# Metro Market OUTLOOK™

NATIONAL Real Estate Index

# Detroit

Vol. 52
FOURTH QUARTER 2006

**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

PUBLISHER: GRA Global Real Analytics

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# REPORT FORMAT

Vol. 52

**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.

**OLD DEFINITION**

Detroit PMSA Includes:

| | |
|---|---|
| Lapeer County | Oakland County |
| Macomb County | St. Clair County |
| Monroe County | Wayne County |

**NEW DEFINITION***

Detroit-Warren-Livonia MSA Includes:

| | |
|---|---|
| Lapeer County | Oakland County |
| Livingston County | St. Clair County |
| Macomb County | Wayne County |

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# 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

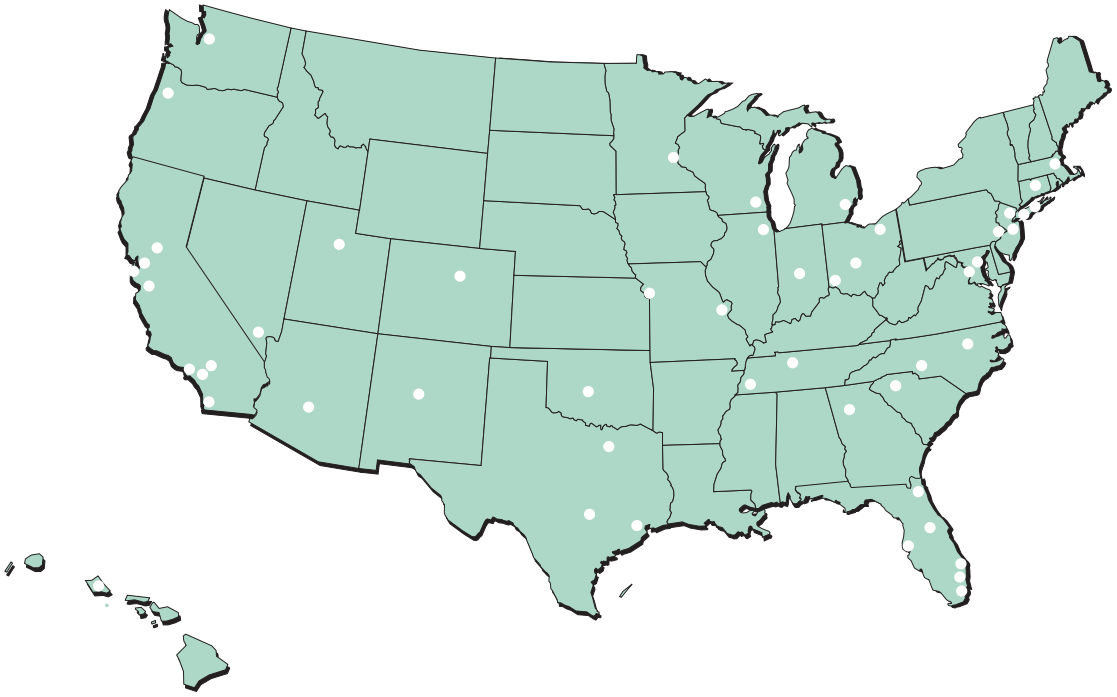
**SOUTHEAST**
Atlanta
Charlotte
Greenville-Spartanburg
Memphis
Nashville
Raleigh-Durham

**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



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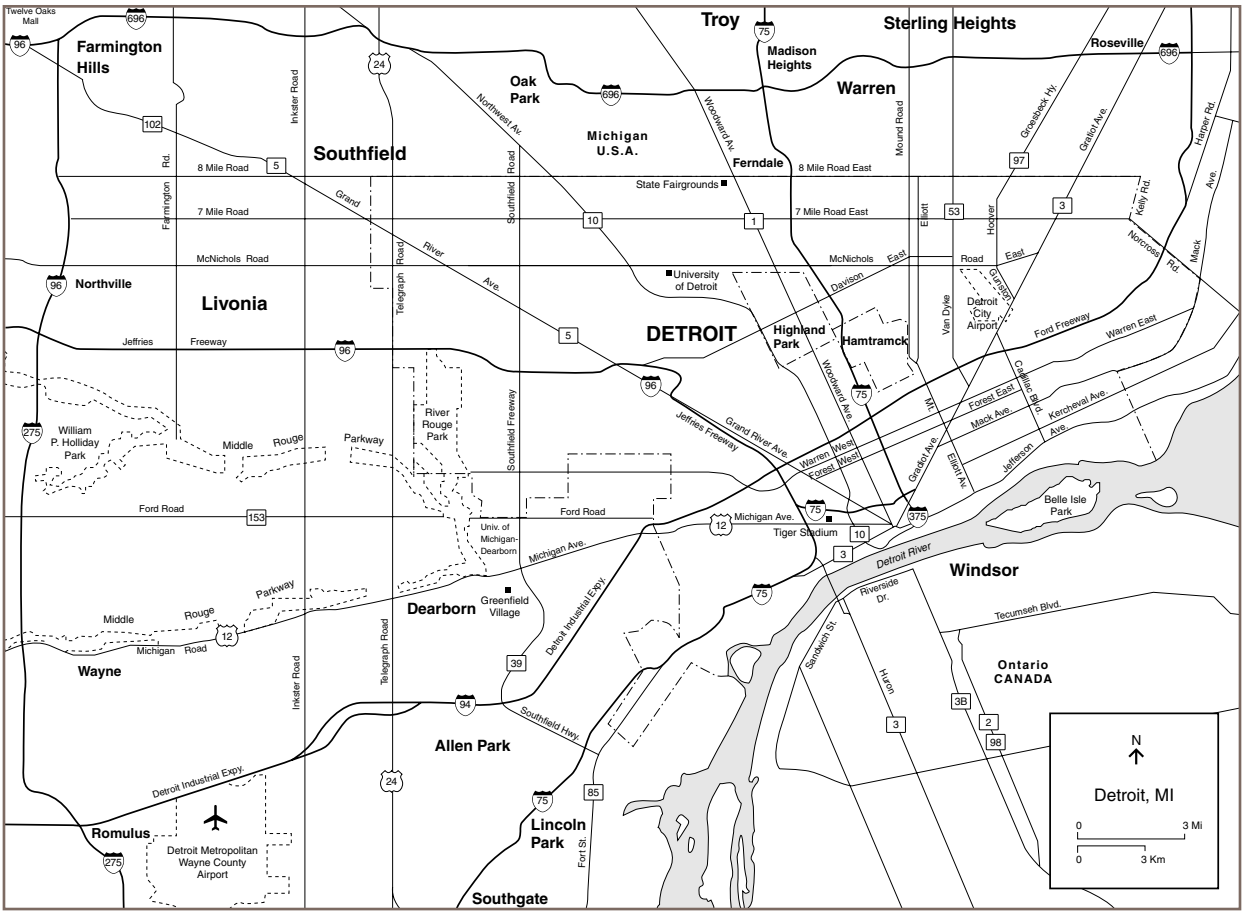
# DETROIT: METROPOLITAN MAP

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



# DETROIT: MARKET TRENDS SUMMARY

## CBD OFFICE

Detroit's downtown office sector has a $17.31 per square foot effective rent for Class A office, which is 0.2% lower than last quarter and 1.0% lower than last year. This metro has a $109.34 per square foot average price for CBD office, which is 1.0% higher than last quarter and 3.8% higher than last year. The metro has a 26.9% CBD office vacancy rate, which is 0.5% higher than last quarter and 2.5% higher than last year.

## SUBURBAN OFFICE

The metro of Detroit has a $19.36 per square foot effective rent for Class A suburban office, which is 0.1% lower than last quarter and 1.0% lower than last year. This metro has a $142.45 per square foot average price for suburban office, which is 2.1% higher than last quarter and 1.4% higher than last year. The metro has a 22.5% suburban office vacancy rate, which is 0.9% higher than last quarter and 0.1% lower than last year.

## WAREHOUSE

The metro of Detroit has a $5.01 per square foot effective rent for warehouse, which is 0.8% lower than last quarter and 2.0% lower than last year. This metro has a $50.88 per square foot average price for warehouse, which is 0.3% higher than last quarter and 0.9% higher than last year. The metro has a 9.8% vacancy, which is 0.2% higher than last quarter and 1.0% lower than last year.

## RETAIL

The metro of Detroit has a $16.57 per square foot effective rent for Class A unenclosed shopping centers, which is 1.1% lower than last quarter and 1.1% lower than last year. This metro has a $134.22 per square foot average price for shopping centers, which is 0.6% lower than last quarter and 1.9% higher than last year.

## APARTMENT

The metro of Detroit has a $10.96 per square foot effective rent for Class A apartments, which is 1.6% higher than last quarter and 0.6% higher than last year. This metro has an $80.29 per square foot average price for apartments, which is 0.9% lower than last quarter and 3.1% 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

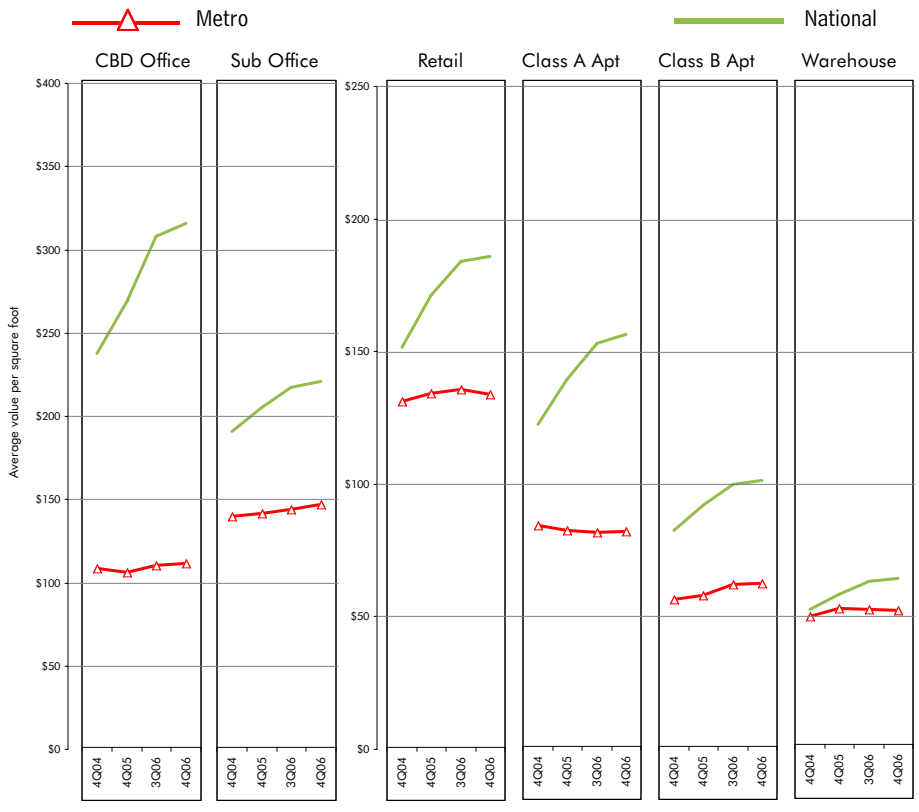
# I. VALUE FACTS & TRENDS

## 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 | $314.19 | 6.3% | $219.67 | 6.7% | $62.35 | 7.0% | $183.88 | 6.9% | $154.79 | 6.0% | $99.82 | 6.9% |
| East Central Region | 132.95 | 8.5 | 137.98 | 7.6 | 44.10 | 7.8 | 131.37 | 7.6 | 80.44 | 7.6 | 56.55 | 8.0 |
| Metro Area | | | | | | | | | | | | |
| 4 Q. '06 | 110.34 | 9.0 | 145.68 | 7.6 | 50.59 | 7.8 | 132.46 | 8.1 | 80.52 | 8.2 | 61.16 | 7.7 |
| 3 Q. '06 | 109.34 | 9.1 | 142.45 | 7.8 | 50.84 | 7.8 | 134.22 | 8.0 | 80.29 | 8.3 | 60.77 | 7.8 |
| 4 Q. '05 | 104.86 | 9.5 | 140.24 | 8.0 | 51.15 | 7.7 | 132.78 | 8.1 | 80.98 | 8.1 | 56.59 | 8.2 |

Source: NREI *Value Monitor*.

## B. Value Trends—Change in Price Per Square Foot




Source: NREI *Value Monitor*.

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# I. VALUE FACTS & TRENDS

## C. Other Property Class Values—Most Recent Period

| PROPERTY SECTOR | PRICE PER SF | PROPERTY SECTOR | PRICE PER SF |
|---|---|---|---|
| Class B Suburban Office | $107.25 | Class C Apartment | $44.05 |
| Class B Warehouse | 37.00 | Class D Apartment | 30.76 |
| Class C Warehouse | 26.05 | Class A R&D | 186.13 |
| Class B/C Anchored Sopping Ctr. | 131.46 | | |

Source: NREI *Value Monitor*.

## D. Local Market Property Value Rankings

4th Qtr. 2006 - 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* | 59 | 45 | 34 | 51 | 54 | 45 |

*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, Class A and Class B Apartment ) 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*.

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# 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 QUARTER AGO*** | | | | | | |
| Detroit | +0.9% | +2.3% | -0.5% | -1.3% | +0.3% | +0.6% |
| National Average | +2.5% | +1.7% | +1.5% | +1.0% | +2.2% | +1.6% |
| ***% CHANGE FROM YEAR AGO*** | | | | | | |
| Detroit | +5.2% | +3.9% | -1.1% | -0.2% | 0.6% | +8.1% |
| National Average | +17.4% | +7.8% | +10.4% | +8.5% | +12.4% | +10.3% |
| ***% CHANGE FROM TWO YEARS AGO*** | | | | | | |
| Detroit | +3.0% | +5.1% | +4.7% | +2.2% | -3.0% | +10.6% |
| National Average | +32.8% | +15.9% | +22.4% | +22.6% | +28.1% | +23.3% |

Source: NREI *Value Monitor.*

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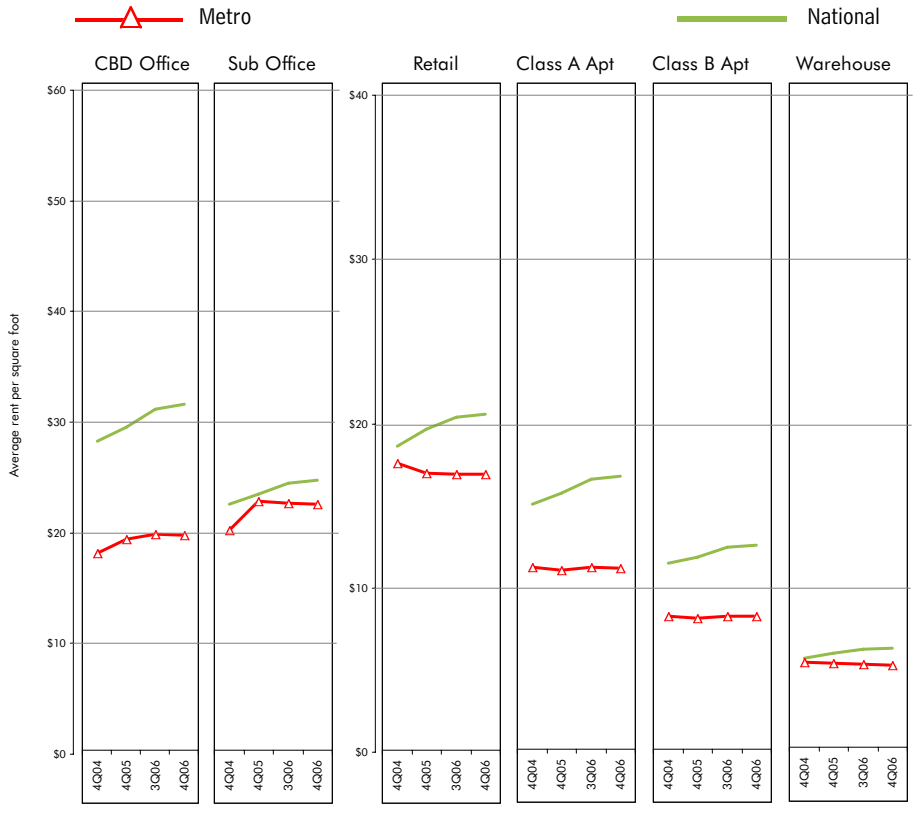
# II. RENT FACTS & TRENDS

## 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 | $31.75 | $31.11 | 2.3% | $24.96 | $24.33 | 2.6% | $6.10 | $5.96 | 2.5% | $20.48 | $20.17 | 1.6% | $16.68 | $16.37 | 2.1% | $12.51 | $12.26 | 2.3% |
| East Central Region | 21.23 | 20.43 | 3.8 | 20.49 | 19.66 | 4.0 | 4.57 | 4.41 | 3.4 | 15.96 | 15.62 | 2.1 | 10.86 | 10.37 | 4.4 | 8.37 | 7.98 | 4.6 |
| Metro Area | | | | | | | | | | | | | | | | | | |
| 4 Q. '06 | 20.23 | 19.32 | 4.5 | 23.12 | 22.13 | 4.3 | 5.18 | 4.96 | 4.2 | 16.92 | 16.55 | 2.2 | 11.69 | 10.86 | 7.1 | 8.62 | 7.96 | 7.7 |
| 3 Q. '06 | 20.20 | 19.39 | 4.0 | 23.19 | 22.26 | 4.0 | 5.23 | 5.01 | 4.2 | 16.96 | 16.57 | 2.3 | 11.71 | 10.96 | 6.4 | 8.59 | 8.01 | 6.8 |
| 4 Q. '05 | 19.96 | 19.02 | 4.7 | 23.52 | 22.39 | 4.8 | 5.29 | 5.05 | 4.6 | 17.01 | 16.62 | 2.3 | 11.55 | 10.78 | 6.7 | 8.45 | 7.84 | 7.2 |

Source: NREI *Rent Monitor.*

## B. Rent Trends/Change in Rent Per Square Foot




Source: NREI *Rent Monitor.*

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# II. RENT FACTS & TRENDS

## C. Local Market Property Rent Rankings

4th Qtr. 2006 - 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* | 47 | 29 | 37 | 39 | 39 | 46 |

*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, Class A and Class B Apartment ) analyzed by the NREI Rent Monitor. A ranking of "1" designates the highest effective rent 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 | -0.4% | -0.6% | -1.0% | -0.1% | -0.9% | -0.6% |
| National Average | +1.5% | +1.2% | +1.0% | +1.1% | +1.1% | +1.2% |
| ***% CHANGE FROM YEAR AGO*** | | | | | | |
| Detroit | +1.6% | -1.2% | -1.8% | -0.4% | +0.7% | +1.5% |
| National Average | +7.1% | +5.5% | +5.7% | +4.9% | +6.6% | +6.1% |
| ***% CHANGE FROM TWO YEARS AGO*** | | | | | | |
| Detroit | +9.0% | +12.1% | -2.7% | -3.8% | -0.5% | -0.5% |
| National Average | +11.7% | +10.0% | +11.0% | +10.5% | +11.4% | +9.8% |

Source: NREI *Rent Monitor.*

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# III. INVENTORY/VACANCY/ ABSORPTION & SALES

## A. Office

| METRO SUBMARKETS | INVENTORY | VACANCY | ABSORPTION | CONSTRUCTION |
|---|---|---|---|---|
| Ann Arbor | 4,569,324 | 20.8% | 4,862 | 0 |
| Auburn Hills | 1,076,794 | 12.7% | 24,037 | 0 |
| Birmingham/Bloomfield | 3,914,613 | 17.7% | (35,206) | 30,000 |
| Dearborn | 3,634,413 | 20.8% | (23,786) | 0 |
| Farmington/W. Bloomfield | 5,635,999 | 15.1% | (22,875) | 0 |
| I-275 Corridor | 5,042,206 | 24.9% | 26,979 | 0 |
| Rochester | 749,867 | 27.7% | 761 | 0 |
| Southfield | 15,993,645 | 28.8% | (247,951) | 84,000 |
| Troy | 13,601,250 | 26.0% | (123,678) | 0 |
| Macomb | 1,382,840 | 27.3% | (81,573) | 0 |
| Other | 2,048,893 | 31.2% | (77,765) | 30,000 |
| *Suburban* | *57,649,844* | *24.3%* | *(556,195)* | *114,000* |
| Detroit | 15,029,377 | 26.5% | 84,548 | 48,800 |
| Market Total | 72,679,221 | 24.8% | (471,647) | 162,800 |

Reported as of fourth quarter 2006.

Source: CB Richard Ellis (Detroit).

## B. Industrial

| METRO SUBMARKETS | INVENTORY | AVAILABILITY | CONSTRUCTION |
|---|---|---|---|
| Macomb Co. | 97,919,945 | 9.3% | 359,515 |
| I-75 Corridor | 78,107,761 | 9.7% | 278,044 |
| Southeast Oakland Co. | 14,291,335 | 8.8% | 0 |
| Northwest Suburbs | 56,850,723 | 10.6% | 522,232 |
| Western Wayne Co. | 87,517,552 | 10.7% | 221,735 |
| Downriver | 70,558,344 | 9.0% | 711,467 |
| Detroit | 119,381,211 | 12.5% | 360,000 |
| Washtenaw Co. | 20,470,065 | 8.7% | 115,000 |
| Market Total | 545,096,936 | 9.8% | 2,568,993 |

Reported as of fourth quarter 2006.

Source: CB Richard Ellis (Detroit).

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# III. INVENTORY/VACANCY/ ABSORPTION & SALES

## C. Metropolitan Retail Sales Trends

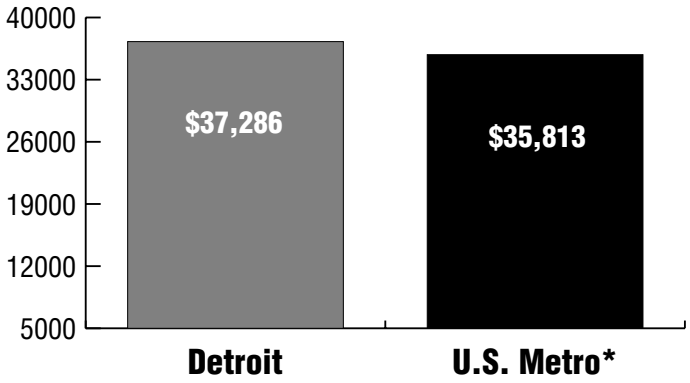
Metropolitan Retail Sales -- % Change from Prior Year
(August 2005)

| | MONTH | FYTD |
|---|---|---|
| Detroit-Warren-Livonia | (6.7%) | (5.1%) |
| National | 2.0% | 2.1% |

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.

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# 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 | 66 | 67 | 66 | 63 | 64 | 67 | 70 | 63 |
| East Central Region | FAIR | 73 | | 77 | | 70 | | 74 | |
| National Median | AVERAGE | 85 | | 83 | | 83 | | 81 | |
| **SUBURBAN OFFICE** | | | | | | | | | |
| Detroit | FAIR | 71 | 63 | 73 | 61 | 73 | 39 | 74 | 56 |
| East Central Region | FAIR | 72 | | 73 | | 73 | | 73 | |
| National Median | AVERAGE | 84 | | 84 | | 84 | | 81 | |
| **INDUSTRIAL** | | | | | | | | | |
| Detroit | AVERAGE | 78 | 56 | 80 | 49 | 80 | 43 | 78 | 55 |
| East Central Region | AVERAGE | 78 | | 80 | | 80 | | 79 | |
| National Median | AVERAGE | 83 | | 84 | | 83 | | 83 | |
| **RETAIL** | | | | | | | | | |
| Detroit | AVERAGE | 80 | 47 | 80 | 49 | 81 | 48 | 77 | 53 |
| East Central Region | AVERAGE | 79 | | 79 | | 80 | | 77 | |
| National Median | AVERAGE | 84 | | 85 | | 83 | | 83 | |
| **APARTMENT** | | | | | | | | | |
| Detroit | AVERAGE | 77 | 58 | 77 | 63 | 77 | 62 | 77 | 57 |
| East Central Region | AVERAGE | 77 | | 78 | | 78 | | 77 | |
| National Median | GOOD | 86 | | 86 | | 84 | | 82 | |
| **HOSPITALITY** | | | | | | | | | |
| Detroit | AVERAGE | 79 | 46 | 77 | 52 | 76 | 61 | 79 | 53 |
| East Central Region | FAIR | 73 | | 73 | | 76 | | 77 | |
| National Median | AVERAGE | 85 | | 86 | | 86 | | 85 | |

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.

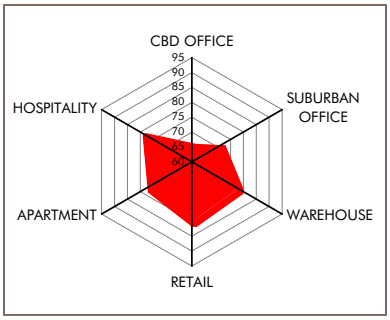
***INVESTMENT POTENTIAL**

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

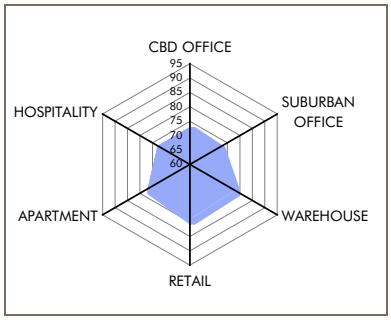
# IV. MARKET FORECAST

## B. Current Market•*Scores*

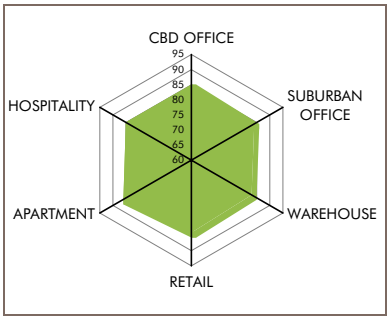
**METRO: DETROIT**




**REGION: EAST CENTRAL**

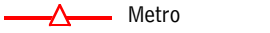



**NATIONAL**

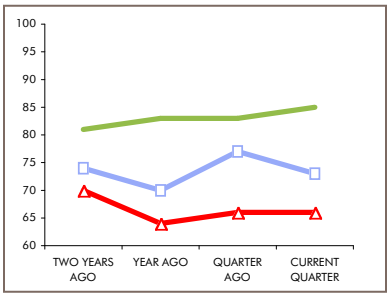



The "radar" graphs shown above indicate the current Market•Score rating for the indicated metro, as well as regional and national medians. Each graph contains six axes, representing the noted property sector, ranging from 60 to 95. Generally, the larger a shaded area is, the better the real estate performance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

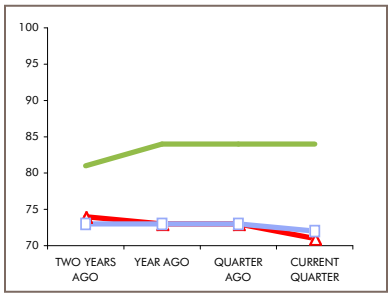
## C. Market•*Score* Trends



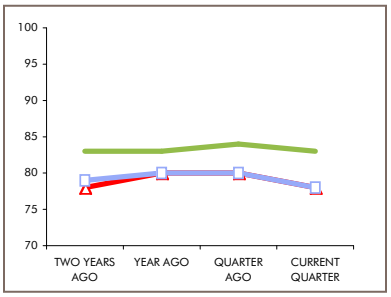

**CBD OFFICE**



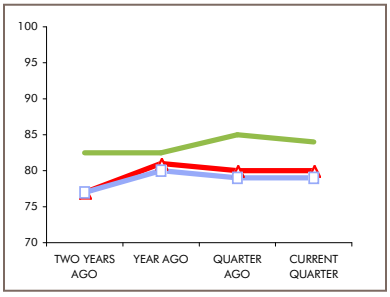

**SUBURBAN OFFICE**



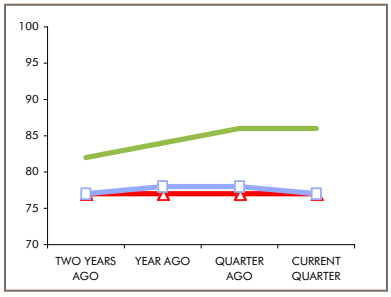

**WAREHOUSE**



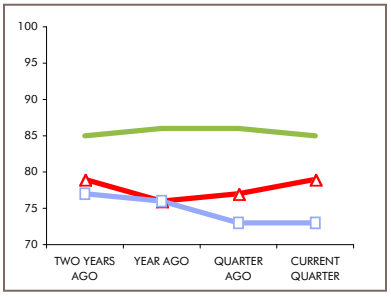

**RETAIL**




**APARTMENT**




**HOSPITALITY**




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

Detroit's CBD office sector suffers from sluggish rents and excessively high vacancy rates. Without a reversal in the slumping economic and employment trends, absorption will remain dismal as will prospects for investors.

### SUBURBAN OFFICE

Slumping rents is not new for this troubled suburban office market. Vacancy rates are excessively high and absorption of space is nearly non-existent. There is little new supply in the pipeline to exacerbate the challenges facing this market.

### WAREHOUSE

Industrial properties in the Detroit metro have relatively weak prospects for a recovery soon. Vacancy rates are excessively high, absorption is marginal, and rents are plummeting.

### RETAIL

Detroit retail vacancy rates are excessively high and rents are slumping, contrary to the national trend. Household income is better than average and household spending is around the national norm. There is not a lot of retail inventory per household.

### APARTMENT

Vacancy remains extremely high and rent increases are marginal, at best. There is little or no growth in fundamental apartment investment market drivers like employment, population, and immigration. The fact that there is no new measurable development is good news.

## Metro Market Facts

# V. DEMOGRAPHICS

## A. Metro Population

| | DETROIT | UNITED STATES |
|---|---|---|
| Population — 2005: | 4,488,300 | 296,410,400 |
| % Growth—2000–2005: | 0.8% | 5.3% |
| % Growth—1990–2000: | 4.9% | 13.4% |

Source: U.S. Census Bureau.

## B. County Population Growth

| COUNTY | 2005 POPULATION | % GROWTH 1990-2000 | % GROWTH 2000-2005 |
|---|---|---|---|
| Lapeer | 93,361 | 18.1 | 4.7 |
| Livingston | 181,517 | 37.1 | 12.0 |
| Macomb | 829,453 | 10.3 | 4.0 |
| Oakland | 1,214,361 | 10.4 | 1.4 |
| Saint Clair | 171,426 | 13.1 | 3.8 |
| Wayne | 1,998,217 | (2.5) | (2.1) |

Source: U.S. Census Bureau.

## C. State Population Growth

| | 2006 POPULATION | ACTUAL % GROWTH 1990-2006 | STATE RANKING* | PROJECTED % GROWTH 2005-2025 | STATE RANKING* |
|---|---|---|---|---|---|
| Michigan | 10,095,600 | 8.6 | 39 | 5.9 | 36 |
| United States | 299,398,500 | 20.3 | N/A | 17.9 | N/A |

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

Source: U.S. Census Bureau.

NATIONAL Real Estate Index

# V. DEMOGRAPHICS

## D. Area Cities With At Least 50,000 Residents

| CITY | 2005 POPULATION | % GROWTH 1990-2000 | % GROWTH 2000-2005 |
|---|---|---|---|
| Canton* | 86,076 | 35.2 | 11.9 |
| Clinton* | 96,828 | 11.5 | 1.1 |
| Dearborn | 94,090 | 9.8 | (3.8) |
| Dearborn Heights | 56,176 | (4.0) | (3.6) |
| Detroit | 886,671 | (7.8) | (6.5) |
| Farmington Hills | 80,223 | 10.1 | (2.3) |
| Livonia | 97,977 | (0.3) | (2.6) |
| Macomb* | 68,794 | 125.9 | 34.0 |
| Novi | 53,115 | 43.9 | 11.9 |
| Pontiac | 67,331 | (4.8) | (0.5) |
| Rochester Hills | 69,995 | 11.4 | 1.5 |
| Royal Oak | 58,299 | (6.5) | (2.9) |
| Shelby* | 69,909 | 34.7 | 6.7 |
| Southfield | 76,818 | 3.5 | (2.0) |
| St. Clair Shores | 61,561 | (7.6) | (2.5) |
| Sterling Heights | 128,034 | 5.8 | 2.7 |
| Taylor | 64,962 | (6.9) | (1.4) |
| Troy | 81,168 | 11.2 | 0.1 |
| Warren | 135,311 | (4.7) | (2.2) |
| Waterford* | 71,670 | 8.2 | (0.7) |
| West Bloomfield* | 64,996 | 19.2 | 0.0 |
| Westland | 85,623 | 2.7 | (1.3) |

*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.

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# V. DEMOGRAPHICS

## F. Metropolitan % Population Gain (1990-2005)

**POPULATION GROWTH**
(% Gain/Loss, April 1990-July 2005)

| | | | |
|---|---|---|---|
| Las Vegas | 126.2% | Greenville-Spartanburg | 22.8% |
| Phoenix | 72.7 | Miami | 22.7 |
| Austin | 71.6 | Central New Jersey | 20.0 |
| Atlanta | 60.2 | UNITED STATES | 19.1 |
| Raleigh-Durham | 58.0 | Oklahoma City | 19.1 |
| Orlando | 57.8 | Kansas City | 19.0 |
| Riverside-San Bernardino | 51.0 | Memphis | 18.1 |
| Charlotte | 48.5 | San Diego | 17.4 |
| Dallas-Ft. Worth | 47.2 | Oakland-East Bay | 17.0 |
| West Palm Beach | 46.9 | Chicago | 15.4 |
| Fort Lauderdale | 41.6 | San Jose | 14.4 |
| Denver | 40.8 | St. Louis | 12.4 |
| Houston | 40.2 | Cincinnati | 12.2 |
| Portland | 37.5 | Los Angeles | 12.1 |
| Salt Lake City | 35.8 | Baltimore | 11.5 |
| Nashville | 35.7 | New York | 10.4 |
| Sacramento | 35.5 | Newark-No. New Jersey | 9.8 |
| Jacksonville | 34.9 | Boston | 9.5 |
| Albuquerque | 33.1 | Honolulu | 8.3 |
| Tampa-St. Petersburg | 28.0 | Nassau-Suffolk | 7.6 |
| Indianapolis | 26.8 | Philadelphia | 7.1 |
| Washington | 26.5 | Detroit | 6.6 |
| Seattle | 25.2 | Milwaukee | 6.3 |
| Columbus | 24.4 | Hartford | 5.7 |
| Orange County | 24.0 | San Francisco | 5.1 |
| Minneapolis-St. Paul | 23.8 | Cleveland | 1.1 |

Source: U.S. Census Bureau.

NATIONAL Real Estate Index

# V. DEMOGRAPHICS

## G. International Immigration to Metropolitan Areas

**TOTAL INTERNATIONAL IMMIGRATION: (2000-2005)**

| | (000s) | | (000s) |
|---|---|---|---|
| New York/Nassau-Suffolk | 720.9 | Las Vegas | 52.9 |
| Los Angeles | 506.0 | Sacramento | 50.7 |
| Chicago | 307.0 | Orlando | 50.7 |
| Dallas-Ft. Worth | 232.2 | Austin | 47.2 |
| Houston | 210.4 | Tampa-St. Petersburg | 47.0 |
| Miami | 208.9 | Raleigh-Durham | 44.6 |
| Washington | 200.0 | West Palm Beach | 41.3 |
| Atlanta | 144.6 | Charlotte | 33.8 |
| Orange County | 140.9 | Salt Lake City | 31.7 |
| Phoenix | 134.4 | Baltimore | 27.6 |
| Boston | 132.8 | Columbus | 24.4 |
| San Jose | 129.0 | Honolulu | 23.6 |
| Oakland-East Bay | 107.6 | Kansas City | 23.5 |
| San Diego | 91.7 | St. Louis | 22.3 |
| San Francisco | 91.1 | Nashville | 20.3 |
| Seattle | 86.0 | Hartford | 20.2 |
| Denver | 82.6 | Milwaukee | 20.0 |
| Central New Jersey | 82.1 | Cleveland | 19.5 |
| Fort Lauderdale | 82.0 | Oklahoma City | 16.9 |
| Riverside-San Bernardino | 79.3 | Indianapolis | 16.6 |
| Philadelphia | 75.8 | Cincinnati | 14.0 |
| Newark-No. New Jersey | 74.5 | Jacksonville | 11.5 |
| Detroit | 72.3 | Greenville-Spartanburg | 11.4 |
| Minneapolis-St. Paul | 58.1 | Albuquerque | 11.2 |
| Portland | 55.3 | Memphis | 10.8 |

Source: U.S. Census Bureau.

NATIONAL Real Estate Index

# V. DEMOGRAPHICS

## H. Domestic Migration to Metropolitan Areas

**TOTAL DOMESTIC MIGRATION: (2000-2005)**

| | (000s) | | (000s) |
|---|---|---|---|
| Riverside-San Bernardino | 412.5 | Memphis | (0.9) |
| Phoenix | 301.2 | Baltimore | (5.5) |
| Las Vegas | 219.1 | Cincinnati | (10.7) |
| Tampa-St. Petersburg | 201.7 | Minneapolis-St. Paul | (16.1) |
| Atlanta | 185.6 | Denver | (19.3) |
| Orlando | 178.1 | St. Louis | (21.1) |
| Sacramento | 129.4 | Honolulu | (29.5) |
| Dallas-Ft. Worth | 100.2 | Seattle | (31.5) |
| Charlotte | 95.7 | Washington | (40.2) |
| West Palm Beach | 90.8 | Salt Lake City | (41.1) |
| Jacksonville | 82.3 | Milwaukee | (48.9) |
| Austin | 74.9 | Philadelphia | (51.9) |
| Raleigh-Durham | 74.8 | Cleveland | (71.2) |
| Houston | 62.9 | Newark-No. New Jersey | (82.1) |
| Portland | 47.9 | San Diego | (97.5) |
| Nashville | 46.8 | Oakland-East Bay | (125.5) |
| Fort Lauderdale | 36.6 | Orange County | (141.4) |
| Indianapolis | 36.1 | Detroit | (146.2) |
| Albuquerque | 27.7 | Miami | (168.5) |
| Kansas City | 17.1 | San Francisco | (177.0) |
| Greenville-Spartanburg | 16.0 | San Jose | (203.8) |
| Oklahoma City | 8.3 | Boston | (223.0) |
| Columbus | 5.6 | Chicago | (342.7) |
| Central New Jersey | 5.0 | Los Angeles | (562.4) |
| Hartford | 1.8 | New York/Nassau-Suffolk | (1079.3) |

Source: U.S. Census Bureau.

NATIONAL Real Estate Index

# VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

## A. Job Formation

**Metropolitan Area**

| | |
|---|---|
| Employment Growth (Loss)—% 12-Month (Ending in December): | (1.1%) |
| Total Number of Net New Jobs, 12 Months (Ending in December): | (22,700) |
| % Unemployed, December 2006: | 7.2% |
| % Unemployed, 12 Months Before: | 6.7% |

**National**

| | |
|---|---|
| Employment Growth (Loss)—% 12-Month (Ending in December): | 1.7% |
| % Unemployed, December 2006: | 4.3% |
| % Unemployed, December 2005: | 4.6% |

Source: Bureau of Labor Statistics.

## B. Economic Base—Employment By Sectors

| SECTOR | % GROWTH FROM PRIOR YEAR METRO | % GROWTH FROM PRIOR YEAR NATIONAL | % OF TOTAL EMPLOYMENT METRO | % OF TOTAL EMPLOYMENT NATIONAL |
|---|---|---|---|---|
| Services | 0.7 | 2.7 | 28.1 | 28.9 |
| Business Services | 0.1 | 2.9 | 18.5 | 12.9 |
| Financial Activities | (0.6) | 2.3 | 5.8 | 6.1 |
| Government | (0.7) | 1.2 | 11.5 | 16.3 |
| Retail Trade | 0.0 | (0.3) | 11.4 | 11.5 |
| Wholesale Trade | (1.1) | 2.2 | 4.5 | 4.3 |
| Transportation/Public Utilities | (1.2) | 2.5 | 3.2 | 3.7 |
| Manufacturing | (7.2) | (0.6) | 13.1 | 10.2 |
| Construction & Mining | (2.9) | 2.0 | 4.0 | 5.5 |

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.

NATIONAL Real Estate Index

# VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

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

**JOB GROWTH**
(% Gain/Loss, December 1996-December 2006)

| | | | |
|---|---|---|---|
| Las Vegas | 65.3 | Oakland-East Bay | 14.2 |
| Riverside-San Bernardino | 53.8 | Baltimore | 13.9 |
| Phoenix | 42.3 | Honolulu | 13.3 |
| Orlando | 41.4 | UNITED STATES | 13.2 |
| West Palm Beach | 40.0 | Portland | 12.8 |
| Sacramento | 32.1 | Columbus | 12.7 |
| Austin | 31.3 | Miami | 12.2 |
| Fort Lauderdale | 30.5 | Minneapolis-St. Paul | 12.2 |
| Tampa-St. Petersburg | 27.9 | Nassau-Suffolk | 12.1 |
| San Diego | 27.4 | Philadelphia | 10.5 |
| Washington | 27.1 | Memphis | 10.1 |
| Orange County | 25.7 | Cincinnati | 10.0 |
| Jacksonville | 23.4 | Newark-No. New Jersey | 8.3 |
| Salt Lake City | 23.0 | New York | 7.5 |
| Houston | 22.0 | Greenville-Spartanburg | 7.5 |
| Raleigh-Durham | 21.6 | Los Angeles | 6.7 |
| Charlotte | 21.2 | Kansas City | 5.7 |
| Atlanta | 20.6 | St. Louis | 5.5 |
| Dallas-Ft. Worth | 20.3 | Boston | 4.7 |
| Nashville | 19.8 | Chicago | 3.4 |
| Central New Jersey | 18.9 | Milwaukee | 2.7 |
| Albuquerque | 17.5 | Hartford | 2.0 |
| Seattle | 16.3 | San Francisco | 0.1 |
| Denver | 16.2 | Cleveland | (1.6) |
| Oklahoma City | 14.8 | San Jose | (2.7) |
| Indianapolis | 14.7 | Detroit | (5.0) |

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 | $60,780 | 104.8% | $58,020 |
| Secretary | $30,440 | 109.6% | $27,780 |
| Computer Systems Analysts | $75,440 | 107.1% | $70,430 |
| Computer Programmer | $63,710 | 94.5% | $67,400 |
| Electrical Engineer | $75,430 | 99.2% | $76,060 |
| Machinist | $42,360 | 119.8% | $35,350 |

Source: Bureau of Labor Statistics, Occupational Employment Statistics, May 2005.

## E. Production Wages & Union Membership

| | AVERAGE ANNUAL WAGE* | NATIONAL RANK (OUT OF 51) | % WORKERS IN UNION | NATIONAL RANK (OUT OF 51) |
|---|---|---|---|---|
| Michigan | $35,840 | 3 | 21.6% | 3 |
| U.S. Average | $29,280 | -- | 12.5% | -- |

*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 (2004); U.S. Census Bureau/union membership (2004).

# VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

## F. State Workers' Compensation Costs

Workers' Compensation Costs
The average cost per $100 of payroll
(2005)

| | RATE* | INDEX** | 2005 RATING*** | 2004 RATING |
|---|---|---|---|---|
| Michigan | $4.13 | 1.00 | 25 | 32 |

*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 $4.12.

***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 "submini-mum 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.

NATIONAL Real Estate Index

# VII. EDUCATION

## A. Educational Levels

| | % OF ADULTS WHO GRADUATED FROM HIGH SCHOOL | % OF ADULTS WHO GRADUATED FROM 4-YEAR COLLEGE/UNIVERSITY |
|---|---|---|
| Detroit | 86.6 | 26.4 |
| U.S. Average | 84.2 | 27.2 |

Source: U.S. Census Bureau, 2005 American Community Survey.

## 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 | $8,909 | 20 | $56,973 | 4 | 17.8 | 7 |
| U.S. Average | $8,618 | -- | $47,808 | -- | 15.6 | -- |

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, Fall 2005 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.

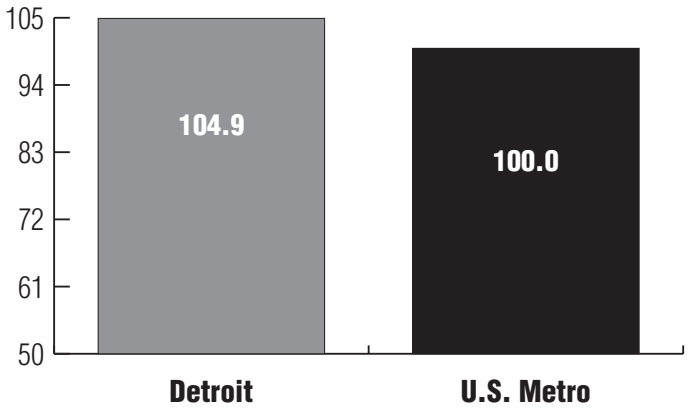
Source: National Academy of Sciences, Research-Doctorate Programs in the United States, 1995 (this report is updated every ten years). These amounts reflect the average annual expenditures from 1986 to 1992 (based on 1988 dollars).

NATIONAL Real Estate Index

# VIII. HOUSING & LIVING COSTS

## A. Overall Cost of Living (Index)

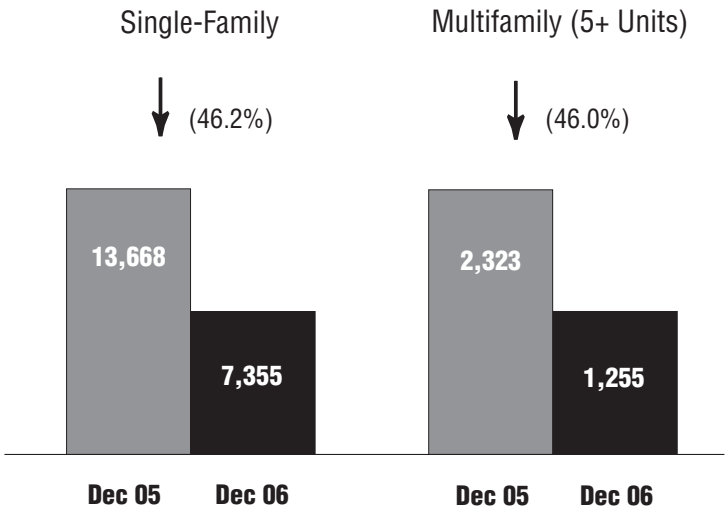
Metropolitan Cost of Living Index*
(3rd Qtr. 2006)




*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.

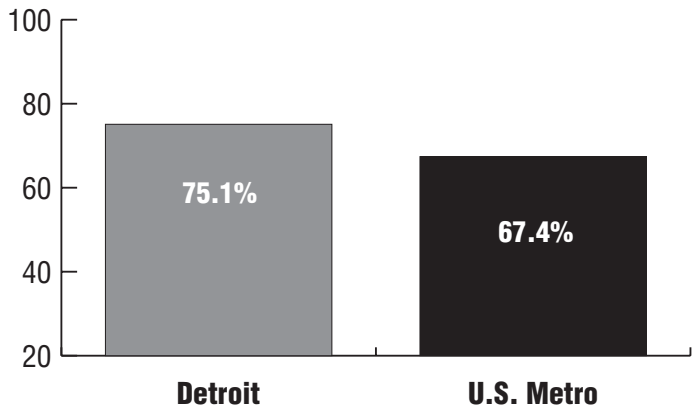
U.S. Data: The percent changes in single-family and multifamily permits nationwide were (18.0%) and (2.4%), respectively.

Source: U.S. Census Bureau.

# VIII. HOUSING & LIVING COSTS

## C. Homeownership

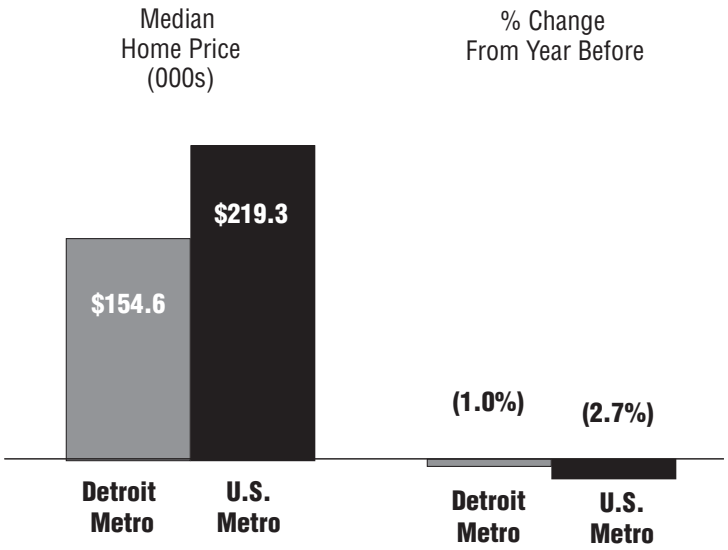
% of Households Owning Residences (2005)




Source: U.S. Census Bureau. Homeownership rates represent metropolitan averages as of year-end 2005.

## D. Single Family Home Costs

Fourth Quarter 2006




Source: National Association of Realtors®.

NATIONAL Real Estate Index

# 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 | 88.4 | 12 | $3,815 | 32 |
| U.S. | 84.3 | -- | $4,037 | -- |

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 (2004). Health Care Expenditures: Centers for Medicare and Medicaid Services (2000).

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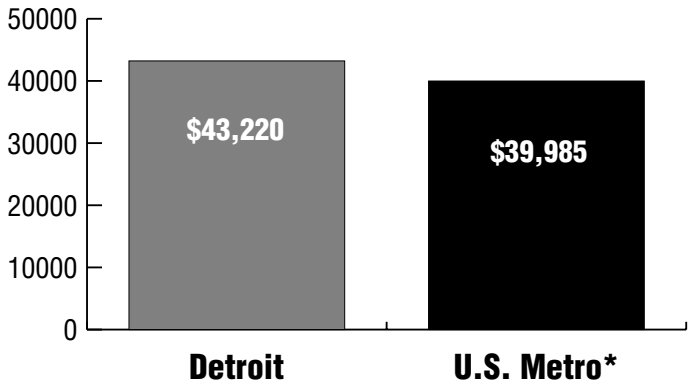
# IX. OTHER ECONOMIC INDICATORS

## 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 |

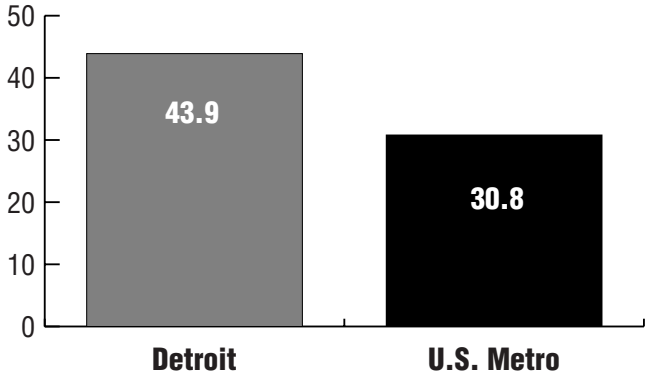
The #1 ranking represents the highest amount in each category.

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 (2005) | % CHANGE FROM 2004 | NATIONAL RANK* | WORLD RANK* |
|---|---|---|---|---|
| **Passengers** (in millions) | 36.4 | 3.4% | 11 | 20 |
| **Cargo** (in thousands –metric tons) | 224.9 | 0.1% | 28 | 78 |

*Ranking of 142 national and 843 international airports, with the #1 ranking representing the largest number of passengers and the largest amount of cargo.

Source: Airports Council International, Geneva, Switzerland.

NATIONAL Real Estate Index

# IX. OTHER ECONOMIC INDICATORS

## E. International Trade

International Trade Volume

| | IMPORT | EXPORT | TOTAL |
|---|---|---|---|
| **Detroit** (Part of the Detroit, MI Customs District) | | | |
| January-December 2006 ($$$ in billions) | $125.9 | $112.6 | $238.5 |
| % Change (from year ago) | 2.5% | 6.5% | 4.4% |
| **Total U.S** | | | |
| January-December 2006 ($$$ in billions) | $1,855.2 | $1,037.1 | $2,892.3 |
| % Change (from year ago) | 11.0% | 14.7% | 12.3% |

Source: Dept. of Commerce, Foreign Trade Division.

## F. Gross State Product

| | 1995 | 2005 | % CHANGE 1995-2005 |
|---|---|---|---|
| Michigan Ranking* (out of 51) | 9 | 9 | -- |
| **Michigan Total** ($$$ in billions) | $268.3 | $342.7 | 27.7% |
| **U.S. Total** ($$$ in billions) | $7,784.2 | $11,035.6 | 41.8% |

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

Note: The real estimates of Gross State Product (GSP) are measured in chained (2000) dollars. Real GSP is an inflation-adjusted measure of each state's gross product that is based on national prices for the goods and services produced within the state.

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

# IX. OTHER ECONOMIC INDICATORS

## G. Gross Metropolitan Product

GMP
($$ in billions)

| | 2004 | RANK (OUT OF 100) | % CHANGE (FROM 2003) |
|---|---|---|---|
| Detroit | $176.0 | 12 | 2.9% |

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

Source: U.S. Conference of Mayors.

NATIONAL Real Estate Index

# 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) | $2.00 |
| Personal Income Rates | 3.9% |
| State Taxes Paid in 2005—Percentage of Personal Income**:** | |
| Local | 7.5% |
| United States | 6.7% |

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

*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.

NATIONAL Real Estate Index

# 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 2006-Sept. 2006
($$ in millions)

| | PERSONAL INCOME | CORPORATE INCOME | SALES | TOTAL* | % CHANGE FROM YEAR AGO |
|---|---|---|---|---|---|
| Michigan | $1,706 | $420 | $1,979 | $5,025 | (3.4%) |
| U.S. | $55,429 | $10,668 | $52,820 | $140,641 | 4.6% |

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** | **$5,981** | **47** | **4.2%** |
| Macomb County | $6,413 | -- | 3.1% |
| Oakland County | $4,373 | -- | 7.1% |
| Wayne County | $6,856 | -- | 4.8% |
| U.S. Average | $7,223 | -- | 4.5% |

*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 2004.

# XI. QUALITY OF LIFE

## A. State Livability Index

| | 2006 INDEX RATING* | 2006 RANK** | 2005 RANK** |
|---|---|---|---|
| Michigan | 23.57 | 35 | 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—2005

| | VIOLENT | % CHANGE FROM 2004 | PROPERTY | % CHANGE FROM 2004 |
|---|---|---|---|---|
| Detroit-Livonia-Dearborn | 1,250.7 | 26.1 | 4,514.2 | (1.2) |
| U.S. Metro Average | 469.2 | 0.8 | 3,429.8 | (2.5) |

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 |

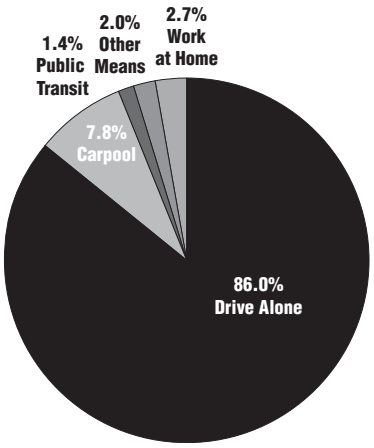
Average Annual Precipitation: 31 inches

Elevation: 664 ft

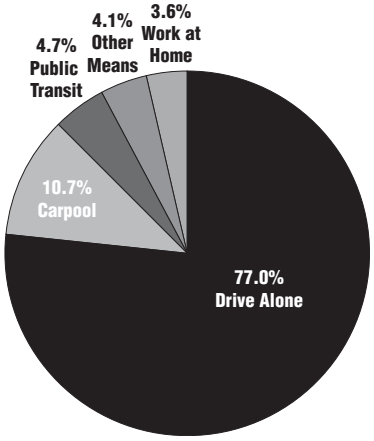
% of Sunny Days Per Year: 53%

## 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, 2005.

# 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 | $2,019.0 | $955 | 34 | 57 |
| Current Ranking* | 9 | 8 | 8 | 8 |
| Previous Year's Ranking | 10 | 11 | 9 | 9 |

*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 2003. 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, 2005 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.

NATIONAL Real Estate Index

# 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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