

Industrial Q4 2022

	YoY Chg	12-Mo. Forecast
5.2% Vacancy Rate	▲	▲
5.0M Net Absorption, SF	▲	▲
\$5.57 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS
Q4 2022

	YoY Chg	12-Mo. Forecast
1.1M Indianapolis MSA Employment	▲	▲
2.7% Indianapolis Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: Modest Industrial Job Growth in the Fourth Quarter

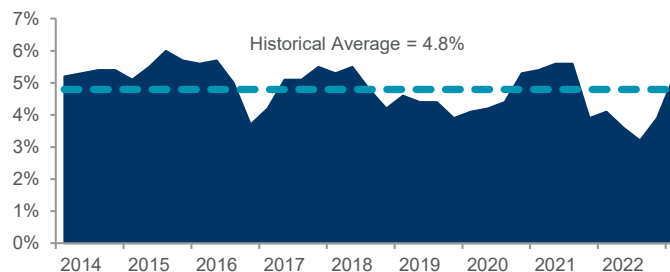
In the fourth quarter, the United States economy continued to register job gains, with total nonfarm payroll employment rising by 223,000 in the month of December. In total, nonfarm payroll employment increased by 4.5 million during 2022, an average monthly gain of 375,000. Manufacturing employment yielded a modest increase of 8,000 in December and recorded an average monthly gain of 32,000 in 2022, slightly above 2021's monthly average of 30,000. Transportation and warehousing employment also posted modest growth of 5,000 in December, though the average monthly job growth of 17,000 in 2022 was less than half of the average growth of 36,000 recorded throughout 2021. The Federal Reserve raised the target federal funds rate seven times in 2022, from a range of 0.25-0.50% in March to 4.25-4.50% in December. This marks the highest federal funds rate in 15 years as the Federal Reserve works to lower decades-high inflation. The Indianapolis MSA continued to see positive employment momentum, with nonfarm employment rising 2.4% year-over-year (YOY). Employment is also forecasted to grow over the next 12 months as unemployment in the Indianapolis MSA continues to track below the U.S. unemployment rate.

DEMAND: A Record-Setting Year for the Indianapolis Industrial Market

Amid record-breaking annual net absorption and new leasing activity, 2022 was a historic year for the Indianapolis industrial market. Overall net absorption totaled 20.5 million square feet (msf) in 2022, exceeding 2021's previous record by over 4.1 msf. Most of these occupancy gains were within modern bulk properties, totaling 16.1 msf, or 78.7% of the market's overall net absorption. Over 5.0 msf of overall net absorption was recorded in the fourth quarter, the 5th-highest overall net absorption total of U.S. industrial markets tracked by Cushman & Wakefield Research. New leasing activity for the year reached 24.8 msf, surpassing 2021's record by over 1.8 msf. The Southwest submarket powered new leasing demand in 2022, with over 8.8 msf of new leasing activity. Of the 20 largest leases signed in 2022, eight were in the Southwest submarket. Though 15 new leases over 500,000 square feet (sf) were inked during the year, only three of these leases were signed in the latter half of the year as activity in the larger size segments slowed. In the fourth quarter, 3.5 msf of new leasing activity was registered, the lightest quarter of leasing in 2022 as demand cooled. The overall vacancy rate climbed to 5.2% in the fourth quarter, a rise of 130 basis points (bps) quarter-over-quarter (QOQ) and 110 bps year-over-year (YOY). The vacancy increase was the result of a vast amount of speculative construction completions during the fourth quarter and throughout 2022. Four of nine submarkets still recorded YOY vacancy declines as vacancy was concentrated in submarkets with the highest construction completion totals. The largest QOQ vacancy rise was in the East market, which also delivered the most space during the fourth quarter and in 2022.

OVERALL VACANCY

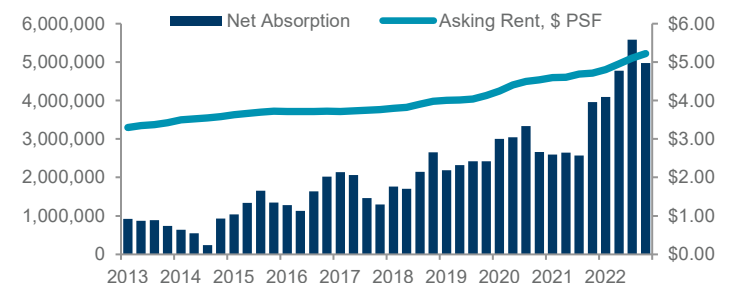
MARKET VACANCY CURRENTLY SLIGHTLY ABOVE HISTORICAL AVERAGE



Source: Cushman & Wakefield Research

OVERALL NET ABSORPTION & ASKING RENT

4-QTR TRAILING AVERAGE





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SUPPLY: Construction Completions Top 25.0 MSF in 2022

The Indianapolis market ended 2022 as one of the top industrial markets in the country for new construction, touting the 4th-highest 2022 delivery total and the 6th-largest construction pipeline of all U.S. markets. Over 25.0 msf of space was delivered in 2022, surpassing 2020's previous new construction record by 10.5 msf. Over 9.8 msf of those construction completions were in the fourth quarter, exceeding last quarter's total as the highest quarterly delivery total ever for the Indianapolis market. The East submarket alone recorded 8.0 msf of deliveries in 2022, just shy of the construction completion sum for the entire market in 2018. The South and Southwest submarkets also delivered a significant amount of space in 2022, 6.0 msf and 5.0 msf, respectively. The construction pipeline currently stands at 26.6 msf, a decrease of 4.8 msf QOQ as construction completions outpaced construction starts in the fourth quarter. However, this construction pipeline is still robust for the Indianapolis market, totaling 8.2% of the market inventory. The amount of preleased under construction space has been steadily increasing over the last year. Currently 30.6% of space under construction is preleased, an increase of 1,270 bps YOY. Looking ahead to 2023, the market should continue to deliver an abundance of space with numerous buildings under construction nearing completion in the next few quarters. The pipeline will likely moderate from its recent highs but stay relatively elevated from a historical standpoint.

PRICING: Overall Asking Rates Increase 12.8% YOY

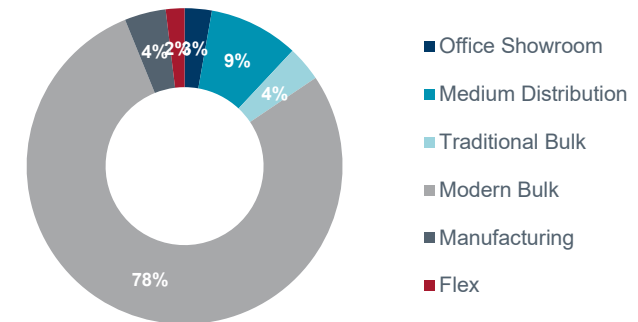
Overall asking rental rates in the Indianapolis market reached new heights in the fourth quarter, increasing 7.3% QOQ and 12.8% YOY to \$5.57 per square foot (psf) triple net (NNN). Modern bulk asking rates grew 7.0% QOQ and 19.1% YOY to \$4.87 psf NNN while medium distribution asking rates rose 6.8% QOQ and 25.2% YOY to \$6.75 psf NNN. Asking rate growth was most pronounced in the Northwest submarket, which recorded YOY growth of 45.3%.

Outlook

- In 2023, the United States economy faces numerous headwinds, including a potential recession, rising interest rates, and high inflation. However, United States employment is still forecasted to increase over the next 12 months as the labor market has remained relatively tight.
- The Indianapolis industrial market absorbed 20.5 msf of space in 2022, more than double the recent historical average of 8.4 msf as tenants have decided to expand or establish operations in the Indianapolis area. Given its central location and favorable business environment, Indianapolis should continue to see strong industrial growth over the next several years. However, the availability and proximity to labor will be paramount in driving leasing and development activity going forward.

VACANT SPACE BY PRODUCT TYPE

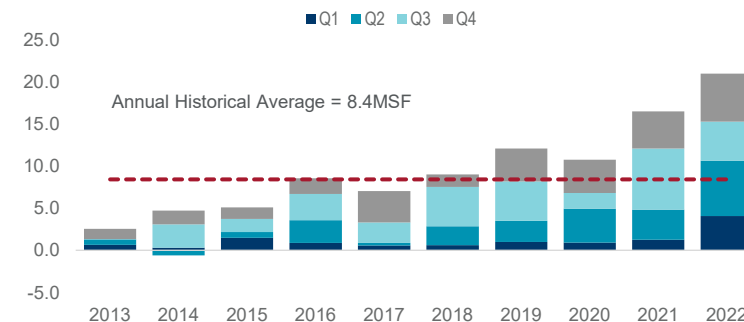
PERCENTAGE OF TOTAL VACANT SPACE

**MANUFACTURING EMPLOYMENT**

INDIANAPOLIS-CARMEL-ANDERSON MSA

**HISTORICAL DIRECT NET ABSORPTION**

INDIANAPOLIS CONTINUES THE STREAK OF STRONG ABSORPTION



MARKETBEAT INDIANAPOLIS



Industrial Q4 2022

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CURRENT QTR CONSTR COMPLETIONS (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Downtown	166	9,697,721	0	301,634	3.1%	-25,172	124,093	0	0	0	\$7.24
East	542	56,110,736	136,757	5,818,454	10.6%	1,043,385	3,944,170	8,135,988	3,815,431	8,075,172	\$4.97
North	128	5,752,502	0	225,180	3.9%	-30,816	174,490	20,360	36,800	232,633	\$8.80
Northeast	308	17,970,036	8,225	405,767	2.3%	201,701	542,777	1,335,094	28,000	358,228	\$7.90
Northwest	535	70,733,931	652,456	3,595,180	6.0%	-74,841	955,271	5,087,970	1,506,891	3,264,910	\$6.86
South	168	30,398,145	338,580	1,879,097	7.3%	820,804	6,581,999	4,482,950	1,777,557	5,970,280	\$5.27
Southeast	270	17,691,897	0	699,365	4.0%	-7,637	726,244	1,615,920	0	988,582	\$5.79
Southwest	579	99,100,824	95,851	2,432,945	2.6%	2,364,027	6,668,999	3,697,361	1,569,460	4,970,149	\$5.28
West	151	16,782,239	0	388,455	2.3%	756,133	797,224	2,228,507	1,074,320	1,181,320	\$4.35
Property Type											
Office Showroom	500	14,427,426	49,101	422,675	3.3%	40,225	195,097	0	0	14,080	\$9.45
Medium Distribution	1,042	66,278,488	212,750	1,348,203	2.4%	700,946	3,343,793	3,726,126	799,515	2,116,926	\$6.75
Traditional Bulk	139	34,999,773	146,013	464,377	1.7%	294,356	-228,118	0	0	0	\$5.26
Modern Bulk	256	140,451,333	778,636	12,512,571	9.5%	4,075,360	16,147,361	22,491,024	9,008,944	22,111,451	\$4.87
Manufacturing	568	55,585,502	11,500	706,646	1.3%	-96,700	913,884	387,000	0	750,817	\$6.64
Flex	257	8,927,935	33,869	291,605	3.7%	33,397	143,250	0	0	48,000	\$8.99
Transport	85	3,567,574	0	0	0.0%	0	0	0	0	0	-
INDIANAPOLIS TOTALS	2,847	324,238,031	1,231,869	15,746,077	5.2%	5,047,584	20,515,267	26,604,150	9,808,459	25,041,274	\$5.57

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

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3501 S CR 500 E, Whitestown	679,108	ITS Logistics	New Lease	Northwest
2301 Reeves Rd, Plainfield	448,305	Ingram Micro	Renewal*	Southwest
333 S Franklin Rd, Indianapolis	408,395	Traditions Logistics, LLC	New Lease	East
6161 Decatur Blvd, Indianapolis	382,664	LSC Communications	New Lease	Southwest

*Renewals not included in leasing statistics

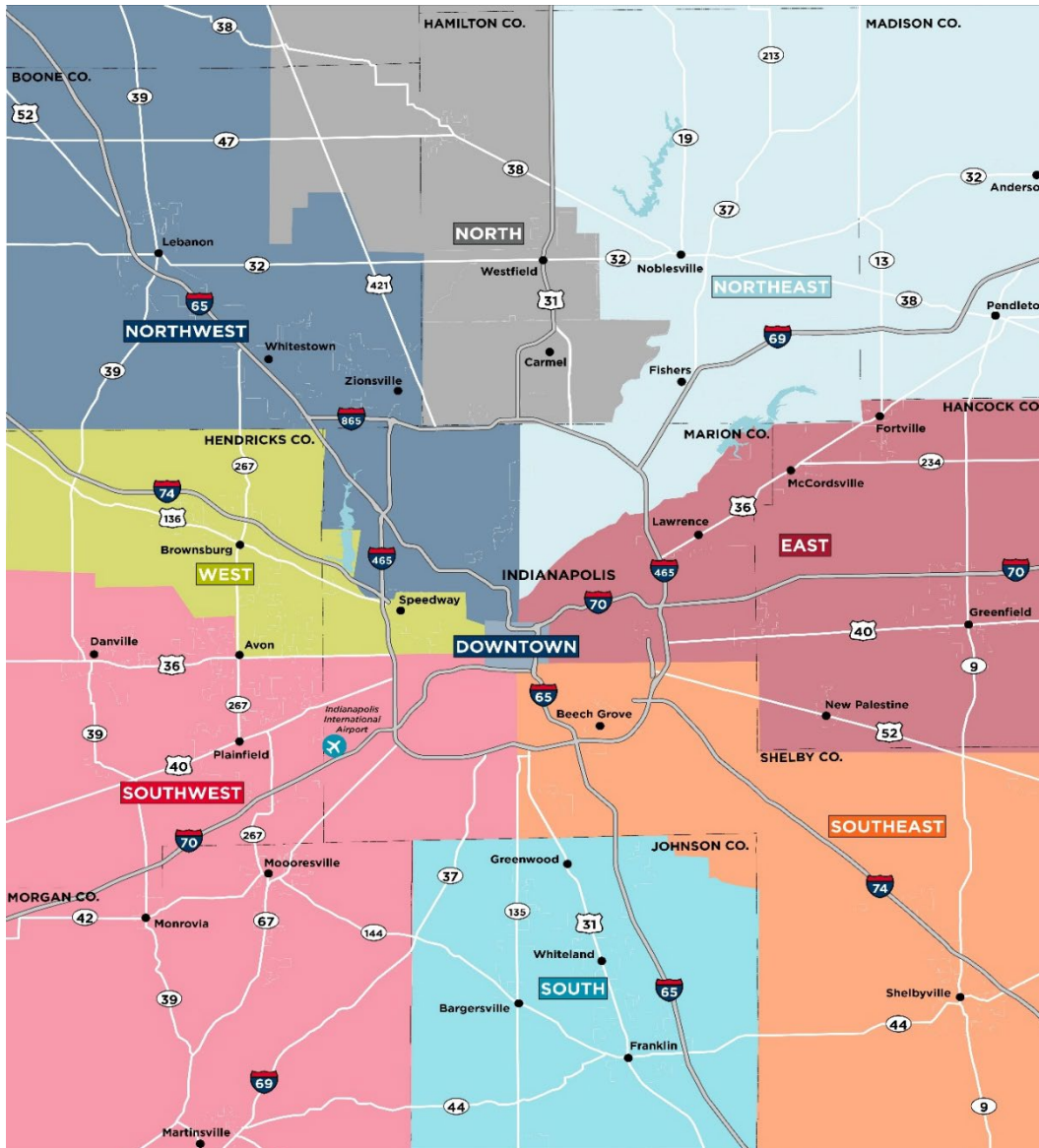
KEY INDUSTRIAL DELIVERIES Q4 2022

PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
8838 E CR 100 S, Avon	883,609	Speculative	4Q 22	Southwest
5635 N Graham Rd, Whiteland	846,260	Speculative	4Q 22	South

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INDUSTRIAL SUBMARKETS

INDIANAPOLIS

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