Technology Sector Leading to Positive Absorption

### 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.
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

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
# Q2 2017 Office Multi-Tenanted Market Statistics

## Indianapolis Market: Buildings Over 20,000 SF

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total Inventory SF</th>
<th>Total Vacant SF</th>
<th>Vacancy Rate</th>
<th>Net Absorption</th>
<th>Construction SF</th>
<th>Avg Weighted Rent $/PSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carmel/Meridian</td>
<td>6,319,525</td>
<td>1,011,122</td>
<td>15.85%</td>
<td>99,517</td>
<td>-</td>
<td>197,000</td>
</tr>
<tr>
<td>East</td>
<td>1,404,794</td>
<td>307,648</td>
<td>21.90%</td>
<td>(61,938)</td>
<td>-</td>
<td>187,000</td>
</tr>
<tr>
<td>Fishers</td>
<td>1,291,334</td>
<td>412,097</td>
<td>31.91%</td>
<td>17,119</td>
<td>(231,821)</td>
<td>25,500</td>
</tr>
<tr>
<td>CBD</td>
<td>14,911,407</td>
<td>2,512,208</td>
<td>16.85%</td>
<td>81,529</td>
<td>225,487</td>
<td>219,000</td>
</tr>
<tr>
<td>Keystone Crossing</td>
<td>4,110,039</td>
<td>467,394</td>
<td>10.64%</td>
<td>(48,494)</td>
<td>(19,006)</td>
<td>55,000</td>
</tr>
<tr>
<td>Midtown/Uptown</td>
<td>834,081</td>
<td>262,007</td>
<td>31.41%</td>
<td>5,253</td>
<td>10,147</td>
<td>-</td>
</tr>
<tr>
<td>Northeast</td>
<td>3,411,468</td>
<td>456,884</td>
<td>13.39%</td>
<td>(70,600)</td>
<td>(81,899)</td>
<td>-</td>
</tr>
<tr>
<td>Northwest</td>
<td>2,870,688</td>
<td>728,996</td>
<td>24.87%</td>
<td>43,883</td>
<td>45,022</td>
<td>-</td>
</tr>
<tr>
<td>South</td>
<td>812,735</td>
<td>236,326</td>
<td>28.24%</td>
<td>(10,929)</td>
<td>(6,317)</td>
<td>-</td>
</tr>
<tr>
<td>West</td>
<td>1,308,323</td>
<td>360,994</td>
<td>27.51%</td>
<td>86,855</td>
<td>113,654</td>
<td>-</td>
</tr>
<tr>
<td>Suburban Total</td>
<td>22,362,987</td>
<td>4,243,468</td>
<td>18.98%</td>
<td>60,666</td>
<td>(165,767)</td>
<td>-</td>
</tr>
<tr>
<td>Downtown Total</td>
<td>14,911,407</td>
<td>2,512,208</td>
<td>16.85%</td>
<td>81,529</td>
<td>225,487</td>
<td>-</td>
</tr>
<tr>
<td>Market Total</td>
<td>37,274,394</td>
<td>6,755,676</td>
<td>18.12%</td>
<td>142,195</td>
<td>59,720</td>
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</tbody>
</table>

## Indianapolis Multi-Tenanted Market: Last 5 Quarters

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total Inventory SF</th>
<th>Total Vacant SF</th>
<th>Vacancy Rate</th>
<th>Net Absorption</th>
<th>Construction SF</th>
<th>Avg Weighted Rent $/PSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2017</td>
<td>22,362,987</td>
<td>4,243,468</td>
<td>18.98%</td>
<td>60,666</td>
<td>(165,767)</td>
<td>-</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>22,176,961</td>
<td>3,685,014</td>
<td>16.62%</td>
<td>226,433</td>
<td>(226,433)</td>
<td>-</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>22,176,961</td>
<td>3,456,094</td>
<td>15.58%</td>
<td>15,772</td>
<td>424,056</td>
<td>-</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>22,877,411</td>
<td>3,020,426</td>
<td>13.41%</td>
<td>105,039</td>
<td>439,828</td>
<td>163,050</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>22,520,698</td>
<td>3,020,426</td>
<td>13.41%</td>
<td>112,343</td>
<td>334,789</td>
<td>-</td>
</tr>
</tbody>
</table>

### Indianapolis Office Submarket Map

#### Submarket Vacancy Rates

- **Carmel/Meridian**: 15.85%
- **East**: 21.90%
- **Fishers**: 13.39%
- **CBD**: 10.64%
- **Keystone Crossing**: 16.85%
- **Midtown**: 31.41%
- **Northeast**: 31.91%
- **Northwest**: 24.87%
- **South**: 28.24%
- **West**: 27.51%

### 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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