Milwaukee & Metropolitan Area Office Market Report • Fourth Quarter 2011

411 E. WISCONSIN CENTER

OVERVIEW

Despite significant economic and political uncertainty, the Milwaukee office market not only held its ground in 2011 but managed to absorb 187,000 square feet of space, bringing the overall direct vacancy rate to 19.73%. Hopefully a sign of what is to come; the Milwaukee office market absorbed 110,000 square feet in the 4th quarter alone.

For the second straight year, the Central submarket significantly outperformed the market posting 138,000 square feet of absorption (115,000 square feet in 2010). The big winners were 10000 Innovation Drive (45,000 square feet) and 10001 Innovation Drive (38,000 square feet). GE expansion accounted for a large portion of that space in the case of the former, and Marshall & Swift relocated from New Berlin in the case of the latter. The continued success of this submarket sends a strong message that tenants put high value in having the most "central" location Milwaukee has to offer. With the Zoo Interchange road construction project starting in 2013, this will be a submarket to watch closely.

The Downtown East class "A" submarket continued to perform well in 2011. The top seven class "A" office towers now have a vacancy of just 7.5%, which has continued to spark interest in a new high rise office tower. Despite several suburban companies heavily considering downtown – most notably Baker Tilly – do not look for the aforementioned vacancy rate to decline in 2012 as there is close to 140,000 square feet of sublease space in this micromarket. While class "A" CBD space has consistently performed well through the recession, class "B" has not. In 2011 class "B" CBD office space finally rebounded, posting 42,000 square feet of positive absorption. Battered by the recession, this was a welcome change for downtown class "B" landlords.

In the Western submarket, Class "A" space continued to struggle giving up another 22,000 square feet for the year. Most of this can be attributed to Brookfield Lakes Corporate Center, which has been battered since both AT&T and General Casualty left the park in 2010. Conversely, class "B" product gained momentum in 2011 absorbing 34,000 square feet.

The submarket to monitor closely in 2012 will be the Northwest submarket. Kohl's Corporation continues to absorb space at a staggering pace and is now full steam ahead on corporate headquarter relocation decision. Look for this announcement to be made in 2012 as they have outgrown the nearly 1,000,000 square feet headquarter campus in Menomonee Falls.

To summarize, in 2011 there was more good than bad, which was a welcome change. In fact, 2011 was the first year off positive absorption for the Milwaukee office market since 2007. We hope and expect this trend to continue in 2012.

INVESTMENT SALES

The most notable event in the fourth quarter in Wisconsin's Office Investment Market was the sale that did *not* occur. Brookfield Asset Management, Inc. (Toronto, ON) withdrew the Class "B", 22 story, Chase Bank Tower from the market in December of 2011. This asset recently had a surge of leasing momentum when the law firm Gonzalez, Saggio, & Harlan, LLP moved into an 18,000 SF suite on the property's 10th floor. Regardless, the concern with numerous investors was the long term space commitment of the building's anchor tenant – Chase Bank. This 472,000 SF building last sold in 2006 as part of a large portfolio for a reported $27.4M ($58.05 per SF) and it is currently assessed by the City of Milwaukee at approximately $28.6M ($60.59 per SF).

Distressed, smaller sales continued to be the popular trend in the fourth quarter. Annex Wealth Management, a local securities investment advisor, purchased the 40,665 SF building at 12700 W. Bluemound Road in Elm Grove for the bargain price of just over $45 per SF ($1.85M) from M&I Regional Properties, LLC a division of BMO/Harris Bank. Ener-Con Companies, Inc., a local real estate investor, acquired the three story office building located at 140 S. 1st Street in Milwaukee's Walker's Point neighborhood. This 2007-built property traded for a light $55 per SF ($1,5M). Finally, Inland Companies brokered a sale of 32,000 SF colonial-style, 2004-built, office building in Brookfield (West submarket) on behalf of a local bank for $29.38 per SF ($950,000).

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.

Milwaukee & Metropolitan Area
Office Market Report • Fourth Quarter 2011

Submarket	Number Buildings	Total Bldg SF	Direct Vacant SF	Direct Vacant %	Sublease Avail SF	Sublease	Q4 Absorption	YTD Absorption
Downtown	**98**	**12,145,551**	**2,496,217**	**20.55%**	**168,268**	**1.39%**	**83,743**	**57,111**
Class A	19	5,530,014	710,956	12.86%	149,661	2.71%	27,725	1,279
Class B	69	5,984,677	1,712,621	28.62%	18,607	0.31%	48,818	42,067
Class C	10	630,860	72,640	11.51%	0.00%	0.00%	7,200	13,765
Central	**64**	**4,548,266**	**754,176**	**16.58%**	**8,265**	**0.18%**	**63,223**	**138,161**
Class A	14	1,276,308	73,933	5.79%	2,665	0.21%	63,171	131,227
Class B	45	3,102,404	651,749	21.01%	5,600	0.18%	52	5,434
Class C	5	169,554	28,494	16.81%	0	0.00%	0	1,500
West	**135**	**6,692,453**	**1,374,124**	**20.53%**	**81,317**	**1.22%**	**-5,580**	**-1,865**
Class A	48	2,962,256	561,460	18.95%	8,595	0.29%	-31,421	-22,448
Class B	80	3,517,605	775,822	22.06%	72,722	2.07%	31,263	33,777
Class C	7	212,592	36,842	17.33%	0	0.00%	-5,422	-13,194
Northwest	**18**	**1,393,764**	**228,313**	**16.38%**	**90,090**	**6.46%**	**-17,406**	**7,798**
Class A	11	1,114,708	168,879	15.15%	90,090	8.08%	-12000	-5,726
Class B	7	279,056	59,434	21.30%	0	0.00%	-5,406	13,524
North	**86**	**2,720,195**	**579,625**	**21.31%**	**2,295**	**0.08%**	**-7,501**	**-34,260**
Class A	25	875,087	142,515	16.29%	2,295	0.26%	-2,508	-1,036
Class B	59	1,826,251	432,490	23.68%	0	0.00%	(4,993)	-37,299
Class C	2	18,857	4,620	24.50%	0	0.00%	0	4,075
South	**21**	**655,659**	**121,487**	**18.53%**	**4,936**	**0.75%**	**-5,642**	**20,333**
Class A	7	178,687	20,769	10.39%	4,936	2.76%	-1051	1,509
Class B	14	476,972	100,718	21.49%	0	0.00%	-4,591	18,824
Overall	**422**	**28,155,888**	**5,553,942**	**19.73%**	**355,171**	**1.26%**	**110,837**	**187,278**
Class A	124	11,937,060	1,678,512	14.06%	258,242	2.16%	43,916	104,805
Class B	274	15,186,965	3,732,834	24.58%	96,929	0.64%	65,143	76,327
Class C	24	1,031,863	142,596	13.82%	0	0.00%	1,778	6,146