

Industrial Q4 2021

	YoY Chg	12-Mo. Forecast
3.6% Vacancy Rate	▼	▼
-1.5M YTD Net Absorption, SF	▼	▼
\$4.58 Asking Rent, PSF <i>Overall, Net Asking Rent</i>	▲	▲

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
965K Cleveland Employment	▲	▼
3.7% Cleveland Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Cost of goods ease, as supply chain disruptions dissipate.

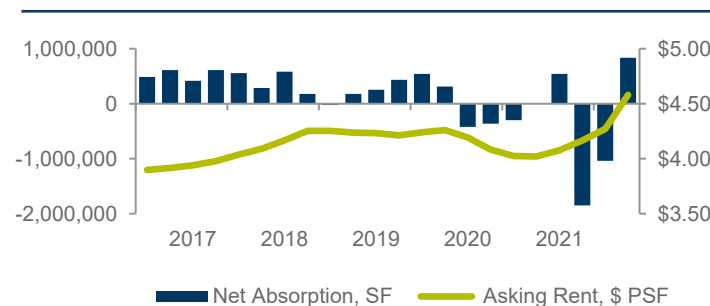
Local companies are reporting higher costs declined from around 85% to roughly 75%. While cost pressures reportedly intensified for firms in the transportation sector, contacts noted some relief in manufacturing and construction. Firms in the latter two industries suggested that costs remained high, but prices for inputs such as steel, aluminum, and resins had stabilized and, in some cases, had come down. Leasing activity for industrial space remained robust, while office occupancy rates continued to decrease. Contacts reported that nonresidential construction activity has remained solid overall, with the strongest demand centered on industrial spaces. Going forward, contacts were less optimistic about future construction demand because concerns about supply chain disruptions, labor availability, and inflation have led some firms to delay construction projects.

MARKET OVERVIEW: Demand for industrial space remains strong.

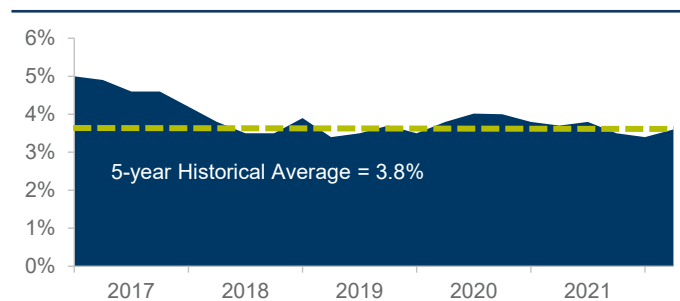
Lease activity increased for the sixth consecutive year to 10.6 million square feet (msf) surpassing the previous high recorded in 2020. Over the last five years Cleveland has averaged 7.5 msf of leasing activity per year. The U.S. Postal Service is behind the largest new lease signed in the market last year. In Q4 2021, the U.S. Postal Service leased 392,454-sf in Parma on Chevrolet Boulevard. The site will serve as an annex location to handle an increasing volume of packages. Auburn-based sister companies Innoplast and Thermoprene signed a 10-year lease for 63,000 sf at Highland Park, a former retail center that Industrial Commercial Properties converted into a business park. The 4Q21 saw the largest industrial investment sale in Northeast Ohio history with Premier Development Partners selling a portion of their real estate holdings. The portfolio transferred in two transactions and comprised of 16 buildings totaling 2.9 msf and transferred for \$211 million (\$73 PSF). The Buyer of the portfolio was a partnership led by Morning Calm Management and included BTG Pactual Strategic Capital and Grupo Patio.

The negative Net Absorption is not indicative of true market velocity and activity. Included in these numbers are two former Ford Automotive plants that were acquired by the Weston Properties, Scancell Properties and DiGeronimo team. The facility in Brook Park totaled 1.7 msf and is current being demolished. The facility in Walton Hills totaled 2.1 msf and will be undergoing a similar demolition in 2022. Both sites sit on a combined 306 acres and will become home to new modern industrial facilities. At full capacity the sites will have more square footage developed and higher employment. Lastly, the negative net absorption was also impacted by the partial conversion of I-X Center (Convention and Exhibition Hall) for industrial purposes. This brought approximately 1 msf of new space to the market.

NET ABSORPTION / ASKING RENT



OVERALL VACANCY RATE



MARKETBEAT CLEVELAND



Industrial Q4 2021

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD 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	1,573	50,925,105	696,193	881,180	5.1%	-434,303	-438,103	0	0	\$3.22
East	1,085	46,093,555	395,011	197,749	2.6%	374,251	374,251	198,000	365,576	\$4.11
Lake County	1,489	43,140,932	397,296	272,309	4.0%	-193,047	-216,757	0	297,500	\$4.87
South	669	30,871,165	935,182	461,223	5.1%	-350,423	-341,898	385,000	55,000	\$6.21
Southeast	1,625	83,473,433	2,035,981	973,338	4.2%	-1,052,693	-1,936,489	519,856	1,070,000	\$4.11
Southwest	1,239	55,507,978	1,596,523	575,349	5.0%	634,308	53,730	932,018	476,000	\$5.08
West	1,296	51,290,577	1,548,156	731,218	2.4%	1,311,525	1,291,111	130,000	458,000	\$4.18
Akron	2,076	71,250,216	1,470,219	979,482	3.0%	-372,450	-363,343	50,000	761,000	\$4.97
Medina County	642	23,183,183	169,510	497,324	1.7%	-245,605	-245,605	0	15,120	\$4.49
Portage County	444	12,120,038	932,572	365,035	4.7%	-119,758	-119,758	65,000	0	\$5.18
Stark County	1,348	50,297,888	392,202	1,133,347	2.5%	431,678	431,678	2,140,000	41,000	\$3.72
CLEVELAND TOTALS	13,486	518,154,070	10,568,845	7,067,554	3.6%	-16,517	-1,511,183	4,894,874	3,589,196	\$4.58

	TOTAL BUILDINGS	INVENTORY (SF)	YTD 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	12,448	489,464,639	8,757,264	3.6%	131,809	-1,114,555	4,894,874	3,569,196	\$4.31
Office Service / Flex	1,038	28,689,431	1,811,581	4.5%	-148,326	-396,628	0	20,000	\$9.47

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

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
212 Progress Boulevard	Portage	Newell Brands Industries, LLC	811,200*	Warehouse
32150 Just Imagine Drive	West	Shurtape Technologies, LLC	644,850*	Warehouse
5520 Chevrolet Boulevard	Southwest	U.S. Postal Service	392,454	Warehouse

*Renewal

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
Premier Development Portfolio (16 Buildings)	Multiple	Premier Development Partners / Morning Calm Management, BTG Pactual Strategic Capital and Grupo Patio	2.9 msf	\$211M / \$73
NEO Parkway Portfolio (9 Buildings)	Southeast	NEO Park, Ltd. / Avalair Group	342,184	\$14.4M / \$42
9797 Sweet Valley Drive	South	Spectrum Realty Assoc. / R.L.Lipton	127,224	\$10.5M / \$83
675 Mondial Parkway	Southeast	Harry Richard / Exeter Property Group	130,069	\$8.5M / \$65

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