

# MARKETBEAT

## INDIANAPOLIS INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



3Q08

### ECONOMY

The Indianapolis industrial market exhibited healthy signs during the third quarter despite the adverse effects of the national financial and economic markets. As predicted in our second quarter report, several significant industrial users landed in Indianapolis this quarter. In addition to absorbing industrial space, these transactions will bring a significant number of jobs to the area at a time when many cities are seeing an opposite trend.

### OVERVIEW

The Indianapolis market experienced a record 4.2 million square feet (msf) of leasing activity during the third quarter. Almost 3.7 msf of the 4.2 msf was comprised of leases for modern bulk warehouse space. The largest lease of the third quarter was Amazon.com's lease of nearly 950,000 square feet (sf) at Airtech Park in Plainfield. Total year-to-date leasing activity stands at 8.5 msf.

Despite a record quarter in leasing, several noteworthy spaces were physically vacated and contributed toward a negative absorption of 400,000 sf for the quarter. Absorption numbers should improve significantly toward year end as nearly 2.1 msf of committed tenants move into their space. Roughly half of the 4.2 msf of leasing activity was occupied in the third quarter with the remainder scheduled for future move in.

The overall vacancy rate for the market ticked up slightly to 9.7% from 9.5% in the second quarter. While strong activity in Plainfield helped the submarket's vacancy rate decrease to 9.3% from 10.1%, the East submarket experienced the most noteworthy increase in vacancy rate as it increased to 8.6% from 7.5% in the second quarter. As the year closes, positive absorption coupled with the absence of construction deliveries will help offset this slight uptick in vacancy rates.

While there is currently 3.5 msf of industrial space under construction, nearly 2.2 msf is comprised of build-to-suit projects. The only new notable speculative project to commence in the third quarter is Duke/Browning's 533,520-sf warehouse/distribution building located at the AllPoints Midwest Industrial Park in Plainfield.

Continuing a sustained 2008 trend, there was no significant investment activity in the Indianapolis industrial market primarily due to the uncertain financial markets. Expect this trend to continue through the remainder of 2008 and into 2009 until financial conditions improve.

### FORECAST

While many of the large blocks of vacancy were accounted for in the third quarter, developers will still proceed with caution on upcoming speculative projects due to the strict underwriting standards. The Indianapolis industrial market will continue to attract new tenants as aggressive local and state incentives and ongoing improvements to the infrastructure make Indianapolis among the most attractive places to do business.

### BEAT ON THE STREET



"Despite the economy, the Indianapolis industrial market experienced a very positive third quarter. The current market vacancy and expected fourth quarter absorption have positioned the market well as we head into the year's end."


Brian Zurawski, SIOR  
Principal – Industrial  
Global Supply Chain Solutions Group


### ECONOMIC INDICATORS


National	2006	2007	2008F
GDP Growth	2.8%	2.0%	1.9%
CPI Growth	3.2%	2.9%	4.4%
Regional			
Unemployment	4.4%	4.0%	5.5%
Employment Growth	1.4%	1.3%	0.7%

Source: Moody's | Economy.com

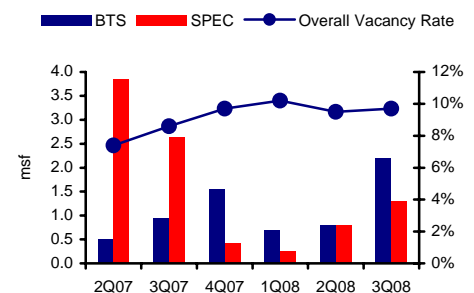
### MARKET FORECAST

**ABSORPTION** in the fourth quarter will be healthy as several tenants will move into significant blocks of space. 

**VACANCY RATE** will likely decrease due to significant commitments on large blocks of space. 

**CONSTRUCTION** completions for the fourth quarter will be limited as no significant projects are staged for completion. 

### NEW SPACE VS. VACANCY



### MARKET / SUBMARKET STATISTICS

MARKET / SUBMARKET	INVENTORY	NO. OF BLDGS	OVERALL	YTD	UNDER CONSTRUCTION	YTD	YTD	MF	W/D	FLEX
			VACANCY RATE	LEASING ACTIVITY		CONSTRUCTION COMPLETIONS	OVERALL ABSORPTION			
CBD	24,148,745	269	7.2%	172,414	0	0	(474,921)	\$0.75	\$1.93	\$2.71
East	32,414,395	285	8.6%	764,143	673,000	245,200	(498,682)	\$2.25	\$2.83	\$5.77
Northeast	15,982,994	247	6.4%	637,657	739,600	30,944	205,181	\$4.95	\$5.49	\$7.14
Northwest	46,221,114	393	10.8%	2,611,639	698,000	418,000	725,074	\$5.00	\$3.04	\$7.16
South	16,342,597	175	16.7%	1,113,877	808,500	161,280	(317,209)	\$1.54	\$3.11	\$6.74
Southwest	67,192,760	379	9.3%	3,215,862	576,020	1,296,795	1,784,227	\$1.76	\$3.15	\$5.55
<b>TOTAL</b>	<b>202,302,605</b>	<b>1,748</b>	<b>9.7%</b>	<b>8,515,592</b>	<b>3,495,120</b>	<b>2,152,219</b>	<b>1,423,670</b>	<b>\$1.63</b>	<b>\$3.04</b>	<b>\$6.61</b>

\*Rental rates reflect \$psf/year

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

### MARKET HIGHLIGHTS

#### SIGNIFICANT 3Q08 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
715 Airtech Parkway	Southwest	Amazon.com	947,333	Warehouse/Distribution
Franklin Tech Park BTS	South	Cooper Tire & Rubber Company	808,500	Warehouse/Distribution
2209-2233 Stafford Road	Southwest	Cross Road Centers	600,576	Warehouse/Distribution
2150 Stanley Road	Southwest	Siemens	320,000	Warehouse/Distribution
700 Perry Road	Southwest	Menlo Logistics	157,715	Warehouse/Distribution
2900 North Shadeland Avenue	East	Chep Pallet	215,000	Warehouse/Distribution
2375 Reeves Road	Southwest	Schutz Container Systems	135,891	Warehouse/Distribution
2799 Reeves Road	Southwest	Pitney Bowes	134,631	Warehouse/Distribution
4750 Kentucky Avenue	Southwest	Superior Packaging Systems	125,000	Warehouse/Distribution
5051 West 74th Street	Northwest	Pitney Bowes	121,600	Warehouse/Distribution

#### SIGNIFICANT 3Q08 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PROPERTY TYPE
N/A				

#### SIGNIFICANT 3Q08 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
8431 Georgetown Road	Northwest	Goodwill Industries	100,000	8/08

#### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Franklin Tech Park BTS	South	Cooper Tire & Rubber Company	808,500	10/09
Mount Comfort Building 1 & 2	East	Speculative	673,000	1/09
SMC Headquarters BTS	Northeast	SMC	650,000	7/09
AllPoints Midwest Building 2	Southwest	Speculative	533,520	12/09
5352 Performance Way (Whitestown)	Northwest	Lacrosse Footwear	380,000	3/09
Medco Anson BTS	Northwest	Medco Health Solutions	318,000	2/09



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Summit Realty Group  
111 Monument Circle Suite 4750  
Indianapolis, IN 46204  
(317) 713-2100  
[www.SummitRealtyGroup.com](http://www.SummitRealtyGroup.com)

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

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