

MARKETBEAT

INDIANAPOLIS INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



2Q08

ECONOMY

As forecasted in our first quarter 2008 Marketbeat, high oil prices have forced many distribution companies to revisit their supply chain strategies by taking a closer look at the location and size of facilities – focusing on proximity to their end users to combat higher transportation costs. The local economies in and around Indianapolis benefit from the continued improvements to the area's infrastructure and also from a competitive market for quality distribution space and transportation companies.

OVERVIEW

The Indianapolis Industrial market continued with strong leasing activity in the second quarter totaling over 2.0 million square feet (msf). The major bulk distribution leases signed this quarter were located in the Southwest and Northwest submarkets. AllPoints at Anson welcomed Amazon.com to the market as they executed a lease for the entire 630,000-square foot (sf) speculative building. In addition, Lacrosse Footwear Inc. recently signed a lease for a 380,000-sf build-to-suit building up the road from Anson in Park 267.

Construction projects and completions slowed as only roughly a half million square feet (msf) of industrial space came online in the second quarter. With over 4.0 msf of leasing activity and nearly 2.0 msf of positive absorption midway through 2008, developers will begin to plan the next wave of speculative projects. Currently, there are only a handful of noteworthy speculative projects under construction, totaling just under 1.0 msf.

The healthy leasing activity, coupled with minimal completed construction projects, has lowered the vacancy rates for the industrial market. The overall vacancy rate decreased to 9.5% in the second quarter, down from 10.2% in the first quarter. Five of the six submarkets also experienced a decrease in vacancy rates from the previous quarter.

The overall absorption for the industrial market slowed from a record first quarter, as only 180,000 sf was absorbed this quarter. While warehouse/distribution space is at over 2.4 msf of overall absorption year-to-date, the office services and manufacturing product combine for over 500,000 sf of negative overall absorption in the same time period.

Investment activity was highlighted by two notable portfolio sales. Pinchall & Co LLC purchased a ten-building portfolio located in various locations - Park 100, Whitestown, and Plainfield. This portfolio totaled over 2.6 msf. The second notable sale was Westminster Funds purchase of two buildings on Perry Road in Plainfield that totaled over 1.1 msf.

FORECAST

Expect the industrial market to continue to attract companies with the numerous advantages the city offers over other large metropolitan areas. Several significant lease deals, now in the letter of intent stage, will be signed in the third quarter and will push the occupancy for modern bulk space by several hundred basis points. Even with this activity, look for developers to continue their constraint in starting new speculative construction projects throughout 2008.

BEAT ON THE STREET



While the economy continues to suffer from the demise of the credit markets, new leasing activity for Industrial space in the greater Indianapolis area is surprisingly strong.


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ECONOMIC INDICATORS


National	2006	2007	2008F
GDP Growth	2.9%	2.2%	1.6%
CPI Growth	3.2%	2.9%	3.6%
Regional			
Unemployment	4.4%	4.1%	4.5%
Employment Growth	1.4%	1.3%	0.6%

Source: BLS.gov, Moody's | Economy.com

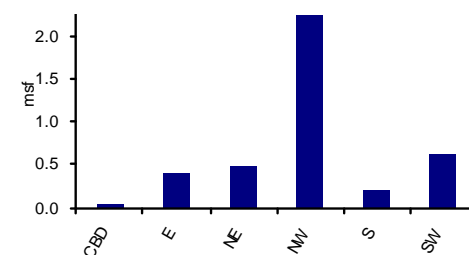
MARKET FORECAST

LEASING ACTIVITY remains healthy and will likely continue this trend through 2008. 

DIRECT ABSORPTION is slightly down following a record first quarter. However YTD total is still well above average at nearly 2.0 msf. 

CONSTRUCTION completions for second quarter were the lowest recorded in the past three years. 

2008 YTD LEASING ACTIVITY



MARKET / SUBMARKET STATISTICS

MARKET / SUBMARKET	INVENTORY	NO. OF BLDGS	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	MF	W/D	FLEX
CBD	23,569,027	264	7.1%	42,158	0	0	(355,622)	\$0.75	\$1.85	\$6.00
East	32,329,733	286	7.5%	399,697	673,000	245,200	11,984	\$2.25	\$3.09	\$5.44
Northeast	15,846,964	241	6.9%	478,919	89,600	0	124,331	\$4.95	\$5.80	\$7.21
Northwest	46,217,046	391	10.2%	2,248,821	838,000	318,000	900,269	\$5.00	\$3.00	\$7.29
South	16,363,180	174	15.2%	220,441	0	161,280	(69,495)	\$1.50	\$3.13	\$7.15
Southwest	66,995,000	379	10.1%	634,906	0	1,296,795	1,269,009	\$1.76	\$2.94	\$5.54
TOTAL	201,320,950	1,735	9.5%	4,024,942	1,600,600	2,021,275	1,880,476	\$1.62	\$3.00	\$6.72

*Rental rates reflect \$psf/year

MF = Manufacturing W/D = Warehouse/Distribution FLEX = Combination Office & Warehouse/Manufacturing

MARKET HIGHLIGHTS

SIGNIFICANT 2Q08 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
4255 Anson Boulevard (Whitestown)	Northwest	Amazon.com	630,000	Warehouse/Distribution
Park 267 BTS (Whitestown)	Northwest	Lacrosse Footwear, Inc	380,000	Warehouse/Distribution
1250 Whitaker Road (Plainfield)	Southwest	OHL	213,840	Warehouse/Distribution
595 Perry Road (Plainfield)	Southwest	Nice-Pak Products	106,875	Warehouse/Distribution
758 Columbia Road (Plainfield)	Southwest	Pitney Bowes Inc.	95,985	Warehouse/Distribution

SIGNIFICANT 2Q08 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Park 100 Portfolio	Northwest/Southwest	Pinchal & Co LLC	2,619,716	N/A
600 & 650 Perry Road	Southwest	Westminster Funds	1,133,566	N/A
8350 Allison Avenue	Northwest	Sgi Real Estate LLC	196,800	N/A

SIGNIFICANT 2Q08 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
AllPoints Anson Building 14	Northwest	ASI Limited	280,000	4/08
6825 West CR 400 North (Mount Comfort)	East	N/A	245,200	5/08

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Mount Comfort Building 1	East	Speculative	423,000	12/08
Lacrosse Footwear BTS	Northwest	Lacrosse Footwear, Inc	380,000	3/09
Medco Anson BTS	Northwest	Medco Health Solutions	318,000	2/09
Mount Comfort Building 2	East	Speculative	250,000	12/08
8431 Georgetown Road	Northwest	Goodwill Industries	100,000	8/08
14560 Bergen Boulevard	Northeast	Speculative	89,600	10/08



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*Market terms & definitions based on BOMA and NAIOP standards.

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