



Downtown Fort Wayne skyline
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2023 FORT WAYNE, INDIANA OFFICE MARKET REPORT NARRATIVE

2023 OFFICE MARKET REVIEW AND FORECAST FOR FORT WAYNE, INDIANA

Fort Wayne, Indiana office fundamentals weakened considerably in 2023, when compared to 2022, as evidenced by negative absorption, increased vacancy and less new construction. This trend is a result of fewer employees working in an office setting, causing companies to reduce their office footprint. Fort Wayne's office real estate

environment mirrors the national landscape.

The Fort Wayne office market statistics for the 12 months commencing with October 2022 and ending with September 2023 had a negative absorption of 56,000 square feet compared to positive absorption of 629,000 square feet in 2022. The vacancy rate today is 12.3%. The vacancy rate has increased steadily in the past three years from 9.21% in 2021 to 10.95% in 2022. However, the Fort Wayne office vacancy rate is lower than the national average.

Lease rates decreased in part because of elevated sublease activity, and tenant improvement dollars did not go as far as in previous years due to increased construction costs.

Class A Downtown office lease rates range from \$17.00 to \$21.00 dollars per square

foot full service plus parking for existing buildings. By comparison, lease rates for new downtown developments, such as Electric Works and the Riverfront at Promenade Park, are \$27.00 to \$33.00 dollars per square foot full service. Class A suburban lease rates are \$17.50 to \$19.50 per square foot full service, including free surface parking.

Do It Best Corp., New Millennium Steel, a division of Steel Dynamics, and Swiss Re occupied their new downtown office spaces during the past year. Noteworthy leasing activity includes the L3 Harris expansion at 1919 Cook Road and CRST at 7310 Innovation Boulevard. In addition, Regal Rexnord renewed their lease at 1946 West Cook Road. Three full floors were subleased at the Indiana Michigan Power Center, located at 110 East Wayne Street, to DOXA Insurance Holdings, Bradford Scott Data Corporation and IDEMIA. Also, Parkview Health Systems moved their corporate offices to the Ash Skyline Plaza on Harrison Street, and STAR Financial Bank will relocate to their new headquarters on Main Street during the 4th quarter of 2023.

Other notable leases included Priority Life Care at 1102 Chestnut Hills Parkway, United Way of Allen County and Cook Behavior Health to 347 West Berry Street and Spherion Staffing to 201 West Wayne Street.

The health care sector was once again the most active in the market, with expansion from all three major health care systems as well as The Bowen Center.

With respect to the office market in Fort Wayne, the following is The Zacher Company forecast for the next 12 months.

- Corporate consolidations and downsizing of office space will continue as pre-pandemic leases expire and smaller office footprints are sought
- Sublease space will be occupied at below market rents, putting additional pressure on landlords to generate revenue
- There will be less new construction and lower absorption, therefore, the amount of vacant space will increase due to declining demand
- Construction costs will stabilize
- Landlords that do not offer competitive tenant improvement allowances and amenities will continue to have more vacancies than those that do
- Effective lease rates will decline due to less new leasing activity and more subleasing
- Cap rates will increase due to higher interest rates and office properties will be a less desirable asset class for investment

While these trends are challenging for landlords, users that are willing to commit to long-term leases or are willing to consider purchasing properties could be in a favorable position.

The remote workforce or a hybrid arrangement is manageable for some companies, but for most, being together in a high quality, desirable office setting that enables collaboration and socialization is crucial for optimum performance. This provides some long-term optimism for the office sector.