MARKETBEAT

INDIANAPOLIS INDUSTRIAL REPORT

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1Q09

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

ECONOMY

Through the first quarter of 2009, the Indianapolis industrial market held its ground as the adverse economic conditions took their toll on several other markets. Stable occupancy rates and positive absorption were proof of Indianapolis's stability. At year-end 2008, Indiana jumped from 11th place in 2007, up to 5th place in the "Top Ten State Business Climates," an annual ranking by *Site Selection Magazine*. The diverse industrial structure, developed distribution networks, and low cost of doing business have put Indianapolis in a position to weather the economy.

OVERVIEW

The Indianapolis industrial market performed relatively well, as 814,469 square feet (sf) was leased in the first quarter of 2009. Many predictions pointed toward a slow-down in activity, however several stand out transactions paved the way for healthy leasing activity. The East submarket lead all submarkets for leasing activity with 292,650 sf leased for the quarter. The historically popular Southwest submarket continued to attract tenants with 224,802 sf leased during the first quarter. A notable transaction for the quarter was SPAN, Inc.'s lease of 144,075 sf at 6030 Gateway Drive in the Southwest submarket.

Overall absorption outperformed expectations as nearly 1.2 million square feet (msf) of industrial space was positively absorbed. The Southwest submarket accounted for a substantial portion of the absorption at 991,192 sf. Two significant deals include SWS and Accuride, which leased space in the fourth quarter of 2008, but occupied 537,500 sf in first quarter 2009. A notable trend in the first quarter developed as warehouse/distribution was the only product type to report positive absorb, as manufacturing and flex buildings experienced negative absorption. The success of the warehouse/distribution market underscores the attractiveness of Indianapolis to companies with logistic needs.

Compared to first quarter 2008 vacancy of 10.1%, the overall vacancy rate is down 100 basis points to 9.1%. Manufacturing vacancy rose 1% over the past year and, during the same timeframe, flex vacancy rose 4.3%. Vacancy for warehouse/distribution, which accounts for over 70% of the entire industrial market inventory in Indianapolis, is down 2.3% from a year ago to an overall vacancy rate of 9.6% in the first quarter of 2009.

While most speculative construction projects remain on hold, build-to-suit projects account for the majority of space under construction. Lacrosse Footwear's 380,000-sf distribution building in Lebanon and Prime Distribution's 554,040-sf expansion at AllPoints Midwest Building 1 both were completed in the first quarter of 2009. The two speculative buildings under construction by Browning Investments in Mt. Comfort, totaling 673,000 sf, are scheduled for completion in May.

FORECAST

The Indianapolis industrial market will continue to maintain a steady vacancy rate with the help of a strong warehouse/distribution infrastructure. Indiana is using stimulus resources on other investments, like an estimated $650 million on transportation infrastructure, which should continue to retain current tenants and attract new companies. Investment activity will remain limited due to unstable credit markets and uncertain investor confidence.

BEAT ON THE STREET

"Despite the global credit crunch, our local market velocity remains relatively healthy in the industrial sector. With a continued strong performance of our warehouse / distribution product and Indiana's superior road system, the dynamics will likely remain stable."

Steve M. Schaub
Associate Principal
Industrial Advisory Services

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-2.9%	1.8%
CPI Growth	3.8%	-1.0%	1.9%
Regional			
Unemployment	5.1%	7.8%	8.4%
Employment Growth	0.0%	-2.3%	1.1%

Source: Moody's | Economy.com

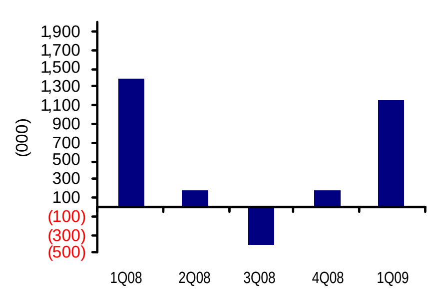
MARKET FORECAST

ABSORPTION for warehouse/distribution should continue to outperform and remain positive.

VACANCY RATE should remain stable through mid-year 2009, despite new construction completions in the East submarket.

LEASING ACTIVITY will likely remain healthy, but at lower levels compared to previous quarters.

OVERALL ABSORPTION TREND



SUMMIT REALTY GROUP

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MARKET / SUBMARKET STATISTICS

MARKET / SUBMARKET	INVENTORY	NO. OF BLDGS	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	Direct Weighted Average Net Rental Rate * MF	W/D	FLEX
CBD	23,612,283	266	8.6%	7,796	0	0	(50,160)	$1.34	$2.08	$3.63
East	33,021,822	285	8.1%	292,650	1,187,327	44,000	182,320	$2.25	$2.77	$5.64
Northeast	16,410,093	253	8.1%	78,236	824,000	0	(33,406)	$4.95	$5.41	$7.17
Northwest	46,618,044	394	8.9%	175,795	318,000	380,000	96,609	$3.11	$3.46	$6.50
South	16,651,879	183	16.1%	35,190	808,500	0	(23,010)	$1.74	$3.12	$7.25
Southwest	67,248,124	382	8.5%	224,802	533,520	1,242,920	991,192	$2.48	$3.29	$5.92
TOTAL	**203,562,245**	**1,763**	**9.1%**	**814,469**	**3,671,347**	**1,666,920**	**1,163,545**	**$1.79**	**$3.20**	**$6.46**

*Rental rates reflect $psf/year
MF = Manufacturing W/D = Warehouse/Distribution FLEX = Combination Office & Warehouse/Manufacturing

MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
6030-6032 Gateway Drive	Southwest	SPAN	144,075	Warehouse/Distribution
221 S Franklin Road	East	Welch & Wilson Properties, LLC	128,000	Warehouse/Distribution
7826-7868 Allison Avenue	Northwest	Piper Logistics	90,000	Warehouse/Distribution
6900 E 30th Street	East	Honda	81,000	Warehouse/Distribution
4555 W Bradbury Avenue	Southwest	American Foam, Fiber & Supplies Midwest	45,144	Warehouse/Distribution
7515 Company Drive	South	Acuren	30,240	Warehouse/Distribution
1240 Brookeville Way	East	E.J. Thomas Co.	25,500	Warehouse/Distribution

SIGNIFICANT 1Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PROPERTY TYPE
1202-1210 W 16th Street	CBD	Care Ambulance	39,144	Flex

SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Allpoints Midwest Building 1 BTS	Southwest	Prime Distribution Services	1,200,420	2/09
5352 Performance Way (Whitestown) BTS	Northwest	Lacrosse Footwear	380,000	3/09
6169 Stoner Drive Building 116	East	Speculative	44,000	1/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
SMC Headquarters BTS	Northeast	SMC	824,000	7/09
Franklin Tech Park BTS	South	Cooper Tire & Rubber Company	808,500	5/09
Mount Comfort Building 1 & 2	East	Speculative	673,000	5/09
AllPoints Midwest Building 2	Southwest	Speculative	533,520	12/09
9215 Pendleton Pike BTS	East	Monarch Beverage DC	514,327	12/09

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