





2014 14th Annual Real Estate Review & Forecast





OLD NATIONAL BANK[°]













National: Review 2013 & Forecast 2014

FM STONE 2013 Review **Forecast by Regional Assessment** COMMERCIA Sectors **Regional** market FM CONSTRUCTION Real estate assets in core markets solidified seems to mirror the OMPA Industrial: Growth their values trends of the national Vacancy rate will decline to 9% market **J.W**ilsey Lease rates will see slight **Global transactions APPRAISAL CO** increase: 2.5% Industrial remains Multi-Family: Flat Notes the strongest sector CRE sectors continue to show variations Vacancy rate will remain at 4% Rental rates will increase Housing continue to Commercial real estate lending improves 4.3% improve in the region Retail: Tepid Growth Vacancy rate will decline Political climate to 10.3% Unemployment rates Lease rates will increase in the region continue moderately: 2.2% to improve 2014 Outlook Office: Flat Vacancy rate of 15.6% Activity in retail Lease rates will slightly leasing and land **Outlook for Commercial Real Estate Markets:** tick up 2.4% development 2014 Forecast **Restrained Growth** Trends and Developments to Watch in 2014 Vacancy Rates will continue to decrease Price Per SF Returns may see downward pressure Commercial lending and rising interest rates Interest rate increases Vacancy Institutional investors active in single family Rental rates will continue to climb rentals Absorption Corporate expansion time line Foreign Investment

Medical industry growth

© 2014 The Tiedemann Group

Page 2

Construction: Review 2013 & Forecast 2014

2013 Permits <u>Issued</u>

 40 Commercial New Construction Permits issued for all of Elkhart Co. Number is down from 2012.

Total value: \$73,972,643

16 Commercial New Construction Permits issued in St. Joseph Co.

٠

St. Joseph

County

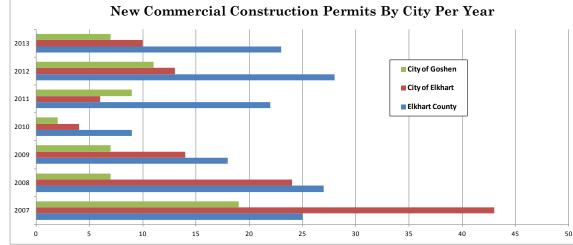
Total value: \$6,663,626

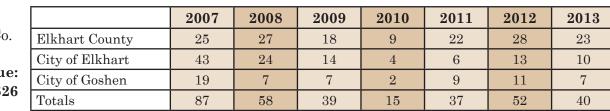
20,000 - 39,999

40.000 - 59.999

60,000 - 99,999

100,000 - 250,000





Expected Construction Costs for 2014

Elkhart County	<u>(building only)</u>							
Square Feet	2011		20	12		2013	2014	
5,000 - 19,999	\$24.20-\$26.21	/SF	\$24.93-\$2	9.00/SF	\$25.5	53-\$32.40/SF	\$26.93-\$34.18/\$	\$F
20,000 - 39,999	\$22.18-\$24.19	SF S	\$22.85-\$2	6.00/SF	\$23.2	25-\$28.00/SF	\$24.53-\$29.54/\$	\$F
40,000 - 59,999	\$20.38-\$28.18	S/SF	\$21.00-\$2	5.00/SF	\$21.7	′0-\$26.00/SF	\$22.89-\$27.43/\$	3F
60,000 - 99,999	\$21.10-\$23.40	/SF S	\$22.00-\$2	4.10/SF	\$22.9	00-\$24.90/SF	\$24.16-\$26.27/\$	3F
100,000 - 250,000	\$20.00-\$22.00	SF S	\$20.60-\$2	2.66/SF	\$23.4	0-\$25.70/SF	\$24.69-\$27.11/\$	\$F
Squar	e Feet	2	011	2012	2	2013	2014	
5.000 -	19,999	\$28.	.90/SF	\$29.76/	SF	\$31.06/SF	\$32.92/SF	

\$21.73/SF

\$27.81/SF

\$24.72/SF

\$23.69/SF

\$22.92/SF

\$28.81/SF

\$25.84/SF

\$24.58/SF

\$24.30/SF

\$30.54/SF

\$27.39/SF

\$26.05/SF

\$21.10/SF

\$27.00/SF

\$24.00/SF

\$23.00/SF

2014 Construction Trends

- We are going to continue to see corporations use the space they currently have to expand their office and manufacturing while using open concepts and lean techniques in production.
- Some companies that need additional space will lease and retrofit their buildings to fit their needs.
- As long as the political climate stays as it was in 2013, corporations will be just as apprehensive to expand facilities and employment opportunities.
- Any new construction will take into consideration tall eave heights and more of an open concept in the structure.

Page 3

FM STONE

COMMERCIA

FM CONSTRUCTION

J.WILSEY

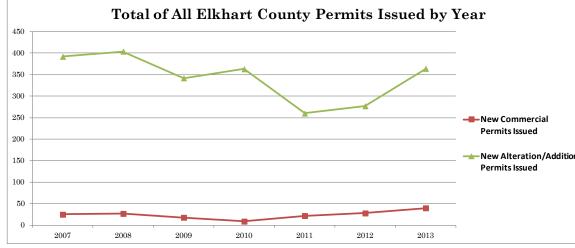
ΔΡΡΡΑΙΚΔΙ (Ο

Notes

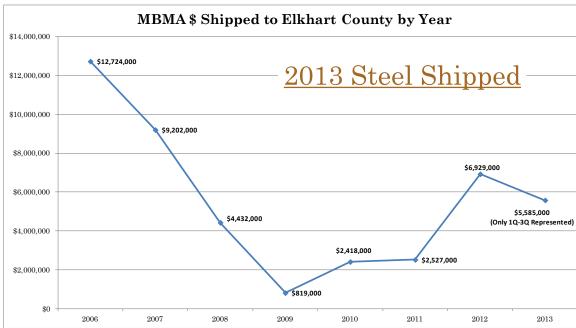
М

ΡA

Construction: Review 2013 & Forecast 2014



	2007	2008	2009	2010	2011	2012	2013
New Commercial Permits Issued	25	27	18	9	22	28	40
New Alteration/Addition Permits Issued	392	404	342	363	260	277	364
Totals	417	431	360	372	282	305	404



		f Construction k for 2013	FM STONE
		Additions & Alterations	COMMERCIAL
	Elkhart City	\$43,406,007.33	
	Goshen	\$27,890,443.00	<u>FM Construction</u>
	Elkhart Co.	\$28,833,000.00	<u>C O M P A N Y</u>
	Total	\$100,129,450.33	
		New Construction	J.WILSEY APPRAISAL CO.
on	Elkhart City	\$5,871,009.00	APPRAISAL CO.
	Goshen	\$5,655,634.00	
	Elkhart Co.	\$62,446,000.00	Notes
	Total	\$73,972,643.00	
13	ı Na	ational	
0	Con	struction	
0 34			
)4	<u> </u>	<u>precast</u>	
<i>.</i>] Ero	m McGraw	
	-	Construction	
		or a 9% increase in ion starts which is	
		an the 5% in 2013. Associated Builders &	
	Contracto	ease in commercial	
	construct		2014 Forecast
			2014 Forecast
	construct	cted total commercial ion will expand roughly this will still be 28%	
		2007 peak measured	Cost Per SF
		si donars.	
		l be a demand for workers throughout the	Available 🔰
ed)	industry.		Workforce
	Material	cost: will see an	
		from 2% to 4%.	Construction
	<i>a</i>	, .	Outlook 🦱

Construction pricing to increase 8% to 9% due to healthcare and

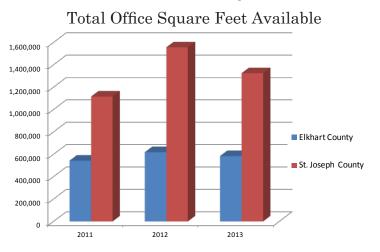
new regulations.

© 2014 The Tiedemann Group

Page 4

Office: Review 2013 & Forecast 2014

Availability 2013



Availability was DOWN for Both Counties in 2013 Elkhart Co. had 584,764 SF available St. Joseph Co. had 1,325,331 SF available

2013 Trends

- 154,062 SF sold or leased in Elkhart Co.
- 154,810 SF sold or leased in St. Joseph Co.
- There was little change in vacancy numbers.
- Owners are still giving tenant improvements and build-out allowances, or signing longer-term leases with lower rates with lease bumps over the term to get back to a higher rate.

Тор	Office	Deals	(Sale)
-----	--------	-------	--------

	hase Bldg. 121 W. ranklin, Elkhart	113,886 SF
	trium Court, Third t., Elkhart	$11,560 \; \mathrm{SF}$
1 - 1	339 Eisenhower rive, Goshen	$5,928~\mathrm{SF}$

Top Office Deals (Lease)				
810 Waterbury Park, Elkhart	$4,156~\mathrm{SF}$			
2314 Eisenhower, Goshen	$5,294~\mathrm{SF}$			
825 E Jackson, Elkhart	$3,975~\mathrm{SF}$			

Elkhart Co. Office Space Available for Sale

	2011	2012	2013
Elkhart County	243,786	337,840	453,184
Downtown Elkhart	71,606	47,685	24,883
Downtown Goshen	9,632	9,632	10,353

Elkhart Co. Office Space Available for Lease

	2011	2012	2013
Elkhart County	299,744	281,040	131,580
Downtown Elkhart	153,592	104,363	45,022
Downtown Goshen	24,030	18,980	15,860

St. Joseph County Office Space Available

	2011	2012	2013
St. Joseph County Total	1,116,615	1,556,443	1,325,331
Airport/Blackthorn Area	12,624	40,701	11,988
Edison Lakes Area	150,678	106,091	99,616
Downtown South Bend	292,041	335,565	378,778
Mishawaka/Granger	226,692	443,928	228,677
St. Joe Medical Center	84,239	207,329	80,925

2013 Office Rates

Wide range of asking rates

\$9.00-\$16.00

\$7.00-\$9.00

CAM-\$6.00

(price per square foot):

Class A:

Class B:

Class C:

2014 Trends

- Asking lease rates should stay the same
- Sale prices should stay the same
- Overall very little change expected in office market



Page 5



COMMERCIAL



Notes



 $\ensuremath{\mathbb{C}}$ 2014 The Tiedemann Group

Retail: Review 2013 & Forecast 2014

Availability 2013

Elkhart County

Retail - For Lease

Retail - For Sale

Total Market: 8,611,561 SF

Total Market: 418,391 SF

Snapshot: 52 properties for lease containing 127 spaces. Rents ranged from \$2.50-\$17.00 PSF Snapshot: 51 properties for sale, building size ranged: 960 SF to 51,000 SF. Asking prices range from \$40,000 to \$3,950,000

2013 Elkhart Co. Retail Availability Breakdown

Elkhart	39 spaces totaling 314,867 SF with asking rates of \$1.85-\$17.00 PSF
Downtown Elkhart	2 spaces totaling 8,700 SF with asking rates of \$5.50-\$12.00 PSF
Goshen	11 spaces totaling 66,497 SF with asking rates of \$4.75-\$17.00 PSF
Downtown Goshen	8 spaces totaling 25,137 SF with asking rates of \$6.00-\$9.00 PSF
Other Elkhart County	5 spaces totaling 8,076 SF with asking rates of \$8.00-\$12.00 PSF

Retail Wrap-Up

Right now we are in the middle of a transition with local brick and mortar stores being in serious competition with the Internet. "It's survival of the fittest," according to FM Stone retail specialist John Letherman, CCIM. "There is just not a whole lot of optimism for regular retail stores seeing a great deal of growth for 2014. There was some retail activity in 2013 – especially in Goshen Commons and along US 33. But sticker shock on new space is still pretty common. As result, we are seeing new retail tenants decide to move into older spaces and remodel rather than face those high rates. While asking lease rates vary from property to property, owners of larger spaces have continued to offer lower lease rates and offer more incentives to fill these larger retail spots."







Notes

Elkhart County Sample Properties

Retail - For Lease

College Woodland Crossing: 23 spaces totaling 58,000 SF Asking: \$8.00-\$10.00 PSF NNN

North Pointe Plaza: 10 spaces totaling 24,000 SF Asking: \$5.00-\$7.00 PSF NNN

Concord Mall: 16 spaces totaling 47,657 SF **Asking rate:** \$12.00 PSF NNN Food Court: 2 spaces totaling 3,570 SF

Asking: \$12.00 PSF NNN

Emerson Dr. (Walmart): 2 spaces totaling 3,240 SF Asking rate: \$12.00 PSF NNN

Retail - For Sale

Former American Countryside CR 26, Elkhart 51,000 SF on 95 acres Asking price: \$3,950,000 Former Aldi's

South Main, Elkhart 12,486 SF

Asking price: \$950,000

Terri's Flower Basket Pike St., Goshen 5,600 SF

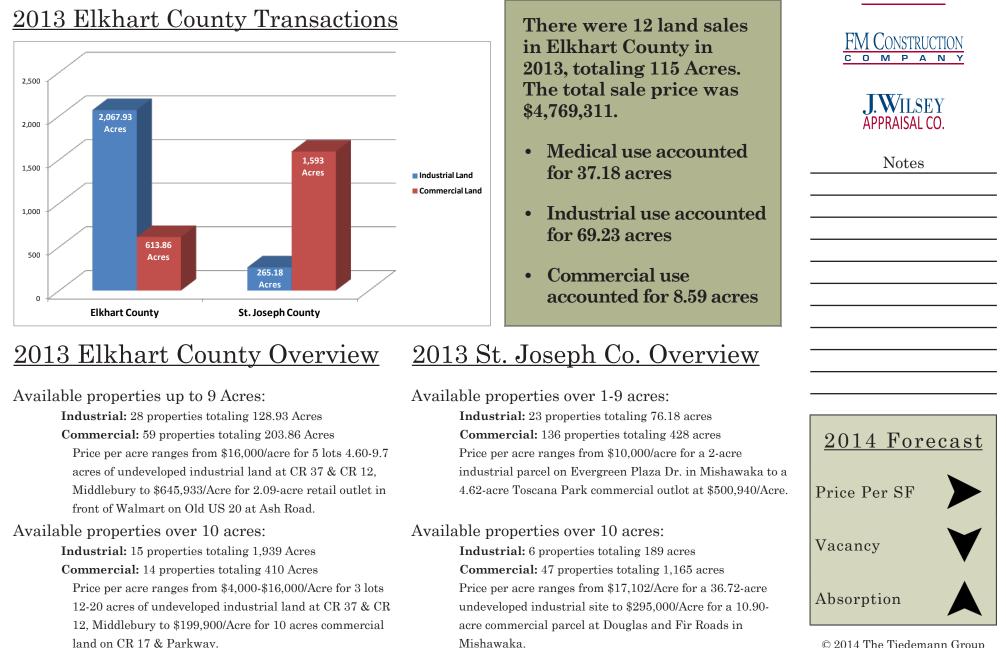
Asking price: \$335,900

Cutting Edge Salon East Emerald, Elkhart 1,620 SF Asking price: \$195,000



Land: Review 2013 & Forecast 2014

Note: Land values are based on location, use, zoning, availability of utilities, accessibility, type of soils, and other conditions. Therefore, asking prices can vary widely based on these factors. Properties labeled as commercial included retail, office, residential, and multifamily development.

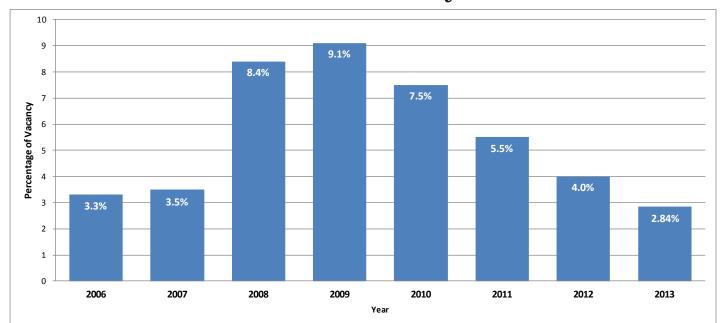


© 2014 The Tiedemann Group

Page

FM STONE

Elkhart Co. Vacancy Rates



FM STONE

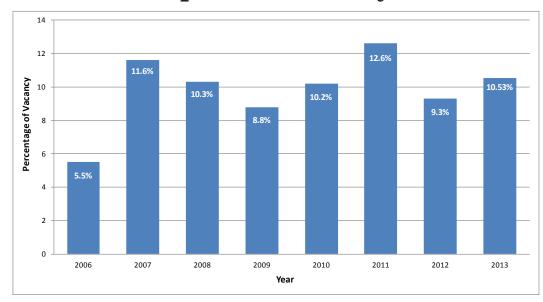


J.WILSEY APPRAISAL CO.

Notes

St. Joseph Co. Vacancy Rates

Industrial: Review 2013 & Forecast 2014



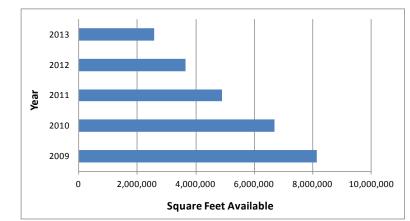
2013 Industrial <u>Inventory</u>

	Inventory SF	Vacant SF	Percentage
Elkhart Co.	90,632,298	2,578,292	2.84%
St. Joseph Co.	34,458,718	3,629,814	10.53%
Total	125,091,016	6,208,106	4.96%

© 2014 The Tiedemann Group

Industrial: Review 2013 & Forecast 2014

Available Industrial Space Elkhart Co.



Year	2009	2010	2011	2012	2013
Square Feet	8,126,897	6,678,621	4,884,394	3,639,186	2,578,292

Industrial Asking Sale Price for Elkhart Co.

Square Feet	2010	2011	2012	2013
Less than 5,000	\$25.00-\$32.00/SF	\$28.00-\$35.00/SF	\$30.00-\$38.00/SF	\$27.00-\$35.00/SF
5,000 - 19,999	\$18.00-\$26.00/SF	\$16.00-\$28.00/SF	\$15.00-\$25.00/SF	\$16.00-\$26.00/SF
20,000 - 39,999	\$15.00-\$22.00/SF	\$15.00-\$22.00/SF	\$15.00-\$22.00/SF	\$14.00-\$22.00/SF
40,000 - 59,999	\$14.00-\$19.00/SF	\$12.00-\$19.00/SF	\$12.00-\$17.00/SF	\$14.00-\$22.00/SF
60,000 - 99,999	\$12.00-\$19.00/SF	\$10.00-\$18.00/SF	\$10.00-\$18.00/SF	\$15.00-\$20.00/SF
100,000 - 250,000	\$11.00-\$16.00/SF	\$8.00-\$15.00/SF	\$8.00-\$13.00/SF	\$10.00-\$15.00/SF

Industrial Asking Lease Price for Elkhart Co.

Square Feet	2010	2011	2012	2013
Less than 5,000	\$2.25-\$3.75/SF	\$2.50-\$3.50/SF	\$2.50-\$3.50/SF	\$2.75-\$3.75/SF
5,000 - 19,999	\$2.00-\$3.00/SF	\$1.80-\$2.75/SF	\$2.00-\$3.00/SF	\$2.00-\$3.00/SF
20,000 - 39,999	\$1.95-\$2.50/SF	\$1.75-\$2.65/SF	\$2.00-\$2.75/SF	\$2.00-\$2.75/SF
40,000 - 59,999	1.80-2.50	\$1.50-\$2.50/SF	\$1.50-\$2.50/SF	\$1.80-\$2.50/SF
60,000 - 99,999	\$1.75-\$2.50/SF	\$1.50-\$2.40/SF	\$2.00-\$2.50/SF	\$1.80-\$2.50/SF
100,000 - 250,000	\$1.50-\$2.25/SF	\$1.50-\$2.25/SF	\$1.50-\$2.25/SF	\$1.80-\$2.25/SF

FM STONE

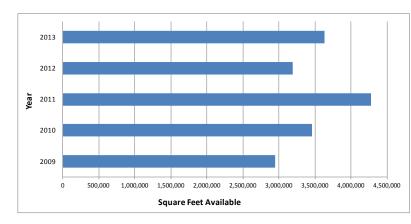
Page 9





Notes

Available Industrial Space St. Joe Co.



Year	2009	2010	2011	2012	2013
Square Feet	2,950,088	3,460,687	4,278,666	3,195,386	3,629,814

Industrial Asking Sale Price for St. Joe Co.

Square Feet	2010	2011	2012	2013
Less than 5,000	\$32.00-\$44.00/SF	\$38.00-\$48.00/SF	\$45.00-\$55.00/SF	\$35.00-\$55.00/SF
5,000 - 19,999	\$32.00-\$46.00/SF	\$25.00-\$38.00/SF	\$25.00-\$42.00/SF	\$25.00-\$40.00/SF
20,000 - 39,999	\$20.00-\$32.00/SF	\$24.00-\$34.00/SF	\$25.00-\$42.00/SF	\$30.00-\$45.00/SF
40,000 - 59,999	\$16.00-\$22.00/SF	\$14.00-\$22.00/SF	\$14.00-\$22.00/SF	\$18.00-\$30.00/SF
60,000 - 99,999	\$16.00-\$24.00/SF	\$22.00-\$27.00/SF	\$25.00-\$35.00/SF	\$15.00-\$30.00/SF
100,000 - 250,000	\$14.00-\$24.00/SF	\$11.00-\$19.00/SF	\$14.00-\$22.00/SF	\$15.00-\$30.00/SF

Industrial Asking Lease Price for St. Joe Co.

Square Feet	2010	2011	2012	2013
Less than 5,000	\$3.50-\$6.00/SF	\$3.50-\$5.50/SF	\$4.00-\$6.00/SF	\$4.00-\$6.00/SF
5,000 - 19,999	\$3.00-\$6.00/SF	\$3.00-\$5.00/SF	\$3.00-\$5.00/SF	\$3.25-\$5.25/SF
20,000 - 39,999	\$2.50-\$3.50/SF	\$2.50-\$3.50/SF	\$3.00-\$3.75/SF	\$3.00-\$4.00/SF
40,000 - 59,999	\$2.25-\$3.00/SF	\$2.00-\$3.00/SF	\$2.75-\$3.75/SF	\$2.50-\$3.50/SF
60,000 - 99,999	\$2.25-\$3.00/SF	\$2.30-\$3.25/SF	\$2.50-\$3.25/SF	\$2.50 - \$3.25/SF
100,000 - 250,000	\$2.25-\$3.00/SF	\$2.00-\$3.00/SF	\$2.25-\$3.00/SF	\$2.25-\$3.25/SF

 $\ensuremath{\mathbb{C}}$ 2014 The Tiedemann Group

Square Feet	2010	Number of Buildings	2011	Number of Buildings	2012	Number of Buildings	2013	Number of Buildings
Less than 5,000	3,113	2	5,503	3	23,003	6	11,999	4
5,000 - 19,999	353,269	31	364,818	31	327,195	29	210,862	19
20,000 - 39,999	643,140	23	407,260	15	448,726	17	339,178	12
40,000 - 59,999	536,576	11	392,327	8	499,944	10	424,712	8
60,000 - 99,999	1,422,413	17	514,005	6	297,663	4	538,206	6
100,000 - 250,000	1,516,696	11	1,249,605	8	317,460	2	189,181	1
250,000 +	706,487	2	425,600	1	440,000	1	258,000	1
Totals	5,181,694	97	3,359,118	72	2,353,991	69	1,972,138	51

Industrial Space for Sale: Elkhart Co.

Industrial Space for Lease: Elkhart Co.

Square Feet	2010	Number of Buildings	2011	Number of Buildings	2012	Number of Buildings	2013	Number of Buildings
Less than 5,000	29,055	11	17,878	7	32,210	9	30,818	10
5,000 - 19,999	484,162	46	526,951	48	339,232	36	250,796	25
20,000 - 39,999	542,481	19	439,945	16	556,470	20	288,671	10
40,000 - 59,999	478,600	10	282,311	6	112,561	2	213,800	4
60,000 - 99,999	1,480,243	18	627,965	8	365,424	5	725,568	9
100,000 - 250,000	1,146,538	9	1,005,054	7	747,975	5	0	0
250,000 +	706,487	2	842,475	2	0	0	258,000	1
Totals	4,867,566	115	3,742,579	94	2,153,872	77	1,767,653	59

Industrial Space for Sale: St. Joseph Co.

Square Feet	2010	Number of Buildings	2011	Number of Buildings	2012	Number of Buildings	2013	Number of Buildings
Less than 5,000	7,794	2	13,026	5	20,864	7	10,844	4
5,000 - 19,999	243,884	25	298,017	29	247,050	21	150,820	14
20,000 - 39,999	174,773	6	202,434	7	234,286	8	214,022	8
40,000 - 59,999	182,174	4	282,083	6	243,981	5	287,821	6
60,000 - 99,999	215,304	3	297,767	4	382,455	5	448,112	6
100,000 - 250,000	572,601	4	316,770	2	117,770	1	373,842	3
250,000 +	600,000	1	1,783,312	4	539,137	1	883,949	2
Totals	1,996,530	45	3,193,409	57	1,785,543	48	2,369,410	43

Industrial Space for Lease: St. Joseph Co.

Square Feet	2010	Number of Buildings	2011	Number of Buildings	2012	Number of Buildings	2013	Number of Buildings
Less than 5,000	133,987	21	81,915	30	63,567	25	74,722	29
5,000 - 19,999	249,876	36	336,118	36	333,764	32	230,084	21
20,000 - 39,999	317,192	11	252,160	9	238,642	9	234,035	9
40,000 - 59,999	371,461	8	333,528	7	476,816	10	565,606	12
60,000 - 99,999	301,994	4	448,717	6	502,763	7	419,770	6
100,000 - 250,000	1,100,219	7	556,316	4	670,663	4	458,246	3
250,000 +	0	0	838,500	2	539,137	1	900,537	2
Totals	2,474,729	87	2,847,254	94	2,825,352	88	2,883,000	82

<u>2013 Trends</u>

- Elkhart County's vacancy rate is now below 2006 levels...one of the strongest markets on record!
- Similar to 2012, the Elkhart County market still has a decent supply of smaller (20,000 SF or less) buildings and the market is even tighter than it was in 2012 on buildings over 60,000 SF
- St. Joseph County's vacancy rate actually increased just over 1% from 2012. The St. Joseph County industrial market remains somewhat soft.
- Inventory levels remained relatively steady. We did see some positive absorption in smaller space under 20,000 SF, which is a strong part of the St. Joseph County market.

2013 Rates

- In Elkhart County asking sale prices have remained steady, although we have seen prices on newer buildings (less than 10 years old) increase. Lease rates remain steady...we did not see the increases we expected.
- Sale and lease rates remain steady in 2013. Little movement in the market has made it difficult to see trends in 2013.

Page 10



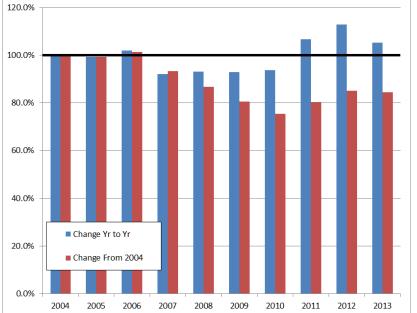


Notes



Market: Review 2013 & Forecast 2014

Elkhart Co. Industrial: \$/SF Change Since 2007



Elkhart County exhibited two years of slight gain with 2013 leveling off if not slightly declining.

Previous charts based on the average selling rate (\$/SF) of fee simple industrial sales; the sample included a full spectrum of building areas.

2007

2008

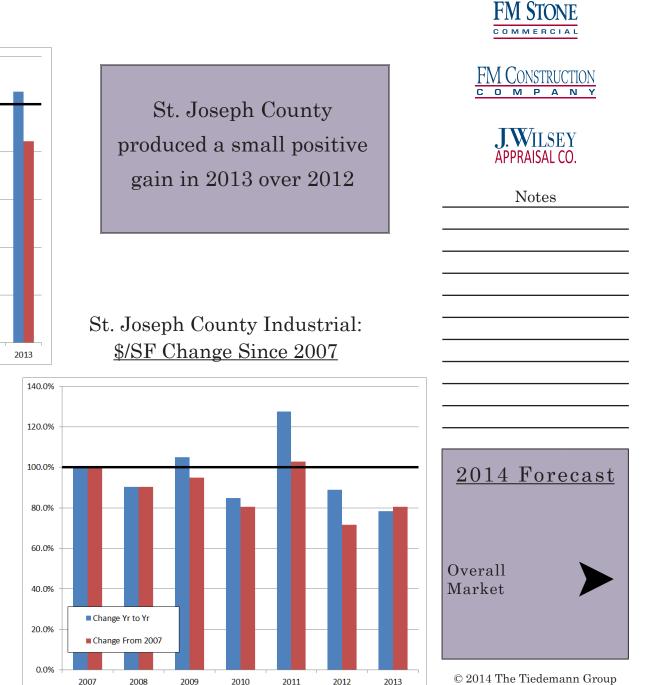
2009

2010

2011

2012

2013



Page 11

Sponsors and Sources

Page 12

				<u>Research Sources</u>
Our Team A. Carl Tiedemann, SIOR, CRE, CPM President & CEO (574) 296.1311 carlt@fmstone.com	John Letherman, CCIM Partner (574) 296.1308 johnl@fmstone.com	www.fmstone.com Ross Miller, SIOR Partner (574) 296.1301 rossm@fmstone.com	574-522-0390 Jeff Wilsey Partner, J. Wilsey Appraisal Co. (574) 296.1322 jeffw@jwilsey.com	 FM Stone Commercial Database Loopnet.com Local Government Elkhart County, St. Joseph County, City of Goshen and City of Elkhart Building Departments McGraw Hill Construction Metal Building Manufacturers Association (MBMA)
Bill Kuhns, SIOR, RECS, CERS Senior Broker (574) 296.1303 billk@fmstone.com Tony Campanello Project Manager & Estimator (574) 296.1320 tonyc@fmstone.com	Richard Hobson Real Estate Salesperson (574) 296.1331 richardh@fmstone.com Scott Griffith Real Estate Salesperson (574) 296.1306 scottg@fmstone.com	Pete Letherman, SIOR, CCIM Senior Vice President (574) 296.1310 petel@fmstone.com Melissa Hiner Marketing & Creative Director (574) 296.1330 melissah@fmstone.com	Brent Miller, SIOR Senior Vice President (574) 296.1302 brentm@fmstone.com Kaitrin Higbee Digital Marketing Specialist (574) 522.0390 kaitrinh@fmstone.com	 Star Buildings National Real Estate Investor Kelley School of Business, Indiana University, Bloomington Associated Builders & Contractors Inc. National Association of Realtors Certified Commercial Investment Member (CCIM) Institute Society of Industrial and Office Realtors (SIOR) Bureau of Labor Statistics
Jour partners since 1863 McGladrey	Sponsors OLD NATIONAL BANK OLD NATIONAL BANK Lawyers Title INSURANCE CORPORATION EXEMPTION	MERIDIAN THE CORPORATION	<section-header></section-header>	Exercise FIN Store Commercial Marcenaries

© 2014 The Tiedemann Group. The information contained herein was obtained from sources believed to be reliable. We cannot be responsible for errors made by our sources. No liability of any kind is to be imposed on FM Stone Commercial, FM Construction or J. Wilsey Appraisal Co.