

MARKETBEAT

Indianapolis

Retail Q2 2019



ECONOMIC INDICATORS

National

	Q2 18	Q2 19*	12-Month Forecast
GDP Growth	2.9%	2.6%	▼
CPI Growth	2.7%	1.8%	▲
Consumer Spending Growth	4.7%	4.5%	▼
Retail Sales Growth	5.6%	3.3%	▼

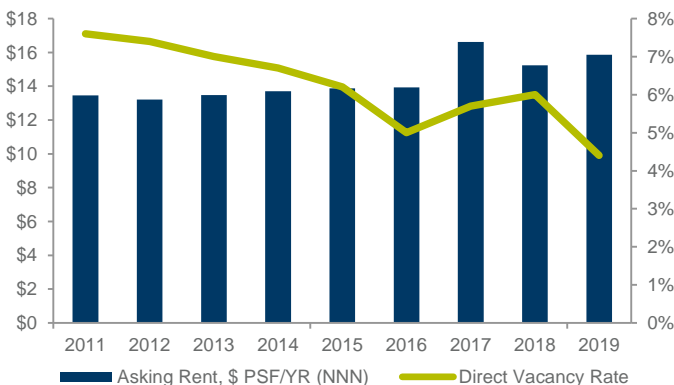
*2019 Q2 data are based on the latest available data. Growth rates are year-over-year.
Source: BLS, BOC, Moody's Analytics

Regional

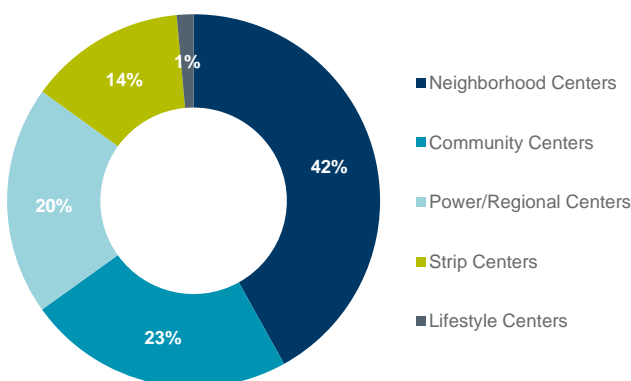
	Q2 18	Q2 19	12-Month Forecast
Median Household Income	\$61,600	\$63,700	▲
Population Growth	1.1%	1.1%	▬
Unemployment	3.3%	3.3%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

Economic conditions were generally strong in the Indianapolis MSA during the second quarter of 2019. Unemployment remained unchanged from the second quarter of 2018 and historically low at 3.3% and median household income was up over 3.4% year-over-year (YOY) as well. Indianapolis retail trade employment — a key indicator of retail growth — rebounded slightly in the second quarter of 2019, but is still down 3,300 jobs year-to-date (YTD). A key statistic reflecting business and retail conditions, the Consumer Confidence Index (CCI), reported a 121.5 reading in May, the lowest level since September 2017. Consumer confidence was likely shaken by the recent trade and tariff tensions, but remains historically high.

Market Overview

The Indianapolis retail market continued its occupancy gains in the second quarter of 2019, posting over 387,000 square feet (sf) of positive net absorption. Through the first half of 2019, net absorption topped 792,000 sf in the Indianapolis market. All but three of the 15 Indianapolis retail submarkets experienced positive net absorption gains during the quarter, highlighting a demand for space across the market. Vacancy also dropped to 4.2% in the second quarter of 2019 as vacant spaces continued to be backfilled by new tenants. While vacancy fell, average asking rates rose, hitting an average of \$16.16 per square foot (psf) on an annual triple net basis for the Indianapolis market. Store closure announcements continued to mount during the second quarter of 2019. One such announcement that will have implications for the Indianapolis retail market was DressBarn, which has five stores in the market and announced it would eventually close all of its 650 store locations.

Trends

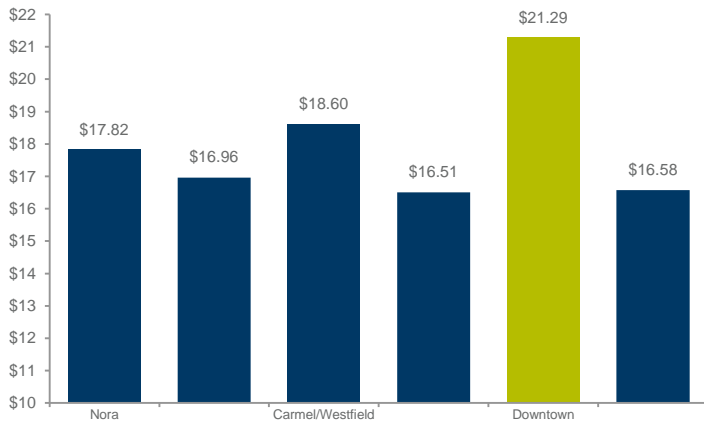
While eCommerce spending continues to grow, digitally native retailers are increasingly opening up physical store locations to expand their name recognition and capture the large percentage of retail sales that is still spent at a physical store location. This “clicks-to-bricks” concept has reached Indianapolis, with online retailers like Peloton, Warby Parker, Bonobos, UNTUCKit, and others opening or announcing stores in the Indianapolis market.

Though the departure of big box retailers continues to add large vacancies to the Indianapolis retail market, these spaces have also continued to be filled, albeit by multiple smaller users. This trend is expected to continue, as companies in the fitness, entertainment, and discount industries enter or add locations in the market.

Outlook

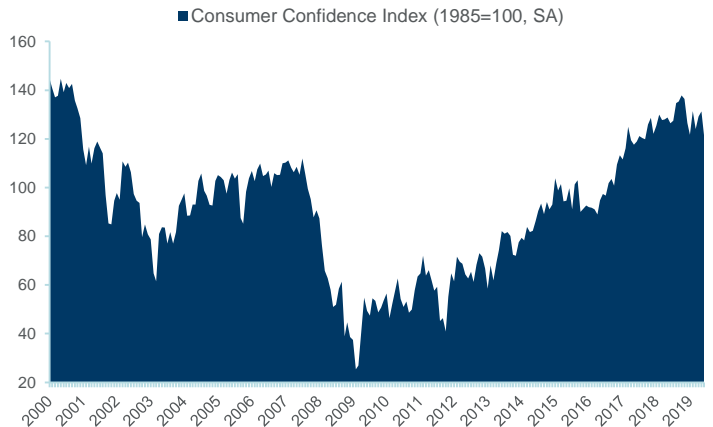
- Expect more eCommerce retailers to open up physical store locations, emulating the “clicks-to-bricks” model
- Big box spaces will continue to be filled with smaller non-traditional retailers in the fitness, entertainment, and discount industries
- Though consumer confidence levels have been rocky to start 2019, they still remain at high levels, boding well for retail spending
- As eCommerce retailers continue to bring disruptive changes to the retail industry, traditional retailers will have to adapt or risk closure

Rent by Submarket
 AVERAGE ASKING RENT



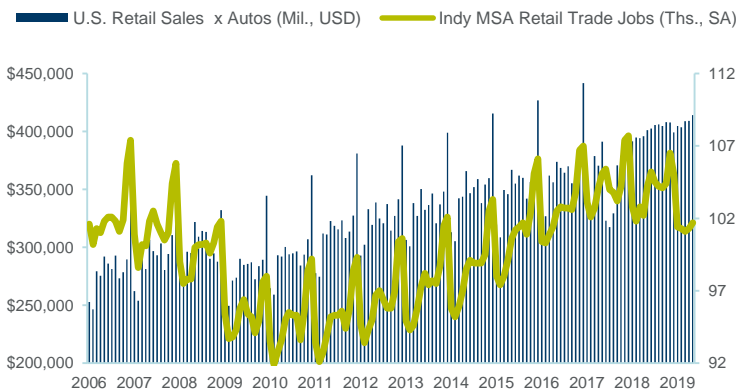
*Source: CoStar and Cushman & Wakefield Research . Rents are quoted PSF/YR (NNN)

Consumer Confidence
 U.S. CONSUMERS' OUTLOOK DIPPED IN JUNE



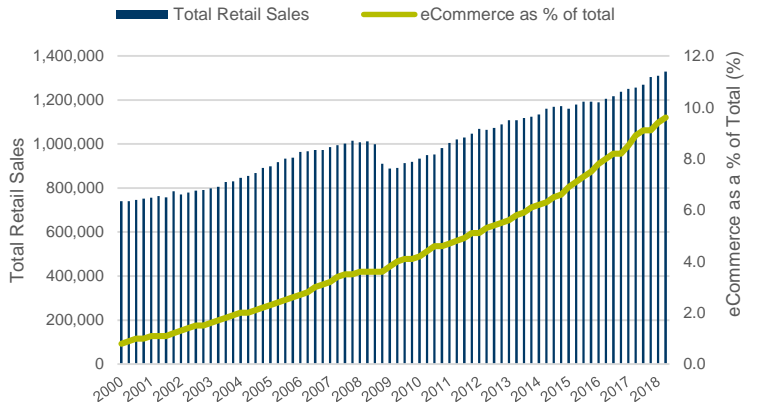
Source: The Conference Board

Retail Sales and Indianapolis MSA Retail Jobs
 RETAIL SALES AND EMPLOYMENT SURGING



*Source: U.S. Bureau of Labor Statistics, U.S. Census Bureau

Total Retail Sales vs. Percent Total eCommerce
 ECOMMERCE SALES SHARE CONTINUES GROWTH



*Source: U.S. Census Bureau

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TRADE AREAS	TOTAL BLDGS	INVENTORY (SF)	DIRECT VACANT	DIRECT VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
Avon	199	4,069,530	147,990	3.6%	(29,182)	(32,232)	0	\$14.00
Broad Ripple/Glendale	253	2,730,805	91,671	3.4%	19,642	22,787	0	\$16.96
Brownsburg	119	1,906,278	89,785	4.7%	9,150	12,438	9,334	\$17.40
Carmel/Westfield	387	7,129,703	145,546	2.0%	26,506	124,791	33,428	\$18.60
Castleton/Keystone	287	8,588,488	405,900	4.7%	23,999	46,174	0	\$16.58
Downtown Indianapolis	191	3,863,171	131,008	3.4%	(15,496)	(17,153)	187,000	\$21.29
Fishers/Noblesville	556	9,816,341	335,161	3.4%	17,815	58,567	251,485	\$15.30
Greenwood/Southport	745	12,563,443	424,564	3.4%	71,100	109,463	15,052	\$15.05
Lafayette Square/Speedway	391	8,693,265	533,934	6.1%	(30,109)	50,444	0	\$11.49
Michigan Road/Zionsville	380	5,942,543	245,428	4.1%	108,278	228,131	176,720	\$16.51
Mooresville	123	1,695,145	42,902	2.5%	4,752	922	0	\$16.18
Nora	66	1,212,327	41,775	3.4%	18,400	16,762	0	\$17.82
Pendleton Pike	369	4,586,953	235,681	5.1%	124,914	140,296	0	\$14.38
Plainfield	207	3,410,760	58,471	1.7%	7,545	5,713	0	\$20.70
Washington Square	210	4,754,871	464,100	9.8%	30,065	25,387	0	\$10.08
TRADE AREA TOTALS	4,483	80,963,623	3,393,916	4.2%	387,379	792,490	673,019	\$16.16

*Source: CoStar and Cushman & Wakefield Research. All Retail Types classification encompasses all retail properties located both within and outside of the 15 prime trade areas. Rental rates reflect triple net asking rents \$ psf per year.

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Perry Marketplace	30,000	Ross	New Lease	Plainfield
Lafayette Shops	19,260	EI Chispas	Renewal	Lafayette Square/Speedway
Castleton Commons	11,862	Boot Barn	New Lease	Castleton/Keystone

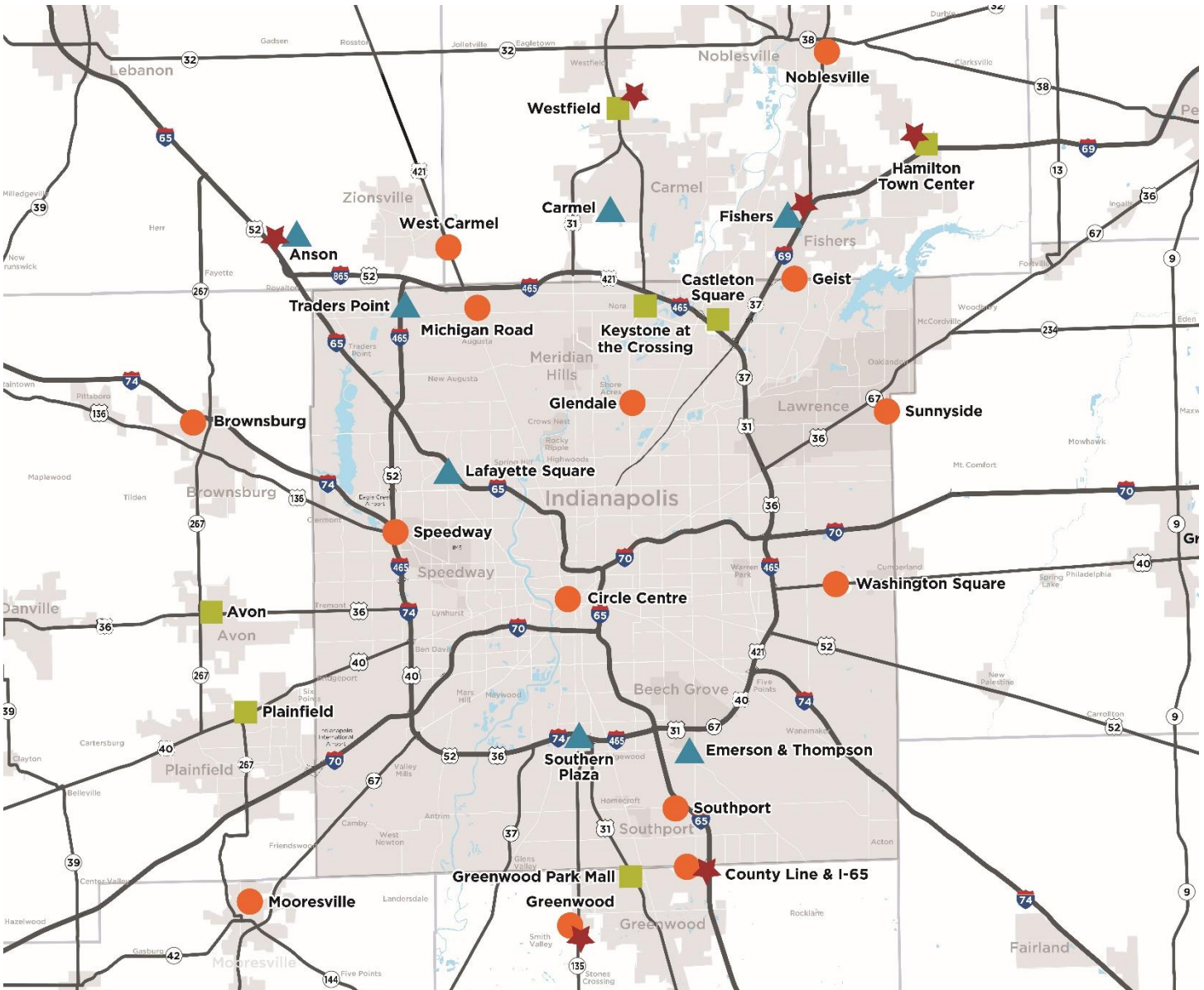
Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
The Pointe	49,225	Sun 1031 LLC/1259 Holdings LLC	\$4,493,465/\$91	Greenwood/Southport
247 S Meridian	30,625	Packard Investments LLC/Parker Development Group LLC	\$3,660,000/\$120	Downtown Indianapolis
Herriman Corner	25,550	Larson Capital Fund/146 Herriman Partners	\$2,700,000/\$106	Fishers/Noblesville

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RETAIL SUBMARKETS
 INDIANAPOLIS



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