

NORTHEAST MARKET

2ND 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

POSITIVE ECONOMIC GROWTH CONTINUES FOR THE REGION WITH LOW UNEMPLOYMENT AND MORE JOB ANNOUNCEMENTS

Fort Wayne and the northeast region have a positive economic outlook for the remainder of 2019. The diversified economy and steady growth have brought the unemployment rate down to 2.7% for Allen County and 2.9% for the entire region, which is better than the national and state average.

The 39-acre former General Electric Fort Wayne Works, is moving forward. The developer, RTM got an extension on a funding deadline that was set to expire in June. The deadline has been extended until November. The project stood to lose \$45 million in tax credits and the forfeiture of \$65 million in public funds unless 250,000 square-feet was leased by June. So far 150,000 square-feet has been leased.

As northeast Indiana works to attract and retain talent and grow the region's population to 1 million residents by 2030 as part of the Vision 2030 initiative, available housing is a critical factor in relocation and retention decisions. A study was commissioned by 10 counties in northeast region on housing. The study concluded that the region could support the development of 16,000 new housing units. Allen County was not included in the study. While Fort Wayne has been redeveloping properties into multi-family and adding new projects, the surrounding counties haven't kept pace with demand. Scarcity of quality housing can keep workers from accepting jobs in the region. Currently, there are several developments funded by the Northeast Indiana Regional Development Authority in progress or nearing completion that encompass elements of the types of housing identified by the study. Three of the current six projects included are in Allen County. (1)

Other recent multifamily projects in Fort Wayne include:

- In May, a former Coca-Cola bottling plant at 1631 East Pontiac street opened as the Bottle Works Lofts. The \$14.5 million project includes 31 affordable rental units Renaissance Pointe, which was included in the project, created 19 lease-to-purchase single family homes. Those were completed in 2018 and all are leased.
- The Landing is opening this summer with 60,000 square-feet of retail, office space, and 70 apartments.
- Silver Birch Senior Living opened a new facility in Fort Wayne in May. The facility at 7125 South Hanna Street provides affordable assisted living to adults 55 and over.

1. https://www.fwobusiness.com/fwobusiness/article_6e7e5562-4bf8-5108-a534-1cdae1767bae.html

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 MAY '19

Allen County	2.7%
9 County Region	2.6%
Indiana	2.9%
United States	3.4%

Source: Hoosiers by the Numbers

NORTHEAST MARKET

2ND QUARTER 2019

INDUSTRIAL OVERVIEW

HISTORIC LOW VACANCY WILL INCREASE THE NEED FOR MORE SPEC BUILDINGS AND RAISE RENTS

Since the Great Recession, the Northeast region has again become a magnet for manufacturing. During the last ten years the vacancy rate was highest in Q3 2010 at 8.3%. The vacancy rate in Q2 2019 is now at a historic low 1.0%. According to CoStar, Fort Wayne has the lowest vacancy rate of any Midwestern city with inventory of over 50 million. Market rents have remained steady at \$3.90 per square foot. Rents are expected to slowly rise over the next several quarters. Vacancies are expected to rise as well as more spec buildings become available.

According to a Commerce Department report, the Fort Wayne MSA grew exports by 29% during the past decade and since the start of the recession in 2008. Fort Wayne's largest export was transportation equipment manufacturing at \$290.5 million in exports. Other top exports include: primary metal manufacturing at \$233 million; plastics and rubber manufacturing at \$171.6 million; machinery manufacturing at \$139.3 million; electrical equipment, appliance and component manufacturing at \$112.8 million, and all other products at \$475.6 million. (1)

General Motors announced plans in May 2019 to invest \$24 million in their Fort Wayne assembly plant. The investment will go towards increased production of pickup trucks.

Great Lakes Capital and the Hagerman Group, in a public-private partnership with the city of Fort Wayne has a spec building under construction on a 20.36 acre site near the Fort Wayne International Airport. The building will be 150,000 square feet with expansion capacity to 240,000 square feet. The project will be complete in Q4 2019.

Windows, Doors, & More is constructing a 9,000 square-foot expansion at their 1121 West Washington Center Road location in Fort Wayne. The expansion will increase the size of their facility by 40% and add warehouse, office, and showroom space.

Alliance Feed is expanding their Whitley County facilities in Columbia City. They're investing \$13.7 million in a new building and equipment. The plan will create 14 new jobs.

Another Columbia City business is expanding operations - DOT America, which is a medical coating provider, will renovate their current facilities and add 10 jobs by 2021.

Continental Diamond Tool in New Haven, which makes grinding wheels and custom tooling, will create 226 jobs over the next four years. They will add 1,500 square-feet for research and development and to expand capacity at their 112,000 square-foot building.

Vita Nonwovens is expanding their 108,000 square-foot facility to 150,000 square feet. The \$18 million investment will also create 22 new jobs at their Fort Wayne location.

1. https://www.fwbusiness.com/fwbusiness/article_c6bdfc0a-8ceb-520e-9eb9-8bf60eabfac.html

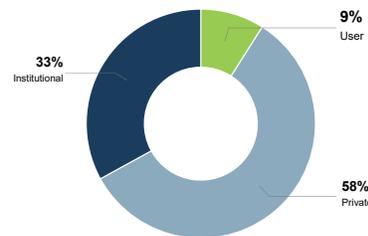
MARKET RENT PER SF*



VACANCY RATE*



SALES BY BUYER TYPE*



*Source: CoStar

FORECAST

- Low vacancy and strong demand will drive more spec buildings to the market.
- Uncertainty over tariffs is expected to have an impact on industrial growth over the next 6-12 months.
- Rents are expected to rise through the end of the year with the north Fort Wayne submarket leading the way - trending nearly a \$1 more per square-foot.

NORTHEAST MARKET

2ND QUARTER 2019

OFFICE OVERVIEW

OFFICE DEMAND WILL REMAIN SLOW BUT HEALTHCARE FACILITIES WILL CONTINUE TO GROW

Fort Wayne's employment growth has been stronger than that of the national average for the past couple of years, however most of the jobs that have returned this cycle have not drastically changed office fundamentals as they have not been in the office-using sectors. A lack of spec construction coupled with above average absorption figures from 2014-2016 helped compress vacancies to below the metro's historical average. Though the current vacancy rate of 6.2% was an increase from 5.7% in the prior quarter, vacancy rates are expected to decline through Q3. Market rent per square-foot has remained flat for the last two quarters, but is forecast to slowly rise through the end of the year. Market rents in Q2 for Northeast Indiana are \$14.61. - *Costar*

Shindigz, a party supply company, opened their new headquarters in downtown Fort Wayne. The company employs around 350. The administrative staff of 55 people will work out of the 5-story, 33,000 square-foot building at the corner of Wayne and Harrison Streets. The rest will remain in South Whitley at their 200,000 square-foot distribution, manufacturing, and fulfillment center. The company cited the momentum of downtown and talent attraction as reasons for the move. South Whitley is 26 miles west of downtown Fort Wayne.

IU Health broke ground on their third office in northeast Fort Wayne at Stellhorn and Lahmeyer Roads. The 25,000 square-foot building is expected to be complete in Summer 2020. IU Health's second location opened July 11 at Auburn Park Drive near Dupont Road. IU Health is planning to add one or two more locations in the market.

Trine University opened their expanded Health Sciences Education Center in Fort Wayne in April. The 8,900 square-foot space is located on the Parkview Randallia campus and houses a new surgical technology program and future programs for the Rinker-Ross School of Health Sciences.

The Lutheran Health Network broke ground on its new downtown acute care hospital. The new hospital will replace the current St Joseph's Hospital that was originally built in 1929 with various editions. The new facility will be 5 stories, 188,000 square-feet, and have room for 60 beds with expansion space available for up to 100. The project is expected to take two years with completion in 2021.

Brotherhood Mutual Insurance Company plans to expand its Fort Wayne headquarters. The company was founded in 1917 in Allen County and specializes in property and casualty insurance for Christian Ministries. The \$25.5 million investment will add 88,000 square-feet of space to their north side location at 6400 Brotherhood Way. The expansion will add office and meeting rooms and create up to 100 jobs over the next four years.

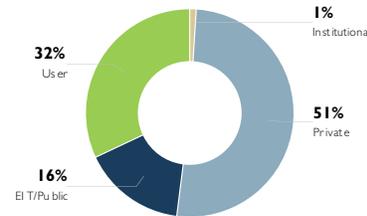
MARKET RENT PER SF*



VACANCY RATE*



SALES BY BUYER TYPE*



*Source: CoStar

FORECAST

- Downtown Fort Wayne will continue to attract tenants as more developments and redevelopments continue in the CBD.
- The office market as a whole will remain flat throughout the region and vacancies are expected to rise, which is on par with the national trend.
- No new inventory has been added over the last two years and there are no spec buildings in the pipeline so far in 2019.

NORTHEAST MARKET

2ND QUARTER 2019

RETAIL OVERVIEW

RISING VACANCY AND FALLING RENTS AS DEMAND REMAINS SLOW AND MORE RETAILERS ANNOUNCE CLOSURES

The vacancy rate in the Northeast Indiana region declined from 4.8% in Q1 to 4.4% in Q2. Vacancies are expected to rise again as more retailers nationwide have announced more closings. There will be minimal new retail construction in 2019 as demand remains low. Owners will work to revitalize older centers or carve up large big box spaces for multi-tenant use. Downtown Fort Wayne continues to build momentum. Mixed-use projects, like The Landing opening this summer, will include new 60,000 square-foot of retail space, in addition to office, and 70 apartments. Electric Works will start construction this fall bringing another 83,000 square-foot of retail space to the market.

Two new hotels will open in Fort Wayne in 2019 and another five are planned for 2020. The Hampton Inn & Suites at 223 West Jefferson will open this summer with two restaurants, one being the only rooftop bar in Fort Wayne. The Provenance Hotel broke ground in May at West Main and Harrison streets downtown. The hotel is a project by Vera Bradley co-founder Barbara Bradley Baekgaard and Provenance Hotels of Portland, Oregon. The hotel will have 124 rooms and will also feature a rooftop bar and a street level restaurant, opening in 2020. A Tru by Hilton opened in September 2018. Other hotels planned include: Parkside Project with two hotels, a Hilton Garden Inn and Home2 Suites, Springhill Suites, Staybridge Suites, and the Lakany Hotel project.

- The vacant Tilted Kilt location at Jefferson Pointe will be converted to a multi-tenant building. The Tilted Kilt had been vacant since 2017. The redevelopment will add 8,150 square-foot of space with 3,950 square-foot already leased to Xfinity.
- Fred Toenges Shoes and Pedorthics signed a 10-year lease at Parkwest Shopping Center. The local business, which was founded in 1891, will occupy more than 10,000 sq. ft., and will be one of the shopping center's anchor tenants
- Ascena Retail Group, Inc., announced in May that all Dressbarn stores will close by the end of August. Fort Wayne has one Dressbarn location at 1034 Thomas Road.
- Sportsman's Warehouse has now opened its first location in Indiana at 4408 Illinois Road in Fort Wayne. The location was previously a 24,000 square-foot Staples that closed in March 2018.
- Cunningham Restaurant Group announced that they'll be opening a new restaurant at The Landing. The restaurant will open at 123 & 131 Columbia Street and will feature a large patio.
- Joseph Decuis, an award-winning chef announced plans to open a restaurant in the Electric Works project. The as yet unnamed restaurant will feature an extensive wine list and a menu built around Wagyu beef.
- Portillo's announced in May that they were opening a location at Glenbrook Square Mall at the West Coliseum Road and Speedway Drive. The restaurant will open later this year.

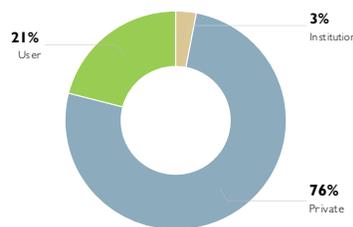
MARKET RENT PER SF*



VACANCY RATE*



SALES BY BUYER TYPE*



*Source: CoStar

FORECAST

- Vacancy is expected to rise through the next quarter then level off through the end of the year.
- New uses for vacant big boxes, will start to chip away at the vacancy rates.
- Store closings and retail bankruptcies will continue throughout 2019 as retailers adjust to market and consumer trends.

NORTHEAST MARKET

2ND QUARTER 2019



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

BROKERAGE



STEVE CHEN
Broker
260.423.4311
schen@bradleyco.com



MIKE DAHM, SIOR, CPM
Senior Broker
260.423.4311
mdahm@bradleyco.com



LUCAS DEMEL
Broker
260.755.7835
ldemel@bradleyco.com



MARTIN HUTTENLOCKER
Vice President
260.423.4311
mhuttenlocker@bradleyco.com



STANLEY C. PHILLIPS
Executive Vice President
260.423.4311
sPhillips@bradleyco.com



BILL DRINKALL
Vice President, Brokerage
260.755.7836
bdrinkall@bradleyco.com



PAUL REFAKIS
Broker
260.423.4311
prefakis@bradleyco.com