

Market Trends Analysis 2017

John M. Thistlethwaite Interests, LLC



REINVESTMENT INTEREST APPEARS IN THE URBAN CORE



Fort Wayne, Indiana
Real Estate Marketplace
23rd Annual Reporting

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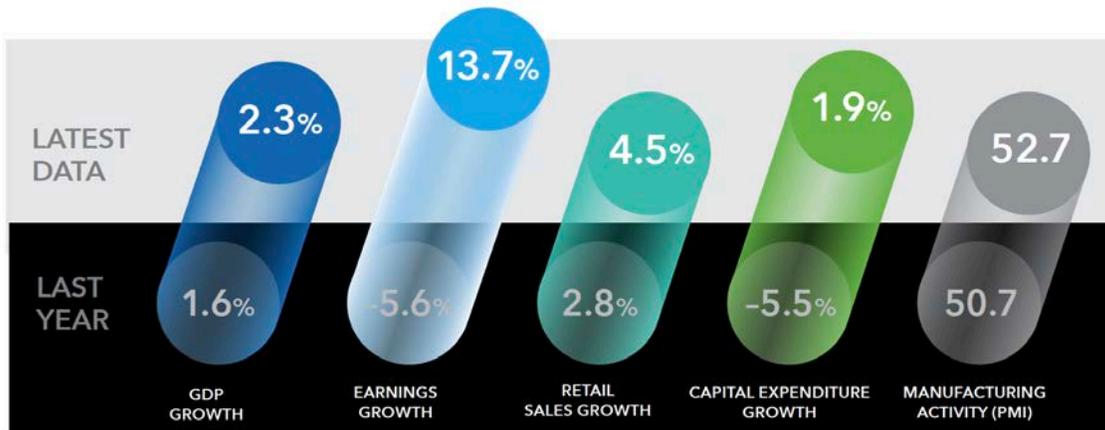
Greetings in 2017:

We find ourselves amid optimism and expected growth---much thru revitalization and renovation. All sectors of the real property marketplace in Fort Wayne and Allen County, Indiana are increasing and expanding, this being a change in direction.

Single family residential construction is reported at 487 new house permits for the first six months of 2017, about equal to the 504 permits for the same period in 2016, but at the time the supply of existing houses has dwindled down 50% to only 1.6 months of inventory. So, not enough houses to sell, but no increase in new construction.

The most significant trends are appearing with industrial buildings, churches and housing, all of which support a change in living for younger Hoosiers. Driverless cars are expected to change living, spending and working patterns sooner than later.

For the first time in years, the major economies appear to be on the road to recovery. Questions of rising interest rates have been satiated on many fronts due the predicable "slow rise" by the Federal Reserve. So, housing looks good, industrial looks good, multi-family continues to look good; and even retail is showing signs of improved demand in the Tier I properties. Capital Group® illustrates the "United States is firing on more cylinders---rebounding earnings and manufacturing activity point to higher octane expansion."



Strong job reports ease concerns of the past few years. We have learned that national economics easily filter into the Fort Wayne, Allen County and Northeast Indiana real estate marketplaces. The present is no exception, in that the industrial sector is strong, housing cycle is still going strong, but while these indicators are strong, we continue to have valuations stretched in many areas due to very low capitalization rates (which convert income into value).

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 2017-2018 Top Ten Issues Affecting Real Estate

1. Political Polarization and Global Uncertainty are impacting decision-making at every level of government and throughout the business community. On an international level, recent elections in the U.S., France, Austria, the U.K. and other countries point to resurging nationalism, testing existing diplomatic and trade relationships around the globe as exemplified by Brexit and NATO. Potentially devastating military conflicts seem more likely in Asia and existing conflicts in the Middle East are more volatile.

2. The Technology Boom is revolutionizing real estate operations across the board. One of the biggest changes this year is not a killer app, but an unprecedented wave of commercial real estate technology innovations that are expected to change the way real estate is bought, sold, and managed. Commercial real estate tech start-ups were impressive in 2011, with \$186 million invested. This has grown exponentially. In 2016, investment reached \$2.7 billion. MIT's real estate innovation lab has identified 1,600 real estate tech start-ups worldwide.

In retail, the question has shifted from "Do you shop online?" to "How many deliveries did you have today?" Online retail continues to drive warehouse demand – but each foot of new warehouse space leased by online retailers translates into eight feet of vacant retail. Smart lenders and investors are already insisting that new construction reflect future demand patterns, not those with which we are currently familiar.

3. Generational Disruption --Boomers' and Millennials' divergent views of where they live, work, and play increasingly impact the property markets. The Baby Boom generation of approximately 74.0 million (born between 1946 and 1964) is now smaller than the Millennial Generation of some 75.4 million (born roughly between 1980 and 1997). A significant number of today's real estate decisions, as well as those connected to the workplace and

4. Retail Disruption--The trend toward transforming retail into "experiences" continues to develop, and is offsetting shrinkage in the physical "bricks and mortar" consumer goods platform. "Experiential" retail drives customer traffic to a more diverse and highly participatory environment targeted to a variety of age groups and interests. This sector has transitioned into a kind of "Omni Channel"-- encompassing e-commerce, reduced or repurposed physical elements, and a host of previously unforeseen spaces, both physical and virtual – with a current emphasis evolved from bricks and mortar shopping to the timely, efficient transfer of goods from source to inventory to consumer.

5. Infrastructure Investment--While both major U.S. political parties appear to support substantial investment in infrastructure, it remains unclear when and if the United States Government will be in a position to move major initiatives forward any time soon. However, initial conceptual plans released by the Trump administration indicate a relatively limited Federal Government investment, placing heavy reliance on local and state governments and public-private enterprises. Politics aside, this approach presents important opportunities for the private sector which is directing significant funds to infrastructure projects, recognizing the need for – and longer-term rewards of – investment in roads, bridges, tunnels, ports, and airports. Blackstone plans to create a \$40 billion infrastructure fund this year. They are not alone. Prequin, a leading source of data and intelligence for the alternative assets industry, reports that investors now oversee \$376 billion in U.S. infrastructure dollars.

6. Housing: The Big Mismatch--Safe, decent, affordable housing has been shown to have a stabilizing effect on urban economies, crime, and public health. A current lack of inventory has generated a spike in home prices and, as a result, declining affordability for many home buyers, particularly those in lower income sectors. A critical disparity exists between housing needs and housing supply. Although improving home prices, economic growth, mortgage accessibility and rental development have improved housing access and affordability in many areas, a confounding series of supply-demand mismatches continues to severely impact markets worldwide.

7. Lost Decades of the Middle Class--After successive post-recession years of insignificant gains, median household incomes in the U.S. rose in 2015 by 5.2% to \$56,516. Retail properties serving primarily middle class customers are bearing the brunt of store closures. Malls with tenants serving high income buyers are faring relatively better. Rising costs of living and student debt levels suggest that home purchase decisions will be postponed by the young. Rentals will not necessarily benefit in the most expensive, desirable urban locations; supply growth in multifamily housing counterbalances demand, and stagnant income levels constrain rent growth.

8. Real Estate's Emerging Role in Health Care--The U.S. spends over \$3 trillion each year on health care, or nearly \$10,000 per person. That's double the average for developed countries worldwide, but U.S. health outcomes and efficiency are poorly ranked in comparison to the rest of the industrialized world. While political polarization is making it difficult to address quality and access problems, the real estate industry has emerged as a major player to cost-effectively improve people's health.

9. Immigration--The Trump administration has attempted to enact more restrictive immigration laws, emphasizing concerns about security and terrorism while appealing to a voter base concerned about jobs lost to illegal immigrants. In the meantime, companies ranging from tech firms to real estate finance companies bemoan the lack of qualified workers. Development projects in high supply growth MSAs such as Denver stall because of labor shortages. Demographers point to immigrant groups as the source of household formation and favorable trends in population growth that will benefit the U.S. relative to geographies with aging populations like the EU and Japan.

New immigrants tend to rent, boosting demand for multifamily housing, especially in gateway cities. Recent surveys suggest that immigrant populations aspire to own homes and to move relatively freely from cities to suburbs and back in the search for employment. Labor mobility and homeownership rates will be constrained by limiting immigration. Industries like tech that demand highly skilled workers may be forced to innovate and substitute capital for labor if they cannot fill vacancies by recruiting foreign workers – constraining job growth. Longer term, if the entry of immigrant populations that tend to have larger households is curtailed, there will be a limit on the so-called demographic dividend for economic growth, with less of a labor force to support an aging population.

10. Climate Change--In January 2017, the National Oceanic and Atmospheric Administration (NOAA) released a new report based on the most up to date scientific evidence on sea level rise that more than doubles the 2013 forecasts of potential sea level rise by 2100 from 2.2 to 4 feet to 6.6 to 8.6 feet.

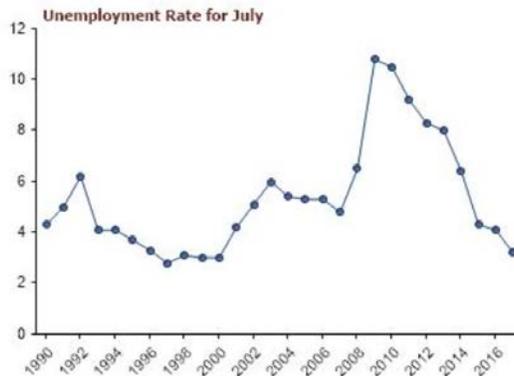
About the CRE 2017-2018 "Top Ten Issues Affecting Real Estate List"

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 2015.

Allen County Top 25 Employers

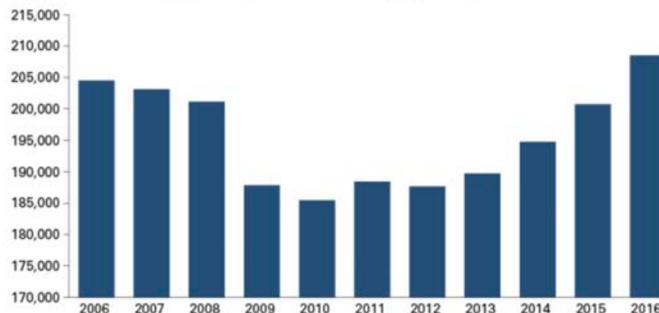
List maintained by Community Research Institute, IPFW. www.ipfw.edu/cri

<u>Employer</u>	<u>Full Time Equiv.</u>	<u>Corp. Headqtrs.</u>
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



This table was produced by STATS Indiana on 9/13/2017 11:10:43 AM using Bureau of Labor Statistics data

Figure 1: Fort Wayne MSA annual employment



Note: 2016 is the January-September average.
Source: U.S. Bureau of Labor Statistics

County Unemployment Rates March 2017 - Non Seasonally Adjusted

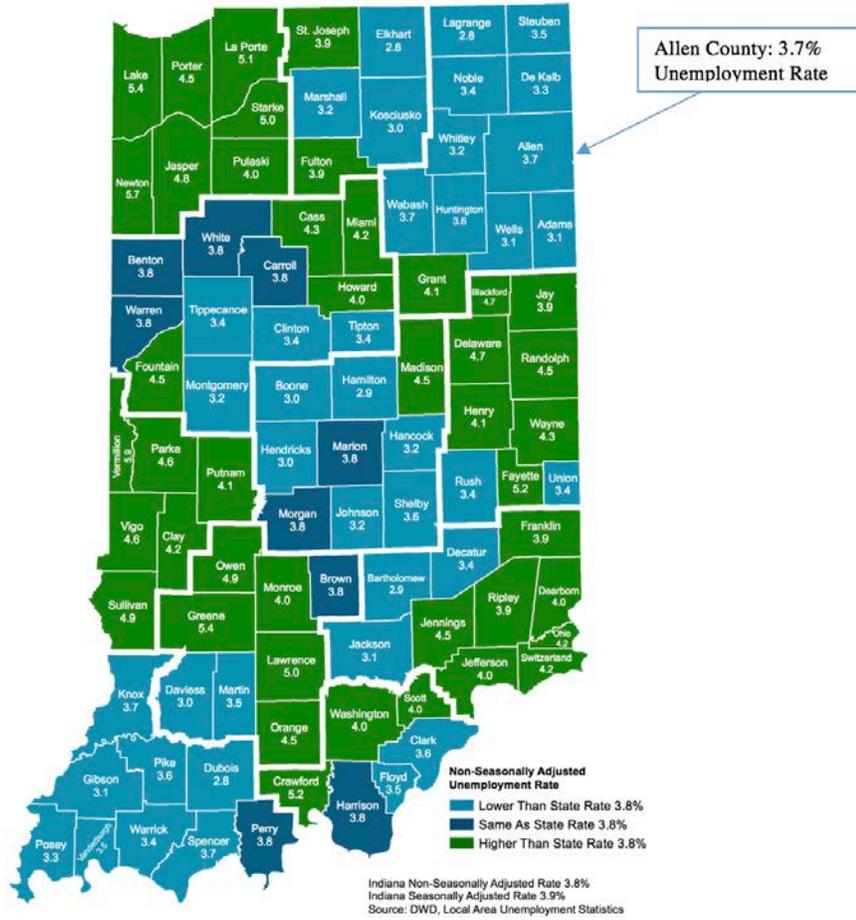
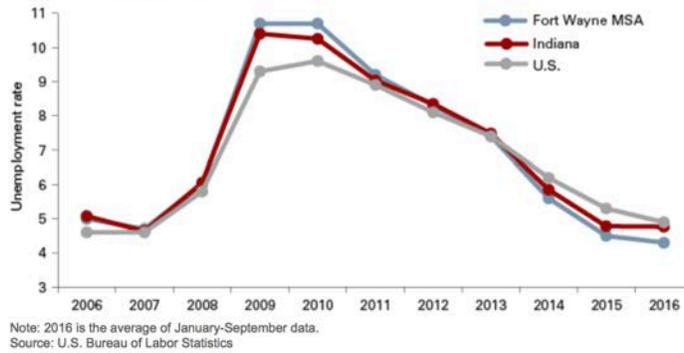


Figure 3: Annual unemployment rates



Highlights of 2017 Activities in Fort Wayne

- **Skyline Plaza is Completed and Leased;
Now Skyline Tower Arrives**

Ash Brokerage opened its national headquarters office in downtown Fort Wayne with 95,000 square feet of office space. The adjacent Skyline Tower will contain 124 apartments on nine floors and 170,000 sq. ft. of retail and office space.



- **Downtown Riverfront Proposals Continue**

Riverfront Fort Wayne will include Promenade Park with a pavilion, plaza tree canopy trail and children's play area. Phase 1 of the project will cost \$17.1 million.



Winning Sculpture Design for Entrance to Promenade Park

- **"The Landing" in Downtown will soon be Under Construction**

The Redevelopment Commission gave the developer the final "go ahead" by funding the needed funds to complete the project. Total cost is \$35.7 million.

- **The Clyde Theatre will be Renovated for Stand Up Concerts**

More than half of the \$5 million dollar project is privately funded, a million dollars will come from the Regional Cities fund, and there is another million dollar loan from Fort Wayne's Legacy Fund. Construction is expected to be completed in the Spring.

- **Fort Wayne Electric Works**

Construction on the Electric Works campus, which encompasses 31 acres and approximately 1.2 million square feet across its 18 remaining vacant buildings, is expected to begin in 2018.



- **Hampton Inn & Suites** announced a 125-room hotel along West Jefferson Boulevard, across from the Grand Wayne Convention Center between the Courtyard by Marriott and Parkview Field. The site is currently a parking lot.

The State of the Suburbs: Residential Development Opportunities and Challenges

In the coming decades, U.S. suburban housing markets are poised to maintain their relevance and predominance. A new analytic framework for classifying suburbs reveals significant differentiation between cities and suburbs and wide variety among different types of suburbs in terms of housing characteristics and conditions. These differences could substantially affect future residential demand and development in every major market in the United States. Key insights include the following:

- **The United States remains a largely suburban nation.** In America's 50 largest (and most urbanized) metropolitan areas, suburbs account for 79 percent of the population, 78 percent of households, 32 percent of land area, and—despite popular and media perception—75 percent of 25- to 35-year-olds.
- **Suburban growth has driven recent metropolitan growth.** From 2000 to 2015, suburban areas accounted for 91 percent of population growth and 84 percent of household growth in the top 50 U.S. metro areas.
- **The large majority of Americans work in suburbs, although job growth has been more balanced recently.** As of 2014, 67.5 percent of employment in the 50 largest metro areas was in the suburbs. Between 2005 and 2010, employment in suburban areas remained stagnant with 0 percent growth, while it increased by 8.2 percent in urban areas. But between 2010 and 2014, jobs increased by 9 percent in suburbs versus 6 percent in urban areas.
- **American suburbs as a whole are racially and ethnically diverse.** Fully 76 percent of the minority population in the top 50 metro areas lives in the suburbs—not much lower than the 79 percent of the total population in these metro areas.
- **The variety of types of suburbs creates a wide range of development opportunities.** The report identifies development trends, issues, and innovative product examples in five distinct types of suburb within the 50 largest metro areas: "Established High-End," "Stable Middle-Income," "Economically Challenged," "Greenfield Lifestyle," and "Greenfield Value."

Housing in the Evolving American Suburb, RCLCO and the ULI Terwilliger Center for Housing, November 2016.

Let's not overlook the importance of the suburban influence on the local real property marketplace.

The "State of the Suburbs" which appears here identifies 5 issues affecting the continued viability of suburban real property and development. The Urban Land Institute and PwC state these concepts in the "Emerging Trends in Real Estate 2017".

***While much of the attention and funding by public resources focuses on the downtown areas, it is vital to keep the health and feasibility of the suburbs in good order.**

We live in the suburbs around here and we work in the suburbs. It's a hard task to provide enough incentives to suburban homeowners to cause them to move both living and working environments to an urban area, especially in Indiana.

While we are paying considerable attention to the lifestyles of the millennials generation, we can't ignore the multiples of generations living and working in the suburban areas.

But, what is "urban" and "suburban" anymore? They have merged. It shouldn't be a "who's going to win and who's going to lose".

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. 2002-2017**

	#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	<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
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	5,558	\$120,000	\$658,080,000	2.8	\$153,552,000
2016	5,872	\$129,900	\$762,772,800	2.0	\$127,128,799

**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	<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	
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
2017	2,204 (5 mos)	\$130,000	\$186,520,000	1.6	\$ 91,686,400



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 8,367 closed sales in 2016, compared with 7,785 in 2015. The median sale price of the homes sold rose to \$125,000, up 6.4 percent from \$117,000 the prior year.

Market Trends Analysis 2017
John M. Thistlethwaite Interests, LLC

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

<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	298	150
2012	10	344	166
2013	20	551	277
2014	23	789	351
2015	29	701	331
2016			

**January to June
6 Month Year-to-Date Comparisons for 2006 to 2016**

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 2017:

The rebound in housing sales 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.

Vacancy Rate Estimates Retail Space Vacancy Estimates Fort Wayne Area

2017 Overall Market Vacancy: 12.9%
2017 Total Sq.Ft. in Marketplace Surveyed: 13,920,494

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

North/West Quadrant

South/East Quadrant

<u>North/West Quadrant</u>								<u>South/East Quadrant</u>							
CBRE				Zacher Co.				CBRE				Zacher Co.			
<u>2008</u>	<u>2009</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2008</u>	<u>2009</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
17.3%	16.8%	9.70%	7.9%	4.2%	5.3%	4.8%	3.9%	15.3%	24.1%	28.0%	31.4%	34.4%	39.0%	37.6%	35.8%

North/East Quadrant

South/West Quadrant

<u>North/East Quadrant</u>								<u>South/West Quadrant</u>							
CBRE				Zacher Co.				CBRE				Zacher Co.			
<u>2008</u>	<u>2009</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2008</u>	<u>2009</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
12.5%	15.1%	22.0%	17.4%	17.6%	18.2%	16.0%	16.1%	10.5%	13.9%	10.7%	10.2%	11.4%	13.4%	11.7%	8.1%

Sources: 2010 by CBRE Sturges and 2011-2017 by The Zacher Co.

According to The Zacher Company's 2017 Retail Market Survey, the total inventory of surveyed retail space in Allen County was 13,920,494 sq.ft. and an overall Vacancy Rate of 12.9% with the Northwest quadrant leading the city marketplace with the lowest vacancy of 3.9%. The Southwest quadrant followed with 8.1% vacancy; and the Northeast quadrant with 16.1% vacancy



The 10 years between 2006 and 2016 we saw retail sales at Sears drop 94%; JCPenney drop 86%, Kohl's drop 64%. Walmart only experienced a 1% drop thanks to online sales. But, Amazon (online) sold \$355.9 billion in merchandise, which is more than Sears, JCPenney, Nordstrom, Kohl's, Macy's, Best Buy, Target and Walmart combined. There's the trend.

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 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%	<i>(end of 2010)</i>
2012	17,336	92.4%	<i>(end of 2011)</i>
2013	17,086	93.7%	<i>(end of 2012)</i>
2014	17,408	93.2%	<i>(end of 2013)</i>
2015	17,953	95.7%	<i>(end of 2014)</i>
2016	17,953	95.7%	<i>(end of 2015)</i>
2017	18,176	95.2%	<i>(end of 2016)</i>

Source: Tikijan Associates- Multihousing Investment Advisors

Trends in Multifamily Properties 2017:

"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 (3,741 units in survey) is \$771 per month. Very economical living compared to the rest of the nation.

Northeast Indiana Industrial Space Inventory and Vacancy Estimates 2009-2010-2011-2012-2016

	<u>2010</u>	<u>2012</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Space Inventoried sq.ft. in Regional Industrial Survey	78,212,693	93,215,356	98,340,965	101,768,463	104,639,912
Estimate of Vacant Space sq.ft.	9,551,298	6,259,648	5,837,314	6,632,721	5,494,987
Vacancy Rate	12.21%	6.6%	5.82%	5.25%	5.11%

Net absorption in 2016 was 1,939,670 sq. ft. The total vacant area was 5,494,987 sq. ft. Net absorption in 2015 was 4,009,183 sq. ft. The total vacant area was 6,632,721 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 1993-2016

<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>
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
2003	106	34/72	\$272,505,721	1,962	2,811
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 combined	\$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
2016	na	na	\$429,000,000	na	na

Source: Community Research Institute, Northeast Regional Partnership

Trends in Industrial Properties 2017:

Still the most attractive of all of the real property sectors, that being build/leaseback transactions for new, high-quality industrial use buildings. The Zacher Company Industrial Vacancy is surveyed at 5.11%. Occupancy doesn't get any better than that.

Are you familiar with Transit Oriented Development?

Improving transportation infrastructure ranked among the highest priorities from 440 public officials and real estate leaders, according to a 2014 Urban Land Institute survey. Edward Bury, of Commercial Connections publication of NAR states, "More than ever people are specifically interested in public transit and pedestrian walkways that provide accessible, reliable and convenient ways to travel between home and work, schools and recreation".



In Fort Wayne and Allen County we see the construction and planning of miles of walkways and paths to satisfy this want by home and apartment dwellers. The Fort Wayne Regional Trails Network consists of more than 95-miles of trails and it continues to expand. Explore 18 miles of trails in southwest Fort Wayne on the Aboite Trails. Wabash & Erie Canal Towpath Trail is 5.5 miles from Rockhill Park to the Lutheran Hospital campus.

NAR Chief Economist, Lawrence Yun says, "Build Like It's the 1950s!" All indices point to a good economy for housing and real property. Why harm commercial real estate by changing the tax status of 1031 Like-Kind Exchanges? Why eliminate mortgage interest deduction? In the 1950s the contribution of home construction to the country's GDP rose from less than 1% to a whopping 5%. Consequently, GDP grew at an incredible rate of 8% in both 1950 and 1951. A better decision involves recognizing the massive housing shortage we have in this country from a decade-long underproduction of homes. We need more construction. An economic boom, not unlike the one we had almost 70 year ago, could result. Says, Dr. Yun.

Office Space In Fort Wayne, Indiana 2013-2014-2016

Measurements in Sq.Ft.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Inventory	12,951,852	12,953,208	12,909,387	12,917,403
Vacant Office Space	2,143,979	1,973,159	1,859,389	1,789,596
Vacancy Rate	16.6%	15.2%	14.4%	13.85%

2016 Net Absorption -77,809 sq.ft.

Vacancy Percentage by Area of Fort Wayne

Downtown	9.0%	8.8%	9.8%	9.2%
Northeast	31.7	32.4	25.9	25.0
Northwest	9.4	10.2	15.1	15.6
Southeast	18.4	15.3	16.9	9.5
Southwest	23.2	16.6	12.3	14.8

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



Trends in Office Properties 2017:

Downtown office vacancy remains below 10%. Suburban office space has rebounded with higher occupancies. But, downtown is still the focus of new office development.

Market Trends Analysis 2017
John M. Thistlethwaite Interests, LLC

Building Permits Listed By Category Allen County and City of Fort Wayne 1998-2017

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
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	807	\$195,725,641	20	\$ 36,609,415
2016	872	\$221,871,207	21	\$109,333,248
2011 (8 mos)	363	\$ 71,683,850	11	\$80,626,297
2014 (5 mos)	244	\$ 59,158,546	6	\$ 17,195,000
2016 (6 mos)	464	\$117,422,712	7	\$ 83,803,726 (General Motors)
2017 (6 mos)	465	\$119,854,457	17	\$ 72,893,673
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	66	\$14,645,013	51	\$ 67,987,347
2016	70	\$14,693,700	41	\$ 63,523,417
2012 (4 mos.)	26	\$ 6,046,250	8	\$ 21,847,496
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
2017 (6 mos)	52	\$11,783,406	19	\$ 85,356,836

* 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:

The continued economic vitality encourages industrial and residential dwelling expansions. Fort Wayne is no different than most markets in that industrial property values are increasing and rental rates are following in good order. Retailers are facing major decisions for marketing products. Some office projects are seeing slow absorption, but overall, the economic climate is strong and investors are encouraged.

The speculation construction of houses, office and apartments is a disappointing factor in the continued growth of the Fort Wayne commercial and residential marketplace, in that little has been observed. Caution continues to prevail. Maybe it's cyber security, drones, driverless cars and semi trucks, housing affordability or any other newsworthy scares that continues to plague us.

Local and statewide economic conditions are "good as ever" 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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