

MARKETBEAT

Cleveland, OH

Industrial Q1 2018



CLEVELAND INDUSTRIAL

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Cleveland Employment	1,057k	1,058k	▲
Cleveland Unemployment	5.9%	5.2%	▲
U.S. Unemployment	4.7%	4.1%	▲

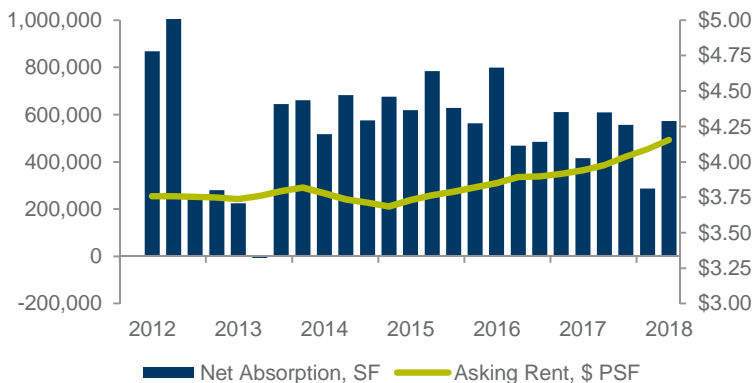
Market Indicators (Overall, All Property Types)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	4.6%	3.5%	▲
YTD Net Absorption (sf)	181k	1.4M	▲
Under Construction (sf)	1.4M	3.7M	▲
Average Asking Rent*	\$3.99	\$4.30	▲

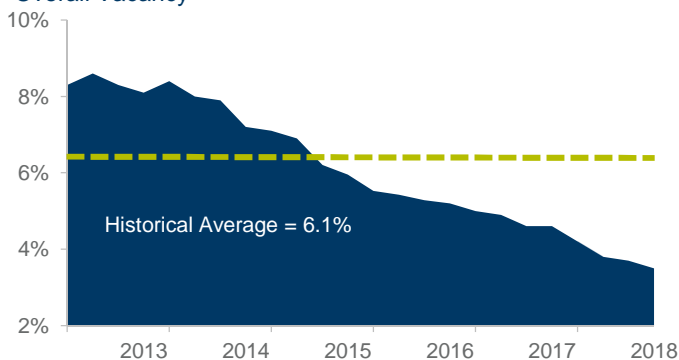
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Business activity expanded at a moderate pace. Labor demand remains strong, but worker shortages are limiting the ability of firms to hire. Competition for qualified workers has led employers to raise wages. Some firms reported that the Tax Cut and Jobs Act is enabling them to increase investments and raise worker pay. Upward pressure on input costs continued at the same pace as that seen during the past few reporting cycles. Firms generally were able to increase their selling prices. Retailers reported a continued boost in sales going into the first quarter, and they attributed this boost to stronger consumer confidence. Housing and commercial real estate markets remained buoyant. Manufacturing output trended higher.

Market Overview

Market vacancy rate in the first quarter of 2018 continued to decrease, finishing at 3.5% and driving the net asking rent up by 7.5% year-over-year. Net absorption totaled 1.3 million square feet (msf).

Current under construction of 3.7 msf is up significantly over previous years primarily due to new distribution centers for Amazon (855,000 sf & 650,000 sf), McMaster Carr (406,000 sf) and O'Reilly's Auto Parts (404,000 sf).

User sales activity totaled 2.0 msf in Q1 2018, including several over 100k. Notable user sales included: 1199 S. Chillicothe Road, a 174,224-square foot (sf) building located in Aurora that was purchased from Eaton Corp. by Natural Essentials, Inc. for \$4.4 million or \$25 per square foot (psf), 1000 Lake Road in Medina, a 270,332-sf facility which was acquired by Spray Products Corp for \$3.7 million (\$14 psf) from Valspar Corp., PCC Airfoils purchased 1420-1470 E. 289th Street in Wickliffe for \$3.0 million (\$38 psf), and finally Amware bought the former 136,920-sf Ridell building in Elyria for \$4.0 million (\$29 psf).

The most notable investment transactions included 101-151 Liberty Court in Elyria, a 100,979-sf facility, which was acquired by a local developer for \$3.2 million (\$32 psf) and leased for 15 years to Nelson Stud Welding, Inc. Lowe Enterprises acquired 7900 E. Pleasant Valley Road, Independence and 7000 Denison Avenue, Cleveland from AIC Ventures for a combined \$7.6 million and Raith Capital Partners continued its investment in Northeast Ohio with the acquisition of 2100 International Pkwy. in North Canton from a local owner for \$14.3 million (\$52 psf).

Outlook

As predicted in previous quarters, the market will remain steady with a continued decrease in vacancy. Pent-up demand will lead to increased leasing after new product comes on the market, however in the short term the market will experience a decline in absorption and activity. Asking rates and sales prices should continue to increase throughout 2018.

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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 OVEALL NET ABSORPTION (SF)	UNDER CNSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Downtown	801	25,133,147	42,749	171,379	6.1%	159,303	159,303	0	0	\$3.98
East	591	19,396,607	28,548	56,122	2.8%	35,865	35,865	650,000	219,000	\$5.96
Northeast	1,909	66,250,355	49,697	100,350	3.5%	-62,840	-62,840	291,000	0	\$3.89
South	821	34,278,915	141,027	35,258	3.6%	121,353	121,353	30,000	75,000	\$4.89
Southeast	1,978	94,109,914	395,552	342,727	3.5%	508,751	500,751	2,347,250	432,000	\$4.68
Southwest	1,205	52,216,950	71,286	10,527	4.1%	165,721	165,721	325,000	0	\$4.17
West	1,455	53,638,050	88,746	432,940	3.7%	139,256	138,356	9,120	0	\$3.73
Akron	2,028	68,918,101	115,736	257,430	4.3%	123,545	123,545	15,900	0	\$4.35
Medina County	625	21,328,205	46,110	387,036	1.8%	336,205	333,095	0	29,000	\$4.66
Portage County	429	11,919,788	18,000	32,960	1.9%	3,486	3,846	0	0	\$3.91
Stark County	1,269	46,077,268	197,004	151,960	1.5%	-191,373	-191,373	0	0	\$3.92
CLEVELAND TOTALS	13,111	493,267,300	1,194,455	1,983,689	3.5%	1,339,272	1,327,622	3,668,270	755,000	\$4.30

*Rental rates reflect asking \$psf/year

	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF)	YTD OVEALL NET ABSORPTION (SF)	UNDER CNSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Industrial including Warehouse, Distribution and Manufacturing	12,188	466,817,447	1,132,913	3.4%	1,330,273	1,318,623	3,668,270	755,000	\$3.99
Office Services / Flex	923	26,449,853	61,542	5.6%	8,999	8,999	0	0	\$9.64

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6299 Dressler Road N.W.	156,000	Compi Packaging Systems, LLC	New	Stark County
110 Liberty Court	138,833	Symrise, Inc.	Renewal	West
9450 Allen Road	118,570	A.W. Faber-Castell USA	Renewal	South
7640 Hub Parkway	89,628	Interline Brands, Inc.	Renewal	South
7300 Northfield Road	42,640	MasTec North America, Inc.	New	Southeast

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1331 Kelly Avenue	212,000	Arch Street Capital Advisors / Brennan Investment Group	\$14,441,686 / \$68	Akron
1199 S. Chillicothe Road	174,224	Eaton Corp. / Natural Essentials, Inc.	\$4,400,000 / \$25	Southeast
1000 Lake Road	270,332	Valspar Corporation / Spray Products Corp.	\$3,700,000 / \$14	Medina County
101-151 Liberty Court	100,979	The Broadview Group / Nelson Stud Welding, Inc.	\$3,200,000 / \$32	West

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

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