

MARKETBEAT

INDIANAPOLIS OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



1Q09

ECONOMY

The Indianapolis office market continued to reflect signs from the struggling economy and rising unemployment as 9 of 12 submarkets experienced an increase in overall vacancy rates. As unemployment continues to rise nationwide, Indiana has been equally impacted due to its dependence on manufacturing and RV industries. While the overall state is experiencing distressed employment, the city of Indianapolis is fairing well. Measures that will help Indiana through this economic storm include a \$1.4 billion reserve fund to close budget gaps and a Triple-A S&P rating. High-tech initiatives, a well diversified economy, the growing base of life sciences network, and its low cost of doing all contribute toward Indiana's strong position in attracting new business.

OVERVIEW

The overall vacancy rate for suburbs increased for the second straight quarter, now up to 22.6%. The CBD reversed its trend of the previous three quarters, with a rise of 0.8% from year-end 2008 to its current overall vacancy rate of 14.9%. The vacancy rise is a product of a recessionary economy that has forced companies to sublease office space due to downsizing or elimination of office space altogether.

Overall leasing activity performed as expected due to companies' cautionary approach. The 256,005 square feet (sf) of leasing activity during first quarter is a four-quarter low. The CBD submarket exhibited healthier leasing activity from year-end 2008 as it nearly doubled to 63,356 sf. CBD leasing activity was primarily comprised of smaller spaces, including over 10,000 sf of sublease space. Suburbs performed in-line with our expectations as the first quarter brought 192,649 sf in leasing activity, substantially lower than the 335,430-sf quarterly average in 2008. The Meridian Corridor and Northwest submarkets combined for over 54% of the total suburban leasing activity. A notable suburban trend in the first quarter stemmed from tenant demand, as 95.5% of all leases were class A or B space.

The Indianapolis office market experienced negative overall absorption of 397,525 sf. The primary contributing factor to the notable negative absorption was the large portion of vacated sublease and direct space. Marsh vacated more space at its former HQ building in the I-69/Shadeland submarket and Bindley Capital Partners vacated its space in College Park Plaza (Northwest submarket) totaling roughly 80,000 sf of vacated sublease space. Homebuilder CP Morgan filed for bankruptcy and vacated its 40,000-sf headquarters in the Keystone Crossing submarket. As more sublease space comes online, expect to see companies bargain shopping for quality space at discounted rates.

FORECAST

Expect companies to look for early renewals, short term deals, and discounted rates. Developers will remain on the sidelines until financing becomes more accessible and demand increases.

BEAT ON THE STREET



"Both users and investors remain on the sidelines and monitor the economy. Increased sublease space will impact the markets further as absorption slides into negative territory. As 2009 continues, expect a positive shift in consumer confidence and in sales and leasing activity."

Thomas W. Frank, SIOR, CCIM
Principal
Office & Investment Advisory Services

ECONOMIC INDICATORS

	2008	2009F	2010F
National			
GDP Growth	1.1%	-2.9%	1.8%
CPI Growth	3.8%	-1.0%	1.9%
Regional			
Unemployment	5.1%	7.8%	8.4%
Employment Growth	0.0%	-2.3%	1.1%

Source: Moody's | Economy.com

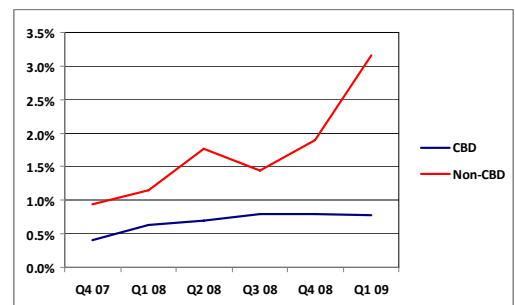
MARKET FORECAST

OVERALL ABSORPTION will likely decrease in Q2 2009 as more tenants vacate direct and sublease space. ↓

OVERALL VACANCY RATES for will likely increase in Q2 2009 due to a struggling economy. ↑

SUBLEASE INVENTORY in the office market will likely increase throughout the summer of 2009. ↑

CBD vs. NON-CBD SUBLEASE TREND



MARKET / SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Airport	752,891	17	22.5%	22.0%	0	0	0	(12,271)	\$16.25
Carmel	789,127	22	29.2%	29.2%	0	0	0	(1,270)	\$18.36
Castleton	2,215,116	48	30.7%	29.8%	29,194	0	0	(33,624)	\$19.91
East	556,296	18	31.2%	31.2%	0	0	0	(6,825)	\$16.86
I-69 / Shadeland	2,304,790	53	22.2%	14.4%	0	110,000	0	(88,106)	\$19.70
Keystone Crossing	4,154,807	60	21.9%	21.1%	39,161	0	0	(95,661)	\$20.23
Meridian Corridor	5,985,382	72	17.6%	17.1%	57,292	0	0	(72,363)	\$19.24
Midtown	1,328,229	31	9.6%	9.6%	7,849	0	0	74,398	N/A
Northwest	3,967,738	62	25.0%	23.5%	47,210	0	0	(56,351)	\$18.62
South	1,311,703	35	23.1%	22.5%	8,789	0	0	(15,884)	\$20.17
West	901,871	20	35.7%	35.7%	3,154	0	0	(1,406)	\$18.56
Non-CBD	24,267,950	438	22.6%	21.2%	192,649	110,000	0	(309,363)	\$19.43
CBD	10,640,548	72	14.9%	14.1%	63,356	0	0	(88,162)	\$19.53
INDIANAPOLIS TOTAL	34,908,498	510	20.2%	19.0%	256,005	110,000	0	(397,525)	\$19.46

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
3502 Woodview Trace	Northwest	Bernardin, Lochmueller & Associates, Inc.	21,500	B
7999 Knue Road	Castleton	Royal United Financial Services	17,968	A
41 East Washington Street	CBD	Doyle Legal Corp	14,156	B
201 North Illinois Street	CBD	N/A	11,706	A
301 Pennsylvania Parkway	Meridian Corridor	Corvel	9,887	A
3939 Priority Way South Drive	Keystone Crossing	Nike	8,413	A
1402 Capitol Avenue	Midtown	CMD, Inc.	7,849	A
3905 Vincennes Circle	Northwest	WebLink	7,100	A
251 North Illinois Street	CBD	NCAA	5,707	A

SIGNIFICANT 1Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	BLDG CLASS
N/A				

SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION / RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Concourse at Crosspoint 1	I-69 / Shadeland	USA Funds	110,000	11/09



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

Summit Realty Group
111 Monument Circle Suite 4750
Indianapolis, IN 46204
(317) 713-2100
www.SummitRealtyGroup.com

*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.

©2009 Summit Realty Group, Inc. of Indiana. All rights reserved.

Please consider your environmental responsibility before printing this report