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DEAL OF THE WEEK | Maura Webber Sadovi

Downtown Detroit Dream

Dan Gilbert has been picking up Motor City buildings at prices that are low even by Detroit's depressed standards. The **Quicken Loans** founder is buying Detroit towers designed by famed architects like Albert Kahn at a square-foot price that is near a 10-year low.

Within weeks, the 49-year-old Detroit native expects to complete his biggest office-building purchase by size yet. He has a deal to pay $8.1 million for the nearly half-empty 25-story First National Building skyscraper. At $10 a square foot, the price is near a 10-year low of $9 touched in 2005 for large Detroit office buildings, according to Real Capital Analytics, a New York research firm.

The First National is one of four properties containing a total of nearly two million square feet of downtown offices that affiliates of Mr. Gilbert's **Bedrock Management Services** LLC have bought or put under contract this year for about $40 million in cash. He says he wants to develop a technology-hub that will bring life and Internet companies into the city where his father once owned a bar. He says he also sees opportunity in property prices that have fallen to what he calls "outrageously cheap" levels.

"Yes, [the buildings] need some help, and you've got to put some money into them," says Mr. Gilbert, who also is majority owner of the Cleveland Cavaliers NBA basketball team. "But there ain't no way in the world you're replicating [the buildings] for that price."

Mr. Gilbert is in a unique position to take advantage of the low prices because by year end he expects to have relocated nearly 4,000 employees from his online home-mortgage company previously headquartered in the suburbs into both leased and owned space in the downtown area. That gives him a hedge against the risks that come with buying partially empty buildings in the thinly traded office market roiled by the auto industry's contraction.

Real-estate brokers bet Mr. Gilbert won't follow the path of other opportunistic buyers who have taken advantage of low prices to cut rents, continuing what some see as a downward spiral of Detroit property values. Rather, Jim Ketai, who co-founded Bedrock last year with Mr. Gilbert, says he expects the company to invest millions of dollars into modernizing the buildings.

"Dan's not a carpetbagger, but he's got money in his carpet bag," says Levi Smith, associate broker at Principal Associates in Southfield, Mich.

Still, Mr. Gilbert's goals of filling up the buildings and making them profitable have eluded numerous other investors who bet on Detroit's comeback. Among one of the biggest properties involved in disappointing revitalization efforts: the GM Renaissance Center. The late Henry Ford II built the five-tower Renaissance Center in the 1970s for about $350 million, hoping to revitalize a city ravaged by the 1960s riots. But the complex didn't spark the hoped-for rebirth. It was sold to General Motors Corp. in 1996 for an estimated $73 million, and the property's occupancy is now 93%. Meanwhile, this year the Detroit area's second-quarter office vacancy rate of 26.7% was the highest of 79 metropolitan areas, according to Reis Inc.

First National Building will be sold for $8.1 million.

The First National Building also has struggled. The architect for the roughly 800,000 square-foot 1920s-era building was Mr. Kahn, who also designed factories, homes and athletics clubs as well as Detroit landmarks such as General Motors' former headquarters, which is now known as Cadillac Place.

Earlier this year, First National's ownership, a New York group known as **FN Building** that had defaulted on a roughly $27 million mortgage, filed for Chapter 11 bankruptcy protection. An affiliate of Mr. Gilbert's Bedrock has an accord to buy the building out of bankruptcy.

Mr. Gilbert's effort to reinvigorate downtown Detroit office buildings goes back to 2007, when he began working with a group of advisers that included some friends who had attended a Southfield, Mich., elementary school with him. Some members of that group have assisted Bedrock, Mr. Ketai says.

Last year, Quicken Loans relocated its headquarters from the suburbs into about a quarter-of-a-million square feet of space it leased for five years in the Compuware Building overlooking downtown Detroit's Campus Martius Park. Mr. Gilbert says he began to focus on buying properties this year because he believes other technology companies will be more likely to move downtown if properties are ready to work with new tenants.

Mr. Gilbert's dream is to form a downtown neighborhood with offices within a walking distance of restaurants, stores and night life. Such districts have been popping up in many other cities throughout the country.

"That's where young people coming out of universities want to be," Mr. Gilbert says. "I know it's going to work."