

2020 North America Industrial Big Box

Review & Outlook

CBRE RESEARCH



CBRE

Indianapolis



Indianapolis's proximity to population centers minimizes outbound shipping costs for distributors. The market also has a deep labor pool that matches the profile distributors demand. With robust speculative development, excellent infrastructure, highly competitive economic incentives packages, a favorable business tax environment and being in a right-to-work state, Indianapolis checks all the site selection boxes."

– Jeremy Woods, Senior Vice President





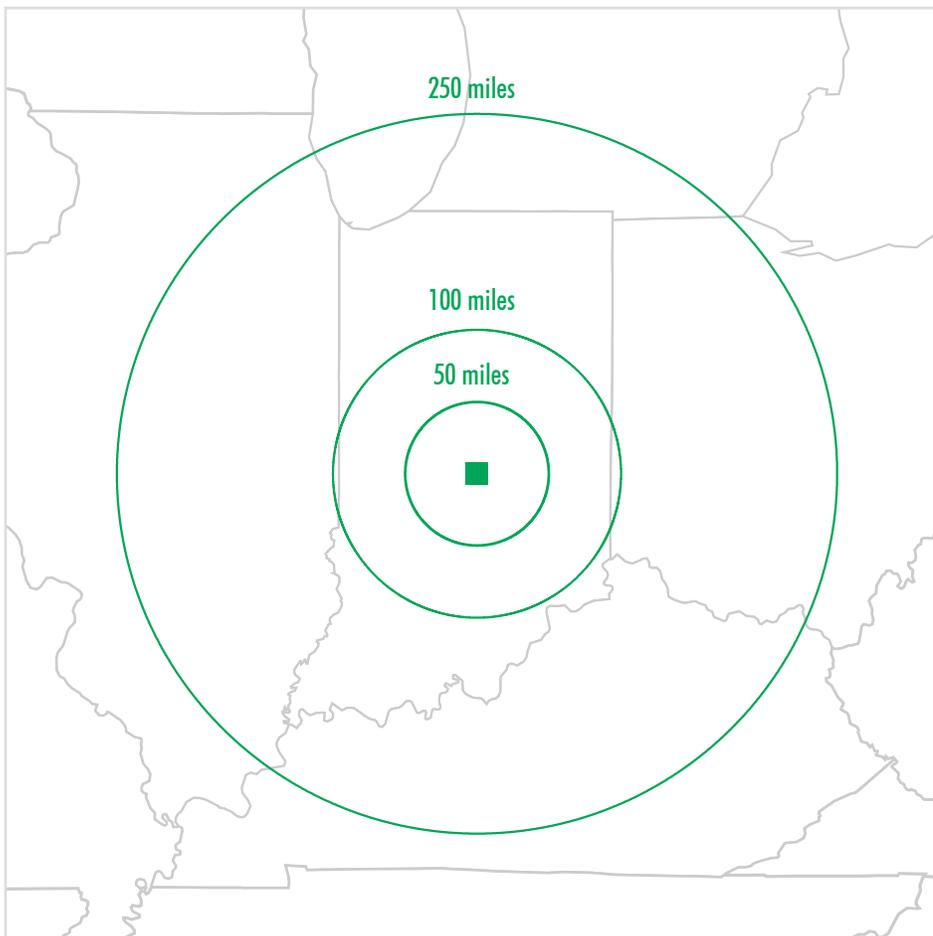
Indianapolis

Demographics

More than 2.6 million people live within a 50-mile radius of the urban core, with a 4.6% expected growth rate over five years—the highest of any Midwest market in this report. Robust population growth portends a sizeable labor pool for the foreseeable future. Indianapolis’s central location gives it access to more than 43 million people in a 250-mile radius, 6 million more than nearby Chicago.

According to [CBRE Labor Analytics](#), the local warehouse labor force of 62,488 is expected to grow by 17.3% over the next decade. The average wage for a non-supervisory employee is \$13.83 per hour, 1.7% lower than the national average.

Figure 1: Indianapolis Population Analysis



Distance from Downtown Indianapolis	2020 Total Population	5 Year Growth
50 miles	2,605,957	4.6%
100 miles	5,774,072	2.6%
250 miles	43,184,671	1.4%

Source: CBRE Location Intelligence.

Figure 2: Indianapolis Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics.

*Median Wage (1 year experience); Non-Supervisory Warehouse Workers (forklift, warehouse workers).

Location Incentives

Over the past five years, there have been 652 economic incentive deals totaling more than \$878 million at an average of \$12,738 per new job in the Indianapolis metropolitan area, according to Wavteq.

According to [CBRE’s Location Incentives Group](#), among the top incentive programs offered in metro Indianapolis is the Economic Development for a Growing Economy Program, which provides refundable discretionary tax credits for corporate

income taxes for up to 10 years. These credits equal up to 100% of new income tax withholdings generated by a project’s job creation.

Another incentive program available in metro Indianapolis is the Hoosier Business Investment Tax Credit Program, which offers a non-refundable tax credit to companies that create new jobs and make capital improvements to a business facility. The tax credits are calculated as a percentage of the capital investment made to support the project.

Figure 3: Indianapolis Top Incentive Programs

Program	Description
Economic Development for a Growing Economy Program (EDGE)	Tax credit up to 100% of withholding taxes per year up to 10 years
Hoosier Business Investment Tax Credit (HBI)	Tax credit up to 10% of the qualified capital investment
Skills Enhancement Fund (SEF)	Reimbursable grant up to 50% of eligible training costs over 2 years
Industrial Development Grant Funds (IDGB)	Infrastructure grant that typically does not exceed 50% of the total project costs
Urban Enterprise Zone Program	Tax credit up to 30% of equity investment and 10% of additional incremental wages
Property Tax Abatements	Discretionary abatement of real estate and personal property taxes

Source: CBRE Location Incentives Group.

Note: The extent, if any, of state and local offerings depends on location and scope of the operation.

Indianapolis

Logistics Driver

Greater Indianapolis offers a plethora of logistics advantages for industrial occupiers. The region is one of the best for trucking, with more national highway intersections than any other state. Under its “Major Moves” program, Indiana is investing \$10 billion over 10 years to add 400 miles in new highways.

Indianapolis is home to the second largest FedEx air hub in the world, helping [Indianapolis International Airport](#) consistently rank among the top five cargo airports in the nation. Indiana also ranks third for total railroad miles in the country.

Capital Markets



Indianapolis’s strong market fundamentals and rent growth have resulted in more institutional investors looking to acquire bulk product in the market. Sales volume was down by nearly 32% year-over-year in 2020, largely due to COVID-19 restrictions. 2021 sales volume is expected to return to or exceed 2019 levels. Class A cap rates are currently between 4.8% and 5.0%, with moderate compression expected in 2021.”

– Ryan Bain, Executive Vice President

Figure 4: Cap Rate Comparison

	Class A	Class B
2020	5.00% - 5.25%	6.00% - 6.25%
2019	5.00% - 5.25%	6.25% - 6.50%

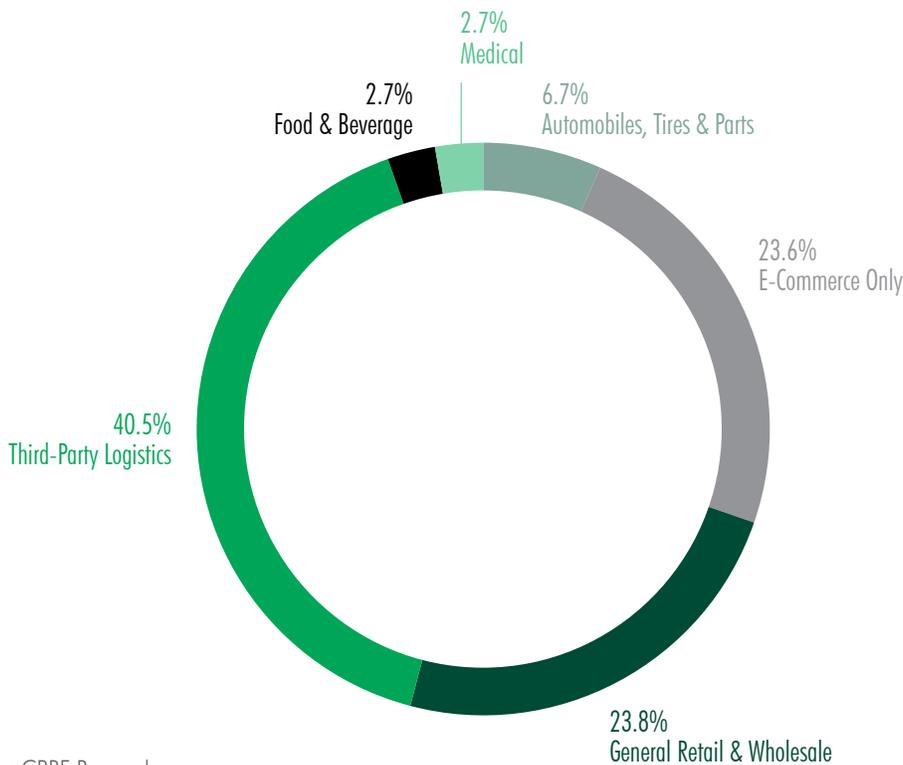
Source: CBRE Research.

Supply & Demand

Another robust year of transaction volume has made Indianapolis a top-tier big-box market. Transaction volume totaling 18.2 million sq. ft. in 2020 was up by 55.6% year-over-year. 3PL providers accounted for 40.5% of total transaction volume. Developers are building product at a record clip, with completions nearly doubling year-over-year in 2020 to 12.1 million

sq. ft. As a result, the vacancy rate increase by 2.6 percentage points to 6.9%. Another 3 million sq. ft. is currently under construction, 40% of which is preleased. The dramatic drop in new construction should lower the vacancy rate and increase asking rents in 2021.

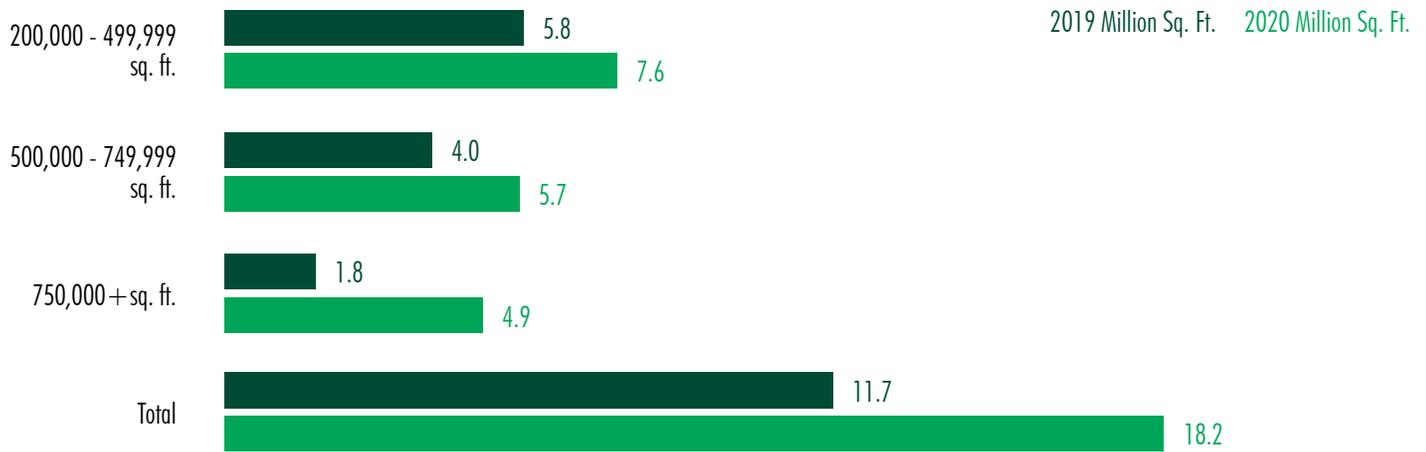
Figure 5: 2020 Occupier Transaction Market Share



Source: CBRE Research.

Indianapolis

Figure 6: Transaction Volume



Note: Includes new leases, renewals, and user sales transactions 200,000 sq. ft. and above.
Source: CBRE Research.

Figure 7: Big Box Year-Over-Year Data Comparison

2020						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	229	74,369,892	4.6%	2,227,947	3,513,047	\$3.86
500,000-749,999 SF	78	47,216,544	11.4%	2,813,889	5,746,024	\$3.52
750,000+ SF	54	57,178,879	6.3%	1,423,553	2,874,473	\$3.64
Total	361	178,765,315	6.9%	6,465,389	12,133,544	\$3.65
2019						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	217	70,668,797	3.0%	2,774,220	2,334,315	\$3.68
500,000-749,999 SF	68	41,470,520	5.8%	4,591,648	2,650,090	\$3.40
750,000+ SF	51	54,304,406	4.8%	1,842,706	2,124,424	\$3.25
Total	336	166,443,723	4.3%	9,208,574	7,108,829	\$3.53

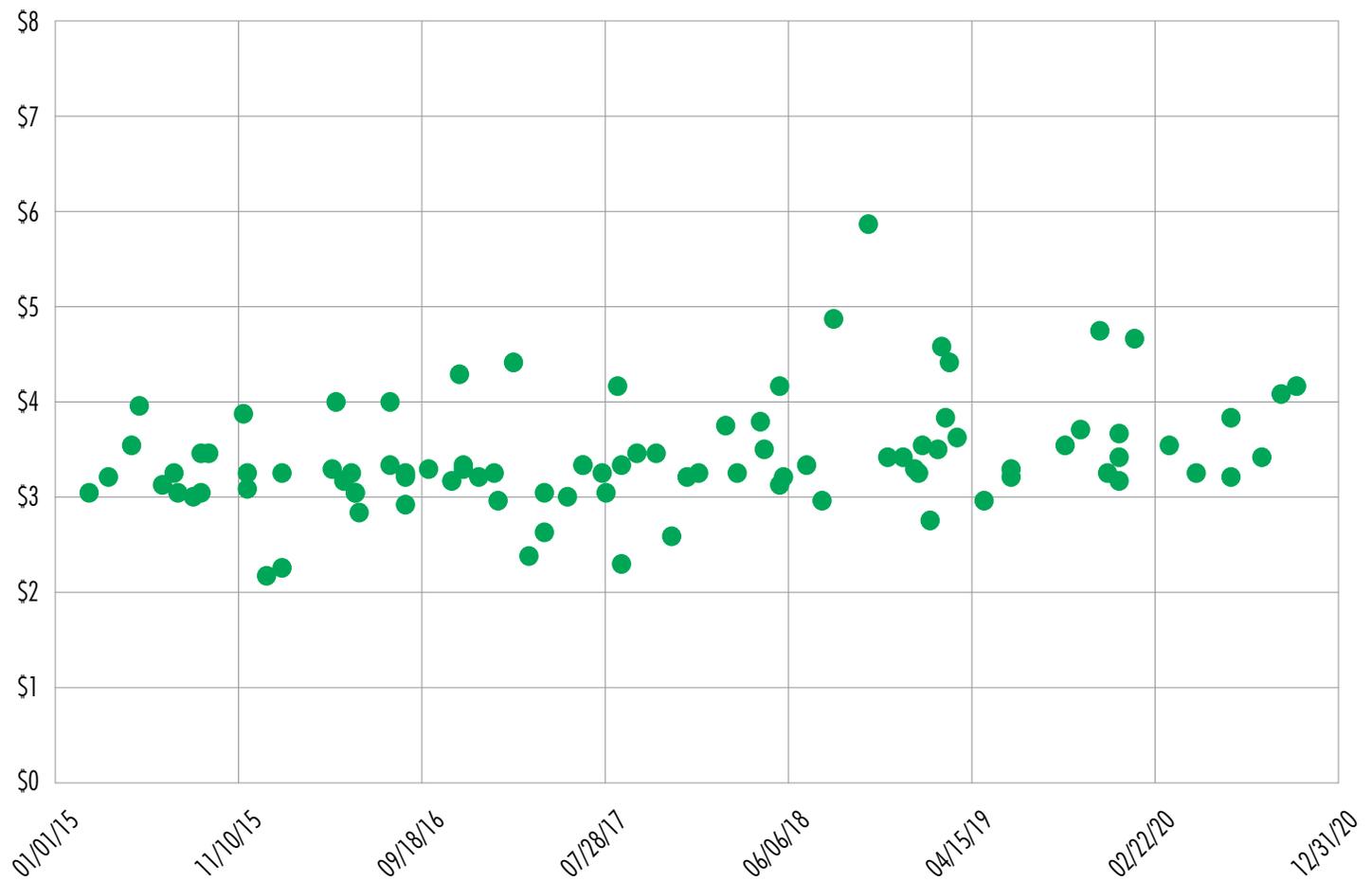
Source: CBRE Research.

Figure 8: Under Construction & Percentage Released

	2020 Under Construction Sq. Ft.	% Released
200,000-499,999 sq. ft.	1,131,229	48.3%
500,000-749,999 sq. ft.	-	0.0%
750,000+ sq. ft.	1,860,109	64.5%
Total	2,991,338	40.0%

Source: CBRE Research.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research.

Contacts

James Breeze

*Senior Director Research
Head of Industrial & Logistics
Research, Global*
+1 602 735 1939
james.breeze@cbre.com

Matthew Walaszek

*Director of Research
Industrial & Logistics Research,
Global*
+1 312 297 7686
matthew.walaszek@cbre.com

John Morris

*Executive Managing Director,
Americas Industrial & Logistics and
Retail Leader*
+1 630 573 7000
john.morris1@cbre.com

Richard Barkham, Ph.D.

*Global Chief Economist &
Head of Americas Research*
+1 617 912 5215
richard.barkham@cbre.com
@RichardJBarkham

Spencer Levy

*Chairman Americas Research &
Senior Economic Advisor*
+1 617 912 5236
spencer.levy@cbre.com
@SpencerGLevy

Contributors

Susan Kitzmiller

Divisional Research Director
+1 513 369 1355
susan.kitzmiller@cbre.com

Tyler Heard

GIS Specialist 2
+1 602 627 7539
tyler.heard@cbre.com

Marc Meehan

Director, Canada Research
+1 647 943 4205
marc.meehan@cbre.com

Kristin Sexton

*Senior Managing Director,
Consulting Practice*
+1 602 735 5247
kristin.sexton@cbre.com

John Lenio

*Executive Vice President,
Economist*
+1 602 735 5514
john.lenio@cbre.com