

Q2 2018 RESEARCH REPORT

Indianapolis Office

REGIONAL SUMMARY

The 2nd quarter of 2018 has marked another tremendous quarter by recording over 37,000 SF of positive net absorption in the Indianapolis Office market. This was mainly the result of 42,769 SF of positive absorption in the Carmel/Meridian submarket and 52,968 SF in the Northwest submarket. Class B buildings led the way with more than 37,296 SF of positive absorption while Class A & C buildings combined to a net absorption of zero. The suburban vacancy rate declined by 28 basis points and the CBD vacancy rate increased 17 basis points, respectively, decreasing the total vacancy to 17.14%. Rental rates in downtown Indianapolis increased by \$0.04/SF to \$21.22/SF across all asset classes with suburban markets also increasing slightly by \$0.02/SF to \$18.35/SF.

Greater than 400,000 SF of new construction is in various stages of development in the Carmel/Meridian Corridor submarket with expected completions in the second half of 2018. Some notable buildings under construction in the Carmel/Meridian submarket include both the 250,000 SF KAR Auction Services headquarters and 80,000 SF MJ Insurance building. The 30,000 SF RQAW building in Fishers was the lone building completed in Q2. Defenders Inc renewed their 112,014 SF in three spaces in the newly named office park, Lakefront at Keystone (Formerly Precedent Office Park). Another significant transaction includes the purchase of 50 South Meridian by joint venture, Intregris Ventures and Starlight Equity Partners downtown.

ECONOMIC ENVIRONMENT

Indiana's unemployment rate stands at 3.2%, which is lower than the national average of 3.8% as well as each of the surrounding states - Illinois (4.3%), Kentucky (4.1%), Ohio (4.3%) and Michigan (4.6%). 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

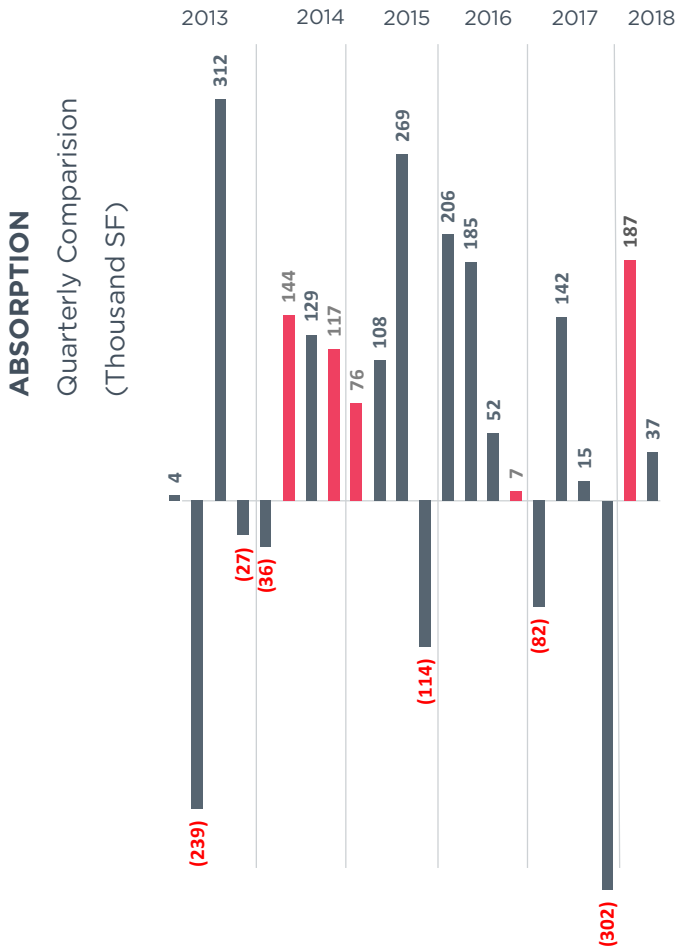
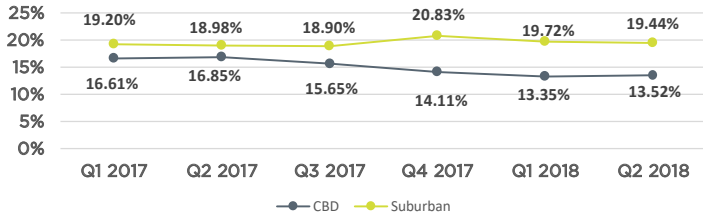
Relative to prior period	Q2 2018	Y-O-Y
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↓
RENTAL RATES	↑	↑

SUMMARY STATISTICS

	Q2 2018	Q1 2018	Q4 2017
Vacancy Rate	17.14%	17.24%	18.24%
Absorption	37,488	186,667	-301,964
New Supply	30,000	137,000	150,000
Under Construction	458,000	198,000	335,000

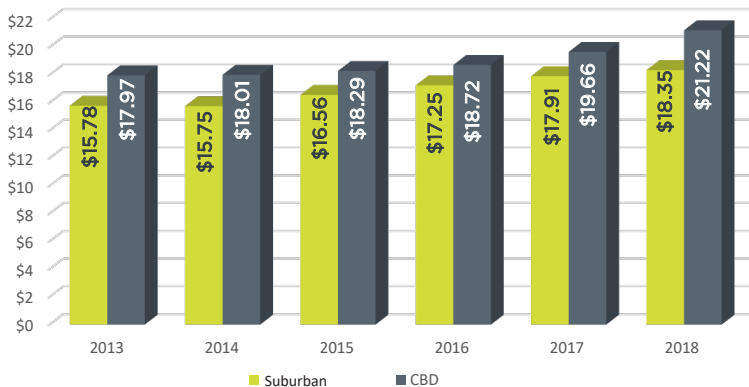
VACANCY RATES

Q2 Y-O-Y Comparison



RENTAL RATE

Q2 Y-O-Y Comparison



NET ABSORPTION

- + The Suburban office market posted more than 60,000 SF of positive absorption, far exceeding the absorption in the Downtown office market.
- + The Indianapolis Office market has recorded a positive net absorption of 224,155 SF year-to-date.

VACANCY

- + The Indianapolis overall vacancy rate decreased 10 basis points from 17.24% to 17.14%.
- + The CBD submarket recorded the lowest vacancy rate this quarter (13.52%).

ACTIVITY

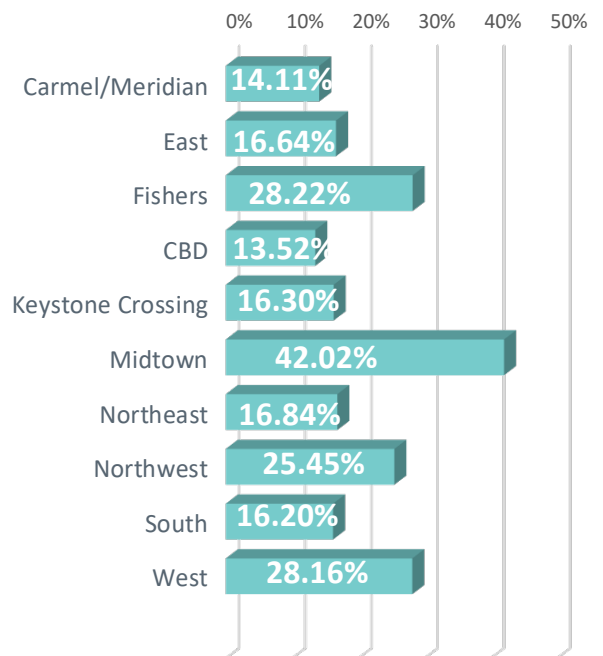
- + The Carmel/Meridian and Fishers submarkets account for the entire construction pipeline - approximately 458,000 SF - all of which are estimated to be complete by late-2018.

OUTLOOK

- + Increasing demand for office amenities will likely drive preference for Class A space and push asking rental rates upward.

SUBMARKET VACANCY RATES

Q2 Y-O-Y Comparison



NOTABLE TRANSACTIONS

Q2 2018 Indianapolis Office

COMPANY	SF	TYPE	SUB-MARKET	ADDRESS
Defenders Inc	112,014	Renewal	Keystone Crossing	3750, 3685, 3999 Priority Way S Dr
Marion County Public Defenders	67,177	New	CBD	151 N Delaware St
American Structurepoint Inc	66,990	New	Keystone Crossing	9025 River Rd
Carrier Corporation	56,494	New	CBD	30 S Meridian St
50 Meridian Acquisitions LLC	46,110	Investment Sale	CBD	50 S Meridian St
Wolter Kluwer	42,491	Renewal	Keystone Crossing	8425 Woodfield Crossing Blvd

INDIANAPOLIS OFFICE SUBMARKET MAP



INDIANAPOLIS OFFICE MARKET Q2 2018

SUBMARKET	TOTAL INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	CURRENT PERIOD	YTD COMPLETIONS	CURRENT	AVG WEIGHTED RENT \$/PSF
Carmel/Meridian	6,533,350	921,691	14.11%	42,769	29,686	-	\$21.22
East	868,179	144,498	16.64%	(7,448)	(7,448)	-	\$15.84
Fishers	1,378,477	388,986	28.22%	7,954	24,531	30,000	\$21.41
CBD	13,754,214	1,858,961	13.52%	(23,220)	29,652	-	\$21.22
Keystone Crossing	4,104,355	668,805	16.30%	18,778	30,384	-	\$21.12
Midtown/Uptown	852,022	358,031	42.02%	(2,232)	14,295	-	\$16.00
Northeast	3,121,804	525,644	16.84%	(58,371)	(32,859)	-	\$18.30
Northwest	2,965,290	754,760	25.45%	52,968	78,480	-	\$17.78
South	570,491	92,410	16.20%	(10,980)	13,759	-	\$12.83
West	1,268,518	357,226	28.16%	17,270	27,664	-	\$16.19
Suburban Total	21,662,486	4,212,051	19.44%	60,708	194,503	30,000	\$18.35
Downtown Total	13,754,214	1,858,961	13.52%	(23,220)	29,652	-	\$21.22
Market Total	35,416,700	6,071,012	17.14%	37,488	224,155	30,000	\$18.99

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
Q2 2018	21,662,486	4,212,051	19.44%	60,708	194,503	30,000	\$18.35
Q1 2018	21,632,486	4,265,432	19.72%	133,795	133,795	137,000	\$18.33
Q4 2017	22,032,101	4,588,372	20.83%	(362,404)	(538,130)	150,000	\$18.11
Q3 2017	22,367,470	4,285,920	18.90%	(9,959)	(175,726)	42,000	\$18.14
Q2 2017	22,362,987	4,243,468	18.98%	60,666	(165,757)	-	\$17.91

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.

OFFICE BROKERAGE TEAM



Samuel F. Smith II CCIM SIOR SLCR MCR.W
Principal & Chairman
317.663.6565
317.345.5616



Jeff Merritt
Principal & Dir. of Office Services
317.663.6537
317.714.5423
jeff.merritt@rcre.com



Joshua Abrams
Associate
317.663.6541
317.496.0202
joshua.abrams@rcre.com



Kevin Dick
Vice President
317.663.6544
317.213.6692
kevin.dick@rcre.com



Paul Dick CCIM
Senior Vice President
317.663.6540
317.698.8055
paul.dick@rcre.com



Kimberly Estes Hartman CPM
Senior Vice President
317.663.6562
317.716.5895
kim.hartman@rcre.com



Cooper Laikin
Associate
317.663.6089
317.989.6444
cooper.laikin@rcre.com



Tom Osborne SIOR
Principal & Managing Broker
317.663.6543
317.258.0179
tom.osborne@rcre.com



Melissa Blackwell
Senior Associate
317.663.6555
317.384.9756
melissa.blackwell@rcre.com



Derek Meneray
Vice President
317.663.6550
317.224.8523
derek.meneray@rcre.com

RESEARCH



AJ Kroot
Research Analyst
317.663.6075
aj.kroot@rcre.com

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