



## Milwaukee & Metropolitan Area Office Market Report • Second Quarter 2010

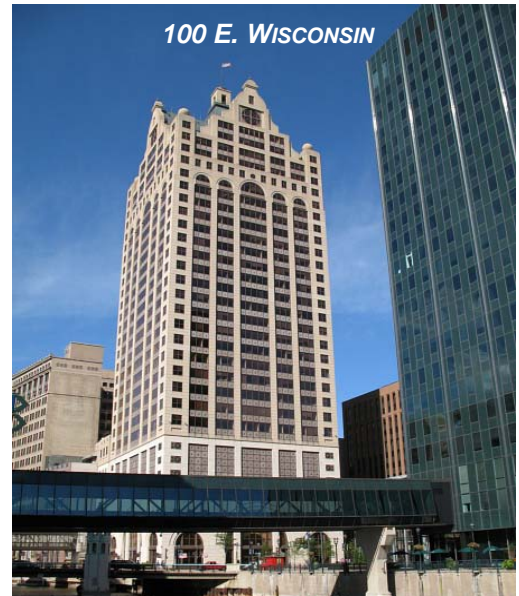
### OVERVIEW

While the Milwaukee market posted negative absorption for the sixth consecutive quarter, there are signs of stabilization. Several notable deals were completed in the 2<sup>nd</sup> quarter including expansions for some of Milwaukee's largest companies. Vacancies rose by an average of 100 basis points across each subset, particularly in the "Class A" market with the retraction of AT&T's 89,149 square feet Brookfield operations. Not all news was negative for the quarter however as "Class A" product once again held its ground with only 2,443 square feet lost for the quarter. Look for signs of a recovery by the end of 2010 as firms are beginning to see an upturn in the economy.

The "Class A" negative absorption number of 2,443 square feet downturn is a deceiving number when considering 89,149 square feet of was attributed to the AT&T building coming back to market. The downtown submarket had 13,925 square feet of positive absorption due to several notable deals with Holter Financials relocating into 23,000 square feet at 100 East Wisconsin and Associated Bank consolidating their Milwaukee presence at Plaza East by adding another 25,000 square feet, of which 17,000 was considered positive absorption. Look for the "Class A" subset, particularly in downtown, to continue to see positive absorption as landlords continue to be aggressive with lease rates and incentives.

While the last two quarters produced positive absorption for "Class B", the positive streak ended with 37,667 square feet of negative absorption. Each submarket, with the sole exception of the North, saw negative absorption with the Downtown submarket taking the largest hit with 39,797 square feet of negative absorption due mainly to several Tenants upgrading to "Class A" space. "Class B" should rebound the remainder of 2010, with the anticipation of some positive absorption by year's end.

Continuing with the year end predictions of 2009, Inland sees 2010 as a year of stabilization with positive absorption by year end. While there will be stabilization, it will come at the expense of lease rate and concessions as Tenant's continue to stabilize their budgets and seek efficient office space.



100 E. WISCONSIN

### INVESTMENT SALES

The big news to hit the wire in the first half of 2010 was the sale listing of Northwestern Mutual Life Insurance Companies' (NML) downtown Class A tower – 100 East Wisconsin.

This trophy 35 story, 430,800 SF asset is on the market without an asking price. However sources have indicated that Newton, Massachusetts based Commonwealth REIT has the property under contract for sale at \$81.3 million or approximately \$189 per square foot.

The property is home to notable tenants such as law firm Michael, Best, & Friedrich LLP, and lodging and theatre mogul Marcus Corporation. The seller previously tested the waters on the sale market with this asset in late 2008 and early 2009. However the property did not trade at that time most likely due to the turmoil and uncertainty surrounding the financial and capital markets.

*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	NET ABSORPTION
<b>Downtown</b>	<b>100</b>	<b>12,483,388</b>	<b>2,565,228</b>	<b>20.55%</b>	<b>223,441</b>	<b>1.79%</b>	<b>-20,275</b>
Class A	19	5,525,051	728,183	13.18%	134,424	2.43%	13,925
Class B	70	6,268,677	1,735,508	27.69%	89,071	1.42%	-39,797
Class C	11	689,660	101,537	14.72%	0	0.00%	5,597
<b>Central</b>	<b>65</b>	<b>4,645,244</b>	<b>1,027,830</b>	<b>22.13%</b>	<b>38,225</b>	<b>0.82%</b>	<b>-14,379</b>
Class A	12	1,188,908	259,557	21.83%	16,990	1.43%	10,097
Class B	48	3,286,782	753,557	22.93%	21,235	0.65%	-24,476
Class C	5	169,554	14,716	8.68%	0	0.00%	0
<b>West</b>	<b>133</b>	<b>6,547,496</b>	<b>1,156,570</b>	<b>17.66%</b>	<b>89,771</b>	<b>1.37%</b>	<b>-101,637</b>
Class A	46	2,707,308	406,063	15.00%	35,894	1.33%	-73,030
Class B	80	3,623,601	712,529	19.66%	53,877	1.49%	-25,626
Class C	7	216,587	37,978	17.53%	0	0.00%	-2,981
<b>Northwest</b>	<b>18</b>	<b>1,393,147</b>	<b>280,904</b>	<b>20.16%</b>	<b>47,112</b>	<b>3.38%</b>	<b>39,495</b>
Class A	11	1,114,708	250,685	22.49%	47,112	4.23%	39,495
Class B	7	278,439	30,219	10.85%	0	0.00%	0
<b>North</b>	<b>87</b>	<b>2,746,013</b>	<b>490,718</b>	<b>17.87%</b>	<b>10,972</b>	<b>0.40%</b>	<b>48,857</b>
Class A	25	876,353	100,894	11.51%	2,295	0.26%	-5,765
Class B	60	1,850,803	380,137	20.54%	8,677	0.47%	54,122
Class C	2	18,857	9,687	51.37%	0	0.00%	500
<b>South</b>	<b>21</b>	<b>639,938</b>	<b>121,885</b>	<b>19.05%</b>	<b>7,666</b>	<b>1.20%</b>	<b>10,945</b>
Class A	7	178,687	19,145	10.71%	4,936	2.76%	12,835
Class B	14	461,251	102,740	22.27%	2,730	0.59%	-1,890
<b>Overall</b>	<b>424</b>	<b>28,455,226</b>	<b>5,643,135</b>	<b>19.83%</b>	<b>417,187</b>	<b>1.47%</b>	<b>-36,994</b>
Class A	120	11,591,015	1,764,527	15.22%	241,651	2.08%	-2,443
Class B	279	15,769,553	3,714,690	23.56%	175,536	1.11%	-37,667
Class C	25	1,094,658	163,918	14.97%	0	0.00%	3,116

