

Industrial Snapshot 2Q 2016

Cleveland, OH



CLEVELAND INDUSTRIAL

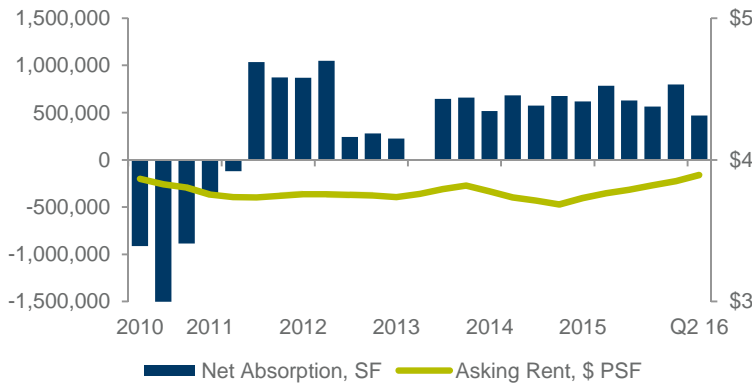
Economic Indicators

	2Q 15	2Q 16	12-Month Forecast
Cleveland Employment	1,045k	1,056k	▲
Cleveland Unemployment	5.1%	5.3%	▲
U.S. Unemployment	5.4%	4.9%	▼

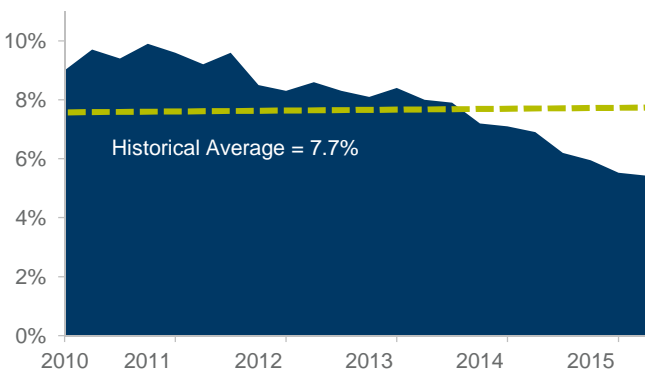
Market Indicators

	2Q 15	2Q 16	12-Month Forecast
Overall Vacancy	5.5%	5.0%	▼
Net Absorption	1.3M	-36k	▲
Under Construction	2.5M	838k	▲
Overall Average Asking Rent	\$3.78	\$3.95	▲

Net Absorption/Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

Businesses reported a steady level of activity during 2Q, with little change in the pace of growth. Reports by industry were mixed. Production at manufacturing plants was stable, though steel producers were encouraged by a boost in demand and higher prices. The housing market continued to grow at a steady pace with higher unit sales and prices. Commercial builders reported that construction pipelines are strong, and they expect revenues to grow for the next couple of years. Retailers experienced disappointing same-store sales. The pace of growth in retail car sales has slowed. Commercial and retail credit conditions expanded slowly. Oil and gas exploration remains depressed, while investment in pipeline and midstream projects moved forward. Freight volume trended lower.

Market Overview

The overall vacancy rate declined for the 16th consecutive quarter to 5.0%. However negative net absorption was reported for the first time since 2Q13 and totaled negative 36,295 square feet (SF) for the quarter. In spite of this, year-to-date direct absorption was a positive 925,776 SF. With the continued decline in the vacancy rate, this has put pressure on asking NNN rates, which increased to \$3.95 per square foot (PSF). Top leasing activity included a 206,407-SF renewal by Essendant Co. at 2477-2479 Edison Blvd., Twinsburg and Mars Electric signed a new lease at 6655 Beta Dr. in Mayfield Village for 108,000 SF. Investor sales activity rose significantly over the first quarter with just over 1.0 million square feet (MSF) of properties changing ownership. User sales were down 30% from the first quarter with 53 transactions totaling just under 1.4 MSF with a total consideration of over \$27.2 million (\$19.29 PSF). AIC Ventures was active in the 2Q16 acquiring two buildings from Darice, Inc. in Strongsville - 12850 Darice Pkwy., a 171,242-SF multi-tenant building that sold for \$10.6 million (\$51 PSF) and 13000 Darice Pkwy., a 382,795-SF single tenant building that sold for \$19.5 million (\$61 PSF). One notable user sale included 1006-1008 Crocker Rd., Westlake, a 170,000-SF building acquired by All Pro Freight from Bonne Bell Corp.

Outlook

With summer vacations in full swing and the RNC in Cleveland, we expect a slight slowdown in both leasing and sales activity. However vacancy rates are expected to continue to decline. Two new speculative bulk distribution projects in the Southwest were announced in the second quarter and will help pent up demand in that market.

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	806	26,216,576	21,500	182,872	8.6%	37,749	37,749	0	0	\$4.38
East	571	18,480,528	200,004	56,883	3.8%	26,936	26,936	0	0	\$6.32
Northeast	1,746	64,354,047	167,081	223,028	6.3%	48,915	48,915	0	0	\$3.46
South	828	34,518,999	202,766	170,750	5.5%	212,821	218,701	0	30,000	\$4.72
Southeast	1,957	93,619,933	872,210	194,084	5.0%	737,411	866,911	414,500	2,010,500	\$4.39
Southwest	1,175	50,983,760	188,929	321,159	3.2%	109,961	109,961	120,000	0	\$4.18
West	1,437	52,792,042	165,503	576,432	5.8%	22,018	20,168	6,000	10,000	\$3.09
Akron	2,001	67,953,339	194,399	200,538	5.7%	(470,483)	(826,893)	0	0	\$4.12
Medina County	609	20,521,598	32,095	111,610	2.7%	227,778	227,778	297,200	22,500	\$4.82
Portage County	415	11,615,203	6,900	5904	3.9%	13,500	13,500	0	0	\$3.50
Stark County	1,218	44,308,827	113,606	1,586,474	2.8%	182,050	182,050	0	0	\$3.32
CLEVELAND TOTALS	12,763	485,364,852	2,164,993	3,629,734	5.0%	1,148,656	925,776	837,700	2,073,000	\$3.95

*Rental rates reflect asking \$psf/year

Key Lease Transactions 2Q 2016

* Renewal

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
2477-2479 Edison Blvd*	206,407	Essendant Co.	Warehouse/Distribution	Southeast
6655 Beta Drive	108,000	Mars Electric	Warehouse/Distribution	East
830 Canterbury Road*	94,000	True Value Co.	Warehouse/Distribution	West
4945 Scarlett Lane	87,188	Carroll Tire	Warehouse/Distribution	Akron
583 Miller Road	50,280	Fontaine Modification Co.	Light Assembly	West

Key Sales Transactions 2Q 2016

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$ PSF	SUBMARKET
13000 Darice Parkway	382,795	Darice, Inc. / AIC Ventures	Warehouse	\$19,500,000/\$51	Southwest
12850 Darice Parkway	171,242	Darice, Inc. / AIC Ventures	Ind – Multi Tenant	\$10,611,496/\$62	Southwest
1006-1008 Crocker Road	170,000	Bonne Bell / All Pro Freight	Manufacturing/Warehouse	\$4,625,000/\$27	West
687 Seville Road	166,892	Rohrer Corporation / Brennan Investment	Manufacturing/Warehouse	\$8,123,460/\$49	Medina
4855-4865 West 130 th Street	108,834	130 th Street, LLC. / Hendricks Commercial	Warehouse	\$1,850,000/\$17	Southwest

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