and manufactures exhaust and heating systems. Customers include BMW, Audi Volkswagen, Renault, and DaimlerChrysler. In 1998, the city rezoned this formerly residential section of Novi to attract more industrial businesses.

Another German auto supplier, Continental AG, which has its North American base in Auburn Hills, plans to open a manufacturing plant here to produce rear corner modules, a segment of its business is expected to grow from \$50 million in 2000 to \$100 million in 2001, and is projected to reach \$250 million by 2003.

Altair Engineering plans to move its headquarters to the Big Beaver business park in Troy. Altair will occupy a new 133,000 square foot building scheduled to open there in February 2002. Altair will move 300 employees to the new facility, though there will be room to accommodate 500. In addition to office space, the new building will include an industrial design studio, a product testing lab and a 150-seat auditorium. Behr Systems plans to add 43,000 square feet to its manufacturing plant in Auburn Hills. A portion of the new space will be used by Behr Robotics for designing and manufacturing robots. The Michigan Economic Development Corp. (MEDC) assisted the project via the issuance of \$3.6 million in tax-exempt bonds. Behr's 80,000 square foot North American headquarters facility opened along the I-75 corridor in Troy earlier this year. Benteler Automotive is moving its North American headquarters from Grand Rapids to Auburn Hills, where it will employ 200. The move, to the Oakland Technology Park, is expected to be complete by the end of October. The 80,000 square foot facility will also house the company's advanced engineering and technical center.

Noble International plans to occupy nearly half of the 1.1 million square foot building at the Warren tank plant (where most of the military's tanks were built from 1941 to 1996). The company will consolidate its metal processing plants, currently in Detroit and Clinton, and move 450 employees to the new facility. The Warren plant is in a Renaissance Zone, which grants companies immunity from most state and local taxes for 15 years. Speaking of tanks, General Dynamics got the go-ahead recently to begin work on \$4 billion worth of armored vehicles for the U.S. Army. The company will produce the vehicles at its Land Systems plant in Sterling Heights.

XII. Market Analysis

A. Economic Overview (continued)

And despite the downsizing described above, Delphi plans to invest up to \$315 million in two area plants in order to produce electric power-steering systems. The upgrades are expected to be completed in late 2004.

Compuware Construction Begins: Excavation work started in December; construction began in April; steel should start going up in July. We're talking about Compuware's new \$350 million headquarters building on Monroe Street between Woodward and Michigan Avenues in downtown Detroit. Even though completion of the 16-story, 1.1 million square foot structure is not expected until June 2003, employees are scheduled to start occupying the space in late 2002. The building will feature its own parking and 60,000 square feet of retail space. A \$28 million parking garage is also being built nearby, on the former J.L. Hudson department store site.

This isn't the only high-profile project underway downtown. General Motors continues to renovate the former Renaissance Center (RenCen). In May, it began efforts to get commitments from 45 retailers, restaurants and service shops to fill the new "Wintergarden" area at the rear of the building. The five-story glass atrium overlooking the Detroit River is scheduled to open in December. It will encompass 160,000 square feet. GM also plans to open a 50,000 square foot Heritage museum near the building's main entrance. More than 8,000 people, mostly GM employees, now work in the four office towers of the RenCen. GM plans to move another 2,000 workers to the complex by 2003.

Meanwhile, the former General Motors building is in the midst of a \$120 million renovation, as it prepares to house 2,800 state employees. It has also been re-named Cadillac Place (in honor of Detroit founder Antoine de la Mothe Cadillac). Plans call for state workers to start moving into the building in August and to continue to fill the space through early 2002. More than 150 condominiums are scheduled to be built in the area to take advantage of the influx of workers. Crosswinds Communities, which has already sold 47 condominiums in the neighborhood, plans to break ground this Summer on 130 loft-style units on Woodward Avenue.

High-Tech Coups: Michigan companies attracted 75% more venture capital in 2000 than in 1999. Thirty-eight Michigan businesses received over \$232 million in 2000; the total was \$132 million the

year before. Sixty-two percent of the firms receiving money in 2000 were in software, telecommunications, computer hardware, and/or electronics. The second-largest category was health care, including biotech and medical devices. The latter field should become even more dominant due to the state's recent decision to spend \$50 million a year from its tobacco settlement on biotech research. The state also hopes to lure more high-tech businesses here via the establishment of "SmartZones". Four of the 11 zones are in southeast Michigan—Pinnacle SmartZone near the Detroit Airport; Woodward Technology Corridor in the city of Detroit; Automation Alley in Oakland County; and the Washtenaw SmartZone in Ann Arbor and Ypsilanti. Companies that locate in the zones will receive financial assistance.

Quicken Loans, the on-line lender formerly known as Rock Financial, has chosen Livonia over Fredericksburg, VA for an expansion that is expected to add 500 jobs over the next three years. The state plans to award the company \$6 million in tax credits over the next seven years and a \$515,000 training grant. In addition, the city of Livonia is considering a three-year, 50% property tax break. EDS Information Services has leased (to buy) a 210,000 square foot building in Auburn Hills. The facility, which will be used for a call center, is scheduled to open in September. It will house 1,200 employees. The city granted the company property tax abatements worth \$290,000 a year.

Another high-tech company, Southfield-based Proforma, has tripled its space with the lease of a 9,500 square foot facility just north of Civic Center Drive. The software developer doubled its sales last year to more than \$12 million. Its software maps the steps a business takes from raw materials to finished products.

FIRE Mergers Lead to Losses: Michigan National Bank (based in Farmington Hills) has eliminated 100 jobs as a result of its merger with Standard Federal Bank (based in Troy). ABN Amro, which already owned Standard Federal, plans to merge the two banks' operations under the Standard Federal name. More layoffs are expected this Fall.

The U.S. Post Office plans to build an 880,000 square foot processing center to consolidate four existing facilities and 1,600 employees. Though the agency was close to selecting a site (reportedly along I-75 between 14 Mile and Sashabaw Roads), progress has been halted due to a construction

XII. Market Analysis

A. Economic Overview (continued)

freeze. The freeze, which was imposed in March, will last through September, and affect 41 construction and expansion projects in Michigan. A new post office in Hamtramck will go on as planned, however.

Health Care Expansions: The University of Michigan Health System plans several hundred million dollars worth of construction over the next three to six years. The first two projects expected to break ground are a \$75 million, 178,000 square foot surgical center at Earhart and Plymouth Roads and a \$180 million biomedical science research building. The latter is scheduled to encompass 400,000 square feet and be located across from the Power Center for the Performing Arts. Completion is expected in 2005.

The Henry Ford Health System in Detroit and William Beaumont hospital in Royal Oak are splitting a \$40 million research gift from local computer services entrepreneur Raj Vattikuti (his company is Covansys Inc.). The University of Michigan's Comprehensive Cancer Center had been expected to be the recipient, but the willingness of the two other institutions to be flexible regarding expenditure of the money apparently pushed them into the lead. The Henry Ford funds will be used to focus on prostate cancer; Beaumont will focus the funds on breast cancer research. UM is not hurting, though. It ranks ninth nationwide in grant funding, having received \$38 million in 2000 from the National Cancer Institute.

Lions Want a New Lair: The Detroit Lions (NFL) and the city of Pontiac are battling in court. The city wants the court to force the team to play at the Silverdome until 2005, when its lease expires. The Lions want out of the lease early to move to Ford Field, which is scheduled to open in July 2002, in time for the 2002-03 football season. The \$325 million Ford Field will provide 65,000 seats and 120 suites. The 1.35 million square foot facility incorporates the old Hudson's warehouse. It will also be available for concerts, conventions, and trade shows. The Detroit Tigers (major league baseball), meanwhile, are reportedly happy in their new home—Comerica Park.

As far as support for its other "teams", Orchestra Hall, home of the Detroit Symphony Orchestra, has begun a \$60 million expansion, adding a 570-seat recital hall, library and recording suite. Completion is scheduled for Fall 2003.

Casinos Score Big: Detroit now has three casinos. The MGM Grand opened in July 1999 in a former IRS office; MotorCity Casino opened five months later in a former Wonder Bread factory; Greektown Casino opened in November 2000 with 2,416 slot machines and 103 table games. The first two are owned by major Las Vegas gaming companies; the latter, by the Sault Ste. Marie tribe of Chippewa Indians.

In 2000, the three earned a total of \$743 million. Of this, the state collected 8% (\$60 million), which has been earmarked for education. The city received 9.9% (\$73.5 million), 4% of its annual budget. Slot machines account for 70% of the casinos' revenues.

Though the original plans called for all three casinos to eventually relocate to a planned casino district south of Jefferson Avenue along the river, it now appears that the MGM Grand will be the only one to make the move (to a 23-acre site extending from Atwater Street to East Jefferson Avenue). In fact, MotorCity has applied for permanent casino status at its current location—Grand River Avenue and the Lodge Freeway. The Detroit Planning Commission has even approved plans to construct a 19,000 square foot office building between Spruce Street and Perry Avenue to house MotorCity's administrative staff. MotorCity and Greektown say they will add hotels and retail stores, plus additional gaming space, once their sites are deemed permanent.

To help promote cross-border gaming business, there is a push to launch gondola service between Canada and Detroit. Montreal-based Skylink International is negotiating with the city and General Motors to locate one of its aerial gondolas between Ford Auditorium and East Jefferson Avenue. On the Canadian side, it would be located on Casino Windsor property.

City Wants More Convention Space: Though 2000 numbers are not yet available, the Detroit Metro Convention & Visitors Bureau reports that the number of visitors to Wayne, Oakland and Macomb Counties increased 4% between 1998 and 1999, to 16.9 million. To help accommodate future visitors and increase convention business, the Bureau has endorsed plans to add 300,000 square feet of exhibit space to Cobo Center (for a total of one million). The project is expected to cost \$300 million. The city is not clear as to where the space would be built, though. One proposal calls for building it on land currently occupied by the Joe

XII. Market Analysis

A. Economic Overview (continued)

Louis arena (home of the NHL's Detroit Red Wings). As an interim move, the Bureau recommends adding a 60,000 square foot ballroom to the center by the end of 2003.

Plans are also underway to build a new convention center in Troy. The first phase is expected to cost nearly \$73 million and provide 120,000 square feet of space. It would be located on a portion of city-owned land bounded by Livernois, Big Beaver and I-75.

Plans Moving Forward for Casino Hotels: The city's agreement with the casinos calls for them to build a total of 2,600 new hotel rooms. The design of the hotel scheduled to be built alongside MotorCity Casino has been changed to feature 400 rooms and 30 condominiums. This means the company will have to expand the hotel or build a second one in the future, since its original commitment to the city was for 800 rooms. Downtown Detroit currently offers just 3,300 hotel rooms.

Westin plans to build an \$80 million, 400-room hotel at the airport's new midfield terminal. The current design calls for the hotel to be connected to the 160-room Airport Marriott. Completion is expected in December 2002. A 198-room Hilton Garden Inn is planned at Randolph Street and Gratiot Avenue.

Hotel Projects in the Suburbs: Most of the local hotel activity is in the suburbs. A \$44 million, 290-room Marriott opened recently in Pontiac. A \$35 million, 248-room Embassy Suites is under construction in Auburn Hills. However, two proposed hotels in Auburn Hills have not been able to get financing, even though the site plans have been approved and the city says there is sufficient demand. Developers had planned a 110-room Homewood Suites and a 170-room Hilton Garden Inn with a 30,000 square foot conference center. Plans are also changing in Royal Oak. A developer, who had been planning to build a seven-story hotel with 80 rooms (aka the Royal Grand), has decided to replace some of the rooms with condominiums. The \$30 million project at Fifth and Washington Streets will now include 60 hotel rooms and up to 32 high-end condominiums.

In terms of upgrades, the 756-room Hyatt Regency-Dearborn recently completed a \$22 million renovation. The Grand hotel on Mackinac Island has just finished a major addition. The 114-year-old property added 42 new rooms, each outfitted with fiber-optic lines.

New Terminal Opening Soon: Detroit Metropolitan Wayne County Airport is nearing completion of its \$1.2 billion Midfield terminal project. The new terminal, which is scheduled to open in December, will feature an East concourse with 66 jet gates and a West Concourse with eight jet gates and 25 commuter gates. New construction will also result in an 11,000-space parking garage, an energy plant, and a three-level roadway system. The new terminal building will total approximately two million square feet and will be owned by Wayne County. Northwest Airlines will be the primary tenant. Preliminary plans call for demolishing the existing terminal once Northwest Airlines moves into the new facility. To help pay for continuing costs associated with this project, the airport is increasing its per passenger fee from \$3 to \$4.50. This is expected to raise about \$45.6 million over the next two years.

In 2000, the airport handled 35.5 million passengers, a 4.6% increase from 1999. It is the tenth-busiest passenger airport in the country, falling right below Phoenix and just above Houston. It moved 298,000 metric tons of cargo, off 3% from 1999's volume. Passenger activity should increase in 2001, due to new flights being offered by Spirit Airlines. It launched service from Detroit to Oakland, CA in May. It also added a second daily flight to Los Angeles International and LaGuardia Airports. In June, it plans to add a third daily flight to Orlando.

International Cargo Activity on the Rise: The Detroit Customs District handled \$177 billion worth of cargo in 2000, up nearly 8% from 1999. Import activity increased 10.7% to \$98 billion, while export volume moved up 4% to \$79 billion.

The State Transportation Department wants to build a freight terminal (aka the Detroit Intermodal Freight Terminal) that would be shared by the country's four major railroads. It is looking at several sites in the southwestern part of the city. Original plans had called for developing the facility at Junction Yard, a 300-acre switching area owned by Norfolk Southern and CSX, but those two companies were not interested. The state has hired the Corradino Group to perform a feasibility and environmental impact study to come up with a new location; that process is expected to take ten months.

Study Endorses Express Bus System: A study to determine the feasibility of a bus rapid-transit sys-

XII. Market Analysis

A. Economic Overview (continued)

tem concluded that the SpeedLink “trains on wheels” system would work well on several routes in the city including Woodward Avenue, Michigan Avenue, Eight Mile Road, Grand River Avenue, and Telegraph Road. The system would operate high-frequency express buses that board like trains and trigger traffic signals for green lights. Light rail, heavy rail and people mover systems are also being assessed. A long-range transit plan, complete with financing recommendations, is due to be released by the Southeast Michigan Council of Governments (SEMCOG) in October.

Electricity Deregulation Is Coming: Detroit Edison has asked the state legislature to allow it to charge rates that reflect market prices rather than be locked into fixed rates (the utility’s rates are currently frozen until 2004). The utility wants to make sure it is on equal footing once new providers start entering the market. Michigan electricity customers will be able to choose their own providers beginning January 1, 2002.

Atlanta-based Mirant Corp. plans to break ground in June on a \$350 million, 572-megawatt, natural gas-powered electricity plant in Wyandotte. The company will sell the plant’s electricity to wholesale customers and municipalities. Completion is expected in mid-2003.

Taxes Are Being Lowered: Michigan has been on a tax-cutting binge lately. The state’s corporate income tax (aka single business tax) is 2% for tax year 2001, and is scheduled to be completely phased-out by 2022. The personal income tax is also being reduced. For 2001, the rate is a flat 4.2%, down from 4.3% in 2000. The state sales tax is 6%. In 1999, residents paid \$86 per \$1,000 of personal income in state taxes, \$20 more than the national norm.

Even the city has jumped on the tax-cutting bandwagon. Over the next ten years, Detroit’s corporate income tax rate will fall to 0.9%. The city’s income tax on residents is being cut from 3% to 2%, and from 1.5% to 1% for non-residents. These reductions and the slowing U.S. economy have caused trouble for the city, though. Projections call for a \$13 million deficit in income tax collections by June 30. To balance the 2000-01 budget, Mayor Dennis Archer froze hiring for non-uniformed personnel and banned overtime as well as non-essential purchases. More cuts may be on the way.

Commercial property is taxed at an effective rate of \$3.74 per \$100 in Detroit, the fifth-highest rate of 86 markets surveyed by the INDEX. The per-\$100 rate in Troy is \$2.30. The average tax on residential property is \$1.51 throughout the metropolitan area, according to Runzheimer International.

Mediocre Educational Attainment: Adult residents of the metropolitan area (those over 25) approximate the national picture when it comes to educational attainment. Though they have a slight edge when it comes to high school graduation—84.6% have completed high school compared to 83.4% nationwide—they fall short when it comes to post-secondary education. Just 23% have graduated from a four-year college or university; the national norm is 25%.

School Construction Plan: The Detroit Public School District has recommended spending \$923 million on new buildings. The plan calls for 12 new schools to be built in the next four years on the northeast and southwest sides of the city. Officials hope this provides an incentive for parents to keep their children in the district. Since 1997, 19,000 students have fled Detroit’s public schools for charter or private schools (or public schools outside the city), taking \$80 million of state and federal funds with them.

Crime Rates Are Down: The metropolitan area’s crime rates recorded double-digit declines during the most recent period. In 1999, there were 762 incidents of violent crime reported per 100,000 residents. Though this was down 10.4% from 1998, it was still above the national norm (584). The local property crime rate—4,198—reflected a decline of 13%. It, too, exceeded the national average (4,016), but by a smaller margin.

City’s Population Falls Below One Million: The population of the metropolitan area reached 4.4 million as of mid-2000, a 4% gain over 1990. Though this is relatively moderate growth, it reflects a major turnaround from the 1980s when the area’s population actually declined 2.8%.

Of the region’s six counties, Wayne is the largest, with 2.1 million residents, but this reflects a 2.4% decline from 1990’s population. The other five counties have increased their populations during the past ten years. The fastest grower has been Lapeer, which has grown 17.6% to 87,900. The second-largest county, Oakland (1.2 million), has expanded 10%.

XII. Market Analysis

A. Economic Overview *(continued)*

The city of Detroit, on the other hand, has lost 76,700 residents since 1990 to post a mid-2000 population of 951,300—a 7.5% drop for the ten-year period. The decline began earlier, though. Statistics show that the city's population fell by one-third between 1970 and 1990. The inner city lost 22% of its housing during the same period, due to arson, neglect and demolition. The current population is reportedly the city's lowest since the 1920s.

Other large communities in the metropolitan area include Warren (138,200), Sterling Heights (124,500), Livonia (100,500), Dearborn (97,800), Clinton township (97,400), Westland (86,600), Farmington Hills (82,100) and Troy (81,000). All of these have expanded their populations since 1990 except for Livonia and Warren. Clinton and Troy have grown the most—by 13% and 11%, respectively.

B. OFFICE MARKET

(CBD)			YEAR*			QUARTER*		
PRICE	RENT	CAP RATE	PRICE	RENT	CAP RATE	PRICE	RENT	CAP RATE
↔	↔	↔	↓	↔	↔	↓	↔	↑

(Suburbs)			YEAR*			QUARTER*		
PRICE	RENT	CAP RATE	PRICE	RENT	CAP RATE	PRICE	RENT	CAP RATE
↔	↔	↔	↓	↓	↔	↓	↓	↑

Developers Plow Ahead with Expansions

Developers remained fixated on the north and west suburbs of Detroit, breaking the pattern only in the community of Ann Arbor which houses the lowest vacancy rate in the metropolitan area. A total of 1.9 million square feet of new construction was in progress at the end of March 2001 compared to 1.2 million square feet underway during the same quarter one year earlier. The I-275 Corridor and Troy saw the most development in the first three months of this year.

Metropolitan—Relative Stability and Optimism

Encourage Developers: Greater Detroit's office market expanded 4.3% during the 12 months ending March 2001 to nearly 65 million square feet while the vacancy rate rose one percentage point to 9.9%.

Downtown Detroit's vacancy rate remains in the double digits, although this rate fell 1.4 percentage points at the end of the first quarter. Absorption was a negative 197,000 square feet during the first three months

of this year, a stark contrast to the 934,300 square feet of positive absorption recorded during the same time-frame in 2000. Auburn Hills, the smallest submarket at just 641,000 square feet, clocked the highest vacancy rate of all the submarkets. At the other end of the spectrum, Ann Arbor and Dearborn posted the lowest vacancy rates at 1.6% and 3.8%, respectively.

Central Business District—Construction Hiatus

Good for Downtown: Downtown Detroit saw no new construction during the year ending March 2001. This allowed the market to tighten from 19% to 17.8% as absorption remained positive for a total of 328,000 square feet over this 12-month stretch. At 12.7 million square feet, the downtown area moved from the second to the third-largest office submarket in the metropolitan area.

Compuware Breaks Ground: The plug on development in the central city was pulled in the second quarter with the long-awaited groundbreaking of Compuware's headquarters in the Campus Martius redevelopment district. The Campus Martius, a five-block, mixed-use project, is located at the heart of the CBD near casinos, sports stadiums and entertainment venues. Compuware plans to eventually relocate more than 5,000 of its employees downtown from its existing Farmington Hills headquarters location. The project's first phase will include two adjoining office wings totaling 1.1 million square feet along with a parking structure for 3,000 cars. The second phase would add up to 400,000 square feet of space. The project will also include first-floor retail, quality restaurants and a 14-story atrium. The Compuware development is the first new office headquarters building to be built in downtown Detroit in nine years. The project has been approved for tax-increment financing. In addition, General Motors began its \$100-plus million investment to renovate the Renaissance Center to make it the company's headquarters. The renovation entails the rehabbing of the existing Marriott hotel and the addition of a Wintergarden retail-oriented atrium.

Developers Still Hooked on Troy: Detroit's second largest submarket, Troy, contains 13.1 million square feet of office space, of which 7.5% was unoccupied in the first quarter. The first quarter vacancy rate reflects a 4.3 percentage point increase between the first quarters of 2000 and 2001—the result of new space added to the area. Troy saw a total of almost 900,000 square feet under develop-

XII. Market Analysis

B. Office Market *(continued)*

ment during the year ending March 2001. Absorption fell into the red 46,400 square feet in the first three months of this year, but this followed 444,000 square feet of positive absorption in 2000.

Among the leaders in adding new space, the 450,000 square foot Flagstar Bank building was in progress here along with a new three-building, 250,000 square foot complex that got underway at 14 Mile and I-75. The Becker Group has reserved 140,000 square feet in this latter complex. Moreover, in April, Altair Engineering announced plans to relocate from Maplelawn Drive to a 133,000 square foot building under construction in the Big Beaver business park at the former site of Big Beaver Airport. Two speculative technology office buildings were recently completed in this park.

Auburn Hills Expected to Double in Size: To the north in Auburn Hills, the 175,000 square foot Cambridge Court 11 and the 125,000 square foot Wellington Green were under construction. The fastest-growing submarket in the metropolitan Detroit area, Auburn Hills is expected to double in size this year. First quarter inventory totaled just 641,000 square feet, of which 35.7% was vacant. The skeletal 2.6% vacancy rate one year earlier, the lowest vacancy rate reported for that period, indicates that new space has come on-line at a rapid rate. A total of 321,000 square feet of new space is slated for completion by the third quarter this year.

Siemens Corporation wants to build a 250,000 square foot facility and EDS wants to buy a 210,000 square foot facility in Auburn Hills. Both have been promised tax abatements from the city for their projects which are expected to result in the transfer of approximately 2,000 employees combined. The abatements will last for eight years and include both real and personal property taxes. On the negative side, DaimlerChrysler has been consolidating strongly here.

Largest Submarket Softens: With 15.4 million square feet, Southfield is the largest office area in greater Detroit. The vacancy rate rose over two percentage points to 9.6% in the first quarter. Most of this vacant space is not Class A, however, so there is little room for companies wishing to relocate here. The situation will be eased somewhat by the construction of two new Class A office towers slated for completion in Spring 2002. Also, Southfield TechneCenter II, a 200,000 square foot

research and technology park along Lahser Road, broke ground last Fall. Absorption in Southfield stayed in the negative for the year ending in the first quarter 2001. The Kojaian Companies are repositioning properties such as Travelers Towers I and II and the Raleigh Office Centre. Pomeroy Investments is doing the same with One and Two Lahser Centre, Central Park Place, Central Place Plaza, and Crescent Centre.

First Major Office Sale this Year: The sale of a Novi office portfolio to JFK Investments LLC of Bloomfield Hills marks the first major office deal this year. The six buildings containing a combined 350,000 square feet include Lakepointe Office Center, Novi Garden A&B, Novi Business I and II, and Orchard Hill Place.

Price and Rent Trends: The average value of Class A CBD office space fell 1.1% to \$129.65 per square foot at the end of the first quarter, compared to \$131.06 per square foot one year earlier. The effective gross lease rate increased 2.5% to \$23.73 per square foot, while the cap rate rose to 9.1%.

Suburban office values rose slightly to \$138.74 per square foot in March 2001, compared to \$138.67 one year prior. The effective gross lease rate increased 1.2% to \$25.09 per square foot, while the cap rate inched up to 9.4%. The value of Class B suburban office space averaged \$110.09 per square foot.

C. INDUSTRIAL MARKET

YEAR			QUARTER		
PRICE	RENT	CAP RATE	PRICE	RENT	CAP RATE
↔	↔	↔	↓	↓	↑

Sales and Leases Signal Strong Market but Developers Tread Lightly

Sales and leasing of industrial properties in greater Detroit rose by approximately 600,000 square feet between the first quarters of 2000 and 2001 to nearly four million square feet. By the end of last year, an astonishing 9.9 million square feet of activity had been recorded. Developers are beginning to cool their heels, however, in response to manufacturing declines and the current economic uncertainty. Construction is still plentiful, but the pace has slowed from recent years.

XII. Market Analysis

C. Industrial Market (continued)

The Detroit metropolitan industrial market contains 486 million square feet of industrial space, of which 8.7% was available in the first quarter. This represents just a slight increase in available space reported in 2000's first quarter. Approximately 6.6 million square feet were under construction at the end of March 2001, a decline from the 8.5 million square feet underway one year earlier.

Macomb is Most Active Area: Heightened demand for space in Macomb County is partially the result of a lack of land zoned for industrial development along the I-75 Corridor, which has pushed companies to look for space in Macomb. Major users in the area include Delphi (58,000 square feet) in Shelby township, Simco (70,000 square feet) in Macomb township, Impco (44,000 square feet) and Proto Fab (76,000 square feet) both in Sterling Heights, and Citation Tool (260,000 square feet) in Fraser.

In November, Detroit-based automotive supplier Noble International will consolidate its operations in Detroit and Clinton township to fill nearly half of the main 1.1 million square foot building at the former Warren tank plant. The company will lease 487,000 square feet in the facility where the military once built tanks. Noble's corporate offices will occupy just 8% of that space; the rest will be for metal processing and forming.

At 85 million square feet, Macomb is the second-largest industrial submarket next to downtown Detroit. The availability rate was 6.5% in the first quarter, up roughly one percentage point from one year ago. This submarket had the highest level of sales and leasing (1.2 million square feet) and the greatest amount of construction (1.7 million square feet) in the first three months of this year.

Downriver Remains Heavy on Industry: Several projects in various stages of development were in progress in the Downriver submarket during the year ending in March 2001. Many of these projects are targeted for the area surrounding the Detroit Metropolitan Airport. For instance, 600,000 square feet of warehouse/distribution space were planned for the industrial park known as Aero Plex, located at Goddard and Harrison Roads just east of the airport. Another 312,000 square feet of warehouse/distribution space is going up just south of this same park. Land acquisition is still a hot topic, particularly in the key areas around the airport. Elsewhere

in Downriver, Liberty Property Trust plans to expand its Ecorse industrial development in Romulus with 250,000 square foot and 225,000 square foot facilities. Also, 160,000 square feet is due to be added on Southfield Road in Allen Park.

Leasing activity Downriver included LDM Technologies' 248,000 square foot lease on Ecorse Road in Romulus, Butcher Engineering's 165,000 square foot lease at the Brownstown Business Center South, and Hall Transportation's occupancy of 104,000 square feet on Trolley Industrial Drive in Taylor. Sales activity included the purchase of the Huron Commerce Center in Huron township and American International Properties' purchase of the former Wolverine Coil Steel building in Lincoln Park.

The Downriver submarket consists of 60.6 million square feet of industrial space, of which 12.8% was available at the end of March 2001. This represents a four percentage point increase from the first quarter 2000. Projects under construction here totaled more than 1.6 million square feet, the second-highest level recorded in 2001's first quarter. One year earlier, the Downriver area had 1.3 million square feet underway, demonstrating that this submarket is still expanding rapidly.

Telecom Hotel Set for Detroit: In downtown Detroit, Amerimar Enterprises is transforming a 650,000 square foot warehouse, formerly a paint facility for General Motors, into a large telecommunications hotel. The site of the renovated facility is at I-94 and I-75. The building will be used for local and long distance telephone switching, as an Internet hotel for dial-up connections such as AOL and Compuserve, and as a place for data storage and back-up.

Price and Rent Trends: The value of Class A industrial space decreased 2.2% to an average of \$42.70 per square foot in the first quarter of 2001, compared to \$43.67 per square foot one year earlier. Class A rents averaged \$6.01 per square foot in March 2001, a 2% increase from 12 months earlier. The cap rate rose to 9.6%. Class B flex space averaged \$60.43 per square foot in the first quarter 2001.

XII. Market Analysis

D. Retail Market

YEAR			QUARTER		
PRICE	RENT	CAP RATE	PRICE	RENT	CAP RATE
↔	↔	↔	↓	↓	↑

Some Retail Venues Faring Better than Others

While poor retail sales have led to a string of department store closings in the Detroit metropolitan area, other venues such as grocery-anchored retail centers, home improvement stores, and discount centers continue to expand.

Store Closings Mount: Perhaps the most talked about victim of poor sales, Montgomery Ward's decided to file for bankruptcy and now other retailers are putting the brakes on expansion plans as sales trickle down in their stores. In fact, seven of southeast Michigan's Montgomery Ward stores closed returning more than one million square feet of retail space to the market. The closed stores are located in Southfield, Dearborn, Warren, Livonia, Southgate, Mt. Clemens, and Waterford. Apparently, mall owners are looking for a silver lining in the situation, viewing it as an opportunity to give their shopping centers a new lease on life by replacing the aging Ward stores with more successful retailers.

Department stores are not the only ones to file for bankruptcy. Three F&M Super Drug stores filed for Chapter 11 protection. The drug stores to be shuttered are located at Hunter's Square and West River Center, both in Farmington Hills, and West Ridge Shopping Center in Westland. And the fallout continues with Frank's Nursery & Crafts, which has also filed for bankruptcy. The Troy-based retailer has announced the closing of 66 stores. Frank's Nursery & Crafts is ubiquitous throughout Michigan. Movie theaters and cinemas are also closing operations at an unprecedented rate across the country. In the Detroit area, General Cinema and United Artist are on the hit list.

Competition between Drug Stores Subsides: The competition for new opportunities between drug stores Walgreen's and Rite-Aid has tapered off in the Detroit area. These pharmacies are encountering new competition from another source—large discount department stores such as Super Kmart and Wal-Mart. This has effectively slowed the pace of site selections. Meanwhile, the grocery store category has fired up with new sites for Kroger and Farmer Jack in areas such as Novi, Macomb township, and Brownstown township. Hypermart grocers are also

thriving. For example, new Meijer stores at the Millennium project in Livonia and the Auburn Mile in Auburn Hills are raking in heavy traffic and sales. Costco's new stores in Shelby township and Auburn Mile are also upping the ante.

Mixed-Use Projects with Retail Components All the Rage: Mixed-use projects are quickly becoming a favorite with developers. When the mixed-use Campus Martius project is completed in Detroit, it will include 500,000 square feet of retail space. Also, in Royal Oak just outside of Detroit, a developer is working on an urban mixed-use project that includes 120,000 square feet of retail space anchored by Barnes and Noble as well as 90 condominium units. Another developer is planning to redevelop 90 acres of land at Orchard Lake and 14 Mile Roads into a mixed-use project with 370,000 square feet of retail space. Phase one of the development is expected to attract a national home improvement store and another retailer. Future phases would include street-level retail shops and restaurants along with offices and residents. The total project could contain up to one million square feet.

Sales, Income Higher than National Norms: Average household retail sales in greater Detroit were \$36,700 in 1999, representing \$3,600 more than the national average, according to Sales & Marketing Management's *2000 Survey of Buying Power*. Median household income for the metropolitan area was \$41,200 versus the \$37,200 national median. Average sales were highest in Southfield (\$86,800), followed by Troy (\$83,200) and Pontiac (\$75,600). Median household income was highest in Rochester Hills (\$64,700), followed by Troy (\$61,800) and Farmington Hills (\$56,800).

Ten Super-Regional Malls in Metropolitan Detroit: There are ten super-regional malls (centers with at least one million square feet) in metropolitan Detroit. Northland Center in Southfield is the largest at 1.8 million square feet. The next largest malls are Eastland Center in Harper Woods, Fairlane Town Center in Dearborn, Summit Place in Waterford, and Lakeside Mall in Sterling Heights, all with 1.5 million square feet. Somerset Collection and Oakland Mall, both in Troy, and Great Lakes Crossing in Auburn Hills all contain 1.4 million square feet. Twelve Oaks Mall in Novi and Livonia Mall contain 1.2 million square feet and one million square feet, respectively.

XII. Market Analysis

D. Retail Market (continued)

Price and Rent Trends: The average value of Class A anchored, unenclosed retail space fell 3.3% to an average of \$110.77 per square foot in March 2001, compared to \$114.60 per square foot one year earlier. The triple net lease rate dropped 0.5% to \$16.81 per square foot, while the cap rate rose to 9.7%.

E. APARTMENT MARKET

YEAR			QUARTER		
PRICE	RENT	CAP RATE	PRICE	RENT	CAP RATE
↔	↔	↔	↑	↑	↔

The Rise and Fall of Rental Housing Downtown

Detroit is putting a new face on some outdated buildings downtown by converting them into rental units, while other buildings are being demolished completely to make way for fresh, new residential complexes. Four senior high-rises at the Jeffries West housing project in Detroit were razed as part of a \$70 million redevelopment project that would mix private homes with subsidized rental units. Meanwhile, the former Addison hotel on Charlotte Street near Woodward Avenue has been transformed into a six-story, 40-unit luxury apartment complex. Woodward Avenue will be home to several apartment and condominium developments that are anxious to locate near the new Comerica Park and theater district.

Developers Seek Opportunities Downriver: Multifamily development is steering a course downriver to the city of Wyandotte, an older, established town situated on the Detroit River where it flows into Lake Erie. Comprised mostly of single-family homes, Wyandotte has been passed over by time and development. In recent years, however, demand for condominiums here has blossomed. The demand comes from two sources: retirement-age residents who want to stay in Wyandotte but who no longer want the upkeep of a home, and young people attracted to the idea of living in a city center that has retained a sense of history and charm. But with no large parcels of land in Wyandotte to build on, the only way developers can capitalize on the pressing demand for condominiums is to go up or undertake some creative redevelopment.

In fact, Wyandotte Realty Ventures found demand strong enough to plan a \$25 million high-rise that would contain 100 condominium units on city-owned

property at First and Oak Streets. Last July, this same company converted a 73-unit apartment building at Chestnut Street and Biddle Avenue into a complex called 20 Chestnut Condominiums. Sales began in December and few units remain. Another successful venture was the renovation of a former Coca-Cola bottling plant at Eureka Road and Fifth Street. Riverview-based RFW Enterprises pre-sold most of the units in this project.

Canton Township Caters to Empty Nesters and Auto Workers:

To the west, mid-way between Detroit and Ann Arbor, numerous apartments are rising in Canton township. According to the local planner, this area has seen an estimated 2,000 new apartment units in the last few years. Most of the demand comes from empty nesters and residents who work for the Big Three automakers. The latest project to get underway contains 420 apartment/condominium units. The 1,300-unit Cherry Hill Village at Cherry Hill and Ridge Roads got started last Summer, and building began last Spring on the 214-unit Hampton Ridge at Warren and Ridge Roads.

Multifamily Permits Rise, Single-Family Building Slips:

According to government statistics, the number of building permits issued for multifamily structures (in buildings with five or more units) increased 34% from the first quarter of 2000 to 504 permits in 2001's first quarter. In contrast, single-family permits plunged by over 25% to 2,658.

The homeownership rate in greater Detroit was 75.3% in 2000 versus the 65.5% national average.

Price and Rent Trends: Class A apartment space increased less than one percent to an average value of \$79.05 per square foot in March 2001 from \$78.31 per square foot 12 months prior. Average rents fell slightly to \$10.90 per square foot, while the cap rate was 8.7%. Class B apartments (i.e., ten to 20-year-old complexes) were valued at \$54.44 per square foot in March 2001.

XII. Market Analysis

F. Submarket Inventory/Vacancy

OFFICE*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
Detroit	12,724,352	17.8%	13,266	0
Ann Arbor	3,561,436	1.6%	4,072	306,358
Auburn Hills	640,786	35.7%	(6,065)	242,624
Birmingham/Bloomfield	3,763,652	9.1%	(13,010)	0
Dearborn	3,528,904	3.8%	8,679	0
Farmington/W. Bloomfield	4,746,231	9.0%	(56,139)	245,242
I-275 Corridor	4,224,815	10.3%	7,527	353,950
Rochester	447,217	6.3%	(4,441)	0
Southfield	15,398,474	9.6%	(113,021)	204,000
Troy	13,141,377	7.5%	(46,424)	333,499
Macomb	1,018,950	16.5%	4,159	51,000
Other	1,778,078	13.6%	4,150	202,000
TOTAL	64,974,272	9.9%	(197,247)	1,938,673

* Reported as of first quarter 2001. Absorption figures are year-to-date.

Source: CB Richard Ellis (Detroit).

INDUSTRIAL*				
SUBMARKET	INVENTORY	AVAILABILITY	ACTIVITY	CONSTRUCTION
Detroit	113,203,808	11.6%	380,174	0
Downriver	60,635,894	12.8%	434,753	1,651,659
I-75 Corridor	70,713,420	5.2%	665,769	1,393,236
Macomb	85,302,081	6.5%	1,211,482	1,693,507
Northwest Suburbs	45,905,697	7.0%	601,005	1,004,034
S.E. Oakland County	13,110,378	5.3%	27,700	0
Western Wayne	79,384,938	8.0%	525,176	540,006
Washtenaw	17,332,803	10.1%	150,500	335,400
TOTAL	485,589,019	8.7%	3,996,559	6,617,842

* Reported as of first quarter 2001. Activity figures reflect sales and leases during the quarter.

Source: CB Richard Ellis (Detroit).

Methodology

Metro Market Facts is based on property transaction and supplemental data compiled by the National Real Estate Index.

Property Prices, Rents, and Cap Rate Data

The National Real Estate Index (INDEX) reports data on large income-producing properties bought and sold nationwide. The primary market makers include pension plans, real estate investment trusts, banks, savings and loans, commercial real estate brokers, appraisers, and investment program sponsors. The properties analyzed in the INDEX include office buildings, warehouse/distribution properties, retail centers, apartments, and hotels.

Mean Prices: The INDEX *Market Monitor* compiles and reports average transaction prices, rents, capitalization rates for Class A properties in local and regional markets throughout the United States, as well as prices for lower quality properties in many markets. All transactional data is calculated at the point of purchase/sale, reflecting values based on arm's length negotiations.

Effective Gross Rents: Except for retail, stated rents reflect all occupancy costs. Because reported rents include rent concessions and operating cost chargebacks, if any, reported rents are therefore **effective gross rents**. Reported *retail* rents include in-lying small shop space only and are *triple net*. *Warehouse rents* reflect lease rates for *warehouse space only*.

Capitalization Rates: Cap rates are determined from reported **actual net operating income**, either from property sales or from representative properties.

Important: Please note that because the rent figures represent quoted rates (after concessions) on space currently available (rather than the total rental income for all buildings surveyed), prices, rents, and cap rates may not always appear "internally" consistent. Reported price and rent trends are moderated by independent market surveys conducted by the INDEX research staff. Where there are too few transactions to constitute a statistically-significant sample or the underlying data for the transactions are incomplete, the performance of prototype properties is used to supplement the transaction data in deriving average values and cap rates.

BUILDING NORMS: In order to maintain quality data and monitor rental rate trends, specific "prototype" or "tracked" properties that conform to the norms discussed below have been identified in each market.

All tracked properties have no leases that are significantly higher or lower than the market rates for similar space. Buildings are of high quality, have current construction materials and techniques, and are aesthetically modern and attractive. The buildings are representative of local conditions, stabilized with modest vacancy, and ten years old or less. *Norms* for specific property types (and local market *prototypes*) reported in the INDEX are as follows:

Office: Ten stories or greater size, steel frame (or other high quality) construction, and a high quality modern exterior finish and glass application. Properties are located in the Central Business District (CBD) or, where noted, a submarket recognized as a primary office location.

Warehouse/Distribution: The INDEX employs space originally designed and used for true warehouse/distribution or storage as the property norm. Buildings are usually of tilt-up concrete construction, with flat roofs and a clear space span of at least 18 feet. No more than 20% of the total space is office build-out. The buildings have a minimum of 50,000 square feet and are located in a quality industrial park or other superior location.

Retail: A "neighborhood" or small community center, rather than an enclosed mall, is the property norm for shopping centers. The typical center is 75,000–225,000 square feet and contains at least one major anchor tenant, usually a high quality national or regional grocery store. Generally, 30%–50% of the space in prototype retail centers is occupied by anchor tenants. All construction is single story and of modern design, with a 3.5:1 parking-lot-to-developed-space ratio. Properties are located in established neighborhoods.

Apartment: Apartments are garden- or campus-style. Construction is standard stud frame with a stucco or other high quality exterior. Some decorative facia is applied, usually of brick, and the peaked roof is built on prefabricated trusses of material other than blacktop buildup. There is quality landscaping with some mature trees and shrubbery. Prototype apartment communities contain 100–300 units and have amenities appropriate for the geographic region. Amenities usually include a pool, tennis courts and/or health/fitness rooms. Tenants have covered parking for at least one car per apartment unit. Class B apartments are defined as properties built or substantively renovated from 1980 through 1989.

Note: As for most statistical data services, previously-reported data is revised as needed to reflect the receipt of new data. Specifically, because a number of property transactions for any given quarter are reported too late to be included in that quarter's issue of the *Market Monitor*, the INDEX revises data released in prior issues if the values previously reported have changed significantly. We believe this approach helps assure the most reliable data over the long-term.

Market Forecast and Rating

The National Real Estate Index has created a proprietary model for analyzing the real estate investment potential in 65 metropolitan markets nationwide. As reported in Section XI, this model evaluates the potential performance of CBD and suburban office, warehouse, unenclosed shopping center, apartment, and limited service hotel properties for a two-year horizon based on key econometric and real estate-related data, portions of which are derived from our proprietary property database.

Investment Potential Ratings: The investment potential is expressed both on a six-point continuum (i.e., "Rating") and on a numerical scale, generally 60–100, (i.e., "Score") that reflect our view of the **comparative total return potential of properties in the respective sector/market for the succeeding two years**. The investment score is based, first and foremost, on the rental prospects, as well as on a number of documentable (but not necessarily quantifiable) variables that impact the prospects for future price appreciation of real estate in local markets. Potential rental changes are formulated using a proprietary model of documentable and quantifiable economic, demographic, and real estate trends. Naturally, the variables employed vary from property sector to sector, but among the variables included are vacancy, construction, current rental trends, job growth and related absorption, the distribution of employment within local markets, population and household growth, and household income.

Among the "clusters" of factors that supplement the rental prospects in the total return calculus are: (1) obstacles to construction; (2) corporate location preferences; (3) labor costs and quality; (4) the relationship between government and business, as well as corporate taxes; (5) the quality of life; (6) infrastructure and market access; and, finally, (7) current property values.

These factors are assessed weights in the overall model based on their relative importance and the extent to which they characterize the respective market in question. The continuum for investment prospects are shown below. The "rating" and "score" columns correspond as follows:

Investment Potential	
Rating	Score
Extraordinary	95+
Excellent	90–94
Good	80–89
Fair	70–79
Poor	60–69
Speculative	59 and below

General Observations and Model Limitations: As is appropriate for any comprehensive market analysis and rating, a clarification as to what the data purports to measure, as well as the potential pitfalls, is in order. First and foremost, the investment performance ratings reported are comparative. That is, we are attempting only to identify those markets that offer superior total return potential relative to other real estate markets. What absolute level of return will be achieved, or how the performance of any local real estate market will compare to that of financial assets such as stocks and bonds, is not analyzed here.

Second, like other analysts, we cannot forecast major exogenous events that may impact performance. The model's emphasis on analyzing comparative rather than absolute returns, however, should mitigate somewhat the prospective impact of major external macroeconomic or political events, should they occur.

Third, we have purposely chosen to emphasize documentable data, thereby largely eschewing forecasts (especially long-term ones) from third parties. We acknowledge that our emphasis on documentable trends may cause some readers to perceive a conservative bias in our strategic model. Consequently, all 64 markets are ranked and "scored" each quarter.

Nonproprietary Data Sources

Sources: In reporting property transaction prices, rents, and cap rates, CB Richard Ellis relies primarily on proprietary data sources, including an extensive property database.

The publishers supplement the proprietary property transaction data with non-proprietary information and background material in the areas of property stock, absorption, and vacancy trends. The National Real Estate Index recognizes the following distinguished firms, publications, and individuals for their contributions in these areas.

Sales & Marketing Management—2000 Survey of Buying Power (Income and Retail Sales)

Other Metro Market Facts Reports

Albuquerque	Honolulu	Orlando
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