

Industrial Q3 2020

YoY
Chg**5.4%**

Vacancy Rate

**1.73M**

Net Absorption, SF

**\$4.60**

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS
Q3 2020YoY
Chg**1,050.2K**Indianapolis
Employment**7.6%**Indianapolis
Unemployment Rate**8.8%**U.S.
Unemployment Rate

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: Signs of Economic Recovery Evident, Late Year Headwinds Apparent

Throughout the third quarter the economy began to produce more favorable conditions as many COVID-19 restrictions loosened across the country, allowing many leading economic indicators to rebound. Over the span of four months the US has experienced nearly eleven million jobs restored leaving the national unemployment rate at 8.8%. Indianapolis tracked similarly, with nonfarm employment rising by over 100,000 jobs from the trough produced in April, ultimately lowering the unemployment rate to 7.6%. US core retail sales, which most closely tracks the consumer spending component of GDP, steadily increased through July, before slowing in August and September. The slowdown can partially be attributed to the expiration of the \$600 per week unemployment subsidy in July which cut incomes by an estimated \$70 billion in August. This news was followed by recent concerns regarding September employment data where nonfarm payrolls missed analyst expectations by nearly 200,000 jobs. Both events signal developing economic uncertainty despite positive backward-looking economic indicators and could carry into the end of the year if not addressed by government intervention.

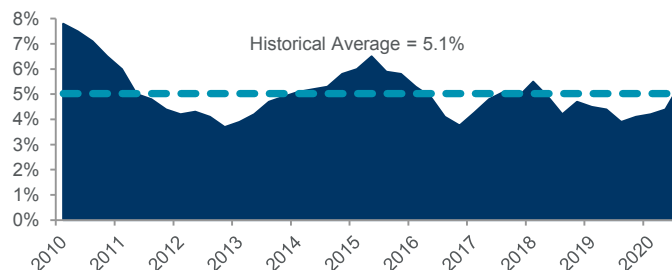
Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

DEMAND: Industrial Demand Unphased, Market Vigor Pointing to Another Record Setting Year

As the brightest spot amongst all property types throughout the pandemic, the Indianapolis industrial market through three quarters is keeping pace with pre-pandemic demand activity. The rising tide of e-commerce related retail consumption has lifted all industrial demand even further throughout the third quarter with leasing velocities tracking at 13.6 million square feet (msf), nearly 2.3 msf ahead of the first three quarters in 2019. Despite the greater leasing velocity, the realization of net occupancy gains has yet to take place. The third quarter experienced only 1.8 msf of direct net absorption, which puts the market behind 2019 pace by approximately 1.0 msf. However, the lack of net occupancy gains can mostly be attributed to timing. A noteworthy amount of deals that were signed in the previous two quarters have yet to take occupancy into their new spaces due to various reasons such as the completion of tenant improvement work. Ultimately the delayed occupancy translated to a 100-basis point increase in vacancy rate, a considerable amount compared with quarters over the past 10 years.

OVERALL VACANCY

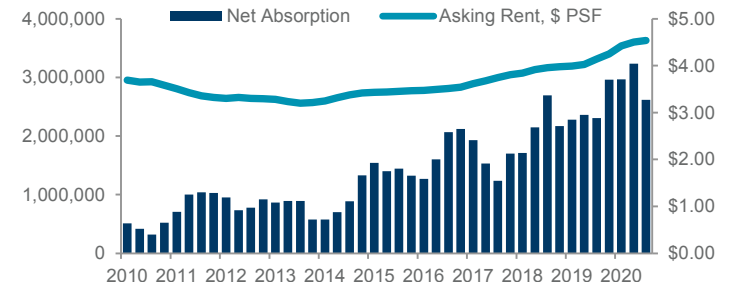
FIRST TIME ABOVE HISTORICAL AVERAGE SINCE 2018



Source: Cushman & Wakefield Research

OVERALL NET ABSORPTION & ASKING RENT

4-QTR TRAILING AVERAGE





Industrial Q3 2020

DEMAND: (continued)

Again, all indications point to a significant amount of net absorption taking place before the end of the year when factoring occupancy timing of deals signed in 2020 as well as nearly completed and pre-leased construction. A few notable deals on the horizon include FedEx's 955,844-sf build-to-suit in Greenwood, Mission Food's 510,965-sf new lease in Plainfield, Life Science Logistics 189,114-sf new lease in Whitestown, and 152,051-sf Frito-Lay leased in Whitestown. In total, there are currently 11 deals over 100,000 sf due to absorb space before year-end, once again putting Indianapolis in a position to surpass previous demand levels.

SUPPLY: Strong Leasing Fundamentals Pushes Supply Pipeline Growth

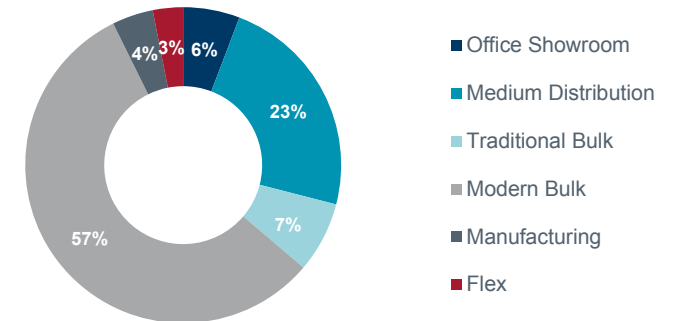
With demand surging, the need for new available product is apparent, even despite the vacancy rate rising above the ten-year historical average for the first time since the first quarter of 2018. Relatively speaking, the current amount of space under construction is low compared to previous quarters in the past four years. At quarter-end, nearly 9.1 msf of space across 27 buildings is under construction. Roughly 30% of what is currently under construction is either build-to-suit in nature or expansion space while the rest of the pipeline is speculative in nature. Not surprisingly, the South, Northwest, Southwest, and East submarkets continue to be the submarkets where developers are placing significant investment in new product. To put the amount of supply that has come to the market in perspective, through three quarters the market has delivered on 10.3 msf of new product, just 600,000 sf off the market's record high set in 2019. With confidence, Indianapolis will reset the supply record once again. As far as new construction starts are concerned, the fourth quarter is slated to see a few more begin prior to the Indiana winter weather setting in. Wal-Mart's behemoth 2.2 msf e-commerce facility in Mt. Comfort is set to break ground before year-end as well as Quest Nutrition's newly announced 862,235 sf distribution facility in Mt. Comfort. Three speculative mid-sized facilities will also break ground, two in the Mt. Comfort Commercial Park which is developed by Becknell Industrial and one in Greenwood at Southpointe Business Center, developed by Shear Property Group.

Outlook

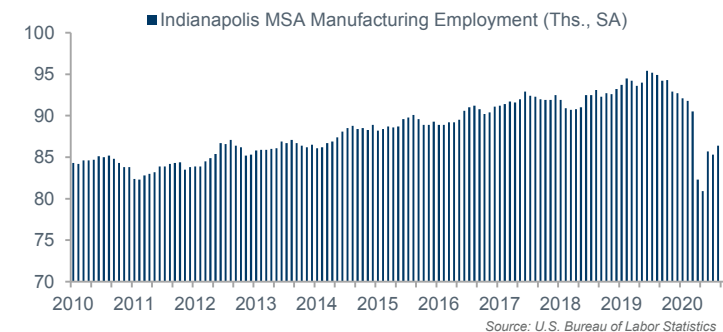
- The third quarter saw signs of economic recovery, but late quarter headwinds seem to be developing despite positive backward-looking economic indicators and could carry into the end of the year if not addressed by government intervention.
- As the brightest spot amongst all property types throughout the pandemic, the Indianapolis industrial market is keeping pace with pre-pandemic demand activity. The rising tide of e-commerce related retail consumption will continue to lift industrial demand in the near term and into 2021.
- While demand surges, the need for new available product will continue to be apparent, even despite the vacancy rate rising above the ten-year historical average.

VACANT SPACE BY PRODUCT TYPE

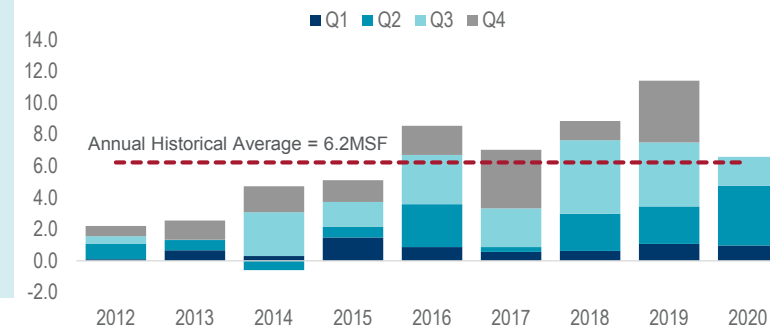
PERCENTAGE OF TOTAL VACANT SPACE

**MANUFACTURING EMPLOYMENT**

INDIANAPOLIS-CARMEL-ANDERSON MSA

**HISTORICAL DIRECT NET ABSORPTION**

INDIANAPOLIS CONTINUES THE STREAK OF STRONG ABSORPTION



MARKETBEAT INDIANAPOLIS



Industrial Q3 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	165	9,703,606	0	90,593	0.9%	5,974	29,935	0	0	0	\$5.33
East	513	44,548,345	202,382	2,321,692	5.0%	361,289	761,454	1,389,128	660,384	1,405,327	\$4.27
North	123	5,313,132	900	89,425	1.7%	49,905	99,966	101,384	67,430	174,250	\$9.08
Northeast	300	16,116,396	53,900	628,113	3.9%	-130,493	-13,895	157,500	0	0	\$9.55
Northwest	510	62,834,657	152,333	4,781,481	7.6%	617,741	2,019,783	2,722,293	1,276,427	2,834,974	\$4.06
South	147	20,252,893	0	665,086	3.3%	794,287	1,983,636	2,589,817	882,816	1,512,582	\$5.03
Southeast	269	18,084,691	38,400	333,017	1.8%	21,316	129,523	0	0	252,000	\$4.91
Southwest	560	89,809,298	187,901	5,479,065	6.1%	127,114	1,685,655	2,124,282	1,704,570	4,099,043	\$4.63
West	149	15,495,144	0	162,949	1.1%	-23,275	-96,558	0	0	30,000	\$3.81
Property Type											
Office Showroom	493	14,033,505	46,705	840,074	6.0%	-71,355	-147,409	0	0	30,000	\$7.51
Medium Distribution	1008	60,742,784	224,959	3,363,984	5.5%	449,262	1,520,117	1,879,728	609,126	2,573,761	\$5.15
Traditional Bulk	140	35,331,046	277,778	1,047,510	3.0%	37,483	-131,341	0	0	0	\$4.41
Modern Bulk	199	104,074,013	86,374	8,185,007	7.9%	1,484,710	5,516,129	7,115,176	3,982,501	7,639,315	\$3.87
Manufacturing	560	55,698,192	0	610,033	1.1%	41,204	-47,293	89,500	0	65,100	\$4.08
Flex	251	8,663,808	0	449,061	5.2%	-115,846	-81,144	0	0	0	\$10.45
Transport	85	3,614,814	0	55,752	1.5%	-1,600	-29,560	0	0	0	\$9.63
INDIANAPOLIS TOTALS	2,736	282,158,162**	635,816	14,551,421	5.2%	1,823,858	6,599,499	9,084,404	4,591,627	10,308,176	\$4.64

*Rental rates reflect weighted net asking \$psf/year **Statistic not representative of U.S. Industrial Marketbeat Report

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Country Rd 300 N & County Rd 700 W, Mt Comfort	862,235	Quest Nutrition	Build-to-Suit	East
400 South Enterprise Boulevard, Lebanon	842,000	Case New Holland	Renewal*	Northwest
381 Airtech Parkway, Plainfield	541,452	Nice-Pak Products	Renewal*	Southwest
2450 Stanley Road, Plainfield	450,000	Geodis Logistics	Renewal*	Southwest

*Renewals not included in leasing statistics

KEY INDUSTRIAL DELIVERIES 2020

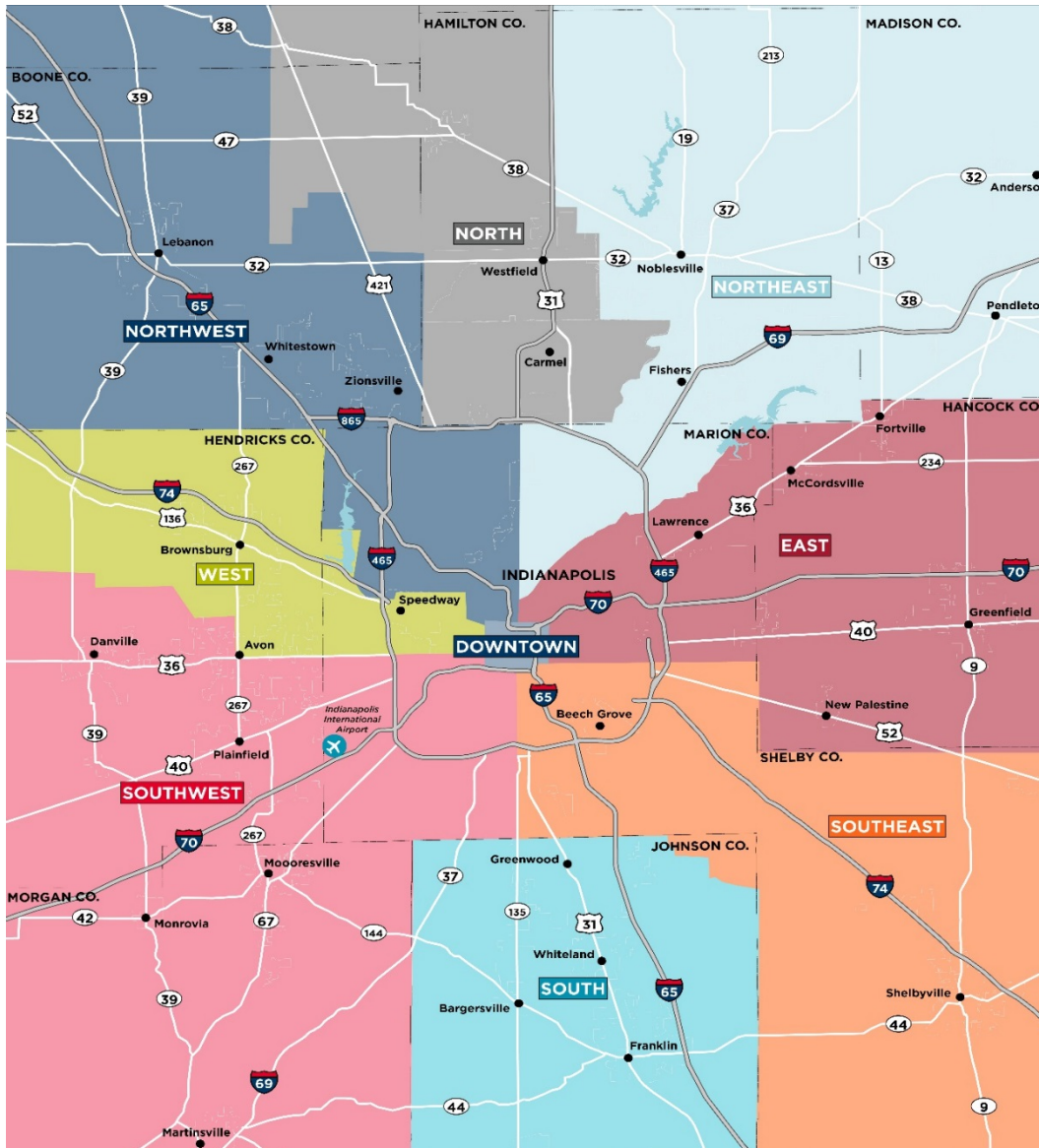
PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
10730 South State Road 39, Monrovia	1,071,909	Speculative	3Q 20	Southwest
6050 Commerce Parkway, Whitestown	672,227	Speculative	3Q 20	Northwest
W 300 N & N 400 W, Mt Comfort	660,384	Built-to-Suit - Amazon	3Q 20	East
3950 South 500 East, Whitestown	604,200	Speculative	3Q 20	Northwest



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INDUSTRIAL SUBMARKETS

INDIANAPOLIS

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