

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.8% Vacancy Rate	▲	▬
-71K YTD Net Absorption, SF	▲	▲
\$21.78 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.2M Indianapolis Employment	▲	▲
4.0% Indianapolis Unemployment Rate	▲	▬
4.2% U.S. Unemployment Rate <small>Source: BLS</small>	▲	▲

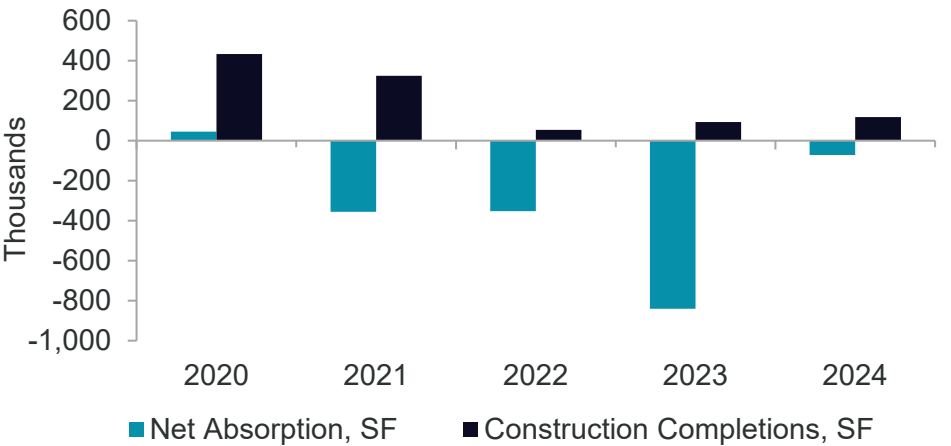
ECONOMY: FEDERAL FUNDS RATE LOWERED TWICE IN Q4

The Federal Reserve lowered the federal funds rate twice in the fourth quarter, by 25 basis points (bps) at both its November and December meetings, to a target range of 4.25 to 4.5%. After the federal fund rate was held constant for a little over a year, rates were cut by 1.0% in the final four months of 2024. Nonfarm employment in the United States increased by 1.4% year-over-year (YOY) to 159.2 million in the fourth quarter of 2024. However, the U.S. unemployment rate also rose on a yearly basis, growing 50 bps YOY to 4.2%. The Indianapolis market reported similar employment trends in the fourth quarter, with nonfarm employment climbing 2.3% YOY to 1.2 million and the unemployment rate escalating 80 bps YOY to 4.0%.

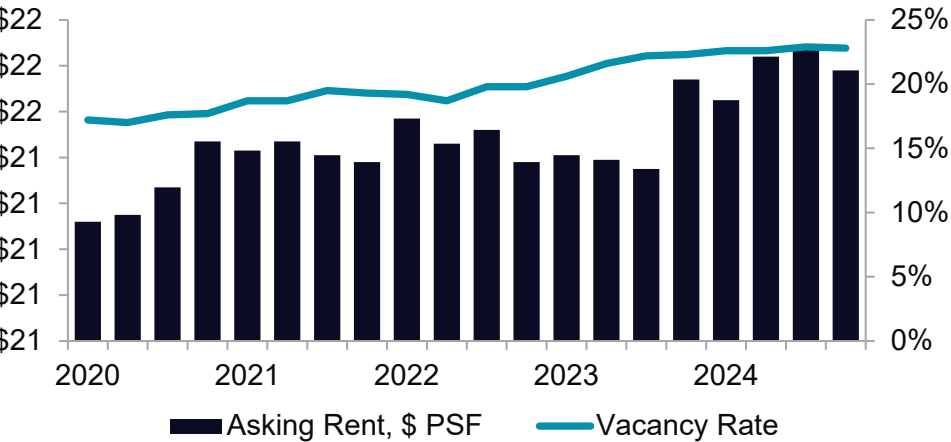
DEMAND: POSITIVE OCCUPANCY GAINS TO END 2024

The Indianapolis office market registered positive occupancy gains to end 2024, posting just shy of 43,000 square feet (sf) of overall net absorption in the fourth quarter. Overall net absorption for the entirety of 2024 totaled negative 71,000 sf, improving significantly from 2023's overall net absorption of negative 840,000 sf. Occupancy gains were highest in the Fishers submarket in 2024, with Fishers logging over 263,000 sf of overall net absorption during the year. Occupancy losses were most pronounced in the Northwest submarket, which recorded negative 206,000 sf of overall net absorption in 2024. Direct net absorption, which does not include occupancy changes from sublease space, was markedly lower in 2024, totaling negative 209,000 sf. New leasing activity during the year equaled nearly 2.0 million square feet (msf), the highest yearly new leasing total since 2021 as demand conditions have improved. The North/Carmel submarket led in new leasing activity in 2024, with 559,000 sf of deals inked during the year. Four of the largest 10 new leases from the year were in the North/Carmel submarket, including the KSM, BF&S Civil Engineers and Carvana deals signed during the fourth quarter. The overall vacancy rate for the market declined by 10 bps quarter-over-quarter (QOQ) to 22.8% in the fourth quarter. The class A vacancy rate dropped by 30 bps QOQ while Class B and C vacancy rates both increased QOQ. Vacancy rates decreased on a quarterly basis in six submarkets— East, Fishers, Keystone, Midtown, South and West— with vacancy declining the most strikingly in the Fishers submarket, by 180 bps. Overall vacancy in the Fishers submarket also declined by 1,000 bps YOY.

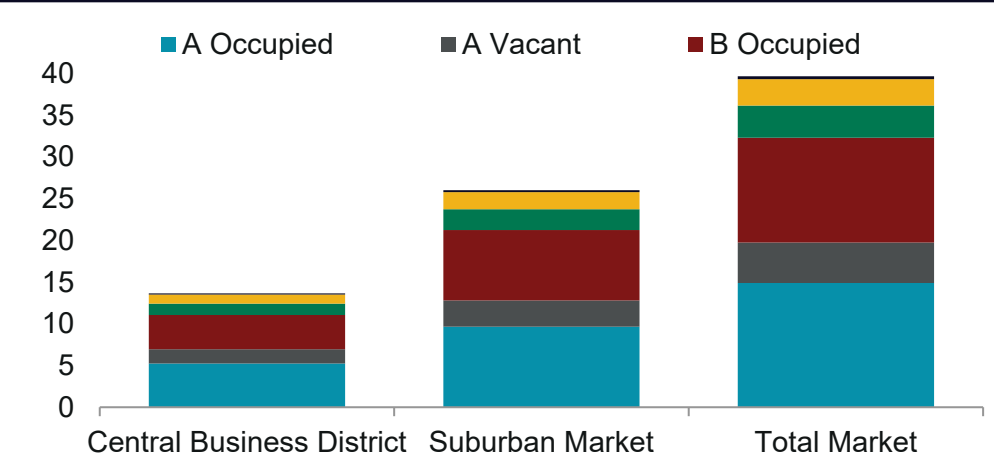
SPACE DEMAND / DELIVERIES



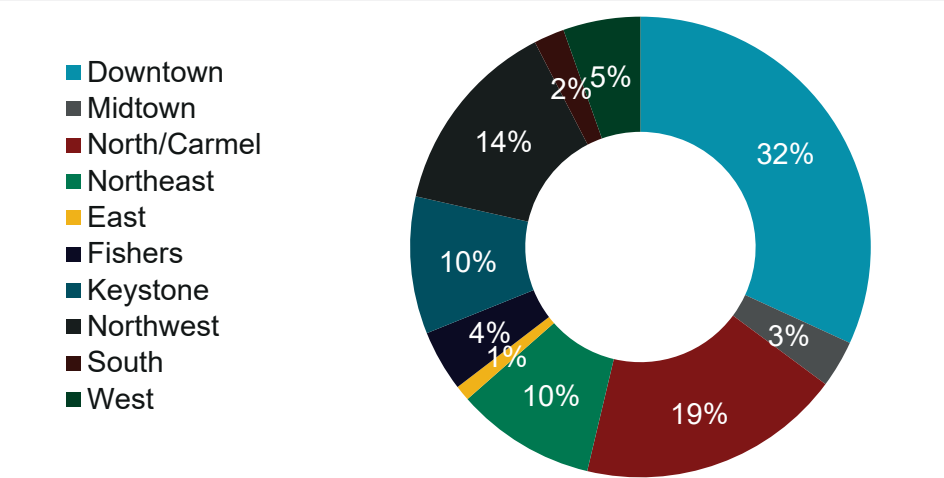
OVERALL VACANCY & ASKING RENT



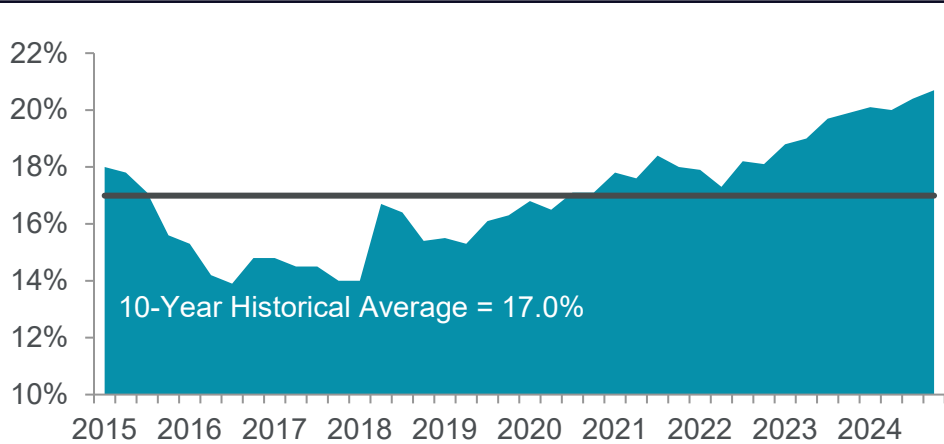
LEASING DEMAND BY CLASS OF SPACE (MSF)



VACANT SPACE BY SUBMARKET



DIRECT VACANCY RATE VS. 10-YEAR AVERAGE



PRICING: ASKING RENTS DECREASE QOQ BUT RISE YOY

Overall average asking rents decreased by 0.5% QOQ to \$21.78 per square foot (psf) gross in the fourth quarter. However, asking rents still rose by 0.2% YOY. Asking rents increased on a quarterly basis in three submarkets– Keystone, South, and West– with QOQ gains the most conspicuous in the Keystone submarket at 1.1%. The Keystone submarket also recorded the highest asking rents in the market for the 12th-consecutive quarter, with average asking rates equaling \$25.52 psf. On a yearly basis, four submarkets (East, Fishers, Keystone and South) registered asking rate gains.

SUPPLY: HIGHEST CONSTRUCTION COMPLETION TOTAL SINCE 2021

The Indianapolis office market delivered over 117,000 sf of space across two buildings in 2024, the highest construction completion total since 2021. One of these completions was in the fourth quarter, a 23,000-sf fully preleased building in the North/Carmel submarket. The under construction pipeline currently stands at nearly 327,000 sf across three buildings. Two of these buildings are build-to-suit (BTS) and fully preleased in the North/Carmel submarket. The remaining project is a speculative building in the Bottleworks District in the Downtown submarket and is already 82.1% preleased. Expect the pipeline to remain dominated by BTS and heavily preleased buildings in the upcoming quarters as developers desire tenants in place prior to commencing construction.

SALE ACTIVITY: INVESTMENT SALES DOMINATE IN FOURTH QUARTER

The fourth quarter was the strongest quarter of 2024 for sales activity, with nearly 1.8 msf of space trading hands. Investment sales comprised the bulk of sales activity during the quarter, at 1.7 msf. The largest sale of the quarter was the Keystone at the Crossing office park, a five-building Class A park in the Keystone submarket totaling over 1.0 msf that sold to a pair of investors (Interamar and Typerion Holdings). Another significant investment sale was Capital Center North and South, two towers located in the Downtown submarket equaling 648,000 sf, that sold to a partnership of KennMar LLC and The Ghoman Group for \$35.0 million or \$54.18 psf. In the entirety of 2024, over 2.9 msf of space traded hands, surpassing 2023's sales activity by 870,000 sf. Of the 2.9 msf of sales activity, 2.6 msf or 88.2%, was in Class A buildings.

OUTLOOK

- Class A space comprised 58.7% of all new leasing activity in 2024, despite only 49.8% of total inventory being Class A space, as tenants have engaged in a flight-to-quality throughout the year. Expect this trend to continue in 2025 and beyond as occupiers increasingly design differentiated workplaces to attract and retain talent.
- Average asking rental rates have increased 1.9% over the last two years and are projected to remain relatively flat over the next year as landlords strive to land high-quality tenants for their buildings.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD NEW LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown	11,887,447	185,391	2,694,001	24.2%	373	-187,793	427,770	86,656	\$23.76	\$25.42
Midtown	1,758,236	0	299,749	17.0%	662	38,283	44,419	0	\$15.90	N/A
East	520,235	19,096	78,748	18.8%	2,430	-31,309	29,009	0	\$16.98	N/A
Fishers	2,638,148	59,783	328,664	14.7%	47,485	263,177	177,113	0	\$23.05	\$23.62
Keystone	4,106,618	83,585	787,763	21.2%	49,860	69,355	249,179	0	\$25.52	\$26.44
North/Carmel	8,272,810	144,693	1,533,994	20.3%	-1,037	12,328	558,743	240,000	\$24.20	\$25.42
Northeast	3,254,351	55,998	830,878	27.3%	-29,034	-32,568	177,130	0	\$18.80	\$20.03
Northwest	3,981,854	263,636	992,799	31.6%	-63,340	-206,199	211,252	0	\$17.56	\$19.33
South	1,392,040	0	194,566	14.0%	8,266	14,006	46,724	0	\$18.49	\$22.15
West	1,863,136	21,895	468,724	26.3%	27,107	-10,770	74,302	0	\$15.86	\$17.47
Class A	19,748,655	465,286	4,378,459	24.5%	76,503	57,318	1,171,041	326,656	\$24.29	
Class B	16,420,642	368,791	3,485,978	23.5%	-42,536	-97,183	690,895	0	\$18.77	
Class C	3,505,578	0	345,449	9.9%	8,805	-31,625	133,705	0	\$17.60	
TOTAL	39,674,875	834,077	8,209,886	22.8%	42,772	-71,490	1,995,641	326,656	\$21.78	\$24.29

*Rental rates reflect full service asking

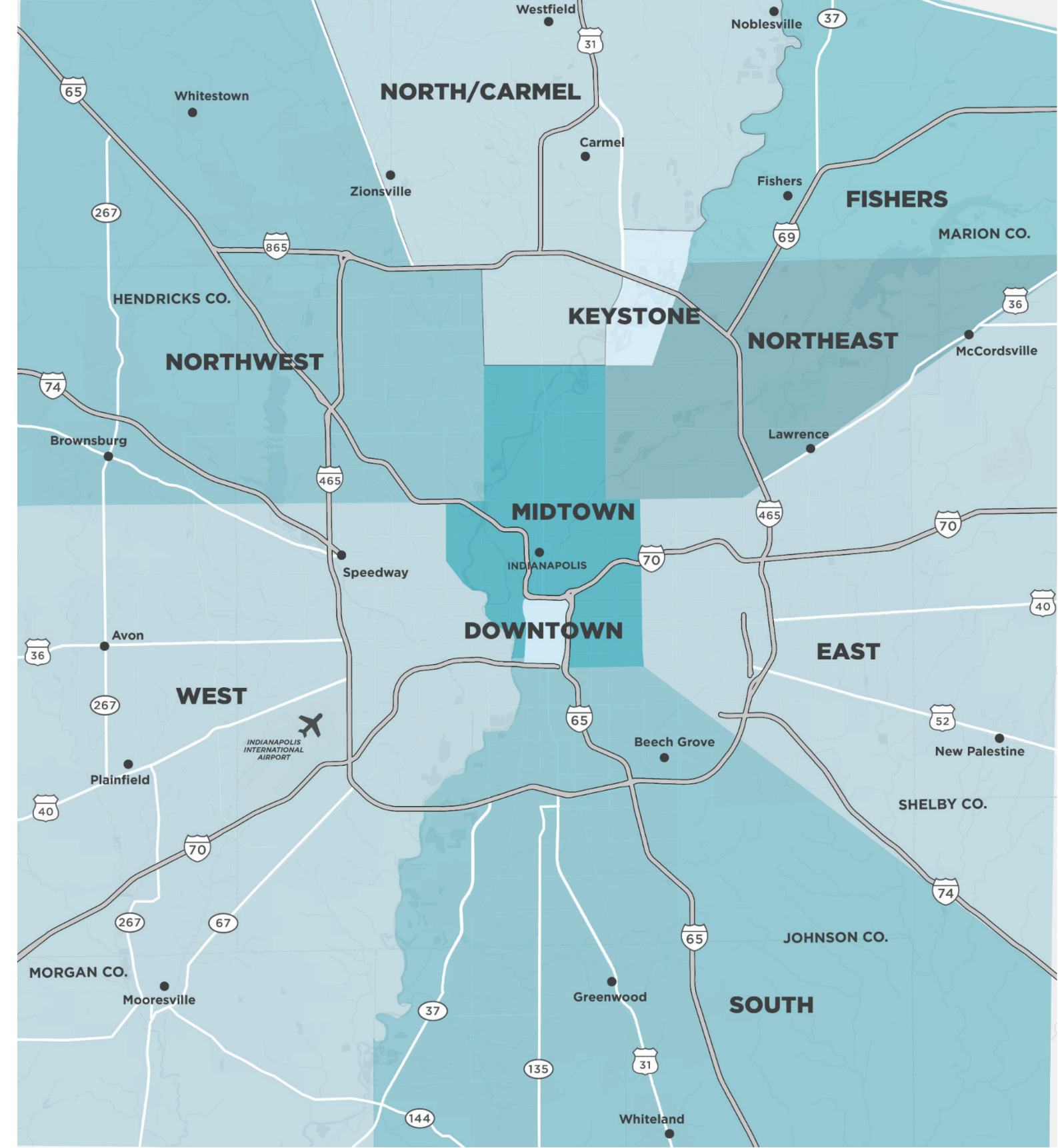
KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
600 E 96 th St, Indianapolis	North/Carmel	KSM	81,197	New Lease
500 E 96 th St, Indianapolis	North/Carmel	BF&S Civil Engineers	29,990	New Lease
12900 N Meridian St, Carmel	North/Carmel	Carvana	28,360	New Lease
433 N Gibson Ave, Indianapolis	Downtown	Civil & Environmental Consultants, Inc.	24,663	New Lease

KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
8888-9200 Keystone at the Crossing, Indianapolis	Keystone	DRA Advisors and M&J Wilkow/Interamar and Typerion Holdings	1,047,936	Undisclosed
201 and 251 N Illinois St, Indianapolis	Downtown	Zeller Realty Group/KennMar LLC and The Ghoman Group	646,032	\$35,000,000/\$54.18

OFFICE SUBMARKETS



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