

	YoY Chg	12-Mo. Forecast
6.7% Vacancy Rate	▲	▲
-282K Net Absorption, SF	▼	▼
\$19.00 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
1.0M Cleveland Employment	▼	▲
6.2% Cleveland Unemployment Rate	▲	▼
6.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY: Office Market Continues to Reel from COVID-19 Impact

The northeast Ohio office market showed signs of life in Q1 2021 as office occupiers begin to come back to work in physical offices, breathing much needed life into the sector for landlords. 6 submarkets in Northeast Ohio, including Cleveland CBD, Akron, and the Northeast, had positive net absorption in Q1, a strong signal of the uptick in leasing activity and relative confidence in the office market going into Q2 and beyond. Cleveland suburbs continued their strong performance, with vacancy rates in the east and west markets hovering at less than 7.0%. It appears the worst is behind us for COVID-19 and its effects on the office market, although most experts believe it will be years before we again reach pre-pandemic numbers of occupancy rates, asking rates, and leasing activity. It is likely that many companies never return to the physical office, and more likely that companies implement hybrid approaches to the workplace, which likely will result in lower office demand and less square footage per employee ratios. The rising costs of construction materials and labor shortages, coupled with the rocky past year for the office market, likely means that new office construction will be minimal for the foreseeable future.

CBD UPDATE: Public Square Skyscraper Changes Hands

Optima International, owners of the struggling 55 Public Square office building, have been mired in legal trouble and foreclosure proceedings over the past few years on their downtown Cleveland portfolio. Q1 2021 marked the transfer of one of their largest Cleveland assets, as 55 Public Square sold to K&D Real Estate Services for \$14MM (\$31/psf). Optima International originally purchased the property in 2008 for \$34MM (\$75/psf), and despite the massive overhaul of Public Square, Optima was unable to hold onto the many legal and professional service tenants that called 55 Public Square home. The property sits at a paltry 40% occupancy rate, and K&D is poised to invest tens of Millions to renovate the common areas, add a rooftop restaurant, and bring the property back to life in one of Cleveland's most high-profile locations.

CHANGE IN OWNERSHIP: Deals Inked

The largest leases inked in Q1 were in the Cleveland suburbs, which is consistent with the recent office trends we have witnessed with companies shying away from downtown and instead choosing the suburban office product type. The most significant of these new leases was in Hudson at 50 Executive Parkway, as Diebold Nixdorf completed the 2nd leg of its headquarter relocation by signing on for 69,000 square feet. Additionally, GSA relocated to 5005 Rockside Road in Independence, snatching up 18,902 square feet on the 7th floor. Lastly, Nations Lending, a quickly growing mortgage company, took 10,000 square feet at 10055 Sweet Valley in Valley View. With a red-hot residential housing market in Cleveland and historically low interest rates, mortgage brokers in the Northeast Ohio market represent some of Cleveland's fastest growing companies.

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	30,413,811	179,977	1,990,607	6.5%	53,121	53,121	41,892	0	\$21.61	\$23.53
Akron	27,044,391	64,903	1,462,520	5.4%	93,233	93,233	27,061	63,000	\$18.27	\$22.57
Chagrin, East & Lander	14,928,844	20,608	905,542	6.1%	-18,582	-18,582	39,918	0	\$21.95	\$23.51
Stark County	13,241,730	32,048	1,065,757	8.0%	-83,218	-83,218	39,945	100,000	\$15.77	\$17.40
Rockside & South	9,622,849	6,909	970,425	10.1%	-164,555	-164,555	186,686	0	\$18.44	\$22.39
West	9,761,747	26,404	579,823	5.9%	35,539	35,539	64,095	50,000	\$17.24	\$25.29
Southwest	9,427,748	6,390	796,808	8.5%	-122,942	-122,942	17,407	0	\$15.81	\$15.81
Northeast & Lake County	9,331,677	4,600	556,905	6.0%	44,787	44,787	5,935	0	\$14.49	-
Midtown	7,765,593	9,130	241,224	3.1%	9,831	9,831	5,805	0	\$19.03	\$24.64
Lorain County	6,214,404	4,488	224,190	3.6%	-14,211	-14,211	13,255	32,500	\$18.69	\$22.52
Fairlawn & Montrose	4,263,870	16,000	458,754	10.8%	-92,881	-92,881	14,962	0	\$18.85	\$22.24
Portage & Geauga	4,259,783	0	165,210	3.9%	34,470	34,470	7,169	0	\$16.50	-
Southeast	3,404,969	3,400	275,289	8.1%	-53,395	-53,395	654	130,000	\$19.80	\$21.04
Medina	3,331,418	0	158,783	4.8%	-3,368	-3,368	31,317	0	\$14.60	\$12.00
CLEVELAND TOTALS	153,012,834	374,857	9,851,837	6.7%	-282,171	-282,171	496,101	375,500	\$19.00	\$22.51

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
50 Executive Parkway	Southeast	Diebold	69,000	New Lease
5005 Rockside Road, Suite 700	Rockside & South	GSA	18,902	New Lease
10055 Sweet Valley	Rockside & South	Nations Lending	10,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
55 Public Square	CBD	Optima International LLC/ K&D Real Estate Services LLC	452,419	\$14M / \$31
3333 Copley Road	Fairlawn & Montrose	Babcock & Wilcox/ Grey Fox Capital Ltd	177,090	\$4M / \$23
6101 W 130 th Street	Southwest	Newcastle Industries Inc/ Arrowpoint Capital	63,964	\$2.3M / \$36
6929 W 130 th Street	Southwest	Malachite Group LTD/	44,255	\$1.2M / \$27
6225 Oak Tree Boulevard	Rockside	UTC Aerospace Systems/ Liberty Home Mortgage	41,442	\$4.0M / \$97

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