

Indianapolis Office Rents Rising at a Record Pace

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Market Overview

The year began with a leadership change in the White House and at the Indiana Statehouse and ended with the signing of the U.S. Tax Cuts and Jobs Act. While there will likely be lasting effects from both national and local legislation, 2017 was more or less a year of the same positive economic trajectory. **After 87 months of job growth and the creation of 2.1 million jobs, the unemployment rate continued its decline to 4.1%, a 17-year low.** The Indianapolis area, with an even lower 2.8% unemployment rate, is virtually at full employment.

The local office market vacancy rate ticked up 0.6pp to 16.0% by the end of 2017, with stark contrasts in activity between the CBD and suburban markets. **Overall trends denoted steady new leasing and investment sales activity, while asking rents rose 4.4%, the largest annual increase on record.**

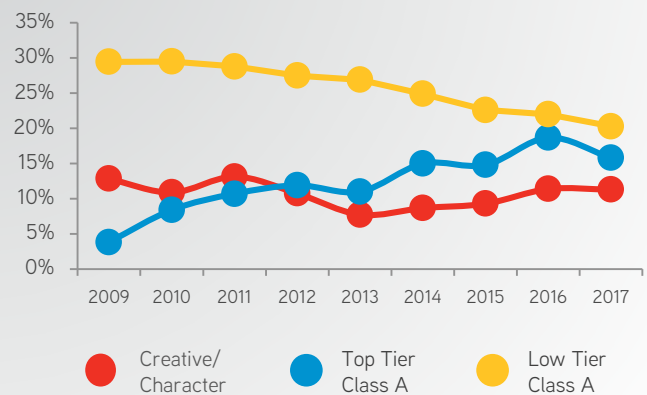
CBD

The CBD now has a lower vacancy rate than the suburban markets for the first time since 2012. Resurgent class A product downtown absorbed 265,090 sf of vacancy in 2017, due in large part to activity in top-tier office towers. **After years of declining occupancy, downtown top-tier office towers shed 2.9 pp of vacancy in 2017 and ended the year with a 15.8% vacancy rate.** Growth in the tech sector, highlighted by Salesforce's Q2 17 move into the newly branded Salesforce Tower and InfoSys's absorption of two floors in OneAmerica Tower, has been the catalyst for this change. Class A asking rental rates, following the decline of downtown vacancy, rose to \$23.80 by Q4 17 – up 5.2% year-over-year.

Market Indicators

	Q4 2017	Q4 2016	Y-O-Y change	12 Mo. Forecast
DIRECT VACANCY	16.0%	15.4%	0.6pp	↓
DIRECT ASKING RENT	\$19.85	\$19.01	4.4%	↑
YTD DIRECT NET ABSORPTION	27,024	315,087	-92.4%	↑
YTD NEW LEASING ACTIVITY	2,442,577	2,430,580	0.5%	↑
YTD INVESTMENT SALES	5,362,191	5,790,017	-7.4%	↓

CBD Vacancy Trend by Subtypes



4.1%

U.S.
Unemployment



2.8%

Indy MSA
Unemployment



598,000

U.S. Y-O-Y
Office Job Growth



6,200

Indy MSA Y-O-Y
Office Job Growth

Statistical Overview

Indianapolis – Office Market										
SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD NEW SUPPLY (SF)	UNDER CONSTRUCTION (SF)	YTD LEASING ACTIVITY (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	DIRECT ASKING RENT (FSG)	CLASS A ASKING RENT (FSG)
CBD SUBTOTAL	11,763,772	16.3%	15.7%	26,795	0	628,530	189,435	184,410	\$21.27	\$23.80
Airport	1,071,605	33.5%	33.5%	0	0	57,002	-56,995	-56,995	\$15.22	\$17.00
Carmel	920,994	9.8%	9.1%	134,694	80,000	63,878	135,275	141,775	\$24.57	\$25.68
Castleton	2,163,443	17.7%	17.5%	0	0	219,435	-51,950	-51,950	\$18.50	\$19.11
East	811,487	18.1%	18.1%	0	0	36,511	-64,367	-64,367	\$15.32	N/A
I-69/Shadeland	2,955,562	22.4%	22.0%	157,255	28,270	229,964	102,783	97,652	\$19.83	\$22.88
Keystone Crossing	4,343,428	16.1%	15.8%	54,000	0	405,160	22,412	-2,597	\$21.71	\$22.33
Meridian Corridor	6,698,056	11.3%	11.2%	59,935	0	467,931	-89,327	-127,539	\$21.23	\$23.80
Midtown	1,969,641	10.7%	10.7%	0	0	48,252	-19,818	-19,818	\$16.65	N/A
Northwest	3,786,361	18.9%	18.7%	0	0	212,695	-1,244	-115,178	\$18.00	\$20.00
South	1,103,517	9.5%	9.2%	23,625	0	48,170	32,601	35,935	\$16.08	\$19.00
West	864,838	28.3%	28.3%	0	0	25,049	5,696	5,696	\$15.08	N/A
NON-CBD SUBTOTAL	26,688,932	16.4%	16.2%	429,509	108,270	1,814,047	15,066	-157,386	\$19.23	\$21.87
MARKET TOTALS	38,452,704	16.4%	16.0%	456,304	108,270	2,442,577	204,501	27,024	\$19.85	\$22.47

Market Highlights – 2017

Notable User Transactions					
BUILDING NAME, ADDRESS, CITY	SUBMARKET	TENANT OR BUYER	TRANSACTION TYPE	BUILDING CLASS	SF
One West Parkwood, 250 W 96 th St, Indianapolis	Meridian Corridor	St. Vincent / Ascension	New Lease	A	148,389
Three Woodfield Crossing, 8425 Woodfield Crossing Blvd, Indpls	Keystone Crossing	Sallie Mae	Renewal/Expansion	A	119,362
2601 Stout Heritage Pkwy, Indianapolis	Airport	Genuine Parts Co.	Purchase	A	100,000
Two Market Square, 251 E Ohio St, Indianapolis	CBD	Marion County Prosecutor	Renewal/Expansion	B	85,500
9200 Keystone Crossing, Indianapolis	Keystone Crossing	State Farm	Renewal	A	67,344
Capital Center North, 251 N Illinois St, Indianapolis	CBD	Indiana Supreme Court	New Lease	A	66,749
Mainscape Plaza, 4160 N Keystone Ave, Indianapolis	Midtown	Indiana Dept. of Child Services	Renewal	B	60,000
Castleton Park 15, 7999 Knue Rd, Indianapolis	Castleton	Royal United Mortgage	Renewal/Expansion	A	56,542

Notable Investment Sales				
BUILDING NAME, ADDRESS, CITY	SUBMARKET	BUYER	BUILDING CLASS	SF
Precedent Office Park portfolio, Keystone Ave & 96 th St, Indianapolis	Keystone Crossing	Rubenstein Partners, Strategic Capital Partners	A, B	1,121,601
Monument City Center, 220 N Meridian St, Indianapolis	CBD	Keystone Realty Group	B	558,336
Hamilton Crossing portfolio, Illinois St & 131 st St, Carmel	Meridian Corridor	Group RMC	A, B, Flex	548,333
Market Tower, 10 W Market St, Indianapolis	CBD	Square Deal Capital	B	519,220
Woodland Corp. Center V & VI, 7601 & 7635 Interactive Way, Indpls	Northwest	Select Income REIT	A	275,416
One & Two Penn Mark Plaza, 11595 & 11555 N Meridian St, Carmel	Meridian Corridor	Metonic Real Estate Solutions	A, B	243,271

Notable Construction Projects					
BUILDING NAME, ADDRESS, CITY	SUBMARKET	MAJOR TENANT(S)	COMPLETION STATUS	CONST. TYPE	SF
The Allied Building, 350 Veterans Way, Carmel	Carmel	Allied Solutions; F.C. Tucker	Completed – Q4 2017	Spec.	142,394
Merchants Bank Building, Carmel	Carmel	Merchants Bank (owner/occ.)	Under Const. – Q3 2018	BTS	88,000
Midtown West, 571 Monon Blvd, Carmel	Carmel	MJ Insurance	Under Const. – Q2 2018	Spec.	80,000
8350 Sunlight Dr, Fishers	I-69/Shadeland	Stanley Convergent Security	Completed – Q3 2017	BTS	80,000
11939 N Meridian St, Carmel	Meridian Corridor	Blue Horseshoe Solutions	Completed – Q4 2017	Spec.	59,935
Walker Place at River North, 8940 River Crossing Blvd, Indpls	Keystone Crossing	Walker Information; Bedel	Completed – Q4 2017	BTS	54,000
The Braden Building, 8700 North St, Fishers	I-69/Shadeland	Braden Solutions; Vibenomics	Completed – Q4 2017	BTS	45,255

403 offices in
68 countries

\$2.6

billion in annual revenue

2.0

billion square feet under management

\$105

billion in total transaction value

15,000

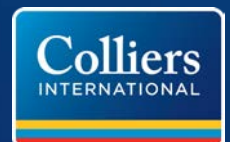
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