



2020 FORT WAYNE, INDIANA OFFICE MARKET REPORT NARRATIVE

WELCOME TO THE 2020 ZACHER COMPANY OFFICE MARKET REVIEW AND FORECAST FOR FORT WAYNE, INDIANA.

The office market statistics for the twelve months encompassing October 2019 to September 2020 reflect a positive absorption of approximately 66,000 square feet in spite of the effects of COVID-19. However, this level of absorption is down from the 320,729 square feet reported last year. The overall market vacancy rate increased slightly to 10.12%, up from 9.29% a year ago. This characterizes a strong office market and is healthy compared to the national vacancy rate, which is estimated to be between 10.3% and 13.7%. Class A downtown office rents range between \$18.00 and \$22.00 per square foot full service plus

parking, while Class A suburban rents command \$15.50 to \$19.00 per square foot full service, including free surface parking.

One noteworthy announcement during the past 12 months is the intention of Do It Best to relocate their corporate headquarters to Electric Works and occupy approximately 160,000 square feet of office space. In August, subsequent to this announcement, there was a No Vote by the City Redevelopment Commission, which leaves the project in limbo at the time of this report. It is notable that four companies leased new space in Fort Wayne during the past year. United Technologies Electronics Controls leased 53,000 square feet on three floors in the Indiana Office Center located downtown, and Annie's Publishing procured a lease of 8,000 square feet, also in the Indiana Office Center. With respect to the suburban market, Group Dekko leased 72,000 square feet at 7310 Innovation Boulevard, and Raytheon (now BAE Systems) leased approximately 44,000 square feet at 5001 US Highway 30. In addition, Sweet Real Estate purchased the former Pizza Hut headquarters located at 7100 West Jefferson Boulevard.

With respect to COVID-19, the following are noted trends within the office market:

- Tenants have been reluctant to make long-term commitments
- The office workforce has adapted to working from home
- Technology has allowed workers to maintain productivity while working remotely
- Employees enjoy the flexibility of working remotely, but do not want to be at home 100% of the time
- The younger workforce is more comfortable connecting virtually, as compared to their more mature colleagues
- There is still a need for in-person connectivity

COVID-19 has directly impacted three companies in the Fort Wayne office market. Cooper Standard, Broadridge Financial and Premier Thermal have all vacated their office spaces, and currently have these spaces available for sublease, totaling 34,000 square feet.

At the time of this report, the five proposed downtown mixed-use developments that include an office component are:

1. Electric Works, located on the south side of downtown, on Broadway
2. The Ruoff Headquarters building situated at the corner of Ewing and Jefferson across from Parkview Field
3. The Ashberry office structure and parking garage on Maiden Lane between Berry and Main Streets
4. The Riverfront Promenade located on Superior Street next to Promenade Park
5. The Lofts at Headwaters Park, situated on the corner of Clinton Street and Superior Street next to the Club Soda restaurant

When we prepared this report a year ago, all five of these projects were in various stages of proposal. Currently, all five of these projects are awaiting groundbreaking and commencement of construction.

With respect to office markets in general, and to the Fort Wayne office market in particular, the following are The Zacher Company's predictions:

- We expect a permanent reduction in demand for offices, due to the fact that fewer employees are occupying physical office space
- Social distancing will lead some office users to require additional office space
- The need for office space is not going away
- Office demand will decrease, but less than expected based on the blending of the aforementioned trends
- Optimal collaboration and productivity among employees occurs best in an office environment

Looking forward to the rest of 2020 and into 2021, we have the following predictions:

- COVID-19 has led to unprecedented uncertainty, the effects of which will become apparent during the next several years
- The Fort Wayne office market was very healthy pre-COVID-19, and has remained stable since the beginning of the pandemic; this will position it for resilience during an economic downturn and will bolster it for a timely recovery
- We expect more companies to vacate space, which will lead to an increase in available space on the market
- This will be achieved via sublease, downsizing or fewer lease renewals
- The Ashberry project will commence construction during the next several months.
- We expect the other four proposed downtown mixed-use developments to move towards construction in the next twelve months, but the timing and sequence are still undetermined
- Market rents will remain stable or slightly decreasing and there will be an increase in landlord incentives
- Downtown Fort Wayne will continue to be a popular destination for office users, albeit with a temporary pause due to the pandemic

The last year has been a tremendously dynamic period for the Fort Wayne office market. We look forward all of the exciting opportunities that these trends will generate in 2021 and beyond.