DETROIT MARKET REPORT

Office | Fourth Quarter 2009

NAI Farbman

Commercial Real Estate Services, Worldwide.

DETROIT

TRENDS:

Vacancy Rate ↑

Net Absorption ↓

Construction ↓

Asking Rents ↓

OVERVIEW:

Despite a cautious sense of financial optimism pervading the country, the Detroit office market continues to be met with challenges into 2010.

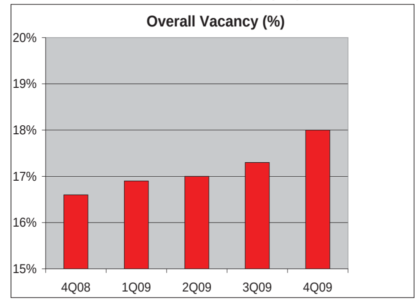
During 4Q 2009, vacancy rates decreased to 18 percent, a change of 1 percent over 3Q 2009. Vacant sublease space experienced an increase during the same time period to 1,363,491 sq ft from 1,147,558 sq. ft. during the final quarter of 2009. Average office rental rates also declined, ending 2009 at $19.00, down $.29 from 3Q.

Several CBD landmark office properties were placed in receivership in 4Q 2009, including the 348,000 sq. ft. Cadillac Tower, the 47-floor Penobscot Building and the 25-story First National Building on the edge of Detroit's Campus Martius Park. Transactions for 1Q and 2Q of 2010 will be focused on repositioning these distressed assets and the renegotiation of existing lease agreements with tenants across all classes of office space.

Trading of physical assets has been sluggish, indicating a pent-up demand for assets from investors seeking opportunities in the Detroit Market. The suburban Detroit office market has experienced some movement, as investors began to take advantage of the current climate. In the suburbs, Southfield continues to attract buyers. Riverside Center, a 200,000 sq.ft. Class A office building transferred hands in October 2009 and the nearly 15,000 sq. ft. building at 17220 W. Twelve Mile Road, was purchased during the 4Q with plans to redevelop the property into an office / medical building. The building is currently occupied by a multitude of professional service firms.

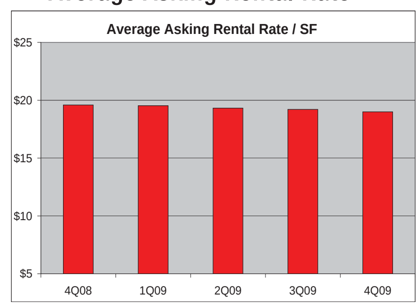
With property values reminiscent of those of the 1990s, the Detroit region is ripe for out-of-state investors seeking to 'test the waters' of Michigan. Additionally, start-ups and emerging technology sector tenants will find agreeable terms that allow for ease of launching and growing their new businesses.

Overall Vacancy (%)



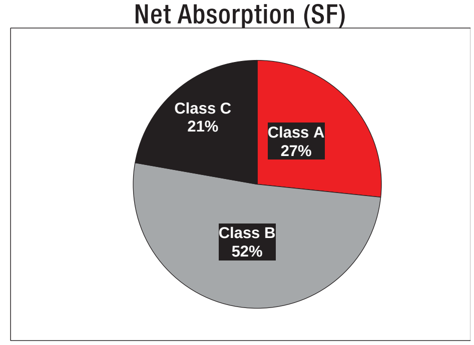
Source: The CoStar Office Report- 4th Quarter 2009

Average Asking Rental Rate



Source: The CoStar Office Report- 4th Quarter 2009

Net Absorption (SF)



Source: The CoStar Office Report- 4th Quarter 2009

Major Lease Transactions

Tenant:	Building:	Size (SF):	Submarket:
General Electric	50 West Main	87,814 SF	Oakland County
State of Michigan Human Services	Ottawa Tower	47,200 SF	Oakland County
Automotive Credit Corporation	Evergreen Atrium Office Building	33,252 SF	Oakland County
Dialogue Marketing	Troy Officentre - Bldg A	31,848 SF	Oakland County
Merrill Lynch & Co., Inc	One Detroit Center	25,068 SF	Wayne County

Source: The CoStar Office Report- 2nd Quarter 2009

*All rents are per SF/per YR unless otherwise noted.

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DETROIT MARKET

County / Market Statistics / Market Map

Oakland County

- Oakland County consists of 910 square miles and is located 20 miles north of downtown.
- Significant entertainment and sports venues include DTE and Meadowbrook outdoor theaters, the Palace of Auburn Hills -- home to the Detroit Pistons, Cranbrook Institutions and the Detroit Zoological Park.
- Oakland County also ranks as the fourth wealthiest county in the nation among counties with populations of more than one million people.
- Oaklanbd County hosts a rich mix of Fortune 500 companies: Borders Group, Borg Warner, Inc.mLear Corporation, Kelly Services, Federal-Mogul, Pulte Homes, and United Auto Group all have headquarters here. Daimler Chrysler North America AG is also headquartered here.
- General Motors Corporation ranks as the 18th largest corporation in the world, is headquartered in Detroit, and is the largest employer in Oakland County.

* Sources: Fortune Global, Crain's Detroit Business: 2009 Book of Lists, Detroit Free Press.com, www.oakgov.com, wikepedia.com

Macomb County

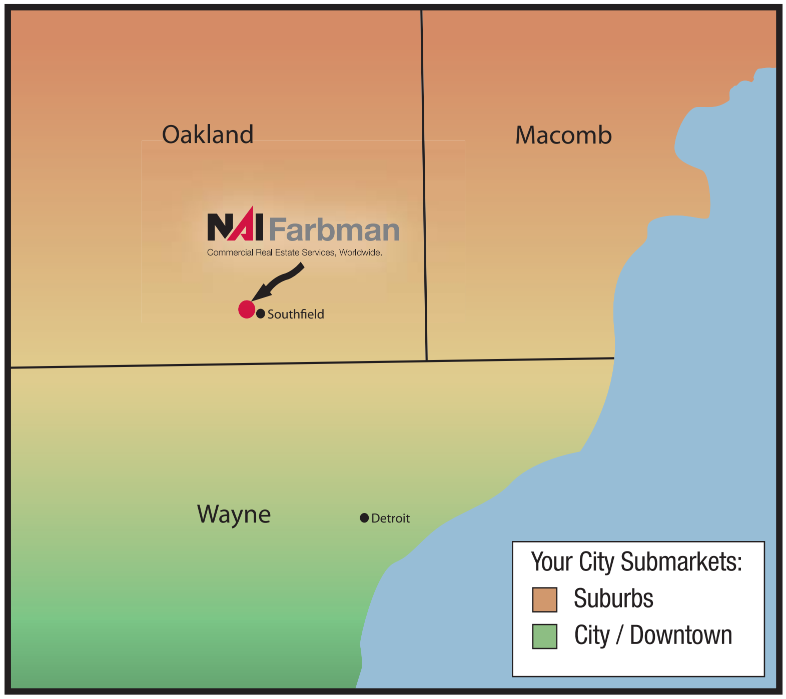
- Macomb County consists of 482 square miles and is located 20 miles north of downtown.
- Three of the largest communities in Michigan are located in Macomb County: Warren, Sterling Heights, and Clinton Twp.
- Manufacturing is one of Macomb County's leading industries, employing roughly one third of the workforce. Macomb County is home to one of the world's largest and most productive industrial corridors where you will find factories and research facilities of the Big Three automakers, the U.S. Army Tank - Automotive and Armaments Command and other manufacturing companies. Northern Macomb county land remains largely agricultural.
- Features 94 industrial parks, 8 community hospitals, Macomb Community College and University Center.

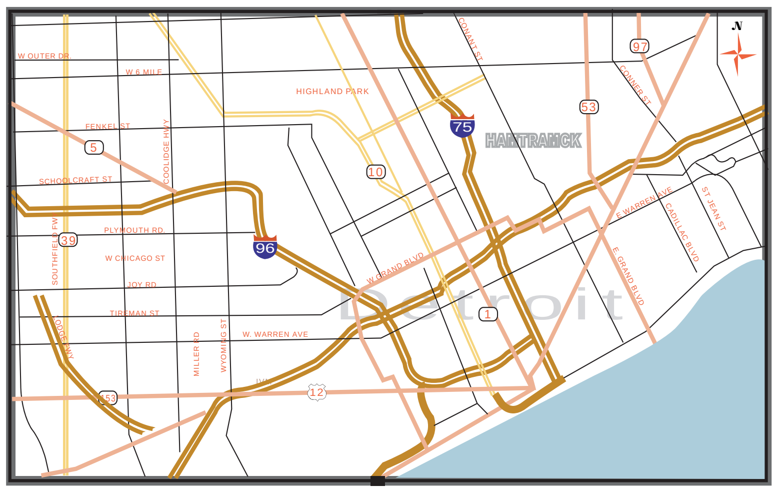
* Sources: www.macombcountymi.gov, automationalley.com

Wayne County

- Wayne County consists of 623 square miles and features a vibrant downtown and New Center Area.
- Home to three major airports and one of the nation's busiest marine ports.
- Home to the largest boat marina in the country (Bell Isle's Detroit Yacht Club)
- Access to Windsor, Canada by bridge or tunnel.
- Home to two of the world's largest corporations, General Motors Corporation and Ford Motor Company.
- Entertainment venues include Casino gambling, Cobo Hall, and Joe Louis Arena

* Source: www.waynecounty.com





County	Population	Median Income
Oakland	1,202,174	$66,641
Macomb	830,663	$55,265
Wayne	1,949,929	$42,529

Source: US Census 2008 estimates

DETROIT MARKET

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FIGURES AT A GLANCE

Class A Market Statistics

Year-End 2009

Market	Existing Inventory # Blds	Existing Inventory Total RBA	Vacancy Direct SF	Vacancy Total SF	Vacancy Vac %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Bloomfield	28	3,133,920	453,717	602,831	19.2%	(4,111)	95,000	0	$26.99
Detroit/The Pointes	32	13,667,573	2,051,750	2,057,278	15.1%	(15,041)	55,966	0	$22.45
Downriver	1	43,230	0	0	0.0%	0	0	0	$0.00
Livingston/W Oakland	14	1,464,892	231,946	246,446	16.8%	34,362	0	0	$23.54
Macomb	10	576,346	222,974	222,974	38.7%	(37,106)	0	68,955	$25.16
North Oakland	17	6,772,498	230,456	268,224	4.0%	(47,809)	0	120,000	$24.74
Royal Oak	1	27,787	4,145	8,820	31.7%	(4,675)	0	0	$24.78
Southfield	28	6,964,339	1,408,493	1,547,670	22.2%	(174,754)	0	0	$21.54
Troy	32	6,428,961	1,408,592	1,444,015	22.5%	(94,459)	0	0	$20.99
Washtenaw	28	3,631,557	245,620	254,955	7.0%	124,751	0	0	$24.93
West Wayne	29	6,235,213	603,403	616,860	9.9%	65,565	0	166,107	$21.16
Totals	220	48,946,316	6,861,096	7,270,073	14.9%	(153,277)	150,966	355,062	$22.59

Source: CoStar Property®

Class B Market Statistics

Year-End 2009

Market	Existing Inventory # Blds	Existing Inventory Total RBA	Vacancy Direct SF	Vacancy Total SF	Vacancy Vac %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Bloomfield	344	10,534,006	1,679,840	1,750,350	16.6%	(161,608)	12,650	75,268	$21.15
Detroit/The Pointes	258	20,310,957	3,457,164	3,496,027	17.2%	(103,235)	30,000	0	$17.20
Downriver	90	1,448,313	407,504	420,854	29.1%	(207,125)	7,113	0	$17.80
Livingston/W Oakland	259	4,578,454	752,715	766,044	16.7%	(5,466)	35,917	120,000	$20.83
Macomb	470	7,611,757	1,368,742	1,383,934	18.2%	(107,239)	63,009	0	$18.23
North Oakland	238	7,358,146	2,281,787	2,395,535	32.6%	(902,914)	31,927	0	$19.34
Royal Oak	150	2,256,348	362,348	364,823	16.2%	50,447	10,000	5,000	$18.05
Southfield	199	13,010,395	3,017,658	3,061,690	23.5%	(144,163)	5,992	0	$18.14
Troy	172	9,725,824	3,414,240	3,742,613	38.5%	(195,747)	0	0	$18.38
Washtenaw	293	7,179,584	839,968	921,623	12.8%	(113,391)	15,000	0	$18.96
West Wayne	394	10,280,880	2,077,677	2,224,341	21.6%	(225,651)	8,900	0	$16.58
Totals	2,867	94,294,664	19,659,643	20,527,834	21.8%	(2,116,092)	220,508	200,268	$18.45

Source: CoStar Property®

DETROIT MARKET

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FIGURES AT A GLANCE

Class C Market Statistics

Year-End 2009

	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
Market	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Bloomfield	315	2,781,482	337,130	337,130	12.1%	(9,854)	0	0	$19.63
Detroit/The Pointes	456	10,754,319	1,379,455	1,380,729	12.8%	(47,495)	0	0	$13.39
Downriver	163	980,178	180,669	180,669	18.4%	(27,354)	0	0	$14.40
Livingston/W Oakland	259	1,650,310	234,714	234,714	14.2%	3,184	0	0	$17.45
Macomb	771	5,171,813	528,339	540,102	10.4%	91,114	0	0	$14.89
North Oakland	409	3,654,412	485,902	485,902	13.3%	(150,271)	0	0	$18.32
Royal Oak	257	2,030,958	329,053	335,753	16.5%	(94,603)	0	0	$15.17
Southfield	239	4,136,820	569,643	585,845	14.2%	34,104	0	0	$14.31
Troy	105	1,507,640	264,263	311,359	20.7%	8,416	0	0	$14.80
Washtenaw	399	2,403,146	273,037	273,037	11.4%	(53,009)	0	0	$17.55
West Wayne	590	5,935,021	617,356	620,644	10.5%	(39,786)	0	0	$16.21
Totals	3,963	41,006,099	5,199,561	5,285,884	12.9%	(285,554)	0	0	$15.66

Source: CoStar Property®

Total Office Market Statistics

Year-End 2009

	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
Market	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Bloomfield	687	16,449,408	2,470,687	2,690,311	16.4%	(175,573)	107,650	75,268	$22.27
Detroit/The Pointes	746	44,732,849	6,888,369	6,934,034	15.5%	(165,771)	85,966	0	$18.56
Downriver	254	2,471,721	588,173	601,523	24.3%	(234,479)	7,113	0	$16.95
Livingston/W Oakland	532	7,693,656	1,219,375	1,247,204	16.2%	32,080	35,917	120,000	$20.95
Macomb	1,251	13,359,916	2,120,055	2,147,010	16.1%	(53,231)	63,009	68,955	$17.75
North Oakland	664	17,785,056	2,998,145	3,149,661	17.7%	(1,100,994)	31,927	120,000	$19.72
Royal Oak	408	4,315,093	695,546	709,396	16.4%	(48,831)	10,000	5,000	$16.84
Southfield	466	24,111,554	4,995,794	5,195,205	21.5%	(284,813)	5,992	0	$18.58
Troy	309	17,662,425	5,087,095	5,497,987	31.1%	(281,790)	0	0	$18.90
Washtenaw	720	13,214,287	1,358,625	1,449,615	11.0%	(41,649)	15,000	0	$20.32
West Wayne	1,013	22,451,114	3,298,436	3,461,845	15.4%	(199,872)	8,900	166,107	$17.41
Totals	7,050	184,247,079	31,720,300	33,083,791	18.0%	(2,554,923)	371,474	555,330	$19.00

Source: CoStar Property®

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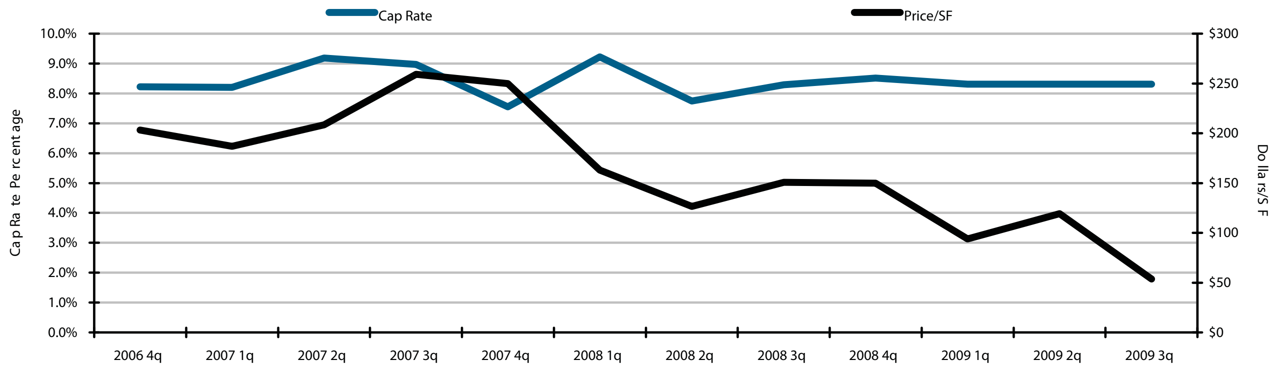
SALES ACTIVITY

The Optimist Sales Index

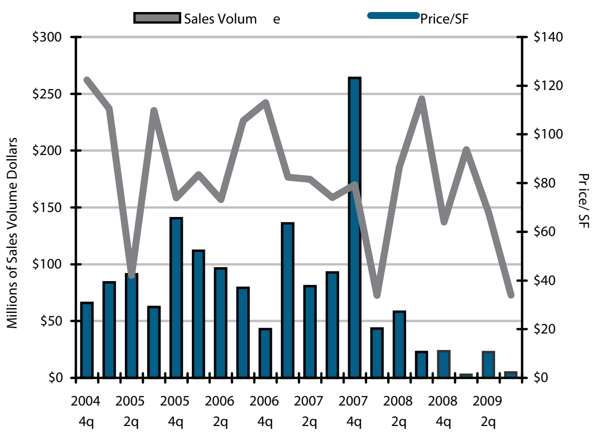
Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



Source: CoStar COMPS®

Sales Volume & Price

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

Sales Analysis by Building Size

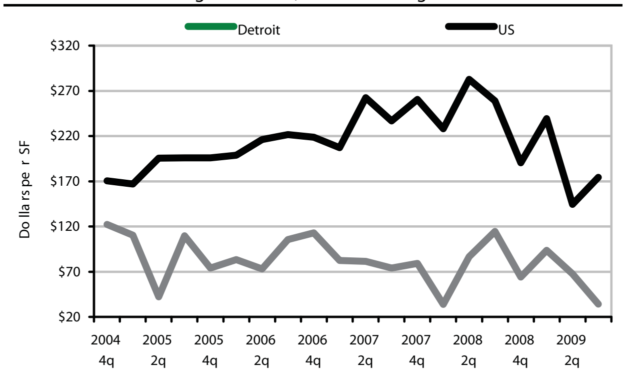
Based on Office Building Sales From Oct. 2008 - Sept. 2009

Bldg Size	#	RBA	$ Volume	Price/SF	Cap Rate
< 50,000 SF	43	511,657	$ 49,915,922	$ 97.56	9.00%
50K-249K SF	6	557,960	$ 31,720,000	$ 56.85	8.51%
250K-499K SF	-	-	-	$ -	-
>500K SF	-	-	-	$ -	-

Source: CoStar COMPS®

U.S. Price/SF Comparison

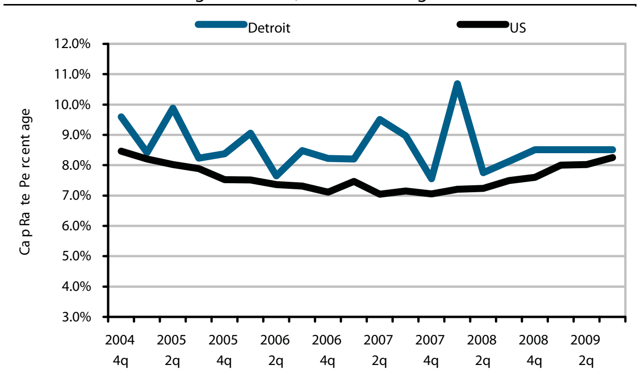
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

U.S. Cap Rate Comparison

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

DETROIT MARKET

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Select Top Sales

Based on Sales from October 2008 Through December 2009

1. Long Lake Crossing

RBA:	**170,363**
Date:	**4/28/2009**
Year Built:	**1988**
Buyer:	**Sovereign Partners, LLC**
Seller:	**Transwestern Investment Company, L.L.C.**

2. 438 Garfield Rd

RBA:	**50,752**
Date:	**10/2/2008**
Year Built:	**N/A**
Buyer:	**REM Management Inc**
Seller:	**Partridge Woods Office Park LLC**

3. Drake International Center

RBA:	**102,258**
Date:	**12/10/2008**
Year Built:	**2000**
Buyer:	**SG Technologies Inc**
Seller:	**Drake L P Lexington**

4. 6483 Waldon Center Dr

RBA:	**18,000**
Date:	**11/18/2008**
Year Built:	**2002**
Buyer:	**Charter Township Of Independence**
Seller:	**Leh-Ray Holdings, LLC**

5. 333 Stephenson Hwy

RBA:	**50,040**
Date:	**8/24/2009**
Year Built:	**1974**
Buyer:	**Dr. Baljinder Pannu**
Seller:	**Millstein Industries LLC**

6. 1145 Griswold St

RBA:	**80,000**
Date:	**8/24/2009**
Year Built:	**1912**
Buyer:	**City of Detroit Downtown Development Authority**
Seller:	**Victor Ozeri**

7. 1212 Griswold St

RBA:	**108,000**
Date:	**11/19/2009**
Year Built:	**1895**
Buyer:	**Detroit Economic Growth Corporation**
Seller:	**United Negro College Fund**

8. 850 S Hewitt

RBA:	**32,809**
Date:	**4/9/2009**
Year Built:	**2001**
Buyer:	**Al-hafiz LLC**
Seller:	**Uaw-ford Fam Svc & Learning Center**

9. 2350 Washtenaw Ave

RBA:	**16,257**
Date:	**10/2/2009**
Year Built:	**1980**
Buyer:	
Seller:	**Ramzi Y Naber**

Full-Service Commercial Real Estate

Whether around the corner or around the world, NAI Farbman combines the power and expertise of NAI Global with the advantage of strong, long-standing relationships in southeastern Michigan, continuing our role as one of the largest and most respected full-service real estate organizations in the Midwest.

NAI Farbman is a dynamic member of NAI Global, the world's leading managed network of commercial real estate firms. With over 800 offices in 55 countries worldwide, we bring together people and resources to deliver results for our clients wherever needed. Our clients come to us for our deep local knowledge. They build their businesses on the power of our global managed network.

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