



Industrial Q2 2021

5.7%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

3.1M

Net Absorption, SF



\$4.89

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS
Q2 2021

1,058.9K

Indianapolis MSA
EmploymentYoY
Chg12-Mo.
Forecast

3.8%

Indianapolis
Unemployment Rate

5.9%

U.S.
Unemployment Rate

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: Economic Conditions Improve as Vaccination Access Increases

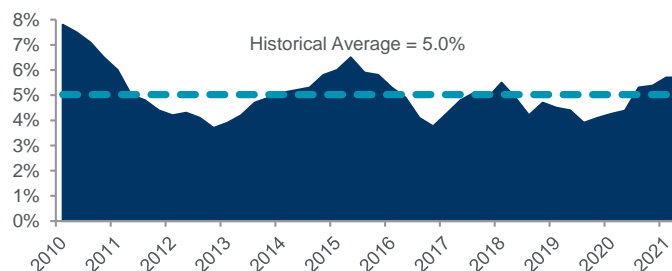
Economic conditions have continued to strengthen as the United States emerges from COVID-19 pandemic. The June jobs report showed that nonfarm payrolls increased by 850,000, which was significantly larger than the job gains seen in the previous two months. Leisure and hospitality employment led in job gains, with 343,000 new hires in June as COVID-19 restrictions continued to relax across the country. However, employment in leisure and hospitality is still down 12.9% from pre-pandemic levels, demonstrating that the labor market has not completely recovered yet. Other sectors that saw large job gains include public and private education, professional and business services, and retail trade, highlighting a broad-based economic recovery. The unemployment rate changed little in June and stands at 5.9%. While the unemployment rate has declined considerably since its recent high in April 2020, it still sits higher than its pre-pandemic reading of 3.5%. At 61.6%, the labor force participation rate has remained relatively stagnant since June 2020. The labor force participation rate is still down 1.7% from pre-pandemic levels. Vaccination eligibility has expanded greatly over the past several months, with everyone 12 years of age and older authorized to receive the vaccination. More than 158 million people are fully vaccinated in the United States, representing 47.8% of the total population. In addition, 55.3% of the population have received at least one dose.

DEMAND: Robust Leasing Activity Through the First Half of 2021

The Indianapolis industrial market experienced another quarter of strong demand, with 3.4 million square feet (msf) of direct net absorption in the second quarter of 2021. Significant tenant move-ins in the second quarter included Cooper Tire moving into a 998,000-sf build-to-suit (BTS) in Whiteland, Henry Schein's 672,000-sf lease commencing in the Northwest submarket, and Amazon moving into a 517,000-sf BTS in Plainfield. Through the first half of 2021, direct net absorption totaled 4.7 msf, not far from the 4.9 msf of direct net absorption through the first half of 2020. The second quarter of 2021 also saw robust leasing activity, with 7.4 msf of leases signed in the quarter. Through the first half of 2021, the market has leased 12.8 msf of product, outpacing the leasing of the first two quarters of 2020 by 3.5 msf. With most of these leases commencing within the year, net absorption should continue to post strong totals through the latter half of 2021. Year-to-date (YTD) there have been 11 leases signed over 500,000 sf, highlighting tenant demand for large blocks of space. Six of these leases were by e-commerce tenants, emphasizing the influence of online consumption on industrial demand. In 2020, there were 15 leases signed over 500,000 sf and expectations are that the market will surpass this total in the second half of 2021.

OVERALL VACANCY

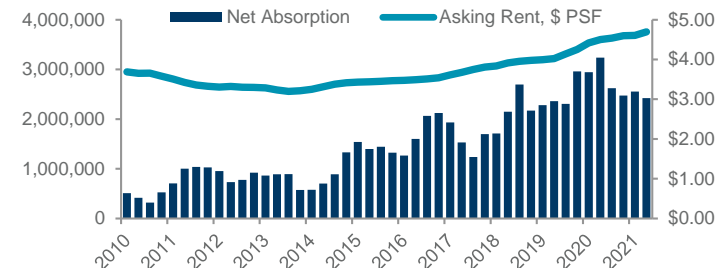
SUPPLY GROWTH CAUSING ABOVE HISTORICAL AVERAGE VACANCY



Source: Cushman & Wakefield Research

OVERALL NET ABSORPTION & ASKING RENT

4-QTR TRAILING AVERAGE





Industrial Q2 2021

SUPPLY: Pipeline More Than Doubles as Spec Projects Commence Construction

Construction activity continued to dominate the Indianapolis industrial market in the second quarter, with 3.5 msf of product delivered during the quarter. A majority of the construction completions were BTS projects, totaling 2.4 msf of the space delivered. Notable BTS projects were completed for Cooper Tires, Amazon, Safavieh.com, and Coca-Cola. New construction in the market showed no signs of slowing down, with numerous projects commencing in the spring. The construction pipeline more than doubled in square footage during the second quarter, increasing from just over 10.2 msf in the first quarter to 22.2 msf. Of the 22.2 msf, there is 15.5 msf of speculative and 6.7 msf of BTS product under construction across 48 buildings. With several speculative projects breaking ground in the second quarter, only 28% of the current pipeline is preleased. However, expect more leasing activity in the under construction projects as they move closer to completion. Within the construction pipeline currently are 20 buildings over 500,000 sf. These 20 buildings account for 16.8 msf, which is over 75% of all space that is currently under construction. The East submarket is the leading submarket for new development in the market, with 9.5 msf of product currently under construction. The Southwest and South submarket also have an abundance of new construction activity, with 5.8 msf and 3.4 msf under construction in those submarkets, respectively.

PRICING: Average Asking Rents Push Upwards

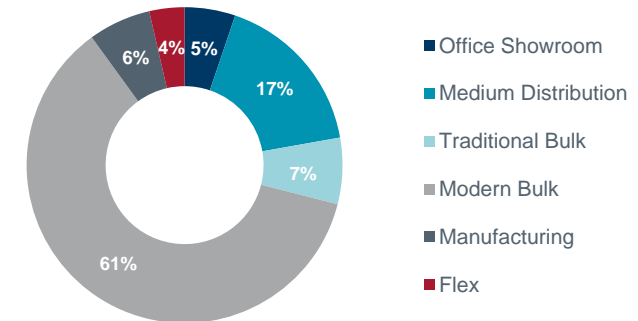
Asking rents continued their upward trend in the second quarter, with overall asking net rents increasing 5.4% quarter-over-quarter (QOQ) and 7.5% year-over-year to \$4.89 NNN. Modern Bulk asking rents increased 1.0% QOQ, while Medium Distribution rents saw a larger increase of 8.2% QOQ. Flex asking rents saw a 2.1% increase QOQ. Expect rents to continue to increase over the coming quarters, though new product hitting the market may temper some of that growth.

Outlook

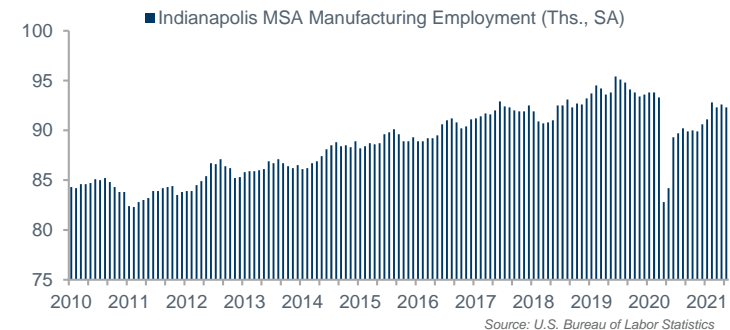
- The economic outlook improved in the second quarter of 2021 with significant job gains across numerous sectors of the economy. However, economic indicators such as the unemployment rate and labor force participation rate have not yet returned to pre-pandemic levels.
- Through the first two quarters of 2021, the Indianapolis industrial market saw robust leasing activity of 12.8 msf. This is 3.5 msf higher than the amount of product leased through the first two quarters of 2020, highlighting an accelerated demand in the market for space. Tenants are increasingly demanding larger blocks of space, with 11 leases over 500,000 sf signed YTD.
- Direct net absorption totaled 4.7 msf through the first half of 2021, with 3.4 msf of absorption occurring during the second quarter. Expect net absorption to remain strong through the end of the year as new leases signed during the first half of 2021 commence.
- The Indianapolis Industrial market delivered 3.5 msf of new product in the second quarter of 2021, with 2.4 msf of construction deliveries in BTS properties. The construction pipeline more than doubled in the second quarter, with 22.2 msf of space now under construction. Most of the space is being built on a speculative basis, with only 28% of the space currently preleased. However, expect more leasing activity as the buildings approach completion.

VACANT SPACE BY PRODUCT TYPE

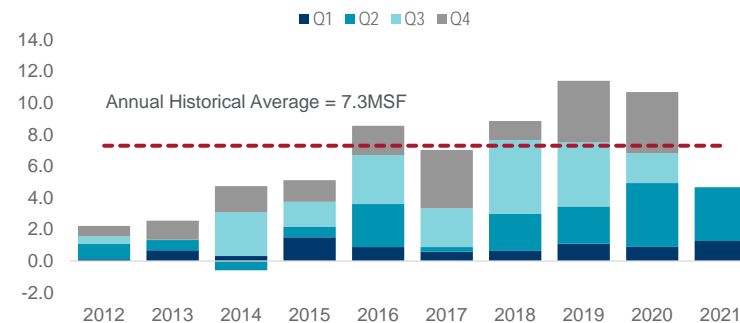
PERCENTAGE OF TOTAL VACANT SPACE

**MANUFACTURING EMPLOYMENT**

INDIANAPOLIS-CARMEL-ANDERSON MSA

**HISTORICAL DIRECT NET ABSORPTION**

INDIANAPOLIS CONTINUES THE STREAK OF STRONG ABSORPTION



MARKETBEAT INDIANAPOLIS



Industrial Q2 2021

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	166	9,708,636	0	273,507	2.8%	-3,411	-17,510	0	0	0	\$7.59
East	520	46,069,023	269,752	2,109,813	4.6%	-37,465	99,139	9,462,552	416,015	921,887	\$4.84
North	123	5,305,273	0	153,964	2.9%	-16,362	-51,112	89,500	0	0	\$13.38
Northeast	304	18,063,583	6,400	571,128	3.2%	110,792	139,074	60,000	158,021	158,021	\$9.71
Northwest	521	65,698,853	52,754	4,932,503	7.5%	1,885,823	1,988,783	1,907,157	929,115	1,000,015	\$5.13
South	153	23,269,227	385,000	1,948,757	8.4%	322,346	469,067	3,472,013	1,483,424	1,483,424	\$4.07
Southeast	269	18,152,703	0	193,533	1.1%	130,500	199,917	1,333,360	0	0	\$3.06
Southwest	565	92,622,709	286,837	5,497,434	5.9%	1,000,106	1,809,652	5,814,915	538,282	2,017,558	\$4.52
West	149	15,534,395	0	78,679	0.5%	13,275	29,355	107,000	0	0	\$3.58
Property Type											
Office Showroom	497	14,295,869	30,700	817,038	5.7%	-103,275	-93,678	89,207	0	0	\$8.16
Medium Distribution	1,019	62,740,642	222,889	2,675,939	4.3%	990,828	1,811,383	1,568,614	772,576	1,124,396	\$5.15
Traditional Bulk	140	35,439,610	128,000	1,067,639	3.0%	-131,434	-170,093	0	0	0	\$5.11
Modern Bulk	213	113,496,263	437,500	9,598,943	8.5%	2,555,450	3,381,064	19,403,704	2,731,281	4,435,509	\$3.92
Manufacturing	562	56,095,958	150,000	1,006,653	1.8%	83,696	-202,371	1,184,972	0	0	\$4.05
Flex	254	8,788,486	31,654	566,014	6.4%	3,081	-83,390	0	21,000	21,000	\$9.84
Transport	85	3,567,574	0	27,092	0.8%	7,258	23,450	0	0	0	\$9.00
INDIANAPOLIS TOTALS	2,770	294,424,402	1,000,743	15,759,318	5.4%	3,405,604	4,666,365	22,246,497	3,524,857	5,580,905	\$4.89

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

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4175 Indianapolis Rd, Lebanon	846,720	Amplify Snack Brands	New Lease	Northwest
6055 Commerce Pkwy, Whitestown	672,227	Henry Schein	New Lease	Northwest
5400 East 500 South, Whitestown	632,809	Shein	New Lease	Northwest
4498 W 300 N, Greenfield	505,872	Progressive Logistics	New Lease	East

*Renewals not included in leasing statistics

KEY INDUSTRIAL DELIVERIES Q2 2021

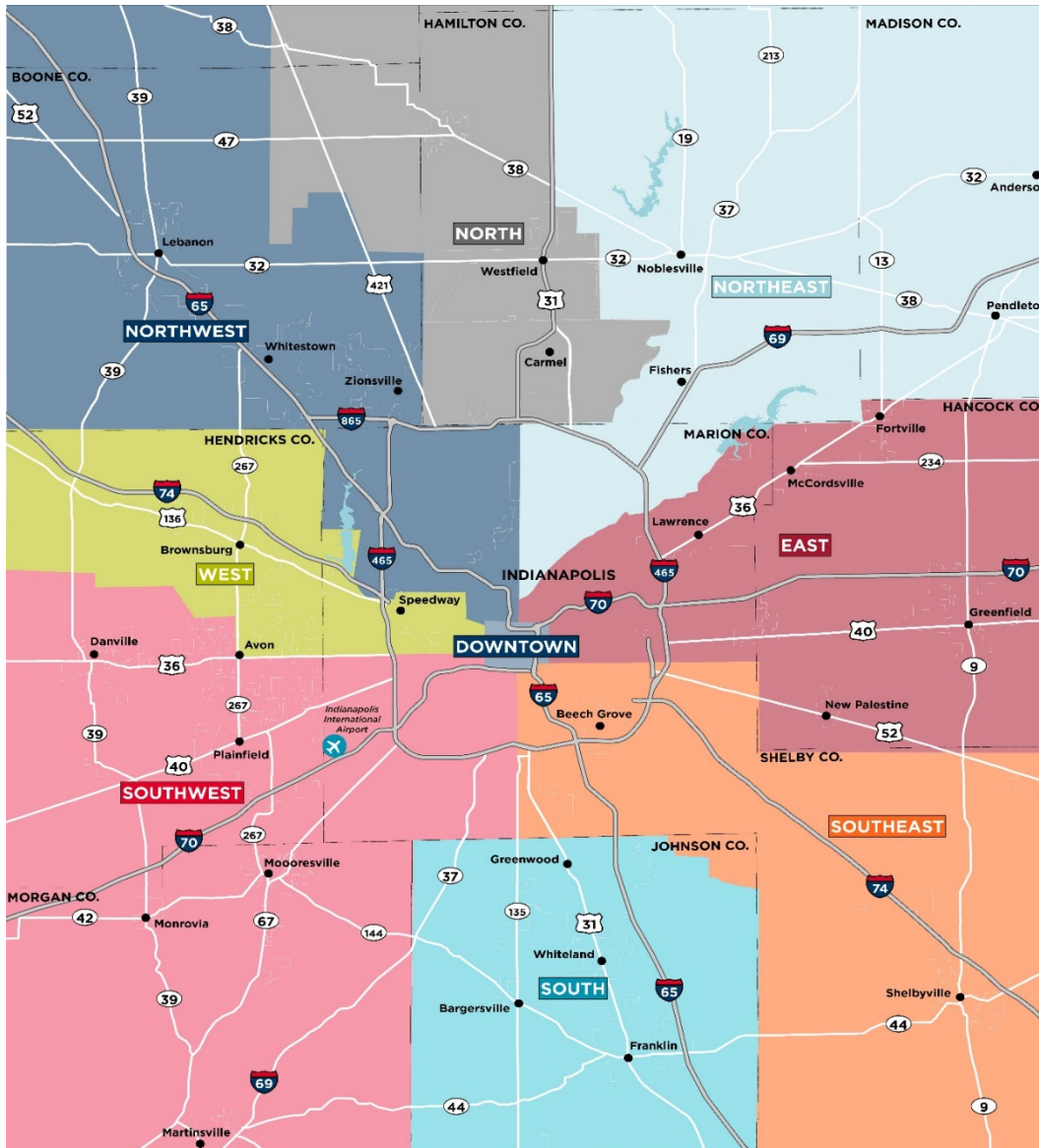
PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
2400 E Whiteland Rd, Whiteland	997,656	Build-to-Suit- Cooper Tire	2Q 21	South
1750 Smith Road, Plainfield	517,282	Build-to-Suit- Amazon	2Q 21	Southwest
4125 Allpoints Drive, Whitestown	469,875	Build-to-Suit- Safavieh.com	2Q 21	Northwest
3930 S 500 E, Whitestown	415,140	Build-to-Suit- Coca-Cola	2Q 21	Northwest



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INDUSTRIAL SUBMARKETS

INDIANAPOLIS

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