

NORTHWEST INDIANA

Q1 2021

MARKET OVERVIEW

The Northwest Indiana region consists of Lake, Porter, and LaPorte Counties and is known for being Indiana's second largest economy made up of urban, suburban and rural communities representing a \$35 billion economy.

Lake and Porter Counties' largest economic drivers are the steel and manufacturing industries. Lake County is a large supplier of steel for appliances, cars, as well as many other products, and contributes \$18.2 billion of economic output annually.

In recent years, casinos have also contributed greatly to the area as there are four major casinos along Lake Michigan, specifically in Lake and La Porte Counties. A few more notable industries in the area are healthcare, manufacturing, and retail. Major employers of Northwest Indiana are US Steel Corporation, Cleveland-Cliff Inc., Blue Chip Casino, Franciscan Health, IU Health, Community Hospital, NIPSCO, and opening this year, the Hardrock Casino in Gary. As the healthcare sector continues growing in the region, there are multiple new hospitals and facilities under construction and planned for the next few years.

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 opened Phase I in 2019. 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.

Northwest Indiana continues to benefit from its business-friendly environment and proximity to the Chicago metro. The region ranks second in gross domestic product among metropolitan areas in the state, only behind Indianapolis, and is ranked 89th overall nationally. Lake County ranks second out of 92 Indiana counties in total population and is ranked seventh best county in the state for Young Professionals in Indiana.

Northwest Indiana is often referred to as a "bedroom community" for nearby Chicago – offering a lower cost of living and slower suburban pace of life, with the proximity to the city to commute to work. As residents are continually relocating to the area and the region continues to see growth in new companies, 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.

DEMOGRAPHICS

779,578

Population



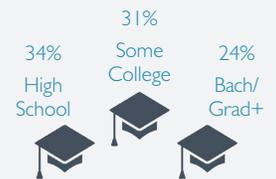
297,325

Households

\$57,527



Median Household Income



Education

25,256



Total Businesses

320,212



Total Employees

Source: Esri

1. http://www.hoosierdata.in.gov/major_employers.asp?areaid=089

1. <https://www.niche.com/places-to-live/clake-county-in/rankings/>

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INDUSTRIAL OVERVIEW

INDUSTRIAL DEMAND REMAINS HIGH IN THE REGION DURING Q1 2021

Due to high demand industrial buildings are selling and leasing quickly in the region. There were four major sales in Q1 2021 with one of those over \$14 million. A 177,628 square-foot building at 6400 Mississippi Street in Merrillville sold as part of a 31-property portfolio. Mohr Capital sold a 200,000 square-foot building that recently completed construction and is leased by GAF Materials Corp. The sale is a result of an unsolicited offer. The sale price was not disclosed. There were eight major sales in all of 2020.

The Northwest region, due to its location near Chicago, interstates, and rail lines is a hot spot for distribution and logistics. Amazon is planning two delivery stations, one in Merrillville at Ameriplex at the Crossroads and the other in Valparaiso. The Ameriplex facility represents a \$30 million investment for a 141,000 square-foot building and will employ approximately 300. The Valparaiso facility in the Lakes of Valparaiso Business Park will be smaller, at 80,000 square feet. The location will employ around 100. Both delivery stations are planned to open by the end of 2021.¹

In addition to Amazon, Holladay Properties' Ameriplex at the Crossroads continues to attract interest. A site plan on their website shows they have five parcels that are labeled as sale pending and three parcels that are marked as sold. The entire site is 386 acres with more parcels available. Some businesses located in the park include Purdue Technology Center, Ivy Tech Community College, two hospitals; Vibra Hospital and Pinnacle Hospital, several offices and industrial users. The site is located between 101st Avenue and 93rd Avenue adjacent to I-65.

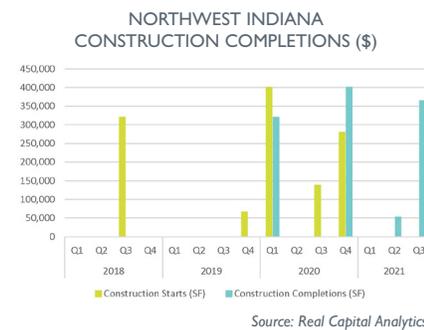
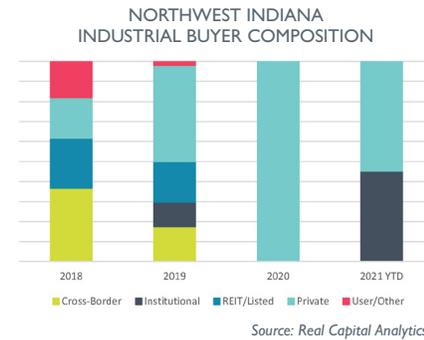
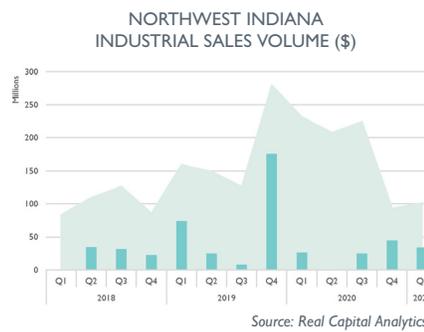
It was previously announced that EKOS Window + Wall is planning a new facility in Porter County but the exact location had not previously been disclosed. The company has announced that its new 120,000 square-foot facility will be located in the Eastport Centre business park in Valparaiso. EKOS chose the site because they want to partner with Ivy Tech on a feeder program and internships. The campus is located across the street from the planned new facility.²

E-PAK Machinery in La Porte broke ground on a 30,000 square-foot expansion of their existing facility. The company makes liquid injection equipment for a variety of users. The expansion will add 10 jobs when the project is complete in September. The company currently employs 60 workers.³

The Indiana steel industry was down 13% in 2020 compared to 2019. Indiana remains the top steel producing state accounting for 27% of the nation's steel output.⁴ Lake and Porter Counties have over half the country's blast furnace capacity. The industry is starting to recover in Q1 2021. While sales still slightly lag from 2019 numbers steel companies are reporting profits due to the rising price of steel. U.S. Steel made \$91 million in Q1 2021 compared to a \$391 million loss in the first quarter of 2020.⁵ Cleveland-Cliffs in Burns Harbour has hired 700 new workers since they took over the facility from Arcelor Mittal last year. The pandemic drove a capacity cut nationwide by about 50%. Steel mills also suffered shutdowns due to outbreaks at facilities.

TRENDS

- Rising steel prices will be felt in higher rents and sale prices for new spec buildings.
- The Region continues to attract interest from companies in Illinois who seek a lower cost of doing business in Indiana.
- Vacancy will likely remain low despite some new spec buildings that will complete construction this year. Buildings are selling and leasing quickly due to high demand.



1. Northwest Indiana Times: https://www.nwintimes.com/news/local/amazon-plans-delivery-stations-in-merrillville-valpo/article_3e970900-4935-5f14-9115-8f82c1f28425.html?utm_medium=social&utm_source=email&utm_campaign=user-share
2. Northwest Indiana Times: https://www.nwintimes.com/news/local/high-end-window-plant-locating-to-valpo/article_75d3437-3d3f-5300-84c6-f72de183e688.html
3. Northwest Indiana Times: https://www.nwintimes.com/business/local/aporte-manufacturer-begins-expansion-project/article_e8a63153-849b-5023-87ad-0e1a301a76f8.html
4. Northwest Indiana Times: https://www.nwintimes.com/business/local/indiana-led-nation-in-steel-production-again-in-2020-maintaining-reign-of-more-than-40/article_6acba453-8967-5f3d-85fe-7f4effe11777.html
5. Northwest Indiana Times: https://www.nwintimes.com/business/local/u-s-steel-turned-91-million-profit-in-the-first-quarter-after-posting-huge-loss/article_4fb80d30-61b0-568c-b07d-32c5b518a20b.html

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OFFICE OVERVIEW

LARGE OFFICE SPACES AREN'T SEEING HIGH DEMAND, BUT SMALLER, WELL-LOCATED OFFICES ARE LEASING UP

The office sector in Northwest Indiana fared better than some markets in the state. The proximity to the Illinois state line attracts office users or companies that want an Indiana address for their business. Large office spaces aren't in demand right now, but smaller offices that are 1,000 square feet or smaller are finding tenants. Well located buildings with these smaller spaces are leasing up. Newer office and co-working spaces are also attracting interest. There may be increased demand later in the year or into 2022 as companies from Illinois may seek to downsize or cut expenses by opening a satellite location in Northwest Indiana.

Crown Point is experiencing growth in the office market. The Lakeshore Bone and Joint Institute opened a new 40,000 square-foot facility at 109th Avenue east of Broadway. The facility will likely spur more growth in the corridor. Including attracting other medical users. The new Franciscan Hospital that is under construction will bring more growth in the medical office sector. While there are currently no large office buildings in this area there are several developments that offer smaller offices, such as Offices at 113th Avenue which are office condos with units that are 1,500 square feet.

Another popular location for office leasing is Oxbow Landing in Hammond. The site used to contain apartments that were a magnet for criminal activity. The city purchased the property and demolished the apartments. The site now has restaurants, hotels, and two office buildings. The location is adjacent to Interstate 80 / 94 and offers brand new, state of the art Class A office space. Office is in such demand here that a Phase III is already planned.

Also in Hammond south through to Munster, the West Lake corridor is still going strong. The West Lake extension of the South Shore Rail Line is under construction and will provide rail service to downtown Chicago when the project is complete in 2024.

Another project near the West Lake Corridor in Munster calls for the redevelopment of the 59-acre Lansing Country Club into a commercial campus focusing on corporate office, life sciences, and healthcare. Saxon Partners is proposing the development of this concept, as the opportunity for making Northwest Indiana the preferred healthcare destination in the Midwest. Plans are still emerging, however the preliminary proposal includes 800,000 square feet of commercial and medical office, research and development, and other ancillary uses. Total investment will be in the range of \$160-180 million. The project will complement existing medical, hospitality and retail development already in progress on the vibrant Calumet Avenue corridor in Munster.

Gary finalized a deal with Akyumen Industries to bring a manufacturing facility and corporate headquarters to the city. Akyumen is a manufacturer of cell phones and mobile devices. The deal could bring 2,500 jobs over the next several years. Gary sold the company some city-owned property, the former Ivanhoe Gardens apartment site, where the company plans to construct a 150,000 square-foot facility at 3100 to 3134 11th Avenue. However, the company has inspired some skepticism about the nature of their plans. They were also barred from selling securities in California.

TRENDS

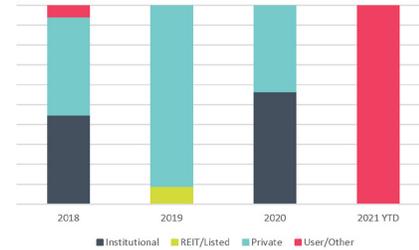
- Demand for smaller office spaces should continue. Larger vacancies will likely still take longer to lease.
- Vacancy isn't expected to rise significantly as the office market in Northwest Indiana is fairly stable.
- Hospitals and medical facilities will drive growth in some corridors as new facilities are constructed.

NORTHWEST INDIANA OFFICE SALES VOLUME



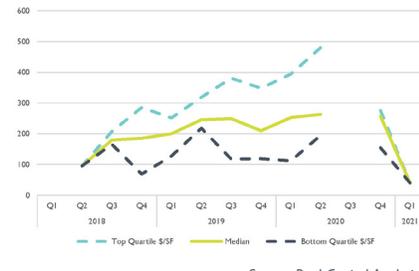
Source: Real Capital Analytics

NORTHWEST INDIANA OFFICE SALES BUYER COMPOSITION



Source: Real Capital Analytics

NORTHWEST INDIANA OFFICE SALES PSF (\$)



Source: Real Capital Analytics

1. https://www.nwtimes.com/business/local/developer-starts-construction-on-delayed-project-with-cutting-edge-container-architecture-in-munster/article_b6e45575-14d9-5c67-813d-e6d05949e554.html#tracking-source=article-related-bottom
2. <https://www.insideindianabusiness.com/story/42242895/franciscan-beacon-hospital-to-open-in-laporte>

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RETAIL OVERVIEW

RETAIL ACTIVITY IN THE MARKET IS ACCELERATING NOW THAT STORES AND RESTAURANTS ARE FINALLY STARTING TO GET BACK TO NORMAL

Now that the pandemic has begun to wane and vaccines are rolling out, restaurant and retail closures have slowed down. Smaller retail stores and restaurants are doing well. Malls in the Region are struggling, like many malls across the country. They suffered more closures leading to higher vacancies. Southlake Mall has only two of four anchors remaining, JCPenney and Macy's. Its owner, Starwood Properties defaulted on debt which landed the mall in foreclosure. The property is under new management with an auction planned later this year. The mall is in a major trade area that is still attracting tenants. Some national tenants have closed in the area over the last year or two but local operators have taken some of those spaces.

Big boxes are scattered throughout Lake, Porter, and LaPorte Counties and will continue to be a problem for some time. There was good news though, in La Porte. Rural King opened at the Maple Lane Mall after investing \$2 million in the site. The property had spent years in decline and had high vacancy. Extensive work was done on the building as well as the parking lot. The Rural King opening marks a turning point for the west side of La Porte. Other anchors at the mall include Family Dollar and Dunham's Sports.

There is significant residential development planned or proposed around the region. The largest number of new residential developments are in Winfield, which is east of I-65 near Crown Point. Crown Point has been experiencing growth for the last several years, with new medical facilities, including the planned new Franciscan St. Francis Health Hospital, which broke ground in September 2020. Crown Point is also in close proximity to Ameriplex at the Crossroads technology park, which continues to attract new businesses. Ameriplex is located in Merrillville, but at the northern border of Crown Point. Retail has been active in the Crown Point market and with more jobs and housing coming soon, this is sure to increase retail development and leasing activity.

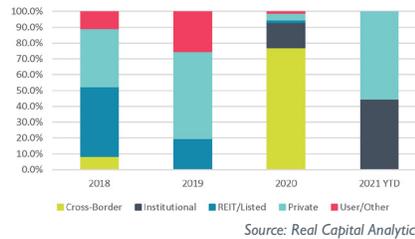
It's not just major retail corridors that are seeing leasing activity. Many small towns combine to form the sprawling Northwest Indiana Region. Each one has their own unique downtown district. Even though some businesses in some of the downtowns didn't survive the pandemic, many of the newly vacant spaces are acquiring new users. In downtown Hobart, Wild Woods: A Gathering Place has taken the space formerly occupied by a home furnishing store. The new business is an event space. Figure Eight Brewing in downtown Valparaiso closed last year, but a new one, Blockheads Brewery has already moved in. Several breweries closed last year, but there are new ones opening around the Region.

Medical tenants are also opening new locations. Athletico Physical Therapy opened in St. John. Luxe Life Medical is opening in Valparaiso. Midwest Express Clinic opened two new locations in Cedar Lake and Griffith.

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RETAIL SALES VOLUME (\$)



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RETAIL SALES SELLER COMPOSITION



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RETAIL SALES PRICE PER SQUARE FOOT



TRENDS

- Closures are waning as new retail and restaurant openings will continue.
- New housing developments have been announced which will likely spur more retail development.
- Small retail and restaurants are doing well and as more people are vaccinated and the weather improves. Pent up demand for shopping and dining will help businesses recover from the pandemic.
- Big box vacancies will continue to be a problem for the foreseeable future and some may be converted to non-retail uses.

1. https://www.nwintimes.com/business/local/developer-starts-construction-on-delayed-project-with-cutting-edge-container-architecture-in-munster/article_b6e45575-14d9-5c67-813d-e6d05949e554.html#tracking-source=article-related-bottom
2. https://www.nwintimes.com/news/local/lake/broadway-lofts-project-in-gary-gets-final-green-light-for-669k-tax-abatement/article_b9a958ca-f2d9-575e-8214-1e6337e0a7a8.html

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OXBOW LANDING
2901 CARLSON DR, HAMMOND, IN

- Ideal for office users seeking highly visible location near the IL border
- Unique branding and signage opportunities with daily traffic exposures of 172,500 along I-94 and 25,000 along Kennedy Ave



PARK CENTER
CROWN POINT, IN

- 5265 Commerce Rd & 5201-5281 Fountain Dr.
- Route 30 exposure available
- Flexible floor plans from 1,200-7,800 SF



10201 CALUMET AVE.
10201 CALUMET AVE., ST. JOHN, IN

- SEC signalized intersection of Calumet & 101st in the fast developing town of St. John, one mile east of the Indiana/Illinois border
- 8.7 acres of prime commercial development property



LAND
2500 SILHAVEY, VALPARAISO, IN

- Opportunity to develop Multifamily at this site as an allowable use
- Provides immediate access to HWY-49 and the overpass to The Lakes Development on the east side



COURT STREET CENTER
1501 COURT STREET, CROWN POINT

- Investment Opportunity in Crown Point Indiana. Two strong credit worthy tenants. Leased to less than 3% vacancy. 8.5% Cap Rate
- Located in a growth corridor (over 10% in the past decade) 45 miles southeast of the Chicago Loop



FORMER POST TRIBUNE BUILDING
1433 E 83RD AVE., MERRILLVILLE, IN

- Located in Merrillville's CBD adjacent to the South Lake Mall and situated among multiple hotels and restaurants
- Great access to I-65 and US-30 making it an easy commute from anywhere in the area



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



2803 BOILERMAKER CT.
2803 BOILERMAKER CT., VALPARAISO, IN

- Located off of Silhavy Rd., just 1/2 a mile south of the Silhavy/La Porte Ave. roundabout and is visible from IN-49
- Convenient to major retailers, restaurants, and Valparaiso University

BROKERAGE



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