

Detroit, Michigan

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

Overview

The commercial real estate market has recently garnered much national attention due to the continued challenges brought on by the troubled economic landscape and a nearly paralyzed credit market. Despite media reports of improvements in the credit markets, it will be a long time before the commercial real estate situation improves in the Midwest. As loans on commercial buildings come due, even properties with good tenants may be unable to refinance and could fall into foreclosure.

As a result, real estate ownership will begin to change hands. In the foreseeable future, businesses that were previously leasing space could make up the landscape of new owners. But more importantly, new owners need to enter at a price that makes lower lease levels with increased vacancy profitable. While all of this change may affect leasing terms, it opens the door for much opportunity.

Market Trends

- **Structure your lease to protect your business**
Historically landlords have done due diligence and financial checks on prospective tenants. Now the tables are turned, and tenants need to investigate how financially sound their building is.
- **Negotiate more out of your lease**
Companies looking to align their strategic goals with real estate strategies will find that landlord flexibility will allow them to ask for more out of their leasing agreements.
- **Upgrade your real estate**
Clients have more options to move to class A buildings in premier cities that would normally be cost-prohibitive.
- **Buy vs. Lease**
With the number of buildings that are upside down, the purchase of a building could be a profitable strategy.
- **Rent Set Off provision**
This provision can protect tenants and brokers by withholding a percentage of rent over a period of time for money tenants are owed for improvements to their space or other unfulfilled contractual obligations.

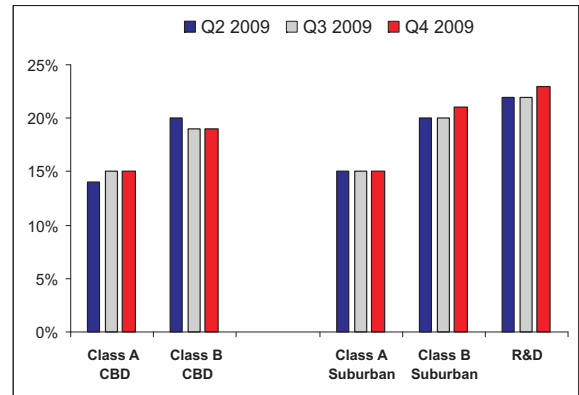
Tenant's Perspective

The current economic climate provides unique challenges which require careful analysis and an open mind to the creative opportunities that have now presented themselves. Now is a phenomenal time to not only reposition your real estate investments, but to reassess how to strategically use real estate to support your organization.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Forbes Frankel Troy Ventures	1,084,000	Office	Sale
Metro Int'l Trade Services	674,432	Industrial	Sale
D-Mann, Inc.	356,950	Industrial	Sale
A123 Systems, Inc.	287,300	Industrial	Lease
Daimay North America Auto	213,368	Industrial	Sale
5800 Sibley, LLC	190,407	Industrial	Sale
Maple Road Warehouse	183,521	Industrial	Sale
Ohio Module Manufacturing Co.	167,410	Industrial	Lease
Bear Stearns Commercial Mortgage Securities, Inc.	134,160	Industrial	Sale
Knolls, LLC	133,000	Industrial	Sale

Vacancy Rate



Average Rental Rates

	Q2 2009	Q3 2009	Q4 2009
CBD			
Class A Office	\$22.20	\$23.21	\$23.53
Class B Office	\$17.26	\$16.22	\$16.27
Suburban			
Class A Office	\$23.33	\$22.91	\$22.71
Class B Office	\$19.02	\$18.80	\$18.61
R&D	\$9.04	\$8.91	\$8.28

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