



Indianapolis

Office 21Q4

Key Takeaways

- New leasing activity accelerated in 2021 – up 25% from 2020.
- Overall asking rents, while still up 1.4% year-over-year, saw their first quarterly declines since 2016.
- Direct vacancy rose to 18.0% – far below the 2010 peak.
- Sublease availability is falling, signaling a combination of users taking their space back and new sublease signings.



Workplaces Adjust to Possibility of a New Normal

The ongoing COVID-19 pandemic is altering the landscape of the traditional office workplace. The year began with a widespread rollout of vaccines, triggering a steady return to the office. By spring, the U.S. economy was more open than it had been since the onset of the pandemic. Towards the end of the summer, the Delta variant's emergence stalled many employers' push for a planned post-Labor Day return to the office. Now, the Omicron variant appears poised to cause similar disruptions. Employers have now had time to evaluate this new normal. New leasing activity grew in each quarter of 2021 as footprint decisions are made. Subleases are having less of an effect on the market. Negative absorption is slowing, and the 18.0% market vacancy rate remains below its Great Financial Crisis peak.

Market Indicators



Historic Comparison

	20Q4	21Q3	21Q4
Total Inventory (in Thousands of SF)	41,053	41,930	42,036
New Supply (in Thousands of SF)	438.4	0	137.2
Net Absorption (in Thousands of SF)	(106.2)	(110.5)	93.5
Direct Vacancy	16.7%	17.9%	18.0%
Under Construction (in Thousands of SF)	292.9	137.2	0
Overall Asking Lease Rates (FSG)	\$21.55	\$22.00	\$21.85

Market Overview



Source: Colliers

New speculative and owner/occupant construction contributed to the climb in vacancy from 2018 to 2019, while the pandemic's effect on the market resulted in increased negative absorption and a spike in new vacancy since mid-2020. The end of the year began to see some stabilization.

Recent Transactions



Lease
10300 Kincaid Dr
I-69 | 47k SF



Lease
36 S Pennsylvania St
CBD | 44k SF



Lease
5757 Decatur Blvd
Airport | 41k SF



Sublease
8350 Sunlight Dr
I-69 | 34k SF



Sale
1060 N Capitol Ave
CBD | 440k SF



Sale
101 W 103rd St
Meridian | 321k SF

CBD

The Indianapolis CBD vacancy grew in 2021, ending the year at 18.9%. Top-tier class A assets outperformed others with minimal occupancy losses and 3.0% rent growth since 20Q1, signaling the remaining demand for high-profile offices. Tech users continue to energize the downtown market, signaled by Wunderkind’s lease of 44K sf in the Century Building. The boundaries of the CBD footprint expanded again in 2021 when The Box Factory and Union 601, both primarily pre-leased, were built. The Stutz complex sold to SomeraRoad, who plans to reenergize the property and draw more activity north of the traditional CBD. Exponential growth of downtown residents appeals to younger workforces, and their outsized demand for amenities bodes well for activity from companies focusing more on recruitment.

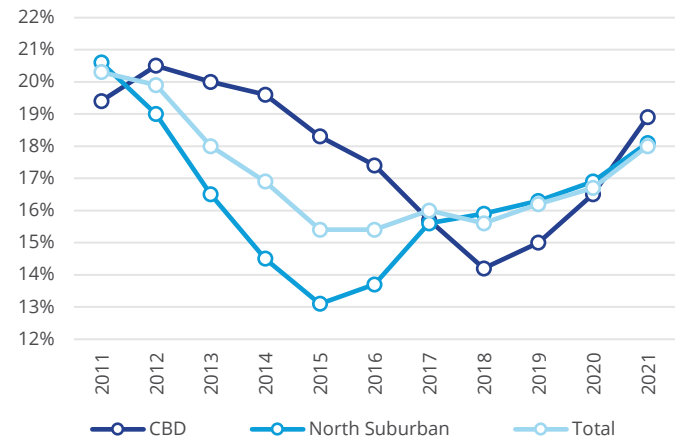
North Suburban

New leasing activity surged in the latter half of 2021 – nearly doubling the amount leased through 21Q2. North suburban office leasing accounted for two-thirds of the year’s activity. Not included in these statistics are user purchases, which made up the three largest user transactions. Occupiers moving into newly purchased or constructed properties continue to offset activity levels by adding to vacancy in traditional parks. The completion of the new headquarters for Zotec Partners along the Meridian Corridor and the company’s subsequent consolidation led to another bump in vacancy. SEP and First Internet Bank both moved into newly built owner/user buildings, but the spaces they vacated were backfilled by other companies. Overall, class A north suburban rents ended 2021 relatively flat. However, the lease-up of high-rent, top-tier space led to a deceptive decrease in asking rents in some areas, especially the Carmel submarket.

Subleases

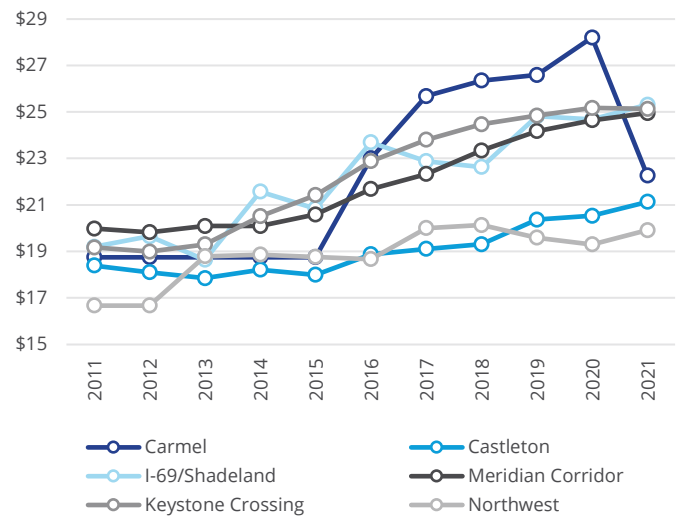
The remote work dynamic triggered a jump in unused office space, causing sublease availability to surge from pre-pandemic levels. In late 2021, overall sublease availability dipped for the first time since 20Q1. The reason for the decrease is both due to workers coming back to the office and new subleases being signed. Sublease signings accounted for five of the 20 largest new transactions through 21Q3, competing with owners’ ability to draw new tenants and increase occupancy. The average rental gap between sublease and direct availabilities is \$4.25. Landlords hope to offset these disparate dynamics by offering more concessions, including longer periods of free rent, to avoid widening the gap too much between asking and taking rents.

Direct Vacancy Rates



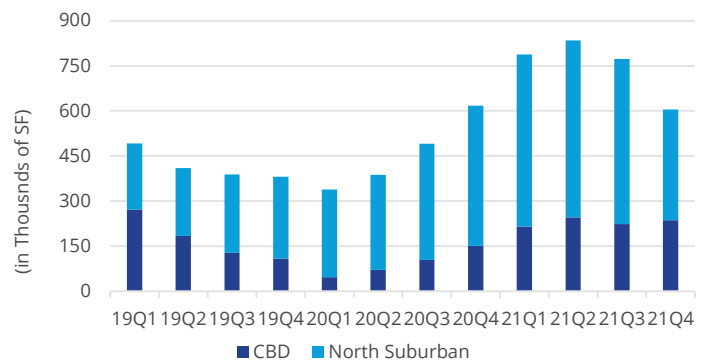
Source: Colliers

Class A Asking Rents (FSG)



Source: Colliers

Sublease Availability



Source: Colliers

Notable New User Transactions

2021

Building Name, Address	Submarket	Tenant or Buyer	Transaction Type	Building Class	SF
9070 Hague Rd, Indianapolis	I-69/Shadeland	3Chi	User Purchase	B	111,151
7333-7337 W Washington St, Indianapolis	Airport	T&W Corporation	User Purchase	B	91,183
9050 E 33 rd St, Indianapolis	East	Indianapolis Public Transport Co.	User Purchase	B	61,000
Gateway One, 10300 Kincaid Dr, Fishers	I-69/Shadeland	Quantigen	New Lease	A	46,589
Century Building, 36 S Pennsylvania St, Indianapolis	CBD	Wunderkind	New Lease	B	44,128
Hartsfield Building, 5757 Decatur Blvd, Indianapolis	Airport	Milestone Contractors	New Lease	B	40,985
Stanley Security Building, 8350 Sunlight Dr, Fishers	I-69/Shadeland	Hensley Legal Group, PC	Sublease	A	34,433

Notable Investment Sale Transactions

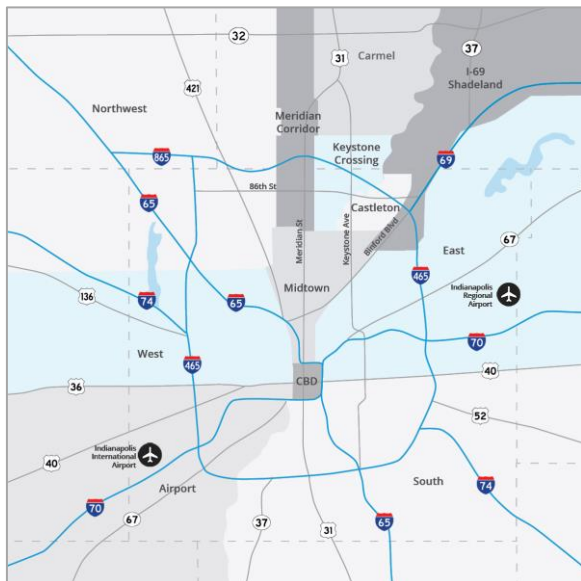
2021

Building Name, Address	Submarket	Buyer	Seller	Building Class	SF
Stutz Business Center I & II, 1060 N Capitol Ave, Indianapolis	CBD	SomeraRoad	Turner Woodard	Mixed Use	440,000
Geico Building, 101 W 103 rd St, Indianapolis	Meridian Corridor	Real Capital Solutions	Carmel Indy Holdings LLC	B	321,000
River Road I & II, 9025 & 9045 River Rd, Indianapolis	Keystone Crossing	ICONIC Property Partners	Onward Investors	A	231,496
Directors Row, 2401-2495 Directors Row, Indianapolis	Airport	Ziff Properties, Inc.	Equity Investment Group	C/Flex	215,100
One & Two River Crossing, 3815 & 3925 River Crossing Pkwy, Indianapolis	Keystone Crossing	Felton Properties Inc.	Franklin Street Properties	A	204,392
2955 N Meridian St, Indianapolis	Midtown	New City Development	Capitol Equities	B	189,884

Notable Construction Projects

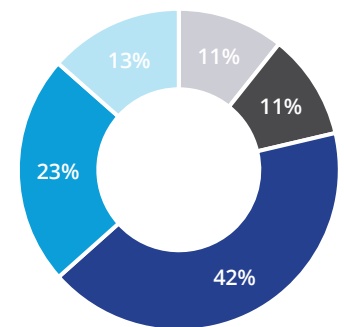
2021

Building Name, Address	Submarket	Major Tenants	Construction Status	Construction Type	SF
First Internet Bank HQ, 8701 E 116 th St, Fishers	I-69/Shadeland	First Internet Bank (owner/user)	Completed - 21Q4	Build-to-Suit	168,000
Zotec Partners HQ, 1 Zotec Way, Carmel	Meridian Corridor	Zotec Partners (owner/user)	Completed - 21Q3	Build-to-Suit	120,000
The Box Factory, 1411 Roosevelt Ave, Indianapolis	CBD	Lewis Wagner LLP, Gray Capital	Completed - 21Q2	Speculative	84,709
SEP HQ, 16080 Westfield Blvd, Carmel	Meridian Corridor	SEP	Completed - 21Q4	Build-to-Suit	70,200
The Union 601, 601 S Meridian St, Indianapolis	CBD	Greenlight Guru	Completed - 21Q2	Speculative	66,000



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	20.7%	20.3%	0	0	98,256	(7,338)	(7,338)	\$25.59	N/A
B	5,349,187	21.1%	18.5%	0	0	66,846	(2,538)	(8,972)	\$22.18	N/A
C	887,089	10.9%	10.9%	0	0	6,782	10,491	10,491	\$18.40	N/A
TOTAL	12,834,239	20.2%	18.9%	0	0	171,884	615	(5,819)	\$24.09	N/A

North Suburban										
A	12,966,314	21.6%	19.1%	97,200	0	398,090	108,722	85,405	\$23.63	N/A
B	9,024,719	18.5%	17.5%	40,000	0	89,806	33,091	49,022	\$19.06	N/A
C	633,486	8.8%	8.8%	0	0	10,676	(445)	(445)	\$16.08	N/A
TOTAL	22,624,519	20.0%	18.1%	137,200	0	498,572	141,368	133,982	\$21.39	N/A

All Submarkets										
CBD	12,834,239	20.2%	18.9%	0	0	171,884	615	(5,819)	\$24.09	\$25.59
Airport	1,126,373	31.0%	28.2%	0	0	6,956	(34,483)	(2,663)	\$15.85	\$16.75
Carmel	1,189,707	4.0%	3.7%	27,000	0	52,431	29,206	32,503	\$21.75	\$22.26
Castleton	2,166,039	31.8%	30.2%	0	0	49,077	(104,719)	(104,719)	\$19.13	\$21.13
East	964,865	8.4%	7.5%	0	0	0	0	0	\$16.71	N/A
I-69 / Shadeland	3,273,189	15.8%	13.9%	40,000	0	31,885	100,156	100,156	\$22.70	\$25.31
Keystone Crossing	4,438,348	19.7%	16.1%	0	0	245,219	(16,781)	(27,177)	\$24.36	\$25.13
Meridian Corridor	7,514,731	21.2%	19.5%	70,200	0	99,469	106,085	103,726	\$22.74	\$24.95
Midtown	2,232,503	13.2%	13.2%	0	0	18,956	(45,981)	(45,981)	\$15.60	N/A
Northwest	4,042,505	20.0%	19.1%	0	0	20,491	27,421	29,493	\$18.85	\$19.91
South	1,262,509	15.9%	15.5%	0	0	11,690	1,601	1,601	\$18.77	\$21.00
West	990,670	15.9%	15.9%	0	0	0	12,358	12,358	\$17.49	N/A
TOTAL	42,035,678	19.5%	18.0%	137,200	0	708,058	75,478	93,478	\$21.85	\$24.17

Indianapolis Quarterly Comparison and Totals										
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
20Q4	41,052,607	17.6%	16.7%	0	292,902	311,524	(187,420)	(106,195)	\$21.55	\$24.17

FOR MORE INFORMATION
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