

INDIANAPOLIS INDUSTRIAL

The hottest trend is to simply not develop! This holds true for all types of speculative development and is currently the case for build-to-suits. There is just nothing being built. Contemplative projects are more complex than ever. To get a development out of the ground, it now takes a true partnership between the user, developer, broker and lender. Having all the parties at the table to structure the deal is key to success in this environment.

Four speculative projects, totaling approximately 1.45 million square feet, have been built since third quarter 2008—the projects are currently 5.3 percent occupied. Facilities include the 533,520-square-foot Allpoints Midwest Building 2 built by Duke and Browning in Plainfield; two build-ings built by Browning in Mt. Comfort—a 423,000-square-foot modern bulk facility and a 250,000-square-foot hybrid-bulk facility; and Precedent's 245,041-square-foot building, which is also in Mt. Comfort. These projects added 2.5 percent to the vacancy in the modern bulk product type and no other projects are slated to begin.

The above projects are located within the southwest and east submarkets of Indianapolis and situated along the Interstate 70 corridor, which is the jugular vein for commodities flow.

Browning is the most active with involvement in three of the four previously mentioned projects. Duke is also active with involvement in one speculative project and recent build-to-suits for MedCo and Prime Distribution Services.

The overall industrial vacancy is at 10 percent. The average warehouse distribution rate is \$3.18 NNN, and flex industrial space is \$6.52 NNN.

The south submarket is expected to see a significant increase in occupancy as well as the southwest. This will not necessarily lead to additional development in the foreseeable future. Look to the southwest or the northwest market to be the first submarkets to break this trend when it ultimately happens.

The overriding theme and comment from owners, developers and professionals dealing on a national playing field is that Indianapolis is one of the few active markets in the nation. It is a bright spot in an otherwise bleak industrial marketplace.



— *Jeremy Woods, CCIM, SIOR, is senior vice president industrial services at Summit Realty Group in Indianapolis.*