

YoY Chg      12-Mo. Forecast

**22.5%**  
Vacancy Rate      ▲      ▲

**33K**  
Net Absorption, SF      ▲      ▼

**\$21.87**  
Asking Rent, PSF      ▲      ▼

Overall, All Property Classes

### ECONOMIC OVERVIEW: U.S. Employment Rises by 206,000 in June

The U.S. economy continued to post job gains during the second quarter, with total nonfarm payroll employment rising by 206,000 in the month of June. Government employment recorded significant growth of 70,000 jobs during June while professional and business services employment declined by 17,000. U.S. job growth in the second quarter averaged 177,000, with May being the strongest month of growth with 208,000 jobs added. The U.S. unemployment rate has continued to tick upwards, rising by 30 basis points (bps) quarter-over-quarter (QOQ) and 50 bps year-over-year (YOY) to 4.1%. While unemployment in the Indianapolis MSA has also registered quarterly and yearly increases, the region's unemployment rate of 3.3% tracks well-below the U.S unemployment rate as the region's economy remains resilient. Employment in the Indianapolis MSA expanded by 2.1% YOY and is projected to increase over the next year as well.

### DEMAND: Over 33,000 sf of Occupancy Gains Posted in the Second Quarter

The Indianapolis office market registered positive occupancy gains in the second quarter of 2024, posting over 33,000 square feet (sf) of overall net absorption. These gains were largely driven by two user sales for IMI and First Merchants Bank that took occupancy during the quarter, as well as the commencement of three leases in the recently completed Bottleworks Building 13. Five submarkets recorded positive net absorption during the quarter, with absorption highest in the Fishers (129,000 sf) and Keystone (43,000 sf) submarkets. Overall net absorption through the first half of the year was highest in the Fishers and North/Carmel submarkets, at 155,000 sf and 32,000 sf, respectively. New leasing activity dipped slightly from a strong first quarter, totaling 420,000 sf in the second quarter. The North/Carmel submarket led in new leasing, with 94,000 sf of deals signed, followed by the Northwest and Fishers submarkets, which posted 81,000 sf and 64,000 sf of new leases, respectively. The largest lease of the quarter was a renewal for DuCharme, McMillen & Associates in the Keystone submarket, equaling 61,000 sf, followed by a new lease for Royal United Mortgage in Fishers for 45,000 sf. Through the first two quarters, new leasing activity was down slightly from last year's first half total, a drop of 3.1%, to nearly 886,000 sf. The overall vacancy rate for the market stayed stable QOQ but increased 100 bps YOY, to 22.5%, in the second quarter. Overall vacancy declined in four submarkets QOQ, with Fishers posting the most pronounced drop of 490 bps. The direct vacancy rate, which does not include vacancy from sublease spaces, decreased 10 bps QOQ to 19.9% as sublease spaces continue to comprise a larger share of the vacancy in the market.

### ECONOMIC INDICATORS Q2 2024

YoY Chg      12-Mo. Forecast

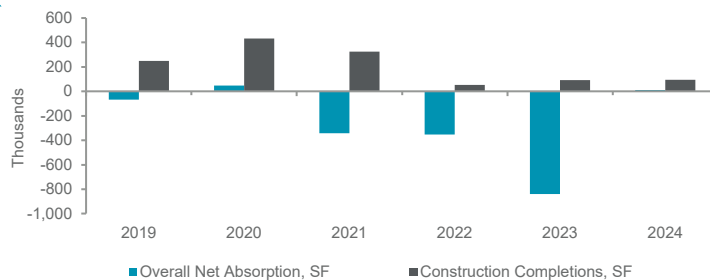
**1.2M**  
Indianapolis MSA Employment      ▲      ▲

**3.3%**  
Indianapolis MSA Unemployment Rate      ▲      ▲

**4.1%**  
U.S. Unemployment Rate      ▲      ▲

Source: BLS, Moody's Analytics

### SPACE DEMAND / DELIVERIES



### DIRECT VACANCY & ASKING RENT



# INDIANAPOLIS

Office Q2 2024



### PRICING: Asking Rents Post QOQ and YOY Gains

Average asking rents in the Indianapolis office market increased on both a quarterly and yearly basis, rising modestly by 0.9% QOQ and 2.2% YOY, to \$21.87 per square foot (psf) gross in the second quarter. All nine submarkets posted quarterly asking rate gains and six submarkets recorded yearly asking rate gains. QOQ increases were highest in the East and Fishers submarkets, at 6.9% and 0.8%. Meanwhile, YOY growths were largest in the East and North/Carmel submarkets, at 13.9% and 5.8%. Similar to the overall market, Class A asking rents rose both QOQ and YOY, to \$24.41 psf. Class A rents are highest in the Keystone, North/Carmel and Downtown submarkets, which all boast Class A asking rates above \$25.00 psf.

### SUPPLY: Two Construction Projects Added to the Pipeline in the Second Quarter

Two additional new construction projects kicked off in the second quarter, a build-to-suit (BTS) for Merchants Bank in Midtown Carmel and a BTS headquarters for Republic Airways in Carmel. These two projects will add an additional 240,000 sf to the North/Carmel inventory when they are completed in late 2025. The other two properties in the construction pipeline are speculative buildings, the 85,000-sf Building 9-12 in the Bottleworks development Downtown and a 23,000-sf fully preleased project in North/Carmel. Altogether there is 348,000 sf of space currently under construction, the largest pipeline since 2020, as new construction in top-tier locations remains highly desired by tenants.

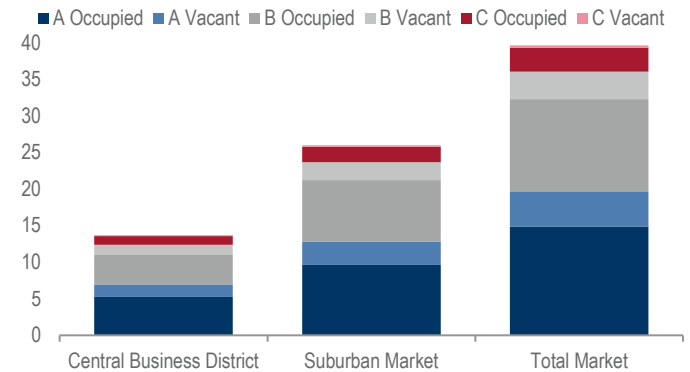
### SALE ACTIVITY: Sales Activity Remains Moderated in the First Half

Sales activity remained muted through the first half of 2024, with just over 228,000 sf of space trading hands. This is compared to the 560,000 sf of sales activity in the first half of last year, a drop of 59.3% YOY. Activity equaled just 54,000 sf in the second quarter as the current higher interest rate environment has continued to subdue sales activity. Looking ahead, sales activity will remain moderated until rates are lowered.

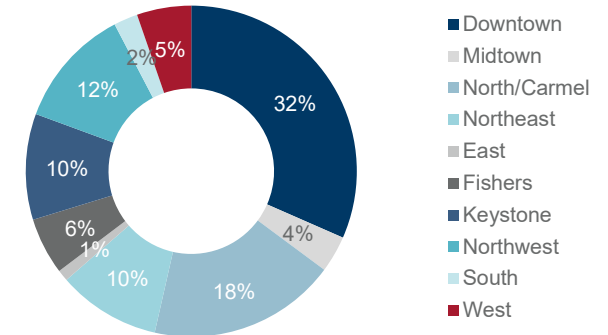
### Outlook

- The federal funds rate has remained at a two decades high for the past year, in the 5.25-5.5% range, as inflation has persisted above the Federal Reserve's target. However, two 25 bps rate cuts are expected in the latter half of 2024 as inflation cools.
- While employment levels in the U.S. economy continue to post positive gains, the labor force participation rate in June equaled 62.6%, below the pre-pandemic rate of 63.3% recorded in February 2020. Labor force participation stayed stagnant YOY and has struggled to return to pre-pandemic levels because of numerous structural factors.

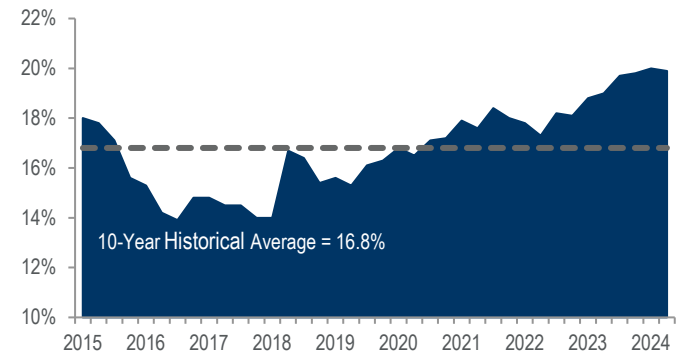
### LEASING DEMAND BY CLASS OF SPACE (MSF)



### 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	11,866,402	256,871	2,565,258	23.8%	8,279	-132,661	152,814	84,951	\$23.85	\$25.64
Midtown	1,835,090	0	320,178	17.4%	3,389	17,913	30,368	0	\$15.98	N/A
East	514,352	19,096	79,797	19.2%	-322	-32,358	626	0	\$16.82	N/A
Fishers	2,638,148	55,398	441,242	18.8%	129,057	154,984	109,094	0	\$23.00	\$23.06
Keystone	4,106,618	115,263	809,763	22.5%	42,934	12,976	73,934	0	\$24.93	\$26.33
North/Carmel	8,223,518	169,602	1,474,389	20.0%	-58,063	32,054	243,432	263,084	\$24.50	\$25.67
Northeast	3,247,659	55,998	841,914	27.6%	-43,207	-45,036	95,409	0	\$19.03	\$20.49
Northwest	3,984,108	320,823	727,890	26.3%	-46,961	2,510	122,029	0	\$18.23	\$19.99
South	1,431,040	0	209,905	14.7%	6,129	-1,333	27,702	0	\$18.45	\$22.25
West	1,880,933	33,892	440,888	25.2%	-7,929	2,933	30,505	0	\$15.36	\$16.57
<b>Class A</b>	<b>19,727,997</b>	<b>580,215</b>	<b>4,246,763</b>	<b>24.5%</b>	<b>20,063</b>	<b>57,989</b>	<b>512,240</b>	<b>348,045</b>	<b>\$24.41</b>	
<b>Class B</b>	<b>16,372,152</b>	<b>446,728</b>	<b>3,322,978</b>	<b>23.0%</b>	<b>-6,993</b>	<b>-15,286</b>	<b>317,735</b>	<b>0</b>	<b>\$18.79</b>	
<b>Class C</b>	<b>3,627,719</b>	<b>0</b>	<b>341,483</b>	<b>9.4%</b>	<b>20,236</b>	<b>-30,721</b>	<b>55,938</b>	<b>0</b>	<b>\$17.93</b>	
<b>TOTAL</b>	<b>39,727,868</b>	<b>1,026,943</b>	<b>7,911,224</b>	<b>22.5%</b>	<b>33,306</b>	<b>11,982</b>	<b>885,913</b>	<b>348,045</b>	<b>\$21.87</b>	<b>\$24.41</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
9229 Delegates Row, Indianapolis	Keystone	DuCharme McMillen & Associates	61,246	Renewal*
10194 Crosspoint Blvd, Fishers	Fishers	Royal United Mortgage	44,713	New
6510 Telecom Dr, Indianapolis	Northwest	Heritage Environmental Services	31,232	Renewal*
10401 N Meridian St, Indianapolis	North/Carmel	MasTech	24,143	New

\*Renewals not included in leasing statistics

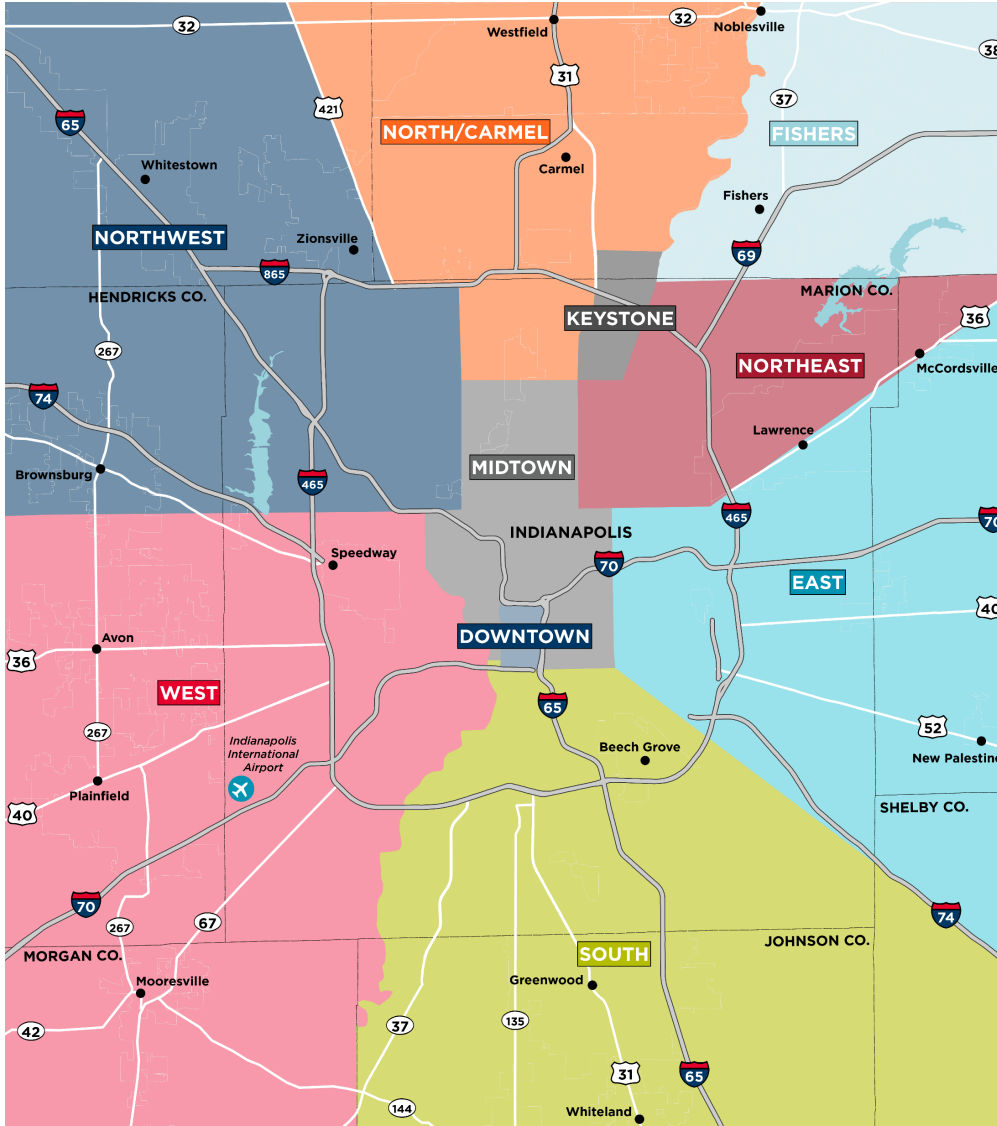
## KEY PROJECTS UNDER CONSTRUCTION Q2 2024

PROPERTY	SUBMARKET	OWNER/DEVELOPER	SF	SPEC/BTS
Republic Airways HQ, Carmel	North/Carmel	Republic Airways	130,000	BTS
Merchants Bank HQ2, Carmel	North/Carmel	Merchants Bank	110,000	BTS
835 N College Ave, Indianapolis (Bottleworks 9-12)	Downtown	Hendricks Commercial Properties	84,951	Spec
111 S Rangeline Rd, Carmel	North/Carmel	LOR Corporation	23,094	Spec

# INDIANAPOLIS

Office Q2 2024

## OFFICE SUBMARKETS



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