MARKETBEAT

INDIANAPOLIS

Industrial Q4 2021

	YoY Chg	12-Mo. Forecast
4.3% Vacancy Rate	▼	▲
4.0M Net Absorption, SF	▲	▲
$4.94 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
1,077.7K Indianapolis MSA Employment	▲	▲
3.0% Indianapolis Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: Labor Market Sees 12 Consecutive Months of Job Growth

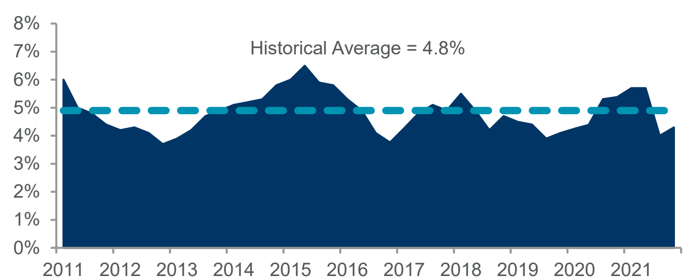
One of the main economic stories of 2021 was the "Great Resignation", which saw millions of workers voluntarily quit their jobs in search of higher wages and better working conditions. In November, a record 4.5 million workers quit their jobs. Workers in industries most impacted by the COVID-19 pandemic, including healthcare, food service, and transportation saw the greatest number of workers quit. The December jobs report showed an increase of 199,000 non-farm jobs, including a gain of 26,000 jobs in the manufacturing sector and 19,000 jobs in transportation and warehousing. The labor market has seen the 12 consecutive months of job growth as the economy continued to recover from the pandemic throughout 2021. Looking forward into 2022, the emergence of the Omicron variant has the potential to slow job gains in certain industries, though it is still too early to tell the impact this variant might have on the economy. Employment in the Indianapolis MSA has been particularly resilient throughout 2021, with the unemployment rate declining 230 basis points (bps) year-over-year (YOY) to 3.0%, below the national unemployment rate of 4.2%.

DEMAND: Net Absorption and Leasing Activity Surpass Previous Records

The Indianapolis market saw record demand in 2021, with 16.3 million square feet (msf) of direct net absorption recorded during the year. This was the highest net absorption total ever for the market, exceeding the previous record from 2019 by over 4.2 msf. Occupancy gains for the year were strongest in the Northwest and Southwest submarkets, which accounted for 78% of the yearly direct net absorption total. Significant lease commencements during the fourth quarter included Mars Petcare moving into a 911,000-square foot (sf) speculative building in the Southwest submarket, Quest Nutrition moving into an 862,000-sf build-to-suit in the East submarket, and Deckers Brands moving into a 508,000-sf speculative property in the Southwest submarket. Both the direct and overall vacancy rates increased slightly quarter-over-quarter (QOQ), rising to 3.9% and 4.3% respectively. This was due to the addition of numerous speculative construction projects to the vacant inventory that had no preleasing activity. However, the direct vacancy rate still declined 120 bps YOY. Nearly all product types saw YOY direct vacancy declines as well, with modern bulk vacancy decreasing 170 bps and medium distribution vacancy decreasing 150 bps. New leasing activity also had a record-setting 2021, with 21.9 msf of new leases signed during the year, eclipsing 2020's previous high by 2.7 msf. However, leasing velocity slowed slightly in the fourth quarter, with 3.7 msf of new leases signed. This was the lowest quarterly leasing total of the year. The number of deals signed that were at or above 100,000 sf increased to 55 deals in 2021, up from 51 in 2020. Expect tenants to continue to occupy larger footprints as we enter 2022 and e-commerce plays a progressively larger role on the industrial sector.

OVERALL VACANCY

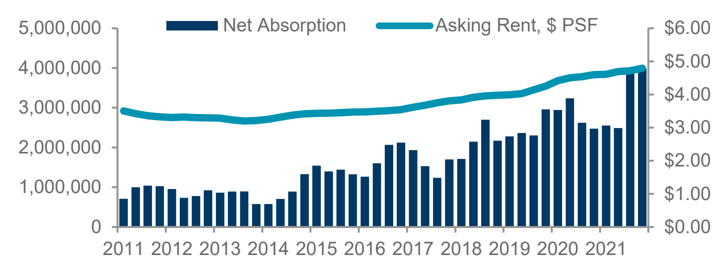
MARKET VACANCY CURRENTLY BELOW HISTORICAL AVERAGE



Source: Cushman & Wakefield Research

OVERALL NET ABSORPTION & ASKING RENT

4-QTR TRAILING AVERAGE



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CUSHMAN & WAKEFIELD

SUPPLY: Construction Deliveries Top 13.4 MSF in 2021

New construction activity continued to dominate the Indianapolis industrial market in 2021, with construction completions for the year totaling over 13.4 msf. This was the second-highest yearly construction delivery total ever in the Indianapolis market, trailing only 2020's total of 14.6 msf. The fourth quarter saw the most construction completions of any quarter in 2021, with 5.4 msf of space completed. Over 4.3 msf of the construction completions for the quarter were in modern bulk properties. Modern bulk space also accounted for over 10.4 msf of all construction completions seen in 2021. The construction pipeline grew by an unprecedented rate during the year and ended 2021 at 27.9 msf, over 16.0 msf higher than the construction pipeline at the end of 2020. The East submarket continues to lead the market in construction activity, with 9.5 msf of space currently under construction. That equates to over a third of all space currently under construction. The South submarket has also emerged as a new construction hotspot, with 6.5 msf of inventory under construction. With such a robust construction pipeline, an abundance of new inventory will hit the market throughout 2022. However, supply chain shortages are expected to persist in the coming quarters and may lead to the extension of construction timelines.

PRICING: Rent Growth Across Most Submarkets and Product Types

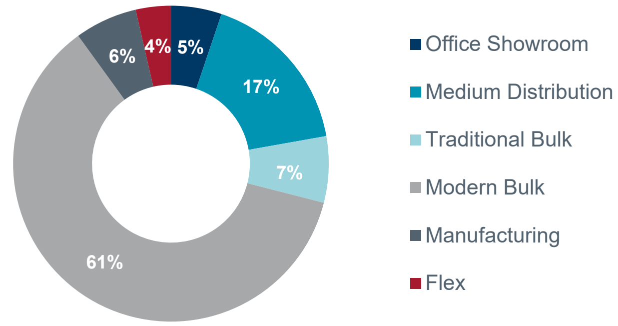
Asking rents ended 2021 with both QOQ and YOY growth. The average asking rent for the Indianapolis market finished the year at $4.94 per square foot triple net, which equated to 4.2% QOQ growth and 7.4% YOY growth. Six of the nine Indianapolis submarkets experienced YOY rent growth and five of the seven product types saw YOY rent growth as well. Looking ahead to 2022 and beyond, asking rents are forecasted to continue to push upwards as inventory remains tight and high material costs lead to new construction projects being increasingly expensive to complete.

Outlook

- The labor market has proved resilient in the face of numerous headwinds over the past two years, seeing 12 consecutive months of job growth. The United States unemployment rate currently sits at 4.2% and the outlook is for the rate to drop further in the coming quarters.
- The Indianapolis market saw record demand activity in 2021, with 16.3 msf of direct net absorption for the year. This is well-above the historical average direct net absorption of 7.3 msf and strong demand activity is anticipated to continue as new leases signed in the latter half of the year commence.
- Most of the space currently under construction, 23.0 msf, is in speculative projects and only 17.9% of the space under construction is currently preleased, providing ample new inventory for tenants to occupy in the upcoming quarters. As projects near completion, expect leasing velocity in new construction properties to accelerate.

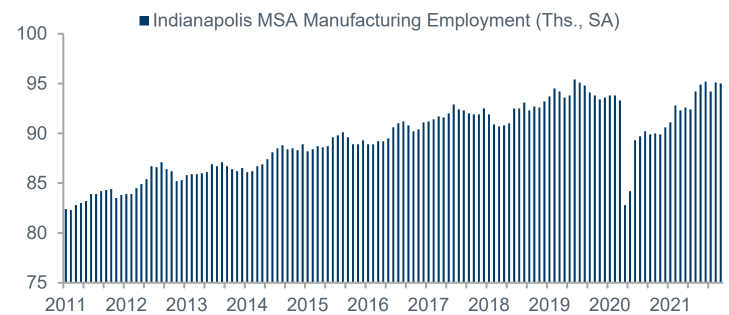
VACANT SPACE BY PRODUCT TYPE

PERCENTAGE OF TOTAL VACANT SPACE



MANUFACTURING EMPLOYMENT

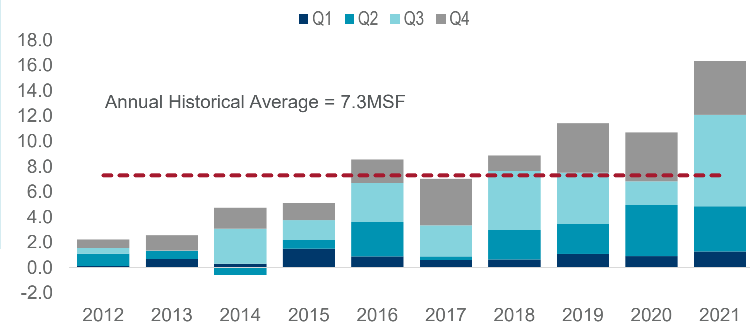
INDIANAPOLIS-CARMEL-ANDERSON MSA



Source: U.S. Bureau of Labor Statistics

HISTORICAL DIRECT NET ABSORPTION

INDIANAPOLIS CONTINUES THE STREAK OF STRONG ABSORPTION



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Industrial Q4 2021

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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 CONSTR COMPLETIONS (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Downtown	166	9,708,636	0	446,685	4.6%	-182,856	-190,688	0	0	0	$5.92
East	526	47,841,695	291,611	1,567,191	3.3%	1,500,891	2,414,433	9,515,719	1,013,855	2,694,559	$5.29
North	124	5,394,773	2,641	164,126	3.0%	-83,105	28,226	56,334	0	89,500	$9.74
Northeast	304	18,063,083	0	647,108	3.6%	-47,226	63,094	222,000	0	158,021	$8.86
Northwest	525	67,460,518	101,592	1,853,362	2.7%	904,150	6,811,689	3,260,554	495,356	2,743,780	$4.75
South	156	24,340,308	170,000	2,659,396	10.9%	79,073	829,509	6,541,489	827,180	2,554,505	$3.95
Southeast	270	18,497,750	35,928	486,654	2.6%	14,410	251,843	1,688,820	345,047	345,047	$4.76
Southwest	572	95,388,219	428,723	4,089,816	4.3%	1,910,339	5,966,107	5,218,889	2,690,780	4,766,395	$4.70
West	149	15,588,395	0	8,641	0.1%	125,807	153,393	1,350,320	54,000	54,000	$9.50
Property Type											
Office Showroom	499	14,402,099	7,200	691,163	4.8%	-8,550	121,754	14,080	31,500	89,557	$8.73
Medium Distribution	1,027	63,965,372	164,463	2,576,637	4.0%	420,148	2,859,764	1,885,869	613,093	2,349,626	$5.46
Traditional Bulk	140	35,439,610	202,178	237,022	0.7%	429,088	782,235	0	0	0	$7.08
Modern Bulk	223	119,484,522	455,000	7,241,557	6.1%	2,749,791	11,881,149	25,181,060	4,349,269	10,423,768	$4.09
Manufacturing	564	56,635,714	170,000	724,841	1.3%	696,866	601,297	749,116	432,356	521,856	$5.45
Flex	254	8,788,486	31,654	440,859	5.0%	-65,860	41,765	24,000	0	21,000	$8.09
Transport	85	3,567,574	0	10,900	0.3%	0	39,642	0	0	0	$9.00
INDIANAPOLIS TOTALS	**2,792**	**302,283,377**	**1,030,495**	**11,922,979**	**3.9%**	**4,221,483**	**16,327,606**	**27,854,125**	**5,426,218**	**13,405,807**	**$4.94**

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

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3023 N Distribution Way, Greenfield	423,000	Simply Good Foods	Renewal	East
1100 Whitaker Rd, Plainfield	414,424	Geodis Logistics	Renewal	Southwest
5445 Guion Rd, Indianapolis	380,160	Henry Schein	Renewal	Northwest

**Renewals not included in leasing statistics*

KEY INDUSTRIAL DELIVERIES Q4 2021

PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
10566 Gateway Point Dr, Monrovia	911,552	Speculative	4Q 21	Southwest
300 N & 700 W, Greenfield	862,235	Build-to-Suit	4Q 21	East
Bob Glidden Blvd, Whiteland	827,180	Speculative	4Q 21	South
1110 Smith Rd, Plainfield	593,396	Speculative	4Q 21	Southwest

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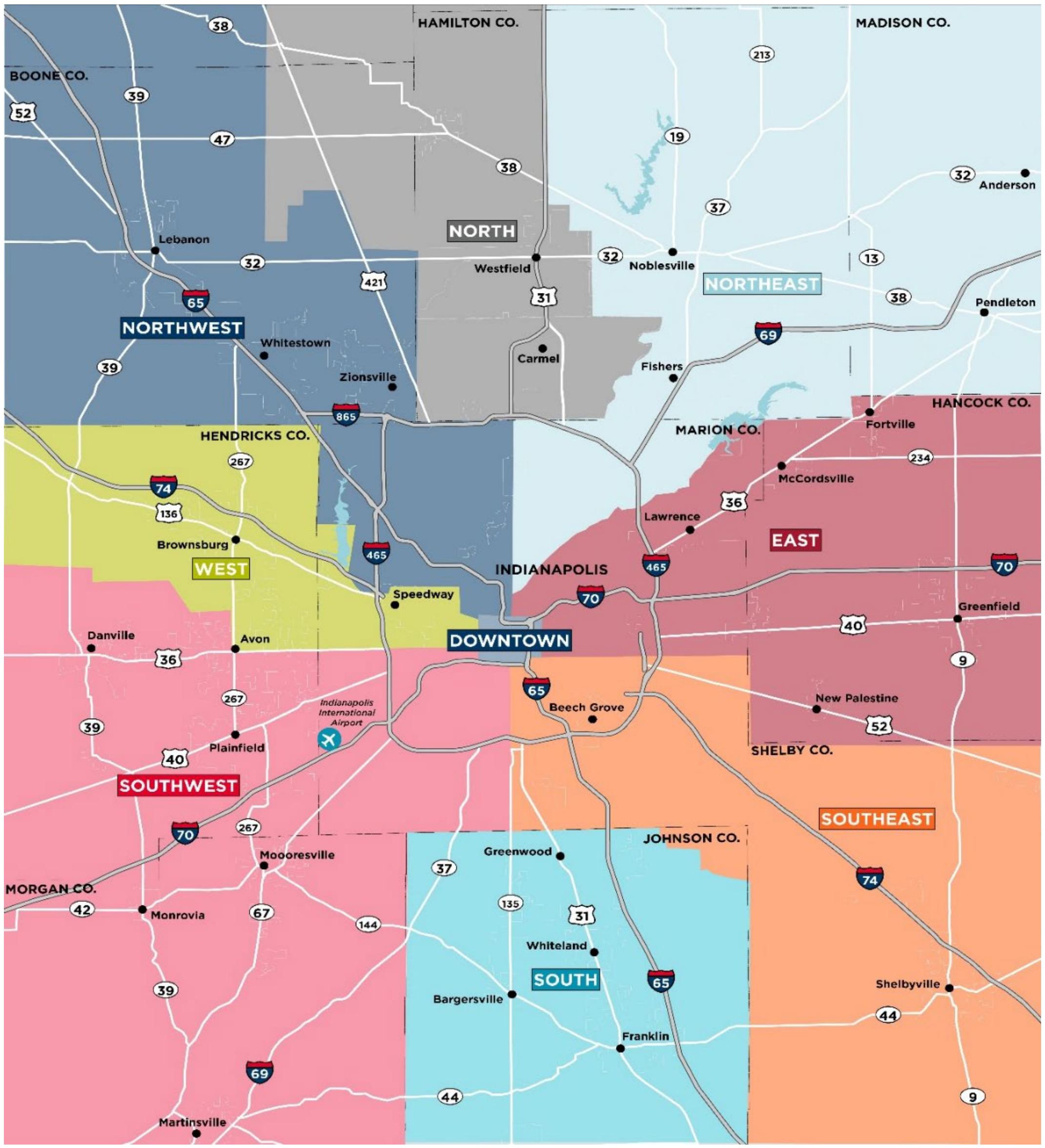
INDUSTRIAL SUBMARKETS

INDIANAPOLIS



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