

Market Trends Analysis 2008

John M. Thistlethwaite Interests, LLC



Parkview Hospital's \$490 million investment in the new North Campus

Fort Wayne, Indiana
Real Estate Marketplace
14th Annual Reporting

CRE

THE COUNSELORS OF REAL ESTATE

Time Remaining May Be Advantageous! We have seen real estate cycles before, but none in my 35 years in the real property consulting and appraisal business that have caused such concern. In year's past we looked to Washington D.C. for answers and now we glance around the world. The Fort Wayne real estate marketplace continues to be attractive to investors and users; and we are escaping the large downturns in occupancy rates and development being experienced in other markets of our size.



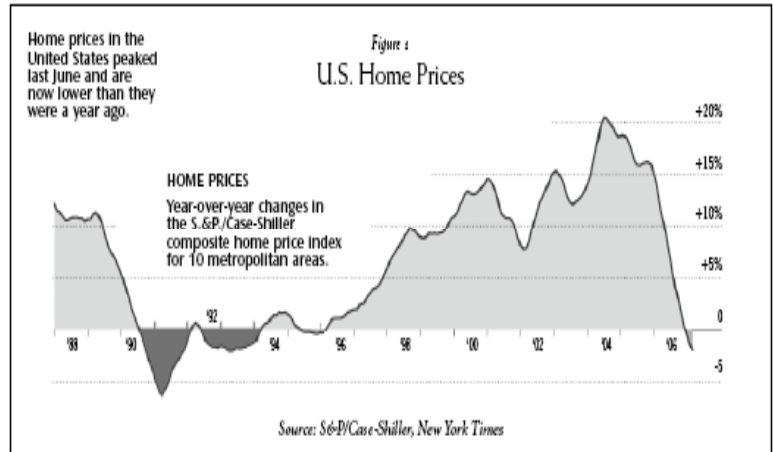
Plenty of sellers out there; but buyers are only in the arena because of necessity, not necessarily as investors. So, what has happened? And, more importantly what is this marketplace to do in the time remaining before the “turnaround,” if there is one? The fast changes in the way people are able to communicate, work and spend their time and money are molding totally new characteristics of marketplace demand for real property, even in the Fort Wayne, Indiana marketplace.

When looking at the commercial/industrial data we hear of April's 60%-80% drop in year-over-year sales; however we also see a 2% increase in single family house sales over 2007--- and then we hear re-sales of houses is the lowest in 10 years! While much activity is supporting the definition of “holding its own” the transfer of properties has had the brakes applied in many areas of the country. In contrast, new house construction permits nationwide were off 2.9% for July, 2008. Who is giving us the correct perspective?

Folks, things are not bad, we are just experiencing a return to normal from a 10 year boon in all sectors of the real estate Industry!

Recently, I read of the local housing construction market: *In AllenCounty, builders last month obtained permits to build nearly 6 percent more houses than in July 2007. Allen County issued 92 home construction permits last month, up from 87 in July 2007. But home construction permits this year remain down 38 percent from the first seven months of 2007, according to the Home Builders Association of Fort Wayne. Builders received 376 permits between January and July, down from 608 during that period last year. So, one good month, at least, amid a 7 month evidence of a downturn.*

Negative confidence and lack of the prior almighty “free flow” of debt financing to leveraged investors that paid little attention to underlying fundamentals of real estate economics....is one theory to blame. So, as most readers of this year’s *Market Trends Analysis, 2008* already know, more conservative lending has lowered debt availability --and the Fort Wayne, Indiana marketplace has seen the same signs as the rest of the nation----but in my opinion, not the extent of such dramatic decreases. When most of the nation’s real estate assets were skyrocketing in value, ours didn’t. A good position to be in during the fall...not so far to drop!



The health care providers continue to be the ones buying the bricks and mortar; and the rest of the sectors are represent the little bit of the market demand left-over.

I remember the vision created by “attitudes certainly change among animals when space is limited at the food trough.” There seems to be plenty of room for buyers now; and as soon as interest rates climb; gas prices lower; war costs end; the presidential election is over and the re-seating of congress comes into focus....we will be able to see it (a cycle) start all over again. In the interim, who knows where and when the “smart money” will flow into real estate. Where’s the bottom?

Well, not so fast. We’ve bucked the “downturn” trends in many aspects of the real estate economy, just consider the following projects for the Fort Wayne area:

<u>Project</u>	<u>Description</u>	<u>Dollar Value</u>	<u>Size</u>
<i>Indiana Bio-Energy</i>	<i>Ethanol plant</i>	<i>\$155 million</i>	<i>419 acres</i>
<i>Harrison Square</i>	<i>Mixed Use</i>	<i>\$91.5 million</i>	<i>CBD</i>
<i>Steel Dynamics</i>	<i>Rolling Mill</i>	<i>\$75 million</i>	<i>550,000 sf</i>
<i>Sweetwater Sound</i>	<i>Office</i>	<i>\$34 million</i>	<i>166,330 sf</i>
<i>IPFW Services</i>	<i>Campus</i>	<i>\$32 million</i>	<i>160,000 sf</i>
<i>Holiday Inn</i>	<i>Hotel</i>	<i>\$18 million</i>	<i>105,000 sf</i>
<i>Vera Bradley</i>	<i>Office</i>	<i>\$18 million</i>	<i>275,000 sf</i>
<i>Parkview Women’s</i>	<i>Hospital</i>	<i>\$15 million</i>	<i>85,000 sf</i>
<i>Wal-Mart</i>	<i>Retail</i>	<i>\$13 million</i>	<i>194,809 sf</i>
<i>IPFW Medical</i>	<i>Building</i>	<i>\$9 million</i>	<i>41,952 sf</i>
<i>Edy’s Ice Cream</i>	<i>Expansion</i>	<i>\$8 million</i>	<i>30,000 sf</i>
<i>Lifeline Youth</i>	<i>New Campus</i>	<i>\$6 million</i>	<i>35,000 sf</i>
<i>Inverness MOB</i>	<i>Office</i>	<i>\$5 million</i>	<i>29,000 sf</i>

“We can’t be in a recession yet” states one in an overheard conversation, “I still have cable TV!” However, Brunswick Corporation, which has a Fort Wayne based boat manufacturing operation states that boat sales are the lowest in 40 years.



Milk sales at convenience stores are estimated to be reduced 30% due to gasoline prices. Fort Wayne has a new mayor and city council. Getting used to that governance will still take some time. But confidence in the national political scene may easily play a larger role in the next couple of years for real estate owners and developers.

The internet is here to stay....but what are we going to do with it? Most businesses can’t get FIOS and still rely on Comcast for their source of high speed data lines; but, office trends and values are being determined on the basis of fiber optic availability.

Industrial trends are being shaped by the future of fuel costs. Apartment occupancies are being fueled by the single family house foreclosures. And retail space demands due to retail sales? We seem to still be spending in Allen County. Will it slow due to personal credit limits? Most likely.

All bad news? No. The State of Indiana is fiscally sound. The real estate tax issues have been addressed. Employment is 95% and higher than the national average. Cost of money is low (but so are CD earnings). For certain, industrial employment is in a shifting phase, but the net effect will rest with the confidence of the historical “hardworking” folks of the Midwest United States.

The roses are blooming in our city parks and traffic flow is better than almost any other city. The housing surge of the last 10 years has backed off; and real estate taxes are becoming more of a burden than ever before.

Allen County retail sales rose 16% between 2007 and 2008; the population is 351,081 persons in 138,572 households, the Median Household Effective Buying Income is \$39,316 and we have 103,950 persons over the age of 50 years.

So, what's going on? What's going on is this: We are moving so fast with change in the real property ownership, management, use, reuse and expected returns to the owner, that we don't know what to buy or build next. So, those with the ability to do so, I say just "try it" and wait to see if the marketplace responds. Capturing the competitor's revenues seem to be easier than creating new demand. For the past several years there has been no unsatisfied demand for retail or office space in the Fort Wayne marketplace; in fact, we have seen an abundance of space added to the marketplace.

Hotel data from the Indiana Hotel & Lodging Association for February, 2007 indicates annualized local market occupancy of only 32.01%. The Elkhart-Goshen and Evansville areas were the only two markets with lower occupancy. The Average Occupied Room Rate was reported at an amazingly low \$31.13. These averages are being dragged down by several lower-rate motels. But, four new Fort Wayne transient accommodations facilities are being built, anyway. While still considered an attractive investment, the motel/hotel facilities are quickly absorbing any increase there may be in rooms demand.



Now, local government is adding to the pot with their efforts to change the way we use the downtown area. Renaissance Pointe's purpose is to build housing in the aged neighborhoods. Local government efforts have even turned a darkened regional mall into a Wal-Mart and Menard's center. Downtown, we have a new ball park.

Major Employers Fort Wayne, Indiana Area 1997-2008							
	1997	2001	2002	2003	2005	2007	2008
Parkview Health Systems	3,231	2,750	2,994	3,648	4,254	5,039	3,883
Lutheran Health Network				2,899	2,889	4,872	3,788
Fort Wayne Community Schools	3,858	3,492	3,488	3,445	3,445	4,161	3,005
General Motors Truck Group	2,949	3,050	3,050	3,050	2,847	2,981	2,966
Allen County Government						1,964	1,800
ITT Aerospace/Optical Division	2,053	2,004	1,443	1,432	1,634	1,910	1,200
City of Fort Wayne	1,655	1,960	1,633	1,671	1,671	1,905	1,804
IU/PU Fort Wayne					1,506		1,144
Scotts Food Stores, Inc.						1,500	
Shambaugh & Son, Inc.				1,580	1,580	1,500	1,300
GTE/Verizon	2,446	2,417	2,383	2,214	1,459	1,459	1,350
Lincoln Financial Group	3,480	2,811	2,813	2,108	1,980	1,491	1,900
East Allen County Schools							1,252
Raytheon Co.							1,055
Steel Dynamics, Inc.							1,040

But, I have always believed that government should not be the driving force of development, rather, the facilitator. On the following pages of this Market Trends reporting to you, we illustrate the quantitative aspects of the real estate marketplace in Fort Wayne and Allen County, Indiana.

I see Retail Vacancy estimates of 15% but only a few percentage points above the 15 year average estimates of 11%. The abundance of "For Sale-For Lease" signs present a perception of more available space than 13%; and industrial space vacancies at 11-12% would be a "turnaround" in most other markets.

But, try to find modern industrial space with interstate orientation, it's in a shortage position. All things considered, we have just experienced the end of a 20 boom....and most call it overbuilding. It's just a resting time, taking a breather, re-generating time for new demand. But not like in the past cycles when we expected to return to "good times."

A couple of other areas of thought rest with “building to green standards” and is it worth it? “Green” lending is still in its infancy because there are few sustainable multi-tenant buildings considered “green”. But, banks in many areas have started to explore the offering of green mortgages.

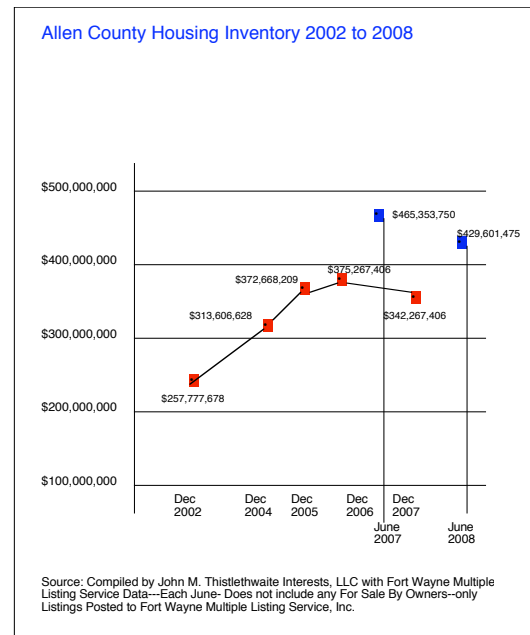
Another thought involves higher property values due to inflation. Normally inflation works in favor of commercial real estate investors, driving up demand for hard assets as a hedge against a weakening currency.

Steel prices are 32% above that of last Spring. Bread and gasoline prices are galloping away. But, where is the inflation in real estate rents and values?

Real Capital Analytics reports office property sales marked the lowest monthly totals in five years---May, 2008 compared to May, 2007, and down 87%. Allen County didn’t follow with that nationwide trend with its sales according to recorded Sales Disclosure Forms.

My calculations of apartment communities Being sold that contain 40+ units show a definite “bottom falling out” experience. In 2006, twelve communities sold with a price of \$80.4 million; in 2007, only six communities sold with a price of \$65.2 million and in 2008 (to August 5th) only one sale totaling \$2.1 million was experienced. Wow.

But the Allen County Sheriff sold \$16.6 million of commercial buildings in 2007. That represents only 3.2% of the \$516.1 million of commercial buildings transactions. Not a foreclosure market by any measurement.



**House Sales Activity
as Reported by Multiple Listing Service
of Fort Wayne, Inc. 1995-2008**

	#Properties		Year End
	<u>Sold</u>	<u>Volume</u>	<u>Inventory</u>
1995	4,642	\$425,523,389	\$201,036,882
1996	4,912	\$474,700,406	\$201,874,779
1997	5,556	\$554,880,670	\$306,134,077
1998	6,022	\$620,209,180	\$324,622,239
1999	5,938	\$642,440,844	\$339,209,115
2000	5,834	\$626,912,553	\$400,303,826
2001	5,933	\$646,278,489	\$472,807,089
2002	5,880	\$666,757,510	\$334,446,632 (Allen Co.=\$257,773,678)
2003	6,354	\$726,325,135	
2004	7,684	\$853,807,354	\$432,853,624 (Allen Co.=\$313,606,628)
2005	7,547	\$892,054,200	\$711,521,650 (Allen Co.=\$372,668,209)
2006	7,712	\$897,904,167	\$544,488,541 (Allen Co.=\$375,815,476)
2007	7,240	\$816,437,906	\$675,484,627 (Allen Co.=\$342,267,406)

6 Month Year-to-Date Comparisons for 2006, 2007 & 2008

2006 (6 mos.)	3,689	\$418,367,623	\$660,385,830 (Allen Co.=\$290,943,868)
2007 (6 mos.)	3,510	\$456,880,287	\$678,689,764 (Allen Co.=\$465,353,750)
2008 (6 mos.)	3,054	\$332,314,322	\$701,266,320 (Allen Co.=\$452,434,500)

Source: Multiple Listing Service of Fort Wayne, Inc.

**Residential Subdivision Development
Listed by Number of Developments, Number
of Lots and Number of Acres Platted Allen County, Indiana
1998-2008**

<u>Year</u>	<u># Developments</u>	<u># Lots</u>	<u># Acres</u>
1998	44	1,608	797
1999	46	1,675	921
2001	36	1,196	692
2002	34	1,472	770
2003	30	1,973	819
2004	35	1,690	700
2005	34	1,313	634
2006	26	1,218	526
2007	17	443	314

6 Month Year-to-Date Comparisons for 2006 & 2007

2006 (6 mos.)	17	806	359
2007 (6 mos.)	10	243	112
2008 (6 mos.)	4	158	72

Lots: Down 85%
from 2006

Source: Allen County Department Land Use Management

Allen County houses for sale on the Fort Wayne Multiple Listing Service totaled \$452,434,500 in listing price at 2007 year end; as compared to \$290,943,868 for year end 2006. On June 1, 2008, there were 3,095 houses listed for sale on the MLS with a listing price total of \$429,601,475.

2008 Housing Trends: Soft for both new and re-sale houses; but no crash. House sales down 15%-20% from Spring 2007; and ½ of Spring 2006 volume.

Analyzing office space availability and demand is no simple task, here in Fort Wayne or nearly anywhere in the nation at the present time. As illustrated here, the office marketplace has been reported by the Fort Wayne-Allen County Economic Development Alliance and shows a big vacancy for the office buildings measured. While only the office buildings with available space have been listed (eliminating owner occupied office buildings) it does give us a sense of high occupancy for this sector of the real estate market in Fort Wayne, Indiana. I have calculated the totals which indicate about 1.8 million sq. ft. available for lease (some assumptions have been made when ranges of space available were indicated), which is about 1/3 of all the space.

<u>Area Sector</u>	<u>Total Office Sq. Ft.</u>	<u>Available</u>	<u>Vacancy Rate</u>	<u>Rental Range</u>
<i>Downtown</i>	32=1,763,685	624,131	35%	\$9-\$16
<i>Northeast</i>	76=1,503,632	345,355	22%	\$10.50-\$20
<i>Northwest</i>	49=695,788	340,619	49%	\$6.50-\$14.50
<i>Southeast</i>	9=218,812	121,066	55%	\$6.50-\$12.50
<i>Southwest</i>	<u>53=867,769</u>	<u>376,705</u>	<u>43%</u>	<u>\$4.75-\$20.00</u>
TOTALS	219 Buildings 5,049,686 sq.ft.	1,807,876	35.8%	\$4.75-\$20.00

**Office Vacancy Rate Estimates
Fort Wayne Area
1992-2008**

	<u>Downtown</u>			<u>Suburban</u>		
	<u>New</u>	<u>Class A</u>	<u>Class B</u>	<u>New</u>	<u>Class A</u>	<u>Class B</u>
1992	15%	5%	12%	25%	15%	15%
1993	15%	5%	15%	25%	15%	15%
1994	No est.	28%	16%	No est.	51%	19%
1995	0%	8%	18%	No est.	12%	13%
1996	0%	5%	25%	No est.	8.6%	12%
1997	No est.	5%	11%	No est.	8.0%	12%
1998	No est.	3%	24%	No est.	4.0%	10%
1999	No est.	7%	15%	No est.	5.0%	8%
2000	No est.	17%	20%	No est.	12%	12%
2001	No est.	6.5%	14.3%	No est.	2.2%	13.5%
2002	No est.	12.0%	18.0%	55.00%	10.0%	15.0%
2003	No est.	12.00%	18.00%	55.00%	10.0%	15.0%
2004	No est.	18.0%	22.0%	No est.	18.0%	22.0%
2005	No est.	20.0%	25.0%	No est.	15.0%	12.0%
2006	No est.	30.0%	25.0%	No est.	20.0%	18.0%
2007	No est.	33.0%	27.0%	No est.	24.0%	27.0%

Source: NAI Global/NAI Harding Dahm & Company

2008 Office Trends: Highest vacancy I've ever seen. Huge supply of suburban space. But the good news is no overbuilding presently. Should be in balance in 1-2 years.



**Office Rental Rates
Fort Wayne Area 1996-2007**

		<u>Downtown Office Space</u>			<u>Suburban Office Space</u>		
		New	Class A	Class B	New	Class A	Class B
1996	Low	\$17.00	14.00	10.00	No est	12.00	10.00
	High	\$18.00	18.00	14.00	No est	15.00	12.00
	Eff. avg.	\$17.50	16.00	12.00	No est	13.00	11.00
1997	Low	No est.	14.00	10.00	No est	12.00	10.00
	High	No est.	18.00	14.00	No est	15.00	12.00
	Eff. avg.	No est.	16.00	12.00	No est	13.50	11.00
1998	Low	No est.	16.00	10.00	No est.	13.00	10.50
	High	No est.	20.00	13.50	No est.	16.50	13.75
	Eff. avg.	No est.	17.00	12.50	No est.	14.50	12.00
2000	Low	No est.	15.50	10.50	No est.	11.50	10.00
	High	No est.	20.00	15.00	No est.	17.50	13.50
	Eff. avg.	No est.	17.50	12.50	No est.	13.50	12.00
2003	Low	No est.	14.00	10.00	15.00	15.00	12.00
	High	No est.	17.00	14.00	17.00	18.00	14.00
	Eff. avg.	No est.	No est.	12.00	17.00	16.00	12.00
2004	Low	No est.	15.00	12.00	No. Est.	14.50	10.00
	High	No est.	18.50	13.50	No. Est.	17.95	13.00
	Eff. avg.	No est.	15.00	12.00	No. Est.	16.00	12.00
2005	Low	No est.	12.00	11.00	No. Est.	14.50	12.00
	High	No est.	18.00	12.50	No. Est.	18.00	16.00
	Eff. avg.	No est.	12.50	11.50	No. Est.	14.00	12.10
2006	Low	No est.	12.00	11.00	No. Est.	14.00	11.00
	High	No est.	16.00	12.50	No. Est.	17.00	14.00
	Eff. avg.	No est.	12.50	11.50	No. Est.	14.00	12.10
2007	Low	No est.	11.00	10.00	No. Est.	14.00	10.00
	High	No est.	15.00	12.00	No. Est.	20.00	14.00
	Eff. avg.	No est.	12.00	11.00	No. Est.	14.00	11.50

Source: NAI Global/NAI Harding Dahm & Company

Estimates of per square foot charge per year on gross basis.

Employment	Feb. 1997	Jan. 2001	June 2005*	June 2006	2007	2008
Fort Wayne MSA (persons)	260,630	263,280	213,820	225,414		203,322
Allen County	167,840	173,940	181,040	179,272		172,046
# Mftg. Employees- Allen County	40,972	39,926	32,268	28,589	35,542	33,138
# Mftg. Establishments- Allen County	624	644	697	686	758	741

Current Unemployed= 6.4% July 2008

*Sources: Indiana Department of Labor & Harris Industrial Directory
* New Approach to City-Level Unemployment Estimates by
Indiana Department of Workforce Development*

Population	Jan. 1997	Jan. 2001	Jan. 2004	Jan. 2005	Jan. 2006	Jan. 2008
Fort Wayne MSA (persons)	477,000	483,400	511,500	562,300	565,000	412,412*
Allen County	311,902	315,700	339,000	342,000	344,100	351,081
City of Fort Wayne	187,000	212,900	221,470	220,468	254,062	250,086
Allen County Households	118,800	121,500	132,800	133,400	134,800	138,572

**redefined to a SMA*

Retail Sales (\$billion)						
Fort Wayne MSA	\$4.336	\$4.666	\$6.265	\$6.986	\$7.365	\$6.178*
Allen County	\$3.089	\$3.266	\$4.328	\$4.532	\$4.715	\$5.482
City of Fort Wayne	\$2.558	\$3.060	\$3.315	\$3.440	\$3.583	\$3.710

**redefined to a SMA*

Effective Buying Income (\$billion)						
Fort Wayne MSA	\$7.587	\$8.353	\$9.166	\$9.792	\$10.158	\$10.62
Allen County	\$5.199	\$5.716	\$6.289	\$6.218	\$6.466	\$6.764
City of Fort Wayne	\$2.765	\$3.419	\$3.285	\$3.187	\$3.264	\$3.298

*Source: Sales and Marketing Management
2008 Survey of Buying Power*

Note: The annual *Survey of Buying Power* is once again being published. The self-proclaimed “motherlode of data” is back for 2007-2008.

Medical, medical...everywhere. Here and in every city in the nation. Always a bigger and bigger demand for medical and health services. The photo below is the new medical office building for 1st Care Family Physicians; owned privately. What a switch. But few owner-occupied physician offices these days.



Over the next five years, Parkview North Hospital plans 1.2 million sq. ft. of health care/hospital space, starting with the \$20 million expansion to 75,000 sq. ft. of obstetrics, labor delivery and neonatal intensive-care areas.



Cover Photo

Development Land Prices-Fort Wayne Area

	Low	High
In Office Park	\$ 120,000 per acre	\$175,000 per acre
In Industrial Park	\$ 55,000	\$ 76,000
Office/Industrial-Non Park	\$ 65,000	\$130,000
Residential	\$ 13,000	\$ 44,000
Retail	\$175,000	\$800,000

**Vacancy Rate Estimates
Retail Space Vacancy Estimates
Fort Wayne Area**

	<u>North/West Quadrant</u>							<u>South/East Quadrant</u>						
	1998	2002	2003	2004	2005	2006	2008	1998	2002	2003	2004	2005	2006	2008
A Space	10%	15%	15%	15%	15%	15%	17.39%	20%	35%	30%	30%	25%	25%	15.32%
B Space	10%	15%	20%	20%	20%	25%		10%	35%	30%	30%	30%	30%	

	<u>North/East Quadrant</u>							<u>South/West Quadrant</u>						
	1998*	2002	2003	2004	2005	2006	2008	1998*	2002*	2003	2004	2005	2006	2008
A Space	5%	15%	10%	15%	10%	15%	12.54%	15%	10%	5%	10%	10%	10%	
B Space	10%	20%	20%	25%	20%	25%		20%	15%	10%	15%	15%	15%	10.53%

Sources: The Zacher Company has brought validity to our Retail Space Vacancy reporting for 2008. Prior quadrant names have been adjusted to match The Zacher Company estimates. Prior Estimates shown by John M. Thistlethwaite Interests, LLC. and Interwest Consulting Group, Inc. 2003 Inventory of Major Retailers used by John M. Thistlethwaite Interests, LLC in 2003-6 estimates.

**Vacancy Rate Estimates by Space Quality (A and B Grade)
Retail Space-Entire Market Area
Fort Wayne Area**

	1997	1998	2001	2003	2004	2005	2006	2007	2008	
A Space		10%	12%	15%	8%+	8%	4-8%	10%	15%	14.39%
B Space		20%	20%	25%	8%+	10%	4-8%	20%	25%	

Source: The Zacher Company – 2008 Retail Vacancy Survey. Prior Estimates (1997-2007) shown by John M. Thistlethwaite Interests, LLC. and Interwest Consulting Group, Inc.

+ Not reflective of sub-lease market supply use

Retail Space Rental Rates—by Retail Center Type Fort Wayne Area 2001-2008

<u>Estimated Vacancy</u>							<u>2008</u>			
							<u>Low</u>	<u>High</u>	<u>Eff Avg.</u>	
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>				
11%	8%	8%	8%	6.0%	8%	18%	Neighborhood Center	\$ 5.00	\$22.00	\$12.75
2.7%	3.5%	3.5%	5%	5.0%	8%	10%	Regional Malls	\$10.00	\$45.00	\$30.00
7%	5.5%	35.5%	4%	3.0%	7%	13.7%	Community Center	\$ 5.00	\$22.00	\$16.00

Source: NAI Harding Dahm & Company 2008 Real Estate Planning Guide



2008 Retail Trends : Good thing for slow growth! So, we are “holding our own” at 14-15% overall vacancy. Several changes are taking place in the character of retail stores.

**Industrial Rental Rates
Fort Wayne Area
1998-2007**

		<u>Bulk Warehouse</u>	<u>Manufacturing</u>	<u>Hi-Tech/R & D</u>
1998	Low	\$1.75	\$2.25	\$4.00
	High	\$3.75	\$4.25	\$6.00
	Eff.Avg.	\$3.00	\$3.50	\$4.75
2000	Low	\$1.50	\$2.25	\$6.00
	High	\$3.90	\$4.50	\$8.00
	Eff.Avg.	\$2.75	\$3.85	\$7.00
2005	Low	n/a	\$2.20	n/a
	High	n/a	\$5.50	n/a
	Eff.Avg.	n/a	\$3.50	n/a
2006	Low	n/a	\$2.20	n/a
	High	n/a	\$5.50	n/a
	Eff.Avg.	n/a	\$3.50	n/a
2007	Low	\$1.75	\$2.00	\$5.90
	High	\$2.00	\$5.90	\$8.00
	Eff.Avg.	\$5.90	\$3.95	\$6.95

Source: NAI Harding Dahm & Company 2008 Real Estate Planning Guide

**Northeast Indiana Industrial Development and Retention
Trends by Number of New Developments, Existing Employers
Expanding, Cost of Development and Number of Jobs
1993-2007**

<u>Year</u>	<u># Projects</u>	<u>New/Expansions</u>	<u>\$ Invested</u>	<u>#New Jobs</u>
1993	91	24/67	\$180,000,000	3,000 persons
1994	109	24/85	\$914,000,000	4,600
1995	126	30/96	\$624,000,000	3,460
1998	113	19/94	\$504,000,000	2,589
1999	133	33/100	\$423,000,000	3,509
2000	163	43/120	\$298,000,000	2,343
2001	112	24/88	\$181,000,000	1,851
2002	145	25/120	\$294,000,000	2,014
2003	106	34/72	\$272,505,721	1,962
2004	151	44/107	\$323,988,377	3,428
2005	162	38/124	\$700,969,873	4,691
2006	159	39/120	\$1,013,072,049	3,855
2007	158	46/112	\$750,885,225	2,625

Source: Northeast Indiana Development/Lincoln Schrock

**Industrial Space Inventory
and Vacancy Estimates
2006 and 2007**

	<u>2006</u>	<u>2007</u>
Estimate of Total Industrial Space	37,022,581 sq. ft.	37,881,618 sq. ft.
Estimate of Vacant Space	3,960,968 sq. ft.	3,158,864 sq.ft.
Vacancy Rate	10.7%	8.34%

Source: The Zacher Company



**Industrial Vacancy Rate Estimates
Fort Wayne Area 1992-2007**

	<u>Bulk Warehouse</u>	<u>Manufacturing</u>	<u>R&D</u>
1992	17%	9%	10%
1993	No est.	No est.	No est.
1994	No est.	No est.	No est.
1995	10%	6%	10%
1996	10%	5%	5%
1997	4%	4%	10%
1998	10%	10%	10%
2000	15%	8.0%	No est.
2001	22%	16.0%	No est.
2002	10%	8%	No est.
2004	10.7%	Re: SIOR estimate for entire market	
2004	8%	8%	6%
2005	n/a	5%	No est.
2008	13.0%	13.0%	No est.

Source: NAI Harding Dahm & Company 2008 Real Estate Planning Guide

2008 Industrial Trends: Slow but certain increases for industrial rates; but in contrast, lower sale prices on a sq.ft. basis. Soaring construction costs (steel prices) are causing a look towards existing building use rather than building new. Slow park growth.

**Multifamily Residential Occupancy Estimates
Allocated by Units and Occupancy Percentage-
Conventional Market
Fort Wayne Market Area**

	<u>ALL UNITS</u>		<u>CONVENTIONAL</u>		<u>SUBSIDIZED UNITS</u>	
	<u>Total Units</u>	<u>%Occupancy Reported</u>	<u>Total Units</u>	<u>%Occupancy Reported</u>	<u>Total Units</u>	<u>% Occupancy Reported</u>
March 1991	9,160	90.53%				
February 1992	5,765	83.9%				
July 1993	14,013	93.13%				
February 1994	15,693	94.65%				
July 1995	15,416	94.10%				
July 1996	15,254	93.80%				
July 1997	16,343	94.25%				
Sept 1998	20,038	97.70%				
December 1999	17,077			88.73%		94.98%
December 2000	18,776	89.31%	15,484	88.03%	3,292	95.41%
March 2003	16,899	89.44%	14,175	88.04%	2,724	96.81%
June 2004	16,971	88.78%	14,513	87.98%	2,458	93.57%
March 2005	18,338	87.47%	15,591	86.43%	2,747	93.45%
March 2007	18,183	91.76%	15,194	91.41%	2,989	95.16%

Source: Apartment Association of Fort Wayne and Northeastern Indiana



2008 Multi-family Trends: We are filling apartments with residents of foreclosure houses. No influence from institutional investors in our markets as their attention has been focused towards senior living and health care facilities. Still attractive if the real estate taxes and rising operating costs don't become a larger burden.

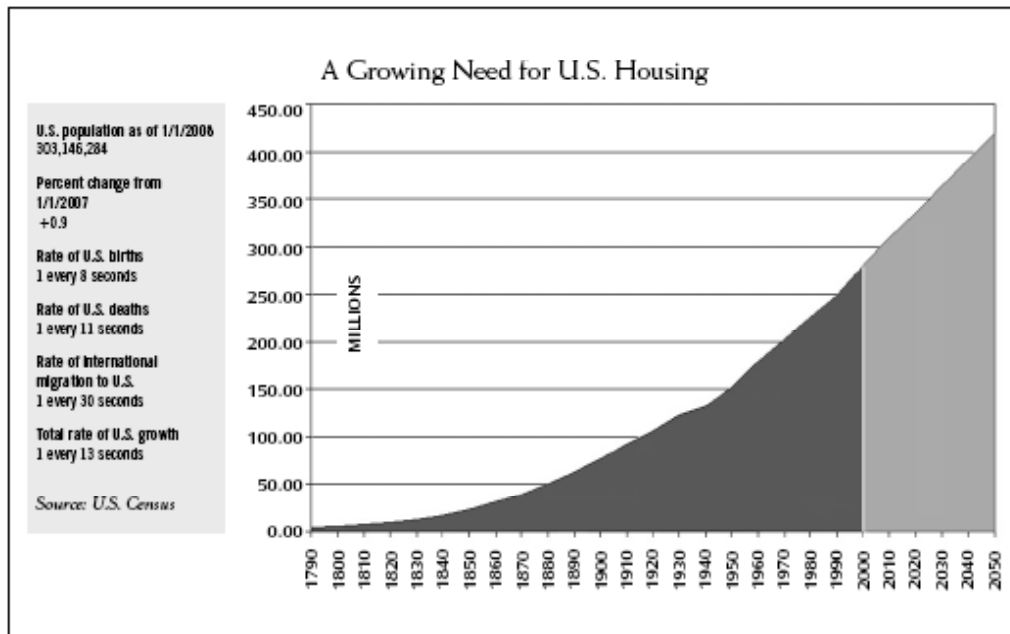
Building Permits Listed By Category Allen County and City of Fort Wayne 1998-2008

Allen County	Single Family Residential		Commercial	
	# Permits	Estimated Cost	# Permits	Estimated Cost
1998	1,732	\$274,206,059	64	\$45,923,030
1999	1,817	\$302,796,145	59	\$57,125,848
2003	1,623	\$298,121,205	46	\$56,390,913
2004	1,476	\$286,344,952	43	\$50,989,804
2005	1,452	\$282,681,366	35	\$61,453,854
2006	911	\$182,416,246	33	\$61,219,520
2007	700	\$147,066,895	29	\$51,932,708
2007 (6 mos)	414	\$ 80,180,434	9	\$13,575,000
2008 (6 mos)	289	\$ 59,037,307	15	\$27,321,251

City of Fort Wayne

1998	188	\$20,656,079	50	\$27,290,188
1999	159	\$18,679,009	57	\$55,049,104
2003	295	\$41,176,040	69	\$46,693,404
2004	292	\$39,292,456	65	\$84,675,201
2005	299	\$44,338,103	72	\$60,407,728
2006	225	\$34,309,669	62	\$65,601,595
2007 (6 mos)	74	\$11,669,927	27	\$65,601,595
2008 (6 mos)	87	\$12,022,799	29	\$46,771,001

Source: Homebuilders Association of Fort Wayne



Many have waning optimism, but basic measurements of the economy are strong.....but this is a presidential election year, our governor is standing for re-election and many are wondering what to do with local offices such as township assessors.

We fear rising vacancies. But, we have been protected, at least until now, from the "trends" affecting the retention of tenants such as multimedia conference rooms, wireless internet access, concierge services, new security systems and even attempting to comply with the temptation, but economically infeasible task, to "go green" with ecologically friendly designs and features for all types of buildings. Some tenants in larger markets believe it is important to their employees to work in buildings that have been "certified green". Not in this marketplace, yet.

While our Fort Wayne market receives the waves of many of the issues facing the rest of the nation, we remain "a long way away" from the extremes and high volatile experiences of the larger marketplaces. Even in a "down" market, the Fort Wayne industry leaders are savvy investors and managers in that they are responsive to the expectations, but always ready to act on timely opportunities.



Disclaimer:

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