Market Trends Analysis 2016

John M. Thistlethwaite Interests, LLC

CONVENIENCE STORES UPGRADING TO SERVE NEIGHBORHOODS AND HOUSING STARTS SOAR IN THE SUBURBAN AREAS AGAIN

Fort Wayne, Indiana
Real Estate Marketplace

22nd Annual Reporting

CRE™ THE COUNSELORS OF REAL ESTATE®

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Greetings in 2016:

Something has released the "on hold" button for all sectors of the real estate marketplace in Allen County since the 2008 recession----as most sectors have returned to pre-2008 pricing and vacancies.

Single family residential construction is reported at 504 permits for the first six months of 2016, but certainly not at the 2005 levels (nearly three times that level).

Weak job reports continue to complicate the federal interest rate policy and that is reflected in the local market; and the industrial production is reported "negative" for the 8 straight months. These are not good indicators of a strong national economy.

In Allen County, Indiana, new houses are being built in the local suburbs and upgraded convenience centers are becoming neighborhood retail sales centers offering healthy on-the-go products such as yogurt, quality deli and made to order gourmet pizza, salads with such items as fig, prosciutto, brie and spinach.

Northeast Indiana has created 5 new Tech High Schools since 2010; and has the highest concentration of schools in the country focused on science, technology, engineering and math--in an attempt to fill the "skills gap".

Recent massive doses of economic and political news can cause one to wonder if the frail economy can survive. On the local level, it's surprising to see the bounce back of demand for industrial, office and retail properties.

The real estate sectors are performing adequately. Surveys from The Zacher Company and Tikijian Associates reveal the following vacancy levels

Office Vacancy 14.4% The Zacher Co.
Only 9.8% Vacancy in Downtown Area
Northeast Quadrant is 25.9%
Industrial Vacancy 5.25% The Zacher Co.
5th Consecutive Rebound Year
Retail Vacancy 14.10% The Zacher Co.

Multi-family Vacancy 4.3% Tikijian Associates

Rendering of Proposed Riverfront Pavilion

The Counselors of Real Estate organization is known for thought leadership, extraordinary professional reach (more than 50 real estate specialties are represented by its member experts) and objective identification of the issues and trends most likely to impact real estate now and in the future.

The CRE 2016-17 Top Ten Issues Affecting Real Estate

Some suburbs are feeling residential pressure, with home resale not easy when younger families don't want the kinds of homes that are in plentiful supply from a past generation of suburbanites. The past few years have also seen a rise in corporate relocations to cities from the suburbs as a strategy to attract younger, urban professionals.

1. The Changing Global Economy
The IMF has revised GDP growth downward for much of the globe in 2016-17, as economic uncertainties continue and intensify. Currency issues, declining exports, and soft energy prices add to volatility (as reflected in the stock markets in early 2016 and Moody's recent downgrade of Saudi Arabia). Political issues and conflict undermine stability as well

Implications: There is potential for global economic deceleration. Weakened exports could lead to slower/smaller port and infrastructure investment, in particular, and broader softening of investment in real estate and other asset classes. The U.S. remains attractive to global capital and inflows are still strong, although they may be under pressure at their origin (China, Middle East, and Europe). A surge in Chinese buying of both residential and commercial real estate last year took their five-year investment total to more than $110bn, according to a study from the Asia Society and Rosen Consulting Group.

2. Debt Capital Market Retrenchment
Debt markets for commercial real estate are slowing sharply. Regulators are telling bank lenders to curtail CRE lending (that's 50% of the debt market), and the CMBS markets are slowing down, with no legislative fixes to retention rules that are due to go into effect in the summer of 2016. Many insurance companies that traditionally invest in real estate are approaching their real estate allocation limits.

Implications: The search for permanent CRE debt capital will become more intense and competition for capital will become an issue in 2016 and 2017. The lending environment is likely to become more restrictive. This could present opportunities for some other, less regulated, lenders to enter the market.

3. Demographic Shifts
Millennials (generally considered to be people ages 18-35) have overtaken the Baby Boomers (people of ages 51-69) in sheer numbers, but both groups remain substantial real estate consumers. While the Boomers are retiring at a rate of approximately 10,000 per day, America's population of persons aged 90-and-older has almost tripled since 1980, and is expected to increase to more than 7.6 million over the next 40 years, according to the U.S. Census Bureau. Older households and younger households are competing for housing in many of the same places. In terms of income, younger (Millennial) households are falling behind with many sons and daughters living at home with parents.

Implications: Multi-family development is still strong, with evolving amenities. There are opportunities in housing options for both groups. In the retail sector, more "experiential" shopping/dining/entertainment destinations will emerge, but buying power is lower due to income stagnation. Although Baby Boomers continue to prefer to age in place, there will be opportunities in services including medical, assisted living and memory care facilities. Look for a rise in renting over home ownership.

4. Densification/Urbanization
Transportation options, walkability, extensive work/live/play options continue to draw people of all ages into the urban core and to close-in "urbanized" areas. The move to higher density areas continues, as job growth and dynamic urban centers attract new residents and businesses.

Implications: There is a growing trend toward the development of high density mixed-use centers such as The Domain in Austin and the West Loop in Chicago that offer luxury living spaces, retail, work and entertainment spaces, parks, and gathering spaces. The emergence of "innovation centers" and "education centers," which represent dynamic economies and cultural environments continues. There is pressure on suburbs to become more "urban."

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5. The Political Environment
The political environment has become acrimonious at all levels – global, national, state, local – and affects investment decisions (including business and household location decisions) with issues ranging from the perceived ability of governments to function to taxation to social issues. Social media makes it very easy to track the political and economic climate of any locale – and debate any political issue publicly.

Hint: ac·ri·mo·ni·ous (typically of speech or a debate) angry and bitter.
synonyms: bitter, angry, rancorous, caustic, acerbic, scathing, sarcastic, acid, harsh, sharp, cutting;

Implications: The political and tax environment of every locale is now visible and information is immediate, creating heightened awareness that can influence where people choose to live, where businesses locate or expand and where tourists visit and spend. Locales that demonstrate political stability and investment in infrastructure, transit, schools, etc., may attract residents, visitors and businesses; those communities that project a negative environment will likely lose economic vitality over time.

6. Housing Affordability and Credit Constraints
New issues are beginning to emerge in the housing market, as affordability and credit constraints are challenging both the rental and home ownership markets. Stringent credit requirements prevent many households from entering the home ownership market, increasing demand for rental property. Limited available for-sale inventory and income stagnation are affecting affordability. Multifamily development continues but rents are outstripping incomes in many communities. With declining affordability, questions arise about where newly formed households will live, where the workforce will reside and whether affordable services will be available for aging Baby Boomers.

Implications: There will be continued strong demand for rental housing, but with a likely slowdown in rent growth. Micro apartments are helping to provide affordable alternatives for Millennials. Single family owner markets have room to improve, and builders are beginning to target "starter homes." Competition for land in some areas is a supply constraint.

7. The Disappearing Middle Class
The wealth and income gap continues, with a number of measures showing stagnant or declining wages and wealth. A recent Pew Research study shows that the median income for middle-class households fell by nearly five percent between 2000 and 2014. Their median wealth (assets minus debt) declined by 28 percent after the housing market crisis and the subsequent recession. Costs have risen dramatically for many large-dollar items that affect middle class families, including college tuition and out-of-pocket costs under employer healthcare plans. Confidence in a comfortable retirement is wobbly, with concerns over rising costs and declining benefits in corporate retirement plans. To cover increasing costs and eroding asset wealth, an increasing percentage of households has moved from one-income to two-incomes. In 1960, 72 percent of two-parent families with children under 18 had a single earner (typically the father). That figure fell to 37 percent by 2010, while the number of two-earner families rose to 60 percent. At the same time, the Millennial generation is falling behind in assets and income (and many young people are coping with student loan debt).

Implications: Middle-market retailers (ie.g., Sears, Macy's) have weakened and closed some retail outlets. The purchasing power divide drives new opportunities to serve diverse markets (i.e., Wal-Mart and Dollar General at the low end of the spectrum and luxury retailers such as Neiman Marcus and Tiffany at the other end). Stagnant or declining purchasing power affects where people can live as their housing choices diminish. There are opportunities in high-density multi-family and affordable housing. Luxury development continues to do well (malls, office, hotels, retail). But there is less opportunity in the middle. There will be a shift from home ownership to renting over time. A lack of home and business ownership–and such investment in communities–can easily lead to or contribute to growing social unrest.

8. Energy
Whenever a key commodity encounters instability, it can threaten global economic security. Energy markets are currently unstable. This year's crash in oil prices has threatened the global economy–capital markets have responded–Saudi Arabian debt has been downgraded by Moody's and, in some markets (such as Houston and North Dakota) lenders are restricting commercial real estate debt.

Implications: There has been a drastic change in U.S. oil production–rig counts in the U.S. are at their lowest level in 50 years. This affects regional employment and economies. Investors are reassessing plans. Alternative energy may become more attractive over time. High energy demand in China could change dynamics, but energy remains a highly volatile market.

9. The Sharing/Virtual Economy
As the effects of the recession only slowly fade, we are seeing the emergence of a "shadow economy" or "sharing economy." New enterprises spring from economic uncertainties, such as Airbnb, Uber and bicycle sharing companies (e.g., Divvy). These have become alternatives to traditional lodging and transportation offerings – often operating outside of traditional regulations. They offer alternatives for employment as well. Crowdfunding has become an addition to traditional sources of capital for new enterprises and investment, including real estate.

Implications: Efforts to regulate some of these operators have seen mixed results, and the enterprises will likely continue to change the economic landscape while challenging the viability of some of their more traditional counterparts.

Shared office spaces are rapidly becoming more widespread; "virtual" offices offer office amenities (receptionists, mailboxes, short term desk space) to small businesses. As is often the case in periods of dynamic change, many will become more widely accepted elements in the general economy.

10. The Rise of "Experiential" Retail
Traditional retail is reacting to change by adapting, with major retailers shuttering stores and downsizing their footprints, moving more to online options. As retailers retrench and rethink their retail models, large online retailers thrive. Amazon has replaced Wal-Mart as the biggest retailer in terms of dollars. This creates not only challenges but also opportunities.

Implications: "Destination" retail development is emerging. Malls are being reimagined as "experiential"– providing service options, "showroom" spaces (e.g., Tesla) while many actual purchases are being made online. Malls are redefining the concept of 'anchor' stores, with high-end food courts replacing department stores. "Mixed-use experiences"—such as a hotel/restaurant/sports (bowling) combination in addition to traditional stores—are growing. Watch for new retail ideas to attract consumers, including offering more local and regional shops and fewer large chains, in an effort to create more unique shopping experiences. As we begin to see signs that we have reached the peak of one of the hottest retail investment markets in history, many owners are re-evaluating their portfolios to decide which properties they want to keep versus which to sell. Core properties located within major MSAs and/or high demographic areas have always been desirable, however, over the course of the real estate cycle, investors have moved to secondary or tertiary markets in search of significantly better yields, choosing credit tenancy over location.

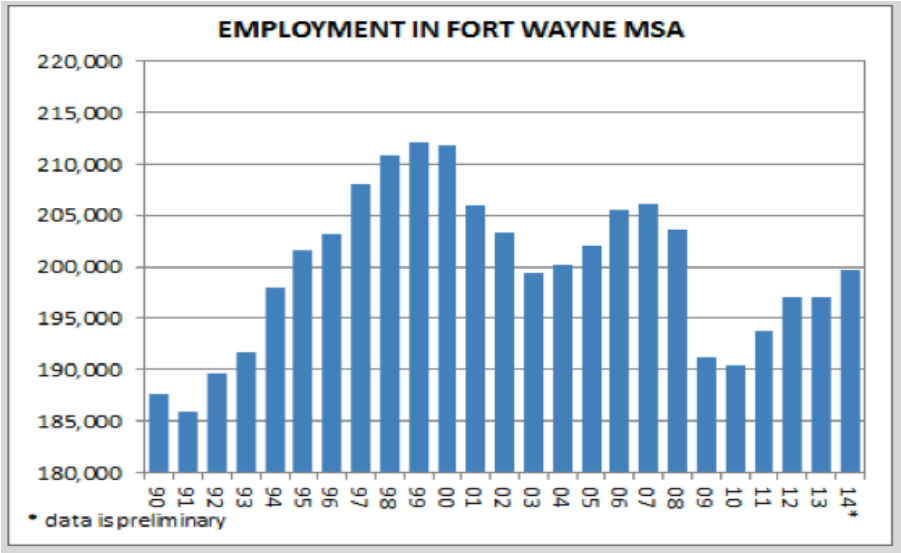
About the CRE 2015-16 Top Ten Issues Affecting Real Estate List

The list was developed by The Counselors of Real Estate's External Affairs Committee, considering independent research, qualitative interactive feedback from members via polling at the association's spring conference and a member wide email survey conducted in spring, 2015.

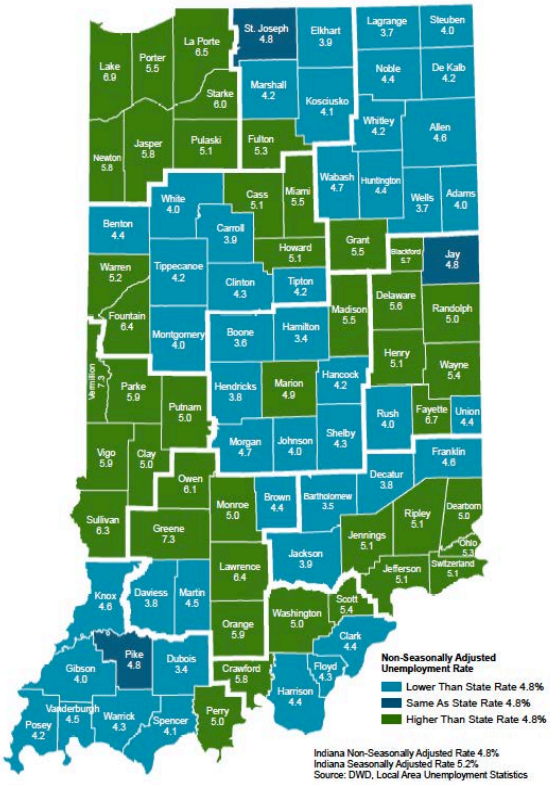
Allen County Top 25 Employers

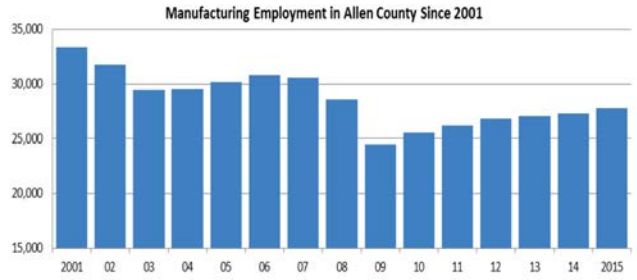
List maintained by Community Research Institute, IPFW. www.ipfw.edu/cri

Employer	Full Time Equiv.	Corp. Headqtrs.
Lutheran Health Network	4,824	Franklin, TN
Parkview Health	4,710	Fort Wayne, IN
General Motors Co.	4,100	Detroit, MI
Fort Wayne Community Schools	3,600	Fort Wayne, IN
Lincoln Financial Group	1,970	Radnor, PA
Shambaugh & Son LP	1,804	Norwalk, CT
City of Fort Wayne	1,800	Fort Wayne, IN
BF Goodrich Tire Manufacturing	1,580	Greenville, SC
Frontier Communications Corp.	1,355	Stamford, CT
Allen County Government	1,350	Fort Wayne, IN
Kroger Co.	1,267	Cincinnati, OH
IPFW	1,252	Fort Wayne, IN
East Allen County Schools	1,131	New Haven, IN
Southwest Allen County Schools	915	Fort Wayne, IN
BAE Systems	914	London
Northwest Allen County Schools	886	Fort Wayne, IN
Sweetwater (Music Instruments & Pro Audio)	850	Fort Wayne, IN
Steel Dynamics Inc.	825	Fort Wayne, IN
Vera Bradley	700	Fort Wayne, IN
Benchmark Human Services	683	Fort Wayne, IN
Dana Holding Co.	680	Maumee, OH
Edy's Grand Ice Cream	542	Fort Wayne, IN



County Unemployment Rates
April 2016 - Non Seasonally Adjusted





April 2016 Rate: 5.4%
Current unemployment in Allen County, Indiana is 5.4% as compared to the same rate of 4.5% in 2015; an 7.2% of the April 2014 Workforce.

Highlights of 2016 Activities

• Skyline Plaza

Ash Brokerage opened its national headquarters office in downtown Fort Wayne with 95,000 square feet of office space. This project includes a multilevel parking garage and 21,600 square feet of first-floor retail space. More than 200 employees are a part of Ash's move to downtown. Lake City Bank, Skyline YMCA, Fort Wayne Outfitters Bike Hub, Parkview TherapyONE, DeBrand Fine Chocolates, The Golden Restaurant and The Find Boutique are included.

• Downtown Riverfront Proposals Continue

Riverfront Fort Wayne is an initiative that envisions a revitalized downtown riverfront area as a regional destination offering opportunities to experience nature, recreation, shopping, dining and entertainment.

We will complete these key projects in 10 years:

ARENA
$85 million
2016-2018

THE LANDING
$30 million
2016-2018

RIVER FRONT
$100 million
2017-2021

GE CAMPUS
$250 million
2018-2020

STEAM PARK
$180 million
2021-2025

We believe:

- People should have opportunities for higher paying jobs
- Fort Wayne and the Northeast Indiana region are a "Best Kept Secret"
- 1.4 million people within a 60-mile radius depend on Fort Wayne
- The U.S. needs Midwest leaders, and as the second largest city in Indiana, Fort Wayne needs to grow and constantly improve
- There are winners and losers in economic development, and we are committed to win
- We as leaders are responsible to continue the momentum, and foster community pride critical to growth

We support 9 key principles:

- Encourage bold vision, tenacious leadership and broad civic infrastructure
- Rally around our city
- Engage and strengthen industry in a whole new way
- Invest regionally to support quality of place
- Commit to visionary, market-based, and action-oriented transformation
- Support public policy that creates a business-friendly climate and the ability to attract and retain a strong talent base
- Finance regional transformation through a multi-faceted approach
- Build long-term partnerships with non-partisan thinking
- Support higher education partners, which are critical for regional transformation

GREATER FORT WAYNE INC.
METRO CHAMBER ALLIANCE

Office of the Comptroller of the Currency

Semiannual Risk Perspective
From the National Risk Committee

Growing competitive pressures and continued strong credit risk appetites have led to lower underwriting quality and increased credit risk.

• Banks continue to ease underwriting standards and practices across a variety of credit products as they strive for volume and yield in an increasingly competitive environment. Easing standards are particularly evident in indirect auto, C&I, and CRE lending. Increased risk layering is an additional concern.

• In light of rapid CRE growth, supervisory reviews completed in 2015 raised concerns over the quality of CRE underwriting, portfolio-level stress testing and sufficiency of concentration risk management practices at banks. The OCC has observed an easing of CRE underwriting standards, including less-restrictive loan covenants, extended maturities, longer interest-only payment periods, and limited guarantor requirements as examples of risk layering. Banks are placing greater reliance on loan-to-value ratios to mitigate other structural concessions.

• Continued rapid growth, increasing concentrations, and easing of underwriting standards are increasing indirect auto lending risk.

• Risk management, weak underwriting, and erosion of covenant protection remain supervisory concerns in leveraged lending. Origination of non-pass loans have declined to a de minimis level; however, policies that allow the origination of weakly underwritten loans remain a concern.

Allen County is experiencing more acceptable vacancy rates compared to past years---especially when considering each of the quality tier levels and in light of the absence of overbuilding for retail, office, multi-family and related housing demand.

The local marketplace benefits from annual surveys of the retail, office, industrial and multifamily sectors. We appreciate The Zacher Company, Upstate Alliance of REALTORS®, Home Builders Association of Fort Wayne and Tikijian Associates for their willingness to publish the following survey results as identified.

Allen County House Sales Activity
as Reported by Upstate Alliance of Realtors Multiple Listing Service, Inc. 2002-2016

	#Properties Sold	Median Sale Price	Total Dollar Volume	Average Days On The Market	Year End Inventory
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**	**Months Supply**	**$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**
2013	**5,041**	**$111,000**	**$559,551,000**	**4.6**	**$196,581,000**
2014	**5,080**	**$115,000**	**$584,200,000**	**3.9**	**$255,920,920**
2015	**5,484**	**$120,000**	**$658,080,000**	**2.8**	**$153,552,000**

January to June
5 and 6 Month Year-to-Date Comparisons for 2005-2015

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	**Months Supply**	$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	
2014	1,806 (5 mos)	$107,900	$194,867,400	4.7	$211,484,000
2015	1,933 (5 mos)	$115,900	$222,295,000	3.5	$180,550,000
2016	1,567 (4 mos)	$124,500	$195,091,500	2.1	$102,423,000

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

Upstar Alliance of REALTORS®, which covers a primary territory that includes Allen, Whitley, Huntington, Adams, Wells, DeKalb and Noble counties, recorded 7,785 closed sales in 2015, compared with 7,285 in 2014. The median sale price of the homes sold rose to $117,000, up 6.4 percent from $110,000 the prior year.

Houses sold for an average of 94.1 percent of the original listing price, up from 93.3 percent a year ago. The Home Affordability Index declined 3.1% and new listings were down 1.8 per cent year over year.
In 2015, area home builders collectively posted their best numbers since 2006, according to Linda Lipp's January 22, 2016 article in the *Greater Fort Wayne Business Weekly* newspaper. The number of units built in Allen County was up 19 percent from the prior year.

Residential Subdivision Development
Listed by Number of Developments, Number of Lots and Number of Acres Platted Allen County, Indiana
1998-2015

Year	# Developments	# Lots	# Acres
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	298	150
2012	10	344	166
2013	20	551	277
2014	23	789	351
2015	29	701	331

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

2013 (6 mos.)	6	148	58
2014 (6 mos.)	3	123	51
2015 (6 mos.)	7	145	6
2016 (6 mos.)	5	109	82

Source: Allen County Department of Planning Services

Trends in Housing 2016:

The rebound in housing that started in 2013 has resulted in a lower inventory of existing houses for sale. We find the re-starting of subdivision lots development. Palmira Lakes and Lone Oak Hills in Aboite Township, Foxwoods and Forest at Foxwood in St. Joseph Township.

With low interest rates, affordable housing, quality homebuilders and active employment in the area, this surge in homebuilding is expected to continue--until interest rates rise and current high levels of employment fall.

Vacancy Rate Estimates
Retail Space Vacancy Estimates
Fort Wayne Area

2016 Overall Market Vacancy: 14.1%
2016 Total Sq.Ft. in Marketplace Surveyed: 14,017,794

2015 Overall Market Vacancy: 15.8%
2015 Total Sq.Ft. in Marketplace Surveyed: 13,947,208

North/West Quadrant

CBRE			Zacher Co.				
2008	2009	2010	2012	2013	2014	2015	2016
17.3%	16.8%	16.5%	9.70%	7.9%	4.2%	5.3%	4.8%

South/East Quadrant

CBRE			Zacher Co.				
2008	2009	2010	2012	2013	2014	2015	2016
15.3%	24.1%	15.8%	28.0%	31.4%	34.4%	39.0%	37.6%

North/East Quadrant

CBRE			Zacher Co.				
2008	2009	2010	2012	2013	2014	2015	2016
12.5%	15.1%	12.9%	22.0%	17.4%	17.6%	18.2%	16.0%

South/West Quadrant

CBRE			Zacher Co.				
2008	2009	2010	2012	2013	2014	2015	2016
10.5%	13.9%	9.4%	10.7%	10.2%	11.4%	13.4%	11.7%

Sources: 2010 by CBRE Sturges and 2011-2016 by The Zacher Co.

According to The Zacher Company's *2016 Retail Market Survey,* the total inventory of surveyed retail space in Allen County was 14,017,794 sq.ft. and an overall Vacancy Rate of 14.1% with the Northwest quadrant leading the city marketplace with the lowest vacancy of 4.8%. The Northeast quadrant followed with 16.0% vacancy; and the Southwest quadrant with 37.6% vacancy.

Trends in Retail Properties 2016:

Vacant "big box" stores totaled 12 as compared to 14 in 2015 and 18 in 2011. An overall marketplace retail vacancy rate of 14.1.8% is an improvement over the 15.8% rate in 2015.

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

	ALL UNITS		CONVENTIONAL		SUBSIDIZED UNITS	
	Total Units	%Occupancy Reported	Total Units	%Occupancy Reported	Total Units	% Occupancy Reported
March 1991	9,160	90.53%				
February 1992	5,765	83.9%				
July 1997	16,343	94.25%				
Sept 1998	20,038	97.70%				
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%
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

2011	*17,479*	*91.2%*	*(end of 2010)*
2012	*17,336*	*92.4%*	*(end of 2011)*
2013	*17,086*	*93.7%*	*(end of 2012)*
2014	*17,408*	*93.2%*	*(end of 2013)*
2015	*17,953*	*95.7%*	*(end of 2014)*
2016	*17,953*	*95.7%*	*(end of 2015)*

Source: Tikijian Associates- Multihousing Investment Advisors

Trends in Multifamily Properties 2016:

"Virtually full" status continues. Downtown Cityscape Flats market rate multi-family community is the newest development. Average rent in the marketplace for a 2 bedroom/2 bath unit (3,828 units in survey) is $744 per month. Possible 228 units on Coldwater Road in Perry Township.

Northeast Indiana Industrial Space Inventory and Vacancy Estimates 2010-2016

	2010	2012	2013	2014	2015	2016
Total Space Inventoried sq.ft. in Regional Industrial Survey	78,212,693	93,215,356	94,829,768	98,340,965	101,768,463	104,639,912
Estimate of Vacant Space sq.ft.	9,551,298	6,259,648	6,726,541	5,837,314	6,632,721	5,494,987
Vacancy Rate	12.21%	6.6%	6.84%	5.82%	6.52%	5,25%

Net absorption in 2015 was 4,009,183 sq. ft. The total vacant area was 6,632,721 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 1993-2013

Year	# Projects	New/Expansions	$ Invested	#New Jobs	Jobs Lost Due To Plant Closing/Downsizing
1993	91	24/67	$180,000,000	3,000	634
1994	109	24/85	$914,000,000	4,600	1,147
1995	126	30/96	$624,000,000	3,460	1,398
1998	113	19/94	$504,000,000	2,589	3,198
1999	133	33/100	$423,000,000	3,509	954
2001	112	24/88	$181,000,000	1,851	3,966
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
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	127	10/117	$524,000,000	3,000	548
2013	130	11/119	$506,000,000	3,204	496
2014 & 2015		not surveyed			

Source: Community Research Institute, Northeast Regional Partnership

Trends in Industrial Properties 2016:

Northeast Indiana continues to support higher industrial building sale prices---but not yet at a par with new construction costs in all instances. Largest project in the area is the $1.2 billion expansion of the General Motors Truck Assembly Plant.

Are you familiar with International Valuation Standards (IVS)?

As the use of the International Valuation Standards (IVS) published by the International Valuation Standards Council (IVSC) grows, there will be both an increasing need for appraisers to meet the requirements and increasing opportunities for those appraisers able to do so. Fortunately, for appraisers already accustomed to the Uniform Standards of Professional Appraisal Practice (USPAP) published by The Appraisal Foundation (TAF) the two standards are already quite similar.

More Similar than Different

Recognizing that public trust in the Valuation Profession is enhanced by having a common set of valuation standards, The Appraisal Foundation and the International Valuation Standards Council have been collaborating in the development of standards for years. Many differences are superficial and are due to different presentation and organization. Some differences are unavoidable because the IVSs have to be applicable across the globe, whereas USPAP is designed for use within the United States and has to reflect US law and practice.

Office Space In Fort Wayne, Indiana
2013-2014-2015

Measurements in Sq.Ft.

	2013	2014	2015
Inventory	12,951,852	12,953,208	12,909,387
Vacant Office Space	2,143,979	1,973,159	1,859,389
Vacancy Rate	16.6%	15.2%	14.4%

2015 Net Absorption -69,949 sq.ft.

Vacancy Percentage by Area of Fort Wayne			
Downtown	9.0%	8.8%	9.8%
Northeast	31.7	32.4	25.9
Northwest	9.4	10.2	15.1
Southeast	18.4	15.3	16.9
Southwest	23.2	16.6	12.3

Source: 2015 Fort Wayne, Indiana Office Market Survey by the Zacher Co.

the Zacher company
Commercial Real Estate Solutions

Trends in Office Properties 2016:

This segment of the real property industry remains in uncertainty due to the economy-related downsizing and changes in office uses. However, many tenants have moved from Tier II and III quality space to Tier I quality space.

Building Permits Listed By Category
Allen County and City of Fort Wayne
1998-2016

	Single Family Residential		Commercial	
Allen County	# 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**
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**
2008	**485**	**$ 96,135,116**	**30**	**$ 34,428,483**
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**
2013	**724**	**$165,325,337**	**17**	**$ 14,041,698**
2014	**681**	**$166,288,444**	**20**	**$ 29,758,808**
2015	**813**	**$197,174,418**	**20**	**$ 36,609,415**
2011 (8 mos)	363	$ 71,683,850	11	$80,626,297
2012 (4 mos)	164	$ 37,242,249	2	$ 739,710
2013 (4 mos)	210	$ 44,814,211	5	$ 890,000
2014 (5 mos)	244	$ 59,158,546	6	$ 17,195,000
2015 (6 mos)	373	$ 85,555,600	9	$ 11,117,515
2016 (6 mos)	472	$119,296,090	7	$ 83,803,726 (General Motors)
City of Fort Wayne				
1998	**188**	**$20,656,079**	**50**	**$ 27,290,188**
1999	**159**	**$18,679,009**	**57**	**$ 55,049.104**
2005	**299**	**$44,338,103**	**72**	**$ 60,407,728**
2006	**225**	**$34,309,669**	**62**	**$ 65,601,595**
2007	**167**	**$26.858,549**	**52**	**$ 68,584,951**
2008	**136**	**$19,255,464**	**62**	**$118,374,046**
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**
2013	**106**	**$22,361,285**	**41**	**$ 74,905,508**
2014	**65**	**$14,142,607**	**31**	**$ 72,638,602**
2015	**67**	**$15,601,091**	**51**	**$ 67,987,347**
2012 (4 mos.)	26	$ 6,046,250	8	$ 21,847,496
2013 (4 mos.)	31	$ 6,449,576	9	$ 6,682,837
2014 (5 mos.)	19	$ 4,239,323	11	$ 12,412,405
2015 (6 mos)	32	$ 7,013,293	23	37,906,782
2016 (6 mos)	31	$ 6,600,776	12	$ 24,134,678

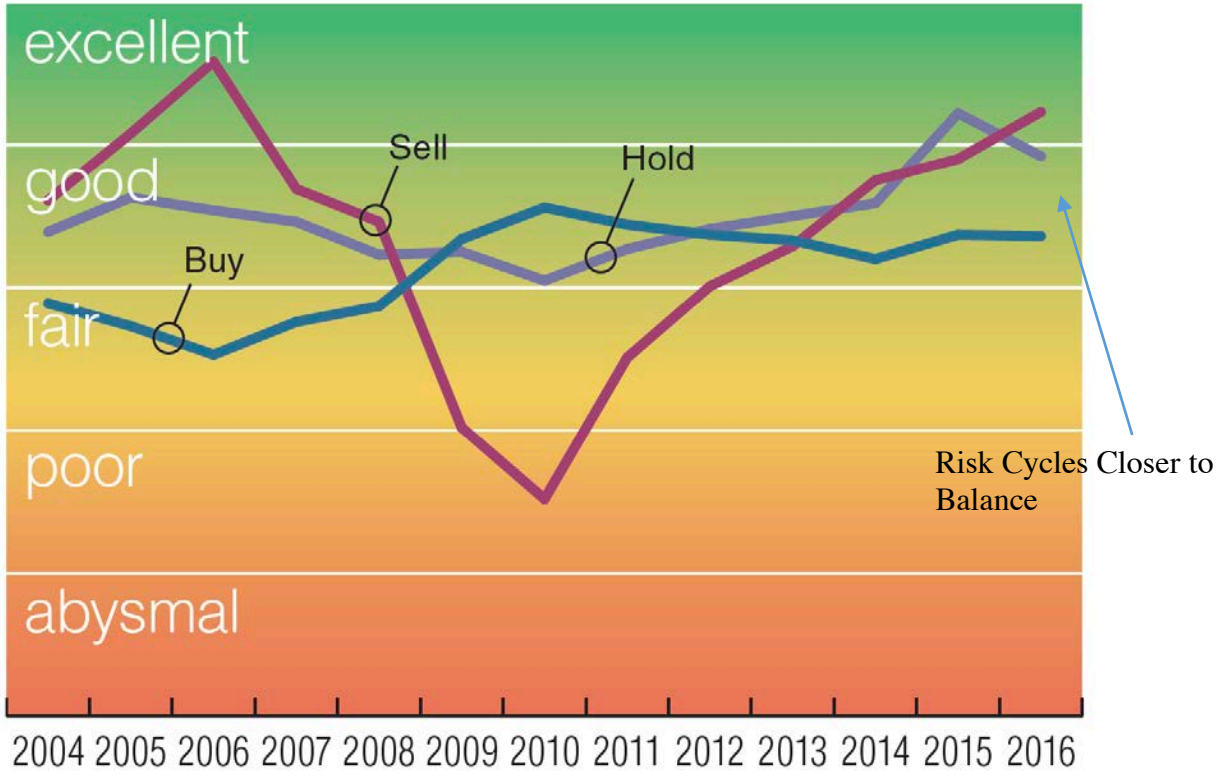
* 2009 understated by building department
actual permits for city and county totaled
679 with $123,042,260 in dollar volume

Source: Homebuilders Association of Fort Wayne

Concluding Remarks:

During this presidential election year we hear "anything we want to hear" about the local, state and national economies.

Every transaction is now measured on it's own merits and no segment of the industry cam be segmented into one classification of good, better, worst. This year's *Emerging Trends in Real Estate®* by pwc and the Urban Land Institute illustrates one of the most understandable graphs that I have found (my comment added):



Source: *Emerging Trends in Real Estate 2016* survey.

Note: Based on U.S. respondents only.

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., Upstate Alliance of Realtors, Home Builders Association and Tikijian Associates contribute reliability to these market observations; and we are appreciative of these accurate 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.

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