

FIGURES | CLEVELAND INDUSTRIAL | Q3 2024

Construction pre-leasing bolsters market stability

► 2.7%

Vacancy Rate

▼ (133,033)

SF Net Absorption

► 1.2M

SF Construction

▲ \$5.68

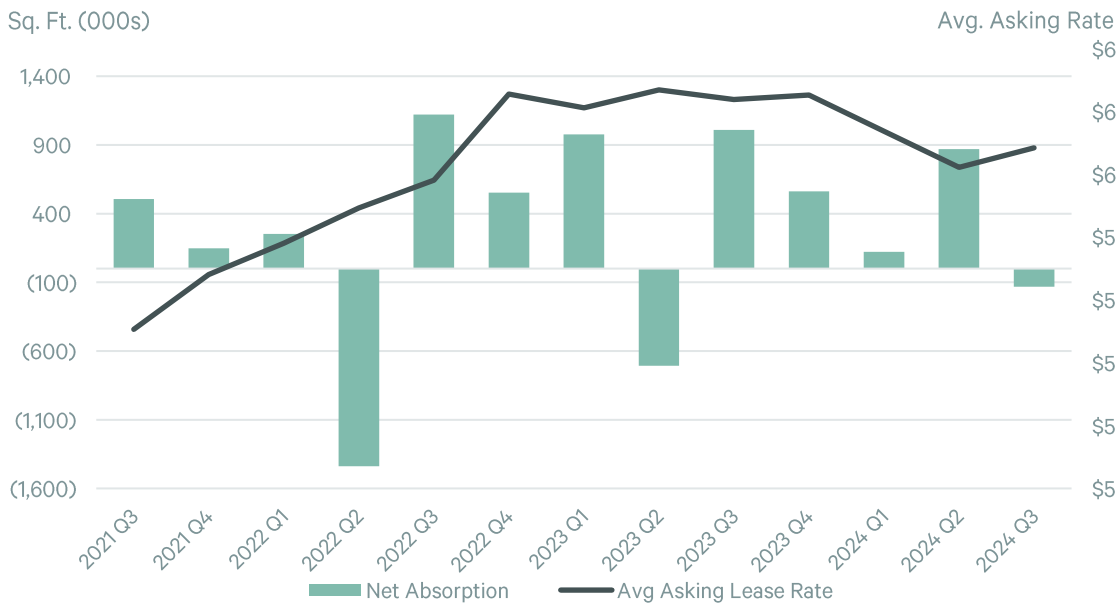
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- Total vacancy rate held static from previous quarter at 2.7%.
- Net absorption went from positive 900,000 sq. ft. to negative 100,00 sq. ft. this quarter.
- Square footage under construction remains unchanged from Q2 at 1.2M sq. ft..
- Asking rates increased \$0.06 to \$5.68 per sq.ft.
- Absorption fell into the negative this quarter, due to a particularly large move out by Angstrom Graphics who vacated its 231,500 sq. ft. building in the South submarket. This quarter saw less moving activity than last quarter, which had larger move-ins. High interest rates continue to impact market activity.
- OPLTD Glenwillow LLC bought the former TTI Floorcare property, a 458,000 sq. ft. warehouse in the Southeast submarket for \$28.6 million, the largest sale of the quarter.
- Premier Development Partners bought two buildings, a warehouse in the Northwest and a manufacturing building in the Southwest. The largest lease transactions were by North Coast Logistics who renewed their sublease for 218,700 sq. ft. in the Southwest and Southern Glazer's Wine and Spirits who signed a new lease of 200,000 sq. ft. in the Southeast.

FIGURE 1: Historical Net Absorption vs. Asking Lease Rates



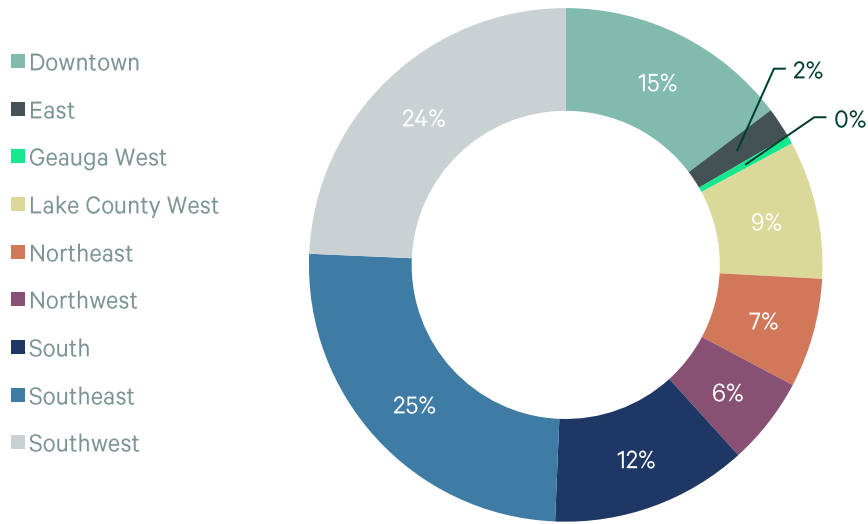
Source: CBRE Research, Q3 2024

Market Stats

Cleveland's vacancy rate stayed the same at 2.7% in Q3 2024. The Northwest submarket housed the lowest vacancy rate, at 0.8%, and has held the lowest vacancy rate for the past seven consecutive quarters. The Southeast submarket continues to hold the highest vacancy rate at 3.3%.

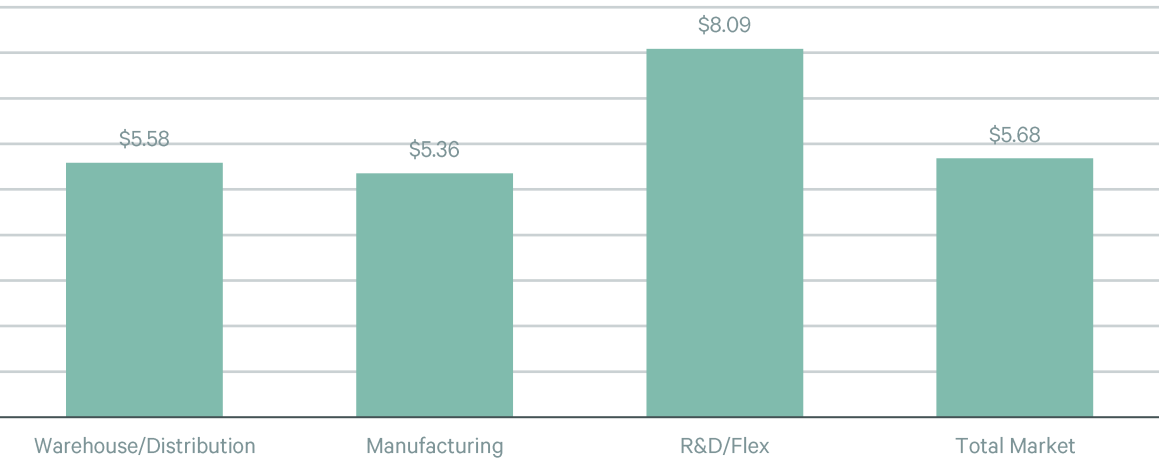
The market holds 10.2 million sq. ft. of available space, which is 1.2 million sq. ft. less than Q3 2023. This quarter saw the most available space in the Southeast submarket, comprising 25% of the total available market.

FIGURE 2: Total Available Space by Submarket



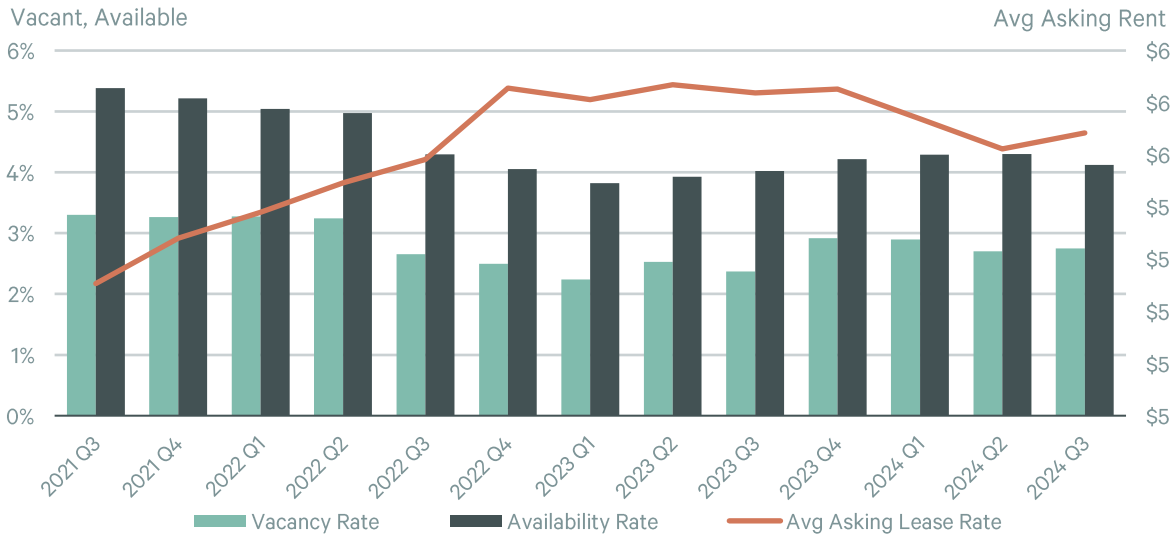
Source: CBRE Research, Q3 2024

FIGURE 3: Average Lease Rates by Property Type



Source: CBRE Research, Q3 2024

FIGURE 4: Vacancy, Availability, and Direct Asking Lease Rates



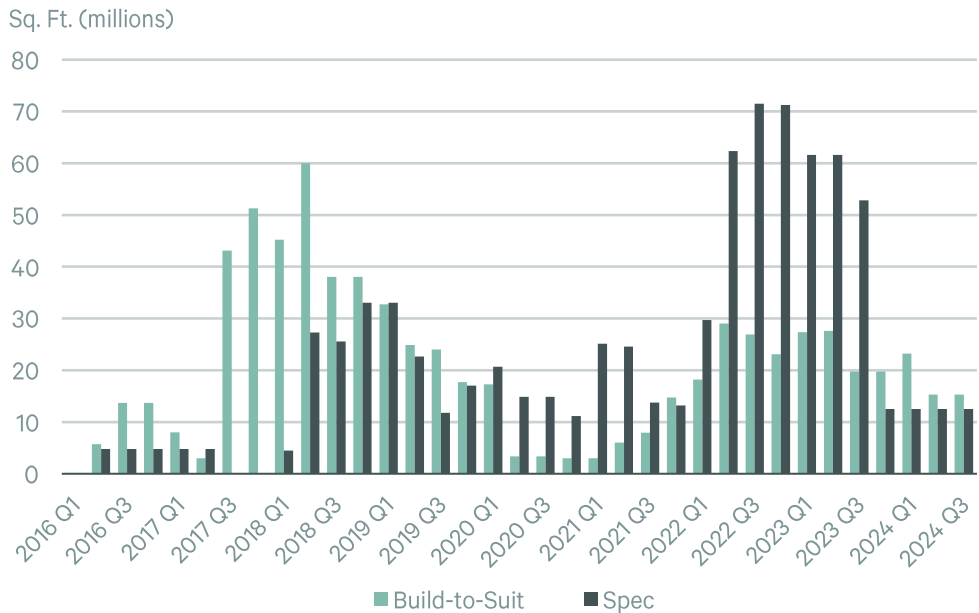
Source: CBRE Research, Q3 2024

Construction

So far in 2024 there have been three (3) properties delivered with majority for storage as compared to 2023 where 10 properties were delivered with majority for distribution. All of these projects were completed earlier in the year as there have been no deliveries in Q3.

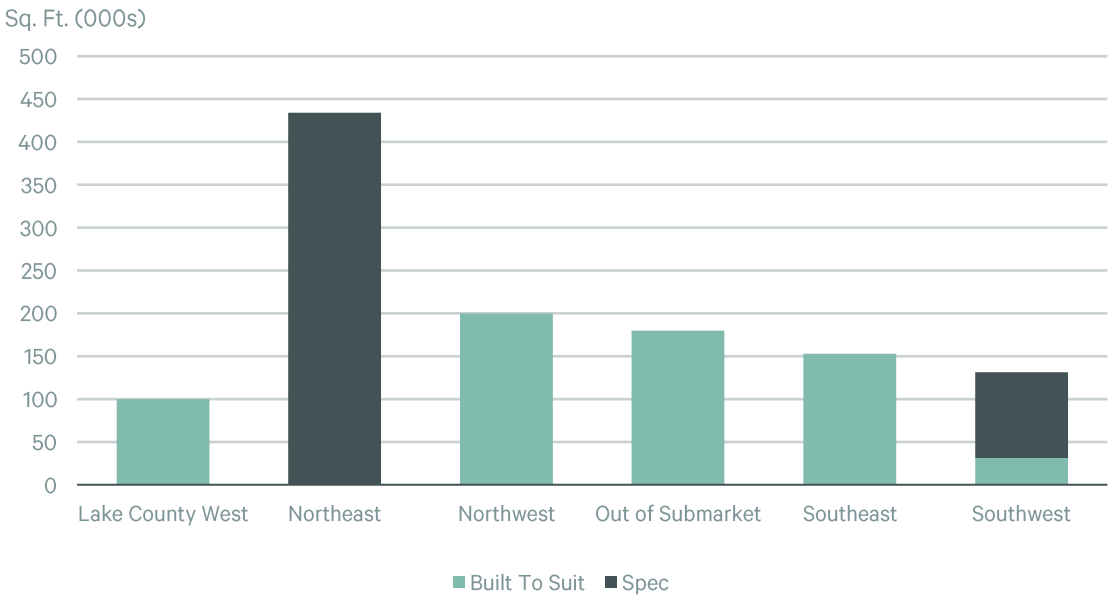
Construction has slowed in the Southeast submarket with deliveries happening earlier this year but remained high in the Northeast with the redevelopment of GE Factory Site, a 434,000 sq. ft. project, set to completed in 2026.

FIGURE 6: Historical Deliveries



Source: CBRE Research, Q3 2024

FIGURE 5: Construction Pipeline



Source: CBRE Research, Q3 2024

There are eight (8) buildings under construction this quarter, the same as last, totaling to 1.2 million sq. ft. with 91.7% of that still pre-leased. Built-to-suit construction made up a little more than half of this construction with the rest being speculative construction space. Overall, construction activity has decreased since 2023, with a more significant difference in the amount of spec construction.

Ronlen Industries started construction on its expansion this quarter, at 19,500 sq. ft. of storage space on Center Rd.

Leasing and Sales Activity

This quarter saw 776,782 sq. ft of transaction activity in lease transactions. Similarly to Q2 of 2024, warehouse/distribution properties saw the most of this activity at 48.3% of total space leased.

OPLTD Glenwillow LLC closed the largest sale this quarter, buying a Class A warehouse building in the Southeast submarket. This building sold for \$28.6 million.

Premier Development bought two properties, one Class B warehouse in the Northwest submarket and one Class B manufacturing building in the Southwest submarket. The buildings sold for \$6.1 million and \$4.7 million, respectively.

FIGURE 7: Notable Sales Transactions

Buyer / Seller	Size (SF)	Address	Sale Price (\$)	Sale Price (\$/SF)
OPLTD Glenwillow LLC/LXP Industrial Trust	458,000	7005 Cochran Rd	\$28,600,000	\$62.45
Fortress Investment Group/Hynes Industries	87,243	141 W Walnut St	\$6,290,000	\$72.10
Premier Development Partners/Bendix	456,658	901 Cleveland St	\$6,100,000	\$13.36
Trident Capital Group/G&S Metal Products Company, Inc.	145,964	26840 Fargo Ave	\$6,055,910	\$41.49
Premier Development Partners/Pactiv Evergreen	150,226	7920 Mapleway Dr	\$4,700,000	\$31.29

FIGURE 8: Notable Lease Transactions

Tenant	Size (SF)	Address	Submarket	Lease Transaction Type
North Coast Logistics	218,693	18901 Snow Rd	Southwest	Renewal
Southern Glazer's Wine and Spirits	200,000	7800 Cochran Rd	Southeast	New Lease
Great Lakes Brewing	67,540	13675 Darice Pkwy	Southwest	Renewal
Piping Rock Health Products	65,044	29325 Fountain Pkwy	Southeast	New Lease
The East Ohio Gas	46,383	6101 W Snowville Rd	South	New Lease

Source: CBRE Research, Q3 2024

FIGURE 9: Market Statistics

Submarket	Net Rentable Area	Vacancy Rate	Availability Rate	Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	Under Construction
East	6,285,747	1.4%	3.1%	(4,829)	18,494	\$8.69	0
Northeast	26,821,191	1.6%	2.6%	0	159,713	\$3.95	434,000
Northwest	32,954,290	0.8%	1.7%	3,810	15,391	\$6.27	200,000
South	36,117,328	2.7%	3.5%	(270,842)	(310,482)	\$6.61	0
Southeast	57,937,973	3.3%	4.4%	70,547	160,516	\$5.61	153,000
Out of Submarket	1,917,092	76.8%	77.6%	0	345,000	\$0.00	180,000
Lake County West	26,586,962	2.1%	3.3%	21,540	147,319	\$5.40	100,000
Geauga West	2,129,114	1.7%	2.5%	0	(13,000)	\$7.88	0
Downtown	44,474,767	2.6%	3.4%	8,814	(94,199)	\$5.23	0
Southwest	47,322,148	1.8%	5.2%	37,927	427,326	\$5.74	131,200
Grand Total	282,546,612	2.7%	4.1%	(133,033)	856,078	\$5.68	1,198,200
Warehouse/Distribution	140,467,457	4.2%	6.4%	(173,240)	225,540	\$5.58	918,200
Modern Bulk	434,188,545	5.3%	9.1%	7,815,204	18,037,848	\$6.21	33,958,415
Manufacturing	122,473,952	1.2%	1.7%	39,025	608,101	\$5.36	280,000
R&D/Flex	19,605,203	2.1%	3.2%	1,182	22,437	\$8.09	0
Grand Total	282,546,612	2.7%	4.1%	(133,033)	856,078	\$5.68	1,198,200

*Modern Bulk is defined as Warehouse/Distribution properties built after 1999, sized 100,000 sq. ft. and above, and a clear height of 24' and above.

Source: CBRE Research, Q3 2024

FIGURE 10: Warehouse/Distribution Market Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)
Downtown	24,364,214	2.1%	(11,186)	\$4.74
East	2,833,651	0.2%	0	\$12.50
Geauga West	926,688	2.7%	0	\$6.85
Lake County West	9,017,898	5.5%	22,688	\$5.27
Northeast	9,728,745	3.2%	0	\$4.83
Northwest	11,127,340	0.7%	0	\$6.38
Out of Submarket	1,662,092	88.6%	0	\$0.00
South	19,527,249	4.1%	-271,842	\$6.32
Southeast	38,628,450	4.4%	80,453	\$5.35
Southwest	22,651,130	2.0%	6,647	\$5.84
Total Market	140,467,457	4.2%	-173,240	\$5.58

FIGURE 11: Manufacturing Market Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)
Downtown	18,473,711	3.6%	20,000	\$5.70
East	1,662,652	0.4%	(7,245)	\$6.05
Geauga West	922,794	1.3%	0	\$10.00
Lake County West	14,762,271	0.4%	(4,000)	\$5.60
Northeast	16,700,901	0.8%	0	\$3.07
Northwest	20,758,625	0.8%	-190	\$5.88
Out of Submarket	255,000	0.0%	0	\$0.00
South	12,513,438	0.4%	5,000	\$6.59
Southeast	14,381,354	0.5%	-5,820	\$8.33
Southwest	22,043,206	1.5%	31,280	\$4.78
Total Market	122,473,952	1.2%	39,025	\$5.36

FIGURE 12: R&D/Flex Market Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)
Downtown	1,636,842	0.0%	0	\$0.00
East	1,789,444	4.2%	2,416	\$9.02
Geauga West	279,632	0.0%	0	\$0.00
Lake County West	2,806,793	0.2%	2,852	\$4.87
Northeast	391,545	0.0%	0	\$0.00
Northwest	1,068,325	0.7%	4,000	\$10.41
Out of Submarket	-	0.0%	0	\$0.00
South	4,076,641	3.1%	-4000	\$8.32
Southeast	4,928,169	2.2%	-4086	\$7.00
Southwest	2,627,812	3.7%	0	\$8.85
Total Market	19,605,203	2.1%	1,182	\$8.09

Source: CBRE Research, Q3 2024

National Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is steady, and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a downturn in the labor market, although the recent bump in unemployment appears mainly driven by an increase in participation.

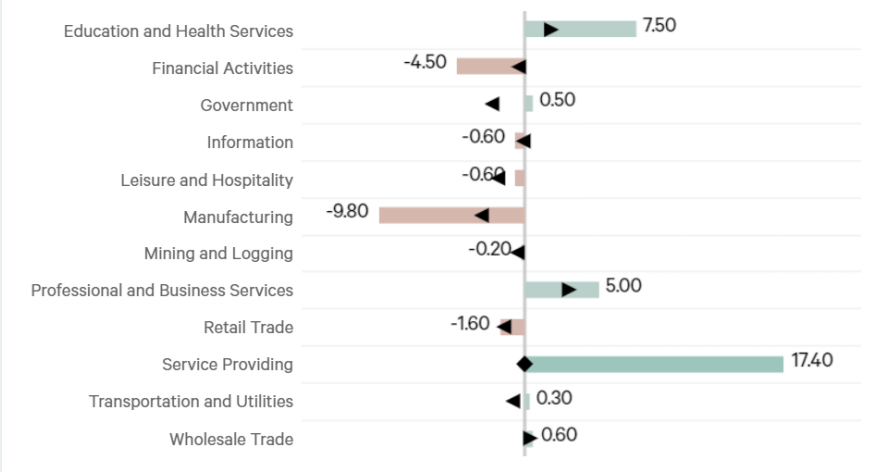
One reason for concern is the decline in the share of private industries that are creating jobs. The labor market has slowed but it is not slumping, and companies are not letting workers go at a particularly high rate.

While many are focused on November’s election, the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

Cleveland, OH Employment Update

- ▼ 3.9%
Unemployment Rate
- ▼ 1.1M
Labor Force
- ▲ 243.8k
Office Using Jobs
- ▼ 304.4k
Industrial Using Jobs
- ▼ 148.2k
Retail Using Jobs

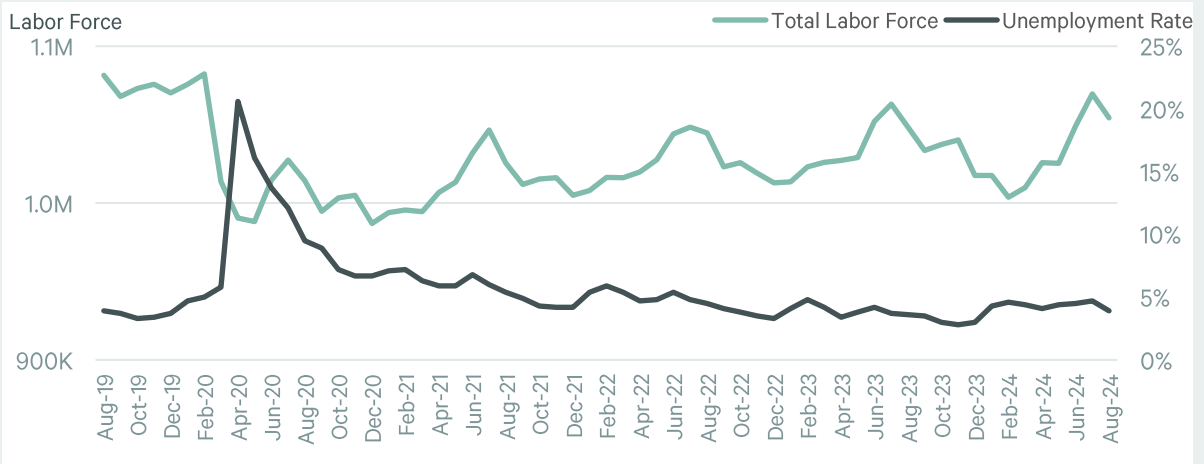
Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



Note: Arrows indicate month-over-month change.

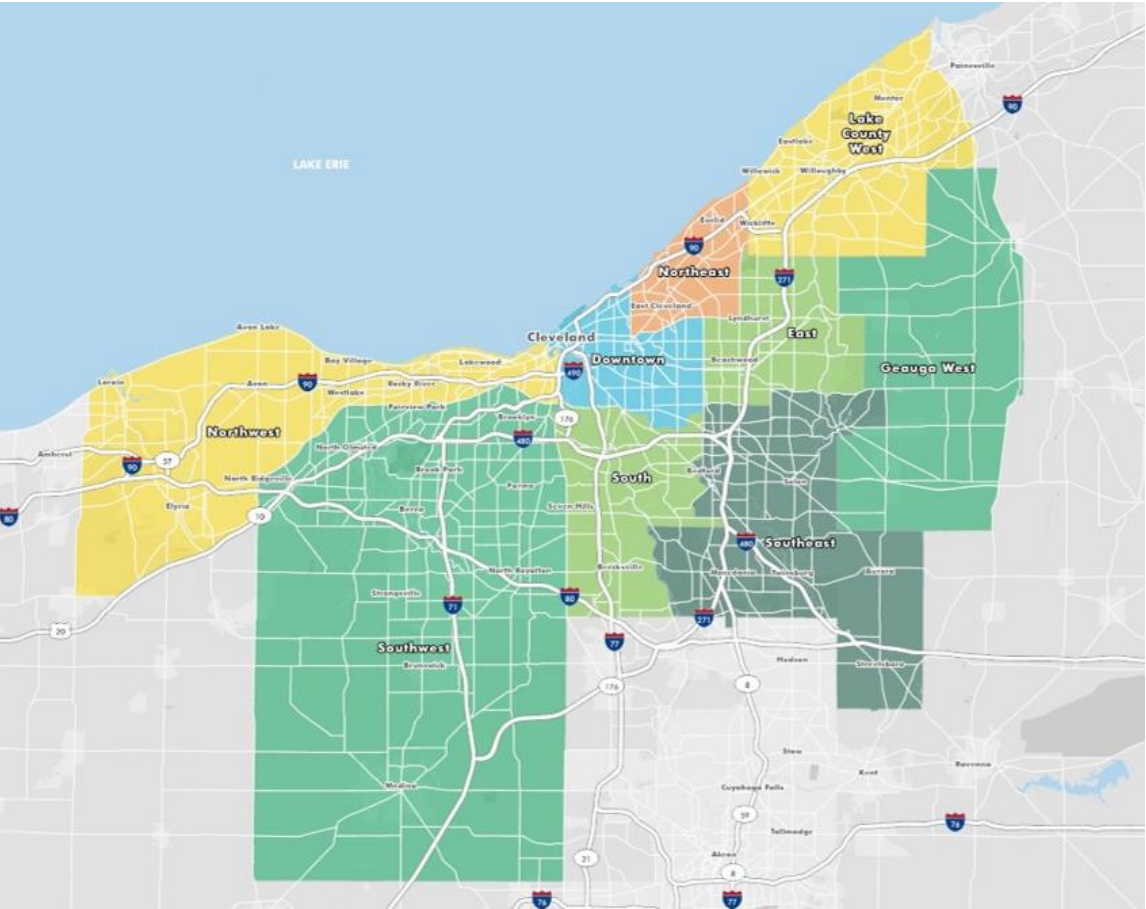
Source: US BLS, July 2024

Cleveland, OH Unemployment Rate and Labor Force Trends



Source: US BLS, July 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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