

MARKETBEAT

INDIANAPOLIS OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



2Q08

ECONOMY

The Indianapolis Office market continues to improve despite setbacks caused by the financial and housing sectors. The professional and business services make up the largest percentage of employment in the Indianapolis MSA according to Moody's Economy.com. The Indianapolis MSA unemployment rate (4.5%) continues to outperform both the state unemployment rate (5.3%) and national unemployment rate (5.5%) halfway through 2008 according to the U.S. Bureau of Labor Statistics.

In addition to Indianapolis's attractive low cost of living and low cost of doing business, Hamilton County received recognition in Forbes magazine as "America's top family-friendly community". This positive recognition mirrors the upswing in office activity and growth in the north submarkets (Meridian Corridor, Carmel, Keystone Crossing & I-69/Shadeland) as all experienced declining vacancy rates in the second quarter.

OVERVIEW

The top tier class A buildings in the CBD (Chase Tower, One America, Market Tower, 300 North, 30 South Meridian) are nearly 99% leased through the second quarter in 2008. This trend pushed occupancy to several class B buildings, and contributed toward the decrease the overall vacancy rate in the CBD. The overall vacancy rate in the CBD dropped again to 13.6%, the lowest in over two years.

The story in the suburbs was just the opposite of the CBD, as multiple tenants relocated from class B buildings into the abundant availability of newly constructed class A space. This trend was seen in direct vacancy rate flip over the last quarter, as the class A direct vacancy rate in the suburbs decreased while the class B vacancy rate in the suburbs increased. Another factor contributing to increasing vacancy rates is an increase in sublease space, as more than 70,000 square feet (sf) came online from first quarter 2008. The overall vacancy rate in the suburbs increased over 2.2% from a year ago, due to new construction deliveries and relatively low absorption.

Leasing activity more than doubled in the second quarter and is currently at nearly 1.0 million square feet (msf). Leasing activity in the second quarter was marked by several existing companies relocating and expanding their operations.

Direct weighted average asking rental rates for class A space remains relatively unchanged from last quarter. Expect asking rental rates to remain unchanged through 2008 for existing class A buildings in the suburbs. Top tier class A buildings in the CBD will demand a higher premium for space due to high occupancy. The remaining class A buildings in the CBD will not increase asking rental rates in 2008, due to large blocks of competitive available space and low demand.

FORECAST

The trend of tenants relocating to newly constructed class A space in amenity-rich environments will likely continue to fill the newly delivered office space. However, developers will likely hold off on new speculative office projects through 2008 as the tentative capital markets make it difficult to finance new construction.

BEAT ON THE STREET



Steady leasing activity will likely drive down the Office vacancy rate. While the CBD occupancy holds strong, the suburbs should recover due to limited new construction and a healthy leasing environment through 2008.

Chad A. Collier
Senior Director - Office

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

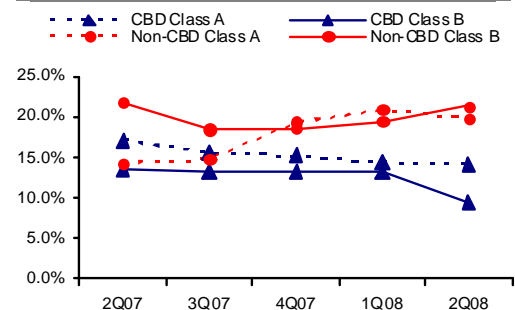
MARKET FORECAST

OVERALL VACANCY RATE in the CBD decreased almost 1% in the second quarter, its lowest point in over 2 years. ↓

LEASING ACTIVITY more than doubled from first quarter and is currently just under 1 million square feet. ↔

CONSTRUCTION projects are down for the year; currently less than 350,000 sf is under construction. ↓

OVERALL VACANCY RATES



MARKET / SUBMARKET STATISTICS

MARKET/ SUBMARKET	INVENTORY	NO. OF BLDGS	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Airport	685,881	15	26.1%	25.6%	4,552	0	0	1,123	\$16.00
Carmel	805,927	23	20.6%	20.6%	2,231	0	0	(83,295)	\$18.75
Castleton	1,955,755	45	21.7%	20.2%	43,671	151,000	0	(56,812)	\$18.16
East	458,156	17	20.3%	20.3%	0	0	0	(25,616)	\$17.60
I-69 / Shadeland	2,253,573	50	14.6%	13.5%	202,256	0	18,983	23,724	\$19.03
Keystone Crossing	4,137,011	58	17.8%	16.8%	135,910	120,000	50,763	(41,384)	\$20.04
Meridian Corridor	6,025,472	73	17.3%	16.6%	143,849	0	0	11,116	\$19.61
Midtown	1,254,540	28	10.4%	10.4%	0	0	0	(13,156)	\$17.00
Northwest	3,673,171	57	24.8%	23.6%	97,025	0	154,000	69,816	\$19.01
South	1,119,869	30	23.0%	23.0%	8,086	66,000	0	(20,374)	\$19.37
West	875,346	19	41.8%	41.8%	6,547	0	0	(3,957)	\$18.90
Non-CBD	23,244,701	415	19.9%	19.1%	644,127	337,000	223,746	(138,815)	\$19.29
CBD	10,653,727	70	13.6%	13.0%	279,641	0	0	109,300	\$20.27
INDIANAPOLIS TOTAL	33,898,428	485	18.0%	17.2%	923,768	337,000	223,746	(29,515)	\$19.59

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2Q08 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
6510 Telecom Drive	Northwest	General Services Administration	38,700	A
11595 North Meridian Street	Meridian Corridor	Sagamore Health Network	31,893	A
433 North Capital Avenue	CBD	ExactTarget	30,000	B
11590 North Meridian Street	Meridian Corridor	Sales Diesel	27,245	B
1320 City Center Drive	Meridian Corridor	Dealer Services Corporation	26,444	A
7365 Interactive Way	Northwest	Woolpert Inc	23,700	A
132 East Washington Street	CBD	U.S. Gymnastics Federation	16,786	B

SIGNIFICANT 2Q08 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
135 North Pennsylvania Street	CBD	CapitalSource	423,107	N/A

SIGNIFICANT 2Q08 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION / RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Lake Point Center Five	Castleton	Speculative	151,000	9/08
9035 River Road	Keystone Crossing	Advantage Health Solutions	120,000	7/08
1499 Windhorst Way	South	Tilson HR	44,000	11/08



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

Summit Realty Group
111 Monument Circle Suite 4750
Indianapolis, IN 46204
(317) 713-2167
www.summitrealtygroup.com

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

This report contains information available to the public and has been relied upon by Cushman & Wakefield on the basis that it is accurate and complete. Cushman & Wakefield accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2008 Cushman & Wakefield, Inc. All rights reserved.