

# NWI bucks national office space trends

## Occupancy rates on the increase in area as country sees declines



David Lasser, with Commercial In-Sites, stands in front of a 100% occupied office building on East 80th Street in Merrillville on Friday. Kyle Telechan/Post-Tribune

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**By Carrie Napoleon For Post-Tribune**

As office space occupancy dips across the county in the aftermath of the COVID-19 pandemic and the resulting changing workplace culture, Northwest Indiana is bucking the trend with its occupancy rates on the rise.

David Lasser, managing broker with Commercial In-Sites LLC in Merrillville, said the region saw a significant decrease in total vacancy rate from 15% to 12% in 2022 despite the challenges facing the market as the country emerged from the pandemic. Lasser prepared the annual Northwest Indiana Multi-Story Class A Office Survey tracking the 26 multi-story office properties for a total of more than 1.35 million square feet.

In contrast, nationally, vacancy rates continued to climb in the second and third quarters of 2022, up to 17.1%, according to a report by Hany Guirguis and Michael Seller for the National Association for Industrial and Office Parks. It is the highest vacancy level reported since the third quarter of 1993.

“The mere threat of a recession has caused tenants to take a defensive posture and become more cautious when renewing leases, with many instead choosing to move to a smaller, newer and more flexible footprint,” they wrote.

Closer to home, the vacancy rate in all of suburban Chicago in 2022 rose from 17% to 24% by the end of the year, according to national reports, Lasser said.

“We are reporting that 13 of these 26 — or 50% — of the properties are at 100% occupancy or reporting zero space vacant,” Lasser said. The number represents three more buildings reporting 100% occupancy than the year before. Excluding 8585 Broadway, which is the largest building in the market survey, the remaining 25 buildings are reporting an average of only a 6% vacancy rate, he said.

Only 13,083 square feet remain available in the two newest construction developments, Oxbow Landing in Hammond and Cardinal Campus in Highland. The next building expected to come online is the four-story, 60,000-square-foot-Maple Leaf Crossing in Munster, which is under construction.

Based on current active leasing prospects and few additional new multi-story office buildings ready for delivery in 2023, we expect to see vacancy rates continue to reduce this year, Lasser said.

He said the market represents a balance of space absorption and expansion. Businesses are also re-examining their needs as far as whether employees need to be on-site since the pandemic, Lasser said.

“COVID reimaged conference calls. Everybody used to have conference calls, but they weren’t looking at everyone,” Lasser said.

With platforms like Zoom, Webex and Microsoft Teams, where those conference calls take place has changed, Lasser said, as more workers are telecommuting, freeing up traditional office space.

“It’s just night and day what it has done for a variety of industries,” Lasser said. “This is something that has definitely led to a contraction in office space.”

A lot of professions are now using what is called a “hotel office,” he said, where largely mobile workers have a desk and a phone, simply a place to be when they do have to come in the office once or twice a week for meetings.

Professional services firms with multiple locations, such as law firms, have reduced square footage as a move to consolidate offices, Lasser said. Mergers also contribute to contraction as duplicate locations are shuttered.

“For a long time we were seeing a lot of local banks merging amongst each other,” Lasser said.

While locally the market is contracting, demand from outside areas fuels expansion. Firms from Indianapolis and Chicago markets are seeking offices in Northwest Indiana, he said.

Home health agencies are another big boom, along with mortgage offices, Lasser said. Prior to the 2008 recession, mortgage brokerage offices were in every strip mall, then they disappeared.

Lasser said the drivers of the growing local industrial market such as food distribution, food production and other small manufacturing operations that bring in 50 to 300 employees also helps the office market.

As more people come to Indiana to work and live, more service locations like bank branches, insurance office and other services are needed, Lasser said. As manufacturing grows, so does the need for more engineering and architecture and other support businesses grow and consume office space, he said.

“The market is buoyed by those types of influences,” Lasser said. “The whole drive of people moving to Indiana residentially means business.”