



INDIANAPOLIS MARKET

2017

OFFICE

TECH FIRMS LEADING TO OFFICE MARKET EXPANSION

AJ KROOT // RESEARCH

NET ABSORPTION

The Downtown (CBD) submarket posted more than 60,000 SF of positive absorption, outpacing all other submarkets. With more than 158,000 SF of negative absorption, the Northwest submarket tempered positive gains in other submarkets.

construction pipeline, totaling 335,000 SF, estimated to be complete by mid-2018.

OUTLOOK

Absorption in the office market is expected to remain strong as new companies call Indianapolis home.

VACANCY

In Indianapolis, the overall vacancy rate increased 64 basis points from 17.60% to 18.24%. The vacancy rate in the downtown (CBD) submarket decreased for the second consecutive quarter to 14.11%.

REGIONAL SUMMARY

The Indianapolis office market recorded 301,694 SF of negative net absorption during the 4th quarter of 2017 which was largely attributed to the 158,802 SF of negative absorption in the Northwest submarket. Despite negative absorption in several submarkets - Fishers (-21,314 SF), Keystone (-75,790 SF), and Northeast (-123,854 SF) - the Downtown (CBD), Midtown and

ACTIVITY

The Carmel/Meridian and Fishers submarkets account for the entire

QUICK STATS



MARKET INDICATORS

Office Market

Relative to prior period	Q4 2017	Y-O-Y
VACANCY	↑	↑
NET ABSORPTION	—	+
CONSTRUCTION	↓	↑
RENTAL RATE	↑	↑

SUMMARY STATISTICS

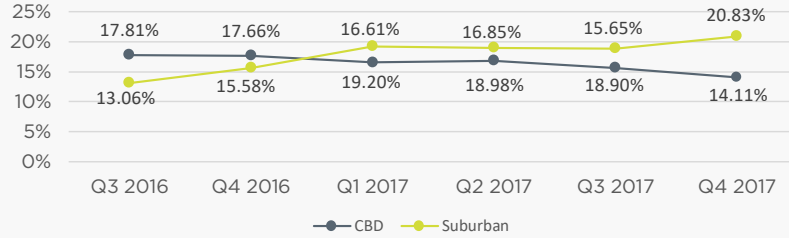
	Q4 2017	Q3 2017	Q4 2016
Vacancy Rate	18.24%	17.60%	18.12%
Downtown	14.11%	15.65%	16.85%
Suburban	20.83%	18.90%	18.98%
Absorption	-301,964	14,928	142,195
New Supply	150,000	67,501	0
Under Construction	335,000	397,000	464,500

AVERAGE RENTS (Per SF Per Year)

	Q4 2017	Q3 2017	Q4 2016
Average Rents	\$18.62	\$18.55	\$18.39
Downtown	\$20.36	\$20.02	\$19.66
Class A	\$20.78	\$20.40	\$19.94
QUARTERLY CHANGE	1.68%	1.80%	
ANNUAL CHANGE	6.10%	6.49%	
Suburban	\$18.11	\$18.14	\$17.91
Class A	\$20.29	\$20.28	\$20.03
QUARTERLY CHANGE	-0.14%	1.27%	
ANNUAL CHANGE	5.05%	4.89%	

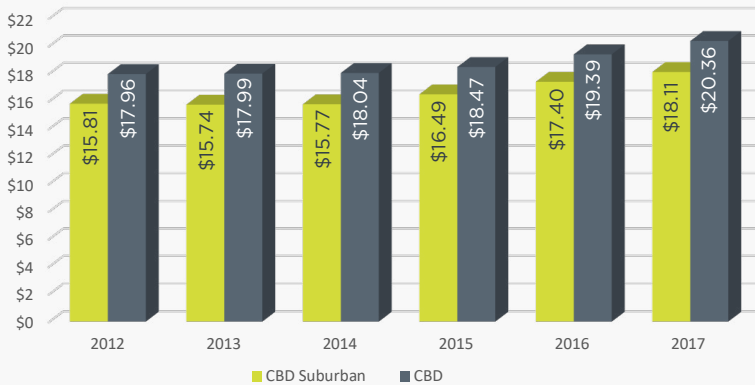
VACANCY RATES

Y-O-Y Comparison

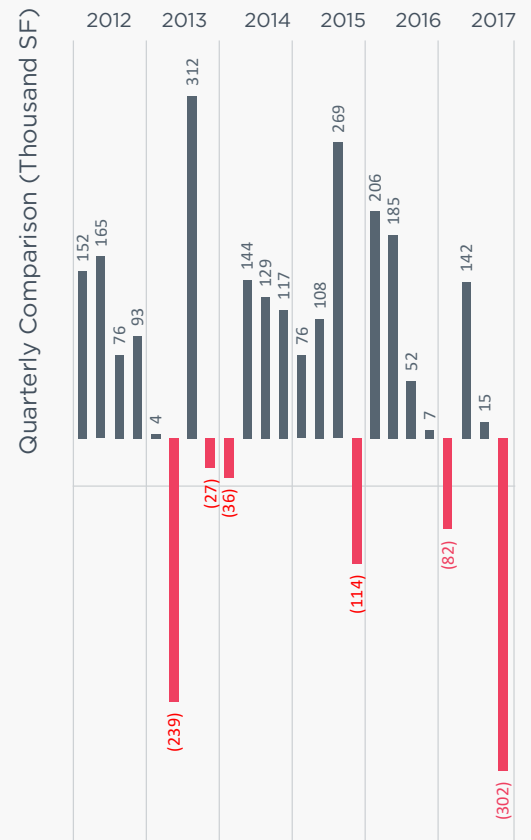


RENTAL RATES

Q4 Y-O-Y Comparison



ABSORPTION



2017 OFFICE SECTOR

JOB GROWTH



Financial Activities

700



Private Education & Health Services

500



Professional & Business Services

800

South submarkets recorded more than 90,000 SF of total positive absorption. Rental rates in downtown Indianapolis increased by \$0.34/SF to \$20.36/SF across all asset classes and suburban markets decreased slightly by \$0.03/SF to \$18.11/SF.

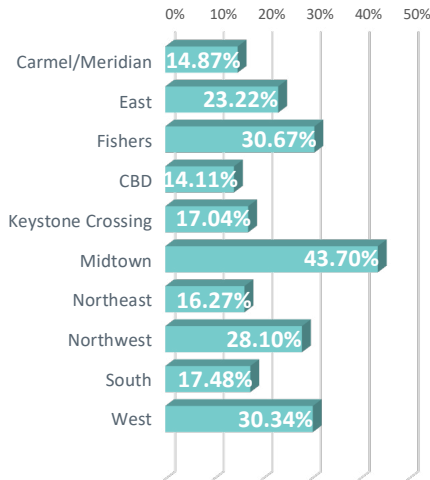
Some notable new office buildings were added to the Indianapolis office market during the 4th quarter - Braden Business Systems' new 35,000 SF building in Fishers and Walker Place at River North, a 55,000 SF building located in the Keystone Crossing submarket. In addition, over 300,000 SF of new construction is in various stages of development in the Carmel/Meridian submarket. These projects are expected to be complete by mid-2018.

ECONOMIC ENVIRONMENT

Indiana's unemployment rate stands at 3.7%, which is lower than the national average of 4.1% and lower than each of the surrounding states - Illinois (4.9%), Kentucky (4.7%), Ohio (4.8%) and Michigan (3.8%). According to the Indiana Economic Development Corporation (IEDC), 2017 was a record-breaking year creating over 30,000 jobs and nearly 300 company commitments to be in Indiana over the next 5 years. Indianapolis's economy is reaching new heights of growth due to thriving industries such as the technology and cybersecurity sectors. Companies choose to expand and add new jobs to the state of Indiana; therefore, the Indianapolis office market is expected to remain healthy for the foreseeable future.

SUBMARKET VACANCY RATES

Y-O-Y Comparison



TOP OFFICE TRANSACTIONS OF 2017

COMPANY/BUYER	SF	TYPE	SUB-MARKET	ADDRESS
Sallie Mae	119,362	Renewal/Expansion	NW	8425 Woodfield Crossing Blvd
The Salvation Army	41,288	Sale	SW	6060 Castleway W Dr
Project Lead the Way	34,187	Renewal/Expansion	East	3939 Priority Way S Dr
CICOA	29,787	New	East	8440 Woodfield Crossing Blvd
Jupiter Peak Real Estate Holdings LLC	26,660	Sale	SW	644 E Washington St
Receivables Management Partners	24,443	New	SW	8085 Knue Rd
American Legion Auxilary	23,519	Sale	NW	3450 Founders Rd
Marion County Public Health Dept	19,683	New	South	7551 S Shelby St
Cummins, Inc	19,562	New	East	20 N Meridian St
Benesch	18,585	Renewal	North	One American Sq (Suite 2300)
Presidio Network Solutions	18,544	Renewal	NW	12272 Hancock St
Public Safety Health Systems	18,041	Lease	South	6612 E 75th St

Q4 2017 OFFICE MULTI-TENANTED MARKET STATISTICS // BUILDINGS OVER 20,000 SF

SUBMARKET	TOTAL INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	CURRENT PERIOD	YTD COMPLETIONS	CURRENT	AVG WEIGHTED RENT \$/PSF	
Carmel/Meridian	6,396,350	951,296	14.87%	12,226	143,750	60,000	305,000	\$20.71
East	1,404,794	326,195	23.22%	(10,784)	(91,734)	-	-	\$14.42
Fishers	1,348,477	413,517	30.67%	(21,314)	(276,173)	35,000	30,000	\$21.31
CBD	13,810,234	1,949,043	14.11%	60,710	311,083	-	-	\$20.36
Keystone Crossing	4,104,355	699,189	17.04%	(75,790)	(89,088)	55,000	-	\$21.06
Midtown/Uptown	852,022	372,326	43.70%	14,991	1,214	-	-	\$15.81
Northeast	3,121,804	508,071	16.27%	(123,854)	(181,277)	-	-	\$18.27
Northwest	2,965,290	833,152	28.10%	(158,452)	(156,610)	-	-	\$17.56
South	570,491	99,736	17.48%	23,026	21,607	-	-	\$12.76
West	1,268,518	384,890	30.34%	(22,453)	90,181	-	-	\$16.14
Suburban Total	22,032,101	4,588,372	20.83%	(362,404)	(538,130)	150,000	335,000	\$18.11
Downtown Total	13,810,234	1,949,043	14.11%	60,710	311,083	-	-	\$20.36
Market Total	35,842,335	6,537,415	18.24%	(301,694)	(227,047)	150,000	335,000	\$18.62

INDIANAPOLIS MULTI-TENANTED MARKET // LAST 5 QUARTERS

SUBMARKET	TOTAL INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	CURRENT PERIOD	YTD COMPLETIONS	CURRENT	AVG WEIGHTED RENT \$/PSF	
Q4 2017	35,842,335	6,537,415	18.24%	(301,694)	(227,047)	150,000	335,000	\$18.62
Q3 2017	37,304,377	6,566,199	17.60%	14,927	74,647	67,500	397,000	\$18.56
Q2 2017	37,790,554	6,755,676	18.12%	142,195	59,720	-	464,500	\$18.39
Q1 2017	37,790,554	6,851,396	18.13%	(82,475)	(82,475)	-	459,861	\$18.27
Q4 2016	37,790,554	6,213,789	16.44%	7,384	451,028	-	434,861	\$18.04

RESOURCE Commercial Real Estate's criteria for inclusion in the office market data set: All multi-tenanted, nonmedical, class A, B and C buildings, not owned or fully leased by government agencies or owner-occupied, 20,000 square feet and above.