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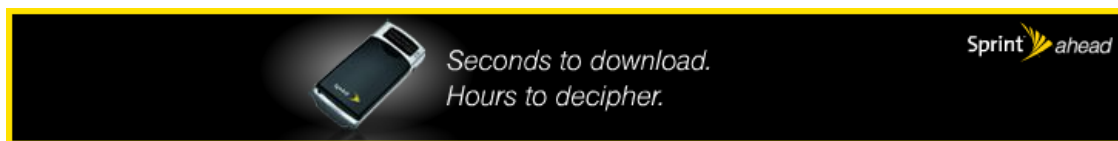
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Detroit's retail climate better than perceptions, experts say

By Christine Snyder

3:01 am, August 12, 2007

Detroit resident Claire Nelson was one of those people who saw Detroit's underserved retail market as an opportunity. Claire and husband Francis Grunow opened **Bureau of Urban Living**, a household goods store in Midtown, three months ago.

The experience, she said, has exceeded her expectations. "It's a lot of work, but Detroiters are so great about supporting local businesses because everybody wants to see more of them."

Nelson said local business owners have mentored her and residents have made special trips to shop and offer support. "We don't have huge dollar signs in our eyes and we know opening a small store isn't going to make us millionaires but it's not why are doing it.

"We are doing it because we love Detroit and we want more shops in our neighborhood."

There is a wave of marketing underway to make the business case to get more stores like the bureau open. Experts say the city faces challenges by Michigan's economic conditions but can point to income and population figures that justify more retail investment both in neighborhoods and the central city.

"The pentup demand is there, they (residents) are underserved," said Christopher Leinberger, professor and director of the graduate real estate program at the **University of Michigan**. Leinberger said he'd like to see more retail redevelopment projects. "One great location because it's central and because it has existing parking is the old MGM casino," he said.

John Talmage, president and CEO of **Social Compact**, a Washington nonprofit that measures urban market potential, said a lack of retail is not unique to Detroit and the best defense is providing accurate demographic data.

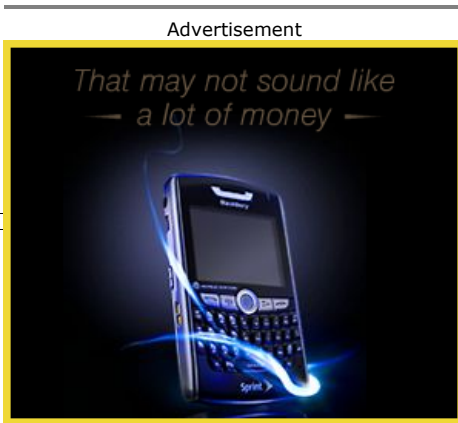
"These are issues in all urban areas. It is still a hard sell for any urban area, whether it's midtown Miami or Queens, N.Y.," he said.

Michigan is also in an unenviable region, Eichelbaum said. "For 20-35 years, Detroit redevelopment has been a Detroit problem. Today it has progressed ...to a Rust Belt problem. There is more reticence toward the Rust Belt in general."

Many wonder, however, if Detroit can even be compared to other cities. "The city of Detroit is in a league by itself," Leinberger said. "The only hotspot as far as residential development in (the metro area) is in downtown Detroit. If anybody would have said that three years ago, they would have questioned your sanity."

Talmage said the only real challenge Detroit faces is perception and the inaccurate information feeding those perceptions.

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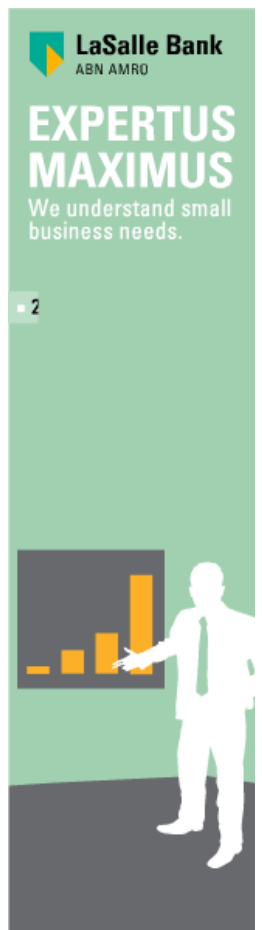


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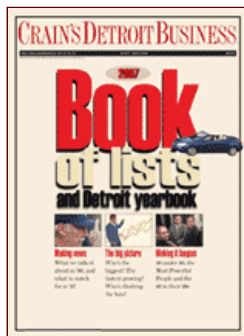
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"We worked in 12 cities to date and we have 850,000 people missed by the **U. S. Census**," Talmage said. "We found \$20 billion of unrecognized income. That can make the difference between site selection in the suburbs and site selection in the cities."

Social Compact measured the greater Detroit downtown area and turned up positive data. Social Compact's data is being used by the **Detroit Economic Growth Corp.** to attract retail to the city.

Social Compact plans to work with the DEGC during the next three years to study spending power in Detroit neighborhoods. That includes six areas outlined in the city's **Next Detroit** neighborhoods initiative, a neighborhood revitalization program.

"We found the household income was 51 percent higher than the 2000 census," Talmage said. "I believe the city is ready to accept the challenge to correct these misperceptions that go to income and to number of people."

It's unfortunate such a campaign didn't start several years ago, say some academics.

"What Detroit has to remain cognizant of ... is that development and capitalization is about market timing more than anything," said Stan Eichelbaum, a professor at **Michigan State University** and retail adviser.

"Detroit unfortunately didn't make these moves eight or 10 years ago and missed a window of opportunity at the most fluid development climate ever," he said.

Robin Boyle, professor of urban planning at **Wayne State University**, describes the retail outlook as "difficult." "There is a lot of uncertainty in the economy as a whole and that plays itself through all sectors of the development industry. I think in one sense they are feeding off each others' bad news."

In addition to the economy, Detroit inevitably has to defend itself from negative perceptions.

William LaKritz, president of commercial brokerage firm **LaKritz-Weber** in Southfield, said the three biggest barriers retailers are security, the employee pool and taxes.

"The cost of these barriers is very expensive," LaKritz said. "I think you have some basic services and needs that really need to be continually solved to really create a push for your standard national retail chain."

The data also supports the positive market potential for retail. Talmage said the 22 stores in the greater downtown categorized as grocery stores are averaging sales of \$850 a square foot as opposed to the national average of \$350.

Still, the city's perception as a underpopulated, poor and problematic retail market is hard-wired, said Talmage, who cited **Kroger's** recent snub of Detroit as an example.

"To date there has not been the quantitative efforts made to demonstrate that Detroit has the purchasing power to support retail that belies the census numbers," he said.

Eichelbaum said the marketing push should be toward one area. "You need to be bringing them (retailers) to an understandable project; an understandable critical mass that they become part of the synergy of."

But Eichelbaum stresses Detroit is on the right track with its cleanup of major thoroughfare Woodward Avenue, which he said will serve as a model for other retail spots. "The city has taken a quantum leap on downtown by finally proactively dealing with infrastructure issues."

"Detroit is a city that has allowed numbers of great retail districts to go into total disrepair and decline. They now have the model set for starting to reassert those areas."

Danny Sampson, vice president of the **Sterling Group**, a Detroit-based real estate company, said Detroit's retail evolution is "textbook ... in the sense that you are seeing entertainment and restaurant-type users coming in and now you are seeing more of the support retail coming in. Sampson said logical hubs for retail include "a Tiger Stadium type of location where there is significant acreage but still a stone's throw away from the residential success.

Also, he said, Wayne State University and **The Detroit Medical Center** are likely to continue to attract supporting retail.

"You will start to see the grocery store, the clothing store," Sampson said. "I think that will happen and be supported by an increase in residential we are seeing."

Once retail comes in, it only gets better, said LaKritz. "Retailers are like sheep, if enough have come and proved they can do business others will follow."

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