



the
Zacher
company

2021 NORTHEAST INDIANA INDUSTRIAL MARKET REPORT

THIS IS THE 2021 ZACHER COMPANY INDUSTRIAL REVIEW AND FORECAST FOR NORTHEAST INDIANA.

We are releasing our report today, February 4th, 2021, almost a year after the beginning of the COVID-19 pandemic. This report encompasses information regarding 2020 industrial market statistics, highlights notable industrial real estate transactions and provides our 2021 forecast for the northeast Indiana industrial market.

Despite the marked tragedy of the COVID-19 pandemic, industrial real estate in northeast Indiana experienced significant growth. This impact was a direct result of attractive investment opportunities, along with the expanding demand for locally sourced products and services.

The industrial market statistics for the 2021 report, which is a review of 2020 industrial activity, reflects very strong market fundamentals. There was positive absorption of 3,400,000 sq. ft. Industries that benefited:

- Internet retailers - primarily Amazon and Sweetwater
- The RV industry - Forest River Manufacturing and Lippert Components
- Home improvement manufacturers – ChromaSource
- Automotive suppliers – Inteva Products and Bosch Automotive Motor Systems
- Medical device manufacturers – Incipio Devices and Iotron Industries

As of January 1, 2021, the current vacancy rate is at a historically low level of 3.60%, which is a reduction from an already very low vacancy rate of 4.32%. Sale prices and lease rates increased significantly over the past twelve months. Despite an increase in construction costs, 2,965,511 sq. ft. of new industrial space was built during the year.

The most notable lease and sale industrial real estate transactions for users in 2020 include:

- Ambrose Property Group purchased 138 acres on Airport Expressway on behalf of Amazon for construction of a 630,000 sq. ft. distribution center
- Amazon also leased 150,000 sq. ft. on Avionics Drive
- Inteva Products leased 300,000 sq. ft. in Bluffton
- Impact CNC purchased 243,000 sq. ft. in Columbia City
- ChromaSource purchased 70,000 sq. ft. in Columbia City
- Incipio Devices purchased 147,500 sq. ft. in Huntington
- Lippert Components renewed their lease for 764,000 sq. ft. on Pleasant Center Road
- PacFul leased 142,000 sq. ft. on Nelson Road
- Harrington Industrial Plastics leased 68,000 sq. ft. on Wayne Haven Avenue
- First Gear purchased 47,000 sq. ft. on Goshen Road

Other construction projects, aside from Amazon, include:

- Sabert adding 292,500 sq. ft. on Engle Road
- Alro Steel constructing 160,000 sq. ft. on Pleasant Center Road
- Bosch Automotive Motor Systems adding 102,000 sq. ft. in Albion
- Forest River building an additional 75,000 sq. ft. in Butler
- Iotron Industries constructing a 50,000 sq. ft. expansion in Columbia City
- TrueCore building 175,000 sq. ft. in Waterloo
- Sweetwater adding 50,000 SF after constructing 480,000 SF in 2019

The Zacher Company forecast for the 2021 industrial real estate market encompasses the following predictions:

- There will continue to be a strong demand for industrial space, and lease and sale prices will continue to increase
- Due to plant closings and consolidations, a small number of buildings will become available in the industrial market; we expect the vacancy rate to increase but not significantly and not enough to decrease sale prices or lease rates
- The low unemployment rate and the small available labor pool will continue to limit industrial expansion in northeast Indiana but, again, not enough to negatively impact market fundamentals
- We expect that all of the spec buildings that are currently under construction, or have recently been completed, will be leased or sold, and that additional spec development will commence; the buildings currently available include:
 - 150,000 sq. ft. on Aviation Drive
 - Two buildings on Rose Avenue in New Haven, 150,000 sq. ft. and 100,000 sq. ft.
 - 70,000 sq. ft. on Airport Expressway
- Sites for proposed spec building development include:
 - 436,000 sq. ft. on Stonebridge Road
 - 200,000 sq. ft. on Adams Street in Bluffton
 - 200,000 sq. ft. on 500 East in Markle
- There will be an increase in land development for industrial uses
- As an investment, industrial properties will continue to be attractive
- Overall, we expect industrial sales, leasing and new construction to remain strong

In spite of the pandemic, and in some cases because of the impact of the pandemic, the industrial real estate market in northeast Indiana was very strong in 2020 as evidenced by record low vacancy, high positive absorption and robust new construction numbers. We believe that this trend will continue in 2021 as the roll-out of the vaccines and the return to a normal economy takes hold.