

# QUARTERLY MARKET REPORT

— 2025 —

## 1ST QUARTER



NORTHWEST MICHIGAN COMMERCIAL REAL ESTATE

# GT County Commercial Real Estate: Recalibrating, Not Retreating



After a cautiously optimistic 2024 that began with signs of market recovery, the first quarter of 2025 has brought a mixed but telling update for Grand Traverse County's commercial real estate (CRE) market. While transaction volume declined notably, stability in key fundamentals suggests a market recalibrating rather than retreating.

## COMPARING Q1 2025 TO Q1 2024

Data from January through March of 2025 paints a picture of a quieter start to the year compared to the same period in 2024:

- **Total Square Footage Sold:** 106,425 SF (2025) vs. 110,356 SF (2024)
- **Total Sales Volume:** \$9,635,387 (2025) vs. \$16,335,197 (2024)
- **Average Building Size:** 7,095 SF (2025) vs. 6,897 SF (2024)

These numbers suggest that while buyer appetite for space remained steady in terms of square footage and property size, the overall transaction dollar volume dropped by more than 55%. The average price per square foot of all sales also decreased by nearly 16%, indicating a reset in market pricing for assets with fewer overall transactions.

## OFFICE/MEDICAL SECTOR: MOMENTUM PAUSES

After leading the Q1 2024 market with over \$7.25 million in total sales, the Office/Medical sector saw fewer high-dollar deals in early 2025. Though square footage sold remained modest, the price per square foot held steady with a slight 7% decline, suggesting that essential services continue to support value even if overall volume has cooled. The shift may reflect owners holding properties longer amid interest rate speculation.

## INDUSTRIAL/WAREHOUSE SECTOR: SUPPLY TIGHTNESS LIMITS ACTIVITY

The industrial sector, which surged in Q1 2024 on the back of transactions like the BATA Transit Center, saw a subdued Q1 2025. With minimal inventory and few transactions, square footage sold declined as well as the price per square foot. The scarcity of industrial inventory continues to play a major factor in the region.

## RETAIL/RESTAURANT SECTOR: HOLDING GROUND

Retail and restaurant property activity was down significantly in Q1 2025. Investors remain cautiously optimistic, with some eyeing the

sector's rebound potential as tourism season approaches. The decrease in average price per square foot across the market may partly reflect well-located retail assets commanding premiums despite fewer trades.

## MARKET INFLUENCES AND INVESTOR BEHAVIOR

A few key trends defined market sentiment in early 2025:

**Interest Rate Sensitivity:** Despite speculation that rates may decline mid-year, lending conditions remained tight through Q1, stalling activity in the \$300,000 to \$600,000 range that had shown promise in 2024.

**Election Year Pause:** As with past election years, some investors appear to be holding off major decisions pending clarity on economic policy and regulatory direction.

**Focus on Value:** The dramatic shift in average sales price suggests a flight to affordability, as buyers seek lower-risk investments and long-term stability.

## LOOKING AHEAD TO MID-2025

The market enters Q2 2025 with cautious optimism. A potential rate cut remains on the horizon, and regional economic fundamentals, including low unemployment and a resilient tourism economy, continue to support underlying demand.

Three West Commercial is seeing an uptick in inquiries and site searches, which may translate to increased activity later in the year. In particular, mixed-use developments and flex office spaces are attracting renewed attention, hinting at shifting preferences among tenants and investors alike.

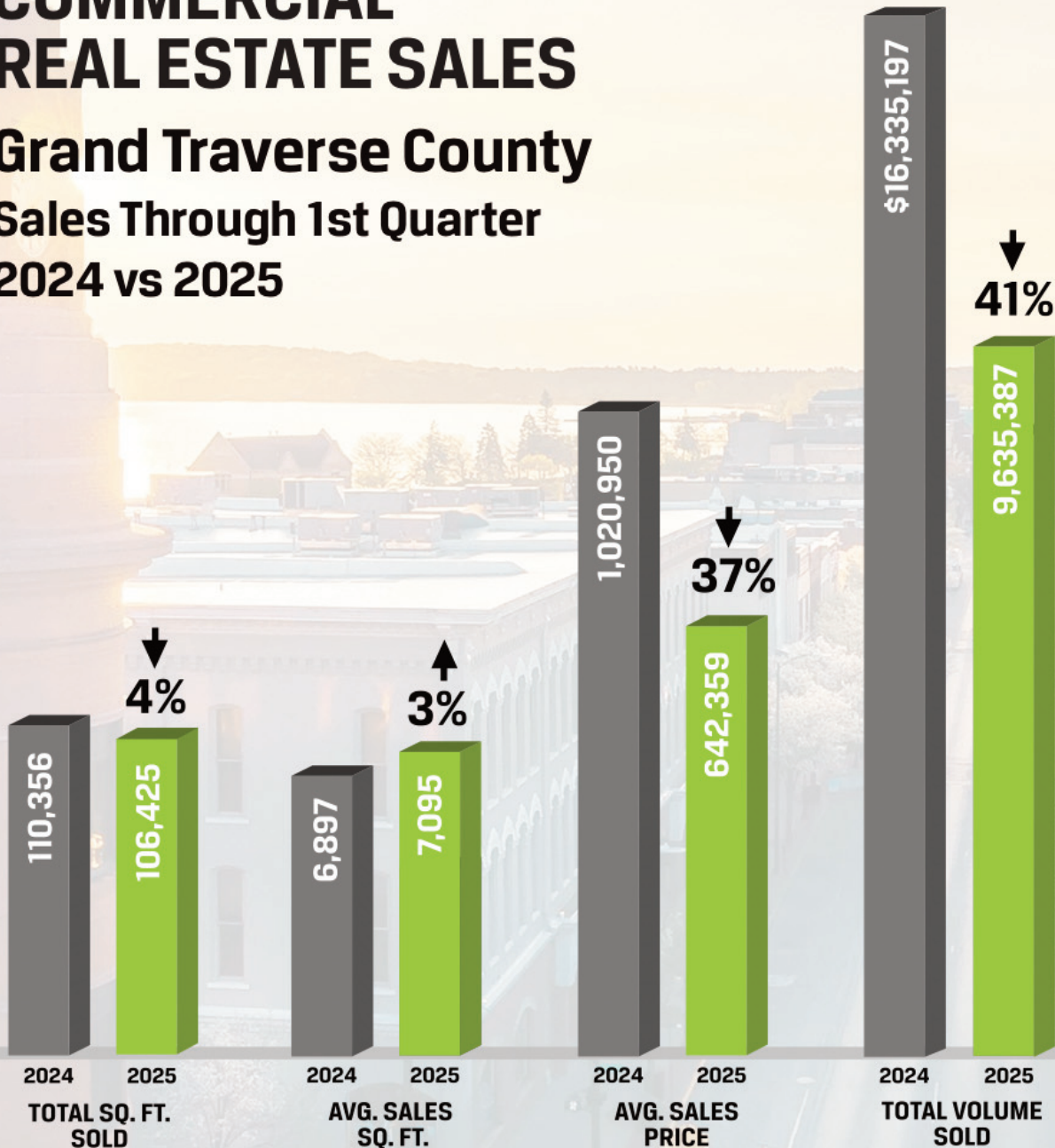
As pricing finds equilibrium and capital becomes more accessible, Q3 and Q4 2025 could see a return to more robust transaction activity. For now, Q1 offers a snapshot of a stable, if slower, CRE environment focused on quality over quantity.

Kevin Endres, CCIM, SIOR  
Three West Commercial



# COMMERCIAL REAL ESTATE SALES

## Grand Traverse County Sales Through 1st Quarter 2024 vs 2025



\* 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

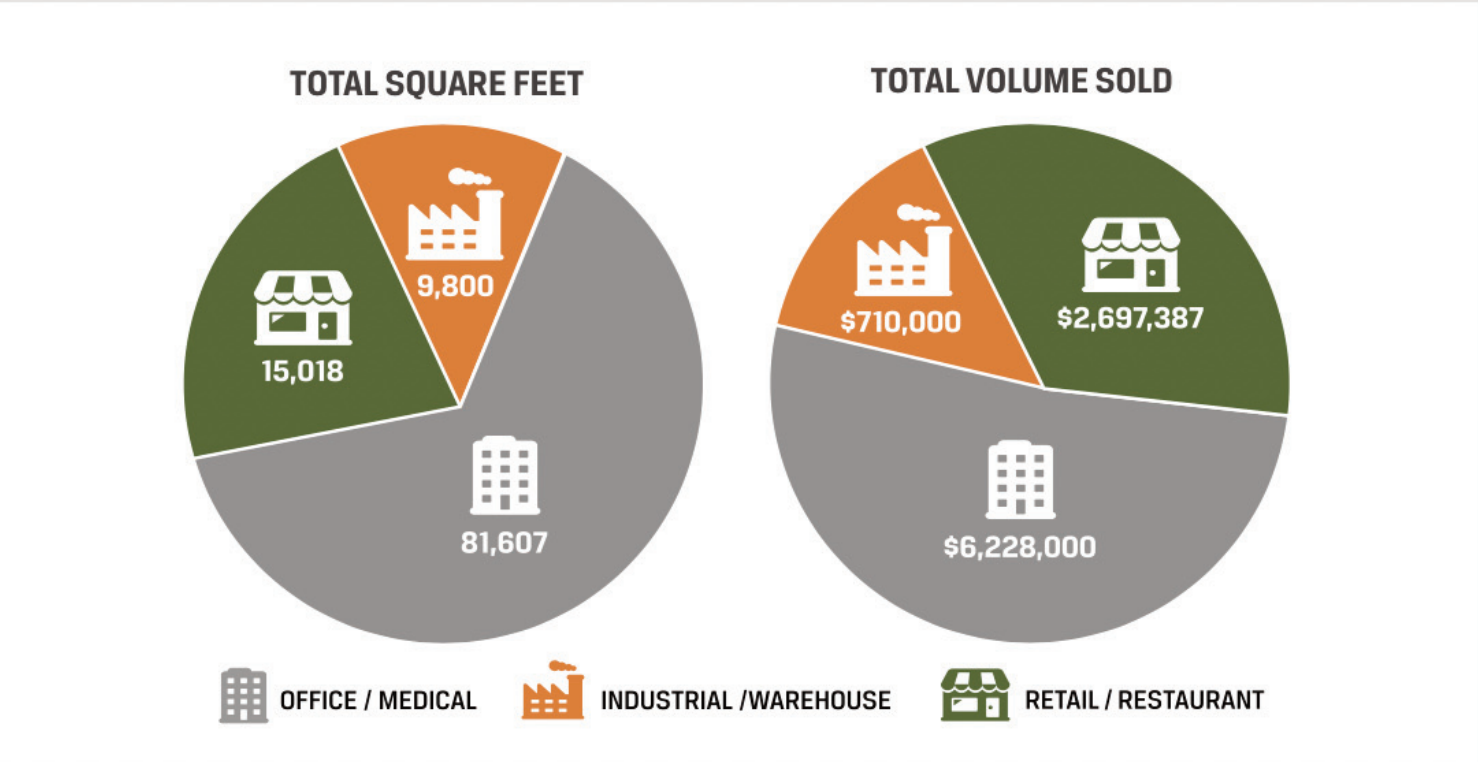


# SOLD PROPERTIES GRAND TRAVERSE COUNTY

First Quarter 2025

	TOTAL SQ. FT.	AVG. SOLD PRICE/SQ. FT.	AVG. DAYS ON MKT.	TOTAL VOLUME SOLD
Office / Medical	81,607	\$189	224	\$6,228,000
Industrial / Warehouse	9,800	\$72	191	\$710,000
Retail / Restaurant	15,018	\$203	281	\$2,697,387

## MARKET SNAPSHOT



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



# THE CHALLENGES FACING COMMERCIAL REAL ESTATE NORTHWEST MICHIGAN

Northwest Michigan, known for its picturesque landscapes, vibrant small-town communities, and growing tourism sector, has seen steady commercial development over the past decade. However, despite its economic potential, commercial real estate (CRE) in the region faces significant hurdles that impact investors, developers, and business owners alike. Challenges such as regulatory constraints, infrastructure limitations, tax burdens, and fluctuating incentives make navigating this market increasingly complex. Understanding these factors is crucial for stakeholders looking to expand or invest in commercial properties in the region.

## Incentives: A Double-Edged Sword

Incentives play a crucial role in attracting investment into Northwest Michigan's commercial real estate market. Various tax credits, grants, and economic development programs help businesses offset costs, making it more appealing to build or expand in the region. Programs like the Michigan Economic Development Corporation (MEDC) grants, Opportunity Zone tax incentives, and local Downtown Development Authority (DDA) incentives have been pivotal in fostering growth in areas like Traverse City, Petoskey, and Manistee.

However, access to these incentives is often limited by bureaucratic red tape and eligibility requirements that can be difficult to meet. Many developers find that while these programs exist, the approval process can be cumbersome, leading to delays and increased costs. Additionally, some incentives are tied to job creation or specific industries, leaving many CRE projects ineligible for financial assistance. The challenge remains in balancing government support for commercial development while ensuring accountability and fiscal responsibility.

## Regulatory Hurdles: Zoning and Permitting Woes

Zoning and permitting regulations present another substantial challenge in Northwest Michigan's CRE market. Many municipalities have outdated zoning laws that do not align with modern commercial real estate needs, leading to difficulties in securing approvals for mixed-use developments, adaptive reuse projects, or industrial expansions.

The permitting process is another significant roadblock. Developers often face extended

wait times for approvals due to underfunded or overburdened local government agencies. This is particularly problematic for larger projects requiring environmental impact assessments, traffic studies, or rezoning applications. In some cases, community op-

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position to new commercial developments—often fueled by concerns over congestion, aesthetics, or environmental preservation—can lead to further regulatory delays.

These regulatory hurdles not only slow down the development process but also increase project costs, making it difficult for small and mid-sized developers to compete in the market.

## Infrastructure Challenges: Capacity and Availability

Infrastructure limitations also pose a serious concern for commercial real estate development in Northwest Michigan. The region's roadways, water supply, sewage systems, and broadband connectivity have struggled to keep pace with growth, creating barriers for new developments.

In many areas, roads and highways lack the capacity to accommodate increasing commercial traffic, leading to congestion and logistical challenges for businesses relying on freight and delivery services. Similarly, older water and sewage systems in some townships require substantial upgrades to support commercial expansion. The cost of upgrading infrastructure often falls on developers, making projects less financially viable.

Addressing infrastructure deficiencies requires coordinated efforts between local governments, state agencies, and private investors. Without proactive investment in modernizing these systems, commercial real estate growth in the region will continue to face constraints.

## The Impact of Taxes on Commercial Real Estate

Tax policies significantly influence the viability of commercial real estate investments in Northwest Michigan. Property taxes, business taxes, and transfer taxes can be considerable burdens for commercial property owners and tenants, especially in high-growth areas like Traverse City, Charlevoix and Petoskey.

Michigan's property tax structure, which limits annual increases in assessments but allows for substantial reassessments upon property transfers (uncapping), can create unpredictability for investors. Business owners leasing commercial space often face high operational costs due to increasing property taxes, which can drive tenants to look for locations with more favorable tax structures.

Additionally, some municipalities impose local business taxes or special assessments to fund infrastructure improvements or downtown beautification projects. While these initiatives enhance the commercial environment, they also add financial strain on businesses, particularly small enterprises operating on thin margins.

Policymakers must balance the need for tax revenue with incentives that keep commercial real estate development attractive.

## Looking Ahead: Navigating the Challenges

Despite these challenges, demand remains strong and Northwest Michigan remains a desirable location for commercial real estate investment, thanks to its strong tourism industry, growing population, and business-friendly initiatives. However, overcoming regulatory, infrastructure, and tax-related hurdles requires collaborative efforts between developers, policymakers, and local stakeholders.

By addressing these obstacles, Northwest Michigan can create a more sustainable and attractive commercial real estate market that benefits investors, businesses, and local communities alike. The region's economic growth depends on a balanced approach that encourages development while preserving its unique character and quality of life.





# NOTABLE TRANSACTIONS - Q1

## OFFICE



**TRAVERSE CITY**  
**333 Grandview Pkwy**

LIST PRICE: \$1,200,000  
SOLD PRICE: \$1,200,000  
BUILDING SIZE: 3,705 Sq. Ft.



**TRAVERSE CITY**  
**333 Grandview Pkwy**

LIST PRICE: \$781,000  
SOLD PRICE: \$795,000  
BUILDING SIZE: 1,952 Sq. Ft.



**TRAVERSE CITY**  
**309 Cass Street**

LIST PRICE: \$629,000  
SOLD PRICE: \$575,000  
BUILDING SIZE: 2,244 Sq. Ft.



**TRAVERSE CITY**  
**309 E Front Street**

LEASE PRICE: \$900 / Month  
BUILDING SIZE: 207 Sq. Ft.

## RETAIL



**KALKASKA**  
**702 N Cedar Street**

**LIST PRICE: \$1,250,000**  
**SOLD PRICE: \$1,250,000**  
**BUILDING SIZE: 18,160 Sq. Ft.**



**TRAVERSE CITY**  
**336 N US-31 S**

**LEASE PRICE: \$3,900 / Month**  
**BUILDING SIZE: 3,552 Sq. Ft.**



**TRAVERSE CITY**  
**113 Park Street**

**LEASE PRICE: \$2,042 / Month**  
**BUILDING SIZE: 1,025 Sq. Ft.**





# NOTABLE TRANSACTIONS - Q1

## INDUSTRIAL



**TRAVERSE CITY**  
**1237 Hastings Street**

LIST PRICE: \$795,000  
SOLD PRICE: \$710,000  
BUILDING SIZE: 9,800 Sq. Ft.



**TRAVERSE CITY**  
**945 E Silver Lake Road**

LEASE PRICE: \$5,333 / Month  
PROPERTY SIZE: 8,000 Sq. Ft.



**TRAVERSE CITY**  
**781 Industrial Circle**

LEASE PRICE: \$1,720 / Month  
PROPERTY SIZE: 2,536 Sq. Ft.



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We're proud to announce  
Noah Endres is now a  
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