



3rd Quarter 2007

E-Newsletter

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Topics covered in this issue:

- ◆ Office Market Statistics
- ◆ Retail Market Statistics
- ◆ Industrial Market Statistics
- ◆ Cap & Yield Market Rates

THE LOW DOWN ...

THE UNITED STATES HOUSE OF REPRESENTATIVES passed a Department of Housing and Urban Development appropriations bill that included language prohibiting the department from blocking seller-funded down-payment assistance on mortgages insured by the Federal Housing Administration

RATE CUT DOESN'T ADDRESS SUBPRIME WOES -- While the Federal Open Market Committee's half-percentage point cut in both the Fed Funds rate and the discount rate might "psychologically ease concerns in the housing and financial sectors, it does not provide a fundamental fix for the troubled sub-prime mortgage market nor will it likely send pensive potential home-buyers into a purchasing frenzy," according to a recent release by Hanley Wood Market Intelligence. However, "the move does show that the Fed, while monitoring inflation and monetary policy, is willing to take action to ensure the mortgage industry maintains its ready access to funds," HWTMI said.

A RECENT BUSH PROPOSAL would make it easier for an estimated 60,000 delinquent borrowers holding adjustable rate mortgages that are resetting to higher monthly payments to refinance those loans using the resources of the Federal Housing Administration's proposed Secure Program. Bush's proposal, which FHA officials said would take effect January 1, 2008, marks a significant change because FHA does not now insure refinanced loans from borrowers who are currently delinquent.

SENATE FINANCE APPROVES CONSERVATION TAX CREDIT BILL -- The Senate Finance Committee approved a bill September 21 to give farmers, ranchers, and landowners tax incentives for establishing conservation easements and protecting the habitat for endangered species. The Habitat and Land Conservation Act of 2007 would provide for \$3.182 billion in tax benefits.

MICHIGAN CONSIDERS PROHIBITING FORECLOSURE ON MILITARY PERSONNEL -- Michigan has introduced legislation that would prohibit lenders from foreclosing on members of the military on active duty or in the reserves. This legislation would provide a stay on foreclosure proceedings against military members until six months after their term of service. If foreclosure proceedings do take place during the military member's term of service, and has not been authorized by the court, the foreclosure will be considered invalid. Any person who violates this provision will be subject to a fine of \$2,000.

NEW YORK (REUTERS) – AMERICAN HOME MORTGAGE INVESTMENT CORP. has recently closed most of its operations and said nearly 7,000 employees will lose their jobs as the leader becomes one of the biggest casualties of the U.S. housing downturn.

OFFICE MARKET

Total Office Market Statistics

3rd Quarter 2007

Market	Existing Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA					
Bloomfield	575	15,946,884	13.0%	422,950	183,884	61,303	\$23.02
Detroit/The Pointes	566	36,752,358	17.7%	427,986	0	0	\$19.26
Downriver	197	2,262,573	19.4%	(25,223)	21,832	0	\$19.55
Livingston/W Oakland	382	6,035,738	20.6%	246,344	168,532	625,329	\$22.55
Macomb	874	12,831,325	15.3%	96,632	270,979	33,355	\$19.69
North Oakland	464	16,622,395	14.0%	32,874	35,147	434,000	\$19.41
Royal Oak	349	4,021,027	14.4%	32,726	0	200,000	\$18.27
Southfield	428	23,636,590	19.9%	(551,483)	0	0	\$19.40
Troy	292	17,320,276	26.3%	(311,832)	0	34,427	\$20.81
Washtenaw	478	11,339,947	14.8%	298,118	170,585	211,851	\$22.25
West Wayne	839	20,736,887	12.5%	(230,626)	0	34,315	\$19.15
Totals	5,444	167,506,000	17.1%	438,466	850,959	1,634,580	\$20.23

Source: CoStar

Construction Activity Markets Ranked by Under Construction RBA

3rd Quarter 2007

Market	Existing Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U / C
Livingston/ W Oakland	15	625,329	323,800	51.8%	15,800	41,689
North Oakland	3	434,000	392,120	90.4%	35,824	144,667
Washtenaw	8	211,851	21,732	10.3%	23,724	26,481
Royal Oak	1	200,000	0	0.0%	11,522	200,000
Bloomfield	2	61,303	473	0.8%	27,734	30,651
Troy	2	34,427	6,536	19.0%	59,316	17,213
West Wayne	1	34,315	9,608	28.0%	24,716	34,315
Macomb	4	33,355	18,226	54.6%	14,681	8,339
Southfield	0	0	0	0.0%	55,226	0
Detroit/The Pointes	0	0	0	0.0%	64,933	0
All Other	0	0	0	0.0%	11,485	0
Totals	36	1,634,580	772,495	47.3%	30,769	45,405

Total Office Market Statistics

3rd Quarter 2007

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2007 3q	5,444	167,506,000	25,787,585	26,593,862	16.9	22,148	12	459,320	18	626,610	\$20.48
2007 2q	5,443	167,439,223	25,312,773	26,156,690	16.6	50,573	6	218,463	24	929,927	\$20.42
2007 1q	5,431	167,270,510	25,150,557	25,988,800	16.5	465,447	13	719,886	27	1,084,505	\$20.43
2006 4q	5,418	166,669,754	24,855,556	25,734,361	16.5	(426,910)	11	259,598	35	1,709,644	\$20.33
2006 3q	5,402	166,364,478	24,130,814	25,047,853	16.0	(146,653)	15	243,069	34	1,559,389	\$20.37
2006 2q	5,388	165,741,653	23,608,875	24,658,131	15.8	790,895	15	211,759	38	1,014,219	\$20.39
2006 1q	5,374	165,324,818	24,231,827	25,287,267	16.2	59,799	21	478,843	44	976,332	\$20.33
2005 4q	5,350	164,403,485	23,590,353	24,868,223	16.0	265,205	21	800,318	52	1,154,986	\$20.36
2005 3q	5,337	164,183,004	23,041,958	24,371,370	15.8	2,859	12	271,310	57	1,514,761	\$20.54
2005 2q	5,321	163,005,497	22,568,589	24,103,919	15.6	496,417	16	505,081	58	1,606,150	\$20.35
2005 1q	5,301	162,726,780	22,298,652	24,095,255	15.7	(411,021)	18	402,095	56	1,719,841	\$20.50
2004	5,263	161,789,558	22,152,188	24,040,844	15.6	569,273	17	579,219	51	1,713,135	\$20.59
2003	5,194	160,338,929	22,011,460	24,030,898	15.7	815,113	17	1,420,120	58	2,091,739	\$20.93
2002	5,139	157,532,838	21,512,551	23,440,891	15.4	(529,339)	5	96,236	60	3,207,900	\$20.63
2001	5,065	155,496,134	20,487,597	22,817,436	15.0	(209,445)	20	592,810	47	2,701,023	\$20.78
2000	4,948	152,016,241	19,719,000	22,015,181	14.5	(2,414,185)	69	2,085,642	49	2,564,070	\$20.93

Source: CoStar

INDUSTRIAL MARKET

Total Industrial Market Statistics

3rd Quarter 2007

Market	Existing Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bids	Total RBA					
Airport/I-275 Ind	2,913	116,465,864	12.5%	406,419	142,548	322,749	\$4.98
Detroit Area Ind	1,198	70,312,062	20.3%	2,962,096	0	200,000	\$3.01
Downriver Ind	624	38,852,727	11.0%	(115,038)	61,800	267,500	\$4.51
East Area Ind	3,696	110,652,035	8.6%	(297,603)	464,430	169,713	\$5.27
I-96 Corridor Ind	1,755	53,354,277	10.9%	506,118	171,367	294,950	\$7.36
Oakland County NW Ind	1,093	44,129,765	12.1%	(206,281)	193,371	90,640	\$6.16
Royal Oak/Southfield Ind	1,148	19,902,229	11.1%	(197,260)	0	0	\$6.51
Troy Area Ind	1,468	33,090,875	11.7%	814,445	0	19,948	\$5.86
Washtenaw Ind	626	22,636,461	8.9%	556,920	49,500	0	\$7.92
Totals	14,521	509,396,295	12.1%	4,429,816	1,083,016	1,365,500	\$5.27

Source: Costar

Construction Activity Markets Ranked by Under Construction RBA

3rd Quarter 2007

Market	Existing Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U / C
Airport/I-275 Ind	1	267,500	131,075	49.0%	62,631	267,500
I-96 Corridor Ind	1	200,000	0	0.0%	58,905	200,000
Downriver Ind	9	182,495	0	0.0%	30,076	20,277
Detroit Area Ind	6	162,237	82,144	50.6%	30,663	27,039
East Area Ind	1	49,500	0	0.0%	33,694	49,500
Oakland County NW Ind	1	45,320	0	0.0%	43,427	45,320
Troy Area Ind	1	30,829	0	0.0%	39,741	30,829
Washtenaw Ind	1	19,948	0	0.0%	22,480	19,948
Royal Oak/Southfield Ind	0	0	0	0.0%	17,424	0
Totals	21	957,829	213,219	22.3%	35,271	45,611

Source: Costar

Total Industrial Market Statistics

3rd Quarter 2007

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %		# Bids	Total RBA	
2007 3q	14,521	509,396,295	61,073,003	61,831,969	12.1	2,599,126	23	1,365,500	\$5.27
2007 2q	14,513	509,188,201	63,393,665	64,223,001	12.6	411,419	26	1,375,049	\$5.25
2007 1q	14,500	508,743,074	63,547,644	64,189,293	12.6	1,419,271	27	998,873	\$5.27
2006 4q	14,481	508,313,279	64,631,785	65,178,769	12.8	(3,579,593)	40	1,131,787	\$5.34
2006 3q	14,470	507,326,091	60,044,601	60,611,988	11.9	283,867	35	1,799,057	\$5.33
2006 2q	14,461	505,854,077	58,443,635	59,423,841	11.7	632,393	28	2,730,090	\$5.28
2006 1q	14,446	505,555,256	58,488,064	59,757,413	11.8	(306,570)	31	2,348,919	\$5.37
2005 4q	14,432	505,077,616	58,120,008	58,973,203	11.7	3,456,910	35	2,404,596	\$5.46
2005 3q	14,422	504,397,875	60,509,897	61,750,372	12.2	133,173	35	2,339,422	\$5.48
2005 2q	14,415	504,372,746	60,533,882	61,858,416	12.3	1,342,003	31	1,712,927	\$5.58
2005 1q	14,399	503,748,499	60,865,536	62,576,172	12.4	2,697,073	36	1,961,257	\$5.61
2004	14,369	502,480,111	62,303,431	64,004,857	12.7	1,711,423	59	2,579,735	\$5.69
2003	14,313	500,184,180	61,434,273	63,420,349	12.7	(3,267,992)	32	1,484,207	\$5.56
2002	14,229	496,315,908	54,010,803	56,284,085	11.3	(2,836,807)	74	3,586,943	\$5.11
2001	14,131	492,514,745	46,223,412	49,646,115	10.1	(5,190,079)	92	3,636,131	\$5.43
2000	13,981	484,530,354	35,349,758	36,471,645	7.5	(1,368,218)	132	7,049,982	\$5.47

Source: CoStar

RETAIL MARKET

Total Retail Market Statistics

3rd Quarter 2007

Market	Existing Inventory		Vacancy	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA				
Bloomfield	328	7,843,244	7.8%	0	0	\$16.70
Detroit/The Pointes	845	13,055,811	14.1%	91,030	13,032	\$10.49
Downriver	431	9,259,647	13.7%	5,778	653,521	\$13.90
Livingston/W Oakland	611	17,832,072	6.9%	231,778	182,128	\$17.64
Macomb	1,030	30,265,849	14.2%	270,737	1,028,227	\$1,305.00
North Oakland	531	14,222,642	9.2%	30,000	125,959	\$16.47
Royal Oak	414	7,054,827	9.7%	17,453	0	\$13.72
Southfield	136	5,195,119	9.0%	0	8,000	\$14.56
Troy	95	5,512,799	4.6%	23,390	43,016	\$15.59
Washtenaw	351	9,748,819	10.1%	55,622	81,684	\$17.03
West Wayne	1,076	27,422,952	12.3%	47,813	788,251	\$13.05
Totals	5,848	147,413,781	11.1%	773,601	2,923,818	\$14.13

Source: CoStar

Recent Deliveries by Project Size of Year-to-Date Development

3rd Quarter 2007

Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg. Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	37	468,406	229,735	49.0%	\$20.54	71,948	396,458
50,000 SF - 99,999 SF	1	80,000	40,000	50.0%	\$40.00	0	80,000
100,000 SF - 249,999 SF	2	253,797	147,436	58.1%	\$27.50	0	253,797
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

NATIONAL MARKET INDICATORS

	Regional Mall		CBD Office		Warehouse		Apartment	
	2nd.. Qtr. 2007	1st. Qtr. 2007	2nd.. Qtr. 2007	1st. Qtr. 2007	2nd.. Qtr. 2007	1st. Qtr. 2007	2nd.. Qtr. 2007	1st. Qtr. 2007
Discount Rate (IRR)*								
Range	7.00% - 11.00%	7.00% - 11.00%	6.00% - 10.00%	6.00% - 10.00%	5.50% - 11.50%	5.50% - 11.50%	6.00% - 12.00%	6.00% - 11.00%
Average	8.54%	8.64%	8.05%	8.17%	7.87%	8.01%	8.36%	8.28%
Change (b.p.)		-10		-12		-14		8
Overall Cap Rate (OAR)*								
Range	5.00% - 9.50%	5.00% - 9.50%	4.50% - 9.00%	4.50% - 9.00%	5.00% - 8.50%	5.00% - 8.50%	3.50% - 8.00%	3.50% - 8.00%
Average	6.88%	6.89%	6.83%	6.87%	6.58%	6.78%	5.80%	5.89%
Change (b.p.)		-1		-4		-20		-9
Residual Cap Rate								
Range	6.25% - 11.00%	6.25% - 10.00%	5.75% - 10.00%	5.75% - 10.00%	6.00% - 10.00%	6.00% - 10.00%	5.00% - 9.00%	5.50% - 9.00%
Average	8.19%	7.79%	7.69%	7.78%	7.37%	7.74%	6.61%	6.91%
Change (b.p.)		40		-9		-10		-30

* 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.

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