

MARKETBEAT

Cleveland, OH

Industrial Q4 2017



CLEVELAND INDUSTRIAL

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Cleveland Employment	1,028k	1,030k	▲
Cleveland Unemployment	5.6%	5.8%	▲
U.S. Unemployment	4.7%	4.1%	▼

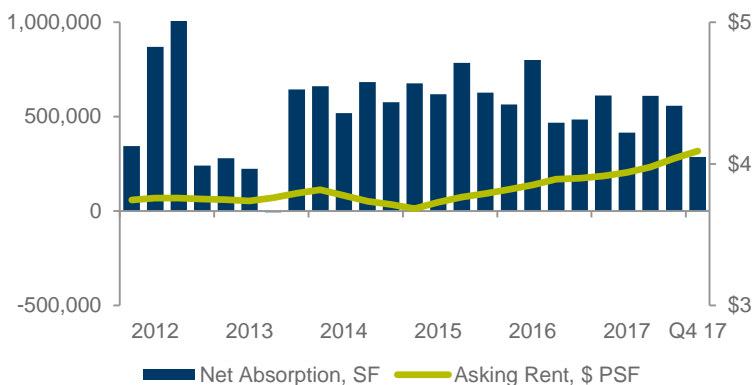
Market Indicators (Overall, All Property Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	4.6%	3.9%	▼
YTD Net Absorption (sf)	2.4M	1.1M	▲
Under Construction (sf)	1.5M	3.7M	▲
Average Asking Rent*	\$3.94	\$4.15	▲

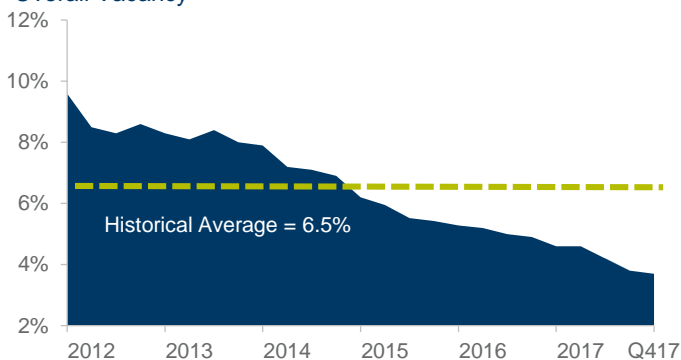
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Business activity grew at a moderate pace in Northeast Ohio in the fourth quarter of 2017. Labor markets continued to tighten and challenges in attracting and retaining qualified workers contributed to wage pressure. Retailers saw a boost in brick-and-mortar traffic as new motor vehicle sales improved.

Manufacturing output grew at a modest pace overall, but production at motor vehicle assembly plants trended lower. Non-financial services and freight transport firms saw moderate-to-strong gains in activity while homebuilders and realtors expressed concern about the impact of rising home prices on first-time buyers.

Market Overview

The market vacancy rate ended Q4 2017 at 3.9%, which is down 70 basis points year-over-year, and the continued decrease in vacancy led to a 7.2%-increase in the triple net asking rate over the past two years. With a year-end total of 1.1 million square feet (msf) in 2017, absorption was down over 1.0 msf from 2015 and 2016 levels. Leasing activity in 2017 of 4.6 msf was 50% above 2016 but 4% below the 2015 total. New construction saw the completion of 19 projects totaling 1.8 msf, which was down slightly from 2016. User sales activity totaled 5.3 msf in 2017, 13% less than in 2016. Notable user sales included: 4600 Prosper Road, a 122,000-square foot (sf) building located in Stow that was purchased from Geis Companies by Clico Products for \$6.5 million or \$53 per square foot (psf), 2026 Summit Commerce Park in Twinsburg, a 69,000-sf facility which was acquired from Darko by GLT Companies for \$2.9 million (\$43 psf), and finally Gas Consultants bought the 49,000-sf building at 1499 Enterprise Parkway in Twinsburg for \$2.0 million (\$40 psf). The most notable investment transactions included the 220,000-sf warehouse leased by tire distributor Mickey Thompson that was developed in 2017 by Geis Companies and sold to Monmouth Real Estate Investment for \$19.5 million (\$89 psf), a 603,000-sf building in Stow at 4560 Darrow Road that was purchased by Premier Development Partners from Bemis Company for \$5.5 million (\$9 psf), and the 104,000-sf, multi-tenant building at 34929 Curtis Blvd in Eastlake traded for \$4.6 million (\$44 psf), going from the Dalad Group to Curtis Investors.

Outlook

The market will remain steady with a continued decrease in vacancy. Pent up demand and a continued decline in absorption and leasing activity is expected only due to a lack of available product. Asking rates and sales prices should continue to increase in 2018, while new construction completions are expected to exceed 3.0 msf, which would be the most in over 10 years.

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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 CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG NET RENT (ALL)
Downtown	802	25,117,280	224,076	761,119	7.3%	-308,447	-306,947	0	0	\$4.02
East	587	19,284,991	174,796	153,851	3.1%	6,980	-274	869,000	150,000	\$6.30
Northeast	1,902	66,156,975	570,014	469,600	3.5%	-103,906	-78,639	291,000	0	\$3.71
South	818	34,271,310	604,858	239,448	3.8%	303,318	238,309	105,000	0	\$4.89
Southeast	1,973	93,728,069	810,267	849,726	3.9%	325,111	-10,267	2,043,000	855,500	\$4.43
Southwest	1,196	51,880,708	395,115	581,917	4.3%	-287,398	-364,436	325,000	136,000	\$4.00
West	1,459	53,578,244	236,492	621,679	3.9%	398,658	232,888	0	414,025	\$3.64
Akron	2,027	68,817,022	718,916	592,947	4.7%	814,303	818,713	0	0	\$4.20
Medina County	623	21,264,452	257,131	235,526	3.3%	-17,217	-14,107	29,000	266,200	\$4.59
Portage County	425	11,720,861	92,586	348,427	2.0%	253,427	253,427	0	0	\$3.86
Stark County	1,260	45,516,212	486,251	464,959	1.7%	394,108	376,910	0	0	\$3.83
CLEVELAND TOTALS	13,072	491,336,124	4,570,502	5,319,199	3.9%	1,778,937	1,145,577	3,662,000	1,821,725	\$4.15

*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 CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG NET RENT (ALL)
Industrial including Warehouse, Distribution and Manufacturing	12,154	465,161,887	4,015,528	3.7%	1,964,894	1,330,665	3,662,000	1,821,725	\$3.85
Office Services / Flex	918	26,174,237	554,974	5.9%	-185,957	-185,088	0	0	\$9.47

Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11750 Berea Road	62,200	Max Pack Packaging	Renewal	West
5335 Avion Park Drive	60,000	Stanley Black & Decker, Inc.	Expansion	East
739 Moore Road	55,088	Great Lakes Integrated	Renewal	West
1305-1351 Lloyd Road	46,000	Coast 2 Coast Forklifts, Ltd.	Lease	Northeast
20801 Miles Parkway	43,756	Orange Onions	Lease	Southeast

Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
4560 Darrow Road	602,910	Bemis Company, Inc. / Premier Development Partners	\$5,500,000 / \$9	Southeast
4651 Prosper Road	219,765	Geis Companies / Monmouth Real Estate Investment	\$19,500,000 / \$89	Southeast
30 Foundation Place	138,148	Pohl Family Ltd. Partnership / AIC Ventures	\$10,000,000 / \$72	Akron
4600 Prosper Road	122,024	Geis Companies / Clico Products, Inc.	\$6,500,000 / \$53	Southeast

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