

JUDEH ASSOCIATES

Vacancy, absorption, asking rates and more for local submarkets (pages 2-4):

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WHAT'S NEW IN 1Q12?

COMMERCIAL MORTGAGE ORIGINATIONS GROWING – Commercial real estate and multi-family mortgage originations are projected to have a strong improvement in 2012, and the increases are expected to occur through 2015 according to a report from the Mortgage Bankers Association. Such increases for both sectors are anticipated as high as 17% for 2012 which would be approximately \$230 billion by year-end.

DUAL PERSONAL RESIDENCE EXEMPTION – A bill heading to Governor Snyder's desk for his signature would create two Principal Residence Exemption (PRE) filing dates – one on June 1 and the other on November 1. This legislation allows bank-owned properties to retain their PRE so that buyers can qualify at the lower rate of taxation.

PERSONAL PROPERTY REFORM – An 8-bill package (Senate Bills 1065-1072) was introduced in the Senate on completely overhauling the Personal Property Tax structure. These bills would:

- Does not alter existing exemptions for industrial and commercial personal property.
- Exempts all new eligible manufacturing personal property beginning in 2016 which was placed into service on or after January 1, 2012.
- It establishes a reimbursement mechanism to protect local units of government.
- Phases out existing tax on eligible manufacturing personal property over 7 years, beginning in 2016. By 2022, no manufacturing personal property will be subject to taxation.
- Exempts all taxpayer's industrial and commercial personal property within a local government unit, as long as the aggregate taxable value of that property is less than \$40,000 beginning 2013.

MORTGAGE SETTLEMENT– Flagstar Bancorp Inc. agreed to pay \$132.8 million to settle allegations that it submitted loans to HUD with the understanding that they did not meet underwriting standards, *The Wall Street Journal* reported Feb. 29.

NUMBER OF UNDERWATER HOMES GROWS – Nearly 23% of all residential mortgages – about 11.1 million properties – had negative equity at the end of December according to CoreLogic. Another 2.5 million borrowers had less than 5% equity, falling into a category referred to as near-negative equity.

GO DETROIT – *Inc. Magazine* recently named Detroit “Start-up City, USA” which features a collection of articles labeling the city as an “innovation Hot Spot.”

REFI FEES REDUCED – The Obama administration announced in March that the FHA would reduce fees that have prevented some borrowers from refinancing at ultralow rates over the past year. This is limited to borrowers who currently have an FHA loan and refinance into another FHA-backed mortgage. The process does not require borrowers to verify income, employment or credit and eliminate the requirement of a new appraisal. This is only available to borrowers who took out loans before 6/1/2009 and have made all of their last 12 mortgage payments. The White House expects the changes to help between 2 and 3 million borrowers.

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Office Market

Total Office Market Statistics						First Quarter 2012			
Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Bloomfield	770	17,150,075	2,536,192	2,545,456	14.8%	13,883	0	74,332	\$20.20
Detroit/The Pointes	862	43,368,690	8,702,297	8,775,709	20.2%	(207,108)	0	80,439	\$19.09
Downriver	324	2,660,901	562,220	573,320	21.5%	(3,816)	0	0	\$16.23
Livingston/W Oakland	692	7,966,466	950,083	963,477	12.1%	(11,675)	0	0	\$19.52
Macomb	1,380	14,229,379	2,059,619	2,078,509	14.6%	115,562	7,500	0	\$16.39
North Oakland	711	17,877,304	3,475,879	3,606,447	20.2%	57,210	0	0	\$17.11
Royal Oak	606	5,067,680	641,118	651,518	12.9%	(17,665)	0	9,000	\$16.01
Southfield	590	23,768,715	4,928,974	5,069,512	21.3%	(4,896)	0	0	\$17.56
Troy	316	17,768,558	5,694,614	5,762,795	32.4%	152,010	0	0	\$18.27
Washtenaw	885	14,653,060	1,539,035	1,546,172	10.6%	11,332	0	0	\$17.37
West Wayne	1,294	24,451,467	3,683,837	3,873,839	15.8%	70,612	0	0	\$16.96
Totals	8,430	188,962,295	34,773,868	35,446,754	18.8%	175,449	7,500	163,771	\$18.03

Source: CoStar Property®

Construction Activity - Markets Ranked by Under Construction Square Footage						1Q12
Market	Under Constructon Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Detroit/The Pointes	2	80,439	80,439	100.00%	50,312	40,219
Bloomfield	1	74,332	74,332	22.00%	22,273	74,332
Royal Oak	1	9,000	9,000	100.00%	8,363	9,000
West Wayne	0	0	0	0.00%	18,896	0
Macomb	0	0	0	0.00%	10,311	0
North Oakland	0	0	0	0.00%	25,144	0
Southfield	0	0	0	0.00%	40,286	0
Troy	0	0	0	0.00%	56,230	0
Washtenaw	0	0	0	0.00%	16,557	0
Livingston/W. Oakland	0	0	0	0.00%	11,512	0
All Other	0	0	0	0.00%	8,213	0
Totals	4	163,771	163,771	64.60%	22,415	40,943

Source: CoStar

Total Office Market Statistics						First Quarter 2012					
Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2012 1q	8,430	188,962,295	34,773,868	35,446,754	18.8%	175,449	1	7,500	4	163,771	\$18.03
2011 4q	8,431	188,976,054	34,908,807	35,635,962	18.9%	399,732	1	6,427	5	171,271	\$18.26
2011 3q	8,431	188,995,227	35,326,826	36,054,867	19.1%	161,419	2	135,032	5	168,698	\$18.17
2011 2q	8,429	188,860,195	35,326,541	36,081,254	19.1%	677,888	2	11,503	7	303,730	\$18.20
2011 1q	8,427	188,848,692	35,773,380	36,747,639	19.5%	(71,492)	2	40,635	7	233,401	\$18.46
2010	8,427	188,812,963	35,734,162	36,640,418	19.4%	(509,082)	10	343,402	7	217,668	\$18.90
2009	8,424	188,786,493	34,804,366	36,104,866	19.1%	(3,386,987)	21	342,023	9	285,072	\$18.89
2008	8,407	188,469,306	31,208,850	32,400,692	17.2%	(829,567)	28	582,313	19	315,450	\$19.55
2007	8,383	187,894,468	29,948,916	30,996,287	16.5%	1,803,388	71	1,797,608	25	572,140	\$19.99
2006	8,320	186,117,859	30,106,700	31,023,066	16.7%	592,175	89	2,430,620	59	1,674,157	\$20.12
2005	8,232	183,690,414	28,369,385	29,187,796	15.9%	(280,283)	96	1,936,759	83	2,761,928	\$20.37
2004	8,138	181,812,846	25,908,952	27,029,945	14.9%	1,522,010	103	3,035,617	85	1,930,843	\$20.40
2003	8,037	179,539,801	24,494,123	26,278,910	14.6%	1,500,413	88	3,198,277	97	3,166,884	\$20.10
2002	7,951	176,358,644	22,327,510	24,598,166	13.9%	(1,974,789)	104	2,440,666	86	3,803,619	\$21.17
2001	7,849	173,921,843	17,894,827	20,186,576	11.6%	(1,831,111)	126	4,252,631	109	4,065,292	\$20.63
2000	7,726	169,689,981	13,012,634	14,123,603	8.3%	(1,571,990)	97	3,277,515	123	4,836,947	\$21.44

Source: CoStar Property®

Industrial Market

Total Industrial Market Statistics										First Quarter 2012
Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates	
	# Blds	Total RBA	Direct SF	Total SF	Vac %					
Airport/I-275 Ind	3,076	15,696,364	13,631,534	13,692,109	11.8%	255,578	0	149,084	\$4.22	
Detroit Area Ind	1,745	87,301,106	17,821,183	18,482,864	21.2%	(597,532)	0	0	\$3.06	
Downriver Ind	670	42,105,046	4,172,979	4,172,979	9.9%	(110,680)	0	0	\$3.98	
East Area Ind	4,079	19,463,662	8,802,385	8,983,734	7.5%	552,276	0	302,000	\$4.06	
I-96 Corridor Ind	2,091	59,918,737	4,715,003	4,782,488	8.0%	465,654	0	68,475	\$5.58	
Oakland County NW Ind	1,351	58,729,963	6,230,293	6,244,309	10.6%	194,113	0	55,000	\$5.06	
Royal Oak/Southfield Ind	1,217	19,680,023	1,798,663	1,801,813	9.2%	124,905	0	0	\$4.48	
Troy Area Ind	1,455	31,345,614	2,891,312	2,920,703	9.3%	201,773	0	6,736	\$4.86	
Washtenaw Ind	881	37,150,249	8,447,304	8,492,869	22.9%	(283,191)	0	0	\$5.73	
Totals	16,565	571,390,764	68,510,656	69,573,868	12.2%	802,896	0	581,295	\$4.29	

Source: CoStar Property®

Construction Activity - Markets Ranked by Under Construction RBA							1Q12
Market	Under Constructon Inventory				Average Bldg Size		
	# Blds	Total RBA	Preleased SF	Preleased %	All Existing	U/C	
East Area Ind	2	302,000	267,800	88.70%	29,287	151,000	
Airport/I-275 Ind	1	149,084	149,084	100.00%	37,613	149,084	
I-96 Corridor Ind	1	68,475	68,475	100.00%	28,656	68,475	
Oakland County NW Ind	1	55,000	55,000	100.00%	43,471	55,000	
Troy Area Ind	1	6,736	6,736	100.00%	21,543	6,736	
Downriver Ind	0	0	0	0.00%	62,843	0	
Royal Oak/Southfield Ind	0	0	0	0.00%	16,171	0	
Washtenaw Ind	0	0	0	0.00%	42,168	0	
Detroit Area Ind	0	0	0	0.00%	50,029	0	
Totals	6	581,295	547,095	94.10%	34,494	96,882	

Source: CoStar

Total Industrial Market Statistics												First Quarter 2012
Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates	
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA		
2012 1q	16,565	571,390,764	68,510,656	69,573,868	12.2%	802,896	0	0	6	581,295	\$4.29	
2011 4q	16,567	571,540,034	69,365,445	70,526,034	12.3%	2,717,445	0	0	5	432,211	\$4.31	
2011 3q	16,574	571,719,234	71,999,721	73,422,679	12.8%	1,690,390	0	0	2	340,000	\$4.32	
2011 2q	16,578	571,885,777	73,686,522	75,279,612	13.2%	2,707,631	0	0	1	285,000	\$4.36	
2011 1q	16,581	572,047,757	76,350,400	78,149,223	13.7%	2,685,760	2	196,336	1	285,000	\$4.38	
2010	16,583	571,976,816	78,861,546	80,764,042	14.1%	(5,223,930)	5	363,523	3	481,336	\$4.48	
2009	16,585	571,925,089	72,453,481	75,488,385	13.2%	(10,386,696)	9	449,964	4	123,523	\$4.75	
2008	16,582	571,630,227	62,233,940	64,806,827	11.3%	(320,278)	24	1,968,554	11	542,487	\$5.01	
2007	16,560	569,987,298	60,648,999	62,843,620	11.0%	1,964,902	45	1,782,000	19	1,568,977	\$5.18	
2006	16,518	568,398,954	62,725,802	63,220,178	11.1%	(2,976,008)	63	2,784,040	37	1,156,277	\$5.43	
2005	16,459	565,951,930	56,944,538	57,797,146	10.2%	7,302,633	89	4,880,196	52	2,410,863	\$5.47	
2004	16,373	561,185,000	58,724,568	60,332,849	10.8%	4,245,659	82	2,931,376	85	4,660,268	\$5.67	
2003	16,295	558,369,183	59,952,767	61,762,691	11.1%	(2,079,746)	105	4,131,755	58	2,071,266	\$5.64	
2002	16,193	554,256,056	53,310,953	55,569,818	10.0%	(989,541)	127	4,770,934	93	3,514,702	\$5.10	
2001	16,071	549,670,865	46,807,458	49,995,086	9.1%	(5,835,807)	200	8,910,501	125	4,699,060	\$5.50	
2000	15,885	541,227,946	34,610,685	35,716,360	6.6%	(3,018,647)	262	11,883,829	165	7,458,253	\$5.43	

Source: CoStar Property®

Retail Market

General Retail Market Statistics										First Quarter 2012
Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted	
	# Bids	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates	
Bloomfield	654	4,889,972	215,319	330,202	6.8%	15,791	0	0	\$12.57	
Detroit/The Pointes	3,588	23,257,453	1,874,385	1,903,635	8.2%	71,149	0	27,250	\$9.19	
Downriver	900	6,804,057	435,343	440,187	6.5%	27,042	0	0	\$10.56	
Livingston/W Oakland	1,385	9,336,861	329,625	329,625	3.5%	32,606	11,337	1,639	\$12.16	
Macomb	2,650	19,099,387	1,368,341	1,410,547	7.4%	(14,362)	6,692	7,800	\$10.33	
North Oakland	1,247	9,459,066	859,851	869,538	9.2%	36,634	3,648	5,300	\$11.67	
Royal Oak	1,424	6,980,877	485,502	505,967	7.2%	45,873	0	0	\$14.12	
Southfield	298	2,824,060	211,773	211,773	7.5%	2,100	0	0	\$10.59	
Troy	201	1,791,361	146,903	147,903	8.3%	4,047	0	9,800	\$11.32	
Washtenaw	1,691	11,104,753	508,548	508,548	4.6%	(24,138)	0	107,176	\$19.02	
West Wayne	2,526	19,707,395	1,815,670	1,979,449	10.0%	152,218	9,207	15,000	\$9.18	
Totals	16,564	115,255,242	8,251,260	8,637,374	7.5%	348,960	30,884	173,965	\$10.99	

Source: CoStar Property®

Construction Activity - Markets Ranked by Under Construction Square Footage							1Q12
Market	Under Constructon Inventory				Average Bldg Size		
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C	
Livingston/W. Oakland	2	150,503	150,503	100.00%	12,838	75,251	
Washtenaw	2	107,176	107,176	100.00%	9,726	53,588	
Macomb	3	76,595	71,067	92.80%	13,170	25,532	
Detroit/The Pointes	2	27,250	14,000	51.40%	7,780	13,625	
West Wayne	1	15,000	0	0.00%	13,389	15,000	
Troy	1	9,800	9,800	100.00%	26,213	9,800	
North Oakland	1	5,300	2,014	38.00%	14,624	5,300	
Downriver	0	0	0	0.00%	12,173	0	
Southfield	0	0	0	0.00%	19,396	0	
Royal Oak	0	0	0	0.00%	7,027	0	
All Other	0	0	0	0.00%	12,932	0	
Total	12	391,624	354,560	90.50%	11,691	32,635	

Source: CoStar

General Retail Market Statistics												First Quarter 2012
Period	Existing Inventory		Vacancy			Net	Deliveries		UC Inventory		Quoted	
	# Bids	Total GLA	Direct SF	Total SF	Vac %	Absorption	# Bids	Total GLA	# Bids	Total GLA	Rates	
2012 1q	16,564	115,255,242	8,251,260	8,637,374	7.5%	348,960	6	30,884	9	173,965	\$10.99	
2011 4q	16,560	115,273,356	8,605,477	9,004,448	7.8%	282,844	1	6,000	13	193,599	\$10.97	
2011 3q	16,561	115,283,068	8,880,843	9,297,004	8.1%	121,420	5	242,189	5	23,102	\$11.09	
2011 2q	16,561	115,071,233	8,777,949	9,206,589	8.0%	138,225	3	83,980	7	251,259	\$11.18	
2011 1q	16,561	115,181,615	9,071,602	9,455,196	8.2%	256,787	2	21,750	8	326,169	\$11.04	
2010 4q	16,564	115,178,481	9,086,697	9,708,849	8.4%	762,094	5	182,399	6	287,730	\$11.25	
2010 3q	16,562	115,026,577	9,726,095	10,319,039	9.0%	325,223	1	3,200	9	285,919	\$11.52	
2010 2q	16,563	115,027,357	9,978,867	10,645,042	9.3%	519,322	4	57,800	5	183,700	\$11.75	
2010 1q	16,562	114,989,635	10,431,432	11,126,642	9.7%	(250,842)	4	19,784	7	234,000	\$11.92	
2009 4q	16,558	114,969,851	10,153,202	10,856,016	9.4%	(199,730)	7	68,837	7	71,384	\$11.78	
2009 3q	16,553	115,056,170	10,014,150	10,742,605	9.3%	(393,975)	3	28,987	12	133,621	\$12.06	
2009 2q	16,553	115,077,495	9,631,619	10,369,955	9.0%	(418,493)	4	38,880	10	99,824	\$12.20	
2009 1q	16,554	115,230,052	9,374,279	10,104,019	8.8%	455,015	13	412,666	9	78,472	\$12.45	
2008	16,541	114,817,386	9,422,246	10,146,368	8.8%	1,020,970	60	878,778	19	472,841	\$12.88	
2007	16,488	113,971,532	9,968,085	10,321,484	9.1%	2,128,770	70	802,515	43	631,800	\$12.71	
2006	16,423	113,192,947	11,671,669	11,671,669	10.3%	(175,629)	85	1,004,408	52	638,000	\$12.57	

Source: CoStar Property®