

Market Trends Analysis 2013

John M. Thistlethwaite Interests, LLC



Revitalization of the Fort Wayne Urban Core

Fort Wayne, Indiana
Real Estate Marketplace
19th Annual Reporting

Greetings in 2013:

Each day we are told “things are improving” in both the residential and commercial real estate sectors, but this “improvement” has yet to bring us back to the robust levels of 2005-2006-2007 and other “zero years”.

While it appears those robust levels are not going to re-appear, each sector of the Fort Wayne, Indiana real estate sector is improving-----and to a point where it appropriate to ask, “what is wrong?”

2012 can be framed as the 1st real recovery year. We find the trends in the residential housing industry to be improving; actually going toward a “seller’s market” with inventory down by 7.4% and only 4.8 month’s supply of housing. Industrial and office vacancies are down to 6.84% and 16.6%.

The Northeast Indiana Industrial Development and Retention Trends show 3,000 new jobs added and only 548 lost to plant closings/downsizings; this being a positive show of force by the private marketplace.

During these times of modest gains in each property sector, the Fort Wayne, Indiana marketplace is following the trends of vacancies found nationwide for office (16%); industrial (9%); retail (10%) and the current shining star of multifamily (4%).

Housing values, housing starts, housing inventory and rental residential dwellings still drive the economy. The \$30 million housing tower proposed for downtown Fort Wayne is evidence of confidence in the local demand---especially for a return to urban style living.

The continuing resilience of the private marketplace amazes me more every day. What strengths! Just when both residential and commercial/industrial markets start to bounce back....another government uncertainty seems to appear. But, the private sector continues to survive roadblocks. Investor confidence soars, enthusiasm defies obstacles such as higher taxes, sequestration and rising interest rates.



Anthony Wayne
Condominiums



The Harrison

The NREI/Marcus & Millichap Investor Sentiment Index reached a new record high--- climbing from a mark of 174 in the first quarter of 2013 to 180 in the second quarter--the highest level since the index launched in 2004. The current reading also is nearly double the mark of 91 that was achieved at the low point of the Great Recession in 2009.

The cover drawing on this report and the photos on this and the prior page describe a growth and renovation of the Fort Wayne urban core: downtown. Plans are being made for riverfront development.

Current unemployment is 7.2% of the August workforce.

Commercial real estate brokers report robust activity, need for industrial space with modern accommodations and 30' ceiling heights.

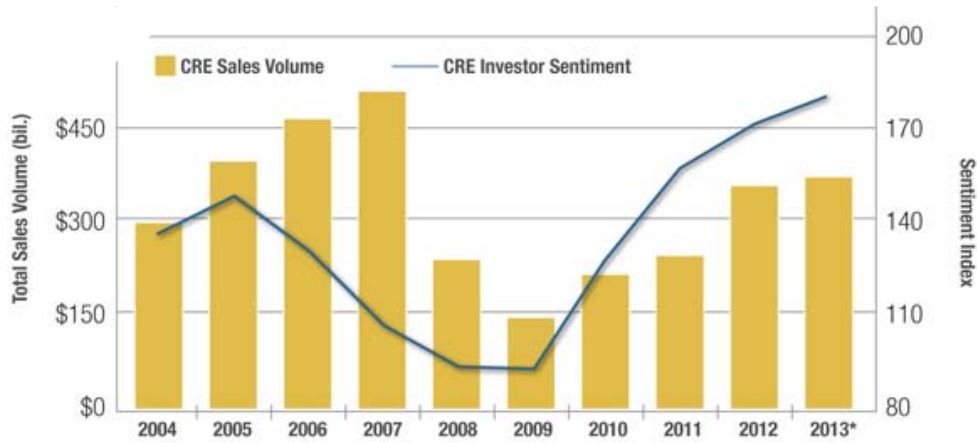
The office and retail demand continues to show some positive signs of strength as reported below, real estate projects in 2013 include:



Randall Lofts Apartments

- Ash Brokerage 95,000 sq. ft. office center announced with plans for 80 apartments, 10-14 residential condominiums and 6 street-front townhouses in downtown. \$71 million.
- Italy-based Coram Group will start manufacturing in the Summit Industrial Park.
- Vera Bradley will invest \$26.6 million to expand the design center and create 128 new jobs.
- Ground Effects will build a new facility on Aboite Road near the GM plant and hire up to 160 persons.
- Voss Automotive is building a new North American headquarters building at Hillegas Road and I-469
- Brotherhood Mutual Insurance Company is expanding with a new 54,395 sq. ft. building and adding payroll services for churches employing over 100 persons.
- Sweetwater Sound is adding a 110,000 sq.ft. to the US 30 office and warehouse building. As many as 315 employees are expected to be added to the existing workforce of 413 persons.

FIGURE 1. INVESTOR SENTIMENT INDEX HAS ALSO BEEN A STRONG INDICATOR OF CRE CAPITAL FLOWS



* Forecast
 2012 investor sentiment index: 171; 2Q 2013 investor sentiment index: 180 Includes all apartment, office, retail and industrial sales \$1 million and greater. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., M&M/NREI Investor Survey

Northeast Indiana Regional Partnership reports the following accolades in 2013:

Indiana ranks #1 best place to do business in the Midwest & #5 nationwide

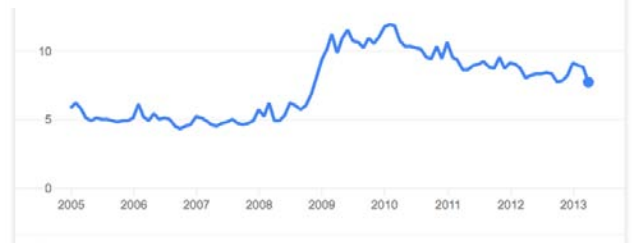
Fort Wayne MSA ranks #13 in job growth out of 200 cities nationwide

Fort Wayne MSA is 1 of only 23 MSAs (out of 372) to outperform the nation in economic growth for 23 consecutive months

Fort Wayne MSA ranks #1 in the nation for new job creation

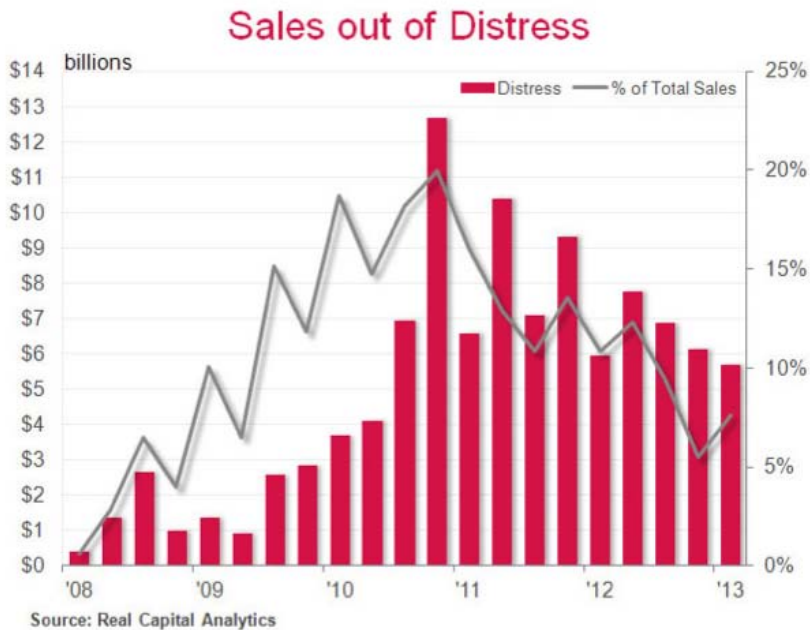
Even in this current era of uncertainty, the Fort Wayne and Northeast Indiana area continues onward with confidence and commitment for a growing economy.

7.2% (Apr 2013)
Allen County Unemployment Rate



Sources Include: U.S. Bureau of Labor Statistics

Stress and distress remains in the Fort Wayne marketplace, however. Through July, 2013 only 498 new housing permits were issued (both city and county); and 32 commercial permits for new construction totaled \$65,532,194. The total permits and amounts for 12 months in 2012 were reported as: 54 permits for commercial construction (\$130,206,492); and 691 new housing permits for \$156,206,130 spent on single family dwellings. This trend in housing is identified as “growing” but certainly not recovered from the 2009 start of the recession in the homebuilding industry. The \$119 million in spending by the Fort Wayne Community Schools will certainly influence this level of building activity.



Nationwide Trend Showing Distressed Sales are Slowing but Remain High When Viewed for the Past 6 Years

The number of employed in the Fort Wayne MSA remains below 200,000 persons.

Year	Employment
2005	202,092
2006	205,504
2007	206,129
2008	203,648
2009	191,279
2010	190,460
2011	193,727

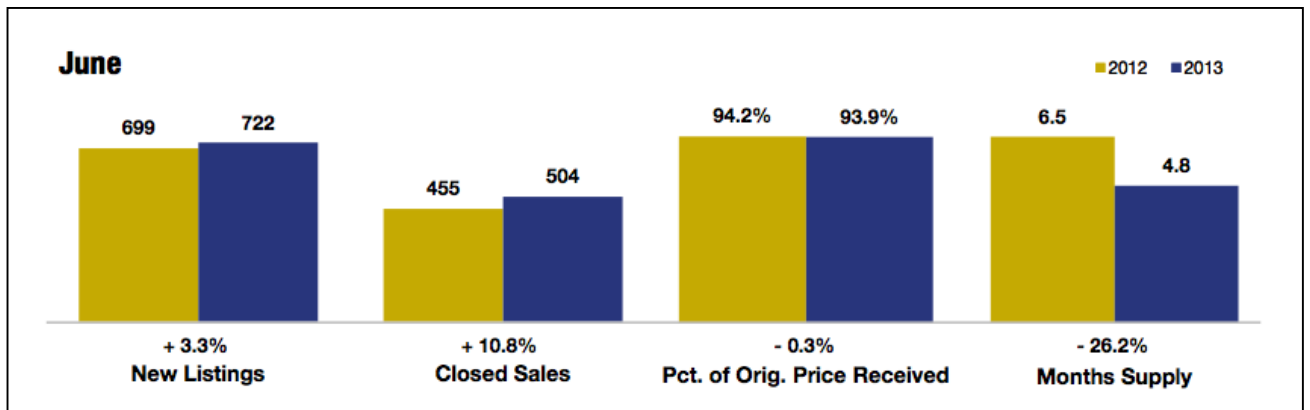
**Residential Subdivision Development
Listed by Number of Developments, Number
of Lots and Number of Acres Platted Allen County, Indiana
1998-2012**

<u>Year</u>	<u># Developments</u>	<u># Lots</u>	<u># Acres</u>
1998	44	1,608	797
1999	46	1,675	921
2005	34	1,313	634
2006	26	1,218	526
2007	17	443	314
2008	3	132	58
2009	4	101	30
2010	9	323	145
2011	9	265	121

**January to June
6 Month Year-to-Date Comparisons for 2006 to 2012**

2006 (6 mos.)	17	806	359
2007 (6 mos.)	10	243	112
2008 (6 mos.)	4	158	72
2009 (7 mos.)	1	23	6
2010 (8 mos.)	5	175	109
2011 (9 mos.)	9	265	121
2012 (6 mos.)	4	140	85

Source: Allen County Department of Planning Services



**Allen County House Sales Activity
as Reported by Upstate Alliance of Realtors
Multiple Listing Service, Inc. 2002-2013**

	<u>#Properties Sold</u>	<u>Median Sale Price</u>	<u>Total Dollar Volume</u>	<u>Average Days On The Market</u>	<u>Year End Inventory</u>
2002	4,626	\$ 97,000	\$534,353,178	43	\$257,773,678
2003	5,184	\$ 97,000	\$558,365,996	83	\$288,073,254
2005	5,525	\$105,000	\$673,338,465	88	\$372,668,209
2006	5,616	\$102,500	\$670,805,959	97	\$375,815,476
2007	5,001	\$103,000	\$594,302,822	98	\$342,267,406
2008	4,439	\$ 97,000	\$494,059,050	112	\$347,287,000
2009	4,555	\$ 98,000	\$513,282,433	109	\$309,078,002
2010	4,192	\$104,000	\$504,138,660	<u>Months Supply</u>	\$283,216,290
2011	4,045	\$103,900	\$493,552,420	5.6	\$255,889,566
2012	4,492	\$110,000	\$494,120,000	4.4	\$195,500,000

January to June

6 Month Year-to-Date Comparisons for 2005, 2006, 2007, 2008, 2009 & 2010

2005	2,670	\$104,900	\$316,718,244	93	
2006	2,773	\$ 98,900	\$319,856,625	98	
2007	2,569	\$102,000	\$298,923,764	104	
2008	2,190	\$100,000	\$249,936,116	115	
2009	1,949	\$100,000	\$215,381,721	118	
2010	2,381	\$103,000	\$279,217,336	108	
2011	1,875	\$103,500	\$225,325,148	<u>Months Supply</u>	\$372,795,000
2012	2,148	\$107,500	\$207,801,553	6.5	\$327,021,118
2013	2,379	\$109,900	\$261,452,100	4.8	

Source: The Upstate Alliance of REALTORS® Multiple Listing Service Inc.

Trends in Housing 2013:

Initial year of real recovery for house sales. New house construction remains at below 700 permits for 2012 compared to 1,452 permits in 2005 and 1,732 permits in 1998. This “little activity” trend is expected to remain.

Confidence of the house-buying public for existing houses is strong. Preferences for “in town” living are expected by the younger families.

Retail Space Vacancy Rate Estimates Fort Wayne Area

2013 Overall Market Vacancy: 14.7%
2013 Total Sq.Ft. in Marketplace Surveyed: 13,987,250

North/West Quadrant

	CBRE			Zacher Co.		
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
All Space*	17.3%	16.8%	16.5%	9.2%	9.70%	7.9%

South/East Quadrant

	CBRE			Zacher Co.		
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
All Space*	15.3%	24.1%	15.8%	32.31%	28.0%	31.4%

North/East Quadrant

	CBRE			Zacher Co.		
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
All Space*	12.5%	15.1%	12.9%	26.0%	22.0%	17.4%

South/West Quadrant

	CBRE			Zacher Co.		
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
All Space*	10.5%	13.9%	9.4%	12.0%	10.7%	10.2%

Sources: 2010 by CBRE Sturges and 2011, 2012 & 2013 by The Zacher Co.



150,000 sq.ft. Costco Superstore and 122,000 sq.ft. Carson's Contributed to the Retail Space Inventory in the Local Marketplace in 2013

Trends in Retail Properties 2013:

New store openings out-paced closings 30:3 in 2013. Glenbrook Commons retail center received Marshall's, Burlington Coat Factory, Dunham's Sporting Goods and Goodwill Industries. NW and NE Quadrants showed increased occupancy rates. Still 16 Big Box stores closed according to The Zacher Co. Retail Market Survey (total of more Than 1 million sq. ft.)

Two former Kroger stores were converted to self storage uses.

Multifamily Residential Occupancy Estimates Allocated by Units and Occupancy Percentage 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 2007	18,183	91.76%	15,194	91.41%	2,989	95.16%
June 2008	13,667	94.86%				
December 2008	15,189	91.12%	13,739	90.63%	1,450	95.79%
April 2009	13,700	91.97%	12,604	91.64%	1,096	95.89%
June 2009	14,315	89.13%	13,097	88.41%	1,218	96.88%
April 2010	15,011	94.12%	13,807	90.32%	1,204	97.84%

Source: Apartment Association of Fort Wayne and Northeastern Indiana

<i>2011</i>	<i>17,479</i>	<i>91.2%</i>	<i>(end of 2010)</i>
<i>2012</i>	<i>17,336</i>	<i>92.4%</i>	<i>(end of 2011)</i>
<i>2013</i>	<i>17,086</i>	<i>93.7%</i>	<i>(end of 2012)</i>

Source: Tikjian Associates- Multihousing Investment Advisors



Trends in Multi-family Residential Properties 2013:

Rents and occupancy continue at high levels. Demand continues to be credited to the record amounts of single family house foreclosures. Multi-family properties continue to lead the list of “most desired” of all of the real property investments.

**Northeast Indiana Industrial Space Inventory
and Vacancy Estimates
2009-2010-2011-2012-2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Space Inventoried sq.ft. in Regional Industrial Survey	58,892,837	78,212,693	87,418,951	93,215,356	94,829,768
Estimate of Vacant Space sq.ft.	5,713,783	9,551,298	8,446,767	6,259,648	6,726,541
Vacancy Rate	9.7%	12.21%	9.66%	6.6%	6.84%

Net absorption in 2013 was 3,044,000 sq. ft. The total vacant area was 6,727,000 sq. ft. Net absorption in 2012 was a substantial increase from 2011 and was 3,801,531 sq. ft. as compared to 2011 total of 1,607,824 sq. ft. which was a significant turnaround from the reported negative absorption of 3,462,815 sq. ft. experienced in 2010.

Source: The Zacher Company

**Northeast Indiana Industrial Development and Retention
Trends by Number of New Projects, Expanded Projects
Monetary Investment and Influence on Jobs
2002-2012**

<u>Year</u>	<u># Projects</u>	<u>New/Expansions</u>	<u>\$ Invested</u>	<u>#New Jobs</u>	<u>Jobs Lost Due To Plant Closing/Downsizing</u>
2002	145	25/120	\$294,000,000	2,014	2,700
2003	106	34/72	\$272,505,721	1,962	2,811
2004	151	44/107	\$323,988,377	3,428	1,238
2005	162	38/124	\$700,969,873	4,691	2,129
2006	159	39/120	\$1,013,072,049	3,855	2,860
2007	158	46/112	\$750,885,225	2,625	1,721
2008	145	37/108	\$250,015,984	2,853	4,368
2009	154	54/100	\$207,563,981	4,089	3,042

Source: Northeast Indiana Development/Lincoln Schrock

2010	126	126	\$320,800,000	4,533	1,413
2011	157	18/139	\$870,000,000	4,747	933
2012	130	10/117	\$524,000,000	3,000	548

Source: Community Research Institute, Northeast Regional Partnership

Trends in Industrial Properties 2013:

Pressures for new speculative-built buildings are being felt by local brokers in 100,000 to 250,000 sq. ft. sizes (with 30' ceiling height). The Industrial sector in the Fort Wayne and Northeast Indiana Marketplace has reached a stabilization for Class A and B properties. We expect to see a response to the need for additional industrial buildings.

OFFICE BUILDINGS WITH VACANCIES INVENTORY-2012

<u>Area Sector</u>	<u>Total Office Sq. Ft.</u>	<u>Available</u>	<u>Vacancy Rate</u>	<u>Rental Range</u>	<u>2010 Estimates</u>	<u>2012 Estimates</u>	<u>2013 Estimates</u>
<i>Downtown</i>	22=1,519,529	279,182	18.3%	\$8-\$15	9.62%	11.07%	9.0%
<i>Northeast</i>	38=828,172	275,444	27.2%	\$6-\$19.50	19.65%	35.33%	31.7%
<i>Northwest</i>	50=560,620	286,846	41.79%	\$6-\$14.75	12.28%	11.13%	9.4%
<i>Southeast</i>	7= 218,812	121,066	51.1%	\$4.75-\$19.28	41.42%	15.85%	18.4%
<i>Southwest</i>	37=1,775,492	578,890	32.6%	\$8.50-\$19.00	22.68%	29.86%	23.2%
TOTAL	154=5,008,587	1,589,819	31.74%	\$6-\$19.50	16.42%	19.57%	16.6%

Total Office Space in 2013 Survey
 Totaled 2,143,979 sq.ft.



Trends in Office Properties 2013:

The 23% vacancy in SW Fort Wayne remains the highest in the area, but down from 30% in 2012. Office space users in the Class A space are the active players, as is the national trend. The overall 16.6% vacancy is equal to the national average vacancy for office space.

**Building Permits Listed By Category
Allen County and City of Fort Wayne
2007-2012**

Allen County	Single Family Residential		Commercial	
	# Permits	Estimated Cost	# Permits	Estimated Cost
2007	700	\$147,066,895	29	\$ 51,932,708
2009	371	\$ 70,274,012	15	\$758,567,818
2010	584	\$110,206,011	20	\$ 16,059,660
2011	500	\$100,107,641	12	\$ 80,726,297
2012	598	\$136,826,705	14	\$ 46,968,516
City of Fort Wayne				
2007	167	\$26,858,549	52	\$ 68,584,951
2009	92	\$14,291,629	28	\$ 29,748,727
2010	78	\$12,132,505	32	\$ 24,692,336
2011	180	\$26,199,522	30	\$ 57,306,155
2012	93	\$19,379,425	40	\$ 83,237,976

Source: Homebuilders Association of Fort Wayne

Local and statewide economic conditions are good and serve as the generator of demand for most of the local real estate offerings in the Fort Wayne marketplace. The continuing survey results by The Zacher Co., Upstar Alliance of Realtors, Home Builders Association and Tikijian Associates contribute reliability to the market observations; and we are appreciative of these annual efforts.



Disclaimer:

It is our intention to provide accurate information regarding the subject matter discussed in this Market Trends Analysis reporting. It is distributed to clients with the understanding this report is based on the opinion of John M. Thistlethwaite Interests, LLC and is not to be considered as rendering legal, accounting, appraisal, counseling or investment advice or services.

John M. Thistlethwaite Interests, LLC
John M. Thistlethwaite, CRE, FRICS, GAA, SRS, SRI, CES, CEI
President
3401 Lake Avenue • Fort Wayne, IN • 46805
Telephone (260) 426.7134 Email: john@thistlethwaite.com
Web Site: www.thistlethwaite.com