

2nd Quarter 2009

E-Newsletter

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Jumana Judeh,
MAI, GAA
Certified General
Appraiser

General Associate
Member,
Appraisal Institute

22952 Outer Dr.
Dearborn, MI 48124

Office 313-277-1986
Fax 313-277-8634

www.judehonline.com
jumanaj@judehonline.com

Vacancy, absorption, asking rates and more on local sub-markets in:

- ◆ Office Market
- ◆ Retail Market
- ◆ Industrial Market
- ◆ Related Links

INFORMATION IS SUCCESS!

TAXES & TRASH – The Michigan Court of Appeals {Parker v Detroit} ruled that the City of Detroit's charges commercial and industrial properties \$2.9928 per \$1,000 of real property taxable value on top of a regular user fee for solid waste collection is not double taxation for the same service. The Court affirmed that the defendant may tax costs pursuant to MCR 7.219.

CONSERVATION EASEMENT DONATION AS A TAX DEDUCTION – The US Tax Court (TC Memo 2009-94) ruled that a Colorado man, who granted a conservation easement to a qualified conservation organization and claimed a \$3.1 million charitable contribution deduction on his tax returns overstated the value of the donation by just over \$1.1 million. In Hughes v Commissioner of Internal Revenue, the court's ruling was followed closely due to its potential affect on charitable contributions of real property. The court's ruling took into consideration the fair market value of the donated real property before and after the easement.

FORECLOSURE BILL RAISES CONCERNS ABOUT SCAM ARTISTS – On 5/22/09, Governor Granholm signed the Home Foreclosure Prevention Act which provides what lawmakers are calling "a 90-day lifeline" for borrowers facing foreclosure; however, the new law requires that the mortgage company seeking a foreclosure publish the **name and address** of a person on the brink of losing their home. Under the current law, such legal notices require only a legal description of the property. Experts say this new provision will expose homeowners to potential fraudulent foreclosure services.

DETROIT TO DROP OUT OF TOP 10 – Detroit and Phoenix are two of the most economically troubled areas in America, however, their future prospects are as different as night and day. Detroit is the only metro area expected to slip from the top 10 during the next two decades to be replaced by Phoenix. In fact, Detroit's projected population loss will drop it from 10th to 14th place by 2025 while Phoenix is projected to be elevated to 7th place, up from 13th in 2005.

FOREIGN NATIONALS BOOSTING US REAL ESTATE MARKET – Reinforcing the belief that the business of real estate today is truly borderless, new special visa categories that allow foreign nationals to gain US residency can help facilitate that process. There are also visas for people who manage various types of enterprises and businesses in the US, including rental properties, condominiums and franchises, export/import business and foreign executives who manage US subsidiaries of foreign companies, all of which can facilitate international investment in US real estate.

FORECLOSURE RATE ALARMING – A new foreclosure starts every 13 seconds in the US and their affect reaches much farther than the individual families losing their homes. Such foreclosures have a direct negative effect on neighborhoods dragging down the entire economy by billions of dollars.

OFFICE MARKET

Total Office Market Statistics

Mid-Year 2009

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Bloomfield	672	16,312,310	2,228,212	2,329,324	14.3%	22,251	12,650	61,718	\$22.42
Detroit/The Pointes	655	39,102,631	6,714,675	6,758,935	17.3%	(98,775)	55,966	30,000	\$18.11
Downriver	242	2,424,925	574,500	576,750	23.8%	(227,815)	0	0	\$17.20
Livingston/W Oakland	500	7,555,730	1,217,159	1,240,510	16.4%	249	0	56,872	\$21.83
Macomb	1,189	13,096,298	2,054,705	2,079,991	15.9%	(66,018)	4,290	68,955	\$18.16
North Oakland	640	17,934,092	1,712,032	1,992,940	11.1%	281,366	26,000	120,000	\$21.02
Royal Oak	397	4,288,524	690,744	702,331	16.4%	(62,766)	0	10,000	\$17.06
Southfield	468	24,260,093	5,031,537	5,240,454	21.6%	(323,694)	0	5,273	\$18.97
Troy	310	17,675,332	5,012,537	5,228,924	29.6%	(54,066)	0	0	\$19.25
Washtenaw	707	12,885,065	1,416,002	1,482,952	11.5%	52,879	0	12,000	\$20.84
West Wayne	973	22,358,844	3,256,849	3,311,130	14.8%	(33,877)	8,900	0	\$17.87
Totals	6,753	177,893,844	29,908,952	30,944,241	17.2%	(510,266)	107,806	364,818	\$19.32

Source: CoStar

Construction Activity Markets Ranked by Under Construction RBA

Mid-Year 2009

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U / C
North Oakland	1	120,000	0	0.0%	28,022	120,000
Macomb	2	68,955	29,433	42.7%	11,015	34,477
Bloomfield	2	61,718	2,755	4.5%	24,274	30,859
Livingston/W Oakland	7	56,872	4,000	7.0%	15,111	8,125
Detroit/ The Pointes	1	30,000	30,000	100.0%	59,699	30,000
Washtenaw	1	12,000	0	0.0%	18,225	12,000
Royal Oak	1	10,000	5,000	50.0%	10,802	10,000
Southfield	1	5,273	1,160	22.0%	51,838	5,723
Downriver	0	0	0	0.0%	10,020	0
West Wayne	0	0	0	0.0%	22,979	0
All Other	0	0	0	0.0%	57,017	0
Totals	16	364,818	72,348	19.8%	26,343	22,801

Source: Costar

Historical Office Market Statistics

Mid-Year 2009

Period	Existing Inventory		Vacancy			-397813	Deliveries		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2009 2q	6,753	177,893,844	30,046,212	30,944,241	17.4%	(112,453)	0	0	16	364,818	\$19.32
2009 1q	6,753	177,893,844	29,328,199	30,831,788	17.3%	(397,813)	5	107,806	13	273,100	\$19.48
2008 4q	6,748	177,786,038	29,153,200	30,326,169	17.1%	(249,409)	4	22,200	18	380,906	\$19.59
2008 3q	6,744	177,763,838	29,230,323	30,054,560	16.9%	6,622	6	106,901	20	372,106	\$19.82
2008 2q	6,742	177,665,317	29,068,474	29,962,661	16.9%	172,646	4	224,391	21	342,941	\$19.85
2008 1q	6,738	177,440,926	28,409,000	29,910,916	16.9%	(422,970)	9	292,945	22	550,142	\$20.12
2007 4q	6,729	177,147,981	28,226,380	29,195,001	16.5%	437,597	15	546,397	24	664,887	\$20.00
2007 3q	6,714	176,601,584	28,313,244	29,086,201	16.5%	356,296	11	132,336	30	1,141,383	\$20.01
2007 2q	6,709	176,483,961	28,407,130	29,324,874	16.6%	146,704	13	234,019	33	1,046,778	\$20.01
2007 1q	6,696	176,249,942	27,783,809	29,237,559	16.6%	(151,083)	22	551,083	39	974,126	\$20.29
2006	6,674	175,698,859	26,357,754	28,535,393	16.2%	844,980	77	2,299,452	48	1,175,892	\$20.07
2005	6,598	173,402,582	25,036,186	27,084,096	15.6%	967,076	89	1,928,765	68	2,342,579	\$20.27
2004	6,510	171,523,817	24,058,252	26,172,407	15.3%	1,674,586	81	2,845,057	80	1,867,056	\$20.34
2003	6,431	169,475,725	21,507,589	25,798,901	15.2%	983,049	63	2,955,013	77	3,067,776	\$19.94
2002	6,370	166,537,832	16,658,179	23,844,057	14.3%	(2,870,242)	77	2,102,128	62	3,626,246	\$21.05
2001	6,293	164,435,704	11,753,883	18,871,687	11.5%	(1,810,258)	119	4,204,850	81	3,662,059	\$20.61

Source: CoStar

INDUSTRIAL MARKET

Total Industrial Market Statistics

Mid-Year 2009

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	3,001	112,159,248	15,485,807	17,065,652	15.2%	(1,874,108)	135,000	45,000	\$ 4.84
Detroit Area Ind	1,355	83,566,072	15,120,641	15,761,641	18.9%	(575,738)	0	0	\$ 3.11
Dow nriver Ind	638	42,263,370	5,172,286	5,265,337	12.5%	(693,462)	0	0	\$ 4.60
East Area Ind	3,986	112,686,603	12,282,681	12,355,644	11.0%	(1,862,689)	100,000	39,390	\$ 4.62
I-96 Corridor Ind	1,911	56,700,116	6,574,050	6,766,343	11.9%	(166,883)	64,868	117,691	\$ 6.36
Oakland County NW Ind	1,284	48,023,852	4,944,436	5,027,607	10.5%	14,690	0	0	\$ 5.62
Royal Oak/Southfield Ind	1,153	19,927,224	1,963,867	1,963,867	9.9%	(175,786)	0	0	\$ 5.90
Troy Area Ind	1,459	32,311,325	3,509,988	3,560,637	11.0%	(141,863)	0	0	\$ 5.40
Washtenaw Ind	744	25,377,176	3,251,256	3,311,197	13.0%	816,583	0	0	\$ 7.58
Totals	15,531	533,014,986	68,305,012	71,077,925	13.3%	(4,659,256)	299,868	202,081	\$ 4.92

Source: Costar

Construction Activity Markets Ranked by Under Construction RBA

Mid-Year 2009

Market	Under Construction Inventory				Average Bldg Size	
	# Blds	Total RBA	Preleased SF	Preleased %	Existing	U / C
I-96 Corridor Ind	3	117,691	45,095	38.3%	29,670	39,230
Airport/I-275 Ind	1	45,000	45,000	100.0%	37,374	45,000
East Area Ind	2	39,390	20,740	52.7%	28,271	19,695
Dow nriver Ind	0	0	0	0.0%	66,244	0
Royal Oak/Southfield Ind	0	0	0	0.0%	17,283	0
Troy Area Ind	0	0	0	0.0%	22,146	0
Oakland County NW Ind	0	0	0	0.0%	37,402	0
Washtenaw Ind	0	0	0	0.0%	34,109	0
Detroit Area Ind	0	0	0	0.0%	61,672	0
Totals	6	202,081	110,835	54.8%	34,319	33,680

Source: Costar

Historical Industrial Market Statistics

Mid-Year 2009

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	
2009 2q	15,531	533,014,986	68,305,012	71,077,925	13.3%	(2,217,178)	2	64,868	6	202,081	\$4.92
2009 1q	15,530	532,978,743	66,322,979	68,824,504	12.9%	(2,442,150)	3	235,000	7	246,209	\$5.01
2008 4q	15,528	532,753,547	63,623,014	66,157,158	12.4%	(2,371,993)	2	360,934	9	436,114	\$5.04
2008 3q	15,526	532,392,613	60,786,627	63,424,231	11.9%	3,571,194	1	20,215	8	707,402	\$5.06
2008 2q	15,525	532,372,398	64,425,261	66,975,210	12.6%	(4,629,394)	2	75,010	5	450,922	\$5.06
2008 1q	15,523	532,297,388	59,813,081	62,270,806	11.7%	4,296,131	9	519,745	6	475,932	\$5.13
2007 4q	15,514	531,777,643	63,755,484	66,047,192	12.4%	776,522	7	428,250	12	614,528	\$5.21
2007 3q	15,507	531,349,393	65,184,638	66,395,464	12.5%	1,163,384	7	460,095	18	1,023,005	\$5.26
2007 2q	15,500	530,889,298	66,358,834	67,098,753	12.6%	125,159	16	511,298	22	1,409,864	\$5.24
2007 1q	15,484	530,378,000	66,074,416	66,712,614	12.6%	1,102,226	23	546,729	27	1,051,043	\$5.26
2006	15,461	529,831,271	66,721,127	67,268,111	12.7%	(2,901,617)	59	2,975,805	44	1,307,578	\$5.34
2005	15,403	526,938,876	60,621,194	61,474,099	11.7%	7,537,654	75	3,823,401	46	2,336,909	\$5.45
2004	15,330	523,187,561	63,626,754	65,260,438	12.5%	2,112,479	65	2,623,350	70	3,590,648	\$5.70
2003	15,268	520,594,770	62,904,636	64,780,126	12.4%	(1,770,594)	88	3,724,612	41	1,682,890	\$5.58
2002	15,182	516,905,519	57,041,211	59,320,281	11.5%	(3,007,690)	108	3,959,466	78	3,385,396	\$5.11
2001	15,087	513,021,753	49,092,042	52,428,825	10.2%	(5,548,954)	185	8,701,580	101	3,784,364	\$5.47

RETAIL MARKET

Total Retail Market Statistics

First Quarter 2009

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Bloomfield	553	9,454,005	678,484	830,957	8.8%	(53,551)	12,791	0	\$15.36
Detroit/The Pointes	1,793	17,420,530	2,608,433	2,689,107	15.4%	61,236	0	4,000	\$10.64
Downriver	705	11,583,726	1,725,806	1,747,806	15.1%	(225,634)	35,800	27,000	\$10.96
Livingston/W Oakland	1,047	18,670,345	1,218,245	1,411,707	7.6%	83,767	193,000	432,214	\$17.01
Macomb	2,518	41,735,022	5,252,148	5,434,679	13.0%	146,924	620,639	460,286	\$12.75
North Oakland	1,302	22,175,625	2,821,496	3,095,175	14.0%	(789,265)	43,317	24,000	\$11.62
Royal Oak	709	8,132,376	910,691	1,004,116	12.3%	(145,938)	13,100	17,690	\$15.34
Southfield	174	5,169,219	425,542	446,871	8.6%	(33,657)	0	14,000	\$15.93
Troy	166	6,675,109	301,766	380,953	5.7%	(6,801)	0	0	\$15.47
Washtenaw	1,077	14,447,071	1,073,162	1,180,933	8.2%	(67,882)	49,150	163,491	\$16.03
West Wayne	1,738	34,491,921	3,453,474	3,720,461	10.8%	(272,365)	30,890	85,697	\$12.77
Totals	11,782	189,954,949	20,469,247	21,942,765.00	11.6%	(1,303,166.00)	998,687	1,228,378	\$13.20

Source: CoStar

Construction Activity Markets Ranked by Under Construction RBA

Mid-Year 2009

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total GLA	Preleased SF	Preleased %	All Existing	U / C
Macomb	6	460,286	299,400	65.0%	16,575	76,714
Livingston/ W Oakland	5	432,214	302,614	70.0%	17,832	86,443
Washtenaw	2	163,491	163,491	100.0%	13,414	81,745
West Wayne	5	85,697	26,496	30.9%	19,846	17,139
Downriver	1	27,000	0	0.0%	16,431	27,000
North Oakland	1	24,000	720	3.0%	17,032	24,000
Royal Oak	1	17,690	5,130	29.0%	11,470	17,690
Southfield	1	14,000	7,280	52.0%	29,708	14,000
Detroit/ The Pointes	1	4,000	1,000	25.0%	9,716	4,000
Bloomfeild	0	0	0	0.0%	17,096	0
All Other	0	0	0	0.0%	40,211	0
Totals	23	1,228,378	806,131	65.6%	16,122	53,408

Source: Costar

Historical Retail Market Statistics

Mid-Year 2009

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %		# Bldgs	Total GLA	# Bldgs	Total GLA	
2009 2q	11,782	189,954,949	20,469,247	21,942,765	11.6%	(1,444,747)	7	58,779	23	1,228,378	\$13.20
2009 1q	11,778	189,929,607	18,994,754	20,472,676	10.8%	141,581	14	939,908	22	1,001,886	\$13.71
2008 4q	11,764	188,989,699	18,417,353	19,674,349	10.4%	598,949	23	668,368	27	1,655,082	\$13.92
2008 3q	11,743	188,327,498	18,528,703	19,611,097	10.4%	201,720	14	306,598	43	2,050,384	\$13.96
2008 2q	11,732	188,034,472	18,661,925	19,519,791	10.4%	677,015	23	347,646	44	1,734,466	\$14.12
2008 1q	11,709	187,686,826	18,825,924	19,849,160	10.6%	357,320	28	625,790	47	1,517,247	\$13.95
2007 4q	11,681	187,061,036	18,641,442	19,580,690	10.5%	1,171,726	21	1,043,574	53	1,127,524	\$13.84
2007 3q	11,660	186,017,462	18,807,418	19,708,842	10.6%	806,225	30	1,059,662	58	1,812,962	\$14.10
2007 2q	11,631	184,960,300	18,579,706	19,457,905	10.5%	558,809	16	253,435	62	2,567,944	\$14.15
2007 1q	11,615	184,706,865	18,813,099	19,763,279	10.7%	1,076,314	39	994,198	58	2,135,346	\$13.99
2006 4q	11,577	183,721,467	18,849,862	19,854,195	10.8%	(87,605)	16	295,715	70	2,762,329	\$13.82
2006 3q	11,563	183,437,008	18,578,514	19,482,131	10.6%	(729,217)	20	344,200	65	2,241,931	\$13.90
2006 2q	11,544	183,097,308	17,890,717	18,413,214	10.1%	1,047,981	22	465,045	47	2,113,769	\$14.22
2006 1q	11,528	183,358,988	19,199,407	19,722,875	10.8%	(656,586)	63	1,029,458	51	1,404,495	\$14.10

Source: CoStar

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