1201 New York Ave., NW, Ste. 350
Washington, DC 20005
www.sior.com
202.449.8200

Indianapolis, Indiana: Office Survey

Inventory (sf)	Class A CBD	Class A Outside CBD	Class B CBD	Class B Outside CBD
Total	6,475,000	8,078,000	3,931,000	8,261,000
Vacant	962,000	1,767,000	671,000	1,588,000
Vacant Sublease	215,000	220,000	191,000	151,000
Under Construction	0	171,000	0	20,000
Substantial Rehab	0	0	0	0
Net Absorption	169,000	233,000	-5,000	-30,000
Vacancy Rate	14.86%	21.87%	17.07%	19.22%
Rental Rates ($/sf)				
Lowest	$16.50	$14.00	$9.25	$10.00
Highest	$24.00	$24.00	$21.00	$20.25
Weighted Average	$19.00	$18.50	$17.00	$16.50
Sales Prices ($/sf)				
Lowest	$76.75	$80.50	$54.00	$42.00
Highest	$92.00	$97.25	$80.00	$81.00
Weighted Average	$85.00	$88.00	$70.00	$60.00
Operating Expenses ($/sf)				
Lowest	$5.50	$4.50	$4.50	$1.25
Highest	$7.50	$7.00	$6.00	$5.50
Weighted Average	$6.50	$5.75	$5.25	$3.50
Tax Expenses ($/sf)				
Lowest	$1.50	$1.25	$0.65	$0.60
Highest	$3.25	$2.50	$1.25	$1.85
Weighted Average	$2.25	$1.75	$0.95	$1.15

Utility Rates: CBD $1.56 per sf
Outside CBD $1.25 per sf
Not Separately Metered

Parking Ratio: CBD 1 per 1000 sf
Outside CBD 1 per 500 sf

Standard Work Letter: $20.00 per sf
typically based on dollars per square foot

Operating Cost Escalation: determined by Base Year

Rate Of Return: Cap Rate: 10%
IRR: 12%

Mortgage Money Supply: Ample
Prime Source of Financing:
Private

Cumulative Discount Rate: 10-15%
Landlord Concessions:
Parking, Rental Abatement, Lease Assumptions, Moving Allowance, Addl. Interior Improvements, Signing Bonuses

Outlook

Absorption		Up	1-5%
Construction		Same	
Vacancies		Down	1-5%
Rental Rates		Same	
Landlord Concession		Down	1-5%
Sales Prices	Class A CBD	Same	
	Outside CBD	Up	1-5%
	Class B CBD	Same	
	Outside CBD	Same	

Leasing Activity Profile
Major Activity -
Minor Activity -

2003 Review

Year-to-date net absorption stands at a respectable 367,000 sq.ft. for the office market. The vast majority of this activity has taken place in the Class A space where net absorption for the year was 402,000 sq.ft., compared to a negative 35,000 sq.ft. of Class B space. Every submarket, with the exception of Fishers, had net occupancy growth. Five significant office buildings were completed in 2003, with construction totaling almost 520,000 sq.ft. However, no new construction is scheduled for completion until spring of 2004, as construction reached its lowest level in nearly 20 years. Only three buildings are scheduled for completion over the next year.

2004 Forecast

While market activity has picked up, most of the activity has been in the form of increased inquiries and showing rather than increased leasing. It should continue to be a "tenant market" through 2004 as vacancy rates apply downward pressure on rental rates and landlords continue making concessions such as free rent, building services, and improvements. Overall, the office market remains static, with no dramatic changes expected until late 2004. Economic recovery, especially within the job market, will continue to be the biggest factor influencing the office market into 2004. If the economy continues to grow at its current pace, companies will begin rehiring and the demand for space will increase, as an estimated 225 sq.ft. of office space is required for every new job created locally.

Reporter(s):
Owens Jon R., Colliers Turley Martin Tucker, 317.639.0447 jowens@ctmt.com