

# MARKETBEAT

# Cleveland, OH

## Industrial Q3 2018



### CLEVELAND INDUSTRIAL

#### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Cleveland Employment	1,060k	1,080k	▲
Cleveland Unemployment	5.6%	5.1%	▲
U.S. Unemployment	4.4%	3.9%	▲

Above numbers are quarterly averages

#### Market Indicators (Overall, All Property Types)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	3.8%	3.9%	▼
YTD Net Absorption (sf)	1.0M	-196k	▲
Under Construction (sf)	2.9M	3.4M	▲
Average Asking Rent*	\$4.12	\$4.12	▲

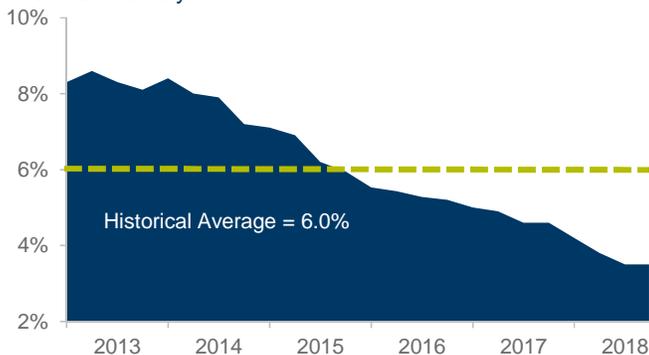
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



## Economy

Companies have reported ongoing shortages of qualified workers and many firms stepped up their training programs to alleviate the shortage. Firms increased wages, bonuses and incentives to reduce worker turnover, although the increases were in line with recent trends. Upward pressure on input costs was strong, notably for metals, construction materials and transportation services. Final selling prices increased as manufacturers, builders, and transportation firms raised their prices to cover their increased input costs. Consumer demand, including for autos, was stable to slightly higher. Manufacturing capacity utilization rose to meet strong demand. Freight volumes trended higher.

## Market Overview

Market vacancy in the third quarter of 2018 increased 40 basis points to 3.9%. Net absorption decreased for the second consecutive quarter negative 682,362 square feet (sf) and is now a negative 91,288 sf year-to-date (YTD). Leasing activity was down sharply over the last two previous quarters.

New construction delivered 1.2 million square feet (msf) during the third quarter with 2.4 msf currently under construction.

Notable projects completed in the third quarter included Brighton Best (200,000 sf) and Amazon (855,000 sf). Buildings currently under construction include Trelleborg (156,250 sf), Revago (500,000 sf), O'Reilly's Auto Parts (404,000 sf) and Amazon (650,000 sf).

User sales activity continued to remain slow since the start of the year, with 1.3 msf transferring in the third quarter, as a result of the continued lack of quality inventory. Notable user sales included: 1301 Lowell Street, a 186,081-sf building located in Elyria that was purchased by Amware Distribution for just under \$4.3 million or \$23 per square foot (psf) from 3M Corporation and 2002 Joseph Lloyd Parkway, a 40,010-sf manufacturing complex located in Willoughby that was purchased by Ribic Industries for \$1.6 million (\$35 psf). Investment transaction activity was consistent with the second quarter with 11 buildings transferring totaling 988,771 sf. Sales included 3009 Gilchrist Road in Akron, a 668,592-sf facility sale from Insite Real Estate to Global Net Lease, Inc. and 4300 & 4500 Crane Center Drive in Streetsboro, a 279,636-sf manufacturing complex, which was acquired by SMC Realty out of Oklahoma City for \$6.0 million (\$21 psf).

## Outlook

The market will remain steady with a decrease in vacancy rate expected as velocity in the fourth quarter will be strong. We should see positive absorption thru to end the year. Lease rates and sales prices should continue to increase throughout 2018 and into 2019. Additional speculative construction is still in demand.

# MARKETBEAT

# Cleveland, OH

## Industrial Q3 2018



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Downtown	802	25,272,076	107,381	636,121	5.0%	128,862	93,862	0	0	\$4.59
East	596	19,717,466	104,330	366,464	2.4%	75,964	75,964	650,000	219,000	\$5.69
Northeast	1,916	66,612,606	495,111	506,304	3.9%	-137,111	-138,111	291,000	0	\$4.27
South	824	34,278,207	292,898	54,514	2.9%	229,517	75,272	0	105,000	\$5.29
Southeast	1,986	94,520,702	922,994	859,334	5.3%	205,026	106,804	1,335,250	1,893,000	\$3.76
Southwest	1,209	52,377,751	435,205	203,029	4.8%	-555,221	-527,189	17,100	325,000	\$4.30
West	1,464	53,810,534	163,322	875,407	4.0%	-209,729	-1,271	123,025	18,620	\$3.81
Akron	2,035	69,099,437	221,994	449,020	4.3%	-99,682	-99,682	64,000	49,900	\$4.44
Medina County	633	21,834,828	217,240	530,115	1.7%	367,670	314,560	549,000	261,000	\$5.16
Portage County	430	11,938,365	15,160	46,560	2.5%	-59,556	-59,556	0	0	\$3.94
Stark County	1,279	46,037,440	241,317	376,214	1.4%	-37,028	-37,028	384,478	0	\$3.83
<b>CLEVELAND TOTALS</b>	<b>13,174</b>	<b>495,499,412</b>	<b>3,216,952</b>	<b>4,903,082</b>	<b>3.9%</b>	<b>-91,288</b>	<b>-196,375</b>	<b>3,413,853</b>	<b>2,871,520</b>	<b>\$4.12</b>

\*Rental rates reflect asking \$psf/year

	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Industrial including Warehouse, Distribution and Manufacturing	12,227	468,177,330	2,910,916	3.8%	-86,855	-178,872	3,413,853	2,871,520	\$3.80
Office Services / Flex	947	27,322,082	306,036	5.6%	-4,433	-17,503	0	0	\$9.52

### Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5575 Venture Drive	53,000	Ricoh	Renewal	Southwest
7800 Tyler Boulevard	44,020	IFASTGROUPE USA, LLC	Renewal	Northeast
5700 Lee Road South	34,441	Lanter Delivery Systems	Expansion	Southeast
5656 Innovation Drive	34,054	N/A	New	Medina County

### Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3009 Gilchrist Road	668,592	Insite Real Estate / Global Net Lease	\$21,376,099 / \$32	Akron
1301 Lowell Street	186,081	3M / Amware	\$4,250,000 / \$23	West
2500 Crane Center Drive	67,799	Beech Realty / Crane Center Properties	\$2,000,000 / \$30	Southeast
2002 Joseph Lloyd Parkway	45,010	USM Properties, Ltd. / Ribic Industries	\$1,585,000 / \$35	Northeast

Cushman & Wakefield | Cresco Real Estate  
3 Summit Park Drive  
Suite 200  
crescorealestate.com

For more information, contact:  
George J. Pofok, CCIM, SIOR  
Senior Vice President  
Tel: +1 216 520 1200  
gpofok@crescorealestate.com

#### About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.