



2022 FORT WAYNE, INDIANA OFFICE MARKET REPORT NARRATIVE

THE FOLLOWING IS THE 2022 FORT WAYNE, INDIANA OFFICE MARKET REPORT REVIEW AND FORECAST

The office market statistics for the 12 months commencing with October 2021 and ending with September 2022 were very strong, as evidenced by 976,000 sq. ft. of new construction, and positive absorption of 629,000 sq. ft. However, the overall market vacancy rate increased from 9.21% to

10.95%. The vacancy rate increase is primarily attributable to approximately 206,000 sq. ft. of new space that remains available at Electric Works, and the approximately 241,000 sq. ft. that became available at the Frontier building located at 8001 West Jefferson Boulevard. The Fort Wayne office vacancy rate is low by historical standards and healthy when compared to vacancy rates in cities across the nation.

Class A downtown office lease rates range between \$18.00 and \$22.00 per sq. ft. full service, plus parking, for existing buildings. In comparison, lease rates in new downtown developments, such as Electric Works and Riverfront at Promenade Park,

are \$27.00 to \$33.00 per sq. ft. full service. Class A suburban lease rates are \$17.50 to \$19.50 per sq. ft. full service, including free surface parking.

The initial phase of construction at Electric Works is almost complete, with 70% preleased. Do it Best, the anchor tenant, will relocate their corporate headquarters in November and will occupy 160,000 sq. ft. In addition, the new Millennium Steel division of Steel Dynamics will occupy approximately 49,000 sq. ft. Other announced tenants at Electric works include Parkview Health, Medical Informatics, Ferguson Advertising, Carr Workplaces and the Fort Wayne Community Schools Amp Lab. Notable office transitions include Swiss Re, which will occupy 25,000 sq. ft. at Riverfront at Promenade Park as of January 2023. STAR Financial will relocate its new corporate headquarters to their new seven-story building on Main Street, with anticipated occupancy in the second quarter of 2023. Ruoff Mortgage has leased 80,000 sq. ft. at 1670 Magnavox Way, in lieu of previously announced plans for either a suburban or downtown corporate headquarters building. Additional noteworthy lease transactions include the relocation of the Metal X corporate headquarters to 9910 Dupont Circle Drive, Doxa Insurance Holdings to the Indiana Michigan Power Center at 110 East Wayne Street, Forvis, formerly BKD, to 111 East Wayne Street and United Way of Allen County to 347 West Berry Street.

In the post pandemic environment, companies continued the trend of a mix of hybrid and in-office workforces, which are company and job specific.

In order to attract and retain talent, companies have migrated to high quality, new mixed-use developments, and are paying the requisite premium rents.

With respect to the office market in Fort Wayne, these are The Zacher Company predictions for the next 12 months.

- The hybrid work environment, a mix of both in-office and remote locations, is a reality for the foreseeable future; however, employers' tolerance for remote work is declining
- Companies are willing to pay higher lease rates for more efficient space
- Increasing construction and operating costs will lead to longer lease terms and higher rents
- We anticipate a lower level of new construction as the current wave of new building projects, such as Electric Works, STAR Financial headquarters, Riverfront at Promenade Park, and several health care projects, are completed
- We expect that office market absorption will be lower and that the amount of vacant space will increase
- Second generation space rents will remain stable and there will be an increase in landlord incentives to attract and retain tenants

You can find more information and our full report on our website at www.zacherco.com.