

News & Views

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COMPLIMENTS OF



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GVA Detroit is the local office of **GVA Worldwide**, an international organization of real estate industry leaders serving key markets in 20 countries. The organization comprises more than 3,750 real estate professionals in 95 markets worldwide. In 2007, GVA Worldwide partners collectively completed \$35 billion in transactions and managed more than 165 million square feet of office, industrial, retail and specialized property.

A leading advisor in commercial real estate, GVA Worldwide optimizes client portfolios locally and around the world. It serves the real estate needs of clients including multinational corporations, major space users, developers, owners, institutions, lenders and investors.

Market Update

First-quarter 2008

As we begin 2008, the market continues to remain stable. Although there was a slight increase in the overall vacancy rate, there haven't been any dramatic increases in several quarters. This stabilization is also reflected in the average lease rates.

Office

The Detroit area's office vacancy rate increased from 17.2% at the end of 2007 to 17.4% at the end of the first quarter, with a negative net absorption of 87,043 square feet. The average lease rate increased, however, from \$20.09 per square foot at the end

of 2007 to \$20.15 per square foot. Class B office space took most of the hit while Class A benefited as some users of Class B space moved into Class A to take advantage of its affordability.

Industrial

Detroit's industrial vacancy rate increased slightly from 12.2% at the end of 2007 to 12.3% with positive net absorption of 167,068. Average rental rates fell slightly from \$5.22 per square foot last quarter to \$5.14 at the end of the first quarter.

Source: CPIX

	Office Vacancy Rate	Average Lease Rate	Industrial Vacancy Rate	Average Lease Rate
Detroit	17.3%	\$19.49	19.6%	\$3.06
Livonia/West Wayne	14.5%	\$18.64	13.1%	\$4.92
Southfield	20.2%	\$19.24	17.2%	\$8.70
Royal Oak Area	14.3%	\$18.10	9.2%	\$5.00
Troy Area	27.9%	\$20.58	11.0%	\$5.61
Farmington / Farmington Hills	15.9%	\$24.82	7.4%	\$8.89
I-75 Corridor /N Oakland Area	13.8%	\$16.65	11.5%	\$5.94

Lease Buyouts Can Work For Everyone

A good commercial real estate lease is about options. First rights of refusals, tenant improvement (TI) allowances and flexible floorplans. The more agile you can be when in your lease, the better the deal you signed. The same can be said for getting out of your lease or eliminating unused space. The more options you have, the easier the exit. And

when that situation arises, a lease buyout may be the way to go.

Buyouts are functionally pretty simple: a tenant pays a landlord a sum based on the remaining terms of the lease in exchange for being able to move out or reduce square footage. It can also involve the landlord's recap-

Lease Buyouts Cont'd

ture of TI costs and all other fees incurred by your occupancy. And like all business deals, things need to be negotiated. However, settling on terms can lead to rough waters because on the surface, it appears the landlord has the upper hand. Thus, it's absolutely crucial that both sides of the table communicate openly about their needs. It is in these situations that your tenant representative, by knowing the undercurrents of the market, becomes a very high-level business partner.

Landlords may already be prepared for your exit or reduction in space but in some cases will be negotiating with the opposite stance. Your tenant rep can counter this position by knowing if potential new tenants have already inquired about the space or

are at least actively touring the market. In turn, they can help the landlord realize the marketability of the soon-to-be-available space. Additionally, specific insight into the landlord's financial exposure, as well as historical data on their risk tolerance with tenants, is invaluable when negotiating position for a buyout.

The details of a lease buyout, even a small one, are complicated for everyone. If handled improperly, your business may suffer a dent in its reputation and lose some ground when it's time to negotiate another lease. By remaining professional, ethical and open, you'll come away with your business character intact and a more streamlined operation.

Source: Alliance of Tenant Representatives

Client Spotlight



Carefully Negotiated Terms Help Position R.S. Schlaupitz & Associates for Continued Growth

CPA firm R.S. Schlaupitz & Associates hired GVA Detroit to locate a larger office space after they acquired another CPA firm in Troy. The two firms were located in different cities and neither existing office could accommodate all employees.

R.S. Schlaupitz presented several challenges to GVA Detroit. First, they needed quick occupancy. With the beginning of tax season quickly approaching, R.S. Schlaupitz only had 40 days before they needed to begin merging the two companies' computer systems. This 40 days included time needed to locate the property, negotiate the lease and complete any build out. GVA Detroit quickly accepted the challenge and saved time on identifying potential choices by conducting a thorough needs analysis and reviewing floor plans in advance.

The chosen space, located in Troy Place, did require some build out, but GVA suggested a plan that allowed most walls to be kept while offering a very efficient layout. The suggested plan fit the same amount of private offices, cubicles, etc. as a second choice that was 17 percent larger. This provided significant savings on rent. In addition, Troy Place was able to complete the build out within R.S. Schlaupitz's time frame. They were able to take occupancy just one day past their goal.

R.S. Schlaupitz's other challenges included a plan to expand in another three years. However, five-year lease terms offer savings over a three-year term. R.S. Schlaupitz wished to take advantage of a five-year term while keeping the flexibility of a three-year. GVA helped them accomplish this by negotiating a first-right of refusal on adjacent square footage, as well as, negotiating a lease buyout option.

Lastly, while R.S. Schlaupitz is still paying rent for a few more months on their former locations, GVA Detroit was able to negotiate five month's of free rent.

For more information on GVA Detroit's Tenant Representative services, visit www.gvadetroit.com or contact Mike Ziecik at 248-331-0203.

GVA Detroit Menu of Services

- Brokerage
- Tenant Representation
- Strategic Planning
- Budgets
- Site Selection/Location Consulting
- RFP Preparation
- Finance
- Project Management
- Workplace Strategies
- Warehouse Logistics
- Lease Audit
- Lease Administration
- Tax Appeal
- Tax Engineering
- Move Management