

MARKETBEAT

Cleveland, OH

Industrial Q1 2019



CLEVELAND INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Cleveland Employment	1,066k	1,080k	▲
Cleveland Unemployment	5.0%	5.0%	■
U.S. Unemployment	4.1%	3.8%	▼

Above numbers are quarterly averages

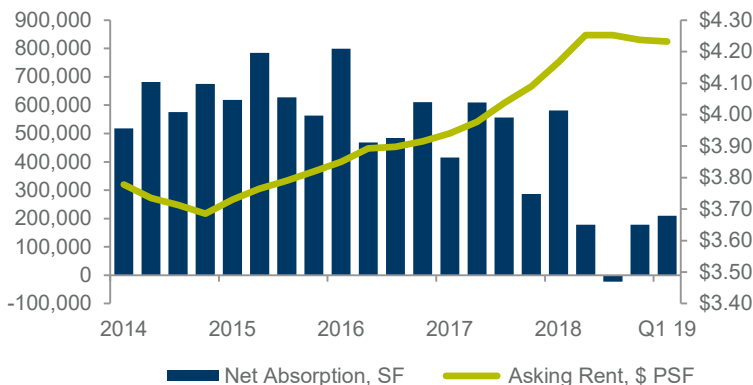
Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	3.5%	3.5%	▼
YTD Net Absorption (sf)	1.4M	1.5M	■
Under Construction (sf)	3.7M	3.3M	■
Average Asking Rent*	\$4.30	\$4.28	■

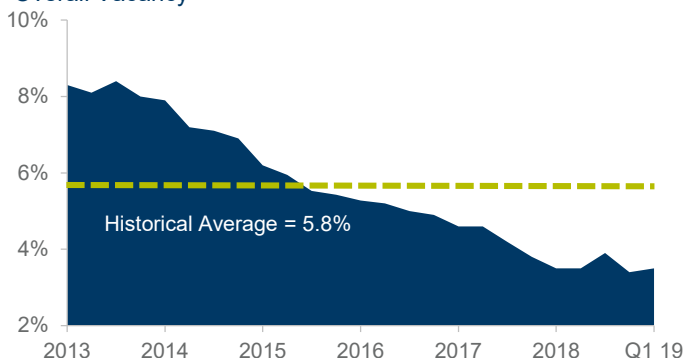
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Residential and nonresidential construction and professional and business services drove the majority of growth over the period. Growth in non-auto retail and in banking was restrained by seasonal factors, but companies were optimistic that underlying demand would remain resilient. Manufacturers reports were mixed. Freight haulers reported flat demand. Most industries increased staffing levels moderately. Companies expressed concern about employee retention in the face of increased competition for labor. Producers of goods reported some relief from materials cost increases, but they continued raising selling prices to cover prior increases in their input costs.

Market Overview

Market vacancy increased slightly to 3.5% at the end of first quarter 2019. The total net absorption for the first quarter was just under 1.5 million square feet (msf). Leasing activity saw 1.3 msf in 92 total deals, 69 of which were new deals totaling 1.0 msf and 23 were renewals totaling 255,000 sf. The overall leasing activity was slightly above the average in relation to the last several quarters.

In the first quarter, six new construction projects delivered totaling 856,350 sf. The most notable projects completed included Amazon (650,000 sf) and Trelleborg Engineered Services (156,250 sf), located in the East and Southeast Submarkets. The new construction pipeline remained steady with 3.3 msf under construction. Current projects include Shearer's Foods, Inc. (700,000 sf), Revago (506,000 sf), Westminster Capital Spec building (434,000 sf) and O'Reilly's Auto Parts (404,000 sf).

The first quarter saw 55 user sales totaling 1.8 msf, which is the highest quarter total since first quarter 2018. Notable user sales included: 1793 Enterprise Parkway, a 300,900-sf building located in Twinsburg that was purchased by Stanley Black and Decker dba Spiegelberg Manufacturing, Inc. for \$9.58 million or \$32 per square foot (psf) from a local development group, 1300 Danner Drive, a 112,670-sf manufacturing building located in Aurora that was purchased by Ilpea Industries, Inc. for \$5.0 million (\$44 psf) and two buildings totaling 51,434 square feet acquired by Sims-Lohman Fine Kitchens from Canton Cut Stone in Independence and Canton for \$3.3 million (\$64 psf). Investment sales were down over previous quarters. The first quarter saw 10 sales totaling 725,924 sf.

Outlook

Activity in 2019 is expected to remain moderate with a steady decrease in vacancy rate and increases in lease rates and sales prices along with the continued need for additional speculative high-bay bulk distribution buildings.

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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	805	25,349,334	75,668	91,478	2.6%	636,382	636,382	0	0	\$4.08
East	602	19,842,026	43,250	293,910	1.9%	5,681	5,681	0	650,000	\$5.99
Northeast	1,923	67,822,880	28,992	57,451	3.2%	913,847	914,847	205,000	17,100	\$3.89
South	825	34,388,524	222,583	35,750	2.6%	125,881	125,881	133,976	0	\$4.84
Southeast	1,993	96,400,201	247,267	537,600	5.0%	-345,667	-173,643	1,114,000	206,250	\$4.69
Southwest	1,215	54,470,299	363,869	56,734	5.9%	88,399	85,399	100,000	18,000	\$4.13
West	1,473	55,447,945	59,186	115,241	1.4%	81,556	81,556	123,025	15,000	\$3.86
Akron	2,040	69,458,426	112,721	206,604	3.4%	-89,598	-89,598	152,600	0	\$4.41
Medina County	636	22,185,298	33,800	6,000	1.4%	49,860	49,860	568,000	0	\$4.65
Portage County	435	11,813,906	54,337	147,651	1.4%	-288	-288	0	0	\$3.90
Stark County	1,293	46,965,244	57,597	239,624	3.7%	22,994	22,994	927,500	0	\$3.73
CLEVELAND TOTALS	13,240	504,144,083	1,299,270	1,788,043	3.5%	1,489,047	1,659,071	3,324,101	906,350	\$4.28

*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	12,274	476,108,993	1,007,595	3.4%	1,456,049	1,626,003	3,324,101	906,350	\$3.97
Office Services / Flex	966	28,035,090	291,675	4.7%	32,998	33,068	0	0	\$9.68

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4600 Tiedeman Road	175,000	Tap Packaging Solutions	New	Southwest
Cornerstone Business Park	100,000	Treadmaxx	New	Southeast
220 Eastview Drive	51,998	Top Dawg Delivery	Renewal	South
225 W. Barteges Street	38,188	Promerus	New	Akron

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1793 Enterprise Parkway	300,900	KP Twinsburg Ltd. / Spiegelberg Manufacturing, Inc.	\$9,580,000 / \$32	Southeast
18901 Euclid Avenue	242,013	Industrial Realty Group / Dynamic Metal Services	\$2,500,000 / \$10	East
1300 Danner Drive	112,670	WBCMT Danner Drive, LLC / Ilpea Industries, Inc.	\$5,000,000 / \$44	Southeast
1500 Valley Belt Drive	32,810	Canton Cut Stone / Sims-Lohman Granite	\$1,980,000 / \$60	South

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