

Software Firms Leading to Office Market Expansion

► Market Indicators Indianapolis Office Market

Relative to prior period	Q3 2017	Y-O-Y
VACANCY	↓	↑
NET ABSORPTION	+	+
CONSTRUCTION	↓	↑
RENTAL RATE	↑	↑

► Summary Statistics

Indianapolis Office Market	Q3 2017	Q2 2017	Q3 2016
Vacancy Rate	17.60%	18.12%	16.61%
Downtown	15.65%	16.85%	16.61%
Suburban	18.90%	18.98%	16.62%
Absorption	14,927	142,195	-82,475
New Supply	67,500	0	0
Under Construction	397,000	464,500	459,861

► Average Rents

Per SF Per Year	Q3 2017	Q2 2017	Q3 2016
Average Rents	\$18.55	\$18.39	\$18.04
Downtown	\$20.02	\$19.66	\$19.39
Class A	\$20.40	\$19.94	\$19.69
QUARTERLY CHANGE	1.80%	1.37%	
ANNUAL CHANGE	6.49%	6.26%	
Suburban	18.14	17.91	\$17.40
Class A	\$20.28	\$20.03	\$19.96
QUARTERLY CHANGE	1.27%	2.85%	
ANNUAL CHANGE	4.89%	7.48%	

REGIONAL SUMMARY

The Indianapolis office market recorded over 142,000 SF in net absorption, largely attributed to the 81,529 SF in the downtown (CBD) submarket. The vacancy rate rose for the 3rd consecutive quarter to 18.12%. Rents downtown rose to \$19.66 on average, while remaining relatively stable at \$17.91 in the suburbs.

Several transactions were recorded during the 2nd quarter, including the investment sale of the 2-building Penn Mark Portfolio (243,000 SF) as well as the purchase of 5502-5508 E. 16th St (98,554 SF). Although no buildings were delivered during this quarter, approximately 465,000 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 tech business accomplished overall growth in Indiana by supporting existing companies to expand while also engaging new firms to the market. As a result of the increased presence of tech related companies, Indianapolis has transformed into a tech hub, attracting hundreds of jobs over next few years. With the Indianapolis economy advancing in the tech industry, job creation and office expansion is to remain healthy. The Hoosier state's unemployment stands at 3.0% and is lower than the national average of 4.4% and surrounding states - Illinois (4.7%), Kentucky (5.1%), Ohio (5.0%) and Michigan (3.8%).

Q3 2017 // Significant Office Transactions Indianapolis Office Market

TENANT/BUYER	ADDRESS	RBA SF	TYPE	SUBMARKET
Tempus One College Park LLC	11555 & 11595 N Meridian St	135,650	Sale	NW
Genuine Parts Co	5502-5508 E 16th St	100,000	Sale	West
State Farm	251 N. Illinois St	67,344	Renewal	Keystone
Indiana DCS	Five Parkwood	60,000	New	Keystone
GLCM Holdings LLC	5757 Decatur Blvd	57,500	Sale	East
Crowe Horwath	7330 Woodland Dr	51,856	Expansion	Keystone
Availity	115 & 101 W Washington St	39,427	Renewal/Expansion	Carmel/Meridian
ThyssenKrupp	9642 Allisonville Rd	37,463	Lease	Fishers
Infosys	Midtown Carmel	35,378	Lease	CBD
BOCA Holdings Inc	WCP I	32,500	Sale	Midtown
Cork Medical	115 & 101 W Washington St	28,378	Renewal/Expansion	NE

NET ABSORPTION

- + The Indianapolis office market recorded a positive net absorption (142,195 SF), the largest since Q2 2016.
- + Carmel/Meridian submarket posted 99,517 SF of net absorption, outpacing the other suburban submarkets.

VACANCY

- + The Indianapolis vacancy rate has increase for the third consecutive quarter from 16.61% to 18.12%.
- + Q2's vacancy rate of 18.12% is the highest recorded since 2013.

ACTIVITY

- + The construction pipeline continues to be strong, totaling 464,500 SF. Many projects are expected to be completed by next quarter.
- + The Carmel/Meridian Corridor and Fishers submarkets account for the majority of the construction this quarter.

OUTLOOK

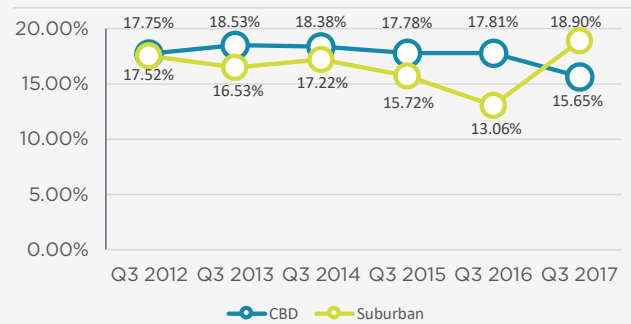
- + Absorption in the Indianapolis office market is expected to increase with the addition of companies relocating to downtown Indy.

Q3 2017 Office Sector Job Growth



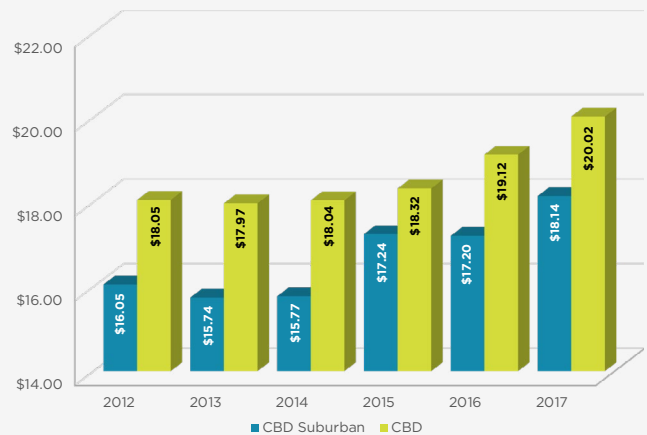
Vacancy Rates

Indianapolis Office Market // Y-O-Y Comparison



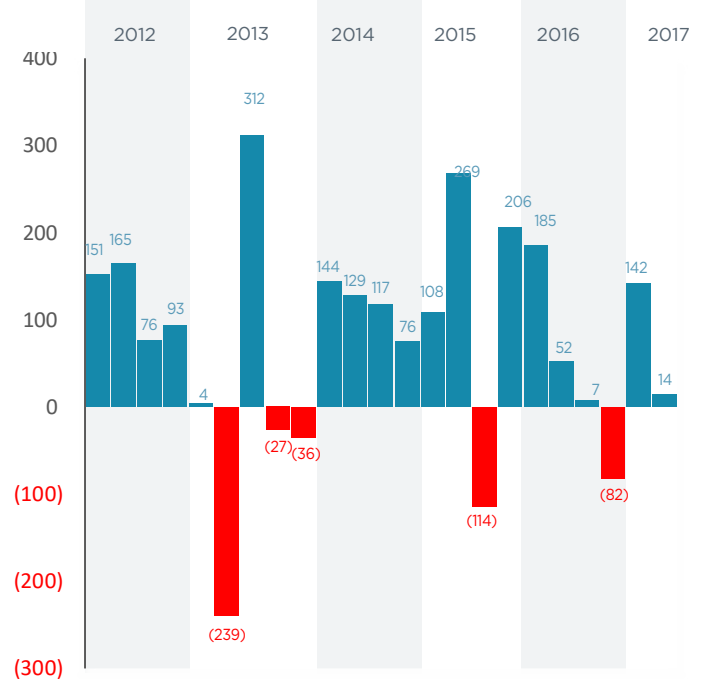
Rental Rates

Indianapolis Office Market // Q3 Y-O-Y Comparison



Absorption

Indianapolis Office Market // Quarterly Comparison
THOUSAND SF



Q3 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	963,522	15.25%	57,376	131,524	-	277,000	\$20.62
East	1,404,794	315,411	22.45%	(11,255)	(80,950)	-	-	\$14.39
Fishers	1,333,334	392,203	29.42%	(23,038)	(254,859)	42,000	65,000	\$21.18
CBD	14,936,907	2,337,978	15.65%	24,886	250,373	25,500	-	\$20.02
Keystone Crossing	4,110,039	623,399	15.17%	5,708	(13,298)	-	55,000	\$21.05
Midtown/Uptown	834,081	291,184	34.91%	(23,924)	(13,777)	-	-	\$15.91
Northeast	3,373,951	384,217	11.39%	24,476	(57,423)	-	-	\$18.22
Northwest	2,870,688	674,700	23.50%	(43,180)	1,842	-	-	\$17.56
South	812,735	221,148	27.21%	4,898	(1,419)	-	-	\$12.88
West	1,308,323	362,437	27.70%	(1,020)	112,634	-	-	\$15.97
Suburban Total	22,367,470	4,228,221	18.90%	(9,959)	(175,726)	42,000	397,000	\$18.14
Downtown Total	14,936,907	2,337,978	15.65%	24,886	250,373	25,500	-	\$20.02
Market Total	37,304,377	6,566,199	17.60%	14,927	74,647	67,500	397,000	\$18.55

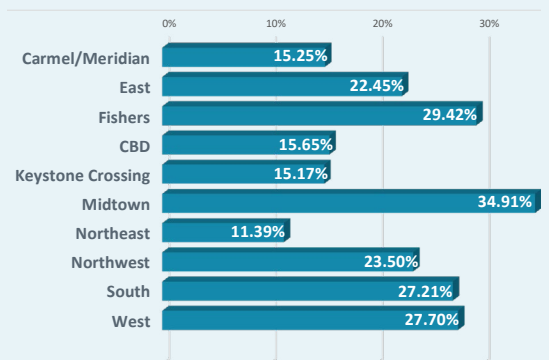
INDIANAPOLIS MULTI-TENANTED MARKET | LAST 5 QUARTERS

Q3 2017	37,304,377	6,566,199	17.60%	14,927	137,948	67,500	397,000	\$18.55
Q2 2017	37,304,377	6,755,676	18.12%	142,195	59,720	-	464,500	\$18.39
Q1 2017	37,304,377	6,851,396	18.13%	(82,475)	(82,475)	-	459,861	\$18.27
Q4 2016	37,790,554	6,213,789	16.44%	7,384	451,028	-	434,861	\$18.04
Q3 2016	38,491,004	5,768,140	14.99%	52,391	443,644	163,050	379,861	\$17.82

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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