

NORTHEAST INDIANA

2ND HALF 2020 / 2021 OUTLOOK

MARKET OVERVIEW

The northeast region of Indiana includes eleven counties: LaGrange, Steuben, Noble, DeKalb, Whitley, Wabash, Huntington, Wells, Adams, Kosciusko, and Allen. Fort Wayne is located in Allen county and is the cultural and economic hub of northeastern Indiana. The region is served by the Fort Wayne International Airport and is at the confluence of several major highways and Interstate 69. Fort Wayne is within a 200-mile radius of major cities including Chicago, Cincinnati, Cleveland, Columbus, Detroit, Indianapolis, Louisville, and Milwaukee. It's also within a one-day drive of one third of the United States population and one-fifth of Canada's.

Fort Wayne is the second largest city in Indiana with a population of 264,483. Allen County has had positive net migration over the last five years and 2019 had the highest population increase in 20 years. The city is attracting new residents with its abundant amenities combined with its low cost of living. The city was ranked #5 on Niche's, "Cities with the Lowest Cost of Living in America" list in 2020. Fort Wayne has been investing in its downtown with a number of transformative projects. The city invested \$681 million in projects just in 2020. They've also added a number of projects across the city that include the expansion and building of new museums, hotels, parks, greenway trails, and meeting facilities.

Target industries that drive the region's economy are diverse ranging from distribution, specialty insurance, medical devices and technology, manufacturing, professional and business services, design and creative services, agriculture, to transportation and logistics. Major employers in Northeast Indiana include Parkview Health Systems, Steel Dynamics, General Motors, Lincoln Financial Group, BF Goodrich, Frontier Communications, Vera Bradley, Sweetwater Sound, Raytheon, and Nestlé.

There are eight different specialty insurance companies located in the northeast region, including – Lincoln National Life Insurance Company, MedPro Group, Brotherhood Mutual, American Specialty, Swiss Re Group, PHP, INGUARD, and Ash Brokerage Corporation. Abundant access to specialty insurance in this region creates an incredibly business-friendly environment.

Warsaw, Indiana, located in Kosciusko County is a leader in the orthopedic and biologics industry and has earned the title of "Orthopedic Capital of the World." Northeast Indiana is home to three of the five largest orthopedic device companies. Medical device companies located in the region generate \$19 billion in revenue and control 39.5% of the worldwide orthopedic market.

Fort Wayne has racked up an impressive list of accolades and rankings. Here are a few:

- The Indiana Chamber of Commerce named Fort Wayne as its 2020 PNC Community of the Year.
- Ranked #7 on Credit Karma's, "The 10 Most Affordable Cities For Millennials to Buy a Home".
- Ranked #8 on WalletHub's, "Best Run Cities in America".
- Ranked #5 on SmartAsset's, "Best Cities for First-Time Homebuyers"

Fort Wayne is also a three-time winner of the All America City awards from the National League of Cities.

Northeast Indiana has a growing business-friendly environment. The wide variety of employment opportunities and exceptional amenities will continue to attract new residents.

DEMOGRAPHICS

798,315

Population



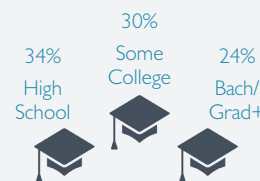
305,335

Households

\$55,412



Median Household Income



Education

26,664



Total Businesses

408,013



Total Employees

Source: Esri

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INDUSTRIAL OVERVIEW

STRONG DEMAND WILL CONTINUE INTO 2021

The northeast market continues to be a strong performer in the industrial sector with demand remaining high in 2020. A few new spec buildings in Fort Wayne have been built or are under construction, such as Great Lakes Capital's new building on Avionics Drive. This property, which is due Q2 2021, will sit directly across the street from GLC's most recent project which is now home to an Amazon delivery center. Both buildings are 150,000 square-foot and both are expandable to 240,000 square-foot. Amazon is extending its investment in Fort Wayne. The company recently announced plans to build a new facility next to the Fort Wayne International Airport. That \$60 million project is expected to create 1,300 new jobs when finished. Two more spec buildings are under construction in nearby New Haven. Those neighboring buildings will bring an additional 250,000 square-feet to the market by Q2 2021.

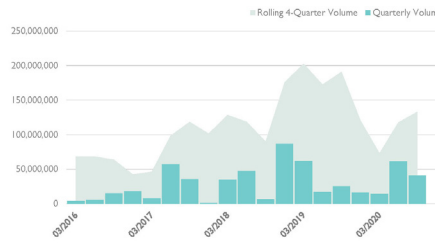
While e-commerce is driving the trend for spec buildings, quality industrial space across the market is getting absorbed. New buildings provide the higher ceiling heights attractive to some users, but older buildings are also finding tenants. There is currently a lack of available space to meet demand.

Vacancy rates may rise slightly as more spec buildings hit the market, but they are expected to lease up quickly. Rising material and labor costs will factor into rents in new facilities.

The manufacturing output in the Northeast region also remains strong. While there were slow-downs initially as the virus spread, most manufacturers were back up to capacity quickly. Since the region is home to several auto manufacturers, including the GM truck assembly plant in Fort Wayne, the region is attractive to smaller manufacturers of various auto parts.

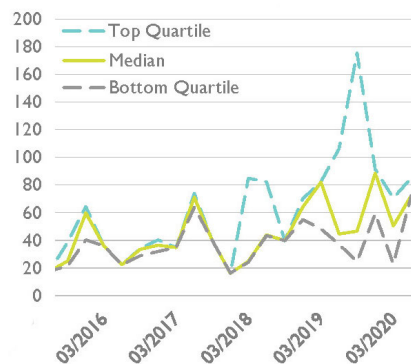
The region does have some weaknesses though. While there have been some lay-offs, most were due to companies struggling prior to COVID-19 and also automation, primarily within the automotive sector. Another contributing factor are companies who are consolidating operations at other facilities. Despite the lay-offs, workers are still finding jobs in the market as a lack of workforce housing has led to a worker shortage.

NORTHEAST REGION
INDUSTRIAL SALES VOLUME (\$)



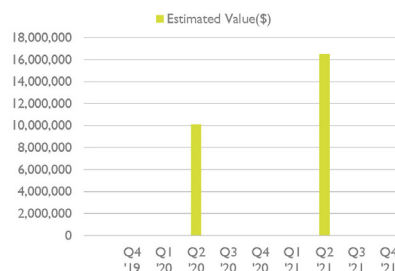
Source: Real Capital Analytics

NORTHEAST REGION
SALE PRICE PER SQUARE FOOT (\$)



Source: Real Capital Analytics

NORTHEAST REGION
CONSTRUCTION COMPLETIONS



Source: Real Capital Analytics

TRENDS

- Asking rents will rise slightly as demand continues to outpace supply.
- Rising construction costs will impact rents.
- E-commerce will continue to be a driver of spec building construction.
- Workforce housing shortage will need to be addressed to keep pace with the demand for workers in the region.
- The outlook for the industrial sector remains strong and will continue into 2021.

1. [Source link](#)

NORTHEAST INDIANA

2ND HALF 2020 / 2021 OUTLOOK

OFFICE OVERVIEW

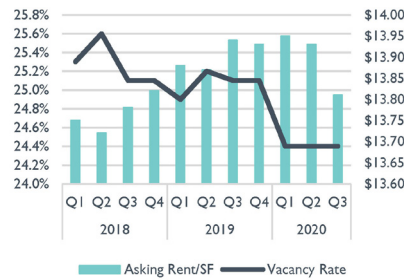
THE OFFICE SECTOR FARING BETTER IN SMALLER MARKETS THAN IN LARGE METROS; DOWNTOWN OFFICE IS STILL IN HIGH DEMAND

Office remains the most difficult commercial real estate sector to predict this year. While the major metros are seeing some tenants add sublease space to the market and shifting some operations from downtown locations to the suburbs, these trends are not apparent in the Fort Wayne metro. In fact, the downtown office market in Fort Wayne is still in demand. Since smaller markets are more car centric, there are fewer office workers relying on public transportation, thereby limiting exposure to the virus via shared public spaces. While the suburbs are often seen as more convenient, thanks to ample and free parking, downtown Fort Wayne continues to add public amenities and more parking garages. Also, in a market like Fort Wayne, the suburbs are only a 10-15 minute drive, still making downtown an attractive option. The city has also been working on a number of quality of life projects, such as Promenade Park and new multifamily and commercial developments are continuing to make it an attractive option, especially among younger workers. Several more projects are under construction, planned, or approved, such as Ashberry Eight LLC's \$43 million mixed-use development at West Main Street and Maiden Lane. The development is across the street from the new Bradley boutique hotel that will open by the end of the year. The site is currently a surface parking lot and will add nearly 70,000 square-feet of office and retail space, and a 383-space parking garage. Construction will start by the end of this year.

New and more modern office properties are in higher demand, while older properties are taking longer to lease. Some office owners will have to consider investing in older properties to make them competitive. However, good locations are still acquiring tenants, with owners offering more TI allowance or other concessions. Conversions to other uses may happen as well, such as the former Pizza Hut headquarters on the southwest side, which was purchased by Sweetwater founder, Chuck Surack. The property was upgraded and converted into The Kaizen Center, an event center and corporate retreat / meeting venue. Pizza Hut downsized their 23,000 square-foot office and relocated to downtown Fort Wayne in 2018.

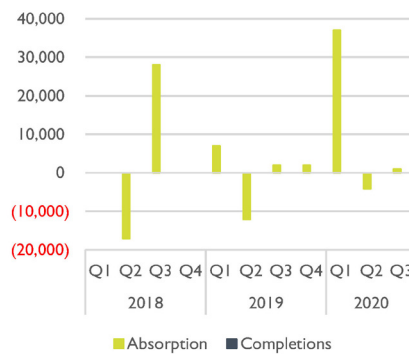
The Electric Works project has seen a lot of ups and downs on its path to redevelopment. In August, the Redevelopment Council of Fort Wayne voted to cancel the agreement, sighting the developer's shortfall to require the needed funding. Then in early October, an additional developer and investor were brought on to partner on the project. The project is 12 acres and will consist of 730,000 square-feet of mixed-use space. It's currently 60% pre-leased, including anchor tenant Do It Best! Corp., which plans to move its headquarters from New Haven to the project. Adding this much space is likely to have an impact on vacancies throughout the market as some tenants, such as Do It Best! will choose to relocate here. This project along with a few others announced or under construction, when complete, will cause rents to rise throughout the market.

OFFICE
ASKING RENT & VACANCY



Source: Reis

OFFICE
ABSORPTION TRENDS



Source: Reis

OFFICE
TRANSACTION VOLUME



Source: Reis

TRENDS

- Downtown Fort Wayne is still in high demand, despite national trends that show a shift to the suburbs.
- Vacancy rates have remained stable this year and most office users are taking a wait-and-see approach about future office space needs.
- Electric Works, once completed, will become a transformational project for Fort Wayne, leading to higher lease rates in the market.
- Older suburban properties are taking longer to lease and some concessions or upgrades may be needed to entice tenants.

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RETAIL OVERVIEW

RETAIL CONTINUES TO PERFORM IN THE NORTHEAST MARKET WITH LITTLE TO NO SLOW DOWN IN LEASING ACTIVITY

While the coronavirus has had an impact on certain types of tenants, such as restaurants and fitness categories due to restricted occupancy, the retail market in Northeast Indiana continues to perform well. There's been a lot of activity from national and regional tenants. Store closings have brought opportunities for other retailers. Higher end markets are doing exceptionally well, such as the Illinois Road corridor, where rents are trending in the \$18.50-\$19.75 range. While we'll continue to see store and restaurant closings, most that have closed were due to under performing businesses and less about the local market. Vacancies in newer and well-located centers are still attracting tenants. The Paycheck Protection Program has assisted tenants in paying their rent and keeping businesses open. Rent collection hasn't been a major factor in this market.

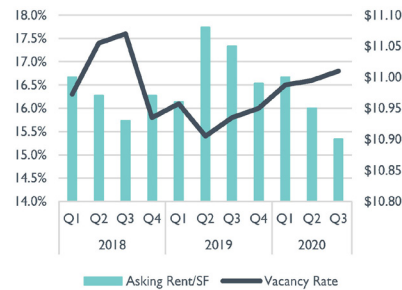
One of the biggest stories this year was the opening of Trader Joe's in October. They opened at Jefferson Pointe on Illinois Road. This is the third Trader Joe's in Indiana, with the other two located in Indianapolis. Ross Dress for Less opened in late October in part of a former Toys R' Us in the Glenbrook Square retail corridor. Both retailers back-filled some significant vacancies. Though experiential retailers have taken quite a hit from the pandemic, Dave & Buster's is still planning to open at Glenbrook Square. The lease was announced in 2019. Some big boxes are still waiting on long term tenants, but a few have had temporary leases, such as Darlington, a holiday decor store opening in a former Chuck E. Cheese and a Halloween store that opened seasonally in the former Babies R' Us. Rents for former big boxes are ranging from \$9-\$12 PSF.

The Dupont Road corridor is also seeing strong demand, thanks to the Parkview Regional Medical Center. Rents in this corridor are ranging from \$18-\$22 PSF.

The main area of weakness is in retail investment sales, with buyers not ready to pull the trigger on shopping centers.

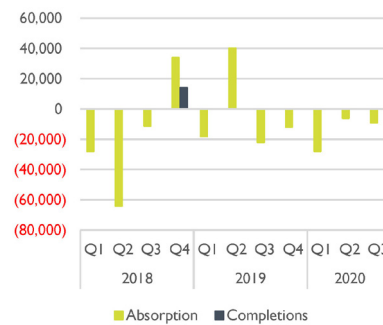
While Class A centers that are well-located continue to do well, we could see B and C centers outside the major corridors continue to struggle. Overall the outlook for retail in the Northeast remains positive into 2021.

RETAIL
ASKING RENT & VACANCY



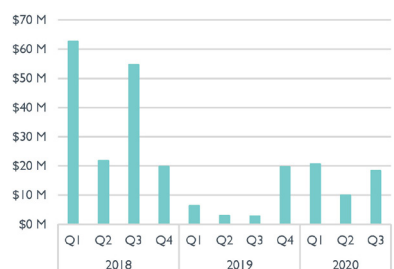
Source: Reis

RETAIL
ABSORPTION TRENDS



Source: Reis

RETAIL
TRANSACTION VOLUME



Source: Reis

TRENDS

- High end retail corridors will continue to attract tenants. Rents in these markets are expected to remain steady.
- More retail closures are expected, so we'll likely see a rise in vacancy rates in 2021.
- Class B and C centers will struggle the most as some tenants close or move to better located spaces in the market.
- Shopping center investment sales will continue to lag as buyers take a wait-and-see approach through the winter.
- Strong national and regional concepts will continue to shop the market for locations.

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8645 AVIATION DR, FORT WAYNE, IN

- 150,000 SF Industrial spec building (300' deep x 500' long) under construction
- 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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