

MARKETBEAT

Cleveland, OH

Industrial Q2 2018



CLEVELAND INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Cleveland Employment	1,059k	1,068k	▲
Cleveland Unemployment	5.7%	4.8%	▲
U.S. Unemployment	4.3%	3.8%	▲

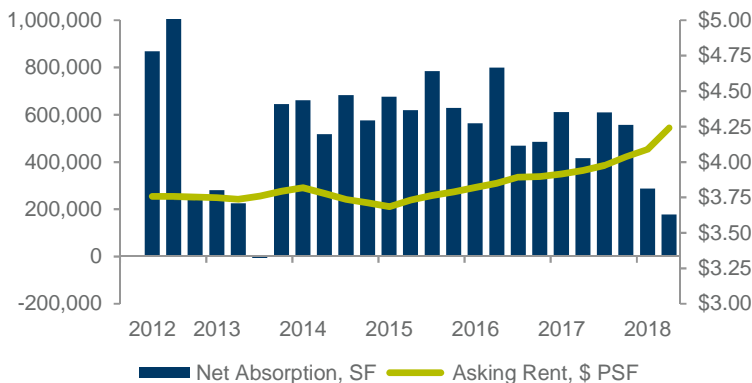
Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	4.2%	3.5%	▲
YTD Net Absorption (sf)	920k	486k	▲
Under Construction (sf)	1.6M	3.8M	▲
Average Asking Rent*	\$4.10	\$4.44	▲

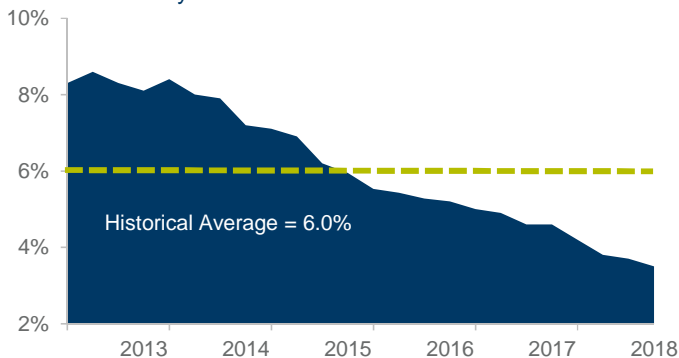
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Demand was strong in many sectors, but hiring continued at about the same pace as in the previous quarter as a dearth of qualified workers constrained hiring. Wages rose moderately, and increases were in line with recent trends. Upward pressure on input costs was strong, notably for fuel and metals. Contacts widely attributed the cost increases to import tariffs. However, final selling prices rose only moderately. Firms raised their prices to cover, at least partially, their increased raw materials and transportation costs. Otherwise, businesses were cautious about raising their selling prices. Consumer demand, including for autos, was stable to slightly higher. Manufacturing capacity utilization rose to meet strong demand, but a number of producers remarked that they were struggling to keep up with orders. Freight volumes trended higher. Construction activity remained strong.

Market Overview

Market vacancy rate in the second quarter of 2018 remained steady at 3.5% as average asking rates increased to \$4.44 per square foot (psf). Net absorption dipped 876,635 square feet (sf) to 485,987 sf.

New construction continues to remain steady with 3.8 million square feet (msf) currently under construction to compliment the 1.7 msf of year-to-date (YTD) completions. Notable projects include Brighton Best (200,000-sf), Westminster Capital – spec building (434,000-sf), Trelleborg (156,250-sf) and Amware Distribution – spec building (102,000-sf).

User sales activity totaled 1.6 msf in Q2 2018, which is down from the first quarter, likely due the lack of quality inventory. Notable user sales included: 3359 Bruening Ave. SW, a 76,960-sf building located in Canton that was purchased by Service Steel Aerospace Corp. for \$3.3 million or \$43 per square foot (psf) and 477 Lexington Avenue, a 104,753-sf manufacturing complex located in Painesville that was purchased by PVS Nolwood Chemicals, Inc. for \$3.3 million (\$18 psf). Investment transaction activity also declined from the first quarter with 18 transactions totaling 974,387 sf. Sales included 14790 Foltz Parkway in Strongsville, a 185,210-sf facility sale from Scannell Properties to Founder Properties and 10160 Philipp Parkway in Streetsboro, a 57,440-sf facility, which was acquired by a local developer for \$2.6 million (\$45 psf) and leased to a division of Ta Chen.

Outlook

As predicted in previous quarters, the market will remain steady with a continued decrease in vacancy. Pent-up demand will lead to increased leasing after new product comes on the market, however in the short term the market will experience a decline in absorption and activity. Asking rates and sales prices should continue to increase throughout 2018.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF)	YTD OVEALL NET ABSORPTION (SF)	UNDER CNSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE *
Downtown	801	25,156,908	57,749	419,533	6.7%	-9,496	-44,496	0	0	\$4.41
East	595	19,636,374	64,500	346,464	2.5%	88,386	88,386	650,000	219,000	\$5.96
Northeast	1,914	66,481,315	403,791	368,524	3.5%	22,785	22,785	291,000	0	\$3.89
South	821	34,271,817	229,841	54,514	2.7%	255,701	157,156	0	105,000	\$4.89
Southeast	1,984	94,331,640	636,881	400,445	3.5%	220,186	125,866	2,175,250	1,038,000	\$4.68
Southwest	1,207	52,309,201	197,490	139,273	4.1%	42,364	42,364	217,100	125,000	\$4.17
West	1,455	53,709,599	121,259	618,457	4.3%	-99,908	-99,908	111,500	9,120	\$3.73
Akron	2,032	68,900,619	221,994	354,506	3.9%	186,748	186,748	98,000	15,900	\$4.35
Medina County	631	21,478,199	162,018	517,276	2.0%	252,894	199,784	0	179,000	\$4.66
Portage County	429	11,909,945	12,200	37,960	2.0%	-844	-844	0	0	\$3.91
Stark County	1,273	45,929,707	228,719	311,696	2.0%	-196,854	-191,854	264,478	0	\$3.92
CLEVELAND TOTALS	13,142	494,115,324	2,336,442	3,568,648	3.5%	761,962	485,987	3,807,328	1,691,020	\$4.44

*Rental rates reflect asking \$psf/year

	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF)	YTD OVEALL NET ABSORPTION (SF)	UNDER CNSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE *
Industrial including Warehouse, Distribution and Manufacturing	12,205	467,471,170	2,064,566	3.4%	705,353	431,448	3,807,328	1,691,020	\$4.15
Office Services / Flex	937	26,644,154	271,876	5.6%	56,609	54,539	0	0	\$9.59

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
7190 Justin Way	156,000	Orbis Corp.	New	Northeast
5160 Greenwich Road	75,000	Cell-O-Core Co	New	Medina County
13325 Darice Parkway	73,000	Torsion Industries	New	Southwest
10160 Philipp Parkway	57,440	Ta Chen	New	Southeast

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
8383 Boyle Parkway	222,860	Contractors Steel Co. / Global Net Lease, Inc.	\$8,015,500 / \$36	Southeast
603 Alpha Parkway	189,000	Geis Trust / Progressive Insurance	\$13,500,000 / \$71	East
14790 Foltz Parkway	185,210	Scannell Properties / Founders Properties	\$14,650,000 / \$79	Southwest
8989 Tyler Boulevard	89,634	C & J Land Holdings / Accurate Metal Sawing	\$4,134,000 / \$46	Northeast

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