

MARKET FUNDAMENTALS

	YOY Chg	Outlook
21.9% Vacancy Rate	▲	▼
-160K YTD Net Absorption, SF	▼	▲
\$21.58 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.2M Indianapolis Employment	▲	▲
4.1% Indianapolis Unemployment Rate	▲	▬
4.1% U.S. Unemployment Rate <small>Source:BLS</small>	▲	▲

ECONOMY: 10 YEAR TREASURY CONTINUES TO TREND DOWN

The U.S. 10-Year Treasury note began the year at approximately 4.5%, continuing the previous quarter’s upward trend before peaking at 4.9% in early January. Since then, the 10-Year yield has steadily declined, reaching a yearly low of 4.1% in the final week of March. The current downward trend suggests the potential for a softening of lending rates.

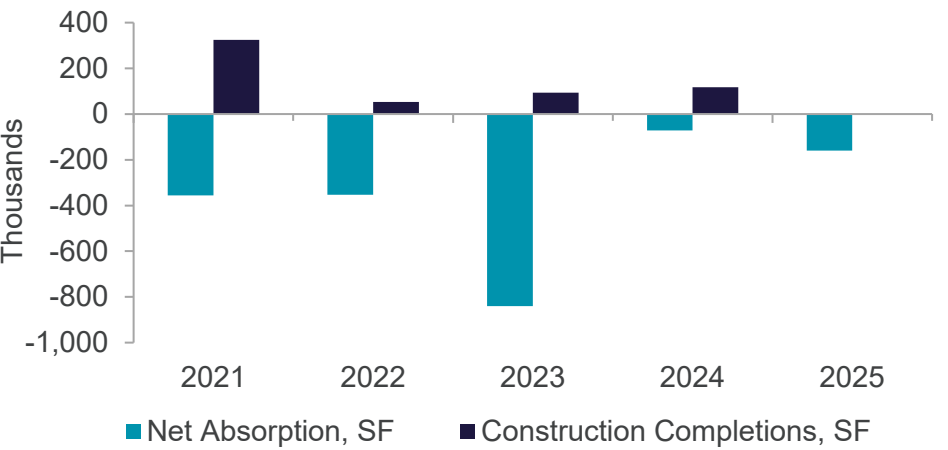
The unemployment rate in Indianapolis increased to 4.1%, up 50 basis points year-over-year (YOY), but places Indianapolis in alignment with the national average.

DEMAND: SUBLEASE SPACE CONTINUES TO COMPRESS

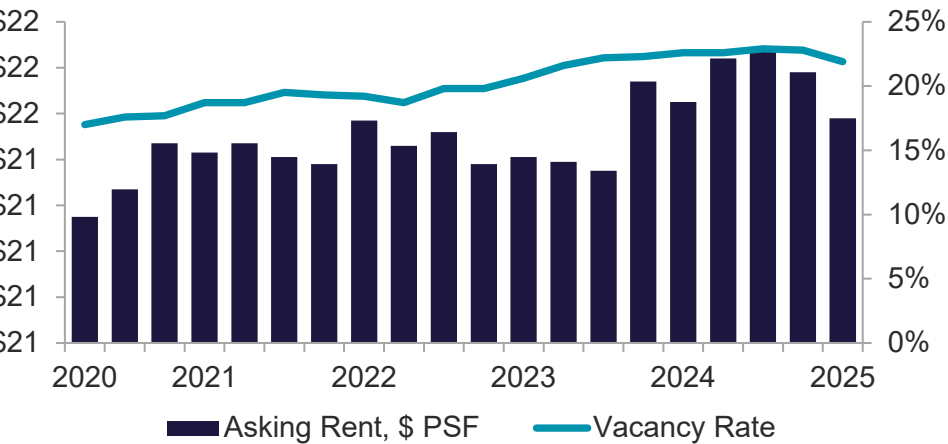
Overall net absorption registered at negative 159,000 square feet (sf) in the first quarter, down from 29,000 sf recorded this time last year. Occupancy gains were highest in the Fishers submarket through the first three months of 2025, with Fishers logging 44,000 sf of overall net absorption. The largest move-ins were Northwestern Mutual, GPD Group, and MAVPAK. Occupancy losses were most evident in the Downtown and Northeast submarkets, which recorded negative 120,000 and negative 96,000 sf of overall net absorption, respectively. Direct net absorption, which does not include occupancy changes from sublease space, continued its downward trend, totaling negative 175,000 sf. The amount of available sublease space fell 15.0% YOY, down to 821,000 sf. New leasing activity totaled 280,000 sf through the first quarter, a slower start after 2024 registered the highest yearly new leasing total since 2021. The North/Carmel submarket led in new leasing activity with 132,000 sf of deals signed so far this year. Three of the largest new leases signed during the quarter were in the North/Carmel submarket, including the Krieg DeVault, Huse Culinary and Circle Design Group deals.

The overall vacancy rate for the market increased 10 bps YOY to 21.9%. The class A and class B vacancy rates both increased by 20 bps quarter-over-quarter (QOQ). Class C vacancy rates stayed unchanged at 8.8% QOQ. Vacancy rates decreased on a quarterly basis in five submarkets— East, Fishers, Keystone, Northwest, and South— with vacancy declining the most strikingly in the East submarket, down 380 bps to 14.0%.

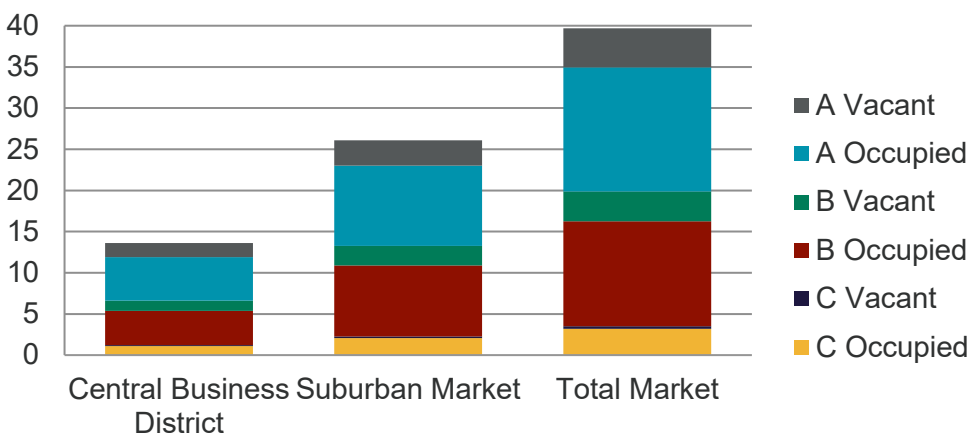
SPACE DEMAND / DELIVERIES



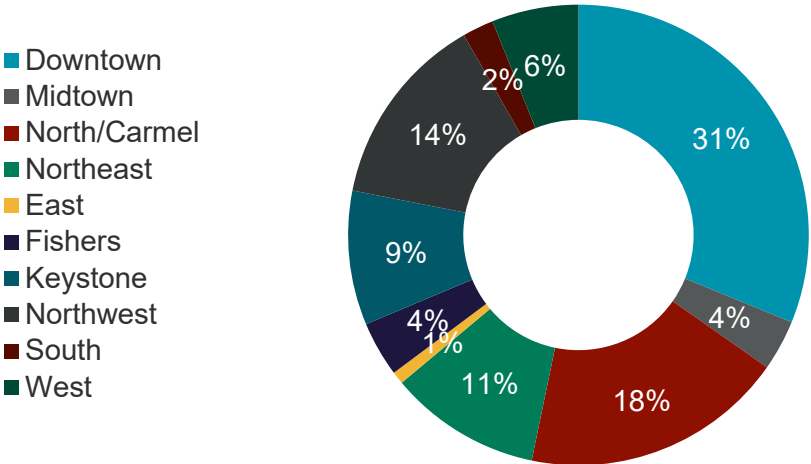
OVERALL VACANCY & ASKING RENT



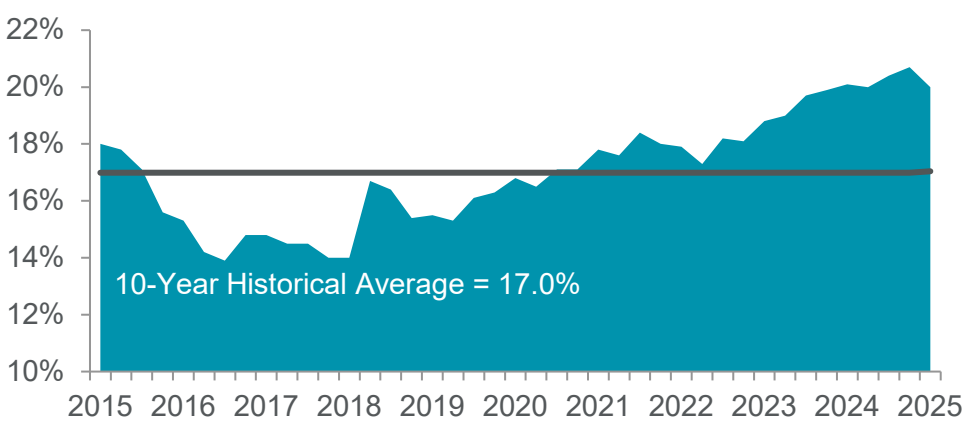
LEASING DEMAND BY CLASS OF SPACE (MSF)



VACANT SPACE BY SUBMARKET



DIRECT VACANCY RATE VS. 10-YEAR AVERAGE



PRICING: ASKING RENTS CONTINUE TO DECREASE

Overall average gross asking rents decreased by 0.5% QOQ and down 0.2% YOY, to \$21.58 per square foot (psf) in the first quarter. Asking rents increased on a quarterly basis in three submarkets— Midtown, Keystone, and Northwest— with QOQ gains the largest in the Keystone submarket at 0.8%, up to \$25.35. The Keystone submarket also recorded the highest asking rents in the market for the 13th-consecutive quarter. On a yearly basis, four submarkets (Downtown, Midtown, North/Carmel, and Northeast) registered asking rate declines, down a collective average of 0.8%.

SUPPLY: BTS CONTINUES TO COMMAND PIPELINE

In the first quarter, no construction projects were completed in the Indianapolis office market. Currently, the under-construction pipeline includes nearly 327,000 sf spread across three buildings. All three buildings, located in the North/Carmel and downtown submarkets, are fully preleased. Two of the projects are built-to-suit (BTS) and the third project, a speculative building in the Bottleworks District, are set for completion later this year. Moving forward, expect the pipeline to continue being dominated by BTS and heavily preleased buildings, as developers prefer having tenants in place before starting construction.

SALE ACTIVITY: MODERATE SALES IN FIRST QUARTER

The first quarter saw moderate sales activity, with nearly 247,000 sf of space sold, up slightly from the 200,000 sf sold this time last year. The largest sale of the quarter was for 130 E Washington Street, a 212,000 sf class B building. In late spring of 2025 the buyer, Holladay Properties, plans to convert the historic office building into an apartment building with first floor retail and second floor entertainment tenants. The other sale this quarter was at 1129 E 16th Street. The 36,000 sf building was purchased by the Morales Group. Both sales this quarter were class B buildings, one in the downtown submarket and the other in the Midtown submarket.

OUTLOOK

- Class A space comprised 73.9% of all new leasing activity so far in 2025, despite only 49.9% of the office inventory being Class A space, as tenants have engaged in a flight-to-quality throughout the last few years. Expect this trend to continue as tenants search for newer and uniquely designed spaces that engage and maintain workers.
- Average asking rental rates have flattened out over the last two years, only increasing by 0.88%. They are projected to remain this way for the foreseeable future 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	11,777,516	112,283	2,596,857	23.0%	-120824	-120,824	38,810	86,656	\$23.60	\$25.15
Midtown	1,816,443	0	309,768	17.1%	-8033	-8,033	0	0	\$15.92	N/A
East	545,572	0	76,109	14.0%	21,273	21,273	0	0	\$16.89	N/A
Fishers	2,638,148	59,783	277,370	12.8%	43,979	43,979	6,001	0	\$22.93	\$23.47
Keystone	4,106,618	75,491	743,545	19.9%	22,028	22,028	27,250	0	\$25.35	\$26.15
North/Carmel	8,272,810	147,975	1,460,902	19.5%	-57,276	-57,276	131,764	240,000	\$24.22	\$25.44
Northeast	3,283,376	47,653	878,736	28.2%	-96,234	-96,234	32,930	0	\$18.69	\$20.03
Northwest	3,981,854	257,372	925,925	29.7%	33,984	33,984	37,689	0	\$18.47	\$19.97
South	1,392,040	0	191,048	13.7%	3,518	3,518	5,834	0	\$18.49	\$22.15
West	1,866,886	47,589	481,272	28.3%	-2,325	-2,325	0	0	\$15.88	\$17.06
Class A	19,797,655	490,695	4,259,398	24.0%	-120,470	-120,470	207,243	326,656	\$24.31	
Class B	16,378,030	257,451	3,373,966	22.2%	-38,632	-38,632	59,189	0	\$18.91	
Class C	3,505,578	0	308,168	8.8%	-808	-808	13,846	0	\$17.45	
TOTAL	39,681,263	748,146	7,941,532	21.9%	-159,910	-159,910	280,278	326,656	\$21.82	\$21.58

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2025

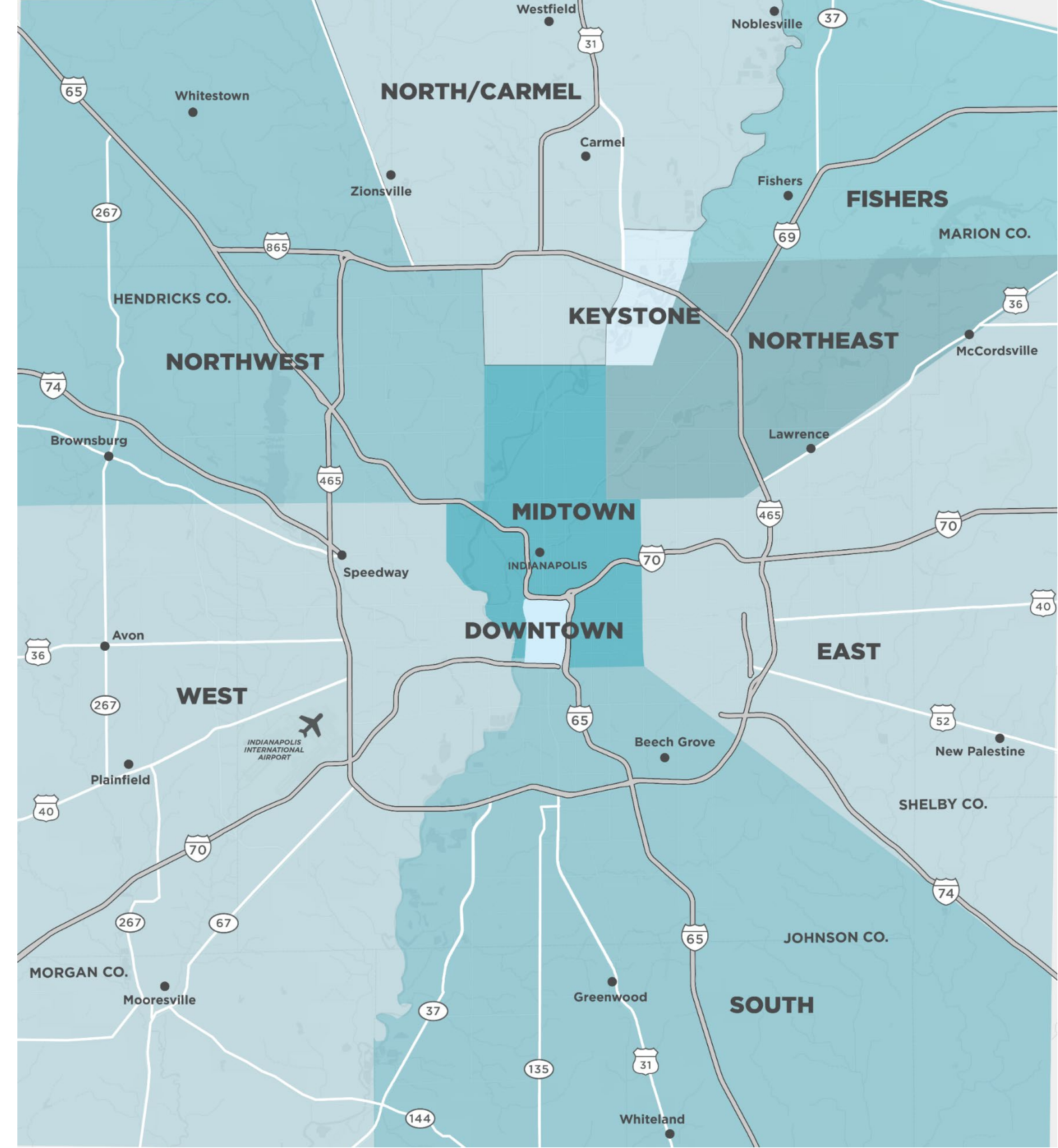
PROPERTY	SUBMARKET	TENANT	SF	TYPE
111 Congressional Blvd	North/Carmel	Krieg DeVault LLP	26,965	New Lease
8900 Keystone Crossing	Keystone	JLL	15,573	Renewal*
835 College Ave	Downtown	Ernst & Young U.S.	15,440	New Lease
280 E 96th St	North/Carmel	Huse Culinary	12,794	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
130 E Washington St	Downtown	Onward Investors Holladay Properties	212,000	\$9.8M \$46
1129 East 16th Street	Midtown	TWG Development Morales Group	34,952	\$3.9M \$112

OFFICE SUBMARKETS



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