



Industrial Market

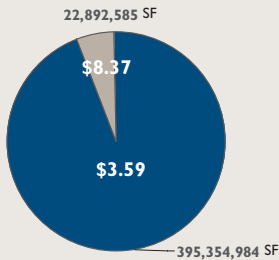
MARKET RESEARCH | THIRD QUARTER | 2009

MARKET INDICATORS

	Q3 Summary	Q4 Forecast
VACANCY	↑	↑
NET ABSORPTION	↓	↓
RENTAL RATE	↓	↓

UPDATE

AVG. DIRECT ASKING RATES BY BUILDING CLASS (FULL SERVICE)



◆ Industrial Inv. ◆ Flex Inv.

TOTAL MARKET SNAPSHOT

	Inventory	Vacancy
Q3 2009	418,134,707	7.94%
Q3 2008	411,700,167	7.37%
Q3 2007	410,254,927	8.21%

Vacancy Hikes to 7.94%, Rental Rates Slip

Cleveland's industrial market momentum slowed as the economy continues to show signs of weakness, represented by an increase in the region's vacancy rate, registering at 7.94%. Demand for industrial space dried up, represented by more than 3.4 million square feet (sf) that has been returned back to the market since the beginning of the year. Asking rental rates declined to register \$3.85 per square foot (psf).

Total market vacancy continued to climb since the start of the year to reach 7.94%, up 17 basis points (bps) from quarter two. Northeast Ohio's vacancy rate stood below the national average of 10.53% in quarter three by 259 bps, according to Colliers International.

On a positive note, Cleveland's third quarter vacancy rate registered at more than 390 bps lower than some of the major industrial markets in the United States: Chicago at 11.90% and Dallas-Ft. Worth at 11.90% as of quarter three 2009. Total market demand declined with negative absorption totaling 1.2 million sf in quarter three, down from 900,000 sf in quarter two.

Industrial rates slip, flex rates up - At the closing of the quarter, regional rental rates hovered

around the \$3.85 psf mark, higher than \$3.82 this time last year. Pure industrial space slipped to register \$3.59 psf, while flex rates, only a small percentage of the total industrial market, jumped 73 bps to \$8.37 psf.

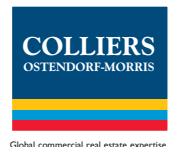
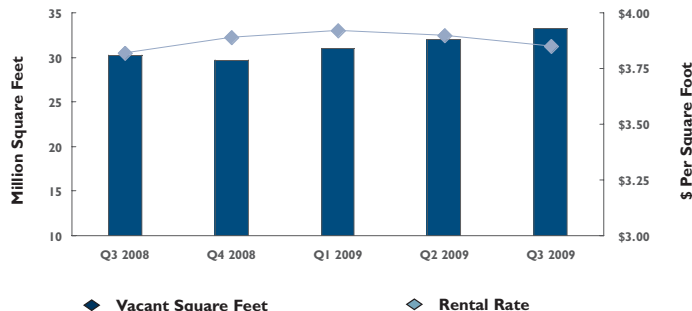
Local Performance - Locally, more than 65% of the local submarkets saw a hike in vacancy rates. The increase ranged from 10-110 bps. The remaining markets saw signs of steady activity, and vacancy was down in the Southwest and Portage County markets, to drop, 40 bps to 6.30% and 10 bps to 9.00%, respectively.

The Cleveland submarket, although a below-market performer for industrial rates, which remained steady at \$2.90 psf this quarter, posted a significant rate decrease for flex space to register \$10.41 psf. Cleveland also saw a vacancy increase of 10 bps where rates registered 6.10%, still below market average.

Construction and Development - The current economic environment combined with a decline in construction inquiries and difficulties in obtaining financing for projects continue to interfere and slow down the commercial construction and development activity in the region. There were no completions in the third quarter (YTD = 41,540). Industrial products currently in the pipeline include 25,600 sf at 1161 Holiday Dr in Kent and 9,800 sf at 10200 Gottschalk Pkwy

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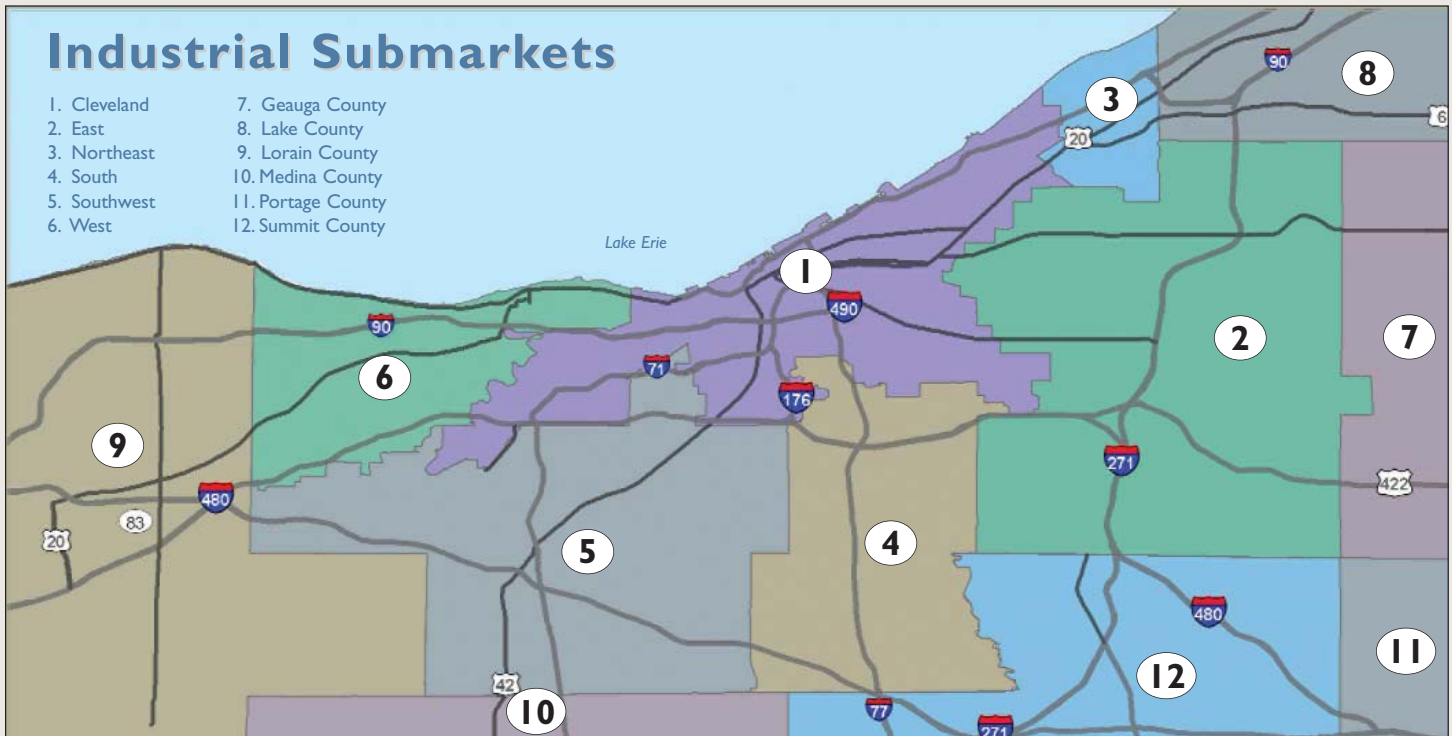
TOTAL MARKET STATISTICS - INDUSTRIAL AND FLEX
Vacancy, Availability, and Rental Rates



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Industrial Submarkets

- 1. Cleveland
- 2. East
- 3. Northeast
- 4. South
- 5. Southwest
- 6. West
- 7. Geauga County
- 8. Lake County
- 9. Lorain County
- 10. Medina County
- 11. Portage County
- 12. Summit County



UPDATE
MARKET COMPARISON

Total Market Overview by Submarket

Submarket	Buildings	Total Inventory (SF)	Vacancy Q3 2009	Vacancy Q2 2009	Net Absorption SF (YTD)	Average Industrial Rate (NNN)	Average Flex Rate (NNN)
1. Cleveland	2,184	103,323,024	6.10%	6.00%	-247,883	\$2.90	\$10.41 *
2. East	864	50,266,725	9.70%	8.80%	-741,395	\$3.86	\$8.23
3. Northeast	181	11,236,797	13.90%	13.70%	-107,478	\$3.49	N/A
4. South	596	28,803,212	4.60%	4.10%	-76,532	\$4.91	\$8.33
5. Southwest	661	40,703,768	6.30%	6.70%	-231,833	\$4.80	\$8.15
6. West	147	5,935,469	3.90%	3.50%	-23,934	\$6.29	\$7.23
7. Geauga County	156	5,251,253	5.90%	4.80%	-69,256	\$4.73	\$5.01
8. Lake County	1,051	36,703,636	7.70%	7.20%	-323,707	\$3.42	\$5.98
9. Lorain County	550	28,319,751	13.80%	13.80%	-253,896	\$2.50	N/A
10. Medina County	402	16,308,581	9.90%	13.10%	-449,559	\$4.19	\$12.89
11. Portage County	313	15,011,527	9.00%	9.10%	-262,218	\$3.59	\$6.64
12. Summit County	1,604	76,270,964	8.30%	8.00%	-642,854	\$4.02	\$7.64
Total	8,709	418,134,707	7.94%	7.77%	-3,430,545	\$3.59 (Weighted)	\$8.37 (Weighted)

Investor-Owned Properties Overview

	Total Inventory (SF)	Vacancy	Net Absorption SF (YTD)	Average Rental Rates (NNN)	Space Available for Lease (SF)
Q3 2009	227,398,538	12.80%	-2,661,420	\$3.50 (I) / \$8.37 (F)	28,026,418
Q3 2008	221,595,420	12.00%	1,382,952	\$3.55 (I) / \$8.91 (F)	26,064,938
Q3 2007	220,821,680	13.40%	3,049,475	\$3.47 (I) / \$8.64 (F)	28,420,162

*Includes conversion space.

COMPREHENSIVE REAL ESTATE SERVICES

In the mid 1970s and early 1980s, Ostendorf-Morris excelled in the national and international real estate arenas and, in 1998, joined forces with Colliers International to form the entity now known as Colliers Ostendorf-Morris. This entity is Ohio's largest privately-held, full service commercial real estate company specializing in brokerage, property management, corporate services and appraisal. It is an independently owned firm within the global real estate services association of Colliers International, a company with 12,700 employees in 294 offices in 61 countries.



3400 Gilchrist Rd

Yxlon International leases 30,000 SF

Yxlon International secured a lease of 30,000 square feet at 3400 Gilchrist Rd in Mogadore.

“Yxlon International is the leading supplier of Industrial X-ray inspection systems and industrial Computed Tomography (CT) solutions for the non-destructive testing of materials (NDT).” <http://www.yxlon.com/>

Christopher Hondlik, Lawrence F. Kell, and Bennett Morrison of Colliers Ostendorf-Morris represented the tenant.

Novolyte Tech subleases 13,728 SF

Novolyte Technologies secured a sublease of 13,728 square feet at 7711 East Pleasant Valley Rd in Independence.

“Novolyte Technologies is a world leading manufacturer and supplier of specialty electrolyte materials, high performance solvents, aryl phosphorus derivatives and technically demanding custom manufactured products.” <http://www.novolyte.com/>

Brian Lenahan, senior vice president, of the Industrial Services Group at Colliers Ostendorf-Morris represented the tenant.



7711 East Pleasant Valley Rd - Kichler Lighting

COLLIERS OSTENDORF-MORRIS TRANSACTIONS

SALES ACTIVITY

PROPERTY ADDRESS	SUBMARKET	SALE PRICE	SIZE (SQ FT)	BUYER	REAL ESTATE PROFESSIONAL
6040 Mayfield Rd	East	\$640,000	8,000	TD & CD Properties, LLC	Brian Lenahan

LEASING ACTIVITY

PROPERTY ADDRESS	SUBMARKET	COLLIERS OM ROLE	SIZE (SQ FT)	TENANT	REAL ESTATE PROFESSIONAL
12930 Darice Pkwy	Southwest	Landlord & Tenant Rep	38,150	Intralot, Inc.	Thomas Gustafson, Kevin Kuczynski, Brian Lenahan, & Joseph Martanovic
6955 Engle Rd	Southwest	Landlord Rep	36,685	Federal Express Corp.	Kevin Kuczynski
3400 Gilchrist Rd	Summit County	Tenant Rep	30,000	Yxlon International, Inc.	Christopher Hondlik, Lawrence F. Kell, & Bennett Morrison
1065 Medina Rd	Medina County	Tenant Rep	12,000	Orthohelix Surgical Designs	Barry Holtzer
7711 E Pleasant Valley Rd	South	Tenant Rep	13,728	Novolyte Technologies, Inc.	Brian Lenahan

On the horizon...

Northeast Ohio news

BASF Catalysts in Elyria, Ohio to Build a Battery Materials Production Plant - BASF Catalysts headquartered in Iselin, New Jersey, is the world's leading supplier of environmental and process catalysts. BASF will match a \$24.6 million federal stimulus grant to build a new \$50 million plant at its Elyria facility, 120 Pine St. The company will make nickel-cobalt-metal cathode material for lithium-ion batteries that will power electric cars. It will be the largest plant in North America dedicated to cathode material production. The company employs about 185 workers and the expansion is expected to bring at least 30 new jobs, with the possibility of 30 more to follow. The company currently has a research operation located in Beachwood, Ohio.

Fannie May signs lease in Maple Heights Harry London Chocolates, Inc. and Cheryl & Co., a baked goods provider, has leased 200,000 SF in the onetime Tops warehouse at 17000 Rockside Rd. in Maple Heights, Ohio. The distribution center is designed to handle the company's anticipated growth in the gourmet food and gift baskets category. The facility will create about 10 new full-time jobs, as well as numerous part-time positions during peak seasons. The City of Maple Heights provided the new tenant a five-year job creation grant. The tenant and landlord, Equity Industrial Partners of Massachusetts, will invest about \$2 million improving the space.

Continued from page 1

in Chagrin Falls. According to the Fourth District Beige Book Report dated 09/09/2009, most of the respondents expect construction activity to be very weak during 2010.

Significant Transactions - Large leases signed during the quarter included the second largest industrial lease transaction for 2009 with Fannie May Confections' 200,000-sf deal at 17000 Rockside Rd in Maple Heights (East); Yxlon International 30,000-sf deal at 3400 Gilchrist Rd in Mogadore (Summit); and American Freight's 25,600-sf deal at 480 E Highland Rd in Macedonia (Summit).

Over \$22 million have been invested in the Northeast Ohio's industrial market by the closing of the third quarter. Significant sale transactions included Pennsylvania based YSI-Hart LP's purchase of a 90,531-sf building in Warrensville Heights (East) for \$6.4 million; and a 55,820-sf building in Cleveland for \$2.5 million. Other major transactions included the transfer of 194,640-sf building in Solon (East) at 29001 Solon Rd for \$2.9 million to 29001 Solon Industrial Rd LLC; the sale of a 73,040-sf building in Twinsburg (Summit) at 8500 Hadden Rd for \$2.75 million to Wadsworth Hill Properties LLC; and the sale of a 40,850-sf facility at 3020 Sanitarium Rd in Akron (Summit), which transferred for approximately \$1.7 million to 5 Star Storage Partners LLC.

294 OFFICES IN 62 COUNTRIES
ON 6 CONTINENTS

USA 94
Canada 17
Latin America 16
Asia Pacific 61
EMEA 90

\$1.6 billion in revenue
1.1 billion square feet under
management
12,700 Professionals

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DEFINITIONS

Total Market Inventory: Existing industrial space greater than or equal to 5,000 square feet, including owner-occupied, multi-, and single-tenant leased properties. Excludes space currently under construction or renovation.

Absorption (YTD): Net change in occupancy over a given period of time.

Rental Rates: Average asking weighted rent payable to landlord, quoted on triple net (NNN) basis.

Vacancy: A percentage expressed by dividing total vacant space by total inventory. Includes direct and sublet space.

Available Space: Vacant square feet currently being marketed for occupancy.

Investor-Owned: Subset of the total market inventory, inclusive of all investor-owned properties 5,000 square feet and above.



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