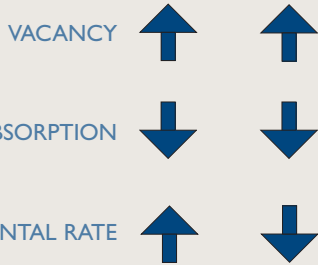


Office Market

MARKET RESEARCH | SECOND QUARTER | 2009

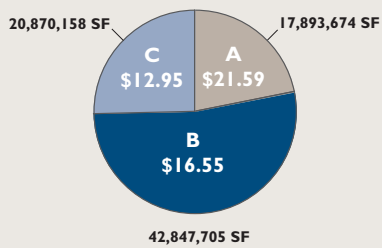
MARKET INDICATORS

Q2 Summary Q3 Forecast



UPDATE

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



◇ Class A ◆ Class B ◇ Class C

TOTAL MARKET SNAPSHOT

	Inventory	Vacancy
Q2 2009	102,406,138	12.22%
Q2 2008	102,171,899	12.19%
Q2 2007	101,500,917	13.49%

Demand for Office Space Dried Up by Midyear; Forecasts Predict a Bumpy Road to Recovery

The Cleveland office market endured the second consecutive vacancy hike since midyear of 2007, showing weakness in the market by registering 12.22%. Demand for office space dried up, represented by more than half a million square feet (sf) that has been vacated and returned back to the market since the start of the year, but surprisingly asking rental rates are at a three-year high at \$16.97 per square foot (psf).

The overall market showed weakness and stepped back to mirror the office market activity represented by midyear of 2008. Vacancy saw a sharp increase of 27 basis points (bps) finishing at 12.22%. The figure is 3 bps points higher than this time last year, where rates stood at 12.19%. Northeast Ohio's vacancy rate stood below the national average of 14.75% in quarter one by 253 bps, according to Colliers International. Total market demand declined with negative absorption totaling over 240,000 sf in quarter two, down from 350,000 sf in quarter one (YTD = -590,000 sf).

Investment Markets - The investment sector fundamentals mirrored similar trends, with an increase in its vacancy rate registering at 14.15%, 31 bps higher than quarter one. Overall demand was negative, with a net of more than 220,000 sf supplied back to the market.

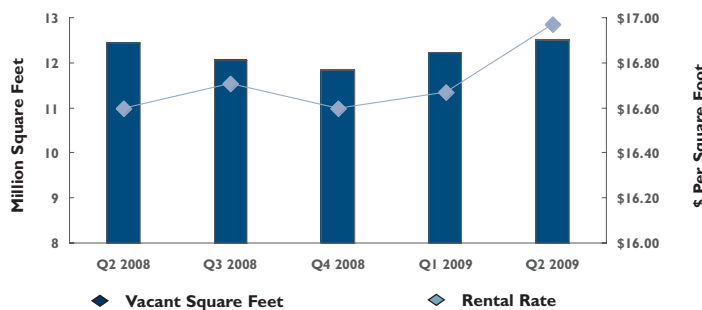
Rental Rates - At the closing of the quarter, regional rental rates hiked 30 bps to record \$16.97 (psf), up from \$16.67 psf in quarter one. The region's investment subset rate of \$16.95 psf was an increase from \$16.67 psf from the previous quarter. Investor owned and owner occupied properties showed similar asking rates at the closing of midyear. All of the office classes recorded an increase in the asking rental rates from the previous quarters: Class A space stood at \$21.59 psf, Class B at \$16.55 psf, and Class C at \$12.95 psf. The rate increase represents a mix of landlord expectations and sublet space, which drives asking rates down, and has not been fully offered to the market.

Downtown and Prime Space - Downtown vacancy rates increased for the second time in a row. Although the rate increased from quarter one by 20 bps registering at 18.40%, it is still hovering around the three-year low mark in comparison to Q2 2008 and Q2 2007 where rates stood at 19.60% and 21.20%, respectively. The asking rental rates increased to register \$17.65, marking the highest asking rate within the last two years. Class A downtown space showed a 30 bps decline in vacancy by midyear, ending at 14.50%. More than 1 million sf of prime office space is available at an average asking rate of \$20.97 psf.

Construction and Development - Current economic conditions continue to interfere and slow down the commercial construction and development activity in the region. Completions in the second quarter totaled 35,000 sf. Office construction

Continued on page 5

TOTAL MARKET STATISTICS Vacancy, Availability, and Rental Rates

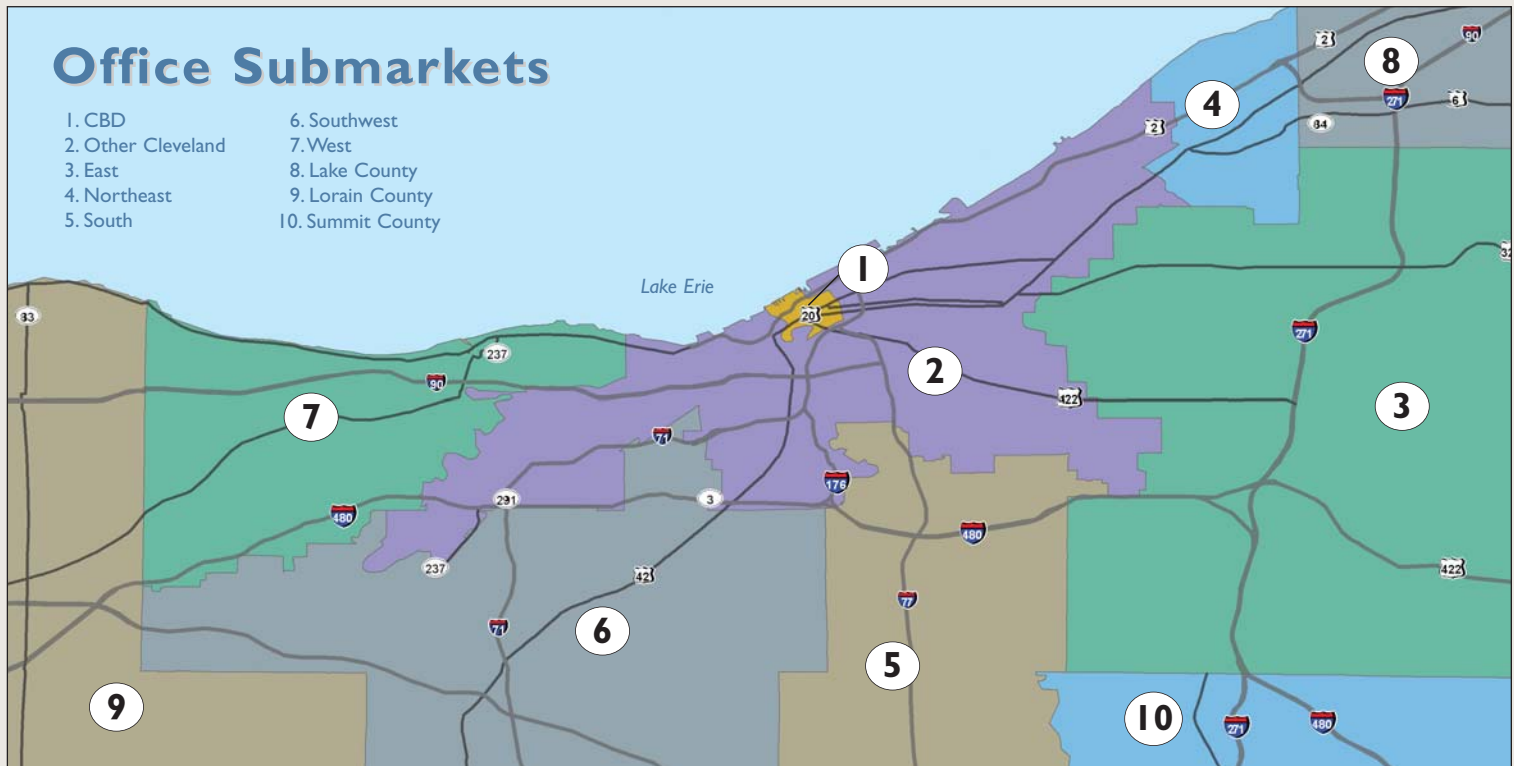


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Office Submarkets

- 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 Q2 2009	Vacancy Q1 2009	Absorption SF (YTD)	Rental Rate (Full Service)
1. CBD	147	26,367,880	18.40%	18.20%	-136,867	\$17.65
2. Other Cleveland	147	6,706,296	9.20%	9.10%	-52,744	\$9.80
3. East	235	9,903,977	12.60%	12.40%	-72,495	\$18.13
4. Northeast	23	933,693	18.40%	21.60%	28,597	\$15.23
5. South	125	6,401,728	15.40%	14.00%	-83,875	\$18.52
6. Southwest	114	3,207,363	15.00%	15.00%	-19,543	\$17.01
7. West	122	5,075,576	16.30%	16.10%	7,971	\$16.48
8. Lake County	74	1,851,264	17.20%	16.80%	4,297	\$15.88
9. Lorain County	99	3,174,634	14.40%	14.80%	-44,687	\$17.48
10. Summit County	442	17,989,126	8.90%	8.30%	-41,201	\$16.27
Total	1,528	81,611,537	14.15% ($\Delta = 0.31$)	13.84%	-410,547	\$16.95 (Weighted)

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

Investor Owned

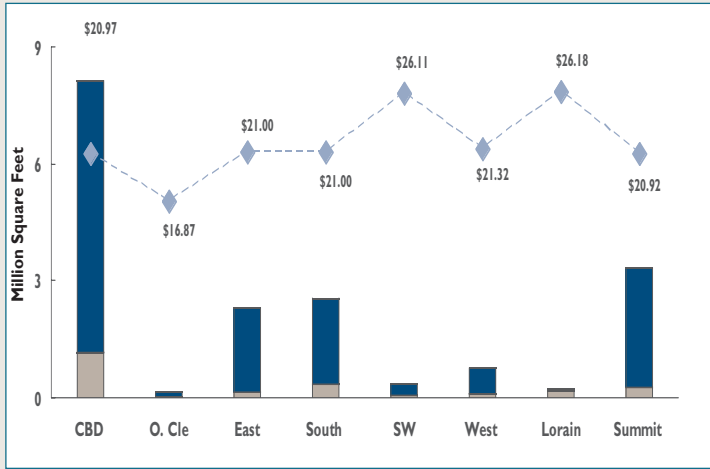
	2009	2008	2007
Total Inventory (SF)	81,611,537	81,408,198	80,910,488
Vacancy	14.15%	14.33%	15.71%
Absorption SF (YTD)	-410,547	564,740	88,751
Rental Rates (FS)	\$16.95	\$16.64	\$16.55

Owner Occupied

	2009	2008	2007
Total Inventory (SF)	15,748,440	15,729,540	15,729,540
Vacancy	2.30%	2.00%	2.50%
Absorption SF (YTD)	-11,167	44,781	42,872
Space Available for Sale	207,195	207,195	207,195

MARKET COMPARISON
BUILDING CLASS STATISTICS, INVESTOR-OWNED PROPERTIES

Office Class A-B-C



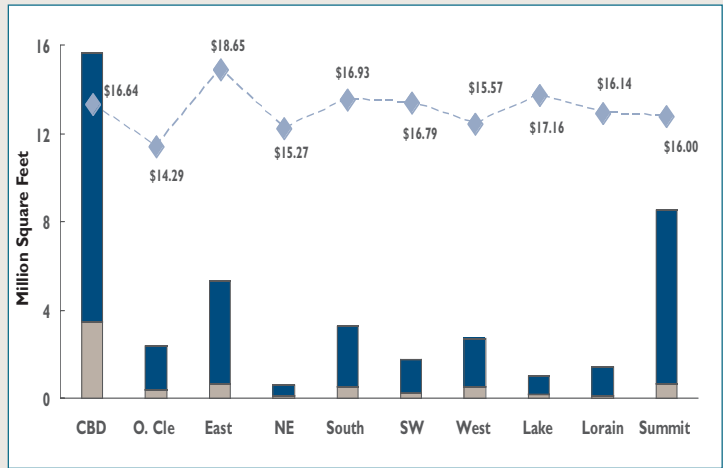
◆ Inventory ◇ Vacant Square Feet ◇ Rental Rate

Class A

Submarket	Buildings	Inventory (SF)	Rental Rate	Vacancy Rate
CBD	14	8,142,965	\$20.97	14.50%
Other Cleveland	2	149,664	\$16.87	15.70%
East	27	2,339,703	\$21.00	6.20%
Northeast	0	0	N/A	N/A
South	26	2,567,533	\$21.00	15.00%
Southwest	3	351,812	\$26.11	21.30%
West	12	755,579	\$21.32	16.00%
Lake County	0	0	N/A	N/A
Lorain County	3	248,316	\$26.18	83.20%
Summit County	31	3,338,102	\$20.92	8.90%
Total	118	17,893,674	\$21.59 (Weighted)	13.61%

Class B

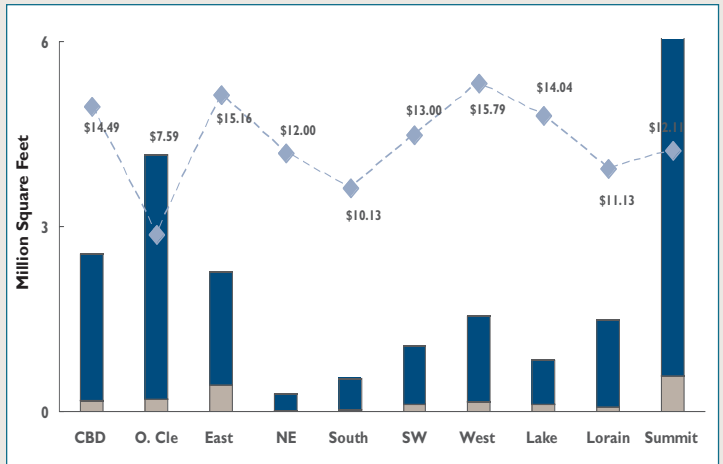
Submarket	Buildings	Inventory (SF)	Rental Rate	Vacancy Rate
CBD	78	15,671,995	\$16.64	22.30%
Other Cleveland	54	2,379,944	\$14.29	16.30%
East	142	5,306,611	\$18.65	12.60%
Northeast	13	641,662	\$15.27	24.50%
South	74	3,288,493	\$16.93	17.00%
Southwest	65	1,778,273	\$16.79	15.60%
West	74	2,763,738	\$15.57	19.20%
Lake County	36	1,007,529	\$17.16	19.70%
Lorain County	38	1,436,092	\$16.14	10.90%
Summit County	211	8,573,368	\$16.00	8.30%
Total	785	42,847,705	\$16.55 (Weighted)	16.65%



◆ Inventory ◇ Vacant Square Feet ◇ Rental Rate

Class C

Submarket	Buildings	Inventory (SF)	Rental Rate	Vacancy Rate
CBD	55	2,552,920	\$14.49	7.10%
Other Cleveland	91	4,176,688	\$7.59	4.90%
East	66	2,257,663	\$15.16	19.20%
Northeast	10	292,031	\$12.00	5.10%
South	25	545,702	\$10.13	7.60%
Southwest	46	1,077,278	\$13.00	12.10%
West	36	1,556,259	\$15.79	11.30%
Lake County	38	843,735	\$14.04	14.10%
Lorain County	58	1,490,226	\$11.13	6.30%
Summit County	200	6,077,656	\$12.11	9.60%
Total	625	20,870,158	\$12.95 (Weighted)	9.50%



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 12,700 employees in 294 offices in 62 countries.



22901 Millcreek Blvd. - Metropolitan Plaza

Nationwide Mutual Insurance leases 85,558 SF at Metropolitan Plaza

Nationwide Mutual Insurance Co. secured a lease of 85,558 square feet at 22901 Millcreek Blvd in Highland Hills.

Nationwide is one of the largest insurance and financial services firm in the world with more than \$135 billion in statutory assets. Source: <http://www.nationwide.com/>

Geoff Coyle, Farley Helms, and Thomas Gustafson of the Office Services Group at Colliers Ostendorf-Morris, represented the tenant.

Gold Building Partners acquires the Gold Building

Gold Building Partners, LLC acquired a 36,000 square-foot office building at 6200 Rockside Woods Blvd in Independence from Hub Valley Realty. The property sold for \$2,600,000, or approximately \$72.22 per square foot.

The Gold building was built in 1981 and sits on 2.93 acres.

Thomas Gustafson, Dan Schiau, and Clifford West of Colliers Ostendorf-Morris, represented the landlord.



6200 Rockside Woods Blvd - Gold Building

COLLIERS OSTENDORF-MORRIS TRANSACTIONS

SALES ACTIVITY

PROPERTY ADDRESS	SUBMARKET	SALE PRICE	SIZE (SQ FT)	BUYER	REAL ESTATE PROFESSIONAL
4836 Brecksville Rd	Summit County	\$1,300,000	32,000	Petar & Nevenka Svilar	Kevin Riley & Greg West
6200 Rockside Woods Blvd	South	\$2,600,000	36,000	Gold Building Partners, LLC	Thomas Gustafson, Dan Schiau, & Cliff 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
3636 Euclid Ave	Other Cleveland	Tenant Rep	10,427	Fairport Asset Management	Bennett Morrison
22901 Millcreek Blvd	East	Tenant Rep	85,558	Nationwide Mutual Insurance	Geoff Coyle, Farley Helms, & Thomas Gustafson
9485 Mentor Ave	Lake County	Landlord Rep	14,500	Mentor Surgery Center, Ltd.	Farley Helms

On the horizon...

Northeast Ohio news

Eaton HQ move to Chagrin Highlands

The company is planning a 470,000-square-foot world headquarters and 220,400-square-foot parking complex at the Chagrin Highlands development in Beachwood. The initial plans include a \$170 million, crescent-shaped complex that will include 10-story and four-story portions on a site that is the highest point in Cuyahoga County.

Colliers a "best of the best" in the Midwest Midwest Real Estate News recently named Colliers International a best-of-the-best real estate services company in the magazine's 2009 rankings. Colliers secured number one spot on the rankings of property management and the number three spot for top brokers.

Colliers International named Top Commercial Real Estate Service Provider International Association of Outsourcing Professional (IAOP) and Fortune Magazine recognize the world's best outsourcing service providers across all industries. Colliers has been included each year since its inception four years ago and is included this year within the top 15 firms.

Continued from page 1

appeared to be steady with approximately 222,600 sf currently in the pipeline; ongoing construction is still fully based in the suburbs. Office products currently under construction include 140,000 sf at 3333 Richmond Rd (Developers Diversified Headquarters) in Beachwood, 32,600 sf in Stow, and an additional 24,000 sf in Beachwood.

Recent Transactions - Despite the current economic conditions, there were many lease transactions that closed during the second quarter. Some of the significant lease deals signed during the quarter included; Nationwide Mutual Insurance's 85,558-sf deal at 22901 Millcreek Blvd (East); Liggett Stashower's 40,000-sf deal at 1240 Huron Rd (CBD); and Cavitch, Familo, Durkin & Frutkin's 23,400-sf deal at 1300 E 9th St (CBD).

Notable sale transactions included TD Security's acquisition of 14843 W. Sprague Rd in Strongsville (Southwest); Petar Svilar's acquisition of 4836 Brecksville Rd in Richfield (Summit County) for \$1,300,000; and Popeyes Marina's purchase of 1403 E 6th St in Cleveland (CBD) for \$1,300,000. The 2009 office acquisition activity has significantly slowed down, due to the current uncertainty in the market and the lack of financing packages.

Economic struggles will continue to influence the commercial real estate market activity in the upcoming months. The road to the expected recovery is bumpy. The activity drivers - employment and consumer spending - are currently slowing the market's progress to growth and stability.

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

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 294 offices throughout more than 62 countries worldwide.

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