

FM STONE

COMMERCIAL

2012

REAL ESTATE

REVIEW & FORECAST

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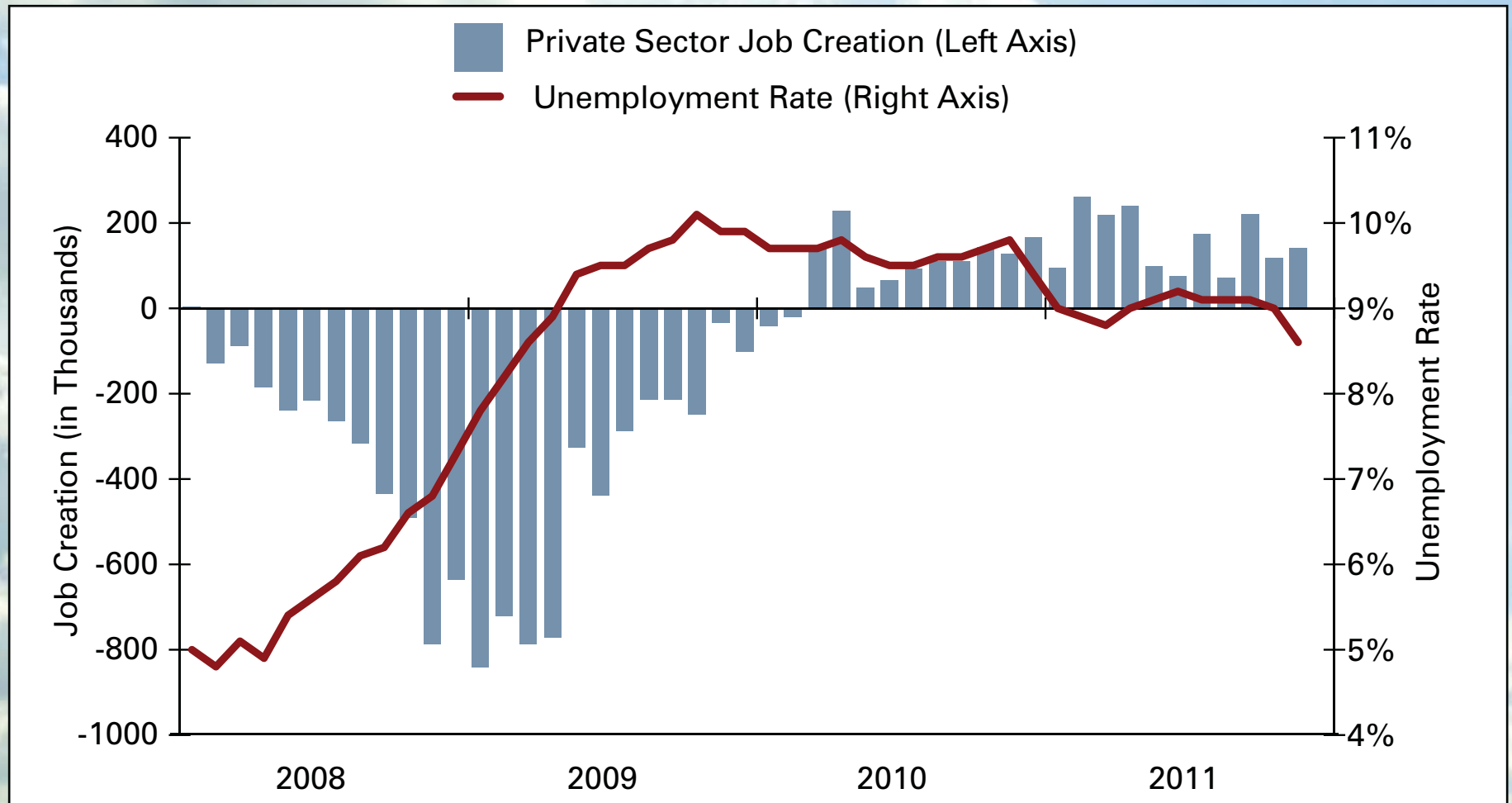
National Overview

2011 Report & 2012 Forecast

Review of 2011

- Commercial real estate finally appears to be on solid footing
- Markets continue to redefine themselves
- Investment activity slowed in the second half of the year
- The influence of economic data and political posturing not as relevant to investors

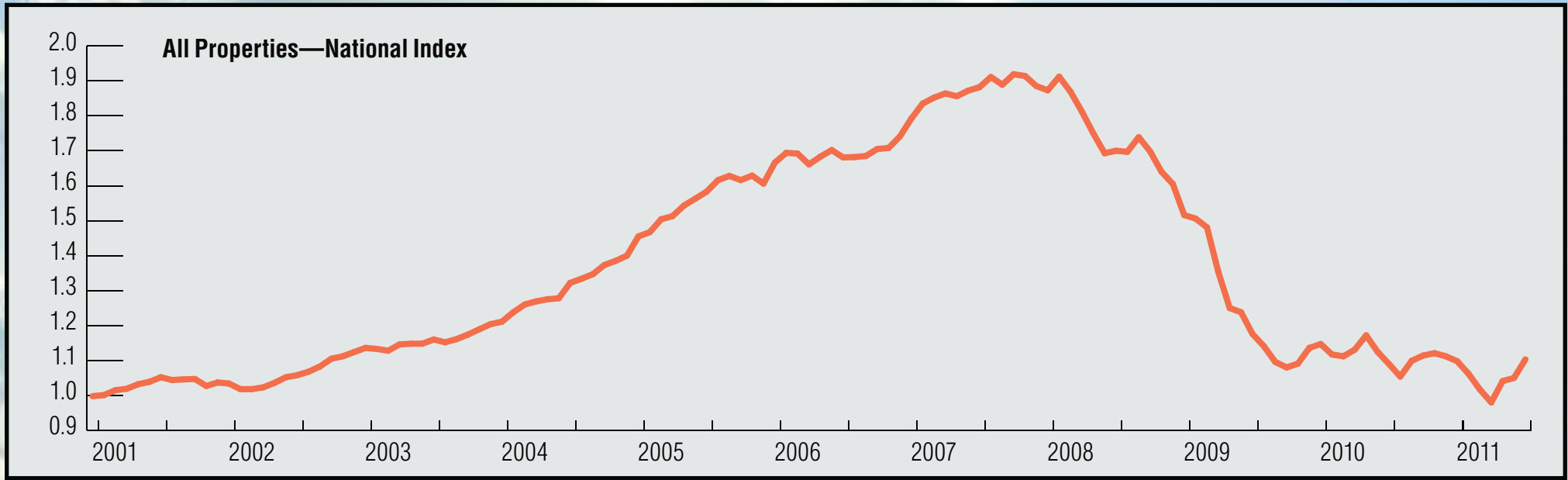
U.S. Job Creation & Unemployment Rate: '08 to '11



Review of 2011

- Commercial real estate is a favorable investment alternative
- Credit markets have re-opened for business to solid investors with good commercial real estate
- Did not break any records in 2011

U.S. Commercial Property Price Index



Headlines & Quotes for 2012

- **Shelter from the Storm** ~ CIREI Magazine
- **Commercial Markets Approach Year-End with Caution** ~ *National Association of Realtors*
- **“The coming year will see continued yet slow incremental improvement.”** ~ *CoStar/Industrial Property Group*
- **“2012 will be a good time to develop a new strategy”** ~ *CoStar/Real Estate Strategies*
- **New Era of Recalibration** ~ *Real Estate Forum*

Expectations for 2012

- Tepid to Modest Growth
- Sales of commercial real estate should trend in a positive direction
- Banks will continue to clear non-performing assets and move to workout quality assets
- \$100 billion in loans from “last peak cycle” of 2007 are scheduled to mature in 2012
- Interest rates provide motivation for investors and owners

Expectations By CRE Sectors

Industrial: Growth

- Vacancy rate have declined to 11.9%
- Lease rates have leveled and expect upward trend
- Distribution markets seeing the strongest growth

Expectations By CRE Sectors

Multifamily: Growth

- Vacancy rate dropped to 4.6%
- Starts surged 180% compared with November of 2010
- Remains strongest sector

Expectations By CRE Sectors

Retail: Modest Growth

- Vacancy rate decreased to 12.2%
- Retailers have improved balance sheets and position
- Significant number of vacant stores need to be absorbed

Expectations By CRE Sectors

Office: Flat

- Vacancy rate at 16.3%
- Improving fundamentals with some absorption
- New construction offset reduction in sublease market

Expectations By CRE Sectors

Development: Mixed

- Apartments construction should remain strong
- Medical office continues to grow
- Retail and office will be limited
- Industrial could see added inventory

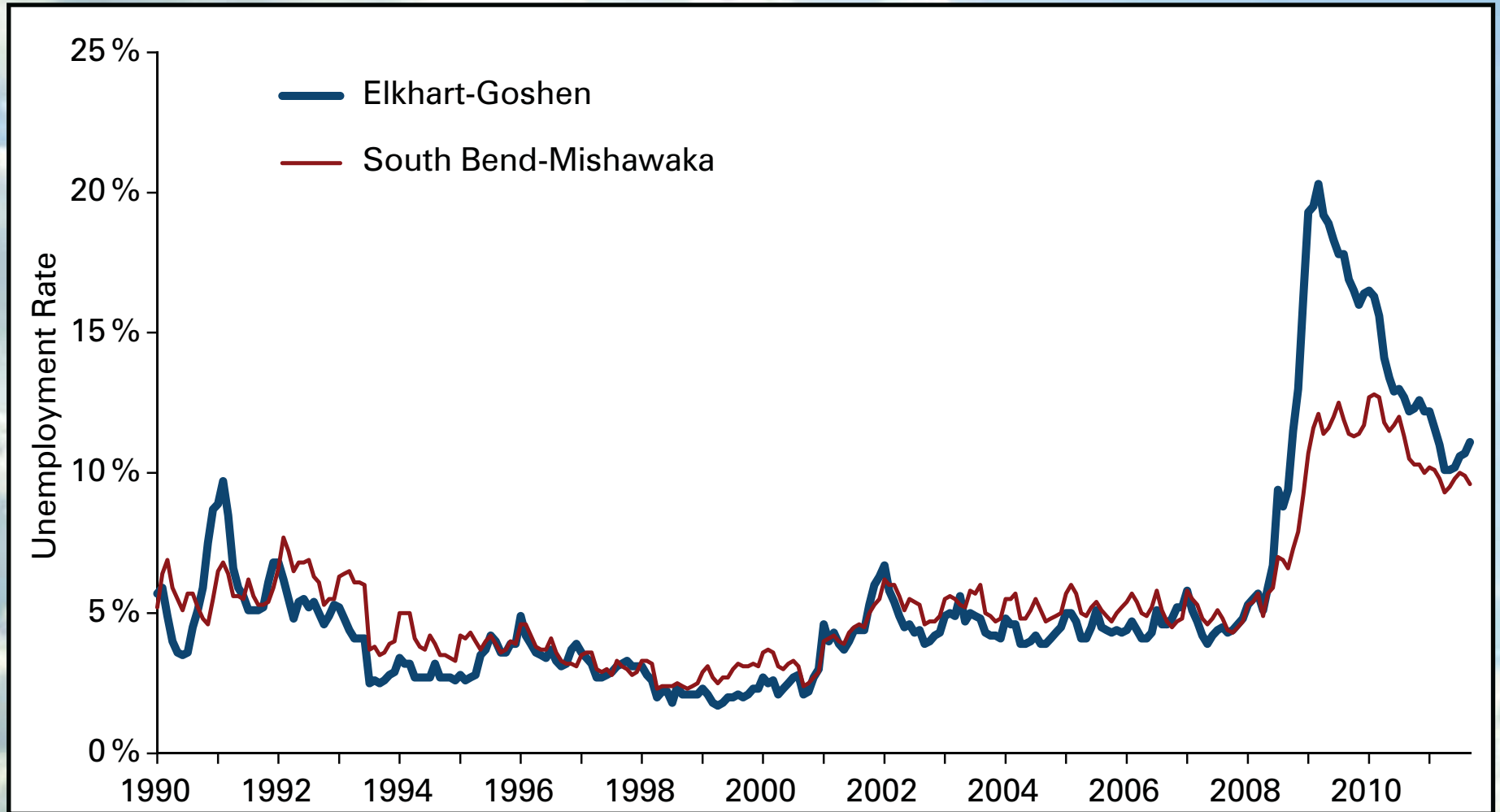
Developments to Watch

- U.S. Manufacturing: Can this dwindling sector make a sustained comeback?
- Foreign investment in U.S. commercial real estate
- Stability of residential real estate
- Stronger recovery of secondary markets within the U.S.
- Global market: the downturn of the Eurozone vs. the growth of emerging markets

Regional Economic Focus

- Remains an excellent time to purchase or lease commercial real estate
- Quality vs. Price
- Continued reductions in the unemployment rate
- Signs of improvement in our regional market
- Remains an excellent place to move, start or expand a business
- Positive news in retail: absorption and expansion in Grape Road Corridor & Eddy Street Commons

Unemployment Rates January 1990 to September 2011



Unknowns for 2012

- Outcome of the U.S. presidential election
- External shocks to the worldwide economy
- Addressing European debt with a long-term solution
- The resiliency of the United States Economy
- Consumer Confidence

2012 Forecast

Mixed Bag

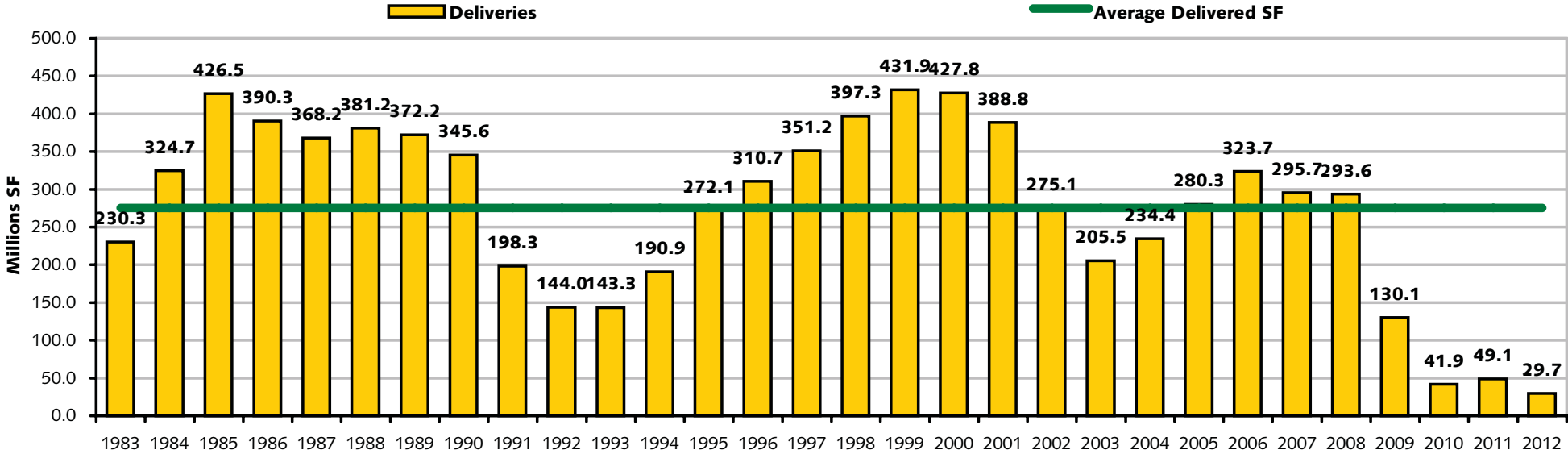


Construction

National Overview

Construction: National Industrial Market

HISTORICAL DELIVERIES 1983 - 2012

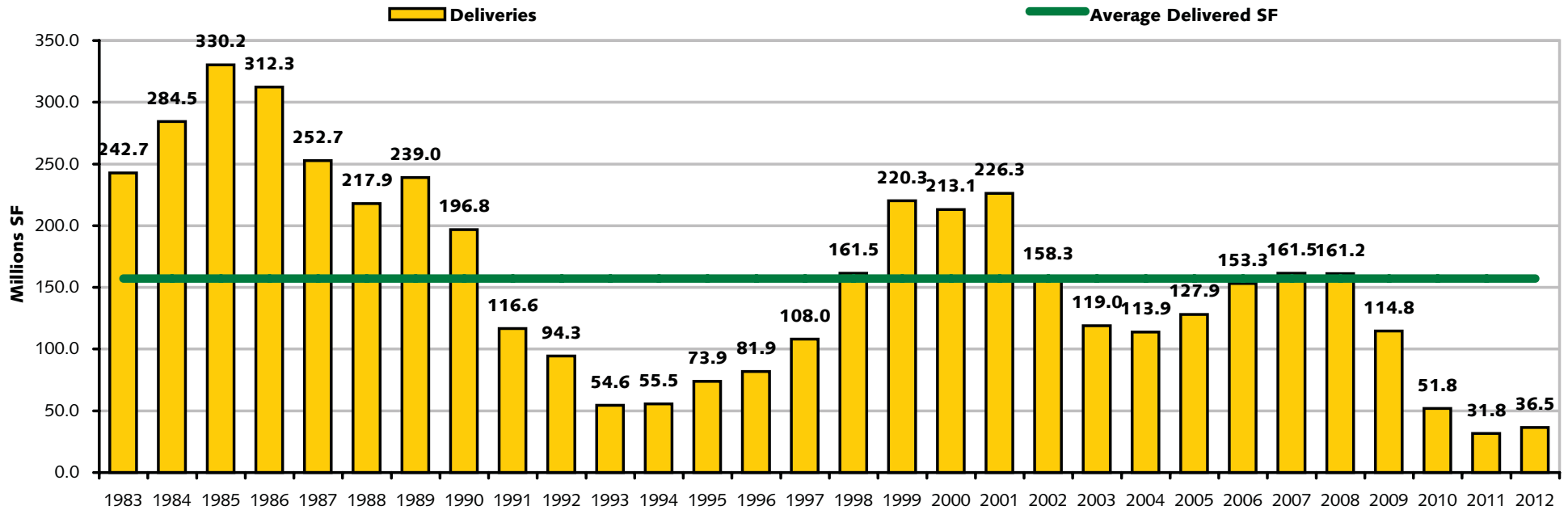


Source: CoStar Property®

* Future deliveries based on current under construction buildings.

Construction: National Office Market

HISTORICAL DELIVERIES 1983 - 2012



Source: CoStar Property®

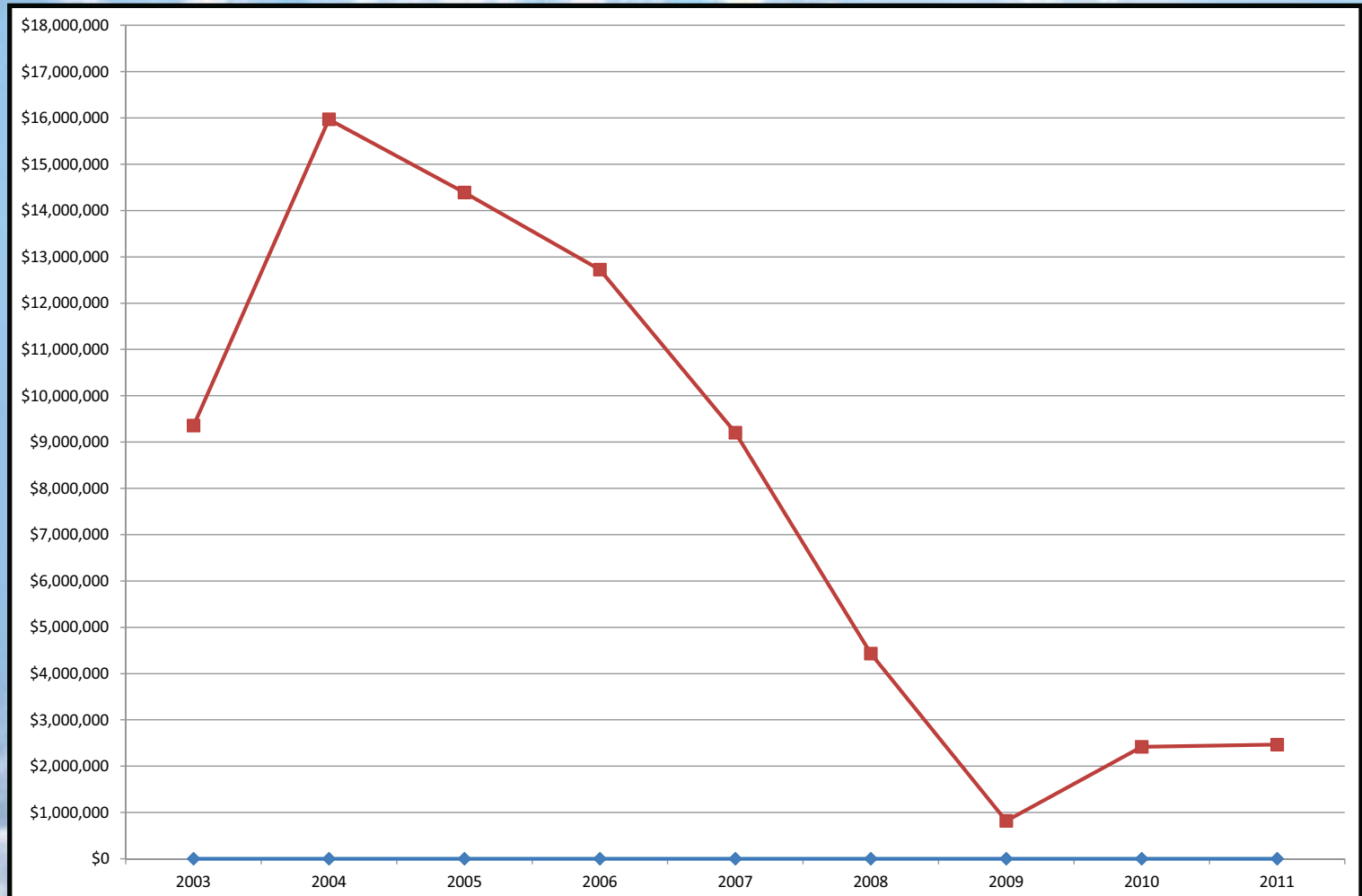
* Future deliveries based on current under construction buildings.

Construction

Elkhart & St. Joseph Counties Review

MBMA* \$ Shipped to Elk. Co.

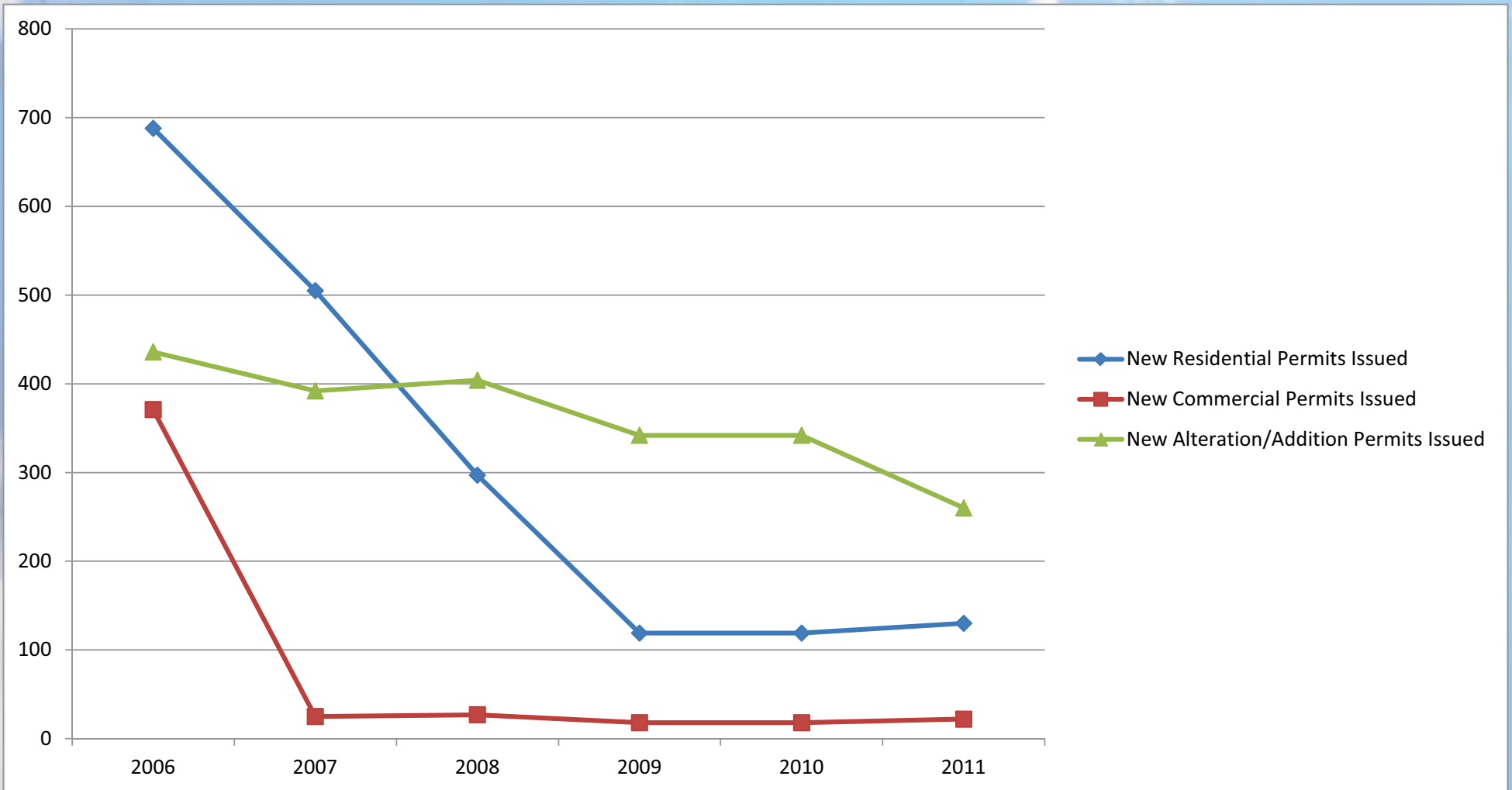
| Year | \$ Shipped |
|------|--------------|
| 2003 | \$9,356,000 |
| 2004 | \$15,970,000 |
| 2005 | \$14,389,000 |
| 2006 | \$12,724,000 |
| 2007 | \$9,202,000 |
| 2008 | \$4,432,000 |
| 2009 | \$819,000 |
| 2010 | \$2,418,000 |
| 2011 | \$2,465,000 |



* Metal Building Manufacturers Association

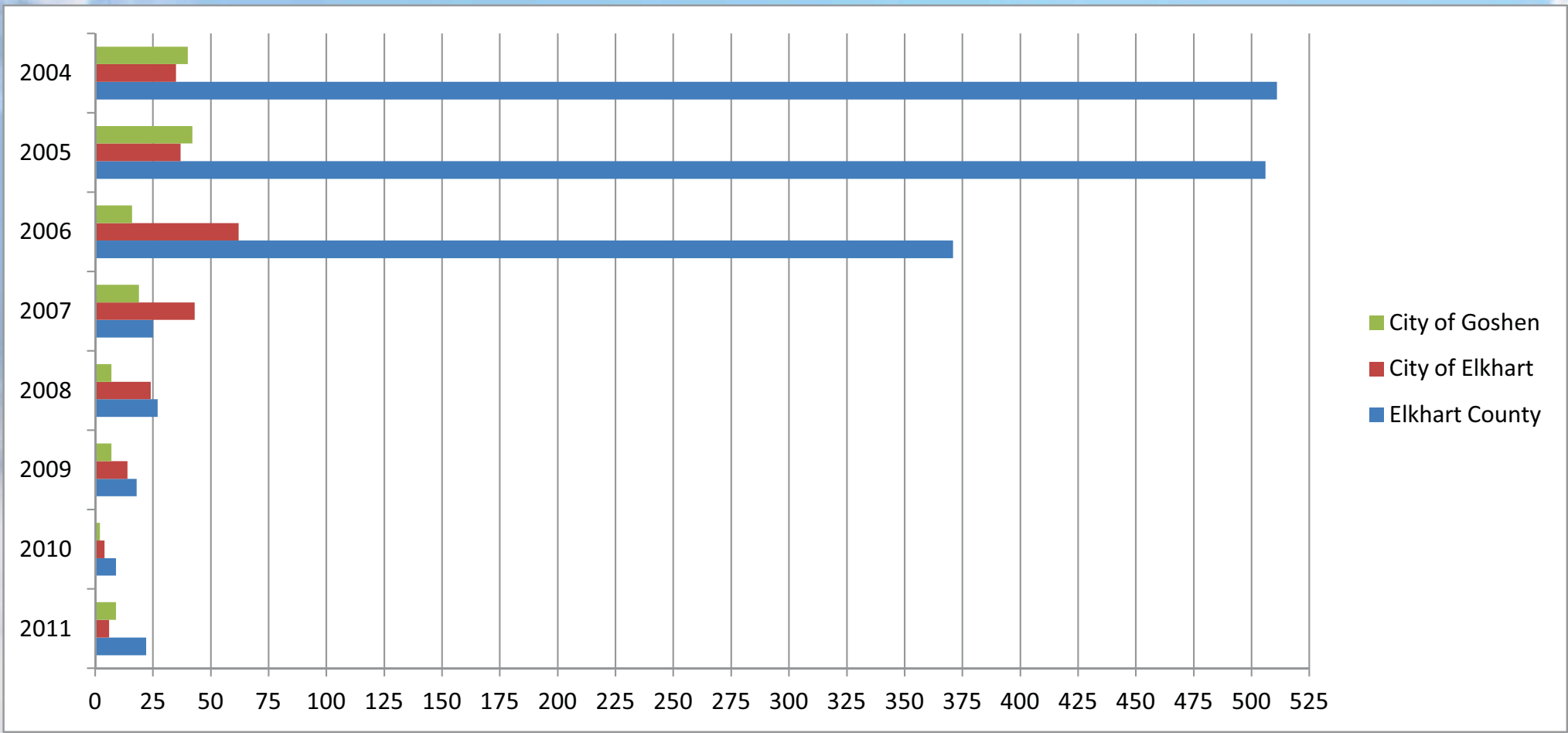
Elk. Co. Building Permits: 2011

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|-------------|------------|------------|------------|------------|------------|
| New Residential Permits Issued | 688 | 505 | 297 | 119 | 119 | 130 |
| New Commercial Permits Issued | 371 | 25 | 27 | 18 | 18 | 22 |
| New Alteration/Addition Permits Issued | 436 | 392 | 404 | 342 | 342 | 260 |
| Totals | 1495 | 922 | 728 | 479 | 479 | 412 |



Elk. Co. Commercial Permits: 2011

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-----------------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|
| Elkhart County | 22 | 9 | 18 | 27 | 25 | 371 | 506 | 511 |
| City of Elkhart | 6 | 4 | 14 | 24 | 43 | 62 | 37 | 35 |
| City of Goshen | 9 | 2 | 7 | 7 | 19 | 16 | 42 | 40 |
| Totals | 37 | 15 | 39 | 58 | 87 | 449 | 585 | 586 |



Elkhart County Commercial Construction Costs

| Square Feet | 2012 | 2011 | 2010 |
|-------------------|----------------------|----------------------|----------------------|
| 5,000 - 19,999 | \$24.93 - \$29.00/SF | \$24.20 - \$26.21/SF | \$21.60 - \$23.40/SF |
| 20,000 - 39,999 | \$22.85 - \$26.00/SF | \$22.18 - \$24.19/SF | \$19.80 - \$21.60/SF |
| 40,000 - 59,999 | \$21.00 - \$25.00/SF | \$20.38 - \$28.18/SF | \$18.90 - \$20.70/SF |
| 60,000 - 99,999 | \$22.00 - \$24.10/SF | \$21.10 - \$23.40/SF | \$17.10 - \$19.80/SF |
| 100,000 - 250,000 | \$20.60 - \$22.66/SF | \$20.00 - \$22.00/SF | \$14.40 - \$18.00/SF |

St. Joseph Co. Commercial Construction Costs

| Square Feet | 2012 | 2011 | 2010 |
|-------------------|------------|------------|------------|
| 5,000 - 19,999 | \$29.76/SF | \$28.90/SF | \$27.90/SF |
| 20,000 - 39,999 | \$21.73/SF | \$21.10/SF | \$19.80/SF |
| 40,000 - 59,999 | \$27.81/SF | \$27.00/SF | \$26.10/SF |
| 60,000 - 99,999 | \$24.72/SF | \$24.00/SF | \$23.40/SF |
| 100,000 - 250,000 | \$23.69/SF | \$23.00/SF | \$22.50/SF |

2011 Construction Market

© 2012 FM Stone Commercial

Employment

- Construction jobs such as glazing, brickwork and carpentry are projected to grow rapidly over the coming decade, but it is not expected to return to pre-recession levels by 2020
- Construction employment increased in all but 5 states
 - Indiana was one of the 5 states that it did not increase

Spending

- Construction spending reached a 17-month high of \$807 billion in November 2011, up 0.5% over November 2010
- Private residential spending rose 3.4% from 2010

2011 Construction Market

© 2012 FM Stone Commercial

Spending

- Private non-residential spending rose 4.5% from 2010
- Public spending dropped 5.3% from 2010
- Non-residential construction awards for new buildings and additions declined 43% between 2008 and 2010, while awards for building alterations declined less than 2% over this period
- Overall, prices for construction commodities have increased 7.5% over the past year, just slightly higher than the 7.3% overall increase in wholesale prices

2012 Construction Projections

- 6.4% increase in construction spending in 2012
- U.S. construction starts expected to be \$412 billion, following 4% decline to \$410 billion predicted for 2011
- Commercial building will grow 8%. Warehouse and hotels will see the largest percentage increases, but improvement for offices and stores will be modest
- Manufacturing buildings will increase 4%, following the 35% gain in 2011, as the low value of the US Dollar continues to support export growth

2012 Construction Projections

- Because these predictions come on the heels of a more than 20% downturn in overall non-residential building sector last year, and more than a 30% drop in spending on commercial buildings, this year's and next year's expected declines are quite modest in comparison
- Overall building construction should rise around 5%, with growth twice that rate for the more cyclical commercial sector
- Economic recovery continues to disappoint

Elkhart County

Review of the Office Market

Elk. Co. Office Space Available For Lease

| Municipality | 2011 | 2010 |
|------------------|------------|------------|
| Elkhart County | 299,744 SF | 282,644 SF |
| Downtown Elkhart | 153,592 SF | 164,431 SF |
| Downtown Goshen | 24,030 SF | 17,760 SF |

Elk. Co. Office Space Available For Sale

| Municipality | 2011 | 2010 |
|------------------|------------|------------|
| Elkhart County | 243,786 SF | 186,061 SF |
| Downtown Elkhart | 71,606 SF | 44,826 SF |
| Downtown Goshen | 9,632 SF | 9,836 SF |

2011 Office Vacancies

Sample Properties

- Windsor Office Park, Elkhart – 10,000 SF
- Chase Building, Elkhart – 53,294 SF
- Cornerstone Building, Elkhart – 37,242 SF
- Northpointe Office Building, Elkhart – 13,545 SF
- Montessori School, Elkhart – 25,600 SF
- 3501 CR 6, Elkhart – 53,200 SF
- 2831 Dexter Drive, Elkhart – 17,517 SF
- Key Bank Building, Goshen – 9,360 SF
- 56218 Parkway Avenue, Elkhart – 14,100 SF

2011 Office Rental Rates

- Asking Lease Rates Were Lower in 2011 than 2010
- Actual Rates Continue to Decrease
- Wide Range of Asking Rates in Office Buildings:
 - Class A: \$9.00 to \$16.00
 - Class B: \$7.00 to \$9.00
 - Class C: Free to \$6.00
- Landlords are Offering Incentives:
 - Free Rent
 - Discounted Rent

Notable Office Deals of 2011

Lease Transactions

- North Johnson Park, 53852 CR 9, Elkhart: 2,400 SF
- Executive 500 Building, 500 N. Nappanee St., Elkhart: 719 SF
- Atwood Center, 1120 N. Main Street, Elkhart: 12,132 SF

Sale Transactions

- 2400 Elkhart Road, Goshen: 4,417 SF
- 2310 W. Lexington Ave., Elkhart: 4,419 SF
- Osolo Road Medical Building, 1510 Osolo Rd., Elkhart: 5,529 SF

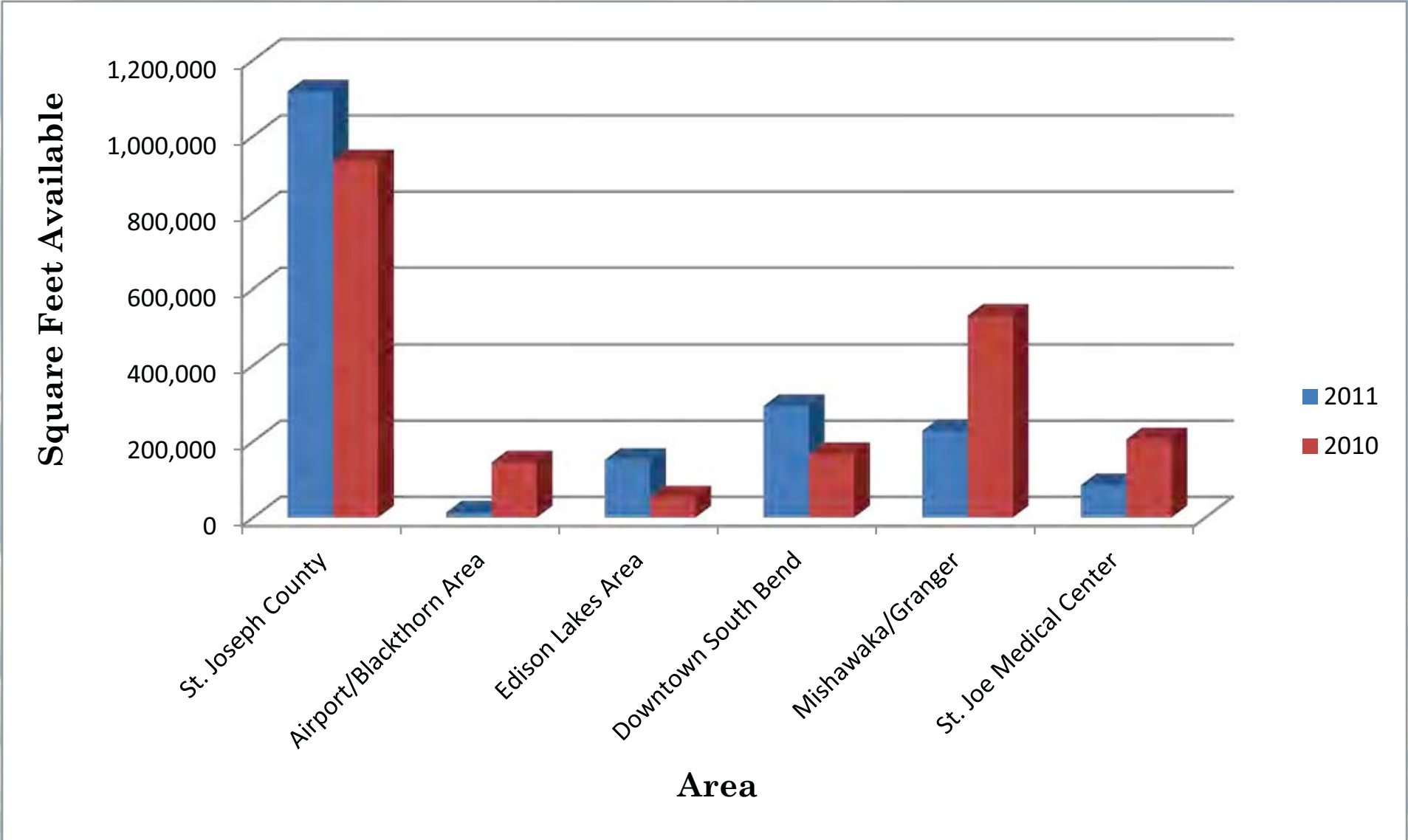
St. Joseph County

Review of the Office Market

St. Joseph Co. Office Space Available

| Area | 2011 | 2010 |
|-------------------------|-----------|---------|
| St. Joseph County | 1,116,615 | 932,993 |
| Airport/Blackthorn Area | 12,624 | 144,052 |
| Edison Lakes Area | 150,678 | 51,765 |
| Downtown South Bend | 292,041 | 165,480 |
| Mishawaka/Granger | 226,692 | 529,419 |
| St. Joe Medical Center | 84,239 | 204,491 |

St. Joseph Co. Office Space Available



Elkhart County

Review of the Retail Market

Local Retail Information

- Concord Mall: 91% occupancy interior and peripheral spaces included. Mirrors the national average. Quoting \$10 to \$15 per SF NNN
- Concord Mall: Major chains are renewing leases and renovating spaces.
- Big R moving into former Dunlap Kmart. Paid \$775,000 for 107,600 SF, investing \$1.7 million in renovation.
- Hively Square (former Pierre Moran), one new lease reported of 2,700 SF.

Local Retail Information

- MC Sports at Market Center doubled size to approximately 20,000 SF; former space is vacant (8,000 SF).
- Old Country Buffet at Market Center is vacant; approximately 20,000 SF.
- Johnson Baldwin Crossing 100% occupied, rent concessions.
- North Pointe Plaza, large vacancies including former Martin's space.

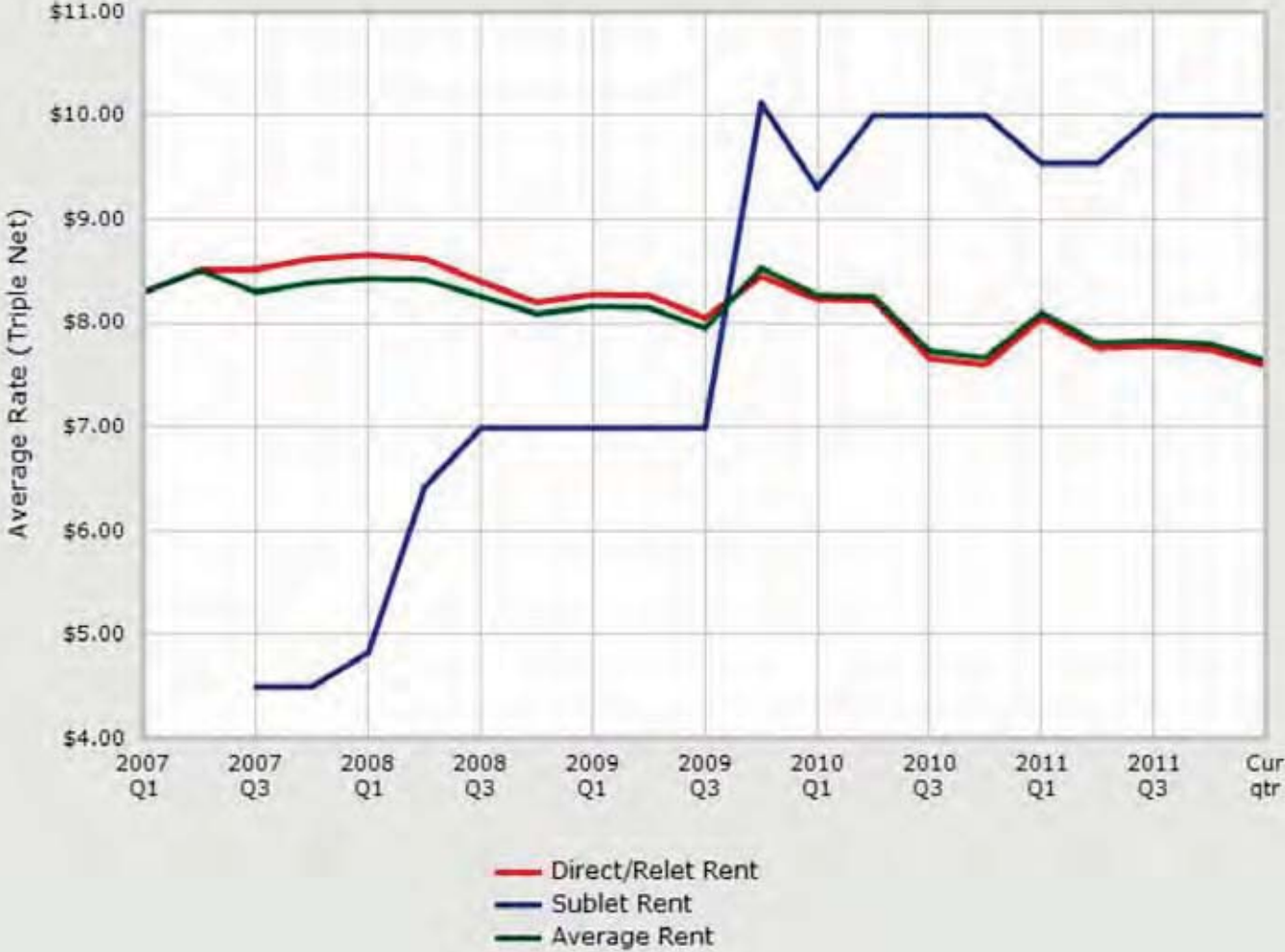
Local Retail Information

- Pine Creek (CR 17) 100% occupied.
- Parkway 55% occupied but lease under negotiation for 6,000 SF, leaving 6,000 vacant.
- Pine Creek/Parkway asking rates \$11 to \$12 per SF NNN with CAM from \$3.60 to \$4.25 per SF. Three new leases reported in 2011.
- Overall retail: lots of rent concessions including free rent; tenant improvement allowances; shorter term leases.

Elk. Co. Retail Summary

| Summary Stats | # Spaces | Square Feet | Smallest Space | Largest Space | Avg Space | |
|--------------------------|-------------------------|--------------------|------------------------|----------------------|------------------|----------|
| Vacant Available | 159 | 652,102 | 231 | 48,923 | 4,101 | |
| Total Available | 254 | 1,043,211 | 231 | 61,403 | 4,107 | |
| By Space Type | Direct | | Sublet | | Total | |
| | SF | % | SF | % | SF | % |
| Vacant Available | 635,502 | 7.4 % | 16,600 | 0.2 % | 652,102 | 7.6 % |
| Total Available | 1,026,610 | 11.9 % | 16,600 | 0.2 % | 1,043,211 | 12.1 % |
| Over Time | 2012 1Q | | 2011 4Q | | 2011 1Q | |
| | SF | % | SF | % | SF | % |
| Vacant Available | 652,102 | 7.6 % | 656,242 | 7.6 % | 718,852 | 8.4 % |
| Total Vacant | 652,102 | 7.6 % | 663,762 | 7.7 % | 718,852 | 8.4 % |
| By Time on Market | Vacant Available | | Total Available | | | |
| | # Spaces | SF | # Spaces | SF | | |
| 0-3 Months | 15 | 61,020 | 27 | 93,849 | | |
| 4-6 Months | 12 | 57,645 | 28 | 120,805 | | |
| 7-9 Months | 11 | 46,600 | 26 | 125,580 | | |
| 10-12 Months | 6 | 31,092 | 14 | 56,410 | | |
| 13-15 Months | 18 | 78,326 | 23 | 90,926 | | |
| 16-18 Months | 17 | 87,397 | 33 | 159,782 | | |
| 19-21 Months | 2 | 3,800 | 8 | 18,266 | | |
| 22+ Months | 78 | 286,222 | 91 | 377,593 | | |

Elk. Co. Retail Rental Rates



occupancy

| | | |
|-----------------|------------------------|------------|
| Existing Bldgs: | 686 | |
| # Spaces: | 250 | |
| Existing RBA: | 8,611,561 | |
| Vacant: | <652,102> | 8% |
| Occupied: | 7,959,459 | 92% |
| Leased: | 7,976,059 | 93% |

availability

| | | |
|---------------|--------------------|------------|
| Vacant Avail: | 652,102 | 8% |
| Total Avail: | 1,043,211 | 12% |
| Direct Avail: | 1,026,610 | 12% |
| Sublet Avail: | 16,600 | 0% |
| Average Time: | 22.2 Months | |

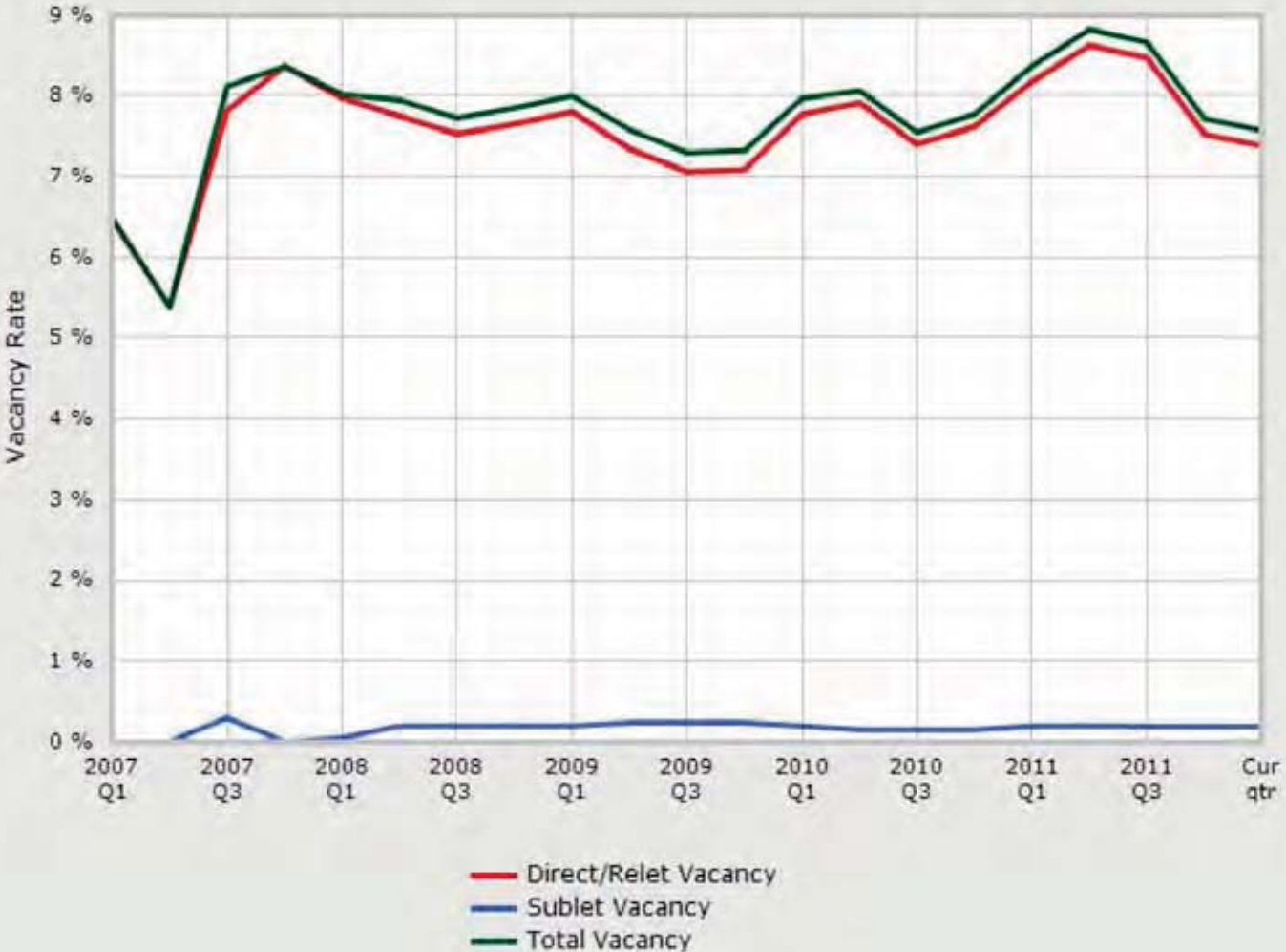
leasing activity

| | | |
|-----------------|---------------|-----------|
| Leasing YTD: | 0 | 0% |
| Net Absorp YTD: | 11,660 | 0% |

direct triple rent

| | |
|---------------|--------------------------|
| Retail range: | \$2.69-\$20.00/yr |
| Retail Avg: | \$7.59/yr |

Elk. Co. Retail Vacancy Rates



occupancy

| | | |
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| | |
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St. Joseph County

Review of the Retail Market

SJ Co. Retail Summary

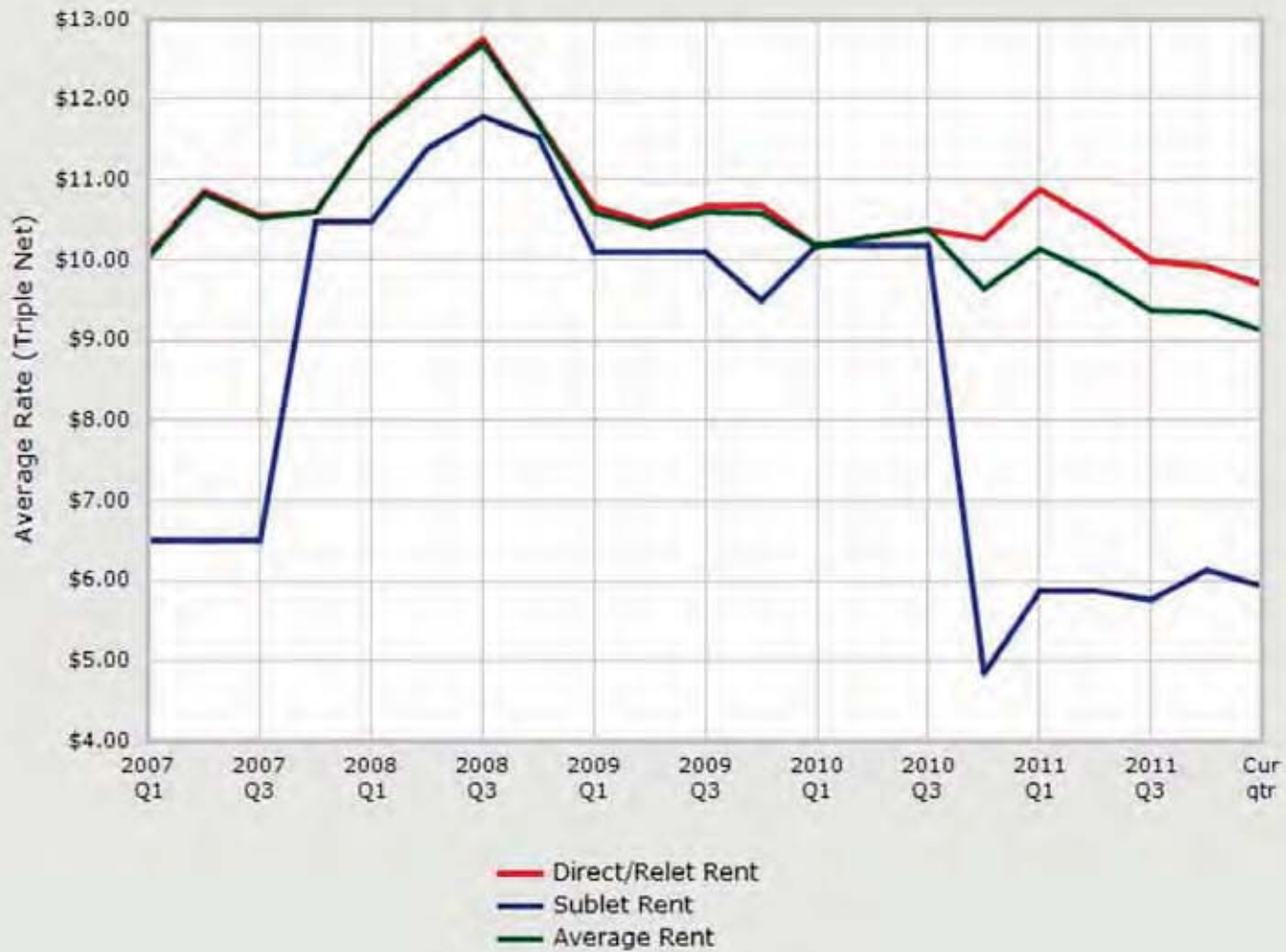
| Summary Stats | # Spaces | Square Feet | Smallest Space | Largest Space | Avg Space |
|------------------|----------|-------------|----------------|---------------|-----------|
| Vacant Available | 222 | 1,185,432 | 192 | 120,562 | 5,340 |
| Total Available | 353 | 1,663,018 | 192 | 120,562 | 4,711 |

| By Space Type | Direct | | Sublet | | Total | |
|------------------|-----------|-------|---------|-------|-----------|-------|
| | SF | % | SF | % | SF | % |
| Vacant Available | 1,041,528 | 5.1 % | 143,904 | 0.7 % | 1,185,432 | 5.8 % |
| Total Available | 1,489,470 | 7.3 % | 170,421 | 0.8 % | 1,663,018 | 8.2 % |

| Over Time | 2012 1Q | | 2011 4Q | | 2011 1Q | |
|------------------|-----------|-------|-----------|-------|-----------|-------|
| | SF | % | SF | % | SF | % |
| Vacant Available | 1,185,432 | 5.8 % | 1,208,390 | 6.3 % | 1,273,537 | 6.7 % |
| Total Vacant | 1,218,543 | 6.0 % | 1,223,866 | 6.4 % | 1,289,537 | 6.7 % |

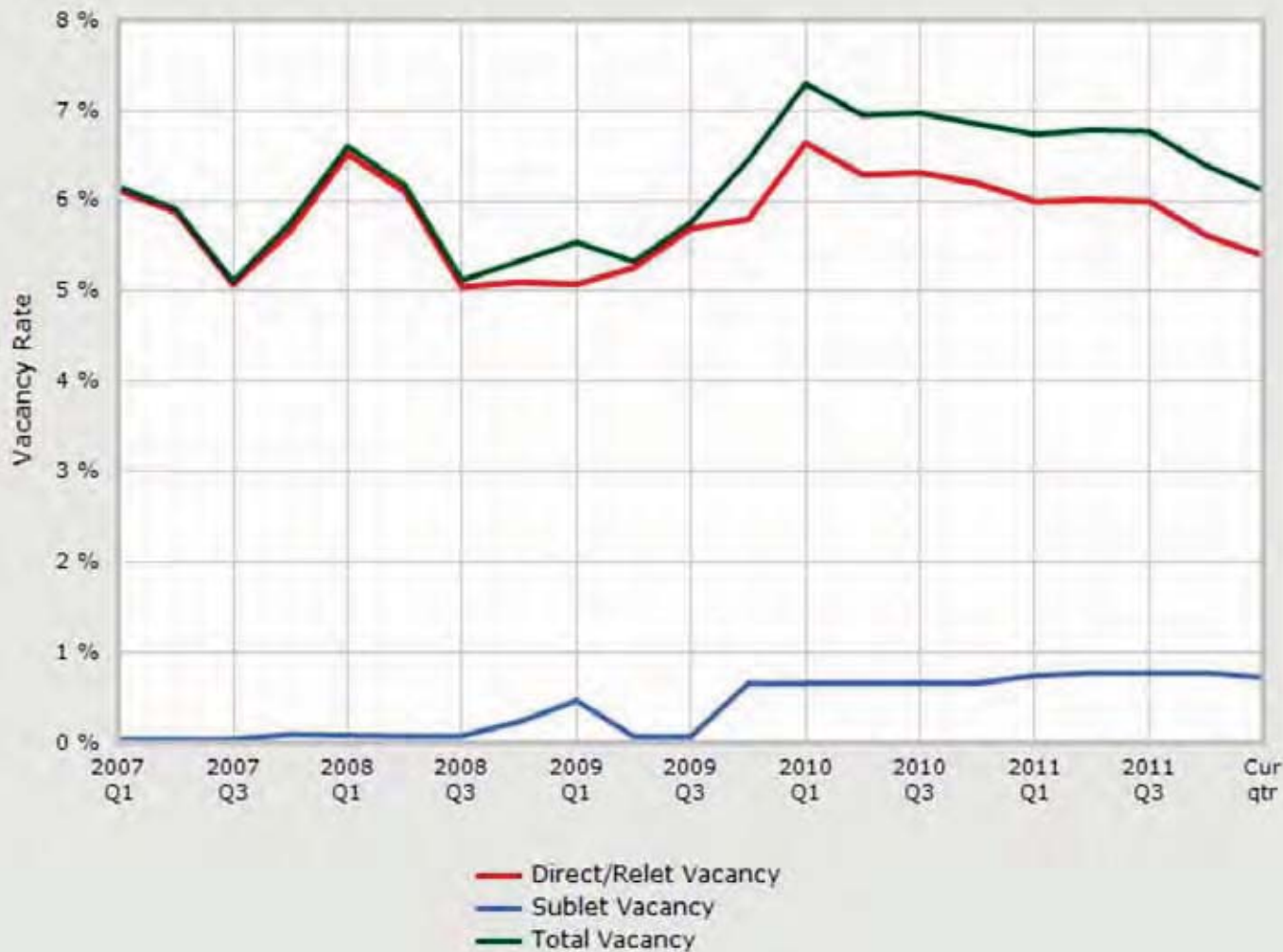
| By Time on Market | Vacant Available | | Total Available | |
|-------------------|------------------|---------|-----------------|---------|
| | # Spaces | SF | # Spaces | SF |
| 0-3 Months | 23 | 71,029 | 46 | 136,598 |
| 4-6 Months | 17 | 70,740 | 28 | 114,312 |
| 7-9 Months | 10 | 36,810 | 33 | 90,075 |
| 10-12 Months | 17 | 79,505 | 27 | 150,951 |
| 13-15 Months | 18 | 187,410 | 19 | 191,010 |
| 16-18 Months | 5 | 39,489 | 7 | 54,363 |
| 19-21 Months | 10 | 31,538 | 26 | 101,786 |
| 22+ Months | 122 | 668,911 | 160 | 823,923 |

SJ Co. Retail Rental Rates



| occupancy | | | |
|--------------------|-------------------|-----|--|
| Existing Bldgs: | 1552 | | |
| # Spaces: | 342 | | |
| Existing RBA: | 19,934,554 | | |
| Vacant: | <1,218,543> | 6% | |
| Occupied: | 18,716,011 | 94% | |
| Leased: | 18,895,196 | 95% | |
| availability | | | |
| Vacant Avail: | 1,183,262 | 6% | |
| Total Avail: | 1,657,246 | 8% | |
| Direct Avail: | 1,483,698 | 7% | |
| Sublet Avail: | 170,421 | 1% | |
| Average Time: | 26.3 Months | | |
| leasing activity | | | |
| Leasing YTD: | 4,000 | 0% | |
| Net Absorp YTD: | 5,323 | 0% | |
| direct triple rent | | | |
| Retail range: | \$2.50-\$22.00/yr | | |
| Retail Avg: | \$9.69/yr | | |

SJ Co. Retail Vacancy Rates



occupancy

| | | |
|-----------------|-------------|-----|
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| # Spaces: | 342 | |
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leasing activity

| | | |
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direct triple rent

| | |
|---------------|-------------------|
| Retail range: | \$2.50-\$22.00/yr |
| Retail Avg: | \$9.69/yr |

Commercial Land

National Overview

- The National Land Index finished 2011 down a cumulative 41% from the peak of the last cycle, and has not shown any tangible recovery to date following three years of quarterly declines, although losses appear to be easing.
- National land sales for 2011 were reported to be \$19.6 billion. This was a decrease of 14% from 2010. Land sales peaked at \$62.2 billion in 2005 and have fallen since then.

Elkhart County

Commercial Land Review

Elk. Co. Land Summary

- Available commercial and industrial land: 57 parcels from 3 acres and up
 - Industrial: 28 parcels ranging from 3-acre to 133-acre
 - Commercial/Retail: 29 parcels ranging from 3-acre to 104-acre
- 9 small land sales closed in 2011, none of any significance to suggest a trend

St. Joseph County

Commercial Land Review

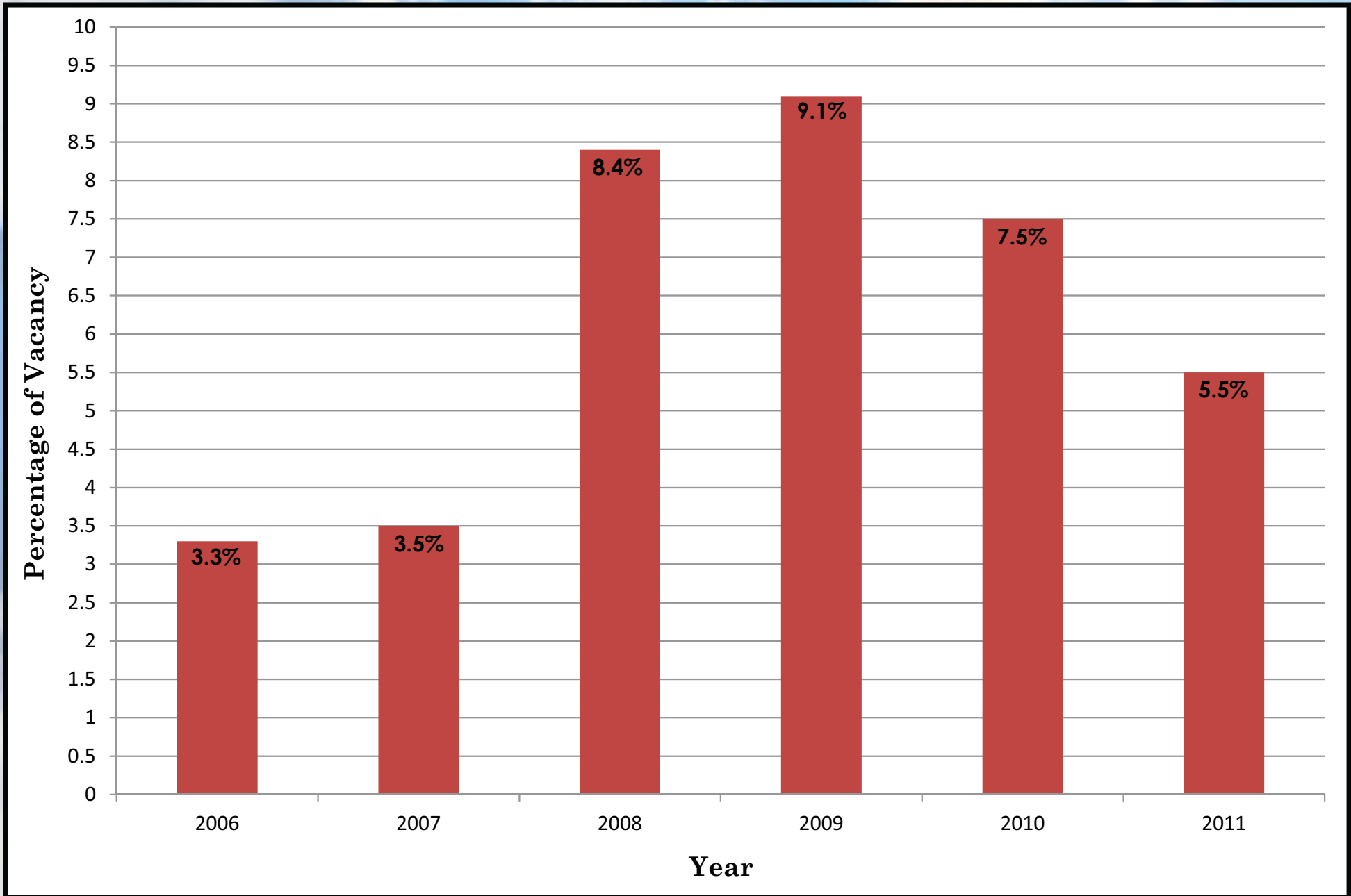
SJ Co. Land Summary

- Available commercial and industrial land: 86 parcels from 3 acres and up
 - Industrial: 17 parcels ranging from 3-acre to 40-acre
 - Commercial/Retail: 69 parcels ranging from 3-acre to 75-acre
- Six total land sales recorded in St. Joseph County with the most significant sale being the land at Erskine Commons (Ireland & US 31) which was sold to Buffalo Wild Wings

Elkhart County

Review of the Industrial Market

Elk. Co. Industrial Vacancy Rates



Elk. Co. Industrial Space For Sale

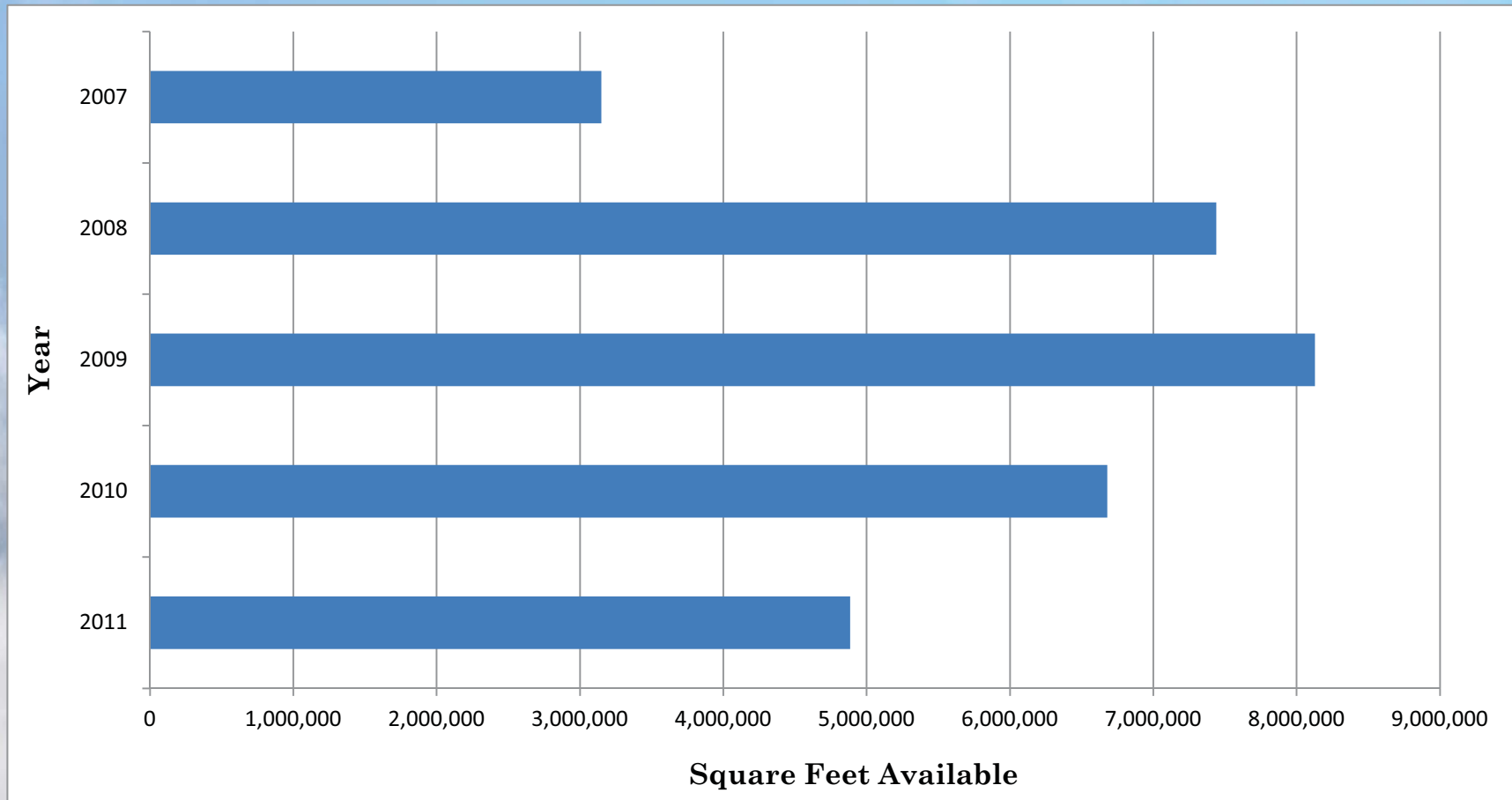
| Square Feet | 2011 | Number of Buildings | 2010 | Number of Buildings | 2009 | Number of Buildings | 2008 | Number of Buildings |
|-------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|
| Less than 5,000 | 5,503 | 3 | 3,113 | 2 | 4,800 | 1 | 13,692 | 3 |
| 5,000 - 19,999 | 364,818 | 31 | 353,269 | 31 | 215,304 | 19 | 261,160 | 20 |
| 20,000 - 39,999 | 407,260 | 15 | 643,140 | 23 | 575,658 | 20 | 565,294 | 20 |
| 40,000 - 59,999 | 392,327 | 8 | 536,576 | 11 | 642,564 | 14 | 445,505 | 10 |
| 60,000 - 99,999 | 514,005 | 6 | 1,422,413 | 17 | 1,188,509 | 14 | 1,342,705 | 14 |
| 100,000 - 250,000 | 1,249,605 | 8 | 1,516,696 | 11 | 2,500,271 | 17 | 2,193,755 | 14 |
| 250,000 + | 425,600 | 1 | 706,487 | 2 | 962,482 | 3 | 980,916 | 2 |
| Totals | 3,359,118 | 72 | 5,181,694 | 97 | 6,089,588 | 88 | 5,803,027 | 83 |

Elk. Co. Industrial Space For Lease

| Square Feet | 2011 | Number of Buildings | 2010 | Number of Buildings | 2009 | Number of Buildings | 2008 | Number of Buildings |
|-------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|
| Less than 5,000 | 17,878 | 7 | 29,055 | 11 | 40,258 | 10 | 96,768 | 27 |
| 5,000 - 19,999 | 526,951 | 48 | 484,162 | 46 | 166,850 | 15 | 140,185 | 12 |
| 20,000 - 39,999 | 439,945 | 16 | 542,481 | 19 | 474,861 | 17 | 316,306 | 12 |
| 40,000 - 59,999 | 282,311 | 6 | 478,600 | 10 | 699,794 | 15 | 91,500 | 2 |
| 60,000 - 99,999 | 627,965 | 8 | 1,480,243 | 18 | 1,335,972 | 14 | 694,651 | 9 |
| 100,000 - 250,000 | 1,005,054 | 7 | 1,146,538 | 9 | 1,862,684 | 14 | 297,320 | 2 |
| 250,000 + | 842,475 | 2 | 706,487 | 2 | 1,098,475 | 3 | 0 | 0 |
| Totals | 3,742,579 | 94 | 4,867,566 | 115 | 5,678,894 | 88 | 1,636,730 | 64 |

Elk. Co. Total Available Industrial Space

| Year | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------|-----------|-----------|-----------|-----------|-----------|
| Square Feet | 4,884,394 | 6,678,621 | 8,126,897 | 7,439,757 | 3,149,120 |



Elk. Co. Industrial Space Sale Asking Prices

| Square Feet | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Less than 5,000 | \$28.00 - \$35.00/SF | \$25.00 - \$32.00/SF | \$20.00 - \$30.00/SF | \$21.00 - \$39.00/SF | \$35.00 - \$40.00/SF |
| 5,000 - 19,999 | \$16.00 - \$28.00/SF | \$18.00 - \$26.00/SF | \$20.00 - \$28.00/SF | \$20.00 - \$30.00/SF | \$22.00 - \$32.00/SF |
| 20,000 - 39,999 | \$15.00 - \$22.00/SF | \$15.00 - \$22.00/SF | \$16.00 - \$24.00/SF | \$16.00 - \$30.00/SF | \$22.00 - \$30.00/SF |
| 40,000 - 59,999 | \$12.00 - \$19.00/SF | \$14.00 - \$19.00/SF | \$15.00 - \$21.00/SF | \$18.00 - \$21.00/SF | \$18.00 - \$25.00+/SF |
| 60,000 - 99,999 | \$10.00 - \$18.00/SF | \$12.00 - \$19.00/SF | \$14.00 - \$20.00/SF | \$14.00 - \$25.00/SF | \$17.00 - \$25.00+/SF |
| 100,000 - 250,000 | \$8.00 - \$15.00/SF | \$11.00 - \$16.00/SF | \$12.00 - \$19.00/SF | \$11.00 - \$25.00/SF | \$16.00 - \$25.00+/SF |

Elk. Co. Industrial Space Lease Asking Prices

| Square Feet | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Less than 5,000 | \$2.50 - \$3.50/SF | \$2.25 - \$3.75/SF | \$2.50 - \$3.00/SF | \$2.00 - \$4.00/SF | \$3.00 - \$4.20/SF |
| 5,000 - 19,999 | \$1.80 - \$2.75/SF | \$2.00 - \$3.00/SF | \$2.25 - \$2.75/SF | \$2.40 - \$3.50/SF | \$2.80 - \$4.00/SF |
| 20,000 - 39,999 | \$1.75 - \$2.65/SF | \$1.95 - \$2.50/SF | \$2.25 - \$2.75/SF | \$2.00 - \$3.30/SF | \$3.00 - \$4.20/SF |
| 40,000 - 59,999 | \$1.50 - \$2.50/SF | \$1.80 - \$2.50/SF | \$2.00 - \$2.50/SF | \$2.20 - \$3.25/SF | \$2.60 - \$3.80/SF |
| 60,000 - 99,999 | \$1.50 - \$2.40/SF | \$1.75 - \$2.50/SF | \$2.00 - \$2.75/SF | \$2.40 - \$3.00/SF | \$2.40 - \$3.60/SF |
| 100,000 - 250,000 | \$1.50 - \$2.25/SF | \$1.50 - \$2.25/SF | \$1.80 - \$2.80/SF | \$2.20 - \$3.00/SF | \$2.20 - \$3.60/SF |

Notable Industrial Deals: 2011

Lease Transactions

- Nappanee Window, 3535 Corrie Drive, Goshen: 89,750 SF
- VAR Industries, 4906 Hoffman Street, Suite A, Elkhart: 87,500 SF
- Patrick Industries, 1508 N. Eisenhower Drive, Goshen: 50,800 SF
- Doors Plus, 2100 Industrial Parkway, Elkhart: 120,000 SF

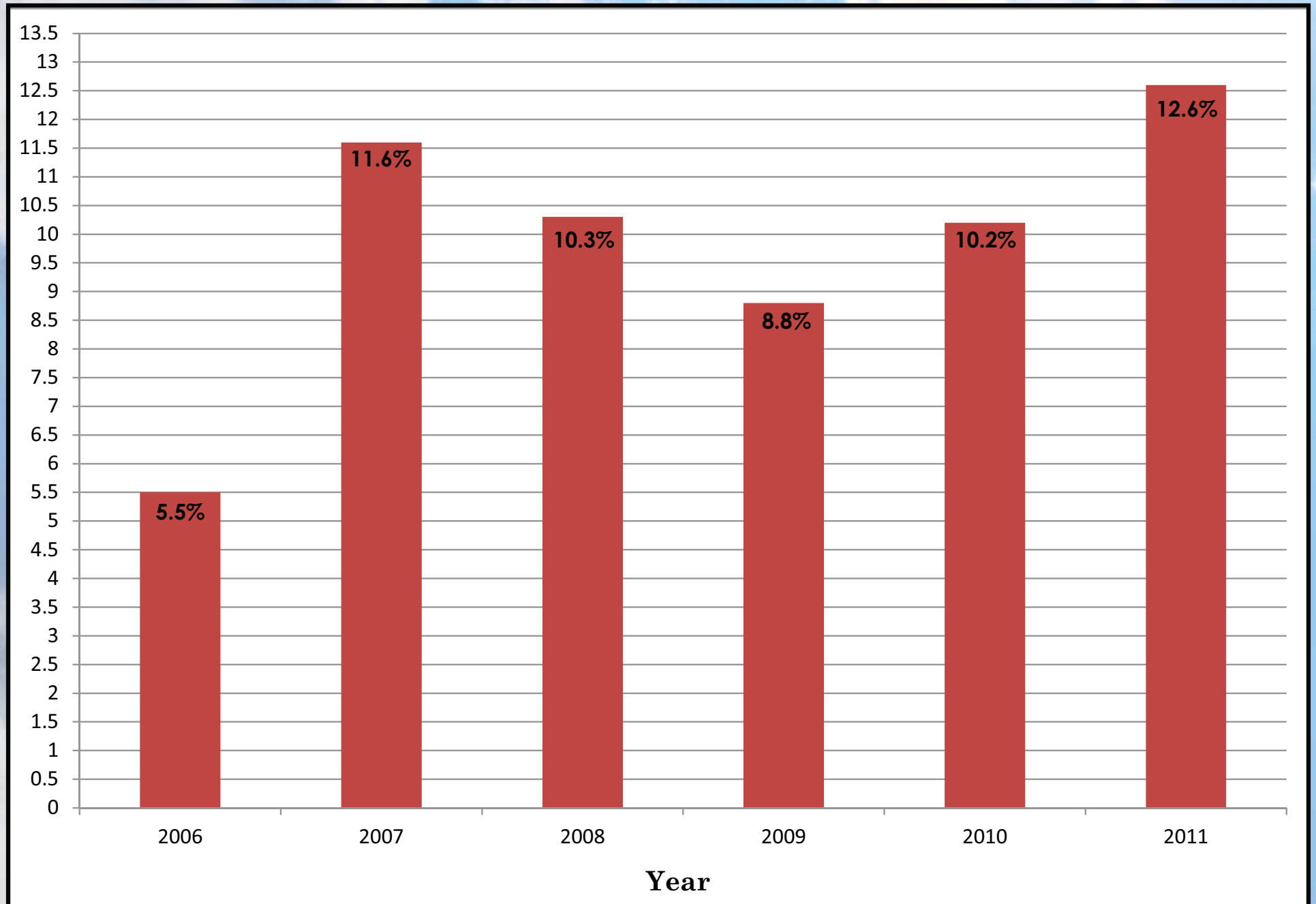
Sale Transactions

- Monaco Coach Plants 3&4, 1722 Mishawaka Rd., Elkhart: 280,882 SF
- Burnstine Building, 22365 Elkhart East Blvd., Elkhart: 65,072 SF
- Gunite Building, 1287 Earthway Drive, Bristol: 108,768 SF
- Trophy Homes, 2730 Almac Court, Elkhart: 51,936 SF

St. Joseph County

Review of the Industrial Market

SJ Co. Industrial Vacancy Rates



St. Joseph Co. Industrial Space For Sale

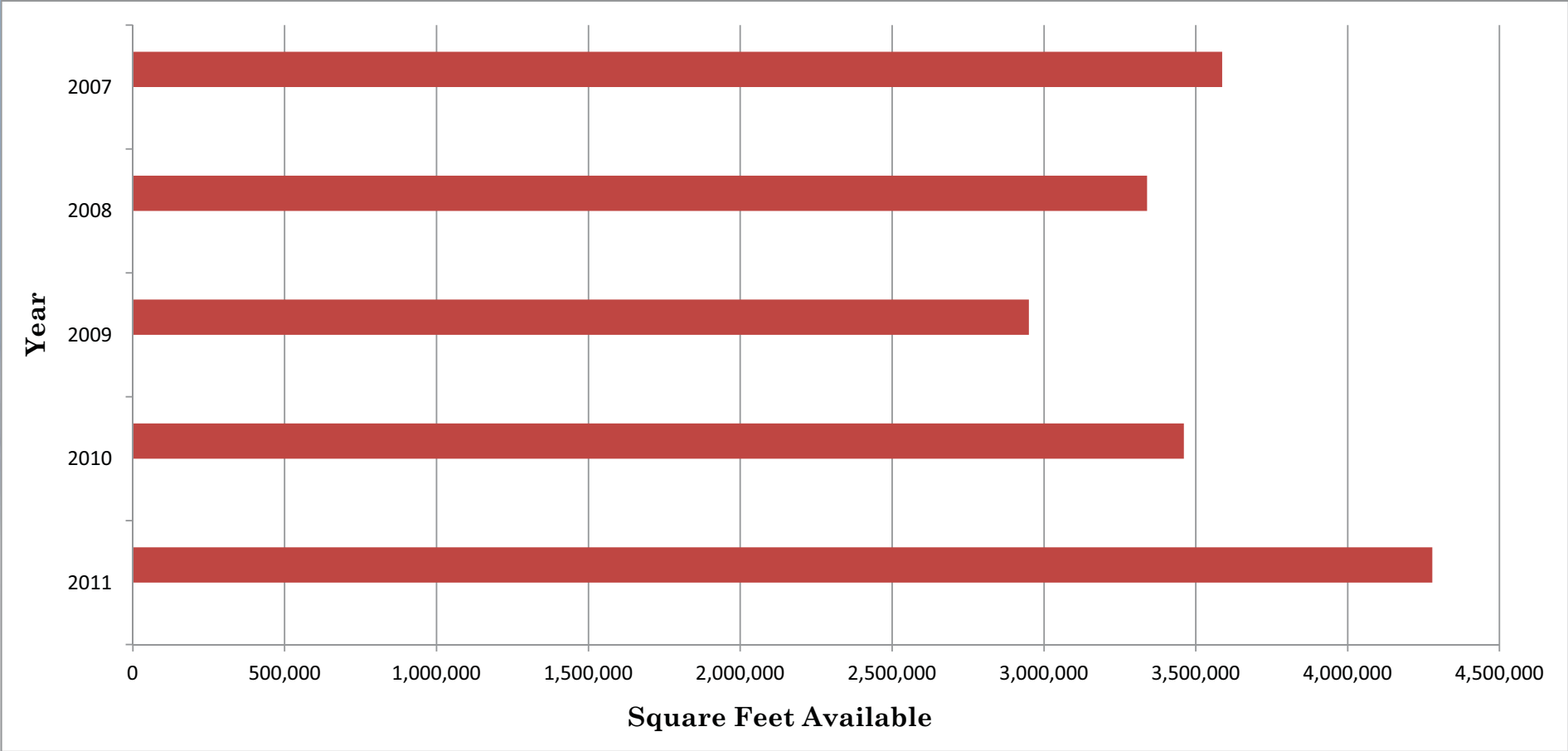
| Square Feet | 2011 | Number of Buildings | 2010 | Number of Buildings | 2009 | Number of Buildings | 2008 | Number of Buildings |
|-------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|
| Less than 5,000 | 13,026 | 5 | 7,794 | 2 | 11,394 | 4 | 33,529 | 10 |
| 5,000 - 19,999 | 298,017 | 29 | 243,884 | 25 | 168,587 | 16 | 216,261 | 20 |
| 20,000 - 39,999 | 202,434 | 7 | 174,773 | 6 | 278,249 | 10 | 320,681 | 11 |
| 40,000 - 59,999 | 282,083 | 6 | 182,174 | 4 | 85,672 | 2 | 277,059 | 6 |
| 60,000 - 99,999 | 297,767 | 4 | 215,304 | 3 | 286,304 | 4 | 617,441 | 8 |
| 100,000 - 250,000 | 316,770 | 2 | 572,601 | 4 | 373,919 | 2 | 393,405 | 2 |
| 250,000 + | 1,783,312 | 4 | 600,000 | 1 | 0 | 0 | 0 | 0 |
| Totals | 3,193,409 | 57 | 1,996,530 | 45 | 1,204,125 | 38 | 1,858,376 | 57 |

St. Joseph Co. Industrial Space For Lease

| Square Feet | 2011 | Number of Buildings | 2010 | Number of Buildings | 2009 | Number of Buildings | 2008 | Number of Buildings |
|-------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|
| Less than 5,000 | 81,915 | 30 | 133,987 | 21 | 106,819 | 15 | 107,519 | 39 |
| 5,000 - 19,999 | 336,118 | 36 | 249,876 | 36 | 153,122 | 15 | 186,395 | 16 |
| 20,000 - 39,999 | 252,160 | 9 | 317,192 | 11 | 333,004 | 13 | 285,222 | 10 |
| 40,000 - 59,999 | 333,528 | 7 | 371,461 | 8 | 376,672 | 9 | 266,610 | 7 |
| 60,000 - 99,999 | 448,717 | 6 | 301,994 | 4 | 409,305 | 5 | 97,686 | 1 |
| 100,000 - 250,000 | 556,316 | 4 | 1,100,219 | 7 | 1,078,983 | 6 | 536,000 | 3 |
| 250,000 + | 838,500 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 2,847,254 | 94 | 2,474,729 | 87 | 2,457,905 | 63 | 1,479,432 | 76 |

SJ Co. Total Available Industrial Space

| Year | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------|-----------|-----------|-----------|-----------|-----------|
| Square Feet | 4,278,666 | 3,460,687 | 2,950,088 | 3,339,808 | 3,586,307 |



SJ Co. Industrial Space Sale Asking Prices

| Square Feet | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Less than 5,000 | \$38.00 - \$48.00/SF | \$32.00 - \$44.00/SF | \$24.00 - \$36.00/SF | \$30.00 - \$49.00/SF | \$48.00 - \$50.00/SF |
| 5,000 - 19,999 | \$25.00 - \$38.00/SF | \$32.00 - \$46.00/SF | \$24.00 - \$32.00/SF | \$24.00 - \$40.00/SF | \$35.00 - \$40.00/SF |
| 20,000 - 39,999 | \$24.00 - \$34.00/SF | \$20.00 - \$32.00/SF | \$21.00 - \$30.00/SF | \$24.00 - \$38.00/SF | \$32.00 - \$38.00/SF |
| 40,000 - 59,999 | \$14.00 - \$22.00/SF | \$16.00 - \$22.00/SF | \$16.00 - \$24.00/SF | \$20.00 - \$28.00/SF | \$30.00 - \$35.00/SF |
| 60,000 - 99,999 | \$22.00 - \$27.00/SF | \$16.00 - \$24.00/SF | \$16.00 - \$24.00/SF | \$18.00 - \$45.00/SF | \$28.00 - \$32.00/SF |
| 100,000 - 250,000 | \$11.00 - \$19.00/SF | \$14.00 - \$24.00/SF | \$15.00 - \$23.00/SF | \$20.00 - \$32.00/SF | \$26.00 - \$32.00/SF |

SJ Co. Industrial Space Lease Asking Prices

| Square Feet | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Less than 5,000 | \$3.50 - \$5.50/SF | \$3.50 - \$6.00/SF | \$3.50 - \$6.00/SF | \$4.00 - \$5.00/SF | \$5.00 - \$6.00/SF |
| 5,000 - 19,999 | \$3.00 - \$5.00/SF | \$3.00 - \$6.00/SF | \$3.00 - \$4.00/SF | \$3.75 - \$4.50/SF | \$4.25 - \$4.75/SF |
| 20,000 - 39,999 | \$2.50 - \$3.50/SF | \$2.50 - \$3.50/SF | \$2.75 - \$3.75/SF | \$2.90 - \$3.75/SF | \$3.50 - \$4.45/SF |
| 40,000 - 59,999 | \$2.00 - \$3.00/SF | \$2.25 - \$3.00/SF | \$2.50 - \$3.50/SF | \$2.50 - \$3.95/SF | \$3.25 - \$4.25/SF |
| 60,000 - 99,999 | \$2.30 - \$3.25/SF | \$2.25 - \$3.00/SF | \$2.50 - \$3.75/SF | \$3.00 - \$3.95/SF | \$3.00 - \$3.95/SF |
| 100,000 - 250,000 | \$2.00 - \$3.00/SF | \$2.25 - \$3.00/SF | \$2.50 - \$3.50/SF | \$2.50 - \$3.50/SF | \$2.75 - \$3.80/SF |

Notable Industrial Deals: 2011

Lease Transactions

- Holladay Building, 5102 Dylan Drive, South Bend: 73,614 SF
- Accuride Building, 4300 Quality Drive, South Bend: 182,724 SF
- Center Point Building, 1827 N. Bendix Drive, South Bend: 80,000 SF

Sale Transactions

- Clark Foods, 1901 Bendix Drive, South Bend: 147,208 SF
- Scott Brass, 700 S. Union Street, Mishawaka: 144,510 SF
- FAI Building, 1460 12th Street, Mishawaka: 40,650 SF

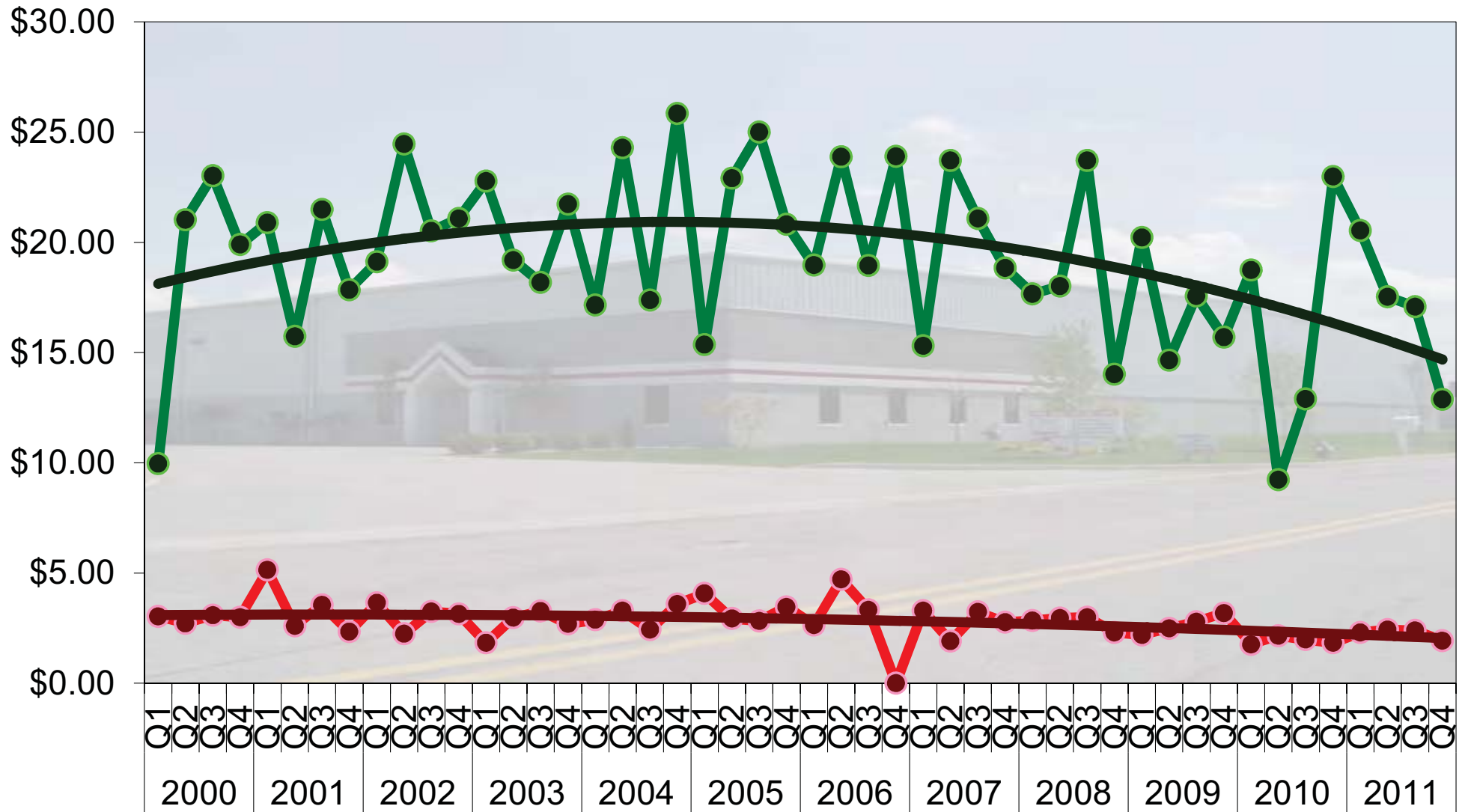
Market Data Industrial Inventory

| | Inventory SF | Vacant SF | Percentage |
|-----------------------|--------------------|------------------|-------------|
| Elkhart County | 89,418,730 | 4,884,394 | 5.5% |
| St. Joseph County | 34,043,504 | 4,278,666 | 12.6% |
| Combined Total | 123,462,234 | 9,163,060 | 7.4% |

Market Conditions

Industrial Market History

Chart 1: Industrial Buy/Rent Market



● Sale Avg. Rate

● Rent Avg. Rate

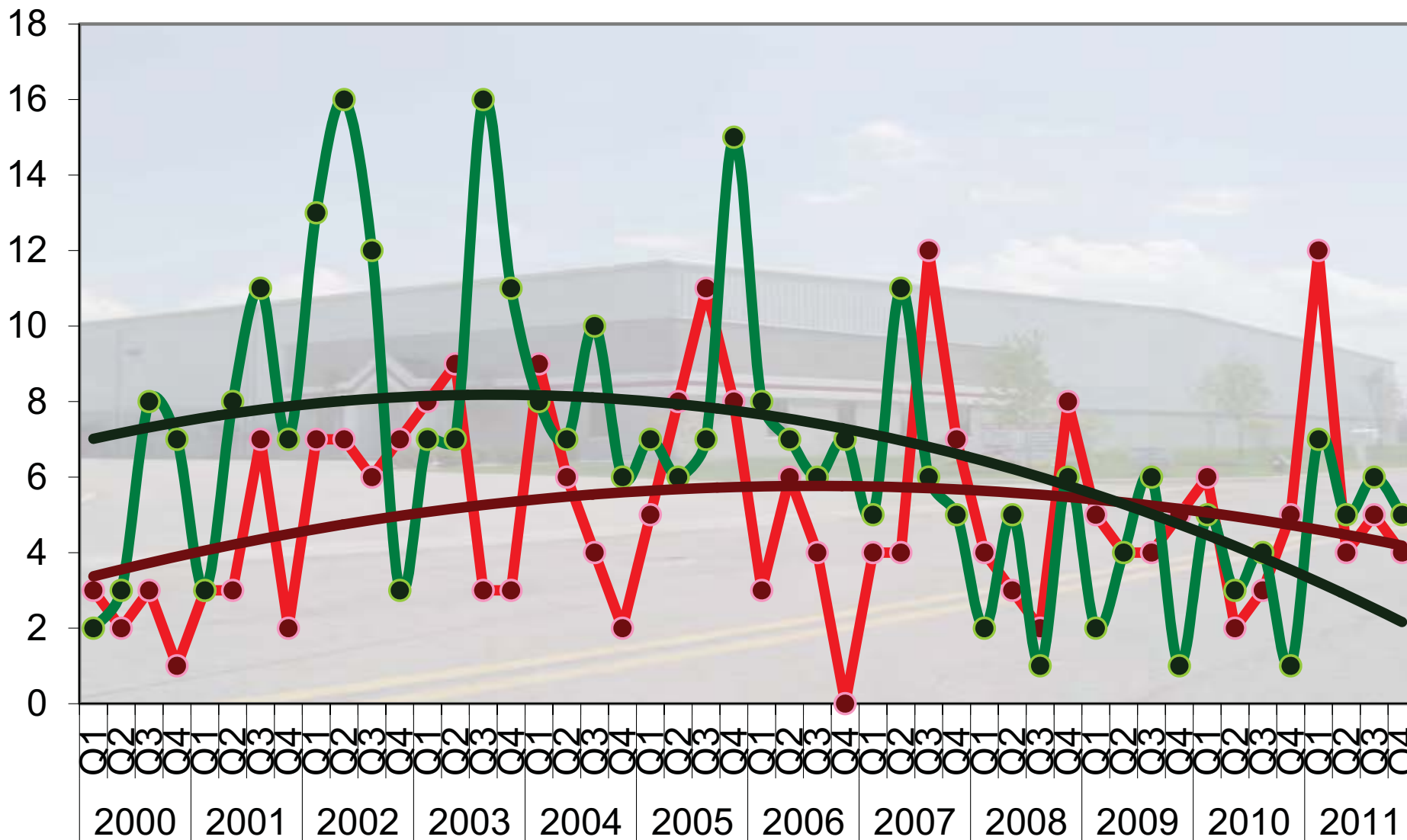
— Poly. (Sale Avg. Rate)

— Poly. (Rent Avg. Rate)

Industrial Market Activity

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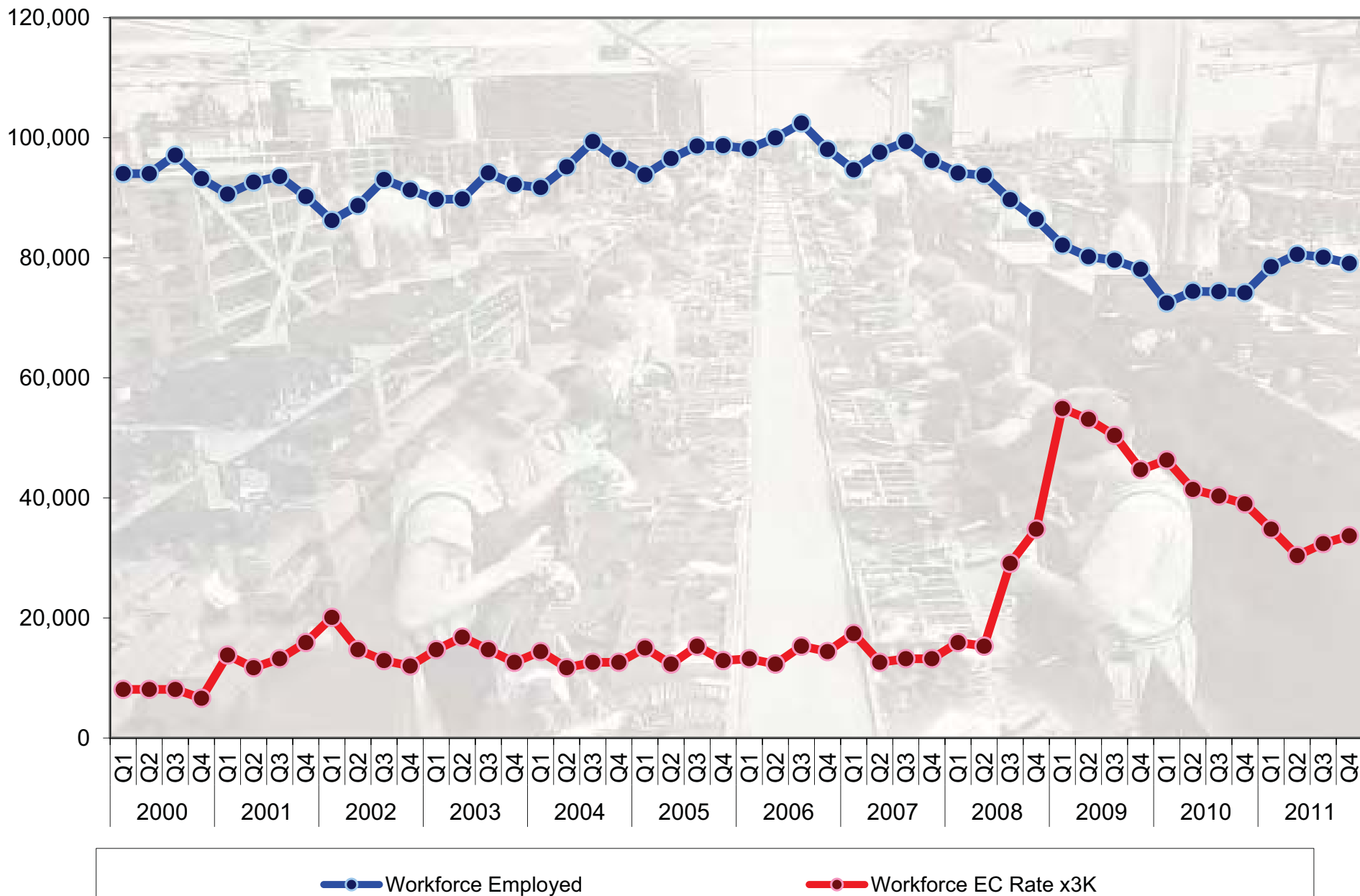
Chart 2: Industrial Buy/Rent Activity



● Rent Number ● Sale Number — Poly. (Rent Number) — Poly. (Sale Number)

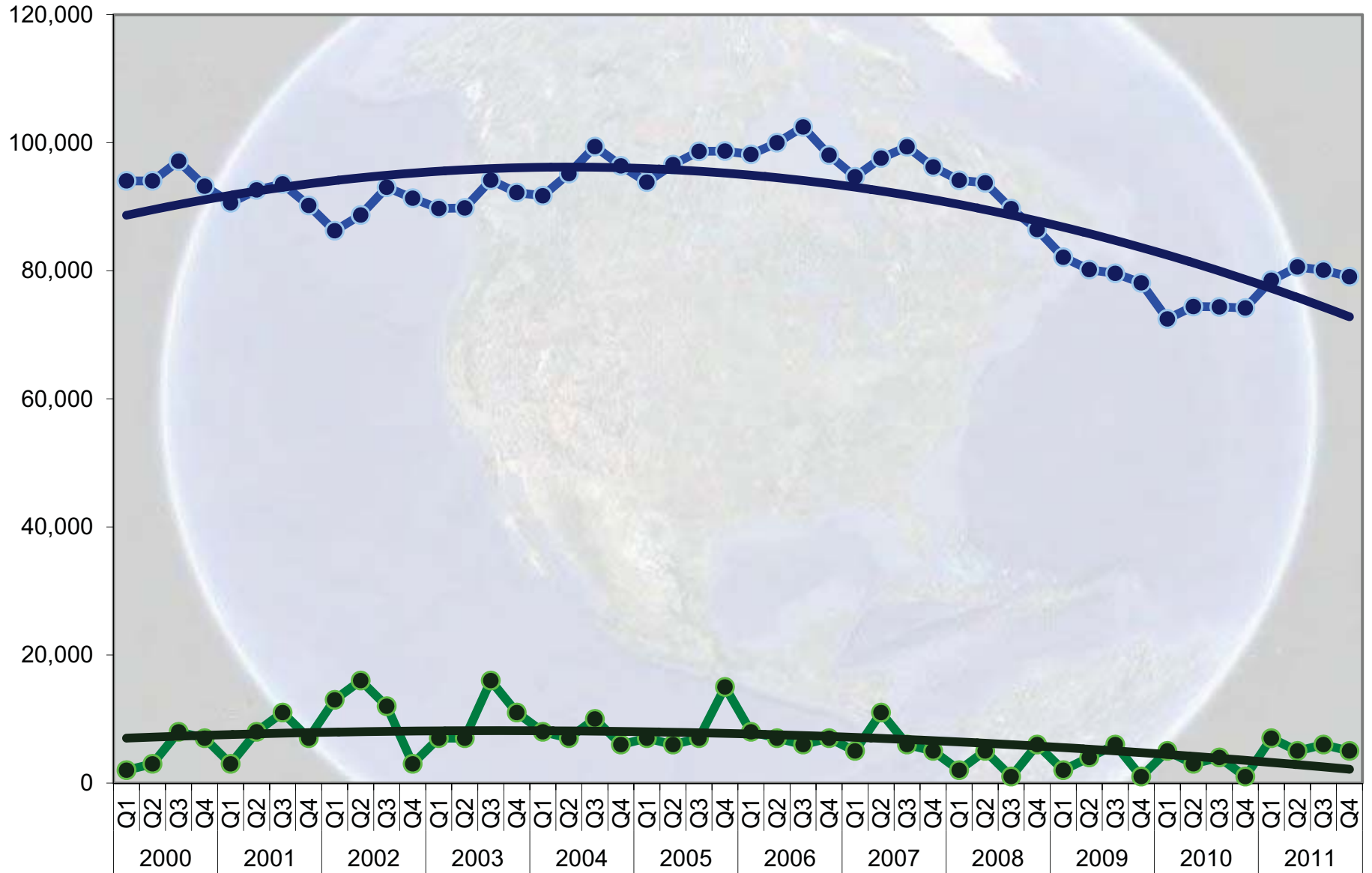
Employment History

Chart 3: Employment/Unemployment



Industrial Activity vs. Employment

Chart 4: Activity VS Employment



● Sale Sale # x1000
 ● Workforce Employed
 — Poly. (Sale Sale # x1000)
 — Poly. (Workforce Employed)

FM Stone Research

Information Sources:

- FM Stone Commercial Database
- CoStar
- Loopnet
- Local Government
- CCIM Institute
- Society of Industrial and Office Realtors (SIOR)
- National Real Estate Investor
- Real Estate Forum
- Jones Lang LaSalle
- National Association of Realtors (NAR)
- Colliers
- Indiana Business Review
- Bureau of Economic Analysis
- Indiana Department of Workforce Development
- American Institute of Architects
- Star Buildings
- Integra Realty
- The Wall Street Journal: Forecasts from the Bureau of Labor Statistics
- The Associated General Contractors of America
- McGraw-Hill Construction – Dodge Outlook Report
- Metal Building Manufacturers Association (MBMA)

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