

INVESTMENT FORECAST

Office
Indianapolis Metro Area

IPA
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ADVISORS

2024

Far-Out Counties Anchor Marketwide Trends; Investors Target Low Supply Growth Areas

Vacancy stays near its historic low, despite upward momentum. Indianapolis' vacancy rate will stay below 4 percent for the third straight year in 2024, a measure that had not been achieved in any prior period since at least 2007. Supporting this strength, the metro's far-out counties and northern suburbs should preserve even tighter conditions this year. Entering 2024, Morgan, Shelby, Boone, Hendricks and the northern portion of Hamilton County all held measures below 3 percent and could tighten even further, as nominal local construction directs the majority of retailers to existing floor plans. Meanwhile, areas spanning the northern portion of the Interstate 465 Loop, as well as Carmel and Fishers, exhibited downward vacancy momentum associated with retailers' desire for space near expanding residential hubs. Still, near-term momentum is slowing on a market level. Indianapolis is projected to record the third-lowest median household income growth rate among major U.S. metros this year, limiting retail sales growth, and subsequently retailer expansion plans.

Speedway garners elevated investor interest. Despite a pullback in overall transaction velocity in 2023, more deals were accounted for in the Speedway area than any year since before the pandemic. Investor interest is mounting here as the local single-tenant vacancy rate entered the year roughly 150 basis points below its long-term average, prompting rent growth to rank the highest among first-ring suburbs. Assets along notable thoroughfares surrounding the Motor Speedway were traded most frequently. Strong single-tenant performance between uptown and Carmel, and a marginal local segment development pipeline, have also lifted trading activity here. Downward rent momentum in late 2023, however, may be reflective of slowing retailer demand.

2024 MARKET FORECAST

+2.0%



EMPLOYMENT: The addition of 24,000 roles in 2024 helps mark the fastest rate of job growth among major Midwest metros. In turn, the local workforce stands 100,000 roles ahead of its 2019 count.

375,000
sq. ft.



CONSTRUCTION: Completions will amount to 115,000 square feet more than last year's multi-decade low, lifting inventory by 0.4 percent. A 100,000-square-foot project in Carmel headlines deliveries.

+30 bps



VACANCY: Vacancy elevates to 3.8 percent this year, up 40 basis points since reaching its lowest point on record in 2022. Still, this year's rate remains well below the 5.6 percent long-term average.

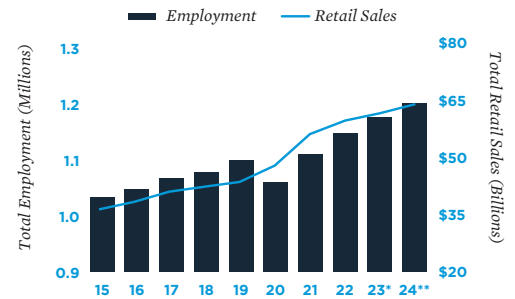
+1.9%



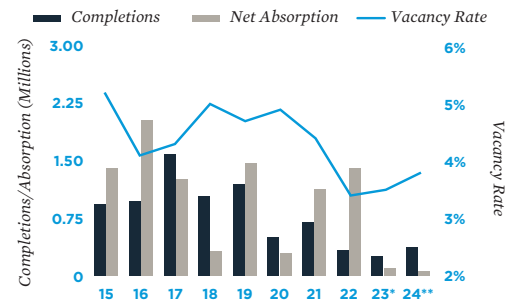
RENT: Concurrent with rising vacancy, the rate of rent growth ebbs to its slowest pace since 2019 this year. Nevertheless, the metro's average asking rent rises to \$16.40 per square foot by year-end.

INVESTMENT: *Multi-tenant trades likely remain prominent in South County, spanning Garfield Park to Greenwood. Sub-3 percent local vacancy amid outsized household formation should continue to elicit investment.*

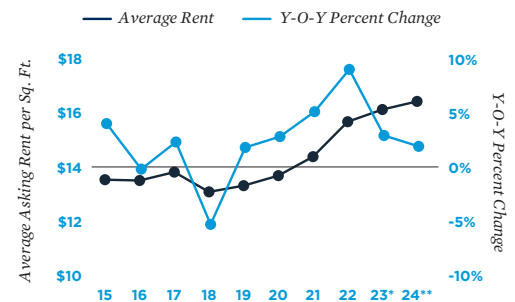
Economic Trends



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 January 3/2024. 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.