

Industrial Q4 2019

	YoY Chg	12-Mo. Forecast
3.8% Vacancy Rate	▲	■
1.2 M YTD Net Absorption, SF	▼	▲
\$4.17 Asking Rent, PSF	▲	■

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
1.08M Cleveland Employment	▲	▲
4.2% Cleveland Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY: Market growth continues

The Northeast Ohio economy continued to expand at a modest pace. The growth resulted from continuing strength in a few key sectors and waning drags from manufacturing and freight. Construction and real estate activity remained strong, particularly on the nonresidential side. Consumer spending picked up as the holiday shopping season progressed. Although manufacturing activity did not expand during the quarter, it did not contract either, as it had for much of 2019 as factories adjusted to weaker global economic growth and trade-related uncertainties.

MARKET OVERVIEW: Slight increase in the Vacancy Rate and New Construction remains strong

The market vacancy rate increased for the second consecutive quarter to 3.8%. This was an increase of 10 basis points (bps) over the third quarter 2019. Direct net absorption for the fourth quarter 2019 was a positive 15,000 square feet (sf), reversing the negative trend of the previous two quarters, ending the year at a 1.2 million square feet (msf). This is on par with the average of prior years.

Construction completions in the fourth quarter 2019 totaled 1.0 msf bringing the total for 2019 to 4.6 msf. Notable completions included: Revago, a distributor of plastic resin products, completing an estimated \$36 million 506,000-sf manufacturing/distribution facility including significant rail infrastructure and three speculative buildings in Stow (102,600 sf), Willoughby (130,000 sf) and Euclid (75,576 sf). There are currently 13 total projects under construction totaling 2.1 msf of which 1.7 msf is build-to-suit and 400,000 sf is speculative.

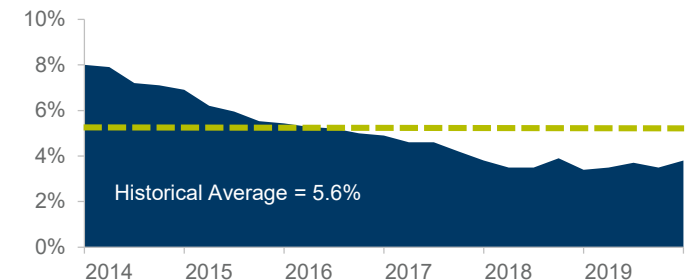
MARKET DEALS: Leasing Activity outperforms Sales Activity in 2019

New leasing and renewal activity accounted for 8.6 msf of activity in 2019. This represents the highest amount of activity over the last decade and an 50% increase over 2018. Leasing activity over the last decade averaged 3.9 msf per year. User sales activity totaled 5.2 msf in 2019, this was a 15% decrease from 2018 and below the 5.9 msf average over the last decade ranking it ninth. This is not unexpected as the Northeast Ohio economy has remained strong, companies are experiencing continued growth and the lack of for sale inventory on the market. Several key leasing deals included: Dura-Line Corporation, a manufacturer of high-density polyethylene conduits, leasing a 136,920-sf facility located at 669 Sugar Lane, Elyria; and Waltco Lift Corp, a manufacturer of various liftgate products, expansion and relocation to a 178,180-sf facility located at 1777 Miller Parkway, Streetsboro. Investment sales in the fourth quarter 2019 saw nearly 2.0 msf of deals. The largest sale was a \$47.7 million deal of a 303,888-sf Federal Express facility at 2050 E. Aurora Road, Twinsburg. The buyer was Elm Tree Funds out of St. Louis.

NET ABSORPTION / ASKING RENT



OVERALL VACANCY RATE



Industrial Q4 2019

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASE ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE *
Downtown	1,562	51,440,612	324,237	201,277	2.5%	821,285	725,685	0	0	\$3.98
East	1,066	45,947,907	259,096	794,383	3.3%	127,052	72,914	495,400	765,576	\$3.76
Lake County	1,467	41,869,708	415,608	489,526	2.6%	760,350	761,350	50,000	147,100	\$4.47
South	663	29,725,376	631,703	190,356	3.5%	-4,113	59,683	0	126,000	\$5.30
Southeast	1,621	82,548,160	3,507,913	1,057,588	6.3%	-1,031,826	-815,126	295,000	1,320,250	\$4.02
Southwest	1,219	54,593,570	1,475,326	407,631	5.9%	150,989	150,989	190,000	151,600	\$3.61
West	1,267	50,311,619	596,179	531,001	4.1%	441,842	441,302	0	305,831	\$4.92
Akron	2,047	69,877,981	719,505	506,379	3.5%	-187,028	-220,628	927,570	289,468	\$4.19
Medina County	636	22,008,620	119,496	253,308	1.2%	66,476	66,476	39,000	578,000	\$3.53
Portage County	434	11,730,550	54,337	285,499	3.2%	15,805	15,805	0	0	\$4.34
Stark County	1,309	48,018,074	432,172	521,294	1.2%	87,860	-14,449	94,800	927,500	\$3.15
CLEVELAND TOTALS	13,291	508,072,177	8,563,912	5,238,242	3.8%	1,248,692	1,244,001	2,091,770	4,611,325	\$4.17

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

	TOTAL BUILDINGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE *
Industrial including W/D and MF	12,311	479,885,438	7,494,391	3.7%	1,325,265	1,321,560	2,091,770	4,611,325	\$3.87
Office Service / Flex	980	28,186,739	1,069,521	5.1%	-76,573	-77,559	0	0	\$9.37

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
18901 Snow Road	Southwest	North Coast Logistics	324,293	Renewal
1 American Road	Southwest	Graphic Packaging International, LLC	175,743	New
669 Sugar Lane	West	Dura-Line	136,920	New

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KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
7711 E. Pleasant Valley Road	South	Griffin Capital Corp. / Edgewater Financial	625,000	Undisclosed
2050 E. Aurora Road	Southeast	Scannell Properties / Elm Tree Funds	303,888	\$47.7M / \$157

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