

# MARKETBEAT

## Indianapolis

### Office Q2 2017



CELEBRATING  
**100**  
YEARS

#### INDIANAPOLIS OFFICE

##### Economic Indicators

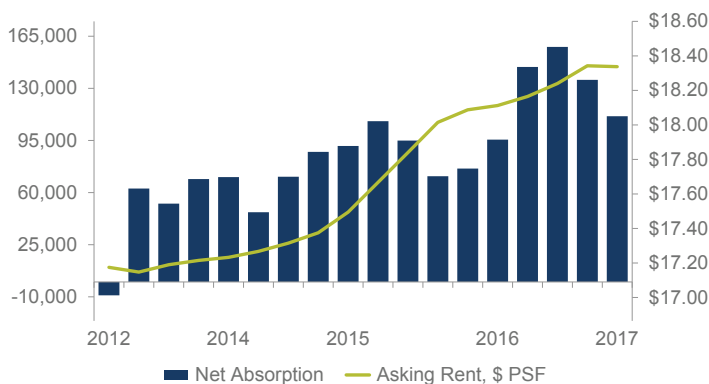
	2Q 16	2Q 17	12-Month Forecast
Indianapolis MSA Employment	1039.3K	1060.3K	▲
Indianapolis MSA Unemployment	4.3%	3.4%	■
U.S. Unemployment	4.9%	4.4%	■

##### Market Indicators (Overall, All Classes)\*

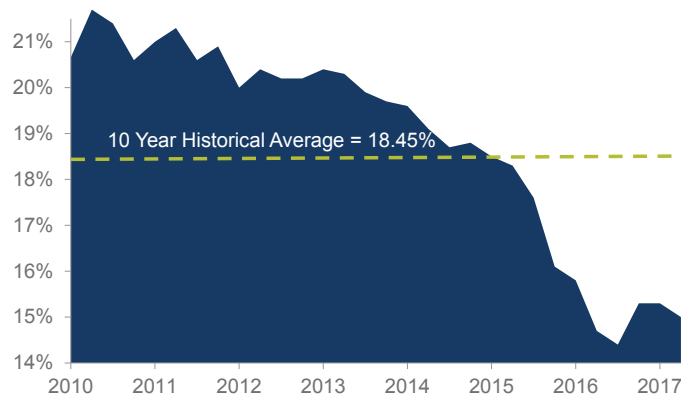
	2Q 16	2Q 17	12-Month Forecast
Vacancy	14.5%	14.5%	▲
Net Absorption (SF)	264,622	34,616	▼
Under Construction (SF)	393,500	481,000	▲
Average Asking Rent**	\$18.29	\$19.16	▲

\*\*Rental rates reflect net asking \$psf/year \*Stats are not reflective of U.S. Overview tables

##### Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



##### Overall Vacancy



## Economy

Indianapolis remains one of the hottest job markets in the Midwest with second quarter 2017 metro employment up nearly 2.0% year-over-year, with more growth expected. Office-using job creation remains healthy eight years into the current economic cycle. Moreover, leading indicators, such as job openings, suggest that business expansion will remain healthy, and by extension, so should demand for office space. This means that labor markets are tightening. Nationally, unemployment fell to a 16 year low of 4.4% in June. The Indianapolis metro area unemployment rate has dropped 90 basis points (BPS) year-over-year, and currently sits 100 BPS below the national unemployment rate. Job growth in the science, technology, engineering, and math (STEM) sector have become an increasingly important driver of office leasing. Indianapolis has seen an 18% increase in STEM jobs over the past 10 years, with the sector now comprising 5% of Central Indiana's job share. Expect the economy and job market to remain strong as we enter the final half of the year with consumer confidence keeping pace. Be on the lookout for the Federal Reserve to continue to raise short-term interest rates from their current value of 1.25% as Q2 2017 was the third consecutive quarter rates were raised.

## Market Overview

For the 13th consecutive quarter, the Greater Indianapolis office market posted positive absorption totaling 34,616 square feet (sf). The modest absorption coupled with no new construction deliveries leaves us with a relatively unchanged vacancy of 14.5% in Q2 2017. The biggest occupancy changes in Q2 2017 were in the Downtown (+57,866 sf) and Midtown (-17,517 sf) submarkets, respectively. Salesforce has begun to take more occupancy of their building Salesforce Tower; which has contributed to the rise in absorption Downtown. Salesforce has not taken full occupancy of their space in the tower so expect to see continued absorption as they continue to phase into the building.

We continue to see redevelopment and development of spaces in the Fishers and North/Carmel submarkets. With the additions of new infrastructure, accessibility has become a key component driving demand in the suburban markets. Continuing the trend of trying to attract office users to the north side of the city, Fishers

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has begun to bring other amenities to the area. Some of these amenities include Top Golf, Portillo's restaurant and other future tenants. Entertaining clients will be easier than ever. Carmel will also see the addition and relocation of businesses to their downtown area in attempts to attract office tenants into bustling Carmel neighborhoods.

There were no notable deliveries this quarter, but the pipeline remains full especially in Fishers and Carmel, with

**FOR THE 13TH CONSECUTIVE QUARTER THE GREATER INDIANAPOLIS OFFICE MARKET POSTED POSITIVE ABSORPTION TOTALING 34,616 SQUARE FEET (SF).**

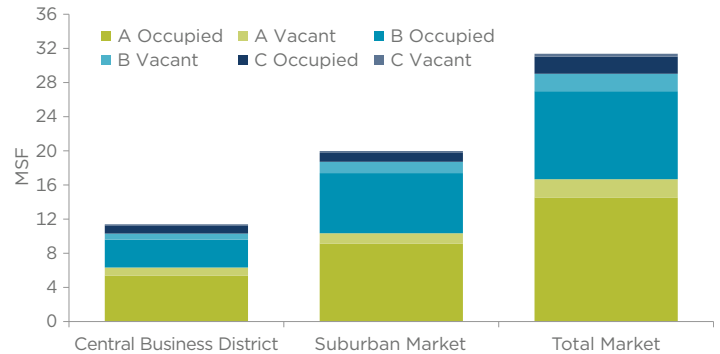
the anticipation of several key deliverables in the second half of the year. Respectively in the Fishers and North/Carmel submarkets alone there is 358,000 sf under construction of Indianapolis's 481,000 sf total construction. A few select Q3 2017 deliverables in Fishers include Citimark's 80,000 sf redevelopment "Visionary I", which is a part of the new three building Visionary Park. Fishers will also deliver the 80,000 sf Stanley Security headquarters (HQ), and the 46,000 sf Braden Business Systems HQ. As for Carmel's midtown district, the 136,000 sf Allied Solutions HQ relocation should be complete in Q4 2017, just east of the new Sun King Distillery.

## Outlook

- Expect rental rates to continue to rise with modern/renovated office concepts becoming more popular and ever increasing tenant improvement costs.
- Movement towards shared office space in Central Business District (CBD) submarkets will be on the rise with open concept floor plans being the new normal.
- Expect investors to continue shifting towards suburban office markets in search of higher yields.

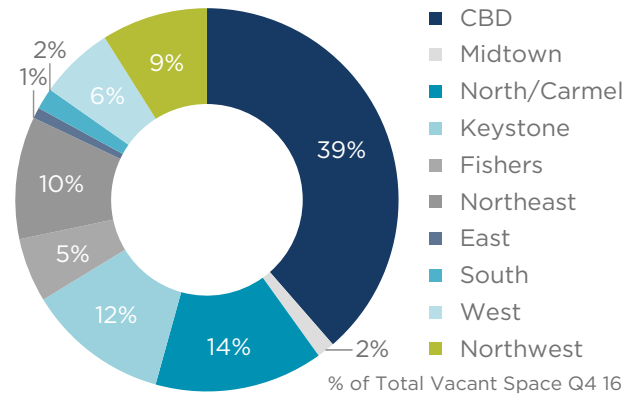
## Market Comparison

LEASING DEMAND BY CLASS OF SPACE



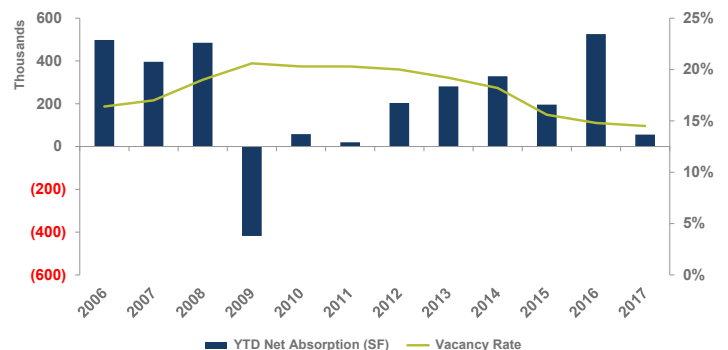
## Vacant Space by Submarket

VACANCY AS A PERCENT OF INVENTORY



## Net Absorption and Vacancy Trends

OVERALL MARKET: CHANGE IN NET ABSORPTION AND VACANCY



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SUBMARKET	TOTAL BUILDINGS	INVENTORY	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	U/C	AVG. ASKING RENT (ALL CLASSES)	AVG. ASKING RENT (CLASS A)
Downtown	67	10,555,512	0	1,706,124	16.2%	57,866	70,754	43,000	\$20.72	\$22.15
Midtown	12	837,573	0	69,234	8.3%	(17,517)	(15,180)	0	\$18.75	\$21.00
North/Carmel	88	6,420,756	40,531	654,167	10.2%	(14,943)	(27,149)	217,000	\$20.07	\$21.35
Keystone	51	4,000,020	21,633	550,535	13.8%	2,187	9,343	80,000	\$20.66	\$21.70
Fishers	23	1,007,637	0	249,129	24.7%	10,195	21,898	141,000	\$17.16	\$22.53
Northeast	72	3,089,123	1,677	475,265	15.4%	(11,685)	(11,101)	0	\$17.23	\$19.06
East	6	238,130	0	42,314	17.8%	2,779	(31,509)	0	\$13.98	\$14.10
South	23	819,802	2,500	82,537	10.1%	(4,415)	(542)	0	\$15.80	\$20.80
West	26	1,111,764	0	289,996	26.1%	1,690	881	0	\$14.42	\$17.05
Northwest	42	3,228,289	0	411,820	12.8%	8,458	38,370	0	\$17.33	\$19.13
<b>INDIANAPOLIS MARKET TOTALS</b>										
Class A	111	16,626,402	48,259	2,091,947	12.9%	11,380	48,469	481,000	\$21.32	
Class B	243	12,332,480	17,082	2,022,221	16.5%	16,762	21,320	0	\$17.59	
Class C	56	2,349,724	1,000	350,609	15.0%	6,474	(14,024)	0	\$15.17	
<b>INDIANAPOLIS TOTALS</b>	<b>410</b>	<b>31,308,606</b>	<b>66,341</b>	<b>4,464,777</b>	<b>14.5%</b>	<b>34,616</b>	<b>55,765</b>	<b>481,000</b>	<b>\$19.16</b>	

Office asking rents converted to Full Service.  
Stats are not reflective of U.S. Overview tables.

### Select Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11555 & 11595 N. Meridian Street	243,271	MRES Acquisitions LLC	Sale	North/Carmel
5502-5508 E. 116th Street	98,554	Kumar Vemulapalli	Sale	North/Carmel
Five Parkwood Crossing, 510 E. 96th Street	60,395	Bank of America	Renewal	North/Carmel
8888 Keystone Crossing	19,905	RGN Indianapolis	Renewal	Keystone
1289 City Center Drive	19,131	Long Term Care Group	Renewal	North/Carmel
251 N. Illinois Street	66,749	Indiana Supreme Court	Lease	Downtown
Midtown Carmel	30,000	MJ Insurance	Lease	North/Carmel
8520 Allison Point Boulevard	25,683	Envigo	Lease	Keystone
2955 N. Meridian Street	10,752	Indiana Association of United Ways	Lease	Midtown
935 N. Meridian Street	10,068	Pat McAfee Inc.	Lease	Downtown

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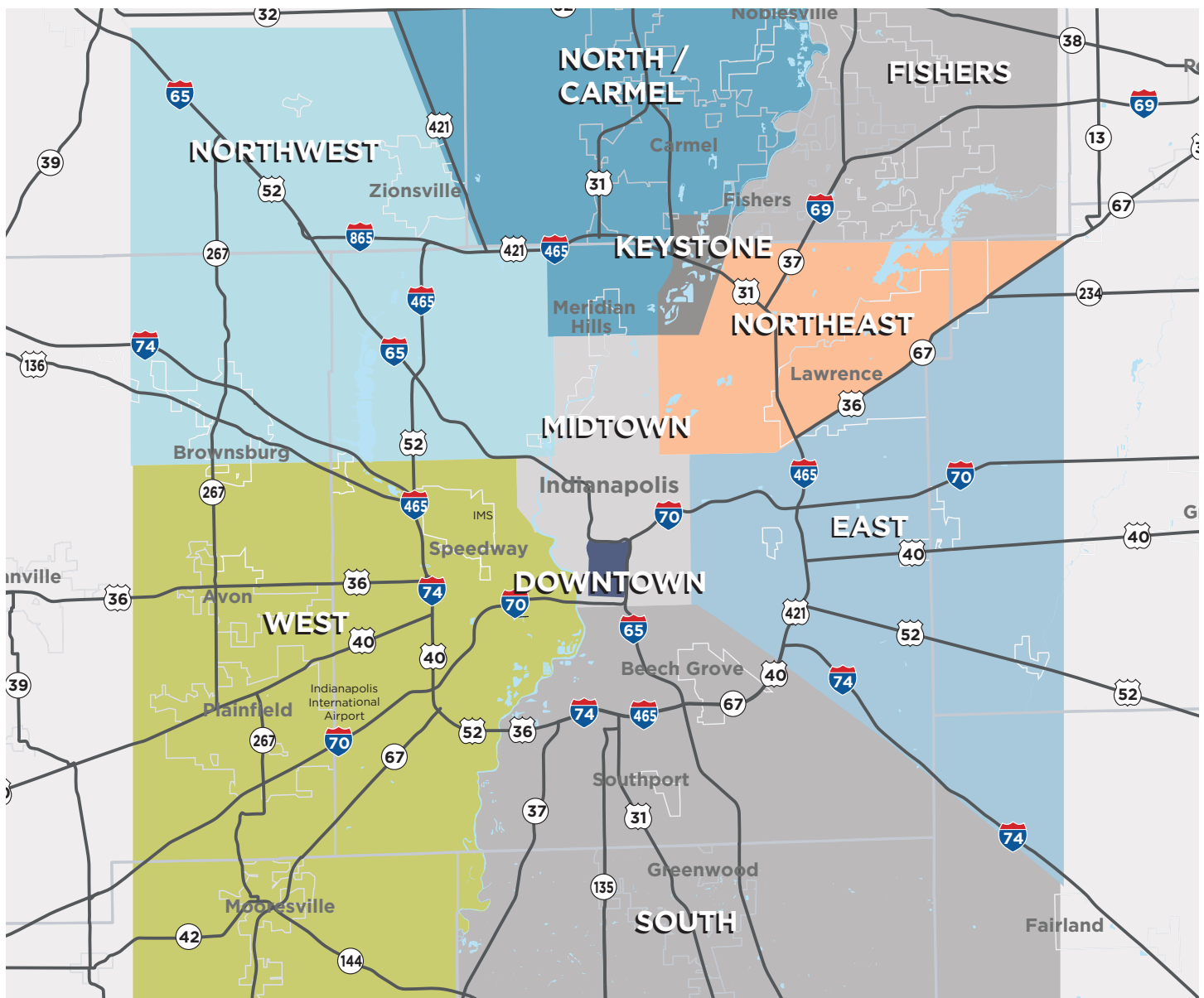
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#### OFFICE SUBMARKETS INDIANAPOLIS



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