

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
22.9% Vacancy Rate	▲	▬
-152K YTD Net Absorption, SF	▲	▲
\$21.90 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.2M Indianapolis Employment	▲	▲
3.6% Indianapolis Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▼

Source: BLS

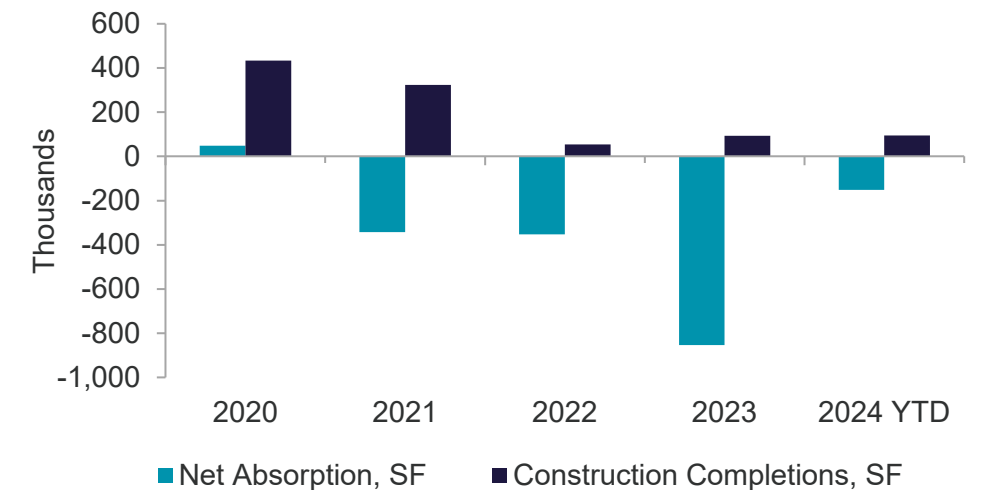
ECONOMY: U.S. JOB GROWTH AVERAGES 186,000 IN Q3

Employment growth in the U.S. continued throughout the third quarter, with job growth averaging 186,000 during the quarter. September job gains were the highest, with 254,000 jobs added during the month. Government employment increased by 31,000 in September and professional and business services employment rose by 17,000 jobs. While U.S. employment has grown, so has the U.S. unemployment rate. In the third quarter, the U.S. unemployment rate equaled 4.1%, an increase of 40 basis points (bps) year-over-year (YOY). However, on a quarterly basis the U.S. unemployment rate remained flat. The Indianapolis MSA unemployment rate rose on both a quarterly and yearly basis to 3.6%, still 50 bps below the national rate. Indianapolis MSA employment grew by 2.5% YOY and is forecasted to register gains over the next 12 months.

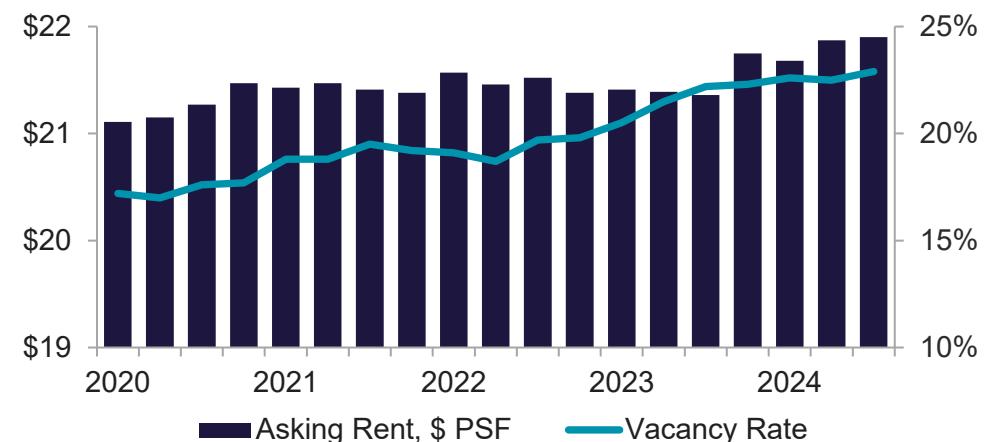
DEMAND: YTD NEW LEASING TOPS 1.4 MSF

The Indianapolis office market posted almost 539,000 square feet (sf) of new leasing activity in the third quarter of 2024, the largest quarterly new leasing total of the year and the highest since the second quarter of last year. The Downtown submarket led in new leasing activity, with 150,000 sf of new deals inked, followed by the Keystone (124,000 sf) and North/Carmel (116,000 sf) submarkets. Year-to-date (YTD) new leasing topped 1.4 million square feet with one quarter remaining, surpassing 2023's new leasing activity through the first three quarters. North/Carmel has recorded the most new leasing YTD, with 359,000 sf of activity. Despite the positive leasing momentum, overall net absorption totaled negative 151,000 sf during the quarter with several large move-outs around the market. Occupancy losses were particularly pronounced in the Northwest submarket, which logged negative 150,000 sf of overall net absorption. The Fishers submarket recorded the most positive net absorption in the third quarter, at 61,000 sf, in addition to having the highest net absorption YTD at 216,000 sf. The overall market vacancy rate ticked

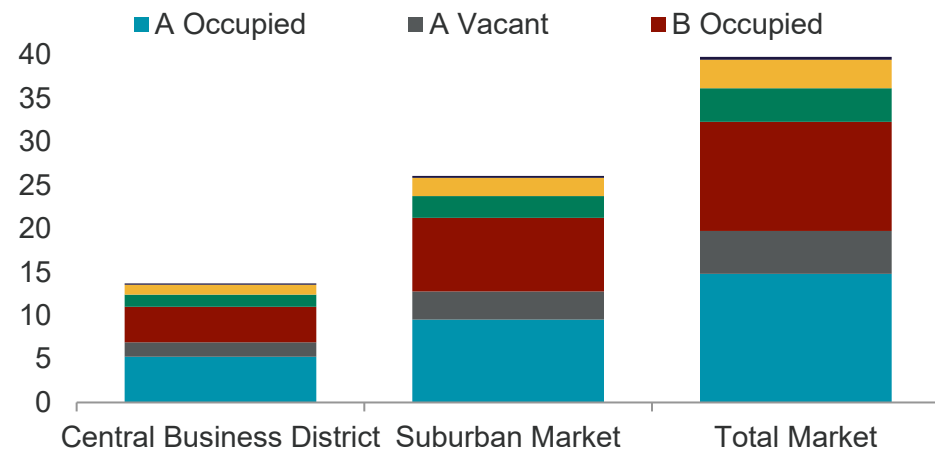
SPACE DEMAND / DELIVERIES



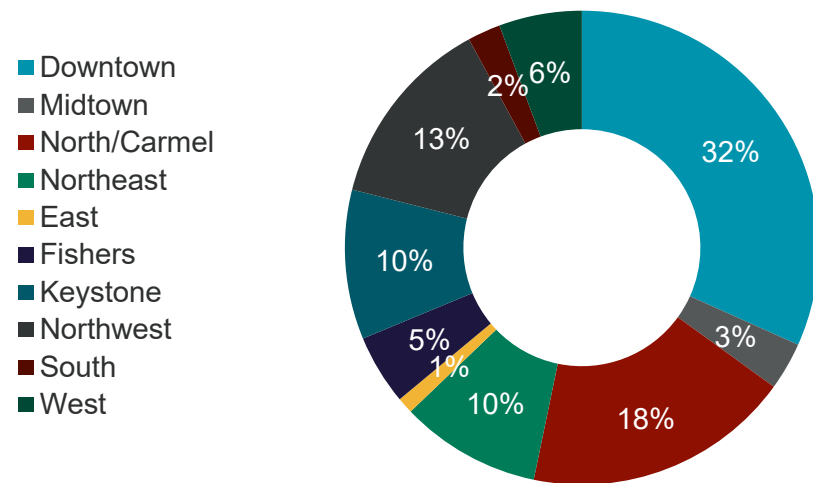
OVERALL VACANCY & ASKING RENT



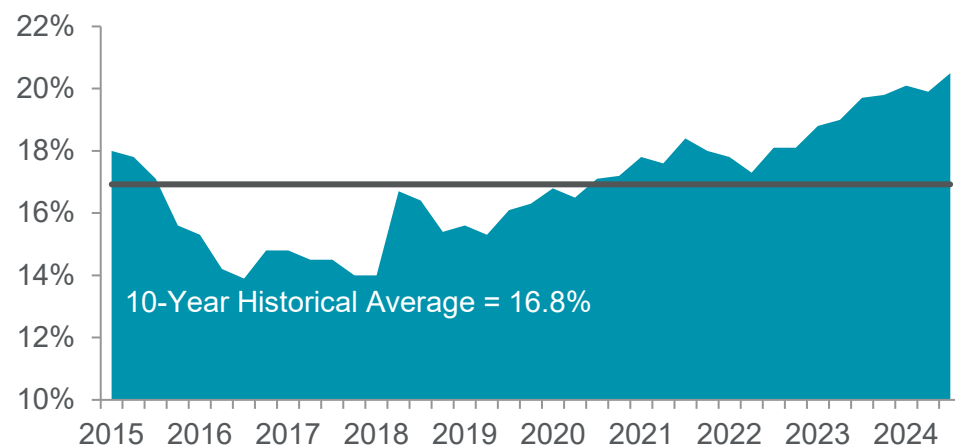
LEASING DEMAND BY CLASS OF SPACE (MSF)



VACANT SPACE BY SUBMARKET



DIRECT VACANCY RATE VS. 10-YEAR AVERAGE



upwards by 40 bps quarter-over-quarter (QOQ), to 22.9%. Overall vacancy increased the most sharply QOQ in the Northwest submarket, climbing 380 bps to 30.1%, the highest vacancy rate in the market. Conversely, the Fishers submarket registered the largest vacancy decline, dropping 230 bps QOQ and 700 bps YOY, to 16.5%.

PRICING: EIGHT SUBMARKETS RECORD YOY ASKING RENT GROWTH

Overall average asking rents in the Indianapolis office market equaled \$21.90 per square foot (psf) gross in the third quarter, an increase of 0.2% QOQ and 2.5% YOY. Six submarkets posted quarterly asking rate gains, with QOQ growths highest in the West and Northwest submarkets. Eight submarkets recorded YOY asking rent escalations, with the Fishers and North/Carmel submarkets registering the highest growth rates of 6.9% and 5.7%, respectively.

SUPPLY: CONSTRUCTION PIPELINE CURRENTLY 96.1% PRELEASED

The under construction pipeline remained unchanged in third quarter at 348,000 sf across four buildings, the largest pipeline since 2020. Three buildings totaling 263,000 sf are under construction in the North/Carmel submarket and one building equaling 85,000 sf is underway in the Downtown submarket. A 23,000-sf fully preleased project is expected to be completed in the final quarter of 2024 while the remaining 325,000 sf is projected to come online in 2025. The construction pipeline is currently 96.1% leased as new construction activity has been concentrated in build-to-suit projects and speculative buildings with preleasing activity.

SALE ACTIVITY: SALES ACTIVITY REBOUNDS IN THIRD QUARTER

Sales activity in the third quarter rebounded after several slow quarters, with 940,000 sf trading hands, 312.4% higher than the activity posted through the first half of the year. Investment sales comprised 678,000 sf of the activity and the remaining 262,000 sf were user sales. Third quarter sales activity was the highest quarterly total since the third quarter of 2021. The three largest buildings that sold during the quarter were Intech One-Three in the Northwest submarket, which sold as a portfolio for \$10.1 million to Woodside Capital Partners. The Northwest submarket also led all submarkets in activity, with nearly 656,000 sf of sales in the third quarter. One building in the Downtown submarket traded hands, the 138,800 sf-Centricity, which Lauth sold to The Capital Improvement Board for \$10.5 million.

OUTLOOK

- The Federal Reserve lowered the federal funds rate at its September meeting for the first time since March 2020, to a target range of 4.75 to 5.0%. An additional 50-bps rate cut is expected before the end of 2024.
- Through the first three quarters of 2024, 19 new leases over 15,000 sf have been signed, compared to 14 during the same period last year. Larger occupiers in the market are increasingly making long-term decisions to relocate or expand in existing buildings to meet the needs of a post-pandemic workforce.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD NEW LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown	11,866,402	257,026	2,633,381	24.4%	-44,981	-192,602	303,198	84,951	\$23.78	\$25.59
Midtown	1,835,090	0	297,506	16.2%	22,613	40,526	37,073	0	\$15.97	N/A
East	514,352	19,096	81,178	19.5%	-1,381	-33,739	7,826	0	\$16.42	N/A
Fishers	2,638,148	45,568	390,364	16.5%	60,708	215,692	139,163	0	\$23.35	\$23.68
Keystone	4,106,618	100,189	829,787	22.6%	-5,809	11,034	200,836	0	\$25.27	\$26.30
North/Carmel	8,277,716	140,577	1,525,610	20.1%	-19,581	9,241	359,199	263,084	\$24.68	\$25.82
Northeast	3,248,625	55,998	818,575	26.9%	23,070	-20,265	137,875	0	\$18.96	\$20.44
Northwest	3,984,880	320,823	878,269	30.1%	-150,379	-147,869	180,458	0	\$18.62	\$20.23
South	1,431,040	0	204,653	14.3%	5,252	3,919	30,860	0	\$18.58	\$22.31
West	1,880,933	33,892	481,503	27.4%	-40,615	-37,682	44,833	0	\$15.79	\$16.57
Class A	19,727,997	531,970	4,380,853	24.9%	-92,684	-29,186	869,064	348,045	\$24.41	
Class B	16,428,088	441,199	3,406,971	23.4%	-52,008	-81,245	464,334	0	\$18.86	
Class C	3,627,719	0	353,002	9.7%	-6,411	-41,314	107,923	0	\$17.97	
TOTAL	39,783,804	973,169	8,140,826	22.9%	-151,103	-151,745	1,441,321	348,045	\$21.90	\$24.41

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2024

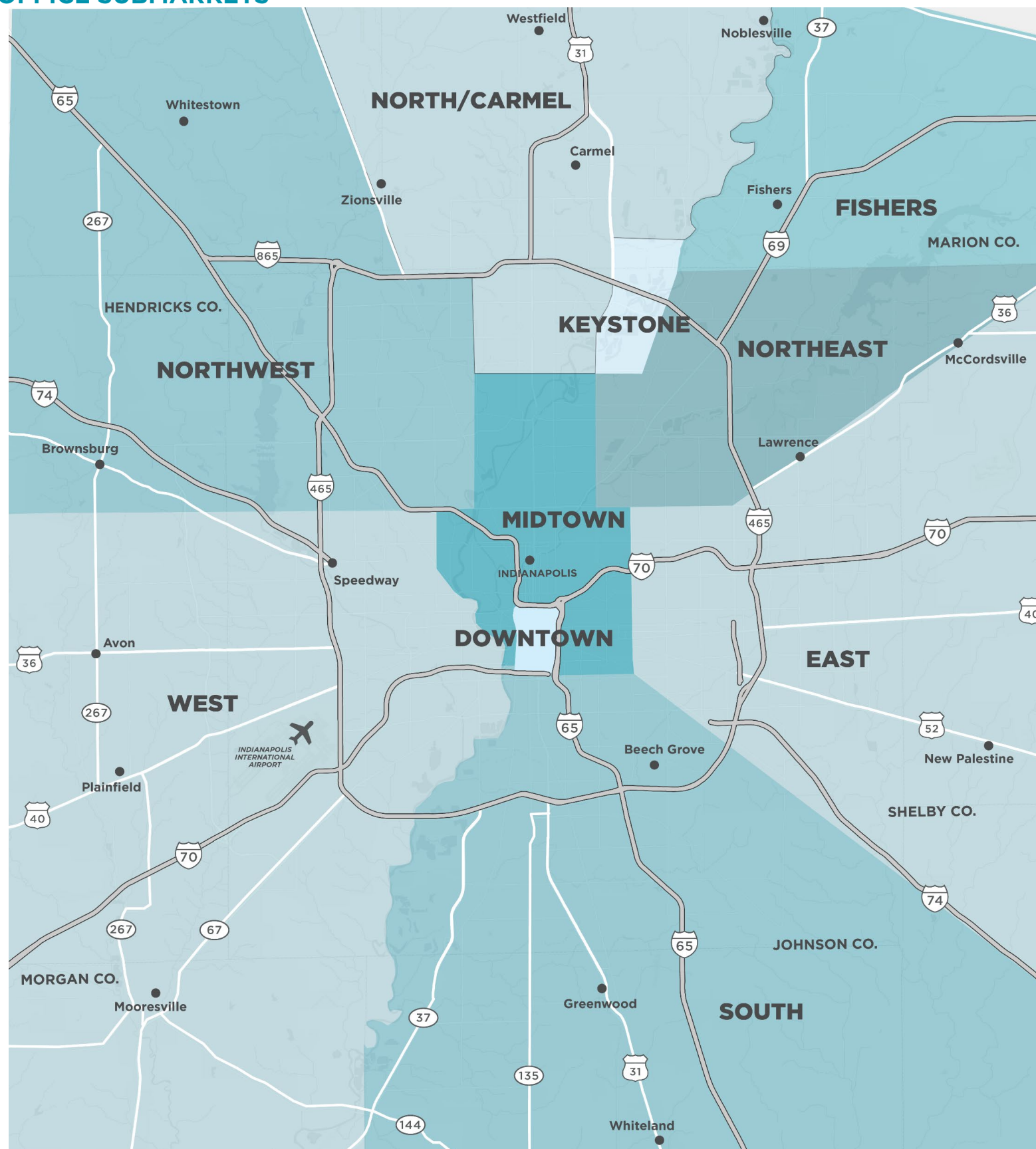
PROPERTY	SUBMARKET	TENANT	SF	TYPE
835 College Ave, Indianapolis	Downtown	Indiana Members Credit Union	71,216	New Lease
111 Monument Circle, Indianapolis	Downtown	Thompson Thrift	25,355	Expansion/Renewal*
601 S Meridian St, Indianapolis	Downtown	Remodel Health	20,868	Sublease
211 N Pennsylvania St, Indianapolis	Downtown	Taft Stettinius & Hollister	18,345	Expansion

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Intech One-Three, Indianapolis	Northwest	Government Properties Income Trust / Woodside Capital Partners	436,453	\$10,100,000 / \$23.14
201 S Capitol Ave, Indianapolis	Downtown	Lauth / The Capital Improvement Board	138,800	\$10,500,000 / \$75.65

OFFICE SUBMARKETS



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