

Prices Continue to Rise in Suburban & Downtown Markets

► Market Indicators Indianapolis Office Market

Relative to prior period	Q1 2017	Y-O-Y
VACANCY	↑	↑
NET ABSORPTION	—	+
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

► Summary Statistics

Indianapolis Office Market	Q1 2017	Q4 2016	Q1 2016
Vacancy Rate	16.61%	16.44%	15.48%
Downtown	16.61%	17.66%	17.94%
Suburban	16.62%	15.58%	13.78%
Absorption	-82,475	7,384	206,263
New Supply	0	0	40,666
Under Construction	459,861	434,861	498,100

► Average Rents

Per SF Per Year	Q1 2017	Q4 2016	Q1 2016
Average Rents	\$18.27	\$18.04	\$17.16
Downtown	\$19.06	\$19.39	\$18.43
Class A	\$19.55	\$19.69	\$19.26
QUARTERLY CHANGE	-1.73%	1.39%	
ANNUAL CHANGE	3.31%	4.74%	
Suburban	17.95	\$17.40	\$16.57
Class A	\$19.94	\$19.96	\$19.51
QUARTERLY CHANGE	3.06%	1.15%	
ANNUAL CHANGE	7.69%	5.23%	

REGIONAL SUMMARY

Despite positive absorption of nearly 150,000 SF in the Downtown (CBD) submarket, the overall Indianapolis office market recorded negative absorption of 82,475 SF and an increase in the vacancy rate from 16.44% to 16.61%. Recent vacancies in the Fishers submarket were the primary reason, where more than 250,000 SF became available during the quarter. Average asking rates have increased by \$0.23/SF, representing a 1.27% since the 4th quarter of 2016.

Several investment sale transactions were recorded during the 1st quarter, including the 5-building Hamilton Crossing Portfolio (548,000 SF) as well as the purchase of the Circle Tower building (113,750 SF) by Level Office. Nearly 460,000 SF of new construction is expected to be completed before the end of 2017; however, nearly half of the projects under construction will be occupied by owner/users.

ECONOMIC ENVIRONMENT

The Indianapolis economy continues to grow, with the unemployment rate at 3.9%. This is significantly below the national level (4.5%) and is better than our neighboring states - Illinois (4.9%), Kentucky (5.0%), Ohio (5.1%) and Michigan (5.1%). Much of Indianapolis' growth has been fueled by the tech industry, as the city has transformed itself into a leader in the technology and innovation sector. This transformation has, and will continue to, create hundreds of jobs in the upcoming year as companies like Salesforce and Infosys create positions that require highly-skilled employees, further stimulating Indiana's economy. As these and other tech companies continue to grow and require additional office space, absorption in the Indianapolis office market is projected to increase over the coming months.

Q1 2017 // Significant Office Transactions Indianapolis Office Market

TENANT/BUYER	ADDRESS	RBA SF	TYPE	SUBMARKET
Hamilton Crossing Indianapolis Realty LP	12722-12802 & 13085 Hamilton Crossing Blvd	368,003	Sale	Carmel/ Meridian Corridor
Ambrose Parkwood West LLC	250 W 96th St	187,147	Sale	Carmel/ Meridian Corridor
Hamilton Crossing Indianapolis Realty LP	12650 Hamilton Crossing Blvd	180,590	Sale	Carmel/ Meridian Corridor
Citimark	12115 Visionary Way	113,750	Sale	Fishers
Iconic Investors, LLC	55 Monument Circle	111,000	Sale	CBD
Citimark	12175 Visionary Way	51,747	Sale	Fishers
Hamilton Crossing Indianapolis Realty LP	13000 N Meridian St	43,054	Sale	Carmel/ Meridian Corridor
IU Health	6640 Intech Blvd	25,719	New	NW
RCR Technology Corporation	251 N Illinios St	19,139	New	CBD
Benesch, Friedlander, Coplan & Aronoff LLP	One America Tower	18,585	Renewal	CBD
Industrious	350 Massachusetts Ave	18,237	New	CBD

NET ABSORPTION

- + The Indianapolis office market recorded a negative net absorption (-82,475 SF), the first since Q4 2015.
- + Downtown (CBD) led the way with 143,958 SF net absorption, far exceeding the other submarkets.

VACANCY

- + The Indianapolis vacancy rate has increase for the second consecutive quarter from 16.44% to 16.61%.
- + Downtown (CBD) vacancy declined for the second year in a row from 17.66% to 16.61% in Q1.

ACTIVITY

- + The construction pipeline continues to be strong, totaling 459,861 SF.
- + The suburban office market accounts for over 90% of the construction with 434,361 SF.

OUTLOOK

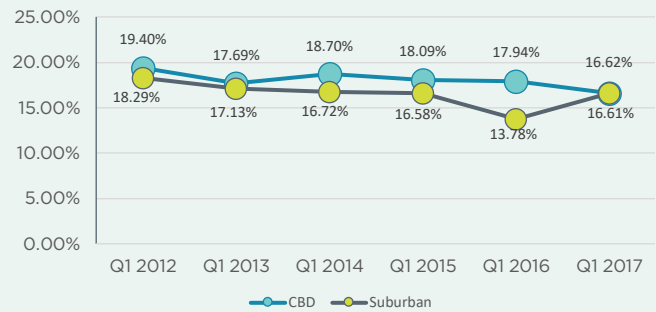
- + Absorption in the Indianapolis office market is expected to increase with the addition of companies relocating to downtown Indy.

Q1 2017 Office Sector Job Growth



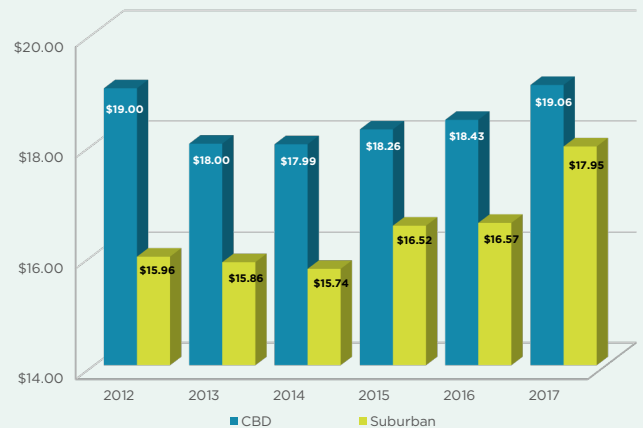
Vacancy Rates

Indianapolis Office Market // Y-O-Y Comparison



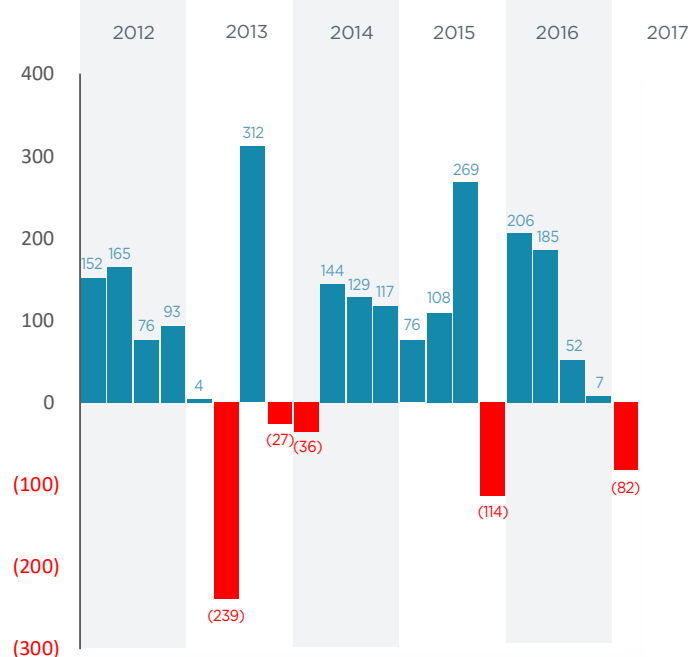
Rental Rates

Indianapolis Office Market // Q1 Y-O-Y Comparison



Absorption

Indianapolis Office Market // Quarterly Comparison
THOUSAND SF



Q1 2017 OFFICE MULTI-TENANTED MARKET STATISTICS | Indianapolis Market | Buildings Over 20,000 SF

SUBMARKET	TOTAL INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	NET ABSORPTION		CONSTRUCTION SF		AVG WEIGHTED RENT \$/PSF
				CURRENT PERIOD	YTD	COMPLETIONS	CURRENT	
Carmel/Meridian	6,588,025	457,705	6.80%	(25,369)	(25,369)	-	192,361	\$19.88
East	859,574	307,648	35.79%	(7,757)	(7,757)	-	-	\$14.09
Fishers	1,382,023	401,092	28.84%	(248,940)	(248,940)	-	187,000	\$19.23
CBD	15,613,593	2,593,737	16.61%	143,958	143,958	-	25,500	\$19.06
Keystone Crossing	4,110,044	418,900	9.46%	29,488	29,488	-	55,000	\$21.10
Midtown/Uptown	834,081	267,260	32.04%	4,894	4,894	-	-	\$15.95
Northeast	3,411,468	386,284	11.32%	(11,299)	(11,299)	-	-	\$18.13
Northwest	2,870,688	772,879	26.40%	1,139	1,139	-	-	\$17.36
South	812,735	225,397	26.90%	4,612	4,612	-	-	\$15.40
West	1,308,323	447,849	34.15%	26,799	26,799	-	-	\$15.97
Suburban Total	22,176,961	3,685,014	16.62%	(226,433)	(226,433)	-	434,361	\$17.95
Downtown Total	15,613,593	2,593,737	16.61%	143,958	143,958	-	25,500	\$19.06
Market Total	37,790,554	6,278,751	16.61%	(82,475)	(82,475)	-	459,861	\$18.27

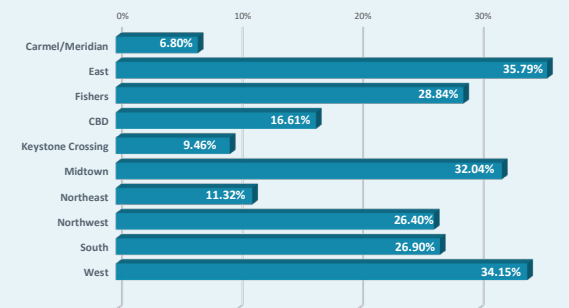
INDIANAPOLIS MULTI-TENANTED MARKET | LAST 5 QUARTERS

Q1 2017	22,176,961	3,685,014	16.62%	(226,433)	(226,433)	-	434,361	\$17.95
Q4 2016	22,176,961	3,456,094	15.58%	(15,772)	424,056	-	409,361	\$17.40
Q3 2016	22,877,411	2,987,289	13.06%	105,039	439,828	163,050	354,361	\$17.20
Q2 2016	22,520,698	3,020,426	13.41%	112,343	334,789	-	520,050	\$17.25
Q1 2016	22,520,698	3,102,769	13.78%	222,446	222,446	40,666	409,600	\$16.57

INDIANAPOLIS OFFICE SUBMARKET MAP



Submarket Vacancy Rates



Indianapolis Market Dataset

RESOURCE Commercial Real Estate's criteria for inclusion in the office market data set: All multi-tenanted, nonmedical, class A, B and C buildings, not owned or fully leased by government agencies or owner-occupied, 20,000 square feet and above.



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