

MARKETBEAT

CLEVELAND INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



4Q09

ECONOMY

The Federal Reserve District 4 (Cleveland) Region report for the fourth quarter has shown some signs of improvement, although overall activity remains at a low level. Reports from manufacturers indicated that production was stable or slightly up, with several citing growth opportunities in off-shore markets. Little change was seen in new-home construction, whereas non-residential builders reported a small increase in contract awards. Financing remains a major issue for residential and commercial contractors. Sales by District retailers and auto dealers were flat. Energy production held steady, and reports showed a slight upturn in freight transport volume. Business and consumer lending activity remains soft while the growth rate in core deposits is starting to decline.

OVERVIEW

The Greater Cleveland industrial market ended the fourth quarter 2009 with a vacancy rate of 8.1% compared to 7.3% at the same time last year. Overall vacant space increased 14.0% to 33,867,803 square feet (sf) year over year. The vacancy rate was up over the previous quarter as the result of negative net absorption totaling (779,274) sf in the fourth quarter. Vacant sublease space increased ending the quarter at 761,053 sf. The average triple net asking rental rate decreased 2.59% from \$3.86 per square foot (psf) in the third quarter 2009 to \$3.76 psf in the fourth quarter 2009. Sales activity showed a significant increase in the fourth quarter. Thirty-five buildings sold in the fourth quarter totaling 1.4 million square feet (msf) of which 33 buildings (1,408,344 sf) were owner occupied sales and two were investment sales totaling 35,283 sf. Notable sales included 1400 Dairy Lane, Orrville, a 202,100-sf transfer from American Weather-Seal Company to Holtec International, 17300 Sterling Avenue, Maple Heights, a 170,000-sf transfer from BCS Industries to Norfolk-Southern Corp. and 6040-6090 Hillcrest Drive, Valley View, a 144,150-sf transfer to Welsh Packaging. New construction projects continued to remain stagnant. The highlight project in the fourth quarter saw the completion by Rotek, Inc. of the final 123,000-sf of its 273,000-sf expansion in Aurora. Six new construction projects broke ground in the fourth quarter totaling a combined 152,700 sf.

FORECAST

Although short-term renewals executed in 2009 provided tenants flexibility, it will leave most tenants faced with the same decision again in six months to a year, a decision that is extremely time consuming and outside their core competency. There is no better time than now to take advantage of the free-rent, reduced rent and tenant improvement incentives landlords are offering as they look to stabilize their tenant and economic base.

BEAT ON THE STREET

"Transaction dollar volume was down, however the number of transactions remained steady. Look for a positive effect in 2011 as short term commitments expire."
- George J. Pofok, CCIM, SIOR

ECONOMIC INDICATORS

National	2008	2009	2010F
GDP Growth	0.4%	-2.5%	2.3%
CPI Growth	3.8%	-0.4%	1.7%
Regional			
Unemployment	7.1%	8.9%	9.4%
Employment Growth	-3.2%	-4.0%	-3.8%

Source: Moody's | Economy.com

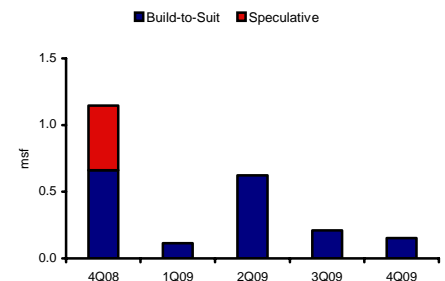
MARKET FORECAST

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



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	63,323,389	1,569	8.0%	457,302	0	171,000	(596,433)	\$3.37
Downtown	29,844,087	822	8.7%	148,695	22,000	100,000	(50,236)	\$4.10
East	9,522,044	177	8.1%	115,877	0	0	(12,551)	\$6.87
Medina County	18,475,293	525	9.0%	83,521	0	50,000	(524,857)	\$4.22
Northeast	66,466,246	1,637	8.1%	245,707	0	20,000	(186,118)	\$3.17
Southeast	90,277,970	1,778	8.3%	804,794	37,700	539,000	(478,099)	\$4.28
South	36,085,820	839	5.9%	170,350	0	9,000	(445,488)	\$4.86
Southwest	54,530,319	1,090	6.2%	384,742	30,000	130,000	(286,941)	\$4.46
West	48,934,202	1,250	10.3%	125,867	63,000	82,500	(544,317)	\$3.46
TOTAL	417,459,370	9,687	8.1%	2,536,855	152,700	1,101,500	(3,125,040)	\$3.76

*Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2009 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
First Industrial	Southeast	Fasteners for Retail	257,000	A
Former Tops Warehouse	South	Fannie May Candies	136,000	C
Former Johnson Controls	West	RR Donnelly	104,160	B

SIGNIFICANT 2009 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Shurtape Technologies	West	HRPT Properties Trust	644,850	\$34,000,000
Goodyear Headquarters	South	Industrial Realty Group	500,000	\$16,000,000
Johnsonite, Inc.	Southeast	Johnsonite, Inc.	92,640	\$5,405,568

SIGNIFICANT 2009 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Rotek	Southeast	Rotek	273,000	11/09
Dots	Southeast	Dots	193,000	6/09
American Auger	Southwest	American Auger	110,000	7/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Carroll Manufacturing	West	Carroll Manufacturing	63,000	6/09
Durox Company	Southwest	Durox Company	29,950	6/09
Freedom Storage	Southeast	Freedom Storage	19,200	5/09

For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge
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*Market terms & definitions based on BOMA and NAIOP standards.

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