



**LATITUDE**  
C O M M E R C I A L



# Annual Market Report 2022

# ► Content

Letter From President	01
Retail Market Report	02
Office Market Report	04
Industrial Market Report	06
Investment Market Report	08
Market Facts	10
Sales Transactions	11
Terminology	12
Our Team	13



# ▶ Letter From The President

The Federal Reserve's policy of raising interest rates by 425 basis points throughout 2022 slowed inflation from a peak of 9.1% in June down to 8.0% in December. That was still not enough as the US saw the highest rate of inflation since 1981 in 2022. The US job market has remained strong with the unemployment rate remaining at a low level of 3.5% with Indiana even lower at 3.1%. Job openings have decreased slightly, but they are still more than 50% higher than they were at the end of 2019. Although the local job market seems healthy, new businesses will see an impact by the changes in asset values caused by the increase in interest rates, construction costs, and labor.

If you've noticed you are paying a lot more for goods and services this year then you are correct! According to the US Census, retail and food services sales in the United States for 2022 was 9.2% higher than the previous year. Additionally, just the sales from October to December 2022 were 6.7% higher than in the same period in the previous year. Thanks in part to the Fed for increasing interest rates but also thanks to the record profits posted by major US companies.

The office market in Northwest Indiana is stable and stability is a great thing right now for a sector that has yet to fully recover since the COVID-19 pandemic. Most of the impact has been in major MSA's such as our neighbor, Chicago, as well as other large cities throughout the country. According to a report by Cushman & Wakefield, net absorption was -19M in 2022. Meaning 19M more square feet of office space was vacated or supplied than was leased or absorbed by office tenants in the US last year. Here in Lake and Porter County the office market vacancy rate was 5.7% compared with a 15.4% rate nationally. It seems like a lot of professionals agree that smaller spaces will dominate the office market with many national users not only downsizing their major footprints but also expanding the number of offices to get closer to their workforce.

The retail market in Northwest Indiana continues to thrive despite the push to more and more online shopping. Thanks to a very healthy housing market expansion, more and more retailers, specifically restaurants, are opening in high-growth areas like the Tri-Town area (Schererville, Dyer, St. John) and Crown Point. The 2022 overall vacancy rate for retail in Lake and Porter was a minuscule 3.8% which was actually down from an already low of 4.5% in 2021. That, along with an increase in the market lease rate per square foot, has helped increase valuations for retail centers across Northwest Indiana.

In case you haven't driven down I-65 this year, the highlight not only in our area but nationally is the Industrial sector. The term speculative (AKA Spec) Industrial was previously thrown around Northwest Indiana development circles as a wish list item. Now here we are in 2022 discussing how much spec Industrial is planned around NW Indiana. This year three new business parks (Merrillville, Crown Point, and Gary) were announced and multiple spec Industrial buildings already went up and filled. Perhaps the largest development that is already underway is The Silos at Sanders Farm which is located on the east side of I-65 across from the nearly full AmeriPlex at the Crossroads. The 196-acre park, being developed by Crow Holdings, broke ground and is already on the second of three spec buildings. The newest of which is over 1M SF and is expected to be delivered by Q3 of 2023.

What can we expect in 2023? I would say we should hope for stability but expect slowing activity. The old adage "don't fight the Fed" is there for a reason. They are expected to again raise interest rates to slow inflation this year which will further increase costs across most sectors. That being said we have seen a historic housing market in our area. That means more retail, more office, and more industrial so I have always said while we never really see the crazy spikes in valuations we also rarely see massive declines. I think that holds across most local CRE sectors this year locally.

Finally, I want to end this with a somber reflection as Karen Lauerman passed away this year. She was one of Northwest Indiana's great Economic Development leaders but more importantly, an overall great person and friend of ours. Northwest Indiana is a better place because of her hard work and dedication. We are very thankful to have known her for so long and I'm sure she's up there making connections and friendships already!




**Aaron McDermott, CCIM LEED GA**

Co- Founder, President

**Sources:**

CoStar Property®, ESRI®, Indiana Department of Workforce Development, and US Department of Labor

The information contained herein has been given to us by sources we deem reliable. We have no reason to doubt its accuracy, however, we do not make any guarantees. All information should be verified before relying thereon. Materials and information from any source, whether written or verbal, that may be furnished for review are not a substitute for a party's active conduct of its own due diligence to determine these and other matters of significance to such party.

# ▶ Retail Report

Median months on the market (for lease and sale) saw a significant decline in 2022 after setting a 5 year high in 2021 (17 months). The average months on market ended 2022 at approximately 12.75 months. Q1-Q2 of 2022 was the largest decline in months on market since 2019 with a near 15% decline. 2022 represented a strong demand for retail properties with the months on market ending the year nearing pre-pandemic levels at approximately 11.5 months.

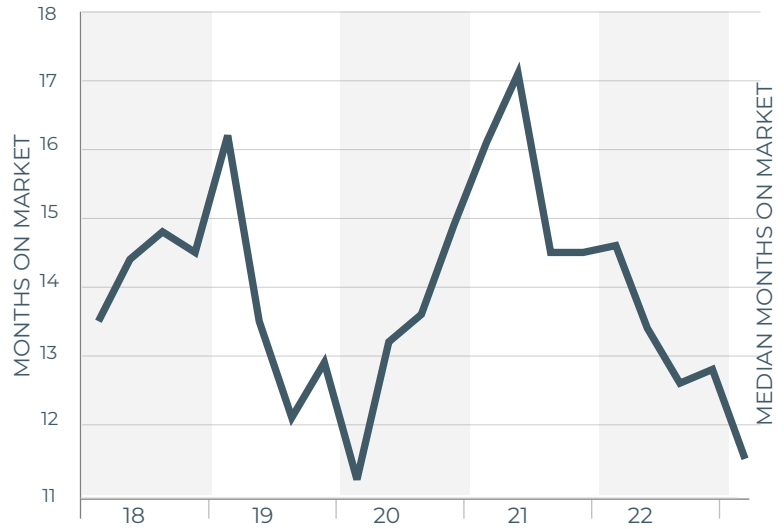
Sales volume in 2022 saw a steady decline with Q2 being the highest quarter of the year around \$40M. Q4 of 2022 reached a 5-year low of approximately \$10M. Price Per SF on the other hand has stayed on a rapid rise to breaking another 5-year high at over \$150/PSF. Retail price per SF ended 2022 at roughly \$5/PSF higher than 2021's figures.

Retail vacancy rates in Northwest Indiana saw a steep decline from Q1 to Q3 going from 4.5% down to approximately 3.8%; a record a 5-year low. The vacancy rate stagnated in Q4 closing out 2022 at roughly 3.9%. Market Rent Per SF has continued its 5-year surge in the Region reaching an average price of \$14.90/SF. Marking more than a \$0.90 raise in PSF compared to Q4 of 2021.

## Retail Market Report

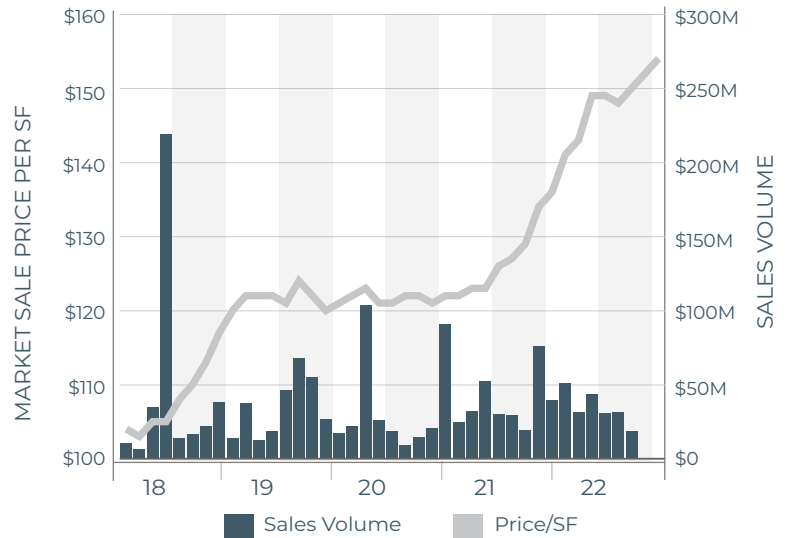
### Months on Market

- Months on Market dropped significantly in 2022; reaching levels not seen since Q1 2020 at 12.75 months.
- Q1-Q2 of 2022 saw the biggest drop in Months on Market since Q1- Q2 of 2019 with a near 15% decline in Months on Market.
- Current time on market is approximately 11.5 months.



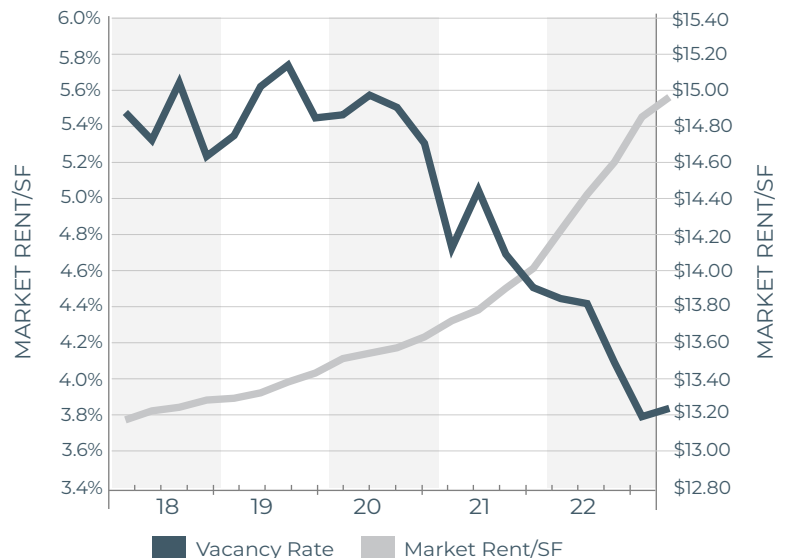
### Sales Volume & Market Sale Price PSF

- Sales Volume has continued to decline in 2022 with Q2 being the highest in 2022
- Price Per SF reached a 5 year-high to end 2022 at over \$150/ Per SF
- 2022 Price Per SF closed out roughly \$5/PSF higher compared to where we ended 2021



### Vacancy/Market Rent PSF

- Vacancy rates decreased while Market Rental Rates increased across NWI in 2022
- Vacancy Rates made a 5-year low of approximately 3.8%
- Market rental rates closed 2022 at a 5-year high with an average price of \$14.90/SF





## ► Office Report

Median months on the market (for lease and for sale) gradually declined throughout 2022. The year began with office properties in NWI sitting on the market for a median of 17 months. By the end of Q4, that median had dropped to 13 months. This is the longest steady decline we have seen since 2018 for months on the market. From Q4 of 2021 to Q4 of 2022 the median months an office building sat on the market declined by 6 months.

One area where Northwest Indiana saw a downturn, is sales volume for commercial office buildings. Excluding the sale of the Aviva Valparaiso building (which closed for \$9,600,000 in July), Northwest Indiana office sales only surpassed the 10 million dollar mark during the second and third quarters. The sales volume was very similar to 2021 but is a stark contrast to 2020, where sales surpassed the 30 million dollar mark in Q4 alone. Despite the lower volume of sales, the price per square foot has continued to rise, finishing the year at \$127 per square foot.

Vacancy and market rental rates for office properties remained stable for Northwest Indiana throughout 2022. The Region went into the year with a vacancy rate of around 5.6% and ended at 4.8%. Vacancy rates for the last three years have peaked in the summer, although they always remained between 4.7 and 6.5%. Average market rent per square remained consistent around \$20.10 per square foot, with a gradual increase throughout the year. Despite the global market instability and high inflation, the Northwest Indiana office real estate market has remained stable throughout 2022.

# Office Market Report

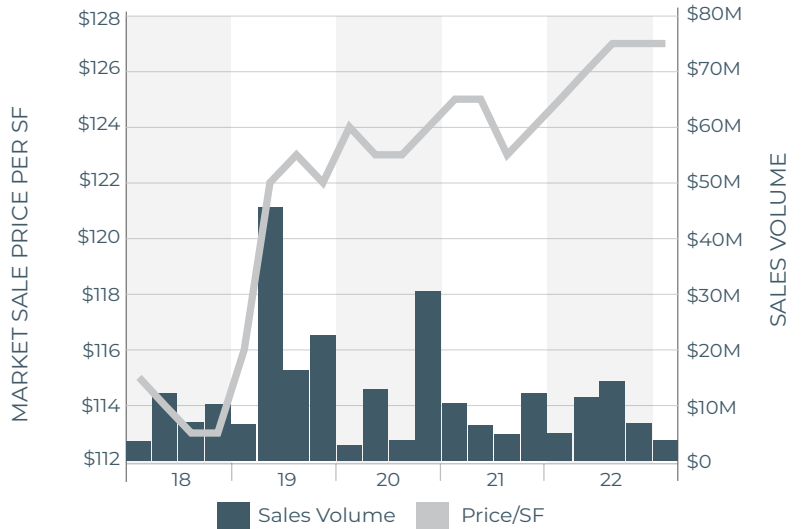
## Months on Market

- The current median time an office building sits on the market is the lowest it has been since Q3 of 2021
- Time on market continued to decline steadily throughout 2022, starting at 17 months and finishing at 13 months
- The NWI Office market saw its first steady decline in months on the market since Q4 of 2018



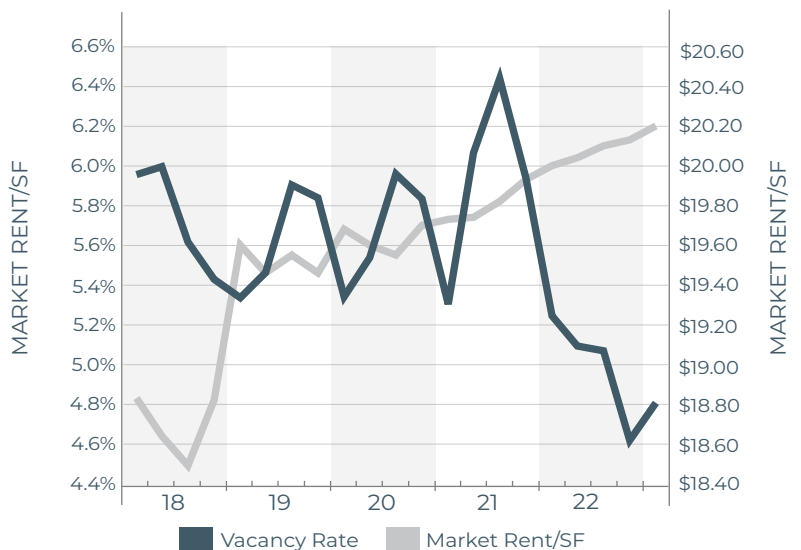
## Sales Volume & Market Sale Price PSF

- The price PSF on sales peaked in Q2 and Q3 surpassing \$114, sales volume peaked as well in Q2 and Q3 surpassing \$10M
- Sales volume climbed throughout the year into Q3 then tapered off into Q4
- Despite lower sales volumes, prices continued to rise



## Vacancy/Market Rent PSF

- Vacancy and Market Rental Rates steadily declined throughout NWI in 2022
- Office vacancy rates declined from 5.6% Q1 to end the year at 4.7%
- We saw a steady decline in vacancy and a steady increase in rent PSF



## ► Industrial Report

The months on market for Industrial buildings fell sharply in the 2nd quarter of 2022 to an average of 7.0 months and ended the year at 9.2 months. That was similar to the 2019-2020 numbers as well as the sales volume remained on pace with similar numbers. The market price per SF continues its rapid increase due to the low supply and high demand as seen by our all-time Market Sales Price Per SF of \$53/SF.

The industrial market in Northwest Indiana continues to outpace all other sectors in terms of growth with the continued shift from bricks and mortar to online shopping. With the continued rise of e-commerce, retailers require more space to store and distribute goods to meet the growing demand for online purchases. This has led to the nationwide and local boom in the construction of new industrial real estate. This trend is expected to continue as online shopping continues to grow and evolve along with our need to store more and more data in the cloud. With more and more demand for Industrial space due to this and our population boom we have seen a massive decrease in the available supply of industrial space.

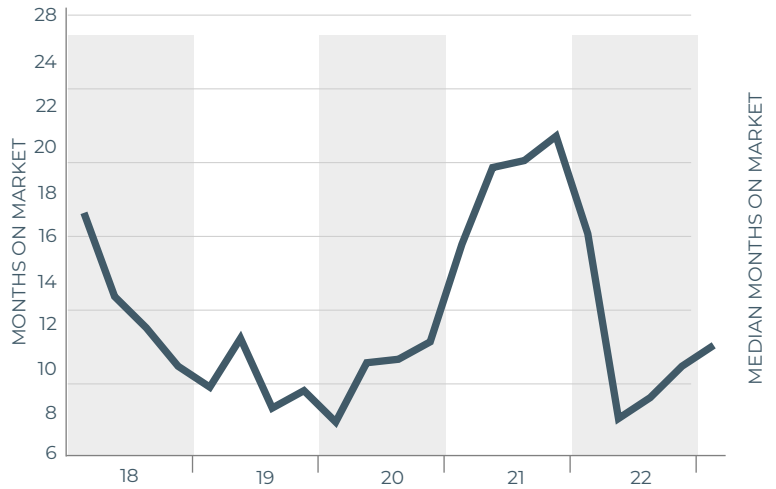
Vacancy Rates continue to also remain low ending the year at 5.49% which was up only slightly from the 5.00% ending in 2021. Rents however continue to push upwards at an average of \$7.73/SF up over 8% from EOY 2021. When we see a slowdown in the economy does the supply coming onto the market remain on pace with the high market rent/SF? Because most of the new product being supplied is only for lease does the Price Per SF continue its steep upward trajectory?



# Industrial Market Report

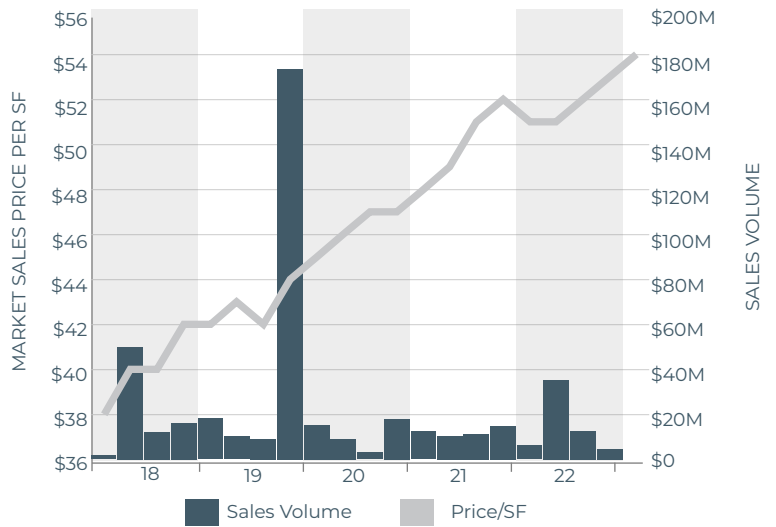
## Months on Market:

- Started the year at 12.1 months
- Ended the year at 9.2 months
- Matched 5-year low of 7.0 Months in Q2



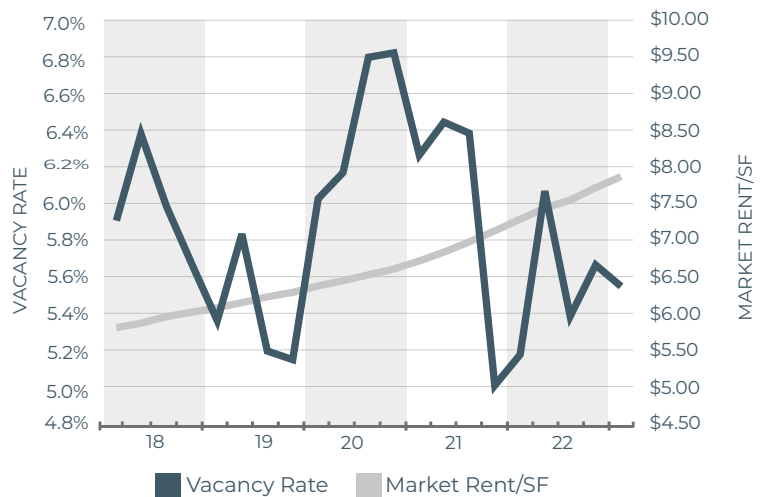
## Sales Volume and Market Sale Price PSF

- Volume remained low due to lack of inventory peaking at \$35.2M in Q2
- Market Sale Price/SF continued upward trend ending the year at \$53/SF
- Q1 & Q4 Sales Volume were two of the lowest quarters in 5-years



## Vacancy/Market Rent PSF

- Market Rent/SF continued upward trend ending the year at \$7.71/SF
- Vacancy Remained low ending at 5.66%
- Vacancy climbed due to new construction added to the market



## ► Investment Report

The low-interest rate environment continued for the first half of the year which lead to the continued downward momentum of the Cap Rates to an all-time low of 6.62%. However, as interest rates increased so did Cap Rates as we ended the year up to an average of 7.70%. The shift could finally be moving from a Seller's to Buyer's market with the very low Cumulative Sales Volume of properties being the lowest since 2018 at \$346M down sharply from the 2021 level of \$393M and the 2020 level of \$405M.

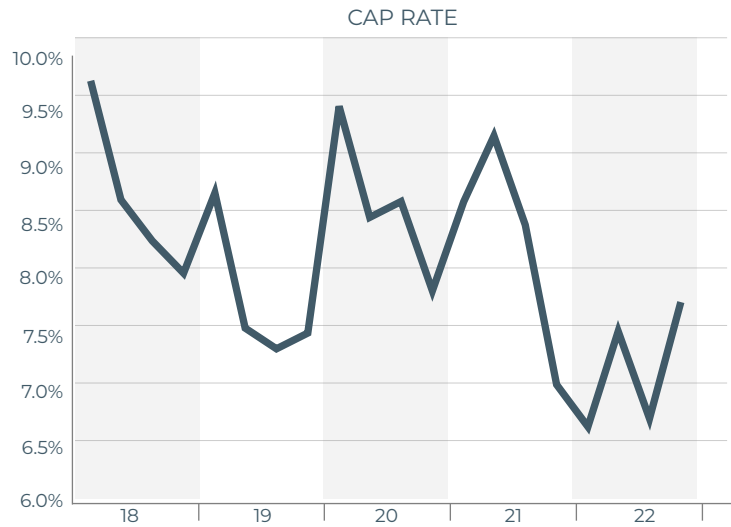
As seen on the chart the Sales Price Per SF is leveling off due to these factors. It was down dramatically from a high of \$144/SF in 2021 to \$94/SF by the end of 2022. We would expect these numbers to move down only slightly or stay steady throughout 2023.

The stock market's continuing volatility has made real estate a more attractive investment option as it is seen as a stable and tangible asset. A lot of investors also are seeking to diversify their portfolios and real estate can offer a hedge against stock market volatility. That being said with the interest rates continuing to climb as well as Cap Rates thereby possibly pushing the Price Per SF down. The Cumulative Sales volume should continue to slow as interest rates rise and investors have less cash on hand to place into investments.

# Investment Market Report

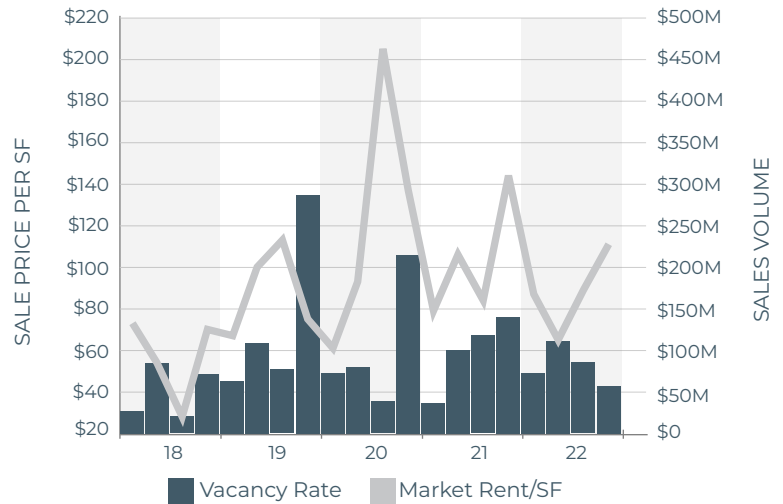
## Cap Rate

- The low-interest rates during the first half of 2022 pushed Cap Rates to an all-time low of 6.62%
- Ended the Year up to 7.70%
- Projected to continue to rise with interest rates in 2023



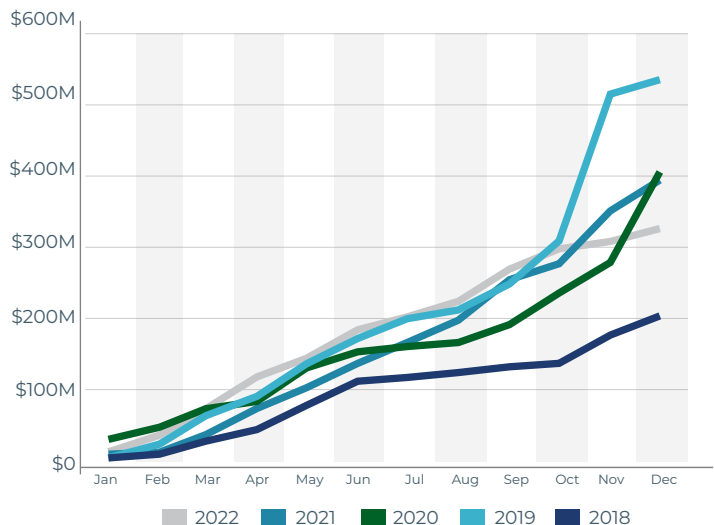
## Sales Volume & Market Sale Price PSF

- Sale Price Per SF peaked in Q3 at \$100/SF and ended the year at \$94/SF
- Sale Price Per SF was down from a peak of \$144/SF in Q4 2021
- Sales Volume peaked in Q2 at \$111M



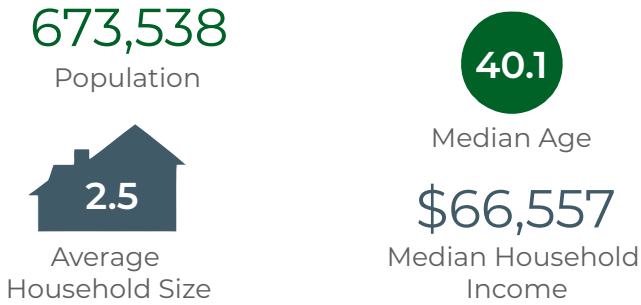
## Cumulative Sales Volume

- 2nd lowest Volume in the past 5 years at \$346M
- Sales Volume Down 12% from 2022
- Projected to continue to slow as interest rates rise and less cash on hand for investments

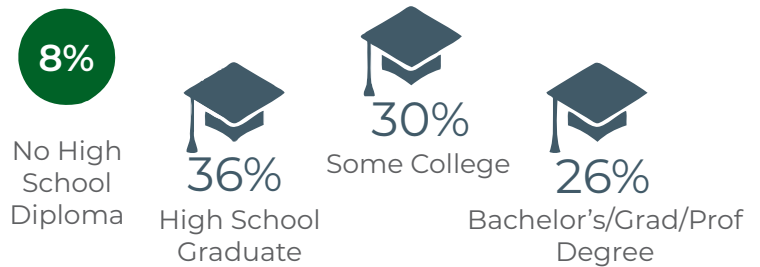


# ▶ Market Facts

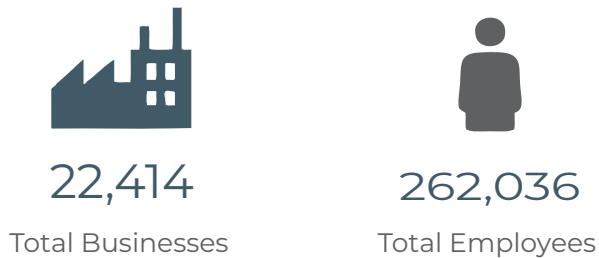
## KEY FACTS



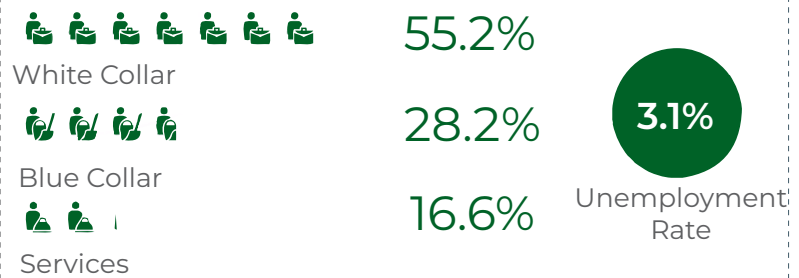
## EDUCATION



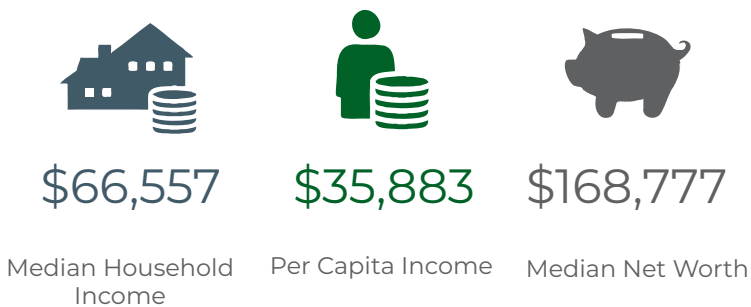
## BUSINESS



## EMPLOYMENT



## INCOME



## HOUSEHOLDS BY INCOME

The largest group: \$100,000 - \$149,999 (19.5%)  
The smallest group: \$200,000+ (5.8%)

Indicator ▲	Value	Diff	
<\$15,000	8.8%	+0.2%	
\$15,000 - \$24,999	7.2%	-1.2%	
\$25,000 - \$34,999	9.1%	+0.2%	
\$35,000 - \$49,999	11.3%	-1.6%	
\$50,000 - \$74,999	18.4%	-0.4%	
\$75,000 - \$99,999	12.2%	-1.1%	
\$100,000 - \$149,999	19.5%	+2.7%	
\$150,000 - \$199,999	7.8%	+1.0%	
\$200,000+	5.8%	+0.2%	

# ► Sales Transactions

## Significant Office Sales Transactions:

Property	Sale Date	Sales Price	Square Feet	Price/SF
3001 Leonard Dr., Valparaiso, IN	9/30/2022	\$4,830,000	24,159	\$199.80
211 W Ridge Rd., Griffith, IN	5/23/2022	\$5,800,000	25,017	\$231.84
9001 Broadway Ave. Merrillville, IN	7/7/2022	\$4,100,000	30,800	\$133.12
7863 Broadway Ave Merrillville, IN	4/5/2022	\$3,560,000	30,808	\$115.55

## Significant Retail Sales Transactions:

Property	Sale Date	Sales Price	Acres	Price/SF
1105-1113 5th Avenue, Hammond, IN	2/28/2022	\$8,000,000	5.3 Acres	\$145.43
1918 165th Street, Hammond, IN	3/23/2022	\$2,350,000	1.59 Acres	\$266.68
6129 US HWY 6, Portage, IN	6/16/2022	\$3,888,700	0.8 Acres	\$518.91
1995 Southlake Mall (Carson's), Merrillville, IN	9/20/2022	\$2,800,000	11 Acres	\$19.43

## Significant Industrial Sales Transactions:

Property	Sale Date	Sales Price	Square Feet	Price/SF
899 E. 99th Court, Merrillville, IN	4/12/2022	\$3,850,000	52,412	\$73.46
6340 Ameriplex Dr., Portage, IN	5/17/2022	\$8,220,000	52,900	\$155.39
2100 E. 5th Ave, Gary, IN	5/8/2022	\$1,800,000	143,000	\$12.59
700 Chase St., Gary, IN	6/17/2022	\$35,100,000	1,048,062	\$33.49
9050 Louisiana St. Merrillville, IN	8/16/2022	\$2,500,000	16,080	\$155.47

## Significant Multifamily Sales Transactions:

Property	Sale Date	Sales Price	Units	Price/Unit
621 W. 39th Pl., Hobart, IN	9/12/2022	\$18,800,000	144	\$130,556
1518 119th St., Whiting, IN	9/15/2022	\$4,000,000	26	\$153,846
6345 Evergreen Ave., Portage, IN	4/7/2022	\$12,500,000	122	\$102,459
2102-2110 N Main St., Crown Point, IN	3/15/2022	\$5,500,000	53	\$103,774

## Significant Land Sales Transactions:

Property	Sale Date	Sales Price	Acres	Price/Acre
8700-8900 Mississippi St., Merrillville, IN	9/29/2022	\$4,500,000	37.87	\$118,828
4628 W. 27th Avenue, Gary IN	3/28/22	\$4,200,000	40	\$105,000
SR 49 & CR 500, Valparaiso, IN	1/4/22	\$2,714,520	31.48	\$86,230
651 45th Street, Munster IN	8/16/22	\$2,000,000	5.33	\$375,235

# ► Terminology

## Holdover Clause:

A lease clause requiring that if the tenant stays beyond the end of the lease without notice, the Landlord then has the right to increase the rental rate by a stipulated amount. I have seen this as low as 110% of the previous month's rent. However, I have also seen tenant's that have signed leases with as high as 200% of the previous month's rent. This is meant as a deterrent to not informing your landlord of your intentions and the reason why it is typically dramatically higher than exercising an option to renew.

## Force Majeure:

is a French term that literally means "superior force." Until the most recent events of the COVID pandemic this was typically defined as events like acts of God (e.g., earthquake, tornado or flood), terrorism, or war. COVID could possibly be defined as within this clause. The interpretation could be applicable especially if the force majeure clause contains a "catch-all" statement. Even without it the clause could apply to certain obligations between the parties.

## Gross Lease:

The landlord pays directly all operational and ownership costs connected with the building in a gross lease. These typically include property taxes, property insurance, and any number of expenses including but not limited to maintenance, landscaping, repairs, trash removal, and utilities. In a full-service lease, which is something very typical with US General Service Administration (GSA) leases and co-op spaces, the tenant pays one amount to the landlord on a monthly basis that includes all the items detailed above and can include utilities, phone systems, janitorial, and more. Landlords with gross leases must absorb all tax and insurance increases, repairs of short- and long-lived items, and capital expenditures over the entire term of the lease.

## Double-Net (NN):

Typically, a Net-Net lease means in addition to the base rent, the tenant pays for property taxes, property insurance, and the landlord pays for maintenance, utilities, repairs, and capital expenditures. A double-net lease is sometimes referred to as a modified gross lease.

## Triple-Net (NNN):

A triple-net lease calls for the tenant to assume all expenses of operating a property, including fixed and variable expenses and any common area maintenance that might apply, potentially including HVAC, plumbing, and electric systems. However, the landlord remains responsible for structural repairs, utility lines to the property, and sometimes site improvements, such as parking, landscaping, and site lighting.

## Cap Rate:

Short for "capitalization rate," the cap rate refers to the ratio of Net Operating Income (NOI) to property asset value. For example, a building with a NOI of \$100,000 valued at a 8.00% Cap Rate is worth:  $100,000/0.08 = \$1,250,000$

## Letter of Intent (LOI):

A document outlining the preliminary commitment of one party to do business with another. The LOI outlines the terms of a prospective deal. LOIs are similar in content to term sheets and tend to be non-binding.

## Load Factor (Loss Factor):

A load factor is a metric that compares the amount of space a tenant pays, referred to as Rentable Square Feet for, in a commercial lease versus the amount of space they actually use, referred to as Usable Square Feet.

# ► Our Team



**AARON MCDERMOTT**

Co- Founder, President  
aaron@latitudeco.com



**BRETT MCDERMOTT**

Co- Founder, Sr. Vice President  
bmcdermott@latitudeco.com



**MYLES RAPCHAK**

Principal, Vice President  
mrapchak@latitudeco.com



**ANTONY MIOCIC**

Director of Office Group  
amiocic@latitudeco.com



**JOHN O'MALLEY**

Associate Broker  
jomalley@latitudeco.com



**CHANDLER KIMMEL**

Associate Broker  
ckimmel@latitudeco.com



**RYNE PISHKUR**

Director of Property Management  
rpishkur@latitudeco.com



**VERONICA TUREK**

Property Manager  
vturek@latitudeco.com



**COURTNEY PISHKUR**

Assistant Property Manager  
cpishkur@latitudeco.com



**MEGHAN DELACRUZ**

Director of Finance  
mdelacruz@latitudeco.com



**KAYLA PATRICK**

Marketing Director  
kpatrick@latitudeco.com



**REBECCA CHAVIRA**

Office Manager  
rchavira@latitudeco.com