

# 2013

## Real Estate Review & Forecast

# Welcome to our 13<sup>th</sup> Annual Event

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# Construction

## *Elkhart & St. Joseph Counties Review*

# 2012 Permits Issued

- **28 New Commercial Construction Permits Issued in Elkhart Co. Number is up 2.7% over 2011; Valued at \$14.5 Million**
- **19\* New Commercial Construction Permits Issued in St. Joseph Co.; Valued at \$38.5 Million**

\* Number through November 30, 2012. December data was not available at press time.

# Construction Costs

## Elkhart Co. (range)

Square Feet	2010	2011	2012	2013
5,000 - 19,999	\$21.60 - \$23.40/SF	\$24.20 - \$26.21/SF	\$24.93 - \$29.00/SF	\$25.53 - \$32.40/SF
20,000 - 39,999	\$19.80 - \$21.60/SF	\$22.18 - \$24.19/SF	\$22.85 - \$26.00/SF	\$23.25 - \$28.00/SF
40,000 - 59,999	\$18.90 - \$20.70/SF	\$20.38 - \$28.18/SF	\$21.00 - \$25.00/SF	\$21.70 - \$26.00/SF
60,000 - 99,999	\$17.10 - \$19.80/SF	\$21.10 - \$23.40/SF	\$22.00 - \$24.10/SF	\$22.90 - \$24.90/SF
100,000 - 250,000	\$14.40 - \$18.00/SF	\$20.00 - \$22.00/SF	\$20.60 - \$22.66/SF	\$23.40 - \$25.70/SF

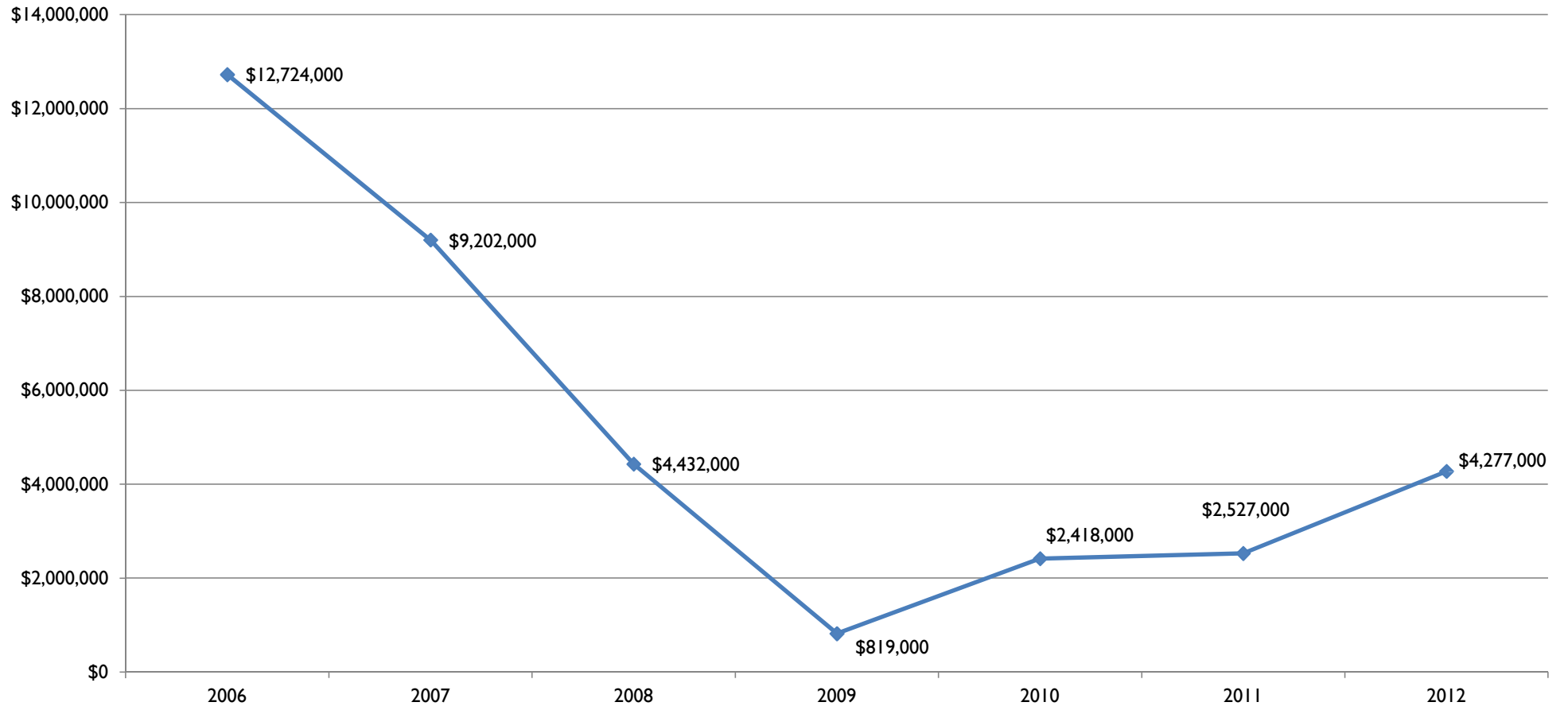
# Construction Costs

## St. Joseph Co. (average)

Square Feet	2010	2011	2012	2013
5,000 - 19,999	\$27.90/SF	\$28.90/SF	\$29.76/SF	\$31.06/SF
20,000 - 39,999	\$19.80/SF	\$21.10/SF	\$21.73/SF	\$22.92/SF
40,000 - 59,999	\$26.10/SF	\$27.00/SF	\$27.81/SF	\$28.81/SF
60,000 - 99,999	\$23.40/SF	\$24.00/SF	\$24.72/SF	\$25.84/SF
100,000 - 250,000	\$22.50/SF	\$23.00/SF	\$23.69/SF	\$24.58/SF

# Steel Shipped: 2012

**MBMA \$ Shipped to Elkhart County by Year**



Note: 1-3Q 2012 Represented. 4Q 2012 not available at press time



# **2012 Construction Trends**

- **Skilled construction jobs remained steady, but the demand for skilled workers outweighed the number of skilled workers in the workforce**
- **Construction spending increased more than forecasted in 2012**

# Construction Forecast

## **Assoc. Builders & Contractors predictions:**

- **Nonresidential building spending is projected to expand 1.5%**
- **Publicly funded construction spending expected to be flat or worse in 2013**
- **Total commercial construction will expand roughly 10% in 2013**
- **Nonresidential construction employment expected to expand 2.1% in 2013**
- **Construction material prices should rise more rapidly in 2013; 2-4% increase projected**

# 2013 Construction Forecast

**Cost Per  
Square Foot**



**Available  
Workforce**



**Construction  
Outlook**



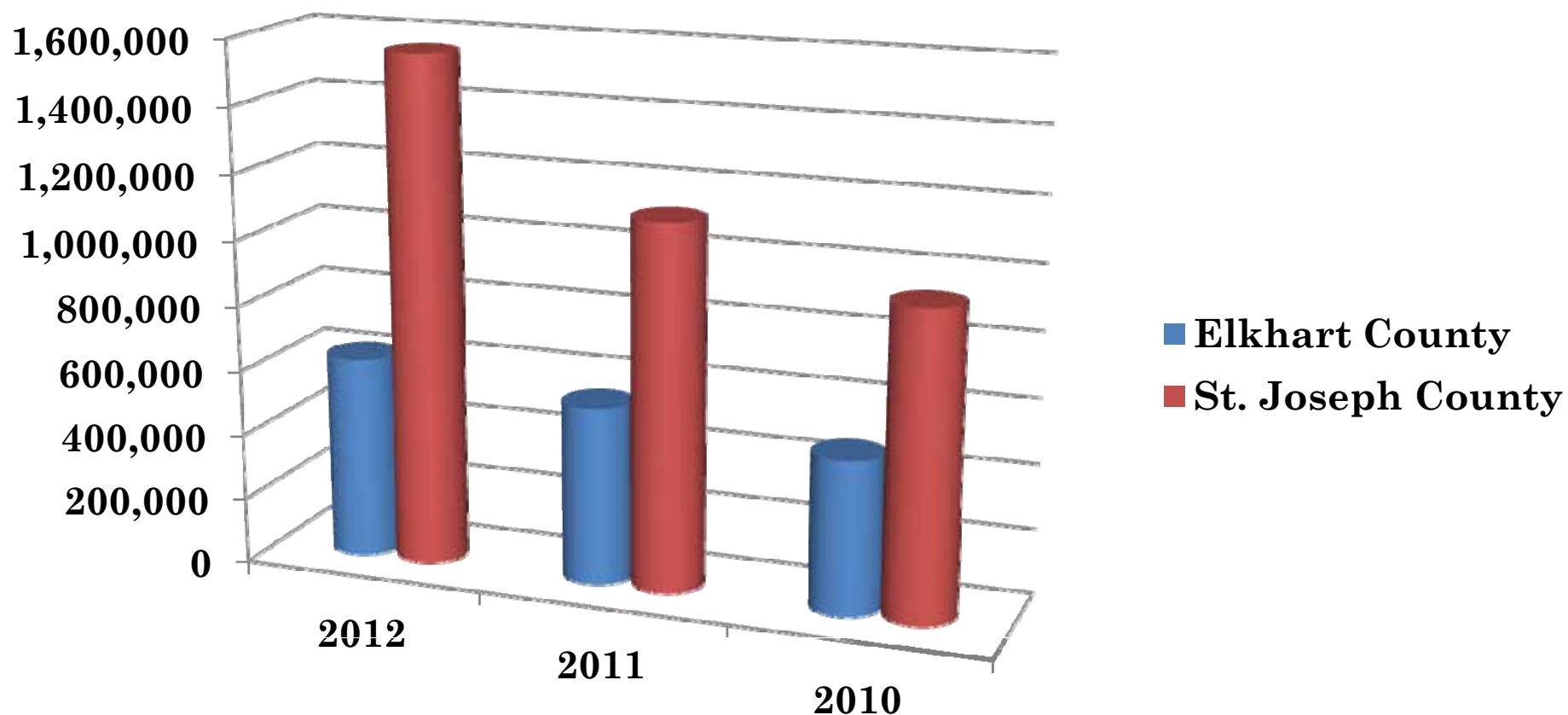
# Office Market Elkhart & St. Joseph Counties

# Availability 2012

- **Availability is up for both counties**
- **Elkhart County had over 618,880 SF of office space available; St. Joseph Co. had 1,556,443 SF of office space available**

# Availability 2012

## SF Available for Sale & Lease



# 2012 Owner Concessions

- **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**

# 2012 Trends

- **In Elkhart & St. Joseph Counties, a total of 162,771 SF of office space was leased or sold:**
  - **85,606 SF in Elkhart Co.**
  - **81,165 SF in St. Joseph Co.**
- **Little change in vacancy numbers. Many companies are simply moving into a same-size space; not increasing or decreasing space requirements**



# 2012 Top Deals: Elkhart

## Top Office Deals (Sale) of 2012

23830 CR 106, Elkhart	25,600 SF
601 E. Beardsley Avenue, Elkhart	13,558 SF

## Top Office Deals (Lease) of 2012

1120 N. Main Street, Elkhart	12,132 SF
226 S. Main Street, Elkhart	7,000 SF
53633 CR 7, Elkhart	6,000 SF
103 Johnston Street, Goshen	2,010 SF

# 2013 Office Forecast

**Price Per SF**



**Vacancy**



**Absorption**



# Retail Market Elkhart & St. Joseph Counties

# Availability 2012

## Elkhart County Retail – For Lease

- **58 properties for lease containing 121 spaces; rents from \$2.50 to \$17.00 PSF**
- **Total Market: 8,611,561 SF**
- **Total Vacant 432,022 SF**

# Availability 2012

## St. Joseph County Retail – For Lease

- **45 properties for lease containing 77 spaces; rents from \$1.00 to \$26.00 PSF**
- **Total Market: 19,934,554 SF**
- **Total Vacant 383,936 SF**

# 2012 Trends

- **Some absorption in the market during 2012**
- **Rents staying steady**
- **Still many rent concessions**
  - **Free rent, tenant improvements, shorter terms**

# 2012 Highlights: Elk Co.

- **Lease of the Former Martin's Space at North Pointe Plaza – 48,000 SF**
- **Announcement of development of the Cassopolis Street & CR 6 Corner (Pet Smart, TJ Maxx, Verizon)**
- **Listed for Sale: American Countryside 51,000 SF + 95 Acres asking \$3,950,000**
- **Listing: Mad Anthony's Restaurant with 8,366 SF asking \$589,000**

# 2012 Highlights: SJ Co.

- **Listing: Football Hall of Fame in downtown South Bend: 51,562 SF asking \$2,867,000 or lease rate of \$5.50 PSF**
- **Rent ranges per square foot for retail were all over the board (\$1.00 PSF to \$26.00 PSF)**



# 2013 Retail Forecast

**Price Per SF**



**Vacancy**



**Absorption**



# Land Market Elkhart & St. Joseph Counties

# 2012 Availability

## Elkhart Co. (1-9-acre parcels)

- **57.35 acres of industrial land in the 1-9-acre range; 159.30 acres of commercial land in the 1-9-acre range**
- **Price Per Acre: from \$15,263/Acre for 1.90-Acre office lot in Waterford Park to \$645,933/Acre for 2.09-Acre retail outlot in front of Walmart on US 20**

# 2012 Availability

## Elkhart Co. (10+ acre parcels)

- 1,066 acres of industrial land in the 10+ acre range; 1,025 acres of commercial land in the 10+ acre range
- Price Per Acre: from \$10,053/Acre for 74 Acres zoned Agriculture on CR 2 in Middlebury to \$150,000/Acre for 10 Acres of retail on Cassopolis Street

# 2012 Availability

## St. Joseph Co. (1-9-acre parcels)

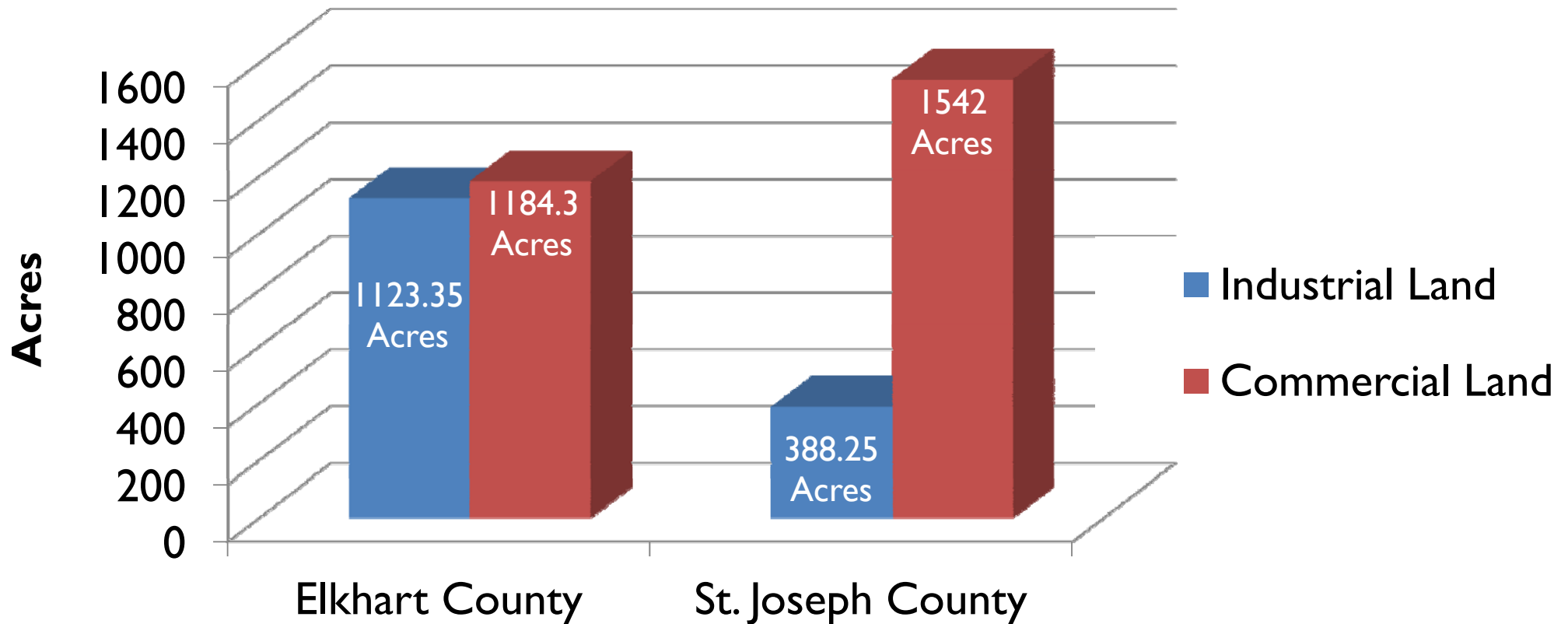
- **36.24 acres of industrial land in the 1-9-acre range; 377 acres of commercial land in the 1-9-acre range**
- **Price Per Acre: from \$38,000/Acre for 2.65 Acres of industrial land on the south side of Mishawaka to \$694,999/Acre for 2.65 Acres of retail land in the heart of Grape Road**

# 2012 Availability

## St. Joseph Co. (10+ acre parcels)

- 352 acres of industrial land in the 10+ acre range; 1,165 acres of commercial land in the 10+ acre range
- Price Per Acre: from \$10,000/acre for 28 Acres of residential development land in North Liberty to \$850,000/acre for 12.5-Acre retail lot on North Main Street in Mishawaka

# 2012 Availability



# **2012 Elk Co. Trends**

- **There were 10 land sales in 2012 totaling 221.557 acres with a sales price of \$3,060,626**
- **Of note, 5 of the transactions, totaling 186.98 Acres (84% total sold for year) were closed in the last 45 days of 2012**



# 2013 Land Forecast

**Price Per Acre**



**Availability**

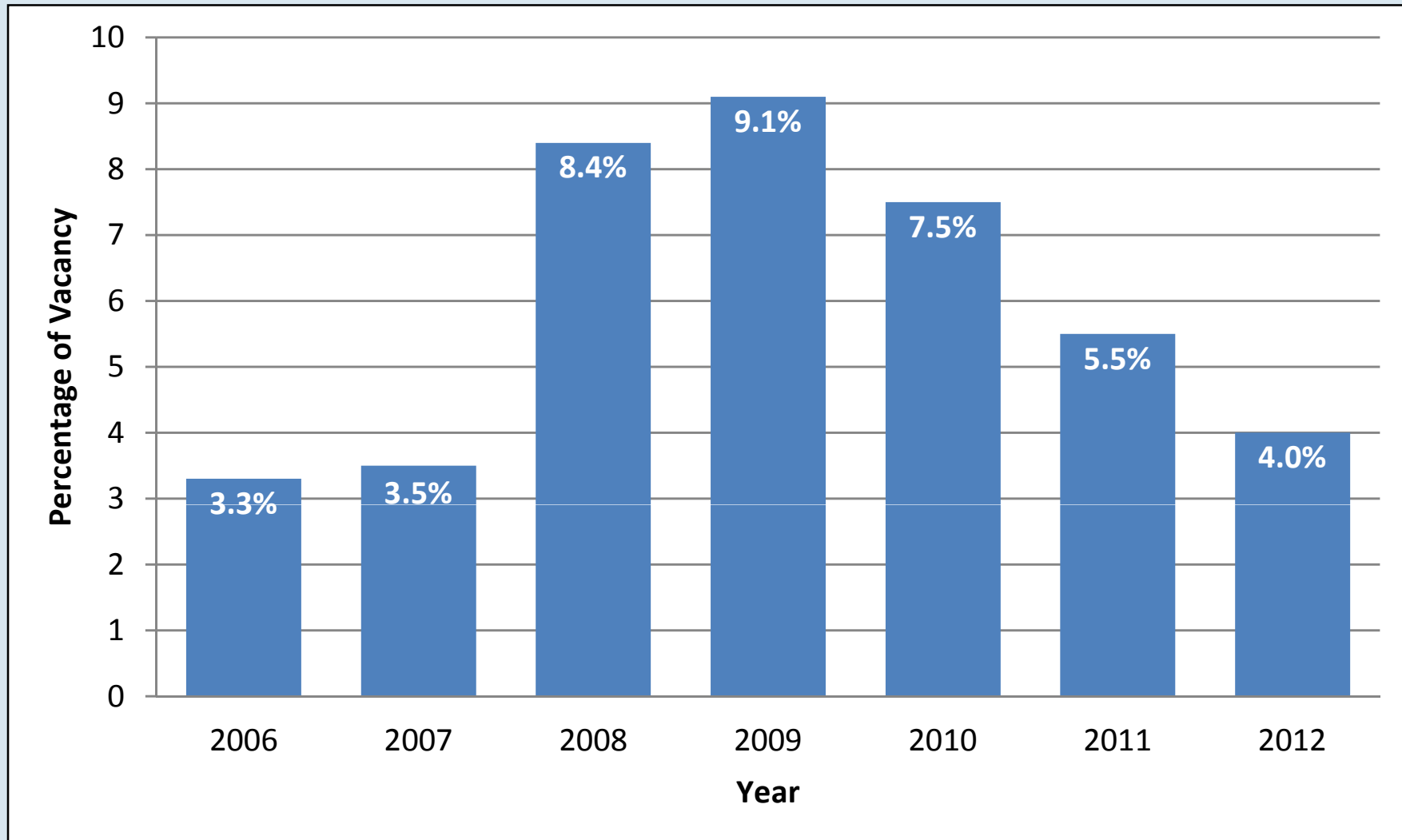


**Absorption**

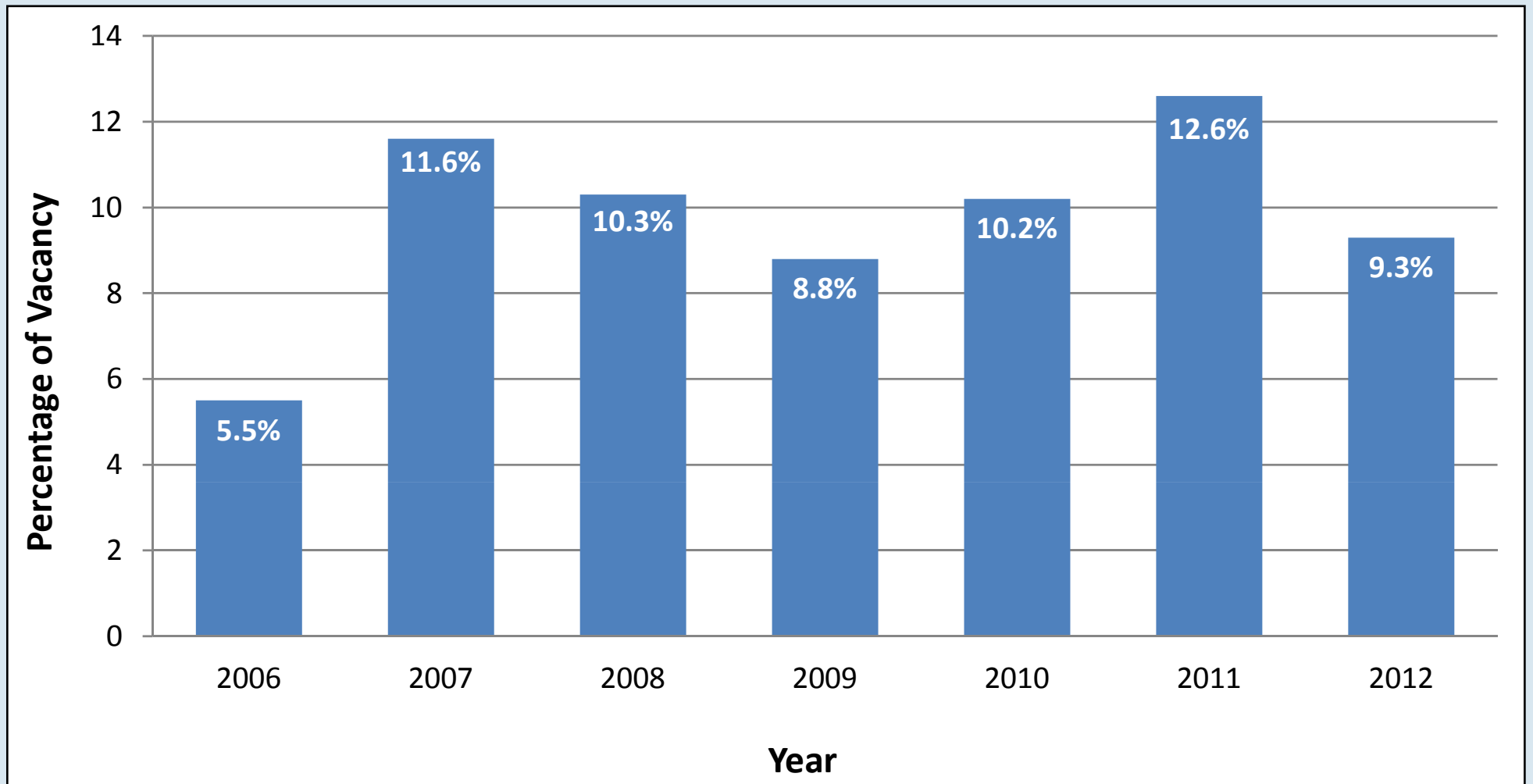


# Industrial Market Elkhart & St. Joseph Counties

# Elkhart Co. Vacancy Rates



# St. Joseph Co. Vacancy Rates



# 2012 Industrial Inventory

	Inventory SF	Vacant SF	Percentage
Elkhart County	90,181,392	3,639,186	4.0%
St. Joseph County	34,389,939	3,195,386	9.3%
<b>Combined Total</b>	<b>124,571,331</b>	<b>6,834,572</b>	<b>5.5%</b>

# **2012 Trends: Elk. Co.**

- **Elkhart County's vacancy rate is nearing the heydays of 2005-2006**
- **The market is flush with buildings 5,000 SF to 39,999 SF; there are over 60 on the market available**
- **Very few buildings above 60,000 SF**

# 2012 Trends: St. Joe Co.

- **St. Joseph County's vacancy rate levels still high, but going down**
- **The market has an ample supply of buildings under 100,000 SF**
- **Only a few buildings available that are above 100,000 SF**

# 2012 Rates

- **In Elkhart County asking sale prices have remained steady; asking lease rates have gone up by approximately 5-10%**
- **In St. Joseph County asking sale prices increased slightly; asking lease rates have gone up in buildings less than 60,000 SF, but have remained steady in larger buildings**



# 2013 Industrial Forecast

Price Per SF



Vacancy

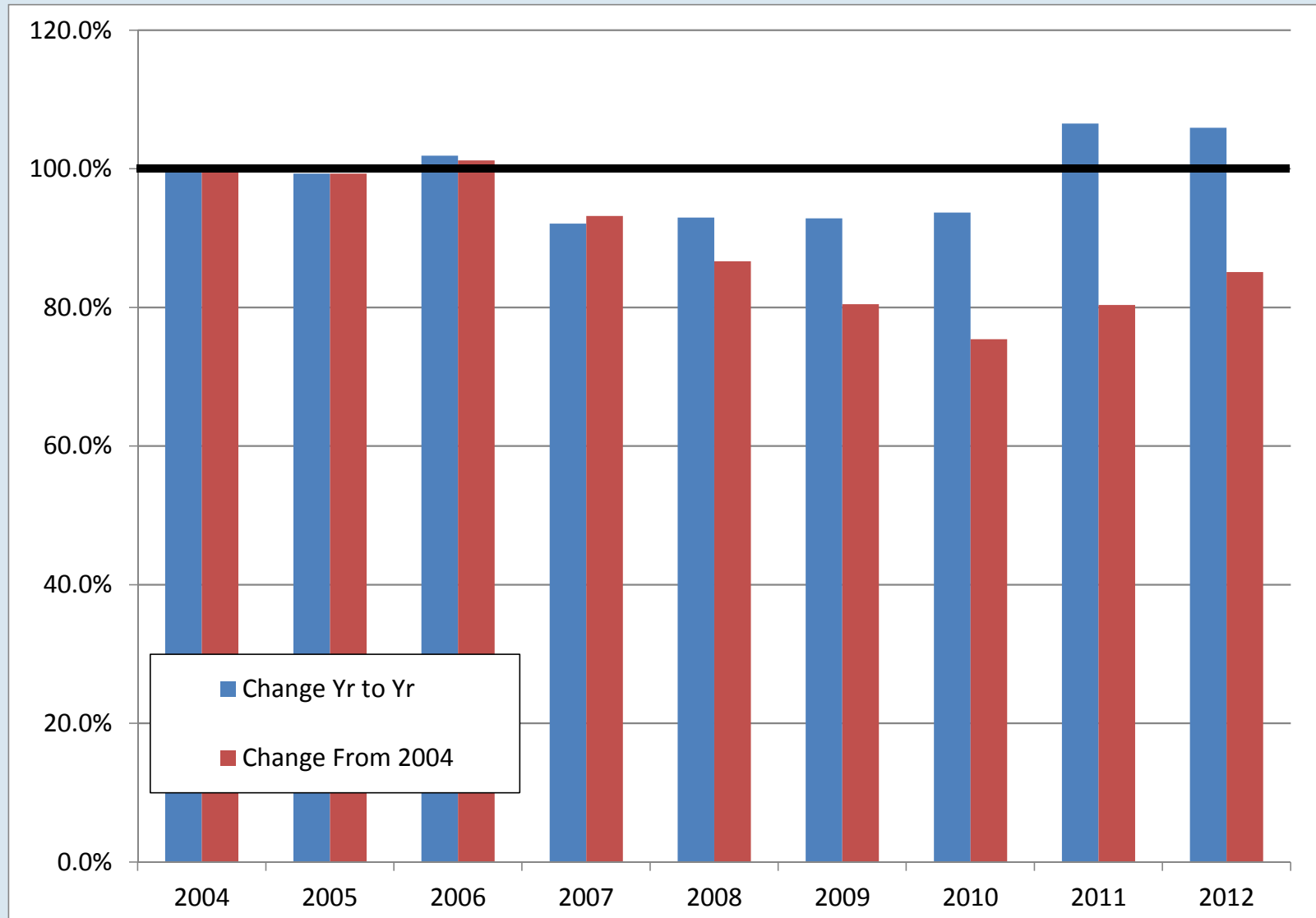


Absorption

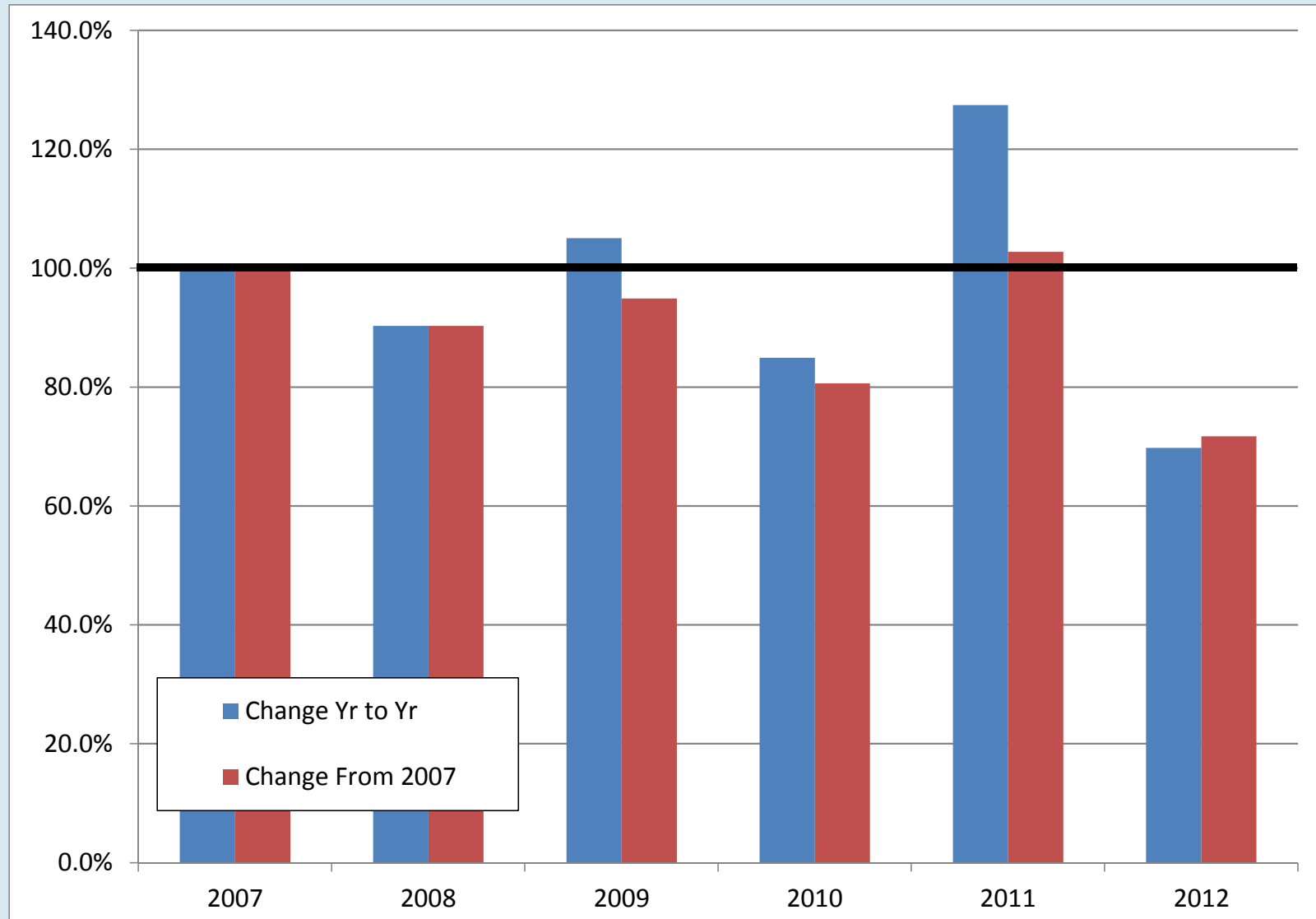


# Market Changes

# Elkhart Co. Industrial \$/SF Change Since 2004



# St. Joseph Co. Industrial \$/SF Change Since 2007



# Actual Rates

- **St. Joseph County still appears to show negative effects of the economy although 2011 spiked**
- **Elkhart County shows two years of slight gain**

**Previous charts based on the average selling rate (\$/SF) of fee simple industrial sales; Samples included large and small buildings.**

# 2013 Market Forecast

## Overall Cycle



# National Overview

## *2012 Report & 2013 Forecast*

# Review of 2012

- CRE has established a new baseline
- Global transaction volume increased by 2%
- Political environment impacts CRE markets
- CRE sectors show significant variations
- Stagnant employment numbers affect CRE values
- Credit markets continued to gain strength
- Flight to quality



# Outlook for 2013

- **Forecast for 2013: Growth**
- **Commercial real estate remains an attractive investment alternative**
- **Modest rental increases in certain sectors**
- **Vacancy rates remain flat or fall slightly**
- **CRE capital markets continue to improve**

# 2013 Forecast By Sector:

## Industrial: Growth

- Vacancy rate have declined to 10.1%
- Expect a slight increase in lease rates
- Coastal markets are strongest

## Multifamily: Strong Growth

- Vacancy rate of 4%
- Lease rates expected to rise
- Major metro markets in high demand

# 2013 Forecast By Sector:

## Retail: Modest Growth

- Vacancy rate declined to 10.8%
- Lease rates will remain flat
- Free standing & grocery anchored: demand

## Office: Modest Growth

- Vacancy rate at 16.7%
- Anticipate a slight increase in lease rates
- Medical office remains strong

# 2013 Forecast By Sector:

## Development: Mixed

- Apartment construction will see strong growth
- Industrial and Office may add inventory
- Retail will remain slow
- Some additional inventory in medical office, senior housing and storage

# 2013 Forecast: The Region

- **Regional CRE market continues to improve**
- **Decline in the unemployment rate in both Elkhart and St. Joseph Co.**
- **Most significant activity: Industrial sector**
- **Inventory being absorbed in certain sectors**
- **Housing fundamentals are improving**

# **Developments to Watch in 2013**

- **Adjusting to the “new normal”**
- **Public policy decisions**
- **Stability of the CRE markets**
- **Inflation?**

# Research Sources

- **FM Stone Commercial Database**
- **Loopnet.com**
- **Local Government**
- **Elkhart County, St. Joseph County, City of Goshen and City of Elkhart Building Departments**
- **Associated Builders & Contractors Inc.**
- **Metal Building Manufacturers Association (MBMA)**
- **Star Buildings**
- **National Association of Realtors (NAR)**
- **CCIM Institute**
- **Society of Industrial and Office Realtors (SIOR)**
- **Bureau of Labor Statics**
- **CoStar**
- **Jones Lang Lasalle**
- **National Real Estate Investor**
- **Kelley School of Business, Indiana University, Bloomington**

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