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Milwaukee & Metropolitan Area Office Market Report • First Quarter 2009

OVERVIEW

Mirroring the downward trend of the US economy as a whole, the Milwaukee office market posted one of it's worst single quarter negative absorption numbers in recent time. Led by the Central Submarket with negative 80,789 square feet, total absorption for the first quarter of 2009 was negative 144,287 square feet.

While the Milwaukee Market experienced negative absorption for four of the last five quarters, the 2009 numbers are a material spike over the 2008 year end total of negative 59,214 square feet. A significant portion of this space can be attributed to the downsizing of many local firms - since April of 2008 over 35,800 jobs have been cut across the metro area.

Vacancy rates increased 600 basis points over fourth quarter 2008 numbers from 16.9% to 17.5%. While most submarkets mirrored this increase, the Southern submarket vacancy rates dropped from 14.21% to 13.05%. This was due in large part to 6,286 square feet of positive absorption in its Class "A" space. Opposite of this trend, the Central Submarket was hit hardest posting an increase in vacancy rates from 16.37% to 18.27%. This was a effect of 73,269 square feet of negative absorption in the Central Submarkets' Class "B" sector.

Not varying from past trends, Class "A" properties continue to surpass their Class "B" counterparts' market wide. The overall vacancy rate for Class "A" properties was 12.62% with 7,363 square feet of negative absorption. Juxtapose this to the 21.6% vacancy rate and 135,528 square feet of negative absorption seen in the Class "B" sector and the disparity becomes clear.

With layoffs lagging the economy on a macro level, it is safe to assume the market will continue to experience a consequent increase in office vacancy through the third quarter of 2009. However, with little product coming online before year end and an anticipated rebound in the overall economic state, the Milwaukee office market is expected to experience decreases in vacancy and overall stabilization in the first portion of 2010.

INVESTMENT SALES

The office investment sales market continued to be sluggish in the 1st quarter of 2009. According to www.reit.com, investment sales globally were down 75% in the first quarter of 2009 from the same period last year. Both buyers and sellers are trying to adjust to the "new rules" of engagement. For transactions to close, sellers have to tolerate long due diligence periods and buyer-favorable contracts with numerous strings attached. Capitalization rates have crept upwards at least 150-200 basis points for both value-add and core assets. The majority of landlords have accepted the reality that it is not a seller's market and that they need to nurture their assets by renewing leases and addressing capital needs. Milwaukee commercial real estate professionals continue to track the investment sales activity in the "troubled asset" and mortgage default market. As the banks take the keys back to office properties with vacancy or financing issues it will present interesting acquisition opportunities to local buyers that are well-positioned with cash. The silver lining for office landlords in Milwaukee is that in the boom years it was not overbuilt and therefore vacancies have not skyrocketed. Other than the early 2009 delivery of 2 historic buildings in the former Pabst Brewery, the market will not see any new office space come online through the summer of 2009. The slow and steady growth of our local economy will provide a shorter than anticipated value-recovery period.

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.

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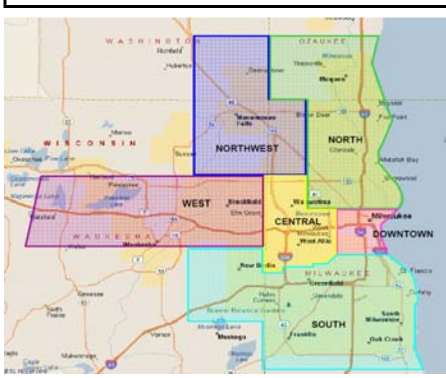
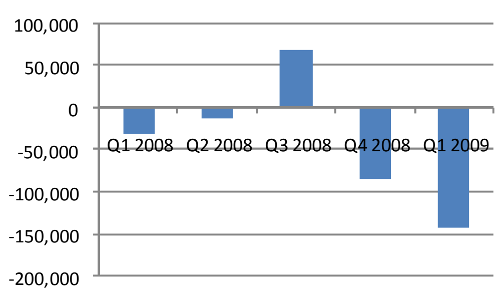
SUBMARKET	NUMBER BUILDINGS	TOTAL BLDG SF	DIRECT VACANT SF	DIRECT VACANT %	SUBLEASE AVAIL SF	SUBLEASE	QUARTERLY ABSORPTION
Downtown	**100**	**12,486,816**	**2,510,943**	**20.11%**	**99,666**	**0.80%**	**-26,207**
Class A	19	5,528,538	688,617	12.46%	91,719	1.66%	-18,712
Class B	71	6,321,716	1,768,200	27.97%	7,947	0.13%	-12,660
Class C	10	636,562	54,126	8.50%	0	0.00%	5,165
Central	**63**	**4,620,222**	**843,923**	**18.27%**	**27,610**	**0.60%**	**-80,789**
Class A	12	1,188,908	231,105	19.44%	11,035	0.93%	-2,511
Class B	46	3,261,760	605,109	18.55%	16,575	0.51%	-73,269
Class C	5	169,554	7,709	4.55%	0	0.00%	-5,009
West	**131**	**6,492,189**	**831,810**	**12.81%**	**121,403**	**1.87%**	**-15,623**
Class A	45	2,682,890	193,942	7.23%	72,817	2.71%	17,330
Class B	79	3,596,712	614,875	17.10%	48,586	1.35%	-31,401
Class C	7	212,587	22,993	10.82%	0	0.0%	-1,552
Northwest	**21**	**1,455,110**	**235,021**	**16.15%**	**4,507**	**0.31%**	**-5,883**
Class A	11	1,114,351	208,377	18.70%	4,507	0.40%	-417
Class B	10	340,759	26,644	7.82%	0	0.0%	-5,466
North	**87**	**2,646,524**	**457,904**	**17.3%**	**5,917**	**0.22%**	**-19,537**
Class A	23	766,700	87,593	11.42%	4,861	0.63%	-9,339
Class B	62	1,860,967	365,328	19.63%	1,056	0.06%	-10,198
Class C	2	18,857	4,983	26.43%	0	0.00%	0
South	**23**	**697,974**	**91,091**	**13.05%**	**5,966**	**0.0%**	**3,752**
Class A	7	178,687	36,733	20.56%	1,000	0.0%	6,286
Class B	16	519,287	54,358	10.47%	4,966	0.0%	-2,534
Overall Market	**425**	**28,398,835**	**4,970,692**	**17.50%**	**265,069**	**0.93%**	**-144,287**
Class A	117	11,460,074	1,446,367	12.62%	185,939	1.62%	-7,363
Class B	284	15,901,201	3,434,514	21.60%	79,130	0.50%	-135,528
Class C	24	1,037,560	89,811	8.66%	0	0.00%	-1,396



QUARTERLY NET ABSORPTION



VACANCY RATE