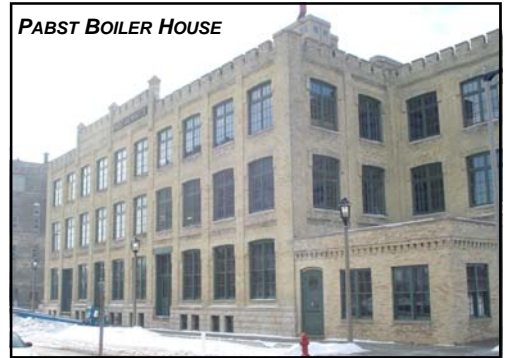




## Milwaukee & Metropolitan Area Office Market Report • Fourth Quarter 2008



### OVERVIEW

The Milwaukee office market felt the toll of a deteriorating national economy in the fourth quarter posting negative absorption of 84,354 square feet. This brings the year end absorption total for 2008 to negative 59,214 square feet.

The Milwaukee economy is generally very stable and not particularly susceptible to national trends, but there is little doubt that the instability of the financial markets is beginning to take its toll on Milwaukee. The rise of unemployment coupled with the increasing cost to do business has forced many Milwaukee based companies to make cuts in their work force. Most notable were the recent cuts made by Harley Davidson, Quad Graphics and GE Healthcare.

In a reversal of trends, the downtown submarkets (east and west of the River along with the Third Ward) outperformed the suburbs in 2008. The downtown submarkets ended the year with positive absorption of 53,409 square feet while the suburban markets ended the year with negative absorption of 112,623 square feet. The biggest bright spot of 2008 was Downtown West which led all submarkets with positive absorption of 97,316. Most of this absorption can be attributed to the lease up of Federal Plaza and the Pabst Boiler House.

Consistent with recent years, Class "A" properties clearly outperformed Class "B" properties in 2008. While Class "A" properties posted positive absorption 228,450 square feet, Class "B" properties recorded negative absorption of 258,461 square feet, a significant disparity to say the least. Owners that upgrade and invest in their assets continue to reap the benefits of quicker lease up and higher rental rates.

With most of the local layoffs hitting in the fourth quarter of 2008 and continued instability on a national level, do not expect the Milwaukee office market to rebound quickly in 2009. However, with little construction underway and good activity in the first month of the year, the Milwaukee office market should begin to stabilize by the end of 2009.

### INVESTMENT SALES

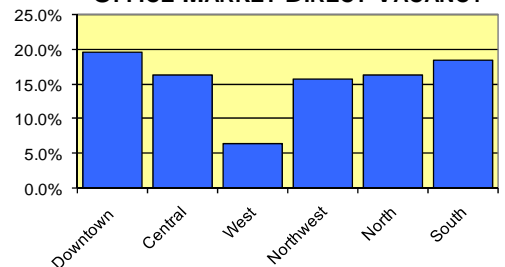
The office investment sales market was not immune to the economic recession that began in late 2007 and carried through the fourth quarter of 2008. According to NAREIT, investment sales were down 60% in 2008. That equates to approximately \$7.1B less in investment property changing hands in 2008. Most 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, local investor Irgens Development Partners acquired a 63% leased, 49,062 SF value-add office center located in Brookfield, Wisconsin for the bargain price of \$2,950,000 or \$60/SF. Milwaukee real estate professionals are currently tracking the sale of the 280,000 SF Manpower world headquarters building in downtown. If this Class A office property sells in 2009, it will provide a benchmark for property values as we head into uncertain times.

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.

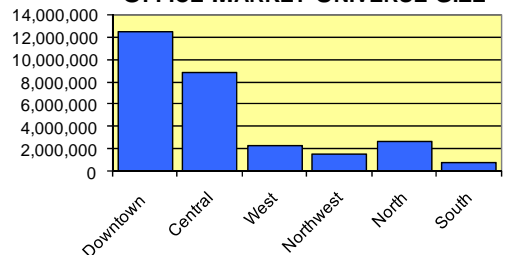
We have utilized our resources, knowledge, and supporting data to compile this comprehensive report of the local market. The office market statistics have been extracted from our internal database, with up-to-date information supplied by our brokerage and management staff.

We 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.

**OFFICE MARKET DIRECT VACANCY**



**OFFICE MARKET UNIVERSE SIZE**





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SUBMARKET	NUMBER BUILDINGS	TOTAL BLDG SF	DIRECT VACANT SF	DIRECT VACANT %	SUBLEASE AVAIL SF	SUBLEASE	Q4 NET ABSORPTION	YTD NET ABSORPTION
<b>Downtown</b>	<b>101</b>	<b>12,477,330</b>	<b>2,435,548</b>	<b>19.5%</b>	<b>81,535</b>	<b>0.7%</b>	<b>-85,290</b>	<b>53,409</b>
Class A	19	5,528,538	652,264	11.8%	81,535	1.5%	30,819	133,263
Class B	71	6,294,410	1,710,993	27.2%	0	0.0%	-103,754	-39,694
Class C	11	654,382	72,291	11.0%	0	0.0%	-12,355	-40,160
<b>Central</b>	<b>148</b>	<b>8,846,825</b>	<b>1,432,490</b>	<b>16.2%</b>	<b>119,105</b>	<b>7.4%</b>	<b>-8,296</b>	<b>-61,210</b>
Class A	37	2,680,055	388,988	14.5%	88,515	23.3%	5,861	69,124
Class B	101	5,836,629	1,019,361	17.5%	30,590	0.5%	-17,484	-142,731
Class C	10	330,141	24,141	7.3%	0	0.0%	3,327	12,397
<b>West</b>	<b>46</b>	<b>2,268,121</b>	<b>145,634</b>	<b>6.4%</b>	<b>22,541</b>	<b>1.0%</b>	<b>11,317</b>	<b>32,018</b>
Class A	20	1,191,743	56,815	4.8%	14,188	1.2%	-579	5,740
Class B	24	1,024,378	88,819	8.7%	8,353	0.8%	11,896	26,278
Class C	2	52,000	0	0.0%	0	0.0%	0	0
<b>Northwest</b>	<b>21</b>	<b>1,455,110</b>	<b>229,138</b>	<b>15.7%</b>	<b>4,507</b>	<b>0.3%</b>	<b>25,643</b>	<b>55,427</b>
Class A	11	1,114,351	207,960	18.7%	4,507	0.4%	16,603	55,992
Class B	10	340,759	21,178	6.2%	0	0.0%	9,040	-565
<b>North</b>	<b>88</b>	<b>2,656,155</b>	<b>432,294</b>	<b>16.3%</b>	<b>5,917</b>	<b>0.2%</b>	<b>-20,719</b>	<b>-120,270</b>
Class A	24	776,331	77,681	10.0%	4,861	0.6%	-8,107	-2,171
Class B	62	1,860,967	349,630	18.8%	1,056	0.1%	-11,312	-116,659
Class C	2	18,857	4,983	26.4%	0	0.0%	-1,300	-1,440
<b>South</b>	<b>23</b>	<b>697,953</b>	<b>129,169</b>	<b>18.5%</b>	<b>4,966</b>	<b>0.7%</b>	<b>-7,009</b>	<b>-18,588</b>
Class A	7	178,687	43,019	24.1%	0	0.0%	-11,915	-33,498
Class B	16	519,266	86,150	16.6%	4,966	1.0%	4,906	14,910
<b>Overall Market</b>	<b>427</b>	<b>28,401,494</b>	<b>4,804,273</b>	<b>16.9%</b>	<b>238,571</b>	<b>2.7%</b>	<b>-84,354</b>	<b>-59,214</b>
Class A	118	11,469,705	1,426,727	12.4%	193,606	6.4%	32,682	228,450
Class B	284	15,876,409	3,276,131	20.6%	44,965	0.3%	-106,708	-258,461
Class C	25	1,055,380	101,415	9.6%	0	0.0%	-10,328	-29,203

