

As Seen In:

The Detroit News

Business

JANUARY 31, 2012
BY LOUIS AGUILAR

Gilbert adds ninth building to Detroit empire

Detroit — As Quicken Loans Inc. founder Dan Gilbert stood Monday in the renovated and renamed M@dison Building, he declared he had added to his downtown empire by purchasing yet another historic office building.

The former Detroit Branch of the Federal Reserve of Chicago at 160 W. Fort St. is the ninth building bought by Gilbert's Rock Ventures — an umbrella firm that coordinates investments by Gilbert's Quicken Loans family of companies — since January 2011.

Gilbert's Rock Ventures is now credited with being the second-largest private owner of office space in Detroit's central business district, behind General Motors Co., which owns the Renaissance Center. The central business district is generally defined as the area between the freeways and the Detroit River.



Gilbert talks with reporters. He said he has no idea how many downtown buildings his firms may ultimately buy. (David Coates / The Detroit News)

“It’s all about connectivity,” Gilbert said. “It’s all about the right environment, the right culture to create wealth in the new economy.”

The M@dison Building in Grand Circus Park, abuzz with youthful digital start-up company workers, embodies Gilbert's campaign to bring new companies and workers as well as a more vibrant street scene to a downtown that at last count had 49 big empty buildings, according to a 2011 Detroit News analysis.

He has frequently said he wants the buildings to be a mix of entrepreneurs and Web-based workers along with upscale housing and retail.

Gilbert said he has no idea how many downtown buildings his firms might ultimately buy.

“We don't have any number on it,” Gilbert said. “As long as they are available and we think they are a great investment and we think it fits in overall with the mission of our portfolio, we'll continue to look.”

Gilbert said he was focused on buying properties “on the corridor between Grand Circus and the (Detroit) river.”

Gilbert didn’t disclose the sales price for the Federal Reserve building, but it was listed at \$2.9 million, which amounts to the bargain-basement rate of \$16.39 per square foot for the 176,834-square-foot facility.

In addition, his Bedrock Real Estate Services has bought three parking structures and one parking lot downtown in the same time period. The properties account for nearly 2.1 million square feet of office space and 3,500 parking spaces.

“These buildings are selling for \$5 to \$20 a square foot” — less than GM paid to acquire the Renaissance Center in the mid-1990s, Matt Cullen, president of Gilbert’s Rock Ventures, told The Detroit News last week. “They’re giving them away. Might as well pick a couple of them up.”

Those prices make it far cheaper than new construction, Cullen said.

Fed Reserve challenges

The unique Federal Reserve Building offers a different challenge for Gilbert, Cullen and Jim Ketai of Bedrock. Unlike most of his other buildings, Gilbert said the Federal Reserve building might be good for a large, single-use tenant.

“But we are not married to that concept,” Gilbert said.

A building that size can take up to four years to find a single occupant, said John DeGroot, vice president of research for Grubb & Ellis Co., a commercial real estate advisory firm in Southfield.

The structure has been empty for more than seven years, when the Federal Reserve branch moved to Warren Avenue.

Still, “that building may have a greater appeal given its location and history,” DeGroot said.

To sketch an idea of the challenge in filling the building, DeGroot said just over 100 companies in Metro Detroit occupy office space of 100,000 square feet or more.

There are 19 empty facilities in the region with 100,000 square feet or more and another 364 that are occupied, he said. That’s a vacancy rate of 5 percent for that amount of office space.



The exterior of the M@dison Building. (David Coates / The Detroit News)



Quicken Loans Inc. founder Dan Gilbert said Monday that he has bought the vacant former Federal Reserve Building in downtown Detroit, a structure he hopes to fill with a large, single tenant. (David Coates / The Detroit News)

M@dison's rehab

By contrast, the M@dison Building that Gilbert unveiled Monday underwent a \$12 million rehabilitation that blends state-of-the-art amenities with original features of the 1917 structure. Its open, loftlike spaces are full of Detroit photos, big-screen televisions and stunning downtown views.

There's still some graffiti in the stairways — an ode to the building's former vacant status. The rooftop patio, which offers an inside look into Comerica Park, home of the Detroit Tigers, has a look as sleek as a nightclub.

“We want this to be the launch pad for new companies,” said Josh Linkner, CEO and managing partner of Detroit Venture Partners, a firm that Linkner, Gilbert and Brian Hermelin, chairman of Rockbridge Growth Equity, started to invest in Detroit-based early stage technology companies.

The venture firm occupies a floor and a half. Some of the 11 companies that Detroit Venture Partners has invested in use space at the M@dison, Linkner said.

An official of Detroit Labs, a tech company that creates Web and mobile phone applications, said the startup company's downtown location was pivotal in helping it win a bid for Chevrolet's “Chevy Game Time” app.

“That's something that could not have happened without us being so close to General Motors” and Detroit Venture, said Dan Ward, a co-founder of Detroit Labs.

laguilar@detnews.com

(313) 222-2760



This is the Detroit Venture Partner area of the building, which is abuzz with youthful startups. (David Coates / The Detroit News)



A view from the roof of M@dison Building in Grand Circus Park. (David Coates / The Detroit News)