MARKETBEAT

INDIANAPOLIS INDUSTRIAL REPORT

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2Q09

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

ECONOMY

The Indianapolis Industrial market continues to perform positively during a time when, on a national scale, economics and demand have deteriorated. Numerous layoffs in the US auto industry has increased the unemployment rate to 10.6% for the state in May, compared to the 5.3% unemployment rate the previous year. The market's positive absorption rates reflect the attractiveness of Indianapolis' well diversified economy and developed distribution networks.

OVERVIEW

The Indianapolis industrial market is performing relatively well in a down economy. A total of 900,590 square feet (sf) was leased in the 2nd quarter, a higher level than the previous two quarters. Two-thirds of the total leasing activity occurred in the South and Southwest submarkets, each continuing to capitalize on close proximity to the new Indianapolis International Airport and revamped roadways in the surrounding areas. The largest lease signed in the Southwest submarket was LKQ Corp. with 106,145 sf leased at 849 Whitaker Rd. In the South submarket, Fillpoint LLC signed a 157,500 sf lease at 700 Commerce Pkwy. Total year-to-date leasing is at 1,955,216 sf, less than the 2,000,000 sf leased in 2nd quarter 2008 alone.

As predicted last quarter, the Indianapolis industrial market posted positive overall absorption, pulling in 303,819 sf in the 2nd quarter. Almost every submarket contributed negative absorption, except the South and Northeast submarkets. The build-to-suit 824,000 sf SMC headquarters was completed and occupied this quarter, which helped absorb a positive 577,486 sf for the Northeast submarket. Cooper Tire also completed its 808,500 sf build-to-suit in the South submarket and contributed toward a positive 974,865 sf absorption.

Overall vacancy rate increased to 10.0%, up .9% from 1st quarter 2009. Vacancy rates in almost every market increased by at least 1%. Contributing toward a vacancy hike was the completion of two speculative building completions totaling 783,520 sf. Also, Prime Distribution Services vacated their original headquarters of 486,394 sf in the Southwest submarket. The only submarket to see a drop in vacancy was the South, which dropped to 14.0%, down from 16.1% last quarter. Strong leasing activity and the completion and occupancy of an 808,500 sf build-to-suit helped facilitate the South submarket's vacancy drop.

While construction activity remains low, the Indianapolis market reported notable completions over the past three months including the previously mentioned build-to-suit projects - the 808,500-square foot Cooper Tire building and the 824,000-square foot SMC headquarters. Duke/Browning's 533,520-square foot Warehouse/Distribution building at Allpoints Midwest Industrial Park was completed in June. Of Browning's two projects at Axcess 70 at Mt. Comfort, the smaller 250,000-square foot distribution facility was completed. The other 423,000-square foot building has been delayed due to storm damage and is scheduled for completion in the 3rd quarter this year.

FORECAST

The Indianapolis industrial market will bear more vacant space in the upcoming quarter as business operations contract due to the volatile economy and credit crunch. However, Indianapolis is still a popular distribution market that attracts tenants with its ongoing upgrade of transportation infrastructure. Expect investors to remain reticent as they take a cautionary risk analysis of each potential opportunity in the market.

SUMMIT REALTY GROUP

BEAT ON THE STREET

"As companies consolidate operations, a new wave of quality manufacturing/warehouse facilities will be released into the market, particularly in the donut counties. As lending loosens,users/investors can take advantage of these well positioned opportunities"

Tony F. Hupp
Associate Principal
Industrial Advisory Services

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-3.0%	1.2%
CPI Growth	3.8%	-0.6%	1.7%
Regional			
Unemployment	5.1%	9.4%	10.4%
Employment Growth	-0.1%	-3.9%	-0.7%

Source: Moody's | Economy.com

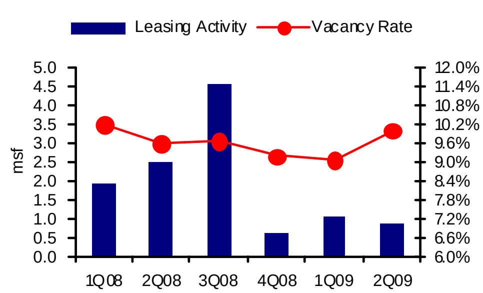
MARKET FORECAST

ABSORPTION may turn negative as leasin slows down from the adverse economic conditions.

VACANCY RATE will slightly increase as new specualtive construction comes online.

LEASING ACTIVITY will likely decrease from stagnant deal velocity and tenant uncertainty.

LEASING vs. VACANCY RATE



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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	23,645,754	267	9.9%	85,178	0	0	(329,431)	$1.36	$1.82	$3.78
East	33,188,252	289	9.1%	461,121	937,327	250,000	(123,373)	$2.25	$2.95	$5.68
Northeast	17,437,187	257	9.9%	140,474	0	824,000	508,180	$4.95	$4.93	$7.32
Northwest	46,719,723	395	9.9%	476,911	318,000	0	(404,869)	$3.11	$3.45	$6.54
South	17,462,530	184	14.0%	220,190	0	808,500	951,855	$1.93	$3.06	$7.45
Southwest	67,803,038	383	9.6%	571,342	0	533,520	805,197	$2.37	$3.21	$5.93
TOTAL	**206,256,484**	**1,775**	**10.0%**	**1,955,216**	**1,255,327**	**2,416,020**	**1,407,559**	**$1.80**	**$3.18**	**$6.52**

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

MARKET HIGHLIGHTS

SIGNIFICANT 2Q09 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
849 Whitaker Road	Southwest	LKQ Corp	106,145	Warehouse/Distribution
700 Commerce Parkway	South	Fillpoint, LLC	100,000	Warehouse/Distribution
7901 West 21st Street	Southwest	PB Logistics	98,888	Warehouse/Distribution
8730 Corporation Drive	Northeast	Sign Craft	43,600	Flex
2910 Fortune Circle West	Northwest	BioStorage Technologies, Inc.	39,981	Warehouse/Distribution
758 Columbia Road	Southwest	Rolls-Royce Corp	37,148	Warehouse/Distribution
1740 Sout Field East Drive	Southwest	Pure Beverage Company	33,600	Warehouse/Distribution

SIGNIFICANT 2Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PROPERTY TYPE
8525 East 33rd Street	East	Trident Capital	325,000	Warehouse/Distribution
3737 Waldemere Avenue	Southwest	Gleaners Food Bank	295,056	Warehouse/Distribution

SIGNIFICANT 2Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Cumberland Road & East 146th Street	Northeast	SMC	824,000	6/09
500 Bartram Parkway	South	Cooper Tire & Rubber Company	808,500	5/09
AllPoints Midwest Building 2	Southwest	Speculative	533,520	6/09
Mount Comfort Axcess 70 Building 2	East	Speculative	250,000	6/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
9215 Pendleton Pike BTS	East	Monarch Beverage DC	514,327	12/09
Mt Comfort Axcess 70 Building 1	East	Speculative	423,000	7/09
Medco Anson Building	Northwest	Medco	318,000	7/09

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