

FIGURES | INDIANAPOLIS INDUSTRIAL | Q4 2023

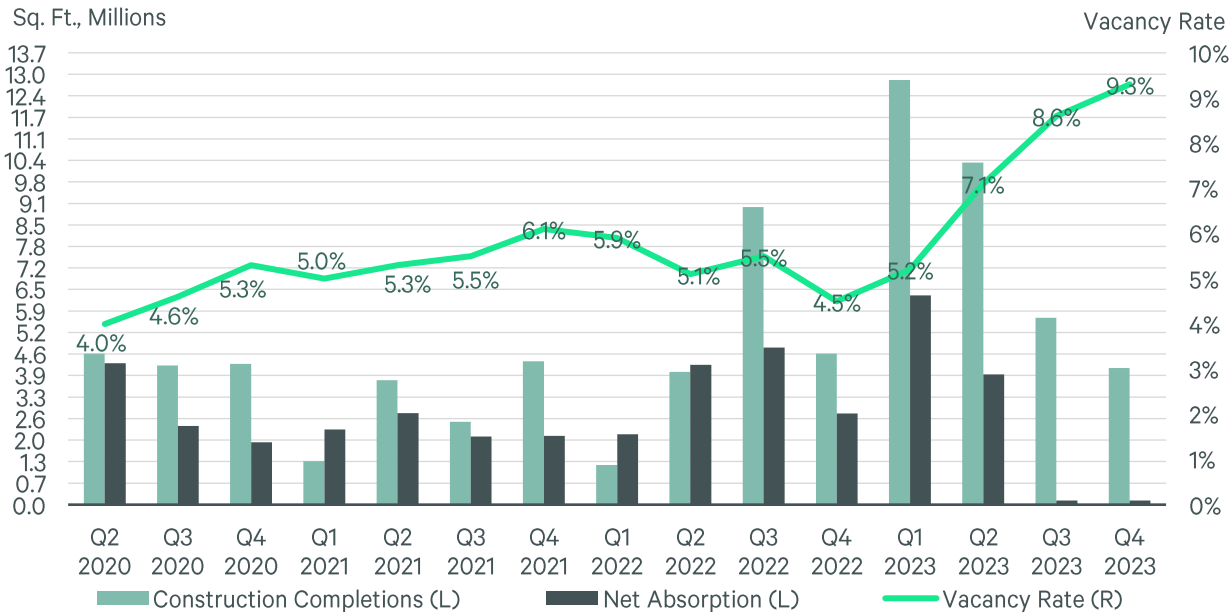
Indianapolis Industrial begins to moderate after record run.



Note: Arrows indicate change from previous quarter.

- Absorption in Indianapolis remained flat again in the fourth quarter (124,000 SF), rising only 5,000 SF above the third quarter (119,000 SF) but ending the year at 10.5 MSF. Roughly 37% off the record high of 16.7 MSF in 2021 but still the third highest year on record.
- The historic supply of vacant speculative product that has delivered in the past year continued to put upward pressure on vacancy across the metro. Vacancy increased by an additional 70 bps (0.70%) to 9.3% in the fourth quarter.
- Average asking rates remained flat at \$5.98 in the fourth quarter. As the bulk of the speculative pipeline was delivered in the first three quarters of 2023.
- Leasing activity declined this quarter to just over 3.8 MSF, a decline of 2.3 MSF over the third quarter. Total transaction activity ended 2023 at 21.1 MSF.

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



Source: CBRE Research, Q4 2023

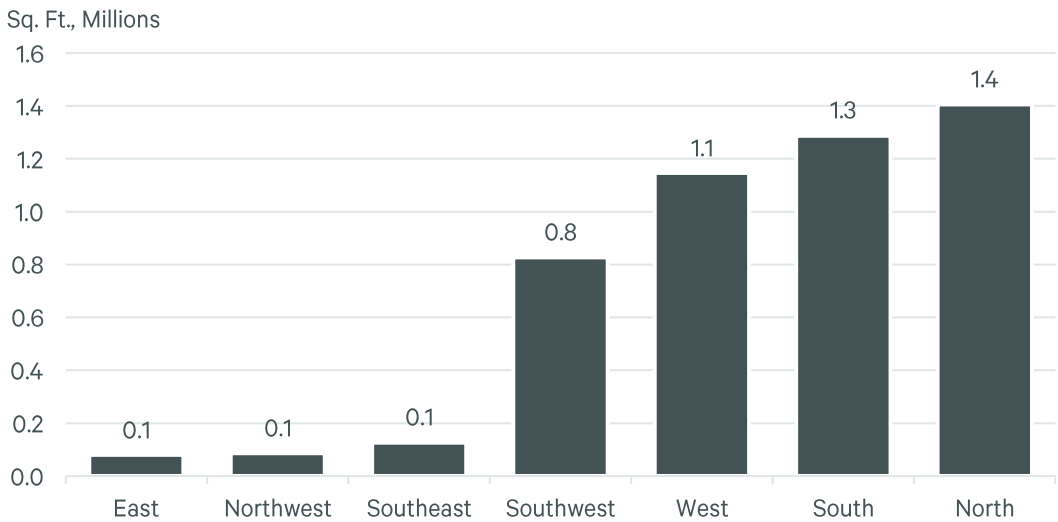
Construction

Currently, there are 12 Industrial projects under construction in Indianapolis totaling 4.9 MSF down 2.1 MSF over the third quarter. Just over 4.1 MSF of new product delivered in the fourth quarter, of which 3.7 MSF was speculative and 400,000 SF Built to Suit.

New product under construction continues to contract, particularly product that is speculative in nature. Just over 30 MSF of new product was delivered in 2023 across 68 new Industrial buildings. This historic level of new construction increased the size of the Indianapolis Industrial market by 9.5%.

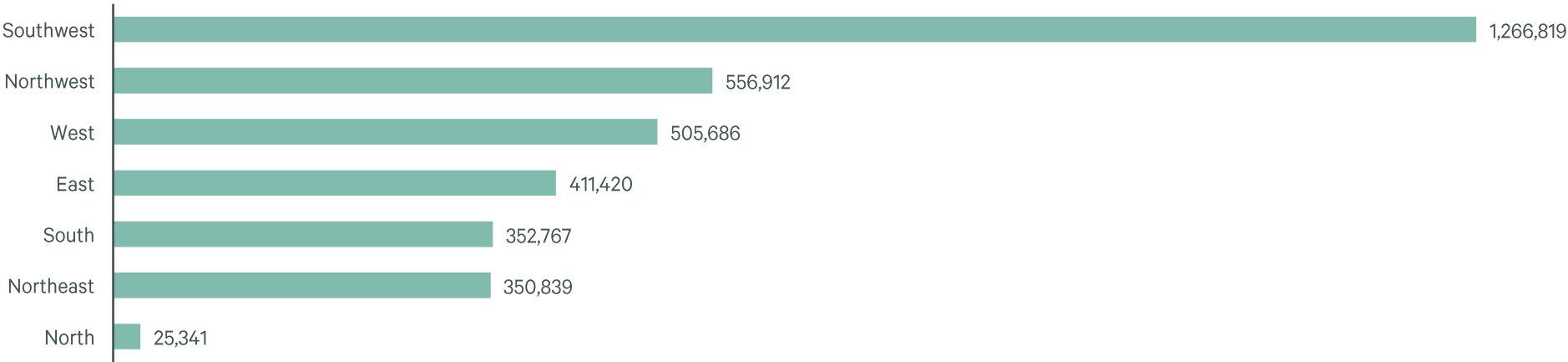
While new product is needed to replace older Industrial stock across the metro, this large increase in speculative product has continued to place upward pressure to vacancy. Asking rates have also begun to moderate as the average direct asking rate for the region remained flat at \$5.98 over the third quarter.

FIGURE 2: Under Construction by Submarket



Source: CBRE Research, Q4 2023

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



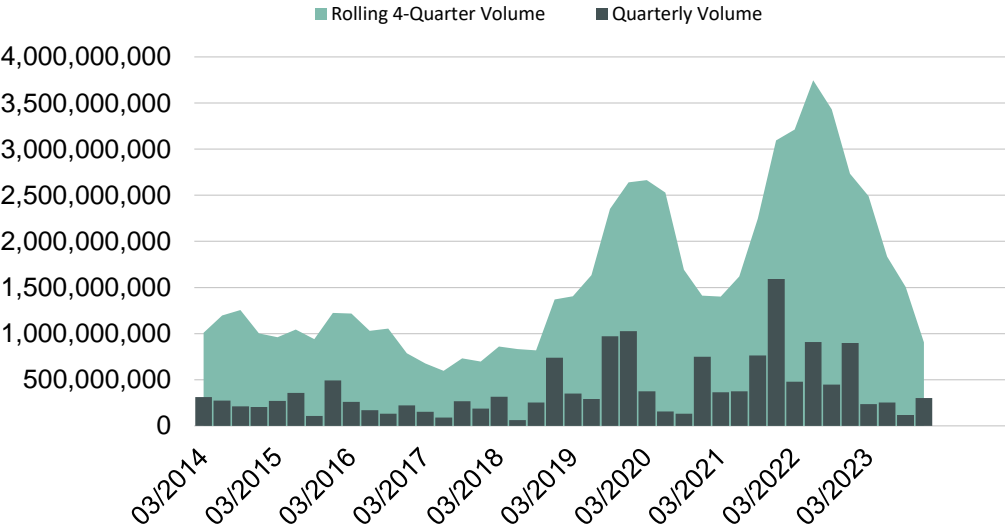
Source: CBRE Research, Q4 2023

Leasing and Sales Activity

The Indianapolis market remained relatively flat as it absorbed 124,000 SF. in Q4 2023, slightly above the yearly low of 199,000 SF in Q3. Total transactions activity this quarter was 3.8 MSF. The most notable deals executed this quarter were primarily renewals. Sur L a Table (396,000 SF) renewed at Eagle 3, National distribution Centers renewed at 500 520 S Enterprise Blvd (382,000 SF) and MD Logistics (373,000 SF) also executed a renewal at 700 S Perry Rd.

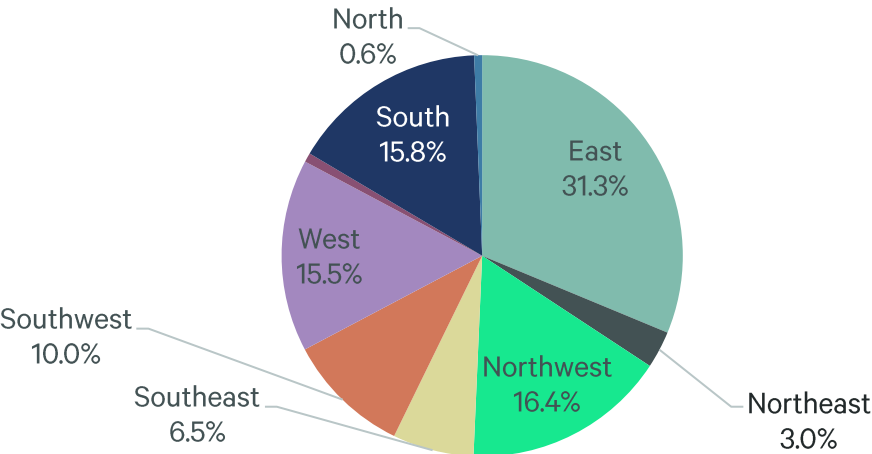
Industrial investment rebounded from an annual low of \$117 M to \$300 M as buyers and sellers adjust to the new reality of borrowing costs. The federal reserve chose not to pursue any additional rate hikes at their December meeting. December meeting minutes suggested that three rate cuts could be penciled in for 2024 as inflation loosens its grip on the economy.

Figure 5: Investment Sale Volume



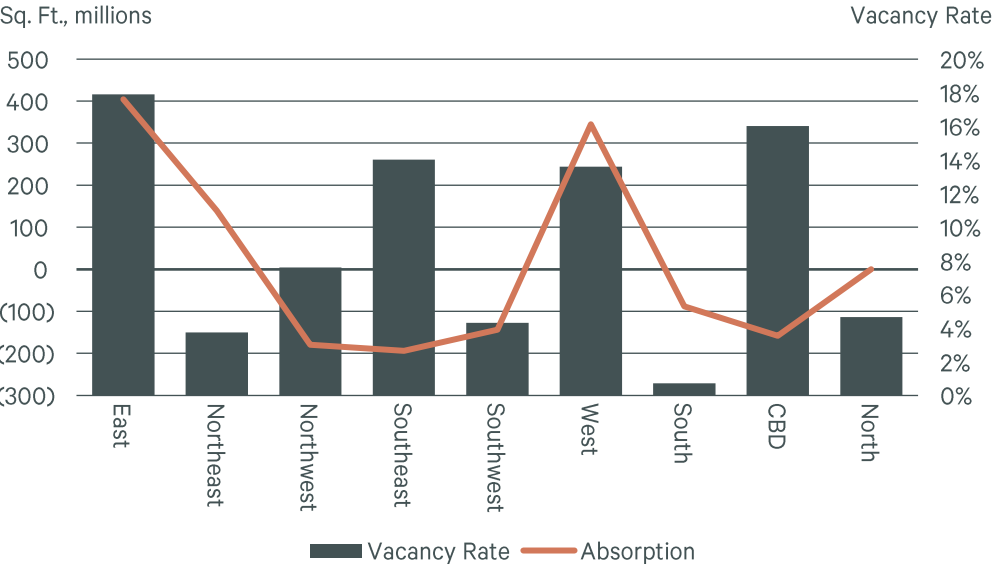
Source: Real Capital Analytics, Q4 2023

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



Source: CBRE Research, Q4 2023

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



Source: CBRE Research, Q4 2023

FIGURE 8: Market Statistics

Market	Net Rentable Area (SF)	Vacancy Rate (%)	Q3 2023 Net Absorption	Under Construction	Average Lease Rate
East	57,657,235	17.9%	404,000	771,029	\$5.55
Northeast	26,487,813	3.7%	139,232	0	\$9.92
Northwest	71,258,693	7.6%	(179,505)	1,405,400	\$6.21
Southeast	15,404,139	14.0%	(194,381)	1,146,288	\$6.18
Southwest	76,854,682	4.3%	(143,595)	80,052	\$4.97
West	37,664,032	13.6%	345,103	826,687	\$6.29
South	33,827,962	0.7%	(88,015)	126,576	\$6.52
CBD	32,649,585	16.0%	(158,400)	0	\$6.44
North	4,550,723	4.7%	0	87,000	\$12.13
Total	356,354,864	9.3%	124,439	4,959,626	\$5.98

Source: CBRE Research, Q4 2023

FIGURE 9: Key Lease Transactions

Transaction Type	Size (SF)	Tenant	Address	Submarket
Renewal	396,000	Sur La Table	901 Northfield Dr	West
Renewal	382,612	National Distribution Center	500 520 S Enterprise Blvd	Northwest
Renewal	373,029	MD Logistics	700 S Perry Rd	Southwest
Renewal	270,802	GEODIS	281 Airtech Pkwy	Southwest
Renewal	260,400	GXO Logistics Supply Chain	1380 Perry Rd	Southwest

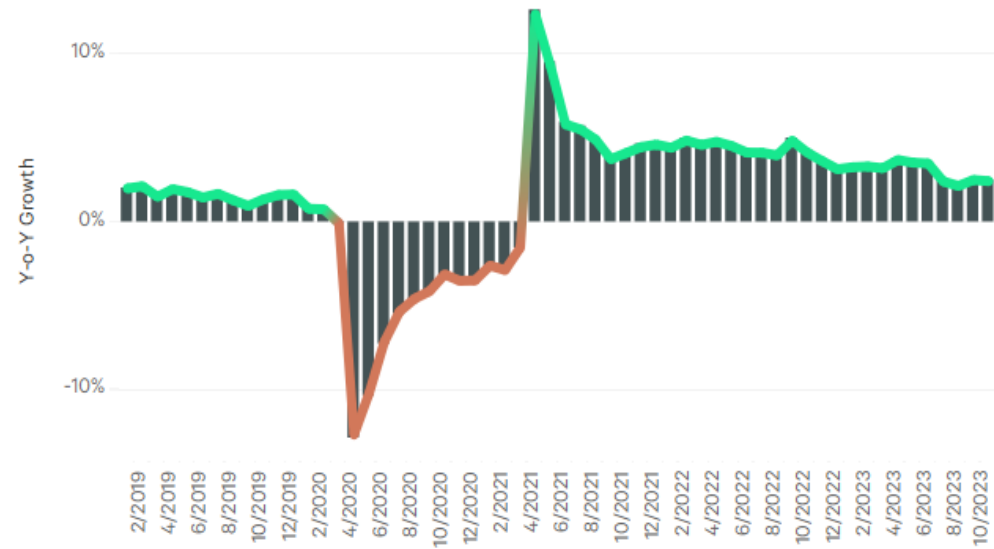
Source: CBRE Research, Q4 2023

Economic Outlook

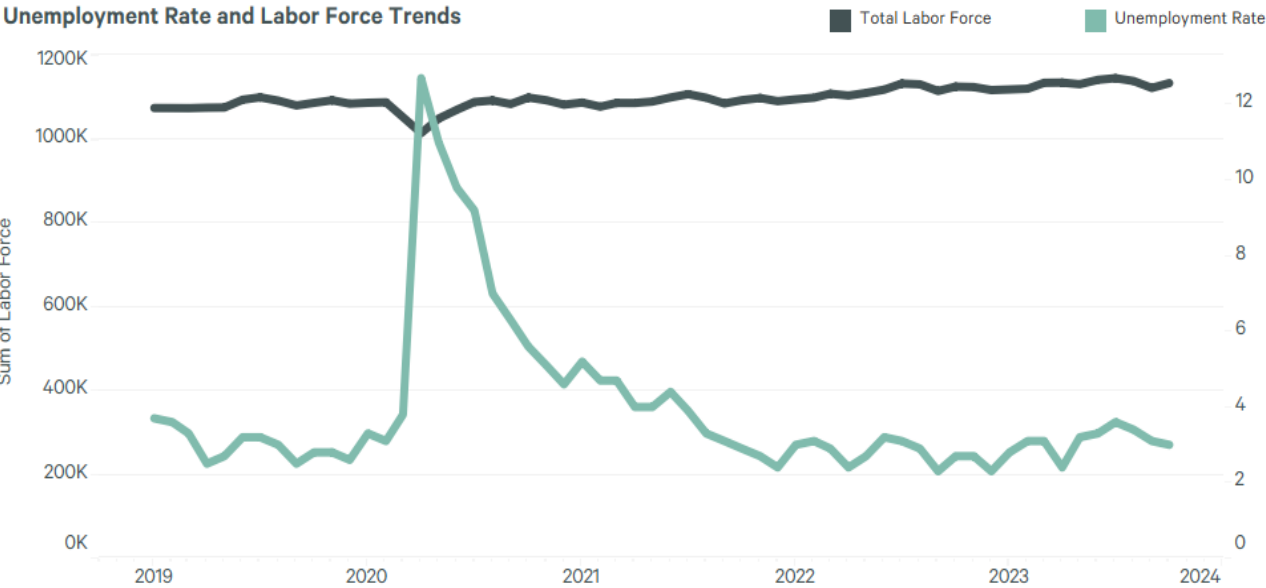
The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages is helping to maintain higher, albeit decelerating, core inflation. This backdrop will likely translate into the Fed only slowly lower its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.



Job Growth - Year over Year Trend

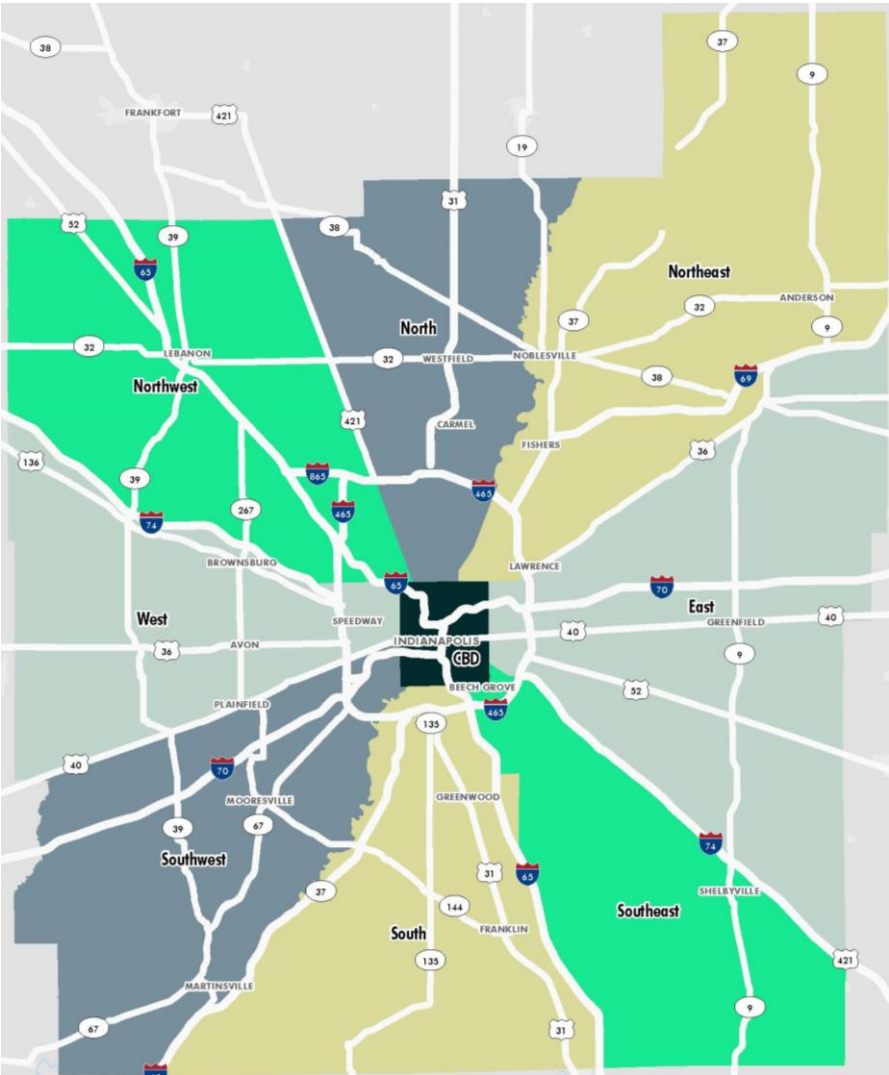


Unemployment Rate and Labor Force Trends



Source: US BLS October 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.

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