



3rd Quarter 2010 E-Newsletter

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

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

GOOD NEWS FOR COMMERCIAL BROKERS!

COMMERCIAL MARKET STILL ACTIVE -- According to Marcus & Millichap, more deals are getting done than people realize, but cautioned that the majority of the deals involved distressed properties. Owners who are considering selling should probably consider doing so before President Obama's proposed 2011 budget which calls for the long-term capital gains tax to rise from 15% to 20%. By utilizing the 1031 exchange, investors can sell in Michigan and invest in other stronger markets. Given the number of loans approaching maturity combined with the plummeting property values, investors may be forced to unload some properties to raise equity for others.

GOOD NEWS FOR COMMERCIAL BROKERS -- On October 5, Governor Granholm signed into law SF610, the Commercial Real Estate Broker Lien Act which passed the Legislature in late September which allows the broker to place a lien on commercial property as a way to collect unpaid commission.

FORECLOSURES STILL CONTROLLING THE MARKET -- According to RealtyTrac, foreclosure sales made up to 24% of all home sales in 2Q10 at an average discount of 26% (Michigan's discount is 35%). So far, banks have repossessed over 1.2 million homes, up from roughly 1 million a year ago and 100,000 in 2005. Projections are the market will get through the distressed inventory by the end of 2013

APARTMENT MARKET -- The beneficiary of the Detroit's housing foreclosure rate has been the apartment market which is expected to remain fairly steady. Foreclosures and falling home prices are anticipated to persist increasing the renter pool. In addition, residents concerned about downsizing at their companies are unlikely to commit to home ownership. According to the Multi-Family Executive, cap rates are at 9%, among the highest in the country, but also an attraction to buyers; however, market will continue to be uncertain.

Heightened cost of capital could force sellers to modify expectations. Overall, market seen as weak but steady.

Change in Market Rent				
Year	Studio	1-Bed	2-Bed	3-Bed
2002		-1.18%	1.16%	
2003	27.78%	-18.54%	9.00%	
2004	-12.87%	59.00%	-8.73%	
2005	29.94%	1.90%	21.00%	
2006	4.45%	15.04%	3.25%	-47.83%
2007	-74.00%	-11.83%	-1.93%	-55.56%
2008	-5.33%	99.00%	6.22%	95.00%
2009	2.50%	-2.66%	-7.51%	38.72%
2010	-7.63%	-2.73%	2.53%	-15.90%

Source: www.apartmentratings.com

HOSPITALITY MARKET SHOWS SIGNS OF STRENGTH -- Among the top 25 markets, Detroit achieved the largest occupancy increase, rising 20.3% to 63.9% followed by New Orleans (+18.2% to 55.7%) and Chicago (+10.5% to 70.5%). At the national level, occupancy increased 9.8% to 61.2%, ADR was up 4.2% to \$99.80, and RevPAR up 14.4% to \$61.06.

Change in RevPAR		
New Orleans	23.0%	\$ 49.72
Detroit	18.3%	\$ 48.43
Boston	17.2%	\$ 114.25
Denver	15.8%	\$ 69.51

For August 2010

Source: www.htrends.com

We understand what creates property value, how such value is influenced and how the characteristics of a property are affected by market conditions.

Office Market

Total Office Market Statistics

3rd Quarter 2010

Market	Existing Inventory		Vacancy			YTD Net Absorption	Deliveries	Under Cost SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Bloomfield	753	17,065,554	2,488,897	2,659,946	15.6%	63,295	43,220	44,500	\$21.65
Detroit/The Pointes	731	40,982,515	7,356,620	7,418,722	18.1%	(343,039)	0	0	\$19.48
Dow nriver	270	2,567,537	580,990	594,565	23.2%	50,223	0	0	\$16.39
Livingston/W Oakland	543	7,799,061	1,178,251	1,182,046	15.2%	74,971	0	133,770	\$20.74
Macomb	1,285	13,644,767	2,226,967	2,250,236	16.5%	47,465	60,298	0	\$17.45
North Oakland	688	17,599,973	3,557,475	3,648,193	20.7%	(425,613)	0	15,762	\$18.27
Royal Oak	445	4,671,285	647,206	739,811	15.8%	31,881	0	0	\$16.42
Southfield	527	24,177,194	5,377,969	5,570,384	23.0%	(106,633)	0	5,992	\$18.18
Troy	310	17,747,150	5,471,659	5,653,914	31.9%	(105,186)	0	0	\$18.56
Washtenaw	738	13,307,994	1,376,919	1,427,631	10.7%	36,313	20,257	10,370	\$19.80
West Wayne	1,067	22,159,116	3,043,332	3,171,661	14.3%	49,456	12,500	166,107	\$17.53
Totals	7,357	181,722,146	33,306,285	34,317,109	18.9%	(626,867)	136,275	376,501	\$18.82

Source: CoStar

Construction Activity Markets Ranked by Under Construction RBA

3rd Quarter 2010

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U / C
West Wayne	1	166,107	132,886	80.0%	20,768	166,107
Livingston/W Oakland	2	133,770	60,826	45.5%	14,363	66,885
Bloomfield	1	44,500	0	0.0%	22,663	44,500
North Oakland	1	15,762	15,762	100.0%	25,581	15,762
Washtenaw	1	10,370	8,400	81.0%	18,033	10,370
Southfield	1	5,992	0	0.0%	45,877	5,992
Macomb	0	0	0	0.0%	10,618	0
Detroit/The Pointes	0	0	0	0.0%	56,064	0
Troy	0	0	0	0.0%	57,249	0
Royal Oak	0	0	0	0.0%	10,497	0
All Other	0	0	0	0.0%	9,509	0
Totals	7	376,501	217,874	57.9%	24,701	53,786

Source: Costar

Historical Office Market Statistics

3rd Quarter 2010

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	
2010 3q	7,357	181,722,146	33,306,285	34,317,109	18.9%	10,347	3	80,775	7	376,501	\$18.82
2010 2q	7,356	181,674,309	33,251,810	34,279,619	18.9%	(7,571)	3	55,500	9	443,506	\$18.90
2010 1q	7,353	181,618,809	33,051,458	34,216,548	18.8%	(629,643)	0	0	9	423,879	\$18.89
2009 4q	7,354	181,688,436	32,372,635	33,626,532	18.5%	(1,458,288)	6	128,719	8	303,879	\$18.98
2009 3q	7,348	181,559,717	30,927,130	32,069,525	17.7%	(434,019)	5	37,649	13	399,300	\$19.22
2009 2q	7,344	181,524,768	30,577,929	31,600,557	17.4%	(295,250)	4	33,581	15	242,342	\$19.34
2009 1q	7,341	181,491,923	30,166,658	31,272,462	17.2%	(369,182)	8	160,641	16	213,703	\$19.50
2008	7,333	181,331,282	29,560,456	30,742,639	17.0%	(823,455)	27	618,248	22	349,344	\$19.60
2007	7,310	180,721,414	28,298,551	29,309,316	16.2%	1,614,307	69	1,820,055	24	611,590	\$20.05
2006	7,247	178,916,072	28,239,095	29,118,281	16.3%	786,389	88	2,425,793	58	1,779,255	\$20.10
2005	7,160	176,493,454	26,638,055	27,482,052	15.6%	943,064	96	1,935,866	80	2,742,242	\$20.26
2004	7,065	174,607,588	25,334,334	26,539,250	15.2%	1,158,712	92	2,740,405	85	1,925,303	\$20.34
2003	6,974	172,625,888	23,863,638	25,716,262	14.9%	1,373,523	78	3,131,000	85	2,869,989	\$20.05
2002	6,898	169,512,008	21,692,882	23,975,905	14.1%	(2,294,287)	102	2,383,500	74	3,628,822	\$21.06
2001	6,797	167,131,208	17,029,966	19,300,818	11.5%	(1,996,798)	123	4,106,333	107	3,956,729	\$20.63
2000	6,676	163,043,750	12,106,376	13,216,562	8.1%	(1,770,932)	90	3,271,659	117	4,578,982	\$21.37

Source: CoStar

INDUSTRIAL MARKET

Total Industrial Market Statistics

3rd Quarter 2010

Market	Existing Inventory		Vacancy			YTD Net Absorption	Deliveries	Under Const SF	Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %				
Airport/I-275 Ind	3,007	113,104,578	16,867,040	18,368,829	16.2%	(64,541)	0	0	\$ 4.64
Detroit Area Ind	1,478	86,081,223	18,413,037	19,075,037	22.2%	12,302	0	0	\$ 2.99
Dow nriver Ind	653	42,503,180	5,829,587	5,922,638	13.9%	(616,099)	0	0	\$ 3.83
East Area Ind	4,098	117,866,419	11,459,821	11,757,447	10.0%	400,393	0	306,333	\$ 4.23
I-96 Corridor Ind	1,916	56,711,842	7,032,411	7,278,865	12.8%	(92,111)	60,523	0	\$ 5.78
Oakland County NW Ind	1,356	57,313,084	5,571,874	5,831,454	10.5%	(335,393)	0	240,000	\$ 5.29
Royal Oak/Southfield Ind	1,163	19,597,664	2,156,151	2,186,351	11.2%	(227,685)	0	0	\$ 5.36
Troy Area Ind	1,457	32,098,052	4,264,135	4,302,390	13.4%	346,234	0	0	\$ 5.00
Washtenaw Ind	768	26,025,675	3,253,834	3,320,688	12.8%	431,854	0	0	\$ 6.25
Totals	15,896	551,301,717	74,847,890	78,043,699	14.2%	(145,046)	60,523	546,333	\$ 4.57

Source: Costar

Construction Activity Markets Ranked by Under Construction RBA

3rd Quarter 2010

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U / C
East Area Ind	2	306,633	272,433	88.8%	28,762	153,316
Oakland County NW Ind	1	240,000	0	0.0%	42,266	240,000
Dow nriver Ind	0	0	0	0.0%	65,089	0
I-96 Corridor Ind	0	0	0	0.0%	29,599	0
Royal Oak/Southfield Ind	0	0	0	0.0%	16,851	0
Troy Area Ind	0	0	0	0.0%	22,030	0
Airport/I-275 Ind	0	0	0	0.0%	37,614	0
Washtenaw Ind	0	0	0	0.0%	33,888	0
Detroit Area Ind	0	0	0	0.0%	58,242	0
Totals	3	546,633	272,433	49.8%	34,682	182,211

Source: Costar

Historical Industrial Market Statistics

3rd Quarter 2010

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %		# Bids	Total RBA	# Bids	Total RBA	
2010 3q	15,896	551,301,717	74,847,890	78,043,699	14.2%	(183,456)	0	3	546,633	\$4.57	
2010 2q	15,896	551,301,717	74,665,046	77,860,243	14.1%	994,656	1	21,000	2	261,633	\$4.60
2010 1q	15,895	551,280,717	75,330,365	78,833,899	14.3%	(956,246)	1	39,523	2	42,633	\$4.68
2009 4q	15,895	551,561,434	74,694,898	77,858,370	14.1%	(2,637,693)	1	45,000	2	60,523	\$4.76
2009 3q	15,895	551,225,971	72,100,309	75,185,214	13.6%	(1,409,450)	2	39,390	3	105,523	\$4.81
2009 2q	15,893	551,186,581	70,805,826	73,736,374	13.4%	(3,408,117)	2	67,555	4	123,913	\$4.94
2009 1q	15,892	551,147,651	67,664,019	70,289,327	12.8%	(2,952,642)	5	351,019	6+	191,468	\$5.04
2008	15,888	550,806,436	64,328,283	66,995,470	12.2%	1,813,377	19	1,833,284	11	542,487	\$5.07
2007	15,870	549,278,777	64,986,252	67,281,188	12.2%	1,615,073	55	1,861,290	15	1,453,707	\$5.24
2006	15,816	547,422,543	66,505,098	67,040,027	12.2%	(3,399,549)	59	2,389,947	46	1,234,258	\$5.46
2005	15,759	545,161,506	60,526,536	61,379,441	11.3%	7,819,764	85	4,664,658	49	2,045,489	\$5.46
2004	15,676	540,568,934	62,997,875	64,606,633	12.0%	3,432,308	73	2,746,288	79	4,396,151	\$5.65
2003	15,606	537,853,205	63,489,022	65,323,212	12.1%	(2,022,794)	101	3,964,485	49	1,893,539	\$5.63
2002	15,507	533,901,972	57,048,034	59,349,185	11.1%	(1,151,359)	126	4,719,423	90	3,553,735	\$5.12
2001	15,385	529,258,249	50,304,935	53,554,103	10.1%	(5,283,695)	199	9,221,164	123	4,760,348	\$5.48
2000	15,198	520,436,126	38,345,210	39,448,285	7.6%	(2,819,572)	244	10,925,876	167	7,860,994	\$5.49

Source: Costar

RETAIL MARKET

Total Retail Market Statistics

3rd Quarter 2010

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Bloomfield	710	10,160,097	736,317	868,853	8.6%	61,617	0	0	\$14.32
Detroit/The Pointes	2,475	21,558,551	2,602,945	2,744,112	12.7%	62,959	0	0	\$10.82
Downriver	869	12,228,922	2,033,424	2,064,142	16.9%	56,613	6,200	0	\$10.13
Livingston/W Oakland	1,183	19,587,147	1,585,480	1,709,849	8.7%	(77,182)	25,143	25,724	\$15.31
Macomb	3,081	42,904,347	4,666,614	4,790,369	11.2%	333,622	0	0	\$11.77
North Oakland	1,438	21,807,574	2,330,843	2,576,601	11.8%	182,180	158,640	10,067	\$10.48
Royal Oak	1,015	9,520,827	879,770	934,473	9.8%	231,625	46,600	0	\$14.11
Southfield	224	6,399,374	426,269	426,269	6.7%	42,578	0	0	\$12.37
Troy	220	7,484,564	419,443	455,243	6.1%	61,139	0	0	\$12.98
Washtenaw	1,222	15,076,970	1,265,840	1,340,740	8.9%	(68,417)	5,000	13,000	\$15.95
West Wayne	2,098	36,647,535	4,013,800	4,361,120	11.9%	447,369	269,438	50,430	\$11.98
Totals	14,535	203,375,908	20,960,745	22,271,771	11.0%	1,334,103	511,021	99,221	\$12.23

Source: CoStar

Historical Retail Market Statistics

3rd Quarter 2010

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	
2010 3q	14,535	203,375,908	20,960,745	22,271,771	11.0%	943,977	5	227,926	8	99,221	\$12.23
2010 2q	14,532	203,151,962	21,360,848	22,991,802	11.3%	611,096	7	241,583	11	313,254	\$12.45
2009 1q	14,526	202,913,379	21,559,037	23,364,315	11.5%	(220,970)	3	41,512	17	545,357	\$12.56
2009 4q	14,523	202,871,867	21,255,552	23,101,833	11.4%	(19,241)	12	272,781	11	347,265	\$12.60
2009 3q	14,511	202,599,086	20,783,280	22,636,642	11.2%	219,205	8	773,400	19	603,906	\$12.55
2009 2q	14,505	201,872,273	20,284,634	22,129,034	11.0%	(279,274)	14	461,983	21	1,096,090	\$13.09
2009 1q	14,495	201,457,727	19,588,156	21,435,214	10.6%	34,447	22	683,434	26	1,286,896	\$13.64
2008 4q	14,473	200,774,293	19,080,887	20,786,227	10.4%	444,527	22	350,367	43	1,773,048	\$13.99
2008 3q	14,453	200,430,096	19,354,070	20,886,554	10.4%	281,459	14	315,721	52	1,552,797	\$14.03
2008 2q	14,442	200,127,944	19,558,244	20,865,864	10.4%	635,550	23	352,199	43	1,296,827	\$14.20
2008 1q	14,419	199,775,745	19,721,196	21,149,215	10.6%	493,019	47	866,197	46	1,103,603	\$10.02
2007 4q	14,372	198,909,548	19,403,349	20,776,037	10.4%	1,185,237	20	1,006,472	73	1,454,345	\$13.93
2007 3q	14,352	197,903,076	19,624,004	20,954,802	10.6%	456,473	29	1,095,287	76	2,115,012	\$14.06
2007 2q	14,324	196,810,289	19,473,780	20,318,488	10.3%	493,995	16	254,182	62	2,697,740	\$14.11
2007 1q	14,308	196,556,107	19,645,025	20,558,301	10.5%	1,528,877	64	1,404,085	56	2,172,208	\$13.91
2006	14,244	195,152,022	19,772,791	20,683,093	10.6%	33,167	144	2,467,502	94	3,170,970	\$13.83

Source: CoStar

Construction Activity Markets Ranked by Under Construction RBA

3rd Quarter 2010

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total GLA	Preleased SF	Preleased %	All Existing	U / C
West Wayne	5	50,430	7,770	15.4%	17,468	10,086
Livingston/W Oakland	1	25,724	1,029	4.0%	16,557	25,724
Washtenaw	1	13,000	13,000	100.0%	12,338	13,000
North Oakland	1	10,067	4,127	41.0%	15,165	10,067
Downriver	0	0	0	0.0%	14,072	0
Bloomfield	0	0	0	0.0%	14,310	0
Royal Oak	0	0	0	0.0%	9,380	0
Southfield	0	0	0	0.0%	28,569	0
Troy	0	0	0	0.0%	34,021	0
Detroit/The Pointes	0	0	0	0.0%	8,711	0
All Other	0	0	0	0.0%	13,925	0
Totals	8	99,221	25,926	26.1%	13,992	12,403

Source: Costar

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