

Q2 2019 RESEARCH REPORT

Indianapolis Office

REGIONAL SUMMARY

The 2nd quarter of 2019 has marked another tremendous quarter by recording over 27,000 SF of positive net absorption in the Indianapolis Office market. This was mainly the result of positive absorption of 40,253 SF in the Keystone Crossing submarket and 24,087 SF in the Central Business District (CBD) submarket. Suburban vacancy rates increased by 8 basis points while downtown vacancy rates declined by 17 basis points, decreasing the total vacancy to 16.35%. Rental rates in downtown Indianapolis increased by \$0.07/SF to \$21.37/SF across all asset classes with suburban markets also increasing slightly by \$0.06/SF to \$18.67/SF.

Over 631,000 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 Q2 2019 transactions including DRA Advisors/M&J Wilkow Properties purchase of the Keystone at the Crossing Office Park – six office buildings totaling over 1 million SF located in the Keystone Crossing submarket. Another notable sale includes Coastal Partners purchase of Heritage Park III (86,000 SF) in the Northeast submarket. BraunAbility, manufacturer of wheelchair products, expanded its operations to 645 W Carmel Dr, Carmel this June and is building a 20,000 SF tech center on the same property.

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 (4.3%), Kentucky (4.1%), Ohio (4.0%) and Michigan (4.2%). 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

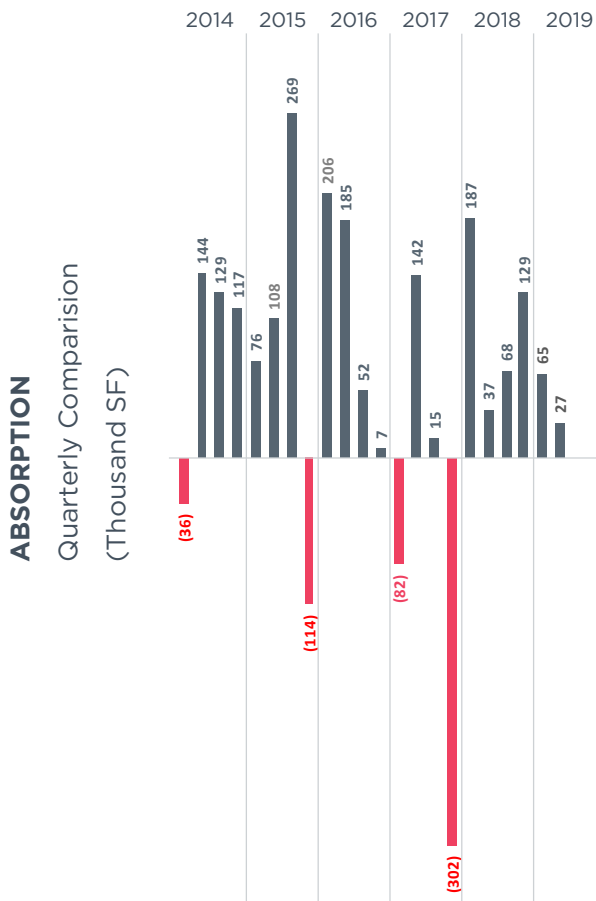
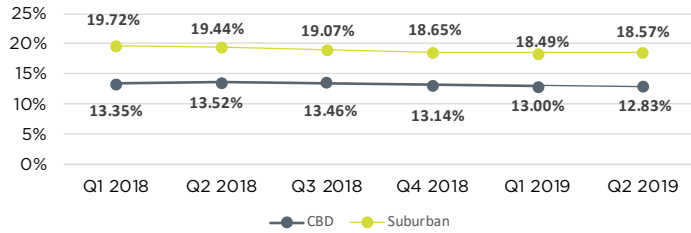
| Relative to prior period | Q2 2019 | Y-O-Y |
|--------------------------|---------|-------|
| VACANCY | ↓ | ↓ |
| NET ABSORPTION | + | + |
| CONSTRUCTION | ↑ | ↑ |
| RENTAL RATES | ↑ | ↑ |

SUMMARY STATISTICS

| | Q2 2019 | Q1 2019 | Q2 2018 |
|--------------------|---------|---------|---------|
| Vacancy Rate | 16.35% | 16.37% | 17.14% |
| Absorption | 27,432 | 65,077 | 37,488 |
| New Supply | - | - | 30,000 |
| Under Construction | 631,470 | 496,470 | 458,000 |

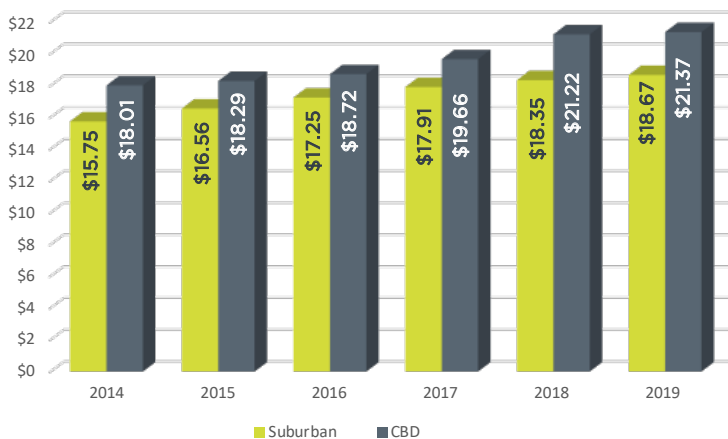
VACANCY RATES

Q2 Y-O-Y Comparison



RENTAL RATE

Q2 Y-O-Y Comparison



NET ABSORPTION

- + The Downtown office market posted 24,087 SF of positive absorption, far exceeding the absorption in the Suburban office market.
- + The absorption in the Indianapolis Office market has remained positive for 6 consecutive quarters.

VACANCY

- + The Indianapolis overall vacancy rate decreased 2 basis points from 16.37% to 16.35%
- + The vacancy rate in the downtown (CBD) submarket decreased for the fourth straight quarter to 12.83%.

ACTIVITY

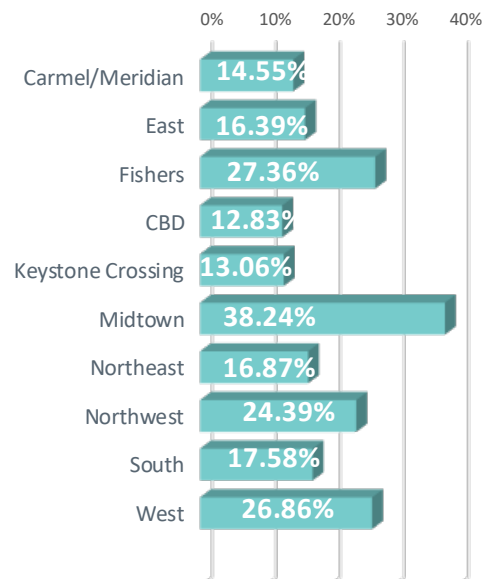
- + The Carmel/Meridian and Fishers submarkets account for most of the construction pipeline - approximately 518,000 SF - all of which are estimated to be complete by late-2019
- + The Agora at the Proscenium, 100,000 SF mixed-use building in midtown Carmel, is projected to be complete early 2020.

OUTLOOK

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

SUBMARKET VACANCY RATES

Q2 Y-O-Y Comparison



NOTABLE TRANSACTIONS

Q2 2019 Indianapolis Office

| COMPANY | SF | TYPE | SUB-MARKET | ADDRESS |
|------------------------------------|--------|-----------|-------------------|-----------------------------|
| Indiana Fiber Network | 38,687 | User Sale | West | 720-722 N High School Rd |
| College of Biblical Studies | 21,509 | New | Northwest | 3500 DePauw Blvd, Pyramid I |
| Inktel | 21,054 | New | Keystone Crossing | 9200 Keystone Crossing |
| Avalon Management Group LLC | 20,539 | User Sale | East | 6767 E Washington St |
| The Trustees of Indiana University | 19,616 | Renewal | CBD | 719 Indiana Ave |
| RSM | 18,205 | New | CBD | 1 America Sq |

INDIANAPOLIS OFFICE SUBMARKET MAP



INDIANAPOLIS OFFICE MARKET Q2 2019

| SUBMARKET | TOTAL INVENTORY SF | TOTAL VACANT SF | VACANCY RATE | CURRENT PERIOD | YTD COMPLETIONS | CURRENT | AVG WEIGHTED RENT \$/PSF |
|-----------------------|--------------------|------------------|---------------|----------------|-----------------|----------------|--------------------------|
| Carmel/Meridian | 6,613,350 | 962,015 | 14.55% | (52,595) | (53,957) | 438,000 | \$21.31 |
| East | 868,179 | 142,321 | 16.39% | (8,203) | (6,394) | - | \$15.89 |
| Fishers | 1,418,477 | 388,032 | 27.36% | 7,385 | (9,659) | 80,000 | \$21.03 |
| CBD | 13,754,214 | 1,764,633 | 12.83% | 24,087 | 42,194 | 41,470 | \$21.37 |
| Keystone Crossing | 4,104,355 | 536,121 | 13.06% | 40,253 | 79,271 | 72,000 | \$21.34 |
| Midtown/Uptown | 852,022 | 325,784 | 38.24% | 15,785 | 20,586 | - | \$17.25 |
| Northeast | 3,121,804 | 526,676 | 16.87% | (13,489) | (15,775) | - | \$18.69 |
| Northwest | 2,965,290 | 723,177 | 24.39% | 14,536 | 32,554 | - | \$18.65 |
| South | 570,491 | 100,290 | 17.58% | (5,733) | (6,499) | - | \$13.70 |
| West | 1,268,518 | 340,687 | 26.86% | 5,406 | 10,188 | - | \$16.30 |
| Suburban Total | 21,782,486 | 4,045,103 | 18.57% | 3,345 | 50,315 | 590,000 | \$18.67 |
| Downtown Total | 13,754,214 | 1,764,633 | 12.83% | 24,087 | 42,194 | 41,470 | \$21.37 |
| Market Total | 35,536,700 | 5,809,736 | 16.35% | 27,432 | 92,509 | 631,470 | \$19.06 |

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 2019 | 35,536,700 | 5,809,736 | 16.35% | 27,432 | 92,509 | 631,470 | \$19.06 |
| 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 |

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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