Milwaukee & Metropolitan Area Industrial Market Report • Third Quarter 2010

CAPSTONE BUSINESS CENTER

OVERVIEW

The Southeastern Wisconsin industrial market saw stabilized activity through the third quarter of 2010. Although there are many groups out looking for new space or potential sale opportunities we are still seeing many of those same groups renewing their leases at cheaper rates in exchange for additional lease term and remaining in their existing buildings. Landlords have become increasingly flexible in order to maintain their building occupancy. Rental rates have come down to the $3.50-$4.50/SF range for warehouse and $8-$9/SF range for built out office space in most markets and even lower for the older, less desirable industrial locations. Overall, the Southeastern Wisconsin market has seen a .01% decrease in the vacancy rate from the 2nd quarter of 2010. The northwestern and south central Milwaukee markets have the least amount of vacancy at 10.1% and 9.6% respectively, while the market with the highest vacancy is the north shore market at over 15%.

Business owners are continuing to look for ways to reduce costs. As a direct result the market has seen more leasing activity than direct sales. 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 as well as the number of foreclosures that banks are trying to get off of their books. Combine these factors with political and economical changes on the horizon in Wisconsin and it should lead to a strong turnaround in the 4th quarter of 2010 and leading into 2011. Overall the general sense is that the economy has begun to turn the corner and with a cautious approach show signs of improvement, which will lead to a decrease in vacancies as firms stabilize and begin to grow again.

INVESTMENT SALES

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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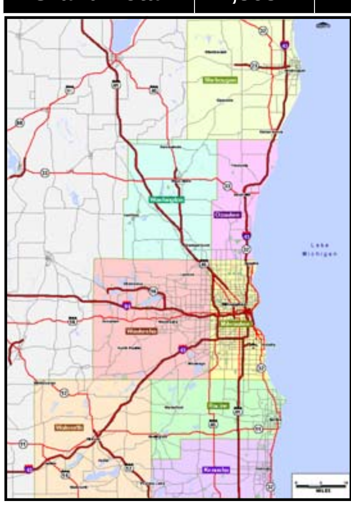
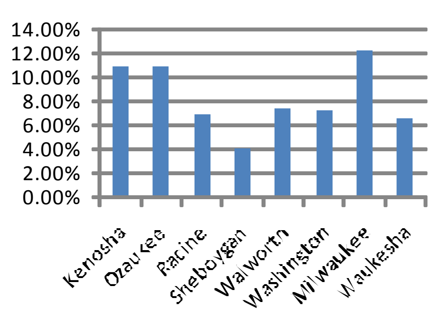
Pewaukee Commerce Center II

Market	Building Count	Base Inventory (Square Feet)	Total Available (Square Feet)	Total Vacant (Square Feet)	Total Vacancy Rate (%)	Qtrly Net Absorption (Square Feet)	YTD Net Absorption (Squafee Feet
Kenosha	205	20,891,958	2,585,361	2,289,640	11	49,307	1,449,213
Ozaukee	180	12,869,610	1,686,625	1,397,837	10.9	19,151	1,684
Racine	382	28,077,446	2,980,305	1,951,680	7	-2,423	3,280
Sheboygan	136	12,366,145	980,892	524,814	4.2	0	-231,914
Walworth	169	8,608,582	748,500	634,855	7.4	102,457	58,220
Washington	323	19,316,661	1,668,980	1,417,229	7.3	85,565	85,293
Milwaukee	**1,492**	**95,720,243**	**13,202,516**	**11,639,081**	**12.2**	**-135,238**	**-436,303**
Downtown	187	12,512,048	1,944,200	1,700,125	13.6	0	-18.815
North Central	148	10,260,628	1,133,548	1,186,763	11.6,	-64,824	-57,667
North Shore	100	7,187,611	1,352,534	1,105,240	15.4	2,353	47,102
Northwest	346	18,995,583	2,236,299	1,911,230	10.1	47,018	-208,944
South Central	161	9,538,979	1,027,634	914,865	9.6	-2,055	19,895
South	362	23,971,862	3,530,256	3,126,973	13	12,653	-11,905
West	188	13,253,532	1,978,045	1,693,885	12.8	-130,383	-208,969
Waukesha	**1,497**	**69,255,369**	**5,472,129**	**4,567,951**	**6.6**	**45,955**	**-55,146**
Northeast	498	21,255,195	1,714,865	1,479,647	7	-19,158	38,878
Northwest	332	17,903,572	1,562,402	1,399,737	7.8	-29,420	-77,361
Southeast	315	15,020,801	1,107,238	984,135	6.6	10,704	795
Southwest	352	15,075,801	1,087,624	704,432	4.7	83,829	-17,458
Grand Total	**4,3684**	**267,106,014**	**29,325,308**	**24,423,087**	**9.1**	**164,774**	**874,327**



Vacancy Rate by County



Net Absorption by County