Meridian MarketWatch

YEAR-END 2003

INDUSTRIAL MARKET REPORT

A QUARTERLY REVIEW OF INDUSTRIAL MARKET ACTIVITY

Indianapolis, Indiana

Year-end 2003 comes with a great level of enthusiasm for accelerated health in an economy that has been anxiously awaiting a recovery since the year 2000. The Dow eclipsed the 10,000 mark, Saddam Hussein was captured boosting confidence in stabilizing Iraq, and the job market is showing signs of recovery. As the 13th largest city in the U.S., Indianapolis has shared in the fruits of these happy returns, but caution still plays an active role in the future plans for the city's economy with no clear signs of this attitude going away until sometime in 2005.

Caution still looms in the manufacturing and distribution arena as Indiana continues to be burdened with an inventory tax that will likely not be eliminated in all 92 counties until 2007. In addition, the fallout from the new Indiana property tax assessment process is still being sorted through, and into the foreseeable future Indiana will still have announcements of manufacturing plant closures on almost a weekly basis. The need to develop new economies and grow existing ones will be the challenge that governs the throttle for the Indianapolis economy and Indiana for the next few years.

However, the positive signs are already appearing and so Indianapolis, along with the state of Indiana, is poised to grow the economy through several key areas including the Life Sciences Initiative and 21st Century Logistics. Early success in these areas is illustrated through the noise being made by Roche

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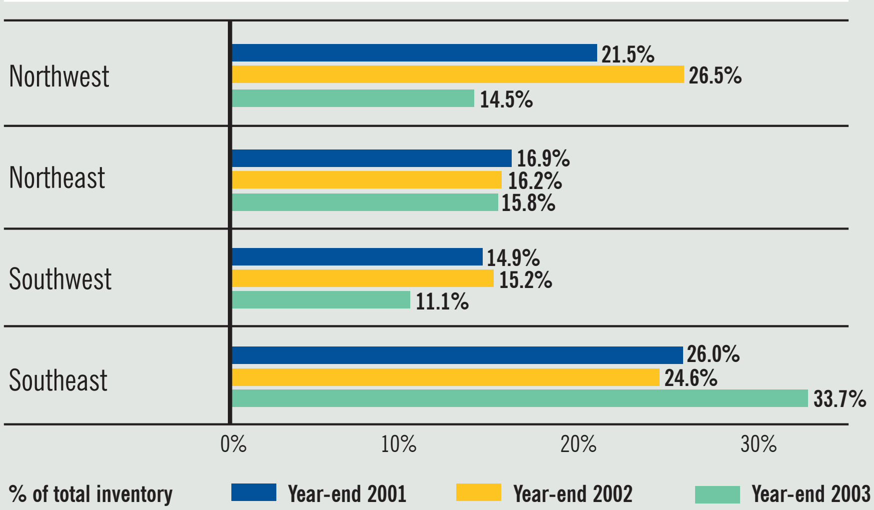
INDIANAPOLIS INDUSTRIAL VACANCY



HOT TOPICS

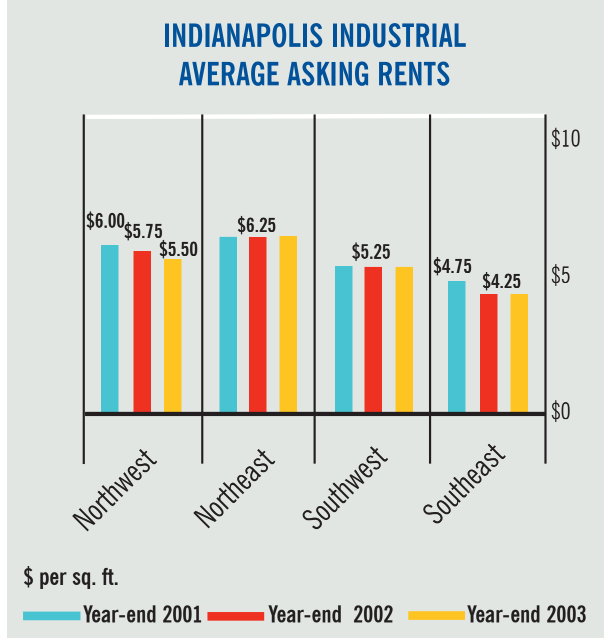
INDIANAPOLIS - INDUSTRIAL

- Duke's Park 100 portfolio starts the year with significant vacancy but finishes 96% occupied. Duke & ProLogis use aggressive rates and flexible terms to fill second-generation space.
- Pallet Management executes five-year renewal of 140,000 sq. ft. at South by Southwest Industrial Park in Plainfield.
- Case New Holland executes lease for largest new distribution center to date in the market place - 1.1 million sq. ft. in Lebanon Business Park.
- First Industrial Realty Trust increases its Indianapolis portfolio with five acquisitions, pushing their total holdings to north of 5.5 million sq. ft.
- Electrolux executes third-largest lease in Indianapolis market at 364,000 sq. ft. in Browning Investment & Keystone Property Trust's Airtech Park in Plainfield.

MERIDIAN Real Estate

continued from page 1

Diagnostics with its expansion success, and in the real estate market with the expansion of Eli Lilly and Company in their 140,000 square foot office at INTECH Park as well as their acquisition of 22 acres for construction of a 200,000 square foot state-of-the-art distribution facility in Plainfield. In addition, we saw the largest build-to-suit lease in the Indianapolis market occur for Case New Holland at 1.1 million square feet in Lebanon Business Park, along with a great success in landing Brylane's newly constructed 750,000 square foot distribution center in Airwest Park.



The upturn in Indianapolis' industrial real estate market statistics confirms that better days are already among us, with 2004 positioned as potentially the best year since 1999 for landlords and sellers. Year-end absorption for the nearly 55 million square feet of leased product in the market eclipsed the 4 million square foot mark for the first time. That accounts for nearly the same amount of absorption as in the previous two years combined. Three out of four submarkets ended the year with their highest occupancy rates in four years, with the Southwest submarket leading the way at nearly 90%. Park 100 also came roaring back with a vacancy rate below 15% for the first time in 36 months. Duke Realty Corporation led the way for landlords with a year-end 2003 portfolio occupancy of nearly 94%.

The need to develop new economies and grow existing ones will be the challenge that governs the throttle for the Indianapolis economy and Indiana for the next few years.

What does the future hold? With the continued closure of manufacturing and assembly plants, less functional distribution buildings will continue to face challenges until vacancy rates go to 5% and lower. Currently, there are over twenty-two manufacturing-related facilities on the market for sale or lease in central Indiana. However, distribution is poised to grow rapidly with Panattoni Development Company opening a new 140 acre development in Plainfield and nearly 4 million square feet of new modern bulk buildings constructed ranging from 200,000 square feet to 812,000 square feet. We also anticipate the continued growth of the smaller user marketplace (25,000 to 100,000 square feet), since nearly a dozen deals of this size occurred in the market in the fourth quarter of 2003.

INDIANAPOLIS INDUSTRIAL SUMMARIES - YEAR-END 2003

	Total Inventory	No. of Buildings	Vacancy Rate	Available Space	New Deliveries	Absorption
Northwest	21,470,536 sq. ft.	157	14.53 %	3,119,849 sq. ft.	1,113,000 sq. ft.	2,553,151 sq. ft.
Northeast	4,915,942 sq. ft.	83	15.78 %	773,744 sq. ft.	105,600 sq. ft.	82,856 sq. ft.
Southwest	16,662,044 sq. ft.	74	11.10 %	1,849,569 sq. ft.	942,044 sq. ft.	1,372,431 sq. ft.
Southeast	11,165,669 sq. ft.	80	33.65 %	3,756,878 sq. ft.	163,200 sq. ft.	95,495 sq. ft.
Whole Market	54,214,191 sq. ft.	394	17.52 %	9,498,326 sq. ft.	2,323,844 sq. ft.	4,083,933 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 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%).

Submarket Reports

Statistics on all submarkets are located in the table at the bottom of page 2.

Northwest

Lebanon and Whitestown will continue to compete for the large national distribution transactions.

The Northwest submarket was dominated by one key ingredient and strategy for 2003 - increased occupancy. Due to the fact that the Southwest bulk buildings will not demise well to 50,000 to 100,000 square feet, large institutional owners such as Prologis and Duke Realty Corporation chased the third party logistics clients and other 100,000 plus square foot deals with a vengeance.

Most Northwest submarket deals were done at significantly abated or reduced rent, but it resulted in reduced vacancy by over 10 % for most owners. The most notable deals in Park 100 were Henry Schein with Prologis, MSW, Landstar, and Scheinker Logistics with Duke Realty Corporation. Notable new deals smaller than 50,000 square feet included Accurate Manufacturing Products Group, JIT Logistics and a build-to-suit for E Micro Xpress. A number of significant renewals and expansions were signed in the Northwest submarket including Haynes International with Duke, MKM Distribution with Duke, AMS with Duke, and Glas-Craft RTM with Prologis. Browning Investments was also able to sell their 74,800 square foot distribution building to Southeastern Aluminum.

Lebanon, Indiana did extremely well in 2003 with Case New Holland, leasing 1,100,000 square feet with Duke Realty Corporation in Lebanon Business Park, the largest transaction for the year. Lebanon is also poised to compete in 2004 with pad-ready sites offered by both Duke and Prologis for buildings up to 1,000,000 square feet.

The outlook for the Northwest submarket is favorable, provided landlords continue to entice tenants to remain in second generation space. The improving economy and the reduction in vacancy will hopefully stabilize this submarket and entice new development for 2004.

Northeast

Type I and II in property in the Northeast submarket has traditionally performed well.

The Northeast submarket is the fastest growing high-profile, residential area in Indianapolis. As such, this submarket has typically catered to the small to medium sized business owner who wishes to work in close proximity to home. Accordingly, multi-tenant office/ warehouse and flex buildings with space sizes of 1,200 to 15,000 square feet have performed very well from a rental rate and occupancy standpoint.

Real estate taxes and interstate access via the heavily traveled I-69 make this a challenging submarket for bulk distribution tenants. Currently, the largest vacancy in this submarket is 89,000 square feet at North by Northeast V in Fishers. This former Copeland Corporation space has been on the market for one year with little sign of activity.

While few new leases were signed in the Northeast submarket, several leases did roll and significant tenants were retained in 2003 including Today's Bedroom One, AE Bishop, Patio Enclosures, Print Graphics and Nexus Valve. Landlords have done well to offer concessions (typically reserved for new prospects) to existing tenants to maintain occupancy levels through a relatively soft real estate economy.

As tax abatement continues in competing submarkets and new bulk product is offered with smaller space sizes (i.e. 50,000 to 150,000 square feet), Type III space will suffer. Landlords willing to offer lower rents and greater flexibility in space sizes will be the first to succeed in the Type III market.

The Northeast submarket will continue to perform well in the office/ warehouse and flex sectors. This segment of the market stands to gain the most from an improving economy due to the number of new and expanding small companies in the area.

Southwest

Meridian Real Estate completes 364,000 square foot lease for Electrolux.

Activity within the Southwest submarket was somewhat active, with a number of medium-sized industrial firms attempting to take advantage of discounted lease rates still being offered. Speculation in bulk warehousing development is scheduled to hit the Southwest in waves throughout 2004. All of this activity, coupled with an anticipated economic recovery, signals a positive outcome for 2004.

Browning Investments and joint venture partner Keystone Property Trust will complete their newest bulk construction project within the next few weeks. The building will total 812,000 square feet with 36 foot ceiling clearance and have cross-docking capability. Not far behind is Duke Realty Corporation, which has announced their plans to construct a 425,000 square foot distribution warehouse on 28 acres along Perry Road in Plainfield. The building will also have 36 foot ceiling clearance and be expandable to 650,000 square feet.

Lauth Property Group is scheduled to complete Eagle IV in Brownsburg within the first quarter of 2004. This facility will total 406,000 square feet, expandable to 950,000 square feet, and also offer 36 foot ceiling clearance. In the third quarter of 2003, Lauth was able to finalize a deal with Sur La Table in the Eagle III distribution center to put Lauth at 100% bulk occupancy within the Park. Eagle IV is expected to be just as successful and a tangible option for the next bulk project to hit the City.

Overall, the Southwest will continue its course of growth. Momentum will peak upon completion of the Six Points Interchange, and inventory may begin to mix into medium to light industrial options as the area matures. As Plainfield Business Park rolls into its tenth year of existence, property tax abatement for some of the Park's inaugural buildings is near full scheduled accretion. Asset repositioning may become very important to landlords in order to to keep vacancy in check.

Southeast

Type II space continues to remain active as evidenced by a 32,500 square foot lease by Continental Office Products at Duke's Hunter Creek Business Park.

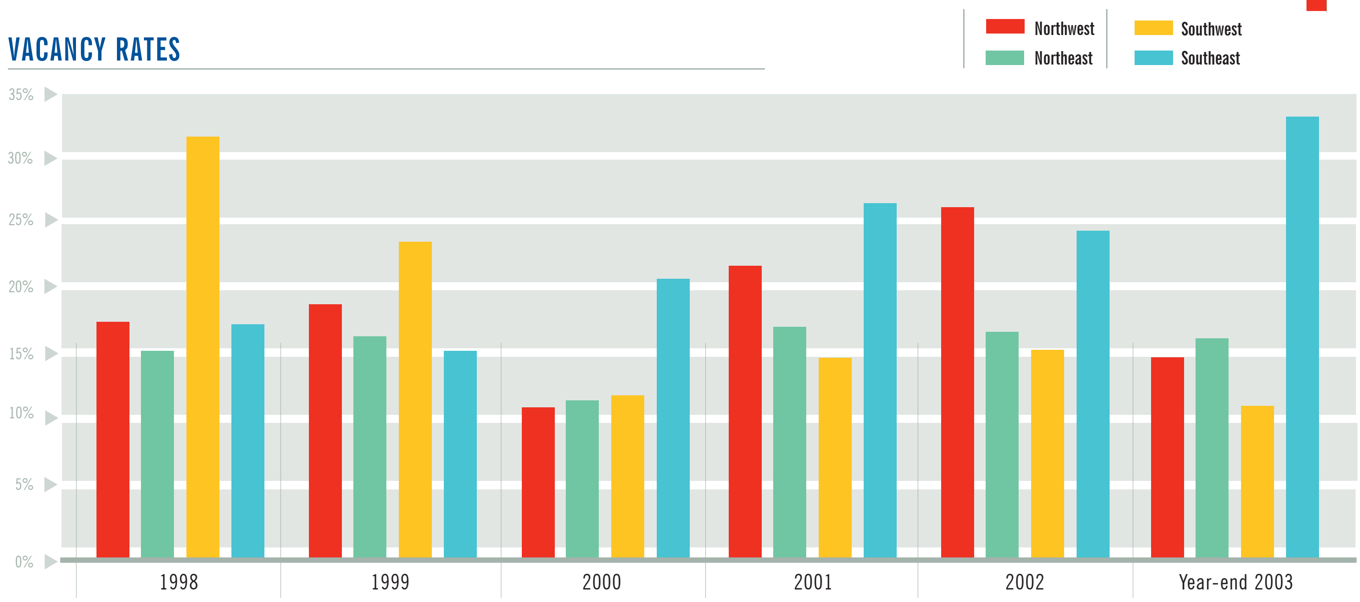
The Southeast real estate market remains a very competitive market for property owners. The activity level on the Southeast side isn't as strong as other submarkets which mean owners have to be more aggressive on chasing the deals they do get to see. The property tax reassessment that took place this year has reduced taxes for older properties on the Southeast side, which has allowed owners to reduce their rental rates to chase these deals without reducing their return on investment.

The successful redevelopment of properties such as Jackson Industrial Park has lured new owners to the market. Developer Ashley Capital entered the market in 2003 by purchasing a 768,000 square foot bulk distribution center at 221 South Franklin Road. Ashley has over $1,000,000 worth of improvements planned for the facility, which will reposition the property as a functional distribution alternative for East/Southeast space users.

Locally owned service-related industries continue to fill the majority of the service flex and midsized warehouse space in this submarket, while 3rd Party Logistics Providers (3PLs) and fulfillment companies tend to dominate the larger chunks of space. Owners have learned that they need to be flexible in their leasing strategies in order to accommodate the ever-changing requirements of a 3PL.

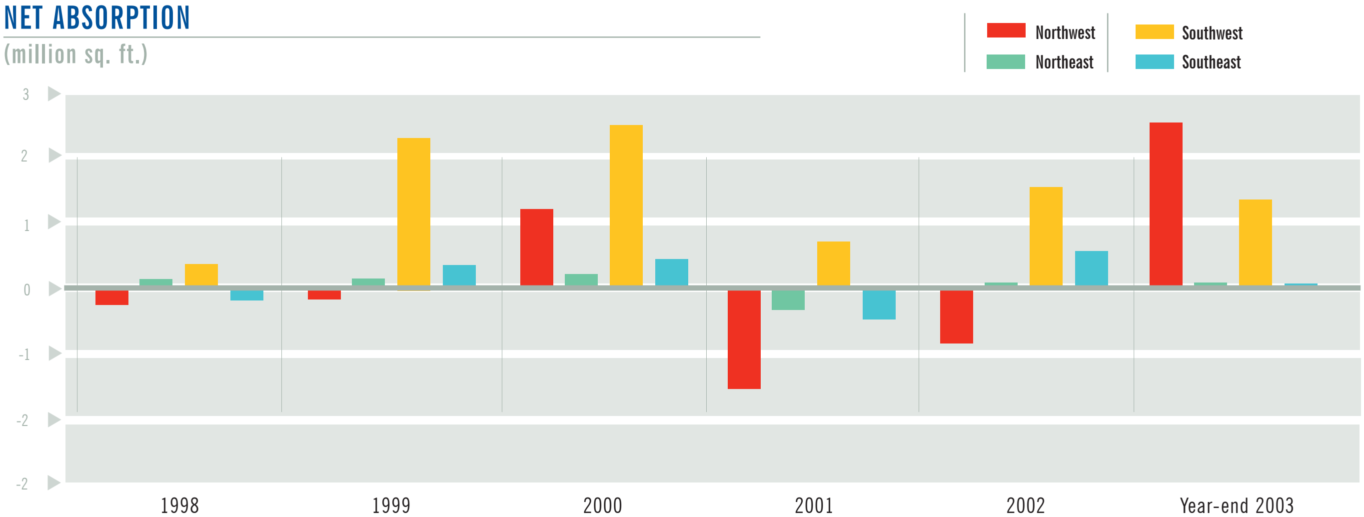
The outlook for 2004 is promising for the Type I and Type II space in the Southeast submarket as activity levels increase and rates begin to rebound. Type III space will remain a competitive battle for owners as they try to increase their occupancy level with a limited number of new tenants.

VACANCY RATES



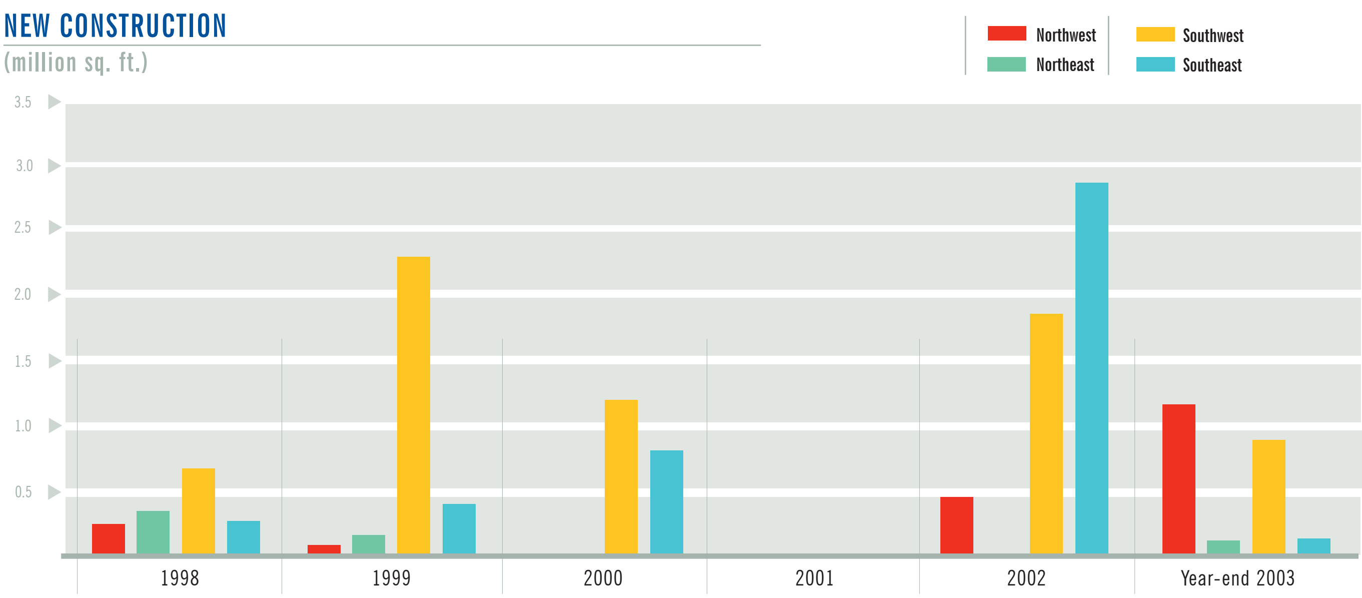
NET ABSORPTION

(million sq. ft.)



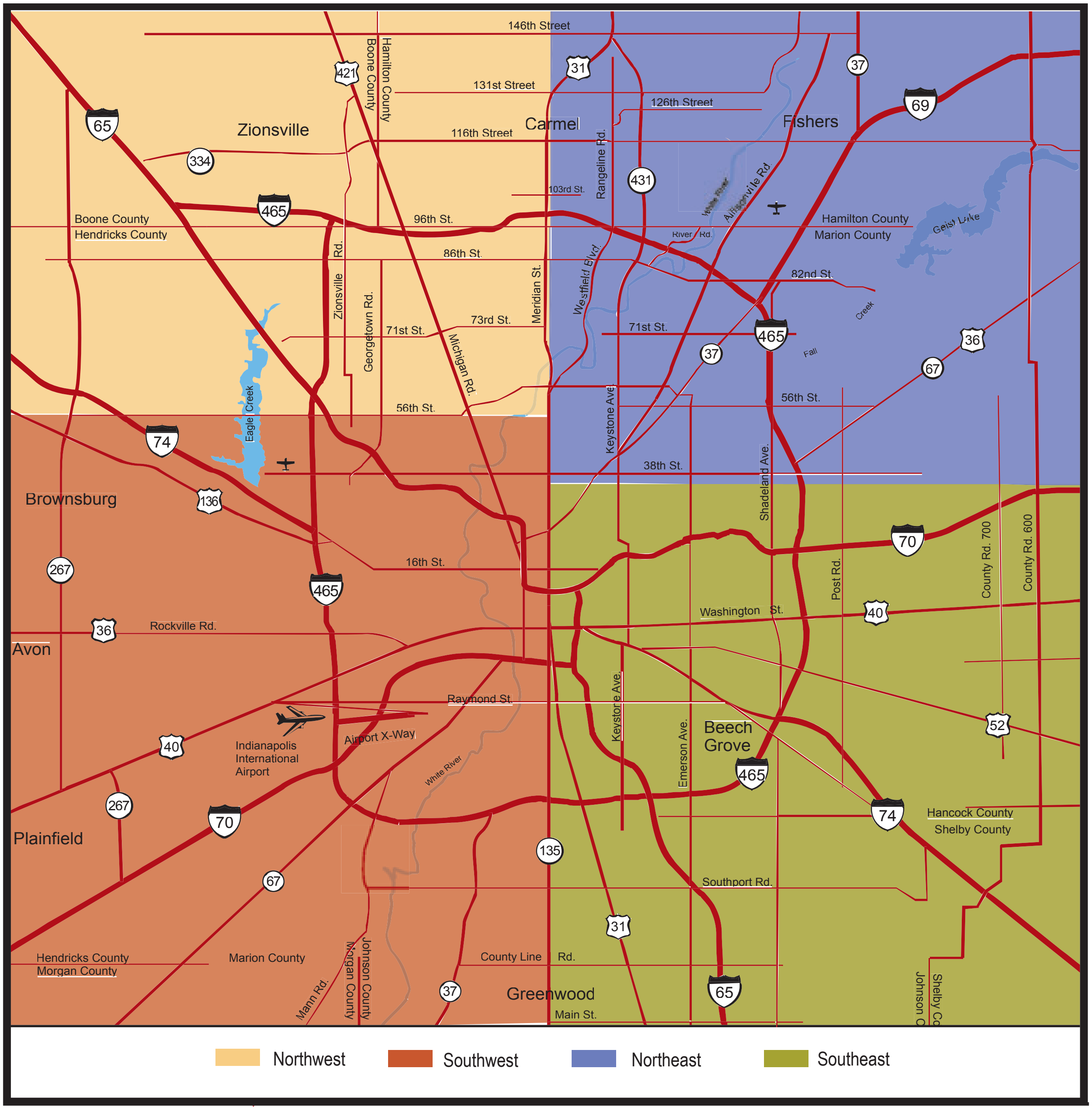
NEW CONSTRUCTION

(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.
For more information regarding this issue of Meridian MarketWatch, please contact:

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

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mresonline.com

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