

MARKETBEAT

Cleveland, OH

Industrial Q4 2016



CLEVELAND INDUSTRIAL

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Cleveland Employment	1,052k	1,060k	▲
Cleveland Unemployment	4.3%	5.4%	▲
U.S. Unemployment	5.0%	4.8%	▼

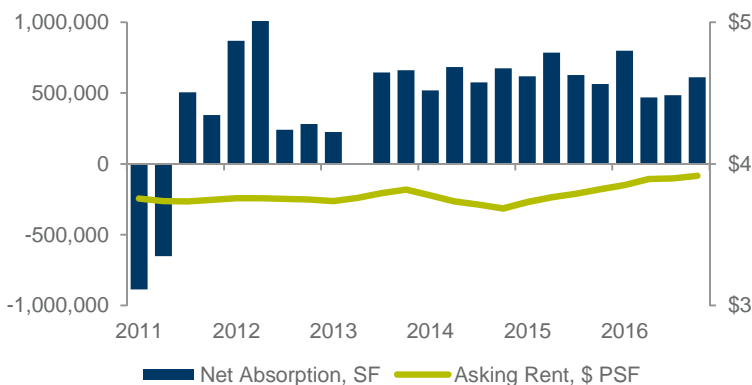
Market Indicators (Overall, All Property Types)

	Q4 15	Q4 16	12-Month Forecast
Vacancy	5.3%	4.6%	▼
YTD Net Absorption (sf)	1.8M	2.9M	▲
Under Construction (sf)	2.4M	1.5M	▲
Average Asking Rent*	\$3.87	\$3.94	▲

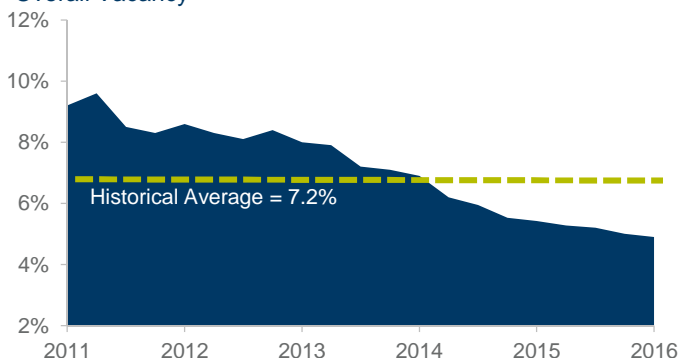
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Economic activity grew slightly on balance across the region. Labor markets continued to show signs of tightening. Upward pressure on selling prices increased. Retailers reported disappointing same-store sales through the early part of the holiday shopping season, while motor vehicle unit sales increased. Production at manufacturing plants was stable. The housing market improved with higher unit sales and higher prices. Commercial builders reported some pull back in inquiries and backlogs. Reports indicated a healthy increase in upstream shale gas activity. Coal production rose. Freight volume expanded over the period, but volume was flat compared to that of the same time period a year ago.

Market Overview

The overall vacancy rate continued its rapid descent finishing 2016 at 4.6% with no real end in site. Net absorption continued at a modest pace in the Q4 16 reporting positive 1.5 million square feet (MSF). With the continued decrease in the vacancy rate, the market is continuing to see upward pressure on asking NNN rates, which increased to \$3.94 per square foot (PSF). Two speculative buildings (Scannell and Fogg Builders) totaling 311,920 square feet (SF) were ready for occupancy in the Q4 16. In speaking with the developers, they have multiple deals working on each property and will break ground on additional buildings in Q2 17 as a result of the strong demand. The largest lease in 2016 was signed during Q4 16 with JobsOhio Beverage System leasing 350,000 SF at 2210 International Parkway in North Canton. Investor sales activity recorded 11 transactions in the Q4 16 totaling 902,567 SF. The largest transactions was the sale-leaseback of 10010 Aurora Hudson Road, Streetsboro, a 418,874-SF building, from The Step2 Company to Aterian for \$18.7 million (\$45 PSF) and the sale of 5135 Naiman Parkway, Solon, a 70,400-SF building, from Pyramyd Air to NL Ventures for \$2.7 million (\$38 PSF). The number of user sales was slightly below past quarters with 43 transactions totaling 964,574 SF. Notable user sales included 22720 Stelfast Parkway, Strongsville, a 100,000-SF building acquired by Pro-Tech from Prime Source Building Products for \$5.0 million and 377 Woodland Avenue, Elyria, a 190,500-SF building acquired by Perry Fiberglass from Moen, Inc. for \$1.55 million.

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. Activity will increase from developers as it relates to new speculative bulk distribution projects.

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SUBMARKET ⁹	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	807	26,294,802	37,573	250,789	8.4%	29,004	29,004	0	0	\$4.52
East	581	19,167,982	277,281	122,484	2.8%	219,079	210,979	150,000	0	\$6.30
Northeast	1,888	66,142,832	261,520	796,353	6.0%	247,706	247,706	0	0	\$3.62
South	829	34,510,740	316,888	224,202	5.3%	299,089	314,196	0	30,000	\$5.10
Southeast	1,962	93,658,603	988,463	343,384	4.5%	1,126,751	1,019,542	702,100	2,040,500	\$4.13
Southwest	1,180	51,397,116	500,424	733,006	3.0%	540,799	540,799	71,000	317,420	\$3.95
West	1,446	53,017,995	206,596	1,049,276	4.8%	359,471	347,621	347,025	16,000	\$3.15
Akron	2,005	68,023,995	398,974	342,087	5.1%	-175,040	-531,450	0	0	\$4.13
Medina County	613	21,004,154	103,851	167,388	3.5%	-77,154	-77,154	258,800	201,500	\$4.90
Portage County	414	11,595,186	9,900	102,722	2.0%	173,603	173,603	0	0	\$4.17
Stark County	1,235	44,263,784	146,706	1,985,602	2.9%	148,073	169,423	0	0	\$3.53
CLEVELAND TOTALS	12,960	489,103,389	3,248,176	6,117,293	4.6%	2,891,381	2,444,269	1,528,925	2,605,420	\$3.94

*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	12,054	463,287,526	2,807,737	4.6%	2,606,523	2,168,241	1,528,925	2,605,420	\$3.60
Office Services / Flex	906	25,815,863	440,439	5.6 %	284,858	276,028	0	0	\$9.80

Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2210 International Parkway	350,000	JobsOhio Beverage System	Lease	Stark
1793 Enterprise Parkway	306,010	Royal Appliance	Lease	Southeast
5555 Massillon Road*	255,000	GE Lighting Special Pack	Renewal	Southeast
2477-2479 Edison Blvd.*	206,407	Essendant Co.	Renewal	Southeast
100 Plant Street	155,000	Consolidated Container	Lease	East

*Renewal

Key Sales Transactions 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Raintree Park	563,182	Equity Commonwealth / Mintz Mgmt.	\$11,400,000 / \$20	Southeast
13000 Darice Parkway	382,795	Darice, Inc. / AIC Ventures	\$19,500,000 / \$51	Southwest
12850 Darice Parkway	171,242	Darice, Inc. / AIC Ventures	\$10,611,496 / \$62	Southwest
1006-1008 Crocker Road	170,000	Bonne Bell / All Pro Freight	\$4,625,000 / \$27	West

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