

# INVESTMENT FORECAST

Industrial  
Indianapolis Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2024

## Logistics and Retailer Demand for Newer Space Tested in the Metro's Two Largest Zones

**Conditions differ in epicenters of speculative construction.** Indianapolis was one of just seven major industrial markets to add more than 50 million square feet of space over the past four years — a feat that expanded inventory by 18 percent and pushed the number of transportation and warehousing jobs to a record mark. In 2024, the metro once again ranks among the top 10 markets for deliveries, despite a recent pullback in project starts fueled by a slowdown in large-scale leasing activity and construction financing hurdles. Completions, however, are not as widespread as in prior years. Instead, deliveries are concentrated in two areas. In the Plainfield-Avon area, speculative space underway may be well received over the near-term, as local vacancy is more than 300 basis points below its long-term average. Meanwhile, in Johnson County, upcoming completions in Franklin and Whiteland may register a harder time securing tenants as vacancy in the submarket they comprise entered the year 470 basis points above its trailing 10-year average.

**Trading concentrated outside the beltway.** Historically one of the top tertiary markets for closings, Indianapolis will garner attention from a diverse buyer pool, thanks to its prominent role in the Midwest supply chain. Amid a period of rising vacancy, buyers bullish on the metro's long-term outlook may be in an advantageous position during negotiations, especially if lease-up risk is associated with a listing. Buyers focused on distribution centers and midsize warehouses are likely to target assets in suburbs near Interstate 65, which connects the metro to Chicago. These same investors may also target properties near FedEx Express' cargo hub. Private buyers with a focus on last-mile warehouses, meanwhile, will be active near the Interstate 465 Beltway.

## 2024 MARKET FORECAST

+1.7%



**EMPLOYMENT:** Indianapolis' workforce grows by 20,000 roles in 2024, allowing the pace of local job creation to exceed the national rate of increase for a third straight year.

8.3 million

sq. ft.



**CONSTRUCTION:** Delivery volume moderates in 2024; however, the metro's inventory still expands by 2.5 percent. Additions are larger in scope, averaging roughly 250,000 square feet per project.

+160 bps



**VACANCY:** A group of sizable speculative projects places upward pressure on vacancy. This lifts the metro's rate to 7.8 percent, which represents the highest mark among major Midwest markets.

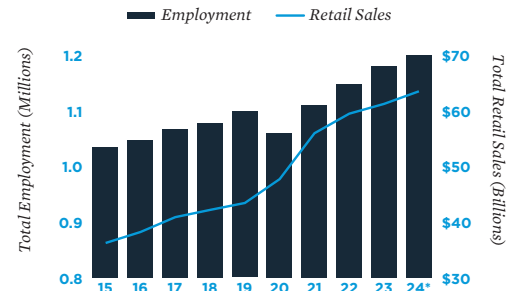
+8.9%



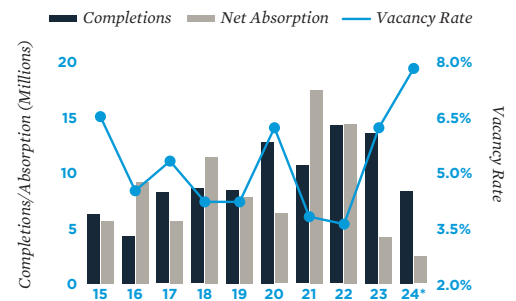
**RENT:** Despite rising vacancy, positive net absorption is recorded, allowing the average asking rent to reach \$8.16 per square foot. This year's increase exceeds any gain noted between 2001 and 2018.

**INVESTMENT:** *Downtown and its surrounding neighborhoods are home to the second-lowest vacancy among U.S. submarkets with at least 30 million square feet of stock, a standing that should elicit investment activity.*

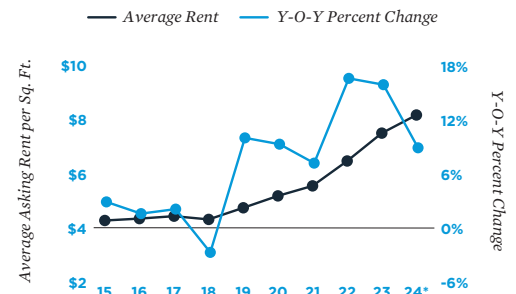
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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 December 2023. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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.