

NORTHWEST INDIANA MARKET

2ND HALF 2019

MARKET OVERVIEW

The Northwest Indiana region continues to benefit from its business-friendly environment and 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.

Several mixed-use developments are under construction in Valparaiso, LaPorte, Whiting, and Portage. These projects are expected to bring more than 1,000 new residential units, and quality new ground-floor retail space to the market.

To assist with the growth occurring in northwest Indiana, transportation developments are underway. 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 form of transportation to the Chicago market and surrounding areas.

HIGHLIGHTS

"IGNITE THE REGION" INITIATIVE ACHIEVES MAJOR GOAL, OPENING THE REGION UP TO MORE FUNDS FOR ECONOMIC DEVELOPMENT

Lake, Porter, and La Porte Counties have finally received a designation local planners had sought for more than a decade. The United States Commerce Department recently designated the region as an economic development district. The EDD designation will allow the region to be eligible for grants to fund economic development initiatives. (1) The Northwestern Indiana Regional Planning Commission (NIRPC) set the goal as part of their "Ignite the Region" plan which seeks to elevate northwest Indiana through job growth, wage growth, population growth, development, and innovation. (2)

Northwest Indiana has long been a leader in steel production, with Lake and Porter Counties home to half the nation's blast furnace capacity, but local planners seek to diversify the economy beyond manufacturing. One way they hope to achieve this goal is through workforce training, and expanded curriculum at local colleges that focus more on STEM and IT programs. Another goal is attracting new businesses and making the area a more attractive place to live and work. The region has had some big wins in 2019 that are moving the communities of northwest Indiana forward.

- A major \$40 million project broke ground in August to transform a former industrial site into the Digital Crossroads of America Data Center. Plans for the 77-acre site include a 105,000 square-foot data center, tech incubator, renewable energy generation, and a greenhouse - warmed by waste heat from data servers and run by Purdue University Northwest. The site is the former State Line Generating Plant, located on Lake Michigan in Hammond, just across the Indiana and Illinois state line. The coal-fired electric generating plant was in operation from 1929-2012, but due to its age was non-compliant with modern clean air standards and was closed in 2012. Demolition took place over the next two years. The new data center project on the site could expand in phases to include 300,000 more square-feet and \$200 million in total investment. Another component of the project is compliance with the Marquette Plan, which is a comprehensive land use plan to redevelop Indiana's lake shore from former industrial uses into a clean and community accessible lake-front. The initial data center would employ 40-50 workers and house servers, and the tech center will further the region's goals of creating a more diverse economy.
- The Hard Rock Casino and Hotel, announced earlier this year in Gary, has cleared a final legal hurdle and the \$300 million project is moving forward. The casino and concert hall could open by the end of 2020. The Majestic Star riverboats that the casino will replace employed approximately 650. The Hard Rock Casino and hotel will bring an estimated 1,800 jobs, delivering much needed employment and economic development to Gary.

1. https://www.nwitimes.com/business/local/nwi-designated-a-federal-economic-development-district/article_57952267-8da5-5778-b9c1-9ba16f997b6a.html
 2. https://www.nwitimes.com/business/local/economic-development-plan-aims-to-ignite-the-region/article_e6473ed4-060a-5c43-9653-dcd44b87bf65.html

| LAKE, PORTER, LAPORTE COUNTIES | |
|--------------------------------|----------|
| 2019 Total Population | 779,578 |
| 2024 Total Population | 782,609 |
| 2019-2024 Pop Growth | 0.08% |
| 2019 Median Age | 39.7 |
| 2019 Households | 297,325 |
| 2024 Households | 299,093 |
| 2019 Median HH Income | \$57,527 |
| 2019 Average HH Income | \$74,033 |

Source: Esri

| UNEMPLOYMENT SEPTEMBER '19 | |
|----------------------------|------|
| Lake County | 4.3% |
| Porter County | 3.3% |
| La Porte County | 3.6% |
| Indiana | 2.8% |
| United States | 3.3% |

Source: Hoosiers by the Numbers

| HOUSING MARKET SEPTEMBER '19 | |
|------------------------------|-----------|
| Lake County | |
| Median Home Value | \$152,100 |
| Y-O-Y Increase | 8.0% |
| Median Listing Price | \$199,000 |
| Porter County | |
| Median Home Value | \$208,600 |
| Y-O-Y Increase | 6.8% |
| Median Listing Price | \$258,000 |
| LaPorte County | |
| Median Home Value | \$146,800 |
| Y-O-Y Increase | 2.5% |
| Median Listing Price | \$185,000 |

Source: Zillow

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INDUSTRIAL OVERVIEW

INDIANA'S TAX RATE AND PRO BUSINESS CLIMATE ALONG WITH PROXIMITY TO CHICAGO, CONTINUES TO BRING NEW BUSINESSES TO THE REGION

The United States Steel industry has been facing headwinds this year as the uncertainty over tariffs continues to depress prices and demand. The World Steel Association has forecast only minor growth globally next year. ArcelorMittal has announced it would idle a blast furnace at its Harbor West plant in East Chicago and U.S. Steel idled furnaces in Gary and at East Chicago Tin earlier this year, laying off 150 workers. U.S. Steel announced additional layoffs in November, but did not give a number of workers effected. ArcelorMittal's Indiana Harbor Complex is the largest steel making facility in North America and employs 4,000.

Northwest Indiana is continuing to attract industrial users. Indiana's tax rate and pro-business climate are often cited as a reason to move here or start new manufacturing operations. However, large parcels of available land are becoming scarce in some communities, so to remain competitive they're actively marketing and promoting vacant facilities for retrofits. A few examples from the market include:

- Lear Corp., which makes seats for passenger vehicles, moved into their new 240,000 square-foot, \$30 million facility at 2204 Michigan Street in Hammond in May, combining their Hammond and Portage operations into one facility. Within months, Midland Metal Products announced they were investing \$7 million to move their operations from Chicago to the 112,000 square-foot former Lear location, bringing 135 jobs to the market. They also plan to expand the building by 15,000 square-feet.
- Dollar General and NorthPoint Development are investing \$40 million in a former Spartan Nash warehouse in La Porte County. Westville, approximately 13 miles south of Michigan City, will gain 80 new positions. Dollar General will lease approximately 60% of the 681,000 square-foot building.

La Porte County officials are seeking to expand the Kingsbury Industrial Park. The park is located approximately 6 miles south of Laporte. The county is currently using eminent domain to obtain land for rail lines. If the legal proceedings are successful, the site would have access to the country's two largest railroads. Public and private funds are being sought to complete the land acquisitions. Matt Reardon, representative of the county and Bradley Company broker stated that, "We have unlimited potential for manufacturing and logistics once these connections to CSX and CN railroads are made." (1)

The EPA in August issued an approval of the Corrective Measures Implementation (CMI) Work Plan, for the Former DuPont East Chicago Facility, located at 5215 Kennedy Avenue. \$26.6 million is being invested in the cleanup. The DuPont facility is now owned by East Chicago Gateway Partners, LLC a property redevelopment firm. Once cleanup is complete they plan to build a 1.1 million square-foot warehouse, with more buildings to follow. They are renaming the site, The East Chicago Logistics Center. (2)

Goodwill Industries opened their new 105,000 square-foot Gary campus in August. The campus will employ approximately 100 workers and features an outlet store and career center. The center is expected to have a \$9 million annual economic impact.

NorthPoint is redeveloping the former Republic Steel site. The site is located in Illinois on Chicago's south side less than a mile from the Indiana state line near Hammond. NorthPoint broke ground in August on a 358,879 square-foot spec building. The 31 acre site may create up to 1,300 jobs and eventually become a 2.3 million square-foot industrial campus.

Barley Properties with Holladay Properties is building a new multi-tenant flex building in Valparaiso. The 65,562 square-foot spec building is located on the southwest corner of State Road 49 and U.S. Highway 30.

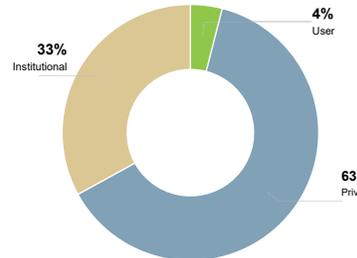
MARKET RENT PER SF*



VACANCY RATE*



SALES BY BUYER TYPE*



*Source: CoStar

FORECAST

- Rising construction costs and land availability will continue to impact new construction.
- As vacancy rates continue to fall, property owners will look to renovate or retrofit older properties to attract new users.
- Despite the slowdown in new construction, the trend is not expected to have a major effect on the industrial market for the remainder of 2019.
- The region will continue to attract companies looking for a lower cost option to Chicago, but with proximity to the Chicago market.

1. https://www.nwintimes.com/business/local/eminant-domain-to-further-develop-kingsbury-industrial-park/article_f966ed1d-dcb9-534b-95d8-7206605f6480.html

2. <https://www.epa.gov/hwcorrectiveactionsites/hazardous-waste-cleanup-dupont-facility-east-chicago-indiana>

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OFFICE OVERVIEW

A SLEW OF NEW HOSPITALS AND MEDICAL FACILITIES WILL CONTINUE TO STIMULATE FURTHER OFFICE DEVELOPMENT IN MARKETS ACROSS THE REGION

Northwest Indiana continues to attract investments in the medical sector with several new facilities announced or under construction. Franciscan Health has been leading the way with a number of recently completed or ongoing projects across northwest Indiana. Last year they opened a \$50 million cancer center in Munster and have already far exceeded that investment this year. Crown Point has also been the focus of several of these projects as the Beacon Hill area is becoming a medical hub, thanks in part to I-65 access and land available for development.

- Franciscan Health opened a \$243 million hospital in Michigan City in January. The 84 acre site includes walking trails and enough room for future development. The 425,000 square-foot hospital has 120 patient rooms and replaced an aging facility in downtown, where Franciscan will continue to offer services such as an urgent care, behavioral and substance abuse programs, and senior services.
- Franciscan Health plans to build a new hospital complex in Crown Point. The project will be located on a 510-acre site at I-65 and U.S. Highway 231. The new complex will be the same size and design as the facility they opened in Michigan City earlier this year. Groundbreaking is planned for spring 2020 with the hospital opening in 2022. The University of St Francis, already located on the site, plans to double in size. Andrean High School may also relocate to the site in the future.
- Beacon Health System and Franciscan Health broke ground in October on a new 28,000 square-foot addition to Beacon's existing 20,000 square-foot facility in Laporte. The \$21.6 million investment also includes renovations on the Beacon Medical building. The project is expected to be complete in early 2020. Also in Laporte, Franciscan opened their newly constructed Legacy Hills Health Center.
- LaPorte has another hospital under construction. Community Healthcare System is building a new \$125 million facility downtown. The project was part of a deal to commit to building a new hospital after purchasing the LaPorte Hospital from IU Health in 2016. The new hospital is at 1007 Lincoln Way, adjacent to the current one, and will be 200,000 square-feet. Construction will be complete in 2020. The old hospital will most likely be torn down, but plans haven't yet been finalized.
- Community Healthcare System opened a new Stroke and Rehabilitation facility in Crown Point, just north of Beacon Hill. The 129,000 square-foot center opened in September and includes 40 beds.
- North Shore Health Center will complete their \$18 million, 50,000 square-foot facility later this year at Willowcreek Road near U.S. Highway 6 in Portage.
- An orthopedic center is also under construction in Crown Point at 109th Ave and Delaware Parkway. The \$18 million 42,000 square-foot Lakeshore Bone and Joint Institute expects to open in the first half of 2021.

Crown Point also has some non-medical related developments occurring as well. IIG, an interior design firm, is constructing a new 8,000 square-foot headquarters in the Beacon Hill development. IIG employs approximately 30 and designs interiors for hotels.

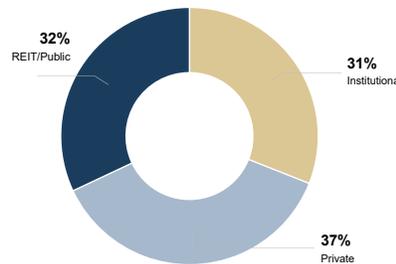
MARKET RENT PER SF*



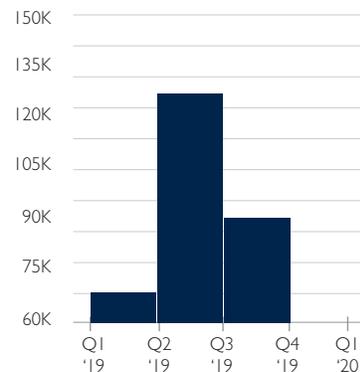
VACANCY RATE*



SALES BY BUYER TYPE*



UNDER CONSTRUCTION*



*Source: CoStar

FORECAST

- Large scale investments and investor interest in the healthcare sector will continue to drive the office market.
- Market rents are expected to rise slightly and remain steady through 2020.
- With the addition of new inventory coming online during the second half of the year, vacancy rates are expected to slightly increase.

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RETAIL OVERVIEW

HIGHER VACANCY RATES, DUE TO A NATIONAL RETAIL CLOSURES, BUT NEW DEVELOPMENTS AND BACKFILLS ARE OCCURRING

It's been a difficult year for retailers nationwide with closures happening across the country. Northwest Indiana had its share of closures, but local and national businesses have opened new locations and there were new retail projects announced. Some communities are seeking to attract businesses by offering incentives, such as Laporte, which is offering cheaper liquor licenses to lure restaurants to the downtown area. Another threat for property owners are retail tenants who can be lured to newer centers or spaces more well-located within a market. Property owners may need to offer more incentives or consider remodeling or redeveloping older facilities to retain tenants and attract new ones.

While so many closures have added inventory to the market, some of the larger vacancies are getting filled by new concepts and uses. A Jump Zone has signed a sub lease at a former Walgreen's location in Hobart. The indoor play ground and party venue will occupy 15,000 square-feet.

The market also saw a number of national and regional chains move into the region or expand including: Cousin's Subs, Marco's Pizza, B. Goode, Smallcakes Cupcakery and Creamery, Bigby Coffee, F45 Training, and CBD American Shaman - a CBD and wellness chain, that plans to enter the market with three locations.

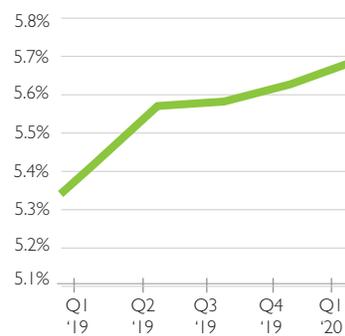
A few notable openings or projects:

- A new \$30-\$40 million dollar mixed-use project is planned at Calumet Avenue and 45th Street in Munster. Maple Leaf Crossing is a unique development by 1st Metropolitan Builders that will utilize shipping container architecture. The project will include a Hyatt Place hotel, restaurants, retail, a 4-story, 56,000 square-foot office building, walking trails, and a School of Rock music school.
- White House | Black Market is opening a new location in Schererville at Shops on Main, a lifestyle center anchored by Whole Foods, Nordstrom Rack, and Dick's Sporting Goods. Marshalls is also opening a new location here, though they are relocating from the Highland Grove shopping center, which is adjacent to Shops on Main. Dick's Sports Goods moved from Highland Grove to Shops on Main last year.
- Rapid Fired Pizza, opened in Merrillville at 8160 Mississippi Street in September. The restaurant is 2,000 square-feet and is their first location in the market. The chain was founded in Kettering Ohio and has 35 locations.
- Hammond city officials are looking for developers for the site of the former Woodmar Mall. The city tore down the last remnants, a former Carson's department store that closed last year.
- The last Kmart and Sears in the northwest region will close by the end of the year. Kmart will close its store in Valparaiso and Sears will close in November at Southlake Mall in Hobart. The mall lost another anchor last year when Carson's closed. The Southlake Mall is the second largest mall in Indiana and despite the loss of anchors, is still signing tenants. Charles Schwab opened a branch on an outlot and the mall welcomed several other new tenants in 2019. One of the new tenants won a Battle of the Pop-Up contest; entrepreneurs were given a chance to win four months free rent at the mall.

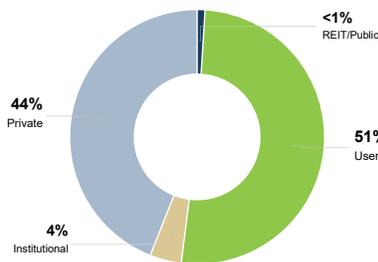
MARKET RENT PER SF*



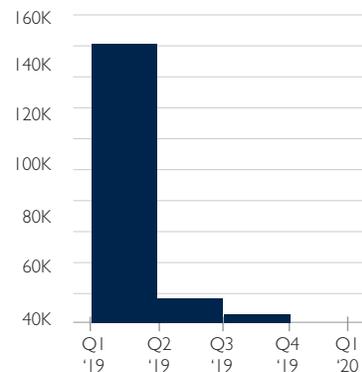
VACANCY RATE*



SALES BY BUYER TYPE*



UNDER CONSTRUCTION*



*Source: CoStar

FORECAST

- While retail closures are expected to continue into 2020 nationally, within the region, vacancy rates are not anticipated to significantly increase.
- Market rents may dip slightly, but are expected to remain steady through 2020.
- The region has a number of major medical facilities under construction, which may begin to spur more retail growth, via new developments or reuses of former retail space into office or medical facilities.

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CLEVELAND AVE. & MEIJER DR., MICHIGAN CITY, IN

- 2+ acres shovel ready land available
- 400± feet of frontage along Cleveland Avenue with excellent visibility
- Adjacent to many retailers including: Meijer, Lowes, Big R Store & Menard's



1414 STATE ROAD 2, LAPORTE, IN

- Net leased 7,200 SF free standing building
- Excellent visibility on State Road 2
- Located on an outlot of the Maple Lane Mall with the availability to create access to the mall parking lot



DEER TRAIL LAND, SCHERERVILLE, IN

- Three shovel-ready sites located on US-30 in the heart of Schererville
- Easy access from both lanes of US-30 east of Austin Ave., and from Austin Ave.
- 41,000 VPD in the shadow of the Residences at Deer Creek, an upscale assisted living facility



PARK CENTER 5625 COMMERCE RD CROWN POINT, IN

- Route 30 exposure available
- Flexible floor plans from 1,200-7,200 SF
- Highly visible monument signage on Route 30 with over 43,000 ADT
- Parking abounds with overflow parking available



WESTFIELD COMMONS SOUTH: 101-109 W. 79TH AVE., MERRILLVILLE, IN

- 9,072 SF multi-tenant office building
- Conveniently located off of Broadway (SR 53) at 79th Avenue, just north of US 30 near the I-65 interchange
- Brick exterior with attractive curb appeal



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



BROADFIELD SQUARE NORTH: 8906-8939 BROADWAY, MERRILLVILLE, IN

- 17,058 SF multi-tenant office building built in 1987
- Located next to Methodist Hospital Southlake
- 85% occupied with a diverse mix of tenants



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