



Swisher Commercial

David L. Hamilton, CCIM daveh@swishercommercial.com
John Swisher III johniii@swishercommercial.com
Ronald Dankert rdankert@swishercommercial.com
Douglas Smith, CCIM dsmith@swishercommercial.com
Robert Bliss rbliss@swishercommercial.com
Barton Wise bartw@swishercommercial.com

Jeffrey T. Harshe, CCIM harshe@swishercommercial.com
Michael Giraud mgiraud@swishercommercial.com
John Evans evans@swishercommercial.com
Meredith Woods mwoods@swishercommercial.com
Tony Caprarese tonyc@swishercommercial.com

MIDYEAR 2004 OFFICE/FLEX VACANCY PROGRESS REPORT

Dear Friend,

As a supplement to our annual vacancy report, **Swisher Commercial** is pleased to release its mid-year progress report of vacancy rates for office and flex space in the Ann Arbor area. We surveyed 286 buildings of 3,000 square feet (sf) or larger, totaling over 10.5 million sf. Our report includes a breakdown of vacancy rates by sub-market.

The 2004 midyear total market vacancy rate, including office and flex space, was 10.8%, 0.5% higher than the 10.3% from six months ago. When compared to the national commercial vacancy rate of 16.3% and the Metro Detroit Area rate of 16.6%, our local vacancy rate is much healthier. The vacancy rate for office space alone was 9.91%, slightly higher than the 8.76% rate of December 31, 2003. The vacancy rate for flex space was 14.78%, similarly slightly higher than the 14.64% rate of six months ago.

As noted in the attached comparative analysis, the most dramatic changes were in the South and East geographic areas. The South office market vacancy increased by 3%. Interestingly, we anticipated a higher vacancy increase in the South market due to the effect of ABN AMRO vacating 125,000 sf. Excluding the ABN AMRO vacancy, the remainder of the South market actually tightened slightly. The East office market on the other hand lost numerous small 1-3,000 sf office tenants, leading to this market's highest vacancy rate since 1995. The North, West and CGMA office markets all tightened slightly. Two large lease transactions helped the North market vacancy fall to just above 1%. The Downtown office market and all flex markets held steady.

Sale activity in 2004 continues to be active in the investment category. Investors are taking advantage of low interest rates and are looking for commercial land to develop and quality income properties. There are still far more potential investment-type purchasers of commercial buildings than buildings for sale.

As we anticipated in our annual report, the last six months have seen a slight increase in office/flex lease vacancy overall, with minor fluctuations in individual sub-markets. But in light of higher regional and national vacancies, our local market appears relatively healthy and stable.



	Area	# Blds	Gross SF	Vacant SF	Vac. %	As of	%
						12/31/2003	Chg.
OFFICE	Downtown	70	1,462,543	200,732	13.72%	12.95%	0.78%
	North	35	2,072,419	23,642	1.14%	3.03%	-1.89%
	East	36	658,711	82,934	12.59%	9.97%	2.62%
	CGMA	8	498,614	42,940	8.61%	10.66%	-2.05%
	South	60	2,897,861	387,983	13.39%	10.40%	2.99%
	West	13	299,450	9,750	3.26%	7.70%	-4.45%
	Total	222	7,889,598	747,981	9.48%	8.76%	0.72%
FLEX	South	55	2,238,957	358,296	16.00%	15.80%	0.21%
	West	9	391,852	30,600	7.81%	8.12%	-0.31%
	Total	64	2,630,809	388,896	14.78%	14.64%	0.14%
OFFICE & FLEX	Downtown	70	1,462,543	200,732	13.72%	12.95%	0.78%
	North	35	2,072,419	23,642	1.14%	3.03%	-1.89%
	East	36	658,711	82,934	12.59%	9.97%	2.62%
	CGMA	8	498,614	42,940	8.61%	10.66%	-2.05%
	South	115	5,136,818	746,279	14.53%	12.87%	1.66%
	West	22	691,302	40,350	5.84%	7.95%	-2.11%
	Total	286	10,520,407	1,136,877	10.81%	10.26%	0.54%

Swisher Commercial helps its clientele make informed real estate decisions. We look forward to assisting you with your lease, purchase/sale, investment, property management and advisory needs in the future. Feel free to contact **Swisher Commercial** at (734) 663-0501, by email, or visit our website at www.swishercommercial.com if you have any questions or suggestions.

SWISHER COMMERCIAL

Swisher Commercial

Ann Arbor, Michigan
June 30, 2004