



Cleveland Industrial Market

Industrial Market Stable as New Construction Continues

The Greater Cleveland industrial market continued to show signs of stability in the fourth quarter of 2021. The market tallied 536,016 square feet of positive net absorption. The overall vacancy rate increased slightly by 20 basis points to 5.0%, as the market was affected by an influx of new product that delivered. This was the industrial market’s second consecutive quarter with positive absorption and the fifth out of the last six quarters to absorb space. The market’s vacancy rate has stayed at or under 5% for five consecutive quarters. Half of the six industrial submarkets posted vacancy gains and negative absorption, while the other half posted big positive absorption numbers that helped to offset the negative. 1.37 million square feet of new product delivered, all mostly occupied, indicating a market where demand played a large role.

The industrial year-to-date absorption finished just under 1 million square feet in the positive, at 901,182 square feet.

Construction

As 2021 concluded, 3.57 million square feet of industrial product was under construction. Over 60% of these buildings are scheduled to deliver in the first quarter of 2022. One notable project that began construction in the fourth quarter of 2021 was the Sherwin-Williams R&D facility, located in the South Central submarket at 6701 Miller Rd. in Brecksville.

As the quarter ended, 55.5% of the under-construction product was available for lease. An additional 2.97 million square feet was in the planning stage.

Current Conditions

- Vacancy was at 5.0% as the year ended.
- 1.37 million square feet of product delivered in 4Q21.
- Three of the six industrial submarkets posted negative absorption.
- A couple notable portfolio sales took place in the fourth quarter in highlighting a quarter where property transfers far outweighed significant leases.
- Developers Weston Inc., Scannell Properties and the DiGeronimo Companies joined forces once again to purchase and earmark another former automotive plant for redevelopment, this time the former Ford stamping plant in Walton Hills.

Market Summary

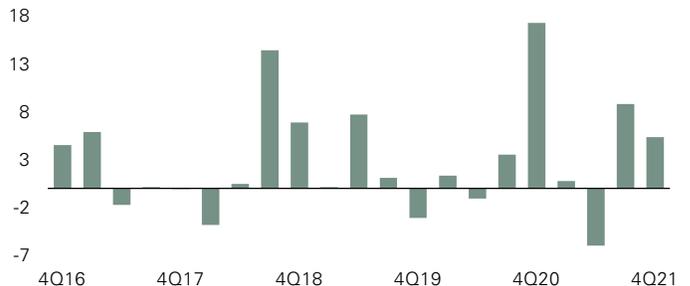
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	290.7M	289.2M	287.7M	↑
Vacancy Rate	5.0%	4.8%	4.6%	→
Quarterly Net Absorption (SF)	536,016	885,276	1.73M	→
Average Asking Rent/SF	\$4.80	\$4.53	\$4.46	→
Under Construction (SF)	3.57M	4.13M	877,537	↑
Deliveries (SF)	1.37M	434,000	324,531	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Hundred Thousands)



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Rental Rates and Class A Warehouses

The fourth quarter of 2021 saw the overall average rental rate increase by \$0.27/SF to \$4.80/SF. All submarkets saw an increase except for the Northeast. The warehouse/distribution sector of the market also saw an increase, as its overall average asking rental rate ticked up by \$0.55/SF to \$4.78/SF. Asking rents in this sector either stayed flat or increased in every submarket. In fact, the Class A warehouse/distribution asking rental rate ended the fourth quarter of 2021 at \$5.89/SF, up \$0.14/SF from the previous quarter.

Multi-Submarket Portfolio Sale

One of the most newsworthy developments in the Cleveland industrial market in the fourth quarter of 2021 was the multi-submarket, 15-asset portfolio of industrial buildings and land that Northeast Ohio's Premier Development Partners sold to Aurora Industrial, LLC in near the end of the quarter. The assets total nearly 2.99 million square feet and transferred for approximately \$201 million, or \$67.21/SF. Spanning the Southeast and South Central submarkets, as well as the Akron area, each individual property within the portfolio sold for an allocated amount per public records.

Some of the most significant properties included in the portfolio were: the 743,721-square-foot Arhaus LLC headquarters and distribution center located at 51 E. Hines Hill Rd. in the Southeast submarket, which transferred for \$75.7 million, or \$98.31/SF; the Akron area's 602,910-square-foot 4560 Darrow Rd., which transferred for \$20.1 million, or \$33.26/SF; the Southeast's 30300-30310 Emerald Valley Pkwy., a two-building property measuring 351,000 square feet that sold for \$31.7 million, or \$90.22/SF; the 241,496-square-foot 4600 Tiedeman Rd. in the South Central submarket, which transferred for \$10.0 million, or \$41.52/SF; the 194,640-square-foot facility at the Southeast's 29001-29099 Solon Rd. that transferred for \$7.6 million, or \$39.17/SF; the 152,400-square-foot property located at 29201 Aurora Rd. in the Southeast that sold for \$9.8 million, or \$64.31/SF; the Southeast's 6279 Hudson Crossing Pkwy., a 125,000-square-foot asset that transferred for \$14.0 million, or \$112.29/SF; and 30400 Solon Rd., in the Southeast, a 111,258-square-foot facility that sold for 10.7 million, or \$96.42/SF. Several other properties that measure under 100,000 square feet were also part of this portfolio.

Aurora Industrial is a platform company launched by BTG Pactual Strategic Capital, Morning Calm Management, LLC and Grupo Patio. This was the company's first Cleveland area purchase.

The Southeast Submarket

Vacancy in the Southeast increased by 70 basis points from the third quarter of 2021 to 5.3%, as a result of giving back the most amount of space of any submarket at 433,080 square feet; 791,464 square feet of new product was under construction in this submarket, which also has the market's second most inventory at approximately 70.2 million square feet. Despite traditionally being the most desirable location of the market, the Southeast was the

only submarket to finish the year with negative absorption after giving back 688,293 square feet for 2021.

The Southeast's average asking rental rate was \$5.31/SF, the third highest in the market and up \$0.12/SF from the previous quarter. However, the warehouse/distribution asking rental rate in the Southeast stayed flat from the third quarter at \$4.77/SF.

One lease of note that came out of the Southeast in the fourth quarter of 2021 was for 50,435 square feet by K&M International, Inc. at 1755 Enterprise Pkwy. in Twinsburg.

Southwest and South Central Submarket News

The Southwest submarket finished the fourth quarter of 2021 with a vacancy rate of 4.0%. It had the third most absorption of the submarkets, tallying 53,114 square feet, and ended the year with 246,180 square feet in positive absorption for 2021. The Southwest still had the second-lowest amount of inventory of all submarkets at 31.9 million square feet, despite delivering 555,500 square feet of new product. It had the fourth most construction underway, at 610,080 square feet, as the year ended. The Southwest's average asking rental rate was \$5.67/SF, up by \$0.41/SF from the previous quarter, the second largest increase of any submarket.

A newsworthy development in the Southwest the past quarter was the 120,000-square-foot lease by Amazon at 6825-6895 Engle Rd. in Middleburg Heights. Though a significant lease, it is much smaller than typical Amazon leases because the space is used as a same-day facility, rather than a sorting or distribution center.

The South Central finished the fourth quarter of 2021 with an average asking rental rate of \$5.85/SF, up by \$0.57/SF, the past quarter's biggest increase. This was paced by a submarket-leading asking warehouse/distribution rental rate of \$6.39/SF.

The South Central's vacancy rate decreased to 6.6%, a drop of 30 basis points from the previous quarter, the second most tightening of a vacancy rate of any submarket. The South Central still recorded the highest vacancy in the market, however, despite its quarter-leading 771,908 square feet in positive absorption; 661,025 square feet of new product is under construction there. For the year, the South Central led all submarkets with 853,143 square feet absorbed in 2021.

Just prior to the year ending in the South Central, developers Weston Inc., Scannell Properties and the DiGeronimo Companies joined forces again to purchase and earmark another former automotive plant for redevelopment, this time the 2.1-million-square-foot former Ford Motor Company stamping plant located at 7845 Northfield Rd. in Walton Hills. The purchase price was \$8.0 million for the 111-acre property. This joint venture is also redeveloping the former 200-plus-acre Ford engine plant site at 18300 Snow Rd. in Brook Park, which it purchased in the second quarter of 2021 and dubbed Forward Innovation Center.

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Also in the South Central, the NEO Park flex/warehouse multi-property business park transferred for \$11.6 million, or \$32.43/SF. The portfolio consists of eight buildings totaling approximately 356,328 square feet, with the facilities ranging from 36,500 to 56,250 square feet. Home to several different companies, the properties are located within the addresses of 14500 and 15601-15687 NEO Pkwy. and sold to an affiliate of Avalier Group.

Another piece of news from the South Central was Sherwin-Williams breaking ground on its R&D facility. The 118.8-acre campus is located at 6701 Miller Rd. on the site of the former Brecksville VA Hospital, adjacent to Interstate 77. The site plan indicates a 600,000-square-foot, three-story building. Sherwin-Williams anticipates a delivery date by the end of 2024.

The Northwest and Northeast Submarkets

The Northwest submarket again had the second-lowest average asking rental rate at \$4.71/SF, despite a \$0.07/SF increase from the third quarter of 2021. Vacancy increased by 20 basis points to 1.8% and kept the Northwest the tightest in the market, while 62,722 square feet was negatively absorbed. For the year, the Northwest absorbed 171,926 square feet.

New product totaling 449,000 square feet was under construction in the Northwest, which has the least amount of inventory in the market at approximately 22.9 million square feet.

The Northeast submarket gave back 76,191 square feet in negative absorption in the fourth quarter of 2021. This prompted the submarket's vacancy to rise from the prior quarter by 10 basis points to 4.4%. The submarket's average asking rental rate decreased by \$0.01/SF to \$4.73/SF. The Northeast had 865,294 square feet of product being built as of the end of the fourth quarter of 2021, the most of any submarket, to add to its 57.86

million square feet of inventory. For 2021, the Northeast had 11,865 square feet in positive absorption.

The Downtown Submarket

The Downtown submarket again had the area's lowest asking rental rate at \$3.69/SF, up \$0.34/SF from the previous quarter. The submarket's vacancy was the second highest in the market, despite a decrease of 40 basis points from the past quarter to 5.9%. This was precipitated by 282,987 square feet of positive absorption, the second most for the quarter. The Downtown submarket finished 2021 with 306,361 square feet of positive absorption; 198,000 square feet of new product was under construction in the fourth quarter of 2021.

The Downtown submarket made several headlines, including news that Orlando Baking Company is planning a 156,775-square-foot cold storage facility that will be located near the company's headquarters around East 75th St. in the area's Opportunity Corridor. Orlando will take some space in the building and then lease out the remainder to other companies.

A significant sale, albeit at an undisclosed price, was the transfer of the landmark 303,000-square-foot Westinghouse complex, located at 1200 W. 58th St., to Westinghouse-Breakwater Properties, LLC, a venture led by businessman Michael Trebilcock, Jr.

The 29,006-square-foot 4741 Hinckley Industrial Pkwy. sold to Trionetics Inc. for \$1.7 million, or \$59.59/SF.

Also in the Downtown submarket was one of the fourth quarter of 2021's largest leases, a renewal by Kennametal for 125,280 square feet at its distribution warehouse located at 18105 Cleveland Pkwy.

Select Lease/User Transactions

Tenant	Building/Address	Submarket	Type	Square Feet
Kennametal	18105 Cleveland Pkwy.	Downtown	Renewal	125,280
Amazon	6825-6895 Engle Rd.	Southwest	New	120,000
K&M International, Inc.	1755 Enterprise Pkwy.	Southeast	New	50,435
Unitrex	23500 Corbin Dr.	Southeast	Extension	40,125
Delivery by the Falls	16758 West Park Circle Dr.	Southeast	New	14,400

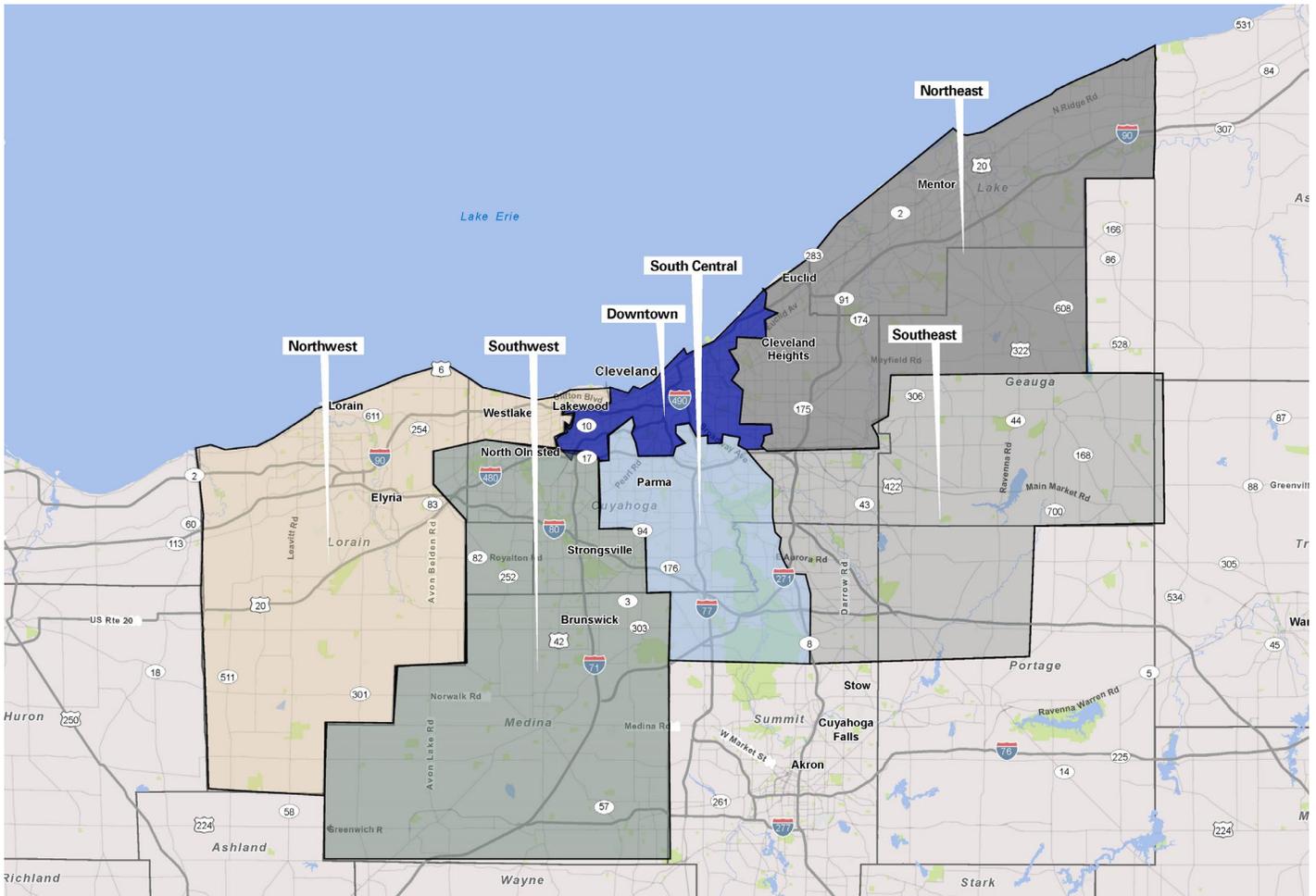
Select Sale Transactions

Building/Address	Submarket	Sale Price	Price/SF	Square Feet
Premier Development Partners Portfolio	Multiple	\$200,974,996	\$67.21	2,990,450
4741 Hinckley Industrial Pkwy.	Downtown	\$1,740,000	\$59.99	29,006
19540 Progress Dr.	Southwest	\$2,800,000	\$55.54	50,413
1943 Midway Dr.	Southeast	\$2,225,000	\$47.09	47,250
1090-1100 W. Bagley Rd.	Southwest	\$1,430,900	\$45.10	31,725

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	72,142,833	198,000	5.9%	282,987	306,361	\$3.82	\$5.56	\$3.69
Northeast	57,855,884	865,294	4.4%	(76,191)	11,865	\$4.44	\$8.34	\$4.73
Northwest	22,887,227	449,000	1.8%	(62,722)	171,926	\$4.77	\$9.69	\$4.71
South Central	35,706,398	661,025	6.6%	771,908	853,143	\$6.39	\$6.58	\$5.85
Southeast	70,155,484	791,464	5.3%	(433,080)	(688,293)	\$4.77	\$6.52	\$5.31
Southwest	31,921,516	610,080	4.0%	53,114	246,180	\$5.73	\$8.25	\$5.67
Market Total	290,669,342	3,574,863	5.0%	536,016	901,182	\$4.78	\$7.01	\$4.80

Cleveland Industrial Submarkets



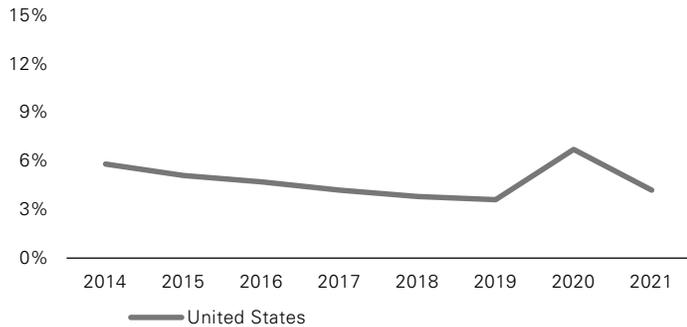
Economic Conditions

The Greater Cleveland economy gained back a modest number of jobs in the fourth quarter of 2021, as total payroll employment increased in November by 1.7% year-over-year. The national total payroll employment number was also up, by 4.1% year-over-year. The Consumer Price Index for Cleveland was up 6.6% year over year.

Four industry sectors saw employment loss, according to preliminary numbers from the Bureau of Labor Statistics, from November 2020 to November 2021: manufacturing at negative 4.2%; education and health services at negative 1.4%; financial activities at negative 0.5%; and other services at negative 0.3%. All other sectors saw an increase from the past year. The leisure and hospitality industry gained the most, by 8.1%; followed by trade/transportation/utilities at 5.2%; mining/logging/construction at 4.3%; professional and business services at 3.8%; the information sector at 2.5%; and government at 0.8%.

Unemployment Rate

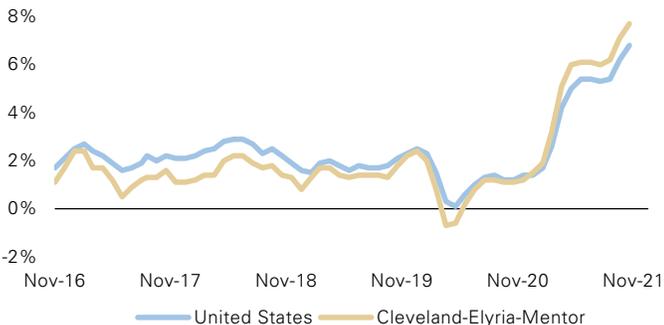
SEASONALLY ADJUSTED



Source: Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

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



Source: Source: U.S. Bureau of Labor Statistics

Employment By Industry

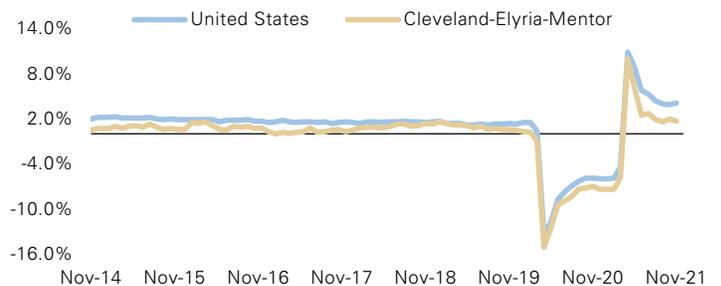
CLEVELAND-ELYRIA-MENTOR



Source: U.S. Bureau of Labor Statistics

Payroll Employment

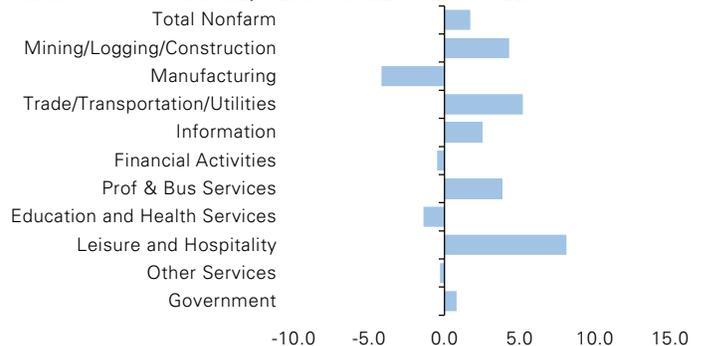
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

CLEVELAND-ELYRIA-MENTOR, Nov. 2021 (preliminary), 12-MONTH % CHANGE, SEASONALLY ADJUSTED



Source: Source: U.S. Bureau of Labor Statistics

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nrmk.com/insights.

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