Indianapolis - Q4 2020

Market Report

The Indianapolis office market continued to remain soft in the fourth quarter and is expected to remain so due to slow demand and the structurally oversupplied market with high vacancy. Landlords continue to remain competitive, reducing rents and offering larger concession packages to compete as the market continues to soften.
Since the start of COVID-19 restrictions in the U.S., we have seen a steady increase in available sublease inventory in the Indianapolis market. The rental rates for direct space with Landlords are starting to realize downward pressure as businesses enter back into negotiations for space.

OFFICE

Vacancy	Average Rent	Net Absorption
19.20%	$21.50/SF	-86K SF

The Greater Indianapolis industrial market continues to thrive as we end the fourth quarter. Rates are up slightly and vacancy continues to stay low especially for manufacturing and transportation sectors. Completed construction continues to pace above last year's record-breaking total as we head into 2021.

INDUSTRIAL

Vacancy	Average Rent	Net Absorption
5.5%	$4.57/SF	5.4M SF

Q4 Rental and Vacancy Rates

Direct Asking Rent ($/SF)	Total Vacancy Rate		QoQ $ Change
$23.85	Office Market | Class A	21.2%	▲ 2.2%
$19.10	Office Market | Class B	17.5%	▲ 3.1%
$14.93	Office Market | Class C	14.55%	▼ 5.2%
$6.20	Industrial Market | Warehousing & Dist	5.25%	▼ 5.1%
$4.66	Industrial Market | Manufacturing	1.3%	▲ 8.3%

Q4 Recent Transactions

	Office	Size	Submarket	Type
1	DXC Technology	37,780 SF	Downtown	Renewal
2	USIC	47,060 SF	Keystone	Renewal/Exp
3	HNTB	40,947 SF	Downtown	Renewal/Exp
4	Elements Financial	31,651 SF	Downtown	Renewal

	Industrial	Size	Submarket	Type
1	XPO Logistics	1,072,069 SF	Southeast	New Lease
2	Amazon	539,943 SF	Northwest	New Lease
3	Stitch Fix	400,359 SF	Southwest	Renewal
4	Hoosier Freight	377,781 SF	East	Renewal

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Occupier's Perspective

With a rise in vacancy predicted, an anticipated dip in asking rents forthwith should actually prove now a good time for tenants to reevaluate their lease(s). The flood of options available is creating a favorable environment even for those who are several years from their lease expiration date.

There is increased risk of both landlords and tenants defaulting now more than normal. While landlords will be sharpening their pencils to retain tenancy (and thereby profitability), occupiers must also expect to show financials and prove they are a worthy investment for the ownership.

Subleasing space may be an attractive option for many companies. Generally speaking, lease terms are shorter than a direct deal, the rates are often more competitive and furniture or other perks may be included. Additionally, the space is frequently in 'move-in' condition.

Market Trends

In excess of 60% of the industrial projects under construction are already pre-leased as built-to-suit and owner-built construction outpaces speculative construction.

Land sites are being secured and several industrial projects could break ground in the spring. By 2022, we could see vacancy levels that mirror those of 2014.