

NORTHWEST INDIANA

2ND HALF 2020 / 2021 OUTLOOK

MARKET OVERVIEW

The Northwest Indiana region consists of Lake, Porter, and LaPorte Counties and is known for being Indiana's second largest economy made up of urban, suburban and rural communities representing a \$35 billion economy.

Lake and Porter Counties' largest economic drivers are the steel and manufacturing industries. Lake County is a large supplier of steel for appliances, cars, as well as many other products, and contributes \$18.2 billion of economic output annually.

In recent years, casinos have also contributed greatly to the area as there are four major casinos along Lake Michigan, specifically in Lake and La Porte Counties. A few more notable industries in the area are healthcare, manufacturing, and retail. Major employers of Northwest Indiana are US Steel Corporation, Cleveland-Cliff Inc., Blue Chip Casino, Franciscan Health, IU Health, Community Hospital, NIPSCO, and opening next year, the Hardrock Casino in Gary. As the healthcare sector continues growing in the region, there are multiple new hospitals and facilities under construction and planned for the next few years.

The Northwest Indiana region has long been known as a hub for manufacturing which propelled Indiana into becoming the leading supplier of steel in the United States since 1977. However, as technology transforms the tasks once done by human workers to robots and automation, the region has been working to diversify their economy and transform former industrial sites to new uses. The \$40 million Digital Crossroads of America Data Center on the site of the former State Line Generating Plant in Hammond opened Phase I this year. The 77-acre site includes a 105,000 square-foot data center, tech incubator, renewable energy generation, and a greenhouse. The new data center project on the site could expand in phases to include 400,000 more square-feet and \$200 million in total investment, which would make it one of the largest data centers in the country.

The Northwest Indiana region continues to benefit from its business-friendly environment and proximity to the Chicago metro. Northwest Indiana ranks second in gross domestic product among metropolitan areas in the state, only behind Indianapolis, and is ranked 89th overall nationally. Lake County ranks second out of 92 Indiana counties in total population and is ranked seventh best county on the state for Young Professionals in Indiana.

Northwest Indiana is often referred to as a "bedroom community" for nearby Chicago – offering a lower cost of living and slower suburban pace of life, with the proximity to the city to commute to work. As residents are continually relocating to the area and the region continues to see growth in new companies, several cities and towns have begun investing heavily in key areas to transform their communities.

To assist with the growth occurring in Northwest Indiana, transportation developments are underway. The South Shore's \$933 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.

1. http://www.hoosierdata.in.gov/major_employers.asp?areaid=089

1. <https://www.niche.com/places-to-live/clake-county-in/rankings/>

DEMOGRAPHICS

779,578

Population



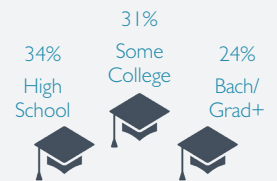
297,325

Households

\$57,527



Median Household Income



Education

25,256



Total Businesses

320,212



Total Employees

Source: Esri

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INDUSTRIAL OVERVIEW

INDIANA'S PRO BUSINESS CLIMATE AND LOWER TAX RATES ARE HELPING DRIVE DEMAND FOR INDUSTRIAL IN THE REGION

Industrial demand in Northwest Indiana remains strong, which is a similar story for all major markets in the state. The area's long manufacturing history means there are many industrial properties that are primed for redevelopment, especially as sizable vacant land becomes more scarce. One example includes Alliance Steel, a company that decided to relocate to Gary from Bedford Park, IL. The company invested \$20 million in a 300,000 square-foot building that was formerly occupied by ATCO-Gary Metals Technologies. The company does business with several steel mills in the area including U.S. Steel and Cleveland-Cliffs Inc.¹

The steel industry has faced some headwinds due to the COVID-19 pandemic. Due to falling demand, there were some mill closures and layoffs earlier in the year. However, demand has been rebounding as automakers got back up to full production. An idled blast furnace in Gary will restart production in December and many of those laid off are now getting called back to work. Due to demand issues and operating costs, ArcelorMittal announced in September that they were selling their steel mills in Burns Harbor, Indiana Harbor, and a plating facility in Gary for \$1.4 billion to Cleveland-Cliffs Inc. The deal will make them the largest flat-rolled steel producer in North America.²

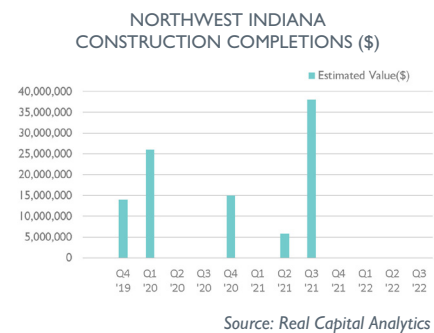
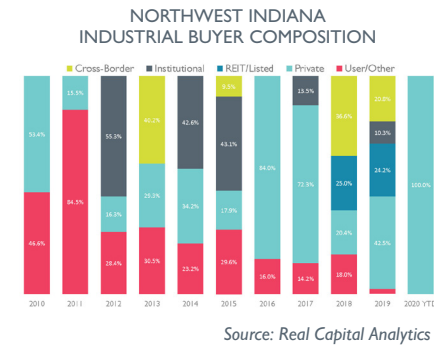
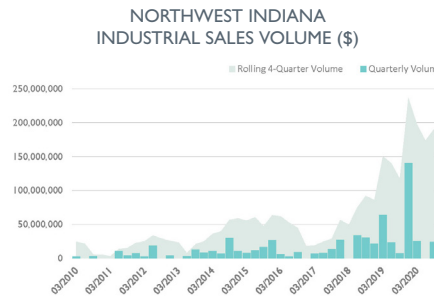
There are five buildings currently under construction in the region, totaling nearly 767,000 square-feet. The largest building is the AmeriPlex building at Northwest Crossings in Merrillville. The 279,000 square-foot building already has 125,338 leased to Midwest Truck and Auto Parts. The building is planned for delivery in Q2 2021. GAF Materials Corp. plans to open their new 200,000 square-foot facility by the end of the year in Michigan City at the Millennium Business Park. Quincy Associates broke ground in December on a 150,000 square-foot building at the Thomas Rose Industrial Park in LaPorte. The spec building will also be expandable to double the size and can house one or two tenants.

Other notable deals and projects in the region include:

- Manhattan Mechanical Services invested approximately \$2.5 million and will create 75-100 jobs over the next few years at their new 20,000 square-foot facility in East Chicago. They broke ground in June and completed the project in November.
- Lippert Components, based in Elkhart announced plans to open a facility in Westville in LaPorte County in January. They could eventually employ up to 200 at the site. The company makes RV components. Lippert joins Dollar General and Pratt Industries in the 680,000 square-foot facility.
- An architecture firm that specializes in windows for skyscrapers, Ekos Window + Wall has plans to open a new facility in Porter County. The facility will be 120,000 square-feet. The location is currently undisclosed.
- A tech company has tentative plans to relocate their corporate headquarters and build a manufacturing facility at 11th Avenue and Chase Street in Gary. Akyumen Industries out of Los Angeles intends to manufacture cell phones and tablets at the facility and would be the first company to make cell phones in the United States. Should the deal be finalized, the plant could eventually employ 2,500 workers. The company plans to finalize their design by the end of Q1 2021. Gary gave the company a \$50,000 deal on the former Ivanhoe Gardens housing site.³

TRENDS

- Construction costs could continue to impact new spec buildings, despite strong industrial demand. Land availability and rising land values will also be a factor.
- Due to more favorable tax rates in Indiana, the region could benefit from more company relocations from Illinois, especially from the Chicago metro.
- Industrial demand remains strong and will likely keep rents slightly rising.
- Strong sales demand continued this year with four major sales transactions occurring in the second half of the year representing over 453,000 square-feet.



1. https://www.nwtimes.com/business/local/alliance-steel-moves-headquarters-service-center-to-gary-in-20-million-project-that-brought-scores/article_babf9d92-1085-5112-a3c2-3f7608ef0d08.html
2. <https://www.insideindianabusiness.com/story/42990016/analyst-arcelormittal-sale-could-benefit-steel-mills>
3. https://www.nwtimes.com/news/local/lake/gary/city-of-gary-is-selling-ivanhoe-gardens-site-to-akyumen-tech-company-for-50k/article_bc859233-bbf9-5622-9363-bff4662df01.html#tracking-source=home-the-latest

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OFFICE OVERVIEW

OFFICE DEMAND WILL REMAIN WEAK IN MOST AREAS, ALTHOUGH DEMAND IS HIGH IN THE WEST LAKE CORRIDOR SOUTH OF I-80/94

The office sector continues to lag behind industrial and retail in the market as demand isn't there for the time being. Office owners and users are taking a "wait and see" approach and will likely not make major moves until there's a clear timeline on COVID-19 vaccines. One new project is finally getting started though, Maple Leaf Crossing in Munster. Site work was initially delayed by the pandemic, but is now underway and the developers are planning to finally break ground in Q1 or Q2 of 2021, with a project completion in Spring 2022. Maple Leaf Crossing is a mixed-use project that will be built with shipping containers. The project encompasses retail, a School of Rock, dining, entertainment, a Hyatt Place Hotel and will also include a 4-story office building. The office building will offer 15,000 square-feet of space divided into 16 offices.¹

New office construction will be limited in 2021, with the exception of medical and healthcare. Directly across the street from Maple Leaf Crossing in Munster, the new 25,000 square-foot North Point Orthopedics facility will soon complete construction. The new building will house the medical group which previously leased 5,000 square-feet at Community Hospital in Munster.

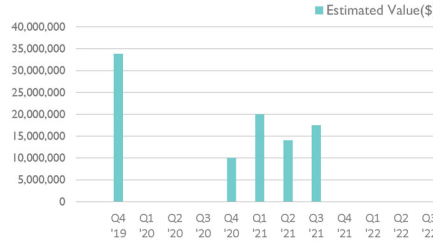
Site work for the new Franciscan Hospital in Crown Point started in September. The \$200 million project will be based on the recently completed Franciscan Hospital in Michigan City which opened in 2019. The new Franciscan Beacon Hospital in LaPorte opened this summer. The 92,500-square-foot facility includes more than 30,000 square feet of new construction.²

A new 5,400 square-foot pet hospital is under construction at Highway 421 and Ind. 2 in Westville in LaPorte County. The Hero Pet Animal Hospital will offer a variety of medical services and initially employ around 10 people. Construction is scheduled for completion in Q2 2021.

While most areas are not seeing demand for office, the West Lake corridor is an exception. The corridor extends from Hammond south through Dyer and Munster. Construction began in October on the West Lake extension of the South Shore Rail Line and will connect these areas with downtown Chicago. The project will be complete in 2024. The rail line is driving demand for office and is primarily attracting businesses relocating from Illinois. The Oxbow Landing development at Kennedy Avenue and I-80/94 saw strong leasing activity this year. A Phase III is already planned.

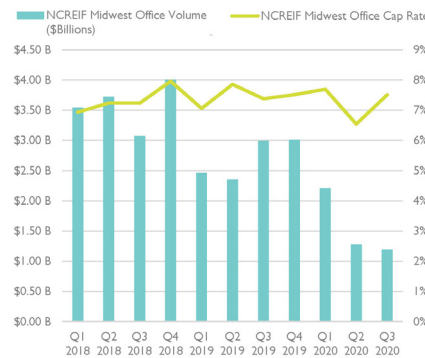
Remote work makes it possible for employees to live and work from anywhere and Northwest Indiana is primed to take advantage of this trend. As companies seek to reduce expenses they are evaluating their office space needs. We'll likely see more companies locating to Northwest Indiana from the Chicago metro. Indiana offers a business friendly tax environment and ranks #13 on the State Business Tax Climate index for 2021, while Illinois ranks #36. A recent example includes a financial planning firm, Wisely Advised, that recently moved from Tinley Park, IL to St John, IN. The firm cited the family friendly community and the tax rate as a reason for their move.

NORTHWEST INDIANA OFFICE CONSTRUCTION COMPLETIONS



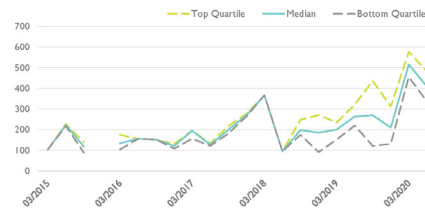
Source: Real Capital Analytics

NORTHWEST INDIANA OFFICE SALES CAP RATES



Source: Real Capital Analytics

NORTHWEST INDIANA OFFICE SALES PSF (\$)



Source: Real Capital Analytics

TRENDS

- The Healthcare sector will continue to drive the office market in 2021.
- Office demand will remain weak into 2021 as companies evaluate their space needs and people continue to work from home.
- Smaller office deals will likely be the norm as individuals may seek space to work outside the home in the interim.
- Office rents will likely see declines in 2021 as demand wanes in some areas.
- Businesses moving to Northwest Indiana from Illinois is a trend that's been ongoing for several years, but it's been accelerated by the pandemic. Work from home is allowing more flexibility in office locations and this trend could drive more office demand in 2021.

1. https://www.nwtimes.com/business/local/developer-starts-construction-on-delayed-project-with-cutting-edge-container-architecture-in-munster/article_b6e45575-14d9-5c67-813d-e6d05949e554.html#tracking-source=article-related-bottom

2. <https://www.insideindianabusiness.com/story/42242895/franciscan-beacon-hospital-to-open-in-laporte>

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RETAIL OVERVIEW

SOME CLOSURES CONTINUE, BUT ARE CREATING OPPORTUNITIES FOR NEW BUSINESSES THROUGHOUT THE REGION

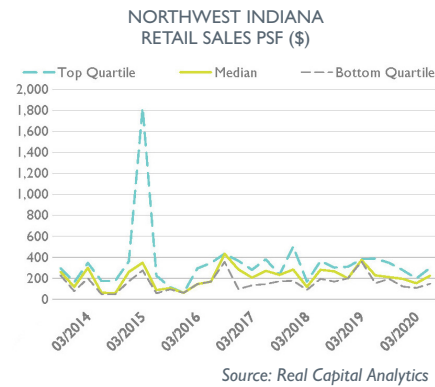
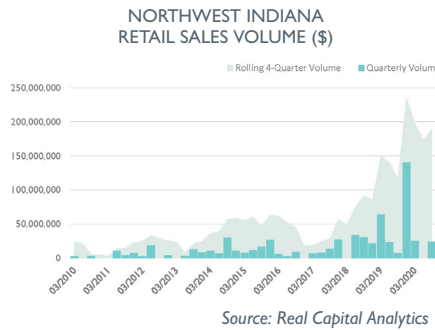
It's been a difficult year for retail and restaurants all across the country and Northwest Indiana is no exception. However, there are bright spots here as well. While there was little new construction in retail this year, a couple projects are getting off the ground again after some COVID-19 related delays. As mentioned in the office sector, Maple Leaf Crossing in Munster will finally break ground in Q1 or Q2 of 2021. The \$30 to \$40 million development of shipping containers is located at Calumet Avenue north of 45th Street. The project will offer retail businesses, restaurants, a live venue and will be connected to the Monon Trail.¹

Broadway Lofts in Gary is another project that will soon be under construction. The \$11 million building will be located downtown at Broadway and Seventh Avenue, the site of the Memorial Auditorium, which will be torn down. The 3-story, 40,000 square-foot affordable housing property will contain 38 one and two-bedroom units. The ground floor will offer 4,000 square-feet of retail space. The city of Gary has granted the developer a 10-year, \$669,000 tax abatement.² Also in Gary, the Hardrock Casino construction continues, though it won't open in time for New Year's Eve as the developers had originally planned. The project is now pushed back into Spring of 2021.

Work continues on Shops 96 in Saint John. The 165,000 square-foot development is planning to wrap up construction in Summer 2021. It will offer both inline and outlot spaces. An Arby's is also under construction in the corridor and will open in the Spring.

As expected some retail closures have occurred, but other retailers are stepping up to fill the vacancies and well-located retail corridors are doing well. Schererville will see a new restaurant development on Indianapolis Boulevard next to Lowe's that will include Chick-fil-A, Olive Garden, and Longhorn Steakhouse. Chick-fil-A is also opening a location in Valparaiso. Rise n' Roll Bakery opened its third location in the market in Cedar Lake, Hungry Hound Boutique and Grooming also opened a third location in downtown Valparaiso, and a Shoe Show Mega store opened in Southlake Mall in Merrillville. Sonic and Panda Express are both seeking approvals for locations in Crown Point while a Popeyes there has been recently approved. Northern Tool + Equipment opened in October in a former 20,000 square-foot Staples in Merrillville in the Southlake Mall trade area. And a number of independent restaurants have opened or are planning to open throughout the market.

Retail vacancies are leaving behind opportunities for new operators or entrepreneurs. More closures are expected as the winter will be a hard one for indoor dining and independent retailers. Some good news though is that with fewer nationals in the market, more people are seeking out small business operators to fill the void. Consumers also want to help those within their communities. Local initiatives to support small businesses can really have an impact, such as Small Business Saturday, which boosted some local retailers to record sales.



TRENDS

- More store and restaurant closings are likely into Q1 2021 as outdoor dining wanes with the weather and the probability of additional pandemic-based lock downs increases.
- Retail's recovery will be dependent on a new stimulus package from Congress and the vaccine timeline.
- Independent retailers may see more opportunity with the loss of national retailers and consumers who seek to support their communities by shopping local businesses.
- Well located retail corridors will remain in high demand while less desirable areas will continue to struggle with vacancies and lower rents.

1. https://www.nwtimes.com/business/local/developer-starts-construction-on-delayed-project-with-cutting-edge-container-architecture-in-munster/article_b6e45575-14d9-5c67-813d-e6d05949e554.html#tracking-source=article-related-bottom
2. https://www.nwtimes.com/news/local/lake/broadway-lofts-project-in-gary-gets-final-green-light-for-669k-tax-abatement/article_b9a958ca-f2d9-575e-8214-1e6337e0a7a8.html

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OXBOW LANDING
2901 CARLSON DR, HAMMOND, IN

- Ideal for office users seeking highly visible location near the IL border
- Unique branding and signage opportunities with daily traffic exposures of 172,500 along I-94 and 25,000 along Kennedy Ave



PARK CENTER
CROWN POINT, IN

- 5265 Commerce Rd & 5201-5281 Fountain Dr..
- Route 30 exposure available
- Flexible floor plans from 1,200-7,800 SF



LAKE BUSINESS CENTER OFFICES
9200 CALUMET AVE, MUNSTER, IN

- Located directly across from Community Hospital on Calumet Avenue with 31,300 ADT
- Upscale renovation of this 100,000 SF building provides a professional image and great visibility



LAND
2500 SILHAVEY, VALPARAISO, IN

- Opportunity to develop Multifamily at this site as an allowable use
- Provides immediate access to The Lakes Development on the east side



COURT STREET CENTER
1501 COURT STREET, CROWN POINT

- Investment Opportunity in Crown Point Indiana. Two strong credit worthy tenants. Leased to less than 3% vacancy. 8.5% Cap Rate
- Located in a growth corridor (over 10% in the past decade) 45 miles southeast of the Chicago Loop



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



FAIRMONT
9245 CALUMET AVE, MUNSTER, IN

- NEWLY RENOVATED HIGH-TECH OFFICE SPACE
- Two miles south of I-80/94 on Calumet Ave. between Fran-lin Pkwy. and 45th
- Naming rights available on Calumet

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