



Detroit

Vol. 34

Second Quarter 2002

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. 34



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.

A series of other important factors, including retail sales trends and international trade, are reported in Section VI. Local and state fiscal policies, including taxes and federal spending, are highlighted in Section VII. Several key quality-of-life considerations are summarized in Section VIII.

In Section IX, local market price, rent and capitalization rate trends for the preceding 12 months are reported. Section X 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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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 (2001):

4,465.6 sq. miles
996 people per sq. mile

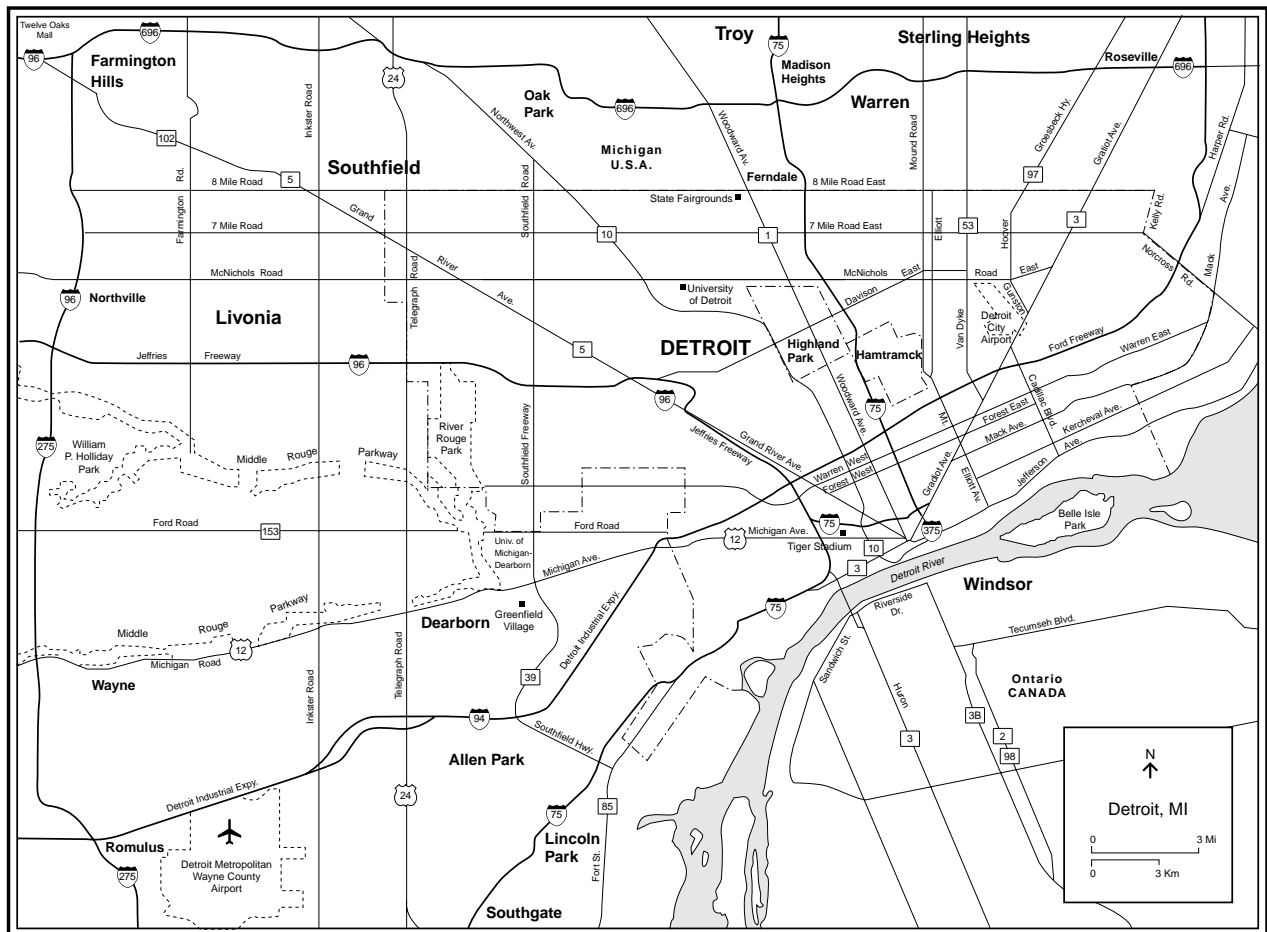


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I. **Detroit: Snapshot**

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

Job Growth (Loss) 12 Months (Ending in June):	(0.8%)
Unemployment Rate (June):	6.8%
Metropolitan Population Growth (Loss), 1990–2001:	4.3%
Total Metropolitan Population, 2001:	4.4 million

B. **Second Quarter 2002 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. '02	\$116.90	\$21.54	9.5%	\$140.52	\$22.62	8.6%	\$41.39	\$5.89	9.8%	\$113.75	\$16.81	9.6%	\$80.01	\$11.02	8.7%
1st Q. '02	118.24	22.04	9.5	140.05	22.99	8.7	41.36	6.00	9.9	112.86	16.89	9.7	79.36	10.93	8.7
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	81.46	11.24	8.6

Source: National Real Estate Index's Market Monitor.

II. **Detroit: Demographics**

A. **Metro Population**

	<u>Detroit</u>	<u>United States</u>
Population — 2001:	4,448,200	284,796,900
% Growth—2000–2001:	0.1%	0.9%
% Growth—1990–2000:	4.2%	13.4%
% Growth—1980–1990:	(2.8%)	9.8%

B. **County Population Growth**

County	2001 Population	% Growth 1990-2001
Lapeer	89,700	20.0
Macomb	800,000	11.5
Monroe	147,900	10.7
Oakland	1,198,600	10.6
St. Clair	166,500	14.4
Wayne	2,045,500	(3.1)

C. **State Population Growth**

	2001 Population	% Growth 1990-2001	Ranking*	% Growth 1995-2025	Ranking*
Michigan	9,990,800	7.5	39	8.4	45
United States	284,796,900	14.5	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 (1990-2001)

Population Growth (% Gain/Loss, April 1990-July 2001)

Las Vegas	94.7%	Greenville-Spartanburg	17.8%
Austin	55.2%	Columbus	15.9%
Phoenix	51.2%	Oakland-East Bay	15.5%
Atlanta	44.0%	San Diego	14.6%
Raleigh-Durham	43.4%	UNITED STATES	14.5%
Orlando	39.4%	Central New Jersey	14.3%
West Palm Beach	34.9%	Kansas City	13.9%
Dallas-Ft. Worth	33.8%	Oklahoma City	13.9%
Denver	33.0%	Memphis	13.7%
Charlotte	33.0%	Chicago	12.6%
Ft. Lauderdale	32.9%	San Jose	11.4%
Riverside-SB	31.4%	Cincinnati	9.7%
Portland	29.7%	New York	9.2%
Houston	29.2%	Los Angeles	8.7%
Nashville	27.1%	Baltimore	8.0%
Salt Lake City	25.8%	San Francisco	7.3%
Jacksonville	24.8%	Newark-No. New Jersey	7.0%
Sacramento	24.4%	Nassau-Suffolk	6.3%
Albuquerque	22.8%	Boston*	5.5%
Seattle	20.0%	Honolulu	5.4%
Orange County	19.9%	Milwaukee	5.3%
Washington, DC	19.7%	St. Louis	5.0%
Minneapolis	18.8%	Detroit	4.3%
Tampa-St. Petersburg	18.5%	Philadelphia	4.0%
Indianapolis	18.3%	Hartford*	2.2%
Miami	18.2%	Cleveland	2.0%

*Updated populations are not yet available for Boston and Hartford. For these markets, changes are based on 2000 data.

Source: U.S. Census Bureau.

II. Demographics (Cont.)

G. International Immigration to Metropolitan Areas

Total International Immigration: 1991–2001 (in 000s)

New York/Nassau-Suffolk	1,136.5	West Palm Beach	54.6
Los Angeles	972.2	Minneapolis-St. Paul	53.2
Chicago	414.9	Orlando	50.6
Miami	378.7	Tampa-St. Petersburg	48.6
Newark-No. NJ	291.7	Las Vegas	45.7
Washington DC	270.8	Honolulu	45.7
Orange County	253.2	Baltimore	37.2
Houston	235.8	Austin	33.0
Dallas-Ft. Worth	206.4	St. Louis	28.3
San Francisco	179.4	Hartford	27.7
San Diego	176.6	Salt Lake City	25.8
San Jose	173.0	Raleigh-Durham	20.7
Boston	157.7	Cleveland	20.3
Oakland-East Bay	150.4	Kansas City	19.0
Riverside-San Bernardino	133.6	Charlotte	18.6
Ft. Lauderdale	102.5	Oklahoma City	16.7
Philadelphia	102.4	Albuquerque	15.3
Atlanta	97.7	Jacksonville	15.1
Seattle	89.2	Milwaukee	14.9
Detroit	80.2	Nashville	14.6
Central New Jersey	77.4	Columbus	14.3
Phoenix	76.7	Indianapolis	12.1
Sacramento	67.6	Cincinnati	9.0
Denver	62.3	Memphis	8.7
Portland	55.1	Greenville-Spartanburg	7.6

Source: U.S. Census Bureau.

II. Demographics (Cont.)

H. Domestic Migration to Metropolitan Areas

Total Domestic Migration: 1991–2001 (in 000s)

Atlanta	552.7	Oklahoma City	13.0
Phoenix	455.7	Cincinnati	4.5
Las Vegas	449.5	Memphis	3.3
Dallas-Ft. Worth	289.3	Salt Lake City	0.4
Denver	220.4	Central New Jersey	(36.8)
Riverside-San Bernardino	217.4	Baltimore	(50.7)
Orlando	201.2	Oakland-East Bay	(64.9)
Austin	198.5	St. Louis	(74.0)
Tampa-St. Petersburg	196.8	Hartford	(78.7)
Portland	189.4	Milwaukee	(81.5)
Charlotte	175.8	Washington DC	(99.6)
Raleigh-Durham	174.6	Cleveland	(115.4)
Ft. Lauderdale	165.2	Honolulu	(117.9)
West Palm Beach	144.2	San Diego	(142.0)
Nashville	110.6	San Francisco	(181.6)
Sacramento	86.6	Orange County	(210.1)
Jacksonville	75.9	Boston	(214.4)
Minneapolis-St. Paul	68.8	San Jose	(219.4)
Houston	65.7	Miami	(269.3)
Greenville-Spartanburg	61.3	Detroit	(274.9)
Seattle	58.6	Philadelphia	(289.8)
Indianapolis	52.4	Newark-No. NJ	(414.9)
Kansas City	42.3	Chicago	(587.1)
Columbus	33.9	Los Angeles	(1,616.3)
Albuquerque	24.2	New York/Nassau-Suffolk	(1,658.9)

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):	(0.8%)
Total Number of Net New Jobs, 12 Months (Ending in June):	(17,700)
% Unemployed, June 2002:	6.8%
% Unemployed, 12 Months Before:	5.3%

National

Employment Growth (Loss)—% 12-Month (Ending in June):	(1.1%)
% Unemployed, June 2002:	6.0%
% Unemployed, June 2001:	4.7%

B. **Economic Base—Employment By Sectors**

Sector	12-Month % Growth		% of Total Employment	
	Metro	National	Metro	National
Services	(1.3)	0.2	32.0	31.5
Business Services*	(2.6)	(2.7)	8.9	7.1
Retail Trade	(0.9)	(1.2)	17.3	17.8
Government	1.5	1.5	11.3	16.1
Manufacturing	(0.7)	(5.6)	20.0	12.8
Transportation	(1.8)	(4.4)	4.5	5.2
FIRE	(0.4)	0.2	5.2	5.9
Wholesale Trade	(2.2)	(1.6)	5.6	5.1
Construction	(1.0)	(2.2)	4.1	5.2

*Business Services is a subset of the Services category.

The 12-month percent growth is updated every quarter; the percent of total employment is updated every 6 months (last update: 2Q 2002).

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

C. Metropolitan Total Employment Gain (1992-2002)

Job Growth (% Gain/Loss, June 1992-June 2002)			
Las Vegas	86.4	Minneapolis-St. Paul	23.0
Austin	59.8	San Jose	22.6
Phoenix	54.2	Washington, DC	21.8
Orlando	45.1	Miami	21.5
Riverside-San Bernardino	44.9	Memphis	21.4
West Palm Beach	44.9	Oakland	21.4
Raleigh-Durham	42.0	Greenville-Spartanburg	20.7
Tampa-St. Petersburg	40.9	Indianapolis	20.6
Atlanta	38.5	UNITED STATES	20.5
Fort Lauderdale	37.8	Seattle	19.2
Dallas-Ft. Worth	37.2	Boston	18.3
Salt Lake City	36.6	Nassau-Suffolk	16.7
Jacksonville	35.0	Cincinnati	15.2
Denver	35.0	Detroit	14.9
Charlotte	34.0	Baltimore	14.4
Nashville	33.2	Chicago	14.3
Albuquerque	32.0	San Francisco	13.6
Sacramento	31.9	Philadelphia	12.4
San Diego	30.8	Milwaukee	12.1
Houston	29.1	St. Louis	12.1
Portland	28.0	Newark-No. New Jersey	11.3
Orange County	26.1	New York	10.5
Kansas City	25.7	Cleveland	10.1
Oklahoma City	24.4	Los Angeles	6.9
Central New Jersey	23.7	Hartford	2.6
Columbus	23.5	Honolulu	(1.0)

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	\$32,980	3	21.8%	4
U.S. Average	\$26,450	--	13.5%	--

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

Source(s): U.S. Dept. of Labor/wage figures (2000); U.S. Census Bureau/union membership (2001).

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 Who Graduated From High School	% of Adults Who Graduated From 4-Year College/University
Detroit	84.8	25.7
U.S. Average	84.1	25.6

Source: U.S. Census Bureau, 2000.

B. Educational Expenditures and Salaries

	Per-Pupil Expenditures	Rank	Teacher Salaries	Rank	Student: Teacher Ratio	Rank
Michigan	\$7,536	9	\$47,448	5	17.7	9
U.S. Average	\$6,455	--	\$40,580	--	16.1	--

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 2000*.

IV. Education (Cont.)

C. 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.

D. University R&D Expenditures

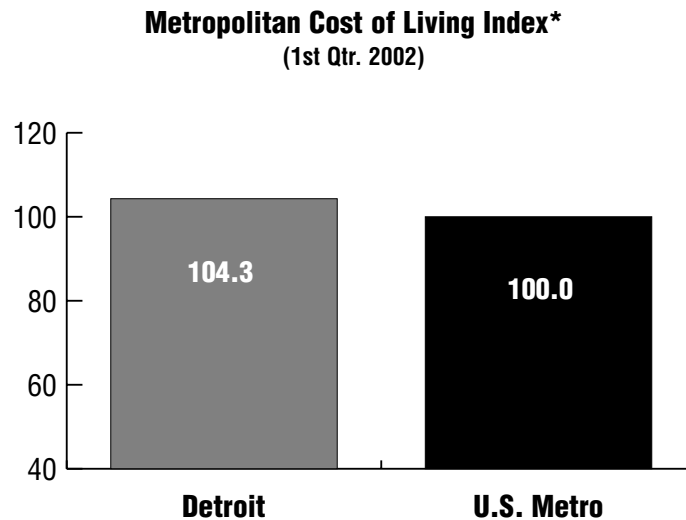
	Federal R&D Expenditures (\$\$ in mil.)	% of Leading School*	Total R&D Expenditures (\$\$ in mil.)	% of Leading School*
Oakland Univ.	\$2.5	1.2	\$4.2	1.6
Wayne State Univ.	\$23.2	10.8	\$51.5	19.2

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

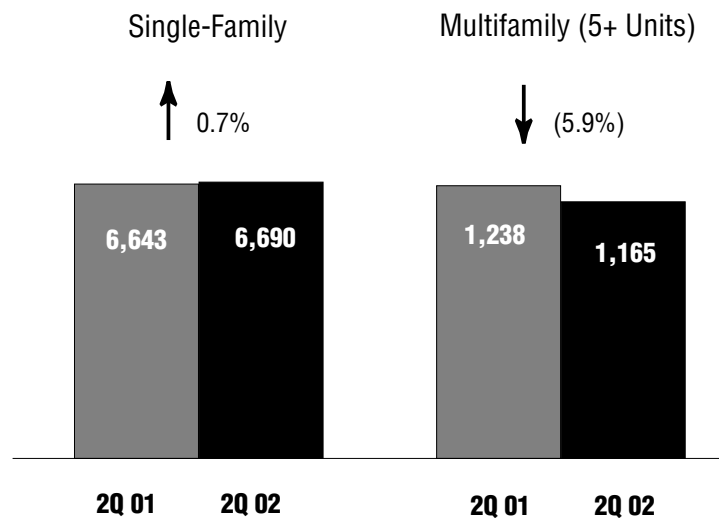
A. Overall Cost of Living



*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



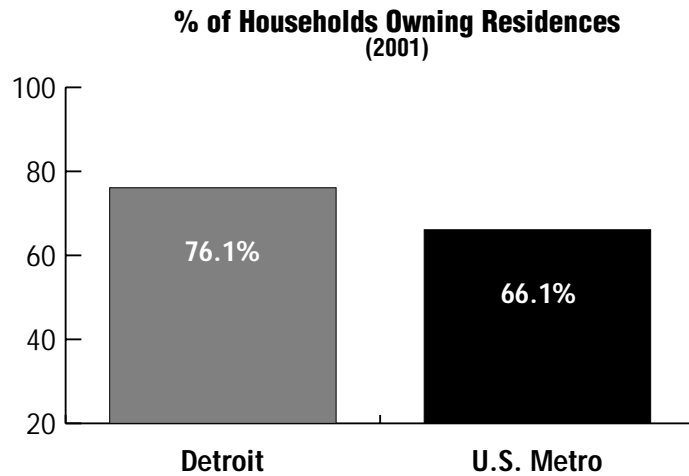
Local Data: Figures represent total permits granted year-to-date in the Detroit PMSA.

U.S. Data: The percent changes in single-family and multifamily permits nationwide were 2.8% and (5.5%), respectively.

Source: U.S. Census Bureau.

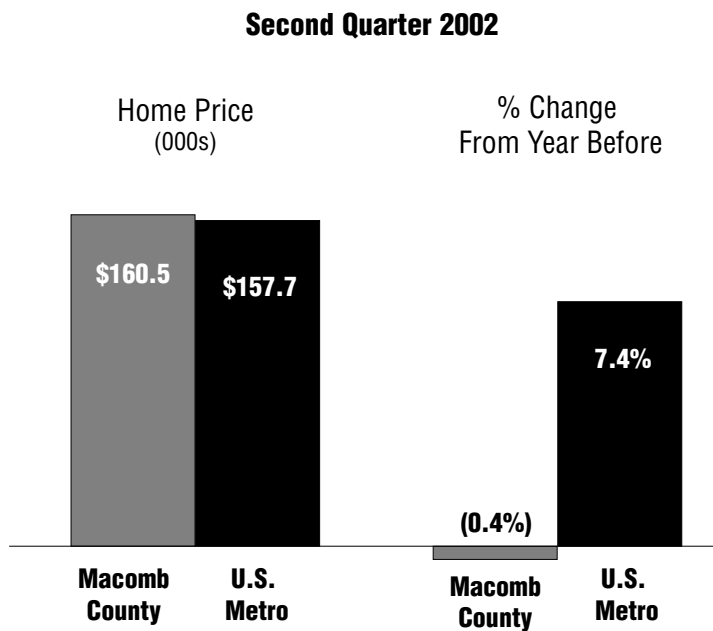
V. **Housing & Related Costs (Cont.)**

C. **Homeownership**



Source: U.S. Census Bureau. Homeownership rates represent metropolitan averages as of year-end 2001.

D. **Single Family Home Costs**



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. **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.

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

G. **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%

The above data reflects our best efforts. All recent changes at the local/state level may not have been captured.

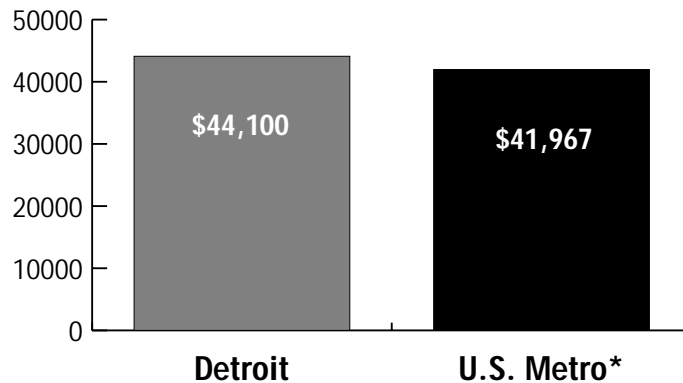
*This is the basic rate. It does not include applicable surcharges.

**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: 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. Metropolitan Retail Sales Trends

Metropolitan Retail Sales -- % Change (March 2001 - March 2002)

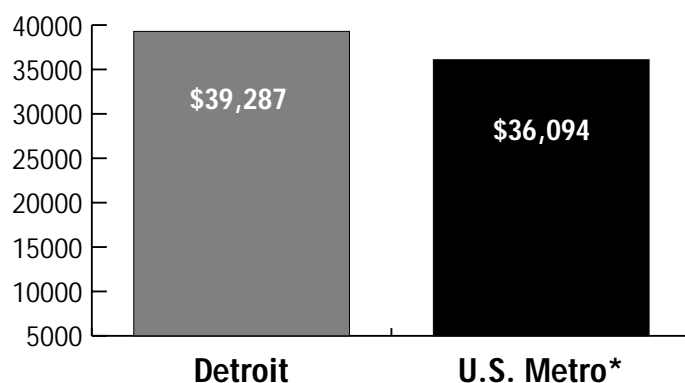
Detroit	N/A
National	(6.2%)

The above reflects same-store sales at major department stores.

Source: International Council of Shopping Centers, New York, NY.

VI. Other Economic Indicators (Cont.)

C. 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.

D. E-Commerce Retail Sales

First Quarter 2002 (\$\$ in billions)

	<u>Total Retail Sales</u>	<u>E-Commerce Retail Sales</u>	<u>% of Total</u>
U.S.	\$743.8	\$9.8	1.3
Prior Quarter	\$856.3	\$11.2	1.3
Year Ago	\$724.2	\$8.3	1.1

Source: U.S. Department of Commerce.

VI. Other Economic Indicators (Cont.)

E. High-Tech Industry Employment

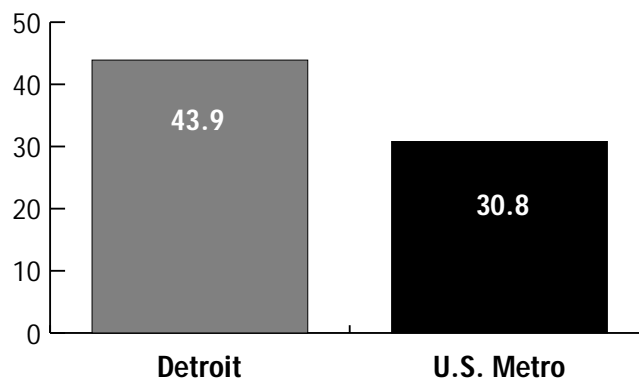
	Share of Total Employment	Rank	Number of Establishments	Rank	Number of Employees	Rank
Detroit	2.9%	116	3,162	15	61,493	21

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.

F. Metropolitan Area Patents

**Patents Per 100,000 Residents
(1999)**



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.

VI. Other Economic Indicators (Cont.)

G. Major Airport Activity

Detroit – Wayne County Metropolitan

	<u>Total</u> <u>(2001)</u>	<u>% Change</u> <u>from 2000</u>	<u>National</u> <u>Rank*</u>	<u>World</u> <u>Rank*</u>
Passengers (in millions)	32.3	(9.1%)	11	18
Cargo (in thousands–metric tons)	240.3	(19.4%)	28	66

*Ranking of 707 international airports, with the #1 ranking representing the largest number of passengers and the largest amount of cargo.

Source: Airports Council International, Washington, DC.

H. International Trade

International Trade Volume

	<u>Import</u>	<u>Export</u>	<u>Total</u>
Detroit Customs District			
January-March 2002 (\$\$\$ in billions)	\$22.6	\$20.7	\$43.3
% Change (from year ago)	(4.1%)	7.3%	1.0%
Total U.S.			
January-March 2002 (\$\$\$ in billions)	\$260.7	\$166.5	\$427.2
% Change (from year ago)	(11.9%)	(15.1%)	(13.2%)

Source: Dept. of Commerce, Foreign Trade Division.

VI. Other Economic Indicators (Cont.)

I. Area Exports

Metropolitan Area Exports

	1999 Value (\$\$\$ in billions)	Rank*	% Change 1998–1999	% Change 1993–1999
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.

J. Gross State Product

	1990	2000	% Change 1990-2000
Michigan Ranking*	9	9	--
Michigan Total (\$\$\$ in billions)	\$225.1	\$305.9	35.9%
U.S. Total (\$\$\$ in billions)	\$6,630.7	\$9,314.3	40.5%

*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: Dept. of Commerce, Bureau of Economic Analysis.

VI. Other Economic Indicators (Cont.)

K. Gross Metropolitan Product

	GMP (\$\$ in billions)		
	<u>2000</u>	<u>Rank</u>	<u>% Change</u> (from 1999)
Detroit	\$156.3	10	6.1%

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

Source: U.S. Conference of Mayors.

L. Fortune 500 Companies

	<u>1999</u>	<u>2000</u>	<u>2001</u>
# of Fortune 500 Firms in Metro Area	15	15	17
Ranking*	5	7	5

*Fortune 500 companies are those with the highest annual revenue in the U.S. The ranking shows how this metropolitan area compares to others across the country, with the #1 ranking indicating the metro with the largest number of Fortune 500 firms.

Source: FORTUNE 500, © 2002, Time Inc. Metro area totals compiled by Property & Portfolio Research, (617) 426-4446, www.ppr-research.com.

VII. 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

The above data reflects our best efforts. All recent changes at the local/state level may not have been captured.

*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. Local Residential Property Taxes

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

Location	Effective Rate	Ranking*
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.)

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. State Tax Revenue

State Tax Revenue July 2001-March 2002 (\$\$ in millions)

	<u>Personal Income</u>	<u>Corporate Income</u>	<u>Sales</u>	<u>Total*</u>	<u>% Change from Year Ago</u>
Michigan	\$4,649	\$1,385	\$5,827	\$15,138	(0.9%)
U.S.	\$131,126	\$15,221	\$127,376	\$320,306	(4.7%)

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).

*Figures reflect total tax revenue reported for the state's general fund.

Source: Nelson A. Rockefeller Institute of Government, *State Revenue Report*.

VII. Taxes and Expenditures (Cont.)

E. Federal Spending Per Capita

	<u>Total Federal Spending</u>	<u>National Rank*</u>	<u>% Change from Year Ago</u>
Michigan	\$5,195	46	10.3%
Macomb County	\$6,203	--	24.5%
Oakland County	\$3,746	--	8.1%
Wayne County	\$5,856	--	5.3%
U.S. Average	\$6,268	--	9.2%

*Ranking based on all 50 states, plus the District of Columbia, with the #1 ranking representing the highest dollar amount.

Source: U.S. Census Bureau, *Consolidated Federal Funds Report for Fiscal Year 2001*.

VIII. 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. State Livability Index

	2001 Index Rating*	<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.

VIII. Quality of Life (Cont.)

C. Climate

Average Temperature (Fahrenheit)

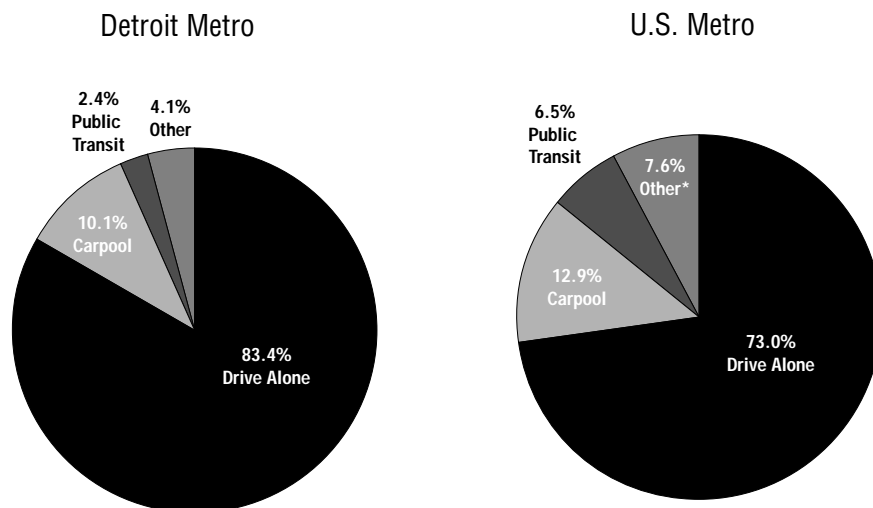
	<u>High</u>	<u>Low</u>
Winter	31	16
Spring	58	37
Summer	82	59
Autumn	63	41

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*.

VIII. Quality of Life (Cont.)

E. Congestion Index

	Congestion Cost Total (\$\$ in millions)	Congestion Cost Per Person	Wasted Fuel Per Person (gallons)	Delay Per Person (hours)
Detroit	\$1,905.0	\$475	41	25
Current Ranking*	8	20	19	19
Previous Year's Ranking	8	16	12	14

*The ranking compares this city to the 74 others in the study, with the #1 rankings representing the highest cost, largest amount of fuel wasted, and longest delay. All data is annual and is for the year 2000. The "congestion cost" includes the value of the extra travel time as well as the wasted fuel costs. Significant ranking changes can occur due to the tight "bunching" of values among some metropolitan areas.

Source: Texas Transportation Institute, Texas A&M University, *2002 Urban Mobility Report*, (979) 845-1713, <http://mobility.tamu.edu>.

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. 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	\$206.77	\$31.68	8.1%	\$175.98	\$24.46	7.9%	\$43.47	\$5.51	9.0%	\$120.18	\$17.54	9.2%	\$104.25	\$14.37	8.3%
Midwest Region	151.13	25.41	9.3	149.02	22.17	8.4	38.82	5.25	9.3	108.22	15.72	9.4	82.68	11.88	8.6
2nd Q. '02	\$116.90	\$21.54	9.5%	\$140.52	\$22.62	8.6%	\$41.39	\$5.89	9.8%	\$113.75	\$16.81	9.6%	\$80.01	\$11.02	8.7%
1st Q. '02	118.24	22.04	9.5	140.05	22.99	8.7	41.36	6.00	9.9	112.86	16.89	9.7	79.36	10.93	8.7
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	81.46	11.24	8.6

B. Other Property Classes – Most Recent Period

Property Sector	Price Per SF
Class B Suburban Office	\$114.16
Class B Apartment	\$54.24

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.

IX. **Detroit: Current Prices, Rents, and Cap Rates¹**

C. **Local Market Rankings**

2nd Qtr. 2002 – Rankings*

	<u>CBD Office</u>	<u>Suburban Office</u>	<u>Warehouse</u>	<u>Retail</u>	<u>Apartment</u>	<u>Class B Apartment</u>
Prices	44	28	23	28	25	28
Rents	39	23	15	27	26	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.

D. **Price and Rent Growth**

% Change from Year Ago

	<u>CBD Office</u>	<u>Suburban Office</u>	<u>Warehouse</u>	<u>Retail</u>	<u>Apartment</u>	<u>Class B Apartment</u>
<u>Metro</u>						
Prices	(8.8%)	(6.8%)	(3.1%)	1.9%	(1.9%)	(1.1%)
Rents	(7.1%)	(8.4%)	(0.2%)	0.5%	(3.7%)	(0.3%)
<u>National</u>						
Prices	(6.5%)	(6.7%)	(4.0%)	(2.1%)	(1.7%)	(0.5%)
Rents	(8.6%)	(9.4%)	(3.5%)	(0.9%)	(1.3%)	(0.2%)

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.

X. Detroit: Market Analysis

A. Market Snapshot

Employment Erosion Slows

Job losses in metropolitan Detroit totaled 17,700 in the 12 months ending in June 2002, for a 0.8% decrease in the local employment base. This is a substantial improvement over the 41,900 positions cut in the 12 months ending in March, though. The unemployment rate increased from 5.3% in June 2001 to 6.8% one year later.

Major Slippage in Service Sector: The service sector, which includes the hotel and health care industries, saw the largest decline, with the loss of 9,200 jobs. Health care providers in Detroit are battling with higher labor and pharmaceutical costs. As a result, Henry Ford Health is shaving 500 from its payroll. Many hotel owners have also been laying off employees. The retail sector came in second as it cut 3,200 positions. Kmart's bankruptcy contributed to these losses; its world headquarters is located in Troy. The company employs approximately 6,400 there. The retail giant is closing hundreds of stores nationwide, including several in the Detroit area.

Manufacturing lost 3,000 jobs, a vast improvement from the phenomenal 15,500 net positions cut during the 12 months ending in March. Detroit's economy is beginning to diversify, but manufacturing and the auto industry still account for a large chunk of the local workforce. The weak national economy has reduced auto sales. Having peaked late last year with the introduction of numerous incentive offers, such as 0% financing, sales are once again down from previous levels. This has prompted the auto industry to undergo a massive restructuring. For instance, the Big Three (GM, Ford, and DaimlerChrysler) all trimmed production last year and Ford will close six plants across the nation, one of them in Detroit. At the same time, Nissan Technical Center North America is undergoing a \$39 million expansion of its research and engineering facility northwest of Detroit. During the next two years, more than 260 new jobs will be created at the Technical Center, nearly all of them high-wage, high-skill engineering and technical positions.

Wholesale trade lost 2,700 jobs, transportation cut 1,800 from its payroll, construction eliminated 900 slots, and the finance, insurance, and real estate (FIRE) sector lost 400 positions.

The government sector was the only major employment category to experience a gain, adding 3,500 net jobs.

The ability of the Motor City to host big name events like the 2003 AAU Junior Olympic Games, the 2004 Democratic Convention, and the 2006 Super Bowl rests partly on the success of major attractions—e.g., the MGM, Motor City, and Greektown casinos. All three are currently floating in limbo between temporary sites and permanent digs that will allow them to add hotel components. Mayor Kwame Kilpatrick had worked out a deal with the casinos that would allow them to convert their existing temporary facilities into permanent locations, or move elsewhere in the city. But the City Council rejected the agreement, claiming that it fails to secure the most lucrative deal possible for the city.

OFFICE

Greater Detroit's Class A office market was stable in the second quarter 2002, maintaining a vacancy rate around 12.6% between the first and second quarters of 2002, according to Paragon Corporate Realty Services. The Class B category was a different story. These properties experienced a jump in vacancy from 16% to 18.6%, due mainly to negative absorption in Detroit. The combined rate for Class A and Class B properties in downtown Detroit was 20.4% and in the suburbs, 13.5%. The metropolitan rate rested at 15.1%, the highest rate since the early 1990s. The city of Detroit was the softest submarket, while Ann Arbor rested comfortably at 6.2%, the lowest vacancy posted. With slack demand, net absorption downtown reversed course falling into the red 282,000 square feet from a positive 207,000 square feet last quarter.

Two Office Projects Headline Downtown: In terms of new construction, downtown Detroit's office market saw very little activity in the second quarter outside the 110,000 square feet of office space going up in a building attached to Ford Field, the new Detroit Lions stadium. The 65,000-seat domed stadium and new home for the Detroit Lions is slated to open at the start of the 2002 NFL season.

X. Market Analysis

A. Market Snapshot (continued)

The office space is the first phase of construction in the 350,000 square foot attached building that also calls for retail and entertainment space. Plans for a 200-room hotel have yet to be finalized, but if it fails to get built, stadium officials say they might lease that space for offices as well.

Activity around Compuware's world headquarters campus continues with the recent completion of an underground garage containing 1,200 spaces. Located on the site of the former J.L. Hudson department store, a hotel/entertainment complex is scheduled to top the garage.

Brownfield Program Finds Several Takers: The Detroit City Council voted in June to sell 17 acres to the Federal Reserve and to make the site a tax abatement zone. The bank paid close to \$3 million for the site, an entire block bounded by East Warren, Forest, Russell, and Dequindre. It plans to build a 260,000 square foot replacement for its 70-year-old Detroit branch. The new center is the eighth major brownfield redevelopment within the city since the Brownfield Redevelopment Financing Act was updated two years ago to include blighted and functionally obsolete properties. The facility will include a four-story office and one-story check processing and warehouse center, along with an underground vault and parking for 350 cars.

At least two other Detroit office projects have received redevelopment tax benefits as a result of the updated program. One is American Axle's (AAM) 248,000 square foot headquarters that is in progress on Holbrook Avenue near I-75. AAM is a world leader in driveline systems and related components. About 500 workers will be housed in the building, which includes a manufacturing facility converted from a former GM plant. Completion is targeted for Summer 2003. The other recipient is the aforementioned, one million square foot Compuware corporate headquarters underway in the Campus Martius area. Infrastructure improvements have also benefited from the program, including the General Motors Riverfront Promenade, which will provide public access between the riverfront and the Renaissance Center, and the GM parking deck, that will connect to the promenade and include 18,000 square feet of retail space.

GM is soliciting proposals from developers for two office buildings just east of its Renaissance Center headquarters. The towers would be part of River

East, GM's planned office, residential, and retail development along the Detroit River. The automaker will either co-develop the properties, or lease or sell the land outright to other developers.

Visteon Breaks Ground on New Headquarters: Visteon Corporation, a supplier of technology solutions to automotive manufacturers, broke ground this Summer on its new headquarters, Visteon Village. The 800,000 to one million square foot project is expected to open in mid-2004, east of I-275 and south of Ecorse Road in Van Buren township. Visteon will relocate as many as 4,000 employees from 15 facilities across southeast Michigan to the new location. The headquarters will feature office buildings and laboratories on both sides of Main Street.

Schoolcraft Projects Raise Concern: In planned projects, Schoolcraft College awarded Etkin Equities the development contract for 50 acres at Seven Mile and Haggerty Roads in Livonia. Etkin has mapped out 485,000 square feet of office space in addition to several restaurants. A separate 180,000 square foot Schoolcraft project is going up near Six Mile Road and I-275. Local real estate experts worry that both developments could steal tenants from already struggling areas in Livonia, Wixom, Novi, and Farmington Hills.

Other large suburban projects under construction in the second quarter include a 325,000 square foot building in Kojaian's Farmington Hills corporate center, the 198,000 square foot phase II of Oakland Towne Square (100% vacant after Covisint failed to sign an 85,000 square foot lease), and the 93,000 square foot South State Street Commons in Ann Arbor.

Suburban Buildings Not Moving Fast Enough: Although companies wanting to consolidate operations and businesses looking for good deals generated some activity in the second quarter, new leases could actually leave the market with more vacant space. Compuware is still trying to sell its Farmington Hills headquarters prior to relocating to its new campus in Detroit. The move is scheduled in phases between year-end 2002 and September 2003. Northwestern Mutual Life placed the Onyx Plaza (270,000 square feet) in Southfield on the market.

X. Market Analysis

A. Market Snapshot (continued)

INDUSTRIAL

Performance in the Detroit metropolitan industrial market was a mixed bag in the second quarter of 2002. Four of the eight submarkets saw increases in availability between the first and second quarters of the year and four experienced decreases. The overall rate (including sublease space) declined slightly from 9.8% to 9.4%, according to CB Richard Ellis. The city of Detroit is the largest and softest submarket with a 13.1% rate, up 1.2 percentage points from the second quarter of 2001, and up approximately one percentage point from the first quarter 2002. Southeast Oakland had the lowest availability at 5.8%, down 2.6 percentage points from the first quarter.

Year-to-date net absorption (representing sales and leasing activity) totaled 12 million square feet, nearly double the activity reported in the first half of 2001. In the second quarter, 5.5 million square feet were absorbed, down 1.1 million square feet from the first quarter. Current construction represents about half of the amount reported at this time last year.

Airport's Expansion Sparks Construction: The completion in February of Northwest Airlines' World Gateway midfield terminal at Detroit Metropolitan Airport has sparked industrial and office construction such as the Visteon world headquarters and the 1,200-acre Pinnacle Aeropark. The terminal is designed to improve arrival and departure times for the estimated 41 million people who annually pass through its gates. The airport added 97 gates, 11,500 new parking spaces, 70 eateries, and a variety of retail offerings. To the north of the airport, the 80-acre Vining Park has been proposed to include 250,000 square feet of R&D facilities, office buildings, and a hotel and conference center.

Another recently announced development is the Warren Tech Center industrial park, which will be built on 38 acres at I-696 and Mound Road in Macomb County, north of the city. GM will continue to operate its 66,000 square foot Vehicle Operations Group on the site, where employees pick up leased vehicles. An additional 250,000 square feet of research labs and testing facilities are planned, to be completed in four years.

Exports Increase: The value of exports handled by the Detroit Customs District increased 7% during the first three months of 2002 to \$20 million. Imports declined 4% to \$23 million.

Detroit Newspapers Move Will Free Riverfront

Site: Detroit Newspapers is planning a multi-million dollar investment in its printing presses and facilities, which will significantly upgrade the publishing and delivery capabilities of The Detroit News and the Detroit Free Press. The company's printing facility in Sterling Heights will add 190,000 square feet to accommodate six new offset presses. The expansion will take more than three years. The riverfront plant near downtown Detroit will continue to operate until the expansion is completed. At that time, the downtown facility is expected to close, freeing up 23 acres of prime property on West Jefferson, just west of Joe Louis Arena.

Some Manufacturers Plan Expansions: The expansion of the Nissan Technical Center in Farmington Hills (mentioned above) involves a total of 101,000 square feet of new space—a three-story engineering building (78,000 square feet), a new styling studio (12,700 square feet), and a new testing operations center (10,000 square feet). Nissan currently employs about 550 people at the facility. The new engineering building will be completed by the end of 2003. Another expansion, which was just issued a \$2.5 million tax-exempt bond, is planned by Precision Hardwood Resources on East Industrial Drive in Chelsea (Washtenaw County). Plans call for a new 36,000 square foot plant and a 2,000 square foot addition to the company's existing manufacturing facility.

In Farmington Hills, Motorola opened its state-of-the-art automotive headquarters at 37101 Corporate Drive. The new 125,000 square foot facility houses the innovation and technical review divisions, product display centers, engineering development facilities, six laboratories, and 27 conference rooms. It was developed by Kojaian Companies and designed by the world-renowned design firm, Minoru Yamasaki Associates. The automotive headquarters will eventually accommodate up to 500 employees and is designed for additional expansion. Currently, it unites 240 employees from Rochester Hills,

X. Market Analysis

A. Market Snapshot *(continued)*

Northville, Troy, Farmington Hills, and Dearborn. Next to its new Farmington Hills office complex underway at I-75 and Holbrook, American Axle plans to build a \$30 million research and training center. Construction is scheduled to begin next year and open in stages through 2006.

In sales activity, a 206,000 square foot warehouse at 350 Victor Avenue in Highland Park was sold to the real estate arm of Budco, the communications and fulfillment company. Budco will expand operations into this space, which is just a stone's throw from the company's two-year-old 362,000 square foot world headquarters and production facility on Oakland Avenue. The prime location and Budco's growth helped make the transaction an anomaly in an extremely slow industrial sales market. The company expects to take possession of the facility in late Summer or early Fall. In Ann Arbor, pharmaceutical company Pfizer purchased 29 acres and associated buildings for nearly \$20 million from Altarum, formerly the Environmental Research Institute of Michigan. The property is contiguous to a 54-acre University of Michigan parcel purchased by Pfizer in March.

RETAIL

The retail market in greater Detroit softened to a 7.7% vacancy rate in the first quarter of 2002 from 6.5% in the same quarter of 2001, according to Marcus & Millichap.

Large projects under construction in the second quarter include Fountain Walk, a 737,000 square foot open-air mall in Novi, expected to be completed in September 2002. The Fountain Walk is just west of Twelve Oaks mall. It will offer an eclectic array of specialty shops, eateries, and entertainment venues plus an open-air environment with courtyards, lush gardens, and fountains. Vans Incorporated opened its first Midwest Vans Skatepark here in June. Vans currently operates ten Skateparks across the country. An estimated 150,000 cars a day travel the highways that border Fountain Walk.

Another retail project expected to make its debut this Fall is the Village of Rochester Hills, a 375,000 square foot shopping center and one of the first

retail developments in Michigan to be designed with stores facing each other on a main street. The lifestyle center will be anchored by a 120,000 square foot Parisian department store, as well as a 55,000 square foot Food Emporium by Farmer Jack. Non-anchor tenants include Eddie Bauer, Victoria's Secret, Banana Republic, The Gap, and Talbots. The project is located in bustling Oakland County north of the city. It is primarily targeted toward the 500,000 residents who live within a ten-minute drive.

Discount retailer Marshall's opened a 27,000 square foot store in the Hoover Eleven shopping center on Hoover Road in Warren.

Jacobson's/Kmart on their Way Out: Jacobson's Stores is accepting bids for its real estate, including its entire 18-store chain. That includes two stores in Birmingham and one in Grosse Pointe. The sales are not expected to generate enough to pay off the company's \$225 million in debt, though. Jacobson's filed for Chapter 11 bankruptcy in January. Kmart, which also filed for bankruptcy in January, has 278 properties for sale. The latest bid to buy the leases of 53 shuttered stores, including ones in Livonia, Novi, and Marquette, came from the partnership of Kimco Realty, Schottenstein Stores, and Klaff Realty. The offer was for \$44 million. Jacobson's and Kmart are both based in Michigan.

APARTMENT

The vacancy rate for apartments in Detroit stood at 4.8% in the first quarter of 2002, according to Marcus & Millichap. This is up from 3.4% during the same period one year earlier. Most analysts expect occupancies to remain soft in 2002 due to the weak economy and continuing job losses. Net out-migration and increasing homeownership in an already strong single-family market are also contributing to lower apartment occupancies. The luxury sector is experiencing the highest vacancies as it faces strong competition from condos and the first-time home market. Moreover, the majority of new construction is in high-end units, causing increased competition within this category.

This year is expected to produce only marginal apartment completions. The number of multifamily per-

X. Market Analysis

A. Market Snapshot (continued)

mits fell 6% (to 1,165) during the first half of 2002.

Multifamily Welcomed Downtown: Although the Compuware and Ford Field stadium projects are taking place downtown, Detroiters are keenly aware that more housing is needed for the central city to make a true comeback. Consequently, apartment construction has political support in the urban areas of Detroit. However, in many suburban areas, city and community leaders often greet apartment development with disdain.

One urban project that just received approvals from HUD and the city of Detroit is Woodbridge Estates. This mixed-income complex promises to transform the Jeffries community into an urban village consisting of 297 senior rental units, 245 standard rental units, 101 homes, and a 12,000 square foot neighborhood center. A 100-unit senior building to address the special needs of residents is also part of the package. The complex will border Canfield Avenue to the north, Martin Luther King, Jr. Boulevard to the south, John C. Lodge Expressway to the east, and Gibson Avenue to the west.

Two residential projects that will be receiving tax benefits from the brownfield program are the Woodward Millennium complex at 3600 Woodward, which is expected to create 180 units of new housing, a parking garage, and retail space, and Lombardo Heritage, which calls for the redevelopment of a site on Detroit's far east side into condominiums. Adding more fuel to the rebirth of downtown, the Farbman Group is busy with the Lofts @ Woodward Center, a historic renovation of an old Winkelman's department store. The \$12 million project will feature 80 units and 20,000 square feet of retail. Farbman also manages a complex that just opened in Macomb County's Shelby township. Stoney Park Place features 161 units surrounded by high-end homes.

HOSPITALITY

The occupancy level for full- and limited-service hotels (consisting of approximately 34,000 rooms in southeastern Michigan) averaged 59.9% in 2001, down from 66.6% in 2000, according to Hospitality Advisors, a hotel consulting firm in Bloomfield

Hills. During the same period, the average daily

X. Market Analysis

B. Submarket Inventory/Vacancy

OFFICE*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
Detroit	11,899,714	20.4%	(282,490)	109,770
SUBURBAN				
Farmington Hills	3,815,092	12.4%	109,978	325,000
I-275 Corridor	3,335,627	17.2%	18,718	33,000
Southfield	10,370,004	14.1%	(72,172)	189,398
Troy	11,556,351	16.7%	(5,269)	0
Birmingham/Bloomfield/ Bingham Farms	4,928,060	8.9%	(156,781)	0
Auburn Hills	1,339,745	19.6%	13,819	0
Dearborn	2,870,130	8.6%	(47,421)	0
Ann Arbor	2,692,282	6.2%	(34,131)	93,000
Suburban Total	40,907,291	13.5%	(173,259)	750,168
MARKET TOTAL	52,807,005	15.1%	(455,749)	859,938
*Reported as of second quarter 2002.				
Source: Paragon Corporate Realty Services (Farmington Hills).				

INDUSTRIAL *				
SUBMARKET	INVENTORY	AVAILABILITY	ABSORPTION	CONSTRUCTION
Detroit	110,325,137	13.1%	760,662	70,400
Macomb	89,634,098	6.4%	1,881,904	608,480
I-75 Corridor	74,674,875	6.4%	1,951,658	462,245
Southeast Oakland	13,309,021	5.8%	541,911	0
Northwest Suburbs	50,264,320	11.9%	1,389,654	894,420
Western Wayne	80,202,652	8.5%	2,921,082	354,245
Downriver	63,044,358	11.0%	1,934,997	1,665,000
Washtenaw	18,567,388	7.3%	765,167	472,000
MARKET TOTAL	500,021,849	9.4%	12,147,035	4,526,790
*Reported as of second quarter 2002. Availability includes sublease space. 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 ten to twenty years ago.

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)

Marcus & Millichap (Retail, Apartment)

Paragon Corporate Realty Services (Office)

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