



Indianapolis

Industrial 21Q4

Key Takeaways

- 2021 marked the third consecutive year of record-high leasing activity, up 24% from 2020.
- All product types reached historically high year-end occupancy rates, triggering new construction to meet demand.
- Indianapolis ranked 5th nationwide for new supply deliveries.
- Rental rates grew to their highest levels on record and are still 40% lower than the national average.



Outsized Occupier Demand Triggers Record Market Growth

Despite ongoing supply and labor shortages, inflationary concerns and other factors triggered by the COVID-19 pandemic, the industrial sector remains red hot. The growing demand for e-commerce, third-party logistics providers and big-box industrial real estate is boosting Indianapolis industrial market fundamentals. New leasing activity totaled nearly 24 MSF in 2021, while the market achieved a record 18.5 MSF in direct net absorption, a 77% year-over-year increase. The vacancy rate reached its lowest point in 21Q3 and ended the year nearly unchanged at 3.8%. The new construction pipeline is larger than ever as developers continue to expand the boundaries of the traditional industrial footprint by developing in virtually every direction to keep up with outsized user demand.

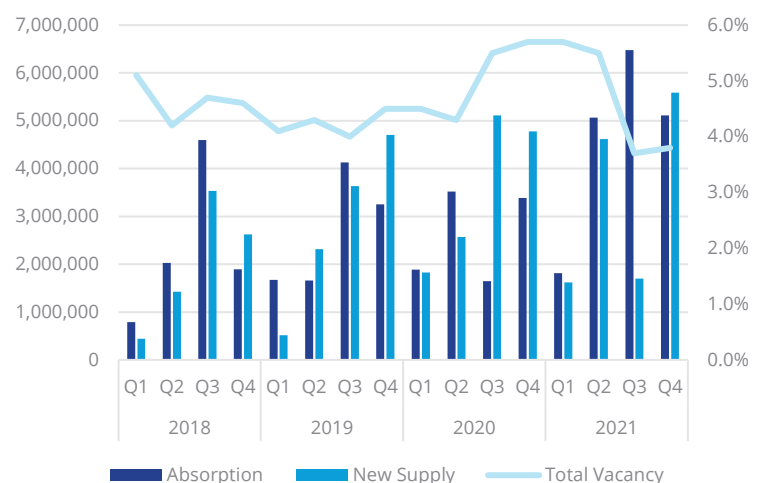
Market Indicators



Historic Comparison

	20Q4	21Q3	21Q4
Total Inventory (in Thousands of SF)	281,783	288,989	294,627
New Supply (in Thousands of SF)	4,776.7	1,701.7	5,586.5
Net Absorption (in Thousands of SF)	3,387.5	6,477.5	5,109.5
Direct Vacancy	5.7%	3.7%	3.8%
Under Construction (in Thousands of SF)	12,172.8	25,652.1	24,974.1
Overall Asking Lease Rates (NNN)	\$4.26	\$4.55	\$4.65

Market Overview



Three consecutive quarters of historically high absorption levels and strong speculative pre-leasing activity resulted in the vacancy rate ending 21Q4 at 3.8%. This marks the lowest year-end vacancy rate in more than a decade and is being followed by a new wave of speculative supply to match the outsized demand in 2022.

Recent Transactions



Lease
Whitestown
Northwest | 1.0 MSF



Lease
Monrovia
Southwest | 912k SF



Lease
Whitestown
Northwest | 846k SF



Lease
Whitestown
Northwest | 673k SF



Sale
Indianapolis MSA
SW, NW, E, NE, S | 1.1 MSF



Sale
Indianapolis
NW, SW, East | 1.1 MSF

Construction

The Indianapolis industrial market ranked 5th nationwide for new construction completions in 2021. Year-end net absorption levels outpaced the 13.5 MSF of new supply by nearly 5 MSF. Despite the concentration of speculative construction over the past several years, the Indianapolis market vacancy rate is at 3.8%, its lowest year-end level. Occupier activity is high, and developers are clambering to keep up with demand. Based on projects with projected timelines, new supply in 2022 is set to dwarf previous records. Most speculative construction in the pipeline is in burgeoning submarkets that were much less active prior to the new wave, especially in Mount Comfort and far south business parks in Whiteland and Franklin. Combined, these two areas account for nearly half of all future projects.

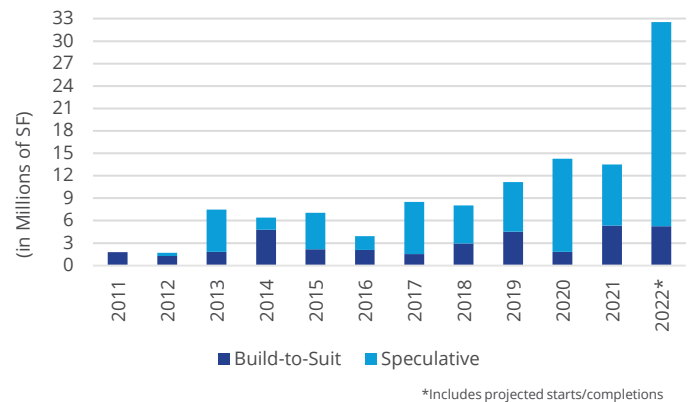
Activity

The availability of speculative product is drawing new-to-market operations to Indianapolis, which accounted for 77% of the overall square footage leased in modern bulk buildings. Nine leases were signed in speculative facilities larger than 500,000 sf in the first half of 2021 alone, including Walmart's notable lease of CT Realty's 1.0-MSF Crossroads Logistics Center in Whitestown. These type of transactions led to a third straight year of record-high leasing volume in Indianapolis, up 24% from 2020's high-water mark of 19.0 MSF. The local industrial market experienced record absorption levels as a result of this surging activity. Indianapolis accounted for 3.2% of nationwide absorption, while only representing 1.75% of overall inventory. Despite already being an established logistics hub, the metro area continues to emerge year after year as a top ten growth market nationwide in terms of absorption and inventory.

Traditional Warehouse, Manufacturing and Flex

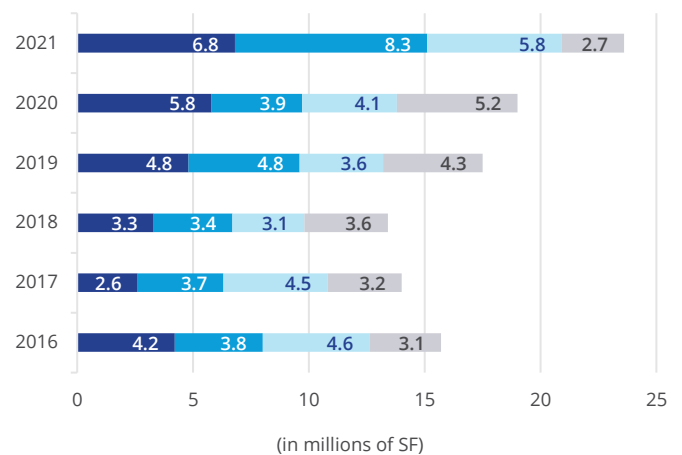
Modern bulk remains the focus of development, but traditional warehouse, manufacturing and flex product continue to boast virtually full occupancy. Vacancy for traditional warehouse and manufacturing space is around 1% for each type. In the last five years, the total flex market vacancy rate has fallen from 9.8% to 3.6%, which is another record low. During that same timeframe, asking rental rates increased by 36%. Investors are taking note. The largest two investment-sale transactions in 2021 were both 1.1-MSF light industrial portfolios purchased by new-to-market buyers Arden Group and Cardinal Industrial. Flex rental rates will continue to rise as a result of microeconomic factors such as the lack of supply and macroeconomic factor such as inflation.

New Construction Completions



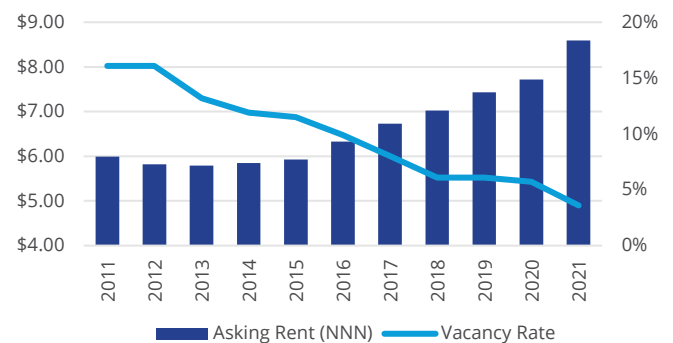
Source: Colliers

Leasing Volume



Source: Colliers

Total Flex Market



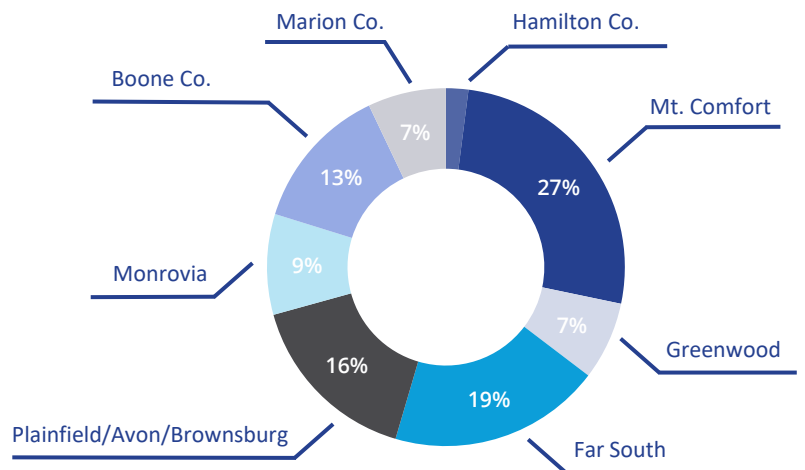
Source: Colliers

Notable Construction Projects 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. – 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 Lot 6, NWQ of I-65 & Whiteland Rd, Whiteland	South	Speculative	Mohr Capital	Under Const. – 22Q2	1,057,350
Greenfield Commerce Center 3, 2625 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. – 22Q2	1,002,469
Cooper Tires BTS, 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. – 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. – 22Q1	955,314
Hendricks Gateway Park 4, 10566 Gateway Point Dr, Clayton	Southwest	Speculative – Mars Petcare	Core5 Industrial Partners	Completed – 21Q4	911,552
Avon Logistics Center Building 2, 8547 E 100 S, Avon	Southwest	Speculative	Property Reserve Inc.	Under Const. – 22Q1	883,609
Point 70 Logistics Park, 6817 W 300 N, Greenfield	East	Build-to-Suit – Simply Good Foods	Exeter Property Group	Completed – 21Q4	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	Completed – 21Q4	827,180
I-70 Logistics Park Building 1, 3052 N 700 W, Greenfield	East	Speculative	CT Realty	Under Const. – 22Q1	805,000
Point 70 Logistics Park Building A, 2444 N 700 W, Greenfield	East	Speculative	Clarion Partners	Under Const. – 22Q3	802,907
East 70 Logistics Park Building 3, 4679 N 600 W, McCordsville	East	Speculative	GDI Companies	Under Const. – 22Q1	736,560
AllPoints Midwest Building 14, Velocity Ct, Plainfield	Southwest	Speculative	Browning Investments/Prologis	Under Const. – 22Q2	715,307
Westpoint Business Park Building III, 2496 Westpoint Blvd, Monrovia	Southwest	Speculative – Stryker Corporation	Ambrose Property Group	Under Const. – 22Q1	646,380
65Commerce Park Building 4, 5400 E 500 S, Whitestown	Northwest	Speculative – Style Link Logistics	Strategic Capital Partners	Completed – 21Q2	632,788
Indianapolis Central Logistics Park 1, 5565 Brookville Rd, Indianapolis	East	Speculative	Ambrose Property Group	Under Const. – 22Q2	616,000
Indianapolis Commerce Center, 475 S Mt Zion Rd, Lebanon	Northwest	Speculative	Stonemont Financial Group	Completed – 21Q3	615,600
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
CBD	23,727,736	2.1%	2.1%	0	0	46,275	(118,989)	(118,989)	\$6.01	\$13.50
East	43,475,659	4.7%	3.6%	1,014,073	9,442,770	200,628	1,227,832	1,384,008	\$4.46	\$6.77
Northeast	24,546,393	3.0%	3.0%	0	932,295	272,527	(86,339)	(92,739)	\$7.20	\$9.40
Northwest	70,866,974	2.5%	2.4%	502,300	2,731,393	1,017,834	878,744	874,744	\$4.81	\$8.62
South	34,402,955	7.7%	7.7%	1,325,277	7,526,768	556,686	1,114,901	784,901	\$4.18	\$8.91
Southwest	97,607,490	4.5%	4.0%	2,744,810	4,340,869	612,386	1,976,861	2,277,561	\$4.49	\$7.01
MARKET TOTALS	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

Indianapolis Quarterly Comparison and Totals										
21Q4	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
21Q3	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
21Q2	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
21Q1	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
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

Notable New User Transactions

2021

Building Name, Address	Submarket	Tenant	Transaction Type	Building Type	SF
Crossroads Logistics Center, 3751 S 500 E, Whitestown	Northwest	Walmart	New Lease	Modern Bulk	1,016,244
Hendricks Gateway Park 4, 10566 Gateway Point Dr, Monrovia	Southwest	Mars Petcare	New Lease	Modern Bulk	911,552
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
Westpoint Business Park Building III, 2496 Westpoint Blvd, Monrovia	Southwest	Stryker Corporation	New Lease	Modern Bulk	646,380
65Commerce Park Building 4, 5400 E 500 S, Whitestown	Northwest	Style Link Logistics	New Lease	Modern Bulk	632,788
I-65 South Commerce Park, 120 Jim Black Rd, Franklin	South	Amazon	New Lease	Modern Bulk	519,728

Notable Investment Sale Transactions

2021

Building Name, Address	Submarket	Buyer	Seller	Building Type	SF
12-business park portfolio, Indianapolis/Fishers/Plainfield	NW, NE, E, S, SW	Cardinal Industrial	Mann Properties	Light Industrial, Flex	1,122,817
Park 100, Park Fletcher & Post/33 rd portfolio, Indianapolis	NW, SW, East	Arden Group	Grey Street Properties	Light Industrial, Flex	1,103,473
Lebanon Business Park 12 & 13, 400 & 420 S Enterprise Blvd, Lebanon	Northwest	Cabot Properties	Duke Realty	Modern Bulk	1,092,000
Hendricks Gateway Park Building 2, 2121 Gateway Point Dr, Monrovia	Southwest	Nuveen, a subsidiary of TIAA	XPO Logistics	Modern Bulk	1,072,069
HUB I-65 Building 1 & 2, 4287 & 4187 S Indianapolis Rd, Whitestown	Northwest	Sunbeam Development	VanTrust Real Estate	Modern Bulk	1,065,960
Whiteland Exchange 1/2/4, 19/76/180 Bob Glidden Rd, Whiteland	South	Lexington Realty Trust	Jones Development Company	Modern Bulk	878,410
North Plainfield Park Building 8, 558 Airtech Pkwy, Plainfield	Southwest	Exeter Property Group	Nuveen, a subsidiary of TIAA	Modern Bulk	798,096

FOR MORE INFORMATION
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