

## DEVELOPER / REAL ESTATE SUMMARY

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Developer and real estate professionals with a focus on the Novi market were interviewed by Barbara McBeth, Lindsay Bell, and John Iacoangeli on August 29, 30 and 31. The individual sessions were conducted at Novi City Hall and included the following:

Mark Yagerlener, Ascension Providence Hospital  
Blair Bowman, Suburban Collection Showplace  
Gary Steven Jonna, Whitehall Real Estate Interests  
Joe Skore, Pulte Group  
Mark Szerlag, Thomas Duke Commercial Real Estate  
Dave Hardin, Hillside Development  
Michael Zimmerman, Green Earth Realty, LLC, Fountain Walk

Interviews discussed a variety of topics including future opportunities for those owning or managing properties within the City, overall real estate market trends, and identification of opportunities within the City either for development, redevelopment, or infill.

### **Overall Real Estate Market Trends**

#### Residential

- Residential market relatively strong. Rising mortgage interest rates have tapered the pace of sales.
- There is a market for age-targeted housing for 55+ households with a focus on single level living.
- Movement to higher density (3-5 units/acre) to accommodate 1,700 – 2,100 square foot homes and the ability to “age in place” is seen as desirable to a variety of home purchasers.
- Housing as a component of horizontal mixed-use developments.
- Opportunity to introduce and encourage residential development along Grand River between Beck Road and Novi Road.

#### Retail

- Retail is close to being overbuilt.
- Concern about Twelve Oaks Mall and recent closures. Other regional malls, Lakeside (Macomb County) and Oakland Mall are in the process of redevelopment to other mixed use. Great Lakes Crossing is morphing into an entertainment district.
- Novi Road and I-96 still the retail hub of the City, and a regional destination.
- Introduction of non-retail uses, (i.e. Aspen Dental, urgent care, etc.) into traditional retail locations.
- National franchises desire exposure on Novi Road.
- Hotels are becoming overbuilt.
- Fountain Walk is anticipated to be fully occupied soon. Fords Garage and Kpot are in the process of build out.

#### Office

- Office occupancy was significantly impacted by COVID-19.

- Work from Home (WFH) is now an option that will impact the size and functionality of future office space.
- Trend toward R&D and technology tenants, and hybrid office space with multi-tenants with shared common facilities.
- Increased demand for “flex” space which overlaps into the industrial sector.
- Lack of large vacant acreages for e-commerce fulfillment centers or large distribution facilities although Interstate access is very desirable.

Demand for relatively smaller, multi-tenant office space in the range of 30,000-50,000 square feet. It is likely that only “pre-leased” office space will be built over the next few years.

#### Industrial

- Opportunity for “Flex” warehousing which accommodates a variety of uses, including indoor vehicular parking options for service vehicles.
- Build to suit industrial opportunities have cooled due to construction costs, low demand and higher lease rates. There is a shift toward finding space in existing, vacant facilities in the Livonia and Detroit sub-markets.
- Too much general storage facilities in Novi.

#### Health Care

- Move toward outpatient facilities and private medical office buildings (MOB’s)
- Ascension Providence not fully built out. Several parcels within the ring road are available.

### Focus Areas within the City

The interviewees were asked to identify areas within the City where they saw potential real estate opportunities in the next 5 to 10 years.

1. Twelve Oaks Mall. There is concern that the Mall will continue to evolve as shopping trends migrate to e-commerce and online buying. High-density residential could be introduced to the property to balance the property’s transformation. Because malls, in general, were built for a specific purpose and as an interior environment, their conversion to other retail and office uses is a barrier. Although some malls in declining markets have been converted into indoor storage facilities, the Twelve Oaks Mall property is considered too valuable for these alternatives. If the property cannot be fully utilized or reinvented, an eventual solution may be to demolish the buildings and create an open site for a mixed-use development. Malls and other big boxes are sometimes considered functionally obsolete which provides an opportunity to use the brownfield program to assist with redevelopment.
2. Grand River Avenue between Beck Road and Novi Road. This district was identified by almost every interviewee as an area suited for real estate opportunities. The focus for redevelopment was moving away from the existing combination of general retail, office, and light industrial to a mixed-use district. The Suburban Collection Showplace has created a destination property on the north side of Grand River and complementary land uses should be introduced on the south side of Grand River including high-density residential with retail, office, and medical uses along the Grand River frontage. This type of development is referred to as horizontal mixed-use. Discussion included the introduction of urban style “town courts” with a rooftop option into the district. The interviewees expressed some reluctance toward vertical mixed-use due to financing considerations. There was also discussion on extending Taft Road over I-96 to connect the north side of Novi to Grand River and provide an alternate route for

residents without the need to use Beck Road or Novi Road as cross-connections. Most of the interviewees were aware of the proposed City West zoning ordinance amendment and the impact the revision will have on development and redevelopment opportunities. Transportation planning along this corridor will be an important consideration as projects move forward.

3. North side of Grand River, east of Beck Road. A considerable amount of the property available for redevelopment is held by a consortium of developers. Vision for the intersection could include corporate, mixed-use, and/or higher density residential.
4. Trinity Property at the southeast corner of Twelve Mile and Meadowbrook Road (with frontage along M-5). Recently being placed on the market, the interviewees suggested that the development of this vacant property is speculated to include retail, due to access to the interchange, multi-family, single family residential, Corporate Headquarters, or other uses. There are a fair number of wetlands to mitigate, but good visibility from M-5. This is a study area that the Steering Committee has chosen to review in further detail.
5. 12 Mile Road between Beck Road and Cabaret Drive. Continuation of R&D and technology office facilities is anticipated.
6. Beck Road south of Grand River. Introduction of high-density residential is anticipated in certain areas once the ordinance amendment is finalized. Ascension Providence Hospital still has land available on its campus for additional healthcare-related uses.

#### **Other Comments / Suggestions**

1. Ordinance revision that encourages age-targeted (55+) residential developments.
2. Allow developers to acquire wetland mitigation credits from the State wetland land bank instead of finding mitigation sites within the City.
3. Review ordinance to ensure that "flex-warehousing" is an allowable use.
4. Study other regional mall redevelopments to see what may work best for Novi.