

	YoY Chg	12-Mo. Forecast
<b>6.5%</b> Vacancy Rate	▼	▲
<b>-418K</b> Net Absorption, SF	▲	▼
<b>\$18.93</b> Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
<b>957K</b> Cleveland Employment	▼	▲
<b>10.9%</b> Cleveland Unemployment Rate	▲	▼
<b>8.8%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

## ECONOMY: COVID-19 Pandemic Causing Office Market Tumble

It was only a matter of time for the COVID-19 pandemic to show its significant impact on the Cleveland office market, and with 662,000 sf of negative absorption in Q3 2020 across Northeast Ohio, the outlook is bleak going forward. Employees are slowly coming back to offices, but corporations large and small are re-thinking their real estate strategies, and those companies who have made decisive moves since March have largely elected to downsize, and in some cases, give up their office space altogether until the status quo improves. In Cleveland, there is more sublease office spaces available right now than at any other point since the great recession. Supply of office space has become somewhat saturated with the influx of sublease opportunities, particularly in the CBD, which has resulted in suppressed asking rates and increasing landlord incentives for tenants. As leases expire through the end of 2020 and into 2021, a shot in the arm by way of a large federal stimulus package or a widely distributed and effective COVID-19 vaccine is likely what's needed to reverse the negative trends in the office market both locally and nationally.

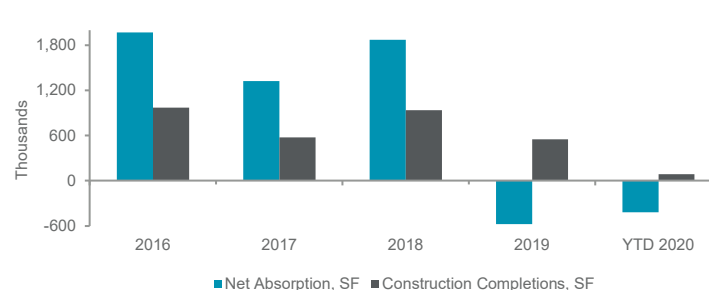
### CBD UPDATE: It's Not All Bad News

The best news to come out of Q3 2020 for the downtown Cleveland office market was Sherwin Williams' announcement that they are going to continue with their plans to build a roughly 1,000,000 sf headquarters, which should serve as a catalyst for other downtown business activity. With many Fortune 500 businesses re-thinking their office footprints, it's a positive sign that Sherwin Williams, a top employer for the city of Cleveland, is still a believer in their downtown headquarters plan. Additionally, Cleveland-Cliffs announced the acquisition of ArcelorMittal's U.S. assets, which may trigger significant additional space needs from Cleveland-Cliffs, one of the largest occupiers at 200 Public Square.

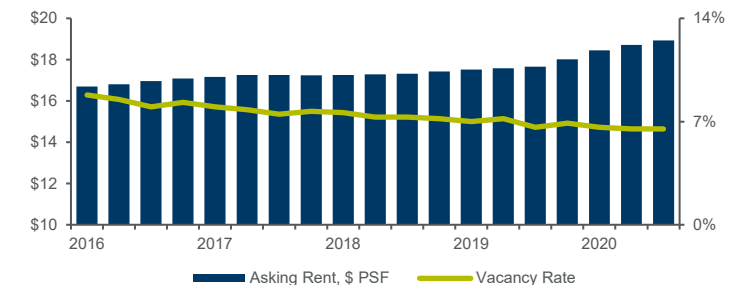
### CHANGE IN OWNERSHIP: Active Suburban Market

Even in an anemic market, there were still some significant transfers, particularly in the suburban markets. The most active buyer was Realife Real Estate Group, purchasing two high profile Class B assets on the east side. Realife acquired 24400 Chagrin Boulevard for \$3.2 Million (\$99/sf) as well as 25700 Science Park Drive for \$3.8 Million (\$88/sf). The purchase price for these assets is consistent with pre-pandemic sales comparables, demonstrating confidence in the east side suburban market going forward, despite the challenges brought on by COVID-19. Low interest rates and increasingly distressed assets potentially hitting the market in Q4 may incen an active sales market to close out the year and into 2021 as buyers with dry powder seek out value opportunities during a slumping economy and the uncertainty of an election year.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	30,552,703	184,043	2,127,899	7.0%	-42,434	88,275	312,924	0	\$21.51	\$23.88
Akron	26,877,152	31,023	1,698,226	6.3%	-153,721	-364,003	304,679	45,000	\$18.40	\$22.34
Chagrin, East & Lander	14,774,621	7,974	682,425	4.6%	-3,635	69,207	248,102	0	\$21.48	\$23.51
Stark County	12,846,094	7,048	876,662	6.9%	10,418	-6,227	61,146	100,000	\$16.15	\$19.16
Rockside & South	9,580,517	6,909	841,677	8.8%	-123,770	-85,716	134,715	0	\$18.52	\$22.46
West	9,286,002	32,436	546,729	5.9%	-43,985	28,978	74,195	234,000	\$17.57	\$24.59
Southwest	9,112,027	3,250	562,398	6.2%	-87,962	-71,622	126,419	12,150	\$15.73	\$21.50
Northeast & Lake County	9,337,447	0	615,964	6.6%	53,427	37,177	42,515	0	\$15.04	-
Midtown	7,661,630	9,130	282,456	3.7%	-5,946	305	39,599	0	\$18.91	\$24.64
Lorain County	6,109,695	0	225,173	3.7%	-228,964	-10,296	23,043	32,500	\$17.38	\$22.52
Fairlawn & Montrose	4,206,570	0	396,843	9.4%	-18,230	-43,566	35,144	0	\$18.31	\$21.84
Portage & Geauga	4,266,673	0	205,590	4.8%	-9,240	-30,971	22,850	0	\$16.14	\$15.78
Southeast	3,363,991	26,372	250,692	7.5%	-19,171	-83,192	33,670	130,000	\$18.06	\$21.04
Medina	3,288,327	0	167,557	5.1%	10,793	53,462	26,403	0	\$13.24	\$12.00
<b>CLEVELAND TOTALS</b>	<b>151,263,449</b>	<b>308,185</b>	<b>9,480,291</b>	<b>6.5%</b>	<b>-662,420</b>	<b>-418,189</b>	<b>1,485,404</b>	<b>553,650</b>	<b>\$18.93</b>	<b>\$22.70</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6001 E Royalton Road	South	Family Heritage Life Insurance	16,274	New Lease
600 Superior Avenue, Suite 2300	CBD	RBC Capital Markets, LLC	13,643	New Lease
9555 Rockside Road	South	The Builders Exchange	12,000	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
3219 Detroit Road	CBD	Edge 32 LLC/ RL Edge 32 Project, LLC	75,000	\$13.6M / \$181
25700 Science Park Drive	Chagrin, East & Lander	Landmark Centre Ltd/ RL Landmark, LLC	43,725	\$3.8M / \$88
24400 Chagrin Boulevard	Chagrin, East & Lander	Investment Associates Ltd/ RL Reflections, LLC	32,183	\$3.2M / \$99
29055 Clemens Drive	West	Patricia Hannigan/ The Kutoff GM Group LLC	14,934	\$1.7M / \$114
44 E. Exchange Street	Akron	Beacon Journal Publishing Co/ ABJ Building LLC	230,000	\$1.3M / \$6

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