NORTH CENTRAL INDIANA

Q3 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

Education:
27% Some College
33% High School
26% Bach/ Grad+

16,229
Total Businesses

269,986
Total Employees

Source: Esri 2021

BRADLEY COMPANY

112 W. JEFFERSON BLVD., SUITE 300 SOUTH BEND, INDIANA, 46601 | 574.237.6000

/company/bradley-company @bradley_company /bradleycompanyCRE @bradleycompany

NORTH CENTRAL INDIANA

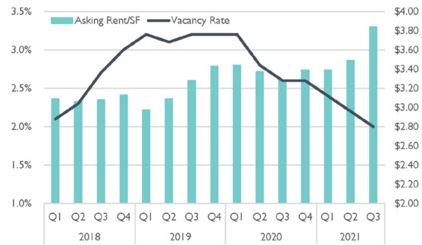
Q3 2021

INDUSTRIAL OVERVIEW

LIMITED SPACE AND SUPPLY CHAIN ISSUES CONTINUE TO AFFECT COMPANIES

As 2021 starts to wind down, local manufacturers and industrial users are having trouble getting product, delivering product, and properly maintaining their inventory on hand 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 currently experiencing.

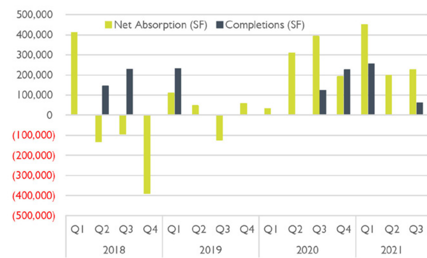
NORTH CENTRAL INDIANA
ASKING RENT & VACANCY



*Source: CoStar**

While construction and new development projects are at an all-time high, the new space being added to inventory is not a viable short-term solution. Construction lead times are heavily inflated; on average, it takes between 8-12 months for companies to get into the new building. Supply side issues have also driven up construction costs, making the entire process both longer and more expensive.

NORTH CENTRAL INDIANA
ABSORPTION TRENDS

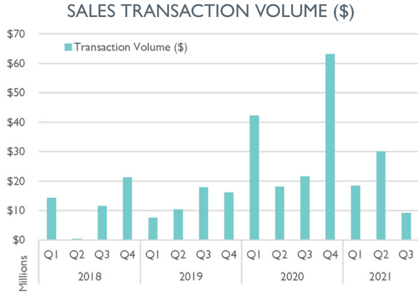


*Source: CoStar**

Businesses are looking more and more for creative short-term, cost effective, solutions to bridge the gap between their current immediate need for more production/warehousing space, versus when they estimate the market will balance out. From the landlord's perspective, with such an extensive demand on available inventory, it only makes sense to entertain longer lease terms. Some companies are hesitant to commit to long-term leases because they anticipate that the pandemic record-level consumer demand and the supply chain issues won't last. Because of this, companies are hesitant to sign onto long term leases, and thus both companies and brokers are forced to be more creative in their negotiations. Meanwhile, landlords are looking to maximize their asset value with these current favorable conditions.

While this hesitancy to long-term commitments is justifiable, we are also seeing near record levels of new construction and larger projects being announced. This will continue to add to the upward pressure on rates and add a substantial amount of new employee demand, contributing to the labor supply pressure. This is reflected by Amazon confirming their plans to create a mega-distribution center in Elkhart County, along with a last mile delivery/distribution center over on James Weaver Parkway and Aeroplex. The center will occupy in excess of 800,000 square feet and employ 1000+ individuals. Additionally, Way Distribution is also opening a new 900,000 square foot space in Elkhart. These big players squeeze an already tight labor market and construction market, boxing out smaller users attempting to fill openings and construct new space.

NORTH CENTRAL INDIANA
SALES TRANSACTION VOLUME ($)



*Source: CoStar**

Overall, the demand for industrial products remains high. We are expecting low vacancy and limited supply to continue as the bigger users are continuing to occupy more space to house more inventory to meet the rebounding consumer demand and anticipate supply chain issues continuing through the first half of 2022. As companies re-evaluate their long-term goals and real estate solutions, expect the market to start to show signs of levelling out as supply and demand start to equalize later in 2022.

TRENDS

- Companies seek short-term lease solutions to meet their build-up of inventory due to supply chain backups.
- Massive new entrants into the market squeeze an already tight labor market.
- Land values are up 30%.
- Larger companies move towards constructing their own buildings as they encounter difficulty finding appropriate space on the market.

NORTH CENTRAL INDIANA

Q3 2021

OFFICE OVERVIEW

PLENTY OF AVAILABLE SPACE AS OFFICE CONTINUES SLUGGISH REBOUND

The majority of deal flow in Northern Indiana occurs in downtown South Bend and Mishawaka. As workers start to return to the office post pandemic, the region is starting to see a rebound in pent up demand. During COVID-19 the market was slow, the deals were small, and there was no sign of organic growth. Since then, landlords have been looking to reconfigure their space to accompany the ever-changing business industry. There is a lot of inventory in the South Bend market mostly comprised of large vacancies in multi-story office buildings.

The labor shortage is affecting the office sector as well. Though companies are beginning to mandate full-time or hybrid office work, they are not in need of upgrading their space. Companies continue to struggle to be fully staffed and job openings are abundant; expect the demand for office space to continue sluggish growth until the labor market shores up.

The sluggish growth is evident as seen by the large availability of space and the low velocity of transactions. Lease rates, especially in downtown South Bend, are negotiable, with a standard discount of around 20%. Unlike industrial, office tenants hold the leverage in negotiation, as landlords are eager to lease out space after an abysmal pandemic year.

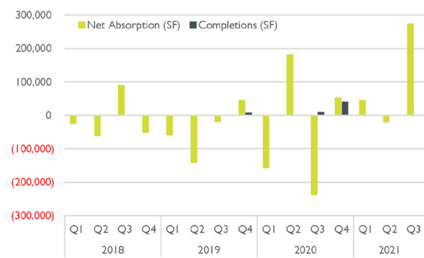
Crowe Horwath, a large accounting and consulting firm in South Bend, recently announced their intention to reduce their footprint. Crowe, currently located in two buildings on the west bank of the St. Joseph River, 320 and 330 East Jefferson Boulevard, will downsize and relocate closer to the Central Business District. Crowe Horwath owns the two buildings with a combined 156,278 square feet, and plans to sell them once they find a new location.

Fransiscan, a major area employer, is keen on bringing employees back to in-person work, intending to clear up space at their corporate offices. They recently expanded their footprint in Edison Lakes from 6,000 to 18,000 square feet. The Edison Lakes submarket is not experiencing high vacancy. Q3 saw significant market activity of investors buying property in Edison Lakes. Edison Lakes is an office corridor in the larger Grape Road corridor, containing financial services, consulting, and medical spaces, to name a few. It continues to see significant demand for space, with very little vacancy.

NORTH CENTRAL INDIANA
ASKING RENT & VACANCY

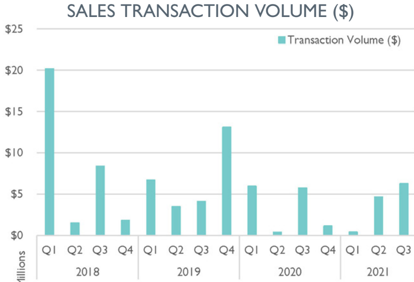
Source: CoStar

NORTH CENTRAL INDIANA
ABSORPTION TRENDS



Source: CoStar

NORTH CENTRAL INDIANA
SALES TRANSACTION VOLUME ($)



Source: CoStar

TRENDS

- Market rent and market sale price per square foot see slight increase.
- Sluggish growth as companies have no reason to upgrade or change space.
- Cap rates are going down and leveling out.
- Lease rates in the high vacancy downtown South Bend area see high standard discount.
- The Edison Lakes office submarket continues to see strong demand.

NORTH CENTRAL INDIANA
Q3 2021

RETAIL OVERVIEW
RETAIL SEES STRONG GROWTH DESPITE ONGOING LABOR SHORTAGES

Retail had a great Q3 with significant movement across all aspects of the sector, shadowing national trends. Restaurants did well despite the labor shortage, though many restaurants are unable to operate at their normal business hours due to staffing issues. The prevalence of carry-out and delivery boost restaurant sales at a time when finding consistent staff is difficult. Mixed-use development also saw a spike in Q3 with significant progress made in several areas. And the return of Notre Dame Football brings millions of dollars spent on food and hospitality back into the South Bend area.

Local restaurants scored big wins in Q3, as national chains slowed their growth. Landlords who reserve space for national chains that may want to come into the market are now more willing to lease to local businesses. As TGI Friday's, Applebee's, and Logan's Roadhouse closed local locations, new, unique restaurants such as Asian Fusion and Wild Crab moved in. Expect this trend to continue through the next quarter as local owners find opportunity to open new restaurants.

Malls nation-wide continue to experience some challenges. Anchor tenants especially are doing whatever they can to find their footing in an ever-changing landscape. The former Sears at the University Park Mall has yet to be backfilled. The space is listed as industrial space, placing the North Central Indiana area on par with national re-development trends.

There is lots of mixed-use development underway. Flaherty & Collins, who owns a mixed-use space in downtown Mishawaka featuring 200 residential units and first floor retail, is beginning Phase 2 development of another mixed-use space. Grandview Flats in Granger, another mixed-use development, is entering their Phase 3 retail component. The low vacancy rates in the residential side of mixed-use development has great implications for retail, as space becomes more attractive with higher local traffic. The Ivy at Berlin Place, another mixed-use development, became 100% residential leased in Q3, and expects its retail portion to follow.

The University of Notre Dame and Eddy Street Commons are continuing their march southward, with new retail space having been opened in Q3 south of Eddy Strett. The space features the area's first Trader Joe's, and an Athletico plans to occupy another suite. The return of Notre Dame football also greatly helps the local economy, especially in retail. As mentioned in the market overview, the average Notre Dame home game brings in $17 million. The economy suffered last fall without in-person attendance but has strongly rebounded this year. Expect a strong holiday season ahead as retail returns in full force.

NORTH CENTRAL INDIANA
ASKING RENT & VACANCY

*Source: CoStar**

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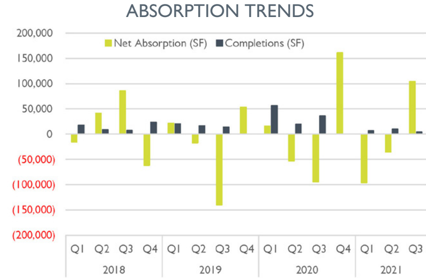
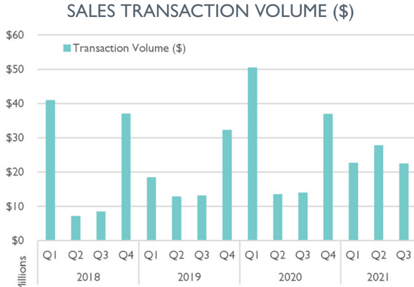
ABSORPTION TRENDS



*Source: CoStar**

NORTH CENTRAL INDIANA
SALES TRANSACTION VOLUME ($)



*Source: CoStar**

TRENDS

- Mixed-use development continues to be a major driver of growth.
- As demand for space from national chains decreases, local owners find opportunity.
- Non-traditional retail space usage gains traction as post-pandemic recreation picks up.
- Continued labor shortages remain a primary factor in preventing the retail sector from experiencing more success.
- Supply chain issues are creating scarcity of products in certain sectors especially.
- Inflation is expected to remain an ongoing concern. When combined with labor shortages & supply chain issues, we expect to see a series of price increases.

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CLEVELAND CORNER SHOPS
52991 STATE ROAD 933 | SOUTH BEND, IN 46637

- 1,050 square feet of in-line retail space available for lease
- Excellent visibility at the corner of Cleveland Rd. (AADT: 17,528) and SR 933 Hwy. (AADT: 18,601)
- Co-tenants include Starbucks, FedEx, and Gamestop
- Minutes away from the University of Notre Dame and several student-housing developments

INTERNATIONAL INDUSTRIAL CENTER
NIMTZ 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

SBDV IV - UNDER CONSTRUCTION
NORTH DYLAN DRIVE, SOUTH BEND IN 46628

- 166,500+/- SF Industrial spec building (370' x 450')
- 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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