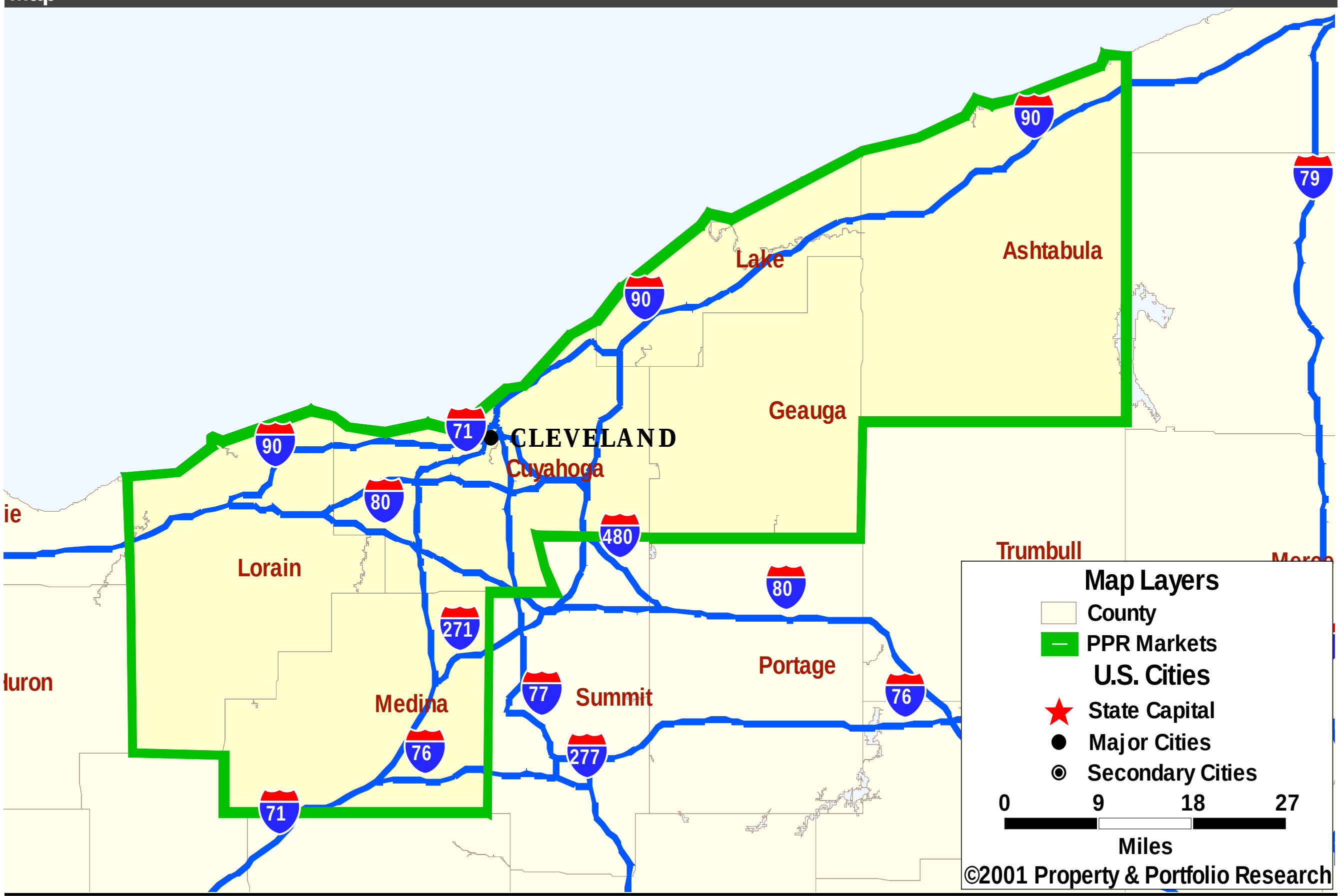
CLEVELAND

Overview

Map



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*			Net New Supply (000SF)**			Net Absorption (000SF)**		
Apartment		⇧ 6.9%			⇧ 1,579			⇩ 372	
	3.9% 86:1		6.9% 02:1	-454 94:4		3,346 90:3	-1,249 92:1		2,619 85:2
Office		⇧ 14.6%			⇔ 1,273			⇩ -626	
	7.3% 83:1		20.4% 92:2	504 94:2		3,022 90:4	-626 02:1		2,657 98:2
Retail		⇧ 13.2%			⇩ 1,269			⇩ -667	
	10.4% 00:1		21.3% 82:2	264 83:4		2,869 97:3	-2,569 82:1		4,283 94:3
Warehouse		⇧ 9.7%			⇩ 915			⇩ -625	
	7.0% 96:2		11.5% 83:2	-318 92:1		1,440 88:4	-988 93:1		3,179 87:4
Hotel		⇩ 57.1%			⇩ 664			⇩ -518	
	70.7% 95:4		57.1% 02:1	-77 94:3		1,059 98:4	-518 97:2		760 95:2

*Occupancy for Hotels

**Apartment and Hotel data are in units.

CLEVELAND

Analysis/Economy

Notable Economic and Real Estate Market Events

- **ECON – Declines in employment persist in Cleveland, with total employment in the metro falling 1.1% year-over-year as of March.** Heavy losses of nearly 6% (12,383 jobs) in the manufacturing sector are driving declines. Manufacturing job cuts are likely to continue over the near term. Ford Motor Co., which employs nearly 12,000 in the metro, recently announced a major reorganization, including an additional 1,700 job cuts locally (out of a total of 35,000 cuts worldwide). Job cuts at LTV Corp., which announced bankruptcy in late 2000, now total 2,500. Chronic out-migration, continued declines in the manufacturing sector, and a failure to develop high-growth industries will keep job growth below average.
- **APT – Vacancies have inched up since 1995, and are near 7% today.** Construction has ramped up over the past two years, averaging nearly 1,400 units during 2000–01. It has been most heavily concentrated on the West Side and in the CBD, as old commercial buildings are rehabbed into apartments, lofts, and condos with **significant development occurring in the Flats and Warehouse Districts.** Conversion projects currently underway include 184 units by St. Clair Arms LLC/Sommerville Development (a conversion of the former West Tech high school), and Burnside Construction's conversion of the Bingham building into 322 apartment units. As projects currently underway complete, vacancies will begin to improve going forward.
- **OFF – Increased sublease space has negatively affected the Cleveland office market, especially the CBD.** Space vacated by East Ohio Gas, BP Amoco, LTV Steel, and the Washington Group added softness to the CBD in 2001. Softness continues this year, as local sources expect an additional 600,000 SF to become available downtown by year-end. **Due to weak market conditions, several downtown projects have been delayed**, including the 200,000 SF World Trade Center project by the Amsdell Co. **In the suburbs, construction has been heaviest in the East and West submarkets.** Here also, projects have been cancelled due to weak conditions, including Progressive Corporation's planned 70,000 SF call center in Parma.
- **RET – With a slowdown in retail sales growth, economic vacancies have softened from their historically low levels in 2000.** Net additions to supply have averaged about two million SF per year since 1995, but this pace has been gradually moderating since 1997. **Big-box space, both in freestanding formats and in power centers comprises the bulk of construction activity.** At least 750,000 SF of big-box space was completed in 2001 for retailers such as Lowe's, Target, Best Buy, and Kohl's. An additional two million SF of big-box space is currently under construction including Starwood-Wasserman's 600,000 SF University Commons retail complex in University Heights.
- **WHS – Vacancies in the Cleveland warehouse market will remain high over the short term.** Negative net demand is forecast for 2002, as the economy continues to struggle. CB Richard Ellis reports that **much of the recent industrial absorption has occurred in the Southern submarket**, while **some of the heaviest construction activity continues to take place in the Southeast**. Currently, Duke is nearing completion on the 144,000 SF Fountainway Parkway building in Solon and is building an additional 100,000 SF in the Emerald Valley Industrial Park. Weaker local economic conditions will result in slow demand, but with vacancies above 10% this year, construction is also expected to slow over the forecast.
- **HOT – The Cleveland hotel market has been on a steady decline since 1996.** Negative net demand and the high level of construction activity have dropped occupancies to near 56% today. The Hyatt Regency Cleveland at the Arcade and the Hilton Garden Inn each recently completed in the CBD, and the 300-room Intercontinental Hotel is expected to be completed this summer.

Demographic Trends

Category	2002* Market	2002* U.S.	Annual Growth Rates 1982-1991 Market	1982-1991 U.S.	1992-2001 Market	1992-2001 U.S.	2002-2006 Market	2002-2006 U.S.
Population	2,260	288,644	-0.1%	1.0%	0.1%	1.2%	0.1%	0.9%
Households	895	107,714	0.4%	1.3%	0.4%	1.3%	0.2%	1.0%
Median Household Income	$49,880	$44,333	3.8%	4.4%	4.3%	3.7%	3.7%	3.1%
Apartment-Renting Households	276	35,788	1.5%	1.7%	-1.0%	0.5%	0.3%	1.0%
Real Retail Sales Per Capita	$4,835	$4,518	1.1%	1.4%	2.4%	1.7%	2.1%	1.7%

Employment Trends

SIC Category	2002* Employment	2002* Location Quotient	Annual Growth Rates 1982-1991 Market	1982-1991 U.S.	1992-2001 Market	1992-2001 U.S.	2002-2006 Market	2002-2006 U.S.
Total Services	359	1.0	3.0%	4.3%	2.3%	3.7%	1.9%	2.5%
Business Services	70	0.9	5.3%	6.6%	3.5%	6.2%	2.4%	3.0%
Other Services	289	1.0	2.6%	3.8%	2.0%	3.0%	1.8%	2.4%
Retail Trade	193	0.9	1.6%	2.5%	0.9%	2.0%	1.1%	1.6%
Government	149	0.8	0.4%	1.6%	0.6%	1.3%	-0.0%	0.7%
Manufacturing	200	1.3	-2.0%	-0.6%	-1.2%	-0.6%	0.3%	0.1%
F.I.R.E.	83	1.2	2.3%	2.2%	2.6%	1.5%	1.2%	0.9%
Wholesale Trade	70	1.2	0.3%	1.3%	0.5%	1.4%	1.4%	1.2%
Trans., Comm., Util.	47	0.8	-2.0%	1.1%	0.7%	2.0%	0.8%	1.1%
Construction	45	0.8	2.3%	1.4%	2.5%	4.2%	-0.5%	0.3%
Mining	1	0.2	-10.0%	-6.0%	4.7%	-1.6%	-1.5%	-1.1%
Total Employment	1,148	1.0	0.7%	1.9%	1.0%	2.0%	1.0%	1.4%
Office-Using Employment	275	1.1	2.5%	3.0%	2.8%	2.9%	1.7%	1.9%
Trucking/Warehouse Employment	82	1.1	0.4%	1.5%	0.7%	1.7%	1.1%	1.2%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

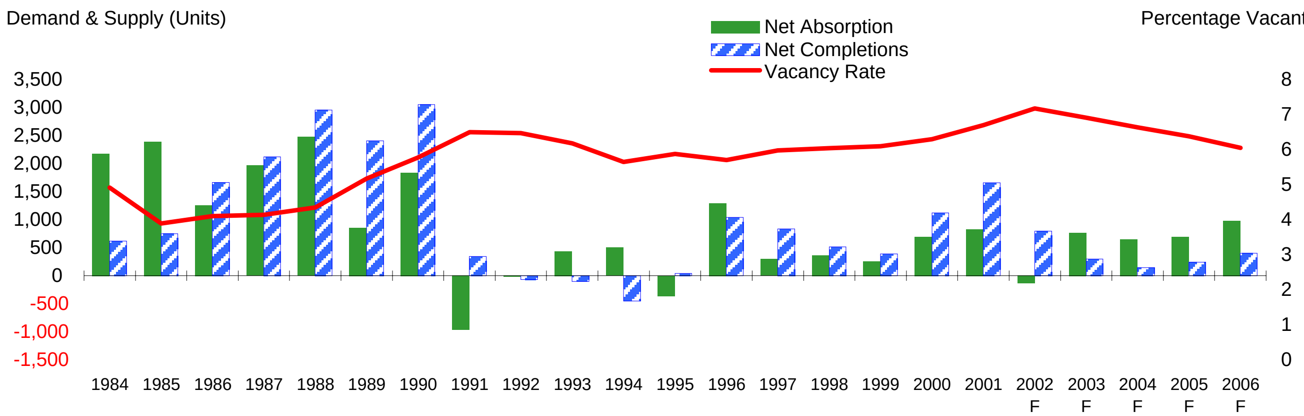
Employment Growth 3/02	Labor Force Growth 3/02	Unemployment Rate 3/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100) Business	Cost Indices (U.S. = 100) Living
-1.1%	2.4%	6.6%	0.9	-3.1	105	98

Sources: PPR; Economy.com

CLEVELAND

Apartment

Supply, Demand, and Vacancy

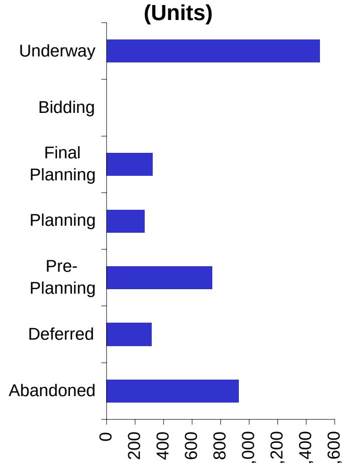


Apartment Market Statistics (Units)

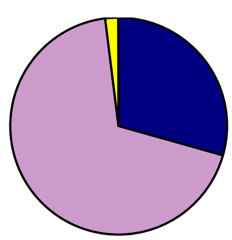
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Apt. Vacancy	6.0%	6.0%	6.1%	6.3%	6.7%	7.2%	6.9%	6.6%	6.4%	6.0%
Apt. Net Absorption	296	365	259	694	828	-133	763	649	692	978
% Growth	0.2%	0.2%	0.2%	0.4%	0.5%	-0.1%	0.5%	0.4%	0.4%	0.6%
Multifamily Starts	869	2,237	2,064	1,243	1,481	497	196	230	377	664
% Change	-7.3%	157.4%	-7.7%	-39.8%	19.1%	-66.4%	-60.6%	17.3%	63.9%	76.1%
Net Apt. Completions	833	511	390	1,123	1,660	797	299	145	236	400
Apt. Inventory	178,202	178,713	179,103	180,226	181,886	182,683	182,981	183,126	183,362	183,763
% Growth	0.5%	0.3%	0.2%	0.6%	0.9%	0.4%	0.2%	0.1%	0.1%	0.2%
Apt. Rent Index	105	106	117	114	108	107	106	106	108	110
% Change	4.5%	1.2%	10.2%	-2.0%	-5.5%	-1.0%	-0.8%	0.3%	1.1%	2.1%

PPR/Dodge Pipeline Summary

Current Activity (Units)

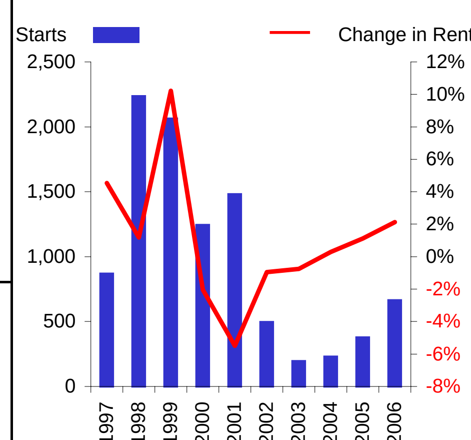


Multifamily Underway by Subclass



	Underway (Units)	%
Apartments	440	29%
Townhouse/Condo	1,025	69%
Low Income	-	0%
Unclassified	28	2%

Change in Rent vs. Starts

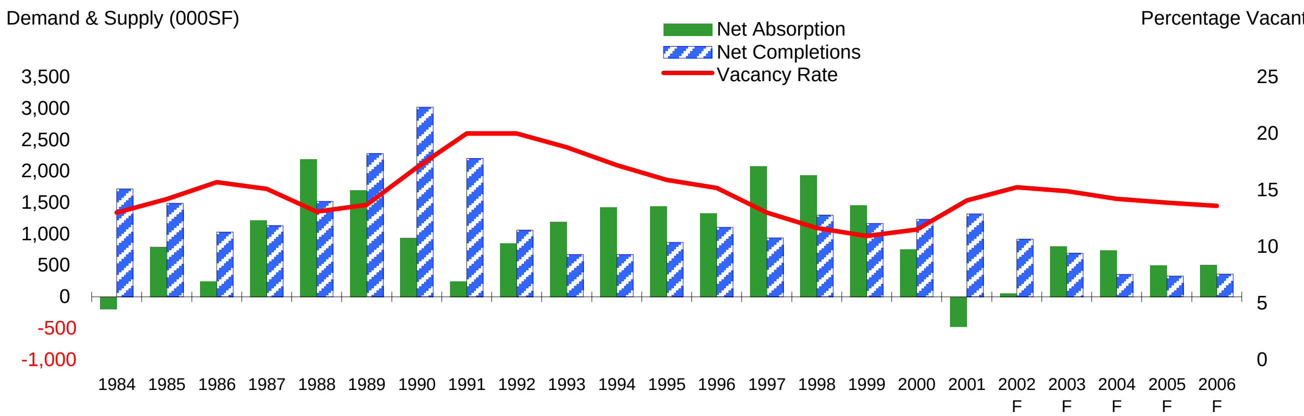


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

CLEVELAND

Office

Supply, Demand, and Vacancy

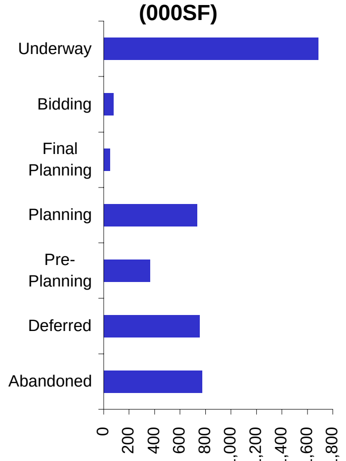


Office Market Statistics (000SF)

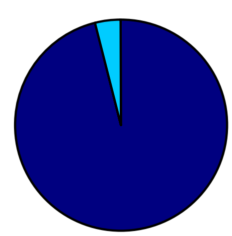
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	13.0%	11.7%	10.9%	11.5%	14.1%	15.2%	14.9%	14.2%	13.9%	13.6%
Net Absorption	2,074	1,935	1,457	758	-471	56	803	741	506	509
% Growth	4.3%	3.8%	2.8%	1.4%	-0.9%	0.1%	1.5%	1.3%	0.9%	0.9%
Starts	1,185	2,805	2,454	1,547	1,558	425	551	217	253	278
% Change	-39.0%	136.6%	-12.5%	-36.9%	0.7%	-72.7%	29.6%	-60.7%	16.8%	10.0%
Net Completions	941	1,303	1,166	1,237	1,320	920	693	355	332	362
Inventory	58,027	59,330	60,496	61,733	63,053	63,972	64,665	65,020	65,352	65,715
% Growth	1.6%	2.2%	2.0%	2.0%	2.1%	1.5%	1.1%	0.5%	0.5%	0.6%
Rent Index	105	112	114	115	109	107	107	109	110	112
% Change	5.1%	6.4%	2.0%	0.5%	-4.6%	-2.5%	0.3%	2.0%	1.2%	1.6%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

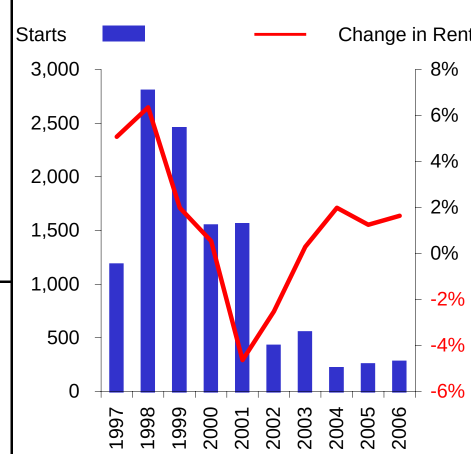


Office Underway by Subclass



	Underway (000SF)	%
Low Rise	1,621	96%
Mid Rise	-	0%
High Rise	-	0%
Office R&D	-	0%
Unclassified	64	4%

Change in Rent vs. Starts



Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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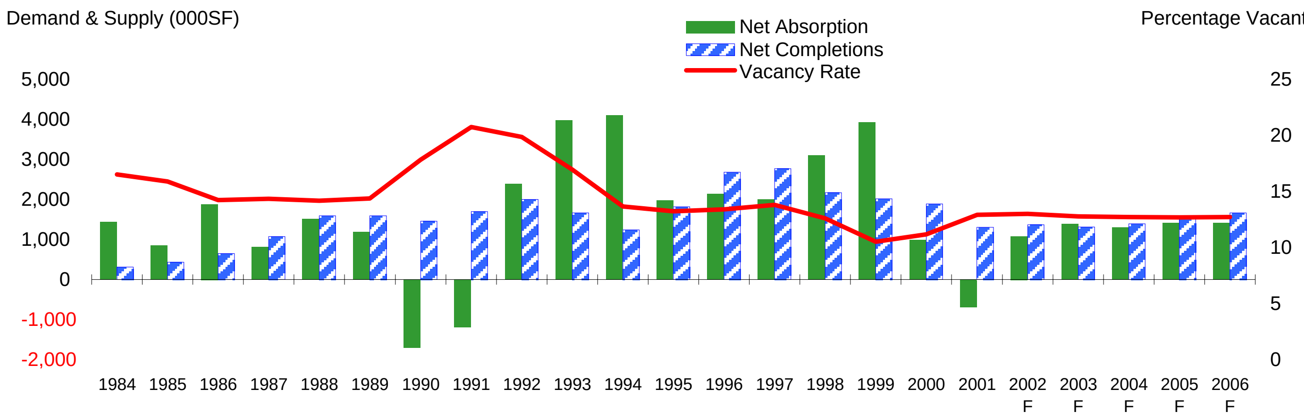
Retail

Supply, Demand, and Vacancy

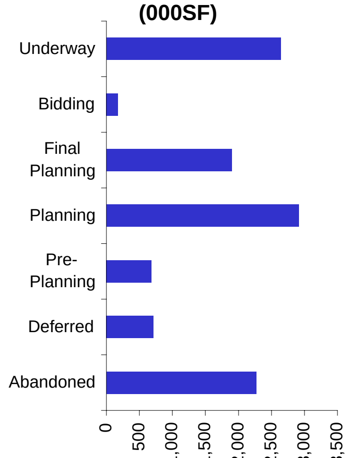


Retail Market Statistics (000SF)

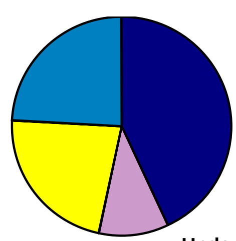
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	13.8%	12.6%	10.5%	11.2%	12.9%	13.0%	12.8%	12.7%	12.7%	12.7%
Net Absorption	2,002	3,102	3,924	986	-687	1,081	1,391	1,296	1,408	1,405
% Growth	2.4%	3.6%	4.4%	1.1%	-0.7%	1.2%	1.5%	1.4%	1.4%	1.4%
Starts	2,659	2,062	2,828	1,944	2,253	1,502	1,453	1,621	1,703	1,624
% Change	-2.6%	-22.4%	37.1%	-31.3%	15.9%	-33.3%	-3.3%	11.6%	5.0%	-4.6%
Net Completions	2,765	2,171	2,013	1,888	1,308	1,367	1,314	1,392	1,570	1,667
Inventory	99,788	101,960	103,973	105,861	107,169	108,536	109,851	111,243	112,813	114,480
% Growth	2.8%	2.2%	2.0%	1.8%	1.2%	1.3%	1.2%	1.3%	1.4%	1.5%
Rent Index	103	110	118	116	110	110	112	113	115	116
% Change	3.4%	6.1%	7.8%	-1.8%	-5.5%	-0.2%	2.1%	0.8%	1.6%	1.3%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

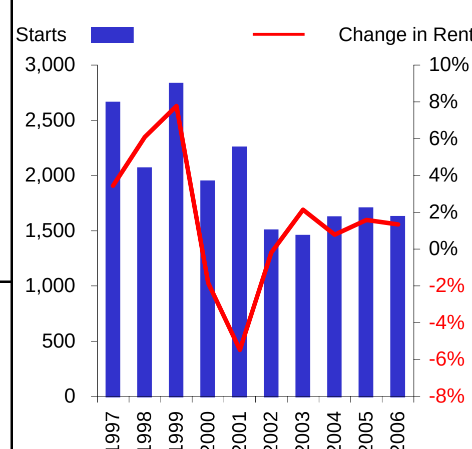


Retail Underway by Subclass



	Underway (000SF)	%
Freestanding Stores	1,131	43%
Neighborhood Center	271	10%
Community Center	-	0%
Regional	600	23%
Super Regional	-	0%
Outlet	-	0%
Unclassified	634	24%

Change in Rent vs. Starts

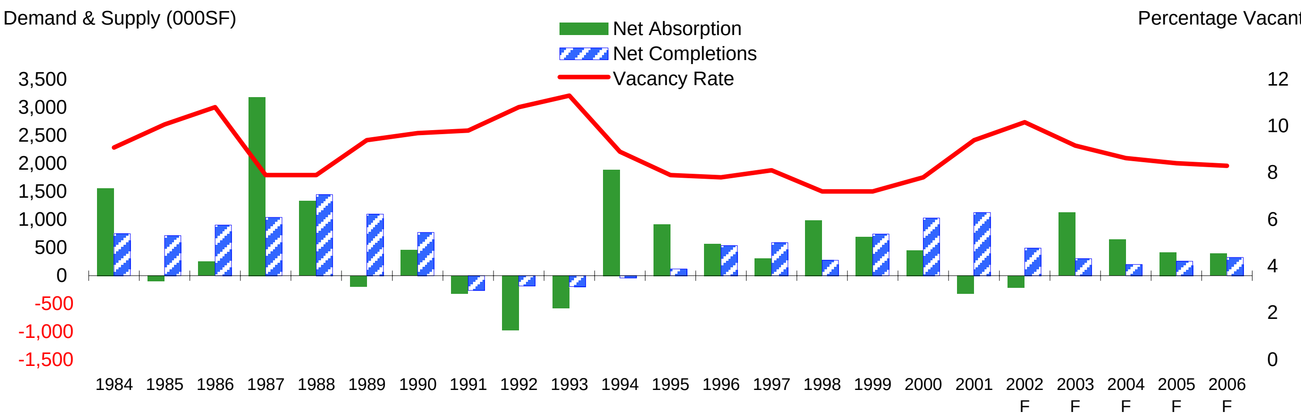


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

CLEVELAND

Warehouse

Supply, Demand, and Vacancy

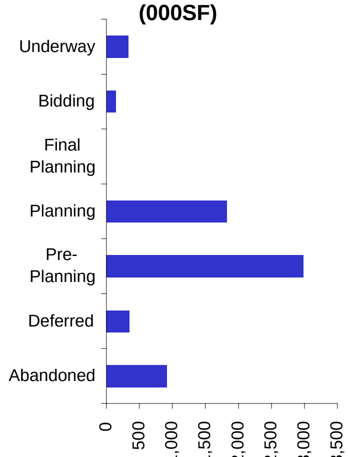


Warehouse Market Statistics (000SF)

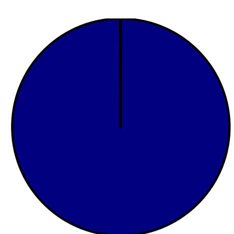
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	8.1%	7.2%	7.2%	7.8%	9.4%	10.2%	9.2%	8.6%	8.4%	8.3%
Net Absorption	304	984	687	449	-322	-207	1,123	644	415	390
% Growth	0.4%	1.3%	0.9%	0.6%	-0.4%	-0.3%	1.5%	0.8%	0.5%	0.5%
Starts	1,283	1,006	1,800	1,402	735	683	286	216	314	373
% Change	-20.2%	-21.6%	78.8%	-22.1%	-47.6%	-7.0%	-58.2%	-24.5%	45.4%	18.8%
Net Completions	587	269	740	1,025	1,122	488	300	199	253	325
Inventory	81,593	81,862	82,602	83,627	84,749	85,237	85,537	85,735	85,988	86,313
% Growth	0.7%	0.3%	0.9%	1.2%	1.3%	0.6%	0.4%	0.2%	0.3%	0.4%
Rent Index	105	106	108	107	100	98	97	97	98	99
% Change	4.7%	1.3%	1.9%	-1.2%	-6.5%	-2.2%	-1.0%	0.9%	0.9%	1.1%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

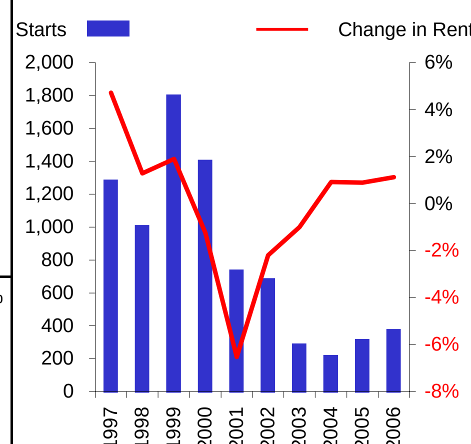


Warehouse Underway by Subclass



	Underway (000SF)	%
Distribution	327	100%
Warehouse/Flex	-	0%
Light Industrial	-	0%
Unclassified	-	0%

Change in Rent vs. Starts

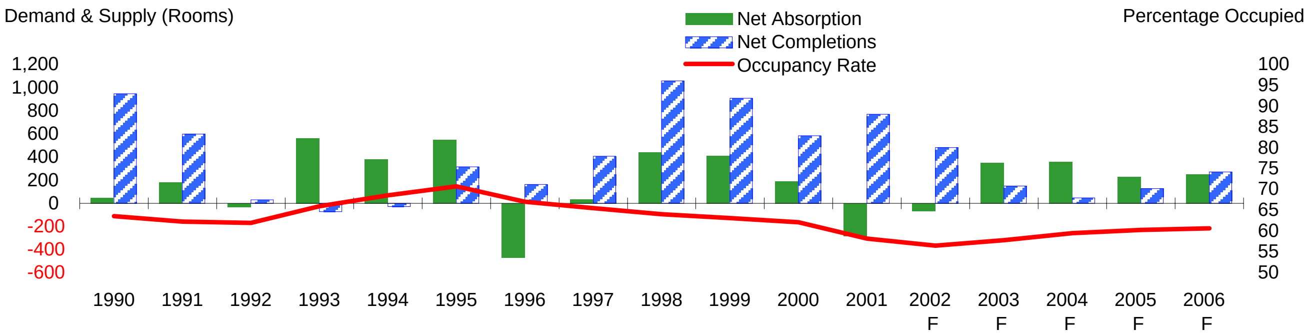


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

CLEVELAND

Hotel

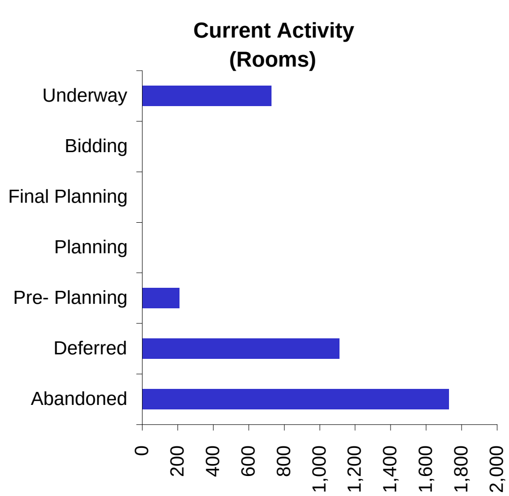
Supply, Demand, and Occupancy

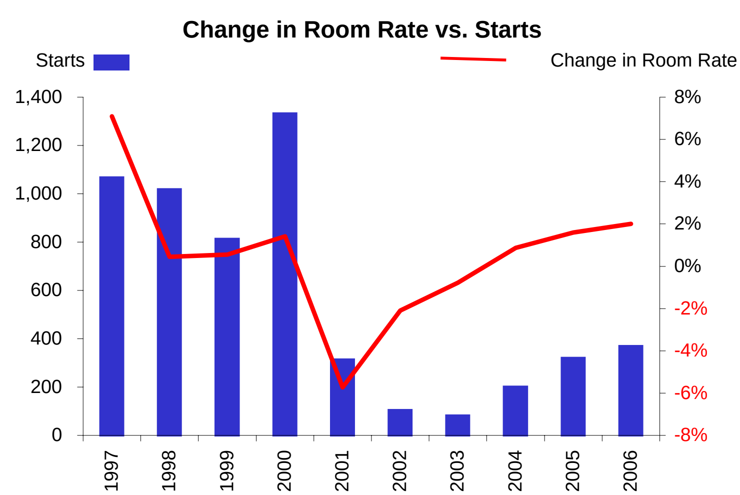


Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Occupancy	65.5%	64.0%	63.1%	62.1%	58.2%	56.5%	57.8%	59.5%	60.2%	60.7%
Net Absorption	36	439	413	190	-283	-64	352	361	229	252
% Growth	0.3%	4.2%	3.8%	1.7%	-2.4%	-0.6%	3.1%	3.1%	1.9%	2.1%
Starts	1,068	1,019	813	1,333	314	105	82	201	320	370
% Change	58.0%	-4.6%	-20.2%	64.0%	-76.4%	-66.6%	-21.9%	145.1%	59.2%	15.6%
Net Completions	407	1,059	910	584	771	482	149	46	126	272
Inventory	16,051	17,110	18,020	18,604	19,375	19,857	20,006	20,052	20,178	20,450
% Growth	2.6%	6.6%	5.3%	3.2%	4.1%	2.5%	0.7%	0.2%	0.6%	1.3%
Room Rate Index	107	108	108	110	103	101	100	101	103	105
% Change	7.1%	0.4%	0.6%	1.4%	-5.7%	-2.1%	-0.8%	0.9%	1.6%	2.0%
RevPar Index	104	103	103	102	87	84	88	90	93	95
% Change	4.2%	-0.7%	-0.9%	-0.9%	-14.7%	-2.8%	4.0%	3.0%	2.9%	2.7%

PPR/Dodge Pipeline Summary



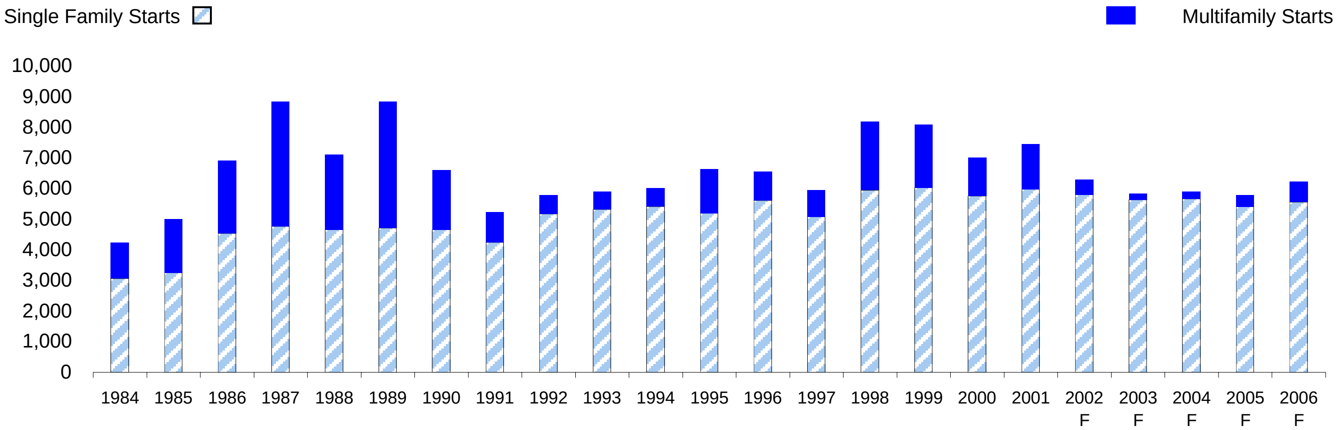


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

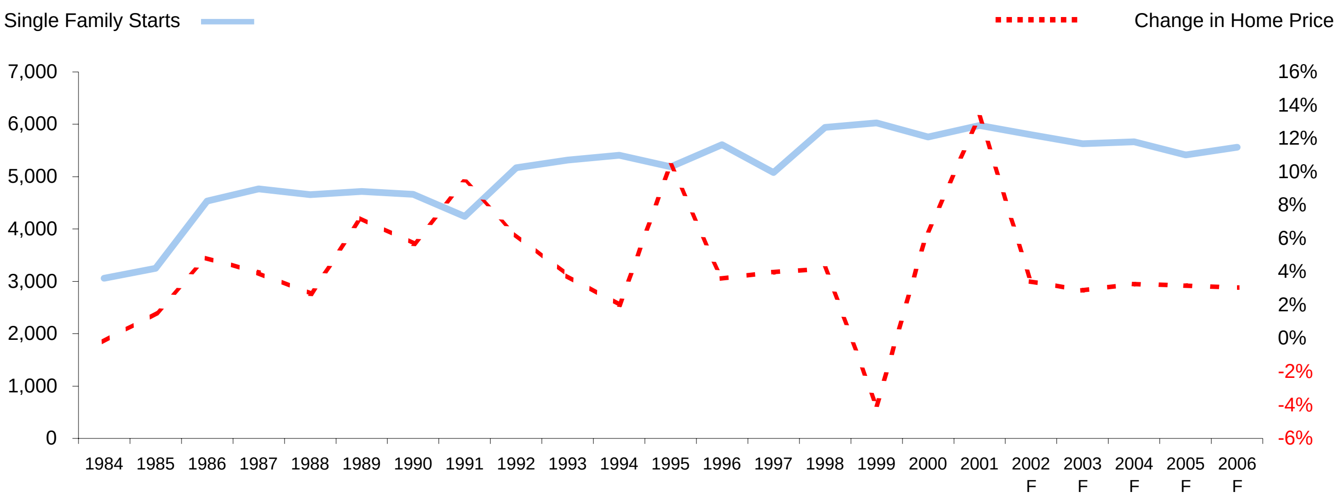
CLEVELAND

Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Starts	5,081	5,941	6,026	5,759	5,978	5,800	5,630	5,664	5,413	5,563
% Change	-9.5%	16.9%	1.4%	-4.4%	3.8%	-3.0%	-2.9%	0.6%	-4.4%	2.8%
Completions	5,216	5,569	6,065	5,918	5,835	5,944	5,573	5,740	5,442	5,513

Apartment Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Multifamily Starts	869	2,237	2,064	1,243	1,481	497	196	230	377	664
% Change	-7.3%	157.4%	-7.7%	-39.8%	19.1%	-66.4%	-60.6%	17.3%	63.9%	76.1%
Apartment Completions	833	511	390	1,123	1,660	797	299	145	236	400

Sources: PPR; McGraw-Hill Construction - Dodge

CLEVELAND

Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
Bingham Building Renov - Apts/Retail/Offices/Parking/Pool	Cleveland CBD	322	Underway	12/01	3/03
Timberlakes Apartment Complex	Avon West	252	Completed	12/00	3/02
Hunters Crossing Apartments	Elyria West	232	Completed	12/00	3/02
West Tech H.S. Apartments (High Schl Conversion)	Cleveland West	184	Underway	6/01	9/02
Multiunit Residential Building (alts from Hugo Boss Bldg)	Cleveland CBD	94	Underway	6/01	9/02
Rainbow Terrace Apts & Ofc/Community Bldg (Alts/New)	Cleveland East	58	Underway	12/01	3/03
Longwood Townhouses & Apt/Community Bldg (Phase 1)	Cleveland CBD	54	Underway	9/01	12/02
Apartments (Conversion from retail)/Parking Garage	Cleveland CBD	50	Completed	6/01	3/02
Apartment Buildings	Wadsworth	26	Underway	11/01	3/03
Conversion of former Fries and Schuele Co. (dept. store)	Cleveland CBD		Underway	3/01	6/02

CLEVELAND

Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
MBNA	Science Park Drive, Beachwood East	190	Underway	10/01	12/03
MTD Products Technology Center	Valley City Southwest	165	Underway	6/00	6/02
BridgePointe Office Building	Oaktree Blvd, Independence South	135	Planned	9/01	3/03
SOM Office Building	Willoughby Northeast	122	Underway	6/01	6/03
Chagrin Highlands II Tenants: Penske Logistics	Beachwood East	115	Completed	6/00	3/02
FBI Building	Lakeside Ave. near East 16th Street, Devenport Bluffs CBD	84	Underway	3/00	6/02
Essex Place	Oaktree South	69	Underway	9/01	12/02
Office Building (Design/Build)	Fairview Park	50	Completed	6/01	3/02
Multi Tenant Buildings	Perry Township	49	Completed	6/01	3/02
Jamestown Professional Bldg	Westlake West	35	Underway	6/01	6/02

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Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Legacy Village	on former TRW site, Lyndhurst East	634	Planned	6/02	12/03
Tenants: Jacobsons, Cheesecake Factory					
Crocker Park	Crocker Rd. and I-90 interchange in Westlake, Westlake West	610	Underway	10/01	12/03
Tenants: Talbots, Mustard Seed					
University Commons Retail Center - phase 2	University Heights East	450	Underway	6/01	6/03
Tenants: Target, Top's Market; Old Navy					
University Commons Retail Center - phase 1 - Kauffmans	University Heights East	150	Underway	6/01	6/02
Tenants: Kauffman's					
Lowe's	Ashtabula	140	Underway	6/01	3/03
Lowe's	Mentor Northeast	140	Underway	12/01	9/03
Wal-Mart Store #6314	Elyria West	135	Underway	9/01	6/03
Home Depot	Ashtabula	130	Underway	3/01	12/02
Home Depot Store #3835	Avon West	118	Underway	9/01	6/03
Retail Center - Creekview Commons	Brecksville South	90	Underway	9/01	6/03

CLEVELAND

Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Fountain Parkway Center building for Pioneer Standard Electronics Tenants: Pioneer Standard Electronics	building at 28600 Fountain Parkway, Solon Southeast	144	Underway	6/01	6/02
Strongsville Industrial Park 1 - Bldg 142/Ofc-Warehouse	Strongsville Southwest	142	Underway	2/02	12/02
Emerald Valley Industrial Warehouse Building #144	Glenn Willow Southeast	100	Underway	9/01	6/02
Discount Drug Mart Headquarters/Warehouse Expansion Tenants: Discount Drug Mart	Medina	84	Underway	2/02	12/02
Office/Warehouse Bldgs (Brooklyn Corporate Center)	Brooklyn	75	Planned		
Questron Office/Warehouse Bldg	Middleburg Heights	48	Underway	10/01	9/02
Office/Warehouse Condominiums	Mentor Northeast	46	Underway	3/02	12/02
Roscoe Medical Warehouse	Strongsville Southwest	43	Completed	9/01	3/02
Moran Construction Office/Warehouse Building	Strongsville Southwest	41	Underway	8/01	6/02
X Cell Business Park Office/Warehouse	Strongsville Southwest	30	Completed		3/02

CLEVELAND

Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Courthouse Tower Hotel/Office Complex/Parking Garage	Lakeside Ave., Cleveland	330	Underway	4/00	1/02
Acacia Country Club Mixed-Use Development	Cedar & Richmond Rds., Lyndhurst	300	Planned		
InterContinental Hotel-Conf Ctr/Garage/Restaurant	9801 Carnegie Ave, Cleveland	300	Underway	1/00	7/02
Embassy Suites Hotel	5800 Rockside Woods Blvd, Independence	271	Underway	1/00	10/01
Extended Stay America Effiency Studios Hotel (113 Units)	3820 Orange Pl, Orange	113	Underway	6/01	1/02
Homewood Suites Hotel/Indoor Pool	6025 Enterprise Pkwy, Solon	86	Underway	9/01	6/02
Fairfield Inn & Suites/Indoor Pool	39050 Colorado Ave, Avon	82	Underway	11/01	6/02
Hampton Inn/Pool (NEGOTIATED)	10315 Cascade Crossings, Brooklyn	81	Underway	5/01	2/02
Country Inn & Suites/Pool (Convert Scandinavian Spa)	645 Griswold Rd, Elyria	73	Underway	12/00	10/01
Rapid Station Renovation Project	Brook Park Rapid Station, Brookpark		Planned		