

Commercial real estate: what's hot, what's not

By Phyllis Rose

Retail properties are hot in west-rem Michigan, hotter than both office and industrial. Several factors are fueling this phenomenon despite the region's economic recession.

One reason is people's spending habits, said Kurt Kunst, designated broker/principal with **Grand Real Estate** in Grand Rapids.

"There's a lot of credit," he said. "In the past, when we've gone through recessions like this, like we are in west Michigan, people quit spending money, but credit is so easily available that people continue to spend."

People also have money to spend on goods and services, so they have created a demand for retail, said Rich MacDonald, chief operating officer with the **Hinman Co.** in Portage.

"Some people are buying new houses, and there are new residential communities popping up in different markets that need to be serviced by retail and restaurant-oriented type businesses," he said. Demand for retail space is strong in the West Main Avenue area of Kalamazoo, he said. Many restaurants also

are looking for good locations on Westnedge Avenue near Crossroads Mall.

"These guys generally want to be in some of the newer areas where some of the newer construction is taking place," he said.

Financial institutions that are rethinking how their branch offices function also are adding fuel to the hot retail market, MacDonald said.

"They are going with smaller branch-type stores in heavily populated retail areas, which is also the reason why the demand is stronger for the traditional retail locations," he said.

While retail remains the strongest segment of the commercial market, office space is starting to pick up, MacDonald said, noting that the office market has been busy for his company despite the

small growth in the office market as a whole.

Hinman has the first Trade Center at Interstate 94 and South Westnedge which is fully leased, he said. **Plante and Moran, Stryker Corp.** and Hinman have offices there. Hinman is building a second Trade Center building next door.

But the overall slow growth in the office market is tied in some ways to manufacturing and to Pfizer Inc. sending work to other states, MacDonald said.

"With Pfizer relocating a lot of work to other parts of the country over the last couple of years, we've seen far fewer businesses that would normally rent office space if they (Pfizer) were growing within the

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community," he said. "But since they are downsizing, we are not seeing any new growth."

On the industrial side of the commercial market, smaller spaces of about 3,000 to 12,000 square feet are beginning to have some absorption, but the market for larger spaces has been very stagnant, Kunst said.

"I believe we've turned the corner in the industrial market," he said. "Typically, the smaller spaces lease quicker than the larger ones will. Hopefully, that's an indication of what's to come. I think it's going to be a very slow, steady growth, not a rapid growth at all."

There are pockets in the industrial market where some manufacturers are doing very well, but it's very spotty, he said.

As far as the future for retail and office space, MacDonald is positive about growth in those areas, given the momentum he sees in southwest Michigan — everything from the growth of Stryker to the Kalamazoo Promise, which provides college scholarships for students enrolled in **Kalamazoo Public Schools**.

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"The Kalamazoo Promise is cer-

tainly a positive and can only help from a variety of different perspectives. The rumors we are hearing about Toyota are very, very ex-

Phyllis Rose is a freelance writer in Portage.