



Detroit

Vol. 36

Fourth 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. 36



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.

NATIONAL REAL ESTATE INDEX

PUBLISHERS

Global Real Analytics

Richard Wollack
Chairman & CEO

Daniel O'Connor
Managing Director—
Investment Forecasting/
Real Estate Research

Property & Portfolio Research

Susan Hudson-Wilson
Founder & CEO

Publisher/Copyright: NATIONAL REAL ESTATE INDEX publications are published quarterly by National Real Estate Index, LLC (a joint venture of PPR and GRA) 40 Court Street, 3rd Floor, Boston, MA 02108. (800) 992-7257.
www.realestateindex.com

Copyright © 2003 by National Real Estate Index.

EDITORIAL/PRODUCTION

Bridgett Novak
Managing Editor

Janet Laurain
Senior Editor

Tamu Dawson
Senior Production Editor

Important: Metro Market Facts is sold with the understanding that neither the publisher nor the editorial advisor is engaged in rendering legal, tax, accounting, or other professional advice through this publication. No statement, ranking, or “score” in this issue is to be construed as a recommendation to buy or sell securities, or as investment advice to buy or sell properties. Real estate is generally a long-term, illiquid investment and requires careful consideration of financial objectives and independent research before investing.

Reasonable care has been exercised in compiling information and presenting it fairly and accurately. However, the publisher does not warrant its accuracy.

Reproduction, photocopying or incorporation into any information retrieval system for external or internal use is prohibited unless written permission is obtained beforehand from the publisher for each article. The subscription fee entitles the subscriber to one original only.

Table of Contents

I. Snapshot	7
II. Demographics	
A. Metro Population	8
B. County Population Growth	8
C. State Population Growth	8
D. Area Cities With At Least 50,000 Residents	9
E. Household & Population Composition	9
F. Metropolitan Population Gain	10
G. International Immigration to Metropolitan Areas	11
H. Domestic Migration to Metropolitan Areas	12
III. Job Trend Formation and Labor Costs	
A. Metropolitan Job Formation	13
B. Economic Base - Employment by Sectors	13
C. Metropolitan Total Employment Gain - Since 1990	14
D. Metropolitan Average Wages - Select Occupations	15
E. Production Wages & Union Membership	15
F. State Workers' Compensation Premiums	16
G. Minimum Wage/Overtime Status	16
IV. Education	
A. Educational Levels	17
B. Educational Expenditures and Salaries	17
C. Graduate Education	18
D. University R&D Expenditures	18
V. Housing & Related Costs	
A. Overall Cost of Living	19
B. Metropolitan Housing Permits	19
C. Homeownership	20
D. Single Family Home Costs	20
E. Local Utility Costs	21
F. Health Insurance	21
G. Tourism & Entertainment Taxes	22
VI. Other Economic Indicators	
A. Metropolitan Median Household Income	23
B. Metropolitan Retail Sales Trends	23
C. Metropolitan Average Retail Sales	24
D. E-Commerce Retail Sales	24
E. High-Tech Industry Employment	25
F. Metropolitan Area Patents	25
G. Major Airport Activity	26
H. International Trade	26
I. Area Exports	27
J. Gross State Product	27
K. Gross Metropolitan Product	28
L. Fortune 500 Companies	28

Table of Contents

VII. Taxes and Expenditures

A. State Tax Rates/Employer Expenses	29
B. Local Residential Property Taxes	29
C. Local Commercial Property Taxes	30
D. State Tax Revenue	30
E. Federal Spending Per Capita	31

VIII. Quality of Life

A. State Livability Index	32
B. Crime Rate	32
C. Climate	33
D. Mode of Travel to Work	33
E. Congestion Index	34
F. Major Professional Athletic Franchises	34

IX. Current Prices, Rents, and Cap Rates

A. Class A Property Sectors	35
B. Other Property Classes	35
C. Local Market Rankings	36
D. Price and Rent Growth	36

X. Market Analysis

A. Market Snapshot	37
B. Submarket Inventory/Vacancy	41

Methodology	42
--------------------	-----------

Sources	43
----------------	-----------

Other Metro Market Reports	43
-----------------------------------	-----------

I. **Detroit: Snapshot**

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

Job Growth (Loss) 12 Months (Ending in December):	(1.8%)
Unemployment Rate (December):	5.4%
Metropolitan Population Growth (Loss), 1990–2001:	4.3%
Total Metropolitan Population, 2001:	4.4 million

B. **Fourth 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
4th Q. '02	\$111.31	\$19.93	9.6%	\$142.74	\$21.56	8.2%	\$41.03	\$5.42	9.6%	\$117.53	\$16.83	9.3%	\$79.63	\$10.79	8.4%
3rd Q. '02	114.19	20.54	9.5	143.98	21.94	8.2	41.24	5.59	9.7	116.50	16.89	9.4	79.87	10.95	8.5
4th Q. '01	119.81	22.15	9.4	140.32	23.30	8.8	41.89	6.03	9.8	111.32	16.77	9.8	80.46	10.98	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	288,368,700
% Growth—2000–2001*:	0.1%	2.2%
% Growth—1990–2000:	4.2%	13.4%
% Growth—1980–1990:	(2.8%)	9.8%

*U.S. figures reflect mid-2002 population estimates.

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

	2002 Population	Actual % Growth 1990-2002	Ranking*	Projected % Growth 1995-2025**	Ranking*
Michigan	10,050,400	8.1	39	5.5	48
United States	288,368,700	15.9	N/A	35.1	N/A

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

**The projected growth rate was last estimated in 1997. Some states are close to or have already exceeded those projections. New estimates will be released in 2003.

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:	35.8	35.2
% 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 December):	(1.8%)
Total Number of Net New Jobs, 12 Months (Ending in December):	(39,000)
% Unemployed, December 2002:	5.4%
% Unemployed, 12 Months Before:	5.4%

National

Employment Growth (Loss)—% 12-Month (Ending in December):	(0.2%)
% Unemployed, December 2002:	5.7%
% Unemployed, December 2001:	5.4%

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

Sector	12-Month % Growth		% of Total Employment	
	Metro	National	Metro	National
Services	(2.1)	1.4	31.7	31.4
Business Services*	(4.5)	0.2	8.8	7.1
Retail Trade	(7.9)	(0.8)	17.8	18.1
Government	(3.3)	1.2	11.3	16.5
Manufacturing	(6.3)	(3.5)	20.0	12.5
Transportation	(2.0)	(2.6)	4.4	5.1
FIRE	2.0	1.0	5.3	5.9
Wholesale Trade	(2.9)	(1.0)	5.6	5.1
Construction	(4.5)	(1.3)	3.8	4.9

*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: 4Q 2002).

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

C. Metropolitan Total Employment Gain (1992-2002)

Job Growth			
(% Gain/Loss, December 1992-December 2002)			
Las Vegas	82.8	Minneapolis-St. Paul	20.9
Austin	53.4	Greenville-Spartanburg	20.7
Phoenix	53.2	Miami	20.5
Riverside-San Bernardino	46.0	Oakland	20.4
Orlando	43.6	Memphis	20.3
West Palm Beach	42.3	Washington	19.8
Tampa-St. Petersburg	39.4	UNITED STATES	19.5
Raleigh-Durham	38.9	San Jose	18.9
Dallas-Ft. Worth	35.2	Indianapolis	17.9
Atlanta	33.9	Nassau-Suffolk	17.6
Jacksonville	33.7	Seattle	17.6
Charlotte	32.8	Boston	16.1
Salt Lake City	32.5	Baltimore	15.2
San Diego	32.3	Cincinnati	14.9
Denver	31.6	San Francisco	12.6
Sacramento	31.4	Detroit	12.5
Nashville	30.9	Philadelphia	12.0
Fort Lauderdale	30.6	Chicago	11.8
Houston	28.3	Milwaukee	11.6
Albuquerque	27.7	Newark-No. New Jersey	11.4
Orange County	25.7	New York	10.5
Portland	25.6	St. Louis	10.1
Kansas City	23.9	Cleveland	9.1
Oklahoma City	23.4	Los Angeles	7.5
Central New Jersey	22.8	Hartford	1.8
Columbus	22.2	Honolulu	(2.1)

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	\$57,306
Secretary	\$33,156
Computer Systems Analyst	\$65,951
Computer Programmer	N/A
Industrial Engineer	\$67,263
Machinist	\$51,174

Source: U.S. Dept. of Labor, *National Compensation Survey*, Detroit-Ann Arbor-Flint metropolitan area, April 2002.

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—
(2002)

	<u>Rate*</u>	<u>Index**</u>	<u>2002 Rating***</u>	<u>1999 Rating</u>
Michigan	\$3.28	1.031	26	37

*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 \$3.18.

***The rating is based on an analysis of 45 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	\$7,458	20	\$50,694	5	17.6	10
U.S. Average	\$7,161	--	\$43,335	--	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 2001*.

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

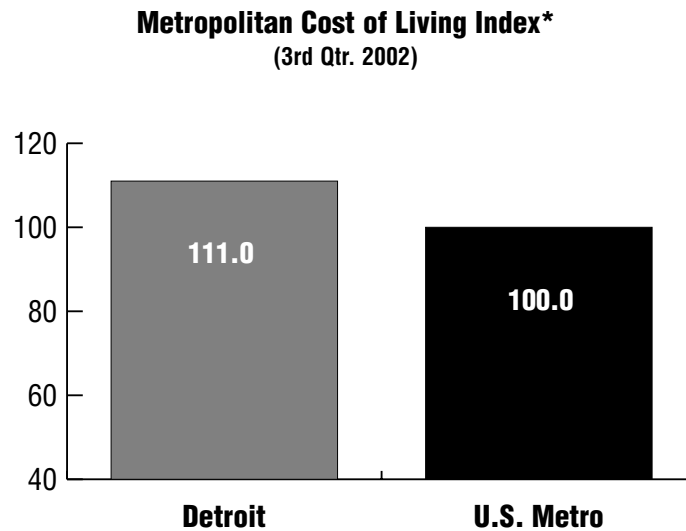
	Federal R&D Expenditures (\$\$ in mil.)	% of Leading School*	Total R&D Expenditures (\$\$ in mil.)	% of Leading School*
Oakland Univ.	\$2.5	1.2	\$4.2	1.6
Wayne State Univ.	\$23.2	10.8	\$51.5	19.2

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

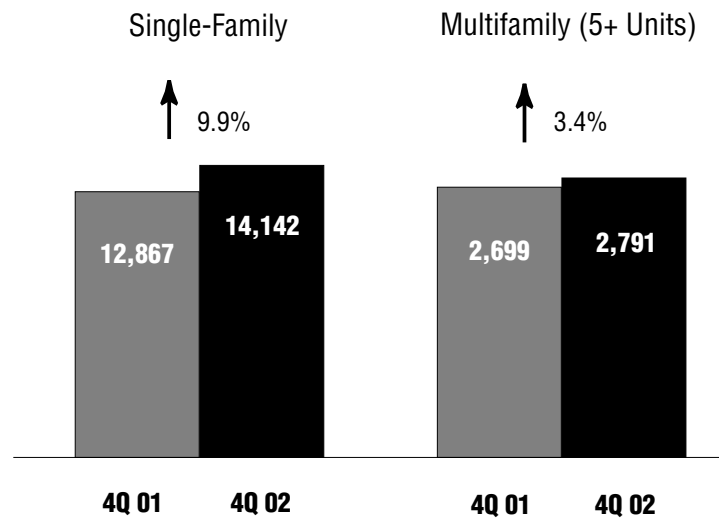
A. Overall Cost of Living



*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



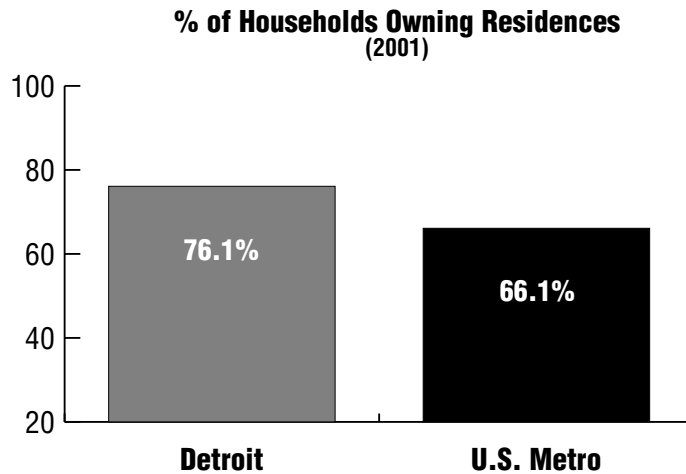
Local Data: Figures represent total permits granted year-to-date in the Detroit PMSA.

U.S. Data: The percent changes in single-family and multifamily permits nationwide were 6.9% and (0.4%), respectively.

Source: U.S. Census Bureau.

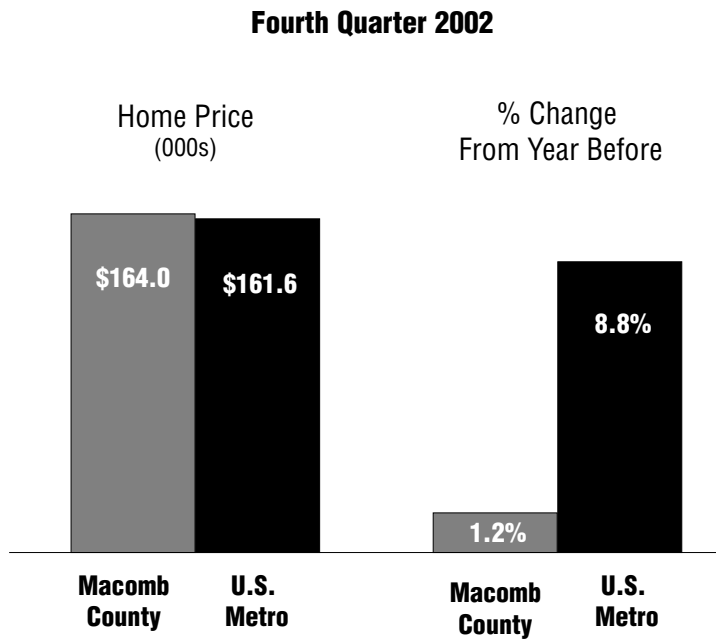
V. **Housing & Related Costs** (Cont.)

C. **Homeownership**



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

D. **Single Family Home Costs**



Note: The U.S. data represents the fourth quarter; the Macomb County data represents year-to-date through December.

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 Coverage & Costs**

	<u>% of Pop. Covered by Health Insurance</u>	<u>Rank</u>	<u>Annual Per Capita Health Care Expenditures</u>	<u>Rank</u>
Michigan	89.6	17	\$3,676	26
U.S.	85.4	--	\$3,759	--

The #1 ranking represents the highest percentage of population covered by health insurance and the highest per capita personal health care expenditures.

Source: Health Insurance: Bureau of Labor Statistics and U.S. Census Bureau (2001). Health Care Expenditures: Centers for Medicare and Medicaid Services (1998).

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.

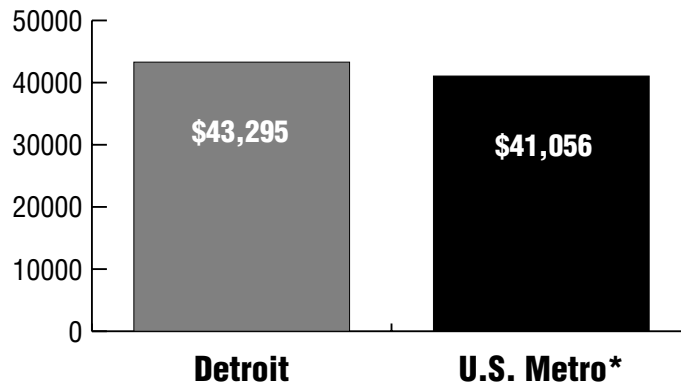
*This is the basic rate. It does not include applicable surcharges.

**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. **2001 Metropolitan Median Household Income**



*The U.S. Metro figure represents the median income of 323 metropolitan areas; \$38,365 is the median income nationwide.

Market Rank: 28*

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

Source: Sales & Marketing Management: 2002 Survey of Buying Power.

B. **Metropolitan Retail Sales Trends**

Metropolitan Retail Sales -- % Change

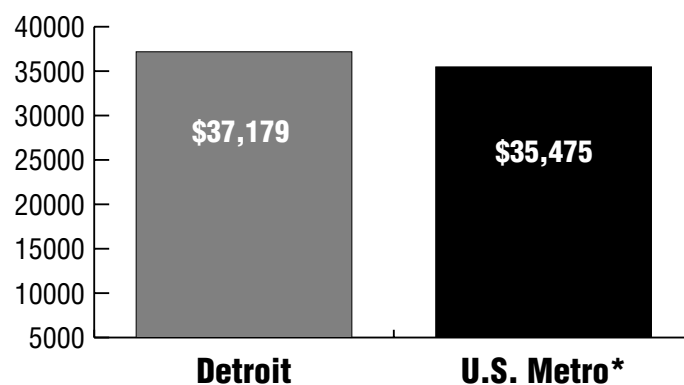
Detroit	N/A
National	(4.4%)

This data reflects same-store sales at major department stores during the 11 months ending in December 2002 compared to the same period one year ago.

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

VI. Other Economic Indicators (Cont.)

C. 2001 Metropolitan Average Retail Sales



*The U.S. Metro figure represents the average retail sales per household of 323 metropolitan areas; \$33,662 is the average retail sales per household nationwide.

Market Rank: 29*

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

Source: Sales & Marketing Management: 2002 Survey of Buying Power.

D. E-Commerce Retail Sales

Third Quarter 2002 (\$\$ in billions)

	Total Retail Sales	E-Commerce Retail Sales	% of Total
U.S.	\$827.5	\$11.1	1.3
Prior Quarter	\$825.2	\$10.3	1.2
Year Ago	\$782.1	\$8.2	1.1

Source: U.S. Department of Commerce.

VI. Other Economic Indicators (Cont.)

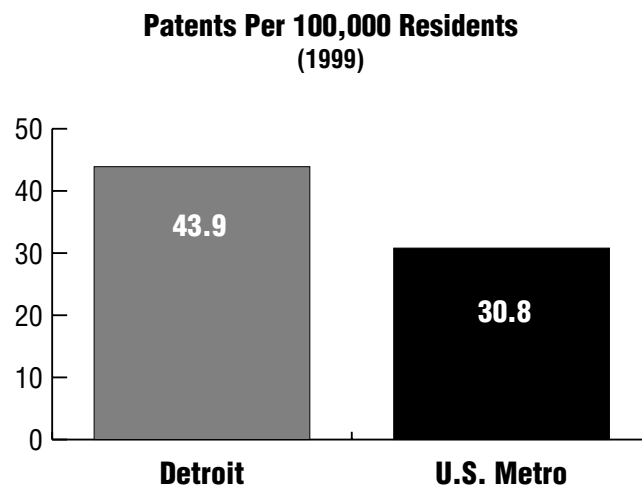
E. High-Tech Industry Employment

	Number of Establishments (2000)	Rank	Number of Employees (2001)	Rank	High-Tech Employment Growth (2000-2001)	Rank
Michigan	6,214	15	110,050	17	2.0%	10

The #1 ranking represents the highest amount in each category.

Source: *Cyberstates 2002*, American Electronics Association.

F. 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.

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-November 2002 (\$\$\$ in billions)	\$86.5	\$79.2	\$165.7
% Change (from year ago)	2.1%	10.7%	6.0%
Total U.S.			
January-November 2002 (\$\$\$ in billions)	\$1,063.4	\$637.7	\$1,701.1
% Change (from year ago)	0.3%	(5.7%)	(2.0%)

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>2001</u>	<u>Rank</u>	<u>% Change</u> (from 2000)
Detroit	\$159.8	10	0.3%

*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	1.9%*
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	4.0%**
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 is the single business tax rate for 2002 and 2003. This tax is scheduled to be repealed in tax year 2010.

**This is the rate for 2003. This tax is being lowered by 0.1% annually through 2004, when it will be 3.9%.

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

B. Local Residential Property Taxes

2002 Residential Property Tax Rate (Per \$100 Valuation)

<u>Location</u>	<u>Effective Rate</u>	<u>Ranking*</u>
Detroit CMP	\$1.53	39

* The residential property tax ranking is based on a comparison of 58 metropolitan areas analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 58 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-September 2002 (\$\$ in millions)

	<u>Personal Income</u>	<u>Corporate Income</u>	<u>Sales</u>	<u>Total*</u>	<u>% Change from Year Ago</u>
Michigan	\$1,697	\$470	\$2,085	\$5,303	3.3%
U.S.	\$42,473	\$5,742	\$43,143	\$106,236	2.5%

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—2001

	<u>Violent</u>	<u>% Change from 2000</u>	<u>Property</u>	<u>% Change from 2000</u>
Detroit	743.5	(1.3)	3,846.5	(2.2)
U.S. Metro Average	504.4	(0.4)	3,656.1	1.0

Source: Federal Bureau of Investigation, *Crime in the United States*.

B. State Livability Index

	2002 Index Rating*	<u>2002 Rank</u>	<u>2001 Rank</u>
Michigan	25.51	23	27

*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 best ranking is 1.

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

VIII. Quality of Life (Cont.)

C. Climate

Average Temperature (Fahrenheit)

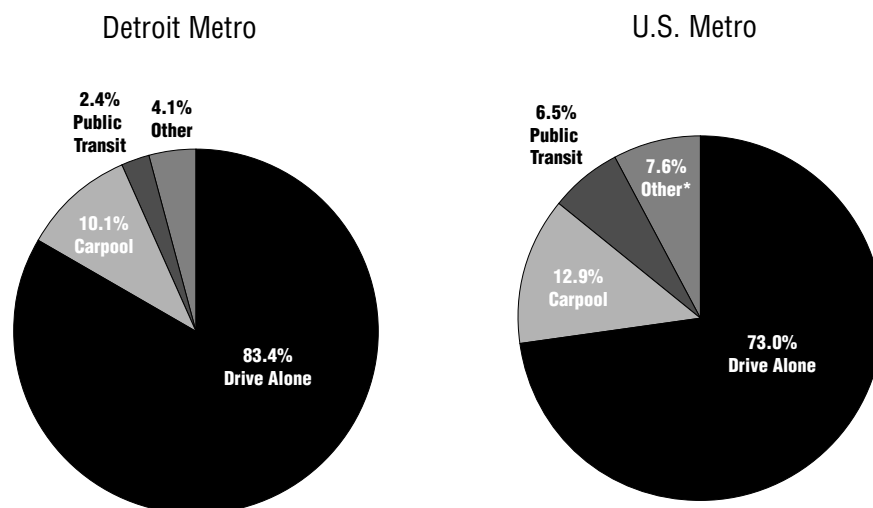
	<u>High</u>	<u>Low</u>
Winter	31	16
Spring	58	37
Summer	82	59
Autumn	63	41

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	\$209.55	\$30.04	7.6%	\$179.43	\$23.46	7.4%	\$43.86	\$5.37	8.7%	\$122.97	\$17.47	8.9%	\$105.51	\$14.12	7.9%
Midwest Region	156.41	24.45	8.6	144.83	21.07	8.2	39.12	5.01	9.0	109.44	15.56	9.2	82.29	11.49	8.3
4th Q. '02	\$111.31	\$19.93	9.6%	\$142.74	\$21.56	8.2%	\$41.03	\$5.42	9.6%	\$117.53	\$16.83	9.3%	\$79.63	\$10.79	8.4%
3rd Q. '02	114.19	20.54	9.5	143.98	21.94	8.2	41.24	5.59	9.7	116.50	16.89	9.4	79.87	10.95	8.5
4th Q. '01	119.81	22.15	9.4	140.32	23.30	8.8	41.89	6.03	9.8	111.32	16.77	9.8	80.46	10.98	8.6

B. Other Property Classes – Most Recent Period

Property Sector	Price Per SF	Property Sector	Price Per SF
Class B Suburban Office	\$111.62	Class B Apartment	\$51.81
Class B Anch. Shopping Ctr.	\$91.28	Class B Flex/Business Campus	\$63.57

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**

4th 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	46	29	24	28	28	32
Rents	43	25	18	27	27	27

*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	(7.1%)	1.7%	(2.1%)	5.6%	(1.0%)	(3.5%)
Rents	(10.0%)	(7.5%)	(10.1%)	0.4%	(1.7%)	(2.1%)
<u>National</u>						
Prices	0.2%	0.8%	(0.5%)	3.4%	0.8%	2.4%
Rents	(7.7%)	(7.9%)	(4.3%)	(0.1%)	(3.0%)	(1.2%)

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 Contracts

The greater Detroit area eliminated 39,000 net jobs in 2002 for a 1.8% reduction in the local employment base. This indicates further softening compared to the 29,500 positions lost during the 12 months ending in September. The 5.4% unemployment rate in December 2002 was unchanged from the rate posted one year earlier.

Service Sector Posts Largest Loss: The local service sector experienced the greatest decline in employment, shaving 14,200 jobs. Retail was next, shedding 7,900. Michigan-based Kmart's bankruptcy has had a large impact here as the giant retail chain continues to close stores and cut its payroll to improve its bottom line. Manufacturing continues to contract, eliminating 6,300 positions. Construction was down 4,500, government cut 3,300, wholesale trade lost 2,900, and transportation shed 2,000 jobs.

The finance, insurance, and real estate sector (FIRE) was the only major employment category to expand, adding 2,000 positions.

Sales Slide at the Big Three: Ford, General Motors, and DaimlerChrysler top the list for the largest employers in the region with 67,000, 53,000, and 52,000 workers, respectively. Consequently, Detroit's economy is closely tied to the automobile industry's output and performance. Special financing offers kept automobile sales strong in late 2001 and through 2002, but levels remain lower when compared to the last few years. The service sector is also a major part of the local economy. Fourth and fifth on the list of largest employers are Henry Ford Health System and Detroit Medical Center.

OFFICE

Downtown Detroit's office market remained relatively unchanged from the third quarter as vacancy rose only one-tenth of a percentage point to 21% in the fourth quarter, according to Paragon Corporate Realty Services. Meanwhile, Detroit's suburban market saw a decrease in vacancy from 14.2% to 13.5%. The vacancy rate for metropolitan Detroit ended the year at 16.1%, up from 15.8% at the end of the third quarter. Available space increased in

several submarkets during the fourth quarter reaching nearly 2.2 million square feet, up 200,000 square feet over the third quarter.

Net absorption in greater Detroit rose from 327,000 square feet in the red to a modest 19,000 square feet between the third and fourth quarters, while construction (which does not include build-to-suit developments) fell from 640,000 square feet to 481,000 square feet. The speculative projects are few and far between—the 325,000 square foot Farmington Hills Corporate Center II at Twelve Mile and Halsted Roads broke ground in the third quarter. On a much smaller scale, the Blain Group began construction on the 30,000 square foot expansion of its Cambridge Center West, doubling the size to 60,000 square feet.

Developers Focus on Build-to-Suits: The majority of 2002's new office construction consisted of build-to-suits or owner-occupied developments. In Dearborn, a new corporate headquarters for workwear clothing manufacturer Carhartt Inc. is underway in the Fairlane North Technology Park. The 56,000 square foot facility will consolidate the company's corporate, sales, and marketing offices currently located in the Parklane Towers. Occupancy is scheduled for August 2003. Initial construction will support 257 employees, with future expansion space included.

Construction of Compuware's one million square foot headquarters building, which is expected to accommodate 3,000 employees, is scheduled to wrap up in the first quarter of 2003. It is located at 1 Campus Martius on the site of the former Kern's department store in downtown Detroit. The company is also considering expanding the back of the building to house another 1,500 workers, but that will depend on improvements in the economy. Compuware plans to sell its 235,000 square foot headquarters on Northwestern Highway and Middle Belt Road in Farmington Hills.

TRW Automotive plans to relocate its corporate functions from Cleveland to a new 120,000 square foot building in Livonia. The move will create 165 new jobs over the next several years.

Tenants Hold Out for Bargains: Office leasing activity remained sluggish through the end of the year. However, several tenants (seeking 20,000 square feet or more) are touring space and requesting

X. Market Analysis

A. Market Snapshot (continued)

proposals from landlords as much as two years before lease expirations to take advantage of favorable rates.

PricewaterhouseCoopers plans to relocate from the Renaissance Center to a new 100,000 square foot building adjacent to Ford Field. The firm is expected to take up to 80,000 square feet of the new building in 2005. Covisint, an automotive Internet exchange, has pushed back its plans to move into a new world headquarters in Southfield until Summer 2003. The company plans to occupy about 70,000 square feet at Southfield TechCenter II, now under construction at Eight Mile and Lahser.

INDUSTRIAL

The industrial market in metropolitan Detroit grew by approximately nine million square feet to 510 million square feet between the third and fourth quarters of 2002, according to CB Richard Ellis. The jump is due to inventory adjustments and reclassifications, in addition to the delivery of new buildings. The availability rate increased as well, from 9.6% to 10.9%. Year-to-date absorption (which represents sales and leasing activity) increased in the fourth quarter after a slow third quarter performance, climbing from 16 million square feet to 25 million square feet.

Slowdown in Construction: Construction dropped from 4.6 million square feet in the third quarter to 1.6 million square feet at the end of the fourth quarter. As new space came on-line, availability rose in every submarket with Detroit posting the highest availability rate (13.8%) and Southeast Oakland reporting the lowest rate (6.5%). There are currently 38 buildings under construction, just 16.3% pre-leased.

Developers are wrapping up on the Northline Commerce Center (515,000 square feet) in Taylor. In Van Buren, Opus recently completed its two-building, 400,000 square foot speculative bulk distribution project and is waiting for tenants. In Romulus, Liberty Property Trust is preparing to build a 250,000 square foot facility on Cogswell and Ecorse Roads and Burton-Katzman continues to work on its 74,000 square foot facility on Warhman Road.

Large Mixed-Use Projects on the Docket: Ford Motor Land has yet to decide whether it will sell the remainder of the Packard site in Shelby township or work with a development team to create a technology park, offices, and retail space. It will donate up to 14 acres to the Packard Motor Car Foundation, which plans to convert the original plant into a tourist attraction, and 34 acres to the township for use as a recreation area. The complex includes a two-and-a-half mile oval test track along with research and engineering facilities.

In Macomb, a court decision this Fall cleared the way for a mixed-use development at Hayes and 22 Mile Roads, currently the site of the small Berz-Macomb Airport. Plans call for a 700,000 square foot industrial park, a grocery-anchored retail center, and office/medical space. The development will also include about 500 single-family homes. Meanwhile, site work has begun on a new 164-acre technology and industrial park on the border of Orion and Auburn Hills.

Champion Foods is creating a new food manufacturing facility in Huron township that is expected to create up to 411 jobs.

Race is on for Smart Zones: Detroit and Michigan Economic Development officials recently announced that the new 250,000 square foot facility known as NextEnergy will be built at the University Research and Technology Park owned by Wayne State University. It is hoped that this initiative will bring scientists to the area to research and develop alternative fuel sources. Meanwhile, the future of the University Research and Technology Park itself is in question. The 88-acre site is located in the Woodward Technology Corridor Smart Zone (Smart Zones are a state-wide collection of properties that earn tax credits for future development). But, if construction does not start soon, the city could lose ground to other Michigan communities competing for the same funds. For instance, Kalamazoo and Lansing are aggressively pursuing companies to locate in their Smart Zones. Asterand Inc., a biotech firm, has been tapped to anchor the University Research and Technology Park project, but could be lured away if other cities offer sufficient funds. Local officials say they are still obtaining financing commitments for the \$18.2 million first phase of development.

X. Market Analysis

A. Market Snapshot (continued)

The plans for the park are ambitious. The first phase calls for a 45,000 square foot collaboration center, 34,000 square feet of technology incubator space, and 11,000 square feet of space for business assistance agencies. There would also be 73,000 square feet of multi-tenant space.

In October, leaders in Ann Arbor unveiled plans for the new Michigan Information Technology Center (MITC). The MITC is one piece of Governor John Engler's vision for the development of the next generation of Internet technology.

Exports/Imports Increase: The value of exports handled by the Detroit Customs District totaled \$79 billion through November 2002, a 10.7% increase from the first 11 months of 2001. Imports rose 2% to \$86 billion.

RETAIL

New construction, slow demand, and bankruptcies hampered performance in greater Detroit's retail market in 2002. The vacancy rate stood at nearly 9% in the third quarter, according to Marcus & Millichap. The fall-out from bankruptcies among retailers such as Jacobson's and Kmart has left the Detroit area with large blocks of space to fill. These market conditions are expected to prompt developers to remove several million square feet of proposed projects from the pipeline.

Retail Finally Discovers Downtown: The opening of two new sports stadiums—Comerica Park for baseball and the Ford Field football stadium—plus the redevelopment of Rivertown are boosting retail activity in the city. Ford Field, for instance, offers 100,000 square feet of retail space. Compuware's campus is also generating shopping opportunities with 600,000 square feet of retail space underway. The Renaissance Center will add 230,000 square feet of retail, with approximately 12 new retailers in what has been dubbed the Riverfront Shops. Renovation of the Renaissance Center is scheduled for completion by 2004. The latest urban new-comer, soon to break ground, is a \$20 million, three-level retail mall in a landmark but boarded-up department store on Grand River Avenue and Greenfield Road in northwest Detroit. Grand River Place mall calls for about 20 stores.

Wal-Mart Fills in for Kmart: Aside from the projects above, big-box development accounts for most of the remaining space under construction in metro Detroit. Wal-Mart is taking advantage of the opportunity created by Kmart's bankruptcy and subsequent closure of stores by planning nine stores here. The retail giant was previously dissuaded by the stronghold that Kmart, Target, and Meijer's had on the market. The Sterling Heights Super Kmart on Van Dyke and 14 Mile is the latest closure, joining eight other empty buildings there that had once been home to major retailers.

Von Maur, a high-fashion department store chain, plans to open two stores by Fall 2003 in former Jacobson's space at Briarwood mall in Ann Arbor and Laurel Park Place mall in Livonia. Jacobson's filed for bankruptcy in January and decided to liquidate in July.

In sales activity, Livonia Plaza (134,000 square feet) on Five Mile Road was bought by a Southfield-based REIT for \$13 million.

APARTMENT

The vacancy rate for apartments in metropolitan Detroit stood at 5.8% in the fourth quarter of 2002, according to Marcus & Millichap. This reflects a slight increase from the 5.7% rate posted by most analysts at mid-year 2002. There was a modest increase in construction between 2001 and 2002 with multifamily permits increasing 3% to 2,800. Marcus & Millichap predicts that the overall vacancy rate will climb above 6% by the end of 2003.

Detroit Catches onto Conversions: The largest apartment complex underway in downtown Detroit is the 126-unit Heritage at Riverbend, next to Riverbend Plaza. Detroit has been slow to latch onto the conversion craze that has taken over cities like Chicago and Philadelphia, but old office buildings are finally finding new uses as apartment complexes here, too. For instance, the Kales building at 76 West Adams Street is being transformed into 119 loft apartments. In addition, the Sterling Group is planning to convert two vacant buildings on Woodward Avenue into 90 residential units plus retail space.

X. Market Analysis

A. Market Snapshot (continued)

Other multifamily developments underway in the Detroit area include the 336-unit Cider Mill Village in Rochester Hills, a 280-unit complex on M-59 and Ryan Road in Sterling Heights, and the 198-unit Parklane Townhomes in Woodhaven.

Huge Complex Slated for St. Clair Shores: A 900-unit luxury condominium complex is being mapped out for the Jefferson Beach Marina in St. Clair Shores. The massive project is part of an even larger development called City Place on the Shore, which calls for office buildings and retail space.

HOSPITALITY

The occupancy rate for hotels in metropolitan Detroit averaged 58% in 2002 compared to 60% in 2001, according to Smith Travel Research. The average room rate dropped from \$81 to \$77.

Ambitious Plans for Downtown: The Hilton Garden Inn (198 rooms), which is under construction on Gratiot Road in Detroit, is fueling hopes for the addition of at least six other hotels in the downtown area over the next four years. Proposals being considered include 400-room hotels for each of the three casinos, a 350-room hotel in the Campus Martius district at Woodward and Monroe, 234 rooms at the vacant Pick Fort Shelby hotel at Lafayette and First, and a 230-room hotel at Ford Field. The city is also working with HUD to convert the vacant Book-Cadillac hotel into a 478-room lodge.

Mixed-Use Project Targeted for Royal Oak: A local developer plans to build a \$95 million office/hotel complex at I-696 and Woodward Avenue in Royal Oak. Though the plans have changed several times, they now call for building the 125-room hotel first. The location is seen as a gateway to downtown. Tri-Mount Construction recently completed a condominium project just north of the site.

Luxury Hotel Headed for Rochester: Plans for a \$30 million luxury hotel in downtown Rochester have been approved by the city Planning Commission, clearing the way for the developers to obtain financing. The 140-room hotel is targeted for a site

overlooking Paint Creek on East University Drive. Plans call for 15,000 to 20,000 square feet of banquet space, a high-end restaurant, and suites on the top floor.

Troy to Vote on New Conference Center: In February, the Troy City Council voted to approve a convention center, hotel, and restaurants after nearly a decade of trying to decide what to do with the city's old civic center site. Plans call for a 200,000 square foot conference center, a hotel with up to 500 rooms, a performing arts theater, 6,000 square feet of retail space, and three full-service restaurants. Troy voters must approve the land sale before the development can move forward. If approved, the project will be built on 11 acres of a 124-acre parcel adjacent to the Troy Municipal Center, near Big Beaver Road and I-75.

X. Market Analysis

B. Submarket Inventory/Vacancy

OFFICE*				
SUBMARKET	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
Downtown Detroit	12,009,484	21.0%	0	0
SUBURBAN				
Farmington Hills	3,815,092	11.6%	50,316	325,000
I-275 Corridor	3,335,527	14.9%	(12,632)	63,000
Southfield	10,559,402	19.0%	(75,922)	0
Troy	11,556,351	18.1%	(16,119)	0
Birmingham/Bloomfield/ Bingham Farms	4,928,060	15.1%	17,306	0
Auburn Hills	1,339,745	14.5%	39,397	0
Dearborn	2,870,130	6.4%	16,358	0
Ann Arbor	2,692,282	7.3%	0	93,000
Suburban Total	41,096,589	13.5%	18,704	481,000
MARKET TOTAL	53,106,073	16.1%	18,704	481,000
*Reported as of fourth quarter 2002.				
Source: Paragon Corporate Realty Services (Farmington Hills).				

INDUSTRIAL *				
SUBMARKET	INVENTORY	AVAILABILITY	ABSORPTION	CONSTRUCTION
Macomb	90,881,721	8.3%	3,259,319	217,946
I-75 Corridor	75,261,247	7.7%	3,462,203	236,688
Southeast Oakland	13,369,091	6.5%	729,539	0
Northwest Suburbs	51,501,207	13.5%	3,421,113	431,593
Western Wayne	80,660,501	10.2%	6,352,391	82,460
Downriver	65,137,152	13.1%	4,584,901	608,300
Detroit	114,193,026	13.8%	2,098,729	0
Washtenaw	19,338,061	9.3%	1,129,470	0
MARKET TOTAL	510,342,006	10.9%	25,037,665	1,576,987
*Reported as of fourth 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)

Other Metro Market Facts Reports

Albuquerque	Hartford	Oklahoma City
Atlanta	Honolulu	Orange County
Austin	Houston	Orlando
Baltimore	Indianapolis	Philadelphia
Boston	Jacksonville	Phoenix
Central New Jersey	Kansas City	Portland
Charlotte	Las Vegas	Raleigh-Durham
Chicago	Los Angeles	Riverside-San Bernardino
Cincinnati	Memphis	Sacramento
Cleveland	Miami	Salt Lake City
Columbus	Milwaukee	San Diego
Dallas-Ft. Worth	Minneapolis-St. Paul	San Francisco
Denver	Nashville	San Jose
Detroit	Newark-No. New Jersey	Seattle
Fort Lauderdale	New York-Nassau Suffolk	St. Louis
Greenville-Spartanburg	Oakland-East Bay	Tampa-St. Petersburg

To order, call 800.992.7257 or visit www.realestateindex.com.