

# INVESTMENT FORECAST

Industrial  
Indianapolis

IPA

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PROPERTY  
ADVISORS






2022

## Expanding Presence of National Firms Drives Historically Low Vacancy and New Investment

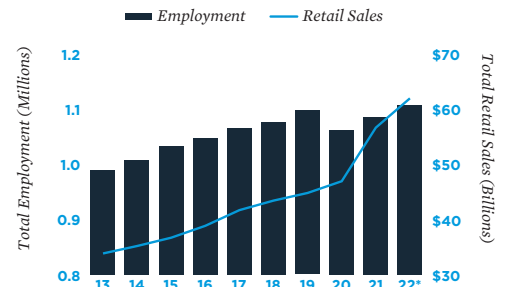
**High-profile tenants and third-party logistics providers escalate leasing.** Indianapolis' location has drawn a number of e-commerce and logistics firms into the metro in recent years, fostering the city's emergence as a necessary operations destination for high-profile firms. Walmart and Amazon recently inked deals for a combined 1.5 million square feet in late 2021, with Walmart also committing to an 800,000-square-foot property currently underway in Hancock County. On top of this, the metro's intermodal facility has allowed for direct shipments from Asia since 2013, sparking leasing activity from a plethora of logistics companies, particularly near the airport and rail yard in western Indianapolis. This demand led to a 240-basis-point vacancy retreat in 2021 that prompted an increase in project starts — activity that will translate to a substantial quantity of space being delivered this year. While the influx of modern facilities is set to slightly increase vacancy in the short term, the year-end rate will rank as the second lowest figure on record.

**National investors follow major leasing trends.** Strong fundamentals last year coincided with investors, notably out-of-state buyers, ramping up acquisitions. First-year yields 100 basis points above the mid-6 percent national average have partially spurred this trend. Areas where leasing velocity is robust are recording the most trading. Outer reaches of Boone and Hancock counties, locales involved in Walmart's recent expansions, have led the far northwest corner of the market to report recently high sales volume. Johnson County is also seeing an increase in volume that is elevating local pricing, as investors prepare for auxiliary demand stemming from Amazon's new hub. Tight vacancy and rent growth of more than 8 percent are also lifting transaction velocity in West and Southwest Marion County, as logistics firms fill space adjacent to the airport.

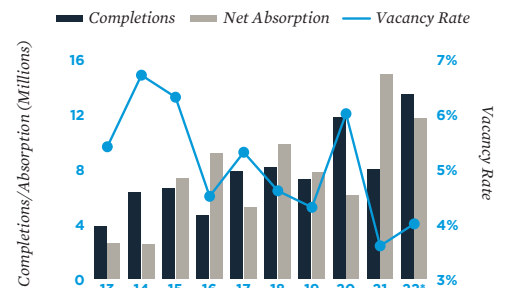
## 2022 Market Forecast

- Employment** up 2.0%  Metro employers hire 22,000 workers this year, pushing Indianapolis' total headcount beyond pre-pandemic tallies.
- Construction** 13 million sq. ft.  Deliveries will surge above the 4.7 million square feet finalized last year. The majority of these projects will open in outlying submarkets, including Hancock and Johnson counties.
- Vacancy** up 40 bps  Net absorption will surpass 10 million square feet for the first time on record. Still, the robust construction schedule will cause a rise in vacancy to 4.0 percent.
- Rent** up 6.2%  After a 4.8 percent hike last year, the average asking rent will climb to \$5.80 per square foot in 2022. Several years of rising demand have led to a four-year increase above 37 percent.
- Investment**  More investors may target available listings in the CBD next year, as the demand for last-mile distribution downtown has caused asking rents to climb roughly 70 percent since 2019.

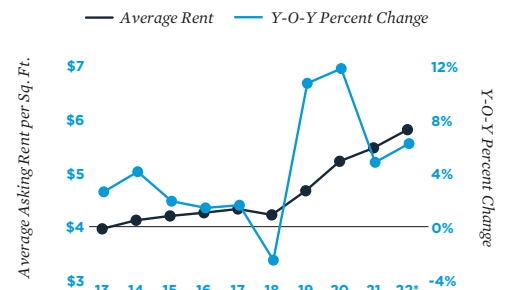
### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.