

NORTH CENTRAL INDIANA

1ST QUARTER 2019

MARKET OVERVIEW

South Bend / 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.

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. Target industries include IT/data, logistics/warehousing and advanced manufacturing.

QUARTERLY HIGHLIGHTS

CONTINUED SUCCESS WITH REDEVELOPING A FORMER STUDEBAKER FACTORY COULD RUB OFF ON OTHER AGED INDUSTRIAL SITES IN NORTHERN INDIANA

The Studebaker factory redevelopment continues to accelerate investment in the nearby Renaissance District. The old Studebaker factory has now been converted into a startup incubator. Expected to require 10 years and upward of \$150 million, the mixed-use project is proceeding in stages, with early tenants including biotech firm F Cubed, talent developer enFocus, and South Bend City Church.⁽¹⁾ The project has already spurred more development nearby, including a \$23 million mixed-use apartment complex.

The Ivy at Berlin Place is a \$23 million mixed-use development that will include 121 apartments as well as about 10,000 square feet of restaurant and retail space around Four Winds Field on the south end of downtown. The first building opens in May. Over the next few years developers are planning an additional 300 apartments downtown as demand is high with occupancy rates around 90%.

In Mishawaka, the \$25 million Hotel Indigo is planned along the St. Joseph River, contributing to downtown renewal. With four stories containing 120 rooms, a banquet facility and restaurant, the project would occupy a site that formerly housed the Uniroyal power plant. The city would craft new gardens and paths that would also wedge into the vacant land, now a peninsula, at the southeast corner of the St. Joseph River and Main Street.

The Lilly Endowment Inc. recently announced that it's giving a \$42.4 million grant to the University of Notre Dame and South Bend-Elkhart Regional Partnership to form Labs for Industry Futures and Transformation, an initiative intended to bring together education, business and economic development in the region to make the region more competitive globally. The Lilly Endowment grant will help leverage additional investments in the LIFT Network. Regional leaders envision a total combined investment reaching nearly \$170 million. To help Notre Dame raise additional resources and sustain the program's future, the Lilly Endowment grant contains \$4 million in matching funds. The LIFT Network will also play a key role in helping make the regional economy more resilient. A critical component of LIFT will be focused on forward-looking workforce development and training programs designed to develop existing and future talent with advanced industry skills and knowledge while fostering a culture for lifelong learning in the region.⁽²⁾

(1) <https://www.wndu.com/content/news/Area-developers-take-tour-of-renovated-Studebaker-factory-for-inspiration-507484441.html>

(2) https://www.southbendtribune.com/news/foodforthought/million-lilly-grant-brings-together-regional-business-education-partners/article_40df6546-d30b-5c92-bffb-afe16c68d960.html

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 MARCH '19

St. Joseph County	3.0%
Indiana	3.9%
United States	3.9%

Source: Hoosiers by the Numbers

NORTH CENTRAL INDIANA MARKET

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INDUSTRIAL OVERVIEW

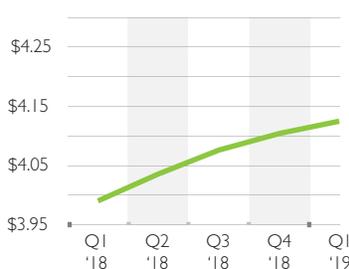
SUPPLY AND DEMAND FUNDAMENTALS ALONG WITH CONSTRUCTION STARTS CONTINUING TO DRIVE INCREASES IN MARKET RENTS

Amazon Logistics announced plans to open a Home Delivery Center in South Bend sometime later this year. A third new distribution center near South Bend International Airport, with approximately 200,000 square feet, is complete and attracting tenants. The first was leased to specialized manufacturer AM General and the second to CTDI, a repair and logistics firm for the communications industry. The warehouse is located in Interstate 80/90 Industrial Park in Northwest South Bend. The Amazon facility would fill the remaining 84,200 square feet of the building. The warehouse is one of three Great Lakes Capital distribution facilities at the business park, which is already home to FedEx, Pepsi and ChasePlastics distribution facilities, among others. Great Lakes Capital has plans to eventually build between 1 and 1.5 million more square feet in the park and is set to break ground on SBDC IV, a 164,000 SF multi-tenant, cross-docked facility, this summer.

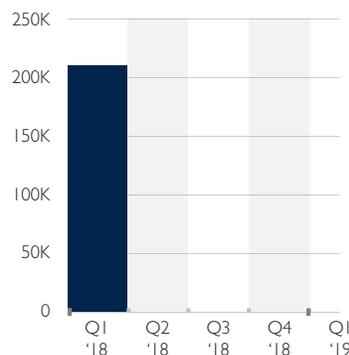
St. Joseph County received a \$1 million federal grant from the U.S. Economic Development Administration to expand high-speed broadband service in the New Carlisle area, where the county has a long-range plan for an industrial park, called the Indiana Enterprise Center, on about 22,000 acres near New Carlisle. The project is expected to create 230 jobs and spur \$710 million in private investment.

The industrial vacancy rate increased slightly from 4.7% to 4.9% and rent remained steady around \$4.14 per square foot according to CoStar. New deliveries of new properties exceeded net absorption in the first quarter, which caused a slight increase in vacancy. Without any new construction starts over the last few quarters, net absorption will increase.

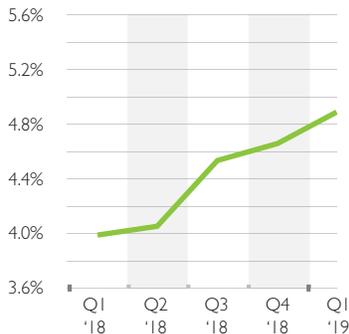
MARKET RENT PER SF*



CONSTRUCTION STARTS IN SF*



VACANCY RATE*



*Source: CoStar

FORECAST

- Expect growing manufacturers to absorb available space in all counties within the North Central industrial market.
- Increased demand for more modern buildings could lead to new developments at available land sites, such as Ameriplex at I-80/90 and the new industrial park in New Carlisle.
- While vacancy rates increased slightly at the beginning of the year, low levels of available inventory and limited new supply are expected to keep vacancy rates relatively flat through 2019.

NORTH CENTRAL INDIANA MARKET

1ST QUARTER 2019

OFFICE OVERVIEW

CARVING UP LARGE SPACES TO MAKE WAY FOR SMALLER TENANTS COULD BE THE FORCE BENEATH AN INCREASE IN ASKING RENT

Office occupancy rates in the South Bend/Mishawaka area are holding at about 90 percent. Vacant square footage has increased to 924,000 in the past year as large spaces remain difficult to fill without cutting up spaces for smaller tenants, per CoStar. Asking rents have increased to \$17.72 per square foot, in part due to landlords divvying up spaces to accommodate smaller users and the limited space available in the market. Vacant square footage is expected to increase as large users downsize their footprints and the new Barnes & Thornburg building opens in South Bend.

Barnes & Thornburg is putting its name on the first new Class A office building in downtown South Bend. The Indianapolis-based law firm 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.

A developer is seeking a tax abatement to build a \$16 million facility in South Bend's 140-acre Ignition Park technology park. Press Ganey Associates, a South Bend healthcare firm that develops and distributes patient satisfaction surveys, among other services, plans to relocate its 500 employees into the 83,000 SF building.

Bayer announced plans in February to close its last remaining location in the area. At its peak, the company employed more than 3,300 people in St. Joseph and Elkhart counties at several facilities. The company will close its customer logistics service center at 3930 Edison Parkway, Mishawaka. The closure will take place over an 18-month transition period and effect 194 employees locally.

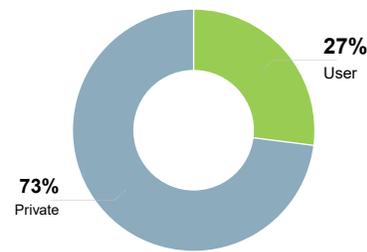
MARKET RENT PER SF*



VACANCY RATE*



SALES BY BUYER TYPE*



*Source: CoStar

FORECAST

- Expect absorption of smaller Class B space to lead to increases in asking rates.
- Larger office spaces, generally above 10,000 square feet, are expected to maintain higher vacancy rates as landlords have a more difficult time attracting larger users to the market.
- Given the closure/restructuring of several large companies in the area, available inventory is expected to increase throughout the year.

NORTH CENTRAL INDIANA MARKET

IST QUARTER 2019

RETAIL OVERVIEW

OPTIMISM IN THE AREA FOR THE RETAIL SECTOR GROWS AS NATIONAL RETAILERS EXPAND AND SEVERAL BIG BOX STORES GET A FACELIFT

A large retail property in Mishawaka is experiencing first-hand the national move away from brick and mortar, but investors are pouring resources into new restaurant and hotel projects elsewhere in the area.

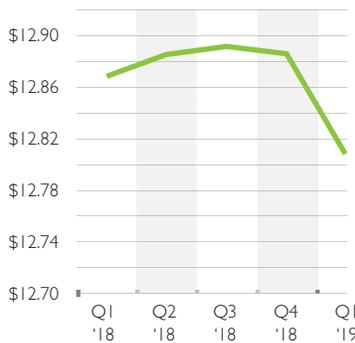
University Park Mall in Mishawaka is contending with five of its national retailers—Gymboree, Crazy 8, Payless ShoeSource, Things Remembered, and Charlotte Russe—declaring bankruptcy and planning store closures. However, the mall is still attracting new tenants to the market. Rock the Runway, a new formal wear store, took the second half of a vacated Ulta Beauty store. Lavelier, a skin care company, has opened in the former Shi by Journeys location, a bead store has taken the former Teavana space, and Sola Salon Studios has leased 5,500 square feet.

National retailers and restaurants are expanding in the market such as: Jimmy Johns, Dickey’s Barbecue Pit, Hardee’s, Dunkin’ Donuts, Half Price Books, Dollar General, and Culver’s.

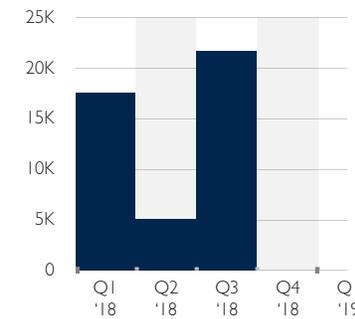
Big Box retailers in the market are investing in their stores and expanding their customer service options. Target at Erskine Plaza is one of 1,000 stores across the country getting a remodel. Also at Erskine Plaza, Menards will close, as the retailer is relocating to a newly constructed store less than a half mile away. Big Lots relocated to part of a former Kmart at McKinley Commons leaving a vacancy at Town & Country Shopping Center. Aldi on Douglas Road plans to close in September for about a month to remodel the store. Costco on University Park Drive is adding fuel tanks, and Walmart in Mishawaka launched a 16-foot tall pickup tower in December that functions like high-tech vending machine.

More retailers are expanding or opening new locations in downtown South Bend and Mishawaka. A second Chicory Cafe is planned for Mishawaka in the former Columbus Club, 114 W. First St. downtown. The building was purchased from the Knights of Columbus in April and a renovation launched immediately. The facility will include a banquet venue capable of hosting 275 guests and dubbed Chicory Event Center. Chicory owners hope the project accelerates ongoing development along the St. Joseph River at Beutter Park. The park is expected to host new restaurants, retail stores and apartments.

MARKET RENT PER SF*



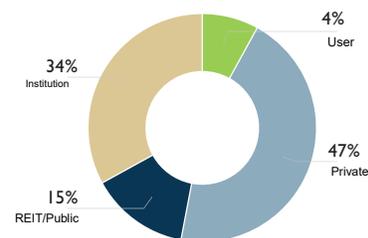
CONSTRUCTION STARTS IN SF*



VACANCY RATE*



SALES BY BUYER TYPE*



*Source: CoStar

FORECAST

- Expect the retail vacancy rate to remain high at or above current levels in 2019 due to large national closures.
- Market rents are expected to continue their trend downward well into 2020 given the amount of inventory available for lease.
- New retail projects under construction will slow the absorption of existing vacant retail space through the rest of the year.

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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
- Estimated CAM \$9.37 SF (tenant pays separately metered utilities)



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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