
Detroit

Vol. 31

Third 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*

Detroit

Vol. 31



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 provides a quarterly review, including analysis of the local economy, as well as analyses of the office, light industrial, retail, apartment, and hospitality sectors.

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I. **Detroit: Snapshot**

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

Job Growth (Loss) 12 Months (Ending in September):	(1.4%)
Unemployment Rate (September):	4.7%
Metropolitan Population Growth (Loss), 1990–2000:	4.1%
Total Metropolitan Population, 2000:	4.4 million

B. **Third 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
3rd Q. '01	\$124.03	\$22.72	9.2%	\$133.38	\$24.47	9.6%	\$41.75	\$5.99	9.8%	\$109.60	\$16.80	9.8%	\$77.85	\$10.87	8.8%
2nd Q. '01	126.72	23.20	9.1	135.92	24.88	9.5	41.95	6.05	9.8	110.57	17.10	9.8	77.28	10.79	8.8
3rd Q. '00	134.27	23.77	8.8	141.75	25.08	9.2	43.99	5.98	9.3	114.43	17.20	9.5	79.85	11.01	8.7

Source: National Real Estate Index's Market Monitor.

II. **Detroit: Demographics**

A. **Metro Population**

	<u>Detroit</u>	<u>United States</u>
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

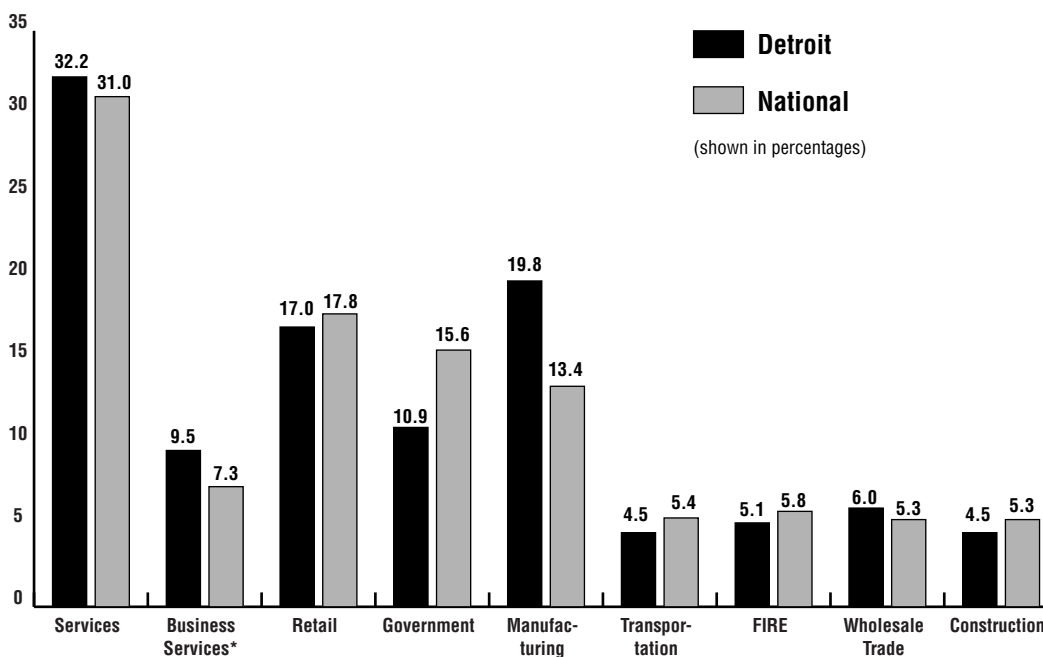
Metropolitan Area

Employment Growth (Loss)—% 12-Month (Ending in September):	(1.4%)
Total Number of Net New Jobs, 12 Months (Ending in September):	(31,600)
Leading Sector, <i>Construction</i> —% Employment Growth:	0.8%
Leading Sector, <i>Construction</i> —Number of Net New Jobs:	800
% Employment Growth in Other Key Sectors	
Manufacturing:	(6.2%)
Business Services:	(2.1%)
% Unemployed, September 2001:	4.7%
% Unemployed, 12 Months Before:	3.2%

National

Employment Growth (Loss)—% 12-Month (Ending in September):	0.1%
% Unemployed, September 2001:	4.7%
% Unemployed, September 2000:	3.8%

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

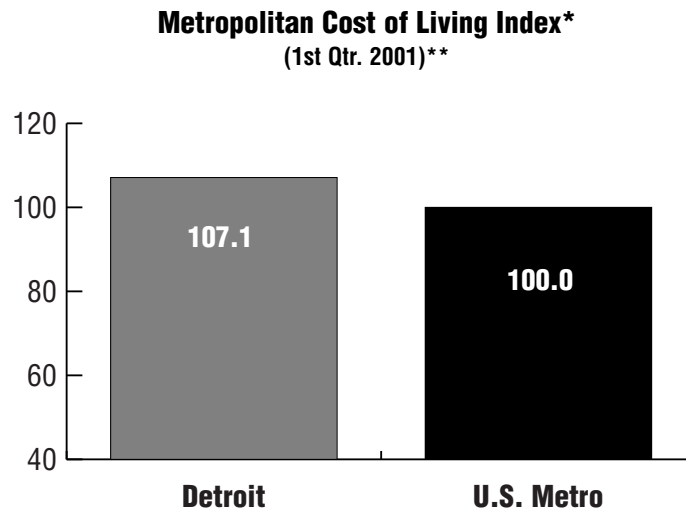
	Federal R&D Expenditures (\$\$ in mil.)	% of Leading School*	Total R&D Expenditures (\$\$ in mil.)	% of Leading School*
Oakland Univ.	\$2.5	1.2	\$4.2	1.6
Wayne State Univ.	\$23.2	10.8	\$51.5	19.2

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

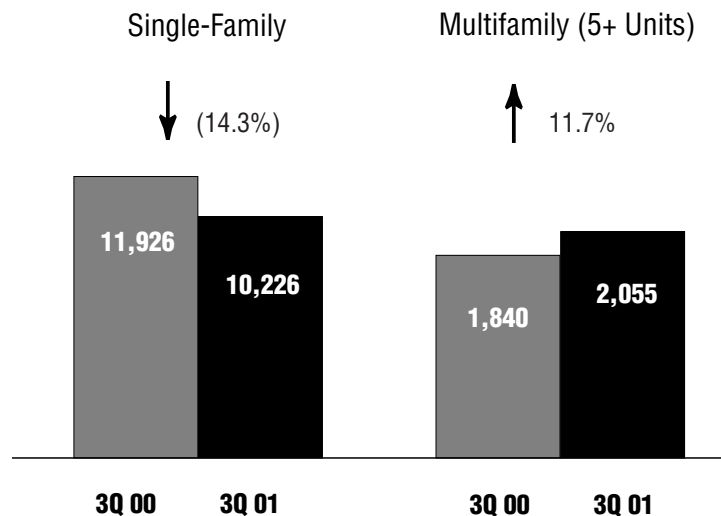


*The ACCRA Cost of Living Index measures relative prices for consumer goods and services in participating areas. Housing is an important component of the Index. The average for all participating areas is 100. Each area's number is read as a percentage of that average.

**This is the most recent data available for this metropolitan area.

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

B. Metropolitan Housing Permits



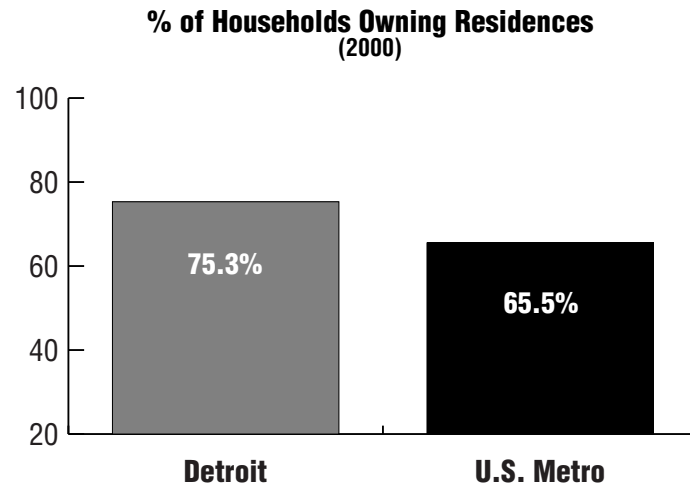
Local Data: Figures represent total permits granted year-to-date in the Detroit PMSA.

U.S. Data: The percent changes in single-family and multifamily permits nationwide were 1.8% and (3.5%), respectively.

Source: U.S. Census Bureau.

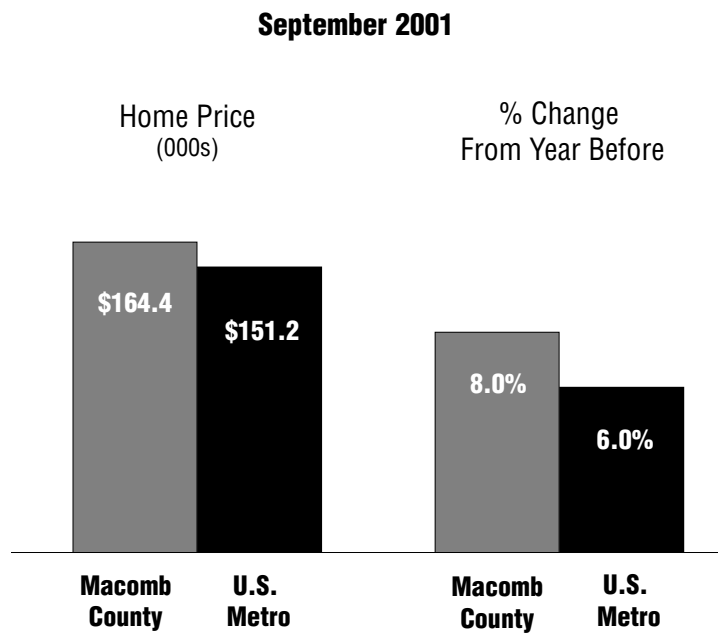
V. **Housing & Related Costs (Cont.)**

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 third quarter; the local figures reflect the average for the January-September 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</u> <u>Tax</u>	<u>Restaurant</u> <u>Tax</u>	<u>Car Rental</u> <u>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)

	% of Pop. Covered by <u>HMO</u>	Avg. Monthly <u>Premium*</u>	% of Pop. <u>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**

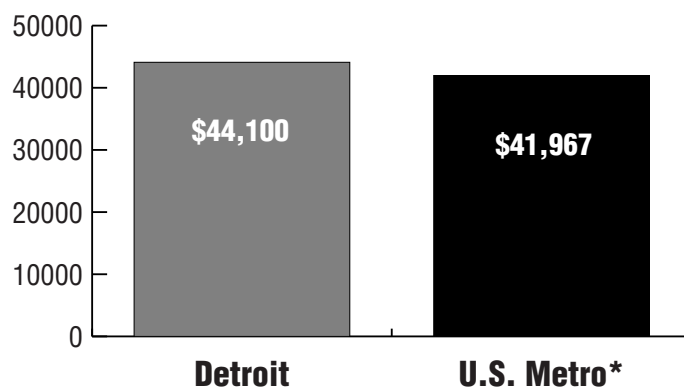
	<u>2001 Index Rating*</u>	<u>2001 Rank</u>	<u>2000 Rank</u>
Michigan	25.12	27	28

*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. 2000 Metropolitan Median Household Income



*The U.S. Metro figure represents the median income of 323 metropolitan areas; \$39,129 is the median income nationwide.

Market Rank: 27*

*Ranking of 57 metropolitan areas, with the #1 ranking representing the highest median household income.

Source: Sales & Marketing Management: 2001 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.)

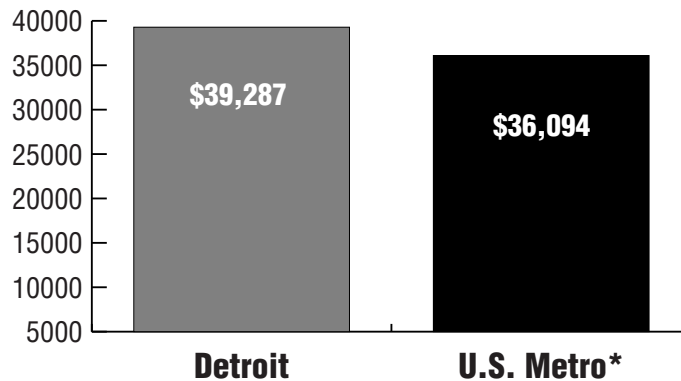
C. Metropolitan Retail Sales Trends

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

Detroit	2.1%
National	1.4%

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

D. 2000 Metropolitan Average Retail Sales



*The U.S. Metro figure represents the average retail sales per household of 323 metropolitan areas; \$34,450 is the average retail sales per household nationwide.

Market Rank: 18*

*Ranking of 57 metropolitan areas, with the #1 ranking representing the highest amount of retail sales per household.

Source: Sales & Marketing Management: 2001 Survey of Buying Power.

VII. Other Economic Indicators (Cont.)

E. E-Commerce Retail Sales

Second Quarter 2001 (\$\$ in billions)

	<u>Total Retail Sales</u>	<u>E-Commerce Retail Sales</u>	<u>% of Total</u>
U.S.	\$807.5	\$7.5	0.9
Prior Quarter	\$728.7	\$7.6	1.0
Year Ago	\$777.8	\$6.0	0.8

Source: U.S. Department of Commerce.

F. High-Tech Industry Employment

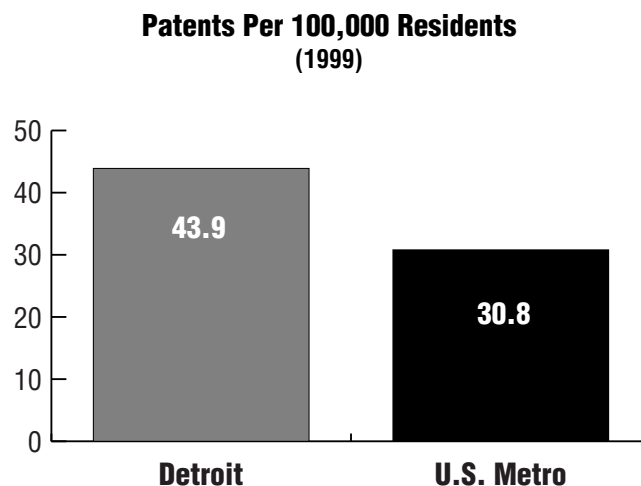
	<u>Share of Total Employment</u>	<u>Rank</u>	<u>Number of Establishments</u>	<u>Rank</u>	<u>Number of Employees</u>	<u>Rank</u>
Detroit	2.9%	116	3,162	15	61,493	21

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-June 2001 (\$\$\$ in billions)	\$47.9	\$40.8	\$88.7
% Change (from year ago)	(5.3%)	(2.2%)	(3.9%)
Total U.S.			
January-June 2001 (\$\$\$ in billions)	\$585.9	\$386.6	\$972.5
% Change (from year ago)	0.6%	1.4%	0.9%

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)		
	<u>1999</u>	<u>Rank</u>	<u>% Change (from 1998)</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	\$44,100	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—2000

	<u>Violent</u>	<u>% Change from 1999</u>	<u>Property</u>	<u>% Change from 1999</u>
Detroit Metro	753.6	(1.1)	3,932.9	(6.3)
U.S. Metro Average	561.4	(3.8)	3,866.7	(3.7)

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)

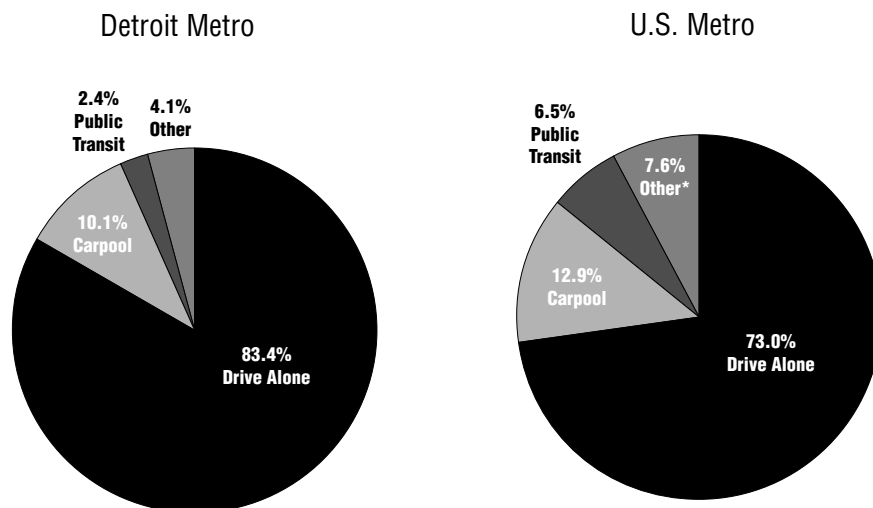
	<u>High</u>	<u>Low</u>
Winter	31	16
Spring	58	37
Summer	82	59
Autumn	63	41

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 AVERAGE			Suburban Office AVERAGE			Warehouse AVERAGE			Retail AVERAGE			Apartment 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	\$211.86	\$33.51	8.7%	\$179.19	\$26.16	8.5%	\$44.60	\$5.71	9.1%	\$119.53	\$17.61	9.3%	\$105.68	\$14.71	8.5%
Midwest Region	161.70	26.97	9.1	143.59	23.56	9.1	40.18	5.42	9.3	106.77	15.73	9.5	82.90	12.21	8.7
3rd Q. '01	\$124.03	\$22.72	9.2%	\$133.38	\$24.47	9.6%	\$41.75	\$5.99	9.8%	\$109.60	\$16.80	9.8%	\$77.85	\$10.87	8.8%
2nd Q. '01	126.72	23.20	9.1	135.92	24.88	9.5	41.95	6.05	9.8	110.57	17.10	9.8	77.28	10.79	8.8
3rd Q. '00	134.27	23.77	8.8	141.75	25.08	9.2	43.99	5.98	9.3	114.43	17.20	9.5	79.85	11.01	8.7

B. Other Property Classes – Most Recent Period

Property Sector	Price Per SF	Property Sector	Price Per SF
Class B Suburban Office	\$118.05	Class A Flex Space	\$94.23
Class B Apartment	\$53.59	Class B Flex Space	\$59.66
Class C Apartment	\$42.10	Class C Flex Space	\$48.09

C. Local Market Rankings

3rd 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	42	33	26	31	29	31
Rents	39	20	16	27	28	33

*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: Market Analysis

A. Market Snapshot

Motor City Tops List for Job Losses

Of 51 major metropolitan areas surveyed, the Detroit metropolitan area recorded the largest loss in jobs during the 12 months ending September 2001, according to the Bureau of Labor statistics. Approximately 31,600 positions were eliminated in the Motor City with the manufacturing sector topping out at a 28,400 loss. While the service sector posted 1,200 in job losses, its sub-sector, business services, eliminated 4,500 jobs. The transportation sector was next with a decline of 1,600 positions. The wholesale trade category saw a reduction of 600 jobs, followed by the retail sector, which reduced its employment base by 500 positions. The government and finance, insurance, and real estate (FIRE) sectors saw no change in their employment bases. The construction sector was the only major employment category to post a gain adding 800 new jobs. The unemployment rate rose to 4.7% in September 2001 from 3.2% in September 2000.

OFFICE

The greater Detroit office market had a vacancy rate for the combined Class A and Class B markets (not including sublease space) of 11.3% in the third quarter 2001. Class A space posted an 8.2% vacancy rate while Class B space was 14.5% vacant. Paragon Corporate Realty Services added three submarkets to its survey this year—Ann Arbor, Dearborn, and Detroit, for a total of 50.6 million square feet of office space. This increased inventory by more than 20 million square feet compared to last year's third quarter. Construction of 1.1 million square feet outpaced net absorption of 534,000 square feet in the third quarter 2001. Available sublease space grew by 327,000 square feet to a total of 1.6 million square feet during the same period.

Vacancy Spike in Auburn Hills Reins in Construction

The Auburn Hills submarket grew by 463,000 square feet between the third quarters of 2000 and 2001, pushing the vacancy rate up to 29% from just 1% one year ago, the largest vacancy jump reported. This is the result of two new speculative buildings coming online empty in the third quarter. Net absorption totaled 101,000 square feet

during the quarter. Construction slowed to just 8,200 square feet from more than 425,000 square feet in 2000's third quarter.

Troy and Southfield Most Active Development Areas

The Southfield submarket is the third-largest office area in greater Detroit with 9.4 million square feet of space. Approximately 359,000 square feet were in progress here in the third quarter compared to zero construction in 2000's third quarter. During the same 12-month period, the vacancy rate rose one percentage point to 8%. The second-largest submarket in the metro area, Troy, saw its vacancy rate increase by four percentage points to 11% at the end of September. This burgeoning area saw the second-largest level of construction, all of it in one project: the 275,000 square foot Maple Corporate Center at Maple Road and Stephenson Highway. This center is slated for completion in 2002. More than 92% of the square footage under development in Southfield and Troy remained un-leased at the end of 2001's third quarter.

In new developments, Kojaian started construction of two speculative buildings in Farmington Hills totaling 219,000 square feet: the 182,000 square foot Farmington Hills Corporate Center and the 37,000 square foot Haggerty Point at Twelve Mile and Haggerty Roads. Also, Energy and Chassis Systems' 144,000 square foot headquarters building is slated for completion in 2002.

In downtown Detroit, the first of 2,600 state employees started moving into the former world headquarters of General Motors Corporation, re-named Cadillac Place. The move will consolidate state offices into more than one million square feet of the building. Construction of Compuware's 1.1 million square foot headquarters continues in the CBD.

INDUSTRIAL

Greater Detroit's industrial market remained stable through the third quarter, but rising availability, declining automobile sales, and deep job cuts in the manufacturing sector will most likely lead to softening in the coming months. Inventory increased 97% to 495 million square feet between the third quarters of 2000 and 2001 as the availability rate rose 1.1 percentage points to 9.9%.

XI. Market Analysis

A. Market Snapshot (continued)

Year-to-date sales and leasing activity through the third quarter 2001 totaled ten million square feet, according to CB Richard Ellis. Third quarter activity decreased 33% to 3.1 million square feet compared to 2000's third quarter. Construction fell to 5.3 million square feet from 6.2 million square feet during the same period.

Local and state tax incentive programs are boosting real estate activity. For instance, Recticel North America, which serves the automotive window encapsulation and interior trim markets, will soon move into a 260,000 square foot facility in Independence township, thanks to a tax incentive from the Michigan Economic Development Corporation (MEDC). The Oakland County Economic Development Corporation and the MEDC have partnered to help Osmic Incorporated, a world leader in the development and manufacture of precision optics, expand its high-tech operation in Auburn Hills. In Ann Arbor, Pfizer, a manufacturer of prescription medicines, plans to expand its laboratories, lured by suitable land and state and local tax incentives.

Imports/Exports Decline: The value of exports handled by the Detroit Customs District decreased 4% through September to \$89 billion. Imports declined 5% to \$48 billion.

RETAIL

Most analysts place greater Detroit's retail vacancy at about 5%, but predict that this year's trend of gradually decreasing occupancy will continue to weaken the market into 2002. However, significant retail construction continues in greater Detroit with the development of two shopping centers that will add more than one million square feet of retail space to the inventory next year. The largest of these projects is the 737,000 square foot Fountain Walk shopping center nearing completion in Novi. Another project that began construction this year in Novi was the Providence Park Place mall. This 310,000 square foot community center will be anchored by Kroger and Home Depot and is slated for completion in early 2002. The Meadowbrook Village mall also got underway in Rochester Hills.

Same-store retail sales grew 2.1% in Detroit compared to a 2% increase in the Midwest region and 1.4% nationally.

APARTMENT

A slump in demand is expected to increase vacancies in apartment buildings as construction continues throughout greater Detroit. The number of multifamily permits rose 12% to 2,100 during the first three quarters of 2001, compared to the same period in 2000. Conversely, single-family permits dropped 14%. Multifamily development is concentrated in the suburbs where the population growth has been the heaviest. Most of the recent construction is taking place in Oakland County. For example, the 240-unit Village Commons apartments in South Lyon is nearing completion and the 120-unit Brandywine Village luxury apartments in West Bloomfield is still in progress.

In an effort to build the population and bring more pedestrian traffic downtown, several residential projects are in the planning pipeline. Roseville-based Ferlito Construction plans to renovate the 18-story Kales building at Adams and Park Avenues near Grand Circus Park into lofts. The Arbman Group wants to build a 60-unit loft project at 1448 Woodward Avenue. Novi-based Crosswinds Communities plans to build a condominium project called Woodward Place at Brush Park.

In sales activity, RHP Properties bought the 458-unit Woodcrest Villa apartments in Westland for \$16 million. The 356-unit Riverstone apartments in Southfield sold for an estimated \$14.7 million.

HOSPITALITY

Hotel occupancy in the greater Detroit area was 61.4% in 2001's third quarter, according to Smith Travel. This represents a decline from 64% in the second quarter and 67% one year prior.

The three-year, \$100 million renovation of the Marriott Renaissance Center hotel is nearing completion. This is part of General Motors' \$500 million redevelopment of the Renaissance Center office complex along the Detroit River. Marriott also completed a \$9.5 million renovation of its 250-room Embassy Suites hotel in the Millender Center.

XI. Market Analysis

B. Submarket Inventory/Vacancy

OFFICE*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
Ann Arbor	2,892,282	5.0%	(8,716)	200,000
Auburn Hills	1,359,850	29.0%	100,855	8,165
Birmingham/Bloomfield/ Birmingham Farms	4,833,060	9.0%	(11,850)	0
Dearborn	2,870,130	7.0%	6,264	0
Detroit	11,899,714	17.0%	39,738	0
Farmington Hills	3,503,828	9.0%	22,605	219,000
I-275	3,132,699	12.0%	11,277	51,464
Southfield	9,370,600	8.0%	62,514	359,398
Troy	10,688,410	11.0%	311,138	275,000
MARKET TOTAL	50,550,573	11.3%	533,825	1,113,027
*Reported as of third quarter 2001.				
Source: Paragon Corporate Realty Services (Farmington Hills).				

INDUSTRIAL *				
SUBMARKET	INVENTORY	AVAILABILITY	ABSORPTION	CONSTRUCTION
Ann Arbor	2,892,282	5.0%	(8,716)	200,000
Detroit	113,859,047	12.6%	855,116	354,400
Downriver	62,206,587	12.6%	1,811,469	1,622,000
I-75 Corridor	71,925,185	7.9%	1,311,762	941,468
Macomb	88,404,624	7.0%	2,622,193	492,239
Northwest Suburbs	48,613,579	10.8%	1,081,881	965,452
SE Oakland County	13,225,308	8.4%	155,531	0
Western Wayne	78,776,727	8.4%	1,721,760	470,528
Washtenaw	17,939,112	10.6%	455,525	424,000
MARKET TOTAL	494,950,169	9.9%	10,015,237	5,270,087
*Reported as of third quarter 2001. Absorption figures reflect year-to-date sales and leasing activity.				
Source: CB Richard Ellis (Southfield).				

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.

Nonproprietary Data Sources

Sources: In reporting property transaction prices, rents, and cap rates, the National Real Estate Index 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.

CB Richard Ellis (Industrial)

Paragon Corporate Realty Services (Office)

Sales & Marketing Management—2001 Survey of Buying Power (Income and Retail Sales)

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