

Market Update

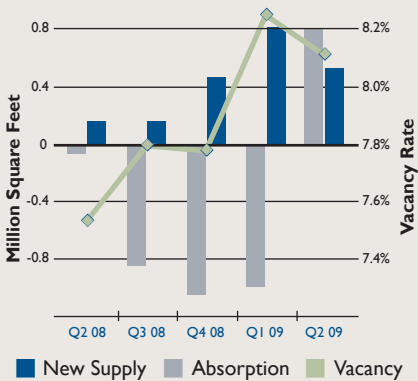
INDUSTRIAL | SECOND QUARTER | 2009



MARKET INDICATORS

	Q2 08	Q2 09
VACANCY RATE	↑	↓
CONSTRUCTION	↑	↓
RENTAL RATE	↓	↓
SALES PRICE/SF	↑	↔

UPDATE NEW SUPPLY, ABSORPTION AND VACANCY RATES



SIGNIFICANT TRANSACTIONS

- Waukesha Tool & Stamping's lease of 42,900 sq. ft. in Grafton
- Oldcastle Glass, Inc.'s sale of 29,000 sq. ft. in Menomonee Falls to ADE Electronics
- C.M.K., Inc.'s purchase of the 172,250 sq. ft. warehouse at 3511 W. Green Tree Road, Milwaukee

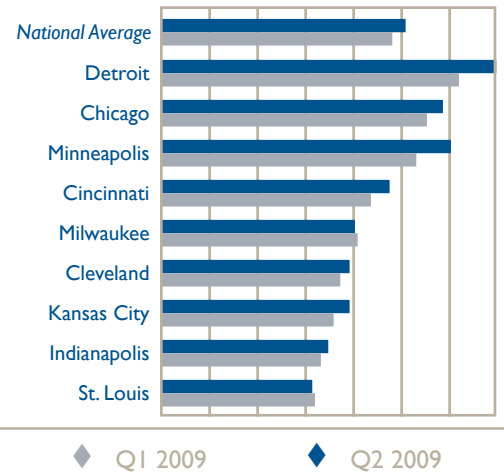
Milwaukee Industrial Market Posts Relatively Weak Quarter Despite Decreased Vacancy

Though a small reduction in the vacancy rate was seen during the second quarter of 2009 in the Milwaukee industrial market, the area is still feeling the effects of the recession with reductions in transaction volume, construction and rental rates.

The vacancy rate decreased marginally from 8.23% to 8.11% during the second quarter in the Milwaukee industrial market. Compared to this time a year ago, however, the rate is up 60 basis points from 7.51%. Milwaukee still fares better than most of the nation, where for the eighth consecutive quarter, the industrial vacancy rate increased. Nationally, vacancy jumped from 9.58% to 10.16% during the second quarter.

When compared to several Midwestern cities, Milwaukee sits comfortably in the middle in terms of vacancy. Cincinnati, Minneapolis, Chicago and Detroit posted higher rates than Milwaukee while Cleveland, Kansas City, Indianapolis and St. Louis were lower. The only Midwestern city to post a reduction in vacancy similar to Milwaukee during the second quarter was St. Louis, whose rate declined from 6.4% to 6.3%.

VACANCY RATE COMPARISON



While leasing activity remains fairly steady in the Milwaukee industrial market, the trend toward smaller leases has grown; all leases completed in the second quarter were for less than 50,000 SF and the total square footage leased was less than half of that leased in the previous quarter. As a result, building owners are reducing lease rates and adding incentives such as free rent to get deals done. The average triple net rental rate for flex/service and tech/R&D space dropped by approximately 5% to around \$4.55 PSF while warehouse/distribution and bulk space rents saw smaller decreases, only reducing by \$0.05 to \$4.20 PSF and \$3.50 PSF respectively. The most active sub-market for sales and leases continues to be Waukesha County.

Nationally, rental rates also decreased. Warehouse/distribution space rents fell to \$5.09 PSF (-3.50%), bulk space decreased to \$4.59 PSF (-4.89%) and flex space reduced marginally to \$9.13 PSF (-0.82%). In contrast, tech/R&D space increased slightly to \$10.93 PSF (+0.45%).



Lack of Speculative Construction is Milwaukee's Saving Grace

Due to the current state of the economy, the number of speculative developments have drastically reduced as of late, with only 200,000 SF currently under construction. This has benefited the Milwaukee industrial market as evident in this quarter's decreased vacancy rate. In a market that typically takes longer to absorb speculative industrial space, the reduction in such space combined with the fact that most of last year's space was absorbed prior to the recession, resulted in the first positive quarterly absorption figure for the Milwaukee market since Q3 2007.

Industrial Sales Remain Small & Stable

The second quarter of 2009 saw no significant changes in sales activity for industrial buildings. Sales prices per square foot for Class A buildings remained unchanged at \$55.00 PSF, with the number and square footage of transactions remaining basically unaltered from last quarter. Sales are limited to smaller blocks of space than in previous years, with only four sales of more than 50,000 SF in the second quarter of 2009.

When compared to a year ago however, sales activity has drastically reduced in the Milwaukee industrial market. Only 600,000 SF of industrial space was sold in Q2 2009, less than half of that sold during same period in 2008.

Nationally, sales prices continued their decline that has been occurring for multiple quarters to \$66.88 PSF (-\$1.98).

Outlook

Most of the Milwaukee area's plant closings that are tied to the recession have most likely already occurred, meaning there shouldn't be a huge amount of new vacant space hitting the market any time soon.

Prices and rates may decline marginally, but should rebound as the recovery kicks in. The vacancy rate should stabilize at around 8%.

GLOSSARY

Absorption ~ Net change in occupied space over a given period of time.

Bulk Space ~ 100,000 square feet or more with up to 10 percent office space, the balance being general warehouse space with 20 to 36 foot ceiling heights. All loading is dock-height.

CAP Rate ~ Calculated by dividing net operating income (NOI) by purchase price.

Flex Space ~ Single-story building having 10 to 18 foot ceilings with both floor-height and dock-height loading. Includes wide variation in office space utilization, ranging from retail and personal service through distribution, light industrial and occasional heavy industrial use.

Tech/R&D ~ One and two story, 10 to 15 foot ceiling heights with up to 50% office/dry lab space (remainder in wet lab, workshop, storage and other support), with dock-height and floor-height loading.

Triple Net Rent ~ Includes rent payable to the landlord and does not include additional expenses such as taxes, insurance, maintenance, janitorial and utilities.

Vacancy Rate ~ Percentage of vacant space to total inventory

Warehouse ~ 50,000 square feet or more with up to 15 percent office space, the balance being general warehouse space with 18 to 30 foot ceiling heights. All loading is dock-height.

294 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 94
Canada 22
Latin America 17
Asia 25
ANZ 39
EMEA 97

\$48.1 billion annual transaction value
1.1 billion square feet under management
12,700 Professionals

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