

	YoY Chg	12-Mo. Forecast
16.7% Vacancy Rate	▲	▼
-43K Net Absorption, SF	▼	▲
\$20.56 Asking Rent, PSF	▲	▲

(Direct, All Property Classes)

ECONOMIC INDICATORS Q4 2019

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

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: Indianapolis Unemployment Rate Drops to 2.9%

The Indianapolis economy ended 2019 on a strong note, with the Indianapolis Metropolitan Statistical Area (MSA) unemployment rate declining to 2.9% during the fourth quarter of 2019. That is a decrease of 30 basis points (bps) year-over-year. The Indianapolis unemployment rate currently sits 70 basis points below the U.S. unemployment rate of 3.6%, which underscores how strong the labor market is in the Indianapolis MSA. Indianapolis nonfarm employment also saw an increase of nearly 1.0% year-over-year, equaling over 8,000 jobs.

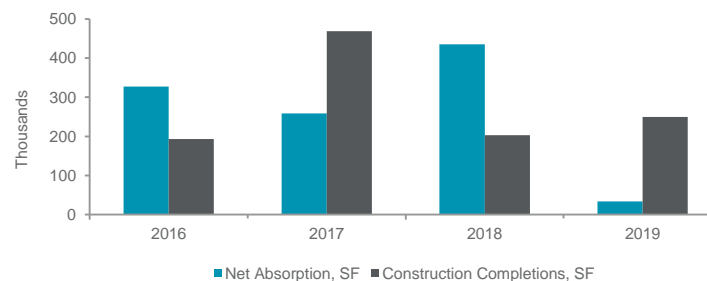
DEMAND: 2019 New Leasing Activity Tops 2 Million Square Feet

The Indianapolis office market experienced negative 43,000 square feet (sf) of direct net absorption in the fourth quarter of 2019, largely due to Wiley Publishing downsizing from a 110,000-sf block of space in the Fishers submarket to a 42,000-sf space in the Keystone submarket. While suburban net absorption was negative, the CBD saw positive net absorption in the fourth quarter of 2019. CBD direct net absorption totaled nearly 54,000 sf, largely stemming from Salesforce expanding onto the 7th floor at their namesake Salesforce Tower and RSM moving from the suburbs into the OneAmerica Tower. 2019 ended with 34,000 sf of positive direct net absorption, marking the ninth straight year of positive yearly direct occupancy gains for the Indianapolis office market. Leasing activity continued to stay robust in the fourth quarter of 2019, totaling over 892,000 sf, including 672,000 sf of new leases and 220,000 sf of renewals. Large leases that were signed include IU Health and Moser Consulting in the Downtown submarket, CBIZ in the North/Carmel submarket, and AllState Insurance in the West submarket. Yearly leasing activity for 2019 comprised over 2.3 million square feet (msf) of new leases and 819,000 sf of renewals, highlighting a strong demand for space in the Indianapolis office market from both new and existing tenants.

PRICING: Asking Rents Keep Climbing

The Indianapolis total market direct gross asking rental rate finished the fourth quarter of 2019 at \$20.56 per-square-foot (psf), a \$0.15 increase from the third quarter of 2019 and a 4.1% increase from the fourth quarter of 2018. CBD rents rose \$0.50 psf quarter-over-quarter to \$21.49 psf, growth of 2.4%. Year-over-year CBD rents posted a 2.2% climb. Suburban rents increased slightly from the third quarter of 2019, posting a \$0.02 psf increase. Suburban rents have also climbed \$1.04 psf from the fourth quarter of 2018, a 5.4% increase. Class A rents rose \$0.12 psf quarter-over-quarter to \$22.92 psf and have posted a 3.3% increase year-over-year. Expect rents to continue to push upwards as the supply of spaces in the top locations with the best amenity bases tightens.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



INDIANAPOLIS

Office Q4 2019



SUPPLY: Construction Completions on the Horizon for 2020 and Beyond

Two new construction projects commenced during the fourth quarter of 2019, a build-to-suit for First Internet Bank in downtown Fishers and the Union 601 building, which will be the second building on the Union Campus. Located downtown, the Union Campus serves as a tech incubator catering towards expanding companies. While no buildings were completed in the fourth quarter of 2019 and yearly construction completions were muted, the year ended with over 643,000 sf of space under construction. This includes five build-to-suit properties and three speculative buildings, with 75.1% of the space under construction already preleased. With 409,000 sf of space expected to come online next year, 2020 is slated to have the second highest construction completions post-recession. Numerous buildings have also been proposed and are awaiting preleasing activity, so more construction projects should commence throughout 2020 and in the coming years.

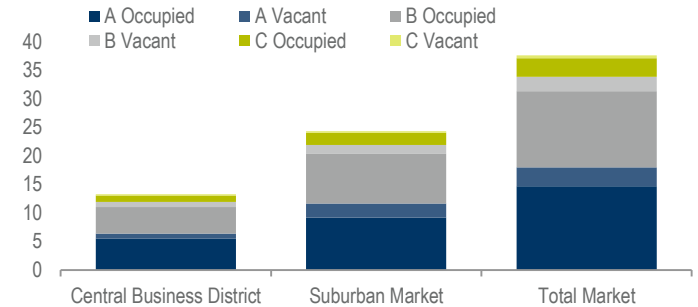
SALE ACTIVITY: Indianapolis Office Properties Continue to Trade Hands

Sale activity in the fourth quarter was solid, with a few sizeable property sales. The former Marsh Headquarters in Fishers sold to a joint venture of Friedman Real Estate and Somera Road Inc, the former Lids headquarters in the Northwest submarket sold to an owner-user and Crosspoint Plaza One in Fishers sold to Tempus Realty Partners, the group's third purchase of an office property in the Indianapolis market. Overall, 2019 saw quieter investment sale activity than prior years, as many of the major office properties have changed hands over the past few years. Other large office sales from the year included the Keystone at the Crossing portfolio to a joint venture of DRA Advisors and M&J Wilkow while Market Square Center and Two Market Square Center were acquired by local Indianapolis developers Gershman Partners and Citimark.

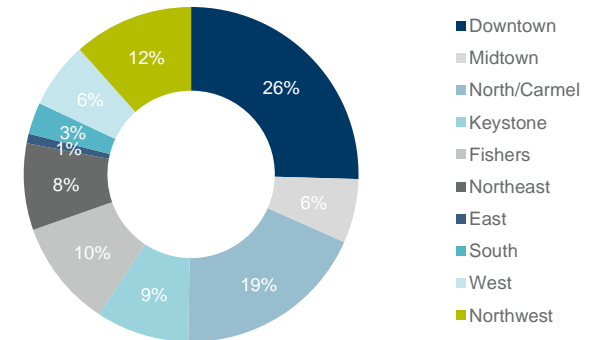
Outlook

- Expect new construction activity in the market to pick up in the coming years, with 409,000 sf of space slated to be completed in 2020 and numerous additional projects in the proposed stages
- While sale activity was somewhat muted in 2019, there are numerous properties currently listed for sale in the market and more properties should trade hands going forward
- With a tight labor market existing in the Indianapolis MSA, including a 2.9% unemployment rate, companies will increasingly utilize their real estate spaces as a differentiator in order to attract talent
- Yearly leasing activity for 2019 comprised over 2.3 million sf of new leases and 819,000 sf of renewals, highlighting a strong demand for space in the Indianapolis office market from both new and existing tenants that should continue into 2020

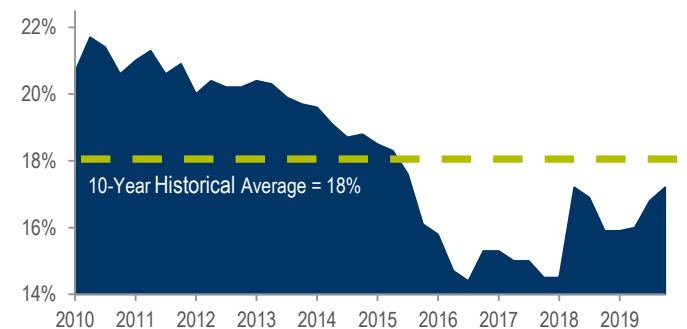
LEASING DEMAND BY CLASS OF SPACE (MSF)



VACANT SPACE BY SUBMARKET



DIRECT VACANCY RATE VS. 10 YEAR HISTORICAL AVERAGE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION	YTD DIRECT ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (ALL CLASSES)*	DIRECT AVG ASKING RENT (CLASS A)*
Downtown	11,445,964	98,655	1,600,481	14.0%	58,567	89,071	758,867	217,470	\$22.59	\$24.06
Midtown	1,831,916	3,667	390,036	21.3%	-4,765	-63,189	22,718	0	\$16.79	\$22.50
North/Carmel	7,674,895	93,607	1,171,946	15.3%	-8,758	75,224	535,296	100,000	\$22.54	\$24.75
Keystone	4,030,371	14,152	566,178	14.0%	16,812	52,875	319,255	78,000	\$23.84	\$24.54
Fishers	1,883,877	5,303	651,008	34.6%	-119,004	-98,137	84,254	248,000	\$20.35	\$20.91
Northeast	3,175,625	13,874	525,680	16.6%	3,246	-1,640	145,745	0	\$17.99	\$20.54
East	510,538	0	58,251	11.4%	-3,958	-19,388	32,780	0	\$14.85	\$0.00
South	1,401,063	0	192,924	13.8%	-11,381	-65,374	56,135	0	\$18.79	\$21.63
West	1,872,776	0	404,845	21.6%	-8,093	2,678	56,928	0	\$14.76	\$16.75
Northwest	3,786,781	15,112	729,079	19.3%	34,431	62,126	308,305	0	\$17.98	\$20.16
INDIANAPOLIS MARKET TOTALS										
Class A	18,001,430	122,323	3,302,103	18.3%	-56,440	17,178	1,196,864	643,470	\$22.92	
Class B	15,881,478	112,924	2,524,730	15.9%	23,855	61,347	981,525	0	\$18.00	
Class C	3,730,898	9,123	463,595	12.4%	-10,318	-44,279	141,894	0	\$15.95	
TOTAL	37,613,806	244,370	6,290,428	16.7%	-42,903	34,246	2,320,283	643,470	\$20.56	\$22.92

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1099 N Meridian St	Downtown	IU Health	142,235	New Lease
800 E 96th St	North/Carmel	CBIZ	52,377	New Lease
30 S Meridian St	Downtown	Moser Consulting	33,557	New Lease
5757 Decatur Blvd	West	AllState Insurance	31,820	Renewal*
9001 Wesleyan Rd	Northwest	Fortis College	30,293	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
9800 Crosspoint Blvd	Fishers	MSI Crosspoint Indianapolis Grocery LLC/Friedman Real Estate JV Somera Road	175,000	Unknown
10555 Lids Parkway*	Northwest	Lids Properties, LLC/Basalt Office Acquisitions	150,079	\$18.25M/\$122
10475 Crosspoint Blvd	Fishers	Lexington Crosspoint LP/Tempus Realty Partners	141,047	\$8.8M/\$62

*Owner-User Purchase: building not included in C&W statistical inventory

