

YoY Chg 12-Mo. Forecast

22.2%
Vacancy Rate ▲ ▲

-36K
Net Absorption, SF ▼ ▲

\$21.74
Asking Rent, PSF ▲ ▼

Overall, All Property Classes

ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

1.2M
Indianapolis MSA Employment ▲ ▲

3.3%
Indianapolis MSA Unemployment Rate ▼ ▲

3.7%
U.S. Unemployment Rate ▲ ▲

Source: BLS, Moody's Analytics

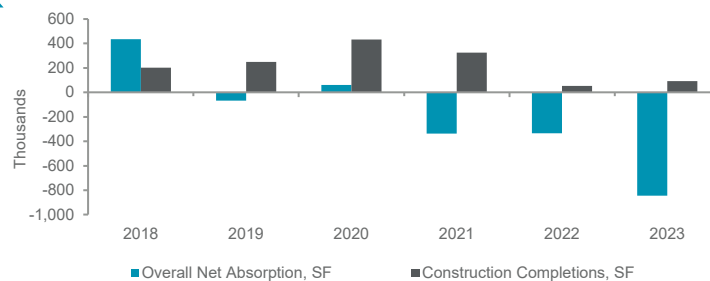
ECONOMIC OVERVIEW: Higher than Expected Job Growth to End 2023

The U.S. economy ended the year by adding 216,000 jobs in December, surpassing estimates as the unemployment rate also held steady at 3.7%. Government employment rose by 52,000 and professional and business services employment increased by 13,000 during the month. Throughout the entirety of 2023, monthly job growth averaged 225,000 and employment grew by 2.7 million. The Federal Reserve held the target federal funds rate constant in the 5.25-5.50% range in the fourth quarter and has not raised rates since its July meeting. The Federal Reserve's determinations on rate increases or decreases in 2024 will be largely contingent on whether inflation reaches their 2.0% target. Employment in the Indianapolis MSA continued to grow in the fourth quarter, rising 2.6% year-over-year (YOY). Employment levels are forecasted to continue to increase over the next year as well. However, the Indianapolis unemployment rate increased 40 basis points (bps) quarter-over-quarter (QOQ) and YOY to 3.3%. Unemployment in the region is expected to rise over the next 12 months as tightness in the labor market subsides slightly.

DEMAND: Overall Vacancy Rises Modestly QOQ

Overall vacancy in the Indianapolis office market rose QOQ by a modest 10 bps, to 22.2%, in the fourth quarter. This was the smallest QOQ increase of the year as occupancy losses were muted compared to the rest of 2023. Vacancy rates declined on a quarterly basis in four submarkets— Midtown, Keystone, Northwest, and West— with declines steepest in the Midtown and West submarkets. However, only the Midtown submarket registered a YOY vacancy decline as vacant space has been added across the market. Overall net absorption totaled negative 36,000 square feet (sf) in the fourth quarter, with six of the nine submarkets registering occupancy losses. Significant quarterly occupancy gains were posted in the Northwest and West submarkets, equaling 79,000 sf and 39,000 sf, respectively. Nevertheless, no submarkets recorded yearly occupancy gains. New leasing activity totaled nearly 343,000 sf in the fourth quarter, with activity largest in the North/Carmel (87,052 sf) and Downtown (65,499 sf) submarkets. Annual new leasing activity topped 1.7 million square feet (msf), shy of last year's new leasing activity of 1.9 msf. The North/Carmel submarket accounted for 505,000 sf, or 29.3%, of 2023's new leasing total despite the submarket only equaling 20.8% of the market inventory. Sublease new leasing activity totaled over 351,000 sf in 2023, more than double last year's sum of 174,000 sf as sublease spaces continue to come off the market. However, the amount of vacant sublease space remains markedly elevated compared to historical levels.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



INDIANAPOLIS

Office Q4 2023

PRICING: Indianapolis Office Average Asking Rents Post 1.7% YOY Increase

Average overall asking rents in the fourth quarter increased on both a quarterly and yearly basis, rising 1.8% QOQ and 1.7% YOY, to \$21.74 per square foot (psf) gross. The North/Carmel and Downtown submarkets posted the largest quarterly gains, with asking rents climbing 4.9% and 1.8% to \$24.40 psf and \$23.89 psf. On a yearly basis, asking rents rose the most in the South and North/Carmel submarkets, increasing 7.8% and 5.0%, respectively. The Keystone submarket recorded the highest asking rents for the 8th-consecutive quarter and also posted the highest Class A rental rate in the Indianapolis market at \$26.20 psf.

SUPPLY: Deliveries Equal 93,000 sf in 2023, With 133,000 sf Still Under Construction

The Indianapolis office market delivered nearly 93,000 sf of space across two buildings in 2023, including 63,000 sf in the fourth quarter. The fourth quarter delivery, 1st on Main in the North/Carmel submarket, was 81.7% leased prior to completion as new construction in prime locations remains highly desired in the market. Two building renovations were also completed during the year, adding an additional 244,000 sf of space to the Downtown submarket. One building kicked off construction in the fourth quarter, a 16,000-sf speculative project in the Fishers submarket. Altogether there are three buildings currently under construction, totaling 133,000 sf. All three projects are expected to be completed in 2024, which would mark the highest construction completion total since 2021 as deliveries have been muted the last couple of years.

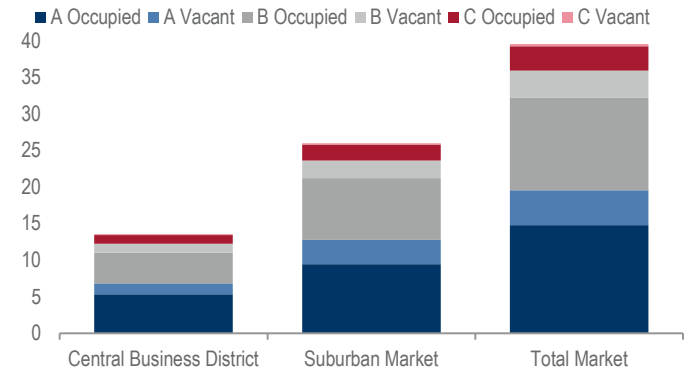
SALE ACTIVITY: Sales Activity Rebounds in the Second Half of 2023

Though 2023 office sales activity trailed last year's levels, activity rebounded in the second half following a slow start to the year. In total, 1.7 msf of office sales were recorded in 2023, with 1.1 msf of these sales occurring in the latter half of the year. Over 465,000 sf of sales were recorded in the fourth quarter across eight buildings. Investment sales accounted for 364,000 sf of the space that traded hands during the quarter. The Downtown submarket posted the most activity, equaling 179,000 sf. The largest sale of the quarter was also located Downtown, with the 142,000-sf Class B property at 2 N. Meridian St. selling to Government Investment Partners for \$10,496,071, or \$70.28 psf. The Keystone submarket recorded the next highest sales activity total of 120,000 sf, all from the sale of Two Woodfield Crossing.

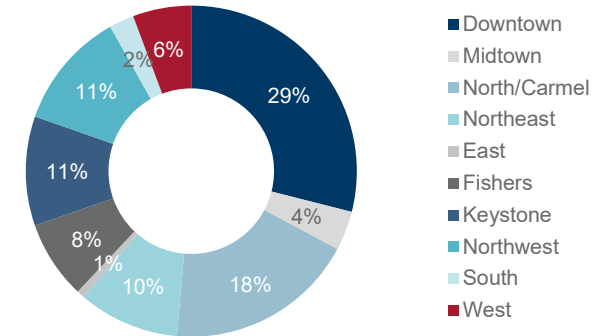
Outlook

- Class A new leasing activity totaled 955,000 sf, or 55.4% of all new leases recorded in 2023, despite Class A space accounting for only 49.5% of the market inventory. This flight to top tier space is expected to continue into 2024 as tenant demand for highly amenitized and updated space should endure.
- Despite economic headwinds, U.S. employment levels are projected to increase over the next 12 months. While the unemployment rate is also expected to increase, unemployment is still low when compared to historical levels as the labor market remains relatively strong.

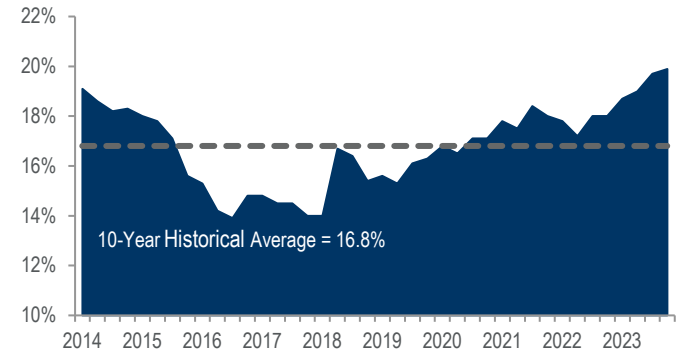
LEASING DEMAND BY CLASS OF SPACE (MSF)



VACANT SPACE BY SUBMARKET



DIRECT VACANCY RATE VS. 10 YEAR HISTORICAL AVERAGE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown	11,746,621	217,913	2,329,931	21.7%	-1,508	-136,292	258,412	94,266	\$23.89	\$26.00
Midtown	1,835,090	0	338,091	18.4%	16,571	-33,188	69,285	0	\$16.06	N/A
East	509,446	19,096	49,804	13.5%	-3,952	-33,983	12,468	0	\$14.85	N/A
Fishers	2,638,148	86,603	585,511	25.5%	-30,557	-48,934	99,851	16,000	\$22.50	\$22.77
Keystone	4,106,618	88,692	851,066	22.9%	24,712	-66,774	244,475	0	\$25.40	\$26.20
North/Carmel	8,259,159	102,788	1,532,111	19.8%	-46,115	-101,752	505,045	23,094	\$24.40	\$25.51
Northeast	3,237,903	47,653	820,868	26.8%	-60,110	-172,833	120,811	0	\$19.00	\$20.96
Northwest	3,984,108	331,482	681,529	25.4%	79,060	-172,967	213,911	0	\$18.15	\$19.85
South	1,431,040	0	213,150	14.9%	-53,981	-69,642	44,304	0	\$18.30	\$21.56
West	1,879,496	31,404	471,139	26.7%	39,421	-7,635	154,358	0	\$15.26	\$16.59
Class A	19,608,231	595,995	4,207,209	24.5%	-62,995	-493,653	955,070	133,360	\$24.44	
Class B	16,360,944	329,636	3,356,967	22.5%	18,385	-384,716	638,669	0	\$18.62	
Class C	3,658,454	0	309,024	8.4%	8,151	34,369	129,181	0	\$17.28	
TOTAL	39,627,629	925,631	7,873,200	22.2%	-36,459	-844,000	1,722,920	133,360	\$21.74	\$24.44

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
101-115 W Washington St, Indianapolis	Downtown	GSA	18,071	Expansion/Renewal*
135 N Pennsylvania St, Indianapolis	Downtown	Hannum Wagle & Cline	16,861	Renewal*
9998 Crosspoint Blvd, Indianapolis	Fishers	Northwestern Mutual	15,221	New
6415 Castleway W Dr, Indianapolis	Northeast	Innovation Concepts	12,578	New

*Renewals not included in leasing statistics

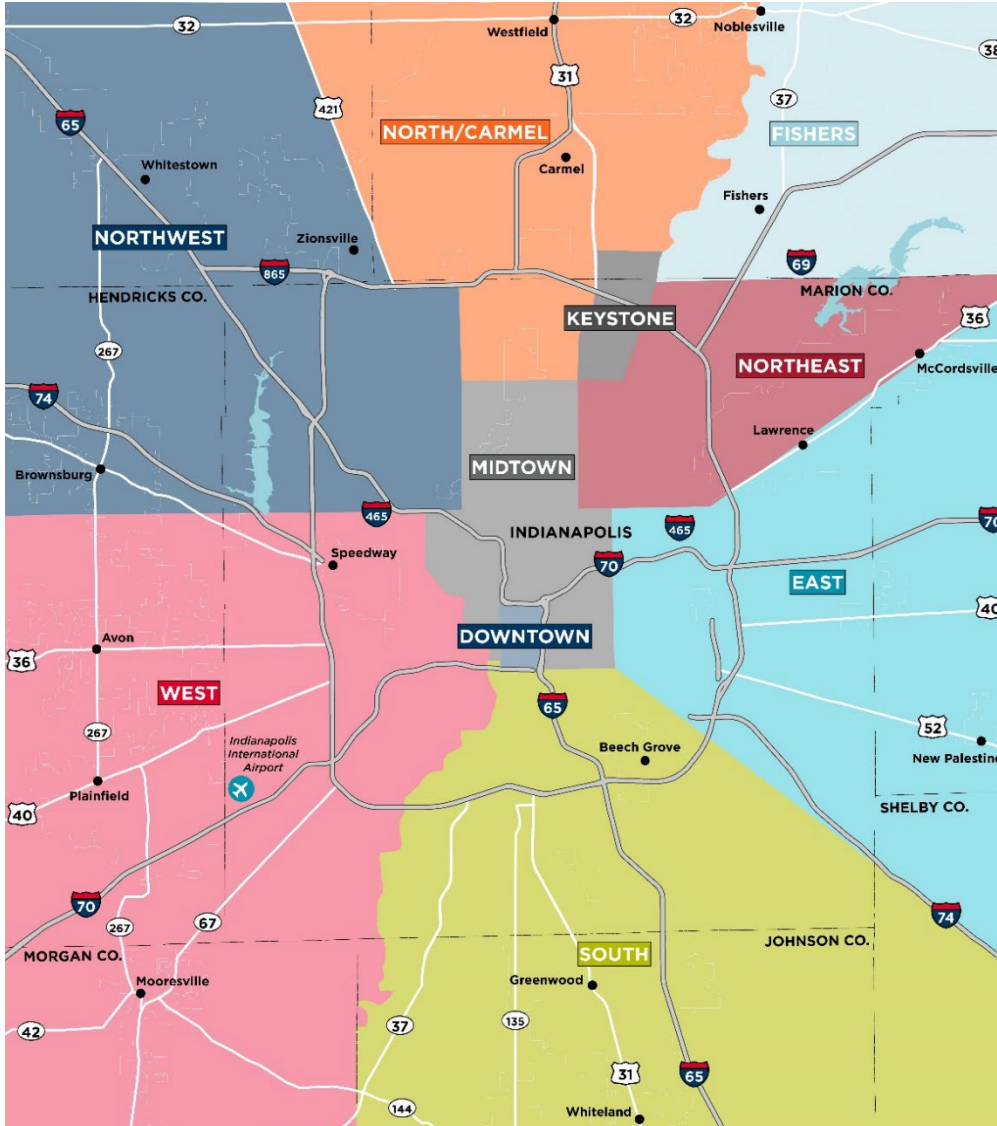
KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2 N Meridian St, Indianapolis	Downtown	Goodman Court Street Inc. Government Investment Partners	149,338	\$10,496,071/\$70.28
8440 Woodfield Crossing Blvd, Indianapolis	Keystone	Neyer Properties Bruce Wishard	119,983	\$5,574,999/\$46.46

INDIANAPOLIS

Office Q4 2023

OFFICE SUBMARKETS



MAGGIE TILLOTSON

Senior Research Analyst

Tel: +1 317 352 6368

maggie.tillotson@cushwake.com

CUSHMAN & WAKEFIELD

One American Square, Suite 1800

Indianapolis, IN 46282 | USA

Tel: +1 317 634 6363

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