

Industrial Q2 2021

	YoY Chg	12-Mo. Forecast
3.5% Vacancy Rate	▼	▼
-1.1M YTD Net Absorption, SF	▼	▲
\$4.33 Asking Rent, PSF	—	—

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
949K Cleveland Employment	▼	▼
5.1% Cleveland Unemployment Rate	▼	▲
5.9% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY: Firms hopeful that economy will continue grow in a post COVID-19 market

The economic recovery gained traction in recent weeks, with firms across a multitude of industries reporting positive trends in customer demand. These firms are often pointing to the progress we have made with the COVID-19 pandemic, easing of government-mandated restrictions, and the release of pent-up demand as key propellers in this up-tick of customer demand. For these reasons, firms were optimistic that demand will continue to grow throughout the next term. That said, many firms commented that supply chain bottlenecks were limiting growth by causing extended lead times, lack of inventory, and increased material and transportation costs. Hiring activity has not changed much despite the increase in customer demand, with many firms indicating that they were operating with fewer staff members than they would like due to a shortage of job applicants. Consequently, a greater number of firms are boosting wages, particularly for hourly workers that typically fall on the lower end of the pay scale. Price spikes in products are becoming more abundant because of firms attempting to keep up with the rising costs of labor and raw materials.

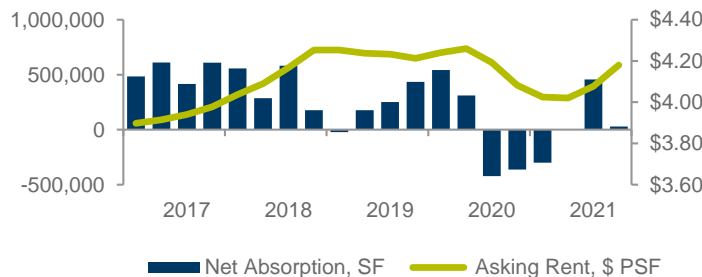
MARKET OVERVIEW: Vacancy rate rises due to sale of former Ford production facility

Vacancy rates increase in Q2 2021 0.1% from 3.4% in the previous quarter to 3.5% midway through 2021. This increase in vacancy and change in absorption from 541,000 square feet (sf) to -1.1 million square feet (msf) are due to the sale of the former Ford Motor Companies production facility located at 18300 Snow Rd in Brook Park which added 1.7 msf of industrial vacancy to the market. The new owners are planning to use this site for the redevelopment of a new industrial park, this will have an impact on the vacancy rates in our market for the foreseeable future.

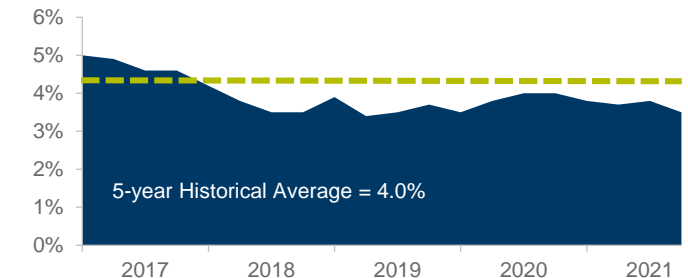
Although demand for logistical space remains high in our market, it is offset by weakness in the manufacturing sector. Manufacturing spaces in Cleveland represent 44% of all industrial inventory compared to only 23% nationally. This heavily weighed on fundamentals in the first half of 2020 when net absorption fell and drove vacancies upward. However, demand recovered in the second half of 2020 thanks to several large move ins. Amazon occupied 434,000 sf at 43500 Victory Commerce Pky in Glenwillow, which was delivered in the Q4 2020. The company also aided demand by leasing 169,000 sf at 10801 Madison Avenue in Cleveland. This site was occupied in the spring and serves as a last-mile fulfillment center.

Looking forward, leasing activity should support modest levels of demand throughout the year. High costs and a limited development pipeline will place downward pressure on vacancies, which we expect to hover just over 4% for the remainder of the forecast period.

NET ABSORPTION / ASKING RENT



OVERALL VACANCY RATE



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD TOTAL LEASE ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE *
Downtown	1,571	51,198,455	394,838	413,367	6.2%	-323,170	-323,170	0	0	\$3.64
East	1,080	46,314,227	180,077	68,312	4.4%	-275,829	-275,829	273,576	290,000	\$4.35
Lake County	1,487	43,325,794	88,532	85,494	3.0%	124,934	101,224	297,500	0	\$4.67
South	668	30,280,054	780,877	10,000	6.3%	-344,671	-387,841	40,000	0	\$5.24
Southeast	1,630	83,080,402	1,152,721	438,983	5.2%	-301,264	-742,264	965,850	45,000	\$4.04
Southwest	1,222	54,779,155	884,234	14,080	6.6%	-447,078	-447,078	585,366	40,000	\$4.99
West	1,289	50,842,961	596,851	169,201	3.2%	1,014,814	994,400	1,050,000	215,000	\$4.04
Akron	2067	70,979,671	895,248	127,948	3.6%	-263,004	-284,504	755,000	55,000	\$4.75
Medina County	640	22,654,801	99,359	36,015	2.4%	-60,777	-60,777	0	0	\$4.02
Portage County	441	12,021,257	46,608	38,353	5.3%	-37,186	-37,186	0	0	\$3.64
Stark County	1,341	50,195,069	215,732	207,080	2.7%	379,181	379,181	931,000	0	\$3.32
CLEVELAND TOTALS	13,436	515,671,846	5,335,077	1,608,833	3.5%	-534,050	-1,083,844	4,496,292	645,000	\$4.33

	TOTAL BUILDINGS	INVENTORY (SF)	YTD TOTAL LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT WEIGHTED AVERAGE NET RENTAL RATE *
Industrial including W/D and MF	12,407	486,897,152	2,299,071	3.4%	-279,402	-804,196	4,496,292	645,000	\$4.04
Office Service / Flex	1,029	28,774,694	411,720	6.3%	-254,954	-35,694	0	0	\$9.13

*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
18301 Saint Clair Ave	Downtown	Goodwill Industries	213,820	Renewal
20801 Miles Rd	Southeast	Cleveland Steel Container	207,132	New
5401 Baumhart Rd	West W. Lorain	Trademark Global	185,109	New
6875 Engle Rd	Southwest	Amazon	150,000	New

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
18300 Snow Rd	Southwest	Ford Motor Company / Scannell , Weston, DiGeronimo	1,700,000	\$18.53
1502 12 th St SW	Stark County	Brooklake Properties LLC / SGProspect LLC	223,997	\$17.19
16645 Granite Rd	Southeast	Cappelli Organization / STAG Industrial	170,000	\$37.06
10801 Madison Ave	West	10801 Madison Avenue Owner, LLC	168,750	\$182.52

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