



CRAIN'S DETROIT BUSINESS

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Focus

REAL ESTATE



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ANJANA SCHROEDER

Clockwise from below: Work continues on the HopCat bar and restaurant in Midtown. The Arbor Hills shopping center, which includes a Lululemon store, opened last year a few miles from the University of Michigan campus. Bonafish Grill is part of the Galleria of Troy Phase 1, at Big Beaver and Wixahive Drive. New England Development plans to build an outlet center near Detroit Metropolitan Airport

Ringing up retail

Low vacancy rates, eager tenants total steady leases, sales

BY KIRK PINHO
CRAIN'S DETROIT BUSINESS

Any retail real estate broker who's not making a killing in the current retail environment in metro Detroit is doing something seriously wrong. So says Scott Griffin, president of Southfield-based Griffin Properties Inc.



Griffin

"It's been very, very, very busy," he said. Low vacancy rates in many parts of town, paired with a number of big and small tenants eager to find a spot in metro Detroit, are making for a steady stream of leases, build-to-suit deals and property sales.

That's across the board in most of the major retail areas around town, ranging from the I-75 corridor to Macomb County's Hall Road hub to the western Wayne County suburbs, Griffin said.

In the second quarter, the retail vacancy rate was 9.3 percent, according to a report by the Southfield office of Marcus & Millichap, on par with other Midwest markets.

At the same time, new retail construction is lagging. About 525,000 square feet is expected to come online this year, down from

1.2 million square feet last year, according to Marcus & Millichap.

The thin construction pipeline is causing rents to rise — up to an average of \$11.91 per square foot, according to Marcus & Millichap.

"In general, the market is relatively healthy because vacancies are down," said Jim Bieri, president of Detroit-based Stokas-Bieri Real Estate. "It's stronger than it was. It's a quiet, steady growth."

The tightest areas in the region are Troy, with a vacancy rate of 4.4 percent; Washtenaw at 5.3 percent; Royal Oak at 6.1 percent; and Livingston County-west Oakland County at 7.1 percent, according to Marcus & Millichap.

Demand is increasing for everything from clothing to groceries, from outlet malls to boutique shops, from restaurants to footwear retailers, said Joe Sowerby, president of Mt. Clemens-based Anton Sowerby and Associates Corp. That's because people are generally more optimistic about the economy after the recession and have more expendable income to use at those stores, he said.

People have more to spend, and the retailers are going into areas that are showing

strong sales," said Viktor Gjonaj, a principal who focuses on retail at Southfield-based Signature Associates Inc.

Those areas of strength include the I-75 corridor in Oakland County, Telegraph Road running through Oakland County and M-59



Sowerby

"What you're seeing now is a lot of expensive in-fill. I haven't seen any monster centers going up, but I've seen these little small redevelopment in-fill sites taking place as long as it's the absolute right corridors," said Sowerby, who specializes in Macomb County retail.

Shopping centers

Although there aren't many large, stand-alone new retail centers opening, plans for construction are taking shape.

The 120,000-square-foot Outlets of Southeast Michigan, planned near M-59 and I-94, is a conference center and hotel on the same site. There also would be restaurants at the site, and possibly up to five or six hotels after sell-