

MARKETBEAT OFFICE SNAPSHOT



CLEVELAND, OH

A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

As reported by the U.S. Bureau of Labor Statistics (BLS), the Greater Cleveland area, as of the 4th Quarter statistics, has the 10th lowest unemployment of all of U.S. major metropolitan areas. At 7.1%, Cleveland had the lowest unemployment rate of all Ohio cities. Medical, new construction jobs, technology, casino jobs and work supporting the new shale drilling industry continue to drive the Northeast Ohio Economy.

OCCUPIER FOCUS

Exciting news about two recently announced office moves continues to promote an improving office market. AMTrust Financial will occupy the 800 Superior Avenue building in the CBD it acquired at auction and bring 800 new jobs and MRI Software will double its current space and occupy 100,000 square feet (sf) at 28925 Fountain Parkway in Solon.

The Cleveland CBD office market saw an overall vacancy rate of 18.7% for the 4th quarter versus 19.1% in the third quarter of 2011. Class A overall vacancy decreased encouragingly to 12.9% versus 13.9% in the third quarter with rental rates down slightly to \$20.07 per square foot (psf) versus third quarter's \$22.32 psf. Class A overall absorption was a positive 97,944 s.f. versus a negative 103,909 sf for the 3rd quarter. However, while overall absorption for all office classes in the CBD was positive 130,861 sf, for the 4th quarter it was a negative 304,809 sf YTD.

The Suburban class A market saw an overall vacancy remain unchanged at 11.1% and class A rental rates increased slightly to \$21.45 psf from the 3rd quarter's \$21.42 psf.

In addition to AMTrust Financial and MRI Software lease transactions, OnX Enterprise Solutions secured 23,000 sf at Landerbrook Building 2 in Mayfield Heights and Education Management Corp. leased 40,000 sf on Hemingway in Bedford Heights.

INVESTMENT FOCUS

Investment activity continued strong in the 4th quarter. New business ventures in the CBD such as the Rock Ohio Caesars Casino create additional real estate activity. Rock Ohio is acquiring the Ritz-Carlton Hotel for \$36.5 million and has purchased the \$13-million mortgage for approximately \$3.5 million on the 250 Huron Building which houses the Hotel and approximately 120,000 sf of office space. In the West suburbs, PWA Real Estate LLC has acquired from Duke Realty, Great Northern Corporate Center totaling 273,379 sf for \$26,500,000 (\$96/psf) with high occupancy and strong pricing. However, College Planning Network was able to acquire the 26,000 sf. 23625 Commerce Park Road in Beachwood for \$1,200,000 (\$46/psf) reflecting the opposite situation as the result of a short sale.

OUTLOOK

Cleveland continues its recovery. Announced projects such as the Horseshoe Casino are creating new jobs with a call for 500 new employees of the 1,600 projected as part of the active hiring process. These are desirable jobs, including health care benefits. Long discussed projects, such as the Cleveland Aquarium will open in early 2012. In addition to generating new jobs, it contributes to quality of life in the City. The new Medical Mart and Convention Center continue on schedule for early 2013 openings.

New residential housing is being discussed for the Hanna Building Annex in the Playhouse area as well as conversion of part of the Historic Arcade, both in Downtown Cleveland.

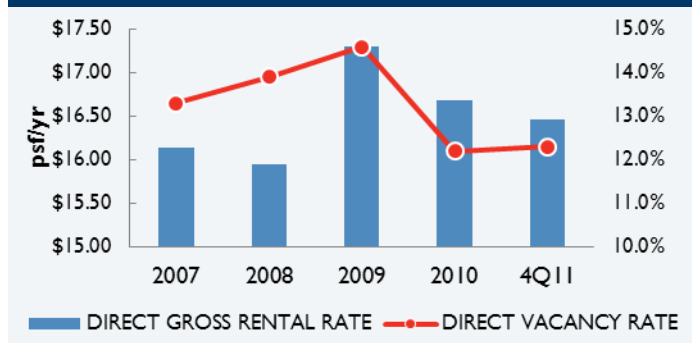
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.2%	12.3%	0.1pp	▼
Direct Asking Rents (psf/yr)	\$16.69	\$16.46	-1.4%	◄►
YTD Leasing Activity (sf)	1,476,584	2,398,348	62.4%	▲

UNDER CONSTRUCTION VS. COMPLETIONS



DIRECT RENTAL VS. VACANCY RATES



CLEVELAND, OH

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Central Business District	33,965,610	18.7%	18.0%	653,167	475,000	0	(198,832)	(304,809)	\$17.62	\$20.79
CBD	33,965,610	18.7%	18.0%	653,167	475,000	0	(198,832)	(304,809)	\$17.62	\$20.79
Midtown	6,564,489	7.6%	7.6%	150,110	0	0	39367	39367	\$12.45	\$20.93
Northeast & Lake County	7,624,254	13.6%	13.6%	95,116	10,750	24,750	123,159	123,159	\$15.25	\$24.00
Geauga County	1,505,588	7.6%	7.6%	21,410	0	1,453	27,846	27,846	\$14.50	\$0.00
Chagrin, East & Lander	13,311,814	10.4%	10.3%	232,181	580,000	128,000	126,098	151,633	\$19.08	\$22.61
Southeast	3,384,195	12.4%	11.3%	51,310	150,000	0	(12,043)	(21,415)	\$18.80	\$20.74
Rockside & South	9,551,587	13.1%	12.8%	263,003	0	63,828	(124,677)	(111,921)	\$18.63	\$21.13
Southwest	8,336,413	8.8%	8.8%	142,700	162,980	0	(24,004)	(21,498)	\$15.97	\$24.46
West	8,546,145	13.0%	12.7%	213,132	0	0	(33,461)	(41,450)	\$14.84	\$19.96
Akron	23,656,533	9.1%	8.1%	205,340	322,144	221,300	10,832	(20,449)	\$15.26	\$21.70
Fairlawn & Montrose	4,245,153	14.6%	13.9%	115,830	0	12,708	(3,263)	(21,438)	\$17.09	\$19.41
Lorain County	5,245,259	8.1%	8.1%	38,479	0	0	20,348	20,348	\$12.30	\$16.00
Medina County	2,969,736	8.1%	8.1%	38,320	0	3,834	(23,623)	(23,623)	\$14.89	\$0.00
Portage County	2,197,894	5.2%	5.2%	16,503	0	0	29,854	29,854	\$14.82	\$0.00
Stark County	10,499,751	8.8%	8.7%	161,747	50,000	0	150,133	145,028	\$12.60	\$0.00
NON-CBD	107,638,811	10.2%	9.9%	1,745,181	1,275,874	455,873	306,566	275,441	\$15.98	\$21.57
TOTALS**	141,604,421	12.3%	11.8%	2,398,348	1,750,874	455,873	107,734	(29,368)	\$16.44	\$21.28

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
28925 Fountain Parkway	Southeast	MRI Software	Office	100,000
Hemingway at Richmond Road	East	Education Management Corp.	Office	40,000
190 Montrose Ave, West	Akron	Bryant & Stratton College	Office	27,500
5910 Landerbrook Drive	Chagrin, East & Lander	OnX Enterprise Solutions	Office	23,000
SIGNIFICANT 2011 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
Great Northern Corporate Center	West	PWA	\$26,500,000	273,379
29125 Chagrin Blvd.	Chagrin, East & Lander	Weiss Properties	\$3,500,000	32,000
23625 Commerce Park Rd.	Chagrin, East & Lander	College Planning Network, LLC	\$1,200,000	26,000
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Medical Mart & Convention Center	CBD	Medical Mart	I Q13	1,000,000
World Headquarters	Akron	Goodyear	I Q13	639,000
Flats East Bank Project/950 Main St.	CBD	Earnst & Young/Tucker Ellis	I Q13	475,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS