



2014 14th Annual Real Estate Review & Forecast

Sponsors



2013 Review

- Real estate assets in core markets solidified their values
- Global transactions
- CRE sectors continue to show variations
- Commercial real estate lending improves
- Political climate

2014 Outlook

Outlook for Commercial Real Estate Markets:

- Restrained Growth
- Vacancy Rates will continue to decrease
- Commercial lending and rising interest rates
- Rental rates will continue to climb
- Foreign Investment

Forecast by Sectors

Industrial: Growth

- Vacancy rate will decline to 9%
- Lease rates will see slight increase: 2.5%

Multi-Family: Flat

- Vacancy rate will remain at 4%
- Rental rates will increase 4.3%

Retail: Tepid Growth

- Vacancy rate will decline to 10.3%
- Lease rates will increase moderately: 2.2%

Office: Flat

- Vacancy rate of 15.6%
- Lease rates will slightly tick up 2.4%

Trends and Developments to Watch in 2014

- Returns may see downward pressure
- Interest rate increases
- Institutional investors active in single family rentals
- Corporate expansion time line
- Medical industry growth

Regional Assessment

- Regional market seems to mirror the trends of the national market
- Industrial remains the strongest sector
- Housing continue to improve in the region
- Unemployment rates in the region continue to improve
- Activity in retail leasing and land development



Notes

2014 Forecast

Price Per SF



Vacancy



Absorption



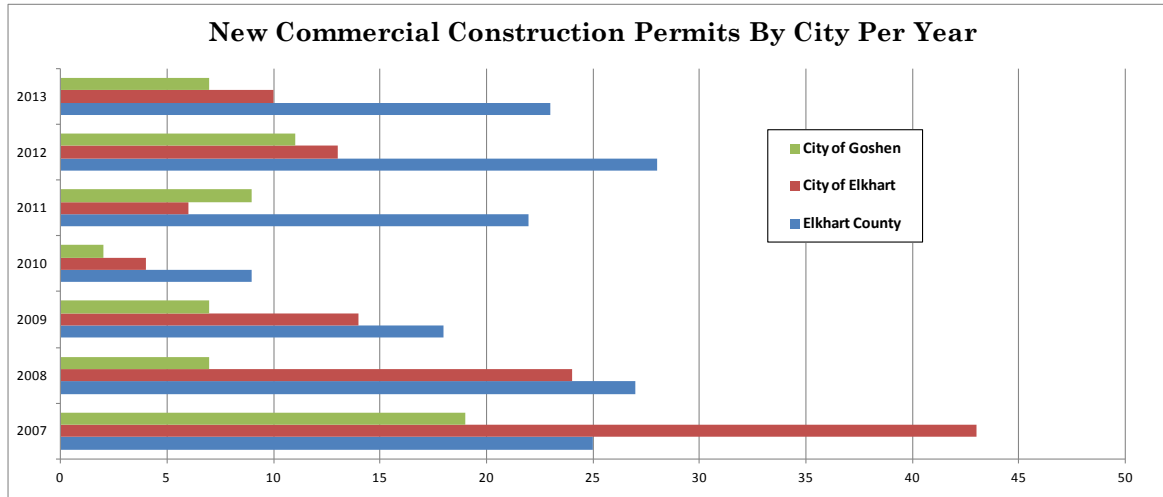
2013 Permits Issued

- 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.

Total value:
\$6,663,626



	2007	2008	2009	2010	2011	2012	2013
Elkhart County	25	27	18	9	22	28	23
City of Elkhart	43	24	14	4	6	13	10
City of Goshen	19	7	7	2	9	11	7
Totals	87	58	39	15	37	52	40



Notes

Expected Construction Costs for 2014

Elkhart County

(building only)

Square Feet	2011	2012	2013	2014
5,000 - 19,999	\$24.20-\$26.21/SF	\$24.93-\$29.00/SF	\$25.53-\$32.40/SF	\$26.93-\$34.18/SF
20,000 - 39,999	\$22.18-\$24.19/SF	\$22.85-\$26.00/SF	\$23.25-\$28.00/SF	\$24.53-\$29.54/SF
40,000 - 59,999	\$20.38-\$28.18/SF	\$21.00-\$25.00/SF	\$21.70-\$26.00/SF	\$22.89-\$27.43/SF
60,000 - 99,999	\$21.10-\$23.40/SF	\$22.00-\$24.10/SF	\$22.90-\$24.90/SF	\$24.16-\$26.27/SF
100,000 - 250,000	\$20.00-\$22.00/SF	\$20.60-\$22.66/SF	\$23.40-\$25.70/SF	\$24.69-\$27.11/SF

Square Feet	2011	2012	2013	2014
5,000 - 19,999	\$28.90/SF	\$29.76/SF	\$31.06/SF	\$32.92/SF
20,000 - 39,999	\$21.10/SF	\$21.73/SF	\$22.92/SF	\$24.30/SF
40,000 - 59,999	\$27.00/SF	\$27.81/SF	\$28.81/SF	\$30.54/SF
60,000 - 99,999	\$24.00/SF	\$24.72/SF	\$25.84/SF	\$27.39/SF
100,000 - 250,000	\$23.00/SF	\$23.69/SF	\$24.58/SF	\$26.05/SF

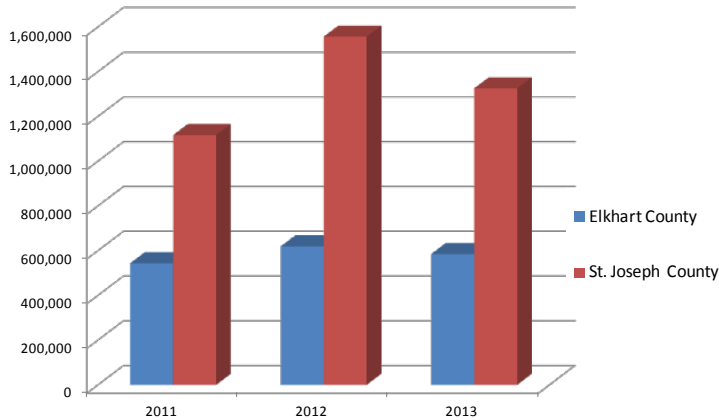
St. Joseph County

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.

Availability 2013

Total Office Square Feet Available



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.

Top Office Deals (Sale)

Chase Bldg. 121 W. Franklin, Elkhart	113,886 SF
Atrium Court, Third St., Elkhart	11,560 SF
2339 Eisenhower Drive, Goshen	5,928 SF

Top Office Deals (Lease)

810 Waterbury Park, Elkhart	4,156 SF
2314 Eisenhower, Goshen	5,294 SF
825 E Jackson, Elkhart	3,975 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 (price per square foot):

Class A:	\$9.00-\$16.00
Class B:	\$7.00-\$9.00
Class C:	CAM-\$6.00

2014 Trends

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



Notes

2014 Forecast

Price Per SF



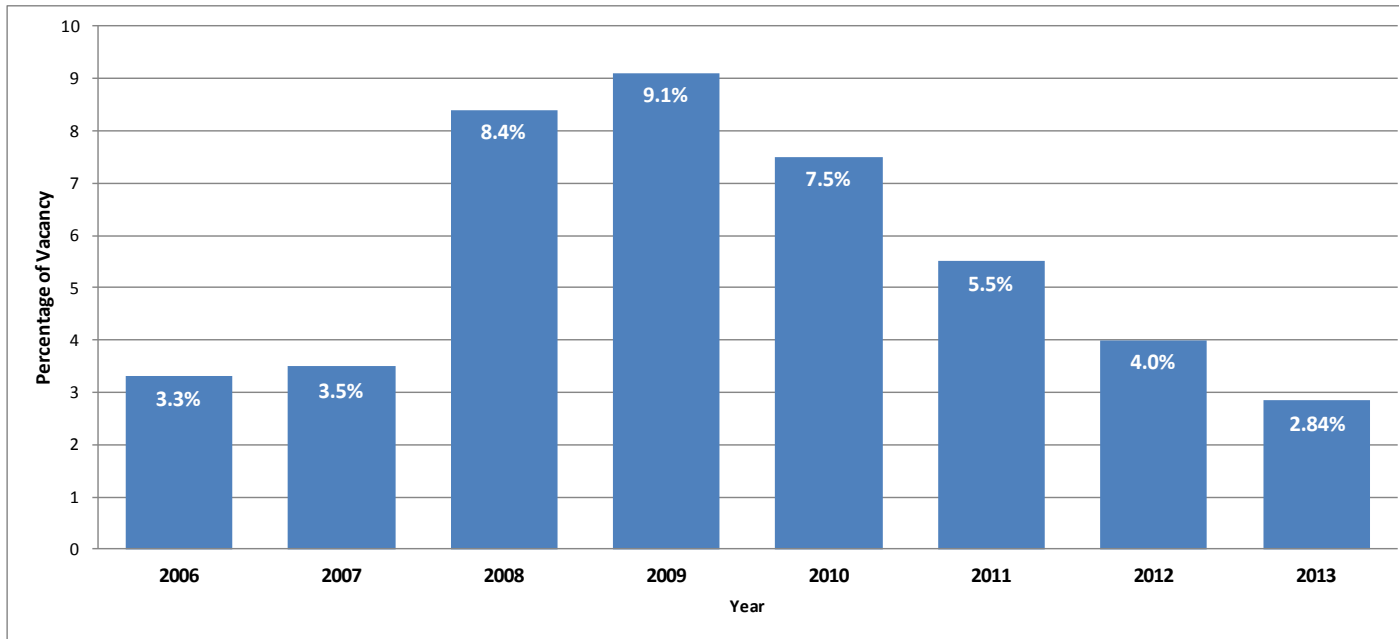
Vacancy



Absorption



Elkhart Co. Vacancy Rates



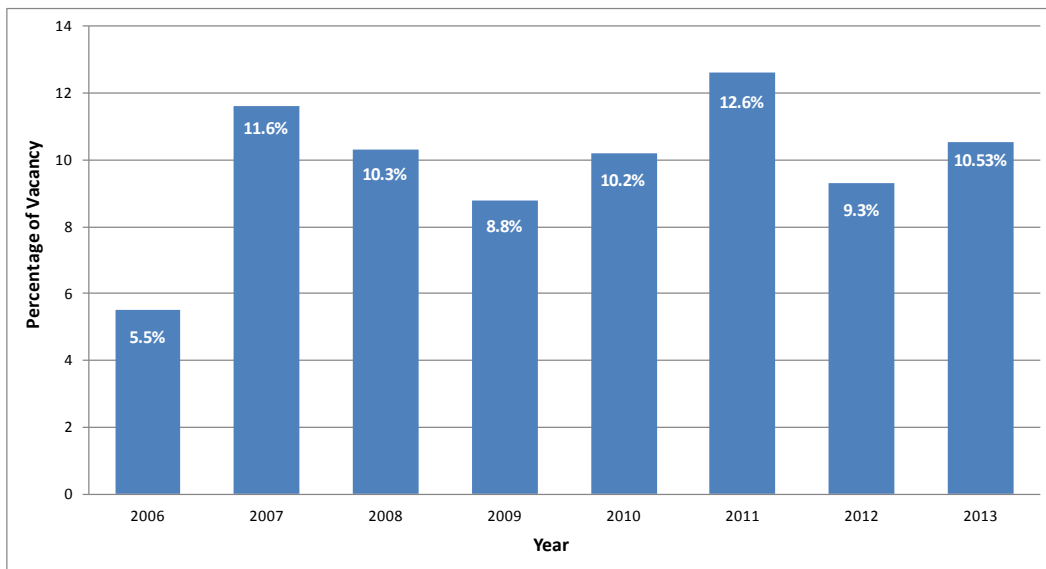
FM STONE
COMMERCIAL

FM CONSTRUCTION
COMPANY

J. WILSEY
APPRAISAL CO.

Notes

St. Joseph Co. Vacancy Rates



2013 Industrial Inventory

	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%

Industrial Space for Sale: Elkhart Co.

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 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

2013 Trends

- 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.



Notes

2014 Forecast

Price Per SF 

Vacancy 

Absorption 

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

574-522-0390

Ross Miller, SIOR
Partner
 (574) 296.1301
 rossm@fmstone.com

Jeff Wilsey
Partner, J. Wilsey Appraisal Co.
 (574) 296.1322
 jeffw@jwilsey.com

Bill Kuhns, SIOR, RECS, CERS
Senior Broker
 (574) 296.1303
 billk@fmstone.com

Richard Hobson
Real Estate Salesperson
 (574) 296.1331
 richardh@fmstone.com

Pete Letherman, SIOR, CCIM
Senior Vice President
 (574) 296.1310
 petel@fmstone.com

Brent Miller, SIOR
Senior Vice President
 (574) 296.1302
 brentm@fmstone.com

Tony Campanello
Project Manager & Estimator
 (574) 296.1320
 tonyc@fmstone.com

Scott Griffith
Real Estate Salesperson
 (574) 296.1306
 scottg@fmstone.com

Melissa Hiner
Marketing & Creative Director
 (574) 296.1330
 melissah@fmstone.com

Kaitrin Higbee
Digital Marketing Specialist
 (574) 522.0390
 kaitrinh@fmstone.com

Research Sources

- 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)
- 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



Sponsors



Stay Connected!

