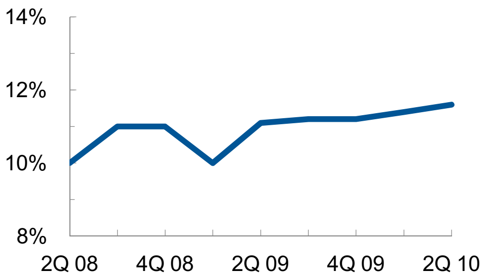
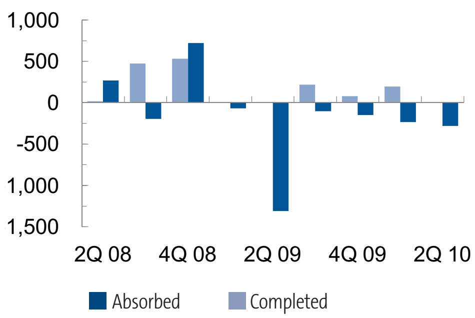
Industrial Trends Report—Second Quarter 2010
Cleveland, OH

GRUBB & ELLIS
From Insight to Results

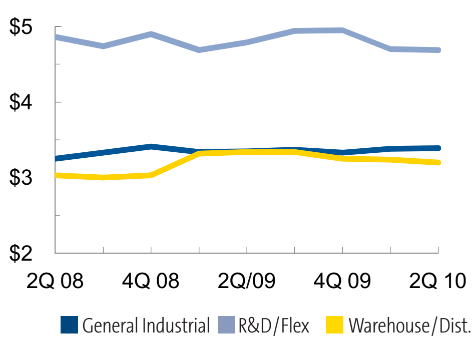
Vacancy Rate



Completions vs. Absorption
(in Thousands of SF)



Asking Rental Rates
($/SF/Yr. Triple Net)



Hiring Gears Up!

Through the first half of 2010, as anticipated, the manufacturing sector began its turnaround. This, in turn, is causing a resurgence in the local industrial sector. Although news may seem bleak to workers at the Ford Casting and Chrysler Stamping plants—two automobile plants that are winding down operations—it is not indicative of the reality in the greater industrial sector, which historically is one of the region's strongest economic drivers. Segments of manufacturing such as steel processing, metal fabricating and forging are reportedly gearing up for increased orders with improved capacity utilization and worker recalls. In the Cleveland MSA, unemployment has dropped 100 basis points since January and the most significant growth was in manufacturing employment. Capacity utilization rates for some industrial sector companies are consistently improving, yet business owners are still using caution with regards to new capital expenditures.

The Federal Reserve Beige Book reports a continued increase in steel shipments mostly prompted by an uptick in order volume for auto, energy and construction equipment. During the same period last year, no iron ore was delivered to the Port of Cleveland—over 500,000 tons were imported in the first half of this year. Further indicators are seen in the region's largest steel plant, ArcelorMittal. Currently they are operating at 70 percent capacity only one year after being idle for several months. Employment at the mill has gone from 270 maintenance workers, to 1,070 workers at the end of May, with more previously furloughed employees being recalled weekly.

Crain's Cleveland Business reports signs of a turnaround are also evident in the warehousing and shipping portion of the supply chain. One local company, All Pro Freight, which warehouses consumer-ready products, is at 70 percent capacity in the local warehouse; 12 months prior they were at 30 percent. Progress of this caliber is becoming a widespread market trend. For instance, Lefco Worthington, a manufacturer of shipping products, such as crates, pallets and steel containers, has experienced vigorous demand for their shipping materials in recent months--again, pointing toward a recovery in general manufacturing.

KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
BHW Holding Co. Inc	Westminster RH Macedonia *	8190 Roll and Hold Pkwy.	3,320,000
Jamestown Container	Principal Life Insurance	8146 Bavaria Dr.	2,600,000
Arrow International	Clinton Technologies, Inc. *	7700 Clinton Rd.	1,175,000
Carnegie Federal Body *	9500 Brookpark, LLC	9500 Brookpark Rd.	50,000

Leasing Sales (R) = Renewal (S) = Sublease **Indicates Transaction Represented by Grubb & Ellis*

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By Submarket	Total SF	Vacant SF	Vacancy %	NET ABSORPTION Current Qtr	Year To Date	Under Construction SF	ASKING RENT WH/Dist	R&D/Flex
Downtown	78,703,496	7,754,604	9.9%	67,521	19,343	-	$2.07	$2.13
Northeast	48,777,718	5,369,915	11.0%	(272,181)	(399,673)	-	$3.06	$3.79
Northwest	24,015,789	4,410,833	18.4%	20,587	181,882	45,000	$2.75	$4.23
Southcentral	34,465,796	4,011,151	11.6%	(187,474)	(13,243)	-	$3.93	$6.22
Southeast	79,873,919	8,554,604	10.7%	227,287	368,293	631,000	$3.44	$5.28
Southwest	34,840,701	4,696,445	13.5%	(135,917)	(670,430)	-	$4.38	$5.04
Totals	**300,677,419**	**34,797,552**	**11.6%**	**(280,177)**	**(513,828)**	**676,000**	**$3.20**	**$4.69**

By Property Type	Total SF	Vacant SF	Vacancy %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT
General Industrial	184,840,407	18,361,342	9.9%	5,778	(441,387)	165,000	$3.39
Incubator	1,579,678	42,925	2.7%	-	(13,606)	-	$3.75
R&D/Flex	23,470,648	4,699,772	20.0%	(67,185)	(336,401)	-	$4.69
Warehouse/Distribution	90,786,686	11,693,513	12.9%	(218,770)	277,566	511,000	$3.20
Totals	**300,677,419**	**34,797,552**	**11.6%**	**(280,177)**	**(513,828)**	**676,000**	**$3.51**

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INDUSTRIAL TERMS AND DEFINITIONS

Total SF: Industrial Inventory includes all multi-tenant, single tenant and owner-occupied buildings at least 10,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses .

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*