

Meridian MarketWatch

THIRD QUARTER
2004

OFFICE
MARKET REPORT

A QUARTERLY REVIEW OF OFFICE MARKET ACTIVITY

Indianapolis, Indiana

The Indianapolis office market continues a slow but steady climb toward recovery.

In the suburban office market, the Class "A" buildings are experiencing a steady stream of activity, with many tenants continuing the trend of using current market conditions to move up from Class "B" to Class "A" buildings. Many of the large Class "A" vacancies that have depressed the market for so long have been filled through the first three quarters of 2004. With this, we may see a slight firming in rental rates, but concessions will still favor the tenants in this market due to the available space.

Several large vacancies exist in the mar-

ket, including the former Galyans corporate headquarters building in Plainfield of 100,000 square feet, Inland Container's 121,000 square foot building in Fortune Park, and Conseco's 550 Congressional Boulevard of 105,000 square feet. By filling two of its key vacancies with Firestone taking 90,000 square feet in Two Parkwood Crossing and Smith Barney taking the last full floor at Parkwood Eight, it is anticipated that Duke Realty Corporation will launch construction on Parkwood Nine in the near future. Major suburban deals done during the third quarter were:

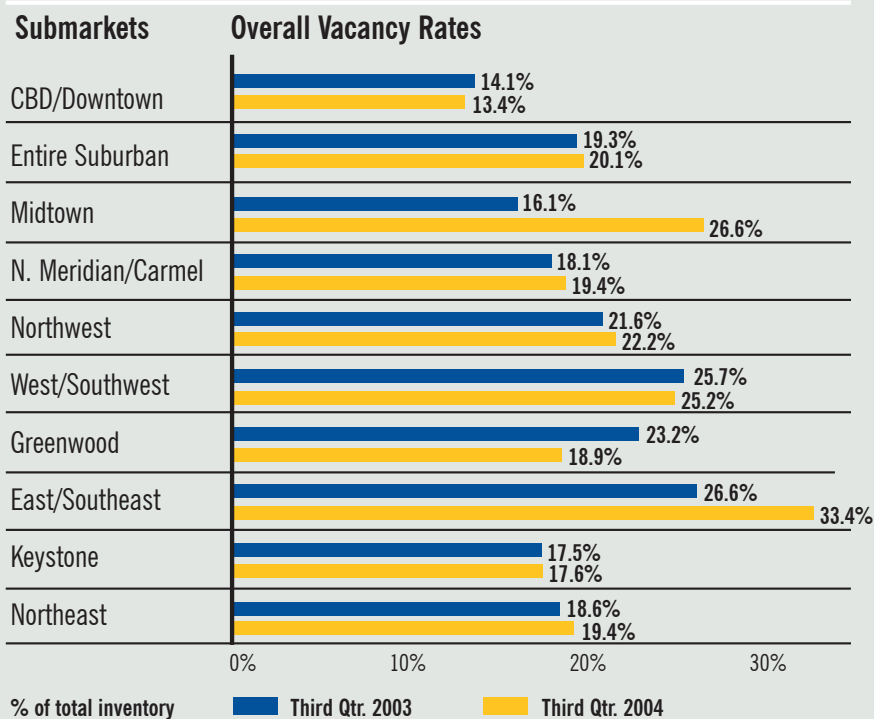
- Firestone - 90,000 square feet - Two Parkwood

HOT TOPICS INDIANAPOLIS - OFFICE

- Meridian Tower goes from zero to 80% leased in the last six months.
- Simon Property Group and Lauth Property Group's Clay Terrace Center at 146th and U.S. 31 celebrates its grand opening in October.
- Mayor Peterson retains The Hunt Corporation to study the construction feasibility for a new dome stadium site downtown and expansion of the existing Convention Center.
- The North Meridian Corridor will experience significant positive absorption by year-end.
- The Pyramids sell to New York-based Sterling American Property who plan a \$4 million renovation on these landmark buildings.
- Class "B" buildings continue to prop up the vacancy rate.
- Consistent with national trend, there are more buyers than sellers for investment-grade property in Indianapolis.

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INDIANAPOLIS OFFICE VACANCY RATES



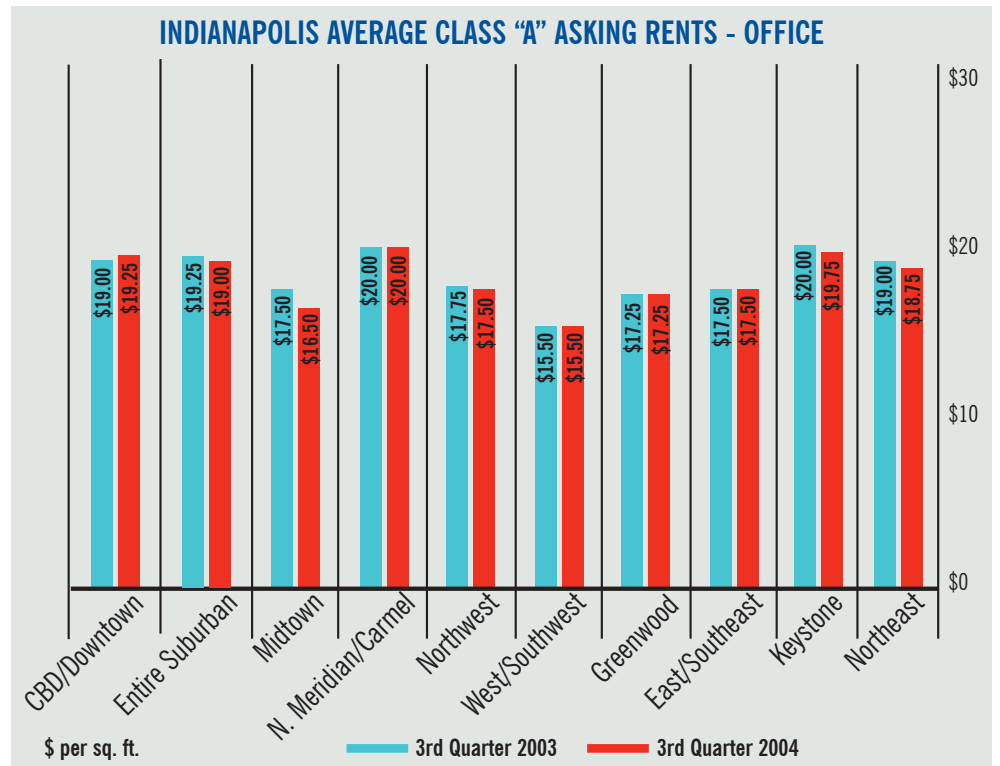


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- AutoBase - 55,000 square feet - Meridian Tower
- Myers and Stauffer LC - 29,000 square feet - The Precedent

There are very few investment-grade properties for sale, and those that were available have been snatched up by national and 1031 players at cap rates between 8½% and 9½%. At those cap rates, it has been tough for any of the local buyers to make economic sense of these properties.

In the downtown market, status quo seems to be the name of the game. Mayor Peterson announced the City has retained The Hunt Corporation to conduct a construction feasibility study on the new potential dome stadium site as well as a major expansion of the Convention Center. We believe that this expansion will also lead to several new downtown hotel projects to accommodate the visitors associated with this expansion. Additional downward pressure will be applied to downtown rental rates when Simon's lease expires in National City Center, which will place an additional 180,000 square feet of available class "A" space on



the market.

Major downtown office deals during the third quarter include:

- Sale of Indianapolis Life building to IMDG
- Sale of Market Tower to a local investor
- Sale of Lockerbie Marketplace to a local investor

INDIANAPOLIS OFFICE MARKET SUMMARIES YTD

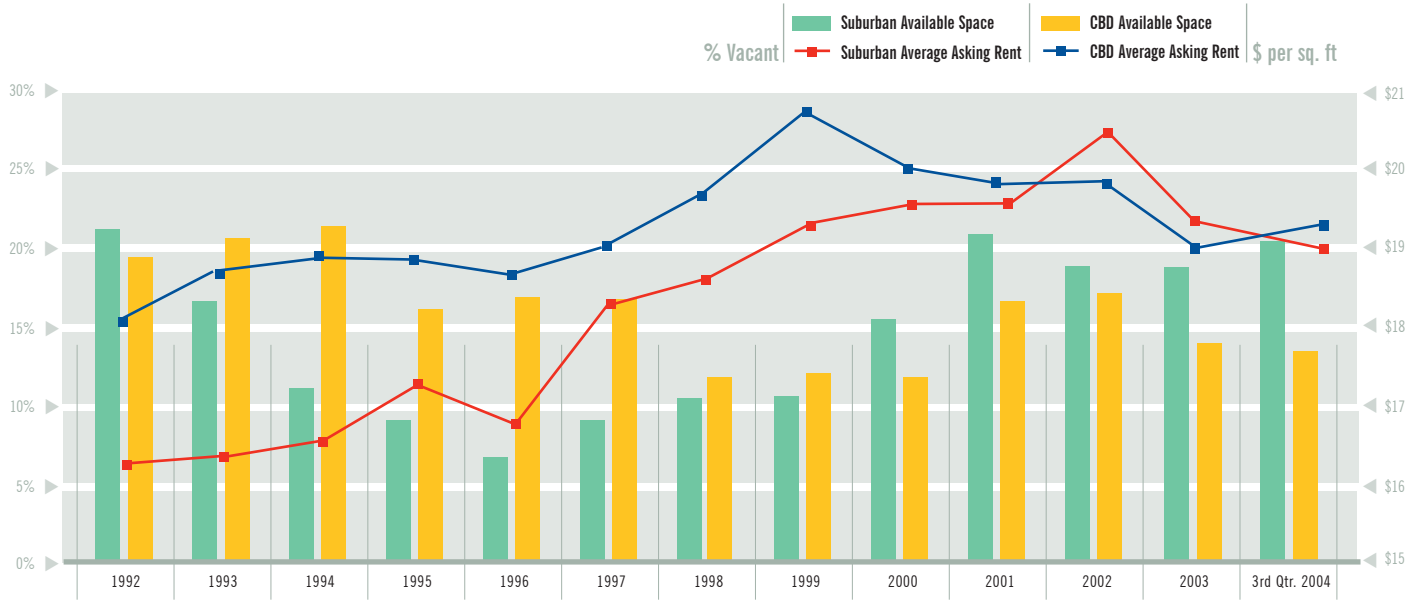
	Total Inventory	No. of Buildings	Class A Vacancy	Class B Vacancy	Overall Vacancy	Vacant Space	2004 YTD New Construction
CBD/Downtown	10.92 million sq. ft.	72	12.14 %	15.11 %	13.39 %	1.46 million sq. ft.	0 sq. ft.
Entire Suburban	19.55 million sq. ft.	295	17.86 %	21.64 %	20.12 %	3.93 million sq. ft.	214,600 sq. ft.
Midtown	1.00 million sq. ft.	16	0 %	38.77 %	26.56 %	266,000 sq. ft.	0 sq. ft.
North Meridian/Carmel	5.46 million sq. ft.	73	19.89 %	18.67 %	19.38 %	1.06 million sq. ft.	28,000 sq. ft.
Northwest	3.33 million sq. ft.	38	19.23 %	27.98 %	22.19 %	739,000 sq. ft.	100,000 sq. ft.
West/Southwest	1.21 million sq. ft.	15	0 %	29.97 %	25.20 %	306,000 sq. ft.	0 sq. ft.
Greenwood	1.09 million sq. ft.	25	29.79 %	13.82 %	18.93 %	206,000 sq. ft.	26,000 sq. ft.
East/Southeast	375,000 sq. ft.	5	n/a	35.41 %	33.38 %	125,000 sq. ft.	0 sq. ft.
Keystone	3.89 million sq. ft.	49	15.39 %	19.96 %	17.64 %	686,000 sq. ft.	0 sq. ft.
Northeast	4.20 million sq. ft.	90	15.42 %	17.66 %	19.39 %	815,000 sq. ft.	69,600 sq. ft.

ABSORPTION SUMMARY

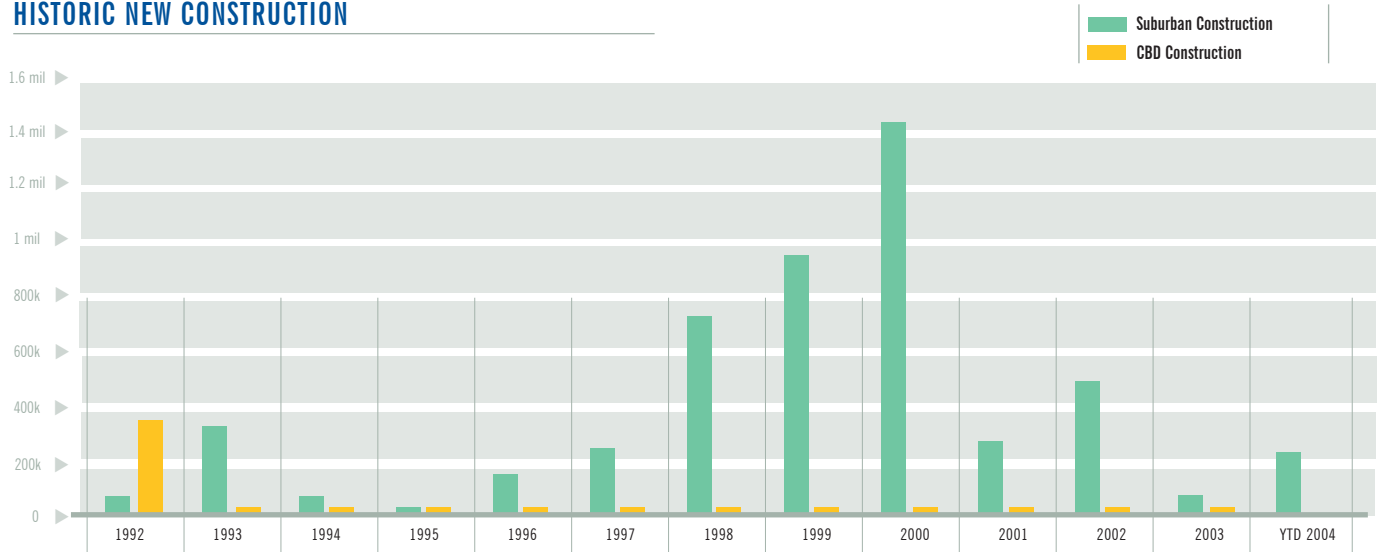
	CBD/Downtown	Entire Suburban	Midtown	N. Meridian/Carmel	Northwest	West/Southwest	Greenwood	East/Southeast	Keystone	Northeast
1st Quarter	(8,442) sq. ft.	37,081 sq. ft.	11,756 sq. ft.	(26,703) sq. ft.	9,795 sq. ft.	(86,403) sq. ft.	37,058 sq. ft.	0 sq. ft.	90,283 sq. ft.	1,295 sq. ft.
2nd Quarter	56,545 sq. ft.	(142,774) sq. ft.	10,351 sq. ft.	24,131 sq. ft.	(59,081) sq. ft.	(63,095) sq. ft.	21,433 sq. ft.	18,075 sq. ft.	(52,834) sq. ft.	(31,413) sq. ft.
3rd Quarter	36,684 sq. ft.	204,181 sq. ft.	22,238 sq. ft.	45,918 sq. ft.	17,466 sq. ft.	62,537 sq. ft.	(19,465) sq. ft.	0 sq. ft.	37,843 sq. ft.	59,882 sq. ft.
4th Quarter	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Year-to-Date Total	84,787 sq. ft.	51,568 sq. ft.	44,345 sq. ft.	43,346 sq. ft.	(32,911) sq. ft.	(88,805) sq. ft.	39,036 sq. ft.	18,075 sq. ft.	43,063 sq. ft.	29,764 sq. ft.



AVAILABLE SPACE VS. AVERAGE ASKING RENT

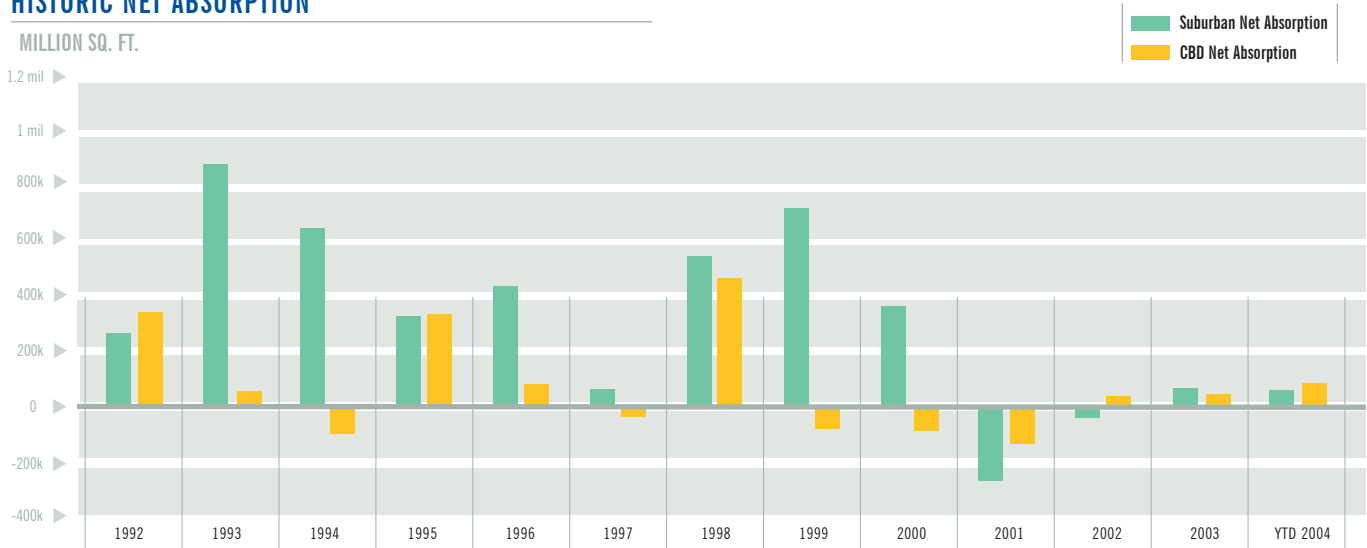


HISTORIC NEW CONSTRUCTION



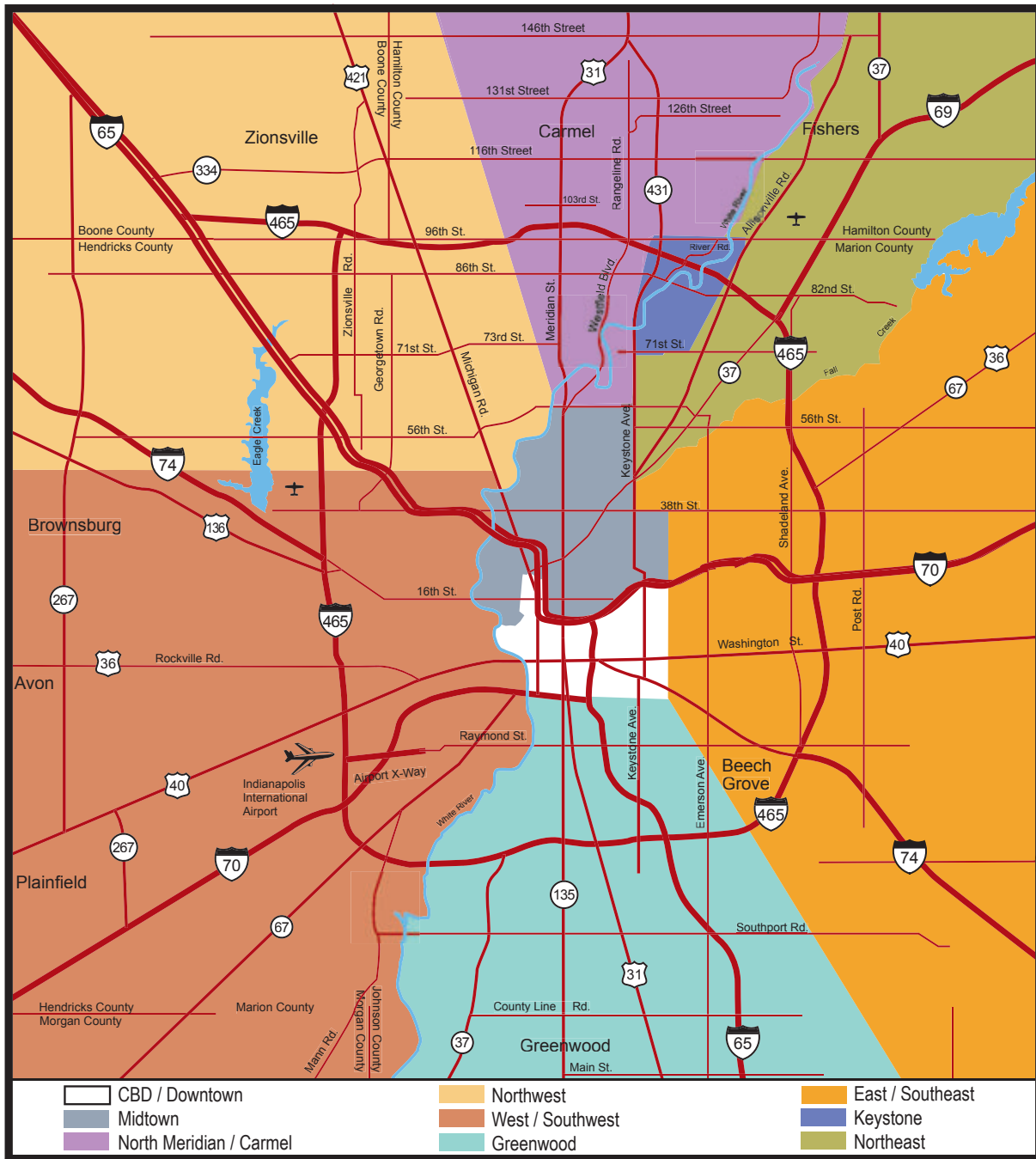
HISTORIC NET ABSORPTION

MILLION SQ. FT.



Submarket Map

INDIANAPOLIS - OFFICE



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Meridian Real Estate
 9000 Keystone Crossing, Suite 1050
 Indianapolis, IN 46240
 T. 317.875.8888 F. 317.875.9999



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