

CLEVELAND INDUSTRIAL REPORT

Fourth Quarter 2008



NAIDaus

Commercial Real Estate Services, Worldwide.
Business Property Specialists, Inc. Broker

CLEVELAND

Industrial Report | Fourth Quarter 2008



TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



OVERVIEW:

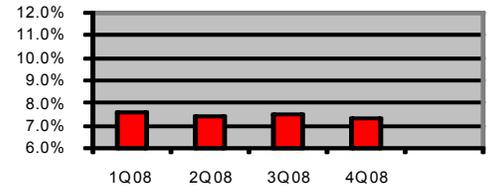
The 4th quarter 2008 was an excellent example of why many consider Cleveland to be a contrarian market. While economic woes and disparaging headlines became almost the norm, the Cleveland Industrial market actually experienced a slight decrease in vacancy, ending the year at 7.3 percent. This is down from both the 3rd quarter 2008 (7.5 percent) and year-end 2007 (7.7 percent). Net absorption was very solid, with a positive 973,244 square feet being absorbed in the 4th quarter on the way to a positive 2.76 million square feet for the year. Some of the primary leases included Victory Packaging (140,032 square feet), International Mulch (100,000 square feet) and Millwood (75,000 square feet).

The quoted average asking rental rate for industrial space in the 4th quarter was \$3.95 per square foot. This is within a few pennies of the rate for both the previous quarter. Rents for flex space were also stable, standing at \$9.13 per square foot at the end of the year.

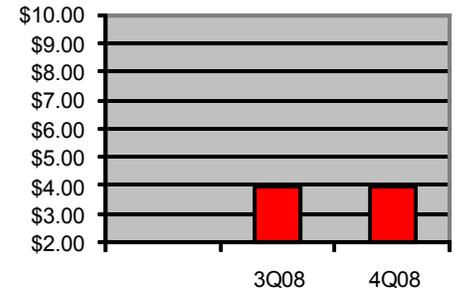
New construction has dramatically slowed over the course of the year. In the 4th quarter, a total of 437,095 square feet of new industrial space was delivered to the market, pushing the total new construction for the year to approximately 865,000 square feet. However, the pipeline of new construction is minimal, with a scant 28,000 square feet under construction at year-end.

Notable completions last year include a 243,225 square foot facility for Hinkley Lighting and a 202,000 square foot spec building.

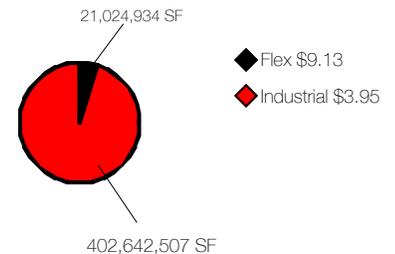
Overall Vacancy 7.3%



Average Asking Rental Rate



Industrial vs. Flex Rental Rates NNN



Major Lease Transactions

Tenant:	Building:	Size (SF):	Market:
Suarez Corporation Industries	2210 International Pkwy	122,500	Akron Ind.
Custom Product Corp.	Matrix Essentials Inc.	62,352	Solon Ind.
Nanofilm Technologies	Welden Tool	52,989	Brooklyn Hts. Ind.
More Than Gourmet	3081 Gilcrest Rd	41,000	Akron Ind.
International Paper	Solon Industrial Townhouse	26,960	Solon Ind.

* All rents are per SF per YR unless otherwise noted.

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Flex Market Statistics

Market	# BLDGS.	TOTAL RBA (SF)	TOTAL AVAIL (SF)	TOTAL VACANT AVAIL (%)	YTD NET Absorption (SF)	QUOTED RATES (\$/SF/YR)	UNDER CONSTRUCTION (SF)
Akron Ind	92	4,363,433	192,409	4.4%	76,496	\$8.86	0
Downtown Ind	46	1,737,808	278,118	16.0%	64,771	\$11.20	0
East Ind	30	1,571,604	193,365	12.3%	99,657	\$10.69	0
Medina County Ind	31	765,949	89,744	11.7%	(16,696)	\$9.52	0
Northeast Ind	65	1,622,838	195,636	12.1%	9,338	\$5.72	0
Outlying Lorain Ind	8	142,414	3,750	2.6%	(3,750)	\$0.00	0
South Ind	76	3,052,935	425,059	13.9%	108,568	\$9.03	0
Southeast Ind	135	4,699,209	681,417	14.5%	80,191	\$8.57	0
Southwest Ind	67	2,140,448	333,502	15.6%	(28,796)	\$8.88	0
West Ind	50	928,296	71,375	7.7%	81,400	\$7.98	0

Warehouse Market Statistics

Market	# BLDGS.	TOTAL RBA (SF)	TOTAL AVAIL (SF)	TOTAL VACANT AVAIL (%)	YTD NET Absorption (SF)	QUOTED RATES (\$/SF/YR)	UNDER CONSTRUCTION (SF)
Akron Ind	1,349	53,123,290	4,226,564	8.0%	71,230	\$3.25	0
Downtown Ind	765	28,007,558	2,365,957	8.4%	326,187	\$2.88	0
East Ind	143	8,180,171	445,682	5.4%	330,224	\$5.59	0
Medina County Ind	264	10,724,200	998,457	9.3%	104,376	\$3.99	0
Northeast Ind	1,531	63,885,428	4,560,500	7.1%	880,037	\$3.25	0
Outlying Lorain Ind	111	5,536,811	2,625,835	47.4%	(41,000)	\$2.33	0
South Ind	752	40,278,695	1,244,687	3.1%	292,859	\$4.19	0
Southeast Ind	1,523	82,572,451	6,263,219	7.6%	460,311	\$4.27	0
Southwest Ind	996	50,670,203	2,410,763	4.8%	(124,659)	\$4.40	28,440
West Ind	859	38,638,766	1,960,610	5.1%	12,261	\$3.40	0

Industrial Market Statistics

Market	# BLDGS.	TOTAL RBA (SF)	TOTAL AVAIL (SF)	TOTAL VACANT AVAIL (%)	YTD NET Absorption (SF)	QUOTED RATES (\$/SF/YR)	UNDER CONSTRUCTION (SF)
Akron Ind	1,441	57,486,723	4,418,973	7.7%	147,726	\$3.40	0
Downtown Ind	811	29,745,366	2,644,075	8.9%	390,958	\$3.75	0
East Ind	173	9,751,775	639,047	6.6%	429,881	\$6.85	0
Medina County Ind	295	11,490,149	1,088,201	9.5%	87,680	\$4.34	0
Northeast Ind	1,596	65,508,266	4,756,136	7.3%	889,375	\$3.30	0
Outlying Lorain Ind	119	5,679,225	2,629,585	46.3%	(44,750)	\$2.33	0
South Ind	828	43,331,630	1,669,746	3.9%	401,427	\$4.97	0
Southeast Ind	1,658	87,271,660	6,944,636	8.0%	540,502	\$4.50	0
Southwest Ind	1,063	52,810,651	2,744,265	5.0%	(153,455)	\$4.61	28,440
West Ind	909	39,567,062	2,031,985	5.1%	93,661	\$3.57	0

Cleveland

Methodology | Definitions | Sub Market Map



Absorption (Net)

The change in occupied space in a given time period.

Available Square Footage

Net rentable area considered available for lease; excludes sub-lease space.

Average Asking Rental Rate

Rental rate as quoted from each building's owner/management company. For office space, a full service rate was requested; for retail, a triple net rate requested; for industrial, a NNN basis.

Building Class

Class A product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

Direct Vacancy

Space currently available for lease directly with the landlord or building owner.

Market Size

Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

Overall Vacancy

All unoccupied lease space, either direct or sublease.

SF/PSF

Square foot/per square foot, used as a unit of measurement

Sublease

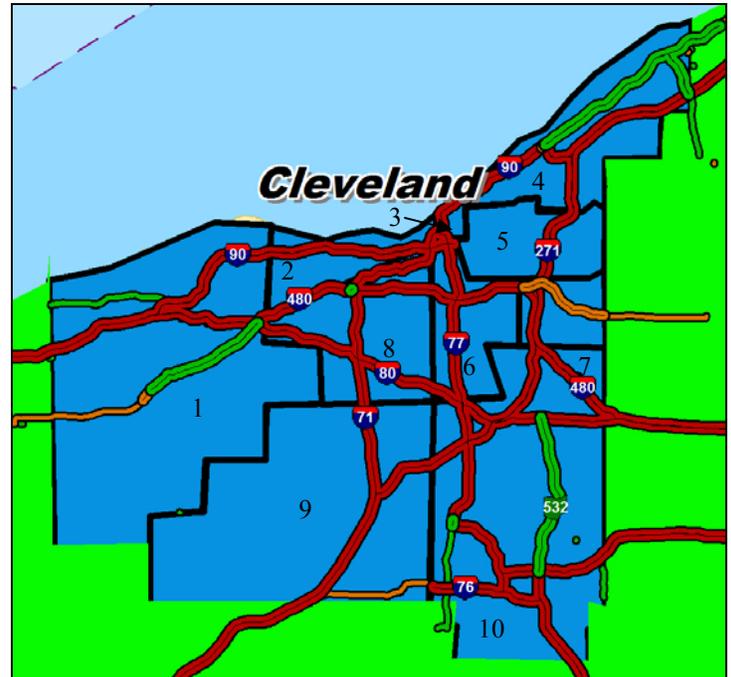
Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.

Sublease Space

Total square footage being marketed for lease by the tenant. Sublease space is not considered in the overall occupancy or absorption numbers—only direct leases are included.

Sublease Vacancy

Space currently available in the market for sublease with an existing tenant within a building acting as the landlord.



Cleveland Submarkets

1. Outlying Lorain Ind.

Vacancy 46.3% YTD Abs: (45) K SF Avg. Rent: \$2.33 PSF

2. West Ind.

Vacancy: 5.1% YTD Abs: 94 K SF Avg Rent: \$3.57 PSF

3. Downtown Cleveland Ind.

Vacancy: 8.9% YTD Abs: 391 K SF Avg. Rent: \$3.75 PSF

4. Northeast Ind.

Vacancy: 7.3% YTD Abs: 889 K SF Avg. Rent: \$3.30 PSF

5. East Ind.

Vacancy: 6.6% YTD Abs: 430 K SF Avg. Rent: \$3.30 PSF

6. South Ind.

Vacancy: 3.9% YTD Abs: 401 K SF Avg. Rent: \$4.97 PSF

7. Southeast Ind.

Vacancy: 8.0% YTD Abs: 541 K SF Avg. Rent: \$4.50 PSF

8. Southwest Ind.

Vacancy: 5.2% YTD Abs: (153) K SF Avg. Rent: \$4.61 PSF

9. Medina County Ind.

Vacancy: 9.5% YTD Abs: 88K SF Avg. Rent: \$4.34 PSF

10. Akron Ind.

Vacancy: 7.7% YTD Abs: 148 K SF Avg. Rent: \$3.40 PSF



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