NORTHWEST INDIANA MARKET

2ND QUARTER 2019

MARKET OVERVIEW

The Northwest Indiana region continues to benefit from its business-friendly environment and proximity to the Chicago market. Because of this, the region is seeing a growth in new companies and residents locating in the area. Several cities and towns have begun investing heavily in key areas in hopes of transforming their communities.

Several mixed-use developments are under construction in Valparaiso, LaPorte, Whiting, and Portage. These projects are expected to bring more than 1,000 new residential units, and quality new ground-floor retail space to the market.

To assist with the growth occurring in northwest Indiana, transportation developments are underway. The South Shore's $764 million West Lake Corridor project is expected to reach high-growth areas in Lake County, as well as create a faster, less expensive, and more reliable form of transportation to the Chicago market and surrounding areas.

QUARTERLY HIGHLIGHTS

NOMINAL ECONOMIC GROWTH EXPECTED FOR THE REGION THROUGH THE REST OF 2019

Indiana continues to lead the nation in steel production with its latest 2018 ranking, producing more than twice as much as the second-place state, per the American Iron and Steel Institute. (1) The Great Lakes region is a significant contributor to this, as most of the steel made in the region is produced around the southern shore of Lake Michigan in Lake and Porter Counties, which are home to half the nation's blast furnace capacity. (2)

U.S. steel production saw positive growth this quarter, rising by 5.4% to 7.7 million tons from April to May 2019, according to the World Trade Association.(3) Looking at imports, the U.S. has imported 13.5 million tons of steel through the first five months of the year, a nearly 12% decline compared to the same period in 2018.(4) According to the American Iron and Steel Institute, total imports fell 38.2% month-over-month to 2 million tons in May 2019. (4)

The region experienced a 0.5% economic growth in the latest Northwest Indiana Coincident Index from the IU Northwest School of Business and Economics. As of April 2019, the index value was 110.4, which is significantly greater than the 94.7 index value from April 2009. Although a positive sign for economic growth, the latest index's forecast for the upcoming six months is growth at less than 1%. (5)

Indiana legalized sports wagering in May and signed off on Gary's Majestic Star casino to relocate inland from a Lake Michigan dock. Gary officials have wanted this move for over a decade. The Majestic Star will close, which will allow for redevelopment of Buffington Harbor into a shipping and warehouse district. The 200,000 square-foot Hard Rock Casino will be located adjacent to the Borman Expressway at Burr Street and 29th Avenue. Construction could start in September with the casino opening in 2021, followed by a hotel and parking garage. The Hard Rock will be the second largest casino in the region and will feature multiple restaurants, bars, and a concert venue. the $400 million project is a joint venture between Spectacle Entertainment and Hard Rock International.

In February, Indiana Dunes became the nation's 61st national park. The 15,000 acre park generated $50.5 million in economic impact in 2018. Michigan City officials estimate that between $25-$50 million may be added to the economy due to the park's new designation. The park previously attracted 1.8 million visitors annually. Indiana Dunes is estimated to become the 7th most visited national park - Memorial Day visits were up 20% this year. Indiana Dunes is the only national park in Indiana and the closest to Chicago.

1. https://www.nwitimes.com/business/local/indiana-led-nation-in-steel-production-last-year/article_021fdb5a-a889-5cb2-82c0-ea284ef2c9fa.html
2. https://www.nwitimes.com/business/steel/steel-production-jumps-by-in-great-lakes-region/article_2ed71c79-b8d7-5257-b7be-65bb709456ac.html
3. https://www.nwitimes.com/business/local/u-s-steel-production-sees-uptick-in-may/article_3679adc2-0223-5b10-8580-f9757d7b412a.html
4. https://www.nwitimes.com/business/local/steel-imports-down-year-to-date/article_cae83ee3-2dc5-5cd3-8360-633ba7754299.html
5. https://www.iun.edu/business/nwi/coincident.htm

LAKE, PORTER, LAPORTE COUNTIES	
2018 Total Population	771,815
2023 Total Population	779,544
2018-2023 Pop Growth	0.03%
Median Age	39.5
2018 Households	295,946
2023 Households	296,657
2018 Median HH Income	$55,744
2018 Average HH Income	$72,779

Source: Esri

UNEMPLOYMENT RATE MAY '19	
Lake County	4.1%
Porter County	3.2%
LaPorte County	3.7%
Indiana	2.9%
United States	3.4%

Source: Hoosiers by the Numbers

HOUSING MARKET MAY '19	
Lake County	
Median Home Value	$148,800
Y-O-Y Increase	7.2%
Median Listing Price	$199,900
Porter County	
Median Home Value	$204,700
Y-O-Y Increase	6.6%
Median Listing Price	$252,000
LaPorte County	
Median Home Value	$146,200
Y-O-Y Increase	9.8%
Median Listing Price	$184,900

Source: Zillow

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NORTHWEST INDIANA MARKET

2ND QUARTER 2019

INDUSTRIAL OVERVIEW

LIMITED SUPPLY OF INDUSTRIAL SPACE CONTINUES TO IMPACT RENTS AND VACANCY RATES, WHILE NEW PRODUCTS ON THE HORIZON ARE EXPECTED TO ALLEVIATE SOME PRESSURE

Leasing activity remains strong in the northwest region, with several transactions leading to a decrease in the vacancy rate. In 2Q 2019, 198,310 square feet come off the market at 6515 AmeriPlex Drive in Portage. With additional transactions and limited new spaces coming online, the vacancy rate decreased from 7.6% in 1Q to 6.8% in 2Q. Subsequently, market rents increased from $5.52 to $5.61 per-square-foot.

Becknell Industrial announced in April that it will add another speculative building to the Merrillville area, creating 263,000 square feet of new space. The project is expected to cost $19.7 million and begin construction in Fall of 2019.

Upright Iron Works purchased a new 14,800 square foot facility in north Griffith for an undisclosed sum, moving from their previous 4,500 square foot building on the south side. The move allows them to increase production and hire more workers.

NorthPoint Development's $24 million renovation work at a 680,000-square-foot cold and dry storage facility in Westville is expected to be complete soon. Dollar General is lined up to lease nearly 300,000 square feet of space in the building and expects to move into the space in the Fall of 2019 and create at least 80 new jobs. The remainder of the space is still available for lease.

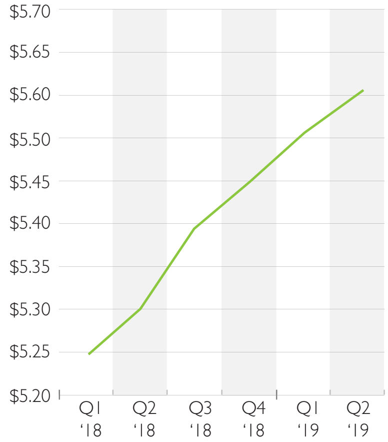
ArcelorMittal is investing $19.25 million at its Burns Harbor steel mill in Porter County. The investment will rebuild a coke battery over 5 years and could save an estimated $50 million. The company is investing another $140 million on two new beam furnaces, also at Burns Harbor. ArcelorMittal is the largest steelmaker in the world by volume and one of the largest employers in Northwest Indiana. (1)

Construction continues on the $40 million, 105,000-square-foot Digital Crossroads of America Data Center in Hammond. The project could potentially total 400,000 square feet and $200 million in investment.

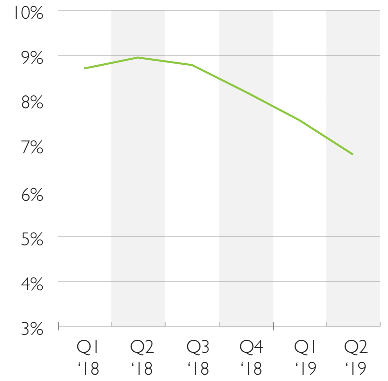
While these anticipated projects will increase inventory in the market, the region has seen a slowdown in new construction. In fact, the only new project to break ground in the region in the past four quarters is the new Digital Crossroads of America Data Center in Hammond. Several factors such as rising construction costs or the limited availability of land, could be attributed to the slowdown.

Over 1.8 million square feet of industrial space remains available in the market, with the majority of that being quality space for various user types. In addition, the region will continue to attract high demand from out-of-state companies looking to be close to the Chicago market.

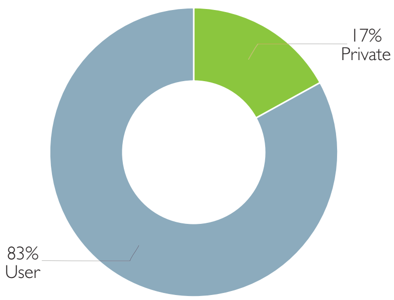
MARKET RENT PER SF*



VACANCY RATE*



SALES BY BUYER TYPE*



**Source: CoStar*

1. https://www.nwitimes.com/business/local/franciscan-health-hospitals-growing-and-rocking-and-rolling/article_beacb9fe-c56e-5721-8c2c-054a977b6e83.html

FORECAST

- Rising construction costs and land availability will continue to impact new construction.
- As vacancy rates continue to fall, property owners will look to renovate or retrofit older properties to attract new users.
- Despite the slowdown in new construction, the trend is not expected to have a major effect on the industrial market for the region for the remainder of 2019.
- The region will continue to attract companies looking for a lower cost option to Chicago, but with proximity to the Chicago market.

NORTHWEST INDIANA MARKET

2ND QUARTER 2019

OFFICE OVERVIEW

LIMITED OFFICE MOVEMENT IN 2Q WITH EXPECTATIONS TO IMPROVE IN 3Q

Limited office activity led to no significant changes for the market in 2Q 2019. From 1Q to 2Q 2019, the vacancy rate slightly ticked up from 8.5% to 8.9%, while the average market rent stayed flat at $18.40-per-square-foot.

Despite no real movement in the vacancy rate, the completion of the new 37,349-square-foot office building at 2901 Carlson Drive in the coming months is expected to bring some vacancy to the market once completed.

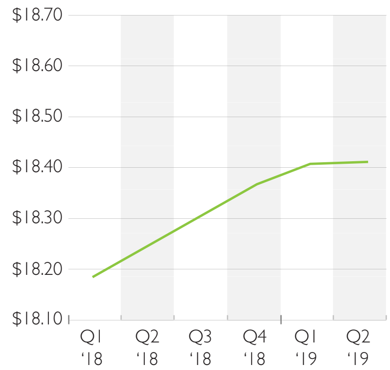
In June, the developer of two new office buildings in the Oxbow Landing development, ATG Real Estate Development, announced it will be moving its company's headquarters from 2929 Carlson to 2901 Carlson once it's completed. Additionally, the 3rd floor is expected to house the ExecutiveSuites2TM, a co-working space that offers 60 private and shared offices.

The other new office development, the Cardinal Campus of Highland, also has some vacancy, which will impact the rates in the coming quarters. As of 2Q 2019, one of the three buildings were fully occupied, while the other two were 50% and 60% vacant. With build-outs being completed for the current tenants, more companies are expected to be attracted to the site.

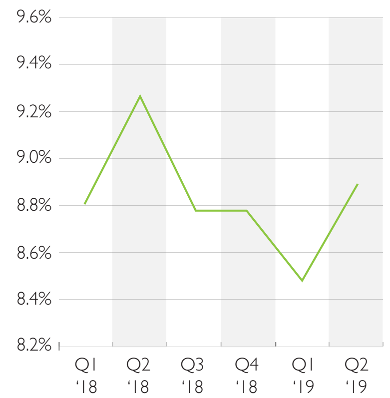
Several large-scale investments and continued investor interest keep the medical office and healthcare sectors strong for the region. In June, the 28,837-square-foot Glendale Medical Center in Valparaiso sold for $6.1 million, or roughly $211-per-square-foot. Additionally, the $125 million new LaPorte Hospital continues its progress with completion expected by the end of 2020, and NorthShore Health Systems is anticipating late winter 2019 for its new $18 million facility to be completed. With national statistics, such as joint replacement surgeries expected to increase from 1 million in 2019 to 4 million by 2020 (1), or outpatient visits nearly quadrupling from 190.7 million in 1975 to 747.1 million in 2016 (2), there could potentially be more investments in the medical office and healthcare sectors in northwest Indiana.

1. *https://www.nwitimes.com/business/local/franciscan-health-hospitals-growing-and-rocking-and-rolling/article_beacb9fe-c56e-5721-8c2c-054a977b6e83.html*
2. *https://www.nwitimes.com/news/local/lake/health-care-in-nwi-thriving-more-than-million-in-new/article_b0fa4576-98de-5fd5-9cbc-6143ff6e5b35.html*

MARKET RENT PER SF*



VACANCY RATE*



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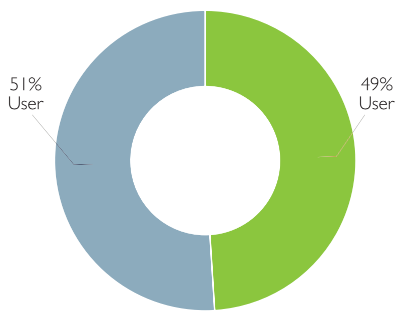

*Source: CoStar

FORECAST

- Large scale investments and investor interest in the healthcare sector will continue to drive the office market.
- Market rents are expected to remain steady throughout 2019.
- With the addition of new inventory coming online during the second half of the year, vacancy rates are expected to slightly increase.

NORTHWEST INDIANA MARKET

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RETAIL OVERVIEW

NEW DEVELOPMENTS ON THE HORIZON EXPECTED TO BRING NEW RETAIL TO THE REGION

With the "retail apocalypse" continuing through 2019, the region's retail market continues to see businesses come and go.

Despite the announcements, the region's retail vacancy rate only slightly increased over the past quarter from 5.9% to 6.0%. This can be attributed to existing companies in growth mode expanding within the market, combined with an increase in boutique shops occupying smaller vacant spaces. Additionally, larger-scale retail developments are underway that will help boost the local retail scene.

Some of those developments include two projects in Griffith, a new 55,000-square-foot Restaurant Depot and a new Austgen Business Park that will have 35,000 square feet, as well as the Shops 96 redevelopment in St. John that will bring 171,000 square feet of commercial space to the market. Additionally, several communities like Valparaiso for example, are undergoing initiatives for new downtown housing developments. Most of these developments have a ground-floor retail component attached to them.

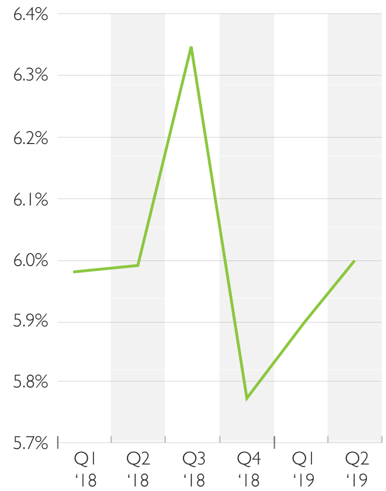
Retail News of Note:

- A new tenant is expected to be announced to backfill the former Kmart space at 750 Indian Boundary Road in Chesterton.
- Sophia's House of Pancakes opens in former Applebee's location in Schererville.
- Poke-Man, a Hawaiian specialty of poke, opened a restaurant in April at 327 E. 81st Avenue in Merrillville.
- Cousins Subs is opening their first Indiana location in Crown Point this summer. Cousins has more than 90 locations in Wisconsin.
- Leeds Public House is set to open in the former long-time location of Ryan's Irish Pub in downtown Michigan City.
- Locally-owned Tommy's Philly Steak opened in Gary's Midtown neighborhood.
- Next Generation Gaming opened a 620-square-foot location in Griffith.
- A hip, new coffee shop, Fluid Coffeebar, opened a new 2,600-square-foot location in Downtown Michigan City.
- The Southlake Mall in Hobart is welcoming new tenants Pita Stop, Seventh Sense Botanical Therapy, 2 Cute, Serpentine Fire Boutique, Shop Lulu Bean, and a Charles Schwab investment advisory office.
- Lou Malnati 's Pizzeria has opened at 36 U.S. 41 in Schererville. It's their first location in northwest Indiana and will be delivery or carry-out only. Lou Malnati's has 56 locations in the Chicago area and three in Arizona.

1. *https://www.nwitimes.com/business/local/subway-has-quietly-closed-several-northwest-indiana-restaurants/article_687ff072-b0ea-5e35-b0ab-6ac42c01f8bc.html*
2. *https://coresight.com/research/weekly-us-and-uk-store-openings-and-closures-tracker-2019-week-25/*

MARKET RENT PER SF*

VACANCY RATE*



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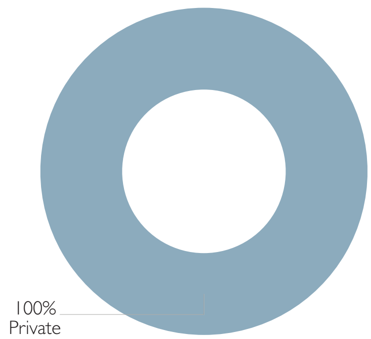

**Source: CoStar*

FORECAST

- While retail closures are expected through the end of the year nationally, within the region, vacancy rates are not anticipated to significantly increase.
- Market rents are expected to remain steady through 2019.
- With major medical facilities in the region under construction, other healthcare or medical service providers may look to occupy former retail space nearby.

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CLEVELAND AVE. & MEIJER DR., MICHIGAN CITY, IN

- 2+ acres shovel ready land available
- 400± feet of frontage along Cleveland Avenue with excellent visibility
- Adjacent to many retailers including: Meijer, Lowes, Big R Store & Menard's

1414 STATE ROAD 2, LAPORTE, IN

- Net leased 7,200 SF free standing building
- Excellent visibility on State Road 2
- Located on an outlot of the Maple Lane Mall with the availability to create access to the mall parking lot

DEER TRAIL LAND, SCHERERVILLE, IN

- Three shovel-ready sites located on US-30 in the heart of Schererville
- Easy access from both lanes of US-30 east of Austin Ave., and from Austin Ave.
- 41,000 VPD in the shadow of the Residences at Deer Creek, an upscale assisted living facility

PARK CENTER 5625 COMMERCE RD CROWN POINT, IN

- Route 30 exposure available
- Flexible floor plans from 1,200-7,200 SF
- Highly visible monument signage on Route 30 with over 43,000 ADT
- Parking abounds with overflow parking available

WESTFIELD COMMONS SOUTH: 101-109 W. 79TH AVE., MERRILLVILLE, IN

- 9,072 SF multi-tenant office building
- Conveniently located off of Broadway (SR 53) at 79th Avenue, just north of US 30 near the I-65 interchange
- Brick exterior with attractive curb appeal

PARK 84: 251-397 W. 84TH DRIVE, MERRILLVILLE, IN

- 31,187 SF multi-tenant professional office building
- 8,000 SF pad expansion available
- Conveniently located in the Merrillville CBD just 3 blocks south of US 30

80TH PLACE PLAZA: 7950-7990 BROADWAY, MERRILLVILLE, IN

- 30,642 SF multi-tenant strip center ideal for retail and office users
- Lighted intersection provides convenient access
- Features frontage along both 80th Place and Broadway

BROADFIELD SQUARE NORTH: 8906-8939 BROADWAY, MERRILLVILLE, IN

- 17,058 SF multi-tenant office building built in 1987
- Located next to Methodist Hospital Southlake
- 85% occupied with a diverse mix of tenants

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