MARKETBEAT

CLEVELAND INDUSTRIAL REPORT

1Q10

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

ECONOMY

The Federal Reserve District 4 (Cleveland) Region report for the first quarter has shown further signs of strengthening since the last report. Manufacturers have stated that there has been a continued rise in production, however orders remain below pre-recession levels. Contacts in non-residential construction noted some signs of renewed growth, but they are concerned about its sustainability. Financing remains a major issue for residential and commercial contractors. Sales figures from retailers and auto dealers showed a moderate improvement. Reports indicate a continuing upturn in freight transportation volume. Demand by businesses and consumers for new loans remains weak, although some bankers noted that the lending environment is starting to grow more competitive. A pickup in employment was notable in the manufacturing sector, where businesses are recalling some workers and increasing production hours. Apart from rising prices for steel and petroleum-based products, raw materials and product pricing was generally stable.

OVERVIEW

The Greater Cleveland industrial market ended the first quarter 2010 with a overall vacancy rate of 8.4% compared to 7.3% at the same time last year. Overall vacant space increased to 35,375,635 square feet (sf). The vacancy rate was up over the previous quarter as the result of negative overall absorption totaling 1,051,979 sf in the first quarter. The average direct triple net asking rental rate increased 4.7% from $3.76 per square foot (psf) in the fourth quarter 2009 to $3.94 psf in the first quarter 2010. Sales activity was typical for the first quarter. Thirty-two buildings sold in the first quarter totaling 939,488 square feet (sf) of which 28 buildings (568,157 sf) were owner occupied sales and three were investment sales totaling 371,331 sf. Notable sales included 18001 Sheldon Road, Middleburg Heights, a 144,439-sf sale/leaseback between Nova Machine Products and W.P. Carey and 2575 Greensburg Road, North Canton, a 124,256-sf transfer from Greensburg Commerce, LLC to Green Vertical Properties. New construction projects continued to remain weak with only eight new construction projects currently under construction totaling 749,000 sf. The highlight project in the first quarter saw the groundbreaking by Geis Companies for a new distribution center to be occupied by the Superior Beverage Group, a distributor of premium beer and wine products serving Central and Northeast Ohio. Only two new construction projects were completed in the first quarter totaling a combined 48,500 sf.

FORECAST

Activity will appear to show an increase as tenants look to use the blend and extend technique, whereas tenants will tour the market, seek proposals and negotiate an early renewal with their existing landlord. This will often times lead to tenants significantly reducing their existing base rental rate while securing tenant improvement dollars. Sales activity will continue to remain steady for properties under $1 million and under 25,000 sf, as it is easier to obtain financing for this product type.

BEAT ON THE STREET

"The market has seen a marginal increase in activity, however this has not yet resulted in finalized lease or sale transactions."
- Kevin M. Kelly, Principal

ECONOMIC INDICATORS

National	2009	2010F	2011F
GDP Growth	-2.4%	2.8%	3.7%
CPI Growth	-0.3%	1.9%	2.1%
Regional			
Unemployment	8.9%	9.3%	9.6%
Employment Growth	-4.0%	-3.8%	-3.5%

Source: Moody's | Economy.com

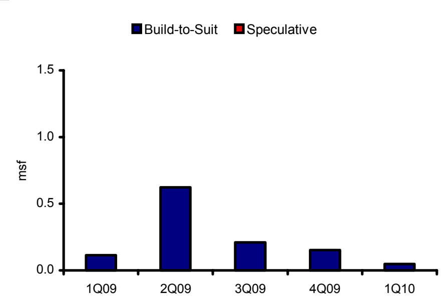
MARKET FORECAST

LEASING ACTIVITY is expected to decrease due to companies electing to stay where they are until a change in the economy.

DIRECT ABSORPTION will continue to be negative with increases expected in 2010.

CONSTRUCTION activity to remain weak as it may be over a year before we see any type of a recovery.

BUILD-TO-SUIT vs. SPECULATIVE COMPLETIONS



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MARKET/SUBMARKET STATISTICS

Market / Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Overall Absorption	Direct Triple Net Rental Rates
Akron	66,680,349	1,765	8.5%	44,863	15,000	0	(412,343)	$3.37
Downtown	29,167,267	827	8.8%	10,000	22,000	0	(36,213)	$3.84
East	9,697,430	180	8.2%	22,108	0	0	(17,991)	$6.75
Medina County	18,774,739	538	9.7%	23,814	94,000	0	74,138	$4.24
Northeast	66,998,319	1,648	8.0%	78,929	0	0	162,682	$3.34
Southeast	91,608,575	1,781	8.3%	501,633	525,000	18,500	(313,689)	$4.31
South	36,383,626	844	5.6%	73,319	30,000	0	60,877	$4.74
Southwest	52,563,395	1,092	7.2%	93,818	0	30,000	32,950	$4.47
West	49,886,355	1,300	11.6%	80,518	63,000	0	(602,390)	$3.42
TOTAL	**421,760,055**	**9,975**	**8.4%**	**929,002**	**749,000**	**48,500**	**(1,051,979)**	**$3.94**

*Rental rates reflect $psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 1Q10 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
Crossroad Distribution Center	Southeast	Spartan Logistics	264,001	C
Solon Industrial Complex	Southeast	Green Recovery Group	61,317	C
Former Skill Tool & Die	West	L & W Group, Inc.	52,000	A

SIGNIFICANT 1Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Nova Machine Products	Southwest	W.P. Carey	144,439	$13,800,000
Veyance Technologies	Akron	Green Vertical Properties	124,256	$2,700,000
Parkway Point	Southeast	Efficient Consumer Response Management	38,342	$2,400,000

SIGNIFICANT 1Q10 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Durox Co.	Southwest	Durox Co.	30,000	2/10
Ceia USA	Southeast	Ceia USA	18,500	1/10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Superior Beverage	Southeast	Superior Beverage	525,000	11/10
Holtec International	Medina County	Holtec International	82,000	10/10
Carroll Manufacturing	West	Carroll Manufacturing	63,000	9/10

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For further information, please contact:
George J. Pofok, CCIM, SIOR
Cresco Real Estate
A member of the Cushman & Wakefield Alliance
3 Summit Park Drive, Suite 200
Cleveland, Ohio 44131
(216) 520-1200
www.crescorealestate.com

*Market terms & definitions based on BOMA and NAIOP standards.