

# QUARTERLY MARKET REPORT

— 2024 —

## 3RD QUARTER

**3W**  
THREE WEST  
COMMERCIAL

NORTHWEST MICHIGAN COMMERCIAL REAL ESTATE

# Demand and Resurgence – 3rd Quarter Overview



As we transition into the third quarter of 2024, the commercial real estate market in Grand Traverse County is experiencing a remarkable resurgence. Following a strong first half of the year, the trends observed are indicative of a robust recovery fueled by increasing demand across various sectors. This article delves into key metrics and provides insights into the current landscape of the commercial real estate market.

## TOTAL SQUARE FOOTAGE SOLD

One of the most striking indicators of market health is the total square footage sold, which saw an impressive increase from 203,448 square feet in 2023 to 495,533 square feet in 2024. This 143.6% jump underscores a growing appetite for commercial properties, reflecting both heightened investor confidence and a surge in business activities. Such a dramatic rise points to a reinvigorated interest in the region's commercial landscape, particularly as businesses seek to capitalize on the recovering economy.

## AVERAGE BUILDING SIZE

Accompanying the increase in total square footage is a noteworthy rise in the average building size, which increased from 5,651 square feet in 2023 to 9,528 square feet in 2024. This 68.6% increase suggests that businesses are opting for larger spaces, possibly to accommodate expansion or to consolidate operations. The preference for larger facilities might also indicate that companies are planning for sustained growth in the post-pandemic era, aiming to future-proof their operations.

## AVERAGE SALES PRICE

Despite the increase in total square footage and building size, the average sales price of commercial properties also rose significantly, from \$806,500 in 2023 to \$1,089,264 in 2024—an increase of 35.1%. This upward trend in sales price may reflect a shift toward higher-quality assets in the market. Investors appear to be willing to pay a premium for properties that meet evolving business needs, highlighting a competitive market environment.

## TOTAL VOLUME SOLD

The total volume of commercial real estate transactions has also seen a remarkable escalation, with sales jumping from \$29,034,000 in 2023 to an astounding \$56,641,717 in 2024. This nearly doubling of transaction volume (95.1% increase) illustrates not only a thriving market but also an influx of investment into Grand Traverse County. The data indicates that investors are actively seeking opportunities, which is a positive sign for future growth and development.

## SECTOR-SPECIFIC INSIGHTS

**1. Office/Medical Sector:** The Office and Medical sector continues to be robust, driven by an increasing demand for healthcare and professional services. Businesses are adapting to a hybrid work model, necessitating flexible office spaces that can accommodate diverse operational needs.

**2. Industrial/Warehouse Sector:** The Industrial/Warehouse sector has shown consistent growth, fueled by the expansion of e-commerce and supply chain demands. Properties in this sector are becoming highly sought after, with rising demand leading to competitive pricing.

**3. Retail/Restaurant Sector:** Perhaps one of the most notable recoveries is within the Retail and Restaurant sector. As consumer confidence rebounds, businesses are actively seeking space to expand and enhance customer experiences. This sector has experienced a significant uptick, indicative of changing consumer behavior and increased spending.

## MARKET OUTLOOK

Looking ahead, the commercial real estate market in Grand Traverse County is poised for continued growth. The anticipated decisions by the Federal Reserve regarding interest rates may influence borrowing costs, but the current momentum suggests that the market is resilient. The upcoming Presidential Election may also inject a level of uncertainty; however, the overall trajectory points toward a robust recovery.

The first half of 2024 has demonstrated that the commercial real estate market in Grand Traverse County is adapting and thriving despite external pressures. The rising demand for larger properties, combined with significant growth in transaction volume, signals a market that is not only recovering but is also potentially set for long-term success.

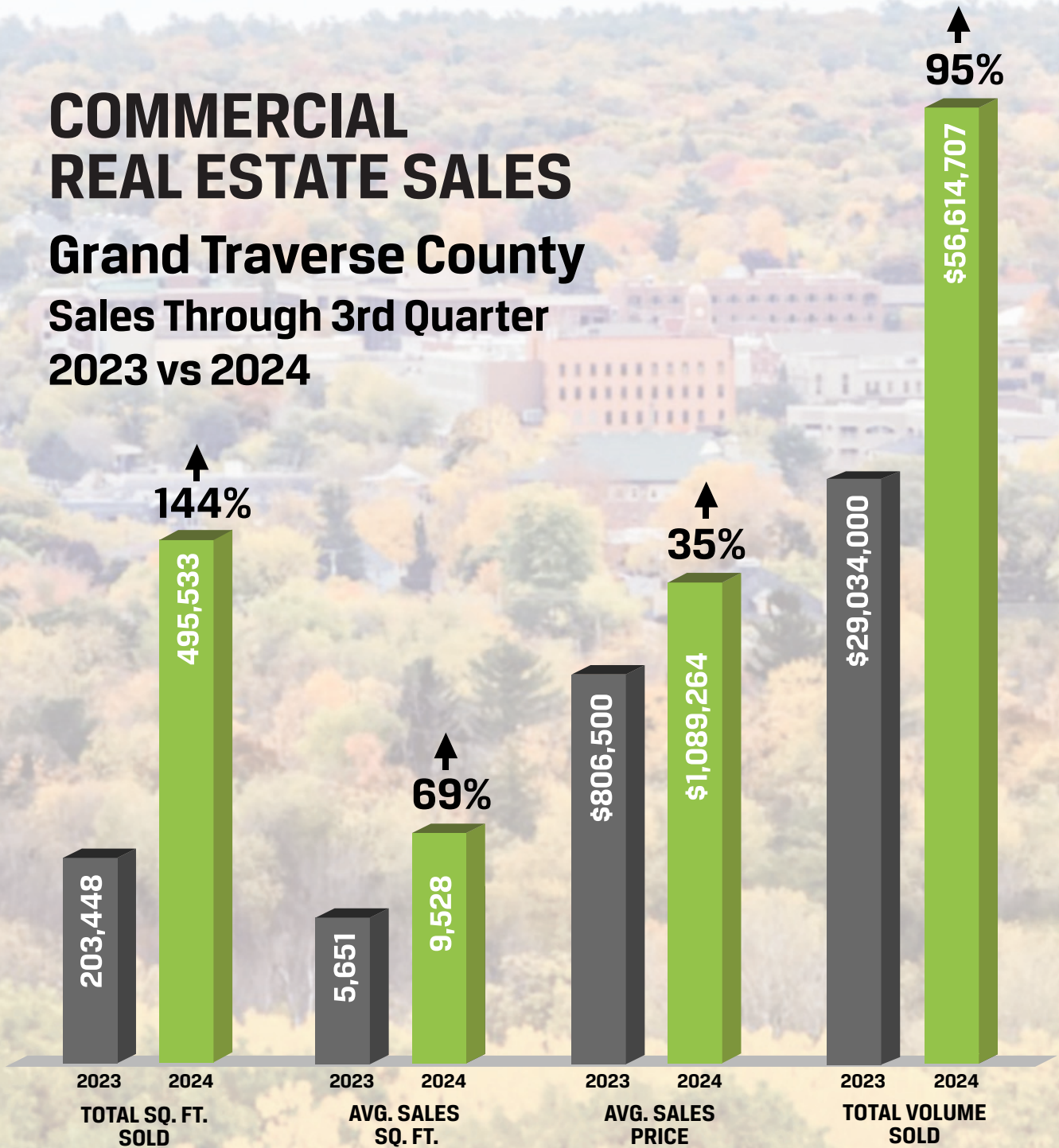
## CONCLUSION

In conclusion, Grand Traverse County's commercial real estate market is in a state of remarkable growth as we move into the third quarter of 2024. With significant increases in total square footage sold, average building sizes, and overall transaction volumes, the market is demonstrating resilience and adaptability. Investors and businesses alike should remain optimistic as they navigate the evolving landscape of commercial real estate, with opportunities for growth and expansion evident across various sectors.

Kevin Endres, CCIM, SIOR  
Three West Commercial

# COMMERCIAL REAL ESTATE SALES

## Grand Traverse County Sales Through 3rd Quarter 2023 vs 2024



\* All sales data is for sales in Grand Traverse County reported by Traverse Area Association of Realtors  
\*\* Properties without a recorded sales price are not included in the Average Calculations for Sold Price/SF



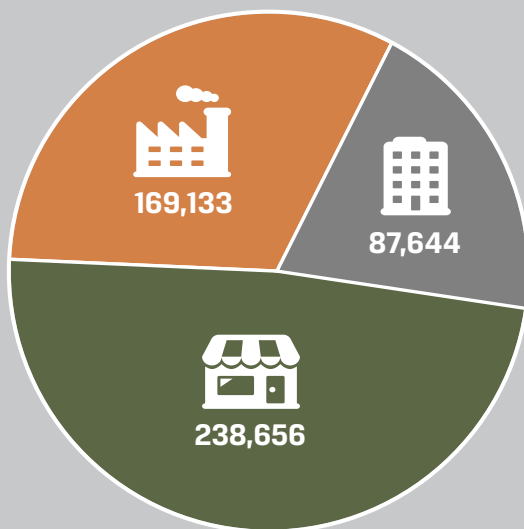
# SOLD PROPERTIES GRAND TRAVERSE COUNTY

## Third Quarter 2024

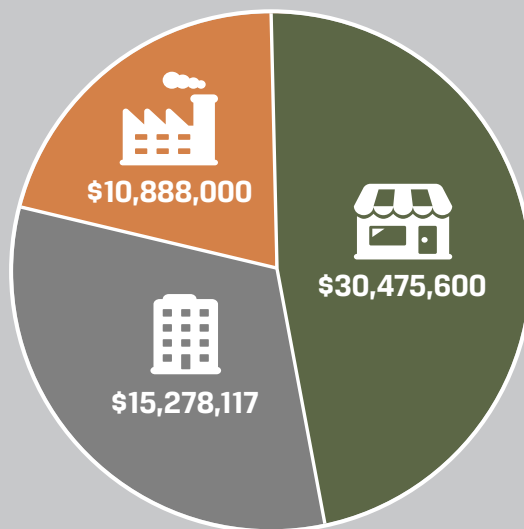
	TOTAL SQ. FT.	AVG. SOLD PRICE / SQ. FT.	AVG. DAYS ON MKT.	TOTAL VOLUME SOLD
Office / Medical	87,644	\$219	354	\$15,278,117
Industrial / Warehouse	169,133	\$95	172	\$10,888,000
Retail / Restaurant	238,656	\$211	154	\$30,475,600

## MARKET SNAPSHOT

TOTAL SQUARE FEET



TOTAL VOLUME SOLD



OFFICE / MEDICAL



INDUSTRIAL / WAREHOUSE



RETAIL / RESTAURANT

\* All sales data is for sales in Grand Traverse County reported by Traverse Area Association of Realtors

\*\* Properties without a recorded sales price are not included in the Average Calculations for Sold Price/SF

# NECESSITY-BASED REAL ESTATE: A RESILIENT HEDGE AGAINST ECONOMIC VOLATILITY

By Jared Feldman

Unprecedented economic changes over the past few years have led to increased volatility in the market, prompting many investors to seek investments that provide both yield and stability. I believe this can be achieved by investing in necessity-based commercial real estate (CRE)—real estate assets with tenants that serve consumers' daily needs by providing essential goods and services.

I've seen how necessity-based CRE can serve as a potential hedge against market volatility and believe that it continues to be a resilient investment, even in uncertain times.

## Four Types Of Necessity-Based Assets

Necessity-based CRE includes grocery-anchored retail, unanchored neighborhood retail centers, workforce housing and distribution centers specializing in last-mile fulfillment. These asset types play a critical role in the local economy and have the potential to generate strong returns for investors when managed professionally.

At grocery-anchored retail centers, anchor tenants with strong credit profiles and longer base lease terms reduce the risks associated with nonpayment and vacancy. With grocery stores typically creating consistent and recurring foot traffic, these centers frequently attract high-quality secondary tenants, creating the potential for higher rents and additional income. Consumer spending on in-store staple grocery items tends to be noncyclical and largely insulated from macroeconomic volatility, making these assets resilient during shifts in the economy.

Neighborhood retail centers position a mix of retail, dining and service businesses close to consumers' homes. They thrive by offering customers a convenient location to purchase their everyday necessities. With a tenant base that has shorter lease terms, the merchandising mix can be diversified to meet changing consumer trends and to weather economic downturns. Over time, rent rolls and property values tend to grow alongside the community, providing investors with the potential for strong risk-adjusted returns.

Workforce housing meets the needs of people seeking affordable housing without a long commute to work. Recently, high interest rates and elevated home prices have created significant barriers to homeownership, resulting in a large group of "renters by necessity." This trend presents opportunities for investors in

multifamily housing. While there is currently less capital available for developers, the combination of limited new housing supply, high demand and the formation of new households suggests that the "renter by necessity" trend will continue. As a result, annual rent growth may either meet or exceed the rate of inflation over time.

Regional distribution centers, located near consumers' households, facilitate critical last-mile delivery systems to support the e-commerce economy. With retail e-commerce sales projected to account for 20.1% of total global retail sales in 2024, up from 18.8% in 2021, this growth is expected to continue to drive demand for these assets.

## Resilience During Volatility

I believe that necessity-based real estate is less correlated to market volatility than other asset classes, making it a valuable component of a diversified investment portfolio. Historically, economic volatility and market disruptions have led to attractive acquisition prices for necessity-based CRE assets, presenting unique opportunities for savvy investors. For example, due to the length of lease terms in retail centers, rental prices have historically remained resilient during market downturns, providing a steady income stream versus other investment opportunities.

In my experience, necessity-based CRE has the ability to provide investors with a number of potential benefits including asset appreciation, predictable cash flow, tax benefits, inflation protection and diversification.

## Future Insights

The necessity-based CRE landscape is constantly evolving, and remaining informed is important to stay ahead of the curve. Here are a few strategies to consider:

- **Diversification:** Whether investing directly into local CRE properties or investing with an investment firm, it's important to allocate your capital across various property types and geographical locations to mitigate risks.
- **Diligence:** Leverage tools in data analytics, property management and demographic trends to enhance decision making and operational efficiencies. GIS and third-party cellphone data can help you to better understand customer purchasing power within a few miles of a center. Our firm uses these tools to

determine the appropriate mix of tenants based on consumer preferences and needs in the area and can then perform a void analysis to identify tenants that are not in the area to help determine how vacancies at a center should be filled.

In addition, third-party cellphone tracking data can provide insight into how many times customers visit a center. Knowing how the stores in a center rank relative to their national averages is important to understanding both their health and long-term viability at the center.

- **Monitoring Macroeconomic Trends:** In a changing interest rate environment, I believe investors should actively monitor macro trends to look for opportunities to capitalize on shifts in market cycles. Pay attention to how grocery mergers are playing out to understand their potential to impact the competitive landscape.

While multifamily assets have historically benefited from increasing rents due to demand traditionally outpacing supply, investors should follow the rate of new units coming into a market to better understand how that will impact rent growth in both the near and long term.

I recommend monitoring jobs data, consumer debt outstanding, inflation and interest rates to assess consumer strength. On the debt side, I recommend closely following five-year Treasury rates. This rate is important as it impacts our firm's costs for new acquisitions and refinancing debt at existing properties. It also determines the potential sale price of the property.

## Taking A Strategic Approach

In conclusion, I believe that necessity-based CRE may provide a hedge against economic volatility while offering investors unique potential in terms of asset appreciation, predictable cash flow and stability during volatile economic times. By staying informed and taking a strategic approach, you can capitalize on the opportunities within this dynamic asset class. Investors who leverage these insights will be better positioned to succeed in the ever-changing economic landscape.

The information provided here is not investment, tax or financial advice. You should consult with a licensed professional for advice concerning your specific situation.

*Jared Feldman is a member of the Forbes Financial Council and the executive chairman of First National Realty Partners.*



# NOTABLE TRANSACTIONS - Q3

## OFFICE



**TRAVERSE CITY**  
**4110 Copper Ridge Drive**

**LIST PRICE: \$2,375,000**  
**SOLD PRICE: \$2,375,000**  
**BUILDING SIZE: 14,675 Sq. Ft.**



**TRAVERSE CITY**  
**999 Sixth Street**

**LIST PRICE: \$850,000**  
**SOLD PRICE: \$850,000**  
**BUILDING SIZE: 2,874 Sq. Ft.**



**TRAVERSE CITY**  
**1209 E Eighth Street**

**LIST PRICE: \$450,000**  
**SOLD PRICE: \$450,000**  
**BUILDING SIZE: 2,764 Sq. Ft.**



**TRAVERSE CITY**  
**700 E Hammond**

**LEASE PRICE: \$9,532 / Month**  
**BUILDING SIZE: 7,149 Sq. Ft.**

## RETAIL



**TRAVERSE CITY**  
**7270 N Long Lake Road**

**LIST PRICE: \$1,385,000**  
**SOLD PRICE: \$1,300,000**  
**BUILDING SIZE: 6,547 Sq. Ft.**



**BALDWIN**  
**880 Michigan Avenue**

**LIST PRICE: \$160,000**  
**SOLD PRICE: \$160,000**  
**BUILDING SIZE: 1,500 Sq. Ft.**



**MANCELONA**  
**8396 US-131**

**LIST PRICE: \$65,000**  
**SOLD PRICE: \$65,000**  
**PROPERTY SIZE: 0.82 Acres**



**TRAVERSE CITY**  
**3500 Market Place Circle**

**LEASE PRICE: \$9,529 / Month**  
**PROPERTY SIZE: 5,093 Sq. Ft.**



# NOTABLE TRANSACTIONS - Q3

## INDUSTRIAL



**BUCKLEY**  
125 Industrial Drive

LEASE PRICE: \$2,750 / Month  
PROPERTY SIZE: 3,920 Sq. Ft.



**TRAVERSE CITY**  
706 W Commerce Drive

LEASE PRICE: \$2,000 / Month  
PROPERTY SIZE: 4,400 Sq. Ft.



**TRAVERSE CITY**  
3711 Elmers Industrial Drive

LEASE PRICE: \$1,800 / Month  
PROPERTY SIZE: 2,400 Sq. Ft.



## BUSINESS



**TRAVERSE CITY**  
7270 N Long Lake Road

LIST PRICE: \$875,000  
SOLD PRICE: \$875,000



**SUTTONS BAY**  
100 S Cedar Street

LIST PRICE: \$52,000  
SOLD PRICE: \$52,000

CREXI



**Platinum  
Broker  
Award  
Winner  
2024**



# SELLING THE FAMILY PROPERTY (IT'S COMPLICATED)



PICTURED (L TO R)  
**COLLEEN SMITH**  
**KEVIN ENDRES**  
PRINCIPAL, THREE WEST COMMERCIAL  
**ERNIE GAUTHIER**

**CLIENT:**  
Gauthier Family Property  
(former Big Top property)

**PROJECT:**  
Multi-family  
Development Sale

**SERVICES:**  
Rezoning, Listing &  
Selling Broker

“ Talk about challenging. Our 19-acre family homestead had 10 heirs. It encompassed our childhood home, our businesses, agriculture, you name it.

Kevin navigated the complexities of this sale brilliantly. From complex zoning issues to family dynamics, Kevin was able to finesse the best deal while managing to ensure our family legacy – the buyer plans workforce housing (160 units), desperately needed in our community.

Our parents would've been delighted. We sure are! ”

– Colleen Smith & Ernie Gauthier



COMMERCIAL REAL ESTATE  
IS ALL WE DO

“THE DEAL COULDN'T HAVE GONE SMOOTHER.  
THREE WEST MADE SURE ALL OUR GOALS WERE MET.”



**CLIENT:**  
Fresh Coast Market

**PROJECT:**  
Speciality Market & Deli

**SERVICES:**  
Selling Broker - Commercial  
Property & Retail Business

JEN & DAVE SEARS  
OWNERS, FRESH COAST MARKET

“Not only did Three West find the perfect local buyer for our property, they genuinely cared. They kept us up-to-date on each conversation and everything went so smoothly. No stress.

Three West always acted in our best interest. I trust them and that's the most important thing. Kudos to Kevin and his team!”

– Dave Sears, *Fresh Coast Market*

**3W**

**THREE WEST  
COMMERCIAL**



WE ARE NORTHERN MICHIGAN'S  
COMMERCIAL REAL ESTATE BROKERAGE

