



2015

15th Annual Real Estate Review & Forecast

This Year's Sponsors



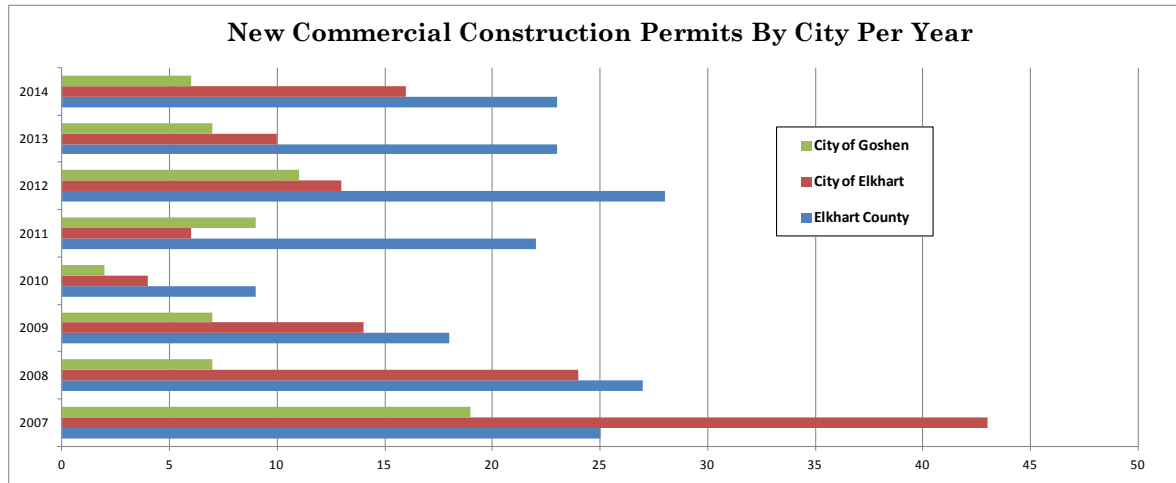
2014 Permits Issued

- 45 Commercial New Construction Permits issued for all of Elkhart Co.

**Total value:
\$70,106,000**

- 228 Commercial New & Manufacturing Construction Permits issued in St. Joseph Co.

**Total value:
\$27,866,348**



	2007	2008	2009	2010	2011	2012	2013	2014
Elkhart County	25	27	18	9	22	28	23	23
City of Elkhart	43	24	14	4	6	13	10	16
City of Goshen	19	7	7	2	9	11	7	6
Totals	87	58	39	15	37	52	40	45

Expected Construction Costs for 2015

Elkhart County

(building only)

Square Feet	2012	2013	2014	2015
5,000 - 19,999	\$24.93-\$29.00/SF	\$25.53-\$32.40/SF	\$26.93-\$34.18/SF	\$27.00-\$35.00/SF
20,000 - 39,999	\$22.85-\$26.00/SF	\$23.25-\$28.00/SF	\$24.53-\$29.54/SF	\$25.00-\$30.00/SF
40,000 - 59,999	\$21.00-\$25.00/SF	\$21.70-\$26.00/SF	\$22.89-\$27.43/SF	\$23.00-\$28.00/SF
60,000 - 99,999	\$22.00-\$24.10/SF	\$22.90-\$24.90/SF	\$24.16-\$26.27/SF	\$25.00-\$27.00/SF
100,000 - 250,000	\$20.60-\$22.66/SF	\$23.40-\$25.70/SF	\$24.69-\$27.11/SF	\$25.00-\$28.00/SF

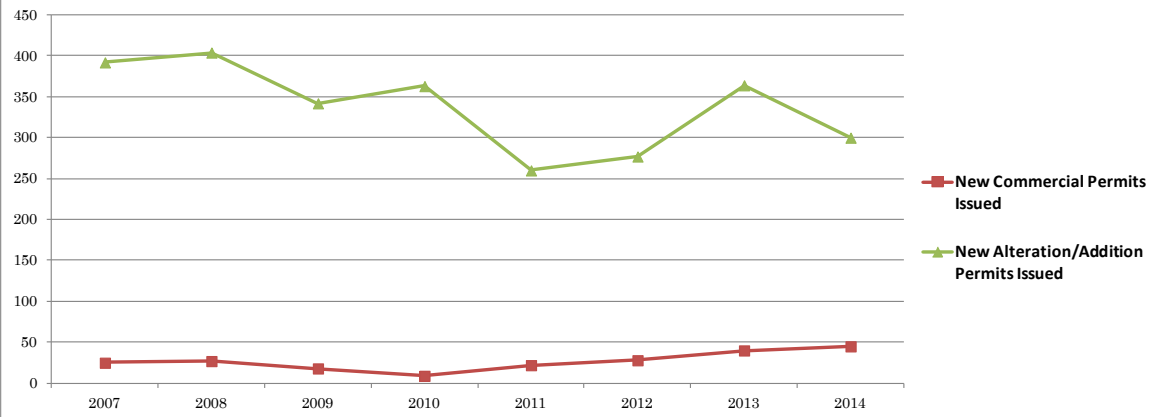
St. Joseph County

Square Feet	2012	2013	2014	2015
5,000 - 19,999	\$29.76/SF	\$31.06/SF	\$32.92/SF	\$33.92/SF
20,000 - 39,999	\$21.73/SF	\$22.92/SF	\$24.30/SF	\$25.30/SF
40,000 - 59,999	\$27.81/SF	\$28.81/SF	\$30.54/SF	\$31.54/SF
60,000 - 99,999	\$24.72/SF	\$25.84/SF	\$27.39/SF	\$28.39/SF
100,000 - 250,000	\$23.69/SF	\$24.58/SF	\$26.05/SF	\$27.05/SF

2015 Construction Trends

- Construction backlog will continue into the year
- Construction prices will stay at 2014 levels with a possible jump of 1 to 2%
- Premium talent and skilled workers are growing rare

Total of All Elkhart County Permits Issued by Year



Value of Construction Work for 2014

	Additions & Alterations
Elkhart City	\$31,297,799
Goshen	\$33,372,054
Elkhart Co.	\$39,994,000
Total	\$104,663,855

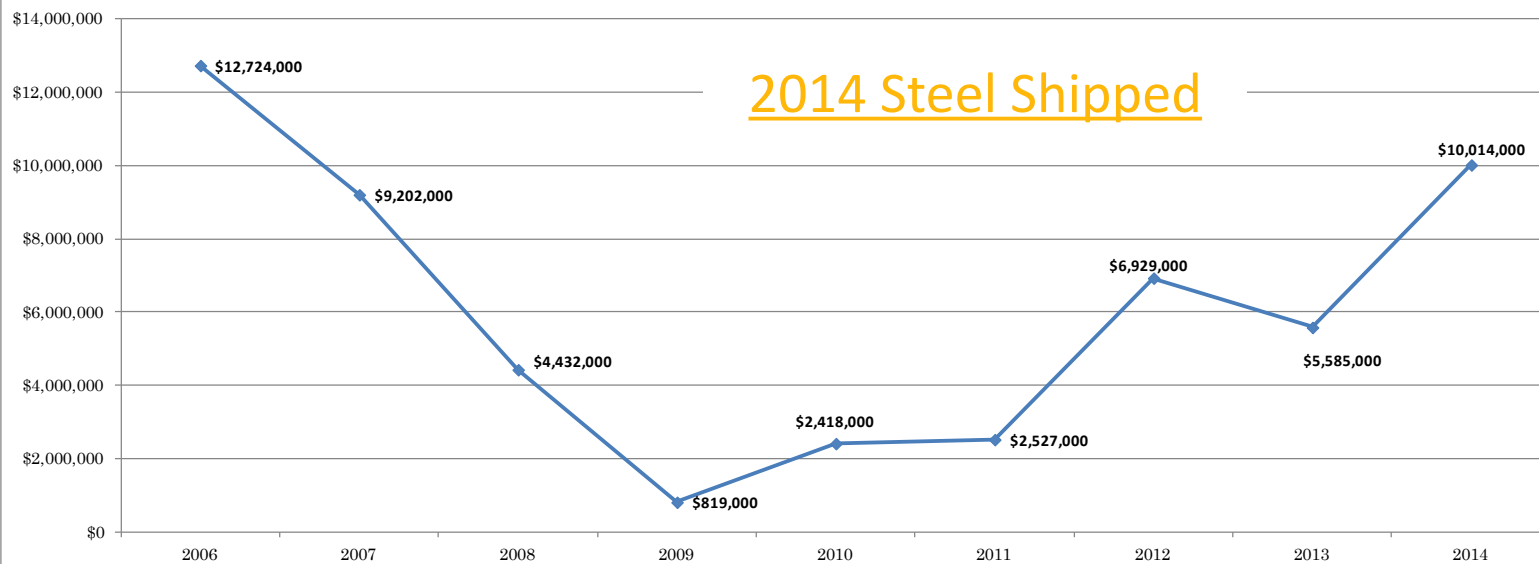
	New Construction
Elkhart City	\$11,684,000
Goshen	\$2,850,000
Elkhart Co.	\$55,572,000
Total	\$70,106,000



Notes

	2007	2008	2009	2010	2011	2012	2013	2014
New Commercial Permits Issued	25	27	18	9	22	28	40	45
New Alteration/Addition Permits Issued	392	404	342	363	260	277	364	300
Totals	417	431	360	372	282	305	404	345

MBMA \$ Shipped to Elkhart County by Year



2015 Forecast

Cost Per SF



Available Workforce



Construction Outlook



2014 Review

- Real estate assets in core markets back to pre-recession levels
- Global transactions
- Commercial Real Estate show improvement in all sectors
- Strong climate in commercial lending

Trends and Developments to Watch in 2015

- Yields continue to push down
- Energy boom
- Retail evolution
- Crowdfunding
- Senior Housing growth
- Eighteen Hour City
- Regional: Meijer Lawsuit

2015 Outlook

Outlook for Commercial Real Estate Markets:

- Continued growth
- Vacancy rates will continue to push down
- Commercial lending and rising interest rates?
- Rental rates will continue to climb
- Strong environment for foreign investment

2015 Forecast by Sectors

Industrial: Growth

- Vacancy rate will decline to 8.7%
- Lease rates will see slight increase to 3.3%
- CAP rates: 9.7%

Multi-Family: Flat

- Vacancy rate remains at 4%
- Rental rates will increase to 3.9%
- CAP rates: 8.64%

Retail: Slight Growth

- Vacancy rate will decline to 9.7%
- Lease rates will increase moderately to 2.5%
- CAP rates: 10.05%

Office: Flat

- Vacancy rate of 15.8%
- Lease rates will slightly tick up to 3.3%
- CAP rates: 9.75%

Regional Assessment

- Regional market continues to mirror the trends of the national market
- Industrial remains strong
- Housing will improve slightly – New construction continues to struggle
- Unemployment rates in the region continue to improve



Notes

2015 Forecast

Price Per SF



Vacancy



Absorption



Availability 2015

Elkhart County

Retail - For Lease

Retail - For Sale

Total Available:
387,471 SF

Total Available:
543,872 SF

Snapshot:
45 properties for lease containing 127 available spaces. Rents ranged from \$4.50-\$17.69 PSF

Snapshot:
44 properties for sale, Building size ranges: 992 SF to 139,141 SF. Asking prices range from \$47,500 to \$15,760,000

2014 Elkhart Co. Retail Availability Breakdown

Elkhart	68 spaces totaling 187,116 SF with rents from \$5.45-\$16.50 PSF
Downtown Elkhart	5 spaces totaling 20,650 SF with rents from \$8.00-\$9.00 PSF
Goshen	16 spaces totaling 41,858 SF with rents from \$4.75-\$12.95 PSF
Downtown Goshen	6 spaces totaling 23,261 SF with asking rates of \$5.00-\$11.00 PSF
Other Elkhart County	32 spaces totaling 114,586 SF with asking rates of \$5.03-\$17.69 PSF

Retail Wrap-Up

We are in the age of internet shopping according to FM Stone retail specialist John Letherman, CCIM. “The competition between brick and mortar stores and internet sales continues, with some stores now reducing stocks and acting as order locations for internet sales. Some of the end products are even being sent to the stores for pickup. Meanwhile, millions continue to order direct from Amazon and others rather than bothering to go to the store, lug the purchases home, and partake in the traffic jams, lines and hassles that many retail stores create.

“Locally we are seeing activity along County Road 6 with the expansion of the ‘Walmart Center’ giving us new retailers on the north side while in some cases stealing them from established retail centers in other parts of the county. With a limited number of retail tenants and the limitless capacity to build new space, the retail real estate business is sometimes becoming one of ‘stealing tenants’ rather than bringing in new.

Downtown Goshen continues to do well with most stores leased and doing good business. In Elkhart, the Lerner complex continues to help revitalize the downtown with new restaurants and businesses developing. The new streetscapes, lighting and plantings have made the downtown more attractive and have attracted many residential customers for the updated upper stories of Main Street.

“Lease rates for new retail space can range from \$18.00 to \$22.00 per square foot while older established centers with large vacancies can range from \$5.00 to \$9.00 per square foot, along with incentives, in order to fill space.

“Finally, the demographics of Elkhart County limit our ability to bring in many of the large retail stores. Retailers that typically insist on 30,000+ population within 1 to 3 miles of a location will be attracted to the University Park area, but may not even look at smaller tertiary markets like Elkhart County.”



Notes

2015 Forecast

Price Per SF



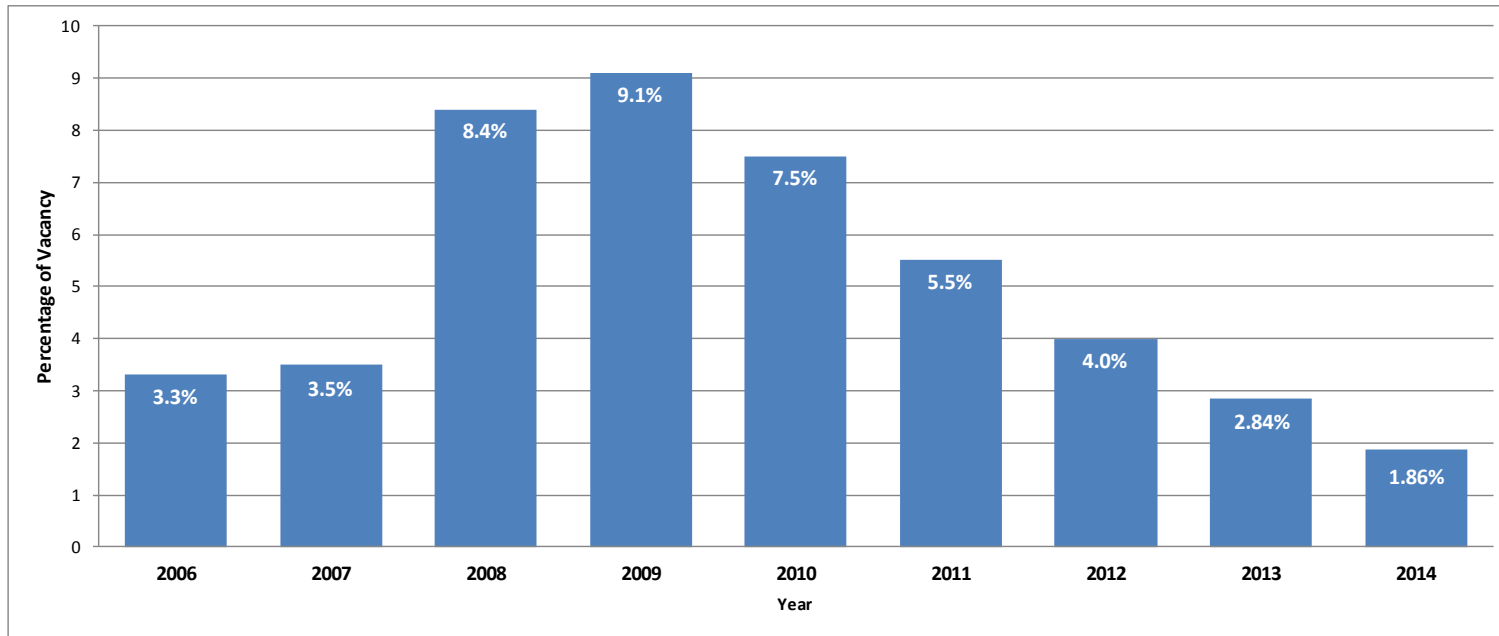
Vacancy



Absorption

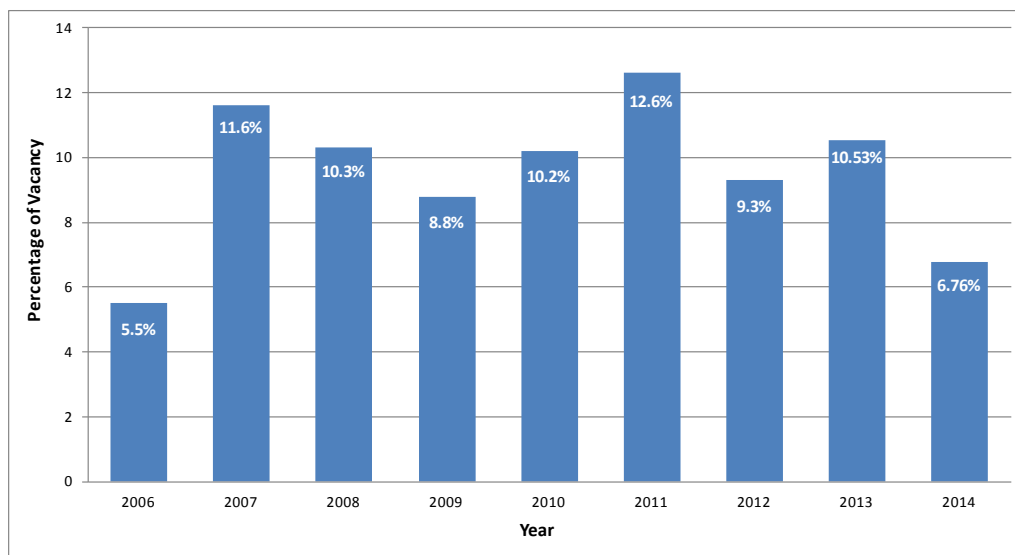


Elkhart Co. Vacancy Rates



Notes

St. Joseph Co. Vacancy Rates



2014 Industrial Inventory

	Inventory SF	Vacant SF	Vacancy Rate
Elkhart Co.	91,462,298	1,703,107	1.86%
St. Joseph Co.	34,851,547	2,354,263	6.76%
Total	126,313,845	4,057,370	3.21%

Industrial Space for Sale: Elkhart Co.

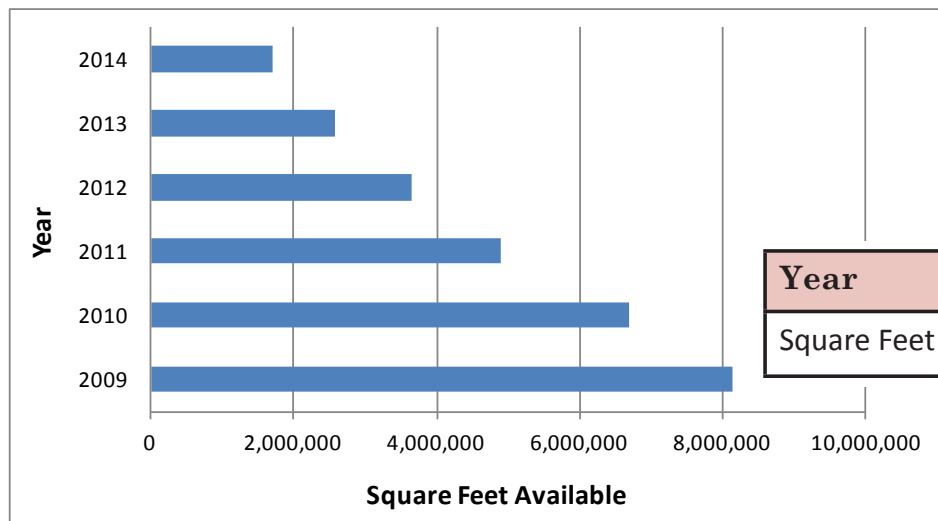
Square Feet	2010	Number of Buildings	2011	Number of Buildings	2012	Number of Buildings	2013	Number of Buildings	2014	Number of Buildings
Less than 5,000	3,113	2	5,503	3	23,003	6	11,999	4	15,259	5
5,000 - 19,999	353,269	31	364,818	31	327,195	29	210,862	19	124,738	11
20,000 - 39,999	643,140	23	407,260	15	448,726	17	339,178	12	371,666	12
40,000 - 59,999	536,576	11	392,327	8	499,944	10	424,712	8	46,825	1
60,000 - 99,999	1,422,413	17	514,005	6	297,663	4	538,206	6	218,993	3
100,000 - 250,000	1,516,696	11	1,249,605	8	317,460	2	189,181	1	354,832	3
250,000 +	706,487	2	425,600	1	440,000	1	258,000	1	--	0
Totals	5,181,694	97	3,359,118	72	2,353,991	69	1,972,138	51	1,132,313	35



Notes

Industrial Space for Lease: Elkhart Co.

Square Feet	2010	Number of Buildings	2011	Number of Buildings	2012	Number of Buildings	2013	Number of Buildings	2014	Number of Buildings
Less than 5,000	29,055	11	17,878	7	32,210	9	30,818	10	16,264	6
5,000 - 19,999	484,162	46	526,951	48	339,232	36	250,796	25	168,362	17
20,000 - 39,999	542,481	19	439,945	16	556,470	20	288,671	10	160,862	5
40,000 - 59,999	478,600	10	282,311	6	112,561	2	213,800	4	98,790	2
60,000 - 99,999	1,480,243	18	627,965	8	365,424	5	725,568	9	369,824	5
100,000 - 250,000	1,146,538	9	1,005,054	7	747,975	5	0	0	231,327	2
250,000 +	706,487	2	842,475	2	0	0	258,000	1	--	0
Totals	4,867,566	115	3,742,579	94	2,153,872	77	1,767,653	59	1,045,429	37



Available Industrial Space Elkhart Co.

Year	2009	2010	2011	2012	2013	2014
Square Feet	8,126,897	6,678,621	4,884,394	3,639,186	2,578,292	1,703,107

Industrial Space for Sale: St. Joseph Co.

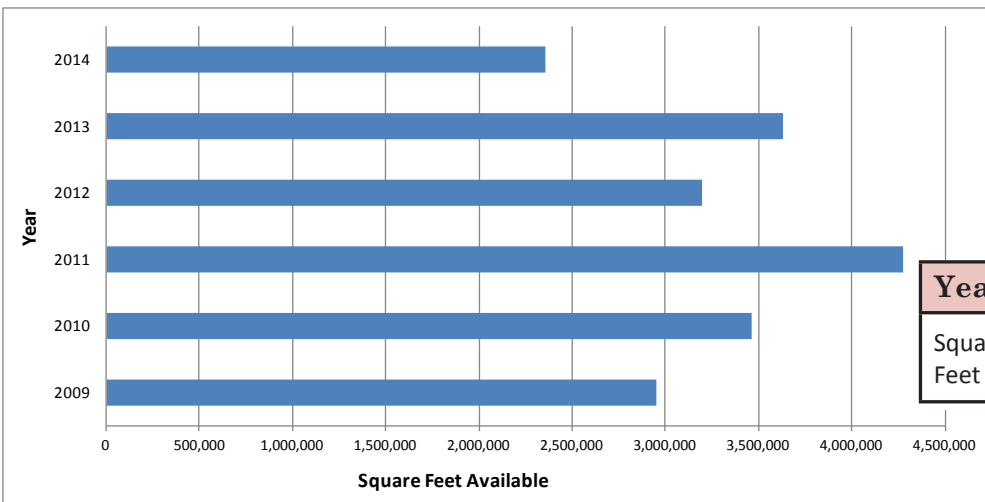
Square Feet	2010	Number of Buildings	2011	Number of Buildings	2012	Number of Buildings	2013	Number of Buildings	2014	Number of Buildings
Less than 5,000	7,794	2	13,026	5	20,864	7	10,844	4	7,000	2
5,000 - 19,999	243,884	25	298,017	29	247,050	21	150,820	14	163,349	16
20,000 - 39,999	174,773	6	202,434	7	234,286	8	214,022	8	102,546	4
40,000 - 59,999	182,174	4	282,083	6	243,981	5	287,821	6	287,212	6
60,000 - 99,999	215,304	3	297,767	4	382,455	5	448,112	6	293,622	4
100,000 - 250,000	572,601	4	316,770	2	117,770	1	373,842	3	437,584	3
250,000 +	600,000	1	1,783,312	4	539,137	1	883,949	2	--	0
Totals	1,996,530	45	3,193,409	57	1,785,543	48	2,369,410	43	1,291,313	35



Notes

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	2014	Number of Buildings
Less than 5,000	133,987	21	81,915	30	63,567	25	74,722	29	34,650	12
5,000 - 19,999	249,876	36	336,118	36	333,764	32	230,084	21	273,861	27
20,000 - 39,999	317,192	11	252,160	9	238,642	9	234,035	9	180,026	7
40,000 - 59,999	371,461	8	333,528	7	476,816	10	565,606	12	281,753	6
60,000 - 99,999	301,994	4	448,717	6	502,763	7	419,770	6	531,728	7
100,000 - 250,000	1,100,219	7	556,316	4	670,663	4	458,246	3	492,074	3
250,000 +	0	0	838,500	2	539,137	1	900,537	2	--	0
Totals	2,474,729	87	2,847,254	94	2,825,352	88	2,883,000	82	1,794,092	62



Available Industrial Space St. Joe Co.

Year	2009	2010	2011	2012	2013	2014
Square Feet	2,950,088	3,460,687	4,278,666	3,195,386	3,629,814	2,354,263

2014 Trends: Elkhart Co.

- Elkhart County’s vacancy rate is at an all-time low: 1.86%
- We have a shortage in every size range in the market, especially north of 40,000 SF
- We started to see decent absorption in buildings under 20,000 SF which is a good sign for the local economy...more start-ups in the smaller size range

2014 Trends: St. Joe Co.

- St. Joseph County’s vacancy rate dropped 3.77% last year with positive absorption of over 1,250,000 SF. Most of that absorption was in two buildings: AJ Wright and Bosch
- Inventory levels remained relatively steady. Most of the absorption was on the lease side in buildings under 5,000 SF and in buildings in the 40,000 to 60,000 SF range

2014 Rates

- In Elkhart County, asking sale prices are on the rise. You can still find some good deals on 40-plus-year-old buildings. Lease rates have been slowly creeping up but still have a ways to go to reach pre-recession levels.
- In St. Joseph County, sale and lease rates remain steady. We did see lease rates on newer buildings command a premium.

Industrial Asking Sale Price for Elkhart Co.

Square Feet	2010	2011	2012	2013	2014
Less than 5,000	\$25.00-\$32.00/SF	\$28.00-\$35.00/SF	\$30.00-\$38.00/SF	\$27.00-\$35.00/SF	\$30.00-\$40.00/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	\$20.00-\$28.00/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	\$17.00-\$25.00/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	\$17.00-\$25.00/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	\$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	\$15.00-\$20.00/SF

Industrial Asking Lease Price for Elkhart Co.

Square Feet	2010	2011	2012	2013	2014
Less than 5,000	\$2.25-\$3.75/SF	\$2.50-\$3.50/SF	\$2.50-\$3.50/SF	\$2.75-\$3.75/SF	\$3.00-\$4.00/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	\$2.50-\$3.50/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	\$2.50-\$3.00/SF
40,000 - 59,999	\$1.80-\$2.50/SF	\$1.50-\$2.50/SF	\$1.50-\$2.50/SF	\$1.80-\$2.50/SF	\$2.25-\$2.75/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	\$2.00-\$2.75/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	\$2.00-\$2.50/SF

Industrial Asking Sale Price for St. Joe Co.

Square Feet	2010	2011	2012	2013	2014
Less than 5,000	\$32.00-\$44.00/SF	\$38.00-\$48.00/SF	\$45.00-\$55.00/SF	\$35.00-\$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	\$25.00-\$45.00/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	\$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	\$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	\$15.00-\$25.00/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	\$12.00-\$25.00/SF

Industrial Asking Lease Price for St. Joe Co.

Square Feet	2010	2011	2012	2013	2014
Less than 5,000	\$3.50-\$6.00/SF	\$3.50-\$5.50/SF	\$4.00-\$6.00/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	\$3.00-\$5.00/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	\$2.75-\$3.75/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	\$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	\$2.50-\$3.50/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	\$2.25-\$3.25/SF



Notes

2015 Forecast

Price Per SF



Vacancy



Absorption



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Stay Connected!



Research Sources

- FM Stone Commercial Database
- Loopnet.com
- Local Government
- Elkhart County, St. Joseph County, City of Goshen and City of Elkhart Building Departments
- 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

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