

MARKETBEAT

Indianapolis

Retail Q3 2019



ECONOMIC INDICATORS

National

	Q3 18	Q3 19*	12-Month Forecast
GDP Growth	3.1%	2.1%	▲
CPI Growth	2.6%	1.8%	▲
Consumer Spending Growth	5.9%	4.1%	▲
Retail Sales Growth	5.6%	3.7%	▲

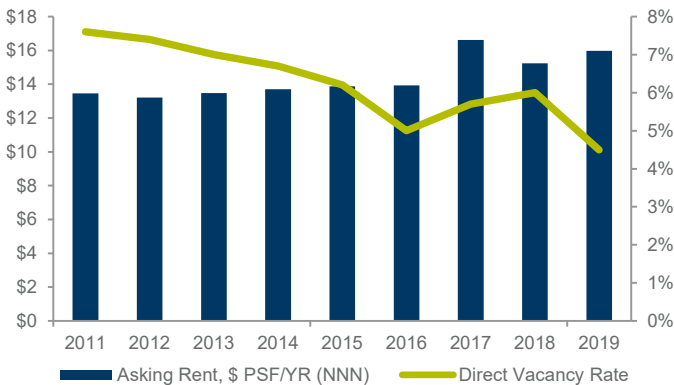
*2019 Q3 data are based on the latest available data. Growth rates are year-over-year.
Source: BLS, BOC, Moody's Analytics

Regional

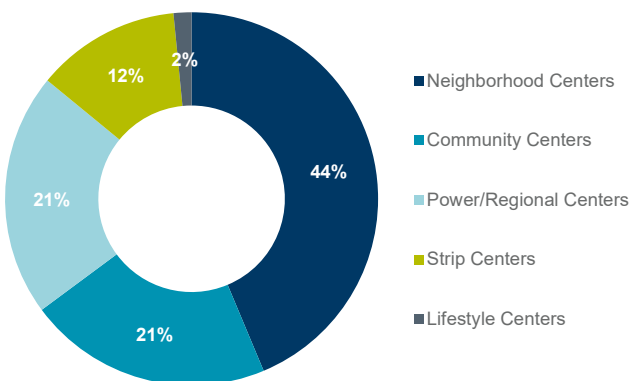
	Q3 18	Q3 19	12-Month Forecast
Median Household Income	\$62,200	\$64,200	▲
Population Growth	1.1%	1.1%	■
Unemployment	3.3%	3.2%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

The Indianapolis Metropolitan Statistical Area (MSA) continued to exhibit strong economic fundamentals during the third quarter of 2019, with unemployment declining 10 basis points (bps) year-over-year to 3.2%. The unemployment rate was unchanged from the second quarter of 2019 and remains well below the national unemployment rate of 3.7%. Median household income in the Indianapolis MSA was up 3.2% year-over-year and population growth was flat at 1.1%. Nationally, GDP growth slowed down in the third quarter of 2019, declining 100 bps year-over-year to 2.1%. Consumer spending growth also decreased 180 bps to 4.1%. A key statistic reflecting business and retail conditions, the Consumer Confidence Index (CCI), reported a 125.1 reading in September, a decline of 9 points from August, but still historically high.

Market Overview

The Indianapolis retail market posted negative 173,000 square feet (sf) of overall net absorption in the third quarter of 2019, the result of significant occupancy declines in the Downtown Indianapolis and Carmel/Westfield trade areas. However, with overall year-to-date net absorption topping 754,000 sf, occupancy gains in the Indianapolis retail market have still been overwhelmingly positive in 2019. Vacancy rose 30 bps to 4.5% during the third quarter and average asking rates fell slightly to \$15.97 per square foot (psf) on an annual triple net basis. Numerous retailers have announced plans in 2019 to close some or all their store locations and this trend continued in the third quarter. During the third quarter of 2019, accessories retailer Charming Charlie stated plans to close all its store locations, including three stores in the Indianapolis market.

Trends

The retail sector continues to undergo a transformation, with many retailers focusing more on eCommerce and desiring to keep their store locations in only the most demanded areas. However, certain segments of retail are still growing, particularly discount chains, specialty grocery, and health-oriented retail.

Despite occupancy declines in the third quarter of 2019, the outlook for Indianapolis retail remains bright. Vacancy remains low, particularly in key submarkets, and construction activity is robust. Expect new retail concepts to continue to enter the market, trying to appeal to the millennial consumers with different purchasing habits than previous generations.

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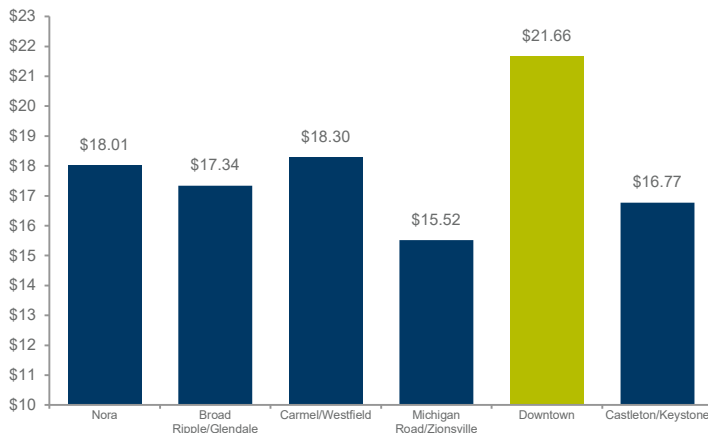


Outlook

- Big box spaces will continue to be filled with smaller non-traditional retailers in the fitness, entertainment, and discount industries
- Experiential retail will continue to grow, as consumers increasingly prefer to spend their money on experiences versus material items
- Though eCommerce continues to capture a growing portion of retail sales, most retail purchases are still done in traditional brick and mortar store locations
- As more traditional retailers are starting to announce store closures, expect their vacated spaces to be filled by new retail concepts catering towards millennial consumers

Rent by Submarket

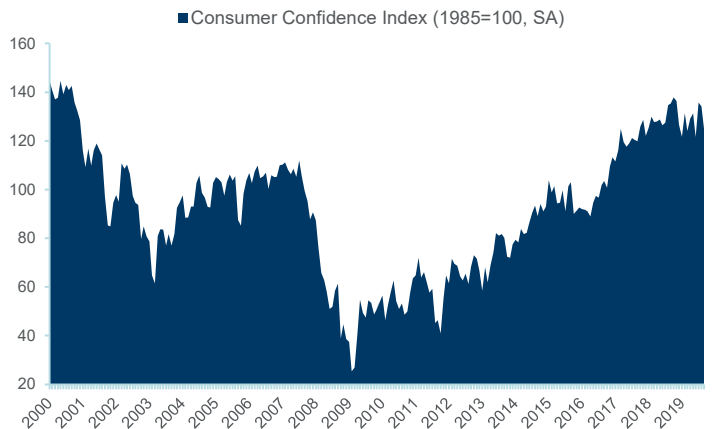
AVERAGE ASKING RENT



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

Consumer Confidence

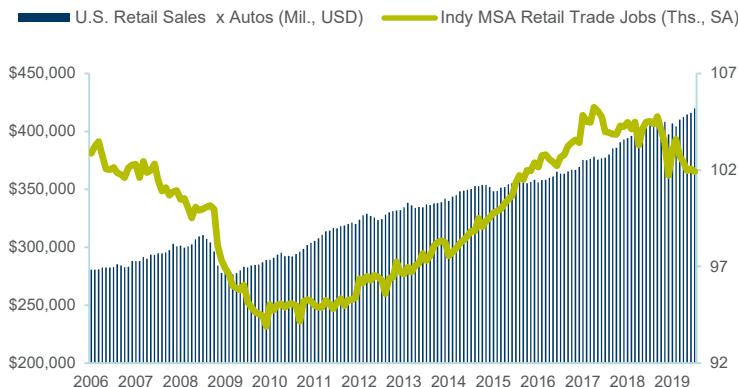
U.S. CONSUMERS' OUTLOOK DIPPED IN SEPTEMBER



Source: The Conference Board

Retail Sales and Indianapolis MSA Retail Jobs

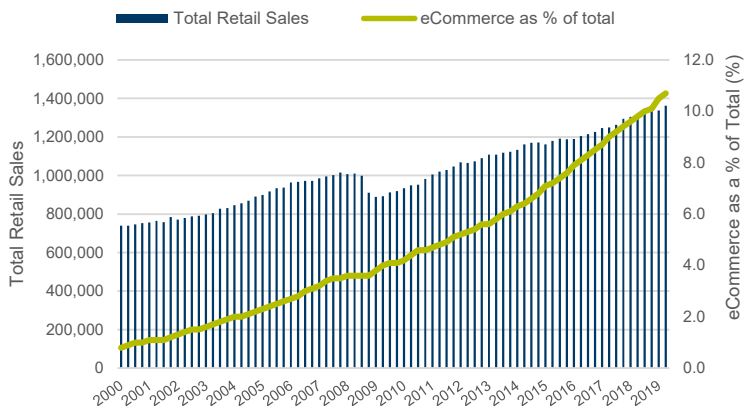
RETAIL SALES AND EMPLOYMENT SURGING



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

Total Retail Sales vs. Percent Total eCommerce

E-COMMERCE 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	4,099,293	192,132	4.7%	(44,915)	(77,147)	0	\$13.00
Broad Ripple/Glendale	253	2,732,918	94,896	3.5%	(3,225)	19,562	0	\$17.34
Brownsburg	120	1,946,746	122,128	6.3%	(23,009)	(10,571)	0	\$17.72
Carmel/Westfield	394	7,197,417	255,150	3.5%	(82,745)	43,746	172,075	\$18.30
Castleton/Keystone	288	8,646,793	324,598	3.8%	74,541	121,415	0	\$16.77
Downtown Indianapolis	195	3,767,016	222,747	5.9%	(95,104)	(116,817)	199,000	\$21.66
Fishers/Noblesville	557	9,777,455	342,625	3.5%	4,919	30,763	269,040	\$14.30
Greenwood/Southport	744	12,585,217	450,053	3.6%	(28,639)	80,824	0	\$15.56
Lafayette Square/Speedway	391	8,692,867	487,447	5.6%	46,487	96,931	1,779	\$11.43
Michigan Road/Zionsville	382	6,116,151	233,448	3.8%	2,822	399,416	9,800	\$15.52
Mooresville	124	1,710,499	32,281	1.9%	10,621	11,543	0	\$16.09
Nora	66	1,210,775	38,856	3.2%	2,919	19,681	0	\$18.01
Pendleton Pike	370	4,481,882	248,529	5.5%	(18,364)	116,358	7,200	\$13.50
Plainfield	208	3,419,256	78,132	2.3%	(19,661)	(6,403)	0	\$19.70
Washington Square	210	4,372,031	468,751	9.9%	49	25,536	0	\$10.63
TRADE AREA TOTALS	4,501	80,756,316	3,591,773	4.5%	(173,304)	754,837	658,894	\$15.97

*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 Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6961 Madison Ave	12,220	Dollar Tree	New Lease	Greenwood/Southport
1210 N Pennsylvania	8,259	Davita Dialysis	New Lease	Downtown Indianapolis
River Ridge Crossing	6,715	Arni's Restaurant	Renewal	Castleton/Keystone

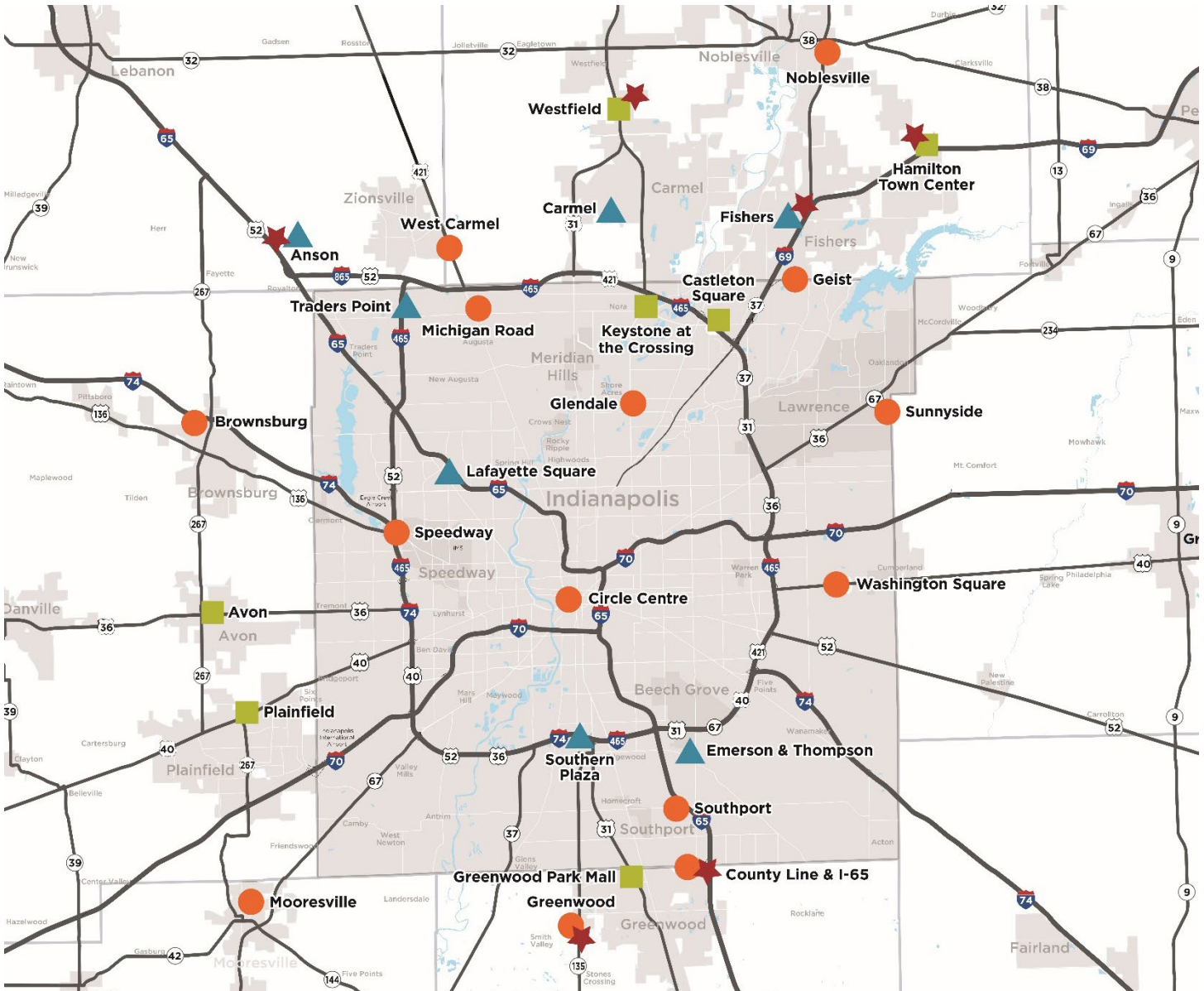
Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Nora Plaza	140,513	RPT Realty/Kite Realty Group	\$29,000,000/\$206	Nora
Southbridge Crossing	54,544	Mooresville Redevelopment Commission/Southbridge Crossing Ptrs LLC	Unknown	Mooresville
George Thomas Plaza	27,099	GTP Shopping Center Partners LLC/MT Scenter 1 LLC	\$3,950,000/\$146	Washington Square

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RETAIL SUBMARKETS
 INDIANAPOLIS



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