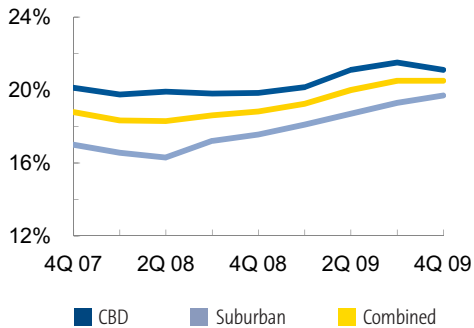
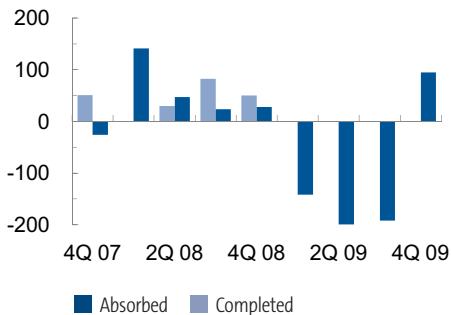


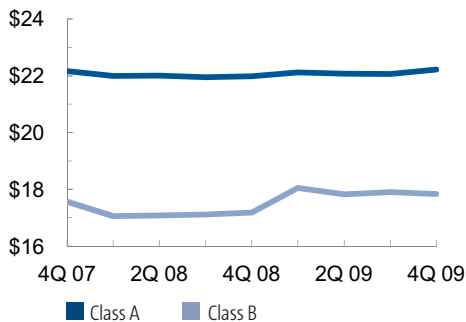
## Vacancy Rate Quarterly



## Completions vs. Absorption Quarterly (in Thousands of SF)



## Asking Rental Rates Quarterly (\$/SF/Yr. Full Service)



# Stabilization Expected Mid-2010

The downturn in the Northeast Ohio economy continued throughout 2009, pushing vacancy over 20 percent for the first time since 2005. This represents a 200 basis point increase in 12 months, with an overall negative absorption of 480,000 square feet. In the Central Business District, the Class A vacancy is still a relatively healthy 11.3 percent with limited options for large tenants looking for space. Class B space in the CBD ended 2009 with a 26.6 percent vacancy rate. But when carving out the B+ product, the occupancy levels are more stable with the exception of a few properties. In the East submarket, overall Class A vacancy is just over 11 percent, with few options available for tenants over 25,000 square feet. The concentrations of office space along Chagrin Boulevard and Landerbrook/Landerhaven have a combined Class A vacancy of just 8.6 percent. Duke is expected to aggressively market their South and West portfolio, by offering competitive rates and generous tenant improvements (TI) dollars, which competing suburban landlords may be unable to provide.

Tenants across the market are expected to capitalize on opportunities to upgrade space or extend existing leases for lower rent costs. Some landlords will offer TI with competitive rents, while others will encourage re-use of quality second generation space at below market rates with the possibility of free rent up front. Since availability of tenant improvement dollars will vary, tenants looking for space may request confirmation that funds pledged for TI are available.

## FORECAST

- Minimal net gain in occupancy will be realized through most of 2010.
- Vacancies will be aggressively marketed by property owners in an effort to gain new tenants and stabilize cash flow.
- Other than Ernst & Young Tower in the CBD, no new construction of multi-tenant buildings is anticipated.

## KEY TRANSACTIONS

| Lessee/Buyer               | Lessor/Seller                         | Property                       | Size (SF)/Price |
|----------------------------|---------------------------------------|--------------------------------|-----------------|
| HCRI Akron Properties, LLC | Legacy II, LLC*                       | 200 E. Market St.              | \$20,500,000    |
| Dash Family Trust          | 4850 E 49th Street LLC*               | 4830 E 49th St.                | \$2,850,000     |
| SP Data, LLC*              | Post Office Plaza Limited Partnership | MK Ferguson Plaza.             | 22,434          |
| Community Insurance        | Southport Center, LLC                 | 8333 Rockside Rd. <sup>R</sup> | 28,260          |

■ Leasing ■ Sales

(R) = Renewal (S) = Sublease

\*Indicates Transaction Represented by Grubb & Ellis

# Office Trends Report—Fourth Quarter 2009

## Cleveland, OH



**GRUBB & ELLIS**  
From Insight to Results

| By Submarket          | Total SF          | Vacant SF        | VACANCY %    |              | NET ABSORPTION |                  | Under Construction SF | ASKING RENT    |                |
|-----------------------|-------------------|------------------|--------------|--------------|----------------|------------------|-----------------------|----------------|----------------|
|                       |                   |                  | Direct       | Total        | Current        | Year To Date     |                       | Class A        | Class B        |
| CBD                   | 21,662,695        | 4,560,084        | 19.7%        | 21.1%        | 47,808         | (221,699)        | -                     | \$22.65        | \$18.54        |
| <b>CBD Total</b>      | <b>21,662,695</b> | <b>4,560,084</b> | <b>19.7%</b> | <b>21.1%</b> | <b>47,808</b>  | <b>(221,699)</b> | <b>-</b>              | <b>\$22.65</b> | <b>\$18.54</b> |
| East                  | 7,698,862         | 1,481,941        | 18.2%        | 19.2%        | (42,347)       | (225,274)        | 24,000                | \$23.52        | \$17.68        |
| South                 | 4,797,768         | 938,036          | 18.9%        | 19.6%        | 17,317         | (69,327)         | -                     | \$22.38        | \$18.22        |
| Southwest             | 1,444,494         | 224,538          | 15.3%        | 15.5%        | 19,788         | 26,874           | -                     | \$18.22        | \$15.54        |
| West                  | 3,353,355         | 765,972          | 21.5%        | 22.8%        | 43,592         | (3,245)          | -                     | \$19.08        | \$14.82        |
| <b>Suburban Total</b> | <b>17,294,479</b> | <b>3,410,487</b> | <b>18.8%</b> | <b>19.7%</b> | <b>38,350</b>  | <b>(270,972)</b> | <b>24,000</b>         | <b>\$21.97</b> | <b>\$16.87</b> |
| <b>Totals</b>         | <b>38,957,174</b> | <b>7,970,571</b> | <b>19.3%</b> | <b>20.5%</b> | <b>86,158</b>  | <b>(492,671)</b> | <b>24,000</b>         | <b>\$22.22</b> | <b>\$17.84</b> |

| By Class      | Total SF          | Vacant SF        | Direct       | Total        | Current       | Year To Date     | Under Construction SF | AVAILABLE FOR SUBLEASE |                |
|---------------|-------------------|------------------|--------------|--------------|---------------|------------------|-----------------------|------------------------|----------------|
|               |                   |                  |              |              |               |                  |                       | CBD                    | Suburban       |
| Class A       | 14,859,712        | 2,321,664        | 14.8%        | 15.6%        | (63,385)      | (220,784)        | 24,000                | 92,414                 | 200,657        |
| Class B       | 16,999,195        | 3,905,087        | 21.1%        | 23.0%        | 27,632        | (334,614)        | -                     | 340,778                | 148,288        |
| Class C       | 7,098,267         | 1,743,820        | 24.3%        | 24.6%        | 121,911       | 62,727           | -                     | 27,500                 | 48,053         |
| <b>Totals</b> | <b>38,957,174</b> | <b>7,970,571</b> | <b>19.3%</b> | <b>20.5%</b> | <b>86,158</b> | <b>(492,671)</b> | <b>24,000</b>         | <b>460,692</b>         | <b>396,998</b> |

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## OFFICE TERMS AND DEFINITIONS

**Inventory:** Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

**Office Building Classifications:** Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

**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.

**Direct Vacant:** This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

**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. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. 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.