

FIGURES | CLEVELAND INDUSTRIAL | Q4 2024

Demand in the southern submarkets drives Q4 activity



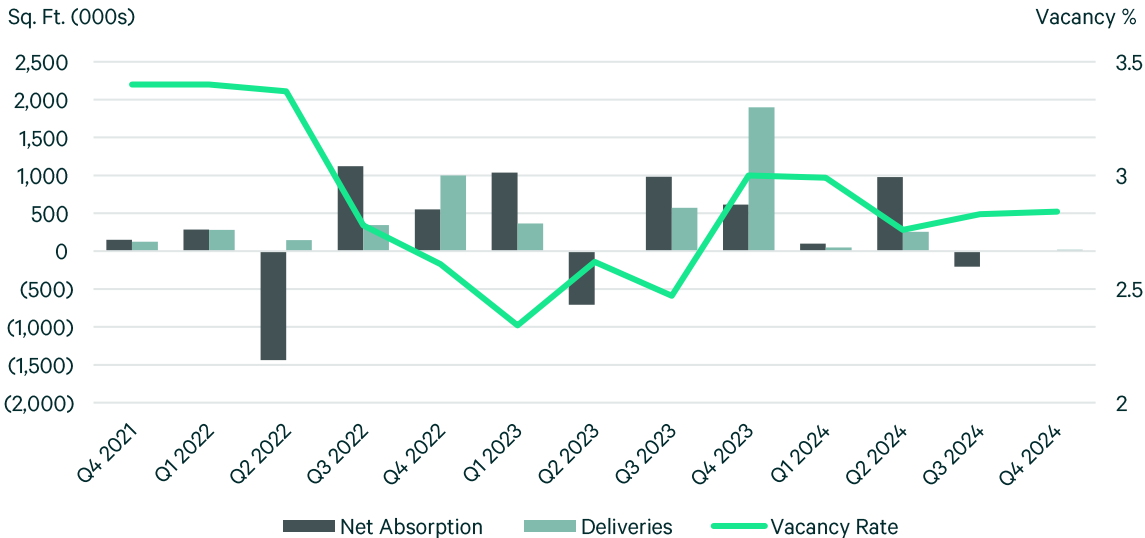
Note: Arrows indicate change from previous quarter.

SUMMARY

- This is the third consecutive quarter in which the Cleveland industrial market has held a vacancy rate of 2.8%, indicating a stable industrial market in 2024.
- 9,965 sq. ft. of negative net absorption was recorded this quarter, a 95% increase from Q3. B'laster had the largest move in in Q4, occupying 309,798 sq. ft. at Lake Rd in Westfield.
- Ronlen Industries completed their 19.5K warehouse expansion this quarter, decreasing construction to 1.2M sq. ft.
- Asking rates have decreased \$0.22 since Q4 2023 to \$5.62 per sq. ft. with East submarket consistently having the highest rates.



FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2024

Availability Rate

The Cleveland industrial market’s overall availability rate has floated around 4.2% since 2022, remaining unchanged year-over-year. The Southeast submarket holds the highest availability rate at 5.2% with the Southwest submarket close behind at 5.1%. Historically, these two submarkets have held the highest availability rates for the past two years. The lowest availability rate was housed in the Geauga West submarket at 2.5%. Despite their close availability rates and inventory sq. ft., the Southeast submarket has a higher vacancy rate than the Southwest at 3.7% and 1.6%, respectively.

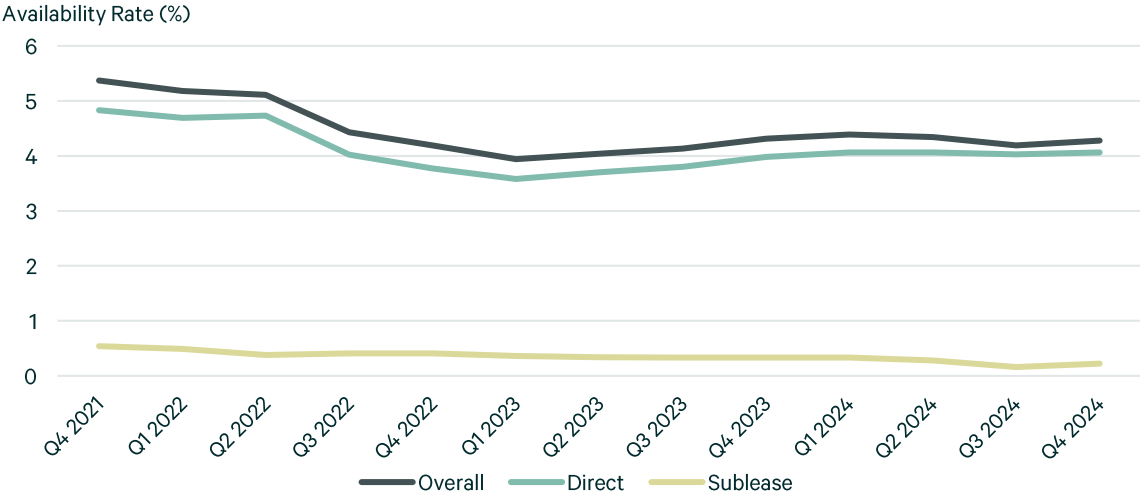
Warehouse/storage properties boasted a dramatic decrease in the availability rate at 19.0% this quarter, with a 70% quarter-over-quarter decrease. Bulk Warehouse properties display the lowest availability rate at 0.6%, with a 16% quarter-over-quarter decrease.

Asking Rent

Asking rates have decreased 3.7% since Q4 2023, with the Northeast submarket decreasing 29% year-over-year, now at \$3.92 per sq. ft., and Geauga West submarket decreasing 18.1% year-over-year now sitting at \$6.85 per sq. ft. Despite the drop in asking rates, vacancy rates have decreased, and availability rates have remained consistent in both submarkets year-over-year.

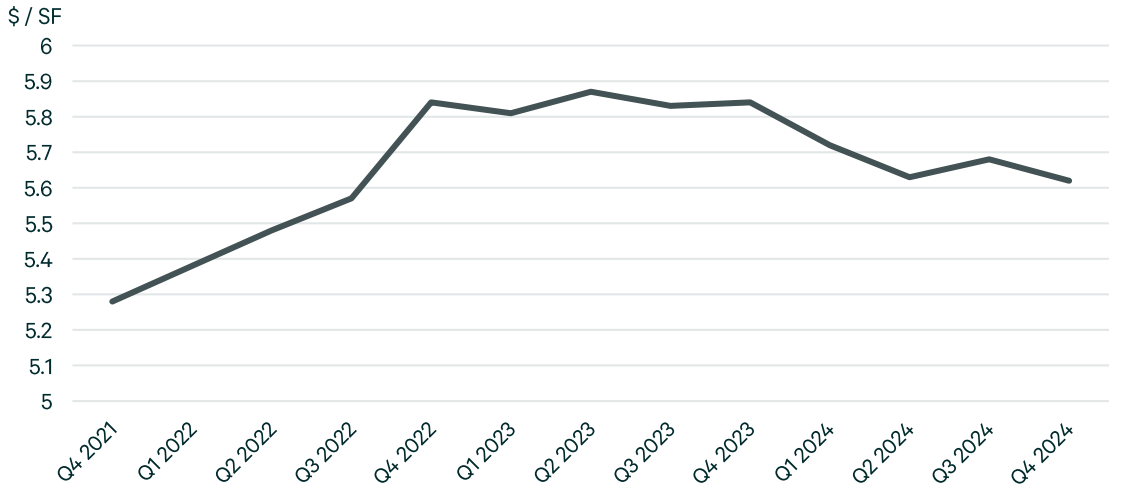
The South submarket claimed the largest increase in asking rate since Q4 2023 with a \$0.46 per sq. ft. increase to \$6.67 per sq. ft. this quarter. As the asking rate has increased, the availability rate in the South submarket has decreased 27% year-over-year.

FIGURE 2: Availability Rates



Source: CBRE Research, Q4 2024

FIGURE 3: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q4 2024

Net Absorption

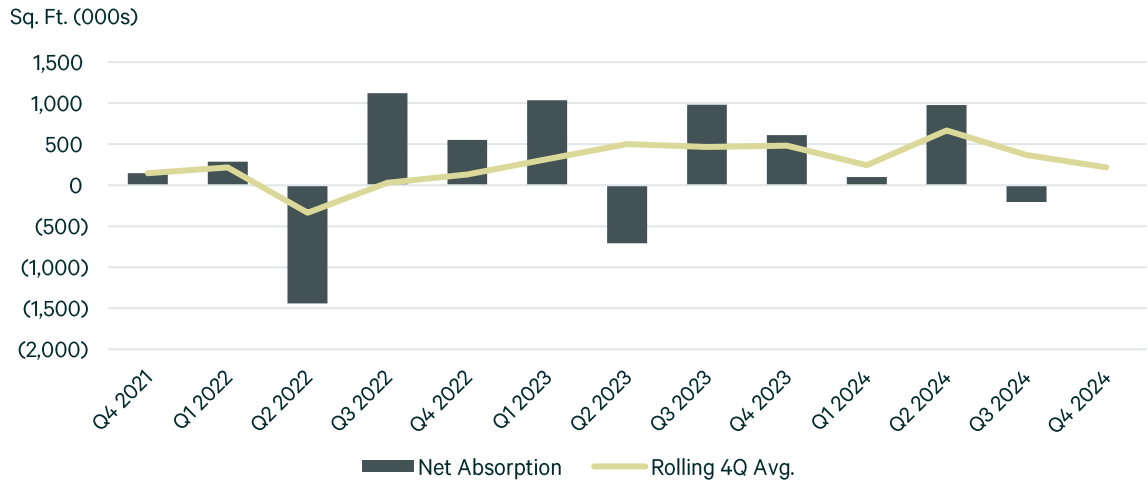
The Cleveland industrial market had a 95% increase from the previous quarter at negative 9,965 sq. ft. in Q4. Year-to-date in 2024 the market absorbed 861K sq. ft., the Southwest submarket accounted for more than half of the year-to-date absorption with 508K sq. ft. Warehouse/storage product experienced the most positive absorption in Q4 and the second most positive absorption year-to-date, absorbing 469K sq. ft., making up 54% of total market absorption this year.

B'laster occupied 310K sq. ft. of warehouse space out of submarket, heavily influencing Q4 absorption. Within the submarkets, the Southwest and Northwest led this quarter's absorption with 69K sq. ft. and 49K sq. ft., respectively. Schaeffler expanded 56K sq. ft. in the Southwest submarket.

Construction Activity

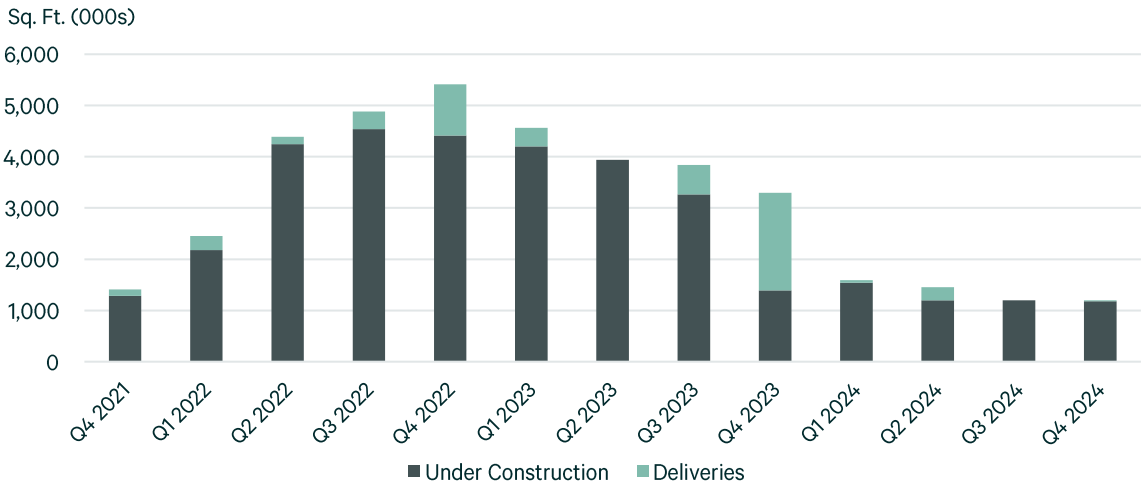
91.5% of the 1.2M sq. ft. under construction is pre-leased, leaving 100,000 sq. ft. available in the Southwest submarket. Construction activity has steadily declined since 2022 as product is delivered. As interest rates begin changing, construction leadership is cautiously optimistic about backlogged projects commencing. Ronlen Industries completed their 19,500 sq. ft. expansion at Center Rd this quarter.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2024

FIGURE 5: Construction Activity



Source: CBRE Research, Q4 2024

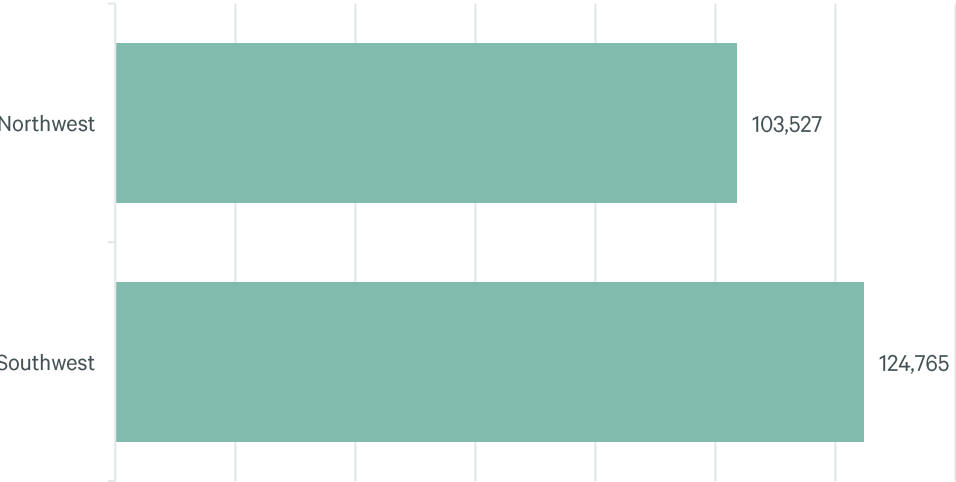
Leasing Activity

Cleveland industrial leasing volume totaled 384K sq. ft. this quarter. Bearings Technologies signed the largest new lease at 103K sq. ft. at 3620 Mallard Run. Wayfair renewed their 68K sq. ft. of distribution space at 14450 Foltz Pkwy. 88% of total lease volume came from new leases indicating a continued tenant demand.

50% of lease activity occurred in the Southwest submarket, while 31% occurred in the South submarket. The southern submarkets are seeing the most activity as there is easy access to major transportation routes and large labor pools.

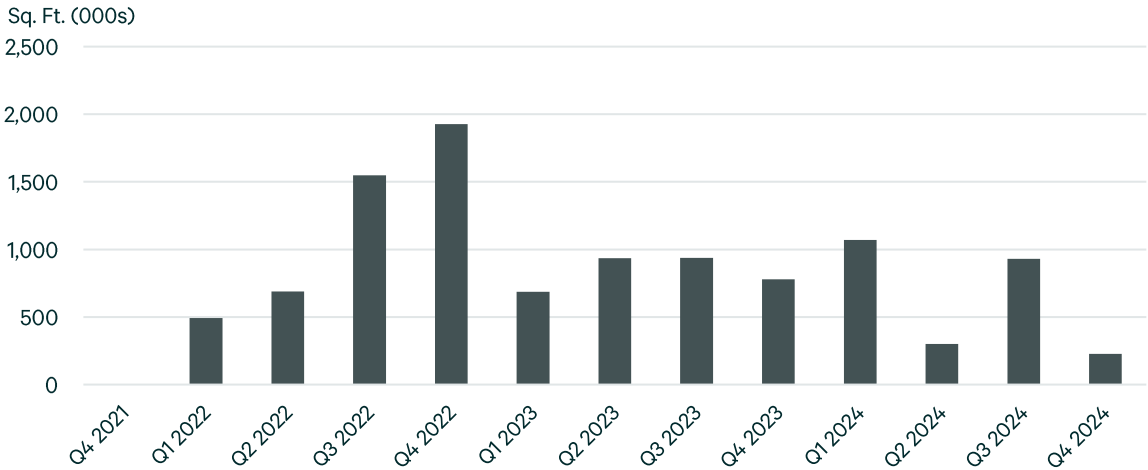
Sealy & Co. bought 310,080 sq. ft. of industrial fully leased space at 27105 Royalton Rd from Scannell Properties for \$31.4M. Industrial Commercial Properties of Mayfield Heights bought 9911 Avon Lake Rd for \$2.9M with plans to convert it into a multi-tenant industrial park.

FIGURE 6: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2024

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2024

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Bearings Technologies	103,527	New Lease	3620 Mallard Run	Northwest
Wayfair	68,387	Renewal	14450 Foltz Pkwy	Southwest
Schaeffler Repxert	56,378	New Lease	21705 Royalton Rd	Southwest
Ohio Aluminum Industries	22,375	New Lease	9797 Midwest Ave	South

Source: CBRE Research, Q4 2024

Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	118,399,105	1.9	2.7	2.4	0.2	6.92	16,243	298,120	19,500	11,700
100,000-199,999 sq. ft.	53,750,513	1.8	4.5	4.2	0.3	5.45	(15,758)	(87,740)	0	533,000
200,000-299,999 sq. ft.	26,948,005	4.7	5.2	5.1	0.0	5.43	6,226	315,283	0	200,000
300,000-499,999 sq. ft.	30,149,556	5.2	6.0	5.5	0.5	4.79	(20,727)	136,277	0	434,000
500,000-749,999 sq. ft.	15,031,789	6.4	7.2	7.2	0.0	3.85	4,051	4,051	0	0
750,000 sq. ft.	38,247,002	2.8	5.7	5.7	0.0	5.85	0	195,000	0	0
Total	282,525,970	2.8	4.3	4.1	0.2	5.62	(9,965)	860,991	19,500	1,178,700

Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	140,263,467	4.4	6.6	6.1	0.4	5.64	50,925	327,393	19,500	898,700
Manufacturing	114,688,638	1.2	1.9	1.9	0.0	4.82	(98,836)	505,080	0	280,000
R&D / Flex	19,605,203	2.1	3.3	3.2	0.1	8.31	26,201	25,963	0	0
Other Industrial	7,968,662	0.6	0.7	0.7	0.0	8.40	11,745	2,555	0	0
Total	282,525,970	2.8	4.3	4.1	0.2	5.62	(9,965)	860,991	19,500	1,178,700

Market Statistics by Class

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Class A	5,215,113	6.5	12.1	10.6	1.5	7.13	57,378	197,564	0	0
All Other Buildings	277,310,857	2.8	4.1	3.9	0.2	5.60	(67,343)	663,427	19,500	1,178,700
Total	282,525,970	2.8	4.3	4.1	0.2	5.62	(9,965)	860,991	19,500	1,178,700

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Downtown	44,495,442	2.6	3.4	3.4	0.0	4.57	(129,225)	(126,939)	0	0
East	6,285,747	1.2	2.9	2.9	0.0	8.53	10,399	28,893	0	0
Geauga West	2,129,114	1.7	2.5	2.5	0.0	6.85	0	(13,000)	0	0
Lake County West	26,586,962	1.9	3.3	3.2	0.0	5.17	(6,470)	140,849	0	100,000
Northeast	26,821,191	1.8	2.7	2.7	0.0	3.92	0	159,713	0	434,000
Northwest	32,874,208	1.9	2.8	2.8	0.0	6.4	49,067	64,458	0	200,000
Out of Submarket	1,917,092	60.6	61.5	60.6	0.9		309,798	654,798	0	180,000
South	36,117,328	3.0	3.4	3.0	0.4	6.67	(19,684)	(375,216)	0	0
Southeast	57,957,238	3.7	5.2	4.7	0.5	5.82	(292,885)	(180,926)	0	153,000
Southwest	47,341,648	1.6	5.1	4.7	0.4	5.96	69,035	508,361	19,500	111,700
Total	282,525,970	2.8	4.3	4.1	0.2	5.62	(9,965)	860,991	19,500	1,178,700

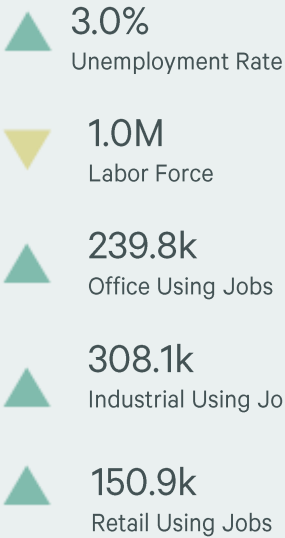
National Economic Outlook

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

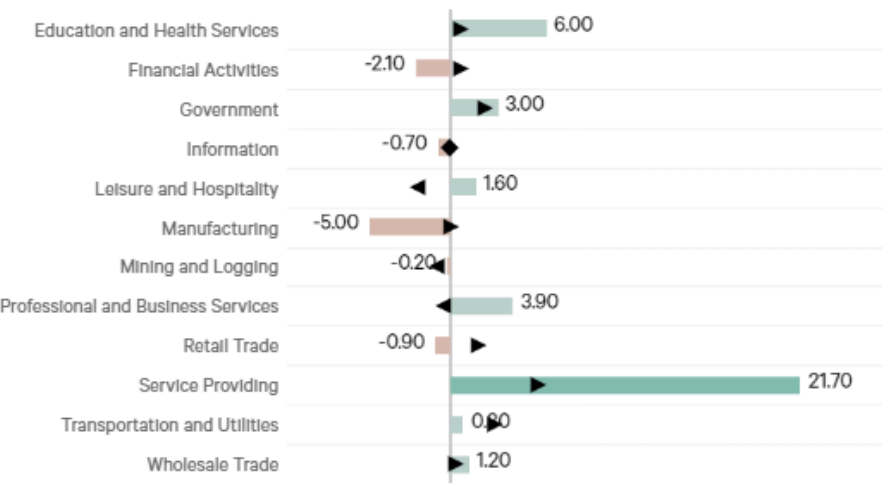
Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

Source: CBRE Research

Cleveland, OH Employment Update

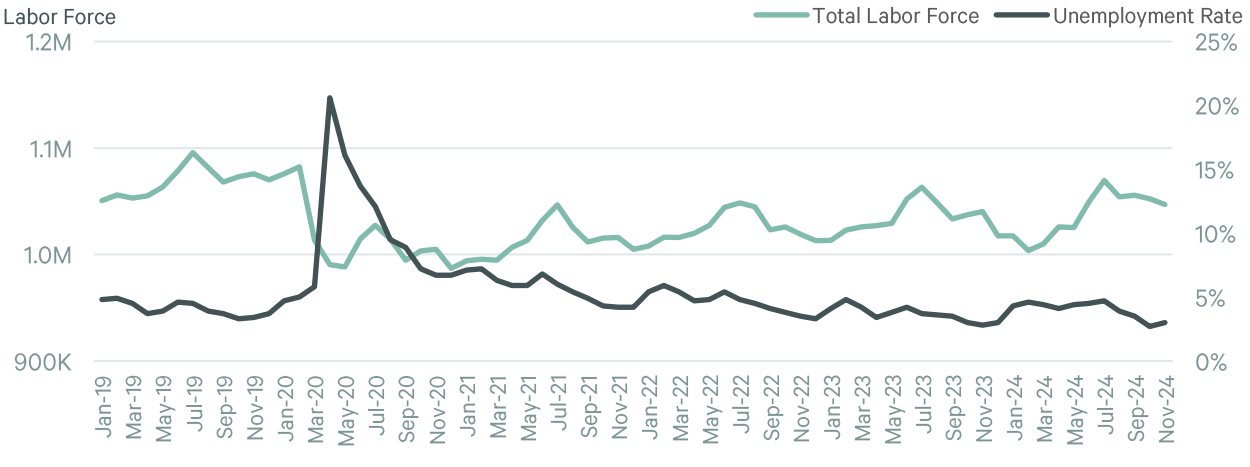


Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



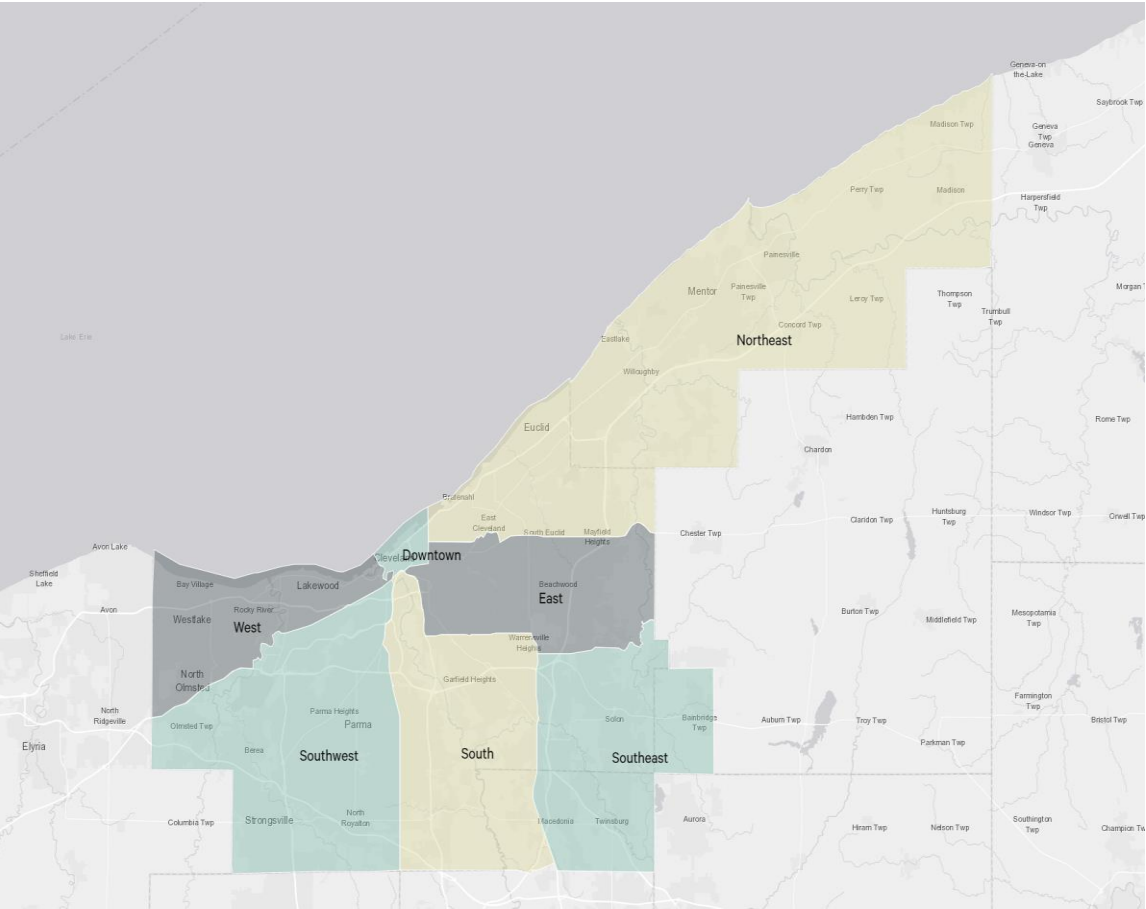
Note: Arrows indicate month-over-month change. Source: US BLS, November 2024

Cleveland, OH Unemployment Rate and Labor Force Trends



Source: US BLS, November 2024

Market Area Overview



Definitions

- Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.
- Availability Rate: Total Available Sq. Ft. divided by the total building Area.
- Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.
- Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building.
- Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions.
- Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance.
- Net Absorption: The change in Occupied Sq. Ft. from one period to the next.
- Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.
- Occupied Sq. Ft.: Building Area not considered vacant.
- Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.
- Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Industrial buildings 10,000 sq. ft. or greater.

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