

FIGURES | CLEVELAND INDUSTRIAL | Q2 2023

Industrial market experiences another quarter of positive activity

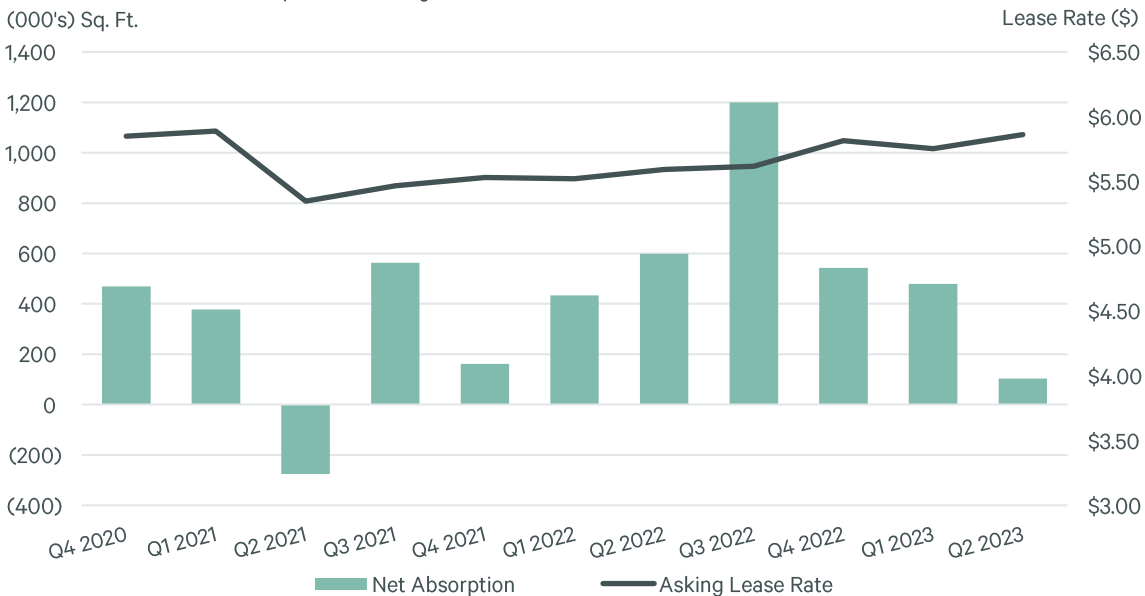


Note: Arrows indicate change from previous quarter.

Summary

- Cleveland saw 103,372 sq. ft. of positive net absorption, combined with 832,435 sq. ft of leasing activity. 31% of leasing activity occurred in Class B product, whereas Class A saw 29% of the activity. The Southeast submarket saw the highest amount of activity with 72% of all leasing activity. This was due to the Southeast housing the three largest leases of the quarter.
- Cleveland holds low quality and light inventory of buildings for sale. The average building age is 56 years, which leads to problems in building integrity, and prompts new construction. New construction in the Cleveland market has increased quarter-over-quarter, now sitting at 3,483,909 sq. ft. in Q2 2023. Growing economic uncertainty, financing difficulties, and high supply costs are creating lengthier and harder-to-estimate timelines. Increased interest rates and supply chain issues have also cause delays in sales and construction.
- Cleveland saw an increase in average asking lease rates from \$5.75 to \$5.86 quarter-over-quarter. Landlords have been pushing for rent increases around the country, as seen in Cleveland.

FIGURE 1: Historical Net Absorption vs. Asking Lease Rates
(000's) Sq. Ft.



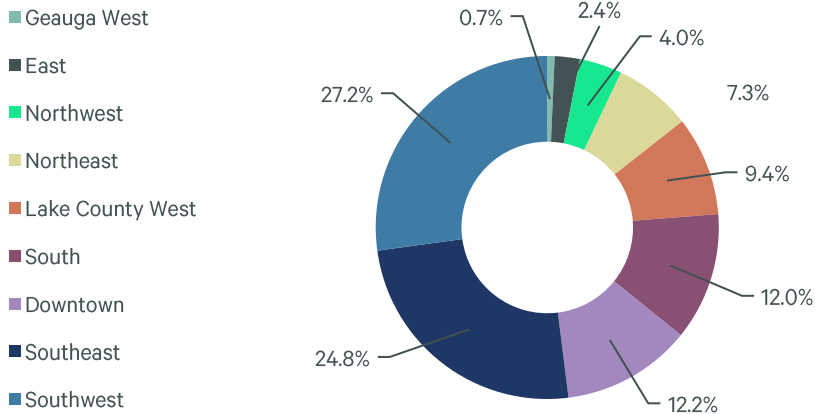
Source: CBRE Research, Q2 2023

Market Stats

Cleveland's vacancy rate remained steady quarter-over-quarter at 2.4%. The Northwest submarket housed the lowest vacancy rate, at 0.9% in Q2 2023, decreasing 10 bps year-over-year. Average asking lease rates in the Northwest submarket sit at \$5.62. The submarket with the highest vacancy rate in Q2 2023 was the East, with 3.1% vacant.

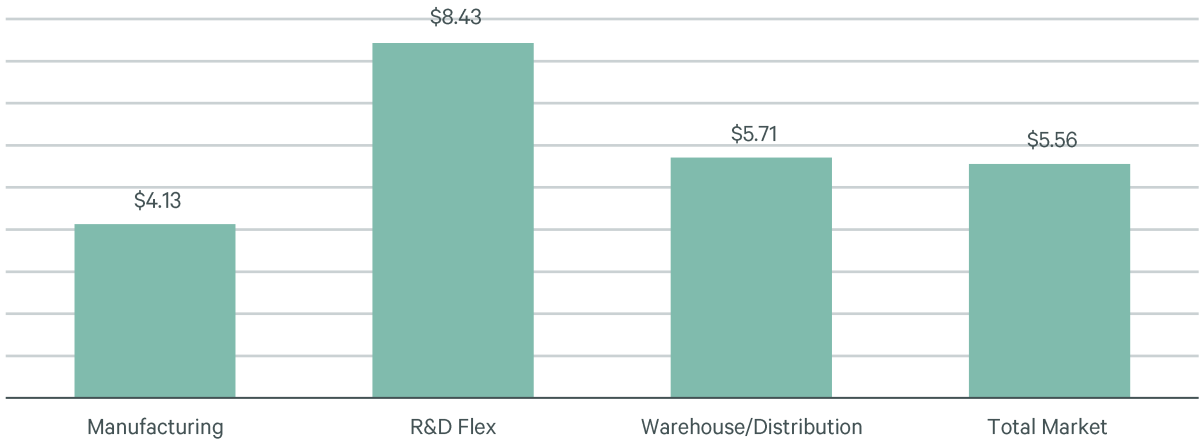
The market holds 11,495,423 sq. ft. of available space, with over 27% being in the Southwest submarket.

FIGURE 2: Total Available Space by Submarket



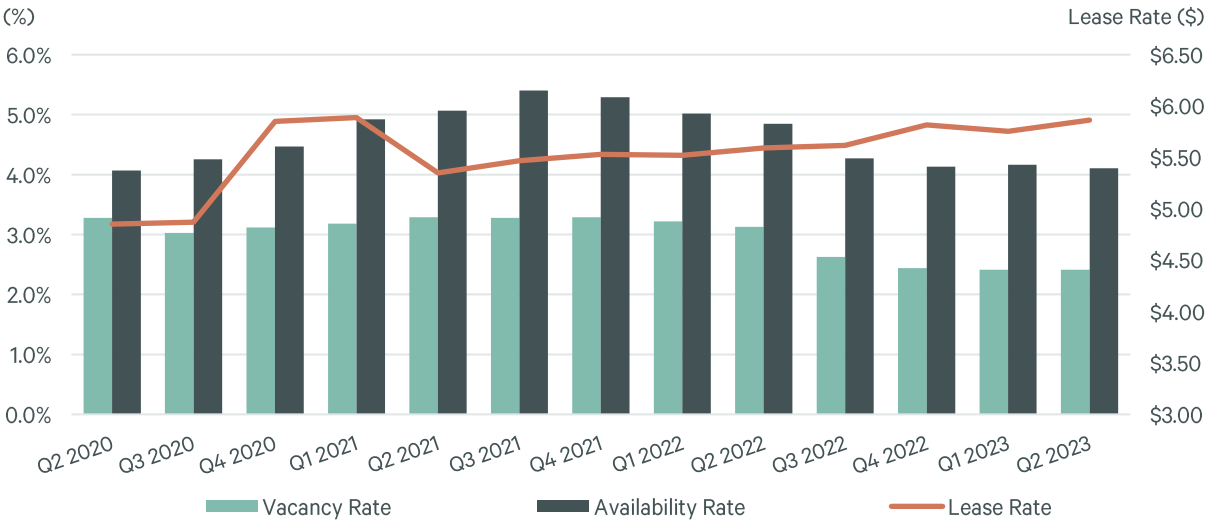
Source: CBRE Research, Q2 2023

FIGURE 3: Average Lease Rates by Property Type



Source: CBRE Research, Q2 2023

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



Source: CBRE Research, Q2 2023

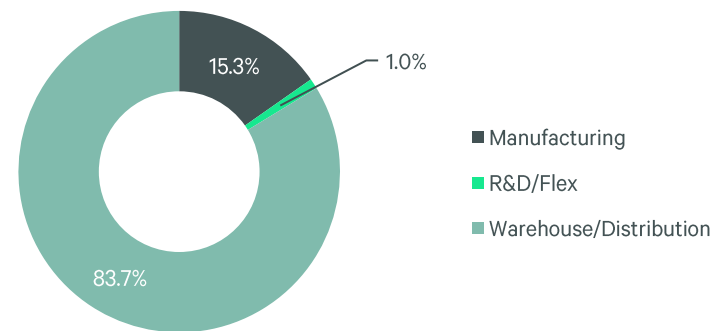
Future Construction Completions

The Southeast submarket saw the most industrial space under construction for the second consecutive quarter with 1,777,480 sq. 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.

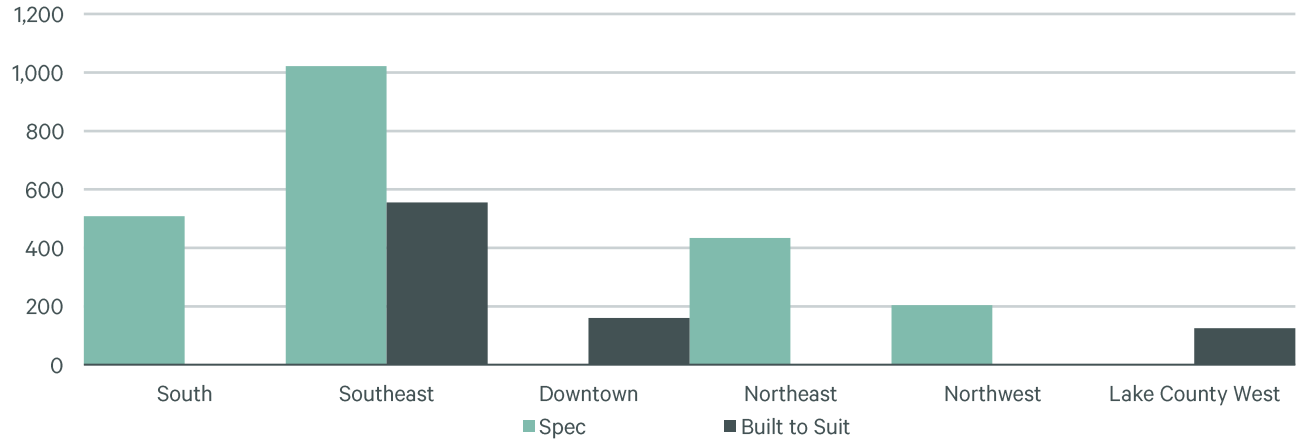
Along with increased vacancy and negative absorption, the Cleveland market is seeing false starts and slow decisions in construction. Growing economic uncertainty, financing difficulties, and high supply costs are creating lengthier and harder-to-estimate timelines.

FIGURE 5: Historical Construction Completions by Property Type (Q4 2019 – Q2 2023)



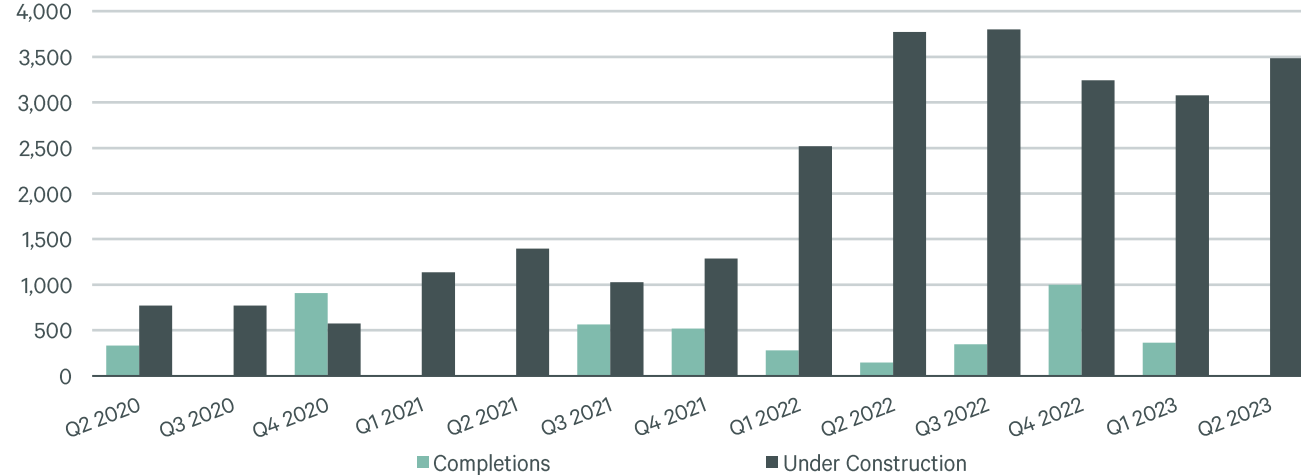
Source: CBRE Research, Q2 2023

FIGURE 6: Future Construction Completions (000's) Sq. Ft.



Source: CBRE Research, Q2 2023

FIGURE 7: Construction Completions (000's) Sq. Ft.



Source: CBRE Research, Q2 2023

Leasing and Sales Activity

Q2 2023 saw high leasing activity with 832,435 sq. ft. of leases signed. Distribution/logistics properties saw the most of this activity at 58%, while Light Manufacturing and R&D/Flex properties saw 23% and 10%, respectively.

Leasing activity was highest in the Southeast submarket, where 603,984 sq. ft. of new leases, expansions, and renewals were signed. Along with seeing the highest leasing activity. Along with seeing the highest leasing activity, the Southeast submarket also housed the most space under construction and experienced the highest net absorption for Q2 2023..

Tenants continue 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.

FIGURE 8: Notable Sales Transactions

Buyer	Size (SF).	Address	Submarket	Sale Price
Premier Development Partners	225,000	26300 Miles Rd	Southeast	\$10,500,000
Aryeh Breier	220,375	1374 E 51 st St (6 Part Property Sale)	Downtown	\$4,852,787
Alliance Development	107,700	1338 1340 E 289 th St	Lake County West	\$3,500,000
Allfasteners USA LLC	93,436	950 Lake Rd	Southwest	\$2,840,000

Source: CBRE Research, Q2 2023

FIGURE 9: Notable Lease Transactions

Tenant	Size (SF)	Address	Submarket	Lease Transaction Type
Southern Glazer's Wine & Spirits	200,928	7800 Cochran Rd	Southeast	Renewal
Full Circle Logistics	87,640	1793 Enterprise Pkwy	Southeast	New Lease
Iron Mountain	76,060	5100 5170 Naiman Pkwy	Southeast	Renewal
Pepperl + Fuchs	51,984	1600 Enterprise Pkwy	Southeast	New Lease
UTZ	24,255	5565 5575 Venture Dr	Southwest	New Lease

Source: CBRE Research, Q2 2023

FIGURE 10: Market Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Availability Rate (%)	Q2 2023 Net Absorption (Sq. Ft.)	2023 YTD Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)	Under Construction (Sq. Ft.)
Downtown	44,427,999	2.6%	3.2%	(44,684)	358,061	\$5.40	160,000
East	6,162,281	3.1%	4.4%	49,142	39,947	\$11.54	-
Geauga West	2,129,734	3.0%	3.7%	0	1,235	\$7.08	-
Lake County West	26,461,962	2.9%	4.1%	(57,487)	(212,758)	\$5.34	125,000
Northeast	26,808,005	2.5%	3.1%	(25,700)	(58,540)	\$5.25	434,000
Northwest	32,986,211	0.9%	1.4%	(2,708)	(34,378)	\$5.62	403,527
South	35,626,413	1.6%	3.9%	(10,402)	91,561	\$6.09	508,000
Southeast	57,596,522	3.0%	4.9%	189,163	335,085	\$5.78	1,777,480
Southwest	47,246,243	2.7%	6.6%	6,048	62,112	\$5.82	75,902
Total Market	279,445,370	2.4%	4.1%	103,372	582,325	\$5.81	3,483,909

Property Type	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Availability Rate (%)	Q2 2023 Net Absorption (Sq. Ft.)	2023 YTD Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)	Under Construction (Sq. Ft.)
Warehouse/ Distribution	137,542,885	3.0%	5.9%	40,412	656,609	\$5.67	2,794,909
Modern Bulk*	16,372,656	8.6%	12.1%	70,953	236,387	\$6.21	463,527
Manufacturing	122,400,490	1.6%	2.0%	11,156	(92,400)	\$5.58	255,000
R&D/Flex	19,501,995	2.6%	3.7%	51,804	18,116	\$8.72	-
Total Market	279,445,370	2.4%	4.1%	103,372	582,325	\$5.81	3,483,909

*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, Q2 2023

FIGURE 11: Warehouse/Distribution Market Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Q1 2023 Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)
Downtown	24,208,214	0.7%	(22,444)	\$5.30
East	2,787,185	1.7%	38,762	\$6.41
Geauga West	926,688	3.2%	0	\$6.49
Lake County West	8,892,898	4.8%	(69,351)	\$5.79
Northeast	9,715,559	3.2%	0	\$6.84
Northwest	11,109,661	1.6%	432	\$5.47
South	19,040,456	2.1%	(27,478)	\$5.66
Southeast	38,286,999	4.1%	101,523	\$5.63
Southwest	22,575,225	4.7%	18,968	\$5.61
Total Market	137,542,885	3.0%	40,412	\$5.67

FIGURE 12: Manufacturing Market Statistics

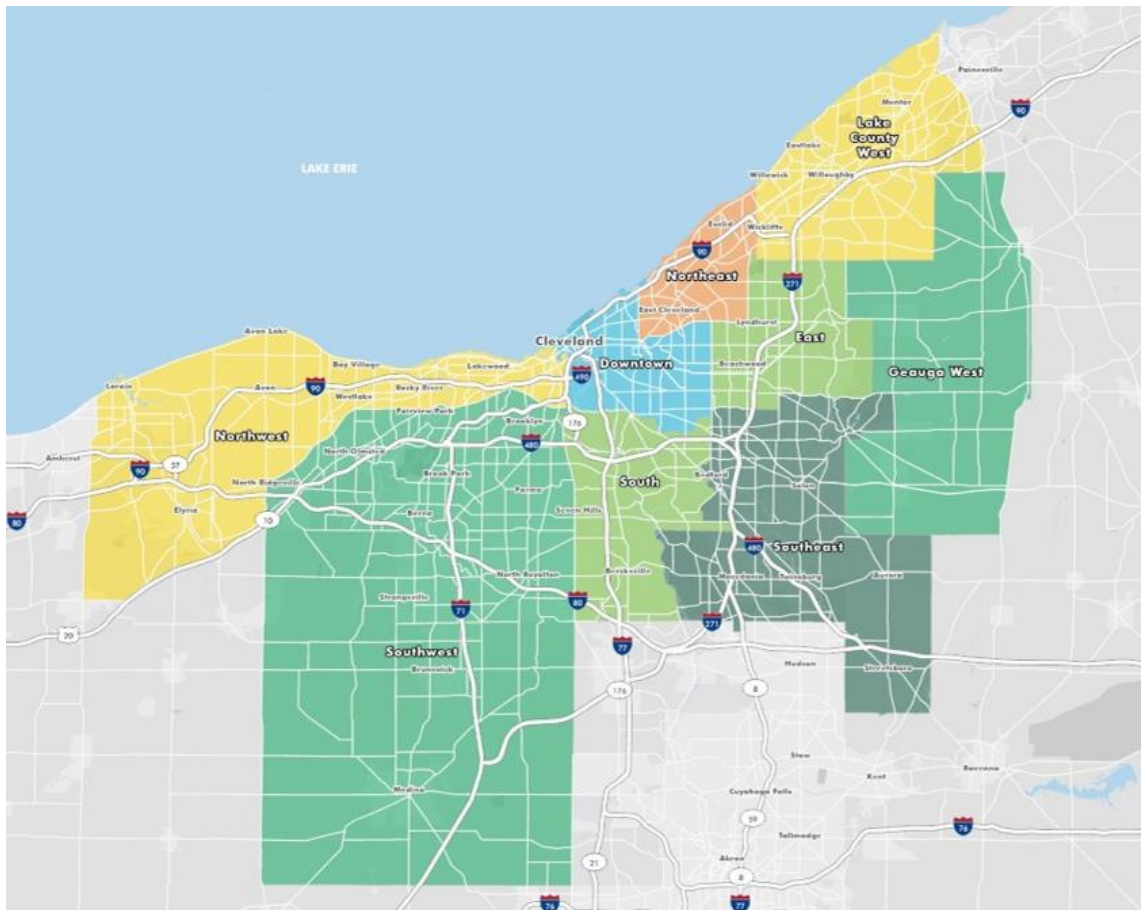
Submarket	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Q1 2023 Net Absorption (Sq. Ft.)	Asking Rate (\$/Sq. Ft.)
Downtown	18,473,751	5.2%	(22,240)	\$5.40
East	1,662,652	1.2%	0	\$10.00
Geauga West	923,414	3.6%	0	\$7.41
Lake County West	14,762,271	1.1%	6,864	\$5.10
Northeast	16,700,901	2.2%	(25,700)	\$3.49
Northwest	20,808,225	0.5%	(3,140)	\$5.96
South	12,509,316	0.7%	(24,758)	\$5.27
Southeast	14,516,754	0.2%	87,640	\$7.53
Southwest	22,043,206	0.6%	(7,510)	\$7.04
Total Market	122,400,490	1.6%	11,156	\$5.58

Source: CBRE Research, Q2 2023

FIGURE 13: 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	7.2%	10,380	\$12.93
Geauga West	279,632	0.2%	0	\$19.50
Lake County West	2,806,793	1.4%	5,000	\$9.42
Northeast	391,545	0.0%	0	\$5.50
Northwest	1,068,325	0.0%	0	\$6.75
South	4,076,641	2.5%	41,834	\$8.51
Southeast	4,792,769	2.9%	0	\$6.15
Southwest	2,627,812	3.3%	(5,410)	\$8.46
Total Market	19,501,995	2.6%	51,804	\$8.72

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.

Contacts

Carolyn Hurley

Field Research Analyst

+1 216 363 6464

carolyn.hurley@cbre.com

Steve Hagen

Research Data Analyst

+1 216 363 6404

steve.hagen@cbre.com

Andrew Coleman

Managing Director

+1 216 406 3459

andrew.coleman@cbre.com

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