Meridian MarketWatch

YEAR END 2010

OFFICE MARKET REPORT

A REVIEW OF OFFICE MARKET ACTIVITY

Indianapolis, Indiana

Hit-or-miss is the best description of our 2010 Year End MarketWatch. Corporate downsizing continues to impact office vacancies but certain buildings are benefiting by the few large deals in the market.

With unemployment slightly increasing to 9.8% and productivity still trending positive, demand for office space remains weak. Corporations are still generating solid revenue without adding employees.

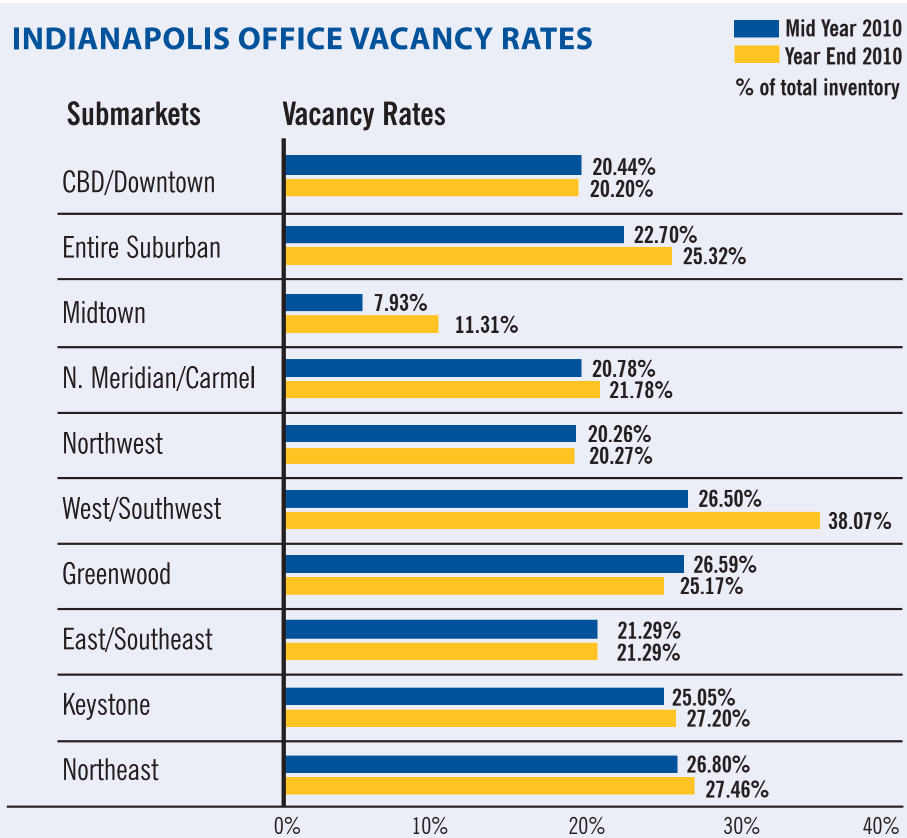
The North Meridian corridor has had several large tenants exercise their option to terminate their leases or consolidate into other leased locations.

At the same time, the Northwest submarket continues to show its resiliency with the recent announcement of Ascension Health's intention to lease 92,000 sq. ft. at Eleven Fortune Park. Between this transaction and Clarian Health's recent announcement of a large new development downtown, healthcare continues to be a driving force in the real estate markets.

We also see the markets continuing to stabilize albeit in a depressed state. Large overall vacancies across the broad market, along with thin deal flow, make for a long road before we will see positive absorption and any growth in rental rates.

We expect investment sales to slowly increase as the spread over treasuries continues to shrink making borrowing costs attractive. In addition, certain large tenants currently leasing are evaluating whether owning their buildings is a more advantageous structure if the proposed FASB 13 rule change (carry leases as debt on companies balance sheets) takes effect in the spring of 2011.

INDIANAPOLIS OFFICE VACANCY RATES



HOT TOPICS

INDIANAPOLIS - OFFICE

- Healthcare users driving new construction / absorption
- Sublease space continues to negatively impact rental rates
- Downsizing of office users continues
- Government consolidation / downsizing continues

OFFICE TRENDS

YEAR END 2010

RATES

CONCESSIONS

ABSORPTION

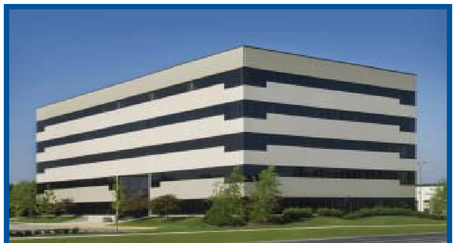
VACANCY

MERIDIAN® Real Estate

Submarket Reports

KEYSTONE CROSSING

TRENDING: NEUTRAL



8500 Keystone Crossing building sale was a notable transaction.

Leasing activity carried through the second half of the year at a reasonable clip with the major office parks logging stable activity. The trend of downsizing continued and may persist through much of the coming year. This movement toward greater efficiency by way of either space reduction or merger of locations was visible at Precedent Office Park. At roughly 78% occupancy, and while slightly outperforming the submarket as a whole, occupancy still dropped a few percentage points over this same period last year. To Park ownership's credit, it has performed quite well by retaining existing tenants while offering some of the best office space available by continuing to update its buildings.

Similarly, Keystone at the Crossing continues to offer great space solutions. A successful capital improvement campaign has recently concluded and tenants both existing and new benefit from nicely appointed common areas. KATC, like The Precedent, has successfully focused on retention of tenants. One new arrival at the park included CSO Architects who is redeveloping the former Bally's Fitness building. Also notable was the sale of the 8500 Keystone Crossing building to a Pittsburgh based investor.

CBD/DOWNTOWN

TRENDING: DOWN

Downtown seems to have halted its downward trend. Still the vacancy remains high (20.20%) and could go higher depending on the pace of corporate downsizing and the amount of State office leases that may not renew. Additionally, PNC Bank recently placed approximately 90,000 sq. ft. of sublease space on the market. This, along with the overall vacancy rate will continue to suppress rental rates for the foreseeable future.

On the investment front, 120 Monument Circle recently sold for approximately $200/sq. ft. which shows single tenant credit worthy properties are still driving premium pricing. Clarian Health recently announced a massive new expansion of their facilities at 16th & Capitol. This should be good news for the construction trades.

With over 2.7 million sq. ft. of vacant downtown space, along with little positive absorption, it will take some time to materially improve the overall office market conditions.

120 Monument Circle recently sold for approximately $200 per sq. ft.

INDIANAPOLIS OFFICE MARKET SUMMARIES YTD

	Total Inventory	No. of Buildings	Class "A" Vacancy	Class "B" Vacancy	Overall Vacancy	Vacant Space	2010 New Construction
CBD/Downtown	13.5 million sq. ft.	87	24.46 %	15.28 %	20.20 %	2.7 million sq. ft.	0 sq. ft.
Entire Suburban	22.7 million sq. ft.	358	22.42 %	25.19 %	25.32 %	5.8 million sq. ft.	0 sq. ft.
Midtown	1.1 million sq. ft.	18	5.85 %	12.88 %	11.31 %	132,079 sq. ft.	0 sq. ft.
North Meridian/Carmel	7.5 million sq. ft.	107	18.96 %	26.63 %	21.78 %	1.6 million sq. ft.	0 sq. ft.
Northwest	3.9 million sq. ft.	52	12.88 %	19.65 %	20.27 %	807,748 sq. ft.	0 sq. ft.
West/Southwest	1.4 million sq. ft.	27	33.72 %	34.24 %	38.07 %	534,348 sq. ft.	0 sq. ft.
Greenwood	786,791 sq. ft.	16	28.38 %	21.81 %	25.17 %	198,054 sq. ft.	0 sq. ft.
East/Southeast	69,880 sq. ft.	3	n/a	27.17 %	21.29 %	14,875 sq. ft.	0 sq. ft.
Keystone	4.0 million sq. ft.	54	26.69 %	26.23 %	27.20 %	1.1 million sq. ft.	0 sq. ft.
Northeast	4.9 million sq. ft.	99	35.34 %	23.61 %	27.46 %	1.5 million sq. ft.	0 sq. ft.

N. MERIDIAN/CARMEL

TRENDING: NEUTRAL

Old National Bank leases 25,000 sq. ft. at Nine Parkwood.

The Meridian Corridor/Carmel submarket experienced typical activity with plenty of new leases but also some loss of tenants. The overall impact was somewhat neutral in terms of occupancy and absorption. Duke managed a slight net increase in overall occupancy at its Parkwood project. One notable renewal at Parkwood was Stifel Nicolaus which has about 14,000 sq. ft. under lease. A significant new lease transaction occurred with Old National Bank taking approximately 25,000 sq. ft. at Nine Parkwood.

Albeit rare these days, noteworthy construction is visible along Meridian Street. Browning is handling Indiana Spine Center's new medical office project at 131st and Main Street in Carmel. Browning's first project at Meridian & Main will feature 60,000 sq. ft. housing surgery, imagery and medical office functions.

Submarket occupancy levels are generally in line with recent levels, and so are asking rates. Certain buildings are serving up attractive incentives and identifying them takes early attention and patience. Tenants can continue to look toward the Meridian/Carmel submarket as consistently providing very nice office space alternatives with great accessibility and amenities.

NORTHWEST

TRENDING: UP

While tenants continue to play musical chairs in the market by shopping for deals in nearby buildings, the Northwest submarket has seen a bright spot in positive absorption from a major out-of-market tenant. Otherwise, few tenants are expanding, which is symptomatic of the large scale slow and sluggish economic recovery. Of the 807,748 sq. ft. of vacant space in the Northwest market, 58,129 sq. ft. has been positively absorbed in the second half of 2010.

The most notable transaction has been the welcoming of Ascension Health's administrative function into 90,000 sq. ft. at Eleven Fortune Park, a building previously struggling with large tracts of vacant space for a long period of time. This tenant will occupy one of only a few tracts of large contiguous space above 50,000sq. ft. Northwest. Likely, this will have an effect on how surrounding landlords view pricing for their own large tracts, especially ones with superior visibility and signage opportunities for large users.

Other activity includes the movement of several College Park fraternal organizations. Tau Kappa Epsilon sold its former headquarters to Advanced Ortho Indy at 8645 Founders Road in August. There will be a trend of other fraternal organizations assessing their needs due to the recent easing of deed restrictions in College Park.

Ascension Health plans to lease 90,000 sq. ft. at Eleven Fortune Park.

ABSORPTION SUMMARY

	CBD/Downtown	Entire Suburban	Midtown	N. Meridian/ Carmel	Northwest	West/ Southwest	Greenwood	East/ Southeast	Keystone	Northeast
Mid Year 2010	(209,155) sq. ft.	(500,627) sq. ft.	11,615 sq. ft.	(113,058) sq. ft.	(112,147) sq. ft.	(1,925) sq. ft.	(46,575) sq. ft.	0 sq. ft.	(50,697) sq. ft.	(176,225) sq. ft.
Year End 2010	(100,330) sq. ft.	(560,971) sq. ft.	15,115 sq. ft.	(173,874) sq. ft.	(79,496) sq. ft.	(44,722) sq. ft.	(27,064) sq. ft.	(8,620) sq. ft.	(72,310) sq. ft.	(170,000) sq. ft

NORTHEAST

TRENDING: NEUTRAL

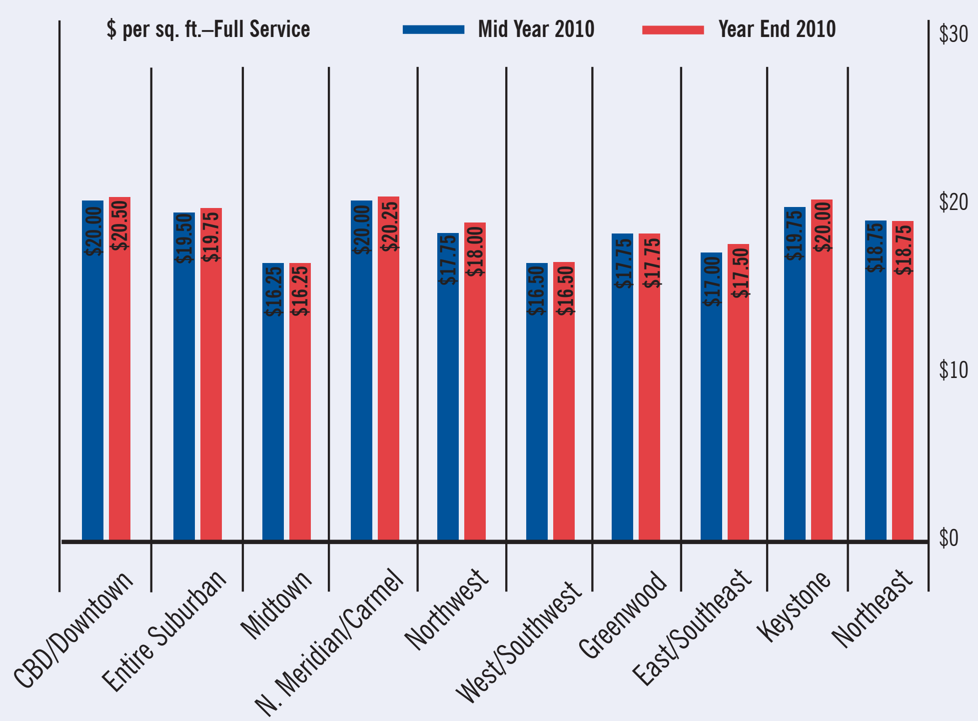
Castle Creek III-VI went into receivership even with positive net absorption of nearly 13,500 sq. ft.

In the second half of 2010 the Northeast submarket remained stagnant, with little positive absorption. This submarket did have some positive news as Sallie Mae moved nearly 300 employees back into their 100,000 sq. ft. call center on Craig Street. However, Castle Creek III-VI were placed in receivership at the end of December.

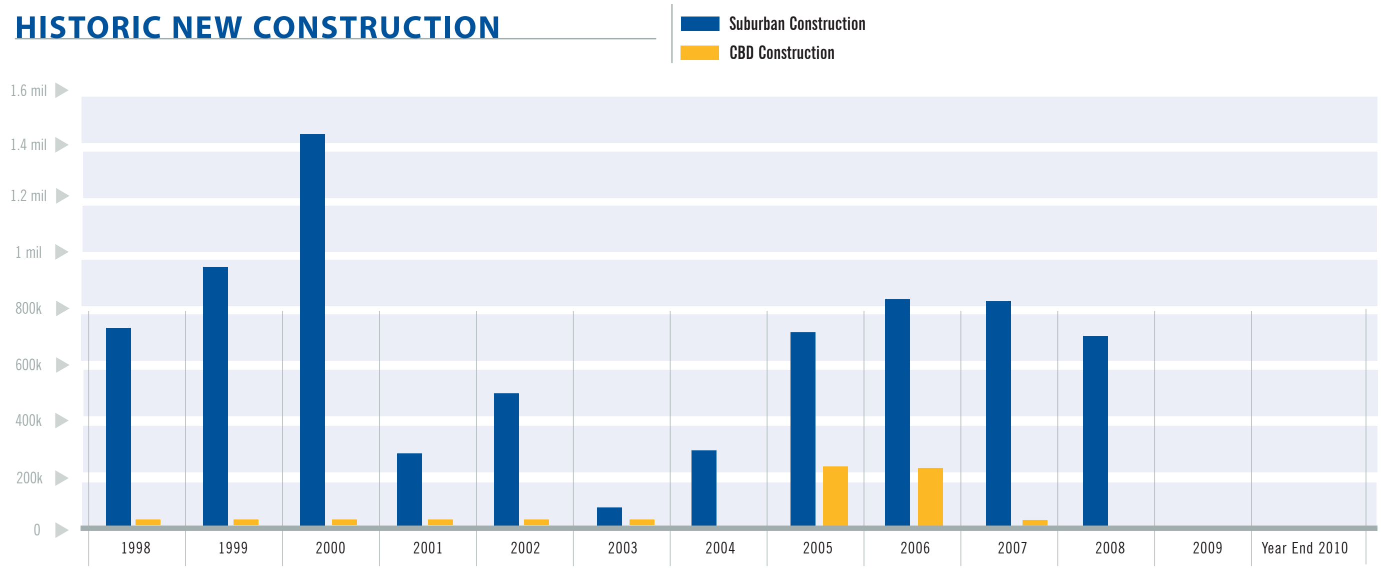
2011 should offer tenants in the Northeast submarket a chance to renew or move with rates that will remain stable but with increased concessions in the form of free rent and other secondary incentives. Certain landlords facing demanding lenders will need to offer more aggressive terms to increase activity and cash flow. As of yet, these landlords have not been lowering rates but maintaining them artificially through increased free rent and tenant improvement dollars. That trend will most likely continue.

Expect to see investment activity uptick as the capital market limitations loosen and investors dip their toes in the Indianapolis market again in 2011. Owners of investment grade office buildings have quietly put the word out that they might be willing to sell in 2011 if cap rates improve enough to justify a sale. Both investment and small building sale activity has been virtually non-existent in the market, as lending requirements have proved too restrictive.

INDIANAPOLIS AVERAGE CLASS "A" ASKING RENTS - OFFICE

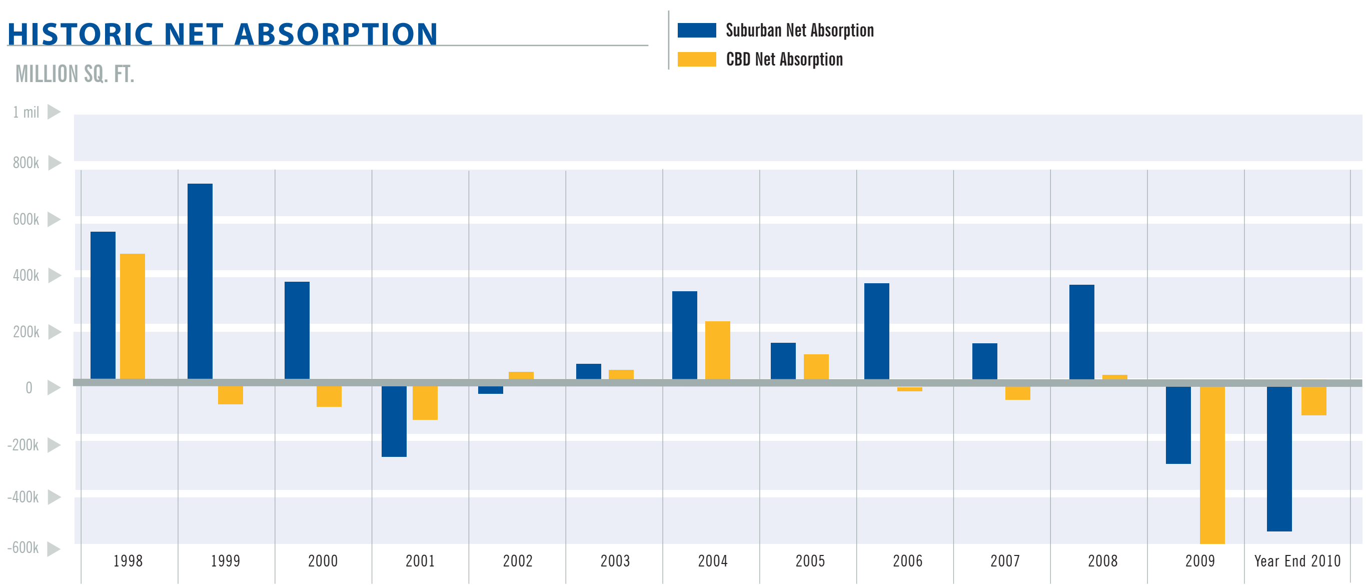


HISTORIC NEW CONSTRUCTION

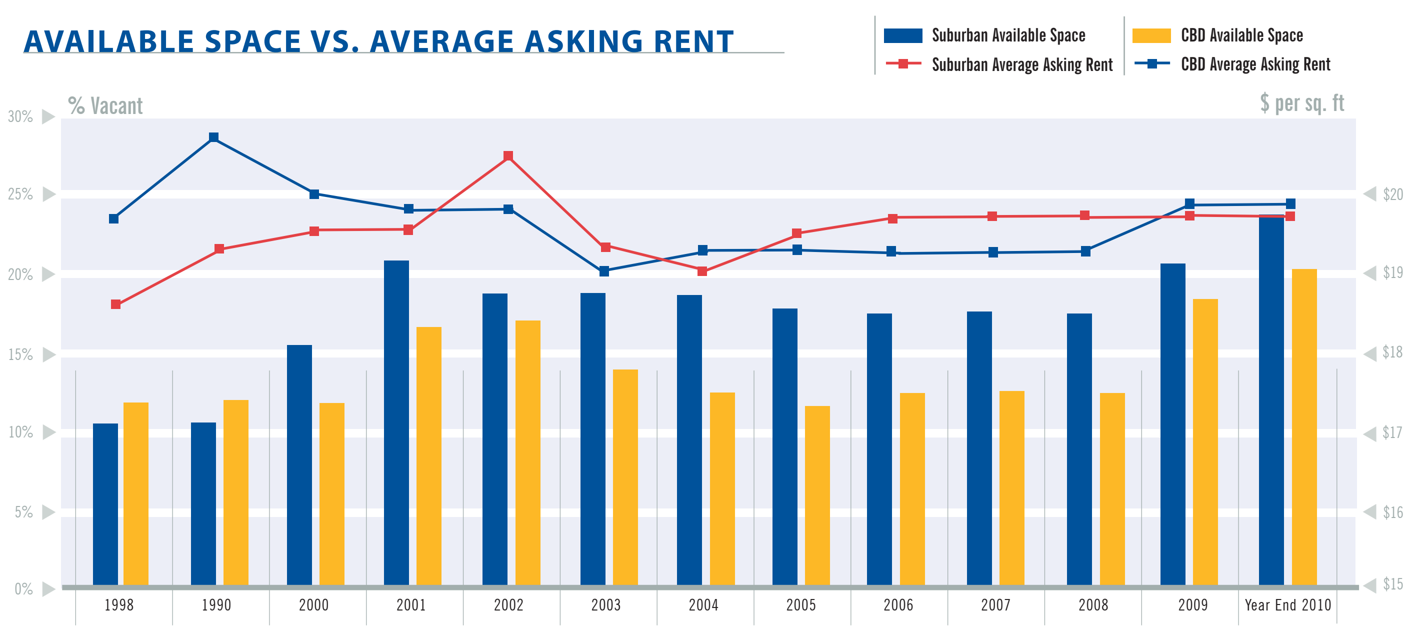


HISTORIC NET ABSORPTION

MILLION SQ. FT.

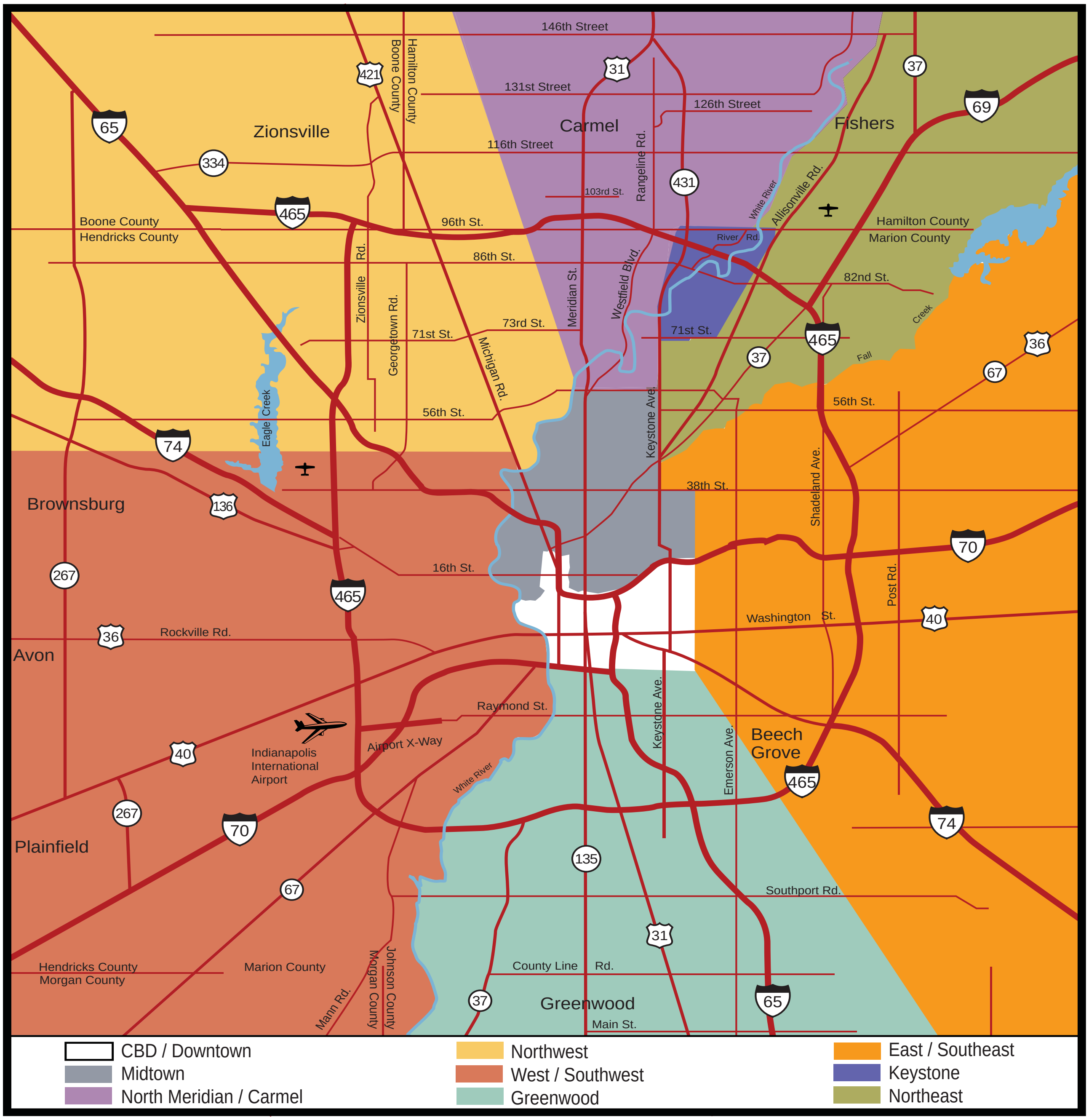


AVAILABLE SPACE VS. AVERAGE ASKING RENT



Submarket Map

INDIANAPOLIS - OFFICE



Meridian MarketWatch is a publication detailing current and historical real estate news and trends in Indianapolis, Indiana.
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