



## Milwaukee & Metropolitan Area Industrial Market Report • Second Quarter 2008



STADIUM BUSINESS PARK

### OVERVIEW

As of the second quarter of 2008 the Milwaukee Industrial market does not appear to be negatively affected by the unstable national economy. Overall the metro Milwaukee market has remained stable despite uncertainty in the economy and product surpluses caused by over building by developers.

In the 2<sup>nd</sup> quarter of 2008 rental rates and landlord concessions have remained steady. Typical asking rental rates remain at \$4.25-\$4.75 psf for warehouse space and \$8.50- \$9.75 psf for built out office space. Overall leases are being signed at rates of \$4.00/sf for warehouse and \$8.50/sf for finished office space. In general the market is displaying one half of a month of free net rent for every year of term across the board. New, high quality office/warehouse buildings in the central and western markets have consistently achieved stable lease rates of \$4.75/sf for warehouse and \$9.50/sf for finished office space which is at the high end of the market. The western market continues to show the lowest vacancy rates in all of southeastern Wisconsin and have dropped from (8.3%) in 2007 to (6.3%) in 2008. In 2007 the south sub-market had the highest amount of vacancy out of all of the markets, but with recent activity such as; Liberty Trust leasing 50,000sf of 80,000sf in Franklin and Centerpoint leasing 75,000sf of their 150,000sf the vacancy rate is on its way down. Throughout the market high bay distribution buildings are experiencing a lot more activity in the second quarter of 2008 than that of the first quarter of 2008 and all of 2007.

We are anticipating that the Industrial Market for the remainder of 2008, and heading into 2009, will remain stable and vacancy rates will continue to drop. Buildings ranging from 5,000sf – 15,000sf are selling quickly in the price range of \$70-\$80/sf due to lack of quality product available. In summary, the Milwaukee Industrial market remains stable and the second half of 2008 only shows improvement. Vacancy rates should continue decreasing in the second half of 2008 as new construction continues to remain slow.

Inland Companies' quarterly market update for the Milwaukee and metropolitan area is an all-inclusive report intended to supply you with a precise, objective representation of the local commercial real estate environment.

We have utilized our resources, knowledge, and supporting data to compile this comprehensive report of the local market. The industrial market statistics have been extracted from our internal database, with up-to-date information supplied by our brokerage and management staff.

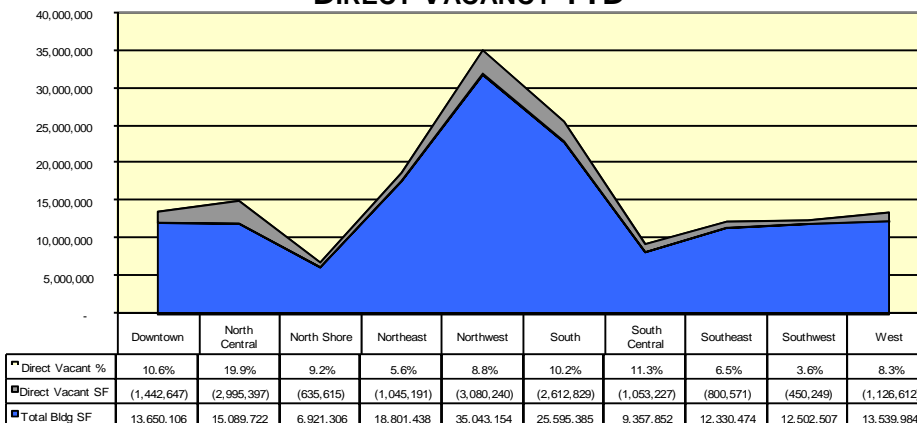
We have also made use of data available from the Xceligent internet database to obtain current vacancy information. Our absorption statistics are calculated comparing occupancy to occupancy and account for occupied square footage associated with new construction.

### INVESTMENT SALES

The Milwaukee industrial investment sales market is experiencing sluggishness in 2008 as a result of the turmoil in the financial markets. However, compared to other sectors of the commercial real estate industry industrial investment in Southeast Wisconsin is perceived as a relative safe haven. With a moderately low overall market vacancy rate, out-of-state investors typically target Milwaukee properties that are 25,000 SF to 100,000 SF in size and that feature 18' – 24' clear heights. Market capitalization rates are ticking up for both flex and warehouse properties. 9% to 10% "caps" will be more common place as we forecast exit values in a tender economy.

First Industrial Realty Trust, Centerpoint Properties, and Liberty Property Trust have all been active sellers in the second and third quarters of 2008. These institutions have local Milwaukee offices, access to cash, and the ability to close quickly. Therefore, they will be well-positioned to buy industrial land and buildings through a potentially languid 2009.

### MILWAUKEE AND METROPOLITAN AREA INDUSTRIAL MARKET DIRECT VACANCY YTD

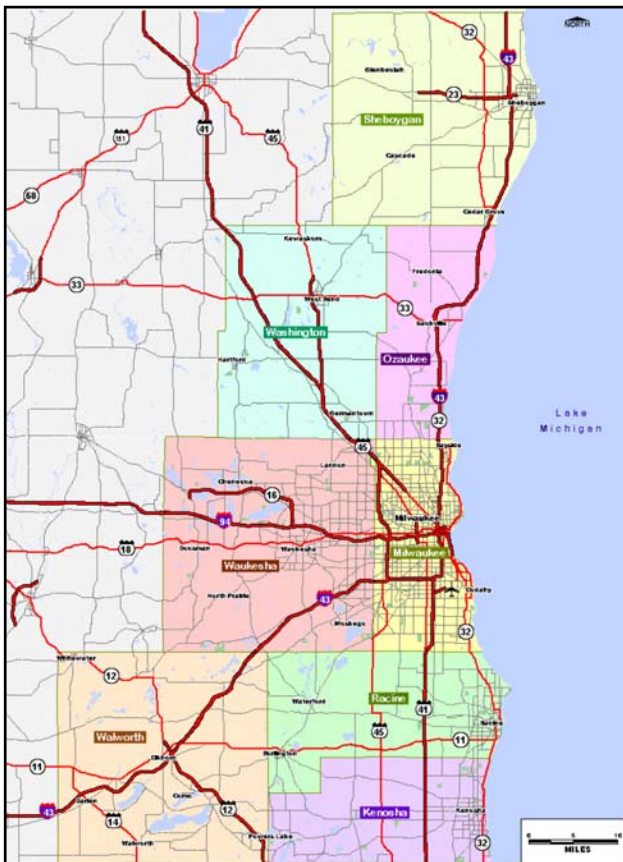




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SUBMARKET	TOTAL BLDG SF	DIRECT VACANT SF	DIRECT VACANT %	SUBLEASE VACANT SF	Q2 NET ABSORPTION	YTD NET ABSORPTION
Downtown	13,650,106	-1,442,647	10.6%		251,974	399,698
North Central	15,089,722	-2,995,397	19.9%		-165,199	-444,482
North Shore	6,921,306	-635,615	9.2%		88,190	166,927
Waukesha North-east	18,801,438	-1,045,191	5.6%	10,460	137,359	343,530
Northwest	35,043,154	-3,080,240	8.8%	20,000	-546,302	-610,854
South	25,595,385	-2,612,829	10.2%		-133,572	-145,432
South Central	9,357,852	-1,053,227	11.3%		33,143	111,846
12,330,474	12,330,474	-800,571	6.5%		-102,452	-161,704
Southwest	12,502,507	-450,249	3.6%		36,666	25,258
West	13,539,984	-1,126,612	8.3%		-61,000	-46,312
<b>Overall Market</b>	<b>162,831,928</b>	<b>-15,242,578</b>	<b>9.4%</b>		<b>-463,193</b>	<b>-361,525</b>



### Notable Industrial Lease Transactions

Tenant	Building	Size SF	City	Submarket
Natural High Sports Supplement	Liberty Corporate Preserve II	68,500	Oak Creek	Milwaukee
Natural Air Service	General Mitchell Int. Business Park	80,000	Cudahy	Milwaukee
Regina USA	First Oak Creek Commerce Center	63,899	Oak Creek	Milwaukee

### Notable Industrial Sale Transactions

Address/Type	Size	Price	Buyer	Seller
5100 W. Brown Deer, Milwaukee User Sale	128,000	\$3,990,000	Traffic & Parking Control Co.	Concourse Motors
4700 Ironwood Drive, Franklin Investment Sale	123,000	\$5,800,000	Westminster Funds	Centerpoint Properties