

Indianapolis



Quick Stats

274 MSF

Total Market Inventory

4.4%

Vacancy rate

3.85 MSF

Net Absorption

9.8 MSF

Construction Pipeline

\$3.88 PSF

Average triple net asking rate

The Indianapolis Industrial Market continues to show solid demand for large distribution space and continues to see solid net absorption numbers. The market is skillfully navigating the balance of new product being constructed at all-time high levels and balancing market demand for State-of-the-Art distribution and manufacturing space in Central Indiana. Continued interests from the large consumer goods and e-commerce based companies considering Central Indiana as a place to do business are the driving forces for the demand. The big question regarding the market is how long will it's strength continue to absorb these large blocks of space, as the cost of construction continues to rise and the labor supply challenges continue in 2020 for all submarkets. As the Covid-19 pandemic began in March 2020, the impact of this "New Normal" will likely negatively affect the velocity of deals and demand for new industrial space but we will see how Q2 2020 results compare in the year-over-year results from 2019.

With a low direct vacancy rate near 4.4%, which includes the new speculative space deliveries,

deal velocity remains strong and rental rates are continuing to rise as well.

Noteworthy first quarter 2020 lease activity has been strong. Completed new projects include the Amazon's 660,384 sf lease in Greenfield/ Mt Comfort, STITCH FIX 702,000 sf new lease in Plainfield and Premium Packaging's new 252,000 sf commitment in Indianapolis. All of these projects provide net new jobs to each of the communities that welcomed these new companies to their towns and added capital spending to customize these new leased locations.

During the first quarter of 2020, positive absorption of approximately 3,857,314 msf was fueled by a litany of significant transactions that continue the trend of large spaces being leased even with labor challenges being experienced in Central Indiana. Significant new deliveries to the market included the 1,070,160 sf speculative building from CT Realty in Whitestown, the GRANITE REIT's 510,965 sf building in Plainfield and Jones Development's 169,028 sf midsize building located in Whiteland. Jones Development leased their

first Speculative Building of 530,400 sf to a confidential e-commerce company in Q1 2020 in Johnson County.

The vibrancy of the market is evident with the continuing rise in Net Lease Rates. The asking rates are hovering in the \$3.80 - \$3.95 psf, triple net range. With local unemployment rates holding the line below the national average, at 3.2%, the deal velocity still

remains strong. Given Central Indiana's market stability and the consistent market fundamentals, our market remains a magnet for national distribution and manufacturing companies. The capital market activities continue to be robust in Central Indiana and the compression of cap rates are likely to persist throughout 2020 with the delivery of many bulk distribution buildings scheduled by June of 2020.

Top Leases

| Tenant | Address | Square Feet | Lease Type | Location |
|---------------------------------|--|-------------|------------|--------------|
| FEDEX Ground | 1450 Collins Road - 65 South Business Park | 955,844 | New | Greenwood |
| STITCH FIX | 3124 Plainfield Boulevard | 702,000 | New | Plainfield |
| Amazon Inc. | 4498 W 300 N | 660,384 | New | Mt Comfort |
| Confidential E-Commerce Company | 19 Bob Glidden Boulevard | 530,400 | New | Whiteland |
| Geodis Logistics | 281 Airtech Parkway | 405,942 | Renewal | Plainfield |
| Premier Packaging, LLC | 5045 W 79 th Street, Ste 200 - Park 100 | 252,623 | New | Indianapolis |
| Bulldog Liquidators | 5045 W 79 th Street, Ste 100 - Park 100 | 251,541 | New | Indianapolis |
| Blue Marble Products | 7520 Georgetown Road - Park 100 | 181,835 | New | Indianapolis |
| MavPack | 5645 W 82 nd Street - Park 100 | 140,800 | New | Indianapolis |
| Schaeffer Powder Coatings | 5450 Industrial Court | 100,051 | New | Whitestown |

Given the strong leasing volume and deal velocity thru Q1 2020 several large speculative construction projects are being developed and constructed with completions scheduled by Q3 2020 as shown below: .

Speculative Projects

| Developer | Address | Square Feet | Delivery Date | Location |
|----------------------------|---|-------------|---------------|------------|
| Core 5 Industrial Partners | Hendricks Gateway Park | 1,070,160 | Q3 2020 | Monrovia |
| Scannell Properties | Greenwood Park at 65 South | 900,000 | Q3 2020 | Greenwood |
| Sunbeam Development | 1724 Innovation Drive - I-70 West Commerce Park | 700,449 | Q3 2020 | Clayton |
| Core 5 Industrial Partners | 6055 Commerce Drive - Park 130 Business Park | 672,227 | Q3 2020 | Whitestown |
| GRANITE REIT | Allpoints Midwest Building 2 - 1201 Allpoints Court | 510,695 | Q2 2020 | Plainfield |
| Ambrose Property Group | SR 267 / I-70 - Plainfield Logistics Park | 189,280 | Q3 2020 | Plainfield |
| Jones Development Company | Whiteland Exchange Building 2 | 169,028 | Q2 2020 | Whiteland |
| Becknell Industrial | Southtech Logistics Park - Building 4 | 152,280 | Q3 2020 | Greenwood |



avisonyoung.com

For more information, please contact:

Sean McHale, SIOR
Principal
317.210.8809
sean.mchale@avisonyoung.com

Steve Schaub, SIOR
Senior Vice President
317.210.8807
steve.schaub@avisonyoung.com

Peter Seoane
Senior Associate
317.210.8811
peter.seoane@avisonyoung.com

Adam Stephenson
Senior Associate
317.210.8816
adam.stephenson@avisonyoung.com