

Brokers hope bottom is here

Top residential firms have 22.5% sales dip

BY SHEENA HARRISON
CRAIN'S DETROIT BUSINESS

Metro Detroit's largest residential brokers saw across-the-board sales declines last year, but say they're hopeful the market may be showing signs of a rebound.

Gross sales for *Crain's* top 25 residential brokers reached \$10 billion last year, a 22.5 percent drop from \$12.9 billion in 2005. All but one of the 25 brokers reported sales declines for their firms last year.

Firms on the list also saw declines

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in their number of brokers. For instance, No. 1 brokerage Southfield-based **Real Estate One Inc.** reported having 1,732 brokers last year, down from 1,949 in 2005. **Coldwell Banker Schweitzer Real Estate Inc.**, which was No. 3 on the list, declined to 495 brokers in 2006 from 593 reported in 2005. Some brokerages say they're coping with the local market by offering creative financing, encouraging investment in

foreclosed properties and taking comfort in signs the market may slowly improve in the next few years.

Gross sales for Real Estate One were \$2.8 billion last year, down 19.3 percent from \$3.5 billion in 2005. Dan Elsea, president of brokerage services, said his company has dealt with the downturn by cutting some operational costs and offering additional financing options through its in-house mortgage company.

"You're not going to save your way into prosperity," Elsea said.

"You have to aggressively try to get additional business."

In January, the company rolled out a mortgage that allowed buyers to skip payments for six months, as well as its "Makeover Mortgage" program. That program allows buyers to finance improvements for homes that have outdated features that might otherwise discourage a sale, Elsea said.



Elsea

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What happens in Vegas helps here

Developers pitch area at shopping center convention

BY SHEENA HARRISON
CRAIN'S DETROIT BUSINESS

Retail space on the site of the former **Northville Psychiatric Hospital** will be among the projects being marketed by the more than three dozen Michigan mall developers, retail brokers and municipalities who will make their way to Las Vegas this week.

They'll be among the 45,000 people and more than 1,400 exhibitors from across the country expected to attend the annual **International Council of Shopping Centers** spring convention, which began Sunday and runs through Wednesday.

Michigan companies and government entities that will have booths on display include the **Detroit Economic Growth Corp.**, **Little Caesars Enterprises Inc.**, **Ramco-Gershenson Properties Trust** and **Wireless Toyz**.

The conference is a fast-paced environment where companies can dis-

cuss many deals in a short time, said Karen MacDonald, director of communications for Bloomfield Hills-based **Taubman Centers Inc.**



MacDonald

"It's where conversations begin, continue, or sometimes are completed," said MacDonald, who said Taubman has lined up more than 600 meetings for the conference. "It's also a terrific networking opportunity."

Taubman plans to promote its casino retail projects, including **MGM CityCenter**, a \$7 billion project expected to open in November 2009 on the Las Vegas strip.

Taubman is doing retail leasing for the 18 million-square-foot project, which is expected to include a 4,000-

room hotel and casino, two 400-room nongaming hotels, luxury condominiums and about 500,000 square feet of retail, dining and entertainment venues.

The company also is looking to lease space at **The Pier Shops at Caesars**, a casino retail center that opened last year in Atlantic City, and **Macao Studio City**, a casino resort under development in China.

MacDonald said Taubman believes it will be able to generate deals for those projects, as well as local retail centers such as **Twelve Oaks Mall** and **The Mall at Partridge Creek**.

"We feel that the retail climate is very positive," she said.

Southfield-based **Schostak Bros. & Co. Inc.** said it will market the retail component of **Highwood**, an \$800 million mixed-use project it hopes to develop at the former Northville hospi-

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WHAT'S BEING PITCHED

Among the developments and sites being marketed to retailers this week: **Taubman Centers:** MGM CityCenter in Las Vegas and The Mall at Partridge Creek in Clinton Township.

Schostak Bros. & Co.: Highwood in Northville Township and The Lofts at Merchants Row (above) in Detroit.

Detroit Economic Growth Corp.: The Statler-Hilton Hotel site and retail space at the Detroit Opera House.

Developers Diversified Realty Corp.: Bloomfield Park.

B'ham OKs bistro liquor law; debates other

BY CHAD HALCOM
CRAIN'S DETROIT BUSINESS

Birmingham's new outlook on outdoor dining and liquor licenses hasn't been quite enough to keep at least one restaurant proposal from slipping away into neighboring Royal Oak. The **Birmingham City Commission** this week considered its second of two proposed ordinance amendments that

GOOGLE CAFE

Google plans cyber-cafe, Page 7.

would lift a 35-year quota on the number of liquor licenses available for restaurateurs in the city. One allowing for small and intimate "bistro uses" passed unanimously last month, and another to reward multimillion-dollar development in the city failed to pass this week but will return to the commission later.



SO WHAT'S A BISTRO?

A bistro use license, as Birmingham city officials define it, allows a restaurant business to buy a newly created liquor license from the city or transfer an existing license into the city from elsewhere, so long as the owner agrees to operate as a bistro.

The new ordinance defines "bistros" as restaurants with 65 seats or less that encourage outdoor dining and serve alcohol primarily at tables, as opposed to bars. No more than 10 of the 65 seats may be devoted to a bar.

But in the meantime, one prospective restaurant that had said it would move quickly on an opportunity in Birmingham has instead turned its gaze to Royal Oak, after the bistro ordinance didn't allow for enough seating for a new location.

"That (ordinance) was definitely one of the reasons," said Steve Wojciechowski, assistant general manager of **Small Plates** in Detroit, which is contemplating a second location in Oakland County. "For bistros it's always location, location — but for us it was about size and location." Wojciechowski said Small Plates, which seats 85 in Detroit, is looking for a capacity of 125 or so at its second site — nearly double the size that Birmingham would permit.

The City Commission on April 16 passed a proposal allowing new liquor permits for "bistro uses." Last week a second proposal for "econom-

ic-development" liquor licenses to reward investments of \$7.5 million or more in the city was defeated by a 4-3 vote, but the commission plans to revisit the proposal later.

Birmingham officials limited newcomer restaurants seeking the bistro permits to a seating capacity of 65, with no more than 10 of those seats in a bar area. The commission set other parameters, including a limit of two new establishments with bistro licenses in the city each year.

City officials had sought to change the rules in part to appeal to smaller applicants like Small Plates and stave off an environment where only national chains or large regional operators could afford to compete for its scant 17 licenses.

Birmingham Planning Director Jana Ecker said last week that the

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Bistro: Birmingham OKs new liquor license

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bistro uses are part of a series of ordinance changes to reinvent the look and feel of the city's business center.

"Whether it's bistros or outdoor cafes, it's all supposed to help create a more pedestrian-friendly, walkable downtown area," she said. But in that regard Royal Oak may be competing from the position of strength; Wojciechowski cited foot traffic as another factor in choosing that city over Birmingham, and Royal Oak City Manager Tom Hoover said roughly 35 of his community's 45 liquor licenses belong to active downtown restaurants getting steady pedestrian business. "I don't know for sure, but I imagine the size limitations of the bistro ordinance (for Birmingham) will be a factor," said Hoover, who had also heard of the Small Plates decision but has seen nothing official yet. "Our Class C liquor licenses don't come with size restrictions, and our restaurants operate often with a capacity of 200 or more people."

Restaurant consultant Kenneth Dalto of Farmington Hills-based **Kenneth J. Dalto & Associates** said pedestrian crowds in the two cities are dissimilar, and a business that withdraws from considering one might have been better suited to the other anyway.

Birmingham's restaurants, he added, are in

more direct competition with more expensive restaurants along the "Somerset corridor" of Big Beaver Road in Troy that appeal to a similar demographic, while Royal Oak gets more of an "entertainment dollar" from younger people with moderate income.

But, he adds, the longtime quota system in Birmingham needed change and was hurting business there.

"Birmingham has its issues to contend with. There are vacancies and some shuttered business property there," he said. "In that sense it's like operating within a mall that's half-full, and that will make merchants question the rent they pay. You want the mall full, even if it has to be filled with a competitor."

City commissioners also weighed a move to allow licenses for developments that invest \$7.5 million or more in the city, a parameter that currently applies only to the proposed Birmingham Hilton hotel location on the west side of Woodward north of Maple Road.

Birmingham-based architect Victor Saroki, who helped craft the \$25 million proposal on behalf of owner/investor Jamal Kalabat, attended this past week's commission hearing and said afterward the development's current plan awaits only the city's approval for such a li-

cence. Without it, he adds, the current hotel design may not be tenable.

The five-story hotel and apartment building is to feature a restaurant and banquet facilities on the ground floor that require a liquor license.

The 4-3 vote idles any construction on the hotel for now but doesn't kill the economic-development permits; the commission agreed to revisit the matter sometime later, but no timetable was set.

Commission members also asked city officials to redraft the language for a minimum of \$15 million in developer investment, said Jeff Kragt, an attorney for the law firm **Beier Howlett P.C.**, which represents the city.

"The commission also made its feelings known that it might like to see how the city bistro ordinance plays out a little bit, since it's so new, before taking further action on this measure," Kragt said.

Since the bistro ordinance took effect last month, city officials said three firms have asked for forms to apply; two applicants are existing businesses seeking a bistro use for outdoor dining and one might seek a new business within the city.

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Real Estate: Brokers hope market has bottomed out

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There are some signs the financing options are helping. The company is particularly encouraged by the first-time home buyers market, which generally includes home prices from \$200,000 to \$250,000.

"The number of buyers viewing our homes as well as people looking at our Web site has steadily been increasing even though the market has been slow," Elsea said.

High-end homes priced \$750,000 and up also are generating more activity than last year, said Dennis Wolf, owner and president of **Hall & Hunter Realtors** in Birmingham. The company reported sales of \$240.5 million in 2006, down nearly 28 percent from \$331.8 million in 2005.

"I feel better right now than I did at the same point last year," Wolf said. "I sense that things have stabilized."

Sales volume for Hall & Hunter is up about 21 percent compared to the same time last year, while unit sales are up about 4 percent, Wolf said.

He said the glut has created a buyers' market

unlike any he's seen in the past 30 years. Meanwhile, he believes trepidation about Michigan's economy may be leveling off, which has made people slightly more comfortable with buying.

"They're recognizing that there are a lot of good buys out there right now," Wolf said.

Though Wolf said he sees the local real estate market improving over the next three or four years, he's cautious with his optimism.

"If we see interest rates jump or signs of a national recession, then obviously it's going to send us back into a tailspin," Wolf said.

The one local brokerage on the list to increase sales last year was **Re/Max Experts** of Grosse Ile. The firm reported gross sales of \$113.6 million, up 51 percent from \$75.2 million in 2005.

The company has been able to tap into an increasing number of local foreclosures by showing the benefits of investing in such properties, broker and owner Richard Woolsey said. Bank foreclosures comprise up to 40 percent of his business, compared with 15 percent to 20 percent a few years ago, Woolsey said.

"What we're preaching to our people is buy these homes, rent them out and wait," he said.

Woolsey said his firm also is encouraging sellers to consider rent-to-own options for their

homes. Doing so makes it more likely that a seller will eventually get their full asking price, rather than losing money for a quicker sale, he said.

"They get their payday 10 months to 12 months later, but it's better than taking a \$20,000 loss," he said.

Pfizer Inc.'s decision that it would close its Ann Arbor campus caused the Washtenaw County real estate market to go largely inactive for a couple months, said David Lutton, president and owner of **Charles Reinhart Co.** in Ann Arbor. Since then, he says the market has rebounded slightly.

"May was the strongest activity we've seen in a year," Lutton said.

Sales for Charles Reinhart were \$503 million last year, down about 17 percent from \$603.7 million in 2005. Lutton said he is somewhat optimistic that sales may improve this year because lower-priced homes have continued to move and buyers looking for higher-end homes are starting to return as the initial shock of Pfizer's announcement has passed.

"I think a lot of buyers went to the sidelines," Lutton said. "I think they're re-emerging."

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Wolf

Las Vegas: What happens in Vegas, helps here

■ From Page 3

tal site.

The project is planned by **REIS-Northville L.L.C.**, a joint venture between Schostak and Southfield-based **Real Estate Interests Group Inc.** The project is on hold because Northville Township rejected the joint venture's appeal last month to develop the 415-acre project.

REIS wants to build 42 acres of retail on the site, but the township wants the retail portion cut back to 25 acres. The joint venture plans to decide its next steps, including a possible lawsuit, within the next month, said Steve Mitchell, chairman of East Lansing-based **Mitchell Research & Communications Inc.**, which represents REIS.

Other projects being pitched by

Schostak include **Gateway Office Center**, a mixed-used project it hopes to develop at I-696 and Woodward Avenue in Royal Oak, and **The Lofts at Merchants Row** in Detroit.

Downtown Detroit locations such as the **Statler-Hilton Hotel** site and the east riverfront will be part of the DEGC's presentation this week, President George Jackson Jr. said.

"If you see an empty building, we're pushing it," he said.

Jackson and several teams of DEGC representatives will meet with retailers they hope to bring downtown, as well as into the six areas that are part of the city's \$225 million, five-year neighborhood revitalization program. The DEGC will promote city-owned sites along

with private properties, such as 20,000 square feet of retail space at the **Detroit Opera House** garage.

Jackson said the city also will ask retailers to consider placing their distribution centers at Detroit industrial sites, such as **Springwells Industrial Park**, Jackson said.

Cleveland-based **Developers Diversified Realty Corp.** will showcase **Bloomfield Park** to retailers at the convention next week, said Scott Schroeder, vice president of marketing and corporate communications.

Developers Diversified is developing the center at Square Lake and Telegraph roads in a joint venture with New York City-based investment manager **Coventry Real Estate Advisors** and Bloomfield

Township-based **Harbor Cos.** The mixed-use development's first phase, with a projected cost of \$250 million, is slated to include a 535,000-square-foot lifestyle center, 67,000 square feet of office space and 60 luxury condominiums.

Schroeder said last week that the company would hold a Sunday kickoff meeting to discuss projects that it plans to highlight in more than 1,000 meetings at the convention.

"Bloomfield will be featured during that presentation so our entire team understands what's left to lease and what our objectives are," Schroeder said.

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