

NORTHEAST INDIANA

Q4 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+



Education

26,282



Total Businesses

420,906



Total Employees

Source: Esri 2021

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INDUSTRIAL OVERVIEW

BUILDINGS ARE FILLING UP IN THE NORTHEAST REGION AS SUPPLY REMAINS LOW

The Northeast region is continuing to attract interest from users and investors, but there are few buildings available, with low vacancy across all classes.

The vacancy rate for the entire region on average was 3.6% at the end of Q4 with market rents continuing to climb at \$4.37. Net absorption was positive with over 627,000 square feet absorbed. Class A vacancy was 2.7% at quarter end and is projected to continue dropping throughout 2022. Average market rents were \$4.82. Net absorption was positive at 150,000 square feet - a new spec building in New Haven which was leased to Lunar Distribution. Sales for Class A were \$8.75 million. Class B properties had rents around \$4.27, vacancy at 4.4%, and positive net absorption of 1,700 square feet. Class C vacancy is 2.9%, market rent average of \$4.93 and positive net absorption of 475,598 - the second highest absorption over a ten year period.¹

During Q4 there were three spec buildings under construction totaling 475,000 square feet. Two of the properties are 200,000 square feet located in Markle (Huntington County) and Bluffton (Wells County). The third property is located in Kendallville (Noble County). There are five properties proposed for completion in 2022 totaling 230,000 square feet. There are another five planned to deliver in 2023 that will add 717,000 more square feet to the market. The largest is 637,500 square feet and is located in Roanoke in southwest Allen County.

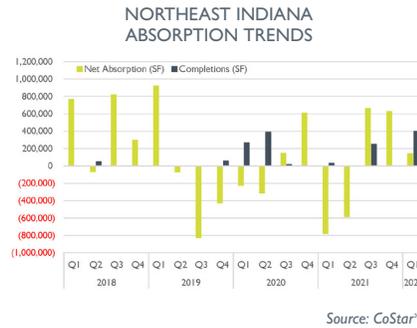
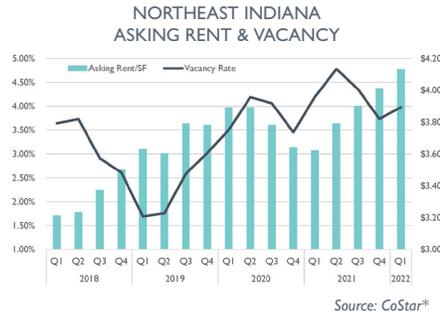
In Noble County, Forest River, an RV manufacturer, purchased three buildings in Ligonier for an expansion that may add 500 jobs. They've also purchased 65 acres to construct three new buildings for another future expansion. The company currently employs 160 in Ligonier.² Elkhart Indiana is known as the "RV Capital of the World" producing 80% of all RVs built in the United States. The industrial market in Elkhart also has a tight supply, so manufacturers are looking at other counties for expansion. Twenty buildings across Noble County have been leased or sold in the past few months. Inventory is low with only older buildings lacking high ceilings that most modern manufacturing requires.³

Other projects in the Northeast region:

- Amazon opened a new fulfillment center near the Fort Wayne International Airport. The 630,000 square-foot facility will employ approximately 1,000 workers.⁴
- Paragon Medical is expanding its Pierceton campus in Kosciusko County. The project represents an investment of \$35 million and will be a 3D printing operation for joint replacements. The 34,000 square-foot addition will be complete by the end of 2022.⁵

TRENDS

- With a lack of supply of Class A properties available, Class B and even some C facilities will attract users.
- Market rents are projected to continue rising through 2022.
- With vacancy already low, and projected to fall, more buildings are needed in the Northeast market.
- There are more spec buildings in the pipeline for 2022 to keep up with demand.



1. CoStar
2. The Indianapolis Business Journal: <https://www.ijb.com/articles/rv-company-plans-indiana-expansion-500-jobs>
3. One Noble County: <https://onenobleco.com/2021/11/01/vacancies-drop/>
4. Inside Indiana Business: <https://www.insideindianabusiness.com/articles/amazon-opens-new-fulfillment-center-in-fort-wayne>
5. Inside Indiana Business: <https://www.insideindianabusiness.com/articles/paragon-builds-16m-3d-printing-center-for-implants>

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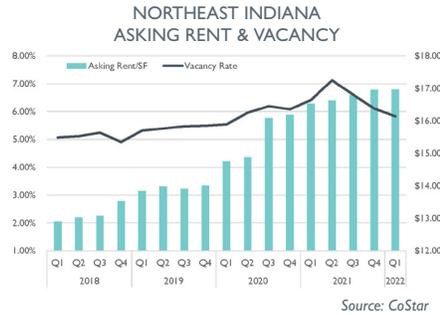
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OFFICE OVERVIEW

OFFICE CONTINUED TO ATTRACT BUYERS IN Q4, BUT MOSTLY IN CLASS B AND CLASS C PROPERTIES

The office sector continues to make progress. After rising vacancy for most of 2020 and 2021, it finally started to decrease in Q3 from 7% for all classes to end at 6% in Q4. Market rents have remained steady around \$16.80 per square-foot. There was positive net absorption of 104,482 square feet. Sales remained strong with a volume of over \$25 million. Class A office is still struggling - the vacancy was 20% in Q4 but has started to decline and is projected to continue to decrease. Market rents have been flat at around \$18.40 per square-foot on average. Market rents for triple net range from \$15-\$16 and full service gross rents range from \$18-\$19 per square-foot. Net absorption was positive for the first time in three quarters with 23,742 absorbed. There were no Class A sales in Q4. Class B is faring better on vacancy with 5.8% in Q4, falling from 8% in Q1. Market rents haven't moved much and are \$16.50. Net absorption was positive at 50,904 square feet. Sales volume was strong for Class B the last three quarters. Q4 had over \$20 million in sales. Class C had the lowest vacancy at 1.8%, market rent was \$16.80, and net absorption was just under 30,000 square feet. Sales volume was \$5 million.¹

- The party supply company Shindigz has struggled during the pandemic. They had relocated to their new downtown Fort Wayne headquarters in 2019 from Whitley County. They temporarily closed in December and haven't reopened yet. They purchased the 5-story 33,000 square-foot Harrison Place building in 2018.² It's unclear if the company will re-open.
- MetalX, a recycling company has relocated their headquarters from Waterloo in DeKalb County to the north side of Fort Wayne. The company employs approximately 50 people. The new office is located at 9910 Dupont Circle Drive East.³
- IU Health is expanding into southwest Allen County in Roanoke near I-69. IU Health purchased 137 acres and is seeking to rezone part of it for a potential future medical campus. Currently the first medical office building is under construction with delivery planned by the end of 2022.⁴
- Parkview Hospital has begun construction on their 88,000 square-foot addition which will double its size and make it a full-service hospital. It will also add 125 jobs. The facility will be renamed Parkview Kosciusko Hospital and plans to finish construction in summer 2023.⁵
- Perpetual Industries, a technology incubator, moved into their new, 22,000 square-foot corporate headquarters Auburn in DeKalb County.



TRENDS

- Class A office vacancy is forecast to decrease throughout 2022. However, absorption may be low due to a lack of users for the foreseeable future.
- Class B and C will continue to perform well in both decreasing vacancy and attracting buyers.
- Office still lags behind other sectors due to the trends accelerated by the pandemic. With less workers returning to the office and changing office layouts, uncertainty remains.

1. CoStar
2. Wane.com: <https://www.wane.com/news/local-news/party-supplier-shindigz-moving-hq-downtown-fort-wayne/#~:text=Shindigz%2C%20a%20party%2Dsupply%20company,streets%20in%20downtown%20Fort%20Wayne.>
3. Inside Indiana Business: <https://www.insideindianabusiness.com/articles/metalx-relocates-hq-to-fort-wayne>
4. Wane.com: <https://www.wane.com/top-stories/construction-underway-on-new-iu-health-medical-complex-in-southwest-fort-wayne/>
5. Inside Indiana Business: <https://www.insideindianabusiness.com/articles/construction-begins-on-parkview-addition-in-warsaw>

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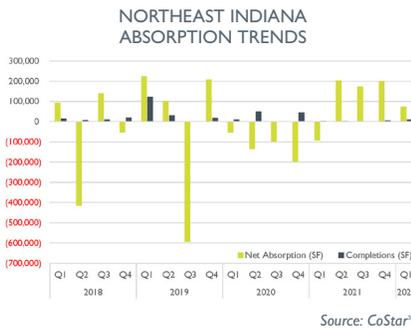
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RETAIL OVERVIEW

RETAIL RECOVERY IS IN FULL SWING WITH LOW VACANCY AND RISING RENTS ACROSS ALL CLASSES

Retail continues to perform well in the Northeast Market. There was positive net absorption for the last three quarters in 2021. Q4 had 202,000 square feet absorbed. Class A retail vacancy was 1.7% at the end of Q4 and is trending downward for Q1 2022 to the lowest vacancy in the past ten years to 0.7%. Market rents didn't move much throughout 2020 staying around \$13.60 but began noticeably rising again in 2021 with a rate of \$14.09 in Q4. Net Absorption was positive, but slight at 2,200 square feet. Class A sales were \$7.6 million. Class B retail is also recovering from 7.2% vacancy in Q1 2021 and falling to 5.4% by year end. Market rents were \$12 and forecast to rise in 2022. There was over 60,000 square feet of positive absorption and sales were \$28 million. Class C also has the lowest vacancy in ten year at 2.9%. Market rents are approximately \$10.77, net absorption was strong with 183,311 square-feet absorbed and sales of just under \$25 million.

- Bradley Company represented the owner in the sale of the former Owen's Supermarket at 302 West Market in Warsaw. The city of Warsaw acquired the site for redevelopment. The city had done a market study suggesting that they would need at least 2,000 residential units by 2024 due to the growth of major employers in the county. The project is designated mixed-use and will include market rate apartments. Plans are still being finalized.²
- Also in Warsaw, the Marketplace of Warsaw, a 183,910 square-foot shopping center sold in November. The new owner, Sullivan Wickley, a developer is planning a major renovation of the property. The center has three large vacancies due to the closures of Carson's, Sears, and Pier 1. Tenants were asked to move to other parts of the center to make way for construction. Dunham's Sports didn't have a space option in the center and decided to close, but is still interested in being in the market.³
- As construction continues, Electric Works has announced more tenants. Chapman Brewery will open a tap room that will also serve as their headquarters. Eight tenants have also signed on for the Union Street Food Hall.
- Cunningham Restaurant Group, based in Indianapolis with several restaurant concepts, has opened their first one in Fort Wayne at The Landing. Marquee at The Landing is described as an "upscale urban bar and restaurant".⁴
- A revitalization of the Shoppes at Glenbrook in Fort Wayne will add Bob's Discount Furniture, Home Goods, Five Below, Boot Barn and Verizon Wireless. There is 3,283 square feet still available.
- Meijer is moving forward with construction on 20.04 acres located off East Dupont Road.



TRENDS

- Class A retail space is becoming scarce in the market.
- Retail leasing pace has significantly picked up in 2021 and seems likely to continue. Net absorption has been positive over the last three quarters of 2021 and projected to be positive in Q1 2022.
- Investor confidence in the retail sector is returning with over \$34 million in sales in Q3.

1. CoStar
2. Kosciusko County Economic Development Corp.: <https://www.kosciuskoedc.com/blog/property-acquisition-marks-important-milestone-in-transformative-downtown-redevelopment-project/>
3. Ink Free News: <http://www.inkfreenews.com/2021/11/2/28/dunhams-among-three-stores-on-the-move/>
4. Inside Indiana Business: <https://www.insideindianabusiness.com/articles/new-concept-for-cunningham-restaurant-group-enters-fort-wayne-market>

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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! 2,615 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

BROKERAGE



BILL DRINKALL
Managing Director
260.755.7836
bdrinkall@bradleyco.com



MARTIN HUTTENLOCKER
Managing Director | Principal
260.423.4311
mhuttenlocker@bradleyco.com



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



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



DAVE HORACEK
Broker
260.755.7824
dhoracek@bradleyco.com



STEVE CHEN
Broker
260.423.4311
schen@bradleyco.com



MADISON WALLACE
Broker
260.479.7474
mwallace@bradleyco.com



CHAD VOGLEWEDE
Broker
260.639.3377
cvoglewede@bradleyco.com



KIRK ZUBER
Senior Broker
574.267.8556
kzuber@bradleyco.com



ALEX REED
Broker
574.306.0790
areed@bradleyco.com