Market Report

MULTIFAMILY 2Q/26

Indianapolis Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

Ongoing Healthcare, Manufacturing, and Hospitality Endeavors Bolster Housing Outlook

Fast-growing suburbs receive greater supply. Although 2026 deliveries will be nearly on par with 2025, they will be down 55 percent from 2024's peak. Carmel-Hamilton County is slated to add more than 2,000 units, though strong population growth should aid absorption, as Westfield Washington Township alone added 3,500 residents from mid-2024 to mid-2025. Meanwhile, McCordsville-Fortville will post its largest completion slate, with roughly 500 units across three projects. Though its population remains small, it has nearly doubled over the past five years. The CBD's supply risk will begin to moderate, supporting occupancy in 2026 as demand strengthens, while no active projects as of March are slated for 2027, an optimistic signal for longer-term performance.

Major projects support demand. Eli Lilly and META's expanding LEAP District operations, Roche's planned manufacturing expansion, and NewCold's Lebanon investment should support leasing activity in the northwest corridor, while IU Health's downtown hospital campus, Elanco's new headquarters, and the Indiana Convention Center/Signia hotel expansion strengthen employment-driven demand in the CBD. Though some projects materialize beyond 2026, they highlight the metro's deepening labor base and should aid near- and long-term absorption.

2026 FORECAST

EMPLOYMENT

10,000 — Jobs will be created

0.9% — Increase Y-O-Y

CONSTRUCTION

3,000 — Units will be added

1.6% — Inventory increase Y-O-Y

VACANCY

5.0% — Vacancy rate

20 — BPS decrease Y-O-Y

RENT

$1,345 — Average effective rent by year-end

2.3% — Increase Y-O-Y

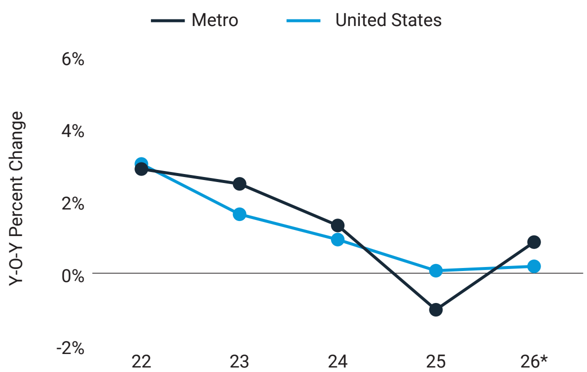
EMPLOYMENT

Indianapolis shed about 11,900 jobs in 2025, with most losses concentrated in the final four months, when 17,000 positions were cut. Through April 2026, however, the metro added about 5,800 roles on net as several sectors rebounded. Wholesale trade and transportation and warehousing remain weak, though upcoming expansions in manufacturing, health care, and leisure and hospitality may offer upside. As a result, year-end labor market growth will materially outpace 2025's, though remain below the 2022-2024 average.

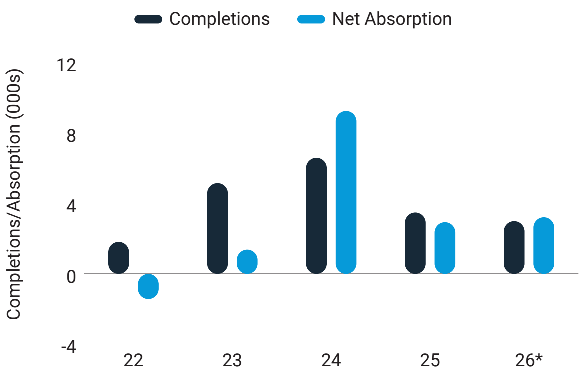
CONSTRUCTION

After the metro's apartment stock grew an average of 3.2 percent annually from 2023 to 2024, inventory growth slowed to 1.9 percent in 2025. In 2026, Carmel-Hamilton County will again receive the largest share of deliveries, while McCordsville-Fortville and the far-west suburbs will see higher completions. By contrast, supply pressure will ease in the CBD, Warren Park-Cleveland, and Wolfington-Park 100, as the Southeast and Southwest areas of the metro face no new-supply risk for the second straight year.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



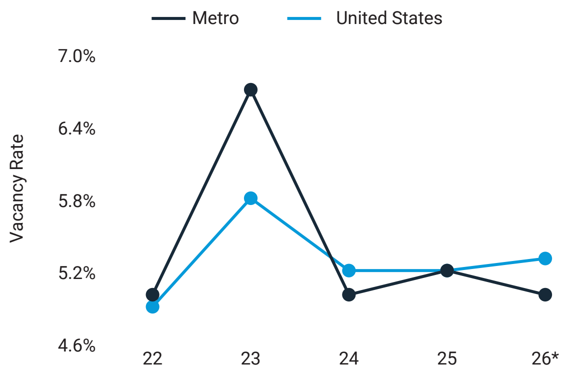
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

Vacancy rose slightly in late 2025 and early 2026, tied to labor market weakness, slower population growth, and more modest household formation. Supply discipline and renewed job gains should provide support by year-end, though risks remain. Concession usage remains historically elevated, while declining lease-trade-out rates point to softer new-renter demand. A decline in the gap between rents and mortgages may also pressure the renter pool. Still, vacancy is expected to fall below the national mark.

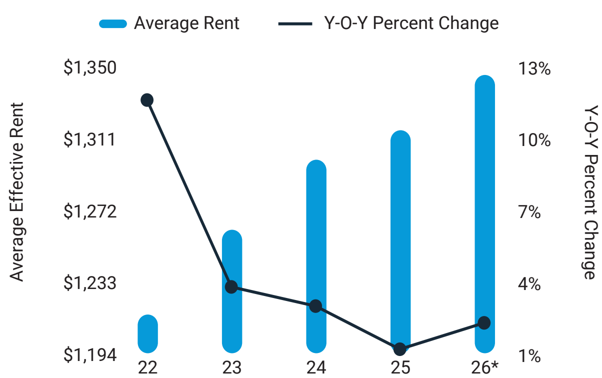
VACANCY TRENDS



RENT

Although the average concession remained elevated at 4.4 percent in early 2026, it eased slightly from late 2025 while continuing to rise at the national level. Longer lease terms and rising renewal conversions also suggest operators are gaining some occupancy stability. Combined with the anticipated fall in vacancy, the average effective rent in Indianapolis should increase, and at a faster pace than the year prior. Still, 2026 rent growth is expected to run at roughly half the 2014-2019 average pace of 4.2 percent annually.

RENT TRENDS



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

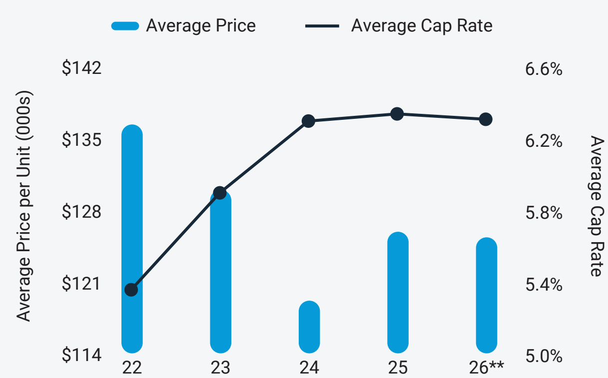
INVESTMENT HIGHLIGHTS

- Transaction velocity in the trailing 12 months ended March increased, driven by an outsized share of Class B/C deals, while Class A transactions fell to one of their lowest levels in recent years. Average pricing fell from year-end 2025, as most trades involved older, value-add assets. Institutional buyers remained active, continuing to prioritize scale and income stability. Central Marion County accounted for roughly 50 percent of all deals, with Mapleton-Fall Creek drawing increased investor attention. Activity also picked up modestly in the more affluent northern submarkets, where investors primarily targeted stabilized Class B assets.

- Long-term growth may be supported by the state's recent $1 billion agriculture and life sciences initiative, which aims to create 100,000 high-wage jobs over the next decade. Although this is a statewide effort and the largest benefits will likely take shape after 2026, it aligns with Indianapolis' growing life sciences and agritech momentum, highlighted by Corteva's decision to locate its future crop protection headquarters in the metro. For investors, this deepening employment base points to a longer runway for higher-income renter demand, particularly near downtown and other employment-adjacent nodes.

- Investors seeking near-term occupancy stability and rent growth may target submarkets like Warren Park-Cleveland, where limited 2026 deliveries follow a three-year supply wave that was largely met by strong absorption. Investors may find sub-$100,000-per-unit listings in this node, well below the market average.

SALES TRENDS



IPA Multifamily

ANDREW LEAHY

Senior Managing Director, National Division Leader

Tel: (202) 536-3700

aleahy@ipausa.com

For info on national multifamily trends, contact:

JOHN CHANG

Senior Vice President, Chief Intelligence & Analytics Officer

Tel: (602) 707-9700

jchang@ipausa.com