

NORTHEAST MARKET

1ST QUARTER 2019

MARKET OVERVIEW

Fort Wayne is the second largest city in Indiana with a population of 253,828 and is located in Allen County. The northeast region includes nine counties: LaGrange, Steuben, Noble, DeKalb, Whitley, Huntington, Wells, and Adams. Target industries that drive the economy are diverse - specialty insurance, medical devices and technology, manufacturing, design and creative services, agriculture, and logistics.

Major employers include: Parkview Health Systems, Steel Dynamics, General Motors, Lincoln Financial Group, BF Goodrich, Frontier Communications, Vera Bradley, Sweetwater Sound, Raytheon, and Nestle. Medical companies in Northeast Indiana generate 17 billion in revenue and account for one-third of the worldwide orthopedic market.

QUARTERLY HIGHLIGHTS

FORT WAYNE IS MAKING CONSISTENT INROADS IN REDEVELOPING ITS DOWNTOWN. NOTED FOR ITS SOLID ARCHITECTURAL BONES, THE DOWNTOWN IS DRAWING THE NOTICE OF MORE TENANTS AND DEVELOPERS.

A turn-of-the-century initiative to revitalize the Fort Wayne downtown is bearing fruit. Supported by a public-private partnership similar to those enabling renewals of other Midwestern downtowns, the Fort Wayne project is drawing attention from developer's intent on turning historic landmarks into new places to live, work and play.

The Grand Wayne Convention Center has become an anchor of one of several nodes where renewal can flourish, and planners are beginning to consider adjoining properties for an expansion.

Another pillar in the revitalization is Parkview Field, home of the Midwest League's Fort Wayne TinCaps Single A affiliate of the San Diego Padres. The ballpark opened in 2009.

Electric Works, a \$440 million mixed-use repurposing of the 39-acre former General Electric Fort Wayne Works, is moving forward. Financed by municipal bonds, the project is focused on making cost-conscious downtown living a reality.⁽¹⁾

Tenants announced for Electric Works include Parkview Health, Medical Informatics Engineering, Indiana Tech and Fort Wayne metals. Hampton Inn & Suites and another hotel are planned in the vicinity.

Current goals for civic boosters include concentrating retail and mixed-use development along a defined set of streets; encouraging investment in new and existing buildings and infrastructure; and supporting a study of the Riverfront Fort Wayne Conceptual Plan, which is designed to link renewed parts of the downtown. Additional goals include making the downtown more inviting for pedestrians, bicyclists and motorists. Still other goals encompass the arts, housing, parking, and marketing.⁽²⁾

(1) <https://www.bloomberg.com/news/articles/2019-04-08/rust-belt-turns-to-munis-to-breathe-life-into-dead-factories>

(2) <https://indianaeconomicdigest.com/Content/Most-Recent/Region-3/Article/Study-looks-at-Grand-Wayne-s-role-in-a-changing-downtown-Fort-Wayne/31/81/95372>

ALLEN COUNTY

2018 Total Population	355,329
2023 Total Population	391,059
2018-2023 Pop Growth	0.72%
% Pop with College Degrees	36.7
2018 Households	146,592
2023 Households	152,116
2018 Median HH Income	\$53,552
2018 Average HH Income	\$71,340

Source: Esri

NINE COUNTY REGION

2018 Total Population	648,132
2023 Total Population	700,021
2018-2023 Pop Growth	0.58%
Median Age	37.4
2018 Households	246,075
2023 Households	266,059
2018 Median HH Income	\$53,117
2018 Average HH Income	\$68,985

Source: Esri

UNEMPLOYMENT RATE MARCH '19

Allen County	3.5%
9 County Region	3.0%
Indiana	3.9%
United States	3.9%

Source: Hoosiers by the Numbers

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INDUSTRIAL OVERVIEW

CONTINUED EXPANSIONS AND NEW PROJECTS ARE DRIVING INDUSTRIAL VACANCIES DOWN, AND RENTS AND ASKING PRICES UP, ACROSS NORTHEAST INDIANA.

A solid flow of projects is pumping energy into the industrial market in various manufacturing sectors. Indeed, industrial was the most active commercial real estate sector early this year. The major economic drivers for Northeast Indiana performed well in the most recent quarter, which continued to push vacancy rates down. Vacancy contracted to 1.0% from 2.9% in the prior period, and the market rent remained virtually the same at \$3.89 per square foot, per CoStar. The market sale price showed a slight increase to \$35.43 and that trend is expected to continue.

An innovative project north of Fort Wayne is an example of the activity. In Ashley, Brightmark Energy plans to break ground in May for a facility designed to initially convert waste plastic into ultra low-sulfur diesel fuel, gasoline and industrial wax products. ⁽³⁾

In Bluffton, the redevelopment commission is providing \$8 million in economic development incentives to help a developer double the size of Parlor City Warehouse to 400,000 square feet. The new space is speculative. The original building was constructed in 2014 to offer businesses a modern facility with high ceilings and energy efficiency as well as close access to Interstate 69 and Indiana Highway 124. ⁽⁴⁾

Bendix Commercial Vehicle Systems is adding a 409,000-square-foot facility in Huntington to make brake components for commercial vehicles. Total investment is expected to range between \$10 million and \$15 million. Forty jobs will be created when the plant opens in 2020. Bendix is headquartered in Elyria, Ohio, and owned by Knorr-Bremse Group of Munich, Germany. Bendix operates five plants in Huntington employing a total of 440. ⁽⁵⁾

Sabert Corp. has asked the Fort Wayne City Council to allow for an 292,000-square-foot addition to its plant in Earth Industrial Park. The location manufactures containers for the food-service industry. Sabert, headquartered in Sayreville, New Jersey, acquired the plant through its 2016 purchase of Fort Wayne-based Mullinix Packages. ⁽⁶⁾

Accugear plans to add 67,000 square feet to its 89,000-square-foot facility in Fort Wayne. The company, which makes automotive components including gears, will spend \$7 million on the building and \$6 million on equipment. Sixty employees would be added to the current 100. ⁽⁷⁾

(3) https://www.fwbusiness.com/fwbusiness/article_c210f509-483b-59c8-a92f-1bbdb3f9005a.html

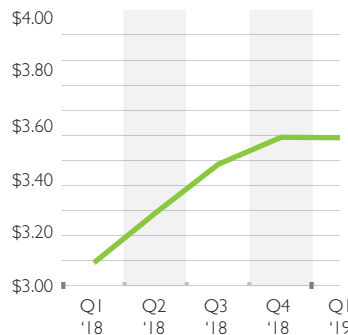
(4) https://www.fwbusiness.com/fwbusiness/article_0a1f989b-b960-5076-a630-c887781bbc6c.html

(5) <https://neindiana.com/news/bendix-adding-building-40-jobs>

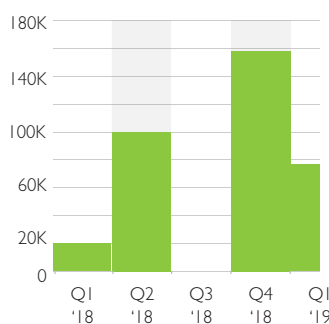
(6) <https://neindiana.com/news/sabert-corp-expanding-local-operations>

(7) <https://www.news-sentinel.com/news/local-news/2019/03/11/13-million-expansion-to-create-60-jobs-at-accugear/>

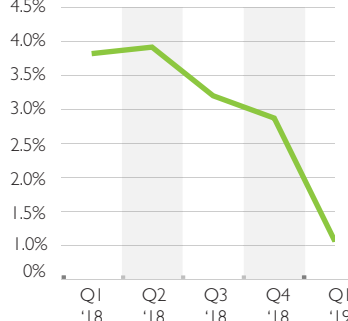
MARKET RENT PER SF*



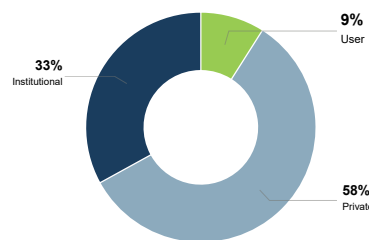
CONSTRUCTION STARTS IN SF*



VACANCY RATE*



SALES BY BUYER TYPE*



*Source: CoStar

FORECAST

- Northeast Indiana and Allen County continue to be in demand for industrial sites. As a result, vacancies have been declining since the 2nd quarter of 2018. This trend is expected to continue until later in 2019, when the first spec building starts construction at the 223-acre Airport Expressway Economic Development Area in Fort Wayne.
- Spec buildings will continue to drive the industrial sector as manufacturers look for shell buildings over shovel-ready land that will expedite openings or expansions of their operations.
- Construction starts will also begin to increase in the second quarter of 2019, as more spec buildings are planned, driving an increase in sale prices and rent.

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OFFICE OVERVIEW

AVAILABLE SPACE IS TIGHTENING AS THE ECONOMY EXPANDS. THIS TREND IS EXPECTED TO CONTINUE INTO THE FORESEEABLE FUTURE.

Expanding businesses and start-ups will drive the need for office space in the future. To that end, the success of the Electric Works redevelopment could play a substantial role in incubating growth. The demand for downtown office space is the highest it has been in years. As a result, space is at a premium and sales are a seller's market. Parking spaces are at an all-time high as well and continue to climb based on supply and demand. Multi-tenant development growth continues at a strong pace drawing young and old professionals and retirees to reside in an ever-developing environment rich in entertainment and life services.

Indiana University Research and Technology Corp., which supports technology transfer from the university to entrepreneurs, is a non-profit corporation that announced in March that it plans to add a location in Electric Works to stay close to a center of innovation. The new office is expected to mirror IURTC's presence in other areas of Indiana: Fishers IoT Lab, Union 525 in Indianapolis, Dimension Mill in Bloomington, and Westgate at Crane. The IURTC said it also will use the location to tap into entrepreneurial expertise of IU alumni in Northeast Indiana.⁽⁸⁾

Also committing to Electric Works recently is the Fort Wayne office of Fort Lauderdale, Florida-based Spherion Staffing.

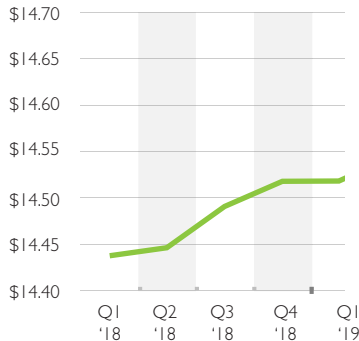
Indiana University Health will expand in Fort Wayne with the construction of a 25,000 square foot medical office building in northeast Fort Wayne at the intersection of Stellhorn and Lahmeyer Road. This facility will include primary care, an outpatient imaging center, laboratory services, urgent care and community rooms. IU Health will begin construction on the medical office building in May 2019.⁽⁹⁾

Though the current vacancy rate of 6.1% was an increase from 5.7% in the prior quarter, vacancy rates are expected to decline as companies continue to move into Northeast Indiana and fill the available square footage.

(8) <https://news.iu.edu/stories/2019/03/iu/releases/04-iurtc-to-establish-presence-in-electric-works-district.html>

(9) <https://iuhealth.org/for-media/press-releases/iu-health-announces-construction-and-expansion-in-fort-wayne>

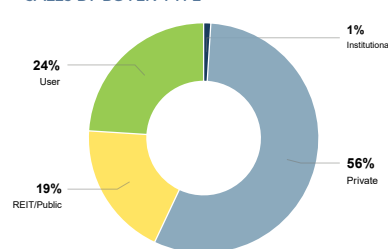
MARKET RENT PER SF*



VACANCY RATE*



SALES BY BUYER TYPE*



*Source: CoStar

FORECAST

- Demand for downtown office space will remain high as Electric Works continues to develop. This trend may drive up vacancies in some submarkets, as older suburban office buildings compete against newer construction or renovations downtown.
- Suburban offices may look to revitalize older spaces and add amenities to make them more attractive to future tenants. In addition, lower rents in the suburbs will allow for a competitive edge over downtown.
- While construction starts were modest throughout last year, look for construction starts to increase later in 2019. Market rents and vacancies will remain steady through the next several quarters.

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RETAIL OVERVIEW

VACANCIES ARE RISING, THE RESULT OF A STRING OF CLOSINGS DURING THE PAST FEW QUARTERS.

Looking at the nine counties that make up the Northeast Indiana region, retailer closings have pushed the vacancy rate from 5.0% to 4.8% in the past quarter, according to CoStar. Vacant square footage has increased to 1.9 million, which is pushing down the market rent rate. Additional announced closings are expected to continue driving the vacancy and market rent trends in their respective directions. Net absorption in the past 12 months is down 130,000 square feet, or 317.4%.

In the metro Fort Wayne area, of the properties monitored by REIS, approximately 58% have a vacancy rate of 10% or higher. This compares to the national trend of 10.9%.

Two national chain stores see opportunity in brick-and-mortar in Fort Wayne.

Gordmans, which is the first of these two chains, will again operate in Fort Wayne, but under new ownership and a different corporate strategy. The chain of home decor department stores went into bankruptcy in 2017, resulting in the Fort Wayne store closing. Gordman was acquired by Houston-based Stage Stores, and the Gordman brand turned into an off-price retailer of name brand clothing, home decor, shoes and cosmetics.⁽¹⁰⁾⁽¹¹⁾

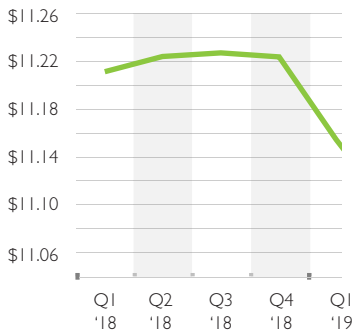
Sportsman's Warehouse, which has more than 90 stores selling outdoor merchandise including hunting, fishing and camping equipment, will open a location near Jefferson Pointe Shopping Center in Fort Wayne with 24,000 square feet. The retailer is headquartered in the Salt Lake City suburb of Midvale.⁽¹²⁾

(10) <https://www.houstonchronicle.com/business/bizfeed/article/Gordmans-to-open-38-discount-department-stores-in-13653231.php>

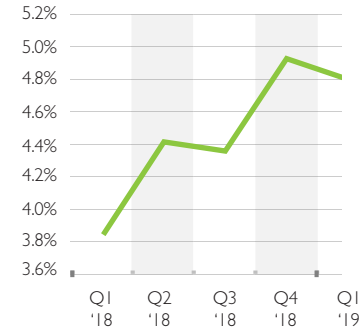
(11) <https://www.chainstoreage.com/finance-0/stage-stores-to-convert-70-to-80-department-stores-to-gordmans-close-40-to-60-others/>

(12) <https://www.prnewswire.com/news-releases/new-sportsmans-warehouse-store-to-open-in-fort-wayne-indiana-summer-2019-300815545.html>

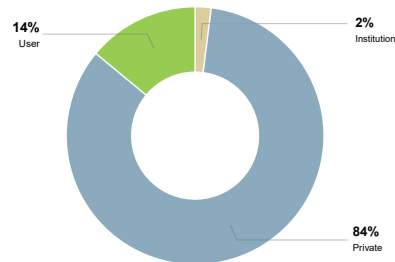
MARKET RENT PER SF*



VACANCY RATE*



SALES BY BUYER TYPE*



*Source: CoStar

FORECAST

- Vacancy rates for the 9 counties that make up the Northeast Indiana market are expected to decline slightly through the rest of the year.
- Absorption will increase slightly as landlords look for ways to break large retail spaces into smaller locations.
- As households and income levels increase, retail tenants should continue to benefit.
- Store closings and retail bankruptcies will continue throughout 2019 as retailers adjust to market and consumer trends.

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8611 AVIONICS DR., FORT WAYNE, IN

- 150,000 SF Industrial spec building (300' deep x 500' long)
- Property is approved for a graduated 10 year tax abatement
- Future ability to expand to 240,000 SF (300' deep x 800' long)



4101-4109 W. JEFFERSON BLVD., FORT WAYNE, IN

- ADA accessible
- Professional office tenants
- Exterior signage available
- Located directly across from Jefferson Pointe & Apple Glen Shopping Center



5129-5215 ILLINOIS RD., FORT WAYNE, IN

- Located in an upscale strip center 1/2 mile west of Jefferson Pointe Mall
- Traffic count: 30,400 VPD
- Join Grueninger Travel, Mattress Firm, Adler J. Salon, Rise 'N Roll, 800 Degree Pizza, & Firehouse Subs

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