

# Meridian MarketWatch

THIRD QUARTER  
2003

INDUSTRIAL  
MARKET REPORT

A QUARTERLY REVIEW OF INDUSTRIAL MARKET ACTIVITY

Indianapolis, Indiana

The Indianapolis industrial market is finally gaining some momentum in leasehold activity. Economic recovery continued to drive positive space absorption through the city's third quarter. Soft lease rates persist, however, challenging institutional owners to aggressively cut terms well below previously forecasted budgets.

Vacancy rates declined by 3.07% since the end of 2002, showing marked improvement on the aggregate. But not all submarkets shared similar results. Park 100 in the Northwest, for example, has experienced great difficulty retaining tenants. Vacancy in this submarket has shown moderate improvement through the third quarter, with rates improving to 17.0% in the third quarter 2003 from 26.5% at

year end 2002. Notwithstanding, institutions attempting to dissuade bulk users from relocation to tax-abat-ed suburbs have dropped lease rates thirty to forty percent in some instances.

Lebanon is attracting a large amount of activity, most notably in the big-box arena. Prologis is poised for Lebanon's next bulk deal with the announcement of a one million square foot warehouse/distribution building to be constructed off of Exit 138. In contrast, Pizzuti's 450,000 square foot spec building in Whitestown continues its second consecutive year of 100% vacancy.

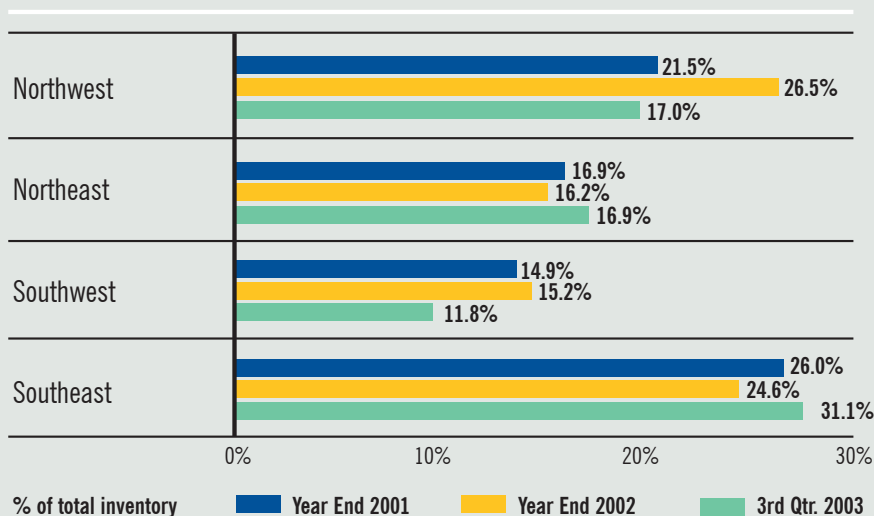
Activity in the Northeast and Southeast submarkets is slowly beginning to

continued on page 2

## HOT TOPICS INDIANAPOLIS - INDUSTRIAL

- Prologis is prepared to construct a 1,000,000 sq. ft., 36'+ clear warehouse off of Exit 138 in Prologis Park Lebanon.
- Sur La Table leased 198,000 sq. ft. at Eagle Three in Lauth's Eagle Point Business Park in Brownsburg.
- Opus has begun construction on a new 800,000 sq. ft. build-to-suit facility for Brylane off of the new Six Points Interchange in Plainfield.
- Browning Investments has completed construction on the first of two spec 81,600 sq. ft. medium distribution buildings at Southtech Park in Greenwood.
- Eli Lilly has announced that the company will build a 200,000 sq. ft. distribution facility on a 34-acre site in Plainfield to replace its existing warehouse.

### INDIANAPOLIS INDUSTRIAL VACANCY



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increase, but few notable leases were signed in the third quarter to mark progress. Redevelopment capital has been devoted to projects throughout these submarkets on speculation that the area will turn around within the first half of 2004. The improvement capital and the resulting upgrades to the functionality and aesthetics of area buildings does appear to be attracting many users seeking sound options back to the East side.

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**The Southwest submarket is witnessing a transformation with the airport expansion and I-70 relocation.**

the airport expansion and I-70 relocation. Investors and developers continue to jockey for land positions around the new Six Points Interchange that is scheduled to begin construction by 2005. The Southwest also saw its share of big-box activity in the third quarter. Sur-La-Table announced that the company will lease 198,000 square feet of Lauth's new 396,000 square foot Eagle Three facility in Brownsburg. Opus is building a 750,000 bulk distribution facility for lease to Brylane off of the Six Points Interchange in Plainfield, scheduled for completion later next year.

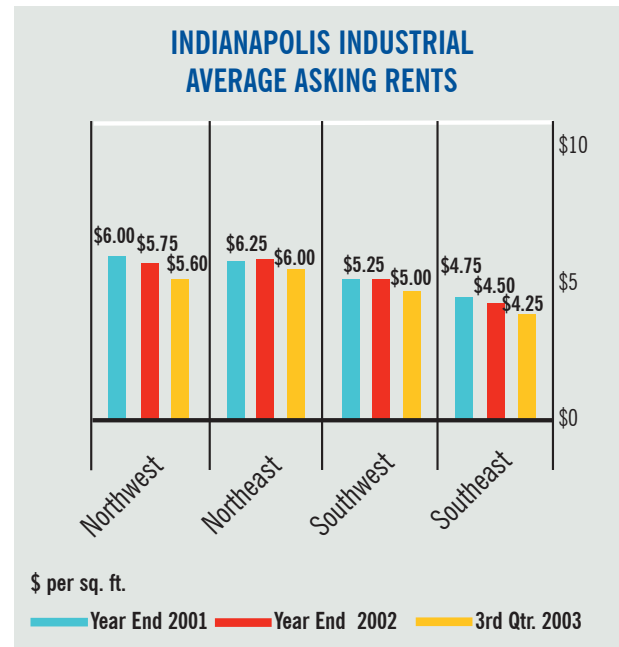
## SURVEY PARAMETERS

Property surveyed is 10,000 square feet and above, Class A & B, not owner occupied.

**Type I:** Service Center / Office Warehouse - demised between 1,800 and 20,000 square feet; clear height less than 18 feet; 50% to 80% tenant finish.

**Type II:** Medium Distribution / Manufacturing property - demised between 7,500 and 30,000 square feet; clear height less than 24 feet; 15% to 50% tenant finish.

**Type III:** Bulk Distribution property - demised from 50,000 square feet and up; clear height is 24 feet and higher; finish is less than 15% (typically 5%).

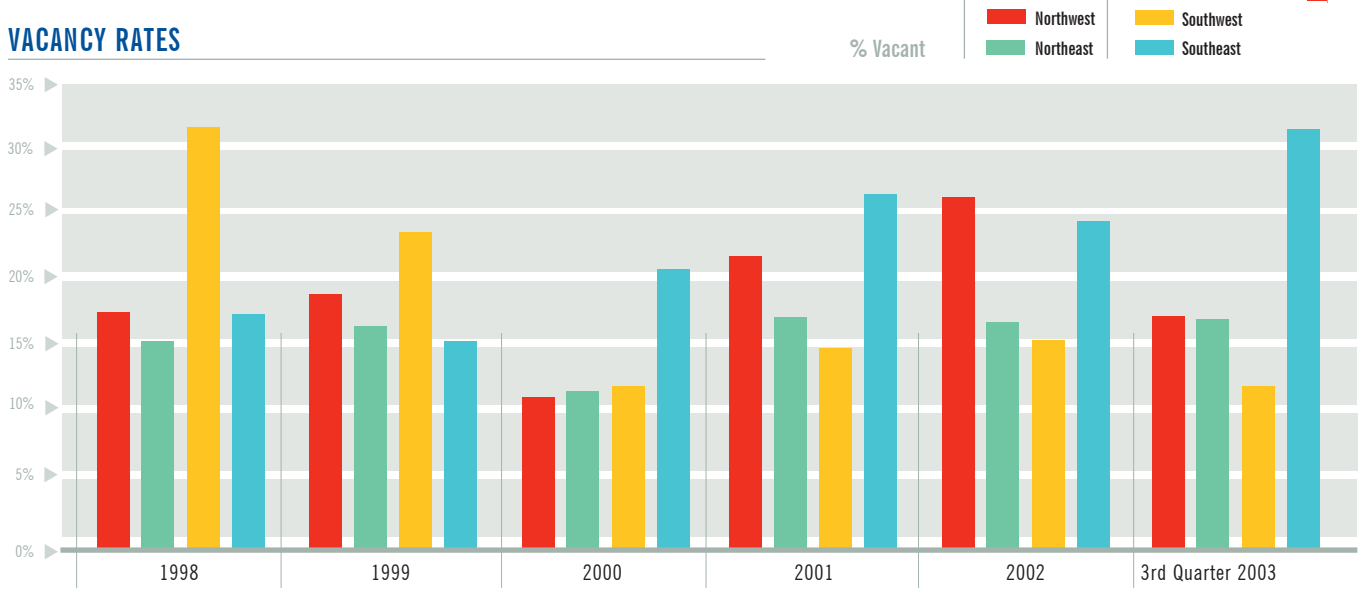


Quadrangle has begun construction on a new 442,000 square foot bulk warehouse facility in Greenwood, scheduled for completion in 2004. Earlier this year, Cosco announced that they will vacate their 612,000 square foot warehouse in favor of expanding their existing Franklin, Indiana facility. These key vacancies and an available 273,000 square foot distribution center owned by Pattillo Properties leaves Greenwood with some significant inventory to fill.

## INDIANAPOLIS INDUSTRIAL SUMMARIES YTD

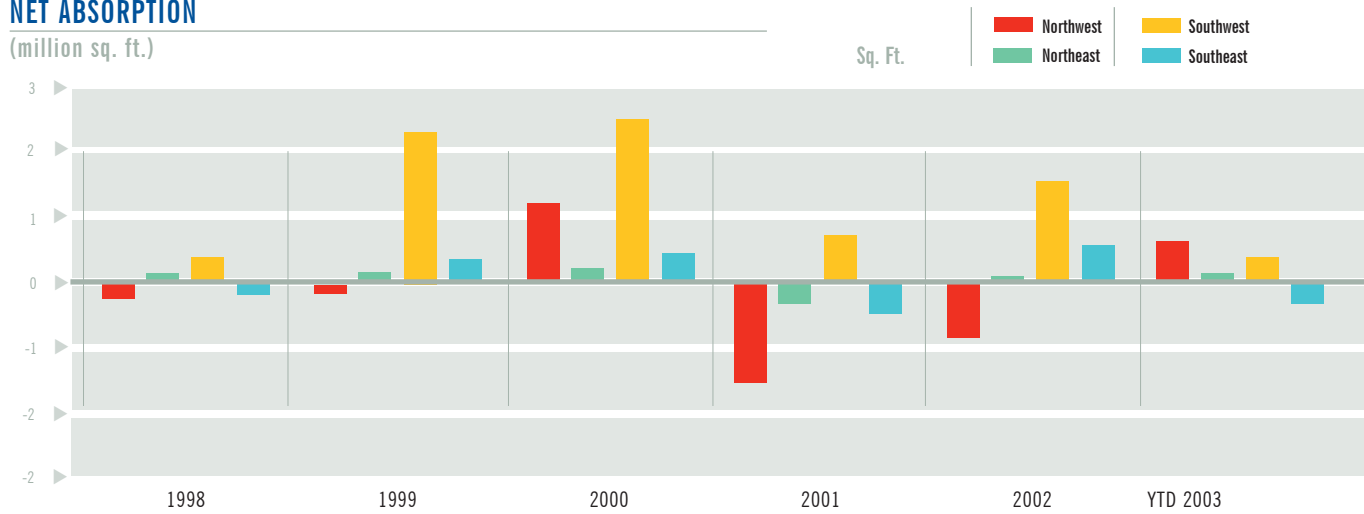
	Total Inventory	No. of Buildings	Vacancy Rate	Available Space	New Deliveries	Absorption
Northwest	20.36 million sq. ft.	160	17.0 %	3.50 million sq. ft.	209,000 sq. ft.	688,000 sq. ft.
Northeast	4.85 million sq. ft.	83	16.9 %	818,000 sq. ft.	106,000 sq. ft.	39,000 sq. ft.
Southwest	16.66 million sq. ft.	74	11.8 %	1.96 million sq. ft.	1.64 million sq. ft.	317,000 sq. ft.
Southeast	11.04 million sq. ft.	78	31.1 %	3.43 million sq. ft.	0 sq. ft.	(266,000) sq. ft.

### VACANCY RATES



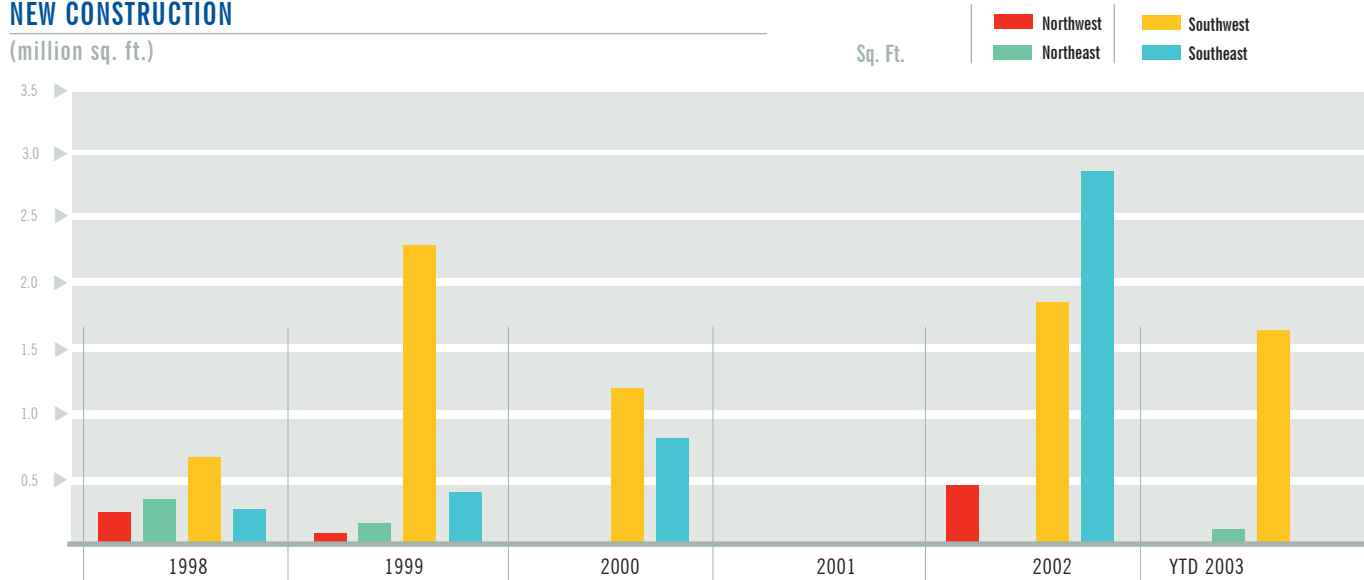
### NET ABSORPTION

(million sq. ft.)



### NEW CONSTRUCTION

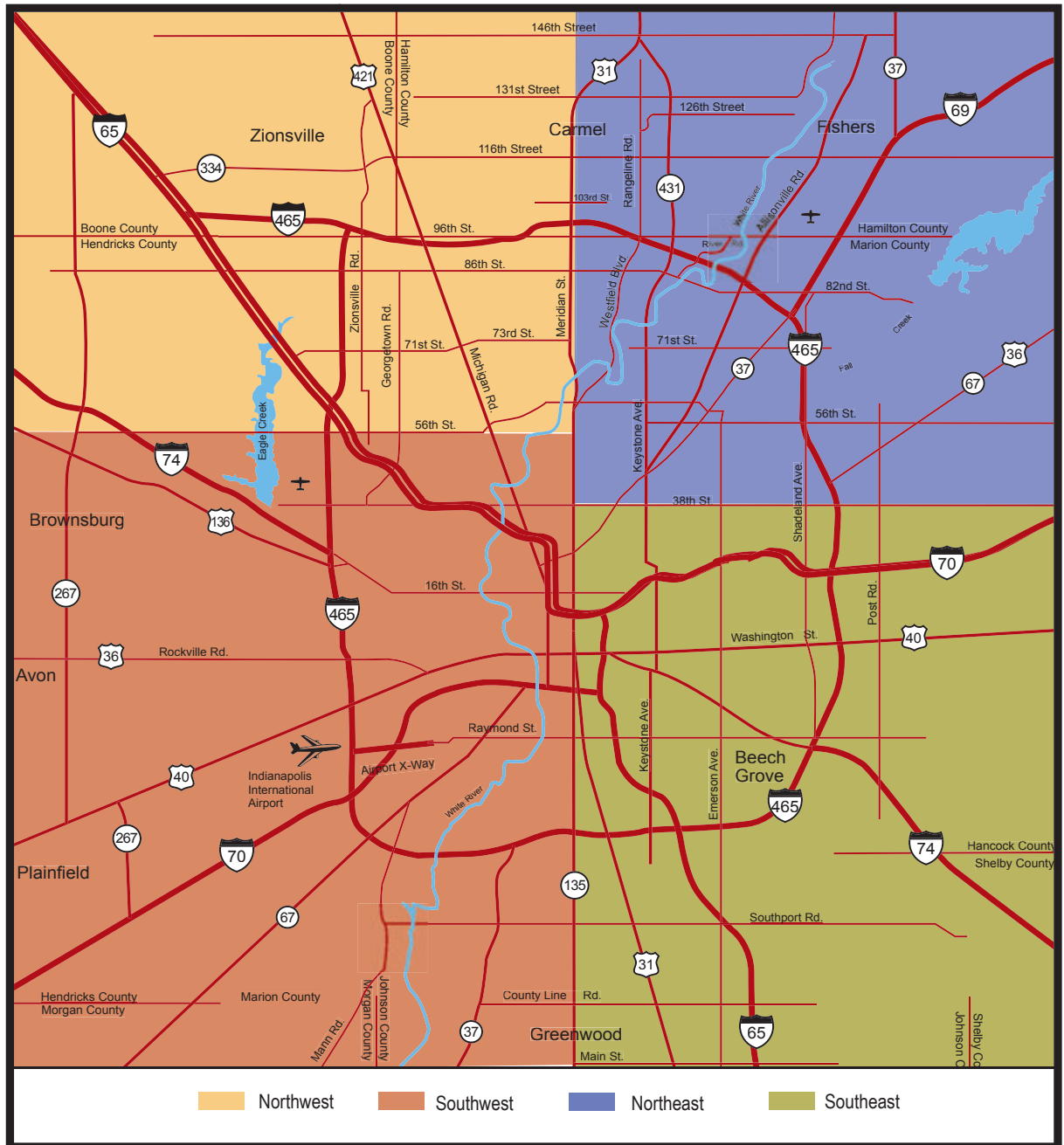
(million sq. ft.)





# Submarket Map

INDIANAPOLIS - INDUSTRIAL



Meridian MarketWatch is a quarterly publication detailing current and historical real estate news and trends in Indianapolis, Indiana.

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