Meridian MarketWatch

THIRD QUARTER 2005

OFFICE MARKET REPORT

A QUARTERLY REVIEW OF OFFICE MARKET ACTIVITY

Indianapolis, Indiana

The positive momentum in the Indianapolis office market continued during the third quarter of 2005. It is expected to persist for the foreseeable future, as the fundamental factors in the state of the office market remain strong -- absorption is positive, vacancy rates are dropping, job growth is positive and there is a reasonable amount of new construction underway.

The downtown office market, although not as active as its landlords would like to see it, still boasts the lowest submarket vacancy rate of all major submarkets at 10.9%. The downtown submarket has experienced positive year-to-date absorption of 168,352 square feet. The majority of the remaining vacancy lies in large tracts of space 40,000 square feet and greater in virtually every single Class "A" downtown building. The challenge will be for these buildings to attract prospective tenants from outside of the downtown submarket to fill these vacancies and continue the positive absorption.

The suburban market continues its overall improvement, with approximately half of its submarkets improving and the other half slightly increasing their vacancy rates. The suburban office market had a positive absorption of 95,104 square feet in the third quarter and has a year-to-date positive absorption of 179,232 square feet. The majority of the positive absorption has come from the North Meridian/Carmel submarket which, for the first

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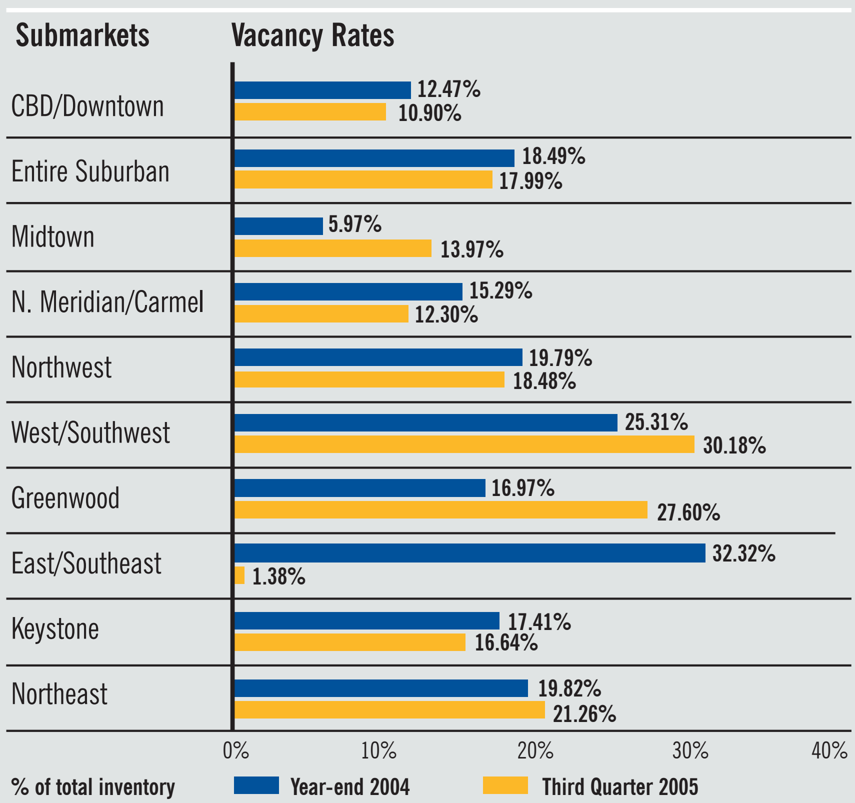
INDIANAPOLIS OFFICE VACANCY RATES



HOT TOPICS

INDIANAPOLIS - OFFICE

- The investment sales market continues at an unprecedented pace, and with it comes increases in sale prices for office buildings. Recent transactions include Franklin Street Properties purchasing One and Two River Crossing for approximately $196 per sq. ft., College Park Plaza selling for approximately $165 per sq. ft., and Lauth Property Group's sale of Intech One and Two to Romanek Properties, Ltd. at approximately $185 per sq. ft.

- Over 700,000 sq. ft. of suburban Class "A" speculative construction is currently underway from the top local developers including Duke Realty, Lauth, OPUS, The Precedent Companies and Browning Investments, mostly in the North Meridian corridor.

- North Meridian Class "A" vacancy rate dropped below 10%.

- New construction is likely to pull only from older buildings, so absorption may actually trend toward level.

- The condo frenzy continues, and is rivaling office developers for building sites.

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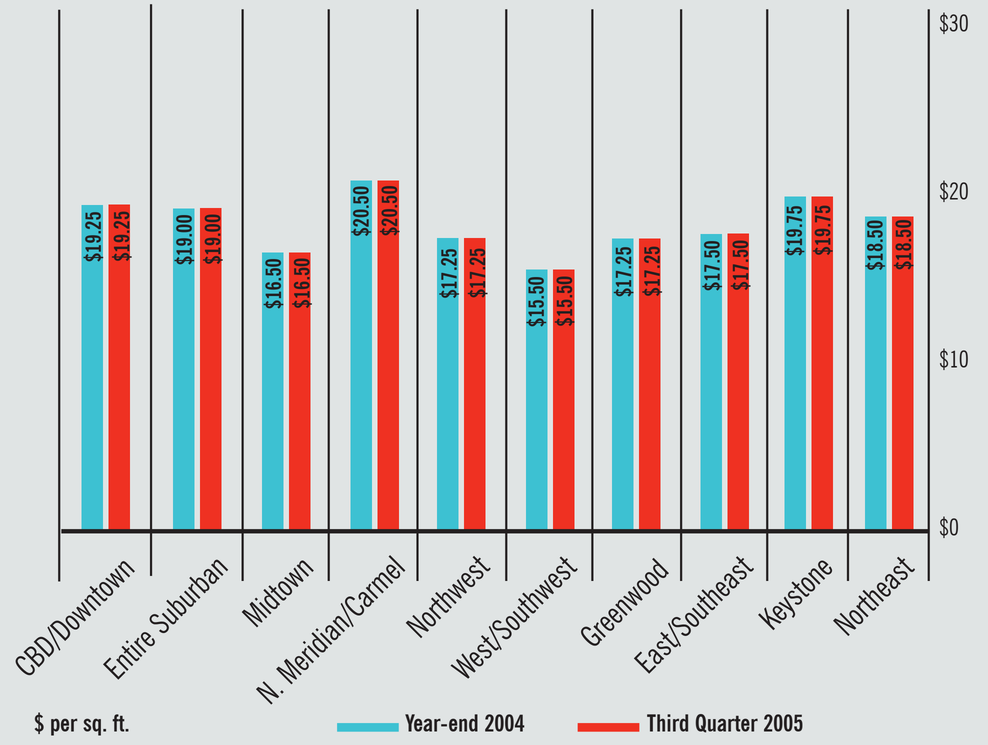
time in over five years, boasts a Class "A" vacancy rate less than 10%. Even the Class "B" buildings in the North Meridian corridor have a 16% vacancy rate and are starting to firm up their rental rates and lower their concessions.

The majority of positive momentum in the occupancy rates stems from job growth in small to midsized local companies. The majority of national companies with a presence in Indianapolis continue to look for ways to cut costs by shrinking their space and headcount. An example of this is IBM, which is in the process of downsizing from 50,000 square feet to 20,000 square feet. In general, most real estate professionals would agree that activity continues to increase throughout the entire market with most users looking for spaces between 5,000 and 12,000 square feet.

INDIANAPOLIS AVERAGE CLASS "A" ASKING RENTS - OFFICE



Although vacancy rates have decreased and the amount of sublease space has significantly decreased, rents have still been relatively flat for 2005. Only the North Meridian Corridor submarket has been able to push its rental rates. However, with the 700,000 square feet of Class "A" new construction coming on the market at $20 per square foot, full-service, we do expect other submarkets, including Keystone at the Crossing to begin pushing their rental rates upward.

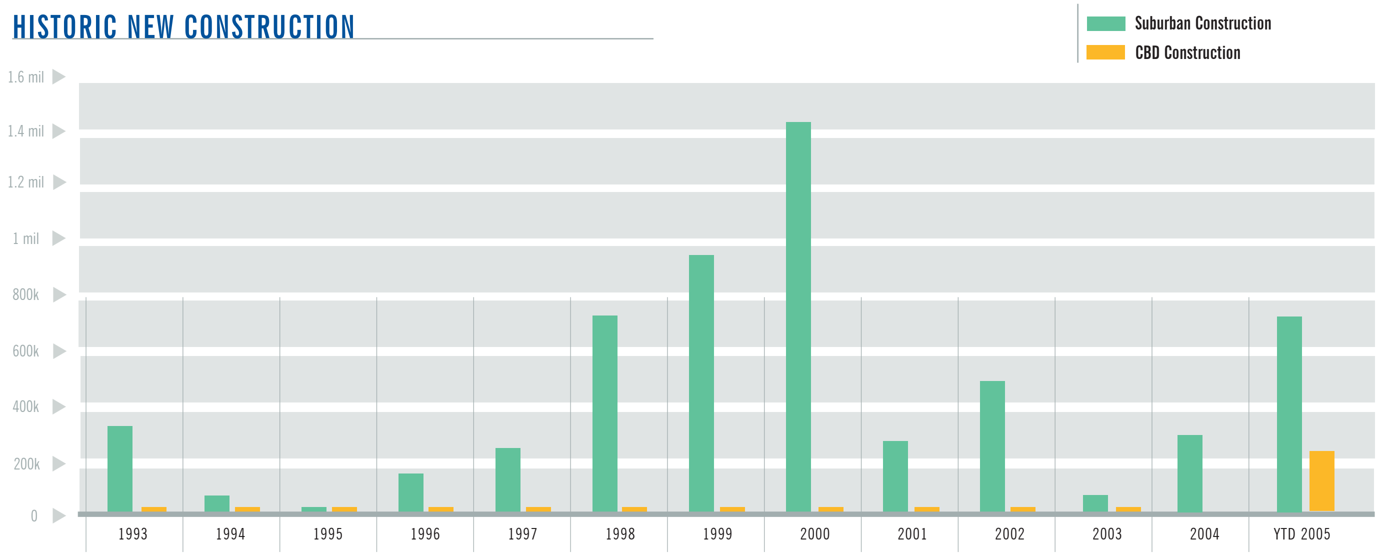
INDIANAPOLIS OFFICE MARKET SUMMARIES YTD

	Total Inventory	No. of Buildings	Class "A" Vacancy	Class "B" Vacancy	Overall Vacancy	Vacant Space	2005 New Construction
CBD/Downtown	10.8 million sq. ft.	71	10.32 %	11.64 %	10.90 %	1.18 million sq. ft.	220,000 sq. ft.
Entire Suburban	19.50 million sq. ft.	294	13.07 %	21.96 %	17.99 %	3.50 million sq. ft.	710,000 sq. ft.
Midtown	1.09 million sq. ft.	17	0 %	10.33 %	13.97 %	153,000 sq. ft.	0 sq. ft.
North Meridian/Carmel	5.66 million sq. ft.	74	9.45 %	16.02 %	12.30 %	695,000 sq. ft.	530,000 sq. ft.
Northwest	3.67 million sq. ft.	41	17.61 %	25.24 %	18.48 %	678,000 sq. ft.	80,000 sq. ft.
West/Southwest	1.18 million sq. ft.	16	26.65 %	35.75 %	30.18 %	357,000 sq. ft.	0 sq. ft.
Greenwood	1.02 million sq. ft.	25	11.17 %	27.85 %	27.60 %	281,000 sq. ft.	0 sq. ft.
East/Southeast	105,000 sq. ft.	3	n/a	0 %	1.38 %	1,000 sq. ft.	0 sq. ft.
Keystone	3.83 million sq. ft.	47	14.14 %	20.35 %	16.64 %	637,000 sq. ft.	75,000 sq. ft.
Northeast	4.01 million sq. ft.	88	13.09 %	21.21 %	21.26 %	852,000 sq. ft.	25,000 sq. ft.

ABSORPTION SUMMARY

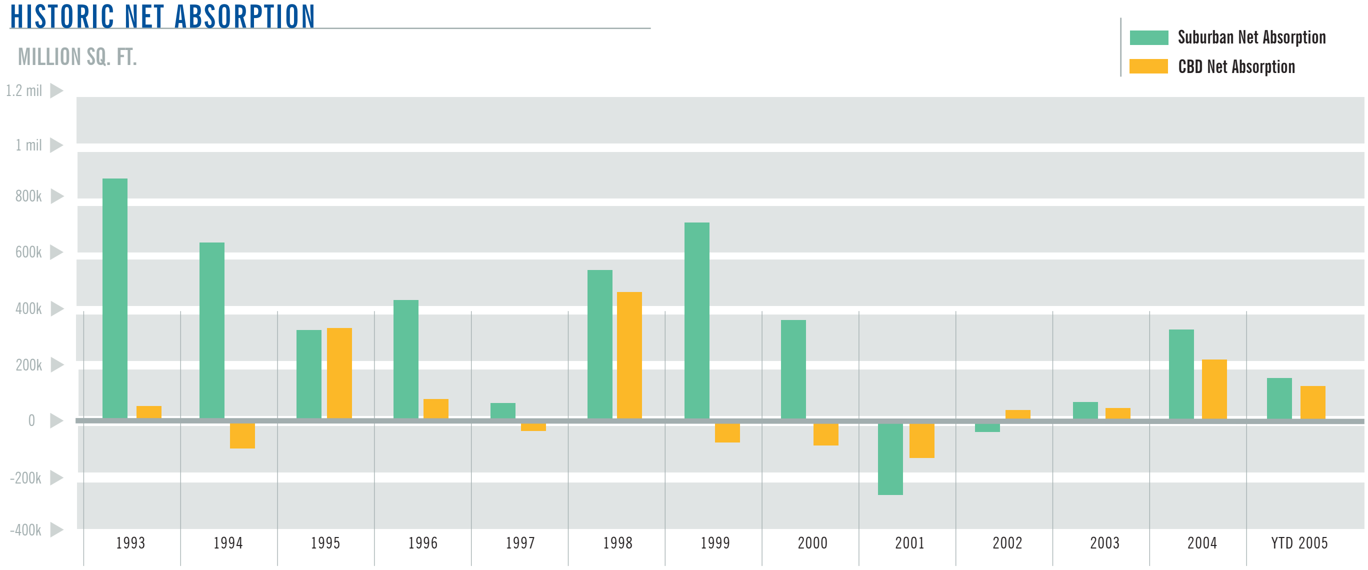
	CBD/Downtown	Entire Suburban	Midtown	N. Meridian/ Carmel	Northwest	West/ Southwest	Greenwood	East/ Southeast	Keystone	Northeast
1st Quarter	64,714 sq. ft.	117,356 sq. ft.	(20,106) sq. ft.	51,255 sq. ft.	56,882 sq. ft.	(75,521) sq. ft.	(58,631) sq. ft.	(1,450) sq. ft.	82,289 sq. ft.	62,532 sq. ft.
2nd Quarter	(8,379) sq. ft.	(22,906) sq. ft.	3,125 sq. ft.	25,536 sq. ft.	(370) sq. ft.	2,760 sq. ft.	(20,001) sq. ft.	0 sq. ft.	(30,931) sq. ft.	100 sq. ft.
3rd Quarter	100,162 sq. ft.	95,104 sq. ft.	(59,243) sq. ft.	70,356 sq. ft.	100,451 sq. ft.	28,610 sq. ft.	(15,750) sq. ft.	0 sq. ft.	(47,043) sq. ft.	(41,520) sq. ft.
4th Quarter	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Year-to-Date Total	168,352 sq. ft.	179,232 sq. ft.	(76,134) sq. ft.	144,811 sq. ft.	155,177 sq. ft.	(44,151) sq. ft.	(94,382) sq. ft.	0 sq. ft.	4,315 sq. ft.	14,912 sq. ft.

HISTORIC NEW CONSTRUCTION

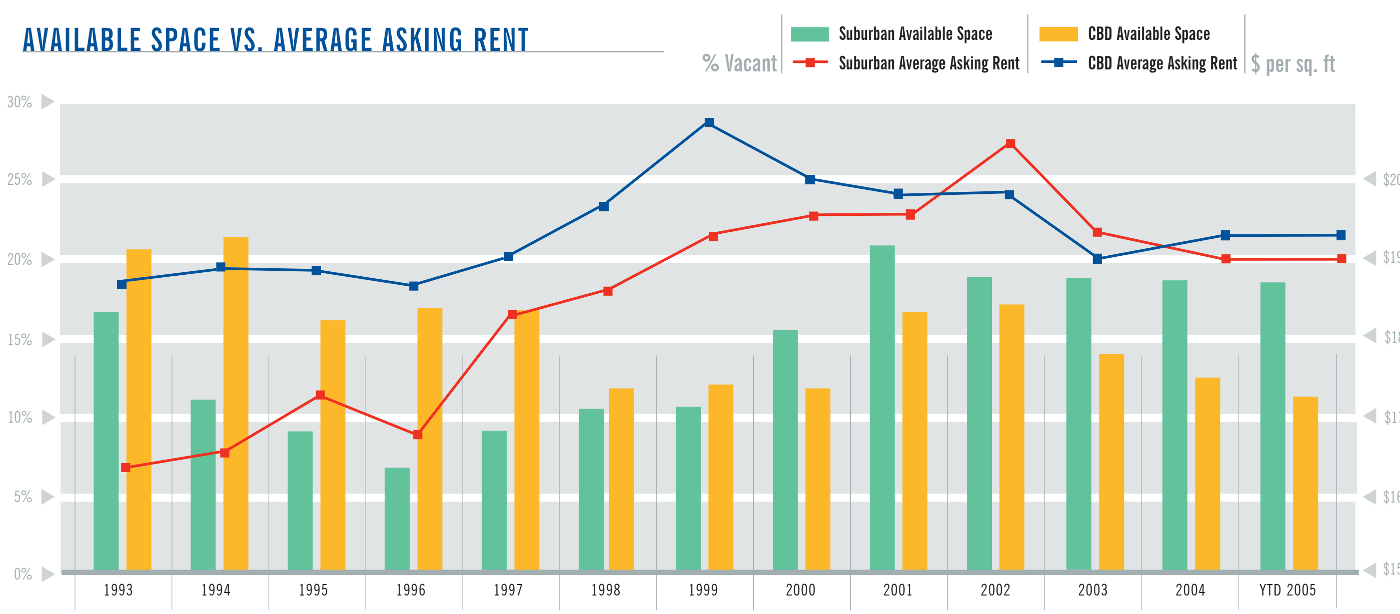


HISTORIC NET ABSORPTION

MILLION SQ. FT.



AVAILABLE SPACE VS. AVERAGE ASKING RENT



Submarket Map

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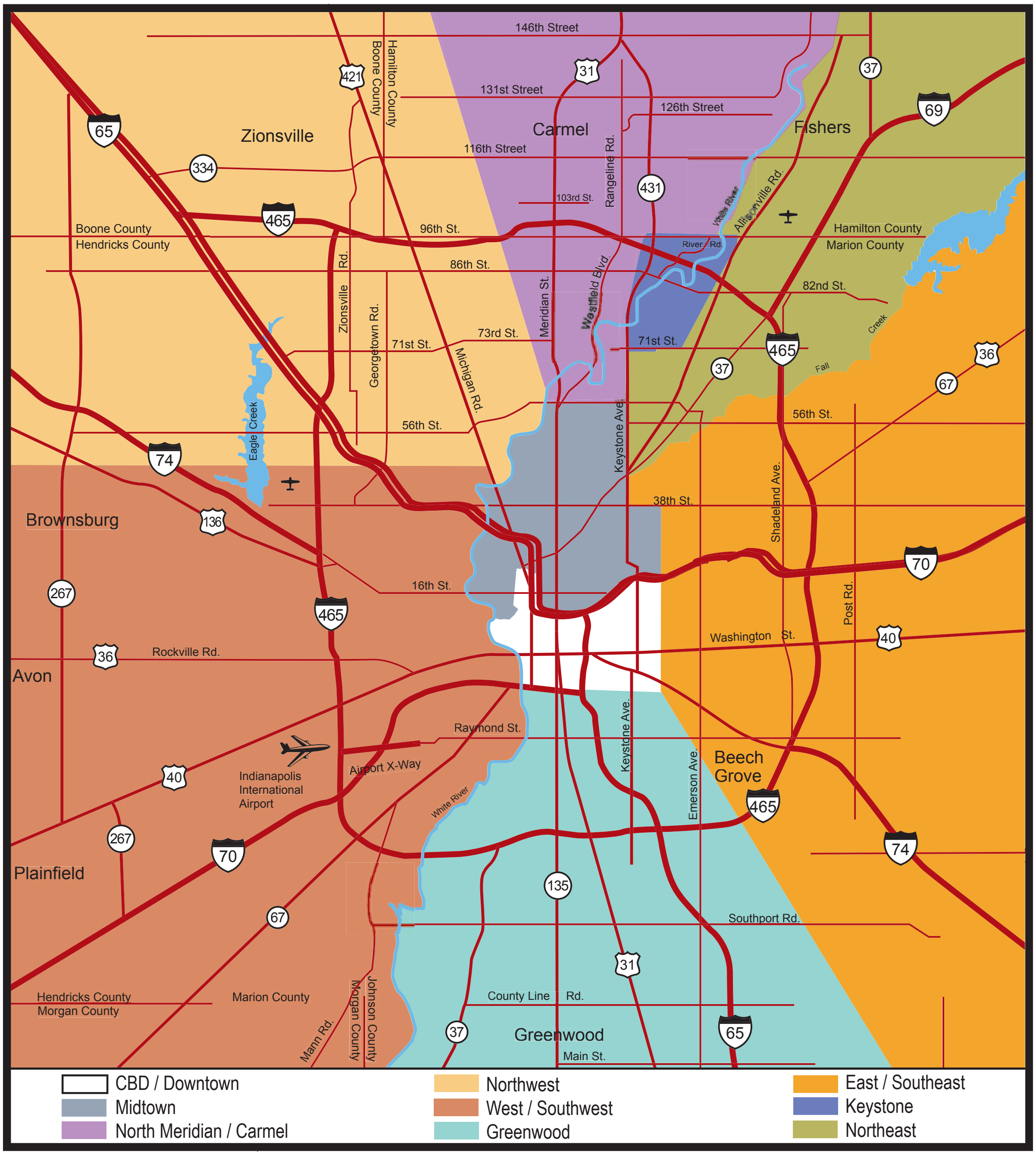

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