Indianapolis

Office | Q3 2024 Market Report

Quarterly Snapshot

↑ Average Rent
$22.40/SF

↑ Vacancy
21.50%

↑ Net Absorption YTD
-166,405 SF

Occupier's Perspective

There has been a noticeable increase in tenant demand for office space in Indianapolis, with the amount of square footage being sought reaching its highest levels in the past year.

There have been increased and sustained levels of new leases in the Indianapolis office market, helping to keep the total vacancy rate in check.

Positive absorption is projected for Q4, as the momentum from sustained leasing activity carries into the final quarter of 2024. If new leasing continues at the current pace, the Indianapolis office market could see a gradual decrease in post-pandemic vacancy rates.

In Q3 2024, the Indianapolis office market showed signs of stabilization as the city continues to navigate the evolving post-pandemic landscape. While leasing activity remained solid, the shift toward hybrid and remote work has led to a continued trend of smaller office footprints, keeping vacancy rates relatively flat at 21.5%. Despite this, the market saw pockets of growth, particularly in the financial services and professional sectors, which grew by 5.5% and 2.3% year-over-year, respectively. These gains in employment, while positive for the economy, have not yet translated into significant absorption of office space, as many companies are rethinking their real estate needs in light of changing work patterns. As a result, landlords are adjusting expectations, offering more flexible lease terms and increased concessions to attract tenants.

Looking ahead, the outlook for the Indianapolis office market is cautiously optimistic. The broader U.S. economy has shown signs of stability, with inflation easing and the labor market tightening. The Federal Reserve's anticipated interest rate cuts could further fuel economic growth, which may eventually translate into stronger demand for office space. However, the ongoing preference for hybrid work models means that while tenant demand is expected to pick up, it will likely be tempered by a continued preference for smaller, more flexible spaces. As a result, office markets in Indianapolis will likely see gradual improvements in absorption and vacancy rates, with certain sectors—such as tech and professional services—driving leasing activity.

Recent Transactions

Tenant	Size (SF)	Submarket	Type
Indiana Members Credit Union	71,216 SF	Downtown	New Lease
Royal United Mortgage	47,988 SF	Fishers/Geist	New Lease
DCS	31,053 SF	Northwest	New Lease
First Advantage Background Srvcs	29,437 SF	Fishers/Geist	Renewal
Travelers	28,000 SF	Meridian Cooridor	New Lease

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent ($/SF)	Submarket
25.93%	▼	$16.19	West
11.90%	▲	$16.22	East
16.23%	▼	$17.46	Midtown
11.50%	▼	$18.44	Greenwood (South)
27.73%	▲	$19.33	Northwest
16.30%	▲	$23.36	Fishers/Geist
23.17%	▲	$24.09	CBD
21.40%	▲	$24.96	Keystone
14.13%	▼	$25.19	Carmel