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Real Estate Insider: Is real change finally coming to the Penobscot Building?



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The Penobscot Building downtown has a new brokerage firm marketing it for lease.

CoStar Inc.

Is the Penobscot Building finally, at long last, taking a step in the right direction?

Or is its ownership — an outcast among the cadre of downtown office landlords who have been steadily renovating and filling up their buildings the last 10-plus years — merely doing what's required after being forced by the city, and now attempting to elbow its way, little by little, to the grown-ups' table?

The answer to both of those questions, actually, may be "yes."

To start, the Toronto family that owns the Penobscot has hired — for the first time in several years — a company to market it for lease to tenants. That's important because, according to data from CoStar Group Inc., a Washington, D.C.-based real estate information service, it's just 35 percent occupied.

Perhaps that metric is just one sign that handling that key task in-house, like it had been with few results since 2018, just wasn't cutting it. But obviously, there is more to that figure than just that.

In addition, perusing through the 56-page marketing brochure produced by its new Southfield-based brokerage firm P.A. Commercial, there's something I've not seen in such a packet before: Two pages specifically devoted to highlighting metro Detroit's racial and ethnic diversity, as well as some pockets of the region's friendliness to the LGBTQ+ community.

That's genuinely encouraging to see, and I hope more brokerage firms and landlords see those for what they are: Not only key issues to many employers perhaps considering locating here, but of course also their employees and the region as a whole.

"Sensitivity to what potential tenants are looking for may be advantageous to both sides," said Terence Edmondson, a longtime Detroit office broker and senior partner for Exclusive Realty LLC.

Trumpeting those two things is an intentional play, said Matt Schiffman, the new CEO/managing member of P.A. Commercial, who has the listing along with a colleague, Mike Gunn.

Schiffman noted that the property's owner, the Apostolopoulos family's Triple Properties, signed off on the materials and was in favor of including pages bringing those issues to the forefront.

Triple Properties did not immediately respond to a request for comment Tuesday afternoon.

A sign of forward-thinking, perhaps, from a company that has kept the Penobscot trapped in the dark ages for years.

"We felt the need to really highlight what Detroit is now to people out of the city, a lot of companies out of the state and even international," Schiffman said. "We thought highlighting the region's

diversity was important. Everyone has an image of Detroit locally but we thought it was important to highlight that."

Which brings us to the bitter pill.

Detroit's image outside of the region is one thing, but it's hard to imagine [a more difficult office space climate](#), [a more difficult downtown Detroit property](#) with [a more troubled recent past](#).

You can't really gloss over [the 10-plus years of mismanagement](#) at the iconic complex, which consists of the original 13-story building, a 22-story annex and the 47-story skyscraper, the eye-catcher that for a half-century was the tallest building in the city before its crown was taken by the 727-foot Marriott hotel at the Renaissance Center.

We're talking about a series of upkeep failures ranging from nonworking toilets accumulating human excrement to people trapped in elevators hundreds of feet above the ground; from other debris and waste piling up and people shivering in the cold during a recent winter without working heat.

But Schiffman says steps have been taken to bring the property into the 21st Century. He said ownership has spent \$5.5 million to \$6 million on improvements in the last two years.

Nine of the property's 26 elevators have been "modernized," Schiffman said, with new safety controls and new cabling and other infrastructure. Sump pumps have been upgraded to prevent flooding, as was a problem in the past. New systems are in place to deal with toilet issues. Heat and air conditioning, Schiffman says, are improved with things like upgrades to steam systems, new valves and pressure controls.

The city says Triple Properties has paid \$48,515 in blight ticket fees to date with an outstanding balance of \$4,475, and that Triple has "complied with" addressing the issues. A certificate of compliance can be issued once the outstanding balance is paid.

Regardless, it'll take serious effort on the part of Triple Properties and P.A. Commercial to overcome the years of mismanagement and horror stories from office tenants.

And while Triple may have hired a professional brokerage team to lure new users to the building, it has not hired an outside management firm to run it. That's not lost on some brokers I spoke with.

Or, apparently, on the building's website, which seems to indicate Triple Properties knows there is much work to be done. On the right-hand side of every page, there's the same message: "We are constantly working to raise the bar on our services."

Hit me up

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Inline Play

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