



# Milwaukee & Metropolitan Area Office Market Report • Third Quarter 2008



## OVERVIEW

Despite a tumultuous economic climate the Milwaukee office market posted positive absorption of 55,114 square feet in the 3<sup>rd</sup> quarter. This reverses two consecutive quarters of negative absorption and trims the year-to-date absorption total to negative 122,080 square feet.

The Milwaukee economy is typically stable and not particularly susceptible to national trends but there is little doubt that the instability of the financial markets is taking its toll on Milwaukee. The rise of unemployment coupled with the increasing costs to do business has 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. The vacancy for Milwaukee’s top eight class “A” assets is at it lowest level in years at 7%. To this point, Milwaukee largest companies seem to be less affected by the economy.

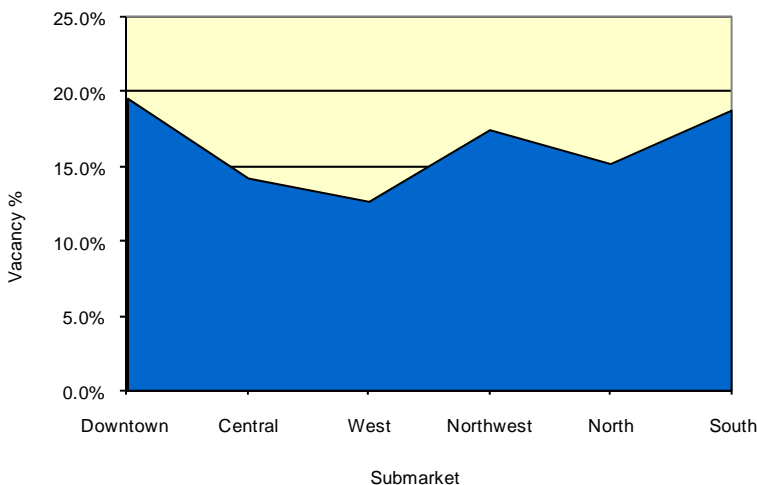
While market conditions on the national level do not seem to favor a quick rebound of the economy, Milwaukee should stabilize in 2009 as there is virtually no new construction underway.

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.

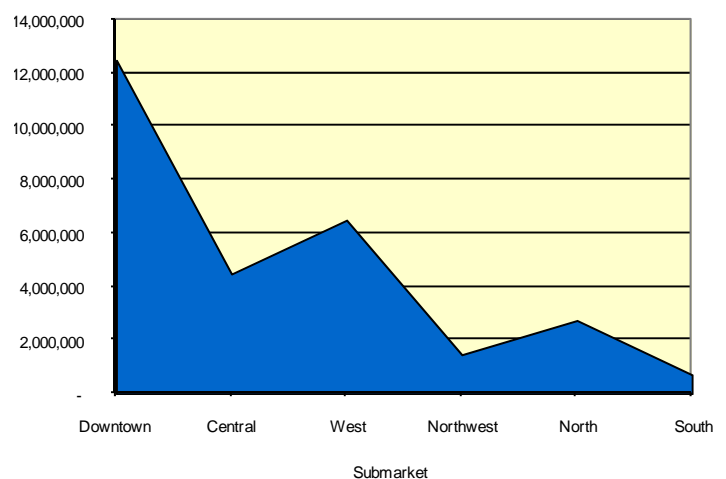
We have utilized our resources, knowledge, and supporting data to compile this comprehensive report of the local market. The office market statistics have been extracted from our internal database, with up-to-date information supplied by our brokerage and management staff.

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.

**MILWAUKEE METROPOLITAN AREA OFFICE MARKET  
DIRECT VACANCY**



**MILWAUKEE METROPOLITAN AREA OFFICE MARKET  
UNIVERSE SIZE**

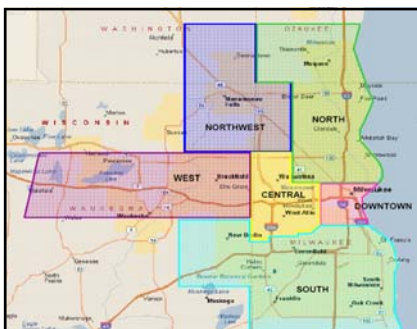




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SUBMARKET	NUMBER BUILDINGS	TOTAL BLDG SF	DIRECT VACANT SF	DIRECT VACANT %	SUBLEASE AVAIL SF	SUBLEASE	Q3 NET ABSORPTION	YTD NET ABSORPTION
<b>Downtown</b>	<b>100</b>	<b>12,454,650</b>	<b>2,432,895</b>	<b>19.5%</b>	<b>58,048</b>	<b>0.5%</b>	<b>63,708</b>	<b>88,707</b>
Class A	18	5,488,538	644,734	11.7%	44,048	0.8%	33,943	101,362
Class B	71	6,311,730	1,728,225	27.4%	14,000	0.2%	28,859	15,150
Class C	11	654,382	59,936	9.2%	0	0.0%	906	-27,805
<b>Central</b>	<b>62</b>	<b>4,471,890</b>	<b>634,569</b>	<b>14.2%</b>	<b>52,386</b>	<b>1.2%</b>	<b>-2,309</b>	<b>-51,520</b>
Class A	11	1,025,558	157,094	15.3%	24,840	2.4%	10,853	66,636
Class B	46	3,276,778	473,875	14.5%	20,559	0.6%	-13,012	-70,106
Class C	5	169,554	3,600	2.1%	6,987	4.1%	-150	11,950
<b>West</b>	<b>131</b>	<b>6,484,867</b>	<b>819,423</b>	<b>12.6%</b>	<b>63,975</b>	<b>1.0%</b>	<b>-17,354</b>	<b>-135,267</b>
Class A	45	2,682,890	214,004	8.0%	48,265	1.8%	8,583	-66,577
Class B	79	3,589,390	581,551	16.2%	15,710	0.4%	-21,737	-65,810
Class C	7	212,587	23,868	11.2%	0	0.0%	-4,200	-2,880
<b>Northwest</b>	<b>21</b>	<b>1,453,790</b>	<b>253,461</b>	<b>17.4%</b>	<b>4,507</b>	<b>0.3%</b>	<b>7,977</b>	<b>17,626</b>
Class A	11	1,114,351	224,563	20.2%	4,507	0.4%	7,977	39,389
Class B	10	339,439	28,898	8.5%	0	0.0%	0	-21,763
Class C	0	0	0	0%	0	0.0%	0	0
<b>North</b>	<b>88</b>	<b>2,737,088</b>	<b>415,061</b>	<b>15.2%</b>	<b>5,917</b>	<b>0.2%</b>	<b>1,547</b>	<b>-25,808</b>
Class A	24	778,627	71,870	9.2%	4,861	0.6%	21,278	48,009
Class B	62	1,939,604	339,508	17.5%	1,056	0.1%	-19,591	-73,677
Class C	2	18,857	3,683	19.5%	0	0.0%	-140	-140
<b>South</b>	<b>23</b>	<b>705,439</b>	<b>132,204</b>	<b>18.7%</b>	<b>0</b>	<b>0.0%</b>	<b>1,395</b>	<b>-15,818</b>
Class A	7	188,731	41,148	21.8%	0	0.0%	2,369	-25,822
Class B	16	516,708	91,056	17.6%	0	0.0%	-974	10,004
Class C	0	0	0	0%	0	0.0%	0	0
<b>Overall Market</b>	<b>425</b>	<b>28,307,724</b>	<b>4,687,613</b>	<b>16.6%</b>	<b>184,833</b>	<b>0.7%</b>	<b>55,114</b>	<b>-122,080</b>
Class A	116	11,278,695	1,353,413	12.0%	126,522	1.1%	85,003	102,997
Class B	284	15,973,649	3,243,113	20.3%	51,325	0.3%	-26,455	-206,202
Class C	25	1,055,380	91,087	8.6%	6,987	0.7%	-3,434	-18,875



## Notable Office Lease Transactions

Tenant	Building	Size SF	City	Submarket
National City Bank	411 E. Wisconsin Ave.	22,500	Milwaukee	Downtown
DeVry University	411 E. Wisconsin Ave.	10,000	Milwaukee	Downtown
IBM	777 E. Wisconsin Ave.	6,000	Milwaukee	Downtown