

MARKETBEAT INDUSTRIAL SNAPSHOT

CLEVELAND, OH

A Cushman & Wakefield Research Publication



Q2 2015



ECONOMIC OVERVIEW

The Fourth District Beige Book published by the Federal Reserve reported a steady level of activity over the period, with little change in the pace of growth. Reports by industry sector were mixed. Production at manufacturing plants contracted slightly. Nonresidential building contractors characterized their backlogs as strong; the housing industry reported a pickup in construction starts and purchases of new and existing single-family homes. Sales at stores and restaurants were marginally higher than those of a year ago, while new-car sales fell slightly year-over-year. Drilling in the Marcellus and Utica Shales declined further. Reports on freight volume were mixed. The demand for business and consumer credit continued to move slowly higher. Payrolls expanded slightly. Staffing firms reported a pickup in the number of job openings in healthcare and manufacturing; however, placements did not keep pace. Upward pressure on wages is limited mainly to technically-skilled personnel. Overall, input and finished goods prices were steady. We heard reports about declines in prices for steel and some petroleum-based products.

MARKET OVERVIEW

The overall vacancy rate declined to 5.5%, which is down from 7.1%, at the end of Q2 15. Quarterly direct absorption totaled over 1.0 million square feet (msf) with overall absorption totaling nearly 1.3 msf. The average direct triple net asking rental rate reported a slight increase for the fifth straight quarter to \$3.78 per square foot (psf). Notable leases included: 31000 Viking Parkway, Westlake, a 75,186-square foot (sf) lease for Ground Effects; Cornerstone Business Park, Twinsburg, a 57,360-sf lease for Tire Wholesale Warehouse; and 28900 Fountain Parkway, Solon, a 41,600-sf lease for Winncomm Technologies.

The Cleveland industrial market finished the quarter with 1.4 msf in investor sales activity and 1.9 msf of user sales activity. Ninety-two user sales transferred with a total consideration of \$41.0 million (\$23.60 psf average). Notable investor sales included the 1200 Taylor Street, Elyria, a 465,961-sf sale-leaseback between Invacare Corporation and Industrial Real Estate Group; 5267-5271 Southway Street, Canton, a 290,958-sf complex to Canton-Southway, Ltd. from Insite Realty; and 6500 W. Snowville Road, Brecksville, a 52,350-sf complex to Fab Tech, LLC from J&M Real Estate.

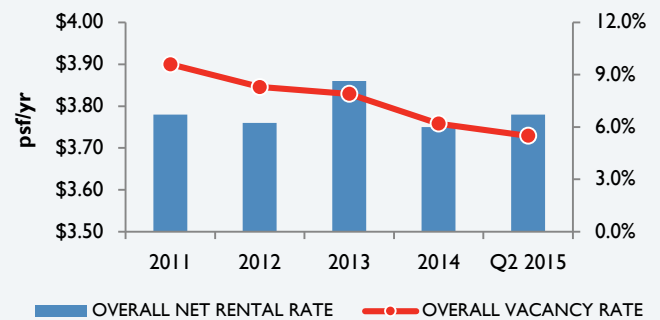
OUTLOOK

Lack of quality inventory on the market continues with properties starting to see multiple bids. As a result, older, less desirable properties are reporting an increase in activity. Vacancy rates will continue to move downward because of the pent-up demand and lack of new construction. Five speculative projects totaling slightly over 1.0 msf are scheduled to break ground in early spring helping address the pent-up demand for new high-bay bulk distribution warehouses. With the low vacancy, sales and leasing prices are expected to continue increasing.

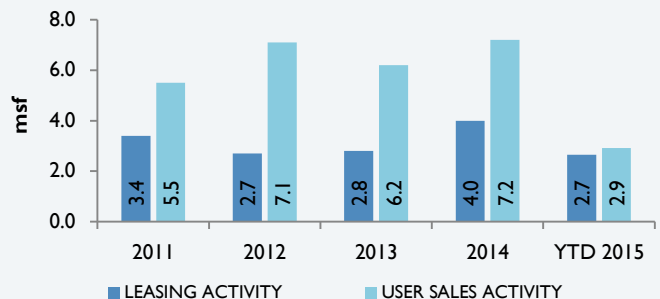
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.1%	5.5%	1.6 pp	▼
Direct Asking Rents (psf/yr)	\$3.64	\$3.78	3.8%	▲
YTD Leasing Activity (sf)	1,678,919	2,655,863	58.2%	◄►

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



CLEVELAND, OH

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE
Downtown	26,225,113	8.8%	182,260	243,981	0	0	39,417	39,417	\$3.13
East	18,346,872	5.2%	54,815	147,932	130,000	0	(5,933)	(5,933)	\$6.35
Northeast	64,592,040	7.3%	52,016	243,515	0	0	61,608	61,608	\$3.31
South	34,534,994	6.4%	127,932	90,607	30,000	0	129,982	160,259	\$5.57
Southeast	92,366,845	5.5%	489,453	481,080	2,001,000	0	216,963	147,463	\$4.16
Southwest	50,745,588	3.8%	258,700	363,669	0	35,000	(50,759)	(50,759)	\$4.02
West	51,936,406	5.9%	605,253	161,063	0	0	9,854	85,040	\$3.08
Akron	67,066,855	4.6%	650,836	556,176	0	0	545,507	492,817	\$3.78
Medina County	20,045,953	4.1%	81,473	216,441	319,700	47,000	36,062	36,062	\$4.08
Portage County	11,735,734	4.4%	0	32,096	0	0	(4,120)	(4,120)	\$3.33
Stark County	44,143,089	4.4%	153,125	385,523	0	0	346,312	346,312	\$3.07
TOTALS	481,739,489	5.5%	2,655,863	2,922,083	2,480,700	82,000	1,324,893	1,308,166	\$3.78

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
31000 Viking Parkway	West	Ground Effects	Warehouse	75,186
Cornerstone Business Park	Southeast	Tire Wholesale Warehouse	Warehouse	57,360
28900 Fountain Parkway	Southeast	Winncom Technologies	Warehouse	41,600
29001 Solon Road	Southeast	FMI	Warehouse	41,040
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1200 Taylor Street	West	Industrial Realty Group	\$17,540,000 / \$38	465,961
5267-5271 Southway Street, SW	Stark County	Canton-Southway, Ltd.	\$6,400,000 / \$22	290,958
26350 Broadway Avenue	Southeast	Stag Industrial	\$4,375,000 / \$58	75,000
6500 W. Snowville Road	South	Fab Tech, LLC	\$2,212,500 / \$42	52,350
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
5020 Panther Parkway	Medina	Blair Rubber	Q2 2015	47,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
East Hines Hill Road	Southeast	Arhaus	Q4 2015	750,000 (100%)
Chamberlain Road	Southeast	Federal Express	Q3 2015	303,000 (100%)
Cornerstone Business Park – Spec	Southeast	Tire Wholesale Warehouse	Q3 2015	165,000 (50%)
29300 Cannon Road	Southeast	Nestle	Q3 2015	144,000 (100%)

*Renewal – Not included in Leasing Activity Statistics

+Estimated Purchase Price