

VIGNETTE – A RETURN TO MICHIGAN.

BY: Scott H. Finch, TNN VP

Scott returned to his place of birth and youth in northwest Michigan. His Finance career took him to Wall Street, Detroit automotive, Houston oil. A Michigan job brought him home. Scott shares thoughts of his journey.



As a boomer, let me start with a generational observation. Millennials are not into accumulating wealth and do not feel a need for the corporate experience that boomers like me expected when entering the workforce decades ago.

Millennials choose lots of quality of life options, including where to live. This has driven housing prices up quite a bit in the last two years, now that work-from-home has gone from rare to widely accepted for the deskbound.

It is tempting to be too optimistic about the permanent "draw" of northwest Michigan. There are many wonderful qualities of the area and life here. I love being back! Traverse City is a small city with big offerings. But a small populace means less choice in amenities.

Medium-sized cities like Ann Arbor may be the biggest recipients of this shift in living - close enough to cultural centers while enjoying a less urban setting on a daily basis. My hunch is medium cities within striking distance of larger urban areas will see the most growth out of the post-pandemic migrations.

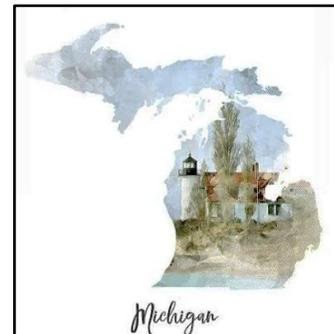
Society is moving to out-sourcing, which explains the large jump in apartments and condos built locally. Located within walking or biking to theaters, shops, restaurants, bars, and the beach. Maintenance is taken care of by others. Dad used to do oil changes boomers mostly went to Jiffy Lube. That type of outsourcing is only growing with Uber, Door Dash, Amazon, and the like.

DRIVERS OF HIGH HOME VALUES-WORKING PEOPLE-RETIRING BOOMERS-PERMANENT MOVE NORTH

BY: Kim Pontius, CEO Aspire Realtors North

Kim Pontius, CEO Aspire Realtors North, graciously agreed to answer TNN questions about the northwest Michigan real estate market compared to national trends reported in Forbes. Aspire Realtors North represents about 1100 REALTORS in Northwest Michigan. Kim, "Each one could tell a slightly different story because real estate is local. What happens in Elk Rapids can be way different than in Frankfort."

TNN: Is there a new normal for NW Michigan real estate? Are home buyers seeking healthier, less dense, better educated, and more mobile places to live with close access to the outdoors.



The first question about a new normal is very subjective. Our region actually has been growing since right after the Great Recession (in 2008), in fact we grew in population (1.5% in Grand Traverse County) even during the economic downturn. This growth was created by early retirees cashing out and moving North. A decade ago it was a battle for position up here between Baby Boomers and Millennials who were competing for similar real estate offerings. Smaller homes, close into TC and some villages. Proximity to medical facilities and school systems played a key role.

As these two populations increased, the health and wellness movement was also kicking off. Long before the COVID-19 pandemic forced people to assess their lifestyle, the economic downturn had people thinking of a smaller real estate footprint, more walkability, cleaner air and water, multiple transportation modes, fresher food sources and this region really fit the checklist. There have been a lot of apartments and condos built in the last decade in our region, far outpacing single family home construction.

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TNN: Are home sales in northwest Michigan mainly, waterfront, rural, suburban or in cities and villages?

Where I would disagree from the Forbes citation is that really forward thinking people are wanting freshwater and plenty of it.

Those new southern communities will pay the price of a warming climate in another decade or two and fresh potable water will be THE commodity of a global community. This however does not always mean waterfront. Yes, waterfront is highly desirable but it comes with its own unique set of challenges. In Michigan, no matter where you live, you're always close to a river, stream, inland lake, Lake Michigan, or great aquifers.

So location of choice is really all about culture and lifestyle. Not everyone is about rural either, but small town to small city living seems to be preferred by Boomers where lower maintenance, repair, and operating costs are desirable. Millennials are now older and the search is on for that ideal location to raise families.

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A Return to Michigan – Continued



I have not been impeded by technology limits. Working from home on a 4G network works fine - MiFi in case cable crashes. High tech jobs may function better with fiber optics but most of the remote workforce likely has the tech they need. Cell phone service is actually better than urban areas with towers at all points of the compass and no tall buildings to block signals!

As to transportation modality – its vehicles. People here want pickups and SUVs, either for control over time or towing boats, ATVs, and snow-mobiles. Cherry Capital runs a pretty small schedule except for summer, although it has expanded options and there is a study to nearly double gates to eleven.

Working from home here is a blessing, an opportunity, a bit of a windfall and a way to simplify. I am fortunate as I owned a home in north-west Michigan while working in urban areas.

The pandemic gave a push to changing lifestyles and scenery. At some point equilibrium will be reached; migration may taper off to historical numbers.

In short, we are in a big shift. But the big question is how prolonged that shift is going to be, and what will it mean to smaller/regional communities? What do they need to do for infrastructure and amenities to attract movers?

Lots of people had hot takes that cities were going to become ghost towns but that has not happened. And once children are raised do the kids stay in the area (I did not)? What about the parents once they are empty nesters?

DRIVERS OF HIGH HOME VALUES - Continued

But farmland is expensive and working farms are typically beyond their reach although the new age of work-from-home is altering this choice. Also now that Millennials are coming out from under-neath crushing student debt more options are opening up.

TNN: Are northwest Michigan demographics skewing towards Millennials embracing home ownership.

A perceived change in property owner demographics is evident as Boomers downsize and move in closer to businesses and services based on their lifestyle. While Traverse City, Charlevoix, and Petoskey continue to thrive and attract buyers from elsewhere, many of the coastal villages are also expanding more rapidly than housing stocks can be made available. But remember, counties like Leelanau experienced very limited growth for decades so even a 1 or 2% growth rate would seem like a lot to many casual observers.



Geography plays an important role in our region especially with those communities around the Bay. Perhaps the demographic only seems younger because we're seeing a massive transfer of trillions of dollars of intergenerational wealth making it possible for younger families to migrate to what was once only a retirement area. We've only just begun this transfer of wealth so it's quite likely there will be a larger migration coming in the next decade.

Clearly the pandemic gave many a wakeup call to do things sooner rather than later.

Still, while it seems like there is a lot going on, a recent study from a global research group stated that urban growth will increase globally by 75% to 9.3 billion people. Compared to this migratory pattern we are but just a drop in the Bay. Fiber optic web service will drive growth in those areas where it is made available first and we'll see more remote work options when transportation systems also become more multimodal.

Housing inventory will be the great hurdle for continued growth. Today our MLS has a 1-month supply when it used to average 4 to 5 months' supply, and half of the current supply is vacant land. Vacant land is great but builders are quoting 1 to 3 years to get a house built due to their current workload. Commercial projects about the same provided all of the planning and permits are completed which will add years to the completion date. So while some panic about how fast our region is growing it really isn't.

Newcomers are pretty much keeping pace with the attrition rate. It just seems like a lot when we see new faces in town.

Forbes: Nationally, communities once thought of as too small, too southern, too hot, too flat, or lacking in

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amenities, culture, or sophistication are now at the top of real estate desirability.

Forbes: With technology, quarantine has forced employers to rely on workers working from home. Americans have made this transition and discovered the benefits of shorter commutes and the flexibility of being able to work from anywhere.

<https://www.forbes.com/sites/petertaylor/2020/10/11/covid-19-has-changed-the-housing-market-forever-heres-where-americans-are-moving-and-why/?sh=49d35f7261fe>