

MARKETBEAT

INDIANAPOLIS INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



4Q09

ECONOMY

In 2009, the Indianapolis industrial market weathered the storm of economic downturn, performing well above nearly all major U.S. markets. Steady leasing and positive absorption of existing space were key indicators of our relatively stable market. Outperforming the national average, the Indianapolis MSA unemployment rate stood at 8.2% in November. Indianapolis' centrally located position in the U.S. will continue to attract additional companies looking to improve their transportation and distribution hub(s). Case in point is Summit's representation of Belkin International which, after extensive market analysis, consolidated its west coast distribution facility into its Plainfield center. The expanded 798,096-square foot (sf) facility now serves as Belkin's North American distribution operations.

OVERVIEW

The Indianapolis industrial market experienced its lowest quarter of leasing in 2009 with 837,992 sf leased in the fourth quarter. East and Northwest submarkets accounted for 77% of all leasing, with a combined 645,338 sf. Cantrell Logistics leased and occupied the largest space (270,000 sf) at Mt. Comfort Building 105 in the East submarket. For the year, the East submarket led all markets with a total of 1,242,281 sf leased, primarily attributed to its lower rental rates. Total market leasing in 2009 was 4.4 million square feet (msf), as compared to 9.6 msf leased in 2008. Of note, approximately the same number of deals were signed between the two years, illustrating this year's trend of smaller deal sizes than in 2008.

Industrial overall absorption fell in the fourth quarter, as 392,032 sf were negatively absorbed. Three out of six submarkets posted negative absorption this quarter. Manufacturing product in the East submarket was the primary contributor, as 319,192 sf was negatively absorbed. The largest space vacated was nearly 220,000 sf at 501 W. New Rd., in Greenfield by the Eaton Corporation. Absorption for 2009 closed at a positive 1,234,172 sf (less than half of the 2,920,351 sf positively absorbed in 2008). Indianapolis remains one of very few markets still posting positive absorption in the struggling economy.

Overall vacancy in the Indianapolis industrial market increased by 0.1% from third quarter, landing at 10.6% in fourth quarter. All markets increased in vacancy except the South and Southwest submarkets, which dropped in vacancy. However, compared to other markets in U.S. which have experienced 5%-10% increases in their vacancy, Indianapolis' change from only 9.2% at year-end 2008 to the current 10.6% is the greatest indicator that Indianapolis' reputation as a great place to do business remains very strong.

The only construction completion in the fourth quarter was the 20,000-sf Xpress Cargo build-to-suit in Keystone Enterprise Park of the East submarket. An overview of 2009 shows that 1.2 msf of speculative construction was completed, all planned and started in 2008. Build-to-suit construction in 2009 reached 3.2 msf completed and is the only type of construction planned in 2010. Developers will continue to curtail speculative construction as they wait for financial and economic conditions to improve.

FORECAST

The Indianapolis industrial market will be one of the first areas of recovery for Indiana, as absorption remains positive and new construction has been minimal. Forecasted job expansion in the transportation and distribution industries will lead to a boost in the second half of 2010, which will translate into increased demand for industrial real estate.



BEAT ON THE STREET



"Frankly, the greater-Indianapolis Industrial market is in an enviable position as we continue to outperform our peers in major logistic and distribution hubs. Owners and investors are experiencing more attractive results due to the city's well-rounded economic conditions."


Andrew Morris, SIOR
Executive Vice President
Industrial Advisory Services


ECONOMIC INDICATORS


National	2008	2009F	2010F
GDP Growth	0.4%	-2.5%	2.3%
CPI Growth	3.8%	-0.4%	1.7%
Regional			
Unemployment	5.1%	8.6%	9.5%
Employment Growth	-0.1%	-3.5%	-1.1%

Source: Moody's | Economy.com

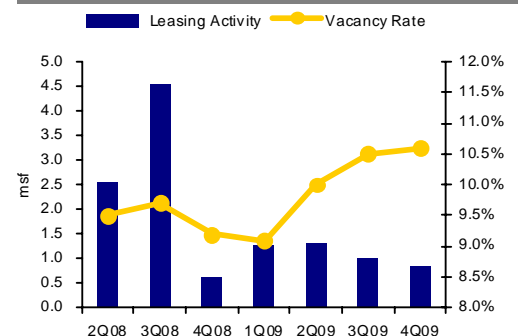
MARKET FORECAST

ABSORPTION should remain positive in 2010 with healthy leasing activity already under way. 

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

CONSTRUCTION ACTIVITY will decrease from 2009 as a minimal amount of build-to-suit projects are planned. 

OVERALL LEASING ACTIVITY vs. VACANCY RATES



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	23,813,134	273	11.6%	92,933	0	0	(682,926)	\$1.26	\$1.85	\$3.52
East	34,508,741	293	12.1%	1,242,281	65,000	1,251,327	(372,763)	\$2.41	\$2.60	\$4.85
Northeast	17,535,181	261	8.7%	558,693	25,800	824,000	548,468	\$4.95	\$4.77	\$7.53
Northwest	47,541,100	402	9.8%	1,232,683	0	928,000	99,600	\$3.11	\$3.25	\$6.20
South	17,675,505	187	13.8%	384,698	64,115	829,550	996,314	\$2.11	\$3.03	\$7.44
Southwest	67,878,919	385	9.8%	918,667	0	642,520	645,479	\$2.36	\$3.09	\$5.31
TOTAL	208,952,580	1,801	10.6%	4,429,955	154,915	4,475,397	1,234,172	\$1.85	\$3.00	\$6.07

*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 2009 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
6887 West 350 North	East	Cantrell Logistics	270,000	Warehouse/Distribution
5645 West 82nd Street, Building 22	Northwest	Piper Logistics	166,400	Warehouse/Distribution
700 Commerce Parkway West	South	Fillpoint LLC	157,500	Warehouse/Distribution
6030-6032 Gateway Drive	Southwest	SPAN	134,000	Warehouse/Distribution
5350 Lakeview Parkway South Drive	Northwest	Beckman Coulter	128,516	Warehouse/Distribution
221 South Franklin Road	East	Welch & Wilson Properties, LLC	128,000	Warehouse/Distribution
849 Whitaker Road, Building 5	Southwest	LKQ Corp	106,145	Warehouse/Distribution

SIGNIFICANT 2009 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PROPERTY TYPE
2801 Airwest Boulevard	Southwest	Buddy Cohen	804,037	Warehouse/Distribution
1250 Whitaker Road	Southwest	Niagra Bottling	440,796	Warehouse/Distribution
5352 Performance Way	Northwest	Performance United LLC	380,000	Warehouse/Distribution

SIGNIFICANT 2009 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
10100 SMC Boulevard	South	SMC Corporation	824,000	6/09
500 Bartram Parkway	Northwest	Cooper Tire	808,500	5/09
Allpoints Midwest Building 2	Southwest	Speculative	533,520	6/09
9215 Pendleton Pike	East	Monarch Beverage	514,327	7/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
North Reavest Drive	East	Restaurant Depot BTS	65,000	6/10
Corner of Musicland Drive & Graham Road	South	Premium Composite Tech. N. America BTS	64,155	5/10



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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/Summit Realty Group on the basis that it is accurate and complete. Cushman & Wakefield/Summit Realty Group 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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