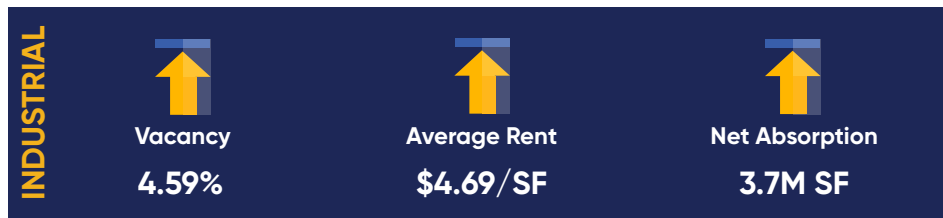


Market Report

In Q4, Indianapolis office market's recovery slowed, with negative net absorption, rising vacancy rates, and falling rents from their previous improvements. This was the result of large tenant move-outs throughout the market. Recovery in 2022 will be slow for office space as companies continue WFH policies and "right-sizing" their office footprint or implementing a hybrid work schedule. In late 2021, overall subleases declined for the first time since early 2020 due to workers coming back to the office and new subleases being signed. The office market will continue to be a mixed bag but it is expected that office vacancy rates will climb in 2022.



Indianapolis industrial market continued to post positive metrics in Q4 2021. The labor market has proved resilient, seeing 12 consecutive months of job growth. The growing demand for e-commerce, third-party logistics providers and big-box industrial real estate is boosting Indianapolis industrial market fundamentals. The new construction pipeline is larger than ever as developers continue to expand the boundaries of the traditional industrial footprint by developing in virtually every direction to keep up with out-sized user demand.



Q4 Rental and Vacancy Rates

| Direct Asking Rent (\$/SF) | Total Vacancy Rate | QoQ \$ Change |
|----------------------------|--|---------------|
| \$24.06 | Office Market Class A | ▲ 0.50% |
| \$18.76 | Office Market Class B | ▼ 0.47% |
| \$5.05 | Industrial Market Warehousing & Dist | ▲ 12.9% |
| \$5.33 | Industrial Market Manufacturing | ▲ 5.54% |

Q3 Recent Transactions

| Office | Size | Submarket | Type |
|----------------------------|-----------|--------------|-----------|
| 1 Quantigen | 46,589 SF | East | New Lease |
| 2 Milestone Contractors | 40,985 SF | Airport | New Lease |
| 3 Shephard Insurance Co. | 32,720 SF | North/Carmel | Expansion |
| 4 AdTalem Global Education | 30,744 SF | North/Carmel | New Lease |
| 5 Genezen | 19,200 SF | Fishers | Expansion |

| Industrial | Size | Submarket | Type |
|------------------------|--------------|-----------|-----------|
| 1 Walmart | 1,016,244 SF | Northwest | New Lease |
| 2 Mars Petcare | 911,552 SF | Southwest | New Lease |
| 3 Amplify Brands | 846,720 SF | Northwest | New Lease |
| 4 Style Link Logistics | 632,788 SF | Northwest | New Lease |
| 5 Amazon | 519,728 SF | South | New Lease |

Occupier's Perspective

Industrial vacancy continues to remain at record low levels despite robust construction deliveries. The 2022 pipeline remains strong to keep up with demand.

Indianapolis industrial market ranked 5th nationwide for new supply deliveries.

Office subleases are having less of an effect on the market. As availability is falling, signaling a combination of users taking their space back and new sublease signings.

Fishers office sub-market continues to thrive as it saw the largest vacancy decline year-over-year.

Market Trends



Nearly 75% of all new leasing activity occurred in the suburbs despite these sub-markets containing just under 65% of the total office inventory.

Class A space continues to see occupancy gains while Class B space losses comprise most of the overall 2021 occupancy decline.

2021 marked the third consecutive year of record-high leasing activity for the industrial market, up 24% from 2020.

Industrial rental rates grew to their highest levels on record for the Indianapolis market and are still 40% lower than the national average.