

# Meridian MarketWatch

THIRD QUARTER  
2005

INDUSTRIAL  
MARKET REPORT

A QUARTERLY REVIEW OF INDUSTRIAL MARKET ACTIVITY

Indianapolis, Indiana

**S**trong...and the industrial market is only getting stronger...

If you take anything from reading this quarter's MarketWatch, it should be this. Whether you want to look at transaction velocity, absorption rates, or cap rates, all trends indicate that we are in the midst of our strongest industrial market since the late 1990s.

Cap rates continue to compress. The global economy is very healthy, and the continued growth in demand for real estate investments by pension funds and private equity is not expected to end in the foreseeable future. As opportunities are harder

to locate in the U.S. coastal markets, markets in the Midwest will see increased demand from investors through at least the next 24 months. The most recent investment sale in Plainfield set a new low in cap rates for institutional quality distribution space at just above 7%.

Absorption rates are higher in 2005 than in the past four years. As of third quarter 2005, net absorption for the year totals 2,302,000 square feet on 61,231,000 square feet total leaseable product.

Cap rates and net absorption are key indicators, but nothing provides a better "true" read of the industrial

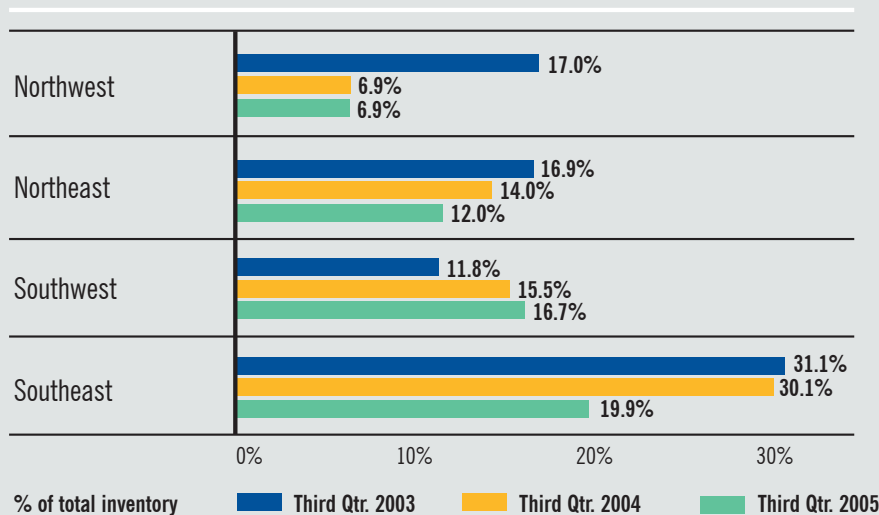
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## HOT TOPICS

INDIANAPOLIS - INDUSTRIAL

- Brightpoint Inc. expanded its Plainfield operation with the lease of a new, 164,000 sq. ft. distribution facility at Airwest IV.
- Piezo Technologies opened its new headquarters and consolidated its Etalon and Keramos business units into 25,000 sq. ft. at North by Northwest Park.
- Southeast submarket continued its comeback as year-to-date net absorption hits 1.24 million sq. ft.
- Institutional sales spike as Duke Realty Corporation, First Industrial and Ashley Capital put a combined 1,610,000 sq. ft. of Class B warehouse distribution space on the market.
- Phoenix Group provided a boost to the Greenwood market with their expansion into 153,500 sq. ft. of Quadrangle's distribution facility in Precedent South Business Park.

### INDIANAPOLIS INDUSTRIAL VACANCY

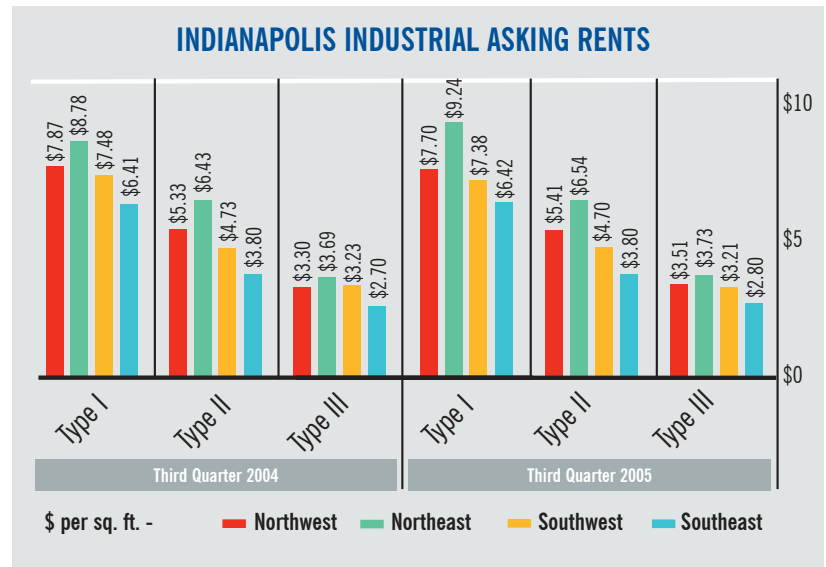


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market than deal velocity. Starting in the obvious submarket, Plainfield's distribution market can hardly keep up with the demand. At one point in the third quarter, we had multiple user requirements competing for the same 150,000 square foot, second-generation locations. As quickly as users vacate space, new users are executing leases to backfill that space at slightly increased rents for the landlords. Another hot segment of the market is land. Interest rates remain aggressively low, companies are in a healthy economy, and as such, land acquisition by owner/users is very strong. In the northeast submarket, particularly the Noblesville area of I-69 and Exit 10, industrial land values have increased 10% to 15% in just 12 months.

The industrial real estate market in Indianapolis is strong. For landlords/investors, this is translating into increased yields. For tenants, it means the days

of negotiating a lease with your "hand held out" is no longer realistic. Our report at year-end and subsequent reports in 2006 should be a reaffirmation of these trends.



### INDIANAPOLIS INDUSTRIAL SUMMARIES - THIRD QUARTER 2005

	Total Inventory	No. of Buildings	Vacancy Rate	Available Space	New Deliveries	YTD Absorption
Northwest	22,227,331 sq. ft.	158	6.86 %	1,524,155 sq. ft.	0 sq. ft.	273,235 sq. ft.
Northeast	5,207,819 sq. ft.	89	12.03 %	626,687 sq. ft.	48,000 sq. ft.	144,688 sq. ft.
Southwest	20,556,298 sq. ft.	87	16.66 %	3,425,627 sq. ft.	1,382,702 sq. ft.	644,226 sq. ft.
Southeast	13,240,147 sq. ft.	84	19.83 %	2,625,613 sq. ft.	456,000 sq. ft.	1,240,738 sq. ft.
Whole Market	61,231,595 sq. ft.	418	13.40 %	8,202,082 sq. ft.	1,886,702 sq. ft.	2,302,887 sq. ft.

### SURVEY PARAMETERS

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

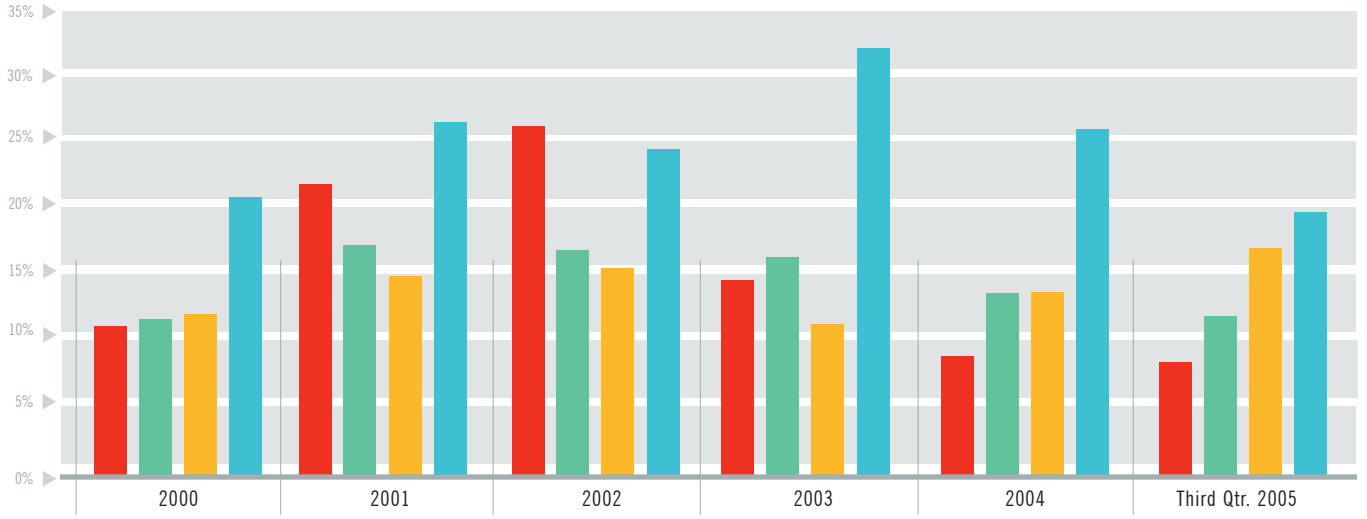
**Type I:** Service Center / Office Warehouse - demised between 1,800 and 20,000 square feet; clear height less than 18 feet; 50% to 80% tenant finish.

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

**Type III:** Bulk Distribution - demised from 50,000 square feet and up; clear height is 24 feet and higher; finish is less than 15% (typically 5%).

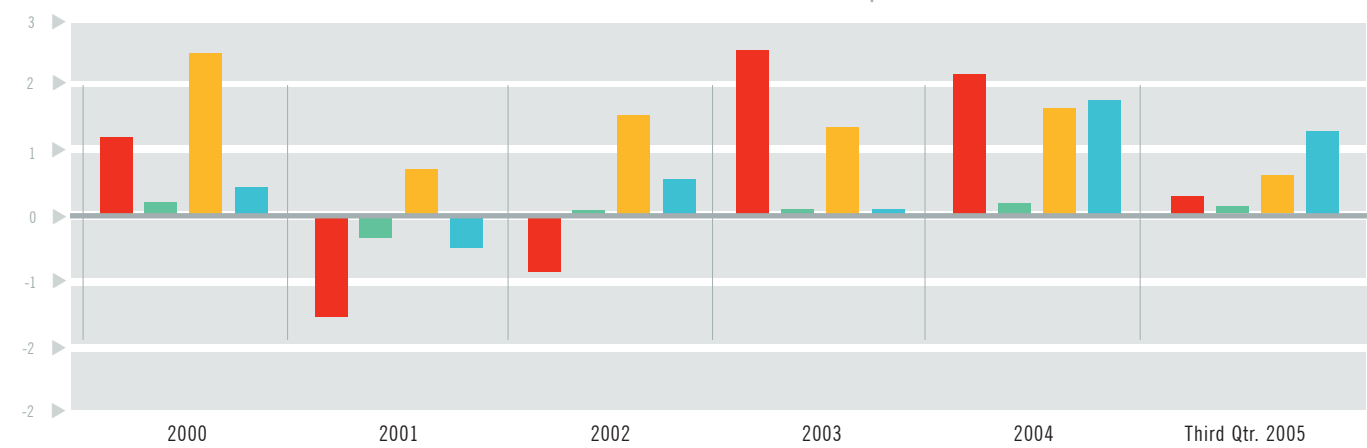


### VACANCY RATES



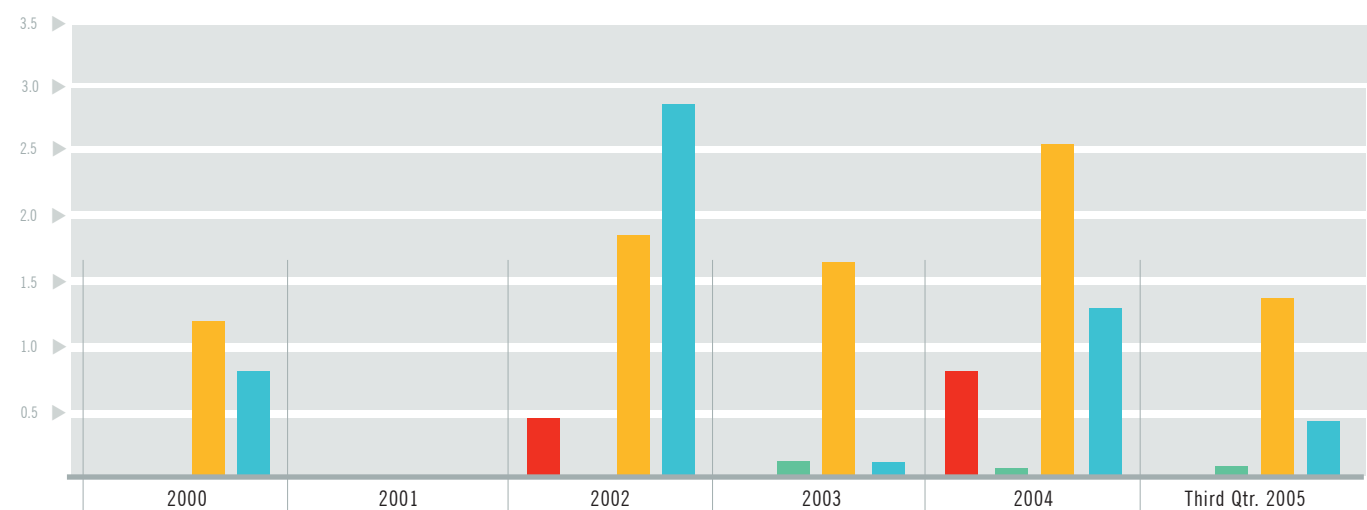
### NET ABSORPTION

(million sq. ft.)



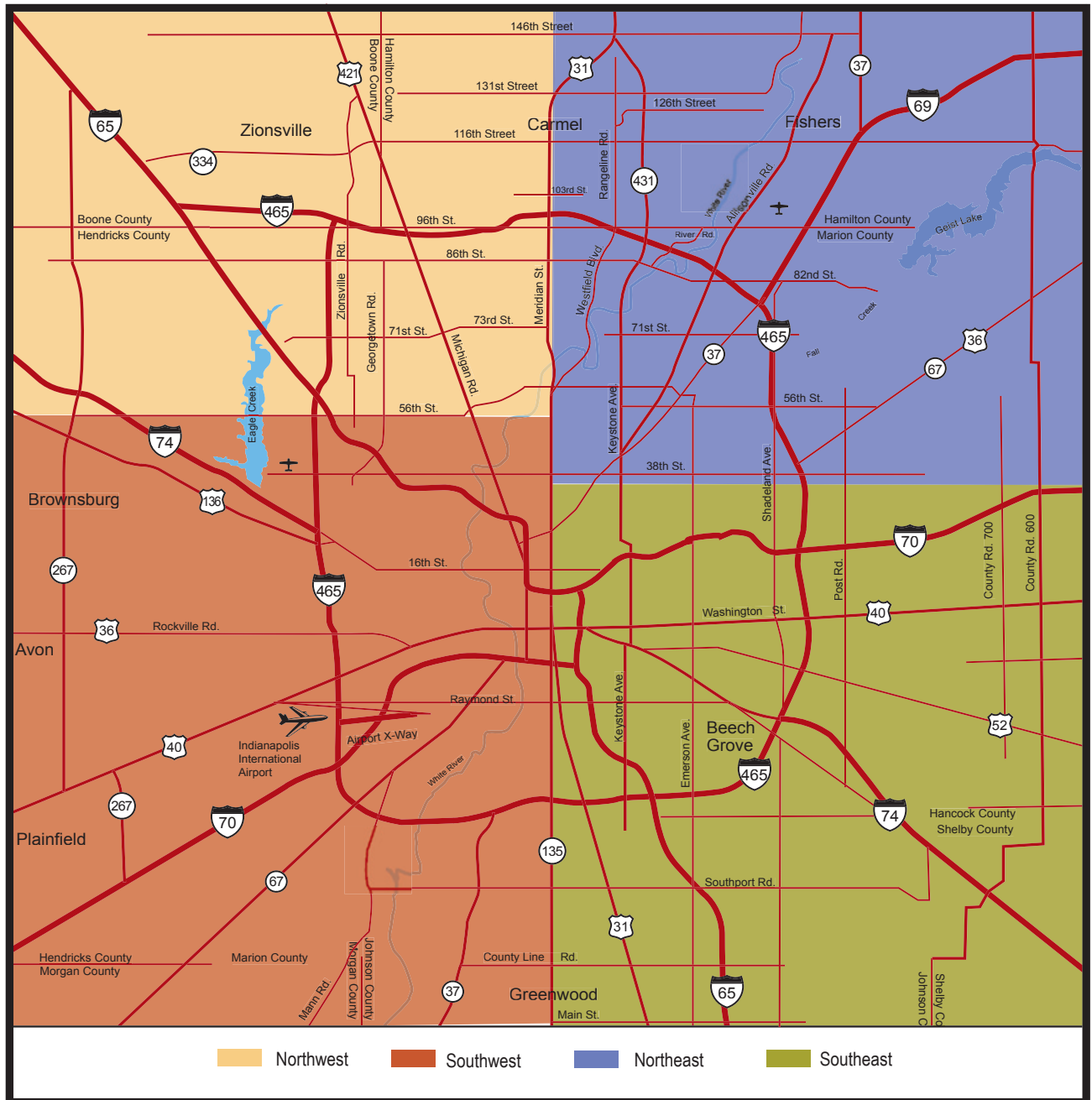
### NEW CONSTRUCTION

(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.

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