

FIGURES | INDIANAPOLIS INDUSTRIAL | Q1 2023

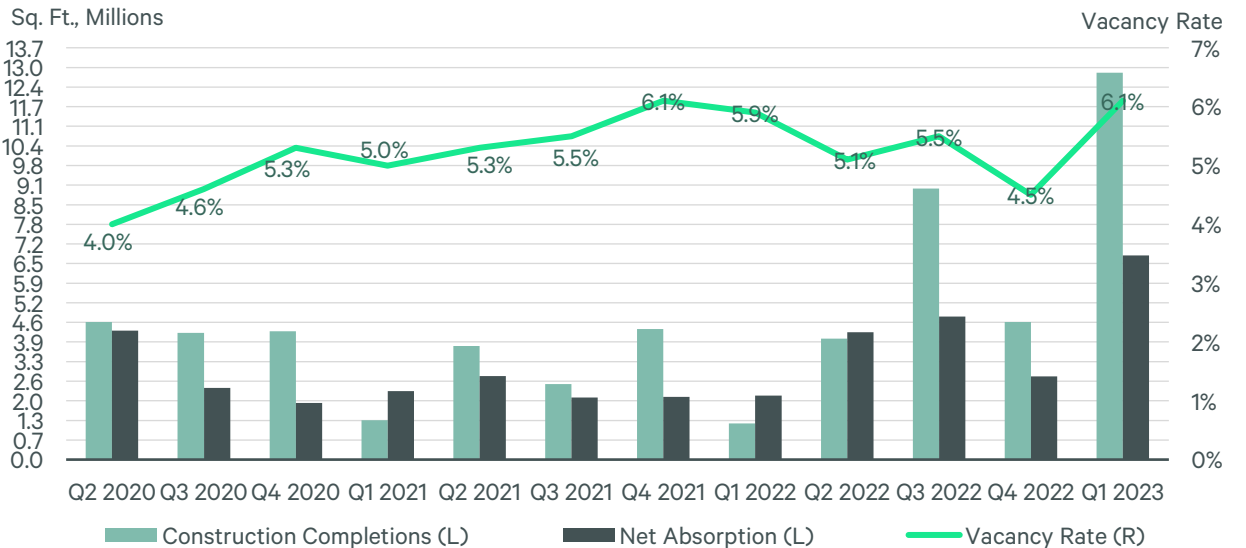
Indianapolis experiences record absorption in face of economic headwinds.



Note: Arrows indicate change from previous quarter.

- Indianapolis experienced the highest quarter of net absorption since Q3 2021 totaling 6.3 MSF. This was the 50th straight quarter of positive Industrial absorption.
- The vacancy rate in Indianapolis increased by 160 bps in the first quarter to 6.1%. This was driven by the 12.6 MSF of new Speculative product which was delivered in the first quarter.
- The average asking lease rate reached an all time high of \$6.08 SF NNN primarily driven by new speculative product with higher asking rates than existing aging Warehouse stock.
- Leasing activity remained robust in the first quarter with several notable deals executed. Conversely, capital markets activity was muted due to increased borrowing costs stemming from the Federal Reserves continued campaign against inflation.

FIGURE 1: Indianapolis Construction Completions, Net Absorption, and Vacancy Rates



Source: CBRE Research, Q1 2023

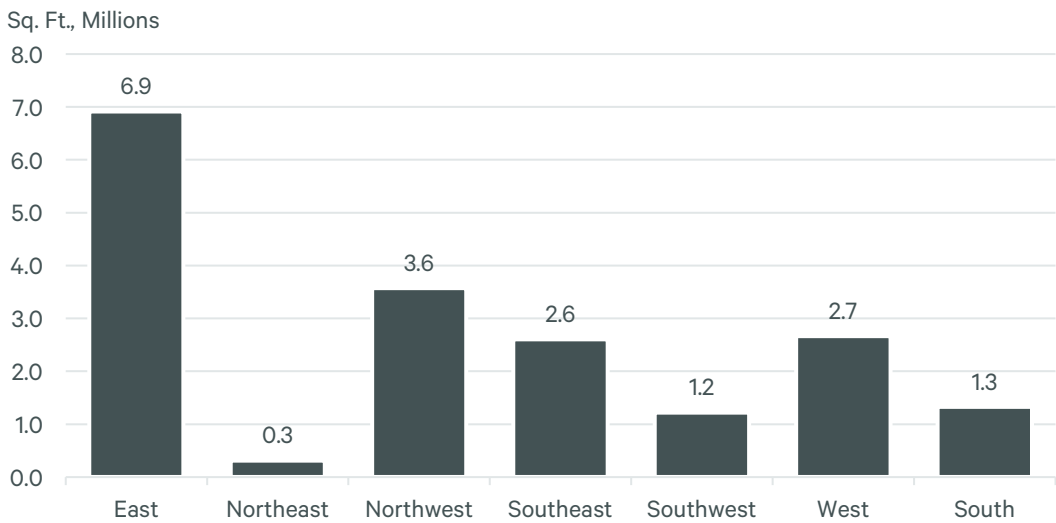
Construction

12.6 MSF of new product delivered in the first quarter of the year representing nearly half of the existing Industrial development pipeline at the end of 2022. Currently, there are 36 Industrial projects under construction in Indianapolis totaling 18 MSF. The majority of which is concentrated in the East submarket with just under 7 MSF under development. New construction starts are likely to slow their face compared to the prior year until the existing product is leased.

Spec vs. Build-to-Suit

86% of the Industrial product under construction in Indianapolis is speculative and the remaining 13% is BTS, primarily located in the East submarket of Indianapolis.

FIGURE 2: Under Construction by Submarket



Source: CBRE Research, Q1 2023

FIGURE 3: Leasing Transactions by Submarket (Sq. Ft.)



Source: CBRE Research, Q1 2023

Source: CBRE Research, Q1 2023

Leasing and Sales Activity

The Indianapolis market absorbed 6.4 MSF. in Q1 2023. The Southwest and South submarkets had the most transaction activity with a combined 2.9 MSF of new leasing activity. Among the most notable deals that occurred in the first quarter were Caterpillar signing a new lease at Lebanon Business Park for 615,000 SF, Adidas executing a Renewal at 8677 Logo Athletic Ct. totaling for 600,000 SF and Turn 14 Distribution signed a New Lease at Sunbeam Five for 530,000 SF

Capital markets activity continued to decline this quarter as the Federal Reserve continued its campaign against inflation with Quantitative tightening. Activity is likely to remain muted until the Federal Reserve eases its target rate.

Figure 5: Investment Sale Volume

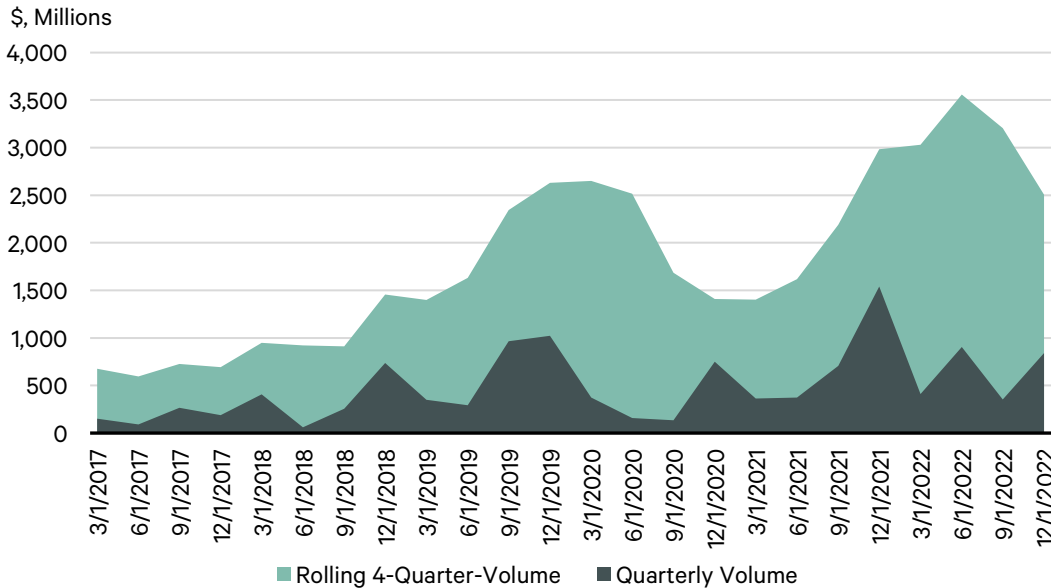
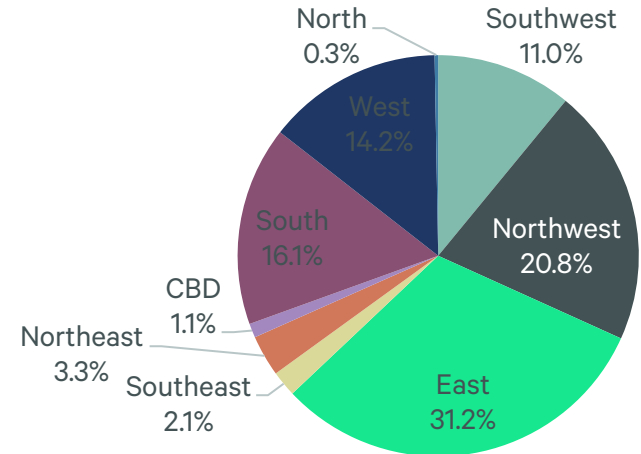
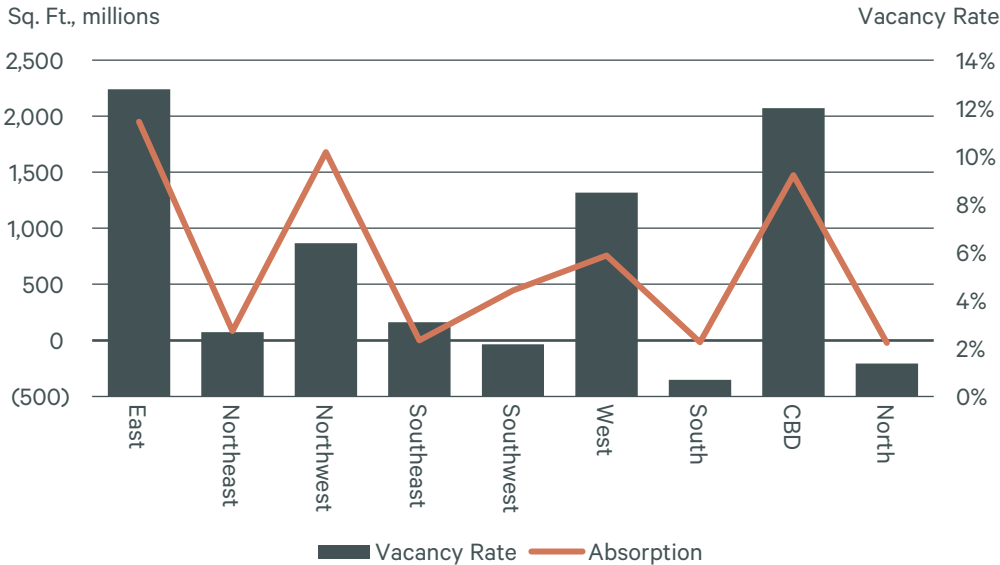


Figure 4: Vacant Space by Submarket (Sq. Ft. in Thousands)



Source: CBRE Research, Q4 2022

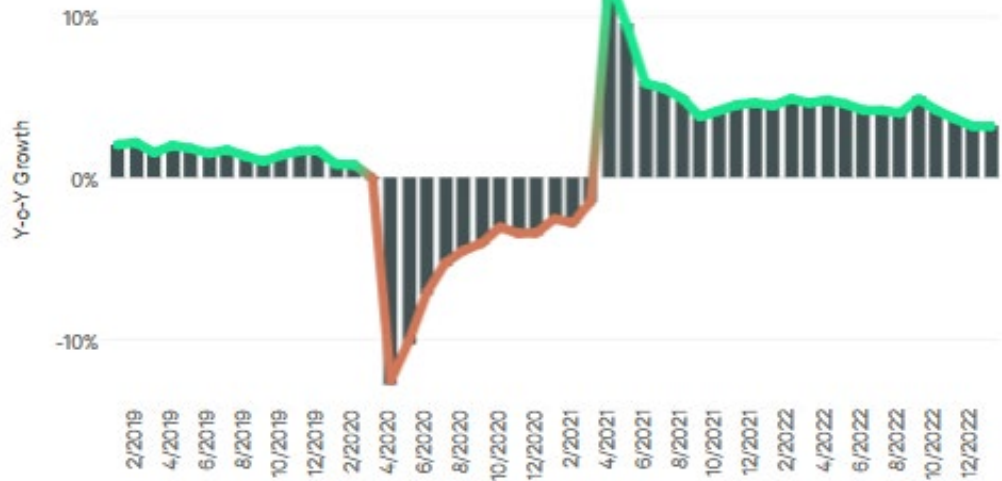
Figure 6: Net Absorption by Submarket (Sq. Ft.) and Vacancy Rate by Submarket



Source: CBRE Research, Q1 2023

Economic Outlook

Job Growth - Year over Year Trend



Employment Change by Sector - Yearly & Monthly

Bars indicate yearly trend, arrows indicate monthly trend



Source: US BLS January 2023

FIGURE 7: Market Statistics

Market	Net Rentable Area (SF)	Vacancy Rate (%)	Q1 2023 Net Absorption	Under Construction	Average Lease Rate
East	50,762,052	12.8%	1,948,906	6,912,466	\$6.09
Northeast	25,798,801	2.7%	83,268	313,693	\$9.44
Northwest	67,885,332	6.4%	1,678,693	3,179,237	\$6.37
Southeast	13,946,835	3.1%	1,140	2,603,592	\$4.97
Southwest	76,728,638	2.2%	445,156	1,218,560	\$6.16
West	34,692,103	8.5%	756,353	2,655,242	\$6.32
South	34,213,928	0.7%	(17,204)	1,327,696	\$6.39
CBD	30,698,528	12.0%	1,474,259	0	\$4.45
North	4,381,179	1.4%	(23,348)	0	\$12.92
Total	339,107,396	6.1%	6,347,223	33,823,802	\$6.08

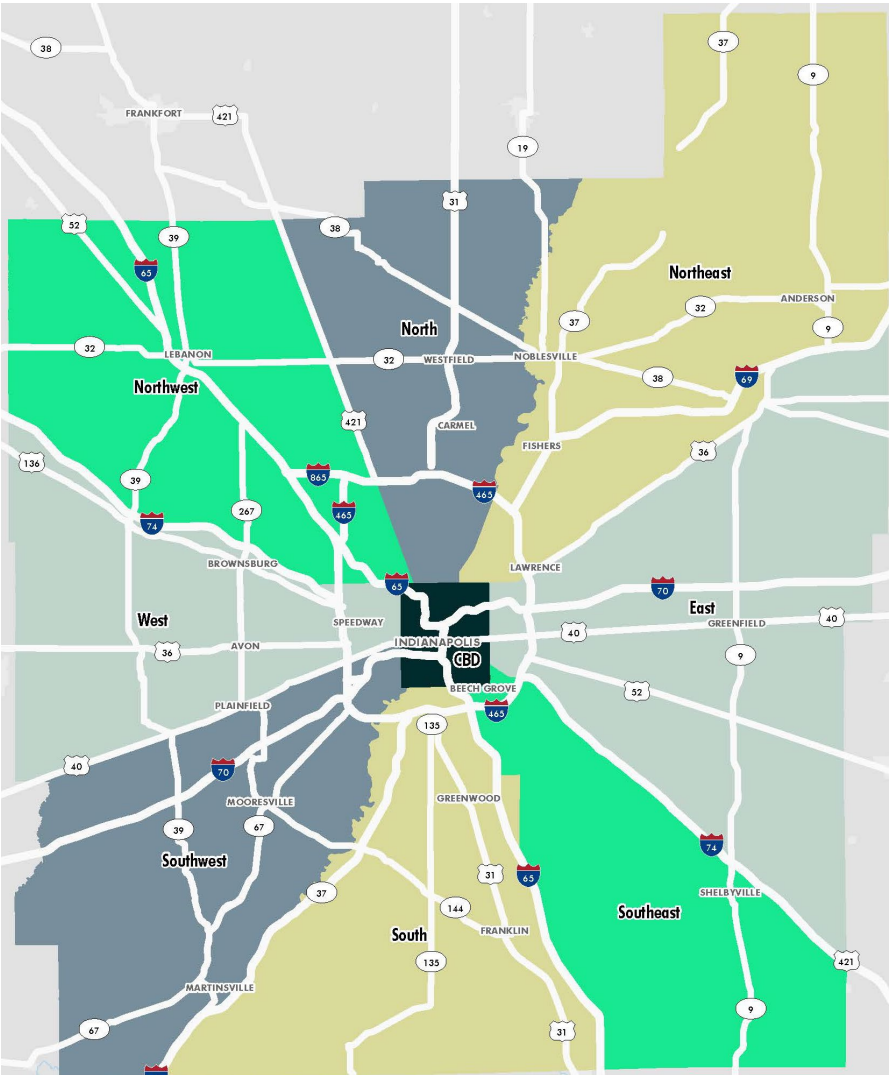
Source: CBRE Research, Q1 2023

FIGURE 8: Key Lease Transactions

Transaction Type	Size (SF)	Tenant	Address	Submarket
New Lease	601,045	Caterpillar	475 S Mount Zion Rd	Northwest
Renewal	599,152	Adidas	8677 Logo Athletic Ct	East
New Lease	513,722	Turn 14 Distribution	Mohr Logistics Park 5	South
Renewal	456,000	Neovia Logistics Services	Southpoint One	South
New Lease	440,056	Mavpak	65 Commerce Park 3	Southwest

Source: CBRE Research, Q1 2023

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 50,000 sq. ft. and greater in size.. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contact

Joshua Allen
Field Research Manager
+1 636 669 4942
Joshua.Allen@cbre.com

8888 Keystone Crossing
Suite 1000
Indianapolis, IN 46240

+1 317 269 1000
<https://www.cbre.us/people-and-offices/corporate-offices/indianapolis>

