

# Detroit

Vol. 51  
THIRD QUARTER 2006

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**ANALYZES:**

CBD Office  
Suburban Office  
Industrial  
Retail  
Apartments

**REPORTS:**

Property Prices  
Property Rents  
Market Forecasts (NEW)  
Demographic Highlights  
Local Economy  
Labor Force Characteristics  
Educational Achievement  
Tax Structure  
Housing & Living Costs  
Quality of Life Factors

A publication of the NATIONAL REAL ESTATE INDEX

## REPORT FORMAT

Vol. 51

**Metro Market Outlook** ("MMO") replaces the previous Metro Market Facts publication. While maintaining the basic "facts" components of the previous report, the new MMO has been reorganized to place the pertinent real estate information and commentary up front and adds a new **market forecast component**—hence the new name. MMO is now organized into two primary parts as follows:

**Part 1—Real Estate Facts and Forecast** presents an overview of key real estate facts including values, rents, cap rates, inventory, vacancy and absorption trends and includes a new section presenting a look-ahead forecast for the market, by property sector.

- Section I:** Local market price, and capitalization rate trends for the preceding 12 months.
- Section II:** Review of rent facts and trends for the local market by property sectors.
- Section III:** Inventory, vacancy, absorption and sales information for various property sectors.
- Section IV:** Market forecasts projecting a ranking of the investment potential for the market, by property sector, as compared to national averages. (This is a new section.)

**Part 2—Metro Market Facts** provides an in-depth look (generally in a tabular format) at the key economic, demographic, public policy, and quality of life factors that can affect the demand for real estate.

- Section V:** Snapshot highlighting the key economic, demographic and real estate-related findings.
- Section VI:** Local economic base and current labor force and job formation trends.
- Section VII:** Provides various educational costs and parameters.
- Section VIII:** Explores local living costs.
- Section IX:** Reports other important factors, including retail sales trends and international trade.
- Section X:** Local and state fiscal policies, including taxes and federal spending.
- Section XI:** Summarizes several key quality-of-life considerations.



### Dynamic Reporting available where this symbol appears.

The National Real Estate Index has constructed a web-based interactive Dynamic Reporting tool that allows our premium service customers to customize their reported data in a wide variety of charting and graphing formats. The functionality is available to all full-year and enterprise-level subscribers.

For additional information on how to receive these services and pricing, please contact [paul.wildes@nrei.info](mailto:paul.wildes@nrei.info) or call (800) 992-7257.

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## DETROIT: MARKET DEFINITION

The tenth-largest city in the nation, Detroit has long been known for being the center of major U.S. auto manufacturing. Government and the health-care industry have now surpassed the auto industry in terms of employment, though. The Detroit area is home to such corporations as General Motors, Ford Motor Company, Kellogg, Kmart, Dow Chemicals and the Herman Miller National Design Center.



### OLD DEFINITION

Detroit PMSA Includes:

Lapeer County	Oakland County
Macomb County	St. Clair County
Monroe County	Wayne County

### NEW DEFINITION\*

Detroit-Warren-Livonia MSA Includes:

Lapeer County	Oakland County
Livingston County	St. Clair County
Macomb County	Wayne County

# METRO MARKET OUTLOOK— REGIONS/LOCAL MARKETS

**PACIFIC/NORTHWEST**

- Oakland-East Bay
- Portland
- Sacramento
- San Francisco
- San Jose
- Seattle
- Honolulu

**PACIFIC/SOUTHWEST**

- Albuquerque
- Las Vegas
- Los Angeles
- Orange County
- Phoenix
- Riverside-San Bernardino
- San Diego

**PLAINS/WEST**

- Austin
- Dallas-Ft. Worth
- Denver
- Oklahoma City
- Salt Lake City

**FLORIDA/GULF COAST**

- Ft. Lauderdale
- Houston
- Jacksonville
- Miami
- Orlando
- Tampa-St. Petersburg
- West Palm Beach

**SOUTHEAST**

- Atlanta
- Charlotte
- Greenville-Spartanburg
- Memphis
- Nashville
- Raleigh-Durham

**MID-ATLANTIC**

- Baltimore
- Central New Jersey
- Philadelphia
- Washington

**NORTHEAST**

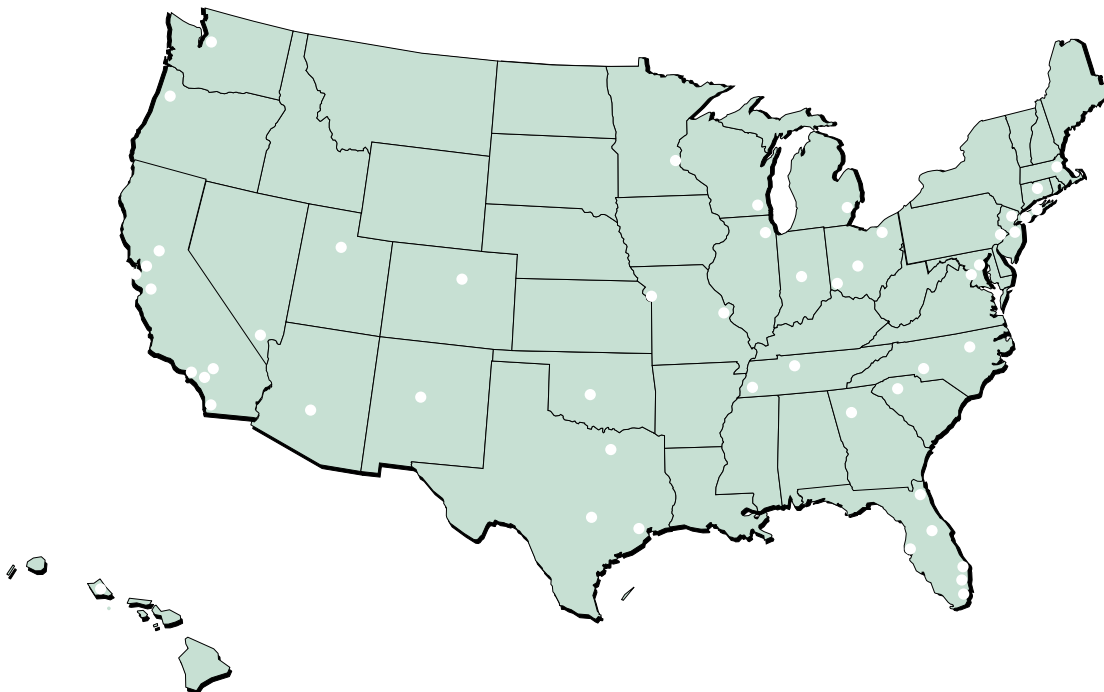
- Boston
- Hartford
- New York/Nassau-Suffolk
- Northern New Jersey

**EAST CENTRAL**

- Cincinnati
- Cleveland
- Columbus
- Detroit
- Indianapolis

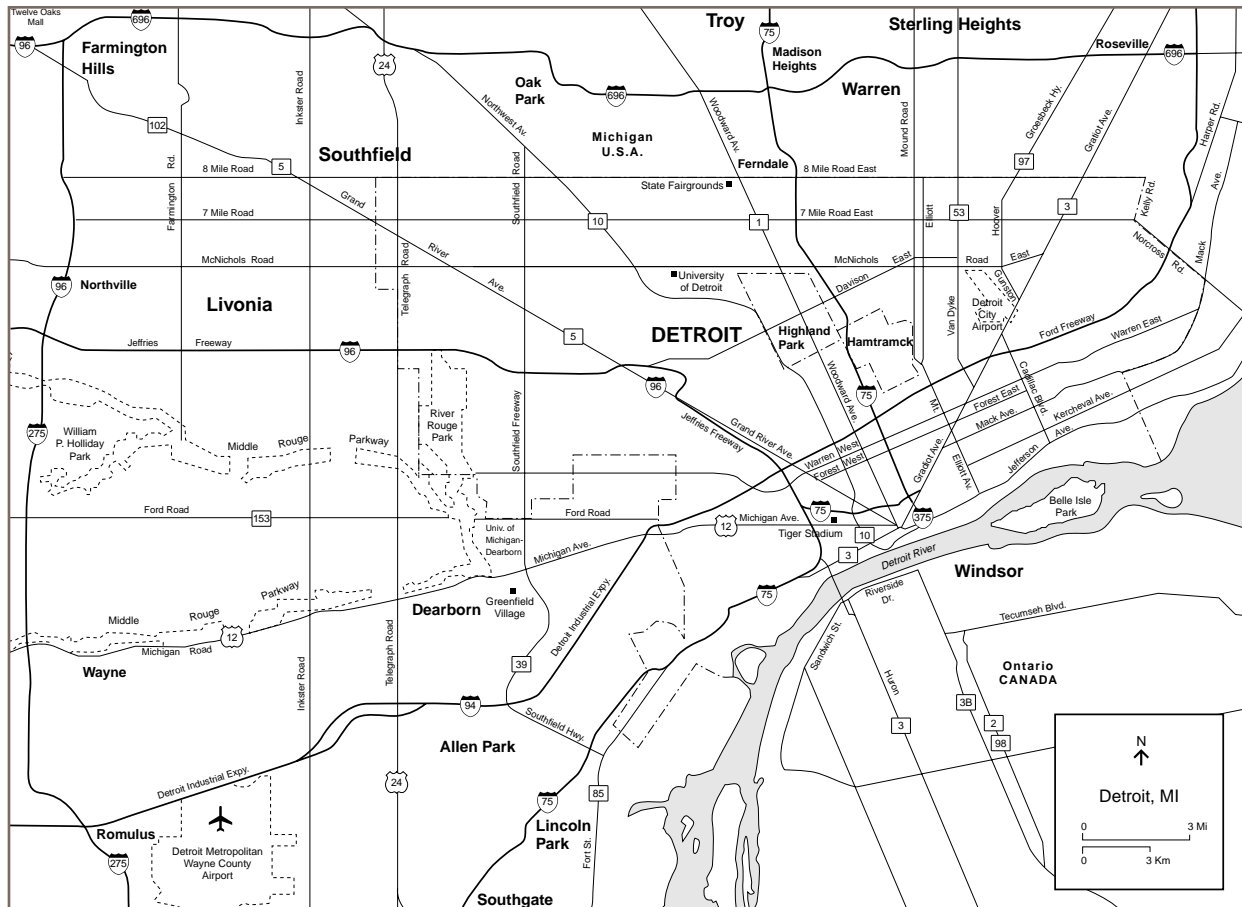
**WEST CENTRAL**

- Chicago
- Kansas City
- Milwaukee
- Minneapolis-St. Paul
- St. Louis



# DETROIT: METROPOLITAN MAP

Land Area of Detroit PMSA: 4,466 sq. miles  
 Population Density (2003): 999 people per sq. mile



## DETROIT: MARKET TRENDS SUMMARY

### CBD OFFICE

Detroit's downtown office sector has a \$17.31 per square foot effective rent for Class A office, which is 0.2% lower than last quarter and 1.0% lower than last year. This metro has a \$109.34 per square foot average price for CBD office, which is 1.0% higher than last quarter and 3.8% higher than last year. The metro has a 26.9% CBD office vacancy rate, which is 0.5% higher than last quarter and 2.5% higher than last year.

### SUBURBAN OFFICE

The metro of Detroit has a \$19.36 per square foot effective rent for Class A suburban office, which is 0.1% lower than last quarter and 1.0% lower than last year. This metro has a \$142.45 per square foot average price for suburban office, which is 2.1% higher than last quarter and 1.4% higher than last year. The metro has a 22.5% suburban office vacancy rate, which is 0.9% higher than last quarter and 0.1% lower than last year.

### WAREHOUSE

The metro of Detroit has a \$5.01 per square foot effective rent for warehouse, which is 0.8% lower than last quarter and 2.0% lower than last year. This metro has a \$50.88 per square foot average price for warehouse, which is 0.3% higher than last quarter and 0.9% higher than last year. The metro has a 9.8% vacancy, which is 0.2% higher than last quarter and 1.0% lower than last year.

### RETAIL

The metro of Detroit has a \$16.57 per square foot effective rent for Class A unenclosed shopping centers, which is 1.1% lower than last quarter and 1.1% lower than last year. This metro has a \$134.22 per square foot average price for shopping centers, which is 0.6% lower than last quarter and 1.9% higher than last year.

### APARTMENT

The metro of Detroit has a \$10.96 per square foot effective rent for Class A apartments, which is 1.6% higher than last quarter and 0.6% higher than last year. This metro has an \$80.29 per square foot average price for apartments, which is 0.9% lower than last quarter and 3.1% lower than last year.

Source: NREI *Rent Monitor*; *Value Monitor*; and *Metro Market Outlook*, Section III. Historical data taken from prior quarter and year-ago NREI *Metro Market Facts* reports.



# Real Estate Facts & Forecast



## I. VALUE FACTS & TRENDS

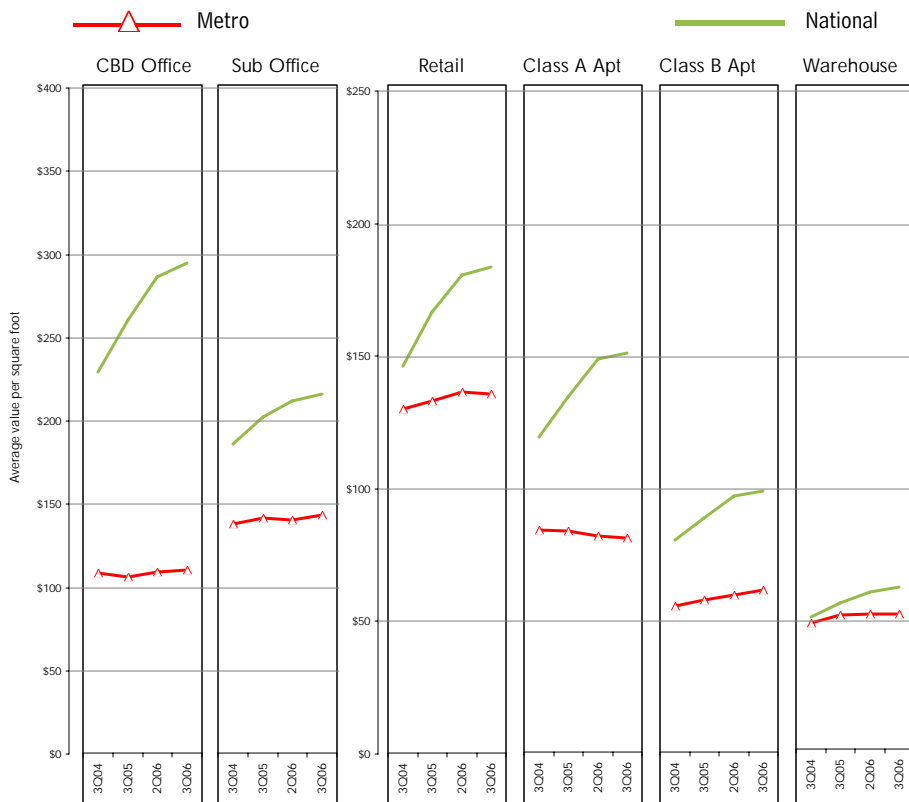
### A. Current Property Values/Cap Rates

	CBD OFFICE		SUBURBAN OFFICE		WAREHOUSE		RETAIL		CLASS A APARTMENT		CLASS B APARTMENT	
	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate	Price S/F	Cap Rate
National	\$293.20	6.5%	\$214.84	6.8%	\$60.85	7.2%	\$181.84	6.9%	\$149.52	6.1%	\$97.73	6.9%
East Central Region	129.78	8.7	134.51	7.8	43.82	7.8	130.96	7.6	79.24	7.7	55.70	8.1
Metro Area												
3 Q. '06	109.34	9.1	142.45	7.8	50.88	7.8	134.22	8.0	80.29	8.3	60.77	7.8
2 Q. '06	108.29	9.2	139.47	8.0	50.75	7.8	134.99	8.0	81.05	8.1	58.89	7.9
3 Q. '05	105.31	9.5	140.53	8.0	50.45	7.9	131.69	8.2	82.84	8.0	57.10	8.2



Source: NREI Value Monitor.

### B. Value Trends—Change in Price Per Square Foot



Source: NREI Value Monitor.

## I. VALUE FACTS & TRENDS

### C. Other Property Class Values—Most Recent Period

PROPERTY SECTOR	PRICE PER SF	PROPERTY SECTOR	PRICE PER SF
Class B Suburban Office	\$107.25	Class B/C Unanchored "Strip" Ctr.	\$64.50
Class C Suburban Office	48.33	Class C Apartment	44.15
Class A Suburban Medical Office	107.87	Class D Apartment	30.76
Class B Warehouse	37.00	Class A Flex/Business Campus	55.18
Class C Warehouse	26.07	Class A R&D	166.30
Class D Warehouse	9.30	Class B R&D	88.65
Class A Unanchored "Strip" Ctr.	113.52		

Source: NREI Value Monitor.

### D. Local Market Property Value Rankings

3rd Qtr. 2006 - Rankings  
 (#1 is highest rank, #61 is lowest)

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
Rank out of 61 Markets*	57	46	33	48	53	44

\*The figures above denote the local market ranking for the corresponding property sector among the 61 metropolitan areas (plus Manhattan Downtown/New York City for CBD Office, Class A and Class B Apartment ) analyzed by the NREI Value Monitor. A ranking of "1" designates the highest value per square foot for Class A space (except for Class B Apartment) for the corresponding property sector among all markets for the noted time period.

Source: NREI Value Monitor.

## I. VALUE FACTS & TRENDS

### E. Value Growth—Change in Price Per Square Foot

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
<b>% CHANGE FROM QUARTER AGO</b>						
Detroit	+1.0%	+2.1%	+0.3%	-0.6%	-0.9%	+3.2%
National Average	+2.9%	+1.8%	+2.7%	+1.7%	+1.4%	+1.7%
<b>% CHANGE FROM YEAR AGO</b>						
Detroit	+3.8%	+1.4%	+0.9%	+1.9%	-3.1%	+6.4%
National Average	+13.1%	+6.8%	+10.4%	+10.1%	+12.4%	+11.3%
<b>% CHANGE FROM TWO YEARS AGO</b>						
Detroit	+1.6%	+3.8%	+7.0%	+4.3%	-3.4%	+11.0%
National Average	+28.5%	+16.2%	+22.9%	+25.5%	+26.8%	+23.1%

Source: NREI Value Monitor.

## II. RENT FACTS & TRENDS

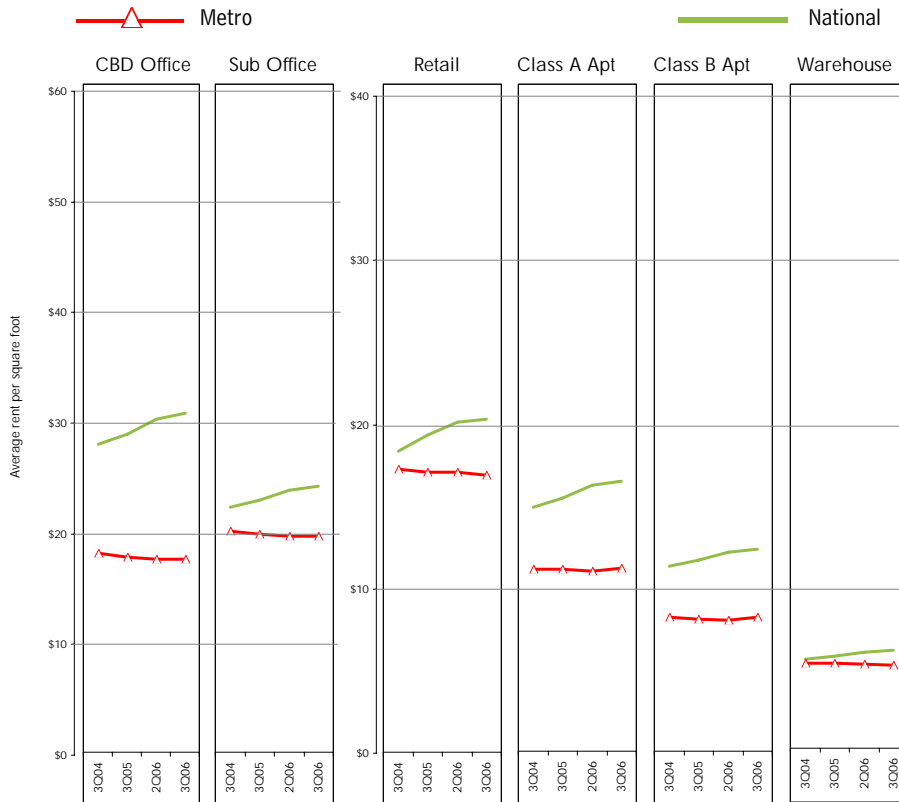
### A. Current Property Rents

	CBD OFFICE			SUBURBAN OFFICE			WAREHOUSE			RETAIL			CLASS A APARTMENT			CLASS B APARTMENT		
	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %	Asking sf	Effective sf	Free %
National	\$31.07	\$30.42	2.3%	\$24.50	\$23.89	2.6%	\$6.04	\$5.90	2.6%	\$20.22	\$19.95	1.4%	\$16.51	\$16.19	2.3%	\$12.38	\$12.12	2.5%
East Central Region	20.80	20.09	3.4	19.29	18.55	3.8	4.60	4.44	3.5	15.89	15.57	2.0	10.85	10.31	4.9	8.30	7.92	4.6
Metro Area																		
3 Q. '06	17.94	17.31	3.5	20.17	19.36	4.0	5.23	5.01	4.2	16.96	16.57	2.3	11.71	10.96	6.4	8.59	8.01	6.8
2 Q. '06	17.92	17.35	3.2	20.20	19.39	4.0	5.27	5.05	4.2	17.10	16.76	2.0	11.60	10.79	7.0	8.52	7.86	7.7
3 Q. '05	18.41	17.49	5.0	20.60	19.55	5.1	5.34	5.11	4.3	17.18	16.75	2.5	11.59	10.89	6.0	8.43	7.91	6.2



Source: NREI Rent Monitor.

### B. Rent Trends/Change in Rent Per Square Foot



Source: NREI Rent Monitor.

## II. RENT FACTS & TRENDS

### C. Local Market Property Rent Rankings

3rd Qtr. 2006 - Rankings  
 (#1 is highest rank, #61 is lowest)

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
Rank out of 61 Markets*	58	41	36	39	38	45

\*The figures above denote the local market ranking for the corresponding property sector among the 61 metropolitan areas (plus Manhattan Downtown/New York City for CBD office, Class A and Class B Apartment ) analyzed by the NREI Rent Monitor. A ranking of "1" designates the highest effective rent per square foot for Class A space (except for Class B Apartment) for the corresponding property sector among all markets for the noted time period.

Source: NREI Rent Monitor.

### D. Rent Growth/Change in Rent Per Square Foot

	CBD OFFICE	SUBURBAN OFFICE	WAREHOUSE	RETAIL	CLASS A APARTMENT	CLASS B APARTMENT
<b>% CHANGE FROM QUARTER AGO</b>						
Detroit	-0.2%	-0.2%	-0.8%	-1.1%	+1.6%	+1.9%
National Average	+1.8%	+1.5%	+1.5%	+1.1%	+1.6%	+1.3%
<b>% CHANGE FROM YEAR AGO</b>						
Detroit	-1.0%	-1.0%	-2.0%	-1.1%	+0.6%	+1.3%
National Average	+6.7%	+5.4%	+6.1%	+5.2%	+6.7%	+5.9%
<b>% CHANGE FROM TWO YEARS AGO</b>						
Detroit	-3.2%	-2.5%	-2.1%	-2.3%	+0.3%	+0.0%
National Average	+9.9%	+8.5%	+10.3%	+10.8%	+10.7%	+9.2%

Source: NREI Rent Monitor.

### III. INVENTORY/VACANCY/ ABSORPTION & SALES

#### A. Office

METRO SUBMARKETS	INVENTORY	VACANCY	ABSORPTION	CONSTRUCTION
Ann Arbor	4,543,324	20.4%	(55,284)	242,238
Auburn Hills	1,076,794	14.9%	(10,975)	60,000
Birmingham/Bloomfield	3,854,613	16.6%	19,274	0
Dearborn	3,550,413	18.2%	(38,099)	0
Farmington/W. Bloomfield	5,635,999	14.7%	80,165	0
I-275 Corridor	5,006,206	19.8%	6,439	0
Rochester	749,867	27.8%	3,540	0
Southfield	15,993,645	27.3%	471	84,000
Troy	13,586,676	23.5%	(142,735)	0
Macomb	1,390,840	24.7%	9,097	34,560
Other	2,210,293	27.5%	12,481	30,000
<i>Suburban</i>	<i>57,456,270</i>	<i>22.5%</i>	<i>(115,626)</i>	<i>450,798</i>
<i>Downtown</i>	<i>15,017,170</i>	<i>26.9%</i>	<i>(92,909)</i>	<i>48,800</i>
<b>Market Total</b>	<b>72,473,440</b>	<b>23.4%</b>	<b>(208,535)</b>	<b>499,598</b>

Reported as of third quarter 2006.



Source: CB Richard Ellis (Detroit).

#### B. Industrial

METRO SUBMARKETS	INVENTORY	AVAILABILITY	CONSTRUCTION
Macomb Co.	97,840,049	8.7%	359,515
I-75 Corridor	77,940,730	9.4%	312,331
Southeast Oakland Co.	14,209,085	6.6%	0
Northwest Suburbs	56,907,936	10.4%	589,129
Western Wayne Co.	87,567,135	10.4%	221,735
Downriver	70,308,899	8.3%	711,467
Detroit	119,007,786	12.1%	360,000
Washtenaw Co.	20,470,065	7.2%	115,000
<b>Market Total</b>	<b>544,251,685</b>	<b>9.8%</b>	<b>2,669,177</b>

Reported as of third quarter 2006.



Source: CB Richard Ellis (Detroit).

### III. INVENTORY/VACANCY/ ABSORPTION & SALES

#### C. Metropolitan Retail Sales Trends

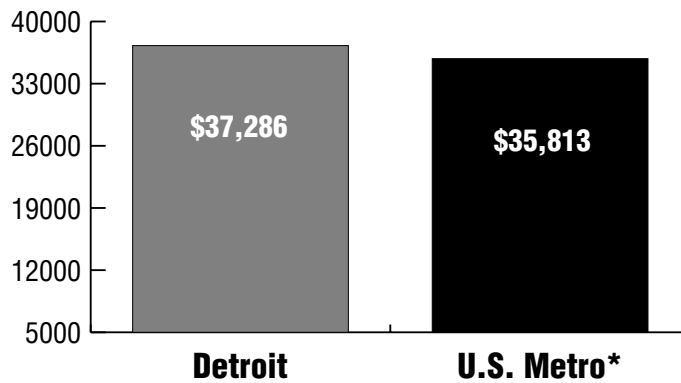
Metropolitan Retail Sales -- % Change from Prior Year  
(August 2005)

	MONTH	FYTD
Detroit-Warren-Livonia	(6.7%)	(5.1%)
National	2.0%	2.1%

This data reflects same-store sales at major department stores during the current month and fiscal year to date (beginning in February) compared to the same period one year ago.

Source: International Council of Shopping Centers, New York, NY.

#### D. Metropolitan Average Retail Sales Per Household



\*The U.S. Metro figure represents the average retail sales per household of 323 metropolitan areas; \$34,036 is the average retail sales per household nationwide.

**Market Rank: 28\***

\*Ranking of 57 metropolitan areas, with the #1 ranking representing the highest amount of retail sales per household.

Source: Sales & Marketing Management: 2003 Survey of Buying Power.

## IV. MARKET FORECAST

### A. Market•Score by Sector

SECTOR / MARKET	RELATIVE INVESTMENT POTENTIAL*	CURRENT QUARTER	RANK	QUARTER	YEAR	TWO YEARS			
				AGO	AGO	AGO	RANK		
<b>CBD OFFICE</b>									
Detroit	FAIR	66	67	65	63	66	65	69	62
East Central Region	AVERAGE	77		77		70		73	
National Median	AVERAGE	83		84		83		80	
<b>SUBURBAN OFFICE</b>									
Detroit	FAIR	73	61	72	64	73	40	74	56
East Central Region	FAIR	73		73		73		73	
National Median	AVERAGE	84		84		82		80	
<b>INDUSTRIAL</b>									
Detroit	AVERAGE	80	49	79	55	79	48	80	44
East Central Region	AVERAGE	80		81		81		80	
National Median	AVERAGE	84		84		84		82	
<b>RETAIL</b>									
Detroit	AVERAGE	80	49	80	49	81	45	77	54
East Central Region	AVERAGE	79		80		77		79	
National Median	AVERAGE	85		85		83		83	
<b>APARTMENT</b>									
Detroit	AVERAGE	77	63	77	62	77	58	80	39
East Central Region	AVERAGE	78		77		77		77	
National Median	GOOD	86		86		84		82	
<b>HOSPITALITY</b>									
Detroit	AVERAGE	77	52	76	52	78	55	79	46
East Central Region	FAIR	73		74		78		76	
National Median	GOOD	86		86		86		84	

The figures shown in the shaded fields above are Market•Scores corresponding to the noted property sector, market, and time period. Regional and national figures reflect the median score. The rankings are out of 66 metropolitan areas, with the #1 ranking representing the highest score.

Market•Score is a proprietary rating system developed in 1992 by Global Real Analytics to evaluate the relative economic strength of local property markets. Utilizing numerous real estate, economic, and demographic data factors, Market•Score identifies those markets likely to exhibit the strongest real estate performance within each respective property sector in the two succeeding years following each forecast period. See "Investment Potential" at the end of this publication for additional information on Market•Score, and property sector definitions.

#### \*INVESTMENT POTENTIAL

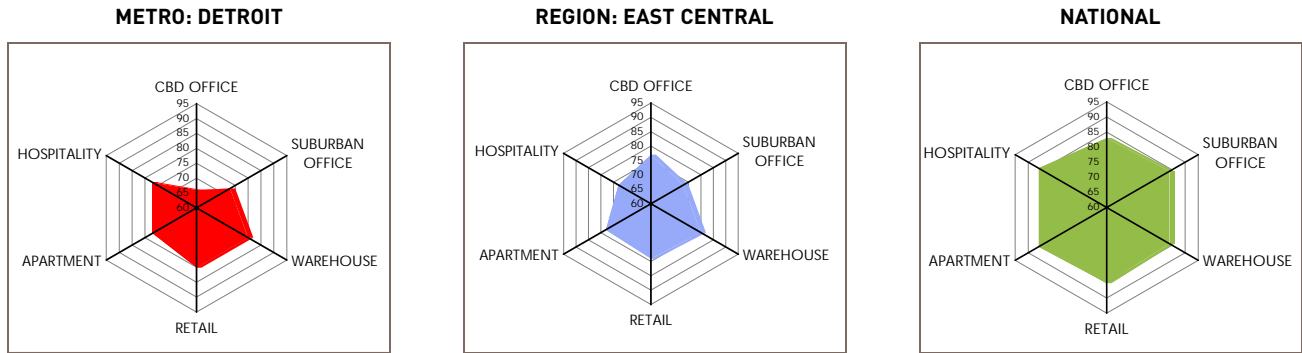
Rating	Score
Excellent	93+
Good	86-92
Average	75-85
Fair	65-74
Speculative	Below 65





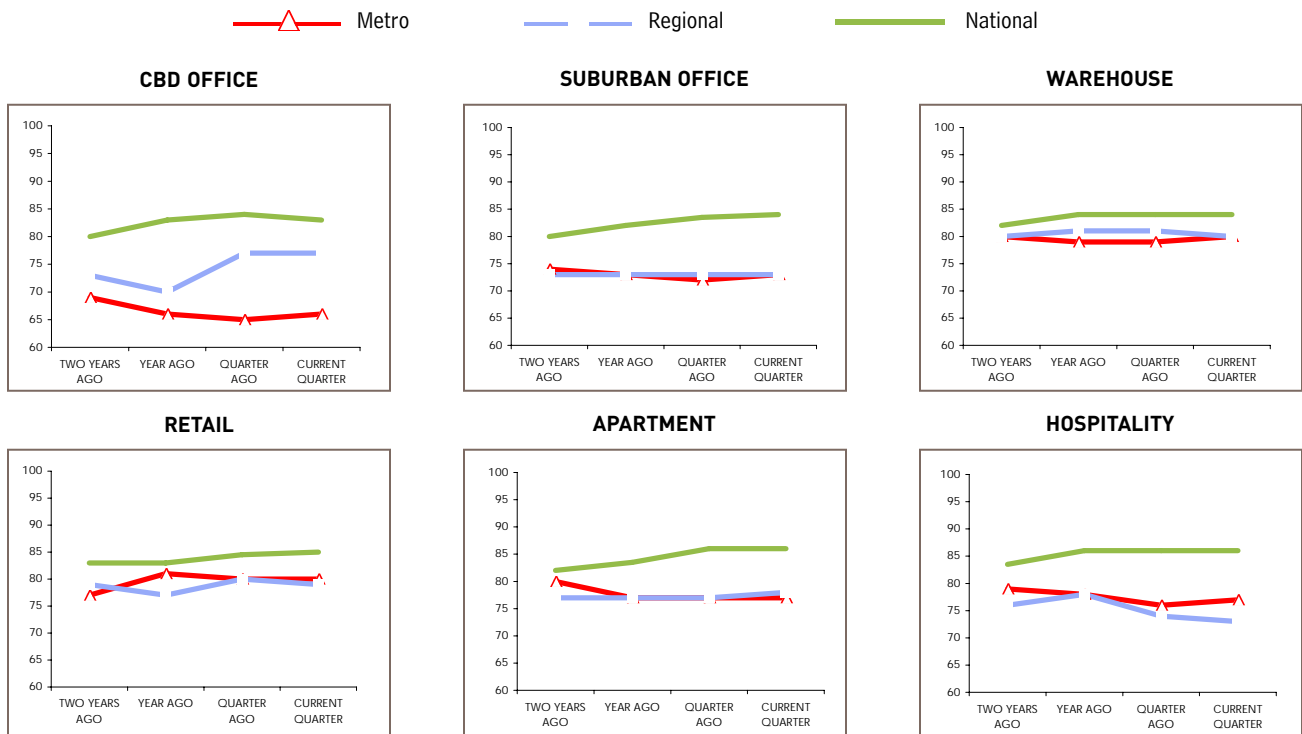
## IV. MARKET FORECAST

### B. Current Market•Scores



The "radar" graphs shown above indicate the current Market•Score rating for the indicated metro, as well as regional and national medians. Each graph contains six axes, representing the noted property sector, ranging from 60 to 95. Generally, the larger a shaded area is, the better the real estate performance is forecast to be. Simple visual comparison can be made among the indicated metro, regional, and national Market•Scores.

### C. Market•Score Trends



The six graphs shown above are Market•Scores corresponding to the noted property sector, market, and time period. Market•Score is a proprietary rating system developed in 1992 by Global Real Analytics to evaluate the relative economic strength of local property markets. Utilizing numerous real estate, economic, and demographic data factors, Market•Score identifies those markets likely to exhibit the strongest real estate performance within each respective property sector in the two succeeding years following each forecast period. See "Investment Potential" at the end of this publication for additional information on Market•Score, and property sector definitions.

## IV. MARKET FORECAST

### D. Market Outlook Summary

#### CBD OFFICE

Employment activity remains weak, resulting in minimal absorption of office space. Occupancy levels for downtown office continue to be among the weakest in the nation. Consequently, rental rate momentum will weaken further.

#### SUBURBAN OFFICE

The most recent research shows an increase in rents over last quarter but levels are still below what they were last year for the same quarter. Vacancy continues to be extremely high and absorption is marginal, at best. There is very little new development.

#### WAREHOUSE

There is very little new construction in the Detroit industrial market. Absorption is slow and vacancy remains very high. Rents are still slipping.

#### RETAIL

Rents continue to trend downward, while vacancy remains extremely high for Detroit retail. There is an excessive amount of retail inventory for the market. Detroit reports little growth in terms of jobs and population. Income and spending per household are moderately good.

#### APARTMENT

With no new development, this struggling apartment market has time to crawl out of its current slump. Rents have shown some improvement recently, although vacancy rates are still very high. There is little population or job growth right now to drive rent increases in the future.

# Metro Market Facts

## V. DEMOGRAPHICS

### A. Metro Population

	DETROIT	UNITED STATES
Population — 2005:	4,488,300	296,410,400
% Growth—2000–2005:	0.8%	5.3%
% Growth—1990–2000:	4.9%	13.4%



Source: U.S. Census Bureau.

### B. County Population Growth

COUNTY	2005 POPULATION	% GROWTH 1990-2000	% GROWTH 2000-2005
Lapeer	93,361	18.1	4.7
Livingston	181,517	37.1	12.0
Macomb	829,453	10.3	4.0
Oakland	1,214,361	10.4	1.4
Saint Clair	171,426	13.1	3.8
Wayne	1,998,217	(2.5)	(2.1)

Source: U.S. Census Bureau.

### C. State Population Growth

	2005 POPULATION	ACTUAL % GROWTH 1990-2005	STATE RANKING*	PROJECTED % GROWTH 2005-2025	STATE RANKING*
Michigan	10,120,900	8.9	39	5.9	36
United States	296,410,400	19.1	N/A	17.9	N/A

\*Ranking of all 50 states, plus the District of Columbia, with the #1 ranking representing the highest state population percentage growth.

Source: U.S. Census Bureau.

## V. DEMOGRAPHICS

### D. Area Cities With At Least 50,000 Residents

CITY	2005 POPULATION	% GROWTH 1990-2000	% GROWTH 2000-2005
Canton*	86,076	35.2	11.9
Clinton*	96,828	11.5	1.1
Dearborn	94,090	9.8	(3.8)
Dearborn Heights	56,176	(4.0)	(3.6)
Detroit	886,671	(7.8)	(6.5)
Farmington Hills	80,223	10.1	(2.3)
Livonia	97,977	(0.3)	(2.6)
Macomb*	68,794	125.9	34.0
Novi	53,115	43.9	11.9
Pontiac	67,331	(4.8)	(0.5)
Rochester Hills	69,995	11.4	1.5
Royal Oak	58,299	(6.5)	(2.9)
Shelby*	69,909	34.7	6.7
Southfield	76,818	3.5	(2.0)
St. Clair Shores	61,561	(7.6)	(2.5)
Sterling Heights	128,034	5.8	2.7
Taylor	64,962	(6.9)	(1.4)
Troy	81,168	11.2	0.1
Warren	135,311	(4.7)	(2.2)
Waterford*	71,670	8.2	(0.7)
West Bloomfield*	64,996	19.2	0.0
Westland	85,623	2.7	(1.3)

\*These communities are technically defined as townships.

Source: U.S. Census Bureau.

### E. Household & Population Composition

	DETROIT METRO	UNITED STATES METRO*
Median Household Size:	2.6	2.7
Median Age:	36.4	35.8
% of Population Under 5	7.0	7.5
% of Population 35 - 54	29.6	28.0
% of Population Over 64	11.9	12.8

\*Average of U.S. metropolitan areas, not entire U.S.

## V. DEMOGRAPHICS

### F. Metropolitan % Population Gain (1990-2005)

**POPULATION GROWTH**

(% Gain/Loss, April 1990-July 2005)

Las Vegas	126.2%	Greenville-Spartanburg	22.8%
Phoenix	72.7	Miami	22.7
Austin	71.6	Central New Jersey	20.0
Atlanta	60.2	<b>UNITED STATES</b>	<b>19.1</b>
Raleigh-Durham	58.0	Oklahoma City	19.1
Orlando	57.8	Kansas City	19.0
Riverside-San Bernardino	51.0	Memphis	18.1
Charlotte	48.5	San Diego	17.4
Dallas-Ft. Worth	47.2	Oakland-East Bay	17.0
West Palm Beach	46.9	Chicago	15.4
Fort Lauderdale	41.6	San Jose	14.4
Denver	40.8	St. Louis	12.4
Houston	40.2	Cincinnati	12.2
Portland	37.5	Los Angeles	12.1
Salt Lake City	35.8	Baltimore	11.5
Nashville	35.7	New York	10.4
Sacramento	35.5	Newark-No. New Jersey	9.8
Jacksonville	34.9	Boston	9.5
Albuquerque	33.1	Honolulu	8.3
Tampa-St. Petersburg	28.0	Nassau-Suffolk	7.6
Indianapolis	26.8	Philadelphia	7.1
Washington	26.5	<b>Detroit</b>	<b>6.6</b>
Seattle	25.2	Milwaukee	6.3
Columbus	24.4	Hartford	5.7
Orange County	24.0	San Francisco	5.1
Minneapolis-St. Paul	23.8	Cleveland	1.1

Source: U.S. Census Bureau.

## V. DEMOGRAPHICS

### G. International Immigration to Metropolitan Areas

#### TOTAL INTERNATIONAL IMMIGRATION: (2000-2005)

	(000s)		(000s)
New York/Nassau-Suffolk	720.9	Las Vegas	52.9
Los Angeles	506.0	Sacramento	50.7
Chicago	307.0	Orlando	50.7
Dallas-Ft. Worth	232.2	Austin	47.2
Houston	210.4	Tampa-St. Petersburg	47.0
Miami	208.9	Raleigh-Durham	44.6
Washington	200.0	West Palm Beach	41.3
Atlanta	144.6	Charlotte	33.8
Orange County	140.9	Salt Lake City	31.7
Phoenix	134.4	Baltimore	27.6
Boston	132.8	Columbus	24.4
San Jose	129.0	Honolulu	23.6
Oakland-East Bay	107.6	Kansas City	23.5
San Diego	91.7	St. Louis	22.3
San Francisco	91.1	Nashville	20.3
Seattle	86.0	Hartford	20.2
Denver	82.6	Milwaukee	20.0
Central New Jersey	82.1	Cleveland	19.5
Fort Lauderdale	82.0	Oklahoma City	16.9
Riverside-San Bernardino	79.3	Indianapolis	16.6
Philadelphia	75.8	Cincinnati	14.0
Newark-No. New Jersey	74.5	Jacksonville	11.5
<b>Detroit</b>	<b>72.3</b>	Greenville-Spartanburg	11.4
Minneapolis-St. Paul	58.1	Albuquerque	11.2
Portland	55.3	Memphis	10.8

Source: U.S. Census Bureau.

## V. DEMOGRAPHICS

### H. Domestic Migration to Metropolitan Areas

**TOTAL DOMESTIC MIGRATION: (2000-2005)**

	(000s)		(000s)
Riverside-San Bernardino	412.5	Memphis	(0.9)
Phoenix	301.2	Baltimore	(5.5)
Las Vegas	219.1	Cincinnati	(10.7)
Tampa-St. Petersburg	201.7	Minneapolis-St. Paul	(16.1)
Atlanta	185.6	Denver	(19.3)
Orlando	178.1	St. Louis	(21.1)
Sacramento	129.4	Honolulu	(29.5)
Dallas-Ft. Worth	100.2	Seattle	(31.5)
Charlotte	95.7	Washington	(40.2)
West Palm Beach	90.8	Salt Lake City	(41.1)
Jacksonville	82.3	Milwaukee	(48.9)
Austin	74.9	Philadelphia	(51.9)
Raleigh-Durham	74.8	Cleveland	(71.2)
Houston	62.9	Newark-No. New Jersey	(82.1)
Portland	47.9	San Diego	(97.5)
Nashville	46.8	Oakland-East Bay	(125.5)
Fort Lauderdale	36.6	Orange County	(141.4)
Indianapolis	36.1	<b>Detroit</b>	<b>(146.2)</b>
Albuquerque	27.7	Miami	(168.5)
Kansas City	17.1	San Francisco	(177.0)
Greenville-Spartanburg	16.0	San Jose	(203.8)
Oklahoma City	8.3	Boston	(223.0)
Columbus	5.6	Chicago	(342.7)
Central New Jersey	5.0	Los Angeles	(562.4)
Hartford	1.8	New York/Nassau-Suffolk	(1079.3)

Source: U.S. Census Bureau.

## VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

### A. Job Formation

#### Metropolitan Area

Employment Growth (Loss)—% 12-Month (Ending in September):	(1.5%)
Total Number of Net New Jobs, 12 Months (Ending in September):	(30,800)
% Unemployed, September 2006:	7.0%
% Unemployed, 12 Months Before:	6.7%

#### National

Employment Growth (Loss)—% 12-Month (Ending in September):	1.4%
% Unemployed, September 2006:	4.4%
% Unemployed, September 2005:	4.8%



Source: Bureau of Labor Statistics.

### B. Economic Base—Employment By Sectors

SECTOR	% GROWTH FROM PRIOR YEAR		% OF TOTAL EMPLOYMENT	
	METRO	NATIONAL	METRO	NATIONAL
Services	(0.1)	1.8	28.3	29.0
Business Services	1.7	2.4	18.8	12.9
Financial Activities	(0.7)	2.4	5.8	6.1
Government	(3.0)	0.9	11.2	16.1
Retail Trade	(1.0)	(0.5)	10.7	11.1
Wholesale Trade	(0.3)	1.8	4.5	4.3
Transportation/Public Utilities	(0.2)	1.7	3.2	3.7
Manufacturing	(8.0)	0.2	13.1	10.5
Construction & Mining	(3.1)	2.5	4.3	5.7

Note: The Department of Labor recently revised the industry classification system (from SIC to NAICS). One of the most significant changes was the establishment of "business services" as a separate category (instead of a sub-set of the "services" sector). In addition, the "FIRE" sector is now known as "financial activities".

Source: Bureau of Labor Statistics.



## VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

### C. Metropolitan % Total Employment Gain (10-Year Change)

**JOB GROWTH**

(% Gain/Loss, September 1996-September 2006)

Las Vegas	67.0	Honolulu	14.8
Riverside-San Bernardino	55.5	Oakland-East Bay	14.8
Phoenix	43.5	Portland	13.4
West Palm Beach	42.7	Baltimore	13.3
Orlando	41.9	Miami	13.0
Fort Lauderdale	32.0	Columbus	12.9
Austin	31.7	Minneapolis-St. Paul	12.7
Sacramento	31.2	<b>UNITED STATES</b>	<b>12.7</b>
Tampa-St. Petersburg	29.2	Nassau-Suffolk	12.6
San Diego	28.8	Cincinnati	11.6
Washington	27.5	Philadelphia	11.5
Orange County	26.9	Memphis	10.0
Raleigh-Durham	24.1	Newark-No. New Jersey	8.6
Jacksonville	23.8	New York	8.5
Salt Lake City	23.7	Greenville-Spartanburg	7.4
Houston	22.8	Kansas City	6.8
Charlotte	22.6	Los Angeles	6.7
Atlanta	21.4	St. Louis	6.1
Dallas-Ft. Worth	21.2	Boston	5.8
Central New Jersey	20.2	Chicago	4.0
Nashville	19.7	Hartford	3.4
Albuquerque	19.1	Milwaukee	3.0
Seattle	17.6	San Francisco	0.8
Denver	17.0	Cleveland	(0.6)
Indianapolis	15.5	San Jose	(2.1)
Oklahoma City	15.1	<b>Detroit</b>	<b>(3.7)</b>

Source: U.S. Government, Bureau of Labor Statistics.

## VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

### D. Average Annual Wages—Select Occupations

POSITION	METRO AVERAGE	% OF NATIONAL AVG.	NATIONAL AVERAGE
Accountant	\$60,780	104.8%	\$58,020
Secretary	\$30,440	109.6%	\$27,780
Computer Systems Analysts	\$75,440	107.1%	\$70,430
Computer Programmer	\$63,710	94.5%	\$67,400
Electrical Engineer	\$75,430	99.2%	\$76,060
Machinist	\$42,360	119.8%	\$35,350

Source: Bureau of Labor Statistics, Occupational Employment Statistics, May 2005.

### E. Production Wages & Union Membership

	AVERAGE ANNUAL WAGE*	NATIONAL RANK (OUT OF 51)	% WORKERS IN UNION	NATIONAL RANK (OUT OF 51)
Michigan	\$35,840	3	21.6%	3
U.S. Average	\$29,280	--	12.5%	--

\*Average annual wage is for production workers only. The #1 ranking represents the highest average wage and the largest percentage of unionized workers.

Source(s): U.S. Dept. of Labor/wage figures (2004); U.S. Census Bureau/union membership (2004).

## VI. EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

### F. State Workers' Compensation Costs

Workers' Compensation Costs  
The average cost per \$100 of payroll  
(2005)

	RATE*	INDEX**	2005 RATING***	2004 RATING
Michigan	\$4.13	1.00	25	32

\*This is the rate for a prototypical manufacturer, based on the manual rate, taxes and assessments, payroll distribution, premium discounts, experience rating, and any other weighted adjustments that were made in order to produce a non-biased countrywide comparison.

\*\*The base rate (or national average) for this Index is \$4.12.

\*\*\*The rating is based on an analysis of 45 states with #1 representing the lowest average rate.

Source: Actuarial & Technical Solutions, Inc. (516) 471-8655.

### G. State Minimum Wage/Overtime Status

Current State Minimum Wage\*      \$5.15

State Overtime Standard\*\*      40-hour week

\*The federal minimum wage increased to \$5.15 in September 1997. The federal rate sets the floor under which states cannot go. Some states, however, have lower rates for a minority of workers who are not covered by the Fair Labor Standards Act. Some states also have temporary lower rates and "subminimum wages" for certain groups of workers, e.g., minors and/or beginning employees.

\*\*Federal law stipulates the payment of overtime to all private employees except supervisors, salaried professionals and unionized workers after 40 hours of labor in a given week.

Source: U.S. Department of Labor.

## VII. EDUCATION

### A. Educational Levels

	% OF ADULTS WHO GRADUATED FROM HIGH SCHOOL	% OF ADULTS WHO GRADUATED FROM 4-YEAR COLLEGE/UNIVERSITY
Detroit	86.6	26.4
U.S. Average	84.2	27.2



Source: U.S. Census Bureau, 2005 American Community Survey.

### B. Educational Expenditures and Salaries

	PER-PUPIL EXPENDITURES	RANK (OUT OF 51)	TEACHER SALARIES	RANK (OUT OF 51)	STUDENT: TEACHER RATIO	RANK (OUT OF 51)
Michigan	\$8,909	20	\$56,973	4	17.8	7
U.S. Average	\$8,618	--	\$47,808	--	15.6	--

These figures represent statewide (and national) averages and are based on actual enrollment. The rankings include all 50 states, plus the District of Columbia. For expenditures and salaries, #1 represents the highest dollar amount; #1 also represents the highest student-teacher ratio.

Source: National Education Association, Rankings of the States, Fall 2005 Update.

## VII. EDUCATION

### C. Graduate Education

Academic Rankings of Local Graduate Programs

UNIVERSITY	BIOLOGICAL SCIENCES	ENGINEERING	GENERAL SCIENCES/OTHER
N/A	N/A	N/A	N/A

Source: National Academy of Sciences, Research-Doctorate Programs in the United States, 1995 (this report is updated every ten years). The NAS reviewed more than 3,600 doctoral programs in 41 fields at 274 universities for the 1993 academic year. Criteria included the academic quality of each school's faculty, the effectiveness of the school's teaching, and the level of its research. For programs that were ranked at 100 or more schools, we have listed the top 20 universities; for programs that were ranked at fewer than 100 schools, we have listed the top 10. The top universities are shown with their respective national ratings for each discipline. We have included 21 of 41 fields. Please note that the NAS did not include graduate business programs in its study.

### D. University R&D Expenditures

	FEDERAL R&D EXPENDITURES (\$\$ IN MIL.)	% OF LEADING SCHOOL*	TOTAL R&D EXPENDITURES (\$\$ IN MIL.)	% OF LEADING SCHOOL*
Oakland Univ.	\$2.5	1.2	\$4.2	1.6
Wayne State Univ.	\$23.2	10.8	\$51.5	19.2

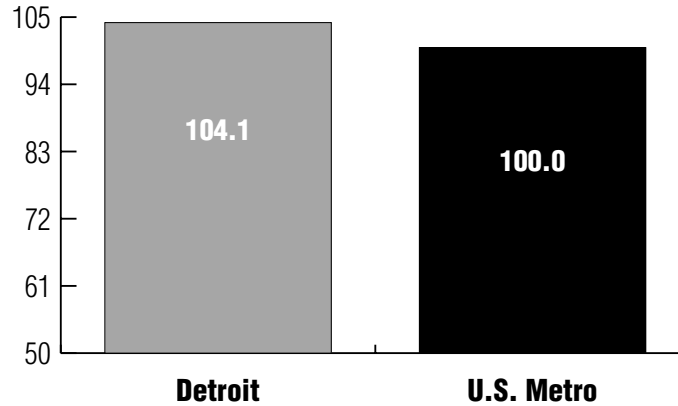
\*The percentage column reflects the amount spent by the local institution(s) relative to the amount expended at the top spending institution in each of the two categories.

Source: National Academy of Sciences, Research-Doctorate Programs in the United States, 1995 (this report is updated every ten years). These amounts reflect the average annual expenditures from 1986 to 1992 (based on 1988 dollars).

## VIII. HOUSING & LIVING COSTS

### A. Overall Cost of Living (Index)

Metropolitan Cost of Living Index\*  
(1st Qtr. 2006)\*\*

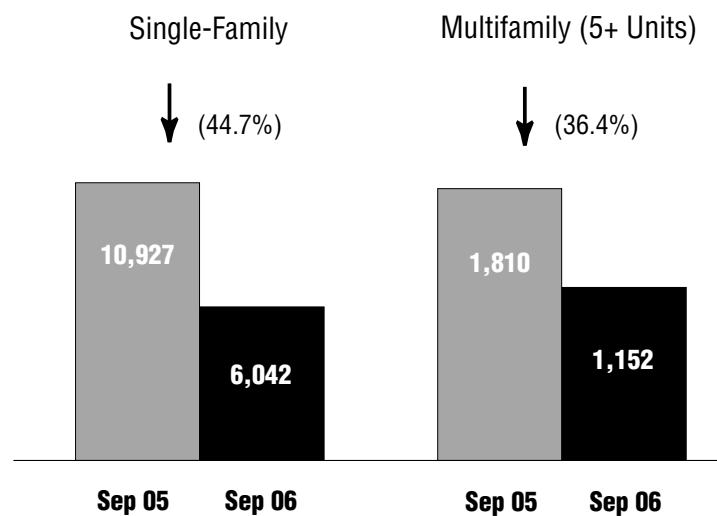


\*The ACCRA Cost of Living Index measures relative prices for consumer goods and services in participating areas. Housing is an important component of the Index. The average for all participating areas is 100. Each area's number is read as a percentage of that average.

\*\*This is the most recent data available.

Source: ACCRA Cost of Living Index, Louisville, KY, [502] 897-2890.

### B. Metropolitan Housing Permits



Local Data: Figures represent total permits granted year-to-date in the Detroit-Warren-Livonia MSA.

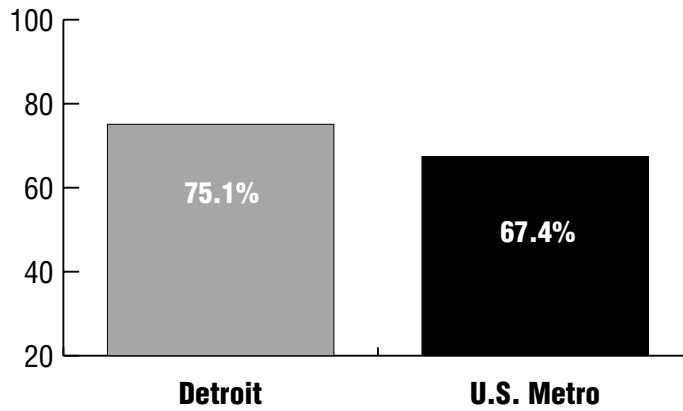
U.S. Data: The percent changes in single-family and multifamily permits nationwide were (14.1%) and (0.3%), respectively.

Source: U.S. Census Bureau.

## VIII. HOUSING & LIVING COSTS

### C. Homeownership

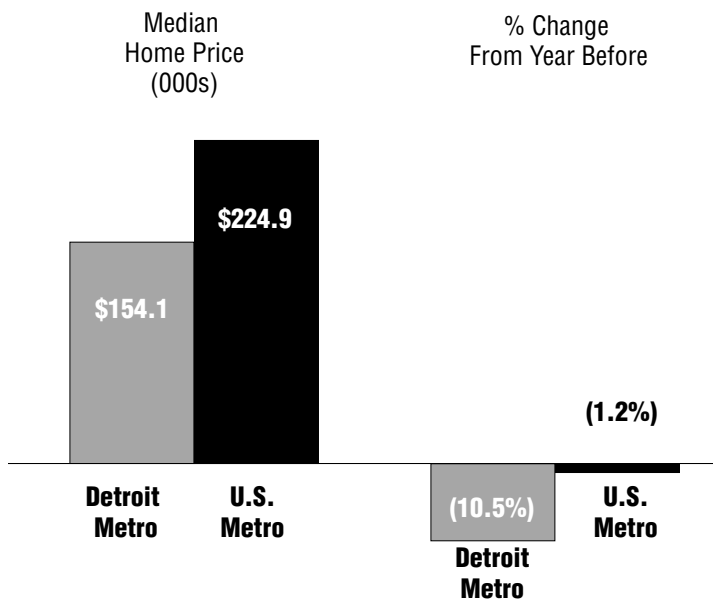
% of Households Owning Residences (2005)



Source: U.S. Census Bureau. Homeownership rates represent metropolitan averages as of year-end 2005.

### D. Single Family Home Costs

Third Quarter 2006



Source: National Association of Realtors®.

## VIII. HOUSING & LIVING COSTS

### E. Local Utility Costs

	COMMERCIAL ELECTRIC (10,000 KWH PER MO.)	INDUSTRIAL ELECTRIC (650,000 KWH PER MO.)	RESIDENTIAL TOTAL (1,000 KWH PER MO.)
Detroit	\$950	\$33,835	\$94
U.S. Average	\$844	\$36,401	\$87

These numbers reflect the bundled rates (i.e., the combined cost of generation, transmission, delivery, and any transfer fees) that were in effect in January 2004. The kwh per mo. figures are based on consumption rather than demand.

Source: Edison Electric Institute, Typical Bills and Average Rates Report, Winter 2004.

### F. Health Insurance Coverage & Costs

	% OF POP. COVERED BY HEALTH INSURANCE	RANK (OUT OF 51)	ANNUAL PER CAPITA HEALTH CARE EXPENDITURES	RANK (OUT OF 51)
Michigan	88.4	12	\$3,815	32
U.S.	84.3	--	\$4,037	--

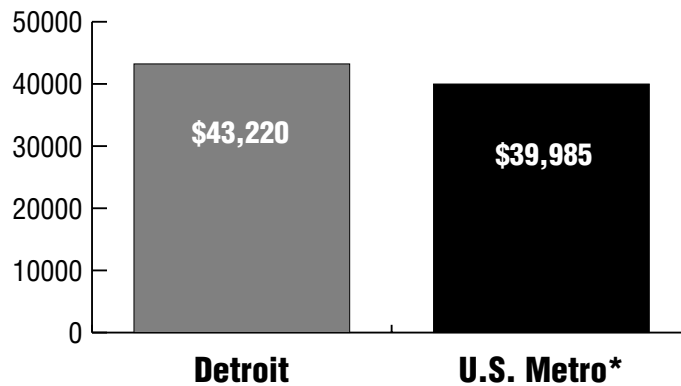
The #1 ranking represents the highest percentage of population covered by health insurance and the highest per capita personal health care expenditures.

Source: Health Insurance: Bureau of Labor Statistics and U.S. Census Bureau (2004). Health Care Expenditures: Centers for Medicare and Medicaid Services (2000).



## IX. OTHER ECONOMIC INDICATORS

### A. Metropolitan Median Household Income



\*The U.S. Metro figure represents the median income of 323 metropolitan areas; \$38,035 is the median income nationwide.

**Market Rank: 23\***

\*Ranking of 57 metropolitan areas, with the #1 ranking representing the highest median household income.

Source: Sales & Marketing Management: 2003 Survey of Buying Power.

### B. High-Tech Industry Employment

	NUMBER OF ESTABLISHMENTS (2001)		NUMBER OF EMPLOYEES (2002)		HIGH-TECH EMPLOYMENT GROWTH (2001-2002)	
		RANK (OUT OF 51)		RANK (OUT OF 51)		RANK (OUT OF 51)
Michigan	10,191	12	190,982	10	(5.4%)	15

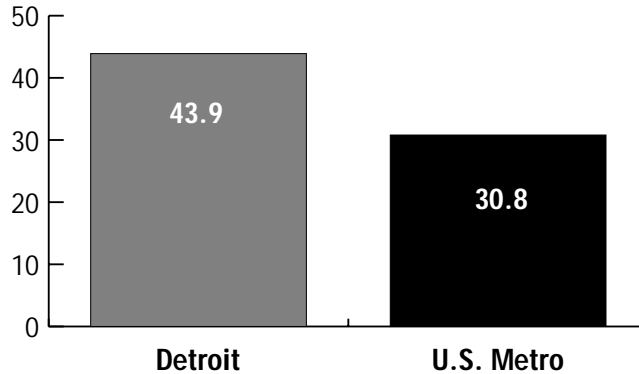
The #1 ranking represents the highest amount in each category.

Source: Cyberstates 2003, American Electronics Association.

## IX. OTHER ECONOMIC INDICATORS

### C. Metropolitan Area Patents

Patents Per 100,000 Residents (1999)



Market Rank: 16\*

\*Ranking of 52 metropolitan areas, with the #1 ranking representing the largest number of per capita patents.

Source: Dept. of Commerce, Patent & Trademark Office, April 2000.

### D. Major Airport Activity

Detroit – Wayne County Metropolitan

	TOTAL (2005)	% CHANGE FROM 2004	NATIONAL RANK*	WORLD RANK*
<b>Passengers</b> (in millions)	36.4	3.4%	11	20
<b>Cargo</b> (in thousands -metric tons)	224.9	0.1%	28	78

\*Ranking of 142 national and 843 international airports, with the #1 ranking representing the largest number of passengers and the largest amount of cargo.

Source: Airports Council International, Geneva, Switzerland.

## IX. OTHER ECONOMIC INDICATORS

### E. International Trade

International Trade Volume

	IMPORT	EXPORT	TOTAL
<b>Detroit</b> (Part of the Detroit, MI Customs District)			
January-September 2006 (\$\$\$ in billions)	\$94.7	\$84.3	\$179.0
% Change (from year ago)	5.4%	7.7%	6.4%
<b>Total U.S.</b>			
January-September 2006 (\$\$\$ in billions)	\$1,385.0	\$764.2	\$2,149.2
% Change (from year ago)	13.4%	14.7%	13.8%

Source: Dept. of Commerce, Foreign Trade Division.

### F. Gross State Product

	1995	2005	% CHANGE 1995-2005
Michigan Ranking* (out of 51)	9	9	--
<b>Michigan Total</b> (\$\$\$ in billions)	\$268.3	\$342.7	27.7%
<b>U.S. Total</b> (\$\$\$ in billions)	\$7,784.2	\$11,035.6	41.8%

\*Ranking of all 50 states (plus the District of Columbia), with the #1 ranking representing the highest dollar amount.

Note: The real estimates of Gross State Product (GSP) are measured in chained (2000) dollars. Real GSP is an inflation-adjusted measure of each state's gross product that is based on national prices for the goods and services produced within the state.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

## IX. OTHER ECONOMIC INDICATORS

### G. Gross Metropolitan Product

GMP  
(\$\$ in billions)

	2004	RANK (OUT OF 100)	% CHANGE (FROM 2003)
Detroit	\$176.0	12	2.9%

\*Ranking of 100 metropolitan areas, with the #1 ranking representing the highest dollar amount.

Source: U.S. Conference of Mayors.

## X. TAXES AND EXPENDITURES

### A. State Tax Rates/Employer Expenses

TAX	RATE
<b>Business Taxes:</b>	
Corporate Income/Franchise	1.9%*
Unemployment Insurance	2.7%
<b>Individual Taxes:</b>	
Sales/Use	6.0%
Food Exemption	Yes
Cigarette Tax (per package)	\$2.00
Personal Income Rates	3.9%
State Taxes Paid in 2004—Percentage of Personal Income:	
Local	7.7%
United States	6.5%

The above data reflects our best efforts. All recent changes at the local/state level may not have been captured.

\*This tax is scheduled to be repealed in tax year 2010.

Source(s): Tax Foundation; Federation of Tax Administrators; and INDEX research.

### B. Local Residential Property Taxes

2002 Residential Property Tax Rate  
(Per \$100 Valuation)

LOCATION	EFFECTIVE RATE	RANK* (OUT OF 58)
Detroit CMP	\$1.53	39

\* The residential property tax ranking is based on a comparison of 58 metropolitan areas analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 58 denotes the highest tax rate in the study.)

Important: Please be aware that because of the wide disparities in tax rates, assessment ratios, and assessment periods from jurisdiction to jurisdiction (even within some metropolitan areas), the rates reported represent approximations only. In large cities where a range of residential tax rates is applied, we have used Runzheimer’s composite tax rate (CMP).

Source: Runzheimer International, Rochester, WI. Runzheimer International, a management consulting firm specializing in transportation, travel and living costs, provided the effective residential property tax rate. For more information on employee relocation, moving costs, and travel expenses, contact Runzheimer at 1-800-558-1702.

## X. TAXES AND EXPENDITURES

### C. Local Commercial Property Taxes

2002 COMMERCIAL PROPERTY TAX RATE  
(PER \$100 VALUATION)

CITY	BASIC RATE	EFFECTIVE RATE	RANK** (OUT OF 85)
Detroit*	\$8.26	\$4.13	80
Troy*	\$4.73	\$2.37	53

\*Taxes on intangible property were completely phased out in January 1998.

\*\*The commercial property tax ranking is based on a comparison of 85 communities analyzed by the National Real Estate Index. Markets are rated in ascending order. (Number 85 denotes the highest tax rate in the study.)

Except where noted, inventory and intangible property are completely (or largely) exempt from taxation, and tangible personal property is taxed at rates and assessment ratios comparable to those for real property.

**Important:** Please be aware that because of the wide disparities in tax rates, assessment ratios, and assessment periods from jurisdiction to jurisdiction (even within some metropolitan areas), the rates reported represent approximations only. Actual tax assessments could vary substantially, depending on property class, age and location.

Source: Basic tax rates (and assessment ratios) were provided by Vertex Inc., Berwyn, PA, (800) 355-3500. The "effective" rates factor in the proportion of property value assessed for taxation purposes, and were calculated by the National Real Estate Index staff. Where a range of basic rates applied, the median was utilized.

### D. Tourism & Entertainment Taxes

	HOTEL TAX	RESTAURANT TAX	CAR RENTAL TAX*
Detroit	15.00%**	6.00%	17.50%**
Average of 50 Surveyed Cities	12.36%	7.29%	8.40%

The above data reflects our best efforts. All recent changes at the local/state level may not have been captured.

\*This is the basic rate. It does include local surcharges.

\*\*These taxes were recently increased to help fund two new sports facilities.

Source: Travel Industry Association of America, Washington, DC.

## X. TAXES AND EXPENDITURES

### E. State Tax Revenue

State Tax Revenue  
July 2005-June 2006  
(\$\$ in millions)

	PERSONAL INCOME	CORPORATE INCOME	SALES	TOTAL*	% CHANGE FROM YEAR AGO
Michigan	\$6,171	\$1,945	\$8,078	\$19,562	3.5%
U.S.	\$246,494	\$44,767	\$213,202	\$607,457	8.5%

The fiscal year begins on July 1 for all 50 states except Alabama (Oct 1), Michigan (Oct 1), New York (April 1), and Texas (Sept 1).

\*Figures reflect total tax revenue reported for the state's general fund.

Source: Nelson A. Rockefeller Institute of Government, State Revenue Report.

### F. Federal Spending Per Capita

	TOTAL FEDERAL SPENDING	NATIONAL RANK*	% CHANGE FROM YEAR AGO
Michigan	\$5,981	47	4.2%
Macomb County	\$6,413	--	3.1%
Oakland County	\$4,373	--	7.1%
Wayne County	\$6,856	--	4.8%
U.S. Average	\$7,223	--	4.5%

\*Ranking based on all 50 states, plus the District of Columbia, with the #1 ranking representing the highest dollar amount.

Source: U.S. Census Bureau, Consolidated Federal Funds Report for Fiscal Year 2004.

## XI. QUALITY OF LIFE

### A. State Livability Index

	2005 INDEX RATING*	2005 RANK**	2004 RANK**
Michigan	24.47	28	34

\*The livability index rating reflects an average of ratings for 44 categories including crime rate, unemployment rate, hazardous waste sites, quality of infrastructure (e.g., roads, bridges, etc.), high school graduation rate, spending on the arts, and tax burden. The scale is 1 to 50, with 50 being the best possible.

\*\*The ranking is based on all 50 states, with the #1 ranking representing the highest livability rating.

Source: The Morgan Quitno Press, (800) 457-0724.

### B. Crime Rate

Crime Per 100,000 Inhabitants—2005

	VIOLENT	% CHANGE FROM 2004	PROPERTY	% CHANGE FROM 2004
Detroit-Livonia-Dearborn	1,250.7	26.1	4,514.2	(1.2)
U.S. Metro Average	469.2	0.8	3,429.8	(2.5)

Source: Federal Bureau of Investigation, Crime in the United States.



## XI. QUALITY OF LIFE

### C. Climate

Average Temperature (Fahrenheit)

	High	Low
Winter	31	16
Spring	58	37
Summer	82	59
Autumn	63	41

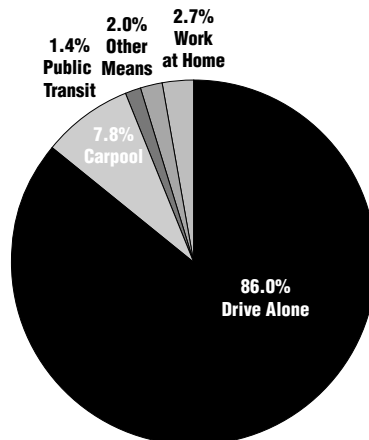
Average Annual Precipitation: 31 inches

Elevation: 664 ft

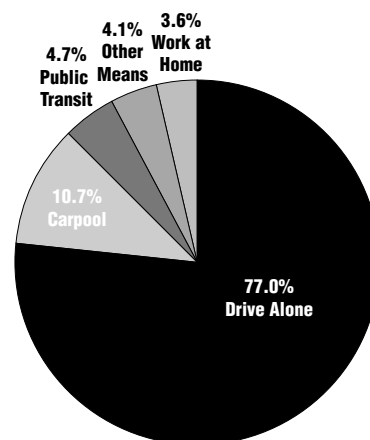
% of Sunny Days Per Year: 53%

### D. Mode of Travel to Work

Local Metro\*



U.S. Average



\*Data is for the Detroit-Ann Arbor-Flint CMSA.

Source: U.S. Census Bureau, American FactFinder: Journey to Work, 2005.

## XI. QUALITY OF LIFE

### E. Congestion Index

	CONGESTION CONGESTION COST TOTAL (\$\$ IN MILLIONS)	WASTED FUEL COST PER PEAK TRAVELER	DELAY PER PEAK TRAVELER (GALLONS)	PER PEAK TRAVELER (HOURS)
Detroit	\$2,019.0	\$955	34	57
Current Ranking*	9	8	8	8
Previous Year's Ranking	10	11	9	9

\*The ranking compares this city to the 84 others in the study, with the #1 rankings representing the highest cost, largest amount of fuel wasted, and longest delay. All data is annual and is for the year 2003. The "congestion cost" includes the value of the extra travel time as well as the wasted fuel costs. "Peak travelers" include those beginning their travel using a motorized mode during the peak periods (6 to 9 a.m. and 4 to 7 p.m.). Significant ranking changes can occur due to the tight "bunching" of values among some metropolitan areas.

Source: Texas Transportation Institute, Texas A&M University, 2005 Urban Mobility Report, (979) 845-1713, <http://mobility.tamu.edu>.

### F. Major Professional Athletic Franchises

**NATIONAL FOOTBALL LEAGUE**

Detroit Lions

**MAJOR LEAGUE BASEBALL**

Detroit Tigers

**NATIONAL BASKETBALL ASSOCIATION**

Detroit Pistons

**NATIONAL HOCKEY LEAGUE**

Detroit Red Wings

## METHODOLOGY

The National Real Estate Index (INDEX) maintains proprietary databases and reports benchmark averages for large income-producing properties leased, bought and sold nationwide.

### Property Prices, Rents, and Cap Rate Data

The price, rent, and cap rate data that appear in *Metro Market Facts* are from the INDEX's *Value Monitor* and *Rent Monitor* publications.

The INDEX *Value Monitor* compiles and reports average sale prices and capitalization rates for Class A properties in 61 local and nine regional markets throughout the United States. Prices and capitalization ("cap") rates for the Class A CBD (i.e., "downtown") office, suburban office, warehouse/distribution, anchored unenclosed shopping center, and apartment sectors are reported. In addition, Class B apartment values and cap rates are compiled in all markets as well. The INDEX *Rent Monitor* compiles and reports average rents in the same market areas and property sectors as its *Value Monitor* counterpart.

**Value Monitor Property Prices:** Generally, the average property prices that appear for each of the 61 regularly-reported local markets in the *Value Monitor* (and *Market History Report*) are derived from current or historical property sales transactions in the underlying local markets. Nationwide, the National Real Estate Index typically compiles more than 1,500 transactions of large improved properties each period, many of which are utilized to formulate local market benchmark prices. In any given period, a number of local market property prices are derived solely from property sales. Typically, in such cases, benchmark prices will reflect activity over more than one period (i.e., a "rolling quarter" average).

In those markets and property sectors where there is inadequate current investment activity to justify reporting a pure transaction-based price, the benchmark value is formulated based on historical sales data and current market factors, including the operating performance of "like-kind" properties within the respective market and property sector. We realize, of course, that this necessitates an element of "informed judgment" but disparities in local market size and liquidity over time sometimes dictate a modified, "hybrid" approach.

**Value Monitor Cap Rates:** Like the prices, the market benchmark capitalization rates are based on current or historical property sales. The cap rate data reported in the *Value Monitor* is intended to reflect recent operating income, rather than forward-looking (i.e., "pro forma") performance. Where the data are available, the cap rates incorporate property-level operating income on consummated sales within the respective marketplaces. However, in many instances, these data either are not available, or the "robustness" of the reported income data is questionable. In those cases, cap rates are derived from the average benchmark property price (which is based on current period or historical transactions) and a representative market-wide operating income proxy for that property type. Because of these data-based qualifications, the cap rates are the most volatile of the data reported by the INDEX and, therefore, are perhaps most useful in determining market directions and trends.

**Rent Monitor Gross Rents:** Except for retail, stated rents reflect all occupancy costs. Because reported rents exclude rent concessions, if any, reported rents are therefore **effective gross rents**. Reported *retail* rents include in-lying small shop space only and are *triple net*. *Warehouse rents* reflect lease rates for *warehouse space only*.

In essence, the INDEX *Rent Monitor* attempts to formulate a "same store" rent and free rent benchmark for each local market and property type reported. In order to monitor rental rate trends, the INDEX surveys "prototype" or "tracked" properties that conform to certain standards that are discussed in greater depth in each *Rent Monitor* publication. In general, however, these properties are high quality, have current construction materials and techniques, and are aesthetically modern and attractive. The buildings are representative of local market conditions, and have stabilized operations. Most Class A survey properties are 15 years old or less.

**Note:** As for most statistical data services, previously-reported data is revised as needed to reflect the receipt of new data. We believe this approach helps assure the most reliable data over the long-term. In particular, *all* data reported in the current period should be considered preliminary.

Because the rent figures represent quoted rates (after concessions) on space currently available (rather than the total rental income for all buildings surveyed), prices, rents, and cap rates may not always appear "internally" consistent. Reported price and rent trends are sometime modified by independent market surveys conducted by the INDEX research staff. As noted above, where there are too few transactions to constitute a statistically-significant sample or the underlying data for the transactions are incomplete, the performance of prototype properties is used to supplement the transaction data in deriving average values and cap rates.

**For Additional Price, Rent and Cap Rate Information:** The INDEX *Value Monitor* and *Rent Monitor* publications report price, rent and cap rate benchmarks each quarter for 61 leading U.S. markets, as well as property values in many other local markets and property sectors (in the *Value Monitor*). For more information on these publications, please see our website ([www.nrei.info](http://www.nrei.info)) or phone (800) 992-7257.

### Other Data

To provide a more comprehensive picture of the current market conditions in each local market, *Metro Market Outlook* reports a wide range of real estate, demographic and economic data. These data are selected from a variety of secondary sources. Please see the citation that accompanies each chart for the source of the data employed.



## MARKET•SCORE METHODOLOGY/ RATING EXPLANATION

The National Real Estate Index uses a proprietary model, created by Global Real Analytics, LLC for analyzing the real estate investment potential in 66 metropolitan markets nationwide. Market•Score evaluates the potential performance over a two-year horizon for 24 property sector classes of which Class A Central Business District (CBD) office, suburban office, warehouse, retail (unenclosed grocery-anchored shopping centers only), Class A apartment, and Class B apartment are presented in Metro Market Outlook. The rankings are based on key econometric and real estate-related data, portions of which are derived from our extensive proprietary property database.

**Investment Potential Ratings:** The investment potential is expressed both on a five-point continuum (i.e., "Rating") and on a numerical scale of 60-100 (i.e., "Score") that reflect our view of the comparative total return potential of properties in the respective sector/market for the succeeding two years. The investment score is based, first and foremost, on the rental prospects, as well as on a number of documentable (but not necessarily quantifiable) variables that impact the prospects for future price appreciation of real estate in local markets. Potential rental changes are formulated using a proprietary model of documentable and quantifiable economic, demographic, and real estate trends. Naturally, the variables employed vary from property sector to sector, but among the variables included are vacancy, construction, rental rate trends, job growth and related absorption, the distribution of employment within local markets, population and household growth, and household income.

Among the "clusters" of factors that supplement the rental prospects in the total return calculus are: (1) obstacles to construction; (2) corporate location preferences; (3) labor costs and quality; (4) the relationship between government and business, as well as corporate taxes; (5) the quality of life; (6) infrastructure and market access; and, finally, (7) current property values.

These factors are assessed weights in the overall model based on their relative importance and the extent to which they characterize the respective market in question. The continuum for investment prospects are shown below. The "rating" and "score" columns correspond as follows:

Investment Potential	
Rating	Score
Excellent	93+
Good	86-92
Average	75-85
Fair	65-74
Speculative	Below 65

**General Observations and Model Limitations:** As is appropriate for any comprehensive market analysis and rating, a clarification as to what the data purports to measure, as well as the potential pitfalls, is in order. First and foremost, the investment performance ratings reported in Market•Score are comparative. That is, we are attempting only to identify those markets that offer superior total return potential relative to other real estate markets. What absolute level of return will be achieved, or how the performance of any local real estate market will compare to that of financial assets such as stocks and bonds, is not analyzed here.

Second, like other analysts, we cannot forecast major exogenous events that may impact performance. The model's emphasis on analyzing comparative rather than absolute returns, however, should mitigate somewhat the prospective impact of major external macroeconomic or political events, should they occur.

Third, we have purposely chosen to emphasize documentable data, thereby largely eschewing forecasts (especially long-term ones) from third parties. We acknowledge that our emphasis on documentable trends may cause some readers to perceive a conservative bias in our strategic model. Consequently, all markets are ranked and "scored" each quarter.

## ADDITIONAL DATA RESOURCES/WEB LINKS

Links to the following resources are presented as an informational service to NREI subscribers. The NREI does not endorse, support, or opine as to the accuracy or usefulness of any of the data or information found at these independent links.

### **CB Richard Ellis Local Market Reports**

<http://www.cbre.com/Research/Market+Reports/Local+Reports+Worldwide/globalresearch.htm>

### **CB Richard Ellis U.S. National Vacancy Reports**

<http://www.cbre.com/Research/Market+Reports/US+Vacancy+Reports/default.htm>

### **Detroit Regional Chamber of Commerce**

<http://www.detroitchamber.com/>

### **Detroit Metro Convention and Visitors Bureau**

<http://www.visitdetroit.com/>

### **Detroit - City Data**

<http://www.city-data.com/city/Detroit-Michigan.html>



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