

MARKETBEAT

INDIANAPOLIS INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



4Q08

ECONOMY

In 2008, the Indianapolis industrial market continued to exceed expectations, despite the recessionary environment. The steady performance in real income generated from manufacturing, health care, and transportation & warehousing, insulated the Indianapolis economy. Although the Indianapolis economy may begin feeling the effects of the recession, the industrial market will continue to outperform expectations.

OVERVIEW

The Indianapolis industrial market experienced a drop in leasing activity in the fourth quarter with only 610,000 square feet (sf) leased. Two-thirds of all leasing activity took place in the East and Northwest submarkets. The largest lease of the quarter was Iwis Drive Systems with 56,400 sf leased at 8260-8266 Zionsville Road. In the East submarket, SLI Lighting, Inc. leased 48,600 sf of warehouse space at 6555 East 30th Street. Leasing activity for the entire 2008 reached 9.6 million square feet (msf).

As predicted previously, absorption this quarter was positively affected despite decreased level of leasing activity. This positive absorption was a product of the significant lease transactions closed last quarter. Plainfield saw an increased amount of absorption as 1.05 msf was absorbed by companies, such as Cross Roads Centers, Siemens, and Pitney Bowes. As new construction remains stagnant and new businesses remain attracted to the healthy Indianapolis market, we should see absorption continue a stable, positive trend in 2009.

The large amount of positive absorption helped reduce the overall vacancy rate to 9.2%, down from 9.7% in the third quarter. A significant amount of absorption took place in the Plainfield submarket, decreasing the overall vacancy rate in the Southwest submarket to 8.7% compared to 9.3% in the third quarter. The East submarket also saw a decrease from 8.6% to 8.3% in the fourth quarter.

The only notable new construction completed in the fourth quarter was the 89,600-sf Saxony 200 Building, developed by Verus Partners in the in the Northeast submarket. Duke/Browning's 533,520-sf warehouse/distribution building at AllPoints Midwest Industrial Park is likely to be the only completion in the first quarter of 2009. The East submarket will see new speculative construction come online in the second quarter of 2009, as the Axxess70 project completes Mt. Comfort Buildings 1 & 2, totaling 673,000 sf.

The Indianapolis industrial market continued its trend of minimal investment activity throughout 2008. Expect this trend to continue through at least the first quarter of 2009, as we await the national financial and economic conditions to improve.

FORECAST

Despite the year-long 2008 recession, Indianapolis experienced what can only be described as exceptional leasing activity. As developers curtailed new construction starts in late 2007, their early adjustments to minimize new inventory enabled vacancies to maintain a healthy balance throughout 2008. The volatility of fuel prices has forced companies to reconfigure their supply chains. As transportation costs remain a determining factor, markets claiming close proximity to a majority of the population will thrive. Consequently, Indianapolis will be that solution for many of these companies as these savings are sought.



BEAT ON THE STREET



"The credit markets are challenging deal making, both for developers and users. This climate poses tremendous opportunities for new, well-capitalized companies to emerge and forces alternate solutions for those that are not. Now, more than ever, our clients are relying on us to help navigate viable solutions."


John W. Demaree, SIOR
Principal & Executive Vice President


ECONOMIC INDICATORS


National	2007	2008
GDP Growth	2.0%	1.2%
CPI Growth	2.9%	4.2%
Regional		
Unemployment	3.7%	5.9%
Employment Growth	1.3%	0.8%

Source: Moody's | Economy.com

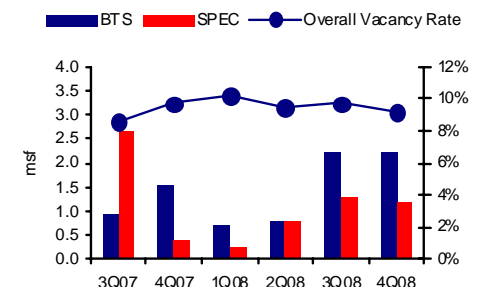
MARKET FORECAST

ABSORPTION in 2009 will continue to be healthy as leasing remains stable and new construction is limited. 

VACANCY RATE will likely remain stable as Indianapolis pushes through the economic recession. 

CONSTRUCTION for 2009 will be limited as the credit markets pose challenges for developers. 

NEW SPACE VS. VACANCY RATE



MARKET / SUBMARKET STATISTICS

MARKET / SUBMARKET	INVENTORY	NO. OF BLDGS	OVERALL	YTD	UNDER CONSTRUCTION	YTD	YTD	Direct Weighted Average Net Rental Rate *		
			VACANCY RATE	LEASING ACTIVITY		CONSTRUCTION COMPLETIONS	OVERALL ABSORPTION	MF	W/D	FLEX
CBD	24,404,795	268	8.1%	183,954	0	0	(653,992)	\$0.98	\$1.97	\$2.57
East	32,418,005	287	8.3%	1,065,734	673,000	245,200	(529,509)	\$2.25	\$2.87	\$5.78
Northeast	16,382,400	254	7.4%	749,407	650,000	120,544	75,592	\$4.95	\$5.20	\$7.06
Northwest	46,208,436	393	9.3%	3,171,255	698,000	418,000	1,383,822	\$5.00	\$3.58	\$6.97
South	16,553,343	179	15.8%	1,144,117	808,500	161,280	(239,295)	\$1.67	\$3.11	\$7.14
Southwest	66,386,152	379	8.7%	3,353,113	576,020	1,296,795	2,229,741	\$2.76	\$3.28	\$6.01
TOTAL	202,353,131	1,760	9.2%	9,667,580	3,405,520	2,241,819	2,266,359	\$1.67	\$3.21	\$6.68

*Rental rates reflect \$psf/year

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

MARKET HIGHLIGHTS

SIGNIFICANT 2008 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
715 Airtech Pkwy	Southwest	Amazon.com	947,333	Warehouse/Distribution
500 Bartram Pkwy	South	Cooper Tire & Rubber Company	808,500	Warehouse/Distribution
4255 Anson Blvd (Whitestown)	Northwest	Amazon.com	630,000	Warehouse/Distribution
2209-2233 Stafford Rd	Southwest	Cross Road Centers	600,576	Warehouse/Distribution
5352 Performance Way (Whitestown)	Northwest	Lacrosse Footwear	380,000	Warehouse/Distribution
2150 Stanley Rd	Southwest	Siemens	320,000	Warehouse/Distribution
849 Whitaker Rd	Southwest	Meritor Heavy Vehicle Systems LLC	275,327	Warehouse/Distribution

SIGNIFICANT 2008 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PROPERTY TYPE
600 S Perry Rd	Southwest	Westminster Funds	633,566	Warehouse/Distribution
7900 Rockville Rd	Southwest	Equity Industrial Partners Corp	617,212	Manufacturing
5055 W 79th St	Northwest	Pinchal & Company	504,164	Warehouse/Distribution

SIGNIFICANT 2008 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Ameriplex Park BTS	Southwest	PepsiCo	1,119,195	2/09
Allpoints Anson Building 14	Northwest	ASI Limited	280,000	4/09

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	5/09
SMC Headquarters BTS	Northeast	SMC	650,000	7/09
AllPoints Midwest Building 2	Southwest	Speculative	533,520	2/09



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

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