

MARKETBEAT

Cleveland, OH

Industrial Q3 2016



CLEVELAND INDUSTRIAL

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Cleveland Employment	1,045k	1,063k	▲
Cleveland Unemployment	4.6%	5.1%	▲
U.S. Unemployment	5.2%	4.9%	▼

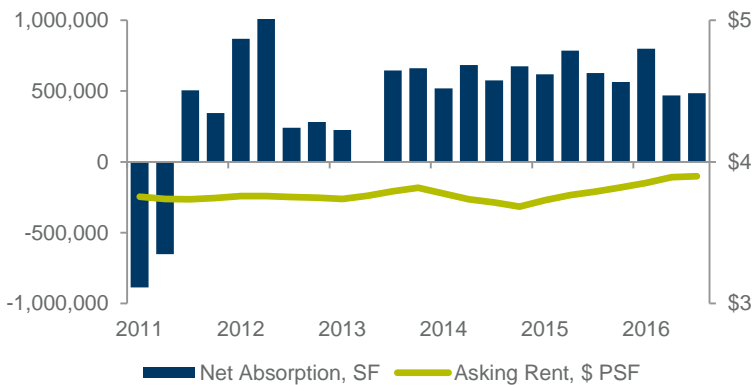
Market Indicators (Overall, All Property Types)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	5.4%	4.9%	▼
Net Absorption (sf)	265k	331k	▲
Under Construction (sf)	2.7M	1.5M	▲
Average Asking Rent*	\$3.86	\$3.88	▲

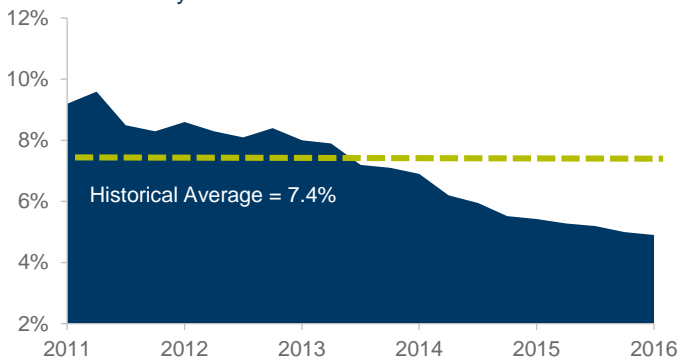
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Production at manufacturing plants was generally stable, though output from motor vehicle assembly plants trended lower during third quarter. The housing market improved with higher unit sales and higher prices. Commercial builders reported that inquiries and backlogs picked up after some weakening early on in the third quarter. Retailers reported little change in same-store sales on a year-over-year basis, while sales of new motor vehicles declined. Commercial and retail credit expanded slowly. The number of drilling rigs operating in Utica and Marcellus Shales and coal production both increased. Freight volume remains at a low level. Job gains in construction were partially offset by losses in manufacturing.

Market Overview

The overall vacancy rate continued its steady decline to 4.9%. Net absorption rebounded in the Q3 16 with a positive 331,032 square feet (SF). The asking NNN rates remained steady at \$3.88 per square foot (PSF). There are three speculative buildings totaling 441,920 SF currently under construction or completed. In speaking with the developers, they have multiple deals working on each property and expect to break ground on additional buildings in early 2017 as a result of the demand. Activity includes both expansions for existing Northeast Ohio companies and new locations for companies not currently in Northeast Ohio. Top leasing activity included a 306,010-SF lease by Royal Appliance at 1793 Enterprise Parkway, Twinsburg. Quarterly investor sales activity was down slightly with just seven transactions totaling 753,182 SF. The largest transaction was the sale Raintree Industrial Park, an 11-building portfolio totaling 563,182 SF, which Equity Commonwealth sold for \$11.4 million (\$20 PSF) to Mintz Management. The number of user sales increased slightly, however the 1.5 million SF was on par with previous quarters. Notable user sales included 787 Renaissance Parkway, Painesville, a 110,699-SF building acquired by Mar-Bal, Inc. from Welsh-Core Ohio LLC for \$4.2 million (\$38 PSF) and 12665 Corporate Drive, Parma, a 55,000-SF building acquired by the Cleveland Cavaliers for \$3,250,000 (\$59 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. Developers are proceeding cautiously in terms of new speculative bulk distribution projects to service the pent up demand in the market.

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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	26,231,077	36,500	217,904	8.5%	38,447	38,447	0	0	\$4.50
East	571	18,581,791	242,887	73,038	3.4%	72,243	72,243	150,000	0	\$6.30
Northeast	1,872	66,009,324	200,081	704,223	6.4%	101,512	101,512	0	0	\$3.60
South	829	34,518,399	277,498	201,065	5.3%	286,197	292,077	0	30,000	\$5.01
Southeast	1,959	93,713,224	947,855	341,384	4.7%	1,249,904	1,143,495	384,500	2,040,500	\$4.39
Southwest	1,176	51,125,327	249,144	531,512	3.0%	220,093	220,093	342,620	0	\$4.10
West	1,440	52,847,030	168,063	692,026	5.8%	32,859	31,009	347,025	16,000	\$3.12
Akron	2,004	67,911,423	252,574	342,087	5.5%	-309,312	-665,722	0	0	\$4.15
Medina County	613	20,915,674	69,421	153,844	3.3%	-30,343	-30,343	322,200	22,500	\$4.77
Portage County	415	11,616,100	9,900	75,904	3.8%	28,040	28,040	0	0	\$3.66
Stark County	1,226	43,843,438	139,606	1,819,732	3.2%	25,957	25,957	0	0	\$3.40
CLEVELAND TOTALS	12,911	487,312,807	2,593,529	5,152,719	4.9%	1,715,597	1,256,808	1,546,345	2,109,000	\$3.88

*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	12,013	461,782,421	2,193,692	4.9%	1,519,588	1,059,329	1,546,345	2,109,000	\$3.57
Office Services / Flex	898	25,530,386	399,837	5.7%	196,009	197,479	0	0	\$9.76

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1793 Enterprise Parkway	306,010	Royal Appliance	Lease	Southeast
Raintree Park	146,039	Iron Mountain	Renewal	Southeast
4922 East 49 th Street	85,381	Heat Seal	Lease	South
3637 Mallard Run	66,800	Magna Seating of American, Inc.	Lease	West

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Raintree Park	563,182	Equity Commonwealth/Mintz Mgmt.	\$11,400,000 / \$20	Southeast
787 Renaissance Parkway	110,669	Welsh Core Ohio LLC/Mar-Bal, Inc.	\$4,200,000 / \$38	Northeast
29601 Solon Road	57,000	Cardpak, Inc./Rohrer Corp.	\$2,600,000 / \$46	Southeast
12665 Corporate Drive	55,000	FB Nets LLC/Cleveland Cavaliers	\$3,250,000 / \$59	Southwest
810 Sharon Drive	55,000	Radiometer America/Corporate United	\$1,650,000 / \$30	West

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