

MARKETBEAT

Cleveland, OH

Office Q3 2019



CLEVELAND OFFICE

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Cleveland Employment	1,070k	1,077k	▲
Cleveland Unemployment	5.0%	4.3%	▲
U.S. Unemployment	3.8%	3.7%	▲

Numbers above are quarterly averages

Market Indicators (Overall, All Classes)

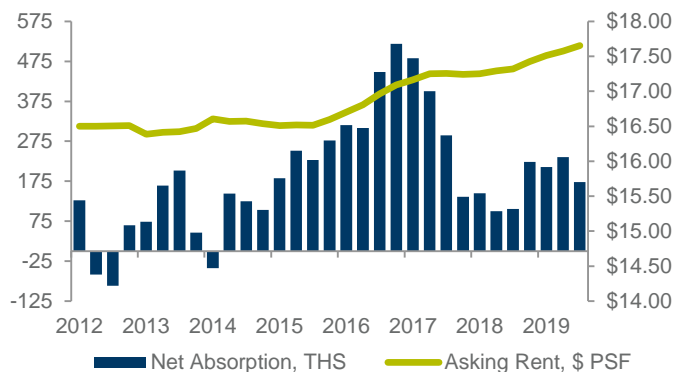
	Q3 18	Q3 19	12-Month Forecast
Vacancy	8.6%	6.2%	▼
YTD Net Absorption (sf)	890k	27k	▼
Under Construction (sf)	1.2M	181k	▼
Average Asking Rent*	\$17.31	\$17.63	▲

*Rental rates reflect gross asking \$psf/year.

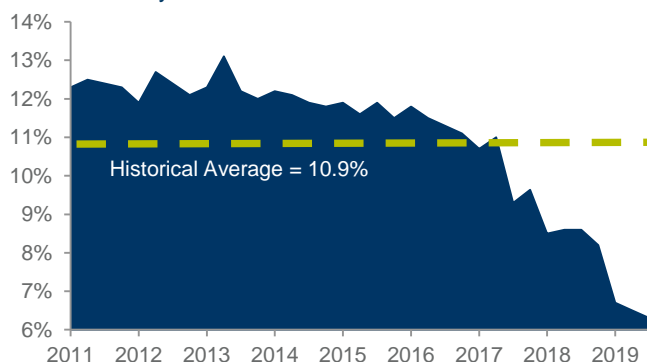
**Market Indicators are not reflective of U.S. MarketBeat Tables.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic

Northeast Ohio's economy was steady in Q3 2019, as most economic indicators were relatively stagnant. There was slight wage growth throughout the region, especially for entry-level positions across retail, office, and industrial sectors. Demand for construction and commercial real estate remained strong and without any indications of change forthcoming in the market. Hiring numbers throughout the Cleveland market remained steady, and unemployment numbers have hovered at historic lows for the last several quarters.

Market Overview

Office market conditions were relatively stable in Q3 2019 throughout Northeast Ohio, with modest changes to asking rates and vacancy rates. Overall vacancy rates continued the downward trend over the last few years, now to just 6.2% for the Northeast Ohio market. However, average asking rates experienced a slight reduction, down from \$17.71 per square foot (psf) last quarter to \$17.63 psf in Q3 2019. The most concerning trends were in the proposed office projects downtown. NuCLEus is yet to begin construction, Market Square has significantly scaled back its office tower, and the Centennial project at 925 Euclid has announced a reduction in office space projected, favoring more apartments instead. While the market has remained solid for 12 straight quarters, it appears there is concern amongst developers about the market's appetite for new product. In addition, Sherwin-William's headquarters search status remains the most pressing open question for the Cleveland office market.

Outlook

The major data points for the market, such as vacancy rates, absorption and asking rent will largely remain stable, although that does not mean there are not dynamic changes to expect. Sherwin-Williams headquarters and R&D facility relocations are the biggest open question for the Cleveland market. The company's location choice will have collateral effects, both positive and negative. Additionally, the scaling back of previously announced speculative office developments, including Market Square and the Centennial project, suggests that developers are wary of the market's ability to absorb new Class A space in the CBD, which will continue to be Cleveland's most active and in-demand submarket for occupiers.

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SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	31,431,236	2,429,158	81,848	11.3%	-136,210	-200,069	171,137	0	\$20.03	\$23.38
Akron	27,014,616	1,226,360	17,314	4.6%	-127,083	14,309	201,305	82,000	\$16.40	\$20.92
Chagrin, East & Lander	14,194,435	725,737	4,197	5.1%	-69,158	-53,699	167,824	0	\$20.99	\$25.29
Stark County	12,491,108	689,155	7,048	5.5%	-79,527	-22,532	64,521	0	\$15.01	\$17.83
Rockside & South	9,782,125	844,082	10,924	8.6%	-12,904	-124,750	206,128	0	\$19.20	\$21.60
West	9,130,430	509,815	7,876	5.6%	98,840	94,973	116,436	71,500	\$15.75	\$21.61
Southwest	8,796,692	549,765	1,333	6.2%	124,561	107,333	78,014	0	\$14.02	\$21.40
Northeast & Lake County	9,045,592	766,122	4,237	8.4%	3,295	-30,113	77,567	0	\$15.92	\$26.00
Midtown	7,613,773	289,970	25,337	3.8%	-34,794	-6,582	79,356	0	\$17.81	\$22.39
Lorain County	5,859,012	179,380	0	3.0%	-1,017	242,370	33,326	0	\$15.61	\$22.52
Fairlawn & Montrose	4,202,095	386,743	0	9.2%	-8,725	-3,316	59,520	0	\$17.32	\$21.52
Portage & Geauga	4,211,916	151,064	1,375	3.6%	-22,103	-23,135	21,205	0	\$17.35	\$23.77
Southeast	3,852,564	289,317	5,209	7.5%	5,707	-14,877	108,760	0	\$16.78	-
Medina	3,174,269	172,396	0	5.4%	-7,980	28,536	43,183	27,929	\$14.23	\$13.00
CLEVELAND TOTALS	150,799,863	9,209,064	166,698	6.2%	-267,098	8,448	1,428,282	181,429	\$17.63	\$22.18

*Rental rates reflect gross asking \$psf/year

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Class A	29,782,648	2,464,669	89,489	8.6%	-183,625	-288,622	437,175	142,000	\$21.92	\$22.18
Class B	77,019,681	5,075,950	54,310	6.6%	-83,741	214,886	738,210	39,429	\$16.82	\$16.82
Class C	43,997,534	1,668,445	22,899	3.8%	268	82,184	252,897	0	\$14.20	\$14.18

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
23000 Millcreek Boulevard, Highland Hills	44,000	AML Rightsource LLC	New	East
3900 Kinross Lakes Parkway, Richfield	25,000	Davey Resource Group	New	South
6150 Oak Tree Boulevard, Independence	22,649	Keyfactor	New	South
2019 Center Street, Ste 400, Cleveland	13,759	Richard L. Bowen & Associates Inc	New	CBD
2 Summit Park Drive, Ste 410, Independence	12,505	Maxim Healthcare	New	South

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
7007 E. Pleasant Valley Road, Independence	56,002	ADP, Inc./Redwood Corporate One LLC	\$2,900,000/ \$99	South
3380 Brecksville Road, Richfield	23,900	3380 Brecksville Road LLC/Richfield Professional Properties	\$2,100,000 / \$88	South
12501 Madison Avenue, Lakewood	20,471	Mulberry Street Properties LLC/Little Jemmy, LLC	\$750,000/ \$37	West
29077 Clemens Road, Westlake	14,934	Partnership LLC/GWT Hopebridge 2 LLC	\$1,480,000/ \$52	West

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