

# REPORT

# NORTH CENTRAL INDIANA

## Q4 2021

### MARKET OVERVIEW

The North Central region of Indiana is home to both St. Joseph and Elkhart Counties. St. Joseph County, also known as the South Bend Region, is comprised of South Bend, Mishawaka, and Granger, while Elkhart County includes Elkhart and Goshen.

Located on the border with Michigan, South Bend is the economic and cultural hub of a multi-county, two-state region known as Michiana. South Bend ranks as the fourth largest city in the state and is home to the University of Notre Dame along with five other colleges all within city limits. Healthcare, education, small business, and tourism are all key industries in South Bend in particular.

A driving force for tourism and the overall St. Joseph County economy is the University of Notre Dame, averaging \$17 million in visitor spending on home game weekends during football season. The University is also one of the largest employers in the North Central region, with a workforce of 3,500. Notre Dame has become a major research university with numerous new businesses and employment opportunities developing as a result of various innovation and entrepreneurship activities.

Along with Notre Dame, the Michiana area boasts over a dozen institutions of higher education, including Holy Cross College, St. Mary's College, Grace College, Bethel University, Goshen College, Indiana University South Bend, Purdue Polytech, Ivy Tech, and more. A few other major employers in the South Bend area include SpartanNash / Martin's Super Markets, Saint Joseph Regional Medical Center (3,000), Beacon Medical Group (1,900), Press Ganey (945), and AM General LLC (800).

While primary industries in St. Joseph County include IT/data, healthcare, logistics / warehousing, and advanced manufacturing, South Bend's neighbor, the city of Mishawaka, is home to the second largest retail corridor in the state of Indiana, the Main Street & Grape Road Commercial Corridor.

Elkhart County's economy is largely driven by the manufacturing industry. The city of Elkhart is driven by the manufacturing of recreational vehicles and its related parts. Heavily impacted by this industry, Elkhart is often referred to as the "RV Capital of the World". Elkhart's RV industry began in 1936 and today the area is filled with RV manufacturers, dealers, service centers, and sellers of RV-related products. Elkhart County currently produces over 80% of all RVs built in the United States and the city's RV manufacturers, suppliers, and vendors create a \$9.5 billion impact on Indiana's economy.

The top five employers in Elkhart County are manufacturers of RVs or their components: Thor Industries (13,622), Forest River (10,000), Lippert Components (7,500), Patrick Industries (3,500), and Winnebago (2,754).

The North Central Indiana region provides an excellent environment to live, recreate, and work. The entire South Bend region boasts modest housing costs, with South Bend having been ranked as the second lowest cost of living in the country. St Joseph County was also ranked sixth in the nation for best business environment. The college-town atmosphere draws in new residents annually while the abundance of manufacturing in RV and other industries constantly creates new jobs and growth opportunities.

1. <https://southbendregion.com/main/economic-profile/>
2. <https://southbendregion.com/main/economic-profile/>
3. <https://www.elkhartcountybiz.com/existing-business/major-employers/>
4. <https://www.niche.com/places-to-live/c/st-joseph-county-in/rankings/>

### DEMOGRAPHICS

482,151



Population

180,423



Households

\$54,138



Median Household Income

27%

33%

High School



Some College



26%

Bach/ Grad+



Education

16,229



Total Businesses

269,986



Total Employees

Source: Esri 2021

# NORTH CENTRAL INDIANA

## Q4 2021

### INDUSTRIAL OVERVIEW

#### GAP BETWEEN INVENTORY AND SUPPLY CONTINUES TO AFFECT MARKET

As 2021 came to a close, local manufacturers and industrial users continued to have issues getting supplies and materials, delivering them, and properly maintaining inventory levels to meet customer demand. Companies are continuing to struggle to meet space demands due to these supply chain issues. Part of this problem is the difficulty in getting adequate space to allow for continued market growth. As a lot of companies are seeking temporary or short-term warehouse space to increase inventories delayed by supply chain disruption, they are having trouble obtaining space due to the record low levels of vacancy we are experiencing.

The low vacancy rates and strong demand are being reflected in the percentage increase in asking rents, up 16% Y-O-Y. Net absorption across the region increased significantly; more than one million square feet were absorbed in the last twelve months, and expect to see demand continue through 2022.

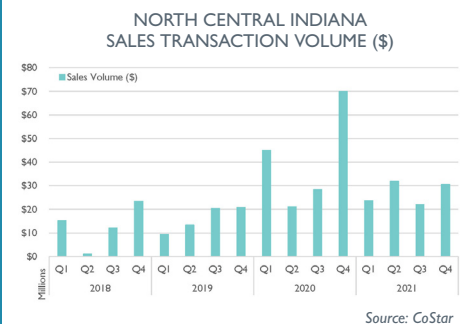
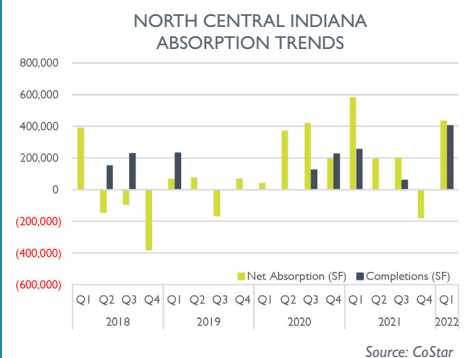
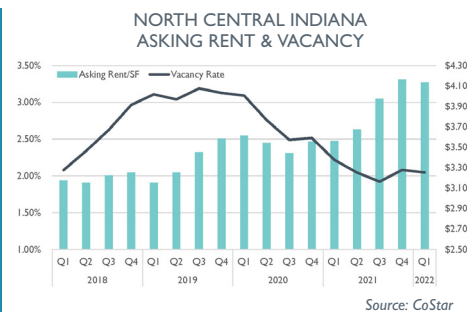
The North Central Indiana industrial market will continue to experience heightened interest with the expectation of continued new development. Firms will look to secondary and tertiary markets for industrial sites and distribution centers as a means of localizing supply and cutting costs. 2022 is expected to continue 2021 trends: The expectation is for more land deals this year across all submarkets. Continued upward pressures on rental, lease rates and sale pricing with some stabilization expected at the end of the year.

Investment sale opportunities are attracting increased competition and cap rates continue to compress (7% or lower cap rates are not uncommon for industrial deals with long-term leases). As a result, companies may wish to consider a sale leaseback in order to generate more capital while real estate values are at peak levels.

1. Recently built South Bend office building has new owner • Northwest Indiana Business Magazine (nwindianabusiness.com)

### TRENDS

- Low vacancy rates continue as any available space is bought or leased up for industrial or logistical use
- Net absorption continues to hit record highs
- Expect a permanent increase in activity in our markets as attention shifts to secondary and tertiary markets



### Q4 2021 - HIGHLIGHTED TRANSACTIONS

Product	Type	Product Class	Size	Location	\$/Metric	Bradley's Role
Manufacturing	Sale	Class C	328,700 SF	Elkhart County	\$9.50/SF	Seller Representation
Manufacturing	Lease	Class B	32,500 SF	Elkhart County	\$4.53/SF NNN	Landlord Representation
Warehouse	Lease	Class B/C	33,333 SF	St. Joseph County	\$2.75/SF MG	Tenant Representation
Distribution Warehouse	Lease	Class A	77,500 SF	Elkhart County	\$3.48/SF NNN	Tenant Representation
Warehouse/Manufacturing	Sale	Class A	27,500 SF	Berrien County	\$44.26/SF	Buyer Representation

# NORTH CENTRAL INDIANA

## Q4 2021

### OFFICE OVERVIEW

#### MAJOR DEALS HEADLINE AN OTHERWISE QUIET QUARTER

The majority of deal flow in North Central Indiana occurs in downtown South Bend, Mishawaka, and the Edison Lakes Office Park. Spring and Summer are the busy seasons for office transactions; consequently, Q4 experienced an expected slowdown in velocity on the leasing side. As the pandemic continues to affect the market, the recent OSHA regulations may also have an impact. Employers now have to factor in these government mandates when making space decisions, potentially leading some to reconsider their decisions on in-person/hybrid work. This, and the possibility of future legislation, may decrease the square footage demand for office space as some employers factor these regulations into their decision-making on working in-person versus remotely. The rising cost of construction will also impact future office development.

The greater South Bend area has seen decent deal velocity in investment sales across the region. On the rental side, landlords remain aggressive with deal terms, a strong indication that demand is trending back towards pre-pandemic levels. Downtown South Bend retains a high amount of inventory. The READI grant is the big story for the South Bend region, though the amount of dollars allocated towards office development remains to be seen. Regardless, the influx of capital will have a rippling effect on the area as a whole, boosting employment and activity.

The two major stories in the region are that of Crowe and Press Ganey. Crowe announced publicly that they will be selling their riverfront campus and reduce their footprint significantly. They remain committed to downtown South Bend and will relocate closer to the central business district, but have announced no formal plans. Their existing buildings will likely be redeveloped; it is unlikely such a large space can be filled, and companies such as Great Lakes Capital are looking to develop mixed-use properties on the west bank of the St. Joseph River.

The Press Ganey headquarters in Ignition Park was purchased by NAS Investment Solutions in a Net Lease Investment Sale transaction. The 82,064 SF building serves as Press Ganey's national headquarters; Press Ganey employs more than 1,600 people nationwide.<sup>1</sup>

1. [Recently built South Bend office building has new owner • Northwest Indiana Business Magazine \(nwindianabusiness.com\)](#)

### TRENDS

- High inventory in the downtown South Bend market continues to affect lease terms
- Activity to pick up in spring and summer as lease terms end
- Decent deal velocity in investment sales

### Q4 2021 - HIGHLIGHTED TRANSACTIONS

Product	Type	Size	Location	\$/Metric	Bradley's Role
Class A Medical Office Park	Lease	3,691 SF	St. Joseph County	\$15.75/SF NNN	Landlord Representation
Class B Office Building	Lease	2,836 SF	St. Joseph County	\$15.00/SF MG	Landlord Representation
Class B Office Building	Sale	9,672 SF	St. Joseph County	\$81.16/SF	Seller Representation
Class A Office Building	Sale	42,000 SF	St. Joseph County	\$111.80/SF	Seller Representation

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### RETAIL OVERVIEW

RETAIL SECTOR EXPERIENCING PRE-PANDEMIC LEVELS OF ACTIVITY

Retail continued its recovery, experiencing the highest level of activity in several years. Mixed-use projects continue to gain traction in South Bend and Mishawaka.

Erskine Village is the story of the quarter. The retail strip, anchored by Target and Kohls, on the south side of South Bend achieved its highest lease percentage ever. Across the region, national brands and franchisees are seeing a resurgence, capitalizing on the spike in retail activity and spending in the area. Three new Chipotles have found their home in the South Bend area, as well as two new Drive & Shine locations (located on SR 23 and US 933). Two new wineries are opening: the Cellar Wine Bar in downtown South Bend and the Gateway Cellar Winery in Elkhart. Elkhart also welcomed a new luxury hotel.

Mishawaka is continuing its rapid development into a hip, modern destination. Flaherty & Collins is constructing an ice-skating ribbon and a brewery as part of their Phase 2 mixed-use developments in downtown Mishawaka. The ice-skating ribbon will include a café and event center.<sup>1</sup> The READI grant is also slated to pour capital into mixed-use development, including the potential for The Mill at Ironworks Phase II. There are also plans underway for further, up-scale apartment developments, as well as a brand new regional athletics facility, which would be capable of hosting tournaments for a variety of sports.<sup>1</sup>

Though development and demand are full steam ahead, the retail sector is still be hampered by contemporary events. The effects of the labor shortage and inflation are very prevalent. Consumers are having to shoulder some of the costs; Dollar Tree, famous for its universal \$1 price tag, had to move prices up to \$1.25 to offset the costs of increased labor and inflation. The price of beef has doubled over the last year, as seen in increased prices at the grocery store, restaurants, and fast food chains. The labor shortage is visible in random store closures, shortened hours, and longer wait times.

1. Mishawaka economic development advancing in downtown, other regions (southbendtribune.com)

### TRENDS

- READI grant brings tons of investment dollars into retail and mixed-use development in the area
- Expect retail to remain strong as it continues its hot streak of pandemic recovery
- Inflation remains white hot; expect consumer prices to continue to rise while the FED's measures have a chance to take hold

### Q4 2021 - HIGHLIGHTED TRANSACTIONS

Product	Type	Size	Location	\$/Metric	Bradley's Role
Retail Lifestyle Center	Lease	4,673 SF	St. Joseph County	\$10.00/SF NNN	Landlord Representation
First Generation Mixed-Use Retail	Lease	2,107 SF	Elkhart County	\$22.00/SF NNN	Landlord Representation
Multi-Tenant Retail	Lease	1,480 SF	St. Joseph County	\$14.00/SF NNN	Landlord Representation
Single-Tenant Retail	Lease	2,500 SF	St. Joseph County	\$19.00/SF MG	Landlord Representation

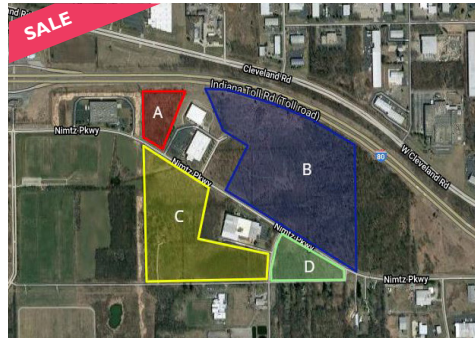
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**FORMER PANERA BREAD**  
1290 E. IRELAND RD. | SOUTH BEND, IN 46614

- Former Panera Bread situated at the main entrance to the recently renovated 500,000+ SF Erskine Village power center
- Join a robust lineup of co-tenants including Target, Kohl's, Old Navy, Applebee's, TJ Maxx, Starbucks, CVS Pharmacy, Ross Dress For Less, Petsmart, Hacienda, Jimmy John's, and more
- Traffic counts in excess of 40,650 ADT
- Easy access and visibility from the US 20/31 Bypass



**INTERNATIONAL INDUSTRIAL CENTER**  
NIMITZ PARKWAY | SOUTH BEND, IN 46628

- Large Industrial development sites situated in South Bend's premier industrial park. Prime locations for logistics, distribution and advanced manufacturing facilities.
- Site offers unmatched access given its central Midwest and proximity to Chicago, Detroit, and Indianapolis, and an ever growing population of 1.84 million in a one-hour drive.
- Four sites from 7.84 - 100 acres available



**SOUTH BEND DISTRIBUTION CENTER IV**  
NORTH DYLAN DRIVE | SOUTH BEND, IN 46628

- ±166,500 SF Industrial spec building (370' x 450') with 32' Clear Height
- Multi-tenant with ability to demise down to ±40,000 SF
- Cross docking capable: 12 dock doors/levelers and 4 drive-in doors specified on east and west sides. Block-outs for additional doors to accommodate tenant needs. Expandable to 30 docks and 6 drive-in doors

# BROKERAGE



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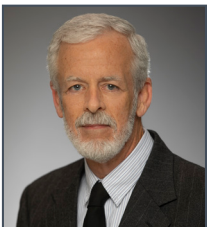
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