MARKETBEAT

CLEVELAND, OHIO OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

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2Q09

ECONOMY

Northeast Ohio still currently shares the same dilemma as the rest of the country with job loss still outpacing job creation. While unemployment has increased and is now above the 10% mark in most areas, recent weeks have indicated a slight decrease in new unemployment claims being filed. Local employers cutting staff include Sun Newspapers, UBS, Deloitte, Squire Sanders & Dempsey and MetroHealth Medical Center. Meanwhile, companies like Eaton and The Plain Dealer are exchanging job security wage concessions and unpaid furlough time. Commercial and institutional construction is continuing to fall due to already steep lending and the loss of wealth from the major donors that usually help fund such projects. Investors continue to show no interest in commercial real estate loans due to speculation that banks such as KeyCorp, Fifth Third Bancorp and PNC may still sustain significant losses. The credit crunch is also affecting the ability to finance larger tenant improvement projects making it harder for owners to compete for new tenants. While some big activity is still happening, small deals and "as-is" spaces are ruling the market.

OVERVIEW

While the overall Office market is at relatively normal vacancy rate of 11.6% (and is slightly higher than the previous quarter), we are still slightly lower than this same time last year. Overall absorption, while low, continues to be positive with some of the greatest absorption happening in the CBD, Rockside and Akron submarkets. Ironically, in spite of the slighter vacancy rates, overall rental rates continue to rise. Only the Southwest as well as Lorain and Medina County markets saw a decrease in rent for the quarter. Delivery of any new office buildings is at a relative "stand still" with very few buildings currently under construction or recently completed compared to the same time last year.

Cavitch, Familo, Durkin & Frutkin will be relocating to the top floor of the Penton Media Building as well as Brouse McDowell recently moved from North Point Tower to the Fifth Third Center. North Canton had a boost with Absolute Health Services and Altercare of Ohio, Inc. announcing the leasing 57,000sf of office space in the Hoover Complex's B Building bringing with it 250 jobs to the area. Phoenix-based Collectcorp plans to put a call center at Plaza South I in Middleburg Heights, adding about 125 new jobs with their entry into the market. St. Vincent has announced the desire to update the current Downtown campus. Plans to redevelop the Schofield building are being evaluated as part of Mayor Jackson's Vacant Property Initiative. This is coupled with a potential overall of the East Ohio Building. Goodyear and Eaton are still planning on pushing forward with their plans for a new headquarters in the area. The proposed Medical Mart as well as the redevelopment of the Cleveland Port are both still under way.

FORECAST

A small survey of Cleveland-area executives performed by KPMG indicates hope that the economy will "hit bottom" this year rather than the initial speculation of a longer downturn made at the end of 2008. There is still hope that broader TALF program will generate a business turn around creating an increase in the availability of commercial real estate loans, help the loans on distressed properties as well as help small businesses get loans through the Small Business Administration for office build outs. With out that "jump start" we can expect activity to remain slow.

BEAT ON THE STREET

When compared to the U.S., several Northeast Ohio Professional, Scientific and Technical Services Sectors have grown at the same pace, or ahead of, the nation. While Management, Scientific and Technical Services and Computer Systems Design have grown similar to that of the U.S. as a whole, Northeast Ohio has significantly outpaced U.S. growth in Legal Services and Scientific Research and Development.
- Team NEO

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-3.0%	1.2%
CPI Growth	3.8%	-0.6%	1.7%
Regional			
Unemployment	6.6%	10.0%	10.3%
Employment Growth	-0.7%	-3.5%	-3.8%

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

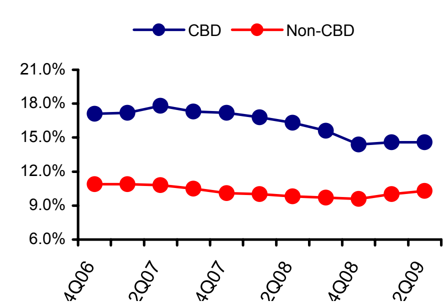
MARKET FORECAST

LEASING ACTIVITY is expected to increase, albiet slowly, in the third 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 VACANY RATES
CBD VS. NON - CBD



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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	33,593,873	191	14.6%	14.2%	171,437	551,987	$17.71
Midtown	5,838,010	154	7.4%	7.4%	14,168	22,733	$10.68
Urban Core	39,431,883	345	13.6%	13.2%	185,605	574,720	$16.76
Norteast & Lake County	6,855,621	433	14.1%	13.9%	19,712	182,205	$15.30
Geauga County	1,072,018	102	10.4%	9.9%	5,271	30,677	$13.88
North & Far East	7,927,639	535	13.6%	13.4%	24,983	212,882	$15.12
Chagrin, East & Lander	13,163,092	330	9.1%	9.0%	57,360	135,196	$18.96
Southeast	2,987,345	151	12.3%	11.4%	46,608	135,543	$18.86
Rockside & South	7,210,818	206	14.4%	13.8%	182,529	342,778	$19.52
Southwest	7,716,029	443	10.6%	9.9%	32,289	142,134	$16.34
West	9,110,669	416	12.2%	12.2%	44,100	161,900	$16.16
Cuyahoga County Suburban	40,187,953	1,546	11.1%	10.8%	362,886	917,551	$17.80
Akron	22,288,921	1,281	8.5%	7.5%	151,514	367,543	$15.09
Fairlawn & Montrose	4,165,943	165	10.6%	10.2%	56,174	154,369	$17.72
Greater Akron	26,454,864	1,446	8.9%	7.9%	207,688	521,912	$15.73
Lorain County	5,415,298	448	11.5%	11.5%	35,880	216,857	$17.35
Medina County	2,083,447	257	12.4%	12.3%	37,233	66,493	$16.49
Portage County	1,740,726	194	11.0%	11.0%	2,280	25,101	$14.71
Stark County	9,525,247	866	8.3%	8.1%	29,995	187,204	$14.06
Outlying Counties	18,764,718	1,765	9.3%	9.2%	105,388	495,655	$14.65
CBD	33,593,873	191	14.6%	14.2%	171,437	551,987	$17.71
NON-CBD	101,813,925	5,446	10.3%	9.9%	715,113	2,170,733	$16.21
CLEVELAND MARKET	135,407,798	5,637	11.4%	11.0%	886,550	2,722,720	$17.31

* Rental rates reflect $psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2Q09 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
101 Maple Street	Stark County	Absolute Health/Altercare of Ohio	57,000	B
1300 E 9th Street	CBD	Cavitch, Familo, Durkin & Frutkin	22,500	A
600 Superior Ave	CBD	Brouse McDowell	19,000	A
SIGNIFICANT 2Q09 SALE TRANSACTIONS				
BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
1144 E Market Street	Akron Submarket	Industrial Realty Group	1,299,102	$45,000,000
14843 W Sprague Road	Southwest Submarket	TD Security Inc.	21,850	$3,150,000
4751 Richmond Road	Southeast Submarket	Hemingway Development	44,910	$2,000,000
SIGNIFICANT 2Q09 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1033 E Turkeyfoot Lake Road	Akron Submarket	N/A	35,000	4/09
27991 Center Ridge Rd	West Submarket	N/A	11,000	7/09
SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Two Park West	Akron Submarket	Strayer University	16,300	9/09
Developers Diversified	Chagrin, East & Lander	Developers Diversified	120,000	10/09

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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.