

Detroit, Michigan

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

Overview

Despite signs of improvement, the economic downturn still has many businesses effectively frozen in uncertainty and fear. Many are skittish about taking any bold steps toward growth and will consider themselves successful if they manage to maintain the status quo and stay in the game as the dust settles. But while the recovery is slow but steady on the housing, employment, and consumer spending fronts, the long-predicted national commercial real estate crisis may just be getting started.

According to a February report from the Congressional Oversight Panel for the Treasury Asset Relief Program, a key oversight mechanism established by the 2009 Emergency Economic Stabilization Act, approximately \$1.4 trillion in commercial real estate loans will reset in the next five years. Half of those loans will be upside down, meaning they will be worth less than the amount owed. Nationally, commercial property values have fallen more than 40 percent.

Many of these commercial mortgage assets are healthy in that properties, even after rent reductions, are producing enough cash flow to cover their debts. But because lender expectations have caused inflated capitalization rates, many commercial debtors have a significant problem on their hands. Still, amid this looming fallout, there is opportunity for the commercial real estate tenant.

Market Trends

- Tenants continue to proceed with shorter-term leases.
- Landlords are more amenable to numerous provisions such as cancellation options, fixed renewals, and space expansion and reduction clauses which in the past were unheard of.
- Lender approval for lease transactions is delaying the actual commencement of leases as the approval process has taken a back seat to the debt crisis.

Tenant's Perspective

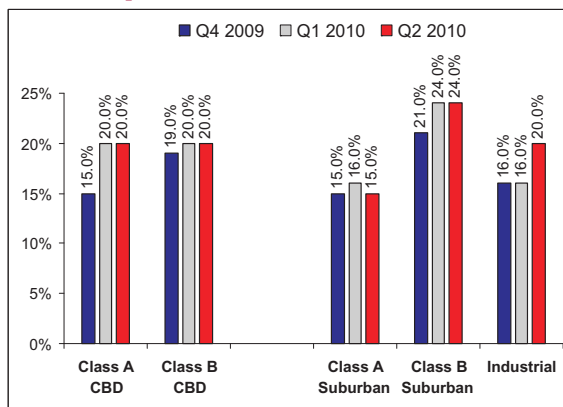
Tenants and buyers are optimally positioned to look at their business's immediate and long-term goals and weigh these against the opportunities presented to put the best strategy possible into place. Not in recent memory has the commercial real estate market offered existing tenants so much leverage, current lessees as much ability to purchase, or property owners as much incentive to provide excellent service to their tenants.

Understanding these opportunities for progress even in troubling economic times is a shared characteristic of thriving businesses. Whether that translates to property ownership or lease enhancement for the tenant, the time is now to explore these avenues and act.

Major Transactions

| Tenant/Buyer | Size | Type | Lease/Sale |
|----------------------------|---------|--------|------------|
| R. L. Polk & Co. | 138,138 | Office | Lease |
| BeneSys | 29,937 | Office | Lease |
| General Services Admin. | 18,520 | Office | Lease |
| OP Hospice, LLC | 13,706 | Office | Lease |
| Neumann/Smith Architecture | 13,567 | Office | Lease |
| Title Source, Inc. | 11,940 | Office | Lease |
| Health Care Partners | 10,851 | Office | Lease |
| Ups Autogistics | 10,585 | Office | Lease |
| Ross Education | 9,650 | Office | Lease |
| Civil & Envtl. Consultants | 9,195 | Office | Lease |

Vacancy Rate



Average Rental Rates

| | Q4 2009 | Q1 2010 | Q2 2010 |
|-----------------|---------|---------|---------|
| CBD | | | |
| Class A Office | \$23.53 | \$23.55 | \$23.20 |
| Class B Office | \$16.27 | \$16.49 | \$16.45 |
| Suburban | | | |
| Class A Office | \$22.71 | \$22.43 | \$22.13 |
| Class B Office | \$18.61 | \$18.61 | \$18.46 |
| Industrial | \$4.29 | \$4.29 | \$4.40 |

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