

Industrial Snapshot Q4 2015

Cleveland, OH



CLEVELAND INDUSTRIAL

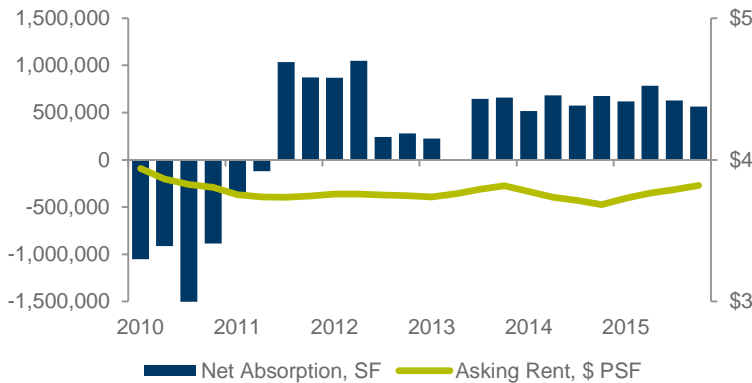
Economic Indicators

	Q4 14	Q4 15	12-Month Forecast
Cleveland Employment	1,041k	1,056k	▲
Cleveland Unemployment	5.8%	5.4%	▼
U.S. Unemployment	5.7%	5.0%	▼

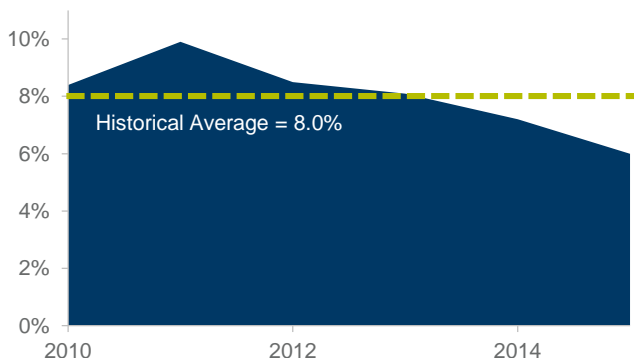
Market Indicators (Overall, All Product Types)

	2014	2015	12-Month Forecast
Vacancy	6.2%	5.3%	▼
Net Absorption (sf)	2.7M	2.3M	▲
Under Construction (sf)	1.6M	2.4M	■
Average Asking Rent	\$3.75	\$3.87	▲

Net Absorption/Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Fourth District Beige Book published by the Federal Reserve reported aggregate business activity grew at a modest pace since Q315. Manufacturing output increased on balance, albeit at a slow pace. The housing market improved with higher unit sales and higher prices. Non-residential building contractors reported continued strong activity. Retailers and auto dealerships saw higher revenues on a year-over-year basis. The demand for credit was stable. Oil and gas exploration remains depressed, while investment in pipeline and midstream projects moved forward. Freight volume trended lower. Reports indicated an ongoing tightening in labor markets.

Market Overview

The market vacancy rate declined for the 11th consecutive quarter to 5.3%. This represents the lowest historical rate many senior brokers can remember. Vacancy fell from 6.2% reported at the end of 2014 and 7.9% at year-end 2013. Although much of the activity was due to growth from existing Northeast Ohio companies, we have seen several new companies opening operations in Northeast Ohio including Worldpac (a division of Advanced Auto) and Consolidated Container (Minneapolis-headquartered). Year-to-date net absorption totaled nearly 2.3 million square feet (msf), which is slightly lower than the last two years. The average asking triple net rental rate increased for the eighth consecutive quarter to \$3.87 per square foot (psf). The largest Q4 15 lease was a 276,448-square feet (sf) renewal and expansion signed between Gladstone Companies and Graphic Packaging at 5700 Lee Rd S in Maple Heights. The Cleveland industrial market finished with over 1.4 msf of investor sales activity and nearly 1.5 msf of user sales activity. Notable investor transactions included 4922 East 49th Street, Cuyahoga Heights, a 296,554-sf complex to Premier Development Partners from Robin Cuyahoga, LLC and 33851 Curtis Boulevard, Eastlake, a 117,282-sf multi-tenant office/warehouse complex to Curtis Investments, LLC from Omni Realty Companies.

Outlook

Vacancy rates will continue to trend downward as a result of continued demand and a lack of new construction inventory, although nearly 2.4 msf of new construction is expected to be completed in 2016. These are principally build-to-suit projects, but also includes three speculative projects. This development will help to address demand for new high-bay bulk distribution warehouses. Lack of available inventory on the market will continue to be an issue for companies currently in the 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	805	26,198,185	204,350	322,880	8.51%	48,032	(11,565)	0	0	\$3.16
East	566	18,316,677	90,292	156,072	3.96%	96,776	96,776	0	130,000	\$6.38
Northeast	1,742	64,649,483	139,311	506,063	7.07%	206,360	206,360	0	0	\$3.31
South	828	34,376,045	441,891	701,024	6.43%	145,928	177,085	30,000	0	\$5.06
Southeast	1,958	93,075,459	1,154,323	732,536	4.87%	213,834	368,934	1,935,200	287,000	\$4.34
Southwest	1,172	50,681,397	550,362	415,127	3.51%	79,739	91,992	120,000	35,000	\$4.25
West	1,422	52,425,215	664,398	996,203	6.0%	(138,809)	(10,114)	16,000	0	\$3.08
Akron	1,994	66,906,723	982,334	811,513	4.4%	463,053	412,663	0	0	\$4.24
Medina County	604	20,273,735	170,945	322,936	3.78%	359,600	359,600	266,000	47,000	\$4.76
Portage County	416	11,850,530	0	103,457	3.98%	480	480	0	0	\$3.50
Stark County	1,212	44,347,225	434,197	903,864	3.55%	371,113	561,485	0	0	\$3.07
CLEVELAND TOTALS	12,719	483,100,674	4,832,403	5,971,675	5.3%	1,846,106	2,253,696	2,367,200	499,000	\$3.87

*Rental rates reflect asking \$psf/year

Key Lease Transactions 2015

* Renewal

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
3325 Gilchrist Road*	442,376	ASW Global	Warehouse / Distribution	Akron
5700 Lee Road S	276,448	Graphic Packaging	Warehouse / Distribution	Southeast
131 N Summit Street	187,000	Mill Paper Packaging	Warehouse / Distribution	Akron
1250 E, 222 nd Street	146,823	Renewal Parts Maintenance	Manufacturing	East
6200 Harvard Avenue	99,230	American Mine Door	Manufacturing	Downtown

Key Sales Transactions 2015

PROPERTY	SF	SELLER / BUYER	PROPERTY TYPE	PRICE/\$ PSF	SUBMARKET
4922 E 49 th Street	296,554	Robin Cuyahoga LLC / Premier Development Partners	Manufacturing	\$5,175,000 / \$17	South
33851 Curtis Boulevard	117,282	Omni Realty / Curtis Investment LLC	Multi tenant	\$3,600,000 / \$31	Northeast
11000-11110 Berea Road	250,000	Berea Road West / NPA Coatings, Inc.	Manufacturing	\$3,500,000 / \$14	West
30300-30340 Solon Road	72,600	Tameran/LKL Properties	Multi tenant	\$2,950,000 / \$41	Southeast

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