

	YoY Chg	12-Mo. Forecast
21.7% Vacancy Rate	▲	▼
-212K Net Absorption, SF	▼	▲
\$21.43 Asking Rent, PSF	▼	▼

Overall, All Property Classes

ECONOMIC OVERVIEW: Job Growth Slows Through the First Half of 2023

Nonfarm payroll employment continued to increase in the second quarter of 2023, with the U.S. economy adding 209,000 jobs in the month of June. Government employment increased by 60,000 in June and professional and business services employment rose by 21,000. However, job growth has slowed from 2022's pace. Through the first six months of 2023, monthly job growth has averaged 270,000, below the 399,000 monthly average recorded during the first half of 2022. The Federal Reserve raised the target federal funds rate once in the second quarter, at its May meeting, to the 5.00-5.25% range. The Federal Reserve held the federal funds rate constant at its June meeting, forgoing a rate increase for the first time since February 2022. The Federal Reserve's projections show an additional 50 basis points (bps) of rate hikes are expected during the second half of 2023. The Indianapolis unemployment rate remained unchanged quarter-over-quarter (QOQ) and year-over-year (YOY) at 2.7%, though employment in the region rose by 3.5% over the last year and is expected to increase over the next 12 months as well.

DEMAND: Strongest Quarter of New Leasing Since 2021

The Indianapolis office market recorded 583,000 square feet (sf) of new leasing activity in the second quarter, the highest quarterly new leasing total since the fourth quarter of 2021. North/Carmel was the top submarket for new leasing, posting nearly 223,000 sf of new leases. The Northwest and Keystone submarkets also recorded significant second quarter leasing totals, equaling 106,000 sf and 81,000 sf, respectively. Despite the market's strong leasing in the second quarter, new leasing activity through the first half of 2023 still trailed 2022's activity by 94,000 sf driven primarily by a slow first quarter. The amount of vacant sublease space rose by 39.3% in the second quarter to 949,000 sf. Sublease space comprised 11.1% of overall vacancy in the second quarter of 2023, compared to just 2.9% in the second quarter of 2020. As a result of the increase in vacant sublease space, overall net absorption totaled negative 212,000 sf in the second quarter. This marked the fourth straight quarter of occupancy losses. However, direct net absorption, which does not include occupancy changes from sublease space, was positive in the second quarter, equaling nearly 56,000 sf. The overall vacancy rate for the market rose 110 bps QOQ and 300 bps YOY to 21.7%. Only two submarkets, Fishers and Keystone, posted quarterly vacancy rate declines. The Northwest submarket posted the steepest vacancy rate increase, totaling 530 bps, and now has the highest overall vacancy rate in the market at 28.1%.

ECONOMIC INDICATORS Q2 2023

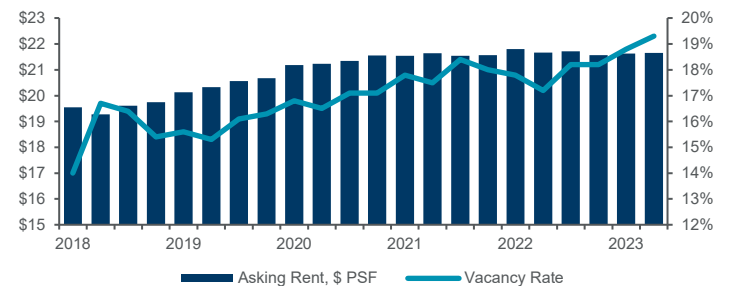
	YoY Chg	12-Mo. Forecast
1.2M Indianapolis MSA Employment	▲	▲
2.7% Indianapolis MSA Unemployment Rate	▬	▲
3.6% U.S. Unemployment Rate	▬	▲

Source: BLS, Moody's Analytics

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



INDIANAPOLIS

Office Q2 2023



PRICING: Asking Rents Decrease Slightly on a Quarterly and Yearly Basis

Overall asking rents in the Indianapolis market have stayed relatively stable the last year, decreasing \$0.02 QOQ and \$0.01 YOY, to \$21.43 per square foot (psf) gross. Class A overall asking rents posted quarterly and yearly gains, rising to \$24.16 psf. Meanwhile, Class B asking rents declined on both a quarterly and yearly basis to \$18.54 psf. The Keystone submarket commanded the highest average asking rents for the sixth straight quarter, with overall asking rents increasing \$0.18 QOQ and \$0.69 YOY, to \$25.25 psf. Quarterly rent growth was highest in the South submarket, with asking rents rising 10.6% QOQ to \$18.15 psf.

SUPPLY: First Construction Delivery of 2023 and Two Renovations Add to Inventory

The Indianapolis market recorded its first construction completion of 2023 in the second quarter, a 30,000-square-foot build-to-suit in the North/Carmel submarket that is fully occupied. Two building renovations were also completed in the Downtown submarket, adding an additional 244,000 sf of inventory. The construction pipeline declined slightly QOQ to 171,000 sf across three buildings. All three buildings are being built on a speculative basis with 62.4% of the space in these buildings already preleased as new, high-quality spaces continue to outperform older and less amenitized properties. Looking ahead to the second half of 2023, one other building is expected to be completed, adding 54,000 sf to the North/Carmel submarket.

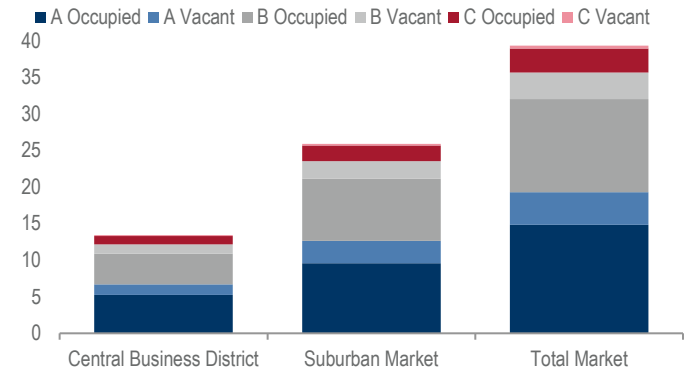
SALE ACTIVITY: Sales Activity Rebounds Slightly in the Second Quarter

Office sales activity rebounded slightly in the second quarter but remained well-below last year's total through the first half of the year. In the second quarter, 329,000 sf of space traded hands and through the first half of 2023, sales activity totaled over 560,000 sf. Comparatively, 628,000 sf of sales activity occurred in the second quarter of 2022 and 1.5 million square feet of space traded hands in the first half of that year. Though most sales in the first quarter were in the Downtown submarket, that trend reversed in the second quarter with no Downtown properties changing hands. The South submarket recorded the most sales activity in the quarter, totaling 119,000 sf. The West and Fishers submarkets followed in sales activity, posting 68,000 sf and 56,000 sf of sales, respectively.

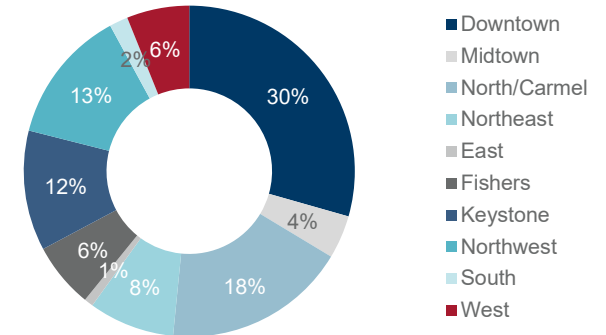
Outlook

- Despite economic uncertainty and headlines of layoffs across various industries, the U.S unemployment stayed stable YOY at 3.6% in the second quarter, near historic lows. However, the unemployment rate is expected to rise over the next year as job growth slows.
- With numerous large blocks of vacant sublease space added to the market over the last several quarters, leasing activity needs to remain robust to offset any occupancy losses.

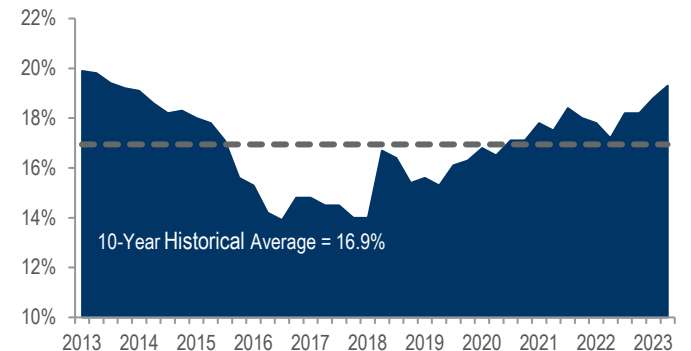
LEASING DEMAND BY CLASS OF SPACE (MSF)



VACANT SPACE BY SUBMARKET



DIRECT VACANCY RATE VS. 10 YEAR HISTORICAL AVERAGE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown	11,575,240	266,528	2,244,112	21.7%	-53,439	-48,776	114,027	94,266	\$23.40	\$25.03
Midtown	1,897,304	0	360,613	19.0%	-1,453	5,144	27,215	0	\$15.90	N/A
East	509,446	24,240	51,576	14.9%	-19,096	-19,528	4,442	0	\$17.33	N/A
Fishers	2,644,748	26,356	517,224	20.6%	78,266	79,937	41,083	0	\$21.96	\$23.88
Keystone	4,106,618	198,416	803,498	24.4%	17,654	-128,435	126,283	0	\$25.25	\$26.30
North/Carmel	8,188,629	125,409	1,405,439	18.7%	16,829	-56,332	265,086	76,894	\$23.11	\$25.24
Northeast	3,189,594	0	716,594	22.5%	-2,650	-19,079	73,864	0	\$19.01	\$21.36
Northwest	3,984,108	276,994	843,779	28.1%	-212,047	-322,028	144,122	0	\$18.09	\$20.03
South	1,431,040	0	154,605	10.8%	-10,929	-11,097	10,089	0	\$18.15	\$21.86
West	1,875,495	31,404	490,463	27.8%	-25,209	-26,858	79,894	0	\$16.03	\$16.40
Class A	19,347,312	660,129	3,832,785	23.2%	-174,239	-234,499	529,881	171,160	\$24.16	
Class B	16,390,256	289,218	3,372,604	22.3%	-30,020	-296,135	308,987	0	\$18.54	
Class C	3,664,654	0	382,514	10.4%	-7,815	-16,418	47,237	0	\$17.50	
TOTAL	39,402,222	949,347	7,587,903	21.7%	-212,074	-547,052	886,105	171,160	\$21.43	\$24.16

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
11299 N Illinois St, Carmel	North/Carmel	CNO Financial	125,000	Sublease
7702 Woodland Dr, Indianapolis	Northwest	Medxcel	49,232	Expansion/Renewal*
6625 Network Way, Indianapolis	Northwest	Health & Hospital Corp. of Marion Co.	31,603	New
9190 Priority Way West Dr, Indianapolis	Keystone	Location Services	28,360	Sublease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2023

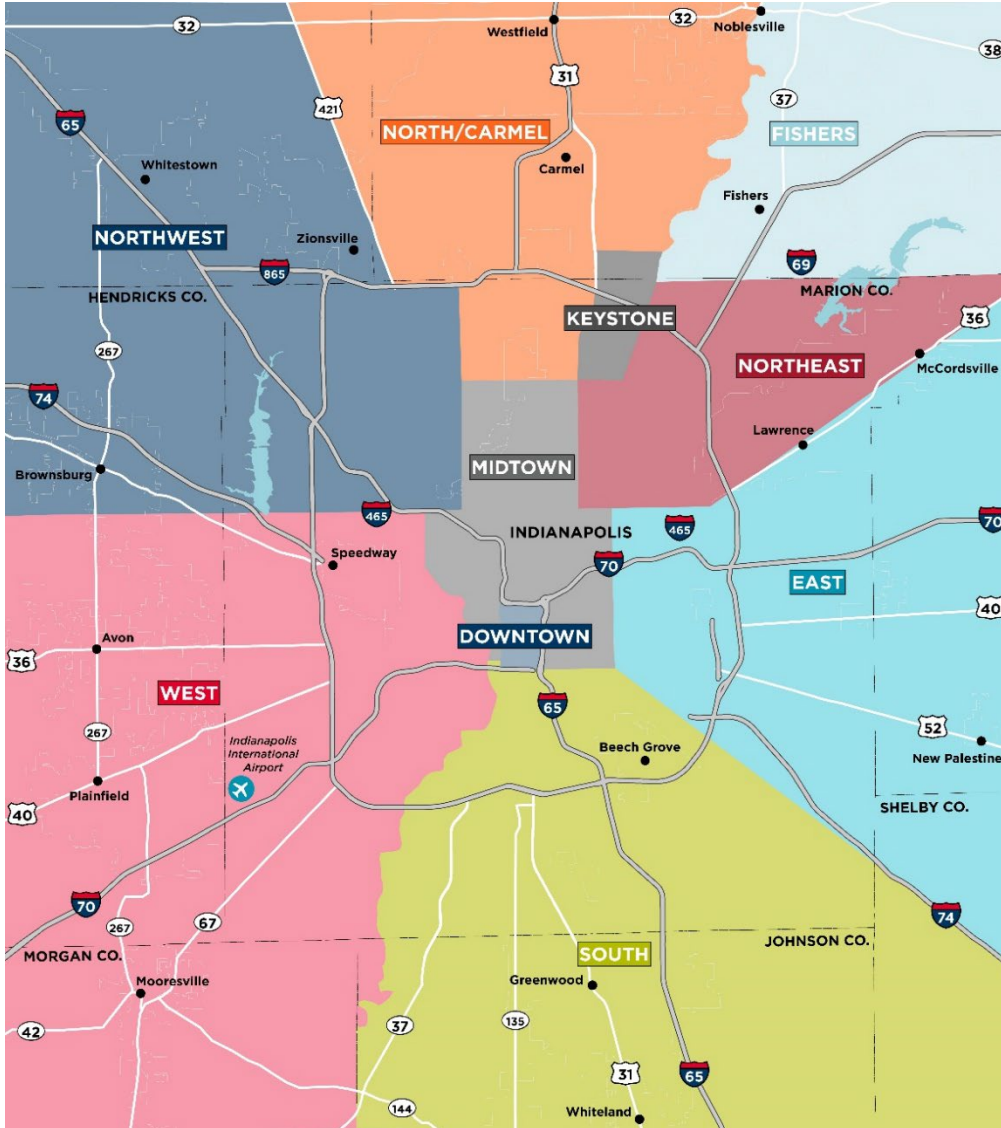
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
435 E Main St, Greenwood	South	Envision Indiana, LLC Lonicer Partners LLC	65,000	\$6,960,000/\$107.08
10405 Crosspoint Blvd, Indianapolis	Fishers	Fishsan LLC Gaylor Electric	55,837	Unknown

INDIANAPOLIS

Office Q2 2023



OFFICE SUBMARKETS



MAGGIE TILLOTSON

Senior Research Analyst

Tel: +1 317 352 6368

maggie.tillotson@cushwake.com

CUSHMAN & WAKEFIELD

One American Square, Suite 1800

Indianapolis, IN 46282 | USA

Tel: +1 317 634 6363

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.