

MARKETBEAT

CLEVELAND, OHIO OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



1Q09

ECONOMY

February recorded the highest unemployment rate in Northeast Ohio since the mid-1980's. Companies such as Akron General Health System, Huntington Bank, Forest City and Eaton were just some of the companies making cuts over the last three months. Bloomberg reported in March that 3.93% of commercial properties in the Cleveland area had mortgage payments that were 60 days late or more. This is more than triple the national standard for commercial property delinquency. According to The Federal Reserve's Beige Book, commercial and industrial lending has been stable to declining. Symptomatic of that, the Goodyear world headquarters project in east Akron has been added to the list of proposed developments that have stalled due to the recent credit freeze. It seems hard to believe that there has been anything positive with all the "doom and gloom" being reported in the market.....but there has.

OVERVIEW

In spite of all of the negativity being reported and an increase in vacancy from a quarterly perspective, overall vacancy is still lower and rental rates are still higher than they were this same time last year. While for the quarter, the Central Business District experienced only a minor decrease in vacancy, they have also seen a slight increase in rental rates. The vacancy in the suburban markets does appear to be rising from the end of 2008, however; that has also been relatively minor when compared to the previous quarter. The Southeast and Southwest submarkets were the only areas seeing a decrease in rental rates from the previous quarter; however, both still remain stronger than they had been this time last year. Net absorption was in the negative this quarter, partially due to the additional vacancy created in the sublease market.

Liggett Stashower will be relocating across the street to 1240 Huron Road sometime in early July. While the move is not much of an expansion beyond the 40,000 square feet they already had, they will be getting naming rights and a street level presence. Currently, Rosetta Marketing Group LLC, (formerly Brulant Inc.) is in the market to relocate/consolidate its 400 employees from its three locations to a single location. Lastly, real estate owner and developer Weston is continuing to pursue its plans to develop two mid-rise towers on the Superior side of parking lots it owns between West Third and West Sixth streets.

FORECAST

While, maybe not as plentiful as we would all like, there will be activity next quarter and beyond in the Northeast Ohio market. However, most of this activity will be linear as companies take advantage of the opportunities in the marketplace. There is still an overwhelming hope regarding the rebirth of Northeast Ohio as a commanding med-tech hub over the next 20 to 30 years. More startup companies are emerging, and companies from outside the region have flocked to Northeast Ohio, fueled by funding from initiatives like BioEnterprise. The Medical Mart is still moving forward, albeit slowly and should boost local job and economic activity as it progresses.

BEAT ON THE STREET

Northeast Ohio is a hotbed of medical innovation activity, and health care professionals and academics — from both inside and outside the region — say these efforts have positioned Northeast Ohio's health care community as one of the most innovative and highly regarded in the world.

- Crain's Cleveland Business


ECONOMIC INDICATORS


| National | 2008 | 2009F | 2010F |
|------------|------|-------|-------|
| GDP Growth | 1.1% | -2.9% | 1.8% |
| CPI Growth | 3.8% | -1.0% | 1.9% |


| Regional | 2008 | 2009F | 2010F |
|-------------------|-------|-------|-------|
| Unemployment | 6.6% | 9.4% | 10.2% |
| Employment Growth | -0.7% | -2.8% | -0.8% |

Source: Moody's | Economy.com & BLS.gov

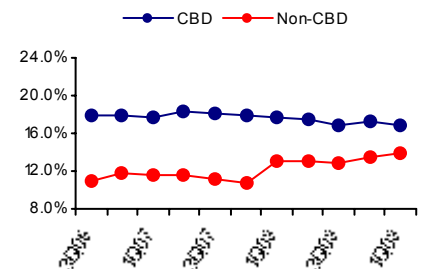
MARKET FORECAST

LEASING ACTIVITY is expected to increase in the second quarter of 2009. 

DIRECT ABSORPTION is predicted to decline due to an continued increase in vacancy rates. 

CONSTRUCTION financing and excess available inventory have become major hurdles causing a decline in new construction. 

OVERALL VACANCY RATES CBD VS. NON - CBD



MARKET / SUBMARKET STATISTICS

| MARKET/ SUBMARKET | INVENTORY | NO. OF BLDGS. | OVERALL VACANCY RATE | DIRECT VACANCY RATE | YTD LEASING ACTIVITY | YTD OVERALL ABSORPTION | DIRECT WEIGHTED AVERAGE GROSS RENTAL RATE* |
|---------------------------|-------------|---------------|----------------------|---------------------|----------------------|------------------------|--|
| Central Business District | 33,562,999 | 195 | 16.8% | 15.8% | 52,123 | 309,380 | \$17.19 |
| Midtown | 5,677,023 | 151 | 10.3% | 10.3% | 2,200 | 102,700 | \$10.61 |
| Urban Core | 39,240,022 | 346 | 15.9% | 15.0% | 54,323 | 412,080 | \$16.27 |
| Northeast & Lake County | 6,609,125 | 418 | 18.3% | 17.9% | 500 | 51,890 | \$15.30 |
| Geauga County | 1,042,094 | 97 | 15.7% | 15.6% | 1,843 | 13,982 | \$15.30 |
| North & Far East | 7,651,219 | 515 | 18.0% | 17.6% | 2,343 | 65,872 | \$15.30 |
| Chagrin, East & Lander | 12,901,625 | 324 | 12.9% | 12.1% | 27,373 | 94,724 | \$19.37 |
| Southeast | 2,914,777 | 148 | 17.4% | 15.8% | 24,682 | 49,291 | \$18.66 |
| Rockside & South | 9,891,128 | 312 | 17.7% | 15.1% | 36,824 | 89,238 | \$17.99 |
| Southwest | 7,829,277 | 441 | 13.2% | 12.3% | 14,666 | 79,482 | \$17.17 |
| West | 8,976,509 | 402 | 14.5% | 13.7% | 18,392 | 63,907 | \$16.19 |
| Cuyahoga County Suburban | 42,513,316 | 1,627 | 14.6% | 13.4% | 121,937 | 376,642 | \$17.87 |
| Akron | 22,325,490 | 1,274 | 12.2% | 10.9% | 27,775 | 180,045 | \$15.17 |
| Fairlawn & Montrose | 4,119,506 | 166 | 17.1% | 15.7% | 21,568 | 119,168 | \$16.94 |
| Greater Akron | 26,444,996 | 1,440 | 12.9% | 11.7% | 49,343 | 299,213 | \$15.55 |
| Lorain County | 5,342,626 | 438 | 14.7% | 14.5% | 3,600 | 171,374 | \$18.09 |
| Medina County | 2,015,572 | 230 | 21.8% | 20.8% | 26,585 | 11,225 | \$17.88 |
| Portage County | 1,629,471 | 180 | 11.3% | 11.3% | 0 | 18,821 | \$14.65 |
| Stark County | 9,538,260 | 857 | 10.3% | 10.0% | 10,023 | 82,076 | \$13.70 |
| Outlying Counties | 18,525,929 | 1,705 | 12.9% | 12.6% | 40,208 | 283,496 | \$16.08 |
| CBD | 33,562,999 | 195 | 17.0% | 16.0% | 52,123 | 309,380 | \$17.53 |
| NON-CBD | 100,812,483 | 5,438 | 13.9% | 13.0% | 216,031 | 1,127,923 | \$16.21 |
| CLEVELAND MARKET | 134,375,482 | 5,633 | 14.7% | 13.7% | 268,154 | 1,437,303 | \$16.89 |

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 NEW LEASE TRANSACTIONS

| BUILDING | SUBMARKET | TENANT | SQUARE FEET | BLDG CLASS |
|-----------------|---------------------------|------------------------------|-------------|------------|
| 1240 Huron Road | Central Business District | Liggett Stashower | 40,000 | B |
| 4995 Foote Road | Medina County | N/A | 17,000 | B |
| 3600 Kolbe Ave | Lorain County | Neighborhood Family Medicine | 10,000 | B |

SIGNIFICANT 1Q09 SALE TRANSACTIONS

| BUILDING | SUBMARKET | Buyer | SQUARE FEET | PURCHASE PRICE |
|---|---------------------|----------------------------|-------------|----------------|
| INA Building/Lakewood Professional Center | West Submarket | 14701 Detroit, LLC | 140,886 | \$3,680,000 |
| Fairview Pointe | Southwest Submarket | Positive Education Program | 32,877 | \$3,000,000 |

SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS

| BUILDING | SUBMARKET | MAJOR TENANT | SQUARE FEET | COMPLETION DATE |
|----------------------|-----------------|-----------------------------|-------------|-----------------|
| 4400 Courthouse Blvd | Akron Submarket | City of Stow | 38,797 | 1/09 |
| 4277 Allen Road | Akron Submarket | Northeast Ohio Eye Surgeons | 9,717 | 1/09 |

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

| BUILDING | SUBMARKET | MAJOR TENANT | SQUARE FEET | COMPLETION DATE |
|-------------------------|------------------------|------------------------|-------------|-----------------|
| 1299 Industrial Parkway | Medina County | N/A | 40,000 | 6/09 |
| Two Park West | Akron Submarket | Strayer University | 16,300 | 7/09 |
| Developers Diversified | Chagrin, East & Lander | Developers Diversified | 120,000 | 9/09 |



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For further information, please contact:
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*Market terms & definitions based on BOMA and NAIOP standards.

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