

team  
**neo**

ClevelandPlus  
Business

**Our partners include:**

Greater Cleveland Partnership  
Greater Akron Chamber  
Stark Development Board  
Team Lorain County  
Youngstown-Warren Regional Chamber  
Medina County Economic Development Corporation

Northeast  
Ohio  
Economic  
Review

June 2008  
Volume 2, Issue 2

*The demand for  
industrial real estate  
in Cleveland Plus<sup>TM</sup> is  
strong, and growing.*

Cleveland+  
Akron+ Canton+ Youngstown

Team Northeast Ohio looks at the overall climate of commercial real estate in our next two editions of the *Northeast Ohio Economic Review*. This June 2008 edition takes a look at industrial real estate. Then in September, we will cover the market for office space in our 16-county Cleveland Plus™ region.

## The industrial real estate market is strong, and demand is growing in Northeast Ohio.

According to Colliers Ostendorf-Morris, Cleveland ranks as the nation's ninth largest area of industrial space. This, when coupled with the industrial space throughout the 16-county region, ranks Northeast Ohio as the **sixth largest industrial market in North America.**<sup>1</sup>

**Northeast Ohio has a total stock of industrial square feet larger than at any time since 2000**, with approximately 411 million square feet in total. In 11 of the past 16 quarters, the industrial market has seen positive net change in space being used. In fact, **we're using over 11 million more industrial square feet than we used in early 2004.**

Even in a slower economy, the demand for industrial space is growing. And it's worth noting the industrial real estate market is not facing the same constraints as the residential market.

According to Grubb and Ellis, companies are looking for modern, efficient facilities, despite the uncertainty reported in the current economic climate. A great number of these modern facilities can be found in areas such as Solon and Glenwillow, which currently are seeing the construction of nearly 600,000 square feet.

**Northeast Ohio's vacancy rate is at 8.4%, the second lowest point in the last five years**, with the only lower rate coming in the last quarter of 2007. This nearly mirrors the national rate of 7.9%<sup>2</sup> and indicates the demand for industrial space in Northeast Ohio remains strong. This also suggests a stable real estate market.

Specifically, the occupied space continues to grow at a moderate rate. **In addition, vacancy rates for manufacturing space are the lowest they have been since 2003.**

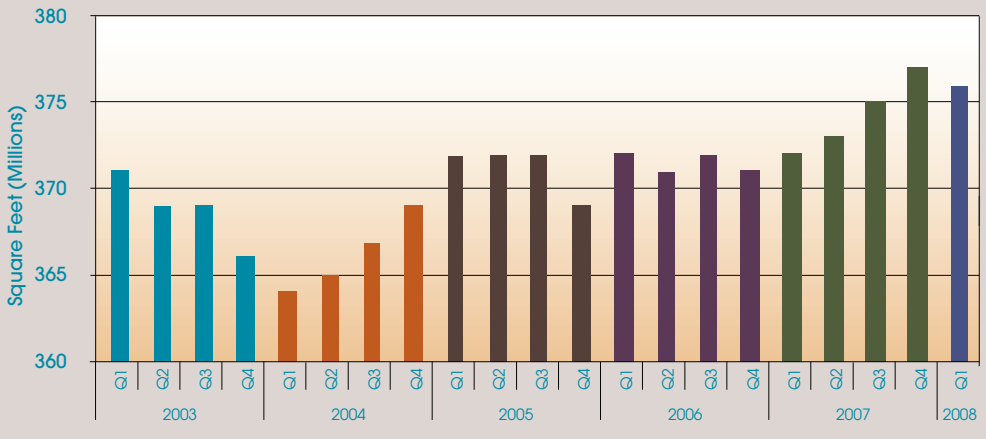
## *The market is watching Northeast Ohio:*

- *Real Estate Research Corporation states that Cleveland is one of the top ten industrial markets to watch in 2008.*
- *The December 2007 Heartland Real Estate Business publication stated the Akron/Canton area is a market that people should keep their eye on for the future.*

<sup>1</sup> Based on rankings of Existing Industrial Inventory, Colliers International North American Industrial Report, Q1 2008.  
<sup>2</sup> Grubb and Ellis North American Industrial Market Report, Q1 2008.

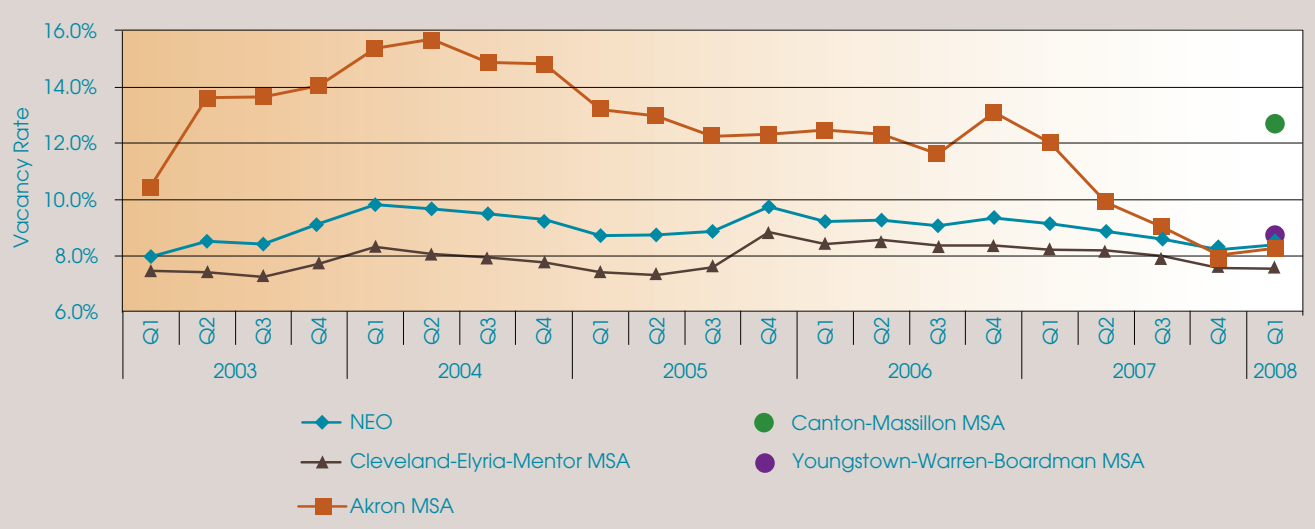
# "The general market for space is public perception would lead

## Northeast Ohio Occupied Industrial Space: 2003–2008



The graph shows the total amount of industrial space occupied by quarter, from the first quarter of 2003 through the first quarter of 2008. Over this period, total occupied industrial space has increased by approximately 11 million square feet.

## Northeast Ohio Industrial Vacancy Rates: 2003–2008



The graph above depicts industrial vacancy rates for Northeast Ohio (see Data Sources) and the Metropolitan Statistical Areas (MSAs) within the 16-county region. The vacancy rate for Northeast Ohio is similar to the U.S. as a whole.

Due to data limitations, trend data was only available for NEO, the Cleveland-Elyria-Mentor MSA, and the Akron MSA, while snapshots of current industrial vacancy rates were available for the Canton-Massillon MSA and the Youngstown-Warren-Boardman MSA.

Full data history is not available on the Canton–Massillon or Youngstown–Warren–Boardman MSAs, but has been included as a point of reference for where these MSAs currently stand.

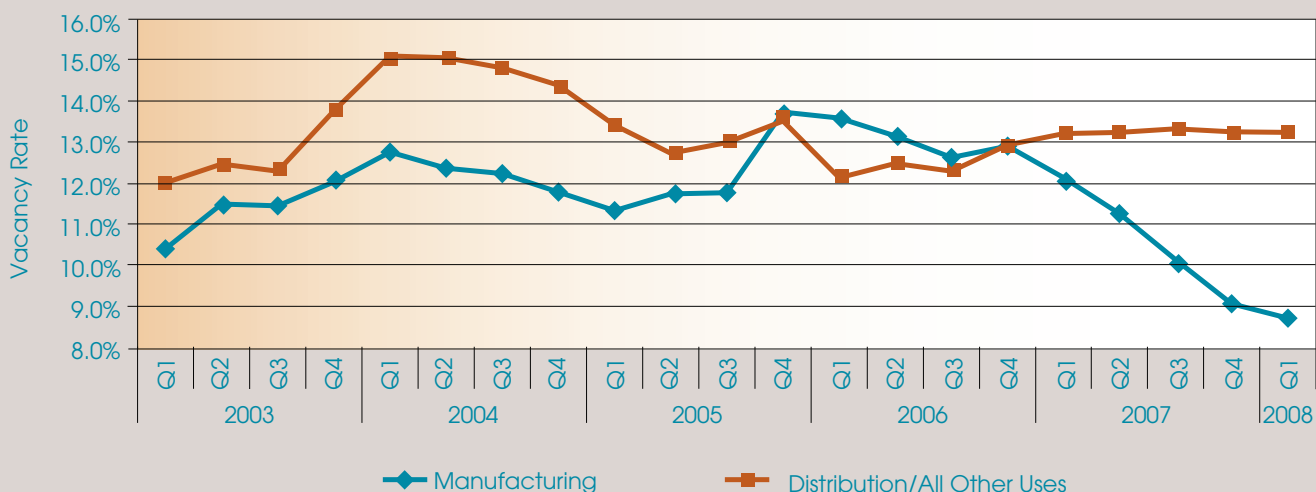
# is a lot stronger than what you to believe.”

— Bob DeHoff, president of DeHoff Development and Prudential DeHoff Realtors

“Much of the interest for expansions is coming from the manufacturing sector, as U.S.-made products become more attractive internationally due to the weakened dollar.”

— Grubb and Ellis, Q1 2008

## Northeast Ohio Industrial Space: Manufacturing vs. Distribution and All Other Uses: 2003–2008



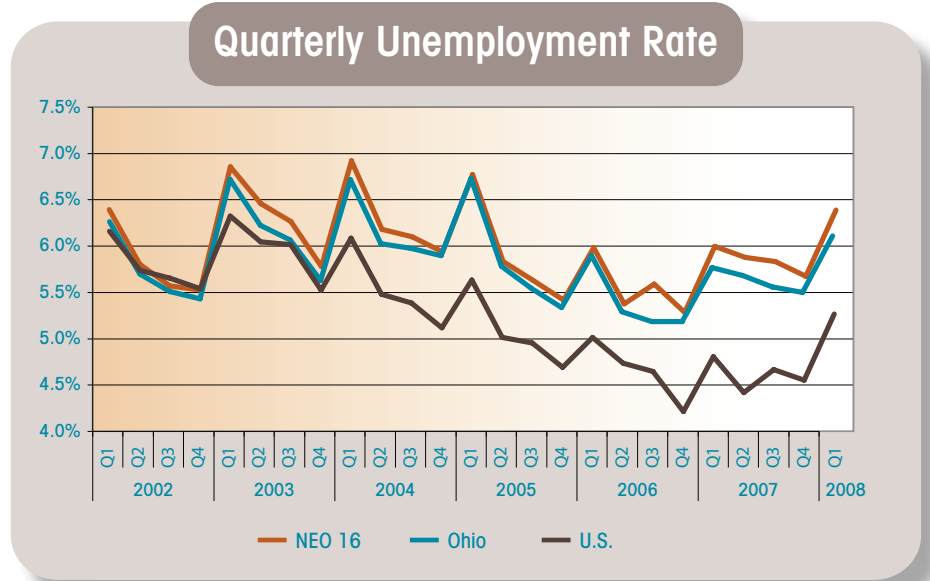
The graph above shows the vacancy rates of space when broken down into two subcategories: manufacturing space, and distribution and all other uses (see Data Sources). Vacancy rates for manufacturing space have declined significantly over the past several years, while rates in all other industrial space are nearly 2% lower than they were at their peak in 2005. Both mirror steady gains in the Cleveland Plus™ industrial economy.

“Although some tentativeness exists, businesses are still looking for and committing to industrial space. Many prospects are actually very surprised to find the market is much tighter than they expected.”

— Joseph Martanovic, senior vice president  
with the Colliers Ostendorf-Morris Industrial Services Group

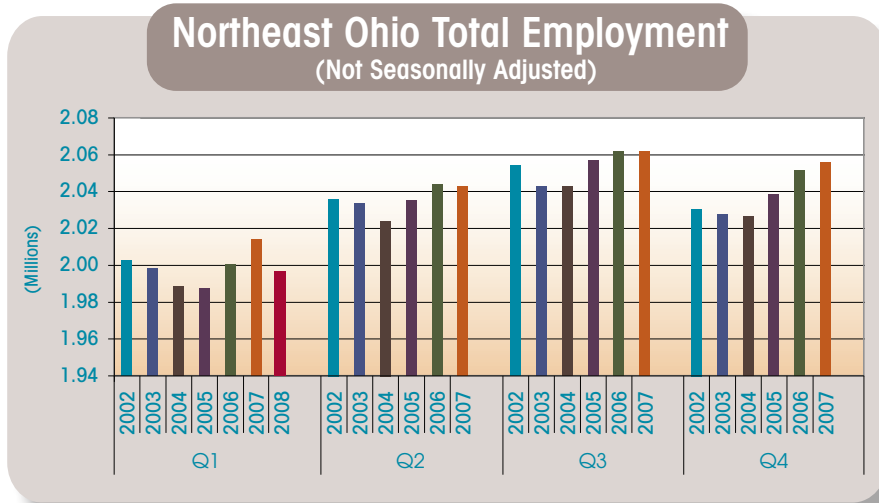
## Industries Susceptible to Seasonality Impacted Unemployment Rate

For several reasons, the unemployment rate usually jumps higher in the first quarter. The quarterly unemployment rate for Northeast Ohio increased in Q1 of 2008 to just under 6.5%. This upward shift was identical to the change in national unemployment, with both rates increasing 71 basis points. This upward shift is largely the result of softness in the service and construction sectors. The unemployment rate was 6.0% in Q1 of 2007.



Source: Ohio Labor Market Information (LAUS Data)

## Employment Numbers Reflect Typical Decrease from Q4 to Q1



Source: Ohio Labor Market Information (LAUS Data)

This chart shows the total jobs in Northeast Ohio without seasonal adjustment.

Looking at the history for each quarter makes it easier to see year-to-year comparisons. The overall trend also illustrates the seasonal pattern in employment. Total jobs usually are highest in Q3 and lowest in Q1.

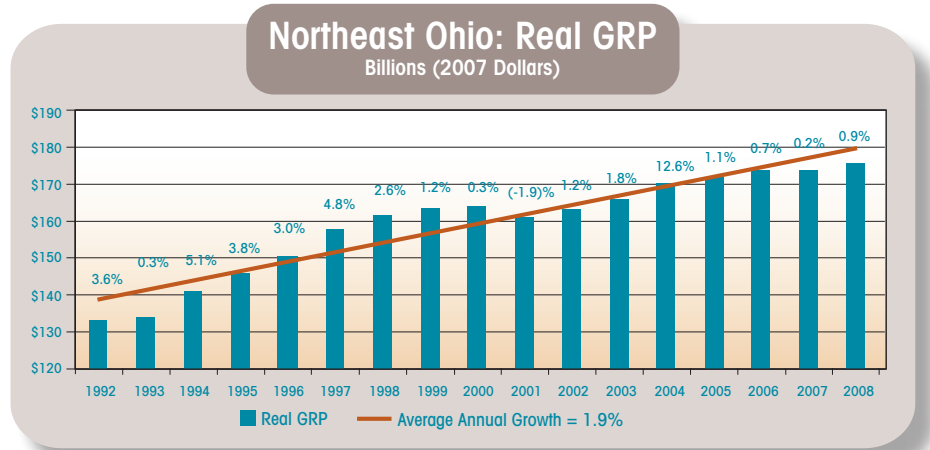
Total employment in Northeast Ohio declined to just under 2 million workers in Q1 of 2008. This follows the traditional downward trend that occurs between Q4 and Q1 due to changes in seasonal employment. Compared to a year ago, employment was down over 16,500, on par with 2006 and above 2004 and 2005. National employment has fallen for the last five months.

# Northeast Ohio economy still showing growth.

## Modest Growth Expected to Continue in 2008

Northeast Ohio is seeing its seventh consecutive year of growth and has grown in 14 of the last 15 years. We expect modest growth to continue through 2008.

The 2008 number was adjusted down as was 2007. This data comes from Moody's Economy.com, which continues to revise its estimates. Even now, 2007 remains an estimated number. It comes as no surprise that these numbers were adjusted down, as we know the economy weakened at the end of 2007 and the beginning of 2008. The gap between the Average Annual Growth trend line and the 2007 and 2008 bars is representative of softness in both the national and local economies.



Source: Moody's Economy.com

## About Team NEO

Team NEO markets Northeast Ohio to attract business investment in targeted industry clusters. The organization is a joint venture of the largest metro chambers, representing 16 counties and their 4 million people. Team NEO serves as a central resource, informing and serving those considering investment in Northeast Ohio and is a co-founder of the Cleveland Plus™ Marketing Alliance, a coalition to drive strategic, long-term marketing for Northeast Ohio. For more information, visit [www.teamneo.org](http://www.teamneo.org).

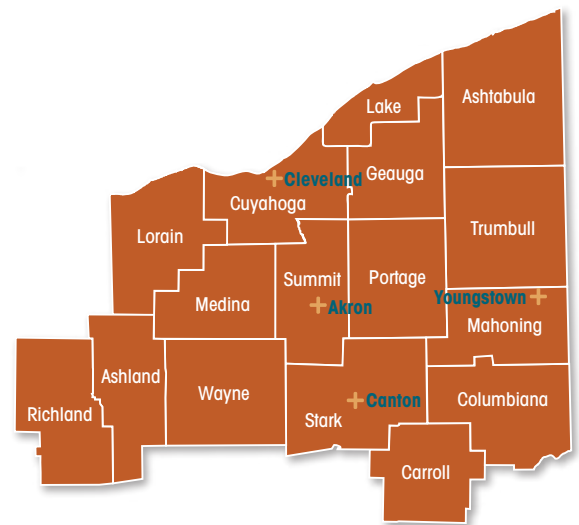
**Data Sources:** Team Northeast Ohio uses a number of data sources for the Regional Economic Review. One of the primary sources is the Moody's Economy.com ([www.economy.com](http://www.economy.com)) Northeast Ohio modeling system. This firm is the leading independent provider of economic, financial and industry research and data that specializes in national and metropolitan economic growth forecasts. Moody's Economy.com county level output, employment and payroll historical data are estimated from several publicly available sources and are summarized into the Team NEO regional footprint. It is important to understand data provided by Economy.com are estimates of economic activity.

Team NEO also uses data from federal and state sources as part of the report. As with Economy.com, the information for the Team NEO footprint is derived from data reported at either the county or metropolitan level. We rely heavily on data from the U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)) and Ohio's Labor Market Information ([www.lmi.state.oh.us](http://www.lmi.state.oh.us)) for information on wages, unemployment and both general and industry-specific employment. In addition, Team NEO uses data from the Census ([www.census.gov](http://www.census.gov)) to track housing-related activity including the number of single and multifamily permits, as well as their values.

Industrial data for this edition was derived from the CoStar Group. The CoStar Group is a leading provider of commercial real estate data throughout the United States, covering more than 58 billion square feet of property throughout the country.

Due to market limits within the CoStar database, historic trend data for the Team NEO region is defined as 10 of the 16 counties forming the regional footprint. These counties include Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, Richland, Stark and Summit.

Additionally, the industrial property breakdown between manufacturing and distribution and all other uses is defined by industrial properties classifying a second use. This encompasses approximately 70% of all industrial properties.



Cleveland Plus 16-County Region

737 Bolivar Road, Suite 2000, Cleveland, Ohio 44115  
888.NEO.1411 • [www.teamneo.org](http://www.teamneo.org) • [www.clevelandplusbusiness.com](http://www.clevelandplusbusiness.com)