

CENTRAL INDIANA

Q4 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 VACANCY RATE HITS ALL TIME LOW, UNDER CONSTRUCTION STAYS HIGH

The Central Indiana Industrial market is made up of 329 million square feet of space spanning nine different counties. The Q4 2021 vacancy rate saw another large positive improvement, a continued trend from Q3, moving down to 3.5% from 6.0% in Q2 of 2021 and 4.6% in Q3 of 2021. This large jump could be attributed to companies filling spaces that recently finished construction and fewer completions in Q4 than in previous quarters. The average asking rent per square foot continued its upward trend and rose to \$4.56 per square-foot. Another substantial increase compared to earlier quarters of the year and a year over year increase of 5.8%.

Largest Lease Transactions from Q4:

Location	Square Feet	Sign Lease Date	Tenant
5550 W 74th St, Indianapolis	737,850	December 2021	LSC Communications
Westpoint Blvd, Mooresville	646,000	October 2021	Stryker
120 Jim Black Rd, Franklin	519,728	December 2021	Amazon Fulfillment Center

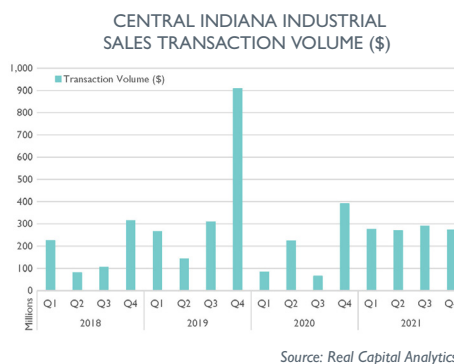
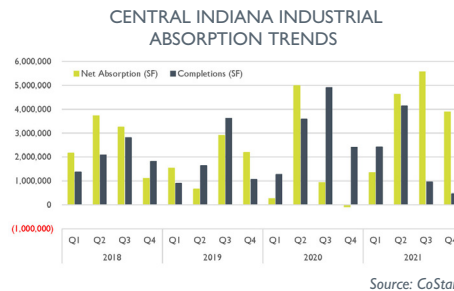
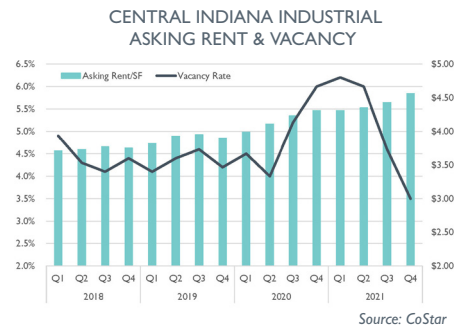
A significant and continuing story in the Central Indiana industrial sector is the ability of Indianapolis to attract large, billion-dollar companies to the area. In Q2 Indianapolis was able to pull Amazon to the Whiteland area and in Q3 Frito-Lay saw the value in having a Midwest location of over 500,000 square feet. In Q4 Stryker, a multi-national medical technologies firm, and LSC Communications, a national publisher of books and magazines, both leased over 600k square feet in and around Indianapolis.

Indiana's favorable business environment, central location to the Midwest region, and a low cost of living seem to be the driving reasons why large companies are choosing Indianapolis over other Midwest cities.¹

A continuing trend that has been a large driver of demand for industrial space is the accelerated growth of e-commerce sales in the United States. E-commerce sales saw a drastic uptick during the COVID pandemic and saw steady growth all the way through Q3 of 2021. At the tail end of Q3 and into Q4 those sales numbers began to slow and are starting to level out. E-commerce sales still account for approximately 15% of core retail sales but that number fell from its peak of 19.4% in Q2 2020. The e-commerce sector of industrial has been a large driver of demand and is one to keep an eye on as traditional retail slowly returns to normal.²

TRENDS

- Industrial net absorption saw a sizable decrease, but this is most likely due to less completions that in previous quarters. Net absorption totaled 3.88 million while completions in Q4 were only 457,000 square feet. Flex space containing warehouse combined with office was also hard to find through Q4, forcing most tenants to sign longer term leases to compete for a space.
- Industrial developers are still confident demand will continue as under construction numbers rose to 8.8 million square feet in the delivery pipeline, up from 7.2 million in Q3. Browning Investments LLC, Lauth Property Group, Scannell Properties, and Ambrose Property Group are four local Indianapolis developers who all have close to half a million square feet under construction.



1. CoStar / Bradley Company
2. Globe Street: <https://www.globest.com/2021/11/22/e-commerce-growth-slowed-in-q3-but-demand-for-industrial-space-remains-strong/>

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OFFICE OVERVIEW

OFFICE SEES LARGEST NET ABSORPTION SINCE START OF PANDEMIC, AND INCREASE IN SQUARE FOOTAGE UNDER CONSTRUCTION

The Indianapolis office market is comprised of 37.9 million square feet of inventory spanning 20 different submarkets. The Q4 2021 vacancy rate changed course and declined to 17.7%, the first positive movement since Q4 of 2019, Q3 vacancy rate was at 18.2%. The average asking rent per square-foot stayed very consistent with previous quarters in 2021, staying right at \$20.33. In general, the office market has shown its first positive signs in the past two years and shows that office may be able to come back even with lingering effects of COVID still present.¹

Largest Sale Transactions from Q4 2021:

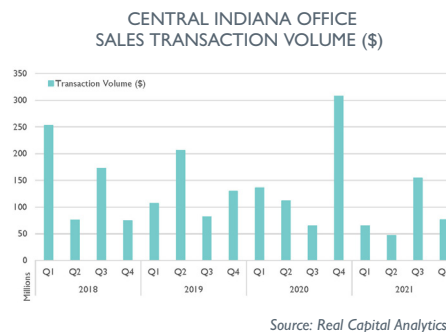
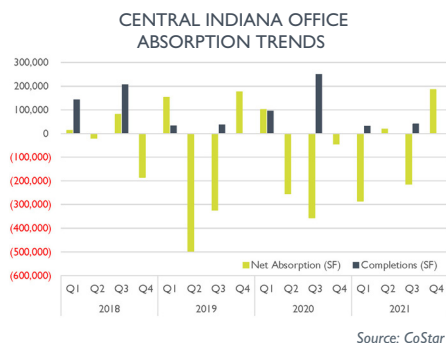
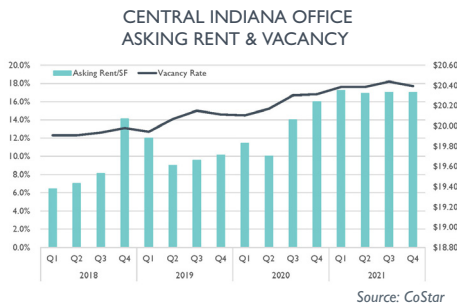
Location	Square Feet	Sale Date	Sale Price
6910 Hillisdale Ct, NE Indianapolis	73,798	Dec 2021	\$19,600,000
9225 Harrison Park Ct, Lawrence	16,711	Dec 2021	\$5,000,000
6220 Castleway West Dr Castleton	14,065	Oct 2021	4,100,000

In total the office sector posted a positive net absorption of just over 185,000 square feet, the highest positive absorption since Q4 2017. This correction could be attributed to the slowing of COVID, but it still seems too early to determine the lasting affects it will have on the workplace environment. Many companies turned to a flexible schedule for employees during the pandemic and many are slow to make a demand on employees to return to the office. Continuing to offer work from home options to employees seems to be lasting past early predictions and could be sustained well beyond the pandemic.

Another positive for the office sector is a continued increase in the under-construction square footage within Central Indiana, with over 187,000 square feet currently under construction. There are two projects that account for that number; one is in Fishers (near intersection of 116th Street & Cumberland Road) and the other near Fountain Square (near intersection of Southeastern & Pleasant run Parkway).

While under construction and large transactions continue to take place predominately in Class A areas and for Class A properties, lower class properties significantly outpace Class A in terms of vacancy rate. With Class A posting a vacancy rate of 20.6%, Class B at 17.0%, and Class C at a surprising 10.5%. This could be a case of many tenants downsizing as leases turn and choosing more affordable spaces as their office needs remain up in the air.¹

Another trend within office space demand is specific industries pushing lease activity while other more traditional office tenants continue to downsize and offer more flexibility than in the past. Some of the industries noted as being more active post-pandemic are fast growing tech companies, life science companies, and healthcare operations. While professional services (accounting, finance, financial advising etc.) are downsizing and offering employees a more flexible work from home policy.²



TRENDS

- Tenants still hold the upper hand currently when looking to lease new space, but as 2022 continues, look for landlords to stand their ground and offer fewer free months' rent and smaller tenant improvement packages.
- Look for some companies to try and 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.
- As COVID continues to impact leasing activity, look for clearer signs to show as 3-year leases signed pre-pandemic are on the horizon. Appraisers share the sentiment that until COVID is fully passed and decisions are made by large tenants on office space, the future of the office sector remains a mystery.³

1. CoStar
 2. Globe Street: <https://www.globest.com/2022/01/26/the-industry-specific-trends-of-office-leasing-demand/>
 3. Globe Street: <https://www.globest.com/2022/01/25/appraisers-are-struggling-to-assign-value-to-office-properties/>

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RETAIL OVERVIEW

NET ABSORPTION SOARS IN Q4, RETAIL SHOWING STRONG RECOVERY AT TAIL OF PANDEMIC

The Central Indiana Retail market contains 91.6 million square feet spanning over 23 submarkets. The Q4 2021 vacancy continued its downward trend, going from 5.3% in Q2 to 5.2% in Q3 and down to 4.8% in Q4. Average asking rent dropped slightly but stays significantly higher than previous 3-year rates. Retail transaction volume fell from its 2021 high in Q3 down to 28.7M in Q4.¹

Largest Transactions from Q4 2021:

Location	Sub Type	Square Feet	Sale Date	Sale Price
1340 E 86th St Meridian Corridor	Community Center	11,182	Dec 2021	\$8,372,546
11670 Commercial Dr Fishers	Strip Center	28,400	Dec 2021	\$7,550,000
720 S State Road 135 Greenwood	Community Center	15,120	Dec 2021	\$6,090,000

Net absorption saw a significant jump in Q4 of 2021, with 514,338 square feet being absorbed, the highest net absorption since Q4 2017. There were 14 transactions of 5,000 square feet or more; six in Greenwood, two along 82nd Street near Keystone Crossing, and six others were spread across Carmel, Downtown Indianapolis, and Plainfield.¹

A unique and large retail redevelopment announced Lafayette Square Mall was announced in Q4. The super-regional mall has close to 1.2 million square feet and is located on the west side at the intersection of 38th Street and Lafayette Road. The redevelopment plans include 200 multifamily units, renovation of anchor stores in the mall, infrastructure improvements, and redevelopment of the mall itself in multiple stages. The project has received some feedback as being a risky proposition, considering the size of the project for a first-time developer. The 38th Street corridor has seen continued renovation by both public and private parties, with the Purple IndyGo Line set to be constructed in late 2022 which will run East and West on 38th Street out to Castleton.²

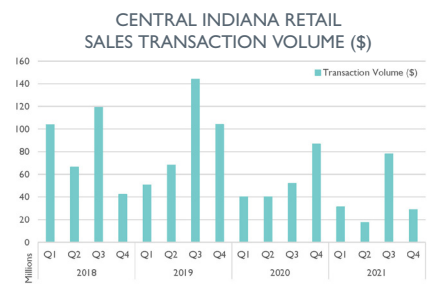
Another local retail redevelopment announced in Q4 is the Kroger just South of Broad Ripple Avenue. This location is being redeveloped by two Indianapolis based developers and is set to be a mixed-use project with ground level retail shops and multifamily housing units. The specific plans for the project have not been set yet, but the developers set a timeline for construction to begin late 2022.³



Source: CoStar



Source: CoStar



Source: Real Capital Analytics

TRENDS

- Retail demand proved strong in Q4 and shows that business owners are confident consumers will return to in person shopping as the pandemic wanes. This can also be correlated to a reduction in industrial e-commerce space being lease in Q4 of 2021. This trend is something to keep a close eye on in Q1 2022, which should be telling on just how fast retail will return to pre-pandemic levels.¹
- Inflation and continued labor market shortages are both challenges the retail sector will face in 2022. With inflation at near 40-year highs this could impact consumers' willingness to spend in the retail sector. There are also 11 million jobs available across the nation with employees still slow to return to retail.⁴

1. CoStar
2. Indianapolis Business Journal: <https://www.ij.com/articles/under-the-radar-developer-poised-to-redefine-lafayette-square-neighborhood>
3. Indianapolis Business Journal: <https://www.ij.com/articles/local-firms-set-to-redevelop-former-kroger-in-broad-ripple>
4. Globe Street: <https://www.globest.com/2022/10/125/inflation-labor-market-pose-growing-challenges-to-retail/>

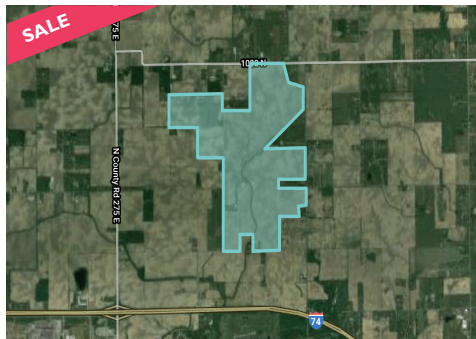
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TIMBERNEST TOWNHOMES
300 E 261 S | KOKOMO, IN 46902

- 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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