

MARKETBEAT INDUSTRIAL SNAPSHOT



INDIANAPOLIS, IN

A Cushman & Wakefield Americas Research Publication

Q4 2011



ECONOMIC OVERVIEW

The health and stability of Indiana's economy remained in stark contrast to the pervading weakness of many neighboring states' economies, and that of the U.S. as a whole in 4Q11. While national and international markets

were experiencing unprecedented volatility and growth so limited that, at times, it seemed it would grind to a halt, Indiana continued to show a consistent, although slightly constrained, margin of improvement. With rising incomes, an expanding population, and record new jobs transactions for the Economic Development Corporation in 2011, Indiana has emerged as a national example of how fiscal responsibility leads to maintained growth in times of economic stagnation.

LEASING ACTIVITY

Deepened concern over the escalating financial and political unrest in international markets tempered the magnitude of 4Q11 gains to some degree, in the Indianapolis industrial market. However, significant improvements were consistent throughout 2011, exhibited by the leasing of over 2 million square feet (msf) in each of the last three quarters. Leasing activity for all of 2011 totaled just over 9.6 msf leased, a marked improvement from the 2010 total of 7.6 msf, and the 2009 total of 4.4 msf. This activity continued to be propelled by the demand for modern bulk facilities, many of which are located in the Southwest submarket. We see examples of this in RR Donnelley's lease of 799,344 square feet (sf) at 700 Airtech Parkway, and the 308,620 sf taken by GENCO-ATC at 1551 South Perry Road, both occurring in 4Q11.

Activity in flex product remained subdued in 4Q11, although there do seem to be some encouraging signs. Both direct and overall net absorption were positive in three of four quarters in 2011, the combined YTD totals were also positive. While very small improvements in vacancy have been made, and rental rates look to be stable, the overall vacancy rate remains well above historic averages.

VACANCY & INVESTMENT SALES

Investment sales continued to make impressive gains in 4Q11, bringing the total for the year to 7.8 msf sold to investors, up from the 2010 total of 3.8 msf. A number of factors contributed to this, including the market's year-end overall vacancy rate of 8.2%. Below 9% overall vacancy rates seen in the last three quarters of 2011 are the first since 3Q07. In addition, modern bulk's combination of rising rental rates, consistent demand, and minimal availability is landing investors' flight to quality in the Indianapolis MSA. Indiana's stable economic climate amid global volatility further entices investment in an already thriving industrial real estate market.

OUTLOOK

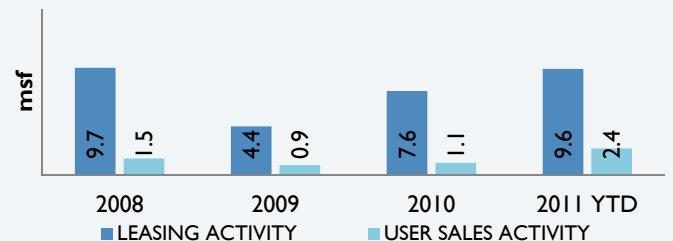
The outlook for continued improvement in 2012 is positive, though ongoing international instability is likely to prolong the slower pace of growth through at least mid-year, and the upcoming Presidential election could extend that through year end. The huge investments Indiana has made in its infrastructure through the "Major Moves" project, while maintaining its AAA credit rating, will likely keep the state at the forefront of industrial site selection; however, it is unknown how potential labor and sales tax legislation will affect the health of the economy.

Leasing activity is expected to continue at its current level, maintaining a moderate decline in vacancy, and rise in rental rates, over the next year. Investment sales in 2012 are likely to maintain their accelerated pace of growth, barring any major blows to Indiana's economy, or global capital markets.

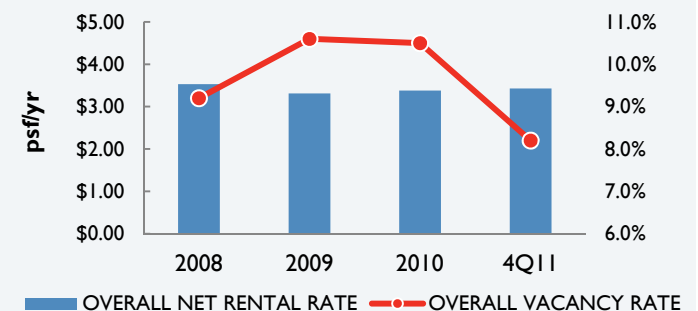
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.5%	8.2%	-2.3pp	▼
Direct Asking Rents (psf/yr)	\$3.43	\$3.48	1.5%	▲
YTD Leasing Activity (sf)	7,618,776	9,640,639	26.5%	◄►

OVERALL OCCUPIER ACTIVITY



OVERALL RENTAL VS. VACANCY RATES



INDIANAPOLIS, IN

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY**	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*		
									MF	FLEX	W/D
CBD	23,916,281	13.6%	119,036	126,574	0	0	95,091	51,091	\$1.61	\$7.70	\$2.02
CBD SUBTOTAL	23,916,281	13.6%	119,036	126,574	0	0	95,091	51,091	\$1.61	\$7.70	\$2.02
East	35,978,095	9.0%	1,568,869	632,495	0	0	(251,252)	(159,572)	\$4.79	\$4.56	\$2.51
Northwest	48,442,979	7.5%	1,372,809	411,272	105,800	668,000	1,030,440	1,165,450	\$3.75	\$5.85	\$3.23
South	18,470,154	10.9%	751,443	502,839	50,000	0	493,956	138,176	\$2.52	\$7.07	\$2.95
Northeast	18,210,812	9.7%	580,370	212,421	95,400	65,000	382,088	386,888	\$6.07	\$7.62	\$5.32
Southwest	67,978,259	5.3%	5,248,112	527,300	100,000	1,049,980	3,574,964	4,503,164	\$2.18	\$4.86	\$3.39
NON-CBD SUBTOTAL	189,080,299	7.5%	9,521,603	2,286,327	351,200	1,782,980	5,230,196	6,034,106	\$2.95	\$5.86	\$3.14
TOTALS	212,996,580	8.2%	9,640,639	2,412,901	351,200	1,782,980	5,325,287	6,085,197	\$2.20	\$5.99	\$2.94

* RENTAL RATES REFLECT ASKING \$PSF/YEAR MF = MANUFACTURING W/D = WAREHOUSE/DISTRIBUTION

**RENEWALS NOT INCLUDED IN LEASING ACTIVITY STATISTICS

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS				
	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
800 South Perry Road	Southwest	Online Retailer	Warehouse/Distribution	925,800
710 South Girls School Road	Southwest	Online Retailer	Warehouse/Distribution	904,254
700 Airtech Parkway	Southwest	RR Donnelley	Warehouse/Distribution	799,344
8677 Logo Court	East	adidas/Group Athletica**	Warehouse/Distribution	599,152
221 South Franklin Road	East	Welch & Wilson**	Warehouse/Distribution	512,000
5055 West 79 th Street	Northwest	Baker & Taylor, Inc.**	Warehouse/Distribution	504,164
281 Airtech Parkway	Southwest	OHL	Warehouse/Distribution	405,942
1551 South Perry Road	Southwest	GENCO-ATC	Warehouse/Distribution	308,620
SIGNIFICANT 2011 SALE TRANSACTIONS				
	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
7 Building Warehouse Acquisition	Multiple	Exeter Property Group (portfolio)	N/A	1,836,888
2801 Airwest Boulevard / 2150 Stanley Road	Southwest	USAA (portfolio)	N/A	1,298,086
800 Commerce Parkway	South	Cabot	N/A	795,237
3003 Reeves Road	Southwest	Welsh Property Trust	N/A	741,221
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
9440 South State Road 39	Southwest	Johnson & Johnson	1Q11	1,049,980
4255 Anson Boulevard (expansion)	Northwest	Online Retailer	2Q11	406,000
801 Edwards Drive	Northwest	DA Lubricant	4Q11	250,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Vance & Hines – Brownsburg, IN	Northwest	Vance & Hines	3Q12	105,800
1201 Main Street – Speedway, IN	Southwest	Dallara/Indy Racing Experience	1Q12	100,000

**RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

