

2008 could be great

BY LINDA LIPP

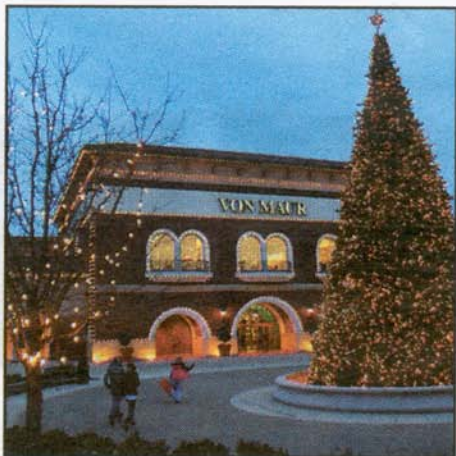
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A national commercial real estate forecast for 2008 prepared by a trio of industry giants used a racing theme when it warned in its title, "The Caution Flag Comes Out."

But local commercial real estate experts are waving the green flag on prospects of growth and investment in northeast Indiana.

The past two years were good, said Dan Dickey, president and chief executive officer of NAI Harding Dahm, "and I think 2008 will be another great year."

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GREG BASTIN

Jefferson Pointe drew other retail development to the southwest side

2008: Commercial real estate market may be ready for some spec building

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"We're a good midsized market for the midsized investor," said Karl Behrens, a partner in BND Commercial."

Some investors are beginning to come into the area looking at larger projects, said Karen Spake, a senior broker with CB Richard Ellis/Sturges. "They are starting to make their moves."

"I really do feel we had a fairly decent year (in 2007)," Spake said. "The good thing about being in the Midwest is we don't have the lows, although we don't have the highs either."

Spake believes some of what happens this year will be based what happens with the war in Iraq.

"It still boils down to that if all our resources are going to the war and putting gas in our cars, it doesn't leave much left," she said.

Principal Real Estate Investors, Real Estate Research Corp. and CBRE/Torto Wheaton Research were cautious in their recent national forecast. The turmoil in the global credit markets in 2007 rapidly altered both the nation's economic outlook and the investment climate, the forecast noted.

Consumer spending has been a primary

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driver of the economy, but the jump in home foreclosures, the slump in home prices and the high level of unsold homes on the market — on top of higher energy prices — are eroding the discretionary spending power of American households, the report warned.

"I think the home industry problems are serious, but I think they will get worked out," Dickey said.

While the crisis in other parts of the country was driven at least in part by speculators hoping to turn properties over for a quick profit, "Our slowdown here is just a natural function. There was so much building going on for so long," he added.

Retail construction has boomed in Fort Wayne — on the southwest side since Jefferson Pointe opened in 2001, in the Coldwater Road corridor on the northwest and the Chapel Ridge area on the northeast. That space is on its way to being absorbed, Dickey said.

Although the office leasing market has been soft, there is a shortage of space for sale, said David Nugent, also a partner with BND. With low interest rates and the tax advantages that come with owning their own properties, accountants are badgering business owners to buy.

Because of high construction costs, business owners are more likely to purchase than build, Nugent said. "If they can find a building that will work, that they can retrofit, they'll buy existing."

All segments of the commercial real estate market — office, retail and industrial — continue to thrive along Interstate 69, Dickey noted.

"That really is the 'Main Street' of our area," Dickey said.

The industrial space market may even hold the promise of some new "spec" buildings going up, the brokers agreed.

"We always say there is so much in the market ... but there isn't much when you

try to match it with anyone's particular requirements," Spake said.

There are few good options in the 25,000 to 100,000 square foot range, for example, Behrens said. There's been a lot of talk about spec buildings, "but no one has stepped to the plate yet."

"2008 may be the time we see some spec buildings if financing is available," Dickey said, "as long as lenders don't pass because of the subprime mess and quit lending in commercial."

Local banks, as well as national ones, have taken some hits in the residential real estate markets, Nugent noted. "I think that what happens with the lenders will be interesting. They have been very aggressive, competitive, but they have pulled back a little bit."

Steady progress in downtown Fort Wayne — with big projects such as the multi-use Harrison Square — is making the outlook for the downtown area more positive.

"It's just that steady move in the right direction," Nugent said.

Dickey cautioned, however, that real change will take time.

"The downtown didn't get in the condition it is overnight and it's not going to recover overnight," he said.