

Market Research

OFFICE | FOURTH QUARTER | 2008

MARKET INDICATORS

Q4 Summary Q1 Forecast

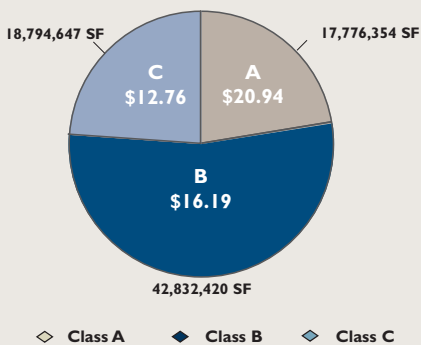
VACANCY ↓ ↑

NET ABSORPTION ↑ ↓

RENTAL RATE ↑ ↔

UPDATE

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



On Sound Footing, Cleveland Market Expected to Weather Unclear 2009 Forecast

Despite the current economic conditions, Northeast Ohio's office market ended 2008 with a decline in the region's vacancy, an increase in rental rates, and overall positive absorption.

For the sixth consecutive quarter, overall vacancy continually declined to 12.11%, down 31 basis points (bps) from quarter three and more than a full percentage down from a year ago. Northeast Ohio's vacancy rate stood below the national average of 13.69% in quarter three by 158 bps, according to Colliers International. Demand remained positive with total market absorption totaling over 338,000 square feet (sf) in quarter four, down from 387,000 sf in quarter three (YTD = 1,340,000 sf).

The region's investment market mirrored similar trends with a decline in its vacancy rate registering at 13.74%, 34 bps lower than quarter three and one percentage lower than this time last year. Overall demand remained positive, with 308,000 sf absorbed this quarter (YTD = 1,066,000 sf).

Rental Rates - At the closing of the fourth quarter, regional rental rates stood at \$16.61 per square foot (psf), down from \$16.68 psf in quarter three. The region's investment subset rate of \$16.63 psf was an increase from \$16.53 psf from the previous quarter. Most of the office classes recorded an increase in the

Total Market Snapshot

	Inventory	Vacancy
Q4 2008	98,938,217	12.11%
Q4 2007	98,594,303	13.21%
Q4 2006	97,790,215	13.81%

asking rental rates from the previous quarters: Class A space stood at \$20.94 psf, Class B at \$16.19 psf, and Class C at \$12.76 psf.

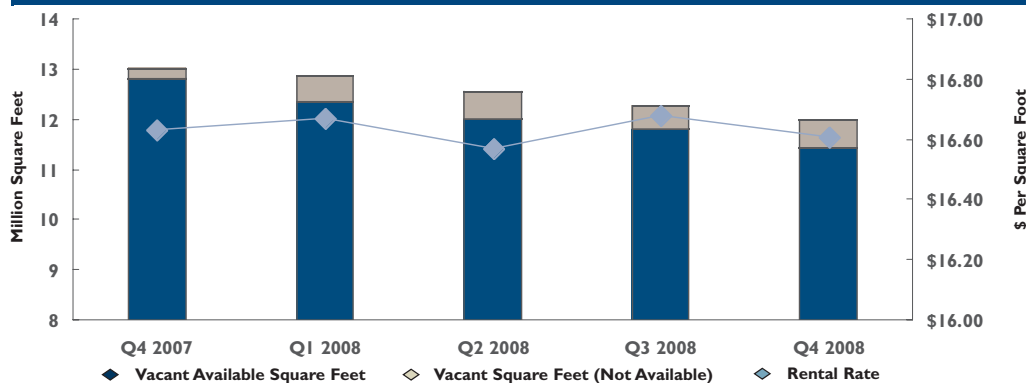
Downtown and Prime Space - Downtown vacancy rates remained flat from quarter three, standing still at 18.30%, while rental rates are still hovering around the \$17.00 mark. Class A downtown space showed a significant vacancy decline from quarter three ending at 12.80%, while rates slipped to \$19.87 psf.

Construction and Development - Completions in the fourth quarter totaled 78,000 sf (YTD = 216,000 sf). Office construction appeared to be slow but steady with approximately 266,000 sf currently in the pipeline. Although current economic conditions have interfered with construction activity, the Cleveland market's future holds about six million square feet of office space proposed for future development. Office products currently under construction include 140,000 sf at 3333 Richmond Rd (Developers Diversified Building) in Beachwood and 39,000 sf at 4400 Courthouse Blvd in Stow.

Recent Transactions - Huntington Bank secured a lease of 100,000 SF and will move its headquarters to

Continued on page 5

TOTAL MARKET STATISTICS
Vacancy, Availability, and Rental Rates

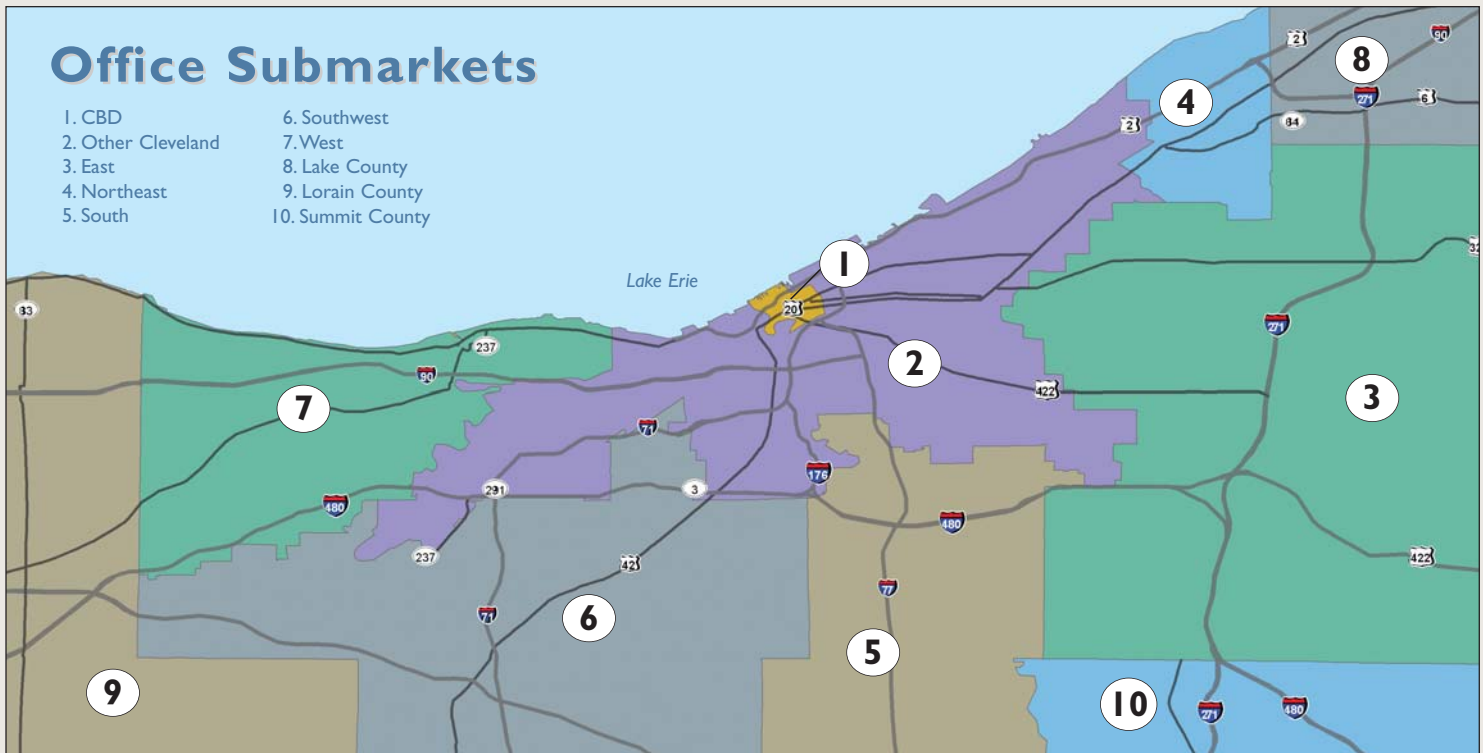


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Office Submarkets

- 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 Q4 2008	Vacancy Q3 2008	Absorption SF (YTD)	Rental Rate (Full Service)
1. CBD	153	26,197,285	18.30%	18.30%	389,037	\$17.07
2. Other Cleveland	139	6,475,297	7.70%	8.20%	82,962	\$9.44
3. East	229	9,582,995	11.20%	12.20%	200,166	\$17.54
4. Northeast	23	900,092	19.90%	19.80%	-18,544	\$15.71
5. South	127	6,618,739	14.60%	15.90%	55,306	\$17.97
6. Southwest	120	3,888,531	12.70%	12.00%	185,146	\$17.78
7. West	119	4,843,470	15.90%	17.20%	8,012	\$16.54
8. Lake County	72	1,848,672	17.00%	16.70%	26,179	\$16.54
9. Lorain County	79	2,347,152	17.60%	18.10%	-74,523	\$16.89
10. Summit County	431	16,701,188	8.50%	8.50%	211,980	\$15.87
Total	1,492	79,403,421	13.74% (Δ = - 0.34)	14.08%	1,065,721	\$16.63 (Weighted)

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

Investor Owned

	2008	2007	2006
Total Inventory (SF)	79,403,421	79,078,407	79,078,407
Vacancy	13.74%	14.79%	15.44%
Absorption SF (YTD)	1,065,721	1,019,699	1,061,870
Rental Rates (FS)	\$16.63	\$16.64	\$16.47

Owner Occupied

	2008	2007	2006
Total Inventory (SF)	14,493,206	14,474,306	14,474,306
Vacancy	3.90%	3.90%	4.30%
Absorption SF (YTD)	18,985	47,198	5,516
Space Available for Sale	399,284	399,284	399,284

MARKET COMPARISON
BUILDING CLASS STATISTICS, INVESTOR-OWNED PROPERTIES

Office Class A-B-C



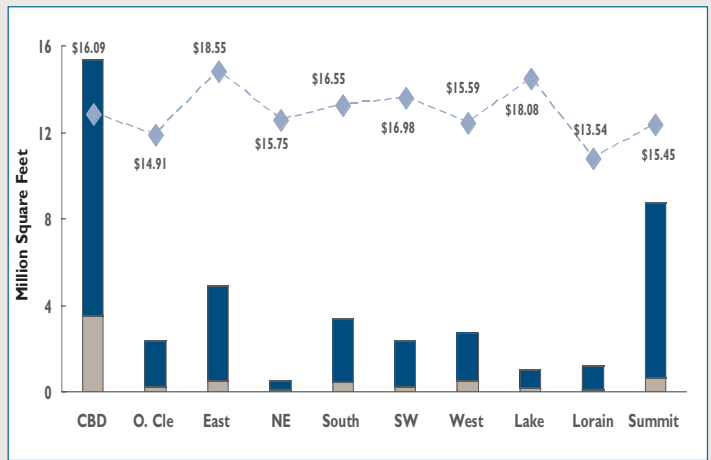
◆ Inventory ◇ Vacant Square Feet ◇ Rental Rate

Class A

Submarket	Buildings	Inventory (SF)	Rental Rate	Vacancy Rate
CBD	14	8,142,835	\$19.87	12.80%
Other Cleveland	2	148,847	\$16.43	19.30%
East	26	2,249,787	\$21.51	5.70%
Northeast	0	0	N/A	N/A
South	27	2,657,382	\$20.22	15.80%
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	29	3,256,246	\$20.28	9.20%
Total	115	17,776,354	\$20.94 (Weighted)	13.04%

Class B

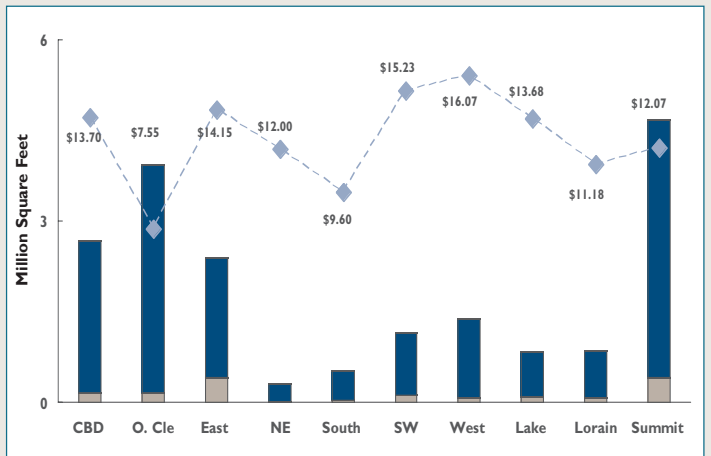
Submarket	Buildings	Inventory (SF)	Rental Rate	Vacancy Rate
CBD	80	15,363,810	\$16.09	23.30%
Other Cleveland	50	2,381,498	\$14.91	12.60%
East	134	4,935,441	\$18.55	10.60%
Northeast	12	578,062	\$15.75	28.50%
South	76	3,429,729	\$16.55	14.70%
Southwest	69	2,374,755	\$16.98	12.10%
West	73	2,741,955	\$15.59	20.60%
Lake County	35	1,014,413	\$18.08	21.50%
Lorain County	35	1,237,104	\$13.54	10.10%
Summit County	209	8,775,653	\$15.45	7.90%
Total	773	42,832,420	\$16.19 (Weighted)	16.25%



◆ Inventory ◇ Vacant Square Feet ◇ Rental Rate

Class C

Submarket	Buildings	Inventory (SF)	Rental Rate	Vacancy Rate
CBD	59	2,690,640	\$13.70	6.20%
Other Cleveland	87	3,944,952	\$7.55	4.30%
East	69	2,397,767	\$14.15	17.80%
Northeast	11	322,030	\$12.00	4.60%
South	24	531,628	\$9.60	7.40%
Southwest	48	1,161,964	\$15.23	11.20%
West	35	1,380,386	\$16.07	6.70%
Lake County	37	834,259	\$13.68	11.50%
Lorain County	41	861,732	\$11.18	9.60%
Summit County	193	4,669,289	\$12.07	8.90%
Total	604	18,794,647	\$12.76 (Weighted)	8.70%



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 293 offices in 61 countries.



18660 East Bagley Rd

Middleburg Hts Office Portfolio Sold

Crescendo Holdings, LLC purchased the Medical Arts office buildings portfolio located at 18660 East Bagley Rd in Middleburg Heights. The buildings sold for \$4,100,000, or approximately \$62 per square foot.

Gregory West, vice president of the Office Services Group at Colliers Ostendorf-Morris, represented the seller.

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

Giffen and Kaminski signs lease at Penton Media Building

Giffen and Kaminski secured a lease of 11,752 square feet at 1300 E 9th St in Cleveland..

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



1300 E 9th St

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
668 Euclid Ave	CBD	\$8,000,000	429,000	K&D Group	Barry Holtzer & Kevin Riley
25701 Science Park Dr	East	\$7,225,000	68,581	Jewish Community Federation of Cleveland	Bennett Morrison

LEASING ACTIVITY

PROPERTY ADDRESS	SUBMARKET	COLLIERS OM ROLE	SIZE (SQ FT)	TENANT	REAL ESTATE PROFESSIONAL
905 Corporate Way	West	Tenant Rep	12,117	Metrics Marketing Group, LLC	Dan Schiau
1300 E 9th St	CBD	Tenant Rep	11,752	Giffen and Kaminski	Kevin Riley
668 Euclid Ave	CBD	Landlord Rep	25,000	Wyse Advertising Inc.	Geoff Coyle and Bennett Morrison
4832 Richmond Rd	East	Tenant Rep	11,888	Weston, Inc.	Thomas Gustafson and Rocco DiPuccio

On the horizon...

Northeast Ohio news

Huntington Bank secured a lease of 100,000 SF and will move its headquarters to the former BP Tower at 200 Public Square, a 20-year lease agreement that included Huntington's naming rights on the building – an addition to the Cleveland skyline.

The renovation of 668 Euclid, also known as the Atrium Office Plaza, is underway and slated to open in 2010. The eight-story historic urban rehab will feature 65,000 square feet of mixed-used commercial space and 236 luxury apartments. With anchor tenant Wyse Advertising slated to move in August 2009, the new 668 Euclid will be a marquee downtown destination, and a complement to the new Euclid Corridor rapid transit line.

Despite the recession, several new companies have selected Northeast Ohio for their headquarters and thousands of new jobs will soon be created: Proxy Biomedical Limited, a bio-materials technology company, received a Job Creation Grant from the state for 26 jobs and a Cleveland HQ, and Canada-based management firm SPC Data LLC picked Cleveland for its U.S. HQ.

Cleveland's federal payroll center, which had nearly 1,200 white-collar jobs in 2005, will expand its workforce to 2,011 employees by 2011.

Continued from page 1

the former BP Tower at 200 Public Sq, a 20-year lease agreement that included Huntington's naming rights on the building – an addition to the Cleveland skyline. Other significant lease deals signed during the fourth quarter included Cuyahoga Community College's 38,079-sf deal at 50 Public Sq in Cleveland (CBD); Wyse Advertising's 25,000-sf deal at 668 Euclid Ave in Cleveland (CBD), Metric Marketing Group's 12,117-sf deal at 905 Corporate Way in Westlake (West), and Giffen & Kaminski's 11,752-sf deal at 1300 E 9th St in Cleveland (CBD).

Some of the notable 2008 sales included Hub North Properties' acquisition of North Point Tower for \$114 million; Florida-based Optima One's acquisition of One Cleveland Center for \$86 million and 55 Public Square for \$34 million; Jewish Community Federation of Cleveland's purchase of 25701 Science Park Dr for \$7.2 million; Infocision Management's acquisition of 350 Springside Dr for \$4.9 million, and the Medical Art's portfolio purchase in Middleburg Heights for \$4.1 million.

Overall, Cleveland's market performed well, with a healthy amount of transactions in most submarkets. However, the panorama for 2008 depicts a period of transition - momentum slowed dramatically as the economy showed signs of weakness after a strong start. Forecasts are predicting that 2009 will be rough and that tough times will be affecting the commercial real estate market early in the year. Many office developments and projects are currently on hold, many deals have been shelved, investment transactions are struggling to be completed due to the tight financing, oil prices are on the rise, consumer spending remains slow, significant job cuts and National City's departure from the Cleveland market will pressure vacancies to rise. These all call for a slow and cautious approach in 2009. Northeast Ohio is expected to weather the difficult times.

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.



293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 99
Canada 19
Latin America 18
Asia Pacific 62
EMEA 95

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

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