



Year-End 2007

E-Newsletter

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Additional Topics covered in this issue:

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THE LOW DOWN ...

VALUES DOWN – TAXES UP!

MARKET INDICATOR	MARKET DIRECTION
Property Values	Down
Days on Market	Up
Listing Inventory	Up
Seller's Concessions	Up
Median List Price	Down
Gap Between Asking and Sale Price	Up

The story is not new nor is it a surprise and is applicable to all counties of Southeast Michigan. According to home owners, the frustration, however, is that taxable values continue to go up despite the downward spiral of the housing market. Consequently, tax appeals are at record highs. The double-edge sword in this no-win scenario is that if Assessors agree to lower taxable values which would lower taxes, they are directly reducing their municipality's general budget, at a time when State revenue sharing is down with possibilities of additional cuts.

DOES COST EQUAL VALUE?

Estimating replacement cost for the depreciated value of the improvements can be critical especially in a down market. Typically, in down market, there are a limited number of sales of competing property types making the market approach less reliable. Such a cost analysis can also be a strong indicator of the market for special-use properties that do not frequently trade on the open market.

Based on the premise that a buyer would not pay more than the cost to replace a property, such a methodology can be the test of reasonableness to values. According to the well respected *Marshall & Swift* publication, "The cost approach is an excellent way to verify the validity of market value..." Estimating the value of the depreciated improvement plus value to the land is a reality check to avoid unrealistic values resulting in dangerous bubble scenarios.

Bottom line – The cost approach can shine a light on a troubled market.

OFFICE MARKET

Total Office Market Statistics

Year-End 2007

Market	Existing Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA					
Bloomfield	603	15,985,080	12.5%	571,763	197,887	58,285	\$22.75
Detroit/The Pointes	568	36,952,371	17.7%	596,223	214,055	0	\$19.45
Downriver	195	2,224,053	18.2%	(2,131)	21,832	0	\$19.07
Livingston/W Oakland	430	6,872,133	20.8%	518,883	584,844	38,000	\$21.95
Macomb	889	12,940,249	15.6%	100,486	307,543	4,500	\$19.52
North Oakland	481	17,319,385	13.6%	118,655	165,157	0	\$19.78
Royal Oak	350	3,971,297	15.3%	(18,529)	0	0	\$18.24
Southfield	431	23,775,305	18.4%	(228,005)	0	0	\$19.43
Troy	294	17,342,124	26.7%	(386,198)	0	26,144	\$20.54
Washtenaw	483	11,306,924	13.8%	424,980	166,585	273,951	\$21.50
West Wayne	863	20,932,666	12.6%	(257,751)	6,724	19,484	\$19.16
Totals	5,587	169,621,587	16.8%	1,438,376	16,644,627	420,364	\$20.15

Source: CoStar

Construction Activity Markets Ranked by Under Construction RBA

Year-End 2007

Market	Existing Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U / C
Washtenaw	4	273,951	200,612	73.2%	23,410	68,488
Bloomfield	2	58,285	473	0.8%	26,509	29,142
Livingston/W Oakland	5	38,000	30,000	78.9%	15,982	7,600
Troy	1	26,144	6,536	25.0%	58,987	26,144
West Wayne	3	19,484	8,872	45.5%	24,256	6,495
Macomb	1	4,500	0	0.0%	14,556	4,500
North Oakland	0	0	0	0.0%	36,007	0
Royal Oak	0	0	0	0.0%	11,347	0
Southfield	0	0	0	0.0%	55,163	0
Downriver	0	0	0	0.0%	11,405	0
All Other	0	0	0	0.0%	65,057	0
Totals	16	420,364	246,493	58.6%	30,360	26,273

Source: Costar

Total Office Market Statistics

Year-End 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 4q	5,587	169,621,587	27,250,489	28,532,293	16.8%	763,420	12	557,847	16	420,364	\$20.15
2007 3q	5,575	169,063,740	27,450,904	28,737,866	17.0%	510,330	9	100,519	24	948,727	\$20.16
2007 2q	5,572	168,977,934	27,808,711	29,162,390	17.3%	(2,271)	12	215,332	27	889,702	\$20.16
2007 1q	5,560	168,762,602	27,877,120	28,944,787	17.2%	166,897	16	790,929	33	946,811	\$20.37
2006 4q	5,544	167,971,673	27,383,122	28,320,755	16.9%	(101,533)	16	305,249	41	1,478,480	\$20.38
2006 3q	5,528	167,666,424	27,114,091	27,913,973	16.6%	193,712	14	622,825	47	1,305,362	\$20.41
2006 2q	5,514	167,043,599	26,640,943	27,484,860	16.5%	258,535	15	437,166	47	1,771,570	\$20.39
2006 1q	5,499	166,606,433	26,476,121	27,306,229	16.4%	412,791	24	908,071	48	1,849,280	\$20.40
2005 4q	5,476	165,701,537	25,943,454	26,814,124	16.2%	(465,790)	13	220,481	57	2,502,598	\$20.36
2005 3q	5,463	165,481,056	25,231,446	26,127,853	15.8%	647,449	14	1,184,636	55	2,044,721	\$20.41
2005 2q	5,449	164,296,420	24,575,994	25,590,666	15.6%	923,766	23	354,817	52	2,309,885	\$20.41
2005 1q	5,427	163,991,603	25,212,262	26,209,615	16.0%	429,967	36	949,857	55	2,037,782	\$20.36
2004	5,391	163,041,746	24,481,774	25,689,725	15.8%	970,253	72	2,161,723	74	2,556,640	\$20.39
2003	5,321	161,676,988	23,439,569	25,295,220	15.6%	759,008	61	2,952,131	63	3,102,443	\$20.57
2002	5,262	158,741,977	20,761,673	23,119,217	14.6%	(2,688,800)	75	2,066,104	49	2,977,064	\$20.93
2001	5,187	156,675,873	16,024,967	18,364,313	11.7%	(2,539,954)	122	3,468,069	74	3,454,967	\$20.59

Source: CoStar

INDUSTRIAL MARKET

Total Industrial Market Statistics

Year-End 2007

Market	Existing Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA					
Airport/I-275 Ind	2,921	116,142,832	13.2%	(360,506)	177,548	322,749	\$4.96
Detroit Area Ind	1,216	73,498,141	19.2%	3,790,096	200,000	0	\$3.04
Downriver Ind	625	38,981,378	11.5%	(67,884)	329,300	0	\$4.51
East Area Ind	3,710	111,249,183	8.6%	(345,465)	503,051	30,164	\$5.20
I-96 Corridor Ind	1,795	54,678,558	11.1%	625,025	395,645	19,773	\$7.11
Oakland County NW Ind	1,105	44,239,869	11.2%	186,739	193,371	90,950	\$6.15
Royal Oak/Southfield Ind	1,149	19,922,056	11.0%	(129,955)	0	0	\$6.44
Troy Area Ind	1,473	33,108,642	11.8%	808,016	0	0	\$5.74
Washtenaw Ind	636	22,733,904	9.9%	318,213	49,500	0	\$8.32
Totals	14,630	514,554,563	12.2%	4,824,279	1,848,415	463,636	\$5.21

Source: Costar

Construction Activity Markets Ranked by Under Construction RBA

Year-End 2007

Market	Existing Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U / C
Airport/I-275 Ind	2	322,749	32,002	9.9%	39,761	161,374
Oakland County NW Ind	2	90,950	0	0.0%	40,036	45,475
East Area Ind	2	30,164	0	0.0%	29,986	15,082
I-96 Corridor Ind	1	19,773	0	0.0%	30,462	19,773
Washtenaw Ind	0	0	0	0.0%	35,745	0
Downriver Ind	0	0	0	0.0%	62,370	0
Detroit Area Ind	0	0	0	0.0%	60,443	0
Royal Oak/Southfield Ind	0	0	0	0.0%	17,339	0
Troy Area Ind	0	0	0	0.0%	22,477	0
Totals	7	463,636	32,002	6.9%	35,171	66,234

Source: Costar

Total Industrial Market Statistics

Year-End 2007

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	
2007 4q	14,630	514,554,563	61,069,632	62,907,458	12.2%	124,023	6	372,533	\$5.21
2007 3q	14,624	514,182,030	61,852,972	62,658,948	12.2%	3,082,576	9	475,582	\$5.26
2007 2q	14,615	513,706,448	64,436,606	65,265,942	12.7%	132,825	16	514,682	\$5.24
2007 1q	14,599	513,191,766	64,242,436	64,884,085	12.6%	1,484,855	21	485,618	\$5.26
2006 4q	14,578	512,706,148	65,336,338	65,883,322	12.9%	(3,605,427)	11	987,188	\$5.33
2006 3q	14,567	511,718,960	60,723,320	61,290,707	12.0%	447,172	10	1,672,014	\$5.32
2006 2q	14,557	510,046,946	59,085,659	60,065,865	11.8%	670,388	17	393,231	\$5.28
2006 1q	14,541	509,737,125	59,157,083	60,426,432	11.9%	(360,710)	14	477,640	\$5.37
2005 4q	14,527	509,259,485	58,734,937	59,588,082	11.7%	3,452,248	10	714,252	\$5.45
2005 3q	14,518	508,595,233	61,141,497	62,376,078	12.3%	52,424	9	533,215	\$5.48
2005 2q	14,511	508,570,104	61,084,733	62,403,373	12.3%	1,261,824	17	634,207	\$5.58
2005 1q	14,494	507,935,897	61,340,402	63,030,990	12.4%	2,706,076	30	1,236,578	\$5.61
2004	14,464	506,699,319	62,819,110	64,500,488	12.7%	1,964,455	59	2,548,798	\$5.69
2003	14,409	504,201,500	61,981,048	63,967,124	12.7%	(3,211,349)	89	3,953,598	\$5.56
2002	14,322	500,283,263	54,567,796	56,837,538	11.4%	(2,965,819)	103	3,867,936	\$5.12
2001	14,223	496,491,027	46,657,801	50,079,483	10.1%	(5,018,973)	168	8,410,537	\$5.44

Source: CoStar

RETAIL MARKET

Total Retail Market Statistics

Year-End 2007

Market	Existing Inventory		Vacancy	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA				
Bloomfield	375	8,693,967	7.3%	0	0	\$14.97
Detroit/The Pointes	881	13,556,069	14.1%	106,830	0	\$10.87
Downriver	434	8,646,540	14.0%	6,090	15,560	\$11.40
Livingston/W Oakland	748	22,078,216	5.9%	297,036	67,800	\$17.66
Macomb	1,105	31,205,112	13.8%	868,060	23,018	\$13.14
North Oakland	590	15,954,626	9.7%	137,126	0	\$15.11
Royal Oak	433	6,433,841	11.9%	19,233	0	\$13.66
Southfield	141	5,573,431	8.5%	8,000	0	\$16.15
Troy	118	6,306,883	4.7%	42,905	52,600	\$18.26
Washtenaw	367	9,560,022	10.2%	86,279	37,096	\$17.60
West Wayne	1,165	29,272,643	11.6%	890,505	312,758	\$13.02
Totals	6,357	157,281,350	10.7%	2,462,064	508,832	\$13.97

Source: CoStar

Construction Activity Markets Ranked by Under Construction RBA

Year-End 2007

Market	Existing Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Released S	Released %	All Existing	U / C
West Wayne	5	312,758	282,758	90.4%	25,127	62,552
Livingston/ W Oakland	3	67,800	4,134	6.1%	29,516	22,600
Troy	2	52,600	11,000	20.9%	53,448	26,300
Washtenaw	5	37,096	15,125	40.8%	26,049	7,419
Macomb	3	23,018	12,168	52.9%	28,240	7,673
Downriver	1	15,560	8,558	55.0%	19,923	15,560
Bloomfield	0	0	0	0.0%	23,184	0
Royal Oak	0	0	0	0.0%	14,859	0
Southfield	0	0	0	0.0%	39,528	0
North Oakland	0	0	0	0.0%	27,042	0
All Other	0	0	0	0.0%	15,387	0
Totals	19	508,832	333,743	65.6%	24,741	26,781

Source: CoStar

Total Retail Market Statistics

Year-End 2007

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %		# Bldgs	Total GLA	# Bldgs	Total GLA	
2007 4q	4,741	53,831,889	5,572,202	6,015,839	11.2	707,495	7	141,833	11	170,826	\$12.77
2007 3q	4,734	53,690,056	6,177,009	6,581,501	12.3	304,344	7	154,209	15	297,893	\$13.34
2007 2q	4,727	53,535,847	6,314,818	6,731,636	12.6	204,288	4	63,180	20	436,202	\$13.54
2007 1q	4,723	53,472,667	6,573,936	6,872,744	12.9	668,515	9	99,253	16	311,950	\$12.80
2006 4q	4,714	53,373,144	7,154,752	7,441,736	13.9	31,998	7	111,965	15	300,461	\$12.64
2006 3q	4,709	53,272,435	7,089,441	7,373,025	13.8	(168,988)	11	123,521	18	255,488	\$12.63
2006 2q	4,699	53,153,414	6,834,980	7,085,016	13.3	632,133	7	71,203	22	298,949	\$12.86
2006 1q	4,696	53,094,295	7,395,060	7,658,030	14.4	32,711	21	295,784	22	329,054	\$12.70

Source: CoStar

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