

Indianapolis



Quick Stats

289msf

Total market inventory

5.8%

Vacancy rate

2.2msfTotal market net absorption
January 2021 through March
2021**11.9msf**

Construction pipeline

\$4.05psf

Average triple net asking rate

The Indianapolis Industrial Market continues to reflect a very vibrant level of demand for large distribution space and continues to see solid net absorption numbers. The market is skillfully navigating the balance of new product being constructed at all-time high levels and balancing market demand for State-of-the-Art distribution and manufacturing space in Central Indiana. Continued interests from the large consumer goods and e-commerce - based companies considering Central Indiana has been the constant demand drivers for the market's continued strength. The big question regarding the market is how long will its strength continue to absorb these large blocks of space, as the cost of construction materials has been increasing at an enormous rate and availability of steel components and building panels continues to affect all development timing and price modeling. These price concerns will be a constant for the balance of 2021. The Covid-19 Pandemic and its affects regarding labor availability will also be a concern for the balance of 2021 for new companies in the market to fully understand while considering Central Indiana for new business commitments. These potential hurdles have not negatively affected the deal velocity in Q1 2021 so we will look to see

if transactions slow down for the balance of 2021 and stay focused on these challenges.

With a low direct vacancy rate near 5.8%, which includes the new speculative space deliveries, deal velocity remains strong and rental rates are continuing to increase with year-over-year comparisons.

Noteworthy First Quarter 2021 lease activity has been very strong and robust. Completed new projects include the 1 MSF new lease by Walmart in Whitestown/AllPoints Anson in the Northwest Submarket, Mars Petcare's lease of 911,000 SF in Monrovia in the Southwest Submarket and Deckers Outdoor Corporations lease of 507,600 SF in Clayton, Indiana in the Southwest Submarket near I-70 W. All of these projects provide net new jobs to each of the communities that welcomed these new companies to their towns and each of these organizations have provided significant capital spending of their own to customize these new leased locations and save secured long-term lease commitments to these municipalities.

During the First Quarter of 2021, positive absorption of approximately 2.2.MSF was fueled by a litany of significant

transactions that continue the trend of large spaces being leased even with labor challenges and increased lease costs being experienced in Central Indiana. Significant new deliveries to the market included the Sunbeam Development's 700,000 SF Building in Clayton in the Southwest Submarket, Sunbeam Development's 519,000 SF in Franklin in the South Submarket and the 507,000 SF Building #2 from Ambrose Property Group in Greenfield, IN in the I-70/ East Submarket.

The vibrancy of the market is evident with the continuing rise in Net Lease Rates. The asking rates are hovering in the \$4.00 - \$4.10 PSF, triple net range. With local unemployment rates holding the line below the national average, at 4.1%, the deal velocity still remains strong. Given Central Indiana's market stability and the consistent market fundamentals, our industrial market remains a magnet for national distribution and manufacturing companies. The capital market activities continue

to be robust in Central Indiana and the compression of cap rates is likely to persist throughout 2021. As the State begins the wide spread deployment of the Covid-19 vaccines, it is believed that economic improvement will escalate and it will bode well for the real estate environment's continued strength for the balance of 2021 and commercial development should be strong throughout the year.

Top leases

Tenant	Address	Location	SF	Lease type
1 Walmart	3751 S 500 E	Whitestown	1,016,244	New
2 Mars Petcare	10566 Gateway Pointe Dr	Monrovia	911,552	New
3 Nice-Pak	381 Airtech Pkwy	Plainfield	541,452	Renewal
4 Amazon	8325 N Norfolk Ave	Indianapolis	515,417	New
5 Deckers Outdoor Corporation	Westpoint Blvd	Clayton	507,600	New

Given the strong leasing volume and deal velocity thru Q1 2021, several large speculative construction projects are being developed and constructed with completions scheduled for late 2021 and early 2022 deliveries.

Speculative Projects

Developer	Address	Location	SF	Delivery Date
1 Jones Development	Mission Road	Whiteland	767,000	Oct 2021
2 Ambrose Property Group	Delaware Drive	Plainfield	474,000	Q1 2022
3 Core 5 Industrial Partners	Park 130 Business Park	Whitestown	235,000	Q1 2022
4 Core 5 / GDI Joint Venture	SR-44 & Forest Drive Rd	Franklin	951,000	Late Q1 2022
5 Sunbeam Development	I-70 West Commerce Park	Clayton	1,000,000	Q2 2022

Get more market information

Stan Burton
Associate
+1 317 210 8814
stan.burton@avisonyoung.com

Sean McHale, SIOR
Principal
+1 317 210 8809
sean.mchale@avisonyoung.com

Peter Seoane
Senior Associate
+1 317 210 8811
peter.seoane@avisonyoung.com

Steve Schaub, SIOR
Senior Vice President
+1 317 210 8807
steve.schaub@avisonyoung.com

Joel C Miller
Associate
+1 317 210 8803
joel.miller@avisonyoung.com

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avisonyoung.com

