



## ITRA Global

# The Rebirth of Detroit

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**No other city in America suffered as much as Detroit during the Great Recession. When two of the Big Three automakers and then the City of Detroit declared bankruptcy, most people viewed the metropolitan area as an economic wasteland.**

But Detroit never gave up. As the national economy and the auto industry regained its health, the Motor City slowly clawed its way back from a near-death economic experience to rebirth as a vital business hub.

### Good News

The facts of Detroit's rebirth are somewhat astounding.

Rather than viewing Detroit as a terminally ill patient, American business saw new opportunities in the city. Companies such as Quicken Loans, Blue

Cross Blue Shield of Michigan, Lyft, The Display Group, Ally Financial, Fifth Third Bank, Chrysler, Twitter, and Microsoft have leased a significant amount of office space or moved their headquarters to Detroit.

Believe it or not, more than 107 retail companies have also opened their doors in Detroit in the past year. Although the automotive industry remains the backbone of the local economy, the city's fastest growing

Business District (CBD), you'd better get in line: These units go fast! Occupancy is currently at an unbelievable 98 percent. The demand is so great that 1,300 residential units are now being built across the city. Just like any other major city in the country, the cost to live in downtown Detroit will soon be higher than living in the suburbs.

### Working Together

Historically, the Detroit market hasn't seen a great number of real estate investors.

Unfortunately, those who did invest in Detroit didn't always understand the dynamics of the market and many lost their buildings during the financial meltdown. According to CoStar, just prior to the Great Recession in 2008, the vacancy rate

industries are healthcare, defense, aerospace, information technology, and logistics. Entrepreneurship is also at an all-time high in this region. Housing has also kicked into high gear as a result of these new jobs in Detroit. If you're looking to lease an apartment in Midtown or the Central



in the CBD was 22.5 percent. Today it is 15.1 percent, with a total supply of 26 million square feet of office space downtown.

To be fair, the rebirth of Detroit started long before the Great Recession with Michael and Marion Ilich. To their credit, they saw how Detroit could come alive and rise again. The Ilich family lovingly restored the Fox Theater in 1989, moved the Little Ceasars pizza chain headquarters into the city from the suburbs, worked with the city and the state to build a new stadium for the Detroit Tigers, and built the Motor City Casino.

Now, as owners of the Detroit Red Wings and with the assistance from governmental agencies, they are creating a new home for the hockey team. This recent venture will create an entirely new entertainment area where there was once blight. The project will also connect the CBD with Midtown.

Peter Karmanos, Jr., the son of immigrant Greek parents and co-founder of software giant Compuware, also made a huge contribution to Detroit. In 2004, Karmanos built the first new skyscraper and named it Campus Martius, a beautiful building in the heart of Detroit. Amid this development, the trend to move downtown slowly took root.

When Dan Gilbert, founder and chairman of Rock Ventures, moved Quicken Loans to Detroit, no one foresaw the consequences. Bedrock, which is Gilbert's real estate arm, has since bought 70-plus buildings with a total of 12 million square feet. When Gilbert moved his offices to Detroit, he knew he had to make it appealing for all generations. So, he hired urban planners to establish vignettes to get people excited about being outside. This initiative became known as "place making," and they created unique venues like a sandy beach bar with entertaining and unusual seating.

No matter what your politics, you can't help but see that the perfect combination of players came together to transform our city into a place where people want to work and live. While the bankruptcy of the City of Detroit received bad press throughout the country, it was necessary. Fortunately, the Ford Foundation was just one of the many organizations that stepped up to the plate by making major contributions to the city so the Detroit Institute of Art wouldn't have to sell its assets to pay for the previous mismanagement of the city. The Penske Corporation also played a major role by donating emergency vehicles to the police department to help ease this burden in the budget.

Detroit Venture Partners (DVP), created by Dan Gilbert, Josh

Linkner, and Brian Hermelin, became a major driver of increased demand for office space in Detroit. The venture capital fund raised \$55 million and helped to launch 70 startup companies since opening in 2010. Google then joined the effort by offering technology classes to budding entrepreneurs. I'm particularly impressed with the DVP strategy: If you wanted to be a part of their program, you needed to lease space in the Madison Building. Before long, this building was full, and now six additional buildings have been filled with budding entrepreneurs. That is real growth and a real success story.

### **Conclusion**

A testament to Detroit's resurgence also came from ITRA Global when it hosted its recent fall conference in Detroit. To say that Detroit was never on the list of potential locations for our conference is an understatement. The idea to get my fellow members to Michigan came when one of our members said he felt sorry for me because I lived in Detroit. Until a few years ago, I always stated that I was from nearby Troy, Michigan. But today I'm proud to tell people that I'm from Detroit, a city that has been reborn.

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