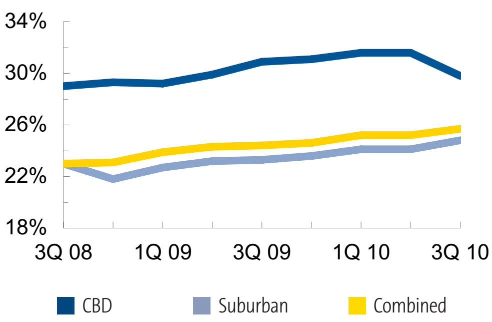
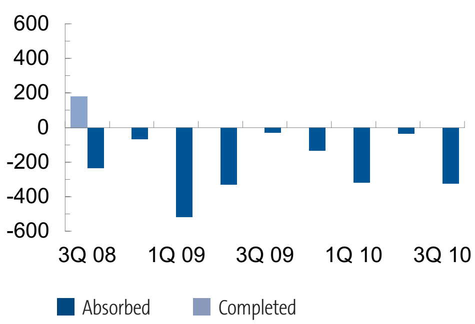
Office Trends Report—Third Quarter 2010
Detroit, MI

GRUBB & ELLIS
From Insight to Results

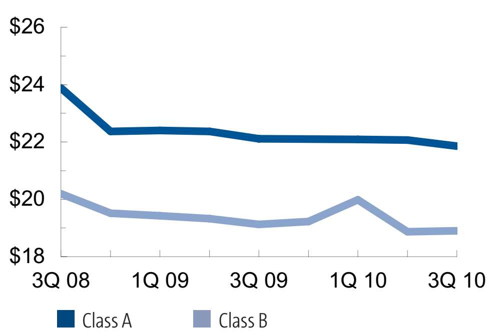
Vacancy Rate



Completions vs. Absorption
(in Thousands of SF)



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



Vacancy Rates Continue to Climb

The Metro Detroit Office market vacancy rate ticked up 50 basis points to 25.7 percent during the third quarter. A year-to-date absorption comparison from 2008, 2009 and 2010 indicates a trend that most landlords would not like to see. In 2008, the overall negative absorption for the first nine months of the year was -109,242 square feet; in 2009, it jumped to -851,441; while in 2010, overall absorption is -657,064. This trend indicates demand for office space has not improved enough to stem the tide of new supply coming on the market. The bulk of space that became vacant during the third quarter resided primarily in the Southfield and Troy office submarkets.

Overall, market activity in Southfield consisted of both large block leases and large block vacancies. Over 165,000 square feet of new, vacant space was added to the submarket pushing its vacancy rate up 100 basis points to 26.7 percent during the third quarter. Interestingly, the Class B market showed positive absorption as a result of few sizable tenants, including Michigan Mutual, Ciber Inc. and BullsEye Telecom, Inc. taking occupancy. However, new vacancies in the Class A and C markets left the overall submarket in the red.

The Troy office market continued to get battered during the third quarter. As a result, its overall vacancy surpassed the 30 percent mark for the first time and ended up at 31.6 percent. The Class B market made up ninety-two percent of the new vacancies during the quarter. Contributing to the bulk of the overall 226,096 square feet of negative absorption in the Class B market was the 165,000 square feet that became available at 100 E Big Beaver Road. Other sizable vacancies were recorded in the Northfield Hills Corporate Center, which added 35,000 square feet, and two buildings in the Baluster Park, which added 16,000 square feet a piece.

While the suburban office market continued to get battered, the city of Detroit's office market saw some positive signs. Detroit's CBD vacancy rate fell 20 basis points to 29.8 percent. Increased office demand from the Government Service Group (GSA) is translating into positive absorption. During the third quarter, the GSA leased 7,000 square feet at 211 W Fort Street. Meanwhile, in mid-2011 the GSA will move into 80,000 square feet at 500 Woodward Ave.

FORECAST

- A recovery in the office market will likely take longer than most landlords have hoped.
- Tenants on the tail ends of long-term leases will have the opportunity to realize significant savings as landlords become increasingly competitive.

Grubb & Ellis Detroit
26555 Evergreen, Suite 500
Southfield, MI 48076
www.grubb-ellis.com

Prepared by:
John DeGroot *Research Manager*
248.350.9500
john.degroot@grubb-ellis.com

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By Submarket	Total SF	Vacant SF	Vacant %	NET ABSORPTION Current Qtr	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT Class A	ASKING RENT Class B
CBD	11,144,881	3,492,067	31.3%	33,884	(56,909)	-	$23.56	$21.73
CBD North Central	1,209,188	185,187	15.3%	-	1,405	-	-	$17.84
CBD Total	**12,354,069**	**3,677,254**	**29.8%**	**33,884**	**(55,504)**	**-**	**$23.56**	**$21.24**
Ann Arbor Briarwood	1,753,101	207,444	11.8%	(1,756)	14,770	-	$23.77	$20.74
Ann Arbor CBD	1,237,427	97,158	7.9%	9,354	21,244	-	$24.63	$21.59
Ann Arbor Northeast	1,729,999	233,739	13.5%	10,726	(60,890)	-	$22.21	$20.37
Auburn Hills	2,110,080	274,664	13.0%	9,181	(21,788)	-	$19.25	$19.51
Birmingham	404,654	10,957	2.7%	21,275	16,195	-	$30.75	$25.11
Birmingham CBD	843,289	142,913	16.9%	9,072	(11,315)	-	$30.98	$27.26
Bloomfield Hills	2,974,823	465,008	15.6%	(54,965)	(122,385)	-	$25.62	$21.77
Dearborn	3,223,720	853,042	26.5%	(10,350)	(68,839)	-	$17.81	$18.06
Farmington Hills	5,975,106	1,309,555	21.9%	25,703	(24,520)	125,000	$22.38	$19.02
Livonia	2,987,750	684,575	22.9%	(13,460)	(24,209)	-	$23.40	$19.33
Novi	1,575,736	339,034	21.5%	802	(559)	-	$21.24	$20.56
Pontiac	1,904,370	783,354	41.1%	39,166	86,500	-	-	$15.24
Southfield	16,547,425	4,419,031	26.7%	(165,312)	(140,640)	-	$21.74	$19.07
Troy	13,144,247	4,151,602	31.6%	(242,275)	(277,934)	-	$22.18	$17.89
West Bloomfield	554,440	136,183	24.6%	6,380	12,810	-	-	$17.83
Suburban Total	**56,966,167**	**14,108,259**	**24.8%**	**(356,459)**	**(601,560)**	**125,000**	**$21.56**	**$18.53**
Totals	**69,320,236**	**17,785,513**	**25.7%**	**(322,575)**	**(657,064)**	**125,000**	**$21.85**	**$18.90**

By Class	Total SF	Vacant SF	Vacant %	Current Qtr	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE CBD	AVAILABLE FOR SUBLEASE Suburban
Class A	25,587,649	5,492,428	21.5%	(124,377)	(320,381)	125,000	41,694	710,384
Class B	34,241,048	9,605,727	28.1%	(35,295)	(37,316)	-	30,401	589,488
Class C	9,491,539	2,687,358	28.3%	(162,903)	(299,367)	-	5,000	9,623
Totals	**69,320,236**	**17,785,513**	**25.7%**	**(322,575)**	**(657,064)**	**125,000**	**77,095**	**1,309,495**

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.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

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.*