



Industrial Real Estate Market Report Milwaukee & Metropolitan Area Fourth Quarter 2011



OVERVIEW

Market Trends – Successful 2011 paves way for more to come in 2012

Overall the Milwaukee area industrial real estate market posted impressive results for 2011 and that success is expected to carry forward into 2012. Activity continues to improve most notably with the large national companies showing the greatest demand for space and confidence in their future followed by the regional and local companies respectively.

The overall vacancy rate of southeast Wisconsin improved to 7.5% from 8.5% last year in Q4 of 2010 (eight counties consisting of Milwaukee, Waukesha, Washington, Ozaukee, Sheboygan, Racine, Kenosha and Walworth). Racine County boasts the lowest vacancy rate of only 3.6% dropping from 4.9% in the prior year. Other counties having vacancy rates decreases were Milwaukee at 9.9% (11.5% a year ago) and Waukesha County at 5.0% (5.8% a year ago). Kenosha County surprisingly remained relatively flat over the past twelve months at 10.7%.

Absorption was positive by approximately 3,000,000 SF for all of 2011 and 270,000 SF in Q4. Absorption is the net result of total square feet leased or sold compared to the total square feet available for lease or sale during the year and/or quarter. Absorption for calendar year 2010 was approximately 2,000,000 SF.

Milwaukee County was the driving force behind this quarter's lower vacancy rate and positive absorption having eight deals between 25,000 SF and 100,000 SF totaling 420,000.

Leases and Sales

Lease transactions dominated the deal flow this quarter. In the near term, tenants will continue to achieve competitive lease rates, free rent and modest rent bumps. As the market has been active with national credit tenants value is shifting toward quality real estate opposed to the most inexpensive space on the market. Lease rates haven't experienced the uptick this demand should drive but it should be seen in the second half of 2012. Velocity of deals is slightly improving, although still slow, with increased demand resulting in quality spaces being leased and coming off the market.

The number of sales transactions increased 60% from 2010 and the average price per SF of \$39.96 was a 9.5% increase from last year. In 2011 the number of sale transactions totaled 215 compared to the high in 2006 of 235.

Forecast

Leasing activity is expected to continue in a positive direction with the potential shortage of quality industrial space and tenants being forced to consider the airport market or Kenosha County for large space needs as vacancy still looms largest in those markets. The increased demand and decreasing supply is expected to result in a slow increase in lease rates and slow decrease in free rent. Sales activity is expected to improve in 2012 specifically with business improving for regional and local companies. Interest rates are expected to remain low but financing should still be a challenge. Because banks have written down so many loans or taken back properties through foreclosure, short sales and REO should contribute to the activity in the 2012 market which has bottlenecked the sales activity in previous years. The presidential election and expected recall of Wisconsin governor Scott Walker will linger during the majority 2012 keeping our economy uncertain and its recovery moving slower than desired.

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 Industrial Data Advisory Board which tracks and scrubs data from Xceligent on a quarterly basis.

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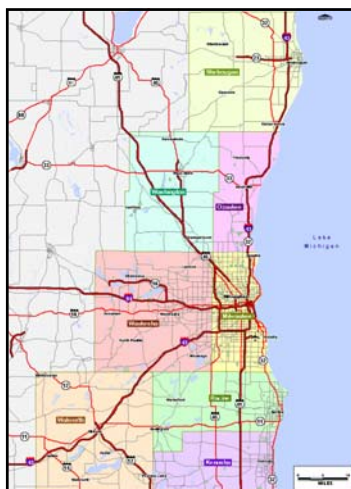
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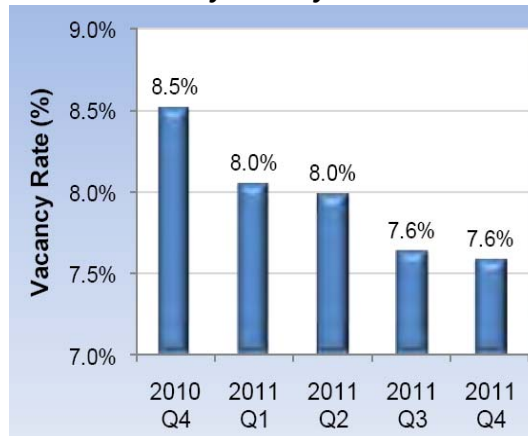
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MARKET	BUILDING COUNT	BASE INVENTORY (SQUARE FEET)	TOTAL AVAILABLE (SQUARE FEET)	TOTAL VACANT (SQUARE FEET)	TOTAL VACANCY RATE (%)	QTRLY NET ABSORPTION (SQUARE FEET)
Kenosha	204	21,007,862	2,611,163	2,262,457	10.8%	6,112
Ozaukee	178	12,865,672	1,771,344	1,563,826	12.2%	50,550
Racine	384	28,565,269	1,943,595	1,040,091	3.6%	111,863
Sheboygan	136	12,760,606	1,106,003	826,314	6.5%	0
Walworth	170	8,789,087	476,643	377,886	4.3%	184,817
Washington	322	19,345,294	1,348,049	1,073,246	5.5%	22,600
Milwaukee	1,481	95,281,698	12,690,501	9,638,691	10.1%	(139,687)
Waukesha	1,489	69,392,940	5,324,502	3,530,370	5.1%	33,963
Grand Total	4,364	268,008,428	27,271,800	20,312,881	7.6%	270,218



Vacancy Rate by Quarter



Net Absorption by Quarter



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