

MARKETBEAT

INDIANAPOLIS INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



1Q10

ECONOMY

Year 2010 is gaining momentum, as manufacturing output is increasing with the national average and logistics/supply chain companies continue positive growth. Initiatives by Conexus Indiana have presented strategic plans for future improvements to infrastructure, allowing Indiana to remain at the forefront of attracting logistics and manufacturing jobs.

OVERVIEW

For the Indianapolis industrial market, first quarter 2010 resembled pre-recession conditions, as 2,573,248 square feet (sf) were leased. This represents 58% of the total 4,429,955 sf leased in all of 2009. The Southwest submarket doubled all other submarkets in leasing activity with 1.2 million square feet (msf). In contrast, all of 2009 did not see a new lease inked over 300,000 sf. Notable deals include Nice-Pak Products Inc. consolidating operations and leasing 813,054 sf at 381 Airtech Parkway, in Plainfield of the Southwest market and CAT Logistics leasing 360,000 sf at 850 N Graham Road in the Southpoint One building of the South submarket. Over 92% of all leasing in first quarter was in warehouse/distribution product, normally averaging 80%, underscoring Indianapolis' attractiveness and advantageous location for logistical and distribution services.

Indianapolis overall absorption began on a good note for the year, with 337,884 sf positively absorbed. Healthy leasing, coupled with very few significant vacancies, allowed the market to post positive absorption numbers for the quarter. Flex product contributed 338,166 sf of negative absorption. PEN Products (Indiana Department of Correction) vacating 91,399 sf of flex space at 6075 Lakeside Blvd in the Corporate Center North campus was a primary contributor. To offset, 382,342 sf was positively absorbed in the Southwest submarket. Additional absorption in the Southwest market will occur throughout second and third quarter, as companies that signed large leases this quarter begin to occupy space later in the year.

The industrial market posted a 0.1% decrease in the vacancy rate from fourth quarter 2009, with an overall vacancy rate of 10.5% in the first quarter. The overall vacancy rate has remained relatively stable since mid-year 2009, despite fluctuations in individual submarkets. The East submarket experienced a 0.9% decrease to 11.2%, as Enerdel leased and occupied 211,500 sf in Mt. Comfort. Both the Southwest and South submarkets should expect to see a drop in vacancy throughout the year, as 1.4 msf of absorption is set to take place in the second and third quarters. Absorption should remain positive throughout the year if leasing activity remains at current levels.

The Restaurant Depot completed a 65,000-sf build-to-suit facility at 2120 Enterprise Park Place in the Keystone Enterprise Park of the East submarket. Tax incentives have been a major contributor to attracting businesses to the Keystone Enterprise Park. Build-to-suit projects are the only construction projects planned or currently underway; and speculative construction will remain on the sideline for now. However, continued positive absorption and decreasing vacancy rates will begin to attract the attention of developers.

FORECAST

More than half of all leasing for the first quarter will actually not occupy space until the second and third quarter this year. Consequently, the Indianapolis industrial market will see an increase in absorption and decrease in vacancy rates as the year progresses.



BEAT ON THE STREET



"Year-to-date activity indicates we may be heading in the right direction – a slow, steady rebound. First quarter results were promising. We're looking at the remainder of the year to continue a positive path, perhaps to a lesser degree."


Brad Williams
Director
Industrial Advisory Services


ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.4%	2.8%	3.7%
CPI Growth	-0.3%	1.9%	2.1%
Regional			
Unemployment	8.3%	8.9%	8.8%
Employment Growth	-3.7%	-0.5%	1.3%

Source: Moody's | Economy.com

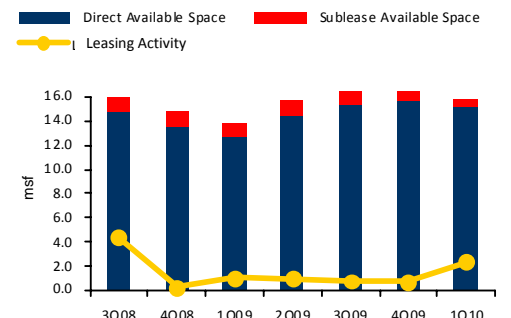
MARKET FORECAST

ABSORPTION will remain positive as tenants occupy the large spaces leased first quarter 2010. 

VACANCY RATE will decrease as absorption increases from first quarter leasing and construction remains minimal. 

LEASING ACTIVITY will likely remain healthy, but at lower levels compared to first quarter 2010. 

WAREHOUSE / DISTRIBUTION Available Space vs. Leasing Activity



MARKET / SUBMARKET STATISTICS

MARKET / SUBMARKET	INVENTORY	NO. OF BLDGS	OVERALL	YTD	UNDER CONSTRUCTION	YTD	YTD	YTD	Direct Weighted Average Net Rental Rate *		
			VACANCY RATE	LEASING ACTIVITY**		CONSTRUCTION COMPLETIONS***	DIRECT ABSORPTION	OVERALL ABSORPTION	MF	W/D	FLEX
CBD	23,734,494	274	11.2%	43,712	0	0	(56,136)	(56,136)	\$1.27	\$2.11	\$3.58
East	34,515,951	297	11.2%	457,470	0	65,000	203,533	203,533	\$2.48	\$2.65	\$4.44
Northeast	17,554,182	267	9.7%	103,508	25,800	0	(156,416)	(174,076)	\$5.22	\$4.52	\$7.92
Northwest	47,342,800	403	10.6%	298,625	0	0	(263,731)	(176,131)	\$2.77	\$3.07	\$6.14
South	17,662,663	190	13.6%	413,002	124,692	0	158,352	158,352	\$2.09	\$3.02	\$7.48
Southwest	67,333,232	386	9.4%	1,256,931	0	0	382,342	382,342	\$2.36	\$3.11	\$4.76
TOTAL	208,143,322	1,817	10.5%	2,573,248	150,492	65,000	267,944	337,884	\$2.03	\$3.00	\$6.03

*Rental rates reflect \$psf/year. **YTD Leasing Activity includes only new leases, no lease renewals. ***YTD Construction Completions does not include expansions.
 MF = Manufacturing W/D = Warehouse/Distribution FLEX = Combination Office & Warehouse/Manufacturing

MARKET HIGHLIGHTS

SIGNIFICANT 1Q10 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
381 Airtech Parkway	Southwest	Nice-Pak Products, Inc.	813,054	Warehouse/Distribution
850 North Graham Road - Southpoint One	South	CAT Logistics	360,000	Warehouse/Distribution
3023 Distribution Way - Access 70, Building 1	East	ENERDEL	211,500	Warehouse/Distribution
2675 Reeves Road - Airwest 9	Southwest	s2f Worldwide	201,007	Warehouse/Distribution
221 South Franklin Road	East	Welch & Wilson Properties, LLC	128,000	Warehouse/Distribution
5100 South Indianapolis Road	Northwest	Pitney Bowes - Expansion	78,000	Warehouse/Distribution
2835-2905 Fortune Circle West Drive - Building 34	Southwest	American Tire Distributors	69,675	Warehouse/Distribution
3131 North Franklin Road	East	Just Packaging Indianapolis, Inc.	64,800	Warehouse/Distribution
5051 West 74th Street - Building 99	Northwest	Ryder Logistics	60,000	Warehouse/Distribution
4330 Anson Boulevard - Allpoints Anson Building 14	Northwest	ASI Limited	60,000	Warehouse/Distribution
5740 Decatur Boulevard	Southwest	Panther Racing	59,511	Warehouse/Distribution

SIGNIFICANT 1Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PROPERTY TYPE
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N/A

SIGNIFICANT 1Q10 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
2120 Enterprise Park Place	East	Restaurant Depot BTS	65,000	2/10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Corner of Musicland Drive & Graham Road	South	Premium Composite Tech. N. America BTS	64,155	5/10
Mays Chemical Company	South	Mays Chemical Company	60,577	10/10
9880 Douglas Floyd Parkway	Northeast	Therapeutics Technology	25,800	4/10



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*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.

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