

NORTH CENTRAL INDIANA

Q1 2021

MARKET OVERVIEW

The North Central region of Indiana is home to both St. Joseph and Elkhart Counties. St. Joseph County, also known as the South Bend Region, is comprised of South Bend, Mishawaka, and Granger, while Elkhart County includes 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 along with five other colleges all within city limits. Healthcare, education, small business, and tourism are all key industries in South Bend in particular.

A driving force for tourism and the overall St. Joseph County economy is the University of Notre Dame, averaging \$17 million in visitor spending on home game weekends during football season. The University is also the number one employer in the North Central region, with a workforce of 3,500. Notre Dame has become a major research university with numerous new businesses and employment opportunities developing as a result of various innovation and entrepreneurship activities.

Along with Notre Dame, the Michiana area boasts over a dozen institutions of higher education, including Holy Cross College, St. Mary's College, Grace College, Bethel University, Goshen College, Indiana University South Bend, Purdue Polytech, Ivy Tech, and more. A few other major employers in the South Bend area include SpartanNash / Martin's Super Markets, Saint Joseph Regional Medical Center (3,000), Beacon Medical Group (1,900), Press Ganey (945), and AM General LLC (800).

While primary industries in St. Joseph County include IT/data, healthcare, logistics / warehousing, and advanced manufacturing, South Bend's neighbor, the city of Mishawaka, is home to the second largest retail corridor in the state of Indiana, the Main Street & Grape Road Commercial Corridor.

Elkhart County's economy is largely driven by the manufacturing industry. The city of Elkhart specifically, is driven by the manufacturing of recreational vehicles and its related parts. Heavily impacted by this industry, Elkhart is 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 currently produces over 80% of all RVs built in the United States and the city's RV manufacturers, suppliers, and vendors create a \$9.5 billion impact on Indiana's economy.

Four of the top five major employers of this region are manufacturers of RVs or their components: Thor Industries employees (13,000+), Forest River (10,000), Lippert Components (5,500+), and Patrick Industries (2,900).

The North Central Indiana region provides an excellent environment to live, play, and work. The entire South Bend region boasts modest housing costs, with South Bend having been ranked as the second lowest cost of living in the country. St Joseph County was also ranked sixth in the nation for best business environment. The college-town atmosphere draws in new residents annually while the abundance of manufacturing in RV and other industries constantly creates new jobs and growth opportunities.

1. <https://southbendregion.com/main/economic-profile/>

2. <https://southbendregion.com/main/economic-profile/>

3. <https://www.elkhartcountybiz.com/existing-business/major-employers/>

4. <https://www.niche.com/places-to-live/c/st-joseph-county-in/rankings/>

DEMOGRAPHICS

482,116

Population



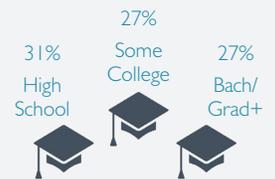
179,907

Households

\$55,947



Median Household Income



Education

16,968



Total Businesses

275,531



Total Employees

Source: Esri

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INDUSTRIAL OVERVIEW

DEMAND IS OUTPACING SUPPLY AND HIGHER CONSTRUCTION COSTS MAY AFFECT THE NUMBER OF NEW PROJECTS IN THE NEAR FUTURE

North Central Indiana is experiencing high demand for big box industrial buildings and has a lack of inventory to meet that demand. Elkhart County has 9 vacant industrial buildings for sale and 15 vacant industrial buildings for lease. The North Central region currently has a total of 829,857 square feet of available industrial space for sale with an average building size of 59,276 square feet. Likewise, the region has a total of 973,851 square feet of vacant industrial space currently for lease. Demand for industrial space in Elkhart County is in the range of 75,000 to 125,000 square feet. Most of the available properties on the market are on the smaller side of industrial, which means that there is opportunity to meet demand for the larger industrial buildings through development.

Saint Joseph County had 22 vacant industrial buildings for sale (640,269 square feet) and 42 industrial spaces for lease (700,456 square feet). Bradley Company estimates that about 50% or more of the spaces available for lease are under contract, which shows strong demand for industrial product in the county.

Even with the strong demand for industrial space, no new speculative buildings are planned. This may be due to the high cost of steel and long lead times for materials. Lead times for steel building kits are already being quoted into 2022. The supply shortage has the potential to damage the economy due to pushed delivery dates.

There were three major industrial sales in the market in Q1 2021. Two in Elkhart and one in Mishawaka. Last year started out with a decent pace of transaction volume, but then hit pause through the pandemic, but 2020 finished on a very strong note. There were 12 major sales in Q4 2020, scattered throughout the county. That's the highest number of industrial properties sold in a single quarter over the past decade.

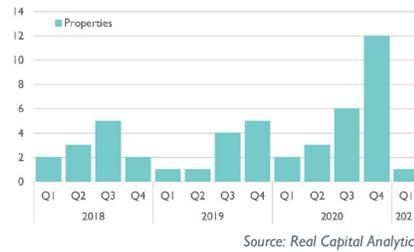
Elkhart is known as the RV Capital of the World. The RV industry has been resistant to introduce automation into its process due to the custom nature of RVs. However, the Elkhart-Goshen region has an automation risk that is significantly higher than the average of all U.S. metro areas due to advances in technology. The entry rate for robots into the Elkhart-Goshen region is one of the highest in the country. Elkhart-Goshen ranks third in the nation for the highest automation risk according to the Brookings Institution due to its large amount of assembly jobs. In the Elkhart-Goshen region 20% of the workforce is employed in assembly work.²

South Bend does not have as high an automation risk as Elkhart due to its more diverse economy. About one-third of the jobs in the city are at risk of automation, which is similar to the U.S. average. Lower paying jobs are at higher risk than higher paying jobs, which includes assembly line workers. However, city leaders have been focusing their efforts on education and training with the assistance of the community's colleges and universities to prepare for the changes that technology and automation will bring.

TRENDS

- Demand for industrial properties is expected to remain strong through the rest of 2021 and outpace supply.
- Industrial buildings with large volumes of square footage will remain in high demand due to the prevalence of e-commerce and the need for warehousing to avoid supply shortages seen during the first months of the pandemic.
- Rising construction costs and long lead times may start to cause some developers and owners to rethink their strategies.

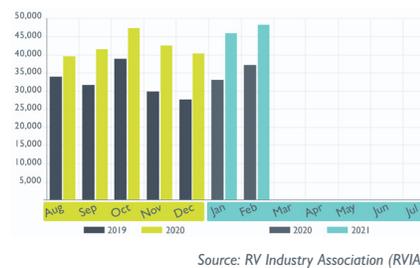
ST JOSEPH & ELKHART COUNTY INDUSTRIAL SALES VOLUME BY PROPERTY (#)



ST JOSEPH & ELKHART COUNTY INDUSTRIAL SALES PSF



MONTHLY RV SHIPMENTS 2019 - 2021



1. New America: <https://www.newamerica.org/work-workers-technology/reports/automation-potential-jobs-elkhart-goshen/key-conclusions-projecting-automation-risk-and-job-growth-in-elkhart-goshen/>
2. New America: <https://www.newamerica.org/work-workers-technology/reports/automation-nation/south-bend-reinventing-a-dying-city/>

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OFFICE OVERVIEW

DEMAND FOR OFFICE REMAINS LOW FOR NOW AS COMPANIES ARE CONSIDERING OPTIONS FOR THE RETURN OF OFFICE WORKERS

Companies are starting to return to the office as vaccines are rolled out and people are more comfortable being in the office. Most of the companies already back in the office have a hybrid work situation set up. An increase in deal velocity is expected this summer due to COVID-related office reconfigurations. Some expected changes to the office would be a reduction in occupancy in shared spaces by removing desks, tables, and seating. Other changes could include reorienting workstations to prevent face-to-face seating layouts, adding screens, storage elements, or plants to use as space division. Essentially, it is expected that boundaries will be created to avoid exposure to the virus.¹

Summer is also predicted to be busy for the office sector due to the possibility of companies downsizing space and/or moving to a smaller space in another property. Some companies are still unsure of how they will approach the return to the office or if they will return. To maintain flexibility, companies are signing more short-term leases or renegotiating leases while they are deciding how they will use office space.²

Notable projects include:

	Location	Square Feet	Description
The Mirador on 23	State Road 23 Granger	25,000	Office w/ Medical Suites Build-to-Suit
Barnes & Thornburg	Downtown South Bend	44,644	5-Stories / Ground Floor Retail
300 E LaSalle (Office)	Downtown South Bend	15,000	Multifamily w/ Co-Working & Retail
Catalyst Three at Ignition Park	South of Downtown South Bend	83,000	Office Completed in Q1 2021
Traction HQ	Near Eddy Street South Bend	15,233	Residential with Office

The average vacancy rate for the South Bend CBD rose slightly between the end of 2020 and the end of Q1 2021. The rate went from 34.9% to 35.4%. The vacancy rate in Class A space remained the same between the two time periods (26.7%) and class B shifted to a higher vacancy rate (39.5% to 40.4%). The shift was minor, indicating more stagnant activity and demonstrating the wait-and-see mode the market was in. Asking rates remained the same over the period, demonstrating property owners' desire to maintain the value of their property.

TRENDS

- Tenants are still rethinking their use of office space and are likely to downsize when their lease expires.
- A high level of office development is unlikely due to high construction costs and unpredictable demand.
- Vacancy rates were relatively stable in Q1 but are expected to rise in the latter half of 2021. Expiring leases will lead to tenants making decisions on how to use their office space.

SOUTH BEND CBD VACANCY RATES BY PROPERTY



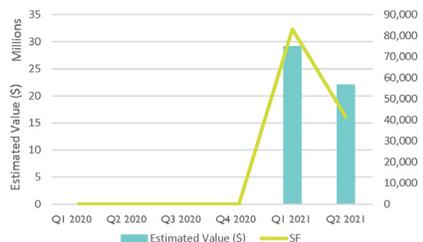
Source: Bradley Company

SOUTH BEND CBD ASKING RENTS BY PROPERTY



Source: Bradley Company

SOUTH BEND CONSTRUCTION COMPLETIONS



Source: Real Capital Analytics

1. <https://www.business-furnishings.net/products/post-covid-work-environments/>
 2. <https://www.bizjournals.com/atlanta/news/2021/02/12/companies-take-a-wait-and-see-approach.html>

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RETAIL OVERVIEW

RETAIL AND RESTAURANTS ARE SEEING MORE ACTIVITY, BUT A WORKER SHORTAGE COULD STALL ECONOMIC PROGRESS

Retail was one of the most negatively impacted sectors during the pandemic. However, different types of retail were impacted in different ways. Brick and mortar retail took a heavy hit when consumers switched to online shopping. University Park Mall in Mishawaka suffered a decline in foot traffic, which resulted in a dozen store closures.¹ Malls will likely continue to lose stores, now that e-commerce effectively changed consumer behaviors.

Restaurants in South Bend are getting some relief due to a new initiative called Hit Refresh. The city is using its economic development income tax money to pay for the construction of curbside seating in parking spots outside three restaurants: The General Deli, Chicory Café and Taqueria Chicago. These restaurants are part of a pilot program to see if curbside seating will help restaurants through the rest of the pandemic. The city plans to reimburse the tax money with funds received from the federal American Rescue Plan. Hit Refresh will allow the city to determine if it should introduce policies that will allow for more curbside seating into the summer and after the pandemic.²

Various new grocers and restaurants are opening around town:

- Eddy Street Commons will have a few openings this year. Trader Joe's is under construction and should open in Q3 2021. Noodles & Company is also planning a new location.
- Culver's is opening in Granger at 13145 Indiana State Road 23.
- The Chief Ice Cream based in Goshen is opening a second location in Granger off Indiana State Road 23.
- Coach's Sports Bar and Grill will be demolished and turned into a Drive & Shine car wash on South Bend Avenue.

Along with some retailers, the Morris Performing Arts Center in South Bend is receiving much-needed upgrades. Renovation will begin in August and have a multi-year timeline. Improvements include: A new roof, new HVAC system, new parking structure, new seats with cup holders, additional elevator, and more. These extensive improvements will help to draw in more patrons for future performances.³

Like retail and restaurants around the country, the South Bend market is struggling to find enough employees. The lack of workers could slow the rebound in South Bend's retail industry.

TRENDS

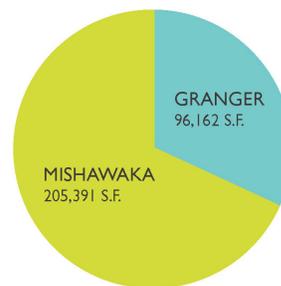
- Restaurants are still struggling and are taking creative measures to stay afloat and provide enough socially distanced space for patrons.
- As vaccinations roll out and warmer weather comes, restaurants should expect to see more demand.
- Creative conversions of retail space may be necessary for some struggling retail owners. Switching traditional retail space into medical office is a trend that will most likely continue.

GRAPE ROAD RETAIL CORRIDOR VACANCY RANGE BY PROPERTY CLASS



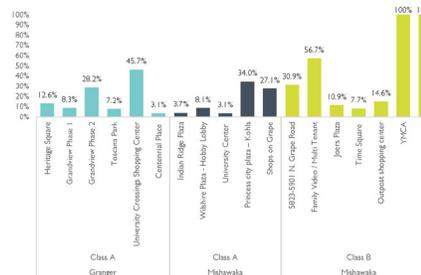
Source: Bradley Company

GRAPE ROAD RETAIL CORRIDOR GRANGER VS MISHAWAKA VACANCY BY SQUARE FOOT



Source: Bradley Company

GRAPE ROAD RETAIL CORRIDOR VACANCY BY PROPERTY



Source: Bradley Company

1. <https://wsbt.com/news/local/pandemic-leads-to-stores-closing-inside-university-park-mall>
2. South Bend Tribune: https://www.southbendtribune.com/news/business/taking-it-to-the-streets-south-bend-launches-street-eating-pilot-project/article_3d02d216-a1f3-11eb-bc4f-33554ecc80b.html
3. https://www.southbendtribune.com/news/local/a-parking-garage-and-new-seats-planned-for-morris-performing-arts-center-in-south-bend/article_898f1704-a769-11eb-8048-e766cfaaff51c.html

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ERSKINE VILLAGE
1290 E. IRELAND ROAD, 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



INOVA - COSTCO OUTLOT
515-625 E. UNIVERSITY DRIVE, GRANGER, IN 46530

- Join INOVA Federal Credit Union in this prime Costco Outlot opportunity
- In addition to the robust surrounding University Park trade area, the parcel sits 2.7 miles from the University of Notre Dame and less than one mile from the \$355 million Saint Joseph Regional Medical Center campus and the 700-acre mixed-use Edison Lakes Corporate Park.



SBDV IV - UNDER CONSTRUCTION
NORTH DYLAN DRIVE, SOUTH BEND IN 46628

- 166,500+/- SF Industrial spec building (370' x 450')
- Multi-tenant with ability to demise down to 40,000+/-SF
- Cross docking capable: 12 dock doors/levelers and 4 drive-in doors specified on east and west sides. Block-outs for additional doors to accommodate tenant needs. Expandable to 30 docks and 6 drive-in doors.

BROKERAGE



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