

BUSINESS

GM's move puts RenCen's future up in the air amid office space glut



Candice Williams

The Detroit News

Published 8:23 p.m. ET April 15, 2024 | Updated 8:27 p.m. ET April 15, 2024

Detroit — As General Motors Co. plans a move into the Hudson’s Detroit development on Woodward Avenue next year, the fate of its 47-year-old Renaissance Center headquarters looms over its hometown amid a nationwide commercial office space glut that is especially acute in the Motor City.

Options for the post-GM RenCen could include commercial, residential or mixed use, GM CEO Mary Barra said during an announcement Monday afternoon that the automaker would take the next year to assess options for the iconic, five-tower complex overlooking Canada and the Detroit River.

“We will partner with Bedrock and the City of Detroit and Wayne County to plot a new path forward for our current home, the General Motors Renaissance Center,” she said. “Over the course of the next year or so, we’ll explore new ideas for the complex, including the possibilities for commercial or residential or mixed use. And we’re grateful for the collaboration with a visionary like Dan (Gilbert), who has had such an impact on the resurgence of downtown Detroit in recent years.”

Real estate experts say the next logical step is to redevelop at least a portion of the property’s office space as hotel space, multifamily or both.

“I would be very surprised if the plan entails not converting office space to either multifamily residential or hotel rooms,” said Alex Calderone, principal of Calderone Advisory Group. “I would be surprised if that is not what their intentions are.”

GM announced with Bedrock its plans to move from its corporate-owned headquarters along the city’s riverfront into the Hudson’s Detroit development on Woodward. The automaker

will lease the top two office floors of the building adjacent to the 685.4-foot-tall tower for 15 years.

Altogether, the project will feature 1.5 million square feet of space, including office, retail, hotel and residential components.

According to CoStar reports for the Renaissance Center, GM occupies 614,000 square feet of Tower 400. Varying portions of office space in towers 100, 200 and 300 are vacant, most notably Tower 200 with 66% vacancy, according to CoStar.

“That’s a lot,” said Paul Choukourian, executive managing director of the Royal Oak office for Colliers, a commercial real estate company.

GM’s departure from its corporate-owned headquarters comes amid a nationwide fallout in the office real estate market following the continuing trend of remote work brought on by COVID-19 pandemic. The relocation to Hudson’s Detroit would be the fourth move within the city for the automaker. GM bought the complex as its global headquarters in 1996 for \$73 million and planned a \$500 million renovation as it moved from Cadillac Place in the New Center area.

Choukourian said this latest move will give GM an opportunity to downsize and save on operation costs.

“If you can cut your space dramatically, you can still save money and you’re in brand new beautiful Class A space,” he said. “The RenCen was obviously a beautiful building, but this Hudson’s tower is just going to be the most fabulous building in the city of Detroit.”

Those remaining fear losing business

Joe Vicari, owner of restaurants Andiamo and Joe Muer inside the Renaissance Center, said he was shocked and disappointed Monday to learn of GM’s upcoming departure. He said although business from GM workers has been slower since the pandemic, his business will take a hit without their patronage.

Vicari said he plans to seek more information from GM about what he can expect as a tenant. Andiamo has been in the Renaissance Center for 20 years and Joe Muer has been there for 12 years. He said in total, he spends more than \$700,000 in rent annually.

“I think we've been good for them, and they've been good for us,” he said. “In the past, people that came to see people from General Motors, they stay at the hotel, they come into our restaurants and eat. That was always something we could count on. Now that they're moving to the Hudson tower, obviously, the vendors and all that will stay right in the Hudson tower. So we're going to lose whatever business we had of that.”

Vicari said he's open to the idea of residential or additional hotel space. The property currently features a Marriott International Inc. hotel.

Choukourian said it makes sense for Bedrock to work with GM to repurpose the Renaissance Center. Bedrock had previously looked at purchasing the property.

“If they would (joint venture) somehow, it makes sense,” he said. “I know in the past, there were conversations about this happening where GM would relocate to the Hudson's building, which makes a lot of sense. They don't need all that space in the RenCen. It was a big waste of space after people started using office space differently. So really makes sense. ... The RenCen is amazing, but it's like a little city in itself on the other side of Jefferson.”

Construction on the Renaissance Center began in 1973 to stimulate building activity in Detroit following the 1967 Detroit uprising. The effort was headed by Henry Ford II in partnership with 26 other business leaders. The project cost \$350 million, which translates to \$1.7 billion in today's currency and was considered the country's largest privately funded real estate development at the time.

When it opened in 1977, the center hotel tower was the world's largest. Towers 500 and 600 opened in 1981. There were plans for a third phase featuring residential housing, but it never materialized due to the city's declining population.

The RenCen has long been considered isolated from the rest of the downtown. Berms at the property along Jefferson would later be removed during a renovation.

Clean slate

As of Monday, Renaissance Center's vacancy rate was 18% vacant at Tower 100, 66% vacant at Tower 200 and less than 1% vacant in Tower 400, according to CoStar. The report notes no availability in Tower 300 where GM occupies about 614,000 square feet of office space.

Choukourian said the move will provide GM with a clean slate. He said could see multifamily redevelopment at the site, although such a project could be cost-prohibitive.

“I believe it may have been too expensive to justify at this time, but that'd be a really neat use for those buildings if you could have a combination of office and maybe residential in one of the towers,” he said.

He said that by holding onto the property and redeveloping it, the automaker might get more money for it if and when it decides to sell.

“I'm sure if they could sell it and get a number that they'd be happy with, they would do so,” he said. “But I also believe they're going to maximize the value by (joint venturing) with Bedrock. So if they do decide to sell it at some point, they'll do better by working with Bedrock over some amount of time to secure the buildings, to maybe put tenants in there or reposition them or whatever they're going to do.”

He noted that in December, Farmington Hills-based Friedman Real Estate purchased 500 River East Tower and 600 River East Tower, each 336,000 square feet, from a Newark, N.J.-based energy company for \$15 million.

“It'd be dirt cheap,” he said. “They would lose a ton of money. If they can actually position them properly and add some tenants, or however they're going to those properties, they're going to add value.”

GM's departure from the Renaissance Center could be a draw for hotel space in addition to the nearly 1,300-room Marriott hotel at the complex.

“It's a building that towers over the Detroit River,” Calderone said. “There are excellent views of the skyline and the river. And so I do think it's prime real estate. My gut tells me that multifamily housing and or hotel rooms will probably be the two most likely conversion probabilities.”

Additional rooms at the Renaissance Center would appeal to the tourism industry, which wants more hotel rooms downtown to attract large-scale events, such as the NFL Draft the city is hosting later this month.

Calderone said his firm found that the city places last among its competitive set for convention center hotel rooms and falls short by nearly 3,300 rooms to just land in the middle of the group, which includes Indianapolis, Philadelphia, Pittsburgh and Cleveland.

“Economically speaking, conversion to a sizable hotel, in my opinion, would have the greatest economic impact on the city ...” he said. “It probably wouldn't be all hotel, but I think they

could fit a substantial amount of rooms in that space. I don't know how many, but I would have to believe we're talking in the thousands.”

cwilliams@detroitnews.com

Featured Weekly Ad



Ende

Kroger

Valid Apr 10 - Apr 16

1 Day Left

[See More](#)