

# OFFICE MARKET



## ANN ARBOR

The direct vacancy rate in the Ann Arbor submarket is 14.04% up over half a percentage point from the mid-year vacancy rate.

The asking rental rates have held steady during the second half of 2008. Class A space ranges from \$22.00 to \$28.00 psf gross, and Class B ranges from \$19.00 to \$24.00 psf gross.

Though new construction is limited, Ashley Terrace, a 212,000 sq. ft. mixed-use development, was completed this year and offers office, retail and residential condominium space.

## BIRMINGHAM/BLOOMFIELD

The Birmingham/Bloomfield submarket remains one of the strongest submarkets in metro Detroit as evidenced by the decrease in the Class A vacancy rate from mid-year. The year-end vacancy rate for Class A space is 12.03%.

Multiple smaller deals have been signed in the submarket. One deal of note was Wachovia Securities signing a lease for 20,000 sq. ft. in Birmingham.

Asking rental rates have remained virtually unchanged with Class A space rates ranging between \$28.00 to \$32.00 psf gross.

## DEARBORN

Dearborn remains a stable submarket. As in several submarkets, the vacancy rates have risen over the past year but deals are still being made.

The asking rental rates are lower than in recent years. The direct rate for Class A space ranges from \$21.00 to \$24.00 psf; Class B space ranges from \$16.00 to \$18.00 psf and Class C space ranges from \$8.00 to \$15.00 psf.

## DETROIT

The vacancy rates in Detroit have remained relatively stable in these turbulent times. The direct vacancy rate among all classes of space is 21.74%, which is a decrease from the end of the second quarter.

Several smaller office deals have been signed during the last several months. Two of note are TWW & Associates and Plunkett & Cooney both signing leases.

The rental rates have remained unchanged from mid-year with Class A rates ranging from \$23.50 to \$30.00 psf and Class B rates ranging from \$19.50 to \$23.00 psf.

## OFFICE RENTAL RATES

(Gross plus electric)

	CLASS A	CLASS B	CLASS C
Ann Arbor	\$22.00 to \$28.00	\$19.00 to \$24.00	\$15.00 to \$19.00
Birmingham/Bloomfield	\$26.00 to \$32.00	\$23.50 to \$26.00	\$18.00 to \$23.00
Dearborn	\$21.00 to \$24.00	\$16.00 to \$18.00	\$ 8.00 to \$15.00
Detroit	\$23.50 to \$30.00	\$19.50 to \$23.00	\$10.00 to \$14.00
Farmington/W. Bloomfield	\$19.75 to \$23.50	\$17.00 to \$21.00	\$14.00 to \$17.50
I-275 Corridor	\$20.00 to \$25.50	\$17.00 to \$20.00	\$12.50 to \$16.00
Rochester Hills/Auburn Hills	\$20.00 to \$23.00	\$18.00 to \$20.00	\$14.00 to \$17.00
Southfield/Bingham Farms	\$20.00 to \$24.00	\$16.00 to \$19.50	\$11.00 to \$15.00
Troy	\$21.00 to \$25.00	\$18.00 to \$21.00	\$14.00 to \$17.00
	<b>TOTALS</b>		

## CLASS A OFFICE SPACE AVAILABLE

(Excluding Subleases)

CLASS A AVAILABLE	CLASS A VACANCY
608,920 SF	16.08%
299,787 SF	12.03%
562,830 SF	28.10%
1,832,689 SF	24.52%
647,974 SF	21.42%
666,940 SF	20.12%
306,725 SF	21.45%
1,353,036 SF	20.07%
935,126 SF	21.41%
<b>7,214,027 SF</b>	<b>20.83%</b>

## ...OFFICE CONTINUED

**FARMINGTON HILLS/WEST BLOOMFIELD**

The Farmington Hills/West Bloomfield submarket showed very little fluctuation in the vacancy rates with rates among all classes changing less than a quarter of a percent. The direct vacancy rate is 18.57%.

In Farmington Hills, Harman Becker Automotive Systems renewed their leases of 60,000 sq. ft.

Asking rental rates have decreased slightly as owners attempt to fill their buildings. Class A asking rental rates range from \$19.75 to \$23.50 psf gross.

**I-275 CORRIDOR**

The I-275 Corridor remains one of the stronger corridors in Metro Detroit with the vacancy rate declining over one percentage point to 17.67%. Construction activity has been relatively slow as in other markets. There is one new office building in Novi currently under construction and expected to deliver in March 2009.

The asking rental rates have decreased slightly as owners continue to make concessions to attract tenants.

**ROCHESTER HILLS/AUBURN HILLS**

The direct Class A vacancy rate decreased to 21.45% to end the year. Class B space saw a slight increase in vacancy rates and the submarket as a whole experienced a vacancy rate reduction.

Asking lease rates range from \$20.00 to \$23.00 psf for Class A space to \$14.00 to \$17.00 psf for Class C space.

**SOUTHFIELD/BINGHAM FARMS**

The Class A vacancy rate for Southfield/Bingham Farms is 20.07%. The direct vacancy rate for all classes of space is 25.96%.

Asking rental rates have remained unchanged throughout 2008. Currently, Class A asking rates range from \$20.00 to \$24.00 psf, Class B rates range from \$16.00 to \$19.50 psf and Class C rates range from \$11.00 to \$15.00 psf.

**TROY**

The direct Class A vacancy rate decreased to 21.41% to end the fourth quarter. Class B space saw an increase in vacancy rates while the Class C vacancy rate decreased.

Many deals were made in the Troy submarket in the second half of 2008 including leases signed by Martinrea International and Kelly Services, Inc.

The asking rental rates held steady throughout the year as deals continue to be signed. Class A rates range from \$21.00 to \$25.00 psf, Class B rates range from \$18.00 to \$21.00 psf and Class C rates range from \$14.00 to \$17.00 psf.

**AVAILABLE SPACE AND VACANCY RATES – CLASS A, B & C** (Buildings above 20,000 sq. ft.)

	TOTAL MARKET SQUARE FEET	AVAILABLE DIRECT SPACE	AVAILABLE W/SUBLEASE	VACANCY % DIRECT SPACE	% CHANGE 4 <sup>TH</sup> -2 <sup>ND</sup> QTR	VACANCY % W/SUBLEASE
Ann Arbor	7,261,520	1,019,411	1,106,142	14.04%	0.54	15.23%
Birmingham/Bloomfield	5,362,040	695,554	775,885	12.97%	0.85	14.47%
Dearborn	4,312,156	1,385,656	1,390,734	32.13%	1.16	32.25%
Detroit	25,061,234	5,448,915	5,541,445	21.74%	(0.36)	22.11%
Farmington Hills/W. Bloomfield	7,731,887	1,435,680	1,685,006	18.57%	(0.19)	21.79%
I-275 Corridor	7,556,827	1,335,167	1,511,353	17.67%	(1.09)	20.00%
Rochester Hills/Auburn Hills	2,299,539	513,083	528,354	22.31%	(0.67)	22.98%
Southfield/Bingham Farms	18,080,539	4,693,318	5,184,048	25.96%	0.80	28.67%
Troy	14,115,446	3,783,595	3,932,075	26.80%	2.84	27.86%
<b>Totals</b>	<b>91,781,188</b>	<b>20,310,379</b>	<b>21,655,042</b>	<b>22.13%</b>	<b>0.53</b>	<b>23.59%</b>