

## Industrial Q4 2021

|  | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| <b>3.6%</b><br>Vacancy Rate  | ▼       | ▼               |
| <b>-1.5M</b><br>YTD Net Absorption, SF                               | ▼       | ▼               |
| <b>\$4.58</b><br>Asking Rent, PSF<br><i>Overall, Net Asking Rent</i> | ▲       | ▲               |

### ECONOMIC INDICATORS Q4 2021

|  | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| <b>965K</b><br>Cleveland Employment        | ▲       | ▼               |
| <b>3.7%</b><br>Cleveland Unemployment Rate | ▼       | ▼               |
| <b>4.2%</b><br>U.S. Unemployment Rate      | ▼       | ▼               |

Source: BLS

### ECONOMY: Cost of goods ease, as supply chain disruptions dissipate.

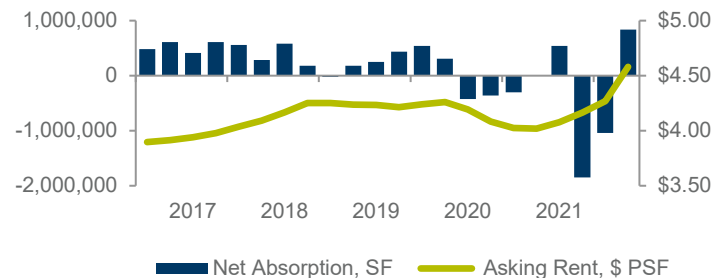
Local companies are reporting higher costs declined from around 85% to roughly 75%. While cost pressures reportedly intensified for firms in the transportation sector, contacts noted some relief in manufacturing and construction. Firms in the latter two industries suggested that costs remained high, but prices for inputs such as steel, aluminum, and resins had stabilized and, in some cases, had come down. Leasing activity for industrial space remained robust, while office occupancy rates continued to decrease. Contacts reported that nonresidential construction activity has remained solid overall, with the strongest demand centered on industrial spaces. Going forward, contacts were less optimistic about future construction demand because concerns about supply chain disruptions, labor availability, and inflation have led some firms to delay construction projects.

### MARKET OVERVIEW: Demand for industrial space remains strong.

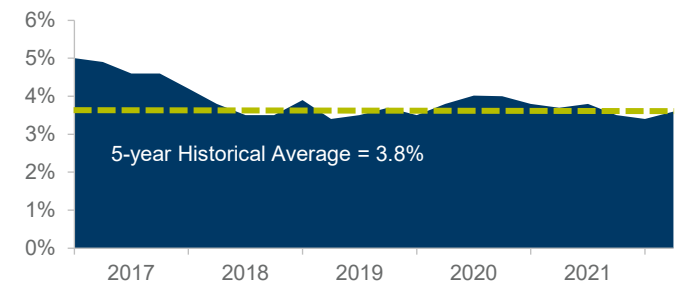
Lease activity increased for the sixth consecutive year to 10.6 million square feet (msf) surpassing the previous high recorded in 2020. Over the last five years Cleveland has averaged 7.5 msf of leasing activity per year. The U.S. Postal Service is behind the largest new lease signed in the market last year. In Q4 2021, the U.S. Postal Service leased 392,454-sf in Parma on Chevrolet Boulevard. The site will serve as an annex location to handle an increasing volume of packages. Auburn-based sister companies Innoplast and Thermoprene signed a 10-year lease for 63,000 sf at Highland Park, a former retail center that Industrial Commercial Properties converted into a business park. The 4Q21 saw the largest industrial investment sale in Northeast Ohio history with Premier Development Partners selling a portion of their real estate holdings. The portfolio transferred in two transactions and comprised of 16 buildings totaling 2.9 msf and transferred for \$211 million (\$73 PSF). The Buyer of the portfolio was a partnership led by Morning Calm Management and included BTG Pactual Strategic Capital and Grupo Patio.

The negative Net Absorption is not indicative of true market velocity and activity. Included in these numbers are two former Ford Automotive plants that were acquired by the Weston Properties, Scanel Properties and DiGeronimo team. The facility in Brook Park totaled 1.7 msf and is current being demolished. The facility in Walton Hills totaled 2.1 msf and will be undergoing a similar demolition in 2022. Both sites sit on a combined 306 acres and will become home to new modern industrial facilities. At full capacity the sites will have more square footage developed and higher employment. Lastly, the negative net absorption was also impacted by the partial conversion of I-X Center (Convention and Exhibition Hall) for industrial purposes. This brought approximately 1 msf of new space to the market.

### NET ABSORPTION / ASKING RENT



### OVERALL VACANCY RATE



# MARKETBEAT CLEVELAND



## Industrial Q4 2021

| 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                | 1,573         | 50,925,105         | 696,193                 | 881,180                      | 5.1%                 | -434,303                       | -438,103                        | 0                       | 0                                 | \$3.22                                    |
| East                    | 1,085         | 46,093,555         | 395,011                 | 197,749                      | 2.6%                 | 374,251                        | 374,251                         | 198,000                 | 365,576                           | \$4.11                                    |
| Lake County             | 1,489         | 43,140,932         | 397,296                 | 272,309                      | 4.0%                 | -193,047                       | -216,757                        | 0                       | 297,500                           | \$4.87                                    |
| South                   | 669           | 30,871,165         | 935,182                 | 461,223                      | 5.1%                 | -350,423                       | -341,898                        | 385,000                 | 55,000                            | \$6.21                                    |
| Southeast               | 1,625         | 83,473,433         | 2,035,981               | 973,338                      | 4.2%                 | -1,052,693                     | -1,936,489                      | 519,856                 | 1,070,000                         | \$4.11                                    |
| Southwest               | 1,239         | 55,507,978         | 1,596,523               | 575,349                      | 5.0%                 | 634,308                        | 53,730                          | 932,018                 | 476,000                           | \$5.08                                    |
| West                    | 1,296         | 51,290,577         | 1,548,156               | 731,218                      | 2.4%                 | 1,311,525                      | 1,291,111                       | 130,000                 | 458,000                           | \$4.18                                    |
| Akron                   | 2,076         | 71,250,216         | 1,470,219               | 979,482                      | 3.0%                 | -372,450                       | -363,343                        | 50,000                  | 761,000                           | \$4.97                                    |
| Medina County           | 642           | 23,183,183         | 169,510                 | 497,324                      | 1.7%                 | -245,605                       | -245,605                        | 0                       | 15,120                            | \$4.49                                    |
| Portage County          | 444           | 12,120,038         | 932,572                 | 365,035                      | 4.7%                 | -119,758                       | -119,758                        | 65,000                  | 0                                 | \$5.18                                    |
| Stark County            | 1,348         | 50,297,888         | 392,202                 | 1,133,347                    | 2.5%                 | 431,678                        | 431,678                         | 2,140,000               | 41,000                            | \$3.72                                    |
| <b>CLEVELAND TOTALS</b> | <b>13,486</b> | <b>518,154,070</b> | <b>10,568,845</b>       | <b>7,067,554</b>             | <b>3.6%</b>          | <b>-16,517</b>                 | <b>-1,511,183</b>               | <b>4,894,874</b>        | <b>3,589,196</b>                  | <b>\$4.58</b>                             |

|                                 | 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 | 12,448          | 489,464,639    | 8,757,264                 | 3.6%                 | 131,809                        | -1,114,555                      | 4,894,874               | 3,569,196                         | \$4.31                                    |
| Office Service / Flex           | 1,038           | 28,689,431     | 1,811,581                 | 4.5%                 | -148,326                       | -396,628                        | 0                       | 20,000                            | \$9.47                                    |

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

### KEY LEASE TRANSACTIONS Q4 2021

| PROPERTY                 | SUBMARKET | TENANT                        | SF       | TYPE      |
|--------------------------|-----------|-------------------------------|----------|-----------|
| 212 Progress Boulevard   | Portage   | Newell Brands Industries, LLC | 811,200* | Warehouse |
| 32150 Just Imagine Drive | West      | Shurtape Technologies, LLC    | 644,850* | Warehouse |
| 5520 Chevrolet Boulevard | Southwest | U.S. Postal Service           | 392,454  | Warehouse |

\*Renewal

### KEY SALES TRANSACTIONS Q4 2021

| PROPERTY                                     | SUBMARKET | SELLER / BUYER  | SF      | PRICE / \$PSF  |
|--|-----------|---|---------|----------------|
| Premier Development Portfolio (16 Buildings) | Multiple  | Premier Development Partners / Morning Calm Management, BTG Pactual Strategic Capital and Grupo Patio | 2.9 msf | \$211M / \$73  |
| NEO Parkway Portfolio (9 Buildings)          | Southeast | NEO Park, Ltd. / Avalair Group  | 342,184 | \$14.4M / \$42 |
| 9797 Sweet Valley Drive                      | South     | Spectrum Realty Assoc. / R.L.Lipton   | 127,224 | \$10.5M / \$83 |
| 675 Mondial Parkway                          | Southeast | Harry Richard / Exeter Property Group   | 130,069 | \$8.5M / \$65  |

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