Southeastern Wisconsin
2009 Industrial Market Report

4th Quarter Statistics & Market Report

THE
DICKMAN
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REAL ESTATE

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County/Submarket		Inventory (SF)	Total Vacant (SF)	Vacancy Q1 (%)	Vacancy Q2 (%)	Vacancy Q3 (%)	Vacancy Q4 (%)
Milwaukee	Downtown	12,556,035	1,561,528	8.9%	10.3%	13.0%	12.4%
	North Central	10,145,628	1,053,224	9.3%	9.4%	9.6%	10.4%
	North Shore	7,159,703	1,158,485	10.0%	12.2%	12.6%	16.2%
	Northwest	18,746,915	1,742,703	9.5%	10.8%	9.0%	9.3%
	South	23,544,910	2,508,259	6.9%	7.7%	8.0%	10.7%
	South Central	9,545,487	935,063	12.1%	11.1%	10.1%	9.8%
	West	13,288,981	1,435,315	9.4%	10.2%	10.7%	10.8%
Milwaukee Total		**94,987,659**	**10,394,577**	**9.0%**	**9.9%**	**10.0%**	**10.9%**
Waukesha	Northeast	21,075,115	1,553,339	6.1%	6.8%	6.7%	7.4%
	Northwest	17,979,980	1,215,895	5.5%	6.1%	7.0%	6.8%
	Southeast	15,014,079	918,044	5.3%	5.4%	5.6%	6.1%
	Southwest	15,048,337	387,264	3.1%	2.3%	2.5%	2.6%
Waukesha Total		**69,117,511**	**4,074,542**	**5.1%**	**5.3%**	**5.6%**	**5.9%**
Ozaukee		**14,471,635**	**1,399,521**	**8.2%**	**8.5%**	**9.9%**	**9.7%**
Racine		**27,857,589**	**1,970,908**	**6.1%**	**8.5%**	**5.6%**	**7.1%**
Sheboygan		**16,199,628**	**458,766**	**2.5%**	**2.5%**	**2.6%**	**2.8%**
Kenosha		**20,527,367**	**1,869,934**	**10.0%**	**12.2%**	**9.7%**	**9.1%**
Walworth		**8,813,988**	**728,395**	**7.0%**	**6.7%**	**7.8%**	**8.3%**
Washington		**19,200,221**	**1,466,321**	**6.0%**	**6.6%**	**7.7%**	**7.6%**
Grand Total		**271,175,598**	**22,362,964**	**7.1%**	**7.9%**	**7.7%**	**8.2%**

Source: Xceligent

Terminology

Inventory - The total square feet of all single and multi-tenant industrial properties above 10,000 square feet. Due to changes in the tracked data set in Quarter 4, an additional 3,270,234 SF was added to the inventory. Historical vacancy and absorption numbers have not been adjusted to reflect this.

Vacant SF - Space that is available and not currently occupied.

Vacancy Rate - Percentage of space in the market that is not currently occupied (Vacant square feet divided by inventory).

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TOP 10 DICKMAN DEALS OF 2009

	Address	City	Bldg Size
1	6736 W. Washington Ave	West Allis	113,620 SF
2	3511 W. Green Tree Road	Milwaukee	172,250 SF
3	2725 W. Hopkins Street	Milwaukee	2,200,000 SF
4	134 Enterprise Drive	Delafield	67,430 SF
5	3701 N. Humboldt Blvd	Milwaukee	172,344 SF
6	7025 W. Marcia Road	Milwaukee	89,562 SF
7	W146 N9300 Held Drive	Men. Falls	75,000 SF
8	505 Northview Road	Waukesha	63,000 SF
9	S68 W22665 National Ave	Vernon	52,557 SF
10	200 Old Factory Road	Sharon	49,700 SF

THE LEADER IN SALES FOR THE CITY OF MILWAUKEE

We tracked 32 completed transactions in 2009 totaling 3,857,025 Sq. Ft./$43,637,900 in the City of Milwaukee, noting that we brokered a significant amount of them. The following statistics represent these sales:

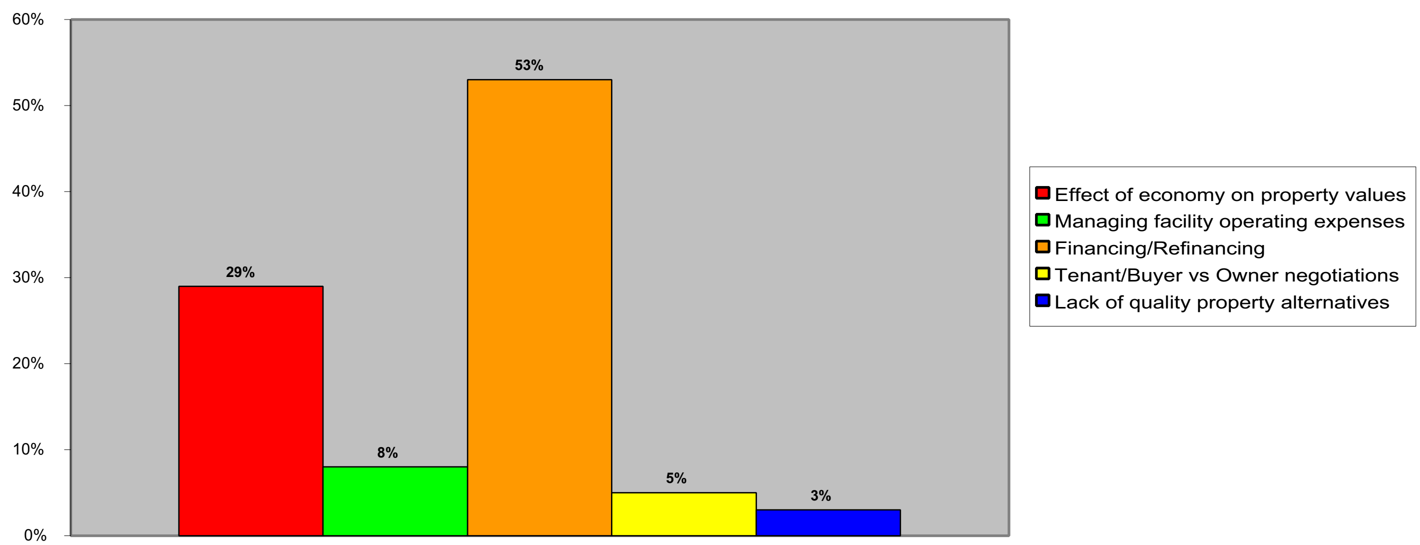
% of Deals Closed	**21.88%**
% of Sq. Ft. Sold*	**72.35%**
% of Sold Value	**34.80%**

* Excluding the sale of the former Tower Automotive site, The Dickman Company represented 36.4% of the overall square footage sold in 2009 and 28.2% of sold value.

THE DICKMAN COMPANY POLL

What do you see as the biggest challenge in the commercial real estate market today?

In September 2009, we conducted a non-scientific poll to gauge the sentiment of our customers about the current state of affairs in the real estate marketplace. We were pleased to receive 62 responses from our customers and colleagues.



Not surprisingly, financing and refinancing were the top concern at 53% of the respondents. We have seen an influx of properties placed on the market because the property owner's lender was unwilling to refinance the existing loan. Similarly, new buyers experience greater scrutiny from lending sources in procuring financing for a new project.

29% of the participants felt their greatest concern was the effect of the economy on property values. One participant (an appraiser) suggested that "the two highest categories are inter-related in [his] opinion." Voters for this category likely have high equity in their real estate and have seen sale prices of comparable buildings decrease substantially.

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2009 MARKET STATISTICS

For the eight county area of Southeastern Wisconsin, we saw the overall vacancy rate increase from 7.1% in Quarter 1 to 8.2% in Quarter 4. Although not a staggering increase given the economic climate over the same time period, the statistics do indicate that there is currently 22,362,964 square feet of vacant space.

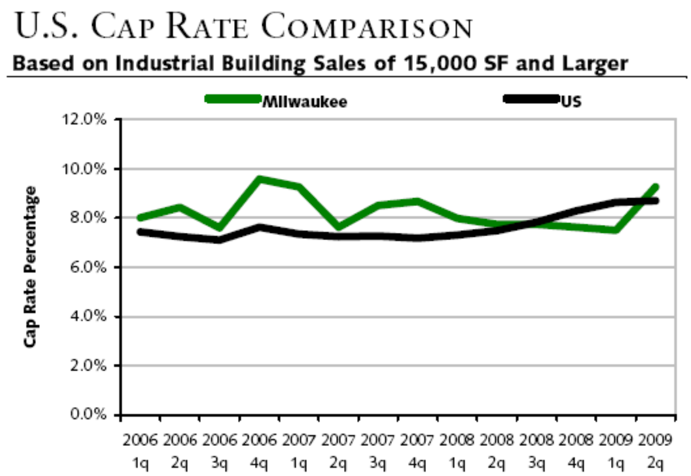
Although we saw some stabilization in the market for the second half of 2009, we noted the actual availability rate (space occupied but available, plus vacant space) increased from 9.8% in Quarter 3 to 10.4% in Quarter 4, whereby the vacancy rate is only 8.2%. The gap between the vacant and availability percentages suggests there is some slack in the marketplace that could increase the vacancy rate if the available, but occupied space is not leased in 2010.

Milwaukee County saw a 21.11% increase in the vacant space in 2009, representing 10,394,577 square feet of currently vacant space at the end of the year. This amount is 46.5%, or almost half of the vacant space for the entire eight county metro area.

The bright spot for the overall market has remained Kenosha County, which saw its vacancy rate decrease from 10% in Quarter 1 to 9.1% in Quarter 4. This was achieved as a result of a slowdown in speculative development which allowed existing inventory to be absorbed by some large transactions over the period. As an example, Ozburn-Hessey Logistics LLC leased 290,000 square feet in Quarter 3, National Salt leased 100,800 square feet in Quarter 4, and Unified Solutions Inc leased 277,500 square feet.

Ozaukee and Washington Counties experienced the most negative absorption relative to overall inventory. West Bend was hit hard early in 2009 by the closings of Milliken Woodwork and Amity Leather Products, which accounted for 359,988 square feet of negative absorption alone.

On the investment side, we saw cap rates increase substantially above the national average by 180 basis points in 2009. Milwaukee CAP rates are typically 75-150 basis points higher than national CAP rates (Source: The Nicholson Group). We expect CAP rates to remain at a comparable level in 2010, and potentially rise if interest rates begin to rise. Ultimately, this will drive down the prices for investment opportunities as buyers and their lenders demand higher returns on their investments.



Source: CoStar COMPS ®

We have seen a tremendous slowdown in industrial sales activity in 2009, combined with a lengthier marketing period and lower sold price to asking ratio. This chart does not include every industrial sale, but demonstrates the trend:

Year	# of Sales	Total Sales Volume
2008	146	$268,995,364
2009*	92	$183,932,326

* 1/1/2009 - 11/17/2009

Source: The Nicholson Group/Co-Star

The Dickman Company, Inc. will continue to monitor various market indicators to predict the short term direction of the market and serve as effective real estate advisors for our clients.

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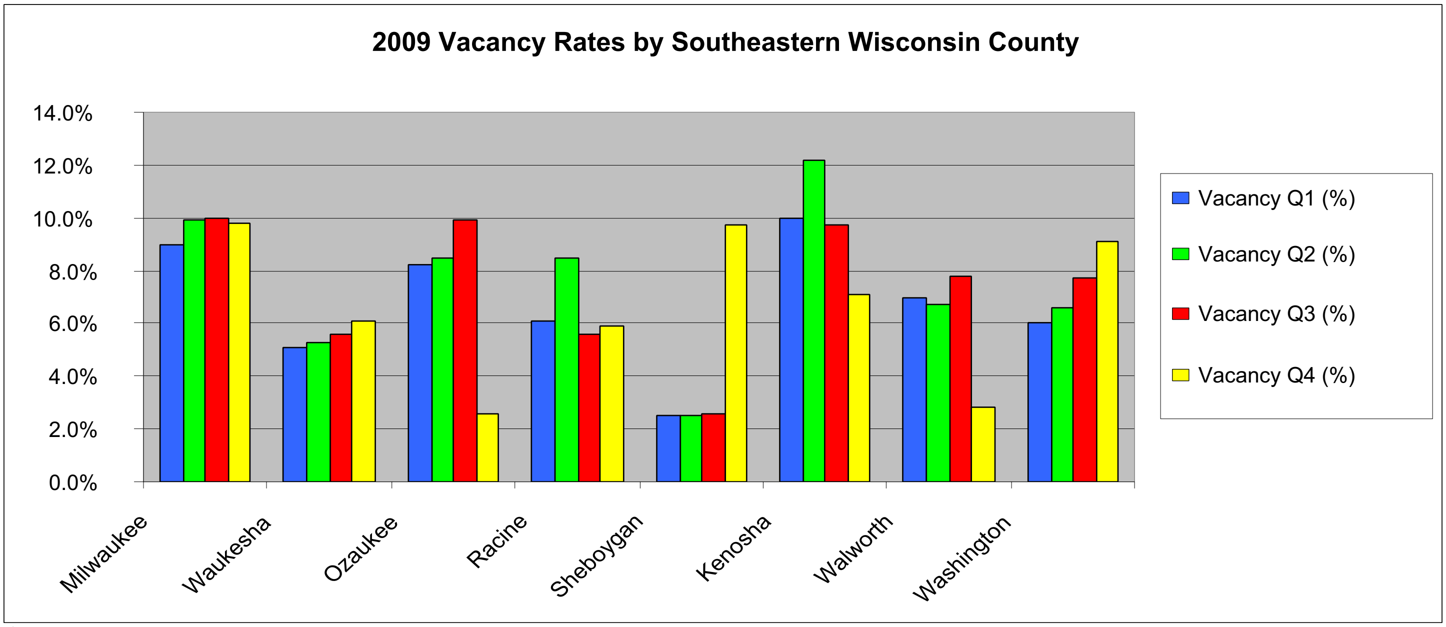
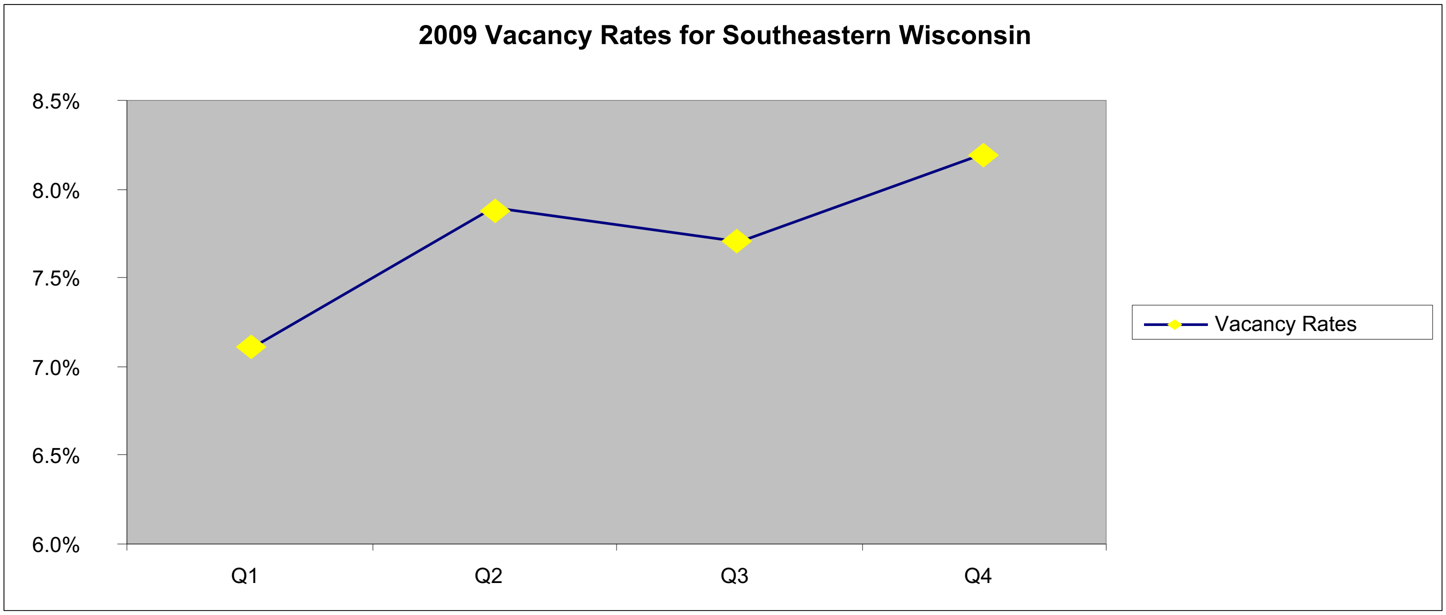


Source: Xceligent

The bar chart for each quarter in 2009 shows a general trend of increasing vacancy rates for the eight county area of Southeastern Wisconsin. The exception was Kenosha County which saw a 9% decrease in vacant space between Quarters 1 & 4.



Source: Xceligent

The overall vacancy rate for the eight county area of Southeastern Wisconsin increased from 7.1% in Quarter 1 to 8.2% in Quarter 4, representing a 15.4% increase in vacant space for the region.

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CURRENT MARKET TRENDS & 2010 FORECAST

The industrial real estate market is comprised of many interrelated pieces which come together to create the market as a whole. The quickly changing economy has created a new 'normal', or paradigm shift that affects day-to-day real estate transactions.

BUYERS VS. SELLERS

The market of Buyers has thinned, but there are companies that are doing well and growing in this economic environment. Most purchasers today are looking for a deal. They are interested in buying higher-end, well placed properties at a cost that was unachievable at the peak of the market. If one company does not wish to sell at the lower value, there is enough alternative inventory that they can move on to a second or even a third facility with a motivated Seller.

The Sellers are generally reluctant to sell in this market as they are aware that values have dropped considerably. Internal forces such as too much space or reducing costs can force a move. External forces such as bank requirements can also move a deal forward. In today's market, Buyers, not Sellers have the leverage.

FINANCING

A very important concern affecting Buyers and Sellers is financing. It is more difficult to obtain and banks are generally only lending to existing customers with long-term relationships. The equity required has increased and the banks are now a third party to any transaction. The main difficulty in closing deals is the inability of the Buyer to obtain financing. Investment transactions are difficult because the banks are trying to unload this type of real estate from their portfolios. Investors have increased risk from tenant defaults that the banks don't want to assume.

LEASING TRENDS

Leasing is an aspect of the market that has stabilized over the past several months. When the market was on the upswing, leasing was slow because it was advantageous to purchase property. As the economy has slowed and financing has become more difficult, companies are more willing to lease. Vacancy rates are high, but the highest vacancy rates are at the very low end of the market or the very high end of the market. Quality industrial space, which has good clear height, loading and a good location is leasing, although at lower rental rates. Owners have minimal leverage in negotiations. Banks are watching every client to make sure product remains cash flow positive.

Receiverships have become much more common today. Banks are taking control of properties and then putting them on the market to sell. The transaction time for this type of product is slow and involves the courts. There is a sense from prospects that they will get a better deal from a bank. This is not necessarily true as a bank has more staying power than an individual holding the property.

2010 MARKET FORECAST

Many tenants are taking advantage of the market by signing long leases at rental rates not available a few years ago. Landlords are also offering more free rent and higher tenant improvement packages.

In the past several months we have seen a drop in values, which we believe will be the last significant drop as the market seems to have stabilized. As long as a large influx of quality existing product does not enter the market, values should hold at this level and slowly rise over the next two to four years. We do not anticipate any large increase in values until new construction commences. New construction is more expensive then existing product, and will help raise the values for the entire market. As new deals get completed and existing projects get absorbed, new development will commence.

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