

# CENTRAL INDIANA

Q2 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 handled over 1 Million metric tons of cargo in 2019, according to the Indiana Economic Development Corporation and Indy Chamber, respectively.

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. These jobs had an average wage of \$54,051 in 2019.

Indianapolis is also called “The Racing Capital of the World.” It’s 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, Indianapolis 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. In 2017 there were 28.8 million visitors to Central Indiana who supported the \$5.4 billion tourism industry.

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

**STRONG DEMAND CONTINUES AS INDIANAPOLIS PROVES TO BE A GREAT LOCATION FOR DISTRIBUTION AND E-COMMERCE CENTERS**

The Central Indiana Industrial market is made up of 335 million square feet of space spanning nine different counties. The Q2 2021 vacancy rate saw a positive improvement, moving down to 6% compared to 6.2% in Q1 2021, although this is still higher than in years past when the vacancy hovered in the mid 4 to low 5 percentage range. The average asking rent per square foot continued its upward trend and rose to \$4.34 per square-foot. A substantial increase when compared to Q2 2020 when asking rents were \$4.09 per square-foot.<sup>1</sup>

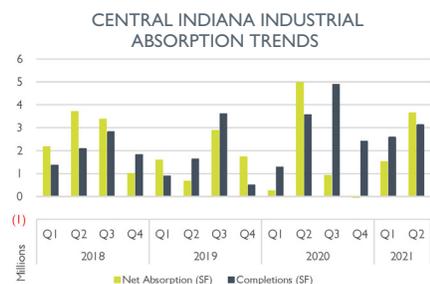
A significant and continuing story in the Central Indiana Industrial sector is the amount of space being delivered to the market and the continued high demand. In the past 6 months Indianapolis has seen more square feet delivered to the industrial sector than ever before and there is a total of 8.7 million square feet scheduled to be delivered in 2021. Even with this large stimulus of space, absorption continues to be strong, and it seems there is still a demand for more new construction. Some of the largest deliveries are in Mount Comfort, Whitestown, Plainfield, and Whiteland which all have 5+ builds over 100k square feet either under construction or proposed. Of these new constructions, the vast majority are distribution and warehouse spaces with a few manufacturing sites sprinkled in.

One of the largest and most notable leasing transactions in Q2 of 2021 was Amazon signing a 530,400 square-foot lease within a 2.4 million square-foot business park in the Whiteland Exchange market, a Southern Indianapolis submarket. This transaction shows the continued success of Indianapolis to attract large businesses and proves that the friendly regulations Indiana has set forward to persuade large corporations to plant their flags here in Indiana is working. This transaction also shows the demand for e-commerce has not slowed post pandemic but has continued to stay strong and even improve. Many companies seem to be continuing the move from brick-and-mortar retail to online stores that require a fulfillment center.<sup>2</sup>

Another large transaction announced in Q2 was an Italian manufacturing company, the Stevanato Group, planning to build 370,000 square feet of life sciences space equating to an approximate construction cost of \$145 million. Construction is supposed to start late 2021 and be completed in 2023. Fishers being selected for this project speaks to the quality of life offered here in Indiana, how business friendly Indiana has become, and how affordability of living can lead to drawing large business.<sup>3</sup>



Source: CoStar



Source: CoStar



Source: Real Capital Analytics

### TRENDS

- In general, Industrial space remained in high demand through the second quarter with a net absorption of over 3.6 million square feet. High clear heights, spaces under 10,000 square feet, and cold storage facilities are three types of industrial space that are particularly in high demand in the current market.
- Under construction industrial continues to be strong through the second quarter with large projects being constructed in McCordsville, Whiteland, and Greenfield. Construction numbers dropped slightly from previous quarters, this could be contributed to high construction costs and volatile material pricing.<sup>4</sup>

1. CoStar
2. Globe Street: Amazon Signs 530,400 SF Industrial Lease in Indianapolis Area
3. Inside Indiana Business: Italian Manufacturer to Build \$145M Plant in Fishers
4. CoStar, Moody's Analytics / Reis, Bradley Company

# CENTRAL INDIANA

## Q2 2021

### OFFICE OVERVIEW

**OFFICE SEES SIGNS OF REBOUND BUT LONG TERM DEMAND FOR SPACE REMAINS UNCERTAIN**

The Indianapolis office market is comprised of 37.9 million square feet of inventory spanning twenty different submarkets. The Q2 2021 vacancy rate was 17.6%, a slight improvement from the previous quarter but still substantially higher than in years past. The average asking rent per square-foot dropped in Q2 to \$20.79 from \$20.84 in Q1, this could be attributed to hefty concessions by landlords and an abundant supply in the market, giving tenants leverage to negotiate hard. Late into Q2 though we have seen landlords begin to stay firm on pricing and bet on demand for office space to return to pre-pandemic levels.<sup>1</sup>

Largest transactions from the previous quarter:

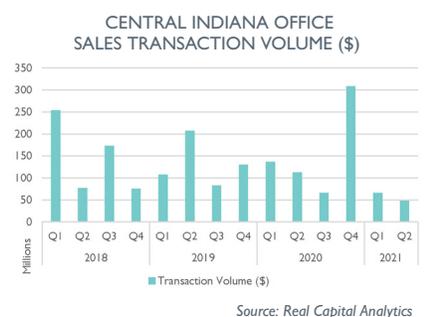
	Location	Square Feet	Sale Date	Sale Price	
	I 1201 USA Parkway	Fishers	49,950	April 2021	\$8,880,000
	Heritage Park I	NE Indianapolis	87,165	April 2021	\$8,610,000
	8445 Keystone Crossing	N Indianapolis	34,000	May 2021	\$3,500,000

While overall office transaction volume stayed well below market averages, and even below Q1 2021, office buildings located in Class A locations outside of downtown near Keystone Crossing continue to trade and show promise to recover going into 2022. Q2 2021 had the first positive net absorption since Q1 2020. While the net absorption was only a slight positive, it is certain office space is still in demand and slowly making a comeback.

Office owners continue to explore creative options to raise occupancy and to make their office space more alluring to tenants. The owner of the Anthem building, located on Monument Circle downtown, is considering converting the basement floor to parking, instead of its current office setup, to make its space more desirable and profitable.<sup>2</sup>

Coworking spaces are also becoming more popular across Indianapolis, with Ohio-based COhatch looking to capture firms who are downsizing and are agreeable to sharing a space with other businesses. As companies continue to downsize, hoteling offices are becoming an option to limit footprint but ensure each employee has a space to work when they come to the office. Many companies want to offer a flexible schedule to their employees and coworking spaces and hoteling offices/desks seem to be the two main strategies to achieve this flexibility while keeping overall rented square feet down.<sup>3</sup>

Of sixteen leases signed in Q2 2021 with 10,000 square feet or more, eight were on the north side of Indianapolis and south edges of Carmel. There were four leases near downtown over 10,000 square feet, a small positive for an area that was hit hard during and post pandemic.



### TRENDS

- A large portion of tenants with leases expiring in the Q2 2021 and Q3 2021 are holding steady on their office footprints for now.
- Net absorption was slightly positive at just over 19,000 square feet in Q2 2021. This is a pattern we expect moving forward, less movement but no mass changes in the market yet.<sup>4</sup>
- Many developers are in a holding pattern, waiting to see if the work from home trend continues and how it will effect demand. Both Q1 and Q2 2021 saw no new office under construction.
- Investment money is still flowing to the office sector, but it is depressed compared to pre-pandemic numbers. Transaction volume was down over \$64 million compared to Q2 of 2020. Q2 2021 Cap rates have also been pushed up in this sector, with properties trading at or above 8%.

1. CoStar  
 2. Indianapolis Business Journal: [https://www.ibj.com/articles/parking-being-discussed-for-former-anthem-headquarters-building?utm\\_source=ibj-real-estate&utm\\_medium=newsletter&utm\\_campaign=2021-06-29](https://www.ibj.com/articles/parking-being-discussed-for-former-anthem-headquarters-building?utm_source=ibj-real-estate&utm_medium=newsletter&utm_campaign=2021-06-29)  
 3. Indianapolis Business Journal: <https://www.ibj.com/articles/coworking-spaces-prepping-to-capture-firms-workers-leaving-traditional-offices>  
 4. CoStar, Bradley Company

# CENTRAL INDIANA

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### RETAIL OVERVIEW

RETAIL SEEING A POSITIVE RECOVERY CAUSED BY INCREASED CONSUMER SPENDING

The Central Indiana retail market contains 91.6 million square feet spanning over 23 submarkets. The Q2 2021 vacancy dropped from Q1, going from 5.7% to 5.3%, this improvement could be attributed to a return to conventional retail as COVID restrictions in Marion and surrounding counties were lifted. The overall average asking rent per square foot also saw positive movement, rising to \$13 per square foot from \$12.56 per square foot in Q1, showing a revitalized demand for retail space.<sup>1</sup> However, rental rates for new construction, multi-tenant retail buildings in many areas are above \$30 per square-foot / triple net.

Largest transactions from the previous quarter:

	Location	Square Feet	Sale Date	Sale Price
4505-4507 E 82nd Street Strip Center	NE Indianapolis	11,850	June 2021	\$4,051,559
12015 Pendleton Pike Daycare	N Shadeland	11,390	May 2021	\$3,986,675
3898 Lafayette Road Neighborhood Center	NW Indianapolis	60,494	June 2021	\$3,850,000

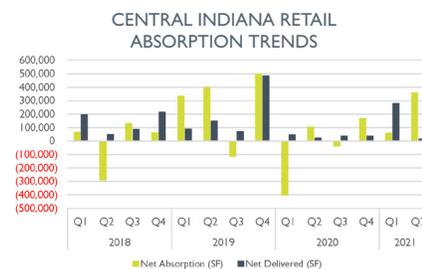
Like office space, retail transaction volume also saw a dip in Q2 2021, falling to just over \$17.3 million from Q1 volume of \$31.3 million. This is well below Q1 and all of 2020 which averaged just north of \$54.5 million per quarter. While transaction volume slowed, the Northeast side of Indianapolis continued to see large deals close as faith slowly begins to return to retail.

One of the highlights in the retail sector in Q2 has been the Bottleworks District on the North end of Massachusetts Avenue. A site that saw renovation start in 2017 has transformed Coca Cola factory to an Indianapolis Public Schools facility, and now into a vibrant dining, shopping, and entertainment venue. With a variety of restaurants located in the food garage, offices above the street, a hotel, and entertainment space that includes bocci ball, pool, ping pong, and duckpin bowling, Bottleworks seems to have something for everybody. With multiple new tenants entering Bottleworks in Q2, watch for this area to continue a positive bounce-back post-pandemic and drive the recovery in downtown Indianapolis.

As predicted, the industries that have seen the quickest post pandemic bounce-back have been clothing stores, bars, and restaurants. A pent-up demand has pushed these industries to a quicker than expected recovery and many business owners are struggling to hire staff to match their required service. Another industry that has seen a speedy recovery is in person fitness centers. With gym visits up over 45% compared to the same time in 2020, many gyms are stabilizing and returning to pre-pandemic membership levels.<sup>4</sup>



Source: CoStar



Source: CoStar



Source: Real Capital Analytics

### TRENDS

- We see retail returning to pre-pandemic numbers and the recovery is being expedited by the large increase in consumer spending. The GDP has had a Q2 2021 increase of 6.5%, following a Q1 2021 increase of 6.3%.<sup>2</sup>
- Retail demand will need to be closely tracked as the 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.<sup>3</sup> 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>4</sup>

1. CoStar
2. The Balance: Current Consumer Spending Rate Q2 2021: 11.8%
3. Globe Street: US Retailers Double Down On E-Commerce As Pandemic Wanes
4. S&P Global: US businesses boost e-commerce investments even as pandemic winds down – 45
5. Globe Street: Gyms See Rapid Rebound in Demand as the Businesses Reopen

# CENTRAL INDIANA

Q2 2021



**LUCIANA'S MEXICAN RESTAURANT**  
5910 W. 86TH ST. | INDIANAPOLIS, IN 46278

- Located on an outlot in front of a 257,000 SF community center and in prominence the largest industrial office park in the state of Indiana, containing 18,000,000 SF, 400 companies, and 8,000 employees.
- Single-tenant net lease property
- High traffic counts: 78,091 AADT on I-465 and 35,104 AADT on W. 86th St. (2020)



**INDUSTRIAL FOR SALE**  
1522 MAIN STREET | ANDERSON, IN 46016

- Building size - 40,134 SF / Site size - 1.70 acres
- Zoning- Industrial
- Parking - 20 automobile / 6 truck
- Ceiling heights - 12'-20' / Docks- 2
- Overhead doors - 3
- Sale price - \$1,200,000 - \$29.90/SF



**I-65 ACCESS INDUSTRIAL SITE**  
11900 N. 200 W. | EDINBURGH, IN 46124

- 104-acre industrial development land with frontage on I-65. Excellent opportunity in desirable location!
- ± 104 acres industrial development ground
- Excellent visibility with frontage on I-65 and US-31
- I-2 zoning with utilities at or near site and flat topography

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