



Indianapolis

# Industrial 22Q1

## Key Takeaways

- The vacancy rate for all product types ended the quarter at a record-low 3.67%, a 205 bps decrease from 21Q1.
- 3.2 MSF in direct net absorption marks strongest Q1 since 2016.
- Warehouse/distribution rents grew 12.9% year-over-year, outpacing the national average of 8.3%.
- Historic levels of new construction underway totals 28.5 MSF.
- Flex vacancy declined to another record-low level: 3.54%.



## Record-Low Vacancy and Absorption Lead to Historic Construction Levels

Economic threats posed by the Omicron variant of COVID-19 faded by quarter-end, leading to an increase in payrolls, mostly driven by leisure and hospitality. Still, there were global pressures on manufacturing and supply issues resulting from China's zero COVID policy and an escalating war in Europe. Despite these issues, the industrial sector remains red hot. The growing demand for big-box users is boosting Indianapolis industrial market fundamentals. New leasing activity totaled 23.5 MSF in 2021 with another 4.7 MSF in 22Q1, when the market achieved 3.2 MSF in direct occupancy gains. The vacancy rate decreased to 3.67%, a new record low, and the new construction pipeline is larger than ever as developers continue to expand the boundaries of the traditional industrial footprint.

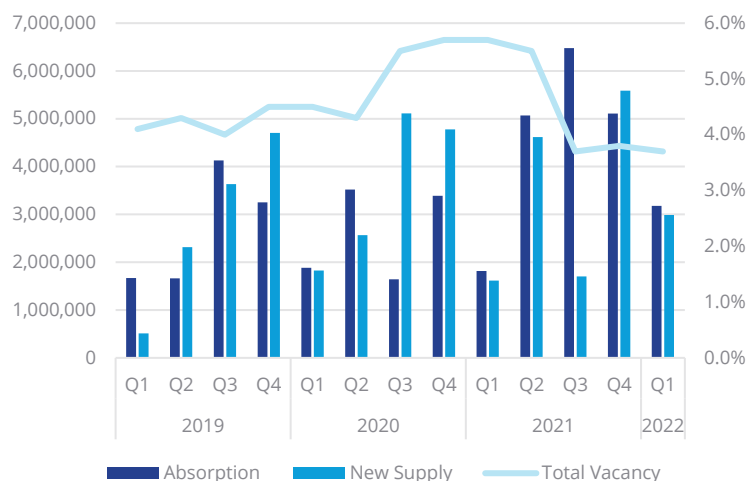
## Market Indicators



## Historic Comparison

	21Q1	21Q4	22Q1
<b>Total Inventory (in Thousands of SF)</b>	283,544	294,627	296,548
<b>New Supply (in Thousands of SF)</b>	1,616.4	5,586.5	2,988.1
<b>Net Absorption (in Thousands of SF)</b>	1,815.7	5,109.5	3,177.4
<b>Direct Vacancy</b>	5.7%	3.8%	3.7%
<b>Under Construction (in Thousands of SF)</b>	10,624.5	24,974.1	28,524.7
<b>Overall Asking Lease Rates (NNN)</b>	\$4.22	\$4.65	\$4.77

## Market Overview



Three consecutive quarters of historically high absorption levels in 2021 and strong speculative pre-leasing activity resulted in the vacancy rate ending 22Q1 at 3.67%. This marks the lowest vacancy rate in more than a decade and is being followed by a new wave of speculative supply to match the outsized demand.

## Recent Transactions



**Lease**  
Whiteland South | 827k SF



**Lease**  
Monrovia Southwest | 700k SF



**Lease**  
Greenfield East | 554k SF



**Sale**  
Whitestown Northwest | 1.0 MSF



**Sale**  
Indianapolis Northeast | 446k SF



**Sale**  
Whitestown Northwest | 410k SF

## Construction

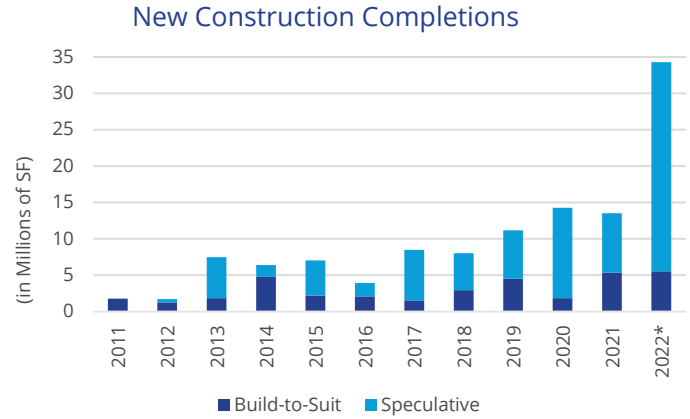
Indianapolis has nearly as much new product under construction as Chicago, a market five times its size. The 28.5 MSF currently underway is a 168% year-over-year increase, higher than the national average growth rate of 58.9%. Contributing to these elevated construction levels are the five speculative developments larger than 1.0 MSF in Whiteland, Mount Comfort and Monrovia. These areas account for more than half of all planned speculative projects in the market as boundaries of development continue to grow where land is still available. Nearly 35 MSF of new construction is scheduled for completion by the end of 2022, more than double the record amount completed in the Indianapolis industrial market in 2020. Tenant demand is high enough to drive new speculative supply.

## Activity

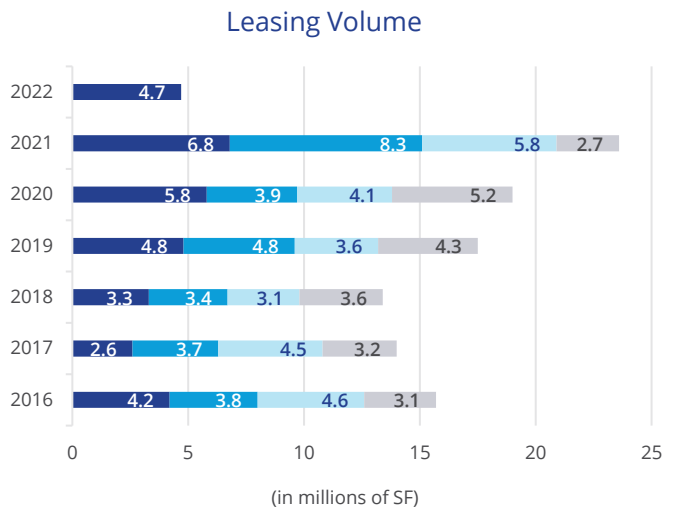
New leases signed in speculative construction projects dominated 22Q1 activity. NFI Industries signed the largest user transaction and took occupancy in Mohr Capital's 827k SF building in Whiteland, one of the fastest growing industrial big box areas in the South submarket. Most new modern bulk leases are in the 500k+ sf and sub-300k SF ranges, accounting for all those signed in 22Q1. In terms of other product types, traditional warehouse/distribution buildings are at near-full occupancy at 98.9%. The lack of availability in these buildings is pushing users into new construction. This dynamic is causing asking rents to rise across the board – increasing 12.9% year-over-year for all product types, not just new construction. Investment sales activity was also strong for non-bulk assets in 22Q1, including the sale of Franklin Road Business Center, South Tech Park and the Firestone Building Products property.

## Light Industrial and Flex

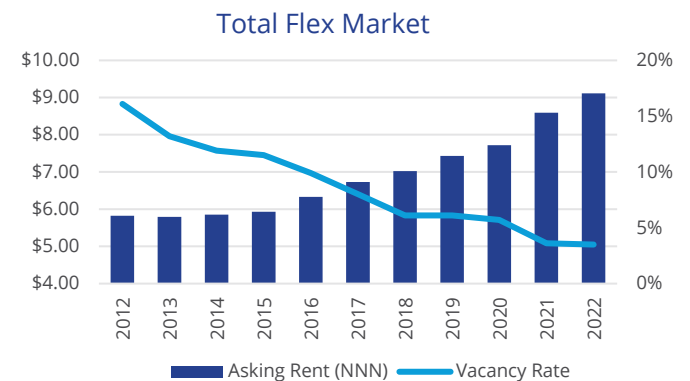
Tenants are left with increasingly limited options in flex buildings, where vacancy reached another landmark low rate of 3.54%. In the Southwest submarket, occupancy is at an unprecedented 99.4%, and rental rates are following suit. Market asking rental rate growth is up 6.1% in just three months since the end of 2021 and 17.4% year-over-year. Hillsdale Business Park, a six-building, 445K-sf flex portfolio in northeast Indianapolis, sold in January for 50% more than its purchase price in 2015. Annual escalations in leases are climbing above the traditional 2.5-3% to upwards of 5%, signaling a continuation of rent growth in the future. Investors are taking note of these trends in hopes of capitalizing on strong fundamentals.



Source: Colliers



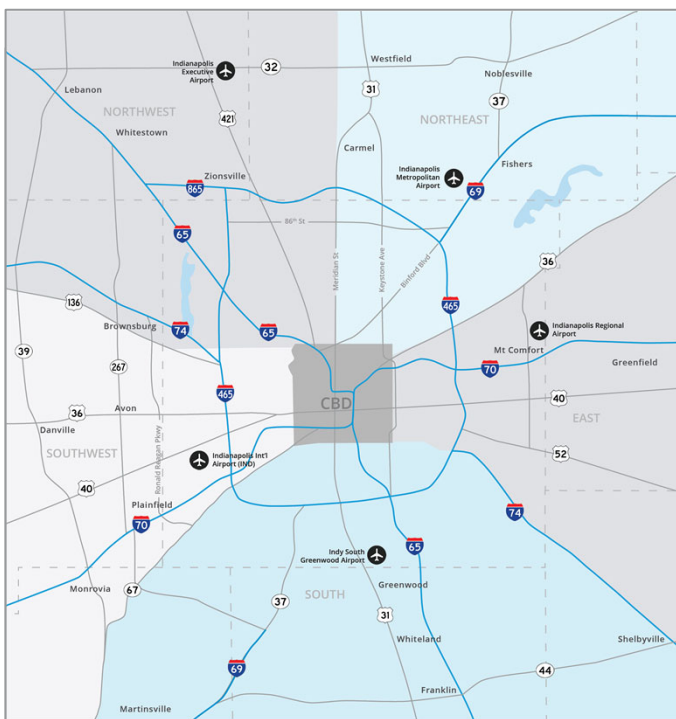
Source: Colliers



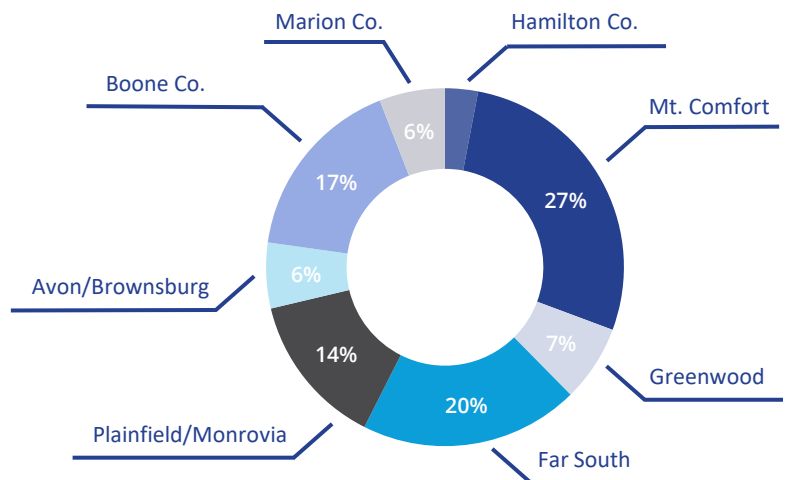
Source: Colliers

## Notable Construction Projects 2022

Building Name, Address	Submarket	Type – Major Tenant(s)	Owner	Const. Status	SF
Walmart Distribution Center, 5259 W 500 N, McCordsville	East	Build-to-Suit – Walmart	Walmart	Under Const. – 22Q4	2,229,480
Whiteland 65 Logistics Center, 319 Warrior Trl, Whiteland	South	Speculative	Hines Development	Under Const. – 22Q3	1,131,167
Mohr Logistics Park Building 6, NWQ of I-65 & Whiteland Rd, Whiteland	South	Speculative	Mohr Capital	Under Const. – 22Q3	1,057,350
Greenfield Farms Building 3, 2625 N Buck Creek Rd, Greenfield	East	Speculative	Lexington Realty Trust	Under Const. – 22Q2	1,053,242
70 Connect III, 7366 W 350 N, Greenfield	East	Speculative	Lauth Group	Under Const. – 22Q4	1,005,776
Sunbeam Four at I-70 West, 1630 Innovation Blvd, Clayton	Southwest	Speculative	Sunbeam Development	Under Const. – 22Q2	1,002,469
Whiteland Exchange Building 5, 45 Mission Rd, Whiteland	South	Speculative	Jones Development Company	Under Const. – 22Q2	979,264
Mount Comfort Commerce Park Building 3, N 600 W, McCordsville	East	Speculative	Exeter Property Group	Under Const. – 22Q2	955,371
I-65 Indianapolis Logistics Center South, 81-89 Forest Rd, Franklin	South	Speculative	Core5 Industrial Partners	Under Const. – 22Q2	954,370
Avon Logistics Center Building 2, 8838 E 100 S, Avon	Southwest	Speculative	Property Reserve Inc.	Completed – 22Q1	883,609
I-74 Commerce Center, McGregor Rd & Carroll Rd, Indianapolis	South	Build-to-Suit – Five Below	Five Below	Under Const. – 22Q4	858,000
I-70 Logistics Park Building 1, 3052 N 700 W, Greenfield	East	Speculative	CT Realty	Completed – 22Q1	805,000
Point 70 Logistics Park Building A, 2444 N 700 W, Greenfield	East	Speculative	Clarion Partners	Under Const. – 22Q2	802,907
Mount Comfort Logistics Center V, 2709 N 400 W, Greenfield	East	Speculative	Ambrose Property Group	Under Const. – 22Q4	753,000
East 70 Logistics Park Building 3, 4679 N 600 W, McCordsville	East	Speculative	GDI Companies	Under Const. – 22Q2	736,560
AllPoints Midwest Building 14, Velocity Ct, Plainfield	Southwest	Speculative	Browning Investments/Prologis	Under Const. – 22Q2	715,307
Reagan Logistics Park Building B, 10144 Veterans Dr, Avon	Southwest	Speculative	Distribution Realty Group	Under Const. – 22Q3	712,800
HUB I-65 Building 4, 4400 Indianapolis Rd, Lebanon	Northwest	Speculative	Sunbeam Development	Under Const. – 22Q3	702,000
Westpoint Business Park Building III, 2496 Westpoint Blvd, Monrovia	Southwest	Speculative – Stryker Corporation	Ambrose Property Group	Completed – 22Q1	646,380
Indianapolis Central Logistics Park 1, 5565 Brookville Rd, Indianapolis	East	Speculative	Ambrose Property Group	Under Const. – 22Q2	616,000
I-65 Park South Logistics Center at Whiteland, E 400 S, Whiteland	South	Speculative	Core5 Industrial Partners	Under Const. – 22Q3	601,712



### Speculative Construction Pipeline\*



Source: Colliers

\*Includes planned projects

Submarket	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Qtr. New Construction SF	Under Construction SF	Qtr. Lease Activity SF	Qtr. Overall Net Absorption SF	Qtr. Direct Net Absorption SF	W/D Direct Asking Rent NNN	Flex Direct Asking Rent NNN
<b>CBD</b>	23,773,161	2.4%	2.4%	0	0	0	(59,478)	(59,478)	\$6.21	\$12.60
<b>East</b>	44,699,061	6.4%	6.0%	1,225,000	10,244,428	1,276,238	418,157	90,618	\$4.40	\$6.98
<b>Northeast</b>	24,577,653	2.7%	2.7%	81,136	995,235	247,776	172,292	172,292	\$7.11	\$9.96
<b>Northwest</b>	70,827,135	2.0%	1.9%	0	4,544,553	692,821	340,559	346,859	\$4.98	\$8.97
<b>South</b>	34,564,050	4.4%	4.4%	118,938	7,849,614	912,511	1,198,503	1,198,503	\$4.35	\$8.83
<b>Southwest</b>	98,107,123	4.7%	4.1%	1,562,997	4,890,915	1,562,757	1,363,122	1,428,584	\$4.66	\$7.77
<b>MARKET TOTALS</b>	296,548,183	3.9%	3.7%	2,988,071	28,524,745	4,692,103	3,433,155	3,177,738	\$4.61	\$9.11

Indianapolis Quarterly Comparison and Totals										
<b>22Q1</b>	296,548,183	3.9%	3.7%	2,988,071	28,524,745	4,692,103	3,433,155	3,177,738	\$4.61	\$9.11
<b>21Q4</b>	294,627,207	4.1%	3.8%	5,586,460	24,974,095	2,706,336	4,993,010	5,109,486	\$4.49	\$8.59
<b>21Q3</b>	288,988,903	4.0%	3.7%	1,701,692	25,652,085	5,777,879	6,837,293	6,477,455	\$4.45	\$7.81
<b>21Q2</b>	289,950,498	6.0%	5.5%	4,617,887	19,296,672	8,288,357	4,983,005	5,067,591	\$4.27	\$7.70
<b>21Q1</b>	283,543,676	6.1%	5.7%	1,616,437	10,624,513	6,758,385	1,692,194	1,815,710	\$4.08	\$7.76

## Notable New User Transactions

22Q1

Building Name, Address	Submarket	Tenant	Transaction Type	Building Type	SF
Mohr Logistics Park Building 9, Bob Glidden Blvd, Whiteland	South	NFI Industries	New Lease	Modern Bulk Spec.	827,180
Sunbeam Three at I-70 West, 1564 Innovation Blvd, Monrovia	Southwest	CEVA Logistics	New Lease	Modern Bulk Spec.	700,449
70 Connect II, 7459 W 350 N, Greenfield	East	Yusen Logistics	New Lease	Modern Bulk Spec.	554,228
AllPoints Midwest Building 17, 1110 Smith Rd, Plainfield	Southwest	Wabtec Corporation	New Lease	Modern Bulk Spec.	264,993
AllPoints Anson Building 7A, 4055 S 500 E, Whitestown	Northwest	ITS Logistics	New Lease	Modern Bulk	257,030
Mount Comfort 1, 6484 W 300 N, Greenfield	East	Roadtex	Sublease	Modern Bulk	240,000
Lebanon Business Park Building 2, 121 S Enterprise Blvd, Lebanon	Northwest	Hachette Book Group	BTS Expansion	Modern Bulk	164,000

## Notable Investment Sale Transactions

22Q1

Building Name, Address	Submarket	Buyer	Seller	Building Type	SF
Crossroads Logistics Center, 3751 W 500 E, Whitestown	Northwest	Lexington Realty Trust	CT Realty	Modern Bulk	1,016,244
Hillsdale Business Park, 6801-6999 Hillsdale Ct, Indianapolis	Northeast	Heritage Capital Group	Brennan Investment Group	Flex/Office	445,892
Fishback Creek Building 2, 3830-3960 S 500 E, Whitestown	Northwest	KKR	Modlo	Modern Bulk	410,424
Franklin Road Business Center, 2855 N Franklin Rd, Indianapolis	East	Legacy Capital Partners	Norry Management Corp	Traditional Distribution	320,219
Firestone Building Products, 3525 S Arlington Ave, Indianapolis	South	Plymouth Industrial REIT	Link Logistics Real Estate	Manufacturing	219,104
South Tech Park Buildings 100 & 100, 2011 Southtech Dr, Greenwood	South	Taurus Investment Holdings	Prologis	Medium Distribution	163,200
12001 Exit 5 Pkwy, Fishers	Northeast	Exeter Property Group	Juno Lighting Inc.	Medium Distribution	133,504

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