

NORTHEAST INDIANA

Q3 2021

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. 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 is ranked first on Niche's, "Cities with the Lowest Cost of Living in America" list in 2021. 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 including distribution, specialty insurance, medical devices and technology, manufacturing, professional and business services, design and creative services, agriculture, 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 #2 on U.S. News & World Report's "Most Affordable Places to Live in the U.S. in 2021-2022"
- Ranked #3 on WalletHub's, "Best Run Cities in America", up from #8 in 2020
- Ranked #5 on SmartAsset's, "Best Cities for First-Time Homebuyers"
- Ranked #7 on Credit Karma's, "The 10 Most Affordable Cities For Millennials to Buy a Home"

Fort Wayne is also a four-time winner of the All American City awards from the National League of Cities, winning the title again in 2021. The spotlight for this year's award was building equity and resilience.

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

DEMOGRAPHICS

804,032



Population

307,354



Households

\$57,145



Median Household
Income

30%

35%

High
School



Some
College

24%



Bach/
Grad+

24%



Education

26,282



Total Businesses

420,906



Total Employees

Source: Esri 2021

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INDUSTRIAL OVERVIEW

THE INDUSTRIAL SECTOR IS STILL GROWING, BUT A LACK OF SUPPLY WILL REMAIN AN ISSUE FOR THE FORESEEABLE FUTURE

There are few new Class A industrial buildings available and spec buildings are getting leased or sold before they even complete construction. A new spec in New Haven that completed construction in Q3 has a new tenant, Sauder Woodworking Co. The company leased the fourth and final building in the Cedar Oak Industrial Park. Bradley Company represented the landlord. The third building was leased back in Q2 to Discount Comic Book Service and its sister companies.¹

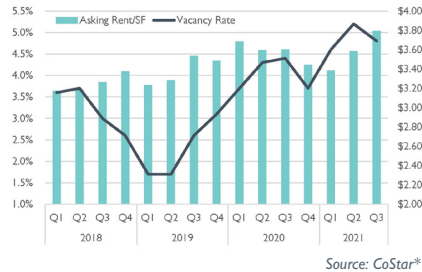
With so few new industrial buildings available, investors are opting to purchase Class B and C properties that are fully leased. According to CoStar, 27 properties sold in Q3 in the Northeast region. They were all Class B and C buildings, with over half under 30,000 square feet. The sales represent over one million square feet of industrial space. Allen County had the most at twelve properties and Noble County had eight sales. The largest sale was a sale/leaseback of 80/20, a company that makes building materials and is located in Columbia City in Whitley County. Somara Road, a private investment firm out of New York, purchased the 203,185 square-foot property for \$24.5 million.

Class A buildings have a vacancy rate between 3-4% and rents around \$5.25 per square foot. Class B properties are leasing faster than Class A properties with the vacancy around 4.5% and lease rates ranging between \$2.50- \$3.50 per square-foot. Class C buildings are typically outdated with lower ceiling heights than current users are looking for. They have a higher vacancy of 6.5% and lease rates between \$2.00 - \$2.50

There are several expansions in the Northeast region:

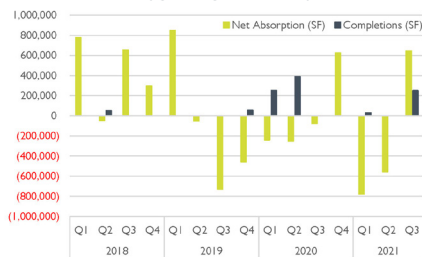
- In Pierceton, in Kosciusko County, Paragon Medical is expanding their facility by 34,000 square feet and will add 3-D printing capabilities. The company makes medical devices.²
- Strataflo Products, which makes industrial valves is expanding by 12,000 square feet, which will double their footprint in Allen County. They were founded there in 1939.³
- American Sealants, Inc. plans a \$2.9 million expansion for their location in Fort Wayne near the airport. The expansion includes 25,000 square feet to the building and parking lot, which will create 28 new jobs by 2024. They currently employ 75 workers.³
- L3Harris Technologies, a satellite maker with contracts with the U.S. Department of Defense, has completed a 45,000 square-foot expansion of their Fort Wayne facility. The company also added 100 jobs and now employs approximately 500 in Allen County.⁴

NORTHEAST INDIANA
ASKING RENT & VACANCY



Source: CoStar*

NORTHEAST INDIANA
ABSORPTION TRENDS



Source: CoStar*

NORTHEAST INDIANA
SALES TRANSACTION VOLUME (\$)



Source: CoStar*

TRENDS

- Supply chain issues and contractor availability are impacting construction of new Class A buildings.
- It's not likely that demand will wane anytime soon, and supply will continue to struggle to keep pace.
- With a lack of supply of Class A properties available, users are turning to Class B and even some C facilities to be in the market.
- Rent will likely continue to rise as less buildings become available and new construction will be more expensive.
- Vacancy is projected to decline as more companies seek out opportunities in the Northeast, particularly in Allen County.

1. The Greater Fort Wayne Business Weekly: https://www.fwbusiness.com/fwbusiness/article_111398d3-f230-5978-bdf8-97efc300defc.html
2. Ink Free News: <http://www.inkfreeneews.com/2021/09/24/ground-broken-for-paragon-expansion-in-pierceton/>
3. Greater Fort Wayne Inc.
4. Inside Indiana Business: <https://www.insideindianabusiness.com/story/44756545/satellite-maker-expands-fort-wayne-facility>

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OFFICE OVERVIEW

OFFICE SALES HAVE INCREASED AS INVESTORS SEEK QUALITY, LEASED PROPERTY IN TERTIARY MARKETS

Office has started to recover in the Northeast region in Q3 with buyers looking for properties. There are a lot of Class A properties struggling with vacancy as some tenants have left to relocate for lower rent or better visibility, such as locating in former retail spaces. The vacancy rate for Class A is between 15-20% and has trended higher in Q3. Rents are between \$17-\$19 triple net. Class B and Class C have lower vacancies due to companies looking to keep down rents. These buildings tend to be smaller and one-story which offers convenience of location in the suburbs and also desirable parking. Class B vacancy is 5.9% with rents ranging from \$12-\$13 triple net. Class C has the lowest vacancy rate at 2.2% with rents around \$10 per square-foot.

Office sales volume was the highest since Q3 2011 which saw \$31 million in sales. Last quarter, Q3 2021, had a volume of just over \$33 million. The sales included a variety of properties, including office condos and a large share of medical office buildings. The largest building sold was Medical Office One at 7900 Jefferson Boulevard. The 1,279,568 Class C property was built in 1991 and is over 99% leased. The sale price was \$2,551,744 or \$1.99 per square foot. The building is connected to Lutheran Hospital.

Most of the Midwest Eye Consultants in the region along with the Retinal Institute and the Cataract and Laser Institute were sold as part of a 36-property portfolio. The buyer was Realty Income with the price for the portfolio at \$66.14 million. The portfolio contained mostly properties located in Indiana and two in Ohio. A couple of the Fort Wayne locations sold for \$383.58 per square-foot.

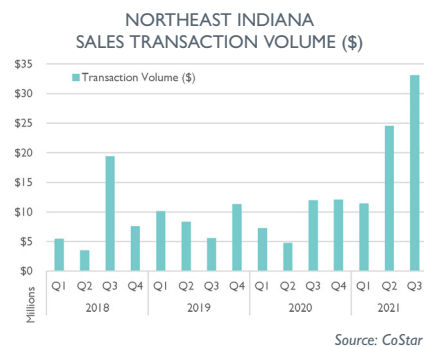
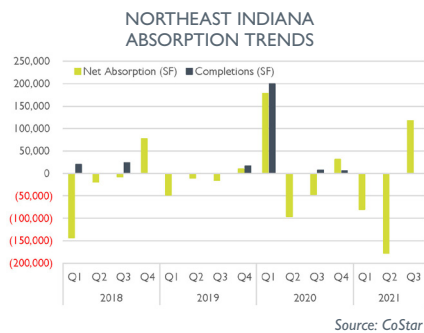
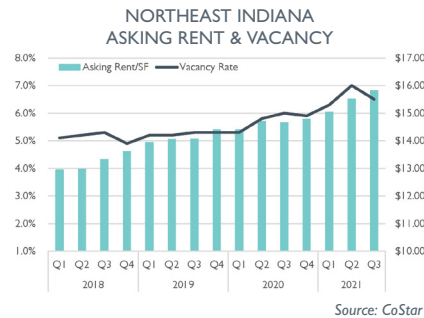
The new Lutheran hospital in downtown Fort Wayne is set to open on November 13th. The new 60-bed facility is located at West Main and Van Buren Street. The former hospital next door will be demolished in 2022.³

A couple of new companies moved to Warsaw:

- RAZOR Medical Instruments, Inc., a company founded in New Hampshire, has relocated their headquarters to Warsaw. They have a 2,500 square-foot office at 1055 Mariners Drive. They plan to hire approximately 60 people over the next three years.¹
- Nextremity Solutions, another medical / orthopedic company opened their new 69,479 square-foot manufacturing facility and corporate headquarters in the Warsaw Technology Park. The company currently employs 90 associates.²

TRENDS

- Class A office will likely continue to struggle with vacancy into next year as there currently aren't enough users for this product type.
- Class B and C properties are attracting more investors as they offer a higher rate of return if the owners put some money into remodels or upgrades.
- Investors are seeking office properties that offer stable and strong tenants and are well-located within the market. Medical office typically has a tenant with a longer lease and are less likely to move locations. The cost of building out a medical use space is higher than other types of office users.



1. Ink Free News: <http://www.inkfreeneews.com/2021/08/03/orthopedic-innovator-razor-medical-instruments-sinks-roots-in-war-saw/>
2. Ink Free News: <http://www.inkfreeneews.com/2021/07/23/nextremity-solutions-celebrates-grand-opening-of-new-headquarters/>
3. Greater Fort Wayne Business Weekly: https://www.fwbusiness.com/fwbusiness/article_d5c4d02b-a1ac-5ec5-acfb-23c0648b-19dc.html

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RETAIL OVERVIEW

RETAIL ACTIVITY CONTINUED THROUGH Q3 WITH FALLING VACANCY AND RISING RENTS

Retail leasing activity remained steady in the Northeast Market in Q3. There was more interest in leasing new space as well as people following through, versus more hesitancy that existed since March 2020. Class A retail properties have a vacancy rate of 3.5% with rates in the range of \$18-\$20 triple net. Class B vacancy is higher at 8.9% with rates from \$11-\$16 triple net. Class C retail vacancy is 5.7% with rates from \$10-\$12. Absorption also trended positive after negative absorption over the last few quarters.¹

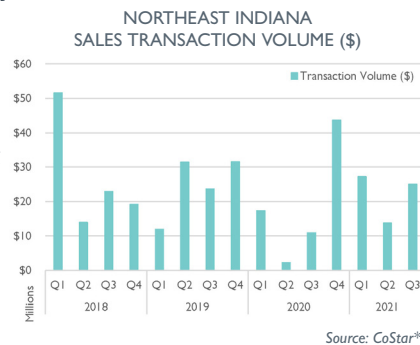
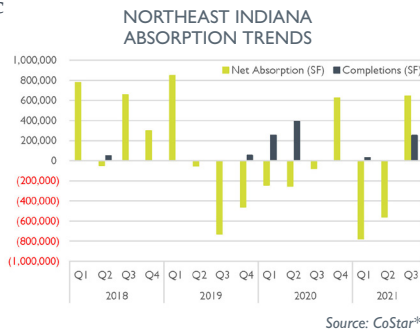
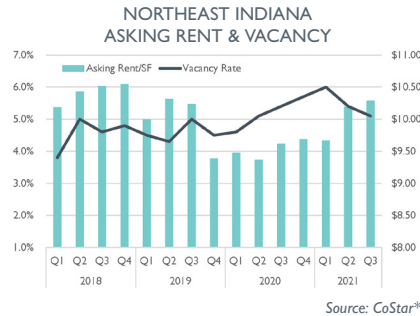
Sales volume improved throughout 2021 with Q3 ending with over \$34 million in transactions. CoStar showed that 59 properties sold. They ranged from strip centers to fast food restaurants and pharmacies, demonstrating that investors are feeling more confident about retail. Bradley Company represented the owner in a sale transaction of an Ace Hardware in Warsaw and the seller in a transaction for a strip center in Garrett.

Large mixed-use projects continue in downtown Fort Wayne. Electric Works has announced a public market and food hall. Union Street Market will feature over twenty vendors and include a year round farmer's market. The first phase of Electric Works has a planned opening for Fall 2022. The project is estimated to have a \$400 million annual economic impact.²

The City of Fort Wayne also revealed plans for the \$25 million Riverfront Phase II project. The project will add new trails, wetland boardwalk, new boat docks, and an open-air pavilion. The project will span the north side of the river. This project and the first phase which included Promenade Park have spurred other downtown developments.³ The Lofts at Headwaters Park is under construction. The project includes 200 apartments, townhomes, 24,000 square feet of office and 27,000 square feet of retail and flex space. The 651-space garage is currently under construction. The project is scheduled for completion in early 2023.⁴ The Riverfront at Promenade Park will feature 200 apartments and seven town homes, a 900-space parking garage, 30,000 square feet of office space and nearly 15,000 square feet of commercial space. The parking garage will open next year and the rest of the project in 2023.⁵

Other retail news:

- Bradley Company represented Aldi and the landlord in their expansion at Columbia Plaza in Columbia City. Aldi is doubling their store size to 22,185 square feet and is planning to reopen in November. They signed a new 15 year lease.
- Barnes & Noble previously announced they were leaving Jefferson Pointe to relocate across the street to Orchard Park. They will be reopening there in November. Their previous big box space at Jefferson Pointe won't be vacant long, Burlington plans to open in the space.



TRENDS

- Vacancy rates are declining as absorption has picked up in Q3.
- Retail and restaurant users are more willing to go forward with deals.
- Investor confidence in the retail sector is returning with over \$34 million in sales in Q3.
- Rents are likely to continue to rise and vacancy continues to decline.
- Some office and service businesses will likely continue to take former retail spaces. They provide better visibility, ample parking and bring them closer to customers.

- CoStar
- Inside Indiana Business: <https://www.insideindianabusiness.com/clp/15243499/around-indiana-electric-works-fort-wayne>
- Inside Indiana Business: <https://www.insideindianabusiness.com/story/44650257/fort-wayne-details-riverfront-phase-ii-plans>
- Inside Indiana Business: <https://www.insideindianabusiness.com/story/41881898/riverfront-projects-receive-ok-in-fort-wayne>
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860 AVENUE OF THE AUTOS | FORT WAYNE, IN

- 11,193 SF former auto dealership located just off Illinois Rd. at Interstate 69, situated on 1.34 acres
- Surrounded by automotive related business including new/used car sales, auto service, collision, body shop, and more
- Building layout allows for continued use or adaptive reuse



3800 WEST JEFFERSON BLVD | FORT WAYNE, IN

- Located in Parkwest Center; a prominent southwest location
- Pad ready retail site (0.6 acres); ground lease available
- Drive-thru approved
- Adjacent to a financial institution
- Direct access to US 24 and SR 14



SHOPPES OF ILLINOIS ROAD 5129-5215 ILLINOIS ROAD | FORT WAYNE, IN

- One suite left! 2,672 SF (may be divided)
- Located in an upscale strip center 1/2 mile west of Jefferson Pointe Mall
- Join Grueninger Travel, Adler J. Salon, Rise 'N Roll, Three Fires Pizza, Wingstop, and Firehouse Subs

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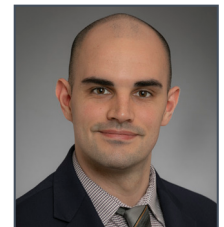
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