Meridian MarketWatch

THIRD QUARTER 2003

OFFICE MARKET REPORT

A QUARTERLY REVIEW OF OFFICE MARKET ACTIVITY

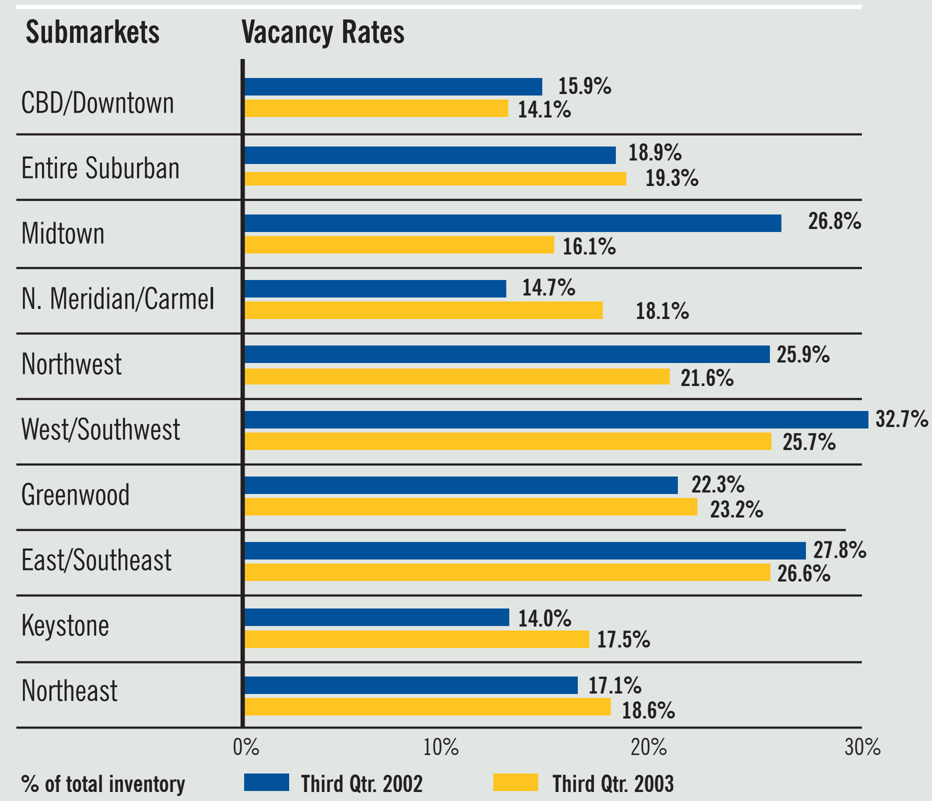
Indianapolis, Indiana

There continue to be mixed signals coming out of the Indianapolis office market. While moderate absorption was seen during the third quarter, other factors cause concern. For instance, while the financial services sector as a whole is an area of growth and positive outlook, the sale of Golden Rule Insurance, one of that sector's major local employers, raises concerns and is part of a disturbing trend of corporate headquarters leaving Indiana.

On the positive side, many small companies are experiencing enough sustained growth to expand or relocate to larger spaces. The current trend leans toward more upsizing than downsizing, leading to less new sublease space on the market. Additionally, the activity in the public and not-for-profit sectors, including the expansions of IUPUI and Clarian downtown and the medical sector growth in the Meridian corridor, provide reason for optimism.

During the third quarter, office vacancy downtown fell slightly to 14.12%; a rate well below that of any of the suburban submarkets. Positive net absorption for the quarter was nearly 41,000 square feet, and asking rates have held steady. No single transaction had a material impact on the statistics as the general trend of expan-

INDIANAPOLIS OFFICE VACANCY RATES



HOT TOPICS
INDIANAPOLIS - OFFICE

- Medical and life sciences industries, and educational institutions have been hot sectors in the market. The University of Phoenix, ITT Educational, and DeVry Institute have opened or are opening new operations.
- During 2003, downtown vacancy has declined by over 2%. There has been a small vacancy increase in suburban submarkets, while the amount of available sublease space has fallen to less than half its levels a year ago.
- Charles Schwab & Co, Inc. put their 51,000 square foot Fishers call center up for sale or lease. Schwab occupied only 50% of the center and consolidated operations in their neighboring 100,000 sq. ft. building.
- Meridian Plaza (300,000 sq. ft.), Landmark Center (293,000 sq. ft.), and Pan American Plaza (139,000 sq. ft.) have all been sold or put under contract in recent months.
- The Life Sciences Initiative is beginning to pay dividends. Bio Storage Technologies and Concentrics Research have both completed leasing deals, while Piezo Technologies, Integrity Pharmaceutical, Suros Surgical, Vesta Pharmaceutical, and ComChem Technologies are actively pursuing new space.

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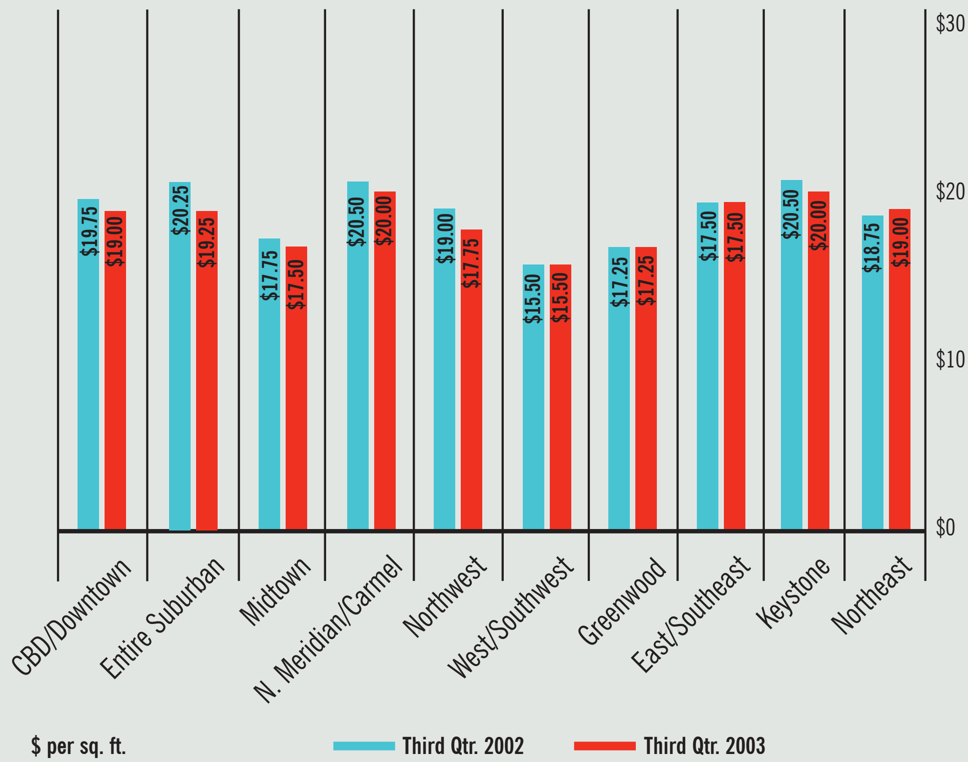
sions or re-locations by smaller growing companies prevailed.

Overall, the suburban submarkets saw little net absorption with the overall vacancy rate falling by less than .3% to 19.31%. This small decline and the net absorption of 58,337 square feet is a bit misleading, however, as most individual submarkets saw their rates either rise or fall by at least 1%. Most notable is the large North Meridian/Carmel submarket that saw vacancy rise by 2.17% to over 18%. The most significant move contributing to the increase was that of Pearson Education from nearly 100,000 square feet in Meridian Tower to 84,000 square feet in newly constructed Parkwood VIII.

INDIANAPOLIS AVERAGE CLASS "A" ASKING RENTS - OFFICE

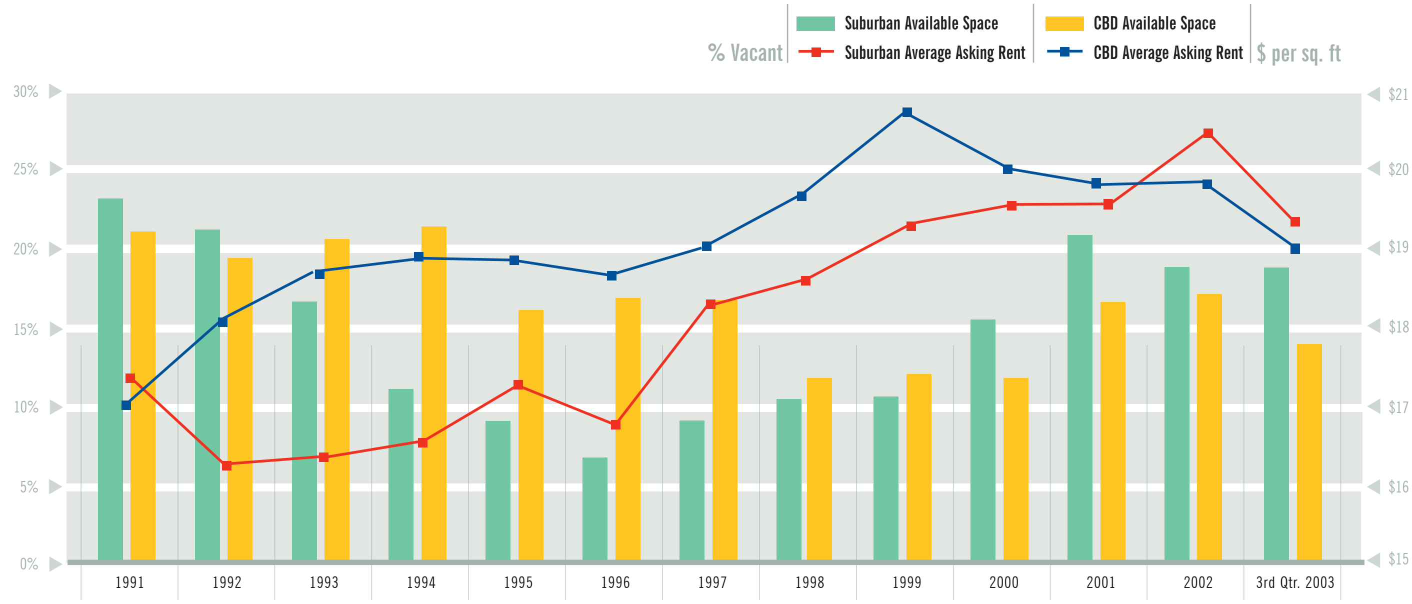


In the investment sales market, there are a few more buildings becoming available, although most are smaller and few are Class A properties. One exception is Meridian Tower, located at 201 West 103rd Street in the Meridian corridor and mentioned above. This 150,000 RSF Class A structure was developed by Browning Investments, Inc. in the early 1990s and is now owned by Browning and REI. The building is 100% vacant following the move of Pearson Education. Another property in that same submarket, Meridian Plaza at 103rd and Meridian Street, was recently sold to Talcott Realty. The building consists of 300,000 RSF of both Class A and Class B space and was sold for an estimated $101.00 RSF.

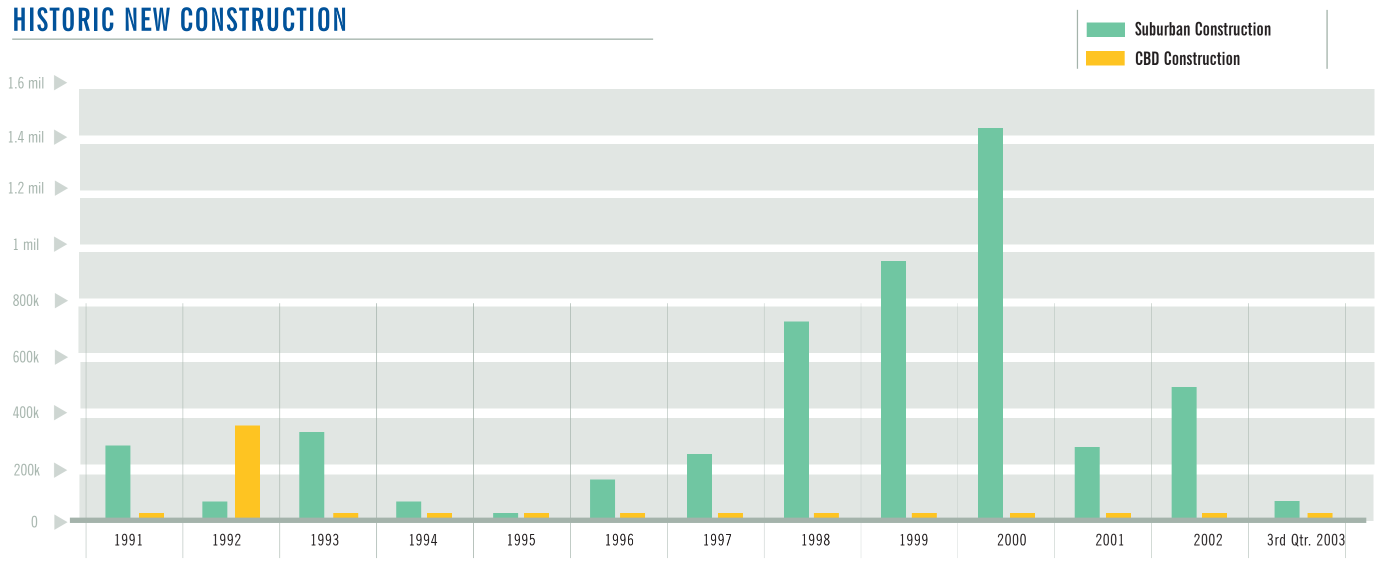
INDIANAPOLIS OFFICE MARKET SUMMARIES YTD

	Total Inventory	No. of Buildings	Vacancy Rate	Vacant Space	2003 YTD New Deliveries	Absorption
CBD/Downtown	10.71 million sq. ft.	70	14.1 %	1.51 million sq. ft.	0 sq. ft.	41,000 sq. ft.
Entire Suburban	19.3 million sq. ft.	260	19.3 %	3.61 million sq. ft.	0 sq. ft.	58,000 sq. ft.
Midtown	737,000 sq. ft.	13	16.1 %	118,000 sq. ft.	0 sq. ft.	13,000 sq. ft.
North Meridian/Carmel	5.08 million sq. ft.	66	18.1 %	919,000 sq. ft.	265,000 sq. ft.	(96,000) sq. ft.
Northwest	3.04 million sq. ft.	31	21.6 %	655,000 sq. ft.	78,000 sq. ft.	33,000 sq. ft.
West/Southwest	980,000 sq. ft.	10	25.7 %	252,000 sq. ft.	0 sq. ft.	(17,000) sq. ft.
Greenwood	661,000 sq. ft.	16	23.2 %	153,000 sq. ft.	0 sq. ft.	(3,000) sq. ft.
East/Southeast	410,000 sq. ft.	6	26.5 %	109,000 sq. ft.	8,000 sq. ft.	(200) sq. ft.
Keystone	3.79 million sq. ft.	46	17.5 %	664,000 sq. ft.	31,000 sq. ft.	35,000 sq. ft.
Northeast	3.99 million sq. ft.	72	18.6 %	741,000 sq. ft.	61,000 sq. ft.	46,000 sq. ft.

AVAILABLE SPACE VS. AVERAGE ASKING RENT

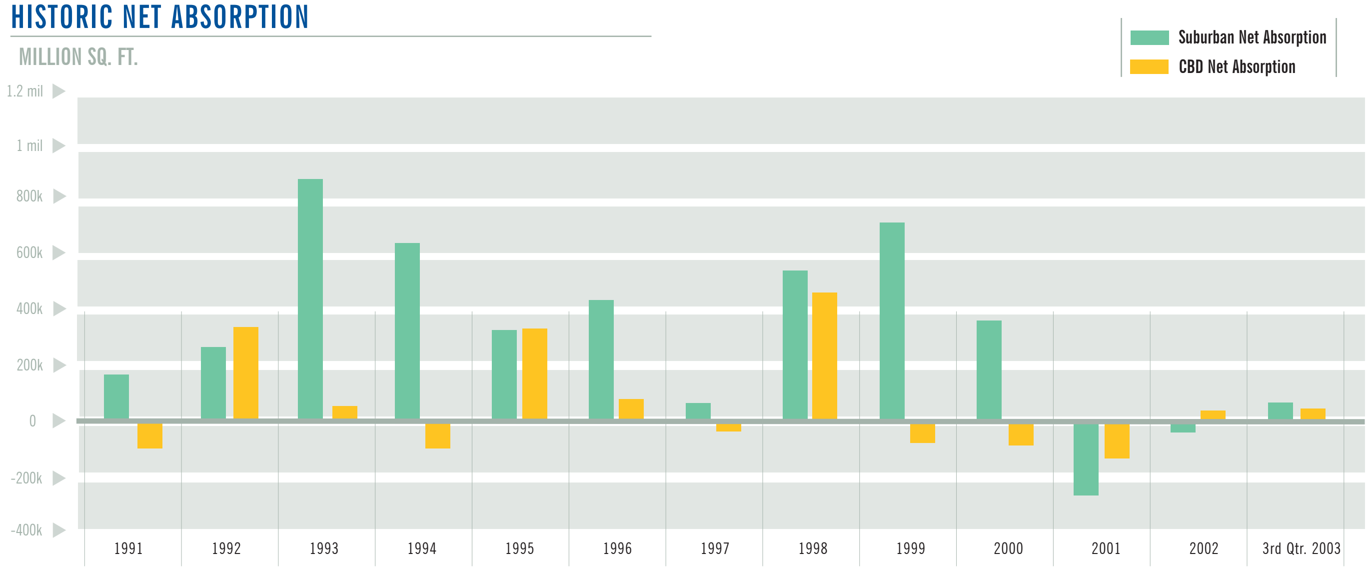


HISTORIC NEW CONSTRUCTION



HISTORIC NET ABSORPTION

MILLION SQ. FT.



Submarket Map

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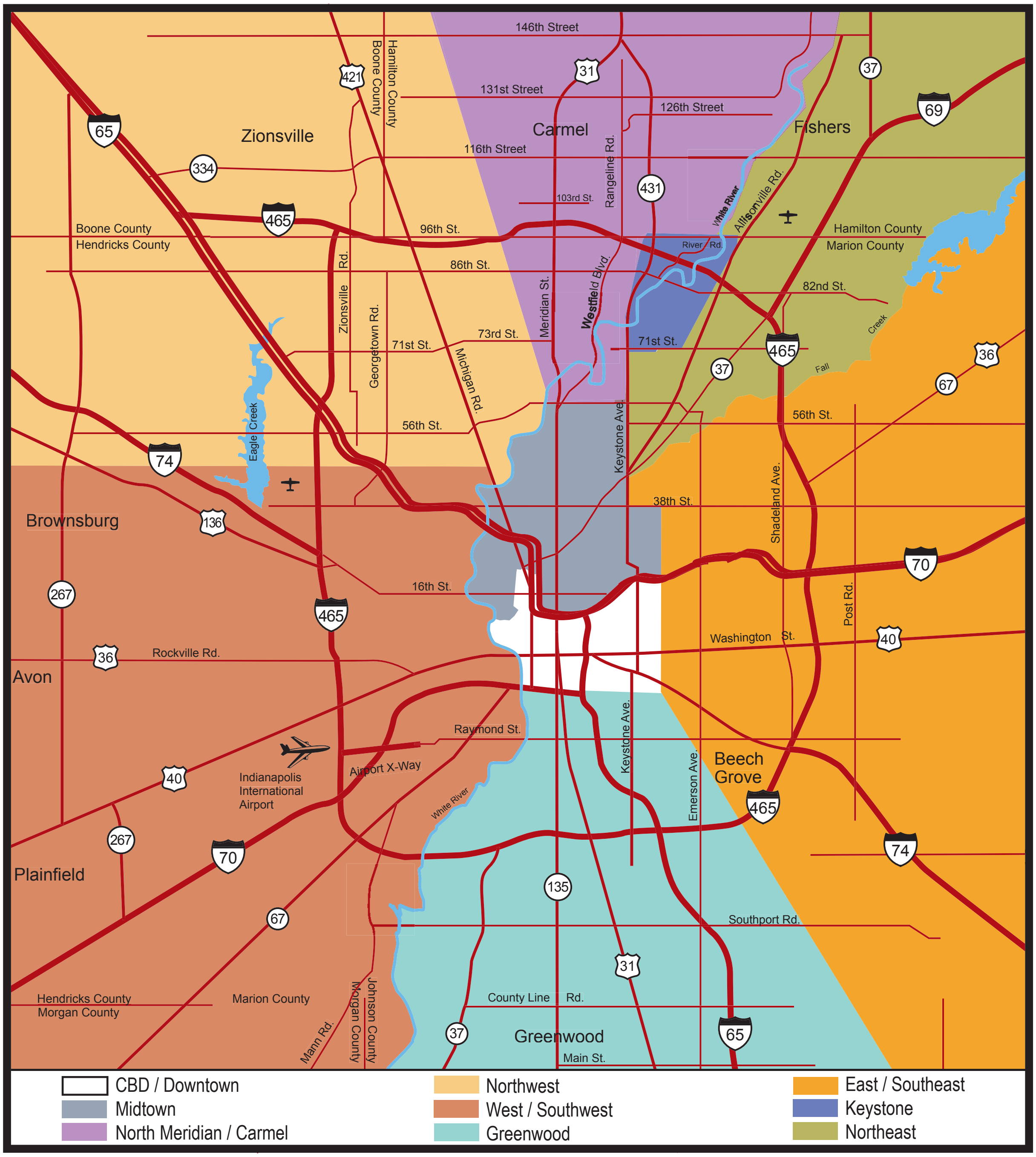

Meridian MarketWatch is a quarterly publication detailing current and historical real estate news and trends in Indianapolis, Indiana.
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