



St. John, IN Opportunity Analysis Study

Prepared for the Town of St. John

October 20, 2017

Cover Letter

October 20, 2017

Steve Kil
Town of St. John
10955 W. 93rd Avenue
St. John, IN 46373

RE: Revised Opportunity Analysis for the Town of St. John, Indiana

Dear Mr. Kil:

Metrostudy is pleased to present this revised report to the Town of St. John. We have evaluated the residential and commercial market area in Lake County, Indiana, and specifically the St. John submarket. We have provided a macro-level land use analysis that identifies overages and shortages of specific land uses in the local market. This report analyzes the existing and potential land uses in Lake County and St. John, Indiana and suggests potential land uses based on unmet opportunities in the local market.

Please contact us at your convenience with any comments or questions regarding this report, or any other matter relevant to your real estate market research needs.

Respectfully Submitted,

Mark Gianopulos
Regional Director – Midwest Region

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Critical Objectives and Limitations

Objective

The purpose of this study is to assess the current land use market conditions within and surrounding the Town of St. John, Indiana, and to suggest potential opportunities for new growth in land use within the Town. The Town consists of 12.4 square miles of land with a population density of 1,355 per square mile based on the 2016 estimated population of 16,800. Our goal is to provide you with market-based observations and conclusions that will assist in your future growth as a town.

Contact Information

This report was prepared for Town of St. John by the following Metrostudy consultant:
Mark Gianopulos, Senior Consultant - 847.274.5001 - mgianopulos@metrostudy.com

Limiting Conditions

Every reasonable effort has been exerted in order that the data contained in this study reflect the most accurate and timely information that is possible within practical budget limitations, and is believed to be reliable. However, no responsibility is assumed for errors or inaccuracies.

Commissioning this study does not grant the client any right of access to or ownership of any data, computer programs, spreadsheets or any other work product acquired or created by Metrostudy, whether for the preparation of this study or otherwise. No part of this study may be published without the prior written consent of Metrostudy, Inc.

Definitions

Annual Starts: The number of homes started during the last four quarters.

Annual Closings: The number of new homes closed during the last four quarters.

Closings: A “closing” occurs when a home is moved into and occupied. In the single-family context, Metrostudy tracks move-ins, as they are a better indicator of demand than deed deliveries, but often calls them “closings”. Deed records are used to track condominium unit closings. “Closings” will also refer to deed deliveries when discussing MLS data.

Finished Vacant: A unit that is completed, but which shows no evidence of occupancy. (in the condo context, no deed has been recorded.)

Finished Vacant Months-of-Supply: F/V months of supply is calculated by dividing the number of F/V homes by the current annual closings pace, and then multiplying by twelve to yield months.

Future Lots: Lots that are platted, or otherwise in the pipeline, but are not yet developed.

Models: Decorated homes at a sales center.

Square Footage: All measures of home size are in terms of air-conditioned space.

Starts: A “start” occurs when a slab is poured, or work on the foundation otherwise begins. In the condo context, all the units in a single building are “started” when the foundation work begins.

Vacant Developed Lots: Also referred to as “VDL” and “Finished Lots”; a lot served by a road with all underground utilities in place, ready for construction of a new home.

Vacant Developed Lots Months-of-Supply: VDL months-of-supply is calculated by dividing the number of VDL by the current annual starts pace, and then multiplying by twelve to yield months.

Executive Summary

- Housing activity in Lake County Indiana continues to be one of the cornerstones of the Chicagoland market now in it's third quarter with annual starts over 1,000 units, rising 22% y-o-y, with 1,174 annual new home starts in 2Q17. The solid economic factors in Lake County coupled with the economic roadblocks in Illinois, have created a significant opportunity for growth. While new home closings were up 5.6% in the Chicagoland market, annual closings in Lake County (IN) rose by 23.1% y-o-y to 1,051 closings in 2Q17, marking the first time over 1,000 annual closings in Lake Count since the Great Recession.
- With no significant changes anticipated in the Illinois economic environment in the near future, Metrostudy is forecasting continued double-digit growth for Lake County in new home activity through the next five years.
- The median price for new single-family detached homes in Lake County slipped in 2Q17, down 1.7% y-o-y to \$290,129 based on deed closings. The median closing price for attached units were down by less than 1% from the previous year to \$173,563.
- The volume and supply of VDL in the Lake County TMA have been declining since 2009 and are now in equilibrium for the first time since the recession with 2,678 buildable lots on the ground representing a 27.4-months supply.
- ESRI's Retail Supply and Demand Opportunity Gap for retail sales indicates households are willing to spend approximately \$248 million more a year within a 3-mile radius from 93rd and Wicker avenues. The gap is \$280 million in the 5-mile radius.
- Commercial activity in the Lake County TMA has trended higher with developers bringing just over 200,000 square feet of retail space online over the last 12-months as average asking rents slipped 1.8% y-o-y with the vacancy rate at 7.3%. Based on current retail activity, CoStar is forecasting approximately 240,000 square feet of retail space will enter the market in Lake County each of the next five years as the vacancy rate is forecasted to remain flat, in the low 7% range. The current Retail development coming online in St. John, Shops 96, will serve the community well and provide the needed retail space to help foster a larger commerce center in town. At some point in time additional future retail space would be viable southeast of the new development and south of Joliet Road, between the two rail lines or small retail venues on the west side as AADTC rises. (AADT is the Annual Average Daily Traffic identified by the Indiana Department of Transportation)
- Metrostudy has identified two specific directions of growth in St. John, adding various age-targeted maintenance free communities and market rate first move-up developments. The current 162,000 square foot retail development (Shops 96) should supply the needs of the community through 2022. Additional retail space was mentioned in this report as potential long-term needs.

Executive Summary (continued)

Residential Development: Annual new home construction starts in the Lake County (IN) TMA have trended higher since 3Q11, up 22% y-o-y with double-digit growth forecasted by Metrostudy to continue through 2022. The largest single price cohort was for units priced from \$200k to \$250k, comprising 33% of all the home starts in Lake County with only an 18-month supply of lots remaining on the ground for future development at the end of 3Q17. Of the 174 active neighborhoods Metrostudy is currently tracking in the TMA, less than 5% are age-targeted developments, catering to senior lifestyles.

The U.S. Census projects the population under 65 years old in the TMA will decline by 4% through 2022 while those age 65 and over are projected to grow by 14.3%, adding over 11,000 senior residents by the end of 2022. This does not include senior migration from neighboring counties. St. John has an excellent opportunity as an upscale municipality to provide senior housing for the aging, higher income earning population, allowing them to stay connected to friends and family in a low maintenance living environment.

- Age-targeted maintenance-free townhome units will attract single or dual-income active senior households looking to trade-down and stay connected to the local area. The St. John address will bring value to senior buyers through the perception of a more luxurious living environment. These one and two-story units under 2,000 square feet must have indoor attached parking, master-down bedroom suites, and partial basements for storage.
- Age-targeted maintenance-free duplex units will attract dual-income senior households looking to trade-down to a lower-maintenance home and stay connected to friends, family and the local area. The St. John address will establish a level of living expectations and represent value to these buyers. The semi-private one-story units from 1,700 to 2,200 square feet must have well appointed kitchen and master baths, indoor attached parking, master-down bedroom suites with partial basements, and back patios with privacy landscaping.
- Age-targeted full maintenance zero-lot patio homes will attract active empty-nest dual-income households looking to trade-down but continue in the lifestyle to which they are accustomed, and work while reducing maintenance. The St. John address will give these home buyers the satisfaction that they still own a detached home in Lake County's most affluent town which comes with expectations of a luxurious living environment. These 2,000 to 2,500 square foot detached single-story, 10-foot interior ceiling units must have indoor attached parking, master-down bedroom suites, well appointed kitchen and master baths, partial basements, library or office, and back patio with landscaping.

Specific locations for senior developments in and around St. John will depend greatly on local codes and unique environments specific to each site. Home buyers at age-targeted developments are more concerned with amenities within the home and the neighborhood itself than its location. However, providing reasonable access to a senior development is a core ingredient in its success.

Executive Summary (continued)

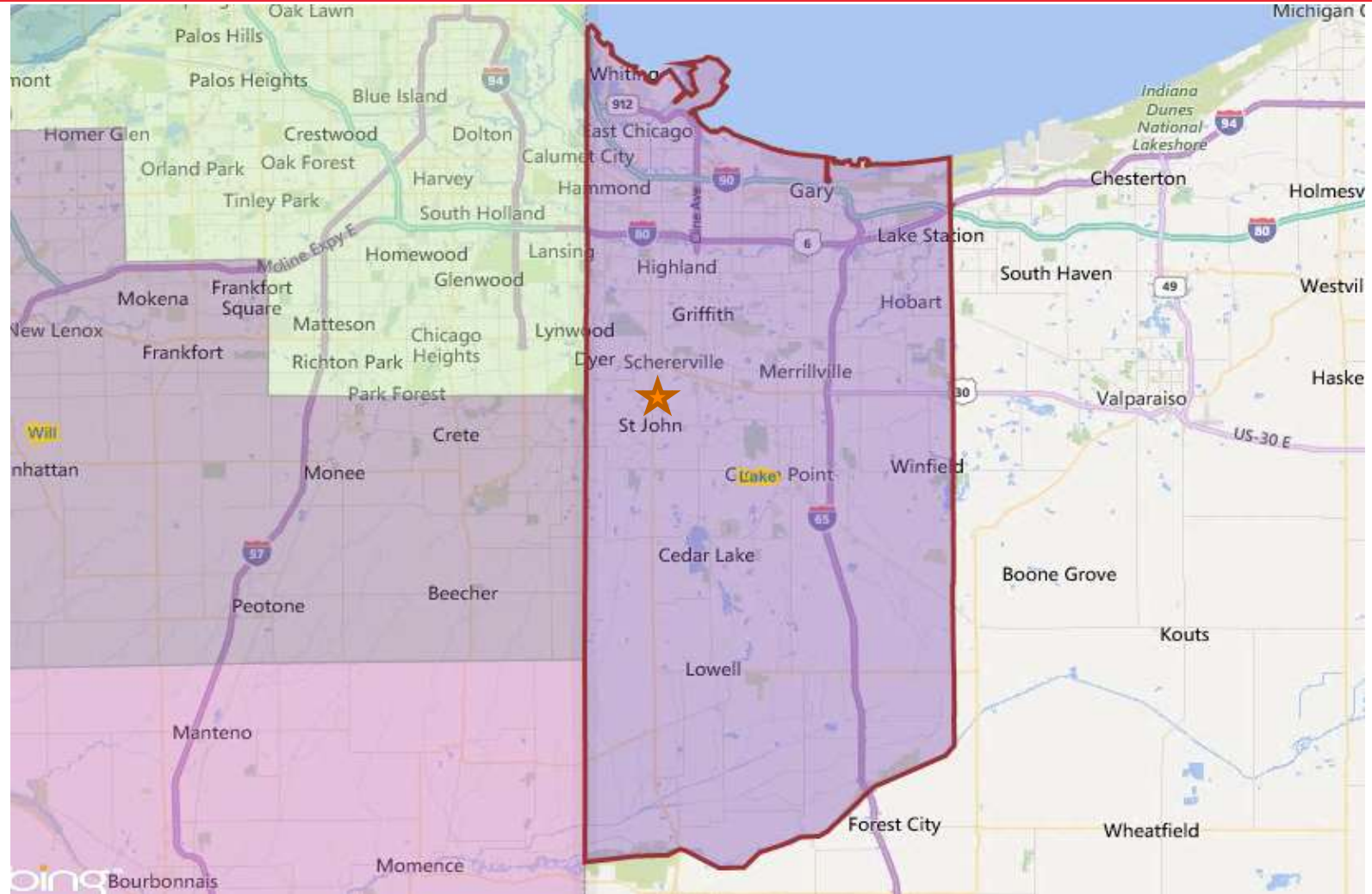
Age-targeted neighborhoods must be easily accessed with a moderately marked entry monument, setting the tone for the living environment within. Senior households are looking for reduced stress, reduced maintenance, moderately higher luxury, and tightening the household budget in preparation for later years. Having a high-traffic entry to the subdivision or being located in a difficult to find area will add to the stress level of the senior buyer. Traveling on tight winding streets to enter the development will prove significantly more negative for potential senior homebuyers during the winter months.

- First move-up market rate homes will attract younger dual-income active professional households with two to three children looking to reduce monthly expenses while living in a more spacious environment. The St. John address will bring value to these buyers through the perception of a more luxurious living environment with the above average Lake Central High School. These two-story living units from 2,400 to 3,000 square feet must have 2-2.5-car indoor parking, modest master bedroom suites with moderately appointed kitchens and baths with full basements.

Retail Development: While household spending data shows the need for additional retail space within both a 3-mile and 5-mile radius from the center of St. John, the new Shops 96 will go far in supplying the short-term needs of the community. Based on the household growth forecasted for Lake County, Metrostudy sees the potential for additional smaller retail development on the west and southeast sides of town, where INDOT data shows significant growth in Annual Average Daily Traffic counts from 2014 through 2017. Further out, the need will arise for more significant retail space which can be located between the two rail lines south of Joliet Road, southeast of the current retail development.

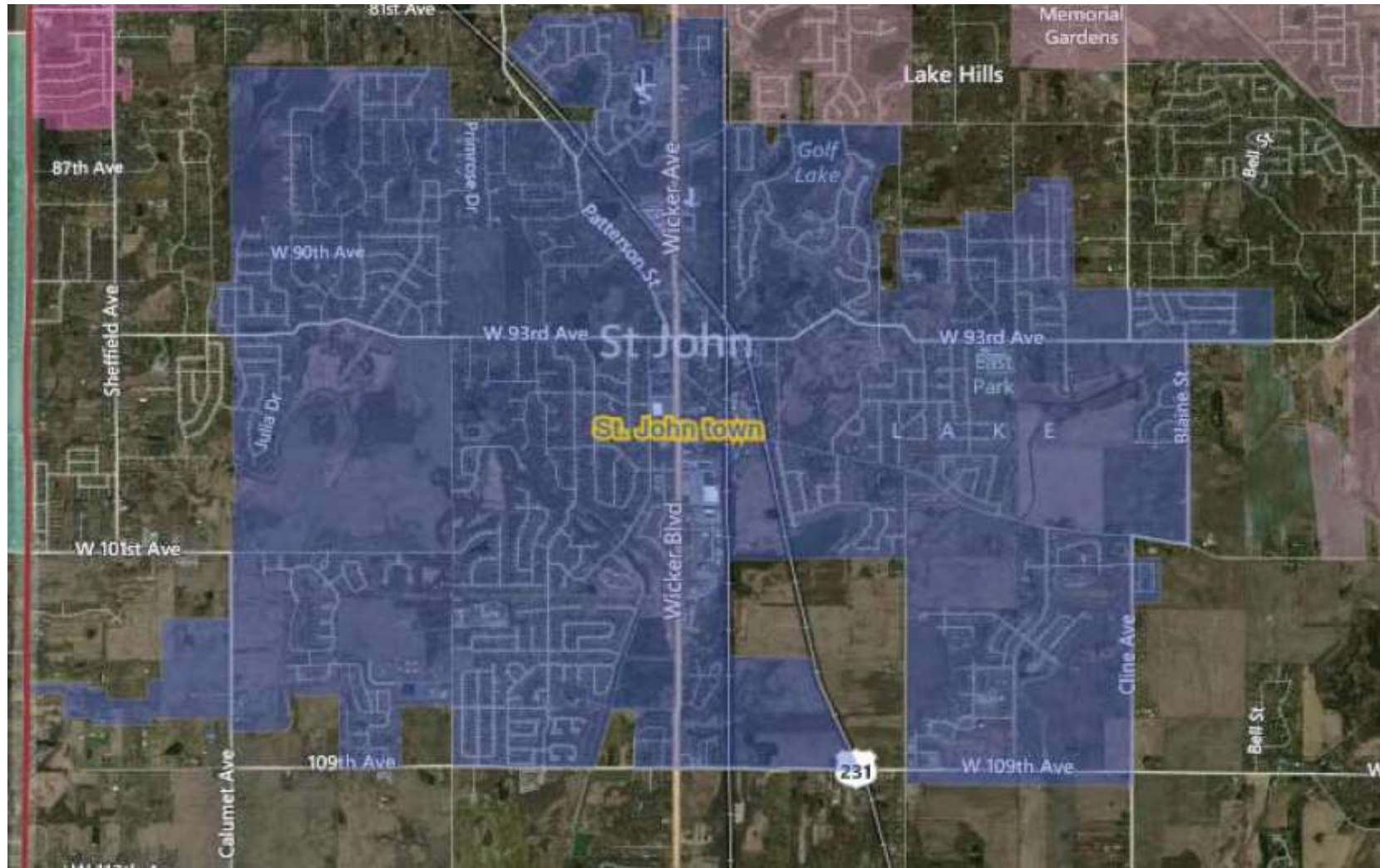
Discouraging large retail development in St. John, Merrillville supports the central retail hub in Lake County with much of the new development planned for the intersection off Highway 65 and Lincoln Highway (30). Lincoln Highway opens up to 12-lanes of traffic west of Highway 65, supporting significant vehicle activity. This location will continue to be the major retail hub in Lake County, at the expense of larger retail development in St. John.

Subject Location and Primary Target Market Area – (TMA)



- The TMA (Target Market Area) is defined as Lake County, Indiana.
- The TMA Includes the larger municipalities of Merrillville, Hammond, Gary, Griffith, Crown Point, Schererville, Hobart, Highland, Munster, and St. John.

Subject Location and Surroundings



- The Town consists of 12.4 square miles of land with a population density of 1,355 per square mile in 2016, located north of State Highway 231, south of 81st Avenue, bisected by Highway 41 or Wicker Boulevard in Lake County, Indiana.



Socioeconomic Overview (Lake County TMA)

TMA Population Forecast by Age

| Description | 2010 Census | % | | 2017 Estimate | % | | 2022 Projection | % |
|--------------------------|-------------|--------|--|---------------|--------|--|-----------------|--------|
| Population by Age | 496,005 | | | 484,734 | | | 479,703 | |
| Age 0 - 4 | 33,258 | 6.71% | Metrostudy's proprietary research indicates that there are 193,553 new households within Lake County as of 2017 YTD for an increase of 4,996. Neustar had estimated total households 183,596, therefore, Neustar's estimate can be considered low. | 30,162 | 6.60% | While Neustar projects a decline in households in 2022, Metrostudy's research shows a potential increase based on current and forecasted demand for housing within Lake County, hence an increase in population is expected. | 29,834 | 6.54% |
| Age 5 - 9 | 35,119 | 7.08% | | 31,229 | 6.70% | | 29,845 | 6.45% |
| Age 10 - 14 | 36,356 | 7.33% | | 33,008 | 7.03% | | 30,719 | 6.56% |
| Age 15 - 19 | 36,400 | 4.54% | | 32,859 | 4.44% | | 31,538 | 4.32% |
| Age 20 - 24 | 29,346 | 4.05% | | 31,839 | 4.12% | | 31,511 | 4.17% |
| Age 25 - 29 | 31,654 | 4.66% | | 29,446 | 5.21% | | 30,380 | 5.68% |
| Age 30 - 34 | 31,169 | 12.67% | | 29,742 | 12.22% | | 29,303 | 12.02% |
| Age 35 - 44 | 62,630 | 12.63% | | 60,311 | 12.37% | | 58,041 | 12.11% |
| Age 45 - 54 | 73,841 | 14.89% | | 62,296 | 13.72% | | 58,295 | 12.29% |
| Age 55 - 64 | 60,362 | 12.17% | | 65,826 | 13.24% | | 61,060 | 13.45% |
| Age 65 - 74 | 34,431 | 6.94% | | 44,714 | 7.96% | | 50,013 | 9.76% |
| Age 75 - 84 | 22,372 | 4.51% | | 22,593 | 4.43% | | 26,948 | 4.64% |
| Age 85 and over | 9,067 | 1.83% | | 10,709 | 1.96% | | 12,216 | 1.99% |
| Age 15 and over | 391,272 | 77.37% | | 390,335 | 78.21% | | 389,305 | 79.02% |
| Age 20 and over | 354,872 | 74.34% | | 357,476 | 75.23% | | 357,767 | 76.12% |
| Age 25 and over | 325,526 | 70.29% | | 325,637 | 71.11% | | 326,256 | 71.95% |
| Age 65 and over | 65,852 | 13.28% | | 78,016 | 14.34% | | 80,119 | 16.40% |
| Median Age | 37.0 | | | 39.0 | | | 40.0 | |
| Population by Sex | 495,894 | | | 484,734 | | | 488,552 | |
| Male | 239,383 | 48.26% | | 234,824 | 48.34% | | 232,700 | 48.44% |
| Female | 256,622 | 51.74% | | 249,910 | 51.66% | | 247,003 | 51.56% |

Source: Neustar

- Neustar estimates that there are currently 484,734 residents within the TMA, a decrease of over 11,271 residents since 2010.
- Neustar expects the decline in population growth over the next five years to continue through 2022. Lake County experienced a negative net annual migration to Porter County 2015, losing 722 residents in one year.
- As shown on the chart above, Neustar's estimate and projection for population does not reflect the increase in homebuilder starts and closings activity. From 2010 a total of 4,996 households were added, equating to over 55 households per month raising the current household count to 193,553 in 2017. We believe Census figures will also under forecast the market though 2022 but Metrostudy adjustments cannot be made until the homes are built.

Population by Race and Households by Age, TMA

| Description | 2010 Census | % | 2017 Estimate | % | 2022 Projection | % |
|--|----------------|-------|------------------|-------|--------------------|-------|
| Pop. by Single Race Class. and Hispanic or Latino | | | | | | |
| Not Hispanic White | 274,654 | 55.4% | 263,712 | 54.4% | 258,599 | 53.9% |
| Not Hispanic Black | 125,823 | 25.4% | 115,301 | 23.8% | 110,404 | 23.0% |
| Not Hispanic Native American | 913 | 0.2% | 839 | 0.2% | 813 | 0.2% |
| Not Hispanic Asian | 6,008 | 1.2% | 7,133 | 1.5% | 7,582 | 1.6% |
| Not Hispanic Pacific Islander | 63 | 0.0% | 93 | 0.0% | 114 | 0.0% |
| Not Hispanic Two Or More Races | 5,881 | 1.2% | 6,982 | 1.4% | 7,546 | 1.6% |
| Hispanic White | 73,924 | 14.9% | 81,100 | 16.7% | 84,525 | 17.6% |
| Hispanic Black | 4,781 | 1.0% | 5,126 | 1.1% | 5,311 | 1.1% |
| Hispanic Native American | 1,521 | 0.3% | 1,737 | 0.4% | 1,906 | 0.4% |
| Hispanic Asian | 420 | 0.1% | 444 | 0.1% | 473 | 0.1% |
| Hispanic Pacific Islander | 145 | 0.0% | 190 | 0.0% | 197 | 0.0% |
| Hispanic Two Or More Races | 1,872 | 0.4% | 2,077 | 0.4% | 2,233 | 0.5% |

| | | | | | | |
|---|----------------|--------|----------------|--------|----------------|--------|
| Households by Age of Householder | 188,157 | | 183,770 | | 181,836 | |
| Householder Under 25 Years | 5,885 | 3.13% | 7,813 | 4.25% | 7,600 | 4.18% |
| Householder 25 to 34 Years | 27,466 | 14.60% | 25,659 | 13.96% | 25,236 | 13.88% |
| Householder 35 to 44 Years | 32,935 | 17.50% | 30,845 | 16.78% | 29,194 | 16.06% |
| Householder 45 to 54 Years | 41,328 | 21.96% | 33,576 | 18.27% | 31,035 | 17.07% |
| Householder 55 to 64 Years | 36,516 | 19.41% | 37,381 | 20.34% | 34,140 | 18.78% |
| Householder 65 to 74 Years | 22,339 | 11.87% | 26,999 | 14.69% | 29,717 | 16.34% |
| Householder 75 to 84 Years | 15,554 | 8.27% | 14,662 | 7.98% | 17,218 | 9.47% |
| Householder 85 Years and over | 6,134 | 3.26% | 6,835 | 3.72% | 7,696 | 4.23% |
| Median Age of Householder | 52.0 | | 53.0 | | 54.0 | |

Source: Neustar

- The decline in population is due to the shrinking number of Non-Hispanic White and Non-Hispanic Black residents in the Lake County TMA. Hispanic White and Hispanic Black are estimated to have experienced growth through 2017 and are projected to gain population and households through 2022.
- Part of the adjusted population figures from Metrostudy starts stated previously are due to in-migration from Illinois and contiguous county households, not captured by Census.

Purchasing Capacity by Home Price, TMA

- This analysis quantifies the amount of household income needed to purchase a home. The model assumes a number of variables, such as a 5% down payment, mortgage rate of 4%, 5% and 6%, property tax of 1.5% of home price and annual property insurance of 1% of home price. While not exact, it does provide a window into the relationship between income and home purchase price, given standard assumptions.
- Different housing product and different buyer segments will alter the chart to the right. Age-targeted buyers will average an LTV of 55% compared to 95% used in the chart.

| Home Price | Down Payment ¹ | Mortgage | Mortgage Rate | Term ² | Property Tax ³ | Annual Property Insurance ⁴ | Monthly Payment ⁵ | Required Household Income ⁶ |
|------------|---------------------------|-----------|---------------|-------------------|---------------------------|--|------------------------------|--|
| \$175,000 | \$8,750 | \$166,250 | 4.00% | 30 | \$2,625 | \$1,225 | \$1,114.54 | \$44,581 |
| | | \$166,250 | 5.00% | | | | \$1,213.30 | \$48,532 |
| | | \$166,250 | 6.00% | | | | \$1,317.59 | \$52,703 |
| \$200,000 | \$10,000 | \$190,000 | 4.00% | 30 | \$3,000 | \$1,400 | \$1,273.76 | \$50,950 |
| | | \$190,000 | 5.00% | | | | \$1,386.63 | \$55,465 |
| | | \$190,000 | 6.00% | | | | \$1,505.81 | \$60,233 |
| \$225,000 | \$11,250 | \$213,750 | 4.00% | 30 | \$3,375 | \$1,575 | \$1,432.98 | \$57,319 |
| | | \$213,750 | 5.00% | | | | \$1,559.96 | \$62,398 |
| | | \$213,750 | 6.00% | | | | \$1,694.04 | \$67,762 |
| \$250,000 | \$12,500 | \$237,500 | 4.00% | 30 | \$3,750 | \$1,750 | \$1,592.19 | \$63,688 |
| | | \$237,500 | 5.00% | | | | \$1,733.28 | \$69,331 |
| | | \$237,500 | 6.00% | | | | \$1,882.27 | \$75,291 |
| \$275,000 | \$13,750 | \$261,250 | 4.00% | 30 | \$4,125 | \$1,925 | \$1,751.41 | \$70,057 |
| | | \$261,250 | 5.00% | | | | \$1,906.61 | \$76,265 |
| | | \$261,250 | 6.00% | | | | \$2,070.49 | \$82,820 |
| \$300,000 | \$15,000 | \$285,000 | 4.00% | 30 | \$4,500 | \$2,100 | \$1,910.63 | \$76,425 |
| | | \$285,000 | 5.00% | | | | \$2,079.94 | \$83,198 |
| | | \$285,000 | 6.00% | | | | \$2,258.72 | \$90,349 |
| \$325,000 | \$16,250 | \$308,750 | 4.00% | 30 | \$4,875 | \$2,275 | \$2,069.85 | \$82,794 |
| | | \$308,750 | 5.00% | | | | \$2,253.27 | \$90,131 |
| | | \$308,750 | 6.00% | | | | \$2,446.95 | \$97,878 |
| \$350,000 | \$17,500 | \$332,500 | 4.00% | 30 | \$5,250 | \$2,450 | \$2,229.07 | \$89,163 |
| | | \$332,500 | 5.00% | | | | \$2,426.60 | \$97,064 |
| | | \$332,500 | 6.00% | | | | \$2,635.17 | \$105,407 |
| \$375,000 | \$18,750 | \$356,250 | 4.00% | 30 | \$5,625 | \$2,625 | \$2,388.29 | \$95,532 |
| | | \$356,250 | 5.00% | | | | \$2,599.93 | \$103,997 |
| | | \$356,250 | 6.00% | | | | \$2,823.40 | \$112,936 |
| \$400,000 | \$20,000 | \$380,000 | 4.00% | 30 | \$6,000 | \$2,800 | \$2,547.51 | \$101,900 |
| | | \$380,000 | 5.00% | | | | \$2,773.26 | \$110,930 |
| | | \$380,000 | 6.00% | | | | \$3,011.63 | \$120,465 |

Data Compiled by Metrostudy

¹ - Assuming Down Payment of 5% Home Price

² - In Years

³ - Estimated at 1.5% of Home Price

⁴ - Estimated at 0.7% of Home Price

⁵ - Includes monthly Property Tax and Insurance Costs

⁶ - Assuming that 30% of Household Income is Applied to Housing Related Fees

TMA Demographic Profile Comparison by Municipality

| City Name | Median Resident Age | 2016 Cost of Living Index (Avg=100) | 2014 Population | 2015 Median Household Income | Owner Occupied | 2015 Median Home Price |
|-----------------|---------------------|-------------------------------------|-----------------|------------------------------|----------------|------------------------|
| Hammond | 36.0 | 95.9 | 78,384 | \$41,359 | 63% | \$86,600 |
| Gary | 38.1 | 95.2 | 77,909 | \$30,467 | 66% | \$68,000 |
| Merrillville | 37.9 | 96.8 | 35,450 | \$52,281 | 64% | \$130,021 |
| East Chicago | 31.6 | 95.8 | 28,990 | \$26,722 | 44% | \$79,196 |
| Schererville | 41.6 | 97.5 | 28,926 | \$66,246 | 75% | \$212,789 |
| Hobart | 39.6 | 96.5 | 28,635 | \$58,765 | 73% | \$134,205 |
| Crown Point | 41.7 | 97.1 | 28,623 | \$64,322 | 77% | \$174,416 |
| Highland | 42.5 | 97.5 | 23,127 | \$62,357 | 78% | \$154,209 |
| Munster | 45.0 | 97.5 | 23,103 | \$71,132 | 85% | \$211,769 |
| Griffith | 36.3 | 96.5 | 16,516 | \$55,985 | 65% | \$140,635 |
| St. John | 42.7 | 97.8 | 16,117 | \$96,631 | 98% | \$260,961 |

Demographic Data from City-Data.com

- The Town of St. John ranks as the 12th largest populated municipality in Lake County but holds the highest median income and median home value in 2015 at \$96,631 and \$260,961, respectively.
- With owner-occupied residents comprising a significantly high 98% of the households, the Town of St. John can be considered a Bedroom Community with minimal transient rental units available and limited job centers.
- St. John, with the highest median income, median home price, and percentage of owner-occupied households, has the highest Cost of Living Index of the 11 largest municipalities in Lake County, Indiana. The government's Cost of Living Index is a calculation based on groceries, housing, utilities, transportation and healthcare costs.

Top 25 Median Income Municipalities in Lake County, IN

| City Name | 2014 Population | 2015 Median Household Income | Owner Occupied | 2015 Median Home Price |
|---------------------------|-----------------|------------------------------|----------------|------------------------|
| St. John | 16,117 | \$96,631 | 98% | \$260,961 |
| Lakes of the Four Seasons | 7,033 | \$91,302 | 97% | \$190,112 |
| Winfield | 5,260 | \$82,926 | 88% | \$256,980 |
| Dyer | 16,169 | \$80,419 | 91% | \$194,521 |
| Munster | 23,103 | \$71,132 | 85% | \$211,769 |
| Schererville | 28,926 | \$66,246 | 75% | \$212,789 |
| Crown Point | 28,623 | \$64,322 | 77% | \$174,416 |
| Lowell | 9,402 | \$62,959 | 78% | \$151,555 |
| Highland | 23,127 | \$62,357 | 78% | \$154,209 |
| Cedar Lake | 11,854 | \$62,201 | 79% | \$162,475 |
| Kouts | 1,949 | \$59,333 | 77% | \$139,654 |
| Hobart | 28,635 | \$58,765 | 73% | \$134,205 |
| Lake Dalecarlia | 1,355 | \$57,722 | 91% | \$164,516 |
| Griffith | 16,516 | \$55,985 | 65% | \$140,635 |
| Whiting | 4,856 | \$53,055 | 61% | \$113,488 |
| Merrillville | 35,450 | \$52,281 | 64% | \$130,021 |
| Hebron | 3,713 | \$47,791 | 62% | \$138,599 |
| De Motte | 3,978 | \$47,107 | 70% | \$159,689 |
| Hammond | 78,384 | \$41,359 | 63% | \$86,600 |
| Schneider | 271 | \$39,936 | 58% | \$106,854 |
| Lake Station | 12,175 | \$39,659 | 66% | \$83,381 |
| New Chicago | 1,993 | \$39,226 | 65% | \$88,790 |
| Gary | 77,909 | \$30,467 | 66% | \$68,000 |
| East Chicago | 28,990 | \$26,722 | 44% | \$79,196 |

Demographic Data from City-Data.com

- The Lakes of Four Seasons, while listed as a municipal entity, is a three square mile exclusive gated community bisected by county lines, located half in Lake County and half in Porter County. The homes are built around Lake Holiday and several smaller lakes.
- Both St. John and Lakes of Four Seasons are considered bedroom communities with 98% and 97%, respectively, of the households as owner-occupied, and limited job centers.

Top 5 Comparative Municipalities

| City Name | Median Resident Age | 2016 Cost of Living Index (Avg = 100) | 2015 (ASC) Population | Households (From 2015) | | |
|----------------------|---------------------|--|-----------------------|------------------------|-----------|-------------------|
| | | | | Median Income | % Rental | Median Home Price |
| Barrington (IL) | 44.4 | 105.1 | 10,576 | \$119,423 | 25% | \$497,697 |
| Fishers (IN) | 34.5 | 89.2 | 83,177 | \$109,397 | 21% | \$233,500 |
| Carmel (IN) | 39.9 | 89.6 | 86,682 | \$108,660 | 22% | \$318,800 |
| Frankfort (IL) | 42.2 | 106.2 | 18,446 | \$110,993 | 6% | \$356,710 |
| Geneva (IL) | 44 | 103.5 | 21,742 | \$97,459 | 21% | \$328,033 |
| St. John (IN) | 42.7 | 97.8 | 16,117 | \$96,631 | 2% | \$260,961 |

Demographic Data from US Census Bureau & City-Data.com

Median Age Estimates from 2014

Population from 2015 American Community Survey (ACS) - US Census Bureau

| City Name | Municipal Acreage | 2015 Total Housing Units | Households (From ACS-2015) | | | Metrostudy Suv. Data 2015 - 2Q17 | |
|------------------------|-------------------|--------------------------|----------------------------|--------------|------------------|----------------------------------|------------|
| | | | Det. Homes | Att. Homes | Multi-Fam. Units | Att. | Det. |
| Barrington (IL) | 3,084 | 4,259 | 3,058 | 474 | 727 | 0 | 15 |
| Fishers (IN) | 20,572 | 30,338 | 24,345 | 2,199 | 3,794 | 170 | 764 |
| Carmel (IN) | 11,392 | 33,012 | 24,671 | 2,146 | 6,161 | 85 | 590 |
| Frankfort (IL) | 6,976 | 6,248 | 4,938 | 1,186 | 124 | 20 | 180 |
| Geneva (IL) | 5,376 | 8,249 | 6,010 | 1,639 | 595 | 84 | 45 |
| St. John (IN) * | 7,930 | 7,695 | 6,464 | 1,231 | 0 | 260 | 545 |

2015 American Community Survey (ACS)- US Census Bureau

U.S. Census Definition of Multi-Family Units is five or more units in one structure.

Total housing units may not add up due to mobile home excluded from chart

* Housing unit data from municipality

- The above cities, towns and villages represent a more direct comparison to St. John in demographic profile within their own bedroom-community environs.
- Frankfort and St. John have the lowest percentage of rental and multifamily units as of 2015.
- The Metrostudy column indicates additional housing units entering the municipalities between 2015 and 2Q17.

Top 5 Comparative Municipalities – Lot Size

| Lot Sizes | Barrington | | Fishers, IN | | Carmel, IN | | Frankfort, IL | | Geneva, IL | | St. John | |
|------------------|------------|-----|-------------|-----|------------|-----|---------------|-----|------------|-----|----------|-----|
| | Starts | VDL | Starts | VDL | Starts | VDL | Starts | VDL | Starts | VDL | Starts | VDL |
| 0 - 4,999 | 13 | 24 | 19 | 60 | 19 | 60 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5,000 - 6,999 | 0 | 0 | 138 | 52 | 16 | 19 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7,000 - 9,999 | 0 | 0 | 231 | 343 | 144 | 258 | 0 | 0 | 10 | 13 | 7 | 5 |
| 10,000 - 14,999 | 0 | 0 | 169 | 397 | 120 | 270 | 6 | 94 | 4 | 17 | 107 | 209 |
| 15,000 - 29,999 | 0 | 0 | 0 | 17 | 10 | 106 | 14 | 644 | 1 | 67 | 127 | 220 |
| 30,000 - 49,999 | 0 | 0 | 0 | 0 | 1 | 13 | 0 | 0 | 0 | 0 | 2 | 22 |
| 50,000 - 99,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| 100,000 And Over | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 0 | 0 | 0 | 0 |

Based on Metrostudy survey data - 3Q17

The above chart highlights lots by square footage for annual starts and remaining lots (VDL) within each comparative municipality and in St. John.

- The lots in Barrington belong to one active development built within the Reserve at Barrington, a gated community built around a lake and several ponds.
- Within Fishers 72% of the starts were built on 7,000 to 14,999 square foot lots while the same size segment is holding 85% of the remaining VDL's.
- The majority of the VDL's in Carmel are for lots sized from 7,00 to 14,999 square feet, holding 85% of the new starts and 73% of the remaining lots.
- In Frankfort, the largest housing starts cohort was for homes built on lots sized from 15,000 to 29,999 square feet. The same lot size segment is holding 86% of the VDL.
- The largest lot segment in Geneva for new homes was for VDL's sized from 7,000 to 9,999 square feet, however the largest remaining VDL cohort was for lots sized from 15,000 to 29,999 square feet, at 69%.
- Within St. John, 94% of the VDL and 96% of the starts were for lots sized from 10,000 to 29,999 square feet.

IRS County-to-County Migration Trends: 2014 -15

In-Migration Lake County, IN (2014-2015)

| Rank | State | In-Migration County | Total Exemptions | Percent of Total |
|------|-------|---------------------|------------------|------------------|
| 1 | IL | Cook County | 5,874 | 44.1% |
| 2 | IN | Porter County | 1,721 | 12.9% |
| 3 | IL | Will County | 597 | 4.5% |
| 4 | IN | Marion County | 433 | 3.3% |
| 5 | IN | LaPorte County | 234 | 1.8% |
| 6 | IN | Jasper County | 184 | 1.4% |
| 7 | IL | DuPage County | 151 | 1.1% |
| 8 | TX | Travis County | 145 | 1.1% |
| 9 | IN | Newton County | 121 | 0.9% |
| 10 | IN | Tippecanoe County | 99 | 0.7% |

Out-Migration Lake County, IN (2014-2015)

| Rank | State | Out-Migration County | Total Exemptions | Percent of Total |
|------|-------|----------------------|------------------|------------------|
| 1 | IL | Cook County | 4,401 | 28.6% |
| 2 | IN | Porter County | 2,443 | 15.9% |
| 3 | IN | Marion County | 797 | 5.2% |
| 4 | IL | Will County | 371 | 2.4% |
| 5 | IN | LaPorte County | 359 | 2.3% |
| 6 | IN | Jasper County | 276 | 1.8% |
| 7 | IN | Tippecanoe County | 190 | 1.2% |
| 8 | AZ | Maricopa County | 188 | 1.2% |
| 9 | IL | DuPage County | 158 | 1.0% |
| 10 | IN | Newton County | 165 | 1.1% |

Source: Internal Revenue Service; Metrostudy

- The Internal Revenue Service provides annual migration data based on the addresses received from annual tax returns. IRS migration data capture roughly 70% of all United States residents, but exclude those lower income residents and some senior residents who do not need to file a return. Therefore, while the IRS does not capture migration across all income levels, it does offer powerful data on the overall percentage of those migrants who have the ability to purchase a home or have enough income to file tax returns within the study area. Data depicted in the tables above represent total exemptions provided on tax returns, giving a fairly accurate representation of the geographic origin (distribution) of new residents. The data analyzed are from the 2014-15 tax year, which is the latest year for which the IRS has data available.
- Lake County experienced a net migration loss in 2015 of over 2,058 residents, however more local residents are migrating to Lake County, with the **net** migration from contiguous counties positive by 655 residents.
- Of the 15,369 out-migrants leaving Lake County, Indiana in 2015, 66% went to locations outside Indiana while approximately 50% migrated to *contiguous* counties. Approximately 1% of all residents leaving the County went to foreign destinations, this is most likely due to servicemen in active duty.
- Those migrating into Lake County tend to be from the surrounding counties. Of the 13,311 new residents who moved into the County, nearly 63% were from contiguous counties.

TMA Households by Income

| Description | 2010 Census | % | 2017 Estimate | % | 2022 Projection | % |
|---------------------------------------|-----------------|--------|------------------|--------|--------------------|--------|
| Households by Household Income | 188,157 | | 183,770 | | 181,836 | |
| Income Less than \$15,000 | 27,304 | 14.51% | 22,659 | 12.33% | 21,971 | 12.08% |
| Income \$15,000 - \$24,999 | 25,120 | 13.35% | 19,906 | 10.83% | 19,327 | 10.63% |
| Income \$25,000 - \$34,999 | 21,311 | 11.33% | 19,249 | 10.47% | 18,875 | 10.38% |
| Income \$35,000 - \$49,999 | 28,412 | 15.10% | 26,290 | 14.31% | 25,901 | 14.24% |
| Income \$50,000 - \$74,999 | 37,269 | 19.81% | 33,848 | 18.42% | 32,874 | 18.08% |
| Income \$75,000 - \$99,999 | 22,037 | 11.71% | 23,820 | 12.96% | 23,653 | 13.01% |
| Income \$100,000 - \$124,999 | 12,314 | 6.54% | 15,482 | 8.42% | 15,796 | 8.69% |
| Income \$125,000 - \$149,999 | 7,137 | 3.79% | 7,983 | 4.34% | 8,049 | 4.43% |
| Income \$150,000 - \$199,999 | 4,288 | 2.28% | 8,432 | 4.59% | 8,903 | 4.90% |
| Income Abve \$200,000 | 2,965 | 1.58% | 6,101 | 3.32% | 6,487 | 3.57% |
| Average Household Income | \$57,770 | | \$68,903 | | \$70,314 | |
| Median Household Income | \$45,202 | | \$52,410 | | \$53,115 | |

Source: Neustar

- The table above indicates the distribution of households by income as well as the median and average household income within the TMA. These data are most relevant in analyzing primary demand for homes and goods or services. Household data for Lake County residents is necessary for providing a perspective on the surrounding demographic environment but more pointed consumer spending data will be provided in the subsequent Commercial Real Estate section.
- The median and average household incomes in the TMA are projected to rise through 2022, while the largest percentage of households will continue to earn from \$50,000 to \$74,999 annually.
- The strongest growth is projected for those households earning from \$100,000 to over \$200,000 with the addition of 1,273 households.

TMA Employment by Sector

| Business Description | Total Establishment | Total Employees | Percent of Total | Employees Per Establishment |
|--|---------------------|-----------------|------------------|-----------------------------|
| Total Businesses | 18,472 | 210,016 | 100% | 11 |
| Private Sector | 17,956 | 199,174 | 95% | 11 |
| Public Administration | 516 | 10,842 | 5% | 21 |
| Health Care and Social Assistance | 4,345 | 46,099 | 22% | 11 |
| Other Services (except Public Administration) | 2,196 | 12,336 | 6% | 6 |
| Retail Trade | 2,130 | 29,167 | 14% | 14 |
| Finance and Insurance | 1,669 | 8,386 | 4% | 5 |
| Professional, Scientific, and Technical Services | 1,618 | 9,572 | 5% | 6 |
| Accommodation and Food Services | 1,195 | 19,975 | 10% | 17 |
| Construction | 1,145 | 10,184 | 5% | 9 |
| Real Estate and Rental and Leasing | 719 | 4,422 | 2% | 6 |
| Manufacturing | 540 | 12,594 | 6% | 23 |
| Wholesale Trade | 523 | 6,559 | 3% | 13 |
| Administrative, Waste Management and Remediation | 491 | 5,661 | 3% | 12 |
| Educational Services | 402 | 16,411 | 8% | 41 |
| Transportation and Warehousing | 391 | 4,571 | 2% | 12 |
| Arts, Entertainment, and Recreation | 280 | 8,885 | 4% | 32 |
| Information | 234 | 2,323 | 1% | 10 |
| Utilities | 30 | 562 | 0% | 19 |
| Agriculture, Forestry, Fishing and Hunting | 29 | 196 | 0% | 7 |
| Mining, Quarrying, and Oil and Gas Extraction | 10 | 98 | 0% | 10 |
| Management of Companies and Enterprises | 9 | 1,173 | 1% | 130 |
| Residential Population | 484,734 | | | |
| Residential Population per Business | 26 | | | |
| Number of Households | 183,770 | | | |
| CY Households Per Business | 10 | | | |

Source: Neustar

- According to data from Neustar, there are approximately 210,016 employed workers within the Lake County TMA at the beginning of 2017, 22% of whom are working in the Healthcare and Social Assistance sector. Retail Trade accounts for another 14% of all jobs. Over 95% of all jobs within the TMA are in the private sector.

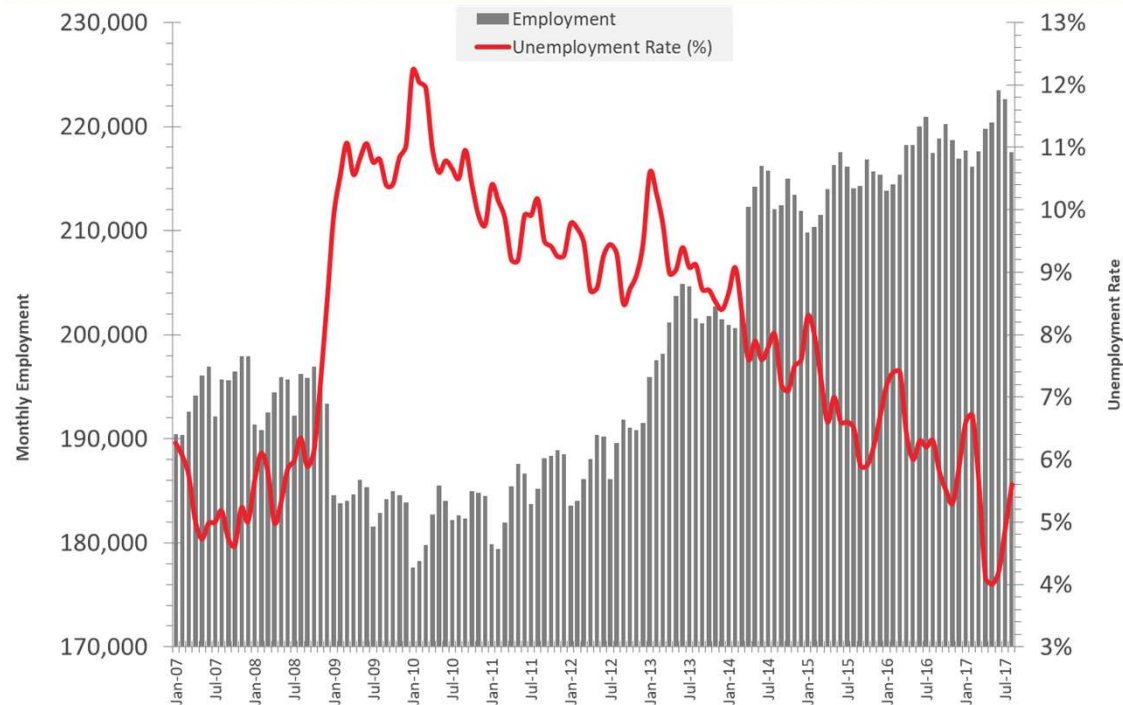
Lake County Top Employers

| Employer Name | Industry | City | Employees (#) |
|---|-----------------------|--------------|---------------|
| Franciscan St Margaret Health | Hospitals | Dyer | 3,000 |
| Franciscan St Margaret Health | Hospitals | Hammond | 3,000 |
| Community Hospital | Hospitals | Munster | 2,325 |
| Horseshoe Casino | Casinos | Hammond | 2,200 |
| Harrah's East Chicago Casino | Entertainment Bureaus | East Chicago | 2,000 |
| Methodist Hospital Northlake | Hospitals | Gary | 2,000 |
| Ameristar Casino Hotel | Casinos | East Chicago | 1,800 |
| Ameristar Casinos Inc | Casinos | East Chicago | 1,650 |
| Majestic Star Casino & Hotel | Casinos | Gary | 1,650 |
| Franciscan St Anthony Health | Hospitals | Crown Point | 1,600 |

Source: Hoosiers By the Numbers

- A majority of the top employers are located in larger municipalities in the northern half of the county.
- Five of the top 10 private employers in the TMA are in the Health Services industrial super sector.
- Steel fabricating has been a leading industry in Lake County for decades. However, as the industry has undergone significant changes, efficient steel plants and fabricating plants have trimmed the workforce. US Steel has one of five active steel plants in Lake County, but it is not among the top 10 employers.

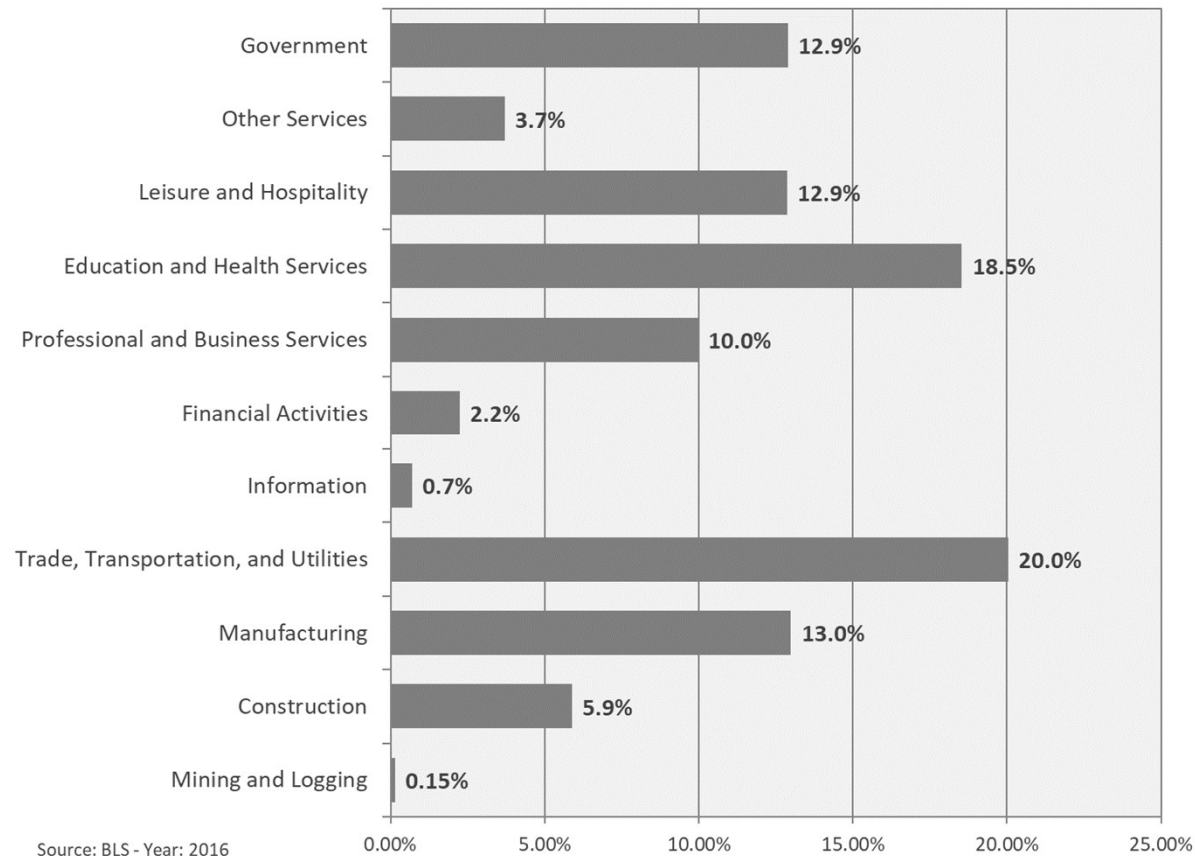
Lake County Job Growth: 2007 to Present



Source: Bureau of Labor Statistics

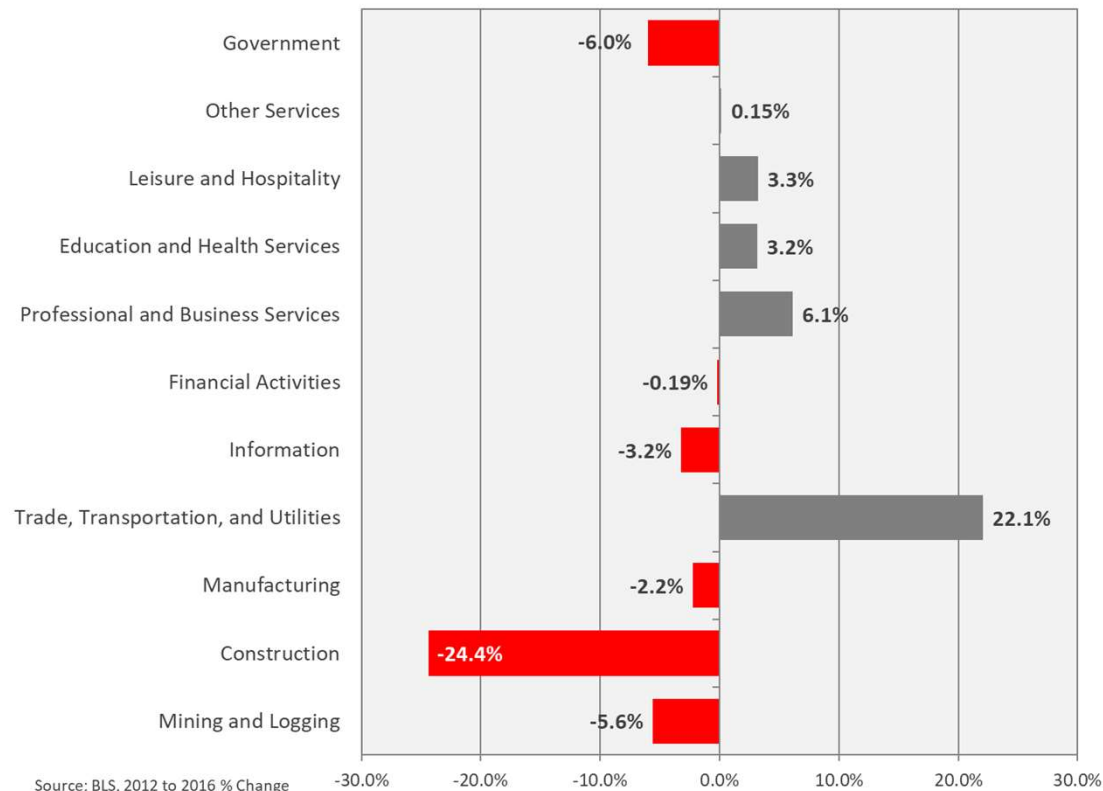
- Employment in the TMA dropped sharply through 2009 reaching a low of just over 177,000 workers in January 2010. Employment climbed above the pre-recession levels on April, 2013 when it achieved 201,146 workers.
- Recent employment figures softened in July of 2017 when the unemployment rate rose to 4.9%. However, the employment numbers were still above 215,000, and up 0.8% Y-O-Y.
- The unemployment rate in the TMA has trended lower starting in March, 2016 when the rate was 7.4%, down to 5.6% as of August, 2017. There has been practically no change in the unemployment rate from August 2016 to August, 2017.
- With the unemployment rate of 5.6% well below the analysis period average of 8%, Metrostudy believes the economic advantage Lake County brings to the Chicago metropolitan area will positively affect the local job market and the local housing market.

Employment by Industry, Lake County for 2016



- The greatest percentage of jobs in Lake County are in the Trade, Transportation, and Utilities sector, which employs 20% of the workforce.
- Higher wage industries, such as Information, Financial Activities, and Professional and Business Services account for 12.9% of the County's 186,850 jobs at the end of 2016.
- The above chart covers Lake County, which does not account for the fact that many employees work in Chicagoland and live in Lake County due to its proximity to a large employment base and its draw of lower taxes.

2012 - 2016 Employment Percent Change by Industry, Lake County



- 2012 to 2016 job growth is strongest in the Trade, Transportation, and Utilities sector, while the higher-paying Professional and Business Services, Education and Health, and Leisure and Hospitality sectors experienced positive growth as well. The Construction sector continues to experience significant declines. Significant gains and losses in the Construction sector are common in Lake County.
- Employment in the Construction sector reached a high in 2012 of 14,433 and then experienced a low of 10,340 in 2015, but 2016 saw an increase of 575 construction jobs. However, the overall 24% decline in construction jobs is very cautionary. Trending higher, the Private sector employment has grown in 2014, 2015, and 2016.



New Housing Activity and Analysis (TMA)

TMA Housing Summary and Market Share

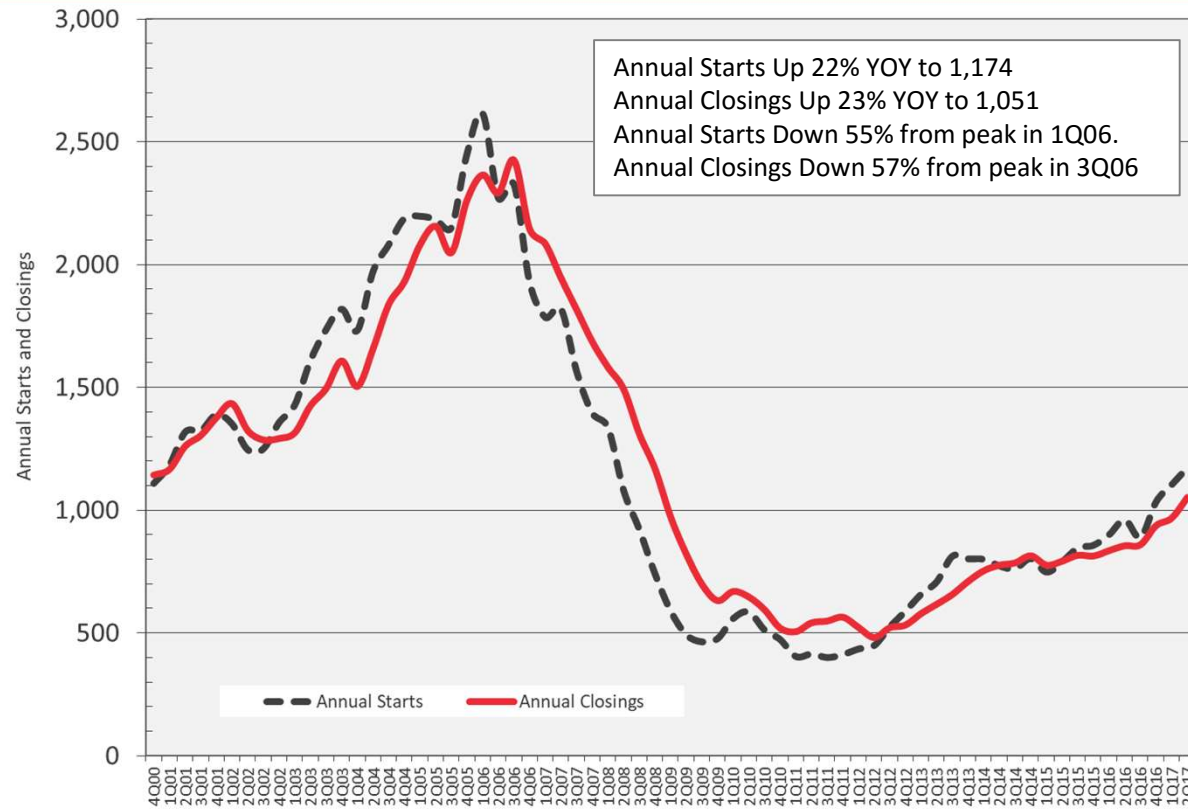
| Lake County TMA Market Share Summary | | | | | | | | | |
|--------------------------------------|---------------|-------|-------|-----------------------|-------|-------|-------------|--------|-------|
| Qtr. | Annual Starts | | | Vacant Developed Lots | | | Future Lots | | |
| | Market | TMA | Share | Market | TMA | Share | Market | TMA | Share |
| 2Q17 | 7,211 | 1,174 | 16.3% | 41,829 | 2,678 | 6.4% | 264,252 | 13,388 | 5.1% |

- The Lake County TMA has contributed 16.3% of the Chicagoland market's annual starts for attached and detached units. The TMA currently holds only 6.4% of the VDL, and an even lower 5.1% of the future lots, in the Chicagoland market.
- Adding new lots to the TMA may be a necessity soon as the months-of-supply of VDL is just over 2 years at 27 months.

| Lake County TMA Housing Overview (Base-Pricing) | Avg. Unit Price | | | Avg. Unit Sq. Ft. | | | Avg. \$/S.F. | | |
|---|-----------------|------------|------------|-------------------|------------|------------|--------------|------------|------------|
| | As of 3Q16 | As of 2Q17 | Ann % Chg. | As of 3Q16 | As of 2Q17 | Ann % Chg. | As of 3Q16 | As of 2Q17 | Ann % Chg. |
| Detached | \$230,624 | \$248,483 | 7.7% | 2,234 | 2,209 | -1.1% | \$ 106.67 | \$ 114.37 | 7.2% |
| Attached | \$159,034 | \$163,338 | 2.7% | 1,515 | 1,534 | 1.3% | \$ 105.30 | \$ 106.69 | 1.3% |

- The unweighted average base-price for new detached homes in the TMA grew to \$248,483 in the second quarter of 2017, rising 7.7% over the third quarter of 2016. The unweighted average base price for new attached homes rose to \$163,338, gaining 2.7% over the third quarter of 2016.
- The unweighted average size of new detached homes fell 1.1% over 3Q16 to 2,209 square feet in 2Q17. The unweighted average size of new attached units in the TMA grew 1.3% over 3Q16 to 1,534 square feet.

TMA Starts and Closings Activity: 2000 to Present



- Metrostudy expects home construction to increase over the next few years, albeit at a measured pace. The strength in new home demand in the TMA fared well compared to the other counties in the Chicagoland market, declining only 83.5% from peak to trough, in 1Q11. Middle class homebuyers in Lake County, Indiana could purchase a new detached single-family home for up to 38% less than a similar home in Will County, Illinois, or 65% less than a similar home in Cook County. The average new detached home price in the TMA has risen 7.7% from 3Q16 to 2Q17, and remained affordable at \$248,843 in 2Q17. Base prices for new attached units in the TMA grew by 2.7% from 3Q16 to 2Q17.

Top Subdivisions by Annual Starts and Closings, TMA

Annual Starts

| Rank | Subdivision Name | Builder | City | Annual Starts |
|------|------------------------------|------------------------------|------------|---------------|
| 1 | Gates of St. John | Multi-builders | Saint John | 75 |
| 2 | Providence at Stonegate | Cook & Providence | Crown | 38 |
| 3 | Regency, The | Cook Builders | Crown | 38 |
| 4 | Providence at Village Circle | Providence Real Estate Deve. | Dyer | 32 |
| 5 | Gates of St. John (TH) | Homes by Dutch Mill | Saint John | 31 |
| 6 | Edgewater of Crown Point | CalAtlantic | Crown | 31 |
| 7 | Meadowbrook, Sweetbriar (TH) | Providence Real Estate Deve. | Lowell | 29 |
| 8 | Copper Creek | Multi-builders | Crown | 28 |
| 9 | Hamilton Square (TH) | Olthof Homes | Crown | 26 |
| 10 | Pennington | Olthof Homes | Dyer | 25 |

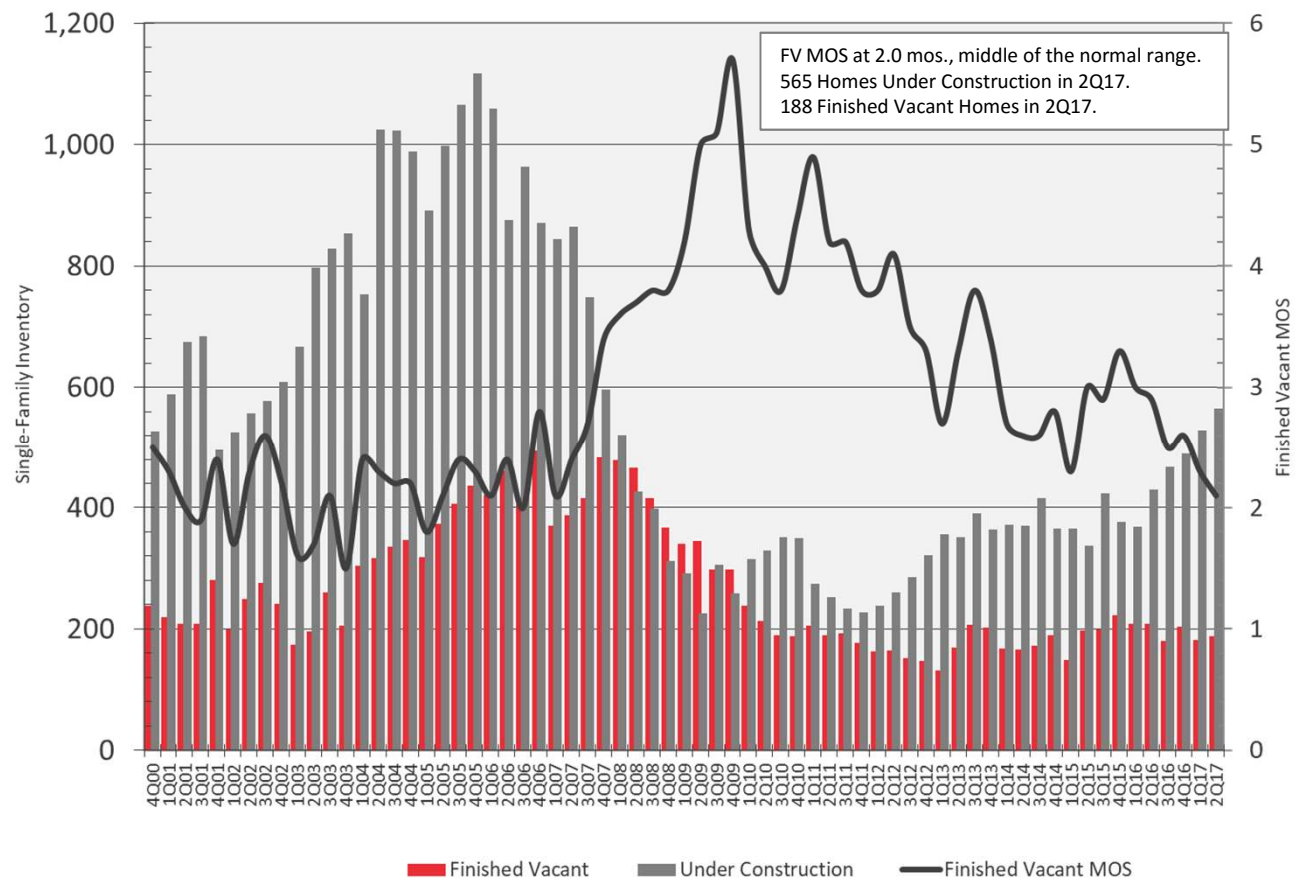
Annual Closings

| Rank | Subdivision Name | Builder | | Annual Closings |
|------|------------------------------|------------------------------|------------|-----------------|
| 1 | Gates of St. John | Multi-builders | Saint John | 48 |
| 2 | Regency, The | Cook Builders | Crown | 40 |
| 3 | Pennington | Olthof Homes | Dyer | 30 |
| 4 | Monastery Woods | Accent Homes / Alpine Homes | Cedar Lake | 30 |
| 5 | Meadowbrook, Sweetbriar (TH) | Providence Real Estate Deve. | Lowell | 28 |
| 6 | Regency, The/City Homes | Providence Real Estate Deve. | Crown | 27 |
| 7 | Providence at Stonegate | Cook & Providence | Crown | 24 |
| 8 | Edgewater of Crown Point | CalAtlantic | Crown | 24 |
| 9 | Copper Creek | Multi-builders | Crown | 23 |
| 10 | Monastery Woods (DU) | McFarland Homes | Cedar Lake | 23 |

Source: Metrostudy

- St. John is home to the most active development ranked by annual starts and closings, Gates of St. John.
- St. John contains 30% of the annual starts in the chart above, second behind Crown Point's 46%. However, the population in Crown Point is 78% larger than that of St. John's.
- The top 10 developments represent only 30% of the total annual starts activity in Lake County.

TMA Housing Inventory by Quarter: 2000 to Present



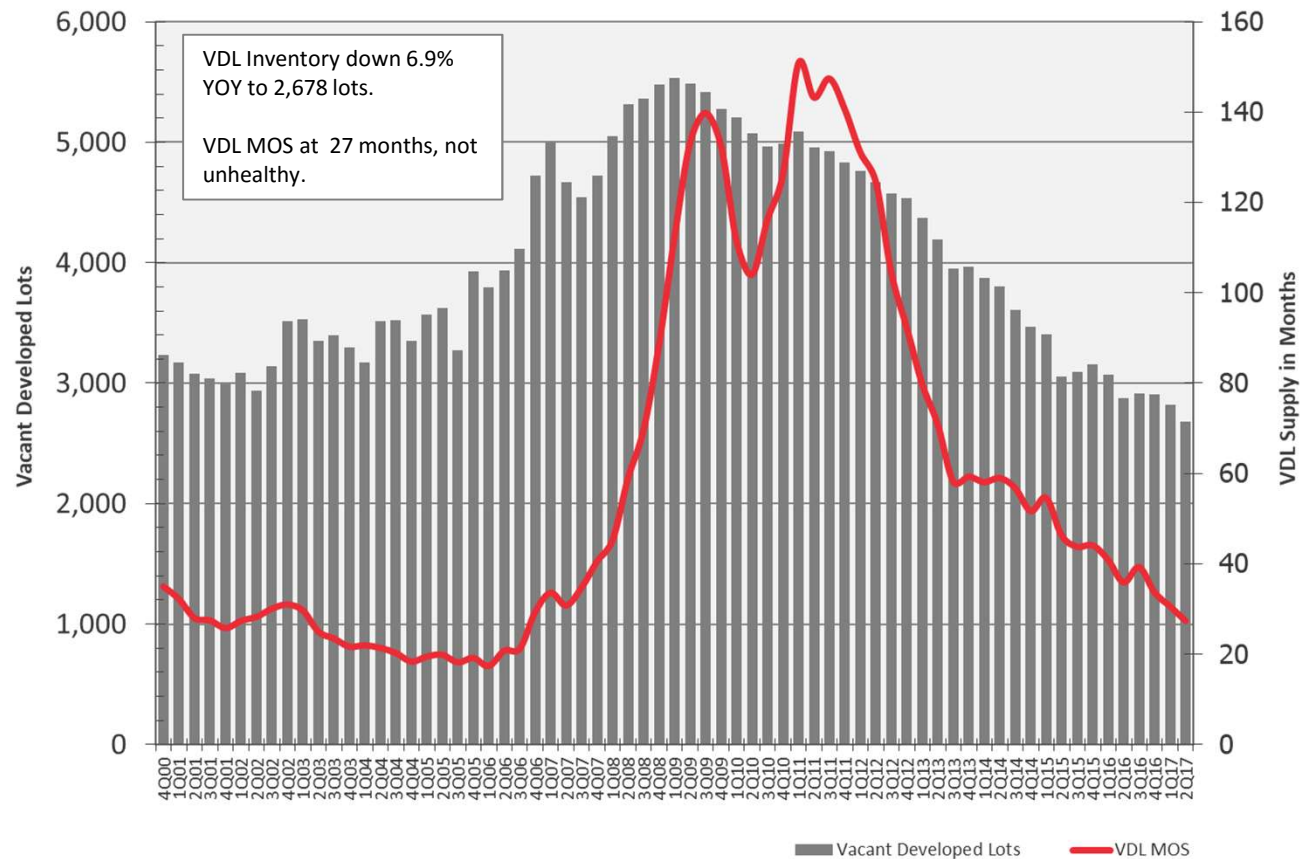
- There are currently 780 single-family inventory homes that are either under construction, finished but vacant, or models within active TMA subdivisions. Of that number, 188 (24%) are homes that are finished but vacant, and 565 (72%) are units under construction. The remaining 27 homes (3%) are model units.
- Finished vacant inventory levels have generally fallen since 2009 and are returning to a normal level. The 188 finished but vacant homes amount to 2.0 months-of-supply, in the middle of the 1.5 to 2.5 months that Metrostudy considers normal.

Top Subdivisions Ranked by Total Inventory, TMA, as of 2Q17

| Rank | Subdivision Name | Builder | Under Const. | Finished Vacant | Models | Total |
|------|------------------------------|------------------------|--------------|-----------------|--------|-------|
| 1 | Gates of St. John | Multi-builders | 44 | 10 | 3 | 57 |
| 2 | Providence at Village Circle | Providence RE Deve. | 27 | 2 | 0 | 29 |
| 3 | Providence at Stonegate | Providence RE Deve. | 21 | 6 | 1 | 28 |
| 4 | Gates of St. John (TH) | Homes by Dutch Mill | 18 | 7 | 0 | 25 |
| 5 | Hamilton Square (TH) | Olthof Homes | 9 | 14 | 0 | 23 |
| 6 | Copper Creek | Multi-builders | 14 | 6 | 0 | 20 |
| 7 | Edgewater of Crown Point | CalAtlantic | 15 | 2 | 1 | 18 |
| 8 | Centennial (TH) | Olthof Homes | 9 | 8 | 0 | 17 |
| 9 | Preserve of St. John | Eenigburg Bldrs/Eggert | 13 | 3 | 0 | 16 |
| 10 | Emerald Crossing (DU) | Olthof Homes | 12 | 3 | 1 | 16 |

- Inventory levels have risen 18.7% Y-O-Y; and the majority of the increase is due to new homes under construction. The level of total inventory in the TMA reached a trough of 420 units in 1Q12 before growing to 780 at the end of 2Q17. As new home activity increases, inventory levels rise. The months-of-supply of total inventory was 9-months at the end of 2Q17, perhaps slightly high, but not alarming.
- The more significant metric is the 2.0 months-of-supply of finished vacant units. Metrostudy has observed that historically, when finished-vacant months-of-supply rises above 2.5 or so, and stays there, builders tend to reduce prices or offer concessions. This metric is within normal levels, and has been trending lower since 1Q10.
- St. John has four of the top ten neighborhoods with the highest inventory levels; 76% of the 114 units in those four neighborhoods are under construction.

TMA VDL Inventory and Months-of-Supply



- The number of vacant, developed lots for attached and detached product has been slowly declining since the beginning of 2009. Metrostudy currently counts 2,678 attached and detached VDL's within subdivisions in the TMA.
- Months-of-Supply (MOS) is currently at 27 months, within the normal level (24-30 months).
- Metrostudy expects MOS to moderately decline as housing starts continue to increase.

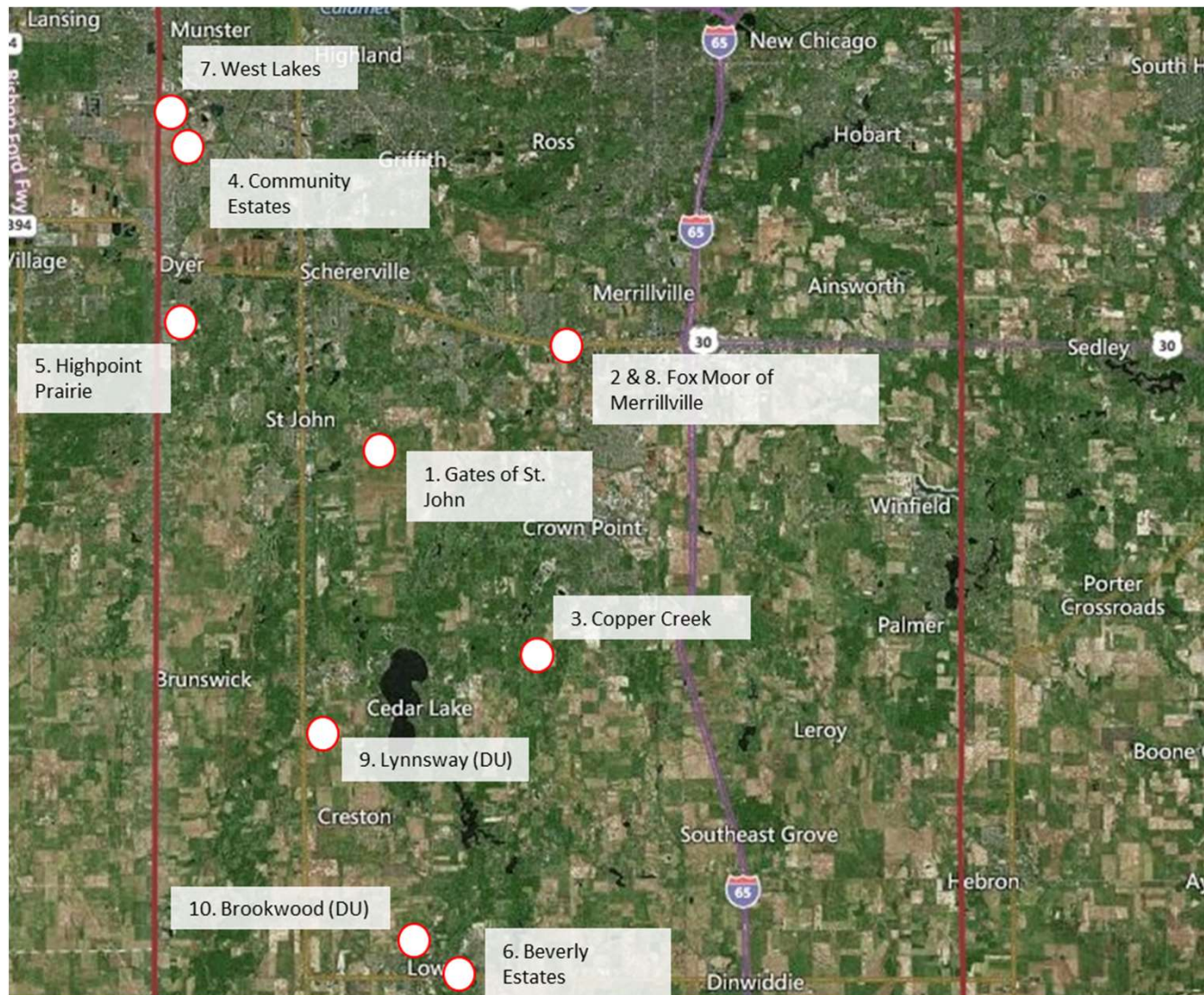
Top Subdivisions Ranked by VDL Inventory, TMA, as of 2Q17

VDL Inventory

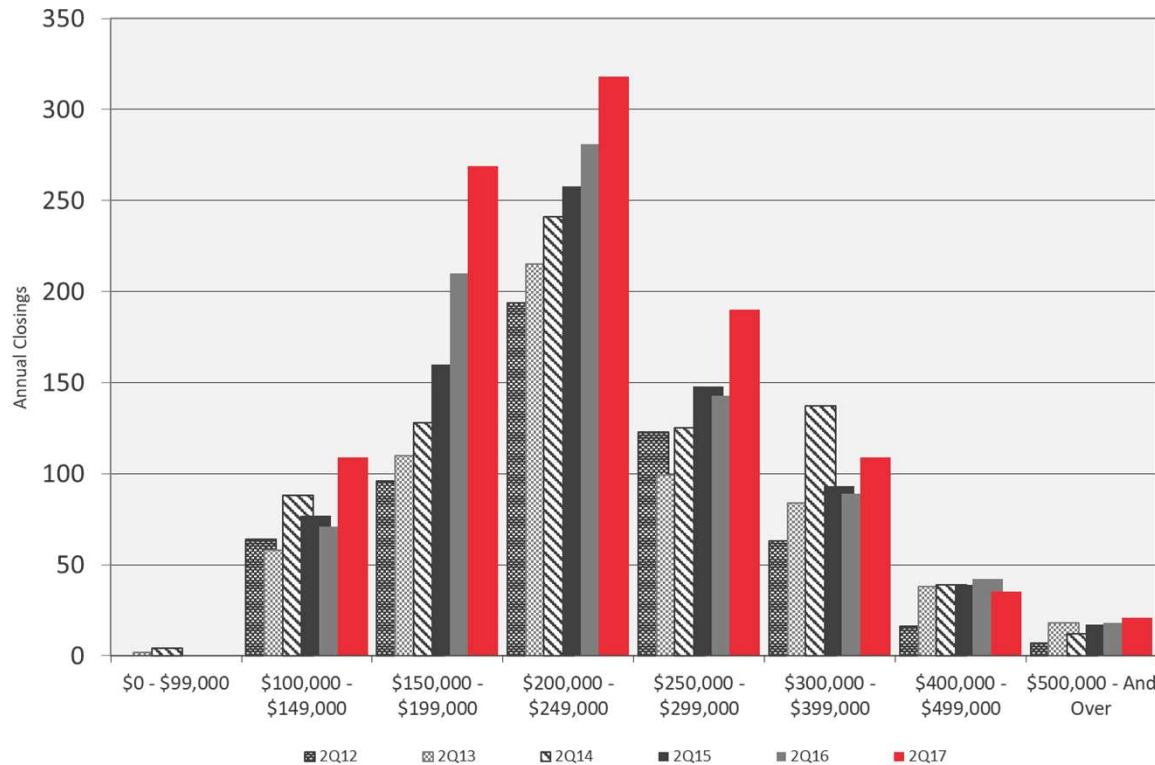
| Rank | Subdivision Name | Builder | City | VDL Inventory | VDL MOS |
|------|-------------------------------|-----------------------|--------------|---------------|---------|
| 1 | Gates of St. John | Multi-builders | Saint John | 163 | 26 |
| 2 | Fox Moor of Merrillville (DU) | Multi-builders | Merrillville | 92 | 138 |
| 3 | Copper Creek | Anderson& Anderson | Crown Point | 82 | 35 |
| 4 | Community Estates | Multi-builders | Munster | 65 | 780 |
| 5 | Highpoint Prairie | Multi-builders | Dyer | 64 | 768 |
| 6 | Beverly Estates | Lifthouse Homes | Lowell | 56 | 61 |
| 7 | West Lakes | Multi-builders | Munster | 51 | 61 |
| 8 | Fox Moor of Merrillville | Multi-builders | Merrilville | 50 | 67 |
| 9 | Lynnsway (DU) | Multi-builders | Cedar Lake | 50 | 75 |
| 10 | Brookwood (DU) | SREE Cnst/ Vega Prop. | Lowell | 50 | 300 |

- The top 10 developments hold 27.0% of the VDL in the TMA. St. John is home to the top of these ten neighborhoods ranked by number of VDL. Of the 108 subdivisions Metrostudy is tracking in the TMA with six or more VDL, only 85 are actively building homes. The remaining developments are dormant or inactive.
- Of the top 10 developments with VDL, Community Estates and Highpoint Prairie each have only one home under construction. Fox Moor of Merrillville is the most recently active development in the top 10, having begun construction in 2015. All the other neighborhoods listed above began construction in 2008 or before.
- The Town of St. John is holding 358 attached and detached VDL between 48 developments, with the Gates of St. John holding the largest number of VDL.

Map of Top Subdivisions Ranked by VDL Inventory, TMA

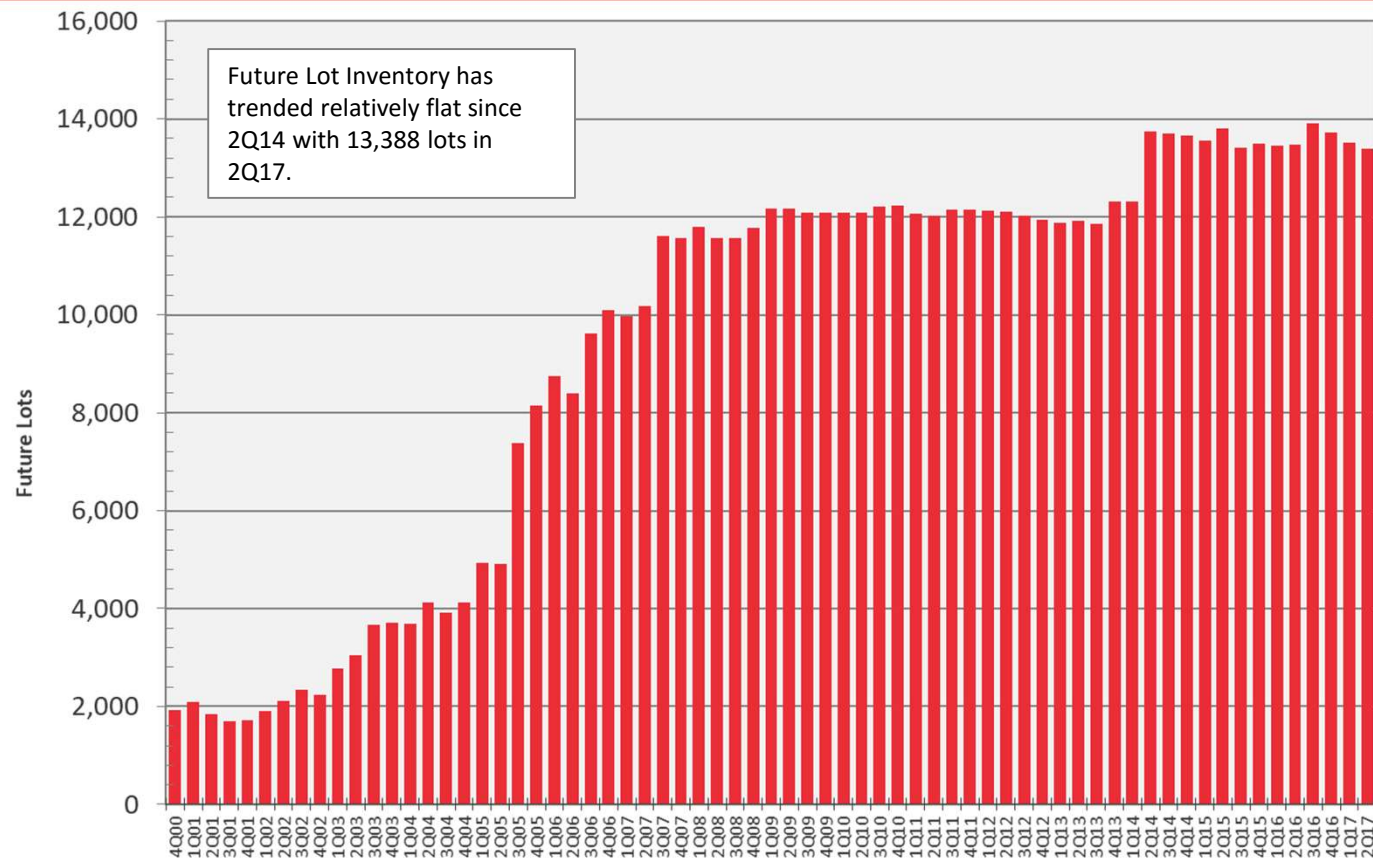


Distribution of New Closings by Price Range, TMA: 2012 - 2017



- The majority of all new attached and detached single-family homes closed within the TMA over the past six years were priced under \$250,000. The strongest market segment in 2Q17 is for those units priced \$200,000 to \$249,999, which accounts for 30.3% market share.
- Metrostudy data points to the consistent price categories for product through the last six years in this TMA, except for the price category of \$150,000 to \$199,000, which share of all closings rose from 17% recorded in 2Q14 to 26% recorded in 2Q17.
- The \$200,000 to \$300,000 category lost approximately 4% of the share of new closings over the above referenced timeframe. However, this category, as a percent share of the total, remains the largest at 30% of all closings as of 2Q17.

TMA Future Lot Inventory by Quarter: 2000 to Present



- The number of future lots has trended relatively flat over the last three years.
- There are approximately 13,388 detached single-family future lots within the TMA.
- The majority of the future lots are located in 54 future developments (those with greater than 50 future lots), comprising 64% of the total future lots. Metrostudy does expect some of these future communities to enter the market over the next three years, given the 27 months of supply of VDL in the TMA.

Top Subdivisions Ranked by Future Lots, TMA

| Rank | Subdivision Name | Known Developer | Total Future | Vacant Land | Stakes In | Equipment On Site | Excavation On Site | Paving On Site | Streets In |
|------|-----------------------------------|-------------------------------|--------------|-------------|-----------|-------------------|--------------------|----------------|------------|
| 1 | The Preserve of Schererville | Olthof Homes | 600 | 600 | 0 | 0 | 0 | 0 | 0 |
| 2 | The Preserve of Schererville (CO) | Olthof Homes | 600 | 600 | 0 | 0 | 0 | 0 | 0 |
| 3 | The Preserve of Schererville (TH) | Olthof Homes | 600 | 600 | 0 | 0 | 0 | 0 | 0 |
| 4 | Preserve of St. John | Schilling Construction | 363 | 363 | 0 | 0 | 0 | 0 | 0 |
| 5 | Doubletree Lake Estates East (CO) | Nexus Homes | 316 | 316 | 0 | 0 | 0 | 0 | 0 |
| 6 | Silverstone Crossing (RCTH) | Diamond Veil Development Inc. | 240 | 240 | 0 | 0 | 0 | 0 | 0 |
| 7 | Cressmoor | Randy Hall | 200 | 200 | 0 | 0 | 0 | 0 | 0 |
| 8 | Silverstone Crossing (RCTH) | Diamond Veil Development Inc. | 200 | 200 | 0 | 0 | 0 | 0 | 0 |
| 9 | Misty Woods | Misty Woods Properties, LLC | 195 | 195 | 0 | 0 | 0 | 0 | 0 |
| 10 | The Heritage of Crown Point (DU) | V3 Realty | 192 | 192 | 0 | 0 | 0 | 0 | 0 |

Source: Metrostudy

- There are approximately 65 neighborhoods holding attached and detached single-family lots that are planned for future development in the TMA.
- The top ten developments are holding 3,506 future lots, totaling 26.2% of all future lots in the TMA. There are currently 2,589 future lots in the TMA with evidence of either excavation, improved streets, or paving in process; such lots will likely become VDL first, none of which are in the top 10 shown above.
- Single-family detached lots comprised 58% of the total future lots in the TMA.
- The 47 active neighborhoods in the TMA are holding 32% of the future lots, totaling 4,248 attached and detached future lots.

Top Communities Ranked by Future Lots, TMA

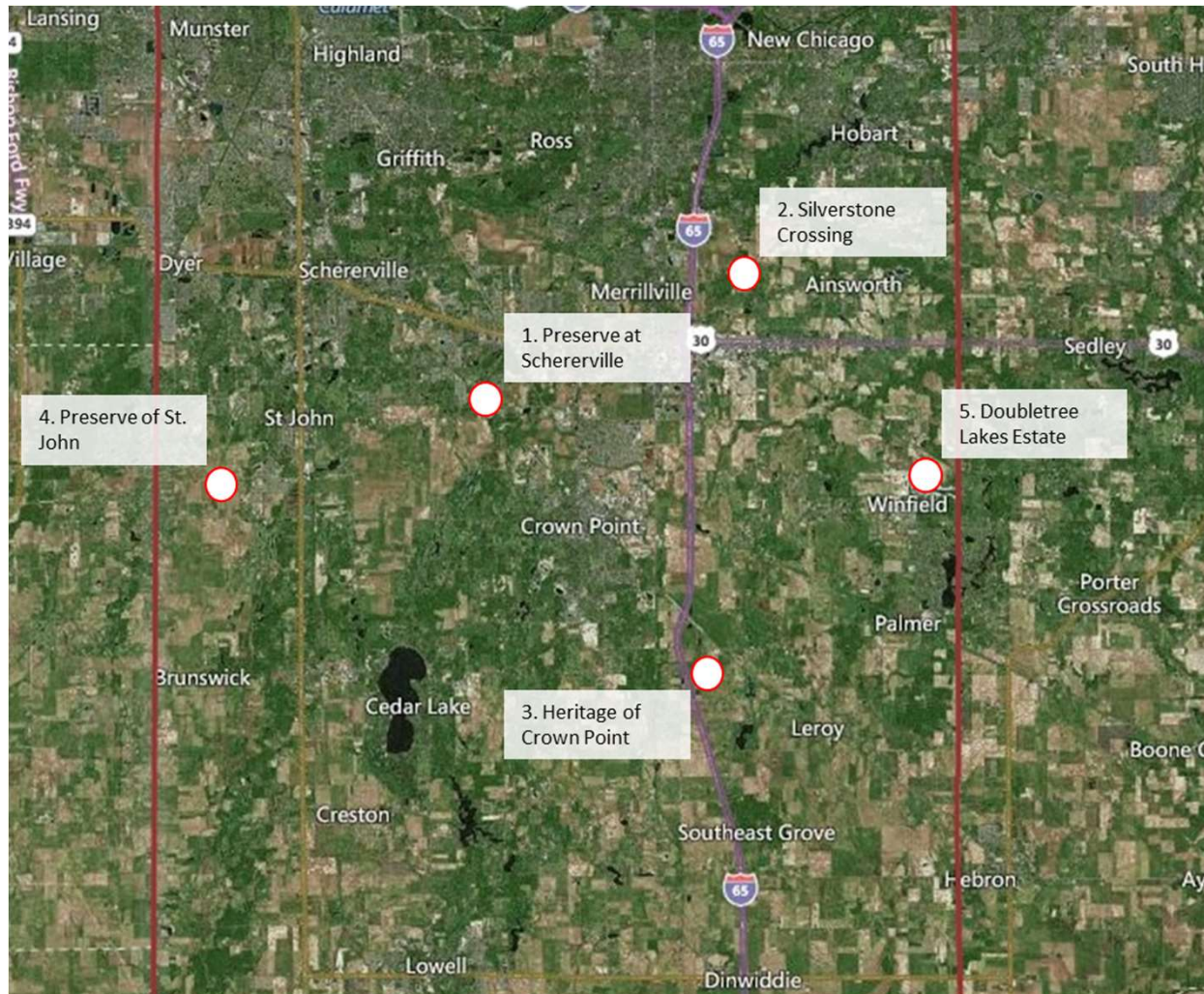
| Rank | Subdivision Name | Known Developer | Total Future | Vacant Land | Stakes In Ground | Equipment On Site | Excavation On Site | Paving On Site | Streets In |
|------|-----------------------------------|-----------------|--------------|-------------|------------------|-------------------|--------------------|----------------|------------|
| 1 | The Preserve of Schererville | *Olthof | 1,800 | 1,800 | 0 | 0 | 0 | 0 | 0 |
| 2 | Silverstone Crossing (RCTH) | *Diamond | 440 | 440 | 0 | 0 | 0 | 0 | 0 |
| 3 | The Heritage of Crown Point (DU) | V3 Realty | 378 | 378 | 0 | 0 | 0 | 0 | 0 |
| 4 | Preserve of St. John | *Schilling | 363 | 363 | 0 | 0 | 0 | 0 | 0 |
| 5 | Doubletree Lake Estates East (CO) | *Nexus Homes | 316 | 316 | 0 | 0 | 0 | 0 | 0 |

Source: Metrostudy

Note: (*) = Holds percentage of future lots in active Developments

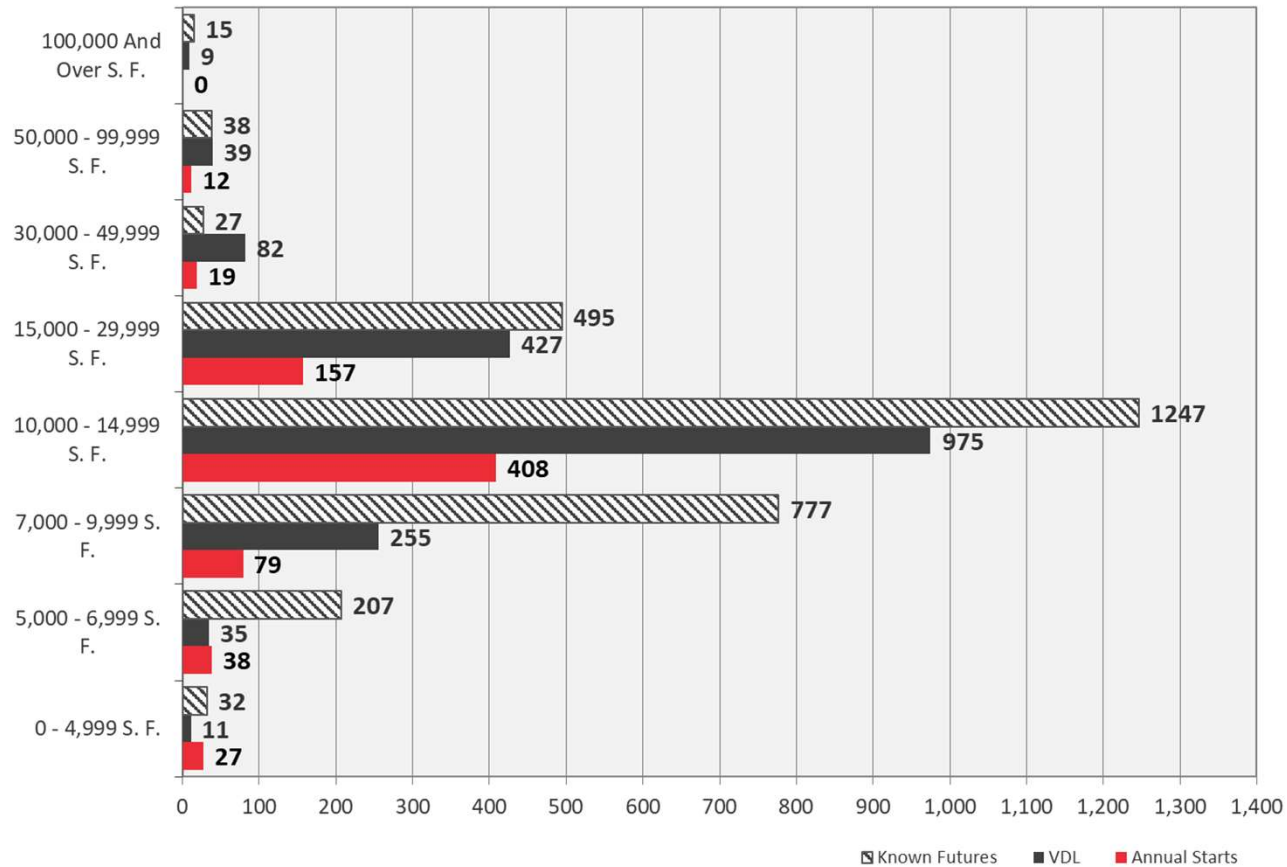
- Future units at The Preserve of Schererville are divided into three neighborhoods of 600 units each, one townhome, one single-family neighborhood, and one low-rise.
- The future community of Silverstone Crossing is comprised of two neighborhoods to offer townhomes.
- The Heritage at Crown Point is comprised of two neighborhoods to offer duplex and single-family homes.
- The Preserve at St. John will offer single-family homes and the Doubletree Lakes Estate East will offer low-rise and condominium product.

Map of Top Communities Ranked by Future Lots, TMA



- The larger communities holding the most future lots are all located in the southern half of the Lake County TMA, mostly south of US 30.

TMA Lot Size Analysis



- The TMA's single-family VDL supply is predominantly 10,000 to 14,999 square-foot sized lots, and Metrostudy expects that most demand over the coming years will continue to be for lots under 15,000 square feet in size.
- Over the past year, the largest number of starts and closings occurred with units built on lots from 10,000 to 14,999 square feet. This size range also had the largest number of VDL, with 28.7 months-of-supply at the end of June, 2017.

TMA Lot Size Analysis by Status, as of 2Q17

| Lot Size | Annual Starts | Annual Closings | FV MOS | Housing M.O.S. | VDL M.O.S. | Models | Finished Vacant | Under Construct. | Housing Inventory | Vac. Dev Lot Inven. | Future Units |
|-----------------------|---------------|-----------------|--------|----------------|------------|--------|-----------------|------------------|-------------------|---------------------|--------------|
| 0 - 4,999 S. F. | 27 | 37 | 0.32 | 3.89 | 4.89 | 1 | 1 | 10 | 12 | 11 | 32 |
| 5,000 - 6,999 S. F. | 38 | 40 | 0.6 | 3.9 | 11.05 | 1 | 2 | 10 | 13 | 35 | 207 |
| 7,000 - 9,999 S. F. | 79 | 70 | 2.23 | 8.74 | 38.73 | 1 | 13 | 37 | 51 | 255 | 777 |
| 10,000 - 14,999 S. F. | 408 | 341 | 1.97 | 8.76 | 28.68 | 7 | 56 | 186 | 249 | 975 | 1247 |
| 15,000 - 29,999 S. F. | 157 | 140 | 1.8 | 9.34 | 32.64 | 2 | 21 | 86 | 109 | 427 | 495 |
| 30,000 - 49,999 S. F. | 19 | 16 | 0 | 9 | 51.79 | 0 | 0 | 12 | 12 | 82 | 27 |
| 50,000 - 99,999 S. F. | 12 | 11 | 1.09 | 7.64 | 39 | 0 | 1 | 6 | 7 | 39 | 38 |
| 100,000 And Over S. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 15 |

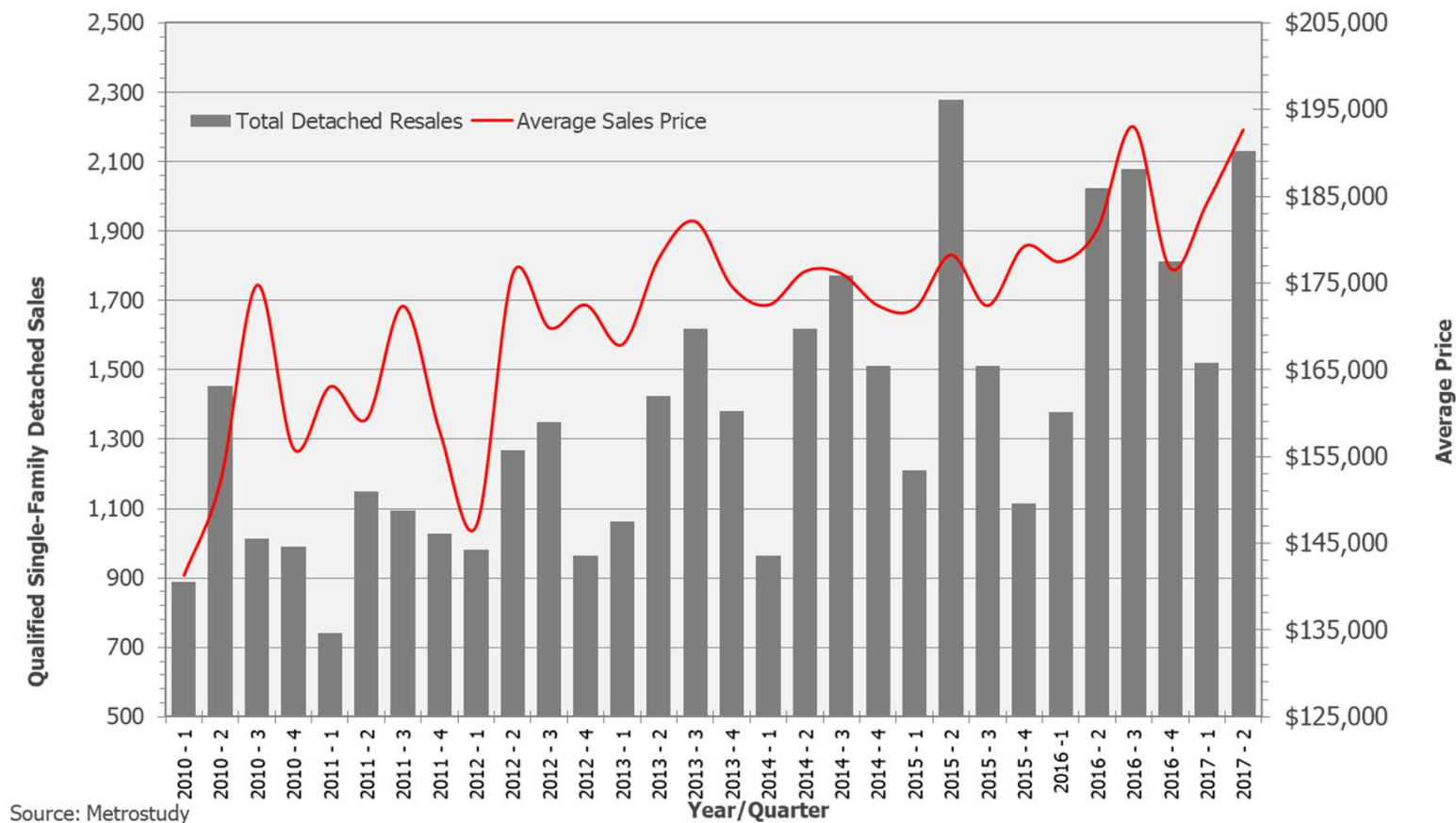
Source: Metrostudy. M.O.S. = Months of Supply

- Approximately 84% of the units closed in the TMA over the last 4 quarters were on lots between 7,000 and 30,000 square feet in size.
- 10,000 to 14,999 square foot lots contain the largest number of units under construction at 186. This size range also holds the largest number of future lots at 1,247.
- Metrostudy data indicate a declining trend in the supply for 7,000 square foot and smaller lots. This is most likely due to the difficulty in bringing lots to the market sized under 7,000 square feet, as municipalities prefer larger lot sizes.



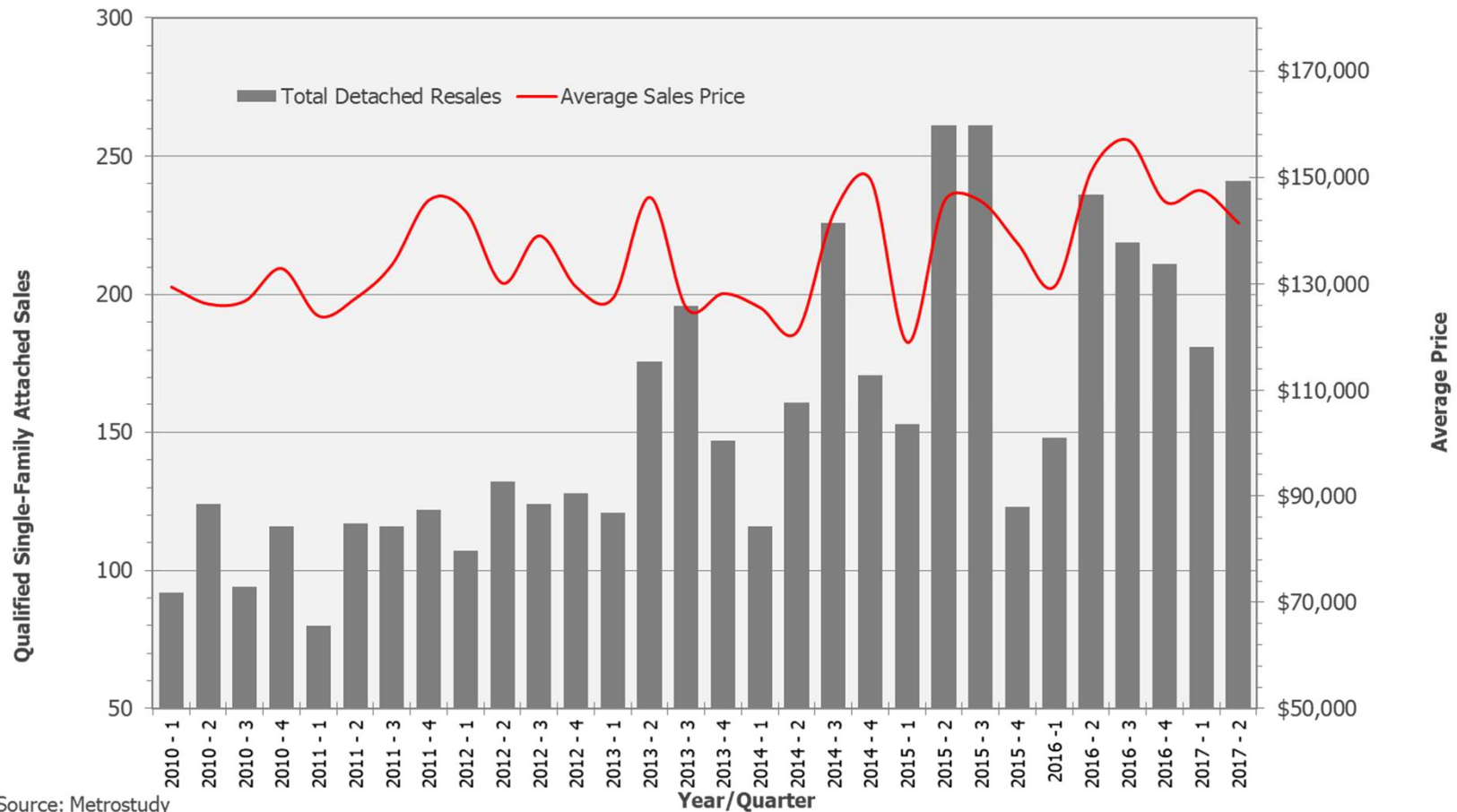
TMA Historic Residential Deed Activity (New, Resale, Foreclosure, REO)

Resale Detached Closing Activity, TMA (1Q10 – 2Q17)



- The average sales price of an existing, traditional (non-distressed) residential detached home has been trending higher since 2010, averaging \$181,477 over the four quarters from 3Q16 to 2Q17.
- The volume of quarterly and annual detached closings has trended higher over the observation period. The increase in the number of sales from 2015 to 2016 was 19%, from 6,112 to 7,295, respectively. This increase is continuing into 2017 when the last four quarters recorded 7,544 sales, compared to the previous four quarters of 6,028, which results in a 25% increase.

Resale Attached Closing Activity, TMA (1Q07 – 4Q13)



- The average sales price of an existing, attached (non-distressed) residential unit in the TMA has been relatively flat since 2010, with closings averaging \$161,839 over the four quarters from 3Q16 to 2Q17.
- The volume of quarterly and annual detached closings has trended higher over the observation period. The increase in the number of sales from 2015 to 2016 was up by a modest 2%, from 798 to 814. This increase is accelerating into 2017 when the last four quarters recorded 852 sales, compared to the previous four quarters of 768, which results in a 11% increase.

Resale Closing Activity, TMA

Detached Resales Single Family

| Price Range | Closings | Closings |
|-----------------------|--------------|-------------|
| \$0 - \$99,999 | 790 | 17.7% |
| \$100,000 - \$149,999 | 1,177 | 26.3% |
| \$150,000 - \$199,999 | 985 | 22.0% |
| \$200,000 - \$249,999 | 634 | 14.2% |
| \$250,000 - \$299,999 | 368 | 8.2% |
| \$300,000 - \$349,999 | 209 | 4.7% |
| \$350,000 - \$399,999 | 120 | 2.7% |
| \$400,000 - \$499,999 | 121 | 2.7% |
| Over \$500,000 | 66 | 1.5% |
| | 4,470 | 100% |

7/2016 to 6/2017 Detached Closing Averages

| | |
|-----------------------|-----------|
| Average Closing Price | \$181,477 |
| Average Sq. Foot | 1,579 |
| Average \$/Sq. Foot | \$109.70 |

| SFH Bedrooms | # | % |
|--------------|--------------|----------------|
| 1 Bedroom | 15 | 0.35% |
| 2 Bedrooms | 764 | 17.61% |
| 3 Bedrooms | 2,848 | 65.64% |
| 4 Bedrooms | 649 | 14.96% |
| 5+ Bedrooms | 63 | 1.45% |
| | 4,339 | 100.00% |

Source: Metrostudy

Attached Resales Single Family

| Price Range | Closings | Closings |
|-----------------------|------------|-------------|
| \$0 - \$99,999 | 112 | 23.9% |
| \$100,000 - \$149,999 | 178 | 38.0% |
| \$150,000 - \$199,999 | 121 | 25.9% |
| \$200,000 - \$249,999 | 32 | 6.8% |
| \$250,000 - \$299,999 | 10 | 2.1% |
| \$300,000 - \$349,999 | 10 | 2.1% |
| \$350,000 - \$399,999 | 2 | 0.4% |
| \$400,000 - \$499,999 | 1 | 0.2% |
| Over \$500,000 | 2 | 0.4% |
| | 468 | 100% |

7/2016 to 6/2017 Attached Closing Averages

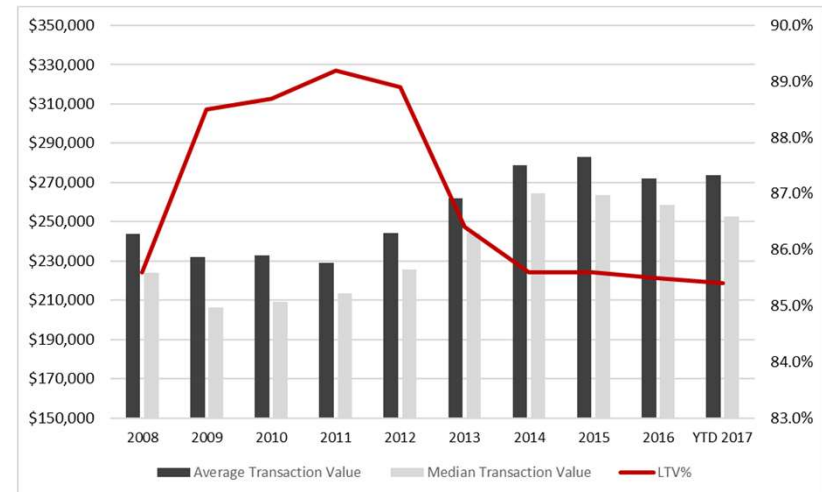
| | |
|-----------------------|-----------|
| Average Closing Price | \$161,839 |
| Average Sq. Foot | 1,799 |
| Average \$/Sq. Foot | \$99.80 |

| Bedrooms | # | % |
|-------------|------------|----------------|
| 1 Bedroom | 2 | 0.81% |
| 2 Bedrooms | 82 | 33.06% |
| 3 Bedrooms | 100 | 40.32% |
| 4 Bedrooms | 35 | 14.11% |
| 5+ Bedrooms | 29 | 11.69% |
| | 248 | 100.00% |

- The largest percentage of existing detached home sales were for those priced from \$100,000 to \$149,999, with over 66% of the homes selling for less than \$200,000.
- The largest percentage of existing attached unit sales were for those priced from \$100,000 to \$149,999, with over 62% of the attached units selling for less than \$150,000.

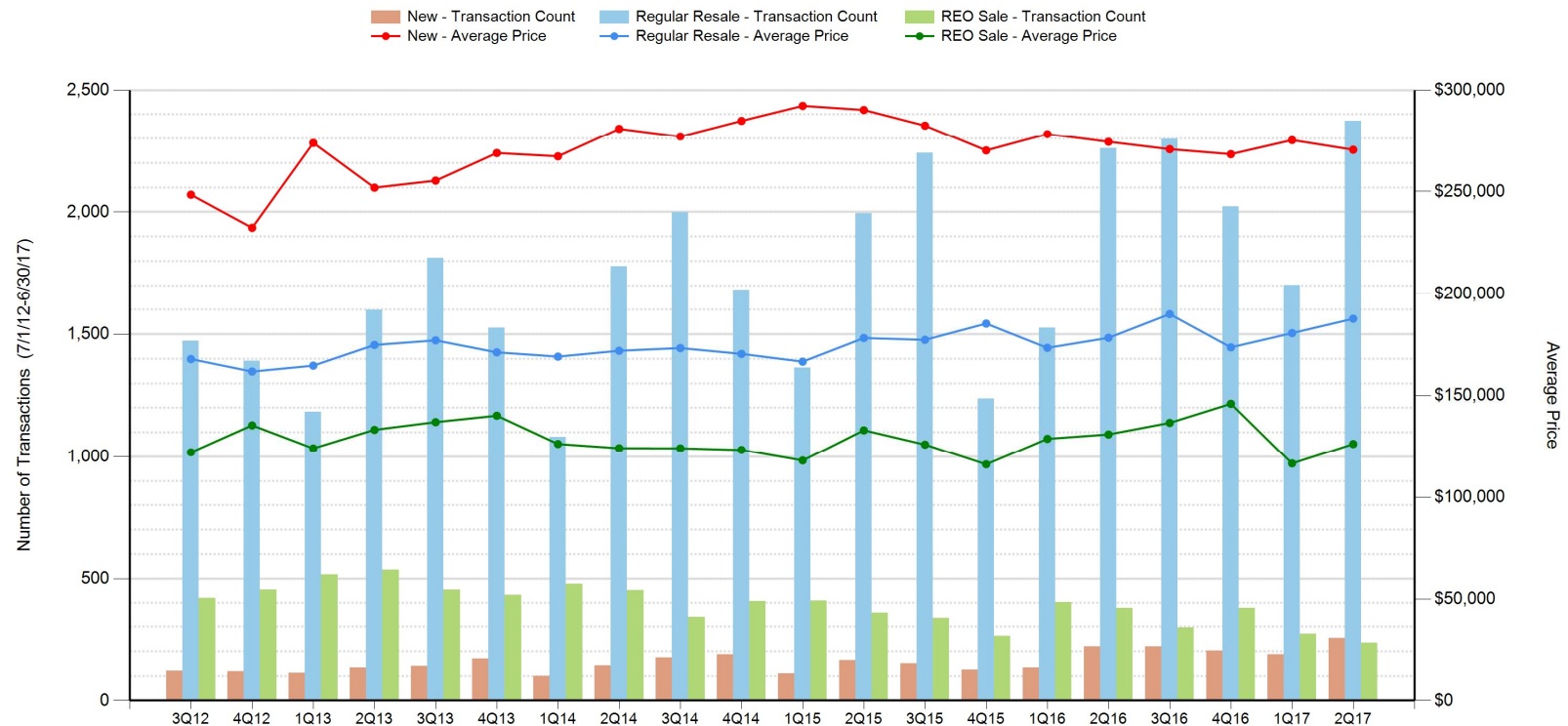
Deed Activity, TMA

| Year | New Home Closings | Average Transaction Value | Median Transaction Value | LTV% |
|----------|-------------------|---------------------------|--------------------------|-------|
| 2008 | 805 | \$243,875 | \$224,037 | 85.6% |
| 2009 | 597 | \$231,874 | \$206,250 | 88.5% |
| 2010 | 540 | \$232,716 | \$209,078 | 88.7% |
| 2011 | 375 | \$229,006 | \$213,429 | 89.2% |
| 2012 | 443 | \$244,162 | \$225,500 | 88.9% |
| 2013 | 558 | \$261,801 | \$243,974 | 86.4% |
| 2014 | 602 | \$278,751 | \$264,568 | 85.6% |
| 2015 | 557 | \$282,886 | \$263,625 | 85.6% |
| 2016 | 782 | \$272,031 | \$258,552 | 85.5% |
| YTD 2017 | 447 | \$273,880 | \$252,500 | 85.4% |



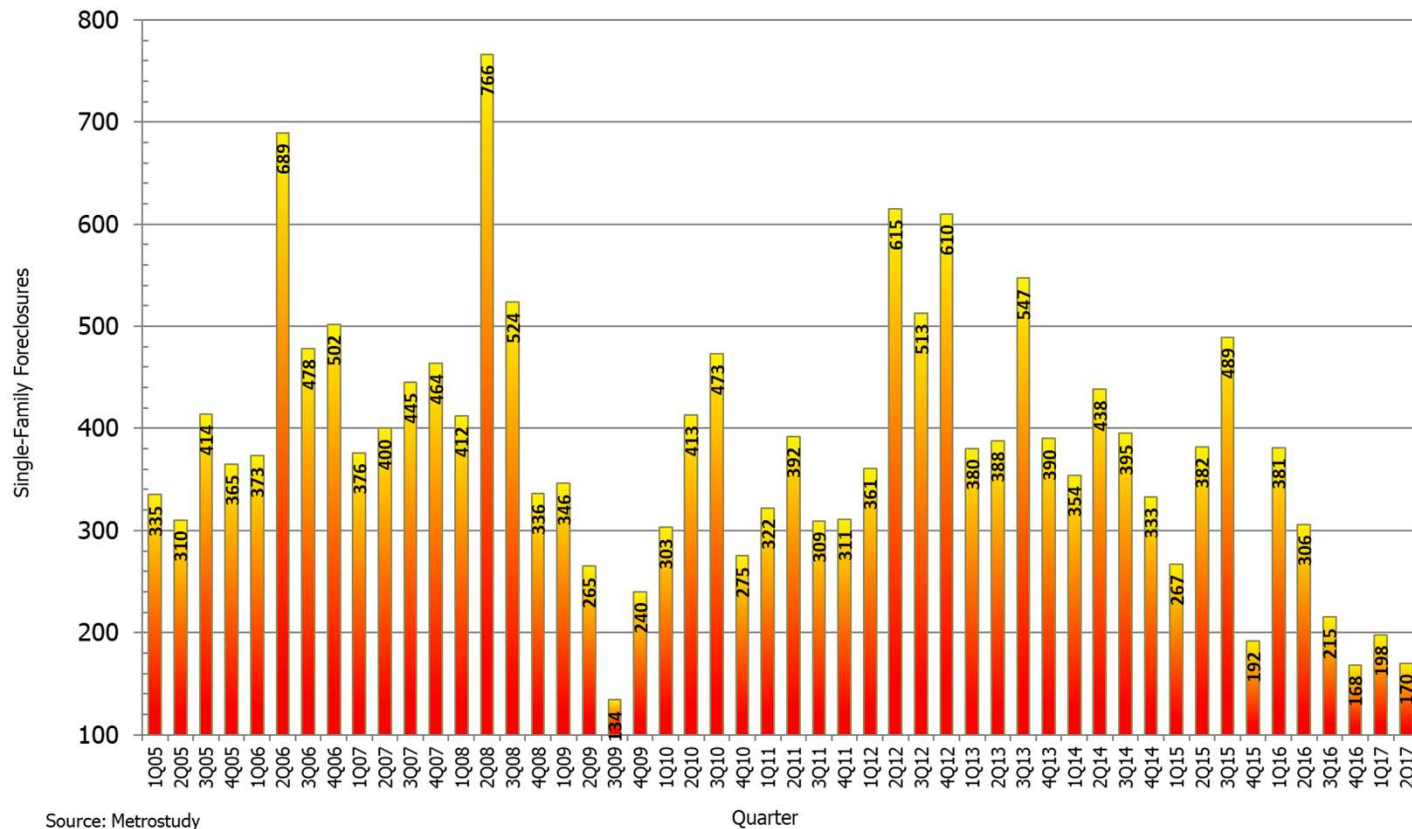
- As the local economy strengthens, new home buyers are bringing more cash to closing, even as new home prices are increasing. The number of closings has increased to 782 in 2016 after reaching a low of 375 in 2011. As the median value continues to fall into 2017, the number of closings appears to be generally increasing from 2011 onward.
- While the reporting of deed activity is typically delayed from 15 to 90-days, depending on the county, the 447 closings reported thus far in Lake County are on course to produce the highest number of closings since 2008.
- The median and average prices hit highs in 2014 and 2015, respectively, but at the expense of activity, indicating a price sensitive market. These prices have since declined, but only after making significant gains from 2011 to 2015.
- As prices rose, buyers were required to increase the cash portion of the sales price as indicated by the LTV% declining in 2013 to 86.4%, before leveling off for an average of 85.5% over the period from 2014 to the second quarter of 2017.

Deed Activity Comparison, TMA



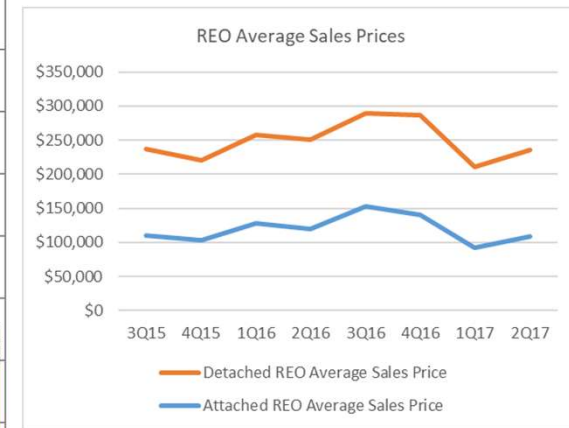
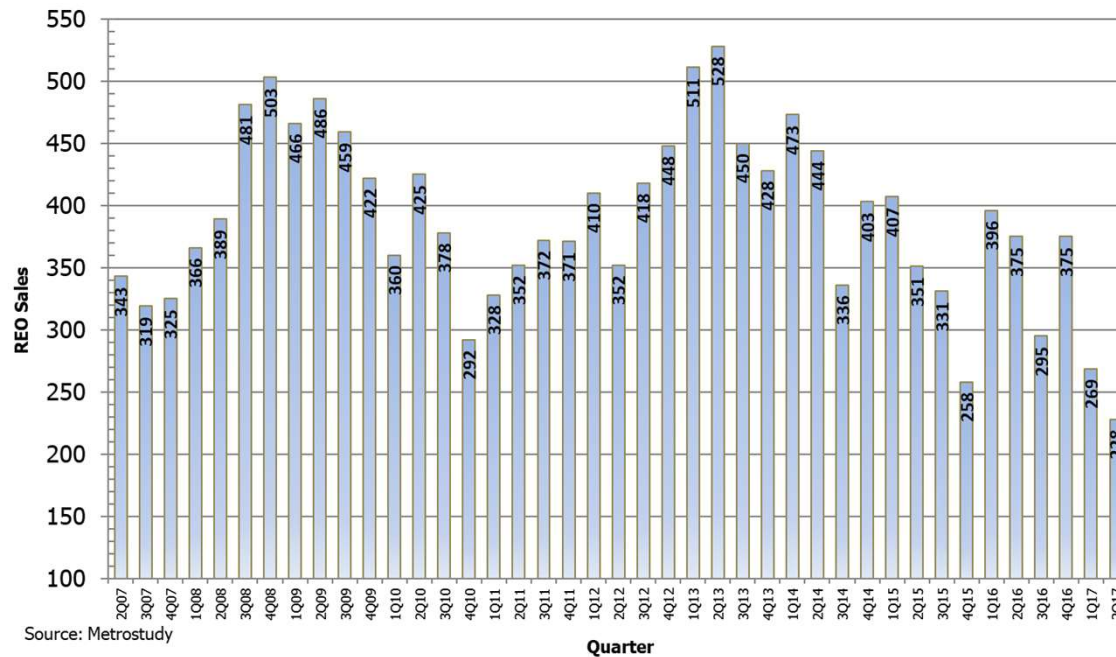
- The average price of new homes and resale homes have been relatively flat, except that over the last two quarters, new home prices fell and resale homes prices rose. However, the number of new and resale homes sales has increased over the same time period, and both categories have trended positive since 3Q15.
- The number of REO sales has been on a general decline since hitting a high in 2Q13. Prices have remained fairly steady. Owners of REO's typically release their homes for sale in such a way as to not affect prices dramatically.

TMA Foreclosure Completions by Quarter: 2007 to Present



- With some assistance from HAMP, banks began accepting short sales more readily in 2012, and new foreclosure filings and completions began to trend lower.
- Forfeitures in the TMA have fallen an average of 13.5% per quarter from 2Q16 to 2Q17, to the lowest level of 170 recorded in 2Q17 from the 240 recorded in 4Q09. Metrostudy expects foreclosure filings and completions to continue declining, as Foreclosure activity in the TMA is now under pre-recession levels as much of the unstable finance ground for homeowners has improved.
- Strengthening home values reduce the numbers of borrowers with negative equity.

TMA REO Sales by Quarter: 2007 to Present

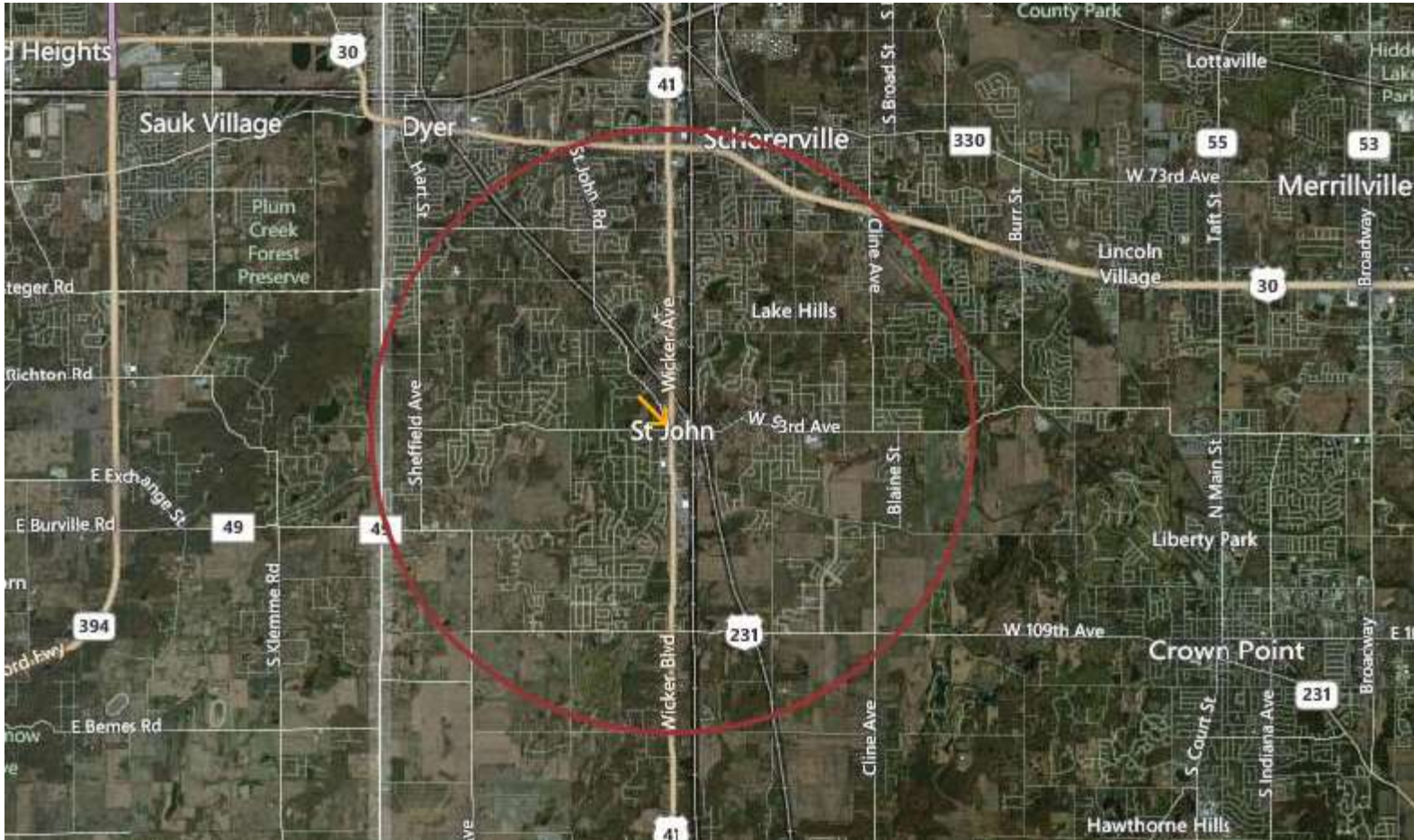


- Quarterly REO sales in the TMA have ranged from 168 to 228 transactions during the last seven years, with REO transactions falling 39.1% Y-O-Y from 2Q16 to 2Q17, from 375 to 228
- The average sales price for REO transactions in the TMA has fluctuated, but remains in the range of \$109,772 to \$109,300 for attached homes and \$125,981 to \$128,822 for detached homes as calculated for the 3Q15 and the 2Q17.
- Metrostudy expects REO transactions to continue decreasing, following the declining trend in foreclosure completions over the last seven quarters. (An REO sale is the first sale following a foreclosure completion.)



Radius Household Data & TMA Commercial Real Estate Activity

3-Mile Radius Map, Wicker Ave. & W 93rd Ave.



- The center of the 3-mile radius is at the intersection of Wicker Avenue and West 93rd Avenue.
- ESRI's Retail Trade data are derived from two major sources of information. The demand data are derived from the Consumer Expenditure Survey (CE Survey), which is fielded by the U.S. Bureau of Labor Statistics (BLS). The supply data are derived from the Census of Retail Trade (CRT), which is made available by the U.S. Census Bureau. Additional data sources are incorporated to create both supply and demand estimates.

2017 Effective Buying Income, (Wicker & W 93rd Ave. 3-Mile Radius)

| Disposable Household Income, 3-Mile Radius from Wicker & W. 93rd Ave. SAINT JOHN, IN 46373 | | |
|---|---------------------------------|-------------|
| 2017 Description | 3-Mile Radius Household Data | % |
| 2017 Demographic Totals | | |
| Population | 37,324 | |
| Households | 13,498 | |
| Families | 10,448 | |
| Housing Units | 13,785 | |
| 2017 Average Household Size | 2.76 | |
| 2017 Median Age | 41.9 | |
| 2017 Median Household Income | \$89,136 | |
| 2017 Median All Owner-Occupied Housing Value | \$258,845 | |
| 2017 Est. Households by Disposal Income | 13,498 | 100% |
| CY HHs, DHI < \$15,000 | 623 | 4.6% |
| CY HHs, DHI \$15,000 - \$24,999 | 792 | 5.9% |
| CY HHs, DHI \$25,000 - \$34,999 | 1,117 | 8.3% |
| CY HHs, DHI \$35,000 - \$49,999 | 1,825 | 13.5% |
| CY HHs, DHI \$50,000 - \$74,999 | 3,176 | 23.5% |
| CY HHs, DHI \$75,000 - \$99,999 | 2,709 | 20.1% |
| CY HHs, DH \$100,000 - \$149,999 | 2,276 | 16.9% |
| CY HHs, DHI \$150,000 - \$199,999 | 569 | 4.2% |
| CY HHs, DHI \$200,000+ | 411 | 3.0% |
| 2017 Est. Average Disposable Income | \$78,607 | |
| 2017 Est. Median Disposal Income | \$66,699 | |
| 2017 Est. Aggregate Disposal Income | \$1,061,037,286 | |

Source: U.S. Census Bureau, Census 2010 Summary. ESRI forecast for 2017. All rights reserved.(Metrostudy)

HH=Households/DHI=Disposable Household Income

CY=Current Year

Data Note: Disposal Income is after-tax household income.

- The estimated average household disposal income is \$78,607 in 2017. This buying income is based on after tax (Federal, state, and FICA) cash available for spending on all consumer goods, including healthcare and insurance. As household incomes rise, the effective household buying income will rise, assuming all taxing percentages remain unchanged.
- The majority (74%) of households (over 9,900 households) within the 3-mile radius have from \$35,000 to \$149,999 to spend on consumer goods and services. The largest segment is for those households spending \$50,000 to \$74,999.

Retail Store Opportunity Gap, (Wicker & W 93rd Ave. 3-Mile Radius)

Opportunity Gap, Retail Market at Wicker & W 93rd Ave. 3-Mile Radius

SAINT JOHN, IN 46373

| Retail Stores (NAICS classification) | 2017 Demand (Consumer Expenditures) | 2017 Supply (Retail Sales) | Opportunity Gap/Surplus |
|---|--|-------------------------------|----------------------------|
| Total Retail Sales Incl Eating and Drinking Places | \$658,604,228 | \$407,696,022 | \$250,908,206 |
| Motor Vehicle and Parts Dealers-441 | \$128,190,458 | \$92,795,152 | \$35,395,306 |
| Automotive Dealers-4411 | \$99,799,485 | \$76,074,475 | \$23,725,010 |
| Other Motor Vehicle Dealers-4412 | \$15,558,701 | \$3,656,901 | \$11,901,800 |
| Automotive Parts/Accsrs, Tire Stores-4413 | \$12,832,272 | \$13,063,776 | (\$231,504) |
| Furniture and Home Furnishings Stores-442 | \$18,062,867 | \$18,781,934 | (\$719,067) |
| Furniture Stores-4421 | \$11,482,884 | \$14,794,049 | (\$3,311,165) |
| Home Furnishing Stores-4422 | \$6,579,983 | \$3,987,885 | \$2,592,098 |
| Electronics and Appliance Stores-443 | \$17,951,331 | \$8,866,997 | \$9,084,334 |
| Building Material, Garden Equip Stores -444 | \$43,308,976 | \$37,914,219 | \$5,394,757 |
| Building Material and Supply Dealers-4441 | \$40,452,043 | \$37,515,083 | \$2,936,960 |
| Lawn, Garden Equipment, Supplies Stores-4442 | \$2,856,933 | \$399,136 | \$2,457,797 |
| Food and Beverage Stores-445 | \$102,061,031 | \$63,776,692 | \$38,284,339 |
| Grocery Stores-4451 | \$88,591,277 | \$54,078,934 | \$34,512,343 |
| Specialty Food Stores-4452 | \$4,664,635 | \$3,538,669 | \$1,125,966 |
| Beer, Wine and Liquor Stores-4453 | \$8,805,119 | \$6,159,089 | \$2,646,030 |
| Health and Personal Care Stores-446,4461 | \$37,532,482 | \$21,383,426 | \$16,149,056 |
| Gasoline Stations With Conv Stores-44711 | \$65,963,781 | \$22,154,508 | \$43,809,273 |

Source: ESRI © 2017 BLS and Census of Retail Trade. All rights reserved. Based on 2014 surveys.

1 Of 2

- The 2017 Demand column represents projected purchases from consumers in the radius area. The 2017 Supply represents projected retail sales within the radius area.
- Based on the two data sets above from the ESRI, Gas Stations with Convenience Stores are showing the largest potential for additional sales in the 3-mile radius area.
- Furniture stores are showing the largest oversupply in the 3-mile radius area, but one component of this subset is showing a sales gap, Home Furnishing stores are showing a potential \$2,500,000 in sales.

Retail Store Opportunity Gap, (Wicker & W 93rd Ave. 3-Mile Radius)

| Retail Stores | 2017 Demand (Consumer Expenditures) | 2017 Supply (Retail Sales) | Opportunity Gap/Surplus |
|--|--|-------------------------------|----------------------------|
| Clothing and Clothing Accessories Stores-448 | \$25,165,457 | \$8,848,561 | \$16,316,896 |
| Clothing Stores-4481 | \$14,985,131 | \$4,665,062 | \$10,320,069 |
| Shoe Stores-4482 | \$4,943,536 | \$2,189,044 | \$2,754,492 |
| Jewelry, Luggage, Leather Goods Stores-4483 | \$5,236,790 | \$1,994,455 | \$3,242,335 |
| Sporting Goods, Hobby, Book, Music Stores-451 | \$13,531,231 | \$12,143,172 | \$1,388,059 |
| Sporting Goods, Hobby, Musical Inst Stores-4511 | \$11,091,922 | \$11,389,148 | (\$297,226) |
| Book, Periodical and Music Stores-4512 | \$2,439,309 | \$754,024 | \$1,685,285 |
| General Merchandise Stores-452 | \$102,969,777 | \$55,398,486 | \$47,571,291 |
| Department Stores Excl Leased Depts-4521 | \$78,034,848 | \$53,327,344 | \$24,707,504 |
| Other General Merchandise Stores-4529 | \$24,934,929 | \$2,071,142 | \$22,863,787 |
| Miscellaneous Store Retailers-453 | \$25,832,831 | \$13,403,199 | \$12,429,632 |
| Florists-4531 | \$1,399,741 | \$399,855 | \$999,886 |
| Office Supplies, Stationery, Gift Stores-4532 | \$5,098,818 | \$2,078,909 | \$3,019,909 |
| Used Merchandise Stores-4533 | \$3,723,584 | \$2,657,204 | \$1,066,380 |
| Other Miscellaneous Store Retailers-4539 | \$15,610,688 | \$8,267,231 | \$7,343,457 |
| Non-Store Retailers-454 | \$12,646,730 | \$0 | \$12,646,730 |
| Electronic Shopping & Mail-Order Houses-4541 | \$9,893,658 | \$0 | \$9,893,658 |
| Vending Machine Operators-4542 | \$672,406 | \$0 | \$672,406 |
| Direct Selling Establishments-4543 | \$2,080,666 | \$0 | \$2,080,666 |
| Foodservice and Drinking Places-722 | \$65,387,276 | \$52,131,784 | \$13,255,492 |
| Special Foodservices-7223 | \$1,684,463 | \$8,126,928 | (\$6,442,465) |
| Drinking Places -Alcoholic Beverages-7224 | \$2,339,953 | \$2,596,604 | (\$256,651) |
| Restaurants/Other Eating Places-7225 | \$61,362,860 | \$41,408,252 | \$19,954,608 |

Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded.

Demand (retail potential) estimates the expected amount spent by consumers at retail establishments.

Supply and demand estimates are in current dollars.

The Retail Gap represents the difference between retail potential and retail sales based on (NAICS) classifications.

Source: ESRI © 2017 BLS and Census of Retail Trade. All rights reserved. Based on 2014 surveys.

More info on data at (<http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf>)

2 Of 2

- ESRI data sets indicate potential sales in all AICS categories listed above with the largest potential in General Merchandise at over \$47 million.
- The \$12 million showing as potential in Non-Store Retail is inaccurate due to the lack of reporting from internet and non bricks & sticks businesses. Excluding liquor store sales and drinking establishments, the data sets are indicating a \$20 million gap in potential food and beverage sales for Restaurants and Other Eating Places within the 3-mile radius area.

Commercial Retail Supply and Demand (3-Mile Radius)

Opportunity Gap, Retail Stores at Wicker & W 93rd Ave. 3-Mile Radius

SAINT JOHN, IN 46373

| Retail Stores by NAICS Categories | 2017 Demand (Consumer Expenditures) | 2017 Supply (Retail Sales) | Opportunity Gap/Surplus |
|---|--|-------------------------------|----------------------------|
| General Merchandise Stores-452 | \$102,969,777 | \$55,398,485 | \$47,571,292 |
| Gasoline Stations With Conv Stores-44711 | \$65,963,781 | \$22,154,508 | \$43,809,273 |
| Food and Beverage Stores-445 | \$102,061,031 | \$63,776,692 | \$38,284,339 |
| Automotive Dealers-4411 | \$99,799,485 | \$76,074,475 | \$23,725,010 |
| Restaurants/Other Eating Places-7225 | \$61,362,860 | \$41,408,252 | \$19,954,608 |
| Clothing and Clothing Accessories Stores-448 | \$25,165,458 | \$8,848,561 | \$16,316,897 |
| Health and Personal Care Stores-446,4461 | \$37,532,482 | \$21,383,426 | \$16,149,056 |
| Miscellaneous Store Retailers-453 | \$25,832,830 | \$13,403,198 | \$12,429,632 |
| Other Motor Vehicle Dealers-4412 | \$15,558,701 | \$3,656,901 | \$11,901,800 |
| Electronics and Appliance Stores-443 | \$17,951,331 | \$8,866,997 | \$9,084,334 |
| Building Material, Garden Equip Stores -444 | \$43,308,976 | \$37,914,219 | \$5,394,757 |
| Home Furnishing Stores-4422 | \$6,579,983 | \$3,987,885 | \$2,592,098 |
| Book, Periodical and Music Stores-4512 | \$2,439,309 | \$754,024 | \$1,685,285 |
| Total GAP/Surplus by Retail Category and Subcategory | | | \$248,898,381 |

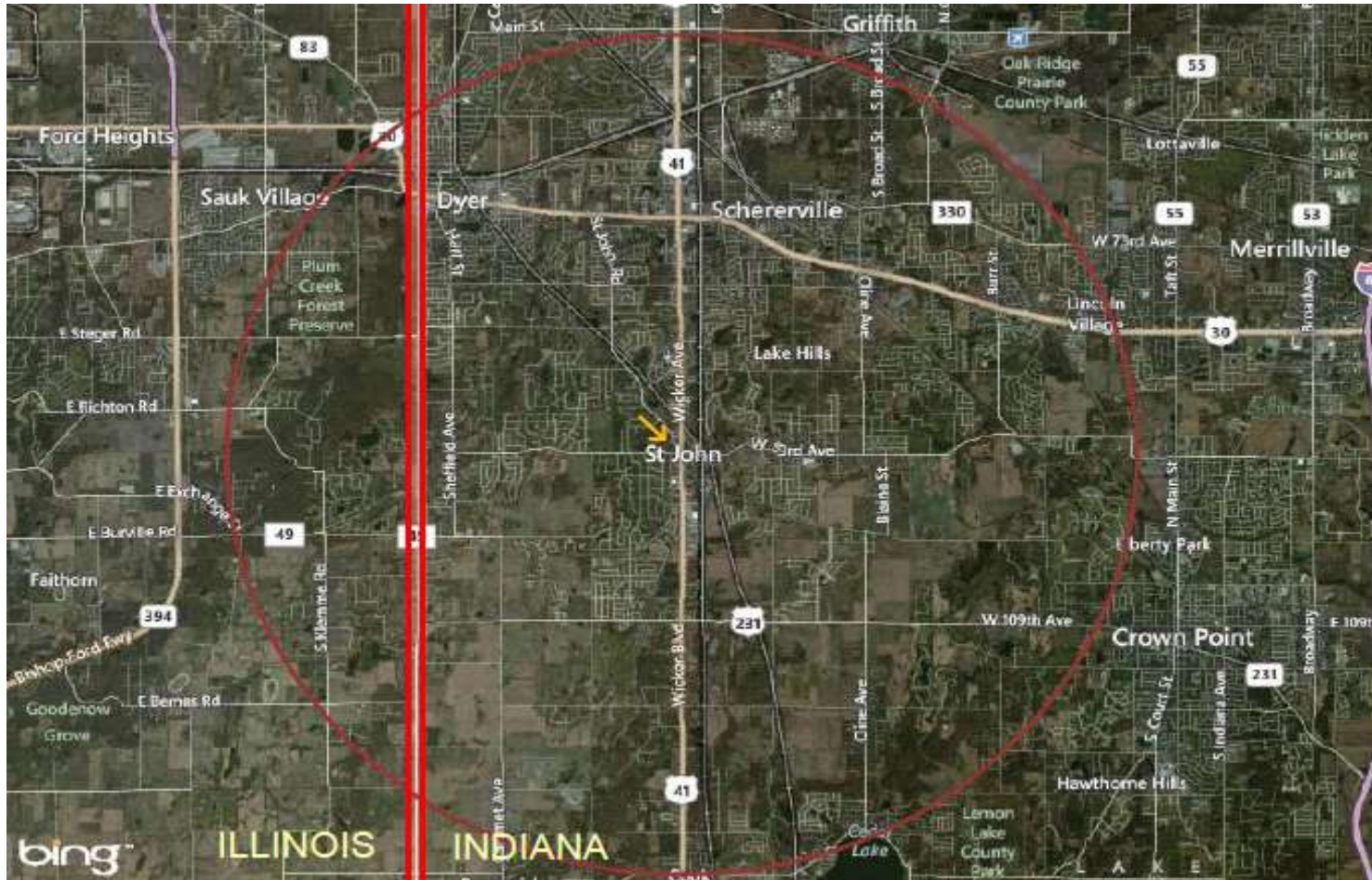
This chart represents all positive retail categories based on (NAICS) classifications.

Source: ESRI © 2017 BLS and Census of Retail Trade. All rights reserved. Based on 2014 surveys.

More info on data at (<http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf>)

- Based on the opportunity gap in retail demand and supply, the St. John area is in short supply of the above goods and services categories by just under a quarter of a billion dollars annually. Metrostudy believes this shortage in goods and services leaves an opening for additional retail possibilities within the 3-mile radius.
- General merchandise stores, gas stations with convenience stores, food and beverage stores, automotive dealers, restaurants and eating establishments, clothing stores, and health and personal care stores lead the list of needed retail establishments, all with over \$15 million in opportunity sales.
- The previous chart highlighted a \$12 million surplus for Non-Store Retailers but the category is not listed in the above chart as no estimated supply figures were given to offset demand figures.

5-Mile Radius Map, Wicker Ave. & W 93rd Ave.



- The 5-mile radius from downtown St. John reaches into Illinois for the population and demographic profile.
- ESRI's Retail Market Power data are derived from two major sources of information. The demand data are derived from the Consumer Expenditure Survey (CE Survey), which is fielded by the U.S. Bureau of Labor Statistics (BLS). The supply data are derived from the Census of Retail Trade (CRT), which is made available by the U.S. Census Bureau. Additional data sources are incorporated to create both supply and demand estimates.

2017 Effective Buying Income, (Wicker & W 93rd Ave. 5-Mile Radius)

| Disposable Household Income, 5-Mile Radius from Wicker & W. 93rd Ave. SAINT JOHN, IN 46373 | | |
|---|---------------------------------|-------|
| 2017 Description | 5-Mile Radius Household Data | % |
| 2017 Demographic Totals | | |
| Population | 88,057 | |
| Households | 32,523 | |
| Families | 23,880 | |
| Housing Units | 33,670 | |
| 2017 Average Household Size | 2.66 | |
| 2017 Median Age | 41.6 | |
| 2017 Median Household Income | \$78,596 | |
| 2017 Median All Owner-Occupied Housing Value | \$233,105 | |
| 2017 Est. Households by Disposal Income | 32,523 | |
| CY HHs, DHI < \$15,000 | 2090 | 6.4% |
| CY HHs, DHI \$15,000 - \$24,999 | 2582 | 7.9% |
| CY HHs, DHI \$25,000 - \$34,999 | 3,069 | 9.4% |
| CY HHs, DHI \$35,000 - \$49,999 | 4,776 | 14.7% |
| CY HHs, DHI \$50,000 - \$74,999 | 7,805 | 24.0% |
| CY HHs, DHI \$75,000 - \$99,999 | 5,599 | 17.2% |
| CY HHs, DHI \$100,000 - \$149,999 | 2,604 | 14.1% |
| CY HHs, DHI \$150,000 - \$199,999 | 1162 | 3.6% |
| CY HHs, DHI \$200,000+ | 852 | 2.6% |
| 2017 Est. Average Disposable Income | \$72,230 | |
| 2017 Est. Median Disposal Income | \$59,260 | |
| 2017 Est. Aggregate Disposal Income | \$2,349,136,290 | |

Source: U.S. Census Bureau, Census 2010 Summary. ESRI forecast for 2017. All rights reserved. (M)

HH=Households/DHI=Disposable Household Income

CY=Current Year

Data Note: Disposal Income is after-tax household income.

- The estimated average household disposable income is \$72,230 in 2017. This disposable income for the 5-mile radius is 8.1% less than the average disposable income for the 3-mile radius, due to the higher-income households being located in St. John.
- The majority of households within the 5-mile radius (70%) have from \$35,000 to \$149,999 to spend on consumer goods and services, over 20,700 households. The largest segment is for those households spending \$50,000 to \$74,999.

Retail Store Opportunity Gap, (Wicker & W 93rd Ave. 5-Mile Radius)

| Opportunity Gap, Retail Stores at Wicker & W 93rd Ave. 5-Mile Radius | | | |
|--|--|-------------------------------|----------------------------|
| SAINT JOHN, IN 46373 | | | |
| Retail Stores (NAICS classification) | 2017 Demand (Consumer Expenditures) | 2017 Supply (Retail Sales) | Opportunity Gap/Surplus |
| Total Retail Sales Incl Eating and Drinking Places | \$1,466,103,875 | \$1,353,295,220 | \$112,808,655 |
| Motor Vehicle and Parts Dealers-441 | \$285,963,242 | \$358,159,624 | (\$72,196,382) |
| Automotive Dealers-4411 | \$223,608,813 | \$323,600,144 | (\$99,991,331) |
| Other Motor Vehicle Dealers-4412 | \$34,012,647 | \$15,570,729 | \$18,441,918 |
| Automotive Parts/Accsrs, Tire Stores-4413 | \$28,341,782 | \$18,988,751 | \$9,353,031 |
| Furniture and Home Furnishings Stores-442 | \$40,174,938 | \$53,284,335 | (\$13,109,397) |
| Furniture Stores-4421 | \$25,437,064 | \$38,266,533 | (\$12,829,469) |
| Home Furnishing Stores-4422 | \$14,737,874 | \$15,017,802 | (\$279,928) |
| Electronics and Appliance Stores-443 | \$40,413,557 | \$19,582,757 | \$20,830,800 |
| Building Material, Garden Equip Stores -444 | \$96,270,063 | \$132,314,871 | (\$36,044,808) |
| Building Material and Supply Dealers-4441 | \$89,774,427 | \$127,993,231 | (\$38,218,804) |
| Lawn, Garden Equipment, Supplies Stores-4442 | \$6,495,636 | \$4,321,640 | \$2,173,996 |
| Food and Beverage Stores-445 | \$226,748,621 | \$244,791,949 | (\$18,043,328) |
| Grocery Stores-4451 | \$197,170,808 | \$226,176,487 | (\$29,005,679) |
| Specialty Food Stores-4452 | \$10,454,847 | \$5,705,662 | \$4,749,185 |
| Beer, Wine and Liquor Stores-4453 | \$19,122,966 | \$12,909,800 | \$6,213,166 |
| Health and Personal Care Stores-446,4461 | \$84,318,818 | \$48,614,714 | \$35,704,104 |
| Gasoline Stations With Conv Stores-44711 | \$147,385,552 | \$101,742,142 | \$45,643,410 |

Source: ESRI © 2017 BLS and Census of Retail Trade. All rights reserved. Based on 2014 surveys.

1 Of 2

- Based on the two data sets from the BLS and the Census, the greatest estimated gap above is for Gas Stations with Convenience stores with a \$45 million estimated shortage. Health and Personal Care Stores are projecting a \$35 million shortage followed by Electronics and Appliance Stores at \$20 million within the 5-mile radius.
- Sales for Motor Vehicle and Parts Dealers are projecting the largest oversupply in the 5-mile radius area by \$72 million annually followed by Building Materials and Garden Equipment stores oversupplied by \$36 million a year.

Retail Store Opportunity Gap, (Wicker & W 93rd Ave. 5-Mile Radius)

| Retail Stores (NAICS classification) | 2017 Demand (Consumer Expenditures) | 2017 Supply (Retail Sales) | Opportunity Gap/Surplus |
|--|--|-------------------------------|----------------------------|
| Clothing and Clothing Accessories Stores-448 | \$56,319,014 | \$37,738,041 | \$18,580,973 |
| Clothing Stores-4481 | \$33,927,852 | \$16,247,742 | \$17,680,110 |
| Shoe Stores-4482 | \$10,849,113 | \$9,234,133 | \$1,614,980 |
| Jewelry, Luggage, Leather Goods Stores-4483 | \$11,542,049 | \$12,256,166 | (\$714,117) |
| Sporting Goods, Hobby, Book, Music Stores-451 | \$30,169,244 | \$26,849,973 | \$3,319,271 |
| Sporting Goods, Hobby, Musical Inst Stores-4511 | \$24,750,212 | \$24,302,571 | \$447,641 |
| Book, Periodical and Music Stores-4512 | \$5,419,032 | \$2,547,402 | \$2,871,630 |
| General Merchandise Stores-452 | \$228,142,648 | \$155,355,777 | \$72,786,871 |
| Department Stores Excl Leased Depts-4521 | \$172,020,167 | \$144,817,537 | \$27,202,630 |
| Other General Merchandise Stores-4529 | \$56,122,481 | \$10,538,240 | \$45,584,241 |
| Miscellaneous Store Retailers-453 | \$57,158,581 | \$28,421,773 | \$28,736,808 |
| Florists-4531 | \$3,078,011 | \$1,370,165 | \$1,707,846 |
| Office Supplies, Stationery, Gift Stores-4532 | \$11,109,616 | \$4,984,380 | \$6,125,236 |
| Used Merchandise Stores-4533 | \$8,013,365 | \$3,617,270 | \$4,396,095 |
| Other Miscellaneous Store Retailers-4539 | \$34,957,589 | \$18,449,958 | \$16,507,631 |
| Non-Store Retailers-454 | \$28,654,866 | \$4,592,705 | \$24,062,161 |
| Electronic Shopping & Mail-Order Houses-4541 | \$22,396,224 | \$0 | \$22,396,224 |
| Vending Machine Operators-4542 | \$1,466,024 | \$2,999,489 | (\$1,533,465) |
| Direct Selling Establishments-4543 | \$4,792,618 | \$1,593,216 | \$3,199,402 |
| Foodservice and Drinking Places-722 | \$144,384,731 | \$141,846,559 | \$2,538,172 |
| Special Foodservices-7223 | \$3,687,672 | \$11,406,676 | (\$7,719,004) |
| Drinking Places -Alcoholic Beverages-7224 | \$5,107,612 | \$4,322,565 | \$785,047 |
| Restaurants/Other Eating Places-7225 | \$135,589,447 | \$126,117,318 | \$9,472,129 |

Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded.

Demand (retail potential) estimates the expected amount spent by consumers at retail establishments.

Supply and demand estimates are in current dollars.

The Retail Gap represents the difference between retail potential and retail sales based on (NAICS) classifications.

Source: ESRI © 2017 BLS and Census of Retail Trade. All rights reserved. Based on 2014 surveys.

More info on data at (<http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf>)

2 Of 2

- Projecting shortages of \$72 million in 2017 sales, General Merchandise Stores are projecting the largest unmet need within the 5-mile radius while the highest over supply in the above chart is for the subset Special Food Services with an overage of \$7.7 million.
- Online shopping or Non-Store Retailers are not providing projected sales but they are included in the above chart.

Commercial Retail Supply and Demand (5-Mile Radius)

Opportunity Gap, Retail Stores at Wicker & W 93rd Ave. 5-Mile Radius

SAINT JOHN, IN 46373

| Retail Stores by NAICS Categories | 2017 Demand (Consumer Expenditures) | 2017 Supply (Retail Sales) | Opportunity Gap/Surplus |
|---|--|-------------------------------|----------------------------|
| General Merchandise Stores-452 | \$228,142,648 | \$155,355,777 | \$72,786,871 |
| Gasoline Stations With Conv Stores-44711 | \$147,385,552 | \$101,742,142 | \$45,643,410 |
| Health and Personal Care Stores-446,4461 | \$84,318,818 | \$48,614,714 | \$35,704,104 |
| Miscellaneous Store Retailers-453 | \$57,158,581 | \$28,421,773 | \$28,736,808 |
| Electronics and Appliance Stores-443 | \$40,413,557 | \$19,582,757 | \$20,830,800 |
| Other Motor Vehicle Dealers-4412 | \$34,012,647 | \$15,570,729 | \$18,441,918 |
| Clothing Stores-4481 | \$33,927,852 | \$16,247,742 | \$17,680,110 |
| Restaurants/Other Eating Places-7225 | \$135,589,447 | \$126,117,318 | \$9,472,129 |
| Automotive Parts/Accsrs, Tire Stores-4413 | \$28,341,782 | \$18,988,751 | \$9,353,031 |
| Beer, Wine and Liquor Stores-4453 | \$19,122,966 | \$12,909,800 | \$6,213,166 |
| Specialty Food Stores-4452 | \$10,454,847 | \$5,705,662 | \$4,749,185 |
| Sporting Goods, Hobby, Book, Music Stores-451 | \$30,169,243 | \$26,849,974 | \$3,319,269 |
| Direct Selling Establishments-4543 | \$4,792,618 | \$1,593,216 | \$3,199,402 |
| Lawn, Garden Equipment, Supplies Stores-4442 | \$6,495,636 | \$4,321,640 | \$2,173,996 |
| Shoe Stores-4482 | \$10,849,113 | \$9,234,133 | \$1,614,980 |
| Drinking Places -Alcoholic Beverages-7224 | \$5,107,612 | \$4,322,565 | \$785,047 |
| Total GAP/Surplus by Retail Category and Subcategory | | | \$280,704,226 |

This chart represents all positive retail categories based on (NAICS) classifications.

Source: ESRI © 2017 BLS and Census of Retail Trade. All rights reserved. Based on 2014 surveys.

More info on data at (<http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf>)

- Based on the opportunity gap in retail demand and supply, the 5-mile radius around St. John is in short supply of the above goods and services by just over \$280 million annually. Metrostudy believes this shortage in goods and services leaves an opening for additional retail possibilities within the radius area.
- General Merchandise Stores, Gas Stations with Convenience Stores, Health and Personal Care Stores, Miscellaneous Retail Stores and Electronic and Appliance stores lead the list of needed retail establishments, all with over \$20 million in opportunity sales annually.
- The increased size of the 5-mile radius area is only projected to have a \$32 million increase in surplus opportunity sales in 2017 compared to the 3-mile radius area. The average disposable household income trends lower as you travel farther from St. John, Indiana.

Retail Store Opportunity Gap Swing, (3 to 5-Mile Radius)

| Opportunity Gap Swings - Retail Sales, 3 to 5-Mile Radius From Wicker & W 93rd Ave. SAINT JOHN, IN 46373 | | | |
|---|---|--|--|
| Negative Swing in Retail Sales | 3-Mile Radius 2017 Demand (Consumer Expenditures) | 5-Mile Radius 2017 Supply (Retail Sales) | Opportunity Swing 3 to 5-Mile Radius |
| Retail Stores by NAICS Categories | | | |
| Automotive Dealers-4411 | \$23,725,010 | (\$99,991,331) | (\$123,716,341) |
| Grocery Stores-4451 | \$34,512,343 | (\$29,005,679) | (\$63,518,022) |
| Building Material and Supply Dealers-4441 | \$2,936,960 | (\$38,218,804) | (\$41,155,764) |
| Restaurants/Other Eating Places-7225 | \$19,954,608 | \$9,472,129 | (\$10,482,479) |
| Jewelry, Luggage, Leather Goods Stores-4483 | \$3,242,335 | (\$714,117) | (\$3,956,452) |
| Home Furnishing Stores-4422 | \$2,592,098 | (\$279,928) | (\$2,872,026) |
| Shoe Stores-4482 | \$2,754,492 | \$1,614,980 | (\$1,139,512) |
| Lawn, Garden Equipment, Supplies Stores-4442 | \$2,457,797 | \$2,173,996 | (\$283,801) |
| Positive Swing in Retail Sales | 3-Mile Radius 2017 Demand (Consumer Expenditures) | 5-Mile Radius 2017 Supply (Retail Sales) | Opportunity Swing 3 to 5-Mile Radius |
| Retail Stores by NAICS Categories | | | |
| Automotive Parts/Accsrs, Tire Stores-4413 | (\$231,504) | \$9,353,031 | \$9,584,535 |
| Drinking Places -Alcoholic Beverages-7224 | (\$256,651) | \$785,047 | \$1,041,698 |
| Sporting Goods, Hobby, Musical Inst Stores-4511 | (\$297,226) | \$447,641 | \$744,867 |

This chart represents all positive retail categories based on (NAICS) classifications.

Source: ESRI © 2017 BLS and Census of Retail Trade. All rights reserved. Based on 2014 surveys.

More info on data at (<http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf>)

- The chart above highlights the change in projected sales from a 3-mile radius to the 5-mile radius. The change in projected surplus occurs because the highest median income households and median home values are located in the Town of St. John. While the projected sales has typically increased as the area expands, the sales surplus of some of the subcategories experience an inverse swing.
- Automotive Dealers are projected to experience the largest reduction in surplus going from a 3-mile radius to a 5-mile radius.
- Automotive Parts, Tire stores, Drinking Places and Sporting Goods, Hobby and Musical Instrument stores are projected to benefit in surplus sales as the area expands to a 5-mile radius.

Commercial Retail Data – Historical Retail Activity (Lake & Porter)

| Quarter | Existing Inventory | | Delivered Inventory | | Total Occupied SF | Under Construction Inv. | | Average Quoted Rental Rate |
|---------|--------------------|---------------|---------------------|---------------------|-------------------|-------------------------|---------------------|----------------------------|
| | # of Bldgs. | Rentable Area | # of Bldgs. | Total Rentable Area | | # of Bldgs. | Total Rentable Area | |
| 2017 3Q | 3,662 | 42,918,424 | 0 | 0 | 40,483,753 | 5 | 55,870 | \$12.21/nnn |
| 2017 2Q | 3,661 | 42,904,174 | 4 | 48,104 | 40,534,871 | 4 | 57,850 | \$12.23/nnn |
| 2017 1Q | 3,657 | 42,856,070 | 4 | 91,127 | 40,392,281 | 6 | 81,704 | \$12.35/nnn |
| 2016 4Q | 3,653 | 42,764,943 | 4 | 83,540 | 40,496,966 | 9 | 147,231 | \$12.42/nnn |
| 2016 3Q | 3,650 | 42,683,293 | 4 | 27,142 | 40,431,975 | 13 | 230,771 | \$12.16/nnn |
| 2016 2Q | 3,645 | 42,647,051 | 3 | 107,066 | 40,319,224 | 12 | 213,782 | \$12.30/nnn |
| 2016 1Q | 3,643 | 42,599,985 | 3 | 37,071 | 40,147,014 | 10 | 247,552 | \$12.12/nnn |
| 2015 4Q | 3,640 | 42,562,914 | 2 | 11,839 | 39,970,688 | 9 | 232,557 | \$12.03/nnn |
| 2015 3Q | 3,638 | 42,551,075 | 4 | 27,066 | 39,825,485 | 8 | 207,996 | \$11.99/nnn |
| 2015 2Q | 3,636 | 42,598,115 | 2 | 21,552 | 39,740,416 | 6 | 145,006 | \$11.94/nnn |
| 2015 1Q | 3,635 | 42,579,238 | 2 | 9,900 | 27,945,138 | 8 | 166,558 | \$11.77/nnn |

Source: Costar & @ Properties

- The Lake County TMA is holding just under 30 million square feet of commercial retail space in 3Q17. However, the above chart is tracking retail space for both Lake and Porter counties which is showing 42,918,424 of rentable square feet within 3,662 buildings, much of it located in the Merrillville area. The average rent per square foot has trended modestly higher through the last 11 quarters, with a low of \$11.77 in 1Q15 to a high of \$12.42 in 4Q16 before pulling back to \$12.21 per square foot in the third quarter of 2017. Retail rental rates are typically triple-net with the tenant paying CAM, taxes, and utilities.
- Over the last 11 quarters, Lake and Porter counties added 464,407 new rentable retail square feet of space between 32 newly constructed buildings. Metrostudy anticipates the need for new retail space will continue as the local economy expands.
- The majority of the new retail construction occurred between 4Q15 to 2Q16 starting construction on 35 retail buildings holding just under 700,000 square feet of retail space.
- The average rental rate increased 3.7% through the 11 quarters, but up only 0.4% y-o-y.

Commercial Retail Data – Historical Retail SF (Lake & Porter)

| Quarter | Existing Inventory | | Vacant Sq. Ft. Available | |
|---------|--------------------|---------------|--------------------------|---------|
| | # of Bldgs. | Rentable Area | Total | Total % |
| 2017 3Q | 3,662 | 42,918,424 | 2,434,671 | 5.7% |
| 2017 2Q | 3,661 | 42,904,174 | 2,369,303 | 5.5% |
| 2017 1Q | 3,657 | 42,856,070 | 2,463,789 | 5.7% |
| 2016 4Q | 3,653 | 42,764,943 | 2,267,977 | 5.3% |
| 2016 3Q | 3,650 | 42,683,293 | 2,251,318 | 5.3% |
| 2016 2Q | 3,645 | 42,647,051 | 2,327,827 | 5.5% |
| 2016 1Q | 3,643 | 42,599,985 | 2,452,971 | 5.8% |
| 2015 4Q | 3,640 | 42,562,914 | 2,592,226 | 6.1% |
| 2015 3Q | 3,638 | 42,551,075 | 2,725,590 | 6.4% |
| 2015 2Q | 3,636 | 42,598,115 | 2,857,699 | 6.7% |
| 2015 1Q | 3,635 | 42,579,238 | 2,758,454 | 6.5% |

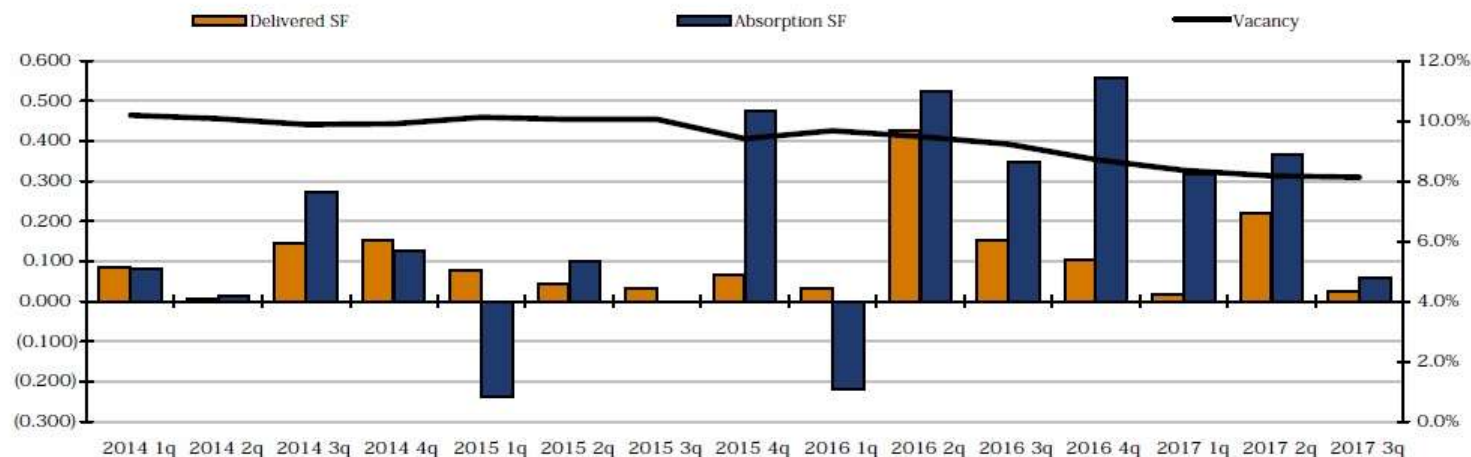
Source: Costar & @ Properties

- The percentage of vacant retail square footage has remained steady in the Lake/Porter county area over the last 11 quarters averaging 5.9%, reaching a low of 5.3% in 3Q16 and a high of 6.7% in 2Q15. The current vacancy rate for retail square footage is just under the average at 5.7%.
- Vacant square feet available excludes renovations and vacant retail space unready to rent. Total rentable area grew 0.6% y-o-y and rose by 0.8% from the beginning of 2015.
- With the growing volume of households, Metrostudy sees vacancy rates remaining under 6.0% over the next two years, even as new retail space enters the two counties.
- Even with growth in online shopping, the low vacancy rate supported by the growth in households and the Opportunity Gap in retail sales, as estimated by ESRI, supports new retail growth in the counties.

Commercial Retail Data – Forecast (Lake & Porter)

Deliveries, Absorption & Vacancy

Historical Analysis, All Classes



Source: CoStar Property®

- Retail absorption was placid through 2014 and the first three quarters of 2015 when it began to grow through 2016 and 2017. Retail market activity increased in both absorption and delivery in 2016.
- The largest delivery of retail space over the last five years occurred in 2Q16, bringing 107,066 square feet of space to Lake and Porter counties. These counties have a successful history of retail absorption with net absorption of approximately 960,513 square feet of retail space since 4Q13 or 60,032 square feet per quarter.
- The black line above confirms the lower trending vacancy rate through the past 11 quarters.
- General Retail and Shopping centers are the largest two retail type centers in the two counties with over 18 million square feet and nine million square feet respectively.

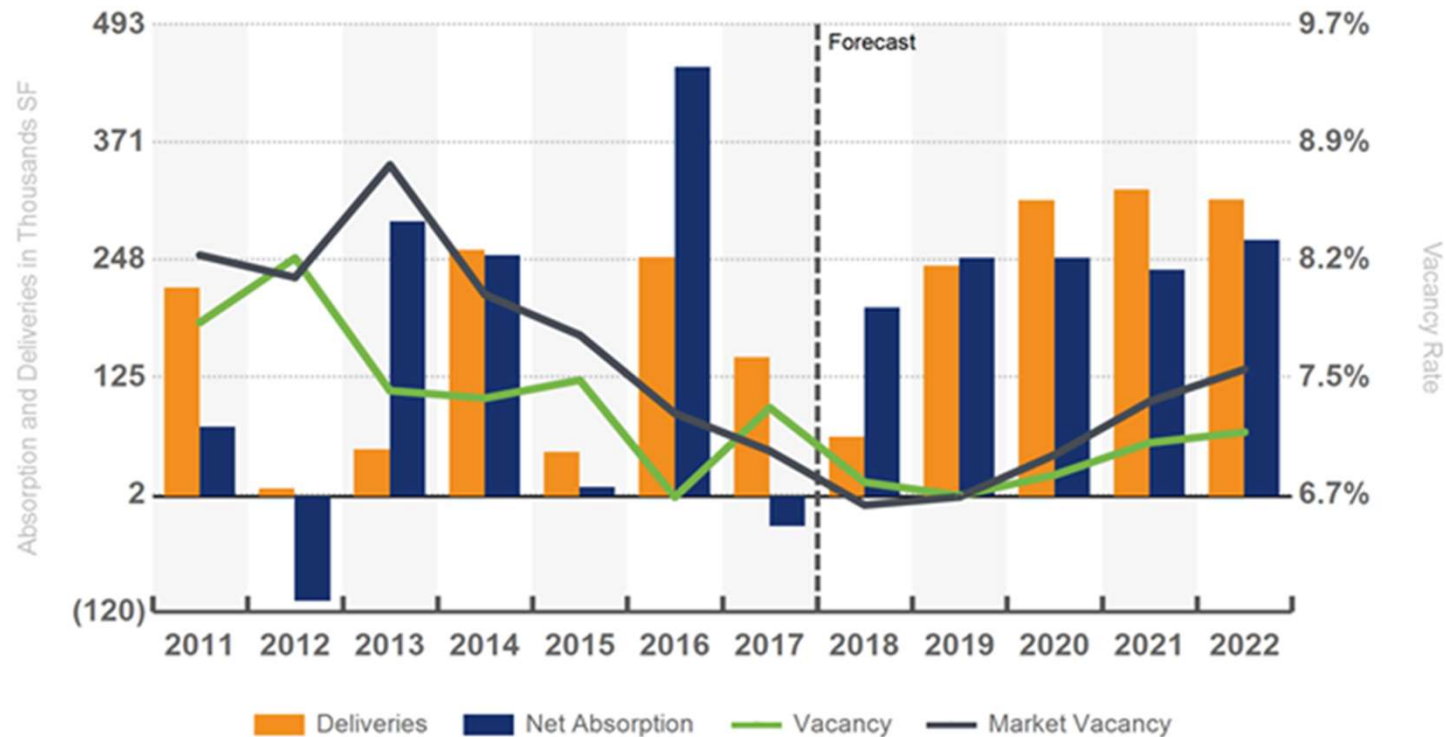
TMA Commercial Retail Data – Forecast (Lake County)

| Year | Existing Inventory | | | | | Average Asking Rental |
|------|--------------------|-------------------|-------------|-----------|----------------|-----------------------|
| | Rentable Area | Ann. Delivered SF | Vancancy SF | Vacancy % | Net Absorption | |
| 2022 | 31,145,000 | 310,000 | 2,214,000 | 7.1% | 268,000 | \$12.78/nnn |
| 2021 | 30,835,000 | 320,000 | 2,172,000 | 7.0% | 236,000 | \$12.77/nnn |
| 2020 | 30,515,000 | 309,000 | 2,088,000 | 6.8% | 249,000 | \$12.71/nnn |
| 2019 | 30,206,000 | 21,000 | 2,028,000 | 6.7% | 249,000 | \$12.58/nnn |
| 2018 | 29,965,000 | 62,000 | 2,037,000 | 6.8% | 197,000 | \$12.40/nnn |
| 2017 | 29,903,000 | 145,000 | 2,172,000 | 7.3% | (31,000) | \$12.31/nnn |
| 2016 | 29,758,000 | 250,000 | 1,995,000 | 6.7% | 449,000 | \$12.55/nnn |
| 2015 | 29,508,000 | 46,000 | 2,194,000 | 7.4% | 9,000 | \$12.58/nnn |
| 2014 | 29,462,000 | 257,000 | 2,157,000 | 7.3% | 252,000 | \$12.43/nnn |
| 2013 | 29,205,000 | 49,000 | 2,152,000 | 7.4% | 287,000 | \$12.43/nnn |
| 2012 | 29,156,000 | 8,000 | 2,390,000 | 8.2% | (109,000) | \$12.39/nnn |
| 2011 | 29,147,000 | 218,000 | 2,272,000 | 7.8% | 72,000 | \$12.69/nnn |
| 2010 | 28,929,000 | 31,000 | 2,127,000 | 7.4% | 166,000 | \$13.02/nnn |

Source: CoStar

- CoStar data shows just over 1 million square feet of retail space has entered the market during the last eight years in Lake County TMA, averaging 125,500 square feet a year. The chief locations for recent deliveries were along Highway 41 and the Merrillville market.
- With 2,172,000 square feet of vacant retail space in Lake County, the 3Q17 vacancy rate is higher at 7.3% compared to 5.7% for the combined county rate but the asking rental rate is higher by \$0.10.
- The average asking rental rates in Lake County have come off the recent highs in 2010 at \$13.02 trending modestly lower over the last two years to \$12.31 in 3Q17. Trending lower from 2010, the average asking rate in Lake County is at a 7-year low but is projected by CoStar to rise through the next five years.
- Just over 1 million square feet of retail space has been identified by CoStar as future retail development in Lake County estimated to enter the market within the next five years. These numbers include 8343 Wicker Avenue slated to enter the market this year with 25,000 square feet of retail space and the 9601 Wicker Avenue Shops identified as potential future development, adding 165,000 square feet of retail space.

TMA Commercial Retail Data – Forecast (Lake County)



- The largest delivery of retail space entered the market in 2014 and 2016 adding approximately 250,000 square foot of retail space each year. However, CoStar is projecting a significant rise in new retail development during the next five years in Lake County, Indiana.
- Significant absorption of retail space occurred in 2016, with just over 400,000 square feet of retail space absorbed. CoStar is projecting a stronger and consistent annual absorption velocity through 2022 at more than double the current rate to 239,000 square feet annually.
- Vacancy rates are projected to rise through 2022 as new development enters the market at higher pace.



3 & 5-Mile Radius Housing Analysis – St. John, IN.

Historical Housing Activity, St. John, IN (Wicker & W 93rd Ave. 3-Mile Radius)

| 3-Mile Radius & Lake County Market Share Summary | | | | | | | | | |
|--|---------------|--------|-------|-----------------------|--------|-------|-------------|--------|-------|
| Qtr. | Annual Starts | | | Vacant Developed Lots | | | Future Lots | | |
| | Lake County | 3-Mile | Share | Lake County | 3-Mile | Share | Lake County | 3-Mile | Share |
| 2Q17 | 1,174 | 341 | 29.0% | 2,678 | 622 | 23.2% | 13,388 | 2,029 | 15.2% |

- Annual attached and detached new home construction in the 3-mile radius around St. John holds 29% of the total new home construction activity in Lake County, 23.2% of the total market's VDL, and 15.2% of the future lots which could restrict growth.
- Within this smaller radius area, the relationship between housing starts, VDL, and future lots signals a potential shortage of VDL's and future lots. The percentage of new home starts is above that of the percentage of VDL and almost double the percentage of future lots.

| 3-Mile Radius TMA Housing Overview (Base-Pricing) | | | | Avg. Unit Price | | | Avg. Unit Sq. Ft. | | | Avg. \$/S.F. | | |
|---|--|--|--|-----------------|------------|------------|-------------------|------------|------------|--------------|------------|------------|
| Product | | | | As of 3Q16 | As of 2Q17 | Ann % Chg. | As of 3Q16 | As of 2Q17 | Ann % Chg. | As of 3Q16 | As of 2Q17 | Ann % Chg. |
| Detached | | | | \$253,365 | \$258,298 | 1.9% | 2,433 | 2,307 | -5.2% | \$ 109.51 | \$ 115.45 | 5.4% |
| Attached | | | | \$217,277 | \$224,448 | 3.3% | 1,663 | 1,672 | 0.5% | \$ 130.61 | \$ 134.38 | 2.9% |

- Most areas of new home development in this 3-mile radius have grown modestly through the last year with base prices of new detached homes rising just 1.9% in 2Q17, with the advertised base prices on detached homes averaging \$258,298. The base prices for new attached units rose 3.3% through the last year, with advertised base prices averaging \$224,448 in 2Q17.
- New detached homes have reduced 5.2% in size through the last four quarters with an average unit size of 2,307 in 2Q17. The average size of new attached units in the radius area remained practically unchanged through the last year with units averaging 1,672 square feet in size in 2Q17.
- The average price per square foot rose for both new attached and detached units within the 3-mile radius area through the last year. New detached homes increased 5.4% to \$115.45 in 2Q17 while attached units rose 2.9% to \$134.38.
- With the tight supply of VDL and future lots in this radius area around St. John, Metrostudy projects the rise in new home pricing will continue through the next few years.

Historical Housing Activity, St. John, IN (Wicker & W 93rd Ave. 3-Mile Radius)

Historical Housing Activity Summary

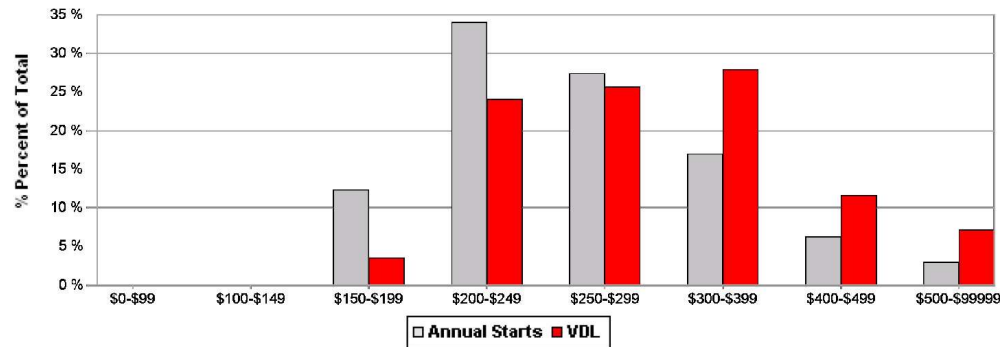
3-Mile Radius - Wicker Rd & 93 Ave

| Qtr | Qtr Clos | Ann Clos | Model | FinVac | UC | Total Inv | Total Supply | Qtr Starts | Ann Starts | VDL | VDL Supply | Fut Lots | Ann Lot Deliv |
|------|----------|----------|-------|--------|-----|-----------|--------------|------------|------------|-------|------------|----------|---------------|
| 2Q13 | 49 | 171 | 5 | 48 | 103 | 156 | 10.9 | 71 | 234 | 1,070 | 54.9 | 1,180 | 40 |
| 3Q13 | 67 | 203 | 5 | 59 | 128 | 192 | 11.3 | 103 | 283 | 958 | 40.6 | 1,180 | 4 |
| 4Q13 | 59 | 221 | 5 | 61 | 101 | 167 | 9.1 | 34 | 248 | 966 | 46.7 | 1,401 | 41 |
| 1Q14 | 49 | 224 | 6 | 44 | 114 | 164 | 8.8 | 46 | 254 | 920 | 43.5 | 1,442 | 45 |
| 2Q14 | 50 | 225 | 6 | 51 | 111 | 168 | 9.0 | 54 | 237 | 905 | 45.8 | 1,429 | 72 |
| 3Q14 | 73 | 231 | 7 | 60 | 101 | 168 | 8.7 | 73 | 207 | 832 | 48.2 | 1,464 | 81 |
| 4Q14 | 59 | 231 | 5 | 67 | 85 | 157 | 8.2 | 48 | 221 | 799 | 43.4 | 1,459 | 54 |
| 1Q15 | 39 | 221 | 5 | 52 | 93 | 150 | 8.1 | 32 | 207 | 791 | 45.9 | 1,442 | 78 |
| 2Q15 | 50 | 221 | 5 | 67 | 89 | 161 | 8.7 | 61 | 214 | 745 | 41.8 | 1,669 | 54 |
| 3Q15 | 71 | 219 | 5 | 65 | 111 | 181 | 9.9 | 91 | 232 | 687 | 35.5 | 1,640 | 87 |
| 4Q15 | 52 | 212 | 5 | 68 | 100 | 173 | 9.8 | 44 | 228 | 715 | 37.6 | 1,792 | 144 |
| 1Q16 | 56 | 229 | 6 | 59 | 93 | 158 | 8.3 | 41 | 237 | 687 | 34.8 | 1,783 | 133 |
| 2Q16 | 58 | 237 | 5 | 61 | 116 | 182 | 9.2 | 82 | 258 | 616 | 28.7 | 1,772 | 129 |
| 3Q16 | 51 | 217 | 5 | 62 | 121 | 188 | 10.4 | 57 | 224 | 685 | 36.7 | 2,106 | 222 |
| 4Q16 | 82 | 247 | 5 | 70 | 148 | 223 | 10.8 | 117 | 297 | 733 | 29.6 | 2,019 | 315 |
| 1Q17 | 53 | 244 | 8 | 54 | 174 | 236 | 11.6 | 66 | 322 | 700 | 26.1 | 1,974 | 335 |
| 2Q17 | 85 | 271 | 10 | 65 | 177 | 252 | 11.2 | 101 | 341 | 622 | 21.9 | 2,029 | 347 |

- Annual attached and detached new home closings have increased 58.5% since the low in 2Q13. Annual new home closings have grown 14.3% YOY, closing 271 units as of the end of 2Q17. Annual closings have averaged 245 units over the last four quarters. Metrostudy projects new home closings will continue to rise in this radius, closing above 300 units annually through 2019. However, attached product (TH/DUP) activity decreased 19.1% y-o-y while the detached product rose significantly, up 45% y-o-y in the 5-mile radius.
- With the number of VDL declining 42% since 2Q13, home builders may need to continue bringing lots to this area for growth to continue.
- Future lot development remains reasonably healthy with over 2,000 potential lots in the smaller radius area.

Price Distribution of Annual Starts, Closings & VDL, 3-Mile Radius

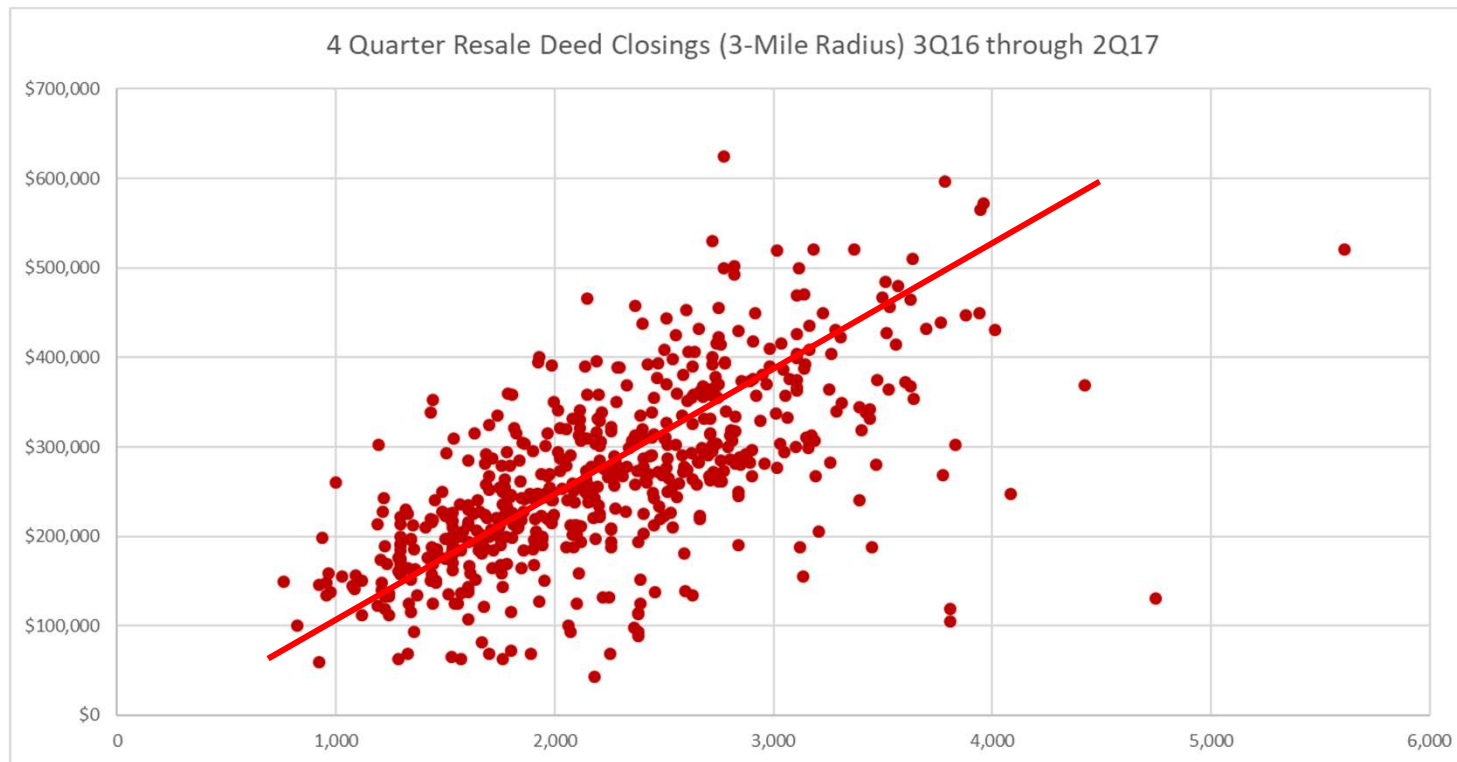
Price Range Distribution of Annual Starts vs VDL



| | | \$0 \$99,999 | \$100,000 \$149,999 | \$150,000 \$199,999 | \$200,000 \$249,999 | \$250,000 \$299,999 | \$300,000 \$399,999 | \$400,000 \$499,999 | \$500,000 \$999,999 | *Total |
|---|-----------------------------|-----------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------|
| Custom Market Numerical Totals | Ann Starts | | | 42 | 116 | 93 | 58 | 21 | 10 | 341 |
| | Ann Closings | | | 45 | 75 | 74 | 51 | 15 | 11 | 271 |
| | Housing Inv | | | 26 | 85 | 72 | 47 | 17 | 5 | 252 |
| | VDL Inv | | | 22 | 150 | 160 | 174 | 73 | 44 | 622 |
| | Housing Supply (Mos) | | | 6.9 | 13.7 | 11.7 | 11.0 | 13.5 | 5.4 | 11.2 |
| | VDL Supply (Mos) | | | 6.3 | 15.5 | 20.5 | 35.9 | 40.7 | 52.9 | 21.9 |

- The sweet spot in the market is for homes based priced from \$200,000 to \$399,999 comprising 78.3% of the annual market activity in the 3-mile radius and these price points hold a similar 77.8% of the VDL supply.
- Approximately 34% of all new single-family homes built and 28% of the new homes that first became occupied over the last four quarters were priced from \$200,000 to \$249,999. There is under a year and a half of supply of VDL for homes in this price range, an amount Metrostudy considers low for continued growth.
- Metrostudy data indicates annual base pricing for detached homes trended 5.7% lower through 2Q16 but rose 2% in 2Q17 for production builders in Lake County. Average base prices for the attached product fell 5% in 2Q16 and rose again in 2Q17 by 4.7%.

Scatter Graph of Resale Homes, 3-Mile Radius (3Q16 - 2Q17)



- Closing activity for existing resale homes (Excluding forced sales) within the 3-mile radius area grew modestly from the previous year, closing 716 attached and detached units, from 599 closings the previous year. Closings averaged \$123.70 per square for the attached and detached units within the radius area, with a median closing price of \$257,722 per unit. This median price for resale units has trended flat since 4Q15 in this radius.
- Approximately 24% of all the market rate homebuyers in this radius area used cash for the purchase transaction, 174 of the 716 closings. The average year built for homes sold over the last four quarters was 1989.

Historical Housing Activity, St. John, IN (Wicker & W 93rd Ave. 5-Mile Radius)

| 5-Mile Radius & Lake County Market Share Summary | | | | | | | | | |
|--|---------------|--------|-------|-----------------------|--------|-------|-------------|--------|-------|
| Qtr. | Annual Starts | | | Vacant Developed Lots | | | Future Lots | | |
| | Lake County | 5-Mile | Share | Lake County | 5-Mile | Share | Lake County | 5-Mile | Share |
| 2Q17 | 1,174 | 516 | 44.0% | 2,678 | 1,041 | 38.9% | 13,388 | 4,449 | 33.2% |

- The 5-mile radius around St. John contained 44.0% of the annual new home (attached and detached) starts in Lake County, 38.9% of the total market's VDL, and 33.2% of the future lots.
- The relationship between the percentage of housing starts, VDL, and future lots are somewhat similar from Lake County, with VDL and future lots holding somewhat less of the percentage of annual starts.

| 5-Mile Radius - Wicker Ave & 93rd Ave (Base-Pricing) | Avg. Unit Price | | | Avg. Unit Sq. Ft. | | | Avg. \$/S.F. | | |
|--|-----------------|------------|------------|-------------------|------------|------------|--------------|------------|------------|
| | As of 3Q16 | As of 2Q17 | Ann % Chg. | As of 3Q16 | As of 2Q17 | Ann % Chg. | As of 3Q16 | As of 2Q17 | Ann % Chg. |
| Detached | \$240,303 | \$251,778 | 4.8% | 2,282 | 2,241 | -1.8% | \$ 109.72 | \$ 114.74 | 4.6% |
| Attached | \$179,135 | \$192,546 | 7.5% | 1,525 | 1,574 | 3.2% | \$ 117.61 | \$ 122.03 | 3.8% |

- Most areas of new home development in this 5-mile radius have raised prices through the last year, with average base prices of new detached homes rising 4.8% in 2Q17, to \$251,778. The base prices for new attached units rose 7.5% through the last 4 quarters, averaging \$192,546 in 1Q17.
- In the larger 5-mile radius area, the size of new detached homes has pulled back by 1.8% through the last four quarters to an average unit size of 2,241 in 2Q17. The average size of new attached units in the larger radius area grew by 3.2% through the last year, to 1,574 square feet.
- The average price per square foot rose for both new attached and detached units within the 5-mile radius area through the last year. The base per square foot for the detached homes increased 4.6% to \$114.74 in 2Q17, while attached units rose 3.8% to \$122.03.
- Metrostudy projects the rise in new home pricing will continue through the next three years.

Historical Housing Activity, St. John, IN (Wicker & W 93rd Ave. 5-Mile Radius)

Historical Housing Activity Summary

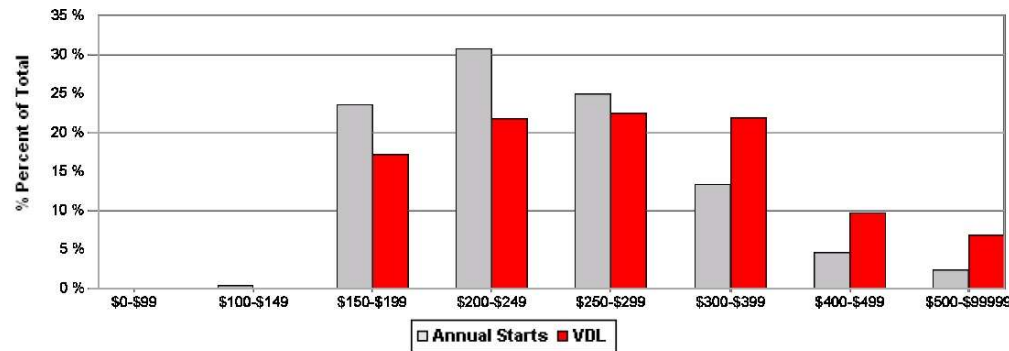
5-Mile Radius

| Qtr | Qtr Clos | Ann Clos | Model | FinVac | UC | Total Inv | Total Supply | Qtr Starts | Ann Starts | VDL | VDL Supply | Fut Lots | Ann Lot Deliv |
|------|----------|----------|-------|--------|-----|-----------|--------------|------------|------------|-------|------------|----------|---------------|
| 2Q13 | 56 | 242 | 6 | 60 | 138 | 204 | 10.1 | 89 | 312 | 1,710 | 65.8 | 3,734 | 136 |
| 3Q13 | 83 | 266 | 6 | 77 | 182 | 265 | 12.0 | 144 | 370 | 1,557 | 50.5 | 3,734 | 22 |
| 4Q13 | 87 | 297 | 5 | 76 | 152 | 233 | 9.4 | 55 | 349 | 1,544 | 53.1 | 3,955 | 59 |
| 1Q14 | 78 | 304 | 6 | 56 | 169 | 231 | 9.1 | 76 | 364 | 1,533 | 50.5 | 3,957 | 110 |
| 2Q14 | 70 | 318 | 6 | 67 | 157 | 230 | 8.7 | 69 | 344 | 1,498 | 52.3 | 3,944 | 132 |
| 3Q14 | 110 | 345 | 7 | 78 | 155 | 240 | 8.3 | 120 | 320 | 1,377 | 51.6 | 3,951 | 140 |
| 4Q14 | 94 | 352 | 5 | 79 | 136 | 220 | 7.5 | 74 | 339 | 1,318 | 46.7 | 3,946 | 113 |
| 1Q15 | 50 | 324 | 5 | 61 | 143 | 209 | 7.7 | 39 | 302 | 1,303 | 51.8 | 3,963 | 72 |
| 2Q15 | 65 | 319 | 5 | 83 | 133 | 221 | 8.3 | 77 | 310 | 1,243 | 48.1 | 4,231 | 55 |
| 3Q15 | 124 | 333 | 5 | 82 | 180 | 267 | 9.6 | 170 | 360 | 1,241 | 41.4 | 4,108 | 224 |
| 4Q15 | 82 | 321 | 6 | 100 | 154 | 260 | 9.7 | 75 | 361 | 1,258 | 41.8 | 4,204 | 301 |
| 1Q16 | 85 | 356 | 8 | 91 | 151 | 250 | 8.4 | 75 | 397 | 1,186 | 35.8 | 4,182 | 280 |
| 2Q16 | 100 | 391 | 9 | 88 | 184 | 281 | 8.6 | 131 | 451 | 1,099 | 29.2 | 4,256 | 307 |
| 3Q16 | 92 | 359 | 8 | 86 | 187 | 281 | 9.4 | 92 | 373 | 1,173 | 37.7 | 4,550 | 305 |
| 4Q16 | 121 | 398 | 8 | 108 | 218 | 334 | 10.1 | 174 | 472 | 1,209 | 30.7 | 4,466 | 423 |
| 1Q17 | 90 | 403 | 10 | 83 | 261 | 354 | 10.5 | 110 | 507 | 1,124 | 26.6 | 4,428 | 445 |
| 2Q17 | 136 | 439 | 12 | 92 | 254 | 358 | 9.8 | 140 | 516 | 1,041 | 24.2 | 4,449 | 458 |

- Annual attached and detached new home closings have increased 81.4% since the low in 2Q13, achieving a high over the observation period of 439. New home closings have grown 12.3% YOY, closing 439 units in 2Q17. Annual closings have averaged 400 units over the last four quarters. Metrostudy projects new home closings will continue to rise in this larger radius area, closing above 400 units annually through 2019. However, attached product (TH/DUP) activity fell 19.1% y-o-y while the detached product rose significantly, up 35.3% y-o-y in the 5-mile radius.
- With the number of VDL declining since 2Q13, the 24.2 is considered within Metrostudy's equilibrium level of 20 to 24 months of supply.
- Future lot development remains healthy with over 4,400 potential lots in the larger 5-mile radius area.

Price Distribution of Annual Starts, Closings & VDL, 5-Mile Radius

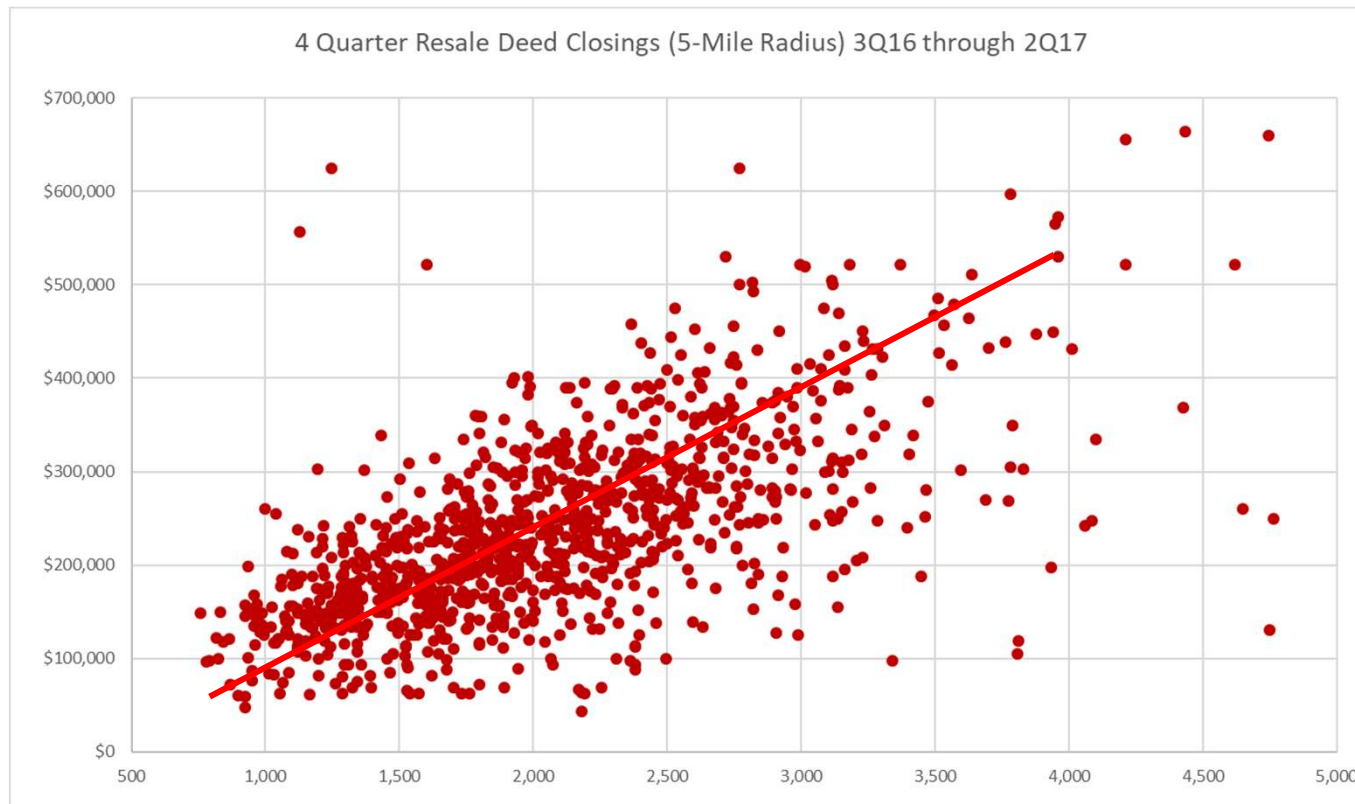
Price Range Distribution of Annual Starts vs VDL



| | \$0 \$99,999 | \$100,000 \$149,999 | \$150,000 \$199,999 | \$200,000 \$249,999 | \$250,000 \$299,999 | \$300,000 \$399,999 | \$400,000 \$499,999 | \$500,000 \$999,999 | *Total |
|---------------------------------------|-----------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------|
| Custom Market Numerical Totals | | | | | | | | | |
| Ann Starts | | 2 | 122 | 159 | 129 | 69 | 24 | 12 | 516 |
| Ann Closings | | 2 | 126 | 104 | 109 | 67 | 18 | 12 | 439 |
| Housing Inv | | 1 | 84 | 111 | 87 | 51 | 19 | 6 | 358 |
| VDL Inv | | 0 | 179 | 227 | 234 | 228 | 101 | 71 | 1,041 |
| Housing Supply (Mos) | | 5.2 | 8.0 | 12.8 | 9.5 | 9.2 | 12.2 | 5.8 | 9.8 |
| VDL Supply (Mos) | | 2.0 | 17.6 | 17.1 | 21.8 | 39.8 | 51.2 | 70.7 | 24.2 |

- The sweet spot in the market is for homes based priced from \$150,000 to \$299,999 comprising 79.5% of the annual market activity in the 5-mile radius but these price points hold only a 61.5% of the VDL supply.
- Over 30% of all new single-family homes built and closed over the last four quarters were priced from \$200,000 to \$249,999. There is a below equilibrium level of 17.1 months supply of VDL for homes in this price range, which indicates that builders may need to be bring more VDL's to market for this price segment.
- Metrostudy data indicates annual base pricing for detached homes trended 4.5% higher through the previous four-quarter period in 2Q17 for production builders in Lake County. Average base prices for the attached product rose by 7.5% in 2Q17 .

Scatter Graph of Resale Homes, 5-Mile Radius (3Q16 - 2Q17)



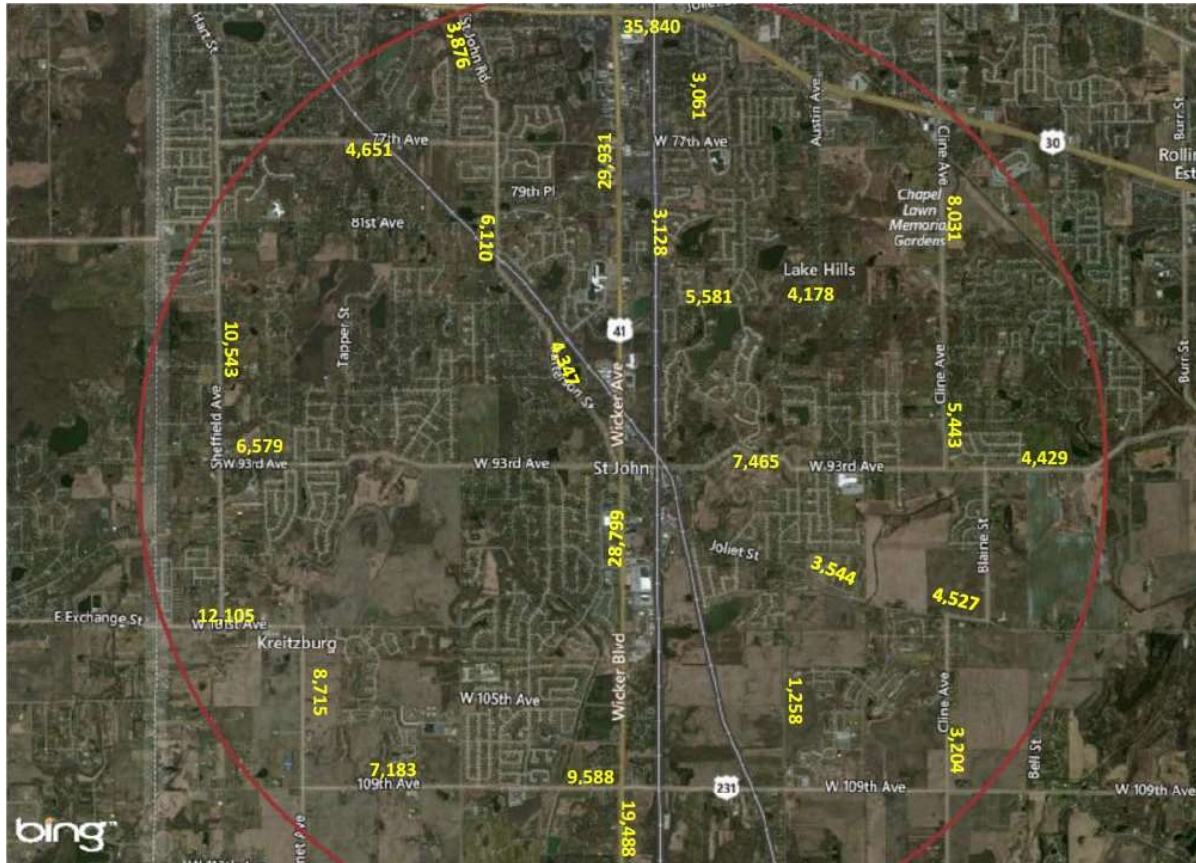
- Closing activity for resale homes (Excluding forced sales) over the last 4 quarters in the 5-mile radius grew to 1,632 (attached and detached units), up from 1,407 during the previous four quarters. Excluding condominium transactions, the median price per square foot for closings was \$117.20 for the attached and detached units, and the median closing price was \$221,625. This median price for resale units has trended flat since 4Q15 in this radius.
- Approximately 24% of all the market rate homebuyers in this radius area used cash for the purchase transaction, 395 of the 1,632 closings. The average year built for homes sold over the last four quarters was 1987, a bit younger in the 5-mile radius than in the 3-mile radius.

Drive Time Analysis



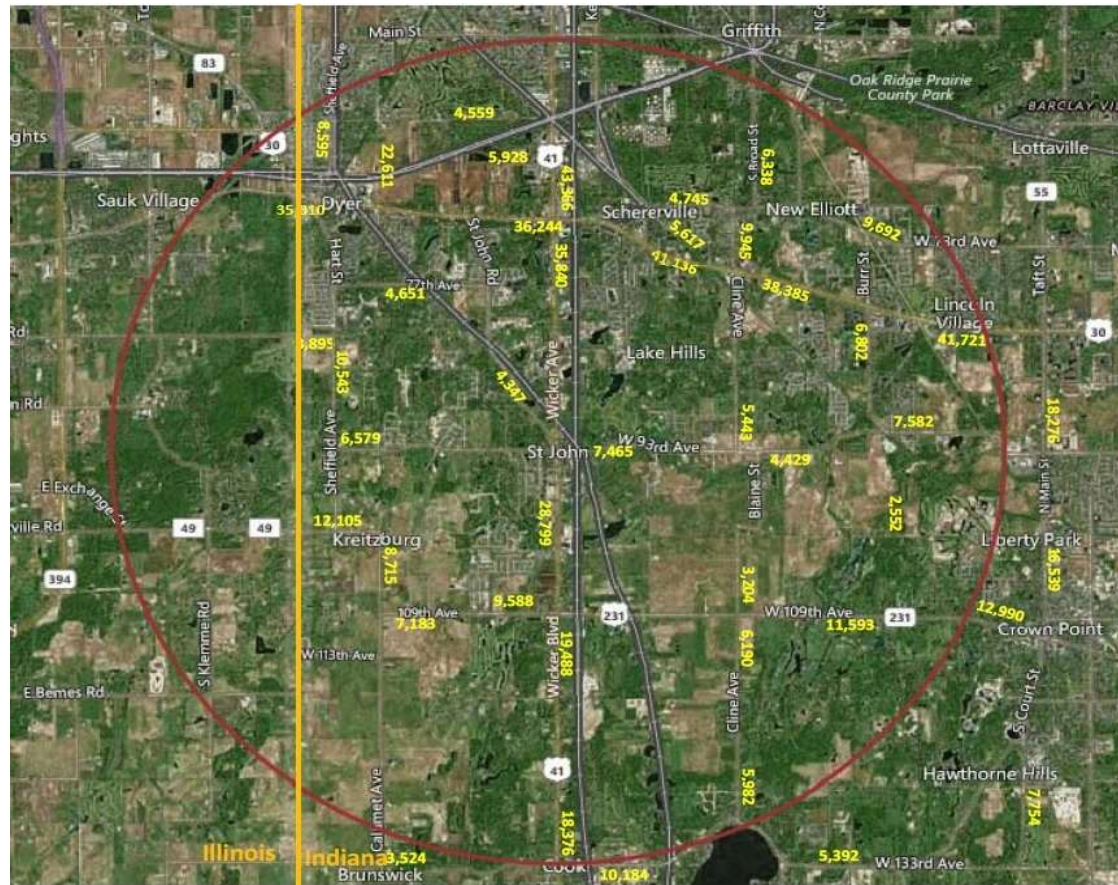
- St. John is located within a 60 minute drive of downtown Chicago and a great majority of the job centers throughout the MSA. The Valparaiso area, in Porter County, is also a significant job center for Lake County workers, within a 30-minute drive.

Vehicle Traffic Counts, 3-Mile Radius from St. John, IN



- State highways 30 and 41 carry the greatest volume of traffic in the 3-mile radius, with Annual Average Daily Traffic (AADT) counts of 35,840 and 29,931 vehicles respectively in 2017. Vehicle traffic slows significantly in St. John to around 28,799 daily vehicles on Wicker Road, however this is up 27% since 2014. Vehicle traffic rose significantly since 2014 on the west side of town with 10,500 daily vehicles on Sheffield Avenue and 12,100 on Exchange Street.
- AADT volume indicates that any new commercial development would be best suited along or just off State Highways 41 with small retail development along Sheffield or 101st Avenue.

Vehicle Traffic Counts, 5-Mile Radius from St. John, IN



Source: INDOT, 2017

- Within the 5-mile radius, state highways 41 and 30 carry the greatest volume of traffic, with AADT counts of 43,366 and 41,721 vehicles respectively in 2017. Traffic to the east in the radius is showing a decline in daily traffic compared to 2014 while traffic to the west has increased through the last 3-year period. Daily traffic has increased significantly on those western roads bordering Illinois with Sheffield up 416%, 101st Avenue up by 558% and the west side of 93rd up by 55.6%.
- Not surprising based on anecdotal evidence from local homebuilders, much of the growth in this radius is coming from the Illinois into Lake County, Indiana and the increased traffic supports this assumption.



St. John Suggested Growth and Land Use

Subject Site Analysis

The Growth Advantages of St. John: (Little change has occurred in advantages since 2014)

- The Town has the highest median household income, highest median home price, and the highest percentage of owner-occupied households in Lake County.
- Excellent vehicle access with U.S. Highway 41 running through town, and a 10-minute drive to interstate 65, a major north-south transportation corridor.
- Reasonable driving distance to local, Porter County and Chicago job centers.
- Within a 15-minute drive of 17 public and private golf courses. (golflink.com)
- As there are no significant job or entertainment centers south of St. John, a mid-sized destination lifestyle center in St. John will pull residents from the southwestern portion of Lake County and from Crete, over the border.
- Lake County, Indiana offers significant economic advantages to households versus Will and Cook counties. (Balanced Budget state, lower taxes, lower cost of living)

The Town also has a few growth challenges:

- Noise from Norfolk Southern and CSX trains running through town.
- Transportation infrastructure, limited two-lane east-west roads into and out of St. John.(W. 93rd & 109th avenues)
- Established entertainment center in Merriville, northeast of St. John.(See pg. 8 & 80)

St. John, Indiana Growth - Retail

Based on the research conducted in Lake County, Indiana and the Town of St. John, Metrostudy suggests the most effective and efficient town growth should be focused in mid-sized commercial retail and residential development, keeping the integrity of this bedroom community.

Retail Development: Significant shortages in retail sales were identified by ESRI's Retail Sales Opportunity Gap with \$249 million within the 3-mile radius and \$280 million within the 5-mile radius areas. The 3Q17 vacancy rate in Lake County for retail space in the TMA is 7.3%. Retail data from CoStar projects over 1 million square feet of retail space will enter the TMA through 2022, however asking rates have trended lower since 2010, making it more difficult for developers to maximize ROI. Both vacancy rates and asking rates are projected to increase in the Lake County TMA through the next five years as more retail space is brought to market.

While ESRI's estimates needing retail space, great care must be taken to discern what type or level of retail space is needed. CoStar identifies three separate levels of retail environs: Mall, Power Center and Neighborhood Center each with their own rental and vacancy rates. A Lifestyle Center falls under the Mall category for retail space and holds the lowest vacancy rates at 4.1% and the highest asking rent at \$19.79/nnn per square foot in 2017.

The estimated gap in sales demand compared to supply within the 3 and 5-mile radius areas, together with the high household incomes of St. John, builds a case for a premium destination lifestyle center within the Town. However, much of the needed retail space will come from the Shops 96. The planned Lifestyle Center will be located off the corner of 96th Place and Wicker Avenue and will bring an additional 162,000 square feet of retail space to St. John.

Metrostudy data within the 5-mile radius area indicates new home closings have increased by an unweighted average of just over 16% annually since 2Q13, closing approximately 516 units annually in 2Q17. Due to the financial advantages of living in Lake County, Metrostudy is predicting a minimum 15% new home construction growth in the county through the next five years, which is estimated to add approximately 3,479 new homes within the 5-mile radius by the end of 2022. Based on the U.S. Census median disposable household income projections of \$59,260 in Lake County, the residential growth would add \$206 million annually in disposable household income within the 5-mile radius by the end of 2022.

In addition to the Shops 96, St. John should continue to encourage additional smaller neighborhood retail development along Highway 41, Highway 231 on the south of town and consider annexing land between Parrish Street and the Norfolk Southern railroad tracks north of Highway 231.

Merrillville supports the central retail hub in Lake County with much of the new development planned for the intersection off Highway 65 and Lincoln Highway (30). This location will continue to be the retail hub, at the expense of larger development in St. John.

St. John, Indiana Growth - Residential

Residential Development: Annual new home construction starts in the TMA have trended higher since the trough in 1Q11, rising 172% through the last 26 quarters, reaching 1,174 annual starts at the end of 2Q17, up 22% y-o-y. Of the 174 active neighborhoods Metrostudy is currently tracking in the TMA, only one is actively selling age-targeted maintenance free villas.

Neustar projects the population over 65 years old in the TMA will grow by over 14% through 2022, adding 11,100 residents in the next five years. Most of the senior population growth will not be the result of migration into the TMA, but will be from aging in place. St. John has an excellent opportunity as an upscale municipality to provide senior housing for its aging, higher income earning population, allowing them to stay connected to friends and family in a low maintenance living environment. Illinois seniors on a fixed budget will also find Lake County attractive with a much lower tax rate and over all cost of living.

Senior households are working later into their retirement years, as a result of the last recession. As children leave the home and downsizing occurs within these aging households, the extended careers, brought on by necessity, keeps senior households in the same busy lifestyle well into their late sixties. Unwilling to give up their lifestyle, seniors are looking to gain hours in their day by reducing maintenance and upkeep around the home.

In addition to the senior market, the majority of the new home market in Lake County is sold to new families looking for a first-time home or first move-up home at an affordable price, under \$330,000. With real estate taxes between 3% - 4% in Illinois, Lake County has gained status as an affordable alternative for families just over the state line.

Specific model types that are being discussed will appeal to the following buyers:

- Age-targeted maintenance free townhome units will attract single or dual-income senior households looking to trade-down and stay connected to the local area. The St. John address will bring value to senior buyers through the perception of a more luxurious living environment. These one and two-story units under 2,000 square feet must have indoor attached parking, master-down bedroom suites, and partial basements for storage.
- Age-targeted maintenance-free duplex units will attract dual-income senior households looking to trade-down to a lower-maintenance home and stay connected to friends, family and the local area. The St. John address will establish a level of living expectations and represent value to these buyers. The semi-private one-story units from 1,700 to 2,200 square feet must have indoor attached parking, master-down bedroom suites with partial basements, and back patios with privacy landscaping.

St. John, Indiana Growth - Residential

- Age-targeted full maintenance zero-lot patio homes will attract empty-nest dual-income households looking to trade-down but continue in the lifestyle to which they are accustomed, while reducing maintenance. The St. John address will give these home buyers the satisfaction that they still own a detached home in Lake County's most affluent town which comes with expectations of a luxurious living environment. These 2,000 to 2,500 square foot detached single-story, 10-foot interior ceiling units must have indoor attached parking, master-down bedroom suites, partial basements, library or office, and back patio with landscaping.
- First move-up detached homes catering to those active households in town or from over the state line with one to three school-age children with a moderate household income. These active professional households will be heavily involved in school, sports or civic activities. These two-story living units from 2,400 to 3,000 square feet must have 2-2.5-car indoor parking, modest master bedroom suites with moderately appointed kitchens and baths with full basements.

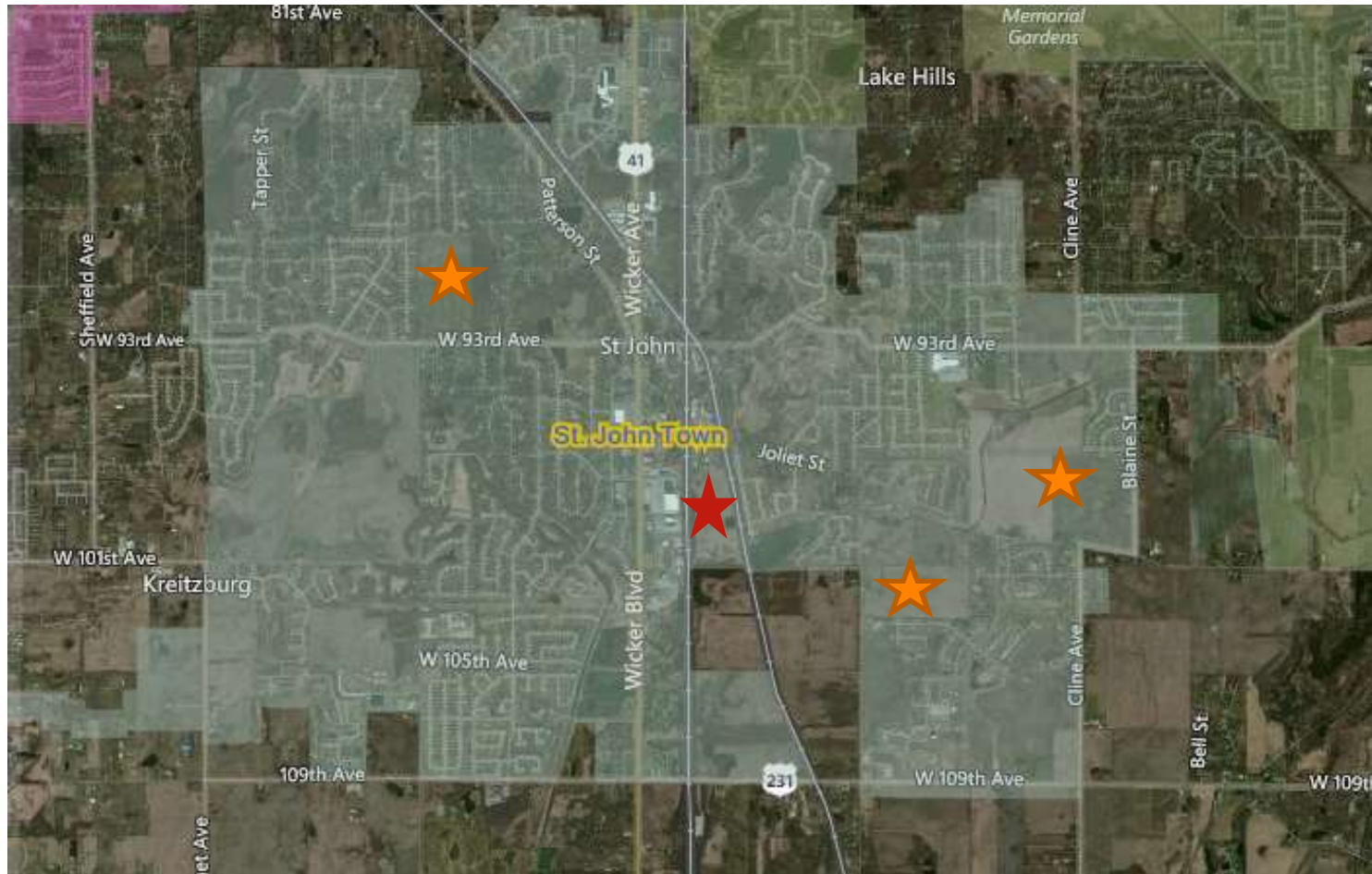
Specific locations for senior developments in and around St. John will depend greatly on local codes and the environments specific to each site. Home buyers at age-targeted developments are more concerned with amenities within the home and the neighborhood itself than its location. However, providing reasonable access to a senior development is a core ingredient in its success. Age-targeted neighborhoods must be easily accessed with a moderate entry monument, setting the tone for the living environment within. Senior households are looking for reduced stress, reduced maintenance, moderately higher luxury, and tightening the household budget in preparation for later years.

Market-rate entry-level and first move-up detached residential developments have more flexibility regarding location. However, proximity to shopping, schools, parks and transportation thoroughfares will greatly enhance the viability of the development and help drive absorption.

Depending on where the municipality is in its lifecycle, the residential mix of product will change. As a community begins, most or all the development will be for detached housing development built around the core of the community. As growth continues, higher density development is needed to rein in the ever-growing geographical footprint of a city. To avoid longer household commutes into the core of the city, attached development becomes a larger percentage of the community as growth continues. Based on the early stage of growth in St. John (A bedroom community), it's Metrostudy's opinion that the ratio between detached to attached units should be approximately 82%/18% at this time. The ratio of attached units will rise as the city matures.

The following map highlights some potential locations within St. John for new residential developments. The sites are located off busy U.S. Highway 41, but located a reasonable distance from the center of town, contiguous to other existing residential subdivisions. The success at age-targeted and market-rate subdivisions would be enhanced by creating a community neighborhood within the development, providing for walking paths, moderate mingling areas and other unique community amenities.

St. John, Indiana Growth - Retail & Residential



The three orange star locations above identify ideal locations for age-targeted and market-rate residential developments within St. John. These sites are not the only potential areas for residential development, but they share common characteristics which build into the potential success for a neighborhood.

In addition to the Shops 96 by Boyer on 96th Place, potential retail development would be ideally situated southeast of that site, between the CSX lines and identified by the red star above.

Affordability Analysis, Age-Targeted Units

| | Age-Targeted Detached Units | Age-Targeted Attached Units |
|--|--------------------------------|--------------------------------|
| Chicagoland Market Average Subdivision | \$317,436 | \$200,933 |
| Down Payment ¹ | \$126,974 | \$80,373 |
| Mortgage | \$190,462 | \$120,560 |
| Mortgage Rate ² | 5.00% | 5.00% |
| Term | 30 | 30 |
| Monthly Property Tax ³ | \$397 | \$251 |
| Monthly HOA Fee ⁴ | \$175 | \$175 |
| Monthly Property Insurance ⁵ | \$265 | \$84 |
| Estimated Monthly Payment ⁶ | \$1,858.76 | \$1,157.08 |
| Annual Mortgage Payment | \$22,305.17 | \$13,884.95 |
| Required Annual Household Income ⁷ | \$74,351 | \$46,283 |

¹ - Assuming Down Payment of 40% Home Price.

² - Data estimated based on projected rates through the next four years, 30-year fixed.

³ - Property tax rate estimated on Lake County, IN average comparison.

⁴ - Estimated at \$175 monthly unless otherwise noted. (Typically higher in full maintenance communities)

⁵ - Estimated at 1% of home price, in months for detached homes and 0.5% for attached product.

⁶ - Calculation From <http://www.hughchou.org/calc/ss.html>. Includes monthly property tax, insurance costs, HOA.

⁷ - Assumes that 30% of household income is applied to housing related fees.

- A down payment for age-targeted product is typically closer to 50% with senior households buying in cash approximately 25% of the time. Metrostudy uses a conservative 40% down payment for the above chart.
- The unweighted average base-price for a detached age-targeted unit in the Chicagoland market was \$317,436 at the end of 3Q17. A senior buyer would typically need a \$75,000 annual income for the purchase of a detached unit.
- The unweighted average base-price for an attached age-targeted unit in the Chicagoland market was \$200,933 at the end of 3Q17. A senior buyer would typically need a more moderate \$47,000 annual income for the purchase of an attached unit.

Affordability Analysis, Market-Rate Units

| | First Move-Up 2,400 - 3,000 |
|--|--------------------------------|
| Average Lake Co. Builder Closing Price at \$115.4 psf | \$276,960 |
| Down Payment ¹ | \$27,696 |
| Mortgage | \$249,264 |
| Mortgage Rate ² | 5.00% |
| Term | 30 |
| Monthly Property Tax ³ | \$346 |
| Private Mortgage Insurance (PMI) | \$104 |
| Monthly Property Insurance ⁵ | \$231 |
| Estimated Monthly Payment ⁶ | \$2,018.96 |
| Annual Mortgage Payment | \$24,227.56 |
| Required Annual Household Income ⁷ | \$80,759 |

¹ - Assuming Down Payment of 10% Home Price.

² - Data estimated based on projected rates through the next four years, 30-year fixed.

³ - Property tax rate estimated on Lake County, IN average comparison.

⁴ - Estimated at 0.5% of loan for 10% LTV.

⁵ - Estimated at 1% of home price, in months.

⁶ - Calculation From <http://www.hughchou.org/calc/ss.html>. Includes monthly property tax, insurance costs, HOA.

⁷ - Assumes that 30% of household income is applied to housing related fees.

- A down payment for First Move-Up homes is typically 90% - 95% with little to no equity built up from a previous sale. Metrostudy uses a conservative 90% down payment for the above chart.
- The average closing-price per square foot for a market-rate detached single-family home in the Lake County TMA is \$115.4 at the end of 3Q17. The unit price above is based on square footage. A home buyer for these products would need an \$80,700 annual income for the purchase of a detached unit, not far off the current median household income.

Risks to the Forecast

Unforeseen economic turmoil, such as another major drop in the stock market or another recession could have an impact on future demand. A significant rise in mortgage rates could slow housing demand as well, and limit the numbers of qualified buyers. The Federal Reserve Bank has reduced its monthly bond purchases, and this was widely expected to cause long-term interest rates to rise. Nonetheless, long term rates will rise eventually, and it is expected that the impact on the housing market generally from higher mortgage rates will be offset by the reduction in unemployment.

National policy changes by the current administration could also have an impact on future demand for housing.

Participating Team

Mark Gianopulos – Regional Director, Midwest Markets

Mark Gianopulos, Senior Consultant – Midwest Region, will serve as the Senior Consultant. In this capacity, he will oversee all research and be responsible for creation of conclusions and deliverables. He will review the report to ensure the appropriate data has been gathered, the analysis is logical and complete, and the recommendations are the most appropriate for the subject site.

With 26 years of experience analyzing residential and commercial opportunities throughout the United States, Mark has been with Metrostudy for nine years. He's had the unique experience of working as a developer, builder, Commercial Realtor, and lender in both commercial and residential developments. Mark has been quoted by the Chicago Tribune, speaks at industry events, and is highly regarded as an industry expert throughout the Midwest. Mark had been a member of the HBAGC, NHBA and has spent five years as a judge for the Crystal Key Awards. Mark has also spent two years serving on the HBAGC Economic Development Committee and was the 2010 Housing Forecast winner of the Federal Reserve's national Annual Economic Symposium.

Bill Bailey - Consultant

Bill has over 25 years of experience working in the homebuilding, multifamily and commercial real estate industries in development, analysis, management, and transactions. He started his career at Equitable Real Estate (now LendLease) where he worked on the developments of Weston, FL, a 15,000 acre development of 17,000 residential units, and on developments which include the Towers of Quayside with 1,000 luxury units in Miami, FL and the exclusive Grande Bay on Key Biscayne, FL. He contributed to the financing of several prominent hotels in Florida. His responsibility included quarterly and annual valuations for its open and close-end funds. Afterwards, Bill was an appraiser for a boutique firm before joining Heitman, Ltd., an institutional advisor, and Highwoods Properties (NYSE:HIW). Bill most recently worked eleven years for a local developer of office buildings and apartment complexes in all phases from site acquisition, analysis, debt structuring and construction. There he was instrumental in the development of Class A multifamily and high-rise office properties.

Bill has a master's degree in journalism and communications from Florida International University where he focused on market research and data analysis. His thesis, The Internet and Real Estate Residential Brokerage written in 1997, proved to be prescient research paper. He earned a bachelor's degree in business administration with a concentration in real estate from the University of Florida.