



Milwaukee & Metropolitan Area Industrial Market Report • Fourth Quarter 2008



STADIUM BUSINESS PARK

OVERVIEW

The Southeastern Wisconsin industrial market saw a slowdown in the amount of transactions in the fourth quarter. This is a result of mainly do to an unstable national economy and an unprecedented tightening of bank credit.. Overall, the industrial market saw little negative absorption and for the most part stayed stagnant from quarter three. Typical asking rental rates continue to remain at \$4.25-\$4.75 psf for warehouse space and \$8.50-\$9.75 psf for built out office space with most leases being signed around \$4.00/sf for warehouse and \$8.50/sf for finished office space. The Western market continues to have the lowest vacancy rates of Southeast Wisconsin with a 5.8% vacancy. The North Central market has the highest vacancy at 21.1%, which can be attributed to an abundance of old product and the emergence of newer facilities in the Western market.

Due to a weakened national economy we are anticipating the Southeast Wisconsin industrial market to slow down further in 2009. Even with a slower economy, there are still active deals across the board with tenants looking to take advantage of landlord concessions and other firms consolidating their space. Vacancy rates will likely continue to drop in second and third generation buildings if the economic troubles continue, while owner/users may find discount deals if looking to purchase in the market. New construction will remain slow due to still rising construction costs, the availability of speculative space remaining vacant from 2008, and uncertainty in the market. Larger, global firms are also pulling back development and putting deals on hold while smaller, local companies have remained active in the market. In conclusion, the industrial markets will most likely slowdown in 2009 with most tenants opting to remain in their current locations and some firms opting to downsize. The market may be hit with negative absorption due to business closings, but overall should not feel the same decline as other real estate sectors.

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 are also a member of the Milwaukee Office Data Advisory Board which tracks and scrubs data from Xceligent on a quarterly basis. Our absorption statistics are calculated comparing occupancy to occupancy and account for occupied square footage associated with new construction.

INVESTMENT SALES

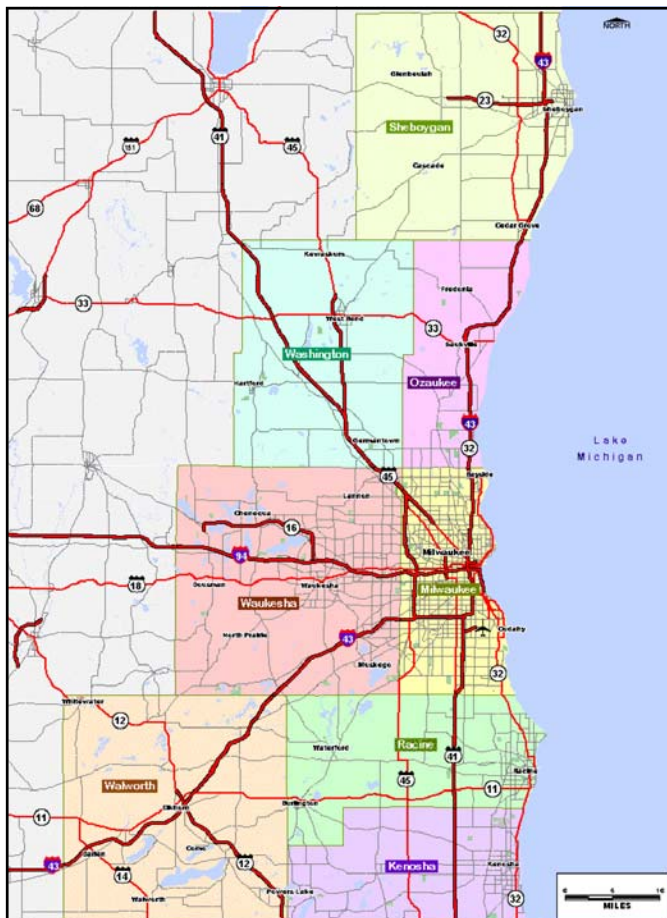
The industrial investment sales market was not immune to the economic recession that began in late 2007 and carried through the fourth quarter of 2008. According to NAREIT, investment sales in the U.S. were down 60% in 2008 from a robust previous year. That equates to approximately \$7.1B less in investment property changing hands in 2008. Most forecasts for 2009 appear to paint an even gloomier picture with respect to transaction volume. As the large, opportunistic, vulture funds absorb the toxic assets of the banks many local investors are trying to reign in on the parade by finding value plays. In mid-December 2008 Capital Realty, a Chicago-based investor, acquired a 100% leased 126,000 SF distribution center located in Franklin, Wisconsin for \$6,800,000 or \$54 per SF. Milwaukee real estate investment professionals are currently tracking the sales of several large Chicago industrial portfolios that are rumored to be on the market in the 10% to 11% cap rate range. If these portfolios sell in 2009 for attractive cap rates, it will definitely have an impact on value for real estate owners in southeast Wisconsin.



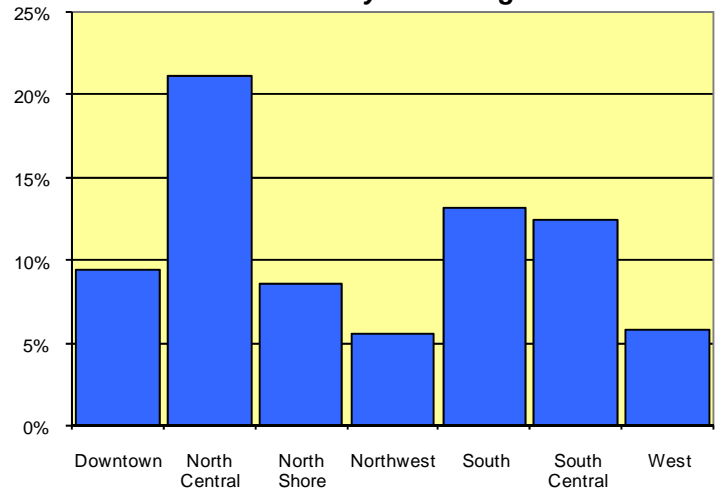
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SUBMARKET	NUMBER OF BUILDINGS	TOTAL BUILDING SQUARE FOOTAGE	DIRECT VACANT SQUARE FOOTAGE	DIRECT VACANT %	SUBLEASE AVAILABLE SF
Downtown	195	12,906,408	1,218,347	9.4%	
North Central	163	12,562,402	2,653,568	21.1%	
North Shore	290	21,590,575	1,858,784	8.6%	59,211
Northwest	660	37,084,361	2,063,681	5.6%	18,800
South	351	24,567,608	3,239,378	13.2%	49,464
South Central	160	9,093,984	1,129,477	12.4%	
West	1607	76,805,476	4,437,989	5.8%	116,532
Overall Market	3,426	194,610,814	16,601,224	10.9%	244,007



Direct Vacancy Percentage



Total Universe Square Feet

