

MARKETBEAT

OFFICE SNAPSHOT



INDIANAPOLIS, IN

A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

Economic conditions in 4Q11 looked much like those of the previous two quarters; activity was positive, but the scale of improvement was minimal. Tangible growth continues to be suppressed by unstable financial markets and increased cynicism towards mounting geopolitical turmoil.

Indiana managed to avoid most of the volatility of 2011, and many encouraging trends emerged. However, the state remained in-line with the slow pace of growth seen nationally.

LEASING & SALES

Leasing activity in 2011 was up 37.9% over 2010. Non-CBD submarkets continued to dominate activity, accounting for 1.7 million square feet (msf) of the nearly 2.0 msf leased in 2011. The CBD bounced back after a poor showing in 3Q11 to have its best quarter of the year, leasing 94,825 square feet (sf) in 4Q11.

As anticipated, leasing continued to rise in the healthcare sector. Some notable 4Q11 leases to companies in this sector include: Magnolia Health Systems, Inc. leasing 30,009 sf in the Keystone Crossing submarket, and Bio-Medical Applications of Indiana, Inc. leasing 21,673 sf in the Meridian Corridor.

Investment sale activity also increased, with investors buying a combined 619,997 sf of space in 2011, up from 302,526 sf in 2010. The 2011 total more than doubles that from any of the previous 3 years. The Northwest submarket claimed the largest investor sale of the year in 4Q11, Government Properties Income Trust, a subsidiary of CommonWealth REIT, invested in a 432,504-sf, 3-building portfolio in Intech Park. More investment sales could be seen in 2012 as stability becomes increasingly important to investors.

ABSORPTION

Indianapolis showed positive YTD net absorption, both direct and overall, in 4Q11. Five submarkets improved their direct and overall net absorption from negative 4Q10 to positive 4Q11. The most notable year-over-year change came in the Northwest submarket, where the positive YTD direct net absorption of 180,353 sf was a marked improvement from the negative 101,976 sf of 4Q10. The consistent leasing activity and subsequent positive absorption in the Northwest submarket can be partially attributed to its inventory of high-density space, as companies are seeking to increase operating rates without significant increase to costs.

Companies' instincts to fiercely reduce or avoid costs in uncertain financial times made for a very competitive real estate market in Indianapolis, 4Q11. Landlords continued to offer generous incentives and have kept rental rates affordable in their efforts to attract and retain tenants.

OUTLOOK

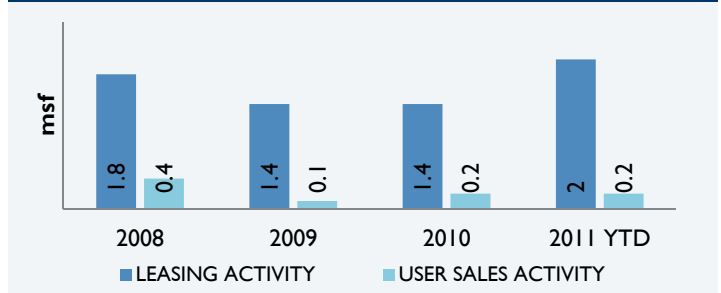
Although Indiana's growth is slow, the consistency and lack of volatility in the growth suggests it is a stable trend that, under current conditions, is poised to continue in 2012. The subdued pace of growth will most likely continue through the upcoming Presidential election, and possibly longer if no significant resolutions are reached in the European sovereign debt crisis. Concerns over persistent weakness in the overall U.S. economy suggest business owners are not likely to make significant changes, or decisions, in the near future that could increase their exposure to risk.

In the first quarter of 2012, leasing is expected to maintain its healthy 2011 activity level, and asking rental rates should remain largely unchanged. Vacancy rates should continue slowly trending downward, as the healthy leasing activity generates more positive absorption.

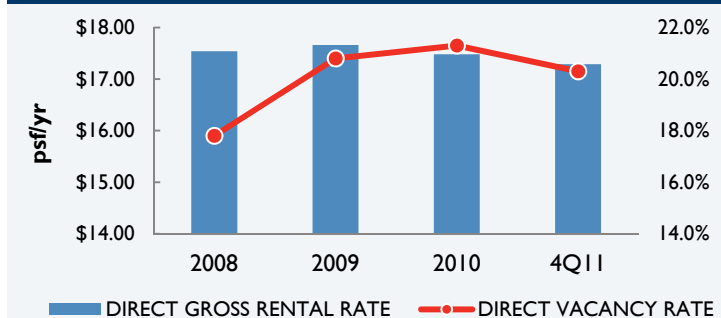
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	22.5%	21.6%	-0.9pp	▼
Direct Asking Rents (psf/yr)	\$17.48	\$17.29	-1.1%	◄►
YTD Leasing Activity (sf)	1,422,130	1,960,646	37.9%	◄►

OVERALL OCCUPIER ACTIVITY



DIRECT RENTAL VS. VACANCY RATES



INDIANAPOLIS, IN

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY**	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG CLASS A GROSS RENTAL RATE*
CBD	10,511,721	20.2%	19.4%	293,235	19,000	0	(51,805)	(108,945)	\$18.88	\$20.83
CBD SUBTOTAL	10,511,721	20.2%	19.4%	293,235	19,000	0	(51,805)	(108,945)	\$18.88	\$20.83
Airport	969,835	26.7%	24.3%	23,323	0	0	(14,821)	(32,671)	\$13.54	\$16.25
Carmel	678,212	27.8%	27.8%	23,148	0	0	20,293	20,293	\$15.68	\$18.75
Castleton	2,248,607	26.6%	26.4%	164,515	0	0	53,884	55,961	\$16.40	\$18.39
East	691,527	22.7%	22.7%	25,928	0	0	19,318	19,318	\$13.96	\$17.37
I-69/Shadeland	2,526,651	25.1%	21.0%	176,879	0	0	50,841	117,984	\$15.58	\$19.20
Keystone Crossing	4,099,762	20.3%	19.2%	524,327	0	0	150,354	171,988	\$18.69	\$19.98
Meridian Corridor	6,390,580	22.6%	22.0%	451,072	0	0	(137,129)	(158,813)	\$17.81	\$19.17
Midtown	1,280,229	7.7%	7.7%	12,493	0	0	(15,263)	(2,806)	\$12.56	N/A
Northwest	3,996,928	18.3%	15.2%	219,166	0	0	180,353	134,303	\$14.95	\$17.55
South	1,443,500	21.9%	21.6%	24,489	0	0	(21,253)	(21,253)	\$16.65	\$20.82
West	969,851	36.2%	33.4%	22,071	0	0	(29,969)	(36,097)	\$14.89	\$16.96
NON-CBD SUBTOTAL	25,295,682	22.2%	20.7%	1,667,411	0	0	256,608	268,207	\$16.45	\$18.98
TOTALS	35,807,403	21.6%	20.3%	1,960,646	19,000	0	204,803	159,262	\$17.12	\$19.62

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

**RENEWALS NOT INCLUDED IN LEASING ACTIVITY STATISTICS

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
9200 Keystone Crossing	Keystone Crossing	State Farm	Office-Class A	88,408
280 East 96 th Street	Meridian Corridor	Travelers Indemnity Company	Office-Class A	55,113
11799 North College Avenue	Meridian Corridor	Frontier Communications	Office-Class A	53,607
9800 Crosspoint Boulevard	I-69/Shadeland	First Advantage Employer Services (sublease)	Office-Class A	44,206
3925 River Crossing Parkway	Keystone Crossing	Somerset CPAs, PC**	Office-Class A	42,425
9100 Keystone Crossing	Keystone Crossing	DeVry University** (expansion)	Office-Class A	42,064
510 East 96 th Street	Meridian Corridor	Merrill Lynch** (expansion)	Office-Class A	39,148
101-115 West Washington Street	CBD	Kronos Incorporated	Office-Class A	31,725
SIGNIFICANT 2011 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
Intech Park Portfolio	Northwest	Government Properties Income Trust	N/A	432,504
9225 Priority Way West Drive	Keystone Crossing	Pace-Keystone Associates, LLC	N/A	75,000
7960 Castleway Drive	Castleton	Frakes Engineering	N/A	58,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
355 North Indiana Avenue	CBD	McGowan Insurance Group	2Q12	19,000

**RENEWALS NOT INCLUDED IN LEASING ACTIVITY STATISTICS

Summit Realty Group
241 N Pennsylvania Street
Indianapolis, IN 46204

www.SummitRealtyGroup.com
www.cushmanwakefield.com/knowledge

The market terms and definitions in this report are based on NAIOP standards. 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. © 2012 Cushman & Wakefield, Inc. All rights reserved.



CUSHMAN & WAKEFIELD

SUMMIT
INDEPENDENTLY OWNED AND OPERATED