

MARKETBEAT

Indianapolis

Office Q4 2018



INDIANAPOLIS OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Indianapolis MSA Employment	1.06M	1.08M	▲
Indianapolis MSA Unemployment	3.2%	3.3%	■
U.S. Unemployment	4.1%	3.7%	▼

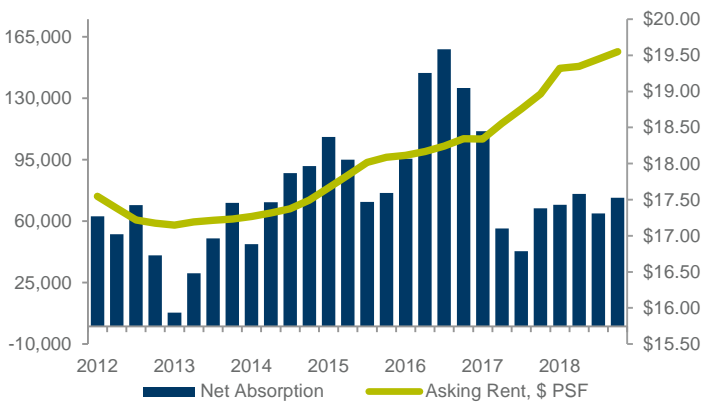
Market Indicators (Direct, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Total Market Vacancy	14.0%	15.4%	▼
Net Absorption (sf)	106K	142K	▲
Under Construction (sf)	347K	639K	▲
Average Asking Rent*	\$19.35	\$19.75	▲

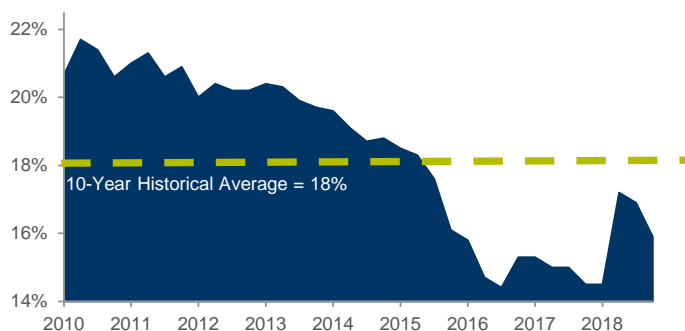
*Rental rates reflect gross asking \$psf/year

Direct Net Absorption/Direct Asking Rent

4-QTR TRAILING AVERAGE



Direct Vacancy



Economy

Indianapolis posted strong economic fundamentals again in the fourth quarter of 2018, closing out the year on a high note. The Indianapolis Metropolitan Statistical Area (MSA) unemployment rate remained at 3.3% in the fourth quarter of 2018, but rose slightly over the fourth quarter of 2017. Indianapolis unemployment still remains below the national rate that sits at 3.7%. The Indianapolis MSA reported healthy job growth for the year, adding over 45,000 jobs year-to-date (YTD) as of November 2018 preliminary numbers. The office-using job sector continued its positive growth during the fourth quarter of 2018 as the Professional and Business Services sector added 2,700 jobs quarter-over-quarter (QOQ), while the Financial Activities sector added another 1,400 jobs QOQ. These two sectors combined to add almost 10,000 jobs YTD.

Other economic measures, such as the Consumer Confidence Index, reached an 18 year high during the fourth quarter of 2018, topping out at 137.9 in October. As consumer demand remains at an all time high, employers continue to add jobs - a positive indicator for office using employment. In addition to consumer confidence, credit rating agency S&P Global Ratings upgraded its long-term rating on the city's property-tax-secured bonds, citing strong economic and financial success in recent years.

Market Overview

The Greater Indianapolis office market continues to attract occupiers, posting its 19th consecutive quarter of positive net absorption - totaling just over 142,000 square feet (sf). With the fourth quarter of 2018 coming to a close, YTD net absorption now totals over 434,000 sf, making 2018 the second highest total in the last 10 years. Indianapolis total market direct vacancy fell to 15.4% as the fourth quarter of 2018 ended. Leasing activity remained strong, again topping the third quarter of 2018 with nearly 900,000 sf of leasing activity - the most of any quarter in 2018. Strong absorption numbers should follow as 2019 gets under way. The largest transaction of the quarter was PNC Banks's 108,000-sf renewal in PNC Center downtown. Downtown saw the four largest transactions by size in the fourth quarter of 2018, further confirming the submarket as a desirable office location.

Gross asking rents continued to climb as 2018 came to a close. As the office market vacancy tightens, rental rates will continue to rise as landlords can afford to charge a premium for available space.

Indianapolis total market gross asking rental rates rose to \$19.75 during the fourth quarter of 2018, a \$0.22 increase from the first quarter of 2018. If construction prices remain high, rents in Indianapolis will continue to rise at a moderate rate as owners respond to increased capital demands.

Although no major projects of note kicked off construction in the fourth quarter of 2018, there were announcements of several new projects. Notably, the announcement of the mixed-use project in Fishers, Nickel Plate District, which will include First Internet Bank's new headquarters in a 168,000-sf, six-story office building.

FOR THE 19TH CONSECUTIVE QUARTER, THE GREATER INDIANAPOLIS OFFICE MARKET POSTED POSITIVE ABSORPTION TOTALING OVER 140,000 SQUARE FEET

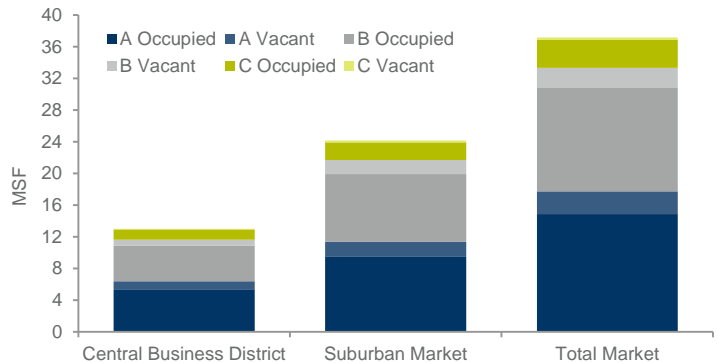
Overall, Indianapolis has seen growth over the last 10 years of this cycle as the market has rebounded back to numbers seen just prior to 2008. While total market vacancy rates are now down by almost 4%, total market asking rents have increased by 8.5%. As we head into 2019, Indianapolis should continue to display strong economic fundamentals, which should support continued growth in the office sector.

Outlook

- Overall Indianapolis has seen growth over the last 10 years of this cycle as the market has rebounded back to numbers seen just prior to 2008.
- YTD net absorption now totals over 434,000 sf, making 2018 the second highest total in the last 10 years.
- Gross asking rents continued to climb as 2018 came to a close. As office market vacancy tightens, rental rates will continue to rise as landlords can afford to charge a premium for available space.
- As we head into 2019, Indianapolis should continue to display strong economic fundamentals, which should support continued growth in the office sector.

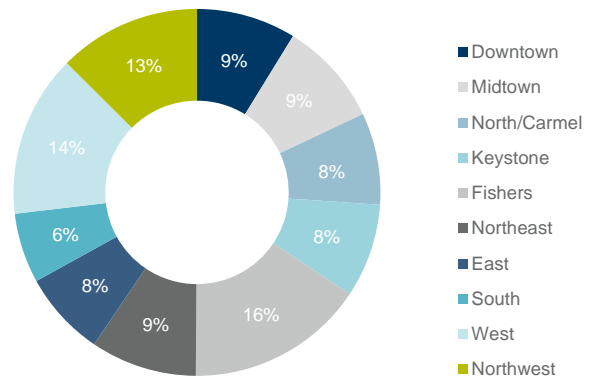
Market Comparison

LEASING DEMAND BY CLASS OF SPACE



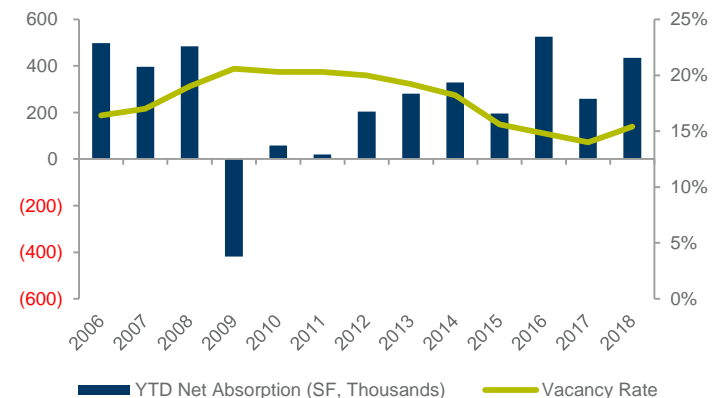
Vacant Space by Submarket

VACANCY AS A PERCENT OF INVENTORY



Net Absorption and Vacancy Trends

OVERALL MARKET: CHANGE IN NET ABSORPTION AND VACANCY



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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	UNDER DIRECT CNSTR (SF)	AVERAGE ASKING RENT (ALL CLASSES)*	DIRECT AVERAGE ASKING RENT (CLASS A)*
Downtown	85	11,390,001	59,617	1,614,387	14.2%	35,086	68,792	151,470	\$21.61	\$23.33
Midtown	34	1,627,664	0	242,297	14.9%	-356	15,386	0	\$16.87	\$22.50
North/Carmel	103	7,420,084	33,369	969,488	13.1%	2,878	105,407	410,000	\$21.19	\$23.83
Keystone	54	4,030,371	68,987	538,844	13.4%	25,808	64,665	78,000	\$21.63	\$22.44
Fishers	40	1,883,360	2,095	479,456	25.5%	50,839	86,961	0	\$19.53	\$20.51
Northeast	75	3,191,748	13,571	483,511	15.1%	-11,887	16,217	0	\$17.76	\$19.10
East	16	537,806	0	65,155	12.1%	3,358	37,549	0	\$15.08	\$0.00
South	49	1,401,063	0	139,627	10.0%	5,485	6,376	0	\$17.24	\$22.42
West	45	1,863,129	2,027	430,622	23.1%	17,313	41,691	0	\$14.39	\$16.88
Northwest	58	3,841,781	0	779,422	20.3%	10,617	-8,314	0	\$18.51	\$20.80
INDIANAPOLIS MARKET TOTALS										
Class A	136	17,756,459	138,636	2,867,576	16.1%	134,259	363,792	639,470	\$22.18	
Class B	307	15,581,364	41,030	2,551,671	16.4%	-7,638	73,545	0	\$17.62	
Class C	116	3,849,184	0	323,561	8.4%	15,499	-2,430	0	\$14.98	
TOTAL	559	37,187,007	179,666	5,742,808	15.4%	142,120	434,907	639,470	\$19.75	

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
101-115 W Washington St.	108,697	PNC Bank	Renewal	Downtown
16 Tech Bldg. 1	72,534	Indiana Bio-Sciences Research	Lease	Downtown
211 N Pennsylvania St.	59,864	Regions Bank	Renewal	Downtown
One American Sq.	53,133	Infosys	Lease	Downtown

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Lake Pointe III & IV	168,957	USAA Real Estate/DRA Advisors	\$17,268,750/\$102	Northeast
Greenwood Commerce Center 1 & 3	79,190	TDH Investments/Universal Health Services	\$4,800,000/\$60	South
8777 Purdue Rd	83,000	CW Capital/First City Servicing	\$3,850,000/\$46	Northwest

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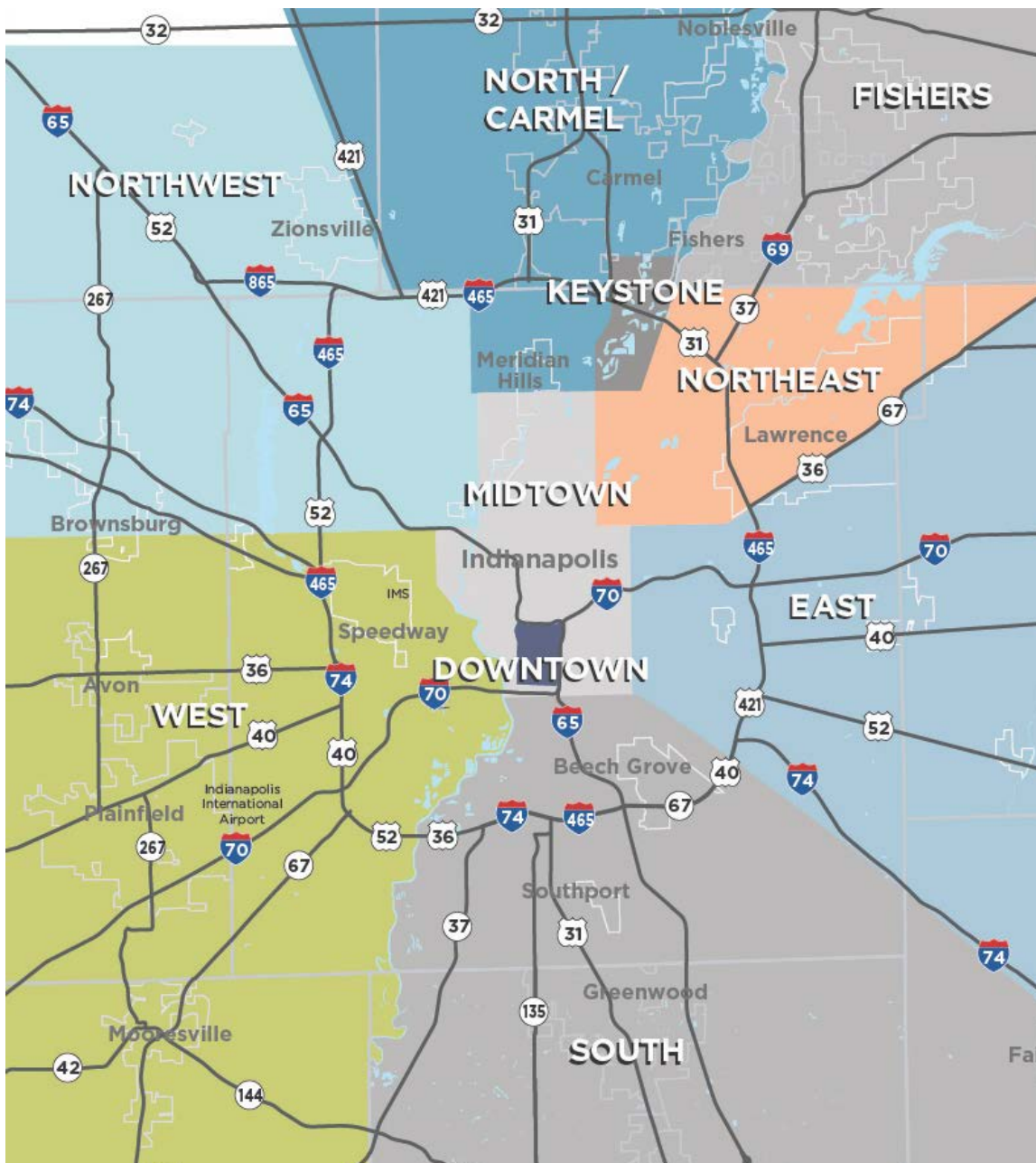
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OFFICE SUBMARKETS

INDIANAPOLIS



Methodology

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of office properties deemed to be competitive in the Central Indiana marketplace. Older buildings unfit for occupancy or ones that require substantial renovation before tenancy are not included in the competitive inventory. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary and all information contained in the report is subject to revisions based on additional data received.

New Statistical Series

To ensure the highest level of data integrity, Cushman & Wakefield periodically undertakes a comprehensive, quantitative and qualitative, review of all office inventory in the Central Indiana marketplace. During Q2 2018, Cushman & Wakefield Research conducted an extensive review of the office market and transitioned to a new data series.

Explanation of Building Characteristics

Class A: Most prestigious buildings competing for premier office users with above average rents. High quality standards, well-located. Typically steel and concrete construction, built or renovated after 1980, quality tenants, excellent amenities & premium rents.

Class B: Buildings competing for wide range of office users with average rents. These buildings do not compete with Class A space. Typically built or renovated after 1960, with fair to good finishes & for a wide range of tenants.

Class C: Buildings competing for tenants requiring functional space at below market rents.

Existing Office Inventory: In general, includes existing competitive buildings but does not include 85% or greater owner-occupied, government, retail, industrial, medical or educational buildings. Inventory base square footage includes all competitive buildings that are classified as office. In the case of medical, note that medical tenants in an office building do not preclude the

building's inclusion in statistics. The rule is that a medical building is built for the purpose of housing solely medical occupants and is often in an area dominated by medical uses such as hospitals or clinics. On average, the national minimum standard for inclusion in statistics is 20,000 square feet and while this may vary slightly by market, each market is required to incorporate a minimum threshold.

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow [@CushWake](https://twitter.com/CushWake) on Twitter.