

# MARKETBEAT

## INDIANAPOLIS INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



3Q09

### ECONOMY

The Indianapolis industrial market continues to feel nominal effects of the recessionary environment, as it posted positive absorption and healthy leasing. \*\*Indiana now ranks in the Top 10 in more than 33 logistics-related categories, ranking 1<sup>st</sup> in four key categories: Pass-through interstates; Shortest distance to median center of U.S. population; Rail Tons of primary metal originated; and Rail Tons of primary metals terminated. More details on Indiana's impressive logistics standings can be found at [www.indianalogistics.com](http://www.indianalogistics.com).

\*\* Source: 2009 Indiana Logistics Directory/Ports of Indiana

### OVERVIEW

The Indianapolis industrial market is sustaining the year's pace, with a healthy 908,694 square feet (sf) leased in the 3<sup>rd</sup> quarter. Of the total leased, nearly 85% (764,630 sf) was warehouse/distribution product, supporting Indianapolis' position as a logistics mainstay. All submarkets performed reasonably well, relative to their typical activity levels. The East submarket was particularly strong and accounted for 35% of all leasing activity, with 318,733 sf leased. Superior Packing Systems, Inc. expanded into 100,000 sf at 9522 E 30<sup>th</sup> St. and Millennium Group leased 99,350 sf at 3200 N Elizabeth St. in the East submarket.

With 33,191 sf positively absorbed, the Indianapolis industrial market was able to squeak out another quarter of positive absorption. Two out of 6 submarkets posted positive absorption, enabling Indianapolis to be one of very few markets still posting positive absorption in this struggling economy. Healthy leasing, coupled with build-to-suit construction completions, is attributed to the East and Northwest submarkets positive outcome. The Northwest submarket positioned itself as the leader this quarter with 468,341 sf absorbed. Three build-to-suit projects, totaling 548,000 sf, were contributing factors toward its strong finish.

The Indianapolis market recorded a 10.5% overall vacancy rate for 3<sup>rd</sup> quarter, which is a .5% increase from the 10% recorded last quarter. Overall vacant space increased by 1,284,368 sf from 2<sup>nd</sup> to 3<sup>rd</sup> quarter this year. The East submarket experienced the most significant hike in vacancy with a 2% increase to 11.1% overall vacancy rate. Completion of Browning's 423,000-square foot speculative Building 1 at Axxess 70 was a driving force in the East submarket vacancy increase.

Build-to-suit construction completions dominated the 3<sup>rd</sup> quarter with over 1.1 million square feet (msf) of construction completed. Two buildings were completed in Duke's Lebanon Business Park in the Northwest submarket – US Cold Storage constructed a 150,000-square foot building (expansion plans of 300,000 sf) and MSI Packaging built an 80,000-square foot building. This activity boost is due to the extension of a nearby rail spur that will provide rail access to an additional 250 acres in 2010. The 310,000-square foot Medco Anson Building was completed in Allpoints at Anson in the Northwest submarket as well. Monarch Beverage completed its 514,327-square foot building in the East submarket. Finally, Graybar Electric completed a 66,500-square foot building in the Southwest submarket.

### FORECAST

The Indianapolis industrial market expects to see an uptick in activity by year-end 2009. With no new construction scheduled for completion, coupled with another quarter of healthy leasing, the Indianapolis industrial market should see a repeat quarter of positive absorption.

### BEAT ON THE STREET



"The Indianapolis Industrial market is holding steady and continues to outperform other markets in the region. We are seeing a definite uptick in activity in all segments, which will hopefully give us a strong finish to close out the year."


Ryan C. Kelly  
Director  
Industrial Advisory Services


### ECONOMIC INDICATORS


National	2008	2009F	2010F
GDP Growth	0.4%	-2.6%	1.8%
CPI Growth	3.8%	-0.5%	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

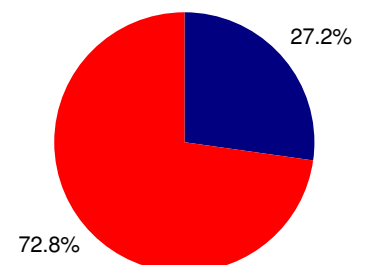
**ABSORPTION** should remain positive year-end as the quarter finishes strong with healthy leasing activity. 

**VACANCY RATE** will slightly decrease as no new speculative construction is to come online. 

**CONSTRUCTION ACTIVITY** will decrease as no new speculative or build-to-suit projects are planned. 

### CONSTRUCTION COMPLETIONS

■ Speculative ■ Build-to-Suit



### 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	23,744,995	269	10.5%	85,178	0	0	(448,649)	\$1.22	\$1.76	\$3.56
East	34,454,991	291	11.1%	876,060	0	1,231,327	(5,169)	\$2.25	\$2.64	\$5.17
Northeast	17,502,665	260	8.8%	440,916	0	824,000	539,273	\$4.95	\$4.86	\$7.59
Northwest	47,417,284	402	9.9%	877,711	0	928,000	32,221	\$3.11	\$3.39	\$6.28
South	17,513,402	186	14.3%	321,971	0	829,550	931,056	\$2.02	\$3.06	\$7.45
Southwest	67,880,058	385	10.1%	854,311	0	1,231,560	472,137	\$2.36	\$3.12	\$5.96
<b>TOTAL</b>	<b>208,513,395</b>	<b>1,793</b>	<b>10.5%</b>	<b>3,456,147</b>	<b>0</b>	<b>5,044,437</b>	<b>1,520,869</b>	<b>\$1.71</b>	<b>\$3.05</b>	<b>\$6.31</b>

\*Rental rates reflect \$psf/year

MF = Manufacturing W/D = Warehouse/Distribution FLEX = Combination Office & Warehouse/Manufacturing

### MARKET HIGHLIGHTS

#### SIGNIFICANT 3Q09 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
9522 East 30th Street	East	Superior Packing Systems	100,000	Warehouse/Distribution
3200 North Olivia Lane	East	Millennium Group	99,350	Warehouse/Distribution
8236-8250 Zionsville Road	Northwest	Pinnacle Oil	95,410	Warehouse/Distribution
7452 Tempelhof Drive	Southwest	US Postal Service	64,980	Warehouse/Distribution
9910 North by Northeast Boulevard	Northeast	DQE, Inc.	48,080	Warehouse/Distribution
9910 North by Northeast Boulevard	Northeast	Newgistics - Expansion	47,920	Warehouse/Distribution
1700 Pleasant Street	Northeast	Midwest Golf and Turf	35,000	Warehouse/Distribution
8009-8029 Allison Avenue	Northwest	ADS	31,896	Warehouse/Distribution
6050 East Hanna Avenue	South	Malibu Wellness	31,170	Warehouse/Distribution

#### SIGNIFICANT 3Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PROPERTY TYPE
2450 Turner Avenue	Southwest	CBD Indianapolis (City of Indianapolis)	60,720	Warehouse/Distribution

#### SIGNIFICANT 3Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
9215 Pendleton Pike	East	Monarch Beverage	514,327	7/09
Mount Comfort Access 70 Building 1	East	Speculative	423,000	7/09
Medco Anson Building	Northwest	Medco	318,000	8/09
415 South Mt Zion Road	Northwest	US Cold Storage	150,000	8/09
325 North Enterprise Boulevard	Northwest	MSI Packaging	80,000	9/09
9222 Orly Road	Southwest	Graybar Electric	66,500	8/09

#### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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\*Market terms & definitions based on BOMA and NAIOP standards.

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