

# INVESTMENT OUTLOOK

Industrial  
Indianapolis Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

MIDYEAR 2025

## Perimeter Areas Leading in Vacancy Inflection, Drawing Investor Attention

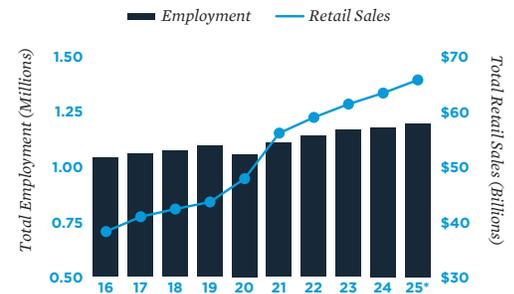
**Supply pressures eases as leasing catches up.** Indianapolis has faced elevated deliveries since 2022. The metro's vacancy rate has more than doubled in the last three years, rising to the highest level among major Midwestern markets in 2024. This year, however, the total deliveries will shrink to less than half of 2024's volume and about one-eighth of the record levels in 2022 and 2023. With net absorption projected to outpace completions for the first time in three years, vacancy is expected to drop. Some outer submarkets in the west and south are already seeing year-over-year vacancy declines, led by West Hendricks County, where strong demand cut vacancy by 500 basis points. The new Sephora Midwest Distribution Center under construction there will account for more than a quarter of the metro's new openings this year.

**Investor demand shifts to outlying interstate corridors.** The metro's position as a Midwest distribution hub continues to support its status as one of the most-traded tertiary industrial markets. Transaction velocity held stable over the 12 months ended in March compared with the previous year, with more investment activity condensing along the metro's edges, where land is available and new supply meets demand. This is most visible east along Interstate 70 near Greenfield, west along I-70 in Plainfield and northwest along Interstate 65 around Lebanon. Access to post-2010 builds near major interstates and regional consumers will likely sustain this interest going forward. With Indianapolis posting the second-highest average cap rate among major U.S. metros at 8.6 percent in the 12-month period ended in March, investors stay attracted to the metro's mix of modern distribution assets and higher yields, especially in growing submarkets where tenant expansion and lower costs aid stable income and future upside.

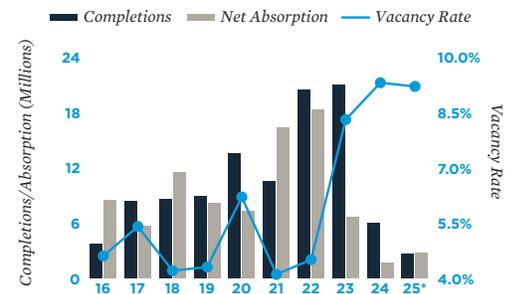
## 2025 MARKET FORECAST

- +1.5%**  **EMPLOYMENT:** Indianapolis is expected to add 18,000 jobs in 2025 — one of the fastest growth rates among all major U.S. metros — as hiring rebounds after a slower 2024.
  - 2.6 million sq. ft.**  **CONSTRUCTION:** This year's construction pipeline will shrink notably, with inventory expanding just 0.7 percent — the metro's smallest annual increase in more than a decade.
  - 10 bps**  **VACANCY:** With fewer completions and steady tenant demand, vacancy will edge down to 9.2 percent, following a nearly 500-basis-point rise over the past two years.
  - 1.9%**  **RENT:** While trending down, vacancy is still elevated, weighing on rents. At \$6.84 per square foot, Indianapolis remains among the five most affordable major industrial markets in the U.S.
- INVESTMENT:** *Sales activity rose around Anderson in the northeast over the past year. Located on Interstate 69 toward Detroit, the area draws investors as a growing logistics hub with lower industrial land costs.*

### 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 guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.