



2025 Indianapolis Multifamily Market Insights

Indianapolis' multifamily real estate market continues to demonstrate resilience and promise as we enter 2025. With its combination of strong job growth, affordability, and strategic development, the metro area remains a focal point for investors seeking stability and opportunity in the Midwest.

Key Market Drivers

Population and Employment Growth

- **Fastest Population Growth in the Midwest:** Indianapolis leads major Midwest markets in population growth, driven by its affordable cost of living and economic opportunities. This trend is bolstered by an anticipated addition of 22,000 jobs in 2025.
- **Employment Sectors on the Rise:** Key industries contributing to this growth include office-using sectors and leisure/hospitality, reflecting a diversified and balanced economic base that attracts a steady influx of residents.

Construction and Inventory Expansion

- **Development Hotspots:**
 - Carmel-Hamilton County accounts for nearly half of the metro's recent multifamily completions, fueled by corporate expansions such as Eli Lilly's investment in the area.
 - Downtown Indianapolis remains a key area of activity, but its vacancy rates hover near 7% due to the pace of new deliveries.
- **Areas with Limited Supply:**
 - East, Northwest, and Southwest Indianapolis face restricted development pipelines, creating tighter vacancy rates and potential opportunities for targeted investment.
- **Overall Inventory Growth:** Multifamily stock is projected to grow by 2.9% in 2025, reflecting sustained confidence in the market's long-term fundamentals.

Market Performance Metrics

Vacancy Rates

- **Declining Vacancy:** The overall vacancy rate is expected to drop to 6.0%, supported by robust net absorption despite the influx of new supply.
- **Submarket Performance:**
 - Northeast and Northwest Indianapolis report notably low vacancy for Class A properties.
 - Suburban markets such as Carmel, Greenwood, and the Far West Suburbs demonstrate strong demand for Class B units.

Rent Growth

- **Affordable Rents with Positive Growth:**
 - Average effective rent will rise to \$1,357 per month in 2025, making Indianapolis the fifth-most affordable metro for renters among major U.S. markets.
 - While rent growth is tempered in supply-heavy areas like Carmel, areas with fewer upcoming completions, such as Greenwood, may see steadier increases.

Investment Opportunities

Transaction Trends

- **CBD and Surrounding Areas:** The majority of 2024's multifamily transactions occurred near the central business district (CBD), where value-add opportunities continue to attract non-institutional investors.
- **Appeal of Low Entry Costs:** Indianapolis offers one of the most attractive home price-to-income ratios in the Midwest, strengthening investor confidence in the long-term rental demand.
- **Class A and B Opportunities:** Submarkets with strong absorption trends and diverse renter demographics, such as Far West Suburbs and Carmel, remain key targets for investors.

Future Considerations

- **Affordable Housing Demand:** The city's relatively low homeownership barriers compared to other Midwest metros enhance rental retention and ensure steady market performance.
- **Logistics and Infrastructure:** Greenwood-Johnson County, driven by its proximity to logistics hubs along I-65, continues to attract investment and development interest, even as construction pipelines begin to stabilize.

Conclusion

The Indianapolis multifamily market's combination of affordability, job growth, and measured development positions it as a strong performer in 2025. Investors have the opportunity to capitalize on value-add properties near the CBD, suburban growth in areas like Greenwood and Carmel, and a balanced supply-demand dynamic that supports steady rent growth and declining vacancies.

Whether you are an institutional player or a private investor, Indianapolis offers a unique mix of stability and growth potential, making it an essential market to watch in the year ahead.