

NORTHWEST INDIANA

Q3 2021

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 the new Hardrock Casino in Gary.¹ 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 in 2019. 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.

Northwest Indiana continues to benefit from its business-friendly environment and proximity to the Chicago metro. The region 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 in the state for Young Professionals in Indiana.²

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?arealD=089

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

DEMOGRAPHICS

787,057



Population

302,089



Households

\$59,622



Median Household Income

30%

37%

High School



Some College



24%

Bach/ Grad+



Education

25,614



Total Businesses

316,024



Total Employees

Source: Esri 2021

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INDUSTRIAL OVERVIEW

DEMAND CONTINUES IN NORTHWEST INDIANA; SUPPLY STRUGGLES TO KEEP UP, DESPITE NEW BUILDINGS UNDER CONSTRUCTION

Industrial demand remains strong across the Region. Class A properties have a vacancy rate of 6.1%, however it is likely closer to 3% due to demand. According to CoStar there is 6.7 million square feet under construction and proposed Class A in the market. Market rents ranging from \$5 - \$6 triple net and new buildings range from \$7 - \$11 gross. Vacancy rates for Class B industrial are 5.4%, down from 5.8%, and rents rose to \$6.05, from \$5.65. Class C buildings have the highest vacancy at 13.4% which is up 1.5% from last quarter. There aren't many Class C properties and they tend to be smaller and lack the ceiling heights that most users require today. They also lack other modern features and that makes it difficult to find new users. Some of these buildings also lose tenants to new builds.

Demand is high for buildings in the 20,000 - 50,000 square-foot range, however according to CoStar listings, there are only ten properties available for lease in that range. Most are older Class C properties, with the exception of one that was built in 1999.

Becknell Industrial has a 280,000 square-foot building under construction in Hobart. The building was originally planned to be 617,000 square feet, but plans changed during the pandemic. Now the company has approached the city about finishing the project at the original size, with the tenant AMI, LLC planning to add manufacturing, logistics, distribution, IT and research and development equipment at the site.²

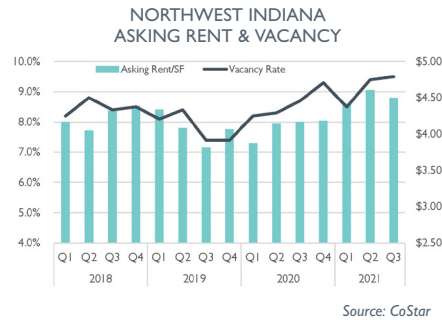
There are four other large buildings under construction in the Region.

- Sherwin Real Estate has a 300,000 square-foot building in La Porte that will complete construction in December 2021. The property is located at Enterprise and Genesis Drive. It has 90,000 - 240,000 square feet available.
- Northwest Indiana Crossings II is 261,638 square-foot building in Ameriplex at the Crossroads in Merrillville. The project has a projected completion in Q2 2022. It will have 32 foot ceilings and 62 exterior docks.
- The Homerlee Business Park in East Chicago has a 279,600 square feet under construction. The build-to-suit project is scheduled for delivery in Q3 2022. It's adjacent to a rail line and has 30-32 foot ceilings.
- Amazon has their 141,360 square-foot delivery station in Ameriplex at the Crossroads under construction. It's scheduled for completion in November 2021. Amazon will occupy the entire building.

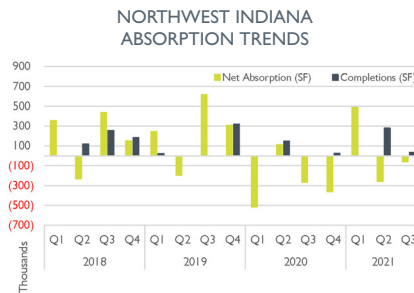
The popularity of Ameriplex at the Crossroads, has other developers looking for land in the area. DVG Team, Inc. is proposing a 250-acre business park at the intersection of I-65 and U.S. Highway 231 in Crown Point. U.S. Highway 231 offers an interchange with I-65. The land is currently zoned for residential, so the city is working on rezoning. The site also already has infrastructure. If all is approved, the park could go under construction in Q3 of 2022.³

TRENDS

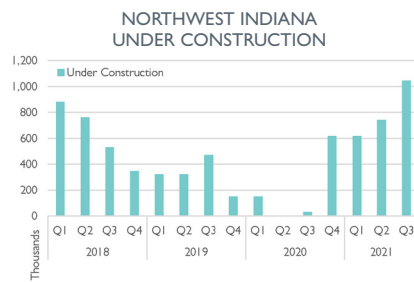
- Rising steel prices continue to impact new building construction, resulting in higher building costs and delayed projects.
- There is high demand for spaces in the range of 20-50 k in the region, but few properties are available.
- Vacancy will likely trend downwards as new Class A properties get absorbed in the next few quarters.
- Developers are on the hunt for sizable acres across the region, which is increasing land prices.



Source: CoStar



Source: CoStar



Source: CoStar

1. CoStar
 2. Northwest Indiana Times: https://www.nwitimes.com/news/local/industrial-facility-gets-hobart-nod/article_e3fd1b47-d299-51e7-b824-e0040de4f4e5.html
 3. Northwest Indiana Times: https://www.nwitimes.com/news/local/govt-and-politics/developer-pitches-business-park-on-corner-of-i-65-us-231-in-crown-point/article_919a4089-7fd9-5532-bead-831f3528a018.html

NORTHWEST INDIANA

Q3 2021

OFFICE OVERVIEW

THE OFFICE MARKET CONTINUES TO REMAIN STABLE AND BUYERS ARE STILL LOOKING FOR OFFICE PROPERTIES

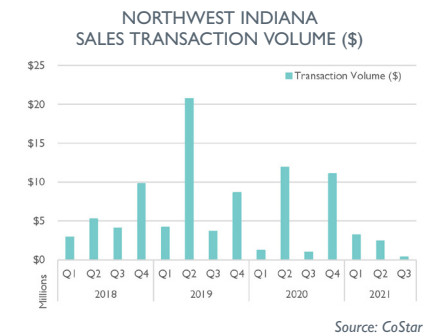
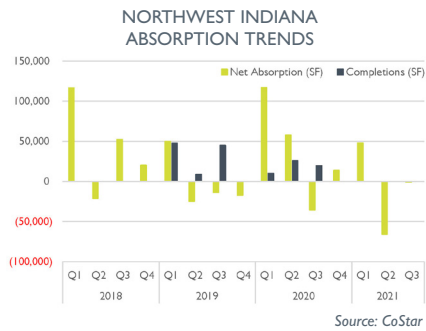
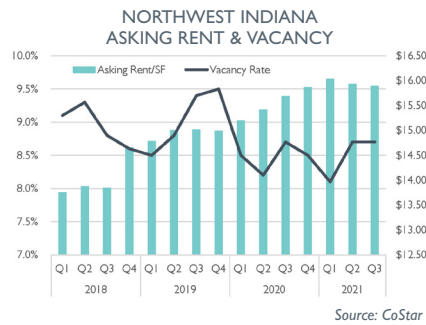
The office market continues to perform in Northwest Indiana. Vacancy rates for Class A office are 3.9%, down from 6.3% in the prior quarter. Market rents are \$20 - \$26 triple net per square-foot. However smaller spaces and medical uses under 1,200 square feet command higher premium rents. Class B office had an uptick in vacancy from 7.3% to 8.4% and market rents are around \$17 triple net. Class C vacancy is down 0.1% at 4.2% with rents ranging from \$12 - \$16.¹

Bradley Company assisted clients in four office sales in Q3. There were two smaller properties representing a total of 14,456 square feet. The other two were both for \$2.5 million. A 39,672 SF office building at 101 West 84th Drive in Merrillville sold to Proven IT who is based in Tinley Park, Illinois. The company bought the building and acquired the seller Think Tank NTG to expand services into Northwest Indiana. The other sale was for the Court Street Center in Crown Point at 1501 Court Street.

Medical office buildings are still finding buyers from small single tenant to office complexes. According to Real Capital Analytics the 113,200 square-foot, three building Community Medical Professional Center in Munster was sold in Q3. The buyer was CA Ventures, an institutional investment firm based in Chicago.

The largest property sold was the former Bank Calumet building in downtown Hammond. The office property has been vacant for several years. It was announced that the building will be converted to apartments with retail and community spaces on the ground floor. The 82,736 square-foot 10-story tower is a key piece of downtown Hammond's redevelopment plans. This is good news for the city after the announcement of the downsizing of Franciscan Health Hospital last quarter. The redevelopment plans include a new downtown transit station along with mixed use developments including office, retail, and residential units and a redesign of Hohman Avenue to make it more pedestrian friendly. The city has also proposed to make the area around the new Gateway Transit station into a transit development district (TDD). The TDD would operate similarly to a TIF and would encourage development of under-utilized or vacant properties.²

Also in Hammond, the popular mixed-use development Oxbow Landing has its final two buildings under construction. An Extended Stay hotel and a 14,000 square-foot, 3-story office building that will be leased to Impact Networking. They are currently leasing a 6,000 square-foot space in another building within the development. Primary Energy, who are moving their headquarters from Illinois, have already leased the space. They will take occupancy when Impact Networking's new building is complete in 2022.³



TRENDS

- Buyers are still interested in office properties, particularly those that are newer and well located in the market.
- Office users are mainly interested in newer properties, so owners of older offices may need to invest in updates to stay competitive.
- Investors are interested in older, well-located properties with higher cap rates that can be renovated for a higher return on investment.
- Most office users are renewing leases and keeping their office space for now. Some are planning for more flexible space in the future.
- Users continue to seek space in the market, especially in healthcare.
- Landlords are not offering discounts at this time, since there is enough demand in the market.

1. CoStar
2. Northwest Indiana Times: https://www.nwintimes.com/business/local/hammond-transit-development-district-eyed-as-downtown-catalyst/article_daf3e79-f6a3-54ea-a1b3-bdd1e74e96bd.html
3. Northwest Indiana Times: https://www.nwintimes.com/business/local/final-oxbow-landing-project-to-bring-new-corporate-headquarters-from-illinois-allow-impact-networking-to/article_f6dc1a5-8ad5-56ee-a424-ef879a42671a.html

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RETAIL OVERVIEW

LOCAL OPERATORS ARE FLOCKING TO DOWNTOWN LOCATIONS, WHILE NATIONALS CONTINUE TO OPEN IN MAJOR RETAIL CORRIDORS

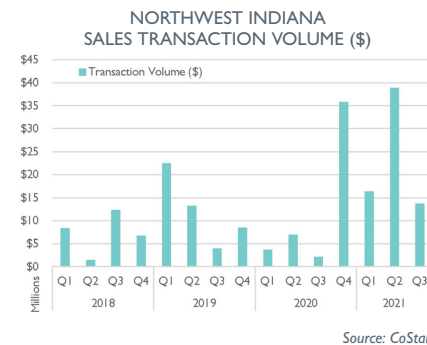
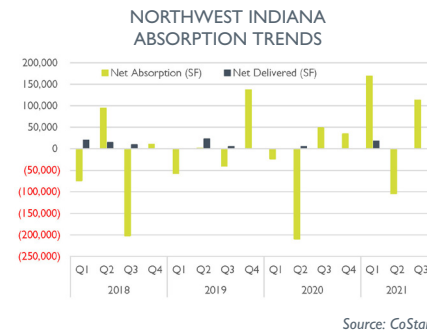
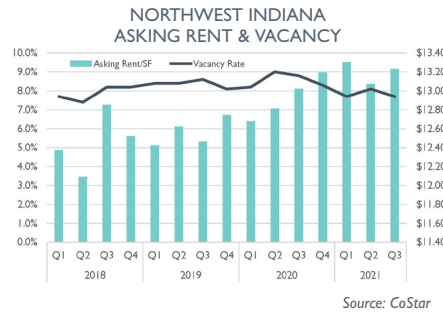
Retail continued to recover in the Region during Q3. New restaurants and retailers were announced around the region. The various downtown districts scattered throughout the three counties are attracting local retail and restaurant concepts. For instance a building that formerly housed an antique mall in downtown Crown Point was torn down to create spaces for new restaurants. Nationals are still looking in the most attractive major retail corridors.

Class A retail vacancy is at 3.8%, down from 5% in Q2. Absorption was positive with nearly 30,000 square feet absorbed, up 61% from last quarter. Market rents are around \$25 per square foot. Some Class A properties are commanding higher rents in the \$28 - \$36 range, especially those located in Munster, Schererville, Dyer, St John, Crown Point and Michigan City's U.S. Highway 421 corridor, all of which have seen new retail developments in recent years. Class B is also on the upswing, with positive absorption of 45.4k and vacancy dropping to 6.5% down, 1.6%. Market rents are averaging around \$14. Class C rents are primarily in the range of \$9-\$12 and vacancy is 4.5%, down by 0.3%.¹

Big box vacancies are an ongoing problem for the region as there just aren't enough tenants looking for such large footprints. More re-uses are being considered. A long vacant 166,727 square-foot former Ultra grocery store at 8401 Indianapolis Boulevard in Highland could be torn down. The owner, DLC has a proposal to replace it with a 140,000 square-foot light industrial building with a potential for more retail outlets.¹ In Hammond, a former Carson Pirie Scott has been torn down to make way for a \$45 million 100,000 square-foot YMCA next to the Hammond Sports Complex. They plan to open in Spring 2024. It's being called a destination Y due to multiple pools, a water park and other facilities.²

Southlake Mall continues to struggle. The mall lost more tenants in Q3, including Aldo and a couple of food court tenants, Shark's and Schoop's. It was also announced that anchor store Dick's Sporting Goods is moving their store across the street to The Crossings of Hobart. This will leave the mall with three vacant anchors. Macy's, JC Penny, and AMC Theaters are currently still open. A space outside the mall next to Target that has been vacant since 2017 has a new tenant, Five Star Furniture. The building was previously a Circuit City and then HH Gregg.

A developer is proposing a major mixed-use development at U.S. 231 and I-65 in Crown Point. The \$185 million project, dubbed The Fountains would include residential, retail, entertainment, hotels and office. The retail component could include 427,000 square feet and office of 132,000 square feet in multiple buildings. Residential would include 322 units in a mix of townhomes and condominiums. The Crown Point Planning Commission is considering the proposal.³ The developers, DVG Team, Inc. are also proposing a 205-acre business park at the same intersection. If both projects are approved, it would be transformational for the city of Crown Point.



TRENDS

- Vacancy is likely to continue to decline through next quarter as positive absorption is expected.
- Some retailers will continue to move within the market as they look for better visibility and spaces. Service providers especially are moving to be more accessible to their customers.
- Big box vacancies will continue to struggle, but well-located shopping centers with smaller spaces are finding new tenants.
- The ongoing supply chain difficulties may impact momentum as some restaurants and retailers struggle to get necessary supplies and inventory in stock.

1. CoStar
2. Northwest Indiana Times: https://www.nwtimes.com/news/local/watch-now-ymca-unveils-transformational-45m-destination-facility-at-former-woodmar-mall-site-in-hammond/article_5831d353-6cd9-51da-8c56-bd7dd8eb2eae.html
3. Northwest Indiana Times: https://www.nwtimes.com/news/local/185m-mixed-use-development-eyeing-site-in-crown-point-at-i-65-and-u-s/article_491632a5-8930-59d6-8eee-fa1e28f7710a.html

NORTHWEST INDIANA

Q2 2021



LEASE
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 Avenue



LEASE
SHEFFIELD'S
 945-1027 SHEFFIELD AVE. | DYER, IN

- Neighborhood restaurant/bar with banquet facilities. LIQUOR LICENSE INCLUDED
- Adaptive reuse possibilities
- One mile south of Main St., in the potential NICTD Westlake Corridor terminus TOD



SALE
LAND
 10201 CALUMET AVE. | ST. JOHN, IN

- SEC signalized intersection of Calumet & 101st in the fast developing town of St. John, one mile east of the Indiana/Illinois border
- 8.7 acres of prime commercial development property



SALE
LAND
 2500 SILHAVEY | VALPARAISO, IN

- Opportunity to develop Multifamily at this site as an allowable use
- Provides immediate access to HWY-49 and the overpass to The Lakes Development on the east side



SALE
SEQ BROADWAY (SR-53) & 109TH AVE.
 CROWN POINT, IN

- 6 +/- acres of land wrapping a signalized intersection in Crown Point, IN
- Northwest Indiana Bullseye location for the Med-Tail Migration
- Price is negotiable



LEASE
FORMER POST TRIBUNE BUILDING
 1433 E 83RD AVE. | MERRILLVILLE, IN

- Located in Merrillville's CBD adjacent to the South Lake Mall and situated among multiple hotels and restaurants
- Great access to I-65 and US-30 making it an easy commute from anywhere in the area



LEASE **LEASE**
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



LEASE
OFFICE
 2803 BOILERMAKER CT. | VALPARAISO, IN

- Located off of Silhavy Rd., just 1/2 a mile south of the Silhavy/La Porte Ave. roundabout and is visible from IN-49
- Convenient to major retailers, restaurants, and Valparaiso University

BROKERAGE



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