

Market Research

INDUSTRIAL/FLEX | FIRST QUARTER | 2009

MARKET INDICATORS

Q1 Summary Q2 Forecast

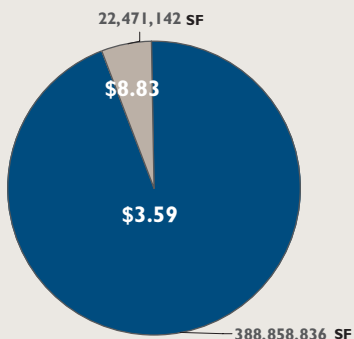
VACANCY  

NET ABSORPTION  

RENTAL RATE  

UPDATE

INDUSTRIAL VS. FLEX RENTAL RATES (NNN)



◆ Industrial Inv. ◇ Flex Inv.

Northeast Ohio's Industrial Vacancy Remains Low

The first quarter of 2009 in Cleveland's industrial market closed with an increase in the region's vacancy rate, registering at 7.41%. 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 a strong local industrial market compared to the first quarters of 2008 and 2007, where vacancy stood at 7.60% and 9.07%, respectively.

Total market vacancy continued to climb at the start of the year to reach 7.41%, up 6 basis points (bps) from year-end 2008. Northeast Ohio's vacancy rate stood below the national average of 9.06% in quarter four by 165 bps, according to Colliers International.

On a positive note, Cleveland's first quarter vacancy rate registered at more than 230 bps lower than some of the major industrial markets in the United States: Chicago at 10.30% and Dallas-Ft. Worth at 9.80% as of quarter four 2008. Total market demand declined with negative absorption totaling over 287,000 square feet (sf) in quarter one, down from 1.2 million sf in quarter four.

Rental Rates - At the closing of quarter one, rental rates hovered around the \$3.87 per square foot (psf) mark, similar to quarter four 2008's rate, and still lower than \$3.94 this time last year. Pure industrial

Total Market Snapshot

	Inventory	Vacancy
Q1 2009	411,214,778 SF	7.41%
Q1 2008	409,465,366 SF	7.60%
Q1 2007	408,497,397 SF	9.07%

space hovered around the \$3.59 psf mark, while flex rates, only a small percentage of the total industrial market, jumped 56 bps to \$8.83 psf.

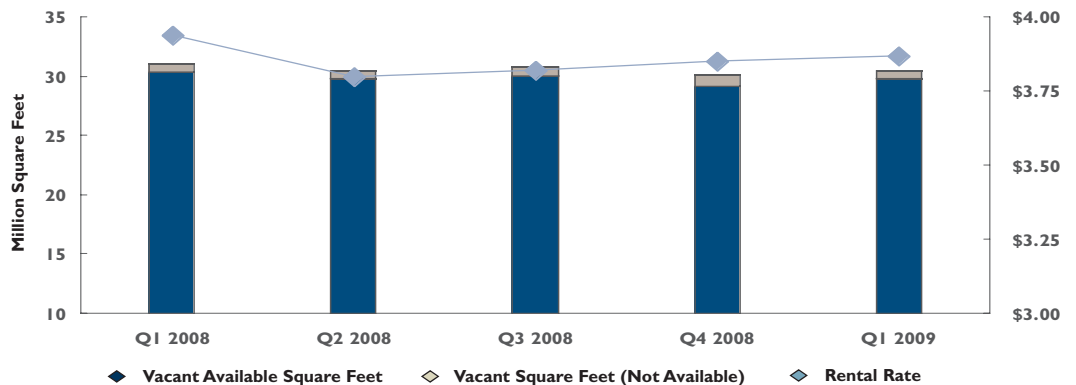
Local Performance - Locally, more than half of the local submarkets saw a hike in vacancy rates. The increase ranged from 10-30 bps but certain markets like Portage County jumped 130 bps, followed by the Southwest market hike of 60 bps. The remaining markets saw signs of steady activity, and vacancy was down in the East, Cleveland, and Geauga County markets. East dropped 30 bps to 8.70%, and a 20 bps drop was recorded in both Cleveland and Geauga at 5.80% and 4.30%, respectively.

Summit County, the second largest industrial submarket in Northeast Ohio, saw a decline in vacancy rates from 7.50% to 7.40%.

Development - Although 2008 was an active year for industrial construction, with more than 880,000 sf of new product supplied to the market, commercial construction in the region showed moderate

Continued on page 4

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

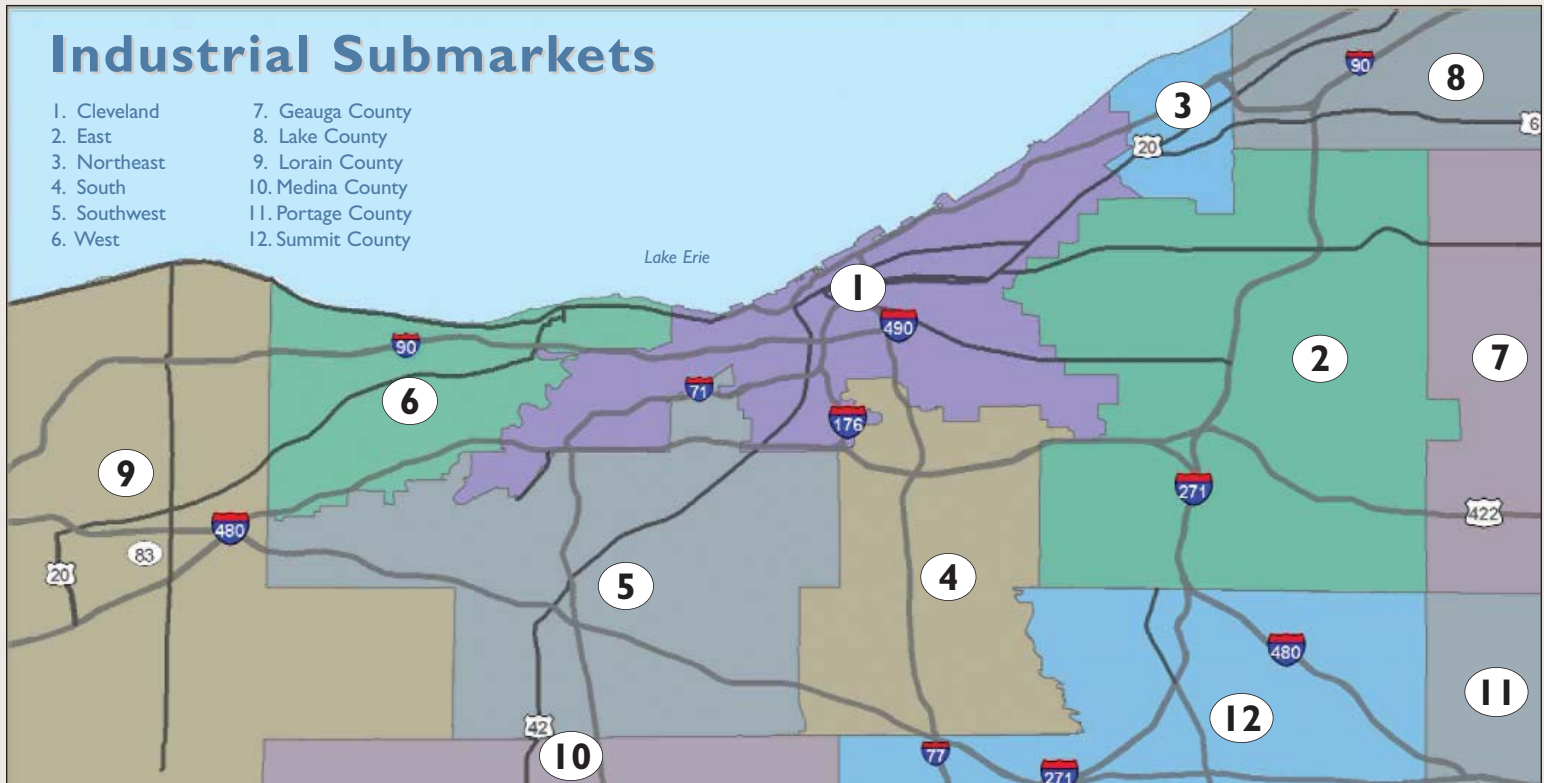


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Industrial Submarkets

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 Q1 2009	Vacancy Q4 2008	Net Absorption SF (YTD)	Average Industrial Rate (NNN)	Average Flex Rate (NNN)
1. Cleveland	2,174	103,977,994	5.80%	6.00%	212,381	\$2.83	\$11.43 *
2. East	862	50,401,306	8.70%	9.00%	128,395	\$3.92	\$8.72
3. Northeast	181	11,232,732	13.10%	13.10%	-6,736	\$4.95	N/A
4. South	599	29,150,835	4.50%	4.40%	-35,434	\$4.79	\$9.22
5. Southwest	661	40,800,713	5.70%	5.10%	-201,510	\$4.95	\$8.11
6. West	145	5,641,290	4.00%	3.70%	-18,405	\$5.37	\$7.23
7. Geauga County	141	5,013,191	4.30%	4.50%	10,450	\$4.76	\$7.65
8. Lake County	1,041	36,371,727	7.10%	7.00%	-24,978	\$3.30	\$6.00
9. Lorain County	535	28,026,572	14.30%	14.00%	-172,105	\$2.38	N/A
10. Medina County	286	11,813,221	9.70%	9.50%	-31,936	\$4.10	\$16.00
11. Portage County	303	14,499,527	8.40%	7.10%	-186,672	\$3.92	\$5.78
12. Summit County	1,577	74,285,670	7.40%	7.50%	38,780	\$4.01	\$7.13
Total	8,505	411,214,778	7.41%	7.35%	-287,770	\$3.59 (Weighted)	\$8.83 (Weighted)

Investor-Owned Properties Overview

	Total Inventory (SF)	Vacancy	Net Absorption SF (YTD)	Average Rental Rates (NNN)	Space Available for Lease (SF)
Q1 2009	213,873,910	11.50%	91,475	\$3.45 (I) / \$8.61 (F)	24,052,800
Q1 2008	212,608,130	11.90%	624,974	\$3.52 (I) / \$8.99 (F)	24,647,529
Q1 2007	212,327,525	14.50%	479,008	\$3.80 (I) / \$8.50 (F)	30,155,679

*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 11,000 employees in 278 offices in 62 countries.



2210 International Pkwy

Suarez leases 120,000 SF in Green

Suarez Corporation Industries secured a lease of 120,000 square feet at 2210 International Pkwy.

Barry Holtzer, vice president, Joseph Martanovic, senior vice president, both of the Industrial Services Group, and Partner David O'Neill at Colliers Ostendorf-Morris represented the landlord.

Aclara RF Systems moves to Solon

Aclara RF Systems is moving from Beachwood into a 111,258-square foot Solon office at 30400 Solon Rd, adding 250 jobs with the help of a job creation grant.

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



30400 Solon Rd

UPDATE

RECENT COLLIERS OSTENDORF-MORRIS TRANSACTIONS

SALES ACTIVITY

PROPERTY ADDRESS	SUBMARKET	SALE PRICE	SIZE (SQ FT)	BUYER	REAL ESTATE PROFESSIONAL
1940 Enterprise Pkwy	Summit County	\$1,800,000	50,000	113 St Clair Properties Ltd	Joseph Ditchman & William West
1960 Enterprise Pkwy	Summit County	\$1,300,000	51,150	113 St Clair Properties Ltd	Joseph Ditchman & William West

LEASING ACTIVITY

PROPERTY ADDRESS	SUBMARKET	COLLIERS OM ROLE	SIZE (SQ FT)	TENANT	REAL ESTATE PROFESSIONAL
4400 E 71st St	South	Landlord Rep	56,177	Gateway Warehouses	Christopher Hondlik, Michael Occhionero, & David O'Neill
6930 Engle Rd	Southwest	Landlord Rep	6,480	Exide Technologies	Kevin Kuczynski
2210 International Pkwy	Summit County	Landlord Rep	120,000	Suarez Corporation Industries	Barry Holtzer, Joseph Martanovic, & David O'Neill
25840 Miles Rd	East	Landlord Rep	6,458	Lexington Financial, LLC	Michael Occhionero
5275 Naiman Pkwy	East	Tenant Rep	5,800	Source Diagnostics	Kevin Riley
30400 Solon Rd	East	Tenant Rep	111,258	Aclara RF Systems, Inc.	Christopher Hondlik and Kevin Riley

On the horizon...

Northeast Ohio news

Cleveland City Council approved a \$2.7M loan for Steel Warehouse of Ohio LLC, which plans to build a manufacturing and industrial parts processing plant. Steel Warehouse is owned by an Indiana company, which announced in January it was acquiring land near the ArcelorMittal plant along the Cuyahoga River. The loan will enable the company buy and redevelop the property. The plant is slated to create about 100 full-time jobs at an average annual salary of \$40,000.

Ohio Governor Ted Strickland will inject \$400M into Cleveland's bemoaned Inner Belt Bridge (I-90), which has been the state's top candidate for federal stimulus funds. A new westbound span will complement the current bridge, which will be repaired and rerouted for eastbound traffic. Also, the state is giving \$20M for the Opportunity Corridor in Cleveland, and \$8 million for road repairs in Akron around the future Bridgestone/Firestone research-and-development center. The state expects the total of \$774M in transportation dollars to create or save at least 21,257 jobs.

Site Selection Magazine awarded Ohio its Governor's Cup Award for leading the nation in new and expanded facilities in 2008. With 503 announced industrial projects, Ohio took the award over second-place Texas with 497 projects, and Michigan with 296. The announcement marks Ohio's third consecutive first-place win and the fourth in six years.

Continued from page 1

signs of strain with approximately 13,000 sf in the pipeline as of quarter one in 2009.

Significant Transactions - Large leases signed during the quarter included aNETorder's 51,000-sf deal at 23221 Morgan Ct in Strongsville (Southwest); Berea Moving & Storage's 26,250-sf deal at 4755 W 150th St in Cleveland; and Diversified Fall Protection's 21,690-sf deal at 24400 Sperry Dr in Westlake (West).

Significant sale transactions included Texas-based AIC Ventures's purchase of a 232,000-sf building in Cleveland for \$6.6 million and Sheffield Metal's purchase of 37,300 sf in Sheffield Village (Lorain) for \$1.7 million. Also notable: the transfer of 50,000-sf building in Twinsburg (Summit) at 1940 Enterprise Pkwy for \$1.8 million to 113 St Clair Properties Ltd; the sale of a 23,600-sf building in Streetsboro (Summit) at 1260 Ethan Ave for \$1.2 million to 1260 Ethan Ave LLC; the sale of 25,000 sf at 26 Stage Ave in Painesville (Lake) that transferred to Airgas-great Lakes Inc for \$1.17 million; and the sale of a 35,000-sf facility at 3815 Clark Ave in Cleveland, which transferred for approximately \$1 million to Wilfred and Lorna Vanhandel.

Overall, Cleveland's industrial market momentum slowed as the economy keeps showing signs of weakness, especially with the rise of unemployment & the decline of demand for space. Forecasts are predicting that the rest of 2009 will be rough, with tough times expected to affect the commercial real estate market. The market is expected to pick up the pace in future quarters, as soon as the economy recovery transition starts.

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

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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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