

Q3 2018 RESEARCH REPORT

Indianapolis Office

REGIONAL SUMMARY

The Indianapolis office market recorded over 67,000 SF in positive net absorption, largely attributed to the 60,018 SF in the Suburban submarkets. This was mainly the result of 43,856 SF of positive absorption in the Carmel/Meridian submarket. Class B buildings led the way with more than 39,425 SF of positive absorption. The suburban vacancy rate declined by 37 basis points and the CBD vacancy rate decreased 6 basis points, respectively, decreasing the total vacancy to 16.90%. Rental rates in downtown Indianapolis increased by \$0.03/SF to \$21.25/SF across all asset classes with suburban markets also increasing by \$0.10/SF to \$18.56/SF.

Nearly 500,000 SF of new construction is in various stages of development in the Indianapolis office market with expected completions in the second half of 2018. Some notable buildings under construction in the Indianapolis office market include the 250,000 SF KAR Auction Services headquarters in Carmel and the 41,470 SF Bottleworks project downtown. The 80,000 SF MJ Insurance building in Carmel was the lone building completed in Q3. Taft Stettinius & Hollister renewed/expanded their 95,839 SF space in Regions Tower located in the CBD submarket. Another significant transaction includes the purchase of 2-building Capital Center (201 & 251 N Illinois St) by Zeller Realty Group in downtown Indianapolis.

ECONOMIC ENVIRONMENT

Indiana's unemployment rate stands at 3.5%, which is lower than the national average of 3.7% as well as each of the surrounding states - Illinois (4.1%), Kentucky (4.5%), Ohio (4.6%) and Michigan (4.0%). Much of Indianapolis' growth has been fueled by the tech industry, as the city has transformed itself into a leader in the technology and innovation sector. Indiana was named Top 5 in the U.S. for business according to Chief Executive magazine. 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

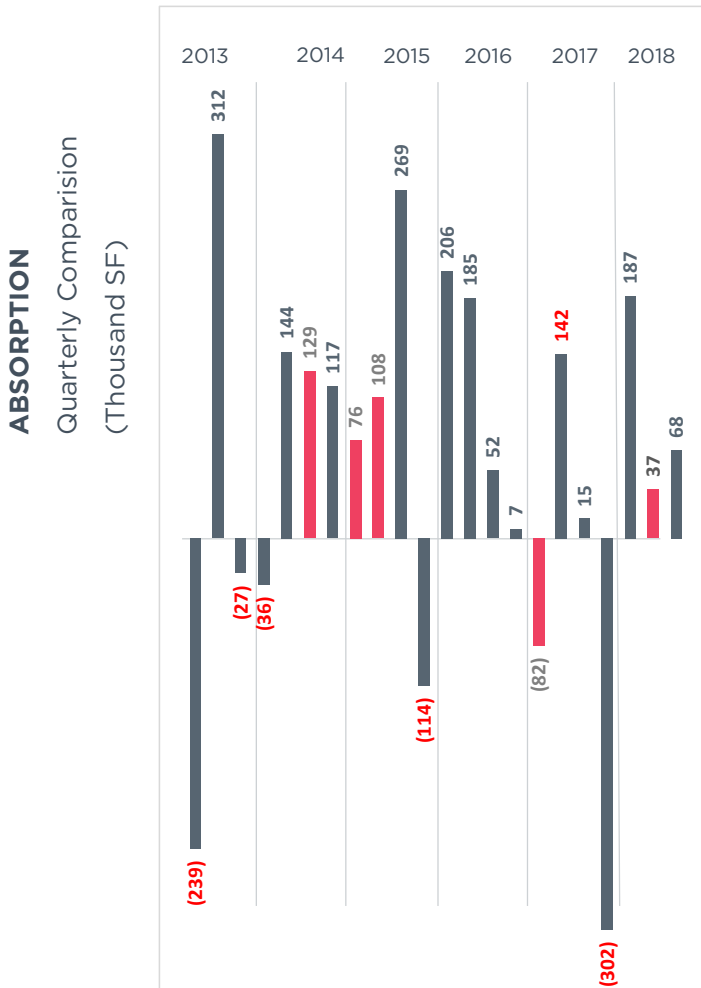
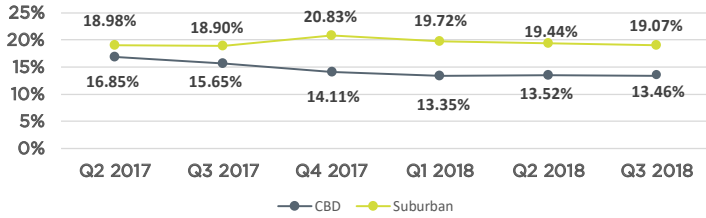
Relative to prior period	Q3 2018	Y-O-Y
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATES	↑	↑

SUMMARY STATISTICS

	Q3 2018	Q2 2018	Q3 2017
Vacancy Rate	16.90%	17.14%	17.60%
Absorption	67,886	37,488	14,928
New Supply	80,000	30,000	67,501
Under Construction	491,470	458,000	397,000

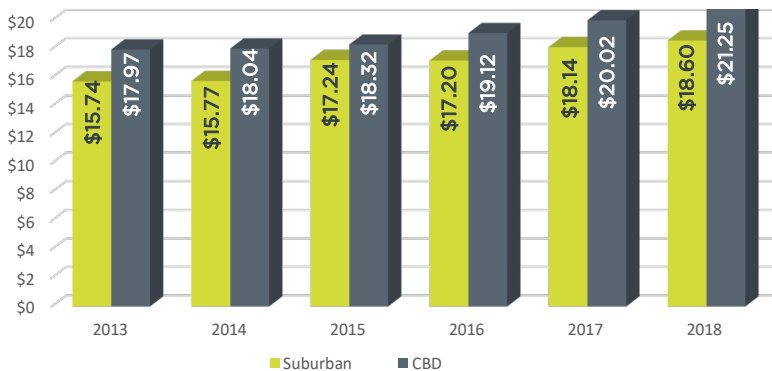
VACANCY RATES

Q3 Y-O-Y Comparison



RENTAL RATE

Q3 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 292,041 SF year-to-date.

VACANCY

- + The Indianapolis overall vacancy rate decreased 24 basis points from 17.14% to 16.90%, the lowest recorded since Q4 2016.
- + The overall and suburban vacancy rate have decreased for three straight years each.

ACTIVITY

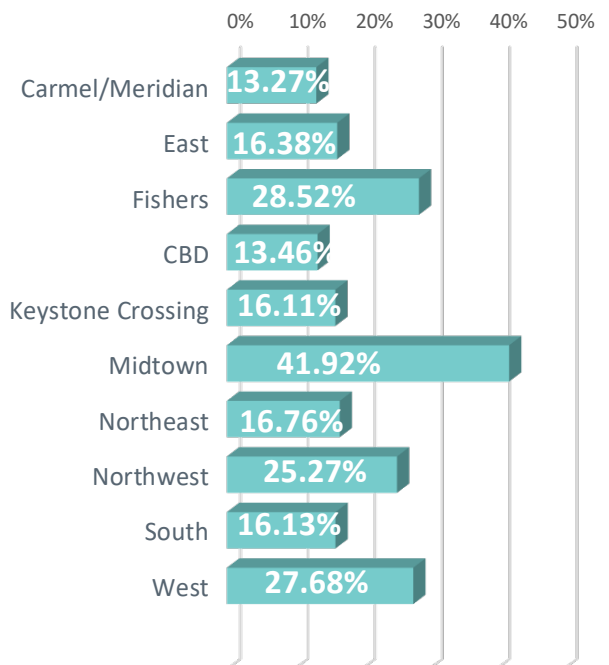
- + The Carmel/Meridian and Fishers submarkets account for most of the construction pipeline - approximately 378,000 SF - all of which are estimated to be complete by late-2018.

OUTLOOK

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

SUBMARKET VACANCY RATES

Q3 Y-O-Y Comparison



NOTABLE TRANSACTIONS

Q3 2018 Indianapolis Office

COMPANY	SF	TYPE	SUB-MARKET	ADDRESS
Naya USA Investments	334,506	Investment Sale	CBD	500 & 550 N Meridian
Taft Stettinius & Hollister	95,839	Renewal/Expansion	CBD	One Indiana Square
High Alpha	41,470	New	CBD	830 Massachusetts Ave
8925 North Meridian Street LLC	41,369	Sale	Carmel/Meridian	8925 N Meridian St
CREA	28,601	Renewal/Expansion	CBD	30 S Meridian
Fifth Third Bank	22,667	Renewal	CBD	251 N Illinois St

INDIANAPOLIS OFFICE SUBMARKET MAP



INDIANAPOLIS OFFICE MARKET Q3 2018

SUBMARKET	TOTAL INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	CURRENT PERIOD	YTD COMPLETIONS	CURRENT	AVG WEIGHTED RENT \$/PSF
Carmel/Meridian	6,613,350	877,835	13.27%	43,856	73,542	80,000	\$21.24
East	868,179	142,179	16.38%	(2,319)	(9,767)	-	\$15.84
Fishers	1,378,477	393,136	28.52%	(4,150)	20,381	40,000	\$20.85
CBD	13,754,214	1,851,093	13.46%	7,868	37,520	41,470	\$21.25
Keystone Crossing	4,104,355	661,051	16.11%	7,754	38,138	72,000	\$21.22
Midtown/Uptown	852,022	357,156	41.92%	875	15,170	-	\$17.20
Northeast	3,121,804	523,225	16.76%	1,976	(30,883)	-	\$18.64
Northwest	2,965,290	749,248	25.27%	5,512	83,992	-	\$18.55
South	570,491	92,008	16.13%	402	14,161	-	\$12.85
West	1,268,518	351,114	27.68%	6,112	33,776	-	\$16.19
Suburban Total	21,742,486	4,146,952	19.07%	60,018	254,521	80,000	\$18.56
Downtown Total	13,754,214	1,851,093	13.46%	7,868	37,520	41,470	\$21.25
Market Total	35,496,700	5,998,045	16.90%	67,886	292,041	80,000	\$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
Q3 2018	21,742,486	4,146,952	19.07%	60,018	254,521	80,000	\$18.56
Q2 2018	21,662,486	4,212,051	19.44%	60,708	194,503	30,000	\$18.35
Q1 2017	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

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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