

YoY Chg      12-Mo. Forecast

**22.7%**  
Vacancy Rate      ▲      ▲

**-42K**  
Net Absorption, SF      ▲      ▼

**\$21.70**  
Asking Rent, PSF      ▲      ▼

Overall, All Property Classes

**ECONOMIC INDICATORS Q1 2024**

YoY Chg      12-Mo. Forecast

**1.2M**  
Indianapolis MSA Employment      ▲      ▲

**3.2%**  
Indianapolis MSA Unemployment Rate      ▲      ▲

**3.8%**  
U.S. Unemployment Rate      ▲      ▲

Source: BLS, Moody's Analytics

**ECONOMIC OVERVIEW: Monthly Job Growth in 2024 Averages 276,000**

Total nonfarm payroll employment in the U.S. increased by 303,000 in March, exceeding the average monthly job growth of 231,000 from the preceding 12 months. Government employment rose by 71,000 during the month while professional and business services employment posted modest growth of 7,000. Monthly job growth averaged 276,000 in the first three months of 2024 as the economy has remained resilient in the face of numerous headwinds. The Federal Reserve held interest rates constant once again at the 5.25-5.5% range at its March meeting. This was the fifth straight meeting that the Fed kept rates steady, with the last interest rate raise occurring in July 2023. Inflation was higher than anticipated to start 2024, leading to projections of three rate cuts during the remainder of the year. The Indianapolis MSA unemployment rate equaled 3.2% in the first quarter, continuing to track below the U.S. unemployment rate of 3.8%. However, the Indianapolis unemployment rate rose by 40 basis points (bps) year-over-year (YOY) and is expected to climb further over the next 12 months.

**DEMAND: New Leasing Activity Off to a Strong Start in the First Quarter**

The Indianapolis office market posted nearly 429,000 square feet (sf) of new leasing activity in the first quarter, surpassing last year's first quarter activity by 37.6% as leasing was off to a strong start in the traditionally slower first quarter. New leasing was strongest in the North/Carmel and Downtown submarkets, which posted 147,000 sf and 91,000 sf of activity, respectively. The two largest leases of the quarter were both Downtown, a renewal for JP Morgan Chase at Salesforce Tower and a headquarters for relocation for Calumet Specialty Products at the recently redeveloped Stutz building. Though overall net absorption was negative 42,000 sf in the first quarter, five of the ten submarkets still registered occupancy gains during the quarter, with absorption highest in the North/Carmel (85,000 sf) and Northwest (43,000 sf) submarkets. The Downtown submarket accounted for negative 140,000 sf of the overall net absorption. The overall vacancy rate increased by 30 bps quarter-over-quarter (QOQ) and 210 bps YOY to 22.7%. However, five submarkets still recorded QOQ vacancy declines, with the largest decrease of 110 bps in the Northwest submarket. The direct vacancy rate, which does not include vacancy from sublease spaces, was markedly lower in the first quarter at 20.0%. The direct vacancy rate also grew at a slower pace on both a quarterly and yearly basis than the overall vacancy rate, rising 20 bps QOQ and 120 bps YOY, as direct space was not vacated at as high of a rate as sublease space. Sublease space currently accounts for 11.8% of all vacant space in the market, up from 8.6% in the first quarter of 2023.

**SPACE DEMAND / DELIVERIES**



**DIRECT VACANCY & ASKING RENT**



# INDIANAPOLIS

Office Q1 2024



## PRICING: Asking Rents Highest in the Keystone and North/Carmel Submarkets

Average asking rents equaled \$21.70 per square foot (psf) gross in the first quarter, a decline of 0.3% QOQ but an increase of 1.4% YOY. Asking rents were highest in the Keystone and North/Carmel submarkets, at \$25.32 psf and \$24.29 psf, respectively. Similar to the overall market, asking rents in these two submarkets decreased on a quarterly basis but still rose YOY. Only four submarkets posted quarterly asking rate gains, while six submarkets—Downtown, Midtown, Fishers, Keystone, North/Carmel, and South—recorded yearly asking rate gains. Class A asking rents declined by 0.9% QOQ but increased by 0.4% YOY to \$24.22 psf. Class A spaces have an 11.6% rent premium over the overall market as tenants continue to demand higher quality spaces.

## SUPPLY: Building in Bottleworks Development Completed With Another on the Way

One building was completed in the Indianapolis office market in the first quarter of 2024, Bottleworks Building 13, which added 94,000 sf to the Downtown inventory. The building was fully leased upon completion, though several tenants are not moving in until the second quarter. Meanwhile, another building in the Bottleworks development, Building 9-12, kicked off construction in the first quarter. The 85,000-sf building is slated to be finished in 2025, adding additional top tier space to the Downtown submarket. The remaining two buildings under construction are in suburban submarkets, a 23,000-sf fully preleased building in the North/Carmel submarket and a 16,000-sf speculative project in Fishers. Both buildings are expected to be completed by the end of 2024.

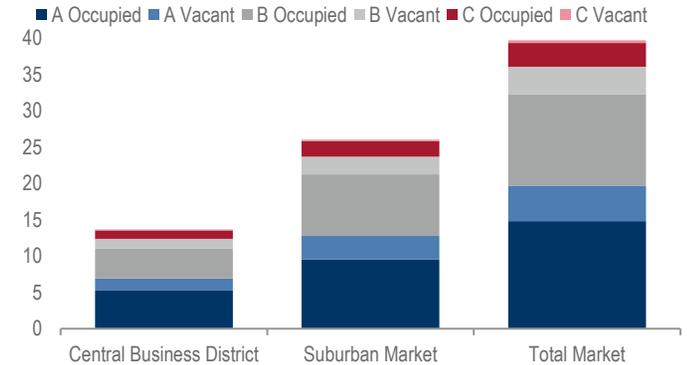
## SALE ACTIVITY: Slow Sales Activity to Start 2024

Sales activity was stagnant in the Indianapolis to start 2024, with just 174,000 sf of space trading hands in the first quarter. Only three submarkets recorded sales, with Fishers leading the way in sales activity with 125,000 sf of activity, followed by Northwest with 34,000 sf of sales and Downtown with 15,000 sf of activity. The level of sales volume in 2024 will be contingent on any interest rate cuts during the remainder of the year, as the current higher interest rates have stifled sales activity over the last several quarters.

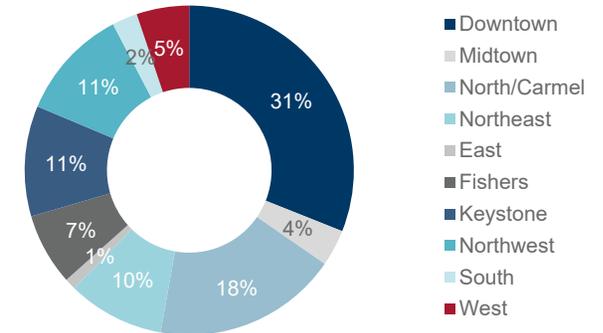
## Outlook

- The U.S. unemployment has increased by 30 bps YOY to 3.8% and is expected to rise over the next year as well. However, the U.S. employment level is also projected to rise over the next year as the labor market remains relatively tight despite lingering economic uncertainty.
- Class A space accounted for 279,133 sf, or 65.1% of all new leases signed in the first quarter of 2024 as there has been a continued flight-to-quality by tenants throughout the last several years. With increased vacancy levels across the market, expect tenants to continue to prefer amenitized, differentiated spaces when making their lease decisions.

## LEASING DEMAND BY CLASS OF SPACE (MSF)



## VACANT SPACE BY SUBMARKET



## DIRECT VACANCY RATE VS. 10 YEAR HISTORICAL AVERAGE



## MARKET STATISTICS

| SUBMARKET    | INVENTORY (SF)    | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|--------------|-------------------|--------------------|--------------------|----------------------|------------------------------------|-----------------------------|---------------------------|------------------|--|------------------------------------|
| Downtown     | 11,840,887        | 247,625            | 2,547,659          | 23.6%                | -139,720                           | -139,720                    | 91,002                    | 84,951           | \$23.76                                | \$25.68                            |
| Midtown      | 1,835,090         | 0                  | 323,567            | 17.6%                | 14,524                             | 14,524                      | 24,850                    | 0                | \$15.97                                | N/A                                |
| East         | 514,352           | 19,096             | 79,475             | 19.2%                | -32,036                            | -32,036                     | 0                         | 0                | \$15.73                                | N/A                                |
| Fishers      | 2,638,148         | 68,947             | 567,828            | 24.1%                | 24,765                             | 24,765                      | 45,593                    | 16,000           | \$22.81                                | \$22.67                            |
| Keystone     | 4,106,618         | 118,093            | 859,249            | 23.8%                | -36,390                            | -36,390                     | 31,746                    | 0                | \$25.32                                | \$26.09                            |
| North/Carmel | 8,223,518         | 206,412            | 1,430,567          | 19.9%                | 84,928                             | 84,928                      | 147,430                   | 23,094           | \$24.29                                | \$25.33                            |
| Northeast    | 3,247,659         | 50,779             | 808,509            | 26.5%                | -2,421                             | -2,421                      | 35,970                    | 0                | \$18.91                                | \$20.52                            |
| Northwest    | 3,984,108         | 325,863            | 666,038            | 24.9%                | 42,521                             | 42,521                      | 32,700                    | 0                | \$18.14                                | \$19.85                            |
| South        | 1,431,040         | 0                  | 224,534            | 15.7%                | -9,462                             | -9,462                      | 6,946                     | 0                | \$18.40                                | \$21.54                            |
| West         | 1,880,933         | 22,387             | 443,418            | 24.8%                | 10,862                             | 10,862                      | 12,609                    | 0                | \$15.35                                | \$16.50                            |
| Class A      | 19,702,497        | 621,857            | 4,258,778          | 24.8%                | 32,576                             | 32,576                      | 279,133                   | 124,045          | \$24.22                                |                                    |
| Class B      | 16,372,137        | 437,345            | 3,327,409          | 23.0%                | -19,096                            | -19,096                     | 123,940                   | 0                | \$18.80                                |                                    |
| Class C      | 3,627,719         | 0                  | 364,657            | 10.1%                | -55,909                            | -55,909                     | 25,773                    | 0                | \$17.80                                |                                    |
| <b>TOTAL</b> | <b>39,702,353</b> | <b>1,059,202</b>   | <b>7,950,844</b>   | <b>22.7%</b>         | <b>-42,429</b>                     | <b>-42,429</b>              | <b>428,846</b>            | <b>124,045</b>   | <b>\$21.70</b>                         | <b>\$24.22</b>                     |

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q1 2024

| PROPERTY                         | SUBMARKET | TENANT                     | RSF     | TYPE     |
|----------------------------------|-----------|----------------------------|---------|----------|
| 111 Monument Cir, Indianapolis   | Downtown  | JP Morgan Chase Bank       | 107,550 | Renewal* |
| 1060 N Capitol Ave, Indianapolis | Downtown  | Calumet Specialty Products | 52,683  | New      |
| 2960 N Meridian St, Indianapolis | Midtown   | Confidential               | 24,850  | New      |
| 11988 Exit 5 Pkwy, Fishers       | Fishers   | Freedom Mortgage           | 21,990  | New      |

\*Renewals not included in leasing statistics

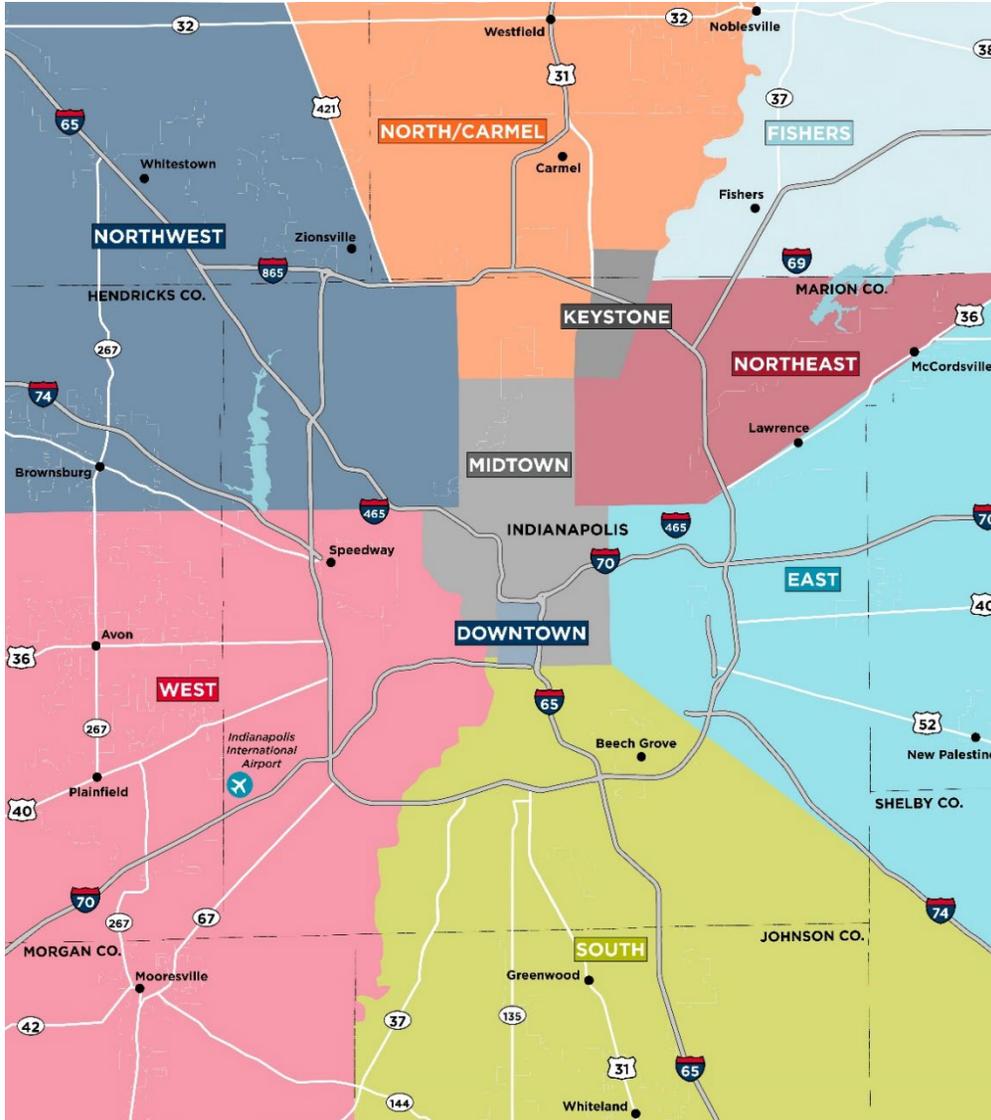
## KEY SALES TRANSACTIONS Q1 2024

| PROPERTY                            | SUBMARKET | SELLER / BUYER                                | SF      | PRICE/\$ PSF |
|-------------------------------------|-----------|---|---------|--------------|
| 10500 Kincaid Dr, Fishers           | Fishers   | Freedom Mortgage   Irving Materials, Inc.     | 125,290 | Undisclosed  |
| 8840 Commerce Park Pl, Indianapolis | Northwest | Ziff Commerce Park LLC   RL Commerce Park LLC | 21,220  | Undisclosed  |

# INDIANAPOLIS

Office Q1 2024

OFFICE SUBMARKETS



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