



2021 FORT WAYNE, INDIANA OFFICE MARKET REPORT NARRATIVE

2021 OFFICE MARKET REVIEW AND FORECAST FOR FORT WAYNE, INDIANA

We are releasing our report on, September 30th, 2021, approximately 18 months after the beginning of the Coronavirus Pandemic in the U.S. A year ago we expected that the pandemic would be behind us, but unfortunately with respect to the office market, things are similarly unsettled and uncertain. This is especially true both nationally and globally in larger market, central business districts. However, Fort Wayne has been significantly insulated from the large market trends and I am

happy to report that overall, the Fort Wayne office market is very healthy.

The office market statistics for the 12 months from October 2020 to September 2021 reflect a positive absorption of 247,000 SF, an increase of 181,000 SF from the previous year. In addition, the overall market vacancy rate decreased from 10.12% to 9.21%. These numbers are characteristic of a strong office market and are healthy when compared to national vacancy rates.

Class A, downtown office rates range between \$18.00-\$22.00 psf, full service, plus parking for existing buildings; whereas, compared to rents in the new developments, such as Electric Works and The Riverfront at Promenade Park, which are \$27.00-\$31.00 psf full service. Class A suburban rates command \$15.00-\$19.00 psf full service including free surface parking.

Construction commenced on Electric Works this year. Do It Best Corporation, the anchor tenant, is relocating its corporate headquarters and will occupy 160,000 SF. In addition, construction began on the Riverfront

at Promenade Park, a mixed-use development located on the north side of downtown, which will include 30,000 SF of speculative office space. STAR Financial Bank announced its intention to relocate its corporate headquarters to a new 7 story building on Main Street, construction is underway with an anticipated completion date during the first quarter of 2023. Parts Town leased 44,795 SF at 5001 US Hwy 30 West. Aside from the aforementioned highlights, the past 12 months has been a relatively inactive period for office leasing activity, as companies have shown reluctance to make long-term decisions in light of COVID-19 uncertainties.

With respect to COVID-19, the Delta variant has served to prolong the impact of the pandemic. The office workforce has continued to successfully adapt to working from home and technology has allowed team members to remain productive while working remotely. Employees continue to enjoy the flexibility of working remotely, but would prefer not to work from home 100% of the time. Younger employees are more comfortable working virtually as compared with their more mature colleagues. Overall the pandemic has not significantly affected the office market differently in 2021, when compared to its impact in 2020.

Several companies have vacated office space and put excess square footage on the market for sublease. These include SIRVA, Shindigz, Convo Communications, USI Insurance, Cooper Standard and Ascensus. But this represents only about 4% of the total office vacancy. Ruoff Mortgage has purchased land on Bass Road in hopes that it could be used as a corporate HQ. Ruoff is in the early stages in determining feasibility from a cost and supply chain standpoint. They also intend to occupy 15,000 SF at Electric Works, but no longer plan to put a building at Ewing and Jefferson across from Parkview Field.

During the past several years, healthcare has comprised a significant portion of office use in the Fort Wayne Market. Of note, Parkview Health Systems, IU Health and Lutheran Health Network have all undertaken important expansions.

With respect to the office market in general and the Fort Wayne office market in particular, these are The Zacher Company's 2022 predictions:

- We expect that the permanent reduction in demand for office space will solidify over the next 12 months as companies make long-term plans for their post-covid workforce and adapt to having fewer employees occupying physical space
- Social distancing, as the norm, will lead some office users to require additional space
- Demand for office space will decrease, but less than expected, based on a blending of the aforementioned trends
- Optimal collaboration and productivity among employees will continue to foster demand for office space in Fort Wayne
- Market rents will remain stable or slightly decrease for 2nd generation space and there will be an increase in landlord incentives for the space, an uptick in available offices for sublease may accentuate this trend
- Newly constructed buildings will command rents that elevate the ceiling to new heights in the Fort Wayne market
- Downtown Fort Wayne will continue to be the desired destination for many office users
- The next 12 months will be exciting for the Fort Wayne office market, especially downtown, as Electric Works, The STAR Financial building and the Riverfront at Promenade Park are completed and become available
- These developments, along with attractive vacancy and absorptions statistics, are reflective of the strength and resilience for the Fort Wayne office market in spite of Covid-19 related disruptions
- Record levels of new office construction, space give-backs, subleases and uncertainty will lead to an increase in vacancy