

KEY TAKEAWAYS

- Indianapolis's industrial sector faces rising vacancy rates, now at 9.1%, as supply in big box properties over 500,000 SF outstrips demand.
- Despite ongoing challenges, rents have risen by 6.3%, although the pace is slowing due to elevated vacancy levels.
- Industrial property transactions have decreased to \$696 million over the past year, with a notable shift towards private buyers dominating the market.



VACANCY RATE

9.1%



MARKET ASKING RENT GROWTH

6.3%



MARKET CAP RATE

8.5%

IMPACT OF MARKET DYNAMICS ON INDUSTRIAL REAL ESTATE ACTIVITY IN INDIANAPOLIS

The Indianapolis industrial real estate market faced several challenges in the second quarter of 2024. High interest rates and a growing gap between asking and selling prices led to a slowdown in transactions, with \$696 million in assets changing hands. Economic pressures increased vacancies, particularly in large "big-box" properties, where nearly half of the new space remains vacant. Despite these issues, construction continues, yet at a slower pace due to higher capital costs, resulting in an oversupply of larger properties. Looking towards the end of 2024, the market may stabilize if construction starts to decrease and the economy adjusts. This situation highlights the importance of strategic planning and market awareness for stakeholders in the Indianapolis industrial sector.

MARKET INDICATORS

6,306,000

SQ FT UNDER
CONSTRUCTION

10.8%

AVAILABILITY
RATE

\$7.71

MARKET ASKING
RATE

ANNUAL TRENDS

12 MONTH HISTORIC AVERAGE

Vacancy Change



2.1%



7.2%

Net Absorption
SF

1,900,000 sf

6,054,636 sf

Deliveries SF

11,800,000 sf

7,997,253 sf

Market Asking
Rent Growth

6.3%

2.6%

Sales Volume

\$696M

\$611.9 M

Overall Asking
Lease (NNN)

\$7.71

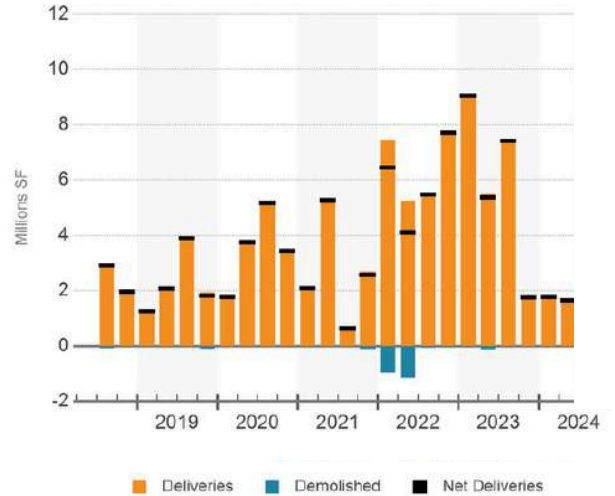
\$5.95

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent
Logistics	302,722,708	11.6%	\$7.14
Specialized	89,092,262	2.2%	\$8.31
Industrial Flex	29,285,191	5.0%	\$11.80
Market	421,100,161	9.1%	\$7.71

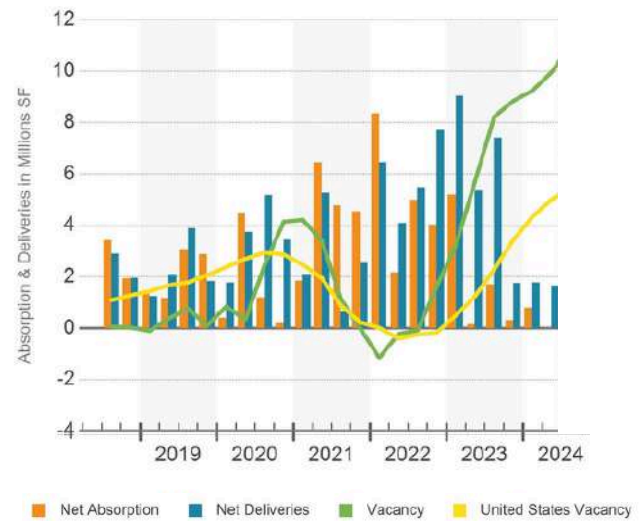
CONSTRUCTION

In the second quarter of 2024, Indianapolis's industrial sector continued growing, adding 56.6 million square feet over the last three years, especially in key logistics areas like Hancock and Johnson Counties. A notable 72% of this construction was for large 'big box' spaces over 500,000 square feet, including Walmart's massive 2.2 million-square-foot fulfillment center in McCordsville. The most recent major project was the AllPoints Midwest Building 3, a 1.1 million-square-foot distribution center completed in February 2024. Despite ongoing development with 8.8 million square feet still being built, the availability rate is 38.6%, pointing to persistent oversupply issues, particularly in the 'big box' segment. This continuous development highlights the challenges of managing supply in Indianapolis's growing industrial market.



LEASE ACTIVITY

In spring 2024, Indianapolis saw a decrease in industrial leasing, with just over 10 million square feet leased over the past year, highlighting a steady slowdown. Notably, logistics properties dominated leasing activity, including a significant Adidas renewal for nearly 600,000 square feet. However, net absorption dropped to 2 million square feet, far below the five-year average of 11.8 million square feet, showing a growing supply-demand gap, especially in larger spaces over 500,000 square feet. Despite these immediate challenges, the strategic location of Indianapolis continues to support its long-term potential for logistics, leveraging access to nearly half of the U.S. population within a day's drive.



SALES ACTIVITY

In Q2 2024, Indianapolis's industrial real estate market saw a decline in transaction activity, with \$696 million in assets traded over the last 12 months, a slowdown from the decade-long annual average of \$1.2 billion. The largest transaction within this period was Cabot Properties' purchase of a distribution facility for \$47 million in May 2023. More recent significant sales include JASPER Engines and Transmissions' acquisition of a warehouse for \$9 million in February 2024 and UN Communications Group's sale of another warehouse for \$5 million in March 2024. These properties, reflecting a trend of high vacancy and longer market durations, had an average sale price of \$2.1 million at a cap rate of 8%. There's a notable shift in the investor landscape, with private buyers now representing 58% of sales, up from 26% five years ago, as institutional and REIT involvement decreases.



TOP INDUSTRIAL LEASES

PAST 12 MONTHS

Building Name and Address	Submarket	Tenant	SF	Qtr
5635 N Graham Rd	Johnson County	Cummins Inc.	1,057,350	Q2 24
5858 Decatur Blvd	Airport	Quaker Foods	997,763	Q3 23
45 Mission Rd	Johnson County	DHL	979,264	Q1 24
CR 550 S & SR 267	Far Boone County	-	550,090	Q3 23
1321 Opportunity Pkwy	Hancock County	Crecera Brands	543,780	Q3 23
904 Edwards Dr	Far Boone County	NewCold Logistics	300,000	Q2 24
445 Airtech Pky	Plainfield	-	296,896	Q1 24
7221 W 350 N	Hancock County	Allegion	249,634	Q1 24
7600 Rockville Rd	W Rockville/Cnty Clb	-	249,480	Q4 23
9524-9532 Station Blvd	Plainfield	Marathon	233,618	Q2 24
N County Road 1000 E & I-74	West Hendricks Cty	-	204,206	Q4 23
909 Whitaker Rd	Plainfield	Smart Warehousing	190,440	Q4 23
11947-11955 Cumberland Rd	Fishers/Noblesville	-	184,855	Q1 24
6441 S CR 475 E	Far Boone County	-	183,033	Q1 24
225 Transfer Dr	W Rockville/Cnty Clb	-	177,600	Q1 24
20220 Fenside Crossing	Carmel	-	169,544	Q1 24
2151-2155 Airwest Blvd	Plainfield	-	163,000	Q2 24
4995 Perry Worth Rd	Far Boone County	Langham Logistics, Inc.	161,602	Q4 23
2516 Logistics	West Hendricks Cty	-	157,824	Q2 24
1301 S White River Pky E	White River Pkwy	Bila Solar	150,000	Q3 23
800 Commerce Parkway West Dr	Johnson County	-	141,000	Q1 24
6825 W CR 400 N	Hancock County	-	136,574	Q1 24
5879 N Graham Rd	Johnson County	DHL	130,200	Q1 24
7750-7754 W Morris St	Airport	-	129,600	Q2 24
N County Road 1000 E & I-74	West Hendricks Cty	-	102,296	Q2 24
1201 Perry Rd	Plainfield	-	100,000	Q2 24
6353 Commerce Dr	Far Boone County	-	96,716	Q4 23
6840 E 96th St	Fishers/Noblesville	-	95,400	Q2 24
11500 E 146th St	Fishers/Noblesville	Kittle's Furniture	94,415	Q1 24
5301 East 500 South	Far Boone County	-	88,000	Q2 24
9250 Bradford Rd	Plainfield	Us Water Systems Inc	87,759	Q2 24
4310 Stout Field North Dr	Stout Field	-	80,000	Q2 24
441 Airtech Pky	Plainfield	BerryDirect	77,725	Q4 23
1051 Perry Rd	Plainfield	-	75,175	Q2 24
5252 Decatur Blvd *	Airport	IGT	74,696	Q3 23
2800-2812 Airwest Blvd	Plainfield	-	69,993	Q2 24
9910 North by Northeast Blvd	Fishers/Noblesville	-	63,360	Q1 24
Park 136 - 1731 E Hwy 136	West Hendricks Cty	-	62,600	Q2 24
1305 W 29th St	Madison County	-	60,000	Q4 23
9895 Cumberland Pointe Blvd	Fishers/Noblesville	The Picklr	56,400	Q2 24

James Storey, CCIM

JDM Partners

317-519-5178

james@jdmpartners.com

Josh Moss

JDM Partners

317-413-7292

josh@jdmpartners.com



RECENT SIGNIFICANT SALES

	Property Name and Address	Yr Built	Bldg SF	Price	Price SF	CapRate	Sale Date
1	Building 9 4241 Plainfield Rd	2020	754,520	\$56,650,000	\$75	-	4/8/2024
2	AllPoints Midwest Building 1110 Smith Rd	2022	609,040	\$45,750,000	\$75	-	10/24/2023
3	Building 3 6040 Commerce Dr	2020	319,336	\$28,400,000	\$89	5.6%	12/14/2023
4	7221 W 350 N	2023	249,634	\$28,075,000	\$112	-	11/23/2023
5	1818 S High School Rd	1967	173,976	\$28,021,984	\$161	-	12/20/2023
6	Washington Business Park 9618 E 153rd St	2023	247,163	\$25,650,000	\$104	-	9/15/2023
7	Bldg 2 5828 Commerce Dr	2019	356,900	\$24,522,122	\$69	5.6%	1/10/2024
8	Building 8 4132 Plainfield Rd	2020	223,480	\$21,850,000	\$98	-	4/8/2024
9	Gateway IV 3051 Midfield Ct	2017	151,200	\$21,450,000	\$142	-	4/30/2024
10	Gateway III 1025 Columbia Rd	2014	220,000	\$21,450,000	\$98	-	4/30/2024
11	2530 S Tibbs Ave	1967	88,430	\$20,368,525	\$230	-	2/1/2024
12	750 S Fillmore Rd	1988	415,000	\$19,745,000	\$48	-	7/14/2023
13	430 Airtech Pky	2021	172,973	\$19,715,000	\$114	-	4/18/2024
14	Building 210 4001 W Minnesota St	1967	190,819	\$19,475,000	\$102	6.2%	12/5/2023
15	Langham Logistics 5335 W 74th St	2000	306,000	\$18,800,000	\$61	-	1/2/2024
16	Anson Business Park 4321 Albert S White Dr	2023	146,640	\$18,000,000	\$123	-	7/2/2024
17	Building 10 700 S Council Dr	2001	226,274	\$13,678,263	\$60	-	9/20/2023
18	Mount Comfort Logistics... 4308 W 300 N	2021	120,336	\$13,400,000	\$111	6.5%	8/11/2023
19	Building 10 700 S Council Dr	2001	226,274	\$12,861,949	\$57	-	9/13/2023
20	3333 Mesilla Ct	1980	125,194	\$10,650,000	\$85	-	10/5/2023

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317-519-5178

james@jdmpartners.com

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josh@jdmpartners.com



SUBMARKET INVENTORY

Inventory					Under Construction				
Rank	Submarket	Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Rank	12 Mo Net Absorp SF
1	Far Boone County	246	40,204	9.5%	2	5	1,803	1	2.7M
2	Hancock County	210	29,731	7.1%	4	1	450	4	1.8M
3	Johnson County	461	38,601	9.2%	3	4	1,617	2	391K
4	West Hendricks Cty	225	21,005	5.0%	7	6	1,417	3	304K
5	Madison County	249	11,424	2.7%	13	1	20	13	217K
6	White River Pkwy	248	11,756	2.8%	12	0	-	-	198K
7	Carmel	242	6,534	1.6%	19	2	172	7	145K
8	Morgan County	152	4,448	1.1%	26	1	20	12	99.3K
9	Speedway	155	6,938	1.6%	18	0	-	-	87.2K
10	Keystone Crossing	68	2,103	0.5%	31	0	-	-	59.6K
11	Fishers/Noblesville	361	15,909	3.8%	10	7	255	6	36.6K
12	W Rockville/Cnty Clb	99	3,953	0.9%	27	0	-	-	31.5K
13	Brookside Center	297	8,166	1.9%	16	0	-	-	27.4K
14	Shelby County	148	9,005	2.1%	14	0	-	-	23.7K
15	Franklin Township	137	4,773	1.1%	25	0	-	-	13.8K
16	Brown County	7	141	0%	33	0	-	-	1.6K
17	Stout Field	427	19,340	4.6%	8	0	-	-	(5.8K)
18	Bluff Road	167	3,726	0.9%	28	0	-	-	(8.6K)
19	Putnam County	34	2,579	0.6%	29	0	-	-	(10K)
20	Fall Creek Parkway	102	1,401	0.3%	32	0	-	-	(10.3K)
21	Castleton	148	5,562	1.3%	21	0	-	-	(12.1K)
22	Circle District	172	4,858	1.2%	24	0	-	-	(13.1K)
23	Southport	116	2,343	0.6%	30	0	-	-	(30.5K)
24	Eagle Creek	169	8,490	2.0%	15	0	-	-	(31.3K)
25	Old Meridian	225	5,868	1.4%	20	1	10	13	(45.3K)
26	Willard Park	288	7,261	1.7%	17	2	105	8	(73.1K)
27	Park 100	434	27,851	6.6%	5	3	85	9	(308K)
28	Airport	190	18,025	4.3%	9	0	-	-	(325K)
29	Washington Square	210	15,028	3.6%	11	1	68	10	(393K)
30	Garfield Park	196	5,192	1.2%	22	0	-	-	(427K)
31	Fort Ben	190	4,947	1.2%	23	0	-	-	(475K)
32	Warren Park	386	21,111	5.0%	6	1	25	11	(534K)
33	Plainfield	246	52,857	12.6%	1	2	268	5	(1.4M)

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