

MARKETBEAT

Cleveland, OH

Industrial Q2 2019



CLEVELAND INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Cleveland Employment	1,066k	1,082k	▲
Cleveland Unemployment	5.1%	4.5%	▼
U.S. Unemployment	3.9%	3.6%	▼

Above numbers are quarterly averages

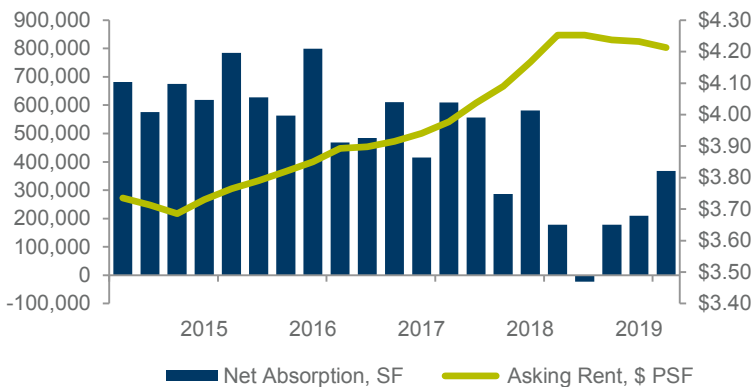
Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	3.5%	3.7%	▼
YTD Net Absorption (sf)	762k	1.5M (1)	■
Under Construction (sf)	3.8M	2.6M	■
Average Asking Rent*	\$4.44	\$4.36	▲

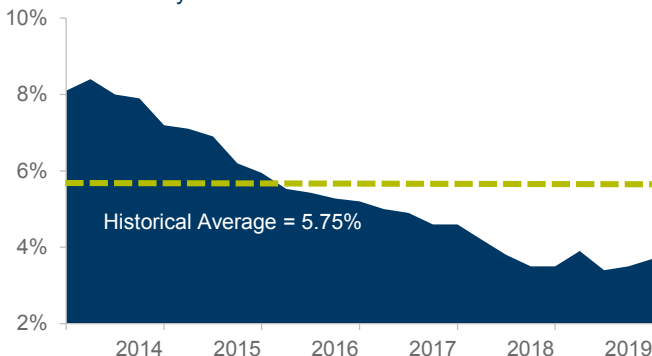
*Rental rates reflect net asking \$psf/year
(1) Statistics not reflective of U.S. MarketBeat tables

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Economic activity remained stable and solid since last quarter. Professional and business service firms continued to report strong growth. Manufacturing continued to weaken because of trade wars, high customer inventories, and slowing global growth. Freight haulers saw a modest decline in demand, despite summer typically being the strong season, they are concerned about the future. Construction demand was flat overall. Consumer spending was flat as well. Overall, prices increased at a slower pace than earlier, primarily because of lower material costs, especially for steel.

Market Overview

Market vacancy increase for the second consecutive quarter to 3.7%, an increase of 20 basis points (bps) over the first quarter 2019. The total net absorption was -196,639 square feet (sf). Leasing activity was up 32% from the first quarter with 1.8 million square feet (msf) in 97 total deals, 84 of which were new deals totaling 1.3 msf and 13 were renewals totaling 439,305 sf.

The second quarter was busy for speculative new construction completions with four projects totaling 948,868 sf completed by Westminister Capital (434,000 sf), Scannell Properties (276,000 sf), Fogg Properties (136,868 sf) and Liberty Development (102,000 sf). The second quarter also saw six additional build-to-suit projects completed totaling 347,500 sf. The new construction pipeline remained steady with 2.6 msf under construction. This does not yet include the recent announcement by Amazon for another 700,000 sf distribution center in the Akron market. Other under construction projects include Shearer's Foods, Inc. (700,000 sf), Revago (506,000 sf), Westminister Capital Spec building (434,000 sf) and O'Reilly's Auto Parts (404,000 sf).

The second quarter saw 52 user sales totaling 1.4 msf, down slightly from the first quarter. Notable user sales included: 950 Lake Road, a 91,350-sf building located in Medina that was purchased by Optidoc for \$2.4 million or \$26 per square foot (psf) from a local development group, 1780 Miller Parkway, a 57,700-sf building located in Streetsboro that was purchased by Agatronix for \$1.7 million (\$29 psf) and 26470 Lakeland Boulevard, a 59,000-sf building located in Euclid that was purchased by Coit Tool Company for \$1.2 million (\$22 psf). Investment sales were up significantly with 19 sales totaling 1.4 msf.

Outlook

Activity in 2019 is expected to remain moderate with a potential increase in the vacancy rate. Expect to see continued increases in lease rates and sales prices along with the need for additional speculative high-bay bulk distribution buildings.

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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) (1)	YTD OVEALL NET ABSORPTION (SF) (1)	UNDER CNSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Downtown	808	25,403,778	95,968	129,918	2.9%	558,493	558,493	0	0	\$3.91
East	602	19,863,013	50,975	301,410	1.7%	52,819	25,750	220,976	650,000	\$6.12
Northeast	1,924	67,847,623	307,512	348,627	3.6%	667,866	668,866	230,000	17,100	\$3.82
South	825	34,525,524	343,152	65,031	3.0%	4,185	71,939	90,000	36,000	\$5.35
Southeast	1,995	96,870,065	962,430	791,606	5.0%	-316,174	-99,474	404,000	966,250	\$3.99
Southwest	1,216	54,593,630	588,227	73,710	6.0%	50,912	47,612	0	118,000	\$4.02
West	1,473	55,773,876	82,466	343,975	3.7%	388,814	388,814	189,775	117,000	\$3.80
Akron	2,042	69,518,687	206,653	295,395	3.4%	-77,287	-110,887	132,600	156,868	\$4.72
Medina County	636	21,854,310	49,150	156,432	1.5%	-7,630	-7,630	534,000	34,000	\$4.34
Portage County	433	11,787,906	54,337	184,447	1.4%	-4,818	-4,818	0	0	\$3.97
Stark County	1,299	47,096,025	364,588	476,654	1.9%	-28,758	-28,758	820,000	107,500	\$3.65
CLEVELAND TOTALS	13,253	505,134,437	3,105,458	3,167,205	3.7%	1,288,422	1,509,907	2,621,351	2,202,718	\$4.36

*Rental rates reflect asking \$psf/year

(1) Statistics not reflective of U.S. MarketBeat tables

	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF) (1)	YTD OVEALL NET ABSORPTION (SF)(1)	UNDER CNSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Industrial including Warehouse, Distribution and Manufacturing	12,280	476,895,131	2,608,981	3.6%	1,212,893	1,429,364	2,621,351	2,202,718	\$4.04
Office Services / Flex	973	28,239,306	496,477	4.6%	75,529	80,543	0	0	\$9.75

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2477 Edison Boulevard	206,407	Essendant Co., Inc.	Renewal	Southeast
22209 Rockside Road	197,518	Midwest Curtainwall	New	Southeast
334 Orchard Avenue	182,453	Diebold	New	Stark County
26855 Bluestone Boulevard	145,400	Custom Precision Products	New	Northeast

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
541 Perkins Jones Road	1,462,642	Kmart.- ESL Investments / Industrial Realty Group	\$19,000,000 / \$13	Youngstown
3201 Columbia Road	229,972	Gramercy (Blackstone) / Investcorp	\$27,000,000 \$117	South
10250 Philipp Parkway	194,632	Grace Bay Investments / Weston, Inc.	\$9,050,000 / \$47	Southeast
29201 Aurora Road	152,896	Demag Material Handling / Premier Development	\$4,700,000 / \$30	Southeast

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