

# MARKETBEAT

## Indianapolis

### Office Q3 2017



CELEBRATING  
**100**  
YEARS

#### INDIANAPOLIS OFFICE

##### Economic Indicators

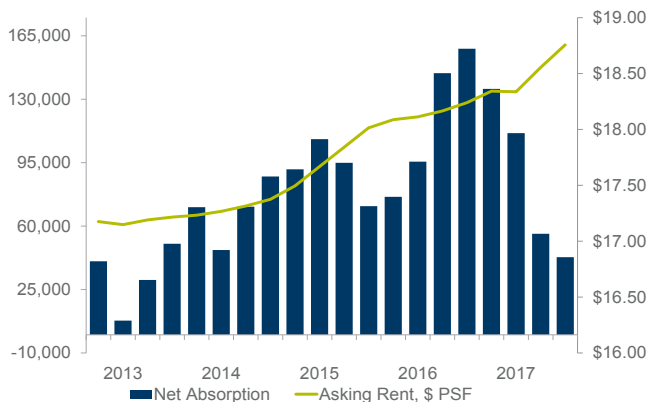
	Q3 16	Q3 17	12-Month Forecast
Indianapolis MSA Employment	1049.3K	1065.1K	▲
Indianapolis MSA Unemployment	4.0%	3.2%	■
U.S. Unemployment	4.9%	4.4%	▼

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

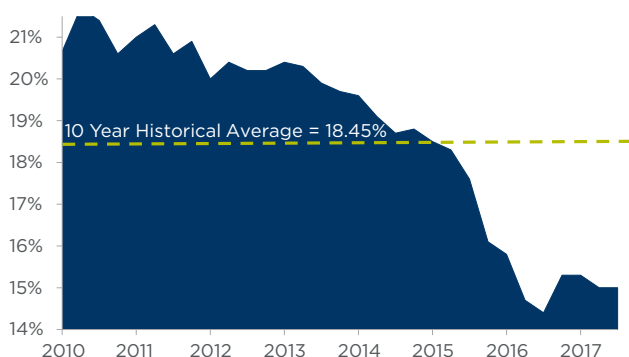
	Q3 16	Q3 17	12-Month Forecast
Vacancy	13.9%	14.5%	▲
Net Absorption (SF)	161,927	97K	▼
Under Construction (SF)	561,116	331K	▲
Average Asking Rent*	\$18.32	\$19.21	▲

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

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



##### Overall Vacancy



## Economy

Indianapolis continues to grow as a popular destination for business in the Midwest, nation and world. This growth has led to additional domestic and international flights, and has the Indianapolis International Airport expecting a record finish in 2017. Projections have the airport exceeding 8.5 million in passenger traffic from 2016, which has the local economy rolling. Indianapolis unemployment cooled off as its downward trend ended during Q3 2017 rising 50 basis points (bps) to 3.2%, remaining well below the national unemployment rate of 4.4%. Indianapolis added roughly 5,000 jobs during the course of Q3 2017. Employment numbers have risen to just over 1.06M total non-farm jobs, a 1.9% year-over-year (YOY) growth. The construction sector lead the job growth charge with a 7.3% gain YOY ending in August of 2017, a positive indicator for Indianapolis commercial real estate.

## Market Overview

The Greater Indianapolis office market posted 96,949 square feet (sf) of positive absorption to close Q3 2017. This marks the 14th consecutive quarter in which the Indianapolis office market posted positive net absorption. The Central Business District (CBD) accounted for 20,525 sf of net absorption in Q3 2017. The greatest suburban occupancy gains occurred in the North/Carmel submarket (positive 161,416 sf) as the Allied Solutions headquarters in Midtown Carmel was completed. Both Allied Solutions and FC Tucker occupy a combined 127,000 sf in the new building. Fishers saw the highest negative absorption of the quarter totaling negative 72,352 sf mostly due to Stanley Security moving out of its old space at 9998 Crosspoint Boulevard and into its new 80,000-sf headquarters.

Construction activity picked up during Q3 2017 as Indianapolis saw nearly 300,000 sf of completed office come online. The North/Carmel and Fishers submarkets remain a hotbed of construction activity which includes both under construction and proposed projects. A few major projects under construction include the 80,000-sf MJ Insurance headquarters in Midtown Carmel, the 46,000-sf Braden headquarters in Fishers, the 30,000-sf RQAW headquarters in Fishers and the 55,000-sf Walker Place at River North in the Keystone submarket. These

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projects put the total under construction square footage at 331,000 sf for the third quarter 2017. Roughly 1.7 million sf of office space are proposed.

Investment activity remains high in the Indianapolis submarkets as a handful of properties were both listed and sold during the quarter. Another prominent Downtown office tower changed ownership as Market Tower (517,500 RBA) was recently purchased by Square Deal Capital out of Oklahoma City. Zeller Realty Group

### FOR THE 14TH CONSECUTIVE QUARTER THE GREATER INDIANAPOLIS OFFICE MARKET POSTED POSITIVE ABSORPTION TOTALING 96,949 SQUARE FEET.

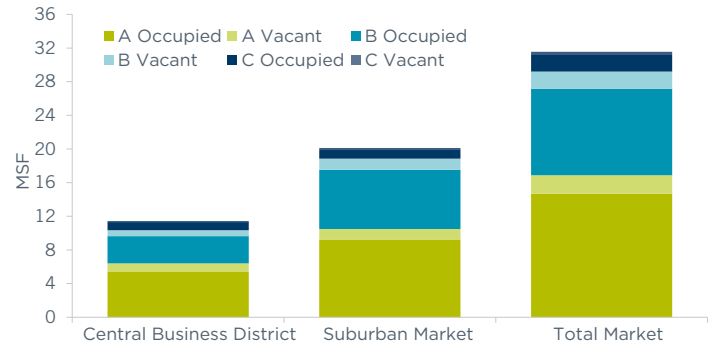
was the seller and had bought the building in 2014. Zeller invested roughly \$7M in building renovations after the purchase to offer tenancy opportunities in the CBD. Additional investment opportunities are still in play heading into Q4 2017 with multiple properties on the sale block including Coastal Partners LLC's 138,000-sf building Pan American Plaza and the 443,000-sf AT&T Building at 220 North Meridian Street.

## Outlook

- Investment activity is a key driver for economic success, with multiple properties currently for sale and double digit investment sales year-to-date (YTD), expect the Indianapolis market to remain strong.
- Office construction remains robust with 1.7 msf proposed, expect to see some of these projects come to fruition as occupier and investor confidence remains high.
- Expect to see a slowdown in job growth and rise in unemployment throughout the U.S. as natural disasters such as hurricanes have an impact on the economy in the South and Southeast U.S. with a trickle-down effect in tertiary markets.

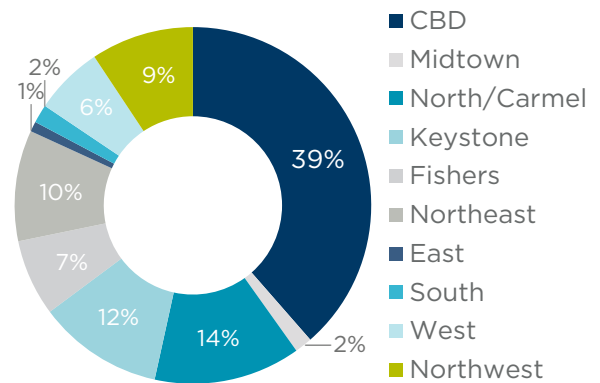
## Market Comparison

### LEASING DEMAND BY CLASS OF SPACE



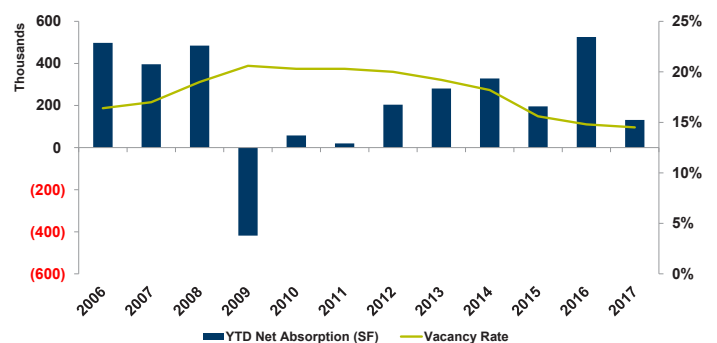
## Vacant Space by Submarket

### 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	68	10,581,012	18,888	1,729,987	16.3%	20,525	91,279	0	\$20.75	\$22.19
Midtown	12	837,573	0	73,198	8.7%	(3,965)	(3,965)	0	\$17.65	\$19.95
North/Carmel	90	6,583,756	5,060	620,281	9.4%	161,416	161,416	200,000	\$20.32	\$21.75
Keystone	51	4,000,020	15,617	544,878	13.6%	(360)	8,984	55,000	\$20.68	\$21.71
Fishers	23	1,007,637	2,244	323,725	32.1%	(72,352)	(50,454)	76,000	\$18.20	\$22.49
Northeast	72	3,089,123	6,698	472,243	15.3%	8,043	(3,058)	0	\$17.27	\$19.10
East	6	238,130	0	42,314	17.8%	0	(31,509)	0	\$13.98	\$0.00
South	23	819,802	2,500	80,007	9.8%	2,530	1,988	0	\$16.01	\$20.83
West	26	1,111,764	0	289,514	26.0%	481	1,363	0	\$14.13	\$17.06
Northwest	42	3,228,289	2,940	434,130	13.4%	(19,370)	(19,370)	0	\$17.30	\$19.10
<b>INDIANAPOLIS MARKET TOTALS</b>										
Class A	114	16,835,162	38,291	2,192,202	13.0%	101,037	149,506	331,000	\$21.44	
Class B	243	12,312,220	14,656	2,044,482	16.6%	17,895	39,216	0	\$17.59	
Class C	56	2,349,724	1,000	373,593	15.9%	(21,984)	(36,007)	0	\$15.04	
<b>INDIANAPOLIS TOTALS</b>	<b>413</b>	<b>31,497,106</b>	<b>53,947</b>	<b>4,610,276</b>	<b>14.5%</b>	<b>96,949</b>	<b>152,715</b>	<b>331,000</b>	<b>\$19.21</b>	

Office asking rents converted to Full Service.

### Select Transactions Q3 2017

PROPERTY	SF	BUYER / TENANT	TRANSACTION TYPE	SUBMARKET
10 W Market St. (Market Tower)	593,437	Square Deal Capital	Sale	Downtown
2601 Stout Heritage Pkwy.	100,000	Genuine Parts Company	Sale	Northwest
9200 Keystone Crossing	67,344	State Farm	Renewal	Keystone
7999 Knue Rd	56,542	Royal United Mortgage	Lease	Northeast
3815 River Crossing Pkwy	51,856	Crowe Horwath	Extension	Keystone
One American Square (OneAmerica Tower)	35,378	Infosys	Lease	Downtown

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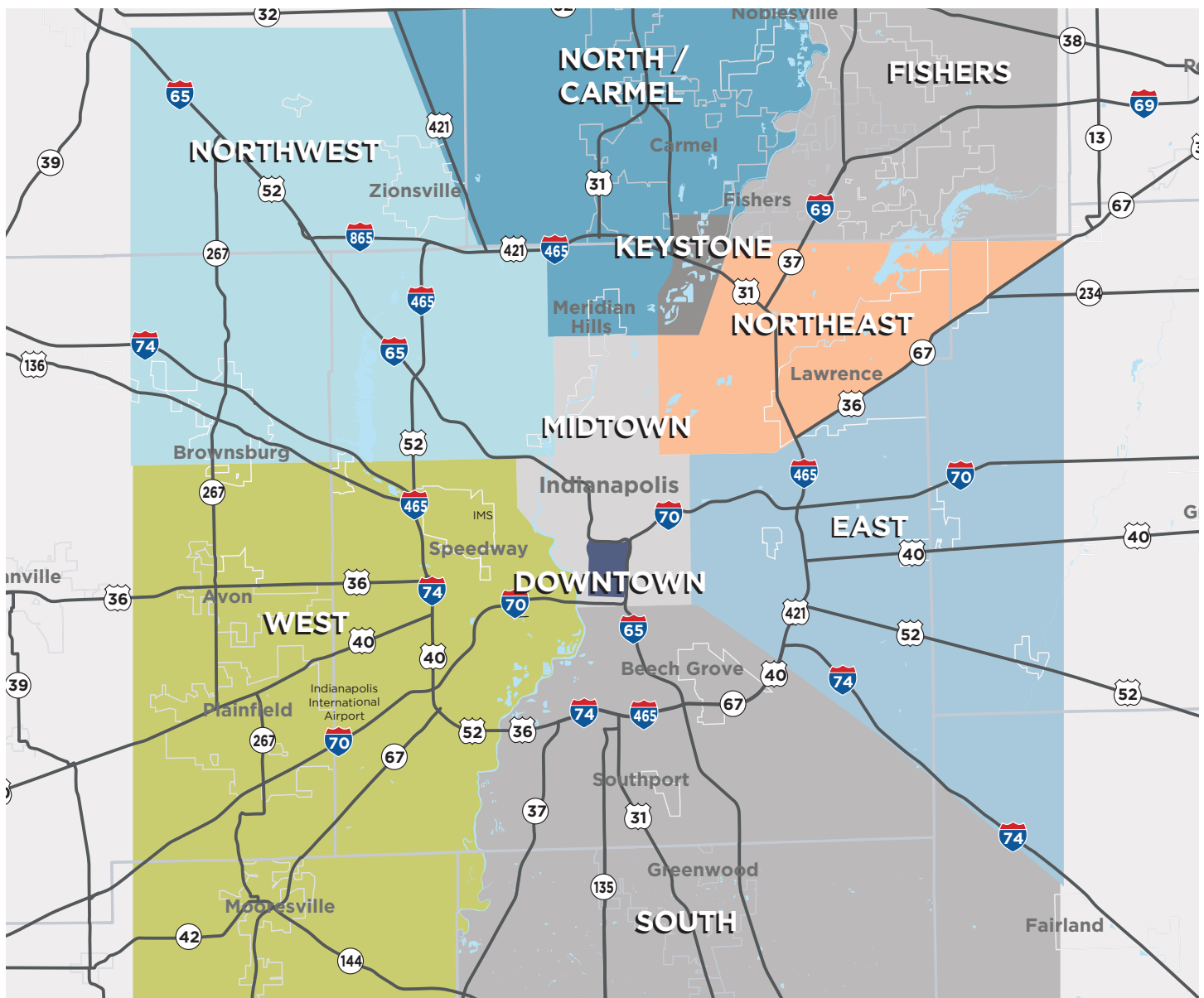
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#### OFFICE SUBMARKETS INDIANAPOLIS



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