MARKETBEAT

INDIANAPOLIS OFFICE REPORT

An independently owned and operated member of the CUSHMAN & WAKEFIELD® ALLIANCE

3Q08

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ECONOMY

The Indianapolis office market continues to exhibit positive signs through a time of national economic and financial uncertainty. While the unemployment rate rose to 5.5% from 4.5% in the second quarter, Indianapolis's diverse business landscape has helped to minimize detrimental effects to our local economy. While investment activity came to a near halt, several business service firms and tech companies realize the benefits the Indianapolis market provides. The city has capitalized on its strong business environment and has secured numerous business and employment commitments that will bring 1,000+ new jobs over the next few years.

OVERVIEW

The third quarter brought the 120,000-square foot (sf) River Road II and the 151,000-sf Lake Pointe Center 5 to the market at a combined 68.4% vacancy rate. These are the last two significant speculative projects in the Indianapolis office market. Developers' awareness of current financial and economic uncertainty is resulting in a record-low amount of space under construction. Currently we are tracking only a single office building under construction, the 44,000-sf Signature Building in Greenwood.

The CBD office market held surprisingly strong again this quarter. Currently, the CBD reported its lowest overall vacancy rate in the last two and a half years at 13.6%. The CBD also displayed the healthiest absorption among any submarket, delivering 101,545 sf of positive absorption year-to-date. The completion of Lucas Oil Stadium and the addition of several new restaurants have strengthened the already amenity-rich downtown and the CBD submarket continues to attract tenants.

The non-CBD overall vacancy rate ticked up for a second consecutive quarter at a three-year high of 20.9%. This rate reflects a combination of untimely construction completions and market uncertainty. While several mortgage and financial firms (HSBC and Sallie Mae) have downsized or closed in Indianapolis, several significant commitments by business service and tech firms provided a bright spot this quarter.

Leasing activity for the quarter was average compared to previous quarters as roughly 0.5 million square feet (msf) were leased, bringing the year-to-date total to 1.5 msf. The north side suburban submarkets continue to attract the most tenant demand totaling nearly two-thirds of the total year-to-date leasing transactions.

Direct asking rental rate for class A space held strong in the third quarter and decreased slightly to $19.49 per square foot (psf) from $19.59 in the second quarter. In the CBD, the weighted average asking rate decreased nearly $0.80 psf to $19.48 psf. This significant drop was driven by the Bose, McKinney & Evans relocation from M & I Plaza to Chase Tower, which created a large block of available space at a lower rate.

FORECAST

The Indianapolis MSA will continue to be one of the most consistent and stable office markets in the country. The closing quarter will be similar to the first three quarters in terms of average leasing activity. With no significant speculative construction projects planned to come online, the non-CBD vacancy rates will begin a road to recovery.

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BEAT ON THE STREET

"A declining vacancy rate and minimal speculative construction will likely produce positive absorption in 2009. While space demand from the financial sector has decreased, other industries are thriving, providing a steady office environment in central Indiana."

Tim Norton
Senior Director
Site Acquisition & Office Services

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

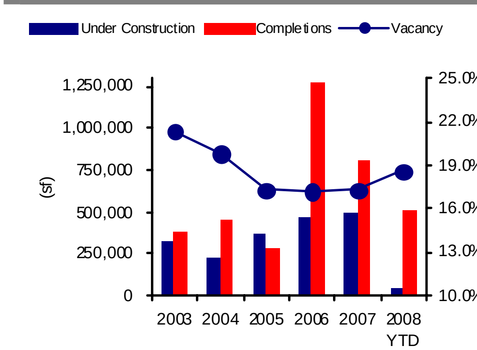
MARKET FORECAST

ABSORPTION in the non-CBD will likely increase from previous quarters heading into year end.

LEASING ACTIVITY for the third quarter was average in comparison to the first two quarters as nearly 0.5 msf of space was leased.

CONSTRUCTION projects are at a record-low with only one significant office project under construction.

CONSTRUCTION ACTIVITY



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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	752,891	17	21.3%	21.3%	57,073	0	0	39,378	$16.25
Carmel	805,927	23	25.4%	25.4%	3,080	0	0	(122,342)	$18.75
Castleton	2,206,755	48	28.8%	28.5%	74,608	0	151,000	(109,340)	$20.76
East	515,696	18	20.9%	20.9%	16,277	0	0	(20,115)	$17.60
I-69 / Shadeland	2,313,573	52	16.0%	15.0%	225,870	0	18,983	856	$18.94
Keystone Crossing	4,259,011	59	19.0%	18.0%	176,120	0	170,763	7,310	$20.19
Meridian Corridor	5,939,324	72	17.4%	16.7%	267,829	0	0	15,791	$19.14
Midtown	1,349,775	31	11.2%	11.2%	15,000	0	0	(2,841)	$15.35
Northwest	3,872,738	62	25.7%	24.7%	152,205	0	154,000	(12,108)	$18.91
South	1,165,469	32	18.8%	18.8%	49,275	44,000	22,000	(16,753)	$19.35
West	875,820	19	39.0%	39.0%	58,382	0	0	20,627	$19.07
Non-CBD	24,056,979	433	20.9%	20.2%	1,095,719	44,000	516,746	(199,537)	$19.50
CBD	11,135,940	73	13.6%	12.8%	427,351	0	0	101,545	$19.48
INDIANAPOLIS TOTAL	**35,192,919**	**506**	**18.6%**	**17.9%**	**1,523,070**	**44,000**	**516,746**	**(97,992)**	**$19.49**

* Rental rates reflect $psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 3Q08 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
7365 Interactive Way	Northwest	Brightpoint Inc.	39,685	A
7661 North Perimeter Road	Airport	ACS Human Services	33,373	B
251 North Illinois Street	CBD	HCC Insurance Holdings	22,643	A
4670 Havent Point Boulevard	Keystone Crossing	United Healthcare	21,000	B
801 Congressional Boulevard	Meridian Corridor	Pharmakon Long Term Care	20,764	C
501 Pennsylvania Parkway	Meridian Corridor	Belden Wire and Cable	16,287	A

SIGNIFICANT 3Q08 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	BLDG CLASS
8330 Woodfield Crossing Boulevard	Keystone Crossing	Charles Schwab	160,808	A
310 East 96th Street	Meridian Corridor	Indiana Insurance Company	95,852	A
1752 North Meridian Street	Midtown	London Witte Group	84,343	B

SIGNIFICANT 3Q08 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Lake Pointe Center Five	Castleton	Speculative	151,000	9/08
9045 River Road	Keystone Crossing	Advantage Health Solutions	120,000	7/08

SIGNIFICANT PROJECTS UNDER CONSTRUCTION / RENOVATION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1499 Windhorst Way	South	Tilson HR	44,000	11/08

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