

WASHTENAW COUNTY, MICHIGAN USA

# ANN ARBOR COMMERCIAL REPORT



[www.colliers.com/AnnArbor](http://www.colliers.com/AnnArbor)

@AACommercialRE



The former Greek Church was recently purchased at auction by local developer Tom Fitzsimmons who has plans for residential condos on the site located on North Main Street

Photo credit AnnArbor.com

## MARKET INDICATORS

2013 Q2

RENTAL RATES	↑
NET ABSORPTION	↑
VACANCY RATES	↓
CONSTRUCTION	↑

## Downtown Ann Arbor

The Downtown Ann Arbor market continued to heat up in the third quarter of 2012. All commercial real estate sectors including office leasing and retail leasing saw improvements in rental rates and decreases in vacancy rates as tenants eagerly sought out space amidst the amenities that downtown has to offer.

Despite speculation that area apartment rates would be negatively affected by the new housing developments, we continue to see apartment demand, and subsequently rates, at an all time high. This past quarter we saw two more developers submit initial plans for two new high-rise housing projects. The first would be approximately 38 student-housing units and be built over Pizza House on Church Street. The second proposed development is at 413 East Huron Street (corner of Huron and Division) and would consist of 14 stories and 213 units.

CONTINUED...

### NOTABLE 2012 Q3 TRANSACTIONS

- Former Borders HQ (338,000 SF) was placed under contract with a group of unnamed investors.
- The blighted Former Greek Church on Main Street was purchased by a local developer.
- The Commerce Bank Building on State and Eisenhower was purchased by a local investor.
- Nordstrom Rack announced it would open a store in Arborland in Spring of 2013.
- Numerous new restaurants announced plans to open in and around Ann Arbor.
- The Landmark (601 Forest) was sold in a record-breaking deal to American Campus Communities.
- Two new luxury highrises were proposed by regional developers. 413 East Huron and the Pizza House Development.

### FOR MORE INFORMATION CONTACT:



**Brendan Cavender**

400 East Washington  
Ann Arbor Michigan 48104  
TEL +1 734 769 5007  
FAX +1 734 222 9045



**Jim Chaconas**

400 East Washington  
Ann Arbor Michigan 48104  
TEL +1 734 769 5005  
FAX +1 734 222 9045



### DOWNTOWN DEVELOPMENT CONTINUES

This quarter we saw two separate developers submit plans to the City for two new luxury highrise projects. These two buildings would be in addition to similar projects recently built including The Landmark, Zaragon Place, 411 Lofts, Corner House, Zaragon West, and The Varsity which all cater to luxury, high rent, student living.



Photo credit AnnArbor.com

## DOWNTOWN CONTINUED...

Further showing the demand for housing downtown Ann Arbor we saw several new smaller projects proposed. Tom Fitzsimmons of Huron Contracting purchased the former Greek Church property on North Main Street last month. While exact plans have not yet been released on this property, it will likely be a low-density residential housing project. Fitzsimmons was also recently approved to build a condo project on Catherine Street near the hospital.

Downtown Ann Arbor office space availability continued to decrease. The only two large floor plate spaces remaining on the market presently downtown are Ashley Terrace (27,000 SF) and the second floor of the former Borders Bookstore (22,000 SF). Colliers Ann Arbor is seeing great interest from larger technology companies wanting to be downtown Ann Arbor however at this time, are unable to find office space large enough to accommodate them. Unfortunately, the high costs of new construction do not make building new office space feasible at this point.

## RETAIL MARKET

The most significant retail availability we saw come to the market this past quarter was the former Borders Bookstore on East Liberty (Colliers AA). This property is arguably the most significant retail deal downtown Ann Arbor in the last ten years. Allowing for up to 22,000 SF of first floor retail in the heart of downtown and University of Michigan central campus this project has the ability to single handedly transform the Liberty corridor.

Several new construction retail projects were submitted in the Ann Arbor area. Ken Hicks of Diverse Development proposed a new retail development along Plymouth Road at US-23, which will provide space for several new tenants (Colliers AA). This comes not soon after another group of local builders broke ground on a separate mixed-use development further down Plymouth Road next to Nixon Road. Howard Frehsee recently requested a one-year site plan extension for his proposed project located at the corner State and Ellsworth. The project would include about 20,000 SF of retail space located near the new Costco.

## OFFICE MARKET

The local office market, both downtown and in the submarkets, has continued to improve in the past several quarters. This month the Former Borders

Corporate Headquarters was placed under contract with an undisclosed group of investors (Colliers AA). Presently, Colliers Ann Arbor is in negotiation with two large possible users for the property. The remaining space is currently on the market for lease (Colliers AA).

The University continued to lease non-university owned buildings with multiple deals signed at 777 North University (Colliers AA), 500 East Washington, and 216 South State (Colliers AA). With the majority of the buildings the U has leased space in recently being located close to central campus, it is helping to further decrease the office vacancy rates downtown. We are seeing some of the rates in Class A buildings reach up into the \$26-29.00 PSF range which is significant and indicative of a strong office market.

The office market outside of Downtown appears to have stabilized and is improving slowly in specific areas. While the areas south of I-94 are still very weak and vacancies are high, we are seeing other areas improve. High traffic areas with convenient parking are improving the quickest.



The former Borders HQ at 100 Phoenix Drive in south Ann Arbor. The property is currently under contract with several confidential investors.

## MULTIFAMILY MARKET

The new construction market for student housing continues to be extremely active. Not only were two new projects proposed for downtown (413 East Huron and the Pizza House development) but more significantly The Landmark was sold in an undisclosed record-breaking deal. American Campus Communities purchased the 610 bed high-rise last month further signifying national investment firms' notice of Ann Arbor.

Colliers Ann Arbor is seeing other local apartment rates at the highest levels they've been in ten years. In addition, the demand for apartments is just as hot as people are continuing to want to live and work in and around Ann Arbor.

## 480 offices in 61 countries on 6 continents

United States: 135  
Canada: 39  
Latin America: 17  
Asia Pacific: 194  
EMEA: 95

- \$1.6 billion in annual revenue
- 672.9 million square feet under management
- Over 10,000 professionals

### UNITED STATES:

#### ANN ARBOR OFFICE

400 East Washington  
Ann Arbor, Michigan 48104  
TEL +1 734 769 5007  
FAX +1 734 222 9045

JIM CHACONAS, CCIM  
BRENDAN CAVENDER  
DEBI MAGHES  
RICHARD TIMMONS  
PATRICK HOFFMAN



Accelerating success.



American Campus Communities purchased the Landmark last month. ACC is the largest student housing group in the world.

**CONCLUDING NOTES**

Ann Arbor commercial real estate is continuing its strong recovery from where it was two years ago. We are seeing an improvement in almost every commercial real estate sector as companies continue to hire more people and organically expand.

Downtown Ann Arbor is still the hottest market and we are seeing the availability of office and retail space dwindle. As new companies move into downtown and begin to hire people (Barracuda, Menlo Innovations, Hook Logic) we are beginning to see a ripple effect as the new employees are helping to strengthen the retail

and restaurants and smaller companies are looking for office space amidst them to take advantage of the “tech synergy” that downtown Ann Arbor is beginning to encourage and support.

Washtenaw County (W. of US23) Avg. Vacancy Rates	2013 Q2
CLASS A OFFICE	8.4%
CLASS B OFFICE	13.8%
CLASS C OFFICE	7.1%
AVG. TOTAL OFFICE	11.5%

Source: CoStar Group

**RECENT Q3 DONE DEALS**

**COLLIERS ANN ARBOR**

PROPERTY ADDRESS	SQUARE FEET	SALE OR LEASE	CONTRACT PRICE	TYPE
5025 Venture Drive	25,000 SF	Sale	Undisclosed	Office
3131 South State	2,050 SF	Lease	Undisclosed	Office
3145 Clark Road	2,430 SF	Lease	Undisclosed	Office
777 North University	4,500 SF	Lease	Undisclosed	Office
241 East Liberty	3,400 SF	Lease	Undisclosed	Restaurant
607 East William	2,850 SF	Lease	Undisclosed	Restaurant
1300 South University	2,900 SF	Lease	Undisclosed	Restaurant
505 East Huron	1,900 SF	Lease	Undisclosed	Office
603 West Huron	2,500 SF	Lease	Undisclosed	Office
2439 West Stadium	3,500 SF	Lease	Undisclosed	Retail
2471 West Stadium	2,500 SF	Lease	Undisclosed	Retail
1251 North Maple	1,200 SF	Lease	Undisclosed	Retail
2460 West Stadium	4,000 SF	Sale	Undisclosed	Retail
609 East William	1,500 SF	Lease	Undisclosed	Restaurant

**RECENT Q3 NEW LISTINGS**

**COLLIERS ANN ARBOR**

PROPERTY ADDRESS	SQUARE FEET	SALE OR LEASE	ASKING PRIVE	TYPE
612 East Liberty	22,000 SF	Lease	\$45.00 NNN	Retail
309 Maynard St.	22,000 SF	Lease	\$24.00 PSF	Office
100 Phoenix Dr.	Up to 330,000 SF	Lease	\$12.00 NNN	Office
2015 Manchester Rd.	2,808 SF	Sale	\$450,000	Office
409 South Division	2,989 SF	Sale	\$995,000	Residential
1979 Huron Parkway	6,200 SF	Sale	\$1,100,000	Office
328 South Main Street	2,400 SF	Sale	\$1,350,000	Retail
0 Milkey Road	630 Acres	Sale	\$23,000,000	Vacant
310 Miller Ave	24,160 SF	Sale	\$2,350,000	Office
325 South Summit St.	1,920 SF	Lease	\$19.00 PSF	Office

For more information on any of the above properties or a complete list of new listings please contact Jim Chaconas and Brendan Cavender.



Brendan Cavender

400 East Washignton  
Ann Arbor Michigan 48104  
TEL +1 734 769 5007  
FAX +1 734 222 9045



Jim Chaconas

400 East Washignton  
Ann Arbor Michigan 48104  
TEL +1 734 769 5005  
FAX +1 734 222 9045

All content and information contained in this letter is at the sole discretion of Brendan Cavender and Jim Chaconas of Colliers International Ann Arbor. For further information regarding any part of this letter please contact +1 734 769 5007 or [Debi.Maghes@colliers.com](mailto:Debi.Maghes@colliers.com)