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Milwaukee & Metropolitan Area Industrial Market Report • Second Quarter 2009

CAPSTONE BUSINESS CENTER

OVERVIEW

The Southeastern Wisconsin industrial market saw an increase in activity through the second quarter of 2009. This is a direct result of tenants understanding the vast number of vacancies in virtually all markets and exploring how to reduce their rental expenses. Tenants are asking their landlords for reduced rent in exchange for extensions of their leases. Landlords have become increasingly flexible in order to maintain their building occupancy. As a result, rental rates have come down from the $3.50-$4.50/SF range for warehouse and $8-$9/SF range for built out office space. Landlords should expect a 10%-30% decrease in their rental rates from the same period last year. Overall, the Southeastern Wisconsin market has reached almost an 8% vacancy rate. The western and southwestern markets have the least amount of direct vacancy at 4.7%, while the market with the highest direct vacancy is the south market at over 12%.

Due to the difficulty for borrowers to obtain money from lending institutions, we will see a steady increase in leasing activity, rather than direct sales, over the next quarter as more and more business owners look to reduce their costs in these difficult market conditions. However, firms that are in good financial condition stand to benefit from these conditions as sellers have become more competitive with their pricing due to the amount of vacancy in the marketplace. Overall, the general sense is that the economy has begun to turn the corner and show signs of improvement which will lead to a decrease in vacancy as firms stabilize and begin to grow again.

INVESTMENT SALES

The industrial investment market in Milwaukee seemingly dried up in the first 2 quarters of 2009 as the economic recession put a stranglehold on tenants and real estate values. The NAR (National Association of REALTORS) recently reported that 2nd quarter transaction activity fell to its lowest level in 15 years. The NAR continues on to report that vacancy rates are going to continue to increase as job losses mount and that rental rates are projected to fall 10% in 2010. This continuing decline in occupancy percentages and lease rates has resulted in an up tick of capitalization rates. However the general perception amongst the buyer pool is that the “knife is still falling” and that core values will continue to erode through the remainder of the calendar year. Buyers and sellers cautiously await the results of the Fed’s decision to extend the TALF (Term Asset-Backed Loan Facility) through March 2010 for legacy CMBS and through June 2010 for newly issued CMBS.

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.

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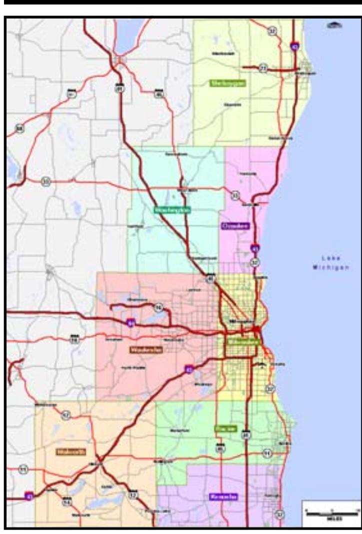
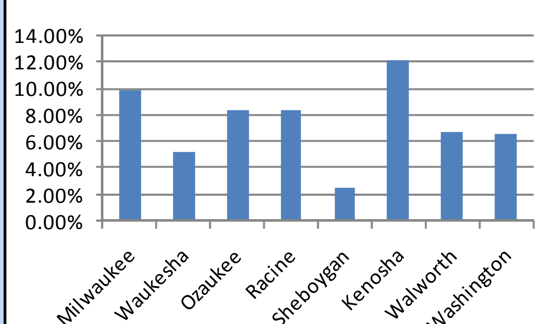
OAKWOOD CROSSINGS BUSINESS CENTER

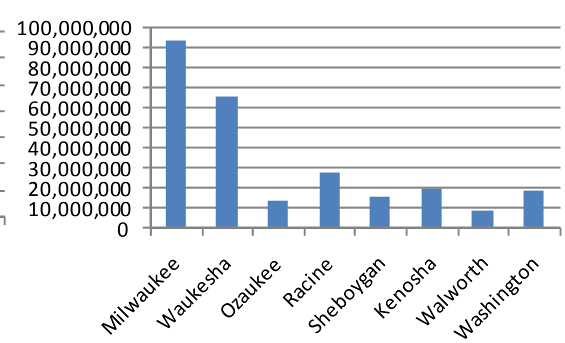
COUNTY	SUBMARKET	# OF BUILDINGS	INVENTORY (SF)	TOTAL VACANT (SF)	VACANCY (%)	NET ABSORPTION (SF)
Milwaukee	Downtown	186	12,309,751	1,267,438	10.3%	-90,090
Milwaukee	North Central	149	10,703,495	1,001,224	9.4%	-7,606
Milwaukee	North Shore	100	6,939,855	848,960	12.2%	-154,780
Milwaukee	Northwest	343	18,678,819	2,013,526	10.8%	-122,648
Milwaukee	South	351	22,249,599	1,715,586	7.7%	-257,648
Milwaukee	South Central	159	9,347,263	1,035,673	11.1%	47,102
Milwaukee	West	190	13,563,053	1,388,107	10.2%	-106,136
Milwaukee	**Total**	**1478**	**93,791,835**	**9,270,514**	**9.9%**	**-691,806**
Waukesha	Northeast	472	19,752,450	1,348,103	6.8%	-59,247
Waukesha	Northwest	308	17,322,984	1,060,085	6.1%	-166,485
Waukesha	Southeast	298	14,247,657	764,011	5.4%	785,257
Waukesha	Southwest	336	14,571,542	338,117	2.3%	76,526
Waukesha	**Total**	**1,414**	**65,894,633**	**3,510,316**	**5.3%**	**636,051**
Kenosha	**Total**	**202**	**20,398,651**	**2,488,324**	**12.2%**	**-77,150**
Ozaukee	**Total**	**185**	**14,129,089**	**1,196,288**	**8.5%**	**-56,904**
Racine	**Total**	**382**	**27,814,537**	**2,362,992**	**8.5%**	**-293,177**
Walworth	**Total**	**167**	**8,694,688**	**580,930**	**6.7%**	**24,700**
Washington	**Total**	**321**	**19,276,304**	**1,266,420**	**8.1%**	**-21,020**
Grand Total		**4,272**	**266,199,365**	**21,073,250**	**7.9%**	**-479,306**



Direct Vacancy Percentage



Total Universe Square Feet



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