

FIGURES | INDIANAPOLIS INDUSTRIAL | Q1 2025

Indianapolis Continues To Face Headwinds Despite Positive Quarter Of Absorption

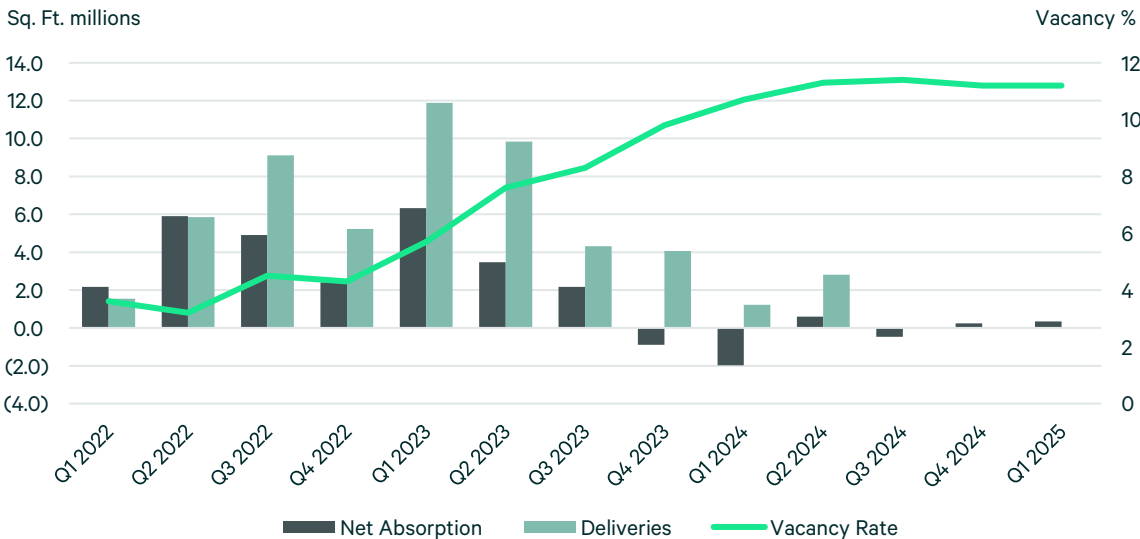


Note: Arrows indicate change from previous quarter.

SUMMARY

- This quarter brought a total of 336,759 SF in positive net absorption, a 39.08% increase from 242,141 SF posted in Q4 2024.
- Overall vacancy remained steady at 11.2% in Q1 2025. The East submarket showcases the highest vacancy at 23.7% while CBD has the lowest vacancy ringing in at 3.1%.
- Average asking rates decreased by \$0.01 PSF to \$5.99 PSF/annum in the first quarter.
- Overall leasing activity increased this quarter to 4.3 MSF, an increase of 19.44% from the fourth quarter of 2024.
- Industrial Investment sales volume totaled \$202 Million in Q1, a slight downtick from \$272 Million in the fourth quarter of 2024 per Real Capital Analytics.
- CBRE has updated the criteria for industrial tracked building sets to reflect buildings with a Net Rentable Area (NRA) of 30,000 square feet or higher. In addition to creating regional consistency, this change will enhance the reporting and depth of data on each market's most competitive buildings. Historical stats have been revised to reflect current industrial thresholds. Building inventories will be evaluated quarterly to ensure they remain the most comprehensive and accurate representation of each market.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2025

Availability Rate

In Q1 2025, Indianapolis industrial’s overall availability rate decreased slightly from 12.2% in Q4 2024 to 12.0%.

The Southwest submarket experienced a slight rise in availability, climbing to 9.0% from 8.3% in Q4 2024. The CBD submarket had the markets lowest availability rates, closing the quarter at 3.0%. Conversely, the East submarket illustrated the markets highest availability rates at 23.0% as large bulk product remains vacant.

Available industrial sublease space remains a significant factor with nearly 6 million SF of available sublease space. The West submarket led the way within the market, posting 1,226,048 SF of vacant sublease space available to close out Q1.

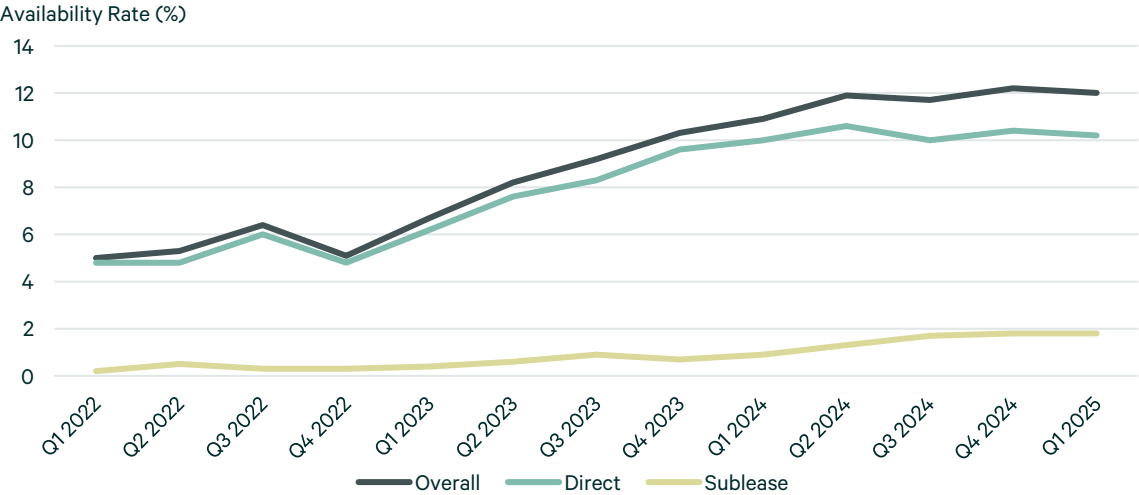
Asking Rent

Average asking lease rates for the Indianapolis industrial market closed at \$5.99 PSF per year in Q1, which remained relatively unchanged from the overall markets average asking lease rates posted in Q4 2024 only showcasing a \$0.01 decrease.

Following its historic trend of demanding the markets highest rates, the North submarket closed the quarter with the highest asking lease rates at \$7.68 PSF, remaining a highly-demanded area with premium lease rates. The CBD submarket posted the lowest asking lease rates in the market at \$5.09 PSF.

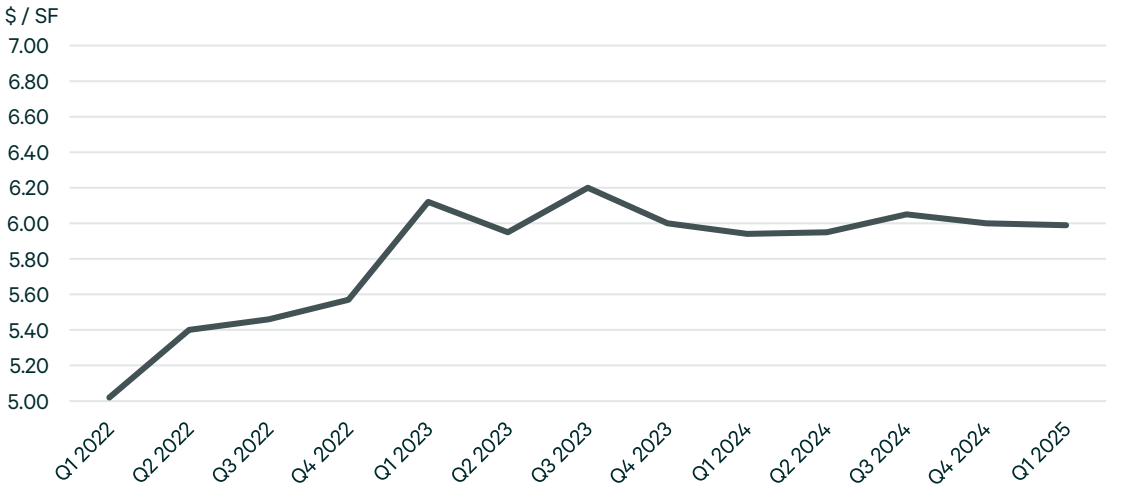
Quarter-over-quarter, the Southeast submarket experienced a steady increase in lease rates, rising from \$5.88 PSF to \$6.82 PSF, whereas the Northeast submarket saw a decrease from \$7.50 to \$7.25 PSF.

FIGURE 2: Availability Rates



Source: CBRE Research, Q1 2025

FIGURE 3: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q1 2025

Net Absorption

This quarter brought a total of 336,759 SF in positive net absorption, a slight uptick from 242,141 SF posted in Q4 2024.

Noteworthy move-ins included 1A Auto Parts occupying 345,047 SF of space in the Southeast submarket, and Ryder Logistics occupying 171,564 SF also, in the Southeast submarket. Inversely, move-outs included Forward Air Solutions vacating over 100,000 SF of space at World Connect 31 in the Southwest submarket, and Kittles vacating over 180,000 SF at the 8600 Roberts Dr in the Northeast submarket.

The Southeast submarket showcased the highest net absorption of the quarter posting at 497,433 SF primarily due to the 1A Auto Parts lease, while the CBD had the lowest net absorption of the quarter at (248,866) SF.

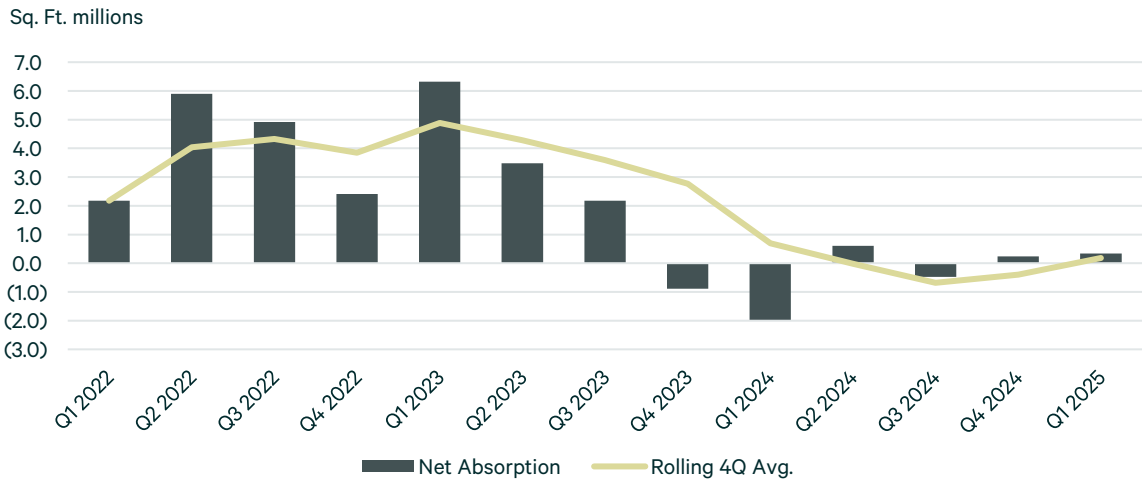
Construction Activity

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.

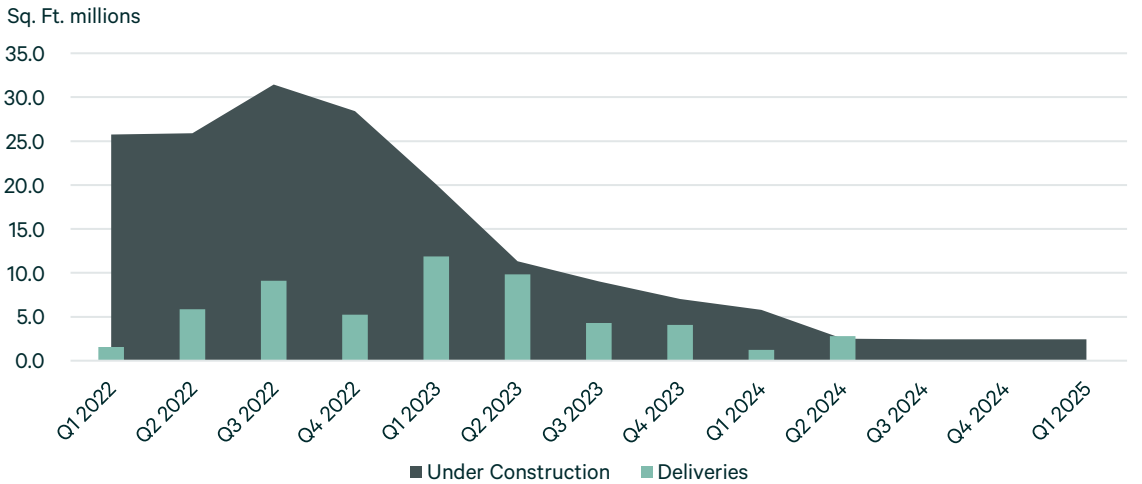
Throughout Q2 2025 and Q3 2025 we will see a majority of the current under construction stock delivering. Most of the space under construction, totaling 1.5 MSF, is within the West submarket.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q1 2025

FIGURE 5: Construction Activity



Source: CBRE Research, Q1 2025

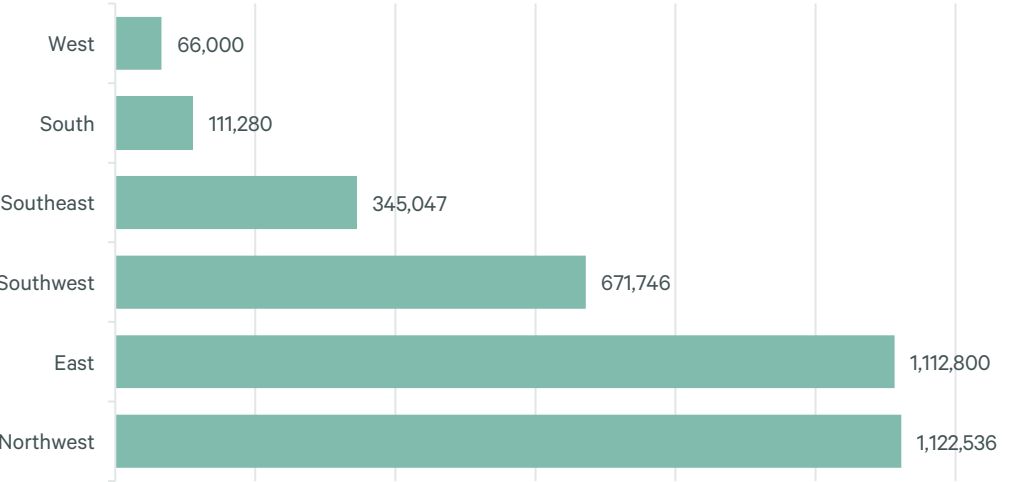
Leasing Activity

While the previous quarter posted 242,141 SF of positive absorption, this quarter saw an increase in absorption to 343,108 SF, primarily due to a handful of larger spaces particularly in the Northwest submarket becoming occupied.

Some of the largest deals executed this quarter include, Simply Good Foods securing a new lease of 805,000 SF at 3052 N Country Road 700 W, DHE-LA also acquired a new lease of 457,704 SF at CR 300 E, and 1A Auto Parts followed with a new lease of 345,047 SF at 4725 Victory Dr.

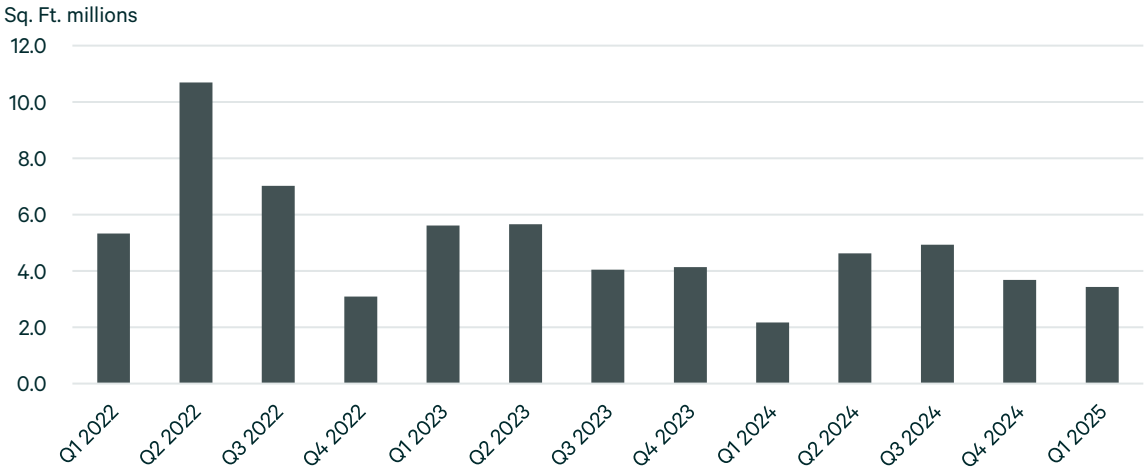
Leasing activity continued to favor small users in the first quarter with 67.50% of leased space being under 100,000 SF. Sales volume slowed this quarter with \$202 million transacting. This shows a 25.58% decrease from Q4 2024 which posted at \$272 million.

FIGURE 6: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q1 2025

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q1 2025

FIGURE 8: Key Lease Transactions

| Tenant | Sq. Ft. Leased | Transaction Type | Address | Submarket |
|----------------------------------|----------------|------------------|--------------------------------|-----------|
| Simply Good Foods USA | 805,000 | New Lease | 3052 N Country Road 700 W | East |
| DHE-LA | 457,704 | New Lease | CR 300 E | Northwest |
| 1A Auto Parts | 345,047 | New Lease | 4725 Victory Dr | Southeast |
| HAT WORLD | 311,600 | Renewal | 5304 W 74th St | Northwest |
| Kimball Electronics Indianapolis | 307,800 | New Lease | 1220 S Post Rd | East |
| Thermal Structures | 141,028 | New Lease | 2800-2812 Airwest Blvd | Southwest |
| Beckman Coulter (Danaher) | 128,516 | Renewal | 5350 Lakeview Parkway South Dr | Northwest |
| NEOVIA LOGISTICS | 111,280 | New Lease | 955-963 N Graham Rd | South |

Source: CBRE Research, Q1 2025

Market Statistics by Size

| | Net Rentable Area | Total Vacancy | Total Availability | Direct Availability | Sublease Availability | Avg. Direct Asking Rate (NNN/YR) | Current Quarter Net Absorption | YTD Net Absorption | Deliveries | Under Construction |
|-------------------------|--------------------|---------------|--------------------|---------------------|-----------------------|-------------------------------------|-----------------------------------|--------------------|------------|--------------------|
| Under 100,000 sq. ft. | 50,995,091 | 2.7 | 3.2 | 2.6 | 0.6 | 8.80 | (106,609) | (106,609) | 0 | 32,000 |
| 100,000-199,999 sq. ft. | 46,701,956 | 6.4 | 7.6 | 6.9 | 0.7 | 7.09 | 29,806 | 29,806 | 0 | 0 |
| 200,000-299,999 sq. ft. | 32,308,577 | 10.7 | 10.6 | 9.9 | 0.7 | 6.92 | (105,277) | (105,277) | 0 | 245,803 |
| 300,000-499,999 sq. ft. | 56,596,603 | 9.6 | 13.2 | 10.8 | 2.5 | 6.00 | 468,001 | 468,001 | 0 | 0 |
| 500,000-749,999 sq. ft. | 64,056,184 | 14.5 | 14.9 | 13.2 | 1.7 | 5.82 | 50,838 | 50,838 | 0 | 1,327,556 |
| 750,000 sq. ft. | 86,573,880 | 17.4 | 16.9 | 14.0 | 2.9 | 5.27 | 0 | 0 | 0 | 836,594 |
| Total | 337,232,291 | 11.2 | 12.0 | 10.2 | 1.8 | 6.12 | 336,759 | 336,759 | 0 | 2,441,953 |

Market Statistics by Product Type

| | Net Rentable Area | Total Vacancy | Total Availability | Direct Availability | Sublease Availability | Avg. Direct Asking Rate (NNN/YR) | Current Quarter Net Absorption | YTD Net Absorption | Deliveries | Under Construction |
|--------------------------|--------------------|---------------|--------------------|---------------------|-----------------------|-------------------------------------|-----------------------------------|--------------------|------------|--------------------|
| Distribution / Logistics | 268,766,447 | 13.7 | 14.5 | 12.4 | 2.1 | 6.08 | 332,067 | 332,067 | 0 | 2,409,953 |
| Manufacturing | 47,376,660 | 1.2 | 1.7 | 1.5 | 0.2 | 5.32 | (26,928) | (26,928) | 0 | 0 |
| R&D / Flex | 15,124,600 | 2.6 | 3.0 | 2.5 | 0.6 | 10.76 | 31,620 | 31,620 | 0 | 32,000 |
| Other Industrial | 5,964,584 | 0.0 | 1.8 | 0.0 | 1.8 | 0.00 | 0 | 0 | 0 | 0 |
| Total | 337,232,291 | 11.2 | 12.0 | 10.2 | 1.8 | 6.12 | 336,759 | 336,759 | 0 | 2,441,953 |

Market Statistics by Submarket

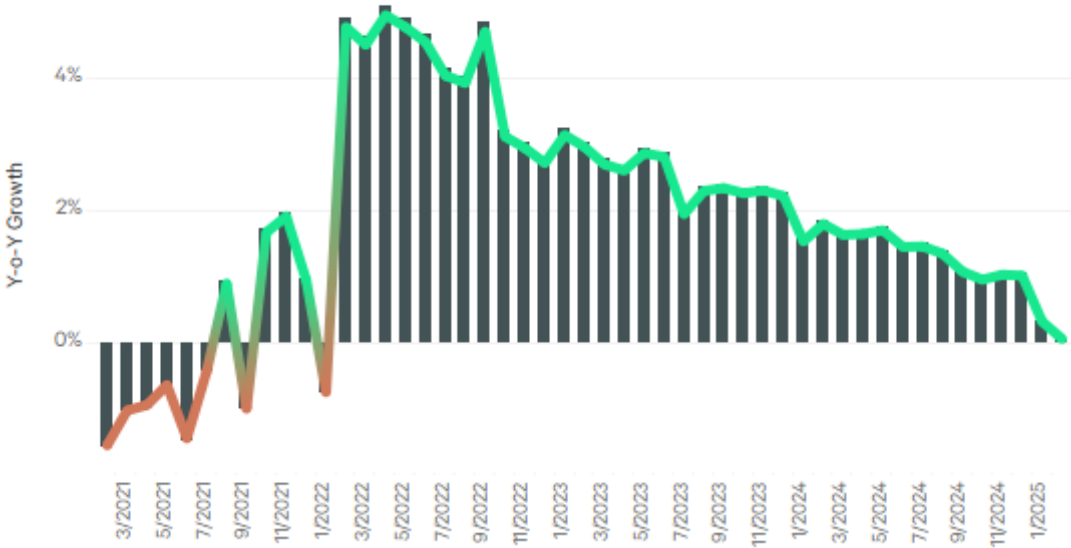
| | Net Rentable Area | Total Vacancy | Total Availability | Direct Availability | Sublease Availability | Avg. Direct Asking Rate (NNN/YR) | Current Quarter Net Absorption | YTD Net Absorption | Deliveries | Under Construction |
|-----------|-------------------|---------------|--------------------|---------------------|-----------------------|-------------------------------------|-----------------------------------|--------------------|------------|--------------------|
| CBD | 27,760,955 | 3.1 | 3.0 | 2.9 | 0.2 | 5.09 | (248,866) | (248,866) | 0 | 0 |
| East | 55,897,475 | 23.7 | 23.0 | 21.2 | 1.8 | 5.80 | 67,895 | 67,895 | 0 | 836,594 |
| North | 3,291,043 | 7.7 | 7.9 | 7.0 | 0.9 | 7.68 | 0 | 0 | 0 | 32,000 |
| Northeast | 22,928,481 | 3.2 | 3.3 | 3.3 | 0.0 | 7.25 | (146,649) | (146,649) | 0 | 0 |
| Northwest | 70,140,432 | 8.1 | 8.5 | 7.3 | 1.2 | 6.25 | 200,703 | 200,703 | 0 | 0 |
| South | 30,808,446 | 14.5 | 15.5 | 12.7 | 2.8 | 6.17 | 122,954 | 122,954 | 0 | 0 |
| Southeast | 15,638,883 | 22.1 | 22.1 | 16.9 | 5.2 | 6.82 | 497,433 | 497,433 | 0 | 0 |
| Southwest | 74,878,059 | 5.5 | 9.0 | 7.5 | 1.5 | 5.30 | (145,211) | (145,211) | 0 | 0 |
| West | 35,888,517 | 13.3 | 13.1 | 9.7 | 3.4 | 6.18 | (11,500) | (11,500) | 0 | 1,573,359 |
| Total | 337,232,291 | 11.2 | 12.0 | 10.2 | 1.8 | 5.99 | 336,759 | 336,759 | 0 | 2,441,953 |

Economic Overview

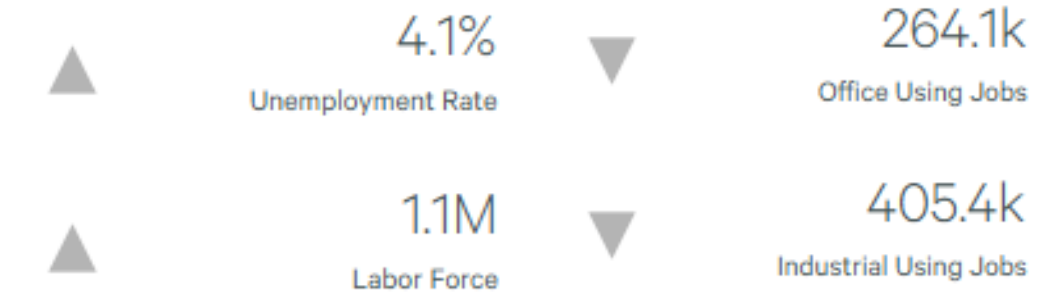
Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a 'wait-and-see' approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

Job Growth - Year over Year Trend



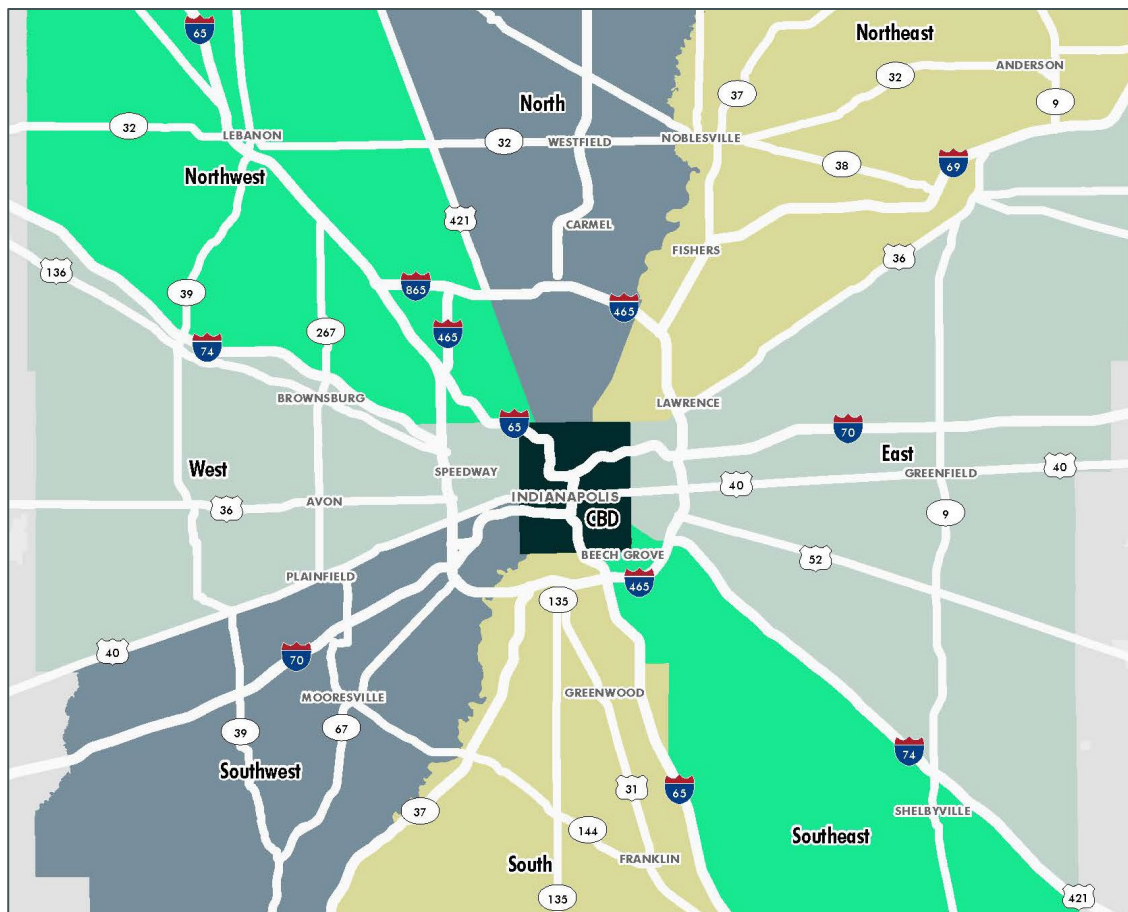
Source: US BLS January 2025



Employment Change by Sector - Yearly & Monthly

Bars indicate yearly trend, arrows indicate monthly trend





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. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Includes all industrial buildings 30,000 sq. ft. and greater in size. Buildings which have begun construction as evidenced by site excavation or foundation work.

CBRE has updated the criteria for industrial tracked building sets to reflect buildings with a Net Rentable Area (NRA) of 30,000 square feet or higher. In addition to creating regional consistency, this change will enhance the reporting and depth of data on each market's most competitive buildings. Historical stats have been revised to reflect current industrial thresholds. Building inventories will be evaluated quarterly to ensure they remain the most comprehensive and accurate representation of each market.

Josiah Fields

Research Analyst
josiah.fields@cbre.com

Joshua Allen

Midwest Research Manager
joshua.allen@cbre.com

Marissa LaRue

Data Research Analyst
marissa.larue@cbre.com