INVESTMENT FORECAST

IPA | INSTITUTIONAL PROPERTY ADVISORS

Retail

Indianapolis

2026

Manufacturing, R&D Projects Anchor a Positive Outlook as Private and Institutional Capital Flows Rise

Economic expansion supports retail. While metrowide vacancy will inch up this year, it will still be lower than at any point between 2007 and 2021. Employment opportunities should keep drawing new residents in 2026 even as foreign inflows slow, with net in-migration projected at about 12,000, the Midwest's second-highest tally. In this context, Boone and Hendricks entered the year with a near-1 percent vacancy rate, though a sizable supply pipeline may put modest pressure on the rate in 2026. Even so, major business investments such as Project Falcon, the Hyster-Yale facility, and Eli Lilly's large-scale manufacturing projects should bolster consumer spending and keep conditions relatively tight. Elsewhere, in northeast and south Marion County, triple-digit increases in vacancies in 2025, along with elevated lease expirations slated for 2026, pose a risk to local demand. Even so, Indianapolis' continued status as one of the Midwest's fastest-growing economies should support the metro's retail fundamentals.

Private capital activity sets the stage for institutional deployment. In 2025, Indianapolis posted the eighth-largest price-per-square-foot increase among major U.S. metros, at about 2.7 percent. Transaction velocity also increased, with nearly all deals closing below $10 million as local investors became slightly more active than in prior years. Meanwhile, institutional fundraising rose roughly 20 percent nationwide in 2025, positioning Indianapolis to potentially attract larger-scale capital in 2026. This outlook is supported by local multi-tenant vacancy declining 270 basis points — the largest drop among major markets — and nationally competitive yields at 7.5 percent in 2025. For private investors, renewed institutional participation may improve market liquidity, bolstering pricing stability and exit optionality.

2026 MARKET FORECAST

+0.7% — **Employment:** The addition of 8,000 positions will align with Columbus for the third most in the Midwest this year, while the metro's job growth rate will sit just outside the top 10 nationally.

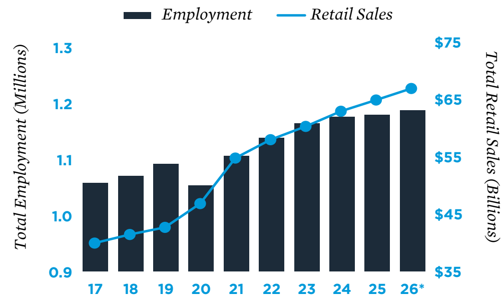
465,000 *sq. ft.* — **Construction:** Inventory is projected to expand by roughly 0.4 percent — among the fastest rates in the Midwest — yet it remains about half the pace of the metro's trailing 10-year average.

+30 bps — **Vacancy:** As supply pressure marginally increases, so will vacancy, with the rate shifting up slightly to 3.5 percent. Still, the metro will record one of the tightest vacancy levels nationally.

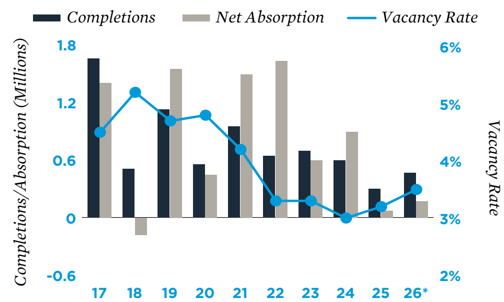
+1.3% — **Rent:** Though net absorption remains muted compared to its 2015-2019 mean, it will still increase year-over-year. As a result, the average asking rent will lift marginally to $18.15 per square foot.

INVESTMENT: *Indiana is expanding the exemption threshold for business personal property taxes, reducing tax burdens for small and midsized businesses. That may improve retail cash flow and leasing appeal.*

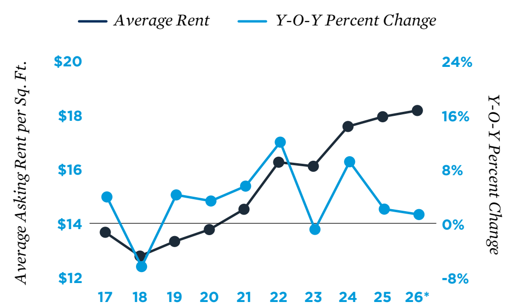
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

Gregory A. LaBerge

Senior Vice President, National Division Leader

Tel: (818) 212-2250 | glaberge@ipausa.com