Increased activity keeps the office market moving forward.

The office market heated up the first half of 2016 with leasing, investment and new construction providing a well rounded strengthening across multiple submarkets. The activity was focused in three submarkets, CBD, Carmel and Northeast. Downtown saw Salesforce sign a reported 250,000 sq. ft., long-term deal at Chase Tower, now renamed Salesforce Tower. However, with all the positive momentum there is still pressure on absorption and available space as evidenced by Marsh Supermarkets placing 100,000 sq. ft. of office space on the sublease market and Stanley Security Solutions deciding to move from their existing building to new construction.

Investment transactions also made their mark on the market while in some cases taking office space off the market through conversions to different uses.

- 41 E. Washington Street, a 60,000 sq. ft. office building, was purchased by a developer to be converted to a hotel.
- Lockerbie Marketplace was purchased by a partnership led by Gershman Partners to be updated for office.
- BMO Plaza, 440,000 sq. ft., was purchased by Chicago based HEARN.

New build-to-suit transactions highlighted the Carmel and Northeast submarkets:

- Allied Solutions signed a 108,000 sq. ft. lease for a new building to be located at the Midtown development; and
- Stanley Security Solutions to occupy 80,000 sq. ft. in a new building in Fishers.

Distressed properties are still a factor in the market but have diminished their negative impacts with the strong overall activity.
## Market Overview Report

### Total Market Statistics

<table>
<thead>
<tr>
<th>Submarket</th>
<th># Bldgs</th>
<th>Total Bldgs (SF)</th>
<th>Direct Available (%)</th>
<th>Sublet Available (%)</th>
<th>Total Available (%)</th>
<th>Total Average Rate ($/SF/YR)</th>
<th>Under Construction (SF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>N. Meridian</td>
<td>134</td>
<td>7,920,515</td>
<td>12.9%</td>
<td>1.1%</td>
<td>14.0%</td>
<td>$18.24</td>
<td>0</td>
</tr>
<tr>
<td>Midtown</td>
<td>26</td>
<td>1,800,024</td>
<td>27.5%</td>
<td>1.3%</td>
<td>28.8%</td>
<td>$17.27</td>
<td>0</td>
</tr>
<tr>
<td>East/Southeast</td>
<td>12</td>
<td>2,049,466</td>
<td>12.5%</td>
<td>0%</td>
<td>12.5%</td>
<td>$10.31</td>
<td>0</td>
</tr>
<tr>
<td>Northeast</td>
<td>136</td>
<td>7,106,663</td>
<td>23.1%</td>
<td>.9%</td>
<td>24.0%</td>
<td>$16.64</td>
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<tr>
<td>West/Southwest</td>
<td>40</td>
<td>1,743,235</td>
<td>48.0%</td>
<td>.1%</td>
<td>48.1%</td>
<td>$14.97</td>
<td>0</td>
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<tr>
<td>Northwest</td>
<td>86</td>
<td>5,522,548</td>
<td>24.2%</td>
<td>.4%</td>
<td>24.6%</td>
<td>$17.43</td>
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</tr>
<tr>
<td>Keystone</td>
<td>60</td>
<td>4,182,740</td>
<td>21.3%</td>
<td>1.2%</td>
<td>22.5%</td>
<td>$18.94</td>
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<tr>
<td>Greenwood</td>
<td>51</td>
<td>1,274,962</td>
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<td>.3%</td>
<td>24.2%</td>
<td>$16.09</td>
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<tr>
<td>CBD</td>
<td>82</td>
<td>13,313,239</td>
<td>18.4%</td>
<td>1.2%</td>
<td>19.7%</td>
<td>$19.57</td>
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</tr>
<tr>
<td><strong>Indianapolis</strong></td>
<td>627</td>
<td>44,916,392</td>
<td>20.5%</td>
<td>.09%</td>
<td>20.6%</td>
<td>$18.09</td>
<td>100,000</td>
</tr>
</tbody>
</table>

### Vacancy Rates

- **Northeast**: 20.90% (Year End 2015), 24.00% (Mid Year 2016)
- **Keystone**: 22.40% (Year End 2015), 22.50% (Mid Year 2016)
- **East/Southeast**: 12.50% (Year End 2015), 10.80% (Mid Year 2016)
- **Greenwood**: 24.20% (Year End 2015), 26.90% (Mid Year 2016)
- **West/Southwest**: 25.10% (Year End 2015), 46.20% (Mid Year 2016)
- **Northwest**: 24.60% (Year End 2015), 25.10% (Mid Year 2016)
- **N. Meridian / Carmel**: 14.00% (Year End 2015), 15.80% (Mid Year 2016)
- **Midtown**: 28.80% (Year End 2015), 24.10% (Mid Year 2016)
- **Entire Suburban**: 21.47% (Year End 2015), 21.80% (Mid Year 2016)
- **CBD**: 19.70% (Year End 2015), 21.10% (Mid Year 2016)
Leasing Activity Mid Year 2016

**Absorption**: Measure of Demand in Square Footage for Office Space (All Office Space)

**Total Net Absorption for All Markets Mid Year 2016** = 325,728

(Improving from 68,413 at the end of 2015)

The breakdown of total absorption between the Suburbs and the CBD was:
- CBD 243,177
- Suburbs 82,551
Citywide Statistics
All Classes of Office Space

Office Space Statistical Changes Year-over-Year and Last Half over First Half

4th Qtr. 15 vs. 2nd Qtr. 16

NET ABSORPTION  VACANCY RATE  CONSTRUCTION  ASKING RATES

2nd Qtr. 15 vs. 2nd Qtr. 16

NET ABSORPTION  VACANCY RATE  CONSTRUCTION  ASKING RATES

Months to Lease Mid Year 2016

[Graph showing Median Months to Lease from 2015 Q2 to 2016 Q2]
Vacancy

- Ticked down slightly to 21.4% in the suburbs at the end of Q2 2016.
- CBD vacancy decreased to 19.7% down from 21.1% at the end of Q4 2015.
- Absorption was positive market-wide with 82,551 sq. ft. in the suburbs and 243,177 sq. ft. in the CBD for Mid Year 2016.

Rental Rates
(Building Classes A & B Combined)

- Landlord concessions such as free rent, construction allowances, etc., are on the decline in the well leased CBD, Carmel and Keystone submarkets and increasing in the high vacancy Northwest and Northeast submarkets.

New Construction
(Building Classes A & B Combined)

- With the exception of River Crossing North (100,000 sq. ft.), which broke ground in 2015 in the Keystone submarket, speculative office development is non-existent.
- Lids new 150,000 sq. ft. office building opened in May 2016.
- Allied Solutions’ new 108,000 sq. ft. building in Midtown Carmel should break ground in late summer 2016.

Sublease Space

- In the last month, inventory of available sublease space citywide has increased.

Distressed Properties

- Inventory of high vacancy or over leveraged properties continues to be flat but we still expect a new wave of properties to hit the market in 2016.
Absorption (Net)
The change in occupied space in a given time period.

Available Square Footage
Net rentable area considered available for lease; excludes sublease space.

Average Asking Rental Rate
Rental rate as quoted from each building’s owner/management company. For office space, a full-service rate was requested; for retail, a triple net rate requested; for industrial, a NN basis.

Building Class
Class A product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

Direct Vacancy
Space currently available for lease directly with the landlord or building owner.

Market Size
Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

Overall Vacancy
All physically unoccupied lease space, either direct or sublease.

SF/PSF
Square foot/per square foot, used as a unit of measurement.

Sublease
Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.

Sublease Space
Total square footage being marketed for lease by the tenant.

Sublease Vacancy
Space currently available in the market for sublease with an existing tenant within a building acting as the landlord.
Mid Year ’16
Indianapolis Office Market Report

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