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For rent: Space in the Fed's Detroit branch

By JEFF KAROUB

If you like the idea of free rent for up to a year in Detroit, Uncle Sam's central bank wants you.

The Detroit branch of the Federal Reserve Bank of Chicago has launched a marketing effort to find tenants for its third floor -- representing about 15 percent of its 235,000 square-foot secure facility on East Warren Avenue near Interstate 75.

It's the first time the 5-year-old building has sought tenants, as the Federal Reserve downsizes and consolidates nationwide. Detroit's branch, which processes and distributes currency for the Treasury Department, finds itself with more space in large part because it no longer has a check-processing operation.

The aggressive effort -- and offer of one year's free rent -- is a way to compete in a city with one of the nation's highest office vacancy rates.

"What we find is most (commercial) buildings are offering these types of incentives," said Michael Sutton, assistant vice president for the Federal Reserve Bank of Chicago. It's one of 12 regional Reserve Banks which, with the Board of Governors in Washington, D.C., serve as the nation's central bank.

"Obviously the Detroit market is a difficult one for everyone right now," Sutton said. "It's certainly not as vibrant as any landlord would hope it would be."

Detroit's office vacancy rate stood at 30 percent at the end of the just-ended second quarter, according to John DeGroot, research manager in the Detroit office of real estate services firm Grubb & Ellis. That's up slightly from 29.6 percent in the year's first quarter, when the city had the highest vacancy rate of the 75 major metropolitan markets.

Detroit and its suburbs combined had a second-quarter vacancy rate of 25.2 percent, unchanged from the previous quarter, DeGroot said.

To get some attention in the crowded office market, the Fed has hired as its leasing agent Southfield-based NAI Farbman, whose marketing push includes advertising and tours.

Sutton said other amenities include a large conference center, cafeteria area and patio with city views. Tenants also benefit from power- and climate-backup systems that allow the branch to reliably continue work during outages and storms.

The building boasts better-than-average office building security, such as a high fence surrounding its 17-acre site, vehicle inspection for visitors, and X-ray and other screening technology.

"Obviously, a retail operation probably would not be well-suited for us as a tenant," Sutton said. "However, a data storage company ... would be a perfect fit."

The Detroit branch is among several Fed facilities launching leasing efforts, though its parent has been in the landlord business for a while: Sutton said Chicago's landmark downtown building has had tenants since the 1950s.