

INVESTMENT FORECAST

Industrial
Cleveland

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2022

Combination of Rising Rents and Nationally High Yields are Drawing Investors to the Major Great Lake Port City

Net absorption triples from last year as development tapers. Cleveland will continue to close in on a full job recovery this year, bolstering retail sales. Consumer spending posted record numbers in 2021, fueling demand for distribution and warehouse space in the market. Access to several interstate highways, as well as proximity to Akron and Toledo, adds to Cleveland's distribution appeal. The growing need for industrial space is coinciding with a tapering in construction. The largest project underway this year is a 900,000-square-foot tractor distribution center in Stark County, near Akron, which will generate an estimated 300 new jobs. Other notable arrivals include a warehouse in Warrensville Heights and another in Brooklyn Heights. The overall reduction in completions, paired with high demand, will tighten vacancy and apply continued upward momentum to rents. The metro's average asking rent has already climbed 15 percent over the past two years, undoing the decline from 2017-2019, and will set a new high by the end of 2022.

Comparatively high yields and low entry costs draw investors to the metro. Cleveland's comparatively lower sale prices will foster an active investment market in 2022. The sector's stability during the pandemic and its appeal to investors can be seen in the high number of trades made in 2021, exceeding the trailing five-year average. The majority of last year's transactions took place in Cuyahoga and Medina counties. These suburban areas have remained targets of investors for the past half decade, due to Cuyahoga's access to the Port of Cleveland and Medina's moderately above-average rents. Cleveland also offers the highest average cap rate of any major market in the country at a mean of 8 percent, garnering a range of out-of-state investors, in addition to a strong local investment presence. Multiple investors from Texas entered the market last year.

2022 Market Forecast

Employment

up 1.6%

Cleveland businesses continue their steady pace of job recovery, staffing 16,000 workers this year. This is slightly lower than the 2021 increase of 24,700 positions.

Construction

1.4 million sq. ft.

Development will be on par with the trailing 10-year average, at just over 1 million square feet completed in 2022.

Vacancy

down 10 bps

Market vacancy resumes its pre-pandemic downward trend, as net absorption surpasses 1.6 million square feet, pushing the rate down to 4.6 percent.

Rent

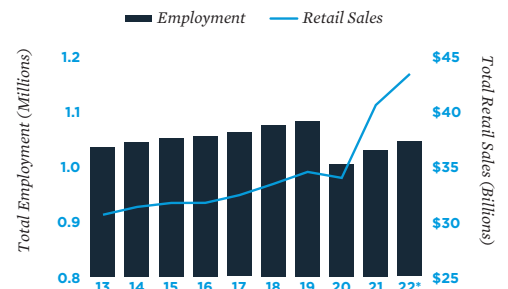
up 5.9%

In 2022, rates will continue to grow amid strong demand, with the average asking rent rising to \$4.65 per square foot.

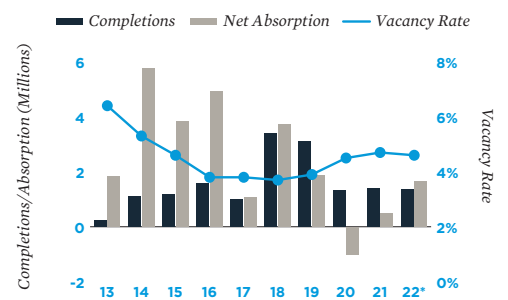
Investment

The metro's position offers efficient access to several population centers in Canada and New York, generating space demand from multinational firms and boosting investment appeal.

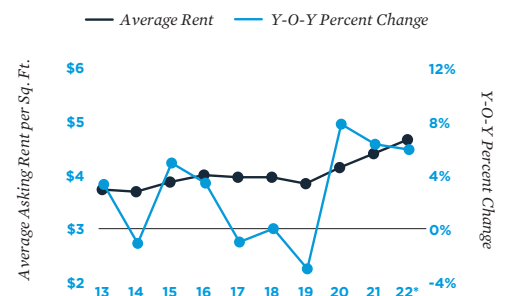
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.