

Technology Sector Leading to Positive Absorption

► Market Indicators Indianapolis Office Market

Relative to prior period	Q2 2017	Y-O-Y
VACANCY	↓	↑
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

► Summary Statistics

Indianapolis Office Market	Q2 2017	Q1 2017	Q2 2016
Vacancy Rate	18.12%	18.13%	15.07%
Downtown	16.85%	19.20%	17.47%
Suburban	18.98%	16.62%	13.41%
Absorption	142,195	-82,475	184,990
New Supply	0	0	0
Under Construction	464,500	459,861	545,550

► Average Rents

Per SF Per Year	Q2 2017	Q1 2017	Q2 2016
Average Rents	\$18.39	\$18.04	\$17.16
Downtown	\$19.66	\$19.39	\$18.43
Class A	\$19.94	\$19.69	\$19.26
QUARTERLY CHANGE	1.37%	1.39%	
ANNUAL CHANGE	6.26%	4.74%	
Suburban	17.91	\$17.40	\$16.57
Class A	\$20.03	\$19.96	\$19.51
QUARTERLY CHANGE	2.85%	1.15%	
ANNUAL CHANGE	7.48%	5.23%	

REGIONAL SUMMARY

The Indianapolis office market recorded more than 142,000 SF of net absorption during the 2nd quarter of 2017 which was largely attributed to 81,529 SF of positive absorption in the downtown (CBD) submarket. This reduced the overall market's vacancy rate by .01% during Q2. While average rental rates in downtown Indianapolis increased by \$0.27/SF to \$19.66/SF across all asset classes, average rates in the suburban markets rose an impressive \$0.41/SF to \$17.91/SF.

Several investment sale transactions were recorded during the 2nd quarter including the 2-building Penn Mark portfolio (243,000 SF) and 5502-5508 E. 16th Street (98,554 SF). Although no new buildings were delivered during this quarter, approximately 465,000 SF of new construction is expected to be completed before the end of 2017. Nearly one-half of the projects under construction, however, will be occupied by owner/users and will not be included in the office market inventory.

ECONOMIC ENVIRONMENT

Indiana's unemployment rate stands at 3.0%, which is lower than the national average of 4.4% and lower than each of the surrounding states - Illinois (4.7%), Kentucky (5.1%), Ohio (5.0%), and Michigan (3.8%). A major contributor to the Hoosier state's low unemployment rate is significant growth in the technology sector. The tech industry continues to flourish in Indiana, as existing companies expand their operations and new firms enter the market. This influx of tech-related companies has transformed Indianapolis into a thriving tech hub, with the promise of significant job creation and an expectation of continued office space expansion.

Q2 2017 // Significant Office Transactions Indianapolis Office Market

TENANT/BUYER	ADDRESS	RBA SF	TYPE	SUBMARKET
MRES Acquisitions LLC	11555 & 11595 N Meridian St.	243,271	Sale	Carmel/Meridian
Kumar Vemulapalli	5502-5508 E. 16th St.	98,554	Sale	East
Indiana Supreme Court	251 N. Illinois St.	66,749	Lease	CBD
Bank of America	Five Parkwood	60,395	Renewal	Carmel/Meridian
Allstate Insurance Company	5757 Decatur Blvd	57,769	Renewal	West
Hydro-Gear of Indiana, LLC	7330 Woodland Dr.	48,000	Sale	NW
Indiana Gaming Commission	115 & 101 W. Washington St.	32,661	Lease	CBD
MJ Insurance Inc	Midtown Carmel	30,000	New	Carmel/Meridian
Caresource	WCP I	27,407	New	NW
Indiana Utility Regulatory Commission	115 & 101 W. Washington St.	27,031	Lease	CBD
Envigo	LPC IV	25,683	Renewal	Keystone Crossing

NET ABSORPTION

- + The Indianapolis Office Market recorded positive net absorption of 142,195 SF, representing the largest increase in absorption since Q2 2016.
- + The Carmel / Meridian submarket posted nearly 100,000 SF of positive absorption, outpacing all other suburban submarkets.

VACANCY

- + The vacancy rate in the Indianapolis marketplace remained relatively unchanged during the 2nd quarter, decreasing from 18.13% to 18.12%.

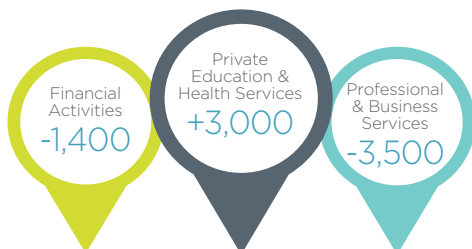
ACTIVITY

- + Construction remains strong, with 464,500 SF of new office product expected to hit the market before the end of 2017.
- + Office construction is primarily slated in the Carmel/Meridian and Fishers submarkets.

OUTLOOK

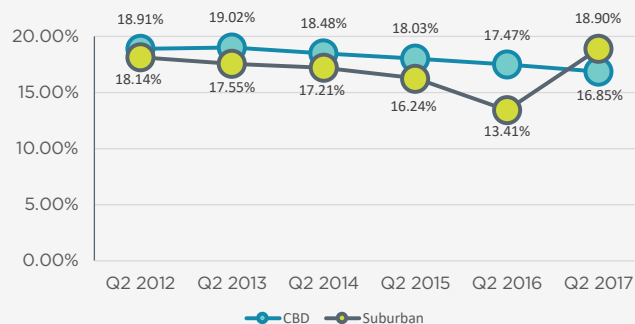
- + Increases in the tech industry will continue to drive positive absorption in the Indianapolis marketplace.

Q2 2017 Office Sector Job Growth



Vacancy Rates

Indianapolis Office Market // Y-O-Y Comparison



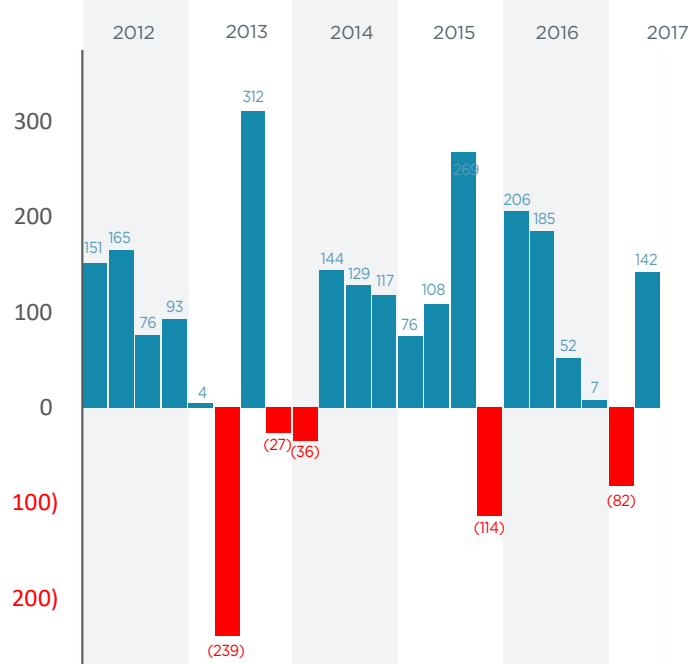
Rental Rates

Indianapolis Office Market // Q2 Y-O-Y Comparison



Absorption

Indianapolis Office Market // Quarterly Comparison
THOUSAND SF



Q2 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	6,319,525	1,011,122	15.85%	99,517	74,148	-	197,000	\$20.29
East	1,404,794	307,648	21.90%	(61,938)	(69,695)	-	-	\$14.68
Fishers	1,291,334	412,097	31.91%	17,119	(231,821)	-	187,000	\$20.97
CBD	14,911,407	2,512,208	16.85%	81,529	225,487	-	25,500	\$19.66
Keystone Crossing	4,110,039	467,394	10.64%	(48,494)	(19,006)	-	55,000	\$21.08
Midtown/Uptown	834,081	262,007	31.41%	5,253	10,147	-	-	\$15.91
Northeast	3,411,468	456,884	13.39%	(70,600)	(81,899)	-	-	\$18.08
Northwest	2,870,688	728,996	24.87%	43,883	45,022	-	-	\$17.56
South	812,735	236,326	28.24%	(10,929)	(6,317)	-	-	\$13.28
West	1,308,323	360,994	27.51%	86,855	113,654	-	-	\$16.27
Suburban Total	22,362,987	4,243,468	18.98%	60,666	(165,767)	-	439,000	\$17.91
Downtown Total	14,911,407	2,512,208	16.85%	81,529	225,487	-	25,500	\$19.66
Market Total	37,274,394	6,755,676	18.12%	142,195	59,720	-	464,500	\$18.39

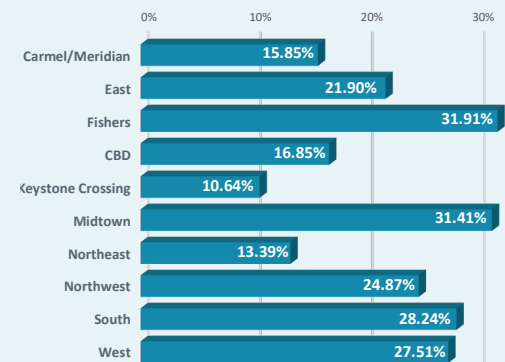
INDIANAPOLIS MULTI-TENANTED MARKET | LAST 5 QUARTERS

Q2 2017	22,362,987	4,243,468	18.98%	60,666	(165,757)	-	464,500	\$17.91
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
Q2 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

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.



rcre.com

RESOURCE Commercial Real Estate
9339 Priority Way West Drive, Suite 120
Indianapolis, Indiana 46240

317.663.6000



Office Brokerage Team

Jeff Merritt
Principal & Director of Office Services
Direct 317.663.6537

Joshua Abrams
Associate
Direct 317.663.6541

Phillip Cosmas
Senior Associate
Direct 317.663.6093

Kevin Dick
Vice President
Direct 317.663.6544

Paul Dick, CCIM
Senior Vice President
Direct 317.663.6540

Michael B. Drew, CCIM
Senior Vice President
Direct 317.663.6079

Yumi Goodman
Principal
Direct 317.663.6549

Kimberly Estes Hartman, CPM®
Senior Vice President
Direct 317.663.6562

Chase Haskin
Associate
Direct 317.663.6542

Cooper Laikin
Associate
Direct 317.663.6089

Tom Osborne, SIOR
Principal & Managing Broker
Direct 317.663.6543

Kara Riggle
Principal
Direct 317.663.6564

Nathan Smith
Vice President
Direct 317.663.6535

Samuel F. Smith II, CCIM, SIOR, SLCR, MCR.w
Principal & Chairman
Direct 317.663.6565

Research

AJ Kroot
Research Analyst
Direct 317.663.6075