

Delaware Co. Real Estate 2015 Market Review

The State of Commercial Real Estate



Delaware Co. Real Estate 2015 Market Review

Today's Panel

Mike Lunsford, CCIM, Owner , Coldwell Banker Lunsford

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Michael Hicks, PhD, Director, Ball State University Center for Business Research

Jay Allardt, Owner, Commercial Appraiser, American United Appraisal Co.

Brian Allardt, Commercial Broker, Coldwell Banker Commercial Lunsford

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Michael J. Hicks
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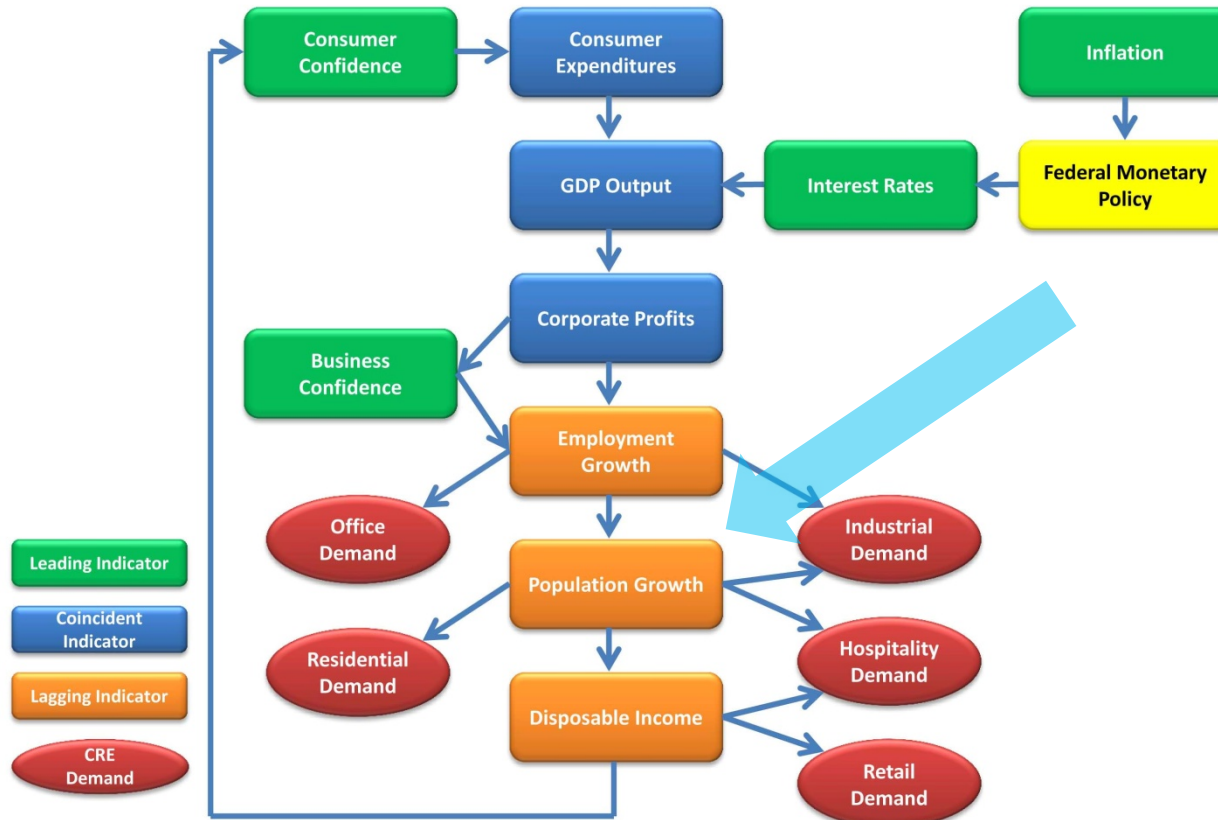
Michael J. Hicks, PhD is the director of the Center for Business and Economic Research and an associate professor of economics in the Miller College of Business at Ball State University. He came to Ball State following stints at the Air Force Institute of Technology's Graduate School of Engineering and Management and research centers at Marshall University and the University of Tennessee.

Delaware Co. Real Estate 2015 Market Review

Commercial Market Segments

- **Manufacturing & Warehouse**
- **Office**
- **Retail**
- **Multi-Family**

Delaware Co. Real Estate 2015 Market Review Commercial Market Drivers



Delaware Co. Real Estate 2015 Market Review

Points of Review

- Significant Activity in 2015
- Market Snapshot
- Current Pricing
- Outlook For 2016

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Manufacturing & Warehouse Significant Activity in 2015

- **40,000 Sq. Ft. Spec. Bldg. in Air Park Sold to Hillcroft Services**
- **1300 W. 23rd , 50,000 SF Sold to Gill Bros.**
- **510-514 E. Jackson, 83,281 SF Sold to Gearbox**
- **Midwest Metal Broke Ground on a 40,000 SF Expansion.**

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Manufacturing & Warehouse Market Snapshot

	Square Feet	Percentage
Total Available 1/1/2015	10.6 Million	
Unoccupied 1/1/2015	2.5 Million	24%
Net Absorbed 2015	-.1 Million	-.9%
Unoccupied 1/1/2016	2.6 Million	24%

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2015 Market Review

Manufacturing & Warehouse

Transaction	\$/ SQ, FT.	Address
For Lease	\$1.25 Mod. Gross \$1.00-\$2.00 Mod. Gross	5401 W. Kilgore 1106 E. Seymour
For Sale	\$2.00 \$5.04 \$25.84 \$5.55	5401 W. Kilgore 2100 N. Granville 3500 S. Hamilton Rd. 400 S. Ohio
Leased	\$1.75 \$1.25(145,000 SF)	1106 E. Seymour 5401 W. Kilgore
Sold	\$22.00 \$3.60	1300 W. 23rd St. 510-514 E. Jackson

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Manufacturing & Warehouse Available Shell Buildings

**50,000 SF, Daleville
\$55.00/ SF**



**200,000 SF, South Industrial Park
\$40.00/ SF**

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Manufacturing & Warehouse Outlook for 2016

- **Shell Buildings Completed & Available.**
- **Renovations to Begin on Gearbox**
- **Availability of Good Existing Space Has Increased, Especially in the 30-100,000 SF Range.**
- **Reduced Demand for Warehouse Space May Result in Downward Pressure on Lease Rates.**

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Office -Downtown Area Significant Activity in 2015

- **Courtyard by Marriott Opens Along With Thr3e Wise Men Restaurant**
- **Majority of Infrastructure Work Completed Including the Liberty Pass Canal**
- **400 N. High Fully Occupied**
- **1st Floor of Chase Bldg. Leased to ONB**
- **Walnut Commons Completed**

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Office -Downtown Area Market Snapshot

	Square Feet	Percentage
Total Available 1/1/2015	236,257	
Unoccupied 1/1/2015	56,525	24%
Absorbed 2015	7,643	3%
Unoccupied 1/1/2016	48,882	21%

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Office -Downtown Area

Transaction	\$/SQ. FT.	Address
For Lease	\$6.00	125 N. Mulberry
	\$8.00	425 N. High
	\$9.00	211 S. Walnut
	\$12.50	220 S. Walnut (2nd Fl.)
For Sale	\$36.45	421 S. Walnut
	\$30.10	124 E. Main
	\$21.90	316 W. Charles
	\$18.28	306 S. Walnut
Leased	\$12.95	400 N. High #110
	\$10.00	400 N. High #200
	\$16.40	400 N. High # 202
	\$12.50	220 S. Walnut

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Downtown Area Outlook For 2016

- Increasing Activity
 - Greater demand for good space
 - Courtyard Hotel & Erskine-Green Training Center Will Provide More Convention Activity
- Increasing Demand Especially for Residential Space
- Upward Pressure on Lease Rates

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Lyndenbrook Area Significant Activity in 2015

- **Occupancy Remains Strong in Owner Occupied and Multi-tenant Buildings**
- **Some Vacancy in Investment Grade Single Tenant Property**
- **Stable Lease Rates**

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Lyndenbrook Area Market Snapshot

	Square Feet	Percentage
Total Available 1/1/2015	244,287	
Unoccupied 1/1/2015	32,277	13.2%
Absorbed 2015- Leased	11,709	4.8%
Sold	3,271	1.3%
Unoccupied 1/1/2016	20,568	8.4%

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Lyndenbrook Area

Transaction	\$/SQ. FT.	Address
For Lease	\$9.00-\$12.00	Various
For Sale	\$63.08 \$212.95 \$74.83 \$73.40	3311 Fox Ridge 3401 Fox Ridge 3640 Briarwood 3641 Briarwood
Leased prices	\$12.00 \$12.09	3621 Everbrook 3401 Briarwood
Sold Prices	\$69.43 \$88.35	3300 Fox Ridge 3301 Fox Ridge

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Lyndenbrook Area Outlook For 2016

- **Reduced vacancy = opportunity**
- **Remains A Desirable Location**
- **Stable Lease Rates and Sale Prices**

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Retail-South Tillotson Area Significant Activity in 2015

- **Construction Began on New Mutual Bank Branch at 2900 W. Jackson**
- **High Occupancy Rate for Single Tenant Units**
- **Several Vacancies in Multi-tenant Properties**
- **Village Pantry Renewed Lease for 5 Yrs.**
- **Lease Rates Remain Under Pressure for Non-Prime Locations**

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Retail-South Tillotson Area Market Snapshot

	Square Feet	Percentage
Total Available 1/1/2015	262,434	
Unoccupied 1/1/2015	18,968	7.2%
Absorbed 2015	-8,982	-3.5%
Unoccupied 1/1/2016	27,950	10.7%

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Retail-South Tillotson Area

Transaction	\$/ SQ. FT.	Address
For Lease	\$6.00 \$14.65 \$8.00	2900 White River Blvd. 625 S. Tillotson 2810 W.Ethel/various
For Sale	\$199,000 \$124,900 \$295,000 \$389,000 \$3.9 Million	300 S. Tillotson 302 S. Tillotson 308 S. Tillotson 413 S. Tillotson 2600 White River Blvd.
Leased Prices	\$7.58	2810 W. Ethel, #9
Sold prices	\$1.351 Million	725 S. Tillotson

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Retail-South Tillotson Area Outlook For 2016

- **High Occupancy Rate for Restaurants & Single Tenant Units**
- **Inquiries and Activity Increased In 2015**
- **Lease Rates Will Remain Under Pressure.**

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Retail-McGalliard Rd. Area Significant Activity in 2015

- Muncie Marketplace Completed, Fully Leased and Sold for \$198/SF (\$15.246 Million)
- Former Nissan/VW Bldg. Sold for \$1.5 Million. Re-opening as Carite Auto Sales
- Former American Chevrolet Building Being Converted to Multi-Tenant Retail Space
- Former Sirloin Stockade Sold to Auto Zone for \$75.95/SF
- Yummy Buffet Sold for \$68.10/SF



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Retail-McGalliard Rd. Area Market Snapshot

	Square Feet	Percentage
Total Available 1/1/2015	2,783,655	
Unoccupied 1/1/2015	227,228	8.1%
Absorption 2015	7,743	.3%
Unoccupied 1/1/2016	219,495	7.8%

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Retail-McGalliard Rd. Area

Transaction	Price/ SQ. FT.	Address
For Lease	\$8.00-\$9.00 \$11.00-\$14.50 \$6.00 \$16.50 \$14.00-\$15.50	811 Center Various McGalliard H.H. Gregg Building Mall Shoppes NW Plaza
For Sale	\$24.57 \$76.45 \$186.00 \$33.00 \$198.00 \$43.00	1501 E. McGalliard 1100 W. McGalliard 400 W. McGalliard AMC Theaters 3300 N. Morrison 5100 W. Bradburn

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Retail-McGalliard Rd. Area

Transaction	Price/ SQ. FT.	Address
Sold	\$75.23	1111 E. McGalliard
	\$80.65	501 W. McGalliard
	\$75.95	4949 N. Hessler
	\$198.00	Muncie Marketplace
	\$68.10	4221 W. Bethel
	\$78.63	4008 W. Bethel
	\$113.00	908 W. McGalliard
	\$114.68	1000 W. McGalliard
	\$191.00	1001 W. McGalliard
	\$49.56	2200 W. McGalliard

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Retail-McGalliard Area Outlook For 2016

- **Increase in Both Sales And Leasing Prices Due to Lack of Space.**
- **Lack of Space Will Result in Older Structures Being Demolished and Replaced With New**
- **Established Businesses are Re-investing in Facade and Décor Updates**

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Retail-Southside Area Market Snapshot

	Square Feet	Percentage
Total Available 1/1/2015	642,037	
Unoccupied 1/1/2015	121,532	18.9%
Absorbed 2015	29,190	4.6%
Unoccupied 1/1/2016	89,342	13.9%

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Retail-Southside Area

Transaction	\$/ SQ. FT.	Address
For Lease	\$4.00-\$8.00 \$9.00 \$14.00	Southway Center 3215 S. Madison Shoppes at Southside
For Sale	\$14.34 \$19.35 \$179.16 \$22.50 \$106.67	2222 S. Madison 1321 S. Madison 425 E. Memorial 1127 S. Madison 2001 S. Madison
Sold Prices	\$71.35	2206 S. Madison

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Retail-Southside Outlook For 2016

- Higher Occupancy for Single Tenant Properties
- Excess Capacity in Retail Strips Especially Southway
- Downward Pressure on Lease Rates & Terms

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Multi-Family Significant Activity 2015

- **There Were No Large Unit Sales in 2015**
- **Construction Completed on Walnut Commons.**
- **Occupancy Remains Stable for The Lofts at Roberts**

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Lease Rates (2 Bedroom)

Area	Occupancy	Mo. Rate
BSU General	95%	\$450-\$900
Promenade	70.5%	\$1780
17 Hundred	100%	\$1100-\$1200
The Grove	N/A	\$1140
Univ. Estates	41.8%	\$878-\$918
The Haven	73%	\$960
Silver Tree	98%	\$740-\$780
Beacon Hill	97%	\$1020
Orchard	100%	\$750

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Multi-Family

Transaction	Price	Address
For Sale	\$1,125,000 \$265,000	120-124 S. Walnut 2403 W. Charles
Sold	\$420,000 \$250,000 \$350,000 \$310,000	Westknoll Ct. 6109 W. Kilgore 300 W. Main 509 W. University

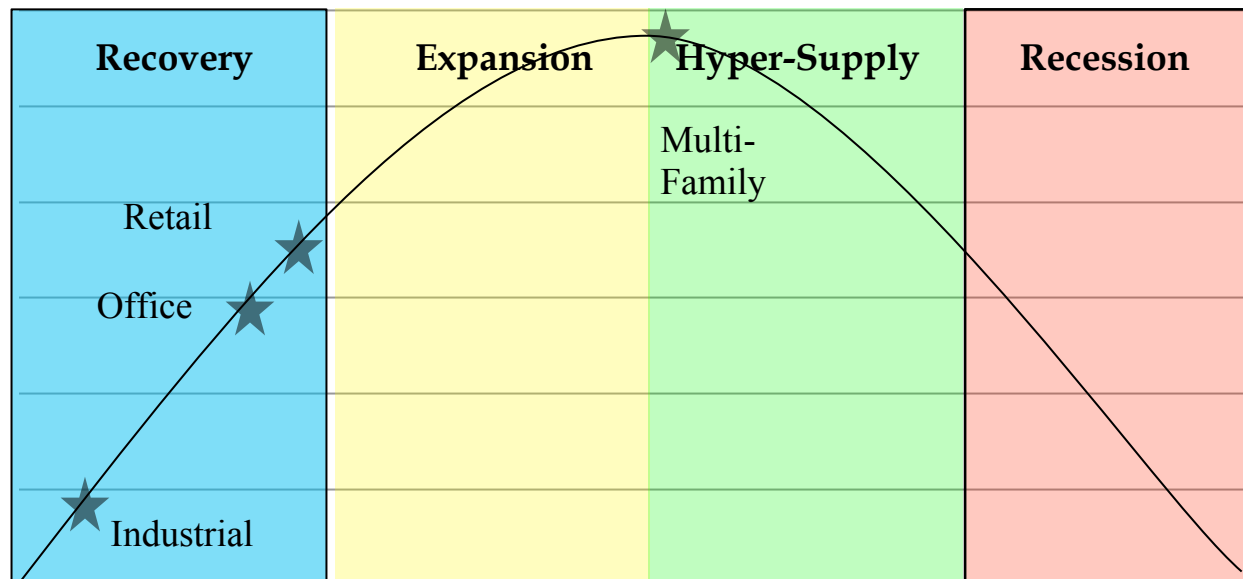
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Multi-Family Outlook For 2016

- BSU Market Will Remain Strong
- Proximity To Campus Continues to be Prime
- Promenade & Grove Will Exert Pressure on Older Units, Further From Campus
- Walnut Commons and The Lofts at Roberts Fill a Need For Income-Based Housing.

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Commercial Market Cycle



Declining Vacancies
Low New Construct.
Moderate Absorption
Low/Moderate Emp.
Growth
Low Rental Growth

Declining Vacancies
High New Construct.
High Absorption
Moderate/High Emp.
Growth
High Rental Growth

Increasing Vacancies
High New Construct.
Negative Absorption
Moderate/Low Emp.
Growth
Mod. Rental Growth

Increasing Vacancies
Low New Construct.
Low Absorption
Low /Negative Emp.
Growth
Low Rental Growth

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2015 Summary And Outlook for 2016

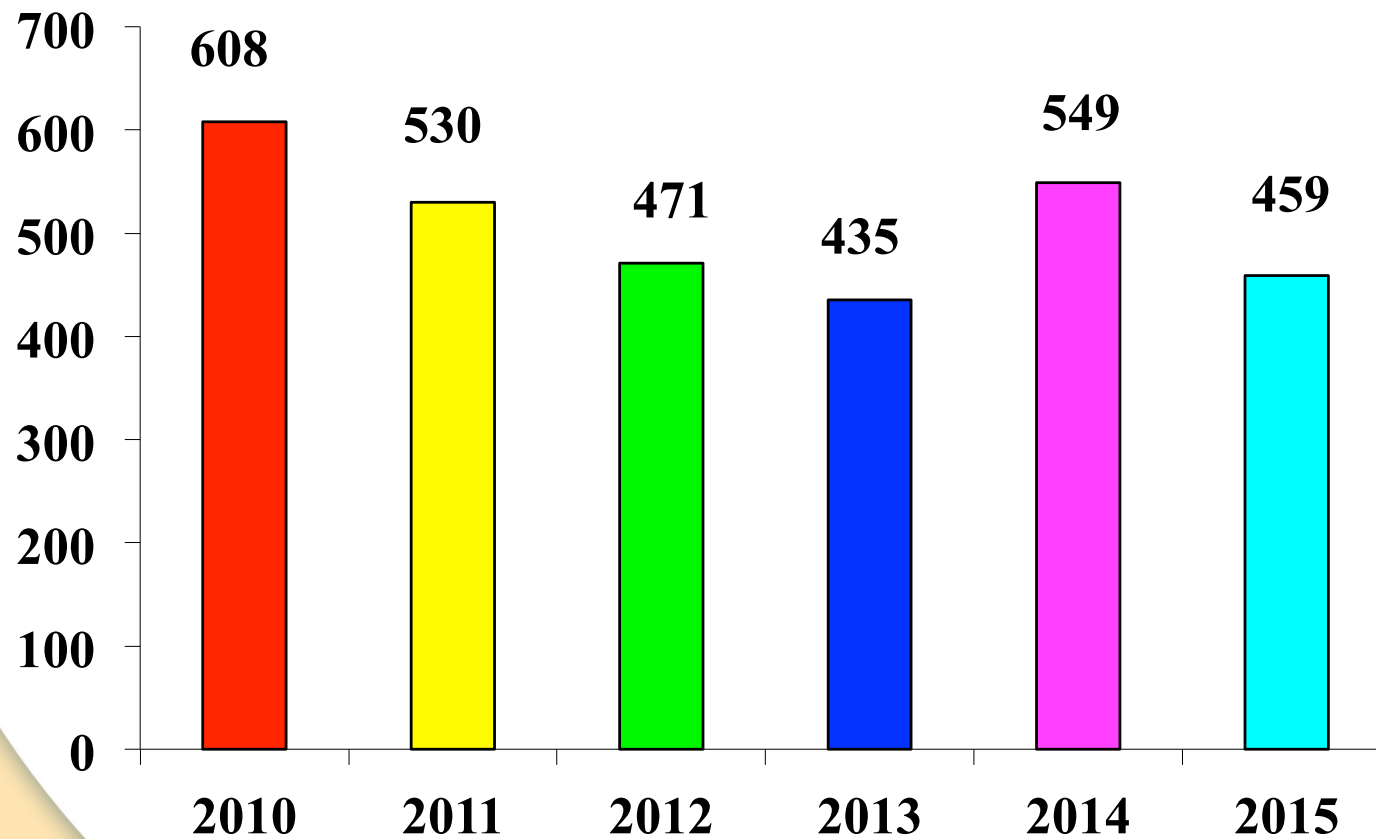
- **Manufacturing & Warehouse**
Downward Pressure on Pricing of Mfg. & Warehouse Space
- **Office & Retail**
Upward Pressure on Pricing of Prime Space
Older Retail Units Upgraded and Re-furbished
- Multi-Family**
Continued High Occupancy in the BSU & NW Areas.
The Grove & Promenade Will Impact Older Facilities
- **Greater Financing Availability and Flexibility**
- **Political Considerations**
Public-Private Cooperation Remains Paramount

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Residential Results 2015

Unit Sales	+18.2%
Average Sale Price	+8.2%
Inventory	4.8 Months
Foreclosures	16%
New Construction	+10 Units

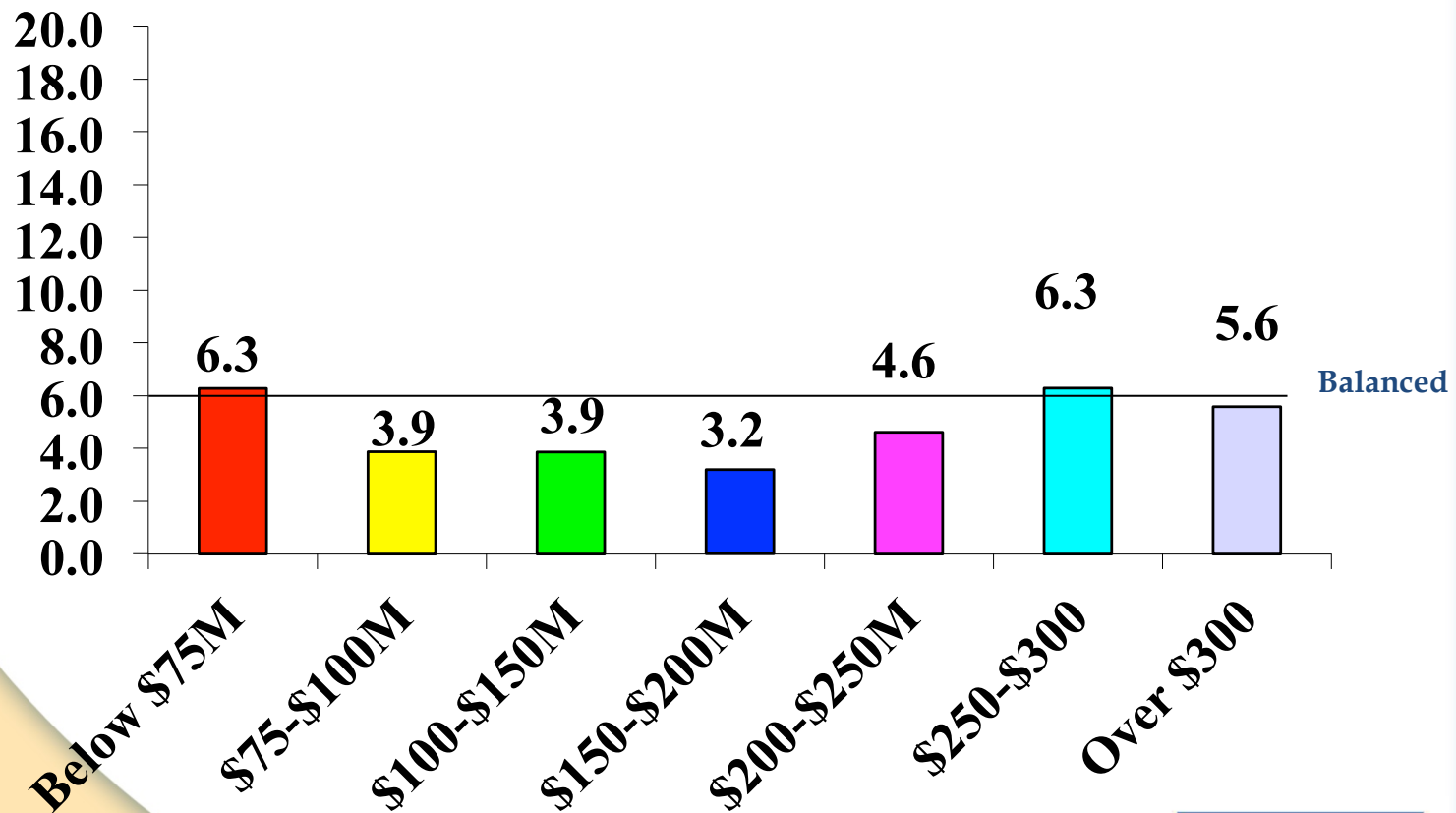
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Active Listings

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Months Residential Inventory By Price Range



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Predicted Market Outlook for 2016

- Unit Sales +5-7% (1190-1250 Units)
- Average Sale Price + 4-6%
- Inventory Remain Below 7 Mo.
- Foreclosures 13-18% Range
- New Construction 35-40 New Permits

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Chris Caldwell has been in banking since 1990 – starting as a part time teller. The main emphasis of his banking career over the last 13 years has been commercial lending and management. Currently Mutual Bank’s Senior Vice President of Business Banking, overseeing Mutual Bank’s business banking functions.

