

KNOWLEDGE REPORT

Industrial Research & Forecast Report Q1 2020

Colliers International | Cleveland/Akron



Cleveland/Akron Industrial Market

A Note Regarding COVID-19:

As we publish this report, the U.S. and the world at large are facing a tremendous challenge, the scale of which is unprecedented in recent history. The spread of the novel coronavirus (COVID-19) is significantly altering day-to-day life, impacting society, the economy and, by extension, commercial real estate.

The extent, length and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to [Colliers' COVID-19 Knowledge Leader page](#) for resources and recent updates.

[COLLIERS COVID-19 RESOURCE PAGE](#)

Overview

After recording only a minimal gain in occupancy during 2019, the Cleveland industrial market returned to its seven-year pattern of robust gains. During the first quarter of the year, the market recorded 1.6 million square feet of positive net absorption, reducing the overall market vacancy rate by 20 basis points (bps) to 5.5%.

Over half of this positive activity was captured, however, by new construction, which has been a trend over the past few years as industrial occupiers increasingly seek to upgrade to efficient, modern and more functional buildings. Even so, speculative construction activity remains modest with projects totaling only 670,000 square feet of the total 1.8 million square feet currently under construction.

Although the Cleveland region's economy has diversified, the industrial market remains heavily dependent on the manufacturing sector. This sector has been experiencing growth in terms of both production and jobs, albeit unevenly distributed as witnessed by last year's decline in job growth. The majority of construction activity remains dedicated to new build-to-suit buildings and expansions of existing facilities for manufacturers.

Market Indicators

Relative to prior period	Q1 2020	Q2 2020*
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↓
RENTAL RATE**	↑	↓

* Projected, relative to prior period

** Warehouse rents

MARKET STATS AT A GLANCE



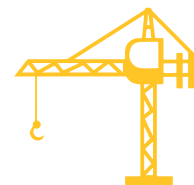
5.5%
VACANCY RATE



\$4.14
MARKET ASKING RENT



1.6M
YTD ABSORPTION
(SF)



1.8M
UNDER
CONSTRUCTION (SF)

Vacancy rates remain in single-digits across all of Cleveland and Akron's submarkets with the exception of the Lorain West submarket where vacancy equals 10.7%. In the primary Cleveland submarkets, vacancy rates range from a low of 2.7% in the East submarket to a high of 9.1% in the Northeast submarket.

Gaining occupancy during the quarter were the Medina County submarket, which recorded positive net absorption of 493,163 square feet, Southeast Cleveland with a 345,791-square-foot gain and Southwest Cleveland posted 341,254 square feet of positive net absorption. No submarket recorded a loss of any significance as any major new vacant space that became available was offset by other positive activity within the submarket.

While the Cleveland market is not a prime logistics market, the accelerating growth in e-commerce and online sales is making an impact. The warehouse/distribution sector's total inventory across the region has grown by nearly five million square feet to a total of 80.4 million square feet. This trend will continue to accelerate, driving demand for additional modern distribution space.

Likewise, the recently opened Amazon distribution centers in Euclid and North Randall, along with the facility now under construction on the site of the former Rolling Acres Mall in Akron, will drive further demand from Amazon-related retailers and suppliers.

The overall market average weighted asking rental rate recorded a loss of 1.6%, year-over-year, and currently averages \$4.14 per square foot on a triple net (NNN) basis. Driving this loss were declines in both the flex/R&D and light industrial sectors

Asking rents were on the rise, however, due to new supply in the warehouse/distribution sector. The average rate rose to \$4.54 per square foot, an increase of 10.4%, year-over-year. Demand for high quality manufacturing space pushed rents up in this sector as well. The current asking rate averages \$3.22 per square foot, an increase of 7.8%, year-over-year.

COLLIERS COVID-19 RESOURCE GUIDE

COVID-19 continues to impact markets across borders, multiple real estate sectors and people in our communities. Colliers has provided COVID-19 commercial real estate insights to help you understand the potential impact on your business and community and recommendations on ways to minimize the impacts, where possible. For the full range of topics, insights and news, please visit the site by clicking [here](#).

Summary Statistics

Q1 2020 Cleveland Industrial Market

Cleveland

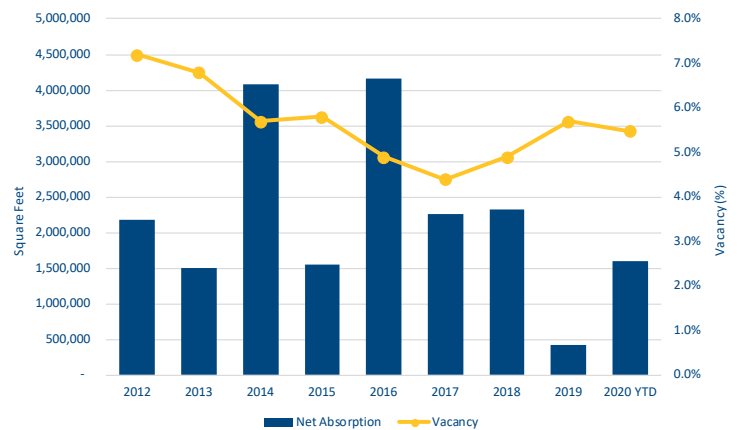
Vacancy Rate	5.5%
Change From Q1 2020 (basis points)	-20
Annual Net Absorption (Square Feet)	1,605,549
Completions YTD (Square Feet)	882,172
Under Construction (Square Feet)	1,783,383

Asking Rents

Per Square Foot Per Year (NNN)

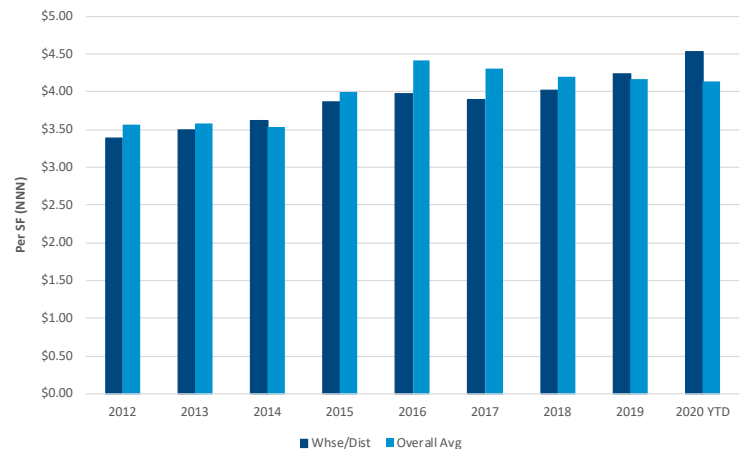
Overall Market	\$4.14
Warehouse/Distribution	\$4.54
Flex/R&D	\$6.46

Industrial Vacancy/Absorption



Market activity that increased during the 2nd half of 2019 and pushed absorption into positive territory has continued into Q1 2020.

Industrial Asking Rate



Overall market asking rents have flattened, while new inventory has driven warehouse/distribution rents significantly higher.

Notable Construction Projects

PROPERTY NAME	PROJECT SIZE	SUBMARKET	OWNER	SPEC OR BTS	TARGETED COMPLETION DATE
Amazon Fulfillment Center - Akron	695,383	Akron	Seefried Industrial Properties	BTS	Q4 2020
Sapphire Corporate Center	300,000	Southwest Cleveland	Harsax Management Co	Spec	Q3 2020
17825 Great Lakes Pkwy Expansion	290,000	Geauga	Great Lakes Cheese	BTS	Q2 2020
14720 Foltz Industrial Pkwy - Bldg 2	220,000	Cleveland Southwest	Scannell Properties	Spec	Q1 2021
Tinkers Creek Business Center	150,000	Southeast Cleveland	Curtis Layer Design Build	Spec	Q2 2020
Nidec Industrial Solutions	68,000	Southwest Cleveland	Geis Cos.	BTS	Q1 2021
15335 Madison Rd	60,000	Geauga	Green Leaf Processing	BTS	Q3 2020

Notable Industrial Sales | Q1 2020

PROPERTY NAME/ADDRESS	SALE DATE	SALE PRICE	BLDG SF	BUYER	SELLER	BUILDING TYPE	SUBMARKET
9260 Pleasantwood Ave NW	Mar-20	\$8,100,000	210,406	Hendrickson International Trailer Suspension	LSI Industries, Inc.	Manufacturing	Stark County
760 Flora Ave	Jan-20	\$3,100,000	22,320	Holub Recycling	TimkenSteel Corporation	Whse/Dist	Akron
1535-1555 Enterprise Pky	Jan-20	\$3,025,000	72,385	Pat & Devanshi Patel	Lavam Property Development	Whse/Dist	Southeast Cleveland
550 Munroe Falls Rd (Part of Portfolio)	Jan-20	\$2,200,000	77,000	AIC Ventures	BlueLinx Corporation	Whse/Dist	Akron
1943 Midway Dr	Mar-20	\$2,150,000	47,250	Dennis Angers	Glass Equipment Development Inc.	Manufacturing	Southeast Cleveland
4350 Renaissance Pky	Feb-20	\$2,106,000	54,604	Louis Finucane	FHT, LP	Light Manufacturing	Southeast Cleveland
5127 Boyer Pky	Feb-20	\$2,100,000	46,800	ICP LLC	Universal Tire Molds	Manufacturing	Akron
4015 E Royalton Rd	Jan-20	\$1,500,000	5,316	Omco Building Corp	3-D Real Estate Partners	Whse/Dist	South Cleveland
5211 Hudson Dr	Mar-20	\$1,500,000	39,065	Hudson Group LLC	Zimmer-Ohio	Manufacturing	North Akron
1664 Highland Rd (Part of Multi-Property Sale)	Feb-20	\$1,325,818	40,000	Cailin Development	Geis Companies	Whse/Dist	Southeast Cleveland

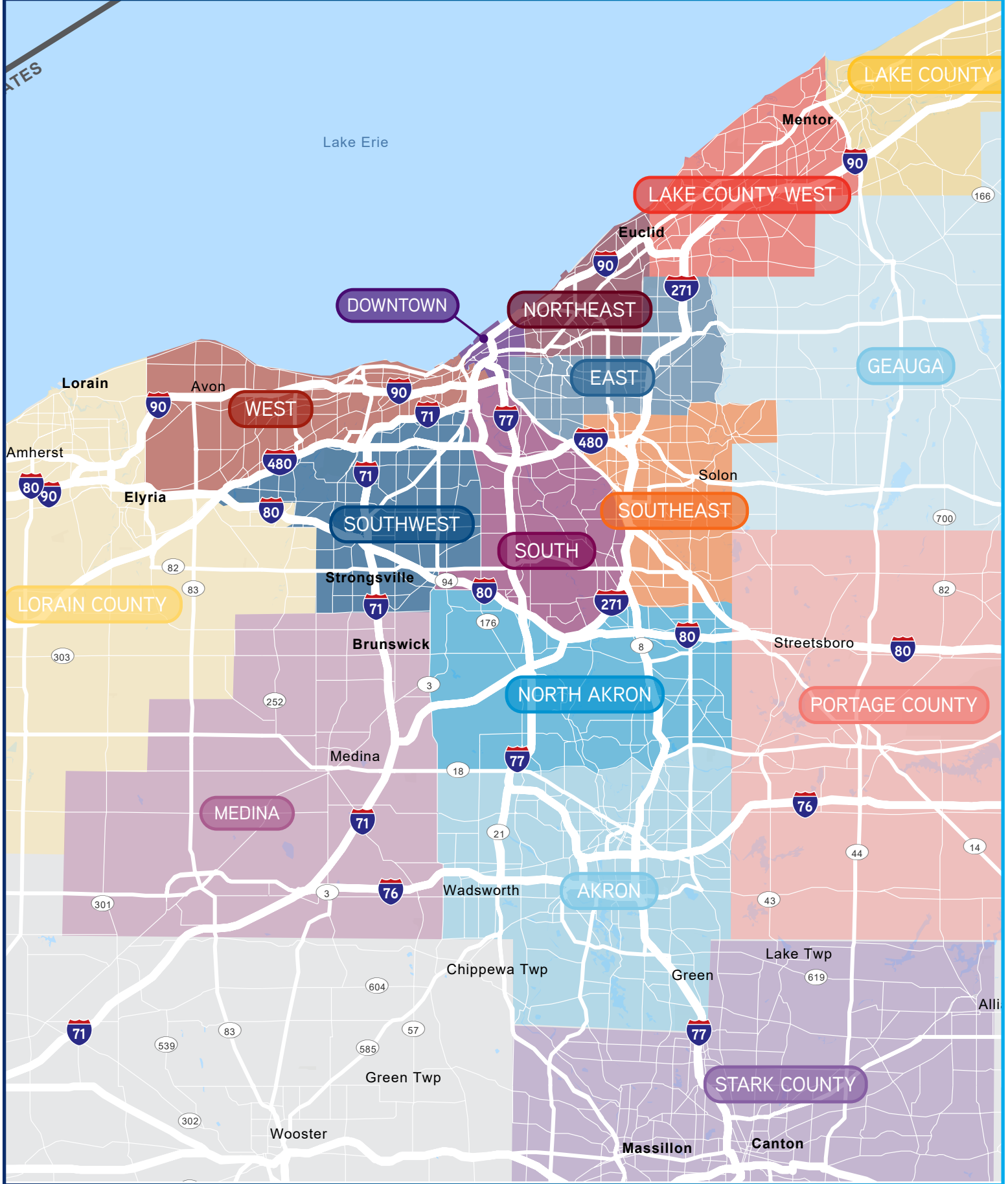
Notable Industrial Leases | Q1 2020

PROPERTY NAME/ADDRESS	LEASE DATE	LEASE SF	TENANT NAME	BUILDING TYPE	SUBMARKET
10615 Madison		168,750	Amazon	Whse/Dist	West Cleveland
669 Sugar Lane	Jan-20	136,920	Duraline	Whse/Dist	Lorain West
13675 Darice Pkwy	Feb-20	67,540	Great Lakes Brewing Company	Whse/Dist	Southwest Cleveland
3048 Nationwide Pkwy	Jan-20	50,833	Lexington Logistics- Need It Now	Whse/Dist	Medina
990-998 Valley Belt	Feb-20	44,400	American Nut	Whse/Dist	South Cleveland
21848 Commerce Pky	Jan-20	41,880	Rite Rug	Whse/Dist	Southwest Cleveland

*Renewal **Sublease

Cleveland | Q1 2020 Industrial Submarket Data

MARKET	# OF BLDGS	INVENTORY (SF)	TOTAL AVAILABLE (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	SUBLEASE AVAILABLE (SF)	QTRLY NET ABSORPTION (SF)	YTD NET ABSORPTION	AVG WTD ASKING RATES (NNN)
Downtown Cleveland	365	30,700,782	2,385,677	2,197,181	7.2%	0	-5,373	-5,373	\$2.71
Warehouse - Distribution	21	2,763,710	198,392	198,392	7.2%	0	0	0	\$3.00
Manufacturing	15	3,133,695	540,090	540,090	17.2%	0	0	0	\$3.10
Flex/R&D	11	933,043	76,965	30,000	3.2%	0	0	0	\$4.23
Light Industrial	318	23,870,334	1,570,230	1,428,699	6.0%	0	-5,373	-5,373	\$2.49
East Cleveland	118	9,279,967	747,407	246,847	2.7%	27,069	-18,444	-18,444	\$4.50
Warehouse - Distribution	6	1,540,830	0	0	0.0%	0	0	0	--
Manufacturing	2	351,920	0	0	0.0%	0	0	0	--
Flex/R&D	52	3,643,695	317,287	224,127	6.2%	27,069	-27,039	-27,039	\$7.20
Light Industrial	58	3,743,522	430,120	22,720	0.6%	0	8,595	8,595	\$2.62
Northeast Cleveland	183	22,986,828	2,424,090	2,086,077	9.1%	36,133	84,481	84,481	\$2.95
Warehouse - Distribution	14	3,100,244	331,421	209,288	6.8%	36,133	145,500	145,500	\$4.13
Manufacturing	18	8,880,749	649,634	649,634	7.3%	0	0	0	\$2.62
Flex/R&D	6	220,811	0	0	0.0%	0	0	0	--
Light Industrial	145	10,785,024	1,443,035	1,227,155	11.4%	0	-61,019	-61,019	\$2.91
South Cleveland	446	31,004,984	2,675,962	1,949,777	6.3%	266,208	102,777	102,777	\$4.81
Warehouse - Distribution	38	5,537,131	981,198	651,313	11.8%	0	74,288	74,288	\$3.56
Manufacturing	11	3,875,051	0	0	0.0%	0	0	0	--
Flex/R&D	105	4,646,269	665,174	560,764	12.1%	36,200	-47,974	-47,974	\$6.42
Light Industrial	292	16,946,533	1,029,590	737,700	4.4%	230,008	76,463	76,463	\$4.98
Southeast Cleveland	647	53,452,508	3,895,429	3,121,109	5.8%	444,528	345,791	345,791	\$5.06
Warehouse - Distribution	92	17,430,676	1,551,715	1,396,664	8.0%	289,858	37,325	37,325	\$5.20
Manufacturing	12	2,088,809	0	0	0.0%	0	0	0	--
Flex/R&D	142	6,455,276	752,354	643,966	10.0%	37,440	56,629	56,629	\$6.35
Light Industrial	401	27,477,747	1,591,360	1,080,479	3.9%	117,230	251,837	251,837	\$4.09
Southwest Cleveland	462	38,216,798	2,233,875	1,370,437	3.6%	65,308	341,254	341,254	\$4.89
Warehouse - Distribution	76	10,573,757	858,346	589,358	5.6%	0	405,072	405,072	\$5.50
Manufacturing	13	8,611,436	91,015	0	0.0%	0	0	0	\$3.37
Flex/R&D	69	3,218,782	424,618	393,980	12.2%	7,500	-15,200	-15,200	\$6.26
Light Industrial	304	15,812,823	859,896	387,099	2.4%	57,808	-48,618	-48,618	\$3.72
West Cleveland	321	26,277,266	1,798,826	1,547,217	5.9%	143,600	-10,363	-10,363	\$4.05
Warehouse - Distribution	30	4,357,857	513,072	513,072	11.8%	0	15,500	15,500	\$4.38
Manufacturing	13	6,858,748	0	0	0.0%	0	0	0	--
Flex/R&D	42	1,705,846	157,656	66,009	3.9%	0	-4,320	-4,320	\$7.33
Light Industrial	236	13,354,815	1,128,098	968,136	7.2%	143,600	-21,543	-21,543	\$3.60
Akron	382	35,060,601	2,525,048	2,316,932	6.6%	33,600	38,843	38,843	\$3.92
Warehouse - Distribution	52	9,481,925	261,917	178,869	1.9%	0	-79,661	-79,661	\$4.95
Manufacturing	27	10,488,818	1,022,125	1,022,125	9.7%	0	50,000	50,000	\$3.46
Flex/R&D	26	874,105	85,462	74,262	8.5%	0	3,050	3,050	\$8.13
Light Industrial	277	14,215,753	1,155,544	1,041,676	7.3%	33,600	65,454	65,454	\$3.58
North Akron	169	13,841,968	508,529	475,809	3.4%	9,920	-25,437	-25,437	\$4.68
Warehouse - Distribution	27	5,101,063	154,664	154,664	3.0%	0	0	0	\$6.80
Manufacturing	8	1,910,203	0	0	0.0%	0	0	0	--
Flex/R&D	24	1,589,085	10,600	10,600	0.7%	0	11,305	11,305	\$12.43
Light Industrial	110	5,241,617	343,265	310,545	5.9%	9,920	-36,742	-36,742	\$3.61
Geauga	82	5,889,967	140,276	84,388	1.4%	0	-2,152	-2,152	\$4.46
Warehouse - Distribution	5	641,680	0	0	0.0%	0	0	0	--
Manufacturing	8	2,307,580	0	0	0.0%	0	0	0	--
Flex/R&D	1	22,164	0	0	0.0%	0	0	0	--
Light Industrial	68	2,918,543	140,276	84,388	2.9%	0	-2,152	-2,152	\$4.46
Lake County East	68	5,543,233	182,716	112,485	2.0%	0	0	0	\$5.20
Warehouse - Distribution	5	576,304	0	0	0.0%	0	0	0	--
Manufacturing	9	2,723,557	0	0	0.0%	0	0	0	--
Flex/R&D	4	119,626	0	0	0.0%	0	0	0	--
Light Industrial	50	2,123,746	182,716	112,485	5.3%	0	0	0	\$5.20
Lake County West	383	24,234,058	1,244,672	1,119,797	4.6%	27,000	27,761	27,761	\$4.50
Warehouse - Distribution	13	2,614,453	519,016	519,016	19.9%	0	0	0	\$4.45
Manufacturing	11	3,225,147	160,000	160,000	5.0%	0	40,000	40,000	--
Flex/R&D	60	3,160,909	125,764	107,656	3.4%	0	-1,231	-1,231	\$5.40
Light Industrial	299	15,233,549	439,892	333,125	2.2%	27,000	-11,008	-11,008	\$4.36
Lorain West	150	17,879,613	2,082,428	1,917,150	10.7%	0	139,320	139,320	\$3.20
Warehouse - Distribution	14	2,456,740	217,000	200,000	8.1%	0	136,920	136,920	\$2.43
Manufacturing	21	10,063,789	1,597,950	1,507,950	15.0%	0	0	0	\$3.30
Flex/R&D	9	274,625	0	0	0.0%	0	0	0	--
Light Industrial	106	5,084,459	267,478	209,200	4.1%	0	2,400	2,400	\$4.42
Medina	173	14,041,183	282,894	263,294	1.9%	0	493,163	493,163	\$4.54
Warehouse - Distribution	25	3,878,520	167,782	157,782	4.1%	0	-22,237	-22,237	\$3.94
Manufacturing	27	4,886,071	0	0	0.0%	0	506,000	506,000	--
Flex/R&D	23	846,270	76,764	67,164	7.9%	0	-12,300	-12,300	\$4.89
Light Industrial	98	4,430,322	38,348	38,348	0.9%	0	21,700	21,700	\$6.51
Portage County	96	7,994,998	142,961	6,500	0.1%	0	-6,500	-6,500	\$3.59
Warehouse - Distribution	16	3,214,995	109,000	0	0.0%	0	0	0	\$3.25
Manufacturing	8	1,659,289	0	0	0.0%	0	0	0	--
Flex/R&D	3	117,326	6,500	6,500	5.5%	0	-6,500	-6,500	--
Light Industrial	69	3,003,388	27,461	0	0.0%	0	0	0	\$4.95
Stark County	265	33,348,492	1,540,758	1,439,251	4.3%	0	100,428	100,428	\$3.78
Warehouse - Distribution	43	7,124,638	562,607	593,690	8.3%	0	42,588	42,588	\$3.69
Manufacturing	42	17,928,071	575,826	443,236	2.5%	0	66,000	66,000	\$3.63
Flex/R&D	10	280,316	0	0	0.0%	0	0	0	--
Light Industrial	170	8,015,467	402,325	402,325	5.0%	0	-8,160	-8,160	\$4.38
Grand Total	4,310	369,753,246	24,811,548	20,254,251	5.5%	1,053,366	1,605,549	1,605,549	\$4.14





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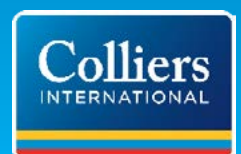
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