



Cleveland Industrial Market

Market Steady as 2022 Comes to a Close

The Greater Cleveland industrial market continued to show signs of stability in the fourth quarter of 2022. The market tallied 804,819 square feet of positive net absorption. Despite the positive absorption, the overall vacancy rate stayed flat at 4.2% as the market was affected by an influx of new product that delivered. This was the industrial market’s sixth consecutive quarter with positive absorption and the ninth out of the last 10 quarters to absorb space.

The market’s vacancy rate has stayed at or under 5% for 10 consecutive quarters. Two of the six industrial submarkets posted negative net absorption in the fourth quarter of 2022, but all six ended 2022 in the positive for the year.

The Cleveland industrial market’s absorption total for the year was over 3.6 million square feet, with all six submarkets in the positive.

Construction

As the fourth quarter of 2022 concluded, over 4.9 million square feet of industrial product was under construction, the majority of which is speculative. 3.47 million square feet being built is Class A warehouse product.

840,330 square feet of industrial product delivered in the fourth quarter of 2022, including the Greater Cleveland Food Bank’s new 198,000-square-foot distribution hub at 13815 Coit Rd. in the Downtown submarket. For the year, the Cleveland industrial market delivered 2.47 million square feet of new product.

Current Conditions

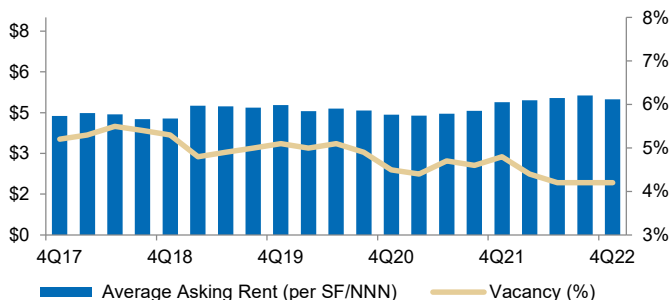
- Vacancy was 4.2% as the quarter ended, the same as the prior two quarters, and tied for the lowest in the Cleveland industrial market’s history.
- The overall industrial market ended the year with a \$4.99/SF asking average rental rate.
- Two of the six industrial submarkets posted negative net absorption, but all six ended 2022 in the positive.
- The Cleveland industrial market’s absorption total for the year was over 3.6 million square feet.
- 840,330 square feet of new product delivered; over 4.9 million square feet was under construction as the year ended.

Market Summary

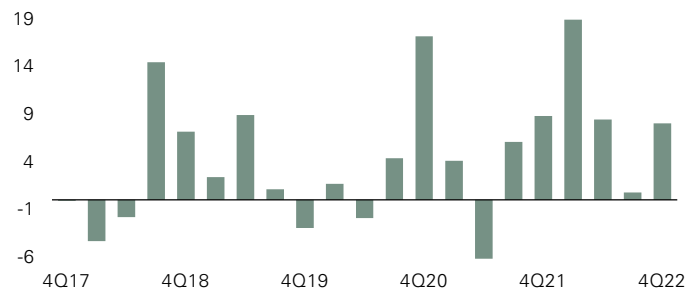
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	291.96M	291.12M	290.41M	↑
Vacancy Rate	4.2%	4.2%	4.8%	↓
Quarterly Net Absorption (SF)	804,819	76,932	882,528	→
Average Asking Rent/SF (NNN)	\$4.99	\$5.13	\$4.88	↑
Under Construction (SF)	4.9M	5.6M	3.6M	→
Deliveries (SF)	840,330	270,008	1.07M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Hundred Thousands)



Rental Rates

The fourth quarter of 2022 saw the overall market's asking average rental rate decrease by \$0.14/SF to \$4.99/SF. Three of the six industrial submarkets saw a decrease, which contributed to the overall drop. The warehouse/distribution sector of the market's asking rental rate ticked down \$0.22/SF to \$4.62/SF. The Class A warehouse/distribution asking rental rate ended the fourth quarter of 2022 at \$6.26/SF, down \$0.39/SF from the previous quarter.

The Southeast Submarket

Vacancy in the traditionally active Southeast submarket increased by 30 basis points from the third quarter of 2022 to 4.1%, a result of losing the most amount of space of any submarket, at 156,334 square feet in negative absorption. For the year, the Southeast accrued 853,821 square feet in positive absorption; 2.23 million square feet of new product was under construction in this submarket, the most of all the submarkets. The Southeast has the second most amount of inventory of all the submarkets, with more than 69.9 million square feet.

The Southeast's average asking rental rate was \$5.98/SF, the second highest in the market and down \$0.04/SF from the previous quarter; however, the warehouse/distribution asking rental rate in the Southeast increased by \$0.18/SF from the third quarter of 2022 to \$5.31/SF.

Of the many industrial sales in the fourth quarter of 2022, one notable transfer took place in Streetsboro in the Southeast submarket: the \$2.9-million (\$56.97/SF) purchase of the 50,908-square-foot 3500 Crane Center Dr. by JEM 1400 Miller Parkway LLC.

Select leases that came out of the Southeast in the fourth quarter of 2022 were: a 118,489-square-foot lease expansion by reLink Medical, LLC at 1755 Enterprise Pkwy. in Twinsburg; Ryder Integrated Logistics, Inc.'s lease extension of 66,948 square feet at 30339 Diamond Pkwy. in Glenwillow; a new 66,657-square-foot lease by Full Circle Logistics at 26000 Richmond Rd. in Bedford Heights; and MFS Supply's 21,313-square-foot lease at 31100 Solon Rd. in Solon.

Southwest Submarket News

The Southwest submarket finished the fourth quarter of 2022 with a vacancy rate of 4.1%, which was an increase of 20 basis points from the previous quarter, despite gaining 236,095 square feet in positive absorption. This was due to the delivery of new properties to the inventory. Despite new product coming to the market, this submarket had the third most construction underway at 914,112 square feet as the quarter ended. The fourth quarter of 2022's positive absorption elevated the submarket's year-to-date absorption tally to the positive, at 227,413 square feet.

The Southwest's average asking rental rate was \$6.12/SF, up by \$0.14/SF from the previous quarter and the highest of all submarkets. The warehouse/distribution average asking rental rate was up by \$0.23/SF to \$6.14/SF, also the highest in the market.

A significant building transfer in the Southwest was the fully leased 125,500-square-foot property located at 19681 Commerce Pkwy. in Middleburg Heights, which sold to Omega Industrial Realty LLC for \$137.0 million, or \$109.16 /SF.

Another noteworthy sale in the Southwest was the 100,000-square-foot transfer of 1000-3000 Apollo Dr. in Brook Park, which was purchased by CleApollo LLC for \$3.25 million, or \$32.50/SF.

Also of note in the Southwest was: developer Flint Development purchasing a 79-acre farm at 350 Center St. in Seville, with the intent of redeveloping the property into a 1.2-million-square-foot industrial warehouse complex that could also include some retail space; and CertainTeed occupying its 109,000-square-foot space at 16065 Imperial Pkwy. in Strongsville.

The South Central

The South Central submarket finished the fourth quarter of 2022 with an average asking rental rate of \$5.13/SF, while its vacancy rate dropped 20 basis points to 4.4% after the submarket recorded 318,061 square feet in positive absorption; 615,482 square feet was positively absorbed in 2022. 1.1 million square feet of product is under construction there, the second most in the market.

The South Central was home to several prominent property transfers, including the past quarter's biggest sale in terms of price per square foot – the 123,366-square-foot Amazon-occupied warehouse/distribution center located at 10575 Memphis Ave. in Brooklyn. The Class A facility, for which construction was completed in the middle of the third quarter of 2022, transferred to an affiliate of Stonemont Financial Group from developer Industrial Commercial Properties for \$53.9 million, or \$437.00/SF. The price per square foot of this transaction made it one of the top industrial sales of 2022.

Also in the South Central, the 88,918-square-foot facility, located at 12901 Snow Rd. in Parma, sold to Setzer Properties for \$20.3 million, or \$228.30/SF, in a sale-leaseback deal from XPO Logistics, amounting to the second largest sale of the past quarter.

7860 E. Pleasant Valley Dr., a 30,500-square-foot property in Independence, sold to Armada Capital Partners for \$2.73 million, or \$89.34/SF; and the 52,350-square-foot 9200 Noble Park Dr. (aka 6500 W. Snowville Rd.) was purchased by Physicians Ambulance for \$3.2 million, or \$61.13/SF.

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Several prominent leases in the South Central took place in the fourth quarter of 2022 and included: the 143,000-square-foot lease by Faber Castel for its new headquarters/distribution center at the under-construction, 260,000-square-foot building located at 9000 Rio Nero Dr. in Independence, which is expected to deliver in the third quarter of 2023; Progressive's 50,000-square-foot lease at 1 American Rd. in Brooklyn; and three leases that will occupy in the first quarter of 2023 at 5638 Transportation Blvd. in Garfield Heights (a 44,591-square-foot lease by Secor Logistics, a 40,000-square-foot lease by Veho and a 20,000-square-foot lease by Goodwill).

The Northwest and Northeast Submarkets

The Northwest submarket again had the second-lowest average asking rental rate at \$4.77/SF, a \$0.07/SF decrease from the third quarter of 2022. Vacancy dropped by 20 basis points to 1.8% and kept the Northwest the tightest in the market as 35,071 square feet was positively absorbed. The 2022 absorption total for the Northwest was 344,913 square feet in the positive. 220,000 square feet of new product is under construction.

A high-profile sale in the Northwest was Dura-Line purchasing the 256,595-square-foot property it occupies at 860 Garden St. in Elyria for \$9.0 million, or \$35.07/SF.

Other sales in the Northwest included: the \$1.3 million, or \$24.89/SF, purchase of the 52,227-square-foot 316 Warden Ave. in Elyria by Land Track Investments LLC; and Quality Steel Storage LLC's purchase of the 56,320-square-foot 4920 French Creek Rd. in Sheffield Village for \$1.25 million, or \$22.19/SF.

Moving to the Northeast, this submarket gave up 89,626 square feet in negative absorption in the fourth quarter of 2022 while registering a vacancy rate of 4.2%, up 30 basis points from the previous quarter. For the year, the Northeast gained the third most amount of space, with 832,862 square feet of positive absorption. The submarket's average asking rental rate increased by \$0.18/SF to \$5.32/SF. 297,381 square feet is under construction in this submarket.

The Downtown Submarket

The Downtown submarket again had the area's lowest asking average rental rate at \$3.90/SF, despite a \$0.13/SF increase from the previous quarter. The submarket's vacancy was the highest in the market at 4.9%, despite a decrease of 40 basis points from the past quarter. This was precipitated by 461,552 square feet of positive absorption, which led all submarkets. For the year, the Downtown submarket gained a net total of 746,734 square feet in positive absorption.

Perhaps the most prominent lease in the fourth quarter of 2022 took place in the Downtown submarket, as Greenbridge signed long-term for 150,000 square feet at 7000 Denison Ave. in Cleveland, in a deal that includes around 5,000 square feet of office space. The company intends to invest heavily in construction and installation of operations at the facility and plans to occupy it in the second quarter of 2023.

One notable sale in the Downtown submarket was Sig Re LLC purchasing the 60,456-square-foot building at 4005 Clark Ave. in Cleveland for \$850,000, or \$14.06/SF.

Select Lease/User Transactions

Tenant	Building/Address	Submarket	Type	Square Feet
Greenbridge	7000 Denison Ave.	Downtown	New	150,000
Faber Castell	9000 Rio Nero Dr.	South Central	New	143,000
reLink Medical, LLC	1755 Enterprise Pkwy.	Southeast	Expansion	118,489
XPO Logistics	12901 Snow Rd.	South Central	Sale-Leaseback	88,918
Ryder Integrated Logistics, Inc.	30339 Diamond Pkwy.	Southeast	Extension	66,948

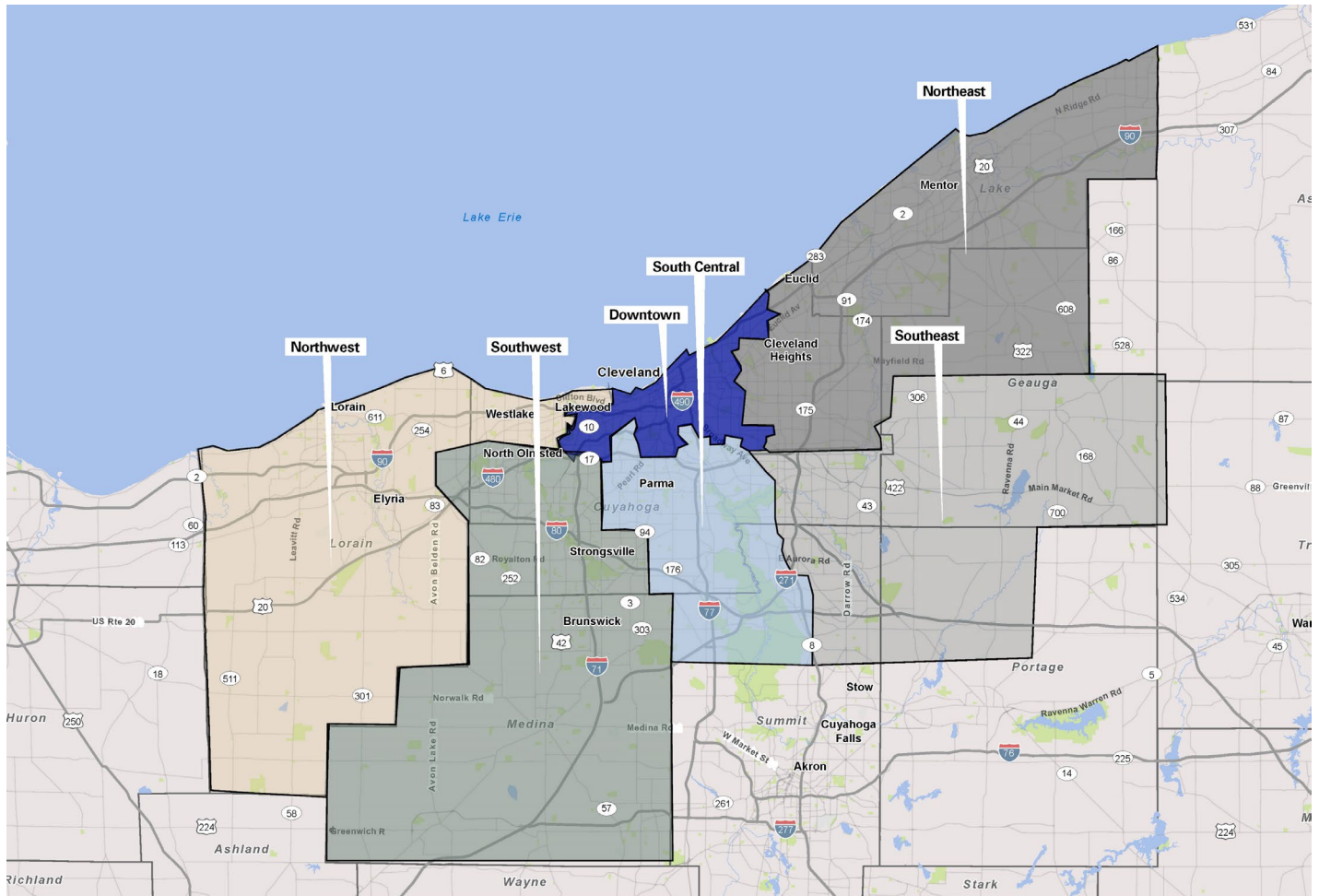
Select Sale Transactions

Building/Address	Submarket	Sale Price	Price/SF	Square Feet
10575 Memphis Ave.	South Central	\$53,911,290	\$437.00	123,366
12901 Snow Rd.	South Central	\$20,300,000	\$228.30	88,918
19681 Commerce Pkwy.	Southwest	\$13,700,000	\$109.16	125,500
7860 E. Pleasant Valley Dr.	South Central	\$2,725,000	\$89.34	30,500
9200 Noble Park Dr. (6500 W. Snowville Rd.)	South Central	\$3,200,000	\$61.13	52,350

Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Quarter Absorption (SF)	YTD Absorption (SF)	WH/Dist. Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Average Asking Rent (Price/SF)
Downtown	72,055,204	156,775	4.9%	461,552	746,734	\$4.07	\$4.79	\$3.90
Northeast	58,394,979	297,381	4.2%	(89,626)	832,862	\$4.41	\$7.46	\$5.32
Northwest	23,121,735	220,000	1.8%	35,071	344,913	\$4.62	\$10.62	\$4.77
South Central	36,281,870	1,108,000	4.4%	318,061	615,482	\$4.18	\$7.20	\$5.13
Southeast	69,940,338	2,230,593	4.1%	(156,334)	853,821	\$5.31	\$8.78	\$5.98
Southwest	32,168,313	914,112	4.1%	236,095	227,413	\$6.14	\$6.97	\$6.12
Market Total	291,962,439	4,926,861	4.2%	804,819	3,621,225	\$4.62	\$7.48	\$4.99

Cleveland Industrial Submarkets



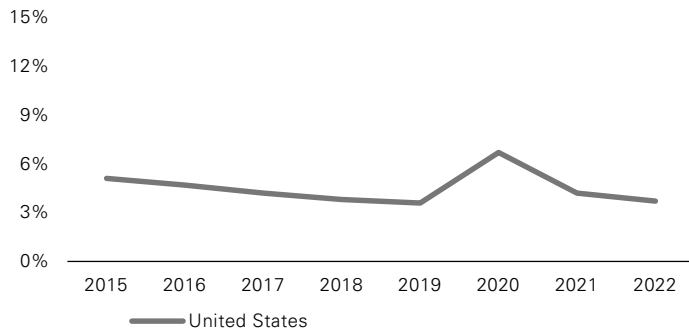
Economic Conditions

The Greater Cleveland economy gained back some jobs in the fourth quarter of 2022, as total payroll employment increased in November by 2.0% year-over-year. The national total payroll employment number was also up in November, by 3.2% year-over-year. The Consumer Price Index for Cleveland was up 6.9% year-over-year in November.

Three industry sectors in the Cleveland market saw employment loss, according to preliminary numbers from the Bureau of Labor Statistics, from November 2021 to November 2022: trade/transportation/utilities at negative 1.8%; financial activities at negative 1.4%; and professional and business services at negative 0.5%. All other sectors saw an increase from the past year. The other services industry gained the most, by 14.0%; followed by leisure and hospitality at 9.8%; mining/logging/construction at 5.2%; information at 4.4%; government at 2.3%; manufacturing at 2.1%; and education and health services at 1.8%.

Unemployment Rate

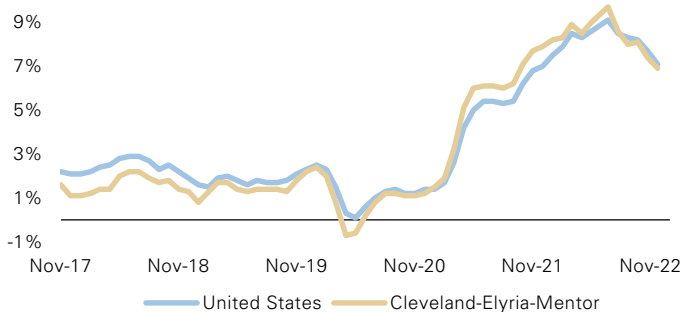
SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

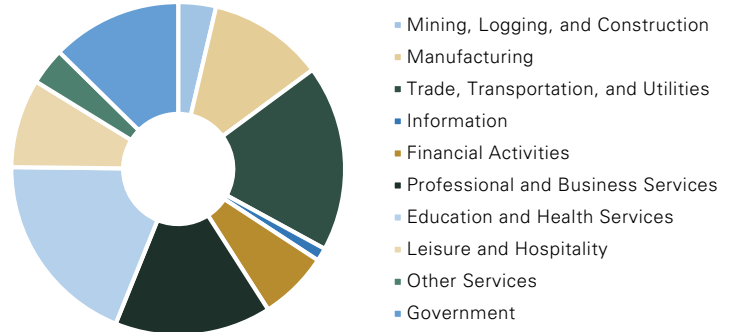
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment By Industry

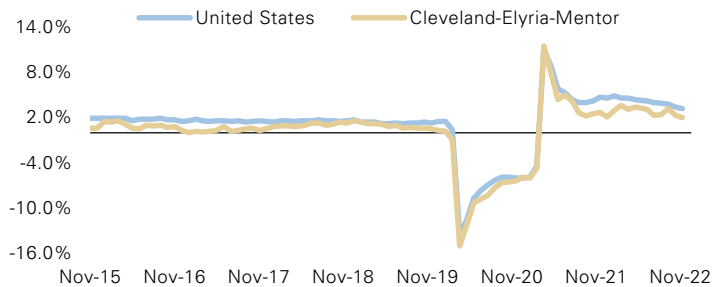
CLEVELAND-ELYRIA-MENTOR



Source: U.S. Bureau of Labor Statistics

Payroll Employment

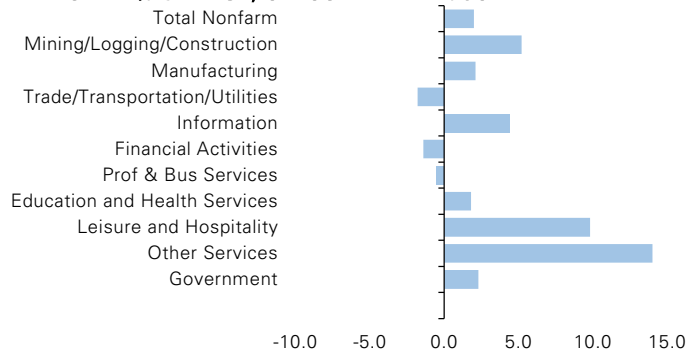
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

CLEVELAND-ELYRIA-MENTOR, November 2022 (preliminary), 12-MONTH % CHANGE, SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

RESEARCH Q4 2022

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