

Industrial real estate



By Jenni Glenn
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Vera Bradley Designs Inc. eventually will leave behind three empty buildings in northwest Fort Wayne when the company moves to a new headquarters. But the space probably won't sit empty for long, local real estate brokers say.

Companies are eager to snap up industrial properties because available structures are in short supply, brokers say. The industrial real estate market is gaining steam as companies expand and search for more room. Businesses are competing to occupy the few available properties that are in good condition and located on desirable sites. Multiple companies are vying to move into the 99,579-square-foot warehouse and office that food packaging manufacturer Tetra Pak Inc. left behind when it closed its Fort Wayne plant in mid-July, said David Nugent, a partner in real estate firm BND Commercial. A group of local investors bought the building for close to the \$2.2 million asking price last month, he said. Just after Labor Day, the new owners were already juggling offers from several companies interested in leasing the entire space.

Industrial businesses seeking to expand are looking for suitable properties near highways and railroads,

Local demand strong for prime locales, sites

Nugent said. It's easy to find potential tenants for clean buildings with high ceilings that can accommodate stacked goods and boxes, he said.

"We're definitely seeing an increase in industrial across the board," he said.

The number of vacant industrial properties in Fort Wayne has inched lower in the last two years, said Steve Zacher, president of The Zacher Co., a commercial realty firm in Fort Wayne. The industrial vacancy rate dropped from nearly 12 percent at the close of 2003 to 10.7 percent at the end of last year, according to an annual survey done by Zacher and company chairman Al Zacher for the Society of Industrial and Office Realtors.

The Zachers have not done a survey since December 2004, but Steve Zacher estimates the industrial vacancy rate has dropped about 2 percent in the last nine months.

The Fort Wayne market went from having a moderate oversupply of industrial buildings in several size categories at the close of 2003 to having a moderate shortage of buildings in four of the eight size categories at the end of 2004, according to the SIOR surveys.



Zacher

The Zachers survey other Realtors to get a close estimate of the number of vacancies in the Fort Wayne market, Steve Zacher said. The survey includes Allen, Wells and Whitley counties.

"There actually aren't that many buildings out there," Zacher said. "That's a complete turnaround from the way it was a couple years ago."

The trend reflects a strengthening local economy, said Ron Sheets, communications coordinator for the Fort Wayne-Allen

County Economic Development Alliance. Many small and medium businesses are expanding and need more room, he said.

"And that does translate into jobs and square foot-

age of industrial space" being used, he said.

Whitley County is experiencing the same trend, said Dorinda Heiden, president of the Whitley County Economic Development Corp. Small industrial companies are searching for new buildings to double or triple their space, and some large businesses also are expanding, she said.

"We're finding a lot of existing buildings and older structures are marketable," she said.

Industrial buildings are scarce throughout northeast Indiana, Zacher said, but the smaller towns outside Fort Wayne may need more time to find new tenants for empty structures. There tends to be less real estate activity in the smaller communities, he said.

Another building may be left empty when Invensys Controls America vacates its North Manchester plant in Wabash County later this year. The plant, which makes timers and motors for automatic clothes washers, is expected to close by Dec. 1, and its operations will shift to Mexico, Invensys said last month.

North Manchester will continue to

receive property taxes from Invensys, even if the building is left vacant, Town Manager Dan Hannaford said. Still, he would prefer to see a new company in and replace some of the 204 jobs that will be lost when the plant closes.

"Obviously, the job loss is not good, but if someone could move in there and bring a few jobs in, that would be the ultimate," he said.

The former Central Soya building on West Cook Road was vacant for about a year after The Solae Co. shifted its operations to St. Louis in November 2004. Regal-Beloit Corp. announced in July it would lease the 85,000-square-foot building to use as the headquarters of General Electric Commercial Motors by Regal-Beloit.

The building was vacant for a reasonable length of time, considering its layout, Zacher said. The former Central Soya facility has a lot of office space and specialized laboratories, so it needed a tenant with unique needs, he said. More generic industrial buildings such as the former Tetra Pak plant can be outfitted to fit many different users.

When an industrial property such as the former Central Soya building sits empty, it can be an expensive burden for the owner, BND Commercial's Nugent said.

The building owner may still be responsible for paying property taxes, security, maintenance and other costs, even though the property is not being used.

"It costs these companies a considerable amount of money to carry these vacant buildings," Nugent said.

But most industrial properties are in demand, said Karen Spake, senior associate with commercial realty firm CB Richard Ellis/Sturges. Favorable interest rates are encouraging companies to buy additional space.

"If people move out, there's usually people ready to move in," she said.

That probably will be the case when Vera Bradley vacates its space in the Interstate Industrial Park off Lima Road, Spake said.

The company announced Aug. 8 that it plans to build a headquarters near the General Motors truck plant in Roanoke in the fourth quarter of 2006. The project will cost nearly \$26.4 million, according to documents the company filed with Allen County. Vera Bradley's three buildings in the industrial park will be attractive to other businesses because of the proximity to Interstate 69, Spake said.

"We see those as opportunities because they're nice buildings in great locations," she said.