

CLEVELAND OFFICE REPORT

Fourth Quarter 2008



NAIDaus

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

CLEVELAND

Office Report | Fourth Quarter 2008



TRENDS:

Vacancy Rate



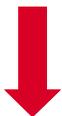
Net Absorption



Construction



Asking Rents



OVERVIEW:

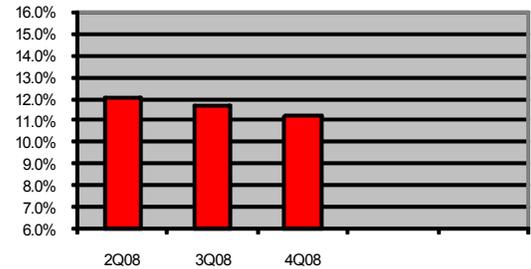
The Cleveland Office market ended the year with a vacancy rate of 11.2 percent. This represents a decrease from both the previous quarter (11.7 percent) as well as year-end 2007 (12.1 percent). After reaching a high of just over 14 percent in late 2003, the overall office market has shown a steady decrease. The vacancy rate for the suburbs, 9.9 percent, was markedly better than the vacancy rate for the central business district, which stood at 14.5 percent at the end of the 4th quarter. However, the CBD has shown the greatest improvement, with the rate dropping 2 ½ percentage points over the course of 2008.

Absorption was solid, with a positive 657,270 square feet being absorbed for the quarter and nearly 2 million square feet for the year. Some of the largest move-ins for the year included Medical Mutual (125,000 square feet), Cleveland Cliffs (64,000 square feet) and Sirva (60,000 square feet).

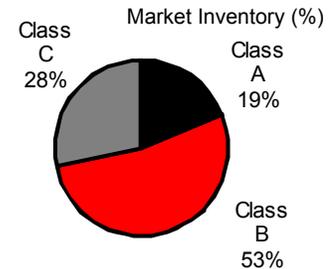
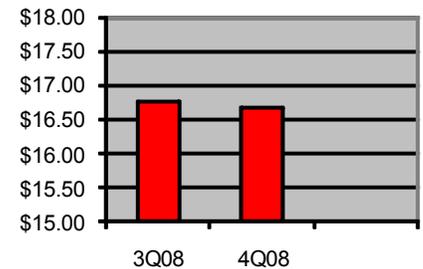
The average asking rental rate for the market ended the year at \$16.69 per square foot. This is within a few cents of the \$16.75 per square foot at the start of the year. The gap between the CBD and the suburbs remained narrow, with a CBD rate of \$17.14 per square foot as compared to a suburban rate of \$16.89 per square foot.

Office construction remains scant, with only three buildings totaling 55,144 square feet being delivered during the 4th quarter. For the year, just under 400,000 square feet was completed. Notable completions for the year include a 75,000 square foot building on White Pond Drive in Akron and a 35,812 square foot building in Medina.

Overall Vacancy (%) 11.2%



Average Asking Rental Rate



Major Lease Transactions

Tenant:	Building:	Size (SF):	Market:
Huntington National Bank	200 Public Sq	96,721	CBD
Dominion East Ohio Gas	Springside Place	53,000	Fairlawn/Montrose
Fay Sharpe	Halle Building	42,028	CBD
Cuyahoga Community College	Terminal Tower	38,079	CBD
Wyse Advertising Inc.	Atrium Office Plaza	25,000	CBD

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

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SUBMARKET/ CLASS	# BLDGS.	TOTAL RBA (SF)	TOTAL AVAIL (SF)	TOTAL VACANT AVAIL (%)	YTD NET Absorption (SF)	QUOTED RATES (\$/SF/YR)	UNDER CONSTRUCTION (SF)
Downtown							
Class A	24	9,974,430	1,160,221	11.6%	207,757	\$19.74	0
Class B	123	21,164,355	3,790,901	17.9%	466,614	\$16.11	0
Class C	200	8,048,714	317,348	3.9%	369,340	\$9.04	0
East							
Class A	28	2,603,135	132,838	5.1%	(47,654)	\$23.81	31,560
Class B	156	7,250,492	520,749	7.2%	124,314	\$19.14	0
Class C	137	2,874,885	468,516	16.3%	5,210	\$15.36	0
West							
Class A	13	864,166	98,847	11.4%	(28)	\$21.39	0
Class B	149	4,814,710	654,168	13.6%	43,945	\$15.52	0
Class C	233	3,129,931	285,405	9.1%	(26,340)	\$15.56	0
Northeast							
Class A	12	840,442	5,079	0.6%	500	\$22.51	0
Class B	143	3,383,964	625,575	18.5%	21,473	\$16.45	0
Class C	258	2,417,711	246,171	10.2%	4,645	\$12.92	0
South							
Class A	28	2,660,654	413,359	15.5%	(37,618)	\$20.78	0
Class B	131	5,038,637	651,790	12.98%	85,022	\$17.46	10,394
Class C	154	2,278,062	130,585	5.7%	(254)	\$12.31	0
Southeast							
Class A	6	385,164	46,267	12.0%	11,751	\$21.76	20,000
Class B	73	1,663,471	178,483	10.7%	29,468	\$18.22	33,661
Class C	66	778,452	38,974	5.0%	(10,760)	\$16.86	0
Southwest							
Class A	9	965,343	126,216	13.1%	4,581	\$24.25	0
Class B	157	4,663,904	415,927	8.9%	216,789	\$18.07	0
Class C	272	2,767,011	293,846	10.6%	(30,407)	\$13.02	0
Lorain							
Class A	5	342,962	209,458	61.1%	(91,243)	\$25.92	0
Class B	102	2,020,372	191,661	9.5%	96,273	\$18.01	0
Class C	219	1,793,803	141,903	7.9%	(10,301)	\$12.97	0
Medina							
Class A	2	17,372	7,625	43.9%	9,747	\$23.88	40,000
Class B	69	931,444	157,097	16.9%	57,529	\$19.72	0
Class C	154	1,068,373	78,254	7.3%	61,448	\$15.66	0
Summit							
Class A	38	3,782,033	384,665	10.2%	110,420	\$20.65	202,843
Class B	433	11,994,490	892,980	7.4%	170,583	\$15.25	48,514
Class C	951	8,636,157	684,240	7.9%	117,286	\$12.09	0

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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 sublease 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 NN 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. Lorain County

Vacancy: 13.1% YTD Abs: (5) K SF Avg. Rent: \$18.44 PSF

2. West

Vacancy: 11.8% YTD Abs: (20) K SF Avg. Rent \$16.14 PSF

3. Downtown Cleveland

Vacancy: 13.4% YTD Abs: 1.0 M SF Avg. Rent: \$16.11 PSF

4. Northeast

Vacancy: 13.2% YTD Abs: 27 K SF Avg. Rent: \$15.32 PSF

5. East

Vacancy: 8.8% YTD Abs: 27 K SF Avg. Rent: \$15.32 PSF

6. South

Vacancy: 12.0% YTD Abs: 47 K SF Avg. Rent: \$18.25 PSF

7. Southeast

Vacancy: 9.3% YTD Abs: 98 K SF Avg. Rent: \$18.99 PSF

8. Southwest

Vacancy: 10.0% YTD Abs: 191 K SF Avg. Rent: \$17.57 PSF

9. Medina County

Vacancy: 12.0% YTD Abs: 129 K SF Avg. Rent: \$18.44 PSF

10. Summit County

Vacancy: 8.0% YTD Abs: 398 K SF Avg. Rent: \$15.62 PSF



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