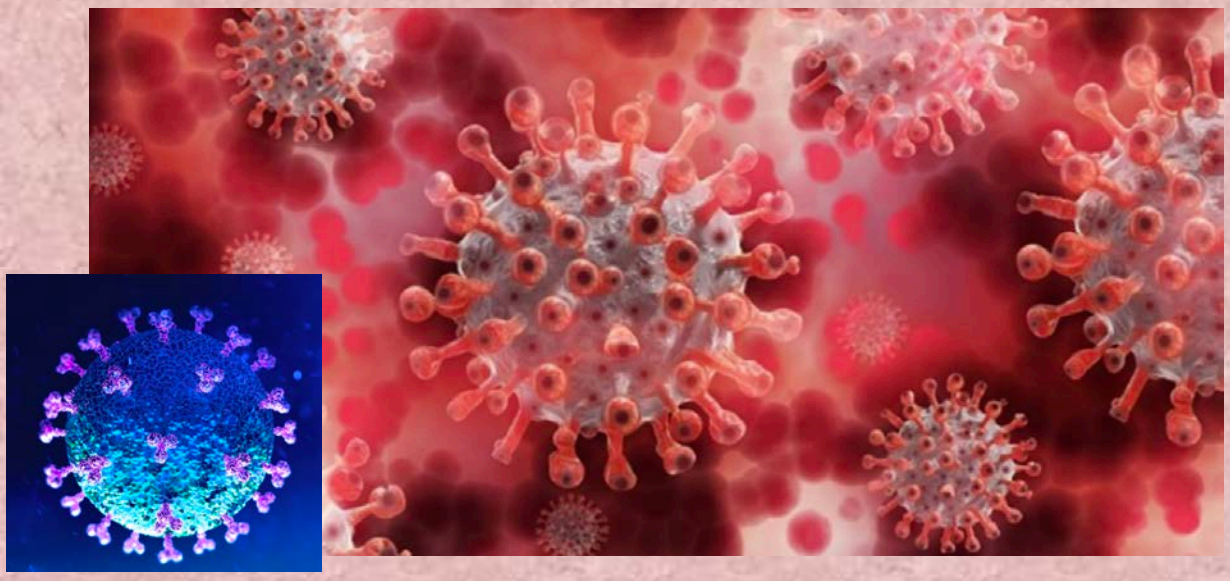
# Market Trends Analysis 2020

John M. Thistlethwaite Interests, LLC



Stricken by the Shut-Down:
Unprecedented Year of Uncertainty

## August 2020: America's Hottest and Most Aggressive Housing Market Stunned by Unexpected COVID-19 Pandemic

Fort Wayne, Indiana
Real Estate Marketplace
26th Annual Reporting

John M. Thistlethwaite Interests, LLC

**Greetings: Throw those projections away for the unforgettable year of 2020! It's all new now.**

**We constantly hear of a new normal for real estate and the economy and that any comparison may be ineffective and baseless. But, in the Fort Wayne, Indiana real estate marketplace, we are about as insulated from the extremes of the COVID-19 pandemic as anywhere. Thus far we have measured no dramatic changes in the use or utility of the housing and commercial/industrial assets located in the marketplace. Of course, this could quickly change.**

**Indiana Stay-at-Home Order, Executive Order 20-06 was issued March 6, 2020. Unless you work for an essential business or are doing an essential activity, you were required to stay home. On March 11, 2020, the United States President declared a national emergency in connection with the COVID-19 pandemic.**

**Currently, the emergency is in Phase 4.5 of the orders given by the Indiana Governor as on July 1st Gov. Eric Holcomb announced that the state will stay in Stage 4.5 thru September. The CARES Act assistance of $600 per week ended July 31st so we may face some different behaviors by apartment tenants.**

**Stage 4.5 began on July 4, the date originally set for Stage 5. The new in-between stage was set to end July 17. At the time, officials cited upticks in cases, positivity rate and hospitalizations. "We are going to stay at Stage 4.5 as we look out and factor in everything that's happening," Holcomb said.**

**That means capacity levels and social gathering limits will remain the same. For gatherings and events larger than 250, organizers will be required to submit a written plan to their local health department for approval, outlining steps that will be taken to mitigate the spread of the coronavirus.**

**I have formed the opinion that ample liquidity in the commercial/office market may be lacking and the debt market may be expected to be resilient given the stability of the credit markets currently, but new fundraising activity is likely to be delayed and the pandemic has led to enormous market volatility---requiring disclosure that valuation uncertainty is present.**

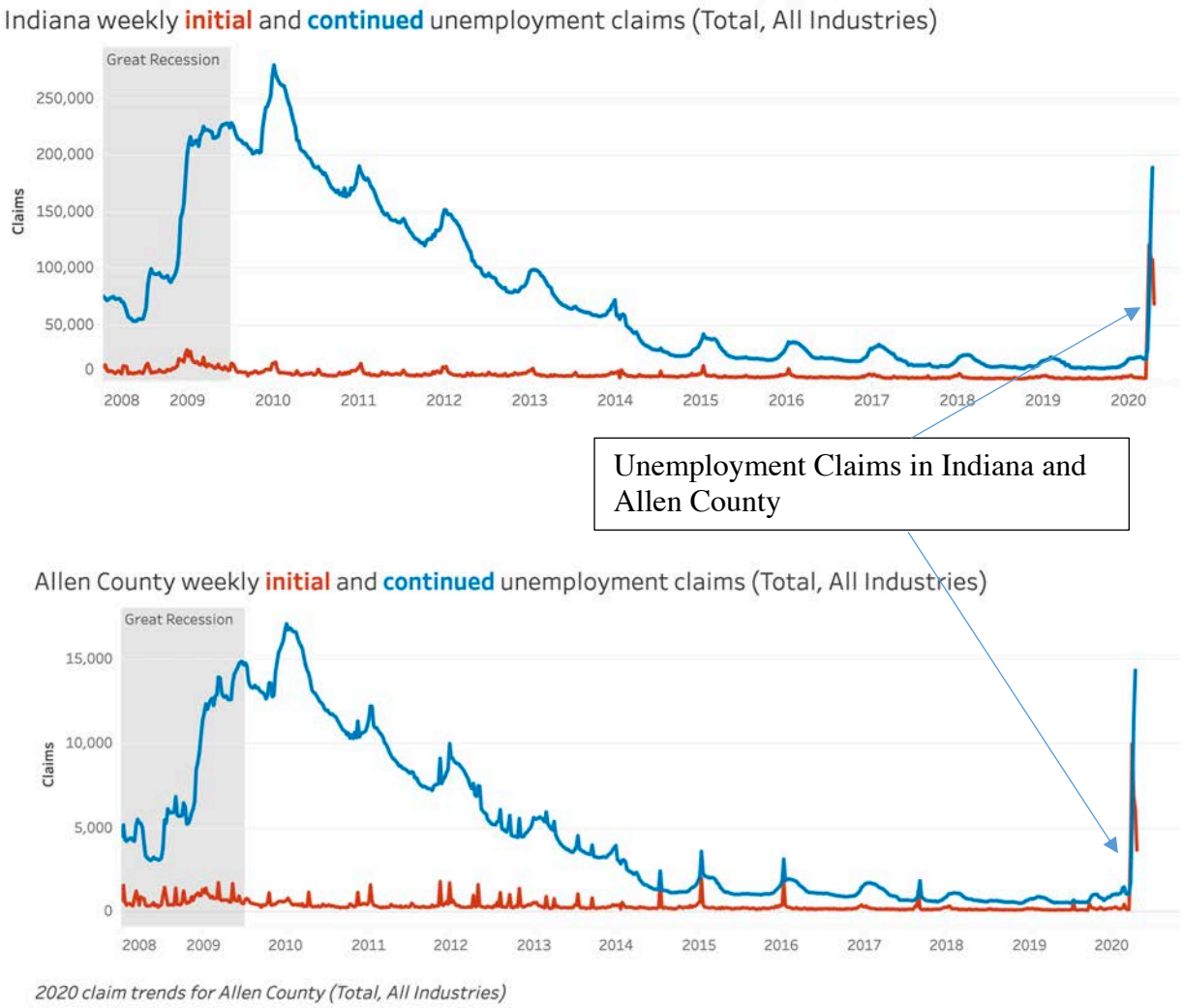
**Valuation is not a fact, but it is an estimate of the most probable of a range of possible outcomes. We have read the American Society of Appraisers' "*ASA USPAP Guidance for Real Property Appraisers---Coronavirus/COVID-19 Issues*" and the International Valuation Standards Council's, "*Dealing with valuation uncertainty at times of market unrest*" and find there is uncertainty in the appraisal's assignment results due to the uncertainty in the market.**

**One of the main issues when dealing with valuation uncertainty is that a valuation is an estimate of the most probable of a range of possible outcomes based on the assumptions made in the valuation process.**

**Valuation uncertainty does not mean a valuation cannot be undertaken, but it does mean that significant assumptions with the valuation approach and methodology should be disclosed within the Appraisal Report.**

**Factors considered in the current pandemic would include increased vacancy and higher equity requirements of the owner/purchaser.**

**In the local marketplace, we have no reason to expect economic damage from the health crisis to come into focus. The next several months will present evidence of continued marketplace demand and supportive economic conditions.**



***"…we don't know yet how or if the coronavirus will affect economic growth." said RERC's Ken Riggs at the outbreak of the pandemic. Today, he says, " Unfortunately, now we know how the coronavirus will affect economic growth—very, very badly."***

**This Market Trends Analysis is being printed at a time of the worst economic conditions since the Great Depression and following the longest economic expansion in history. So, what will come of it in the local marketplace is unknow.**

**In general, however, stability continued to characterize the commercial real estate sector in the asset classes and markets during this past year. The "boom" cycle was extended into its second decade---giving reason for pessimistic folks to grumble.**

**Then came the "economic disruption" and it remains a concern to many of those wanting to keep the industry from cracking.**

**Allen County residents are similar to those in many midwestern states and even nation-wide, in that they are ready to move into non-traditional housing, offices, mixed-use projects---- now may be their chance.**

**Year 2017 was the first year since 2006 showing more than 1,000 residential lots being developed, but 2019 showed exceeded that amount with 1,069 lots being offered.**

**In Allen County, single family residential subdivision development plat recordings total 240 lots in 7 plats thru September 2019---but 2019 ended with a total of 1,069 lots platted .**

**Over the next five years, counties in Northeast Indiana could support the development of nearly 16,000 new housing units. The Northeast Indiana Regional Partnership, the Home Builders Association of Fort Wayne, Inc. and the Upstate Alliance of REALTORS® worked with Zimmerman/Volk Associates, Inc. to publish an analysis of residential market potential for 10 counties in Northeast Indiana.**

## Allen County, IN

Residential Labor Force Estimates (not seasonally adjusted)

| Allen County, IN | July 2020 | Rank of 92 | Monthly Change 06/20 to 07/20 | Yearly Change 07/19 to 07/20 | Annual Average 2020 |
|---|---|---|---|---|---|
| Labor Force | 185,745 | 3 | -3.8% | -1.6% | n/a |
| Employed | 169,840 | 4 | -0.4% | -6.8% | n/a |
| Unemployed | 15,905 | 3 | -29.5% | 145.6% | n/a |
| **Unemployment Rate** | **July 2020** | **Rank of 92** | **Last Month's Rate (06/20)** | **Last Year's Rate (07/19)** | **Annual Average 2020** |
| Allen County, IN | 8.6 | 10 | 11.7 | 3.4 | n/a |
| State | 7.9 | n/a | 11.1 | 3.5 | n/a |
| United States | 10.5 | n/a | 11.2 | 4.0 | n/a |

**July 2020 Unemployment Rate is 8.6% for Allen County as Compared with 7.9% for the State and 10.5% nationwide**

**The local real estate sectors continue to experience higher occupancies. Surveys from The Zacher Company, Upstate Alliance of Realtors, Home Builders Association of Fort Wayne and Costar Realty Information, Inc. reveal the following vacancy levels:**

| | | |
|---|---|---|
| **Office Vacancy** | **9.29%** | **The Zacher Co.** |
| **Industrial Vacancy** | **4.32%** | **The Zacher Co.** |
| **Retail Vacancy** | **13.1%** | **The Zacher Co.** |
| **Multi-family Vacancy** | **6.1%** | **Costar Realty Information Inc.** |
| **Existing Home Inventory** | **1.0 months** | **UPSTAR Alliance of REALTORS®** |
| **New House Building Permits** | **1,157** | **Home Builders Association of Fort Wayne** |
| **Residential Lots Platted** | **1,069** | **Allen County Recorder's Office** |

## New WOTUS Rule Became Effective June 22

**Thanks go to the National Association of Home Buildings for its reporting of the Trump Administration's new definition of "waters of the United States" (WOTUS). The Navigable Waters Protection Rule (NWPR) became effective June 22, 2020 in all states but Colorado. The NWPR will provide several benefits to builders and developers while continuing to protect important water bodies.**

**It narrows the extent of federal jurisdiction by excluding isolated water bodies, "ephemeral" waters that form only in response to rain, and most ditches.**

**My comment: Thank you for this needed change.**


The Counselors of Real Estate has identified the current and emerging issues expected to have the most significant impact on real estate for the foreseeable future, with the COVID-19 pandemic being the leading concern of the 1,000-member organization.

1. COVID-19
2. Economic Renewal
3. Capital Market Risk
4. Public & Private Indebtedness
5. Affordable Housing
6. Flow of People
7. Space Utilization
8. Technology & Workflow
9. Infrastructure
10. ESG

**1. COVID-19**

COVID-19 may be the greatest environmental experiment of our real estate lives. The change wrought by the virus and its aftermath will teach us about priorities, resilience, and demand in ways that we did not dare test before. The 2020-21 Top Ten Issues are an attempt to overlay this new world onto an already changing real estate environment.

In examining real estate markets, we must consider existing fragility, adaptability to new demands, and potential relevance to new markets. Demand will be defined by the extent to which this crisis leads us to abandon old habits and adopt new ones. The duration of the lockdown has been a factor, and so is the confidence with which we emerge. Key questions without answers include: Will we be willing to shop in crowds, sit in theatres, and live close together to the same extent that we did in January?

Two primary factors may drive the effect of this pandemic on real estate markets. One reduces demand. The other may increase it. Will real estate demand be reduced by the virtual office and a preference for home entertainment?

Will we insist on lower density wherever we go? Will social distancing habits persist, and require reduced density in airplanes, airports, stores, restaurants, theaters, offices, banks, and government buildings? This could require larger spaces and higher costs to accommodate the same functions.

Real estate is a lagging indicator. With the economy expected to take a few years to recover from the effects of COVID-19, our industry will show ripples for a few more.

**2. Economic Renewal**

The U.S. economy was heading toward a tipping point prior to the COVID-19 pandemic, and beyond that we find deep and persistent challenges facing the economy and the real estate industry.

There were a number of statistical signals of deceleration for those willing to see them. Annual job growth in the U.S. had dropped from roughly 3 million in early 2015 to about 2 million in 2019. Industrial production expansion peaked in mid-2018 and had decelerated into negative territory by late 2019.

Growth of the labor force had declined from the double-digit pace of the final three decades of the 20th century to less than 8 percent from 2000 to 2019, driven in part by the reduction in the U.S. birth rate.

Significant segments of the economy remain debilitated. Leisure and hospitality, retail, air travel, and construction can expect slow and partial rebounds into 2022. Ironically, the healthcare industry—especially workers in lower-income jobs—is facing an intense financial squeeze in the wake of the coronavirus. The impact of the economic lockdown on state and local tax revenues could reduce non-federal government employment levels, as occurred in the Global Financial Crisis, and shelve important infrastructure projects. Such risks suggest an unusual "W-shaped" recession, a second contraction following the initial improvement of a partial economic re-opening.

The post-COVID-19 economy will not be settling into long-run GDP, spending, and employment growth rates that bear any similarity to the 2000 – 2019 period. Once the first year of recovery is accomplished—and even this will mean some jobs permanently lost—final demand for U.S. businesses, including real estate, will remain truncated. For the decade of the 2020s, the economy is constrained by long-run potential GDP growth that is a weak 1.5 – 1.6 percent. That is the 'new normal' for which we need to prepare.

**3. Capital Market Risk**

The last three months have presented not only the real time volatility of the capital markets, but also how quickly debt and equity capital liquidity can stop flowing when risk and returns are difficult to measure. One thing we have seen since the middle of March is that volatility has spiked which makes pricing debt more challenging. In the face of effectively zero interest rates, the risk premium spreads, valuation metrics and the underwriting assumptions become critical. Percentage of rent being paid in each sector is an important metric as is late debt service payments.

Federal intervention helped to limit a complete seizing of the markets but doesn't necessarily mitigate the longer-term concern about defaults and loses. While pricing stability and liquidity appears to have somewhat returned, late payments and loan defaults have seen a significant increase.

Mortgage REITs took a significant hit early in the pandemic, despite no losses in collateral due to loan defaults. Even with some share price rallies, the commercial mortgage REIT sector is down more than 36% YTD, with several down more than 50%. While publicly traded shares have come back from early pandemic levels, some sectors continue to feel the effects of market re-pricing. Commercial real estate markets will experience a revaluation driven by lodging, retail, and office.

COVID-19 behavioral changes will steer real estate and ultimately what capital will cost. Non-COVID related risks that deserve our attention are the 2020 presidential election, the switch from LIBOR to SOFR as an index, and reporting regulations that will require investor focus. We will get through this period and come out stronger, but what are the risks ahead and what will they cost?

**4. Public & Private Indebtedness**

All real estate is local and the value of—and demand for—commercial real estate can be influenced by local indebtedness funded by local taxes.

While fiscal and monetary intervention were necessary in the Great Recession of 2009, and in the current public health crisis, understanding the tentacles of that intervention is a Top Ten real estate issue. Public debt needs to be translated locally to understand the interconnections of air travel, ports, logistics infrastructure, and public transportation that influence commercial real estate demand, value, and investment activity. Some noteworthy observations:

- The U.S. national debt has now risen to more than $26 trillion from $23 trillion just 6 months ago, or $210,000 per taxpayer, which is just shy of the median home price in the U.S. This is a drain on savings and investment activity.
- Total state debt is approximately $1.2 trillion, or $3,500 per state taxpayer, and local debt is nearly double state indebtedness at $2.1 trillion and $6,350 per local taxpayer.
- Student loan debt is now approaching $1.7 trillion and exceeds total credit card debt of $1.0 trillion. This burden on what's now the largest demographic group in the workforce—Millennials—will inhibit housing investment and consumption behavior, adversely impacting retail, auto purchases, and leisure spending for travel.
- Total Personal Debt now exceeds $20.5 trillion and is approaching the U.S. annual GDP. That equates to more than $62,000 per citizen. This level of debt at the onset of COVID-19—with trillions more ahead in stimulus and fiscal rescue intervention—is not sustainable. It will impact commercial real estate in many ways, from reduced demand for housing to interest rates that will eventually have to rise to attract new capital to fund our debt, to the ability to repair and upgrade our aging infrastructure and fund projects like 5G that will be essential to our future and U.S. competitiveness.

**5. Affordable Housing**

In this era of political divisiveness, there are two things that most can agree on: 1) there is a tremendous need for affordable housing throughout America, and 2) there is a strong "Not in My Back Yard" or NIMBY agenda.

According to the National Low-Income Housing Coalition, there is a shortage of more than 7.2 million affordable rental homes for extremely low-income renter households—those with incomes at or below the poverty level or 30% of their area median income. Moreover, the lack of affordable **for-sale** homes drives up rents and increases prices of multifamily investment properties.

According to the Urban Institute, prior to the COVID-19 outbreak, the affordability crisis driven by the lack of housing supply was one of the biggest problems facing the U.S. housing market. Home prices in the bottom 20th percentile increased 126 percent between January 2000 and December 2019. This is a substantially larger increase than the 87 percent increase for homes in the top 20th percentile.

Suggested solutions to the crisis include: (1) expediting the approval process by adding "Inherently Beneficial Use" to municipal land use laws to circumvent "Not in My Back Yard" opposition, (2) expand taxpayer funded one-time front-end subsidy programs for affordable housing and encourage the expansion of existing subsidy programs at the federal, state, and county levels, (3) use the power of zoning to create subsidies necessary for providing more affordable housing and market rate housing at no additional cost to the taxpayers.

**6. Flow of People**

The flow of people between and within countries has always been a critical driver of real estate and the economy. Today, the world's economies and people face unprecedented challenges to mobility. Immigration has ground to a halt, initially driven by nationalistic policies in the U.S. and countries throughout the world, and more recently by the COVID-19 pandemic.

Reduced migration and COVID-19 behavioral changes will hurt demand for residential, hospitality, and retail real estate, particularly in communities that have historically relied on such demand.

An early May Harris Poll showed that nearly 40% of urbanites are considering fleeing the city as concerns about the virus and economic effects of the pandemic take hold.

Given the cost of moving and the disposable income required, such urban flight is primarily viable for wealthier households and those with remote employment options. Potential expansion of suburban and "spoke" employment facilities, as discussed by Google in May, to reduce mass transit reliance, will also be a key factor in determining how far this dynamic progresses.

The flexibility of people to move to better jobs has driven productivity and the real estate markets. Real estate implications will be determined by how long behavioral changes brought on by the virus last, the quality of innovations in healthcare, living, and working that emerge, and the quality of world leadership.

**7. Space Utilization**

COVID-19 will have a lasting impact on the design and use of the real estate space, with a level of transformation and rebuilding not seen since the end of WWII. COVID-19 has stressed the use, location, mechanical infrastructure, and interior configuration of commercial buildings. In as much as safety issues were at the forefront after 9-11, a new focus is being placed on the health of building occupants—from building entry and vertical transit to improvement of indoor air quality, including the reduction of transmission threats of airborne particulates.

Density and affordability of housing, job opportunities, social services and health care, and cultural, sports and recreational activities will be even more key in urban planning, with significantly-revised expectations on capacity.

Acceleration of planned, medium-density, mixed-use communities will replace old retail formats, with design that embraces walkability and integration of uses that enable continued normalcy in case of subsequent lockdown orders. Intentional design will deliver social connectedness with physical distancing that integrates residential, office, retail, and public spaces closely resembling older European cities.

Many classic retail formats and retailers will never recover and will require creative re-use or fundamental redevelopment to replace their former vitality.

**8. Technology & Workflow**

Amidst the pandemic, there is an urgent call for technology to monitor, manage, and mitigate risks. The combination of migration back to the office, the need for reconfiguration and change in operating methods, and the general desire for working remotely, is accelerating the adoption of technology in the built environment.

Many technologies will go from "nice to have" to "mandatory." These may include: tracking of people in buildings; contactless doors and elevators; air and water quality monitoring; airflow and recirculation control; mandatory remote building services; and health screenings for contractors and facility staff.

Necessity will move us to better and smarter buildings and operations. Forced adoption of web meetings, safety standards, privacy and collaboration tools, and cyber security has brought the benefits of technology to even the most resistant users. Changes in density, use patterns, meeting frequency, and movement are likely. The result will be spaces that are safer, more efficient, and better prepared for the next big surprise as property owners and managers create confidence for tenants, residents, and shoppers.

**9. Infrastructure**

Infrastructure has a significant impact on land and the built environment and once again is a principal and critical issue affecting real estate this year. As the world reawakens to its vulnerability to extreme events amidst the current COVID-19 pandemic, we are forced to view infrastructure through a different lens given its crucial function in helping to sustain life and commerce.

Funding remains elusive. The ongoing infrastructure crisis is manifested in an estimated underinvestment of $15 trillion in global infrastructure by 2040. Basic infrastructure needs will go unmet and potentially impact real estate values and development patterns as underserved locations become less livable or even undevelopable. Meanwhile, the American Society of Civil Engineers rates U.S. infrastructure a dismal D+.

Further complicating the infrastructure crisis are major disruptors including the pandemic, extreme weather, cyber attacks, and terrorism—all of which will require novel, adaptable and strengthened infrastructure across the globe.

Retailers across the globe are increasingly relying on a complex and expanded logistics infrastructure as online sales grow as a percentage of total revenue. As stores reopen and the surge potentially subsides, the demand for a strong logistics infrastructure, particularly of "last-mile" warehousing and distribution facilities, will depend on the degree to which online shopping remains as a permanent behavioral change for large segments of the population.

**10. ESG**

Environmental, Social and Governance (ESG) is no longer an emerging trend, but a critical component of real estate investment. While COVID-19 has underscored the importance of ESG issues, this new "norm" is a result of trends already underway, including dramatically changing acceptance of the risks of climate change, innovations in the measurement and tracking of ESG performance, new innovative ESG investment alternatives, the growing influence of millennial investors, and substantial recognition of ESG initiatives from corporations.

Within real estate investing, ESG requires a more conscious focus on stakeholders and – from investors and clients, to tenants, residents, building staff and contractors. Issues of equity, sustainability, health and wellness, and diversity all filter into decision-making.

Walkable urban areas, for example, have successfully captured more affluent and younger people attracted to job access, public transit, entertainment, and restaurants. These urban spaces are accounting for virtually all new office and rental multifamily construction.

The role of resilience and control of operating costs is more important than ever as investors and operators navigate the blow of near-term rental revenue losses, especially for the hospitality, entertainment, and retail sectors. It is the opinion of Counselors of Real Estate that ESG has been established as a prudent risk mitigation strategy that will contribute to long-term value creation that real estate has historically enjoyed.

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## Highlights of 2020 Real Estate Development Activities in Fort Wayne

Ashberry Eight LLC plans to build a four story office building, one-story retail and restaurant use and six-level parking garage next to their Firth Third Metro Center.

Finishing work on construction of "The Landing" renovation area. Apartments are completed and being leased. All street level retail areas are leased.

Promenade Park Has Opened. A $20 Million Riverfront Development in Downtown Fort Wayne

The Bradley, A Provenance Hotel With 125 Rooms Is Finishing Construction at the Northwest Corner of Harrison and Main Streets

## Allen County House Sales Activity
## as Reported by Upstate Alliance of REALTORS®
## Multiple Listing Service, Inc. 2002-2020

| | #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 | 5,558 | $120,000 | $658,080,000 | 2.8 | $153,552,000 |
| 2016 | 5,872 | $129,900 | $762,772,800 | 2.0 | $127,128,799 |
| 2017 | 5,908 | $136,500 | $806,442,000 | 1.6 | $ 99,459,606 |
| 2018 | 5,977 | $147,500 | $869,512,350 | 1.5 | $117,437,950 |
| 2019 | 5,941 | $160,500 | $953,530,500 | 1.4 | $112,510,500 |

**January to June**
**6 Month Year-to-Date Comparisons for 2005-2020**

| | | | | | |
|---|---|---|---|---|---|
| 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 | 2,363 | $110,000 | $259,930,000 | 4.7 | $211,484,000 |
| 2015 | 2,563 | $118,000 | $302,434,000 | 3.5 | $180,550,000 |
| 2016 | 2,847 | $128,250 | $365,127,750 | 2.1 | $102,423,000 |
| 2017 | 2,861 | $133,300 | $381,371,300 | 2.2 | $110,177,200 |
| 2018 | 2,749 | $133,900 | $368,091,100 | 1.9 | $109,628,750 |
| 2019 | 2,668 | $160,000 | $426,880,000 | 1.5 | $100,640,000 |
| 2020 | 2,727 | $159,000 | $433,593,000 | 1.0 | $ 75,265,700 |

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

Upstate Alliance of REALTORS®, which covers a primary territory that includes Allen, Whitley, Huntington, Adams, Jay, Wells, DeKalb and Noble counties, recorded 8,638 closed sales in 2019 as compared to 8,554 closed sales in 2018 and 8,655 closed sales in 2017. The median sale price of the homes sold rose to $149,900 up 5.6 percent from $141,500 the prior year.

## Residential Subdivision Development
## Listed by Number of Developments, Number Of Lots and Number of Acres Platted Allen County, Indiana
## 1998-2019

| 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 | 6 | 109 | 82 |
| 2016 | 28 | 644 | 343 |
| 2017 | 43 | 1,015 | 510 |
| 2018 | 27 | 838 | 420 estimated |
| 2019 | 22 | 1,069 | 402 |

**January to June**
**6 Month Year-to-Date Comparisons for 2006 to 2019**

| | | | |
|---|---|---|---|
| 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 |
| 2013 (6 mos.) | 6 | 148 | 58 |
| 2014 (6 mos.) | 3 | 123 | 51 |
| 2015 (6 mos.) | 7 | 145 | 64 |
| 2018 (6 mos.) | 6 | 158 | 67 |
| 2019 (6 mos.) | 2 | 83 | 65 |

*Source: Allen County Department of Planning Services and the gracious and cooperative assistance in 2017, 2018 and 2019 of the Allen County Recorder*

**Trends in Housing 2020:**

The single family market is virtually unaffected by the COVID-19 pandemic to date.
This sector is the strongest of all of the real property assets. New house starts as well as existing house sales/transfers are extremely high.

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

**2020 Overall Market Vacancy: 13.1%**
**2020 Total Sq.Ft. in Marketplace Surveyed: 13,981,000**

**2019 Overall Market Vacancy: 12.0%**
**2019 Total Sq.Ft. in Marketplace Surveyed: 13,962,645**

**2018 Overall Market Vacancy: 11.1%**
**2018 Total Sq.Ft. in Marketplace Surveyed: 14,007,541**

**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**

| CBRE | | | Zacher Co. | | | | |
|---|---|---|---|---|---|---|---|
| 2008 | 2009 | 2012 | 2015 | 2017 | 2018 | 2019 | 2020 |
| 17.3% | 16.8% | 9.70% | 5.3% | 3.9% | 3.9% | 3.1% | 5.2% |

**South/East Quadrant**

| CBRE | | | Zacher Co. | | | | |
|---|---|---|---|---|---|---|---|
| 2008 | 2009 | 2012 | 2015 | 2017 | 2018 | 2019 | 2020 |
| 15.3% | 24.1% | 28.0% | 39.0% | 35.8% | 29.9% | 15.0% | 15.5% |

**North/East Quadrant**

| CBRE | | | Zacher Co. | | | | |
|---|---|---|---|---|---|---|---|
| 2008 | 2009 | 2012 | 2015 | 2017 | 2018 | 2019 | 2020 |
| 12.5% | 15.1% | 22.0% | 18.2% | 1 16.1% | 12.5% | 17.6% | 17.4% |

**South/West Quadrant**

| CBRE | | | Zacher Co. | | | | |
|---|---|---|---|---|---|---|---|
| 2008 | 2009 | 2012 | 2015 | 2017 | 2018 | 2019 | 2020 |
| 10.5% | 13.9% | 10.7% | 13.4% | 18.1% | 8.9% | 8.7% | 11.8% |

Sources: 2008-2010 by CBRE Sturges and 2011-2020 by The Zacher Co.

Sources: 2010 by CBRE Sturges and 2011-2020 by The Zacher Co.

**Trends in Retail Properties 2020:**

An absolute unknown with COVID-19 affects. The hits keep coming. At least 25 major retailers have filed for bankruptcy. It will be difficult to backfill the vacancies. Local vacancy rate of 13.1% is exceptional.

## 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%* |
| *2012* | *17,336* | *92.4%* |
| *2013* | *17,086* | *93.7%* |
| *2014* | *17,408* | *93.2%* |
| *2015* | *17,953* | *95.7%* |
| *2016* | *17,953* | *95.7%* |
| *2017* | *18,176* | *95.2%* |
| *2018* | *18,758* | *95.5%* |

*Source: Tikijian Associates- Multihousing Investment Advisors*

| | | |
|---|---|---|
| *2020* | *21,616* | *93.9%* |

*Source: Costar Realty Information, Inc.*

**Trends in Multifamily Properties 2020:**

"Virtually full" status continues. Skyline Tower Apartments entered the downtown area with luxury living apartments as did 118 Columbia Street on The Landing. Assisted living and health care facilities are absorbing much of the demand for living units.

## Northeast Indiana Industrial Space Inventory and Vacancy Estimates 2012-2014-2015-2017-2018-2019

| | 2012 | 2014 | 2015 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Total Space Inventoried sq.ft. in Regional Industrial Survey | 93,215,356 | 98,340,965 | 101,768,463 | 106,523,55 | 109,085,000 | 110,947,000 |
| Estimate of Vacant Space sq.ft. | 6,259,648 | 5,837,314 | 6,632,721 | 5,438,963 | 4,374,000 | 4,795,902 |
| Vacancy Rate | 6.6% | 5.82% | 5.25% | 4.6% | 4.01% | 4.32% |

**Net absorption in 2019 was 1,440,000 sq. ft. The total vacant area was 4,796,000 sq. ft.**
**Net absorption in 2018 was 3,059,173sq. ft. The total vacant area was 4,374,000 sq. ft.**
**Net absorption in 2017 was 567,314 sq. ft. The total vacant area was 5,438,963 sq. ft.**
**Net absorption in 2015 was 4,009,183 sq. ft. The total vacant area was 6,632,721 sq. ft.**

Source: The Zacher Company

## Northeast Indiana Industrial Development and Retention Trends by Number of New Projects, Expanded Projects, Monetary Investment and Influence on Jobs 1993-2019

| 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 |
| 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 | $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 | | | $429,000,000 | | |
| 2017 | 28 | | $242,000,000 | 1,838 | |
| 2018 | 33 | | $336,000,000 | 2,445 | |
| 2019 | 113 | | $691,000,000 | 3,263 | |

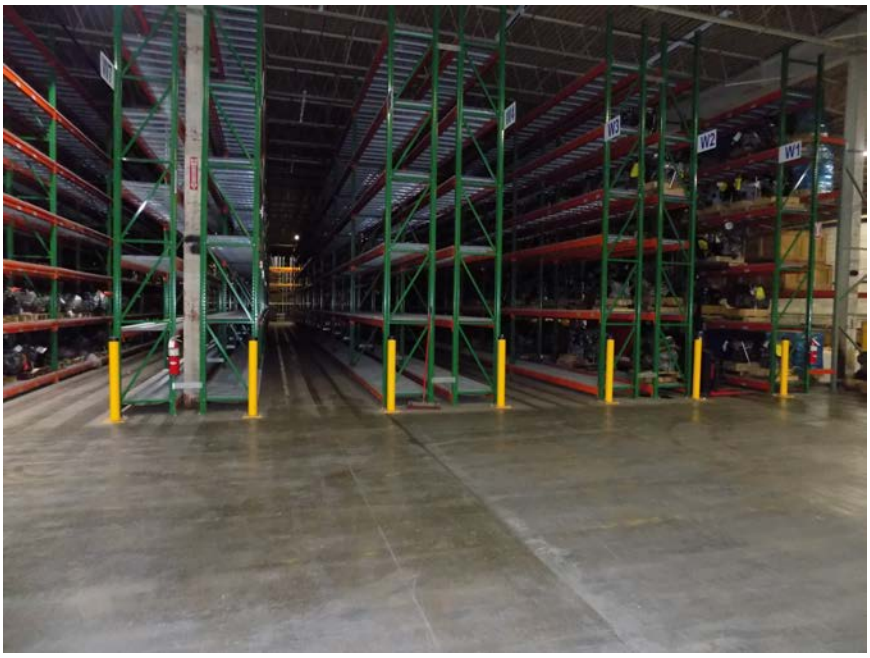
Source: Community Research Institute, Northeast Regional Partnership, \
Greater Fort Wayne Annual Report

| | | |
|---|---|---|
| **Total Industrial Space Inventory** | **110,946,699 sq.ft.** | **January 2020** |
| **Vacant Space** | **4,795,902 sq.ft.** | **4.32% vacancy** |
| **Net Absorption in 2019** | **1,439,715 sq. ft.** | |

Source: The Zacher Company

**Trends in Industrial Properties 2020:**

The industrial sector remains the best property type over the next year. The pandemic has intensified the trend of consumers purchasing with online shopping. Amazon is opening a 150,000 sq. ft. delivery station in Fort Wayne at 8610 Avionics Drive near the Fort Wayne International Airport. Vacancy at 4.32% overall.



## Office Space In Fort Wayne, Indiana
## 2013-2019

***Measurements in Sq.Ft.***

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **Inventory** | **12,909,387** | **12,917,403** | **12,961,943** | **12,878,551** | **13,015,039** |
| **Vacant Space** | **1,859,389** | **1,789,596** | **1,811,589** | **1,392,755** | **1,208,514** |
| **Vacancy Rate** | **14.4%** | **13.85%** | **13.98%** | **10.8%** | **9.29%** |

**2018 Net Absorption 335,442 sq.ft.**
**2019 Net Absorption 320,729 sq.ft.**

| **Vacancy Percentage by Area of Fort Wayne** | | | | | |
|---|---|---|---|---|---|
| **Downtown** | **9.8%** | **9.2%** | **6.99%** | **6.89%** | **6.90%** |
| **Northeast** | **25.9%** | **25.0%** | **24.58%** | **18.05%** | **13.67%** |
| **Northwest** | **15.1%** | **15.6%** | **21.98%** | **17.07%** | **12.14%** |
| **Southeast** | **16.9%** | **9.5%** | **11.69%** | **11.37%** | **10.06%** |
| **Southwest** | **12.3%** | **14.8%** | **15.45%** | **10.81%** | **8.34%** |

*Source: 2013-2019 Fort Wayne, Indiana Office Market Survey by the Zacher Co.*

*The Zacher Company surveys the Office Marketplace for Fort Wayne, Indiana annually and presents good insights to the market conditions, forecast, absorption and vacancies. The following data have been selected from the 2019 Office Market Survey.*

Total Office Space in 2019 Survey
Totaled 13,015,039 sq.ft.

Source: The Zacher Co. 2019
Fort Wayne Office Market Survey

**Trends in Office Properties 2020:**

Downtown office vacancy in 2019 was at a remarkable 6.9% before the stay-at-home orders by the State of Indiana. The once "very predictable sector" of the real estate market, these new office realities are starting to take shape--and everyone disagree. It seems.

# Building Permits Listed By Category
# Allen County and City of Fort Wayne
# 1998-2020

| Allen County | Single Family Residential # Permits | Single Family Residential Estimated Cost | Commercial # Permits | Commercial 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** |
| **2014** | **681** | **$166,288,444** | **20** | **$ 29,758,808** |
| **2015** | **807** | **$195,725,641** | **20** | **$ 36,609,415** |
| **2016** | **863** | **$219,414,921** | **21** | **$109,333,248** |
| **2017** | **832** | **$218,015,514** | **33** | **$ 75,665,824** |
| **2018** | **991** | **$274,518,012** | **30** | **$ 68,273,325** |
| **2019** | **1,020** | **$282,611,391** | **27** | **$ 74,251,232** |
| 2014 (5 mos) | 244 | $ 59,158,546 | 6 | $ 17,195,000 |
| 2017 (6 mos) | 465 | $119,854,457 | 17 | $ 72,893,673 |
| 2018 (6 mos) | 441 | $122,463,778 | 13 | $ 20,774,782 |
| 2019 (6 mos) | 327 | $86,074,380 | 16 | $37,957,093 |
| 2020 (6 mos) | 319 | $90,170,297 | 33 | $10,490,222 |
| 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** |
| **2014** | **65** | **$14,142,607** | **31** | **$ 72,638,602** |
| **2015** | **66** | **$14,645,013** | **51** | **$ 67,987,347** |
| **2016** | **69** | **$14,413,700** | **41** | **$ 63,523,417** |
| **2017** | **190** | **$41,856,216** | **45** | **$111,568,936** |
| **2018** | **166** | **$33,444,167** | **70** | **$156,791,086** |
| **2019** | **260** | **$54,733,162** | **70** | **$365,005,306** |
| 2015 (6 mos) | 32 | $ 7,013,293 | 23 | $ 37,906,782 |
| 2017 (6 mos) | 52 | $11,783,406 | 19 | $ 85,356,836 |
| 2018 (6 mos) | 86 | $19,021,848 | 35 | $ 64,577,779 |
| 2019 (6 mos) | 141 | $27,059,614 | 24 | $ 122,512,883 |

Source: Homebuilders Association of Fort Wayne, Inc.

**Concluding Remarks:**

We expected the "good as ever" market conditions to change one day. Well, that "one day" may be approaching, but no evidence of it yet. With virtually no commercial or industrial sale transactions disclosed in March, April & May 2020, we are convinced the lack of transactions is a sign of better things to come rather than many transactions at liquidation values.

The 1st quarter of 2021 will be a telling sign of the future of asset worth in the real property sector of the economy. Locally, the Allen County and northeast Indiana single family marketplace continues to be as active as possible with increasing median sale prices and decreasing days on the market. Commercial and industrial patterns are less obvious. The hotel/motel industry is one viewed by many to suffer the most, but local sources tell me they expect a "good" 12 months of operations in 2021.

The continuing survey results by The Zacher Co., Upstate Alliance of REALTORS®, Home Builders Association, Greater Fort Wayne and Costar Realty Information, Inc. as well as public records contribute reliability to these market observations. We are appreciative of these accurate annual efforts by each.



**John M. Thistlethwaite Interests, LLC**

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**John M. Thistlethwaite, President**
**3401 Lake Avenue • Fort Wayne, IN • 46805**
**Telephone (260) 426.7134 Email: john@thistlethwaite.com**
**Web Site: www.thistlethwaite.com**