

# Coldwell Banker Commercial National Real Estate Outlook 2021

A Review

The Coldwell Banker Commercial publication highlighted 3 lessons learned in 2020:

## 2020 LESSONS LEARNED

1. The **pandemic expedited the declining demand for traditional brick-and-mortar retail** (e.g., enclosed malls, department stores) and forced consumers to adopt online shopping more quickly than they ever planned.
2. As with any economic disruption, there are winners and losers. While the coronavirus outbreak halted the hospitality industry with widespread hotel and restaurant cancellations, it **spurred demand for industrial space primarily to support distribution and storage**. Freestanding retailers (especially drive-thrus) and net leased office space also held up exceptionally well compared to actively managed retail.
3. **The sudden shift to work-from-home has created new expectations about flexibility that cannot be undone**. People are making new choices about where they want to live, how and where they want to work; and the massive deployment of remote work technology platforms has only accelerated this push.

The national commercial outlook is promising:

## 2021 OUTLOOK

While we wait for a widely available vaccine, we expect the recovery in 2021 to be led by industrial, grocery retail, multifamily, land, single-tenant net leased, and drive-thru retail properties. **The leasing of small office spaces will be preferred over larger ones and tenants will look for flexibility in lease terms**. Secondary and tertiary markets will grow echoing people's current preference where to live. **Vacant malls will be repurposed for nontraditional tenants as obsolete retail space is recommissioned**. The new administration in Washington D.C. will hopefully be successful at reducing economic uncertainty related to combatting COVID-19, bringing back market stability (e.g., foreign capital), and steadying the job market. **A recovering economy paired with continued low interest rates should help** sustain the private investor market and may push commercial real estate asset prices higher in 2021.

Context is important – **this was not a real estate led recession**. **Many investors are well-capitalized and remain active** in the market, even during the shutdown, especially local private

investors and those with 1031 tax-deferred exchanges. As a result, cap rates should see steady to downward movement when the crisis eases, with exceptions in retail, hospitality and mid/high-rise office which could remain unstable over the next few years. **Expect land sales for housing and industrial development product to continue to be in short supply in 2021.**

Freestanding net lease formats, drive-thru retail and essential businesses should also hold up well compared to actively managed retail over the next few years. 1

#### Local commercial outlook:

On the local level, the below data provided by the Northern Michigan MLS shows year over year comparisons from 2019 to 2020 and beginning of 1st quarter 2021.

To summarize, Emmet County specific commercial sales were increased by 5% year over year (2019 to 2020). 2

### Market Statistics Emmet County MLS Data

Statistics for: Class=Commercial, Date Range 01/01/2019-12/31/2019; As Of: 2/8/2021

Total Listed	Num Sold	Pct Sold	Avg List Price Sold	Avg Sale Price Sold	Sale Price/List Price Ratio	Avg DOM Sold	Avg List Price Unsold	Pct Expired
104	25	24.04 %	\$504,868	\$485,860	96.24%	207	\$219,709	15.38%

### Market Statistics Emmet County MLS Data

Statistics for: Class=Commercial, Date Range 01/01/2020-12/31/2020; As Of: 2/8/2021

Total Listed	Num Sold	Pct Sold	Avg List Price Sold	Avg Sale Price Sold	Sale Price/List Price Ratio	Avg DOM Sold	Avg List Price Unsold	Pct Expired
98	35	35.71%	\$335,271	\$315,250	94.03%	180	\$376,159	33.67%

<sup>1</sup> (Coldwell Banker Commercial)

<sup>2</sup> (Northern Michigan MLS, 2021)

## Market Statistics Emmet County MLS Data

Statistics for: Class=Commercial, Date Range 01/01/2021-02/28/2021; As Of: 2/8/2021

Current Active	Avg List Price	Avg DOM
54	\$552,125	437

Total New Listed	Num Sold	Pct Sold	Avg List Price Sold	Avg Sale Price Sold	Sale Price/List Price Ratio	Avg DOM Sold	Avg List Price Unsold	Pct Expired
3	6	200%	\$191,266	\$184,477	96.45%	754	\$432,580	166.67

### Emmet County 2020 Equalization Report

According to the 2020 Emmet County Report of Assessment Roll Changes and Classification (L-4022) there were **2,047 commercial parcels in Emmet County** valued at 411,664,700 including 10,264,900 in new parcels on the roll.

**4.8%** of those parcels were listed in 2020 and **1.7% sold** at an average sale price of **\$315,250** with a potential sale volume in total of \$11,033,750.

**Commercial property in Emmet County makes up 9.80% of the total of all parcels** and is the second largest taxed parcel type in the county, second to residential.

**Taxable values of commercial properties rose 3.47% in 2020, despite the pandemic.** Rising from a 2019 total taxable value of 332,539,779 to 344,070,719. 3

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<sup>3</sup> (Department, 2020)