Indianapolis, Indiana

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

Most industry experts agree that the commercial real estate market continued its sluggish trend in Q4 2011. In fact, analysts have confirmed that commercial deals are taking longer to complete, are fewer in number, and are requiring an increasing number of concessions. The cumulative effect has been to cause vacant space to remain on the market for an average of two years.

The Indianapolis metropolitan office market saw only a slight improvement in its fourth quarter vacancy rates, continuing the steady trend downward since reaching a high in the fourth quarter of 2010. This steady decline was accompanied, however, by a steady reduction in average rents, with the fourth quarter average office rents settling at approximately $16.98/SF for full service office buildings. Clearly, savvy tenants capitalized on the soft market, demanding reduced rents and increased concessions, making the fourth quarter a bright spot for those tenants who chose to capitalize on market conditions.

Market Trends

- Indianapolis will see a continued soft office market in 2012
- Office deals are taking twice the time to complete.
- Rental rates are bottoming out in 2012.
- Vacancy rates remain steady as lack of development is offset by the shrinking space needs of corporate America.

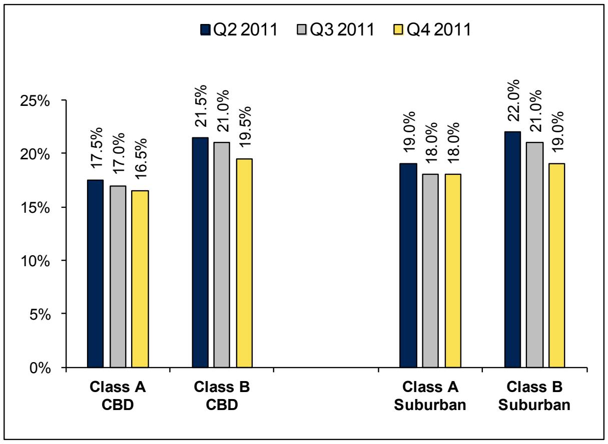
Tenant's Perspective

While tenants will likely continue to benefit from the soft market conditions in 2012, favorable absorption coupled with record-low construction activity could result in improved rent and vacancy trends for landlords in the coming year. However, it is likely that there will be a continuation of the trend towards shrinking office requirements, offsetting any projected increase in rents. While this trend may be a source of concern for landlords with significant office holdings, tenants will likely benefit by transitioning to newly configured, modern work environments. Evidence of this evolving trend can be found in the recent sale of Indianapolis-based Duke Realty's suburban office building portfolio. While Duke representatives claim that they are not getting out of the office market, it is clear that they are adjusting their portfolio mix. Their move hints at a belief that the near term trend in the office sector will be somewhat bumpy for landlords. This evolution, however, will create opportunities for savvy tenants, interested in optimizing space in an environment that is rich with opportunity.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Southwire	300,000	Industrial	Lease
Kuehne & Nagel	126,420	Industrial	Lease
Interactive Intelligence	65,000	Office	Lease
Northeast Office Center	55,000	Office	Sublease
David A. Noyes	38,880	Office	Lease
Guitar Center	31,140	Office	Lease
Keybank	26,175	Office	Lease
Comcast	23,785	Office	Lease
Fresenius Medical	21,673	Office	Lease
Wells Fargo Bank	17,218	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	$21.00	$21.00	$21.00
Class B Office	$15.00	$15.00	$15.00

Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	$20.00	$20.00	$19.50
Class B Office	$15.00	$15.00	$15.00
R&D	$14.00	$14.00	$14.00

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