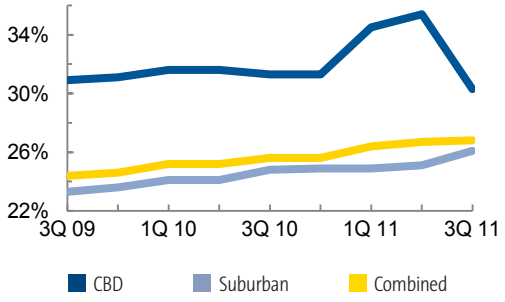
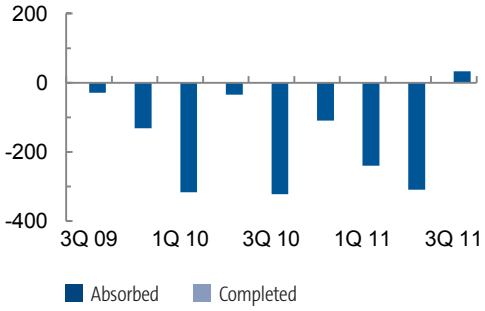
Office Trends Report—Third Quarter 2011
Detroit, MI

GRUBB & ELLIS
From Insight to Results

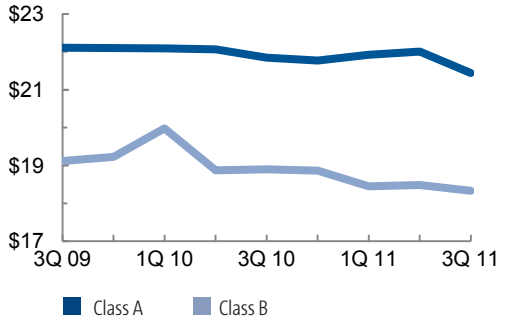
Vacancy Rate



Completions vs. Absorption
(in Thousands of SF)



Asking Rental Rates
($/SF/Yr. Full Service)



Detroit CBD Vacancy Rate Falls

Metro Detroit's overall office vacancy rate edged up just 10 basis points to 26.8 percent during the third quarter of 2011. While the office market indicated a degree of stability in terms of overall vacancy, the tug of war for tenants between the Suburbs and Detroit's CBD continued to heat up. The Suburban office market vacancy rate increased 100 basis points from the previous to 26.1 percent. The Southfield submarket was the hardest hit as Blue Cross Blue Shield completed its move out of roughly 400,000 square feet in its relocation to Detroit's CBD. Southfield's overall vacancy rate jumped 390 basis points to 30.8 percent. With the vacancy rate reaching 30 percent, that puts the two largest suburban submarkets, Troy and Southfield, on par with the City of Detroit's vacancy rate of 30.3 percent.

The tug of war for tenants between the suburbs and the City of Detroit reached a pivotal point during the third quarter of 2011. Blue Cross Blue Shield is the latest major company to migrate downtown following other large companies such as Quicken Loans and Compuware. In 2001, Compuware moved from Farmington Hills to its 1 million-square-foot Detroit CBD headquarters. In 2010, Quicken Loans vacated roughly 369,000 square feet of space in Farmington Hills, Troy, Auburn Hills and Livonia. Quicken Loans' owner, Dan Gilbert, recently purchased four office towers downtown to house his company and has begun a drive to lure other companies downtown as well. Detroit's CBD vacancy rate fell 510 basis points to 30.3 percent. The Detroit North Central submarket had one significant vacancy at the Albert Kahn Building on Second Avenue as roughly 90,000 square feet became available.

The Troy vacancy rate fell 90 basis points to 30.2 percent during the third quarter as several large leases were completed in the submarket. Dickinson Wright, PC's 67,000-square-foot lease at 2600 W Big Beaver accounted for the largest deal. Meanwhile, Dialogue Marketing took 22,000 square feet at the Troy Officentre on Big Beaver. Also, the Art Institute of Michigan leased 18,000 square feet in the Maple Corporate Center on Maple Road and Meredith Corporation leased 18,000 square feet in Wilshire Plaza West. This spike in leasing activity proved most beneficial to the Troy Class A market as the vacancy rate fell 230 basis points to 15.9 percent.

The Westside submarkets of Farmington Hills, Novi, Livonia and West Bloomfield proved to be stable during the third quarter as each submarket posted positive absorption from smaller +/- 5,000-square-foot leases.

FORECAST

- Given that fully vacant buildings such as the 150,000-square-foot buildings left vacant by BCBS are not a practical option for a typical 2,000 – 20,000-square-foot office tenant, the 400,000 square feet of new supply will not have any added effect on competitive rental rents among occupied multi-tenant facilities. The real concern for suburban landlords will be how persuasive corporate leaders such as Dan Gilbert and Peter Karmanos are in their efforts to lure other companies downtown.

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By Submarket	Total SF	Vacant SF	Vacant %	Available %	NET ABSORPTION Current Qtr	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT Class A	ASKING RENT Class B
Ann Arbor Briarwood	1,753,101	236,387	13.5%	17.3%	(6,403)	2,948	-	$20.56	$19.50
Ann Arbor CBD	1,237,427	173,813	14.0%	17.7%	(24,499)	(70,753)	-	$23.67	$19.92
Ann Arbor Northeast	1,729,999	212,928	12.3%	14.6%	(3,250)	10,006	-	$22.20	$19.15
Auburn Hills	2,313,273	565,174	24.4%	30.9%	2,791	(84,114)	-	$19.05	$18.21
Birmingham	404,654	4,581	1.1%	1.5%	-	2,197	-	-	$23.99
Birmingham CBD	878,009	94,390	10.8%	13.1%	3,922	34,853	-	$30.38	$25.78
Bloomfield Hills	2,979,508	425,499	14.3%	17.5%	20,346	20,804	-	$25.57	$21.03
Dearborn	3,227,972	905,055	28.0%	28.6%	(79,780)	(47,657)	-	$18.92	$16.94
Farmington Hills	5,973,396	1,214,601	20.3%	28.6%	18,358	28,233	125,000	$21.53	$18.63
Livonia	2,987,750	752,630	25.2%	29.4%	2,374	(53,908)	-	$23.64	$18.31
Novi	1,615,134	349,469	21.6%	25.8%	22,183	(767)	-	$21.55	$20.14
Pontiac	1,904,370	789,308	41.4%	42.5%	-	(2,410)	-	-	$15.64
Southfield	17,330,567	5,343,050	30.8%	34.6%	(616,187)	(870,694)	-	$20.23	$18.48
Troy	13,146,833	3,966,013	30.2%	35.2%	128,838	131,839	-	$20.74	$17.59
West Bloomfield	554,440	127,587	23.0%	23.0%	6,734	(1,995)	-	-	$18.22
Suburban Total	**58,036,433**	**15,160,485**	**26.1%**	**30.4%**	**(524,573)**	**(901,418)**	**125,000**	**$20.83**	**$18.07**
CBD	11,978,184	3,628,793	30.3%	33.6%	616,214	723,459	-	$23.99	$20.06
CBD North Central	1,209,188	304,438	25.2%	25.2%	(124,118)	(119,251)	-	-	$17.88
CBD Total	**13,187,372**	**3,933,231**	**29.8%**	**32.8%**	**492,096**	**604,208**	**-**	**$23.99**	**$19.69**
Totals	**71,223,805**	**19,093,716**	**26.8%**	**30.8%**	**(32,477)**	**(297,210)**	**125,000**	**$21.44**	**$18.33**

By Class								AVAILABLE FOR SUBLEASE CBD	AVAILABLE FOR SUBLEASE Suburban
Class A	25,781,334	5,535,024	21.5%	26.7%	626,127	509,663	125,000	44,506	652,945
Class B	35,855,932	10,782,649	30.1%	33.6%	(708,813)	(831,684)	-	27,533	503,371
Class C	9,586,539	2,776,043	29.0%	31.4%	50,209	24,811	-	8,500	8,000
Totals	**71,223,805**	**19,093,716**	**26.8%**	**30.8%**	**(32,477)**	**(297,210)**	**125,000**	**80,539**	**1,164,316**

OFFICE TERMS AND DEFINITIONS

Total SF: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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