Indianapolis Vacancy Rate Falls to Lowest Level Since Q2 2023

▼ 6.9%
Vacancy Rate

▼ 4.9M
SF Net Absorption

▼ 667,917
SF Construction Delivered

▲ 3.1M
SF Under Construction

▲ $6.35
NNN/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

— Indianapolis' industrial recovery showed no sign of fading as 4.9 million sq. ft, of space absorbed this quarter. As a result, the overall vacancy rate fell to 6.9%, on par with Q2 2023 vacancy rates.

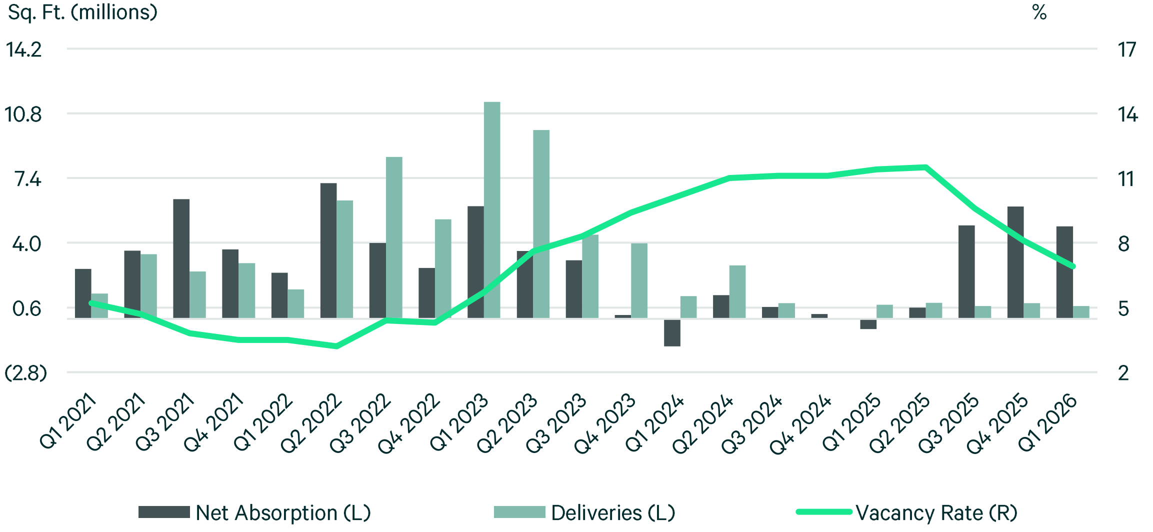
— The last three quarters have seen the greatest absorption of industrial space since Quarters 2-4, 2022.

— The East submarket contributed the most with 1.87 million sq. ft. absorption. However, it still has the highest vacancy at 13.4%.

— By contrast, the popular Northwest submarket's absorption was 910,000 sq. ft. because it is effectively fully occupied. Its vacancy rate is 2.2%.

— This quarter's $6.35 per sq. ft. asking rate was 5.5% higher than the same quarter last year, driven less by submarket occupancy rates and more by lease sizes and flex space needs.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

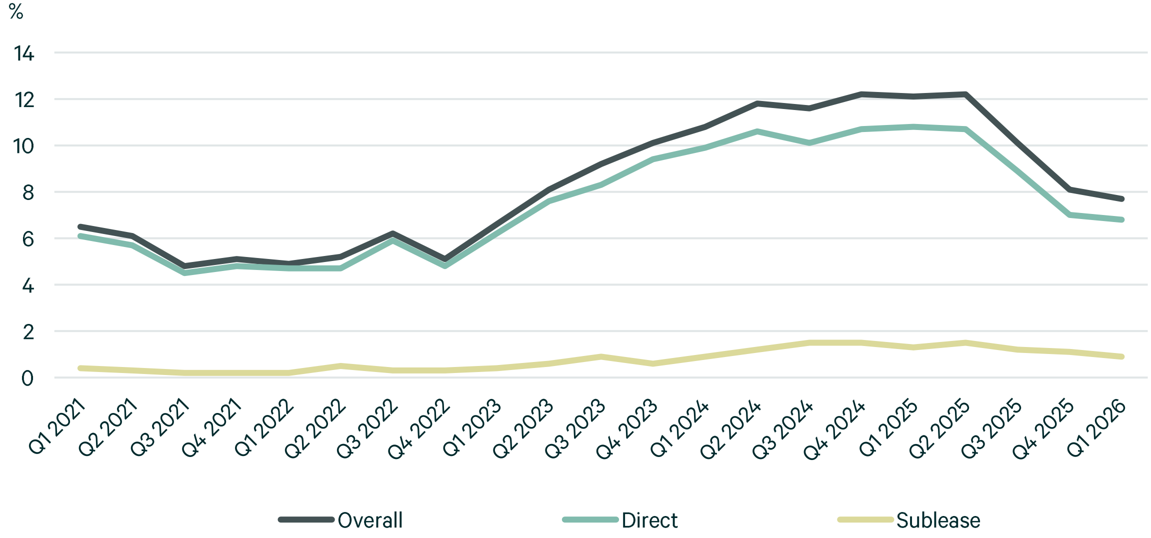
Availability Rate

The availability rate continued its fall, this quarter by 4 basis points (bps) from Q4 2025. 77.2% of leases signed this quarter was for Class A modern bulk buildings.

Despite the high percent of leases going into Class A properties, the Class A availability rate remained higher because of 60 million sq. ft. of Class A space that was added to the Indianapolis market between 2021 and 2023.

The East and the South submarkets were tied for the highest availability rates, at 14%.

Figure 2: Availability Rates



Source: CBRE Research, Q1 2026

Asking Rent

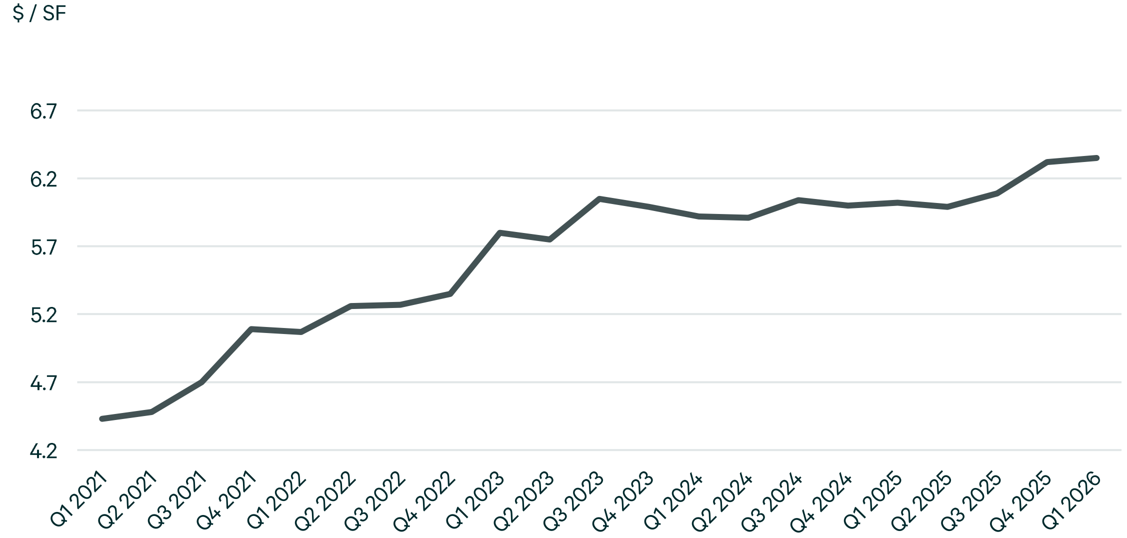
Average asking rent reached $6.35 per sq. ft. in Q1 2026. This reflected a 0.5% increase quarter-over-quarter and a 5.5% rise year-over-year.

Park 100 posted the highest overall average asking lease rate at $9.77 per sq. ft., driven by the popularity of its smaller suites, which typically cost more per square foot. The Northeast's lower vacancy rate, 3.5%, and its smaller, newer buildings attract a different tenant type and a higher asking rate, $9.37.

Among the remaining submarkets, Northwest and CBD registered average asking rents above $7 – $7.68 and $7.53 per sq. ft., respectively. Both submarkets have such low availability rates, they are effectively fully occupied.

The Southwest, East, and South recorded the lowest averages of $6.19, $5.74, and $5.64 per sq. ft., respectively. Their rates are influenced by more choices for prospective tenants.

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q1 2026

Net Absorption

This quarter's 4.9 million sq. ft. of net absorption. New tenants moving into the East submarket drove much of the positive change.

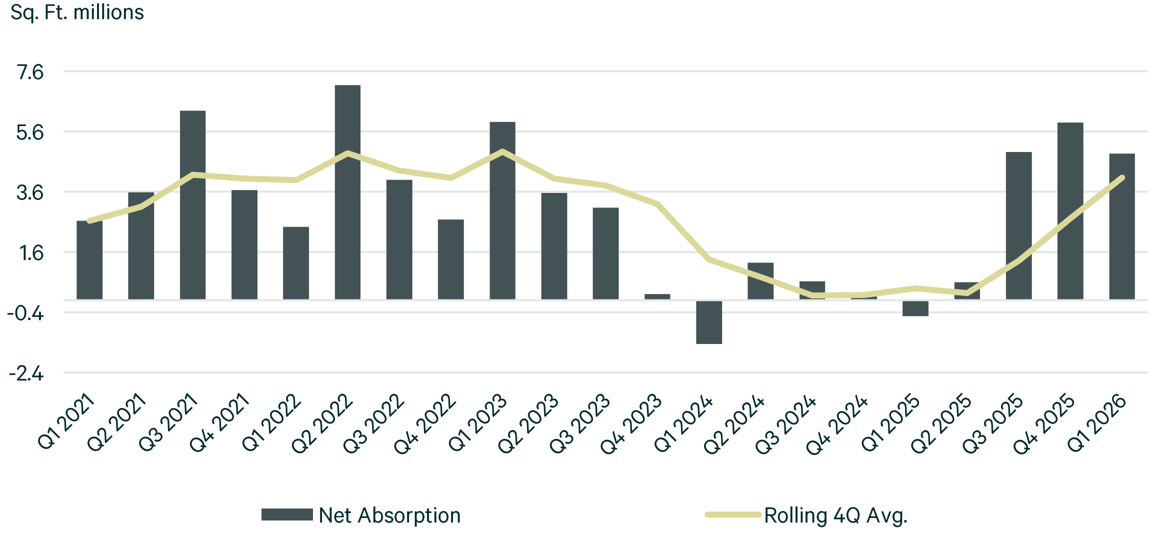
At 1.90 million sq. ft absorbed this quarter, the East almost matched its pace from Q4 2025 when it absorbed 1.96 million sq. ft. The largest tenant was Neovia Logistics Services, which occupied 369,799 sq. ft. Air 70 Logistics Park. Zima International was the second largest new tenant. They occupied 258,336 sq ft. at Thunderbird Commerce Center.

The Southwest submarket had the second highest absorption with 1.1 million sq. ft. The largest occupier this quarter was Cummins Engine Co., which moved into 414,424 sq. ft. at Airwest Business Park Building 1100.

The South, Northeast, and CBD submarkets recording positive net absorption with 695,000 sq. ft., 314,000 sq. ft., and 36,000 sq. ft., respectively.

One submarket had a drop in net absorption, Park 100 with negative 55,000 sq. ft.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Construction Activity

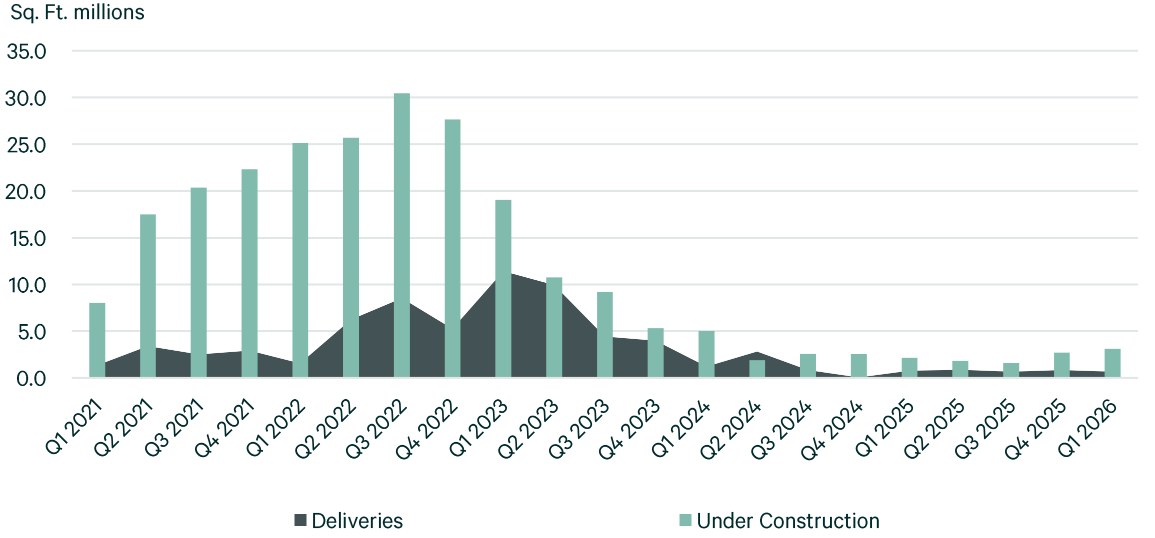
Four of the six buildings completed this quarter were in the Northeast submarket. The largest was Washington Business Park Building 6, at 255,000 sq. ft.

The second largest completion, Thunderbird Commerce Center, at 302,576 sq. ft., was in the East submarket.

By contrast, less construction occurred for lower class space, particularly for Class B R&D/flex, which has seen a surge in popularity across the US in recent years. The current availability rate is 6.2%

The average building age for this Class B subgroup is 35 years old. Only one 80,000 SF building, 20340 Grassy Branch Rd, is under construction in the Northeast submarket.

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

Leasing Activity

At the close of Q1 2026, leased area totaled 6.3 million sq. ft., while full-year 2025 leasing reached 32.3 million sq. ft. Q1 2026's leasing volume dropped 32.3% quarter-over-quarter and 4.5% year-over-year.

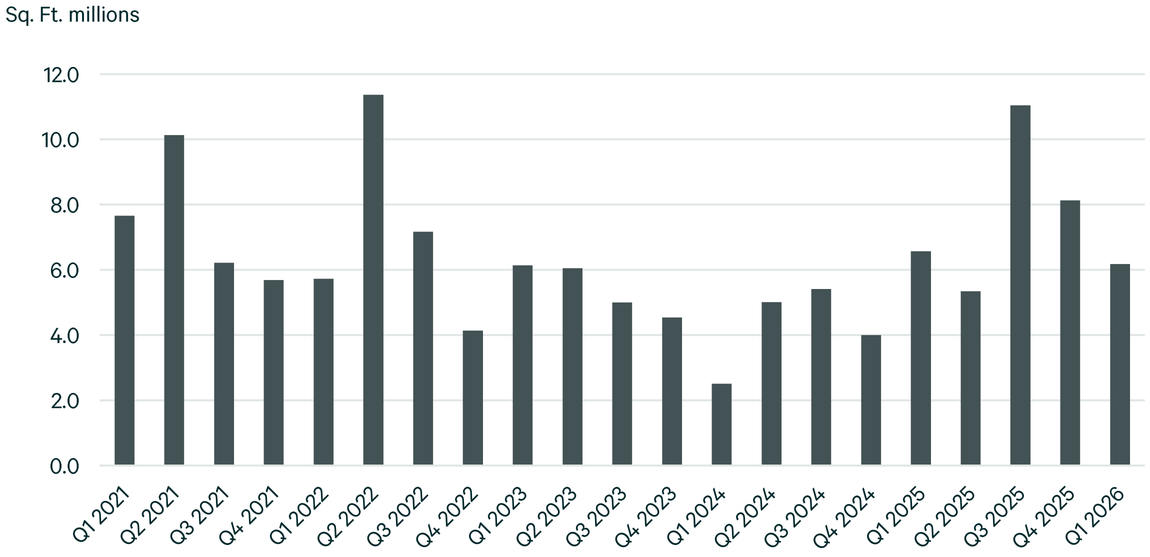
68% of leases signed this quarter were for 100,000 sq. ft. or less. 32% of the leases signed were for renewals.

All but one of the largest leases signed this quarter were new. APC Postal Logistics, at 276,000, was the only top renewal and the only lease signed for a building that is not modern bulk.

40.2% of new leases were in the East, at 2.5 million sq. ft. Mead Johnson has the largest lease, both in the East and in the entire Indianapolis market, at 803,000 sq. ft.

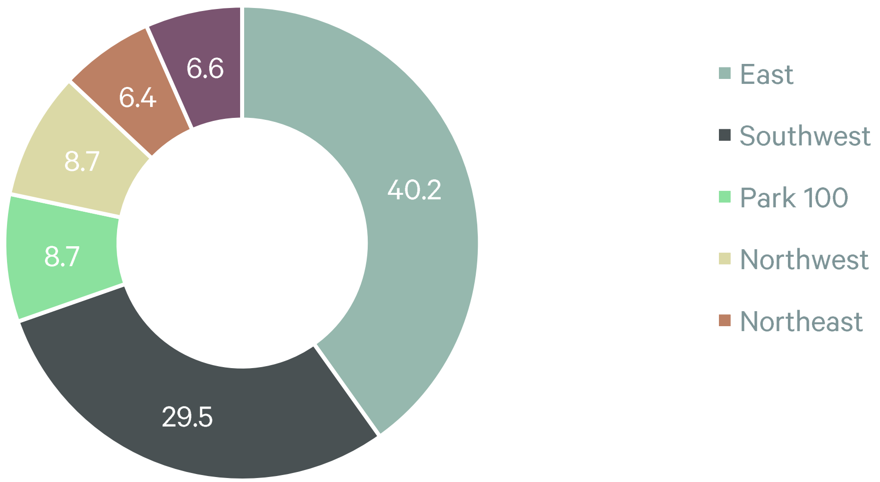
The Southwest submarket had the next three largest leases. Allen Distribution will occupy 382,000 sq. ft.; Dick's Sporting Goods, 357,000; and Gotion, 282,000 sq. ft.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q1 2026

Figure 7: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Mead Johnson	803,000	New Lease	2444 N Country Road 700 W	East
Allen Distribution LP	383,000	New Lease	701 Columbia Rd	Southwest
Dick's Sporting Goods	357,000	New Lease	2155 Stafford Rd	Southwest
Gotion	282,000	New Lease	7452 Tempelhof Dr	Southwest
BLUvera	277,000	New Lease	1220 S Post Rd	East
APC Postal Logistics	276,000	Renewal	3333 N Franklin Rd	East
Entermarket Logistics	272,000	New Lease	2151-2155 Airwest Blvd	Southwest
Zima International	258,000	New Lease	429 Fintail Dr	East

Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 9

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (SF)	Under Construction (MSF)
Under 100,000 sq. ft.	52.67	4.0	4.8	4.2	0.7	9.32	(0.10)	(0.10)	155,000	0.26
100,000-199,999 sq. ft.	47.82	6.0	7.2	6.4	0.8	8.20	(0.15)	(0.15)	-	-
200,000-299,999 sq. ft.	34.35	7.7	7.0	6.1	1.0	7.11	1.21	1.21	513,000	0.77
300,000-499,999 sq. ft.	55.37	7.0	6.7	6.1	0.6	5.86	0.99	0.99	-	-
500,000-749,999 sq. ft.	69.11	5.8	7.2	6.9	0.3	5.80	0.28	0.28	-	0.50
750,000 sq. ft.	87.63	9.5	11.1	9.2	1.8	5.30	2.65	2.65	-	1.57
Total	**346.95**	**6.9**	**7.7**	**6.8**	**0.9**	**6.35**	**4.87**	**4.87**	**668,000**	**3.11**

Source: CBRE Research, Q1 2026

Market Statistics by Product Type

Figure 10

Product Type	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (SF)	Under Construction (MSF)
Distribution/Logistics	279.27	7.9	8.9	7.9	1.1	6.20	5.00	5.00	628,000	2.91
Manufacturing - General	51.98	1.8	1.7	1.5	0.1	5.17	(0.05)	(0.05)	-	0.08
R&D/Flex	15.06	4.8	6.2	5.3	0.9	11.50	(0.06)	(0.06)	40,000	0.08
Other Industrial	0.63	5.1	5.1	5.1	-	-	(0.03)	(0.03)	-	0.03
Total	**346.95**	**6.9**	**7.7**	**6.8**	**0.9**	**6.35**	**4.87**	**4.87**	**668,000**	**3.11**

Source: CBRE Research, Q1 2026

Market Statistics by Class

Figure 11

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (SF)	Under Construction (MSF)
Class A	110.81	14.6	15.8	13.6	2.2	5.89	4.04	4.04	329,000	0.66
Institutional	107.29	14.8	16.0	13.8	2.2	5.80	3.88	3.88	258,000	-
Other Class A	3.52	6.0	10.0	7.3	2.7	11.67	0.15	0.15	70,000	0.66
All Other Industrial	236.14	3.2	3.9	3.6	0.3	7.21	0.83	0.83	339,000	2.44
Total	**346.95**	**6.9**	**7.7**	**6.8**	**0.9**	**6.35**	**4.87**	**4.87**	**668,000**	**3.11**

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 12

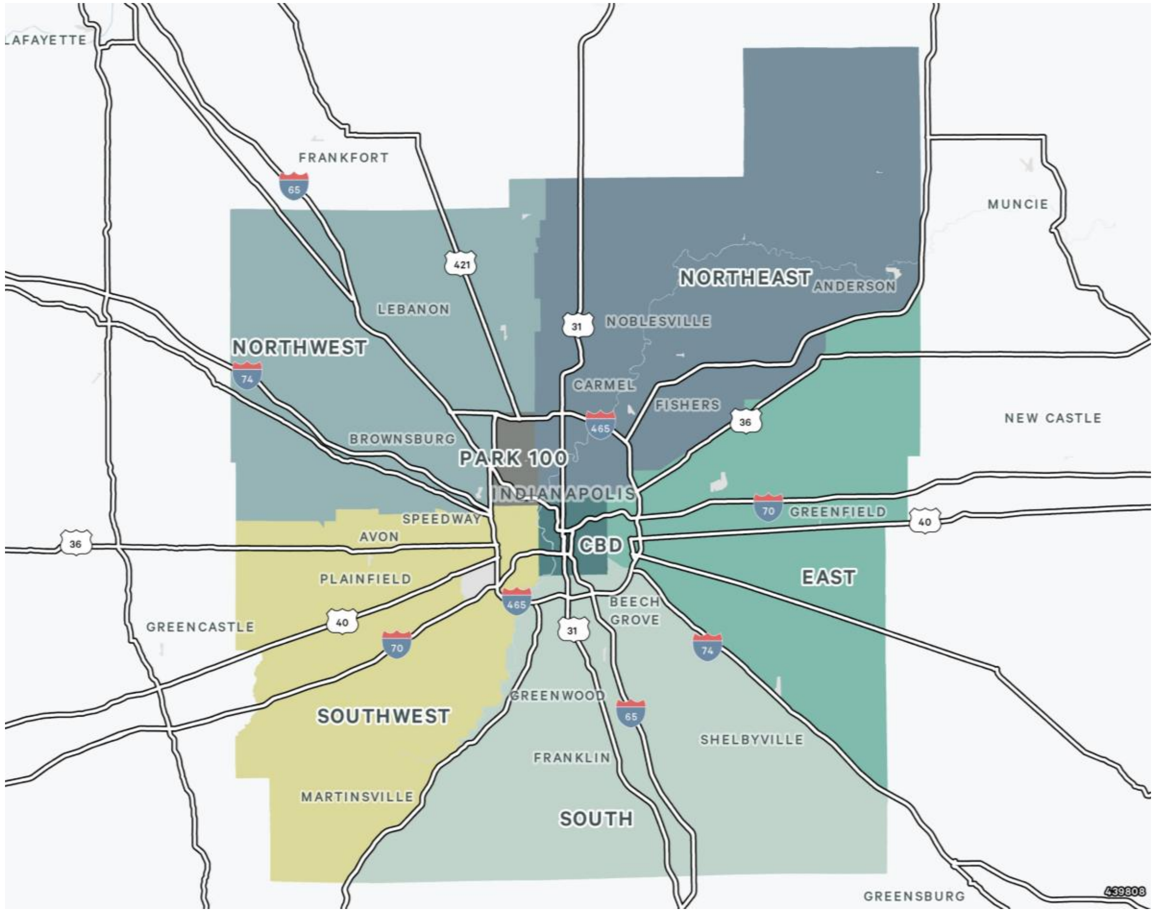
Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (SF)	Under Construction (MSF)
CBD	26.61	4.1	4.5	4.3	0.2	7.53	0.04	0.04	-	-
East	58.65	13.4	14.0	13.2	0.8	5.74	1.87	1.87	303,000	0.07
Northeast	27.67	3.5	3.7	2.9	0.8	9.37	0.31	0.31	365,000	0.45
Northwest	53.22	2.2	2.0	1.7	0.3	7.68	0.91	0.91	-	2.56
Park 100	28.55	3.3	6.3	5.6	0.6	9.77	(0.06)	(0.06)	-	-
South	44.79	10.6	14.0	10.9	3.1	5.64	0.69	0.69	-	-
Southwest	107.47	6.5	6.7	6.1	0.6	6.19	1.10	1.10	-	0.03
Total	**346.95**	**6.9**	**7.7**	**6.8**	**0.9**	**6.35**	**4.87**	**4.87**	**668,000**	**3.11**

Source: CBRE Research, Q1 2026

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the $80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

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

Survey Criteria

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 are also included.

Contacts

Gwen Rodenberger

Senior Research Analyst
gwen.rodenberger@cbre.com