

Mid Year '15

Office Market Report



With the year half over, it is time to recap the commercial office market. We continue to see a transition underway of fewer employees overall and a reduction of space per employee ratios. Secondly, the attraction of mixed use developments to office users and their employees are driving higher occupancy and rental rates for office buildings located within these locations. We expect this is a long-term driver that will influence the market for an extended period.

Jeff Harris
President | **NAI Meridian**

Conservative momentum driving the Indianapolis office market.

The Indianapolis office market continues to move forward at a measured and conservative pace. Now that the federal employment levels have stabilized, employers continue to use technology and software to increase productivity. This along with the ongoing reduction of employees/sq. ft. ratios continue to create downward pressure on office occupancy levels.

While the office market has steady activity, it is difficult to increase market occupancies with negative absorption the market is experiencing. Buildings located in the mixed use developments (i.e. Keystone submarket) and N. Meridian are able to maintain their high occupancies and increase rental rates. The Northeast and Northwest submarkets are still struggling to attract new tenants and to increase occupancy and rental rates.

However, even with these conditions there has been strong activity in the investment sale market with Onward Investors purchasing the 181,000 sq. ft. College Park Plaza, Hendricks Commercial Properties purchasing the 151,000 sq. ft. Century Building, Performance Real Estate Services purchasing the 97,000 sq. ft. 4400 W. 96th Street building, and Fairbridge Properties purchasing the 305,000 sq. ft. Landmark Center.

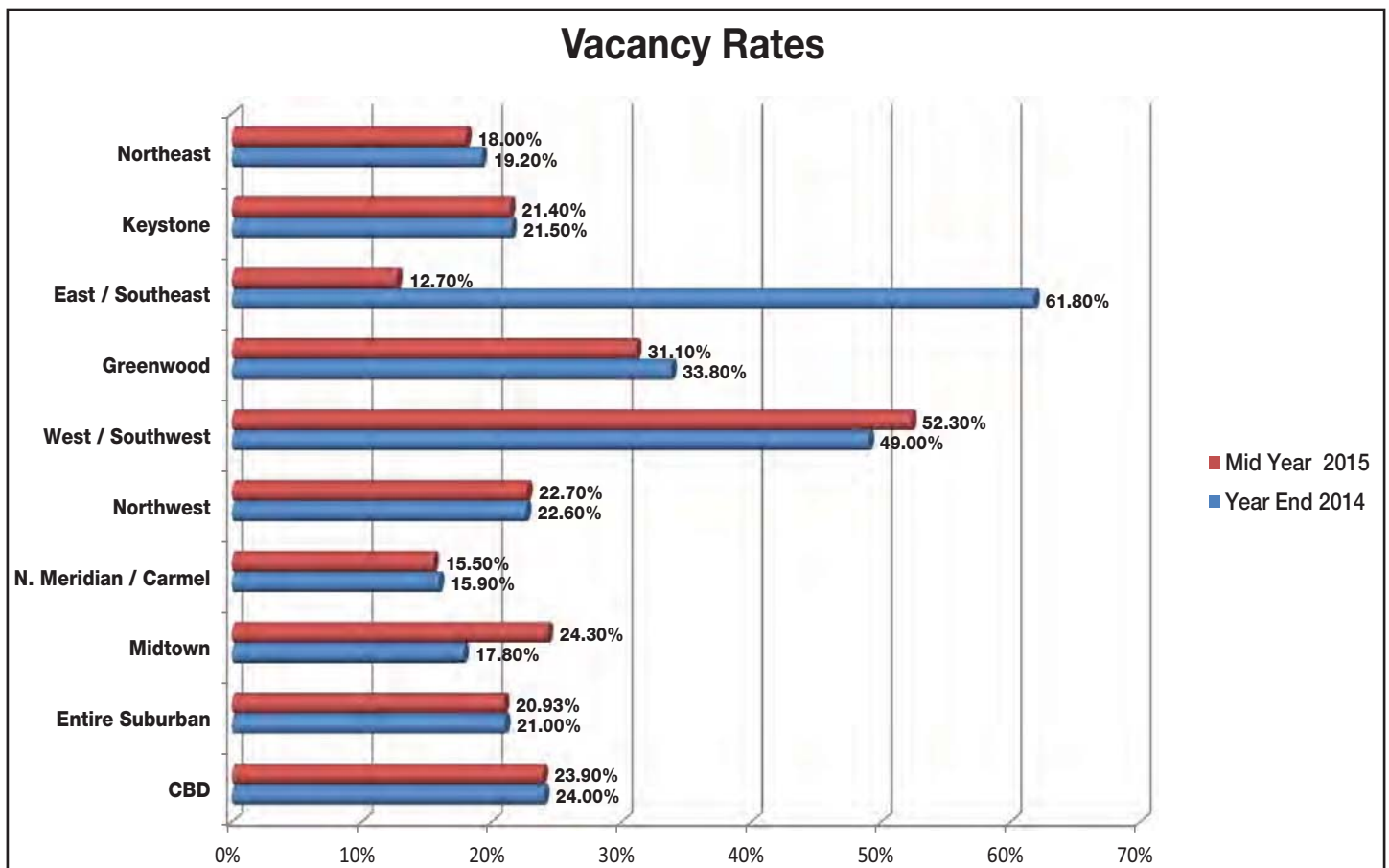
* The information contained herein has been given to us by sources we deem reliable. We have no reason to doubt its accuracy, however, we do not make any guarantees. All information should be verified before relying thereon.

* Source: NAI Meridian and CoStar Property®

Market Overview Report

Total Market Statistics

SUBMARKET	# BLDGS.	TOTAL RBA (SF)	DIRECT AVAILABLE (%)	SUBLET AVAILABLE (%)	TOTAL AVAILABLE (%)	TOTAL AVERAGE RATE (\$/SF/YR)	UNDER CONSTRUCTION (SF)
N. Meridian	146	8,338,391	14.2%	1.3%	15.5%	\$18.55	0
Midtown	25	1,519,976	22.0%	2.3%	24.3%	\$14.72	0
East/Southeast	14	2,086,216	12.7%	0%	12.7%	\$14.85	0
Northeast	135	7,273,679	16.9%	1.1%	18.0%	\$17.29	0
West/Southwest	39	1,770,141	52.3%	0%	52.3%	\$15.20	0
Northwest	86	5,373,696	21.4%	1.3%	22.7%	\$18.04	0
Keystone	63	4,113,365	19.9%	1.6%	21.4%	\$19.20	100,000
Greenwood	53	1,140,422	30.8%	.3%	31.1%	\$15.63	0
CBD	86	12,189,509	22.1%	1.8%	23.9%	\$19.09	0
INDIANAPOLIS	647	43,805,414	20.42%	1.3%	21.72%	\$18.15	100,000



Metrowide Statistics

Office Leasing

Absorption: Measure of Demand in Square Footage for Office Space (All Office Space)

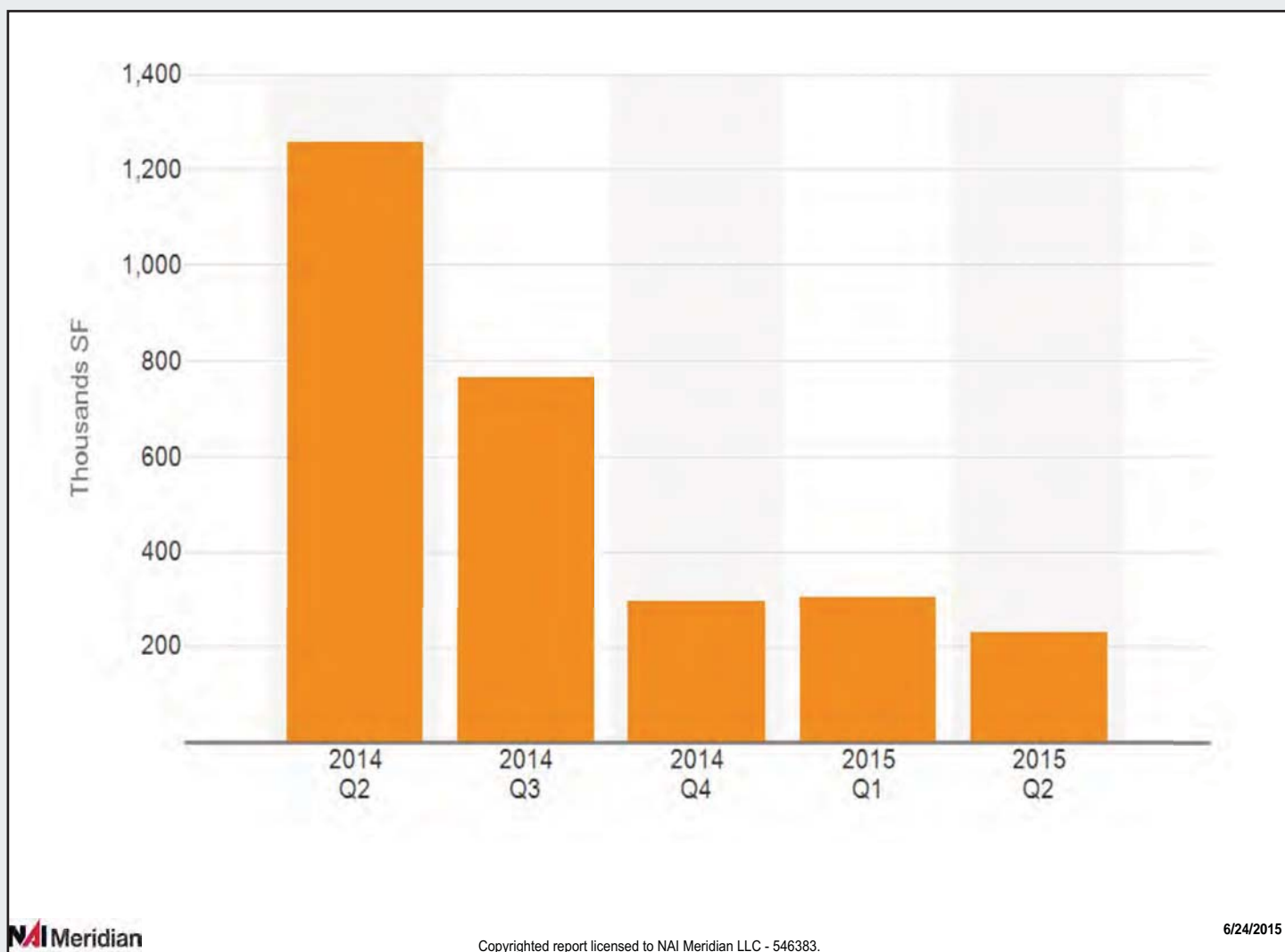
Total Net Absorption for All Markets Mid Year 2015 = <141,064>
(Down from <293,724> at the end of 4Q 2014)

The breakdown of total absorption between the Suburbs and the CBD was:

CBD <22,860>

Suburbs <118,204>

Leasing Activity Mid Year 2015



Citywide Statistics

All Classes of Office Space

Office Space Statistical Changes Year-over-Year and Last Half over First Half

4th Qtr. 14 **vs.** 2nd Qtr. 15



NET ABSORPTION



VACANCY RATE



CONSTRUCTION



ASKING RATES

2nd Qtr. 14 **vs.** 2nd Qtr. 15



NET ABSORPTION



VACANCY RATE



CONSTRUCTION



ASKING RATES

Months to Lease Mid Year 2015



Metro Indy Overview

Vacancy

- Ticked down slightly to 20.93% in the suburbs at the end of Q2 2015.
- CBD vacancy increased slightly to 23.9% up from 22.2% at the end of Q4 2015.
- Absorption was negative market-wide with <118,204> sq. ft. in the suburbs and <22,860> sq. ft. in the CBD for Mid Year 2015.

Rental Rates

(Building Classes A & B Combined)

- Landlord concessions such as free rent, construction allowances, etc. are on the decline in the well leased Carmel and Keystone submarkets and increasing in the high vacancy Northwest and Northeast submarkets.

New Construction

(Building Classes A & B Combined)

- With the exception of River Crossing North, which recently broke ground in the Keystone submarket, speculative office development is non-existent.
- Lids new 150,000 sq. ft. office building, currently under construction, is scheduled to open in January 2016.

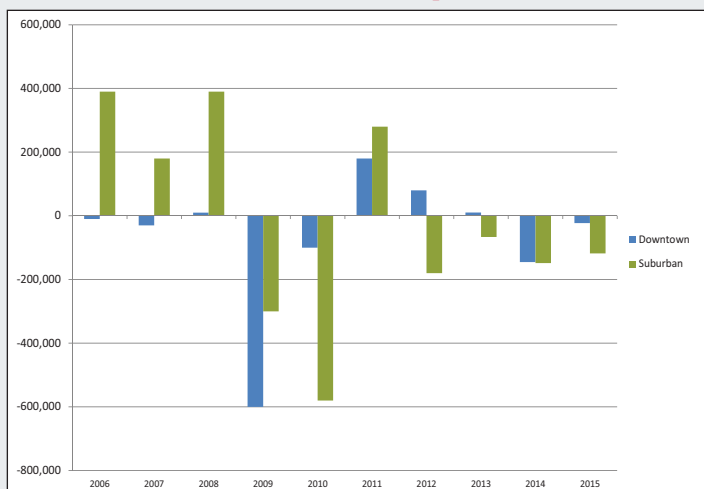
Sublease Space

- In the last 6 months, inventory of sublease space available citywide has been increasing in class A & B buildings.

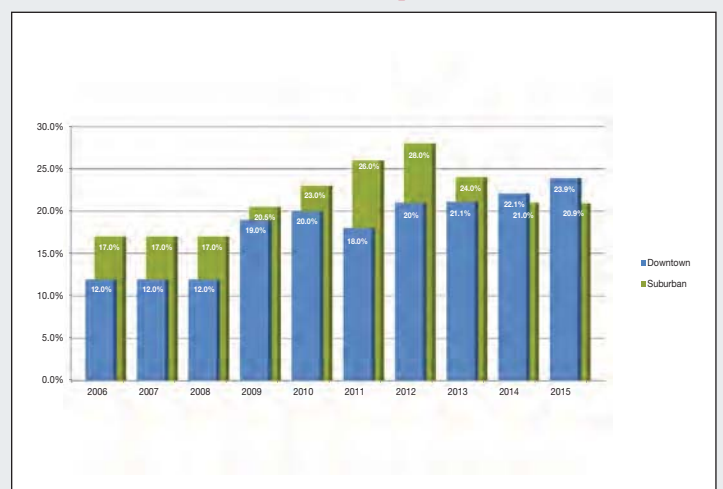
Distressed Properties

- Inventory of high vacancy or over leveraged properties continues to decrease, adding to the available recapitalized office space back on the market.

Historic Net Absorption



Available Space



Absorption (Net)

The change in occupied space in a given time period.

Available Square Footage

Net rentable area considered available for lease; excludes sublease space.

Average Asking Rental Rate

Rental rate as quoted from each building's owner/management company. For office space, a full service rate was requested; for retail, a triple net rate requested; for industrial, a NN basis.

Building Class

Class A Product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

Direct Vacancy

Space currently available for lease directly with the landlord or building owner.

Market Size

Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

Overall Vacancy

All physically unoccupied lease space, either direct or sublease.

SF/PSF

Square foot/per square foot, used as a unit of measurement.

Sublease

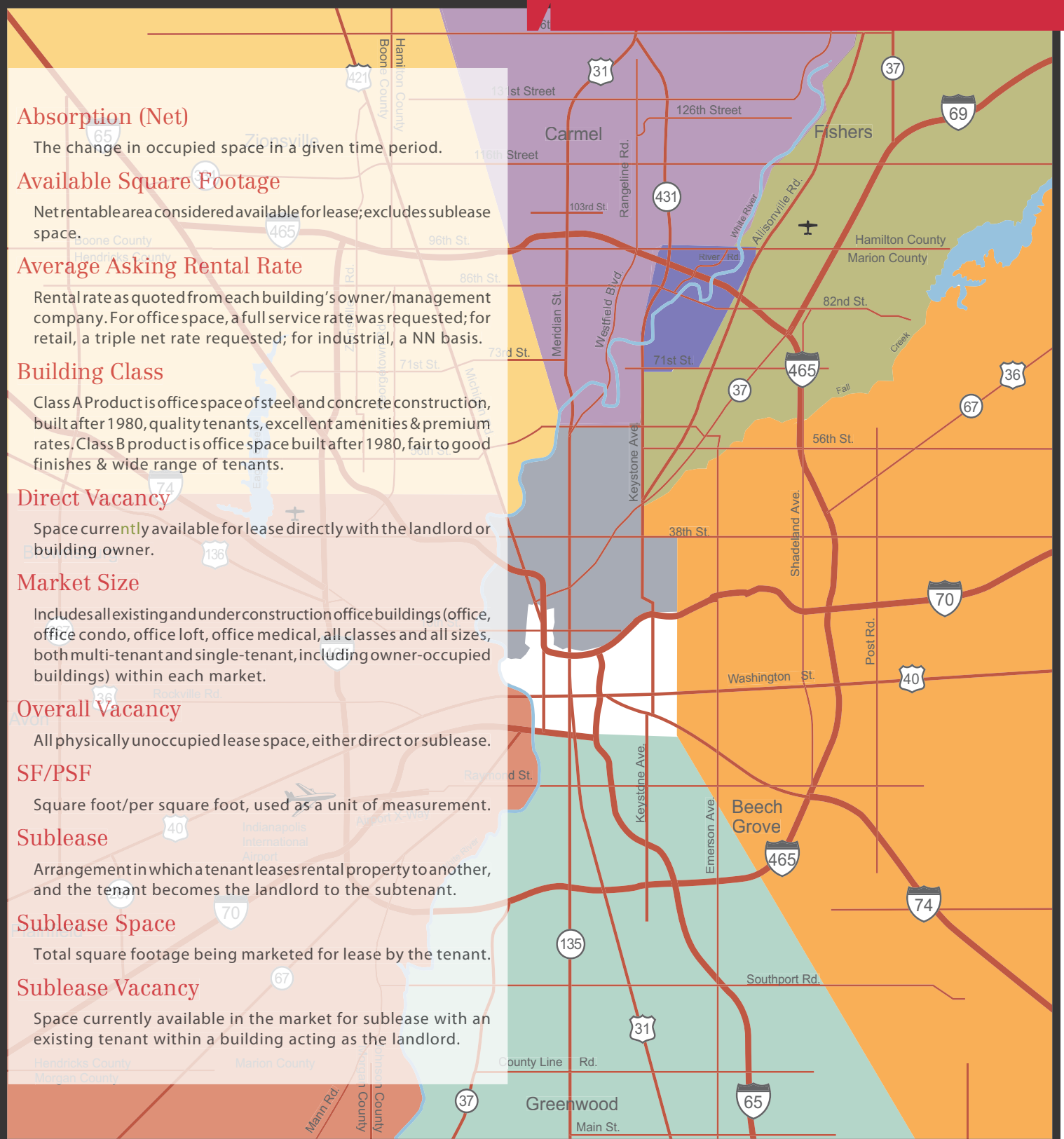
Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.

Sublease Space

Total square footage being marketed for lease by the tenant.

Sublease Vacancy

Space currently available in the market for sublease with an existing tenant within a building acting as the landlord.



- CBD / Downtown
- Midtown
- North Meridian / Carmel

- Northwest
- West / Southwest
- Greenwood

- East / Southeast
- Keystone
- Northeast

Mid Year '15

Indianapolis Office Market Report

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