



Indianapolis

Office 22Q1

Key Takeaways

- New leasing activity accelerated in 22Q1 – up 67% from 21Q1.
- Top-tier class A assets and new builds are performing the best.
- Overall asking rents grew by 1.2% year-over-year, following the national trend of rent stabilization.
- Direct vacancy rose to 18.2% – still below the 2010 peak.
- Sublease availability increased by 25% in the CBD.



Signs of Stabilization Emerge in the Office Market

The U.S. office market is still feeling the effects of the pandemic two years after the first domestic cases of COVID-19. At the end of 2021, Indianapolis posted positive net absorption for the first time since 3Q20 but dipped into negative territory again in 22Q1. Despite this negative statistical indicator, which led to increased vacancy, signs of stabilization are emerging. Companies are implementing back-to-work policies for 22Q2 after evaluating this new normal. New leasing activity grew in each quarter of 2021, and 22Q1 posted a 67% year-over-year increase – another sign of a rebounding office market. Sublease availability, while still high, is lower than its peak. The 18.2% market vacancy rate remains below its Great Financial Crisis peak and is expected to stabilize by year's end.

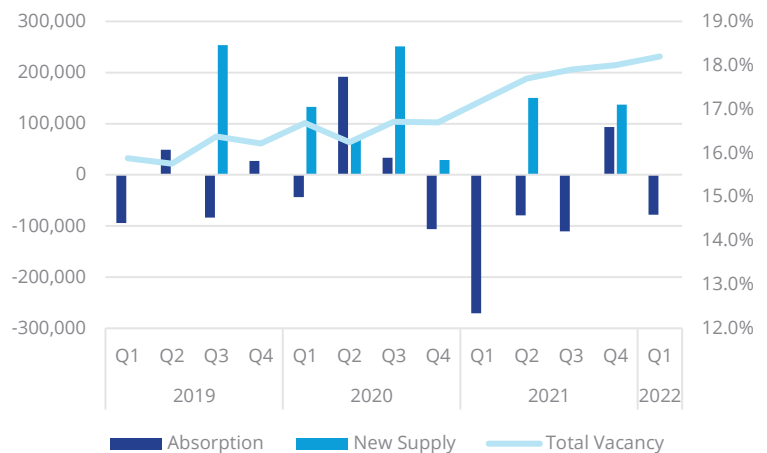
Market Indicators



Historic Comparison

	21Q1	21Q4	22Q1
Total Inventory (in Thousands of SF)	41,332	42,036	42,128
New Supply (in Thousands of SF)	0	137.2	0
Net Absorption (in Thousands of SF)	(270.8)	93.5	(77.8)
Direct Vacancy	17.2%	18.0%	18.2%
Under Construction (in Thousands of SF)	292.9	0	57.0
Overall Asking Lease Rates (FSG)	\$21.86	\$21.85	\$22.11

Market Overview



Source: Colliers

New speculative and owner/occupant construction contributed to the climb in vacancy from 2018 to 2019, while the pandemic resulted in increased negative absorption and a spike in new vacancy since mid-2020. The end of 2020 began to see some stabilization, but a bump in vacancy created by Rolls Royce's downsize downtown caused the overall rate to rise in 22Q1.

Recent Transactions



Lease
251 N Illinois St
CBD | 42k SF



Lease
300 N Meridian St
CBD | 27k SF



Sublease
333 N Alabama St
CBD | 18k SF



Sale
3500 Depauw Blvd
Northwest | 367k SF



Sale
301-501 Penn Pkwy
Meridian | 330k SF



Sale
11555 & 11595 Meridian
Meridian | 243k SF

CBD

As with most downtowns, the coronavirus outbreak had a disparate impact on the CBD office market. Rolls Royce vacating more than 200k SF at their Meridian Center campus in 22Q1 led to negative quarterly absorption. This space and the Monument Circle 214k sf vacancy account for 27% of class A vacancy in the CBD. Despite recent setbacks, the three largest transactions in 22Q1 occurred downtown, leading to the most active quarter since 2019. Spot Freight leased 42k SF in Capital Center following the owner's \$8 million investment to reenergize the asset. Top-tier class A properties and new developments have garnered the most activity and above-average rental rate increases. The CBD is increasingly seeing a return of workers physically in the office, boding well for the overall health of the city's downtown.

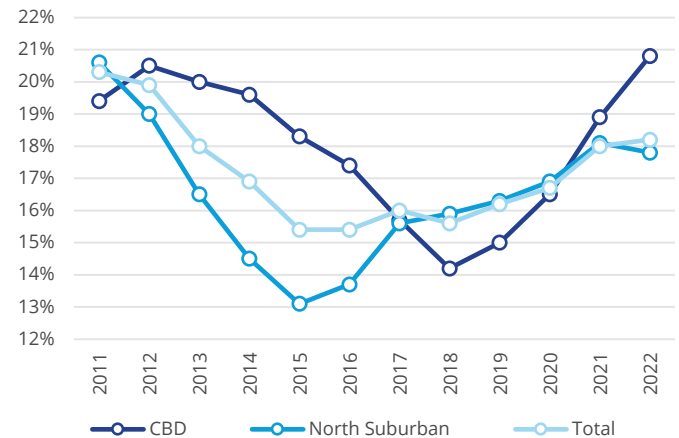
North Suburban

Fishers and Carmel, two north suburban cities with a spur of mixed-use, urban developments, continue to draw occupiers. Their respective submarkets, I-69/Shadeland and Carmel, are seeing occupancy gains with increased tenant demand. Asking rental rates are up across the board except for Carmel. That submarket saw a drastic drop in average rates, but that is solely due to the lack of top-tier available space, where the vacancy rate ended 22Q1 at a mere 3.7%. The lack of available quality space is leading to new construction. Two projects, 1st on Main and The Collective at Midtown, are breaking ground this spring. Elsewhere in the north suburban markets, Raytheon Intelligence & Space is taking occupancy in an 86,965-sf office building at Keystone Crossing's Lakefront business park. The move helped the overall vacancy for that submarket decrease to 17.3, which follows six consecutive quarters of negative absorption.

Subleases

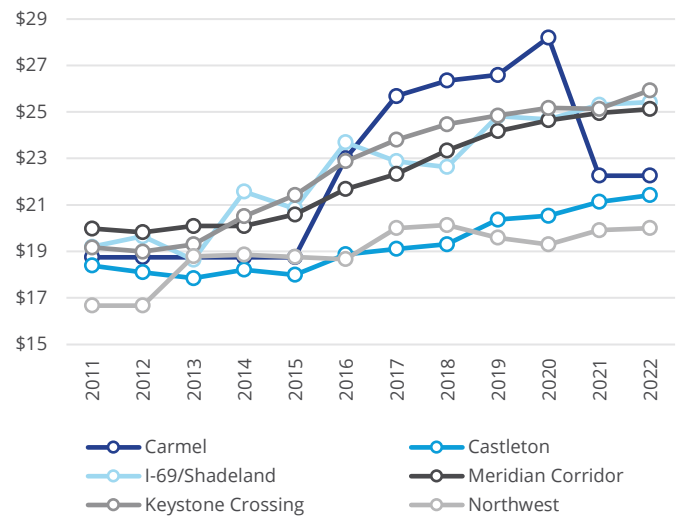
The remote work dynamic triggered a jump in underutilized office space, causing sublease availability to surge from pre-pandemic levels. In late 2021, overall sublease availability dipped for the first time since 20Q1. That trend reversed slightly in 22Q1 due to a 25% increase in CBD subleases. Subleases accounted for three of the largest new transactions and absorption events, highlighting the competition between move-in ready spaces and direct options. In addition to free rent and other concessions, landlords are increasingly building out speculative office space to compete with sublease offerings. The average rental gap between sublease and direct availabilities is approximately \$4.00. Expect the sublease trend to slow down this year.

Direct Vacancy Rates



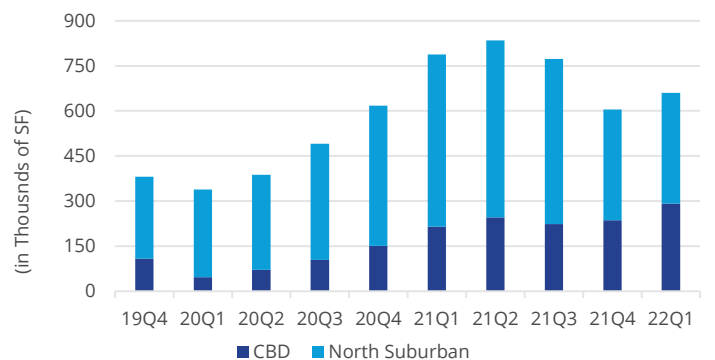
Source: Colliers

Class A Asking Rents (FSG)



Source: Colliers

Sublease Availability



Source: Colliers

Notable New User Transactions

22Q1

Building Name, Address	Submarket	Tenant or Buyer	Transaction Type	Building Class	SF
Capital Center North, 251 N Illinois St, Indianapolis	CBD	Spot Freight	New Lease	A	42,455
300 N Meridian St, Indianapolis	CBD	Ogletree Deakins	New Lease	A	27,166
Lockerbie Marketplace, 333 N Alabama St, Indianapolis	CBD	Passageways, Inc.	Sublease	B	17,719
7302 Woodland Dr, Indianapolis	Northwest	The Independence Academy	Purchase	B	17,530
Gibson Building, 433 N Capitol Ave, Indianapolis	CBD	Maven Moves LLC	Sublease	B	15,523
3909 N Meridian St, Indianapolis	Midtown	The Damien Center	Purchase	C	14,300
6161 Hillside Ave, Indianapolis	Midtown	BLASTmedia	New Lease	C	12,000

Notable Investment Sale Transactions

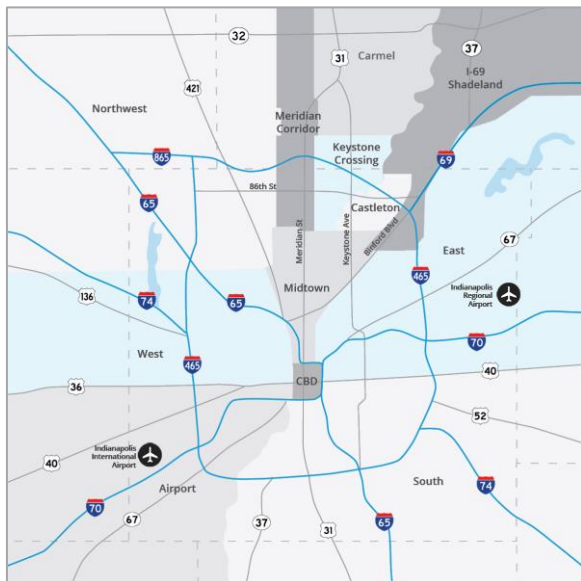
22Q1

Building Name, Address	Submarket	Buyer	Seller	Building Class	SF
The Pyramids, 3500 Depauw Blvd, Indianapolis	Northwest	KennMar	Sterling American Property	A	366,704
Penn on Pkwy, 301-501 Pennsylvania Pkwy, Indianapolis	Meridian Corridor	Sovereign Partners	Equus Capital Partners	A	329,546
One & Two Penn Mark Plaza, 11555 & 11595 N Meridian St, Carmel	Meridian Corridor	ICONIC Property Partners	Metonic Real Estate Solutions	A	243,271
The Edge, 8890 E 116 th St, Fishers	I-69/Shadeland	Virtus Real Estate Capital	Envoy Companies	B	61,331
Masters Crossing, 6905 & 6925 E 96 th St, Indianapolis	I-69/Shadeland	Ibis Investment Company	Mann Properties	B	53,537

Notable Construction Projects

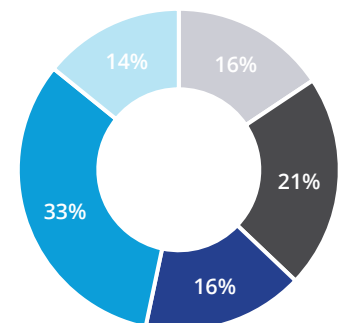
22Q1

Building Name, Address	Submarket	Major Tenants	Construction Status	Construction Type	SF
Bottleworks Building 13, 820 Massachusetts Ave, Indianapolis	CBD	Lumina Foundation	Planned – 24Q1	Speculative	106,599
1 st on Main, 10 E Main St, Carmel	Carmel	N/A	Planned – 23Q1	Speculative	73,000
Eight Eleven Group Headquarters, 6215 N College Ave, Indianapolis	Midtown	Eight Eleven Group	Under Construction – 22Q4	Build-to-Suit	57,000
MADERA, 6419 Ferguson St, Indianapolis	Midtown	N/A	Planned – 23Q1	Speculative	48,939
The Collective at Midtown, 275 Veterans Way, Carmel	Carmel	Studio M; KBSO	Planned – 23Q1	Build-to-Suit	30,648



YTD Leasing Activity Distribution

- CBD - Class A
- CBD - Class B/C
- North Suburban - Class A
- North Suburban - Class B/C
- Other Submarkets - All Classes



Source: Colliers



Submarket	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Qtr. New Supply SF	Under Construction SF	Qtr Lease Activity SF	Qtr Overall Net Absorption SF	Qtr Direct Net Absorption SF	Direct Asking Rent FSG	Class A Asking Rent FSG
CBD										
A	6,597,963	24.1%	23.4%	0	0	72,891	(222,370)	(197,060)	\$25.47	N/A
B	5,418,595	21.9%	19.2%	0	0	94,592	(54,056)	(48,256)	\$22.07	N/A
C	903,280	10.7%	10.7%	0	0	5,412	1,470	1,470	\$18.29	N/A
TOTAL	12,919,838	22.2%	20.8%	0	0	172,895	(274,956)	(243,846)	\$24.02	N/A

North Suburban										
A	12,935,314	20.9%	19.0%	0	0	75,615	99,269	25,787	\$23.99	N/A
B	9,057,347	17.5%	16.7%	0	0	139,384	93,743	78,693	\$19.31	N/A
C	633,486	8.6%	8.6%	0	0	12,107	1,009	1,009	\$15.51	N/A
TOTAL	22,626,147	19.2%	17.8%	0	0	227,106	194,021	105,489	\$21.77	N/A

All Submarkets										
CBD	12,919,838	22.2%	20.8%	0	0	172,895	(274,956)	(243,846)	\$24.02	\$25.47
Airport	1,126,373	30.3%	14.3%	0	0	6,415	9,796	45,685	\$15.72	\$17.75
Carmel	1,189,707	3.9%	3.7%	0	0	7,652	765	765	\$21.31	\$22.26
Castleton	2,165,919	29.7%	28.3%	0	0	20,620	54,327	49,475	\$19.51	\$21.42
East	969,929	9.1%	8.3%	0	0	3,500	(7,749)	(7,749)	\$16.79	N/A
I-69 / Shadeland	3,274,937	15.3%	13.4%	0	0	47,422	16,891	16,891	\$23.04	\$25.42
Keystone Crossing	4,438,348	17.3%	16.0%	0	0	51,495	104,861	12,803	\$25.07	\$25.93
Meridian Corridor	7,514,731	21.2%	19.6%	0	0	58,928	938	(3,541)	\$22.89	\$25.12
Midtown	2,232,503	12.0%	12.0%	0	57,000	2,000	23,725	23,725	\$18.07	\$35.00
Northwest	4,042,505	19.6%	18.4%	0	0	40,989	16,239	29,096	\$19.09	\$20.00
South	1,262,509	15.6%	15.6%	0	0	53,059	2,678	(2,243)	\$19.75	\$21.80
West	990,403	16.1%	15.8%	0	0	1,123	(1,897)	1,123	\$17.50	N/A
TOTAL	42,127,702	19.7%	18.2%	0	57,000	466,098	(54,832)	(77,816)	\$22.11	\$24.40

Indianapolis Quarterly Comparison and Totals										
22Q1	42,127,702	19.7%	18.2%	0	57,000	466,098	(54,832)	(77,816)	\$22.11	\$24.40
21Q4	42,035,678	19.5%	18.0%	137,200	0	708,058	75,478	93,478	\$21.85	\$24.17
21Q3	41,929,691	19.4%	17.9%	0	137,200	585,103	(77,884)	(110,494)	\$22.00	\$24.28
21Q2	41,536,901	19.1%	17.7%	150,709	137,200	416,375	(244,599)	(79,524)	\$22.12	\$24.35
21Q1	41,332,079	18.3%	17.2%	0	292,902	279,941	(379,598)	(270,800)	\$21.86	\$24.24

FOR MORE INFORMATION
 James Winkler
 Director – Market Research
 Indianapolis
 +1 317 713 2131

Copyright © 2022 Colliers
 The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.