

ZACHER COMPANY 2025 INDUSTRIAL NARRATIVE

ZACHER COMPANY INDUSTRIAL REVIEW AND FORECAST FOR NORTHEAST INDIANA

For the second consecutive year, the demand for industrial space slowed relative to the proceeding five years as evidenced by modestly positive net absorption and an increase in vacant space. Due to positive business sentiment, the overall forecast for 2025 is that industrial demand will improve and vacancy will decrease.

The industrial market statistics for the calendar year 2024 reflect a positive absorption of 362,000 square feet which is similar to the 414,000 square feet in 2023, but much lower than levels documented during the previous five years. As of January 1, 2025, the vacancy rate was 5.39%, an increase from 3.83% a year ago. There was 2,675,000 square feet of new industrial space constructed in 2024. This marks the seventh consecutive year that at least two million square feet of new industrial space has been added to the northeast Indiana marketplace.

There are currently thirteen industrial spec buildings either vacant or under construction ranging in size from 20,000 square feet to 200,000 square feet. None of the existing spec buildings were sold or leased in 2024. An increased number of second-generation buildings became available which provided a competitive threat to the new spec buildings. Sale prices increased, driven by owner/user demand and more interest was demonstrated in purchasing buildings versus leasing them. Lease rates remained stable to slightly increased.

Notable industrial real estate sales and lease transactions in Fort Wayne by users in 2024 include:

- Fort Wayne Metals on American Way
- CPI Card Group on Lima Road
- Bolt Custom Trucks on Nelson Road
- Riverside Manufacturing on Innovation Boulevard

Notable industrial investment real estate sales in 2024 include:

- Inteva Products in Bluffton
- Amazon on Avionics Drive in Fort Wayne
- 4422 Airport Expressway in Fort Wayne
- ZF Automotive in Garrett

Notable projects, either under construction or proposed at the beginning of 2025, include:

- Google's Data Center on the southeast side of Fort Wayne
- Walmart Food Distribution Center in Auburn
- North American Cold Storage in Woodburn
- Hilltip in New Haven
- Van Eerden Foodservice in Fort Wayne
- WaterFurance in Fort Wayne
- Dryer's Ice Cream in Fort Wayne
- L3Harris in Fort Wayne
- H&M Bay in Fort Wayne

As 2025 commences, the factors impacting industrial real-estate in northeast Indiana include:

- Thirteen available spec buildings of various sizes which will accommodate market demand
- An increasing pool of available labor due to a softening labor market
- A positive and improving business sentiment
- Mixed impact of proposed political policies, such as tariffs, less regulation and income taxes due to the results of the election
- The reality that higher, historically normal interest rates are here for the foreseeable future

Accordingly, our forecast is as follows:

- Vacancy rates will remain steady or slightly decrease
- We anticipate several of the existing spec buildings will be leased or sold in 2025
- Total construction will be lower as compared to the previous seven years
- Sale prices will continue to increase; however, lease rates will remain stable or will slightly decrease
- There will continue to be strong demand for smaller industrial spaces of 20,000 square feet or less
- Northeast Indiana will be positively impacted by an increase in domestic manufacturing
- Ohio will remain more aggressive than Indiana with respect to offering incentives which will put our market at a competitive disadvantage

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