

Industrial Q3 2021

YoY
Chg12-Mo.
Forecast

4.0%

Vacancy Rate



7.0M

Net Absorption, SF



\$4.70

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS
Q3 2021YoY
Chg12-Mo.
Forecast

1,070.1K

Indianapolis MSA
Employment

3.8%

Indianapolis
Unemployment Rate

5.2%

U.S.
Unemployment Rate

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: Delta Variant Dampens Consumer Confidence but Employment Still Increases

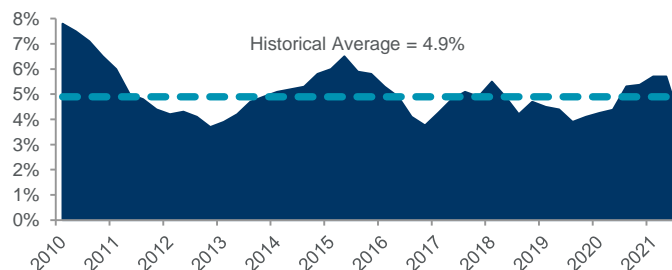
The economic recovery from the COVID-19 pandemic was hampered by the emergence of the delta variant in the third quarter. The spread of the delta variant impacted consumer confidence and spending throughout the summer months, which lowered many preliminary economic outlooks on third quarter GDP growth. The labor market recovery also remained uneven, with nonfarm payroll employment increasing by only 194,000 in the September jobs report. This is significantly lower than the average monthly job growth of 561,000 seen so far in 2021. The transportation and warehousing industry saw monthly job growth from the August jobs report and is also up 378,000 jobs over the last 12 months. Employment in the Indianapolis MSA showed positive gains in the third quarter, with the unemployment rate declining 360 basis points (bps) year-over-year (YOY) to 3.8%. This is significantly lower than the national unemployment of 5.2%, highlighting the tight labor market that exists in the region. Nonfarm employment has increased to nearly 1.1 million workers and the current outlook suggests that employment will continue to increase in both Indianapolis and across the United States as labor market fundamentals rebound.

DEMAND: Direct Net Absorption Totals Nearly 7.0 Million Square Feet

The Indianapolis industrial market continued to fire on all cylinders, with direct net absorption totaling nearly 7.0 million square feet (msf) in the third quarter of 2021. Year-to-date (YTD) direct net absorption currently stands at 11.8 msf with one quarter to go. The market has already eclipsed the yearly absorption totals from both 2020 and 2019, highlighting an incredible demand for space in the Indianapolis market that has not slowed down. Occupancy gains were strongest in the Northwest and Southwest submarkets, which accounted for 6.0 msf of the direct net absorption in the third quarter. Large lease commencements included XPO Logistics moving into a 1.1-msf speculative building in the Southwest submarket and Walmart moving into 1.0 msf of space in the Northwest submarket. In total, eight leases over 500,000 square feet (sf) commenced in the third quarter as tenants continue to occupy larger blocks of space. The market's strong occupancy gains led to a 130 basis points (bps) drop in the overall vacancy rate YOY, which currently stands at 4.0%. The modern bulk product type saw a 310-bps decline in direct vacancy YOY, even as 11.1 msf of new modern bulk product was added to the market over the last year. New leasing activity also continued at its torrid pace, with 5.0 msf of new leases signed during the third quarter. Leasing activity YTD currently stands at 18.1 msf, which outpaces the leasing activity through the first three quarters of 2020 by 4.0 msf. As we enter the final quarter of 2021, expect continued robust leasing activity as numerous speculative buildings under construction near completion.

OVERALL VACANCY

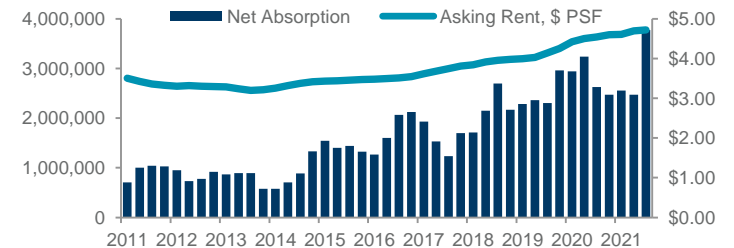
SUPPLY GROWTH CAUSING ABOVE HISTORICAL AVERAGE VACANCY



Source: Cushman & Wakefield Research

OVERALL NET ABSORPTION & ASKING RENT

4-QTR TRAILING AVERAGE





Industrial Q3 2021

SUPPLY: Construction Pipeline Continues to Grow

The construction pipeline in the Indianapolis market continues to grow, with 27.2 msf of space currently under construction. To put the current under construction pipeline in perspective, during the third quarter of 2020 there was 9.1 msf of space under construction. That equates to a nearly 200% increase in the amount of space under construction YOY. The East submarket continues to lead in construction activity, with 9.7 msf currently under construction, mainly in the Mount Comfort area. The South and Southwest submarkets are the other hotspots for new construction, with 6.1 msf and 5.8 msf under construction in those submarkets, respectively. There are currently 24 buildings under construction that are over 500,000 sf and 5 buildings under construction that are over 1.0 msf as the market moves towards larger building sizes. While construction activity is expected to continue, material shortages and increased construction costs are going to be important considerations moving forward in new developments. The third quarter saw 2.4 msf of construction completions across 9 buildings. Most of the completed space was in speculative buildings, totaling 2.0 msf across 5 buildings. Only 2 of the buildings had preleasing activity prior to delivery. With over a dozen of buildings slated for completion during the fourth quarter, construction deliveries should finish the year at or above 2020 totals.

PRICING: Average Asking Rents Push Upwards YOY

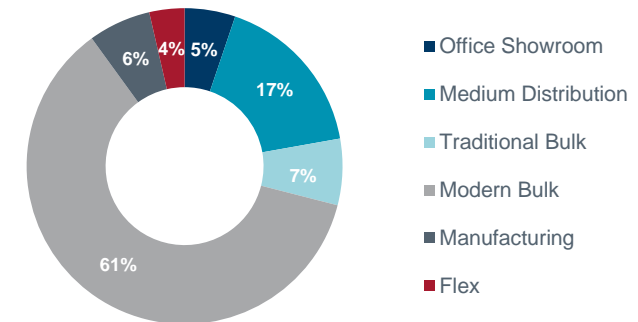
Asking rents in the Indianapolis market declined quarter-over-quarter but still increased YOY to \$4.70 per square foot triple net. Nearly all property types posted YOY growth in asking rents as the amount of vacant space tightened. Expect asking rents to continue to increase over the coming quarters, especially as higher material costs lead to increasingly costly projects.

Outlook

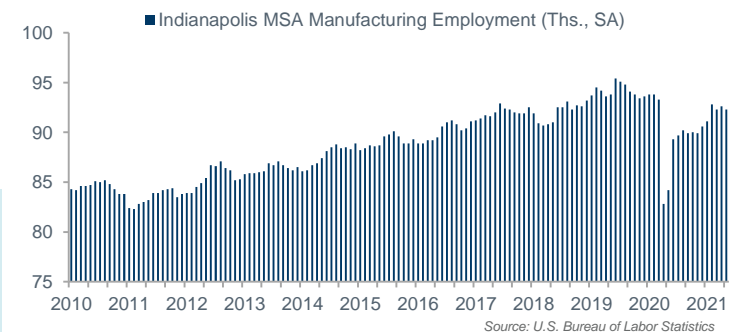
- Employment fundamentals continue to recover, with the unemployment rate in the Indianapolis MSA 360 bps lower than Q3 2020. The unemployment rate in the Indianapolis market should continue to decrease in the upcoming quarters.
- The YTD direct net absorption total currently stands at 11.8 msf through the first three quarters of 2021, which is higher than the yearly absorption totals seen in both 2020 and 2019. The Indianapolis market should see further gains to the direct net absorption total in the fourth quarter as leases signed earlier in the year commence.
- YTD leasing activity is tracking 4.0 msf higher than the first three quarters of 2020 and should finish 2021 strong as under construction projects near completion and e-commerce tenants continue to lease additional space in the Indianapolis market.
- With a robust construction pipeline of 27.2 msf of space, construction completions will remain strong through the end of 2021 and into the coming years. The biggest hinderance to future developments will be materials shortages and increased construction costs.

VACANT SPACE BY PRODUCT TYPE

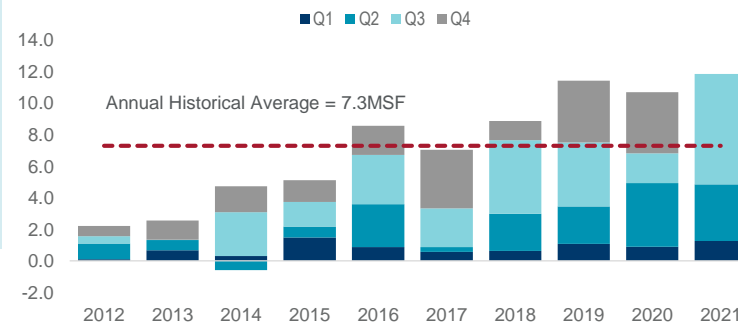
PERCENTAGE OF TOTAL VACANT SPACE

**MANUFACTURING EMPLOYMENT**

INDIANAPOLIS-CARMEL-ANDERSON MSA

**HISTORICAL DIRECT NET ABSORPTION**

INDIANAPOLIS CONTINUES THE STREAK OF STRONG ABSORPTION



MARKETBEAT INDIANAPOLIS



Industrial Q3 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	248,365	2.6%	-3,556	7,632	0	0	0	\$5.33
East	523	46,827,452	298,959	2,207,744	4.7%	583,108	759,637	9,682,634	758,429	1,680,316	\$4.74
North	124	5,394,773	0	81,021	1.5%	162,443	111,331	0	89,500	89,500	\$10.92
Northeast	304	18,063,083	6,400	608,757	3.4%	-85,022	101,445	222,000	0	158,021	\$8.82
Northwest	523	66,965,162	66,454	2,298,056	3.4%	3,880,046	5,871,639	2,668,350	1,248,409	2,248,424	\$4.44
South	155	23,513,128	500,000	1,911,289	8.1%	278,389	750,436	6,058,299	243,901	1,727,325	\$4.07
Southeast	269	18,152,703	0	157,617	0.9%	30,916	235,833	1,333,547	0	0	\$3.01
Southwest	566	92,697,439	141,356	3,373,471	3.6%	2,150,895	3,991,672	5,756,858	58,057	2,075,615	\$4.59
West	149	15,534,395	0	97,439	0.6%	-18,760	10,595	1,452,729	0	0	\$4.78
Property Type											
Office Showroom	498	14,370,599	28,667	667,424	4.6%	142,948	113,993	45,580	58,057	58,057	\$8.48
Medium Distribution	1,023	63,351,891	273,237	2,563,755	4.1%	460,007	2,377,041	2,095,030	611,749	1,736,145	\$5.25
Traditional Bulk	140	35,439,610	179,611	817,227	2.3%	368,523	202,030	0	0	0	\$4.78
Modern Bulk	216	115,135,253	330,000	5,524,212	4.8%	5,750,294	9,131,358	23,828,335	1,638,990	6,074,499	\$3.88
Manufacturing	563	56,203,358	170,000	1,025,242	1.8%	45,102	-131,469	1,181,472	89,500	89,500	\$4.12
Flex	254	8,788,486	31,654	374,999	4.3%	211,585	107,625	24,000	0	21,000	\$8.22
Transport	85	3,567,574	0	10,900	0.3%	0	39,642	0	0	0	\$9.00
INDIANAPOLIS TOTALS	2,779	296,856,771	1,013,169	10,983,759	3.7%	6,978,459	11,840,220	27,174,417	2,398,296	7,979,201	\$4.70

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

KEY LEASE TRANSACTIONS Q3 2021

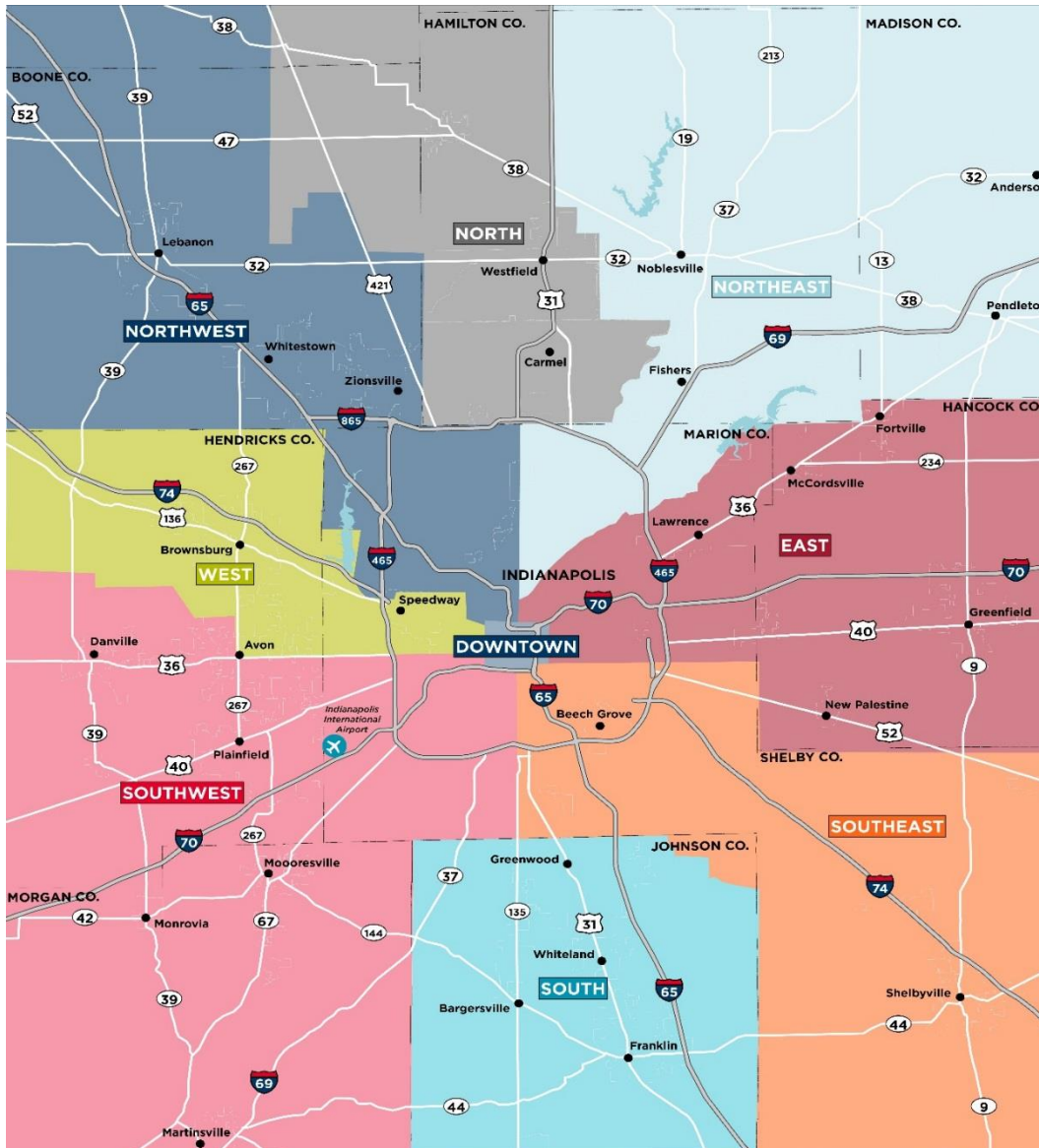
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Westpoint Blvd, Monrovia	646,000	Stryker	New Lease	Southwest
5490 Industrial Ct, Whitestown	364,000	XPO Logistics	Renewal	Northwest
1110 Smith Rd, Plainfield	328,403	ThyssenKrupp	New Lease	Southwest
5355 W 74 th St, Indianapolis	306,000	Langham Logistics	Renewal	Northwest

*Renewals not included in leasing statistics

KEY INDUSTRIAL DELIVERIES Q3 2021

PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
5400 East 500 South, Whitestown	632,809	Speculative	3Q 21	Northwest
475 S Mount Zion Rd, Lebanon	615,600	Speculative	3Q 21	Northwest
5935 Enterprise Dr, McCordsville	390,581	Speculative	3Q 21	East
W Airport Blvd, Greenfield	227,448	Speculative	3Q 21	East

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INDUSTRIAL SUBMARKETS
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