

March 30, 2005

TO: John Szerlag, City Manager
FROM: Doug Smith, Real Estate and Development Director
SUBJECT: AGENDA ITEM – First Quarter 2005 Development Report

In general, the Michigan economy is rebounding much slower than the rest of the nation. High vacancy rates in Troy persist in office and industrial buildings. However, both have seen improvements in this first quarter, although certain areas such as Robbins Technology Park and Northfield Parkway remain with relatively high vacancy rates. One effort to attempt to assist with filling these vacancies has been the joint venture with the Chamber of Commerce, Cushman Wakefield and the Palm Restaurant to host Troy Showcase 2005, which will occur on April 7th. This event will take place at Automation Alley's new headquarters in Troy, hosting brokers and providing them an opportunity to interact with eleven of the major property owners, primarily of office properties in order to highlight the availability of space in Troy.

Additional efforts to attack the vacancy rates is the Big Beaver Corridor study that has been commissioned by City Council and the Downtown Development Authority to provide a critical look at the long term viability of the Big Beaver Corridor and improve it to a world class status. A second similar effort is under way in conjunction with the Chamber of Commerce and the Planning Commission to look at Maple corridor and provide some vision on how this corridor might change in the future to better attract private investment.

While vacancy rates again improve very slowly, a review of the permits in January and February revealed about the same number of permits and same value with the exception of one large permit in February 2004 that skewed the value numbers. So the level of economic activity in terms of permitting and companies actively seeking new locations appears to be generally moderate, but at an encouraging level of economic activity.

Highlights of the first quarter includes the continued planning for the Monarch Project, which is the 22 story residential high-rise on Big Beaver between Alpine and McClure, the development plans by Heartland Health Care for a major facility on the southeast corner of South Boulevard and Livernois, and finally the ground breaking on a small site condominium project, Stone Haven Woods #2, south of Wattles and east of Crooks Road.

Finally, no final decisions have been made by Kmart regarding the long-term future of their headquarter building, but it does appear that in the near future there should be some decisions regarding the headquarters building and the movement of people to Chicago now that Sears Holding Company has merged with Kmart.

G:MEMOS TO MAYOR AND CC/DS/Development Report 03-30-05