



FOCUS

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First Commercial Relocates to River's Edge Office Building

Having been headquartered, for more than 17 years, in the same Southfield, Mich., office building in which it was founded, First Commercial Realty has packed its bags and moved to a new, larger facility. The River's Edge Office Building, located at 27600 Northwestern Highway, also in Southfield, is First Commercial's new home.



River's Edge Office Building

Since 1988, when company President William Watch and Executive Vice President Warren Terrace launched the business, the company had leased office space in a small, shared office building on Telegraph Road. Over the years, as First Commercial grew, so too did its space, which ultimately consumed the building's entire first floor. Like a young family that eventually outgrows its starter home,

First Commercial, with the continued expansion of its staff, simply became too big for the confines of its space. The firm's principals began scouting for new offices last summer, and in April, the company purchased the River's Edge Office Building as its new headquarters.

"We liked the central location of our former building, but obviously needed more room to operate," said Watch. "We were really fortunate to have found The River's Edge Office Building and believe it will accommodate our needs quite nicely, now and into the future."

The 37,000 square-foot River's Edge Office Building easily houses the 25 members of First Commercial's staff and provides ample room for future growth. The company is currently in the process of expanding its brokerage staff. Plans call for adding another eight people this spring to its current 12-person team. "We now have plenty of room to accommodate our expansion plans," said David S. Greene, First Commercial's director of brokerage and leasing, who oversees the company's brokerage staff. "It's a terrific new facility and a very pleasant work environment."

First Commercial has set up shop on the main level of the two-story building. The company will occupy 7,248 square feet of the River's Edge, nearly doubling the size of its former offices. The remaining space on the main level as well as the entire lower level of the building will be leased to other tenants. Much of that space has already been leased.

Situated on slightly more than four acres of land in a beautiful, park-like setting overlooking dense trees, a ravine and a picturesque river, First Commercial's new headquarters is easily accessible from I-696, Telegraph Road and Northwestern Highway. Located behind the Copper Canyon Brewery, the River's Edge Office Building is only a quick two minute drive from First Commercial's former offices. "It's a wonderful location and hard to believe that it's situated in the middle of a busy city like Southfield," said Denise Stockinger, property management administrator at First Commercial. "The view from our windows offers glimpses of deer, cardinals and other wildlife. It's really great."

FC Expands Shopping Center Portfolio; Acquires Two, Redevelops a Third

Expanding its portfolio of shopping centers, First Commercial Realty has acquired Dodge Park Plaza an 85,000 square-foot shopping center in Sterling Heights, Mich., and the Summit Shopping Center, a 148,291 square-foot shopping plaza in Van Wert, Ohio.

Once anchored by a 30,000 square-foot Farmer Jack grocery store, which now stands vacant, Dodge Park Plaza, which First Commercial acquired in March, will soon boast a new anchor tenant. First Commercial President William Watch said a 30,000 square-foot Salvation Army retail outlet will open this summer in the former Farmer Jack site.

With the addition of the Salvation Army, Dodge Park Plaza will be nearly fully leased. Only a 15,000 square-foot site remains available. Other tenants at Dodge Park Plaza, which is located at the northeast corner of 15 Mile Road and Dodge Park, include Rite Aid drugstore; Aco Hardware; Discount Nutrition, Hallmark; Dodge Park Coney Island; Extreme Rayz tanning salon; One Hour Martinizing; Baskin Robbins and Ram's Horn restaurant.

Summit Shopping Center, purchased by First Commercial last summer, was developed in 1968, renovated in 1988 and has long been a retail staple for the Van Wert community, located 2.5 hours south of Toledo. Situated on roughly 27 acres, the property offers ample parking. Existing tenants include RadioShack, Dollar General, Tractor Supply Co., Rent A Center and Peebles. First Commercial has already negotiated leases with new tenants to lease vacant space at the shopping center including Shoe Sensation, a regional operator of shoes and fashion ware, and Tina's nail salon. Additionally, one of the center's current tenants, Slushers, will change its name to The Bridge, revamp its retailing format and expand its space. The Bridge will increase its size from 1,100 to 5,600 square feet and plans to sell jewelry and religious items.

In related news, with their purchase last summer of the Woodhaven Commons shopping plaza, First Commercial and A.F. Jonna Development have begun breathing new life into the partially-developed shopping center

in Woodhaven, Mich. A company jointly created by the two firms is redeveloping and re-tenanting Woodhaven Commons, which is located at the southeast corner of Allen and West Roads in Woodhaven, Mich.

The shopping center is currently comprised of Sears Hardware, a Kroger grocery store, Target and a parking lot. The company has purchased several pads surrounding the existing retailers and plans to develop new retail to fill in at the site. Construction of the \$11 million project will begin shortly and is expected to be completed in late fall 2005. First Commercial will develop, lease and manage the property.

"This shopping center is very well-situated at a busy intersection with strong anchor tenants already in place," said Watch. "We plan to supplement the existing retail with a variety of smaller retail tenants that will enhance the current tenant mix and build traffic at the shopping center." Watch said First Commercial will add about 85,000 square feet to Woodhaven Commons bringing it to 110,000 square feet when completed.

Shops at Lafayette Park Hosts Grand Opening

Following its recent \$3 million renovation by First Commercial, The Shops at Lafayette Park, located within Detroit's historic Mies van der Rohe district, celebrated its grand reopening in December. City officials, community leaders, union officials and local residents attended the event at which the center's new pedestrian plaza was unveiled. The plaza, a tribute to Mies van der Rohe, is widely considered one of the century's greatest architects, was designed by architects from Ply, in Ann Arbor, Mich. Both Ply and First Commercial were honored by The American Institute of Architects (AIA) for their role in the project. The AIA selected the Mies van der Rohe Plaza as its 2005 AIA Michigan Award of Honor recipient.



A view of the entire Mies van der Rohe Plaza looking north. In the spring, the plaza will be planted with greenery and flowers. In the background are the Lafayette Park Towers, also designed by van der Rohe.



Officials unveil the monument at the north end of the Mies van der Rohe Plaza. Left to right are William Watch, president, First Commercial Realty; Helen Burns, the BUILD Fund; Doug Kelbaugh, dean, U of M College of Architecture and Urban Planning; Detroit Councilwoman Barbara Rose Collins; Walt Watkins, City of Detroit Planning and Development; Detroit Councilwoman Alberta Tinsley-Talabi, and Warren Terrace, executive vice president, First Commercial Realty. The monument, a tribute to Mies van der Rohe, is inscribed with quotes from the world renowned architect including, "We expect nothing more from materials in themselves, but only the right use of them. Each material is only worth what we make of it."

First Commercial Expands Brokerage Group and Names New Director of Construction

First Commercial Realty & Development Co. has expanded its Brokerage Group with the addition of two new staff members. Joel N. Karboske has joined the firm as a sales associate, and Laura Kitchen is the administrative assistant. Karboske will be responsible for leasing company owned properties, as well as third party work involving the sale and leasing of client properties and tenant representation.

Karboske joins First Commercial from Elkhorn Properties in Grand Rapids, Mich., where he was a property manager. A graduate of Aquinas College in Grand Rapids, Karboske earned a bachelor's degree in business administration. He is presently attending Wayne State University's Law School.

Before joining First Commercial, Kitchen was an administrative coordinator with the American Lung Association of Michigan in Oak Park for more than eight years.

In related news, James Valenti has joined First Commercial as director of construction. Valenti has more than 24 years experience in the construction and commercial real estate industries. He joins the company from Borders Group, Inc., in Ann Arbor, where, since 1999, he was manager of estimating and construction.

At First Commercial, Valenti will oversee construction of new properties developed by the company and remodeling and rehabilitation of existing properties owned or managed by First Commercial. He attended Ferris State University, earning a bachelor's degree in architecture. He also pursued additional studies in finance at the University of Denver.



Joel N. Karboske



Laura Kitchen



James Valenti

Chilson Commons Abuzz with Activity



The parking lot of the newly-opened Chilson Commons, a Kroger-anchored shopping center developed by First Commercial in Hamburg Township, is buzzing with activity. The recent Grand Opening celebration for the Kroger grocery store there coincided with the openings of several other tenants at the 122,633 sq. ft. shopping center. Among them were Jets Pizza, Fantastic Sams, Best Entertainment, Smokers Outlet, The UPS Store, Subway, and Troy Cleaners. Soon to come are The Farm Bureau Insurance Company and Wireless Giant, both of which plan May openings. Chilson Commons is located at M36 and Chilson Road. For information on leasing remaining space there, contact Bryan Terrace at (248) 352-5000.

Update

This column will help keep our readers up to date on the status of real estate projects and transactions with which First Commercial Realty & Development, Co. is involved.

- Two new leases were completed for sites in the Tower Center Mall in Detroit. First Commercial's **Warren Terrace** completed a 12,000 sq. ft. lease with **The Optimist Youth Foundation** while **Deb Munro** leased 700 sq. ft. to **Mayneattraction**, a hair salon.
- At the nearby Tower Center Annex, **Deb Munro** completed a 2,717 sq. ft. lease with **Hip Hop Clothing** of Detroit.
- **Richard Weil**, representing the tenant, **Cartridge World**, finalized a lease for 1,015 sq. ft. at Century Plaza in Troy. Weil also negotiated a 1,200 sq. ft. lease with **Little Caesars** at Conner Square in Detroit.
- **Beth Baker** and **Sam Jahshan**, representing the landlord, at Maple Park Plaza in Commerce Township, secured four new tenants for the shopping plaza. **Le's Nails** leased 1,426 sq. ft. to open this spring. **China Town**, a Chinese eatery, leased 1,400 sq. ft., **Lu Lu's Coney Island** leased 2,500 sq. ft. and **Northside Deli** leased 1,300 sq. ft. All three restaurants plan to open this month.
- After its previous location was destroyed by fire, **Tipany Jewelers** found a new home at the Highland Park Plaza. **Deb Munro**, representing the landlord, transacted the 1,300 sq. ft. lease.
- At the newly renovated Shops of Lafayette Park in Detroit, **Kay Beauty** leased a 5,000 sq. ft. site. **Beth Baker** represented the landlord in the transaction. Additionally, **Deb Munro** leased a 1,692 sq. ft. space to **Iron Wok**, a new restaurant slated to open this spring.
- **Deb Munro** also finalized a lease for 4,980 sq. ft. at 27882 Gratiot in Roseville for **Dr. Joe Lupo**. Munro represented the building's landlord.

The Peaks and Pitfalls of the Retail Lease

By David S. Greene, Director of Brokerage & Leasing

On the surface one would think that leasing space in a shopping center would be a simple process, but as Murphy's Law would have it, that's not the case. Whether you are a landlord or a tenant, the lease process seems to continually get more complex. There are many different aspects of a lease today that make it more difficult for both parties, and in some cases could create a financial hardship. This article will address the most relevant issues of leases used in today's marketplace as well as some of the pitfalls.

In negotiating lease transactions, most real estate agents use what is called an "LOI" (Letter of Intent or Letter of Interest). This is a non-binding agreement which is used to identify the basic terms for preparation of the lease, such as rent, location, square footage, commencement date, security deposit, landlord's work and tenant's use. While some LOIs are very simple, others can be very complex. On the surface, the more specific the LOI the easier the negotiation process.

The commencement date: In an existing building, this is less a problem, but a situation could exist where either the local municipality or the tenant's use requires a permit to occupy. It could mean the landlord is not collecting rent when agreed too, or it could force a tenant to have to pay rent before opening for business. The advice here is to do your homework before signing the lease. In a new development, the tenant may have a target date, but that in no way guarantees that the space will be ready when planned. Most new developments have a drop-dead date that allows for tenants to cancel the lease if not delivered by that date.

The lease term: Short-term leases provide tenants the most flexibility. For example, if they find they require more space or that a different location would be better, options are available. There is a trade-off however. A long-term lease ensures the tenant an affordable business space for a predictable period of time. And, landlords are often willing to make more concessions on longer term leases. In a business where location is key, deciding on the best lease term is more problematic. If the business does well, a lease for an extended term is preferable. On the other hand, a tenant may

be apprehensive about signing a five-year lease in case the business goes kaput!

Options to renew: Options only benefit the tenant. They are a no-win situation for the landlord. If the agreed option rate is less than the current market rate, the landlord will never be able to make up the lost rent. If the option rate is higher than the market rate, the tenant has the choice of closing and leaving the landlord with a vacancy which will cost the landlord in down time, commissions and possible tenant improvement costs. In the latter situation, a tenant should always be able to negotiate a better rate, and most landlords will be eager to work with the tenant.

The tenant's use and restrictions clause: The item that seems to create the most issues and problems in lease negotiations is the "use" and "restrictions clause". This one item could be a deal killer. A landlord could allow a tenant to exclude different users to the point where no tenant could occupy a vacancy, creating a financial hardship. On the other hand, if the tenant has no protection against competition, it could mean it does not survive. It is important to find a delicate balance. This is usually more of an issue with national tenants who do not want any competition, whether perceived or real.

Kick-outs, co-tenancy, going dark and early termination clause: While most local retailers are not familiar with the above referenced items, these clauses are quite prevalent with national retailers. In the cut-throat world of retail, large operators want to protect themselves against their own desire to expand too rapidly. Therefore, most national credit tenants will negotiate the ability to terminate the lease early, usually with some sort of payment penalty, although they still may have an obligation to pay rent. In other situations, their rent structure may be based on the existence of other large tenants. For example, in a grocery-anchored shopping center, a national tenant may have the ability to terminate its lease or get a reduction in rent if the grocery closes.

CAM, Insurance and Real Estate Taxes: The clauses in shopping center leases regarding common area maintenance

(CAM), insurance and real estate taxes define the tenant's obligation to pay the landlord for the tenant's proportionate share of these costs. Some leases include a specific list of the expenses that the landlord has a right to include while others are more general and state that the landlord may include all expenses which are reasonable. Other leases combine the two. It is important for both landlords and tenants to know the specifics of their lease regarding these issues, as this can end up being a very expensive aspect of the lease. Some landlords are now allowing tenants to choose between "grossing up" the rent or paying the nets separately. In a grossed up arrangement tenants may pay a premium for this benefit, but they know exactly what their costs will be.

Tenant Improvements: In shopping centers where one is leasing existing space, most landlords expect the tenant to take the space "as is". Depending on the condition of the space and market conditions, a tenant may be able to negotiate some free rent or even some contribution for interior renovations from the landlord. In a new shopping center, landlords typically provide what is called a "white box". A white box is usually a concrete floor, side walls taped and sanded but not painted. A bathroom that meets code requirements, a ceiling with light fixtures, a minimal amount of electrical outlets, enough cooling for a typical use and sometimes a wall separating the selling space from the back storage area are also typically provided. For a new business, finishing out the space could end up being very costly. The advice here is to spend some money upfront to have a plan designed and get it priced out before signing the lease.

The above mentioned clauses are only a few of the items in a lease that may create pitfalls. What we find with national tenants is that they typically always have a real estate agent representing them. Local tenants would be well advised to mirror what the nationals do and retain a real estate agent to represent them in the lease negotiation. Most agents' fees are paid by the landlord, although this is not always the case. Even if the tenant ends up paying the fees, it will be well worth the cost.