MARKETBEAT

INDIANAPOLIS OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

An independently owned and operated member of the CUSHMAN & WAKEFIELD® ALLIANCE

1Q10

ECONOMY

The Indianapolis economy is in the midst of a slow recovery phase that is expected to pick up steam the latter part of 2010. Indianapolis may have received an early boost from its recent hosting of the NCAA Final Four, which delivered a more immediate economic lift and also served to elevate the city's overall profile in a way that can only be seen as a positive for attracting future business.

OVERVIEW

The Indianapolis office market begins first quarter 2010 with a 22.2% overall vacancy rate, a 0.2% increase from last quarter. Overall vacancy for the CBD increased 1% to 20.7%, despite increased leasing activity in the market. The non-affect of leasing on vacancy rates in the CBD is the result of newly-signed space not being occupied until later this year. Suburbs overall vacancy rate now sits at 22.9%, the first time it has come in below 23% since one year ago.

Leasing activity in the CBD performed better than predicted, with 135,329 sf leased in the first quarter. Of note, CBD leasing has not exceeded 100,000 sf since third quarter 2008. The pick up of downtown leasing can primarily be attributed to the Department of Defense – Marine Corp Accounting Unit leasing 74,762 sf at 135 N Pennsylvania Street/M&I Plaza.

Leasing activity in the suburbs was subpar, as 194,623 sf leased in first quarter 2010, compared to previous years of 250,000+ sf leased. Suburban submarkets performing well were Keystone Crossing, East, and Northwest, accounting for 72% of all leasing activity. The healthcare industry continues to expand with Community Hospitals of Indiana leasing 42,187 sf at 2025 Rama Place in the East submarket, as well as Clarian Health Partners leasing 16,471 sf at 714 N Senate Avenue in the CBD. Leasing by government services is another notable trend, with the previously mentioned Department of Defense lease and the U.S. Customs & Border Protection leasing 34,832 sf at 6510 Telecom Drive/Intech Three in the Northwest submarket. A noteworthy statistic of the first quarter is a more balanced demand for Class A and B space, as both categories leased 96,000 ± sf. We predict office leasing activity will begin an increase as the year progresses.

First quarter overall absorption for the Indianapolis office market closed out at 206,343 sf negatively absorbed. This absorption is nearly two-thirds the 313,909 sf negatively absorbed in this same time last year. The CBD posted negative absorption as well, netting at 119,597sf. Pricewaterhouse Coopers vacated upwards of 45,000 sf and consolidated into 21,000 sf at the National City Center. The Huntington Plaza, originally a single-tenant building, began marketing as a multi-tenant building, relieving 21,000 sf of space onto the market. The suburbs experienced an overall negative absorption of 86,746 sf. Keystone Crossing submarket contributed negative 52,477 sf of absorption to the overall market. The primary factor was Chase Bank vacating short-term sublease space of 55,000 ± sf at Three Woodfield Crossing.

FORECAST

The second quarter may see increased vacancy in the market pending rumored corporate downsizings. Healthcare is still expected to underpin the Indianapolis recovery. The stabilization of the financial and professional services sectors should continue to produce positive signs of improvement.

SUMMIT REALTY GROUP

BEAT ON THE STREET

"2010 is off to a lively start! Landlords continue to be more aggressive as competition rises. Tenants are in the driver's seat and stable companies are taking advantage of the opportunities at hand. The best students of the market will continue to prosper."

Jeffrey E. Merritt
Director
Office & Site Acquisition Services

ECONOMIC INDICATORS

National	2009	2010F	2011F
GDP Growth	-2.4%	2.8%	3.7%
CPI Growth	-0.3%	1.9%	2.1%
Regional			
Unemployment	8.3%	8.9%	8.8%
Employment Growth	-3.7%	-0.5%	1.3%

Source: Moody's | Economy.com

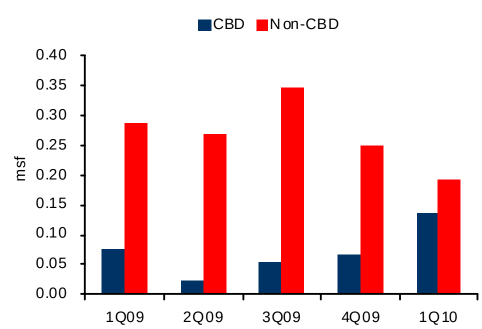
MARKET FORECAST

OVERALL VACANCY will increase as 3 full buildings are expected to be vacated by Eli Lilly.

LEASING ACTIVITY will start trending upward as tenants initiate final real estate decisions.

OVERALL ABSORPTION is expected to remain negative due to significant space vacated by Eli Lilly.

LEASING ACTIVITY
CBD vs. Non-CBD



MARKET / SUBMARKET STATISTICS

MARKET/ SUBMARKET	INVENTORY	NO. OF BLDGS	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT ABSORPTION	YTD OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Airport	752,891	17	29.4%	29.4%	0	0	0	(6,600)	(6,600)	$16.25
Carmel	785,215	22	29.0%	29.0%	0	0	0	21,545	21,545	$18.36
Castleton	2,273,116	49	33.2%	32.3%	25,197	0	0	(27,592)	(32,078)	$19.48
East	634,483	19	34.6%	34.6%	43,637	0	0	3,263	3,263	$17.78
I-69 / Shadeland	2,460,390	57	25.5%	18.7%	4,890	0	0	(10,260)	(11,505)	$20.49
Keystone Crossing	4,117,262	60	23.7%	21.5%	55,705	0	0	1,004	(52,477)	$20.22
Meridian Corridor	5,975,126	74	17.5%	17.2%	17,046	0	0	(8,439)	(10,340)	$20.13
Midtown	1,328,989	31	8.5%	8.5%	0	0	0	0	0	N/A
Northwest	3,992,329	65	21.3%	18.3%	41,544	0	0	(4,088)	(1,490)	$17.84
South	1,346,832	37	19.2%	18.6%	1,714	0	0	(1,954)	(1,954)	$18.82
West	992,625	22	36.0%	35.3%	4,890	0	0	4,890	4,890	$17.05
Non-CBD	24,659,258	453	22.9%	21.2%	194,623	0	0	(28,231)	(86,746)	$19.56
CBD	10,741,600	75	20.7%	20.0%	135,329	0	0	(119,597)	(119,597)	$20.13
INDIANAPOLIS TOTAL	**35,400,858**	**528**	**22.2%**	**20.8%**	**329,952**	**0**	**0**	**(147,828)**	**(206,343)**	**$19.75**

* Rental rates reflect $psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 1Q10 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
135 North Pennsylvania Street	CBD	Department of Defense-Marine Corp Accounting	74,762	A
2025 Rama Place - Building 1	East	Community Hospitals of Indiana	42,187	B
6510 Telecom Drive - Intech Three	Northwest	U.S. Customs & Border Protection	34,832	A
9320 Priority Way - Precedent 73	Keystone Crossing	Arcadia Resources	18,615	B
714 North Senate Avenue	CBD	Clarian Health Partners	16,471	B
1 Virginia Avenue - Allen Plaza	CBD	Backhaul Direct LLC	16,213	B
8888 Keystone Crossing	Keystone Crossing	RBC Wealth Management	7,956	A
250 E 96th Street - One Parkwood	Meridian Corridor	IS Group	7,677	A
1712 North Meridian	Midtown	Securitas Security Services	6,830	B
3665 Priority Way - Precedent 70	Keystone Crossing	Ryan Homes	6,253	B

SIGNIFICANT 1Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	BLDG CLASS
10689 North Pennsylvania Street	Meridian Corridor	Sandor Development	56,179	B
777 East Main Street	Carmel	Banc Serv	22,000	B

SIGNIFICANT 1Q10 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
N/A				

SUMMIT REALTY GROUP

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.