



Indianapolis

Industrial 21Q2

Key Takeaways

- Tenants leased a record amount of square footage in 21Q2, up 23% from the previous record amount of activity in 21Q1.
- Indianapolis ranked 4th nationwide for new construction.
- Rental rates grew to their highest levels on record and are still 33% lower than the national average.
- Flex occupancy remains at the historically high rate of 94.7% for a third consecutive quarter.



An Opened-Up Economy Drives Industrial Activity

The U.S. economy is more open than it has been since the onset of the pandemic. Local mask mandates have been mostly revoked, and nearly 70% of American adults are vaccinated for COVID-19. Nationwide, the return to near-normal is driving the economy. The Indianapolis industrial market is benefiting from an increase in consumer confidence and this return of economic activity. Nearly 8.0 MSF of new leases were signed in 21Q2, a record amount in one quarter and a 23.1% increase from the previous record high achieved in 21Q1. Developers continue to expand the boundaries of the traditional industrial footprint by purchasing land in virtually every direction. A record amount of new construction is now underway to keep up with unprecedented user demand as vacancy tightens.

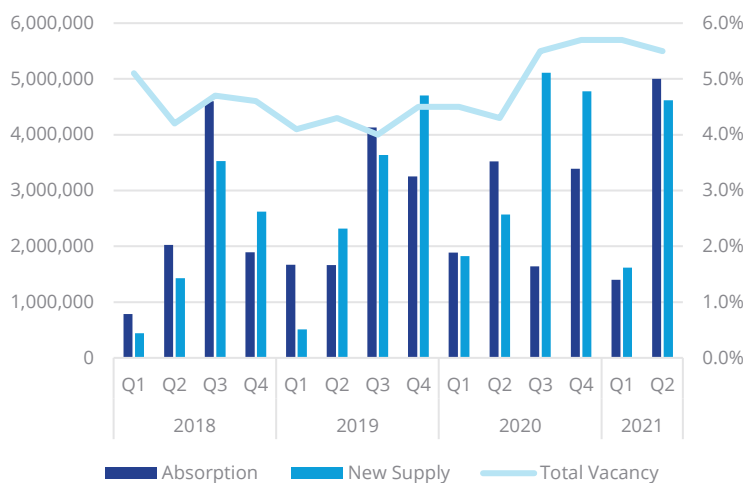
Market Indicators



Historic Comparison

	20Q2	21Q1	21Q2
Total Inventory (in Thousands of SF)	271,701	283,535	286,951
New Supply (in Thousands of SF)	2,567.5	1,616.4	4,617.9
Net Absorption (in Thousands of SF)	3,520.1	1,538.3	5,000.1
Direct Vacancy	4.3%	5.7%	5.5%
Under Construction (in Thousands of SF)	13,645.6	10,624.5	19,296.7
Overall Asking Lease Rates (NNN)	\$4.24	\$4.22	\$4.38

Market Overview



A spurt in new speculative construction has kept the vacancy rate above 5.0% since 3Q20, and it ended 2Q21 at 5.5%. However, 8.2 MSF of leased vacancies have yet to be absorbed. Once factored in, the vacancy rate falls below 3%. This lack of availability is leading to more speculative construction.

Recent Transactions



Lease
Whitestown
Northwest | 846k SF



Lease
Whitestown
Northwest | 673k SF



Lease
Whitestown
Northwest | 633k SF



Lease
Whitestown
Northwest | 506k SF



Lease
Plainfield
Southwest | 502k SF



Sale
Indianapolis
NW, SW, East | 1.1 MSF

Construction

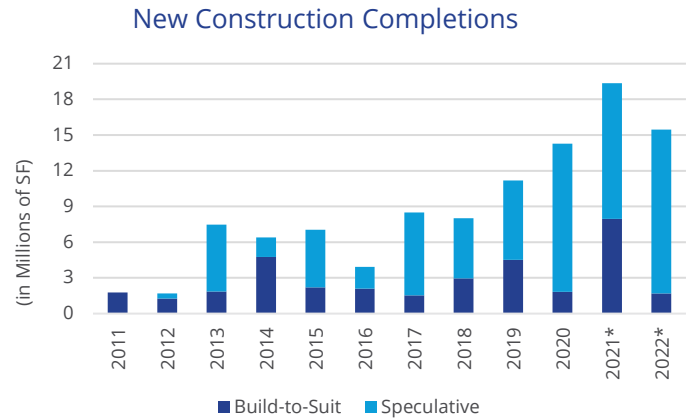
The Indianapolis industrial market ranked 6th nationwide for product under construction at the end of 21Q2. Indianapolis was only behind Dallas, Los Angeles and Atlanta for completions in the quarter after delivering 4.6 MSF. A total of approximately 19 MSF of new construction is on track to be completed in 2021, with BTS projects accounting for nearly half. Tenant demand is still high, and with land and property pricing lower than the national average, Indianapolis is seeing a surge in new product. Developers are positioning themselves across the market, but a few areas with excess land continue to draw the most development: Mount Comfort, southern Johnson County and Monrovia. These burgeoning industrial parks account for more than two-thirds of the upcoming speculative developments.

Activity

New leasing activity reached a record-high level of 14.4 MSF over the last six months, surpassing recent year-end levels in 2017 and 2018. Nine leases were signed in speculative facilities larger than 500,000 sf, including five in 21Q2. The ready availability of speculative facilities is helping Indianapolis to draw new-to-market operations, which accounted for 78% of the overall modern bulk square footage leased this year. The local industrial market is experiencing record absorption levels as a result of this activity. When compared to other markets smaller than 300 MSF, Indianapolis ranked 1st overall for 2Q21 direct net absorption. The metro area accounted for 4.2% of nationwide absorption, while only representing 1.75% of overall inventory. Indiana's centrality and business-friendly environment continue to draw development and new operations to one of the fastest growing industrial markets in the nation.

Flex

Despite all the uncertainty surrounding COVID-19 and its effect on local industry, the flex market in Indianapolis maintained record-high occupancy for a third consecutive quarter. In the last five years, the total flex market vacant square footage decreased by 55%. Rental rates have grown much faster than the overall market. The trends are most pronounced in the two submarkets with the largest flex footprint: Southwest (home to Park Fletcher) and Northwest (home to Park 100). The Southwest submarket experienced an 8.8pp drop in the vacancy rate (14.9% to 6.1%) and a 33% increase in rents (\$5.20 to \$6.93). The Northwest submarket experienced a 11.4 pp drop in the vacancy rate (17.3% to 5.9%) and a 26% increase in rents (\$6.36 to \$7.99).

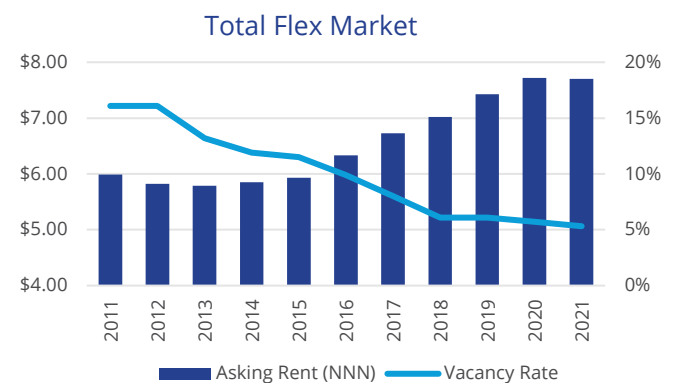


Source: Colliers

*Includes planned completions



Source: Colliers

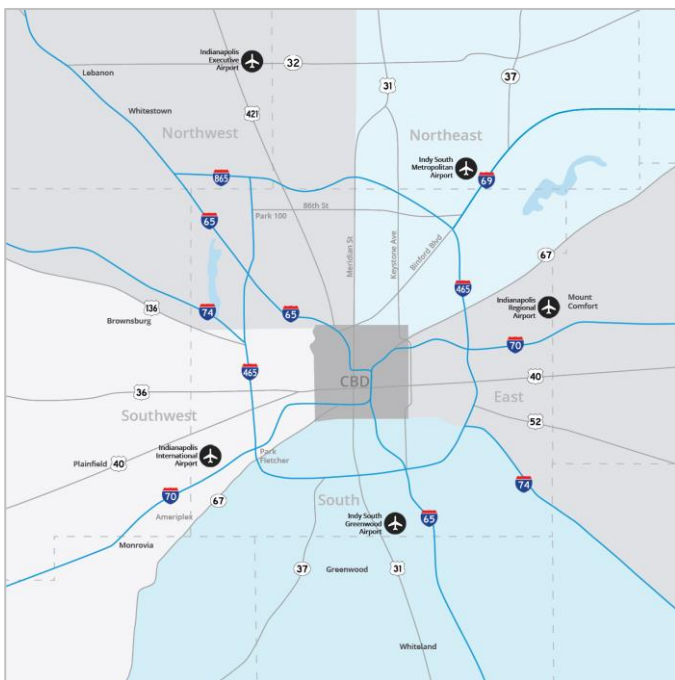


Source: Colliers

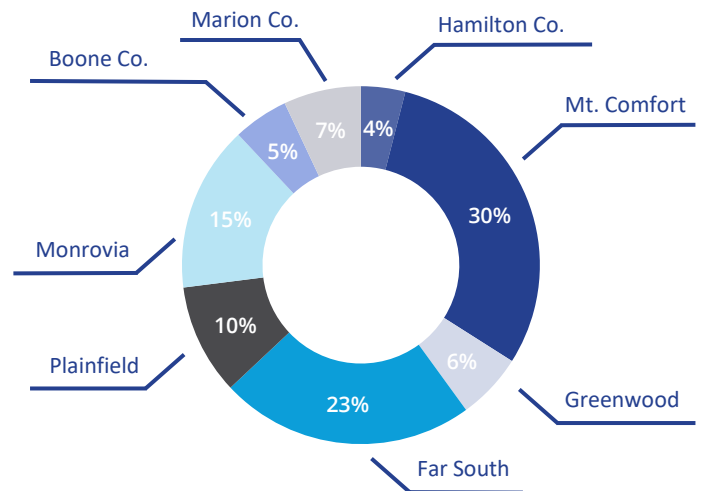
Notable Construction Projects

Q2 2021

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. – 21Q4	2,229,480
Greenfield Commerce Center Building 3, N Buck Creek Rd, Greenfield	East	Speculative	Lexington Realty Trust	Under Const. – 22Q2	1,053,242
Sunbeam Four at I-70 West, 1630 Innovation Blvd, Clayton	Southwest	Speculative	Sunbeam Development	Under Const. – 22Q1	1,002,469
NEC of Graham Rd & Whiteland Rd, 2400 E Whiteland Rd, Whiteland	South	Build-to-Suit – Cooper Tires	Mohr Capital	Completed – 21Q2	997,656
Whiteland Exchange Building 5, 45 Mission Rd, Whiteland	South	Speculative	Jones Development Company	Under Const. – 22Q1	979,264
I-65 Indianapolis Logistics Center South, 81-89 Forest Rd, Franklin	South	Speculative	Core5 Industrial Partners	Under Const. – 22Q1	954,370
Hendricks Gateway Park 4, 10566 Gateway Point Dr, Clayton	Southwest	Speculative – Mars Petcare	Core5 Industrial Partners	Under Const. – 21Q4	911,552
Point 70 Logistics Park, 6817 W 300 N, Greenfield	East	Build-to-Suit – Simply Good Foods	Exeter Property Group	Under Const. – 21Q3	862,453
I-74 Commerce Center, McGregor Rd & Carroll Rd, Indianapolis	South	Build-to-Suit – Five Below	Five Below	Under Const. – 22Q4	858,000
Mohr Logistics Park Lot 9, Bob Glidden Blvd, Whiteland	South	Speculative	Mohr Capital	Under Const. – 21Q4	827,180
I-70 Logistics Park Building 1, N 700 W & W 300 N, Greenfield	East	Speculative	CT Realty	Under Const. – 21Q4	805,000
Point 70 Logistics Park Building A, 2444 N 700 W, Greenfield	East	Speculative	Clarion Partners	Under Const. – 22Q1	802,907
East 70 Logistics Park Building 3, W 500 N & N 600 W, Greenfield	East	Speculative	GDI Companies	Under Const. – 22Q2	736,560
65Commerce Park Building 4, 5400 E 500 S, Whitestown	Northwest	Speculative – Style Link Logistics	Strategic Capital Partners	Completed – 21Q2	632,788
Indianapolis Commerce Center, 475 S Mt Zion Rd, Lebanon	Northwest	Speculative	Stonemont Financial Group	Under Const. – 21Q3	615,600
AllPoints Midwest Building 17, Smith Rd & Morris St, Plainfield	Southwest	Speculative	Browning Investments	Under Const. – 21Q4	593,396
70 Connect II, 7459 W 350 N, Greenfield	East	Speculative	Lauth Group	Under Const. – 21Q4	554,228
Sunbeam Five at I-70 West, 1656 Innovation Blvd, Monrovia	Southwest	Speculative	Sunbeam Development	Under Const. – 21Q4	531,713
AllPoints Midwest Building 12, 1750 Smith Rd, Plainfield	Southwest	Build-to-Suit – (confidential)	Duke Realty	Completed – 21Q2	517,220
Plainfield Logistics Park Building 3, Delaware Dr, Plainfield	Southwest	Speculative	Ambrose Property Group	Under Const. – 21Q4	474,000
AllPoints Anson Building 9, 4350 S 575 E, Whitestown	Northwest	Build-to-Suit – Safavieh	Safavieh	Completed – 21Q2	469,875
Johnson & Johnson Distribution Center, 9440 S SR 39, Mooresville	Southwest	BTS Expansion – Johnson & Johnson	Johnson & Johnson	Completed – 21Q2	440,105
Fishback Creek Building 3, 3690 S 500 E, Whitestown	Northwest	Build-to-Suit – Coca-Cola Consolidated	Coca-Cola Consolidated	Completed – 21Q2	415,068



Speculative Construction Pipeline*



Source: Colliers

*Includes 3Q21 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
CBD	23,690,227	2.2%	2.2%	0	0	106,424	17,803	17,803	\$4.70	\$6.00
East	41,677,660	6.0%	4.7%	416,015	9,103,430	1,229,784	536,178	525,442	\$4.29	\$5.82
Northeast	24,364,882	3.0%	3.0%	158,021	217,804	488,406	61,747	58,996	\$6.15	\$8.73
Northwest	69,612,952	8.0%	7.9%	1,517,731	1,117,900	4,498,702	1,948,460	1,916,114	\$4.47	\$7.99
South	32,898,308	7.5%	6.8%	1,568,795	4,553,232	299,203	514,145	514,145	\$4.06	\$10.75
Southwest	94,706,469	5.7%	5.2%	957,325	4,304,306	1,337,832	1,749,599	1,968,162	\$4.15	\$6.93
MARKET TOTALS	289,950,498	6.0%	5.5%	4,617,887	19,296,672	7,960,351	4,827,932	5,000,662	\$4.27	\$7.70

Indianapolis Quarterly Comparison and Totals										
21Q2	289,950,498	6.0%	5.5%	4,617,887	19,296,672	7,960,351	4,827,932	5,000,662	\$4.27	\$7.70
21Q1	283,543,676	6.1%	5.7%	1,616,437	10,624,513	6,467,408	1,414,777	1,538,293	\$4.08	\$7.76
20Q4	281,782,710	6.1%	5.7%	4,776,665	12,172,811	5,172,611	3,257,941	3,387,490	\$4.07	\$7.72
20Q3	276,723,965	5.9%	5.5%	5,112,307	10,919,975	4,124,063	1,643,508	1,642,785	\$4.12	\$7.62
20Q2	271,701,268	4.7%	4.3%	2,567,503	13,645,586	3,913,186	3,021,195	3,520,142	\$4.06	\$7.42

Notable New User Transactions

Q2 2021

Building Name, Address	Submarket	Tenant	Transaction Type	Building Type	SF
HUB I-65 Building 2, 4175 S Indianapolis Rd, Whitestown	Northwest	Amplify Brands	New Lease	Modern Bulk	846,720
I-65 Logistics Center at Park 130, 6055 Commerce Dr, Whitestown	Northwest	Henry Schein	New Lease	Modern Bulk	672,944
65Commerce Park Building 4, 5400 E 500 S, Whitestown	Northwest	Style Link Logistics (for Schein)	New Lease	Modern Bulk	632,788
4857 N Ronald Reagan Pkwy, Brownsburg	Northwest	(confidential)	New Lease	Modern Bulk	513,586
Whitestown Business Park Building Three, 4765 S 300 E, Whitestown	Northwest	Frito Lay	New Lease	Modern Bulk	505,728
MetroAir Business Park Building 9, 4241 Plainfield Rd, Plainfield	Southwest	C.H. Robinson	New Lease	Modern Bulk	501,398
Fishback Creek Building 4, 4683 Albert S White Dr, Whitestown	Northwest	ITS Logistics	New Lease	Modern Bulk	336,887

Notable Investment Sale Transactions

Q2 2021

Building Name, Address	Submarket	Buyer	Seller	Building Type	SF
Park 100, Park Fletcher & Post/33 rd portfolio, Indianapolis	NW, SW, East	Arden Group	Grey Street Properties	Light Industrial, Flex	1,103,473
6550 East, 6550 E 33 rd St, Indianapolis	East	Legacy Capital Partners	Mervis Industries	Traditional W/D, MF	589,050
Park 100 Building 78, 8325 N Norfolk St, Indianapolis	Northwest	USAA Real Estate	Founders Properties	Traditional W/D	515,417
Eli Lilly Materials Center, 1301 S White River Pkwy, Indianapolis	CBD	TW Development Group	Elanco USA	Manufacturing	445,189
70 Connect, 3678 N 700 W, Greenfield	East	PaulsCorp	Lauth Group	Modern Bulk	281,888
Stout Field Industrial Park, 1740-1940 Stout Field E Dr, Indianapolis	Southwest	Midwest Properties	Patriarch Real Estate	Traditional W/D	266,692
Emerson Industrial Park, 5201 & 5230 Park Emerson Dr, Indianapolis	South	Sealy & Company	Dominion Realty	Medium Distribution	243,902

FOR MORE INFORMATION
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