

Meridian

MarketWatch

FIRST QUARTER
2004

INDUSTRIAL
MARKET REPORT

A QUARTERLY REVIEW OF INDUSTRIAL MARKET ACTIVITY

Indianapolis, Indiana

The economy continues to grow at a level not experienced in years. The only elements of a bearish approach to business (real estate and general) surrounds continued challenges on the country's international agenda, the pending presidential election, and a potential increase in interest rates. But even in the face of those challenges it appears developers, investors and users of industrial real estate are pressing forward to remain on the front end of the recovery curve. This is reflected in yet another quarter of positive trends in our industrial market statistics.

As the 13th largest city in the U.S., Indianapolis has shared in the fruits of these better days. Cap rates on investment properties continue their downward trend as demand continues to

outpace the level of supply. On the new construction front, for the first time in several years we are witnessing the return of build-to-suit developments, with several deals ranging from 50,000 square feet to 600,000 square feet slated to close and break ground later this year.

As a nationally recognized distribution hub, second in the Midwest only to Chicago, Indianapolis continues to show its muscle with nearly 2 million square feet of new leases in the pipeline for execution in the second quarter and more than 1.5 million square feet of net absorption in the westside submarkets alone, primarily the result of Type III distribution leases (a few examples include - LaGasse for 75,000 square feet; Prime Source for 91,000 square

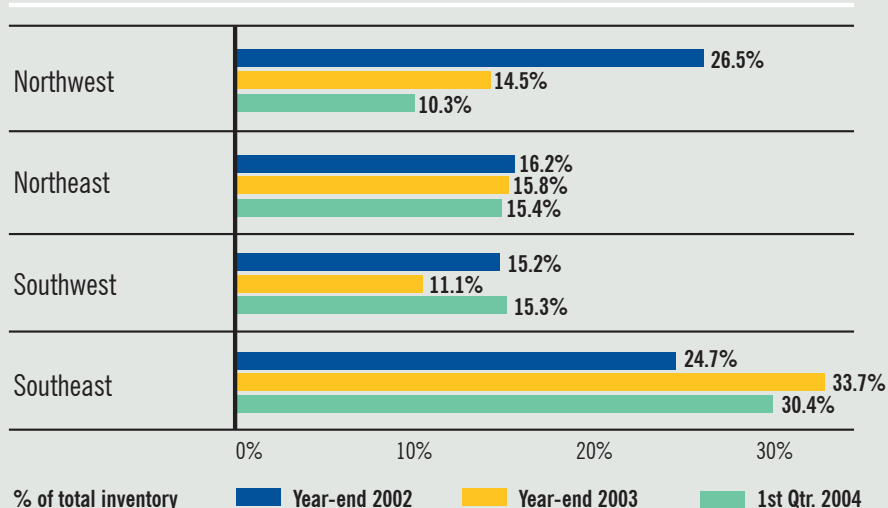
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HOT TOPICS

INDIANAPOLIS - INDUSTRIAL

- Sierra Crest Equities closes on 40 acres at Six Points interchange on I-70 to develop Class A business park - Sierra Gateway Park - with 10 year tax abatement.
- Positive absorption continued to be the trend, with 1,836,717 sq. ft. of net absorption in the first quarter of 2004.
- Prime Source signs a lease for 92,000 sq. ft. in Park 100.
- First Industrial sells 10 acres for a 60,000 sq. ft. development at Interchange Business Park.
- Ryder Logistics signs a lease for 115,200 sq. ft. in Park 100.
- Huttig Building Products leases 98,000 sq. ft. at Shadeland Manufacturing and Distribution Centre.
- CAT Logistics subleases 612,000 sq. ft. from Cosco as part of a consolidation effort.

INDIANAPOLIS INDUSTRIAL VACANCY



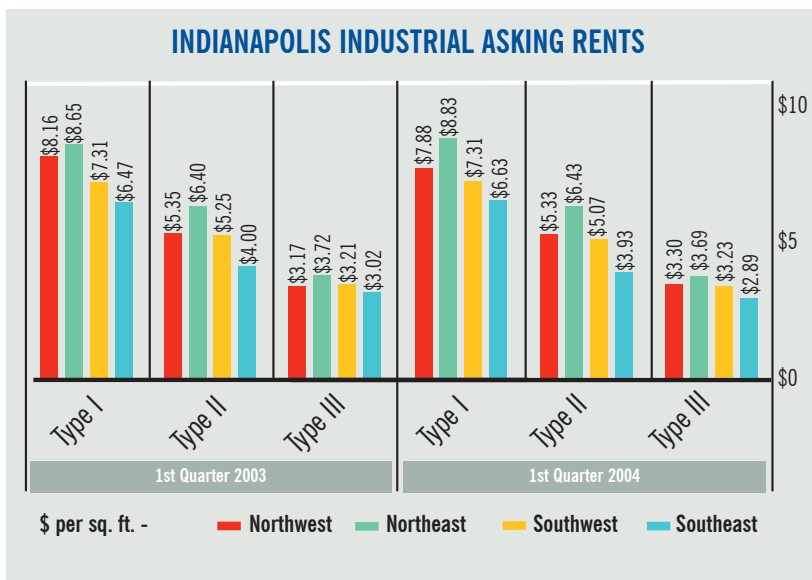
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feet; Ryder Logistics for 125,000 square feet; Trends International for 122,000 square feet; Quaker Oats for 200,000 square feet.)

Additional confirmation arrived in the form of a major player entering the market - Panattoni Development Company. They are poised to develop the more than 132 acres they now control in the Plainfield submarket with their first building of 530,000 square feet.

The eastside submarkets are also participating in the marketplace's recovery, as First Industrial leased more than 298,000 square feet to COSCO/Dorel at Shadeland Manufacturing and Distribution Centre. In addition, land is now being acquired, highlighted by the acquisition of 10 acres at Interchange Business Park (I-465 & S.R. 52) by Opportunity Buys for their new 60,000 square foot distribution center.

New speculative development is healthy as well, with the emergence of a new park at the Six Points interchange adjacent to the new Indianapolis International Airport Midfield terminal. Sierra Gateway Park, developed by Sierra Crest Equities, is a master-planned business park for regional and national headquarters accommodating build-to-suits and users leasing space from 8,000 square feet and larger. Building I will be completed fall 2004. On the east side, Precedent



Companies is constructing an additional 315,000 square feet of modern bulk distribution space at Mt. Comfort Commercial Park, available fall 2004.

We expect the recovery trend to continue throughout the Indianapolis real estate market, and look for a much stronger conclusion to 2004 than the area has experienced for the past several years.

INDIANAPOLIS INDUSTRIAL SUMMARIES - 1ST QUARTER 2004

	Total Inventory	No. of Buildings	Vacancy Rate	Available Space	New Deliveries	Absorption
Northwest	21,291,333 sq. ft.	156	10.26 %	2,185,274 sq. ft.	0 sq. ft.	934,575 sq. ft.
Northeast	5,343,802 sq. ft.	88	15.37 %	821,319 sq. ft.	36,294 sq. ft.	(11,281) sq. ft.
Southwest	18,542,528 sq. ft.	79	15.28 %	2,833,911 sq. ft.	1,506,879 sq. ft.	522,537 sq. ft.
Southeast	11,064,370 sq. ft.	82	30.41 %	3,364,278 sq. ft.	0 sq. ft.	392,600 sq. ft.
Whole Market	56,242,033 sq. ft.	405	16.37 %	9,204,782 sq. ft.	1,543,173 sq. ft.	1,836,717 sq. ft.

SURVEY PARAMETERS

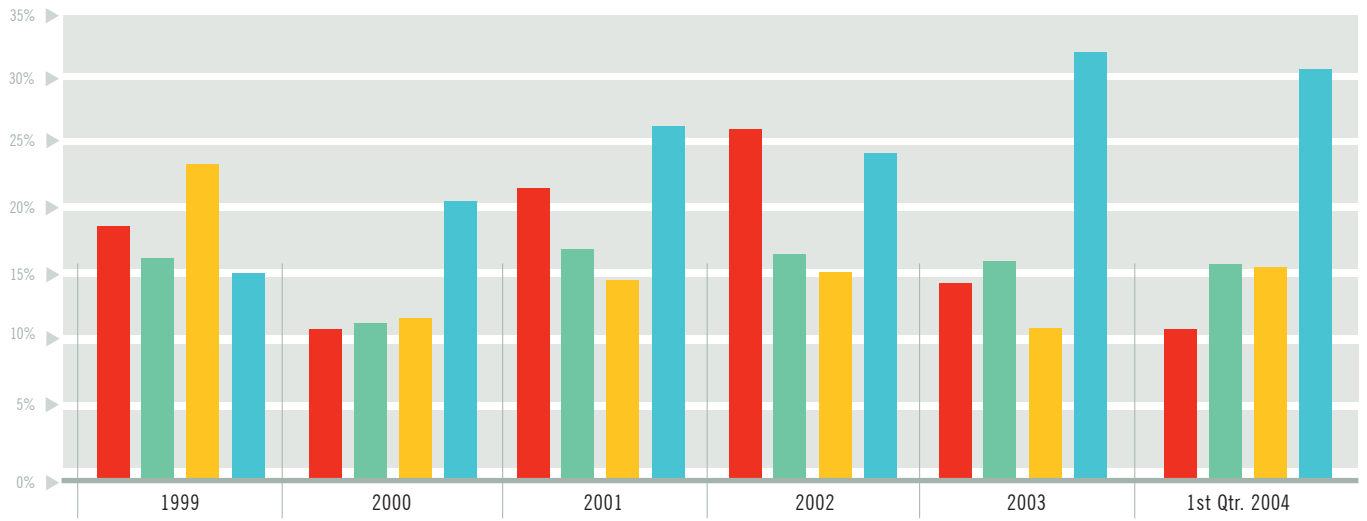
Property surveyed is 10,000 square feet and above, Class A & B, not owner occupied.

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.

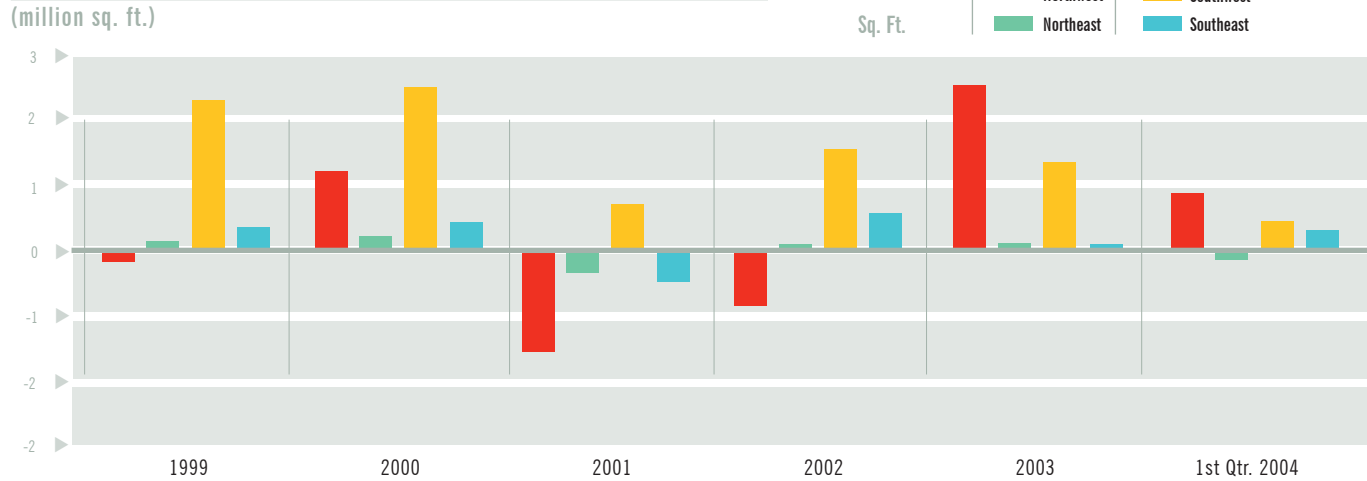
Type II: Medium Distribution / Manufacturing property - demised between 7,500 and 50,000 square feet; clear height less than 24 feet; 15% to 50% tenant finish.

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%).

VACANCY RATES



NET ABSORPTION



NEW CONSTRUCTION

