

INVESTMENT FORECAST

Industrial
Cleveland Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

Expanding Corporations Opt for Newer Space, Placing Some Pressure on Vacancy as Construction Rises

Older buildings weigh on vacancy. As companies upgrade operations, modern spaces with automation capabilities are being favored, reflected in the 90 percent pre-leasing of 2024's construction pipeline as of this February. As such, older buildings will continue to pressure the metro's vacancy rate, despite some obsolete properties being acquired for reuse. Nautica Entertainment, for instance, has proposed an indoor concert venue at the former Globe Iron Works site on the west bank of The Flats, which would redevelop the historic building and demolish nearby unoccupied structures. More manufacturer expansions into new or upgrade spaces, similar to Ford's ongoing \$1.5 million investment in its Ohio Assembly Plant to include EV production, may follow as the resolution of the autoworkers' strike has renewed sector confidence.

Investors focus on well-connected counties and low-vacancy inner areas. Deal flow in Cleveland fell last year, but was still slightly above the trailing 10-year average. Investors were cautiously active in the opening months of 2024, which may carry forward, especially as financial conditions loosen. Warehouses in Stark and Medina counties, with proximity to Akron, Cleveland and Columbus via Interstate 71, are likely to garner investor interest. The submarkets had vacancy rates of 1.2 and 3.1 percent, respectively, entering 2024, and expect nominal supply additions this year. Buyers could also be drawn to South Cleveland, where sub-3 percent vacancy and projects like Sherwin Williams' new 600,000-square-foot Global R&D Center — opening in 2024 — exhibit long-term corporate confidence in the area. Inventory has grown by 8 percent in Southeast Cleveland over the last decade, potentially absorbing tenant demand for new space and drawing buyers looking for modern assets.

2024 MARKET FORECAST

+1.4%



EMPLOYMENT: Cleveland will add 15,000 jobs in 2024, boosted by recovery in the manufacturing sector after auto worker labor disputes, allowing total employment to surpass its pre-pandemic high.

2.2 million
sq. ft.



CONSTRUCTION: Inventory will expand by 0.5 percent in 2024. The Avon International Commerce Park and Sherwin Williams' R&D center will account for three-fourths of all new square footage.

+20 bps



VACANCY: For a second straight year, completions will outpace net absorption, pushing vacancy up to 4.0 percent. Still, this rate is 140 basis points below the metro's average from 2000-2023.

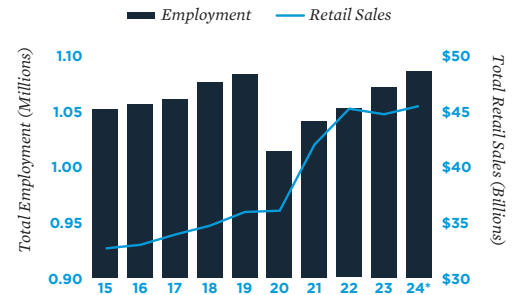
+5.1%



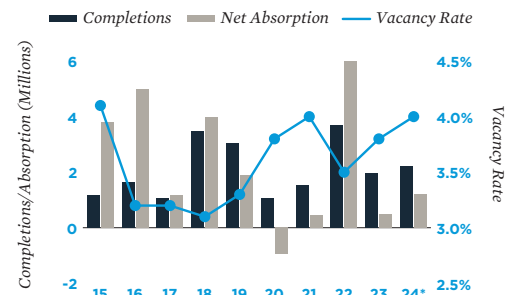
RENT: Upward rent momentum will moderate this year, but the average marketed rate will still rise to an all-time high of \$5.84 per square foot, driven by strong growth in South Cleveland.

INVESTMENT: Yield-driven out-of-state buyers could be increasingly active in Cleveland. The metro's mean cap rate was the highest among major U.S. markets in 2023, paired with the lowest average price per square foot.

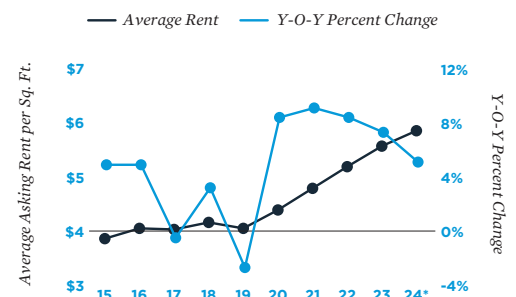
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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 December 2023. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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.