



Photos by Clint Keller | The Journal Gazette

The Fort Wayne Liquid Coatings building on East Pontiac Street is a 282,000-square-foot building for sale for \$1 million. It is one of many of Indiana's industrial real estate buildings that comprise a surplus of available industrial real estate.

Commercial vacancies up in '07

BY JENNI GLENN
The Journal Gazette

One of the local real estate market's bright spots dimmed a little last year.

Industrial vacancies in northeast Indiana rose 3 percent during 2007, according to The Zacher Co.'s annual market survey for the Society of Industrial and Office Realtors. Almost 12 percent of the region's industrial properties were vacant at the end of the year.

Large industrial buildings had been scarce, but more came on the market last year as plants and warehouses closed. That created a moderate oversupply, said Steve Zacher, president of The Zacher Co. in Fort Wayne and one of the report's authors.

But activity is beginning to pick up after a challenging year, Zacher said.

The market could not absorb all of the properties that were put up for sale last year,



Joe Bertels of BND Commercial is the listing agent for the Fort Wayne Liquid Coatings building on East Pontiac Street.

Zacher said. Shuttered plants, such as the Dana Corp. plant in Andrews, made their way into real estate listings. Former auto supply plants, in particular, contributed to the growing supply of buildings for lease

or sale, he said. Other commercial real estate agents noticed demand dwindled during the

third and fourth quarters. That did not help the market absorb vacant buildings, said Bill Bean, partner in Hanning & Bean Enterprises Inc., Fort Wayne. It will take time to find tenants for those spaces.

"It seemed like the activity toward the end of the year dried up," Bean said.

Some companies delayed expansions because of concerns about the national economy, said Bill Martin, president and chief executive of commercial real estate firm Martin Goldstine Knapke.

But there still is demand for high-quality industrial buildings, said Dan A. Dickey, president and co-owner of commercial real estate firm NAI Harding Dahm, based in Fort Wayne. Companies are looking for high-ceilinged warehouses and modern features, but he said those structures remain

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scarce.

A few signed leases could reverse the trend and return the market to a limited supply of large plants and warehouses, Zacher said. Almost 152,000 square feet of the market's 38 million square feet of space was not absorbed last year. In comparison, the real estate market had net absorption of nearly 2 million square feet of space in 2006.

Few investors are building industrial warehouses and plants on a speculative basis. High construction costs are contributing to that slowdown, according to the report. Investors also want to see more available buildings leased before they add to the supply, Martin said.

Industrial-park site prices slipped about 5 cents a square foot from 2006, Zacher said. Prices ranged from 95 cents to \$1.45 a square foot, depending on the property's size. He said there hasn't been much demand for those sites, in part because buyers can typically re-

INDUSTRIAL REAL ESTATE SUPPLY

Property size (sq. feet)	2007 status	2006 status
Less than 5,000	Balanced market	Balanced market
5,000 to 19,999	Balanced market	Balanced market
20,000 to 39,999	Moderate oversupply	Balanced market
40,000 to 59,999	Balanced market	Moderate undersupply
60,000 to 99,999	Balanced market	Undersupply
100,000 to 250,000	Moderate oversupply	Undersupply
More than 250,000	Moderate oversupply	Undersupply
High tech/research	Moderate oversupply	Moderate oversupply

Source: Zacher Co. SIOR report

profit existing buildings for less money.

But activity is picking up, Zacher said. The available buildings are attracting interest from companies.

A few deals have already closed this year, Dickey said.

His firm leased about 39,000 square feet for Centennial Wireless' expanded call center.

"I don't think it's going to be a banner year," he said, "but I think it's going to be a good year."

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