

# MARKETBEAT

## Indianapolis

### Industrial Q3 2019



#### INDIANAPOLIS INDUSTRIAL

##### Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Indianapolis MSA Employment	1073.8k	1079.8k	▲
Indianapolis MSA Unemployment	3.3%	3.2%	▲
U.S. Unemployment	3.8%	3.7%	▲

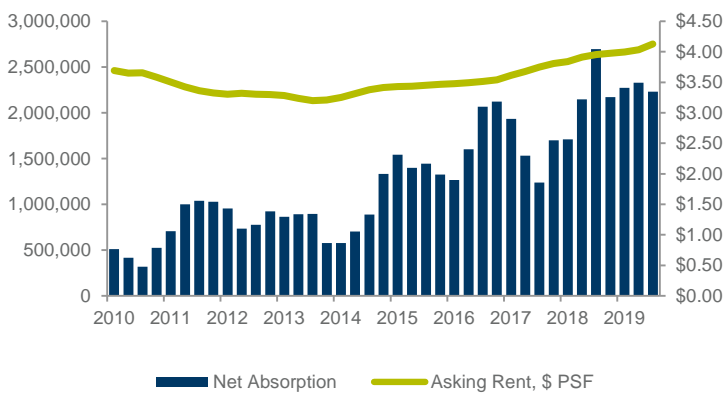
Numbers above are quarterly averages

##### Market Indicators

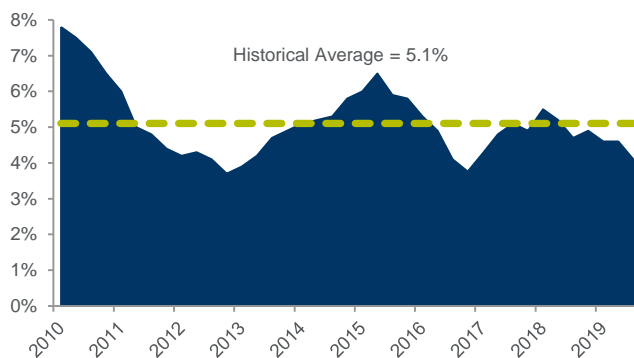
	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy	4.7%	4.2%	▲
Overall Absorption	4.4M	4.1M	▲
Under Construction	9.4M	14.5M	▲
Average Asking Rent*	\$3.99	\$4.38	▲

\*Rental rates reflect net asking \$psf/year

##### Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



##### Overall Vacancy



## Economy

The Indianapolis economy remained strong and continues to add value to the industrial commercial real estate sector. Unemployment experienced a slight dip to reach 3.2% while Industrial related job sectors continued to expand. Manufacturing sector jobs paced the market with 3.5% year-over-year (YOY) growth, followed by Construction jobs at 3.0% YOY and Trade, Transportation, and Utilities jobs at 0.7% YOY. Manufacturing resurgence in the Indianapolis MSA continued to be notable. The market increased the pace once again YOY in July 2019. Indiana's labor force participation rate continued to be strong at 65% which tracks above the national labor force participation rate of 62.8%. The Industrial Production Index (INDPRO) topped out at 110.55 in December 2018. Since then we experienced a dip in production until April 2019 when the index began to rebound and reached 109.92 in August 2019. The current figure denotes historically elevated levels which bodes well for industrial commercial real estate. National economic indicators have continued to back the steady, growing economy thus far in 2019. Nationally, wages increased 0.4% month-over-month and 3.2% YOY, both ten basis points above expectations. Job growth, however, came in slightly lower than Wall Street had hoped. August added 130,000 nonfarm jobs nationally, under the expected 150,000 according to the Labor Department. Although slightly lower than expectations, the momentum of the overall economy still remained positive even amongst attention grabbing recession headlines.

## Market Overview

The Indianapolis industrial market thrived in the third quarter 2019 as both supply and demand metrics from the first half of 2019 increased significantly. The third quarter was the beneficiary of elevated leasing activity experienced in the first half of the year as many of the deals took occupancy this quarter. Specifically, the Southwest submarket performed extremely well during the third quarter, posting a net absorption total of just over positive 1.8 million square feet (msf). Activity in the Northeast submarket was prominent as well with just over 800,000 square feet (sf) of net occupancy gains, most of which can be attributed to a 1.0 msf expansion for SMC Corporation of America taking occupancy. Other top-performing submarkets included the West (691,000 sf) and the South (659,000 sf) submarkets. With regards to building type activity, tenants continued to prefer the higher clear heights and newer attributes of Modern Bulk facilities, which in the third quarter alone absorbed 4.1 msf of space. Breaking a trend in solid activity for Medium Distribution facilities, Modern Bulk activity was followed by Manufacturing at 95,000 sf.

Construction activity continued its record setting pace in the third quarter 2019. Nine new construction projects were delivered totaling 3.2 msf, doubling the 2.7 msf delivered in the first half of the year. Timing will be the key to how many projects will be

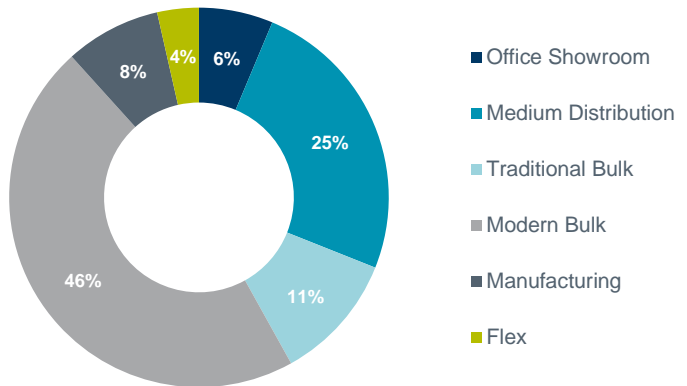
completed in 2019. The market is positioned for another record setting year with regards to construction deliveries. Specifically, submarkets such as the Northwest, Southwest, East, and South will continue to drive the market with regards to new product. Clustered in those submarkets is the largest pipeline of developments under construction in our statistical history. Currently, Indianapolis has 43 projects totaling 14.5 msf, most of which are preliminarily set to deliver in 2019 as long as construction timelines are met before the end of the year. As elevated as construction activity and land acquisition has been in recent quarters, it is hard to imagine a slow-down in the near future. There are risk factors to keep track of though. Construction contractors cite a lack of available qualified labor and lead times on materials as continued issues that could slow down construction velocity. The appetite for new construction from developers, though, doesn't seem to be going away. With the direct vacancy rate tracking well below historical market averages and the pipeline already being close to 25% preleased, there is still a large need for supply. Developers have responded in a big way, not only with the current 14.5 msf under construction, but also with the aggressive acquisition of land sites. There are numerous active developers, some new to Indianapolis, that are in the market for developable land positions.

As 2019 comes to a close, supply is still forecasted to outpace demand, but not by much. Based on our tracking of construction, we expect to hit a record number of deliveries. Demand could also eclipse a record in part due to the elevated number of tenants in the market looking for space immediately. In the long term, supply and demand will eventually find its equilibrium after the market narrows the gap in the inventory shortage. Expect Indianapolis' positive economic outlook, central location, and overall commercial real estate fundamentals to remain the driving reasons for business expansion and fuel long-term demand for space in quarters to come.

## Outlook

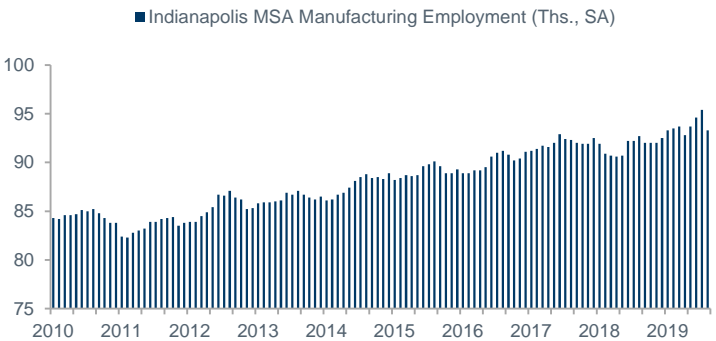
- Currently, Indianapolis has 43 projects totaling 14.5 msf under construction, most of which are preliminarily set to deliver in 2019 as long as construction timelines are met before the end of the year.
- The market is positioned for another record setting year with regards to construction deliveries, specifically in submarkets such as the Northwest, Southwest, East, and South.
- In the long term, supply and demand will eventually find an equilibrium after the market works to bolster its inventory shortage.

Vacant Space by Product Type  
PERCENTAGE OF TOTAL VACANT SPACE Q3 2019



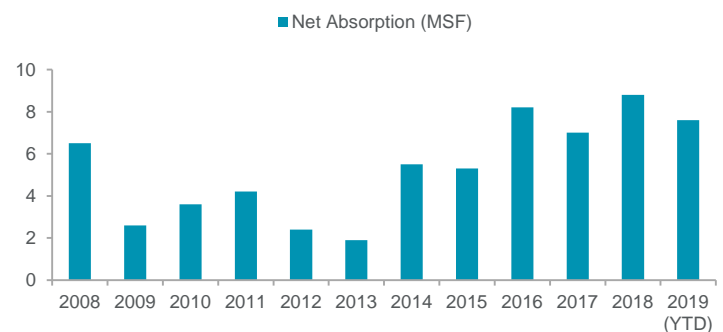
Source: Cushman & Wakefield Research

Manufacturing Employment  
INDIANAPOLIS-CARMEL-ANDERSON MSA



Source: U.S. Bureau of Labor Statistics

Historical Direct Net Absorption  
INDIANAPOLIS CONTINUES THE STREAK OF STRONG ABSORPTION



Source: Cushman & Wakefield Research

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## Indianapolis

### Industrial Q3 2019



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANCY	DIRECT VACANT	DIRECT VACANCY RATE	CURRENT DIRECT NET ABSORPTION	YTD DIRECT NET ABSORPTION	TOTAL OCCUPIED	UNDER CONSTRUCTION	OVERALL ASKING RENT*
Downtown	180	10,962,632	0	141,836	1.3%	-1,356	-30,491	10,820,796	0	\$6.70
East	518	42,860,448	159,475	1,028,644	2.4%	-153,424	288,152	41,672,329	2,156,640	\$5.04
Northeast	260	14,968,942	74,911	816,424	5.5%	801,702	967,549	14,077,607	249,000	\$6.55
North	162	7,025,672	64,308	181,272	2.6%	-12,286	-27,756	6,780,092	178,230	\$5.95
Northwest	498	58,499,744	258,987	3,609,294	6.2%	288,962	1,405,358	54,631,463	5,186,948	\$4.20
Southeast	261	18,644,916	38,400	298,956	1.6%	-205	-77,755	18,307,560	0	\$5.14
South	140	18,556,606	0	1,221,152	6.6%	659,309	2,117,991	17,335,454	1,524,429	\$3.77
Southwest	533	84,489,595	295,992	2,989,123	3.5%	1,849,684	2,188,225	81,204,480	5,211,799	\$4.02
West	159	16,299,651	0	162,606	1.0%	690,980	752,437	16,137,045	0	\$2.18
<b>PROPERTY TYPE</b>										
Office Showroom	490	14,223,422	27,019	660,163	4.6%	-61,798	85,748	13,536,240	0	\$6.72
Medium Distribution	996	58,703,034	196,671	2,582,400	4.4%	11,726	790,351	55,923,963	2,411,338	\$4.95
Traditional Bulk	145	35,843,351	316,740	1,128,599	3.2%	5,310	71,103	34,398,012	300,000	\$4.38
Modern Bulk	183	94,213,132	339,385	4,846,305	5.1%	4,162,591	6,407,647	89,027,442	10,851,608	\$3.55
Manufacturing	577	57,649,194	0	851,618	1.5%	94,526	284,028	56,797,576	944,100	\$4.13
Flex	241	8,348,654	12,258	370,222	4.4%	-78,989	-45,167	7,966,174	0	\$8.20
Transport	79	3,327,419	0	10,000	0.3%	-10,000	-10,000	3,317,419	0	\$13.00
<b>INDIANAPOLIS TOTALS</b>	<b>2,711</b>	<b>272,308,206</b>	<b>892,073</b>	<b>10,449,307</b>	<b>3.8%</b>	<b>4,123,366</b>	<b>7,583,710</b>	<b>260,966,826</b>	<b>14,507,046</b>	<b>\$4.38</b>

\*Industrial asking rents converted to NNN

#### Key Transactions Q3 2019 (±200,000 SF)

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
600 N Northfield Dr, Eaglepoint 6, Brownsburg	690,980	Radial	Direct	West
Perry Blvd & SR 267, Whitestown Business Center, Whitestown	636,742	Puma North America	Direct	Northwest
558 W Airtech Pkwy, Plainfield	542,630	Belkin International	Renewal	Southwest
1105 E Northfield Dr, Brownsburg	526,200	Life Science Logistics	Renewal	West
3003 Reeves Rd, Plainfield	202,500	Staria Acquisitions	Renewal	Southwest
700 S Post Rd, Indianapolis	200,000	P-America (PepsiCo)	Direct	East

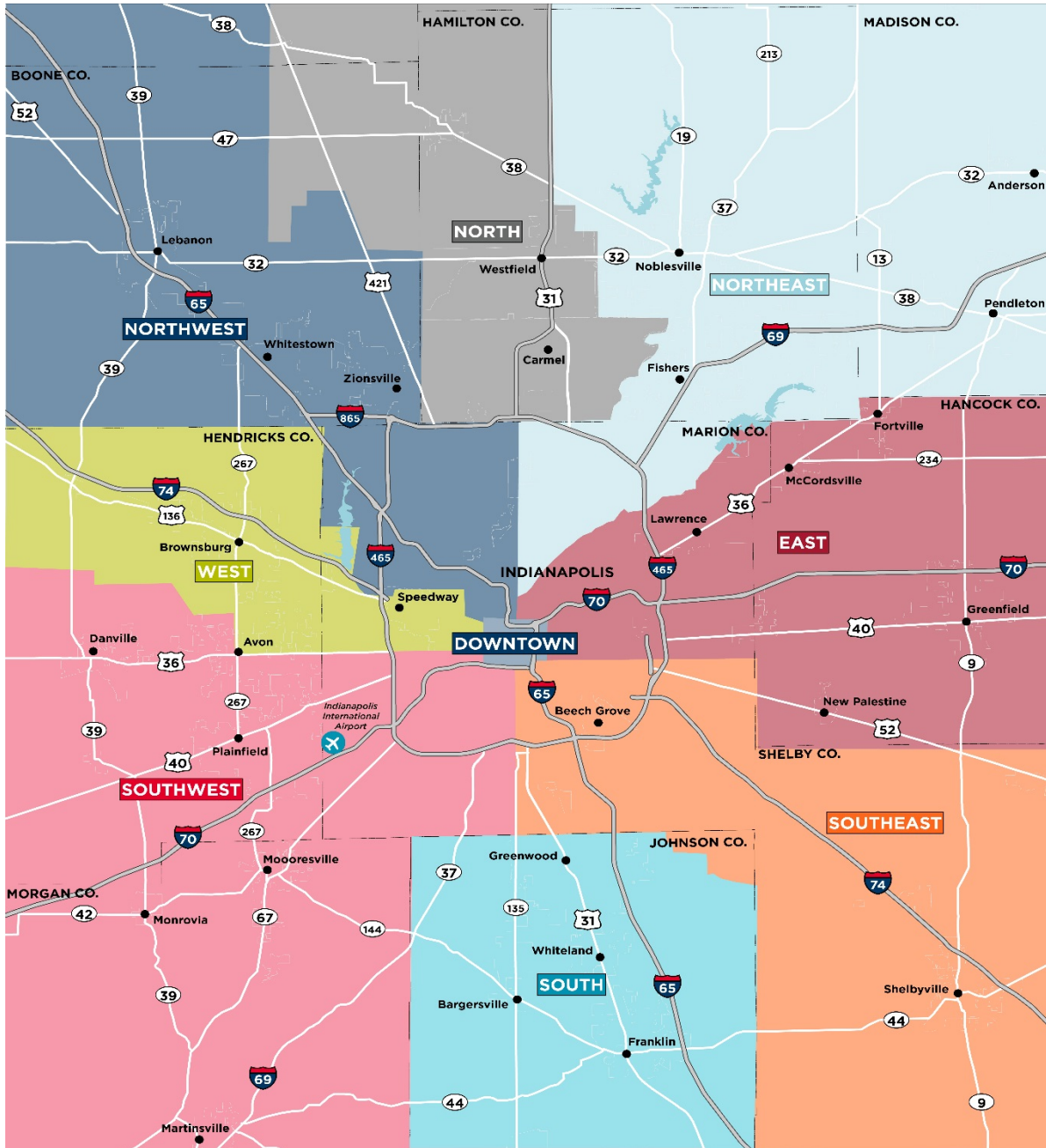
#### Industrial Deliveries 2019 (±350,000 SF)

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
146 <sup>th</sup> & Howe Rd, Noblesville	1,000,000	Build-to-Suit	Q3 19	Northeast
600 N Northfield Dr, Eaglepoint 6, Brownsburg	690,980	Speculative	Q3 19	West
1151 S Graham Rd, Amazon BTS, Greenwood	612,883	Speculative	Q3 19	Southwest
5828 Commerce Pkwy, Park 130 Bldg. 2, Whitestown	356,900	Speculative	Q3 19	Northwest

#### Upcoming Industrial Deliveries (±500,000 SF)

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
9247 E CR 200 S, Walmart Distribution BTS, Avon	1,109,121	Build-to-Suit	Q4 19	Southwest
Albert S White Blvd, Crossroads Logistics Center, Whitestown	1,016,244	Speculative	Q3 19	Northwest
Edwards Dr, D.S. Smith BTS, Lebanon	550,000	Build-to-Suit	Q3 19	Northwest

**INDUSTRIAL SUBMARKETS**  
 INDIANAPOLIS



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**About Cushman & Wakefield**

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## Methodology

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of industrial properties deemed to be competitive in the Central Indiana marketplace. Older buildings unfit for occupancy or ones that require substantial renovation before tenancy are not included in the competitive inventory. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary and all information contained in the report is subject to revisions based on additional data received.

## New Statistical Series

To ensure the highest level of data integrity, Cushman & Wakefield periodically undertakes a comprehensive, quantitative and qualitative, review of all industrial inventory in the Central Indiana marketplace. During Q1 2017, Cushman & Wakefield Research conducted an extensive review of the industrial market and transitioned to a new data series.

## Explanation of Building Characteristics

**Office Showroom:** Buildings designed to meet the needs of distributors or sales agents who do not require high ceilings or rail service. Tenants are typically under 25,000 sf, but sizes can vary.

Common features include ceiling heights of 12'-16'; few docks and/or drive-in doors; and office space of 20% to 25%.

**Medium Distribution:** Buildings designed to meet the needs of intermediate-sized distributors. Tenants typically range from 12,000 sf to 75,000 sf. Common features include 14'-20' ceilings; docks and/or drive-in doors; office space of 10% to 20%; and, occasionally, rail service.

**Traditional Bulk:** Buildings constructed prior to 1995 designed for large-scale

distributors. Tenants typically are over 100,000 sf, with sizes varying. Common features include 20'-28' ceilings; multiple dock height doors with levelers and seals; office space of 1% to 5%; and, often, rail service.

**Modern Bulk:** Buildings constructed since 1995 designed for large-scale distributors. Tenants typically are over 100,000 sf, with sizes varying. Common features include 28' clear ceiling heights or higher; multiple dock height doors with levelers and seals; office space of 1% to 5%; and, often, rail service.

**Flex:** Buildings generally distinguished by office space ranging from 25% to 100%. Tenants typically are under 30,000 sf, but sizes can vary

considerably. Common features include 12'-16' ceilings; high parking ratios; common dock areas; individual service doors; full window lines; and, landscaping.

**Manufacturing:** Buildings designed for production, research, and development of goods. Tenant size varies from 5,000 SF to over 1 msf. Common features include 16'-24' ceilings; heavy power capacity; processed gas; floor drains; cranes; 1% to 10% office space; and, rail service.

**Transport:** Buildings designed for vehicle upkeep, repair and storage. Tenants typically are 5,000 to 20,000 sf. Common features include 16'-24' ceilings.

## About Cushman & Wakefield

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