

FIGURES | INDIANAPOLIS INDUSTRIAL | Q3 2024

# Indianapolis Industrial Vacancy Remains Steady for the First Time in Two Years.

▼ 25,999

SF Net Absorption

► 10.6%

Vacancy Rate

▲ \$5.94

NNN / Lease Rate

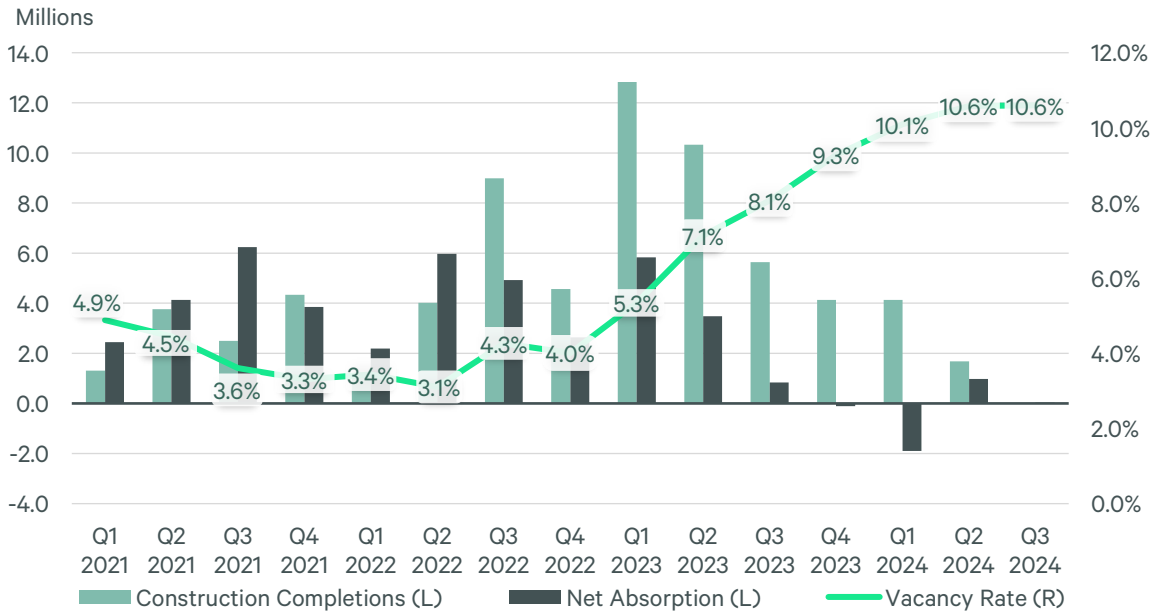
▼ 2.4 MSF

SF Under Construction

Note: Arrows indicate change from previous quarter.

- The third quarter of 2024 remained positive from a net absorption standpoint, with a total of 25,999 SF in occupancy gains. This is a significant drop from the second quarter of 2024 which posted 494,907 SF in occupancy gains. The main cause of lower absorption for Q3 2024 is due to several large spaces becoming available in the Southeast and East submarket.
- For the first time in eight quarters vacancy has remained flat at 10.6%.
- Average asking rates showcased continued rent growth even amid historic vacancy. Q3 2024 experienced a slight increase of \$0.08 PSF to \$5.94 PSF/annum.
- Leasing activity dipped slightly this quarter to 4.9 MSF, a decrease of 0.3 MSF from the second quarter.

FIGURE 1: Indianapolis Construction Completions, Net Absorption, and Vacancy Rates



Source: CBRE Research, Q3 2024

Construction

Currently, there are six Industrial projects under construction in Indianapolis totaling 2.4 MSF. Of those projects, only 35% (858,687 SF) is Speculative in nature, with the majority of product, 65% (1,593,266 SF) being Built to Suit for tenants.

Construction remains near historic lows in Indianapolis after a several year bull run delivering 30+ MSF to the market. Much of the speculative product that was delivered in the past 36 months continues to remain vacant, causing developers to remain cautious in bringing any new product to the market.

Throughout Q4 2024 and Q1 2025 we will see a majority of the current under construction stock delivering. Most of the space under construction, totaling 1.5 MSF, is within the West submarket.

FIGURE 2: Historic Construction Deliveries (MSF)

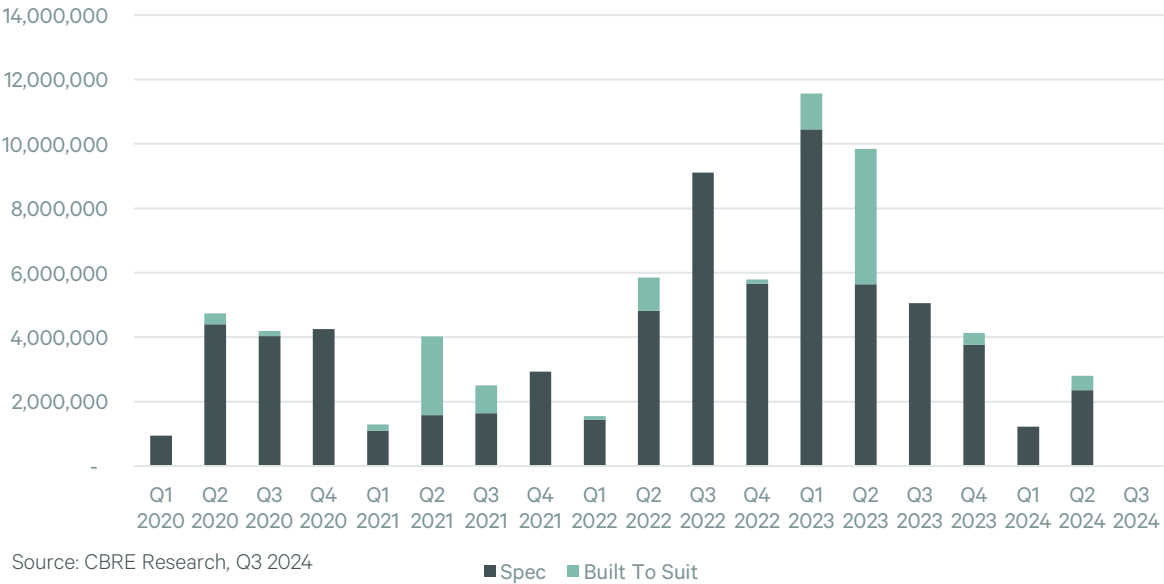
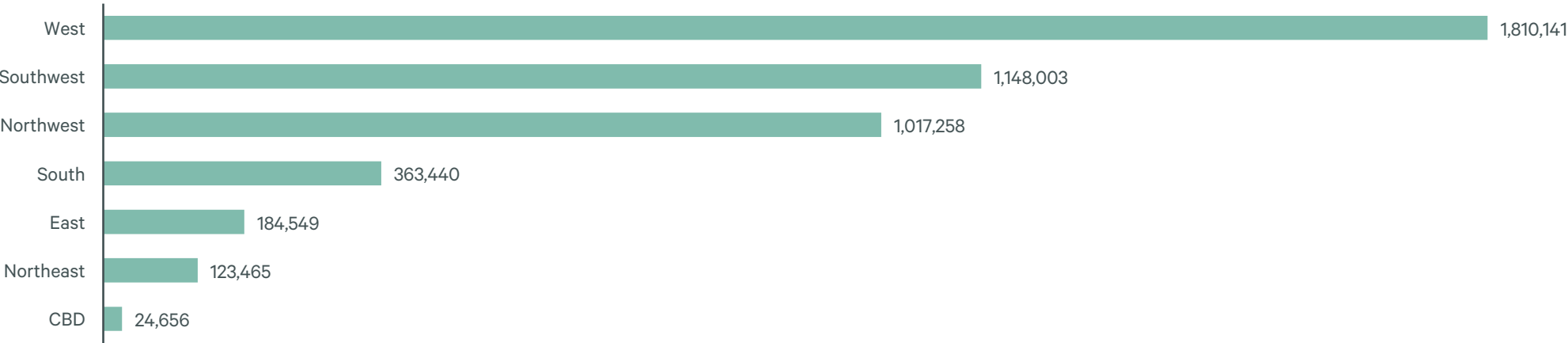


FIGURE 3: Leasing Transactions by Submarket (Sq. Ft.)



Source: CBRE Research, Q3 2024

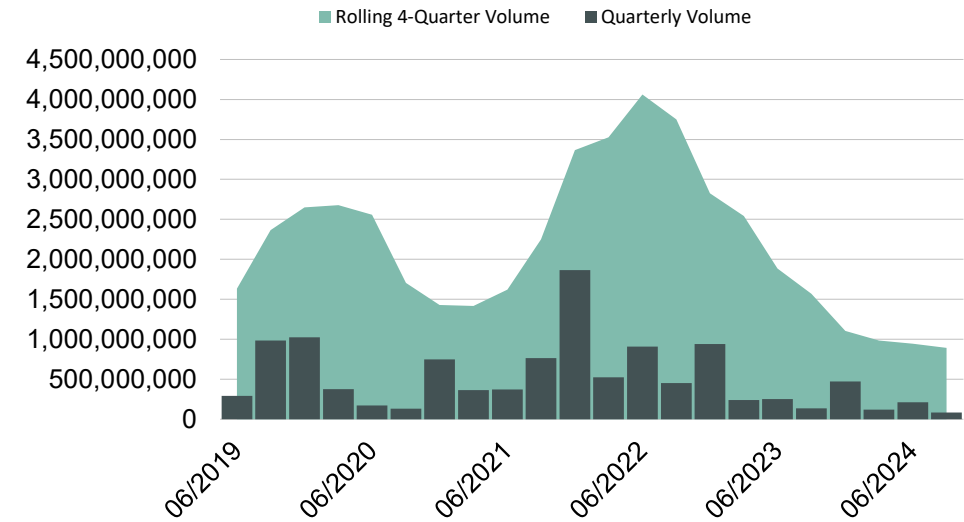
Leasing and Sales Activity

Absorption dynamics in the Indianapolis market shifted during Q3 2024. While the previous quarter posted 494,907 SF of positive absorption, this quarter saw a decrease in absorption at only 25,999 SF.

Radial secured a renewal of 690,702 SF at 1111 E 56th St, Radio Systems Corp. initiated a new lease of 597,025 SF at 3870 S Ronald Reagan Pkwy, and AmerisourceBergen followed with a renewal of 327,600 SF at 5290 Performance Way.

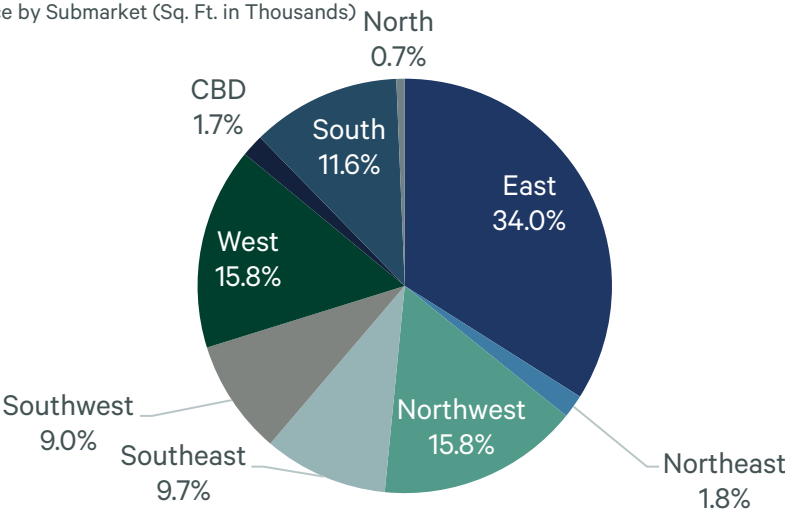
In Q3 2024, the majority of leasing activity at 82.5% was driven by users with spaces under 200,000 SF, while deals larger than 200,000 SF only comprised 17.5% of the leasing activity. Sales volume began to slow in Q3 2024 posting at \$83 million. This shows a 60% decrease from Q2 2024 which posted at \$213 million.

FIGURE 5: Investment Sale Volume



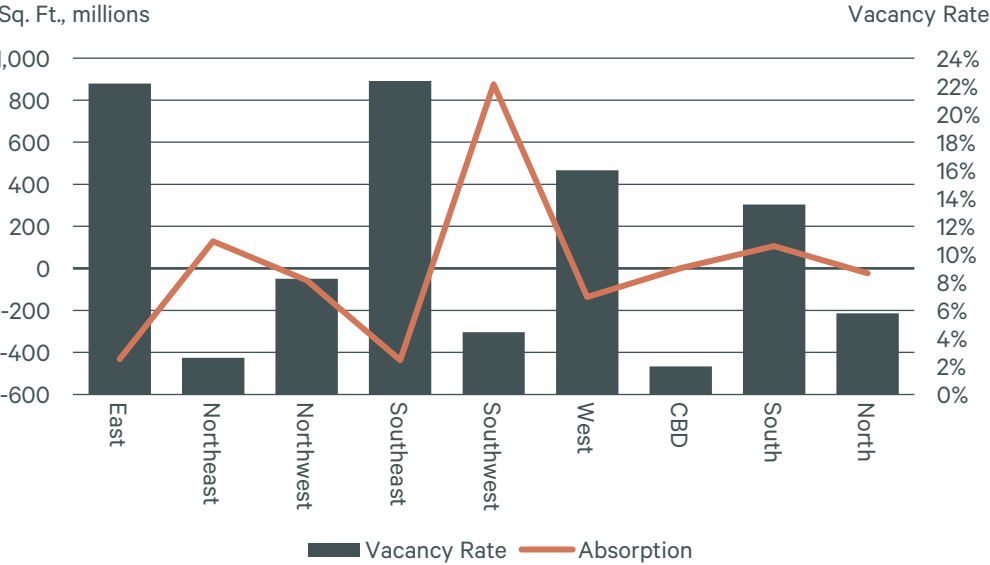
Source: Real Capital Analytics

FIGURE 4: Vacant Space by Submarket (Sq. Ft. in Thousands)



Source: CBRE Research, Q3 2024

FIGURE 6: Net Absorption by Submarket (Sq. Ft.) and Vacancy Rate by Submarket



Source: CBRE Research, Q3 2024

FIGURE 8: Market Statistics

Market	Net Rentable Area (SF)	Vacancy Rate (%)	Q2 2024 Net Absorption	Under Construction	Average Lease Rate
East	58,520,434	22.2%	(431,024)	846,594	\$5.85
Northeast	26,455,053	2.6%	128,899	0	\$8.16
Northwest	72,861,245	8.3%	(57,646)	0	\$6.04
Southeast	16,550,427	22.4%	(436,700)	0	\$5.90
Southwest	76,934,734	4.5%	875,823	0	\$5.26
West	37,664,032	16.0%	(136,248)	1,573,359	\$6.17
CBD	33,302,871	2.0%	304	0	\$4.36
South	32,837,498	13.5%	105,939	0	\$6.20
North	4,321,451	5.8%	(23,348)	32,000	\$14.17
Total	359,447,745	10.6%	25,999	2,451,953	\$5.94

Source: CBRE Research, Q3 2024

FIGURE 9: Key Lease Transactions

Transaction Type	Size (SF)	Tenant	Address	Submarket
Renewal	690,702	Radial	1111 E 56 <sup>th</sup> St	West
New Lease	597,025	Radio Systems Corp.	3870 S Ronald Reagan Pkwy	Southwest
Renewal	327,600	AmerisourceBergen	5290 Performance Way	Northwest
New Lease	237,828	Saint-Gobain Abrasives	9600 E 400 N	West
New Lease	211,500	TA Services	800 Commerce Parkway West	South

Source: CBRE Research, Q3 2024

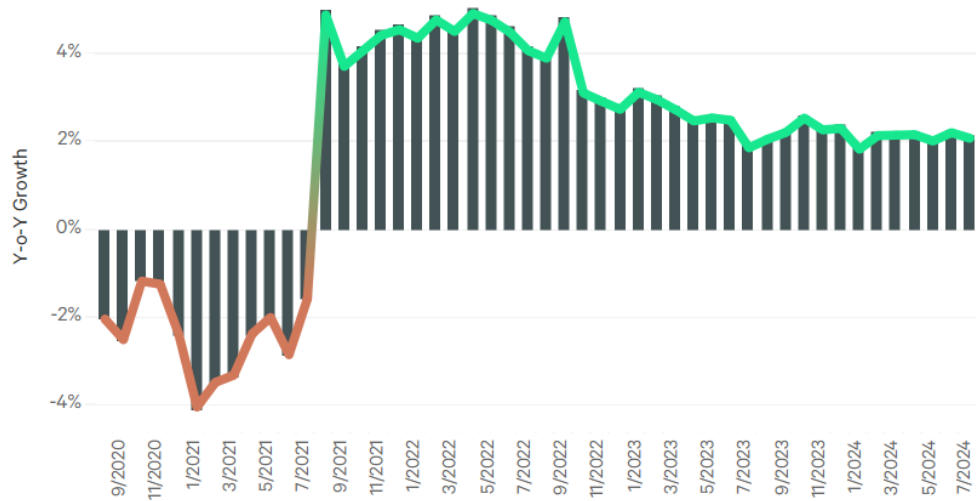
Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is steady, and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a downturn in the labor market, although the recent bump in unemployment appears mainly driven by an increase in participation.

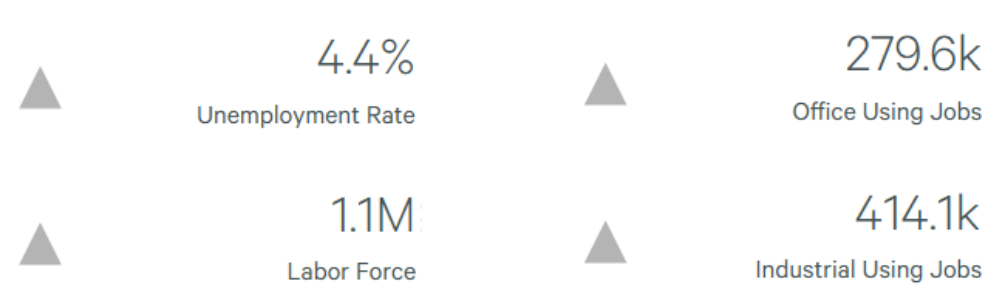
One reason for concern is the decline in the share of private industries that are creating jobs. The labor market has slowed but it is not slumping, and companies are not letting workers go at a particularly high rate.

While many are focused on November’s election, the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

Job Growth - Year over Year Trend

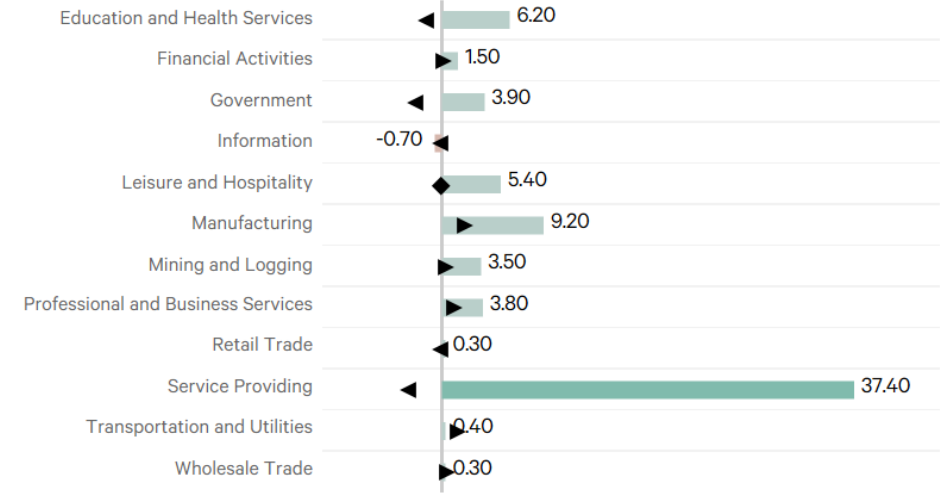


Source: US BLS July 2024

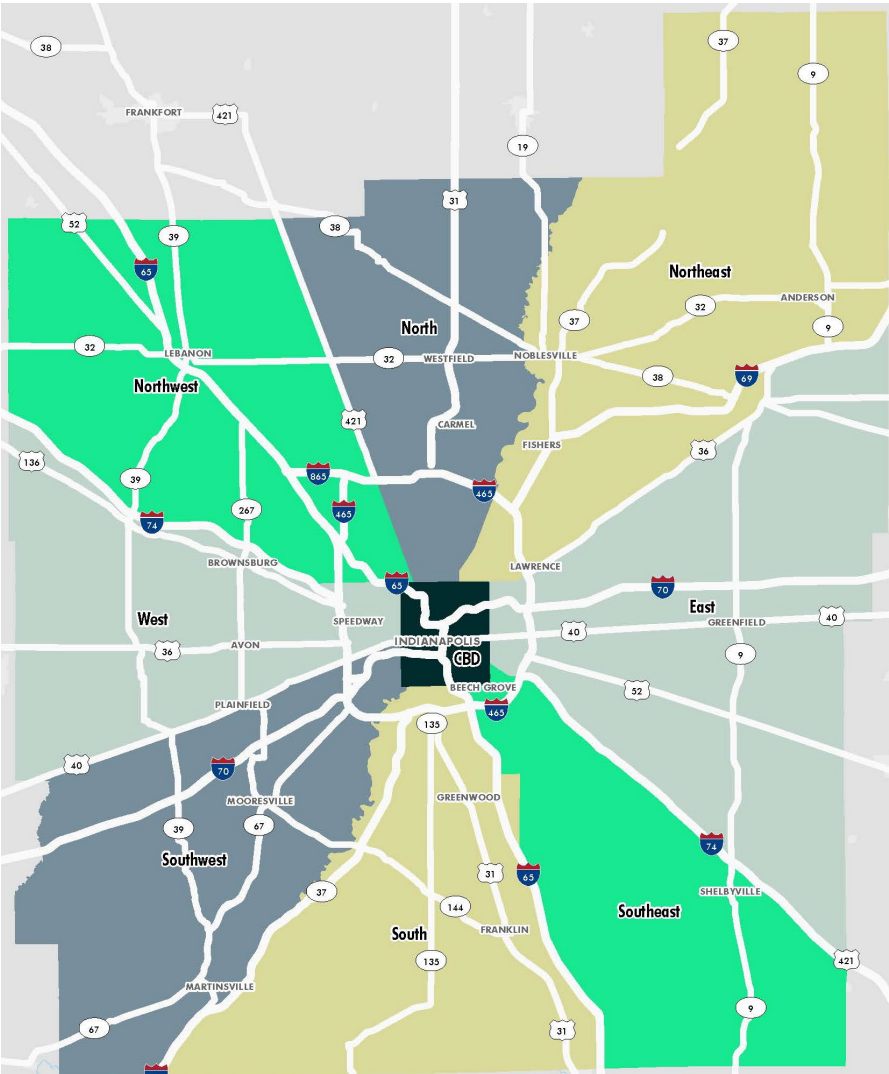


Employment Change by Sector - Yearly & Monthly

Bars indicate yearly trend, arrows indicate monthly trend



Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size.. Buildings which have begun construction as evidenced by site excavation or foundation work.

Statistical Revisions

Historical Industrial statistical data was revised based upon previously unavailable market intelligence.

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