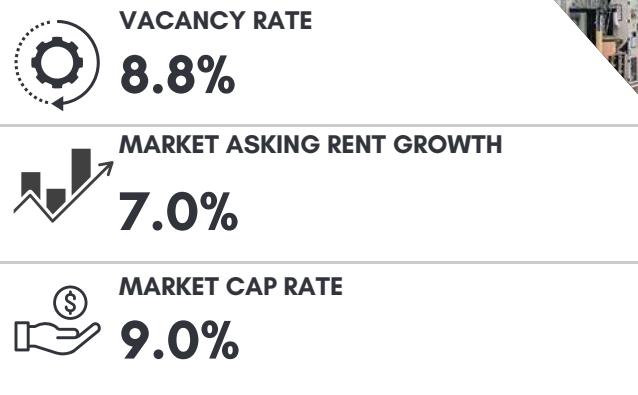


KEY TAKEAWAYS

- Industrial real estate transactions have slowed, with \$776 million in assets traded amid challenging interest rates and a widening bid-ask spread.
- New constructions are outpacing demand, raising the vacancy rate to 8.8% despite a reduction in tenant demand.
- Annual net absorption has significantly decreased to 2 million square feet, well below the decade average, due to difficulty in leasing new large spaces.



IMPACT OF MARKET DYNAMICS ON INDUSTRIAL REAL ESTATE ACTIVITY IN INDIANAPOLIS

The industrial real estate market in Indianapolis is currently experiencing a complex interplay of forces that are shaping its dynamics. Elevated interest rates and a widening bid-ask spread have contributed to a slowdown in transaction activity, with approximately \$776 million in assets traded over the past year. Despite this slowdown, construction continues, although at a moderated pace due to the increased cost of capital. This has led to a rise in vacancies, particularly in large-scale 'big-box' properties, even as smaller bay industrial spaces remain in demand. The market is poised for potential stabilization by late 2024, contingent on a continued decline in new construction starts and an adjustment to the economic challenges facing investors and developers. This situation underscores the importance of strategic planning and market awareness for stakeholders in the Indianapolis industrial real estate sector.

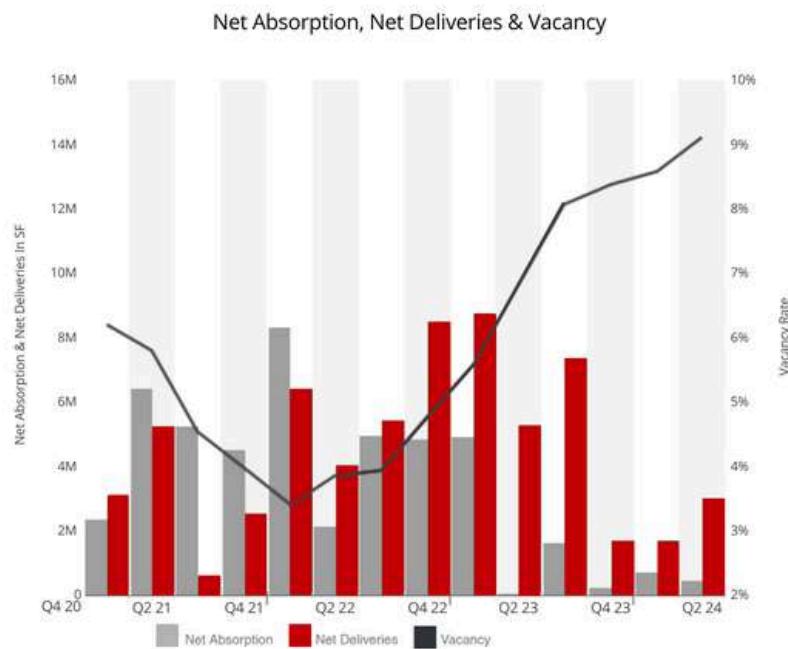
MARKET INDICATORS

8,766,683	11.0%	\$7.63
UNDER CONSTRUCTION	AVAILABILITY RATE	MARKET ASKING RATE

ANNUAL TRENDS

	12 MONTH	HISTORIC AVERAGE
Vacancy Change	↑ 3.00%	↑ 0.84%
Net Absorption SF	2,053,550 sf	9,295,499 sf
Deliveries SF	15,174,782 sf	10,665,863 sf
Market Asking Rent Growth	7.00%	5.36%
Sales Volume	\$621M	\$1.2B
Overall Asking Lease (NNN)	\$7.55	\$5.73

MARKET OVERVIEW



CONSTRUCTION

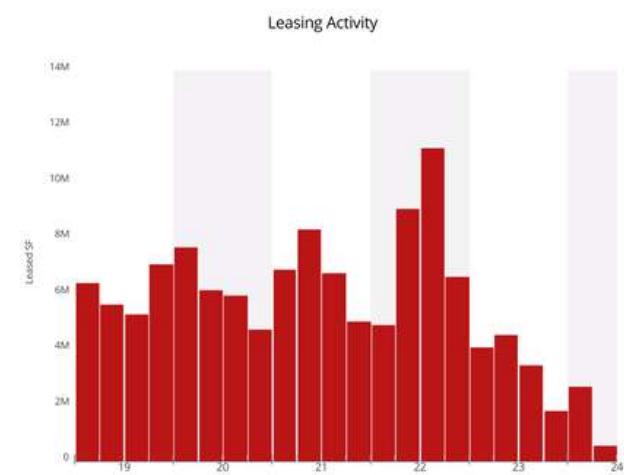
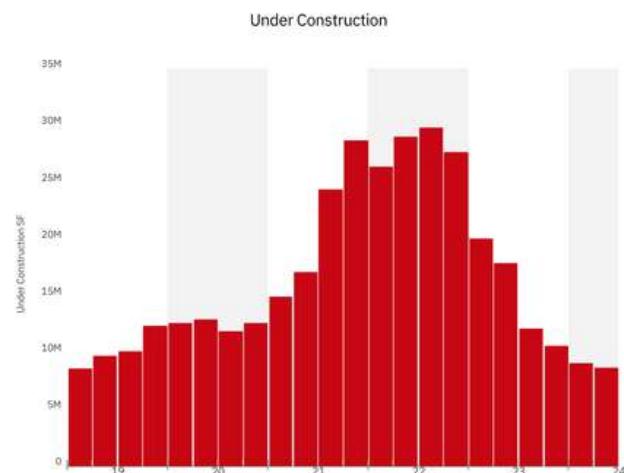
In the first quarter of 2024, Indianapolis's industrial sector added 48.1 million square feet, with a significant focus on large 'big box' spaces, over 73% of which was speculative construction. Key developments include Walmart's 2.2 million-square-foot center in McCordsville and the Whiteland 65 Logistics Center. Despite these additions, nearly half of the new space remains vacant, highlighting ongoing oversupply issues, particularly in properties over 500,000 square feet. The construction pipeline is still active, with 9.8 million square feet under development, raising concerns about further exacerbating the vacancy rates. This ongoing development, particularly in Johnson County where large-scale projects dominate, continues to raise concerns about potential oversupply in the near term.

LEASE ACTIVITY

The first quarter of 2024 has seen a significant downturn in Indianapolis's industrial leasing, with a total of 9.2 million square feet leased in 2023, representing a 63% decrease from the previous year. The largest lease was an Adidas renewal for nearly 600,000 square feet, reflecting the broader market's slowdown. Notably, net absorption has sharply declined to 5.1 million square feet, well below the five-year average, indicating a growing oversupply, particularly in larger spaces over 500,000 square feet. Despite these challenges, Indianapolis's strategic location continues to support its long-term potential, particularly for logistics operations, due to its accessibility to a significant portion of the U.S. population.

SALES ACTIVITY

Indianapolis's commercial real estate market experienced a slowdown in transaction activity, with around \$776 million in assets traded over the past year amid rising interest rates and widening bid-ask spreads. The largest transaction during this period was the sale of the fully leased AllPoints Midwest Building 17 by The Mid-America Management Corporation to Browning Investments for \$45.7 million. Another significant deal was the sale of a 319,340-square-foot distribution facility at 6040 Commerce Drive, fully occupied by tenants like Frito-Lay and The Home Depot, which sold for \$28.4 million. Despite these notable sales, the average sales volume was \$196 million at a 6% cap rate, with properties remaining on the market for about eight months, indicating continued challenges in the price discovery process and market stabilization.



TOP INDUSTRIAL LEASES

PAST 12 MONTHS

Building Name and Address	Submarket	Tenant	SF
5858 Decatur Blvd	Airport	Quaker Foods	997,763
8677 Logo Athletic Ct	Washington Square	Adidas	599,152
CR 550 S & SR 267	Far Boone County	(confidential)	550,090
11321 Opportunity Pkwy	Hancock County	Crecera Brands	543,780
4255-4259 S 500	Far Boone County	Rockwell Automation	369,449
4055 S 500 E	Far Boone County	Rockwell Automation	369,449
445 Airtech Pkwy	Plainfield	(confidential)	296,896
8838 E CR 100 S	Plainfield	(confidential)	282,247

RECENT SIGNIFICANT SALES

PAST 12 MONTHS

Property Name and Address	Price	Price/SF	CapRate	SF
475 S Mount Zion Road	\$47,050,000.	\$48	-	985,960
AllPoints Midwest Building- 1110 Smith Rd.	\$45,750,000	\$75	-	609,040
1772 Gateway Pt	\$41,100,000	\$95	6.0%	433,104
IDI World Connect at Ameriplex- 9040 Orly Rd	\$32,593,934	\$70	-	462,275
Building 3- 6040 Commerce Dr	\$28,400,000	\$89	5.6%	319,336
7221 W 350 N	\$28,075,000	\$112	-	249,634

SUBMARKET VACANCY & NET ABSORPTION

	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of InvRank		Construc. Ratio
1	Airport	1,063,571	5.9%	19	(284,660)	-1.6%	27	-
2	Bluff Road	61,838	1.7%	8	2,143	0.1%	14	-
3	Brookside Center	57,428	0.7%	5	60,446	0.7%	8	0.5
4	Brown County	-	-	-	1,600	1.1%	16	-
5	Carmel	433,580	6.7%	20	38,513	0.6%	10	4.4
6	Castleton	473,800	8.5%	23	(289,104)	-5.2%	28	-
7	Circle District	26,495	0.5%	4	(2,232)	0%	19	-
8	Eagle Creek	180,862	2.1%	9	15,752	0.2%	13	-
9	Fall Creek Parkway	36,409	2.6%	10	1,935	0.1%	15	-
10	Far Boone County	3,368,040	8.4%	22	3,279,746	8.1%	1	0.7
11	Fishers/Noblesville	1,492,623	9.4%	25	200,581	1.3%	5	4.5
12	Fort Ben	150,098	3.1%	13	45,411	0.9%	9	-
13	Franklin Township	453,447	9.5%	26	(13,112)	-0.3%	22	-
14	Garfield Park	464,981	8.9%	24	(451,981)	-8.7%	32	-
15	Hancock County	9,236,865	31.1	32	1,342,373	4.5%	2	2.7

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