

Market Research

OFFICE | FIRST QUARTER | 2009

MARKET INDICATORS

Q1 Summary Q2 Forecast

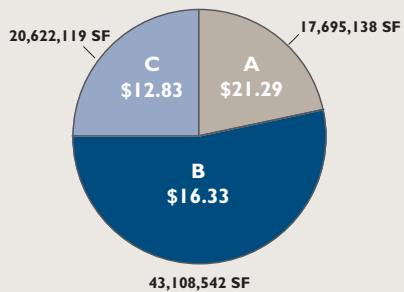
VACANCY  

NET ABSORPTION  

RENTAL RATE  

UPDATE

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



◇ Class A ◆ Class B ◇ Class C

Vacancy Creeps Up as 2009 Offers Little Relief

After six consecutive quarters of steady market activity complemented by declines in vacancy, the Cleveland office market endured a vacancy hike for the first time since the second quarter of 2007. However, despite the slight vacancy rise from Q4 2008 to Q1 2009, the overall year-to-year rates yielded yet another three-year low—a testament to the region’s resilience amidst economic flux.

Overall, the market vacancy increased 16 basis points (bps) since the start of 2009, finishing at 11.89%. Remarkably, the figure is still a three-year low in comparison to the Q1 2008 and Q1 2007, where rates stood at 12.74% and 13.49%, respectively. Northeast Ohio’s vacancy rate stood below the national average of 14.75% in quarter one by 286 bps, according to Colliers International. Total market demand declined with negative absorption totaling over 164,000 square feet (sf) in quarter one, down from 309,000 sf in quarter four.

Investment Markets - The investment sector fundamentals mirrored similar trends, with an increase in its vacancy rate registering at 13.59%, 6 bps higher than quarter four and one percentage lower than this time last year. Overall demand was negative, with a net of more than 48,000 sf, which was supplied back to the market.

Total Market Snapshot

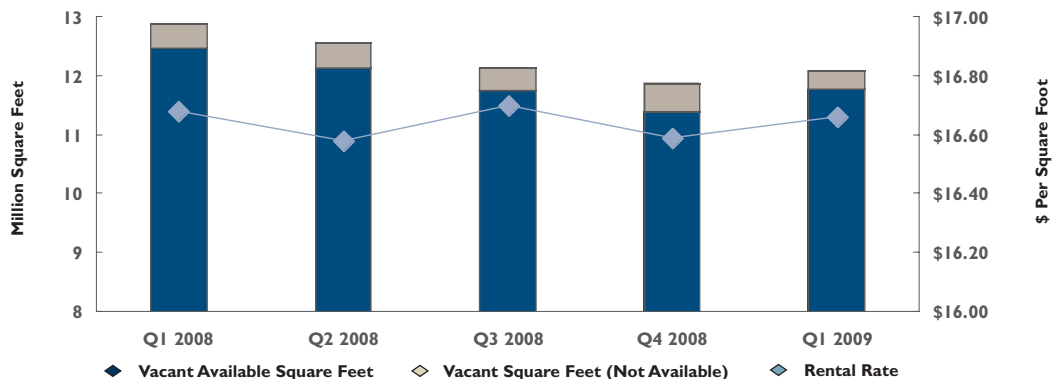
	Inventory	Vacancy
Q1 2009	101,638,310	11.89%
Q1 2008	101,016,560	12.74%
Q1 2007	100,370,272	13.49%

Rental Rates - At the closing of the first quarter, regional rental rates stood at \$16.66 per square foot (psf), up from \$16.59 psf in quarter four. The region’s investment subset rate of \$16.77 psf was an increase from \$16.69 psf from the previous quarter. Most of the office classes recorded an increase in the asking rental rates from the previous quarters: Class A space stood at \$21.29 psf, Class B at \$16.33 psf, and Class C at \$12.83 psf.

Downtown and Prime Space - Downtown vacancy rates increased for the first time since quarter two of 2007. Although the rate increased from quarter four by 30 bps registering at 18.30%, it is still hovering around the three-year low mark in comparison to Q1 2008 and Q1 2007 where rates stood at 20.00% and 20.30%, respectively. The asking rental rates increased to register \$17.16, marking the highest asking rate in comparison to the first quarter of the last two years. Class A showed a significant vacancy increase of 200 bps from quarter four, ending at 14.80%. More than 1.2 million sf of Class A office space is up for the taking, at an average asking rate of \$20.59.

Continued on page 5

TOTAL MARKET STATISTICS Vacancy, Availability, and Rental Rates

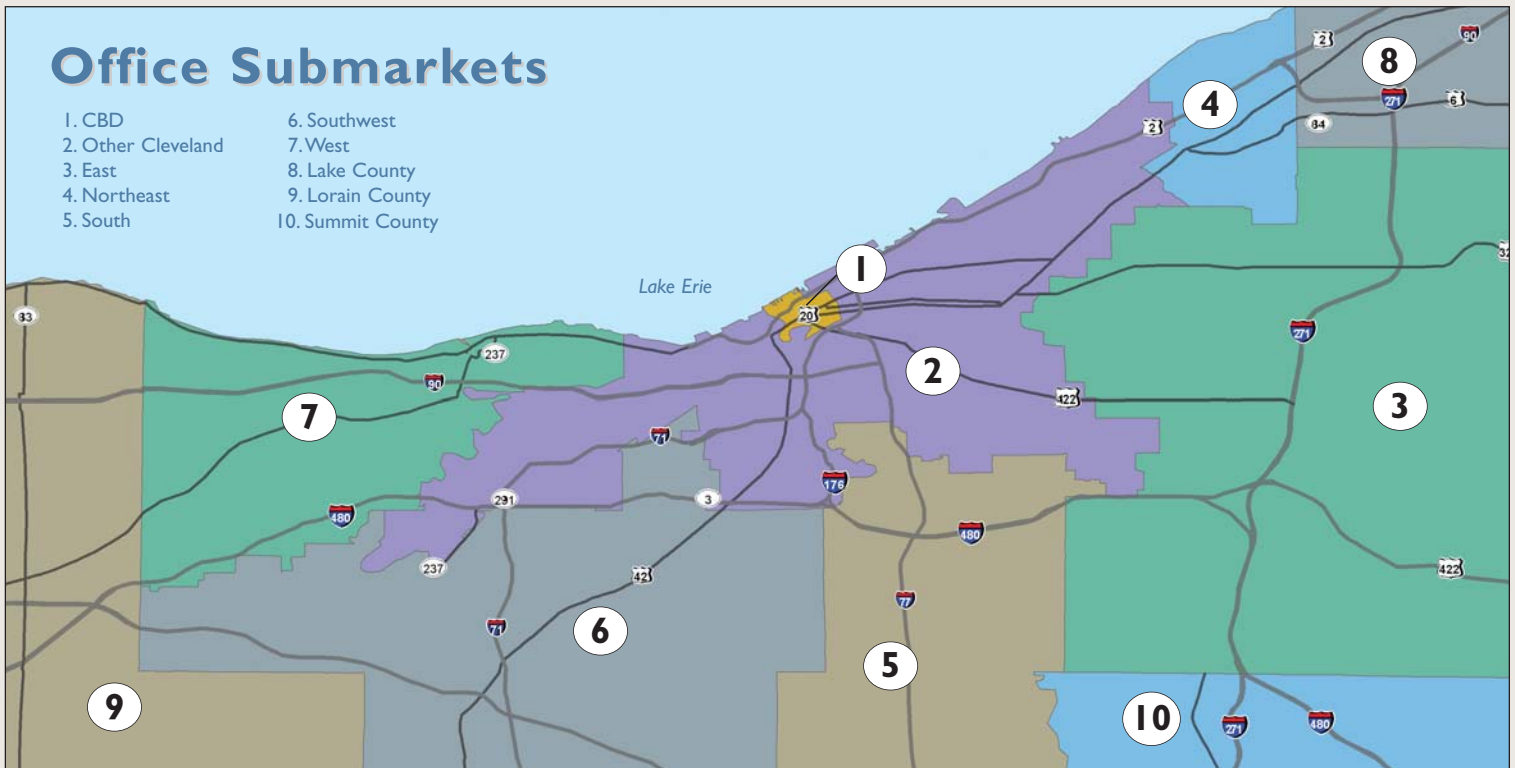


Global commercial real estate expertise

www.colliersom.com

Office Submarkets

- 1. CBD
- 2. Other Cleveland
- 3. East
- 4. Northeast
- 5. South
- 6. Southwest
- 7. West
- 8. Lake County
- 9. Lorain County
- 10. Summit County



UPDATE MARKET COMPARISON

Investor-Owned Properties by Submarket

Submarket	Buildings	Total Inventory (SF)	Vacancy Q1 2009	Vacancy Q4 2008	Absorption SF (YTD)	Rental Rate (Full Service)
1. CBD	153	26,875,806	18.30%	18.00%	-83,637	\$17.16
2. Other Cleveland	138	6,304,398	6.60%	7.90%	79,946	\$9.31
3. East	230	9,704,407	12.20%	11.40%	-72,497	\$17.88
4. Northeast	23	900,092	20.00%	19.90%	-938	\$15.67
5. South	126	6,529,669	13.50%	13.20%	-18,454	\$18.03
6. Southwest	117	3,294,087	14.60%	13.90%	-25,032	\$17.18
7. West	120	4,997,141	16.30%	17.00%	36,419	\$16.54
8. Lake County	71	1,831,527	16.50%	17.20%	11,284	\$16.18
9. Lorain County	100	3,186,550	14.40%	13.90%	-47,932	\$18.15
10. Summit County	433	17,802,122	8.00%	8.20%	72,517	\$15.67
Total	1,511	81,425,799	13.59% (Δ = 0.06)	13.53%	-48,324	\$16.77 (Weighted)

Investor-Owned and Owner-Occupied Properties -Three Year Comparison

Investor Owned

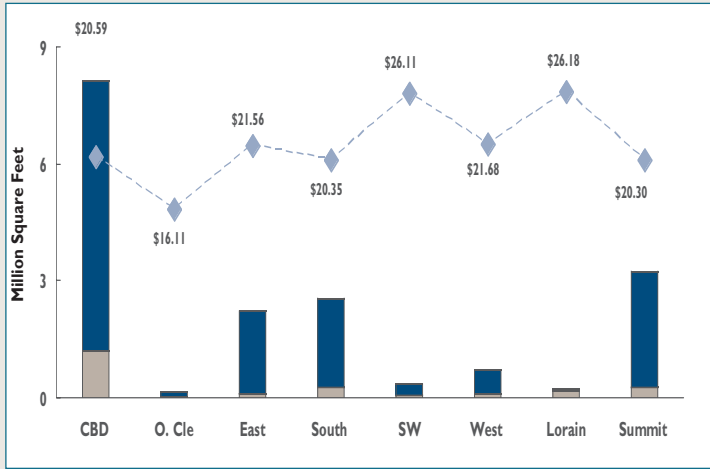
	2009	2008	2007
Total Inventory (SF)	81,425,799	80,901,585	80,457,069
Vacancy	13.59%	14.66%	15.45%
Absorption SF (YTD)	-48,324	206,048	150,807
Rental Rates (FS)	\$16.77	\$16.72	\$16.60

Owner Occupied

	2009	2008	2007
Total Inventory (SF)	15,174,077	15,155,177	15,155,177
Vacancy	2.50%	2.60%	2.90%
Absorption SF (YTD)	42,839	2,648	66,690
Space Available for Sale	303,516	303,516	303,516

MARKET COMPARISON
BUILDING CLASS STATISTICS, INVESTOR-OWNED PROPERTIES

Office Class A-B-C



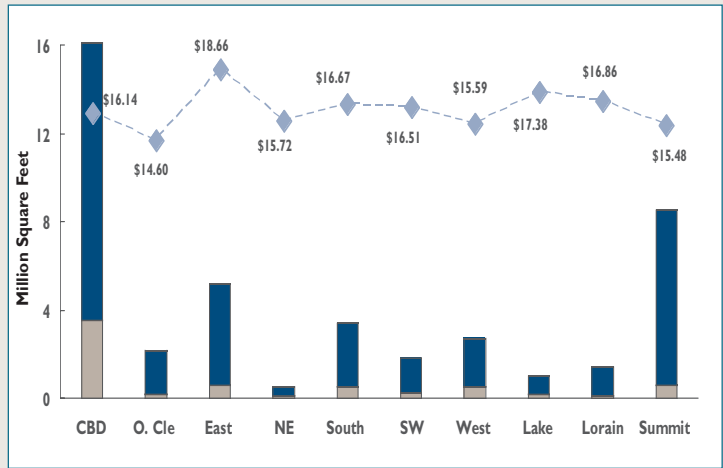
◆ Inventory ◇ Vacant Square Feet ◇ Rental Rate

Class A

Submarket	Buildings	Inventory (SF)	Rental Rate	Vacancy Rate
CBD	14	8,142,965	\$20.59	14.80%
Other Cleveland	2	149,664	\$16.11	15.70%
East	26	2,249,703	\$21.56	5.80%
Northeast	0	0	N/A	N/A
South	26	2,560,912	\$20.35	11.20%
Southwest	3	351,812	\$26.11	21.30%
West	11	721,129	\$21.68	15.60%
Lake County	0	0	N/A	N/A
Lorain County	3	248,316	\$26.18	83.20%
Summit County	30	3,270,637	\$20.30	9.10%
Total	115	17,695,138	\$21.29 (Weighted)	13.24%

Class B

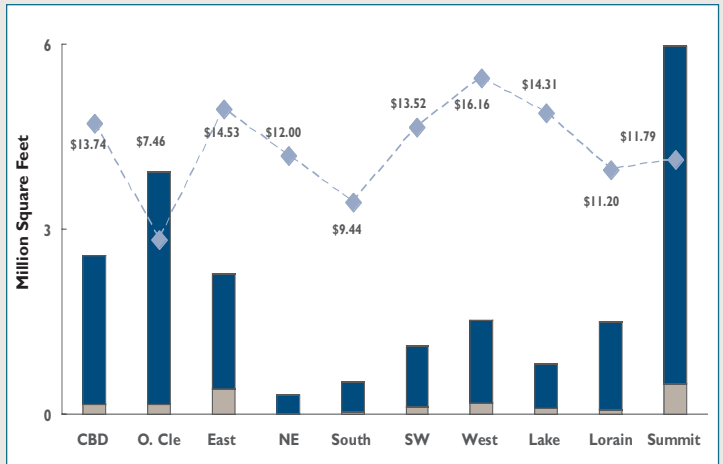
Submarket	Buildings	Inventory (SF)	Rental Rate	Vacancy Rate
CBD	81	16,142,947	\$16.14	22.00%
Other Cleveland	49	2,209,782	\$14.60	10.10%
East	136	5,165,095	\$18.66	12.20%
Northeast	12	578,062	\$15.72	28.60%
South	76	3,437,129	\$16.67	16.20%
Southwest	67	1,827,513	\$16.51	15.00%
West	73	2,741,955	\$15.59	18.90%
Lake County	35	1,014,413	\$17.38	20.10%
Lorain County	38	1,435,008	\$16.86	11.80%
Summit County	209	8,556,638	\$15.48	7.10%
Total	776	43,108,542	\$16.33 (Weighted)	16.00%



◆ Inventory ◇ Vacant Square Feet ◇ Rental Rate

Class C

Submarket	Buildings	Inventory (SF)	Rental Rate	Vacancy Rate
CBD	58	2,589,894	\$13.74	6.70%
Other Cleveland	87	3,944,952	\$7.46	4.30%
East	68	2,289,609	\$14.53	18.40%
Northeast	11	322,030	\$12.00	4.60%
South	24	531,628	\$9.44	7.40%
Southwest	47	1,114,762	\$13.52	12.00%
West	36	1,534,057	\$16.16	12.00%
Lake County	36	817,114	\$14.31	12.10%
Lorain County	59	1,503,226	\$11.20	5.50%
Summit County	194	5,974,847	\$11.79	8.50%
Total	620	20,622,119	\$12.83 (Weighted)	8.86%



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 more than 11,000 employees in 278 offices in 62 countries.



4836 Brecksville Rd

Receivable Management leases 14,800 SF at Richfield Courtyard Commons 2

Receivable Management Servies, Corp. secured a lease of 14,800 square feet at 4836 Brecksville Rd in Richfield.

Richfield Courtyard Commons 2 is currently available for sale and lease.

Kevin Riley and Gregory West, both vice presidents of the Office Services Group at Colliers Ostendorf-Morris, represented the landlord.

Wyse Advertising signs lease at 668 Euclid Ave

Wyse Advertising secured a lease of 25,000 square feet at 668 Euclid Ave in Cleveland.

Geoff Coyle, partner, and Bennett Morrison, vice president of the Office Services Group at Colliers Ostendorf-Morris, represented the K&D Group.



668 Euclid Ave

Fairport Asset Management signs lease in Midtown Cleveland

Fairport Asset Management secured a renewal of 10,427 square feet at 3636 Euclid Ave in Cleveland.

Bennett Morrison, vice president of the Office Services Group at Colliers Ostendorf-Morris, represented the tenant.



3636 Euclid Ave

UPDATE

RECENT COLLIERS OSTENDORF-MORRIS TRANSACTIONS

SALES ACTIVITY

PROPERTY ADDRESS	SUBMARKET	SALE PRICE	SIZE (SQ FT)	BUYER	REAL ESTATE PROFESSIONAL
18660 East Bagley Rd	Southwest	\$4,100,000	65,000	Crescendo Holdings, LLC	Gregory West

LEASING ACTIVITY

PROPERTY ADDRESS	SUBMARKET	COLLIERS OM ROLE	SIZE (SQ FT)	TENANT	REAL ESTATE PROFESSIONAL
4836 Brecksville Rd	Summit County	Landlord Rep	14,800	Receivable Management Services Corp.	Kevin Riley & Gregory West
668 Euclid Ave	CBD	Landlord Rep	25,000	Wyse Advertising Inc.	Geoff Coyle and Bennett Morrison
1350 Euclid Ave	CBD	Tenant Rep	9,715	Shottenstein, Zox & Dunn	Rocco DiPuccio
3636 Euclid Ave	Other Cleveland	Tenant Rep	10,427	Fairport Asset Management	Bennett Morrison
5900 Landerbrook Dr	East	Tenant Rep	6,654	Compass Financial Holdings	Rocco DiPuccio
9485 Mentor Ave	Lake County	Landlord Rep	14,500	Mentor Surgery Center, Ltd.	Farley Helms

On the horizon...

Northeast Ohio news

Medical Mart - Cuyahoga County commissioners have signed an agreement with Chicago-based MMPI, Inc., to build and operate a new medical mart tradeshow facility for conferences and conventions. The official decision to build it on the site of the current convention center has not yet been made, but talks with the City of Cleveland, which owns the Mall and convention center, suggest that the medical mart will be built there. Once completed, the project, which has been a major focus of Cleveland development news, is expected to cost \$425 and boost the local economy.

Team NEO recruited ten new companies to Northeast Ohio, with the help of local and state partners. Payroll is projected at \$30M within three years for the roughly 700 new jobs, which will average about \$45,000 a year. The largest, SP Data, is a contract-management company that picked Richfield for its U.S. headquarters and should generate about 400 new jobs.

Weston Development Co. and Gilbane Development Co. are pursuing development of a "super block" in Cleveland's Warehouse District, which would bring 700,000 SF of office space, plus space for retail, condo, apartment, and a boutique hotel. The focus of the project is to attract office tenants who might be looking to expand in Cleveland's CBD.

Continued from page 1

Construction and Development - Completions in the first quarter totaled 39,000 sf. Office construction appeared to be steady with approximately 212,000 sf currently in the pipeline; ongoing construction is still fully based in the suburbs. Although current economic conditions have interfered with construction activity, the Cleveland market's future holds about six million sf of office space proposed for future development. Office products currently under construction include 140,000 sf at 3333 Richmond Rd (Developers Diversified Headquarters) in Beachwood and 24,000 sf at 23600 Commerce Park in Beachwood.

Recent Transactions - Despite the current economic conditions, there were many lease transactions that closed during the first quarter. Some of the significant lease deals signed during the quarter included; Receivable Management Services Corp's 14,800-sf deal at 4836 Brecksville Rd in Richfield (Summit County); Mentor Surgery Center's 14,500-sf deal at 9485 Mentor Ave in Mentor (Lake County); Fairport Asset Management's 10,427-sf deal at 3636 Euclid Ave in Cleveland (Other Cleveland - Midtown); and Shottenstein, Zox, & Dunn's 9,715 sf-deal at 1350 Euclid Ave in Cleveland (CBD).

Notable 2009 sales included Kautilya Rocky River's acquisition of 21330 Center Ridge Rd for \$1,975,000; 14701 Detroit LLC's acquisition of 14701-14717 Detroit Ave for \$1,175,000 and 14725 Detroit Ave for a total of \$1,950,000, and Crystal Kingdom's purchase of 3101 Euclid Ave for \$424,625.

278 OFFICES IN 62 COUNTRIES
ON 6 CONTINENTS

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

\$2 billion in revenue
868 million square feet under
management
11,000 Professionals

CONTACT INFORMATION

COLLIERS OSTENDORF-MORRIS

1100 Superior Ave. E., Suite 800
Cleveland, Ohio 44114
Tel: 216-861-7200
Fax: 216-861-4672

ASMAAE BENMERZOUGA
Director of Corporate Research

DEFINITIONS

Total Market Inventory: Existing office space greater than or equal to 10,000 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 Rate: Average asking weighted rent payable to landlord, quoted on full service basis.

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

Available Space: Vacant space currently being marketed for occupancy.

Investor-Owned: Subset of the total market inventory, inclusive of all investor-owned properties 10,000 square feet and above.

Owner Occupied: Subset of the total market inventory, inclusive of all properties that are at least 75% occupied by their respective owners.

This report and other research materials may be found on our website at www.colliers.com. This report is a research document of Colliers Ostendorf-Morris in Cleveland, Ohio. Questions related to information herein should be directed to the Research Department at 216-861-7200. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers Ostendorf-Morris is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with over 278 offices throughout more than 62 countries worldwide.

COLLIERS
OSTENDORF-MORRIS

Global commercial real estate expertise

www.colliersom.com

