INVESTMENT FORECAST

Industrial

Indianapolis

IPA INSTITUTIONAL PROPERTY ADVISORS

2026

Conditions Improve in the East and South as Space Grows Scarce in the North and West

Broader tenant base absorbs newer space. Indianapolis is rapidly rebalancing as demand strengthens and new supply recedes. Over the year ended in March, the metro posted the sharpest vacancy decline among major industrial markets, with the rate falling 200 basis points to 7.3 percent as demand for modern space pushed vacancy in post-2020 buildings down more than 1,200 basis points to about 11 percent. Leasing beyond pure logistics should continue to support occupancy, with healthcare firms such as St. Jude Medical and Cardinal Health recently taking space alongside manufacturers like GE Aerospace and Faith Technologies. Momentum may remain strongest outside the Interstate-465 beltway, where vacancy in the east and south sits above 10 percent but is falling, while rates in Boone and Hendricks counties to the north and west dropped below 4 percent in March. Areas within the beltway have faced modest pressure, yet less speculative supply should help limit move-outs and support tightening, particularly as more firms favor inland hubs less reliant on coastal gateways.

Capital flows to infill and outer beltway assets. Investors are gaining conviction as recovery takes hold, with Indianapolis posting the largest sales increase among tertiary metros last year. Private buyers are targeting eastside infill assets near Interstate 70, given access to both dense neighborhoods and faster-growing outer suburbs, while Eli Lilly's Lebanon expansion and Fishers' bioscience growth may sustain interest in light manufacturing facilities to the north. Institutions, meanwhile, will likely favor newer distribution assets in outer suburbs, especially those with some vacancy that allows lower-basis entry. Hancock County should be a key target after posting the largest vacancy drop among national submarkets with at least 12 million square feet of stock.

2026 MARKET FORECAST

+0.5% — **Employment:** After losing jobs last year, the metro adds 5,500 roles in 2026. Construction should remain a key hiring source as projects such as Eli Lilly's campus and new data centers advance.

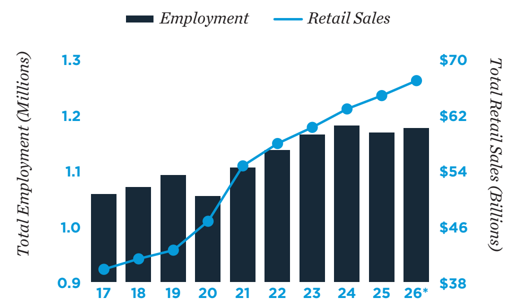
2.7 million *sq. ft.* — **Construction:** Completions decline slightly from last year and remain about one-third of the prior decade's average. The northeast and southeast will receive most of the new supply in 2026.

-110 bps — **Vacancy:** Firmer leasing and fewer deliveries push vacancy lower for a second straight year. At 7.0 percent, the rate will stand about 100 basis points above the past decade's average.

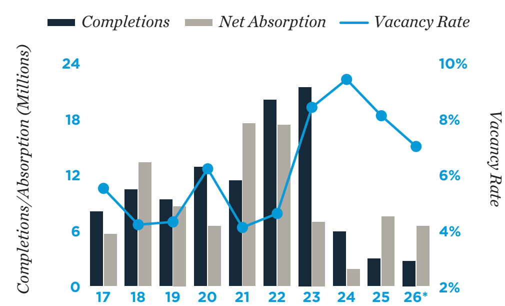
+2.8% — **Rent:** Tightening vacancy is expected to help restore rent momentum in 2026 after two years of muted growth, lifting the average asking rate to $7.23 per square foot.

INVESTMENT: *With cargo volumes rising at Indianapolis International Airport, more buyers may target the surrounding Southwest submarket, where small-bay vacancy remains the metro's tightest at under 3 percent.*

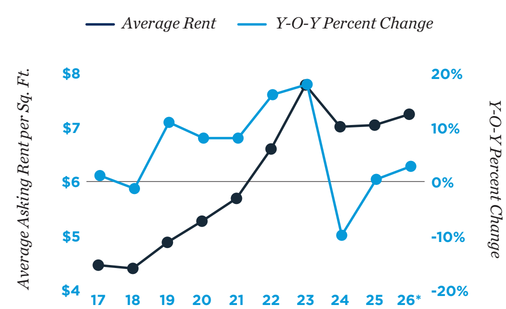
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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