

Ann Arbor

A slow economic recovery continues in the Ann Arbor office market. Tenants are looking for space, yet are slow and cautious to commit, and the tenant's market continues. Landlords are careful to renew their tenants quickly. Foreclosures are fewer, by comparison, than other Metro Detroit submarkets. Rental rates have held up better in Ann Arbor and the development community is typically conservative and well capitalized. As the Pfizer complex is absorbed over the next couple years, this market will be well positioned for recovery, and this is an excellent opportunity for corporations to secure space.

Google renewed their 81,000 sq. ft. space downtown and the Eyde Co. purchased the ADP buildings 108,000 sq. ft. on Jackson Plaza. Also, U of M Credit Union purchased/leased 34,600 sq. ft. in the Ann Arbor News building downtown.

Birmingham/Bloomfield

The desirability of this submarket has brought renewed investment and interest from various corporations. Rental rates are experiencing some pressure, but have resisted much of the drop in neighboring markets.

The Plaza of Bloomfield Hills is under construction and will add 44,500 sq. ft. at Woodward Ave. and Long Lake Rd., by A. F. Jonna Development. Sales include 2550/2500 Telegraph, 84,000 sq. ft., The Northpoint Building, 40,000 sq. ft., and 43700 Woodward, 33,000 sq. ft. Also pending sale is 21 E. Long Lake Rd, a 25,666 sq. ft. building. Many leases are for smaller spaces, under 10,000 sq. ft.. At year end, Sapient leased 8,000 sq. ft. at 135 N. Old Woodward in Birmingham. Honigman Miller leased 41,000 sq. ft. in the Pinehurst Office Center.

Dearborn

The Dearborn office market continues to experience a very high vacancy rate but there is an increase in transaction activity. Renewed stability of Ford Motor Company is necessary for the market psychology and transactions are occurring, both leases and sales, including arms-length and distressed situations.

Sanford-Brown College leased 33,000 sq. ft. in Fairlane North Technology Park and ADP Corp. leased 22,000 sq. ft. there, as well. Jackson Dawson Communications extended their 22,000 sq. ft. lease at the Parklane Towers. The 131,000 sq. ft. Dearborn Atrium Office Center was sold at auction. 17000 Executive Plaza Dr., 60,000 sq. ft., was also sold and will be redeveloped for medical use.

OFFICE RENTAL RATES

(Gross plus electric)

	CLASS A	CLASS B	CLASS C
Ann Arbor	\$19.00 to \$28.00	\$12.00 to \$24.00	\$ 8.00 to \$19.00
Birmingham/Bloomfield	\$23.00 to \$32.00	\$20.00 to \$25.00	\$15.00 to \$19.00
Dearborn	\$14.50 to \$19.50	\$14.00 to \$20.00	\$10.00 to \$14.00
Detroit	\$23.50 to \$30.00	\$19.50 to \$23.00	\$10.00 to \$14.00
Farmington/W. Bloomfield	\$19.75 to \$23.50	\$13.50 to \$18.75	\$10.00 to \$15.00
I-275 Corridor	\$19.50 to \$23.50	\$15.00 to \$18.50	\$12.50 to \$16.00
Macomb County	\$20.00 to \$25.00	\$16.00 to \$19.00	\$12.00 to \$16.00
Rochester Hills/Auburn Hills	\$18.00 to \$21.00	\$16.00 to \$18.00	\$12.00 to \$15.00
Southfield/Bingham Farms	\$19.50 to \$24.50	\$14.00 to \$17.50	\$ 9.00 to \$13.00
Troy	\$19.00 to \$23.00	\$16.00 to \$19.00	\$12.00 to \$15.00

Detroit

The Detroit CBD and New Center submarkets continued to experience high vacancies in 2010, although significant transactions point to a better future. Quicken Loans began occupying 244,000 sq. ft. in the Compuware Building and is searching for more. GalaxE Solutions opened a Detroit office occupying 27,000 sq. ft. at 1001 Woodward Ave. The IRS leased 81,400 sq. ft. at One Detroit Center. Also, Blue Cross Blue Shield announced a consolidation of offices into the Renaissance Center, leasing over 435,000 sq. ft.

Farmington Hills/West Bloomfield

The Farmington Hills/West Bloomfield submarket held onto stability in 2010 and kept some important tenants. Vacancies increased and lease rates remained flat. Concessions are still available to tenants and opportunities at market bottom prices are seeing activity. Absorption was not brisk but kept the vacancy rate in check. Noteworthy leases include renewals with AEEs leasing 24,000 sq. ft. at Farmington Hills Office Centre and UBS leasing 20,795 sq. ft. at Nottingham Office Plaza. Also, Real Estate One relocated into 11,000 sq. ft. at West Bloomfield Corporate Center. Vacancy remains at 23.75% for Class A and 18.76% for Class B. At year end, several transactions are pending for spaces up to 45,000 sq. ft.

Macomb County

The Macomb office market continues to be challenged by under-performing loans, while seeing some help from a recovering automotive sector. Class A space has seen its vacancy climb to 26.83%, while Class B is 15.02%. Rental rates have declined as smaller firms have enjoyed the savings. A noteworthy transaction is General Dynamics' renewal at 36333 Mound Road for 25,224 sq. ft.

I-275 Corridor

This I-275 submarket experienced additional activity in 2010. The vacancy rate continued its decline to 19.40% from the start of the year. With no construction activity and a very desirable location, I-275 Corridor is poised for renewed strength.

Notable leases include South University leasing the entire 48,000 sq. ft. Meadowbrook Office Center, and Federal APD leased 21,600 sq. ft. at Haggerty Corridor Corporate Park III.

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 TH -2 ND QTR	VACANCY % W/SUBLEASE
Ann Arbor	7,549,389	933,294	1,034,942	12.36%	(0.65)	13.71%
Birmingham/Bloomfield	5,248,392	921,267	1,003,128	17.55%	(0.53)	19.11%
Dearborn	4,603,693	1,631,262	1,759,078	35.43%	1.99	38.21%
Detroit	25,910,719	5,813,031	5,955,988	22.43%	(0.06)	22.99%
Farmington Hills/W. Bloomfield	7,710,144	1,567,347	1,777,234	20.33%	0.65	23.05%
I-275 Corridor	7,578,458	1,469,933	1,606,771	19.40%	(0.83)	21.20%
Macomb County	4,829,999	968,046	981,217	20.04%	(0.42)	20.32%
Rochester Hills/Auburn Hills	2,331,511	515,712	757,871	22.12%	(1.60)	32.51%
Southfield/Bingham Farms	17,953,994	5,180,491	5,600,626	28.85%	0.66	31.19%
Troy	14,256,474	4,581,692	4,931,834	32.14%	0.15	34.59%
Totals	97,972,773	23,582,075	25,408,689	24.07%	0.07	25.93%

Rochester Hills/Auburn Hills

Renewed activity from industrial and hi-tech firms have begun to help this submarket as it recovers from the economic effects of 2008-2009. Absorption has shown signs of life and vacancy has started to drop, although still at 26.19% for Class A space. Insight Network Logistics leased 10,000 sq. ft. at Auburn Hills Corporate Center and the 24,000 sq. ft. 1849 Pond Run was sold to Montaplast North America to occupy. This submarket enjoys a growth location and is well positioned to improve, as evidenced by the significant industrial transactions that occurred in 2010.

Southfield/Bingham Farms

The Southfield/Bingham Farms submarket struggled through 2010 with good news and bad. Distressed buildings include properties up to 130,000 sq. ft. in size. Vacancy crept up to 23.91% for Class A and 33.88% for Class B. However, as the year drew to a close, more activity was in the works, or already happened. The year started with R. L. Polk announcing its commitment to relocate to 138,000 sq. ft. at Travelers Towers II. In the spring, First Mercury Financial purchased 97,000 sq. ft. at 26600 Telegraph to consolidate its Southfield operations. Microsoft extended its 21,000 sq. ft. lease at 1000 Town Center, as did Harley Ellis Devereaux, 57,000 sq. ft. at First Center.

Southfield/Bingham Farms, *Cont'd.*

The year finished with International Automotive Components leasing the 118,000 sq. ft. 28333 Telegraph building from Kojaian. Additionally, Mortgage Concepts purchased 26,500 sq. ft. at 29621 Northwestern Hwy. for relocation and growth in 2011. Additional distress is evident and sales of larger buildings are expected.

Troy

The Troy office market has held on in the Class A category as Class B continues to suffer. Class A vacancy increased a small amount to 21.68%, while Class B reached 37.05%. Rents have continued to drop and buildings that sell are traded well below replacement cost.

Doeren Mayhew announced a relocation with their purchase of 77,000 sq. ft. at Columbia Center III. Geometric Americas leased 36,000 sq. ft. at Northridge Officentre. Rockwell Automation leased 24,500 sq. ft. at 1441 W. Long Lake and Carlson Marketing renewed their lease of 36,700 sq. ft. at Troy Officentre. Troy remains a solid community with a diverse economy. With no construction activity, a recovery in this market is certain, and buildings are seeing increased activity.

CLASS A OFFICE SPACE (Excluding Subleases)

	CLASS A AVAILABLE	VACANCY
Ann Arbor	526,109 SF	13.99%
Birmingham/Bloomfield	297,647 SF	13.07%
Dearborn	625,959 SF	29.48%
Detroit	2,447,803 SF	32.41%
Farmington/W. Bloomfield	686,145 SF	23.75%
I-275 Corridor	658,087 SF	18.46%
Macomb County	351,024 SF	26.83%
Rochester Hills/Auburn Hills	378,961 SF	26.19%
Southfield/Bingham Farms	1,610,146 SF	23.91%
Troy	937,896 SF	21.68%
TOTALS	8,519,777 SF	23.68%