



PURDUE UNIVERSITY NORTHWEST BIOSCIENCE INNOVATION BUILDING RENDERING

Photo Courtesy: Purdue University Northwest

NORTHWEST INDIANA MARKET REPORT

MARKET OVERVIEW

The Northwest Indiana region continues to benefit from its business-friendly environment and close 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. Cedar Lake Town Center, for example, is proposing a \$150 million investment to transform its lakefront community into a multi-faceted development that would include a theater, walking and multiuse trails, and athletic fields.

Multiple new housing developments are underway that will help balance some of the current housing supply and demand. One of the more noteworthy housing developments in the region is the Luers Tree Farm project along 91st Avenue in Schererville. The development is expected to contain 750 new homes. The 473-acre site was recently annexed into the town, which now allows for the construction of the new homes. Drapac Capital Partners is planning to include walking and biking trails, athletic fields, and a community garden in the development.

As the nation shifts to more live-work-play environments, there's been a growth in mixed-use developments in the northwest Indiana region. According to the 2017 National Community and Transportation Preference Survey, 62% of millennials, 45% of Gen Xers and baby boomers, and 55% of the silent generation want to live in walkable communities and prefer shorter commutes. Several mixed-use developments are in the works in Valparaiso, LaPorte, Whiting, and Portage that are expected to bring more than 1,000 new residential units, as well as quality new ground-floor retail space to the market.

State Rankings			
		Indiana	Illinois
Forbes	The Best States for Business 2017 - Regulatory Environment	1	40
U.S. News & World Report	Best States for Long-Term Fiscal Stability - 2018	2	50
CNBC	America's Top States for Business 2018 - Infrastructure	2	22
Area Development	Top States for Doing Business 2017 - Shovel-Ready Sites Program	3 (tie)	Not Ranked in Top 10
CNBC	America's Top States for Business 2018 - Business Friendliness	4	47
Chief Executive	Best & Worst States for Business 2018	5	48
Area Development	Top States for Doing Business 2017 - Speed of Permitting	6 (tie)	Not Ranked in Top 10
Tax Foundation	State Business Tax Climate Index - 2018	9	29
S&P Global State Credit Rating	General Obligation or ICR	AAA	BBB-

* Source: Indiana Economic Development Corporation (IEDC)

CONTINUED MARKET OVERVIEW

In addition to housing developments, the region is creating technologically advanced structures that will look to enhance the region well into the future. Purdue University Northwest broke ground in August 2018 on a \$40 million, 68,000-square-foot Bioscience Innovation Building. The facility was designed to “encourage collaborative cutting-edge research and advanced STEM educational opportunities across a broad range of areas in the growing healthcare and bioscience industries.” In addition to the new Bioscience Innovation Building, developers broke ground in August 2018 on the new \$40 million Indiana NAP Center in Hammond. Phase I of the Indiana NAP Center will encompass a 105,000-square-foot data center, a start-up incubator, a greenhouse and a small solar farm. The site could eventually be scaled up to accommodate another three data centers, representing a total investment of \$200 million.

To assist with the growth occurring in northwest Indiana, transportation developments are underway that will help bring people in and out of the region. 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 access system to the Chicago market and surrounding areas. Additionally, a billion-dollar plan for a passenger rail service from Ohio to Chicago is well underway that could provide an alternative to car travel into the city of Chicago.

Unemployment Rate



* Source: Bureau of Labor Statistics

Location Map



INDUSTRIAL UPDATE

Pent up demand for functional industrial space in the region is generating opportunities for new developments. According to CoStar, industrial buildings greater than 50,000 square feet and built after 1960 are 8.3% vacant as of Q3 2018. For comparison, the vacancy rate was at 12.8% at the beginning of 2014. During the same period, asking rents per-square-foot increased from \$3.22 to \$4.08. Looking at one of the more highly sought-after areas in the region, the I-80/94 corridor near the Illinois/Indiana border, the vacancy rate sits at 2.7%.

Limited availability of industrial space is generating demand for land sites in the region. The city of Gary is undergoing several initiatives that could open up land for future developments. For example, four speculative buildings are planned for a 25.8-acre site that used to house the Ivanhoe Gardens Housing Project. In July, the Little Calumet River Basin Development Commission approved a lease to allow Maya Energy to construct a new \$50 million, 165,000-square-foot recycling/waste facility at 2727 W. 35th Avenue. As the supply of available land shrinks, expect land prices to increase.

Despite the lack of available land, companies are still investing in the region. In September 2018, Wynright Corp announced it will construct a new \$26 million, 320,400-square-foot manufacturing facility in the NorthWind Crossings Business Park in Hobart. The Illinois-based company's new facility will produce material handling systems for the logistics industry and will create up to 582 new jobs for the region. Also, NorthPoint Development purchased a former food distribution center at 6500 S. U.S. 521 in Westville, with plans of investing \$24 million into the 680,000-square-foot facility. The project could lead to 125 new jobs for the area.

The steel industry remains a key economic driver for the region. The Indiana Business Research Center recently published an article that stated Indiana produces 34% more steel than it did in 1990 but does so with 33% fewer workers. One of the region's largest steel producers, U.S. Steel's Gary Works, announced in August 2018 a \$750 million investment over the next five years into its facilities, preserving 3,875 steelworker jobs. The Gary Works investment is part of U.S. Steel's \$2 billion asset revitalization program that looks to modernize all its operations. In addition to Gary Works investment, Specialty Steel Works is planning a multi-million-dollar investment into its Niagara LaSalle cold-finished steel bar mill in Hammond. The investment is dedicated towards the equipment, which is to make it "the most modern bar-to-bar operation in North America."

Forecast:

- The region could be home to a new Amazon logistics operation, as the online retail giant has job openings posted on numerous sites for various logistics positions in Gary and Munster.
- Look for more adaptive reuse projects of retail sites, similar to Crossroads Plaza in Merrillville, to become workable industrial parks for smaller industrial users.

PROPERTIES



AVAILABLE: BUILD-TO-SUIT

3440 Sheffield Ave., Hammond, IN | 225,000 SF



FOR SALE

1712 Genesis Dr., LaPorte, IN | 30,220 SF



SOLD

**6500 S. U.S. 521,
Westville, IN
680,000 SF**

NOTABLE CONSTRUCTION PROJECTS

Property/Address	SF	Status	Expected Completion
Wynright Corporation NorthWind Crossing Business Park, Hobart	320,400	Planned	N/A
Indiana NAP Data Center – Phase II State Line Generating Plant, Hammond	300,000	Planned	N/A
Lear Corporation 2204 Michigan St., Hammond	240,000	Under Construction	Q2 2019
Maya Energy LLC 2727 W. 35th Ave., Munster	165,000	Planned	N/A
Indiana NAP Data Center – Phase I State Line Generating Plant, Hammond	105,000	Under Construction	Q3 2019

OFFICE UPDATE

The medical office and healthcare industries continue to drive the local office market for the region. Several new hospitals are being constructed, with medical office users being attracted to area's either within the hospital's campus or in near proximity to them. According to an article by the Times of Northwest Indiana, the region's medical providers are planning, building or have opened more than \$400 million in new hospitals, clinics and care centers in 2018, with the majority of new facilities planned around ambulatory care. According to a recent survey from the American Hospital Association, outpatient visits have nearly quadrupled from 190.7 million in 1975 to 747.1 million in 2016.

Noteworthy medical office developments in the region includes the Cardinal Campus of Highland, and a new Lakeshore Bone & Joint Institute facility planned for Crown Point. The Cardinal Campus of Highlands development currently has three buildings being constructed that will total more than 55,000 square feet. According to the project's developer, the buildings are quickly attracting tenants, with only 50% of the space available. The \$41.4 million development will consist of seven two-story professional office buildings totaling more than 100,000 square feet, as well as a three-story boutique hotel. As for Lakeshore Bone & Joint Institute, the orthopedic group purchased 12 acres at the northeast corner of 109th Avenue and Delaware Parkway in Crown Point for a new 42,000-square-foot facility. The multipurpose, multidisciplinary facility will be Lakeshore Bone & Joint Institute's largest facility in Lake County.

Looking at professional office space in the market, the success of Oxbow Landings first office building in Hammond is leading to two additional office buildings for an area that is quickly becoming the destination for Class A office users. Additionally, located 15 miles southeast of Oxbow Landing, the Twin Tower office buildings and former Star Plaza Theatre site in Merrillville will soon become a new \$350 million redevelopment. The Farm at Crossroad Commons, planned by White Lodging, includes four hotels, a conference center, office space, retail space for a brewery and several restaurants, as well as several other features for the 40-acre site. The golden-colored Twin Tower office buildings are expected to be removed soon, eliminating 305,699 square feet of office space from the market. The demolition was announced back in 2017, which allowed the then tenants to have enough time to relocate to other office buildings in the area. The trend of the office vacancy rate reflects this absorption. Per CoStar, the vacancy rate in Q2 2017 was 8.3%, and as of Q3 2018, its at 7.8%. Expect this downward trend to continue as more inventory is removed from the market.

Forecast:

- Expect Phase II of the Oxbow Landing development to lease up pretty quickly as the area becomes the destination for Class A office users.
- Anticipate more medical office developments along the Calumet Avenue corridor and the Broadway Avenue corridor as these are high-density healthcare areas.

PROPERTIES



851 Indian Boundary, Chesterton, IN | 7,475 SF



**1001-1011 E. US Hwy 20, Michigan City, IN
8,450 - 38,056 SF**



Merrillville Sale Property Portfolio | 87,061 SF

NOTABLE CONSTRUCTION PROJECTS

Property/Address	SF	Status	Expected Completion
NorthShore Health Willowcreek Rd., Portage	51,000	Under Construction	Q4 2019
1425 Glendale Blvd., Valparaiso	45,000	Under Construction	Q3 2019
Oxbow Landing – Phase II 2901 Carlson Dr., Hammond	37,000	Under Construction	Q2 2019
Cardinal Campus of Highland Bldg. 2, Highland	23,643	Under Construction	Q4 2018
Cardinal Campus of Highland Bldg. 3, Highland	21,383	Under Construction	Q4 2018
Veterinary Orthopedic Center Cardinal Campus of Highland Bldg. 1, Highland	10,300	Completed	Q3 2018

RETAIL UPDATE

Despite national headlines about the fall out of the retail industry, retail sales are expected to increase by 3.8% to 4.4% year-over-year in 2018, according to the National Retail Federation. Although multiple retailers closed up shop in 2017 throughout the northwest Indiana region, the retail market remains strong, and with residential construction faring well, continued growth is expected.

The experienced-focused shift in retail consumers is generating dense retail concentrated areas that provide consumers an environment more conducive to their buying habits. One type of development that has seen recent growth in the region are mixed-use developments. Single-building mixed-use projects, like the Promenade at Founders Square in Portage, Flaherty & Collins proposed resort-style \$30 million mixed-use development planned for LaPorte, and Holladay Properties redevelopment project planned for the former Illiana Hotel site in downtown Whiting, are expected to create attractive ground-floor retail space for national and regional retailers.

In addition to single-building developments, several projects in the region are in various stages of construction that will create densely-concentrated retail environments. These projects include Centennial Village in Munster, the redevelopment of the Standard Lumber property in St. John, and the Anco redevelopment by Indianapolis-based developer Flaherty & Collins. The Anco redevelopment project is a \$120 million transformation of the former Anco windshield wiper factory that is expected to include more than 500 apartments, retail, commercial office, restaurant space, as well as a new distillery for Three Oaks, Michigan-based Journeyman Distillery. Journeyman is planning to redevelop an existing 130,000-square-foot office building into a distillery, hotel, restaurant and banquet facility.

As for vacant big-box spaces scattered throughout the region, we haven't seen a lot of turnover. Occasionally a space may become repurposed to self-storage or a unique user like a gym, but for the most part they are sitting empty. According to Real Capital Analytics, more than 12 multi-tenant retail properties over 20,000 square feet have been refinanced in the last two years in the region. With additional big-box space expected to become vacant due to Carson's closing (Hammond, Hobart, Michigan City), we could see a domino effect on declining property values of surrounding retailers.

Forecast:

- Carson's closing its Hammond store could lead to a redevelopment opportunity for the site, which is also the site of the new \$17 million Hammond Sports Complex.
- Tenants for the proposed \$150 to \$250 million Fountains of Crown Point development expected to be announced by the end of 2018.

PROPERTIES



FOR SALE

1414 W. State Road 2, LaPorte, IN | 7,200 SF



FOR SALE

80th Place Plaza, 7950-7990 Broadway, Merrillville, IN
30,276 SF



FOR SALE

U.S. 20 & Cleveland Avenue, Michigan City, IN
2.85 Acres

NOTABLE CONSTRUCTION PROJECTS

Property/Address	SF	Status	Expected Completion
Meijer 407 Porters Vale Blvd., Valparaiso	195,000	Completed	Q3 2018
Shops on 96 US 41 & 96th Pl., St. John	165,000	Planned	N/A

CREATING REAL VALUE

Founded in 1978, Bradley Company is a diversified real estate firm providing commercial brokerage services, commercial and multi-housing management, real estate tax consulting, maintenance services, project and facilities management, research services, corporate services and strategic planning. Bradley Company is the largest full service commercial real estate solutions provider in Indiana and West Michigan.



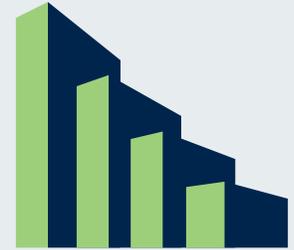
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COMMERCIAL MANAGEMENT

10± million commercial square feet managed

CAPITAL MARKETS

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250+

EMPLOYEES

40

YEARS IN BUSINESS

\$202M+

VALUE OF BROKERAGE TRANSACTIONS IN 2017

BROKERAGE



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