

2025 OFFICE MARKET REPORT NARRATIVE

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After a four-year downward trend, the office market fundamentals stabilized primarily due to reclassification of properties as opposed to sale and lease transactions. The Fort Wayne office market continues to be stronger than comparable Midwest metropolitan markets. The significant presence of medical, defense and education sectors will continue to support stable performance of the office market. Traditional professional office demand will remain soft, and owners will need to be aggressive with pricing and terms in order to attract and retain users.

The office market statistics for the 2025 report, which is a review of activities from October 2024 to September 2025, posted a vacancy rate of 11.6%, down from 13.66%, largely due to the Frontier West Jefferson building being removed from inventory. This puts Fort Wayne well ahead of national and regional vacancy levels, both of which hovered near 20%. Absorption was a positive 147,000 square feet. There were few noteworthy new leases, with sales transactions accounting for a larger share of activity. A higher proportion of leasing activity came from renewals which included 49,288 square feet by BAE located at 5001 US 30 West.

Most of the occupant activity came from non-traditional office users such as medical office, education and daycare providers, and non-profits. Multi-tenant general office buildings drew limited investor attention, with many offerings going unsold. A few highlights of the year included Tippmann Group's groundbreaking of its 47,000 square foot headquarters near I-69 and North Clinton Street and Fire Police City County Federal Credit Union announced plans to construct a 22,000 square foot headquarters at the corner of North Clinton Street and Penn Avenue.

Looking ahead to 2026, leasing activity is expected to improve, with more notable office leases anticipated. Vacancy will likely decrease as additional buildings are absorbed and new construction remains relatively low. Rental rates should remain steady, despite rising operating expenses. New leases will shift from full service towards triple net structures as owners strive to mitigate risk. A key change to the downtown landscape will be the relocation of the Allen County Corrections Center, which will leave county-owned properties near the Riverfront vacant, opening up the potential for redevelopment.

On the investment side, conditions are poised to improve from their currently depressed levels. Lower interest rates will help attract buyers, while sellers will lower expectations in an effort to overcome investor reluctance. Longer term, the rise of artificial intelligence will reshape office demand by reducing the need for routine desk work. As a result, users will increasingly favor flexible space models and collaborative environments rather than traditional office layouts.