

MARKETBEAT

Cleveland, OH

Industrial Q4 2018



CLEVELAND INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Cleveland Employment	1,058k	1,086k	▲
Cleveland Unemployment	5.4%	5.1%	▼
U.S. Unemployment	4.1%	3.7%	▼

Above numbers are quarterly averages

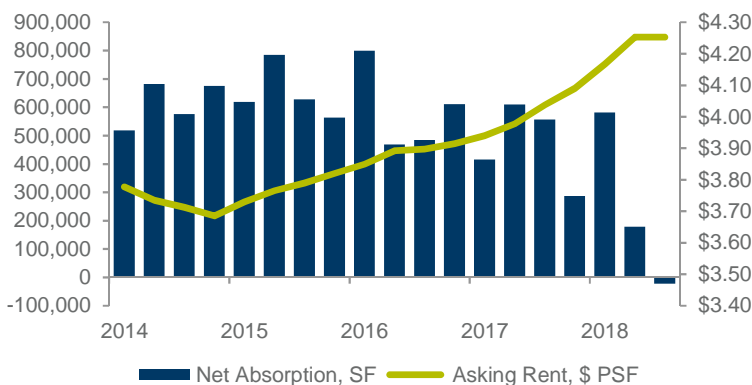
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	3.9%	3.4%	▼
YTD Net Absorption (sf)	1.1M	712k	■
Under Construction (sf)	3.6M	3.3M	■
Average Asking Rent*	\$4.15	\$4.09	▲

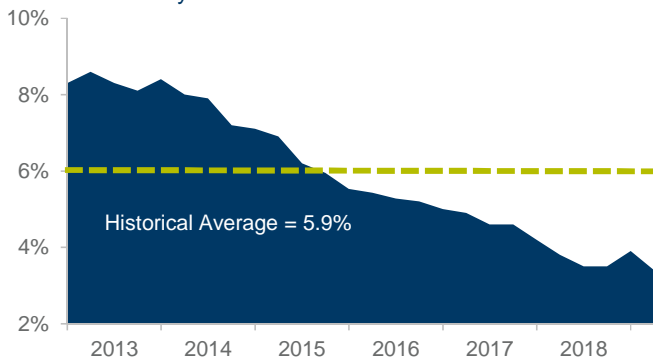
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Economic activity increased slightly with firms across industries reporting mostly stable demand. Firms continued hiring at a moderate but slightly softer pace than in recent months. Companies experienced more continued wage pressures to attract and retain workers. Wage increases were moderate and in-line with recent trends. Costs pressures, especially for raw materials, remained elevated. Companies also noted higher transportation costs. Builders and manufacturers reported being able to pass through cost increases to their customers. Demand was stable or increased in retail, construction, and nonfinancial services but softened slightly in manufacturing and banking, a situation, which companies largely attributed to seasonal factors.

Market Overview

Market vacancy decreased reaching 3.4% at the end of 2018. This was the result of 819,305 square feet (sf) of positive net absorption during the fourth quarter. The total net absorption for the year reached just under 730,000 sf. Leasing activity was up significantly for both industrial and office services/flex with 1.9 million square feet (msf) of renewals and new leases in the fourth quarter.

New construction saw 518,100 sf delivered in the fourth quarter as several projects carried into 2019 with 3.3 msf currently under construction. Notable projects completed in the fourth quarter included Heiland Electronics (180,000 sf) and DeNora Tech (111,000 sf) both located in the Northeast Submarket. Buildings currently under construction include Shearer's Foods, Inc. (700,000 sf), Amazon (650,000 sf), Revago (506,000 sf), Westminster Capital Spec building (434,000 sf) and O'Reilly's Auto Parts (404,000 sf).

User sales activity remained slow since the start of the year, with 1.2 msf transferring in the fourth quarter, as a result of the continued lack of quality inventory. Notable user sales included: 29570 Clemens Road, a 74,800-sf building located in Westlake that was purchased by Conveyer & Caster for \$2.9 million or \$39 per square foot (psf) from Koyo Corp., and 9009 Freeway Drive, a 30,220-sf building located in Macedonia that was purchased by Northeast Factory Direct for \$1.2 million (\$41 psf). This represents the third building Northeast Factory acquired in 2018. Investment activity was the strongest in the fourth quarter 2018 with 29 buildings transferring a total of 2.1 msf. The most notable sale was the Bynah and ABR Class A multi-tenant high bay portfolio. The package consisted of seven buildings totaling 665,603 sf and it sold for \$44.6 million (\$68 psf)

Outlook

2019 is expected to be as strong as 2018, with a steady decrease in vacancy rate, continued positive absorption, increase in lease rates and sales prices and the continued need for additional speculative construction.

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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	804	25,280,618	191,358	679,687	4.9%	164,473	119,473	0	0	\$4.27
East	602	19,814,417	164,027	422,170	1.9%	151,059	173,689	650,000	219,000	\$5.53
Northeast	1,916	66,617,386	700,298	813,903	3.5%	-906	-1,906	147,100	291,000	\$3.96
South	825	34,352,177	415,811	89,108	2.9%	252,669	113,424	106,000	105,000	\$5.37
Southeast	1,990	95,848,644	1,547,810	1,010,144	4.9%	514,431	462,924	1,295,250	1,893,000	\$3.73
Southwest	1,215	54,453,299	712,543	370,667	3.5%	-308,511	-270,511	118,000	358,100	\$4.24
West	1,467	55,338,268	234,072	960,959	3.7%	-210,350	650	138,025	18,620	\$4.05
Akron	2,036	69,369,361	547,275	579,374	3.4%	-210,163	-210,163	30,000	113,900	\$4.41
Medina County	637	22,008,434	278,835	603,588	1.4%	403,182	351,872	568,000	261,000	\$4.56
Portage County	433	11,971,607	49,360	73,647	1.4%	-35,754	-35,754	0	0	\$3.71
Stark County	1,282	46,068,368	301,613	503,825	1.6%	7,967	7,967	227,500	130,000	\$3.83
CLEVELAND TOTALS	13,207	501,122,579	5,143,002	6,107,072	3.4%	728,097	711,665	3,279,875	3,389,620	\$4.09

*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	12,249	473,223,826	4,511,563	3.8%	615,761	602,399	3,279,875	3,389,620	\$3.80
Office Services / Flex	958	27,898,753	631,49	4.7%	112,336	109,266	0	0	\$9.30

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3320-3340 Gilchrist Road	142,165	Total Distribution	Renewal	Akron
8100 Tyler Boulevard	102,355	Avery Dennison	Renewal	Northeast
1331-1373 S. Chillicothe Road	98,857	Custom Pultrusions	Renewal	Southeast
9300 Dutton Drive	92,852	Spectrum Diversified	New	Southeast

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Biynah Portfolio (7 buildings)	655,603	Biynah & ABR / Arcapita, Inc.	\$44,550,000 / \$68	Southeast / Southwest
30339 Diamond Parkway	400,000	Weston & Geis / Plymouth Industrial REIT	\$27,000,000 / \$68	Southeast
4600 Tiedeman Road (169,100 SF footprint)	241,396	Keystone Tailored / Premier Development	\$4,314,000 / \$25.51	Southwest
29570 Clemens Road	74,800	Koyo Corp. / Conveyer & Caster	\$2,900,000 / \$39	West

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