

Industrial Snapshot Q1 2016

Cleveland, OH



CLEVELAND INDUSTRIAL

Economic Indicators

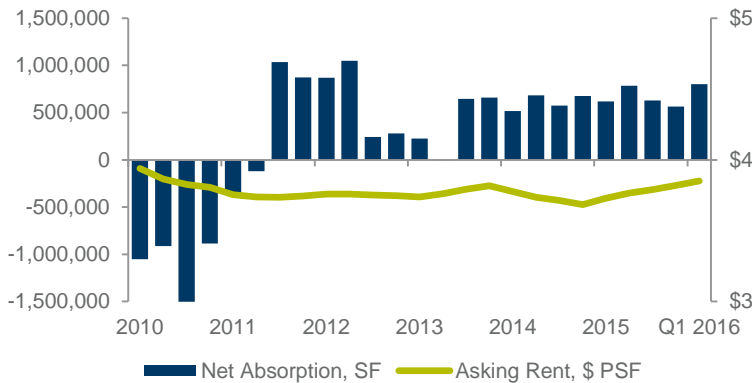
	Q1 15	Q1 16	12-Month Forecast
Cleveland Employment	1,041k	1,056k	▲
Cleveland Unemployment	5.6%	4.4%	▼
U.S. Unemployment	5.6%	4.9%	▼

Market Indicators

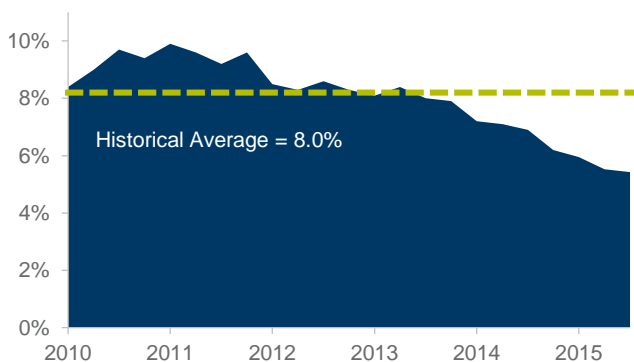
	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	6.0%	5.2%	▼
Net Absorption	20k	962k	▲
Under Construction	2.0M	1.6M	▲
Overall Average Asking Rent	\$3.77	\$3.89	▲

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The economy expanded at a modest pace since the year-end 2015 report. Manufacturing output weakened slightly. The housing market improved, with higher unit sales and higher prices. Non-residential contractors reported very favorable results for the first quarter of 2016. Midway through the first quarter, consumer spending at retail outlets and restaurants increased on a year-over-year basis. Motor vehicle sales continued to move higher. The demand for credit by commercial and retail customers was unchanged. Regional natural gas output remains at historic highs; some upstream oil and gas companies are finding it more difficult to access credit. Freight volume expanded along seasonal trends.

Market Overview

The overall vacancy rate declined to 5.2%, down from 5.3% in Q4 15 and 6.0% in Q1 15. A bulk of the activity was geared towards lease renewals versus new lease activity. Many of the renewals negotiated were for five (5) years or longer, compared to short-term renewals common couple years ago: a shear sign of a strengthened landlord market. Year-to-date direct absorption totaled 1.3 million square feet (msf). The average asking rental rate rose to \$3.89 per square foot (psf). Notable 1Q leases included: GE Lighting Special Pack, Inc. renewing for 255,000 square feet (sf) at 5555 Massillon Rd.; Consolidated Container signing a new lease for 155,000 sf at 100 Plant Street; Compass Heath Brands and D&S Distribution signing leases for 105,600 sf each. Investor sales activity was slow transferring just over 375,000 sf. However user sales remained steady with 72 transactions totaling just over 2.2 msf of user sales activity with a total consideration of over \$48.5 million (\$18.65 psf). Notable investor sales included 17295 Foltz Industrial Pkwy, Strongsville, a 41,184-sf building sold by KTM Foltz, LLC to Cedarbrook Management, Inc. Notable user sales included 31350 Industrial Pkwy, North Olmsted, a 36,314-sf building acquired by YIRS, Ltd. from Schirmer Construction and 20365 Progress Dr., Strongsville, a 64,700-sf building sold by Palese Realty to 20365 Progress Drive, LLC.

Outlook

As spring gives way to summer, activity will increase and will continue to drive down vacancy rates. Three new speculative bulk distribution projects are expected to be announced second quarter. This construction activity represents a strong sign for the Northeast Ohio industrial market, which has seen limited speculative development over the last five years.

MARKETBEAT

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SUBMARKET	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION	YTD OVEALL NET ABSORPTION	UNDER CNSTRUCTION	YTD CONSTRUCTION COMPLETIONS	DIRECT WEIGHTED AVERAGE NET RENTAL RATE
Downtown	805	26,214,934	11,400	18,100	8.7%	21,048	21,048	0	0	\$3.95
East	568	18,339,440	18,464	27,703	4.2%	(2,871)	(2,871)	0	0	\$6.39
Northeast	1,740	64,451,481	29,225	157,885	6.7%	(90,005)	(90,005)	0	0	\$3.25
South	828	34,502,959	30,426	162,169	5.8%	142,035	147,915	0	30,000	\$4.76
Southeast	1,958	93,661,833	63,643	94,660	5.2%	734,796	734,796	1,233,000	768,500	\$4.36
Southwest	1,172	50,686,512	49,639	71,476	3.4%	81,736	81,736	0	0	\$4.29
West	1,436	52,682,216	17,292	339,465	5.9%	14,949	14,949	6,000	10,000	\$3.12
Akron	1,999	67,717,346	49,432	161,802	4.9%	132,140	(219,860)	0	0	\$4.17
Medina County	607	20,356,056	8,164	47,560	3.7%	90,719	90,719	319,800	0	\$4.57
Portage County	416	11,830,175	0	0	3.9%	9,000	9,000	0	0	\$3.50
Stark County	1,213	43,817,912	21,200	1,151,514	3.4%	174,644	174,644	0	0	\$3.10
CLEVELAND TOTALS	12,742	484,260,864	298,885	2,232,334	5.2%	1,308,191	962,071	1,558,800	808,500	\$3.89

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q1 2016

* Renewal

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
5555 Massillon Road*	255,000	GE Lighting Special Pack	Warehouse Distribution	Akron
100 Plant Street	155,000	Consolidated Container Co.	Warehouse Distribution	East
5260 Naiman Parkway*	124,716	Cardinal Health	Warehouse Distribution	Southeast
18901 Snow Road	105,600	Compass Health Brands	Warehouse Distribution	Southwest
18901 Snow Road	105,600	D&S Distribution	Warehouse Distribution	Southwest

Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE	SUBMARKET
20365 Progress Drive	64,700	20365 Progress Dr. / Palese Realty, LLC	Manufacturing	\$1,864,226/\$29	Southwest
21555 Drake Road	46,176	D&H Properties, Ltd. / SMB Drake, LLC	Ind – Multi Tenant	\$2,250,000/\$48	Southwest
17295 Foltz Industrial Parkway	41,184	KTM Foltz LLC / CB Foltz Parkway LLC	Ind – Multi Tenant	\$3,650,000/\$89	Southwest
925 Grant Street	39,780	SPI Properties, LLC / Red Grant, LLC	Warehouse	\$1,525,000/\$38	Southwest
31350 Industrial Parkway	36,314	YIRS, Ltd. / Schirmer Construction	Warehouse	\$1,900,000/\$52	Southwest

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