

MARKETBEAT

Cleveland, OH

Industrial Q1 2017



CLEVELAND INDUSTRIAL

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Cleveland Employment	1,055k	1,058k	▲
Cleveland Unemployment	4.9%	5.8%	▲
U.S. Unemployment	4.9%	4.8%	▲

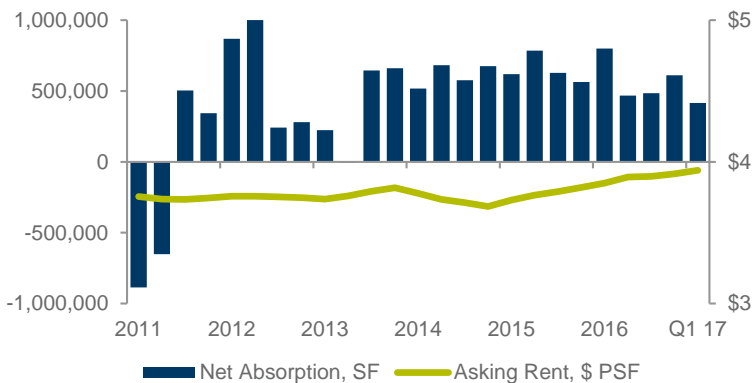
Market Indicators (Overall, All Property Types)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	5.2%	4.6%	▼
YTD Net Absorption (sf)	962k	181k	▲
Under Construction (sf)	1.6M	1.4M	▲
Average Asking Rent*	\$3.89	\$3.99	▲

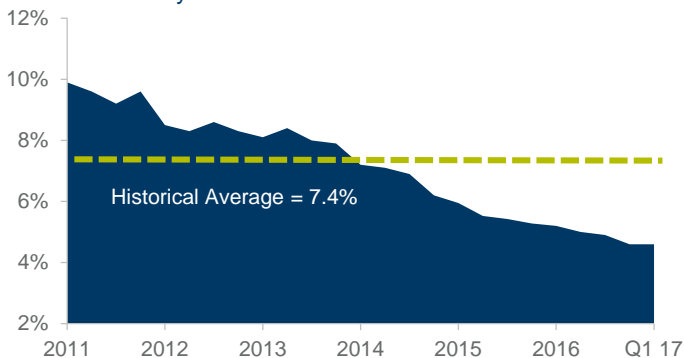
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Economic activity grew moderately and labor markets continued to report signs of tightening, with moderate wage gains. Upward pressure on prices paid and prices received dampened slightly. Consumers continued to favor Internet and mobile shopping over brick and mortar. Motor vehicle sales spiked higher in January. Production picked up at manufacturing plants. Nonfinancial services firms experienced slight revenue growth overall, but demand was strong for IT and data analytics services. The housing market improved, with higher unit sales and higher prices. Commercial builders believe 2017 will be a solid year for their industry, though some expect that 2017 will also be the peak of the current construction cycle. Lending pipelines remain relatively strong.

Market Overview

Activity in the Q1 17 was slower than previous quarters, and as a result, the overall vacancy rate remained steady at 4.6%. Net absorption overall measured positive 180,990 square feet (SF), however this reflected a negative 124,706 SF in the office/flex market sector. Market asking NNN rates increased to \$3.94 per square foot (PSF). The three speculative buildings delivered in late 2016/early 2017 are at 84% occupancy with leases signed by DHL Global (80,000 SF); Amazon (80,000 SF) and Applied Industrial Technology (100,000 SF). Investor sales recorded nine transactions in Q1 17 totaling 623,381 SF. Notable transactions included the sale of 26801 Fargo Ave. in Bedford Hts, a 173,052-SF building from Fargo Warehouse Properties to Stag Industrial Holdings for \$7.6 million (\$44 PSF) and the sale of 11012 Aurora-Hudson Rd., a 73,120-SF building, from NL Ventures to Nytef Bensalem for \$4.9 million (\$68 PSF). The number of user sales slowed even further from Q4 16 with 37 transactions totaling 864,146 SF and commanding an average of \$24 PSF. The slow down is likely due to the lack of quality inventory available for sale. Notable user sales included 5300 Tradex Pkwy., a 134,517-SF building acquired by All Freight Delivery from Tradex Gloves for \$2.2 million (\$16 PSF) and 6160 Miller Rd., Brecksville, a 32,000-SF building acquired by Caruso's Coffee from Precision Printing for \$1.1 million (\$34 PSF).

Outlook

More of the same is expected in the coming quarters – slow and steady movement in the market with a continued decrease in vacancy rates. Activity will increase from developers as it relates to new speculative bulk distribution projects. Properties that have been on market for an extended period of time are expected to experience an increase in activity due to market shortage.

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SUBMARKET9	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	808	26,352,936	0	154,690	8.8%	-44,583	-44,583	0	0	\$4.41
East	580	19,233,030	33,656	23,676	2.7%	-5,759	-7,385	150,000	0	\$6.30
Northeast	1,891	65,807,957	156,414	91,408	5.9%	29,063	-48,704	0	0	\$3.64
South	828	34,413,167	218,004	43,000	5.2%	40,896	-3,290	28,000	0	\$5.22
Southeast	1,964	93,790,806	191,222	58,719	4.6%	-27,793	-49,509	647,000	314,500	\$4.32
Southwest	1,181	51,513,689	81,868	15,200	3.0%	-50,728	-56,228	196,000	40,000	\$4.00
West	1,455	53,407,539	27,941	144,761	4.7%	353,237	388,687	0	347,025	\$3.17
Akron	2,006	68,135,002	228,540	16,641	4.8%	267,927	267,927	0	0	\$4.03
Medina County	616	21,016,739	16,325	40,740	4.2%	-163,420	-163,420	360,000	31,200	\$4.74
Portage County	422	11,655,396	21,000	21,546	3.8%	-24,600	-24,600	0	0	\$3.83
Stark County	1,238	45,609,989	307,015	253,765	3.0%	-60,707	-77,905	0	0	\$3.62
CLEVELAND TOTALS	12,989	490,936,250	1,281,985	864,146	4.6%	313,533	180,990	1,381,000	732,725	\$3.99

*Rental rates reflect asking \$psf/year

	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION	YTD OVEALL NET ABSORPTION	UNDER CNSTRUCTION	YTD CONSTRUCTION COMPLETIONS	DIRECT WEIGHTED AVERAGE NET RENTAL RATE
Industrial including Warehouse, Distribution and Manufacturing	12,081	464,930,667	1,171,800	4.6%	411,262	305,696	1,381,000	732,725	\$3.66
Office Services / Flex	908	26,005,583	110,185	6.4%	-97,729	-124,706	0	0	\$9.88

Key Lease Transactions 1Q17

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
334 Orchard Street	139,130	ASC Industries, Inc.	Lease	Stark
26555 Bluestone Boulevard	80,000	Amazon	Lease	Northeast
Engle Lake Drive	75,000	Fat Head's Brewery & Saloon	Lease	Southwest
5185 Richmond Road	69,474	Dal-Tile Distribution	Lease	Southeast
5100 Naiman Parkway	54,140	Mattress Firm	Lease	Southeast

Key Sales Transactions 1Q17

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
26801 Fargo Avenue	173,052	Fargo Warehouse / Stag Industrial	\$7,636,651 / \$44	Southeast
5300 Tradex Parkway	134,517	S&L Investments / Dusigus Ventures	\$2,192,000 / \$16	West
6230 Cochran Road	100,365	Arthur Merriman / Supply Side USA	\$3,000,000 / \$30	Southeast
11012 Aurora Hudson Road	73,120	NL Ventures / NYTEF Bensalem	\$4,960,000 / \$68	Southeast

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