Meridian MarketWatch

YEAR END 2006

OFFICE MARKET REPORT

A QUARTERLY REVIEW OF OFFICE MARKET ACTIVITY

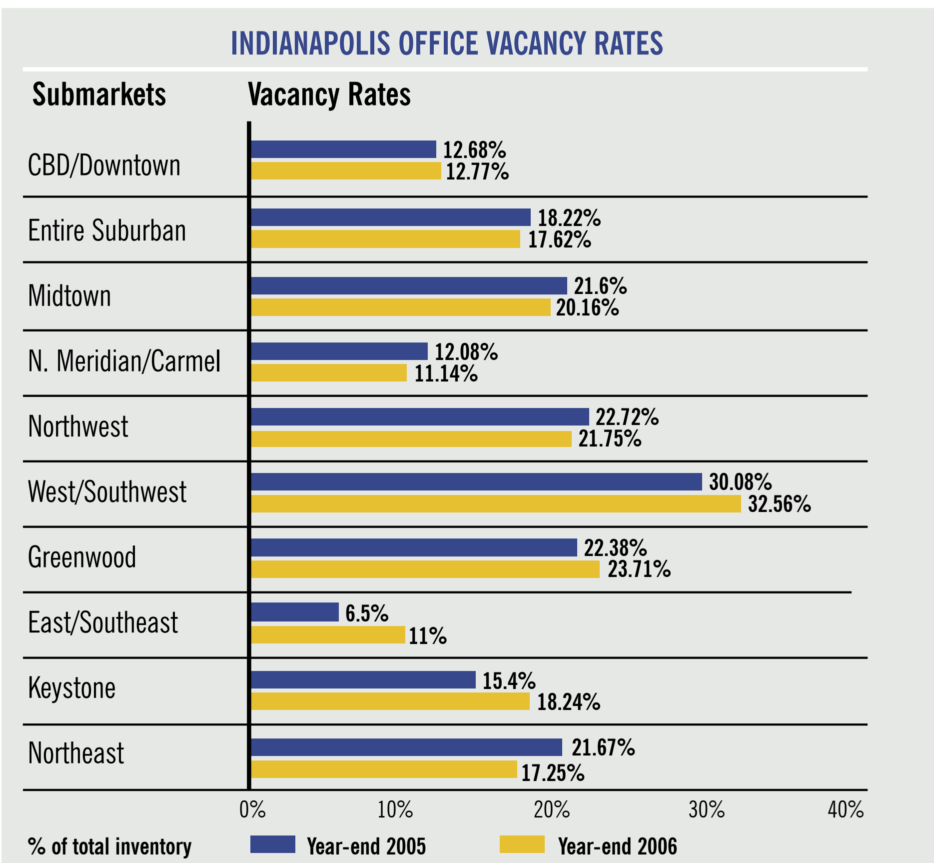
Indianapolis, Indiana

The Indianapolis office market continues to move forward at a steady pace, with growth and expansion in all product areas. Plans for new construction are significant, and 2007 will see continued construction both on the city's outer growth areas and in strategic infill locations, with significant public construction projects such as the Indianapolis Public Library slated for completion. At last publication, Meridian's MarketWatch expressed movement from the recovery phase into the expansion phase. As of this period, select indicators reflect continuation of this current expansion phase, with investors from both coasts seeking attractive Midwest office market investments.

Unemployment, hovering around 4.1%, a low for the trailing five years, is an indicator of the need for both existing and arguably, new workspace. Midyear 2006 reflected a higher, 4.6% unemployment rate, although still down from 5.4% this time last year.

Structural steel is evident in the suburbs, particularly in the N. Meridian /Carmel

continued on page 2



HOT TOPICS
INDIANAPOLIS - OFFICE

- California-based Argus Realty Investors LP recently purchased the three building Meridian Plaza Office Park in Carmel, located at the northeast corner of 103rd and Meridian Streets. The 305,000 sq.ft. Class A office buildings sold for $123 per sq.ft., totaling $38 million.

- Wellpoint has announced that they will create 900 jobs and occupy 120,000 sq. ft. of the former United Airlines Maintenance Hanger facility at Indianapolis International Airport. This facility will now be the headquarters for Wellpoint's National Call Center for specialty drugs.

- St. Vincent Health will break ground in the summer of 2007 on several outpatient medical office facilities in Fishers, including an ambulatory surgery center and medical office building. The new medical park will be developed on 25 acres recently purchased by St. Vincent at State Road 238 and Olio Road.

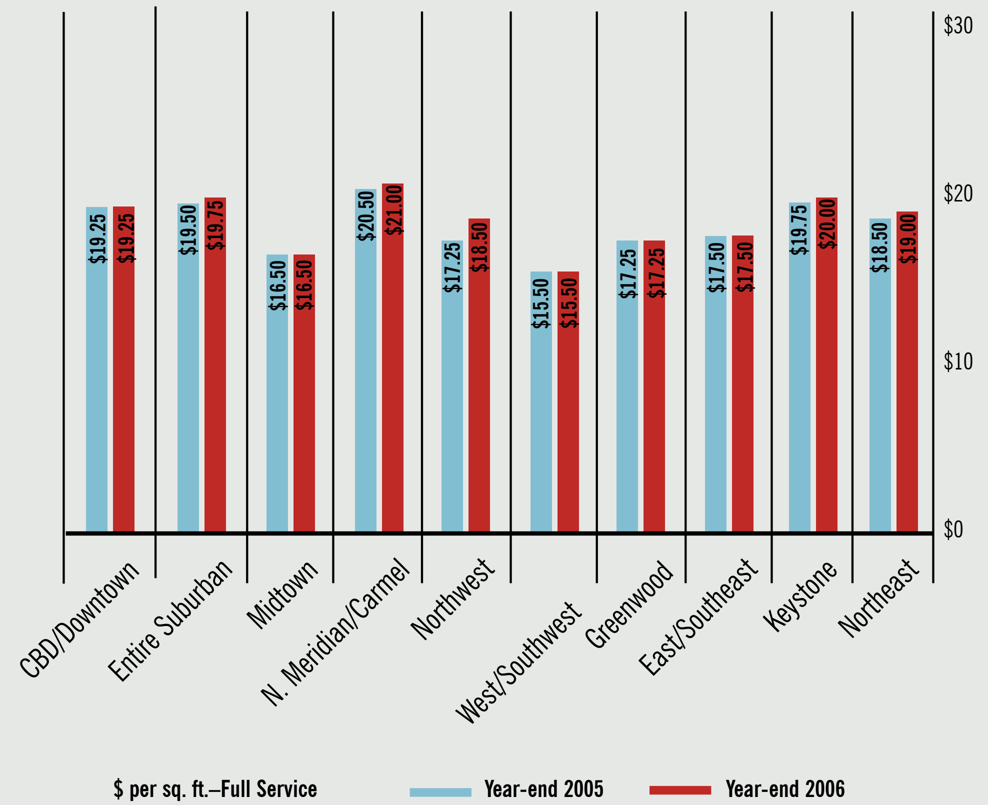
- Comcast announced that it is relocating 210 employees from its current facility at 65th & Binford to a new facility at Exit 5 (116th & I-69). Comcast plans to create an additional 225 customer communications positions for the new locations by 2011. Three hundred existing workers will remain at 65th & Binford.

MERIDIAN® Real Estate

continued from page 1

office submarket. Duke's Parkwood West is climbing out of the ground, and Opus and Lauth each continue to move on Landmark at Meridian (126th and Meridian), and Meridian Corporate Plaza III (Northeast corner of Meridian and I-465) respectively. On the retail side, Simon Property Group Inc. (NYSE:SPG) and developer Gershman Brown & Associates broke ground on Hamilton Town Center, a 950,000 sq. ft. open-air shopping center at the intersection of I-69's Exit 10. Kite Realty Group (NYSE: KRG) has the LA Fitness facility under construction across from Glendale Mall at 61st Street and Keystone Avenue, and has plans for a major renovation of Glendale Mall. Whole Foods is slated for a 60,000 sq. ft. store at the northwest corner of Keystone and 86th Street. Landmark Properties' mixed use project, Park Meridian, is underway at 96th and Meridian, and new hospitality is on the books for Traders Point at West 86th Street. Duke also continues to move ahead with the 1,600 acre Anson project, northwest along I-65 with a speculative industrial project. On a clear day, any recent flight in or out of Indianapolis would reveal the structure of the Midfield Terminal taking shape, as well as more tilt-up, massive bulk distribution facilities west of the airport.

INDIANAPOLIS AVERAGE CLASS "A" ASKING RENTS - OFFICE



The Indianapolis suburban office market continues to improve, although "A" lease space slowed in the 3rd and 4th quarters. The suburban office market vacancy rate of 17.6% during 2006, with suburban absorption during 2006 of 395,678 sq. ft. The amount of sublease space currently on the market continues to decline, which is having a positive impact on the overall suburban office market. However with 830,000 sq. ft. of new Class "A" construction, combined with only 395,000 sq. ft. of absorption, a slight overbuilding may be in process. As usual, the Class "A" buildings will continue to garner most of the absorption, leaving the Class "B" buildings to get more aggressive.

Investment interest in the Indianapolis market is still solid, with attention to most product types. Notable office and industrial sales include:

- New Boston/Citimark sale of Lake Pointe 2, Woodland 1, and Woodland 2 office buildings to the Iowa investment firm DBSI.
- Edgeworth Laskey Properties, LLC sale of Lake Pointe 3 and 4 office buildings, approximately 170,000 sq. ft. to Sun Capital.
- California-based Argus Realty Investors purchased the three-building Meridian Plaza portfolio for $38 million.
- Cohen Asset Management purchased Precedent South Business Center, a 450,000 sq. ft. distribution/warehouse facility in Greenwood.
- Holladay Properties sale of three industrial buildings, nearly 400,000 sq. ft., to California- and Illinois-based purchasers.

Multi-family projects are continuing within the CBD, and the Mayor's Office has reinitiated strategic efforts on the Market Square site. Downtown Indianapolis remains a desirable center for urban living. It is expected more infill and redevelopment efforts will follow with the emergence of Lucas Oil Stadium, which include a new Dora branded hotel, and further plans for convention center expansion, including the addition of 1,500 new hotel rooms to be developed by Whiteco Industries using several Marriot branded hotels.

2007 is poised for a continued positive march that appears balanced, stable, and coupled with solid fundamentals that should carry throughout this year. New office space development, public sector construction, market sector health care growth, new retail development, industrial development, and attractive investment opportunities all point toward a healthy continuation of balanced, steady growth for our office market.

Submarket Reports

Statistics on all submarkets are located in the tables at the top of page 6.

Keystone Crossing

Precedent Companies opened its new Building #68 which is 85,000 sq. ft. at 53% pre-leased.

The Keystone Crossing submarket ended 2006 with a vacancy rate of 18.2% which is up from year end 2005 of 15.4%. Absorption for the year was at negative 5,771 sq. ft. Several large relocations out of this submarket and continued corporate downsizing negatively affected what was otherwise a productive year.

Major leases signed in the Keystone Crossing submarket during 2006 were:
New Deals: Virtual Meeting Strategies – 12,000 sq. ft.; Umbaugh – 12,000 sq. ft.;Bell Industries – 27,500 sq. ft.; Dauby O'Connor Zaleski – 30,000 sq. ft.; G3 Technologies Partners – 17,600 sq. ft.; GN&S Research – 17,200 sq. ft.; MJ Insurance – 37,500 sq. ft.
Renewals: PS Executive Centers – 17,000 sq. ft.; Xerox – 15,500 sq. ft.; IBM – 20,000 sq. ft.; Zurich – 35,000 sq. ft.; Assurant Benefits – 12,000 sq. ft;

Investment activity in this submarket was insignificant during 2006 as over 50% of the submarket traded hands during 2005. Some of the more exciting news from this submarket stems from the continued addition of retailers to this already amenity-rich submarket. Whole Foods has signed a lease for construction of a 60,000 sq. ft. grocery store at 86th Street and Haverstick Road set to open in 2008. This submarket already features over 60 restaurants and 100 places to shop including Saks Fifth Avenue, Crate & Barrel, Tiffany's, Restoration Hardware and Apple. Additionally, in 2007 Nordstrom will replace Parisian in their current location at The Fashion Mall making Indiana one of only seven markets in the United States featuring more than one Nordstrom. The Amerisuites Hotel is set to be refurbished and rebranded to Hyatt Place in 2007. With a combination of all these new and existing amenities, Keystone at the Crossing continues to reign as the unequalled king of amenities and convenience. Comparable amenities are only found in a select few office parks throughout the United States.

BPG Properties, Ltd. continues its $10 million capital campaign by providing renovations to all six buildings within Keystone at the Crossing. Renovations include new lobbies, common areas, elevators and restrooms in all buildings. Additionally, the 4,000 sq. ft. fitness center, 50 seat conference center and 14 seat executive conference room which were added in early 2006 by BPG Properties, Ltd. have been well received by new and existing tenants.

Rents in this submarket continue to slowly firm. Unlike the Meridian Street corridor, the land supply is scarce within the Keystone Crossing submarket not allowing for rapid new construction and overbuilding to occur. Tenant improvement allowances remain consistent with previous years with approximately $10.00-$18.00 per sq. ft. provided on new deals. Additionally, new tenants on leases of 5-10 years can expect approximately two months of free rent.

Northwest

INTECH Three is being marketed at $22.50/RSF.

The Northwest submarket continues to trail other northern submarkets in terms of leasing activity. With a vacancy rate of 21.75%, improvement in leasing activity remains slow. Many of the lease deals continue to be under 6,000 sq. ft. However, all is not bad in the Northwest submarket.

Lauth has broken ground on INTECH Three. This 151,000 sq. ft. Class "A" spec building is a welcome addition to the park which is over 98% leased.

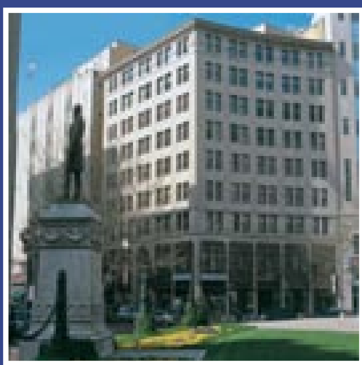
Large tracts of space and much of the vacancy are still in the same older Northwest properties such as The Pyramids, The Quads and Lakeside at College Park. Leasing agents are optimistic at The Pyramids where The Art Institute has expanded by 13,000 sq. ft. in Pyramid II to occupy the balance of the first floor. In addition, four other tenants have expanded by an approximate total of 22,000 sq. ft. Otherwise, the Northwest submarket is weathered by flurries of smaller local companies wanting to occupy affordable space in an area full of a wide range of amenities, with good interstate access.

continued on page 4

continued from page 3

The Northwest submarket will soon be the home of the Bluefish Wireless corporate headquarters which is expanding at Northwest Technology Center. Further north on I-65 the Anson project, a joint venture between developer Duke Corporation and Browning Investments, is growing its work-life balanced development by starting on its first 30,000 multi-tenant office building which will be one of many that are centrally located in the development.

CBD/Downtown



Guaranty Building - For Sale on Monument Circle

The multi-tenant office market in the Central Business District (CBD) has continued to yield a steady vacancy rate throughout the submarket. This "tenant's market" has continued to force landlords to make friendly deals. With the exception of Bose McKinney Evans and the Indiana Supreme Court, there is a shortage of large tenants looking for space in the CBD. However, there is not a shortage of large vacant tracts of space in the downtown high rises. At least five Class "A" buildings have vacancies of 40,000 sq. ft. or larger.

By the end of 2007, Lucas Oil Stadium will be close to completion which will bring a previously unnoticed quadrant of downtown into play. The big news going into 2007 is the decision by Mayor Bart Peterson to select JW Mariott for a new 1,500 room hotel. The complex will consist of five separate hotels which includes a 180 room Renaissance Hotel topped with 24 luxury condominiums. The hotel is scheduled for completion by 2010.

Other skyline altering news is the new facade that One Indiana Square will receive as a result of storm that ripped through downtown in early April of 2006. Plans have not been released, but planned exterior renovations will create a substantial change to the look of the building.The combination of new development, residential demand, and cultural destinations make for an exciting future for the Central Business District.

Northeast

Comcast leased 40,000 sq. ft. to expand its presence in this submarket.

A well established 2006 trend marked the continued development march of the Northeast retail, residential, and health care markets, expanding through Fishers and Noblesville along the I-69 corridor.

From a service perspective, Simon Properties continues to develop, Hamilton Town Center (in Noblesville) which will cover approximately 950,000 sq. ft., and is set to open in the spring of '08. The health care sector committed to the Northeast with Clarian staking out their Northeast medical campus in Saxony at Exit 10. Looking to rival Clarian, St. Vincent expanded their medical campus plans on the east side of Exit 10, continuing their quest to serve under-served, high-growth suburban communities. Adjacent to these sites and at the time of pressing this issue, the Verizon Music Center's 203 acres are being marketed for sale. New development in the northeast submarket of homes, retail centers, office and industrial buildings represent over $500 million, with Exit 10 sites capturing the lion share.

Investment office sales continue to make the news, with the sale of Lake Pointe 3 and 4 from Edgeworth Laskey to Sun Capital and New Boston/Citimark selling Lake Pointe 2, Woodland 1, and Woodland 2 to the Iowa investment firm DBSI. These five buildings represent approximately 400,000 sq. ft. of office space.

Leasing activity for the year increased with motivated landlords offering aggressive rates, free rent, and generous build-out allowances. During the 3rd and 4th quarters of 2006 "B" office activity significantly outpaced "A" leasing. Represented deals include Citimark/ New Boston's, Trust Solutions for 8,000 sq. ft., Kelly Services, and Washington Mutual Bank. A notable "A" deal was Harlan Sprague Dawley, Inc., a provider of preclinical research tools, leasing 21,500 sq. ft. in Lake Pointe 4.

There is an expectation that the Northeast submarket will continue to be attractive for investment sales, coupled with likely improvements in the vacancy rates. Resulting rents will continue to slowly rise as new owners look to absorb acquisition and improvement cost.

N. Meridian/Carmel

Duke has broken ground on Parkwood West at $23.50/RSF

Powered by 300,000 sq. ft. of positive absorption in 2006, solid office market fundamentals and situated in the heart of the seventh wealthiest county in the U.S., the N. Meridian corridor continues to grow with multiple speculative office buildings under construction in the $22.00-$23.50/RSF range.

Major Lease Transactions in the N. Meridian Corridor for 2006:

Tenant	Sq. Ft.	Park/Building
Ingersol Rand	120,000	Conseco Bldgs. A, B, and C (Purchase)
Cingular	40,000	Parkwood Crossing
Walker Information	45,000	Meridian Corporate Plaza
Allied Solutions	35,000	Penn Office Plaza
Pillar Insurance	17,000	Meridian Corporate Plaza II
Stewart Title	12,000	9100 Meridian Square

As reported in earlier market updates, Clarian Hospital's purchase of 100 acres at 116th & Meridian brought developers such as Lauth and Opus to the area to cash in on the medical office and general office opportunities. Lauth has had success with North Meridian Medical Pavilion a project that has now been expanded to two 85,000 sq. ft. buildings and Meridian Corporate Plaza II, their 140,000 sq. ft. office building that is 85% occupied. This led them to begin speculative construction on Meridian Corporate Plaza III, a twin to Meridian Corporate Plaza II, which will be ready mid year 2007. Panattoni kicked off Penn Office Plaza with the signing of Allied Solutions. Duke is out of the ground with the initial building at Parkwood West, the sister campus to Duke's nine building signature Class "A" campus Parkwood Crossing.

There have been several buildings trading in the submarket as of late. Zeller Realty purchased Pennwood I and II in early 2006 from Magnum Resources. The largest owner-user transaction was the sale of the three former Conseco Headquarter buildings to Ingersol Rand. The most significant sale in the corridor took place in the 4th quarter of '06 when Meridian Plaza, a 3 building 305,000 sq. ft. campus was sold to Argus Realty Investors of California for $123 per sq. ft.

Area Land

Land sales are off their record high levels as development slows in all areas. But several news stories have caught our eye recently and deserve highlighting:

Verizon Music Center is to be sold for redevelopment. Brokers say auction of the 250-acre parcel could bring over $100,000 per acre. Three major hospitals (Clarian, St. Vincent and Community) have already staked land positions at this interchange. Simon and Gershman Brown are developing an ambitious retail project at this interchange, 146th Street will soon connect to this interchange and INDOT is widening the overpass with I-69 this summer. No area in central Indiana has more potential for ongoing commercial development. Our view: bulk land pricing will have to reflect a multi-year build-out and the unimproved condition of the parcel. While commercial is likely, market demand indicates it is more likely to be light industrial rather than retail, office or medical.

Centex Homes cuts pricing 10% on existing homes in inventory for two days in December. KB Homes sold a chunk of existing lots to new home builder Paul Shoopman (who brought KB to this market originally when they bought his company Dura Builders). The home builders with access to Wall Street money can ramp up quickly with huge cash inflows when times are good. Unfortunately they also have urgent pressure to cut losses when times are bad and can even leave markets entirely with very little notice. This news is bad. Both KB Homes and Centex know that market demand for housing is softening and that the inventory must be pushed out the door. We note that new homes are outselling existing homes in inventory by a wide margin. Anecdotal evidence from lot developers is of home builders desperate to renegotiate their take-down commitments. Vinyl villages throughout central Indiana reveal historically unprecedented foreclosure and default levels and negative appreciation (i.e. seller brings money to the closing). These problems are compounded by historically high levels of homes on the market. We have not reached a bottom price yet for where buyers are willing to rush in to scoop up existing homes. At present, it appears that one of the most affordable housing markets in the country is becoming even more affordable as buyers rewrite the rules and desperate sellers give up what precious equity they have remaining. Our view: Prudent employers seeking quality of life and affordability should discover Indianapolis as a great destination for large workforces seeking immediate housing at an affordable price.

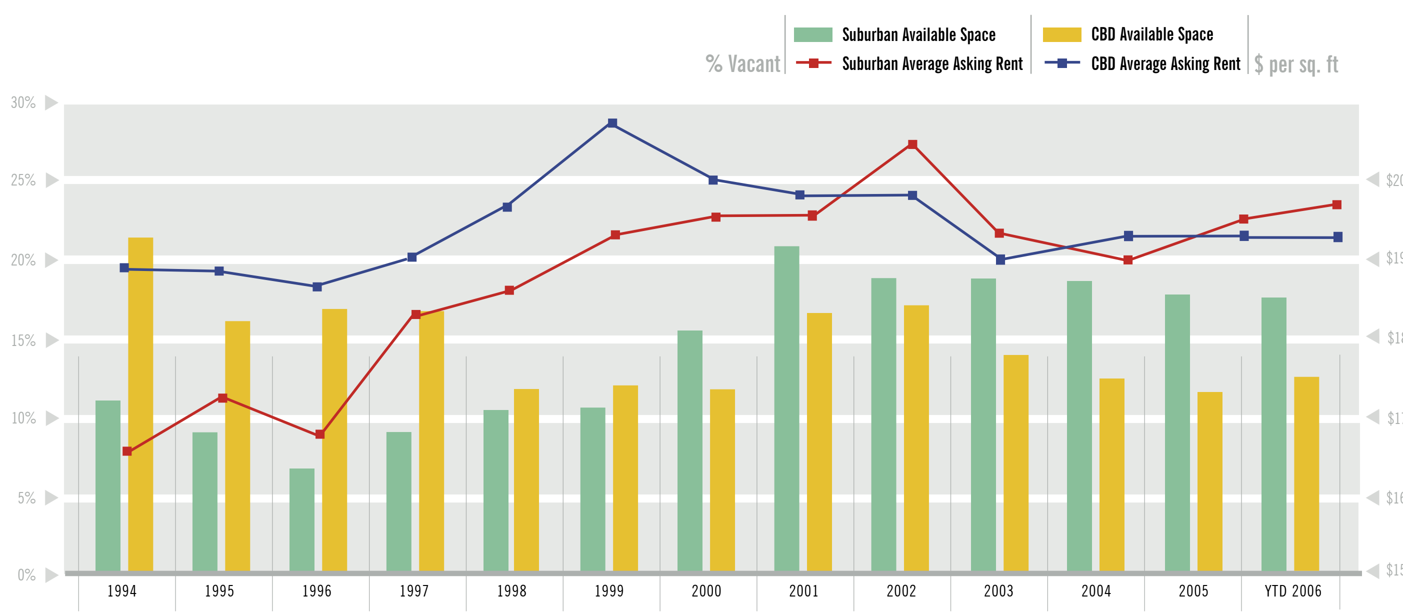
INDIANAPOLIS OFFICE MARKET SUMMARIES YTD

	Total Inventory	No. of Buildings	Class "A" Vacancy	Class "B" Vacancy	Overall Vacancy	Vacant Space	2006 New Construction
CBD/Downtown	11.04 million sq. ft.	73	12.24 %	13.89 %	12.77 %	1.40 million sq. ft.	220,000 sq. ft.
Entire Suburban	19.12 million sq. ft.	300	11.17 %	22.24 %	17.62 %	3.37 million sq. ft.	830,000 sq. ft.
Midtown	1.04 million sq. ft.	15	100 %	7.43 %	20.16 %	195,000 sq. ft.	0 sq. ft.
North Meridian/Carmel	5.69 million sq. ft.	76	7.59 %	15.96 %	11.14 %	634,000 sq. ft.	675,000 sq. ft.
Northwest	3.41 million sq. ft.	40	9.55 %	34.75 %	21.75 %	742,000 sq. ft.	80,000 sq. ft.
West/Southwest	1.13 million sq. ft.	15	65.37 %	33.06 %	32.56 %	381,000 sq. ft.	0 sq. ft.
Greenwood	1.02 million sq. ft.	25	12.08 %	25.0 %	23.71 %	237,000 sq. ft.	0 sq. ft.
East/Southeast	105,000 sq. ft.	3	n/a	0 %	1.19 %	1,250 sq. ft.	0 sq. ft.
Keystone	3.94 million sq. ft.	48	16.16%	21.44 %	18.24 %	704,000 sq. ft.	75,000 sq. ft.
Northeast	3.90 million sq. ft.	86	12.49 %	16.88 %	17.25 %	672 ,000 sq. ft.	0 sq. ft.

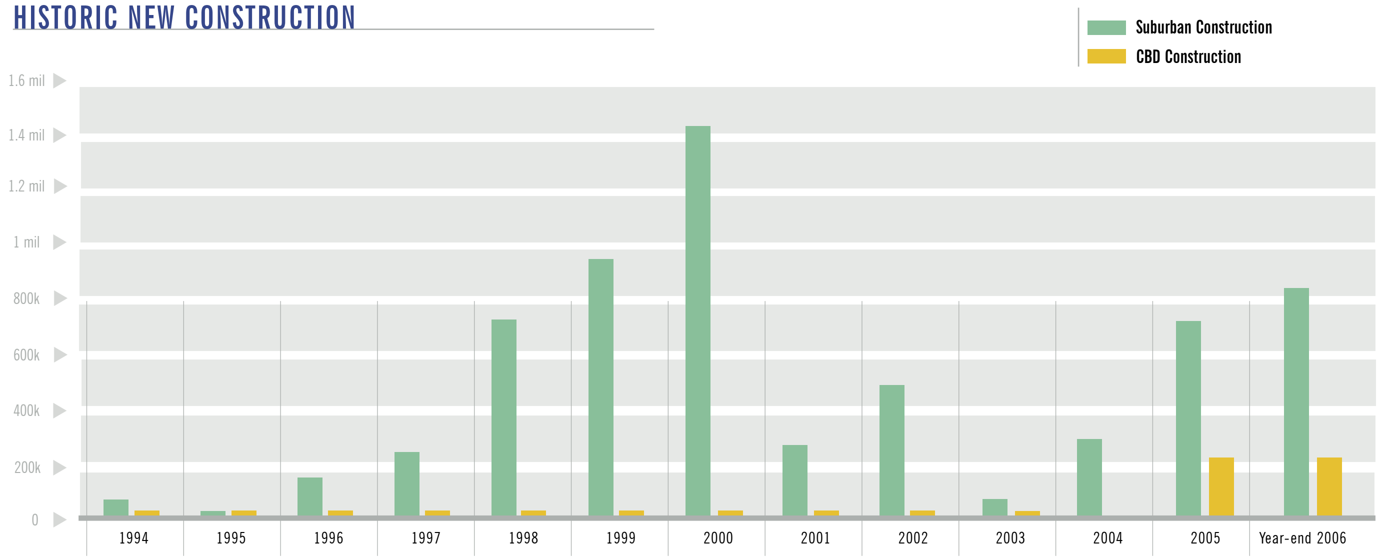
ABSORPTION SUMMARY

	CBD/Downtown	Entire Suburban	Midtown	N. Meridian/ Carmel	Northwest	West/ Southwest	Greenwood	East/ Southeast	Keystone	Northeast
1st Quarter	(6250) sq. ft.	4878 sq. ft.	1,100 sq. ft.	68,300 sq. ft.	(26,380) sq. ft.	0 sq. ft.	26,538 sq. ft.	0 sq. ft.	(42,300) sq. ft.	(21,280) sq. ft.
2nd Quarter	21,538 sq. ft.	106,540 sq. ft.	1,000 sq. ft.	36,860 sq. ft.	(21,900) sq. ft.	(3,500) sq. ft.	12,300 sq. ft.	0 sq. ft.	6,280 sq. ft.	76,500 sq. ft.
3rd Quarter	(71,563) sq. ft.	40,214 sq. ft.	3,478 sq. ft.	111,439 sq. ft.	1,065 sq. ft.	(57,858) sq. ft.	(23,973) sq. ft.	0 sq. ft.	(7,617) sq. ft.	16,958 sq. ft.
4th Quarter	62,881 sq. ft.	89,366 sq. ft.	0 sq. ft.	93,249 sq. ft.	37,286 sq. ft.	16,502 sq. ft.	8,698 sq. ft.	0 sq. ft.	31,250 sq. ft.	50,645 sq. ft.
Year-to-Date Total	6,606 sq. ft.	395,678 sq. ft.	5,578 sq. ft.	309,848 sq. ft.	(9,929) sq. ft.	(44,856) sq. ft.	23,563 sq. ft.	0 sq. ft.	(5,771) sq. ft.	122,823 sq. ft.

AVAILABLE SPACE VS. AVERAGE ASKING RENT

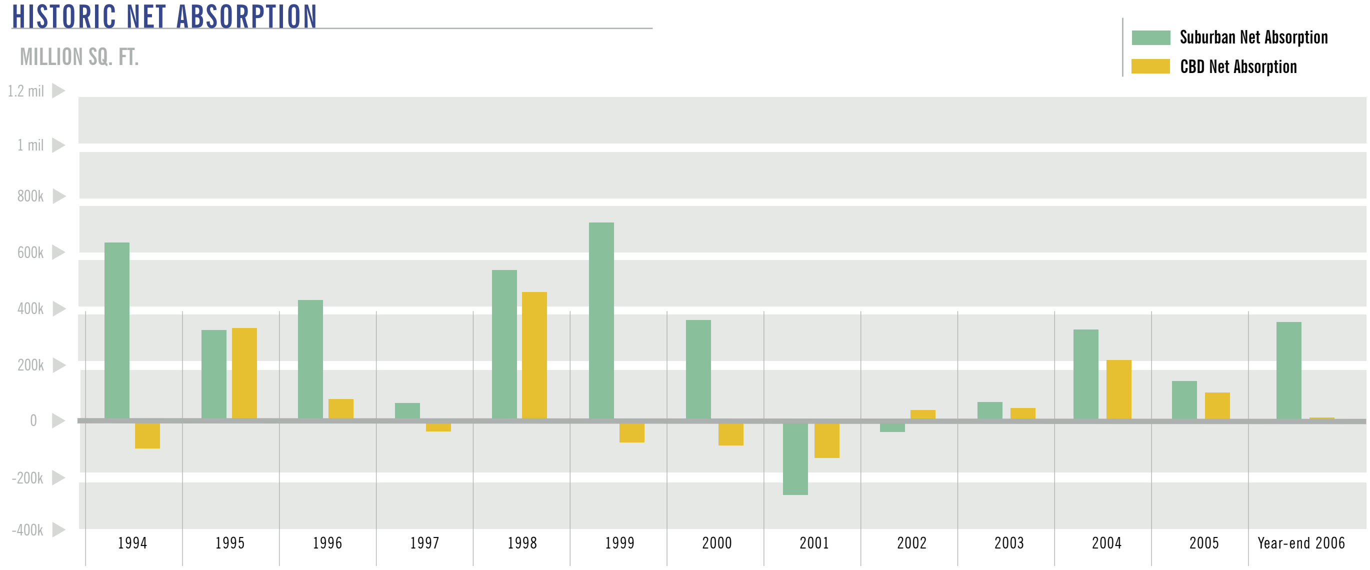


HISTORIC NEW CONSTRUCTION



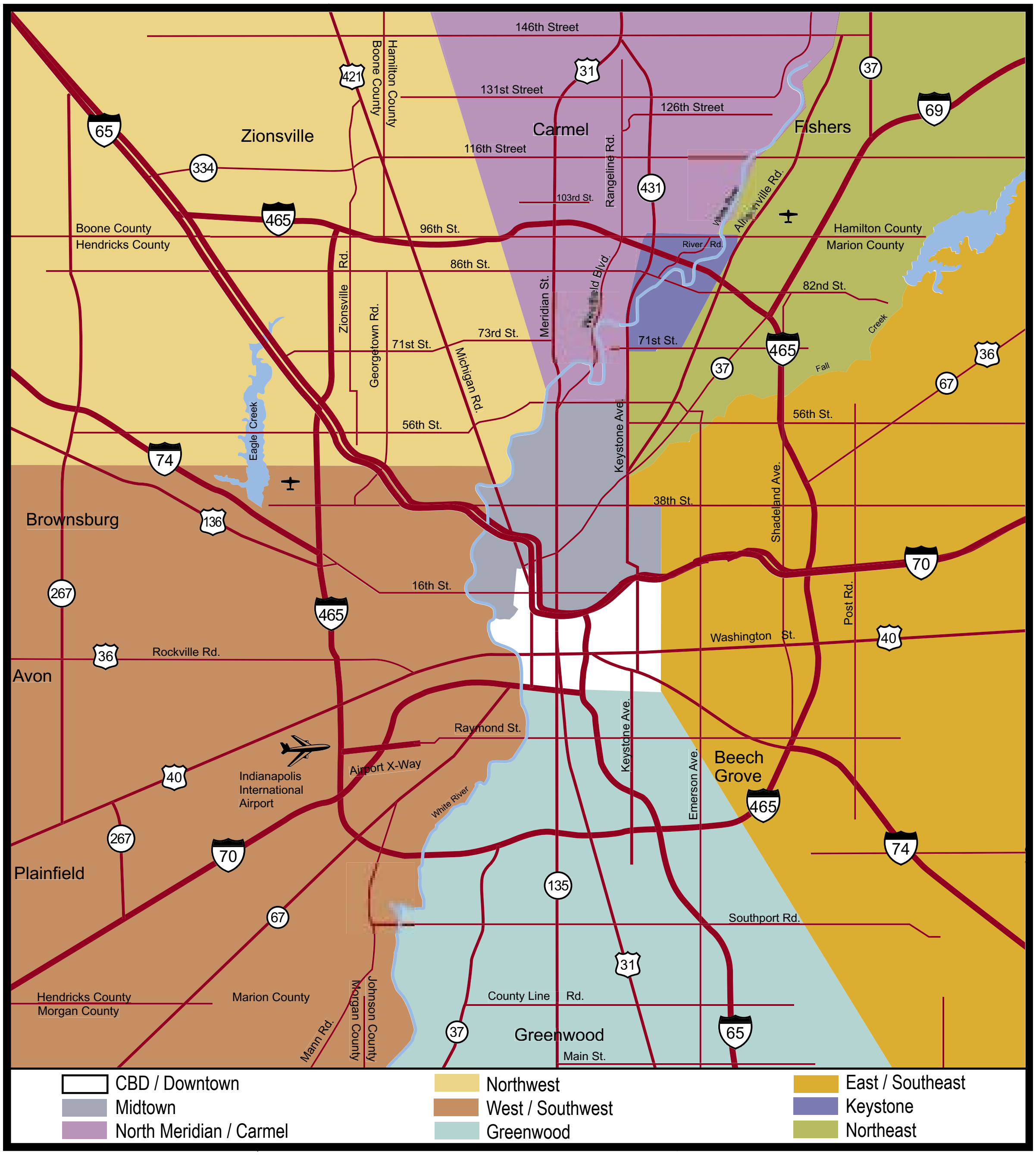
HISTORIC NET ABSORPTION

MILLION SQ. FT.



Submarket Map

INDIANAPOLIS - OFFICE



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

MERIDIAN® Real Estate

mresonline.com

Note: The information contained in this publication has been obtained from sources deemed reliable, but is not guaranteed and may be subject to change without notice.