



3rd Quarter 2008

E-Newsletter

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

- ◆ Office Market
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- ◆ Industrial Market
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THE LOW DOWN ...

Property Tax Constitutional Amendment Passes the House – The Michigan House on Sept. 30 passed a resolution that would put a Constitutional Amendment before the voters in 2010 to change Michigan property tax system to require that if a property's assessed value increased by less than the rate of inflation or 5%, then that property's taxable value in the following year could only increase by that percentage. Conversely, if a property's assessed value decreased, the taxable value for the following year would remain unchanged. The Proposal A cap of CPI or 5% would still remain in place if the property's value increased above either of those rates.

Housing and Economic Recovery Act of 2008 (Partial Summary):

- Homebuyer Tax Credit – a federal tax credit of 10% of the cost of the home or a maximum of \$7,500 to qualified applicants who purchase a home between 4/9/08-6/30/09. Must be repaid over 15 years making it an interest-free loan.
- CDBG – Provides \$4 billion in neighborhood revitalization funds for communities to purchase foreclosed homes.
- LHHC – Modernizes the Low Income Housing Tax Credit program to make it more efficient.
- FHA Reform – Includes permanent loan limits at the greater of \$271,050 or 115% of local area median home price, capped at \$625,500; streamlines processing condos; reforms HECM program (reverse mortgages) and manufactured housing programs; and raises downpayment from 3% to 3.5%.
- Property Tax Deduction – Provides a one-year benefit that will be available to all homeowners. Under current law, property taxes are deductible only if an individual itemizes his/her deductions on Schedule A of their tax return. The new provision will permit a deduction of up to \$500 (\$1,000 on joint return) for all individuals who utilize the standard deduction and do not itemize. Instructions will be provided on the 2008 tax returns.
- FHA Foreclosure Rescue – Development of a refinance program for homebuyers with problematic subprime loans. Lenders will be permitted to write down qualified mortgages to 90% of the current appraised value and qualified borrowers would get a new FHA 30-year fixed mortgage at 90% of appraised value. Borrowers would have to share 50% of all future appreciation with FHA. The loan limit for this program is \$550,440 nationwide.

OFFICE MARKET

Total Office Market Statistics

Third Quarter 2008

| Market | Existing Inventory | | Vac % | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|----------------------|--------------------|--------------------|--------------|--------------------|----------------|----------------|----------------|
| | # Blds | Total RBA | | | | | |
| Bloomfield | 620 | 15,998,546 | 13.8% | (140,568) | 37,185 | 0 | \$22.74 |
| Detroit/The Pointes | 599 | 38,090,483 | 17.7% | 136,618 | 0 | 55,966 | \$18.81 |
| Downriver | 214 | 2,338,010 | 16.7% | 15,106 | 0 | 0 | \$19.10 |
| Livingston/W Oakland | 483 | 7,392,834 | 17.6% | 436,654 | 188,000 | 42,000 | \$21.76 |
| Macomb | 979 | 13,199,847 | 15.2% | 2,890 | 132,510 | 59,079 | \$18.95 |
| North Oakland | 624 | 17,737,597 | 13.0% | 76,404 | 0 | 174,700 | \$20.62 |
| Royal Oak | 365 | 4,184,055 | 14.5% | 26,544 | 22,060 | 0 | \$17.82 |
| Southfield | 452 | 24,248,097 | 20.0% | (141,199) | 0 | 0 | \$19.06 |
| Troy | 300 | 17,543,516 | 29.9% | (546,841) | 38,000 | 0 | \$20.42 |
| Washtenaw | 673 | 13,179,988 | 12.6% | 117,242 | 121,543 | 72,660 | \$21.06 |
| West Wayne | 940 | 22,140,316 | 13.8% | (104,830) | 6,012 | 5,676 | \$18.59 |
| Totals | 6,249 | 176,053,289 | 17.2% | -121,980 | 545,310 | 410,081 | \$19.88 |

Construction Activity Markets Ranked by Under Construction RBA

Third Quarter 2008

| Market | Under Construction Inventory | | | | Average Bldg Size | |
|----------------------|------------------------------|----------------|----------------|--------------|-------------------|---------------|
| | # Bldgs | Total RBA | Preleased SF | Preleased % | All Existing | U / C |
| North Oakland | 3 | 174,700 | 42,884 | 24.5% | 28,426 | 58,233 |
| Washtenaw | 3 | 72,660 | 0 | 0.0% | 19,584 | 24,220 |
| Macomb | 2 | 59,079 | 15,943 | 27.0% | 13,483 | 29,539 |
| Detroit/The Pointes | 1 | 55,966 | 55,966 | 100.0% | 63,590 | 55,966 |
| Livingston/W Oakland | 6 | 42,000 | 10,000 | 23.8% | 15,306 | 7,000 |
| West Wayne | 1 | 5,676 | 0 | 0.0% | 23,554 | 5,676 |
| Bloomfield | 0 | 0 | 0 | 0.0% | 25,804 | 0 |
| Royal Oak | 0 | 0 | 0 | 0.0% | 11,463 | 0 |
| Southfield | 0 | 0 | 0 | 0.0% | 53,646 | 0 |
| Troy | 0 | 0 | 0 | 0.0% | 58,478 | 0 |
| All Other | 0 | 0 | 0 | 0.0% | 10,925 | 0 |
| Totals | 16 | 410,081 | 124,793 | 30.4% | 28,173 | 25,630 |

Source: Costar

Historical Office Market Statistics

Third Quarter 2008

| Period | Existing Inventory | | Vacancy | | | Net Absorption | Deliveries | | UC Inventory | | Quoted Rates |
|---------|--------------------|-------------|------------|------------|-------|----------------|------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Direct SF | Total SF | Vac % | | # Blds | Total RBA | # Blds | Total RBA | |
| 2008 3q | 6,249 | 176,053,289 | 29,051,793 | 30,350,539 | 17.2% | 49,695 | 2 | 19,012 | 16 | 410,081 | \$19.83 |
| 2008 2q | 6,250 | 176,040,657 | 29,245,429 | 30,387,602 | 17.3% | 179,888 | 5 | 243,436 | 12 | 292,836 | \$19.86 |
| 2008 1q | 6,245 | 175,797,221 | 29,082,335 | 30,324,054 | 17.2% | (351,563) | 7 | 282,862 | 15 | 475,148 | \$20.12 |
| 2007 4q | 6,238 | 175,514,359 | 28,461,271 | 29,689,629 | 16.9% | 237,536 | 16 | 566,709 | 19 | 623,310 | \$20.00 |
| 2007 3q | 6,222 | 174,947,650 | 28,129,721 | 29,360,456 | 16.8% | 526,348 | 12 | 149,273 | 29 | 1,143,007 | \$20.01 |
| 2007 2q | 6,216 | 174,813,090 | 28,424,816 | 29,752,244 | 17.0% | (17,872) | 12 | 212,718 | 33 | 1,073,620 | \$20.01 |
| 2007 1q | 6,204 | 174,600,372 | 28,485,038 | 29,521,654 | 16.9% | (287,658) | 21 | 559,748 | 38 | 966,535 | \$20.28 |
| 2006 4q | 6,183 | 174,040,624 | 27,767,666 | 28,674,248 | 16.5% | (107,699) | 15 | 286,723 | 47 | 1,180,981 | \$20.07 |
| 2006 3q | 6,168 | 173,753,901 | 27,502,444 | 28,279,826 | 16.3% | 256,567 | 14 | 644,886 | 49 | 1,110,791 | \$20.30 |
| 2006 2q | 6,154 | 173,109,015 | 27,072,590 | 27,891,507 | 16.1% | 282,787 | 17 | 449,591 | 52 | 1,623,924 | \$20.27 |
| 2006 1q | 6,137 | 172,659,424 | 26,919,595 | 27,724,703 | 16.1% | 414,818 | 28 | 968,969 | 51 | 1,673,588 | \$20.27 |
| 2005 | 6,110 | 171,693,630 | 26,328,057 | 27,173,727 | 15.8% | 1,674,290 | 84 | 2,660,375 | 65 | 2,406,330 | \$20.23 |
| 2004 | 6,027 | 169,083,255 | 25,029,691 | 26,237,642 | 15.5% | 1,903,952 | 78 | 2,947,679 | 76 | 2,605,166 | \$20.24 |
| 2003 | 5,951 | 166,932,541 | 24,145,143 | 25,990,880 | 15.6% | 801,700 | 65 | 3,156,070 | 72 | 3,958,462 | \$19.89 |
| 2002 | 5,888 | 163,793,591 | 21,278,636 | 23,653,630 | 14.4% | (2,733,041) | 78 | 2,132,638 | 60 | 3,618,945 | \$20.98 |
| 2001 | 5,810 | 161,660,953 | 16,490,552 | 18,787,951 | 11.6% | (1,871,790) | 120 | 4,226,256 | 81 | 3,670,280 | \$20.62 |

Source: CoStar

INDUSTRIAL MARKET

Total Industrial Market Statistics

Third Quarter 2008

| Market | Existing Inventory | | Vac % | YTD Net Absorption | YTD Deliveries | Under Const SF |
|--------------------------|--------------------|--------------------|--------------|--------------------|----------------|----------------|
| | # Blds | Total RBA | | | | |
| Airport/I-275 Ind | 2,952 | 113,663,478 | 11.9% | 826,493 | 307,884 | 417,056 |
| Detroit Area Ind | 1,284 | 77,077,280 | 19.8% | (562,093) | 0 | 0 |
| Downriver Ind | 625 | 38,796,759 | 12.0% | 243,482 | 0 | 0 |
| East Area Ind | 3,810 | 113,127,142 | 7.8% | 964,313 | 33,195 | 104,370 |
| I-96 Corridor Ind | 1,883 | 56,362,092 | 11.4% | (280,417) | 123,462 | 111,468 |
| Oakland County NW Ind | 1,263 | 47,975,577 | 10.1% | 593,977 | 45,320 | 73,774 |
| Royal Oak/Southfield Ind | 1,160 | 20,354,084 | 11.0% | (91,740) | 0 | 0 |
| Troy Area Ind | 1,466 | 32,643,676 | 10.9% | 265,048 | 0 | 86,422 |
| Washtenaw Ind | 697 | 24,362,189 | 9.0% | 56,168 | 0 | 0 |
| Totals | 15,140 | 524,362,277 | 11.7% | 2,015,231 | 509,861 | 793,090 |

Source: Costar

Construction Activity Markets Ranked by Under Construction RBA

Third Quarter 2008

| Market | Existing Inventory | | | | Average Bldg Size | |
|--------------------------|--------------------|----------------|--------------|-------------|-------------------|---------------|
| | # Bldgs | Total RBA | Preleased SF | Preleased % | All Existing | U / C |
| Airport/I-275 Ind | 2 | 332,056 | 0 | 0.0% | 38,556 | 166,028 |
| Oakland County NW Ind | 1 | 45,630 | 0 | 0.0% | 38,006 | 45,630 |
| I-96 Corridor Ind | 1 | 19,773 | 0 | 0.0% | 30,165 | 19,773 |
| East Area Ind | 1 | 17,184 | 0 | 0.0% | 29,872 | 17,184 |
| Washtenaw Ind | 0 | 0 | 0 | 0.0% | 34,698 | 0 |
| Downriver Ind | 0 | 0 | 0 | 0.0% | 62,218 | 0 |
| Detroit Area Ind | 0 | 0 | 0 | 0.0% | 59,474 | 0 |
| Royal Oak/Southfield Ind | 0 | 0 | 0 | 0.0% | 17,760 | 0 |
| Troy Area Ind | 0 | 0 | 0 | 0.0% | 22,419 | 0 |
| Totals | 5 | 414,643 | 0 | 0.0% | 34,698 | 82,929 |

Historical Industrial Market Statistics

Third Quarter 2008

| 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 | |
| 2008 3q | 15,140 | 524,362,277 | 58,974,458 | 61,537,747 | 11.7% | 954,001 | 1 | 20,215 | 11 | 793,090 | \$5.07 |
| 2008 2q | 15,139 | 524,342,062 | 59,995,388 | 62,471,533 | 11.9% | 36,860 | 2 | 75,010 | 6 | 504,096 | \$5.06 |
| 2008 1q | 15,137 | 524,267,052 | 60,049,322 | 62,433,383 | 11.9% | 1,024,370 | 8 | 414,636 | 7 | 543,106 | \$5.14 |
| 2007 4q | 15,129 | 523,852,416 | 60,825,724 | 63,043,117 | 12.0% | 468,958 | 8 | 446,453 | 12 | 555,049 | \$5.22 |
| 2007 3q | 15,121 | 523,405,963 | 61,883,079 | 63,065,622 | 12.0% | 2,088,923 | 8 | 376,395 | 19 | 981,729 | \$5.26 |
| 2007 2q | 15,113 | 523,029,568 | 64,066,514 | 64,778,150 | 12.4% | 446,985 | 15 | 501,298 | 23 | 1,239,258 | \$5.24 |
| 2007 1q | 15,098 | 522,528,270 | 64,085,188 | 64,723,837 | 12.4% | 961,371 | 19 | 404,952 | 27 | 959,102 | \$5.26 |
| 2006 4q | 15,079 | 522,123,318 | 64,733,272 | 65,280,256 | 12.5% | (3,438,493) | 11 | 1,041,184 | 39 | 1,059,360 | \$5.34 |
| 2006 3q | 15,068 | 521,082,134 | 60,233,192 | 60,800,579 | 11.7% | 194,970 | 9 | 814,294 | 34 | 1,872,251 | \$5.33 |
| 2006 2q | 15,059 | 520,267,840 | 59,201,841 | 60,181,255 | 11.6% | 736,241 | 16 | 381,781 | 34 | 2,069,635 | \$5.28 |
| 2006 1q | 15,044 | 519,969,469 | 59,349,776 | 60,619,125 | 11.7% | (195,367) | 20 | 649,998 | 32 | 1,988,206 | \$5.37 |
| 2005 | 15,024 | 519,319,471 | 58,920,855 | 59,773,760 | 11.5% | 7,515,462 | 71 | 3,766,079 | 42 | 2,210,542 | \$5.45 |
| 2004 | 14,956 | 516,111,478 | 62,401,513 | 64,081,229 | 12.4% | 1,403,350 | 61 | 2,574,806 | 68 | 3,535,067 | \$5.67 |
| 2003 | 14,899 | 513,587,651 | 61,070,362 | 62,960,752 | 12.3% | (2,251,111) | 84 | 3,704,724 | 36 | 1,589,354 | \$5.58 |
| 2002 | 14,817 | 509,918,288 | 54,812,486 | 57,040,278 | 11.2% | (2,808,261) | 106 | 3,851,421 | 73 | 3,345,688 | \$5.12 |
| 2001 | 14,715 | 506,142,567 | 47,088,062 | 50,456,296 | 10.0% | (4,885,867) | 177 | 8,801,351 | 98 | 3,591,850 | \$5.45 |

RETAIL MARKET

Total Retail Market Statistics

Third Quarter 2008

| Market | Existing Inventory | | Vac % | YTD Deliveries | Under Const SF | Quoted Rates |
|----------------------|--------------------|--------------------|--------------|----------------|------------------|----------------|
| | # Bldgs | Total RBA | | | | |
| Bloomfield | 429 | 8,576,346 | 8.8% | 0 | 12,791 | \$15.49 |
| Detroit/The Pointes | 1,249 | 16,005,720 | 17.4% | 60,617 | 0 | \$11.60 |
| Downriver | 593 | 10,202,380 | 13.9% | 12,050 | 42,560 | \$11.56 |
| Livingston/W Oakland | 970 | 18,186,057 | 7.0% | 15,685 | 189,533 | \$17.15 |
| Macomb | 1,593 | 36,085,332 | 13.0% | 80,618 | 130,882 | \$13.27 |
| North Oakland | 1,234 | 21,499,945 | 9.3% | 94,333 | 752,556 | \$14.10 |
| Royal Oak | 561 | 7,429,547 | 11.4% | 9,620 | 19,319 | \$14.96 |
| Southfield | 161 | 5,812,812 | 8.8% | 13,423 | 14,000 | \$16.15 |
| Troy | 147 | 6,613,643 | 5.3% | 11,000 | 41,600 | \$18.01 |
| Washtenaw | 916 | 13,040,242 | 8.0% | 51,693 | 395,293 | \$17.39 |
| West Wayne | 1,548 | 34,033,662 | 10.7% | 239,200 | 218,133 | \$13.01 |
| Totals | 9,401 | 177,485,686 | 10.9% | 588,239 | 1,816,667 | \$13.97 |

Source: CoStar

Construction Activity Markets Ranked by Under Construction RBA

Third Quarter 2008

| Market | Under Construction Inventory | | | | Average Bldg Size | |
|-----------------------|------------------------------|------------------|----------------|--------------|-------------------|---------------|
| | # Bldgs | Total GLA | Preleased SF | Preleased % | All Existing | U / C |
| North Oakland | 4 | 752,556 | 217,556 | 28.9% | 17,423 | 188,139 |
| Washtenaw | 7 | 395,293 | 357,335 | 90.4% | 14,236 | 56,470 |
| West Wayne | 4 | 218,133 | 129,377 | 59.3% | 21,986 | 54,533 |
| Livingston/ W Oakland | 8 | 189,533 | 122,988 | 64.9% | 18,749 | 23,692 |
| Macomb | 6 | 130,882 | 56,265 | 43.0% | 22,652 | 21,814 |
| Downriver | 2 | 42,560 | 8,558 | 20.1% | 17,205 | 21,280 |
| Troy | 1 | 41,600 | 41,600 | 100.0% | 44,991 | 41,600 |
| Royal Oak | 2 | 19,319 | 13,936 | 72.1% | 13,243 | 9,659 |
| Southfield | 1 | 14,000 | 7,280 | 52.0% | 36,104 | 14,000 |
| Bloomfield | 1 | 12,791 | 9,721 | 76.0% | 19,991 | 12,791 |
| All Other | 0 | 0 | 0 | 0.0% | 12,815 | 0 |
| Totals | 36 | 1,816,667 | 964,616 | 45.8% | 18,879 | 50,463 |

Source: Costar

Historical Retail Market Statistics

Third Quarter 2008

| 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 | |
| 2008 3q | 9,401 | 177,485,686 | 18,408,426 | 19,322,316 | 10.9% | 166,703 | 9 | 137,275 | 36 | 1,816,667 | \$13.97 |
| 2008 2q | 9,394 | 177,356,983 | 18,497,530 | 19,360,316 | 10.9% | 385,250 | 19 | 256,095 | 38 | 1,591,424 | \$14.13 |
| 2008 1q | 9,375 | 177,100,888 | 18,456,881 | 19,489,471 | 11.0% | (1,568) | 14 | 194,869 | 44 | 1,270,658 | \$13.96 |
| 2007 4q | 9,361 | 176,906,019 | 18,344,432 | 19,293,034 | 10.9% | 1,454,955 | 21 | 1,539,524 | 33 | 469,709 | \$13.90 |
| 2007 3q | 9,340 | 175,366,495 | 18,297,687 | 19,208,465 | 11.0% | 815,637 | 32 | 1,135,443 | 42 | 1,862,631 | \$14.09 |
| 2007 2q | 9,309 | 175,233,552 | 18,007,160 | 18,891,159 | 10.8% | 462,020 | 14 | 227,409 | 59 | 2,831,420 | \$14.12 |
| 2007 1q | 9,295 | 174,006,143 | 18,169,790 | 19,125,770 | 11.0% | 555,175 | 31 | 625,186 | 55 | 2,579,999 | \$13.86 |
| 2006 4q | 9,264 | 173,380,957 | 18,045,626 | 19,055,759 | 11.0% | (96,808) | 15 | 274,648 | 58 | 2,832,110 | \$13.72 |
| 2006 3q | 9,251 | 173,117,565 | 17,783,992 | 18,695,559 | 10.8% | (640,504) | 21 | 433,119 | 54 | 2,274,892 | \$13.74 |
| 2006 2q | 9,231 | 172,688,946 | 17,095,989 | 17,626,436 | 10.2% | 621,481 | 21 | 277,243 | 46 | 1,836,621 | \$13.92 |
| 2006 1q | 9,216 | 173,138,428 | 18,173,931 | 18,697,399 | 10.8% | (744,992) | 49 | 810,610 | 50 | 960,612 | \$13.90 |

Source: CoStar

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