

# Meridian MarketWatch Indianapolis, Indiana

FIRST QUARTER  
2003

A QUARTERLY REVIEW OF OFFICE MARKET ACTIVITY

**F**inally, good news in the Indianapolis office market. The vacancy rate for the downtown office market dipped from 16.31% to 15.51% during the first quarter of 2003. For the past several years, the downtown office market has struggled as users have downsized or fled to the suburbs. Recently renovated buildings such as One Indiana Square and 30 South Meridian have been very aggressive in retaining tenants in the downtown market. New local ownership for both of these buildings has proven to be the cure for the ailing downtown submarket. Within the first quarter of 2003 the downtown office market had

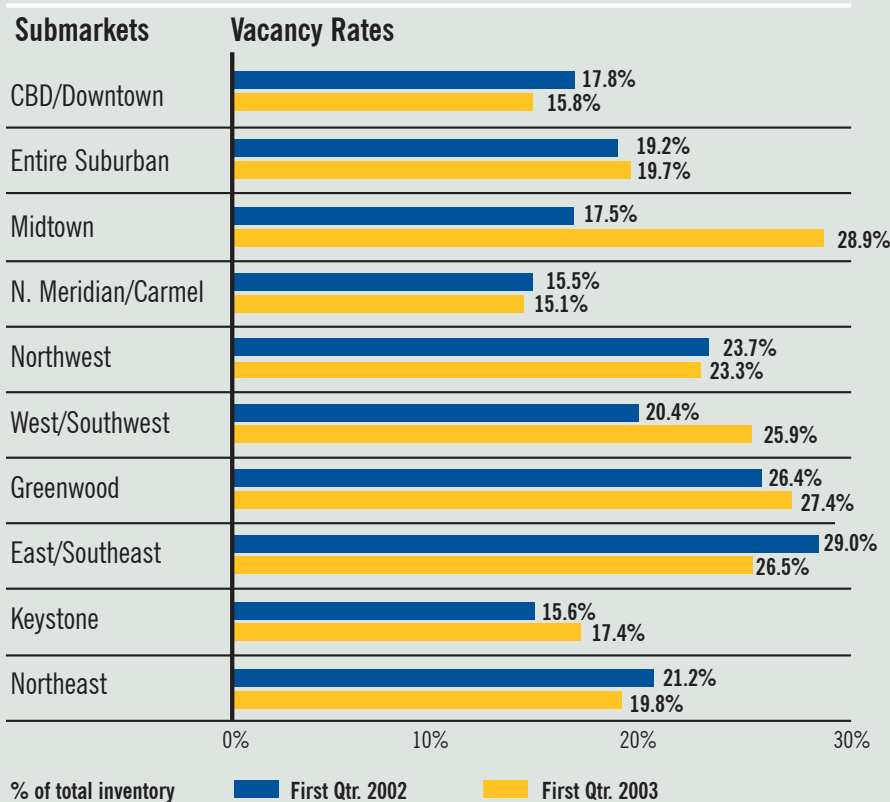
54,990 square feet of positive absorption. Large transactions validating the positive absorption included The Prosecutors Office at 251 East Ohio Street for 100,000 square feet, Sommer & Barnard's 70,000 square foot expansion and relocation to One Indiana Square, Eli Lilly's lease for 90,000 square feet at 30 South Meridian and Wooden McLaughlin for 29,000 square feet at One Indiana Square.

The proposed redevelopment of the former Market Square Arena site by five prospective developers is nearing its final stages. All proposals tend to focus on multi-family housing with some, offering  
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## HOT TOPICS INDIANAPOLIS - OFFICE

- Medical users are among the most active users in the Indianapolis area. Hospitals such as Clarian, are establishing "beach-heads" in various submarkets.
- A slumping stock market and record low interest rates may make real estate a more attractive investment option. Current available investment properties include:
  - Lauth Property Group headquarters 25,000 square feet
  - Inland Paperboard building 130,000 square feet
  - Meridian Tower 130,000 square feet
- We are seeing signs of increased suburban activity, primarily in the users requiring less than 10,000 square feet.
- The overall vacancy rate for the downtown office market dropped by .81%. This is a sign of a strengthening downtown office market.
- The overall amount of sublease space has dropped; however, sublease space is still a very large proportionate share of the overall available space.

### INDIANAPOLIS OFFICE VACANCY RATES



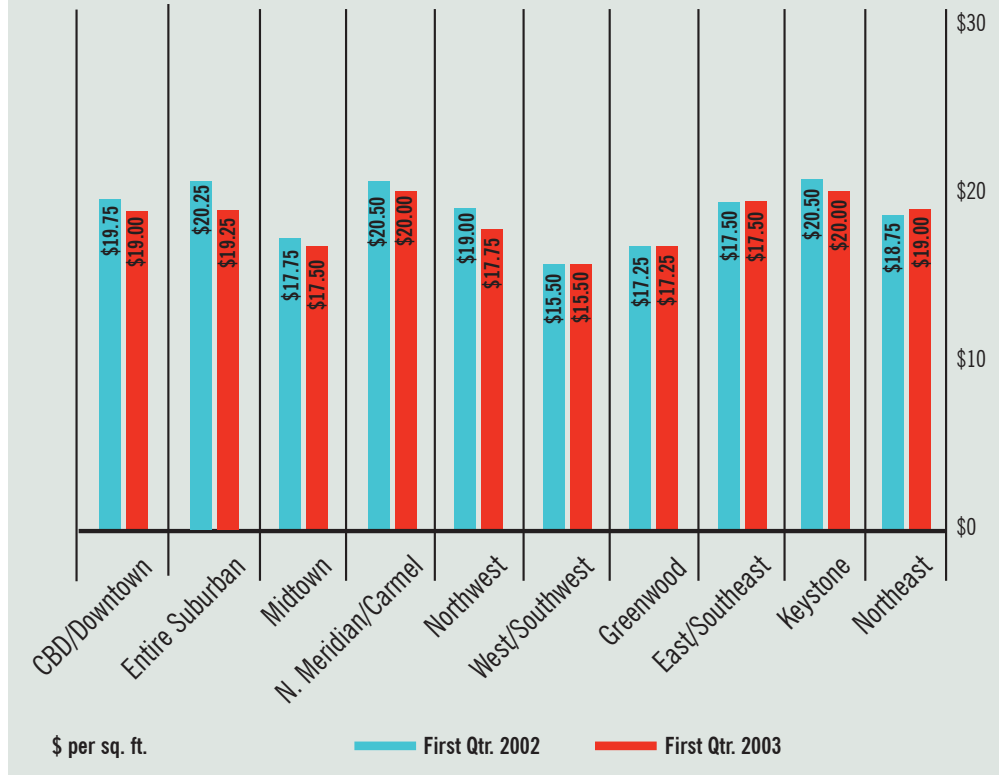
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different aspects of office, retail and green space.

The Indianapolis suburban market continued to struggle during the first quarter of 2003. Although early indications show increased activity for the second quarter. Once again, corporate consolidations and relocations brought an abundance of new space to the market. Cingular Wireless downsized by over 60,000 square feet, while IBM Corporation bought out of its 70,000 sq. ft. commitment at 9025 North River Road. The North Meridian/Carmel submarket, continues to be the most active submarket followed by Keystone Crossing. The Northeast submarket has seen a slight increase in activity; however, it continues to lag behind due to its 19.82% vacancy rate. In the Northwest submarket, Interactive Intelligence completed their move into 120,000 square feet of space at the new, Duke Realty Corporation developed Woodland Corporate Park. The Northwest submarket continues to be plagued by an exorbitant amount of available sublease space.

Low interest rates continue to slow the real estate investment market in Indianapolis. As an example, The Precedent Office Park (1,100,000 square feet) was placed on the market for 90 days and was recently pulled from the market for various reasons. Vacant distressed office buildings that have traded are trading at 55%-65% of their replacement cost.

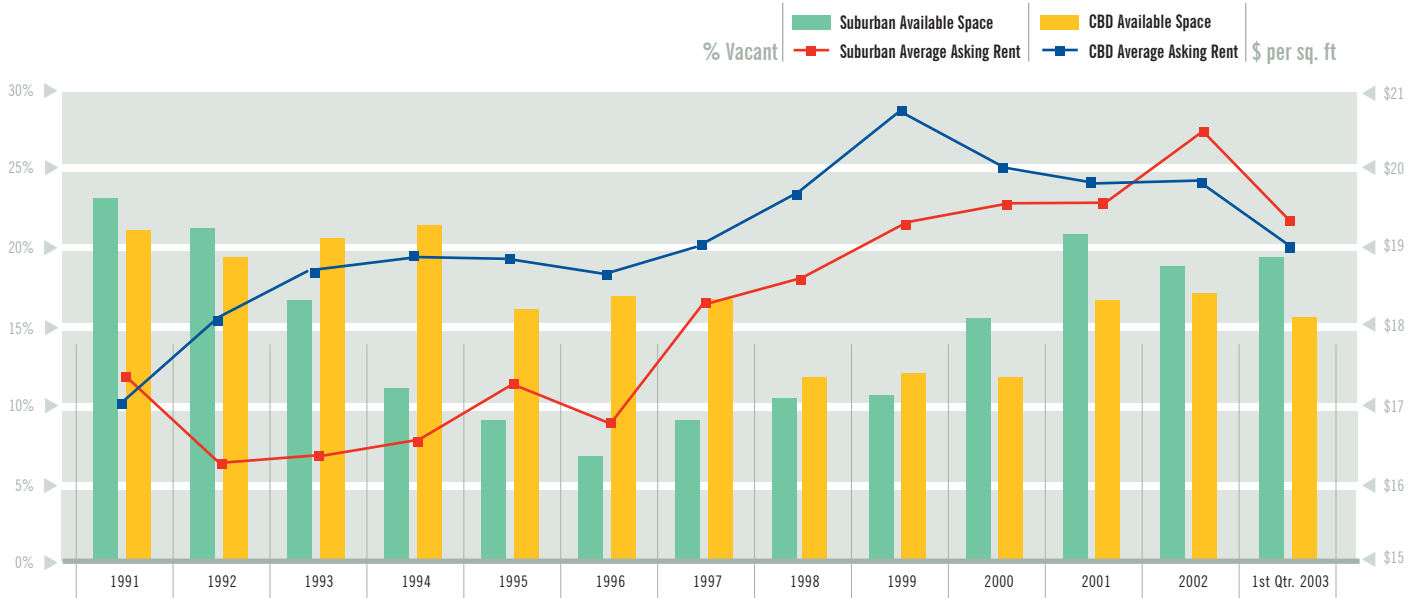
### INDIANAPOLIS AVERAGE CLASS A ASKING RENTS - OFFICE



### INDIANAPOLIS OFFICE MARKET SUMMARIES YTD

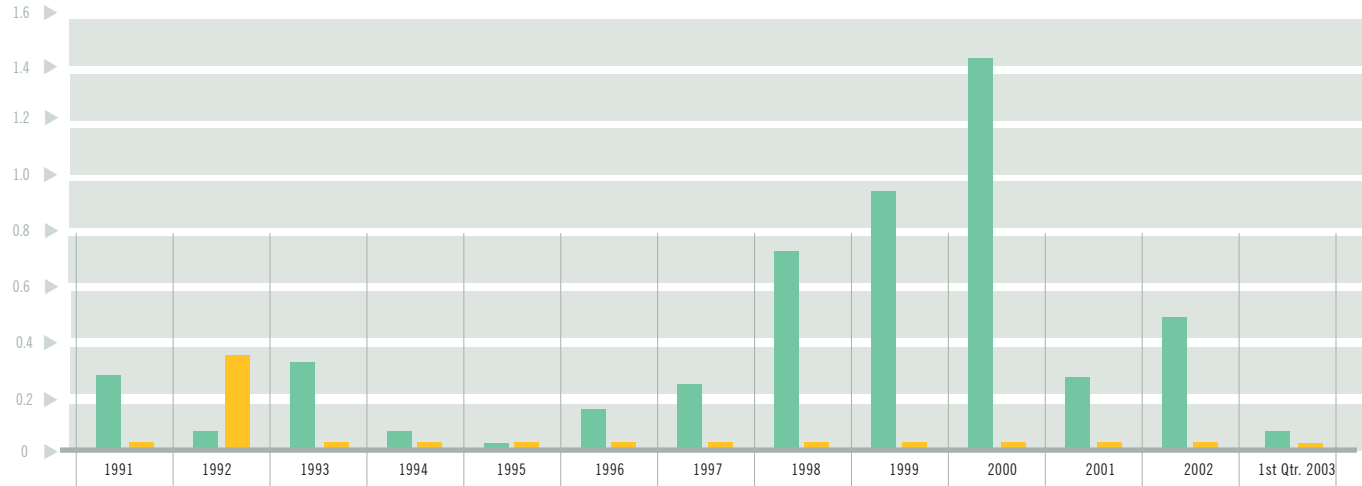
	Total Inventory	No. of Buildings	Vacancy Rate	Vacant Space	New Deliveries	Absorption
CBD/Downtown	10.93 million sq. ft.	70	15.8 %	1.73 million sq. ft.	0 sq. ft.	55,000 sq. ft.
Entire Suburban	18.63 million sq. ft.	260	19.7 %	3.67 million sq. ft.	94,000 sq. ft.	(99,000) sq. ft.
Midtown	752,000 sq. ft.	13	28.8 %	217,000 sq. ft.	0 sq. ft.	(5,000) sq. ft.
North Meridian/Carmel	5.07 million sq. ft.	66	15.1 %	764,000 sq. ft.	0 sq. ft.	(22,000) sq. ft.
Northwest	3.0 million sq. ft.	31	23.3 %	707,000 sq. ft.	29,000 sq. ft.	35,000 sq. ft.
West/Southwest	918,000 sq. ft.	10	25.9 %	237,000 sq. ft.	0 sq. ft.	5,000 sq. ft.
Greenwood	661,000 sq. ft.	16	27.4 %	181,000 sq. ft.	0 sq. ft.	1,000 sq. ft.
East/Southeast	410,000 sq. ft.	6	26.5 %	109,000 sq. ft.	8,000 sq. ft.	11,000 sq. ft.
Keystone	3.79 million sq. ft.	46	17.4 %	659,000 sq. ft.	31,000 sq. ft.	(65,000) sq. ft.
Northeast	3.99 million sq. ft.	72	19.8 %	792,000 sq. ft.	26,000 sq. ft.	(58,000) sq. ft.

## AVAILABLE SPACE VS. AVERAGE ASKING RENT



## HISTORIC NEW CONSTRUCTION

MILLION SQ. FT.



## HISTORIC NET ABSORPTION

MILLION SQ. FT.

