

INVESTMENT FORECAST

Office
Indianapolis Metro Area

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2025

Second Year of Vacancy Compression on Tap for One of the Midwest's Top Performing Markets

Office landscape returning to more familiar conditions this year. Net absorption is expected to reach a level exceeding the 2015-2019 average, as Indianapolis' gross metropolitan product is projected to expand by 3 percent — the highest among major Midwest markets in 2025. Corporate investment is partially to credit, as the metro's count of traditionally office-using roles is slated to grow at a rate above all major U.S. markets. Although these additions will coincide with a five-year high delivery slate, most of the space at these properties is accounted for. Veterinary medicine company Elanco will finish moving into its new headquarters early this year — a 200,000-square-foot building — while automation supplier Endress+Hauser will occupy a 100,000-square-foot facility in Greenwood with its distributor GEB Co. These encouraging move-ins have the potential to steer other companies seeking office space to the metro's existing stock, which may buttress a second year of noteworthy vacancy compression.

Diverse interests behind Indianapolis sales patterns. Metrowide transaction velocity was relatively unchanged in 2024 when compared to the prior year; however, a broader field of buyers acquired properties, including nonprofits like Purdue Research Foundation. Demand from owner-users is anticipated to continue this year. Improving Class A vacancy may draw fresh interest from larger investors as well, with sub-10 percent Class B/C vacancy poised to support a sizable pool of smaller buyers. This diverse group may be most visible in northeast suburbs like Fishers and Keystone, where a collection of smaller properties and discounted corporate office complexes traded last year. Should positive net absorption continue to be recorded here, opportunities to purchase and re-tenant assets with vacancy issues could provide appeal for upside-seeking investors.

2025 MARKET FORECAST

+2.3%



EMPLOYMENT: Job growth slows on a broad scale; however, the metro is still projected to add 7,000 traditionally office-using positions — the largest gain among major Midwest markets.

764,000
sq. ft.



CONSTRUCTION: The metro registers its largest annual increase to office stock since 2020, with inventory expanding by 0.8 percent. Four projects account for the bulk of this year's delivery volume.

-70 bps



VACANCY: Local vacancy falls below its long-term average, ending this year at 11.4 percent. Of the property tiers, the Class A sector is expected to record the most pronounced compression.

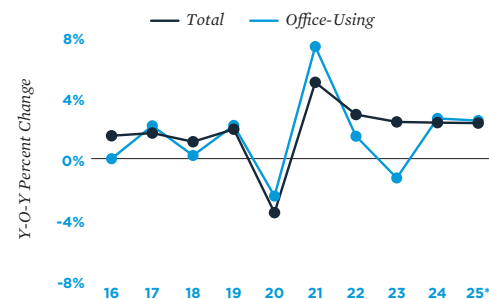
+1.2%



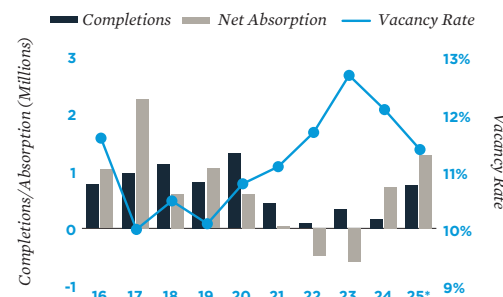
RENT: A tightening office market allows the metro to register a fifth straight year of upward rent momentum. At \$20.55 per square foot, the local average asking rate reaches a new high by year-end.

INVESTMENT: Since 2012, local medical office vacancy has held below the 10 percent threshold — a dynamic that is likely to attract some investors to suburban buildings proximate to the Indianapolis Beltway.

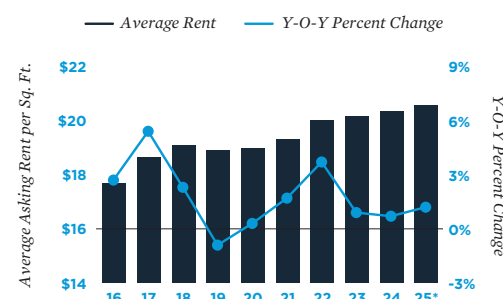
Employment Trends



Supply and Demand



Rent Trends



* 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 December 2024. 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.