

NORTHWEST INDIANA

2019 RECAP / 2020 OUTLOOK

MARKET OVERVIEW

Northwest Indiana consists of Lake, Porter, and LaPorte Counties and is Indiana's second largest economy made up of urban, suburban and rural communities representing a \$35 billion economy. The Northwest Indiana region continues to benefit from its business-friendly environment and proximity to the Chicago metro. The region is seeing growth in new companies and residents relocating to area. 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.

Healthcare is also a growing sector in the region adding 2,654 new jobs or about half of all new jobs between 2015-2019. In addition there are multiple new hospitals and facilities under construction or planned in the next few years.

HIGHLIGHTS

REDEVELOPMENT OF FORMER BROWNFIELD SITES AND BLIGHTED PROPERTIES ARE TRANSFORMING THE REGION.

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 plans to open phase-1 this year. 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.

The city of La Porte has expanded their Urban Enterprise Zone which now includes a 4-square mile area of the city. The La Porte Urban Enterprise Association (LPUEA) is a non profit, 501(c) (3) organization that provides a number of tax credits and grants to assist current businesses with investments and to attract new development. One example includes credits given to Rural King, who purchased the former 221,000 square-foot Maple Lane Mall. The La Porte Redevelopment Commission and the La Porte Urban Enterprise Association are partnering with Rural King to make improvements to the property, which will include renovations to the mall for additional tenants as well as parking lot upgrades. The mall has been largely vacant since 2017 when Kmart, the last anchor, closed. Rural King plans to invest nearly \$3 million in the project and the Redevelopment Commission is committing \$550,000. Rural King plans to open by March 2021.

A former Allis Chalmers industrial site on the lake front in LaPorte, which closed in 1980, has undergone a \$4 million remediation for a new development, NewPorte Landing. A new 200-unit multifamily development, The Strand, is scheduled to begin construction in July, with completion planned in 18 months. The site has already attracted some development, including a Starbucks, Dunkin' Donuts, a medical building, and the Dunes Volleyball Club and also offers trails. The city of LaPorte will contribute \$6 million to the \$35 million project.¹

The South Shore Line's West Lake Corridor received a surprise announcement of \$100 million in funding from the U.S. Department of Transportation in May. The \$100 million is an advance of a potential \$355 million Capital Improvement Grant. The project will extend commuter rail roughly eight miles from Hammond southward through Munster to Dyer.²

Another transformative project for the region was announced in 2019. The Hard Rock Casino and Hotel in Gary broke ground in early January. The \$300 million project plans to open by the end of 2020 or early 2021, depending on construction delays.

- https://www.nwtimes.com/business/local/checkered-flag-waving-for-lakefront-housing-construction/article_a5714d43-2cec-5873-8943-6017592624d9.html?utm_medium=social&utm_source=email&utm_campaign=user-share
- https://www.nwtimes.com/business/local/south-shores-west-lake-corridor-gets-unexpected-100-million-boost/article_b3c07316-34b0-51ba-bbe0-bda9046c4c78.html

DEMOGRAPHICS

779,578

Population



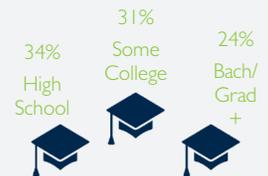
297,325

Households

\$57,527



Median Household Income



Education

25,256



Total Businesses

320,212



Total Employees

Source: Esri

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INDUSTRIAL OVERVIEW

INDUSTRIAL IS STILL IN HIGH DEMAND AND CONSTRUCTION CONTINUES ON NEW SPEC BUILDINGS.

Northwest Indiana is continuing to attract industrial users. New projects are underway or planning to break ground later this year as industrial has been in high demand. The vacancy rate is around 6.2% and is projected to slightly rise by the end of 2020. Market rents in Q2 2020 are around \$5.77 and had been steadily rising since 2012, but are expected to fall through the end of 2020. Industrial buildings that have been built in the last five years have a market rent of \$6.77. Covid-19 has had little impact on activity in the industrial market as the spike in e-commerce has highlighted the need for some companies to expand their distribution networks and users are still looking for space in the market.

The United States Steel industry had been facing headwinds in 2019 as the uncertainty over tariffs depressed prices and demand. Steel imports were down 17% in 2019, and fell 13.9% in April alone. ArcelorMittal and U.S. Steel both idled furnaces in the region last year. Nationwide steel makers have struggled with low prices and demand. COVID-19 has led steel producers to lay off workers as car manufacturers and suppliers closed and demand waned. Steel makers have laid off 4,709 workers in the region. Indiana has been the country's top steel producer dating back to 1977.

Though the steel industry is facing challenges, several new projects are underway and new tenants have plans to open facilities in the region. GAF Materials Corp. has plans for a new 200,000 square-foot warehouse in Michigan City at the Millennium Business Park. The project is already under construction and is expected to open by the end of the year and will add 50 new jobs. Hobart has a major new project on the horizon. Unistrut International, a manufacturer of metal framing and struts, will locate to a new 617,000 square-foot facility located at 69th Avenue and Mississippi. The \$33 million project had been scheduled to break ground in April, but had some Coronavirus related delays. 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. Holladay has announced the first tenant for another multi-tenant building in Portage. Fagor Arrasate of Spain has leased space at The Diversey Building at 1460 Prairie School Drive. The company will occupy 6,735 square-feet by years end, leaving another 46,165 square-feet available.

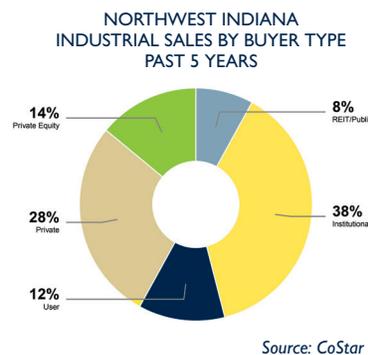
The Kingsbury Industrial Park in La Porte recently received a state grant of \$1 million to add a rail spur at existing rail lines in the Kingsbury Industrial Park. Adding the rail spur will connect two of the largest rail lines in the country, CN and CSX. Due to the turmoil in the trucking industry, industrial users are seeking rail access to lower shipping costs. According to the American Trucking Association, rail could offer a savings of around 45% on some shipping costs.

The city of Merrillville has several potential developments on the horizon. The AmeriPLEX site is attracting interest from several potential users, including a tenant for a 225,000 square-foot building that could begin construction in the fall. Another 50,000 square-foot building may also be in the pipeline. Merrillville also has some buildings scheduled to be razed to make way for future development.

UPS has leased space at the Gary airport and will add Gary to their cargo network, adding a direct connection to UPS' Worldport at the Louisville International Airport in Kentucky. Service is planned to begin in the 4th quarter and will create 60 jobs. UPS also leased 14,000 square-feet of office at the terminal.¹

2020 FORECAST

- Rising construction costs, supply chain disruption, and land availability will continue to impact construction of new industrial buildings, but demand should remain strong well into 2020.
- Industrial rents may see some decline through 2020. Current rents are around \$5.81 per square-foot.
- More spec buildings are in the pipeline for 2020 as industrial space demand is expected to remain high throughout the region.



1. https://www.nwtimes.com/business/local/ups-signs-lease-to-add-gary-airport-to-its-cargo-network/article_5335791c-c732-58ee-84f6-009a52b69032.html?utm_medium=social&utm_source=email&utm_campaign=user-share

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2019 RECAP / 2020 OUTLOOK

OFFICE OVERVIEW

HEALTHCARE WILL CONTINUE DRIVING THE OFFICE MARKET IN THE REGION, WITH SEVERAL MEDICAL FACILITIES UNDER CONSTRUCTION.

Office vacancy rates continued to decline through the last half of 2019, but current projections show the rate rising through the end of 2020 as the coronavirus impacts the office market. Average market rents for all office properties are around \$18.60, with Class A market rents at \$28.04. While rates for all classes of office properties were projected to rise in 2020 pre-virus, they are now expected to decline through the end of the year.

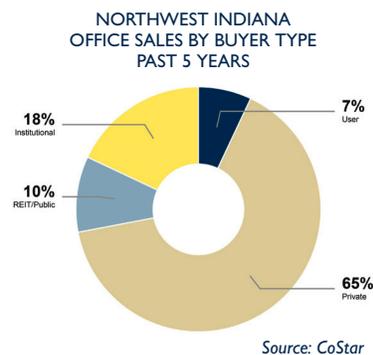
Highlighting the medical office demand, three office / medical buildings will complete construction by the end of Q2 adding an additional 80,420 square-feet to the market - the most square-feet delivered in a quarter in a decade.

Franciscan Health has a number of recently completed or ongoing projects across Northwest Indiana. In 2018 they opened a \$50 million cancer center in Munster and exceeded that investment in 2019. 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 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 last year. Groundbreaking is planned for this fall 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. Franciscan opened their new 10,000 square-foot Physician Network Crown Point Pediatric Health Center in February. The \$3 million facility is located at 1141 S Indiana Avenue. Community Healthcare System opened a new Stroke and Rehabilitation facility just north of Beacon Hill. The 129,000 square-foot center opened in September. An orthopedic center is also under construction at Beacon Hill. The \$18 million 42,000 square-foot Lakeshore Bone and Joint Institute expects to open in the first half of 2021.

La Porte also has several medical facilities under construction. 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. The \$21.6 million investment also includes renovations on the Beacon Medical building. The project was expected to be complete in early 2020, however construction was halted after some construction workers tested positive for COVID-19. Also in La Porte, Franciscan opened their newly constructed Legacy Hills Health Center. 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 La Porte 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 is scheduled for completion in 2020. The old hospital will most likely be torn down, but plans haven't yet been finalized.

Mixdesign, a branding, interior and experience design company, is tripling in size to 16,000 square-feet with a move from Schererville to a vacant church property they purchased in Hebron. The new location gives them easier access via I-65.¹



2020 FORECAST

- Large scale investments and investor interest in the healthcare sector will continue to drive the office market.
- Office rents will likely see declines in 2020 as demand wanes.
- We could see more sublease space hitting the market later this year, as companies begin to assess their office space needs while people continue to work from home.
- Office vacancies are projected to rise throughout 2020. Some companies who have had to downsize their workforce during the pandemic may seek to unload space.
- Redesigns of office layouts will likely be a result of the pandemic, with companies reconfiguring spaces to comply with social distancing guidelines.

¹ https://www.nwitimes.com/business/local/mixdesign-mixing-things-up-with-move-to-hebron-from-schererville/article_b2db86d2-1c3e-595a-8c24-6309687fe3fc.html

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2019 RECAP / 2020 OUTLOOK

RETAIL OVERVIEW

RETAIL AND RESTAURANT VACANCIES ARE PROJECTED TO RISE, BUT LARGER VACANCIES ARE STILL ATTRACTING TENANTS IN THE MARKET.

2019 was a difficult year for retailers nationwide with closures happening across the country. However, the region experienced net absorption over a 12-month period of 101,000 square-feet. The vacancy rate stands at 6% with market rents around \$14.70. Unfortunately, the impact of COVID-19 on the retail industry is projected to add more vacancies and lower rents through the end of 2020. Local owners of retail, restaurant, or service oriented businesses are the most at risk, though national chains that were already struggling will find it difficult to survive the income lost during the “stay at home” order. Pier 1 had previously announced store closures in the region at two locations, but they couldn’t weather the virus’ impact and will close all stores nationwide, including three in the region in Merrillville, Valparaiso, and Schererville. Abuelo’s has also permanently closed at 8255 Georgia Street in Merrillville. Kmart and Sears both closed their last locations in the region in 2019. Kmart closed in Valparaiso and Sears closed at Southlake Mall in Merrillville.

Three Floyds Brewing has announced that their tap room in Munster will remain closed indefinitely, citing safety concerns over the coronavirus. Three Floyds will continue operating the brewery and distillery and has been selling products online for curbside pickup. They canceled their annual beer release festival, Dark Lord Day in March. The festival started in 2005 and typically draws thousands of people.

While so many closures have added inventory to the market, some vacancies are attracting new tenants. Part of a former Menards at 1048 Indianapolis Blvd. in Schererville will reopen as Up Your Alley, an all ages entertainment venue featuring bowling, axe throwing, laser tag, cybersport, arcade, and live entertainment along with a restaurant and bar. Up Your Alley shares the former Menards with several other tenants, including Sky Zone and Planet Fitness. Ross Dress for Less and dd’s Discounts have opened in a former Kmart in Hammond that had been vacant for over a decade. Rural King plans to open in the former Kmart in La Porte at the Maple Lane Mall, investing \$3 million in what had become an eyesore for the community. Rural King is seeking other tenants to join them at the location. The Bakers Square restaurant at Mississippi and East 81st Avenue closed abruptly in January, however, the building is already leased to Sophia’s House of Pancakes. Sophia’s has three other locations in Highland, Schererville, and Orland Park, Illinois.

Merrillville is courting Northern Tool and Equipment for a former Staples in Century Plaza. The city has offered a facade rebate for the building at U.S. 30 and Broadway. Tri-Land Properties, the owner of the center, has approached the city about a possible redevelopment of the former Burlington Coat Factory into a conference center. No final plans have yet been made.¹

City Electric Supply has leased space at 701 E. Lincolnway in La Porte. The company is a wholesale electrical supplier with four other locations in the region.

A number of national and regional chains moved into the region in 2019 or expanded including: Cousin’s Subs, Marco’s Pizza, Lou Malnati’s, B. Goode, Smallcakes Cupcakery and Creamery, Biggby Coffee, F45 Training, and Rapid Fired Pizza.

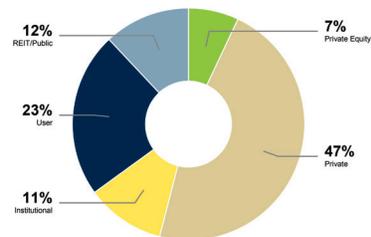
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RETAIL MARKET RENT PSF



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RETAIL VACANCY



NORTHWEST INDIANA
RETAIL SALES BY BUYER TYPE
PAST 5 YEARS



2020 FORECAST

- Store closings and retail bankruptcies will continue into 2020 as retailers adjust to market and consumer trends, as well as the fallout from Covid-19.
- Retail market rents will fall as more vacancies become available.
- 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.
- Some retail space may see conversions to other uses such as warehouse, conference centers, or other community uses.

¹ https://www.nwitimes.com/news/local/lake/merrillville-offers-facade-rebate-to-potential-business-tenant/article_b21b6d86-2722-5619-ac34-d9dc6b9fac6b.html

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LEASE
OXBOW LANDING: 2901 CARLSON DR, HAMMOND, IN

- Ideal for office users seeking highly visible and easy to find location near the Illinois border
- Unique branding and signage opportunities on building exterior with daily traffic exposures of 172,500 along I-94 and 25,000 along Kennedy Ave.



SALE
1414 STATE ROAD 2, LA PORTE, 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



LEASE
LAKE BUSINESS CENTER OFFICES: 9200 CALUMET AVE, MUNSTER, IN

- Located directly across from Community Hospital on Calumet Avenue with 31,300 ADT
- Upscale renovation of this 100,000 SF building provides a professional image and great visibility



SALE
945-1027 SHEFFIELD AVE, DYER, IN

- **RARE OPPORTUNITY:** Neighborhood restaurant/bar with banquet facilities. LIQUOR LICENSE INCLUDED
- Approximately one acre with 300 feet of frontage on Sheffield Avenue



LEASE
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



LEASE
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



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
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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