

After 4 consecutive quarters of decreasing vacancy, Cleveland Industrial posts a slight uptick of 10 basis points

▲ 2.9%

Vacancy Rate

▼ (99,766)

SF Net Absorption

▼ 2.2M

SF Construction

▼ \$5.56

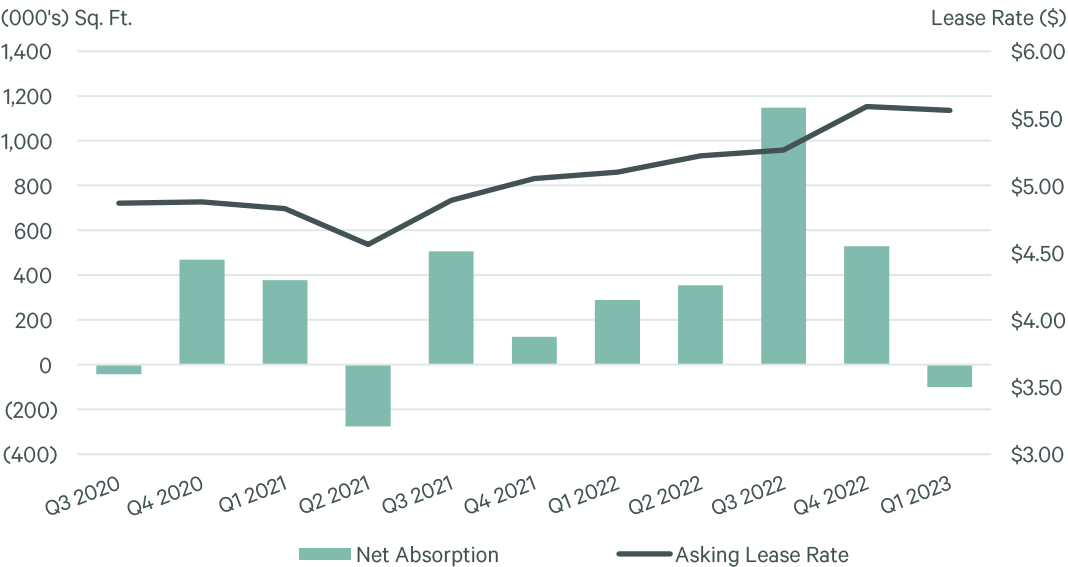
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

Summary

- Despite experiencing negative net absorption at (99,766) sq. ft. in Q1 2023, leasing activity remained strong in the Cleveland market. There was a total of 800,141 sq. ft. of total leasing activity in Q1 2023.
- New construction in the Cleveland market has decreased quarter-over-quarter, sitting at 2,215,007 sq. ft. in Q1 2023. Growing economic uncertainty, financing difficulties, and high supply costs are not only creating lengthier and harder-to-estimate timelines but causing the momentum of new construction to halt.
- Net absorption was highest in the Southeast submarket, at 151,532 sq. ft. The Southeast also saw a decrease in vacancy from 3.7% in Q4 2022 to 3.4% in Q1 2023. The overall market experienced a slight increase in the vacancy rate to 2.9%. This was due to a few larger moveouts, both over 100,000 sq. ft., in the Suburban markets.
- Cleveland saw a small decrease in average asking lease rates from \$5.59 to \$5.56 quarter-over-quarter. This is a slight dip in the rent increases landlords have been pushing for around the country and in the Cleveland market. Throughout 2022 rents were seen rising due to overall increases in project costs and are expected to increase continuing through 2023.

FIGURE 1: Historical Net Absorption vs. Asking Lease Rates



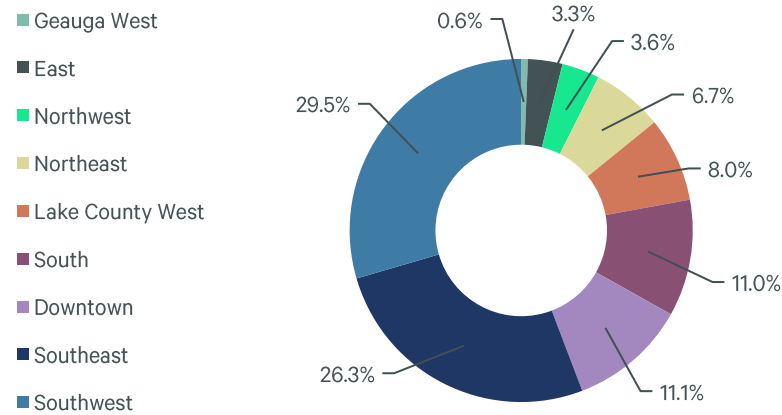
Source: CBRE Research, Q1 2023

Market Stats

Cleveland's vacancy rate slightly increased quarter-over-quarter, rising 10 basis points (bps) to 2.9%. The Northwest submarket houses the lowest vacancy rate, at 1.3% in Q1 2023, rising 20 bps quarter-over-quarter. Average asking lease rates in the Northwest submarket sit at \$5.90. The submarket with the highest vacancy rate in Q1 2023 was the East, with 4.6% vacant. Average asking lease rates in the East submarket sit at \$9.11.

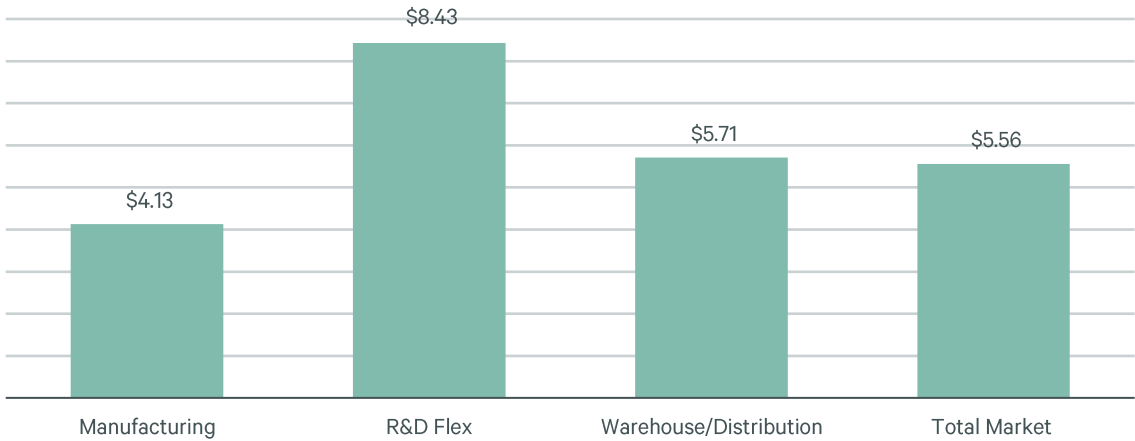
The market holds 12,686,101 sq. ft. of available space, with over 29.5% being in the Southwest submarket.

FIGURE 2: Total Available Space by Submarket



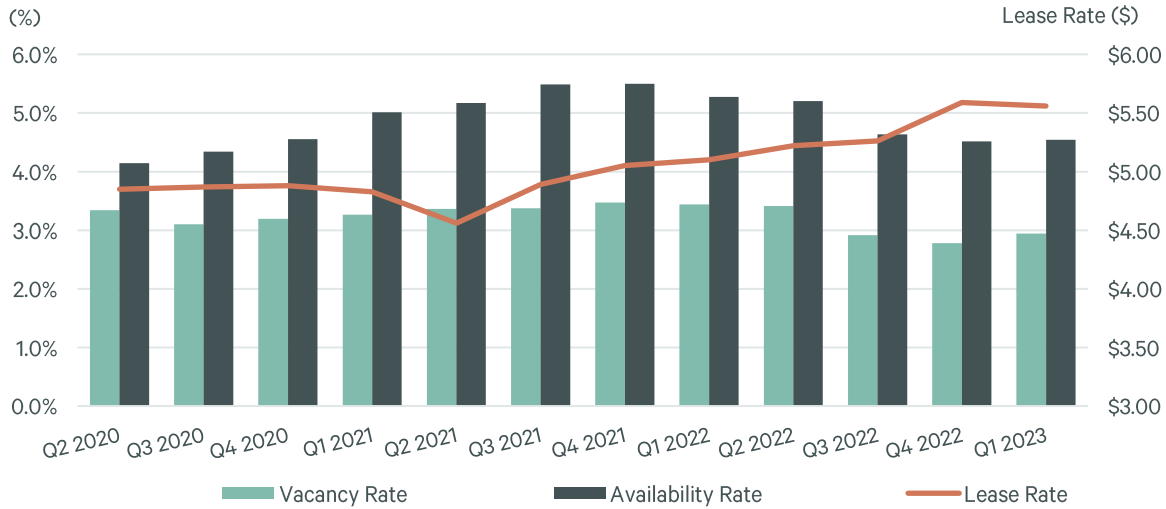
Source: CBRE Research, Q1 2023

FIGURE 3: Average Lease Rates by Property Type



Source: CBRE Research, Q1 2023

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



Source: CBRE Research, Q1 2023

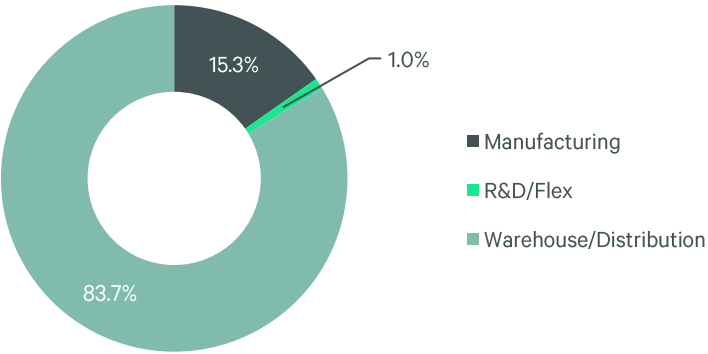
Future Construction Completions

The Southeast submarket saw the most industrial space under construction in Q1 2023 with 1,192,480sq. ft. This accounts for the 1,021,98 sq. ft. speculative warehouse being built in Shalersville Township.

Cleveland has seen more warehouse/distribution deliveries than any other property type since Q4 2019. Over 83.7% of construction completions were warehouse/distribution.

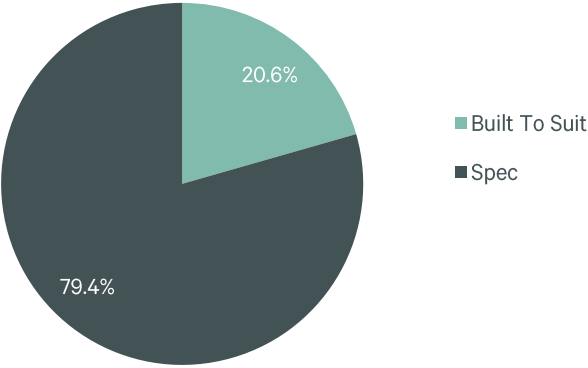
Along with increased vacancy and negative absorption, the Cleveland market is seeing false starts and slow decisions in construction.

FIGURE 5: Historical Construction Completions by Property Type (Q4 2019 – Q1 2023)



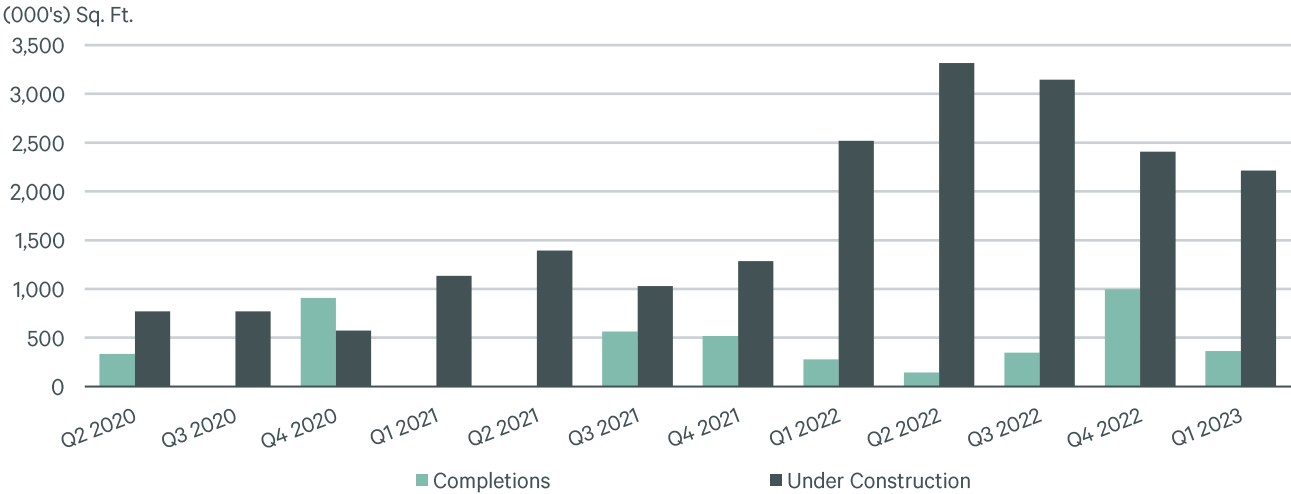
Source: CBRE Research, Q1 2023

FIGURE 6: Future Construction Completions



Source: CBRE Research, Q1 2023

FIGURE 7: Construction Completions



Source: CBRE Research, Q1 2023

Leasing and Sales Activity

Q1 2023 saw high leasing activity with 800,141 sq. ft. of leases signed. Distribution/logistics properties saw the most of this activity at 82%, while Light Manufacturing and R&D/Flex properties saw 14% and 4%, respectively.

Leasing activity was highest in the Southwest submarket, where 344,709 sq. ft. of new leases, expansions, and renewals were signed. Activity continues to be active in the third-party logistics sector; mitigating the lack of labor, low inventory, supply chain issues, and transportation costs has increased demand for 3PLs in the Cleveland market.

A 458,000 sq. ft. warehouse located at 7005 Cochran Rd was listed for sale in the Southeast submarket in Q1 2023.

Quality Bolt & Screw, Inc. sold their 46,762 sq. ft. distribution building to Premier Development Partners. The property, located at 10147 Brecksville Rd, sold for \$2,475,000.

The Forward Innovation Center West at 18300 Snow Rd in Brook Park was completed this quarter. The site also housed the largest lease of the quarter with Victory Packaging signing for 221,000 sq. ft. of the 364,000 sq. ft. building.

FIGURE 8: Notable Sales and Lease Transactions

Buyer	Size (SF)	Address	Submarket	Sale Price
Premier Development Partners	46,762	10147 Brecksville Rd	South	\$2,475,000
Hostar International, Inc	28,800	6481 Davis Industrial Pkwy	Southeast	\$2,000,000
Logistics Technologies LLC	33,000	2195 Drydock St	Downtown	\$1,630,000
Kennicott Brothers Company	21,131	9550 Granger Rd	South	\$870,000

Tenant	Size (SF)	Address	Submarket	Lease Transaction Type
Victory Packaging	221,000	18300 Snow Rd	Southeast	New Lease
Enerco Group, Inc	175,167	5402 – 5480 Naiman Pkwy	Southeast	New Lease
Ardleigh Minerals, Inc	104,817	341 – 353 Eddy Rd	Northeast	New Lease
Midwest Transatlantic Lines, Inc	75,667	21160 Drake Rd	Southwest	New Lease
EMX Industries	19,953	5638 Transportation Blvd	South	New Lease

Source: CBRE Research, Q1 2023

FIGURE 9: Market Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Availability Rate (%)	Q1 2023 Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)	Under Construction (Sq. Ft.)
Downtown	44,392,850	3.2%	3.2%	21,045	\$3.95	160,000
East	6,162,281	4.9%	6.7%	(9,195)	\$9.11	-
Geauga West	2,129,734	3.0%	3.7%	1,235	\$7.08	-
Lake County West	26,438,562	2.3%	3.8%	(11,871)	\$5.16	125,000
Northeast	26,793,267	3.0%	3.2%	5,451	\$4.29	-
Northwest	32,967,071	1.3%	1.4%	(141,860)	\$5.90	203,527
South	35,626,413	1.6%	3.9%	117,869	\$5.88	534,000
Southeast	57,427,522	3.4%	5.8%	151,532	\$6.23	1,192,480
Southwest	47,238,260	4.4%	7.9%	(233,972)	\$5.42	-
Total Market	279,175,960	2.9%	4.5%	(99,766)	\$5.56	2,215,007

Property Type	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Availability Rate (%)	Q1 2023 Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)	Under Construction (Sq. Ft.)
Warehouse/ Distribution	137,495,837	4.1%	6.7%	(184,178)	\$5.71	2,215,007
Modern Bulk*	16,092,056	9.4%	14.0%	165,434	\$6.56	-
Manufacturing	122,168,128	1.6%	2.2%	115,700	\$4.28	-
R&D/Flex	19,511,995	3.0%	4.1%	-31,288	\$8.43	-
Total Market	279,175,960	2.9%	4.5%	(99,766)	\$5.56	2,215,007

*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, Q1 2023

FIGURE 10: Warehouse/Distribution Market Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Q1 2023 Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)
Downtown	24,193,887	2.0%	27,745	\$5.18
East	2,787,185	5.4%	(3,925)	\$6.74
Geauga West	926,688	3.2%	1,800	\$6.49
Lake County West	8,892,898	6.0%	0	\$4.81
Northeast	9,700,821	2.9%	(1,299)	\$6.84
Northwest	11,109,661	3.3%	(139,700)	\$5.48
South	19,040,456	2.0%	124,141	\$5.61
Southeast	38,286,999	4.6%	31,532	\$6.17
Southwest	22,557,242	7.4%	(224,472)	\$5.37
Total Market	137,495,837	4.1%	-184,178	\$5.71

FIGURE 11: Manufacturing Market Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Q1 2023 Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)
Downtown	18,452,929	4.9%	(6,700)	\$3.67
East	1,662,652	1.2%	0	\$10.00
Geauga West	923,414	3.6%	0	\$7.41
Lake County West	14,738,871	0.2%	1,729	\$4.91
Northeast	16,700,901	3.1%	6,750	\$2.84
Northwest	20,789,085	0.4%	(2,160)	\$7.27
South	12,509,316	0.6%	5,581	\$5.25
Southeast	14,347,754	0.2%	120,000	\$6.10
Southwest	22,043,206	1.3%	(9,500)	\$4.82
Total Market	122,168,128	1.6%	115,700	\$4.28

Source: CBRE Research, Q1 2023

FIGURE 12: R&D/Flex Market Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Q1 2023 Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)
Downtown	1,746,034	1.4%	0	\$5.55
East	1,712,444	7.8%	(5,270)	\$11.31
Geauga West	279,632	0.2%	(565)	\$19.50
Lake County West	2,806,793	1.7%	(13,600)	\$8.55
Northeast	391,545	0.0%	0	\$5.50
Northwest	1,068,325	0.0%	0	\$6.75
South	4,076,641	3.2%	(11,853)	\$7.92
Southeast	4,792,769	3.0%	0	\$6.83
Southwest	2,637,812	4.2%	0	\$8.71
Total Market	19,511,995	3.0%	-31,288	\$8.43

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.

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

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