



Year End 2006

E-Newsletter

JUDEH & ASSOCIATES

Real Estate
Valuation
and
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Real Estate
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Jumana Judeh, 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



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Transforming Underdeveloped Residential and Business Opportunities (TURBO) **A Program of the Wayne County Land Bank**

TURBO Development is an aggressive tax incentive program which reimburses investors by giving cash back to property owners who make significant real estate investments in Wayne County. TURBO is targeted to benefit individual homeowners, business owners and investors who want to develop property they own in Wayne County.

Any property owner who owns property in an Eligible TURBO District and intends to develop the property in a way that will result in a substantial increase in taxable value will be eligible. To assure the maximum financing incentives, the development agreement will require the property owner to convey his/her property to the Wayne County Land Bank. This is a necessary element of TURBO but under NO circumstances will the Wayne County Land Bank retain ownership of the developer's property beyond an agreed upon date.

Upon completion of the anticipated development, the property owner will receive certain agreed upon tax rebates. The tax rebate will depend upon the nature and the size of the development – it will range from 50% of property taxes for five years to all "Brownfield Eligible" expenses.

Option one is for developments that include additions to an existing house or building. Upon completion, the property owner may receive up to a 100% property tax rebate for the new property taxes generated by the increase in value of the improved property over the first five years.

Option two is for developments that include total rehabilitation or new construction. May provide a 100% tax rebate for the 1st year of construction. Upon completion, can receive up to a 50% property tax rebate over next five years.

Option three is for large developments that include total rehabilitation or new construction involving Brownfield eligible activities. May provide a 100% tax rebate for 1st year of construction. Upon completion, can receive up to a 100% property tax rebate over the time it takes to recoup expenses incurred for eligible activities pursuant to an approved Brownfield plan. Eligible activities include: infrastructure improvements, demolition, lead or asbestos abatement, site preparation, and environmental studies and remediation.

A property owner will either receive rebates for five years under the TURBO Rebate option or reimbursements for the number of years it takes to reimburse the property owner for all Brownfield eligible expenses under the TURBO Brownfield option.

For additional information -- <http://www.waynecounty.com/jed/progs/ways.htm>

Office Market

Total Office Market Statistics

Year End 2006

Market	Existing Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA					
Bloomfield	540	16,016,189	15.5%	6,314	53,651	112,680	\$23.06
Detroit/The Pointes	508	36,049,030	18.4%	180,935	240,000	0	\$19.07
Downriver	164	2,168,551	16.5%	27,515	27,450	0	\$19.11
Livingston/W Oakland	317	5,451,110	23.5%	130,036	421,728	277,887	\$22.51
Macomb	772	10,326,619	14.7%	(49,852)	75,416	31,756	\$19.65
North Oakland	421	14,785,479	14.3%	(71,692)	27,000	46,647	\$19.97
Royal Oak	323	3,831,718	14.8%	82,168	45,440	28,424	\$18.04
Southfield	414	23,691,252	17.9%	23,836	15,200	0	\$19.84
Troy	288	17,542,026	24.0%	(99,912)	0	0	\$20.67
Washtenaw	427	10,449,223	15.9%	252,402	379,001	324,020	\$22.90
West Wayne	753	19,175,902	15.3%	(97,444)	193,176	52,680	\$19.54
Totals	4,927	159,487,099	17.4%	384,306	1,478,062	874,094	\$20.38

Source: CoStar

Construction Activity Markets Ranked by Under Construction RBA

Market	Existing Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U / C
Washtenaw	9	324,020	81,080	25.0%	24,471	36,002
Livingston/W Oakland	14	277,887	66,611	24.0%	17,196	19,849
Bloomfield	1	112,680	14,648	13.0%	29,660	112,680
West Wayne	2	52,680	11,628	22.1%	25,466	26,340
North Oakland	3	46,647	12,023	25.8%	35,120	15,549
Macomb	3	31,756	0	0.0%	13,376	10,585
Royal Oak	1	28,424	25,013	88.0%	11,863	28,424
Detroit/The Pointes	1	0	0	0.0%	70,963	0
Southfield	0	0	0	0.0%	57,225	0
Troy	0	0	0	0.0%	60,910	0
All Other	0	0	0	0.0%	13,223	0
Totals	33	874,094	211,003	24.1%	32,370	26,488

Source: Costar

Recent Deliveries by Project Size Breakdown of Year-to-Date Development Based on RBA of Project

Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg. Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	37	558,162	241,900	43.3%	\$23.87	2,416	555,746
50,000 SF - 99,999 SF	2	129,000	71,820	55.7%	\$26.36	0	129,000
100,000 SF - 249,999 SF	5	790,900	308,260	39.0%	\$28.34	108,900	682,000
250,000 SF - 499,999 SF	0	0	0	0.0%	\$0.00	0	0
>= 500,000 SF	0	0	0	0.0%	\$0.00	0	0

Source: Costar

Industrial Market

Total Industrial Market Statistics

Market	Existing Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA					
Airport/I-275 Ind	2,873	115,326,207	12.2%	36,866	455,293	0	\$5.09
Detroit Area Ind	1,138	64,198,179	21.7%	(2,256,653)	0	200,000	\$3.15
Downriver Ind	614	38,856,568	11.4%	(1,338,507)	0	7,200	\$4.98
East Area Ind	3,637	108,908,027	8.4%	(10,649)	143,375	94,755	\$5.39
I-96 Corridor Ind	1,627	49,316,162	12.1%	469,499	673,607	39,921	\$6.96
Oakland County NW Ind	1,065	47,573,869	11.1%	179,696	1,139,712	150,000	\$6.39
Royal Oak/Southfield Ind	1,138	19,737,016	10.1%	(317,000)	0	0	\$6.58
Troy Area Ind	1,470	33,487,902	13.5%	(793,700)	40,877	0	\$6.05
Washtenaw Ind	606	20,103,406	11.9%	49,114	12,000	57,000	\$7.25
Totals	14,168	497,507,336	12.4%	(3,981,334)	2,464,864	548,876	\$5.34

Source: Costar

Construction Activity Markets Ranked by Under Construction RBA

Market	Existing Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U / C
Detroit Area Ind	1	200,000	0	0.0%	56,413	200,000
Oakland County NW Ind	1	150,000	0	0.0%	44,670	150,000
East Area Ind	6	94,755	0	0.0%	29,944	15,792
Washtenaw Ind	2	57,000	7,500	13.2%	33,174	28,500
I-96 Corridor Ind	3	39,921	6,000	15.0%	30,311	13,307
Downriver Ind	1	7,200	7,200	100.0%	63,284	7,200
Airport/I-275 Ind	0	0	0	0.0%	40,141	0
Royal Oak/Southfield Ind	0	0	0	0.0%	17,344	0
Troy Area Ind	0	0	0	0.0%	22,781	0
Totals	14	548,876	20,700	3.8%	35,115	39,205

Source: Costar

Recent Deliveries by Project Size Breakdown of Year-to-Date Development Based on RBA of Project

Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg. Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	30	539,058	164,569	30.5%	\$8.23	264,289	274,769
50,000 SF - 99,999 SF	2	145,450	145,450	100.0%	\$6.15	145,450	0
100,000 SF - 249,999 SF	4	702,520	456,000	64.9%	\$5.80	276,000	426,520
250,000 SF - 499,999 SF	1	437,836	113,837	26.0%	\$4.95	0	437,836
>= 500,000 SF	1	640,000	0	0.0%	\$5.80	0	640,000

Source: Costar

Additional Economic Indicators

Regional Mall		CBD Office		Warehouse		Apartment	
3rd. Qtr. 2006	2nd. Qtr. 2006	3rd. Qtr. 2006	2nd. Qtr. 2006	3rd. Qtr. 2006	2nd. Qtr. 2006	3rd. Qtr. 2006	2nd. Qtr. 2006
Discount Rate (IRR)*							
7.00% -	7.00% -	6.25% -	7.00% -	5.50% -	6.75% -	6.00% -	6.00% -
Range 11.00%	11.00%	10.00%	10.00%	11.50%	11.50%	12.50%	12.50%
Average 8.95%	8.88%	8.34%	8.43%	8.11%	8.29%	8.48%	8.60%
Change (b.p.)	-7		-9		-18		-12
Overall Cap Rate (OAR)*							
Range 5.00% - 9.50%	5.00% - 9.50%	4.50% - 9.50%	4.50% - 9.50%	5.50% - 9.00%	5.50% - 9.00%	4.25% - 8.00%	4.25% - 8.00%
Average 7.02%	7.09%	7.07%	7.23%	7.03%	7.04%	5.98%	6.01%
Change (b.p.)	-7		-16		-1		-3
Residual Cap Rate							
6.25% -	6.25% -	6.75% -	6.75% -	6.00% -	6.00% -		
Range 10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	5.50% - 9.00%	5.50% - 9.00%
Average 7.82%	7.82%	7.98%	8.05%	7.74%	7.74%	7.04%	7.13%
Change (b.p.)	0		-7		0		-9

* Rate on unleveraged, all-cash transactions, b.p. -- basis points
 Discount Rate (IRR) -- Internal rate of return on all-cash transaction, based on annual year-end compounding
 Overall Cap Rate (OAR) -- Initial rate of return in an all-cash transaction.
 Residual Cap Rate -- Overall capitalization rate used in calculation of residual price; typically applied to the NOI in the year following the forecast
 Source: *Korpacz Real Estate Survey*.

**Current Unemployment Rates for States and Historical High/Lows
Seasonally Adjusted**

The Five Lowest Unemployment Rates

The Five Highest Unemployment Rates

State	Dec. 2006	Historical High		Historical Low		State	Dec. 2006	Historical High		Historical Low	
	Rate	Date	Rate	Date	Rate		Rate	Date	Rate	Date	Rate
Hawaii	2.0	Mar. 1976	10.2	Dec. 2006	2.0	District of Columbia	6.3	Mar. 1983	11.4	Dec. 1998	4.8
Utah	2.6	Mar. 1983	9.7	Oct. 2006	2.5	South Carolina	6.6	Jan. 1983	11.4	Mar. 1998	3.1
Virginia	2.9	Jan. 1983	7.8	Jan. 2001	2.2	Alaska	6.7	July 1986	11.5	Sept. 1999	5.9
Montana	2.9	May 1983	8.7	Nov. 2006	2.8	Michigan	7.1	Nov. 1982	16.9	Mar. 2000	3.2
Wyoming	3.0	May 1983	10.1	Feb. 1979	1.9	Mississippi	7.5	May 1983	13.7	Jan. 2001	4.9

Source: US Department of Labor Bureau of Labor Statistics Data

Related Links

- Judeh & Associates www.judehonline.com
- SEMCOG www.semco.org
- Appraisal Institute www.appraisalinstitute.org
- Appraisal Foundation www.appraisalfoundation.org
- State of Michigan michigan.gov
- Korpacz Real Estate www.pwcreval.com
- CoStar Group, Inc. www.costar.com

Comments -- Please feel free to email us with any suggestions you may have to allow us to better serve you at jumanaj@judehonline.com.