

QUARTERLY MARKET REPORT

— 2024 —

2ND QUARTER

3W
THREE WEST
COMMERCIAL

NORTHWEST MICHIGAN COMMERCIAL REAL ESTATE

Grand Traverse Commercial Real Estate Trends Upward



Following a promising first quarter, the commercial real estate market in Grand Traverse County continued its upward trend in Q2 2024. The second quarter saw notable growth across several key metrics, indicating sustained demand and investor confidence in the region. The following analysis delves into the performance of various sectors, highlighting significant trends and developments.

TOTAL SQUARE FOOTAGE AND VOLUME SOLD

In Q2 2024, the commercial real estate market in Grand Traverse County recorded a substantial increase in total square footage sold, reaching 221,777 square feet. This figure represents a remarkable 57.7% increase from the same quarter in 2023, underscoring a robust market. The total volume of commercial real estate transactions also grew, with a 30.7% rise in dollar terms, bringing the total to \$28,428,517. This continued growth suggests that the market is thriving, with a wide array of properties changing hands.

AVERAGE BUILDING SIZE AND SALES PRICE

The average building size sold in Q2 2024 also saw a positive shift, with an 11.35% increase from 5,858 square feet in Q2 2023 to 6,523 square feet. This trend points to a preference for larger commercial properties, possibly due to business expansions or the consolidation of operations into more sizable facilities. However, the average sales price per property experienced a slight decline, dropping by 7.7% from the previous year. This decrease could indicate a market correction or a shift towards the sale of lower-priced properties, balancing the overall growth in square footage and transaction volume.

OFFICE/MEDICAL MARKET

The office/medical sector in Grand Traverse County continued to demonstrate strong activity in the second quarter of 2024. Total square footage sold in this category increased by 31.5%, reflecting ongoing demand for office and medical spaces. The total sales volume for this sector reached \$9,540,167, representing a 31.5% increase from Q2 2023. However, there was a slight dip in the average price per square foot, which decreased by 1.7%. This trend may suggest that while more office and medical properties are being sold, they are doing so at slightly lower prices, possibly due to competitive pricing strategies or shifts in market demand.

INDUSTRIAL/WAREHOUSE MARKET

The industrial/warehouse sector showed substantial growth in Q2 2024, building on the momentum from the first quarter. The

total square footage sold in this category increased by 38.1%, driven by ongoing demand for industrial and warehouse spaces, likely fueled by the growth in e-commerce and manufacturing activities. The total sales volume for this sector also saw a significant rise, up by 38.1% to \$7,824,531. The average sold price per square foot in the industrial/warehouse sector increased by 12%, reflecting strong demand and limited supply in this high-demand market segment.

RETAIL/RESTAURANT MARKET

The retail/restaurant sector experienced the most pronounced growth in Q2 2024. The total square footage sold in this category surged by 93.6%, highlighting a significant rebound in the retail and restaurant industries. The total sales volume for this sector reached \$10,063,819, marking an impressive 93.6% increase compared to Q2 2023. Additionally, the average sold price per square foot in this sector rose by 28%, suggesting that higher-quality or more desirable properties are being transacted, possibly due to increased consumer spending and confidence.

LOOKING AHEAD

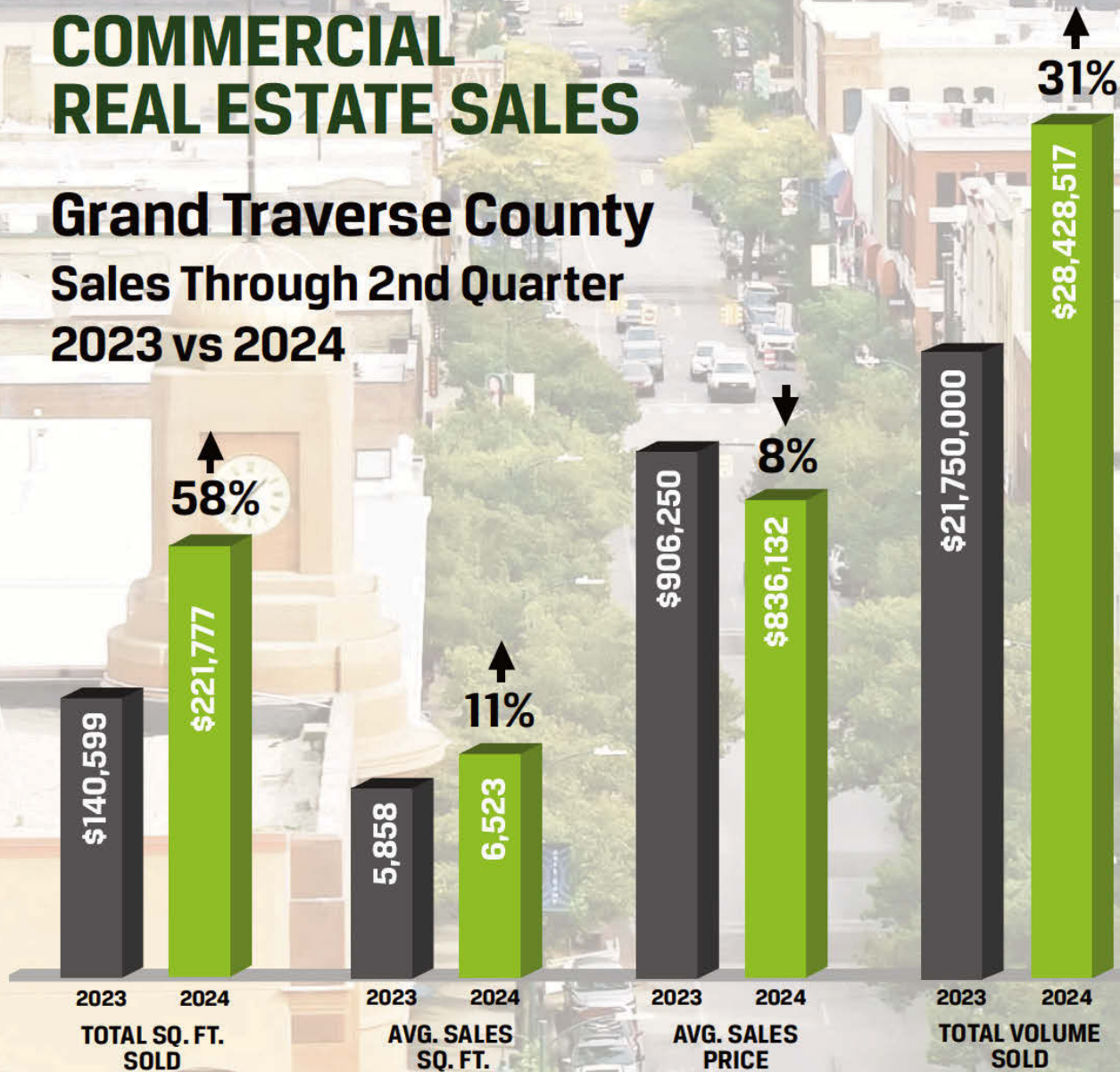
As Grand Traverse County heads into the latter half of 2024, the commercial real estate market appears to be on a strong trajectory. The Federal Reserve's anticipated interest rate decisions later this year could play a crucial role in shaping market conditions, particularly in the context of borrowing costs and access to capital. With the presidential election on the horizon, market participants may also face varying levels of uncertainty, potentially impacting investment decisions.

Despite these factors, the first half of 2024 has shown that the commercial real estate market in Grand Traverse County is resilient and adaptive, with significant growth across multiple sectors. The continued demand for larger properties and the robust performance of the retail/restaurant and industrial/warehouse sectors are particularly encouraging. As we move into the third quarter, the market is well-positioned to maintain its momentum, barring any major economic disruptions.

Kevin Endres, CCIM, SIOR
Three West Commercial

COMMERCIAL REAL ESTATE SALES

Grand Traverse County Sales Through 2nd 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



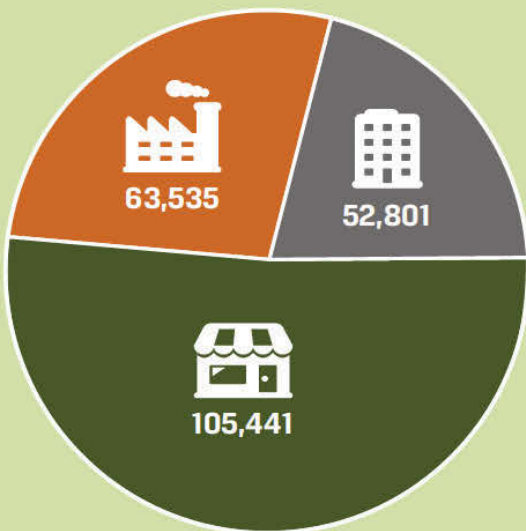
SOLD PROPERTIES GRAND TRAVERSE COUNTY

Second Quarter 2024

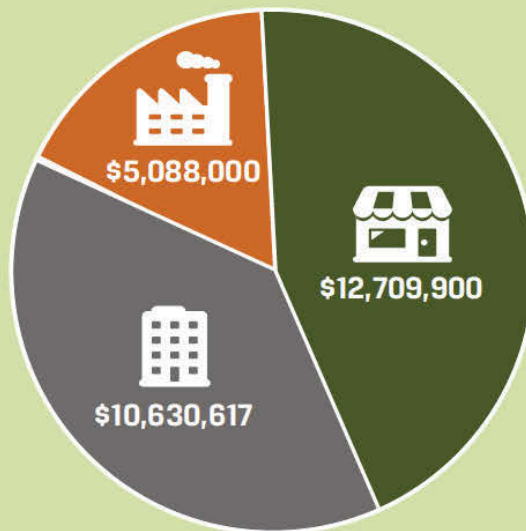
	TOTAL SQ. FT.	AVG. SOLD PRICE / SQ. FT.	AVG. DAYS ON MKT.	TOTAL VOLUME SOLD
Office / Medical	52,801	\$232	270	\$10,630,617
Industrial / Warehouse	63,535	\$93	199	\$5,088,000
Retail / Restaurant	105,441	\$189	150	\$12,709,900

MARKET SNAPSHOT

TOTAL SQUARE FEET



TOTAL VOLUME SOLD



OFFICE / MEDICAL



INDUSTRIAL / WAREHOUSE



RETAIL / RESTAURANT

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EXPLORING NORTHERN MICHIGAN'S APPEAL FOR COMMERCIAL REAL ESTATE INVESTMENT



Northern Michigan stands out as an attractive destination for commercial real estate investment in 2024 due to a combination of unique factors and favorable market conditions. From picturesque landscapes to growing economic opportunities, this region presents compelling investment opportunities.

1. Natural Beauty and Lifestyle Appeal

Northern Michigan boasts breathtaking natural scenery, including pristine lakes, lush forests, and scenic coastlines. This picturesque environment, combined with an abundance of outdoor recreational activities such as hiking, skiing, and boating, attracts tourists and residents alike. Commercial real estate investments in hospitality, tourism, and recreational facilities can capitalize on the region's natural beauty and lifestyle appeal, catering to visitors and residents seeking memorable experiences.

2. Growing Tourism and Hospitality Industry

Tourism is a major economic driver in northern Michigan, with millions of visitors flocking to the region each year to explore its natural attractions and cultural offerings. As tourism continues to grow, there is increasing demand for commercial real estate properties such as hotels, resorts, vacation rentals, restaurants, and entertainment venues. Investors can capitalize

on the robust tourism industry by acquiring or developing properties that cater to the needs and preferences of visitors.

3. Emerging Technology and Innovation Hub

Northern Michigan is experiencing a rise in technology and innovation, fueled by initiatives to diversify the economy and attract talent to the region. Cities like Traverse City and Petoskey are emerging as hubs for startups, entrepreneurs, and technology companies. As the technology sector expands, there is growing demand for commercial real estate properties such as office space, research facilities, and co-working spaces. Investors can seize opportunities to support innovation-driven industries and contribute to economic growth in the region.

4. Lifestyle Migration and Remote Work Trends

The COVID-19 pandemic has accelerated lifestyle migration trends, with many individuals and families seeking to relocate to areas offering a higher quality of life, lower cost of living, and greater work-life balance. Northern Michigan's natural beauty, outdoor recreational opportunities, and vibrant communities make it an appealing destination for remote workers and lifestyle migrants. Commercial real estate investments in residential developments, mixed-use properties, and community amenities can cater to the needs of this growing demographic.

5. Strong Real Estate Market Fundamentals:

Northern Michigan benefits from strong real estate market fundamentals, including stable property values, favorable supply-demand dynamics, and a diverse range of investment opportunities. While the region has historically been characterized by seasonal fluctuations, efforts to diversify the economy and attract year-round residents are bolstering the commercial real estate market. With a relatively low cost of entry compared to urban markets, northern Michigan offers investors the potential for attractive returns and long-term appreciation.

With its enticing blend of natural beauty, economic opportunities, lifestyle amenities, and real estate market fundamentals, northern Michigan is a compelling destination for commercial real estate investment in 2024. Whether capitalizing on the region's tourism appeal, supporting emerging industries, or catering to lifestyle migrants, investors can find ample opportunities to contribute to the growth and prosperity of the region.



Dave Coonrod is a Commercial Realtor with Three West, northern Michigan's largest commercial real estate brokerage specializing in retail, industrial, office, and development properties in Traverse City and beyond.

Learn more at [ThreeWest.com](https://www.threewest.com).



NOTABLE TRANSACTIONS - Q2

OFFICE



GAYLORD
2091 S. Otsego Ave.

LIST PRICE: \$775,000
SOLD PRICE: \$775,000
BUILDING SIZE: 3,809 Sq. Ft.



TRAVERSE CITY
818 Red Drive

LEASE PRICE: \$3,400/month / Month
PROPERTY SIZE: 900 Sq. Ft.



WILLIAMSBURG
6170 US-31 N

LEASE PRICE: \$21,00 / Month
PROPERTY SIZE: 2,340 Sq. Ft.



ELK RAPIDS
97 Lake Street

LEASE PRICE: \$1,900 / Month
PROPERTY SIZE: 1,947 Sq. Ft.

RETAIL



GRAWN
7155 Scotchwood Lane

LIST PRICE: \$1,100,000
SOLD PRICE: \$1,100,000
BUILDING SIZE: 21,696 Sq. Ft.



TRAVERSE CITY
1420 Barlow Street

LIST PRICE: \$850,000
SOLD PRICE: \$850,000
BUILDING SIZE: 9,635 Sq. Ft.



TRAVERSE CITY
302 N US-31 S

LIST PRICE: \$780,000
SOLD PRICE: \$725,000
BUILDING SIZE: 16,720 Sq. Ft.



BENZONIA
1681 Benzie Highway

LIST PRICE: \$200,000
SOLD PRICE: \$200,000
BUILDING SIZE: 2,021 Sq. Ft.



NOTABLE TRANSACTIONS - Q2

INDUSTRIAL



KALKASKA
110 W Park Drive

LIST PRICE: \$500,000
SOLD PRICE: \$460,000
BUILDING SIZE: 8,224 Sq. Ft.



TRAVERSE CITY
820 Robinwood Court

LIST PRICE: \$340,000
SOLD PRICE: \$320,000
BUILDING SIZE: 3,360 Sq. Ft.



TRAVERSE CITY
Lot 22 Industry Drive

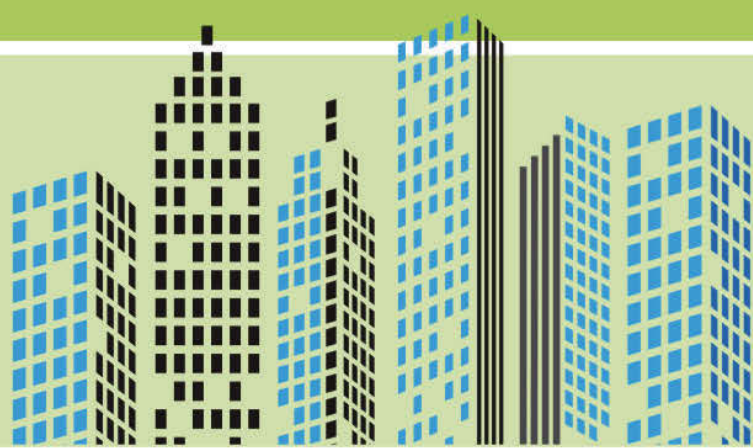
LIST PRICE: \$150,000
SOLD PRICE: \$140,000
LOT SIZE: 1.49 acres



TRAVERSE CITY
Lot 23 Industry Drive

LIST PRICE: \$113,000
SOLD PRICE: \$105,000
LOT SIZE: 1.12 acres

NATIONAL COMMERCIAL REAL ESTATE MARKET INSIGHTS



While the market awaits the interest rate cuts from the Federal Reserve, commercial real estate is also on hold. The office sector ended the second quarter with a record-high vacancy rate of 13.8%, though the increase in unoccupied spaces has slowed down. The retail sector continues to have the lowest vacancy rate among all sectors, but demand for retail spaces has further decreased. The industrial sector's fundamentals also softened in the second quarter, with net absorption hovering at levels not seen since 2012. However, demand for apartments continued to surge as seven percent mortgage rates hurt housing affordability.

Office Properties

While net absorption for the office sector remains negative, with more spaces being vacated than occupied, the second quarter saw fewer additional unoccupied spaces. The surplus of unoccupied office spaces exceeded 61 million square feet at the end of last year and the beginning of 2024. However, in the second quarter, net absorption improved to -42 million square feet, a 1% decrease from a year ago. This indicates that there is a slight increase in demand for office space. Nevertheless, the outlook suggests that net absorption in this sector will remain negative. Leasing activity, an indicator of demand and interest from potential tenants, is currently near pandemic levels and about 40 percentage points below pre-pandemic levels.

Multifamily Properties Hospitality Industry

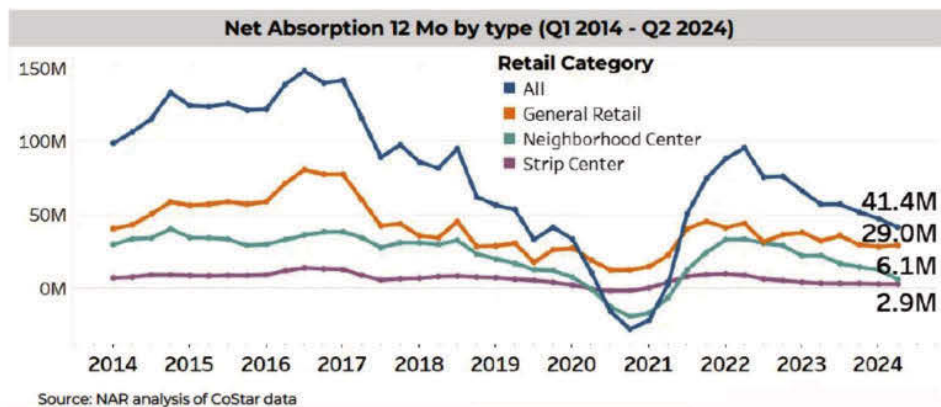
In contrast, the multifamily sector continued to gain momentum with mortgage rates remaining near 7%. In the second quarter, net absorption was 2.4 times

higher than a year ago, with an additional 260,890 more multifamily units leased than vacated. Demand was also 44% higher than the pre-pandemic level. However, despite this strong demand, the record high number of new multifamily units delivered to the market kept the vacancy rate steady compared to the previous quarter and higher than it was a year ago.

Retail Properties

In the meantime, availability conditions in the retail sector have remained tight. Since the end of last year, only 4.7% of

Net absorption continued to lose steam, falling to 41 million square feet. While demand for industrial space reached record-high levels at the end of 2021 and the beginning of 2022 - driven by the demand for warehouse space to support online shopping and e-commerce - net absorption is now 64% lower than a year ago and 53% below the pre-pandemic average level. The outlook suggests additional softening in this sector. With consumer spending shifting away from goods to services due to high borrowing costs, demand for industrial spaces is expected to ease further in the coming months.



retail space is currently available for lease, marking the lowest level on record. This limited availability of retail spaces has kept the vacancy rate near 4%, despite the slowdown in demand. Specifically, in the last 12 months, demand for retail spaces has increased by nearly 41 million square feet compared to 56 million square feet a year earlier. With new construction deliveries decreasing further, the fundamentals of this sector are expected to remain tight in 2024.

Industrial Properties

Fundamentals for the industrial sector further weakened in the second quarter.

Hotel Properties

As we conclude Q2 2024, the hospitality sector is seeing improvements. Hotel occupancy rates have leveled off at around 63%, remaining roughly 3% below pre-pandemic figures, which suggests that a complete recovery may be elusive due to the prevalence of remote work. Nevertheless, average daily rates and revenue per available room have now exceeded pre-pandemic benchmarks.

Source:
National Association of Realtors®

3W

**“THEY ARE OUR TRUE PARTNERS.
THREE WEST IS THE REAL DEAL.”**

— KUHN ROGERS LAW FIRM



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THREE WEST
COMMERCIAL
REAL ESTATE | CONSULTING

**COMMERCIAL REAL ESTATE
IS ALL WE DO**

CLIENT:
Kuhn Rogers, PLC
*Traverse City Law Firm
Since 1891*

PROPERTY:
4033 Eastern Sky Drive
Traverse City

SERVICES:
Selling and Purchasing
Broker

“Our new building purchase is just our latest deal with Three West. Our law firm has worked with their team for 15 years and here's why:

We do a lot of property and development legal work with real estate professionals. The good ones look out for their client's best interest, not their own. That's why we choose to work with Three West—straight shooters who know the business inside out. In our experience, the entire 3W team demonstrates this high integrity and expertise.

We respect Three West's singular focus on commercial properties. They know who they are and what they are good at. They are truly the real deal.”

CONGRATULATIONS!

We're honored to have four of the region's top 10 commercial Realtors® on our team.

We are Northern Michigan's
#1 Commercial Real Estate Brokerage.



KEVIN ENDRES, SIOR, CCIM



BILL SOMERVILLE



KEVIN QUERY



DAVID FROST



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COMMERCIAL REAL ESTATE BROKERAGE

