

# GLOBAL SPOTLIGHT

## Detroit, Michigan



**Detroit and the surrounding region constitute a manufacturing powerhouse, most notably as home to the Big Three automobile companies, General Motors, Ford, and Chrysler. The city is an important center for global trade, and home to many large international law firms.**

- While the commercial real estate markets remained flat in 2007, 2008 looks to provide modest growth in all sectors of the market throughout Greater Detroit. In general, transaction volume slowed, largely due to troubles in the debt market nationwide.
- Despite the national economic challenges, prices did increase in Detroit's retail sector. Several strong deliveries echoed this trend toward value as many deals were at aggressive rates in established markets. Retailers will continue to be sensitive but should be more comfortable as expected interest rate drops revive consumer spending growth.
- An excess of suburban high-tech office space exists as companies have moved to more cost-effective districts. Various automobile supply companies also have moved into these markets to be closer to service their clients. Detroit's CBD is luring several large tenants. Across all markets, landlord incentive packages have grown and will likely remain tenant friendly through 2008.
- Detroit's industrial market experienced a slight increase in vacancy in 2007. Users of R&D/flex properties have taken advantage of favorable lease rates, resulting in mild positive absorption. Warehouse space continues to be buoyed by the distribution and logistics market's modest expansion in Southeast Michigan. Unfortunately, manufacturing remains the hardest hit sector and represents the single largest segment for job loss in the state.
- Sales of multifamily properties in metro-Detroit slowed in 2007, while cap rates have been rising. The continued depressed job market and uncertainty surrounding the Big Three automakers has encouraged buyers to use an abundance of caution. With the slowdown in the housing market, more tenants are staying in place, pushing occupancy up in quality developments. With little new units coming to market, this trend should continue.

## Detroit At A Glance

|              |  |
|--------------|--|
| Population   | 4,468,966 Metro Area                       |
| Location     | Largest city in the U.S. state of Michigan |
| Interest     | 4.32% (US 10yr Treasury Note)              |
| Unemployment | 7.5% (Michigan)                            |

| Property                     | Rent/SF/Year<br>Low | High    | Effective<br>Avg. | Vacancy<br>Rate |
|------------------------------|---------------------|---------|-------------------|-----------------|
| Downtown Office<br>Class A   | \$20.00             | \$33.00 | \$26.50           | 16%             |
| Suburban Office<br>Class A   | \$16.00             | \$30.00 | \$22.50           | 16%             |
| Industrial<br>Bulk Warehouse | \$2.25              | \$12.00 | \$4.50            | 11%             |
| Retail<br>Downtown           | \$16.00             | \$44.00 | \$24.00           | N/A             |

NAI Farberman provides local market expertise in the state of Michigan.

## About NAI Global:

NAI Global is one of the world's leading providers of commercial real estate services. We bring together people and resources wherever needed to deliver outstanding results for our clients.

### At A Glance

|              |                            |
|--------------|----------------------------|
| 375          | Offices                    |
| 55           | Countries                  |
| 8,000        | Professionals              |
| \$45 billion | Annual Transaction Volume  |
| 250          | MSF of Property Management |

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