

Detroit

Vol. 44

FOURTH QUARTER 2004

ANALYZES:

CBD Office
Suburban Office
Industrial
Retail
Apartments

REPORTS:

Property Prices
Property Rents
Market Forecasts (NEW)
Demographic Highlights
Local Economy
Labor Force Characteristics
Educational Achievement
Tax Structure
Housing & Living Costs
Quality of Life Factors

A publication of the NATIONAL REAL ESTATE INDEX

REPORT FORMAT

Vol. 44

Metro Market Outlook ("MMO") replaces the previous Metro Market Facts publication. While maintaining the basic "facts" components of the previous report, the new MMO has been reorganized to place the pertinent real estate information and commentary up front and adds a new **market forecast component**—hence the new name. MMO is now organized into two primary parts as follows:

Part 1—Real Estate Facts and Forecast presents an overview of key real estate facts including values, rents, cap rates, inventory, vacancy and absorption trends and includes a new section presenting a look-ahead forecast for the market, by property sector.

- Section I:** Local market price, and capitalization rate trends for the preceding 12 months.
- Section II:** Review of rent facts and trends for the local market by property sectors.
- Section III:** Inventory, vacancy, absorption and sales information for various property sectors.
- Section IV:** Market forecasts projecting a ranking of the investment potential for the market, by property sector, as compared to national averages. (This is a new section.)

Part 2—Metro Market Facts provides 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.

- Section V:** Snapshot highlighting the key economic, demographic and real estate-related findings.
- Section VI:** Local economic base and current labor force and job formation trends.
- Section VII:** Provides various educational costs and parameters.
- Section VIII:** Explores local living costs.
- Section IX:** Reports other important factors, including retail sales trends and international trade.
- Section X:** Local and state fiscal policies, including taxes and federal spending.
- Section XI:** Summarizes several key quality-of-life considerations.



Dynamic Reporting available where this symbol appears.

The National Real Estate Index has constructed a web-based interactive Dynamic Reporting tool that allows our premium service customers to customize their reported data in a wide variety of charting and graphing formats. The functionality is available to all full-year and enterprise-level subscribers.

For additional information on how to receive these services and pricing, please contact paul.wildes@nrei.info or call (800) 992-7257.

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DETROIT: MARKET DEFINITION

The tenth-largest city in the nation, Detroit has long been known for being the center of major U.S. auto manufacturing. Government and the health-care industry have now surpassed the auto industry in terms of employment, though. The Detroit area is home to such corporations as General Motors, Ford Motor Company, Kellogg, Kmart, Dow Chemicals and the Herman Miller National Design Center.



Detroit PMSA Includes:

Lapeer County

Macomb County

Monroe County

Oakland County

St. Clair County

Wayne County

METRO MARKET OUTLOOK— REGIONS/LOCAL MARKETS

PACIFIC/NORTHWEST

Oakland-East Bay
Portland
Sacramento
San Francisco
San Jose
Seattle
Honolulu

PACIFIC/SOUTHWEST

Albuquerque
Las Vegas
Los Angeles
Orange County
Phoenix
Riverside-San Bernardino
San Diego

PLAINS/WEST

Austin
Dallas-Ft. Worth
Denver
Oklahoma City
Salt Lake City

FLORIDA/GULF COAST

Ft. Lauderdale
Houston
Jacksonville
Miami
Orlando
Tampa-St. Petersburg
West Palm Beach

SOUTHEAST

Atlanta
Charlotte
Greenville-Spartanburg
Memphis
Nashville
Raleigh-Durham

MID-ATLANTIC

Baltimore
Central New Jersey
Philadelphia
Washington

NORTHEAST

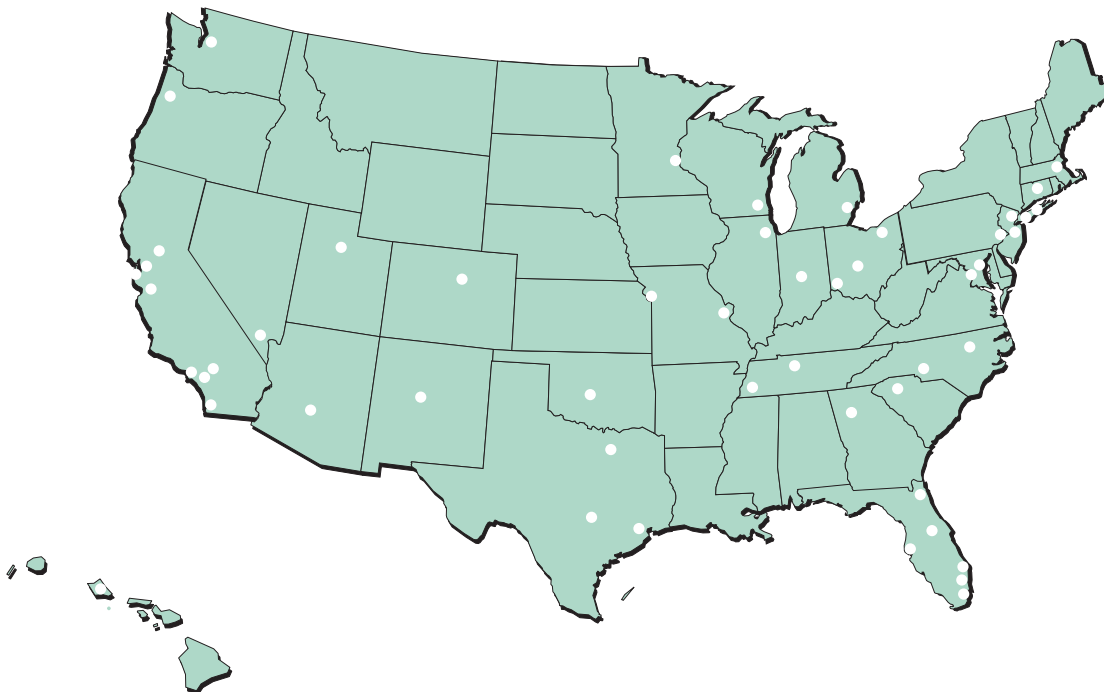
Boston
Hartford
New York/Nassau-Suffolk
Northern New Jersey

EAST CENTRAL

Cincinnati
Cleveland
Columbus
Detroit
Indianapolis

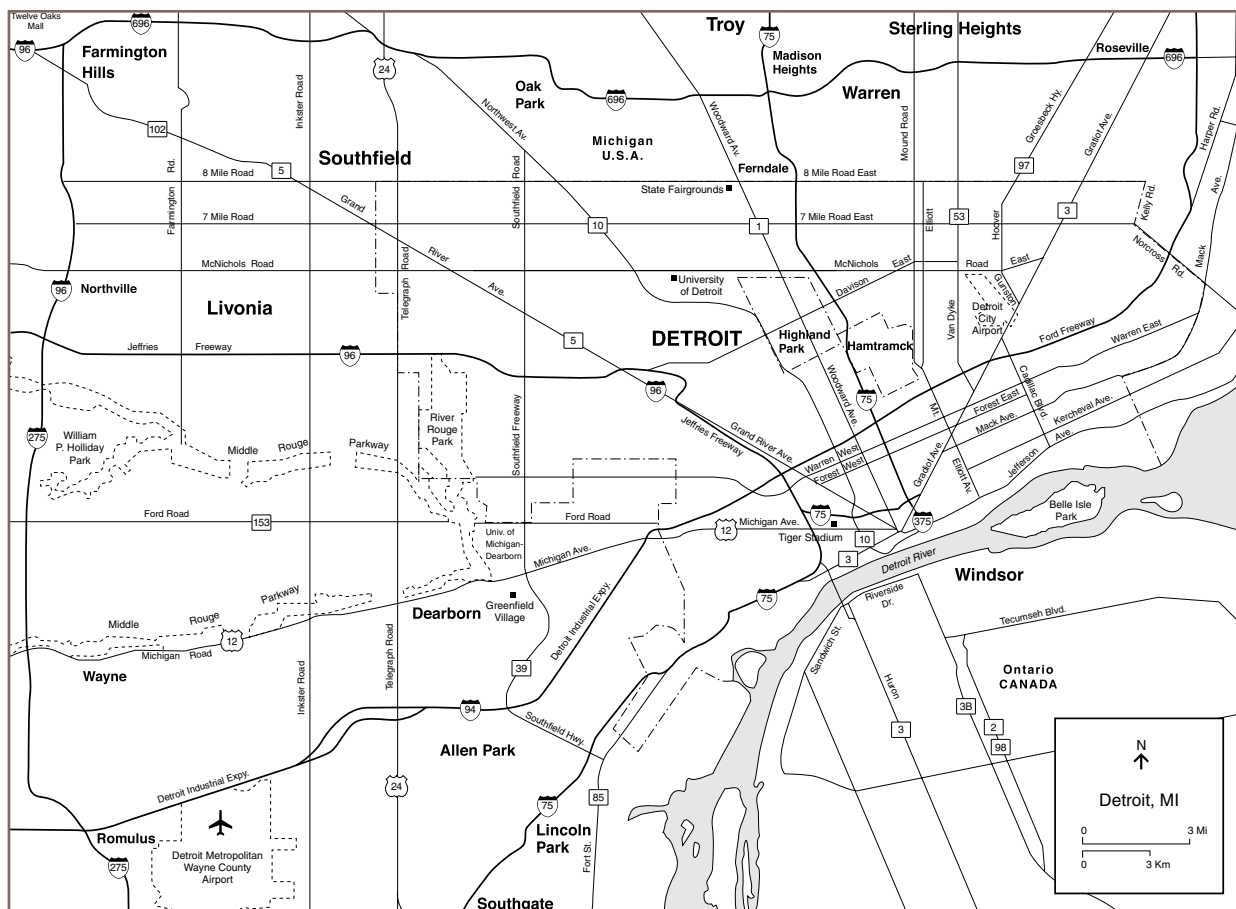
WEST CENTRAL

Chicago
Kansas City
Milwaukee
Minneapolis-St. Paul
St. Louis



DETROIT: METROPOLITAN MAP

Land Area of Detroit PMSA:	4,466 sq. miles
Population (2003):	4,461,600
Population Density (2003):	999 people per sq. mile



DETROIT: MARKET TRENDS SUMMARY

CBD OFFICE

Detroit's downtown office sector has a \$17.73 per square foot effective rent for Class A office, which is 0.8% lower than last quarter and 4.0% lower than last year. This metro has a \$107.17 per square foot average price for CBD Office, which is 0.4% lower than last quarter and 5.2% lower than last year. The metro has a 24.0% CBD office vacancy rate, which is 0.2% lower than last quarter and 0.7% lower than last year.

SUBURBAN OFFICE

The metro of Detroit has a \$19.75 per square foot effective rent for Class A suburban office, which is 0.6% lower than last quarter and 3.0% lower than last year. This metro has a \$136.89 per square foot average price for suburban office, which is 0.3% lower than last quarter and 3.9% lower than last year. The metro has a 20.8% suburban office vacancy rate, which is 0.4% higher than last quarter and even with last year.

WAREHOUSE

The metro of Detroit has a \$5.10 per square foot effective rent for warehouse, which is 0.4% lower than last quarter and 1.0% lower than last year. This metro has a \$40.21 per square foot average price for warehouse, which is 0.2% lower than last quarter and 1.5% lower than last year. The metro has a 12.7% vacancy, which is 0.3% lower than last quarter and 0.1% lower than last year.

RETAIL

The metro of Detroit has a \$17.21 per square foot effective rent for Class A unenclosed shopping centers, which is 1.5% higher than last quarter and 2.9% higher than last year. This metro has a \$129.65 per square foot average price for shopping centers, which is 0.7% higher than last quarter and 4.7% higher than last year.

APARTMENT

The metro of Detroit has a \$10.91 per square foot effective rent for Class A apartments, which is 0.2% lower than last quarter and 1.4% lower than last year. This metro has an \$84.06 per square foot average price for apartments, which is 0.2% lower than last quarter and 0.1% lower than last year.

Source: NREI *Rent Monitor*; *Value Monitor*; and *Metro Market Outlook*, Section III. Historical data taken from prior quarter and year-ago NREI *Metro Market Facts* reports.

Real Estate Facts & Forecast



I. VALUE FACTS & TRENDS

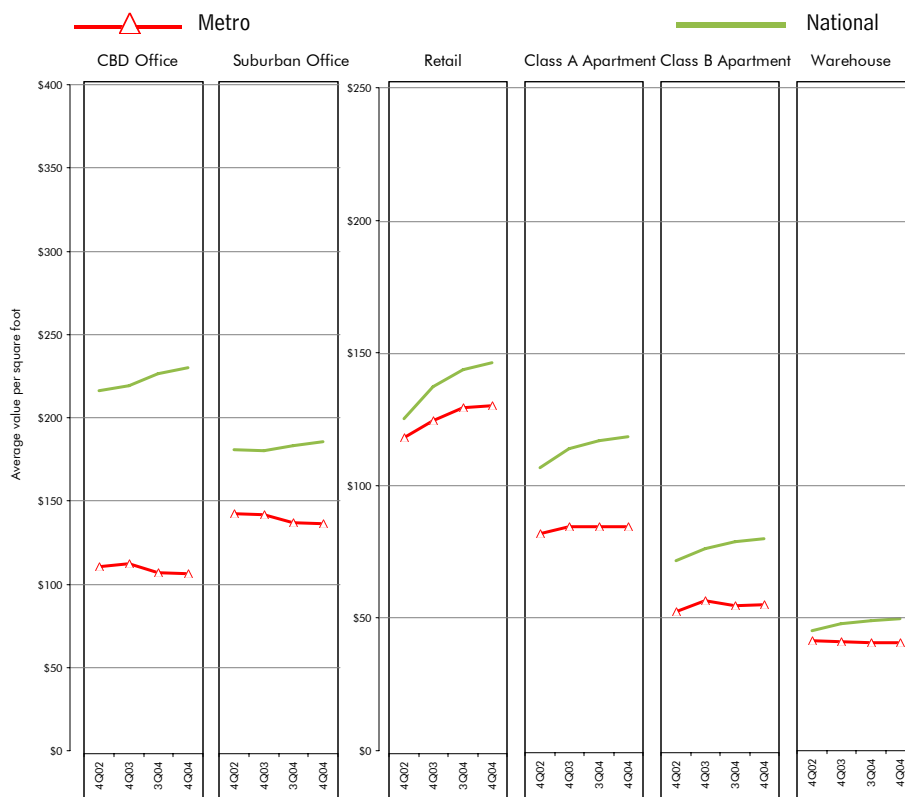
A. Current Property Values/Cap Rates

	CBD OFFICE		SUBURBAN OFFICE		WAREHOUSE		RETAIL		CLASS A APARTMENT		CLASS B APARTMENT	
	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate
National	\$229.74	7.3%	\$185.43	7.6%	\$49.46	8.1%	\$145.62	7.9%	\$117.90	6.8%	\$79.76	7.5%
East Central Region	117.54	9.3	120.07	8.7	37.03	8.8	111.07	8.6	73.50	7.7	50.45	8.5
Metro Area												
4 Q. '04	107.17	9.4	136.89	8.2	40.21	9.5	129.65	8.5	84.06	7.9	55.31	8.4
3 Q. '04	107.62	9.4	137.27	8.2	40.29	9.5	128.70	8.5	84.21	7.9	54.74	8.5
4 Q. '03	112.99	9.1	142.47	8.0	40.84	9.4	123.88	8.8	84.16	8.0	56.71	8.4



Source: NREI Value Monitor.

B. Value Trends—Change in Price Per Square Foot



Source: NREI Value Monitor.



I. VALUE FACTS & TRENDS

C. Other Property Class Values—Most Recent Period

PROPERTY SECTOR	PRICE PER SF
Class B Suburban Office	\$110.43

Source: NREI Value Monitor.

D. Local Market Property Value Rankings

4th Qtr. 2004 - Rankings
(#1 is highest rank, #61 is lowest)

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
Rank out of 61 Markets*	50	36	35	36	32	35

*The figures above denote the local market ranking for the corresponding property sector among the 61 metro-politan areas (plus Manhattan Downtown/New York City for CBD office) analyzed by the NREI Value Monitor. A ranking of "1" designates the highest value per square foot for Class A space (except for Class B Apartment) for the corresponding property sector among all markets for the noted time period.

Source: NREI Value Monitor.

I. VALUE FACTS & TRENDS

E. Value Growth—Change in Price Per Square Foot

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
% CHANGE FROM <u>QUARTER AGO</u>						
Detroit	-0.4%	-0.3%	-0.2%	+0.7%	-0.2%	+1.0%
National Average	+1.6%	+1.3%	+1.5%	+1.9%	+1.5%	+1.2%
% CHANGE FROM <u>YEAR AGO</u>						
Detroit	-5.2%	-3.9%	-1.5%	+4.7%	-0.1%	-2.5%
National Average	+4.9%	+2.8%	+3.8%	+6.6%	+4.0%	+4.8%
% CHANGE FROM <u>TWO YEARS AGO</u>						
Detroit	-3.7%	-4.1%	-2.0%	+10.3%	+3.0%	+5.7%
National Average	+6.4%	+2.6%	+9.9%	+16.8%	+11.1%	+11.5%

Source: NREI Value Monitor.

II. RENT FACTS & TRENDS

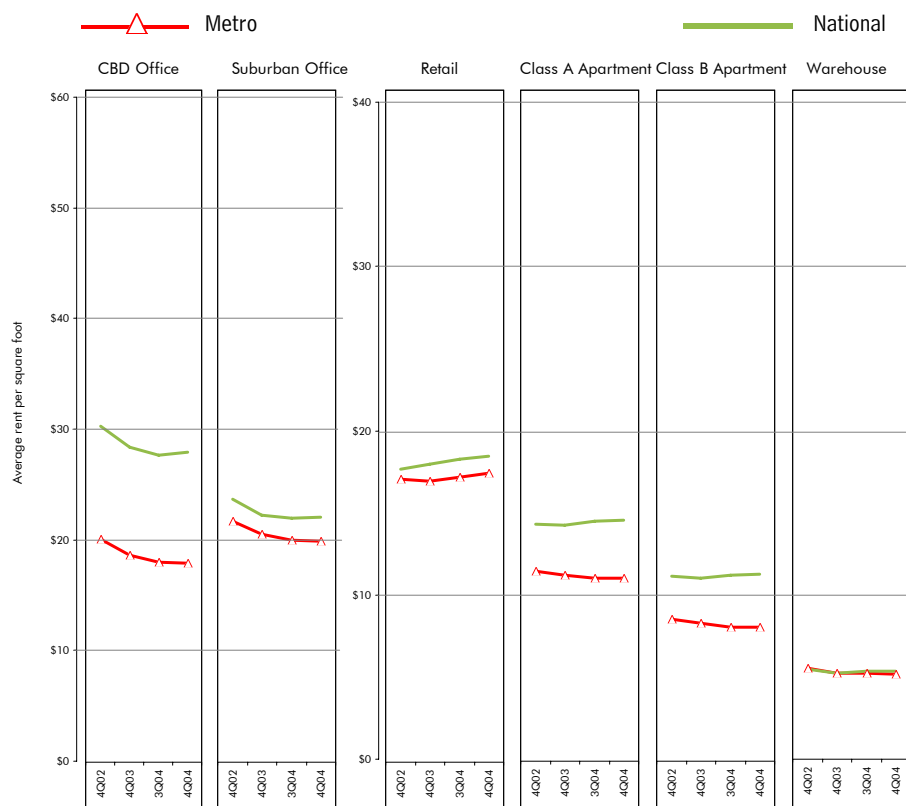
A. Current Property Rents

	CBD OFFICE			SUBURBAN OFFICE			WAREHOUSE			RETAIL			CLASS A APARTMENT			CLASS B APARTMENT		
	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %
National	\$29.63	\$28.39	4.3%	\$22.89	\$21.84	4.7%	\$5.45	\$5.28	3.4%	\$18.48	\$18.22	1.5%	\$14.94	\$14.28	4.8%	\$11.39	\$10.98	4.0%
East Central Region	20.71	19.59	5.5	19.47	18.20	6.5	4.44	4.27	4.0	15.20	14.94	1.7	10.68	10.06	5.9	8.14	7.75	4.9
Metro Area																		
4 Q. '04	18.98	17.73	6.6	21.01	19.75	6.0	5.31	5.10	4.0	17.42	17.21	1.2	11.63	10.91	6.2	8.44	8.00	5.2
3 Q. '04	19.31	17.88	7.4	21.22	19.86	6.4	5.36	5.12	4.4	17.22	16.96	1.5	11.58	10.93	5.6	8.43	8.01	5.0
4 Q. '03	20.24	18.46	8.8	21.98	20.35	7.4	5.35	5.15	3.8	16.95	16.73	1.3	11.54	11.06	4.2	8.65	8.20	5.2



Source: NREI Rent Monitor.

B. Rent Trends/Change in Rent Per Square Foot



Source: NREI Rent Monitor.

II. RENT FACTS & TRENDS

C. Local Market Property Rent Rankings

4th Qtr. 2004 - Rankings
(#1 is highest rank, #61 is lowest)

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
Rank out of 61 Markets*	49	28	23	30	30	36

*The figures above denote the local market ranking for the corresponding property sector among the 61 metropolitan areas (plus Manhattan Downtown/New York City for CBD office) analyzed by the NREI Value Monitor. A ranking of "1" designates the highest value per square foot for Class A space (except for Class B Apartment) for the corresponding property sector among all markets for the noted time period.

Source: NREI Rent Monitor.

D. Rent Growth/Change in Rent Per Square Foot

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
% CHANGE FROM QUARTER AGO						
Detroit	-0.8%	-0.6%	-0.4%	+1.5%	-0.2%	-0.1%
National Average	+0.9%	+0.3%	+0.2%	+1.2%	+0.3%	+0.5%
% CHANGE FROM YEAR AGO						
Detroit	-4.0%	-2.9%	-1.0%	+2.9%	-1.4%	-2.4%
National Average	-1.6%	-0.9%	+2.9%	+2.8%	+2.3%	+1.7%
% CHANGE FROM TWO YEARS AGO						
Detroit	-11.0%	-8.4%	-5.9%	+2.3%	-3.5%	-5.3%
National Average	-7.7%	-6.9%	-1.5%	+4.4%	+1.8%	+0.8%

Source: NREI Rent Monitor.

III. INVENTORY/VACANCY/ ABSORPTION & SALES

A. Office

METRO SUBMARKETS	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
Ann Arbor	4,011,135	13.7%	70,605	200,000
Auburn Hills	1,008,794	9.6%	(3,455)	68,000
Birmingham/Bloomfield	3,752,812	15.9%	(20,488)	0
Dearborn	3,488,413	17.4%	(6,558)	0
Farmington/W. Bloomfield	5,758,327	15.8%	4,889	0
I-275 Corridor	4,895,514	17.8%	114,520	61,000
Rochester	658,661	15.1%	(9,954)	0
Southfield	15,897,839	26.8%	(37,377)	84,000
Troy	13,866,870	22.6%	(102,703)	0
Macomb	1,391,331	23.1%	831	0
Other	2,006,121	21.8%	14,275	0
Downtown Detroit	14,280,994	24.0%	28,037	105,980
Market Total	70,971,211	21.6%	52,622	438,980

Reported as of fourth quarter 2004.



Source: CB Richard Ellis (Detroit).

B. Industrial

METRO SUBMARKETS	INVENTORY	AVAILABILITY	CONSTRUCTION
Macomb County	96,897,877	13.1%	289,351
I-75 Corridor	76,721,085	10.5%	289,370
Southeast Oakland County	14,472,221	10.7%	0
Northwest Suburbs	54,422,096	12.7%	886,841
Western Wayne County	86,035,047	12.9%	320,199
Downriver	71,073,957	13.5%	753,971
Detroit	118,959,190	14.1%	360,000
Washtenaw County	19,513,723	8.0%	115,000
Market Total	538,095,196	12.7%	3,014,732

Reported as of fourth quarter 2004.



Source: CB Richard Ellis (Detroit).

III. INVENTORY/VACANCY/ ABSORPTION & SALES

C. Metropolitan Retail Sales Trends

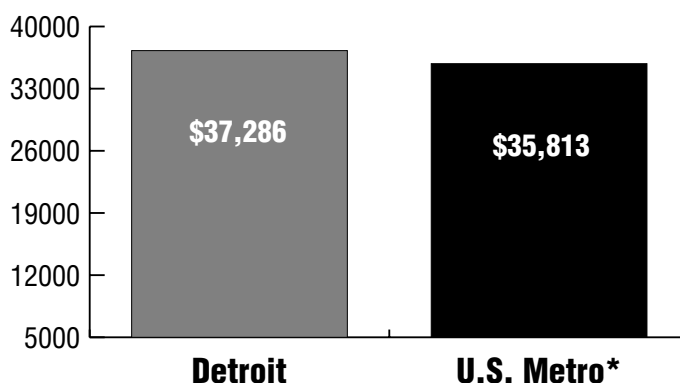
Metropolitan Retail Sales -- % Change from Prior Year
(December 2004)

	MONTH	FYTD
Detroit-Warren-Livonia	(4.6%)	(1.3%)
National	0.6%	1.7%

This data reflects same-store sales at major department stores during the current month and fiscal year to date (beginning in February) compared to the same period one year ago.

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

D. Metropolitan Average Retail Sales Per Household



*The U.S. Metro figure represents the average retail sales per household of 323 metropolitan areas; \$34,036 is the average retail sales per household nationwide.

Market Rank: 28*

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

Source: Sales & Marketing Management: 2003 Survey of Buying Power.

IV. MARKET FORECAST

A. Market•Score by Sector

SECTOR / MARKET	RELATIVE INVESTMENT POTENTIAL*	CURRENT QUARTER	RANK	QUARTER AGO	RANK	YEAR AGO	RANK	TWO YEARS AGO	RANK
CBD OFFICE									
Detroit	FAIR	70	64	69	63	65	67	61	66
East Central Region	FAIR	74		73		73		75	
National Median	AVERAGE	82		81		81		77	
SUBURBAN OFFICE									
Detroit	FAIR	74	56	74	56	70	58	71	53
East Central Region	FAIR	73		73		71		72	
National Median	AVERAGE	81		80		79		79	
INDUSTRIAL									
Detroit	AVERAGE	78	55	80	44	80	32	80	31
East Central Region	AVERAGE	79		80		80		81	
National Median	AVERAGE	83		82		80		81	
RETAIL									
Detroit	AVERAGE	77	53	77	54	78	53	80	31
East Central Region	AVERAGE	77		79		78		76	
National Median	AVERAGE	83		83		82		80	
APARTMENT									
Detroit	AVERAGE	77	57	80	39	78	40	77	32
East Central Region	AVERAGE	77		77		76		74	
National Median	AVERAGE	82		82		80		77	
HOSPITALITY									
Detroit	AVERAGE	79	53	79	46	72	62	69	63
East Central Region	AVERAGE	77		76		74		71	
National Median	AVERAGE	85		84		82		77	

The figures shown in the shaded fields above are Market•Scores corresponding to the noted property sector, market, and time period. Regional and national figures reflect the median score. The rankings are out of 66 metropolitan areas, with the #1 ranking representing the highest score.

Market•Score is a proprietary rating system developed in 1992 by Global Real Analytics to evaluate the relative economic strength of local property markets. Utilizing numerous real estate, economic, and demographic data factors, Market•Score identifies those markets likely to exhibit the strongest real estate performance within each respective property sector in the two succeeding years following each forecast period. See "Investment Potential" at the end of this publication for additional information on Market•Score, and property sector definitions.

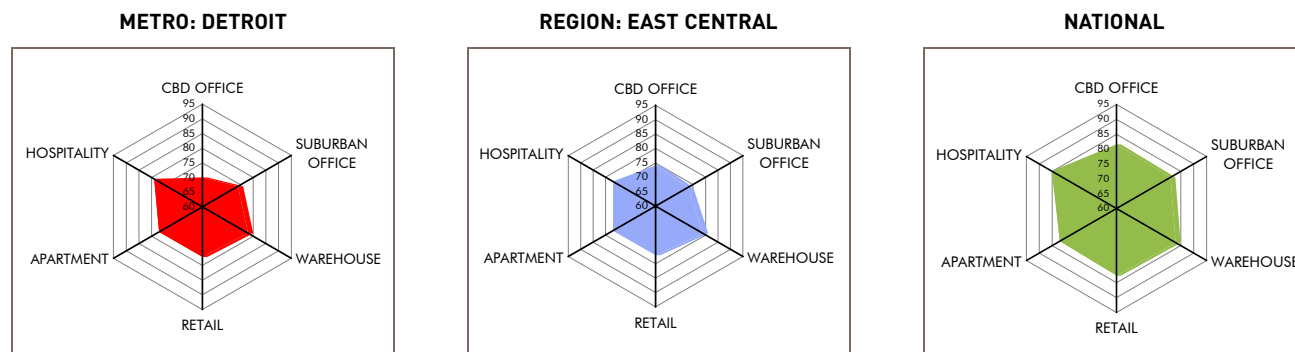
*INVESTMENT POTENTIAL

Rating	Score
Excellent	93+
Good	86-92
Average	75-85
Fair	65-74
Speculative	Below 65



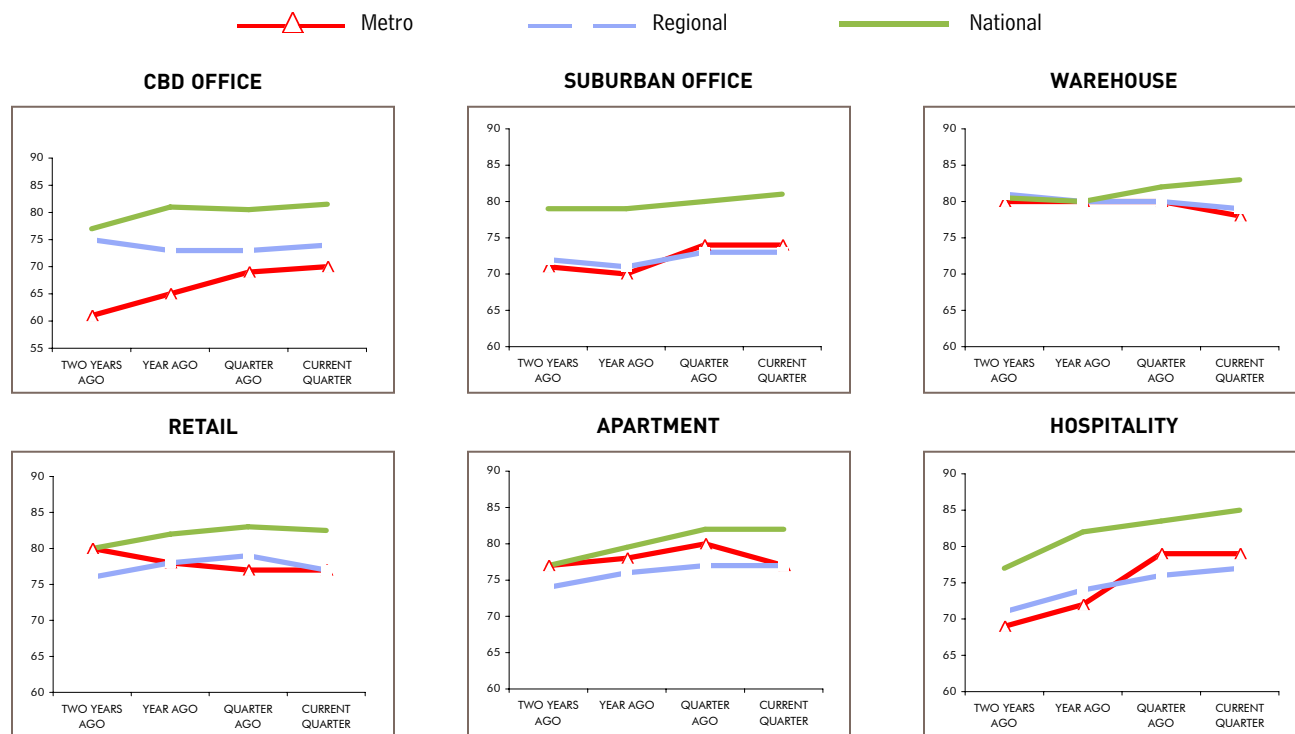
IV. MARKET FORECAST

B. Current Market•Scores



The "radar" graphs shown above indicate the current Market•Score rating for the indicated metro, as well as regional and national medians. Each graph contains six axes, representing the noted property sector, ranging from 60 to 95. Generally, the larger a shaded area is, the better the real estate performance is forecast to be. Simple visual comparison can be made among the indicated metro, regional, and national Market•Scores.

C. Market•Score Trends



The six graphs shown above are Market•Scores corresponding to the noted property sector, market, and time period. Market•Score is a proprietary rating system developed in 1992 by Global Real Analytics to evaluate the relative economic strength of local property markets. Utilizing numerous real estate, economic, and demographic data factors, Market•Score identifies those markets likely to exhibit the strongest real estate performance within each respective property sector in the two succeeding years following each forecast period. See "Investment Potential" at the end of this publication for additional information on Market•Score, and property sector definitions.

IV. MARKET FORECAST

D. Market Outlook Summary

CBD OFFICE

Lagging local employment growth, among the lowest in the nation, has resulted in increasingly negative absorption of office space in downtown Detroit. Vacancy levels remain elevated, and rental rate declines have widened.

SUBURBAN OFFICE

Continued negative absorption leading to higher vacancy levels have moderated rental rate growth in Detroit's suburban office market. Outlook for demand is weak as employment growth remains well behind the national average.

WAREHOUSE

Continued negative absorption of warehouse space in Detroit has limited rental rate growth. Occupancy levels are projected to remain low as manufacturing activity declines.

RETAIL

Continuing negative trends of slow population and employment growth are mitigated by the low inventory of retail space. Vacancy levels and rental rate growth trends remain under pressure.

APARTMENT

Employment and population growth trends remain unfavorable. In the short term, occupancy levels remain relatively high, and rental rates have plummeted.

Metro Market Facts

V. DEMOGRAPHICS

A. Metro Population

	DETROIT	UNITED STATES
Population — 2003:	4,461,600	290,809,800
% Growth—2000–2003:	0.3%	3.1%
% Growth—1990–2000:	4.2%	13.4%
% Growth—1980–1990:	[2.8%]	9.8%



Source: U.S. Census Bureau.

B. County Population Growth

COUNTY	2003 POPULATION	% GROWTH 1990–2000	% GROWTH 2000–2003
Lapeer	91,314	18.1	3.4
Macomb	813,948	10.2	2.9
Monroe	150,673	9.6	2.9
Oakland	1,207,869	10.4	0.9
Saint Clair	169,063	13.1	2.7
Wayne	2,028,778	[2.5]	[1.5]

Source: U.S. Census Bureau.

C. State Population Growth

	2004 POPULATION	ACTUAL % GROWTH 1990–2004	STATE RANKING*	PROJECTED % GROWTH 1995–2025**	STATE RANKING*
Michigan	10,112,620	8.8	39	5.5	48
United States	293,655,404	18.0	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 late 2004.

Source: U.S. Census Bureau.

V. DEMOGRAPHICS

D. Area Cities With At Least 50,000 Residents

CITY	2003 POPULATION	% GROWTH 1990-2000	% GROWTH 2000-2003
Canton*	85,548	36.0	8.0
Clinton*	95,555	11.1	0.1
Dearborn	96,670	9.8	(1.2)
Dearborn Heights	57,373	(4.0)	(1.5)
Detroit	911,402	(7.9)	(3.7)
Farmington Hills	80,874	9.9	(1.4)
Livonia	99,487	(0.4)	(1.0)
Macomb*	64,270	130.8	22.5
Novi	50,786	44.6	6.5
Pontiac	67,152	(5.0)	(0.7)
Redford*	50,614	(5.2)	(1.8)
Rochester Hills	68,754	11.3	(0.2)
Royal Oak	58,650	(6.8)	(2.0)
Shelby*	67,748	34.7	3.4
Southfield	77,488	3.3	(0.9)
St. Clair Shores	61,896	(8.0)	(1.5)
Sterling Heights	126,182	5.7	1.3
Taylor	65,589	(6.9)	(0.5)
Troy	81,071	11.2	0.1
Warren	136,016	(5.1)	(1.3)
Waterford*	72,440	8.1	0.5
West Bloomfield*	65,452	19.1	0.8
Westland	85,707	2.5	(1.0)

*These communities are technically defined as townships.

Source: U.S. Census Bureau.

E. Household & Population Composition

	DETROIT METRO	UNITED STATES METRO*
Median Household Size:	2.6	2.7
Median Age:	36.4	35.8
% of Population Under 5	7.0	7.5
% of Population 35 - 54	29.6	28.0
% of Population Over 64	11.9	12.8

*Average of U.S. metropolitan areas, not entire U.S.

V. DEMOGRAPHICS

F. Metropolitan % Population Gain (1990-2003)

POPULATION GROWTH

(% Gain/Loss, April 1990-July 2003)

Las Vegas	109.2%	Greenville-Spartanburg	19.8%
Austin	62.8	Columbus	18.7
Phoenix	60.5	Central New Jersey	17.6
Atlanta	50.8	San Diego	17.3
Raleigh-Durham	50.8	UNITED STATES	16.9
Orlando	47.2	Oklahoma City	16.8
West Palm Beach	40.9	Oakland-East Bay	16.8
Riverside-San Bernardino	40.7	Kansas City	16.5
Dallas-Ft. Worth	40.0	Memphis	16.0
Charlotte	38.9	Chicago	14.6
Denver	38.2	San Jose	12.1
Ft. Lauderdale	37.9	Los Angeles	11.4
Houston	35.4	Cincinnati	10.9
Portland	34.0	New York	10.2
Sacramento	31.1	Baltimore	9.8
Nashville	30.8	Newark-No. New Jersey	8.2
Jacksonville	30.1	Honolulu	7.9
Salt Lake City	29.2	Nassau-Suffolk	7.6
Albuquerque	27.0	Boston*	6.6
Washington, DC	23.9	Milwaukee	6.2
Orange County	22.7	St. Louis	5.9
Tampa-St. Petersburg	22.4	San Francisco	5.7
Seattle	21.8	Philadelphia	4.9
Minneapolis-St. Paul	21.5	Detroit	4.6
Indianapolis	21.3	Hartford*	3.9
Miami	20.9	Cleveland	1.8

*Updated populations are not yet available for Boston and Hartford. For these markets, changes are based on 2002 data.

Source: U.S. Census Bureau.

V. DEMOGRAPHICS

G. International Immigration to Metropolitan Areas

TOTAL INTERNATIONAL IMMIGRATION: (1993-2003)

	(000s)		(000s)
New York/Nassau-Suffolk	1,162.3	Portland	73.0
Los Angeles	977.3	Orlando	68.4
Chicago	477.8	West Palm Beach	65.7
Miami	405.7	Tampa-St. Petersburg	64.2
Newark-No. NJ	322.8	Las Vegas	64.2
Washington DC	313.8	Austin	51.8
Houston	288.8	Honolulu	45.9
Dallas-Ft. Worth	287.0	Baltimore	44.4
Orange County	264.7	Raleigh-Durham	41.3
Boston*	207.5	Salt Lake City	39.3
San Jose	199.9	Charlotte	34.9
San Francisco	181.0	St. Louis	34.8
San Diego	180.0	Hartford*	31.3
Oakland-East Bay	172.9	Kansas City	27.4
Atlanta	156.3	Cleveland	26.5
Riverside-San Bernardino	143.4	Columbus	25.2
Phoenix	131.2	Nashville	22.9
Ft. Lauderdale	126.7	Milwaukee	22.3
Philadelphia	113.4	Oklahoma City	22.1
Seattle	112.8	Indianapolis	18.9
Detroit	102.4	Jacksonville	17.9
Central New Jersey	97.2	Albuquerque	17.6
Denver	96.5	Cincinnati	16.5
Sacramento	79.3	Memphis	12.9
Minneapolis-St. Paul	73.3	Greenville-Spartanburg	12.3

*Migration/immigration data is not currently available for the Boston PMSA or the Hartford MSA. For these markets, the larger NECMA designations are used.

Source: U.S. Census Bureau.

V. DEMOGRAPHICS

H. Domestic Migration to Metropolitan Areas

TOTAL DOMESTIC MIGRATION: (1993-2003)

	(000s)		(000s)
Atlanta	510.4	Memphis	6.7
Phoenix	501.6	Seattle	6.4
Las Vegas	449.4	Cincinnati	3.4
Riverside-San Bernardino	273.7	Central New Jersey	(32.0)
Dallas-Ft. Worth	267.6	Salt Lake City	(32.2)
Tampa-St. Petersburg	227.2	Baltimore	(41.1)
Orlando	211.1	Hartford*	(50.6)
Charlotte	180.1	St. Louis	(60.8)
Austin	176.8	Washington DC	(66.6)
Raleigh-Durham	165.2	Milwaukee	(85.2)
Denver	155.2	Honolulu	(102.1)
Portland	154.6	Oakland-East Bay	(107.3)
West Palm Beach	148.1	Cleveland	(123.6)
Ft. Lauderdale	146.5	San Diego	(129.0)
Sacramento	119.0	Boston*	(171.5)
Nashville	102.6	Orange County	(199.2)
Jacksonville	91.6	San Francisco	(228.7)
Greenville-Spartanburg	58.6	Philadelphia	(230.9)
Indianapolis	48.9	San Jose	(263.2)
Minneapolis-St. Paul	48.5	Detroit	(279.1)
Kansas City	47.3	Miami	(299.1)
Houston	31.5	Newark-No. NJ	(409.1)
Albuquerque	25.3	Chicago	(604.2)
Columbus	19.2	Los Angeles	(1,424.8)
Oklahoma City	15.4	New York/Nassau-Suffolk	(1,583.7)

*Migration/immigration data is not currently available for the Boston PMSA or the Hartford MSA. For these markets, the larger NECMA designations are used.

Source: U.S. Census Bureau.

VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

A. Job Formation

Metropolitan Area

Employment Growth (Loss)—% 12-Month (Ending in December):	(1.2%)
Total Number of Net New Jobs, 12 Months (Ending in December):	(24,600)
% Unemployed, December 2004:	6.9%
% Unemployed, 12 Months Before:	7.1%

National

Employment Growth (Loss)—% 12-Month (Ending in December):	1.7%
% Unemployed, December 2004:	5.1%
% Unemployed, December 2003:	5.4%



Source: Bureau of Labor Statistics.

B. Economic Base—Employment By Sectors

SECTOR	% GROWTH FROM PRIOR YEAR		% OF TOTAL EMPLOYMENT	
	METRO	NATIONAL	METRO	NATIONAL
Services	(1.3)	1.6	26.5	28.5
Business Services	1.6	3.4	17.6	12.5
Financial Activities	(1.7)	1.8	5.7	6.1
Government	(2.0)	0.9	11.6	16.6
Retail Trade	(2.8)	0.8	11.2	11.7
Wholesale Trade	0.0	1.7	4.7	4.3
Transportation/Public Utilities	0.7	2.4	3.3	3.7
Manufacturing	(2.9)	0.5	15.3	10.8
Construction	(1.2)	3.5	4.1	5.2

Note: The Department of Labor recently revised the industry classification system (from SIC to NAICS). One of the most significant changes was the establishment of "business services" as a separate category (instead of a sub-set of the "services" sector). In addition, the "FIRE" sector is now known as "financial activities".

Source: Bureau of Labor Statistics.

VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

C. Metropolitan % Total Employment Gain (10-Year Change)

JOB GROWTH

(% Gain/Loss, December 1994-December 2004)

Las Vegas	67.5%	Minneapolis-St. Paul	14.6%
Riverside-San Bernardino	44.9	Nassau-Suffolk	14.3
Phoenix	42.2	UNITED STATES	13.8
West Palm Beach	38.2	Portland	13.1
Orlando	37.6	Indianapolis	12.6
Austin	31.0	Baltimore	12.5
San Diego	30.9	Memphis	12.3
Sacramento	30.7	Columbus	12.0
Fort Lauderdale	28.6	Miami	11.0
Raleigh-Durham	28.5	Kansas City	10.4
Tampa-St. Petersburg	28.5	Philadelphia	10.1
Orange County	25.8	Cincinnati	9.7
Jacksonville	22.7	Newark-No. New Jersey	9.5
Atlanta	22.4	Greenville-Spartanburg	7.7
Dallas-Ft. Worth	22.0	New York	7.5
Houston	21.9	Los Angeles	7.3
Salt Lake City	21.7	St. Louis	6.7
Charlotte	21.5	Chicago	6.5
Washington	21.2	Boston	6.1
Nashville	18.0	Honolulu	5.5
Denver	17.6	Milwaukee	5.2
Albuquerque	17.2	San Francisco	4.3
Central New Jersey	16.2	San Jose	2.6
Seattle	16.1	Detroit	1.5
Oakland	15.9	Cleveland	1.2
Oklahoma City	15.8	Hartford	(0.8)

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

VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

D. Average Annual Wages—Select Occupations

POSITION	METRO AVERAGE	% OF NATIONAL AVG.	NATIONAL AVERAGE
Accountant	\$64,920	115.7%	\$56,110
Secretary	\$28,550	107.2%	\$26,640
Computer Systems Analysts	\$72,140	107.6%	\$67,040
Computer Programmer	\$63,820	97.9%	\$65,170
Electrical Engineer	\$72,740	99.1%	\$73,370
Machinist	\$41,660	121.0%	\$34,440

Source: Bureau of Labor Statistics, Occupational Employment Statistics, November 2003.

E. Production Wages & Union Membership

	AVERAGE ANNUAL WAGE*	NATIONAL RANK (OUT OF 51)	% WORKERS IN UNION	NATIONAL RANK (OUT OF 51)
Michigan	\$35,440	2	21.9%	4
U.S. Average	\$28,710	--	12.9%	--

*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 (2003); U.S. Census Bureau/union membership (2003).

VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

F. State Workers' Compensation Costs

Workers' Compensation Costs
The average cost per \$100 of payroll
(2004)

	RATE*	INDEX**	2003 RATING***	2002 RATING
Michigan	\$4.15	1.07	32	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 \$3.87.

***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. State Minimum Wage/Overtime Status

Current State 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: U.S. Department of Labor.

VII. EDUCATION

A. Educational Levels

	% OF ADULTS WHO GRADUATED FROM HIGH SCHOOL	% OF ADULTS WHO GRADUATED FROM 4-YEAR COLLEGE/UNIVERSITY
Detroit	86.2	24.3
U.S. Average	84.1	26.7



Source: U.S. Census Bureau, March 2002.

B. Educational Expenditures and Salaries

	PER-PUPIL EXPENDITURES	RANK (OUT OF 51)	TEACHER SALARIES	RANK (OUT OF 51)	STUDENT: TEACHER RATIO	RANK (OUT OF 51)
Michigan	\$8,671	20	\$54,806	5	18.5	7
U.S. Average	\$8,208	--	\$46,726	--	15.7	--

These figures represent statewide (and national) averages and are based on actual enrollment. 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, August 2004 Update.

VII. EDUCATION

C. Graduate Education

Academic Rankings of Local Graduate Programs

UNIVERSITY	BIOLOGICAL SCIENCES	ENGINEERING	GENERAL SCIENCES/OTHER
N/A	N/A	N/A	N/A

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

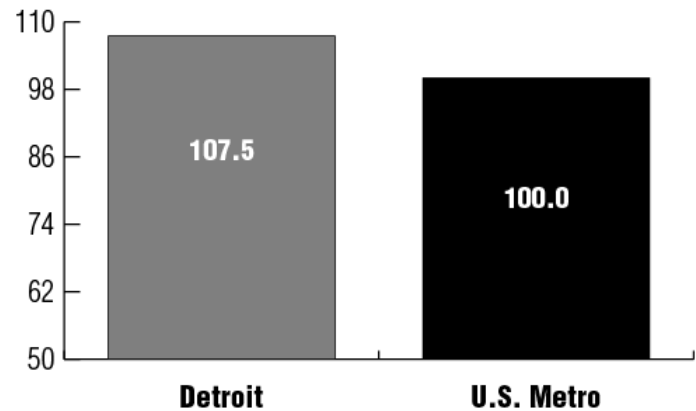
*The percentage column reflects the amount spent by the local institution(s) relative to the amount expended at the top spending institution in each of the two categories.

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).

VIII. HOUSING & LIVING COSTS

A. Overall Cost of Living (Index)

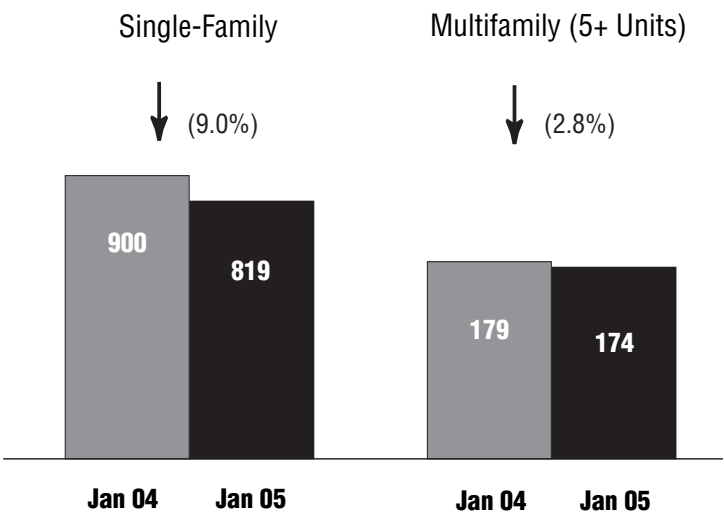
Metropolitan Cost of Living Index*
(3rd Qtr. 2004)



*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-Warren-Livonia MSA.

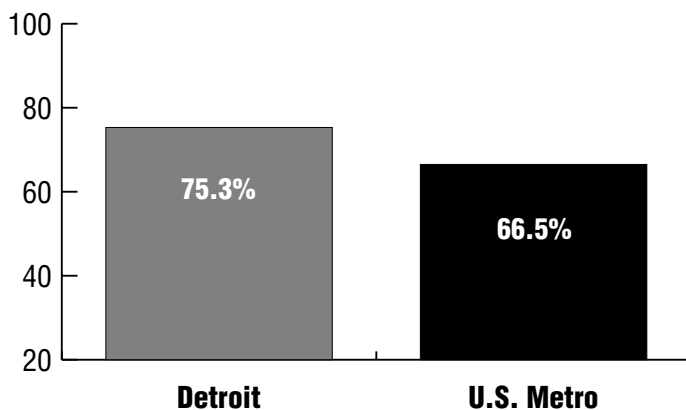
U.S. Data: The percent changes in single-family and multifamily permits nationwide were 7.1% and 18.3%, respectively.

Source: U.S. Census Bureau.

VIII. HOUSING & LIVING COSTS

C. Homeownership

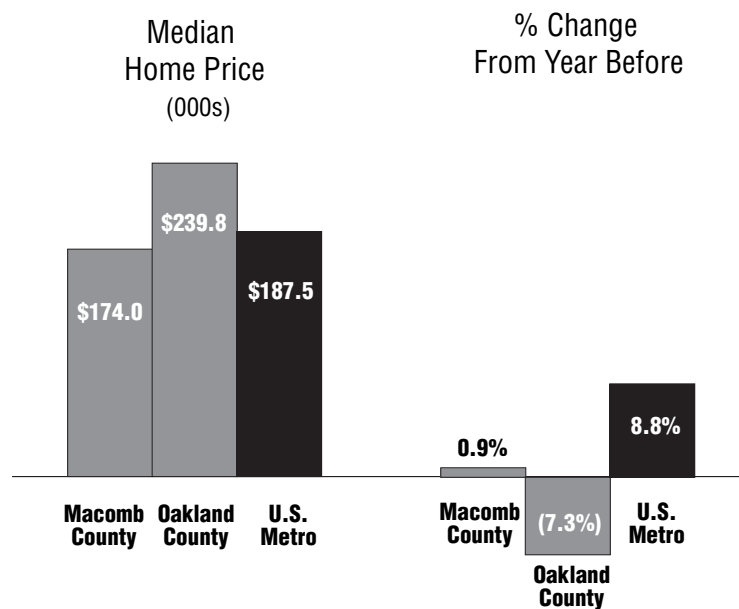
% of Households Owning Residences (2003)



Source: U.S. Census Bureau. Homeownership rates represent metropolitan averages as of year-end 2003.

D. Single Family Home Costs

Fourth Quarter 2004*



*The local data is year-to-date through December 2004.

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

VIII. HOUSING & LIVING COSTS

E. Local Utility Costs

	COMMERCIAL ELECTRIC (10,000 KWH PER MO.)	INDUSTRIAL ELECTRIC (650,000 KWH PER MO.)	RESIDENTIAL TOTAL (1,000 KWH PER MO.)
Detroit	\$950	\$33,835	\$94
U.S. Average	\$844	\$36,401	\$87

These numbers reflect the bundled rates (i.e., the combined cost of generation, transmission, delivery, and any transfer fees) that were in effect in January 2004. The kwh per mo. figures are based on consumption rather than demand.

Source: Edison Electric Institute, Typical Bills and Average Rates Report, Winter 2004.

F. Health Insurance Coverage & Costs

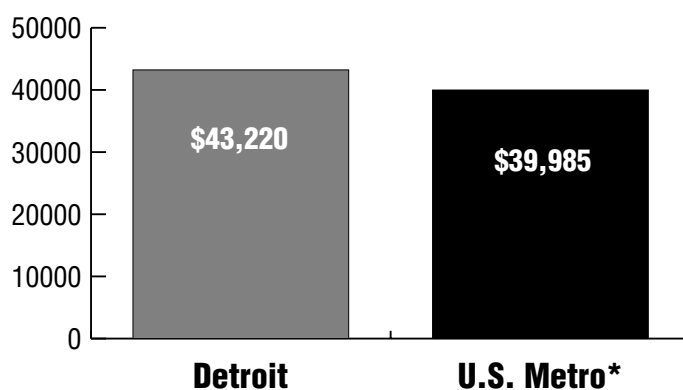
	% OF POP. COVERED BY HEALTH INSURANCE	RANK (OUT OF 51)	ANNUAL PER CAPITA HEALTH CARE EXPENDITURES	RANK (OUT OF 51)
Michigan	89.1	19	\$3,676	26
U.S.	84.4	--	\$3,759	--

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 (2003). Health Care Expenditures: Centers for Medicare and Medicaid Services (1998).

IX. OTHER ECONOMIC INDICATORS

A. Metropolitan Median Household Income



*The U.S. Metro figure represents the median income of 323 metropolitan areas; \$38,035 is the median income nationwide.

Market Rank: 23*

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

Source: Sales & Marketing Management: 2003 Survey of Buying Power.

B. High-Tech Industry Employment

	NUMBER OF ESTABLISHMENTS (2001)	RANK (OUT OF 51)	NUMBER OF EMPLOYEES (2002)	RANK (OUT OF 51)	HIGH-TECH EMPLOYMENT GROWTH (2001-2002)	RANK (OUT OF 51)
Michigan	10,191	12	190,982	10	[5.4%]	15

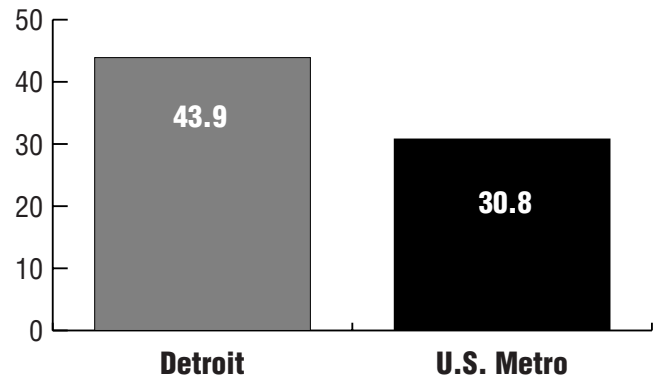
The #1 ranking represents the highest amount in each category.

Source: Cyberstates 2003, American Electronics Association.

IX. OTHER ECONOMIC INDICATORS

C. 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.

D. Major Airport Activity

Detroit – Wayne County Metropolitan

	TOTAL (2003)	% CHANGE FROM 2003	NATIONAL RANK*	WORLD RANK*
Passengers (in millions)	32.7	0.2%	10	16
Cargo (in thousands –metric tons)	220.2	(4.8%)	29	75

*Ranking of 143 national and 813 international airports, with the #1 ranking representing the largest number of passengers and the largest amount of cargo.

Source: Airports Council International, Geneva, Switzerland.

IX. OTHER ECONOMIC INDICATORS

E. International Trade

International Trade Volume

	IMPORT	EXPORT	TOTAL
Detroit (Part of the Detroit, MI Customs District)			
January-December 2004 (\$\$\$ in billions)	\$112.2	\$93.4	\$205.6
% Change (from year ago)	13.5%	6.6%	10.2%
Total U.S.			
January-December 2004 (\$\$\$ in billions)	\$1,469.7	\$602.7	\$2,072.4
% Change (from year ago)	16.7%	13.8%	15.8%

Source: Dept. of Commerce, Foreign Trade Division.

F. Gross State Product

	1992	2002	% CHANGE 1992-2002
Michigan Ranking* (out of 51)	9	9	--
Michigan Total (\$\$\$ in billions)	\$238.8	\$337.7	41.4%
U.S. Total (\$\$\$ in billions)	\$7,114.7	\$10,014.9	40.8%

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

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

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

IX. OTHER ECONOMIC INDICATORS

G. Gross Metropolitan Product

GMP
(\$\$ in billions)

	2003	RANK (OUT OF 100)	% CHANGE (FROM 2002)
Detroit	\$161.7	10	3.7%

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

Source: U.S. Conference of Mayors.

X. 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%
Food Exemption	Yes
Cigarette Tax (per package)	\$1.25
Personal Income Rates	3.9%
State Taxes Paid in 2002 Per \$1,000 Personal Income:	
Local	\$72
United States	\$60

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.

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

B. Local Residential Property Taxes

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

LOCATION	EFFECTIVE RATE	RANK* (OUT OF 58)
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.)

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. In large cities where a range of residential tax rates is applied, we have used Runzheimer's composite tax rate (CMP).

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. For more information on employee relocation, moving costs, and travel expenses, contact Runzheimer at 1-800-558-1702.

X. TAXES AND EXPENDITURES

C. Local Commercial Property Taxes

2002 COMMERCIAL PROPERTY TAX RATE
(PER \$100 VALUATION)

CITY	BASIC RATE	EFFECTIVE RATE	RANK** (OUT OF 85)
Detroit*	\$8.26	\$4.13	80
Troy*	\$4.73	\$2.37	53

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

**The commercial property tax ranking is based on a comparison of 85 communities analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 85 denotes the highest tax rate in the study.)

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.

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.

D. Tourism & Entertainment Taxes

	HOTEL TAX	RESTAURANT TAX	CAR RENTAL TAX*
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 include local surcharges.

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

Source: Travel Industry Association of America, Washington, DC.

X. TAXES AND EXPENDITURES

E. State Tax Revenue

State Tax Revenue
July-September 2004
(\$\$ in millions)

	PERSONAL INCOME	CORPORATE INCOME	SALES	TOTAL *	% CHANGE FROM YEAR AGO
Michigan	\$1,588	\$462	\$2,046	\$5,389	1.9%
U.S.	\$47,380	\$7,532	\$46,301	\$120,045	8.6%

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.

F. Federal Spending Per Capita

	TOTAL FEDERAL SPENDING	NATIONAL RANK*	% CHANGE FROM YEAR AGO
Michigan	\$5,741	45	3.2%
Macomb County	\$6,218	--	4.6%
Oakland County	\$4,085	--	4.5%
Wayne County	\$6,540	--	4.9%
U.S. Average	\$6,910	--	2.9%

*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 2003.

XI. QUALITY OF LIFE

A. State Livability Index

	2004 INDEX RATING*	2004 RANK**	2003 RANK**
Michigan	23.82	34	28

*The livability index rating reflects an average of ratings for 44 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 scale is 1 to 50, with 50 being the best possible.

**The ranking is based on all 50 states, with the #1 ranking representing the highest livability rating.

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

B. Crime Rate

Crime Per 100,000 Inhabitants—2003

	VIOLENT	% CHANGE FROM 2002	PROPERTY	% CHANGE FROM 2002
Detroit-Livonia-Dearborn	1,125.0	N/A	5,003.4	N/A
U.S. Metro Average	516.8	(5.3)	3,783.0	(2.1)

Note: The crime data for 2003 reflects the new metropolitan area definitions issued by the Office of Management and Budget as of December 2003. In those areas where there were changes in the definition, reporting practices, annexations, and/or incomplete data, figures are no longer comparable to the previous years’.

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

XI. QUALITY OF LIFE

C. Climate

Average Temperature (Fahrenheit)

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

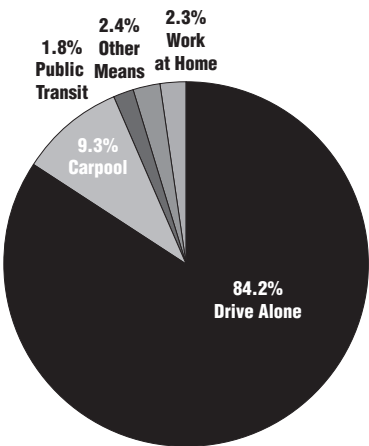
Average Annual Precipitation: 31 inches

Elevation: 664 ft

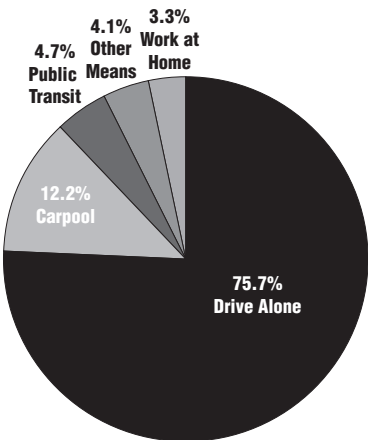
% of Sunny Days Per Year: 53%

D. Mode of Travel to Work

Local Metro*



U.S. Average



*Data is for the Detroit-Ann Arbor-Flint CMSA.

Source: U.S. Census Bureau, American FactFinder: Journey to Work, 2000.

XI. QUALITY OF LIFE

E. Congestion Index

	CONGESTION CONGESTION COST TOTAL (\$\$ IN MILLIONS)	WASTED FUEL COST PER PEAK TRAVELER	DELAY PER PEAK TRAVELER (GALLONS)	PER PEAK TRAVELER (HOURS)
Detroit	\$1,939.0	\$939	85	53
Current Ranking*	9	11	9	10
Previous Year's Ranking	9	12	13	12

*The ranking compares this city to the 84 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 2002. The "congestion cost" includes the value of the extra travel time as well as the wasted fuel costs. "Peak travelers" include those beginning their travel using a motorized mode during the peak periods (6 to 9 a.m. and 4 to 7 p.m.). Significant ranking changes can occur due to the tight "bunching" of values among some metropolitan areas.

Source: Texas Transportation Institute, Texas A&M University, 2004 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

METHODOLOGY

The National Real Estate Index (INDEX) maintains proprietary databases and reports benchmark averages for large income-producing properties leased, bought and sold nationwide.

Property Prices, Rents, and Cap Rate Data

The price, rent, and cap rate data that appear in *Metro Market Facts* are from the INDEX's *Value Monitor* and *Rent Monitor* publications.

The INDEX *Value Monitor* compiles and reports average sale prices and capitalization rates for Class A properties in 61 local and nine regional markets throughout the United States. Prices and capitalization ("cap") rates for the Class A CBD (i.e., "downtown") office, suburban office, warehouse/distribution, anchored unenclosed shopping center, and apartment sectors are reported. In addition, Class B apartment values and cap rates are compiled in all markets as well. The INDEX *Rent Monitor* compiles and reports average rents in the same market areas and property sectors as its *Value Monitor* counterpart.

Value Monitor Property Prices: Generally, the average property prices that appear for each of the 61 regularly-reported local markets in the *Value Monitor* (and *Market History Report*) are derived from current or historical property sales transactions in the underlying local markets. Nationwide, the National Real Estate Index typically compiles more than 1,500 transactions of large improved properties each period, many of which are utilized to formulate local market benchmark prices. In any given period, a number of local market property prices are derived solely from property sales. Typically, in such cases, benchmark prices will reflect activity over more than one period (i.e., a "rolling quarter" average).

In those markets and property sectors where there is inadequate current investment activity to justify reporting a pure transaction-based price, the benchmark value is formulated based on historical sales data and current market factors, including the operating performance of "like-kind" properties within the respective market and property sector. We realize, of course, that this necessitates an element of "informed judgment" but disparities in local market size and liquidity over time sometimes dictate a modified, "hybrid" approach.

Value Monitor Cap Rates: Like the prices, the market benchmark capitalization rates are based on current or historical property sales. The cap rate data reported in the *Value Monitor* is intended to reflect recent operating income, rather than forward-looking (i.e., "pro forma") performance. Where the data are available, the cap rates incorporate property-level operating income on consummated sales within the respective marketplaces. However, in many instances, these data either are not available, or the "robustness" of the reported income data is questionable. In those cases, cap rates are derived from the average benchmark property price (which is based on current period or historical transactions) and a representative market-wide operating income proxy for that property type. Because of these data-based qualifications, the cap rates are the most volatile of the data reported by the INDEX and, therefore, are perhaps most useful in determining market directions and trends.

Rent Monitor Gross Rents: Except for retail, stated rents reflect all occupancy costs. Because reported rents exclude rent concessions, 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*.

In essence, the INDEX *Rent Monitor* attempts to formulate a "same store" rent and free rent benchmark for each local market and property type reported. In order to monitor rental rate trends, the INDEX surveys "prototype" or "tracked" properties that conform to certain standards that are discussed in greater depth in each *Rent Monitor* publication. In general, however, these properties are high quality, have current construction materials and techniques, and are aesthetically modern and attractive. The buildings are representative of local market conditions, and have stabilized operations. Most Class A survey properties are 15 years old or less.

Note: As for most statistical data services, previously-reported data is revised as needed to reflect the receipt of new data. We believe this approach helps assure the most reliable data over the long-term. In particular, *all* data reported in the current period should be considered preliminary.

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 sometime modified by independent market surveys conducted by the INDEX research staff. As noted above, 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.

For Additional Price, Rent and Cap Rate Information: The INDEX *Value Monitor* and *Rent Monitor* publications report price, rent and cap rate benchmarks each quarter for 61 leading U.S. markets, as well as property values in many other local markets and property sectors (in the *Value Monitor*). For more information on these publications, please see our website (www.nrei.info) or phone (800) 992-7257.

Other Data

To provide a more comprehensive picture of the current market conditions in each local market, *Metro Market Outlook* reports a wide range of real estate, demographic and economic data. These data are selected from a variety of secondary sources. Please see the citation that accompanies each chart for the source of the data employed.



MARKET•SCORE METHODOLOGY/ RATING EXPLANATION

The National Real Estate Index uses a proprietary model, created by Global Real Analytics, LLC for analyzing the real estate investment potential in 66 metropolitan markets nationwide. Market•Score evaluates the potential performance over a two-year horizon for 24 property sector classes of which Class A Central Business District (CBD) office, suburban office, warehouse, retail (unenclosed grocery-anchored shopping centers only), Class A apartment, and Class B apartment are presented in Metro Market Outlook. The rankings are based on key econometric and real estate-related data, portions of which are derived from our extensive proprietary property database.

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

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

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

Investment Potential	
Rating	Score
Excellent	93+
Good	86-92
Average	75-85
Fair	65-74
Speculative	Below 65

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

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

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

ADDITIONAL DATA RESOURCES/WEB LINKS

Links to the following resources are presented as an informational service to NREI subscribers. The NREI does not endorse, support, or opine as to the accuracy or usefulness of any of the data or information found at these independent links.

CB Richard Ellis Local Market Reports

<http://www.cbre.com/Research/Market+Reports/Local+Reports+Worldwide/globalresearch.htm>

CB Richard Ellis U.S. National Vacancy Reports

<http://www.cbre.com/Research/Market+Reports/US+Vacancy+Reports/default.htm>

Detroit Regional Chamber of Commerce

<http://www.detroitchamber.com/>

Detroit Metro Convention and Visitors Bureau

<http://www.visitdetroit.com/>

Detroit - City Data

<http://www.city-data.com/city/Detroit-Michigan.html>

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