

# CENTRAL INDIANA

Q3 2021

## MARKET OVERVIEW

Central Indiana is comprised of a 9-county region which includes Boone, Hamilton, Madison, Hancock, Shelby, Johnson, Morgan, Hendricks, and Marion counties. Indianapolis, referred to as “Indy”, is the state capital and is the largest city in Indiana. In 1970, the governments of Marion County and the city of Indianapolis consolidated into a city-county form of government. Over the past decade, the Central Indiana area has experienced solid growth and is now home to approximately 2 million residents.

The interconnected highways and railroads around the Indianapolis metro earned Indiana its motto “The Crossroads of America.” Multiple major highways, including I-70, I-69, I-65, and I-74 are linked around Indy by I-465 and provide access to 60% of the U.S. population within a 12-hour drive. National railroads interconnect in multiple areas throughout the city and terminate within a fully secure, international intermodal terminal in downtown Indy. The Indianapolis International Airport adds to the city’s connectivity. The airport is the second largest FedEx air hub in the world and handles over 5.3 million pounds of cargo annually.

Indianapolis’ connectivity allowed for the growth of its thriving agricultural, life sciences, advanced manufacturing, and technology industries. Central Indiana is home to large corporations including: Eli Lilly (10,005), Roche Diagnostics (4,500), IU Health (23,187), Community Health Network (11,328), Amazon (5,000), FedEx (5,000), Simon Property Group (4,800 in the US), Allison Transmission (2,500), Cummins (58,000 globally), Salesforce (1,700), Infosys (3,000), Rolls-Royce (4,000), and the city (77,249), state (33,520), and federal governments (16,918), per the Indy Chamber. These large employers coupled with the hundreds of thousands of small employers across the nine county area total over 1 million jobs in Central Indiana.

Indianapolis is also called “The Racing Capital of the World.” It is home to the Indianapolis Motor Speedway, which hosts the annual Indianapolis 500 and Brickyard 400 among other events. Other magnets for tourism include pro sports teams, like the Indianapolis Colts, Indiana Pacers, the Indiana Fever, and Indy Fuel. The Indiana Convention Center also attracts many large conventions such as Gen Con and The National FFA Convention & Expo. Gen Con has about 70,000 attendees and a \$70 million economic impact. It’s the largest event hosted by the Convention Center, according to the Indianapolis Business Journal. The Children’s Museum of Indianapolis consistently ranks within the top museums to visit in the country and in North America. There were 29.2 million visitors to Central Indiana in 2019 (pre-pandemic) who spent approximately \$5.6 billion dollars.

Indiana also houses multiple world-class universities with high-ranking programs. Several of these are in Indianapolis or are located within an hour and a half drive: Indiana University – Purdue University Indianapolis (IUPUI) (34,699 students), Indiana University – Bloomington (46,723 students), Purdue University (46,806 students), Rose-Hulman Institute of Technology (2,313 students), Butler University (5,306 students), Marian University (4,449 students), University of Indianapolis (6,830 students), and Ball State University (27,369 students). According to the U.S. News and World Report, 2020 edition, Purdue has the #1 Undergraduate and Graduate Biological/Agricultural Engineering Program, Indiana University has the #1 Graduate Public Affairs Program, Butler University is the #1 Regional College in the Midwest, and Rose-Hulman has the #1 Undergraduate Engineering Program (where no doctorate is offered) in the United States. These universities help feed the employment need in Central Indiana.

The Indiana Economic Development Corporation states that Indiana is ranked first in State Infrastructure (CNBC 2019), first in number of pass-through highways (IEDC), second in Best States for Long-Term Fiscal Stability (US News and World Report, 2018), second in Property Tax Index (The Tax Foundation, 2019), and in the Top 5 U.S. States for Business (Chief Executive, 2019). Central Indiana is home to suburban cities who maintain high rankings in quality of life. Fishers, a booming tech hub, ranked third in MONEY’s Top 10 Best Places to Live in 2019. Indianapolis ranked twelfth in U.S. News’ Most Affordable Places to Live in the U.S. Carmel, an arts, culture, and entertainment hub ranked first in Niche’s Best Places to Live in Indiana in 2021, 2020, 2019, and 2018. Central Indiana is filled with vibrant companies, cities, and citizens.

## DEMOGRAPHICS

2,054,380



Population

796,233



Households

\$62,947



Median Household Income

27%

28%

High School

Some College

36%

Bach/ Grad+



Education

64,895



Total Businesses

1,038,259



Total Employees

Source: Esri 2021

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### INDUSTRIAL OVERVIEW

**INDUSTRIAL POSTS RECORD NET ABSORPTION, DEMAND FOR SPACE INTENSIFIES**

The Central Indiana industrial market is made up of 327 million square feet of space spanning nine different counties. The Q3 2021 vacancy rate saw a dramatic positive improvement, moving down to 4.6% from 6.0% in Q2 of 2021; this large jump could be attributed to companies filling spaces that recently finished construction. The average asking rent per square foot continued its upward trend and rose to \$4.45/SF. A substantial increase compared to Q3 of 2020 when asking rents were \$4.10 per square-foot.<sup>1</sup>

Largest Lease Transactions from Q3:

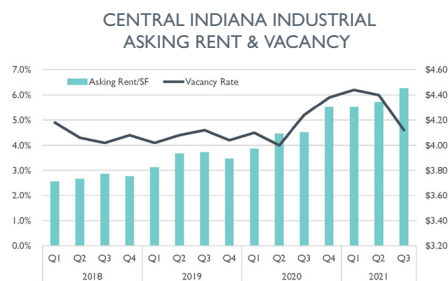
Location	Square Feet	Sign Lease Date	Tenant
3124 Perry Blvd Whitestown	505,440	Jul 2021	Frito-Lay
3023 N Distribution Way Greenfield	423,000	Sep 2021	Simply Good Foods
5490 Industrial Ct Whitestown	364,000	Sep 2021	Pitney Bowes US

A significant and continuing story in the Central Indiana industrial sector is the ability of Indianapolis to attract large, billion-dollar companies to the area. In Q2, Indianapolis was able to attract Amazon to the Whiteland area and now Frito-Lay has seen the value of having a Midwest location of over 500,000 square feet. Indiana's favorable business environment, Indianapolis' central location to the region, and a low cost of living are driving reasons why large companies are choosing Indianapolis over other Midwest cities.

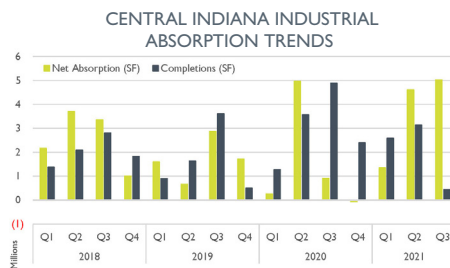
Overall, Central Indiana posted a positive net absorption of over five million square feet, the highest net absorption since Q1 of 2007. East of Indianapolis along I-70, I-465, and U.S. Highway 36 saw ten leases signed in Q3. Park 100 and spaces around the airport were also high transaction areas during Q3.

Under construction industrial continues to be strong through the third quarter with Whitestown (11 projects) and Plainfield (7 projects) being the most popular new construction locations. Under construction square feet was very comparable to Q2 numbers, with 400,000 of square feet being delivered in Q3 and another 515,000 square feet of industrial space beginning in Q3.

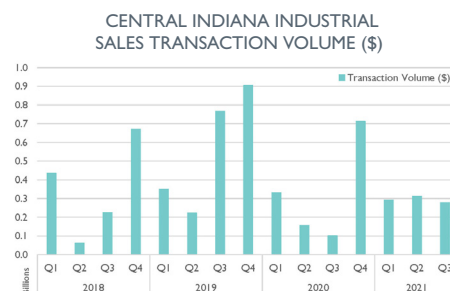
A continuing trend that has been a large driver of demand for industrial space is the accelerated growth of e-commerce sales in the US. E-commerce sales rose to 13.3% of all retail sales in Q2, in comparison that number was .8% in Q1 2000 and 4.2% in Q1 2010. As this percentage grows, along with consumers demanding shortened delivery times, look for industrial space demand to similarly grow.<sup>2</sup>



Source: CoStar



Source: CoStar



Source: Real Capital Analytics

### TRENDS

- In general, Industrial space remained a hot commodity through Q3 2021 with a net absorption of over five million square feet.
- High clear heights, spaces under 10,000 square feet, and cold storage facilities continue to be three types of industrial space that are desired by tenants and investors. Flex space containing warehouse combined with office was also difficult to find through Q3 2021.
- Industrial developers are still confident demand will continue and there is over seven million square feet under construction around Indianapolis. Ambrose Property Group, Scannell Properties, and Becknell Industrial are three of the largest developers in Central Indiana.

1. CoStar  
2. Globe Street: <https://www.globest.com/2021/09/28/industrial-demand-will-continue-to-boom-through-2026/?slreturn=20211001103412>

# CENTRAL INDIANA

## Q3 2021

### OFFICE OVERVIEW

OFFICE SPACE SEES A STEADY QUARTER, INVESTORS EYE BUILDINGS WITH HIGH CREDIT & WELL-ESTABLISHED TENANTS

The Indianapolis office market is comprised of 37.9 million square feet of inventory spanning 20 different submarkets. The Q3 2021 vacancy rate continued its slow rise and reached 18.2%, an increase from Q1 and Q2 of 2021 and much higher than historical averages. The average asking rent per square-foot stayed consistent with Q2 at \$20.83. This could be seen as the market hitting its floor and landlords starting to stand firm on their prices as office demand slowly starts to come back.<sup>1</sup>

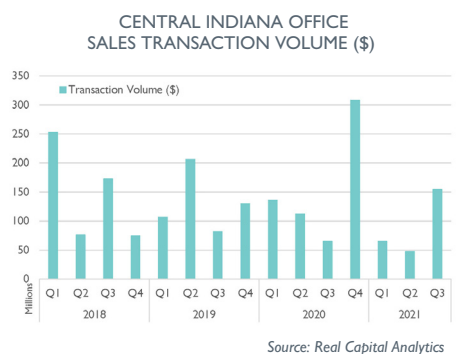
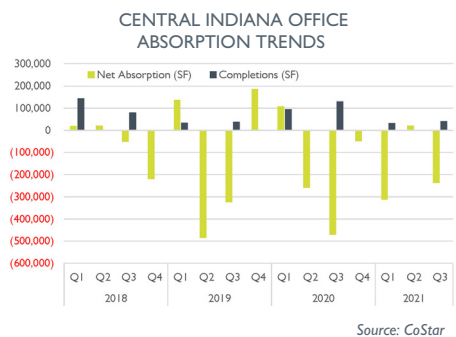
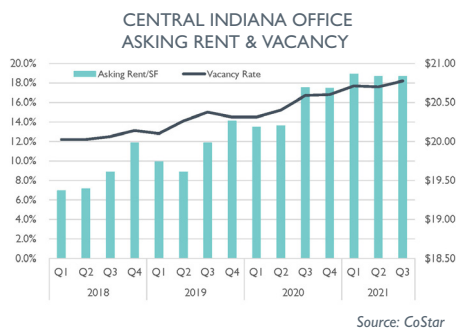
Largest Transactions from the previous quarter:

	Location	Square Feet	Sale Date	Sale Price
101 W 103rd St	N Indianapolis	323,000	Aug 2021	\$66,300,000
1 & 2 River Crossing	Keystone Xing	205,729	Aug 2021	\$35,100,000
14585 Hazel Dell Pkwy	Carmel	11,845	Aug 2021	\$13,260,000

Office transaction volume saw a large upswing in Q3 compared to the first six months of 2021, recording over \$154.5 million in sales volume. This is largely attributed to the three largest transactions listed above which all took place in Class A to Class A+ markets. Another similarity between the top three transactions is each had a long-term, established tenant occupying a large majority of the leasable space (at least 50% in each sale). With Crowe and Somerset occupying space in 1 & 2 River Crossing, Geico occupying all of 101 W 103rd St, and Riverview Health occupying all of 14585 Hazel Dell.

After a hopeful and slightly positive net absorption in Q2, Q3 posted a negative net absorption of close to 235,000 square feet in the office sector. A sign that office demand is still shaky, and many are still waiting to see the full effects of COVID on long-term office demand. A positive for the office sector is an increase in under construction numbers, with 133,000 of office space being built or proposed in Fishers, Northeast Indianapolis, and downtown Indianapolis.

Coworking spaces continue to rise in popularity throughout Indianapolis as COhatch, an Ohio-based coworking provider, looks to open four more coworking sites in Indianapolis by early 2022. These coworking spaces are being created in unique venues as well, with sites like an old church, an antique shop, and an old art studio being converted to modern office spaces. These types of spaces let companies choose how many desks to rent, how many offices, and they can reserve meeting spaces for certain times. This reduces the companies rental costs while creating high occupancy for the owner of the space.<sup>2</sup>



### TRENDS

- Tenants still hold the upper hand at this time when looking to lease new space. As the year continues, look for landlords to stand their ground and offer fewer free months rent and smaller tenant improvement packages.
- Look for companies to attempt to take advantage of a soft market and lease up prime space in a downtown market that was hit hard during the pandemic. Especially younger, newer companies who are already looking to return to the office and desire popular areas surrounded by vibrant shopping and restaurants.
- At a nationwide level, large corporations who rely heavily on business travel, like American Airlines, are predicting a strong return to office at the start of 2022. They also attribute the slowed bounce back to the delta variant and the rise of cases that it caused. Their research also noted that small-to-midsize companies have returned to business travel and in office attendance quicker than large companies.<sup>3</sup>

1. CoStar  
 2. Indianapolis Business Journal: <https://www.ijb.com/articles/cohatch-set-to-open-four-more-area-coworking-sites-in-early-2022>  
 3. CoStar: "World's Largest Airline Expects America's Office Buildings To Fill Up Early Next Year"

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### RETAIL OVERVIEW

RETAIL CONTINUES STEADY RECOVERY, SEES LOWEST VACANCY RATE SINCE Q4 2019

The Central Indiana retail market contains 91.6 million square feet spanning over 27 submarkets. The Q3 2021 vacancy continued its downward trend, going from 5.7% in Q1 to 5.3% in Q2 and down to 5.2% in Q3. This improvement could be attributed to businesses turning over in the past nine months and new businesses, especially restaurants, jumping on open space. The average asking rent per square foot also saw continued positive movement, rising to \$13.17 per square foot from \$13.00 per square foot in Q2, showing a revitalized demand for retail space.<sup>1</sup>

Largest Transactions from the previous quarter:

	Location	Square Feet	Sale Date	Sale Price
4505-4507 E 82nd St Neighborhood Center	Northwest Indianapolis	51,974	Jul 2021	\$10,600,000
12015 Pendleton Pike Drug Store	East Indianapolis	14,490	Sep 2021	\$8,300,000
3898 Lafayette Rd Retail Strip	Westfield	13,350	Aug 2021	\$6,200,000

Like office space, retail transaction volume also saw a large increase from Q2 to Q3, rising from \$17.3 million to approximately \$78 million. This is a welcomed return to a transaction volume like Q3 and Q4 of 2020 but is still below pre-pandemic quarterly averages in 2018 and 2019. The retail sector also saw its fourth consecutive positive absorption quarter. Posting a positive absorption of over 125,000 square feet with the downtown area, spaces along Keystone Avenue, and spaces along Lafayette Road seeing the most leases signed in Q3.

A unique retail development announced in Q3 is Back 9, an entertainment facility that will include golf bays, arcade games, billiards, a 350-person music pavilion, and more. The location is interesting as well, situated on the South side of the White River, across from Lilly Technology North. It is another entertainment facility looking to incorporate the river into its appeal and landscape. Depending on the performance of this venue, additional developments incorporating the river to connect with downtown tourists and visitors may be seen.<sup>2</sup>

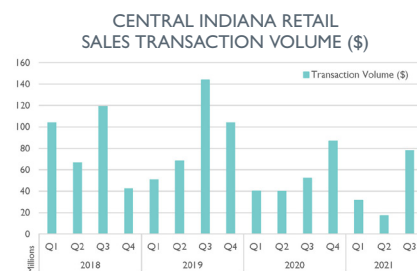
Business owners occupying retail space still struggle to find labor and in turn are having to offer higher wages to retain employees. This has slowed some retail owners' plans of expansion and there are still 10.9 million job openings in the U.S. as of late September. Look for laborers to return to the work force though as unemployment benefits related to the pandemic dry up and are scheduled to end fully in early Q4.<sup>3</sup>



Source: CoStar



Source: CoStar



Source: Real Capital Analytics

### TRENDS

- Retail demand will need to be closely tracked as a trend of online spending established during the pandemic lingers and makes companies ask if they should be pushing consumers to the store front or to online stores. Only 20% of retailers said they would be prioritizing in-store experiences over an online experience; many companies plan to stay focused on e-commerce operations.<sup>1</sup>
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- CoStar
- Indianapolis Business Journal: <https://www.ijb.com/articles/golf-venue-swings-into-area-near-downtown>
- Globe Street: <https://www.globest.com/2021/09/27/labor-shortages-wage-increases-should-abate-next-year/>

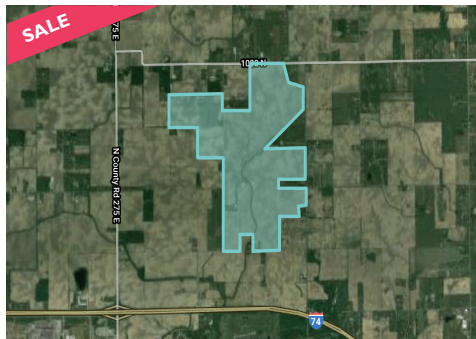
# CENTRAL INDIANA

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**TIMBERNEST TOWNHOMES**  
300 E 261 S | KOKOMO, IN 46902

- Located just outside of Kokomo, this property provides a short commute combined with a quality country living setting
- Property offers very affordable rental rates and spacious apartments, with an average unit size 200 SF above closest competitor
- A lot of new capital improvements have been made to the property in recent years including new siding, new roofs, and a new parking lot



**CHARLES SMITH FAMILY FARM**  
8851 COUNTY ROAD 425 | PITTSBORO, IN 46167

- Great possibilities with this large tract of land located in the heart of growth
- ± 650 acres of prime development ground in Hendricks County
- Rapidly growing area
- Ideally suited for master planned development
- Flat topography with good access
- Utilities at/or near site



**OFFICE FOR LEASE**  
5980 WEST 71ST ST | INDIANAPOLIS, IN 46278

- Newly renovated lobby & restrooms
- Close & easy access to I-465
- 148 parking spaces (5.4 spaces / 1,000 SF)
- Building sign opportunities
- Nearby retail amenities; close to Route 37 bus stop



**7230 WOODLAND DR**  
7230 WOODLAND DR | INDIANAPOLIS, IN 46278

- Former restaurant with double drive-thru
- Excellent interstate signage with exposure to 92,539 VPD
- Part of Park 100- largest business park in Indianapolis area with over 21,000 employees
- Adjacent to numerous hotels and offices
- Easy access



**PAIGE'S MUSIC BUILDING**  
5282 E 65TH ST | INDIANAPOLIS, IN 46220

- Great Industrial / Flex building located in Schmoll Business Park
- Easy and proximate access to Binford Ave and I-465
- Immaculate Retail / Office buildout in entry way
- Heated and cooled warehouse space
- 2 drive-in doors with loading bay area
- 18-24 month sale-leaseback by current owner



**ANDERSON MEDICAL PORTFOLIO**  
2015 JACKSON ST | ANDERSON, IN 46016

- Minutes away from Scatterfield Road and East 14th Street granting easy access to surrounding trade area
- The Medical Arts Building has direct access to the hospital
- Wilbur S. Roby Building (49,536 SF) - 350-3,770 SF Available
- Medical Arts Building (52,689 SF) - 900-2,591 SF Available
- Erskine Ambulatory Services Building (67,406 SF) - 1,497-9,733 SF Available

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