

Meridian MarketWatch

FIRST QUARTER
2004

OFFICE
MARKET REPORT

Indianapolis, Indiana

A QUARTERLY REVIEW OF OFFICE MARKET ACTIVITY

The first quarter of 2004 brought slow - but steady - signs of continuing recovery for the Indianapolis office market. Meridian Real Estate tracked an overall first quarter positive net absorption of 28,639 square feet. This builds upon a positive year-end 2003 absorption of 76,773 square feet. Although a small positive change from the previous quarter, it indicates a trend that the office sector may have turned the corner and most likely portends a year of relative stability and recovery. Vacancy rates in most major submarkets dropped vs. year-end 2003. The North Meridian / Carmel submarket is facing a 20.24% vacancy rate. Due to the fundamental strength of this corridor, we predict that this rate will drop by year-

end 2004 and this corridor will show significant positive absorption, possibly in excess of 150,000 square feet.

Overall, we're seeing increasing activity among small- to medium-sized users in the marketplace, and signs that corporate users are beginning to desire enough space for projected growth. Much of the sublease space that had plagued the market since early 2000 has been absorbed or the leases have expired. In summary, we're starting to see some light at the end of the tunnel after a 24- to 36-month office market recession.

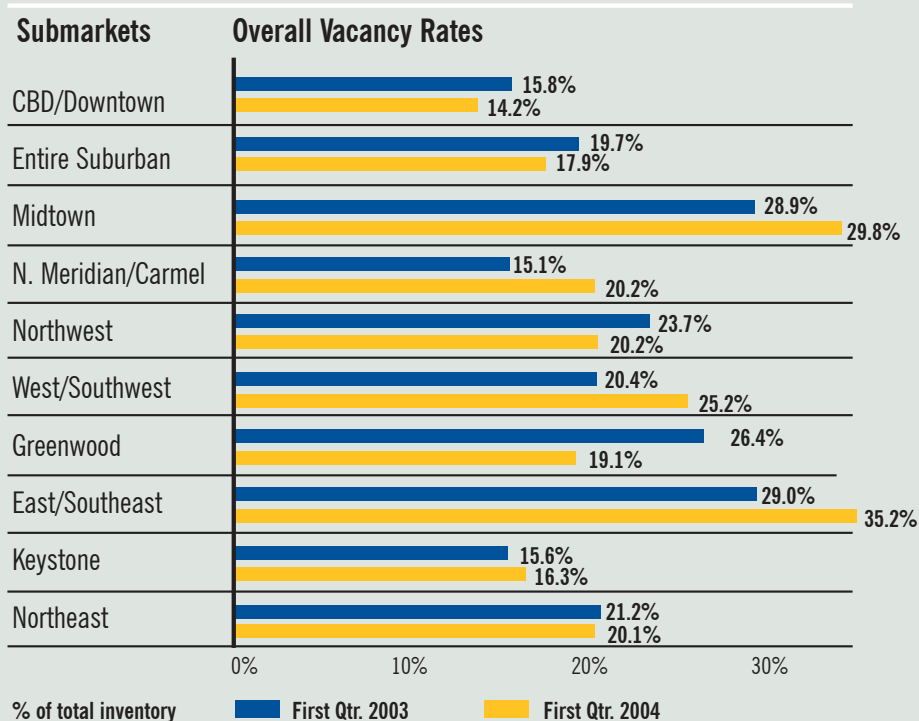
Nevertheless, the market continues to be a "Tenant's Market", and owners of office properties are facing a long road to

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HOT TOPICS INDIANAPOLIS - OFFICE

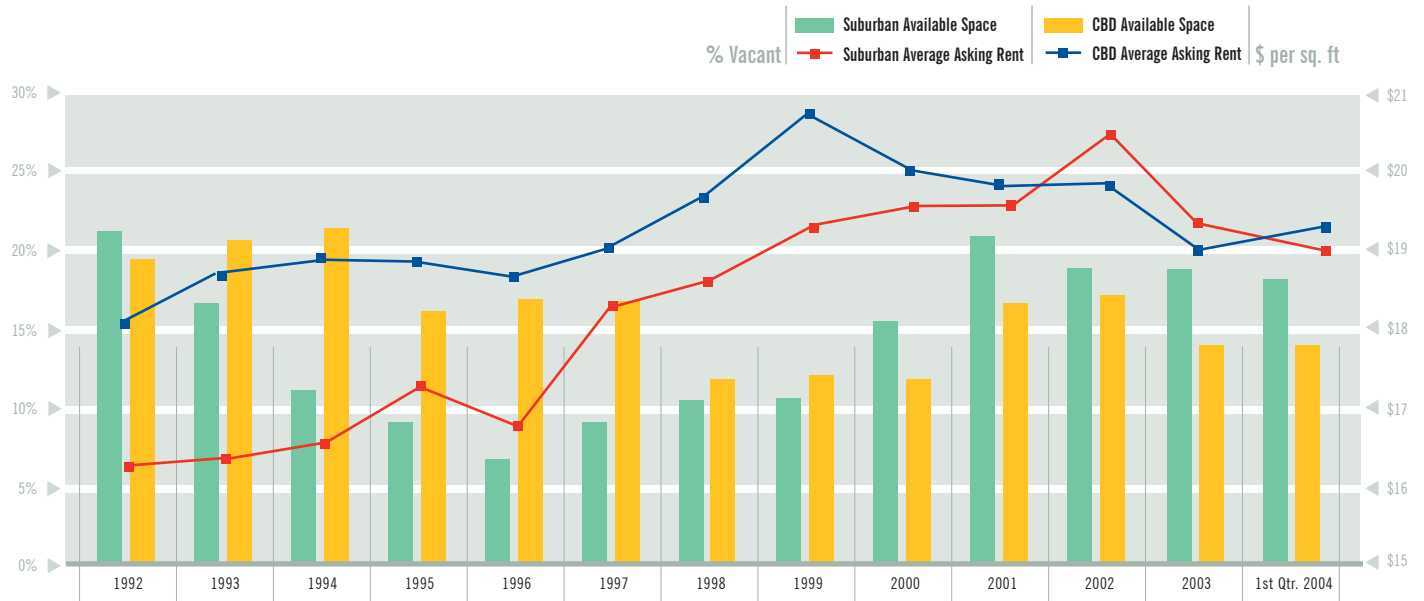
- Locally based Kite Companies recently announced they have filed papers to become a \$300 million Real Estate Investment Trust (REIT), to be traded on the NYSE under the symbol KRG. They follow locally headquartered industry giants Simon Property Group and Duke Realty Corporation in becoming a REIT.
- Duke Realty has assembled 1,800 acres in Zionsville on I-465 near the S.R. 334/267 exits for a planned mixed-use park that will include retail, office, light industrial and possibly a hotel.
- Simon Property Group is said to be pursuing a new site downtown and a relocation from downtown to Keystone at the Crossing in a planned +/- 250,000 sq. ft. tower to be built.
- The downtown office market got a boost from Bank One, which recently announced that it would move people from Fishers, IN to help absorb some of their surplus space in the Bank One Tower.
- North Meridian Street buildings got new owners - locally based Gibraltar purchased the 100% vacant Meridian Tower from National City Bank. Lauth Property Group is rumored to be the winning bidder to purchase and redevelop Meridian Corporate Plaza, a 60,000 sq. ft. building situated on a 19 acre site at I-465 and N. Meridian St.

INDIANAPOLIS OFFICE VACANCY RATES

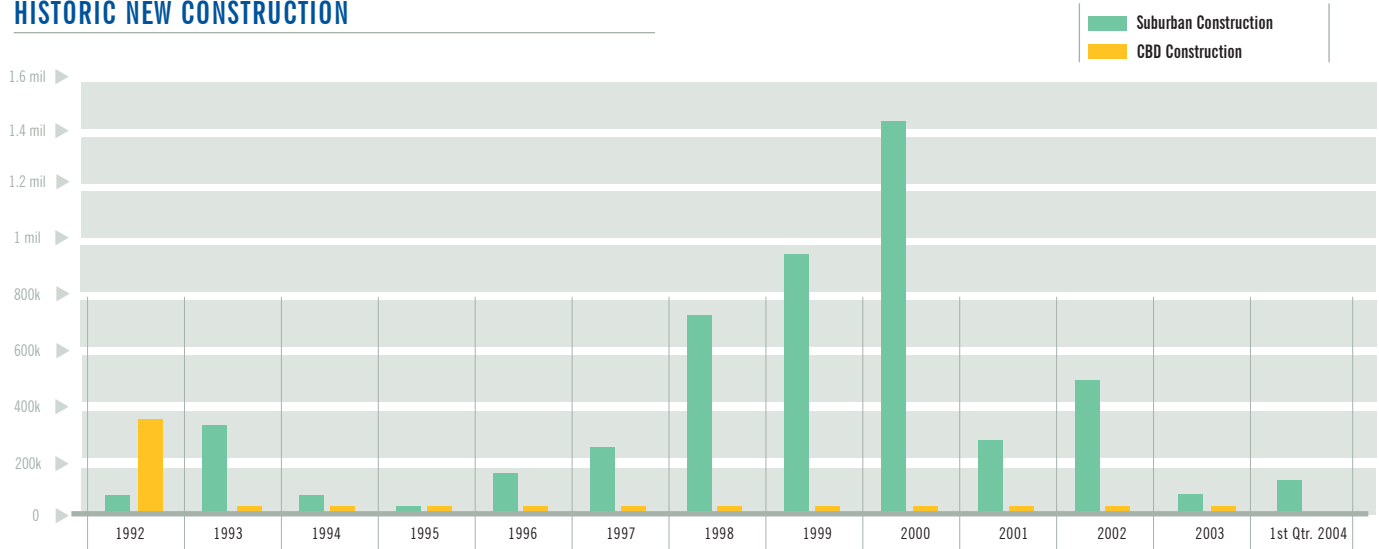


 **MERIDIAN**[®]
Real Estate

AVAILABLE SPACE VS. AVERAGE ASKING RENT



HISTORIC NEW CONSTRUCTION



HISTORIC NET ABSORPTION

MILLION SQ. FT.

