

Industrial Q4 2019

	YoY Chg	12-Mo. Forecast
4.3% Vacancy Rate	▼	▲
11.1M Net Absorption, SF	▲	▼
\$4.36 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
1.08M Indianapolis Employment	▲	▲
2.9% Indianapolis Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

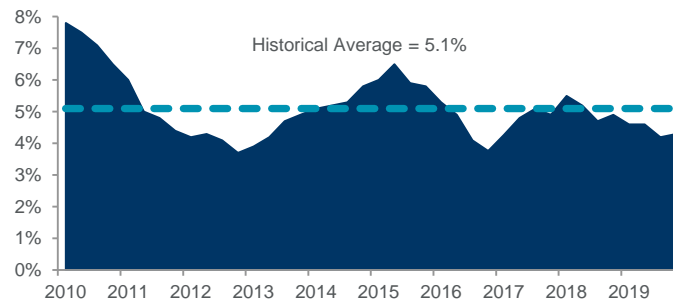
ECONOMY: Strong Fundamentals Provide Fuel For Historic Year

The Indianapolis economy rounded out a strong year and enters into 2020 with positive fundamentals to support even more growth. 2019 proved to be record setting for the third straight year in regards to economic development. The Indiana Economic Development Corporation (IEDC) announced its final tally for the year, which included 296 commitments for company relocation or internal growth representing a total investment of \$8.4 billion into the state. These commitments will create 27,137 new Hoosier jobs at an average wage of \$28.60/hour. This marks the highest ever annual capital investment and average wages recorded since the IEDC was established in 2005. Manufacturing accounted for 160 commitments, 61% of the total jobs created and \$5.3 billion of the total investment. Furthermore the overall labor fundamentals echoed the positive storyline. The unemployment rate ended the year at 2.9%, a 30 basis-point decline from year end 2018. Industrial related jobs continued to expand as well. Construction employment grew 8.2% year-over-year followed by Manufacturing with 1.6% growth and a slight decline in Trade, Transportation, and Utilities at 0.6%. Indiana's labor force participation rate, 64.4%, continues to track well above the national average of 63.2%.

DEMAND: Leasing Activity Drives Record-Breaking Absorption Levels

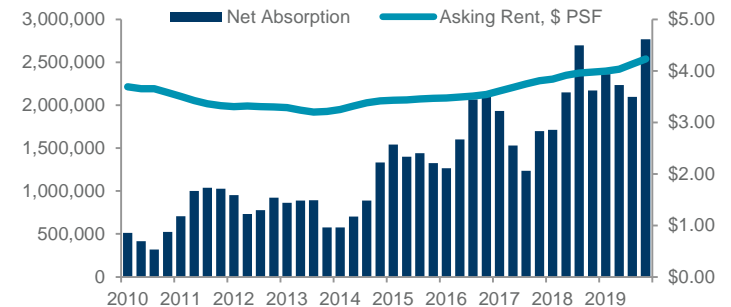
The fourth quarter of 2019 drove the market onto another record-breaking year for demand metrics. Overall, new leasing activity surpassed 328 deals accounting for 17.3 million square feet (msf) in 2019 which was parlayed into 11.4 msf of direct absorption, a market record by more than 2.5 msf. The majority of leasing activity was clustered in three submarkets, the Southwest, Northwest and South. The Southwest experienced nearly 5.3 msf of leasing activity in 2019 which provided 3.4 msf of direct net absorption gains year-to-date (YTD) with 1.2 msf of the absorption in the fourth quarter 2019 alone. The Northwest trailed just slightly with effectively 5.0 msf of leasing activity for the year accounting for 2.9 msf of direct net absorption YTD, 1.6 msf taking place in the fourth quarter. The South accounted for 2.9 msf of leasing activity and nearly 2.2 msf of direct net absorption with just a mere 39,000 square feet (sf) absorbing in the fourth quarter. When discussing demand metrics with regards to building type, Modern Bulk facilities continue to dominate the conversation. Tenant's appetite for higher clear heights and other up-to-date physical features will drive the demand for this asset class. In 2019, Modern Bulk facilities accounted for 10.7 msf of the industrial market's leasing activity and 8.1 msf of direct net absorption. Medium Distribution facilities experienced solid demand with 3.1 msf of leasing activity and nearly 1.5 msf of direct net absorption.

OVERALL VACANCY BELOW HISTORICAL AVERAGE



Source: Cushman & Wakefield Research

OVERALL NET ABSORPTION & ASKING RENT 4-QTR TRAILING AVERAGE



SUPPLY: Low Vacancy Prolongs Development Boom

With demand surging around the market, the market’s vacancy rate at the end of 2019 was 60 basis points (bps) less than fourth quarter 2018 and 80 bps less than the historical market average. Due to the lack of available product currently on the market, construction has achieved historic levels of activity. There are currently 39 buildings under construction totaling 12.9 msf, marking the fourth quarter in a row with construction levels above 10.0 msf. Speculative development made up the majority of the construction activity, accounting for 11.4 msf of the total. Location wise, supply has been most highly demanded in a cluster of submarkets, the Southwest, Northwest, South and East. The Southwest led the way with nearly 4.8 msf under construction at the end of 2019 followed by the Northwest (4.3 msf), South (1.9 msf) and East (1.8 msf). Along the same topic, construction deliveries also proved historic, eclipsing another record this year. In 2019, the market delivered nearly 11.0 msf, almost a 3.0 msf premium above the previous record high. Of the newly delivered product, 58% was of the speculative basis and 75% of the space delivered in either the East, Northwest, or Southwest submarkets.

FORECAST: 2020 to Capitalize on 2020 Momentum

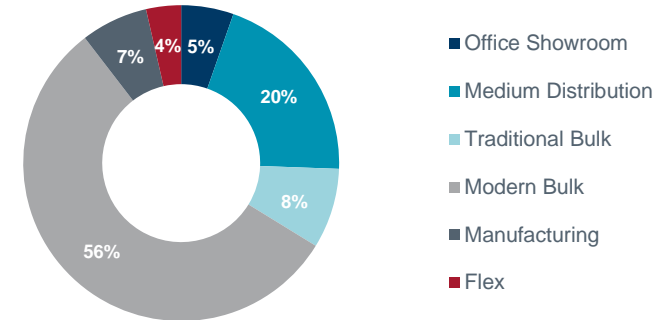
The Indianapolis industrial market in 2019 performed to the tune of another historic year. When will the music stop? With a look at where market fundamentals ended the year, 2020 doesn’t seem to be that year. Current tenant demand metrics remain strong while the economy supports growth, especially in a market like Indianapolis which is centrally located, has a positive incentives environment, and has a long history of stable commercial real estate fundamentals. Supply fundamentals will also remain elevated. Developers will continue to look to capitalize on a low vacancy environment through developments already under construction or by amassing land for new developments in the near future. Expect 2020 to be defined by the expansive construction boom currently under way with tenant demand diligently keeping pace.

Outlook

- For the third year in a row Indiana set economic development records with 296 commitments for company relocation or internal growth in 2019, representing 27,137 new Hoosier jobs and an \$8.4 billion investment into the state. Current economic fundamentals support such growth into 2020.
- Current tenant demand metrics will remain strong and will continue to do so especially in a market like Indianapolis which is centrally located, has a positive incentives environment, and has a long history of stable commercial real estate fundamentals.
- Supply fundamentals will also remain elevated. Developers will continue to look to capitalize on a low vacancy environment through developments already under construction or by amassing land for new developments in the near future.
- Expect 2020 to be defined by the expansive construction boom currently under way with tenant demand diligently keeping pace.

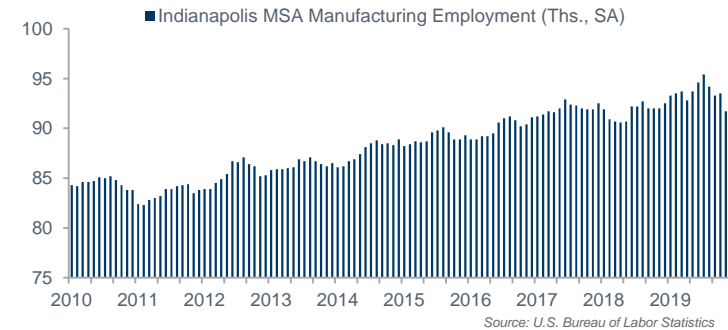
VACANT SPACE BY PRODUCT TYPE

PERCENTAGE OF TOTAL VACANT SPACE



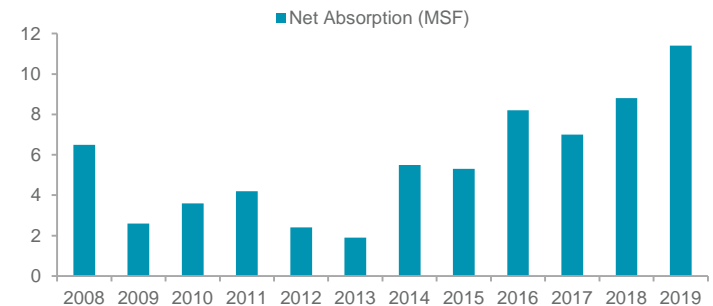
MANUFACTURING EMPLOYMENT

INDIANAPOLIS-CARMEL-ANDERSON MSA



HISTORICAL DIRECT NET ABSORPTION

INDIANAPOLIS CONTINUES THE STREAK OF STRONG ABSORPTION



Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	UNDER CNSTR (SF)	CURRENT QTR CNSTR COMPLETIONS (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Downtown	180	10,962,632	0	110,727	1.0%	31,109	618	0	0	0	\$6.91
East	521	44,344,156	72,030	1,896,228	4.3%	583,551	876,103	1,767,929	1,455,535	1,564,927	\$3.84
North	162	7,025,483	10,008	85,115	1.2%	103,157	68,401	178,230	0	0	\$7.57
Northeast	262	15,221,152	74,911	733,814	4.8%	329,402	1,299,159	0	249,000	1,249,000	\$7.19
Northwest	501	60,425,418	189,437	4,025,484	6.7%	1,584,108	2,914,842	4,276,528	1,925,674	3,857,888	\$4.04
South	140	18,549,425	0	1,162,362	6.3%	39,102	2,159,634	1,860,694	0	758,747	\$4.57
Southeast	261	18,651,548	38,400	277,556	1.5%	21,400	-56,355	0	0	0	\$5.04
Southwest	536	85,813,338	41,727	3,071,871	3.6%	1,209,184	3,397,409	4,794,754	1,306,774	2,795,006	\$4.33
West	159	16,299,651	0	162,606	1.0%	0	752,437	0	0	690,980	\$2.18
Property Type											
Office Showroom	490	14,213,188	22,539	618,176	4.3%	108,851	198,958	32,000	66,000	66,000	\$6.94
Medium Distribution	1001	59,201,372	186,218	2,290,852	3.9%	794,072	1,485,543	2,819,047	478,453	2,013,692	\$5.00
Traditional Bulk	145	36,230,362	205,498	943,960	2.6%	477,477	548,580	0	292,838	292,838	\$4.11
Modern Bulk	187	97,436,688	0	6,430,953	6.6%	1,653,716	8,106,522	9,961,988	3,220,692	7,363,426	\$3.63
Manufacturing	579	58,523,116	0	819,157	1.4%	911,461	1,195,489	65,100	879,000	1,180,592	\$3.39
Flex	241	8,355,654	12,258	412,665	4.9%	-44,564	-112,844	0	0	0	\$8.34
Transport	79	3,332,423	0	10,000	0.3%	0	-10,000	0	0	0	N/A
INDIANAPOLIS TOTALS	2,722	277,292,803	426,513	11,525,763	4.2%	3,901,013	11,412,248	12,878,135	4,936,983	10,916,548	\$4.36

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

KEY LEASE TRANSACTIONS Q4 2019

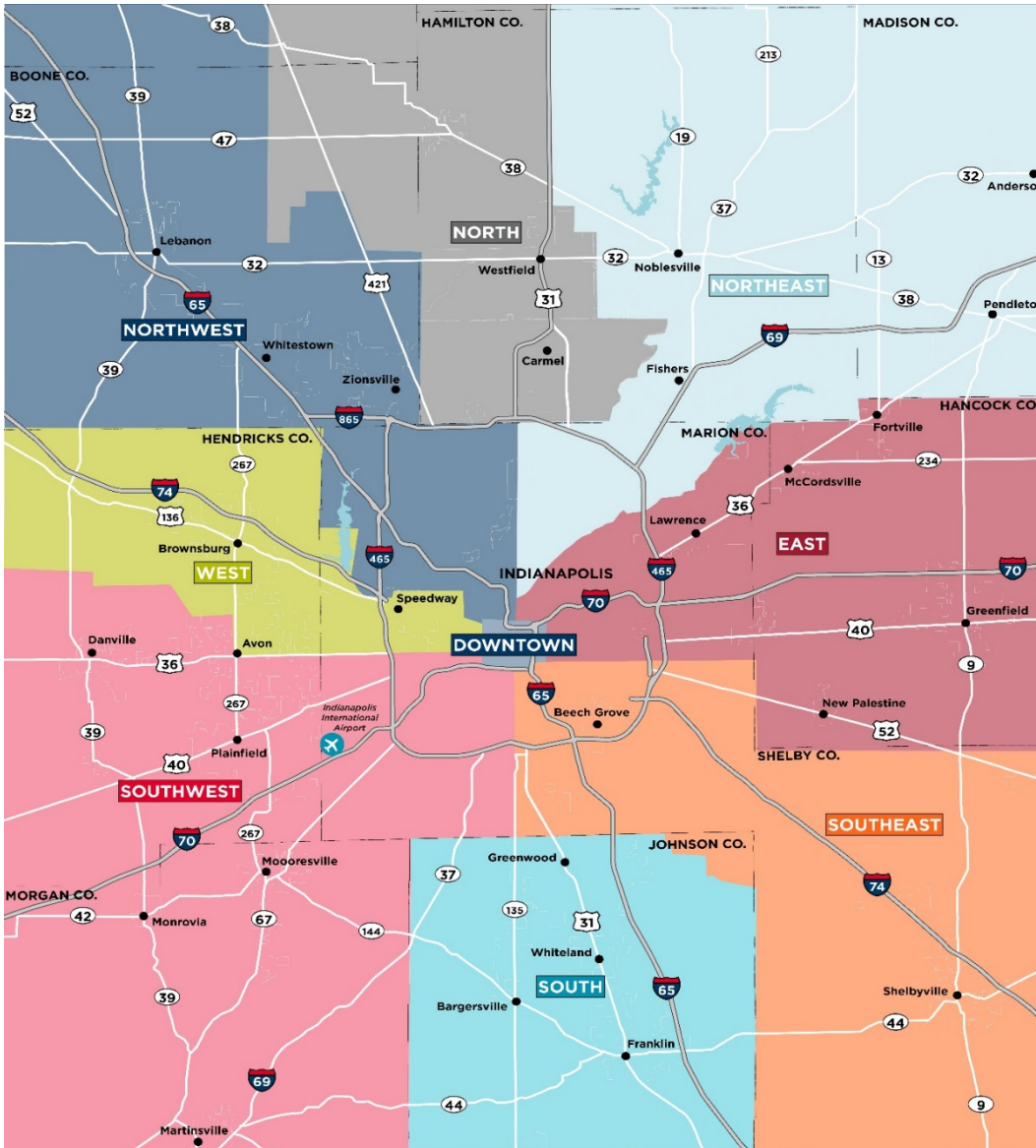
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
180 Bartram Parkway, Franklin	933,865	Energizer	New Lease	South
2612 E 196 th St, Westfield	561,400	Gordon Food Supply	Build-to-Suit	North
5300 Performance Way, Whitestown	501,120	Home Depot	New Lease	Northwest
1705 Midwest Blvd, Plainfield	495,888	Snyders-Lance Inc	New Lease	Southwest

*Renewals not included in leasing statistics

KEY INDUSTRIAL DELIVERIES 2019

PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
9247 E CR 100 S, Avon	1,109,121	Build-to-Suit – Walmart.com	4Q 19	Southwest
Albert S White Blvd, Crossroads Logistics Center, Whitestown	1,016,244	Speculative	4Q 19	Northwest
Edwards Dr, Lebanon	550,000	Build-to-Suit – D.S. Smith	4Q 19	Northwest
3248 N Distribution Way, Velocity 70 Trade Center, Mt. Comfort	439,153	Speculative	4Q 19	East

INDUSTRIAL SUBMARKETS
INDIANAPOLIS



MATT NIEHOFF
Senior Research Analyst
Tel: +1 317 639 0460
matt.niehoff@cushwake.com

MAGGIE TILLOTSON
Research Analyst
Tel: +1 317 639 0459
Maggie.tillotson@cushwake.com

CUSHMAN & WAKEFIELD
One American Square, Suite 1800
Indianapolis, IN 46282 | USA
Tel: +1 317 634 6363

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