Stable Leasing Activity and Continued Strong Investment Sales Rule the First Half of the 2017 Office Market

The mid year office indicators show a stable leasing market.

The CBD submarket continued to show strength and depth as tech companies continued to lease space. This factor, as well as positive net absorption, has given landlords the confidence to invest new capital into updating their buildings’ common areas and amenities. Salesforce Tower and Market Tower have invested heavily in their first floor common areas motivated by strong leasing activity and higher occupancy levels.

The suburbs had negative absorption due to some corporate downsizing. This will accelerate over the next 6-12 months as certain large tenants move into newly constructed office buildings. Build to-suit activity is up as KAR is expected to announce a new 250,000 sq. ft. office building and MJ Insurance and Allied Solutions move into their new buildings in Midtown Carmel. We expect this to slow positive absorption and rent growth but only temporarily.

Investment sales continue to be steady with RMC Corporation’s purchase of the 548,333 sq. ft. Hamilton Crossing Office Park from Duke Realty and Level One’s acquisition of the 113,750 sq. ft. Circle Tower building downtown as examples of this activity. Additionally, Duke Realty has placed the vacant 115,500 sq. ft. 7676 Interactive Way office building on the market for sale.

Lastly, there still remains several large tracts of sublease space on the market which will add an additional layer of competition for landlords particularly in the suburban market.

* The information contained herein has been given to us by sources we deem reliable. We have no reason to doubt its accuracy, however, we do not make any guarantees. All information should be verified before relying thereon.

* Source: NAI Meridian and CoStar Property®
## Market Overview Report
### Total Market Statistics

<table>
<thead>
<tr>
<th>SUBMARKET</th>
<th># BLDGS</th>
<th>TOTAL RBA (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>137</td>
<td>8,295,927</td>
<td>16.7%</td>
<td>1.9%</td>
<td>18.6%</td>
<td>$20.52</td>
<td>168,000</td>
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<tr>
<td>Midtown</td>
<td>30</td>
<td>1,742,451</td>
<td>20.9%</td>
<td>.2%</td>
<td>21.1%</td>
<td>$14.76</td>
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</tr>
<tr>
<td>East/Southeast</td>
<td>12</td>
<td>411,872</td>
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<td>1.8%</td>
<td>52.7%</td>
<td>$16.24</td>
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<tr>
<td>Northeast</td>
<td>124</td>
<td>5,525,359</td>
<td>32.3%</td>
<td>.1%</td>
<td>32.4%</td>
<td>$18.57</td>
<td>140,000</td>
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<tr>
<td>West/Southwest</td>
<td>38</td>
<td>1,840,641</td>
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<td>.8%</td>
<td>41.1%</td>
<td>$17.13</td>
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<td>Northwest</td>
<td>98</td>
<td>6,111,172</td>
<td>22.1%</td>
<td>.3%</td>
<td>22.4%</td>
<td>$17.54</td>
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<tr>
<td>Keystone</td>
<td>70</td>
<td>4,882,573</td>
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<td>1.3%</td>
<td>21.1%</td>
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<tr>
<td>Greenwood</td>
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<td>1,642,844</td>
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<td>1.4%</td>
<td>22.7%</td>
<td>$17.34</td>
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<tr>
<td>CBD</td>
<td>82</td>
<td>13,688,620</td>
<td>16.6%</td>
<td>.3%</td>
<td>16.9%</td>
<td>$20.24</td>
<td>43,000</td>
</tr>
</tbody>
</table>

**INDIANAPOLIS** 665 44,121,399 22.1% 3.4% 25.5% $18.74 405,000

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### Vacancy Rates

- **Northeast**: 32.30% (Year End 2016), 32.40% (Mid Year 2017)
- **Keystone**: 20.00% (Year End 2016), 21.10% (Mid Year 2017)
- **East / Southeast**: 50.00% (Year End 2016), 52.70% (Mid Year 2017)
- **Greenwood**: 23.20% (Year End 2016), 22.70% (Mid Year 2017)
- **West / Southwest**: 44.20% (Year End 2016), 41.10% (Mid Year 2017)
- **Northwest**: 26.20% (Year End 2016), 22.40% (Mid Year 2017)
- **N. Meridian / Carmel**: 18.70% (Year End 2016), 18.80% (Mid Year 2017)
- **Midtown**: 21.10% (Year End 2016), 33.00% (Mid Year 2017)
- **Entire Suburban**: 26.10% (Year End 2016), 24.45% (Mid Year 2017)
- **CBD**: 24.45% (Year End 2016), 16.90% (Mid Year 2017)
Absorption: Measure of Demand in Square Footage for Office Space (All Office Space)

Total Net Absorption for All Markets Mid Year 2017 = 30,734
(Decreasing from 56,363 at year end 2016)
The breakdown of total absorption between the Suburbs and the CBD was:
   - CBD 256,720
   - Suburbs <225,986>

CBD Absorption/Deliveries/Vacancy Mid Year 2017
Citywide Statistics
All Classes of Office Space

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

4th Qtr. 16 vs. 2nd Qtr. 17
- NET ABSORPTION
- VACANCY RATE
- CONSTRUCTION
- ASKING RATES

2nd Qtr. 16 vs. 2nd Qtr. 17
- NET ABSORPTION
- VACANCY RATE
- CONSTRUCTION
- ASKING RATES

N. Meridian Submarket Mid Year 2017

Months to Lease

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Vacancy
• Ticked down to 24.45% in the suburbs at the end of Q2 2017.
• CBD vacancy decreased to 16.08% down from 18.08% at the end of Q4 2016.
• Absorption was mixed market-wide with <225,986> sq. ft. in the suburbs and 256,700 sq. ft. in the CBD for Mid Year 2017.

Rental Rates
(Building Classes A & B Combined)
• Landlord concessions such as free rent, construction allowances, etc., continue to decline in the well leased CBD, Carmel and Keystone submarkets and increasing in the high vacancy Northwest and Northeast submarkets as those markets struggle to fill vacant space. Although there is some absorption weakness beginning to show in both the Keystone and N. Meridian submarkets.

New Construction
(Building Classes A & B Combined)
• A 60,000 sq. ft. spec office building is under construction on N. Meridian Street in Carmel.
• Walker Research’s new 54,000 sq. ft. HQ building under construction at Keystone at the Crossing.
• MJ Insurance to occupy top two floors of a new 88,000 sq. ft. building to be built in Midtown Carmel.
• Allied Solutions’ new 108,000 sq. ft. building in Midtown Carmel scheduled to open in Q4 2017.

Sublease Space
• Inventory of available sublease space citywide has been increasing.

Investment Sales
• Duke Realty completed their divestiture out of the office market with the sale of Parkwood West and Hamilton Crossing.
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 ’17
Indianapolis Office Market Report

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