

Cleveland

Construction, absorption and asking rents all hit historic highs in 2022, vacancy near historic low

- Construction deliveries totaled just over 5.3 million s.f., eclipsing the previous high-water mark set in 2021 of close to 3.8 million s.f.
- Net absorption, totaled close to 6.9 million s.f. in 2022. That is 52% above the 10-year annual average of 4.5 million s.f.
- Vacancy ended 2022 at 3.5%, which is slightly above the historical low of 3.3% but remains extremely low by all standards.
- In total, 1.4 million s.f. of speculative space delivered in 2022 and 2.8 million s.f. of speculative space is under construction.

The Cleveland industrial market reached several milestones in 2022. Construction deliveries totaled just over 5.3 million s.f., eclipsing the previous high-water mark set in 2021 of close to 3.8 million s.f. For context, the 10-year average of annual construction deliveries in Cleveland has been around 2.4 million s.f. Demand has continued to outpace supply over the last four years. Net absorption, totaled close to 6.9 million s.f. in 2022. That is 52% above the 10-year annual average of 4.5 million s.f. Meanwhile, asking rents reached a new peak at \$5.60 p.s.f., representing an increase of 13.8% year-over-year.

Industrial vacancy ended 2022 at 3.5%, which is slightly above the historical low of 3.3% achieved in Q3 2022 but remains extremely low by all standards. For some perspective, the average industrial vacancy rate in Cleveland over the last 10 years was 5.9%. The slight increase in vacancy during Q4 was due to the delivery of additional speculative space. While resulting in a modest increase in vacancy, the additional speculative space arriving on the market in 2022 was welcomed by industrial companies looking to expand local operations. Several speculative warehouses remain in the pipeline that are set to deliver in 2023 including the 1-million-s.f. Turnpike Commerce Center and the 450,000-s.f. Westfield Commerce Center. In total, 1.4 million s.f. of speculative space delivered in 2022 and 2.8 million s.f. of speculative space is under construction. Since 2014, speculative warehouses have typically reached 75% occupancy by year one and full occupancy by year two.

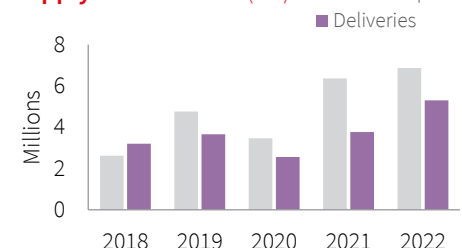
Outlook

Industrial vacancy in Cleveland is near historic lows, and although a significant amount of speculative space is set to deliver over the coming year, market conditions are projected to remain very tight due to rising e-commerce sales, increasing inventory levels given supply chain issues and the reshoring of manufacturing operations. Asking rents will likely continue to rise as a result of market conditions while new groundbreakings may see a decline in 2023 due to increasing interest rates and escalating construction costs. Similarly, investment sales might experience a decline year-over-year due to the pressures affecting capital markets.

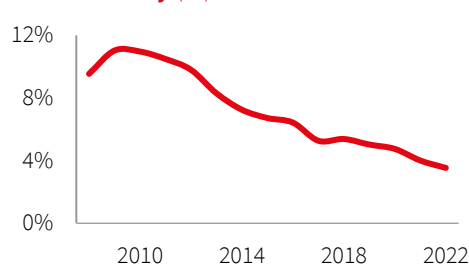
Fundamentals

	Forecast
YTD net absorption	6,869,616 s.f. ▼
Under construction	4,854,348 s.f. ▼
Total vacancy	3.5% ►
Sublease vacancy	900,404 s.f. ▼
Direct asking rent	\$5.60 p.s.f. ▲
Sublease asking rent	\$5.49 p.s.f. ▲
Concessions	Decreasing ▼

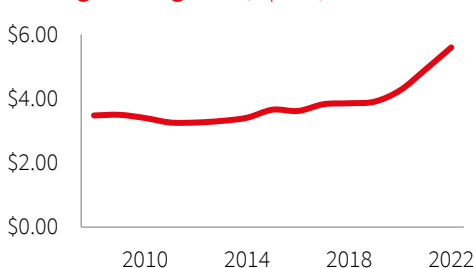
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Cleveland total										
Warehouse & Distribution	217,275,694	637,312	5,766,162	2.7%	4.4%	6.6%	\$5.84	1,240,080	4,697,688	4,770,348
Manufacturing	161,847,923	-42,679	1,103,454	0.7%	2.4%	2.6%	\$4.12	188,000	603,720	84,000
Overall Total	379,123,617	594,633	6,869,616	1.8%	3.5%	4.9%	\$5.59	1,428,080	5,301,408	4,854,348
Downtown										
Warehouse & Distribution	17,016,968	-70,526	223,522	1.3%	3.0%	3.8%	\$3.49	0	0	157,000
Manufacturing	11,923,915	3,859	18,483	0.2%	1.4%	1.8%	\$4.81	0	0	0
Overall Total	28,940,883	-66,667	242,005	0.8%	2.3%	3.0%	\$4.23	0	0	157,000
East										
Warehouse & Distribution	2,127,333	1,926	-97,831	-4.6%	6.1%	8.9%	\$6.49	0	0	0
Manufacturing	1,583,466	0	-19,381	-1.2%	1.2%	1.2%	\$5.65	0	0	0
Overall Total	3,710,799	1,926	-117,212	-3.2%	4.0%	5.6%	\$6.34	0	0	0
Geauga County										
Warehouse & Distribution	2,779,743	0	22,140	0.8%	0.3%	0.3%	\$0.00	0	0	0
Manufacturing	4,135,605	38,000	63,650	1.5%	0.5%	1.5%	\$4.86	38,000	38,000	0
Overall Total	6,915,348	38,000	85,790	1.2%	0.4%	1.0%	\$4.86	38,000	38,000	0
Lake County										
Warehouse & Distribution	11,505,792	35,750	408,903	3.6%	3.6%	4.2%	\$5.34	35,000	35,000	297,381
Manufacturing	14,697,671	82,827	362,724	2.5%	1.9%	1.7%	\$4.20	0	62,000	0
Overall Total	26,203,463	118,577	771,627	2.9%	2.7%	2.8%	\$4.86	35,000	97,000	297,381
Lorain County										
Warehouse & Distribution	12,039,706	-32,237	326,171	2.7%	2.9%	2.6%	\$4.46	0	130,000	0
Manufacturing	16,648,576	-175,924	-298,784	-1.8%	1.8%	2.2%	\$4.25	0	0	0
Overall Total	28,688,282	-208,161	27,387	0.1%	2.2%	2.3%	\$4.37	0	130,000	0
Medina County										
Warehouse & Distribution	10,572,028	-224,705	-100,387	-1.0%	2.9%	7.2%	\$6.30	0	0	450,112
Manufacturing	5,509,738	-195,475	-95,299	-1.7%	4.5%	4.4%	\$0.00	0	0	84,000
Overall Total	16,081,766	-420,180	-195,686	-1.2%	3.5%	6.2%	\$6.30	0	0	534,112
Northeast										
Warehouse & Distribution	11,551,030	0	134,254	1.2%	2.5%	2.5%	\$5.86	0	273,576	0
Manufacturing	9,958,026	0	-728,434	-7.3%	10.8%	12.2%	\$0.00	0	0	0
Overall Total	21,509,056	0	-594,180	-2.8%	6.3%	7.0%	\$5.86	0	273,576	0
Portage County										
Warehouse & Distribution	3,893,051	0	382,630	9.8%	3.1%	23.3%	\$6.50	0	0	1,021,980
Manufacturing	4,232,426	150,000	350,296	8.3%	0.5%	0.5%	\$4.50	150,000	267,487	0
Overall Total	8,125,477	150,000	732,926	9.0%	1.8%	12.8%	\$6.48	150,000	267,487	1,021,980
South										
Warehouse & Distribution	12,418,002	206,271	83,726	0.7%	9.0%	11.4%	\$6.47	0	300,000	260,000
Manufacturing	9,411,202	9,700	87,500	0.9%	1.3%	1.3%	\$3.86	0	0	0
Overall Total	21,829,204	215,971	171,226	0.8%	5.7%	7.1%	\$6.30	0	300,000	260,000
Southeast										
Warehouse & Distribution	47,675,794	147,432	1,234,989	2.6%	4.0%	6.7%	\$6.00	0	726,406	526,833
Manufacturing	15,554,817	-10,236	489,708	3.1%	2.7%	2.7%	\$4.71	0	113,100	0
Overall Total	63,230,611	137,196	1,724,697	2.7%	3.6%	5.7%	\$5.87	0	839,506	526,833
Southwest										
Warehouse & Distribution	18,881,186	-355,503	300,809	1.6%	11.6%	15.2%	\$5.86	310,080	485,849	364,000
Manufacturing	14,627,016	-5,496	177,997	1.2%	0.4%	0.4%	\$6.34	0	0	0
Overall Total	33,508,202	-360,999	478,806	1.4%	6.7%	8.8%	\$5.87	310,080	485,849	364,000
Stark County										
Warehouse & Distribution	17,928,678	787,550	809,256	4.5%	2.0%	1.9%	\$4.22	895,000	895,000	830,168
Manufacturing	20,546,815	-60,000	-36,000	-0.2%	0.5%	0.5%	\$5.20	0	0	0
Overall Total	38,475,493	727,550	773,256	2.0%	1.2%	1.2%	\$4.45	895,000	895,000	830,168
Summit County										
Warehouse & Distribution	34,092,085	6,354	1,593,804	4.7%	4.7%	6.3%	\$5.32	0	1,851,857	254,474
Manufacturing	19,206,447	59,610	686,378	3.6%	4.8%	4.8%	\$3.45	0	123,133	0
Overall Total	53,298,532	65,964	2,280,182	4.3%	4.8%	5.8%	\$4.68	0	1,974,990	254,474
Wayne County										
Warehouse & Distribution	5,288,896	0	142,000	2.7%	0.0%	4.9%	\$4.90	0	0	608,400
Manufacturing	5,434,796	0	-12,340	-0.2%	1.9%	1.9%	\$4.06	0	0	0
Overall Total	10,723,692	0	129,660	1.2%	1.0%	3.5%	\$4.68	0	0	608,400
West										
Warehouse & Distribution	9,505,402	135,000	302,176	3.2%	2.5%	2.5%	\$3.95	0	0	0
Manufacturing	8,377,407	60,456	56,956	0.7%	0.0%	0.0%	\$7.00	0	0	0
Overall Total	17,882,809	195,456	359,132	2.0%	1.4%	1.4%	\$4.08	0	0	0