MARKETBEAT
INDIANAPOLIS
OFFICE Q4 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
21.4% Vacancy Rate	▲	▼
-166K YTD Net Absorption, SF	▼	▼
$21.91 Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.2M Indianapolis Employment*	▲	▼
3.3% Indianapolis Unemployment Rate*	▼	▲
4.6% U.S. Unemployment Rate	▲	▲

Source: BLS
**Q3 2025*

ECONOMY: JOBS UP, INTEREST RATES DOWN

Employment data for Q4 2025 was disrupted by the government shutdown. As of Q3 2025, Indianapolis employment grew 0.3% year-over-year (YOY) to 1.2 million, while the population posted a modest 1.0% increase over the same period.

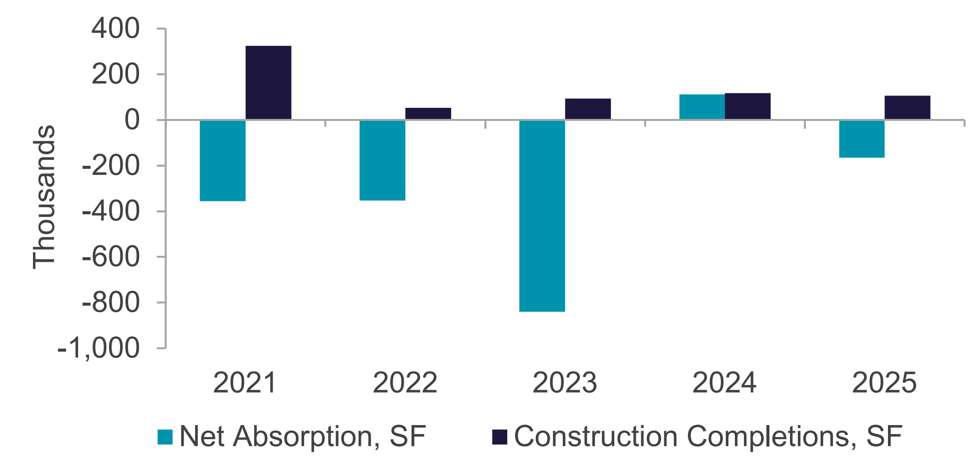
The Federal Reserve cut interest rates twice in Q4 2025, once in October and again in December, lowering the rate by 50 basis points (bps), to 3.5%.

DEMAND: ABSORPTION MODERATES, LEASING SURGES TO END YEAR

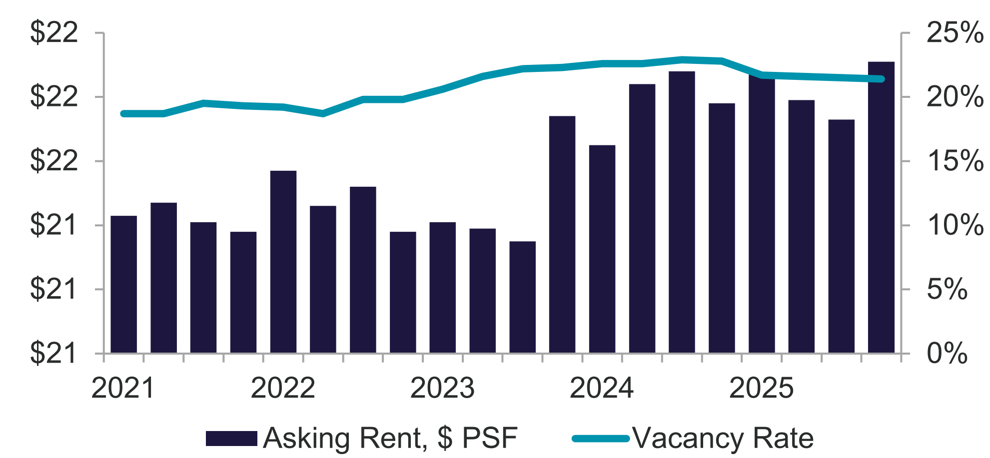
Overall net absorption finished 2025 at negative 166,000 square feet (sf). Although the figure is lower than 2024's 111,000 sf, it outperforms the preceding three-year period, which reported an average net absorption of negative 375,000 sf. One of the main reasons for the negative absorption was Elanco's exit from their 222,000-sf space in Greenfield. Without that vacancy, net absorption for the year would have been 40,000 sf for the quarter and 56,000 sf for the year. Occupancy gains in Q4 2025 were highest in the Downtown submarket, which hasn't happened since Q1 2023. The CBD registered a 1,250.3% increase quarter-over-quarter (QOQ), improving from negative 4,000 sf to 52,000 sf. Outside of the large vacancy in the East submarket, occupancy losses were most evident in the North/Carmel submarket, which recorded negative 30,000 sf of overall net absorption. The amount of available sublease space decreased 9.0% YOY to 559,000 sf, with Class B space accounting for 54.0% of the total. New leasing activity totaled 669,000 sf in Q4 2025, bringing the annual total to 1.6 million square feet (msf). For the second consecutive quarter, the Keystone submarket led in new leasing activity, totaling 187,000 sf. The three largest new leases signed during the quarter were in the Keystone, Northwest and Downtown submarkets, totaling 159,000 sf.

The overall vacancy rate increased 40 bps YOY to 21.4%. All three classes of office space registered vacancy increases QOQ. Class A recorded the largest increase at 80 bps, followed by Class C at 40 bps. Vacancy rates decreased on a quarterly basis in four of the 10 submarkets, with vacancy declining the most strikingly in the Northwest submarket, down 90 bps to 25.8%.

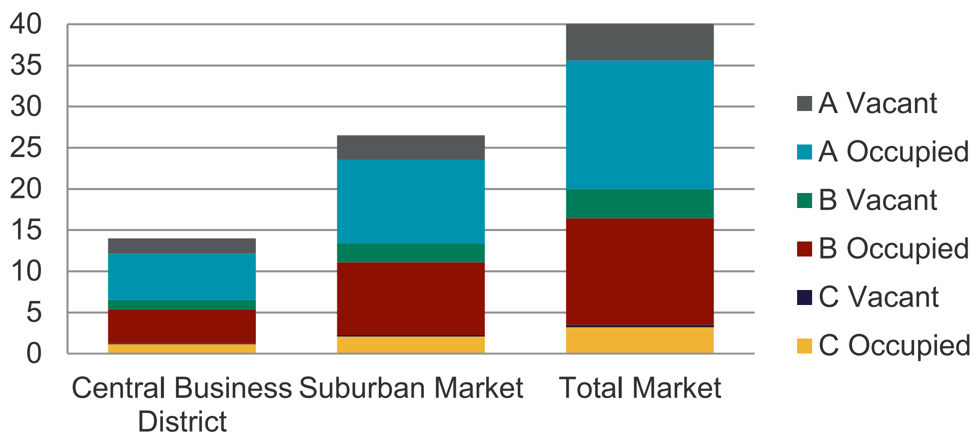
SPACE DEMAND / DELIVERIES



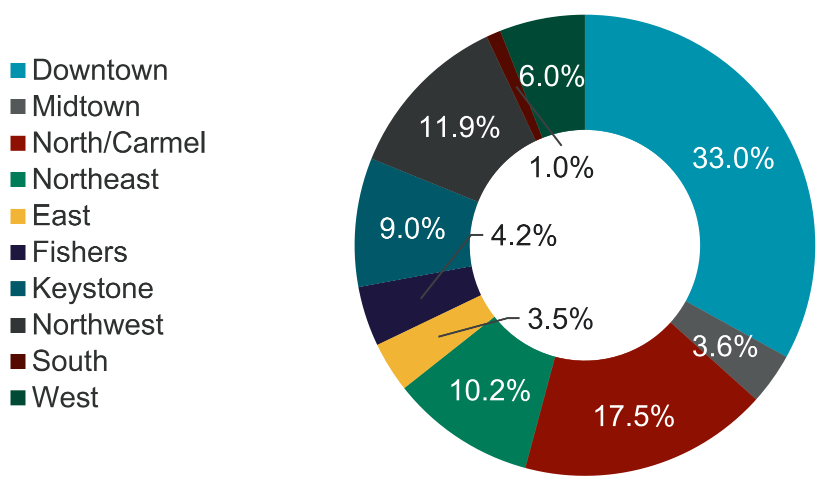
OVERALL VACANCY & ASKING RENT



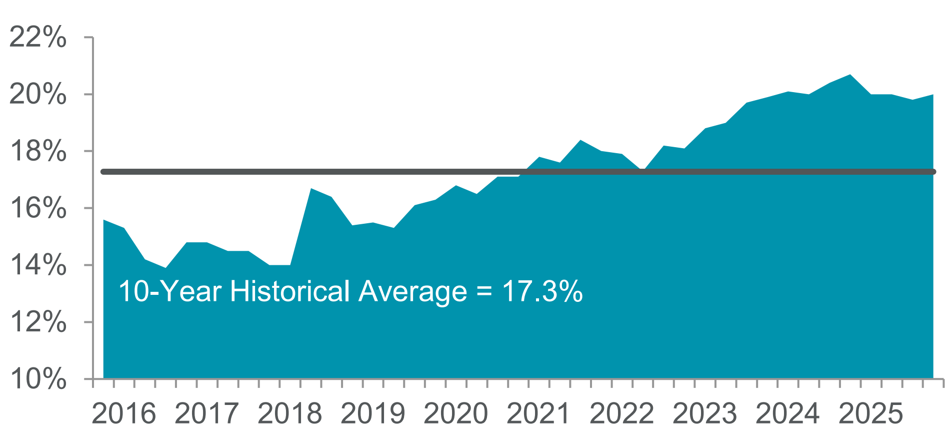
LEASING DEMAND BY CLASS OF SPACE (MSF)



VACANT SPACE BY SUBMARKET



DIRECT VACANCY RATE VS. 10-YEAR AVERAGE



PRICING: RENTS REMAIN WITHIN 5-YEAR AVERAGE

Overall average gross asking rents in the market are down 0.3% YOY but increased 0.7% QOQ in Q4 2025, reaching $21.91 per square foot (psf). Asking rents recorded QOQ increases in six of the 10 submarkets. The Downtown submarket reported the largest increase of 1.3%, up to $24.33 psf from $24.01 psf. Of the four submarkets that recorded asking rate decreases, the East submarket reported the largest decrease of 1.7% YOY, down to $17.93. The Keystone submarket recorded a YOY decrease of 1.1% but still maintained the highest asking rent in the market for the 16th-consecutive quarter. Class A and Class C asking rental rates both registered increases of 1.3% and1.8%, respectively. Class B rates remained stagnant for the third consecutive quarter. The average QOQ asking rent movement over the last five years has only been 0.2%, putting this quarter's increase of 0.7% just above that average. The last time Indianapolis saw any movement of note was back in Q4 2023 where rents increased from $21.58 psf to $21.96 psf, an increase of 1.7%. Since then, the market has only seen nominal changes QOQ.

SUPPLY: CONSTRUCTION COMPLETIONS GAIN MOMENTUM

Indianapolis saw minimal office construction throughout the year, apart from a small project in McCordsville. Activity picked up in Q4 2025 with the completion of an 87,000-sf office building in the Bottleworks District, now home to Indiana Members Credit Union. This brought the 2025 total to 106,000 sf. Currently; the under-construction pipeline includes nearly 213,000 sf across three buildings. This is right in line with the five-year average of 238,000 sf. The one speculative development is in the Fishers submarket, while the two build-to-suit (BTS) developments are in the North/Carmel submarket. Between the two BTS projects only 15.9% remains vacant. 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: SALES SLOW, USER DEALS LEAD Q4

Only 170,000 sf of office space traded in Q4 2025, reflecting a 12.8% QOQ decline and bringing full-year 2025 sales to 1.6 msf. Q2 2025 dominated the year's performance, contributing 51.6% of total volume. The largest transaction of Q4 2025 was a user sale at 11799 N College Ave. in the North/Carmel submarket, where tenant NextGear Capital exercised its right of first refusal and acquired the property for $8.5 million. Six of the 10 submarkets posted at least one sale, split evenly between user and investment transactions. The most notable investment sale was the disposition of Lakefront 71 in the Keystone submarket, where The Basement sold the 30,000-sf building to Midwest Design Group for $4.5 million.

OUTLOOK

- Class A inventory only represents 50.8% of all space in the market but accounted for 74.1% of all new leasing activity in 2025, a 25.0% increase over the 59.3% seen in 2024. Leasing activity in Class B space made up 33.8% of all leasing activity in 2024 but dropped by 36.4% YOY to just 21.5% in 2025. This trend points to the continued flight to quality.
- The Elanco move-out pushed overall absorption into negative territory but removing that vacancy from the equation shows a much stronger picture: the market would have posted its third year of positive absorption in the past six years and its second in a row. This indicates that tenant movement remains healthy, especially with leasing activity nearly doubling between Q3 and Q4 2025.

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	12,164,280	85,143	2,781,061	23.6%	52,080	-36,169	377,545	0	$24.33	$25.81
Midtown	1,828,443	0	313,936	17.2%	-327	-12,523	79,866	0	$16.16	N/A
East	792,092	0	306,589	38.7%	-222,807	-198,752	3,375	0	$17.93	N/A
Fishers	2,638,148	78,280	285,781	13.8%	-28,045	14,940	32,262	62,556	$23.26	$22.79
Keystone	4,106,696	41,968	742,505	19.1%	12,179	12,084	343,705	0	$25.05	$26.47
North/Carmel	8,404,650	134,999	1,383,752	18.1%	-30,189	26,769	351,593	150,000	$23.73	$25.17
Northeast	3,287,555	3,598	879,898	26.9%	-8,741	-73,966	109,623	0	$18.79	$20.30
Northwest	3,990,599	114,133	914,158	25.8%	35,937	37,495	211,735	0	$18.25	$20.12
South	1,392,040	0	88,286	6.3%	5,148	20,353	27,341	0	$17.36	$17.22
West	1,907,030	100,858	419,258	27.3%	3,078	43,897	100,753	0	$16.21	$17.10
Class A	20,580,465	248,188	4,642,363	23.8%	-138,846	-169,741	1,213,961	212,556	$24.25	
Class B	16,415,490	301,905	3,175,693	21.2%	-28,297	-14,662	352,439	0	$19.09	
Class C	3,515,578	8,886	297,168	8.7%	-14,544	18,531	71,398	0	$18.77	
TOTAL	**40,511,533**	**558,979**	**8,115,224**	21.4%	**-181,687**	**-165,872**	**1,637,798**	**212,556**	**$21.91**	**$24.25**

Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2025

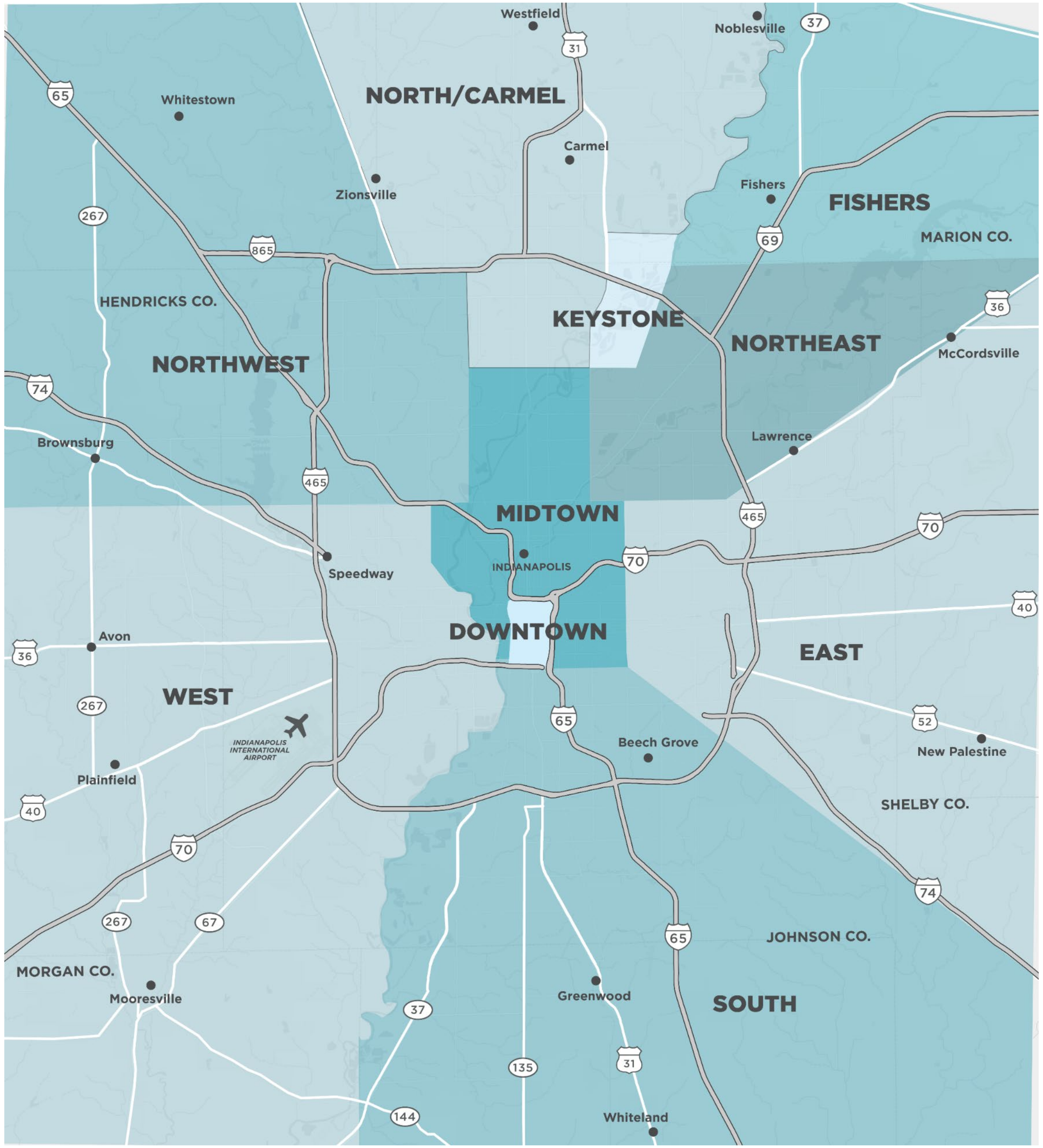
PROPERTY	SUBMARKET	TENANT	SF	TYPE
9200 Keystone Crossing	Keystone	DuCharme McMillen & Associates	90,378	New Lease
7835 Woodland Dr	Northwest	Renewal By Andersen	41,000	New Lease
The Pyramids	Northwest	CIESC	32,244	Renewal/Expansion*
PNC Center	Downtown	United Healthcare	27,516	New Lease

Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
11799 N College Ave	North/Carmel	CNO Financial Group | NextGear Capital	105,241	$8.5M | $81
9500 Priority Way	Keystone	The Basement | Midwest Design Group	30,009	$4.5M | $150

OFFICE SUBMARKETS



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