

Q1 2019 RESEARCH REPORT

Indianapolis Office

REGIONAL SUMMARY

The 1st quarter of 2019 got off to a fast start by recording over 65,000 SF of positive net absorption in the Indianapolis Office market. This was mainly the result of positive absorption of 39,018 SF in the Keystone Crossing submarket and 18,107 SF in the Central Business District (CBD) submarket. The Suburban submarket led the way with more than 46,000 SF of positive absorption. Suburban and downtown vacancy rates declined by 16 and 14 basis points, respectively, decreasing the total vacancy to 16.37%. Rental rates in downtown Indianapolis increased by \$0.02/SF to \$21.30/SF across all asset classes with suburban markets also increasing slightly by \$0.02/SF to \$18.61/SF.

Over 496,000 SF of new construction is in various stages of development in Indianapolis office market with expected completions in the second half of 2019. Some notable buildings under construction in the Indianapolis office market include the 72,000 Duke Realty headquarters in the Keystone Crossing submarket and the 41,470 SF Bottleworks project downtown.

Multiple large investment sales headlined the Q1 2019 transactions including Mission Peak/Gershman Partners & Citimark purchase of the 151 N Delaware & 251 E Ohio St - two office buildings totaling over 600,000 SF located in the CBD submarket. Another notable sale includes stREITwise purchase of Allied Solutions HQ in Carmel (142,000 SF) for \$222/SF.

ECONOMIC ENVIRONMENT

Indiana's unemployment rate stands at 3.6%, 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 (4.6%) 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. 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

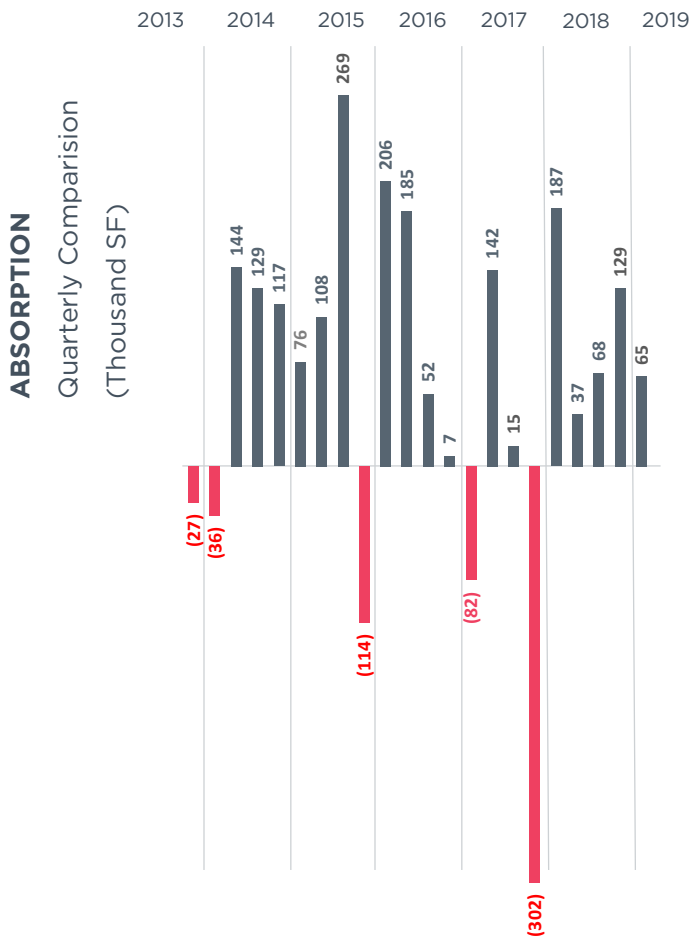
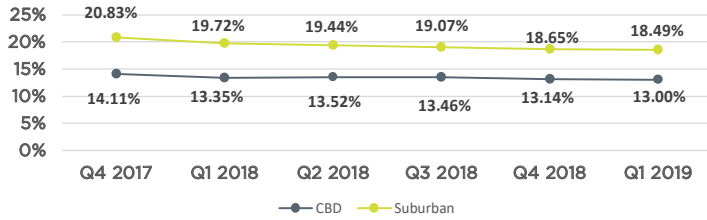
Relative to prior period	Q1 2019	Y-O-Y
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↓	↑
RENTAL RATES	↑	↑

SUMMARY STATISTICS

	Q1 2019	Q4 2018	Q1 2018
Vacancy Rate	16.37%	16.52%	17.24%
Absorption	65,077	128,758	186,667
New Supply	-	40,000	137,000
Under Construction	496,470	451,470	198,000

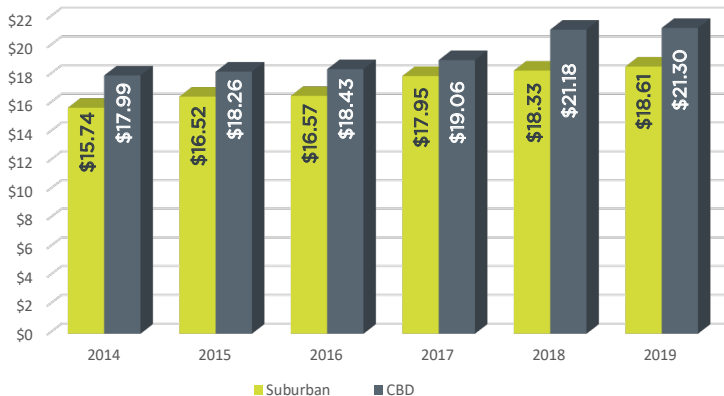
VACANCY RATES

Q1 Y-O-Y Comparison



RENTAL RATE

Q1 Y-O-Y Comparison



NET ABSORPTION

- + The Suburban office market posted 46,970 SF of positive absorption, far exceeding the 18,107 SF absorption in the Downtown office market.
- + The absorption in the Indianapolis Office market has remained positive for 5 straight quarters.

VACANCY

- + The Indianapolis overall vacancy rate decreased 15 basis points from 16.52% to 16.37%.
- + The vacancy rate in the downtown (CBD) submarket decreased for the third consecutive quarter to 13.00%.

ACTIVITY

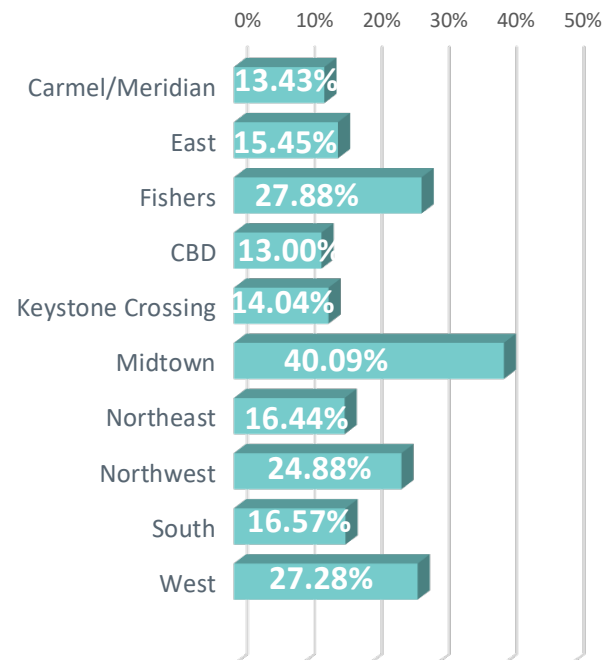
- + The Carmel/Meridian and Fishers submarkets account for most of the construction pipeline - approximately 383,000 SF - all of which are estimated to be complete by mid-2019.

OUTLOOK

- + Absorption in the office market is expected to remain strong as new companies call Indianapolis home.

SUBMARKET VACANCY RATES

Q1 Y-O-Y Comparison



NOTABLE TRANSACTIONS

Q1 2019 Indianapolis Office

COMPANY	SF	TYPE	SUB-MARKET	ADDRESS
Kronos	42,575	Renewal	CBD	101 W Washington St
Wiley Publishing	42,128	New	Keystone Crossing	9200 Keystone Crossing
The Hartford	24,752	Renewal	Carmel/Meridian	501 Pennsylvania Parkway
1st Signature Lending, LLC	23,621	Renewal	Fishers	9800 Crosspoint Blvd
BOCA Holdings LLC	20,000	New	East	1335 Sadler Cir East
Families First Indiana Inc	19,504	New	Midtown	2240 N Meridian St

INDIANAPOLIS OFFICE SUBMARKET MAP



INDIANAPOLIS OFFICE MARKET Q1 2019

SUBMARKET	TOTAL INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	CURRENT PERIOD	YTD COMPLETIONS	CURRENT	AVG WEIGHTED RENT \$/PSF
Carmel/Meridian	6,613,350	888,329	13.43%	(1,362)	(1,362)	338,000	\$21.31
East	868,179	134,118	15.45%	1,809	1,809	-	\$15.89
Fishers	1,418,477	395,417	27.88%	(17,044)	(17,044)	45,000	\$20.89
CBD	13,754,214	1,788,573	13.00%	18,107	18,107	41,470	\$21.30
Keystone Crossing	4,104,355	576,374	14.04%	39,018	39,018	72,000	\$21.30
Midtown/Uptown	852,022	341,569	40.09%	4,801	4,801	-	\$17.25
Northeast	3,121,804	513,187	16.44%	(2,286)	(2,286)	-	\$18.69
Northwest	2,965,290	737,713	24.88%	18,018	18,018	-	\$18.59
South	570,491	94,557	16.57%	(766)	(766)	-	\$12.88
West	1,268,518	346,093	27.28%	4,782	4,782	-	\$16.22
Suburban Total	21,782,486	4,027,357	18.49%	46,970	46,970	455,000	\$18.61
Downtown Total	13,754,214	1,788,573	13.00%	18,107	18,107	41,470	\$21.30
Market Total	35,536,700	5,815,930	16.37%	65,077	65,077	496,470	\$19.02

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
Q1 2019	35,536,700	5,815,930	16.37%	65,077	65,077	496,470	\$19.02
Q4 2018	35,536,700	5,955,708	16.52%	128,758	420,799	451,470	\$19.01
Q3 2018	35,496,700	5,998,045	16.90%	67,886	292,041	491,470	\$18.99
Q2 2018	35,416,700	6,071,012	17.14%	37,488	224,155	458,000	\$18.99
Q1 2018	35,386,700	6,101,173	17.24%	186,667	186,667	198,000	\$18.97

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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