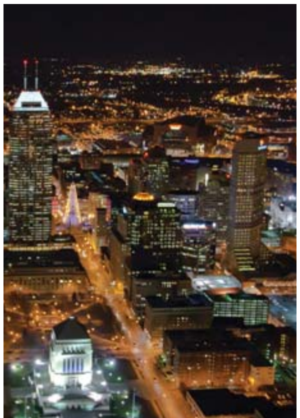
Cassidy Turley
Commercial Real Estate Services

Annual Market Report

Indianapolis, Indiana 2011

2011 Market Report

Indianapolis, Indiana



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Dear Colleagues,

On behalf of all of our associates, I would like to thank you, our clients and friends, for your tremendous support over the year. I am pleased to report that despite a challenging economy, with your help, 2010 was a year of exciting change and growth for our company. As of March 1 we launched a new corporate brand, Cassidy Turley, with 60 locations and over 2,800 associates, including 900 brokers.

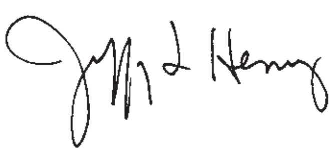
More importantly, we have been recognized for our performance; we are the #1 commercial brokerage firm and #1 commercial property management firm in Indianapolis, as ranked by *Indianapolis Business Journal*, and the #1 property management firm in the Midwest, as ranked by *Midwest Real Estate News*. Nationally we are a dominant advisor in capital markets transactions, recently ranked #1 in office sales in three of the six top markets by *Real Estate Alert*. At the same time, we support over 25,000 corporate services locations domestically.

The Indianapolis commercial real estate market endured another trying year in 2010 as the lingering burdens on the financial markets continued, credit conditions remained tight, and the employment engine failed to gather steam. Although these obstacles hampered the market and challenged business and consumer confidence, at year's end we witnessed growth, albeit limited, in virtually every commercial real estate sector. Of particular note, the industrial sector absorbed more than 3 million square feet in 2010, and the office sector moved into positive territory, thanks to a rebound in the second half of the year when occupancy increased by 335,000 square feet. As we embark upon 2011, the Central Indiana market is in better condition than many of our peer cities with strong assets and new development opportunities on the horizon.

In 2011 Cassidy Turley will continue to expand our reach into more major markets across the country, to supplement our service delivery for our clients. Internationally, in 2010 we created a partnership with GVA Grimley, the founder and majority shareholder of GVA Worldwide, to enhance our global service delivery.

Challenging economic times make insight into the real estate market even more critical to business success. To help you identify the opportunities that exist within the Central Indiana commercial real estate market, we are pleased to provide you with this 2011 Annual Market Report. As you review the enclosed information, we hope you continue to think of us to fulfill your commercial real estate service needs. Our team of more than 200 Indianapolis associates stands ready to assist you!

Sincerely,



Jeffrey L. Henry, SIOR
Managing Principal, Indianapolis
Regional Leader, North Central Region

Cassidy Turley Commercial Real Estate Services

2011 Market Report

Economic Overview

ECONOMY

At a glance

U.S. Economy	2009	2010	Outlook 2011
Real GDP	↓	↑	↔
Non-farm Equipment	↓	↑	↑
Office-Using Equipment	↓	↑	↑
Industrial Employment	↓	↑	↑
Retail Employment	↓	↑	↑
Consumer Confidence	↓	↑	↑
CPI Inflation	↓	↑	↑
Unemployment	↑	↔	↔
Manufacturing Index (ISM)	↓	↑	↑
Retail Sales	↓	↑	↑
Existing Home Sales	↔	↔	↔
Existing Home Prices	↔	↓	↔
Housing Starts	↔	↔	↑
U.S. Industrial Absorption	↓	↑	↑
U.S. Office Absorption	↓	↑	↑

Economic Trajectory Is Up, Commercial Real Estate Markets Will See Limited Improvement in 2011

U.S. Economy

The U.S. economy lost the momentum it originally exhibited coming out of the recession with many of the economic drivers that were propelling growth, such as homes sales, retail sales and exports, having all declined significantly from the levels recorded at the midpoint of 2010. Real Gross Domestic Product (GDP), the output of goods and services produced by labor and property within the country, increased at an annual rate of 2.5 percent in the third quarter of 2010. This increase primarily reflected positive contributions from personal consumption expenditures, private inventory investment, nonresidential fixed investment, exports, and federal government spending that were partly offset by a negative contribution from residential fixed investment. Real GDP is now on pace to grow at a rate below 3 percent for all of 2011. For perspective, the last strong recovery in the U.S. occurred in the early 1980s when GDP ranged between 4 and 7 percent immediately following the decade's economic downturn.

Optimistically, fourth-quarter reports from the Institute for Supply Management's Report on Business bode well for an increase in GDP growth. According to the report, economic activity in the manufacturing sector expanded in November for the 16th consecutive month with both new orders and production continuing to expand as the Production Managers Index (PMI) registered 56.6 percent. A reading above 50 percent indicates the manufacturing economy is generally expanding; below 50 percent indicates it is generally contracting. The past relationship between the PMI and the overall economy indicates that the average PMI for January through November of 57.3 percent corresponds to a 5.1 percent increase in GDP. Additionally, if the PMI of 56.6 percent for November is annualized, it corresponds to a 4.9 percent increase in GDP annually. The continued expansion of new orders and the pace of production within the manufacturing sectors will be important drivers in boosting GDP between 4 and 7 percent.

While GDP growth has been disappointing, corporate profits have been a clear silver lining in this recovery. According to the U.S. Department of Commerce, corporations earned profits at an annual rate of $1.7 trillion in the third quarter. This marked the seventh consecutive quarter of growth at some of the fastest rates in history. This historical rate is partly attributable to strong productivity growth as well as profits from abroad. As a share of GDP, corporate profits have also been increasing and now represent 11.2 percent of total output, which is the highest share since the fourth quarter of 2006. Historically, corporate profits would translate into healthy job creation six to nine quarters later. However, small businesses are still struggling, and they typically account for 60 percent of total job creation. Positively for corporate profits, according to the Institute of Supply Management, overall expectations for the manufacturing sector are for a continuation of the economic recovery that began in mid-2009 with overall manufacturing revenues increasing by 5.6 percent in 2011. The non-manufacturing sector appears slightly less positive about 2011, expecting revenues to increase by 3.4 percent during the year.

Confidence remains the key variable underlying the pace of improvement of virtually every segment of the economy and, correspondingly, the commercial real estate market. The Conference Board Consumer Confidence Index, which had improved in October, increased further in November. At the close of November, the Index stood at 54.1 (1985=100), up from 49.9 in October. Consumer confidence now stands at its highest level in five months, and although the October-to-November increase was slight, the index suggests the economy is still expanding, albeit slowly. Importantly, consumer expectations, the main driver of the November increase in confidence, are now at the highest level since May. Consumers' appraisal of business conditions was more optimistic in November than October. Those anticipating an improvement in business conditions over the next six months rose to 16.7 percent from 15.8 percent, while those anticipating business conditions will worsen declined to 12.1 percent from 14.4 percent. Consumers were also more upbeat about future job prospects. Those expecting fewer jobs in the months ahead declined to 18.8 percent from 22.3 percent, while the percentage expecting more jobs rose to 15.5 percent from 14.5 percent. Just as importantly, the proportion of consumers expecting an increase in their incomes increased to 10.6 percent from 9.7 percent. What remains to be seen, however, is whether the improvement in consumers' moods will translate into an improved employment picture in 2011.

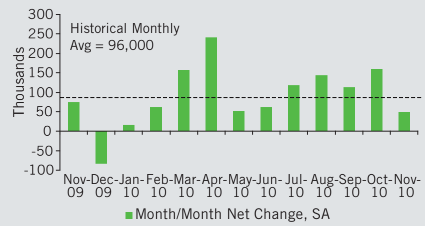
Commercial real estate demand is highly dependent upon job creation. Employment dropped drastically during the 2007-2009 recession, and the economic malaise was especially burdensome on small businesses. Nationally, employment for small businesses with fewer than 50 employees has already decreased by 1.9 million workers over the past two years. Domestic employment levels for professional and business services, a key driver of office sector demand, bottomed out in the third quarter of 2009, while employment in the retail and manufacturing sectors declined in the fourth quarter of 2009. Since then, employment has improved in all three sectors, but the U.S. economy still needs to replace the 6.7 million jobs that were lost in 2008 and 2009 in order for vacancy to return close to its pre-recession levels. From January through November 2010, the U.S. created 1.2 million private sector jobs according to the Bureau of Labor Statistics (BLS). While that was a healthy number relative to the job increases experienced in the 1991 and 2001 recession-recovery periods, it was not enough to lower the unemployment rate, which rose to 9.8 percent in November. With the current recovery tracking much slower, as demonstrated by employment increasing by just 39,000 from October to November, national unemployment is now expected to remain elevated above 9.5 percent through 2011.

2010 levels of worker productivity offer the promise of helping to support job creation in 2011, thereby strengthening a commercial real estate rebound. Companies cut payrolls during the recession by 8.4 million jobs from December 2007 to December 2009, and productivity surged as companies were able to produce more with fewer workers. The slow pace of worker productivity witnessed in 2010 is an encouraging sign that companies will have to step up their hiring of laid-off workers as declining labor productivity has historically correlated with improved job growth. Productivity grew at an annual rate of 1.9 percent in the third quarter, a rebound from a decline of 1.8 percent in the second quarter. Notably, the second-quarter decline had been the biggest drop in nearly four years, indicating that many companies have reached the limit of how much they can stretch their existing work forces. Even with the slight improvement in productivity in the third quarter, the 1.9 percent rate is still well below the 3.5 percent increase turned in for all of 2009.

Another development that will support job creation in the short term is the December enactment of the $858 billion tax-cut package that extends for two years all of the Bush-era income tax cuts which were scheduled to expire at the end of 2010. It

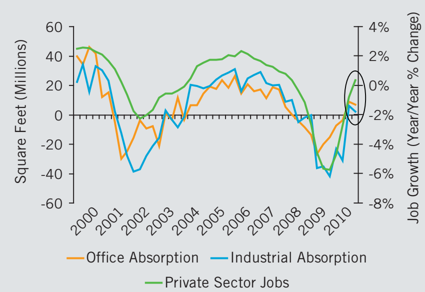
Economic / MARKET TRACKER

Private Sector Employment



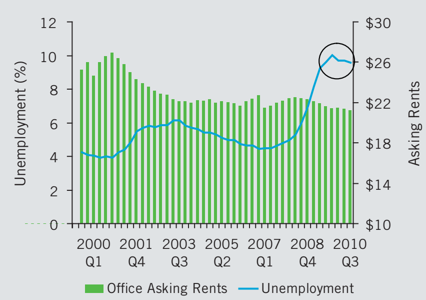
Source: BLS; Cassidy Turley Research

Modest Increase in Demand Continues



Source: BLS; Cassidy Turley Research

Unemployment too High to Push Rents



Source: BLS; Cassidy Turley Research

also provides workers a one-year payroll tax cut, extends emergency unemployment benefits for 13 months, renews various tax breaks for specific types of important local businesses ranging from renewable-energy producers to motor speedways, and gives businesses an incentive to invest in new equipment by allowing them to expense 100 percent of their capital expenditures in 2011. In the near term, the temporary tax cuts and spending increases will help boost the economy. Moody's Analytics estimates that an additional 1.6 million jobs could be added in 2011 by the extension of the tax cuts and increased spending. Historically office-using jobs account for 20 percent of job growth, so assuming Moody's estimates are accurate, this would equate to an additional 320,000 office-using jobs for the U.S. economy. What is more uncertain is the long-term economic impact of the tax cuts and how heavily the ballooning federal debt will weigh upon the nation's economic output.

There is no doubt that federal spending plays a significant role in the U.S. economy. Public debt has increased significantly over the past two years due to increased federal spending. Federal outlays currently account for an estimated 19 percent of national GDP, and that percentage is growing. Over the past year, federal outlays increased 2.7 percent annually, slightly higher than the 30-year average increase of 2.5 percent. To address debt, the 112th Congress will need to examine federal revenues and spending and determine which programs to curtail or cut. Looking back over the past 25 years, a divided or unified government has not made a significant impact on federal spending. The federal government has continued to increase spending, regardless of political party control. The main issue continues to be which federal programs or initiatives are retained or cut. History also demonstrates that funding for specific programs significantly impacts procurement expenditures for private sector contracts. Additionally, changes in federal government employment affect the private sector with 1.1 to 3 contractor jobs created for every federal government job. Depending on how aggressively Congress implements spending cuts to combat the economic burden caused by the increasing debt, commercial office demand across the country tied to federal contracting could be strongly impacted.

The Federal Reserve has also been engaged in actions intended to support the growth of the U.S. economy. The Federal Reserve has kept the federal funds rate, a benchmark for interest rates and the central bank's key tool to spur the economy, at historic lows near zero since the fourth quarter of 2008 and recently stated that it would continue to keep the rate at low levels for an "extended period." Despite this, consumers and businesses have remained reluctant to spend and economic growth has been abysmal. As a result, in November the Federal Reserve announced its second round of Quantitative Easing, known as QE2, whereby the central bank will purchase $600 billion in long-term U.S. Treasury bonds in an effort to push down long-term interest rates. The first round of quantitative easing, from January 2009 to March 2010, resulted in the repurchase of approximately $1.4 trillion in mortgage-backed securities and Treasury securities. Although it is generally credited for helping the U.S. avoid an economic collapse, the U.S. recovery has failed to return to healthy growth. According to Moody's Analytics, QE2 will raise GDP growth by an additional 60 bps, promote job creation, and lower the unemployment rate by half a percentage point in 2011. Any boost to the economy will generate greater demand for office and warehouse space. Perhaps the greater impact from QE2 will be a general loosening of overall lending conditions. The Federal Reserve has reported that banks' loan volume for commercial real estate is down 8 percent in 2010 compared to a year ago. Injection of additional liquidity into an economy that is already on the mend should result in increased loan volume. Another important side effect to watch for is whether or not QE2 will have an impact on consumer confidence, which is highly correlated with occupancy rates in commercial real estate. Although the impact and efficacy of QE2 is the subject of debate by many economists and commercial real estate professionals, it demonstrates that the Federal Reserve remains engaged in taking actions to support economic growth.

Despite the Federal Reserve's engagement in keeping interest rates low through the implementation of policies such as QE2, rates continue to rise in the U.S. and, indeed, around the world for a multitude of reasons. An important determination which remains to be seen is whether rising interest rates are a function of the newly elevated risks associated with U.S. long-term debt or if it is a manifestation of an economic recovery. Historically, a rise in interest rates has been a harbinger of a strengthening economy. This was the case following nearly every recession post World War II. If interest rates are rising because the economy is becoming more robust, then all the metrics that go into a building's pro forma should also be improving (e.g., stronger absorption, lower vacancy, eventually leading to higher rents). Although the pro forma repair work has begun, the reality is that slow job growth and an oversupply of empty space make it unrealistic to expect that net operating income growth will keep pace with a sudden spike in treasuries.

Of course there are factors other than interest rates to consider in determining the future direction of property values. In 2010 national investment sales volume, though better than 2009, was still down 82 percent from its peak in 2007. In other words, record low interest rates have not translated into robust sales. A primary reason for this is the fact that in 2010 large commercial banks were still, on net, paying down debt. If lending conditions return to normal prompted by a stronger economic recovery which will be reflected in part in rising interest rates, then debt should begin to resemble something that looks a bit like normal. That would create a new wave of demand which would ultimately produce cap rate compression and drive commercial real estate values upward.

Central Indiana Economy

The Central Indiana economic outlook for 2011 brightened somewhat at the close of 2010 as the Leading Index for Indiana (LII) increased slightly for the third consecutive month to 96.9. The LII saw a substantial increase in October, rising from 96.4 to 96.8, and a smaller but still encouraging increase in November to 96.9. The LII is an index developed by the Indiana Business Research Center designed to reflect the structure of the state economy and predict, in a general way, the direction of economic activity within the next several quarters. It is comprised of five national measures that become available more quickly than do state-level data, thereby offering a more timely view of future conditions. The five components of the index are the National Association of Home Builders Housing Market Index, the Census Bureau's value of unfilled motor vehicle and parts orders, the interest rate spread between the Federal Funds rate and the 10-year Treasury yield, the Purchasing Managers Index, and the Dow Jones Transportation Average.

Elevated levels of unsold homes within Central Indiana continued to be a drag on new residential construction and home prices. According to the National Association of Home Builders (NAHB), the fourth quarter saw only a modest improvement in sales with showroom traffic weak but conversion rates increasing. After inching up a mere point in October, the NAHB Index remained at 16 in November. Regionally, the HMI regional score declined four points in the Midwest as a result of the ongoing weakness in the job market, the rising number of foreclosures and short-sales, and very challenging credit conditions. Residential development of new properties was minimal as builders were instead concentrating on the disposition of existing distressed properties. Likewise, private nonresidential construction remained subdued, although there was a small increase in industrial projects during the fourth quarter. On the other hand, public construction, driven by highway and bridge work, remained robust. Although indications are that the housing market has reached its bottom, default and delinquencies will remain intense in the coming year, and we expect to see a marked increase in bank notes being issued in 2011 as it relates to an ever-increasing number of REO properties. Further, the availability of mortgage financing, particularly for condominiums, will remain a constraint for homebuyers, although lower mortgage rates will continue to lead to an increase in refinancing. Unfortunately, our outlook gives little reason for Indiana builders to be optimistic about the first half of 2011.

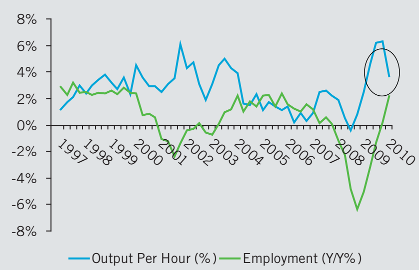
Things look somewhat brighter for other sectors of the Central Indiana economy. Notably, unfilled orders of motor vehicles and parts witnessed three consecutive months of increases through November after a nearly continuous 41-month slide. November auto sales numbers continued September and October's improvement on a seasonally adjusted annual basis to 12.2 million units. Year-to-date, auto sales are up 11.1 percent over last year. According to CNW Research, December was also off to a strong start with a "staggering increase in floor traffic" versus 2009, but inclement weather may adversely affect the full month's sales. Importantly, banks and other lending institutions continue to approve more auto loans even among sub-prime borrowers who, until recently, have been locked out of the new vehicle market the last two years. Positively, this trend is expected to continue in the near term and should equate to a fairly positive first quarter of 2011.

Economic / MARKET TRACKER

U.S. Unemployment Remains Elevated

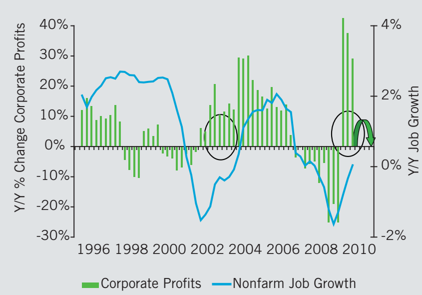
Source: BLS

Worker Productivity Has Peaked



Source: BLS

Corporate Profits: Trend is Up



Source: BLS; U.S. Census Bureau; Cassidy Turley Research

Other economic indicators of the LII are showing positive signs as well. Initial reports for holiday retail sales in November were encouraging. The Ceridian-UCLA Pulse of Commerce Index (PCI), a real-time measure of the flow of goods to U.S. factories, retailers and consumers, also rose 0.4 percent in November after three months of decline. Also, the Dow Jones Transportation Average (DJTA), a stock market index of the transportation sector, rose just over 100 points, or 2.1 percent, in November. Similarly, manufacturing production continued to improve through October and early November with the fabricated metals, automotive, and heavy equipment sectors remaining strong sources of growth. A positive indicator for the region's factory producers is that automobile manufacturers are beginning to make major capital investments and expand capacity. As a result, automobile-related manufacturing and the associated industry of metal fabrication will witness further job growth as more buyers begin returning to dealer showrooms, thereby supporting demand for industrial space within the manufacturing and distribution sectors.

Further encouragement for the Central Indiana economy was offered by the Federal Reserve in its year-end commentary on the Federal Reserve's Seventh District, which includes the Indianapolis MSA. According to the Fed, business spending continued to increase at a steady pace and consumer spending was up moderately from the third to fourth quarters of 2010. We have also witnessed better conditions within banking and finance. Credit conditions are improving, and competition for high-quality borrowers is leading to aggressive terms and structure for business credit, although core business demand remains weak.
In contrast to soft core business activity, demand increased for refinancing, merger and acquisition lending, and agribusiness working capital. Welcome news came from the Federal Reserve's report that from their vantage point commercial real estate conditions were improving, with both CMBS issuance and bank lending for distressed commercial property investment increasing through November. Despite the fact that loan quality and bank earnings are improving, the Federal Reserve's forecast remains modest for asset growth in 2011 as business and household deleveraging continues.

Despite these positive indications in business and consumer spending and banking and finance, meaningful commercial real estate improvement will not occur until we see a dramatic improvement in the Central Indiana job market. Preliminary data from the U.S. Bureau of Labor Statistics reported that the Indianapolis metropolitan area's not seasonally adjusted (NSA) unemployment rate stood at 8.7 percent in November, with hiring again limited most to manufacturers bringing on temporary workers. The fourth quarter also saw manufacturers increasing the number of work shifts, which could translate into the hiring of additional permanent employees in 2011. Outside manufacturing, hiring in information technology, engineering and healthcare remained strong. Additionally, both retail and office employment levels were higher in 2010, with seasonal hiring in retail trade and small increases in demand for temporary office and clerical workers causing employment to tick upward.

Within Central Indiana, Marion County witnessed the highest NSA unemployment rate in November at 9.6 percent, which was 0.7 percent higher than in 2009, when the rate was 8.9 percent. Shelby County's NSA unemployment rate stood at 9 percent in November, having declined from 9.2 percent the previous November. Morgan County's NSA unemployment rate increased from 8.4 percent in November 2009 to 8.9 percent in November 2010. Meanwhile, Hancock County watched its NSA unemployment rate move from 8.1 percent in November 2009 to 8.4 percent at the end of November 2010. Both Hendricks County and Johnson County had an NSA unemployment rate of 7.9 percent in November, with both having increased from a 2009 rate of 7.7 percent. Countering this trend was Boone County, which witnessed its NSA unemployment rate decrease from the previous year, from 7.3 percent in 2009 to 7.1 percent in November 2010. Hamilton County had the lowest NSA November unemployment rate at 6.7 percent but was still higher than in 2009, when the rate was 6.5 percent.

Taking a historical viewpoint of our employment picture offers valuable perspective. Over 280,000 Indiana jobs have been lost since the beginning of the recession through January 2010, when the state began to once again add jobs. This equates to nearly one in ten Hoosier workers and is a larger loss than occurred during the 2001 recession, the S&L crisis, or the double-dip recession lasting from the first quarter of 1980 to the fourth quarter of 1982. According to the Indiana Department of Workforce Development, total Indiana nonfarm employment rose 1 percent through November and stood at 2,795,000. This equates to the addition of only 35,000 jobs from January through November; yet despite the slow improvement seen in the Hoosier job market, overall private sector employment in the state increased at twice the national rate for the majority of 2010. Another promising trend for commercial real estate within Indiana is that professional and business services, the primary users of office space, had the greatest 12-month percentage increase of any sector in the state at nearly 9 percent through November.

Outlook

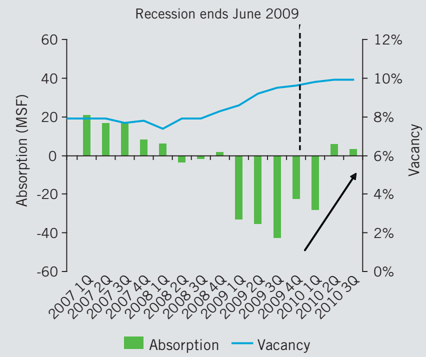
Looking forward, a subpar economy will translate into a subpar recovery for commercial real estate. Nevertheless, with the exception of retail, demand for commercial real estate space has improved across the board, and that trend will continue. For the first time in two years, demand for office, industrial, and apartment units all registered positive levels in the second quarter of 2010. Although the current pace of hiring has not been enough to cause the unemployment rate to drop measurably, it has been sufficient to keep vacancy rates generally even. Nevertheless, with vacancy running between 200 and 400 bps above the historical average for all commercial real estate sectors, rents will remain largely flat for the next two years. Class A and trophy space will continue to benefit from a flight to quality and an inelastic tenant base. The same can be said for investment sales, where quality assets in major markets will dominate sales activity in 2011. Moreover, core/stabilized assets in major markets will begin pricing similar to pre-recession levels.

For the balance of 2011, real GDP will remain well below the 3 percent growth rate needed to keep unemployment stable. Expect the labor markets to remain stagnant in 2011 and improve in 2012 when the economy will be growing at a more robust 4 to 6 percent rate; uncertainty will have abated, and confidence will have returned to the market. After reaching a low point in the third quarter of 2009, national office-using employment is projected to improve, adding an estimated 700,000 to 800,000 jobs annually over the next five years. However, there is the likelihood that national office employment, mainly within the professional and business services and financial activities sectors, will continue to decline for the next two to four quarters if the economy is slow to recover. In the near term, the Indianapolis metropolitan employment forecast is for annual job growth to be about 1.4 percent through 2011, with professional and business services rebounding first and the greatest job gains revolving around re-employment. Corporate profits will remain a catalyst, with both manufacturing and non-manufacturing revenues increasing, and job growth will remain a brake on economic growth. Expect overall manufacturing revenues to increase by 5.6 percent and non-manufacturing revenues to increase by 3.4 percent in 2011.

Persistently high unemployment levels, restricted credit access for small businesses, a weak housing market, budget challenges facing state and local governments, and uncertainty undercutting business and consumer confidence will make 2011 another challenging year for commercial real estate. However, there are reasons for optimism, including the continued favorable outlook of corporate earnings in 2011, an easing in the pace of bank failures, and stabilization of commercial real estate values that should aid in accelerating the resolution of problem loans and increase lending capacity for small businesses. In short, although 2011 will be somewhat better than the past year, we will experience much of the same in 2011 with economic growth being tepid and the job market remaining a major impediment to realizing significant increases in commercial real estate demand.

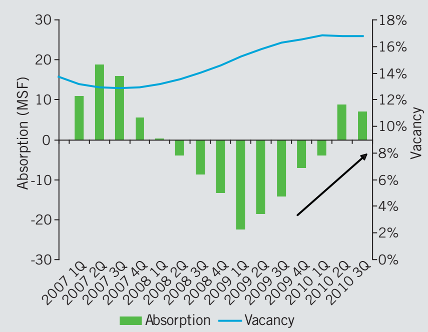
Economic / MARKET TRACKER

Demand Rising for Industrial Space: U.S. Net Absorption and Vacancy



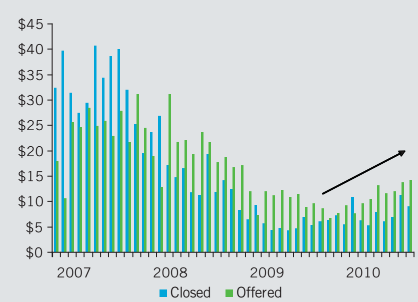
Source: Cassidy Turley Research

Demand Rising for Office Space: U.S. Net Absorption and Vacancy



Source: Cassidy Turley Research

Investment Sales Gradually Improving: All Property Types



Source: Real Capital Analytics

Cassidy Turley Commercial Real Estate Services

2011 Market Report

Industrial Market

INDIANAPOLIS INDUSTRIAL MARKET

At a glance

Net Statistics	2009	2010	Outlook 2011
Vacancy	↑	↓	↔
Absorption	↓	↑	↑
Construction	↑	↓	↔
Rents	↓	↔	↔

Industrial Highlights

- The Indianapolis Industrial Market had positive net absorption of 3.1 MSF in 2010, aided by fourth quarter absorption of 1.8 MSF, compared to 2.2 MSF of net absorption in 2009.
- The vacancy rate declined over the final three quarters of 2010 and ended the year at 6.7% compared to 7.4% in 2009.
- Construction projects totaled 1.2 MSF for the fourth quarter and 1.5 MSF for 2010.
- Asking rents remained flat to slightly down throughout the region with variations by product type and geographic difference continuing.

Indianapolis Industrial Market Posts Continued Growth in 2010, Outshines Other Midwest Cities

U.S. Industrial Market

Throughout 2010, nearly all metrics that drive demand for U.S. industrial space continued to show modest improvement relative to a year ago. Business sales and inventories, as measured by the Census Bureau, trended upward. The Institute for Supply Management (ISM) Manufacturing Index increased again in November for the 16th consecutive month, indicating the manufacturing sector remains in expansion mode. Industrial employment has added over 188,000 jobs since December 2009. Consumer spending, as measured by personal consumption expenditures, and retail sales are both trending higher compared to a year prior. Finally, exports and imports have returned to their near pre-recession levels.

As a result, net absorption of industrial space nationwide registered over 2.1 million square feet in the third quarter of 2010, marking a second straight quarter of positive demand. Fueled by improved demand for automobiles, construction equipment, industrial machinery and consumer-related goods, the Midwest region led the nation in absorption through September, with 4.9 million square feet of net demand for industrial space in the third quarter of 2010 alone, marking the largest quarterly gain in two years. Notable cities that drove the increase in Midwestern demand included Chicago, Milwaukee, Columbus, Dayton and Indianapolis. The Western U.S. also witnessed positive absorption through the first nine months, with 3.6 million square feet absorbed, while occupancy losses of 3.4 million square feet in the Northeast and 3 million in the South countered these gains.

U.S. industrial vacancy rates are stabilizing. In the third quarter of 2010, vacancy held at 9.9 percent, matching the level recorded in the second quarter of this year. Nevertheless, national vacancy remains nearly 200 basis points above the 10-year historical average of 8 percent. Within the Midwest, vacancy fell 10 basis points during the third quarter to 9.8 percent. Strikingly, Indianapolis posted the lowest vacancy rate of any Midwestern peer market through the first nine months of the year.

Sublease space is eroding. The total amount of sublease space available declined by 8.6 percent in the third quarter of 2010 from

Market Trend: Increase in industrial demand because of alternative energy projects. The sale of a 781,000 SF building in Tipton, Indiana to Abound Solar occurred as a result of a $400 Million grant from the U.S. Department of Energy.

the second quarter. Overall, sublease space currently accounts for 4.3 percent of the total available space, compared to 5 percent at its peaks in the fourth quarter of 2009.

Nationwide, rent declines are decelerating, and new supply remains constrained. Asking rents for industrial space fell just 3 cents, from $5.15 at midyear to $5.12 at the end of September. For comparison, in 2009 rents were falling at an average decline of 8 cents per quarter. Meanwhile, through the first three quarters of 2010, just 13.1 million square feet of new warehouse construction was completed in the U.S. For context, the industrial sector typically averages 73 million square feet of new construction in a given year dating back to 1993.

Indianapolis Industrial Market Overview

Despite a year plagued by uncertainty and the continuation of challenging economic conditions, such as restricted capital markets and elevated unemployment, many positive things happened in the Indianapolis industrial market. Leasing velocity was steady from the previous year, and absorption for 2010 was up with more than 4.7 million square feet of new leases completed, more than 7.4 million square feet of lease renewals, and almost 2 million square feet in building sales. Net absorption, or growth, was 3.1 million square feet, about 800,000 square feet more than in 2009. As in 2009, about half of the market's absorption can be attributed to two transactions; the sale of over 500,000 square feet to Brightpoint and the completion of the Johnson & Johnson distribution center.

Two submarkets endured negative absorption: Northwest and Northeast. However, this negative absorption did not have a significant impact on the overall vacancy rate or the vacancy rate of each respective submarket. Vacancy for the total market remained steady during 2010 at 7 percent. The other seven submarkets posted positive absorption with the West and South submarkets having a good year with 245,000 square feet and 915,000 square feet of absorbed space. Modern Bulk remained the most active product type during 2010 with nearly 2.6 million square feet of absorption. On the opposite end of the spectrum were Office Showroom, Flex and Medium Distribution. At year-end Office Showroom lost 260,000 square feet, Flex fell by 105,000 square feet, and Medium Distribution witnessed 44,000 square feet of negative absorption. An interesting anomaly, Medium Distribution had the greatest number of new signed leases during the year, but overall leased square footage fell below the historical average, and the product type ended the year in negative territory.

Year-over-year analysis of transaction volume showed that the number of notable new lease deals greater than 50,000 square feet completed in 2010 relative to 2009 increased by 145 percent, with the total amount of square feet transacted growing by 158 percent. New leasing volume for these deals during the year was greatest in the Southwest submarket, which comprised 47 percent of all leasing, followed by the East submarket at 16 percent and the South and Northwest submarkets each accounting for 14 percent of total lease volume. The remaining submarkets accounted for less than 5 percent each of total 2010 new leasing for deals above 50,000 square feet.

When examining year-over-year changes occurring in deals greater than 50,000 square feet which were renewals and expansions, the number of deals increased by 20 percent while the total square feet leased increase by nearly 40 percent. Driving this increase of sizeable renewals and expansions volume were the Northwest (60%), Southwest (24%) and East (12%) submarkets. What was notable was the juxtaposition of the Southwest and Northwest when comparing 2009 and 2010 renewals and expansions. While

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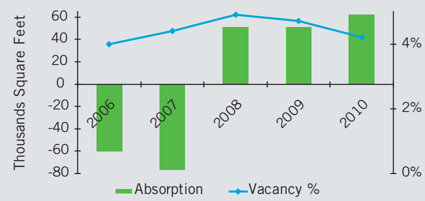
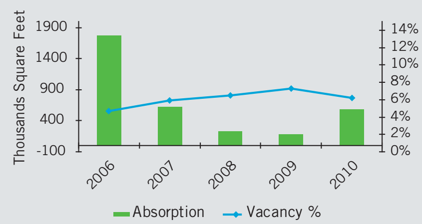
Indianapolis Downtown Submarket: Absorption and Vacancy Change



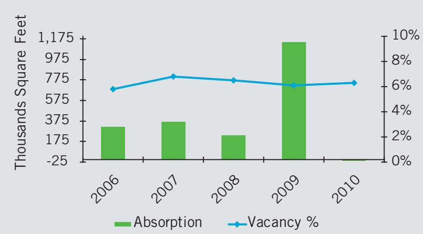
Source: Cassidy Turley Research

Indianapolis East Submarket: Absorption and Vacancy Change



Source: Cassidy Turley Research

Indianapolis Northeast Submarket: Absorption and Vacancy Change



Source: Cassidy Turley Research

the Northwest led renewal and expansion activity in 2010 followed by the Southwest, in 2009 the positions were reversed with the Southwest comprising the majority (68%) of deals followed by the Northwest (20%).

Notable user sales in excess of 50,000 square feet declined both in terms of number and total square feet from the previous year. The number of user sales declined by approximately 16 percent while the square feet sold dropped by 36 percent. Of the 1.1 million square feet of user deals within this category, 47 percent occurred in the Southwest, 29 percent in the Northwest, and 16 percent in the Downtown submarkets.

Largest Signed Industrial Transactions - 2010 Leases

*All square footage rounded to the nearest thousand, all transactions greater than 50,000 SF

Leases

Company	Location	Square Footage
Nice-Pak Products, Inc.	Southwest	813,000
Caterpillar, Inc.	South	456,000
Genco	Southwest	426,000
Sara Lee	Southwest	280,000
Life Sciences Logistics	West	262,000
Undisclosed	Northwest	243,000
Stanley Black & Decker	East	220,000
Southern Wine & Spirits of Indiana, Inc.	South	212,000
EnerDel, Inc.	East	212,000
S2F Worldwide LLC	Southwest	201,000
Hat World	Northwest	143,752
Professional Garage Doors	Southwest	130,450
MailSouth	Southwest	130,000
Welch & Wilson Properties, LLC	East	116,000
Transport Connection	Southwest	96,000
Earnest Machine Products	Northwest	90,000
Ryder	Northwest	60,000
American Tire	Southwest	70,000
Firestone Diversified	Northeast	67,200
International Paper	Northwest	66,000
CPS, Inc.	North	65,000
Just Packaging	East	65,000
Dal-Tile/MoHawk	Northeast	65,000
Goodwill	Northwest	62,000
Panther Racing	Southwest	60,000
Brybelly Holdings	East	58,000
Waste Alternatives of Indiana	East	52,000
	Total Square Feet	**4,721,402**

Source: Cassidy Turley Research

Speculative construction was virtually nonexistent throughout 2010, furthering its steady decline since the first decade of the 21st century. Positively, this indicates that the region is not overbuilt, but it also means we may be challenged for space as the economy continues to recover. Two new Class A master-planned business parks, Westpoint Business Park and 70 West Commerce Park, offer spec development and build-to-suit sites for as much as 17 million square feet of industrial space over the next decade. With the notable exception of Johnson & Johnson, few build-to-suit projects were completed during the year. Several additional companies which engaged in build-to-suit construction were Zipp Speed Weaponry in the Northwest submarket, Premium Composite Technologies and Mays Chemical in the South submarket, Restaurant Depot and Xpress Cargo in the East submarket, and Therametrics in the Northeast submarket.

Rents remained flat to slightly down throughout the region with newer properties escaping rent compression. That being true, rent variations by submarket and property type based on geographic differences continued. One factor that aided in keeping rental rates low is the increased involvement of lenders in industrial leasing transactions. Because occupancy and vacancy figures are held in such high regard by lenders, in some cases landlords have been pressed to keep rental rates low in order to attract and hold tenants.

In short, 2010 was not a great year by historical standards, but it was an improvement over 2009 and our market remains stable. This stability, accompanied by the competitive advantage our industrial real estate metrics have over other peer Midwestern regions in terms of rates, vacancy and absorption, bodes well for the future. Moving forward into 2011, expect industrial vacancy rates to remain flat or drop slightly and absorption to increase moderately. By and large, rents will remain flat but may dip some under pressure from increases in property taxes and operating expenses. Do not expect a rebound in speculative construction until the credit markets loosen considerably and the economy picks up with continuous employment growth. Additionally, expect some build-to-suit activity but at levels well below the historical market average.

Analysis by Product Type and Submarket

To enable a better understanding of the key commercial real estate metrics of absorption and vacancy occurring in a particular area of the market, we segment our data based on product type, and on the location of the building, or by the geographical submarket. The Indianapolis industrial market is comprised of nine geographical submarkets. These include Northwest, Southeast, Southwest, South, West, Downtown, Northeast, North, and East.

Seven of the nine industrial submarkets had positive net absorption in 2010. Submarkets with positive absorption at year-end included Southwest (+1,100,000 SF), South (+915,000 SF), East (+600,000 SF), West (+245,000 SF), North (+201,000 SF), Southeast (+127,000 SF), and Downtown (+62,000 SF). In contrast, the Northwest (-130,000 SF) and Northeast (-15,000 SF) submarkets each experienced negative net absorption for 2010.

In 2010 three product types had positive net absorption, and four had negative net absorption. Modern Bulk led all types in absorption gains with nearly 2.6 million square feet. Notably, Manufacturing finished the year with 770,000 square feet of absorption aided in large part by fourth quarter absorption of 400,000 square feet. Traditional Bulk was the only other sector ending the year in the green with a slight tick upward in absorption of 120,000 square feet. Among the other four product types that experienced negative net absorption, losses were the greatest in Office Showroom (-261,000 SF) and Flex (-105,000 SF), followed by Medium Distribution (-44,000 SF) and Transport (-8,000 SF). Three product types saw vacancy decline year-over-year, including Modern Bulk (9.6% to 6.8%), Manufacturing (3.9% to 3.3%) and Traditional Bulk (8.8% to 8.5%). During the same period, increases in vacancy occurred within Office Showroom (9.7% to 11.3%), Flex (12.9% to 14.3%), Transport (1.2% to 1.6%), and Medium Distribution (7.7% to 7.9%).

The Northwest submarket was one of only two submarkets that had negative net absorption for the year with 130,000 square feet negatively absorbed. This was the result of losses in Office Showroom (-195,000 SF), Flex (-170,000 SF) and Medium Distribution (-82,000 SF), which were more than enough to offset gains witnessed in Traditional Bulk (+188,000 SF), Manufacturing (+70,000 SF), and Modern Bulk (+53,000 SF). The majority of these losses occurred in the latter half of the year with the fourth-quarter loss of 85,000 square feet capping a three-quarter trend of negative absorption. Meanwhile, the vacancy rate climbed steadily throughout the year, rising from 6.7 percent in January to 7.4 percent in December. This rate increase was primarily the result of noticeable annual vacancy increases in Flex, 9.8 percent to 19.2 percent, and Office Showroom, 14.8 percent to 17.9 percent. Over the course of the year, Traditional Bulk vacancy decreased by nearly a percent while the vacancy rate within Manufacturing, Medium Distribution, and Modern Bulk remained flat.

Growth in the Southeast submarket was relatively flat in 2010 with 127,000 square feet of absorption. This was comprised of

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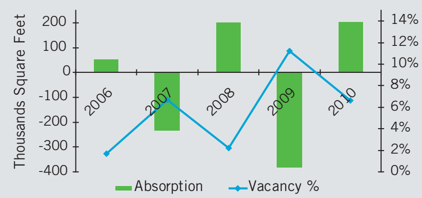
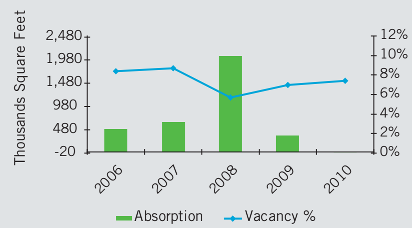
Indianapolis North Submarket: Absorption and Vacancy Change



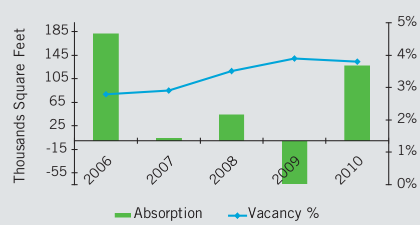
Source: Cassidy Turley Research

Indianapolis Northwest Submarket: Absorption and Vacancy Change



Source: Cassidy Turley Research

Indianapolis Southeast Submarket: Absorption and Vacancy Change



Source: Cassidy Turley Research

Largest Signed Industrial Transactions - 2010 Renewals and Expansions

*All square footage rounded to the nearest thousand, all transactions greater than 50,000 SF

Renewals and Expansions

Company	Location	Square Footage
Case New Holland	Northwest	842,000
Amazon.com	Northwest	630,000
OHL	Southwest	508,000
Irwin Tool	East	456,000
Amazon.com (expansion)	Northwest	406,000
NDC/NFI	Northwest	382,615
Q-Edge	Southwest	345,634
Houghton Mifflin	Northwest	309,600
General Cable	Northwest	307,000
MCFA	Northwest	296,000
Case New Holland	Northwest	250,000
Dimplex	East	218,400
Storage Solutions	North	212,000
Liquidity Services	Southwest	186,000
Pitney Bowes, Inc.	Southwest	161,000
AAF	Northwest	153,600
NSK Bearing Co.	Southwest	136,000
UPS Supply Chain	Southwest	128,000
Butler McDonald	Northwest	128,000
Americom	Southwest	120,700
Storage Solutions (expansion)	North	118,000
FiServe	Southwest	112,710
Harding Group	Northwest	110,000
ModusLink	Northwest	96,000
MS Logistics	East	81,000
Citadel Architectural	East	80,179
TWS	Southeast	80,000
Pitney Bowes, Inc.	Northwest	78,000
Arvco Container	Northwest	72,000
International Paper	Northwest	63,000
ASI Limited Inc.	Northwest	60,000
Overhead Door	Northeast	57,000
Alfa Laval	Northwest	54,400
Rugby International	Northwest	53,000
The Habegger Corporation	Northwest	52,000
	Total Square Feet	**7,343,838**

Source: Cassidy Turley Research

gains in Manufacturing (+305,000 SF) and Flex Space (+22,000 SF) which were offset by negative absorption in the Traditional Bulk (-182,000 SF), Office Showroom (-14,200 SF), and Medium Distribution (-4,000 SF) product types. Both the Modern Bulk and Transport product types experienced no growth in the Southeast submarket throughout the year. Overall vacancy in the Southeast stood at 3.8 percent in December.

Annual and quarterly absorption gains were the greatest in the Southwest submarket with fourth-quarter absorption of 1.4 million square feet and year-end absorption of 1.1 million square feet. Activity occurring within the Southwest submarket during the fourth quarter accounted for the majority of over all absorption within the greater market. Particularly, the completion of the Johnson & Johnson distribution center at nearly 1.1 million square feet and the sale to Brightpoint of over 500,000 square feet of an industrial facility in Airwest Business Park pushed the year-end absorption numbers above 2009 levels. As a result of these transactions, absorption of Modern Bulk space in the Southwest submarket was greater than any other product type or submarket, with 1.2 million square feet positively absorbed.

Annual absorption in the South submarket was 915,000 square feet. This was almost exclusively the result of 831,000 square feet of absorption in the Modern Bulk product class. Positive absorption also occurred in the Manufacturing (+100,000 SF) and Office Showroom (+50,000 SF) product types. In contrast, both the Medium Distribution (-61,000 SF) and Flex (-6,000 SF) product types had negative absorption. Vacancy in the South submarket registered 11 percent for the total submarket but was comprised of dramatic differences within product type. Leading all segments of the entire Indianapolis market with 41.3 percent vacancy was Flex product located in the South submarket. The fall in vacancy among the other product types was substantial with the next highest vacancy being Medium Distribution at 16.6 percent and Modern Bulk at 16.3 percent.

Year-end absorption in the West submarket was 245,000 square feet. Here too the positive absorption was primarily attributable to gains in Modern Bulk with 262,000 square feet of absorption. Both the Manufacturing (+60,000 SF) and Flex (+27,000 SF) product types had positive absorption while the Traditional Bulk (-75,000 SF), Office Showroom (-23,000 SF) and Medium Distribution (-7,000 SF) product types were negatively absorbed. Vacancy in the West submarket was 7.2 percent for all product types, within which the range varied from 25.5 percent vacancy in Traditional Bulk to 2.4 percent in Modern Bulk.

Downtown, the net absorption in December was 62,164 square feet. This was comprised of 107,000 square feet of absorption in Manufacturing and 12,000 square feet in Transport. Other product types located in Downtown were in negative territory, led by losses in Office Showroom of negative 38,000 square feet and Traditional Bulk with negative 13,000 square feet absorbed. Overall vacancy downtown was 4.2 percent. Most notably, Office Showroom had the highest vacancy in the submarket at 12.2 percent.

Absorption in the Northeast submarket ended the year in the red with 15,400 square feet negatively absorbed. This was caused by occupancy losses in Office Showroom (-31,100 SF), Medium Distribution (-23,000 SF) and Modern Bulk (-11,100 SF) which were too great to be overcome by the growth which occurred in Flex (+33,000 SF) and Manufacturing (+25,800 SF). Vacancy in the Northeast was slightly below the overall market rate, registering 6.3 percent at the end of December. Closer analysis of vacancy by product type showed that vacancy rates for Traditional Bulk (0.9%) and Manufacturing (1.3%) fell well below the market rate, Medium Distribution (7.5%) and Flex (7.5%) tracked a bit higher, and Modern Bulk (11.2%) and Office Showroom (12.4%) were well above market rate.

The North submarket registered 201,000 square feet of positive net absorption as a result of 117,000 square feet absorbed in Medium Distribution, 101,000 square feet absorbed in Traditional Bulk, and 14,000 square feet absorbed in Flex product. Office Showroom, on the other hand, had negative net absorption of 30,000 square feet. During the same period, vacancy was 6.6 percent for all product types. Again, vacancy rates within each type varied but not to the significant degree as in other submarkets. Medium Distribution

Largest Signed Industrial Transactions - 2010 User Sales

*All square footage rounded to the nearest thousand, all transactions greater than 50,000 SF

User Sales

Company	Location	Square Footage
Brightpoint	Southwest	533,000
Willoughby Industries	Northwest	257,600
The Project School	Downtown	184,000
BRS I, BRS II, LLC	Northwest	65,000
	Total Square Feet	**1,039,600**

Source: Cassidy Turley Research

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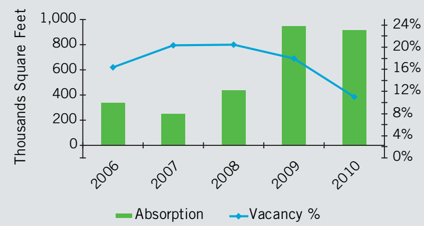
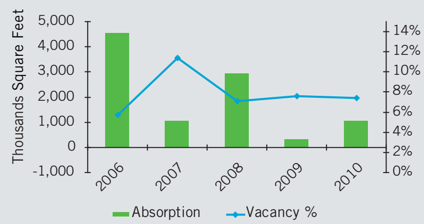
Indianapolis South Submarket: Absorption and Vacancy Change



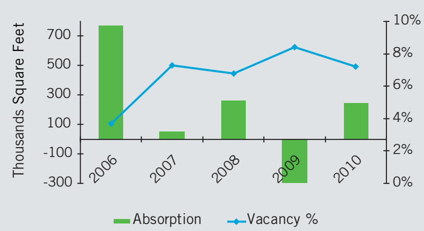
Source: Cassidy Turley Research

Indianapolis Southwest Submarket: Absorption and Vacancy Change



Source: Cassidy Turley Research

Indianapolis West Submarket: Absorption and Vacancy Change



Source: Cassidy Turley Research

had the highest vacancy rate at 10.7 percent, followed by Office Showroom at 9.5 percent, with all other product types having a vacancy rate below 3 percent.

Absorption in the East submarket was positive, 588,154 square feet in December. This was comprised of incremental growth in the Modern Bulk (+212,000 SF), Manufacturing (+175,000 SF), Traditional Bulk (+160,000 SF) and Office Showroom (54,000 SF). Vacancy in the East was 6.2 percent for the year with vacancies varying from 11.1 percent for Traditional Bulk to 1.7 percent for Manufacturing. Filling the gap was Office Showroom (7.3%), Medium Distribution (7.7%), Modern Bulk (7.8%) and Flex (10.8%).

Indianapolis Industrial Construction

Although prices have fallen by 40 to 60 percent off their high, investors and developers remain bearish on the commercial land market in Central Indiana. Given tight credit markets, financing has been largely unavailable for any development that is not significantly pre-leased. As such, speculative development has been practically non-existent in the market. There has been a small level of activity among companies looking to purchase land for the development of space which they can ultimately occupy. Even among these owner-users, development of new space competes directly against existing space which is being marketed at significantly discounted prices.

Commercial development within the industrial sector was slow during the past year with large-scale Modern Bulk slowing to a halt, build-to-suit construction levels declining, and overall construction levels diminishing well below the five-year historical average of 4.8 million square feet. Early in the year, the Keystone Enterprise Park witnessed the completion of two developments totaling 91,000 square feet when Restaurant Depot opened its 65,000-square-foot facility and Xpress Cargo completed construction of its 26,000-square-foot facility. Build-to-suit construction continued as the year progressed with Premium Composite Technology North America completing construction of a 64,000-square-foot facility in the Franklin Business Park, and Therametric Technologies finishing its 26,000-square-foot headquarters expansion in Noblesville during the second quarter. Industrial development in the latter part of 2010 was marked by Zipp Speed Weaponry's move into its new 70,000-square-foot manufacturing and customer service center in the Northwest submarket, as well as Johnson & Johnson Sales and Logistics Company's construction of a 1.1 million-square-foot distribution facility located within 70West. Other notable industrial construction projects completed over the past year were Mays Chemical's 61,000-square-foot manufacturing facility in Greenwood and a 13,500-square-foot distribution facility in Plainfield by Magnum Express.

Industrial construction currently underway is focused in the Northwest, Southeast and South submarkets. There is currently over 600,000 square feet of assorted Office Showroom, Flex, and Distribution space under construction in the Northwest, ranging in size from the 19,200-square-foot Sharp's Gymnastics Academy distribution facility in Park 100 to the 406,000-square-foot Amazon.com expansion at AllPoints at Anson, with projects such as Dow AgroSciences 80,000-square-foot flex construction in between. Southeast construction activity currently underway includes the 100,000-square-foot AmeriCold expansion, and within the South submarket the most notable project currently being built is Zimmerman Biotechnologies 50,000-square-foot manufacturing facility at Precedent South.

Currently there is over 30 million square feet of proposed development in the industrial market, with the majority of proposals focused upon Modern Bulk construction and a sizeable amount on Medium Distribution. How much of this will move from the drawing board to the construction site remains to be seen. The completion of these projects and the return of further speculative development will continue to be dependent upon a dramatic improvement in financing fundamentals. Developers with solid credit, advantageous land position, and strong lending relationships remain in good position

4th Quarter Statistics by Building Type

*All square footage rounded to the nearest thousand

Type	Inventory (SF)	Net Absorption YTD (SF)	Vacancy Rate	Vacant (SF)	Occupied (SF)
Office/Showroom	17,380,000	-261,000	11.3%	1,961,000	15,420,000
Medium Distribution	50,859,000	-44,000	7.9%	3,996,000	46,863,000
Traditional Bulk	36,181,000	119,000	8.5%	3,066,000	33,116,000
Modern Bulk	57,297,000	2,580,000	6.8%	3,890,000	53,408,000
Flex	7,533,000	-105,000	14.3%	1,081,000	6,453,000
Manufacturing	69,757,000	770,000	3.3%	2,281,000	67,476,000
Other (Truck Terminal and Maintenance)	2,889,000	9,000	1.6%	32,000	2,857,000
Total	**241,896,000**	**3,068,000**	**7.0%**	**16,307,000**	**225,593,000**

Source: Cassidy Turley Research

to capitalize on opportunities; however, developers remain extremely cautious amidst the backdrop of continued uncertainty.

Indianapolis Industrial Investment

The Indianapolis investment market embarked cautiously into 2010, reflecting the uncertainty which lingered in portions of the regional and national markets. The industrial investment market remained relatively flat compared to the level of activity witnessed during the preceding year with many of the roadblocks, such as the limited availability of credit, which had previously prevented investors from entering the market remaining to hinder them at the start of 2010. By and large, industrial transaction volume was a continuation of the same in 2010 with a fraction of the deal volume we enjoyed in the not-too-distant past of 2006 and 2007.

Among the industrial investment sales which did occur in the past year, there were distinctly two different classes of industrial properties: core assets, occurring towards the end of the year, and distressed assets, which were relatively active throughout the year. An example of a distressed transaction for 2010 includes the note sale of Georgetown Crossing, a 146,000-square-foot, two-building industrial portfolio located in the Northwest industrial submarket which had an estimated occupancy below 60 percent. Many of the distressed sales which were completed, or introduced to market but not closed, in 2010 were priced on a "price per square foot" basis rather than an implied cap rate.

The second asset class of interest to investors was core industrial property – modern bulk buildings – with state-of-the-art construction located in A+ areas, fully occupied by strong tenants. At the end of the year, we witnessed two significant single-tenant industrial transactions totaling in excess of 1.2 million square feet: the Conagra facility in Lebanon with 476,200 square feet; and the 809,000-square-foot Cooper Tire facility in Greenwood.

Notably, cap rates for these types of core industrial assets compressed from last year's range of 9.25 to 10.5 percent to a range of 8 to 9 percent, and we anticipate these rates compressing further. As investors find the competition increasingly stiff in primary markets for core industrial assets, expect interest

4th Quarter Statistics by Submarket

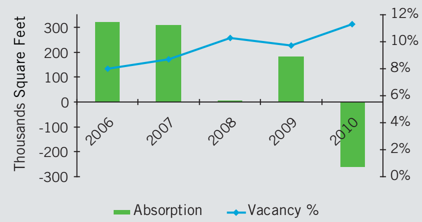
*All square footage rounded to the nearest thousand

Type	Inventory (SF)	Net Absorption YTD (SF)	Vacancy Rate	Vacant (SF)	Occupied (SF)
Downtown	17,806,000	63,000	4.2%	755,000	17,051,000
East	46,315,000	589,000	6.2%	2,862,000	43,454,000
Northeast	17,981,000	-16,000	6.3%	1,140,000	16,842,000
North	4,308,000	201,000	6.6%	284,000	4,024,000
Northwest	43,870,000	-130,000	7.4%	3,265,000	40,606,000
Southeast	17,956,000	128,000	3.8%	689,000	17,267,000
South	11,730,000	915,000	11.0%	1,292,000	10,438,000
Southwest	60,956,000	1,076,000	7.4%	4,509,000	56,447,000
West	20,849,000	245,000	7.2%	1,512,000	19,338,000
Total	**241,771,000**	**3,071,000**	**7.0%**	**16,308,000**	**225,467,000**

Source: Cassidy Turley Research

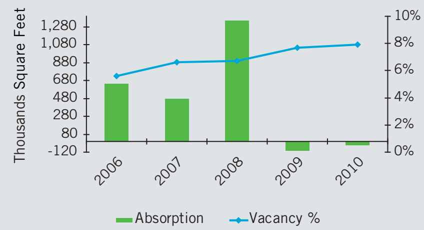
Industrial / MARKET TRACKER

Indianapolis Office Showroom: Absorption and Vacancy Change



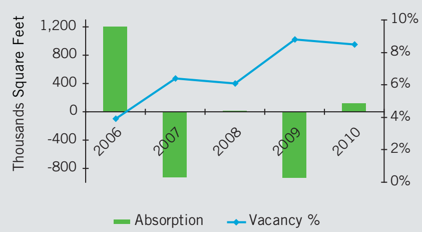
Source: Cassidy Turley Research

Indianapolis Medium Distribution: Absorption and Vacancy Change



Source: Cassidy Turley Research

Indianapolis Traditional Bulk: Absorption and Vacancy Change



Source: Cassidy Turley Research

to increase here in Indianapolis. With increased interest will come greater competition for available product and corresponding pressure downward on cap rates and pressure upward on price.

Anticipate the industrial real estate market within the greater Indianapolis area becoming increasingly attractive to institutional, fund REIT and private investors. As investor interest is piqued, the Indianapolis market will benefit from the relative stability in market fundamentals witnessed despite the turbulent economy, as demonstrated by the fact that the average industrial vacancy has remained near 7 percent over the past seven years. Other factors such as increased availability of credit to investors, returns greater than in first-tier markets, and tenant integrity which is greater and more diverse than in competing markets will support this trend.

Outlook

Whether or not the industrial sector can maintain the momentum it has experienced over the balance of 2010 ultimately depends on demand for goods and services. Recent improvements in demand for industrial space can be linked to steady gains in consumer spending and exports. The past year saw personal consumption expenditures rise by an average quarterly rate of more than 3 percent, better than the average growth rate of 2.5 percent coming out of the 2001 recession. Moreover, the volume of U.S. exports has returned with a vengeance in 2010. As recently as the third quarter, the U.S. exported $153.9 billion in goods and services, an increase of 24 percent from the low point registered in April 2009. In particular, exports of automobiles, as well as food commodities such as soybeans and wheat spurred activity in the market.

With demand improving, businesses moved quickly to backfill sold inventory, and on net they began to grow inventories in anticipation of future demand. Total business inventories, which include manufacturing trade, retail trade and wholesale trade, were up over 5 percent in 2010 compared to a year previous. Thus, the rising levels of demand coupled with business reloading can largely explain the improvement in warehouse demand so far in the recovery cycle.

Certain harbingers suggest the industrial sector's recovery will continue. The retail sales growth rate is right on par with the increases experienced in 2004 to 2006. Initial reports indicate total retail spending for November and December could exceed 2007 sales, the best season on record. This, coupled with the fact that the business inventory-to-sales ratio remains below the historical average, suggests that businesses will need to grow inventories to keep pace with improving demand.

Looking at the manufacturing sector, the ISM Index has been indicative of an expansion for 16 consecutive months through November. Similarly, manufacturing production continued to improve through November with fabricated metals, automotive and heavy equipment sectors remaining strong sources of growth. A further positive indicator for the region's factory producers is that automobile manufacturers are beginning to make major capital investments and expand capacity. As a result, automobile-related manufacturing and the associated industry of metal fabrication will witness further job growth as more buyers begin returning to dealer showrooms, thereby supporting demand for industrial space within the manufacturing and distribution sectors.

Further signs of continued growth in manufacturing and distribution can be found in the Ceridian-UCLA Pulse of Commerce Index, a real-time measure of the flow of goods to U.S. factories, retailers and consumers, which rose in November by 0.4 percent after three months of decline. Also, the Dow Jones Transportation Average, a stock market of the transportation sector, rose just over 100 points or 2.1 percent in November. Given

Positive Market Absorption: **Johnson & Johnson completed a 1.1 million-square-foot distribution center in Monrovia in the Indianapolis Southwest Submarket.**

the general upward trend in these demand drivers, further growth in manufacturing and distribution can be expected.

Looking specifically at our market, there are both challenges and opportunities for those engaged in the Indianapolis industrial real estate market over the next 12 to 36 months. Among the challenges is the potential impact of large former manufacturing plants returning to the market, uncertainty as it pertains to the recent approval of property tax caps, and the lack of speculative construction expected to occur.

The potential of the GM Stamping and Visteon plants bringing an additional 4 million square feet online will affect the market. Most likely, these buildings will be sold to investor/developers who will redevelop them as multi-tenant facilities like several other large, older manufacturing buildings in the past. In addition, 700,000 square feet at the former Western Electric plant will come online in the second quarter of 2011. While these buildings are sound, each was built for a specific purpose, meaning the space has physical and functional obsolescence for the general market. These properties will compete heavily with the Traditional or older Bulk distribution buildings and will be priced accordingly. If the economy is on the upswing when these buildings meet the market, selling or leasing may not be quite as challenging.

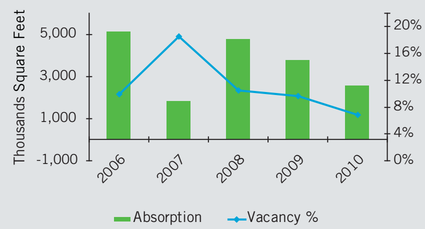
Another challenge could result from the recent approval of property tax caps. Although this may in the long run bring certainty to the computation of operating costs, in the short term many businesses may see their property taxes increase based on the shift of the tax burden from residential to commercial properties. Increased operating expenses will lower net rents in the short run and adversely affect cap rates, thereby discouraging investment sales in the market.

Finally, with low vacancy and no projected speculative construction of considerable size underway, we run the risk of missing out on opportunities as the economy picks up steam due to a lack of available product. Positively, we do see several projects on the drawing board, and some already have tax abatement and permitting in place, but with uncertainty pervasive and credit limited, developers are moving forward with caution.

Despite these challenges, the Indianapolis industrial market continues to offer opportunity for growth. The logistics sector remains strong with continued growth on the horizon. Because of our central location, lower land prices and lower operating costs, Indianapolis will be one of the first to recover once a macro-economic recovery gains traction. Also, continued growth in the manufacturing sector and our proximity to the major automotive manufacturers will help propel the market forward as demand begins to increase.

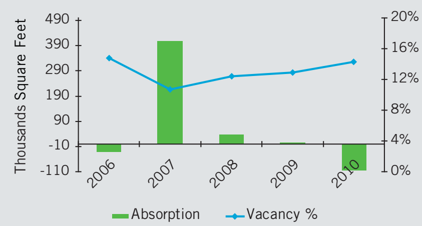
Industrial / MARKET TRACKER

Indianapolis Modern Bulk: Absorption and Vacancy Change



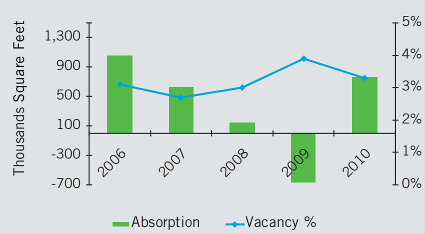
Source: Cassidy Turley Research

Indianapolis Flex: Absorption and Vacancy Change



Source: Cassidy Turley Research

Indianapolis Manufacturing: Absorption and Vacancy Change



Source: Cassidy Turley Research

2011 Market Report

Office Market

INDIANAPOLIS OFFICE MARKET

At a glance

Net Statistics	2009	2010	Outlook 2011
Vacancy	↑	↓	↓
Absorption	↓	↑	↑
Class A Vacancy	↑	↓	↓
Class A Absorption	↓	↑	↑
Class A Rents	↓	↔	↔

Office Highlights

- The Indianapolis Office Market had positive net absorption of 80,000 SF in 2010 compared to -418,000 SF of net absorption in 2009.
- The overall vacancy rate was 20.6%. The CBD vacancy rate was 16.9% and the Suburban vacancy rate was 22.9%.
- Construction remained unchanged with no new multi-tenant office buildings above 20,000 SF constructed. Speculative development remains uncertain.

Indianapolis Market Recovering but Occupancy Growth Modest

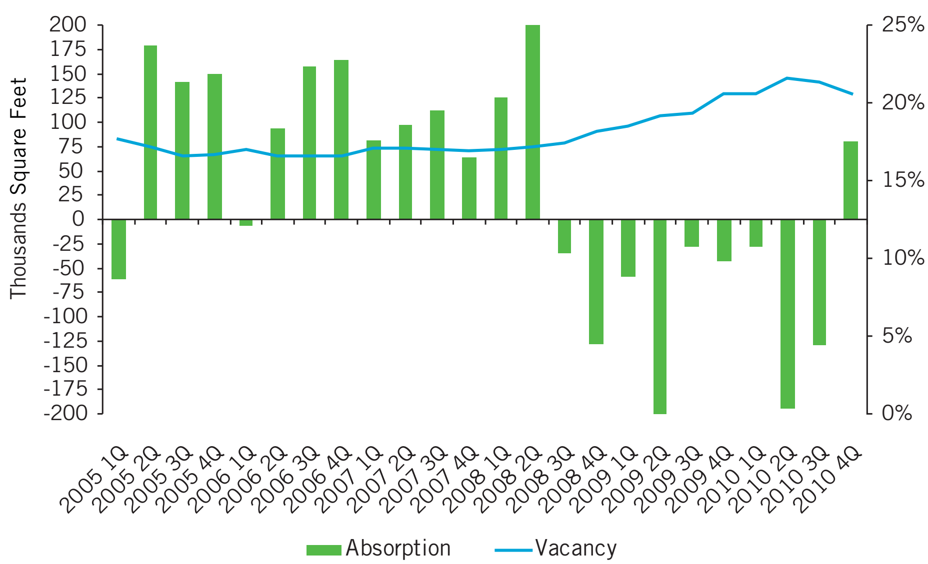
U.S. Office Market

The U.S. office sector continued to recover in 2010. Net demand for office space across the country was 7.1 million square feet at the end of the third quarter, marking a second straight quarter of positive absorption. Nationally office markets absorbed 15.9 million square feet over the first nine months of 2010. For perspective, the improvement in demand is tracking significantly higher than the recovery following the 2001 recession, which recorded negative 20.1 million square feet at this same stage in the cycle.

Activity in the nation's largest metro areas drove the improvement in multi-tenant office demand. Markets such as New York, Washington DC, Boston, Dallas, Seattle and San Francisco experienced a tremendous rebound in demand for office space as well as a steady increase in sales activity. Meanwhile, the bulk of the secondary markets experienced only tepid improvement or negative demand for space. Of the 80 markets tracked by Cassidy Turley, 32 returned more empty space than they absorbed through the first nine months of 2010. Within the Midwest, the strongest performers through the third quarter of 2010 were St. Louis, Minneapolis and Indianapolis.

U.S. office vacancy rates remained flat through the first nine months of 2010 at 16.8 percent. Still, vacancy remained 270 bps above its historical average of 14.1 percent and is on par with the rate in effect at the bottom of the previous savings and loan crisis. With demand still weak and credit tight, new supply has slowed to historic lows with just 5.3 million square feet of new space delivered through the third quarter, a construction pace that rivals the slowdown of the early 1990s. Assuming the historical rate of absorption from this point forward, the national office market will not return to equilibrium prior to 2013. As a result, expect the national office market recovery to follow the arduous path of the 1990s recovery versus the more dynamic 2004-2007 rebound.

Indianapolis Vacancy and Absorption Trends



Source: Cassidy Turley Research

On a national basis, rents are stabilizing but not appreciating. In 2010 the average asking rental rate for the U.S. office market was $21.35, down $0.38 from a year prior. Throughout the nation, the Northeast region experienced the highest asking rates at $23.34 per square foot, down $0.80. Meanwhile, the Midwest experienced the lowest at $18.63 per square foot, down just $0.04. The 2010 average asking rate in the West was $22.82 per square foot, down $0.69, and the South average asking rate was $20.75 per square foot, down $0.11. Our baseline national forecast remains for limited rental rate growth for the next 12 to 18 months.

Indianapolis Office Market

The Indianapolis multi-tenant office market is comprised of 31.9 million square feet of space in 411 buildings, with 38 percent of multi-tenant space located in the Central Business District and the remaining 60 percent located in the Suburban market. The Central Business District is comprised of two submarkets encompassing 83 buildings and 12 million square feet. The Suburban market is comprised of eight submarkets consisting of 328 buildings and 19.9 million square feet. For Cassidy Turley reporting purposes, medical office buildings and owner-occupied buildings are not included in our statistical analysis. The most relevant statistics, which describe the key aspects of the commercial real estate markets, are inventory, vacancy rate and net absorption. This market report reveals these key statistics for all ten of the Indianapolis submarkets as well as for all three classes (A, B and C) of multi-tenant office buildings.

Overview

By dividing the statistics into two groups, the Central Business District and the Suburban market, the key statistics of vacancy and net absorption become clearer and the numbers more meaningful. Overall the vacancy rate was 20.6 percent at the end of the first quarter of 2010 and returned there at the end of the fourth. Under normal economic circumstances, this would not be good news; however, considering that vacancy climbed to a historical high point of 21.8 percent during the second quarter, a decline of 1.8 percent over the last two quarters to 20.6 percent is welcome news. Interestingly, when examining the Indianapolis market relative to vacancy, the Central Business District continued to outperform the Suburban market. Since 2002 the Central Business District has maintained a lower vacancy rate year-over-year than the Suburban market, and there is currently a six-point spread.

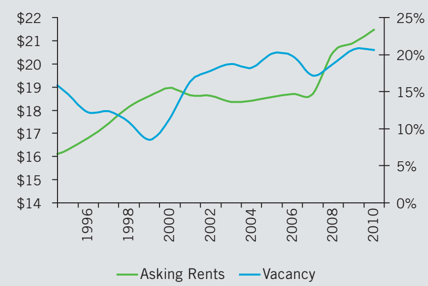
The Indianapolis market achieved 80,000 square feet of positive net absorption at year-end. In general, the tenant sectors which drove occupancy growth were education, information technology, health care, life sciences, federal government and traditional professional services. Although leasing velocity during 2010 remained below the market's historical average, many companies were engaged in exploring the market, and multiple notable lease transactions occurred across the market. Within the Central Business District, businesses engaged in leasing over the past year included: U.S. General Services (75,000 SF in M&I Plaza); Harrison College (34,000 SF in 500 N. Meridian); PricewaterhouseCoopers (22,000 SF in PNC Center); Northwestern Mutual (18,500 SF in Chase Center Tower); Clarian Health Partners (16,500 SF in Science & Technology Center); Backhaul Direct (16,200 SF in Allen Plaza); Vertellus Specialties (16,000 SF in Capital Center South Tower); Wells Fargo (14,100 in 300 N. Meridian); USA Football (12,300 in Huntington Plaza); and Hall Render Killian Heath and Lyman (12,000 SF in OneAmerica Tower). Companies active in leasing space in the Suburban market in 2010 included: Rolls-Royce Corporation (50,000 SF in Airwest Business Park); Republic Airways (38,000 SF in College Park Plaza); Arlington Roe & Company (21,000 SF in 8900 Keystone Crossing); Strayer University (20,000 SF in

Office / MARKET TRACKER

IN Unemployment vs. Office Vacancy

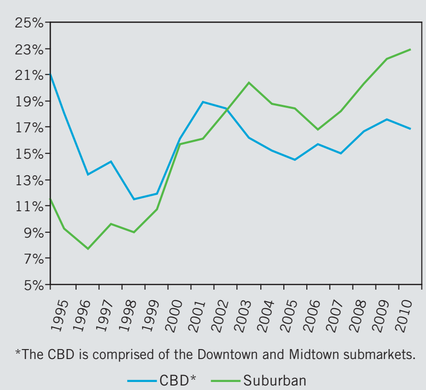
Source: BLS; Cassidy Turley Research

Indianapolis Office Leasing Vacancy vs. Asking Rents



Source: Cassidy Turley Research

Indianapolis Multi-Tenant Office Market Historical Vacancy Rates, 4Q 2010



*The CBD is comprised of the Downtown and Midtown submarkets.

Source: Cassidy Turley Research

River Road at Keystone); U.S. Government (19,000 SF in Corporate Center North); Arcadia Resources (19,000 SF in Precedent Office Park); Hoffmaster Group (18,000 SF in Heritage Park III); Ducharmen, McMillen & Associates (17,500 in Lake Pointe Center III); Community Hospitals of Indiana (17,000 SF in Castleton Park); and Members United Federal Credit Union (17,000 SF in Lake Pointe Center II).

It is notable that during the fourth quarter alone, Indianapolis experienced a tremendous amount of absorption for a single quarter with 230,000 square feet of positive absorption. To put it into perspective, this quarterly absorption is equal to nearly two of the College Park Pyramid buildings, or almost 80 percent of our seven-year average annual absorption of 291,000 square feet. Furthermore, the fourth-quarter occupancy growth marked the second consecutive quarter of positive absorption. While two quarters of occupancy growth is promising, the market still has a long way to go to compensate for the previous seven-quarter trend of negative absorption.

Over the course of the year, the Central Business District fared better than the Suburban market with 81,000 square feet of occupancy growth, compared to a loss of 1,000 square feet recognized in the suburbs. However, the year-end negative absorption within the Suburban market is a bit misleading considering the fact that from October through December the Suburban market posted positive absorption gains of 216,000 square feet, with 167,000 square feet of that growth occurring within Class A buildings. Although this was not enough to overcome the 266,000 square feet of negative absorption during the first half of 2010, the 265,000 square feet of occupancy growth over the last six months of 2010 is great news. In short, while the net year-end absorption was modest, the growth witnessed over the last half of the year, particularly during the fourth quarter, provides reason to believe that the multi-tenant office market is beginning to rebound.

Analysis by Submarket and Class

To enable a better understanding of the various office products and the marketplace, Cassidy Turley segments data based on the geographical area in which the office building is located and on the class of space. The Indianapolis multi-tenant office market is dissected into ten geographical submarkets. These include the Central Business District submarkets of Downtown and Midtown and the Suburban submarkets of North/Carmel, Keystone, Fishers, Northeast, East, South, West and Northwest. Also, the Indianapolis office market is comprised of Class A, Class B and Class C buildings. The 109 Class A buildings, with over 16.7 million square feet of rentable space, are newer structures with spacious lobbies and various amenities for tenants. The 243 Class B buildings, with over 12.6 million square feet of space, are usually slightly older and smaller and offer fewer amenities for tenants. The 59 Class C buildings account for over 2.6 million square feet of rentable space and are typically older and smaller and lack the amenities of Class A and B buildings.

Vacant space totaled 6.5 million square feet in the combined Central Business District and Suburban markets with a 20.6 percent vacancy rate. The total vacant space was 2 million square feet in the Central Business District for a vacancy rate of 16.9 percent, and 4.5 million square feet in the Suburban market for a vacancy rate of 22.9 percent. Analysis by product type demonstrates that Class A office space experienced the largest vacancy rate decrease from the prior year with a decline of nearly one percent to 19.5 percent. Meanwhile, Class B office space

CBD (Downtown and Midtown Submarkets)

Year	Inventory (SF)	New Supply (SF)	Net Absorption (SF)	Occupancy Rate (%)	Occupancy (SF)	Vacancy Rate (%)	Vacancy (SF)
2000	10,934,000	214,000	-270,000	84.0	9,185,000	16.0	1,764,000
2001	11,289,000	355,000	11,000	81.5	9,200,000	18.5	2,105,000
2002	11,289,000	0	117,000	82.5	9,313,000	17.5	1,983,000
2003	11,305,000	16,000	193,000	84.2	9,512,000	15.8	1,783,000
2004	11,366,000	62,000	128,000	84.9	9,650,000	15.1	1,717,000
2005	11,306,000	-60,000	18,000	85.5	9,666,000	14.5	1,638,000
2006	11,370,000	64,000	-84,000	84.3	9,584,000	15.7	1,786,000
2007	11,518,000	212,000	208,000	85.0	9,792,000	15.0	1,725,000
2008	11,559,000	0	47,000	83.3	9,996,000	16.7	1,999,000
2009	11,995,000	0	-108,000	82.4	9,888,000	17.6	2,107,000
2010	11,995,000	0	81,000	83.1	9,964,000	16.9	2,031,000

Source: Cassidy Turley Research

recorded the greatest increase in vacancy, from 21 percent at the end of 2009 to 22.2 percent at the end of 2010. During this same period, Class C office vacancy rose year-over-year by 1.1 percent, from 18.9 percent during the fourth quarter of 2009 to 20 percent at year end.

At the end of the fourth quarter, vacancy rates across the market varied by a large margin. On one end of the spectrum was the West submarket with a vacancy rate of 40.9 percent, while on the other end was the Downtown submarket at 15.4 percent. Other submarkets filled the gap with Midtown at 26.9 percent, East at 26.4 percent, Northeast at 25.9 percent, Keystone at 25 percent, South at 24.5 percent, Northwest at 20.8 percent, Fishers at 19.2 percent, and North/Carmel at 17.5 percent.

Fortunately, vacancy rates fell in seven of the ten submarkets during the fourth quarter. Quarterly vacancy declines were registered in the Northwest (-4.1%), North/Carmel (-1.7%), Fishers (-1.4%) and Northeast (-0.8%) submarkets. Simultaneously, vacancy in the East (+10.5%), Keystone (+1.2%) and Midtown (+0.8%) submarkets rose from the third to the fourth quarter. During the course of 2010, three submarkets experienced year-over-year vacancy declines, four endured increases, and two remained flat. Year-over-year declines occurred in the Midtown (-1.4%), Keystone (-0.7%) and Downtown (-0.6%) submarkets. Meanwhile, year-over-year increases happened in the West (+12.5%), East (+10.7%), South (+0.7%) and Fishers (+0.3%) submarkets. Vacancy in both the Northwest and Northeast submarkets remained relatively flat.

Strikingly, Class A office vacancy declined over the last two quarters of 2010, with a vacancy rate of 19.5 percent at the end of December, 1.4 percent lower than at the end of the third quarter and 0.9 percent lower than a year prior. The Central Business District Class A vacancy rate decreased from 18.2 percent at the end of the third quarter to 17.3 percent at the end of the fourth. In the Suburban market, the Class A vacancy rate decreased by 1.7 percent from the third to the fourth quarter, moving from 22.6 percent at the end of September to 20.9 percent at the end of December. This Suburban Class A vacancy rate was nearly a percent lower than the year prior. Submarkets which saw Class A vacancy rates decrease over the prior year included Northwest (-4.3%), North Fishers (-2.4%), Keystone (-1.1%), Midtown (-1.1%) and Carmel (-0.2%). Year-over-year Class A vacancy increased in the West (+5.4%) and Northeast (+2.5%) submarkets.

Overall, Class B office vacancy effectively remained flat through the third and fourth quarters ending at 22.2 percent in December, 1.2 percentage points higher than at the end of 2009. At year end, Class B vacancy in the Central Business District stood at 15.9 percent while Suburban Class B vacancy registered 25.4 percent. Submarkets which had a noticeable decrease in Class B vacancy over the last three months of the year included Fishers (-3.1%), North/Carmel (-1.5%), Northeast (-1.4%) and Northwest (-1.4%). Year-over-year, the Class B office space declined in the Midtown (-4.7%), North/Carmel (-2%), Keystone (-0.7%) and Downtown (-0.6%) submarkets.

Total Class C office vacancy was 20 percent at the end of December, up from 18.9 percent a year earlier. In the Central Business District, Class C vacancy increased from 17.5 percent to 18.2 percent over the final three months of the year. During the same period, Suburban Class C vacancy rose from 20.4 percent to 21.3 percent. Only the South (-5.6%) and Downtown (-0.6%) submarkets finished the year with lower Class C vacancy than a year previous. Year-over-year, Class C office space in the Keystone (+16.9%), Midtown (+7.9%), West

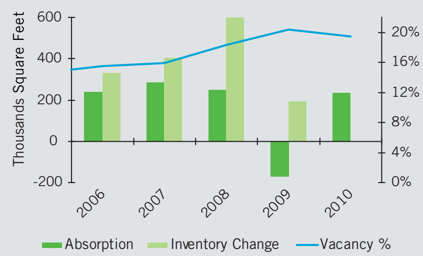
Office / MARKET TRACKER

Net Absorption by Building Class

	Class A	Class B	Class C
Net Absorption CBD	40,000	52,000	-11,000
Net Absorption Suburban	94,000	-69,000	-26,000

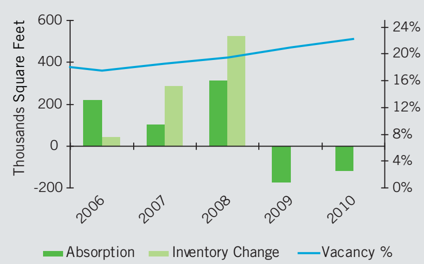
Source: Cassidy Turley Research

Multi-Tenant Office Market Class A: Inventory, Absorption and Vacancy



Source: Cassidy Turley Research

Multi-Tenant Office Market Class B: Inventory, Absorption and Vacancy



Source: Cassidy Turley Research

(+1.8%), Northeast (+1.5%), North/Carmel (+0.8%) and East (+0.6%) submarkets all ticked upward.

Net absorption at the end of December was 80,000 square feet. This was the result of 81,000 square feet of positive net absorption within the Central Business District, offset by 1,000 square feet of negative net absorption in the Suburban market. Five of the ten Indianapolis office submarkets displayed year-end positive absorption, including Downtown (+56,000 SF), North/Carmel (+50,000 SF), Keystone (+28,000 SF), Midtown (+25,000 SF) and Northwest (+2,000 SF). Meanwhile, the other five submarkets displayed negative net absorption at year end, including the West (-33,000 SF), East (-25,000 SF), Northeast (-14,000 SF), South (-6,000 SF) and Fishers (-3,000 SF) submarkets.

A clear indicator that the office market seemed to turn a corner at the midpoint of 2010 is that seven of the 10 submarkets displayed positive absorption from the third quarter to the fourth quarter, and in some instances the gains were substantial. Leading the pack in quarter-to-quarter occupancy growth were the Northwest (+133,000 SF) and North/Carmel (+110,000 SF) submarkets. The Downtown (+27,000 SF), Northeast (+27,000 SF), Fishers (+11,000), South (+5,000) and West (+2,000) submarkets also posted positive quarter-to-quarter absorption. The Keystone (-47,000 SF), East (-25,000 SF) and Midtown (-12,000 SF) submarkets saw occupancy levels decline from the third to the fourth quarter.

Leasing activity in Class A space during the last six months of the year, particularly during the fourth quarter, was the primary cause for year-end positive absorption. Fourth-quarter occupancy growth in Class A space occurred in the Northwest (+104,000 SF), North/Carmel (+80,000 SF), Downtown (+67,000 SF) and South (+9,000 SF) submarkets. As Class A leasing velocity increased throughout 2010, year-to-date occupancy growth of Class A space occurred in the Northwest (+80,000 SF), Keystone (+29,000 SF), Downtown (+29,000 SF), Fishers (+12,000 SF), Midtown (+11,000 SF) and North/Carmel (+9,000 SF) submarkets. Only the Northeast (-22,000 SF) and West (-15,000 SF) submarkets ended the year with Class A space in the red.

Total Class B office space posted positive fourth-quarter absorption of 28,000 square feet, but these gains were not enough to push Class B absorption into positive territory at year end, when total Class B space registered 17,000 square feet of negative net absorption. Market winds blew in different directions for Class B space in the Central Business District and the Suburban market during the fourth quarter of 2010. In the Central Business District, fourth quarter Class B absorption was negative 36,000 square feet, while year-end net absorption remained positive with 52,000 square feet of occupancy growth. In contrast, the Suburban market fourth quarter Class B absorption was positive with 63,000 square feet of occupancy growth, while year-end net absorption was negative 69,000 square feet.

The Class C structures in the Central Business District experienced a year-end occupancy loss of 11,000 square feet, while the Suburban Class C space weathered 26,000 square feet of negative net absorption through the end of 2010. Only the South (+10,000 SF) and Downtown (+5,000 SF) submarkets witnessed year-end occupancy growth in the Class C buildings. Meanwhile, year-end negative absorption

Suburban Submarkets

Year	Inventory (SF)	New Supply (SF)	Net Absorption (SF)	Occupancy Rate (%)	Occupancy (SF)	Vacancy Rate (%)	Vacancy (SF)
2000	15,600,000	1,568,000	640,000	84.3	13,150,000	15.7	2,494,000
2001	16,519,000	919,000	716,000	84.0	13,876,000	16.0	2,688,000
2002	16,958,000	439,000	-66,000	81.2	13,770,000	18.8	3,184,000
2003	17,516,000	575,000	136,000	79.3	13,890,000	20.7	3,620,000
2004	17,950,000	434,000	691,000	81.3	14,593,000	18.7	3,363,000
2005	18,217,000	267,000	314,000	81.8	14,902,000	18.2	3,316,000
2006	18,563,000	346,000	594,000	83.2	15,254,000	16.8	3,085,000
2007	19,124,000	907,000	163,000	81.8	15,442,000	18.2	3,441,000
2008	19,833,000	855,000	294,000	79.7	15,723,000	20.3	4,015,000
2009	19,880,000	142,000	-310,000	77.6	15,413,000	22.4	4,462,000
2010	19,970,000	0	-1,000	77.1	15,407,000	22.9	4,563,000

Source: Cassidy Turley Research

occurred in the East (-25,000 SF), Northeast (-16,000 SF), Midtown (-16,000 SF), Keystone (-12,000 SF), West (-4,000 SF) and North/Carmel (-3,000 SF) submarkets.

Construction

The past year saw little movement in the development of multi-tenant office projects. Construction levels remained largely unchanged through all four quarters as no new multi-tenant office buildings above 20,000 square feet were constructed. This continued a 24-month slide in multi-tenant office construction; total construction levels have declined by over 40 percent from the five-year construction average of 470,000 square feet annually. This decline is not a new phenomenon: over the course of the last five years, 2.7 million square feet of multi-tenant office space have been brought online, less than half of the 6 million square feet in the preceding five years. This drop is the result of both the continuation of the economic challenges facing development generally and a shift occurring within the business and professional services sector, where an increasing number of workers and companies are utilizing technology to work remotely.

Over 20 multi-tenant office buildings and 1.1 million square feet are proposed for construction across the Central Indiana market; however, the challenging economic climate and tight financial markets have drawn many of these proposals into question or have made their timeline uncertain. The completion of these projects and the return of further speculative development continue to depend on a dramatic improvement in financing fundamentals and on demand returning to the marketplace. Despite tight financial markets and elusive capital, financing is available for projects with solid fundamentals and significant pre-leasing, but achieving this status remains difficult.

As access to capital becomes easier, development may slowly begin to return to the Indianapolis speculative multi-tenant office market but with tighter capital requirements and not on the scale previously seen. Private developers with advantageous land position, solid credit and strong lending relationships remain in good position to capitalize on emerging opportunities within the market; however, developers must be careful in locating and timing their next multi-tenant building projects. History shows that following a downturn, early out-of-the-ground projects have the best success, but these have usually been constructed amidst a wave of tenant demand. This is unlikely to happen in the near future with vacancy and unemployment levels high and demand low. In the short term, we do not expect an increase in growth sufficient to warrant new large scale multi-tenant development.

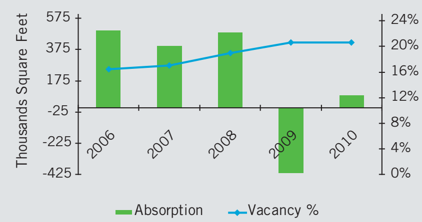
What is of note is an impressive amount of development in healthcare, public infrastructure, sports/entertainment and mixed-used development. Although these developments will not bring additional multi-tenant office space to the market, they will have a lasting influence in laying the groundwork for Indianapolis to continue to be one of the premier Midwestern cities, thereby aiding in attracting future office-using businesses. Indianapolis has a staggering amount of public/private investment underway or in the pipeline.

Rents

In 2010 tenants had the upper hand in lease negotiations, and landlords continued to offer a variety of reduced-rent variations in order to keep cash flow intact. Tenants received the benefit of short-term rent reductions, and landlords benefitted by signing tenants to new long-term leases. Despite this willingness to incentivize, tenant credit remained scrutinized, with landlords looking for higher-quality credit or, in its absence, increased guarantees. The market rent dynamic also required landlords to make sound fiscal judgments in order to complete new lease deals while supporting existing

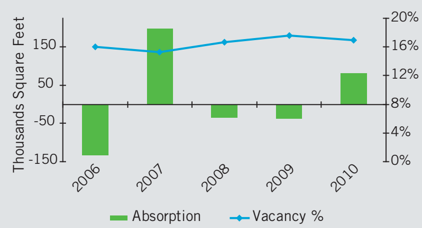
Office / MARKET TRACKER

Multi-Tenant Office Overall Market: Inventory, Absorption and Vacancy



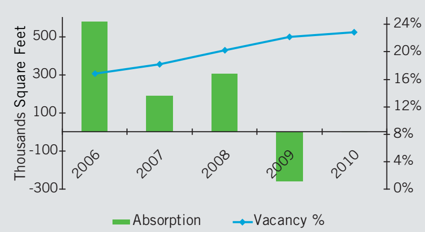
Source: Cassidy Turley Research

Multi-Tenant Office Market CBD: Inventory, Absorption and Vacancy



Source: Cassidy Turley Research

Multi-Tenant Office Market Suburban: Inventory, Absorption and Vacancy



Source: Cassidy Turley Research

mortgage obligations and maturing debt.

At the conclusion of the fourth quarter, the average asking rental rate among office properties in the Central Business District was $18.40 per square foot. Class A space commanded an average asking rate of $19.10 per square foot, Class B space averaged $18.03 per square foot and Class C space averaged $14.60 per square foot. During the same period, average asking rental rates among Suburban office properties was $17.10 per square foot. Suburban Class A space commanded an average asking rate of $19.47 per square foot, Class B space averaged $15.70 per square foot and Class C averaged $13.70 per square foot.

Over the past year, Class A asking rents in the Central Business District fell within a range of $14.00 to $26.00 per square foot, while Class A space in the Suburban market had an asking rental rate of $11.00 to $25.00 per square foot. 2010 Class B asking rates ranged from $11.50 to $21.00 in the Central Business District and $9.00 to $23.50 in the Suburban market. Operating expenses for Class A space in the Central Business District ranged from $7.00 to $8.00 per square foot, while the Suburban market ranged from $8.00 to $10.00 per square foot. Class B operating expenses ranged from $6.00 to $7.00 per square foot in the Central Business District and $7.00 to $8.00 in the Suburban market.

Outlook

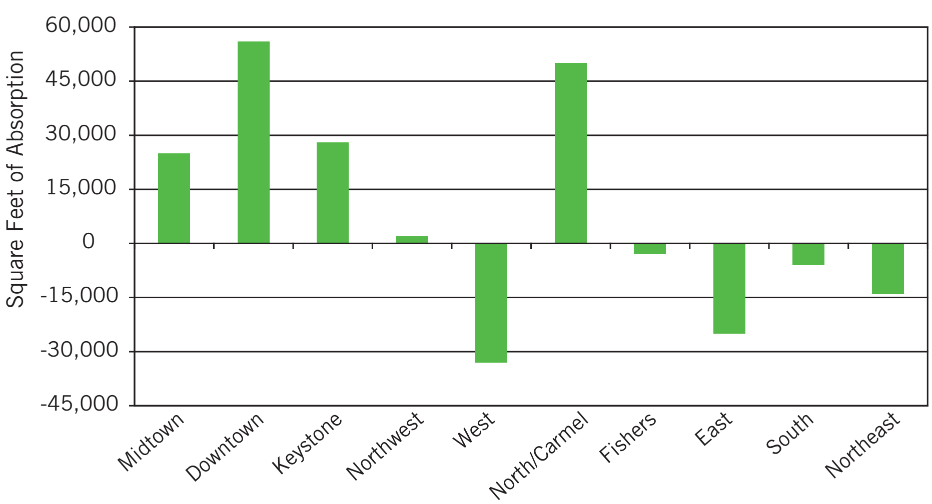
The direction the office sector will take depends largely on the labor markets, which remain lackluster. Job growth is expected to increase slightly in 2011. National office employment is projected to improve over the next five years. Nevertheless, it is likely that office employment, mainly within the professional and business services and financial activities sectors, will continue to decline for the next two to four quarters. In the near term, the Indianapolis metropolitan employment forecast is for annual job growth to be modest through 2011. Persistently high unemployment levels, restricted credit access for small businesses and uncertainty undermining business confidence will remain hindrances to multi-tenant office demand.

There are reasons for optimism, including the continued favorable outlook of corporate earnings, peaking worker productivity and the stabilization of commercial real estate values, which should help accelerate the resolution of problem loans and support access to much-needed capital. Corporate profits have risen over the past year by 30 to 40 percent and will continue to be robust in 2011. Worker output per office peaked and began declining in the second quarter of 2010, meaning that businesses can no longer squeeze more out of current staff. Assuming demand for goods and services continues to rise, businesses will reach a tipping point in the latter half of 2011 and will be forced to hire in more meaningful numbers.

Another indicator that bodes well for future job growth in the state is found in the December report of the Indiana Economic Development Corporation which identified 200 companies that are projected to create more than 22,353 new jobs in Indiana. Regional and local economic development reports also bode well for the future. Indy Partnership reports that business development interest among potential companies looking to relocate remains strong, and Develop Indy recently reported its best year in the last decade for job growth, securing more than 8,300 commitments. These numbers have yet to translate into office-using employment, but they are an important first step in that direction. Jobs drive demand for commercial real estate, so increased interest and levels of commitment are crucial for the regional office market and the scope of possibilities moving forward.

The Indianapolis office market continues to offer a pro-business environment, high-quality office space, an extensive interstate system, a skilled labor force and lower costs of doing business. Opportunities for growth exist, and factors such as low interest rates and an influx of labor will continue to support the businesses which operate in the Indianapolis market.

Indianapolis Multi-Tenant Office Market Net Absorption by Submarket



Source: Cassidy Turley Research

Cassidy Turley Commercial Real Estate Services

2011 Market Report

Retail Market

INDIANAPOLIS RETAIL MARKET

At a glance

Net Statistics	2009	2010	Outlook 2011
Vacancy	↑	↑	↓
Absorption	↓	↓	↑
Construction	↓	↔	↔
Asking Rents	↓	↓	↔

Market Trend: **Class A relocation. K&G Menswear relocated to Castleton Crossing.**

2010 Sees Slow Recovery for Retail Sector

Overview

2010 has been a year of slow and choppy recovery for the retail sector. Sales often fluctuated as unemployment figures and consumer optimism seemed to change with the wind. Lower interest rates and increased willingness of many lenders to renegotiate debt positions assisted numerous retailers and landlords. Vacancy rates and rents remained generally flat or improved only marginally, spurring landlords to find innovative methods to sustain revenues. Landlords have increasingly turned to imaginative uses for their vacant space by adapting non-traditional retail uses such as medical, education and call center operations. On a positive note, 2010 saw limited retail bankruptcies.

2010 Notable New Retailers to the Market

Name	Location
City Barbeque	Indianapolis
Cooper's Hawk Winery & Restaurant	Indianapolis
Flatwater Restaurant on the Canal	Indianapolis
Jason's Deli	Indianapolis
Mesh	Indianapolis
Monon Food Co.	Indianapolis
OshKosh B'gosh	Indianapolis
Planet Fitness	Indianapolis
Recess	Indianapolis
Sandella's Flatbread Café	Greenwood
Scotty's Three Wise Men Brewing Co.	Indianapolis
Seasons 52	Indianapolis
The Ball & Biscuit	Indianapolis
The North Face	Indianapolis
The Northside Social	Indianapolis
The Ripple Inn	Indianapolis
The Sinking Ship	Indianapolis
Turkey Hill	Indianapolis/ Carmel
Which Wich	Carmel/ Bloomington

Source: Cassidy Turley Research

As a result of increased consumer spending, some retailers have begun expanding again. Despite persistent unemployment, sales have increased, even within the luxury sector. Additionally, as the year drew to a close, brisk holiday shopping gave retailers a reason to hope for a brighter 2011. It appears that the holiday shopping season for 2010 will be the best performing season since 2007, and the highest on record. Final sales numbers are expected to show an increase of between 4 and 6 percent over last year.

We have also witnessed increased acquisition activity among healthy REITs. Action taken included Simon Property Group's negotiations to acquire a U.K.-based REIT, Duke Realty's acquisition of a 4.9 million square foot portfolio in South Florida, Inland's acquisition of a significant interest in 25 shopping centers owned by Centro Properties Group, and Kite Realty's issuance of additional stock to bolster its balance sheet and acquire more property.

Indianapolis Retail Market

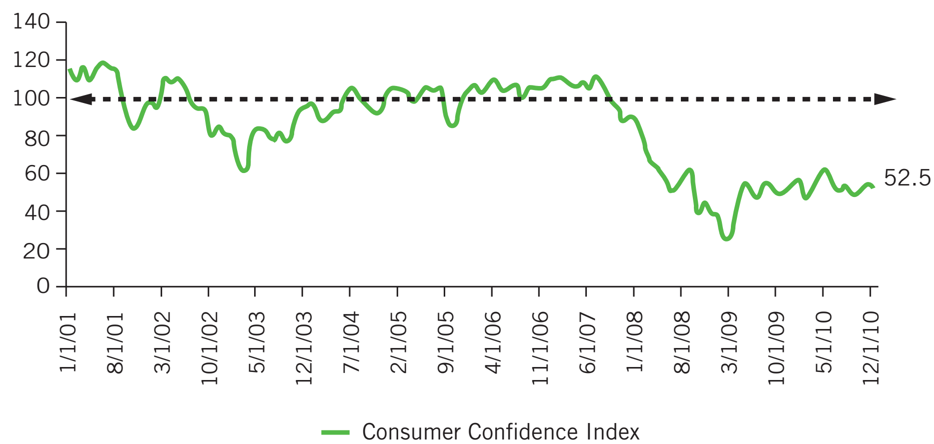
2010 saw the continuation and increasing velocity of the "Grade A Shift," a trend whereby tenants in Class B and Class C retail properties are relocating to Class A properties to benefit from superior anchor co-tenancies and increased visibility and traffic. Throughout the year, tenants of all sizes and product types recognized the benefits of increased sales that can be gained by relocating to Class A properties. Local examples include K&G Menswear at Castleton Crossing. K&G, a long-time Castleton retailer, identified the former Circuit City space as a superior location and took advantage of Circuit City's closure as an opportunity to relocate. Hobby Lobby took advantage of Ashley Furniture's departure at Village Park Plaza in Carmel to relocate and increase its footprint by more than 20 percent.

2010 Year-Over-Year Retail Sales

Category	2009	2010	Annual Change
All Stores	3,041,924	3,963,860	6.5%
Motor Vehicle and Parts Dealers	531,762	695,652	9.9%
Gasoline Stations	265,172	395,756	16.6%
Food and Beverage Stores	436,913	534,892	2.3%
Grocery Stores	391,385	478,384	2.2%
Health and Personal Care Stores	187,432	238,818	3.5%
Building Material and Garden Equipment Stores	219,849	266,034	6.0%
General Merchandise Stores	420,608	537,942	3.0%
Department Stores (excluding leased departments)	127,871	159,285	-0.9%
Clothing and Accessories Stores	144,310	189,056	4.6%
Furniture, Home Furnishings, Electronics and Appliance Stores	139,866	171,702	5.1%
Furniture and Home Furnishing Stores	68,818	82,309	2.2%
Electronics and Appliance Stores	71,048	89,393	2.9%
Sporting Goods, Hobby, Book and Music Stores	60,960	75,577	5.2%
Miscellaneous Store Retailers	83,248	107,986	6.9%
Nonstore Retailers	207,397	317,931	13.3%
Food Services and Drinking Places	344,407	433,054	2.8%

Source: Cassidy Turley Research

Consumer Confidence Falls in December



Source: Conference Board

Prime small shop locations continue to lease and hold their value. Leasing activity has increased among local small shop and national tenants. Since 2008, there has been no major shopping center development in Indiana. Occasionally a 10,000- or 15,000-square-foot outlot building was constructed in front of a mall or on a prime corner. However, we expect big boxes and junior anchors to once again look to expand.

2010 saw continued activity from discount retailers, automotive parts and accessories retailers, drug stores, fast food and quick service restaurants. In fast food and quick service, an increasing number of restaurants tested new concepts. For example, White Castle co-located a new concept, Blaze Modern BBQ, inside its Lafayette, Indiana, store and is testing a new sandwich concept, Deckers Grilled Sandwiches, and an Asian noodle concept, the Laughing Noodle. Chipotle is also working on an Asian restaurant concept that follows the Chipotle model and should debut in 2011.

We also welcomed new retailers to the market, including The North Face, which opened its first Indiana store at the Fashion Mall at Keystone, and OshKosh B'gosh, which will open its first store in The Shops at River Crossing.

During the past year, we continued to see growth in online shopping. Although online retail sales are not growing at the torrid pace they once were, they continue to grow steadily at about a 10 percent compounded annual rate. While $155 billion worth of consumer goods were purchased online last year, a far larger portion of offline sales were influenced by online research. Whether purchasing online or not, consumers find the Internet to be their preferred method of gathering information and comparison shopping before buying. As a result, retailers are realizing gains can be achieved by integrating their brick-and-mortar locations with online sales channels.

Backfilling of vacant big box space continued, such as discount department-store chain Shoppers World taking over a shuttered 85,000-square-foot Target on the south side. This marked the second time the retailer has taken advantage of vacant big box space to make a move in the market. The retailer previously took a 100,000-square-foot space formerly occupied by JCPenney in Lafayette Square Mall as its first location in the Midwest.

Landlords have been more creative in the reuse of vacant retail space. Tenants have created new footprints and adapted store fixtures to take advantage of better locations. A prime example of adaptive reuse is the conversion of the former Ace Hardware building to an Auto Collision repair facility in Westfield. Another example is the purchase and renovation of a former Circuit City on the east side of Indianapolis by the Marion County Health Department.

During 2010 the video rental business was redefined. Struggling to keep up with competitors such as Netflix, Redbox, On Demand, Apple and others offering $1 rentals, Blockbuster Video announced in September that it was filing Chapter 11, adding to the number of video rental businesses that have significantly reduced the number of stores or simply closed altogether. However, this obsolete business model has created tremendous opportunity for other retailers. For example, Family Video took advantage of several closed Movie Gallery sites in tertiary markets across Indiana, and prime locations such as endcaps and outlot buildings vacated throughout the market have created "blockbuster" locations for retailers and restaurants that continue to succeed.

Since early 2008, the retail development world has been stymied. As a result, it was refreshing to see the redevelopment of River's Edge, which includes Nordstrom Rack, Buy Buy Baby, The Container Store and Jason's Deli. This center was formerly anchored by Office Depot and has benefitted from its proximity to both the Fashion Mall and the Castleton Square Mall. When completed by Kite Realty Group in November 2011, this redevelopment will expand River's Edge from 110,000 square feet to over 142,000 square feet and will revitalize the area by attracting many new restaurants and retailers. Kite Realty Group was also involved in the renovation of the Marsh-anchored Fishers Station shopping center, which will include the addition of a 15,250-square-foot Goodwill store.

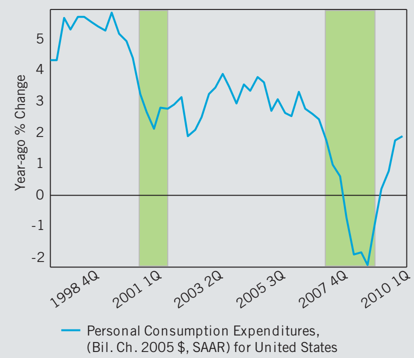
2010 also experienced positive development news emerging from Marion, Indiana, where a new shopping center is currently underway. University Marketplace, anchored by Meijer, will be expanded to include a new 55,000-square-foot Kohl's, Petsmart and at least two other specialty mid-sized box retailers. University Marketplace is a mixed-use development site that includes The Heritage at University Marketplace and an Arbor Homes housing development. Notably, Kohl's signifies the first new big box development and expansion within the state since 2009.

Outlook

Our 2011 forecast is for a modest increase in overall retail and restaurant sales. Electronic advertising will continue to drive sales and traffic to shopping centers and restaurants, and we will see continued growth in online shopping and electronic retail marketing. Expect to see additional store closures, consolidations and strategic conversions in 2011 as retailers continue to shift capital to more profitable stores and locations. "Extend and pretend" will come to an end as those who have purchased notes during the last year will begin the foreclosure process. Land will remain a challenge and, depending on the availability of capital, the development pipeline, which has been dry for several years, will begin to be replenished.

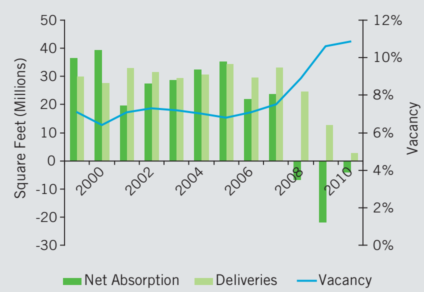
Retail / MARKET TRACKER

U.S. Consumer Spending Improving



Source: Moody's

U.S. Retail Market Recovering



Source: Reis; Cassidy Turley Research

U.S. Retail Rents Remain Flat

Source: Cassidy Turley Research

INDIANAPOLIS INVESTMENT MARKET

At a glance

Investment Highlights

- Buyer interest in the market was bifurcated between core Class A assets and distressed assets, while the market was trifurcated between core Class A assets, distressed assets and the rest.
- During 2010 the number of investment sales remained steady but the average price fell slightly from the previous year. A major hindrance to transaction volume and pricing stability continued to be the restricted credit environment.
- As 2010 progressed there was an increase in the availability of credit which supported property sales and the refinancing of maturing debt. A broader range of lenders became engaged, including CMBS conduit originators and life insurance companies.

Investment Activity in Primary Markets Was Brisk In 2010 With Increased Activity in Secondary and Tertiary Markets

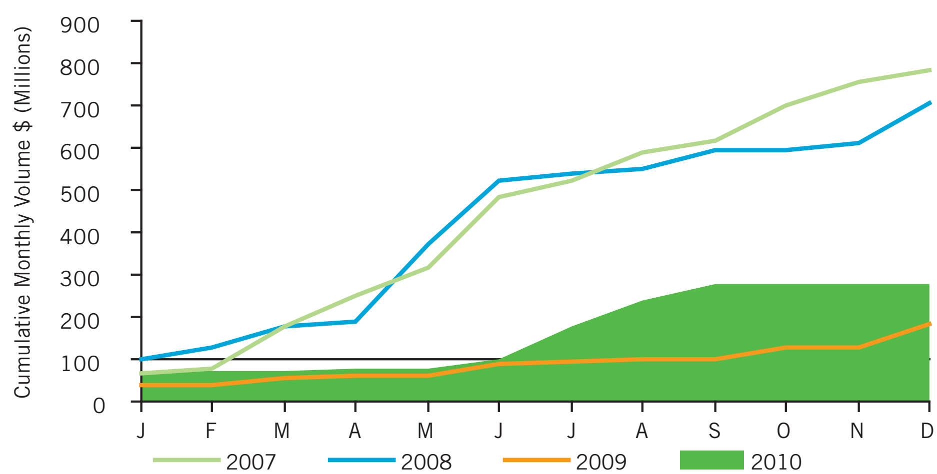
Overview

Over the past year national transaction activity increased in the primary markets, with increased activity in the secondary and tertiary markets in the second half of the year. Major metropolitan areas such as New York, Washington DC, San Francisco, Los Angeles and Dallas were the recovery leaders. Just two to three years ago many of these same cities were the first to lead the market downward. In 2010 they led the charge back with national data showing an estimated $100 billion of commercial real estate deals closed over the past year, exceeding the $49 billion posted in 2009 and moving closer to the $151 billion of commercial real estate closed in 2008. Despite this increase, the national market remains down over 80 percent from 2007 levels when $533 billion of commercial real estate investment deals were transacted.

Levels of distressed property activity varied across the national landscape with activity increasing in the Midwest as lenders continued to cull their pools of troubled assets. Meanwhile, the primary markets, whose distressed timeline led the Midwest by 12 months or more, experienced distressed activity slowing as the year progressed. Expect this trend to continue in 2011, providing continued opportunities for opportunistic buyers. Currently, less than 38 percent of the estimated distressed loans have been worked out, leaving at least $186 billion of distressed property which will need to be recapitalized, again, good news for opportunistic buyers.

2010 witnessed a changing of the guard as the buyer profile changed with institutions and publicly traded REITs stepping back into action and becoming the predominant players nationwide by replacing the private buyers who prevailed in 2009. This is not to suggest that private buyers are out of the market; on the contrary, they remain engaged and are increasingly focused on the smaller transactions available in the Midwest. We also witnessed pricing improve

2010 Year-Over-Year Indianapolis All Commercial Types (Office / Industrial / Retail) Investment Sales Up 177%



Source: Real Capital Analytics

during the year with capitalization rates compressed from 50 to 150 to even 200 basis points depending on the market and product type. Locally, we saw capitalization rates compress 75 to 125 basis points.

At the start of 2010, many investors continued to encounter an uncertain lending community and tight credit markets. Happily, as the year progressed we witnessed a marked increase in the availability of credit, which in turn supported property sales as well as the refinancing of maturing debt. The latter half of 2010 found a broader range of lenders become engaged, including CMBS conduits originators, life insurance companies and even foreign banks.

Nationwide, transaction size shifted at the end of the year from the former smaller deal size preference of less than $75 million to “mega” portfolios like the Prologis portfolio of 180 industrial properties which sold to Blackstone for approximately $1 billion. This shift reflects not only larger portfolios but also higher pricing. Locally, deal size remained below the $25 million high mark with the exception of a handful of transactions, including the Wellpoint office building in downtown Indianapolis.

Buyer interest in the market was bifurcated between core Class A assets and distressed assets, while the market was actually trifurcated among core Class A assets, distressed assets and the rest.

Finally, in 2010 we saw historically low U.S. interest rates begin to creep up during the second half of the year with the 10-year Treasury rising from 2.5 percent in late August to 3.5 percent in December; of course, 3.5 percent treasuries are still at an all-time low. This upward trend came as something of a surprise as the Federal Reserve resumed its second round of quantitative easing, commonly known as QE2, in November to keep interest rates low.

U.S. Investment Market

During the third quarter of 2010, U.S. investment sales volume for the four main commercial property types registered its highest quarterly total since 2008 at approximately $26 billion. Although lower than the high levels witnessed during 2005 and 2007, it is greater than the sales volume of any quarter last year. Positively, the transaction pace of 2010 has tracked the level of activity which occurred during the second half of 2002, a time marked by more normalized and sustained levels of investment activity.

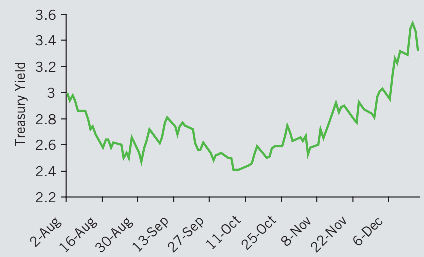
Quarter-to-quarter increases were most pronounced within the apartment and retail sectors. From midyear through September, the apartment sector experienced nearly a 70 percent increase, while the retail sector increased by almost 80 percent. Within the office sector, volume remained flat during the third quarter at $8 billion. Year-over-year transaction gains through September 2010 were the greatest in multifamily (+98%), followed by office (+84%), retail (+83%) and industrial (+59%).

Among the major commercial property sectors, multifamily was the first to witness occupancy rates firming and rental rates rebounding. While there is no doubt the multifamily sector is benefitting in part from continued weakness in the housing market, fundamentals will be further enhanced by improvement in the labor market. Expectations among investors that improvement in the jobs market will occur, and the greater availability of debt financing, have boosted interest in the multifamily sector. As a result, average national capitalization rates for multifamily assets dropped by almost 100 basis points by late in the third quarter of 2010.

Office investment volume remained stable over the course of the third quarter. However, on a year-over-year basis, office volume for the quarter was up by

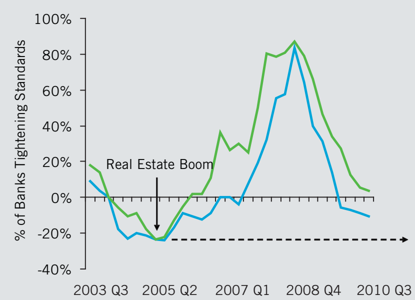
Investment / MARKET TRACKER

Rising Interest Rates
August - December 2010



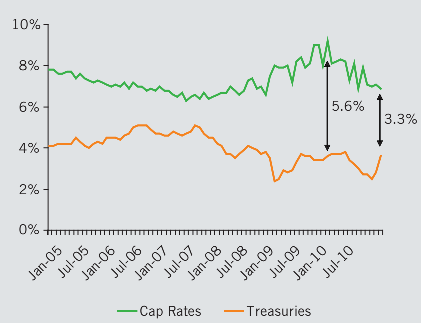
Source: Federal Reserve

Survey of Loan Activity



Source: Moody's; Federal Senior Loan Survey

Points



Source: Moody's; Federal Senior Loan Survey

67 percent. For the year-to-date period, office volumes increased by 84 percent to nearly $21 billion. Stabilizing market fundamentals nationally should contribute to improving sentiment among investors and momentum in trading into 2011.

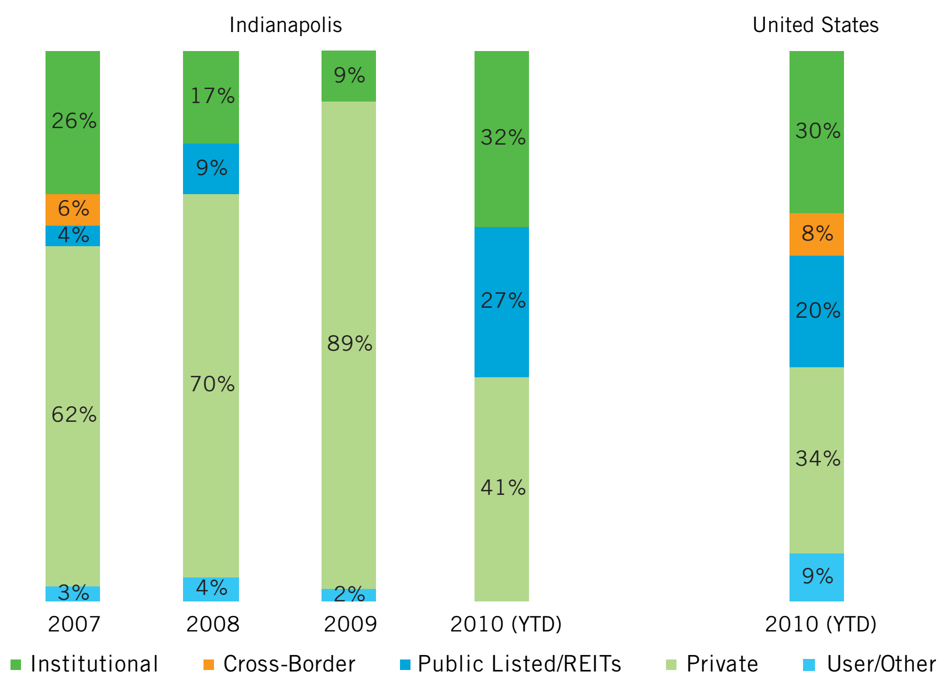
Industrial investment activity increased moderately during the third quarter, with volume up almost 30 percent to approximately $4 billion. Strikingly, industrial volumes for third quarter 2010 were more than double the level of a year prior. Compared with the other product types, particularly multifamily and office, cap rate compression for the industrial sector has been minimal.

Closed retail transactions in the third quarter increased dramatically on a quarter-to-quarter basis, with approximately $5.5 billion in retail assets traded. At the end of the third quarter, retail volume increased by nearly 80 percent over the second quarter, aided in large part by Lightstone Group's sale of its Prime Outlets portfolio to Simon Property Group. Cap rates continued to fall for core well-anchored retail properties.

Indianapolis Investment Market

The Indianapolis investment market embarked cautiously into 2010, reflecting the uncertainty which lingered in portions the regional and national markets. The industrial investment market remained relatively flat compared to the level of activity witnessed during the preceding year with many of the roadblocks, such as the limited availability of credit, which had previously prevented investors from entering the market remaining to hinder them at the start of 2010. By in large, industrial transaction volume was a continuation of the same in 2010 with a fraction of the deal volume we enjoyed in the not too distant past of 2006 and 2007.

Year-Over-Year Capital Flows by Buyer Type: All Commercial Types



Source: Real Capital Analytics

Among the industrial investment sales which did occur in the past year there were distinctly two different classes of industrial properties, core assets, occurring towards the end of the year, and distressed assets, which were relatively active throughout the year. An example of a distressed transaction for 2010 includes the note sale of Georgetown Crossing, a 146,000 square foot two-building industrial portfolio located in the Northwest industrial submarket which had an estimated occupancy below 60 percent. Many of the distressed sales which were completed, or introduced to market but not closed, in 2010 were priced as a "price per square foot" basis rather than an implied cap rate.

The second asset class of interest to investors was core industrial property – modern bulk buildings – with state-of-the-art construction located in A+ areas, fully occupied by strong tenants. At the end of the year, we witnessed two significant, single tenant industrial transactions totaling in excess of 1.2 million SF: the Conagra facility in Lebanon with 476,200 square feet; and the 809,000 square foot Cooper Tire facility in Greenwood.

Notably, cap rates for these types of core industrial assets compressed from last year's range of 9.25 to 10.5 percent to a range of 8 to 9 percent, and we anticipate these rates compressing further. As investors find the competition increasingly stiff in primary markets for core industrial assets, expect interest to increase here in Indianapolis. With increased interest will come greater competition for available product and corresponding pressure downward on cap rates and pressure upward on price.

One of the big national portfolios reference above, the Prologis 180-Property Industrial Portfolio, had an Indianapolis component. This transaction of over 20 million square feet of warehouse property across the U.S. included 20 properties located in the Greater Indianapolis area. The price of the entire transaction was reported to be a cap rate, or initial annual yield, of about 8 percent.

Anticipate the industrial real estate market within the greater Indianapolis area becoming increasingly attractive to institutional, fund REITs and private investors. As investor interest is piqued, the Indianapolis market will benefit from the relative stability in market fundamentals witnessed despite the turbulent economy, as demonstrated by the fact that the average industrial vacancy has remained near 7 percent over the past seven years. Other factors such as increased availability of credit to investors, returns greater than in first-tier markets, and tenant integrity which is greater and more diverse than in competing markets will support this trend.

Though office investment sales activity in 2010 was similarly quiet as compared to 2009, the activity which did occur was representative of investor interest nationwide; namely, the two wildly dissimilar tranches of core and distressed properties. Investor interest in core office properties in Indianapolis translated into an increased desire for reduced investment risk attained through quality assets in Class A locations with a stable rent roll to support a consistent cash flow.

The Indianapolis office market offers investors a diversification position with more stability during the highs and lows of a volatile market. The primary markets, especially those with a large concentration of tenants related to the financial services sector, took a huge hit during the recession. Meanwhile, Indianapolis had minimal impact from this sector.

The year started slowly with virtually no product available as owners either stayed on the sidelines waiting to see where pricing would land or tried to work out loan refinancing with their lenders. As buyers began to chase yield into the Midwest, we saw an uptick in activity. The core asset sales reflect savvy owners realizing the opportunity to capitalize on increased buyer interest with little available competing product on the market.

Several office sales transactions represent this increased interest in core assets in greater Indianapolis. Those transactions included the sale of the WellPoint national headquarters, 213,609 square feet located in downtown Indianapolis and the sale of the office/retail three-building portfolio at 8480–8520 Keystone Crossing, 100,353 square feet located on the north side of Indianapolis.

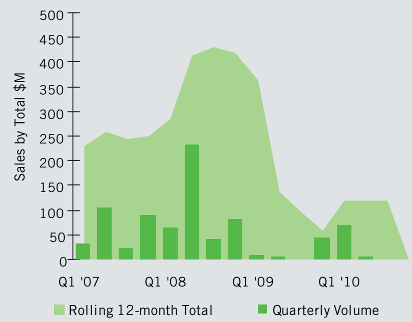
Another significant transaction, though not captured in our office sales figures, is the transfer of ownership of 11 medical office buildings with an estimated square footage of 778,000 square feet. The prior owner, Lillibridge Health Trust, transferred varying levels of ownership of these buildings and 54 other properties nationwide as part of a 65-property portfolio to Ventas Realty. This transaction was part of a larger business unit sale by Lillibridge to Ventas.

Finally, the office sector registered less activity than the industrial sector for distressed asset sales in 2010. Many lenders were still working through their pool of loans to identify troubled assets and the respective plan for recapitalization whether through workout with the borrower, a note sale or an REO (lender-owned) sale. An example of a lender-owned office property offered to the market for sale but actually purchased by an owner/user was the Standard Management Building, 54,207 square feet, located at 10689 North Pennsylvania Street.

It is expected that more office assets will trade in the Indianapolis market in 2011. For core assets, owners will continue to capitalize on investors' pursuit of yield in

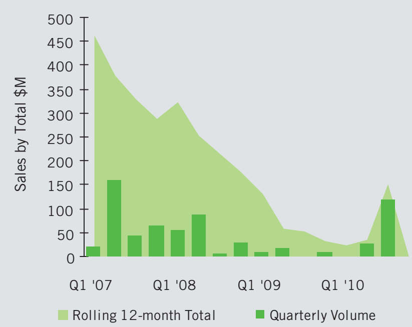
Investment / MARKET TRACKER

Industrial Investment Sales



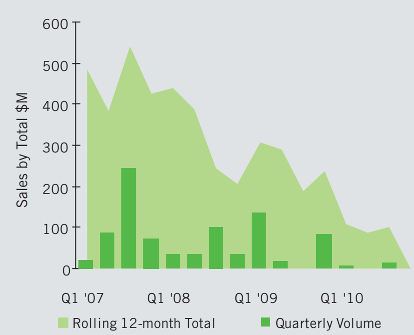
Source: Real Capital Analytics

Office Investment Sales



Source: Real Capital Analytics

Retail Investment Sales



Source: Real Capital Analytics

the Midwest coupled with the availability of credit. For potentially distressed assets, owners with loan maturities, partnership changes or unmanageable capital requirements may be forced to sell when they would otherwise have held on to the asset. Lastly, expect more distressed property opportunities from the lending community with over $35 billion in REO property. Increased investor interest and corresponding activity will drive pricing upward in 2011.

As has been the case with industrial and office investment activity, retail investment activity remained consistent with the level of 2009 activity. The significant difference between retail investment sales activities compared to office and industrial transactions is the type of assets of interest to investors. For 2010, the two most active areas of retail investment sales were smaller single tenant triple net (NNN) transactions and distressed asset transactions.

For the most part, transaction value ranged from $1.5 million to roughly $10 million. Approximately half of the reported deals were NNN single-tenant transactions with national credit tenants, including CVS Pharmacy, Advanced Auto and Sherwin Williams. Average square footage ranged from 6,000 to 12,000 square feet. Cap rates for these stable, risk-resistant assets compressed to the low-to-mid 8 percent cap rate range. It is anticipated this asset class will continue to be of interest for investors in 2011 with further cap rate compression.

The second significant asset class for retail sales came in the form of distressed or troubled assets. We saw several lender-owned assets introduced to the market and close before the end of 2010. The most significant of these deals is the sale of Metropolis on the southwest side of Indianapolis in Plainfield. This 507,770 square foot transaction included national tenants such as JC Penney and Dick's Sporting Goods.

With positive signs of recovery to the economy ongoing and a relatively stable market in Indianapolis, it is anticipated the retail sector will continue to be of increased interest to investors in 2011. We predict retail transaction activity to increase over 2010 activity in both of the previously referenced asset classes, as well as marked increase in core retail asset activity.

Fundamentals of the Indianapolis Class A multifamily rental market remained strong as occupancy levels and rental rates

2010 Notable Investment Sales by Market

Industrial Sales
Arranged by square feet transacted

Property Name	Address	Submarket	Square Feet
Cooper Tire	500 Bertram Parkway	South	809,000
Eagle 5 Building	1105 E. Northfield Drive	West	526,000
ConAgra Foods Building	640 S. State Road 39	Northwest	476,200
Georgetown Commerce	7201 Georgetown Road	Northwest	148,000
Mitthoeffer Building	3130 N. Mitthoeffer Road	East	67,200

Office Sales
Arranged by square feet transacted

Property Name	Address	Submarket	Square Feet
WellPoint Headquarters	120 Monument Circle	Downtown	213,609
One North Capitol	1 N. Capitol Avenue	Downtown	161,984
Castle Creek 1 and 2	8604-8606 N. Allisonville Road	Northeast	117,204
Keystone Crossing Portfolio	8480-8520 Keystone Crossing	Keystone	100,353
Standard Management Building	10689 N. Pennsylvania Street	North/Carmel	54,207

Retail Sales
Arranged by square feet transacted

Property Name	Address	Submarket	Square Feet
Metropolis Shopping Center	2499 Futura Parkway	West	507,770
Fall Creek Harbour	10142 Brook School Road	Fishers	51,905
Heartland Landing	10302 Prosperity Circle	Southwest	21,611
Brook School Road Building	116th & Brook School Road	Fishers	15,168
Centre East	10600 E. Washington Street	East	8,250

Multifamily Sales
Arranged by number of units

Property Name	Address	Submarket	Units
Washington Village	4211 W. Potomac Drive (Greenfield)	East	288
Eagle Pointe	6612 Eagle Pointe Drive	Northwest	256
Bradford Point	1680 E. Franklin Street (Evansville)	Outlying	252
Grand Reserve at Geist	8019 Glenway Drive	Northeast	146

Source: Real Capital Analytics; Cassidy Turley Research ticked upward across the majority of the Indianapolis market in 2010. According to Reis, Inc., which chronicles the Class A market, during the 12 months ending September 2010, Indianapolis multifamily vacancy stood at 8.9 percent and the average rental rate increased from $670 to $680. The expiration of the first-time homebuyer tax credit early in the year continued tight lending standards, and increasing home foreclosures throughout 2010 increased the supply of otherwise credit-worthy renters for Class A multifamily housing. The Class B market held its own for the most part; however, the Class C market was dealt a significant blow by this series of events, along with continued unemployment and underemployment.

During 2010 the number of investment sales remained steady but the average price fell slightly from the previous year. A major hindrance to transaction volume and pricing stability continued to be the restricted credit environment. Although new CMBS lending and occasional interest from insurance companies were options later in the year for debt-financing, the reality was that these normally second tier options offering barely plausible terms and conditions suddenly looked attractive in an era of "no options." Local buyers faced numerous hurdles, including non-interest from traditional sources, continued tight-to-impossible credit guidelines and restricted access to Fannie Mae and Freddie Mac, as Indiana remains one of the several "first-review" states for the lenders.

As a result, throughout 2010 HUD remained the preferred lending source for the majority of Indiana owners. With the constant demand for FHA loans, the normally slow process became even more laggard, straining the patience limits and time-contract constraints of pending transactions. 2010 also witnessed continued indecision on the part of borrowers and lenders, followed by the trickle of foreclosures of multifamily properties, many of which made it to market but as a shadow of their former physical or functional selves. These properties were barely purchasable and virtually unfinanceable, so buyers with cash were firmly in control of the sales process.

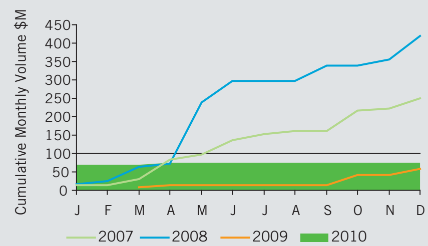
Outlook

Looking forward we expect the Midwest to become a more appealing target for commercial investment. Because investors have either been sitting on the sidelines or have been unable to compete in the primary markets, there is a considerable amount of pent up equity and a need to obtain yield. This means the Midwest will be a more viable alternative over the next 12 to 18 months than it was during the past year. As we see increased interest and activity in the Midwest by investors chasing yield, also expect to find the delta for pricing between buyer and seller expectations shrink, as well as the delta for pricing in primary markets versus Midwestern markets to narrow.

In 2011 the buyer profile will remain mixed. The buyer profile will remain a combination of institutional or publicly traded REITs for large transactions and private investors for smaller transactions. Meanwhile, the pricing divide between core assets and distressed assets will continue until the economy recovers and real estate fundamentals rebound. Access to credit and actual availability of credit will be a driving force for investment activity. The greatest unknown at this point is what will happen with interest rates and the corresponding impact upon capitalization rates. We predict capitalization rates will continue to compress downward in the Midwest, even if the corresponding interest rates creep higher.

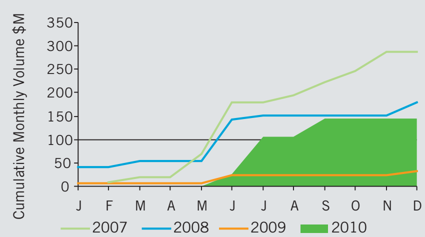
Investment / MARKET TRACKER

2010 Year-Over-Year Indianapolis Industrial Investment Sales



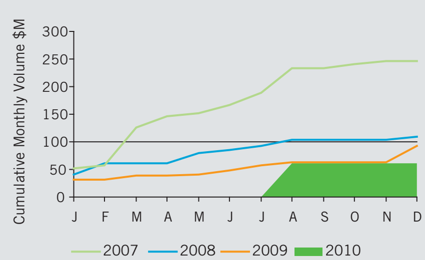
Source: Real Capital Analytics

2010 Year-Over-Year Indianapolis Office Investment Sales



Source: Real Capital Analytics

2010 Year-Over-Year Indianapolis Retail Investment Sales



Source: Real Capital Analytics

Cassidy Turley Commercial Real Estate Services

2011 Market Report

Land Market

INDIANAPOLIS LAND MARKET

At a glance

Indiana Statistics	2009	2010	Outlook 2011
Total Housing Starts	↓	↔	↔
Single Family Starts	↓	↔	↔
Multifamily Starts	↓	↑	↑
Median Home Price	↔	↑	↔
Developed Lot Inventory	↓	↔	↔

Land Highlights

- Elevated levels of unsold homes continued to be a drag on new residential construction in 2010.
- Private nonresidential commercial development also remained subdued in 2010, particularly for office and retail buildings.
- Public construction increased in 2010 with activity concentrated in transportation infrastructure and healthcare.

Development Levels Remain at Historic Lows, Uncertainty as to Fundamentals Stalling Pace of Recovery

Overview

Land sales slowed dramatically at the start of the recession and continued to struggle in 2010 with scarce financing making development activity nearly nonexistent. Commercial land sales within Central Indiana over the past 24 months have been off by more than 55 percent compared to pre-recession levels, when sales of at least 1,200 acres annually was the norm. While sales activity is low, the amount of new land being brought onto the market is rising as lenders have started to foreclose in greater numbers on non-performing loan commitments in an effort to clean up their balance sheets. As lenders have attempted to either sell off land or dispose of it through bundling notes at discounted prices, both commercial and residential markets have experienced an increase in available lots and more aggressive pricing. Meanwhile, housing indicators leave little doubt that the recovery within the residential real estate market continues to remain fragile. In the production sector, single-family housing permits, starts and completions all fell. In the marketing sector, sales of both new and existing homes declined throughout 2010 while median sale prices remained nearly the same as in the previous year.

Elevated levels of unsold homes within Central Indiana continued to be a drag on new residential construction and home prices throughout 2010. According to the National Association of Home Builders (NAHB), the fourth quarter saw only a modest improvement in sales with showroom traffic weak but conversion rates increasing. Across the region residential demand remained stagnant as a result of the ongoing weakness in the job market, the rising number of foreclosures and short-sales, and very challenging credit conditions. Consequently, residential development of new properties was minimal as builders were instead concentrating on the disposition of existing distressed properties.

Similarly, private nonresidential commercial development remained subdued, particularly for multi-tenant office and retail buildings, due to elevated vacancies and declining commercial rents. Over the course of the year, rising vacancy rates leveled out and small improvements in demand, particularly for industrial facilities, were noted. Throughout the year the market also experienced an increase in inquiries and redevelopment projects related to vacant commercial space. Both public and private healthcare projects continued as new hospitals were funded and built, replacement facilities were planned, and major acute care facilities were expanded. In contrast to the limited private development occurring in the market, public construction increased throughout the year with activity concentrated in transportation infrastructure and healthcare-related projects.

Residential

Consumers and builders have yet to witness consistent indications that the economy is improving, and this has translated into low levels of consumer demand and muted builder confidence. Builder confidence in the market for newly built, single-family homes remained unchanged from November to December at 16 on the NAHB/Wells Fargo Housing Market Index (HMI). Derived from a monthly survey, the HMI captures builders' perceptions of current single-family home sales and expectations for the next six months. Scores from each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that builders view conditions favorably. Two of the three components of December's HMI remained unchanged from November, including the components gauging current sales conditions and sales expectations in the next six months, while the component gauging prospective buyers dropped slightly. Positively, the index and its subcomponents remain higher than levels experienced in the third quarter of 2010, which offers hope that an improving job market this spring could propel more sales activity in 2011. Nevertheless, the continuing challenges related to obtaining construction credit and the rising number of foreclosures and short-sales could significantly hamper the pace of recovery.

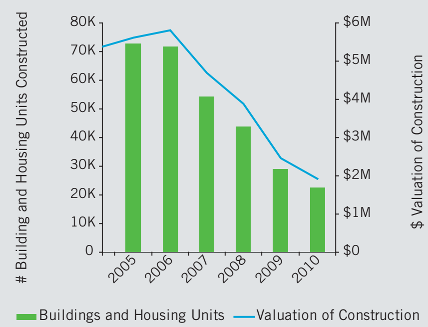
In contrast to the muted confidence of single-family builders, leading indicators of multifamily production and vacancy indices showed increased confidence as the year closed. Both the NAHB composite Multifamily Production Index (MPI) and Multifamily Vacancy Index (MVI) improved in December. The MPI increased to its highest level since 2007, and the MVI showed fewer vacant apartments for the fifth quarter in a row, continuing its steady decline from a peak vacancy rate in the second quarter of 2009. Although the multifamily indices' continued movement into positive territory is certainly welcome news, it is important to note that they are rising from historically low levels. Similar to the challenges facing single-family development, further improvement in the multifamily market will depend upon resolving the formidable obstacles to financing the development and construction of viable multifamily projects.

Home sales, although soft, are improving in many states and metropolitan areas throughout the Midwest. The federal homebuyer tax credit and reduced rate of job declines increased the number of homes sales in the Midwest region during the third quarter, but with the expiration of the homebuyer tax credit, it remains to be seen if the practical effect was more than simply shifting demand forward without increasing the overall level of demand within the residential markets. According to data from the National Association of Realtors, during the third quarter of 2010, the annual rate of existing home sales in the Midwest increased by 14 percent compared with the annual rate of home sales during the second quarter of 2009. In Indiana, data from the Indiana Association of Realtors showed improved rates and prices of home sales, with rates increasing 6 percent to 62,850 homes sold and median home sales price gains of 3 percent to $111,500. In the Indianapolis metropolitan area, data from the Metropolitan Indianapolis Board of Realtors indicate an increase in the rate of home sales by 6.1 percent to 24,250 homes sold and an increase in the average home sales price up 5.8 percent to $149,300. Unfortunately, despite this uptick in sales, the Indianapolis region remains 34.3 percent below the prior year's sales volume. Just as challenging is the fact that, according to the Lender Processing Service, Inc. Mortgage Performance Data, as of the start of the fourth quarter, the percentage of regional home loans 90 days or more delinquent, in foreclosure or in REO was 8.6 percent, an increase from 8.4 percent a year ago.

Both single-family and multifamily home construction across the Midwest, as measured by the number of building permits issued, slowly increased during the balance of the past year but remains below historical levels. Single-family home construction in the Midwest increased by 10 percent, or nearly 44,500 homes permitted, during the 12 months ending September 2010. Although promising, this figure remains 59 percent below the prior five year average for number of homes permitted. Meanwhile, across the region multifamily construction activity increased by 1 percent to 14,600 units from the third quarter of 2009 through the third quarter of 2010, but remains 39 percent below the prior five-year average of 37,250 multifamily units. Among most major metropolitan areas in the Midwest, including

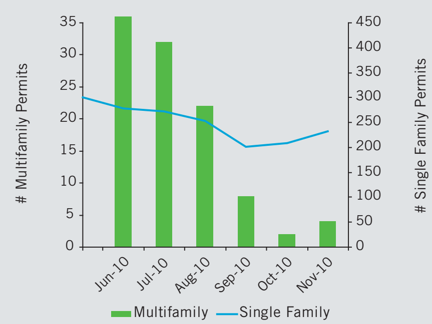
Land / MARKET TRACKER

Indiana Privately-Owned Newly Constructed Units and Value of Construction



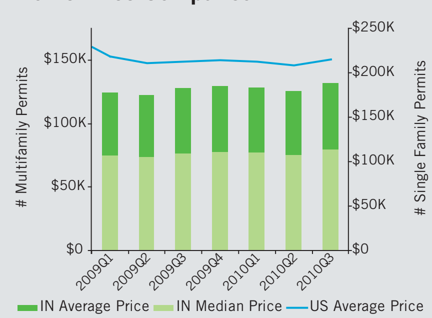
Source: Cassidy Turley Research

Central Indiana Single-Family and Multifamily Building Activity



Source: Cassidy Turley Research

Central Indiana Average and Median Home Price Comparison



Source: Federal Housing Financing Authority; Cassidy Turley Research

Indianapolis, single-family homebuilding activity followed suit. In Minneapolis, during the 12 months ending September 2010, single-family construction was nearly 23 percent above prior year levels with 4,175 homes permitted. In Ohio, increases ranged from 14 percent in Columbus, or 3,000 homes permitted, to 6 percent, or 3,100 homes permitted in Cincinnati. In the Indianapolis region, the annual rate of increase was 10 percent, or 3,925 homes. During the same period, Indiana witnessed an 8 percent decline in multifamily permits, and the Indianapolis MSA experienced an 11 percent decline. Strikingly, the decline in the number of multifamily units permitted in Indianapolis accounted for nearly the entire 250-unit decline in multifamily permits across the state.

On a brighter note, Indianapolis-Carmel has reclaimed the top spot as the most affordable major housing market in the country as housing affordability remains near its highest level nationwide, as a result of interest rates remaining at the lowest levels seen in nearly two decades. In Indianapolis, 93.3 percent of all homes sold were affordable to households earning the area's median family income of $68,700. Among smaller housing markets across the nation, Kokomo is the most affordable with 96.1 percent of homes sold during the third quarter of 2010 at levels affordable to families earning a median income of $61,400. While these favorable conditions have drawn home buyers back into the market, builders continue to have major problems in obtaining credit for new-home construction

Additional positive news came from recent estimates from the Mortgage Bankers Association (MBA) that showed both the delinquency rate and the rate of loans entering foreclosure for home mortgages decreasing, with the percentage of newly initiated foreclosures falling for prime, subprime and FHA loans. This indicates that greater strength in the economy is bringing some support to mortgage delinquency rates, and although weak, the economic recovery is beginning to be seen in residential real estate fundamentals and the mortgages they support. According to the MBA, the percentage of mortgage holders 90 or more days past due or in the foreclosure process decreased for the second consecutive quarter in 2010, after having risen every quarter since the third quarter of 2006. This is not to suggest that foreclosures are no longer a challenge; they are, especially considering the Marion County foreclosure rate is higher than both the state and national average with 1 in every 384 units receiving a foreclosure filing in November. Also of concern is the rise in short-term delinquencies, those that are less than 90 days past due, which ticked upward in the second quarter after having been on the decline since the beginning of 2009. Nevertheless, with the levels of those seriously delinquent declining throughout the year, accompanied by banks, willingness to avert REO foreclosures, the overall trend is positive.

Commercial

Although prices have fallen by 40 to 60 percent off their high, investors and developers remain bearish on the commercial land market in Central Indiana. Given tight credit markets, financing has been largely unavailable for any development that is not significantly pre-leased. As such, speculative development has been practically non-existent in the market. There has been a small level of activity among companies looking to purchase land for the development of space within which they can ultimately occupy. Even among these owner-users, development of new space competes directly against existing space which is being marketed at significantly discounted prices.

Commercial development within the industrial sector was slow during the past year with large-scale modern bulk slowing to a halt, build-to-suit construction levels declining, and overall construction levels diminishing well below the five year historical average of 4.8 million square feet. Early in the year, the Keystone Enterprise Park witnessed the completion of two developments totaling 91,000 square feet when Restaurant Depot opened its 65,000 square foot facility and Xpress Cargo completed construction of its 26,000 square foot facility. Build-to-suit construction continued as the year progressed with Premium Composite Technology North America completing construction of a 64,000 square foot facility in the Franklin Business Park and Therametric Technologies finishing its 26,000 square foot headquarters expansion in Noblesville during the second quarter. Industrial development in the latter part of 2010 was marked by Zipp Speed Weaponry's move into its new 70,000 square foot manufacturing and customer service center in the Northwest submarket as well as Johnson & Johnson Sales and Logistics Company's continued construction of a 1 million square foot distribution facility located on a 115-acre newly acquired site within 70West, the new Hendricks County industrial park west of Plainfield and north of Monrovia. The Johnson & Johnson Sales and Logistics Company project is especially important to the new industrial park as it marks the first development in the 1,000 acre industrial park and bodes well for developers hoping to realize the same growth in logistics experienced by nearby Plainfield.

The past year saw little movement in the development of multi-tenant office projects. Construction levels remained largely unchanged through all four quarters as no new multi-tenant office buildings above 20,000 square feet were constructed. This continued a 24-month decline in multi-tenant office construction where total construction levels have declined by over 40 percent from the five-year construction average of 470,000 square feet annually. This decline is not a new phenomenon as witnessed by the fact that over the course of the last five years, 2.7 million square feet of multi-tenant office space have been brought online which is less than half of the 6 million square feet witnessed in the preceding five years. This drop is the result of the economic challenges facing development generally, as well as the result of a shift occurring within the business and professional services sector, the primary users of office space, where an increasing number of workers and companies are utilizing technology to work remotely.

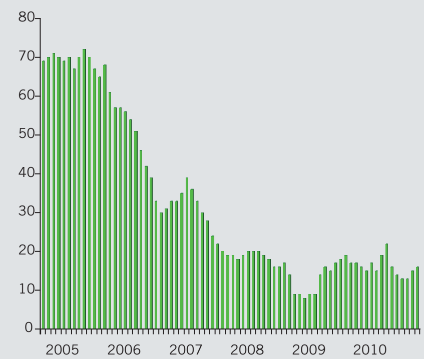
Over 20 multi-tenant office buildings and 1.1 million square feet remains proposed for construction across the Central Indiana market; however, the challenging economic climate and tight financial markets have drawn many of these proposals into question or have made their timeline for completion uncertain. The completion of these projects and the return of further speculative development continues to rest upon a dramatic improvement in financing fundamentals and upon demand returning to the marketplace. Despite tight financial markets and elusive capital, financing is available for projects with solid fundamentals and significant pre-leasing; nevertheless, achieving this status remains difficult. As access to capital becomes easier, development may slowly begin to return to the Indianapolis speculative multi-tenant office market but with tighter capital requirements and not on the scale previously seen. Private developers with advantageous land position, solid credit and strong lending relationships remain in good position to capitalize upon emerging opportunities within the market; however, developers must be careful in locating and timing their next multi-tenant building projects. History shows that following a downturn, early out-of-the ground projects have the best success, but these have usually been constructed amidst a wave of tenant demand. This is unlikely to happen any time in the near future with vacancy and unemployment levels high and demand low. In the short-term we do not expect to experience an increase in growth sufficient to warrant new large scale multi-tenant development.

Within the retail sector, development activity also declined during the past 12 months by nearly 60 percent as both the size and scope of development projects declined as a result of slack tenant demand and elevated vacancy rates, not to mention shrinking property values. Central Indiana is not alone in witnessing retail development levels at the lowest levels in recent decades. In fact, according to the Urban Land Institute, for the first time since the early 1950s, no regional malls are under construction in the U.S. The development fallout is not limited to regional malls, or any other particular product type for that matter, as strip center development has also been hit extremely hard. As a result, we expect to see much of the same in terms of retail development in 2011 with development activity increasingly focused on infill locations. Although there is currently over 5 million square feet of retail-related development which has been announced, the same market factors that have drawn many of the proposed multi-tenant office developments into question will prevent many of these projects from moving forward in 2011. One development project that has successfully cleared early development hurdles is Buckingham's $150 million North of South project, which calls for a hotel with 158 rooms, 332 upscale apartments, a YMCA branch, and an 800-space parking garage, all north of South Street between Delaware Street and Virginia Avenue in downtown Indianapolis. If the project successfully moves from the drawing board through the development process it will add another major project to the growing list of recently completed deals in downtown Indianapolis.

The retail activity that did occur within the market in 2010 was marked by relocation, reposition and redevelopment. River's Edge, located at 82nd Street and Dean

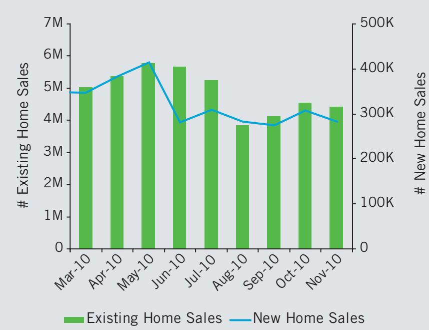
Land / MARKET TRACKER

NAHB/Wells Fargo Housing Market Index



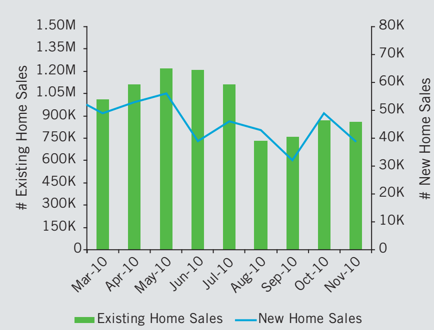
Source: NAHB/Wells Fargo; U.S. Census Bureau; Cassidy Turley Research

U.S. New and Existing Home Sales



Source: Cassidy Turley Research

Midwest New and Existing Home Sales



Source: Cassidy Turley Research

Road, began a redevelopment that will include retailers such as Nordstrom's Rack, Buy Buy Baby, The Container Store and Jason's Deli. Formerly anchored by Office Depot, River's Edge has benefitted from its proximity to both the Fashion Mall and Castleton Square Mall. When completed in November 2011, this Kite Realty Group Trust redevelopment project will expand River's Edge from 110,000 square feet to over 142,000 square feet thereby transforming the area by attracting many high-profile restaurants and retailers. Kite was also involved in the renovation of the Marsh-anchored Fishers Station shopping center at the northeast corner of 116th Street and Allisonville Road. The Fishers Station renovation will include the addition of a 15,250 square foot Goodwill store to be located near the Marsh as well as a Dollar Tree on the opposite end of the center.

The past year also saw positive retail development news emerge from Marion, Indiana, where a new shopping center is currently underway. University Marketplace, anchored by Meijer, will be expanded to include a new 55,000 square foot Kohl's Department Store, Petsmart, and at least two other specialty mid-size box retailers. University Marketplace is a mixed-use development site that also includes a credit union and The Heritage at University Marketplace, which is a housing development built by Arbor Homes. Notably, Kohl's signifies the first new big box development and expansion within Indiana since 2009.

Despite the fact that industrial, office and retail development have all diminished, medical development continues. Within the greater Indianapolis region, medical development in excess of $2 billion is currently in various stages of completion as the big are getting bigger and the competition is becoming increasingly fierce. Development is occurring as original buildings are aging and unable to accommodate new technologies and the infrastructure they demand. Although space is limited, particularly in downtown Indianapolis, the need to collocate hospitals and research institutions is driving the design of medical towers and the exploration of alternative delivery systems. Despite increasing levels of development, healthcare providers are not immune to dealing with the effects of an ailing economy which has resulted in emaciated endowments and diminished capital flows. These conditions are compounded by unresolved questions regarding the impact of healthcare reform. At the same time, the healthcare sector must confront the need to expand, whether through renovation or new development, to meet the rapidly changing demographics, technological advances and increased demand.

Medical development plans are further complicated by unresolved questions surrounding the impact of healthcare reform and the resulting introduction of millions of new patients into the marketplace over the next four years. Although the majority of the previously uninsured have used healthcare services in the past, that use has been sporadic. There is little question that healthcare providers will need to further embrace strategies to expand and improve facilities in order to meet the anticipated explosion in demand. Divergent strategies are driving current medical development decisions on initiating capital projects. Certain projects have been placed on hold in an attempt to retain money and ride out the economic turbulence. Other projects continue but at a slower pace, with institutions scaling back and looking to smaller interim projects to address their critical needs without compromising cash flow or assuming unnecessary debt. Still other projects continue relatively unabated to ensure that requisite facilities are in place to meet pressing demand. In fact, most healthcare institutions are forced to move forward in some development capacity to keep pace with current demand.

For example, St. Francis Hospital & Health Centers stopped and then restarted work on a 221-bed tower at its campus on the south side of Indianapolis where it will consolidate operations after it closes its Beech Grove hospital in 2012. Clarian Health, soon to become Indiana University Health, has resumed construction of its proposed hospital and medical office building on the northwest corner of the Saxony Development at I-69 and Exit 10 in Fishers, and on a bed tower at Riley Hospital for Children in downtown Indianapolis. Community Health Network moved forward with its $130 million expansion of its Community South Hospital. Likewise, Wishard Health Services began construction in 2010 on a new $754 million hospital just west of the Indiana University-Purdue University Indianapolis campus that will replace Wishard's existing hospital when completed in 2013. A bit of positive news for continued medical development came from Clarian Health's recent announcement of ambitious development plans for the next five years, including the construction of more than 500,000 square feet of office, lab and research space to consolidate their research and patient care in brain and spine disorders to begin in the first quarter of 2011.

Agricultural land has increasingly become a commercial play as land prices are up almost 60 percent in value over the past decade and still climbing. Indeed, farm land prices in the Midwest have been shooting up over the past year, and this dramatic rise has led big financial companies like MetLife, John Hancock and TIAA Cref to ramp up investment in agricultural land. The dramatic rise has also gained the attention of the FDIC and has prompted them to closely watch for signs of a bubble. Part of the reason prices have risen so high is the soaring cost of crops, a notoriously volatile commodity. While grain prices have risen, they have not risen as far and as fast as land prices. This is causing some concern that land prices are artificially rising faster than the underlying fundamentals. Positively, there seemingly has not been an unstable debt structure beneath it, with farmers and buyers being able to put money down on purchases; therefore, we have not witnessed the type of borrowing experienced during the 1980s farm crisis. What has gotten the attention of the Federal Reserve Board is the fact that some have begun to use equity to purchase additional parcels, and some purchasers are looking at land as a hedge against inflation. Nevertheless, broadly speaking, there simply is not a lot of land on the market. Low interest rates and an unstable stock market have prompted many to view owning land and holding on to a hard asset as a better option. The key question for land markets is whether the pricing is the result of speculative buying or is really supported by farm land's ability to make money.

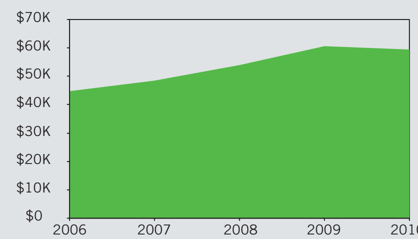
Outlook

Dramatic improvement in the land market will not be realized until the employment picture brightens, access to credit markets improves, and vacancy rates within the other sectors of commercial real estate show meaningful declines. Unfortunately, none of this is expected to occur at the level needed to spur development within Central Indiana. Although the current pace of hiring has not been enough to cause the unemployment rate to drop measurably, it has been sufficient to keep vacancy rates generally even. Nevertheless, with vacancy running between 200 and 400 bps above the historical average for all commercial real estate sectors, demand for new development will remain at historic lows. Although indications are that the housing market has reached its bottom, defaults and delinquencies will remain intense in the coming year, and we expect to see a marked increase in bank notes being issued in 2011 as it relates to an ever increasing number of REO properties. Further, the availability of mortgage financing, particularly for condominiums, will remain a constraint for homebuyers even though lower mortgage rates will continue to lead to an increase in refinancing. Unfortunately, our outlook gives little reason for Indiana builders to be optimistic about the first half of 2011.

Persistently high unemployment levels, restricted credit access for small businesses, a weak housing market, budget challenges facing state and local governments, and uncertainty undercutting business and consumer confidence will make 2011 another challenging year for commercial real estate. Additionally, the continuing challenges related to obtaining construction credit and the elevated number of foreclosures and short-sales will hamper the pace of development. Still, there are reasons for optimism, including the continued favorable outlook of corporate earnings in 2011, an easing in the pace of bank failures, and stabilization of commercial real estate values that should aid in accelerating the resolution of problem loans and increase lending capacity for small businesses. In short, although 2011 will be somewhat better than the past year, we will experience much of the same in 2011 with economic growth being tepid and the job market remaining a major impediment to realizing significant increases in commercial real estate demand.

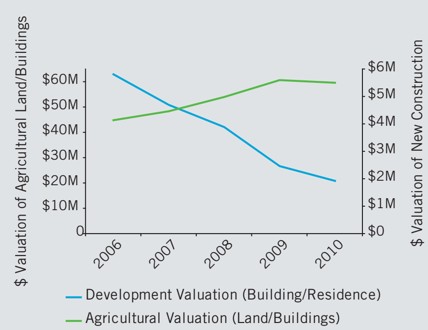
Land / MARKET TRACKER

Agricultural Real Estate: Average Value of Land and Buildings



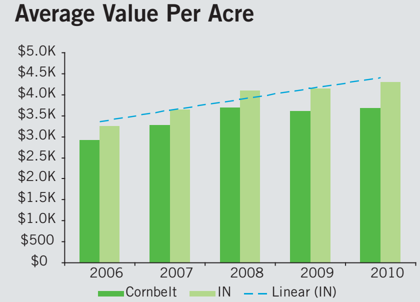
Source: U.S. Department of Agriculture; Cassidy Turley Research

Valuation Trends of Agricultural Acreage and New Commercial Land Development



Source: Cassidy Turley Research

Agricultural Real Estate: Average Value Per Acre



Source: U.S. Department of Agriculture; Cassidy Turley Research

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Regional Leader, North Central Region

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Principal, Senior Managing Director
Brokerage Services

Timothy J. Michel, CPA
Principal, Senior Managing Director
Property Management

Industrial Services

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Principal, Senior Vice President

William W. Byram
Senior Vice President

George C. Charbonneau, SIOR
Senior Vice President

Fritz A. Kauffman, SIOR
Principal, Vice President

Kevin B. Kempf, CCIM
Associate Vice President

Patrick B. Lindley, SIOR
Principal, Senior Managing Director

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Jack B. Pence, SIOR
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Kyle C. Powell
Associate

Bryan W. Poynter, SIOR, CCIM
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Marketing Director

Brian J. Holloway
Graphic Designer

Barbara H. Matthews
Mapping Coordinator

Danelle L. Nagel
Marketing Coordinator

Property Management

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Cheri L. Shepherd, CPM
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Research Services

Jason W. Tolliver, J.D.
Research Director

Gerry “Spud” Dick
Associate

Investor Services

- Capital Markets
- Distressed Asset Services
- Land Acquisition and Disposition
- Landlord Representation
- Owner Occupier Sales
- Project and Development Services
- Property Management

Specialty Services

- Auction Services
- Financial Advisory Services
- Location Advisory and Incentives
- Sustainability Consulting

Occupier Services

- Corporate Services
- Land Acquisition and Disposition
- Owner Occupier Sales
- Project and Development Services
- Tenant Representation

Practice Groups

- Automotive
- Food and Beverage Facilities
- Global Supply Chain
- Golf and Resort Properties
- Healthcare
- Higher Education
- Hospitality
- Law Firm
- Life Sciences
- Mission Critical
- Not-for-Profit
- Retail
- Self Storage

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Cassidy Turley is a leading commercial real estate services provider with over 2,800 professionals in 60 offices nationwide. The firm completed transactions valued over $13 billion in 2009, manages over 420 million square feet on behalf of private, institutional and corporate clients and supports over 25,000 domestic corporate services locations. Cassidy Turley serves owners, investors and occupiers with a full spectrum of integrated commercial real estate services—including capital markets, corporate services, project leasing, property management, project and development services, and tenant representation. Outside of North America, Cassidy Turley has served the international needs of its clients since 1985. In 2010, the firm enhanced its global service delivery through its partnership with GVA Grimley. The firm recently ranked in the Top 10 on the Lipsey Co.'s Commercial Real Estate Top Brands Survey, and was ranked #1 by Real Estate Alert for Office Sales in 3 of the Top 6 Markets. Please visit www.cassidyturley.com for more information about the company.

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