

# Industrial Snapshot Q3 2015

Cleveland, OH



## CLEVELAND INDUSTRIAL

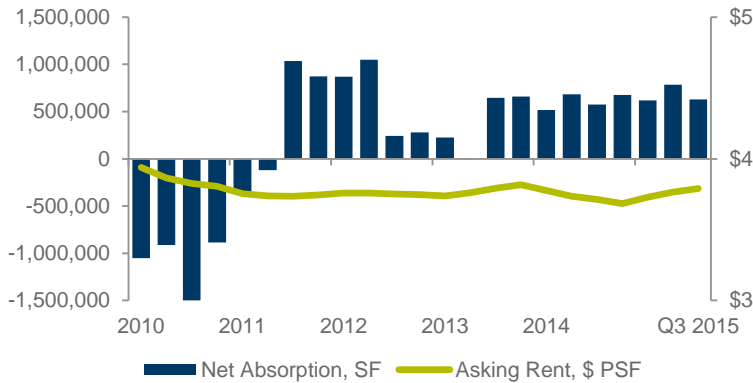
### Economic Indicators

	Q3 14	Q3 15	12-Month Forecast
Cleveland Employment	1,038k	1,055k	▲
Cleveland Unemployment	6.0%	5.7%	▼
U.S. Unemployment	6.1%	5.1%	▼

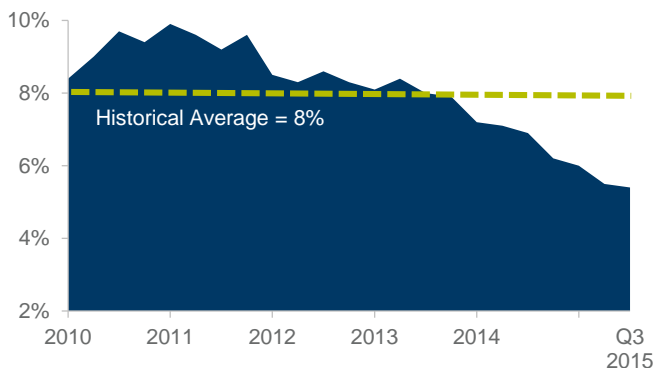
### Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	6.9%	5.4%	▼
Net Absorption	892k	265k	■
Under Construction	1.5M	2.5M	▲
Overall Average Asking Rent	\$3.76	\$3.86	▲

### Net Absorption/Asking Rent 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The economy in Cleveland expanded at a modest pace in Q3 15. Net gains in employment were stated in most sectors. Staffing firms reported an increase in the number of openings and placements, primarily in manufacturing and financial services sectors. Manufacturing output was stable. The housing market improved, recording higher sales and prices. Commercial building contractors reported continued robust activity from an increase in inquiries and backlogs. Retail sales were higher compared to this time last year. Exploration in the Marcellus and Utica Shales declined, but production remains at historic highs. Freight volume trended down.

## Market Overview

The overall vacancy rate declined to 5.4% which is down from 6.9% at the end of Q3 14 and the lowest rate in well over a decade. The majority of activity was led by growth from existing Northeast Ohio companies fueled by the tech, health care and logistics industries. Year-to-date direct absorption totaled just over 1.4 million square feet (msf). The average asking rental rate rose to \$3.86 per square foot (psf). Year-to-date overall net absorption totaled nearly 1.6 msf. Amresco signed the largest new Q3 lease for 224,600 square feet (sf) at 28600 Fountain Parkway, Solon. The Cleveland industrial market ended Q3 with over 1.8 msf of investor sales activity and 1.6 msf of user sales activity. Eighty-six sales transferred with a total consideration of \$70.8 million (\$23.63 psf average). Notable investor transactions included the fully occupied 202,000-sf warehouse/distribution facility at 1261 Highland Rd, Macedonia sale to STAG Industrial. Diamond Properties purchased 1 Andrews Cir., a two-building portfolio totaling 216,000 sf in Brecksville occupied by Cintas.

## Outlook

The lack of quality inventory on the market continues to be an issue with properties continuing to see multiple bids. As a result, older, less desirable properties are reporting an increase in activity. Vacancy rates will continue to move downward due to pent-up demand and lack of new construction. Current development projects totaling over 2.4 msf are helping to address this demand for new high-bay bulk distribution warehouses. With the low vacancy sales and leasing prices are expected to continue increasing. Investment sales are on the rise as investors look to Cleveland in search of attractive cap rates.

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	26,198,185	187,060	295,350	8.54%	107,829	107,829	0	0	\$3.16
East	566	18,316,677	59,118	150,056	4.49%	23,211	23,211	130,000	0	\$6.37
Northeast	1,736	64,676,868	86,161	411,125	6.4%	140,405	140,405	0	0	\$3.44
South	827	34,506,453	205,157	268,898	6.11%	129,070	159,347	30,000	0	\$5.09
Southeast	1,957	92,762,551	776,459	593,153	5.67%	50,543	-18,957	1,919,200	144,000	\$4.26
Southwest	1,169	50,772,624	383,133	402,223	3.32%	126,606	126,606	120,000	35,000	\$4.08
West	1,421	51,931,906	631,403	746,203	6.05%	(192,118)	(116,932)	16,000	0	\$3.04
Akron	1,999	67,060,237	679,236	748,127	4.25%	619,273	566,583	0	0	\$4.17
Medina County	600	20,020,688	146,844	257,597	3.84%	83,490	83,490	266,000	47,000	\$4.73
Portage County	416	11,759,530	0	77,370	4.39%	(520)	(520)	0	0	\$3.50
Stark County	1,209	44,296,131	366,497	540,888	4.0%	312,564	501,936	0	0	\$3.02
<b>CLEVELAND TOTALS</b>	<b>12,705</b>	<b>482,301,850</b>	<b>3,521,068</b>	<b>4,490,990</b>	<b>5.4%</b>	<b>1,400,353</b>	<b>1,572,998</b>	<b>2,481,200</b>	<b>226,000</b>	<b>\$3.86</b>

\*Rental rates reflect asking \$psf/year

## Key Lease Transactions Q3 2015

\* Renewal

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
6642 Center Rd.	297,000*	Associated Materials	Manufacturing	Ashtabula
28600 Fountain Pkwy.	224,600	Amresco	Warehouse/Distribution	Southeast
18901 Snow Rd.	211,200*	North Coast Logistics	Warehouse/Distribution	Southwest
6800 Arnold Miller Pkwy.	195,093	Erico	Warehouse/Distribution	Southeast
2360 Main St. W	189,372	Mac Trailer Manufacturing	Manufacturing	Stark

## Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE	SUBMARKET
1 Andrews Cir.	216,729	Cintas/Diamond	Warehouse/Distribution	\$10,919,326	South
1331 Kelly Ave	212,000	STAG/Brennan Investment	Manufacturing	\$9,200,000	Akron
1261 Highland Rd.	202,000	Sun Life / Stag	Warehouse/Distribution	\$12,000,000	Southeast
6800 Arnold Miller Pkwy.	195,093	L'Oreal /IRG	Warehouse/Distribution	\$4,900,000	Southeast
8220 Mohwak Dr.	77,500	Hackman Capital/Natan, Inc.	Flex/R&D	\$5,100,000	Southwest
9456 Freeway Dr.	50,250	Teodori/Interior Supply Inc.	Warehouse/Distribution	\$2,775,000	Southeast

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