



Milwaukee & Metropolitan Area Office Market Report • Second Quarter 2008



OVERVIEW

The Milwaukee office market felt the toll of an unstable national economy in the 2nd quarter posting negative absorption of 90,383 square feet. This marks the second straight quarter the market posted negative absorption and brings the year-to-date total to 177,044 square feet.

The Milwaukee economy is usually very stable and not particularly susceptible to national trends but there is little doubt that the sluggish national economy is taking its toll on Milwaukee. The rise of unemployment coupled with the increasing costs to do business had led many small to mid-size local corporations to temper growth and in many cases downsize.

The rising costs of raw materials have had a ripple effect on the real estate market as well. Landlords, which already have to offer substantial concessions to entice corporate relocations, now have to reach even further for Tenants to subsidize constructions costs. Many Landlords and Tenants have decided that the transactions costs are simply too high and have decided to renew.

Despite the aforementioned challenges, there is a bright spot for the Milwaukee Office Market. Quarter over quarter vacancy numbers continue to improve for Class “A” space, particularly Downtown. Milwaukee largest companies seem to be less affected by the economy and in many cases are expanding.

While market conditions on the national level do not seem to favor a quick rebound of the economy, Milwaukee should stabilize in the second half of 2008 as there is virtually no new construction underway.

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 office market statistics have been extracted from our internal database, with up-to-date information supplied by our brokerage and management staff.

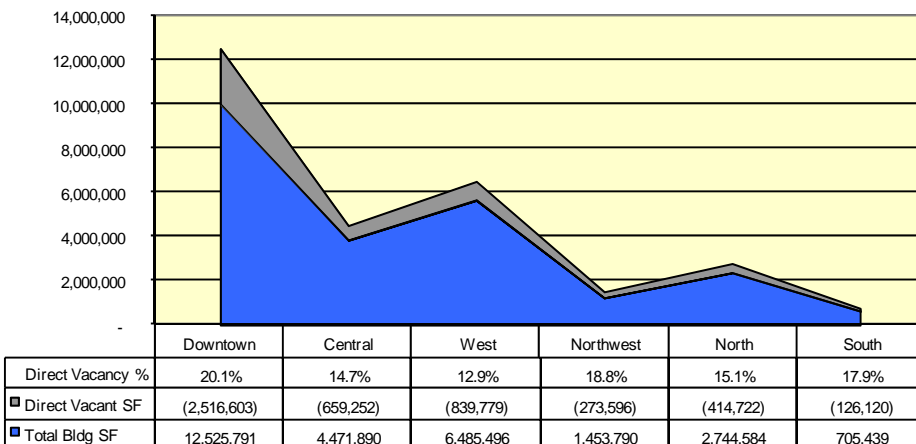
We have also made use of data available from the Xceligent internet database to obtain current vacancy information. Our absorption statistics are calculated comparing occupancy to occupancy and account for occupied square footage associated with new construction.

INVESTMENT SALES

The Milwaukee office investment sales market experienced a pullback on transaction volume in the first two quarters of 2008. However, one significant trophy office tower in downtown changed hands in June. The 373,516 SF Milwaukee Center, 111 E. Kilbourn, sold for \$53M (\$142/SF).

This Class A property traded at a stabilized 93% occupancy rate from Transwestern (Chicago, IL) to HRPT Properties Trust (Newton, MA). The sale translated into approximately an 8.1% cap rate on “in-place” year 1 NOI. Local and institutional office investors continue to remain cautiously optimistic on the long term value of Milwaukee.

MILWAUKEE AND METROPOLITAN AREA OFFICE MARKET DIRECT VACANCY YTD

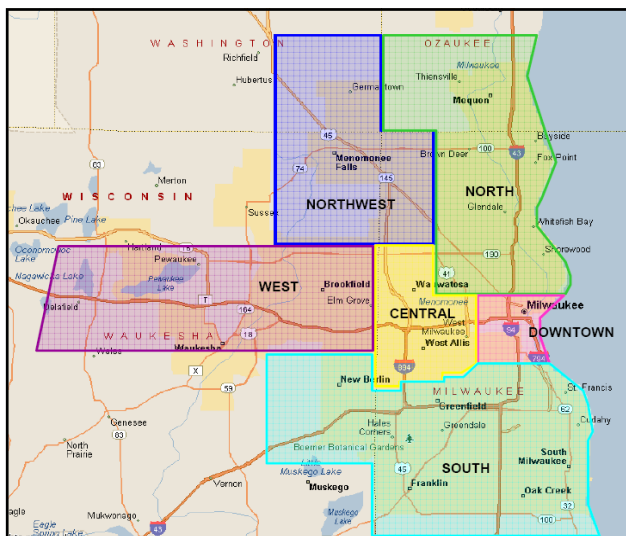


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SUBMARKET	NUMBER BUILDINGS	TOTAL BLDG SF	DIRECT VACANT SF	DIRECT VACANT %	SUBLEASE AVAIL SF	SUBLEASE	Q2 NET ABSORPTION	Q1 NET ABSORPTION	YTD NET ABSORPTION
Downtown	101	12,525,791	2,516,603	20.1%	54,074	0.4%	-13,659	38,658	24,999
Class A	19	5,559,679	662,778	11.9%	40,074	0.7%	4,127	63,292	67,419
Class B	82	6,966,112	1,853,825	26.6%	14,000	0.2%	-17,786	-24,634	-42,420
Central	62	4,471,890	659,252	14.7%	59,648	1.3%	15,516	-64,727	-49,211
Class A	11	1,025,558	155,971	15.2%	36,816	3.6%	7,152	-11,369	-4,217
Class B	51	3,446,332	503,281	14.6%	22,832	0.7%	8,364	-53,358	-44,994
West	130	6,485,496	839,779	12.9%	138,375	2.1%	-51,805	-66,108	-117,913
Class A	43	2,512,547	241,616	9.6%	92,016	3.7%	11,704	-86,864	-75,160
Class B	87	3,972,949	598,163	15.1%	46,359	1.2%	-63,509	20,756	-42,753
Northwest	21	1,453,790	273,596	18.8%	4,507	0.3%	11,913	-2,264	9,649
Class A	11	1,114,351	232,540	20.9%	4,507	0.4%	15,863	15,549	31,412
Class B	10	339,439	41,056	12.1%	0	0.0%	-3,950	-17,813	-21,763
North	86	2,744,584	414,722	15.1%	0	0.0%	-60,907	33-552	-27,355
Class A	24	778,627	93,148	12.0%	0	0.0%	-12,790	39,521	26,731
Class B	62	1,965,957	321,574	16.4%	0	0.0%	-48,117	-5,969	-54,086
South	23	705,439	126,120	17.9%	7,010	1.0%	8,559	-25,772	-17,213
Class A	7	188,731	36,038	19.1%	0	0.0%	37	-28,228	-28,191
Class B	16	516,708	90,082	17.4%	7,010	1.4%	8,522	2,456	10,978
Overall Market	422	28,386,990	4,830,072	17.0%	263,614	0.9%	-90,383	-86,661	-177,044
Class A	114	11,179,493	1,422,091	12.7%	173,413	1.6%	26,093	-8,099	17,994
Class B	308	17,207,497	3,407,981	19.8%	90,201	0.5%	-116,476	-78,562	-195,038



Notable Office Lease Transactions

Tenant	Building	Size SF	City	Submarket
Metavante Corp.	401 Woodland Prime	100,000	Menomonee Falls	Northwest
Husco International	N19W24101 N. Riverwood Drive	15,000	Waukesha	West
Independence First	554 South First Street	40,000	Milwaukee	Downtown

Notable Office Sale Transactions

Address	Size	Price	Buyer	Seller
111 Kilbourn Ave. Milwaukee	373,516	\$53,000,000	HRPT Properties Trust	Transwestern