

MARKETBEAT

Cleveland, OH

Industrial Q3 2019



CLEVELAND INDUSTRIAL

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Cleveland Employment	1,070k	1,077k	▲
Cleveland Unemployment	5.0%	4.3%	▲
U.S. Unemployment	3.8%	3.7%	▲

Above numbers are quarterly averages

Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	3.9%	3.5%	■
YTD Net Absorption (sf)	-196k	1.3M	■
Under Construction (sf)	3.4M	1.7M	■
Average Asking Rent*	\$4.12	\$4.23	▲

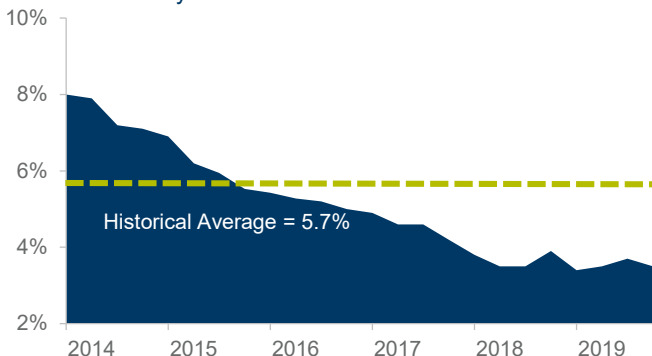
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Retailers reported modestly improving sales over the third quarter 2019. Real estate agents saw an increase home sales, including a pick-up in the first-time home buyers segment. Bankers reported firm consumer lending as lower interest rates drove mortgage and auto loans, but they reported softening commercial loans. Manufacturers saw weaker demand because uncertainty led their customers to delay capital expenditures. In addition, factory inventories were elevated as sales fell more than anticipated. Freight volumes also decreased. Many companies expect input costs to rise in the near future, in part because of anticipated new tariffs.

Market Overview

Market vacancy decreased 20 basis points (bps) over the second quarter 2019, due in part to a strong leasing quarter. Leasing activity was up 42% from the second quarter with 2.7 million square feet (msf) in 116 total deals, 88 of which were new deals totaling 1.7 msf and 28 were renewals totaling 1.0 msf. Not included in these numbers were 3 leases totaling 1.3 msf IRGICP completed in its former Kmart distribution facility in Warren. The facility falls just outside the surveyed area but the market is so starved for large blocks of space, local companies were willing to expand their search radius

Construction completions in the third quarter 2019 totaled 1.5 msf in eight projects. Notable completions included Shear's Potato Chips in Massillon (700,000 sf), O'Reilly Auto Parts in Twinsburg (404,000 sf) and a Weston spec building in Cleveland (168,750 sf). New projects started in the third quarter were PCC Airfoils in Wickliffe (100,000 sf), Avery Dennison in Mentor (50,000 sf) and a Fogg Building Methods spec building in Stow (213,687 sf). Just outside the covered market, HomeGoods is under construction on a 1.2-msf distribution facility in Lordstown.

There were 46 user sales totaling 1.2 msf in the third quarter 2019. Notable user sales included: 37520 Colorado Avenue, a 39,234-sf building located in Avon that was purchased by Stack Heating and Cooling for \$1.1 million or \$28 per square foot (psf) from Brimar Packaging, 41515 Schadden Road, a 49,000-sf manufacturing building located in Elyria that was purchased by Alexis Exhibits for \$1.2 million (\$24 psf) and 5171 Grant Avenue, a 37,000-sf building located in Cuyahoga Hts. that was purchased by Herbst Electric Co. for \$1.1 million (\$30 psf). Investment sales were led by Brennan Investment Group's acquisition of a 33-building national industrial portfolio from AIC Ventures that locally included five buildings totaling 1.0 msf and \$57.4 million in value.

Outlook

Industrial market activity is starting to slow down as companies are fearing an impact from the new tariffs and the upcoming election year.

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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	1,560	51,180,717	107,650	184,958	2.3%	1,018,657	923,057	0	0	\$3.80
East	1,066	46,038,404	132,047	647,385	3.1%	89,459	62,390	280,976	650,000	\$3.85
Lake County	1,463	41,512,488	415,608	448,861	2.3%	719,338	720,338	230,000	17,100	\$4.58
South	662	29,793,676	589,442	151,473	2.8%	-24,827	42,927	90,000	36,000	\$5.76
Southeast	1,619	81,666,418	2,777,847	1,010,353	5.1%	-810,020	-593,320	306,000	1,320,250	\$4.18
Southwest	1,216	54,669,519	784,874	161,059	6.0%	91,398	91,398	12,000	139,600	\$4.04
West	1,262	49,877,322	234,062	472,847	4.3%	414,556	414,556	74,056	294,275	\$3.78
Akron	2,046	70,350,444	327,617	356,627	3.4%	-124,954	-158,554	102,600	186,868	\$4.44
Medina County	635	21,865,915	63,090	217,608	1.8%	-65,752	-65,752	506,000	62,000	\$3.70
Portage County	433	11,714,550	54,337	251,887	1.8%	-57,107	-57,107	0	0	\$4.34
Stark County	1,305	47,206,439	395,478	494,654	1.5%	-17,088	-119,397	94,800	927,500	\$3.67
CLEVELAND TOTALS	13,267	505,875,892	5,882,052	4,397,712	3.5%	1,233,600	1,260,536	1,696,432	3,633,593	\$4.23

*Rental rates reflect asking \$psf/year

	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	477,699,755	5,096,750	3.4%	1,249,271	1,271,133	1,696,432	3,633,593	\$3.93
Office Services / Flex	974	28,176,137	785,302	4.5%	-15,611	-10,597	0	0	\$9.31

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
10345 Philipp Parkway	649,250	L'Oreal USA, Inc.	Renewal	Southeast
8745 Chamberlain Road	215,922	Performance Food Group	Renewal / Expansion	Southeast
125 Lena Drive	176,225	Atlantic Water Gardens	New	Southeast
26401 Fargo Avenue	83,380	Choice Cabinets	New	Southeast

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
16625 Granite Road	370,009	AIC Ventures / Brennan Investment Group	\$20,861,117 / \$56	Southeast
30 Foundation Place	134,565	AIC Ventures / Brennan Investment Group	\$11,582,433 / \$86	Akron
4540 West 160 th Street	206,471	AIC Ventures / Brennan Investment Group	\$7,716,922 / \$37	Southwest
5500 Avion Park Drive	48,125	Things Remembered / Norman Noble	\$2,350,000 / \$49	East

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