

CARMEN Commercial Real Estate's Year-End 2023 Indianapolis Office Market Report

Reflecting on the developments of 2023 as we move forward into 2024, CARMEN Commercial Real Estate presents a detailed examination of the Indianapolis office market. This past year has underscored the importance of agility and strategic foresight in the ever-evolving commercial real estate landscape.



Market Overview

The Indianapolis office market concluded 2023 with a vacancy rate of 9.4%, marking an increase of approximately 40 basis points over the previous 12 months. This shift has propelled vacancy rates beyond the long-term average of 8%, reflective of the broader challenges and adjustments facing the market amid economic uncertainties and evolving workspace requirements.

Tenant Dynamics

The past year has seen a significant recalibration in tenant demand, culminating in a downturn of -750,000 SF. This trend was most pronounced within the 4 & 5 Star communities, which experienced the largest volume of move-outs, totaling -470,000 SF. Despite these shifts, the market's resilience is evident in the continued development activities, with 200,000 SF delivered over the past year and an additional 1.4 million SF, representing about 1.3% of the area's total inventory, currently underway.



Leasing Activity

Recent trends have underscored a period of muted demand, with net absorption recording four consecutive negative quarters through Q4 2023. This period marked a significant milestone as it was the first instance of positive demand since midway through 2022. Among the noteworthy transactions was a sublease for 58,856 SF at 9200 Keystone Crossing, highlighting a vacancy of 42.8% and underscoring the ongoing trend of tenants reassessing their space requirements.



Submarket Focus

The occupancy challenges have been particularly concentrated in the Meridian Corridor and Keystone Crossing submarkets. Despite a reduction from the peak seen in Q2 2023, sublease availability remains substantial, hovering just below 1 million

Diverse Economic Base

The resilience of the Indianapolis office market is bolstered by a diverse array of office-using tenants spanning sectors from agribusiness and logistics to IT and life sciences. The presence of significant entities such as the NCAA headquarters and the Indianapolis Motor Speedway enriches the market's dynamics. Furthermore, a promising sign of recovery is the increase in office employment by approximately 2.1%, or 5,600 jobs, over the past year.



Rental and Transaction Trends

The market has experienced a softening in asking rent growth, maintaining a positive trajectory at 0.9% over the past year. However, projections indicate a potential shift into negative territory by mid-2024. The transaction market has also seen a slowdown, with 2023 investments significantly trailing the five-year average, influenced by elevated interest rates and prevailing market uncertainties.

Looking Ahead

The Indianapolis office market presents both challenges and opportunities. CARMEN Commercial Real Estate is committed to guiding our clients through these complex conditions with strategic insights and expert advice. By leveraging our deep market knowledge, we aim to identify opportunities for resilience and growth in this dynamic environment.

The year 2023 has been pivotal in shaping the Indianapolis office market's trajectory. With CARMEN Commercial

Real Estate's expertise, our clients are well-equipped to face the evolving market conditions. We remain dedicated to providing strategic solutions that align with our clients' long-term goals, ensuring success in the ever-changing landscape of commercial real estate.

For further insights and assistance with your real estate strategy in the Indianapolis office market, reach out to CARMEN Commercial Real Estate. Together, we can turn market challenges into opportunities for growth and success.