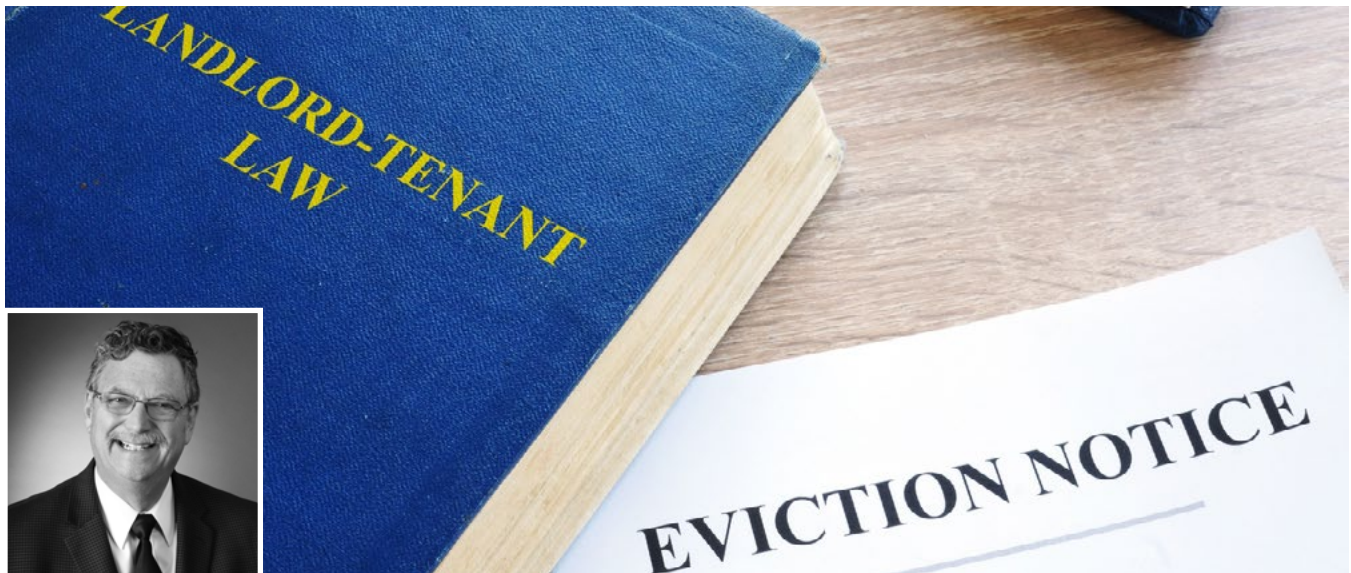


# PERSPECTIVE Q1 2020

## METROPOLITAN DETROIT COMMERCIAL REAL ESTATE



## What do you do when a landlord disturbs your tenants' quiet enjoyment?

Levi Smith JD, Senior Associate | P.A. Commercial

A tenant was forced to shuttle employees to a shopping center a mile away because their unreserved parking spaces were taken by a new tenant. It turns out, the new tenant had converted warehouse space into office use. The new tenant was also the new building owner. A typical zoning ordinance requires office space to have 4 spaces per 1000 square feet of office space, while a warehouse only requires 2 spaces per thousand square feet. The city said this was the landlord's problem to solve and had issued a building permit with no regard to adequate parking. The landlord failed to create new parking spaces either on site or at an adjacent property with complete disregard for the quiet enjoyment of all tenants.

"A tenant's right to quiet enjoyment shall not be disturbed," is one of few lease clauses that gives a tenant rights in the typical landlord lease. It means you pay your rent and follow the lease terms and the landlord leaves you alone. If another

tenant had created this problem, then it would be the landlord's obligation to resolve the issue. By overparking the site himself, the landlord performed a **constructive eviction**. The Landlord's lack of taking action could be construed as a way of telling the tenant to leave. Psychologists might call this behavior passive aggressive.

Many leases will reiterate the zoning provision applicable to parking which typically allows four spaces per one-thousand sq. ft. of net rentable area which is nominally defined as equal to 80% of the gross building area. Park more and you are over parking and violating the terms of the lease. Since this particular lease did not specify the number of cars that could be parked by each tenant, the issue proved to be unresolvable. The tenant was permitted to break the lease and relocate to another building.



# PERSPECTIVE Q1 2020

## METROPOLITAN DETROIT COMMERCIAL REAL ESTATE

Constructive eviction is rare because landlords want to *keep tenants* who are paying their rent. Habitability of premises is the law in Michigan for residential, but not commercial. The legislature believes that Businesses can take care of themselves.

Another issue that affects a tenant's right to quiet enjoyment is when building elevators are not repaired or replaced and the service is unreliable or inconsistent. Other issues we often see are spotty heat and air conditioning in older buildings and buildings that do not have adequate electrical power to support computers, networks, and servers. A good real estate broker will investigate these issues with existing tenants and landlords before relocating a tenant to these prospective buildings.

What about self-help you might ask? The right to make the repairs by the tenant and get reimbursed by the landlord plus 15% which is the landlords add on. This is nearly impossible to get into a lease of a multi-tenant building, and do you really want to pay the landlord's bill, fight, and wait for reimbursement? I don't think so.

A lease is a major transaction with multi-year obligations. Use a reputable tenant representative to guide you through the process.

**Here's to your quiet enjoyment!**

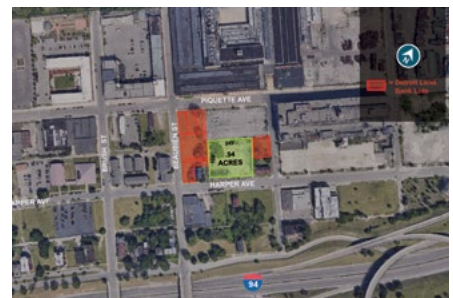
### Featured Listings



**FOR SALE/LEASE - TAYLOR**



**FOR LEASE - CANTON**



**FOR SALE - DETROIT**



**FOR LEASE - CLINTON TWP**



**FOR SALE - DETROIT**



**FOR LEASE - WARREN**

# OFFICE MARKET REPORT

## METRO DETROIT

1Q  
2020

### LEASING

The average rental rate for office space, all classes, is \$20.49 per SF, which is 41% below the national average. Vacancies this quarter averaged 9.8% (for all classes), which is a slight decrease since the end of 2019.

For lease transactions, the healthcare industry seems to be one of the largest tenant providers. Two of the largest deals in terms of total square footage in the past 12 months were for healthcare companies.

### SALES

The annual sales volume for Detroit closed out 2019 at just over \$310 million spread across 440 transactions. The average sale price for Detroit Office as of Q1 2020 is \$106.00 per SF, which is a slight decrease from Q4 2019 (\$108.00 per SF).

### CONSTRUCTION

There has been a steady stream of new supply in Detroit, which could lead to a new skyline that Detroit hasn't seen in generations. The pipeline consists of around 90 buildings in the planning stages, totaling more than 7 million SF of office space.

### NOTABLE OFFICE TRANSACTIONS IN Q4 2019 - Q1 2020:

- 153,000 SF leased in the Marquette Building in CBD submarket to WPP PLC
- 99,834 SF leased at Southfield Town Center to Secure 24
- 57,424 SF was leased in the Fisher Building to Strategic Staffing Solutions
- Oxford Pointe Office Centre, a 80,142 SF building in the was purchased by Verus Development Group for \$5.09 M
- 511 Woodward Ave, a 32,000 SF Office Building was purchased for \$4.65 M

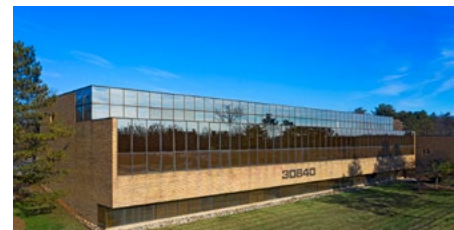
## Metro Detroit's Office Market Statistics

Market Area	Inventory SF	Vacancy %	Market Rent p/SF	Market Sale p/SF	SF Under Const.	Market Cap Rate
The Pointes/Harper Woods	1.4 M	7.2%	\$22.96	\$113	0	9.7%
Detroit - CBD	26.8 M	8.3%	\$23.74	\$122	676,000	9.7%
Detroit - W of Woodward	4.9 M	18.6%	\$20.65	\$99	458,000	9.7%
Detroit - E of Woodward	5.6 M	14.4%	\$21.33	\$101	0	9.8%
Southfield - N of 10 Mile	18.5 M	15.8%	\$18.83	\$91	0	9.3%
Southfield - S of 10 Mile	5.4 M	19.8%	\$14.56	\$72	0	9.6%
Farmington	9.7 M	8.4%	\$19.91	\$112	0	9.2%
Southern I-275 Corridor	11.9 M	6.8%	\$18.93	\$111	123,000	9.3%
Central I-96 Corridor	6.3 M	7.8%	\$22.78	\$133	310,000	9.0%
Troy North	5.4 M	10.7%	\$20.60	\$96	0	9.4%
Troy South	13 M	20.8%	\$20.96	\$96	0	9.4%
Macomb West	8.8 M	5.0%	\$17.68	\$101	0	9.5%
Macomb East	8 M	8.6%	\$17.42	\$103	72,900	9.5%
Airport District	3.0 M	6.0%	\$18.78	\$100	9,700	9.6%

### FEATURED OFFICE LISTINGS IN THE METRO-DETROIT AREA



FOR SALE/LEASE | GROSSE POINTE



FOR SALE | FARMINGTON HILLS



FOR LEASE | FERNDALE



# INDUSTRIAL MARKET REPORT

## METRO DETROIT

1Q  
2020

### LEASING

Detroit's manufacturing industry has contributed to vacancy rates dropping to an extremely tight average of 3.7%, the tightest the market has been in nearly two decades. Average market rents rise above \$6.90 per SF for the first time since 2000. Detroit's industrial landscape is healthy by most measures and continues to be spurred by competition among tenants in the natural resources, mining, and construction sector.

### SALES

During the last three months, over two million SF across 111 properties have sold, with the clear majority in Birmingham, Royal Oak, and Warren. The average sales price was just below \$50 p/sf and the average median sales price for this period \$612,000. On average, it has taken 11 months for a property to sell after it was first listed.

### CONSTRUCTION

There are currently 48 properties totaling 7 million SF that are under construction in metro-Detroit. The majority of these deliveries are in the Airport District Submarket, with 457,000 SF under construction in the Royal Oak area.

### NOTABLE INDUSTRIAL TRANSACTIONS IN Q4 2019 - Q1 2020:

- Kroger subsidiary, Topvalco Inc leased 711,547 SF of space in New Baltimore
- Dakkota Integrated Systems leased a 423,271 SF industrial property in the Royal Oak Area
- Sale of Two Buildings located at 3300 University Drive in Auburn Hills for \$8,350,000
- Sale of a 318,000 SF industrial building in Novi for \$12 M

### FEATURED INDUSTRIAL LISTINGS IN THE METRO-DETROIT AREA



FOR LEASE | LIVONIA



FOR SALE | BLOOMFIELD TOWNSHIP



FOR SALE/LEASE | ST. CLAIR

## Metro Detroit's Industrial Market Statistics

Market Area	Inventory SF	Vacancy %	Market Rent p/SF	Market Sale p/SF	SF Under Const.	Market Cap Rate
Airport District	51.9 M	2.4%	\$6.79	\$52	3,000,000	8.9%
Detroit East	44.3 M	4.6%	\$5.16	\$43	724,000	9.0%
Detroit West	45.6 B	8.9%	\$5.16	\$38	0	9.7%
Groesbeck Central	15.5 M	1.6%	\$6.92	\$55	95,000	9.7%
Groesbeck South	19.3 M	2.2%	\$6.16	\$53	10,000	9.4%
Groesbeck North	30.7 M	2.1%	\$6.16	\$42	300,000	9.0%
W of Van Dyke/Macomb	62.9 M	2.5%	\$7.49	\$63	442,000	8.5%
I-75 Corridor/N Oakland	46.6 M	4.0%	\$8.10	\$74	654,000	8.7%
Livonia	42.1 M	2.8%	\$7.18	\$56	28,900	8.9%
Central I-96 Corridor	33.9 M	4.5%	\$9.06	\$77	445,000	8.8%
Southern I-275	19 M	5.4%	\$6.82	\$53	300,000	9.1%
Southfield	6.1 M	7.4%	\$8.40	\$68	0	9.1%
Farmington/Farmington Hills	11.5 M	5.5%	\$8.60	\$67	0	9.0%
Troy Area Central	9.2 M	3.4%	\$7.25	\$63	0	9.4%

For additional market information, contact P.A. Commercial. Source: CoStar.

# RECENT DEALS

## OFFICE & INDUSTRIAL IN METRO DETROIT

1Q  
2020

Below is a sample of office and industrial listings that the P.A. Commercial brokerage team have sold or leased during Q4 2019 - Q1 2020.

For a full list of industrial, retail, land, and other investment opportunities - please visit [www.pacommercial.com](http://www.pacommercial.com)



OFFICE SALE - CLINTON TWP



OFFICE SALE - FARMINGTON HILLS



OFFICE LEASE - ST. CLAIR SHORES



OFFICE LEASE - DETROIT



RETAIL SALE - ST CLAIR SHORES



RETAIL SALE - LIVONIA



INDUSTRIAL SALE - LIVONIA



RETAIL LEASE - FARMINGTON



INDUSTRIAL LEASE - CHESTERFIELD



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