

# NORTHEAST INDIANA

Q1 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 was ranked fifth 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 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 #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. They are one of the top 20 finalists in 2021 for the award again. The winner will be announced in June.

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

## DEMOGRAPHICS

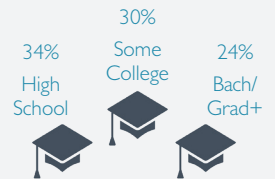
798,315  
Population



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

**DEMAND CONTINUES UNABATED, BUT HIGHER CONSTRUCTION COSTS MAY LIMIT SOME NEW PROJECTS**

The Northeast region continues to experience strong demand for industrial facilities. Construction will finish on new buildings this year and a major project has been announced. Great Lakes Capital's spec building on Aviation Drive is scheduled for completion in Q2 2021. GLC's previous project across the street was leased to Amazon last year for a delivery center. Both buildings are 150,000 square-feet and both are expandable to 240,000 square-feet. Amazon has officially announced plans to build a new fulfillment facility that was previously dubbed, "Project Mastodon". The building will have over 2 million square-feet of space across three floors. The property is on the northwest side of Fort Wayne off of US Highway 30 across from the Sweetwater Sound headquarters. The project is expected to be complete sometime in 2022 and will employ approximately 1,000. Two more spec buildings will be completed in New Haven, in Q2 and Q3 2021. The buildings will add 250,000 square-feet to the market. Lease rates for new facilities range from \$5-8 per square-foot. These rates are likely to rise as construction materials and labor costs continue to increase.

While spec buildings are in demand due to newer construction that includes higher ceilings and modern amenities, older buildings are also finding buyers. In Q1 2021 there were three sales. A 36,000 square-foot warehouse property in Rome City in Noble County sold for \$2.5 million. In Auburn in DeKalb County a 120,000 square-foot property (sale price not disclosed), and one in Fort Wayne with over 300,000 square-feet. All three were older buildings. The first two were built in the 1980s and the Fort Wayne sale is a manufacturing facility built in 1968. Industrial sales were strong in the region throughout 2020. Twelve buildings sold in Q4 2020 which was the highest number of buildings sold in a single quarter over the past five years. The region had 24 major sales in 2020 total. Lease rates for existing properties range from \$3-6 per square-foot.

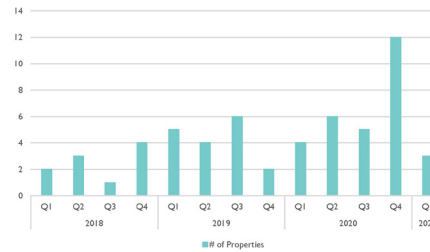
Avery Dennison Corp., the company that makes labels and other office supplies is closing their facility in Fort Wayne. Layoffs began in March. They are consolidating operations at other facilities out of state. The company employed approximately 170 workers.

KGPCo in Warsaw expanded its facility and added an additional 200 to its workforce. The company manufactures fiber optic equipment. Also in Warsaw, Habitat for Humanity found a permanent home at 3970 E Corridor Drive.

### TRENDS

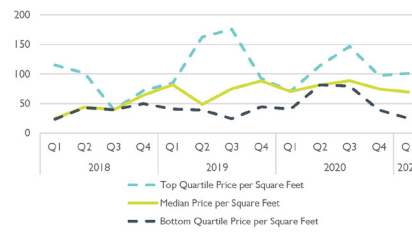
- Rising construction costs will impact rents on new builds. Steel prices are up 35-40%.
- Supply is struggling to keep up with demand as new buildings sell or lease quickly when they hit the market.
- E-commerce will continue to drive spec building construction.
- The workforce housing shortage continues to be a concern, especially as more companies seek to relocate to the Northeast region.
- The industrial sector will continue its positive momentum this year. The Amazon fulfillment center may also attract new companies or expansions in the market.

NORTHEAST REGION INDUSTRIAL SALES # OF PROPERTIES



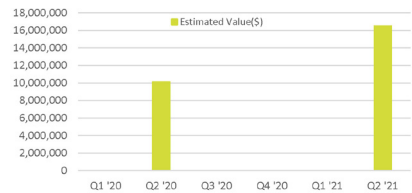
Source: Real Capital Analytics

NORTHEAST REGION SALE PRICE PER SQUARE FOOT (\$)



Source: Real Capital Analytics

NORTHEAST REGION CONSTRUCTION COMPLETIONS



Source: Real Capital Analytics

# NORTHEAST INDIANA

## Q1 2021

### OFFICE OVERVIEW

*DOWNTOWN FORT WAYNE CONTINUES ITS MOMENTUM WITH NEW PROJECTS BREAKING GROUND IN Q1 2021*

Despite the uncertainty 2020 caused in the office sector, vacancy and asking rents have remained mostly stable. The market did experience an increase in sublease space. Despite some challenges, mixed-use projects with office space are going forward in downtown Fort Wayne. Some new projects were announced and others have broken ground in Q1 2021.

Star Bank announced in January it was building a new headquarters in downtown Fort Wayne. The development will be comprised of a 50,000 square-foot 7-story tower and 3-story tower with 20,000 square-feet, as well as a parking garage with 387 spaces that will also be available to the public. The \$43 million project is slated for completion in Q1 2023. The new headquarters will be located at 215 W. Main Street, which was previously known as The Ashberry development. The site is located across the street from the new Bradley boutique hotel that will open in July. The site is currently a surface parking lot and will have a mix of office and retail space.

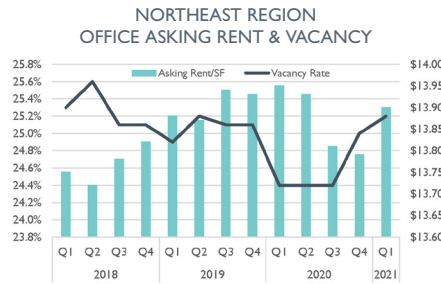
Barrett & Stokely's Riverfront at Promenade Park, an \$88.7 million downtown mixed-use development broke ground in February. The project, located at the northeast corner of Superior Street and Harrison Street includes 200 apartments, 7 townhomes, a 900-space parking garage, 30,000 square-feet of office, and 15,000 square-feet of retail. The entire project is scheduled for completion in 2023, but the garage will be finished in 2022.

Credent Wealth Management is building a new 30,000 square-foot headquarters in downtown Auburn. The company will consolidate other offices in the city to the 3-story building at 200 E. 7th Street. Construction began in February and when complete will have office and retail space for lease.

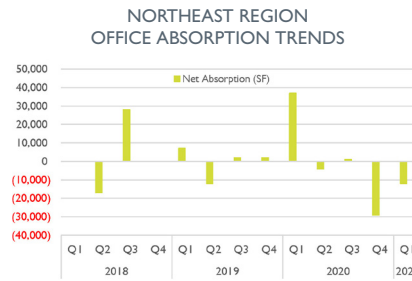
Construction has commenced on Electric Works. The 700,000 square-foot redevelopment will add substantial office space to the market and a variety of office types, including co-working and creative space. Phase I is planned for completion in 2022.

### TRENDS

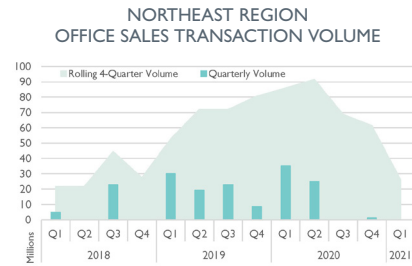
- Downtown Fort Wayne is still in high demand, as new projects are underway that will add more inventory over the next several years.
- Vacancy rates were stable for much of 2020 but began to rise at the end of the year. The rate may continue to climb until the office sector becomes more stable in 2022.
- Asking rents are returning to pre-pandemic levels after dropping at the end of 2020.
- Electric Works, once completed in 2023 will become a transformational project for Fort Wayne, likely leading to higher lease rates in the market.
- Older suburban properties are taking longer to lease, but well located properties are finding tenants.



Source: Reis



Source: Reis



Source: Real Capital Analytics

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### RETAIL OVERVIEW

NOW THAT PEOPLE ARE GETTING VACCINATED AND RETURNING TO STORES AND RESTAURANTS, RETAIL ACTIVITY IS INCREASING

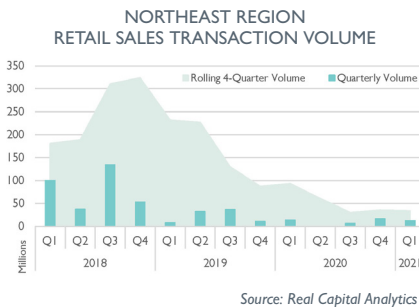
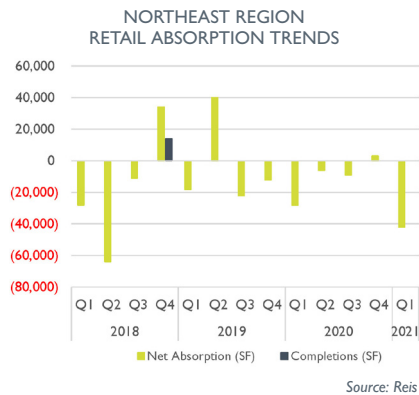
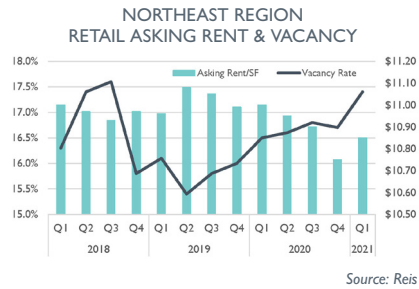
Fort Wayne continued to see retail activity last year during the pandemic and now that vaccinations are allowing more people to get back to shopping and dining out, activity has increased. The corridors getting most of the attention are Dupont Road, near Parkview Medical Center, Glenbrook Square, and Jefferson Pointe.

Last year, Trader Joe's opened at Jefferson Pointe and additional new tenants will open in Q2 2021. Charming Charlie will open in a 6,720 square-foot space next to Panera Bread and Beer Barrel Pizza & Grill, which has several locations in Ohio, will open in a 7,989 square-foot space formerly occupied by Tucanos Brazilian Grill. A former Gordman's in Orchard Crossing at Illinois and Thomas Roads will get a new tenant; Hobby Lobby plans to open in June.

The parcel of the former Sears at Glenbrook Square, which is owned by Seritage Growth Companies, had previously announced new tenants for a redevelopment of the site. However, construction was delayed during the pandemic and has not resumed. It's unclear if the tenants will still be opening at the site in the future. The tenants include: Home Goods, Dave & Buster's, Five Below, and Round One. The former Babies R' Us location in the Glenbrook corridor has a new tenant, Midwest Shooting Center, which will include classes, range, and a gun store.

Electric Works secured the funding it needed in March to move forward with the project. The site is currently under construction and will contain a mix of residential, retail, office, education, healthcare, and community uses in 700,000 square-feet of space. The 12-acre project is over 60% preleased with Phase I expected to open sometime in 2022.

In Warsaw in Kosciusko County, which has several big box vacancies, at least one more won't be added to the list. Stock + Field, which had announced it was going out of business has been purchased by R.P. Lumber Co. which intends to reopen stores. Other notable projects in Warsaw include an 84-unit senior housing development in downtown and a 40,000 square-foot ice rink on Winona Lake.<sup>1</sup> In Syracuse, also in Kosciusko County, the plan commission has recommended that a former ShopKo be rezoned to industrial. Quality Engineered Services LLC, plans to move their business from Goshen to the property. They manufacture electrical components and would add 110 jobs.



### TRENDS

- Retail closures are starting to taper off in Q1 as more restaurants and retail stores begin to resume normal hours and capacity limits.
- Smaller spaces that are 2,000 square-foot or smaller will likely see the most leasing activity.
- Big box vacancies will continue to be a challenge.
- Class B and C centers will likely see higher vacancies.
- Shopping center investment sales will continue to lag as buyers watch the market for more signs of stability.
- Amazon's newly announced 2.9 million square-foot distribution facility will likely spur further retail growth with construction jobs and 1,000 permanent jobs the project will bring to the market.

1. <https://visitkosciuskocounty.org/blog/trails-to-experience-in-kosciusko-county/>

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### 8645 AVIATION DR, FORT WAYNE, IN

- New Industrial construction – Delivery May 2021
- 150,000 SF Industrial spec building
- Future ability to expand to 240,000 SF
- Property is approved for a graduated 10-year tax abatement



### 10511 ROSE AVE., NEW HAVEN, IN

- New Industrial construction near completion
- 150,000 SF Building A - Delivery May 2021
- 100,000 SF Building B - Delivery August 2021
- Located at Northwest corner of I-469 and U.S. 24
- Graduated 10-year tax abatement



### AVENUE OF AUTOS, FORT WAYNE, IN

- 7 buildings available for sale or lease
- Located off I-69 and Illinois Rd.
- Pricing negotiable
- Contact brokers for more information

# BROKERAGE



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