

INVESTMENT FORECAST

Office
Indianapolis Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Certain Tenant Cohorts Bolster Demand While Signs of Price Stabilization Emerge

Smaller-format needs shape net absorption. Several submarkets will receive new supply in 2026, with most of it concentrated in the northern areas near Noblesville, Carmel, and Fishers, where much of the incoming space is already accounted for. Recent strength in suburban demand points to relative outperformance in these areas, with vacancy potentially undercutting downtown for the first time in several years. Meanwhile, a lower net absorption forecast this year in part reflects weaker 2025 leasing activity, with the fewest signings since 2020. Much of the move-in activity this year involves formats under 10,000 square feet. Smaller tenants are poised to benefit most from the new 2026 business personal property tax exemptions, suggesting that near-term net absorption will remain concentrated within this tenant cohort. These dynamics will partially contribute to the metro's vacancy rate inching slightly higher, settling just under 12 percent as completions outpace a softer yet still positive demand growth.

Strength in select submarkets draws investment. Transaction velocity improved for a second straight year as mean pricing continued to slide. Indianapolis, however, still carried the Midwest's highest entry costs, and cap rates reached their highest level since 2011. With vacancy projected to edge higher and rent growth slowing, investors are likely to remain selective, concentrating on outperforming nodes. One such area is the Carmel-Uptown submarket. It entered 2026 with vacancy near its lowest level since before the pandemic and recorded strong rent growth. Northwest Marion County, spanning College Park and Park 100, is similarly poised to attract investor interest, particularly among early-2000s-vintage assets with improving occupancy dynamics. Moreover, below-average pricing in this submarket also creates attractive entry points.

2026 MARKET FORECAST

+1.0%



Employment: Traditional office-using roles expand at half the pace as the prior year, comprising 3,500 new net jobs, while total nonfarm employment will grow by roughly 12,000 positions.

918,000
sq. ft.



Construction: Completions this year will expand office inventory by 1.0 percent year-over-year, the highest metric since 2020. Roughly two-thirds of the new supply will consist of Class B stock.

+10 bps



Vacancy: The rate will edge up to 11.8 percent, remaining above its 10-year average. As a result, the metro will fall from the second to the third-lowest vacancy rate among major Midwest markets.

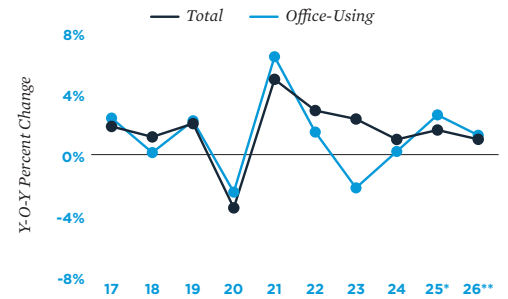
+0.5%



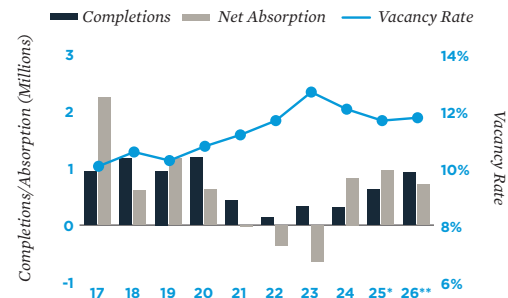
Rent: Despite the metro posting strong net absorption relative to its inventory, rents will rise to only \$20.85 per square foot — one of the lowest levels among tertiary markets.

INVESTMENT: Over 300,000 square feet of medical office space will deliver in 2026, and, with it entirely pre-leased, vacancy should remain near 5 percent — well below other office types and likely to attract investor interest.

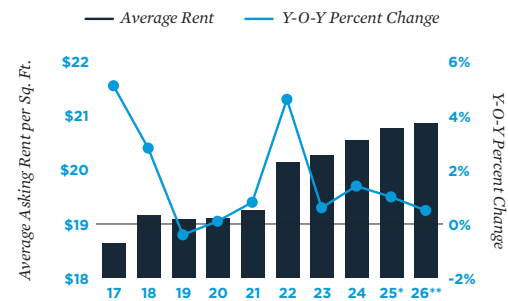
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** 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 January 2026. 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 office 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.