MARKETBEAT

INDIANAPOLIS

OFFICE Q3 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
21.5% Vacancy Rate	▲	▲
13K YTD Net Absorption, SF	▲	▲
$21.73 Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.2M Indianapolis Employment	▲	▼
3.3% Indianapolis Unemployment Rate	▼	▲
4.3% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: FED'S FIRST RATE CUT OF THE YEAR

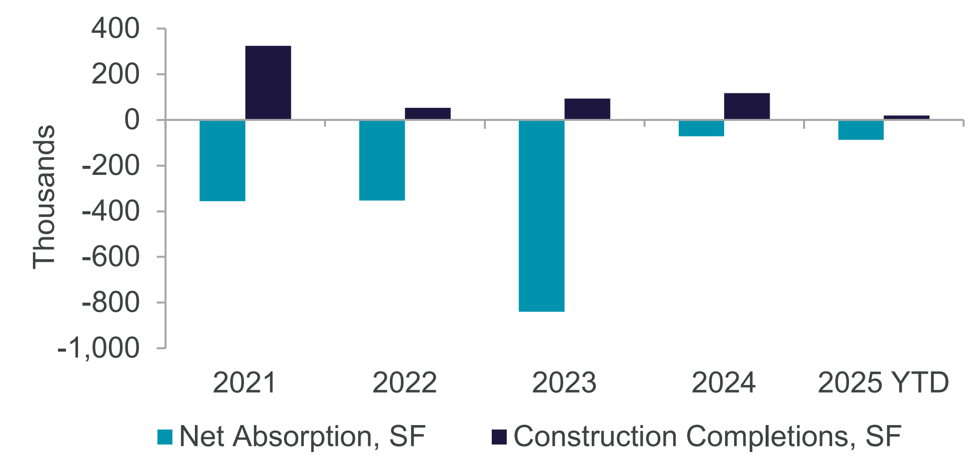
The Federal Reserve implemented its first rate cut of 2025, lowering the federal funds rate to a range of 4.0-4.25%. The move, aimed at supporting growth amid slowing job gains and easing inflation, was welcomed by many as a sign that monetary policy is shifting toward a more accommodative stance. The Fed has signaled that additional reductions are possible later this year, though policymakers remain cautious given lingering inflation pressures. The unemployment rate in Indianapolis decreased to 3.3%, down 70 basis points (bps) year-over-year (YOY). This placed Indianapolis well below the national average of 4.3%.

DEMAND: SUBURBS REBOUND IN Q3

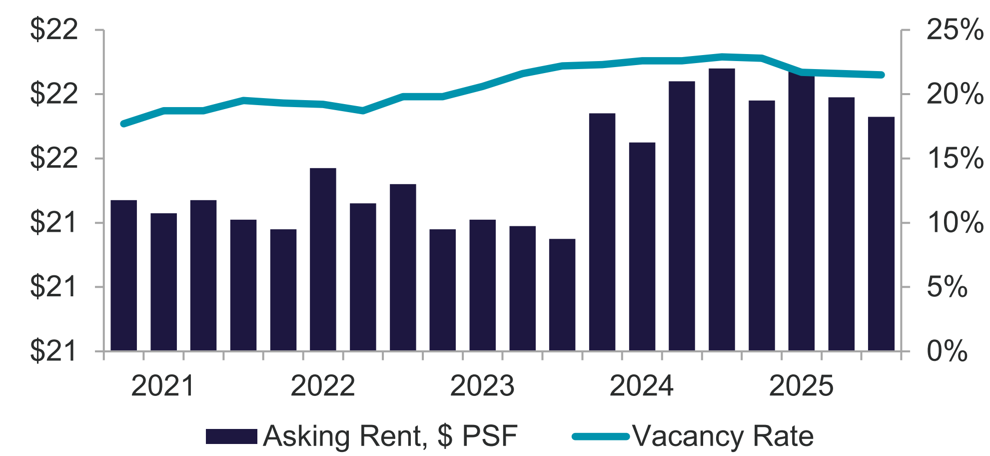
Overall net absorption stabilized after a challenging first half of 2025. Absorption totaled 13,000 square feet (sf), up 116.7% YOY from negative 75,000 sf. Occupancy gains were highest in the North/Carmel submarket, logging 22,000 sf of overall net absorption. The suburbs registered a 283.7% increase quarter-over-quarter (QOQ), while the CBD recorded a 139.4% decrease QOQ. The largest move-ins were Krieg DeVault, Christopher Burke Engineering and Ernst & Young. Occupancy losses were most evident in the Downtown and East submarkets, which recorded negative 37,000 sf and negative 21,000 sf of overall net absorption, respectively. Direct net absorption, which does not include occupancy changes from sublease space, continued to see positive gains posting 39,000 sf of positive net absorption. The amount of available sublease space fell 1.8% YOY, down to 912,000 sf. New leasing activity totaled 316,000 sf in Q3, bringing the year-to-date (YTD) total to 967,000 sf— a slower start compared to 2024, which marked the highest annual leasing volume since 2021. For the first time in four years the Keystone submarket led in new leasing activity, totaling 78,000 sf. Two of the three largest new leases signed during the quarter were located in the North/Carmel submarket, including deals by South College of Indiana and Baker Hill Solutions.

The overall vacancy rate increased 10 bps YOY to 21.5%. Class A vacancy rose slightly to 24.0%, while Class B vacancy rate decreased by 40 bps QOQ to 21.3%. Class C vacancy increased 30 bps QOQ to 8.3%. Vacancy rates decreased on a quarterly basis in six of the 10 submarkets, with vacancy declining the most strikingly in the West submarket, down 210 bps to 27.5%.

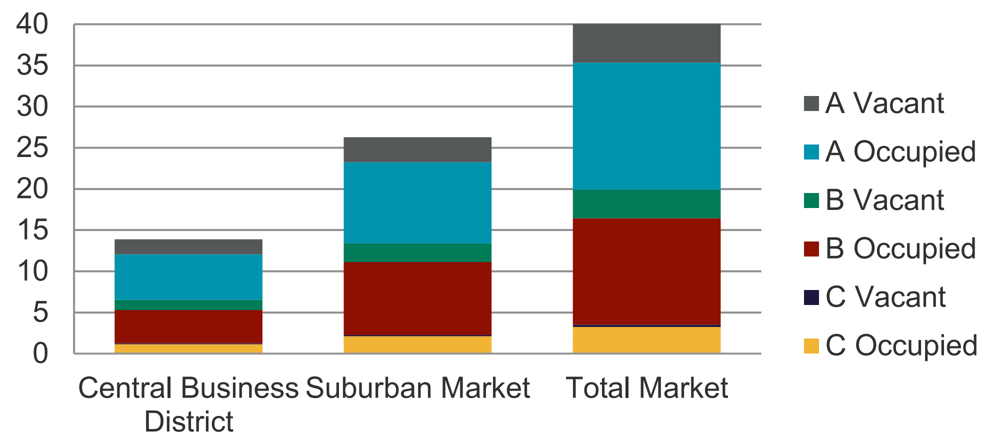
SPACE DEMAND / DELIVERIES



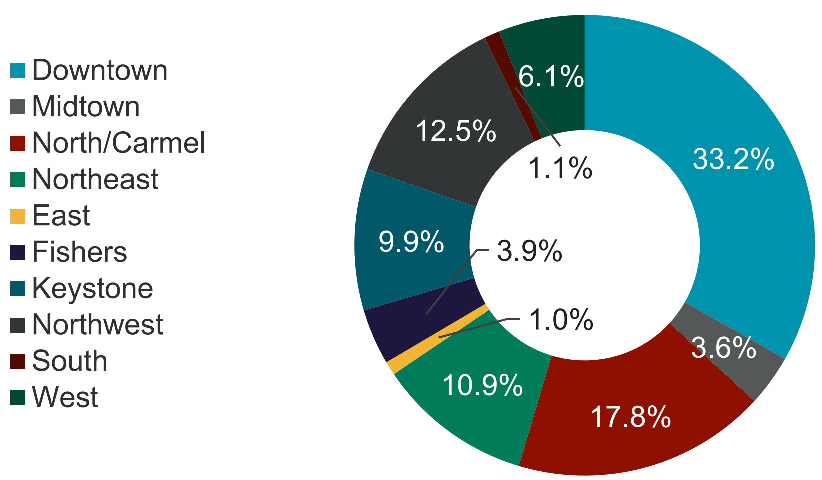
OVERALL VACANCY & ASKING RENT



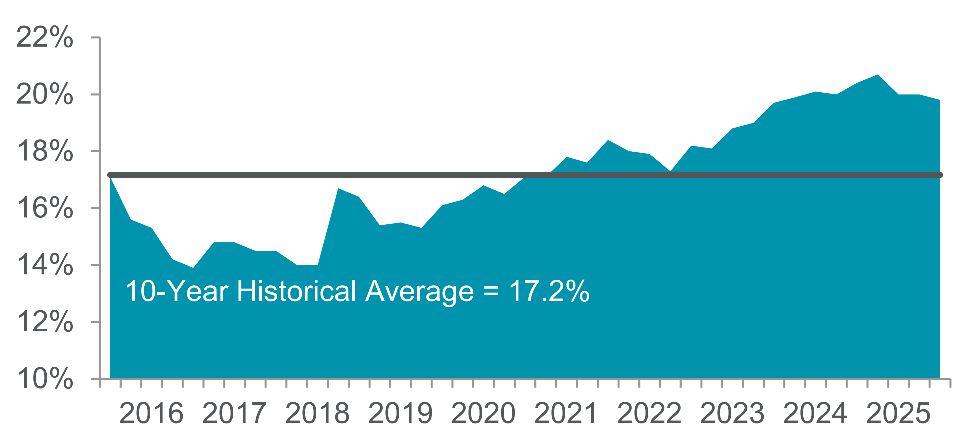
LEASING DEMAND BY CLASS OF SPACE (MSF)



VACANT SPACE BY SUBMARKET



DIRECT VACANCY RATE VS. 10-YEAR AVERAGE



PRICING: RENTS CONTINUE TO HOLD STEADY IN Q3

Overall average gross asking rents decreased by 0.3% QOQ and are down 2.0% YOY, to $21.73 per square foot (psf). Asking rents decreased in eight of the 10 submarkets. The South submarket reported the largest decrease of 7.3%, down to $17.57 psf from $18.96 psf. Of the two submarkets that recorded asking rate increases, the Midtown submarket reported the largest gain of 1.4% YOY, up to $16.46. The Keystone submarket recorded a YOY increase of 0.2% and maintained the highest asking rent in the market for the 15th-consecutive quarter. Class A asking rental rates registered a 3.1% decrease YOY. Class B rates remained stagnant, and Class C recorded an asking rate increase of 4.4%. The average QOQ movement over the last five years has only been 0.2%, putting this quarter's decrease right in line with the average. The last time Indianapolis saw any movement of note was back in Q4 2023 where rents increased from $21.65 psf to $22.02 psf, an increase of 1.7%. Since then, the market has only seen nominal changes QOQ.

SUPPLY: CONSTRUCTION PIPELINE HITS FIVE YEAR HIGH

There have been no construction projects completed in the Indianapolis office market in 2025. Currently, the under construction pipeline includes nearly 409,000 sf across five buildings. This is the most amount of space in the pipeline since Q2 2020. The two speculative developments are located in the Downtown and Fishers submarkets. The downtown development in the Bottleworks District is fully preleased, while the newest project to break ground — The Union at Fishers — remains entirely available for lease. All three build-to-suit (BTS) developments, totaling 260,000 sf, are located in the North/Carmel submarket and are being built for Justus Companies, Merchants bank and Republic Airways. Four of the five projects are scheduled to be completed before the end of the 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:

The third quarter recorded only 195,000 sf of office space sold, a decrease of 67.9% QOQ. The largest sale of the quarter was a user sale at 8350 Sunlight Dr. in the Fishers submarket. The 80,000-sf class A building sold to Hensley Legal Group for $11.7 million. The remaining 6 sales only totaled 115,000 sf. User sales made up four of the sales and accounted for 113,000 sf. The capital markets accounted for six of the eight sales last quarter but only recorded three sales this quarter, with the largest being a 60,000-sf building that will likely be demolished for IU Health's continued expansion.

OUTLOOK

- Class A inventory only represents 50.4% of all space in the market but accounted for 71.9% of all new leasing activity so far in 2025. Leasing activity in Class B space recorded a 59.2% increase QOQ, competing more closely with Class A for the first time in just over a year. The flight to quality trend will continue, but slight increases in TI allowances and free rent could keep Class B spaces competitive in the market.
- Average asking rental rates peaked in Q3 2024 at $22.18, now they are down 2.0%, to $21.73. The last time rates were this low was Q3 2023. 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	12,077,624	123,468	2,750,164	23.8%	-37,027	-74,563	212,736	86,656	$23.94	$25.31
Midtown	1,816,443	0	311,457	17.1%	6,498	-9,722	33,952	0	$16.46	N/A
East	570,252	0	83,782	14.7%	-21,345	24,055	850	0	$18.24	N/A
Fishers	2,638,148	72,819	265,722	12.8%	-80	40,460	22,507	62,556	$23.05	$22.55
Keystone	4,106,696	80,919	777,809	20.9%	-15,567	-4,502	163,113	0	$25.12	$26.11
North/Carmel	8,404,650	155,295	1,385,100	18.3%	22,186	23,732	267,892	260,000	$23.79	$25.16
Northeast	3,287,555	51,251	893,758	28.7%	1,027	-119,008	70,092	0	$18.77	$20.06
Northwest	3,990,599	114,133	966,987	27.1%	5,915	-22,531	133,701	0	$18.26	$19.64
South	1,392,040	0	93,434	6.7%	11304	15,205	22,442	0	$17.57	$17.23
West	1,907,030	94,258	430,469	27.5%	39,693	39,286	39,372	0	$16.09	$17.10
Class A	20,271,969	377,143	4,491,872	24.0%	-47,968	-105,421	695,385	409,212	$23.83	
Class B	16,403,490	306,114	3,184,236	21.3%	72,368	-15,292	235,280	0	$19.10	
Class C	3,515,578	8,886	282,574	8.3%	-11,796	33,125	35,992	0	$18.43	
TOTAL	**40,191,037**	**692,143**	**7,958,682**	21.5%	**12,604**	**-87,588**	**966,657**	**409,212**	**$21.73**	**$23.83**

Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2025

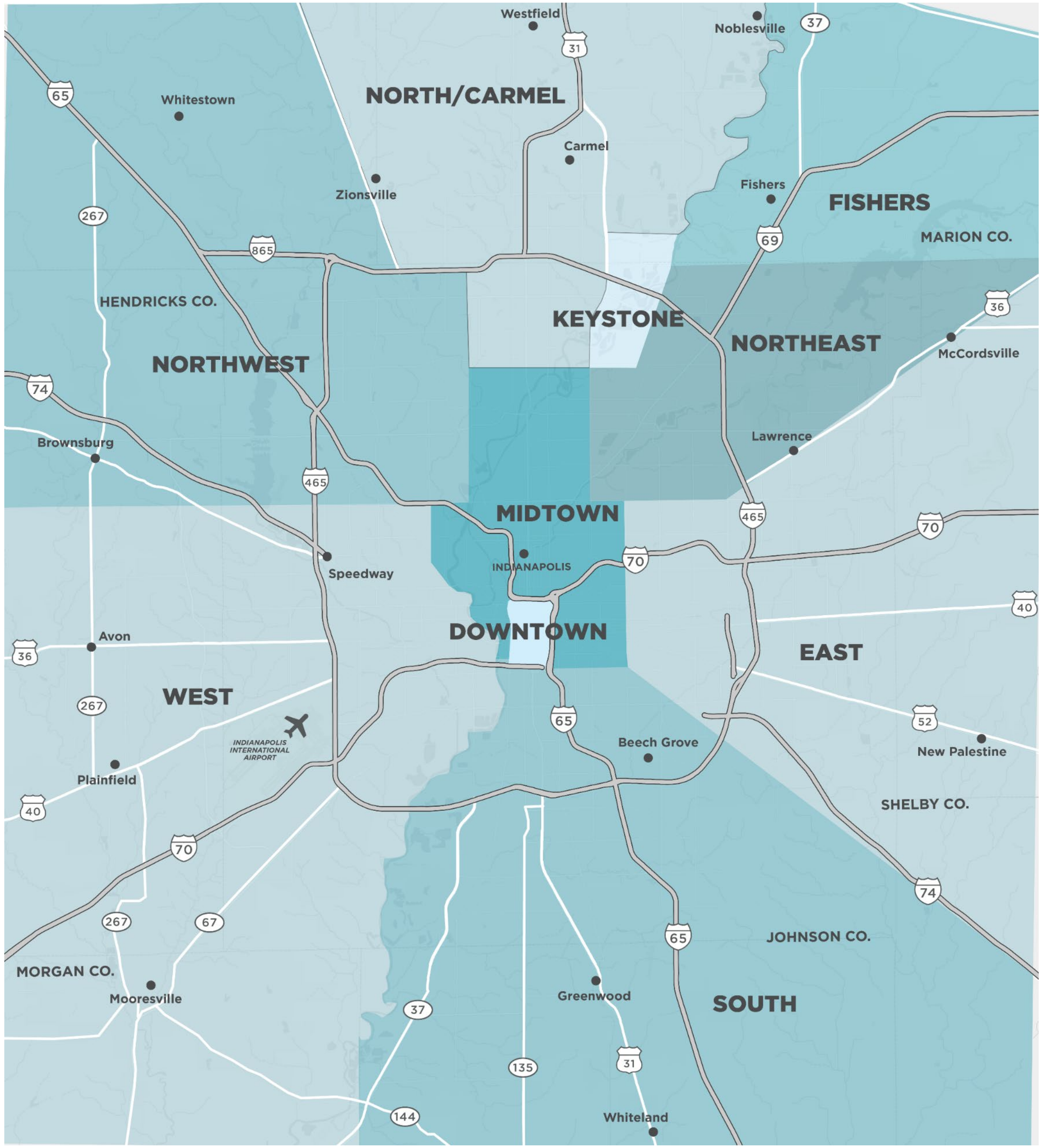
PROPERTY	SUBMARKET	TENANT	SF	TYPE
Intech One	Northwest	Heritage Environmental Services	45,711	New Lease
Two Penn on Parkway	North/Carmel	South College of Indiana, LLC	36,217	Renewal*
City Center at Penn	North/Carmel	Baker Hill Solutions	31,758	Renewal*
4150 N Keystone Ave.	Midtown	Indiana Department of Health	31,231	New Lease

Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
8350 Sunlight Dr	Fishers	ARG | HLG Real Estate Holdings	81,571	$11.7M | $141
3951 N Meridian St	Midtown	Nuvo | WDI Architecture	15,000	$1.5M | $100

OFFICE SUBMARKETS



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