

# NORTH CENTRAL INDIANA

## 2019 RECAP / 2020 OUTLOOK

### MARKET OVERVIEW

The north central region encompasses St. Joseph and Elkhart Counties and includes the cities of South Bend, Mishawaka, 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 and five other colleges and universities. 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.

The Elkhart County economy is driven by the manufacturing of recreational vehicles, 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 produces over 80% of all RVs built in the U.S. RV manufacturers, suppliers and vendors create a \$9.5 billion impact on Indiana's economy.

### HIGHLIGHTS

**PUBLIC AND PRIVATE PARTNERSHIPS WORK TOGETHER TO ATTRACT NEW BUSINESSES AND INDUSTRIES TO THE MARKET.**

Throughout 2019 the South Bend and Elkhart markets had been experiencing strong demand in the industrial sector and that was expected to continue into 2020. The arrival of COVID-19 has not had much of an impact on industrial, with demand still high and users still looking for space in the market. The retail and office sectors slowed down significantly once the virus began to spread and the "stay at home" order was issued on March 16. Prior to the virus outbreak, retail had begun experiencing some positive momentum, despite national closures that occurred last year. Mishawaka especially had some larger spaces back-filled and retailers already in the market took advantage of some vacancies to secure better locations. The office sector had already been slow in 2019 with most leases being lateral moves in the market. These lateral moves aren't filling vacant spaces, they are simply moving around the vacancies. Office demand likely won't see an increase in the short term until after people are allowed to return to work.

The north central market will need new companies to help fill the excess office space going forward. To that end, the city of South Bend has a number of initiatives aimed at attracting new businesses and industries to the city and assisting business owners with property upgrades. The city partners with several economic development organizations in the region, along with the University of Notre Dame, in order to offer a comprehensive list of resources and programs that will attract new companies to the area. The city also has a number of development and redevelopment designated areas that are available for more incentives.

South Bend also received unprecedented national attention during Mayor Pete Buttigieg's Presidential campaign, shining a spotlight on the city. With the media attention the market received during his campaign, it is hoped that this exposure will be a key reason for new businesses to consider a move to the area. South Bend's access to interstate 80/90, as well as its proximity to Chicago, make it an attractive and less expensive option to the Chicago metro.

South Bend and Mishawaka have both been working to expand their cultural and tourist attractions. *Visit South Bend Mishawaka* is moving forward with \$500,000 in grants for local projects that will have an impact of \$3 million in spending. This is the third year for the program, but due to the shutdown in travel from the pandemic, there is a fear that the program will have to be put on hold in 2021. The grants are funded by hotel tax revenue and the organization expects a sizable reduction in taxes this year. Some of the projects receiving the grants in 2020 include: Mishawaka Parks Department, South Bend Venues Parks & Arts, Studebaker National Museum, Newton Park, and Mishawaka Historical Museum. The grants will be used for facility improvements, installation of ball fields, upgrades to walking trails and nature preserves, and art installations.<sup>1</sup>

1. [https://www.southbendtribune.com/news/local/coronavirus-wont-stop-south-bend-area-tourism-projects/article\\_c61ecdb0-80d0-11ea-80ce-1fad42142180.html](https://www.southbendtribune.com/news/local/coronavirus-wont-stop-south-bend-area-tourism-projects/article_c61ecdb0-80d0-11ea-80ce-1fad42142180.html)

### DEMOGRAPHICS

482,116

Population



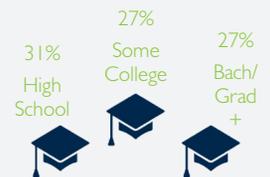
179,907

Households

\$55,947



Median Household Income



Education

16,968



Total Businesses

275,531



Total Employees

Source: Esri

# NORTH CENTRAL INDIANA

## 2019 RECAP / 2020 OUTLOOK

### INDUSTRIAL OVERVIEW

**INDUSTRIAL DEMAND IN THE REGION WAS STRONG IN 2019 AND CONTINUES IT'S MOMENTUM INTO 2020.**

Driven by increasing market rents and demand, the industrial sector continues to experience an increase in new development projects. From 1Q 2019 through 1Q 2020, average market rents per square foot have risen from approximately \$3.60 per square-foot to over \$4.00 per square-foot and rents are projected to continue upward throughout 2020 according to data from CoStar.

Taking into account current projects under construction, two industrial projects, by Holladay Properties and Great Lakes Capital are expected to deliver over 390,000 square feet to the market in 2020.

Holladay Properties is constructing a 225,000 square-foot spec building located at 24605 Cleveland Road in South Bend. The estimated completion date for construction is in Q3. The project is situated on 19.6 acres and offers a 6-year tax abatement. Great Lakes Capital broke ground in October 2019 on a warehouse at Portage Prairie in South Bend at U.S. 31 and 2 miles south of Interstate 80/90. The 166,000 square-foot, cross docked facility includes precast construction with 32-foot clear ceiling heights and is expected to be complete in May. Great Lakes Capital previously developed SBDC-II, a 210,000 square-foot spec building at Portage Prairie and the remaining 84,200 square-feet was leased by Amazon, making 24 hour Prime Now deliveries possible in the South Bend metro area. The northwest side of South Bend still has land available for development and with access to Interstate 80/90, will likely see more spec buildings announced as this current spec inventory gets absorbed.

Elkhart, the "RV Capital of the World", had been experiencing a reduction in RV shipping numbers in 2019, which, historically has indicated that an economic downturn is looming. Now that the Coronavirus has plunged the country into a recession, the RV industry is evaluating its impact. With the decline in air travel, there is optimism for RV sales to rise as people may seek safer travel alternatives for vacations. Low gas prices and interest rates may encourage this trend as long as the economy reopens and consumer confidence is strong enough for some to consider large purchases. In January, prior to the outbreak, the RV Industry Association announced a 29% jump in shipments compared to January of 2019. However, as the virus spread in March, shipments fell to 30,288, a 20.3% decrease from March 2019.

Utilimaster, a company in Bristol finishing out "last mile" delivery trucks and vans, will be undertaking an expansion to its production facilities and equipping the space with 200 new jobs for operations. The company is experiencing demand for these vehicles to assist with supply chain services. To maintain current operations, a second shift will be implemented at existing facilities. Additionally, Bristol will be the recipient of a new Thor Industries subsidiary for producing and marketing RVs through the adoption of European practices and standards. Thor acquired the Erwin Hymer Group in Germany last year, so this facility will welcome employees from Germany to collaborate with Thor's local force. Thor anticipates facility activity beginning in the fourth quarter following the investment in \$8 million to \$10 million for machinery and equipment.

While several manufacturers have temporarily shut down, others are now making various medical supplies. Nisco, which makes seals for the automotive industry is now making gowns at their plant in Bremen and sanitizer at a plant in South Bend for medical workers in St Joseph County. Tri Pac hired four additional workers just to clean and sanitize and are hiring 45 more people as they get additional production lines up and running. Tri Pac makes aerosol-based products and are now making hand sanitizers and sprays. They have a goal of donating two million units and 300,000 antiseptic sprays.<sup>1</sup>

### 2020 FORECAST

- Continued demand for industrial space is expected to spur development of more spec buildings as market demand is still forecast to slightly outpace inventory.
- Post-virus, the industrial sector should remain strong due to the increase in e-commerce and the need for last-mile delivery.
- Industrial vacancy rates are anticipated to increase slightly as new spec buildings and new inventory hit the market in 2020.
- Industrial rents rose throughout 2019, though we could see a flattening in rents later this year.

ST JOSEPH AND ELKHART COUNTY INDUSTRIAL MARKET RENT PSF



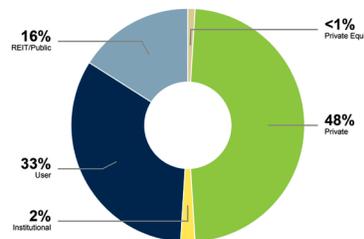
Source: CoStar

ST JOSEPH AND ELKHART COUNTY INDUSTRIAL VACANCY



Source: CoStar

ST JOSEPH AND ELKHART COUNTY SALES BY BUYER TYPE PAST 5 YEARS



Source: CoStar

1. [https://www.southbendtribune.com/news/business/local-manufacturers-retool-to-produce-equipment-for-coronavirus-defense/article\\_559fee86-72be-11ea-9dd1-03f50d9ecc95.html](https://www.southbendtribune.com/news/business/local-manufacturers-retool-to-produce-equipment-for-coronavirus-defense/article_559fee86-72be-11ea-9dd1-03f50d9ecc95.html)

# NORTH CENTRAL INDIANA

## 2019 RECAP / 2020 OUTLOOK

### OFFICE OVERVIEW

OFFICE DEMAND WAS SLOW DURING 2019 WITH MOST LEASES BEING LATERAL MOVES, RATHER THAN NEW USERS SEEKING SPACE.

The office market within St. Joseph County is experiencing a significant level of turnover which is driving up vacancy rates. Looking at the past 12 months, CoStar indicates the market has a vacancy rate around 9.7%, however, the overall vacancy is likely closer to 15%. As new properties are being built, allowing for tenants to transition out of their current spaces to newer offices, the properties they've vacated have remained empty for extended periods. One example of this trend is the 5-story Barnes & Thornburg office building that is under construction in downtown South Bend. Once complete, tenants will move out of existing downtown offices increasing the amount of space available for lease. Currently, there is 20,000 square-feet of vacant space in Leighton Plaza, and over 10,000 SF of vacant office space in the Holladay building, over 60,000 square-feet in Jefferson Centre and approximately 24,000 square-feet available for lease in the Key Bank Building. In downtown Mishawaka, Liberty Mutual vacated their building at Main and Lincoln Way last year. The city of Mishawaka bought the 93,556 square-foot building for \$2.35 million and plans to move city services, police, and utilities under one roof. The city plans a \$15 million remodel of the building with construction beginning in 2021. The city is now debating what to do with their current city hall, a former elementary school. The city has floated a plan to return the building at 600 East Third to the school corp. No decisions have yet been made.<sup>1</sup>

Following through with an announcement made in Q1 2019, Bayer, the Germany-based pharmaceutical and agricultural company, began layoffs in November at its customer logistics service center in Mishawaka. The move will leave roughly 42,558 SF of unoccupied space by the end of 2020 and impact approximately 172 jobs.

Large office buildings with multiple tenants are not the only properties in downtown South Bend that are experiencing change. The South Bend Tribune recently announced that it is relocating to Union Station temporarily until their new offices in the Studebaker redevelopment is complete in early 2020. Developers are currently looking at this move as an opportunity to redevelop the three-story property that has been occupied by the Tribune since 1921.

Renovations of the former Studebaker auto plant's building 113, part of four buildings encompassing the 1.2 million square-feet of the former Studebaker campus, will be complete in early 2020. The Studebaker buildings are part of the Renaissance District, which will become a modern tech park in downtown South Bend, capitalizing on the already complete fiber-optic data infrastructure at Union Station. Tax increment financing from the city and funding from the state's Regional Cities program have helped fuel the project. The Tribune will occupy 15,000 square-feet of the first floor of Building 113 bringing it to about 80% occupancy. Existing tenants in building 113 include Purdue Polytechnic Institute; F Cubed, a biotech startup; EnFocus, a consulting firm; LEA Professional, an amplifier and audio tech company; and South Bend-Elkhart Regional Partnership, an economic development nonprofit.

Great Lakes Capital recently broke ground on a new \$16 million office building in Ignition Park. The 84,000 square-foot project known as Catalyst III will be occupied by Press Ganey. The project is expected to be complete by February 2021.

### 2020 FORECAST

- Office rental rates are expected to fall throughout 2020, due to lack of demand, available inventory, and the uncertainty regarding the coronavirus.
- As a result of the social distancing and employees' ability to work from home, some tenants may seek to sublease space later this year, which may create bargain deals for other users.
- Office could see an uptick in demand once the economy reopens. Social distancing guidelines will remain in effect at least through the summer and most likely into next year. Some companies may need expansion room to reconfigure their offices to safely accommodate workers.

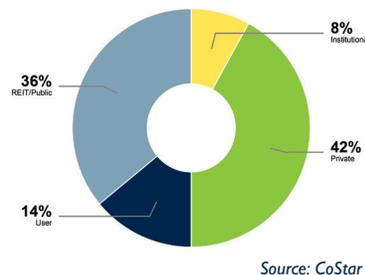
ST JOSEPH AND ELKHART COUNTY OFFICE MARKET RENT PSF



ST JOSEPH AND ELKHART COUNTY OFFICE MARKET VACANCY



ST JOSEPH AND ELKHART COUNTY SALES BY BUYER TYPE PAST 5 YEARS



1. [https://www.southbendtribune.com/news/education/could-mishawaka-schools-take-back-the-city-hall-building/article\\_cc3e023c-62db-11ea-872a-e7f4b7d8a4db.html](https://www.southbendtribune.com/news/education/could-mishawaka-schools-take-back-the-city-hall-building/article_cc3e023c-62db-11ea-872a-e7f4b7d8a4db.html)

# NORTH CENTRAL INDIANA

## 2019 RECAP / 2020 OUTLOOK

### RETAIL OVERVIEW

**USERS ARE STILL LOOKING FOR SPACE IN THE MARKET, HOWEVER MOST HAVE HIT THE PAUSE BUTTON UNTIL AFTER THE ECONOMY REOPENS.**

While significant development and redevelopment projects continue in downtown South Bend, the majority of growth within the retail sector is occurring in Granger and Mishawaka. Vacancy rates have dropped since 2019. According to CoStar, the Q1 2019 vacancy rate was 2.7% compared to 3.1% as of Q1 2020, however, the rate is likely higher and between 10-15%. The Coronavirus will likely lead to new vacancies, as some retailers and restaurants may not be able to weather staying closed or having reduced business via take-out and delivery orders only. Vacancies were expected to rise slightly in 2020 due to struggling national retailers. CoStar also projects market rents may fall by \$1.00 PSF by the end of 2020 with rates rising to pre-pandemic levels again in 2021.

Gordmans department store in Mishawaka had previously announced plans to close its Mishawaka location by May 2020, leaving a significant vacancy at Princess City Plaza. There is some good news in the market however, as Ollie's Bargain Outlet opened as planned in the former Toys R Us building in Mishawaka on Grape Road in April. They sell products deemed essential, such as cleaning products and food items. Big Lots vacated their space at Town & Country shopping center to relocate to McKinley Plaza last year. The former Big Lots space will be filled by Mishawaka Furniture, a relocation within Town & Country. In addition, two other retailers are opening in vacant spaces in the center, which will make Town & Country fully leased. Outpost Sports initially announced it was closing its location in Mishawaka after 45 years. The owners had planned to retire. They've since decided to reopen the store as a Outpost Bikes and sell only bicycles instead. Stock+Field, formerly known as Big R, purchased the former Menards location in Erskine Plaza last year. They had planned to open this spring, however work has yet to begin on the building.

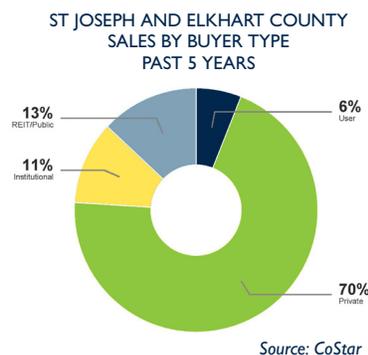
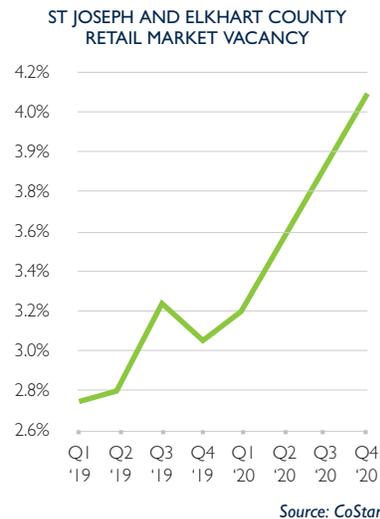
Bar Louie will open at Grandview in Granger as planned, once construction on the 25,000-square-foot retail and business complex is complete this summer. They closed their current location at University Park Mall when the state-wide "stay at home" order was issued in March. They will not reopen at the mall. The new location will be 3-stories and have a rooftop bar. The Grandview project by Great Lakes Capital will have space available for up to nine tenants.

A former Steak 'n Shake location on Ireland Road in South Bend was demolished to make way for a new Panera Bread. A project timeline has yet to be determined. Last year Panera moved to a new location in Goshen, approximately a half mile from their previous location.

Additional good news within the sector includes the opening of a variety of well-known establishments. Nothing Bundt Cakes will open mid-year at 5325 Grape Road. Additionally, Jack's Donuts will be opening two locations, one at 290 W. Front Street in Mishawaka and one at 623 E. LaSalle Avenue in South Bend. The opening dates for these locations have yet to be determined. A Chick-fil-A will begin construction on Portage Ave in the late summer/ early fall of 2020. A franchisee is opening two locations of Which Wich in the market, both will be attached to Exxon Gas Stations. Ragamuffin Bakery + Coffee opened in the Hibberd Building in downtown South Bend in April as scheduled. They will be offering carry-out options with only two customers as a time allowed in the space until the "stay at home" order has expired.

### 2020 FORECAST

- Retail market rents were expected to continue to trend slightly upward in 2020, however the coronavirus will likely push rents down while demand is low.
- Well-funded retailers and restaurants are still looking at space in the market, though most deals are on pause while "stay at home" orders are in effect.
- Property owners and tenants will need to work together on rent solutions to help businesses survive their pandemic-forced closures.
- Property owners may have an opportunity to reposition shopping centers once the economy is reopened and vacancies rise. Additionally, tenants may also be able to get better locations within the market as more space becomes available.
- Tenants may have the opportunity to restructure leases for more favorable terms.



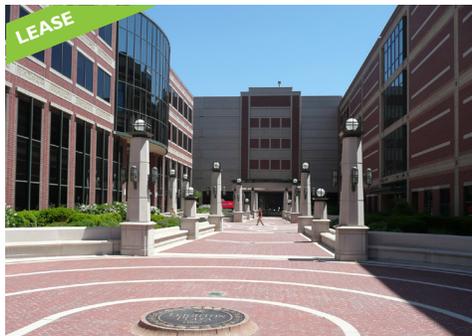
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ERSKINE VILLAGE, 1290 E IRELAND RD,  
SOUTH BEND, 46614

- Easy access to and visibility from the US 20 / 31 Bypass
- 500,000 SF+ power center anchored by Target and Kohl's
- Co-tenants include: Old Navy, TJ Maxx, Ross, PetSmart and more
- Traffic counts in excess of 40,650 ADT



LEIGHTON PLAZA, 130 S MAIN STREET,  
SOUTH BEND, IN 46601

- 1,319 SF to 16,819 SF suites available in a premier Class A office space
- Proximal to the St. Joseph County Courthouse, County City Building and Federal Building
- Attached underground parking garage
- Professional tenant mix including Old National Bank, Donnell Systems, and Graham Allen Partners



ELKHART TRUTH BUILDING 421 S. 2ND STREET  
ELKHART, IN 46516

- Historic Elkhart Truth Building in Downtown Elkhart
- Mixed Use office/retail/warehouse building located on 2nd Street
- Suites ranging from 3,000 to 30,000 square feet

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