

Industrial Q3 2023

8.8%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

2.1M

Net Absorption, SF



\$6.16

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS
Q3 2023

1.2M

Indianapolis MSA
EmploymentYoY
Chg12-Mo.
Forecast

2.9%

Indianapolis
Unemployment Rate

3.7%

U.S.
Unemployment Rate

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: Indianapolis Unemployment Continues to Track Below U.S. Average

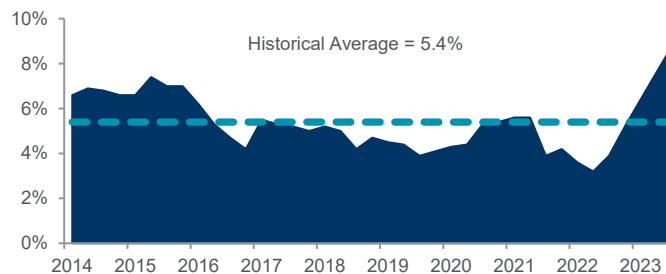
The U.S. economy added 336,000 jobs during the month of September, surpassing the average monthly job growth of 267,000 over the past 12 months. Transportation and warehousing employment increased slightly by 9,000 while manufacturing employment rose by 17,000. The Federal Reserve raised the target federal funds rate once in the third quarter, at its July meeting, to the 5.25-5.50% range. However, rates were held constant at its September meeting, though projections indicate one additional rate hike is possible in the remainder of 2023. The Indianapolis unemployment rate increased slightly quarter-over-quarter (QOQ) but remained stable year-over-year (YOY) at 2.9%, still tracking well-below the U.S. unemployment rate of 3.7%. Though unemployment in the region is expected to rise over the next 12 months, Indianapolis employment growth equaled 2.5% YOY and employment should continue to grow over the upcoming year as well.

DEMAND: New Leasing Velocity Slows but Occupancy Gains Still Total Over 2.0 MSF

New leasing velocity continued to slow in the Indianapolis industrial market during the third quarter, with just 1.7 million square feet (msf) of new leases signed. Year-to-date (YTD) new leasing activity totaled 8.7 msf, a decline of 59.0% YOY. New leasing has been notably curtailed in the larger size segments throughout the year and particularly in the third quarter. The largest new lease signed during the quarter was DXL 3PL's 365,000-square foot (sf) new lease in the West submarket, which was one of only two new leases over 300,000 sf signed during the third quarter. Comparatively, in the third quarter of last year, there were seven new leases over 300,000 sf signed. The Northwest submarket led all submarkets in new leasing activity for the third straight quarter, posting 431,000 sf of new leases, followed by the West submarket with 373,000 sf of new leasing activity. Over 2.1 msf of overall net absorption was recorded in the third quarter, with the Southwest submarket fueling these occupancy gains. The Southwest submarket absorbed 1.7 msf of space during the quarter, driven largely by the commencement of a 1.0 msf lease for Deckers Brands. The Northwest and West submarkets also posted sizeable occupancy gains of 668,000 sf and 315,000 sf, respectively. YTD overall net absorption equaled 8.5 msf, a decrease of 45.2% YOY as demand cools from last year's record levels. The overall vacancy rate in the Indianapolis market continued to climb upwards from an abundance of speculative construction deliveries, rising 120 basis points (bps) QOQ and 490 bps YOY, to 8.8%. All property types posted QOQ vacancy rate increases and office showroom was the only property type that posted YOY declines. Three submarkets—Downtown, North, and Southwest—all recorded QOQ vacancy drops while only the Downtown submarket posted a YOY decrease as vacancy levels have grown throughout the market.

OVERALL VACANCY

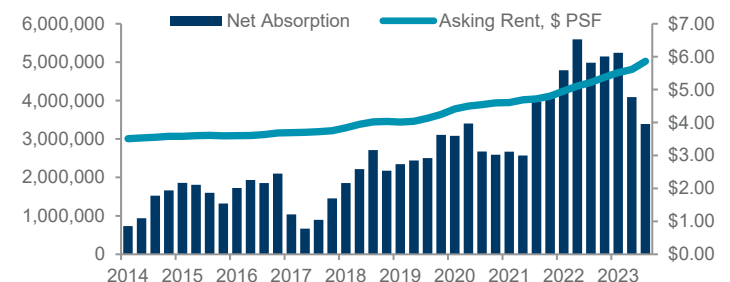
MARKET VACANCY CURRENTLY ABOVE HISTORICAL AVERAGE



Source: Cushman & Wakefield Research

OVERALL NET ABSORPTION & ASKING RENT

4-QTR TRAILING AVERAGE





SUPPLY: Delivery Total Nears Last Year's Record High but Pipeline Continues to Contract

The Indianapolis industrial market delivered nearly 6.9 msf of space in the third quarter, bringing the YTD construction completion total to 22.1 msf. This is just 3.0 msf shy of last year's record delivery total as 2023 is poised to be another record-setting year for construction completions. Two buildings larger than 1.0 msf were completed during the quarter, a 1.2 msf speculative building in the East submarket that was delivered fully vacant and a 1.0 msf property in the Southwest submarket fully leased to Deckers Brands. The Northwest and East submarkets recorded the highest delivery totals in the third quarter, equaling 2.0 msf and 1.3 msf, respectively. The East submarket has delivered the most space through the first three quarters, totaling over 6.3 msf and 28.5% of all deliveries YTD. The construction pipeline continues to contract as product is completed and starts have dropped considerably from the levels of the past several years. Correspondingly, the construction pipeline decreased to 10.3 msf in the third quarter, which is roughly a third of what the pipeline was in the third quarter of last year. Build-to-suits now account for 30.4% of space under construction, up from 16.7% last quarter and 17.7% in the third quarter of 2022. Preleasing activity has also increased on a quarterly and yearly basis, rising 220 bps QOQ and 1070 bps YOY, to 33.9%. Under construction space is distributed throughout the market, with construction pipelines over 1.0 msf in five submarkets-- East, Northeast, Northwest, South and Southwest.

PRICING: Overall Asking Rates Increase on a Quarterly and Yearly Basis

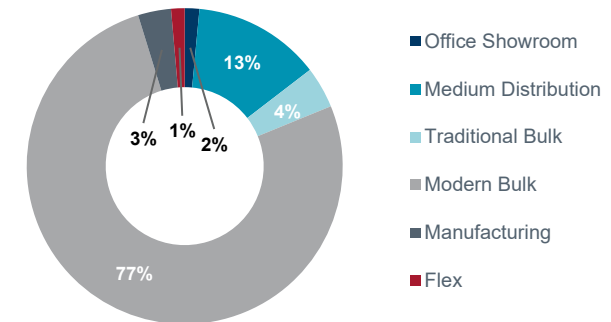
Overall asking rents increased for the fourth consecutive quarter, rising 4.6% QOQ and 18.9% YOY, to \$6.16 per square foot (psf) triple net (NNN) in the third quarter. Quarterly rent growth was highest in the manufacturing and modern bulk property types, which posted QOQ growth rates of 37.8% and 9.9%, respectively. Meanwhile, annual rent growth was strongest in the manufacturing and traditional bulk property types, equaling 42.7% and 27.7%. The North submarket commanded the top asking rents in the market at \$12.42 psf NNN, while asking rents were most affordable in the East submarket at \$5.41 psf NNN.

Outlook

- The Federal Reserve revised their real GDP growth projections at their September meeting upwards to 2.1%. This is more than double what their estimate was in June, as economic activity has remained stronger than anticipated. Real GDP growth in 2024 is expected to be slower, with the Federal Reserve's outlook currently standing at 1.5%.
- While the Indianapolis market recorded the 5th-highest delivery total YTD of all industrial markets tracked by Cushman & Wakefield Research, the construction pipeline is only the 14th-largest as construction starts have pulled back on the heels of unprecedented activity in the past several years. Construction starts are expected to remain minimal over the upcoming quarters amidst a challenging financing environment and numerous speculative buildings in the inventory that have yet to be leased.

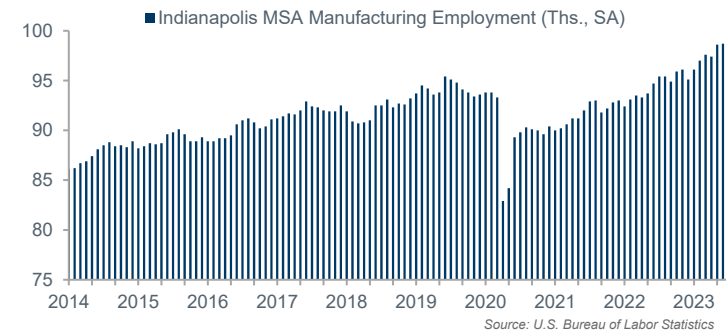
VACANT SPACE BY PRODUCT TYPE

PERCENTAGE OF TOTAL VACANT SPACE



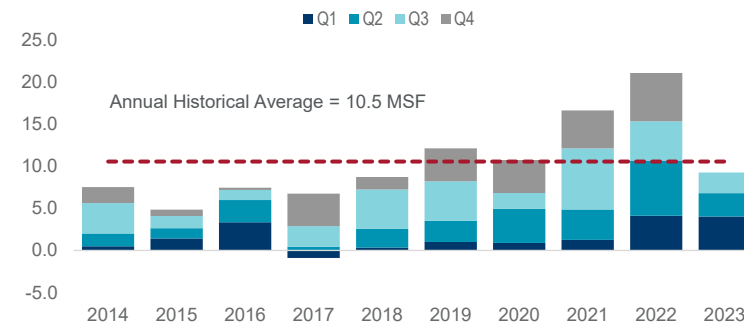
MANUFACTURING EMPLOYMENT

INDIANAPOLIS-CARMEL-ANDERSON MSA



HISTORICAL DIRECT NET ABSORPTION

INDIANAPOLIS CONTINUES THE STREAK OF STRONG ABSORPTION



MARKETBEAT INDIANAPOLIS



Industrial Q3 2023

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	155	8,310,025	0	215,728	2.6%	40,565	40,066	0	0	0	\$7.15
East	550	62,538,414	214,827	9,549,431	15.6%	-190,496	2,492,023	1,541,572	1,336,867	6,308,882	\$5.41
North	128	5,878,723	80,615	180,462	4.4%	37,351	-12,237	224,544	0	20,360	\$12.42
Northeast	315	19,113,181	113,915	1,344,540	7.6%	68,647	58,002	1,136,626	474,900	805,158	\$8.75
Northwest	545	75,172,183	470,693	4,844,498	7.1%	668,080	3,620,431	2,286,276	1,997,261	4,717,394	\$6.59
South	173	32,688,091	721,500	4,062,265	14.6%	-354,140	410,172	1,977,892	988,752	3,489,830	\$6.03
Southeast	273	19,322,169	24,000	2,133,938	11.2%	-127,287	157,347	442,823	584,820	1,615,920	\$5.83
Southwest	587	101,768,795	468,444	3,833,113	4.2%	1,685,625	1,155,706	1,762,267	1,269,502	2,941,975	\$6.07
West	159	19,014,630	0	2,118,618	11.1%	314,656	550,391	826,687	239,157	2,229,464	\$8.08
Property Type											
Office Showroom	498	14,398,400	27,316	426,413	3.2%	-24,377	42,348	49,000	0	0	\$10.12
Medium Distribution	1,068	69,887,049	408,521	3,561,410	5.7%	214,021	1,062,725	1,754,157	1,132,798	3,508,528	\$7.95
Traditional Bulk	139	34,978,362	455,782	831,773	3.7%	-181,474	-364,066	0	0	0	\$5.90
Modern Bulk	282	157,985,736	1,095,721	22,102,945	14.7%	2,472,616	8,169,109	7,345,886	5,758,461	18,590,455	\$5.57
Manufacturing	560	54,244,210	75,000	952,579	1.9%	-238,419	-318,788	949,644	0	30,000	\$8.42
Flex	252	8,727,225	31,654	387,873	4.8%	-87,566	-99,827	100,000	0	0	\$9.87
Transport	86	3,585,229	0	19,600	0.6%	-11,800	-19,600	0	0	0	\$13.32
INDIANAPOLIS TOTALS	2,885	343,806,211	2,093,994	28,282,593	8.8%	2,143,001	8,471,901	10,198,687	6,891,259	22,128,983	\$6.16

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

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
135 S Mt Zion Rd, Lebanon	1,091,435	GXO Logistics	Renewal*	Northwest
2801 Airwest Blvd, Plainfield	805,560	Whirlpool Corp	Renewal*	Southwest
9915 Lacy Knot Dr, Brownsburg	365,040	DXL 3PL	New Lease	West

*Renewals not included in leasing statistics

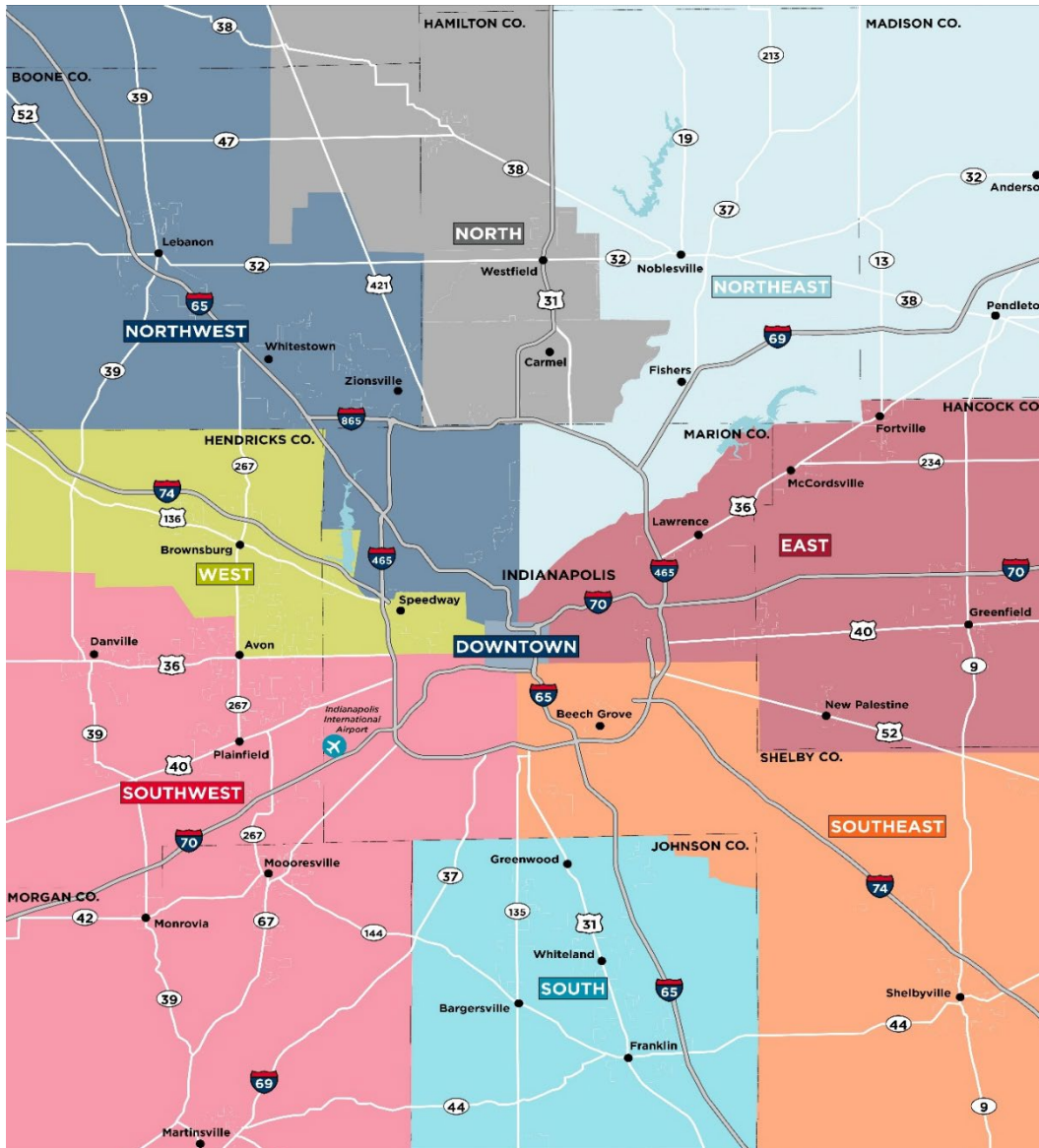
KEY INDUSTRIAL DELIVERIES Q3 2023

PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
6437 Enterprise Dr, McCordsville	1,236,162	Speculative	3Q 23	East
2723 Westpoint Blvd, Mooresville	1,015,902	Speculative	3Q 23	Southwest
6299 S CR 475 E, Whitestown	737,457	Speculative	3Q 23	Northwest
3501 S CR 500 E, Whitestown	679,108	Speculative	3Q 23	Northwest

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INDUSTRIAL SUBMARKETS

INDIANAPOLIS

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