

Industrial Q2 2020

YoY Chg

4.7%

Vacancy Rate



2.69M*

Net Absorption, SF



\$4.55

Asking Rent, PSF



Overall, Net Asking Rent

*Select statistics not reflective of U.S. MarketBeat Tables

ECONOMIC INDICATORS Q2 2020

YoY Chg

0.96M

Indianapolis Employment



12.1%

Indianapolis Unemployment Rate



13.0%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

ECONOMIC OVERVIEW: National and Local Economies Stunned by COVID-19 Pandemic

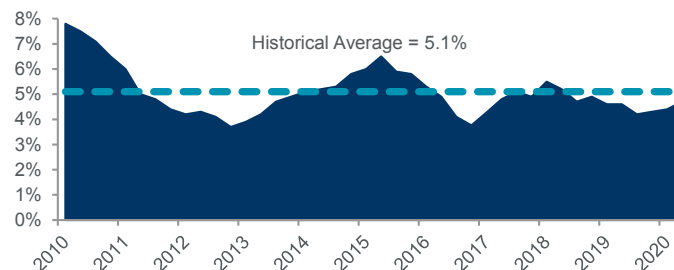
The first half of 2020 can best be described as extraordinarily unpredictable. Despite considerable economic momentum carried over from the end of 2019, the onset of the COVID-19 pandemic has caused one of the sharpest declines to an industrialized economy ever. The true impact on major economic indicators is still a moving target, but groups like the Bureau of Labor Statistics (BLS) openly detailed that preliminary statistics likely understate the actual state of affairs nationally. Even though the BLS reported unemployment rates spiking to a post WWII high of 14.7% in April 2020, it also anticipates those numbers will be revised in the coming months. Nevertheless, many economists believe that the nation has entered a recession even though two quarters of Gross Domestic Product (GDP) statistics have not been released to confirm consecutive quarters of GDP contraction, which is the traditional definition of a recession. The Bureau of Economic Analysis (BEA) reported a 5.0% decline in Real GDP during the first quarter of 2020, due in large part to a decline in consumer spending brought on by lock down measures aimed at slowing the spread of COVID. There were also drops in private inventory investment, exports, and nonresidential fixed investment.

DEMAND: Industrial Demand Riding Ecommerce Boom, Despite Economic Challenges

Not only has the onset of the “Great Lockdown” recession caused one of the sharpest economic contractions ever but it has further fueled an ongoing transformation in commercial real estate activity. The COVID-19 environment has strengthened the adoption of eCommerce related retail consumption due to concerns of physically shopping in traditional retail spaces, further sustaining industrial commercial real estate demand nation-wide. Demand in the Indianapolis industrial market continues to grow, tracking nearly 750,000 square feet (sf) ahead of the first two quarters of net absorption in 2019. The second quarter saw Indy post over 3.1 million square feet (msf) of direct net occupancy gains and record 4.2 msf of new leasing activity, keeping vacancy rather flat at 4.4%. Overall, leasing activity in the first half of 2020 is tracking 615,000 sf ahead of 2019. Significant new lease transactions for the second quarter included Gruma Corporation’s lease of 510,000 sf in Plainfield and Yusen Logistics’ 439,000-sf transaction in Mt. Comfort. Indy’s central location, top ranking logistics environment, and significant FedEx hub make it a critical part of the country’s distribution network, further driving demand in an eCommerce rich environment.

OVERALL VACANCY

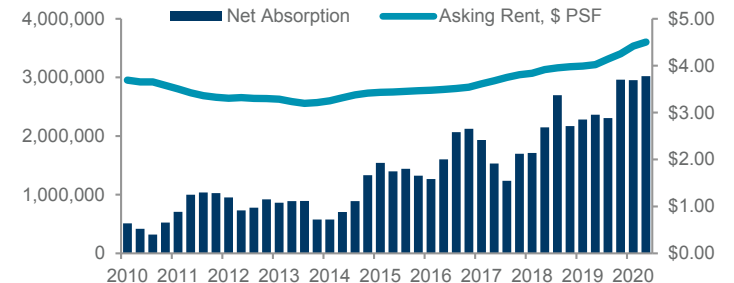
BELOW HISTORICAL AVERAGE



Source: Cushman & Wakefield Research

OVERALL NET ABSORPTION & ASKING RENT

4-QTR TRAILING AVERAGE



SUPPLY: New Supply Pipeline Stocked As Low Vacancy Environment Remains

With demand withstanding the effects of the pandemic, the market's vacancy rate for the first half of 2020 tracked 40 basis points less than the historical market average, driving the need for new available inventory. At quarter-end there were 29 buildings under construction totaling 11.9 msf, slightly down from the 12.0 msf of product under construction in second quarter 2019. The majority of the construction activity is speculative in nature, accounting for 9.5 msf of the total pipeline. The Southwest, Northwest, South, and East submarkets continue to be the leading spots for development and garner the most attention from occupiers in the market. Many significant announcements were made in the second quarter with regards to new construction. Wal-Mart presented details on a 2.2-msf distribution facility in the East submarket that will boast features such as ceilings in excess of 75' and nearly 2,000 parking positions. This facility would be the largest distribution building from the outset ever developed in the Indianapolis market. Cooper Tire announced it will be relocating to a newly constructed 997,000-sf facility in the South submarket, outgrowing their current facility. Coca-Cola will be constructing a new 415,000-sf facility in Whitestown. As far as new speculative starts, Ambrose Property Group has started construction on two new Modern Bulk facilities in excess of 500,000 sf located in the East and Southwest submarkets. Strategic Capital Partners, after successfully leasing the group's first two speculative buildings in 65 Commerce Park, are planning to construct two more facilities within the park. Building One will be 161,000 sf and Building 4 will be 632,000 sf. As long as current tight market conditions endure, we expect new speculative construction starts to continue throughout the end of the year.

FORECAST: Unknowns Remain, Industrial Well Positioned For Continued Success

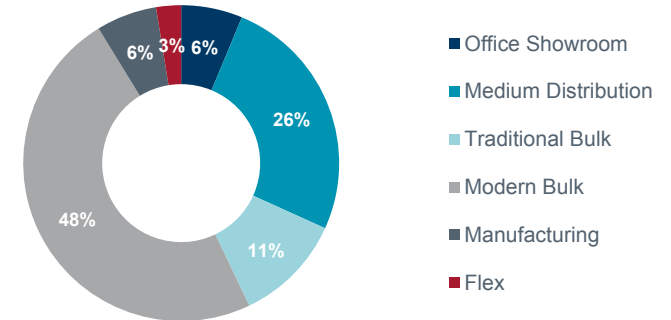
While many unknowns regarding COVID-19's effects on the economy remain, nothing can be predicted with certainty. But thus far the effects on the industrial asset class have been minimal. Indianapolis approached the current downturn with arguably the healthiest market conditions in its history. Combined with a history of positive industrial performance in recessionary periods, the Indianapolis industrial market is well positioned to weather the effects COVID-19 will have on commercial real estate fundamentals.

Outlook

- Despite considerable economic momentum carried over from the end of 2019, the onset of the COVID-19 pandemic has caused one of the sharpest declines to an industrialized economy ever. The rapid plummet caused by COVID-19 has been especially volatile and the timeline of economic recovery is expected to be just as unpredictable.
- COVID-19's socially distant environment has increased the share of online retail sales, driving the need for more eCommerce related facilities. Indy's central location plays a critical part in the country's distribution network and will advance industrial real estate demand in an eCommerce rich environment.
- With current tight market conditions and industrial demand withstanding the effects of the pandemic, new speculative construction starts are expected to continue throughout the end of the year to .
- Indianapolis industrial market is well positioned to weather the effects COVID-19 will have on commercial real estate fundamentals.

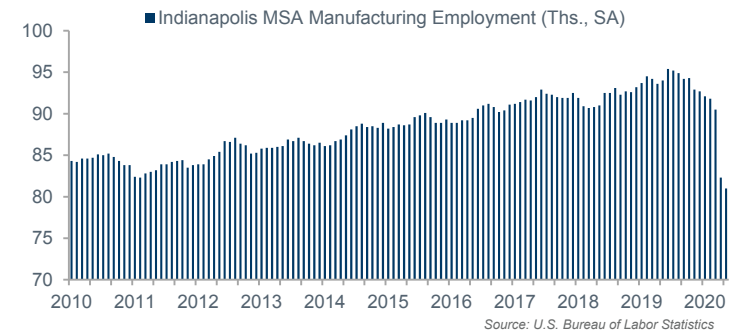
VACANT SPACE BY PRODUCT TYPE

PERCENTAGE OF TOTAL VACANT SPACE



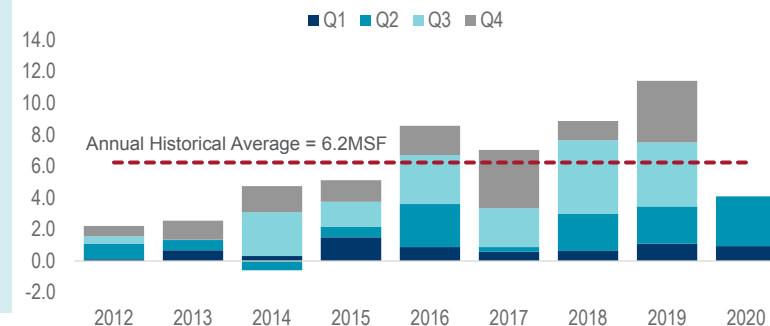
MANUFACTURING EMPLOYMENT

INDIANAPOLIS-CARMEL-ANDERSON MSA



HISTORICAL DIRECT NET ABSORPTION

INDIANAPOLIS CONTINUES THE STREAK OF STRONG ABSORPTION



Industrial Q2 2020

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	175	10,819,551	0	121,828	1.1%	1,494	6,961	0	0	0	\$6.68
East	522	44,405,956	181,262	2,572,532	5.8%	-303,089	-205,788	1,633,712	539,943	744,943	\$4.09
North	122	5,427,804	10,008	81,522	1.5%	23,061	40,439	156,930	81,820	106,820	\$8.64
Northeast	301	16,740,446	86,233	631,605	3.8%	190,022	116,598	0	0	0	\$8.40
Northwest	509	62,137,676	74,840	4,107,893	6.6%	1,301,920	1,416,656	2,879,871	1,424,879	1,558,259	\$4.15
South	141	18,990,343	148,000	591,545	3.1%	1,132,135	1,189,349	3,472,633	575,766	629,766	\$4.74
Southeast	276	19,946,519	38,400	405,739	2.0%	189,267	40,757	0	220,000	252,000	\$4.62
Southwest	560	89,761,699	196,401	3,840,244	4.3%	731,102	1,604,531	3,828,852	1,308,020	2,394,473	\$4.72
West	150	15,875,468	0	159,074	1.0%	-122,683	-122,683	0	0	0	\$2.73
Property Type											
Office Showroom	495	14,318,789	27,930	783,889	5.5%	2,295	-126,599	0	0	32,000	\$7.46
Medium Distribution	1017	61,291,358	251,392	3,048,953	5.0%	811,430	1,101,702	1,922,270	1,440,635	1,932,635	\$5.29
Traditional Bulk	145	36,193,807	211,440	1,114,306	3.1%	-240,751	-370,742	0	0	0	\$3.67
Modern Bulk	195	102,054,419	234,374	6,450,599	6.3%	2,710,883	3,592,266	10,049,728	2,644,693	3,656,526	\$3.87
Manufacturing	579	58,469,528	0	744,242	1.3%	-177,821	-107,897	0	65,100	65,100	\$4.59
Flex	242	8,359,061	10,008	315,841	3.8%	-33,212	26,032	0	0	0	\$8.64
Transport	83	3,418,500	0	54,152	1.6%	70,405	-27,960	0	0	0	\$9.63
INDIANAPOLIS TOTALS	2,756	284,105,462	735,144	12,511,982	4.4%	3,143,229	4,086,820	11,971,998	4,150,428	5,686,261	\$4.55

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

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5300 W 500 N, Mt Comfort	2,229,480	Walmart	Build-to-Suit	East
2400 E Whiteland Rd, Whiteland	997,656	Cooper Tire	Build-to-Suit	South
3003 Reeves Rd, Plainfield	741,221	FullBeauty Brands	Renewal	Southwest
655 Perry Rd, Plainfield	725,390	Dicks Sporting Goods	Renewal	Southwest

*Renewals not included in leasing statistics

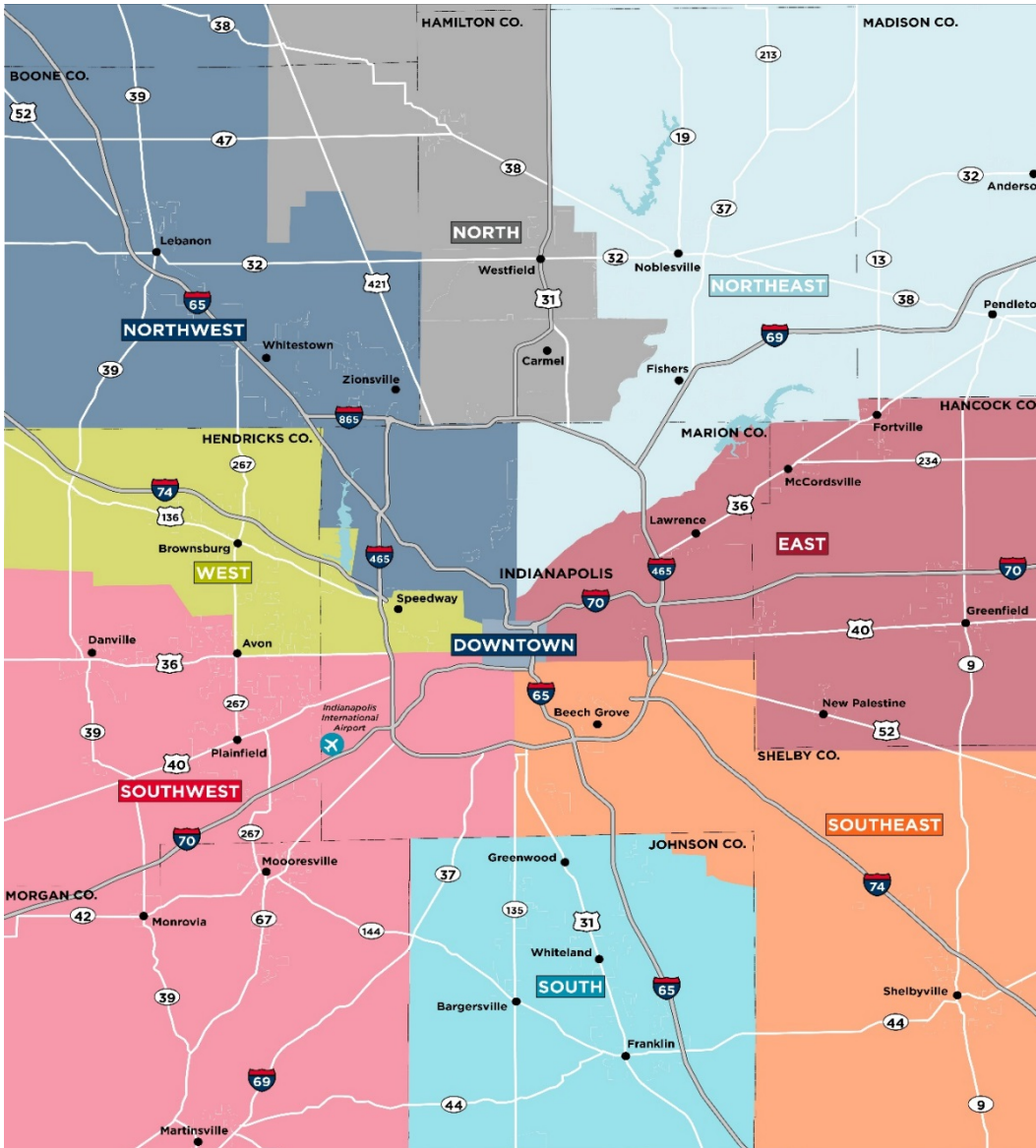
KEY INDUSTRIAL DELIVERIES 2020

PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
7114 W 200 N, Mt Comfort	539,943	Speculative	2Q 20	East
4765 S 300 E, Whitestown Business Center III, Whitestown	505,440	Speculative	2Q 20	Northwest
4241 Plainfield Rd, MetroAir Building 9, Plainfield	501,398	Speculative	2Q 20	Southwest
5102 E 500 S, 65 Commerce Building 3, Whitestown	440,056	Speculative	2Q 20	Northwest

INDIANAPOLIS

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INDUSTRIAL SUBMARKETS
INDIANAPOLIS



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