

# Q1 2018 RESEARCH REPORT

## Indianapolis Office

### REGIONAL SUMMARY

The 1st quarter of 2018 got off to a fast start by recording nearly 187,000 SF of positive net absorption in the Indianapolis Office market. This was mainly the result of positive absorption of 52,872 SF in the CBD submarket and 41,523 SF in the Northeast submarket. Class B buildings led the way with more than 115,000 SF of positive absorption while Class A & C buildings combined for 70,971 SF of positive absorption. Suburban and downtown vacancy rates declined by 111 and 76 basis points, respectively, decreasing the total vacancy to 17.24%. Rental rates in downtown Indianapolis increased by \$0.82/SF to \$21.18/SF across all asset classes with suburban markets also increasing slightly by \$0.22/SF to \$18.33/SF.

Multiple large investment sales headlined the Q1 2018 transactions including Strategic Capital Partners' purchase of the Precedent Office Park - a nearly 1M SF office park located in the Keystone submarket. Other notable sales included Redico/Black Salmon's purchase of BMO Plaza (460,000 SF) for \$163/SF as well as M&J Wilkow's acquisition of Two & Three Meridian Plaza (245,773 SF) from Zeller Realty for \$138/SF. Nearly 200,000 SF of new construction is in various stages of development in the Carmel/Meridian Corridor submarket with expected completions of mid-2018.

### ECONOMIC ENVIRONMENT

Indiana's unemployment rate stands at 3.2%, which is lower than the national average of 4.1% as well as each of the surrounding states - Illinois (4.7%), Kentucky (4.1%), Ohio (4.5%) and Michigan (4.8%). According to the Indiana Economic Development Corporation (IEDC), 2017 was a record-breaking year where more than 30,000 jobs were created and nearly 300 companies committed to locating in Indiana over the next 5 years. The Indianapolis economy continues to grow as industries such as technology and cybersecurity thrive, adding new jobs to the Indiana landscape and setting the stage for continued growth in the Indianapolis office market for the foreseeable future.



### MARKET INDICATORS

#### Indianapolis Industrial Market

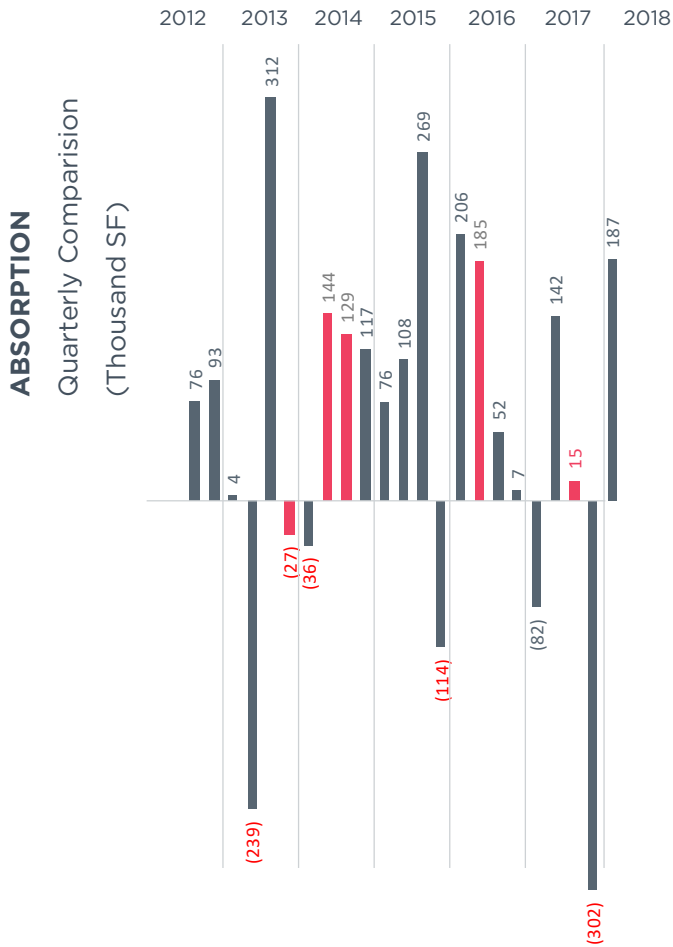
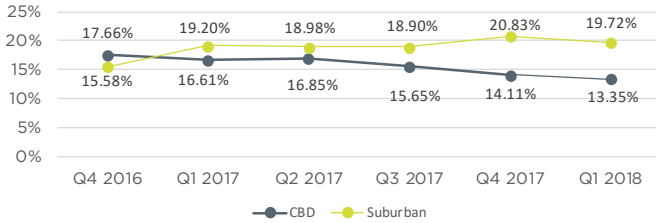
Relative to prior period	Q1 2018	Y-O-Y
VACANCY	↓	↑
NET ABSORPTION	+	+
CONSTRUCTION	↓	↓
RENTAL RATES	↑	↑

### SUMMARY STATISTICS

	Q1 2018	Q4 2017	Q1 2017
Vacancy Rate	17.24%	18.24%	16.61%
Absorption	186,667	-301,964	-82,475
New Supply	137,000	150,000	0
Under Construction	198,000	198,000	459,861

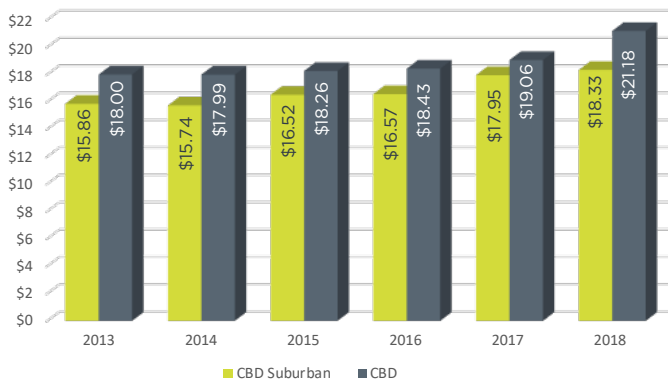
## VACANCY RATES

### Q1 Y-O-Y Comparison



## RENTAL RATE

### Q1 Y-O-Y Comparison



## NET ABSORPTION

- + The Suburban office market posted more than 133,000 SF of positive absorption, far exceeding the absorption in the Downtown office market.
- + The Carmel/Meridian Corridor was the only submarket to record negative absorption of more than 13,000 SF.

## VACANCY

- + The Indianapolis overall vacancy rate decreased 100 basis points from 18.24% to 17.24%.
- + The vacancy rate in the downtown (CBD) submarket decreased for the third consecutive quarter to 13.35%

## ACTIVITY

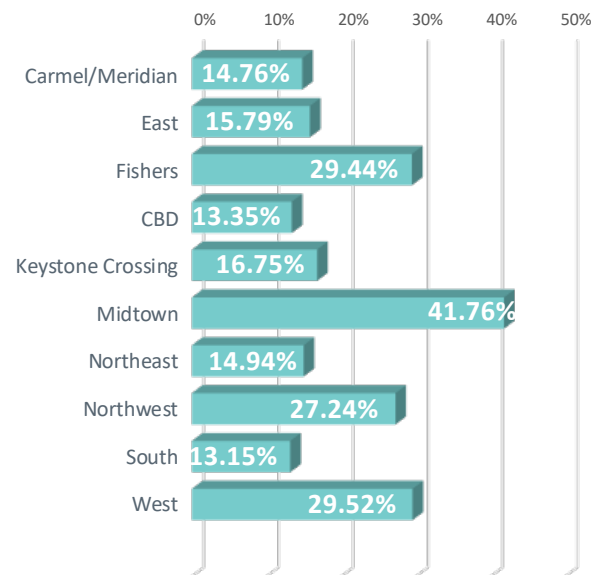
- + The Carmel/Meridian and Fishers submarkets account for the entire construction pipeline - approximately 198,000 SF - all of which are estimated to be complete by mid-2018.

## OUTLOOK

- + Absorption in the office market is expected to remain strong as new companies call Indianapolis home.

## SUBMARKET VACANCY RATES

### Q1 Y-O-Y Comparison



# NOTABLE TRANSACTIONS

Q1 2018 Indianapolis Office

COMPANY	SF	TYPE	SUB-MARKET	ADDRESS
Black Salmon/REDICO	460,000	Investment Sale	CBD	135 N Pennsylvania St
DRAAdvisors	245,773	Investment Sale	Carmel/Meridian	10333/10401 N Meridian St
Tempus Realty Partners	190,637	Sale	NW	8909 Purdue Rd
ANGI Homeservices	65,620	New	CBD	130 E Washington St
MJ Insurance	30,672	New	Carmel/Meridian	Monon Ave, Carmel
IHCDA	26,000	Renewal	CBD	30 S Meridian St
Verizon Wireless	24,418	Renewal	Carmel/Meridian	250 E 96th St

## INDIANAPOLIS OFFICE SUBMARKET MAP



## INDIANAPOLIS OFFICE MARKET Q1 2018

SUBMARKET	TOTAL INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	CURRENT PERIOD	YTD COMPLETIONS	CURRENT	AVG WEIGHTED RENT \$/PSF
Carmel/Meridian	6,533,350	964,379	14.76%	(13,083)	(13,083)	137,000	\$21.20
East	868,179	137,050	15.79%	0	0	-	\$15.82
Fishers	1,348,477	396,940	29.44%	16,577	16,577	30,000	\$21.40
CBD	13,754,214	1,835,741	13.35%	52,872	52,872	-	\$21.18
KeyStone Crossing	4,104,355	687,583	16.75%	11,606	11,606	-	\$21.09
Midtown/Uptown	852,022	355,799	41.76%	16,527	16,527	-	\$16.00
Northeast	3,121,804	466,548	14.94%	41,523	41,523	-	\$18.30
Northwest	2,965,290	807,640	27.24%	25,512	25,512	-	\$17.77
South	570,491	74,997	13.15%	24,739	24,739	-	\$12.76
West	1,268,518	374,496	29.52%	10,394	10,394	-	\$16.15
<b>Suburban Total</b>	<b>21,632,486</b>	<b>4,265,432</b>	<b>19.72%</b>	<b>133,795</b>	<b>133,795</b>	<b>137,000</b>	<b>\$18.33</b>
<b>Downtown Total</b>	<b>13,754,214</b>	<b>1,835,741</b>	<b>13.35%</b>	<b>52,872</b>	<b>52,872</b>	<b>-</b>	<b>\$21.18</b>
<b>Market Total</b>	<b>35,386,700</b>	<b>6,101,173</b>	<b>17.24%</b>	<b>186,667</b>	<b>186,667</b>	<b>137,000</b>	<b>\$18.97</b>

## INDIANAPOLIS MULTI-TENANTED MARKET // LAST 5 QUARTERS

SUBMARKET	TOTAL INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	CURRENT PERIOD	YTD COMPLETIONS	CURRENT	AVG WEIGHTED RENT \$/PSF
Q1 2018	21,632,486	4,265,432	19.72%	80,198	80,198	198,000	\$18.33
Q4 2017	22,032,101	4,588,372	20.83%	(362,404)	(538,130)	335,000	\$18.11
Q3 2017	22,367,470	4,285,920	18.90%	(9,959)	(175,726)	397,000	\$18.14
Q2 2017	22,362,987	4,243,468	18.98%	60,666	(165,757)	439,000	\$17.91
Q1 2017	22,176,961	4,257,659	19.20%	(226,433)	(226,433)	434,361	\$17.95

### Indianapolis Market Dataset

RESOURCE Commercial Real Estate's criteria for inclusion in the industrial market data set: All flex, warehouse, and distribution space, excluding heavy manufacturing space, 10,000 square feet and above are tracked.

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