

# NORTH CENTRAL INDIANA

## 2ND QUARTER 2019

### MARKET OVERVIEW

St Joseph County is located in North Central Indiana, with a population of 266,931 people. The city of South Bend has a population of 103,831 and 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. The city of Mishawaka is home to the second largest retail corridor in the state of Indiana, and the entire region boasts modest housing costs, and more than a dozen institutions of higher learning. Primary industries include IT/data, healthcare, logistics / warehousing and advanced manufacturing.

### QUARTERLY HIGHLIGHTS

**REVITALISATION CONTINUES AS SOUTH BEND AND ST JOSEPH COUNTY CREATE INCENTIVES AND PROGRAMS TO SPUR ECONOMIC GROWTH**

South Bend and St Joseph County continue to have a number of projects and initiatives in the works to create a better quality of life for residents as well as attract new business and economic development to the region.

Mayor Buttigieg’s “Smart Streets” initiative has brought more than \$100 million in private investment to downtown South Bend. The initiative included beautification efforts, such as new landscaping and traffic pattern changes to make it more hospitable to pedestrians. Hotels, apartments, restaurants, and retail have all opened downtown in the last several years. The assessed value of downtown property rose from about \$132.8 million in 2013 to roughly \$160.9 million last year, a 21-percent increase, according to a Tribune analysis of St. Joseph County property tax records. (1)

The South Bend Common Council has introduced a resolution to realign TIF district boundaries to include more business districts. The city added Western Avenue and Lincoln Way West to a TIF district last year to pay for streetscape improvements. The success of that project led the council to consider adding more districts. Mishawaka, Miami, Portage Avenue and Linden Street are all being considered.

Opportunity zones may also spur investment in St Joseph County. The County has 7 census tracts that have been given the designation. Opportunity zones allow investors to defer capital gains tax by investing in low income neighborhoods. The City of South Bend has created a prospectus about the area and the zones available. (2)

Construction continues around the The University of Notre Dame. Ground was broken on the Golden View Townhomes, which are a half mile south of the campus. The six units will range from 3-5 bedrooms. Phase II of Eddy Street Commons is ongoing. Phase II includes over 400 apartments, 22 single family homes, 8,500 square-feet of commercial space, and 17 ground floor flex units for residential, commercial, or retail use.

The U.S. Senior Open was held at Notre Dame’s Warren Golf Course in June. The week-long event brought an estimated 100,000-150,000 visitors to South Bend with an estimated economic impact of \$15-\$25 million.

1. [https://www.southbendtribune.com/news/local/downtown-south-bend-has-been-transformed-but-challenges-lie-ahead/article\\_d0087d0f-4207-5497-b673-2847b6293e3a.html](https://www.southbendtribune.com/news/local/downtown-south-bend-has-been-transformed-but-challenges-lie-ahead/article_d0087d0f-4207-5497-b673-2847b6293e3a.html)
2. <https://southbendregion.com/news/2019/01/15/featured/opportunity-zones-may-spur-investment-city-of-south-bend-releases-prospectus/>

### ST. JOSEPH COUNTY

2018 Total Population	266,931
2023 Total Population	278,471
2018-2023 Pop Growth	0.35%
Median Age	37.5
2018 Households	103,069
2023 Households	108,237
2018 Median HH Income	\$49,842
2018 Average HH Income	\$68,174

Source: Esri

### UNEMPLOYMENT RATE MAY '19

St. Joseph County	3.2%
Indiana	2.9%
United States	3.4%

Source: Hoosiers by the Numbers

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### INDUSTRIAL OVERVIEW

#### MORE SPEC BUILDINGS PLANNED AS INDUSTRIAL DEMAND REMAINS HIGH

The industrial vacancy rate increased to 6.9% in 2Q from 4.9% in 1Q and rent slightly increased from \$4.11 per square foot to \$4.14 according to CoStar. Industrial rents in St Joseph County are expected to rise through 2019. There are currently no new industrial projects under construction and as demand for industrial space continues, the vacancy rate is forecast to decline.

The South Bend Common Council has approved property tax breaks for six development projects. The tax abatements will give \$7.6 million in discounts for creating 62 new jobs. Great Lakes Capital is receiving one of the discounts to build a \$7 million, 166,000 square-foot spec building northeast of Adams Road and the U.S. 31 bypass. Holladay Properties will also build a spec building at the Indiana Toll Road and Nimtz Parkway. The building will be 225,000 square feet and cost \$13 million. The largest project to receive the tax break is a semi truck dealership and repair facility. Truck Centers Inc., will build a new \$16 million site on Ameritech Drive, closing their current location on Sample Street. (1)

A startup manufacturing company is planning to invest \$23 million to establish operations in Marshall County (Marshall County is just south of St Joseph County). Indiana Wheel Corp., which is a joint venture led by China-based Jingu Company Ltd., says it will create up to 117 jobs in Plymouth over the next few years. The company will produce and distribute steel wheels, with production expected to start later this year. The company plans to hire 60 full-time employees by the end of this year, including executives, skilled machinists and operations and administrative associates. (2) Plymouth is located approximately 25 miles south of South Bend.

Pretzels Inc., is expanding their facility in Plymouth. They plan to add 120,000 square-feet for production and packaging lines.

Marcus & Millichap closed the sale of Discount Storage, a 373-unit, 45,400-square-foot self-storage property in Plymouth, Indiana. The asset sold for \$3.375 million, a cost of \$9,048 per unit. Built in 2016, Discount Storage is located at 16220 Lincoln Highway and is made up of 272 non-climate-controlled units and 88 climate-controlled units. The facility offers 24/7 rental options with an available kiosk, computerized video cameras and outside parking for vehicles, RVs and boats. (3)

1. [https://www.southbendtribune.com/news/business/south-bend-common-council-awards-growing-businesses-property-tax-breaks/article\\_d7562e98-a6c7-574d-8c7c-3e76fe1e1273.html](https://www.southbendtribune.com/news/business/south-bend-common-council-awards-growing-businesses-property-tax-breaks/article_d7562e98-a6c7-574d-8c7c-3e76fe1e1273.html)
2. <http://www.insideindianabusiness.com/story/40610170/manufacturer-planning-100-plymouth-jobs>
3. <https://www.rejournals.com/marcus-millichap-sells-373-unit-self-storage-facility-in-indiana-20190409>

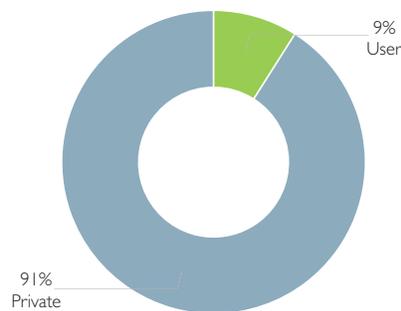
MARKET RENT PER SF\*



VACANCY RATE\*



SALES VOLUME BY BUYER TYPE\*



\*Source: CoStar

### FORECAST

- The North Central industrial market will remain attractive to industrial users due to accessibility of highways, rail lines, and proximity to Chicago.
- Increased demand for more modern buildings will spur development of more spec buildings.
- While vacancy rates have increased slightly in the first half of 2019, low levels of available inventory and limited new supply are expected to keep vacancy rates relatively flat through the end of the year.

# NORTH CENTRAL INDIANA MARKET

## 2ND QUARTER 2019

### OFFICE OVERVIEW

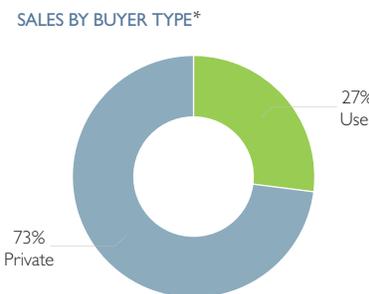
TECHNOLOGY WILL CONTINUE TO DISRUPT THE OFFICE MARKET FOR THE NEXT SEVERAL QUARTERS AS COMPANIES EVALUATE THEIR NEED FOR SPACE

The vacancy rate for office space in South Bend/Mishawaka area is 9.8%, which is up from 9.0% in Q1. The office vacancy rate is now equal to the highest rate during the great recession. St Joseph county posted a 9.8% office vacancy in Q4 2009, according to CoStar. Vacancy is forecast to rise by a point into the next quarter. Asking rents are expected to remain flat for several quarters and stay around \$17.94 per square foot.

The office sector is struggling nationally as it adjusts to new trends. Larger spaces will be harder to lease as many companies evaluate their need for space and consider downsizing. Technology has made working from anywhere a reality from social media platforms to remote access and video conferencing, the need for physical space continues to decline. The higher vacancy rate means that developing new office space right now isn't where most investors and developers are looking to spend money. There isn't much in the construction pipeline and developers who are developing office space are adding it to mixed-use developments that include multifamily and retail. Kite Realty is including 17 flex spaces in their Eddy Street Commons Phase II development at Notre Dame. The 17 ground floor spaces could be used for office, retail, light commercial, or even residential.

The South Bend Common Council has approved property tax breaks for six development projects. The tax abatements will give \$7.6 million in discounts for creating 62 new jobs. Press Ganey will receive one of the abatements to consolidate its workforce from multiple buildings in the River Glen Office Complex to a new \$16 million, 83,000-square-foot building that Great Lakes Capital will build in Ignition Park and lease to the company. (2)

South Bend currently has one office building under construction, in downtown South Bend. The Indianapolis-based law firm Barnes & Thornburg plans to occupy the middle three floors of the five-story building. Construction on the \$9 million project is expected to be completed in summer 2021.



\*Source: CoStar

### FORECAST

- Rents are forecast to remain flat through the next several quarters.
- Vacancy is expected to increase through the end of the year as demand slows.
- Larger more dated spaces may take longer to lease for the foreseeable future.

1. [https://www.southbendtribune.com/news/business/south-bend-common-council-awards-growing-businesses-property-tax-breaks/article\\_d7562e98-a6c7-574d-8c7c-3e76fe1e1273.html](https://www.southbendtribune.com/news/business/south-bend-common-council-awards-growing-businesses-property-tax-breaks/article_d7562e98-a6c7-574d-8c7c-3e76fe1e1273.html)

# NORTH CENTRAL INDIANA MARKET

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### RETAIL OVERVIEW

DESPITE CONTINUING RETAIL CLOSURES NATIONWIDE, ST JOSEPH COUNTY REMAINS ATTRACTIVE TO NEW RESTAURANTS AND RETAILERS

The vacancy rate in St Joseph County is expected to rise through the end of the year, which is in line with the national trend as retailers continue to adjust and evolve and close locations. The retail vacancy rate in Q2 in St Joseph County is 3.1%. Market rents will remain fairly steady throughout 2019, in the \$12 - \$13 range. Market rents for Q2 were \$12.63.

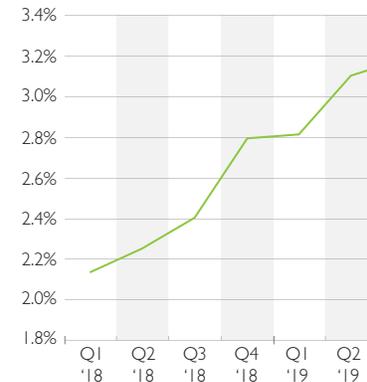
Notable openings and closures:

- Half Price Books is opening a location this fall at Wilshire Plaza, 5610 Grape Road in Mishawaka. This will be their first location in the market.
- Dunkin' Donuts is opening later this year at 5325 Grape Road in Mishawaka.
- Dollar Tree opened at 2302 South Bend Ave. Dollar Tree has 7 locations in St Joseph County.
- The former Dainty Maid Bake Shop at 231 S Michigan Ave will open in September as a collaborative restaurant space. The first tenant is Baker & Rose who are moving from the Emporium Building. The space will have room for three tenants. Evening hours will have popup restaurants, cooking classes, and events.
- Dairy Queen opened a new location last month on the west side of South Bend near Summit Drive and Western Ave.
- University Park Mall is opening a popup space in the former Crazy 8 store. The space will be available to local retailers.
- The Twisted String vacated their space at University Park Mall for a new location in downtown Elkhart. The retailer sells men's and women's clothing.
- Iggy's Pizza Shop opened in April in Granger.
- Ascena Retail Group announced in May that it will close all 650 Dressbarn stores nationwide. Dressbarn had two locations in the market. The store at Erskine Plaza was included in Dressbarn's first round of closures and ceased operations at the end of June. The other location is at University Crossings in Granger and will add a 7,966 square-foot vacancy to the Target anchored center.
- Mango Cafe will open a 2nd location in the fall at 123 N Michigan in downtown South Bend.
- Culver's plans to open a location in South Bend this fall at 52733 State Road 933. This will be their third location in the market.

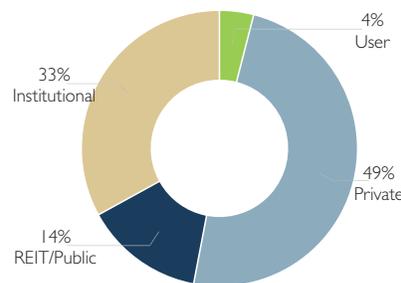
MARKET RENT PER SF\*



VACANCY RATE\*



SALES BY BUYER TYPE\*



\*Source: CoStar

### FORECAST

- Expect the retail vacancy rate to rise slightly through the end of 2019.
- Market rents are expected to continue their trend downward well into 2020 given the amount of inventory available for lease.
- Mixed use projects with retail will add to the existing inventory over the next year. The Mill at Ironworks Plaza will add 13,213 square-feet of retail space in Q3 when it opens in downtown Mishawaka. Eddy Street Commons Phase II will open in summer 2020.

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303-335 FLORENCE AVE., GRANGER, IN

- 1,200 - 3,228 SF suite available with frontage, signage, and visibility on Gumwood just north of the intersection with SR 23
- Surrounded by residential and retail development
- Tenant improvement allowance available
- North of Cleveland Road, provides convenient access for the Granger community



1030 E. JEFFERSON BLVD., SOUTH BEND, IN

- 36,000 SF office building available for sale
- Location in South Bend offers proximity to the Central Business District and the University of Notre Dame
- Redevelopment for mixed use, residential and senior living is a possibility
- Layout is comprised of private offices, large classrooms, open work spaces, and multiple break rooms



630 E. BRONSON ST., SOUTH BEND, IN

- 30,921± SF total building
- Located in Monroe Business Park
- 240V electrical service
- ADA accessible
- Municipal utilities

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