

REPORT

NORTH CENTRAL INDIANA

Q2 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 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

482,151



Population

180,423



Households

\$54,138



Median Household Income

27%

33%

High School



Some College



26%

Bach/ Grad+



Education

16,229



Total Businesses

269,986



Total Employees

Source: Esri 2021

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INDUSTRIAL OVERVIEW

THE RV CAPITAL OF THE WORLD JUST HAD ONE OF ITS GREATEST QUARTERS EVER IN TERMS OF PURE SALES VOLUME

RV manufacturers in Elkhart County are producing at record volumes, even in the current competitive market that is still being impacted by major supply chain issues. The pandemic has continued to place constraints on the supply chain even forcing companies to do temporary shutdown to allow suppliers to “catch up”. The manufacturers are adjusting to the issues and have set monthly records in seven of the past 10 months. According to RV Industry Association, RV shipments to dealers in April reached 51,813 units, the most of any April on record and a 9% increase over the previous record.³ The primary contributor to this is the increased demand in travel and outdoor activities; every month so far this year has had more monthly RV shipments than the previous year. This quarter saw a total shipment of 151,330 RV's, compared to Q1's 148,507 total RVs shipped. In 2020, Q2 only saw a total of 75,658 RVs shipped; they quite literally doubled their sales in one year.¹

In addition the lack of available inventory and increased demand has caused some shake up in the industrial marketplace. These factors have caused pricing increases on both owner occupied and tenant spaces. Outside of the price increases, the greatest struggle for owners and tenants have been the realities of very limited to non-existent inventory. Without space to grow, users are either delaying plans or settling with the next best - less functional alternative or turning to new construction.

New construction and development projects are continuing to deal with an extended timeline because of the substantial increases in construction costs. Other factors include land values increasing at a historic rate, some land located in the premier submarkets that provides good transportation for logistics is going for as much to \$60k - \$70k an acre, which is almost double the rate it's been historically seen.

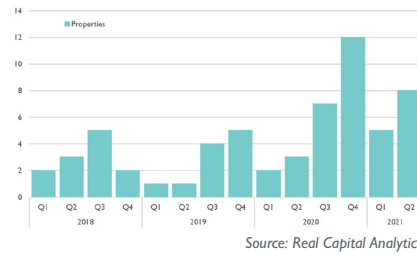
MJB Wood Group LLC has begun construction on their new cutting edge 500,000 square-foot facility in Bristol, Indiana. Completion is planned for April 2022. The facility will serve as both distribution and manufacturing facility, and among its many operations will produce engineered wood, plywood, LVL and LSL to the RV industry. This new facility will strengthen the current 228,000 square foot facility in Elkhart, and is estimated to create over 100 new jobs, about twice the number the facility currently employs.²

Intech RV is set to open a 150,000 square-foot facility in Nappanee in 2022. This project is currently underway and will include new manufacturing facilities for their RV, motor sports, and custom trailer operations. It will be comprised of 135,000 square feet of manufacturing space along with an attached two-story corporate office building. Nappanee believes this is a step in the right direction, and with this industry booming in Elkhart county it will bring hundreds of jobs to Intech RV.³

TRENDS

- Quarterly volume for St. Joseph County industrial was at \$187,679,023, over \$150 million from Q1, and a rolling 4 quarter volume of \$313,095,870 so far.
- Steel prices are up by 215% from March 2020 and prices aren't expected to start decreasing until 2022. These higher prices will be a factor in new industrial construction.
- Industrial sales per square foot saw a top quartile price of \$71, a bottom quartile price of \$31, and a median price of \$41.

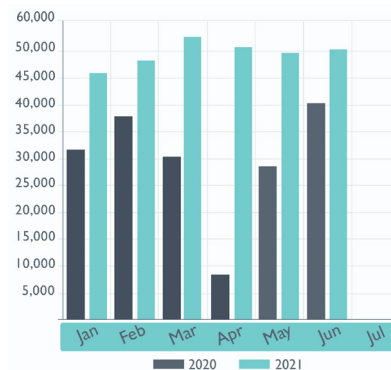
ST JOSEPH & ELKHART COUNTY INDUSTRIAL SALES VOLUME BY PROPERTY (#)



ST JOSEPH & ELKHART COUNTY INDUSTRIAL SALES PSF



MONTHLY RV SHIPMENTS 2019 - 2021



1. The South Bend Tribune: Elkhart RV production sets records, but still not enough
2. Elkhart County Biz: MJB Wood Group Breaks Ground on Bristol, Ind., Expansion – Economic Development Corporation of Elkhart County (elkhartcountybiz.com)
3. ABC57: RV manufacturing expanding to a new facility creating more jobs

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OFFICE OVERVIEW

NORTH CENTRAL IS STARTING TO SEE AN UPTICK IN DEAL VELOCITY AND DEMAND

The majority of deal flow in Northern Indiana occurs in downtown South Bend and Mishawaka. As workers start to return to the office post pandemic, South Bend is starting to see a rebound in pent up demand. During COVID-19 the market was slow, the deals were small, and there was no sign of organic growth. Since then, landlords have been looking to reconfigure their space to accompany the ever-changing business industry. There is a lot of inventory in the South Bend market along with high vacancies within larger square footage buildings. While most of the smaller properties are leased up, “hot” spots for users in office space are now in the 1,800-3,000 square footage range. Additionally, landlords are adding money in the deals to help with improvements to reshape the office experience in order to adapt to the ever-changing commercial industry.

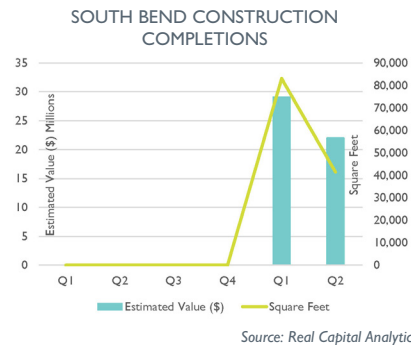
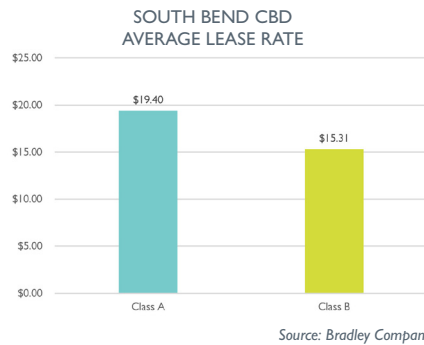
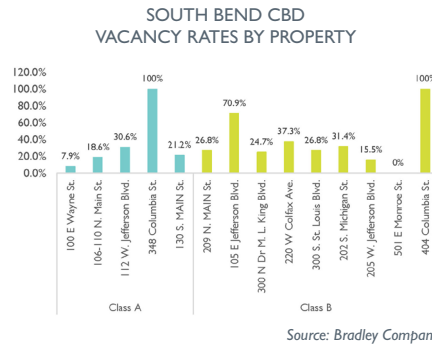
Vacancy rates for office markets as a whole, have increased over the past three quarters and were up slightly in Q2 2021. Anecdotally, the Edison Lakes submarket in Mishawaka has experienced great leasing activity in recent months. The Central Business District downtown continues to have high vacancy rates. Q4 2020 saw a vacancy rate of 34.9%, Q1 2021 saw a vacancy rate of 35.4%, and Q2 2021 saw a vacancy rate of 36.5%. This is nearly double the national average of 18.7%. Rent rates over the quarter for the properties on Bradley Company’s watch-list hardly changed for the most part, but three properties decreased their rent by \$4 to make their effective rent \$12 per square foot. These three properties are: 348 Columbia Street, 404 Columbia Street, and 501 East Monroe Street.¹

Most of the office activity that happens in our market is leasing. With that said, there are some high-profile investment sales that have been listed recently. Notably, the recently contracted Press Ganey buildings at Ignition Park as well as a three-property portfolio in Edison Lake were listed for investment sale.

The former Liberty Mutual Insurance building on Lincoln way and Main street is becoming the brand-new home for Mishawaka’s city hall, police station, and utilities office. The \$20.5 million renovation of the 93,000 square-foot building should be complete next year. The renovation coincides with the development along the river in Mishawaka.

TRENDS

- There is currently demand in the 1,800-3,000 square feet range.
- Workers are coming back, and business is picking up in downtown South Bend.
- Increased inventory on the market in South Bend, including footprint vacancies in larger buildings, but smaller spaces are still seeing increased demand.
- Interest in the Edison Lakes submarket continues to strong with limited inventory.



1. *Crexio and Bradley Company*
2. *Real Capital Analytics*
3. *The South Bend Tribune: New vet clinic in Mishawaka to open 24 hours as another ends overnights, weekends*
4. *The South Bend Tribune: Mishawaka begins work on new City Hall, police and utility offices*

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RETAIL OVERVIEW

BUSINESS OWNERS ARE LOOKING TO DEVELOP NEW PROJECTS AS OPPOSED TO GOING INTO EXISTING SPACES

Despite the unique challenges that retailers faced throughout the pandemic, South Bend retailers are still seeing a good amount of demand in the market. Even with considerable market vacancy, users are looking to develop on vacant land as opposed to going into previously occupied spaces. Adapting to changes brought about by the pandemic, compounded with staff shortages, restaurants are looking to reconfigure and/or downsize to smaller boxes. In spite of the challenges faced by retailers, consumers are still showing demand for in-person consumption, including restaurants, movies, entertainment, and additional experiences.

Compared to Q1 2021 vacancies, Mishawaka saw an increase from 205,391 square feet to 235,063 square feet in vacancy. But Granger saw a decrease in vacancy, from 96,162 square feet down to 77,670 square feet. Locally the total vacancy rate for retail is at 25.1%, roughly 10% over the national average.¹

Retail sales volume for Q2 was slightly below Q1's volume, this quarter was at \$4.3 million while last quarter saw \$6.8 million in sales volume. Some of the top players involved in South Bend retail are: Great Lakes Capital, Kite Realty Group, Cotsworld Group, Broadreach and Chase Properties.²

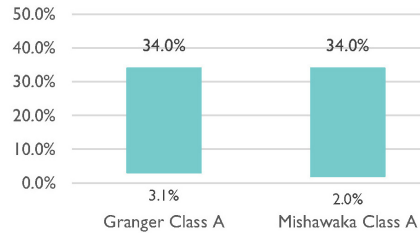
To further stimulate what has already been modest population growth in recent years, in 2020 the St. Joseph County Regional Chamber unveiled an ambitious plan, 300 By 30, to grow the county's population to 300,000 over the next decade. In conjunction with efforts by Visit South Bend Mishawaka and South Bend-Elkhart Regional Partnership, The Chamber is working towards attracting top talent to a region where the tax and business climate is among the nation's best, school systems are on the upswing, and other key infrastructure improvements have been made to spur economic growth. The local retail climate has, in part, benefited from this initiative as evidenced by the long-rumored addition of Trader Joe's to Kite Realty's Phase III of Eddy Street Commons at Notre Dame as well as the impending construction of Phase III of Great Lakes Capital's GrandView development in Granger which is expected to attract the Who's Who of the nation's top retailers.

The city of Mishawaka plans for a 350,000 square foot indoor athletic facility that could drive business to the area's hotels, stores, and restaurants for many years to come. This is an estimated \$50 million project that would include eight courts used for volleyball and basketball, and two turf fields for indoor soccer, baseball, and other activities. Plans to add two indoor ice rinks to the facility are still being debated. The sports complex will not only attract youth sports to the region, but will also be used as training facilities for local sports programs.

TRENDS

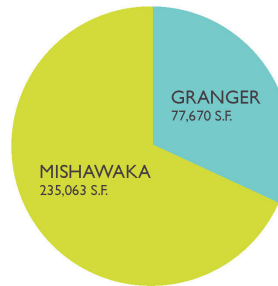
- The market saw an abundance of businesses opening and closing in Q2.
- Shortage of workers is leading some retailers to trend to smaller box spaces due to staffing shortages.
- Restaurant vacancies due to the pandemic are rebounding.
- National quarterly vacancy rate average of 10.5%, REIS predicts a 3-5% national decrease in retail rents throughout the year.

GRAPE ROAD RETAIL CORRIDOR VACANCY RANGE BY PROPERTY CLASS



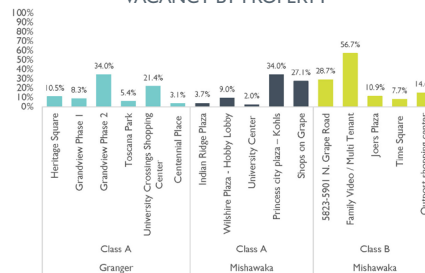
Source: Bradley Company

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. [Crexi and Bradley Company](#)
2. [Real Capital Analytics](#)

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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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