

INDIANAPOLIS | INDUSTRIAL MARKET REPORT

Q3 2018

Indianapolis Industrial continues to show solid deal velocity

Total Market Inventory



255.1 msf

Vacancy Rate



11.4 msf (4.5%)

Net Absorption



4.4 msf

Construction Pipeline



4.1 msf

Average Asking Rate



\$3.88 psf (NNN)

Arrows indicate year-over-year change

Regional Summary

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 a high wire balancing act of strategic development projects and continued interest of large consumer goods and E-commerce companies considering Central Indiana as a place to do business. The big question regarding the market is how long will it's strength continue to absorb these large blocks of space, as the new construction of Investment Grade buildings continue to cost more to be built and balancing the increasing lower availability of needed labor and skilled labor to construct these assets and the available labor force to be hired for their businesses.

With a low direct vacancy rate near 4.5%, which includes the new speculative space deliveries, deal velocity remains strong and rental rates are continuing to rise as well.

Noteworthy Q3 2018 transactions bode well for the future health of the Indy Industrial Market. Completed new projects include the 382,654 sf Alan Richey Inc. lease in Plainfield, IN, Kuehne & Nagel's new 369,499 sf lease in Whitestown, IN, and Polymer Technology Systems new lease of 134,500 sf in Whitestown.

Q3 2018 positive absorption of 1.4 msf was fueled by a litany of significant transactions that continues the trend of large spaces being leased even with labor challenges being experienced in all submarket areas. Significant deliveries to the market included the 912,000 sf Speculative Building from IDI in Ameriplex, while GDI delivered its first Speculative building of 410,424 sf Building in Whitestown, IN, and Exeter Property Group is bringing a new 635,440 sf speculative building by end of the year in Whitestown, IN.

The vibrancy of the market is evident with the continuing rise in Net Lease Rates. They are hovering in the \$3.80 - \$3.95 psf, triple net range. With local unemployment rates holding the line below the national average, at 3.0%, along with a healthy 1.9% year-over-year employment growth increase, the Indianapolis Industrial Market is the beneficiary of these strong indicators. Due to this stability, Indianapolis remains a magnet for national distribution and manufacturing companies in selecting Central Indiana to due deals. Similarly, capital investment opportunities continue to flow in for brand new core asset development projects enabling the trend of compressing cap rates on investment sales.

Given the strong leasing volume and deal velocity thru mid-year, several large speculative construction projects are being constructed with completion scheduled for the end of 2018 and Q1 2019:

SPECULATIVE PROJECT DELIVERIES IN 2018 AND EARLY 2019

LOCATION	SQUARE FEET	DEVELOPER	DELIVERY DATE
Franklin	933,825	Sunbeam Development	Q4 2018
Whitestown	635,440	Exeter Property Group	Q4 2018
Whitestown	526,433	Strategic Capital Partners	Q1 2019
Greenwood	496,070	OPUS Development Group	Q4 2018
Whitestown	410,424	GDI Construction	Q4 2018
Greenwood	241,800	Shear Development Corporation	Q4 2018
Indianapolis	159,424	Prologis	Q4 2018
Greenwood	143,000	Becknell Industrial	Q1 2019
Plainfield	143,000	Pure Development	Q4 2018

NOTABLE LEASE TRANSACTIONS

TENANT	ADDRESS	SQUARE FEET	LEASE TYPE
Arcbest Corporation	3522 Perry Boulevard - <i>Whitestown</i>	440,314	New
Alan Ritchey Logistics	702 Columbia Road - <i>Plainfield</i>	382,654	New
Kuehne + Nagel (Rockwell)	4255 S 500 E - <i>Whitestown</i>	369,499	New
Spartan Logistics	221 S Franklin Road - <i>Indianapolis</i>	256,000	Renewal
Risk Management Solutions	700 Council Drive - <i>Lebanon</i>	222,756	New
Sataria Acquisitions	3003 Reeves Road - <i>Plainfield</i>	202,500	Sublease
FedEx Supply Chain	225 Transfer Drive - <i>Indianapolis</i>	177,600	Renewal
Foxconn	2201 Reeves Road - <i>Plainfield</i>	159,023	New
Polymer Technology Systems	4620 Anson Boulevard - <i>Whitestown</i>	134,500	New
Royal Interpack Midwest	4656 Anson Boulevard - <i>Whitestown</i>	130,841	New
Decks Direct	Allpoints Anson Building 2 - <i>Whitestown</i>	95,812	New
Prime Source Building Products	4316 W Minnesota Street - <i>Indianapolis</i>	80,000	Renewal
Lanter Delivery Systems	Allpoints Anson Building 2 - <i>Whitestown</i>	52,240	New
Pelican Bio Thermal	851 S Columbia Road - <i>Plainfield</i>	49,977	New